

Lumentum Holdings Inc. NASDAQ: LITE

Post-earnings equity research · Fiscal Q4 2026 (quarter ended 27 June 2026), reported after the close on 11 August 2026 · Prepared 12 August 2026

RECOMMENDATION WATCHLIST	OVERALL SCORE 67 / 100	REFERENCE PRICE \$820.59 close (11 Aug, pre-release) ~\$927 indicated after hours
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Timing note. Lumentum released fiscal Q4 results after the US close on 11 August 2026. The last regular-session close, \$820.59, therefore predates the announcement, and no post-earnings closing price exists at the time of writing. After-hours quotes indicated a move of roughly 13%, around \$927. Every valuation multiple below is shown against both the \$820.59 close and the ~\$927 indicated level so the reader can see how much of the conclusion rests on a price that has not yet settled. The technical section describes a chart that has not yet absorbed the news, and is labelled accordingly.

Q4 revenue	Revenue y/y	Non-GAAP EPS	Non-GAAP GM	Q1 EPS guide (mid)
\$1.01bn	+109%	\$3.23	50.4%	\$4.20

1. What the quarter showed, and what it changed

Lumentum's fiscal fourth quarter is the clearest evidence yet that the company has converted a components franchise into an AI infrastructure franchise. Revenue of \$1.01 billion rose 109% year-over-year and 23% sequentially, beating the \$987.7 million consensus, and non-GAAP earnings of \$3.23 per share cleared the \$2.97 consensus and lapped a year-ago figure of \$0.88. That is a 3.7x increase in per-share earnings in twelve months, achieved while the diluted share count rose.

The more consequential number is the margin. Non-GAAP gross margin crossed 50% for the first time, at 50.4%, a gain of roughly 1,260 basis points year-over-year. Management had guided investors to expect that threshold only at a \$2 billion quarterly run rate; it arrived at half that. Non-GAAP operating margin reached 36.6%, an expansion of more than 2,150 basis points year-over-year. The mix is doing the work here rather than pricing alone, and mix-driven margin is more durable than the price-driven kind because it does not unwind when supply loosens.

Guidance is where the quarter genuinely re-rates the business. For fiscal Q1 2027 Lumentum guided to \$1.225–1.275 billion of revenue, non-GAAP operating margin of 39.5–40.5%, and non-GAAP EPS of \$4.05–4.35. The midpoint implies more than 130% year-over-year growth and hits the company's own \$1.25 billion revenue target a full quarter ahead of schedule, at an operating margin above the high end of the target model associated with that revenue level. Guidance accuracy is one of the few testable measures of a management team, and this one beat its own plan on both axes simultaneously.

The reported GAAP figures look catastrophic and are not. The fiscal year carried a GAAP net loss of \$6.9 billion, or \$92.96 per diluted share, driven by a one-time, non-cash loss on debt extinguishment of \$7.8 billion arising from the equitisation of a portion of the convertible notes. That is an accounting consequence of the share price having risen, not an operating event. Non-GAAP net income for fiscal 2026 was \$782.3 million, or \$8.67 per diluted share, against \$146.4 million and \$2.06 a year earlier. The valuation work below uses the non-GAAP series, and the dilution the equitisation created is treated as a real cost in the share-count discussion rather than waved away.

Metric	FQ4 FY26	FQ4 FY25	Change	Consensus / comment
Net revenue	\$1.01bn	\$483m	+109% y/y, +23% q/q	vs \$987.7m consensus — beat

Metric	FQ4 FY26	FQ4 FY25	Change	Consensus / comment
Components revenue	\$649m	—	+103% y/y, +22% q/q	Lasers, EML, CW, pump
Systems revenue	\$357m	—	+123% y/y, +30% q/q	Cloud Light transceivers, OCS
GAAP gross margin	47.4%	—	—	Non-GAAP 50.4%, +~1,260bps y/y
Non-GAAP operating margin	36.6%	—	+~2,150bps y/y	Above the internal target model
Non-GAAP EPS (diluted)	\$3.23	\$0.88	+267%	vs \$2.97 consensus — beat by \$0.26
GAAP EPS (diluted)	\$(84.65)	\$2.96	n/m	\$7.8bn non-cash debt extinguishment loss
Cash + short-term investments	\$2.7bn	\$0.8bn	+\$1.9bn y/y	Down \$433.9m q/q on capex and buy-in
FY26 revenue	\$3.01bn	\$1.6bn	+88%	Full fiscal year ended 27 Jun 2026
FY26 non-GAAP EPS	\$8.67	\$2.06	+321%	Non-GAAP net income \$782.3m

Source: Lumentum fiscal Q4 and full-year 2026 results release, 11 August 2026. Prior-year quarterly segment splits not restated in the release are shown as unavailable rather than estimated.

