Hardware & Networking

F1Q27 Optical Preview: Strong Demand and Improving Capacity Support Upside; However, Valuation Favors COHR and FN Over LITE

IT Hardware/ Telecom & Networking Equipment

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Heading into F1Q27 (Sep-end) earnings, we expect optical fundamentals to remain solid with most of our intra-quarter checks pointing to strong demand through year-end and into CY27, while LTAs extend visibility into CY28 and beyond. Growth in TRx and associated components, including lasers, is now being joined by more material ramps in higher margin DCI, OCS, and CPO/NPO opportunities, which we expect to contribute increasingly to revenue and profitability in coming quarters. Delivering to upsides though will depend in part on capacity expansions, including InP lasers, and making progress on those ramps will be a crucial watch point for estimates. We expect management teams to emphasize both the strength of underlying demand and their progress on capacity; however, investors are likely to focus on the nuanced details, including: (1) the pace of the 1.6T TRx ramp, particularly given laser and DSP constraints, and its pricing and margin benefits; (2) OCS upside with Google and opportunities with other customers; (3) confidence in CPO timing/sizing amid continued noise on supply chain challenges; and (4) NPO timing and architecture choices, including implications for content (ELS vs. ILS, UHP vs. MP lasers vs. VCSEL). Even these questions, and the earnings themselves, may be partly overshadowed by the recent focus on consolidation between optoelectronic and semiconductor assets, including the strategic rationale, potentially underappreciated synergies, and the likelihood of a transaction given recent valuations and regulatory hurdles.

To that end, while we remain broadly bullish on optical fundamentals over both the near- and long-term, the setup into the upcoming prints varies by company. Given those differences, we believe investors may need to be more selective:

- **Most favorable on Coherent.** Shares trade at 12x CY28 earnings, the largest discount within the group, and we see scope for upward revenue and earnings revisions, though margin upside may be more moderate as lower margin TRx revenue continues to drive the near-term upside. That said, the valuation suggests investor expectations remain muted with the margin dynamics likely already well understood.
- **Fabrinet follows.** Shares trade at 14x CY28 earnings, and we expect concerns around Datacom and HPC to ease as improving Nvidia-TRx and AWS-HPC ramps drive revenue and earnings upside, while continued DCI momentum and a more material AWS-TRx ramp add to that strength. The reaction may be tempered, however, by the limited visibility provided by the new segmentation and how much detail management provides on Nvidia-TRx and AWS-HPC, which have drawn greater investor attention in recent quarters.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price ($)	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Lumentum	LITE US	84,994.77	840.70	OW	n/c	1,280.00	Dec-27	n/c	n/c
Coherent Corp	COHR US	31,779.35	210.32	OW	n/c	385.00	Dec-27	465.00	n/c
Fabrinet	FN US	11,899.61	327.29	N	n/c	465.00	Dec-27	695.00	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 30 Oct 26.

See page 13 for analyst certification and important disclosures.

- **Somewhat more cautious on Lumentum.** Investors appear to be anticipating a significant beat in both results and outlook, while shares trade at a sizable premium to the group at 21x CY28 earnings. That combination could invite closer scrutiny of the quality of the upside, particularly if a material portion comes from lower margin TRx revenue and results in more subdued margin performance than in recent quarters.

Lumentum (LITE): Expected Beat and Raise Meets a High Bar; TRx Mix Could Test Margin Performance

We are somewhat cautious on Lumentum's setup into the print, despite expecting a beat-and-raise, as shares already trade at 21x CY28 earnings, a sizable premium to the group, and investors appear to be anticipating meaningful beats in both results and outlook with buy-side CY28 earnings expectations tracking well ahead of sell-side consensus. That said, we expect the results to confirm that near-term CPO/NPO and OCS opportunities remain on track with management's prior expectations, while pointing to greater medium- and long-term upside in both. On the flipside, we expect more immediate upside is likely to come from Datacom lasers, DCI solutions such as pump lasers, and Datacom TRx, of which the relative upside driven by the latter could weigh on gross margin performance, particularly relative to recent quarters, drawing increased scrutiny at the current valuation. Nonetheless, we are embedding modest upside from these drivers in our model, with our estimates continuing to track ahead of consensus. We reiterate our December 2027 price target of $1,280, based on a ~29x multiple of our updated CY28 EPS estimate, the highest among optical peers, reflecting Lumentum's leading growth and margin profile.

