

Lumentum Holdings Inc. (LITE)

NASDAQ: LITE | Optical components and modules | Fiscal year ends late June | Equity research update | 16 October 2026

Last close (15 October 2026)	\$869.54	Recommendation	WATCHLIST (unchanged), from fundamentals
Previous report (12 Oct)	\$1,103.36, Watchlist	Investment score	67.0 / 100 (prior 69.6)
Move since then	-21.2%	Weighted fair value	\$911.92; +4.9%
P/E, FY27E / FY28E	39.9x / 24.1x	Price of interest	\$750-\$800 (watch \$775)
Market value	\$78.8bn	Technical read (chart only)	Neutral: pullback
Average analyst target	\$1,179	Next results	Fiscal Q1 2027: 5 Nov after the close

Into the Old Zone, but the Zone Has Moved

Lumentum closed at \$869.54 on 15 October 2026, 21.2% below the \$1,103.36 record close the previous report was written against. Four sessions did it: -9.8% on 12 October, -0.7% on 13 October, -9.3% on 14 October and -3.0% on 15 October, when the shares traded as low as \$800.00 intraday. The previous report named \$860 to \$895 as the range where the name becomes interesting, and the price has now reached it.

Nothing the company did explains the fall. There was no release, filing, guidance change or analyst downgrade. Optical peers fell with it on 12 October, as profit-taking followed the rally that the sold-out comments had started. The next two sessions were macro: September core consumer prices rose 0.3% against a 0.2% forecast, technology shares lost about 3% on 14 October, and AI infrastructure names kept falling on 15 October while the wider market rose. The Federal Reserve meets on 27 and 28 October with a further increase under discussion.

The question is whether the old range still means what it meant. It does not. It was set at 21.7 to 22.5 times a fiscal 2028 consensus of \$39.70. That consensus now stands at \$36.02, so the same dollars buy the stock at 23.9 to 24.8 times. The base case is worth \$925.00 a share, on fiscal 2028 EPS of \$37.00 at 25 times, which leaves only 6.4% of upside at today's price. The weighted fair value is \$911.92, down from \$986.04.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Neutral. The stock is in a pullback inside a rising trend: below the 50-day average, still well above the 200-day. Watch whether the \$800 low of 15 October holds; a slide toward the 200-day near \$775.21 would bring the price into the reset range of interest, **\$750 to \$800**, where the base case pays about 16% to 23%.

1. Do the published levels still hold?

Level from the 12 October report	Then	Now	Status
Reference price	\$1,103.36	\$869.54	-21.2%; intraday low \$800.00 on 15 Oct
Range of interest \$860-\$895	21.7-22.5x FY28E at \$39.70; 6-10% below a \$952.80 base case; around the 100-day	23.9-24.8x FY28E at \$36.02; 3-7% below a \$925.00 base; 100-day \$875.80	Reached on 14-15 Oct, but its anchors moved: lower consensus and a lower base case. Reset to \$750-\$800.
50-day average	Near \$920, rising	\$931.93, rising	Broken; price 6.7% below it
20-session low	Near \$832	\$800.00 intraday	Traded through intraday on 15 Oct; no close below \$832
Weighted fair value	\$986.04	\$911.92	Lower on FY28 consensus and higher bear odds
Deep-value reference	\$596-\$675	\$540-\$612	15-17x FY28E at \$36.02; 60-session closing low \$602.35
Thesis-break reference	Weekly close below ~\$590	Weekly close below ~\$590	Unchanged; late-July low \$594.84

Level from the 12 October report	Then	Now	Status
Overhead reference	\$1,143.00	\$1,143.00	Intraday high of 9 Oct

Averages recomputed in code on the same daily series as the technical read. Multiples against consensus as of 12-16 Oct 2026.

