

Coherent Corp. (COHR)

NYSE: COHR | Optical communications and photonic materials | Equity research update | 16 October 2026

Last close (15 October 2026)	\$250.60	Recommendation	WATCHLIST, from fundamentals (prior: Hold)
Previous report (27 Sep)	\$295.83, Hold	Investment score	62.8 / 100 (prior 62.8)
Move since then	-15.3%	Weighted fair value	\$269.28; +7.5%
P/E, FY2026A / FY2027E	44.7x / 26.9x	Price of interest	\$224 or below, results permitting
Fiscal 2026 free cash flow	-\$1.02bn	Technical read (chart only)	Confirms: downtrend
Market value / EV (approx.)	\$50.7bn / \$52.7bn	Next results	Q1 FY2027: 4 Nov after the close

The Price Arrived, the Fair Value Moved With It

Coherent closed at \$250.60 on 15 October 2026, 15.3% below the \$295.83 of the last report and through the \$263 level that report named for new money. The fall came in two steps: a rise to \$338.36 by 6 October on new broker coverage and reports of US action against Chinese optical transceivers, then a slide of about 26% in seven sessions as AI infrastructure shares sold off. Coherent fell 9.2% on 14 October, the day September consumer prices pushed the Nasdaq down 1.9%, and another 4.8% on 15 October, touching \$235.55 intraday. No company announcement explains the decline; the only release in October set the date of the next results.

The \$263 trigger came with a condition: the order book and product timeline intact. Both still are, as far as anything published shows. What has changed is the value the trigger was measured against. Fiscal 2027 earnings of \$9.30 a share (our estimate, built from the September-quarter guide) support a base case of \$279.00 at 30 times, and the probability-weighted value is \$269.28, 7.5% above the price, against \$315 in the last report. The base multiple is two turns lower and the bear case carries more weight because the question now hanging over the whole AI supply chain, whether its largest customers can fund 2027-28 build-outs at the pace assumed, bears directly on a company whose free cash flow was negative \$1.02bn last year.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart is in a downtrend, below a 200-day average it lost within the last ten sessions; that agrees with waiting. The last report's Hold is no longer a rating this coverage uses, and Watchlist states the same stance more precisely: no new position at this price. The name becomes interesting at **\$224 or below**, a 20% margin to the weighted value, about 24.1 times fiscal 2027 earnings and just above the late-July closing low of \$222.05, provided the 4 November results hold the guide; or sooner if September-quarter operating cash flow turns clearly positive with gross margin inside 39.5% to 41.5%.

1. What has changed since the last report

Item	27 September report	16 October	Read
Price	\$295.83 (25 Sep)	\$250.60 (15 Oct)	-15.3%; high of \$338.36 on 6 Oct in between
Fiscal 2027 EPS used	\$9.70	\$9.30	Quarterly path from the \$1.85-2.05 guide
Base / bull / bear multiple	32x / 41x / 22x	30x / 38x / 20x	AI funding question weighs on the group
Weighted fair value	\$315.00	\$269.28	Lower EPS, lower multiples, heavier bear case
10-year Treasury	5.17% (25 Sep)	5.10% (15 Oct)	Eased, but a second Fed hike is debated for 28 Oct
Price of interest	\$263	\$224	Follows the lower fair value
Next results	Early November (expected)	4 November, confirmed	Cash flow and gross margin tested then
Investment score	62.8 (restated)	62.8	Valuation and Risk up 1; Growth and Management down 1

The prior score is restated on the seven-factor basis, without the former chart-based factor, for comparability. Prices of record are closing quotes.

2. Do the published levels still hold?

Level in the last report	Anchor then	Anchor now	Status
\$263 price for new money	20% below the \$315 weighted value; between the 200-day exponential average near \$270 and the 3 Sep low of \$255.25	20% below the weighted value is \$224; the 200-day exponential average is now \$271.68, above the price	Reached on 14-15 Oct; withdrawn and replaced by \$224
\$262-282 band (withdrawn 27 Sep)	200-day average \$286.16, 40-week average \$290.30	200-day \$294.28, 40-week \$298.70; both above the price	Remains withdrawn; neither average is support now
\$238 close on volume (reassess)	Late-July floor; next support the \$220.68 July low	Intraday low \$235.55 on 15 Oct on 9.9m shares; close \$250.60	Not triggered on a closing basis
New: \$224	-	20% below \$269.28; 24.1x FY2027E; just above the \$222.05 late-July closing low	Applies once 4 Nov results hold the guide

Averages computed in code from daily closing prices to 15 Oct 2026; the 40-week figure uses the last close of each calendar week.

