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UPDATE

October 30, 2026 04:01 AM GMT

Coherent Corp | North America

FQ1 Preview: Not Expecting a Margin Catalyst For Now

WHAT'S CHANGED

Coherent Corp (COHR.N)	From	To
Price Target	$375.00	**$325.00**

Heading into EPS, attention remains on gross margins, with supply sold out. Along with margins, waiting to hear about qualification on high powered lasers for CPO implementations. More neutral on earnings being a major positive catalyst given don't expect yield to have meaningfully improved.

Key Takeaways

- Industry demand continues to outpace supply, supporting sustained optical growth and a favorable pricing environment into '27/'28.
- COHR expectations have moderated, though visibility into the timing and magnitude of gross margin benefits from the 6-inch ramp remains limited.

COHR will report F1Q27 earnings after-market close on Wednesday, November 4.

Constructive demand backdrop, but incremental disclosures remain key into COHR earnings. Recent AXTI commentary reinforces continued supply tightness, with InP demand outstripping supply, customers requesting 2-3x existing allocations and lead times extending. AXTI management also pushed back on concerns around Chinese overcapacity, citing demand visibility into '27/'28 and limited risk of oversupply. Meanwhile, OCP (recap note here) brought additional technical demonstrations, but limited incremental commercial detail, raising the importance of new disclosures at earnings. Against this backdrop, we remain more measured on COHR as we temper expectations for near-term gross margin benefits from the 6-inch ramp, though broader manufacturing efficiencies could still lift margins.

Looking for greater margin visibility and commercial traction to reinvigorate the COHR story. We expect robust underlying demand into earnings, with AXTI's latest commentary reinforcing persistent InP supply constraints and strong customer demand into '27/'28. PhotonLink (note here) remains an area of interest, although its differentiated value proposition, customer traction and incremental revenue opportunity remain unclear. On margins, AXTI's commentary around initially low productivity and gradual scaling of 6-inch substrates further tempers our expectations for COHR's 6-inch ramp as a near-term gross margin lever. Broader manufacturing efficiencies, yield improvements and operating leverage could still lift margins, making incremental disclosure around these drivers important. Overall, we expect solid fundamental execution, with limited near-term catalysts to meaningfully shift investor expectations. A positive catalyst could be news that high-powered laser is qualified, something the company has alluded to being a CQ4

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Coherent Corp (COHR.N, COHR US)

Telecom & Networking Equipment | United States of America

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	**$325.00**
Shr price, close (Oct 29, 2026)	$237.22
Mkt cap, curr (mm)	$51,167
52-Week Range	$440.00-123.80

Fiscal Year Ending	06/26	06/27e	06/28e	06/29e
EPS ($)**	5.61	9.24	13.29	16.74
Prior EPS ($)**	-	-	-	-
EPS ($)§	5.46	9.40	13.96	19.49
P/E	85.4	28.6	19.2	15.0
ModelWare EPS ($)	4.62	8.29	12.35	15.82
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2026	2027e Prior	2027e Current	2028e Prior	2028e Current
Q1	1.16	-	1.96	-	2.94
Q2	1.29	-	2.18	-	3.22
Q3	1.41	-	2.42	-	3.52
Q4	1.74	-	2.67	-	3.58

e = Morgan Stanley Research estimates

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event.

COHR expectations heading into the print. For F1Q27, we think the buyside is looking for revenue of ~$2.38bn (vs. consensus of ~$2.31bn), non-GAAP GM of ~40.8% (vs. ~40.6%), non-GAAP operating margin of ~23.4% (vs. ~22.9%) and EPS of ~$2.12 (vs. ~$1.98). For FQ2 guidance, we would expect a more normal beat vs. last quarter, or ~$2.6 - $2.65bn, with gross margins only expected to step up ~20bps. Focus will be on the ability to deliver against these elevated expectations, sustain sequential margin improvement as optical capacity continues to ramp, and provide visibility into further gross margin expansion toward and potentially above the company's longer-term 42% target.

