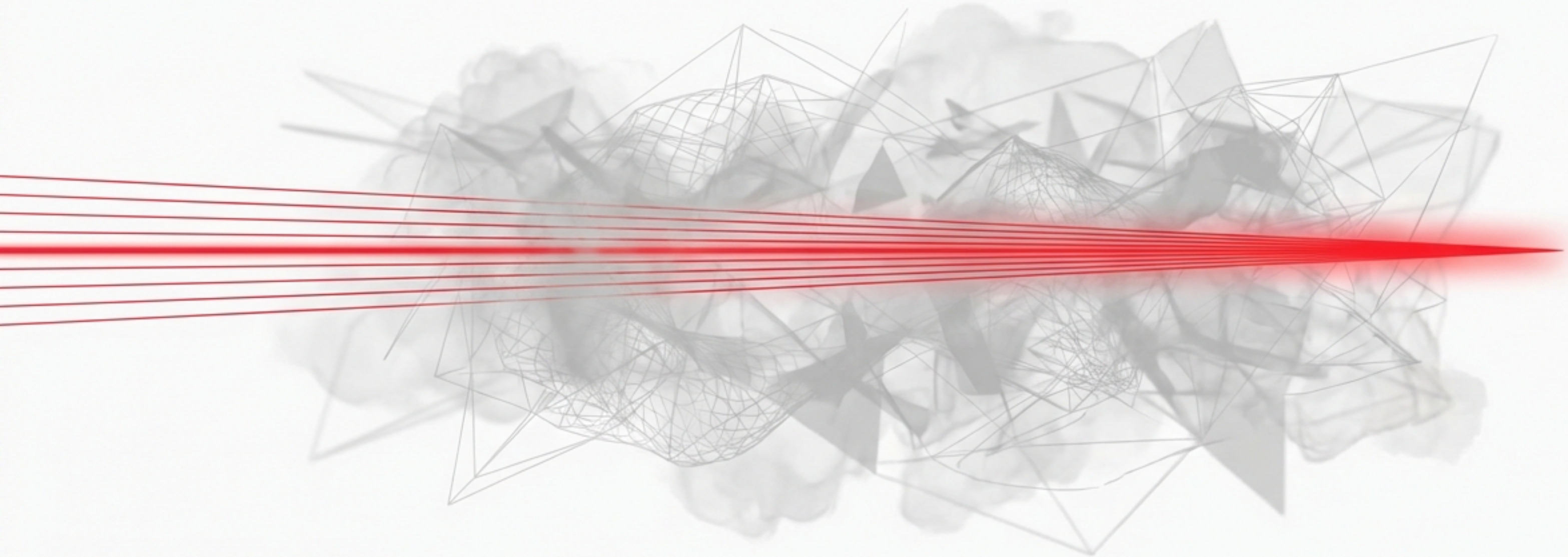


Coherent Corp. (COHR): Capturing the AI Infrastructure Supercycle

A Critical Analysis of Competitive Advantage, Capital Allocation, and the “Anderson Turnaround.”