Every average the earlier levels leaned on has moved. The 200-day simple average rose from \$286.16 to \$294.28 and the 40-week average from \$290.30 to \$298.70, so both now sit 15% to 16% above the price rather than underneath it. The 200-day exponential average at \$271.68 has also been lost. No moving average describes support at today's price; the nearer structural levels are the 20-session low of \$235.55 and the late-July closing low of \$222.05. The \$224 level is set by valuation, and it happens to sit just above that July floor.

3. The business and what decides it

Coherent makes the lasers, transceivers and optical subsystems that move data inside and between AI data centres, and owns the materials underneath them, chiefly indium phosphide and, increasingly, silicon carbide. Datacenter and Communications produced \$1.61bn of the \$2.05bn June-quarter revenue, 79%, and Industrial the remaining \$0.43bn. Revenue for fiscal 2026 was \$7.12bn, up 34% in the fourth quarter, with non-GAAP EPS of \$5.61 for the year and \$1.74 for the quarter.

Variable	Why it decides returns	Where it stands
Hyperscaler optics demand	1.6T transceivers and lasers are most of the growth	Orders into calendar 2028 per management; AI funding questioned in October
Cash conversion	Negative free cash flow is the load-bearing objection	Untested until 4 Nov; capex \$556m in the June quarter
Gross margin	Earnings leverage depends on mix and indium phosphide yields	40.2% non-GAAP in Q4; guide 39.5-41.5%; target above 42%
Co-packaged optics ramp	The next platform after pluggables	PhotonLink launched 21 Sep; revenue guided from the December quarter
Discount rate	Distant cash flows and funded capex	10-year 5.10%; Fed meets 27-28 Oct

4. Financials

Measure	Value	What it means here
Revenue, Q4 FY2026	\$2.05bn, +34% y/y	Growth accelerated through the year on datacom
Non-GAAP gross margin, Q4	40.2% (+215bp y/y)	Mix and yield gains; guide holds the level
Non-GAAP operating margin, Q4	21.8%	Operating leverage working
Non-GAAP EPS, FY2026 / Q4	\$5.61 / \$1.74	GAAP \$4.12 / \$1.19
Operating cash flow, FY2026	\$79.5m (FY2025 \$633.6m)	Inventory rose to \$2.58bn from \$1.44bn
Capital expenditure, FY2026	\$1.10bn (FY2025 \$0.44bn)	Indium phosphide and datacom capacity
Free cash flow, FY2026	-\$1.02bn	Our calculation: operating cash flow less capex

Measure	Value	What it means here
Cash / debt, 30 Jun 2026	\$1.16bn / \$3.22bn	Net debt about \$2.06bn
Q1 FY2027 guide	Revenue \$2.2-2.4bn; EPS \$1.85-2.05	Gross margin 39.5-41.5%; opex \$400-420m

Company results release of 12 Aug 2026 (non-GAAP where stated). Free cash flow and net debt are this report's calculations.

The income statement is doing what a growth case needs. The cash flow statement is not yet. Operating cash flow fell to \$79.5m for the whole of fiscal 2026 from \$633.6m, as inventory grew by about \$1.14bn, and capital expenditure more than doubled. The September-quarter statement on 4 November is the first evidence of whether the inventory build converts into receivables and cash or keeps absorbing it. A quarter of clearly positive operating cash flow alongside the guided margin would answer the objection; a second quarter of near-zero conversion with capex still rising would not.

5. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
PhotonLink integrated optics platform	Launched 21 Sep	Platform for co-packaged, near-packaged and chip-to-chip optics; more than ten engagements in each of co-packaged and near-packaged; anchor customers with long-term agreements; no customer, price or volume named	Management: revenue begins ramping in the fourth calendar quarter of 2026	Medium
Proposed US restrictions on Chinese optical transceivers	Proposal reported from Aug; further steps reported around 1 Oct; not final	Reported to target next-generation products from Chinese module makers while preserving existing supply	Reported only; no rule, timing or scope confirmed	Medium
ECOC 2026 product slate	Shown 20 Sep	3.2T transceiver, 6.4T near-packaged engine, VCSEL arrays, Thermadite	No availability dates	Low
Pluggable optical line system with C-band amplification	Announced 17 Sep	800G ZR/ZR+ links, 32 wavelengths, 2-200km; high-volume shipments under way per the company	-	Low
Q1 FY2027 results date	Announced 14 Oct	Release 4 Nov after the close; call 4:30 p.m. ET	-	Low
Insider ownership filings	5-14 Oct	Form 4 filings by three officers, including the finance chief, and one director	-	Low

Company releases and investor relations pages; SEC filings.

No High development was found. PhotonLink is Medium: it confirms the December-quarter start of co-packaged revenue that management guided in August, and the engagement counts show breadth, but with no customer, volume or price disclosed it cannot be sized beyond the modest contribution already in the base case. The first observable test is whether the company reports co-packaged revenue in the December quarter, which it will discuss on 4 November and report in early 2027.

The proposed US restrictions are Medium for a different reason. Chinese module makers supply a large share of AI data-centre transceivers, and a rule that kept them out of next-generation US builds would hand share to Coherent and its US peers. But the proposal is reported, not adopted, it reportedly preserves existing supply, and Coherent itself runs much of its manufacturing in Asia. The shares rose sharply on each report and gave the gains back. It moves no number in this report; an adopted rule with a clear scope would be a reason to revisit the bull-case weight.

6. Growth drivers

Driver	Status	Likelihood / impact	Fact or forecast
1.6T transceiver ramp	Shipping; orders into calendar 2028	High / High	Management statement on the August call
Co-packaged optics via PhotonLink	Launched; revenue guided from Dec quarter	Medium / Medium	Management forecast; no customer named
Six-inch indium phosphide capacity	Ramping	Medium / High	Company plan; yields not disclosed
\$3bn quarterly revenue target	Target set on the August call	Medium / High	Management target, no date fixed
US restrictions on Chinese modules	Proposal reported	Low-Medium / Medium	Reported only
300mm silicon carbide substrates	Sampling since 17 Aug	Low / Low	No revenue timeline

7. Competitors

Coherent competes with Lumentum in lasers and transceivers, with Chinese module makers led by Innolight and Eoptolink on 800G and 1.6T volume, with Broadcom and Nvidia's own photonics in co-packaged optics, and with Fabrinet as a contract manufacturer for others. Its distinctive asset is control of indium phosphide laser supply, which became the bottleneck for 1.6T. The Chinese makers set price in pluggables, so Coherent's margin depends on mix toward lasers and the newest speeds. Co-packaged optics is where the contest is least settled: the chip companies want to own the interface, and PhotonLink is Coherent's attempt to sell into it rather than be designed out.

8. Management

Chief executive Jim Anderson has met or beaten revenue and EPS guidance through fiscal 2026 and set out a \$3bn quarterly revenue target in August. Two things hold the score back. Operating cash flow has not kept pace with reported earnings, and management declined in August to quantify fiscal 2027 free cash flow. And insider activity has run one way: sales by five officers and directors between late August and mid-September, with no purchase, were followed by four further ownership filings between 5 and 14 October. The September-quarter results will test guidance accuracy for the first time since the August targets.