2. Company developments

The company's own news since the previous report was limited to the Open Compute Project summit in San Jose (12 to 15 October), where it showed a PCIe-over-optics link and gave a talk on optical circuit switch fabrics jointly with an architect from Oracle Cloud Infrastructure. No results, guidance change, contract or capacity announcement followed. The two High items remain the sold-out statement and the fiscal 2028 earnings figure, and both are unchanged in substance.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Capacity sold out through early 2029	CEO interview, 9 Oct; no filing or terms since	CEO: optoelectronic parts effectively sold out through early 2029. Reported: about 70% of demand unmet for some products through 2027, about 30% for others through 2028; customers placing 2030 orders.	Management: relief from new capacity not before 2029-2030.	High
Fiscal 2028 earnings power of ~\$40	Stated 27 Aug; not withdrawn	Consensus FY28 EPS \$36.02 (18 analysts, range \$30.38-\$40.90), against \$39.70 a month earlier.	Management: ~\$40. Tested first by the 5 Nov results and December-quarter guide.	High
Japan capacity investment	Reported 9 Oct	Reported: at least \$350m planned for Sagami-hara and a neighbouring site, \$75m deployed.	Management: no new capacity dates beyond San Jose, UK and Greensboro (mid-2028).	Medium
US curbs on Chinese transceivers	Senate bill S.5548 introduced 25 Sep	Four senators proposed barring InnoLight and Eoptolink transceivers from national security systems, with a five-year transition. An August report of a broader drafting effort has not become a proposal.	None. Scope is federal systems, not hyperscale data centres.	Medium
OCP summit: PCIe over optics; OCS fabrics talk	12-15 Oct	Demonstration with Astera Labs and Corning; OCS talk co-presented with an Oracle Cloud Infrastructure architect.	No availability, order or customer announced.	Low
Fiscal Q1 2027 results	5 Nov, after the close	Guide: revenue \$1.225-\$1.275bn, non-GAAP operating margin 39.5-40.5%, non-GAAP EPS \$4.05-\$4.35.	Consensus: EPS \$4.21, revenue \$1.25bn.	Low

Company releases of 11 Aug, 1, 5 and 12 Oct 2026; CEO interview of 9 Oct 2026 and its press coverage; Senate bill S.5548 and Reuters, 25 Sep 2026; consensus as of 16 Oct 2026.

2a. Sold out through early 2029, one week on

What is known. On 9 October chief executive Michael Hurlston said Lumentum's optoelectronic components are effectively sold out through early 2029. Reported details from the same interview: roughly 70% of demand for some products cannot be met through 2027, roughly 30% for others through 2028, and customers are already securing 2030 volumes. Nothing has been filed since. No prices, prepayments or contract terms have been disclosed.

Why it matters here. Laser chips and the modules built on them are most of revenue and carry the margin gains: Components were 64.5% of June-quarter revenue of \$1.006 billion. Booked output into 2029 lowers volume risk in fiscal 2028, the year the \$40 figure refers to, and supports pricing while supply is short.

Success and failure. Success is sequential revenue growth that tracks capacity, gross margin at or above 50%, and a December-quarter guide on 5 November that extends growth. Failure is pushouts at the largest customer, a margin dip as new capacity starts, or a slowdown in AI data-centre spending. The first hard data arrive on 5 November.

Economics and precedent. Revenue is capped by wafer output, so the item works through price and duration, not volume. Capacity spending rises with it. Earlier optical cycles ended in price erosion once supply caught up, and Coherent expects a competing high-power laser in the second half of 2027. What sets this cycle apart is the three-year lead time on

new laser capacity, which management cites as the reason relief is not expected before 2029.

Input (our sizing)	Value	Basis
FY27 / FY28 EPS	\$21.79 / \$36.02	Consensus, 16 Oct; management FY28 ~\$40
Base FY28 EPS and multiple	\$37.00 at 25x	Our assumption: consensus, tilted toward management's figure; peers at 26.6x (Coherent) and 34.3x (Ciena) forward
Base multiple without the item	23x	Our assumption: no booked visibility beyond fiscal 2028
Bear probability, with / without	23% / 28%	Our assumption: booked output lowers the odds of a demand break
Weighted fair value, without / with item	\$856.09 / \$911.92	Item worth about \$56 a share

All multiples, probabilities and the with/without values are this report's calculations, computed in code.