TICKER: NYSE: COHR

MARKET CAP: ~\$36B - \$40B

SECTOR: PHOTONICS & NETWORKING

DATE: OCTOBER 2026

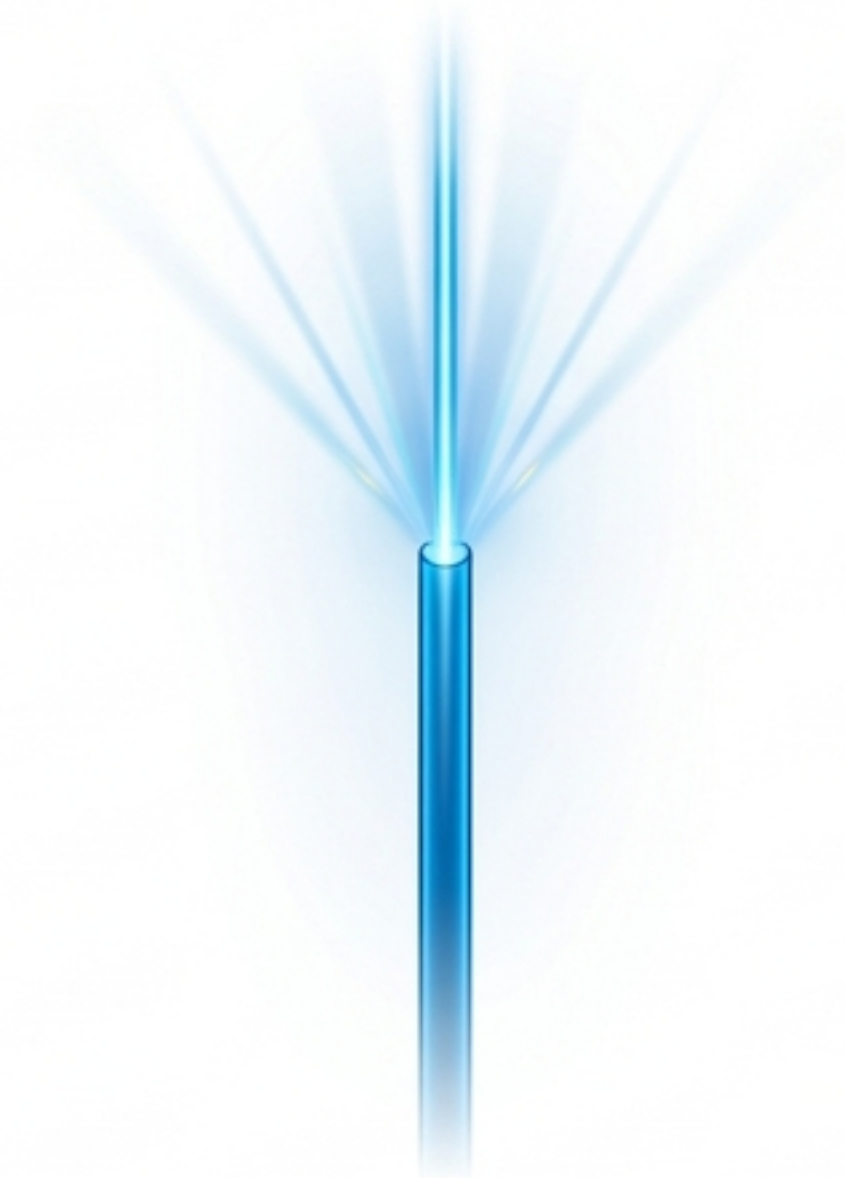
THE CENTRAL DICHOTOMY: SIGNAL VS. NOISE

THE NOISE (LEGACY FLAWS)



- Historically poor capital discipline ($ROIC < WACC$)
- Bloated balance sheet from the \$7B II-VI/Coherent merger
- "Empire Building" strategy at the expense of shareholder value

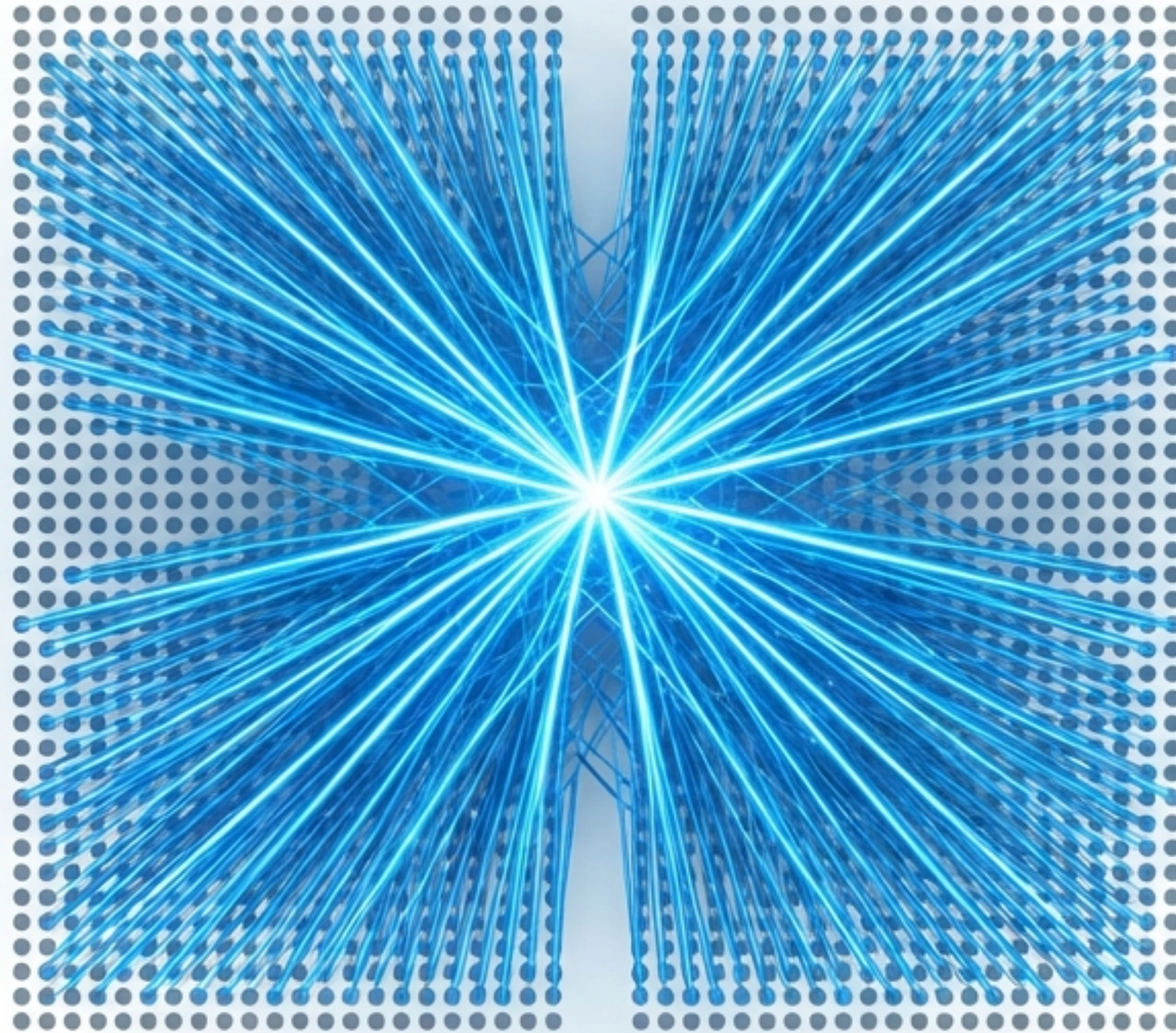
THE SIGNAL (FUTURE OPPORTUNITY)



- The AI Supercycle: Shift to 1.6T Transceivers
- The Catalyst: CEO Jim Anderson's "Lattice Playbook"
- Deleveraging & Portfolio Pruning (Target $< 2.0x$ Net Leverage)

Core Question: Can operational discipline unlock the intrinsic value of the AI hardware boom, or will legacy structures weigh it down?