2. The framework this business should be judged on

Lumentum sells the optical layer that AI clusters increasingly depend on: indium phosphide laser chips (EML and continuous-wave), high-power pump lasers for long-haul and data-centre interconnect, transceiver modules through the Cloud Light business, and optical circuit switches. It is a capital-intensive, capacity-constrained chip business dressed as a components supplier, and over a one-to-two-year horizon five variables will determine shareholder returns.

Driver	Why it decides the outcome	Where it stands after this quarter
Indium phosphide capacity	Wafer fab capacity is the binding constraint on revenue. Lumentum runs two InP fabs in Japan and is qualifying both CW and EML flows on new tools.	Expanding. Pump lasers remain effectively sold out despite capacity additions; management guides to a fourfold increase in pump shipments over the next several quarters.
Gross margin trajectory	The bull case is that scarcity rents plus mix push margin structurally higher, not that volume alone does the work.	50.4% non-GAAP, reached at roughly half the revenue run rate management had targeted for that level. Management stated it sees further room.
The CPO / NPO transition	Co-packaged optics was the single most cited bear argument — that it disintermediates pluggable transceivers and the lasers inside them.	Materially defused on this call. Management framed near-packaged optics as additive to the optical TAM, said the lead CPO customer's demand signal has increased, and disclosed a first external light source module purchase order for delivery in H2 CY2027.
Customer concentration	A small number of hyperscalers and one anchor semiconductor partner drive the order book. Losing one resets the model.	Unresolved and still the principal single-name risk. The 1.6T ramp is explicitly anchored on Tier 1 hyperscale custom AI cluster roll-outs.
Per-share compounding vs dilution	Earnings are compounding fast, but so is the share count. Only the residual reaches the holder.	Common shares outstanding rose from 69.8m to 88.6m year-over-year, with 2.9m preferred on top. Q4 non-GAAP diluted share count was 101.1m against a 90.2m full-year average.

3. Financial condition

The balance sheet is the quietly transformed part of this story. Lumentum ended the year with \$2.7 billion of cash and short-term investments, up \$1.9 billion year-over-year, against total liabilities of \$2.66 billion — a company that a year ago carried a meaningful net debt position now holds gross cash marginally in excess of everything it owes. Total shareholders' equity went from \$1.13 billion to \$4.64 billion. Management stated it proactively reduced debt by \$1.1 billion, roughly 35% of outstanding convertible notes, by equitising part of the issue.

That deleveraging came at a price the income statement does not show and the share count does. Converting notes into equity when the stock is up sharply removes an obligation but hands over ownership at a moment when management presumably believes the shares are worth more, not less. The \$7.8 billion non-cash extinguishment loss is the accounting expression of exactly that. The correct reading is that financial risk fell and per-share claims were diluted, and both belong in the assessment. Set against a business now generating a 36.6% operating margin on a rising revenue base, the trade looks defensible, but it is a real cost rather than a bookkeeping artefact.

Capital intensity is rising alongside. Capital expenditure was \$167 million in the quarter as the company expands InP wafer capacity and converts the Greensboro site, which management expects to begin contributing revenue in early calendar 2028. Inventory rose \$59 million. Neither is alarming against \$1.01 billion of quarterly revenue, but both consume the cash that the operating margin generates, and free cash flow will lag reported earnings for as long as the capacity build runs.

4. Valuation

The valuation question is not whether Lumentum is expensive — it plainly is on every trailing measure — but whether the earnings base is growing fast enough that the multiple resolves itself. Annualising a single quarter would flatter the business badly here, because the guided quarter is 24% larger than the reported one. The forward figure below is instead built from management's own Q1 guidance midpoint of \$4.20, extended across fiscal 2027 with sequential growth decelerating from 15% to 10%. That construction is this report's own estimate and is not a company figure.

