27 Oct 2026 22:17:40 ET | 14 pages

Coherent Corp (COHR.K)

Preview: 1.6T Ramp Should Set up Dec-Q Beat

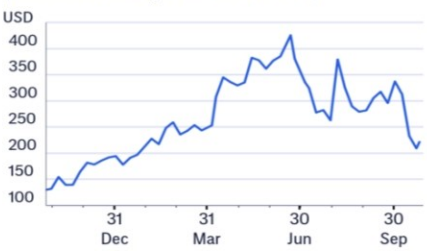
CITI'S TAKE

COHR reports Sep-Q results on 11/4 after market close. We model Sep-Q revenue/EPS largely in line with guidance but see 3%/5% upside risk to Street's Dec-Q revenue/EPS estimates, driven by a strong and sustained transceiver ramp led by rapid 1.6T adoption. We forecast Sep-Q Data Center & Communications revenue up 16% QoQ and expect a similar pace of sequential growth in Dec-Q. Longer term, we believe rising AI accelerator demand, a higher attach rate of AI transceivers per accelerator, and an increasing mix of higher-margin products such as CPO and OCS can help COHR sustain above-Street growth into FY2028E. We maintain our $420 TP, based on an unchanged 30x forward P/E applied to our FY2028E EPS of $16.12. Maintain Buy.

Key Questions Heading into the Sep-Q Earnings Call Are Around —1) COHR's EML capacity expansion, particularly the 6-inch InP ramp, and its implications for the long-term gross margin target; 2) OCS customer and sales traction; 3) the scale-in opportunity and management's confidence in its 2029–30 adoption timeline, as some investors believe it could take longer, along with how COHR's VCSEL roadmap stacks up against microLED for CPO/NPO and whether COHR can replicate the VCSEL leadership it held in the 400G-and-below era; 4) transceiver supply/demand balance, as demand remains robust but investors are increasingly focused on overcapacity risk, with Chinese players rapidly adding capacity, particularly in 100G EMLs; and 5) yields at the 6-inch fab, where investor questions have resurfaced recently amid market chatter that yields are not yet where they need to be.

Buy	
Price (27 Oct 26 16:00)	US$235.79
Target price	US$420.00
Expected share price return	78.1%
Expected dividend yield	0.0%
Expected total return	78.1%
Market Cap	US$46,434M

Price Performance
(RIC: COHR.K, BB: COHR US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2026A	1.16A	1.29A	1.41A	1.74A	5.59A	5.61A	5.59A
2027E	**2.00E**	**2.30E**	**2.65E**	**2.90E**	**9.87E**	**9.38E**	**9.39E**
Previous	1.99E	2.21E	2.55E	2.81E	9.57E	na	na
2028E	**3.43E**	**3.82E**	**4.23E**	**4.63E**	**16.12E**	**13.96E**	**14.41E**
Previous	3.41E	3.83E	4.22E	4.64E	16.11E	na	na
2029E	**na**	**na**	**na**	**na**	**na**	**19.49E**	**18.86E**

Click here for Visible Alpha consensus data

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COHR.K: Fiscal year end 30-Jun

Price: US$235.79; TP: US$420.00; Market Cap: US$46,434m; Recomm: Buy

Profit & Loss (US$m)	2025	2026	2027E	2028E
Sales revenue	5,810	7,118	10,944	14,610
Cost of sales	-3,595	-4,312	-6,475	-8,409
Gross profit	2,216	2,807	4,469	6,202
Gross Margin (%)	38.1	39.4	40.8	42.4
EBITDA (Adj)	**1,158**	**1,562**	**2,732**	**4,287**
EBITDA Margin (Adj) (%)	19.9	21.9	25.0	29.3
Depreciation	-105	-105	-105	-105
Amortisation	0	0	0	0
EBIT (Adj)	**1,052**	**1,457**	**2,627**	**4,181**
EBIT Margin (Adj) (%)	18.1	20.5	24.0	28.6
Net interest	-243	-190	-148	-116
Associates	0	0	0	0
Non-Op/Except/Other Adj	76	116	240	208
Pre-tax profit	**885**	**1,383**	**2,719**	**4,273**
Tax	-188	-246	-522	-690
Extraord./Min.Int./Pref.div.	-128	-46	-122	-122
Reported net profit	**569**	**1,091**	**2,074**	**3,461**
Net Margin (%)	9.8	15.3	19.0	23.7
Core NPAT	569	1,091	2,074	3,461