THE AI BOTTLENECK HAS SHIFTED FROM COMPUTE TO CONNECTIVITY



Optical Interconnects
(The Critical Pathway)

DATACENTER SEGMENT REVENUE:

+51% YoY

AI DATACENTER REVENUE:

+51% YoY

AI DATACENTER REVENUE:

+61% YoY

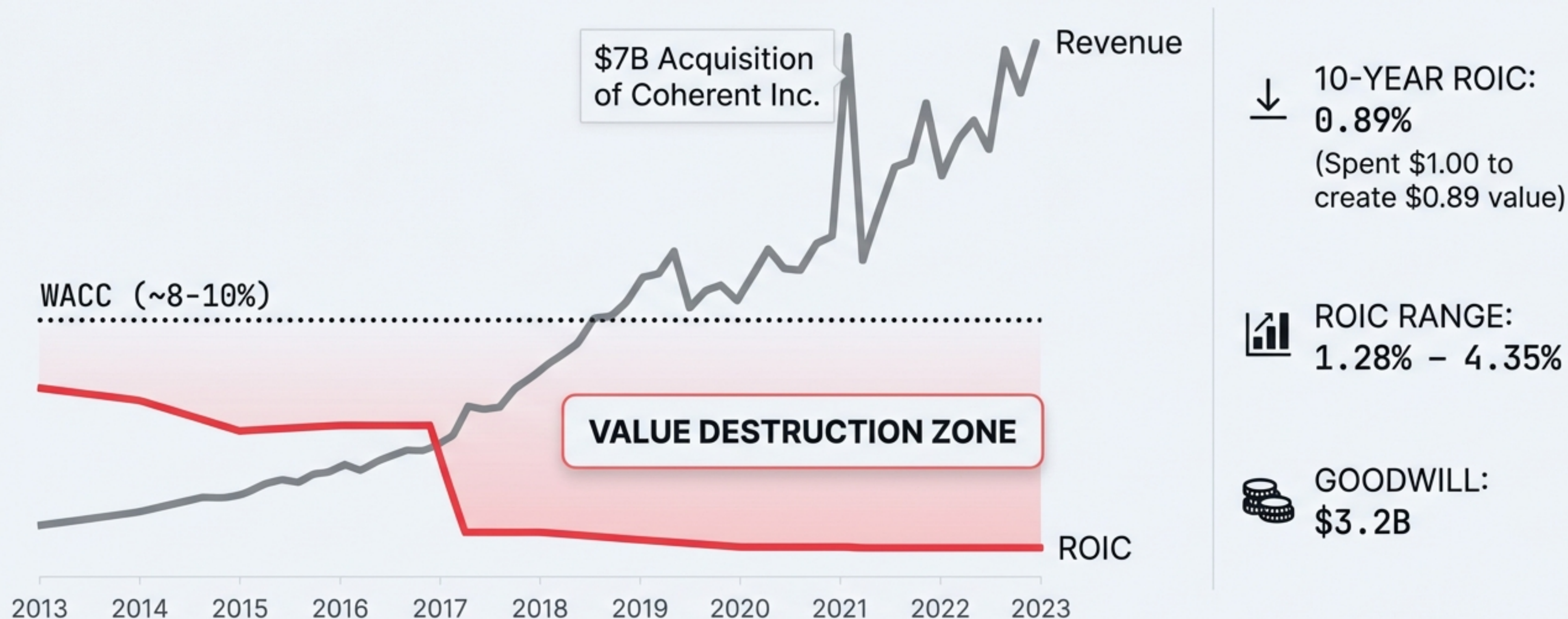
AI DATACENTER REVENUE:

+20% YoY

KEY DRIVER:

**Broadcom
Tomahawk 6
(102.4 Tbps)
mandates 1.6T optics**

THE LEGACY TRAP: GROWTH AT ANY COST

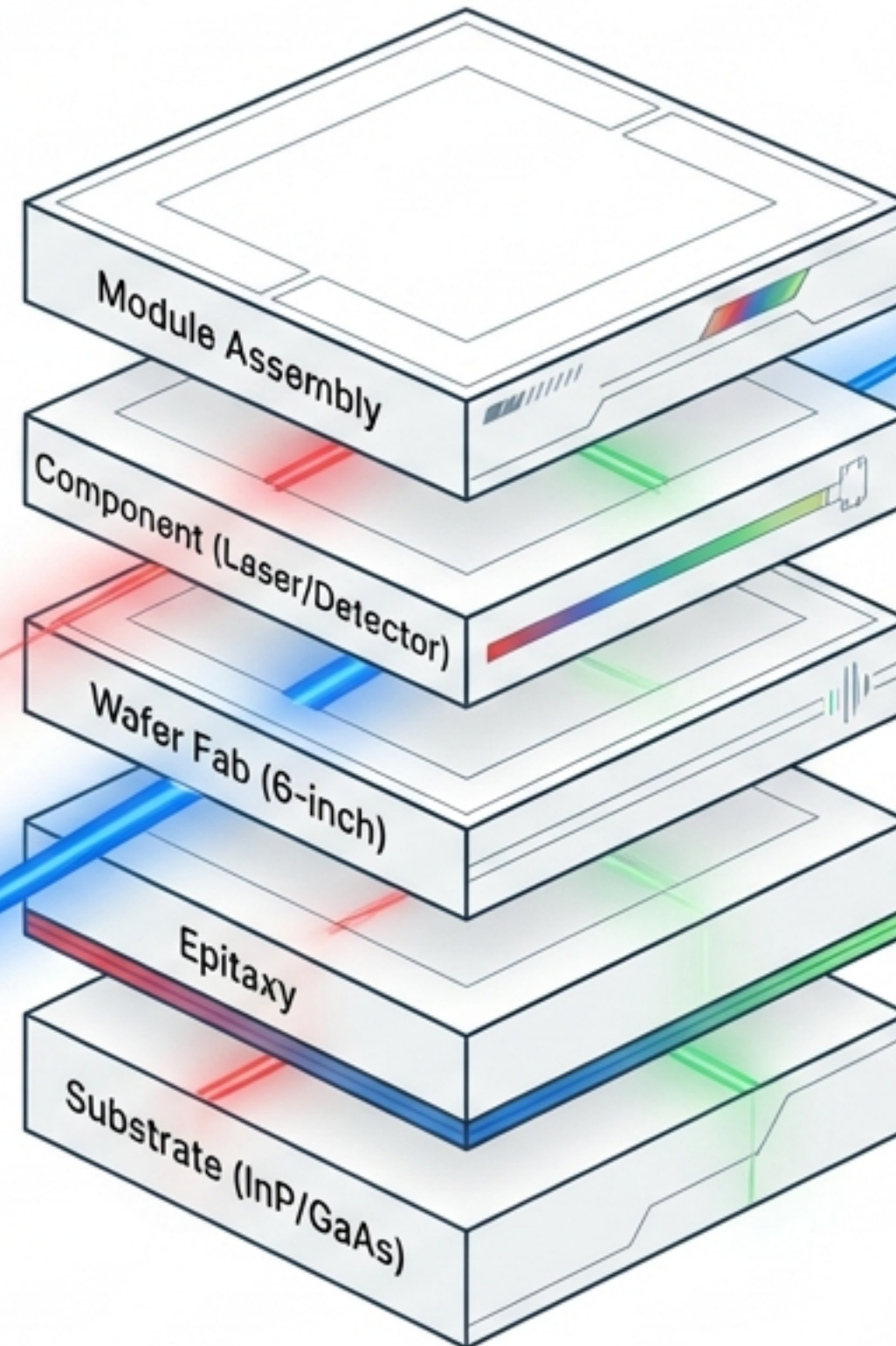


The legacy strategy severed the link between revenue growth and intrinsic value creation.

THE 'VERTICAL INTEGRATION' DEBATE: MOAT OR ANCHOR?

THE BULL CASE (MOAT)

- Supply Security (Essential for Apple)
- Margin Capture across stack
- Barrier to Entry: Proprietary InP Capacity



THE BEAR CASE (ANCHOR)

- Massive Capex (\$154M in Q2 '26)
- High Fixed Costs (Punishes margins in downturns)
- R&D Burden: \$582M (FY25)

THE CATALYST: IMPLEMENTING THE 'LATTICE PLAYBOOK'



JIM ANDERSON, CEO
JetBrains Mono



**THE LATTICE
TRACK RECORD (2018-2024)**
JetBrains Mono Medium

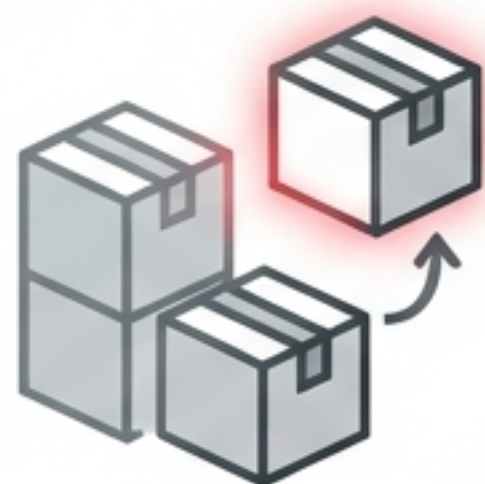


SHERRI LUTHER, CFO
JetBrains Mono

THE MANDATE:

1. Shift from 'Empire Building' to "**Shareholder Return**"
2. Incentive Alignment: **\$48M** award weighted **60%** to Performance Stock Units (PSUs)
3. Insider Conviction: Anderson bought **500 shares** at **~\$102**
4. Reference: Replicated margin expansion success from **Lattice Semiconductor**

RUTHLESS DELEVERAGING AND PORTFOLIO PRUNING



DIVEST

Sale of Aerospace & Defense for **\$400M**.
Eliminating distraction.