Sized outcomes (our calculation). The item does not change fiscal 2028 earnings, because output is the constraint. It changes the multiple and the odds: with it the weighted fair value is \$911.92; without it, \$856.09. The effect rests on management's word in an interview, so it is shown as a range of \$856 to \$912, not a point. If the item failed and fiscal 2028 landed at the \$28.00 bear figure, the earnings effect alone at today's 24.1 times would take about \$194 off the share price, before any de-rating.

What the price already assumes. The shares have given back the whole move that followed the interview and more: they closed at \$1,048.60 on 8 October, the day before it, and now sit 17.1% lower. The decline came with no company news, so it reflects the multiple, not the item. At 24.1 times fiscal 2028 consensus, the price still assumes most of the \$36 to \$40 range is met.

Still unknown. Whether the bookings carry price escalators, prepayments or take-or-pay terms, how much of the 2028 volume sits with one customer, and what the Japan spending does to free cash flow. The 5 November call is the first chance to ask.

3. Growth drivers

Driver	Status and date	Fact / forecast	Likelihood	Impact
High-power and 200G lasers	Shipping; sold out through early 2029 (CEO, 9 Oct)	Fact: 200G over 25% of EML output at ~2x the 100G price. Forecast (management): shortfall persists through 2028.	High	High
Optical circuit switches	Shipping; tested 5 Nov	Forecast (management): above \$100m revenue in the September quarter; OCS fabric talk with Oracle Cloud Infrastructure at OCP.	High	High
1.6T modules	Shipping	Fact: over \$200m quarterly revenue (management, 27 Aug).	Medium	Medium
External lasers for co-packaged optics	Availability 1H CY2027	Forecast (company): ELSFP initial availability first half 2027; no customer named.	Medium	Medium
New capacity: Japan, UK, Greensboro	Building; Greensboro mid-2028	Reported: at least \$350m for Japan. Forecast (company): Greensboro ramp mid-2028.	Medium	High

Company releases and management remarks, 27 Aug to 15 Oct 2026. Likelihood and impact are this report's assessments.

4. Financial position

The June quarter brought revenue of \$1.006 billion, up 109% on a year earlier, a non-GAAP gross margin of 50.4%, a non-GAAP operating margin of 36.6% and non-GAAP EPS of \$3.23. Fiscal 2026 revenue was \$3.01 billion and non-GAAP EPS \$8.67. The GAAP net loss of \$84.65 a share in the quarter came from a one-time, non-cash \$7.8 billion loss on extinguishing convertible debt, below the operating line, so this report values the business on non-GAAP earnings. The September-quarter guide is \$1.225 to \$1.275 billion of revenue, a non-GAAP operating margin of 39.5% to 40.5% and non-GAAP EPS of \$4.05 to \$4.35.

The balance sheet carries \$2.7 billion of cash and short-term investments against \$1.6 billion of convertible debt classed as current at 27 June, for net cash of about \$1.07 billion. Cash generation lags earnings: trailing operating cash flow of

\$751 million less capital spending of \$451 million left free cash flow of \$300 million, a 0.38% yield at today's price. Capacity spending is rising, with at least \$350 million reported for Japan alone.

5. Valuation

Measure	Value	Comment
Market capitalisation	\$78.8bn	90.58m shares at \$869.54
Enterprise value	\$77.7bn	Net cash \$1.07bn
P/E, FY27E consensus \$21.79	39.9x	Was 50.7x; range 34.4x (high est.) to 45.6x (low est.)
P/E, FY28E consensus \$36.02	24.1x	Was 27.8x on \$39.70; management's ~\$40 gives 21.7x
EV / FY27E revenue \$6.34bn	12.3x	FY28E revenue \$9.95bn gives 7.8x
Peers, forward P/E	Coherent 26.6x; Ciena 34.3x	Next-twelve-month basis, 16 Oct
Trailing FCF yield	0.38%	FCF \$300m after \$451m capex
Average / median target	\$1,179 / \$1,200	+35.6% / +38.0% to price; range \$820-\$1,500, 26 analysts

Consensus, targets, peer multiples and balance-sheet statistics from StockAnalysis.com and Yahoo Finance, 12-16 Oct 2026; ratios recomputed against the price of record.