Per share data	2025	2026	2027E	2028E
Reported EPS ($)	3.60	5.59	9.87	16.12
Core EPS ($)	3.60	5.59	9.87	16.12
DPS ($)	0	0	0	0
CFPS ($)	2.83	0.97	5.15	11.70
FCFPS ($)	0.04	-4.68	1.11	6.79
BVPS ($)	54.80	63.86	42.11	29.01
Wtd avg ord shares (m)	158	195	214	391
Wtd avg diluted shares (m)	158	195	210	215

Growth rates	2025	2026	2027E	2028E
Sales revenue (%)	23.4	22.5	53.7	33.5
EBIT (Adj) (%)	48.3	38.4	80.3	59.2
Core NPAT (%)	145.5	91.5	90.2	66.9
Core EPS (%)	135.7	55.0	76.6	63.4

Balance Sheet (US$m)	2025	2026	2027E	2028E
Cash & cash equiv.	918	2,022	6,717	12,725
Accounts receivables	964	1,343	2,041	2,607
Inventory	1,438	2,581	3,462	3,780
Net fixed & other tangibles	3,308	4,114	3,442	2,248
Goodwill & intangibles	7,676	7,260	7,260	7,260
Financial & other assets	607	979	980	980
Total assets	**14,911**	**18,300**	**23,902**	**29,601**
Accounts payable	847	1,905	2,852	3,522
Short-term debt	188	8	0	0
Long-term debt	3,499	3,214	10,261	17,308
Provisions & other liab	1,896	1,934	1,934	1,934
Total liabilities	**6,430**	**7,062**	**15,047**	**22,764**
Shareholders' equity	8,481	11,238	8,855	6,837
Minority interests	0	0	0	0
Total equity	**8,481**	**11,238**	**8,855**	**6,837**
Net debt (Adj)	**2,769**	**1,200**	**3,544**	**4,583**
Net debt to equity (Adj) (%)	32.6	10.7	40.0	67.0

Valuation ratios	2025	2026	2027E	2028E
PE (x)	65.4	42.2	23.9	14.6
PB (x)	4.3	3.7	5.6	8.1
EV/EBITDA (x)	42.6	31.0	17.9	11.8
FCF yield (%)	0.0	-2.0	0.5	2.9
Dividend yield (%)	na	na	na	na
Payout ratio (%)	0	0	0	0
ROE (%)	6.9	11.1	20.6	44.1

Cashflow (US$m)	2025	2026	2027E	2028E
EBITDA	1,158	1,562	2,732	4,287
Working capital	506	-536	-455	-355
Other	-1,216	-837	-1,195	-1,420
Operating cashflow	**447**	**189**	**1,082**	**2,512**
Capex	-441	-1,103	-848	-1,053
Net acq/disposals	0	-1,032	-1,024	-1,024
Other	27	721	435	520
Investing cashflow	**-414**	**-1,414**	**-1,437**	**-1,557**
Dividends paid	0	-11	0	0
Financing cashflow	**-68**	**1,477**	**5,008**	**5,008**
Net change in cash	**40**	**245**	**4,692**	**6,008**
Free cashflow to s/holders	**7**	**-914**	**234**	**1,459**

For definitions of the items in this table, please click here.

Sep-Q Preview: We model mostly in line with the $2.3B Sep-Q guidance (Street $2.3B). Going into Dec-Q, we expect a 13% QoQ sales uptick to $2.6B (Street $2.5B). On gross margin, we expect in-line Sep-Q results (40.5%) vs. the mid-point of the guide. Looking into Dec-Q, we expect a 20bps QoQ increase in gross margin to 40.7% as the company benefits from a higher-speed transceiver mix, 6 inch fab ramp, and continued benefits from management's yield improvement efforts and firm-wide pricing/cost optimization.

