

Coherent Corp. (NYSE: COHR)

Equity research report | 23 October 2026 | Price \$207.82 at the 22 October 2026 close | Optical communications and photonic materials

Verdict: Watchlist (unchanged), from fundamentals. Price of interest **\$193** or below, once the 4 November results hold the guide. Probability-weighted value **\$241.14** (16.0% above the price); base case \$254.34. Investment Score **61.5/100** (62.8 on 16 October).

Technical read (chart only): Confirms. The chart is in a breakdown, with a new 60-session closing low on 22 October, which agrees with waiting. Watch whether the 20-session low of \$204.38 holds through the results, and treat a close back above the 50-day average near \$290 as the first sign of repair. This tag reflects technical analysis only and does not change the verdict.

Summary

Coherent closed at \$207.82 on 22 October, down 12.5% on the day and 37.9% below the 7 October close, as chip and optical shares fell together. The Philadelphia Semiconductor Index lost more than 6% that day after mixed guidance and heavier spending plans from large technology companies revived questions about the return on AI investment. No company announcement explains the move. Since the last report Coherent has set the date of its September-quarter results (4 November, after the close) and been named to an industry growth list, nothing more.

The price has now passed through the \$224 level named on 16 October, but only half of that condition is met. The other half, results that hold the guide, is twelve days away. The fall has also lowered what the shares are worth. Fiscal 2027 consensus EPS is \$9.42, slightly above the \$9.30 used on 16 October, so earnings have not been cut; what has changed is the multiple the market pays for AI hardware. The base case is worth \$254.34 a share on \$9.42 at 27 times, and the probability-weighted value is \$241.14, against \$269.28 on 16 October. At \$224 the margin to that value would be only 7.1%, so the price of interest moves down to \$193: 20% below the weighted value and about 20.5 times fiscal 2027 consensus EPS.

The rating stays at Watchlist. At \$207.82 the weighted value sits 16.0% above the price while the bear case sits 28.5% below it, and the factor that decides which way the stock resolves, whether earnings turn into cash, is tested on 4 November. Fiscal 2026 free cash flow was negative \$1.02bn on \$79.5m of operating cash flow and \$1.10bn of capital expenditure. No High-impact company development was found in the period.

Do the published levels still hold?

The \$224 level was set on 16 October as a 20% margin to a weighted value of \$269.28, about 24.1 times fiscal 2027 earnings of \$9.30, to apply once the 4 November results held the guide. It was not anchored to a moving average. The breach came from a sector-wide fall rather than a company event, and it arrived together with a lower value: analysts cut price targets this week while keeping their ratings (TD Cowen to \$275 from \$395, Susquehanna to \$350 from \$425, B. Riley to \$297 from \$345), which is a change in the multiple, not in the earnings path. Keeping the same 20% margin, the level that now offers it is \$193. The setup has changed in price, not in evidence, and a lower level is the right answer.

Published level	Basis on 16 October	Now	Status
\$224 price of interest	20% below the \$269.28 weighted value; 24.1x fiscal 2027 EPS of \$9.30; after 4 November results	Weighted value \$241.14; \$224 is a 7.1% margin and 23.8x consensus \$9.42	Price reached on 22 October; results condition pending; replaced by \$193
New: \$193	-	20% below \$241.14; 20.5x fiscal 2027 consensus EPS	Applies once the 4 November results hold the guide
200-day and 40-week averages (resistance only)	200-day \$294.28; 40-week \$298.70	200-day \$295.26 (price 29.6% below); 40-week \$298.68 (30.4% below)	No level is anchored to them
Chart references named 16 October	20-session low \$235.55; late-July closing low \$222.05	Both broken on 22 October	Next reference: 20-session low \$204.38

