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Lumentum Holdings Inc (LITE.O)

Management Callback Notes

CITI'S TAKE

We spoke with LITE management after the Jun-Q earnings call and recap key highlights.

Buy	
Catalyst Watch: Upside, expires 14-OCT-26	
Price (11 Aug 26 16:00)	US$820.59
Target price	US$1,100.00
Expected share price return	34.0%
Expected dividend yield	0.0%
Expected total return	34.0%
Market Cap	US$63,842M

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NPO vs. CPO Opportunity Sizing: On NPO versus CPO sizing, management characterized both as opportunities, rather than offering a definitive call on which will be larger, but noted that intensity from non-NVIDIA NPO deployers is running meaningfully higher than what the company sees from NVIDIA today. Management explained that with NVIDIA, only a small portion of the CPO/scale-up opportunity is expected to be external light source (ELS)-based, whereas for other customers a much larger share (in many cases the entirety) of the opportunity is expected to be ELS. Management framed this as a revenue opportunity multiplied by optical intensity, which makes the emerging NPO opportunities look attractive in aggregate even though the near-term scale-up shipment cadence to NVIDIA (end of calendar 2027 into early 2028) remains unchanged, with the newer NPO opportunities layering in over that same window.

Ramp Cadence and the NVDA Kyber Rack Debate: On the ramp cadence and the Kyber rack debate, management pushed back on the market's tendency to link Lumentum's scale-up timeline to the Kyber rack schedule. Management reiterated that as long as a multi-rack configuration exists, the rack-to-rack (north-south) opportunity is not contingent on Kyber rack timing. Management confirmed that at-the-rack CPO connections — the vertical, in-rack connections associated with scale-up — remain on track for second half of calendar 2028 shipment ahead of a 2029 deployment, while the NPO-related, north-south, in-rack opportunity is expected to ship in the fourth quarter of calendar 2027 ramping into early 2028.

CPO-to-NPO Content Comparability: On the CPO-to-NPO content question, management was explicit that NPO is incremental to CPO rather than a substitute. Management confirmed that in cases where NVIDIA or similar customers use either architecture, the same external light source configuration is retained, meaning content is largely comparable across CPO and NPO for those customers. Management noted that scale-out CPO shipments are ongoing today and scale-up demand continues to outstrip supply, with no hesitation observed from the lead customer. Separately, management flagged that certain non-NVIDIA NPO customers are embedding the laser directly inside the optical engine rather than using an external source, which is where the mid-power (120mW and 150mW) laser opportunity comes in — an additional, incremental customer set beyond NVIDIA.

Competitive Positioning in Lower-Power Embedded Lasers: On competitive positioning in the lower-power (120–150mW) embedded laser segment,

management acknowledged the timing is later than the ELS-based CPO and NPO opportunities, with shipments potentially happening in the first half of calendar 2028 and production ramping in the second half. Management said the company currently sees no direct competition in this segment, though highlighted that it remains early. Management argued that scaling a 400mW laser down to 120–150mW is structurally easier than scaling a lower-power (70–100mW) laser up to 120mW, given that reliability requirements at the higher end are comparable or more stringent. Management noted the company has not yet officially won a design in this embedded-engine category, though the shipment timing implies these programs are targeted at scale-up applications.

EML-to-CW Capacity Reallocation: On the EML-to-CW capacity reallocation, management confirmed the strategic rationale behind reallocating a portion of excess capacity out of its Japan fab (described as 10–20%) away from EML and toward CW lasers, despite EML carrying the higher margin profile and the company remaining supply-constrained on EML. Management pointed to two drivers: 1) a meaningfully improved CW margin profile following a die-size redesign and retooling effort that narrowed the gap versus EML; and 2) an expectation that the CW opportunity grows larger in magnitude through 2027 as the majority of transceivers shift toward silicon photonics. Management reiterated that the company remains significantly supply-constrained on EML and that the reallocation reflected a strategic capture of incremental CW revenue rather than any change in EML demand outlook.

