

## Coherent Corp

**Strong AI momentum, improving GM, telco still spotty, PO now \$65**

Reiterate Rating: NEUTRAL | PO: 65.00 USD | Price: 58.00 USD

**AI can drive higher multiple, but cautious on optical mkt**

We raise PO to \$65 (from \$48) following COHR's Q2 earnings, after Q2/Q3 beat/relatively in line with guidance. More importantly, COHR AI portfolio continues to gain traction, with 800G transceiver sales crossing the \$100mn/qtr run rate (up 100% QoQ). AI transceivers are expected to account for ~50% of total transceiver sales in FY24 suggesting continued datacom growth Q3/Q4 (datacom ~30%-35% of company sales). With AI also driving volume improvement, gross margin is on track to return to >39% exiting the year, in line with the historical 38%-42% range. We raise CY24/25 sales to \$5.1/\$5.6bn (up 2%/3%), EPS \$2.56/\$3.43 (up 6%/2% from prior) and take our multiple to 19x CY25 PE (from 14x). As AI becomes a greater driver of company growth, we believe COHR could begin to warrant a higher multiple (similar to what happened to other compute/AI component suppliers). Plus, several other markets (such as industrial) could begin to reaccelerate following a cyclical downturn. Still, we remain at Neutral, reflecting caution on long-term competitive pressures in the optical communications market (~45%-50% of sales), limiting margin/pricing upside.

**Likes: AI traction, GM improvements, SiC partnerships**

(1) 800G transceiver sales up another 100% QoQ (~200% last qtr), poised to grow in Q3/Q4 with AI deployments in early innings; (2) FY24 guide suggests GM can exit year +/- 39.5%, with rebounding utilization, cost restructuring, and mix expected to support return to 40% GM over time; (3) \$1bn in cash received from Mitsubishi/Denso for aggregate 25% stake in COHR's Silicon Carbide LLC enables exposure to attractive SiC market with effective financing to limit capex/investment headwinds.

**Risks: Competition/pricing power, opex, debt position**

(1) Near-term momentum in AI transceiver demand, but competition (Innolight) still present and could create long-term pricing/margin pressure (though today, AI transceivers at the corporate average gross margin); (2) FY24 guide suggests COHR will exit year \$275-\$280mn (from ~\$235mn in Q1/Q2), as COHR continues to invest in development of its AI portfolio and other products; (3) >3x leverage a headwind to model, with COHR annual interest expense just under \$300mn for the full year.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.72	3.00	1.54	3.20	4.04
GAAP EPS	1.45	(2.93)	(1.29)	1.21	2.21
EPS Change (YoY)	-0.3%	-19.4%	-48.7%	107.8%	26.3%
Consensus EPS (Bloomberg)			1.29	2.84	3.92
DPS	0	0	0	0	0
<b>Valuation (Jun)</b>					
P/E	13.3x	16.5x	32.1x	15.4x	12.2x
GAAP P/E	34.1x	NM	NM	40.8x	22.4x
EV / EBITDA*	8.6x	5.9x	7.3x	5.5x	4.9x
Free Cash Flow Yield*	1.3%	2.6%	-0.8%	8.0%	7.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 10.

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## Equity

**Key Changes**

(US\$)	Previous	Current
Price Obj.	48.00	65.00
2024E Rev (m)	4,600.0	4,625.0
2025E Rev (m)	5,265.0	5,427.8
2026E Rev (m)	5,695.0	5,870.4
2024E EPS	1.38	1.54
2025E EPS	3.07	3.20
2026E EPS	3.92	4.04

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**Stock Data**

Price	58.00 USD
Price Objective	65.00 USD
Date Established	6-Feb-2024
Investment Opinion	C-2-9
52-Week Range	26.29 USD - 60.46 USD
Mkt Val (mn) / Shares Out (mn)	8,786 USD / 151.5
Free Float	98.4%
Average Daily Value (mn)	109.33 USD
BofA Ticker / Exchange	COHR / NAS
Bloomberg / Reuters	COHR US / COHR.N
ROE (2024E)	3.0%
Net Dbt to Eqty (Jun-2023A)	48.1%
ESGMeter <sup>TM</sup>	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

