COHERENT CORP.

NYSE: COHR | Datacentre transceivers and indium phosphide lasers; industrial lasers and materials | Saxonburg, Pennsylvania

Tommy Lau | 2 November 2026 | Initiation of coverage | Independent research

LONG	**Target price:** US$275.00	**Last price:** US$210.32 (NYSE close, 30 October 2026)	**Upside:** +30.8%

Coherent is paid every time the plug is bought again. At US$210, the shares pay for this year's step and none after it.

Coherent builds the optical plugs that link the racks of an AI cluster, and grows the indium phosphide lasers inside them. My piece of 4 September argued that the plug survives co-packaged optics and is bought again at every speed step, from 800 gigabits to 1.6 terabits. Coherent is the company most paid by that claim, and most hurt if it fails.

The claim holds so far. Coherent's data centre business grew 40% in fiscal 2026, 1.6T is ramping and 800G still grows. Yet the shares have fallen 51% from their June record, to 15.1 times consensus fiscal 2028 earnings, as fear of co-packaging and of a laser glut has spread across optics.

My call: LONG, target US$275, low conviction. Twenty-two times my fiscal 2028 EPS of US$12.53 gives US$276, up 31%, inside a range of US$105 (down 50%) to US$426 (up 103%). Conviction is low: results land in two days, the business has fallen before, and it burns cash to grow.

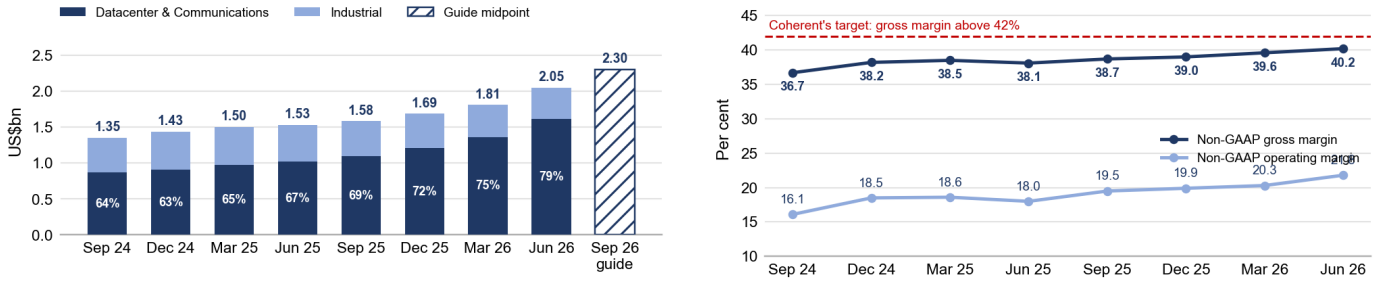
Stock data
LAST PRICE **US$210.32, NYSE close 30 October 2026; record close US$426.89 on 2 June 2026, intraday high US$440.00 on 3 June 2026**
MARKET VALUE **US$41.2bn on 195.8m shares (10 Aug 2026)**
NET DEBT, 30 JUN 2026 **US$1.24bn; enterprise value about US$42.8bn**
FY26 (TO 30 JUN 2026) **Revenue US$7.12bn, up 22.5%; non-GAAP EPS US$5.61; Datacenter & Communications 74% of revenue**
Q1 FY27 GUIDE (12 AUG 2026) **Revenue US$2.2 to 2.4bn; non-GAAP gross margin 39.5 to 41.5%; EPS US$1.85 to 2.05**
P/E **22.4x FY27 and 15.1x FY28 consensus; 16.8x my FY28E**
CONSENSUS (STOCKANALYSIS.COM) **Average target US$391 (26 analysts, low US$230)**
NEXT EVENT **Q1 FY27 results, Wednesday 4 November 2026, after the NYSE close (announced 14 Oct)**

Key financials (fiscal years to 30 June; non-GAAP EPS as Coherent defines it)

US$ million unless stated	FY24A	FY25A	FY26A	FY27E*	FY28E*
Revenue	4,708	5,810	7,118	10,420	13,025
Growth (%)		23	23	46	25
Datacenter & Communications		3,755	5,275		
Non-GAAP gross margin (%)		37.9	39.4	41.3	42.0
Non-GAAP operating margin (%)		17.8	20.5	24.3	25.5
Non-GAAP EPS (US$)	1.21	3.53	5.61	9.56	12.53
Consensus EPS (US$)				9.40	13.91
P/E at US$210.32 (x)			37.5	22.0	16.8