9. Risks

Risk	Probability	Severity	Comment
Cash conversion never inflects	Medium	Severe	FY2026 free cash flow -\$1.02bn; inventory up \$1.14bn; 4 Nov is the test
AI build-out funding slows	Medium	Severe	October reports that a leading AI customer's revenue is below plan hit the whole supply chain
Customer concentration and cycle	Medium	Severe	Demand concentrated in hyperscalers and frontier labs; a spending pause would hit orders and inventory
Discount rate rises again	Medium	Moderate	10-year 5.10%; Fed meets 27-28 Oct with a second hike debated
Gross margin below the guide	Low	Severe	Load-bearing for earnings leverage
Co-packaged ramp slips	Low-Medium	Moderate	No customer or volume disclosed
Volatility	Certain	Moderate	ATR 9.1% of price; -26% in seven sessions to 15 Oct
Long-term agreements renegotiated	Low	Severe	No evidence; would be a downgrade regardless of price

10. Valuation

Measure	Value	Read
P/E on FY2026 non-GAAP EPS	44.7x	Trailing; growth year
P/E on FY2027E EPS	26.9x	Our estimate \$9.30; a published consensus near \$9.46 in August gives 26.5x
EV / FY2027E revenue	5.2x	Our revenue estimate \$10.1bn
Free cash flow yield	Not meaningful	Fiscal 2026 free cash flow negative
Base-case value	\$279.00	30x \$9.30; +11.3%
Weighted value	\$269.28	+7.5%

Fiscal 2027 EPS is this report's calculation: Q1 at the \$1.95 guide midpoint, then \$2.20, \$2.45 and \$2.70 as capacity and mix build, \$9.30 in total. Revenue path \$2.30bn, \$2.45bn, \$2.60bn, \$2.75bn. Market value uses the 202.2m diluted share count of the June quarter.

At 26.9 times fiscal 2027 earnings the shares are cheaper than at any point in the last three reports, and on EPS growth of about 66% that is not a demanding multiple. The case against paying it is the cash. Earnings that do not turn into cash for a capital-intensive supplier deserve a discount to the multiple a cash-generative peer would earn, and 30 times in the base case already assumes the conversion problem eases in fiscal 2027. The base case is worth \$279.00, 11.3% above the price, too thin a margin ahead of a results release that will either confirm or undercut the cash story.

Macro drivers. Two variables matter. The first is the capital spending of the largest AI customers, which sets demand for transceivers and lasers; the question in October is not this year's orders, which are booked, but how 2027-28 build-outs are funded after reports that a leading AI developer's revenue is running below plan. The second is the long end of the Treasury curve: the 10-year closed at 5.10% on 15 October after September consumer prices rose 3.7% on the year and producer prices jumped 1.3% on the month, with the Federal Reserve meeting on 27-28 October after raising rates in September. A higher long yield lowers the value of distant earnings and raises the cost of the capacity Coherent is funding while free cash flow is negative.

11. Sentiment

Date	Broker	Action
15 Oct	B. Riley	Neutral held; target cut to \$297 from \$345
13 Oct	Rosenblatt	Buy held; target \$500
12 Oct	Bernstein	Outperform held; target \$350
30 Sep	Bernstein	Initiated at Outperform; target \$350
28 Sep	Citi	Buy held; target \$420
22-23 Sep	Stifel / Rosenblatt	Buy held; targets \$420 / \$500

Broker actions as published, 22 Sep to 15 Oct 2026.

Brokers remain mostly positive, with targets from \$297 to \$500, all above the price. The one cut came after the slide, not before it. Options activity in October leaned bearish, with heavy put volume on 5 October and a large put purchase on 13 October. Officers and directors sold shares between late August and mid-September and filed four further ownership reports in early October.

Institutional positioning: Cautionary (moderate confidence), as of 30 June 2026, filings through 19 August 2026. Reported holdings show a net reduction by active managers of about 4.7% of reported shares over four quarters, with five of the last six quarters negative and more managers cutting than adding. Two large managers added, so the read sits close to Mixed, and a large strategic holding is excluded. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. The positioning predates the October sell-off.

