Coherent Corp.

NYSE: COHR | Optical Communications & Photonic Materials | Equity Research Update | 3 September 2026

Price (2 Sep 2026 close)	$268.64 (-1.25%)	**Recommendation**	**BUY (unchanged)**
Change since 18 Aug report	-14.7%	**Investment score**	**64 / 100 (was 63)**
Market capitalisation	$52.61bn	**Accumulation band**	**$262 - $282**
Enterprise value	$54.17bn	**Cut-loss**	**$238 (unchanged)**
52-week range	$85.94 - $440.00	**Targets**	**$390 then $440**
Forward P/E (FY27E $9.70)	27.7x (was 32.5x)	**Horizon**	**12 - 24 months**

Valuation is struck on the 2 September 2026 closing price of $268.64 (Alpha Vantage GLOBAL_QUOTE, confirmed by StockAnalysis.com). Coherent reported fiscal Q4 2026 on 12 August 2026; the fiscal year ends 30 June and no results have been released since. Figures described as this report's calculation are derived rather than company-reported.

Investment Summary

Coherent has fallen 14.7% since this coverage was last published on 18 August, from $315.00 to $268.64, and in doing so has traded straight through the entire accumulation band that report recommended. The central question for this update is whether that decline reflects something breaking or something getting cheaper. The evidence points firmly to the latter, with one qualification that has been added to the trade plan rather than to the rating.

Nothing has emerged from the company to explain the move. The last operating disclosure remains the fiscal fourth quarter released on 12 August: revenue of $2.05bn, up 33.8% year on year, non-GAAP EPS of $1.74 against a $1.62 consensus, and September-quarter guidance of $2.2bn to $2.4bn of revenue and $1.85 to $2.05 of EPS, both comfortably above where the street sat. What has arrived since has been positive. Coherent began customer sampling of 300mm high thermal conductivity silicon carbide substrates for AI semiconductor partners on 17 August. It will unveil the PhotonLink platform at ECOC on 21 September. Rosenblatt reiterated Buy at $500 on 19 August, and on 1 September Deutsche Bank initiated coverage at Buy with a $400 target, naming Coherent and Lumentum its highest-conviction AI hardware picks and describing Coherent as the cleaner way to own the 1.6T transceiver ramp. The consensus target across 23 analysts now sits at $415.36, which is 54.6% above the market.

The drawdown instead has two identifiable external causes. The first is sympathy selling through the optical complex after peer results, a pattern conspicuous enough that Barron's ran a piece on 28 August arguing these stocks should not be falling. The second is more substantive and deserves more weight than the sympathy argument allows. Over the same fortnight the ten-year Treasury yield rose from roughly 4.66% to 4.814%, its highest since November 2023, Chair Warsh used Jackson Hole to argue that underlying inflation has not improved and that financial conditions are not restrictive, and futures moved to better-than-even odds of a quarter-point hike on 15-16 September. A company with negative free cash flow whose value sits almost entirely in earnings several years out is precisely the security a rising discount rate should mark down. Part of this decline is the market being impatient. Part of it is arithmetic.

What that has done to the entry is unambiguous. The forward multiple has compressed from 32.5x to 27.7x on unchanged fiscal 2027 estimates, trailing non-GAAP earnings from 56.1x to 47.9x, and the probability-weighted fair value of $337 now sits 25.4% above the price against 16.9% in August. The rating is therefore reaffirmed at Buy, with the accumulation band reset to $262-$282 and targets trimmed to $390 and $440 to reflect a higher risk-free rate rather than a weaker business. The qualification is technical and it is the reason the score moved only one point: at $268.64 the shares have closed below their 200-day moving average of $275.10 for the first time in this cycle, the level the previous report cited as evidence the long-term uptrend was intact. That is a genuine deterioration, and it is why the band is narrow and the position remains half-sized.

What Has Actually Changed

A refresh between reporting periods is only useful if it distinguishes movement in the price from movement in the case. The table separates the two.