**My estimates. FY24A to FY26A from Coherent's results releases; FY24 and FY25 non-GAAP as recast, FY24 EPS derived from the FY25 release. Consensus from stockanalysis.com (S&P Global), updated 30 October 2026. Industrial revenue fell 10% in FY26 after the sale of the aerospace and defence business in September 2025 and a Munich unit in January 2026.*

Two charts: the plug is now four fifths of the business, and the margin is rising



Left: revenue by segment, US$bn, with Datacenter & Communications as a share of revenue; the last bar is the Q1 FY27 guide midpoint. Right: non-GAAP gross and operating margin, per cent; the 42% gross margin target is from the 12 August 2026 call. Sources: Coherent results releases, 6 November 2024 to 12 August 2026; FY25 non-GAAP as recast.

The thesis: the bulb is bought again, and Coherent makes both bulb and filament

Go back to the house from the piece. The wires in the walls, the glass fibre, are laid once. The bulbs, the optical plugs, are replaced whenever the owner wants more light. Coherent sells the whole bulb, and it also grows the filament, the indium phosphide laser, in its own fabs. Each brighter generation of chips sends the owner back to the shop.

The numbers show the shop busy. Datacenter & Communications revenue rose from US$3.76bn to US$5.27bn in fiscal 2026, 40%, and the 10-K says the growth was driven primarily by transceivers. The segment was 64% of revenue in the September 2024 quarter and 79% in the June 2026 quarter. Its segment profit rose 47%, to US$1,330m, a 25.2% margin.

Paid at every speed step. On the 12 August call, by third-party transcripts, management said growth would come from both 800G and 1.6T, and the 1.6T ramp had pulled in. Its results deck lists 1.6T, 3.2T and 6.4T transceivers among existing growth engines, and the 10-K shows research on 400 gigabit per lane parts for 3.2T and 6.4T. Each step needs new plugs and faster lasers, so Coherent is paid again each time.

The constraint is the laser, and Coherent is adding it. Management said on the call that laser output, not assembly, caps data centre revenue, and that it made about 80% more indium phosphide lasers in the June quarter than a year earlier. The deck says internal output is on track to double by the end of 2026 and more than double again by 2027. Its six-inch lines in Texas and Sweden make EMLs, continuous lasers and photodiodes at higher yields than three-inch lines; the finance chief put a six-inch wafer at about four times the output for half the cost.

Nvidia is committed. On 2 March 2026 it bought 7,788,161 new shares at US$256.80, US$2bn, alongside a multi-billion-dollar purchase commitment and capacity rights (Form 8-K). The same filing gives Nvidia access to five more Coherent product families related to co-packaged optics. On the call Coherent said fiscal 2027 is effectively booked, with orders into calendar 2028.

The co-packaging question: what Coherent loses, and what it keeps

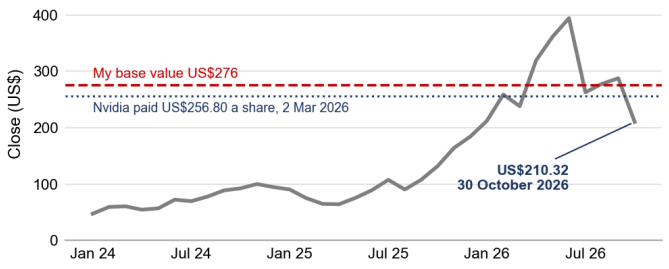
Co-packaging is a bigger question for Coherent than for Lumentum. Lumentum mainly sells the laser, which both designs need. Coherent's largest product is the whole plug, and a co-packaged switch has no plug between racks. So Coherent loses the module where co-packaging wins, and keeps the laser that feeds it, in a removable module.

It has hedged both ways. The deck dates first co-packaged revenue to the second half of 2026, and the call to the December quarter, with scale-up use from the second half of 2027. Coherent sizes the extra market from co-packaged and near-packaged optics at over US$15bn. The piece's evidence still says the plug stays: Nvidia's Vera Rubin blueprints of 15 September picked pluggable switches for both fabrics. I cannot split Coherent's revenue between plug and laser from its filings; it does not report one.