12. Scorecard

Criterion	Weight	Score	Basis
Business Quality	16%		7/10 Unchanged. Vertically integrated around scarce indium phosphide laser capacity and a broad datacom portfolio; capital-intensive, and the industrial segment is slower-growing.
Financial Strength	16%		5/10 Unchanged. Net debt about \$2.06bn; fiscal 2026 operating cash flow \$79.5m against \$1.10bn of capital expenditure; no new statements until 4 November.
Competitive Advantage	16%		7/10 Unchanged. PhotonLink and the six-inch indium phosphide fabs support the position in 1.6T and co-packaged optics; no named customer yet, and Chinese module makers remain the price setters.
Management	10%		6/10 Down 1. Guidance has been met or beaten, but cash conversion has fallen behind growth, fiscal 2027 free cash flow was not quantified, and insider activity since August has run one way.
Growth Potential	16%		8/10 Down 1. Orders reach into calendar 2028 and co-packaged revenue is guided to start this quarter, but reports that a leading AI customer's revenue is running below plan raise the question of how 2027-28 build-outs are funded.
Valuation	16%		6/10 Up 1. 26.9x fiscal 2027 EPS of \$9.30 (our estimate) against 30.5x a fortnight ago; the base case sits 11% above the price.
Risk (10 = lowest risk)	10%		4/10 Up 1, still high risk. Negative free cash flow, hyperscaler concentration and a 9% average daily range remain; the 10-year has eased to 5.10% from 5.29% at the end of September.
Investment score	100%	62.8 / 100	Prior 62.8, restated on seven factors

Scored 1-10, where 10 is always best, including Risk. Default weights. Composite computed in code.

The score is unchanged at 62.8 because the moves offset. Valuation rises as the price falls and Risk edges up as the 10-year eases, while Growth Potential and Management each lose a point, the first on the funding question over 2027-28 AI spending and the second on cash conversion and one-way insider activity. Business Quality, Financial Strength and Competitive Advantage are unchanged: no new statements have been published since August, and PhotonLink adds engagement counts rather than customers. Risk at 4 means high risk, and the risks above describe a high-risk business; these agree.

13. Recommendation

Watchlist. The business case is intact, and at 26.9 times fiscal 2027 earnings the shares are the cheapest they have been in this coverage. But the weighted value of \$269.28 leaves 7.5%, the base case 11.3%, and the bear case sits 43% below the price, with a results release in 13 trading days that will test the one objection the case has carried since August. The last report's Hold becomes Watchlist; the stance is the same, no new money at this price, but the grounds have shifted from a full price to a lower fair value. The price of interest is **\$224 or below**, applied after the 4 November results if they hold the guide; ahead of the release a gap through that level is possible in either direction. The rating would also turn constructive at a higher price if the September quarter shows operating cash flow clearly positive with gross margin inside 39.5% to 41.5%. No cut-loss or take-profit is published for a Watchlist rating.

What would change the view	Direction	Why
Price at \$224 or below with the 4 Nov results holding the guide	Up: toward Buy	Restores a 20% margin to weighted value
September-quarter operating cash flow clearly positive, gross margin within or above 39.5-41.5%	Up: toward Buy, raise value	Answers the cash objection
Co-packaged revenue reported for the December quarter, or a named PhotonLink customer with volumes	Up: higher bull weight	Turns positioning into revenue

What would change the view	Direction	Why
A final US rule excluding Chinese modules from next-generation builds	Up: higher bull weight	Share gain for US suppliers
September-quarter operating cash flow negative again with capex still rising	Down: toward Avoid	The thesis test fails
Hyperscaler or frontier-lab orders deferred or long-term agreements renegotiated	Down: Avoid regardless of price	The contracted book is the floor
A further sustained rise in long yields with the Fed signalling more increases	Down: lower multiples	Discount-rate effect

14. Technical read

Chart as of 15 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Confirms.** The chart is in a downtrend: the price closed under its 200-day average within the last ten sessions and sits 17% below a 50-day average that is still rising from the summer advance. That agrees with waiting. Watch whether the 20-session low of \$235.55 and the late-July closing low of \$222.05 hold; a close back above the 200-day average near \$294.28, followed by a higher low, would mark the turn.

