

Coherent Corp.

NYSE: COHR | Optical communications and photonic materials | Coverage update | 27 September 2026

Last close (25 Sep 2026)	\$295.83 (+11.0% since 14 Sep)	Recommendation	HOLD, downgraded from Buy
Previous report (15 Sep)	\$266.50, Buy	Investment score	62.2 / 100 (prior 62.7)
Market capitalisation	\$57.92bn (approx.)	Weighted fair value	\$315 (prior \$327)
Forward P/E (FY27E \$9.70)	30.5x (27.5x on 15 Sep)	Upside to fair value	+6.5% (prior +22.5%)
200-day average, computed	\$286.16, rising ~\$0.65 a session	Price that restores a Buy	\$263 or below

The Price Did the Work the Business Has Not Yet Done

Coherent closed at \$295.83 on 25 September, 11.0% above the \$266.50 at which the last report reaffirmed a Buy and told readers to accumulate between \$262 and \$272. That instruction worked: the shares rallied as far as \$321.52 on 21 September, the day the PhotonLink platform was launched at ECOC in Malaga, before giving back a third of the move. Nothing in the fortnight has damaged the thesis. The contracted order book is intact, the company launched the co-packaged optics platform it had promised on the date it promised, and the stop at \$238 was never tested; the lowest close since the last report was \$271.17 on 15 September.

The rating nonetheless moves to Hold, for two reasons that compound. The first is price: an 11% rise leaves the shares at 30.5 times fiscal 2027 earnings against 27.5 times a fortnight ago. The second is the discount rate. The Federal Reserve raised its target range to 3.75%-4.00% on 16 September, and the 10-year Treasury yield closed at 5.17% on 25 September after touching 5.18%, its highest since 2007, against 4.999% at the last report. That report said a further rise in long yields under a hawkish Fed would trim targets rather than the rating, and on that condition alone it would not. Taken together, however, the higher price and the lower exit multiples cut the gap to probability-weighted fair value from 22.5% to 6.5%. For a company with negative free cash flow, a 2.10 beta and a 7% average daily range, a single-digit margin to fair value is not a Buy. The case for owning it is unchanged; the case for adding at this price is not there. The name becomes a Buy again at \$263 or below, or sooner if the September-quarter cash flow statement, expected in early November, shows the inflection the thesis depends on.

The anchoring averages, recomputed

The accumulation band published on 3 and 15 September was set to bracket the 200-day average, and the last report said it would be reset at this review rather than carried. Both conventions are recomputed below from one 300-session Twelve Data daily series; the 40-week figure uses the last close of each calendar week. The 15 September report's figures are reproduced exactly, which confirms the method.

Date	Close	200-day SMA (daily closes)	40-week SMA (weekly closes)	Price vs 200-day
14 Sep 2026	\$266.50	\$280.25	\$286.28	4.9% below
18 Sep 2026	\$317.36	\$282.97	-	12.2% above
25 Sep 2026	\$295.83	\$286.16	\$290.30	3.4% above (1.9% above the 40-week)

Computed in code from the Twelve Data daily series to 25 September 2026. The 200-day average has risen \$5.91 in nine sessions, about \$0.65 a session. The old band top of \$282 now sits below both averages, so the \$262-\$282 band no longer brackets the level it was built around and is withdrawn.

Company developments

The period's company news was product-led and concentrated on the ECOC conference. None of it rises to the level that changes the investment case on its own. The most important item, PhotonLink, confirms a revenue timeline management had already given on the August earnings call rather than adding a new one.