See pg. 4 for Glossary

# iQprofile<sup>SM</sup> Coherent Corp

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.6%	6.9%	3.7%	6.5%	6.9%
Return on Equity	10.9%	7.8%	3.0%	5.6%	6.4%
Operating Margin	19.6%	18.7%	15.3%	18.6%	19.9%
Free Cash Flow	99	198	(61)	597	583

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.4x	1.3x	2.0x	1.6x
Asset Replacement Ratio	1.1x	0.6x	0.7x	0.6x	0.7x
Tax Rate	15.2%	29.3%	31.2%	9.6%	12.6%
Net Debt-to-Equity Ratio	-6.4%	48.1%	42.2%	32.2%	23.5%
Interest Cover	5.4x	3.4x	2.4x	3.5x	4.1x

## Income Statement Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,317	5,160	4,625	5,428	5,870
% Change	6.8%	55.6%	-10.4%	17.4%	8.2%
Gross Profit	1,322	1,984	1,709	2,145	2,371
% Change	7.0%	50.1%	-13.9%	25.5%	10.5%
EBITDA	865	1,267	1,023	1,358	1,511
% Change	7.8%	46.6%	-19.2%	32.7%	11.3%
Net Interest & Other Income	(35)	(273)	(253)	(238)	(238)
<b>Net Income (Adjusted)</b>	<b>466</b>	<b>451</b>	<b>236</b>	<b>487</b>	<b>612</b>
<b>% Change</b>	<b>0.8%</b>	<b>-3.2%</b>	<b>-47.7%</b>	<b>106.4%</b>	<b>25.7%</b>

## Free Cash Flow Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	235	(259)	(73)	307	455
Depreciation & Amortization	287	682	566	597	558
Change in Working Capital	(192)	125	(220)	(63)	(195)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	83	87	41	136	147
Capital Expenditure	(314)	(436)	(375)	(380)	(382)
<b>Free Cash Flow</b>	<b>99</b>	<b>198</b>	<b>-61</b>	<b>597</b>	<b>583</b>
<b>% Change</b>	<b>-76.9%</b>	<b>100.0%</b>	<b>NM</b>	<b>NM</b>	<b>-2.3%</b>
Share / Issue Repurchase	18	1,382	(49)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	903	2,255	(207)	(100)	0

## Balance Sheet Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	2,582	833	583	1,079	1,662
Trade Receivables	700	902	962	1,043	1,161
Other Current Assets	1,022	1,517	1,887	1,908	2,025
Property, Plant & Equipment	1,363	1,782	1,927	2,008	2,097
Other Non-Current Assets	2,176	8,677	9,392	9,392	9,392
<b>Total Assets</b>	<b>7,845</b>	<b>13,711</b>	<b>14,751</b>	<b>15,430</b>	<b>16,336</b>
Short-Term Debt	403	75	75	75	75
Other Current Liabilities	864	1,004	1,077	1,116	1,155
Long-Term Debt	1,897	4,235	4,037	3,937	3,937
Other Non-Current Liabilities	297	1,168	1,192	1,192	1,192
<b>Total Liabilities</b>	<b>3,462</b>	<b>6,482</b>	<b>6,381</b>	<b>6,319</b>	<b>6,359</b>
<b>Total Equity</b>	<b>4,383</b>	<b>7,229</b>	<b>8,370</b>	<b>9,111</b>	<b>9,977</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,845</b>	<b>13,711</b>	<b>14,751</b>	<b>15,430</b>	<b>16,336</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 10.

## Company Sector

Semiconductors

## Company Description

COHR develops and manufactures engineered materials (wafers, materials, substrates) and optoelectronic components (transceivers, laser modules, VCSEL arrays) used primarily in optical communications as well as multiple other end markets (industrial, automotive, aerospace and defense, consumer, semicap equipment, life sciences). COHR was incorporated in Pennsylvania in 1971 and its headquarters is located in Saxonburg, Pennsylvania.

