

Lumentum Holdings Inc. (NASDAQ: LITE)

Equity research report | 23 October 2026 | Price \$752.54 at the 22 October 2026 close | Optical components and modules | Fiscal year ends late June

Verdict: Watchlist (unchanged), from fundamentals. Price of interest **\$700** or below, before or after the 5 November results unless they cut the fiscal 2028 figure. Probability-weighted value **\$837.52** (11.3% above the price); base case \$900.50. Investment Score **65.0/100** (67.0 on 16 October).

Technical read (chart only): Confirms. The chart turned to a downtrend on 22 October, with the first close below the 200-day average in this move, which agrees with waiting. Watch for a close back above the 200-day near \$786 followed by a higher low; the 30 July closing low of \$693.24 is the next reference below. This tag reflects technical analysis only and does not change the verdict.

Measure	Value	Measure	Value
Last close (22 Oct 2026)	\$752.54	Previous report (16 Oct)	\$869.54, Watchlist
Move since then	-13.5%	P/E, FY27E / FY28E	34.5x / 20.9x
Market value	\$68.2bn	Weighted fair value	\$837.52 (+11.3%)
Average analyst target	\$1,179	Next results	Fiscal Q1 2027: 5 Nov, after the close

Price of record at the 22 October 2026 close; consensus and targets as of 23 October 2026.

Summary: the old range arrived, but the value moved with it

Lumentum closed at \$752.54 on 22 October, down 11.5% on the day and 13.5% below the \$869.54 close the previous report was written against. The stock is now 33.6% below its 6 October record close of \$1,133.40. Nothing the company did explains the latest leg. There was no release, filing or guidance change. Chip and optical shares fell together: the Philadelphia Semiconductor Index lost more than 6%, Coherent fell more than 12% and Applied Optoelectronics about 10%, as Meta's higher spending plans revived questions about the return on AI investment and Lam Research guided lower.

The previous report named \$750 to \$800 as the range where the name becomes interesting, provided the price held there with the fiscal 2028 figure intact. Half of that is met. Fiscal 2028 consensus is \$36.02, exactly where it stood a week ago, and management's figure of about \$40 has not been withdrawn. The price did not hold: it closed at the bottom of the range after an 11.5% fall, below the 200-day average for the first time in this move. More important, the value fell along with the price. Peer multiples compressed by three to four points in a week, Coherent to 22.1 times forward earnings from 26.6 and Ciena to 31.0 from 34.3. The base case is worth \$900.50 a share, on fiscal 2028 consensus EPS of \$36.02 at 25 times, and the weighted value is \$837.52, down from \$911.92. Inside the old range that leaves 4.7% to 11.7% to the weighted value, too little for a stock that moves 9.3% a day.

The rating stays at Watchlist and the price of interest moves to \$700, 19.4 times fiscal 2028 consensus, where the weighted value pays 19.6% and the base case 28.6%. No High-impact company development arrived in the period. The two High items, the sold-out statement of 9 October and the ~\$40 fiscal 2028 figure, are unchanged in substance and face their first test on 5 November.

1. Do the published levels still hold?

Level from the 16 October report	Then	Now	Status
Reference price	\$869.54 (15 Oct close)	\$752.54; intraday low \$746.23 on 22 Oct	-13.5%

Level from the 16 October report	Then	Now	Status
Range of interest \$750-\$800	20.8-22.2x FY28E \$36.02; base \$925.00 paid 16-23%; around the 200-day (\$775.21)	Same multiples (FY28E still \$36.02); 200-day \$786.23; base \$900.50 pays 12.6-20.1%, weighted \$837.52 pays 4.7-11.7%	Entered 20 Oct intraday (\$785.00), closed at its floor on 22 Oct; did not hold, and the margin it was set for is gone. Replaced by \$700
200-day average (anchor)	\$775.21, price 12.2% above	\$786.23, price 4.3% below	Broken on the 22 Oct close; now overhead
15 October low	\$800.00 intraday	Traded through 20 Oct; closed below 22 Oct	Broken
50-day average	\$931.93, rising	\$927.72, still rising	Price 18.9% below
Weighted fair value	\$911.92	\$837.52	Lower on a base EPS at consensus and higher bear odds after peers de-rated
Deep-value reference	\$540-\$612 (15-17x FY28E)	\$540-\$612 (15-17x FY28E)	Unchanged in dollars; its old chart anchor, the \$602.35 closing low of 29 July, is no longer within 60 sessions
Thesis-break reference	Weekly close below ~\$590	Weekly close below ~\$590	Unchanged; late-July intraday low \$594.84
Overhead reference	\$1,143.00	\$1,143.00	Intraday high of 9 Oct