- **F1Q27 (Sep-end) Results: Expect EPS beat driven by better than consensus revenue and margins.** We are forecasting revenue of $1,273 mn vs. consensus $1,256 mn and guidance of $1,225-$1,275 mn, representing growth of +138% y/y. Meanwhile, we are forecasting gross margins of 51.3% (vs. consensus of 51.3%) and operating margins of 40.3% (vs. consensus of 39.9% and guidance of 39.5%-40.5%), which leads to our earnings forecast of $4.29 (vs. consensus of $4.21 and guidance of $4.05-$4.35).
- **F2Q27 (Dec-end) Guidance: Revenue and earnings outlook expected to track ahead of consensus expectations.** We are forecasting revenue of $1,531 mn vs. consensus $1,485 mn, representing growth of +130% y/y. Meanwhile, we are forecasting gross margins of 51.5% (vs. consensus of 51.6%) and operating margins of 41.6% (vs. consensus of 41.0%), which leads to our earnings forecast of $5.28 (vs. consensus of $5.07).

Coherent (COHR): Low Valuation Offers a Favorable Setup; Path to Accelerating Margin Improvement Remains in Focus

We see a positive setup for Coherent heading into its F1Q27 earnings print, with revenue and earnings upside supported by continued progress on the InP capacity ramp. Specifically, we expect data center revenue growth to accelerate to more than 80%+ y/y, exceeding our +80% forecast, as additional InP capacity unlocks TRx revenue. Given much of that upside is likely to come from lower margin TRx, we expect gross margin upside to remain more limited, despite the benefits from conitnued strong demand for higher margin DCI/Telecom opportunities. In our view, that mix dynamic is already reflected in muted investor expectations, with shares trading at 12x CY28 earnings, the largest discount in the group. Beyond the quarter, we expect investors to focus on the breadth and timing of newer, higher margin revenue streams, including OCS, multi-rail, and CPO/NPO and how quickly those ramps can accelerate gross margin improvement even as lower margin TRx demand continues to grow. Investors will also look for commentary on the ramp of higher priced and margin 1.6T TRx and its potential to ease the margin pressure associated with the product set. Taken together, we expect a near-term beat-and-raise led primarily by TRx upside, as well as a contribution from DCI/Telecom, against a backdrop of undemanding valuation and



muted sentiment. That said, we are lowering our Dec-27 price target to $385 (vs. $465 prior) based on a lower target multiple, consistent with the current NTM trading multiple and below the multiple we ascribe to Lumentum, given Coherent's lower growth and margin profile.

- **F1Q27 (Sep-end) Results: Revenue and earnings to track ahead of consensus expectations into the print.** We are forecasting revenue of $2,390 mn vs. consensus $2,311 mn and guidance of $2,200-$2,400 mn, representing growth of +51% y/y. Meanwhile, we are forecasting gross margins of 40.5% (vs. consensus of 40.6% and guidance of 39.5-41.5%) and operating margins of 22.9% (vs. consensus of 23.0%), which leads to our earnings forecast of $2.08 (vs. consensus of $2.01 and guidance of $1.85-$2.05).
- **F2Q27 (Dec-end) Guidance: Anticipate revenue and earnings outlook to track ahead of sell-side estimates.** We are forecasting revenue of $2,567 mn vs. consensus $2,552 mn, representing growth of +52% y/y. Meanwhile, we are forecasting gross margins of 40.8% (vs. consensus of 40.8%) and operating margins of 23.7% (vs. consensus of 23.4%), which leads to our earnings forecast of $2.30 (vs. consensus of $2.24).

Fabrinet (FN): Multiple Ramps Set Up FY27 Growth for Acceleration; Though Program Visibility Could Be a Watch Point

We are somewhat positive on Fabrinet heading into its F1Q27 earnings print, as it should offer a proof point that multiple product ramps are supporting an acceleration in FY27 revenue growth relative to FY26, against a backdrop of shares trading at 14x CY28 earnings. Among the opportunities in focus for investors, we believe management remains confident in improving Nvidia TRx revenue in F1Q27 and beyond, particularly now that transceivers are shipping with EMLs from multiple suppliers. We see a similar setup for AWS HPC with the transition to the next-generation solution now largely complete, opening a much larger opportunity than the prior generation and potential for Fabrinet to gain share. AWS TRx and merchant TRx programs should add to those ramps in the near term, with AWS TRx revenue likely to inflect sharply in coming quarters. OCS, multi-rail, and CPO/NPO opportunities could follow later in the fiscal year and contribute more materially in FY28. We also expect gross margin to trough in F1Q27 before improving sequentially each quarter, supported by product ramps, moderating FX headwinds, and potentially a more favorable mix from next-generation opportunities in the back half. Together, these drivers should support a beat-and-raise and build investor confidence in the FY27 growth acceleration. The reaction could be muted, however, if the new segment reporting limits visibility into the specific programs investors have focused on in recent quarters. To that end, we are modestly adjusting our forecasts while leaving our out-year outlook largely unchanged and lower our Dec-27 price target to $465 (vs. $695 prior), based on a lower 17x target multiple or below the multiples we ascribe to Coherent and Lumentum, but above those for EMS peers, reflecting Fabrinet's niche optical exposure and higher gross margins.