Measure	18 Aug 2026	2 Sep 2026	Read
Share price	$315.00	$268.64	-14.7% with no company-specific news in the window
Market capitalisation	$61.7bn	$52.61bn	$9.1bn of value removed on external causes
Forward P/E (FY27E $9.70)	32.5x	27.7x	Multiple compression on unchanged estimates
Trailing non-GAAP P/E	56.1x	47.9x	Same direction, same cause
Consensus target	$410.76	$415.36	Marginally higher; upside widened from 30% to 55%
Weighted fair value	$368.30	$337.00	Cut on a higher discount rate, still +25.4%
200-day moving average	$276.09	$275.10	Price has crossed from above it to below it
50-day moving average	~$300	$312.19	Now 14.0% overhead as resistance
10-year Treasury yield	~4.66%	4.79-4.81%	Highest since November 2023
Sept FOMC hike odds	35.4%	57.5%	A hike is now the market's base case

Six of these eleven rows describe the price and its inputs. One describes the business, and it is blank. The previous report named two conditions that would invalidate the thesis: evidence that the long-term agreements were being renegotiated on volume, and a second year of free cash flow below negative $500m with no inflection in sight. Neither has occurred, and the second cannot be tested until the September quarter is reported in early November.

The Financial Position, Re-examined

Fiscal 2026 closed with revenue of $7.12bn, up 22.5%, gross margin of 37.5%, operating income of $901.5m and net income of $769.9m against an $80.6m loss the year before. Those figures are unchanged since the last report and remain the most recent audited picture. Two features of them deserve more attention than they received in August, because a refresh is an opportunity to re-derive rather than to restate.

The first is the tax line. Coherent paid $60.85m of tax on $847.73m of pretax income, an effective rate of 7.18%. At a 21% statutory rate the same pretax income would have produced roughly $670m of net income, about 13% below the reported figure, and GAAP earnings per share of approximately $3.58 rather than $4.12. That calculation is this report's own and is not a company measure. It does not change the operating story, which is carried by non-GAAP EPS of $5.61 in any case, but it does mean the headline swing from loss to $770m of profit flatters the underlying improvement, and an investor anchoring on the GAAP number should discount it accordingly.

The second is return on capital. Return on invested capital stands at 6.74% and return on equity at 7.98%, against a weighted average cost of capital estimated by S&P Global at 15.14%, a figure driven high by the 2.10 beta. On that arithmetic Coherent is currently earning well below its cost of capital. The bull answer is that this is exactly what a company mid-way through a capacity build should look like, since the capital is on the balance sheet and the revenue it serves has not arrived. The bear answer is that the spread has to close from the revenue side, and until it does the company is destroying measurable value while the equity is priced for the opposite.

Metric (trailing twelve months)	Value	Interpretation
Revenue	$7.12bn	Up 22.5%; 79% now datacenter and communications
Gross margin	37.50%	Nine consecutive quarters of expansion, 40.2% non-GAAP in Q4
Operating margin	12.67%	Operating income $901.5m on $7.12bn

Metric (trailing twelve months)	Value	Interpretation
Effective tax rate	7.18%	Flatters GAAP EPS; normalised nearer $3.58 (this report's calculation)
Operating cash flow	$79.51m	P/OCF of 662x; the number the bear case rests on
Capital expenditure	-$1.10bn	Tripled year on year; guided higher again
Free cash flow	-$1.02bn	-$5.23 per share; no P/FCF can be computed
Net debt	$1.56bn	Debt $3.55bn against $1.99bn cash; -$7.98 per share
Debt / EBITDA	2.39x	Manageable; interest coverage 4.74x
Current ratio	2.43x	Liquidity is not the near-term concern
ROIC / WACC	6.74% / 15.14%	Earning below cost of capital during the build
Shares outstanding	195.83M	Up 26.26% year on year, 2.97% in the quarter
Altman Z / Piotroski F	4.1 / 7	Solvency comfortable; quality score respectable

Source: S&P Global Market Intelligence via StockAnalysis.com, as of 3 September 2026. The dilution line is the one that compounds quietly: a 26.26% increase in the share count over twelve months means per-share progress requires materially more absolute growth than the revenue line suggests.