Averages computed in code on daily closes to 22 October 2026. Multiples against fiscal 2028 consensus as of 23 October 2026. No cut-loss or take-profit is published for a non-Buy rating.

The range was built on three anchors, and they have moved apart. Its multiple anchor still holds, because consensus has not changed. Its chart anchor, the 200-day average, has risen to \$786.23 and the price now sits below it. Its value anchor has moved down: the margin the range was meant to offer to the base case now needs a lower price. At \$700 the multiple is 19.4 times fiscal 2028 consensus, about the level Coherent trades at on next-year earnings, and close to the 30 July closing low of \$693.24.

2. Company developments

The company's own news since the previous report is limited to confirming the date of its fiscal first-quarter results, 5 November after the close, with a webcast at 5:00 p.m. Eastern. No release, filing, contract or capacity announcement followed the 15 October close. Officer filings show sales through early October and no purchases. The two High items remain the sold-out statement and the fiscal 2028 earnings figure.

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), the same figure as at the previous report, against \$39.70 a month earlier.	Management: ~\$40. First tested by the 5 Nov results and December-quarter guide.	High
Japan capacity investment	Reported 9 Oct; no update	Reported: at least \$350m planned for Sagami-hara and a neighbouring site, \$75m deployed.	No new capacity dates announced.	Medium
US curbs on Chinese transceivers	Senate bill S.5548 introduced 25 Sep; no further action reported	Bill would bar InnoLight and Eoptolink transceivers from national security systems, with a five-year transition.	None. Scope is federal systems, not hyperscale data centres.	Medium

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Fiscal Q1 2027 results	Confirmed 5 Oct for 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; December quarter EPS \$5.04 on \$1.47bn.	Low
OCP summit demonstrations	12-15 Oct	PCIe-over-optics link with Astera Labs and Corning; optical circuit switch talk with an Oracle Cloud Infrastructure architect.	No order or availability announced.	Low

Company releases of 11 Aug, 1 and 5 Oct 2026; officer filings to 2 Oct 2026; CEO interview of 9 Oct 2026; Senate bill S.5548; consensus as of 23 Oct 2026.

2a. The two High items, two weeks on

What is known. On 9 October chief executive Michael Hurlston said the company's optoelectronic components are effectively sold out through early 2029. On 27 August, and again on 9 September, management pointed to about \$40 of fiscal 2028 earnings per share. Neither statement has been withdrawn, and neither has been backed by disclosed prices, prepayments or contract terms. **Why it matters.** Components, the laser chips and modules the statement covers, were 64.5% of June-quarter revenue of \$1.006bn and carry the margin gains. Booked output lowers volume risk in fiscal 2028 and supports pricing while supply is short.

Success and failure. Success on 5 November is revenue at or above the \$1.25bn midpoint, non-GAAP gross margin at or above 50%, a December-quarter guide near or above the \$1.47bn consensus, and management restating ~\$40. Failure is a pushout at the largest optical circuit switch customer, a margin dip as new capacity starts, or a softer December guide.

Economics and precedent. Revenue is capped by wafer output, so the items work through price and duration rather than volume, while capacity spending rises with them. 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. The 22 October fall is a reminder that the market prices the whole group on AI spending, whatever one supplier's order book says.