- **F1Q27 (Sep-end) Results: Expect revenue, operating margins and earnings to track ahead of consensus expectations.** We are forecasting revenue of $1,426 mn vs. consensus $1,407 mn and guidance of $1,375-$1,425 mn, representing growth of +46% y/y. Meanwhile, we are forecasting gross margins of 12.1% (vs. consensus of 12.2%) and operating margins of 11.0% (vs. consensus of 10.9%), which leads to our earnings forecast of $4.27 (vs. consensus of $4.19 and guidance of $4.10-$4.25).
- **F2Q27 (Dec-end) Guidance: Revenue and earnings outlook anticipated to track ahead of sell-side estimates.** We are forecasting revenue of $1,536 mn vs. consensus $1,478 mn, representing growth of +36% y/y. Meanwhile, we are forecasting gross margins of 12.2% (vs. consensus of 12.3%) and operating margins of 11.0% (vs. consensus of 11.1%), which leads to our earnings forecast of $4.56 (vs. consensus of $4.43).

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Lumentum *(Overweight; Price Target: $1,280.00)*

Investment Thesis
Increased exposure to the Datacom segment, which is facing AI-led growth in demand, via the recent acquisition of Cloud Light, positions LITE shares as a potential pick to play the AI theme. Additionally, with the headwinds including share loss in 3D Sensing as well as inventory rationalization from Telecom and Datacom customers well baked into estimates, and the shares trading inexpensive based on our CY28 estimates, which is essentially below the long-term historical multiple, we rate LITE shares Overweight.

Valuation
Our December 2027 price target of $1,280 is based on valuing our CY28E EPS estimate at a ~29x P/E target multiple. The multiple is ahead of the average historical multiple at which the company has traded, and we believe it is justified given benefits from demand relative to AI investments.

LITE P/E-Based Price Target Analysis

$ in mns, except per share amounts

	NTM	CY28
JPM Net Income	**2,365**	**4,656**
JPM EPS	$22.80	$44.40
P/E Multiple	36x	
JPM P/E Multiple		29x
Implied Equity Value	**84,995**	**134,094**
Average Diluted Share Count	101	105
Implied Share Price	**$841**	**$1,280**
Current Value per Share	$840.70	$840.70
Upside vs. Current		52%
Memo:		
(-) Net Cash/(Debt)	1,101	7,453
Enterprise Value	83,894	126,641
JPM EBITDA	3033	6,027
Implied EV/EBITDA	*27.7x*	*21.0x*

Source: J.P. Morgan estimates.

Risks to Rating and Price Target
Industry Downside Risks
Pricing pressure in the industry could accelerate. The optical industry faces significant pricing pressure on an annual basis, particularly as technologies mature. Optical component companies look to offset the pricing pressures through reduction in costs and through stronger pricing on the next-generation technology offered to customers. Acceleration in pricing pressure could drive downside to our earnings forecasts for optical component companies, including Lumentum.

Vertical integration by the optical system suppliers could drive greater competitive risk for Lumentum. Optical transport system suppliers, including Ciena and Cisco, use optical component suppliers for the photonics component of the optical transponder. While the optical component suppliers are critical to the optical transport system suppliers, we believe Lumentum's customers could look to vertically integrate in the future to drive additional pricing pressure on optical component suppliers.

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Company-Specific Downside Risks

Change in relationship with any of the large customers could be detrimental to financials. The top customers for Lumentum, like Google, account for a large percentage of total revenue, which creates customer concentration risk from a change in relationship with any of the top customers. While recent and future acquisitions should reduce the customer concentration risk, we believe a change in relationship with any of the big customers would have negative implications to our earnings forecasts for Lumentum.

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Investment Thesis, Valuation and Risks

Coherent Corp *(Overweight; Price Target: $385.00)*

Investment Thesis

We rate Coherent shares Overweight, led by our expectation that the company is well positioned to deliver double-digit earnings growth after cycling past a tough macro backdrop, particularly on the back of its market leadership in Networking, which is benefiting from investments in optical components for transport systems and transmission systems. We believe the above, in combination with margin expansion, led by improved mix, acquisition synergies, and enhanced operating leverage, as well as additional levers in the form of debt pay-down, positions the company well to drive earnings growth.

Valuation

We are lowering our December 2027 price target to $385 from $465, based on valuing our updated CY28E EPS on a target P/E multiple of ~22x. The target multiple is justified as it is consistent with the current NTM trading multiple and below the multiple we ascribe to Lumentum, given Coherent's lower growth and margin profile, but still higher than the long-term multiple, as we give the company credit for being a beneficiary of AI datacenter investments.