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	Platform for co-packaged, near-packaged and chip-to-chip optics combining indium phosphide lasers, VCSEL arrays, silicon photonics, isolators, fibres, micro-optics and detectors. Company cites more than ten co-packaged and more than ten near-packaged customer engagements, with anchor customers and long-term agreements secured. No customer named, no pricing, no volumes	Management expects PhotonLink revenue to begin ramping in the fourth calendar quarter of 2026, consistent with its August call guidance of first co-packaged optics revenue in the December quarter and scale-up adoption in the second half of calendar 2027	Medium
ECOC 2026 product slate	Shown 20-24 Sep 2026	3.2T 2xDR4 pluggable transceiver, 6.4T near-packaged optical engine, VCSEL arrays for scale-up, LS200 line system, fibre and coupling components, Thermadite diamond thermal materials. No availability dates given	None stated by the company	Low
Pluggable optical line system, full C-band	Announced 17 Sep 2026; shipping	QSFP-form amplifier supporting 32 wavelengths and 25.6Tbps over 2-200km for 800G ZR/ZR+ links. Company states high-volume shipments are underway	None stated	Low
300mm silicon carbide substrate sampling	Sampling since 17 Aug 2026	Customer sampling of 300mm high-thermal-conductivity silicon carbide substrates for AI infrastructure	No revenue timeline given by the company	Low
GaN laser development with BluGlass	Announced 20 Sep 2026	A development agreement worth about A\$286,000 to BluGlass for a gallium nitride laser device aimed at scientific and medical markets	None	Low
Insider sales, no purchases	Trades 31 Aug - 11 Sep; last Form 4 filed 15 Sep	A director, the chief technology officer, the chief strategy and legal officer and two further directors sold; the filings sum to a little over \$7m across the period. No trade dated after 11 September and no purchases	Not applicable	Low; already reflected in the Management score

Company facts from Coherent's press releases of 17, 20 and 21 September 2026 and its fiscal fourth-quarter 2026 earnings call of 12 August 2026. Insider transactions from Form 4 filings. BluGlass agreement as reported in the company announcement relayed by trade press.

Why PhotonLink is rated Medium rather than High. It touches the datacom business, which is the core of the company, so the question was whether it moves the next two years' earnings by a meaningful amount. On the evidence it does not change the base case, because the base case already assumed co-packaged optics revenue beginning around the turn of the year and contributing more in the second half of fiscal 2027; the company has disclosed no revenue figure, no named customer and no volume, so there is nothing to size beyond what was already assumed. What it does is remove a risk: an August report that co-packaged optics could slip by years, which the company rejected at the time, is now answered with a launched platform and a restated December-quarter ramp. The first hard evidence arrives with the December-quarter results early in calendar 2027, when co-packaged revenue either appears or does not. The previous report said named customers or volume commitments at the unveiling would support the case without

changing the rating; the unveiling produced engagement counts and a timeline but no names, so that condition is only partly met.

What the Last Report Was Watching

Item from the 15 September report	Outcome	Effect
PhotonLink unveiling on 21 September	Occurred on the date given. Engagement counts and a Q4 calendar 2026 revenue ramp; no named customers or volumes	Supports the case; no rating change, as stated in advance
Close below the \$238 cut-loss on volume	Did not occur. Lowest close since 15 September was \$271.17	Stop never tested
Weekly close back above the 50-day average	Occurred: \$317.36 on 18 September, above the 50-day near \$297. The price has since slipped back to 0.3% below it	Technical score raised from 3 to 5, not further
A further rise in long-dated yields with a hawkish Fed	Occurred. Rate increase on 16 September; 10-year from 4.999% to 5.17%, touching 5.18%	Exit multiples trimmed again, bull by two turns and base by one
September-quarter operating cash flow versus \$79.51m	Pending. Results expected in early November; the company has not yet announced the date, and last year's first-quarter release came on 5 November	Still the thesis test
Long-term agreements renegotiated on volume	No evidence. Management said in August that agreements carry both volume and price commitments	None
Gross margin guided below 39.5%-41.5%	Pending until the early-November release	None

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 scarce materials underneath them, principally indium phosphide and, increasingly, silicon carbide. The last operating disclosure remains the fiscal fourth quarter released on 12 August: revenue of \$2.05bn, up 34% year on year, non-GAAP earnings of \$1.74 a share against a \$1.62 consensus, and September-quarter guidance of \$2.2bn to \$2.4bn of revenue and \$1.85 to \$2.05 of earnings. On the call management said fiscal 2027 is essentially booked, customer orders extend into calendar 2028, long-term agreements run to the end of the decade with agreed pricing, and internal indium phosphide capacity will double year on year by the end of the September quarter, one quarter ahead of plan.

