OHR Investment Intelligence

FOUNDATION REPORT

Lumentum

Research Snapshot



Research rating **B-** | Credible but Constrained Research Opportunity

Lumentum | NASDAQ: LITE

Lumentum makes lasers, optical components and modules that move data using light in AI, cloud and communications networks. [S01]

Can faster optical networking turn the AI infrastructure build-out into durable earnings and cash per common share, despite demanding expectations and dilution?

MARKET SNAPSHOT

Share price	Shares on issue	Indicative market capitalisation	Price date
US$1,085.42	89.7m	US$97.36bn	2 October 2026

Common shares are rounded and dated 14 August 2026. Capitalisation is calculated from that older share count; it excludes preferred stock and other potential dilution. [S01, S04]

KEY SUPPORTING EVIDENCE

FY2026 Revenue	GAAP operating profit	Calculated free cash flow	
US$3,014.0m	US$524.8m	US$300.1m	Operating recovery and positive cash after manufacturing investment support the case. [S01]

PRINCIPAL CONSTRAINT

Expectations: the external revenue path requires rapid scaling, while a reliable annual diluted earnings bridge is still incomplete. Statutory net loss of −US$6,935.1m mainly reflects a verified debt conversion charge; see Page 5. [S01]

Evidence cutoff: 5 October 2026, 17:04:57 Australia/Sydney (AEDT, UTC+11). External forecast pages captured later carry pre-cutoff provider date labels; exact cutoff contents are not independently archived. See Pages 2 and 10.

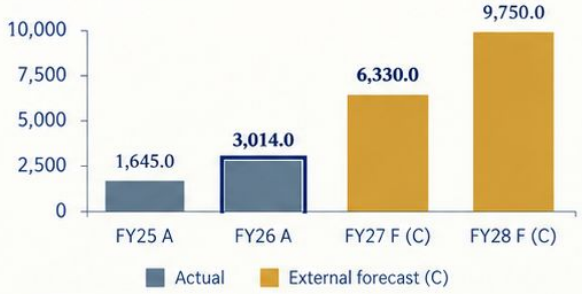
Illustrative optical networking scene; not a photograph of a Lumentum facility.

Forward Earnings & Expectations

Annual financial summary — US$m; EPS in US$ per share; P/E in x

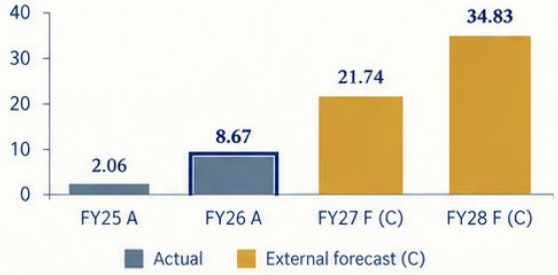
Metric	FY25 A	FY26 A	FY27 F	FY28 F
Revenue	1,645.0	3,014.0	6,330.0 C	9,750.0 C
YoY change (%)	—	+83.2%	+110.0%	+54.0%
GAAP operating profit	-180.1	524.8	—	—
GAAP net income	25.9	-6,935.1	—	—
GAAP diluted EPS	0.37	-92.96	—	—
Issuer / provider adjusted EPS	2.06	8.67	21.74 C	34.83 C
Adjusted EPS YoY (%)	—	+320.9%	N/C	+60.2%
GAAP P/E at 2 Oct 2026 (x)	2,933.6x	N/M	—	—
Adjusted P/E at 2 Oct 2026 (x)	526.9x	125.2x	N/C	N/C
Calculated FCF	-104.7	300.1	—	—

Revenue (US$m)



FY27 53 weeks; provider-rounded estimates and unverified archived cutoff snapshot.

Adjusted EPS (US$ per share)



Not directly comparable: issuer versus provider adjustments and dilution. EPS actual→forecast YoY N/C. Later capture; cutoff snapshot unverified.

Coverage

Forward earnings coverage is incomplete and should be interpreted with the qualifications shown. No Ohr forecast has been created.

FY27/28 revenue and adjusted EPS available; FY29 not accepted. Provider reports 23 analysts for the FY27 table, with metric-specific and FY28 counts unavailable. [S05]

Forecast basis

A = Actual; F = External forecast; C = Consensus / analyst evidence.

Revenue: issuer consolidated actuals and provider forecasts. EPS: issuer non-GAAP diluted actuals; provider non-GAAP adjusted forecasts. EPS adjustment and dilution methods are not fully reconciled.

