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Morgan Stanley | RESEARCH

UPDATE

October 29, 2026 03:33 AM GMT

Lumentum / Marvell | North America

Thoughts on Potential MRVL / LITE Deal Report

What was reported. Wednesday after market, Bloomberg reported that Marvell is potentially near a deal to acquire Lumentum. According to the unconfirmed report, a final agreement has not been reached, but timing of any potential deal could take place as early as next week. Given LITE's $90bn+ market cap, if consummated the proposed acquisition could be one of the 10 largest tech deals ever. Neither company has made any public statements and we have no knowledge of any deal beyond public statements.

From LITE's Perspective (from Meta Marshall)

An acquisition could validate company messaging around optics growing role and ongoing competitive advantages LITE has had, particularly as we move towards CPO. LITE has been the poster child for optics growing role in AI, with meaningful share in the optical componentry as a part of scale-out, scale-across and eventual share in scale-up. Given their share, tightness of the InP market, and new higher margin product introductions like OCS, they have been able to monetize this demand with rapidly growing gross margins (gross margins expected to be up 2000+ bps in the last 8 quarters). The company has also noted recently that they are sold out through 2028, indicating they have likely sold the last of their available capacity in the Greensboro facility they are opening in 2028. We would consider any potential acquisition as a very bullish signal for CPO.

However, LITE is already trading well above historical valuation and comparable acquisitions. LITE is up 900%+ since the beginning of 2025, with the stock currently trading at 30x LTM rev, 15x NTM rev and 40x NTM P/E (15x+ bullish buyside 2028 P/E). While valuation is reflective of positioning and opportunity, the gross margins the company is commanding are well north of historicals, calling into question eventual normalization if market comes into equilibrium (either from Chinese competition, more of the eventual scale-up / scale-in opportunity going to VCSELs). Trading at $90bn+ market cap today, any hypothetical acquisition premium would be essentially larger than any historical optical deal.

Thoughts on LITE / COHR stocks: LITE and COHR both report FQ1 earnings next week. AI capex names have been seeing more limited upside on earnings given elevated expectations, a feeling that had translated towards our view on LITE / COHR ahead of the prints. We have been more biased towards LITE with the thought that they at least had an announcement about NPO and OCS scaling that could make the buyside more optimistic on gross margins (along with more demonstrated traction). If an acquisition of LITE were to transpire, we would take it as a positive given significant InP assets.

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Lumentum Holdings Inc (LITE.O, LITE US)

Telecom & Networking Equipment | United States of America

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	**$1,000.00**
Shr price, close (Oct 28, 2026)	$913.95
Mkt cap, curr (mm)	$79,262
52-Week Range	$1,143.00-184.20

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Exhibit 1: Past Optical Acquisition Comparables

Announced	Closed	Acquirer	Target	EV ($M)	EV / LTM Rev	EV / LTM EBITDA
Dec-25	Feb-26	Marvell	Celestial AI	3,250	N/A	N/A
Sep-25	Oct-25	Ciena	Nubis Communications	270	N/A	N/A
Oct-23	Nov-23	Lumentum	Cloud Light	750	3.8x	N/A
Nov-21	Aug-22	Lumentum	NeoPhotonics	815	2.9x	N/A
Feb-21	Jul-22	II-VI	Coherent	6,600	5.3x	58.1x
Jul-19	Mar-21	Cisco	Acacia Communications	4,606	11.0x	NM
Dec-18	Feb-19	Cisco	Luxtera	660	N/A	N/A
Nov-18	Sep-19	II-VI	Finisar	2,710	2.1x	35.7x
Mar-18	Dec-18	Lumentum	Oclaro	1,427	2.4x	10.0x

Source: Factset, publicly available information.

From MRVL's Perspective (from Joe Moore)

We see the strategic rationale of a hypothetical LITE acquisition from a technology standpoint, but also meaningful tradeoffs, particularly at current valuations. Combining Marvell's leadership in optical DSPs and connectivity solutions with Lumentum's lasers and photonics would potentially allow Marvell to capture more content per optical link while optimizing power, performance and cost across the stack. The idea of a combination is particularly interesting as optical architectures transition toward NPO/CPO, where tighter integration between electrical and optical components becomes increasingly important. Owning more of the photonics stack would also provide a hedge against potential DSP content erosion or share loss as these architectures evolve. Lumentum would complement the Celestial AI acquisition by adding differentiated light sources ahead of its expected revenue ramp in 2H FY28, while securing access to increasingly constrained InP laser capacity.