The objection is the same one it has been for four reports. Free cash flow was negative \$1.02bn in fiscal 2026 on operating cash flow of \$79.51m; capital expenditure reached \$556m in the June quarter against \$290m in March, and management said it would rise again in the September quarter. Management describes an 18-month payback on data-centre investment and declined on the call to quantify free cash flow for fiscal 2027. That is a plausible story about a company building capacity it has already sold, and it remains unproven.

Variable	Why it decides the outcome	Where it stands
Cash conversion	Negative free cash flow is the load-bearing objection	Untested until the early-November release; capital expenditure guided higher again
Contracted order book	Fiscal 2027 booked, orders into 2028 at contracted prices	Unchanged; no sign of renegotiation
Gross margin	Nine quarters of expansion drive the earnings leverage; guided 39.5%-41.5%, target above 42%	Untested until November
New product ramps	1.6T, co-packaged optics and silicon carbide justify a forward rather than trailing multiple	PhotonLink launched; co-packaged revenue guided from the December quarter

Variable	Why it decides the outcome	Where it stands
Discount rate	Negative free cash flow and distant value make this highly rate-sensitive	Worse: 10-year at 5.17%, a 2007 high, after a Fed increase

Valuation

Fiscal 2027 non-GAAP earnings of \$9.70 remain this report's calculation built from company guidance, not a company figure. At \$295.83 the shares trade at 30.5 times it. The probability-weighted fair value falls to \$315 from \$327 because the bull and base exit multiples are cut by two turns and one turn respectively, the same response the last report applied to a similar move in the 10-year. Without that cut the weighted value would be \$327, still only 10.4% above the price, so the downgrade does not rest on the multiple change alone.

Measure	At \$295.83	At \$266.50 (15 Sep)	Comment
Forward P/E on FY27E EPS \$9.70	30.5x	27.5x	Three turns higher on price alone
Market capitalisation	\$57.92bn	\$52.19bn	On approximately 195.8m shares (derived)
Enterprise value	\$59.48bn	\$53.75bn	Net debt of about \$1.56bn carried from the fiscal year-end
Free cash flow yield	Not computable	Not computable	Fiscal 2026 free cash flow negative \$1.02bn
Analyst consensus target	\$397.63 (22 analysts)	\$415.36 (23 analysts)	34.4% above the price; range \$230-\$500. The two figures come from different aggregators and are not a like-for-like cut
Probability-weighted fair value	\$315	\$327	Earnings cases unchanged; exit multiples trimmed
Implied upside to fair value	+6.5%	+22.5%	Compressed by a higher price and a lower fair value

Share count and enterprise value are this report's derivations from figures in earlier reports and are approximate. Consensus from MarketBeat as at 25 September 2026.

The macro variables that matter here

The dominant one is the long end of the Treasury curve, because Coherent must fund capacity while free cash flow is negative and most of its value sits several years out, so the 10-year prices both the valuation and the funding. The Federal Open Market Committee raised the federal funds target range by 25 basis points to 3.75%-4.00% on 16 September, unanimously. The curve briefly rallied, then resumed rising as the data ran hot: S&P; Global's flash composite PMI reached 58.4 in September with input-cost inflation at its highest since October 2022, initial jobless claims fell to 197,000, August core consumer prices rose 0.3% against a 0.2% forecast, and a Federal Reserve president said on 24 September that some modest further tightening may be warranted. The 10-year closed at 5.17% on 25 September. This is the variable that cut fair value in each of the last two reports without any change to the earnings cases.

The second is hyperscaler and frontier-lab capital expenditure, the demand function, which is set against competitive position rather than the cost of money and has shown no sign of rolling over. The next hard read comes with the large cloud platforms' quarterly results in late October. Consumer spending, housing and mortgage rates have no bearing on this business.