Averages computed in code from daily closing prices to 22 October 2026; the 40-week figure uses the last close of each calendar week. No cut-loss or take-profit is published because the rating is not a Buy.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact on this thesis
PhotonLink integrated optics platform	Launched 21 Sep 2026; revenue pending	Platform for co-packaged, near-packaged and chip-to-chip optics; more than ten engagements in each of co-packaged and near-packaged; no customer, price or volume named.	Management expects revenue to begin ramping in the fourth calendar quarter of 2026.	Medium
US restrictions on Chinese optical transceivers	Proposal reported since August 2026; not adopted	Reported: officials are drafting rules to restrict Chinese transceivers in US data centres. No final rule, scope or vote date confirmed.	Reported timing: a rule may be unveiled before the end of 2026.	Medium
September-quarter results date	Announced 14 Oct 2026; due 4 Nov	Results after the close on 4 November; call at 4:30 p.m. ET.	Company guide: revenue \$2.2bn-\$2.4bn, non-GAAP gross margin 39.5%-41.5%, non-GAAP EPS \$1.85-\$2.05.	Low
Insider ownership filings	1, 12 and 22 Oct 2026	Officer filings on 1 and 12 October were shares withheld for tax on vesting awards; a further officer filing followed on 22 October.	-	Low
TIME America's Growth Leaders 2027	Announced 22 Oct 2026	Coherent named to the list compiled by TIME and Statista.	-	Low
ECOC 2026 product slate	Shown 20 Sep 2026	3.2T transceiver, 6.4T near-packaged engine, VCSEL arrays and Thermadite shown; no availability dates.	-	Low

Company releases and filings to 23 October 2026; regulatory item as reported by established press.

No development in the period is large enough to move the verdict or the scenarios on its own. The PhotonLink ramp is the nearest dated test: the December-quarter guide on 4 November should show whether co-packaged revenue begins on time, and until a customer or revenue figure is disclosed it cannot be sized beyond the start already in the base case. The transceiver proposal would favour US suppliers if adopted, but no step in the period changes its status, so it moves no number.

Business and industry

Coherent makes the lasers, optical engines and transceivers that connect AI servers and switches, together with silicon carbide and other engineered materials and industrial lasers. In the June quarter Datacenter and Communications revenue was \$1,615.0m, 79% of the total, and Industrial \$430.5m. Its distinctive asset is in-house indium phosphide laser capacity, including six-inch wafer fabs, which matters because lasers are the scarce component as links move from 800G to 1.6T and toward co-packaged optics. The business has been narrowed toward these markets through the sale of non-core divisions.

Demand is set by a small number of hyperscalers and AI labs. Peers describe datacentre optical components as sold out well ahead, and Lumentum's chief executive said in October that its components are sold out for years. The pressure points are elsewhere: Chinese module makers such as Innolight and Eoptolink set transceiver prices, and the whole chain depends on how quickly customers can fund 2027-28 build-outs. Chief executives of large chipmakers flagged capital and return-on-investment constraints in mid-October, and Meta's higher spending plans on 22 October revived the same question.

Financials

Metric	Value	What it means here
Fiscal 2026 revenue	\$7,118.2m	Trailing growth about 22.5%; consensus expects about 49% in fiscal 2027.
June-quarter revenue	\$2,045.5m	Datacenter and Communications \$1,615.0m; Industrial \$430.5m.
June-quarter gross margin	38.5% GAAP / 40.2% non-GAAP	The guide of 39.5%-41.5% for September is load-bearing for EPS leverage.
June-quarter diluted EPS	\$1.19 GAAP / \$1.74 non-GAAP	Fiscal 2026: \$4.12 GAAP, \$5.61 non-GAAP.
Operating cash flow, fiscal 2026	\$79.5m	Earnings have not yet become cash; inventory and capacity absorbed it.
Capital expenditure, fiscal 2026	\$1,102.9m	Laser and fab expansion for 1.6T and co-packaged optics.
Free cash flow, fiscal 2026 (our calculation)	-\$1,023.4m	Operating cash flow less capital expenditure.
Cash / short-term investments	\$1,162.0m / \$825.0m	Restricted cash excluded.
Total debt	\$3,222.2m	Net debt (our calculation) \$2,060.2m on cash, \$1,235.2m including short-term investments.
September-quarter guide	Revenue \$2.2bn-\$2.4bn; EPS \$1.85-\$2.05	Non-GAAP gross margin 39.5%-41.5%; non-GAAP operating expenses \$400m-\$420m.

Company results release for the fiscal year to 30 June 2026. Preferred stock was converted to common during fiscal 2026 and none was outstanding at 30 June.

The income statement is strong and improving; the cash flow statement is not. A business guiding to about \$2.3bn of quarterly revenue with roughly 40% gross margin should generate cash, yet fiscal 2026 consumed over \$1bn after capital spending. Part of that is deliberate capacity building, and part is working capital as inventory rose. The September quarter will show whether operating cash flow turns clearly positive. Until it does, earnings-based valuation overstates what an owner receives.