However, we see meaningful hurdles to a potential combination. Marvell's DSP customers include optical module manufacturers that compete directly with Lumentum, potentially compromising the supplier neutrality that has been important to Marvell's success. We see this as a significant potential conflict that could put existing DSP business at risk. Lumentum also introduces a more capital intensive and cyclical manufacturing model, with gross margins heavily influenced by fab utilization, product mix and pricing, and below Marvell's longer term targets. With optical demand and pricing exceptionally strong today, we question the attractiveness of pursuing such a large acquisition at potentially peak cyclical conditions, particularly given the substantial stock consideration likely required. We also wonder how much of the technology and supply chain benefits could be achieved through partnerships and joint development at a fraction of the cost.

Thoughts on MRVL stock: We remain enthusiastic about Marvell's opportunities in scale up optics, scale out connectivity and custom silicon, and expect the company to deliver strong growth. However, our EW rating reflects elevated valuation and already ambitious growth expectations, leaving limited room for execution missteps. A transaction of this magnitude would introduce additional integration, margin and dilution risks at a time when Marvell already has substantial organic growth opportunities ahead. While we appreciate the strategic rationale, we would need to see a compelling case for incremental earnings power beyond what Marvell can achieve independently.

Exhibit 2: MRVL M&A History

Announcement date	Acquisition Target	Purchase Price ($mm)	Cash ($mm)	Stock & other ($mm)
Jun-06	Intel comms / XScale	**$606**	$606	–
Nov-17	Cavium	**$6,162**	$2,830	$3,331
May-19	Aquantia	**$502**	$487	$16
May-19	Avera (GF ASIC)	**$594**	$594	–
Oct-20	Inphi	**$9,918**	$3,673	$6,244
Aug-21	Innovium	**$1,004**	–	$1,004
Dec-25	Celestial AI	**$3,534**	$1,276	$2,258
Jan-26	XConn	**$469**	$272	$197

Source: Company data, Morgan Stanley Research

Exhibit 3: Select MRVL / LITE Partnerships

Date	Milestone	MRVL contribution	LITE contribution	Why it matters
Aug-23	**Orion 800G coherent DSP collaboration**	Orion 5nm 800G coherent DSP	High-performance integrated coherent optics	LITE confirmed joint development of 800G pluggables; first named two-way program
Sep-24	**800G ZR/ZR+ interop over 500km**	Orion DSP / COLORZ 800 modules	800G coherent pluggable modules	Industry-first standards-based 800G ZR/ZR+ interop over ~520km (Coherent also took part)
Mar-25	**400G/lane optical transmitter (OFC 2025)**	400G/lane PAM4 electronics (DSP, drivers) at ~225 Gbaud	450G PAM4 InP DFB-MZI laser / modulator	Co-developed live demo; path to next-gen 3.2T AI transceivers
Mar-26	**Optical circuit switching demo (OFC 2026)**	Ara 1.6T PAM4, Aquila 1.6T coherent-lite, COLORZ 800 modules	R300 optical circuit switch	Rack-level MRVL optics + LITE OCS for AI scale-up and scale-across

Source: Company data, Morgan Stanley Research

Valuation Methodology and Risks

Coherent Corp (COHR.N)

~28x Base FY28e EPS (~$13.3). Multiple trades at premium to historical trading range given AI exposure, trading more in-line with AI comps.