Indicator	Value	Price vs indicator / read
20-day SMA / EMA	\$303.42 / \$296.70	-17.4% / -15.5%
50-day SMA / EMA	\$301.87 / \$301.96	-17.0% / -17.0%; 50-day still rising
100-day SMA / EMA	\$322.91 / \$304.06	-22.4% / -17.6%
200-day SMA / EMA	\$294.28 / \$271.68	-14.8% / -7.8%
40-week SMA (weekly closes)	\$298.70	-16.1%
RSI(14)	36.7	Weak, not oversold
MACD (12,26,9)	-5.34 / signal 1.39	Histogram -6.73; below signal
ATR(14)	\$22.87	9.1% of price
Volume, 20-day / 50-day avg	7.2m / 7.1m	15 Oct: 9.9m on the fall
Support	\$235.55; \$222.05	20-session low; late-July closing low
Resistance	\$271.68; \$294.28	200-day exponential and simple averages
Range, 100 sessions / 52 weeks	\$220.68-\$440.00 / \$108.19-\$440.00	52-week high \$440 on 3 Jun

Daily series of 299 completed sessions to 15 Oct 2026; distances against the 15 Oct close of record. Computed in code.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and only guides entry timing.

15. Scenarios

Case	Prob.	Outlook	FY27 EPS	Multiple	Fair value
Bull	23%	Cash flow turns in the September quarter, 1.6T broadens, co-packaged revenue starts on time and gross margin clears 42%; AI funding worries fade.	\$10.40	38x	\$395.20
Base	50%	The ramp lands as guided; free cash flow improves but is not decisively positive; co-packaged a modest contributor; multiple 30x.	\$9.30	30x	\$279.00
Bear	27%	AI customers slow 2027 build-outs, orders are pushed, inventory needs a write-down and the co-packaged ramp slips; re-rated as a capital-intensive supplier.	\$7.20	20x	\$144.00
Weighted	100%	Probability-weighted			\$269.28

Weighted fair value computed in code: \$269.28. Base EPS is this report's quarterly path from company guidance; bull and bear EPS and all multiples are this report's assumptions.

The bull case carries 23%, less than the 30% of the last report: it needs the cash flow inflection and the co-packaged start together, and the October sell-off shows how quickly the market now discounts AI demand beyond 2026. The base case keeps half the weight because orders are booked through fiscal 2027 and the September-quarter guide was set only two months ago. The bear case rises to 27% from 20% because the funding question over 2027-28 AI spending is new, and because a company carrying \$2.58bn of inventory with negative free cash flow is the kind of supplier a spending pause hurts first. Against the last report's \$430, \$310 and \$155, each case is lower: EPS of \$9.30 rather than \$9.70 follows the guided quarterly path, and the multiples are cut by three turns in the bull case and two in the base and bear cases.

16. Final verdict

Would an investor put new money into Coherent at \$250.60? Not yet. The demand case and the product timeline are intact and the shares are cheaper on earnings than at any point in this coverage, but the weighted value is only 7.5% above the price and the single biggest concern, earnings that do not become cash, gets its first test on 4 November. What would change the answer: a September quarter with clearly positive operating cash flow and the guided margin, or a price of \$224 or below once those results hold the guide. The thesis is invalidated by deferred hyperscaler orders or renegotiated long-term agreements. No High company development drove the verdict; the lower fair value did.

Sources

- Coherent Corp. Form 8-K, Exhibit 99.1, fourth quarter and fiscal year 2026 results (12 Aug 2026), sec.gov; company press release, coherent.com
- Coherent press releases: Launches PhotonLink Integrated Optics Platform for AI Infrastructure (21 Sep 2026); Showcases Optical Innovations at ECOC 2026 (20 Sep 2026); Expands Pluggable Optical Line Systems Portfolio (17 Sep 2026); Begins Customer Sampling of 300mm Silicon Carbide Substrates (17 Aug 2026). coherent.com
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- Coherent Form 4 and DEF 14A filings, 5-14 Oct 2026 (filing index), sec.gov
- South China Morning Post, Chinese optical-module stocks rebound as analysts downplay 'mild' AI curbs proposed by US (5 Aug 2026)
- Consensus EPS reference: Zacks, Does Coherent's valuation leave enough room for upside (21 Aug 2026); Barchart via Webull (14 Aug 2026)
- Broker actions, notices and options headlines: moomoo news, notice and research channels, 22 Sep to 15 Oct 2026
- Price of record: Alpha Vantage global quote, 15 October 2026 close. Technicals: Twelve Data daily series of 299 completed sessions to 15 October 2026, computed in code
- Macro: Beating The Bull economic data posts of 8, 9, 13, 14 and 15 October 2026, and of 17 and 30 September and 2 October 2026

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