Valuation

Coherent cannot be valued on cash flow, because there is none, and valuing it on trailing GAAP earnings produces a 65.2x multiple that reflects a tax rate rather than a business. The defensible approaches are a forward earnings multiple against the growth rate, and a cross-check against what the sell side will pay. Both improved over the fortnight for the same reason: the price fell and the estimates did not.

Method	At $315.00	At $268.64	Comment
Forward P/E (FY27E $9.70)	32.5x	27.7x	This report's FY27 estimate, built from company guidance
Forward P/E (street)	n/a	28.5x	Implies street FY27E of about $9.42
Trailing non-GAAP P/E	56.1x	47.9x	On FY26 non-GAAP EPS of $5.61
PEG ratio	0.64	0.54	Three-year EPS growth forecast of 48.8%
EV / Sales	8.8x	7.6x	Full for a hardware manufacturer, cheap for the growth
EV / EBITDA	43.9x	38.1x	EBITDA $1.42bn, margin 20.0%
Price / book	5.6x	4.82x	Book value $55.70 per share; P/TBV still 14.4x
Consensus target	$410.76	$415.36	23 analysts, spread $280 to $500

A PEG of 0.54 is the single most favourable number in this report and the one most worth treating sceptically, since it divides a demanding multiple by a growth forecast that assumes the capacity ramp lands. If the ramp lands the stock is cheap. The PEG is not independent evidence that it will.

The macro variables that matter here

Coherent has two genuine macro dependencies and neither of them is consumer demand. The first is the long end of the Treasury curve, which matters twice over: it sets the discount rate applied to earnings that arrive in fiscal 2028 and beyond, and it prices the capital Coherent must itself raise while free cash flow is negative. The ten-year yield closed near 4.79% on 2 September after touching 4.814% intraday, its highest since November 2023, and CME futures put the probability of a quarter-point increase at the 15-16 September FOMC meeting at 57.5%, up from 35.4% a week earlier, with core PCE holding at 3.3% and the Fed chair describing financial conditions as not restrictive. This is the least hospitable rate backdrop a negative-cash-flow growth equity has faced in this cycle, and it is the honest part of the explanation for a 14.7% decline on no news.

The second is hyperscaler capital spending, which is a demand variable rather than a rate variable and is presently unaffected: fiscal 2027 is described as fully booked, purchase orders extend into calendar 2028, and long-term agreements carry take-or-pay minimums with agreed pricing to the end of the decade. Those contracts insulate the revenue line from a change of mind, though not from a change of ability to pay. Retail sales, consumer confidence and mortgage rates have no bearing on this business and are not discussed for that reason.

Sentiment and Positioning

The sell side did not follow the price down. Every rating action in the window was a reiteration or an initiation at Buy, and the two most recent are the most favourable. The dispersion of targets, from $280 to $500, remains the widest of any name in this coverage and is itself the finding: the disagreement is not about whether demand exists but about what a company that consumes cash to serve it is worth.

Indicator	Reading	Interpretation
Consensus rating	Buy, 23 analysts	Target $415.36, 54.6% above the market
Most recent action	Deutsche Bank, Buy, $400	1 Sep initiation; highest-conviction AI hardware pick
Bull end of range	Rosenblatt $500, Craig-Hallum $480	Reiterated 19 Aug and 13 Aug respectively
Bear end of range	Northland $280, B. Riley $345	Both Hold-equivalent, both raised after Q4
Short interest	6.54M shares, 3.34% of shares out	Down from 6.82M a month earlier; 1.54 days to cover
Institutional ownership	87.58%	Heavily institutional; insiders hold 0.28%
moomoo news feed	No company-negative item since 12 Aug	Feed carries the SiC sampling and PhotonLink launch
moomoo digest	Neutral to constructive	Events are product and ratings news, not operational

Short interest falling while the stock falls 14.7% is worth noting. It argues that the decline was long-side selling and index-level de-risking rather than a fresh bear thesis being expressed.