Coherent P/E-Based Price Target Analysis

$ in millions, except per share amounts

	NTM Qtrs 1-4	CY28E
JPM Net Income	**2,019**	**3,813**
JPM EPS (Fully loaded Shares)	$9.75	$17.47
P/E Multiple	22x	
JPM P/E Multiple		22x
Implied Equity Value	**42,527**	**83,877**
Average Diluted Share Count	202	218
Implied Share Price	**$210.3**	**$385.0**
Current Value per Share	$210.32	$210.32
Upside vs. Current		83%
Memo:		
(-) Net Cash/(Debt)	(1,454)	1,056
Enterprise Value	43,981	82,820
JPM EBITDA	3,225	5,821
Implied EV/EBITDA	*13.6x*	*14.2x*

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Industry Downside Risks

Pricing pressure in the industry could accelerate, driving downside to estimates and price target. The optical industry faces significant pricing pressure on an annual basis, particularly as technologies mature. Optical component companies look to offset the pricing pressures through reductions in costs and through stronger pricing on the next-generation technology offered to customers. Acceleration in pricing pressure in the industry could drive downside to our earnings forecasts for optical component companies, including Coherent.

Vertical integration by optical system suppliers could drive greater competitive risk for Coherent. Optical transport system suppliers, including Ciena, Cisco, ZTE, and Huawei, use optical component suppliers for the photonics component of the optical transponder. While optical component suppliers are critical to optical transport system suppliers, we believe Coherent's customers could look to vertically integrate in the future to drive additional pricing pressure on optical component suppliers.

Company-Specific Downside Risks

Integration risks relative to recent acquisitions are watch points for Coherent. The recent acquisition of legacy Coherent has strategic importance for Coherent and should enhance its position in the industrial laser market. However, integration risks following the approval are key watch points for Coherent and could present downside risks to our estimates and price target.

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Investment Thesis, Valuation and Risks

Fabrinet *(Neutral; Price Target: $465.00)*

Investment Thesis

We rate shares of Fabrinet at Neutral on the balance of a strong underlying AI demand environment in which the company is well positioned to benefit, given its leadership as a contract manufacturer of optical solutions and its burgeoning role in high-performance compute applications, offset by a combination of near-term customer ramps now trending choppier and limited visibility into potential upcoming ramps with new customers, which we expect in aggregate to drive more limited near-term upside in the shares. This is despite our overall positive bias toward the company's long-term trajectory, particularly as reflected in the manufacturing footprint expansion being undertaken.

Valuation

We are lowering our December 2027 price target to $465 (vs. $695 prior) based on applying a ~17x target multiple to our CY28E EPS, which is above those for EMS peers, reflecting Fabrinet's niche optical exposure and higher gross margins.

Fabrinet P/E-Based Price Target Analysis

$ in millions, except per share amounts

	NTM Qtrs 1-4	CY28E
JPM Net Income	**700**	**976**
JPM EPS	$19.40	$27.50
P/E Multiple	17x	
JPM P/E Multiple		17x
Implied Equity Value	**11,900**	**16,502**
Average Diluted Share Count	36	36
Implied Share Price	**$327.3**	**$465.0**
Current Value per Share	$327.29	$327.29
Upside vs. Current		42%
Memo:		
(-) Net Cash/(Debt)	871	1,546
Enterprise Value	11,029	14,956
JPM EBITDA	838	1,207
Implied EV/EBITDA	*13.2x*	*12.4x*

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Industry Upside Risks

Increased inclination towards outsourcing of manufacturing. Manufacturing of optical products is a significantly complex operation and involves high degree of expertise. Given the complexity, OEMs in the optical industry may start to increasingly outsource their manufacturing, overall benefitting the contract manufacturers with capabilities relative to optical industry.

Industry Downside Risks

Industry consolidation in the Optical communication market. Industry consolidation among Fabrinet's customers in the Optical communication market could lead to fewer and larger customers, which could drive higher scale and purchasing power for its customers, likely leading to greater than typical pricing pressures. Additionally, consolidation could lead to Fabrinet's customers acquiring in-house manufacturing capabilities and result in lower demand.

Pricing pressure in the industry could accelerate. The optical industry faces significant pricing pressure on an annual basis, particularly as technologies mature. Optical component companies look to offset the pricing pressures through reduction in costs and through stronger pricing on the next-generation technology offered to customers. Acceleration in pricing pressure could drive downside to our earnings forecasts for optical component companies, including Fabrinet.

Company-Specific Upside Risks

Pace of campus expansion could drive growth. Fabrinet, with two campuses in Thailand with several buildings in each, has ample capacity for growth. Currently, the company has a policy of starting a new building once existing capacity is 70% utilized. However, the company is open to lowering the policy given the fast pace of demand ramp. Should Fabrinet do so, it would be able to take charge of demand as capacity is being utilized much faster than initially expected.

Company-Specific Downside Risks

Concentration of manufacturing footprint. Large part of manufacturing footprint (85%+ based on facility square footage) is based out of Thailand. Given an uncertain environment relative to tariffs, any material tariffs imposed on Thailand can result in a significant tariff exposure for the company, in comparison to more diversified peers.