The multiple has come in hard. Fiscal 2027 consensus held at \$21.79 while the price fell 21.2%, so the forward multiple dropped from 50.7 to 39.9 times. Fiscal 2028 consensus fell to \$36.02 from \$39.70 a month ago, so that multiple fell less, from 27.8 to 24.1 times. Consensus also sees fiscal 2029 revenue roughly flat on fiscal 2028, which makes fiscal 2028 look like a peak year for earnings on current capacity. A peak year deserves a multiple near the peer group's, not above it, and at 24.1 times the stock already trades there. The base case of \$925.00 is 6.4% above the price; the weighted value of \$911.92 is 4.9% above it.

Macro drivers. Two variables matter. The first is the long-term discount rate, which sets what the market pays for earnings dated 2028. September consumer prices rose 3.7% on the year with core up 0.3% on the month, producer prices jumped 1.3%, and a New York Fed president said one more increase looked appropriate this year; the Federal Reserve meets on 27 and 28 October. The ten-year yield closed at 5.10% on 15 October, down from 5.19%, after the 30-year yield reached its highest since 2002 on 7 October. The second is AI data-centre spending, which sets demand for every laser Lumentum ships. A report on 8 October that OpenAI's revenue run rate was about \$20 billion below estimates hit the AI supply chain, and Broadcom's chief executive was reported on 12 October as saying capital, not chips, will be the main constraint on AI growth. Neither changes Lumentum's booked output, but both bear on the multiple paid for it.

6. Competitors and industry

Company	Position against Lumentum	Recent programme
Coherent	Closest US peer in InP lasers, transceivers and OCS	Showed an ultra-high-power CW laser at ECOC (Sep); management expects a competitive high-power laser in 2H 2027. Shares fell with the group on 12 Oct.
Broadcom	The other scaled EML supplier	CEO remarks on capital as the AI constraint (reported 12 Oct); no product change identified
Chinese module makers	Volume leaders in transceivers; buy lasers from merchants	Senate bill would bar InnoLight and Eoptolink from national security systems only
Ciena	Systems peer, also exposed to AI networking	Fell about 10% on 12 Oct with the group

Company releases, conference remarks and press reports, Sep-Oct 2026.

7. Risks

Risk	Probability	Severity	Assessment
Valuation de-rating	Moderate	High	24.1x an earnings figure two fiscal years away that consensus sees as a peak; the last four sessions show how fast it can compress.

Risk	Probability	Severity	Assessment
Discount-rate shock	Moderate	High	Core inflation firm, producer prices up 1.3% in September and a rate decision on 28 October.
AI spending slows	Low-moderate	High	OpenAI revenue reports and capital constraints are the early signs to watch.
Sold out proves soft	Low near term	High	No contract terms disclosed; pushouts would show first in the December-quarter guide.
Execution on the \$40 figure	Moderate	High	Consensus already sits below it at \$36.02; first tested on 5 November.
Customer concentration	Moderate	High	OCS orders and the NVIDIA commitment concentrate exposure.
Capacity catching up	Low near term	High	New supply from 2028 and Coherent's high-power laser in 2H 2027 could end scarcity pricing.
Free cash conversion	High	Moderate	0.38% FCF yield; Japan spending reported at \$350m or more.
Sector swings	High	Moderate	-9.8% on 12 Oct and -9.3% on 14 Oct; ATR 8.4% of price.

Probability and severity are this report's assessments.

8. Sentiment and positioning

Measure	Reading	Interpretation
Consensus rating	Buy; 17 Strong Buy, 5 Buy, 4 Hold	Broad support
Average / median target	\$1,179 / \$1,200; range \$820-\$1,500	Now 35.6% above the price, against 6.7% at the previous report
Recent actions	Evercore ISI target \$1,100 to \$1,500 (12 Oct); Bernstein Outperform, \$1,220 held (12 Oct); BNP Paribas target \$1,380 to \$1,425 (14 Oct)	Targets still rising into the decline
Insider activity	Forms 4 from officers on 26 and 30 Sep and 2 Oct; Rule 144 notices on 25, 28 and 29 Sep and 1 Oct; further sales reported on 15 Oct	Continued selling; no purchases
Short interest	8.3% of float	Elevated for a large-cap name
Reported holdings (active managers)	Cautionary, moderate confidence	See below

Ratings, targets and short interest as of 12-16 Oct 2026; insider data from SEC Form 4 and Rule 144 filings.