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

Lumentum Holdings Inc (LITE.O)

25x CY28 P/E of ~$40. ~25x is a premium to historical trading range given AI growth outlook

Risks to Upside

- Datacom ramps and revenue mix more attractive vs. expectations
- OCS ramps quickly, bringing additional revenue / profitability source
- AI demand remains strong, causing EML business to outperform and drive profitability
- CPO / NPO ramp faster than expected

Risks to Downside



- EML pricing falls given oversupply on reduced AI demand
- CW takes share from EML
- Cloud Light hurts ability to improve margins
- Pushout in CPO timing

Marvell Technology Group Ltd (MRVL.O)

~46X CY27e Base Case MW EPS $6.54, a premium to high growth AI semis

Risks to Upside

- AI opportunities (Inphi optical businesses) realize earlier than expected
- Cloud custom silicon projects are larger than expected
- The storage market recovers

Risks to Downside

- AI opportunities are smaller than expected
- The strength we estimate for Storage and Networking surprise to the downside

- Enterprise DC and Networking continue to weigh on results

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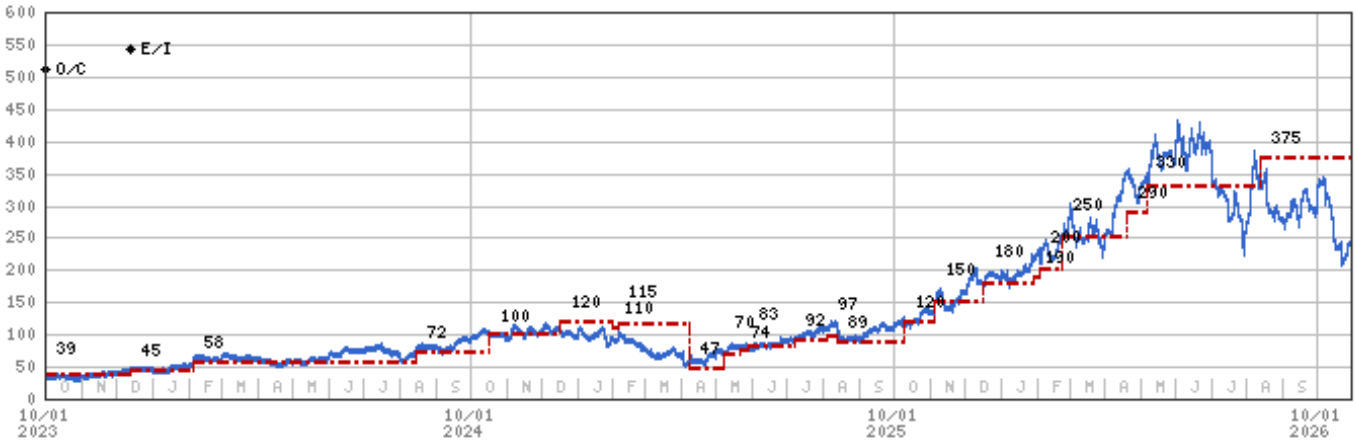
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Stock Price, Price Target and Rating History (See Rating Definitions)



Coherent Corp (COHR.N) - As of 10/29/26 GMT in USD
Industry : Telecom & Networking Equipment



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

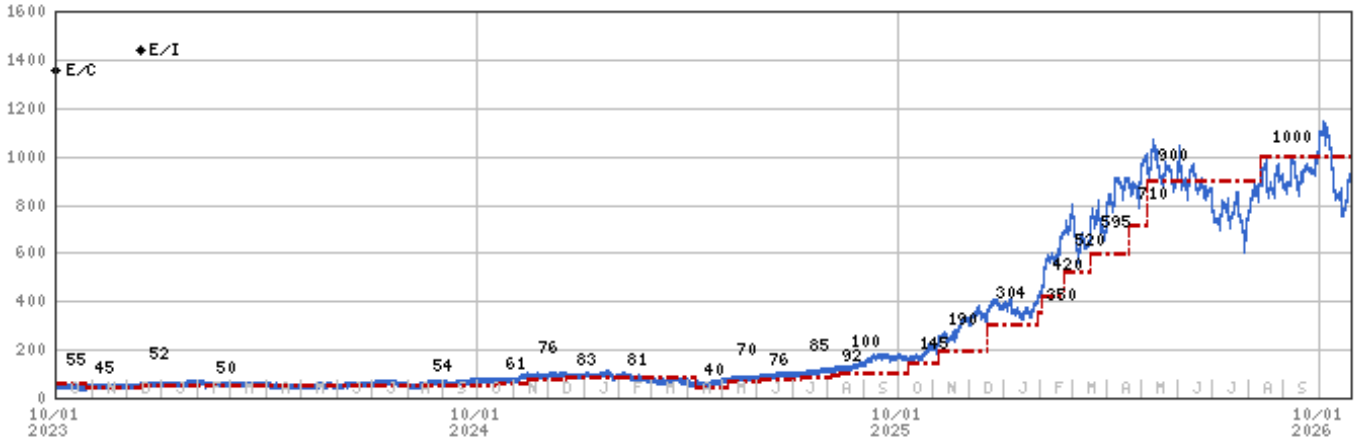
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Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: 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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Lumentum Holdings Inc (LITE.O) - As of 10/29/26 GMT in USD
Industry : Telecom & Networking Equipment