Measure	At \$820.59 close	At ~\$927 indicated	Comment
Market capitalisation (if-converted, 91.5m sh)	~\$75.1bn	~\$84.8bn	Common 88.6m plus 2.9m preferred
Market capitalisation (fully diluted, 101.1m sh)	~\$83.0bn	~\$93.7bn	Q4 non-GAAP diluted share count
Trailing P/E on FY26 non-GAAP EPS of \$8.67	94.6x	107.0x	No margin of safety on trailing earnings
Forward P/E on FY27E non-GAAP EPS of \$20.50	40.0x	45.2x	Own estimate, built from Q1 guidance
FY27E revenue (own estimate)	\$5.80bn	\$5.80bn	+93% on FY26's \$3.01bn
EV/Sales on FY27E revenue	~14.3x	~16.1x	Using the if-converted share count, net cash ~nil
Implied PEG on FY27E growth	~0.4x	~0.5x	Cheap on PEG, dear on absolute multiple

The uncomfortable observation is that the forward multiple has barely moved. The July report on this name put the stock at roughly 44x forward earnings and declined to buy on that basis. After a quarter that raised the earnings base sharply and an after-hours move of similar magnitude, the forward multiple at the indicated price is around 45x. The business improved and the price improved with it. An investor waiting for the multiple to compress has not been rewarded by this print; they have simply been shown that the denominator was going to be bigger.

Analyst targets published in the hours after the release span a wide range and capture the same bimodality. Rosenblatt maintained a Buy with a \$1,300 target, Mizuho maintained a Buy at \$1,140, and TD Cowen raised its target to \$820 while holding a Hold rating. A street where the same numbers support both \$820 and \$1,300 is a street that agrees about the trajectory and disagrees entirely about the multiple, which is precisely the argument this report is making.

5. Risks

Risk	Probability	Severity	Assessment
Valuation de-rating	Moderate	High	At 40–45x forward the stock discounts sustained execution. A single guidance disappointment compresses the multiple faster than earnings can grow into it. The realistic drawdown is 35–45%.
Customer concentration	Moderate	High	The 1.6T ramp rests on Tier 1 hyperscale custom cluster roll-outs. A programme delay at one account removes a quarter of the expected sequential growth.
Competing InP capacity	Moderate	Moderate	Chinese indium phosphide fabs are coming to market. Management stated it has seen no impact on results so far, which is honest but is a statement about the past.

Risk	Probability	Severity	Assessment
CPO timing slip	Lower now	Moderate	Downgraded on this call. Near-packaged optics is additive, the lead CPO customer's demand signal has risen, and a first ELS module order is in hand for H2 CY2027.
Continued dilution	High	Moderate	The share count has already risen 27% year-over-year. Further equitisation would again trade balance-sheet risk for per-share claims.
Supply constraint capping upside	High	Low	The company is shipping below demand in high-power laser categories. This constrains revenue but supports price, so it is a risk to the growth rate rather than to the margin.
Volatility / positioning	High	Moderate	A 14-day ATR near 10% of price means routine daily moves of \$80. Position sizing has to reflect that, independent of any view on the business.

6. Technical position

The chart below describes the market as it stood before the release, and should be read as the starting point for the reaction rather than as a verdict on it. Through 11 August the stock closed at \$820.59, above its 20-day average of \$770.59 and marginally above the 50-day at \$816.34, but still below the 100-day at \$840.92. RSI at 52.5 was neutral. MACD had just crossed above its signal line, with the histogram at +15.4, which is a constructive short-term signal on a stock that had spent late July repairing a drawdown to \$594.84.