Reported holdings by active managers read **Cautionary**, with moderate confidence, as of 30 June 2026, filings through 19 August 2026. Active managers made a net reduction equal to about 14.7% of reported shares over four quarters and 17.0% year on year, the largest in the covered set, with one large holder accounting for over half of it. Two strong buying quarters were followed by three of selling and a flat latest quarter, with 28 managers adding and 33 cutting. 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 sell side has not flinched: two targets rose during the decline, and the average sits well above the price. The holders who report quarterly were sellers before this year's run, and officers have kept selling through it. That split, rising targets against steady selling by those closest to the business, argues for waiting on the 5 November numbers rather than reading the drop as a gift.

9. Investment scorecard

Criterion	Score	Weight	Basis
Business Quality		8/10 16%	Unchanged. Indium phosphide laser capacity described by management as booked into early 2029; non-GAAP gross margin 50.4% in the June quarter.
Financial Strength		6/10 16%	Lowered from 7. Net cash \$1.07bn, but \$1.6bn of convertible debt sits in current liabilities and trailing free cash flow of \$300m is a 0.38% yield as capacity spending rises.
Competitive Advantage		8/10 16%	Unchanged. Coherent's competing high-power laser is expected in 2H 2027; no second source qualified at a major customer yet.
Management		7/10 10%	Lowered from 8. The ~\$40 fiscal 2028 figure stands, but the most material claim of the quarter came in an interview with no terms, and officer selling has continued.
Growth Potential		9/10 16%	Unchanged. Consensus EPS of \$21.79 for fiscal 2027 and \$36.02 for fiscal 2028, against \$8.67 in fiscal 2026; output sets the ceiling.
Valuation		4/10 16%	Unchanged at 4. Cheaper at 39.9x fiscal 2027 and 24.1x fiscal 2028, but the price is only 4.9% below the weighted fair value and fiscal 2029 revenue is expected to be flat.
Risk (10 = lowest risk)		4/10 10%	Unchanged. Beta 1.54, a daily range of 8.4% of price, customer concentration, a second laser source due in 2H 2027 and a possible rate increase on 28 October.

Overall Investment Score: 67.0 / 100 (previous 69.6)

Scored 1-10, where 10 is always best, including Risk. Weighted sum computed in code with default weights summing to 100.

Two scores moved. Financial Strength falls from 7 to 6 because the \$1.6 billion of convertible debt classed as current and a sub-half-percent free cash flow yield matter more as capacity spending rises. Management falls from 8 to 7 because the claim that matters most this quarter still rests on an interview, with no terms disclosed, while officers keep selling. Valuation stays at 4: the multiple is lower, but so is the fiscal 2028 consensus, and the price remains close to fair value. The composite falls from 69.6 to 67.0.

10. Recommendation

Watchlist, reaffirmed from 12 October, from fundamentals. The rating holds, but the reason has changed. Four days ago the stock was priced above the business case. Now it is priced close to it: 4.9% below the weighted fair value and 6.4% below the base case. That is not enough margin for a business whose earnings two years out are guided by one interview and one conference figure, with the fiscal 2028 consensus already drifting below that figure and a rate decision on 28 October.

Tested with and without the sold-out item: without it, the weighted value would be \$856.09 and the range of interest would sit near \$715; with it, \$911.92 and \$750 to \$800. The item moves the levels, not the verdict, because at \$869.54 the price sits below the item-inclusive value by too little to pay for the risk. The range applies before or after 5 November, provided the results do not cut the fiscal 2028 figure.