Sentiment and Positioning

Input	Reading	Interpretation
Analyst actions	Rosenblatt maintained Buy and \$500 on 23 September; Stifel maintained Buy and \$420 on 22 September. Consensus \$397.63 across 22 analysts: 16 Buy or Strong Buy, 6 Hold	Supportive but static. No firm has moved its target in response to PhotonLink
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 33 managers cutting against 27 adding. Two large managers added while others cut, so the read sits close to Mixed. A large strategic holding is excluded from the measure
Insider activity	Sales by five officers and directors between 31 August and 11 September, a little over \$7m in total; no purchases; nothing dated after 11 September	A uniform direction rather than a large amount
moomoo news and digest	Both ran. The raw feed carried the ECOC and PhotonLink releases, the two analyst notes and the Form 4 notices; the digest reads neutral to mildly positive	Consistent with the primary sources; no item in either changes the case
Sector tape	Optics rallied on 16 September on what trade coverage described as short covering after a steep monthly decline, and again after Ciena's guidance; Coherent then gave back part of the move as yields rose into late September	A positioning and discount-rate tape more than a fundamental one

Institutional positioning is 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 is as of the quarter end and predates the price action discussed here.

Technicals

Indicator	Value	Reading	15 Sep report
Price of record (25 Sep)	\$295.83	Up 11.0% over the period; peak close \$321.52 on 21 Sep	\$266.50
SMA 20 / EMA 20	\$290.39 / \$296.54	Price 1.9% above / 0.2% below	\$289.62 / \$291.41
SMA 50 / EMA 50	\$296.77 / \$303.13	Price 0.3% and 2.4% below. First resistance	\$299.16 / \$304.63
SMA 100 / EMA 100	\$331.69 / \$305.05	Price 10.8% and 3.0% below	\$334.09 / \$306.20
SMA 200 (daily)	\$286.16	Price 3.4% above; rising about \$0.65 a session	\$280.25
40-week SMA (weekly closes)	\$290.30	Price 1.9% above	\$286.28
EMA 200	\$269.86	Price 9.6% above; the nearest support of substance	\$268.31
RSI (14)	49.5	Neutral	42.5
MACD (12,26,9)	0.41, signal -1.35, histogram +1.76	Line turned positive; histogram above signal	-6.17, histogram +1.04
ATR (14)	\$20.18, 6.8% of price	Volatility easing but still high	\$23.84, 8.9%
Volume, 20-day vs 50-day	6.2m vs 6.5m, -4.5%	Participation fading on the pullback from \$321	6.2m vs 6.1m
100-session range	\$220.68 - \$440.00	July low remains structural support	unchanged

Computed in code from a 300-session Twelve Data daily series to 25 September 2026, all averages from that one series. Distances are measured against the \$295.83 price of record.

The chart has improved. The price is back above a rising 200-day average, the MACD line has turned positive and a weekly close above the 50-day average was achieved on 18 September. It has not become a breakout: the rally failed at \$321.52, below the 100-day average near \$332, and the price has slipped back to just under the 50-day on falling volume. Support sits at the 200-day average near \$286, then the 200-day exponential average near \$270, the 3 September low of \$255.25 and the late-July floor near \$238. Technicals inform timing only.

Risk Register

Risk	Probability	Severity	Assessment
Cash conversion never inflects	Medium	Severe	Negative \$1.02bn of free cash flow with capital expenditure guided higher again; the September-quarter cash flow statement is the test
Discount rate rises further	High	Moderate	10-year at a 2007 high after a rate increase, with policymakers signalling more may follow. Has cut fair value in two consecutive reports
Customer concentration and cycle exposure	Medium	Severe	Demand concentrated in hyperscaler and frontier-lab build-out; a digestion phase would hit orders and inventory
Co-packaged optics ramp slips	Low to Medium	Moderate	PhotonLink restates a December-quarter start, but no customer or volume is disclosed; slippage would move growth and sentiment more than fiscal 2027 earnings
Volatility	Certain	Moderate	2.10 beta; a 12.7% one-day fall on 14 September and a 20.6% rise over the next five sessions
Gross margin below the 39.5%-41.5% guide	Low	Severe	Load-bearing for earnings leverage; untested until November
Long-term agreements renegotiated	Low	Severe	No evidence; would be a downgrade regardless of price

Probability and severity are this report's assessments. The Risk score of 3/10 below denotes a high-risk business, consistent with this register.