The claim holds. Coherent's results support it on every point I can test: plugs growing at two speeds at once, the laser the limit, and co-packaging still arriving as an addition, not a replacement. Coherent also makes optical circuit switches, which its 10-K lists in the same segment, and it said on the call that their revenue grew in the June quarter.

Variant perception: what the market prices in, and where I differ

At US$210.32 Coherent is worth US$41.2bn, with net debt of US$1.24bn. The shares trade at 37.5 times fiscal 2026 earnings, 22.4 times the fiscal 2027 consensus of US$9.40 and 15.1 times the fiscal 2028 consensus of US$13.91. Six optics and networking peers have a median forward P/E of 30.4 times; Lumentum, the laser maker, trades at 38.5 times. Coherent's forward P/E was 53.0 times at the end of June.



Date	What happened	Move
2 Mar 2026	Nvidia invests US$2bn at US$256.80	up 15.4%
2 Jun 2026	Record close US$426.89	Peak
13 Aug 2026	Day after Q4 results and a guide above US$2.2bn	down 8.0%
22 Oct 2026	Day after Nvidia dated SPIL's co-packaged engine capacity	down 12.5%
30 Oct 2026	No Coherent news found	down 11.3%

Left: Coherent month-end close, January 2024 to the 30 October 2026 close, against my base value (red) and Nvidia's purchase price (dotted). Nasdaq.com, retrieved 2 November 2026. Right: daily closes against the previous close. I found no company statement for 22 or 30 October; the 22 October fall came the day after Nvidia's release, which proves timing, not cause.

What the price assumes. At my base multiple of 22 times, US$210.32 needs fiscal 2028 earnings of US$9.56, the same as my fiscal 2027 estimate of US$9.56. The price pays for the 1.6T step Coherent has already booked and assumes earnings stop growing after it, in the year Coherent's laser output more than doubles again. The shares are 18% below what Nvidia paid eight months ago.

Where I differ. I read the fall as the market pricing two fears at once: that co-packaging retires the plug, and that new laser capacity ends the shortage. The first fear runs ahead of the evidence: the newest blueprints still pick the plug, and the claim runs to the end of 2028. The second is real, and my base case allows for it. I grow fiscal 2028 revenue 25% against the 38% consensus implies, and my fiscal 2028 EPS sits 10% below consensus. Even so the base value is 31% above the price.

Valuation, with the working

I value Coherent on non-GAAP EPS, the basis it guides on, twelve months out: by October 2027 the market will price fiscal 2028, the year to June 2028. For fiscal 2027 I build each quarter. Revenue of US$2.32bn in the first quarter, within the guide, rises to US$2.90bn in the fourth, just short of the US$3bn quarter Coherent targets. Gross margin rises from 40.5% to 42.0% and operating costs from US$410m to US$480m a quarter. With US$120m of interest and other costs, a 19% tax rate and 204m shares, that gives US$9.56, against the US$9.40 consensus. My first quarter is US$1.99, against a US$1.85 to 2.05 guide.

For fiscal 2028 I grow revenue 25% to US$13.0bn, with a 42.0% gross margin and operating costs of 16.5% of revenue, an operating margin of 25.5%. On 207m shares that gives US$12.53. All are my estimates.

The multiple. I use 22 times. Coherent's own forward P/E averaged 24.3 times at the ends of fiscal 2023 to 2025, and six peers sit at a 30.4 times median. I take a discount to both: Coherent's margin is below the laser makers', and the plug is the part co-packaging would replace. 22 x US$12.53 = US$275.60, rounded down to a target of US$275.