Comparability

FY25 ended 28 Jun 2025; FY26 ended 27 Jun 2026. FY27 ends 3 Jul 2027 and has 53 weeks; provider uses June-30 year labels. Revenue growth uses rounded source values, not organic growth.

N/C = Not comparable / not calculable; N/M = Not meaningful; — = No comparison or unavailable data. EPS actual-to-forecast growth and forward P/E are N/C because adjustments and dilution are unresolved.

Source notes

Price: US$1,085.42, regular close 2 Oct 2026. Both historical P/E columns use this same dated price. [S04]
Forecast source: S&P Global via Stock Analysis, updated 28 Sep, checked 30 Sep; retrieved 5 Oct after cutoff. Exact cutoff snapshot unverified. [S05]
Operating profit, net income and FCF forecasts were searched; definitions/timing were inadequate for the selected charts. [S06–S08]
FY26 net loss includes a US$7,756.6m debt extinguishment charge, largely noncash; see Page 5. [S01]

Business Model & Segment Economics



BUSINESS MODEL

What the company does

Lumentum sells lasers, optical components, transceiver modules and optical switches that carry or route data using light. Cloud operators, network equipment makers and industrial customers use its products in data centres, communications networks, sensing and precision manufacturing. Headquartered in San Jose, it operates manufacturing and research facilities internationally. It earns revenue mainly by selling hardware; design wins can lead to repeat shipments, but this is not contracted recurring software revenue. Demand, product mix, manufacturing yields and capacity utilisation determine profit. [S01]

SEGMENT ECONOMICS

One reportable segment

FY26 reports a single integrated enterprise; Components and Systems are product categories, not reporting segments. Geographic revenue follows ship-to location, not separate segment economics. [S01]

FY26 product category	Revenue (US$m)	Share of revenue
Components	2,005.6	66.5%
Systems	1,008.4	33.5%
Total	**3,014.0**	**100.0%**

No category operating margin is disclosed. Do not infer category profitability. [S01]

COMPETITIVE POSITION

How value is created

Specialised lasers and qualified optical designs can support repeat shipments. Higher lane speeds and integration raise technical demands; yield, pricing and utilisation govern capture. Current growth does not establish permanent pricing power. [S01, S02]

CONCENTRATION

Customer dependence

Two unnamed customers supplied 26.6% and 15.0% of FY26 revenue: 41.6% combined. Customer names are not disclosed; the NVIDIA agreement does not identify either customer. [S01, S10]

MARKET SNAPSHOT

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Growth Drivers & Market Expectations

PEOPLE
PERSPECTIVE
DISCIPLINE
LONGER TERM VALUE

INDEPENDENT
RESEARCH FOR A
MORE INFORMED
TOMORROW

Growth mechanisms

01 Faster optical links

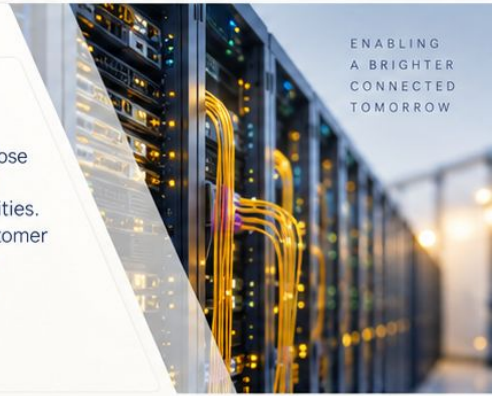
Initial 1.6T transceiver shipments in Q4FY26 provide an adoption anchor; 1.6T means 1.6 terabits per second. Internal laser integration can link component capability to module shipments. Customer qualification and manufacturing yield must convert adoption into profit and cash. Watch shipment mix and gross margin; higher speed alone does not guarantee pricing power. [S01, S02, S19]

02 Optical switching

Optical circuit switches route light between connections. The company reports demand and ramp progress, offering a Systems growth route. Deployment schedules and reliable high-volume production remain dependencies. Watch delivered systems and cash conversion; order commitments do not equal recognised revenue. [S02, S19]

03 New architectures

Co-packaged optics (CPO) places optics close to chips; near-packaged optics (NPO) and external light sources offer laser opportunities. Reported laser shipment progress and customer engagements are traction, not proof of the eventual market size. Watch qualification, yields and production revenue; customer alternatives and architecture timing can limit capture. [S02, S19]