Key Questions Heading into the Sep-Q Earnings Call... are around: 1) COHR's EML capacity expansion, particularly the 6-inch InP ramp, and its implications for the long-term gross margin target; 2) OCS customer and sales traction; 3) the scale-in opportunity and management's confidence in its 2029–2030 adoption timeline, as some investors believe it could take longer, along with how COHR's VCSEL roadmap stacks up against microLED for CPO/NPO and whether COHR can replicate the VCSEL leadership it held in the 400G-and-below era; 4) the transceiver supply/demand balance, as demand remains robust but investors are increasingly focused on overcapacity risk, with Chinese players rapidly adding capacity, particularly in 100G EMLs; and 5) yields at the 6-inch fab, where investor questions have resurfaced recently amid market chatter that yields are not yet where they need to be.

Figure 1. COHR Sep-Q Preview

F1Q27E- Sep	Guidance	Citi	Street
Revenue ($M)	$2,300 +/- 4.5%	$2,313	$2,304
Sequential growth	12%	13%	13%
EPS (non-GAAP)	1.85-$2.05	$2.00	$1.98
Gross Margin (non-GAAP)	40.5% +/- 1%	40.5%	40.4%
OpEy (non-GAAP, $M)	$400M-$420M	$401	
Operating Margin (non-GAAP)		23.2%	22.8%
Tay rate	18-20%	20%	

F2Q27E- Dec	Guidance	Citi	Street
Revenue ($M)		$2,621	$2,533
Sequential growth		13%	10%
EPS (non-GAAP)		$2.30	$2.20
Gross Margin (non-GAAP)		40.7%	40.6%
OpEx (non-GAAP, $M)		$455	
Operating Margin (non-GAAP)		23.4%	23.4%
Tax rate		19%	

Consensus as of: *10/27/26*

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Source: FactSet, Company Reports, Citi Research

Assuming a low-teen share of the AI transceiver market and a $$100 (for 400G), $400 (800G) and $800 (1.6T) ASPs, we model COHR's AI transceiver sales to reach $5.9B (+108% YoY) in FY2027E. The rapid growth of this business is the key factor to COHR's 83% Data Center & Communications growth in FY2027E.

Figure 2. Citi's COHR & Industry AI Transceivers Units & Sales Model

	FY2027E (Jun-27)		
	Units (M)	Units Mix (%)	Sales ($M)
400G	2.5	21%	$252
800G	4.9	41%	$1,968
1.6T/3.2T	4.6	38%	$3,648
COHR AI Transceivers	**12.0**	**100%**	**$5,868**
YoY Growth	*73%*		*108%*
Market Share	*10%*		*11%*

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Source: Citi Research

We revise... our FY2027E/FY2028E sales estimates up by 3%/ 3% (to $10.9B and $14.6B, respectively). We raise our FY2027E EPS by 3% to $9.87, while our FY2028E EPS is essentially unchanged at $16.12, as the higher top line is offset by a lower-than-previously modeled margin expectation. We keep our FY2027E non-GAAP gross margin at 40.8% and trim FY2028E slightly to 42.4% (from 42.6%).