Competitors

Company	Position	Read for Coherent
Lumentum	Indium phosphide lasers and transceivers; says datacentre components are sold out for years	Closest peer; fell 9% on 22 October with Coherent, which points to a sector move.
Innolight, Eoptolink	Largest transceiver volume suppliers; price setters	Margin pressure on modules; exposed to the US transceiver proposal.
Fabrinet	Contract manufacturer for optical modules	About 27x forward earnings at the end of September: the anchor for the base multiple.
Corning	Fibre and connectivity	About 41x forward earnings at the end of September: the upper bound for the group.

Peer multiples on normalised forward earnings as of 30 September 2026.

Management

Chief executive Jim Anderson has met or beaten guidance and narrowed the portfolio toward datacentre and communications. The weakness is cash conversion, which has lagged growth, and the absence of a quantified fiscal 2027 free cash flow target. Insider activity since August has run one way, with sales by officers and directors earlier in the period and no open-market purchases; the October filings so far reflect share withholding on vesting awards. The September-quarter results will be judged against the \$2.2bn-\$2.4bn revenue and \$1.85-\$2.05 EPS guide.

Growth drivers

Driver	Status and date	Fact or forecast	Likelihood	Impact
1.6T transceiver ramp	Shipping; broadening through fiscal 2027	Forecast: consensus revenue \$10.6bn for fiscal 2027	High	High
Co-packaged optics (PhotonLink)	Launched 21 Sep; revenue expected from Q4 calendar 2026	Forecast (management); no customer named	Medium	Medium
Indium phosphide capacity	Six-inch fabs ramping	Fact: capacity expansion under way; capital expenditure \$1.10bn in fiscal 2026	High	Medium
US transceiver restrictions	Reported proposal; not adopted	Reported only	Low to Medium	Medium
Silicon carbide for AI hardware	300mm substrates sampling since 17 Aug	Fact: sampling; no revenue disclosed	Low	Low

Status as of 23 October 2026.

Risks

Risk	Probability	Severity	Comment
Cash conversion does not inflect	Medium	Severe	Fiscal 2026 free cash flow -\$1.02bn; 4 November is the first test.
AI build-out funding slows	Medium	Severe	Chip-industry warnings on capital constraints and renewed questions on AI returns hit the whole supply chain in October.
Customer concentration	Medium	Severe	Demand concentrated in hyperscalers and AI labs; a pause would hit orders and inventory together.
Discount rate rises again	Medium	Moderate	Fed raised rates in September and meets on 27-28 October; the 10-year closed at 4.96% on 22 October.
Gross margin below the 39.5%-41.5% guide	Low	Severe	Load-bearing for EPS leverage.
Co-packaged ramp slips	Low to Medium	Moderate	No customer or volume disclosed.
Volatility	Certain	Moderate	Average daily range 10.5% of price; down 51% from the June closing high.
Long-term agreements renegotiated	Low	Severe	No evidence; would be a downgrade regardless of price.

Probability and severity as of 23 October 2026.

Valuation

Measure	Value	Comment
Market capitalisation	\$40.93bn	196.93m shares at \$207.82.
Enterprise value (our calculation)	\$42.99bn	Market capitalisation plus net debt on cash.
P/E, fiscal 2026 non-GAAP	37.0x	On \$5.61.
P/E, fiscal 2027 consensus	22.1x	On \$9.42; Street range \$8.26-\$10.26.
EV/sales, fiscal 2027 consensus	4.06x	On \$10.6bn.
Weighted value	\$241.14	16.0% above the price.

Consensus estimates as of 23 October 2026; arithmetic in code.

On fiscal 2027 consensus EPS of \$9.42 the shares trade at 22.1 times, against 26.9 times a week ago and the lowest in this coverage. The base multiple of 27 times sits beside Fabrinet's and well below Corning's; it is lower than the 30 times used on 16 October because the group multiple has fallen and the funding question now carries more weight. A 49% revenue growth rate at 22 times earnings looks cheap on its own, but the earnings have yet to produce cash, and the market is discounting the risk that 2027 demand is lower than consensus. On balance the shares are modestly

undervalued against the base case, not deeply so against the weighted value.

Macro drivers. Two variables matter. The first is the cost of capital for long-duration growth: the Fed raised its target range to 3.75%-4.00% in September, September CPI rose 3.7% on the year, and the 10-year yield closed at 4.96% on 22 October after trading above 5% for most of the month. A stock with a beta near 2 and negative free cash flow is sensitive to that rate. The second is the funding of AI data-centre build-outs, which runs through hyperscaler cash flow and credit markets rather than through consumer demand; jobless claims at 194,000 show no labour-market stress feeding into it. The industrial segment adds some sensitivity to manufacturing activity but is not the driver.