DE-RISK

SiC Carve-out.
\$1B investment from Denso/Mitsubishi.
Capex funded off-balance-sheet.

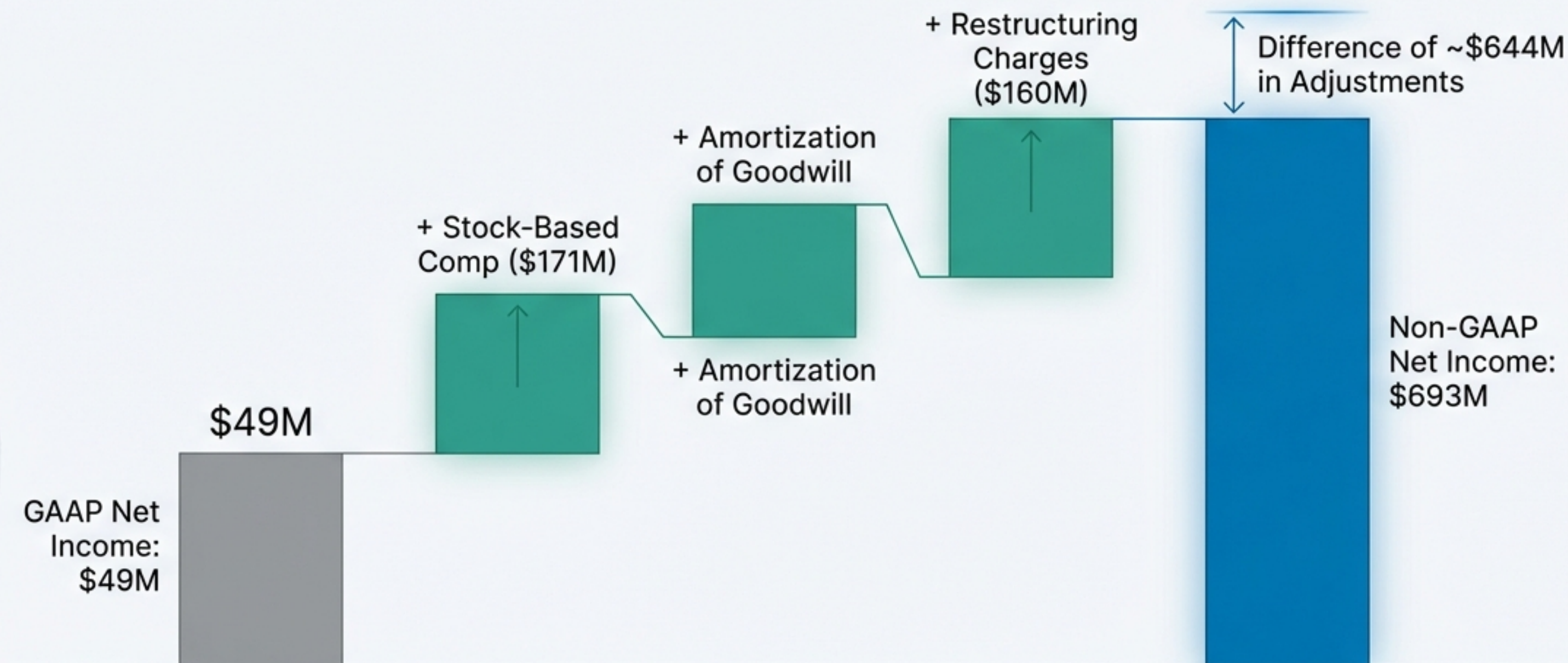


PAYDOWN

\$437M debt repaid in FY25.
Interest expense reduced by **\$48M**.

**TARGET:
NET
LEVERAGE
< 2.0x**

QUALITY OF EARNINGS: MINDING THE GAAP GAP



Key Insight: Operating Cash Flow is healthy (\$634M), but statutory profitability is suffocated by legacy acquisition costs. The 'Anderson Premium' relies on adjusted figures.

THE GROWTH ENGINE: RIDING RIDING THE 1.6T SPEED UPGRADE



THE TECHNICAL EDGE:

- In-house EMLs & VCSELs
- Transition to 6-inch Indium Phosphide wafers (Yield & Cost Advantage)

DIVERSIFICATION: CONSUMER STABILITY & INDUSTRIAL OPTIONALITY

CONSUMER (The Anchor)



Apple Relationship.

Multi-year agreement for FaceID VCSELs.

Sherman, TX localized manufacturing.

SILICON CARBIDE (The Call Option)



EV/Power Electronics.

"Silicon Carbide LLC" structure protects Cash while preserving 75% upside.
\$4B Valuation.