Figure 3. COHR P&L Changes

Key Financial Data -- Income Statement ($M), except per share	F2022 Jun-22	F2023 Jun-23	F2024 Jun-24	F2025 Jun-25	F2026 Jun-26	Old F2027E Jun-27	New F2027E Jun-27	Old F2028E Jun-28	New F2028E Jun-28
Revenue ($M)	3,317	5,160	4,708	5,810	7,118	10,655	10,944	14,238	14,610
YY	6.8%	55.6%	-8.8%	23.4%	22.5%	49.7%	53.7%	33.6%	33.5%
Gross Margin - GAAP	38.4%	31.4%	30.9%	35.2%	37.5%	39.5%	39.5%	41.6%	41.4%
Gross Margin (ex-1, ex-amort, inc-SBC)	39.0%	36.6%	36.0%	38.1%	39.4%	40.8%	40.8%	42.6%	42.4%
RD % sales	11.4%	9.7%	10.2%	10.0%	10.2%	9.7%	9.7%	8.7%	8.7%
SG&A % sales	14.6%	20.1%	18.1%	15.9%	14.7%	11.3%	11.2%	8.5%	8.5%
OpEx non GAAP % Sales	19.4%	17.9%	21.0%	20.0%	19.0%	16.9%	16.8%	13.8%	13.8%
R&D	377	500	479	582	723	1,032	1,058	1,235	1,270
SG&A (ex-1, inc-SBC)	484	1,037	854	926	1,045	1,207	1,229	1,209	1,236
OpEx (GAAP)	861	1,536	1,360	1,668	1,707	2,239	2,287	2,444	2,506
OpEx (non GAAP)	643	925	987	1,164	1,350	1,798	1,843	1,961	2,020
Operating Income non GAAP	650.0	966.3	709.4	1,052.2	1,456.7	2,552.4	2,626.8	4,110.7	4,181.3
Operating Margin non-GAAP	19.6%	18.7%	15.1%	18.1%	20.5%	24.0%	24.0%	28.9%	28.6%
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(121.3)	(286.9)	(288.5)	(243.2)	(190.3)	(148.0)	(148.0)	(116.0)	(116.0)
Other Income	(11.2)	(31.6)	44.8	47.5	140.1	160.0	160.0	160.0	160.0
Pretax Income	615.0	613.6	452.7	884.9	1382.6	2644.4	2718.8	4202.7	4273.3
Tax Rate non GAAP	18.0%	20.5%	21.8%	21.2%	17.8%	19.3%	19.2%	14.8%	16.1%
Share Count	116.5	137.6	151.7	158.0	195.0	210.2	210.2	214.7	214.7
EPS (ex-1, inc-SBC, ex-amort)	$3.71	$2.91	$1.53	$3.60	$5.59	$9.57	$9.87	$16.11	$16.12
Consensus Sales					10,614		14,629		19,705
Consensus EPS non GAAP					$9.44		$14.07		$19.64

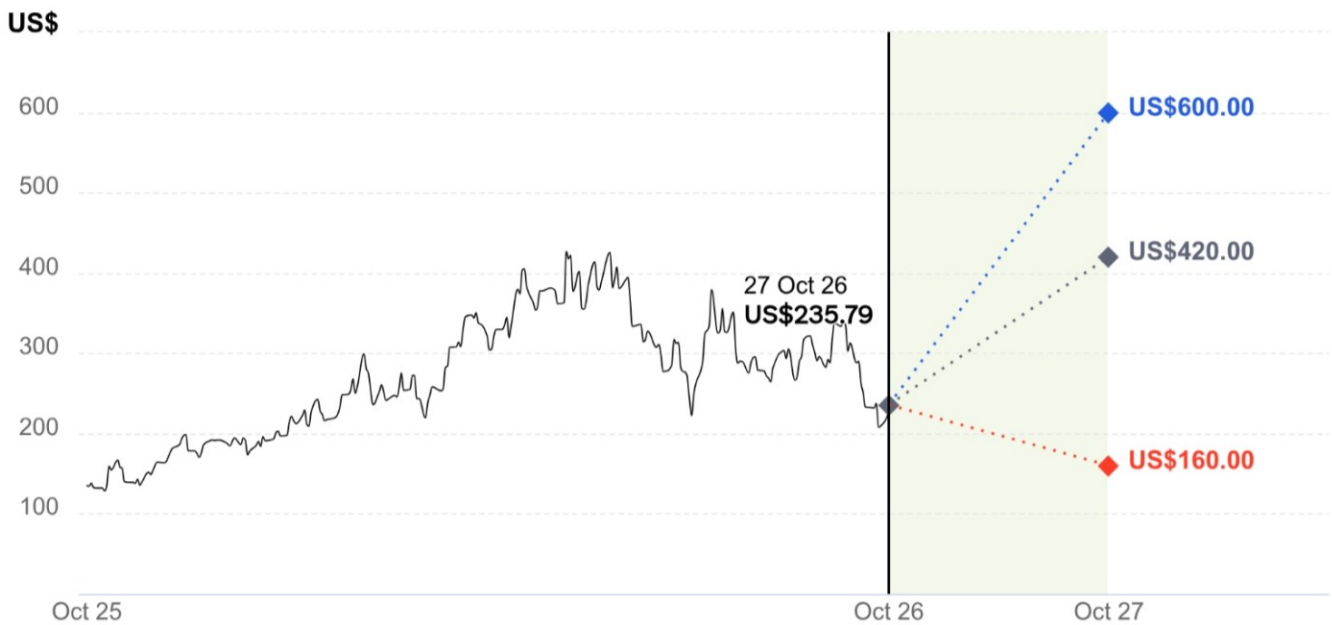
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Source: FactSet, Citi Research, Company Reports