Exhibit 1: COHR Earnings Vs. Consensus

COHR - Earnings Beat / (Miss)								
Core Revenue ($)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**
Pre-Print Consensus	1,314.3	1,374.0	1,441.6	1,509.0	1,533.2	1,637.9	1,778.5	1,988.1
Actual	1,348.1	1,434.7	1,497.9	1,529.4	1,581.4	1,685.6	1,805.6	2,045.5
Variance (%)	*2.6%*	*4.4%*	*3.9%*	*1.4%*	*3.1%*	*2.9%*	*1.5%*	*2.9%*
Non-GAAP Gross Margin (%)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**
Pre-Print Consensus	37.0%	37.2%	38.0%	38.0%	38.4%	39.0%	39.5%	40.0%
Actual	36.7%	38.2%	38.5%	38.1%	38.7%	39.0%	39.6%	40.2%
Variance (%)	*-23bp*	*101bp*	*47bp*	*6bp*	*34bp*	*-1bp*	*2bp*	*18bp*
Non-GAAP Operating Margin (%)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**
Pre-Print Consensus	16.4%	16.6%	17.6%	18.1%	18.7%	20.0%	20.9%	21.5%
Actual	16.1%	18.5%	18.6%	18.0%	19.5%	19.9%	20.3%	21.8%
Variance (%)	*-21bp*	*187bp*	*101bp*	*-16bp*	*83bp*	*-8bp*	*-65bp*	*29bp*
Non-GAAP EPS ($)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**
Pre-Print Consensus	$0.61	$0.69	$0.86	$0.92	$1.04	$1.20	$1.40	$1.61
Actual	$0.67	$0.95	$0.91	$1.00	$1.16	$1.29	$1.41	$1.74
Variance (%)	*9.8%*	*37.7%*	*5.8%*	*8.7%*	*11.5%*	*7.5%*	*0.7%*	*8.1%*
Stock Price Reaction	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26**	**4Q26**
T+1	17.0%	14.5%	1.1%	(21.4%)	23.8%	(8.7%)	(4.9%)	(0.4%)
T+5	9.8%	(0.5%)	15.6%	(25.7%)	21.7%	(2.4%)	20.2%	(12.5%)
T+10	10.5%	(1.7%)	14.0%	(22.2%)	11.1%	1.4%	6.8%	(10.4%)

Source: Company data, Morgan Stanley Research

Valuation remains supportive, but need more gross margin and evidence of qualification on high-powered lasers for CPO to achieve PT. We maintain our Equal-weight rating on COHR, with a reduced $325 PT for COHR (vs. $375 prior). Our targets now reflect broadly aligned valuation multiples, at ~25x our unchanged FY28e EPS of ~$13 (vs. 28x previously). We believe premium multiple remain warranted by AI exposure, capacity-driven earnings growth, and longer-term opportunities across transceivers, OCS, and CPO, although a broader AI valuation correction, slower capacity execution, and continued EML constraints remain the key risks.

AlphaSignals Catalyst Event Preview

Company / Catalyst	Date	Importance	Surprise
Coherent Corp COHR.N			
F1Q27 Adj. Gross Margin Outlook		High	↓ Modest downside surprise

Source:Company data, Morgan Stanley Research

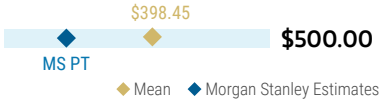
Risk Reward – Coherent Corp (COHR.N)

Street Building In Material Margin Improvement as Capacity Comes Online

PRICE TARGET $325.00

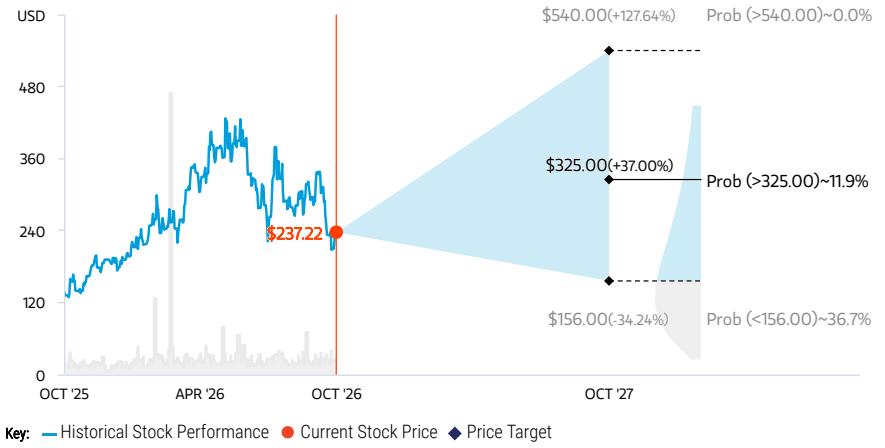
~25x Base FY28e EPS (~$13). Multiple trades at premium to historical trading range given AI exposure, trading more in-line with AI comps.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



