

LUMENTUM HOLDINGS (LITE)

Photonics / AI Optical Infrastructure | MCap \$66.4B | Price \$853.26 | 52W: \$81.93–\$1,085.68

Longterm Imagination Series

Analysis Date: 2026-06-11

WHY WE OWN THIS COMPANY

- InP EML Near-Monopoly:** 50-60% global share in 200G EML lasers — the "gold standard" for 1.6T transceivers. InP manufacturing is extremely hard to replicate at scale.
- NVIDIA \$2B Strategic Partnership:** Multi-year agreement for R&D; and capacity expansion. Positioned as the "light engine" for NVIDIA's Vera Rubin AI architecture.
- OCS First-Mover Advantage:** \$400M+ backlog in Optical Circuit Switches. OCS enables AI scale-up networks — a market projected to be 3-4x larger than current scale-out.
- Explosive AI Optical TAM:** AI optical TAM growing from \$18B today to \$90B by 2030. High-speed optical interconnect TAM exceeding \$25B by 2028.
- Vertical Integration via M&A:** Oclaro (\$1.8B), NeoPhotonics (\$918M), Cloud Light (\$750M) acquisitions built end-to-end capability from InP wafer to transceiver module.
- Margin Inflection Underway:** Non-GAAP OPM improved 700bp QoQ to 32.2% in Q3 FY2026. Management targeting 40%+ long-term. AI mix shift driving structural improvement.
- Revenue Hypergrowth:** TTM revenue \$2.5B (+90% YoY). Laser revenue alone projected from \$1B to \$2.2B by FY2028. Consensus 43% CAGR through FY2028.

KEY METRICS

Revenue (TTM)	\$2.5B
Rev Growth YoY	+90.1%
P/E (trailing)	149.2x
PEG Ratio	0.63
Non-GAAP OPM	32.2%
52-Week Range	\$81.93–\$1,085.68
Short Interest	14.5%

WHERE WE MIGHT BE WRONG

Outstanding Questions

- Can LITE sustain 50%+ EML share as Coherent and new entrants scale InP?
- Will AI capex continue at this rate, or is the cycle peaking in 2026-27?
- How much of the current \$853 price already discounts the \$8B FY2028 target?

Strongest Bear Case

- Valuation extreme: P/E 149x, P/S 27x, EV/EBITDA 121x — priced for perfection
- Short interest at 14.5% signals significant bearish conviction
- DCF models diverge wildly: Simply Wall St sees 42% upside, Alpha Spread sees 82% overvaluation

Thesis Falsifiers

- EML market share drops below 40% for 2 consecutive quarters
- NVIDIA shifts primary photonics partnership away from LITE
- Non-GAAP OPM stalls below 30% despite revenue growth
- AI infrastructure capex declines >20% YoY industry-wide

THE 10 QUESTIONS (Baillie Gifford Framework)

#	QUESTION	OUR ASSESSMENT	CONF.
Q1	Can revenue 2x in 5 years?	Yes. 43% consensus CAGR + \$400M OCS backlog + 1.6T ramp. Laser rev alone 2x by FY2028.	HIGH
Q2	What does it look like in 10 years?	Dominant photonics platform for AI. Mgmt targets \$8B rev, 40% OPM by FY2028. NVIDIA dependency deepens.	MED
Q3	What is the competitive moat?	50-60% EML share. InP manufacturing at scale is near-impossible to replicate. Years-long customer certifications.	HIGH
Q4	Distinctive culture?	New CEO Michael Hurlston (semiconductor-first mindset). Shifted from legacy telecom to AI-first commercial approach.	MED
Q5	Why do customers love it?	NVIDIA invested \$2B. Cloud providers require years to certify alternatives. Only scaled InP supplier for 1.6T.	HIGH
Q6	Are returns adequate?	Non-GAAP OPM 32.2% (Q3), up 700bp QoQ. Gross margin 40.8%. ROE 22.8%. Improving rapidly.	HIGH
Q7	Will returns improve?	AI product mix shift + operating leverage + pricing discipline. Target 40%+ OPM. 1.6T carries higher margins.	HIGH
Q8	How is capital allocated?	Transformative M&A; (\$3.5B over 5 years). NVIDIA \$2B investment received. R&D; focused on next-gen photonics.	HIGH
Q9	How could this be worth 5x?	If AI optical TAM hits \$90B and LITE captures 15%+ share = \$13.5B rev. At 30x earnings = \$300B+ MCap.	LOW
Q10	Why is the market underpricing?	OCS scale-up market (3-4x scale-out) not yet modeled. CPO optionality not priced. Legacy telecom overhang.	MED

HOW WE COULD MAKE MONEY (5-Year Horizon)

SCENARIO	PROB.	IMPLIED PRICE	CAGR	KEY ASSUMPTIONS
BULL	~25%	\$1,500	+12%	FY2031 Rev \$12B. OPM 40%+. EPS \$50+. AI photonics TAM explodes to \$90B+. OCS becomes \$3B+ business. NVIDIA partnership deepens.
BASE	~50%	\$625	-6%	FY2031 Rev \$7B. OPM 33%. EPS \$25. Strong growth but Coherent/II-VI compete. Multiples compress from peak.
BEAR	~25%	\$180	-27%	FY2031 Rev \$3.5B. OPM 22%. EPS \$9. AI capex cycle peaks, hyperscalers diversify suppliers, pricing pressure.

LITE vs S&P 500 — 5년 주가 성과 (기준=100)