Technical Position

This is where the report has genuinely changed, and it should be stated plainly rather than absorbed into the narrative. On 18 August the previous report described a long-term uptrend that was intact, with the 50 and 100-day cluster newly broken and sitting overhead. Two weeks later the price has continued lower and has closed below the 200-day moving average of $275.10. The previous report used the 40-week average of $276.09 as the anchor for the lower end of its buy range and as evidence that the primary trend was undamaged. That average has been recomputed for this report at $275.10 and the price now sits 2.35% beneath it. The anchor has not moved. The price has moved through it.

Indicator	Reading	Interpretation
Close (2 Sep 2026)	$268.64	Below every moving average in the stack
SMA 20	$307.58	14.5% overhead
SMA 50	$312.19	13.9% overhead; first resistance on any recovery
SMA 100	$336.86	20.3% overhead
SMA 200	$275.10	Breached to the downside; the material change in this report
EMA 20 / EMA 50	$294.38 / $311.06	Both falling, both above price
RSI (14)	41.4	Weak but not oversold; no positive divergence yet
MACD (12,26,9)	-11.19, signal -7.75	Histogram -3.44 and widening; momentum still negative

Indicator	Reading	Interpretation
ATR (14)	$24.11 (9.0% of price)	A typical day moves 9%; sizing must respect this
Range, last 20 sessions	$262.62 - $391.36	The whole August advance has been retraced
Range, 100 sessions	$220.68 - $440.00	July low is the next structural support below the stop
Volume, 20d vs 50d	7.33M vs 5.99M	Elevated turnover into the decline

Indicators computed in code from raw daily OHLCV through the 2 September close; the series runs 100 sessions from 13 April 2026, so the 200-day average is taken from S&P Global via StockAnalysis.com rather than computed here, and the 50-day figure from that source matches the computed value exactly, which is the cross-check for using it.

Risks

Risk	Probability	Severity	Assessment
Cash conversion never inflects	Medium	High	FCF of -$1.02bn with capex still rising. The September quarter's operating cash flow line is the test, reported early November
Discount rate rises further	Medium-high	Medium	A September hike is now 57.5% priced. Every 25bp on the long end compresses a 28x forward multiple more than it does a market multiple
Hyperscaler capex digestion	Low near term	High	Contracts run to 2028, but they protect the order book rather than the multiple. A cycle scare re-rates the stock regardless
End-market concentration	Certain	High	79% of revenue is datacenter and communications, and industrial fell 15.8%. There is no diversification left to lean on
Further dilution	Medium	Medium	Share count up 26.26% in a year and 2.97% in the quarter. Funding a capex ramp with equity is the stated method
Inventory write-down	Low-medium	Medium	Inventory rose 79.5% to $2.58bn against demand that is contracted. Risk is timing, not obsolescence
Volatility itself	Certain	Medium	Beta 2.10, ATR 9.0% of price. Any stop within two ATR carries a real chance of being hit on noise alone
Co-packaged optics transition	Medium	Low	Coherent supplies lasers, connectors and fibre under either architecture. A mix and content risk rather than obsolescence

Scorecard

Factor	Score	Rationale and change since 18 August
Business Quality weight 12%	7/10	Unchanged. Vertically integrated with scarce InP capacity, capital-intensive by nature
Financial Strength weight 13%	5/10	Unchanged. No new statements since Q4. Tax-flattered GAAP earnings noted but non-GAAP unaffected
Competitive Advantage weight 15%	7/10	Unchanged. Deutsche Bank's initiation endorses the positioning without adding new facts
Management weight 10%	8/10	Unchanged. Guidance record intact; nothing has occurred to test it since August
Growth Potential weight 18%	9/10	Unchanged. FY27 booked, POs into 2028, SiC sampling and PhotonLink add optionality