Scenarios: three cases, twelve months out

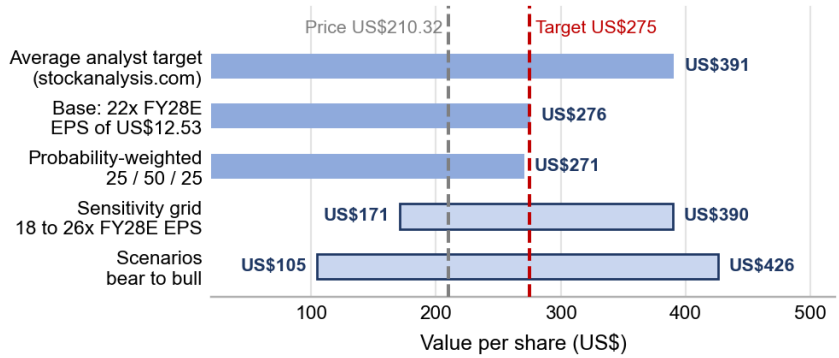
Case	What happens	FY28 EPS	Multiple	Value	Change	Weight
Bear	Industry laser capacity meets an inventory pause, as in FY24: flat revenue, gross margin 37.5%, costs 18%	US$7.48	14x	US$105	down 50%	25%
Base	Growth 25%, gross margin 42%, costs 16.5% of revenue	US$12.53	22x	US$276	up 31%	50%
Bull	The plug stays and 3.2T ramps on time: growth 40%, gross margin 43.5%, costs 16%	US$15.23	28x	US$426	up 103%	25%
Weighted	**25 / 50 / 25**			**about US$271**	**up 29%**	

All cases start from my FY27E revenue of US$10.42bn and use the same interest, tax and share count. Revenue fell 9% in FY24, when customers worked through stock; the bear case repeats a pause of that kind and halves the price.

Sensitivity: FY28 EPS against the multiple

FY28 EPS	18x	22x	26x
US$9.50	US$171	US$209	US$247
US$12.53	US$225	**US$276**	US$326
US$15.00	US$270	US$330	US$390

Seven of the nine cells sit above the price and six sit 15% or more above it. The two below it both need EPS of US$9.50 at 22 times or less, which is no growth on fiscal 2027. A long needs the base 15% or more above the price, a short 25% or more below. At 31% above, my call is long.



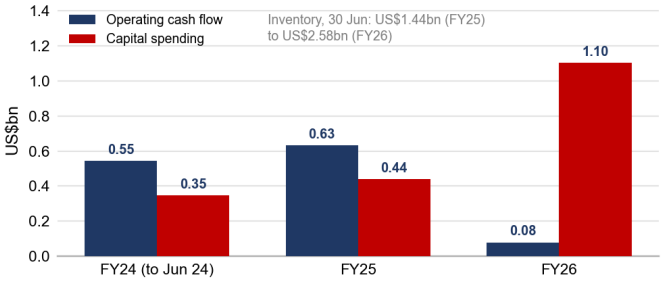
Value per share from the base case, the weighted cases, the grid and the bear to bull range, against the target (red) and the price (grey).

Peer landscape

Company	Ticker	Forward P/E	What they make
Coherent	NYSE: COHR	22.4x	Datacentre transceivers, InP and GaAs lasers, OCS; industrial lasers and materials
Lumentum	Nasdaq: LITE	38.5x	InP lasers (EMLs, CW), transceivers, optical circuit switches
Marvell	Nasdaq: MRVL	34.8x	Optical DSPs, custom chips, switch silicon
Ciena	NYSE: CIEN	30.8x	Long-haul and data centre interconnect optics
Applied Optoelectronics	Nasdaq: AAOI	30.0x	Datacentre transceivers and lasers
Broadcom	Nasdaq: AVGO	18.7x	Switch chips, optical DSPs, lasers, custom AI chips
Fabrinet	NYSE: FN	17.9x	Contract assembly of optical modules

Forward P/E from stockanalysis.com at the 30 October 2026 close. Peer median excluding Coherent: 30.4x. Innolight and Eoptolink, the largest transceiver makers, list in China and are left out. Multiples are used only to set the range; no view on the peers' shares is expressed.

Cash: Coherent is betting its balance sheet on the plug



Fiscal 2026 operating cash flow was US$80m against US$1,103m of capital spending, so free cash flow was minus US$1,023m. Inventory rose 80% to US$2.58bn. The 10-K lists purchase commitments of US$3.4bn in fiscal 2027 and US$8.4bn after. Nvidia's US$2bn funded the gap. If demand pauses, this is where it shows first.

Operating cash flow and capital spending, US$bn, fiscal years to June. Sources: Form 10-K for fiscal 2026 and the 12 August 2026 release.