Change in relationship with any of the large customers could be detrimental to financials. The top customers for Fabrinet, like Nvidia, account for a large percentage of total revenue, which creates customer concentration risk from a change in relationship with any of the top customers. While recent and future customer diversification should reduce the customer concentration risk, we believe a change in relationship with any of the big customers would have negative implications to our earnings forecasts for Fabrinet.

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Lumentum: Summary of Financials

Income Statement - Annual	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	**1,645**	**3,014**	**6,490**	**10,081**	**13,195**
COGS	(1,074)	(1,627)	(3,110)	(4,617)	(5,814)
Gross profit	**572**	**1,387**	**3,380**	**5,465**	**7,381**
SG&A	(155)	(185)	-	-	-
Adj. EBITDA	**264**	**1,026**	**3,033**	**5,070**	**6,856**
D&A	(104)	(129)	(260)	(403)	(528)
Adj. EBIT	**160**	**897**	**2,773**	**4,667**	**6,328**
Net Interest	15	40	80	80	80
Adj. PBT	**175**	**937**	**2,853**	**4,747**	**6,408**
Tax	(29)	(155)	(489)	(830)	(1,110)
Minority Interest	-	-	-	-	-
Adj. Net Income	**146**	**782**	**2,365**	**3,917**	**5,298**
Reported EPS	2.06	8.68	22.80	37.90	49.90
Adj. EPS	**2.06**	**8.68**	**22.80**	**37.90**	**49.90**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	71	90	104	103	106

Balance Sheet & Cash Flow Statement	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	521	2,044	3,281	6,442	10,907
Accounts receivable	250	520	1,070	1,545	2,113
Inventories	470	692	1,356	1,891	2,262
Other current assets	840	1,424	2,637	3,648	4,586
Current assets	**1,717**	**4,162**	**6,614**	**10,785**	**16,188**
PP&E	726	1,159	1,357	1,527	1,735
LT investments	-	-	-	-	-
Other non current assets	714	917	917	917	917
Total assets	**4,219**	**7,308**	**9,957**	**14,299**	**19,910**
Short term borrowings	11	1,597	1,597	1,597	1,597
Payables	225	567	804	1,121	1,340
Other short term liabilities	157	316	365	472	566
Current liabilities	**393**	**2,481**	**2,765**	**3,190**	**3,503**
Long-term debt	2,563	41	41	41	41
Other long term liabilities	2,691	183	183	183	183
Total liabilities	**3,084**	**2,664**	**2,948**	**3,373**	**3,686**
Shareholders' equity	1,135	4,644	7,009	10,925	16,224
Minority interests	-	-	-	-	-
Total liabilities & equity	**4,219**	**7,308**	**9,957**	**14,299**	**19,910**
BVPS	**16.42**	**62.44**	**78.13**	**121.80**	**180.87**
y/y Growth	*15.4%*	*280.2%*	*25.1%*	*55.9%*	*48.5%*
Net debt/(cash)	2,053	(406)	(1,644)	(4,804)	(9,270)
Cash flow from operating activities	**126**	**751**	**1,695**	**3,734**	**5,201**
o/w Depreciation & amortization	104	129	260	403	528
o/w Changes in working capital	(315)	(292)	(929)	(586)	(625)
Cash flow from investing activities	**(84)**	**(786)**	**(457)**	**(574)**	**(736)**
o/w Capital expenditure	(231)	(409)	(457)	(574)	(736)
as % of sales	*14.0%*	*13.6%*	*7.0%*	*5.7%*	*5.6%*
Cash flow from financing activities	**42**	**1,557**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-	-
o/w Net debt issued/(repaid)	-	-	-	-	-
Net change in cash	**84**	**1,523**	**1,238**	**3,161**	**4,465**
Adj. Free cash flow to firm	**(104)**	**343**	**1,238**	**3,161**	**4,465**
y/y Growth	*(2.9%)*	*(428.1%)*	*261.4%*	*155.3%*	*41.3%*

Income Statement - Quarterly	1Q27E	2Q27E	3Q27E	4Q27E
Revenue	**1,273**	**1,531**	**1,734**	**1,952**
COGS	(619)	(743)	(831)	(917)
Gross profit	**653**	**788**	**904**	**1,035**
SG&A	-	-	-	-
Adj. EBITDA	**564**	**698**	**820**	**951**
D&A	(51)	(61)	(69)	(78)
Adj. EBIT	**513**	**637**	**750**	**873**
Net Interest	20	20	20	20
Adj. PBT	**533**	**657**	**770**	**893**
Tax	(88)	(110)	(135)	(156)
Minority Interest	-	-	-	-
Adj. Net Income	**445**	**547**	**636**	**737**
Reported EPS	4.29	5.28	6.13	7.10
Adj. EPS	**4.29**	**5.28**	**6.13**	**7.10**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	104	104	104	104