Input (our sizing)	Value	Basis
FY27 / FY28 EPS	\$21.79 / \$36.02	Consensus, 23 Oct; management FY28 ~\$40
Base FY28 EPS and multiple	\$36.02 at 25x	Our assumption: consensus; peers at 22.1x (Coherent) and 31.0x (Ciena) forward
Base multiple without the sold-out item	23x	Our assumption: no booked visibility beyond fiscal 2028
Bear probability, with / without	30% / 35%	Our assumption: booked output lowers the odds of a demand break
Weighted value, without / with the item	\$754.40 / \$837.52	Item worth about \$83 a share

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

Sized outcomes (our calculation). The sold-out item does not change fiscal 2028 earnings, because output is the constraint. It changes the multiple and the odds: with it the weighted value is \$837.52, without it \$754.40, so the item is shown as a range of \$754 to \$838 rather than a point. If it failed and fiscal 2028 landed at the \$26.00 bear figure, the earnings effect alone at today's 20.9 times would take about \$209 off the share price, before any de-rating. **What the price assumes.** At 20.9 times fiscal 2028 consensus the price still assumes most of the \$36 to \$40 range is met, but at a multiple below the peer midpoint. The 13.5% fall since 15 October came with no company news, so it reflects the sector multiple, not the items. **Still unknown.** Whether the bookings carry price escalators, prepayments or take-or-pay terms, how much of 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 about twice the 100G price. Forecast (management): shortfall persists through 2028.	High	High

Driver	Status and date	Fact / forecast	Likelihood	Impact
Optical circuit switches	Shipping; tested 5 Nov	Forecast (management): above \$100m revenue in the September quarter.	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 23 Oct 2026. Likelihood and impact are this report's assessments.

4. Business and financial position

Lumentum makes indium phosphide lasers, optical chips and the modules and systems built on them, sold mainly to hyperscale data-centre operators, network equipment makers and module assemblers. Components were \$649.4m of June-quarter revenue and Systems \$356.9m. The scarce asset is laser wafer capacity, which takes about three years to add and which management describes as booked into early 2029. A strategic partnership with NVIDIA, announced in 2026, came with a convertible preferred investment issued in March.

The June quarter brought revenue of \$1.006bn, 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 \$3.01bn 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 \$7.8bn loss on extinguishing convertible notes exchanged for equity, below the operating line, so this report values the business on non-GAAP earnings. The September-quarter guide is \$1.225 to \$1.275bn 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 \$2.74bn of cash and short-term investments against \$1.64bn of debt, nearly all of it convertible notes classed as current at 27 June, for net cash of about \$1.07bn. Cash generation lags earnings: trailing free cash flow of \$300m is a 0.44% yield at today's price, and capacity spending is rising, with at least \$350m reported for Japan alone.

5. Valuation

Measure	Value	Comment
Market capitalisation	\$68.2bn	90.58m shares at \$752.54
Enterprise value	\$67.1bn	Net cash \$1.07bn
P/E, FY27E consensus \$21.79	34.5x	Was 39.9x at the previous report
P/E, FY28E consensus \$36.02	20.9x	Was 24.1x; management's ~\$40 gives 18.8x
EV / FY27E revenue \$6.34bn	10.6x	FY28E revenue \$9.95bn gives 6.7x
Peers, forward P/E	Coherent 22.1x; Ciena 31.0x	Were 26.6x and 34.3x on 16 Oct
Trailing FCF yield	0.44%	FCF \$300m
Average / median target	\$1,179 / \$1,200	+56.7% / +59.5% to price; range \$820-\$1,500, 26 analysts

Consensus, targets, peer multiples and balance-sheet statistics from StockAnalysis.com and Yahoo Finance, 22-23 Oct 2026; ratios recomputed against the price of record.

The multiple has come in again. Fiscal 2028 consensus held at \$36.02 while the price fell 13.5%, so the forward multiple fell from 24.1 to 20.9 times. That is cheaper than a week ago, but the peer group fell faster: Coherent now trades at 22.1 times forward earnings. Lumentum deserves some premium for booked capacity and a higher margin, which is why the base case uses 25 times, close to the midpoint of Coherent and Ciena. On that basis the shares are modestly undervalued against the base case (\$900.50, 19.7% above) and only slightly against the weighted value (\$837.52, 11.3% above), because the bear case, \$416.00, sits 44.7% below.