Catalysts

When	Event	What I watch
4 November 2026 (announced)	Q1 FY27 results, after the NYSE close	Revenue against US$2.2 to 2.4bn; gross margin above 39.5%; the Q2 guide; 1.6T and laser output
December 2026 quarter	First co-packaged optics revenue, per Coherent	Whether it is lasers and engines, and whether plug revenue still grows
First half of calendar 2027	Third six-inch InP site, Zurich (call)	Laser output more than doubling again by end 2027
Undated	Nvidia's Feynman reference architecture	Plug or co-packaged switch for the compute fabric: the claim's test

Risks: what would hurt the view

Co-packaging arrives early. If a blueprint before the end of 2028 makes a co-packaged switch the default, Coherent loses the plug between racks and keeps only the laser and engine. My piece's claim breaks with it.

The shortage ends at once. Coherent, Lumentum and Broadcom are all adding indium phosphide capacity, and Nvidia funded two of them on one day. If supply lands together, prices fall; the bear case halves the shares.

Few buyers, and Chinese rivals. Two customers each took more than 10% of fiscal 2026 revenue (10-K). Innolight and Eoptolink compete for the same transceiver orders. A BIS inquiry into past sales to Huawei, opened in January 2025, is unresolved.

Cash and dilution. Free cash flow was negative by US$1.0bn in fiscal 2026. Special share awards granted in August vest only at prices from US$454.43, so they cost little unless the shares more than double.

What would change my mind

Into no call: a price above about US$240, where the base value is less than 15% above it, or a gross margin that stalls below 40% while revenue grows. Q1 results may move both.

My call is wrong if: Coherent's non-GAAP gross margin falls below 39 per cent in any quarter to June 2027, which would say it is buying volume with price; or fiscal 2027 revenue lands below US$9.5 billion; or, before October 2027, an Nvidia DGX SuperPOD reference architecture makes a co-packaged switch the default for the compute fabric, which would break the claim the call rests on.

Conclusion

My September piece argued that the plug between racks survives co-packaging and is bought again at every speed step. Coherent builds that plug and grows its laser, and its results agree: data centre revenue up 40%, 1.6T pulled in, laser output doubling. At US$210.32 the price pays 22 times my fiscal 2027 earnings and nothing for the next step. My call: LONG, target US$275, low conviction; base value US$276, range US$105 to US$426.

Appendix: forecast assumptions

Assumption	Q1 FY27E	Q2	Q3	Q4	FY28E
Revenue, US$m	2,320	2,500	2,700	2,900	13,025
Non-GAAP gross margin	40.5%	41.0%	41.5%	42.0%	42.0%
Non-GAAP operating costs	US$410m	US$430m	US$455m	US$480m	16.5% of revenue
Interest and other, tax, shares	US$120m a year	19%	204m		US$120m, 19%, 207m

All my estimates. Full workings, with live formulas, in the accompanying model, 2026-11-02_Coherent_Model.xlsx.

Sources

Coherent fourth quarter fiscal 2026 results release and investor presentation (Form 8-K, Exhibits 99.1 and 99.2, 12 August 2026), for results, segment revenue, the balance sheet, cash flow, guidance, laser output, six-inch lines and the product roadmap. Coherent Form 10-K for the year to 30 June 2026, filed 14 August 2026, for shares, segment profit, customers, purchase commitments, the Nvidia share issue and the BIS inquiry. Coherent quarterly results releases from 6 November 2024 to 6 May 2026. Coherent Form 8-K of 2 March 2026 on Nvidia's

investment and of 31 August 2026 on special share awards. Coherent's 14 October 2026 announcement of its 4 November results date. Q4 fiscal 2026 call (12 August 2026), from the third-party transcript published by stockanalysis.com. Nvidia DGX SuperPOD reference architectures (15 September 2026) and release of 21 October 2026, as cited in the journal piece. Share prices from Nasdaq.com, checked against Yahoo Finance; consensus, targets and peer multiples from stockanalysis.com (S&P Global data); all retrieved 2 November 2026. Estimates for fiscal 2027 and 2028 are the author's own.

About this note

I wrote this note and built the accompanying model independently. It is not a product of any bank or broker. It tests a claim from my journal piece of 4 September 2026, thephysicallayer.fyi/journal/ten-thousand-chips-one-thought; all notes and their track record are at thephysicallayer.fyi/research. Figures from company filings are labelled as such; derived figures are marked; the forecasts and view are my own estimates and my own view. I hold no position in Coherent. Personal research, not investment advice.

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