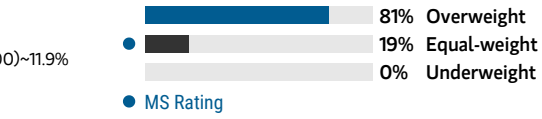
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 29 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- Near-term AI/ML opportunity and potential earnings optionality as net interest expense is worked down
- Valuation reflects volatility in end demand, particularly against more challenging Analyst Day targets
- Several levers to improve earnings power, including gross margin improvements and debt reduction
- Believe in longer term growth opportunity given attractive focus on differentiated processes and diversified customer base, with meaningful exposure to AI opportunity

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Secular Growth:	*Positive*
Special Situation:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $540.00

~30x Bull Case CY28 Earnings Power of (~$18)

Multiple sees expansion if company able to gain share in datacomm; expand margins north of 42%. EPS power accounts for COHR executing on self-help story, and able to raise operating margins on the business. Able to participate more meaningfully in CPO / OCS.

BASE CASE $325.00

~25x Base Case FY28 Earnings Power of ~$13

Spending trajectory healthy, multiple remains elevated given more confidence in margins. Getting credit for growth trajectory as InP capacity ramps. Partial credit for CPO / OCS business ramps. Earnings power closer to ~$13 and multiple trades at a premium to historical trading levels given AI exposure.

BEAR CASE $156.00

13x Bear Case FY28 EPS of ~$12

See deterioration in pricing as too much capacity comes along. COHR is unable to execute on vision laid out at Analyst Day, limiting changes to interest expense or margin profile. Peak growth in FY27 causes multiple to trade slightly above 5-year minimums on the name.

Risk Reward – Coherent Corp (COHR.N)

KEY EARNINGS INPUTS

Drivers	Jun 2026	Jun 2027e	Jun 2028e	Jun 2029e
Revenue Growth Y/Y (%)	22.5	48.3	35.2	26.8
Gross Margin (%)	39.4	40.8	41.5	42.1
Operating Margin (%)	20.5	23.7	26.4	27.6
Net Debt / EBITDA	2.89	1.52	1.02	0.80

INVESTMENT DRIVERS

- What is the risk of China insourcing?
- Can 3D sensing still be an attractive market for COHR?
- Can COHR get larger than expected synergies out of Coherent?
- Can datacomm components capture outsized opportunity with AI?

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Japan
- 0-10% MEA
- 0-10% UK
- 10-20% Europe ex UK
- 10-20% Mainland China
- 50-60% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 **BEST**	24 Month Horizon	5/5 **MOST**	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Pricing increases help gross margins
- 1.6T AI opportunity ramps faster than expected, benefitting margins
- Recovery in non-datacomm portions of business
- CPO / NPO ramps quicker than expected

RISKS TO DOWNSIDE

- CPO / NPO delayed
- AI build out pause
- Competitive pressures in datacomm

OWNERSHIP POSITIONING

Inst. Owners, % Active	54.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2027e

Sales / Revenue ($, mm)	10,255	10,554 / 10,624	10,944
EBITDA ($, mm)	2,732	2,929 / 2,916	3,164
Net income ($, mm)	1,747	1,970 / 1,961	2,113
EPS ($)	8.26	9.24 / 9.40	10.26