Macro drivers. Two variables matter. The first is the long-term discount rate, which sets what the market pays for earnings dated 2028. The Federal Reserve raised its target range to 3.75%-4.00% in September and meets on 27 and 28 October,

where a hold is expected; September consumer prices rose 3.7% on the year with core up 0.3% on the month, and producer prices jumped 1.3%. The ten-year yield closed at 4.96% on 22 October, down about 17 basis points on the day as investors moved from stocks into Treasuries. The second is AI data-centre spending, which sets demand for every laser Lumentum ships. Large technology companies are raising spending plans, which supports orders, but the market is now asking what those plans return, and on 22 October that question took more than 6% off the semiconductor index. Neither changes Lumentum's booked output; both bear on the multiple paid for it.

6. Competitors and industry

Company	Position against Lumentum	Recent programme or move
Coherent	Closest US peer in indium phosphide lasers, transceivers and optical circuit switches	Management expects a competing high-power laser in 2H 2027; shares fell more than 12% on 22 Oct; results on 4 Nov
Broadcom	The other scaled EML supplier	No product change identified in the period
Chinese module makers	Volume leaders in transceivers; buy lasers from merchant suppliers	Senate bill would bar InnoLight and Eoptolink from national security systems only
Ciena	Systems peer, also exposed to AI networking	Forward P/E 31.0x, from 34.3x a week earlier

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

7. Management

Management has beaten its own guidance in each of the last four quarters, and the September-quarter guide was set above where consensus stood at the time. The weakness is disclosure: the two claims that carry the valuation, sold out into 2029 and ~\$40 of fiscal 2028 earnings, came in an interview and at broker conferences, with no contract terms. Officers have kept selling under trading plans through early October, with no purchases. The 5 November results will be judged against the \$1.225 to \$1.275bn revenue guide and, more than that, on whether the fiscal 2028 figure is restated.

8. Risks

Risk	Probability	Severity	Assessment
Valuation de-rating	Moderate	High	Peers lost three to four points of forward multiple in a week; an earnings figure two years out is priced off the group.
AI spending questioned	Moderate	High	Higher hyperscaler budgets drew a return-on-investment sell-off on 22 Oct; a budget cut would hit orders and multiple together.
Discount-rate shock	Moderate	High	Core inflation firm, producer prices up 1.3% in September and a rate decision on 28 October.
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 sits below it at \$36.02; first tested on 5 November.
Customer concentration	Moderate	High	Optical circuit switch orders and the NVIDIA relationship 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	0.44% FCF yield; Japan spending reported at \$350m or more.
Sector swings	High	Moderate	-11.5% on 22 Oct with no company news; average daily range 9.3% of price.

Probability and severity are this report's assessments.

9. Sentiment and positioning

Measure	Reading	Interpretation
Consensus rating	Buy; 26 analysts	Broad support

Measure	Reading	Interpretation
Average / median target	\$1,179 / \$1,200; range \$820-\$1,500	56.7% above the price, against 35.6% a week ago
Recent actions	Jefferies Buy, target \$1,200 to \$1,250 (21 Oct); Susquehanna Buy, \$1,100 held (21 Oct); Bernstein Outperform reaffirmed (20 Oct); BNP Paribas target \$1,380 to \$1,425 (14 Oct)	Targets held or raised through the decline; no rating cut by a broker
Insider activity	Officer Forms 4 on 30 Sep and 2 Oct; Rule 144 notices on 29 Sep and 1 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 21-23 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. Over four quarters active managers made a net reduction equal to about 14.7% of reported shares, and 17.0% year on year, the largest in the covered set; one large holder accounts 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 keeps raising targets into the fall, and the average now sits well above the price. Officers keep selling, and the quarterly holders were net sellers before the run. That split argues for letting the 5 November numbers speak before treating the drop as an opportunity.