## Investment Rationale

We rate COHR Neutral - the company is diversified across communications (telco/cloud), 5G, electric vehicles, mobile 3D sensing (iPhone) and aero/defense markets with a wide portfolio of materials, substrates (Silicon Carbide), and components. However, COHR could experience potential pressure in the medium term as hyperscalers/telecom operators digest inventory (and 5G/telco capex slows) possibly offsetting any modest benefits from AI.

## Stock Data

Average Daily Volume 1,885,023

## Quarterly Earnings Estimates

	2023	2024
Q1	1.04A	0.16A
Q2	0.95A	0.36A
Q3	0.58A	0.41E
Q4	0.41A	0.61E

# Summary of estimate changes

## Exhibit 1: Summary of sales and EPS changes

We raise CY24-26 sales 2%-3%, EPS 2%-6%

	Sales (\$mn)			EPS (Non-GAAP)		
	Old	NEW	delta	Old	NEW	delta
Sep-23	\$1,053	\$1,053	\$0	\$0.16	\$0.16	\$0.00
Dec-23	\$1,125	\$1,131	\$6	\$0.24	\$0.36	\$0.12
Mar-24E	\$1,183	\$1,160	(\$23)	\$0.43	\$0.41	(\$0.02)
Jun-24E	\$1,239	\$1,280	\$42	\$0.55	\$0.61	\$0.07
<b>FY24E</b>	<b>\$4,600</b>	<b>\$4,625</b>	<b>\$25</b>	<b>\$1.38</b>	<b>\$1.54</b>	<b>\$0.16</b>
<b>YoY%</b>	<b>-10.9%</b>	<b>-10.4%</b>	0.5%	<b>-53.9%</b>	<b>-48.4%</b>	11.8%
Sep-24E	\$1,255	\$1,303	\$49	\$0.66	\$0.72	\$0.06
Dec-24E	\$1,325	\$1,358	\$33	\$0.79	\$0.81	\$0.02
Mar-25E	\$1,338	\$1,379	\$41	\$0.82	\$0.83	\$0.01
Jun-25E	\$1,347	\$1,387	\$40	\$0.80	\$0.83	\$0.03
<b>FY25E</b>	<b>\$5,265</b>	<b>\$5,428</b>	<b>\$163</b>	<b>\$3.07</b>	<b>\$3.20</b>	<b>\$0.12</b>
<b>YoY%</b>	<b>14.5%</b>	<b>17.4%</b>	3.1%	<b>122.5%</b>	<b>107.0%</b>	4.0%
<b>CY24E</b>	<b>\$5,002</b>	<b>\$5,102</b>	<b>\$100</b>	<b>\$2.42</b>	<b>\$2.56</b>	<b>\$0.14</b>
<b>YoY</b>	<b>8.2%</b>	<b>10.2%</b>	2.0%	<b>76.3%</b>	<b>71.7%</b>	5.6%
<b>CY25E</b>	<b>\$5,412</b>	<b>\$5,582</b>	<b>\$170</b>	<b>\$3.35</b>	<b>\$3.43</b>	<b>\$0.08</b>
<b>YoY</b>	<b>8.2%</b>	<b>9.4%</b>	3.1%	<b>38.4%</b>	<b>34.1%</b>	2.4%
<b>CY26E</b>	<b>\$5,876</b>	<b>\$6,052</b>	<b>\$176</b>	<b>\$4.19</b>	<b>\$4.35</b>	<b>\$0.16</b>
<b>YoY</b>	<b>8.6%</b>	<b>8.4%</b>	3.0%	<b>25.0%</b>	<b>26.8%</b>	3.9%

Source: BofA Global Research estimates, company reports

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# FQ2 reported vs. expected

## Exhibit 2: Summary of DecQ results

EPS in DecQ ahead of Street on stronger OpM and lower than expected financial expense