Scorecard

Factor	Weight	Score	Rationale and change since the previous report
Business Quality	12%	7/10	Unchanged. Vertically integrated around scarce indium phosphide capacity; capital-intensive by nature, which cuts both ways.
Financial Strength	13%	5/10	Unchanged. No new statements since the fiscal fourth quarter; negative free cash flow and rising capital expenditure remain the constraint.
Competitive Advantage	15%	7/10	Unchanged. PhotonLink and the ECOC product slate reinforce positioning in co-packaged and near-packaged optics, but no customer has been named and no revenue booked.
Management	10%	7/10	Unchanged. No insider trade dated after 11 September; the earlier run of sales with no purchases is already reflected. Guidance record untested until early November.
Growth Potential	18%	9/10	Unchanged. Fiscal 2027 booked, orders into calendar 2028, co-packaged optics revenue guided to begin in the December quarter.
Valuation	15%	5/10	Cut from 6. The forward multiple rose from 27.5x to 30.5x while the weighted fair value fell, leaving about 6.5% to fair value against 22.5% a fortnight ago.
Risk (10 = lowest risk)	12%	3/10	Unchanged at high risk. Concentration, negative free cash flow and a 2.10 beta; the 10-year at a 2007 high worsens the discount-rate exposure within an already low score.
Technical Setup	5%	5/10	Raised from 3. Price back above a rising 200-day average, positive MACD, a weekly close above the 50-day on 18 September; offset by a failed push at \$321 and fading volume.
Investment Score	100%	62.2 / 100	Weighted sum computed in code. The previous report scored 62.7 on the same weights and the same direction convention, so no restatement was required.

Scored 1-10, where 10 is always best, including Risk. A Risk score of 3 therefore denotes a high-risk business. Weights: Growth Potential 18, Competitive Advantage 15, Valuation 15, Financial Strength 13, Business Quality 12, Risk 12, Management 10, Technical Setup 5. No company development moved a factor score this period.

Recommendation: HOLD

Downgraded from Buy. The reasoning is not that the thesis has weakened; it is that the price has caught up with a fair value that has itself been cut twice by the discount rate. At \$295.83, with a weighted fair value of \$315, the margin is 6.5%. The bull case at \$430 is real, and so is the bear case at \$155, and a buyer at this price is paid little for carrying the second. Holders who built positions in the \$262-\$272 zone the last two reports recommended have no reason to sell: the order book, the pricing contracts and the product timeline are intact. New money should wait.

The price at which this becomes a Buy again is \$263 or below. That level restores a 20% margin to the \$315 weighted fair value, the margin at which the last two reports were buying, and sits between the 200-day exponential average near \$270 and the 3 September low of \$255.25. The alternative route back is evidence rather than price: a September-quarter cash flow statement showing operating cash flow clearly improving on \$79.51m, with gross margin inside or above the guided range, would justify restoring the base-case multiple and raising the probability of the bull case. The earnings date has not been announced; if the results arrive first, the level will be reset on them.

Parameter	This report	15 Sep report
Verdict	Hold	Buy
Recommended entry	None at this price. Becomes a Buy at \$263 or below, or on a cash flow inflection	\$262 - \$282

Parameter	This report	15 Sep report
Ideal accumulation	Withdrawn	\$262 - \$272
Cut-loss	Not published for a Hold	\$238 (not breached; lowest close since was \$271.17)
Take-profit 1 / 2	Not published for a Hold. The bull-case value is \$431	\$390 / \$440
Holding horizon for existing holders	12 to 24 months, reviewed on the early-November results	12 to 24 months