Indicator	Value	Read
Close (11 Aug 2026, pre-release)	\$820.59	Last settled price; predates the announcement
SMA 20 / 50 / 100	\$770.59 / \$816.34 / \$840.92	Price above the 20 and 50, below the 100
SMA 200	Not computed	Series is 100 sessions; a 200-day average cannot be derived from it
EMA 20 / 50	\$790.58 / \$806.53	Both below price — short-term trend had turned up
RSI (14)	52.5	Neutral; neither overbought nor oversold into the print
MACD (12,26,9)	7.89, signal -7.53, hist +15.42	Bullish crossover completed just before earnings
ATR (14)	\$79.56 (9.7% of price)	Extreme. Routine daily range near \$80
Volume, 20d vs 50d average	4.80m vs 5.22m	Participation had cooled ahead of the release
20-day range	\$594.84 – \$937.00	The 20-day high is the immediate overhead reference
100-session range	\$594.84 – \$1,085.68	May's \$1,085.68 high is the structural resistance

An indicated ~\$927 opens the stock directly into the 20-day high of \$937 and about 15% below the May peak of \$1,085.68. Gapping into visible resistance after a 13% move is a poor entry regardless of how good the quarter was, and that observation carries real weight in the recommendation below.

7. Scorecard

Dimension	Score	Rating	Comment / change vs previous report
Business Quality	8/10 (=)		Unchanged. Scarce InP capacity, genuine AI-optics franchise.
Financial Strength	7/10 (+1)		Cash of \$2.7bn now roughly matches total liabilities; converts cut \$1.1bn. Dilution offsets part of the gain.
Competitive Advantage	8/10 (+1)		NPO reframed from threat to TAM expansion; first ELS module order secured; pump capacity sold out.
Management	8/10 (+1)		Hit the \$1.25bn revenue target a quarter early and beat its own operating-margin model at that level.
Growth Potential	9/10 (=)		Unchanged and already near the top of the scale. Q1 guided to +130% y/y.
Valuation	4/10 (=)		Unchanged. Forward multiple is ~45x at the indicated price, essentially where it was in July.
Risk	5/10 (+1)		Balance sheet repaired and CPO risk downgraded; valuation and concentration risk unchanged.
Technical Setup	5/10 (=)		Neutral RSI and a fresh MACD cross, but a 13% gap into overhead resistance.

Weighting used: Business Quality 12.5%, Financial Strength 12.5%, Competitive Advantage 12.5%, Management 10%, Growth Potential 15%, Valuation 17.5%, Risk 12.5%, Technical Setup 7.5%. Weighted result 67.3, reported as 67/100 (previous report: 62/100). Bracketed figures show the change against the report of 17 July 2026.

8. Recommendation

Verdict: Watchlist. Unchanged from July — but resting on different reasoning.

The July report declined to buy Lumentum because the qualitative case was strong and the reward-for-risk at the price was not, citing a rich multiple alongside a looming CPO transition, customer concentration and rising dilution. Two of those four objections have now weakened materially. The CPO transition was addressed directly on the call and reframed as TAM expansion rather than displacement, with an order in hand to support it. The balance sheet objection has largely dissolved: cash of \$2.7 billion against total liabilities of \$2.66 billion is a different company from the one that carried the notes.

What has not changed is the thing that mattered most. At the indicated price the stock trades on roughly 45x this report's fiscal 2027 estimate, which is where it traded on the equivalent basis in July. The quarter raised the earnings base and the price rose with it, leaving the margin of safety exactly where it was. Buying a 13% post-earnings gap directly into the 20-day high, on a stock whose average daily range is close to 10%, is a poor use of an entry. The probability-weighted fair value derived below, \$862, sits about 7% *below* the indicated price.

The honest summary is that this was an excellent quarter that improved the company more than it improved the investment. The rating stays at Watchlist, the levels move up, and the case for an upgrade is now much closer than it was — it needs a price, not another datapoint.

Level	Price	Rationale
Upgrade-to-Buy zone	\$700 – \$780	Roughly 34–38x the FY27E estimate. Coincides with the 20-day average at \$770.59 and the late-July consolidation shelf. This is where the reward justifies the volatility.
Aggressive accumulation	\$600 – \$660	Approaches the 29–32x range and the \$594.84 base built in late July. Would require a broad AI-hardware de-rating rather than a company-specific event.
Thesis-break level	Weekly close below ~\$590	Loses the entire post-July base. At that point the market is pricing a cycle turn rather than a valuation adjustment, and the growth assumptions need rebuilding from scratch.
First trim level	~\$1,090	The May 2026 high of \$1,085.68. Structural resistance and roughly 53x FY27E — a level at which taking something off is prudent regardless of conviction.
Second trim level	~\$1,300	The Rosenblatt street-high target. Reaching it would require the bull case to be substantially in hand.
Position sizing if entered	2–4% of portfolio	Justified by a 14-day ATR near 10% of price, not by conviction. A larger position cannot be held through the drawdowns this stock routinely produces.