	Dec-22	Sep-23	Dec-23				Delta	QoQ	YoY
			Guidance	Consensus	BofAe	Reported			
<b>Sales (\$mn)</b>	<b>1,370.3</b>	<b>1,053.1</b>	<b>\$1,125 (\$1,075-\$1,175)</b>	<b>1,118.3</b>	<b>1,125.0</b>	<b>1,131.4</b>	<b>1.2%</b>	<b>7.4%</b>	<b>-17.4%</b>
QoQ%	1.9%	-12.6%		6.2%	6.8%	7.4%			
Communications	604.3	460.0		507.7	497.3	520.4	2.5%	13.1%	-13.9%
Industrial	452.2	404.0		420.3	444.4	423.0	0.6%	4.7%	-6.5%
Electronics	198.7	90.0		87.0	84.2	89.0	2.3%	-1.1%	-55.2%
Instrumentation	115.1	99.1		104.1	99.1	99.0	-4.9%	0.0%	-14.0%
<b>Non-GAAP Gross Margin%</b>	<b>39.8%</b>	<b>34.8%</b>	<b>36% (35%-37%)</b>	<b>35.9%</b>	<b>36.0%</b>	<b>36.0%</b>	<b>10</b>	<b>124</b>	<b>-380</b>
Non-GAAP Gross Profit	545.9	366.4			405.5	407.7		11.3%	-25.3%
R&D (Non-GAAP)	122.8	103.1			109.5	102.4		-0.7%	-16.6%
SG&A (Non-GAAP)	145.4	130.9			135.5	133.8		2.2%	-8.0%
Opex Total (Non-GAAP)	268.1	234.0	<b>238-252</b>		245.0	236.1		0.9%	-11.9%
Operating Income (Non-GAAP)	277.8	132.4		157.8	160.5	171.6		29.6%	-38.2%
<b>Op Margin % (Non-GAAP)</b>	<b>20.3%</b>	<b>12.6%</b>	<b>14% (13%-15%)</b>	<b>14.1%</b>	<b>14.3%</b>	<b>15.2%</b>	<b>105</b>	<b>259</b>	<b>-510</b>
Financial Income	(67.3)	(67.7)	<b>75 (73-77)</b>		(75.0)	(63.1)			
Tax expense (Non-GAAP)	39.0	9.7			18.4	23.6		142.0%	NA
Tax rate (Non-GAAP)	18.5%	15.0%	<b>22% (20%-23%)</b>		21.5%	21.7%		0	NA
Net Income (Non-GAAP)	171.4	55.0			67.1	86.4		57.1%	-49.6%
<b>Diluted EPS (Non-GAAP)</b>	<b>\$0.95</b>	<b>\$0.16</b>	<b>\$0.23 (\$0.14-\$0.32)</b>	<b>\$0.24</b>	<b>\$0.24</b>	<b>\$0.36</b>	<b>51.4%</b>	<b>123.7%</b>	<b>-61.5%</b>
Diluted Shares	150.2	152.2	<b>153.0</b>		153.0	152.9		0.5%	1.8%

Source: BofA Global Research estimates, company reports, Bloomberg, Visible Alpha