INDUSTRIAL (The Recovery)

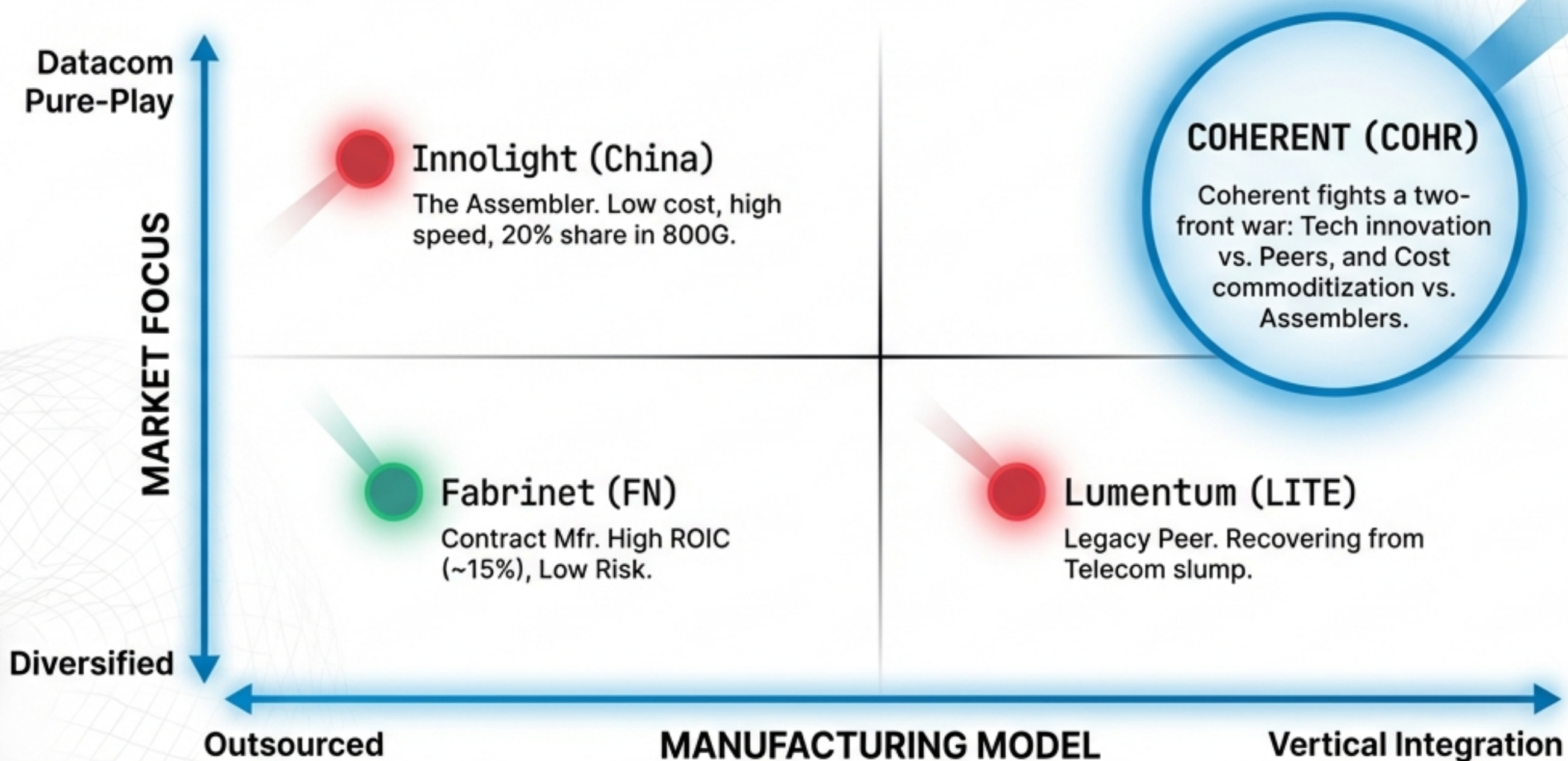


Cyclical recovery play.

Stabilizing after inventory digestion.