What would change the view to Buy: a retracement into \$700–780 that holds, with fiscal Q2 guidance at or above roughly \$1.35 billion when it arrives. **What would change the view to Avoid:** non-GAAP gross margin rolling back below 45%, evidence that a Tier 1 hyperscaler has qualified a second indium phosphide source at scale, or a slip in the optical circuit switch or pump laser ramps that management has now put numbers against.

9. Scenario analysis

Scenario	Prob.	FY27E revenue	FY27E non-GAAP EPS	Fair value	Narrative
Bull	30%	~\$6.4bn	~\$24.50	\$1,225	1.6T and OCS ramp ahead of plan, pump capacity lands early, NPO orders compound. 50x on a still-accelerating base.
Base	50%	~\$5.80bn	~\$20.50	\$820	Guidance is met and sequential growth decelerates gradually. 40x, consistent with where the stock has traded.
Bear	20%	~\$4.6bn	~\$14.00	\$420	AI-optics digestion, a hyperscaler programme slips, competing InP capacity lands. 30x on a reset base.

Probabilities sum to 100%. The probability-weighted fair value is **\$861.50** ($0.30 \times \$1,225 + 0.50 \times \$820 + 0.20 \times \420), which is about 5% above the \$820.59 close and about 7% below the ~\$927 indicated after-hours level. Computed and checked against its own inputs.

10. Final verdict

Would this be bought with personal capital today, at roughly \$927? No — and the reason is narrower than it was a month ago.

Lumentum has just demonstrated three things that a sceptic would have wanted to see. It hit a revenue target a quarter early. It crossed a gross-margin threshold at half the revenue run rate management had said would be required. And it took the loudest bear argument, co-packaged optics, and answered it with a specific commercial fact — an external light source module order for delivery in the second half of calendar 2027 — rather than with reassurance. That is a management team executing against its own stated plan and being tested against it publicly, which is the most reliable evidence available in equity analysis.

The problem is arithmetic. The stock is indicated up 13% on the news, which is a rational response to a raised earnings base, and it leaves the forward multiple almost exactly where it was before the print. Nothing about the reward-for-risk has improved. The probability-weighted fair value sits below the indicated price. The entry point is a gap into visible resistance on a stock that moves 10% in an average day. Paying up here means accepting a 35–45% drawdown risk in exchange for an upside that requires the bull case, and the bull case is already partly in the price.

The single thing that would change this is not another datapoint but a price. A retracement into \$700–780 that holds, which this stock has produced twice in the last four months without any deterioration in the business, would put the forward multiple in the mid-thirties on an earnings stream that management has just proved it can beat. That is the trade. Chasing the gap is not. Anyone who already owns it has no reason to sell on this quarter, and every reason to let it run toward \$1,090 before trimming.

The thing that would invalidate the constructive long-term view entirely is a gross margin that goes backwards. Everything in the bull case — the multiple, the operating leverage, the capacity investment — rests on the claim that scarcity in indium phosphide is structural rather than cyclical. Non-GAAP gross margin falling back below 45% would say it was cyclical, and the analysis would need to start again.

Sources and scope. Lumentum fiscal Q4 and full-year 2026 results release (11 August 2026); the fiscal Q4 2026 earnings call transcript, which was obtained in full including prepared remarks and the analyst question-and-answer session, and is reflected throughout this report; Alpha Vantage daily price series through 11 August 2026, from which all technical indicators were computed directly; published analyst actions dated 11–12 August 2026. Forward earnings and revenue estimates for fiscal 2027, the probability-weighted fair value and all derived multiples are this report's own calculations, built from company guidance, and are labelled as such rather than presented as company figures. Prices are as of the close of 11 August 2026; no post-announcement closing price was available at the time of writing.

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