10. Investment scorecard

Criterion	Weight	Score	Change and basis
Business Quality	15%	 7/10	-1 vs last report. Indium phosphide laser capacity booked into early 2029 and a 50.4% non-GAAP gross margin, held back by dependence on a few hyperscale buyers whose spending plans the market questioned on 22 October.
Financial Strength	15%	 6/10	Unchanged. Net cash \$1.07bn, but \$1.6bn of convertible debt is classed as current and trailing free cash flow of \$300m is a 0.44% yield; none of these inputs moved in the week.
Competitive Advantage	15%	 8/10	Unchanged. No second high-power laser source is qualified at a major customer, and Coherent's competing part is still expected in the second half of 2027.
Management	10%	 7/10	Unchanged. Four straight quarters ahead of guidance; the ~\$40 fiscal 2028 figure stands but still has no contract terms behind it, and officers have kept selling.
Growth Potential	15%	 9/10	Unchanged. Consensus EPS of \$21.79 for fiscal 2027 and \$36.02 for fiscal 2028, against \$8.67 in fiscal 2026, both unchanged on the week; output sets the ceiling.
Valuation	20%	 5/10	+1 vs last report. 34.5x fiscal 2027 and 20.9x fiscal 2028 consensus, down from 39.9x and 24.1x; the weighted value is 11.3% above the price, but peers now trade at 22.1x (Coherent) and 31.0x (Ciena) forward.
Risk (10 = lowest risk)	10%	 3/10	-1 vs last report. Higher risk: a daily range of 9.3% of price, an 11.5% one-day fall with no company news, beta 1.54, customer concentration and results on 5 November.
Investment Score	100%	65.0 / 100	67.0 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.

Three scores moved. Valuation rises from 4 to 5 because the price fell 13.5% while consensus held, taking fiscal 2028 to 20.9 times. Risk falls from 4 to 3: an 11.5% fall in a day with no company news, and a daily range now at 9.3% of price, show how far the shares move on the group alone. Business Quality falls from 8 to 7 because the 22 October sell-off showed how closely the business depends on a few hyperscale buyers whose spending is now being questioned. The composite moves from 67.0 to 65.0; on the previous weights it would be 66.0.

11. Scenarios

Case	Probability	Outlook	Fair value
Bull	25%	Fiscal 2028 lands above management's ~\$40 as optical circuit switch orders pull forward and scarcity pricing holds into fiscal 2029 (sold-out item: success). FY28 revenue near the \$11.7bn top of the analyst range; EPS \$41.00 at 30x.	\$1,230.00 (+63.4%)
Base	45%	Fiscal 2028 meets the \$36.02 consensus on revenue near \$9.95bn; booked output supports a multiple close to the peer midpoint (sold-out item: base). EPS \$36.02 at 25x.	\$900.50 (+19.7%)
Bear	30%	AI customers pause to absorb 2026-27 spending, an optical circuit switch order slips and new laser supply erodes pricing; fiscal 2028 about 28% below consensus on revenue near the \$7.25bn low estimate, and the multiple resets (sold-out item: failure). EPS \$26.00 at 16x.	\$416.00 (-44.7%)
Weighted	100%	Probability-weighted value	\$837.52 (+11.3%)

Fiscal 2028 EPS and revenue anchored to the consensus average and the ends of the analyst range; multiples and probabilities are our own. Arithmetic in code.

The bull case carries 25%: consensus for fiscal 2028 has risen from \$28.56 to \$36.02 in three months and capacity is booked, but a 30 times multiple needs the group to re-rate after a week in which it de-rated. The base case carries 45% because the September-quarter guide sits in line with consensus and fiscal 2028 estimates were steady on the week. The bear case carries 30%, more than a week ago, because peer multiples have compressed, the market is now questioning the return on AI spending, earlier optical cycles have ended in price erosion, and the bookings still rest on statements without contract terms.

12. Recommendation

Watchlist, unchanged, from fundamentals. The rating holds, but the reason has changed again. A week ago the stock was priced close to its value; now it is priced in the range the last report named, but the value has come down with the sector, so that range offers only 4.7% to 11.7% to the weighted value against a bear case 44.7% below. The name becomes interesting at \$700 or below, 19.4 times fiscal 2028 consensus, where the weighted value pays 19.6% and the base case 28.6%. That level applies before or after the 5 November results unless they cut the fiscal 2028 figure. A higher entry would be justified if the results restate ~\$40 with contract terms behind it and the December-quarter guide extends growth, because the bear case would then lose much of its weight.

Tested with and without the sold-out item: without it the weighted value would be \$754.40 and the price of interest near \$631; with it, \$837.52 and \$700. The item moves the level, not the verdict.