Factor	Score	Rationale and change since 18 August
Valuation weight 15%	6/10	Raised from 5. Forward multiple 32.5x to 27.7x on unchanged estimates; consensus upside 30% to 55%
Risk (10 = lowest risk) weight 12%	3/10	Unchanged at high risk. Concentration, negative FCF and 2.10 beta are as before; rate risk has risen
Technical Setup weight 5%	3/10	Cut from 5. Closed below the 200-day average, MACD negative and widening, full MA stack overhead
Investment Score	**64 / 100**	Weighted sum of the eight factors, computed in code. Was 63 on 18 August: the valuation upgrade and the technical downgrade very nearly cancel

Scored 1-10, where 10 is always best, including Risk. A Risk score of 3 therefore denotes a high-risk business, which is consistent with the risk table above. The previous report used this same convention, so no restatement was required to compare the two. Weights: Growth Potential 18, Competitive Advantage 15, Valuation 15, Financial Strength 13, Business Quality 12, Risk 12, Management 10, Technical Setup 5.

Recommendation: BUY

The rating is unchanged, and the reasoning behind it has shifted in one respect worth stating. In August the case rested on a strong quarter at a full price, with the decline that morning treated as an improvement to the entry. Today the case rests on the same quarter at a materially better price, with a chart that has deteriorated enough to argue against buying the position in one go. The fundamental argument is not stronger than it was. The price is.

What keeps this above Watchlist is the combination of a booked fiscal 2027, contracted pricing to the end of the decade, a forward multiple below 28x against a three-year EPS growth forecast near 49%, and a consensus target 55% above the market with the two most recent analyst actions at the bullish end. What keeps it below Strong Buy is unchanged from August and has been reinforced: there is still no free cash flow beneath the multiple, and the discount rate applied to the earnings that justify it has risen while the market has been marking the stock down.

Parameter	Level	Basis
Recommended entry	$262 - $282	Brackets the current price and the 200-day average at $275.10
Ideal accumulation	$262 - $272	The lower half; 20-session low is $262.62
Cut-loss	$238	Unchanged from August. Below the late-July consolidation floor
Take-profit 1	$390	Cut from $440. About 40x FY27E, below the $415 consensus
Take-profit 2	$440	Cut from $520. The June all-time high, about 45x FY27E
Expected upside	+43.4% to TP1, +61.8% to TP2	From the $272 band midpoint
Expected downside	-12.5%	Band midpoint $272 to the $238 cut-loss
Risk / reward	3.5 to 1 at TP1	Improved from 2.5 to 1 in August, purely because price fell to a fixed stop
Position size	Half a normal position	Beta 2.10 and a 9.0% daily ATR demand it
Portfolio allocation	2% - 3%	Upper bound for a single-cycle, single-end-market holding
Horizon	12 - 24 months	The cash conversion question resolves across FY27

The band is deliberately narrow, and the reason is arithmetic rather than conviction. Holding the cut-loss at $238 while the price falls to $268.64 leaves only 1.27 ATR between the two, against 1.7 ATR in August. Reaching the band lower to buy more cheaply would compress that further, to the point where ordinary volatility triggers the stop. Widening the stop to restore the standoff would be the same mistake in the opposite direction. The correct response is a tighter band and a smaller position, which is what is recommended. Below $250 the appropriate action is to stop adding and wait for the shares to reclaim $275, not to average into a stop that is 5% away.

What would change the view

Condition	Consequence
September-quarter operating cash flow shows no improvement on $79.5m	Downgrade to Watchlist. This is the stated thesis test and it reports in early November
Evidence that long-term agreements are being renegotiated on volume	Downgrade regardless of price. The contracted order book is the floor under the whole case
Gross margin guided below the 39.5% to 41.5% range	Downgrade. Nine quarters of expansion is a load-bearing part of the earnings leverage argument
A sustained move higher in long-term yields alongside a hawkish September FOMC	Trim targets again rather than the rating. A discount-rate effect is not a business effect
Weekly close back above the 50-day average	Restores the technical score and justifies completing the position
Close below $238 on volume	Cut-loss. The thesis has not necessarily failed but the trade has