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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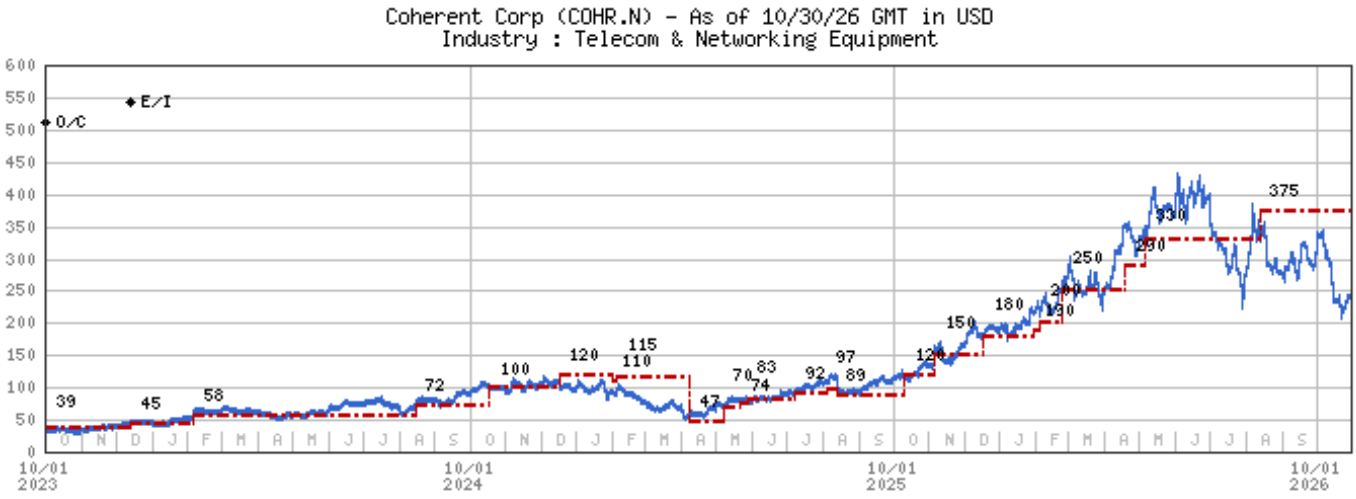
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : E/I; 12/15/21 : O/I; 4/12/22 : O/C; 8/12/22 : E/C; 12/13/22 : O/C; 12/13/23 : E/I

Price Target History: 5/6/21 : 80; 12/15/21 : 82; 6/13/22 : 75; 8/12/22 : 59; 10/11/22 : 43; 12/13/22 : 45; 2/8/23 : 48; 5/10/23 : 40; 8/3/23 : 55; 8/16/23 : 39; 12/13/23 : 45; 2/6/24 : 58; 8/15/24 : 72; 10/17/24 : 100; 12/17/24 : 120; 1/31/25 : 110; 2/5/25 : 115; 4/8/25 : 47; 5/7/25 : 70; 5/22/25 : 74; 5/28/25 : 83; 7/8/25 : 92; 8/4/25 : 97; 8/13/25 : 89; 10/10/25 : 120; 11/5/25 : 150; 12/17/25 : 180; 1/30/26 : 190; 2/4/26 : 200; 2/23/26 : 250; 4/19/26 : 290; 5/6/26 : 330; 8/13/26 : 375

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/29/2026)
Meta A Marshall		
Arista Networks (ANET.N)	O (10/31/2023)	$184.22
Axon Enterprise Inc (AXON.O)	O (12/03/2024)	$438.05
Ciena Corporation (CIEN.N)	E (10/10/2025)	$349.45
Cisco Systems Inc (CSCO.O)	O (04/08/2024)	$108.59
Coherent Corp (COHR.N)	E (12/13/2023)	$237.22
Corning Inc (GLW.N)	E (06/13/2024)	$128.88
F5 Inc (FFIV.O)	E (04/12/2022)	$363.46
Keysight Technologies Inc (KEYS.N)	O (07/13/2026)	$329.84
Lumentum Holdings Inc (LITE.O)	E (05/12/2021)	$919.53
Motorola Solutions Inc (MSI.N)	O (12/17/2025)	$492.08
Zebra Technologies Corporation (ZBRA.O)	E (12/02/2024)	$377.38

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