Ratio Analysis	FY25A	FY26A	FY27E	FY28E	FY29E
Gross margin	34.7%	46.0%	52.1%	54.2%	55.9%
EBITDA margin	16.1%	34.0%	46.7%	50.3%	52.0%
EBIT margin	9.7%	29.8%	42.7%	46.3%	48.0%
Net profit margin	8.9%	26.0%	36.4%	38.9%	40.2%
ROE	14.0%	27.1%	40.6%	43.7%	39.0%
ROA	3.6%	13.6%	27.4%	32.3%	31.0%
ROCE	3.7%	15.0%	30.8%	36.3%	34.4%
SG&A/Sales	9.4%	6.1%	-	-	-
Net debt/equity	1.8	NM	NM	NM	NM
P/E (x)	409.0	96.9	36.9	22.2	16.8
P/BV (x)	51.2	13.5	10.8	6.9	4.6
EV/EBITDA (x)	321.5	82.9	28.0	16.8	12.4
Dividend Yield	-	-	-	-	-
Sales/Assets (x)	0.4	0.5	0.8	0.8	0.8
Interest cover (x)	-	-	-	-	-
Operating leverage	(10494.0%)	553.1%	181.4%	123.4%	115.3%
Revenue y/y Growth	21.0%	83.2%	115.3%	55.3%	30.9%
EBITDA y/y Growth	156.7%	288.0%	195.7%	67.2%	35.2%
Tax rate	16.5%	16.5%	17.1%	17.5%	17.3%
Adj. Net Income y/y Growth	391.3%	434.4%	202.3%	65.6%	35.3%
EPS y/y Growth	367.0%	322.1%	162.9%	66.2%	31.7%
DPS y/y Growth	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Jun. o/w - out of which

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J.P.Morgan

Coherent Corp: Summary of Financials

Income Statement - Annual	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	**5,810**	**7,118**	**10,745**	**15,260**	**20,779**
COGS	(3,595)	(4,312)	(6,350)	(8,910)	(11,965)
Gross profit	**2,216**	**2,807**	**4,395**	**6,351**	**8,814**
SG&A	(611)	-	-	-	-
Adj. EBITDA	**1,379**	**1,761**	**3,225**	**4,873**	**6,969**
D&A	(327)	(305)	(637)	(877)	(1,173)
Adj. EBIT	**1,052**	**1,457**	**2,588**	**3,996**	**5,796**
Net Interest	-	-	-	-	-
Adj. PBT	**885**	**1,339**	**2,472**	**3,898**	**5,718**
Tax	(188)	(255)	(470)	(760)	(1,114)
Minority Interest	-	-	-	-	-
Adj. Net Income	**574**	**1,096**	**2,019**	**3,155**	**4,621**
Reported EPS	3.61	5.61	9.75	14.70	20.85
Adj. EPS	**3.61**	**5.61**	**9.75**	**14.70**	**20.85**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	159	196	207	215	222

Balance Sheet & Cash Flow Statement	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	909	1,162	1,464	2,376	4,785
Accounts receivable	964	1,343	1,977	2,987	4,083
Inventories	1,438	2,581	3,291	4,806	6,658
Other current assets	3,018	5,764	7,071	9,596	12,544
Current assets	**3,927**	**6,926**	**8,536**	**11,972**	**17,329**
PP&E	1,878	2,999	4,274	4,976	5,572
LT investments	0	0	0	0	0
Other non current assets	1,430	1,115	544	544	544
Total assets	**14,911**	**18,300**	**20,614**	**24,752**	**30,705**
Short term borrowings	188	8	8	8	8
Payables	847	1,905	2,323	3,204	4,319
Other short term liabilities	760	941	1,236	1,755	2,390
Current liabilities	**1,795**	**2,854**	**3,566**	**4,967**	**6,716**
Long-term debt	3,499	3,214	2,814	2,414	2,014
Other long term liabilities	4,635	4,208	3,808	3,408	3,008
Total liabilities	**6,430**	**7,062**	**7,374**	**8,374**	**9,724**
Shareholders' equity	8,481	11,238	13,240	16,378	20,981
Minority interests	-	-	-	-	-
Total liabilities & equity	**14,911**	**18,300**	**20,614**	**24,752**	**30,705**
BVPS	**53.27**	**57.48**	**63.93**	**76.32**	**94.69**
y/y Growth	*3.5%*	*7.9%*	*11.2%*	*19.4%*	*24.1%*
Net debt/(cash)	2,778	2,060	1,358	46	(2,763)
Cash flow from operating activities	**634**	**80**	**1,946**	**2,830**	**4,518**
o/w Depreciation & amortization	554	522	575	817	1,113
o/w Changes in working capital	(208)	(1,102)	(631)	(1,125)	(1,198)
Cash flow from investing activities	**(414)**	**(1,414)**	**(1,850)**	**(1,519)**	**(1,709)**
o/w Capital expenditure	(441)	(1,103)	(1,850)	(1,519)	(1,709)
as % of sales	*7.6%*	*15.5%*	*17.2%*	*10.0%*	*8.2%*
Cash flow from financing activities	**(452)**	**1,477**	**(400)**	**(400)**	**(400)**
o/w Dividends paid	-	-	-	-	-
o/w Net debt issued/(repaid)	(435)	(1,760)	(400)	(400)	(400)
Net change in cash	**(157)**	**135**	**(304)**	**912**	**2,409**
Adj. Free cash flow to firm	**193**	**(1,023)**	**96**	**1,312**	**2,809**
y/y Growth	*(3.1%)*	*(630.9%)*	*(109.4%)*	*1268.7%*	*114.1%*