Observed versus prospective

2 Mar 2026

NVIDIA announced US$2.0bn preferred funding plus a nonexclusive multiyear, multibillion purchase commitment. Funding is not revenue. [S01, S10]

Q4FY26

Initial 1.6T shipments and higher operating margins reported. [S02, S19]

Future

Capacity build-out and broader CPO/NPO adoption require customer qualification, manufacturing yields and delivery execution. No numerical ramp timetable is assumed. [S01, S02]

What expectations require

- External revenue forecasts: US$6.33bn and US$9.75bn for FY27/FY28, implying +110.0% then +54.0% using source-rounded inputs. FY27 is 53 weeks; these are qualified external expectations, not Ohr estimates. [S05]
- Company Q1FY27 guidance: revenue US$1,225m–US$1,275m; non-GAAP operating margin 39.5%–40.5%; diluted EPS US$4.05–US$4.35. Do not annualise this quarter. [S02]

What still needs proof

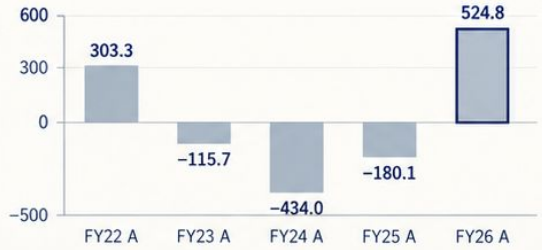
- Capacity and working capital must translate higher shipments into sustained cash and earnings per common share. Forecast dates, diluted EPS and adjustment definitions remain qualified; no forward P/E is presented. [S01, S05]

Financial Performance & Earnings Quality

Historical financial summary — US$m; GAAP diluted EPS in US$ per share

Metric	FY22 A	FY23 A	FY24 A	FY25 A	FY26 A
Revenue	1,712.6	1,767.0	1,359.2	1,645.0	**3,014.0**
Operating profit	303.3	−115.7	−434.0	−180.1	**524.8**
Net income	198.9	−131.6	−546.5	25.9	**−6,935.1**
GAAP diluted EPS	2.68	−1.93	−8.12	0.37	**−92.96**
Operating cash flow	459.3	179.8	24.7	126.3	**751.4**
PP&E purchases	91.2	128.5	133.0	231.0	**451.3**
Free cash flow	368.1	51.3	−108.3	−104.7	**300.1**

Operating profit (US$m)



Actual only; losses extend below zero. Latest actual navy outline.
FCF calculated OCF less PP&E; acquisition perimeter varies.

Free cash flow (US$m)



Actual only; losses extend below zero. Latest actual navy outline.
FCF calculated OCF less PP&E; acquisition perimeter varies.

Financial Quality

Current financial highlights

LATEST INTERIM

FY26 revenue US$3,014.0m, +83.2% YoY; GAAP operating profit US$524.8m after a FY25 loss of US$180.1m. [S01]

FY26 operating cash flow US$751.4m less PP&E purchases US$451.3m produced calculated FCF US$300.1m, versus −US$104.7m in FY25. Growth across that negative base is N/M. [S01]

Latest quarter — Q4FY26 revenue US$1,006.3m; GAAP operating margin 27.8%; non-GAAP operating margin 36.6% and diluted EPS US$3.23. Quarterly figures are not annual forecasts. [S02]

Why the large loss is real

EARNINGS QUALITY

FY26 statutory net loss: −US$6,935.1m. The US$7,756.6m debt extinguishment charge mainly reflects conversion value above principal, largely noncash; it is not an impairment. [S01]

A separate US$2.5m abandoned development-project write-off is much smaller. Issuer non-GAAP diluted EPS was US$8.67, compared with GAAP −US$92.96. Exclusions and equity issuance still affect shareholder economics. [S01, S02]

Read the history with its perimeter

COMPARABILITY

NeoPhotonics/IPG telecom acquisitions affect FY23 and Cloud Light affects FY24 onward. The FY25 facility-sale gain and tax benefit also influence reported net income. FY24–26 have 52 weeks. FCF is OCF less cash PP&E purchases, excluding acquisitions and sale proceeds. EBITDA is omitted because a consistent accepted series was not established. [S01, S03]

Cash Flow, Balance Sheet & Capital Allocation

Cash conversion

Cash generated after investment — FY26

CASH-FLOW BRIDGE | US$m

Operating cash flow	751.4
Less: cash PP&E purchases	−451.3
Calculated free cash flow	**300.1**