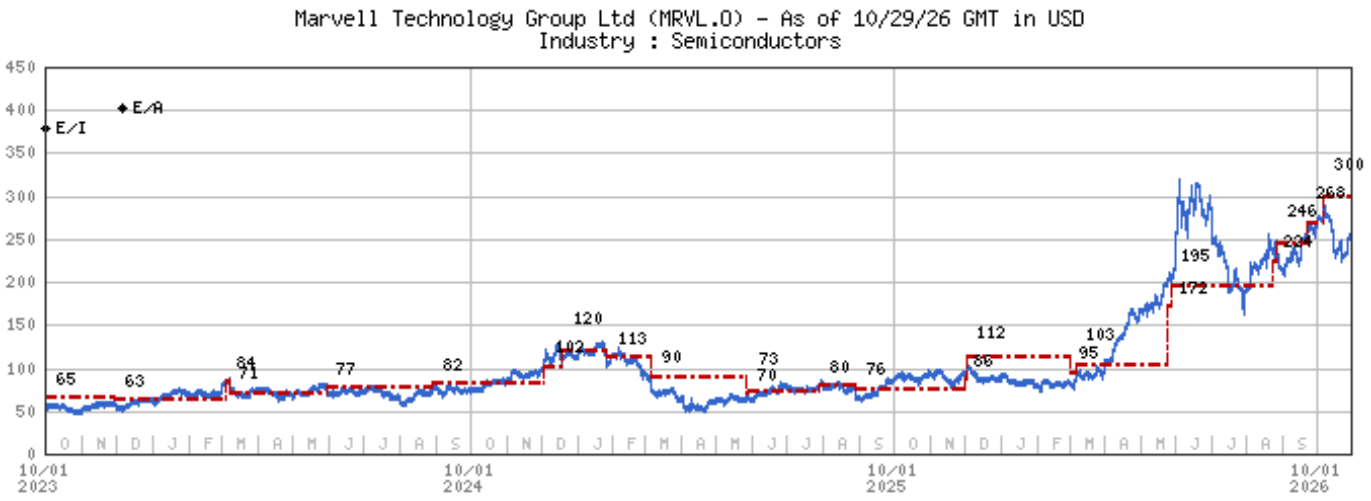
Stock Rating History: 10/1/21 : E/I; 4/12/22 : E/C; 12/13/23 : E/I

Price Target History: 5/12/21 : 81; 11/4/21 : 91; 2/3/22 : 97; 5/2/22 : 94; 8/16/22 : 98; 10/11/22 : 84; 11/8/22 : 75; 12/13/22 : 66; 4/5/23 : 60; 5/9/23 : 55; 10/27/23 : 45; 12/13/23 : 52; 2/8/24 : 50; 8/14/24 : 54; 10/17/24 : 61; 11/14/24 : 76; 12/17/24 : 83; 1/31/25 : 81; 4/8/25 : 40; 5/6/25 : 70; 6/3/25 : 76; 7/8/25 : 85; 8/4/25 : 92; 8/12/25 : 100; 10/10/25 : 145; 11/5/25 : 190; 12/17/25 : 304; 1/30/26 : 350; 2/3/26 : 420; 2/23/26 : 520; 3/18/26 : 595; 4/19/26 : 710; 5/6/26 : 900; 8/12/26 : 1000