Income Statement - Quarterly	1Q27E	2Q27E	3Q27E	4Q27E
Revenue	**2,390**	**2,567**	**2,781**	**3,006**
COGS	(1,423)	(1,520)	(1,641)	(1,766)
Gross profit	**967**	**1,048**	**1,140**	**1,240**
SG&A	-	-	-	-
Adj. EBITDA	**699**	**760**	**844**	**921**
D&A	(153)	(153)	(163)	(168)
Adj. EBIT	**547**	**608**	**680**	**753**
Net Interest	-	-	-	-
Adj. PBT	**518**	**579**	**651**	**724**
Tax	(101)	(109)	(123)	(137)
Minority Interest	-	-	-	-
Adj. Net Income	**421**	**473**	**533**	**592**
Reported EPS	2.08	2.30	2.55	2.81
Adj. EPS	**2.08**	**2.30**	**2.55**	**2.81**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	203	206	209	211

Ratio Analysis	FY25A	FY26A	FY27E	FY28E	FY29E
Gross margin	38.1%	39.4%	40.9%	41.6%	42.4%
EBITDA margin	23.7%	24.7%	30.0%	31.9%	33.5%
EBIT margin	18.1%	20.5%	24.1%	26.2%	27.9%
Net profit margin	9.9%	15.4%	18.8%	20.7%	22.2%
ROE	7.0%	11.1%	16.5%	21.3%	24.7%
ROA	3.9%	6.6%	10.4%	13.9%	16.7%
ROCE	6.8%	8.9%	13.7%	18.5%	22.3%
SG&A/Sales	10.5%	-	-	-	-
Net debt/equity	0.3	0.2	0.1	0.0	NM
P/E (x)	58.3	37.5	21.6	14.3	10.1
P/BV (x)	3.9	3.7	3.3	2.8	2.2
EV/EBITDA (x)	31.9	25.0	13.6	9.0	6.3
Dividend Yield	-	-	-	-	-
Sales/Assets (x)	0.4	0.4	0.6	0.7	0.7
Interest cover (x)	-	-	-	-	-
Operating leverage	206.2%	170.9%	152.4%	129.5%	124.6%
Revenue y/y Growth	23.4%	22.5%	51.0%	42.0%	36.2%
EBITDA y/y Growth	32.8%	27.8%	83.1%	51.1%	43.0%
Tax rate	21.2%	19.0%	19.0%	19.5%	19.5%
Adj. Net Income y/y Growth	122.7%	91.0%	84.1%	56.3%	46.5%
EPS y/y Growth	115.9%	55.5%	73.9%	50.8%	41.8%
DPS y/y Growth	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Jun. o/w - out of which

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Fabrinet: Summary of Financials

Income Statement - Annual	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	**3,419**	**4,641**	**6,553**	**8,393**	**10,129**
COGS	(2,996)	(4,073)	(5,747)	(7,352)	(8,863)
Gross profit	**424**	**568**	**806**	**1,041**	**1,266**
SG&A	(63)	(68)	(79)	(94)	(106)
Adj. EBITDA	**414**	**568**	**838**	**1,087**	**1,329**
D&A	(53)	(68)	(111)	(140)	(170)
Adj. EBIT	**361**	**500**	**727**	**947**	**1,159**
Net Interest	-	-	-	-	-
Adj. PBT	**391**	**536**	**763**	**973**	**1,185**
Tax	(23)	(25)	(63)	(90)	(112)
Minority Interest	-	-	-	-	-
Adj. Net Income	**369**	**511**	**700**	**883**	**1,073**
Reported EPS	10.17	14.09	19.40	24.70	30.40
Adj. EPS	**10.17**	**14.09**	**19.40**	**24.70**	**30.40**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	36	36	36	36	35