Sentiment

Date	Firm	Action
21 Oct	Susquehanna	Positive; target \$350 from \$425
20 Oct	TD Cowen	Buy; target \$275 from \$395
20 Oct	Bernstein	Outperform; target \$350 maintained
15 Oct	B. Riley	Neutral; target \$297 from \$345
13 Oct	Rosenblatt	Buy; target \$500 maintained

Broker actions as published, 13-21 October 2026.

Of 24 analysts, 15 rate the shares Strong Buy, 4 Buy and 5 Hold, with no Sell; the average target is \$410.43 and the median \$420. Every action this month cut the target or held it, and none cut the rating: the Street is lowering the multiple, not the earnings. Insider filings in October reflect tax withholding on vesting rather than purchases.

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. This positioning predates the October fall. 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.

Investment scorecard

Criterion	Weight	Score	Change and basis
Business Quality	15%	7/10	Unchanged. Vertically integrated around indium phosphide and VCSEL laser capacity with a broad datacom line-up; capital-intensive, and the industrial segment grows more slowly.
Financial Strength	15%	5/10	Unchanged. Fiscal 2026 operating cash flow \$79.5m against \$1.10bn of capital expenditure; net debt \$2.06bn on cash alone, \$1.24bn counting short-term investments.
Competitive Advantage	15%	7/10	Unchanged. Six-inch indium phosphide fabs and PhotonLink support the position in 1.6T and co-packaged optics; no named co-packaged customer yet, and Chinese module makers still set prices.
Management	10%	6/10	Unchanged. Guidance met or beaten and the portfolio pruned, but cash conversion lags growth and fiscal 2027 free cash flow has not been quantified.
Growth Potential	15%	8/10	Unchanged. Consensus fiscal 2027 revenue of \$10.6bn implies growth of about 49%, with EPS of \$9.42; the question is funding of 2027-28 build-outs, not demand today.
Valuation	20%	6/10	Unchanged. 22.1x fiscal 2027 consensus EPS, the lowest in this coverage, but the weighted value is only 16% above the price because multiples across AI hardware have compressed.
Risk (10 = lowest risk)	10%	3/10	-1 vs last report. Higher risk: average daily range 10.5% of price, a 51% fall from the June closing high, wider questions on AI funding, negative free cash flow and a Fed meeting on 27-28 October.

Criterion	Weight	Score	Change and basis
Investment Score	100%	61.5 / 100	62.8 on 16 October. Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights.

Scored 1-10, where 10 is always best, including Risk. Weights 15/15/15/10/15/20/10. Composite computed in code.

Six factor scores are unchanged and Risk is lower by one point. The composite moves from 62.8 to 61.5, which reflects the Risk score and the new weights rather than any change in the business.

Scenarios

Case	Probability	Outlook	Fair value
Bull	25%	Cash flow turns positive in the September quarter, 1.6T shipments broaden and co-packaged revenue starts on schedule; fiscal 2027 EPS reaches the top of the Street range at \$10.26, valued at 32x as the funding worry fades.	\$328.32 (+58.0%)
Base	45%	Results land inside the guide and the ramp continues, but cash conversion improves only slowly; fiscal 2027 EPS of \$9.42 in line with consensus, valued at 27x, close to Fabrinet and well below Corning.	\$254.34 (+22.4%)
Bear	30%	AI customers slow 2027 build-outs as funding tightens, orders slip and gross margin falls short of the guide; EPS at the bottom of the Street range at \$8.26, valued at 18x.	\$148.68 (-28.5%)
Weighted	100%	Probability-weighted value	\$241.14 (+16.0%)

Fiscal 2027 EPS is the consensus average and the ends of the Street range; multiples and probabilities are our own. Arithmetic in code.

The bear case carries 30% because the funding question has widened in October and free cash flow is still negative. The base case is 45% because the September guide is consistent with consensus and nothing the company has said points the other way. The bull case is 25%: demand is strong, but a return to the multiples of the summer needs both a cash-flow turn and a calmer market.

Recommendation

Watchlist, unchanged. The verdict holds, but on a lower set of numbers. On 16 October the case rested on a weighted value of \$269.28 and a price of interest of \$224; today the weighted value is \$241.14 and the price of interest is \$193, about 20.5 times fiscal 2027 consensus EPS, to be used once the 4 November results hold the guide. If the September quarter shows clearly positive operating cash flow with gross margin inside 39.5%-41.5%, a higher entry would be justified, because the bear case would then lose much of its weight. Buying now, twelve days before that test, means taking a 28% bear-case downside for a 16% weighted upside. No cut-loss or take-profit applies while the rating is not a Buy.