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Stock Rating History: 10/1/21 : E/I; 12/7/23 : E/A

Price Target History: 8/26/21 : 61; 10/7/21 : 63; 12/2/21 : 86; 3/3/22 : 80; 5/26/22 : 68; 6/9/22 : 62; 8/25/22 : 60; 12/1/22 : 41; 3/2/23 : 45; 5/25/23 : 55; 6/15/23 : 68; 8/25/23 : 65; 11/30/23 : 63; 3/4/24 : 84; 3/7/24 : 71; 5/30/24 : 77; 8/29/24 : 82; 12/3/24 : 102; 12/19/24 : 120; 1/27/25 : 113; 3/6/25 : 90; 5/27/25 : 70; 5/29/25 : 73; 7/29/25 : 80; 8/29/25 : 76; 11/30/25 : 86; 12/2/25 : 112; 3/1/26 : 95; 3/6/26 : 103; 5/25/26 : 172; 5/27/26 : 195; 8/23/26 : 224; 8/27/26 : 246; 9/21/26 : 268; 10/6/26 : 300

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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INDUSTRY COVERAGE: Telecom & Networking Equipment

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/28/2026)
Meta A Marshall		
Arista Networks (ANET.N)	O (10/31/2023)	$186.72
Axon Enterprise Inc (AXON.O)	O (12/03/2024)	$423.17
Ciena Corporation (CIEN.N)	E (10/10/2025)	$363.21
Cisco Systems Inc (CSCO.O)	O (04/08/2024)	$110.29
Coherent Corp (COHR.N)	E (12/13/2023)	$239.59
Corning Inc (GLW.N)	E (06/13/2024)	$131.20
F5 Inc (FFIV.O)	E (04/12/2022)	$365.53
Keysight Technologies Inc (KEYS.N)	O (07/13/2026)	$335.50
Lumentum Holdings Inc (LITE.O)	E (05/12/2021)	$913.95
Motorola Solutions Inc (MSI.N)	O (12/17/2025)	$483.39
Zebra Technologies Corporation (ZBRA.O)	E (12/02/2024)	$384.70

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/28/2026)
Ella Tulchinsky		
Infleqtion, Inc. (INFQ.N)	E (10/15/2026)	$9.63
Xanadu Quantum Technologies Limited (XNDU.O)	E (10/15/2026)	$3.21
Joseph Moore		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	$578.44
Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	$10.69
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	$35.37

Ambarella Inc (AMBA.O)	O (03/29/2016)	$66.27
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	$42.21
Analog Devices Inc. (ADI.O)	O (11/16/2023)	$428.27
Astera Labs Inc (ALAB.O)	O (05/11/2025)	$297.20
Broadcom Inc. (AVGO.O)	O (06/09/2024)	$351.81
Cerebras Systems (CBRS.O)	O (06/08/2026)	$112.56
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	$46.11
Intel Corporation (INTC.O)	E (02/22/2023)	$95.53
IonQ Inc (IONQ.N)	E (04/25/2023)	$32.43
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	$251.65
Microchip Technology Inc. (MCHP.O)	E (07/10/2024)	$79.63
Micron Technology Inc. (MU.O)	O (10/06/2025)	$983.23
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	$9.36
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	$215.38
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	$251.69
ON Semiconductor Corp. (ON.O)	++	$75.63
Qualcomm Inc. (QCOM.O)	E (06/24/2026)	$182.97
Quantinuum (QNT.O)	O (10/15/2026)	$38.33
SanDisk Corporation. (SNDK.O)	O (03/03/2025)	$1,404.77
Semtech Corp. (SMTC.O)	E (04/06/2025)	$146.97
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	$221.76
SiTime Corporation (SITM.O)	O (09/16/2026)	$501.18
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	$87.23
Texas Instruments (TXN.O)	U (04/13/2020)	$309.83
Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	$26.64
Lee Simpson		
Arm Holdings plc (ARM.O)	E (04/07/2026)	$235.90
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	$342.46
PDF Solutions Inc (PDFS.O)	O (09/08/2026)	$45.49
Synopsys Inc. (SNPS.O)	O (09/08/2026)	$481.89

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