What would change the view

Condition	Consequence	Why
A retreat to \$263 or below with the order book and product timeline intact	Upgrade to Buy	Restores a 20% margin to weighted fair value
September-quarter operating cash flow clearly improving on \$79.51m, with gross margin within or above 39.5%-41.5%	Upgrade to Buy and raise fair value	Answers the one objection the case has carried for four reports
Co-packaged optics revenue recognised in the December quarter as guided, or a named PhotonLink customer with volumes	Supports a higher bull-case probability	Turns positioning into reported revenue
September-quarter cash flow shows no improvement on \$79.51m	Downgrade to Watchlist	The thesis test fails
Evidence that long-term agreements are being renegotiated on volume	Downgrade regardless of price	The contracted book is the floor under the valuation
A sustained further rise in long-dated yields with the Fed signalling more increases	Trim exit multiples again	A discount-rate effect, not a business one; it has now moved fair value twice
A close below \$238 on volume	Reassess toward Watchlist	Would break the late-July floor; the next structural support is the \$220.68 July low

Macro rows are phrased directionally. The numeric levels are this report's fair-value derivation, computed averages and company-reported figures.

Scenario Analysis

Case	Prob.	Multiple	FY2027E EPS	Fair value	vs \$295.83	Outline
Bull	30%	41x	~\$10.50	\$430	+45.5%	Six-inch indium phosphide runs ahead of plan, 1.6T broadens, PhotonLink and co-packaged optics contribute from the December quarter as guided, gross margin clears 42% and free cash flow turns positive during fiscal 2027
Base	50%	32x	\$9.70	\$310	+4.9%	The ramp lands as guided, fiscal 2027 revenue near \$10.4bn, co-packaged optics a modest contributor, free cash flow improving but not decisively positive; the multiple holds near 32x with long yields around 5%
Bear	20%	22x	~\$7.05	\$155	-47.6%	Hyperscaler spending enters digestion in calendar 2027, orders are pushed, inventory needs a write-down, the co-packaged ramp slips, and a capital-intensive supplier is re-rated as one
Weighted	100%			\$315	+6.5%	

Probabilities sum to 100% and are unchanged: PhotonLink confirms an existing timeline and is not evidence strong enough to move them. The probability-weighted fair value of \$315.37 was computed in code from the inputs shown. Earnings cases are unchanged from 15 September; the bull and base exit multiples are cut from 43x and 33x to reflect the 10-year at 5.17% against 4.999%.

Final Verdict

Would new money go into Coherent today? Not at this price. The business case is as strong as it was a fortnight ago and arguably slightly stronger, because the co-packaged optics platform arrived on schedule with a revenue date attached. But the shares have risen 11% while the rate that discounts their distant cash flows reached its highest level since 2007, and the result is a 30.5 times forward multiple on a company that consumed \$1.02bn of cash last year, priced within 6% of this report's fair value.

The single biggest concern is unchanged: nothing in the valuation works unless operating cash flow turns, and the first evidence arrives with the September-quarter results in early November. Existing holders should hold through that release. New buyers have two ways in: a pullback to \$263, or a cash flow statement that earns a higher fair value. Neither requires guessing, and both are worth waiting for.

Sources and basis

Price of record: Alpha Vantage GLOBAL_QUOTE for 25 September 2026. Daily price series and every computed indicator: Twelve Data time series, 300 completed sessions to 25 September 2026. Company developments: Coherent press releases of 17 September (pluggable optical line system), 20 September (ECOC 2026 showcase) and 21 September 2026 (PhotonLink), ir.coherent.com; fiscal fourth-quarter 2026 release of 12 August 2026 and earnings call transcript (The Motley Fool). Insider transactions: SEC Form 4 filings as summarised by secform4.com and Investing.com. Analyst actions: moomoo research feed; consensus from MarketBeat as at 25 September 2026. Sector moves: 24/7 Wall St. and StockStory coverage of 16 and 17-18 September. BluGlass agreement: Compound Semiconductor. News flow: moomoo news, notice and research feeds, raw and interpreted, as at 27 September 2026. Macroeconomic figures: this publication's economic coverage of the FOMC decision, August consumer prices, jobless claims, September flash PMIs, durable goods and the Treasury curve through 25 September 2026.

This report is informational only and is not financial advice. It reflects the author's assessment as at 27 September 2026 and may change without notice.