Item	Level	Basis
Becomes interesting	\$750-\$800 (watch \$775)	20.8-22.2x FY28E consensus; base case pays 16-23%; around the 200-day (\$775.21), at or below the 15 Oct low of \$800.00
Deep-value reference	\$540-\$612	15-17x FY28E; near the 60-session closing low of \$602.35
Thesis-break reference	Weekly close below ~\$590	Loses the post-July base; the market would be pricing a cycle turn
Overhead reference	\$1,143.00	Intraday high, 9 Oct
Position size if entered	2-4% of portfolio	ATR 8.4% of price and a beta of 1.54; allow for a gap on results night
Holding horizon	1 to 2 years	Long enough to see the capacity waves arrive

No cut-loss or take-profit is published for a non-Buy rating. Levels are this report's calculations. A cut to the fiscal 2028 figure on 5 November would void the range.

11. What would change the view

Condition	Direction	Consequence
A decline into \$750-\$800 that holds, with the fiscal 2028 figure intact	Toward Buy	Restores a margin of about 16-23% to the base case
5 Nov results beat the \$1.225-\$1.275bn guide, extend growth in the December-quarter guide and restate ~\$40 for fiscal 2028	Toward Buy	Lifts the base-case earnings toward management's figure
Disclosure of price escalators, prepayments or take-or-pay terms behind the bookings	Toward Buy	Turns management's word into contracted visibility
Free cash flow conversion improving as capacity spending peaks	Toward Buy	The one change that would justify a premium multiple on its own
The fiscal 2028 figure cut, an OCS pushout at the largest customer, or non-GAAP gross margin below 45%	Toward Avoid	The sold-out case would be undercut by reported numbers
A major hyperscaler qualifies a second high-power laser source ahead of 2H 2027	Toward Avoid	Ends scarcity pricing early
A further sustained rise in long-term yields alongside firm core inflation, or clear cuts to AI data-centre budgets	Toward Avoid	Compresses the multiple whatever Lumentum reports

Macro rows are directional. Price levels come from the report's own valuation.

12. Technical read

Chart as of the 15 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Neutral.** The chart is in a pullback: the price is 6.7% below a 50-day average that is still rising, sits 12.2% above the 200-day, and has not closed under the 200-day in the last ten sessions. Watch whether the \$800.00 intraday low of 15 October holds; a reclaim of the 50-day near \$931.93 would restore the uptrend, while a slide toward the 200-day near \$775.21 would bring the price into the range of interest. 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
Price of record (15 October 2026)	\$869.54	-21.2% since the previous report
SMA 20 / EMA 20	\$993.67 / \$982.54	Price -12.5% and -11.5%
SMA 50 / EMA 50	\$931.93 / \$937.61	Price -6.7% and -7.3%; 50-day rising
SMA 100 / EMA 100	\$875.80 / \$880.31	Price -0.7% and -1.2%
SMA 200 / EMA 200	\$775.21 / \$725.69	Price +12.2% and +19.8%
RSI (14)	40.5	Neutral, falling
MACD (12,26,9)	13.31, signal 34.59, hist. -21.28	Below its signal line; momentum fading
ATR (14)	\$72.67, 8.4% of price	A wide daily range
Volume, 20-day vs 50-day	5.0m vs 4.8m	Participation rising into the decline
Support / resistance	\$800.00, \$775.21, \$602.35 / \$931.93, \$1,143.00	15 Oct low, 200-day, 60-session closing low / 50-day, 9 Oct high
52-week range	\$152.54 - \$1,143.00	Close 23.9% below the high

Computed in code from a 300-session Twelve Data daily series ending 15 October 2026, all averages from that one series; distances against the price of record. Chart state classified by fixed rules.

The averages the last report cited have moved. The 50-day rose from about \$920 to \$931.93 and now sits above the price; the 100-day, at \$875.80, is within 1% of it.

13. Scenario analysis

Case	Prob.	Outlook and item outcome	FY28 EPS	Multiple	Fair value
Bull	25%	Fiscal 2028 beats management's ~\$40: OCS pulls forward, 200G and CW mix and new capacity arrive on time, scarcity pricing holds into fiscal 2029. FY28E revenue ~\$11bn. Sold-out item: success.	\$42.00	30x	\$1,260
Base	52%	Fiscal 2028 lands between consensus and management's figure; booked output supports a multiple near peers'. FY28E revenue ~\$10bn. Sold-out item: base.	\$37.00	25x	\$925
Bear	23%	Bookings soften or AI spending slows; a largest-customer OCS pushout and a second laser source cut pricing; fiscal 2028 about 22% below consensus and the multiple resets. FY28E revenue ~\$7.5bn. Sold-out item: failure.	\$28.00	18x	\$504
Weighted	100%	Probability-weighted			\$911.92

Weighted fair value computed in code: $0.25 \times \$1,260 + 0.52 \times \$925 + 0.23 \times \$504 = \$911.92$, +4.9% against the price. Bull and bear earnings, all multiples and the revenue figures are this report's assumptions; the base earnings sit between consensus and management's figure.