SBC of US$170.2m is added back in OCF. Receivables and inventory absorbed cash; increased payables supported it. Positive cash does not eliminate dilution or working-capital risk. [S01]

Capital expenditure

Manufacturing investment

PP&E purchases: US$451.3m, or 15.0% of FY26 revenue. A Greensboro manufacturing business was acquired for US$38.0m in March 2026, outside this FCF definition. Project-specific incremental returns are not disclosed. [S01]

Dilution

Common-share capture

Year-end common shares rose from 69.8m to 88.6m; 89.7m was reported, rounded, at 14 Aug 2026. Debt equitisation issued 10.6m common shares. NVIDIA holds approximately 2.9m preferred shares convertible one-for-one, subject to terms. Point-in-time shares are not diluted weighted-average EPS shares. [S01]

Balance sheet

Liquidity and debt — 27 June 2026

RECONCILIATION | US$m

Cash and equivalents	2,043.5
Short-term investments	694.9
Combined liquid assets	**2,738.4**
Debt: current + non-current	1,596.9 + 40.5 = **1,637.4**
Liquid assets less debt	**1,101.0**
Cash-only less debt	**406.1**

Debt reconciles to US$1,554.3m convertible principal less US$9.7m discounts plus US$92.8m Japan loans. Lease liabilities of US$33.8m are excluded from these net-cash definitions. [S01]

Capital allocation

Funding and obligations

The US$400.0m revolver was undrawn at year-end; it is not cash. It is secured and subject to leverage/interest-cover covenants and an earlier-maturity condition. Convertible current classification reflects conversion rights, not all principal becoming contractually due within twelve months. The 2026 notes have US$54.8m principal outstanding. [S01]

FY26 net financing inflow was US$1,556.9m, including US$1,999.7m net prefered proceeds; funding inflows are not operating cash generation. [S01]

Management, Governance & Ownership

MANAGEMENT BOARD

Leadership and current board

Michael E. Hurlston is CEO/director; Wajid Ali is CFO; Eric Chang is chief accounting officer. Nine current directors are listed. Thad Trent joined on 15 Dec 2025. Operating progress is verified; no personal management score is inferred. [S01, S11]

DIRECTOR HOLDINGS

Current director	Role	Reported Table I balance	Effective date
Michael E. Hurlston	CEO / director	186,951 reported	2026-08-27
Penelope A. Herscher	Chair	2,165 direct + 39,378 trust	2026-07-15
Pamela Fletcher	Director	7,514 reported	2026-07-15
Isaac H. Harris	Director	6,984 reported	2026-06-02
Julia Suzanne Johnson	Director	13,428 reported	2026-07-15
Brian Lillie	Director	14,018 reported	2026-07-15
Paul Lundstrom	Director	4,904 reported	2025-11-19
Ian Small	Director	21,116 reported	2026-07-15
Thad Trent	Director	1,313 reported	2026-07-15

Dated beneficial balances, not uniform issued shares. July awards include 108 unvested RSUs each for Herscher, Fletcher, Johnson, Lillie, Small and Trent. Hurlston includes awards; Harris uses June post-sale holdings, not retroactive May figures filed in July. Raw-form reproductions supplement inaccessible primary forms. [S17, S18]

SUBSTANTIAL HOLDERS

Beneficial holder	Shares / common equivalents	Source %	Effective date
Vanguard Capital Management	5,252,142	7.35%	31 Mar 2026
BlackRock	5,240,774	7.3%	31 Mar 2026
FMR	3,611,651.58	4.6%	30 Jun 2026
Capital World Investors	1,315,977	1.8%	31 Mar 2026

Filed: Vanguard 30 Apr; BlackRock 24 Apr; FMR 8 Jul; Capital World 14 May 2026. Percentages retain source denominators. FMR fractional shares are verified; Capital World includes 2,125 convertible common equivalents. Selected dated disclosures; current coverage unknown. [S12–S15]

TOP 20 REGISTERED SHAREHOLDERS

DATA UNAVAILABLE — complete registered Top 20 at cutoff not publicly identified. 13F lists are not registry data; no ownership pie or coverage is inferred.