What would change the view	Direction	Why
Price at \$193 or below with the 4 November results holding the guide	Up: toward Buy	Restores a 20% margin to the weighted value.
September-quarter operating cash flow clearly positive, gross margin within or above 39.5%-41.5%	Up	Cuts the bear-case weight; justifies a higher entry.
Co-packaged revenue reported for the December quarter, or a named PhotonLink customer with volumes	Up	Turns a forecast into a fact.
A final US rule excluding Chinese modules from next-generation data-centre builds	Up	Shifts share and pricing toward US suppliers.
September-quarter operating cash flow negative again with capital expenditure still rising	Down	Confirms the cash-conversion risk.
Hyperscaler or AI-lab orders deferred, or a December-quarter guide below September	Down	Moves weight to the bear case.
A further sustained rise in long-dated yields with the Fed signalling more increases	Down	Compresses the multiple further.

Conditions as of 23 October 2026.

Technical read

Chart as of 22 October 2026 close.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart state is a breakdown: the price closed under the 200-day average within the last ten sessions, set a new 60-session closing low on 22 October, and the 50-day average is falling. Watch whether the 20-session low of \$204.38 holds through the results, and treat a close back above the 50-day average near \$290 as the first sign of repair. The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides entry timing.

Indicator	Value	Reading
Trend	Breakdown	Price below all four averages; 50-day falling
20-day SMA / EMA	\$283.50 / \$269.44	Price 26.7% / 22.9% below
50-day SMA / EMA	\$290.26 / \$288.56	Price 28.4% / 28.0% below
100-day SMA / EMA	\$315.70 / \$296.82	Price 34.2% / 30.0% below
200-day SMA / EMA	\$295.26 / \$268.98	Price 29.6% / 22.7% below
40-week SMA (weekly closes)	\$298.68	Price 30.4% below
RSI(14)	29.7	Oversold
MACD (12,26,9)	-20.15; signal -10.41	Histogram -9.74, below signal
ATR(14)	\$21.82	10.5% of price
Volume	22 Oct 12.5m; 20-day 7.3m; 50-day 6.9m	Participation rising into the fall
Support	\$204.38 (20-session low); \$184.57 (2025 close)	52-week low \$112.96
Resistance	\$222.05 (late-July closing low); \$232-\$238 (16-21 Oct closes)	Then the 20-day EMA near \$269

Indicators computed in code from daily closes and volumes to 22 October 2026, measured against the \$207.82 close of record.

Final verdict

Not yet. The demand case is intact and the shares are the cheapest they have been in this coverage at about 22 times fiscal 2027 earnings, but the October fall has lowered the value as well as the price, and the single biggest concern is unchanged: earnings that do not become cash. Fiscal 2026 free cash flow was negative \$1.02bn. The thesis would be invalidated by deferred hyperscaler orders or renegotiated agreements. What must change is the September quarter's cash flow, and the level at which the risk is paid for is \$193 after results that hold the guide.

Sources

Coherent Corp., Fourth Quarter and Full Year Fiscal 2026 results release, 12 August 2026 (coherent.com).

Coherent Corp., FY2027 first-quarter earnings release timing, 14 October 2026; TIME America's Growth Leaders 2027 release, 22 October 2026; corporate releases index (ir.coherent.com).

Coherent Corp., SEC filings index (Form 4, DEF 14A, ARS), September-October 2026 (ir.coherent.com); insider transaction records (insiderset.com).

Price of record: Alpha Vantage GLOBAL_QUOTE, 22 October 2026 close. Daily price history: Twelve Data time series to 22 October 2026.

Consensus estimates, price targets and ratings: StockAnalysis.com, 23 October 2026. Peer multiples and fiscal 2027-28 revenue consensus: TIKR, 9 October 2026.

Broker actions and market news: moomoo news and research channels, 13-22 October 2026; 24/7 Wall St., 14 and 22 October 2026.

US transceiver proposal: SDxCentral, 5 August 2026, citing Reuters, 4 August 2026.

Macro: Beating The Bull economic data posts of 17 September, 14, 15 and 22 October 2026.

Institutional positioning: Beating The Bull quarterly 13F reads, quarter ended 30 June 2026.

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