Balance Sheet & Cash Flow Statement	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	306	347	424	694	1,174
Accounts receivable	759	1,018	1,348	1,664	1,983
Inventories	581	1,021	1,362	1,682	2,002
Other current assets	1,495	2,285	2,955	3,591	4,230
Current assets	**2,429**	**3,160**	**3,908**	**4,813**	**5,932**
PP&E	381	615	773	870	944
LT investments	-	-	-	-	-
Other non current assets	20	134	134	134	134
Total assets	**2,831**	**3,911**	**4,817**	**5,819**	**7,012**
Short term borrowings	0	0	0	0	0
Payables	637	1,006	1,362	1,682	2,002
Other short term liabilities	172	397	397	397	397
Current liabilities	**810**	**1,403**	**1,759**	**2,079**	**2,398**
Long-term debt	0	0	0	0	0
Other long term liabilities	40	54	54	54	54
Total liabilities	**850**	**1,457**	**1,813**	**2,133**	**2,453**
Shareholders' equity	1,982	2,454	3,004	3,687	4,560
Minority interests	-	-	-	-	-
Total liabilities & equity	**2,831**	**3,911**	**4,817**	**5,819**	**7,012**
BVPS	**55.02**	**68.52**	**84.23**	**104.60**	**131.06**
y/y Growth	*14.2%*	*24.5%*	*22.9%*	*24.2%*	*25.3%*
Net debt/(cash)	(306)	(347)	(424)	(694)	(1,174)
Cash flow from operating activities	**328**	**257**	**496**	**707**	**923**
o/w Depreciation & amortization	53	68	111	140	170
o/w Changes in working capital	(89)	(260)	(315)	(316)	(319)
Cash flow from investing activities	**(286)**	**(184)**	**(269)**	**(238)**	**(243)**
o/w Capital expenditure	(121)	(253)	(269)	(238)	(243)
as % of sales	*3.5%*	*5.4%*	*4.1%*	*2.8%*	*2.4%*
Cash flow from financing activities	**(147)**	**(31)**	**(150)**	**(200)**	**(200)**
o/w Dividends paid	-	-	-	-	-
o/w Net debt issued/(repaid)	-	-	-	-	-
Net change in cash	**(104)**	**41**	**77**	**270**	**480**
Adj. Free cash flow to firm	**207**	**4**	**227**	**470**	**680**
y/y Growth	*(43.3%)*	*(98.0%)*	*5273.7%*	*107.0%*	*44.8%*

Income Statement - Quarterly	1Q27E	2Q27E	3Q27E	4Q27E
Revenue	**1,426**	**1,536**	**1,699**	**1,893**
COGS	(1,253)	(1,348)	(1,489)	(1,657)
Gross profit	**173**	**188**	**210**	**236**
SG&A	(17)	(18)	(21)	(24)
Adj. EBITDA	**182**	**196**	**217**	**243**
D&A	(25)	(27)	(28)	(31)
Adj. EBIT	**157**	**169**	**189**	**212**
Net Interest	-	-	-	-
Adj. PBT	**166**	**178**	**198**	**221**
Tax	(12)	(13)	(17)	(20)
Minority Interest	-	-	-	-
Adj. Net Income	**153**	**165**	**180**	**201**
Reported EPS	4.27	4.56	4.99	5.58
Adj. EPS	**4.27**	**4.56**	**4.99**	**5.58**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	36	36	36	36

Ratio Analysis	FY25A	FY26A	FY27E	FY28E	FY29E
Gross margin	12.4%	12.2%	12.3%	12.4%	12.5%
EBITDA margin	12.1%	12.2%	12.8%	13.0%	13.1%
EBIT margin	10.5%	10.8%	11.1%	11.3%	11.4%
Net profit margin	10.8%	11.0%	10.7%	10.5%	10.6%
ROE	19.8%	23.0%	25.6%	26.4%	26.0%
ROA	14.3%	15.2%	16.0%	16.6%	16.7%
ROCE	18.2%	21.5%	24.4%	25.7%	25.5%
SG&A/Sales	1.8%	1.5%	1.2%	1.1%	1.0%
Net debt/equity	NM	NM	NM	NM	NM
P/E (x)	32.2	23.2	16.9	13.3	10.8
P/BV (x)	5.9	4.8	3.9	3.1	2.5
EV/EBITDA (x)	26.6	19.4	13.2	10.1	8.3
Dividend Yield	-	-	-	-	-
Sales/Assets (x)	1.3	1.4	1.5	1.6	1.6
Interest cover (x)	-	-	-	-	-
Operating leverage	96.1%	108.1%	110.1%	107.7%	108.6%
Revenue y/y Growth	18.6%	35.7%	41.2%	28.1%	20.7%
EBITDA y/y Growth	16.7%	37.3%	47.4%	29.7%	22.2%
Tax rate	5.8%	4.6%	8.3%	9.3%	9.5%
Adj. Net Income y/y Growth	13.6%	38.5%	36.9%	26.2%	21.5%
EPS y/y Growth	14.5%	38.6%	37.7%	27.3%	23.1%
DPS y/y Growth	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Jun. o/w - out of which