INCENTIVES AND TRANSACTIONS

The 2025 proxy covers equity/performance pay; recent notices retain vesting conditions. RSU = restricted stock unit; PSU = performance stock unit. Awards are not purchases. CFO Wajid Ali sold 24,542 shares on 1 Oct under a 26 May plan, leaving 75,074 direct shares. No directional view is inferred. [S09, S16, S17]

OWNERSHIP INTERPRETATION

Do not aggregate different dates, overlapping FMR/Abigail Johnson or affiliate holdings, 13G/13F records and NVIDIA preferred shares. Current independence is not verified. [S09, S12–S18]

Risks, Counter-Evidence & Monitoring

RISK / CONSEQUENCE / EVIDENCE TO MONITOR

#	RISK	CONSEQUENCE	MONITOR
1	**Demand and customer concentration**	Order reductions impair utilisation	Design wins, customer mix, shipment trends
2	**Manufacturing ramp**	Yield or delivery shortfalls erode margins	Gross margin, capacity/yield disclosures, delays
3	**Technology and competition**	Product relevance or pricing weakens	1.6T, optical switching, CPO/NPO adoption
4	**Working capital and capex**	Revenue grows without durable FCF	OCF, inventory, receivables, PP&E cash spend
5	**Dilution and debt**	Common holders capture less progress	Conversions, equity awards, weighted-average shares
6	**Trade, supply and cyber exposure**	Cost increases or operating disruption	Tariffs/export restrictions, supply continuity, incidents

Risk factors are sourced from the FY26 filing; no unsupported probability or numerical risk score is assigned. [S01]

PRINCIPAL CONSTRAINT

Principal constraint — expectations

The case requires rapid capacity scaling and durable common-share earnings capture against demanding external revenue expectations. The forecast dilution/adjustment bridge remains incomplete. [S01, S05]

COUNTER-EVIDENCE

Evidence against the positive thesis

Two unnamed customers account for 41.6% of FY26 revenue. Demand can be concentrated and design wins can change. [S01]

US$451.3m PP&E spending, inventory/receivables absorption and equity dilution mean corporate growth need not translate proportionately into common-share cash. [S01]

Evidence mitigating the risks

FY26 GAAP operating profit of US$524.8m, FCF of US$300.1m and liquid assets above debt show financial translation already occurring. They do not guarantee durability. [S01]

FALSIFIERS

What would weaken the case

Repeated margin deterioration despite higher shipments; loss of major design wins; persistent FCF reversal after investment; dilution outpacing per-share earnings; or a delayed/underused capacity expansion. Reassess with new filings rather than assume these events will occur. [S01, S02]

Research Synthesis

Research rating

B- Credible but Constrained Research Opportunity

Why this rating

FY26 GAAP operating profit of US$524.8m and calculated free cash flow of US$300.1m anchor the operating recovery. The operating recovery and positive free cash flow establish a credible positive case. Demanding expectations, concentration and an incomplete annual diluted earnings bridge materially constrain present research asymmetry. [S01, S02]

Why not higher

A B rating requires a less constrained relationship between the positive economics and expectations. That relationship is not established while the external scaling path and common-share capture remain materially qualified. [S01, S05]

Classification confidence

Classification confidence: Moderate

Audited operating and cash evidence is strong; external forecasts, dilution methodology and dated ownership remain bounded qualifications.

Primary constraint

Expectations: the external revenue path requires rapid scaling, while a reliable annual diluted earnings bridge is still incomplete.

Classification

Field	Assessment
GRADE FAMILY	B
PRIMARY RESEARCH ARCHETYPE	Confirmed Earnings Inflection
SECONDARY CONTEXT	Structural Opportunity
RE-RATING STATE	Confirming
RESEARCH STATE	Active investigation
RESEARCH PRIORITY	Normal
PRIMARY CONSTRAINT	Expectations

Business change is supported by operating and cash recovery; recognition is informed by external expectations, not price alone. No previous governed decision is supplied, so this initial classification is not an upgrade. [S01, S05]



What could strengthen the case

Sustained margins and free cash flow through the capacity ramp, plus a reconciled multiyear diluted earnings bridge and less demanding expectations relative to delivered economics.

What could weaken the case

Lost major design wins, weaker margins or recurring cash absorption despite higher revenue, or dilution that prevents common shareholders capturing operating progress.

Next evidence with highest information value

Q1FY27 delivery against the dated company outlook; a verified annual diluted earnings bridge; and capacity, yield and cash conversion through the ramp. This research classification is not a Buy/Hold/Sell recommendation or a valuation target. [S01, S02, S05]