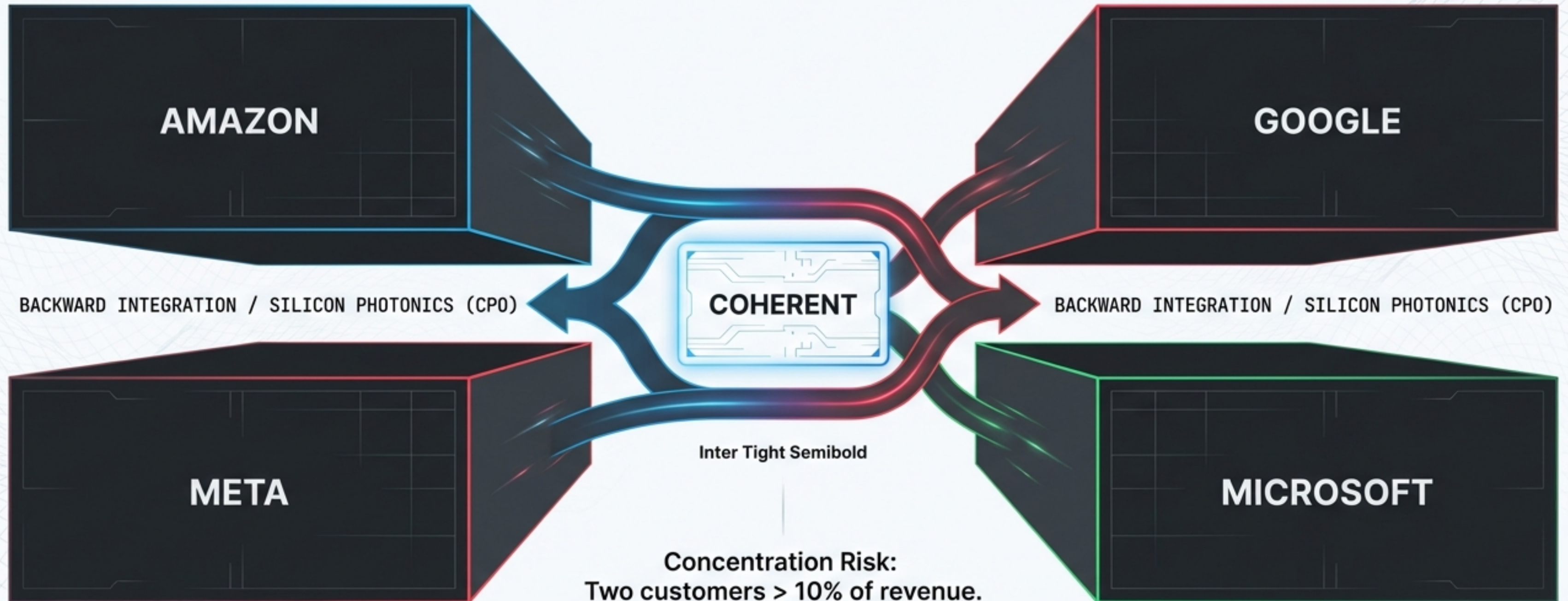
Exposure to OLED & Semi-Cap Equipment.

A FRAGMENTED, BRUTAL BATTLEFIELD



Bottom Insight: Coherent fights a two-front war: Tech innovation vs. Peers, and Cost commoditization vs. Assemblers.

THE HYPERSCALER THREAT: OLIGOPSONY & BACKWARD INTEGRATION



Inter Tight Semibold

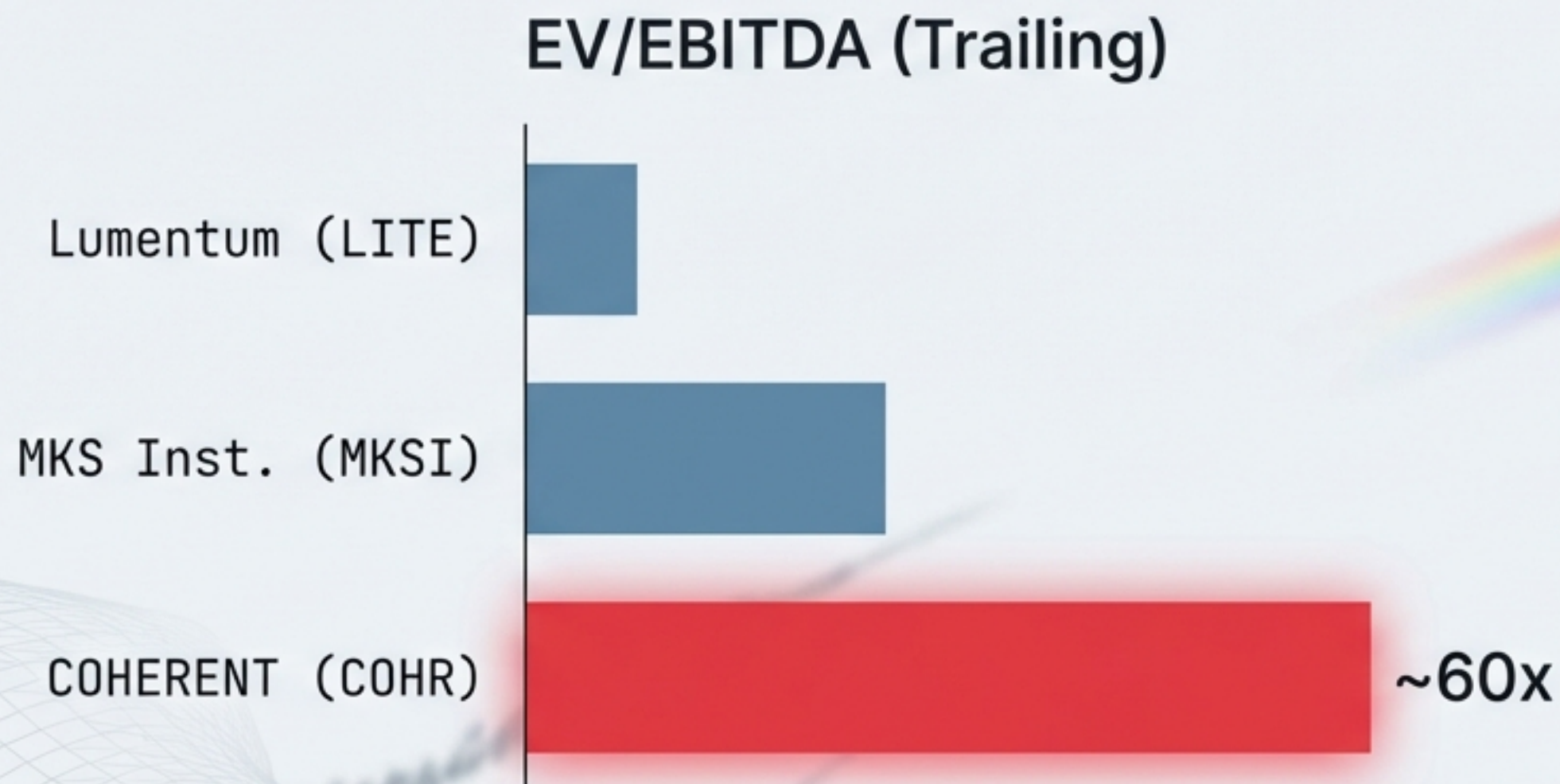
Concentration Risk:
Two customers > 10% of revenue.