Against the previous report, base earnings fall from \$39.70 to \$37.00 with the consensus, while the base multiple rises from 24 to 25 times, in line with Coherent's 26.6 times. Bull earnings fall from \$46 to \$42 and the bull multiple rises from 28 to 30 times. The bear case is unchanged at \$28 and 18 times: its premise, a demand break and a second source, is the same, and \$28 still sits below the lowest fiscal 2028 estimate of \$30.38. The bear probability rises from 15% to 23% and the bull probability falls from 30% to 25%, because firm core inflation, a possible rate increase and signs of strain in AI spending raise the odds of a de-rating before the capacity waves arrive. The weighted value falls from \$986.04 to \$911.92.

14. Final verdict

Would new money go into Lumentum at \$869.54? Not yet. The fall has taken the stock from well above fair value to just below it, and nothing about the business changed on the way down. Management still says laser output is effectively sold out into 2029 and still points to about \$40 of earnings in fiscal 2028. But consensus now sits at \$36.02, fiscal 2029 revenue is expected to be flat, and at 24.1 times fiscal 2028 the stock is already priced like its peers on what may be a peak year. A 4.9% discount to the weighted value is not enough when a rate decision falls on 28 October and results on 5 November.

The biggest concern is that the \$40 figure carries the valuation and rests on management's word. What would change the answer: a decline into \$750 to \$800, near the 200-day average, where the base case pays about 16% to 23%; or 5 November results that restate the fiscal 2028 figure and put contract terms behind the sold-out claim. The sold-out item lifts the range of interest by about \$60 but does not change the verdict.

Sources

- Lumentum: Announces Fourth Quarter and Full Fiscal Year 2026 Results (11 Aug 2026); Announces Speaker Lineup at 2026 OCP Global Summit (1 Oct 2026); Announces Reporting Date for Fiscal First Quarter 2027 Financial Results (5 Oct 2026); Lumentum, Astera Labs, and Corning to Demonstrate 1060 nm VCSEL-Based PCIe over Optics at the 2026 OCP Global Summit (12 Oct 2026). investor.lumentum.com; lumentum.com/en/newsroom
- Semiconductor Today, Lumentum OCP Global Summit speaker lineup (5 Oct 2026)
- Bloomberg Television interview with CEO Michael Hurlston (9 Oct 2026) and coverage by Barron's and Proactive Investors (9 Oct 2026)
- Reuters (Alexandra Alper), US lawmakers aim to keep China's datacenter tech out of sensitive government systems (25 Sep 2026); office of Sen. Ruben Gallego release on S.5548 (25 Sep 2026)
- Sector moves: Tiger Brokers market alert (12 Oct 2026); TIKR (13 Oct 2026) on the 12 Oct selloff and reported Broadcom CEO remarks; Yahoo Finance optical sector coverage
- SEC Forms 4, Rule 144 notices and DEF 14A filed 25 Sep to 6 Oct 2026. sec.gov
- Consensus estimates, EPS trend, targets, ratings, short interest, peer multiples and cash-flow statistics: Yahoo Finance and StockAnalysis.com (12-16 Oct 2026)

- Rating actions and notices: moomoo news, notice and research channels and the moomoo stock digest, to 16 Oct 2026. Institutional positioning: Beating The Bull quarterly read of reported holdings, Q2 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

This report is informational only and is not financial advice, nor a recommendation to buy or sell any security. It reflects the author's assessment as at 16 October 2026 and may change without notice. No earnings call has taken place since the fiscal fourth-quarter call of 11 August 2026. Forecasts are labelled by source; figures marked as this report's calculations are estimates, not company data.