Item	Level	Basis
Becomes interesting	\$700 or below	19.4x FY28E consensus; weighted value pays 19.6%, base case 28.6%; near the 30 July closing low of \$693.24
Deep-value reference	\$540-\$612	15-17x FY28E consensus
Bear-case value	\$416.00	\$26.00 FY28 EPS at 16x
Thesis-break reference	Weekly close below ~\$590	Loses the post-July base (\$594.84 intraday low)
Overhead reference	\$1,143.00	Intraday high, 9 Oct
Position size if entered	2-4% of portfolio	Daily range 9.3% 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 additions 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 level.

13. What would change the view

Condition	Direction	Consequence
A decline to \$700 or below with the fiscal 2028 figure intact	Toward Buy	Restores a margin of about 20% to the weighted value
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 base-case earnings toward management's figure and cuts the bear odds
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 materially as capacity spending peaks	Toward Buy	The one change that would justify a premium multiple on its own
The fiscal 2028 figure cut, an optical circuit switch 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 hyperscale customer qualifies a second high-power laser source ahead of 2H 2027	Toward Avoid	Ends scarcity pricing early
Clear cuts to AI data-centre budgets, or a further sustained rise in long-term yields alongside firm core inflation	Toward Avoid	Compresses the multiple whatever Lumentum reports

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

14. Technical read

Chart as of the 22 October 2026 close.

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart state is a downtrend: the price closed below the 200-day average on 22 October and sits 18.9% below a 50-day average that is still rising, with the MACD below its signal line. Watch for a close back above the 200-day near \$786 followed by a higher low before treating the fall as finished; below, the 30 July closing low of \$693.24 is the next reference. 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 (22 Oct 2026)	\$752.54	-13.5% since the previous report
Trend	Downtrend	First close under the 200-day in this move; 50-day still rising
SMA 20 / EMA 20	\$963.03 / \$916.25	Price 21.9% / 17.9% below
SMA 50 / EMA 50	\$927.72 / \$915.53	Price 18.9% / 17.8% below
SMA 100 / EMA 100	\$872.31 / \$874.19	Price 13.7% / 13.9% below
SMA 200 / EMA 200	\$786.23 / \$729.48	Price 4.3% below / 3.2% above
RSI(14)	34.1	Weak, not oversold
MACD (12,26,9)	-34.86; signal -3.11	Histogram -31.75, below signal
ATR(14)	\$70.02	9.3% of price
Volume	22 Oct 6.1m; 20-day 4.9m; 50-day 4.6m	Participation rising into the fall
Support	\$746.23 (20-session low); \$729.48 (200-day EMA); \$693.24 (30 Jul closing low)	Then \$594.84 (late-July intraday low)
Resistance	\$786.23 (200-day SMA); \$822-\$851 (16-21 Oct closes)	Then the 50-day near \$928

Indicators computed in code from daily prices and volumes to 22 October 2026 (Twelve Data series), measured against the \$752.54 close of record.

15. Final verdict

Would new money go into Lumentum at \$752.54? Not yet. The business case is intact: capacity is booked into 2029, fiscal 2028 consensus held at \$36.02 through a 13.5% fall, and the stock trades at 20.9 times that year's earnings, down from 24.1 times a week ago. The single biggest concern is that the value of those earnings is being set by the whole AI hardware group, which de-rated by three to four points in a week, while the two claims that carry the case still have no contract terms behind them. At \$837.52 the weighted value is only 11.3% above the price. The thesis would be invalidated by a cut to the fiscal 2028 figure or a pushout at the largest customer. What must change is either the price, to \$700 or below, or the evidence, through results on 5 November that restate ~\$40 with terms attached.

Sources

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SEC filings: Forms 4, Rule 144 notices, DEF 14A and ARS, September-October 2026, as listed on the moomoo notices channel.

CEO interview, Bloomberg Television, 9 October 2026; press coverage of the interview.

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

Consensus estimates: Yahoo Finance analysis page, 23 October 2026. Targets, ratings and statistics for LITE, COHR and CIEN:

StockAnalysis.com, 22-23 October 2026; MarketBeat forecast page, 23 October 2026.

Broker actions and market news: moomoo news and research channels, 12-22 October 2026; 24/7 Wall St., 22 October 2026; Quiver Quantitative, 22 October 2026.

Senate bill S.5548, introduced 25 September 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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