Lumentum Holdings Inc

Valuation

Our 40x P/E multiple is a 14% premium vs 35x the current forward P/E average of AI optics peers. We model LITE to grow its EPS between 2025-2028E 2-3x faster. Therefore, on an earnings growth adjusted basis, we think a higher P/E multiple vs peers is justified. Our TP on LITE is $1100.

Risks

Downside risks to the achievement of our target price include: 1) increased competition on AI leads to limited market share growth and limited revenue upside, 2) Frontloaded or slower-than-expected AI ramp affecting EML ramp, and 3) Slower than expected adoption of LITE CPO and OCS new products.

Upside risks to the achievement of our target price include: 1) gaining share in AI market through new products ont he AI transceivers, CPO and OCS fronts 2) quicker and stronger adoption of AI workloads, and 3) faster-than-expected margin expansion.

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Appendix A-1

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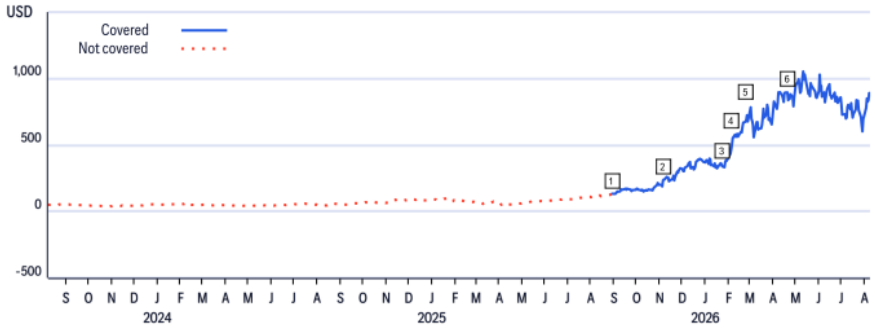
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Lumentum Holdings Inc (LITE)

Ratings and Target Price History
Fundamental Research

Analyst: Papa Sylla



	Date	Rating	Target Price	Closing Price
1	29-Aug-25 07:09:17	*1	*165.00	132.81
2	05-Nov-25 07:17:32	1	*240.00	232.75
3	22-Jan-26 16:00:38	1	*450.00	354.49
4	04-Feb-26 06:53:24	1	*560.00	465.54
5	24-Feb-26 19:04:05	1	*800.00	688.27
6	20-Apr-26 22:36:14	1	*1,100.00	895.11

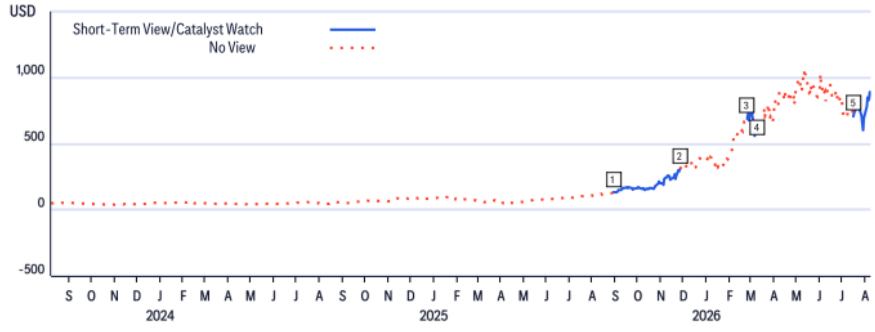
*Indicates Change

Rating/target price changes above reflect Eastern Time

Lumentum Holdings Inc (LITE)

Short-Term View/Catalyst Watch Research

Analyst: Papa Sylla



	Date	Action	Expected Direction	Duration	Closing Price
1	29-Aug-25 03:09:17	Add STV	Upside	90 Days	132.81
2	27-Nov-25 11:04:00	Remove STV	Upside	90 Days	308.28
3	24-Feb-26 14:04:05	Add CW	Upside	30 Days	688.27
4	09-Mar-26 16:14:36	Remove CW	Upside	30 Days	640.69
5	16-Jul-26 01:00:00	Add CW	Upside	90 Days	706.23

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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