JetBrains Mono Medium

"The cost per bit must continuously decrease."
- The Deflationary Reality

Inter Regular - JetBrains Mono

Valuation: Priced for Perfection



EV/Sales > 6.0x ↗

The 'Anderson Premium':
**Stock returned >200%
over TTM.**

Current price assumes
flawless execution of 15%
growth / 42% GM targets.

KEY RISKS TO THE BULL CASE



CYCLE PEAK

Risk of AI hardware spend deceleration or demand "air pocket".



CHINA COMPETITION

Innolight scaling 1.6T capacity could compress ASPs faster than projected.



INSIDER SELLING

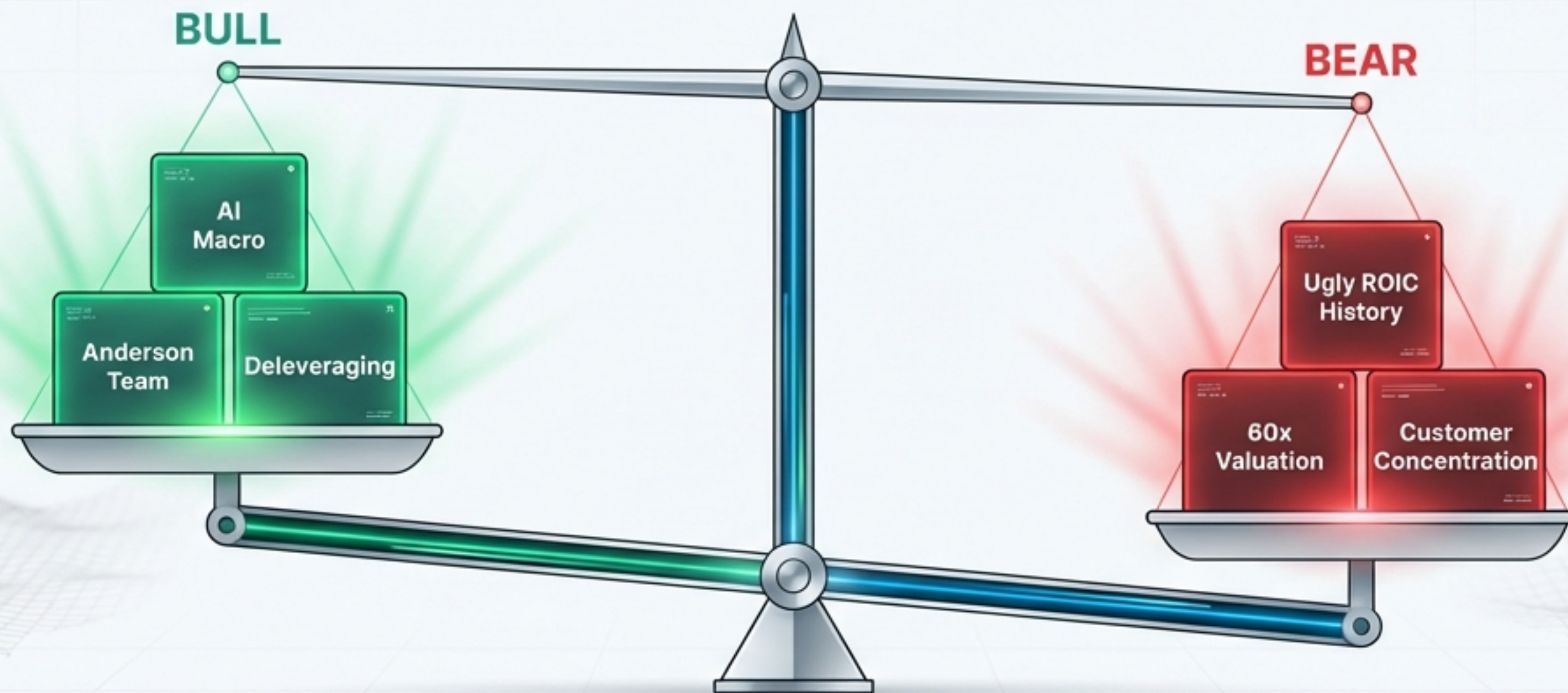
Bain Capital (9.4M shares) and CFO selling into the rally.



EXECUTION RISK

Ramping 6-inch InP wafers is technically difficult; yield issues would be catastrophic.

A “Show-Me” Story with Massive Upside



VERDICT: The macro provides the wind; Anderson must fix the ship. Success depends on permanently fixing the ROIC/WACC spread before the AI cycle cools down.