Scenario Analysis

Case	Prob.	Fair value	Outline
Bull	30%	$470 (+75.0%)	Six-inch InP runs ahead of plan again, 1.6T broadens, CPO and optical circuit switching both contribute in the second half, gross margin clears 42%, and free cash flow turns positive during FY27. Roughly 45x an EPS figure nearer $10.50
Base	50%	$330 (+22.8%)	The ramp lands as guided. FY27 revenue near $10.4bn and non-GAAP EPS near $9.70, with free cash flow improving but not decisively positive. The multiple holds in the low-to-mid 30s on FY28 earnings as the market looks through
Bear	20%	$155 (-42.3%)	Hyperscaler spending enters digestion during calendar 2027. Orders are pushed rather than cancelled, the inventory build requires a write-down, and the market re-rates a capital-intensive supplier to a capital-intensive supplier's multiple, roughly 22x a reduced number

Probabilities sum to 100%. The probability-weighted fair value of $337.00 was computed in code from the inputs shown and stands 25.4% above the 2 September close of $268.64, against 16.9% above the price when this coverage was last published. The weighted value has been cut from $368.30, entirely through a lower multiple assumption in the bull and base cases; the earnings assumptions are unchanged. The 42.3% bear drawdown is not hypothetical for this security, which fell 51% from $440 to $215 within the last five months.

Final Verdict

Would this be worth an allocation of one's own money today? Yes, and on better terms than a fortnight ago, provided the position is built in the lower half of a narrow band and kept to half weight.

The reason to own Coherent has not changed. It sits on the scarce physical input to an industry that cannot get enough of it, has contracted that scarcity through the end of the decade, and is compounding gross margin fast enough to turn strong revenue growth into much stronger earnings growth. Fiscal 2027 is booked. Purchase orders extend into 2028. At 27.7x forward earnings against a three-year growth forecast near 49%, an investor is not paying a fantasy multiple for that, and the two most recent institutional opinions on the stock both arrived at Buy while it was falling.

The reason for caution has not changed either, and one part of it has sharpened. The company is still buying its growth with shareholders' capital and has still not shown it can earn that capital back: $1.02bn of negative free cash flow, an 80% inventory build, a 26% larger share count, and a return on invested capital less than half its estimated cost of capital. What has sharpened is the environment in which that has to be financed. A Federal Reserve that may raise rates in twelve days, a ten-year yield at levels last seen in 2023, and a chair who regards buoyant asset prices as evidence that policy is not yet tight together make the worst possible backdrop for a business that must raise capital to grow into its valuation.

The resolution is that this is a better price for the same argument, taken in smaller pieces. The 14.7% decline has improved every valuation measure in this report without a single figure in Coherent's accounts changing, which is the definition of an improved entry. Against that, the shares have closed below their 200-day moving average for the first time in this advance, and a stock that trades 9% on an average day now sits barely 1.3 ATR above its own cut-loss. Both statements are true and they point in opposite directions. The way to hold both is to buy some of the position here, to leave room to buy the rest closer to $262, and to decline to average below $250. Watch the September quarter's operating cash flow line more closely than its revenue line. That is still where this thesis will be proved or broken.

Scope and sources. This report was prepared on 3 September 2026 as a scheduled update to coverage last published on 18 August 2026. It follows no new company disclosure; the most recent results are the fiscal fourth quarter released on 12 August 2026, and their treatment here is deliberately brief because that quarter was covered in the previous report. Valuation is struck on the 2 September 2026 closing price of $268.64, taken from Alpha Vantage and confirmed against StockAnalysis.com. Fundamental statistics are from S&P Global Market Intelligence via StockAnalysis.com as of 3 September 2026. Technical indicators other than the 200-day average were computed in code from raw daily OHLCV through the 2 September close. News and analyst actions were sourced from the moomoo news and research feeds and cross-checked against primary reporting. Macroeconomic figures are as reported through 2 September 2026. No earnings call transcript was sought for this update, as no call has taken place since the one reviewed for the previous report. Figures described as this report's calculation are derived, not company-reported. Nothing here is a recommendation to any particular person; it is informational only and not financial advice.