Bull/Bear: Coherent Corp (COHR.K)

US$ 600.00 ▲154% Upside | US$ 420.00 ▲78% Upside | US$ 160.00 ▼32% Downside



Spread 187pp
Current Price and expected returns (upside/downside) as of 27 Oct 2026

BULL Assumptions

- Sustained margin improvement drives EPS accretion backed by robust AI/SiC ramp.
- Faster-than-expected ESP growth amid new management's effort to drive margins.
- 35x PE

BASE Assumptions

- Halo effect on AI helps expand multiple.
- Strong execution by new management to drive margins and EPS expansion.

BEAR Assumptions

- Inability to achieve margin targets drives EPS lower.
- Frontloaded AI demand.
- 25x PE

Coherent Corp

Company description

COHR is a vertically integrated manufacturing company that develops engineered materials and opto-electronic components for industrial materials processing, communications, aerospace and defense, consumer electronics, semiconductor capital equipment, life sciences and automotive end markets. COHR produces a wide variety of application-specific photonic and electronic materials and components, and deploys them in various forms, including integration with advanced software. COHR's customer base includes original equipment manufacturers, laser end users, system integrators of high-power lasers, manufacturers of equipment and devices for industrial, optical communications, consumer electronics, security and monitoring applications, U.S. government prime contractors, and various U.S. government agencies. COHR is a headquartered in Pennsylvania.

Investment strategy

We are Buy-rated on COHR. We believe that the stock's multiple will benefit from the AI appeal while its fundamentals should expand on new management's strong execution and focus on profitability.

Valuation

We value COHR at $420 or 30x forward P/E applied to FY2028 EPS of ~$16 discounted back. Our COHR valuation is nevertheless at a 10% discount to the average forward P/E of AI optics peers to reflect a lower AI sales mix and 3-year EPS CAGR vs peers such as LITE.

Risks

Downside risks to the achievement of our target price include: 1) increased competition on AI and SiC leads to limited market share growth and limited revenue upside, 2) inability to achieve synergies and margin targets established post acquisition of Finisar, and 3) prolonged economic recession leads to slower 5G build-out and lower consumer demand driving revenue of COHR down.

Upside risks to the achievement of our target price include: 1) gaining share in AI and SiC market through new product offerings and first to market status on larger wafer sizes, 2) quicker and stronger adoption of AI workloads, electric and autonomous vehicles, and 3) quicker return of margins to pre-Finisar acquisition levels.

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Appendix A-1

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IMPORTANT DISCLOSURES

Coherent Corp (COHR)

Ratings and Target Price History
Fundamental Research

Analyst: Papa Sylla



	Date	Rating	Target Price	Closing Price
1	07-Nov-23 17:14:35	1	*41.00	32.82
2	06-Feb-24 23:18:26	1	*67.00	58.00
3	07-Mar-24 23:27:33	1	*76.00	64.32
4	16-Aug-24 00:28:33	1	*88.00	76.63
5	06-Nov-24 20:47:15	1	*106.00	99.43
6	17-Nov-24 19:00:12	1	*136.00	95.11
7	14-Apr-25 05:00:00	1	*110.00	56.14
8	03-Jun-25 05:39:56	1	*115.00	80.50
9	14-Aug-25 02:52:05	1	*125.00	91.65
10	06-Nov-25 02:41:57	1	*180.00	159.30
11	23-Jan-26 10:58:31	1	*250.00	196.94
12	20-Apr-26 22:50:16	1	*420.00	347.51

*Indicates Change

Rating/target price changes above reflect Eastern Time

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	12 Month Rating			Catalyst Watch		
Data current as of 01 Oct 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage (Neutral=Hold)	61%	32%	7%	36%	48%	16%
% of companies in each rating category that are investment banking clients	39%	43%	30%	42%	38%	36%

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