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## FQ3 outlook vs. expected

### Exhibit 3: Summary of MarQ guide

MarQ sales guided slightly above Street expectations

	Dec-23			Mar-24E	
	Reported	Old BofAe	Cons	Guidance	New BofAe
<b>Sales (\$mn)</b>	<b>1,131.4</b>	<b>1,183.3</b>	<b>1,171.7</b>	<b>\$1,160 (\$1,120-\$1,200)</b>	<b>1,160.0</b>
QoQ%	7.4%	5.2%	4.2%		2.5%
Communications	520.4	560.9	540.0		543.2
Industrial	423.0	453.3	425.0		435.7
Electronics	89.0	63.1	85.0		80.1
Instrumentation	99.0	106.0	105.8		101.0
<b>Non-GAAP Gross Margin%</b>	<b>36.0%</b>	<b>37.8%</b>	<b>37.3%</b>	<b>37% (36%-38%)</b>	<b>37.0%</b>
Non-GAAP Gross Profit	407.7	446.7			429.2
R&D (Non-GAAP)	102.4	117.7			113.5
SG&A (Non-GAAP)	133.8	140.9			140.5
Opex Total (Non-GAAP)	236.1	258.6		<b>246-262</b>	254.0
Operating Income (Non-GAAP)	171.6	188.1	184.0		175.2
<b>Op Margin % (Non-GAAP)</b>	<b>15.2%</b>	<b>15.9%</b>	<b>15.7%</b>	<b>15% (14%-16%)</b>	<b>15.1%</b>
Financial Income	(63.1)	(70.5)			(61.5)
Tax expense (Non-GAAP)	23.6	22.3			19.9
Tax rate (Non-GAAP)	21.7%	19.0%		<b>17.5% (16%-19%)</b>	17.5%
Net Income (Non-GAAP)	86.4	95.3			93.8
<b>Diluted EPS (Non-GAAP)</b>	<b>\$0.36</b>	<b>\$0.43</b>	<b>\$0.37</b>	<b>\$0.42 (\$0.32-\$0.52)</b>	<b>\$0.41</b>
Diluted Shares	152.9	153.0		153.0	153.0

Source: BofA Global Research estimates, company reports, Bloomberg, Visible Alpha

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## Summary of cash and inventory position

### Exhibit 4: Summary of cash balance, cash generation

Net cash/shr is up slightly QoQ, but still at low end of Street

	2Q23	3Q23	4Q23	1Q24	2Q24		
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	QoQ	YoY
<b>Total Cash</b>	<b>\$913</b>	<b>\$901</b>	<b>\$833</b>	<b>\$941</b>	<b>\$856</b>	<b>-9.0%</b>	<b>-6.2%</b>
ST Debt	\$75	\$75	\$75	\$75	\$75		
LT Debt	\$4,423	\$4,350	\$4,235	\$4,219	\$4,137		
Total Debt	\$4,498	\$4,425	\$4,310	\$4,294	\$4,212		
Net Cash	(\$3,584)	(\$3,524)	(\$3,476)	(\$3,353)	(\$3,355)		
<b>Net Cash/Share</b>	<b>(\$23.86)</b>	<b>(\$25.02)</b>	<b>(\$24.63)</b>	<b>(\$22.03)</b>	<b>(\$21.94)</b>	<b>-0.4%</b>	<b>-8.0%</b>
DSO	63.5	67.8	68.1	68.8	68.9		
DPO	40.7	47.6	42.8	54.8	58.7		
<b>Inventory \$</b>	<b>\$1,367</b>	<b>\$1,394</b>	<b>\$1,272</b>	<b>\$1,281</b>	<b>\$1,292</b>	<b>0.8%</b>	<b>-5.5%</b>
Inventory Turns	2.8	2.4	2.7	2.3	2.4		
<b>Inventory Days</b>	<b>130.1</b>	<b>155.1</b>	<b>134.7</b>	<b>156.6</b>	<b>151.0</b>	<b>-3.6%</b>	<b>16.0%</b>
Cash Conversion days	152.9	175.4	160.0	170.6	161.1		
<b>Cash Flow from Ops</b>	<b>\$220</b>	<b>\$152</b>	<b>\$182</b>	<b>\$199</b>	<b>\$67</b>	<b>-66.2%</b>	<b>-69.5%</b>
Capex	(\$107)	(\$97)	(\$93)	(\$62)	(\$91)		
<b>Free cash flow</b>	<b>\$114</b>	<b>\$55</b>	<b>\$88</b>	<b>\$137</b>	<b>(\$24)</b>	<b>-117.8%</b>	<b>-121.4%</b>

Source: Company reports

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### Glossary:

COHR – Coherent

SiC – Silicon Carbide

AI – artificial intelligence

LITE: Lumentum

GM: Gross Margin



## Exhibit 5: COHR – Income Statement (\$mn)

We model more of rebound in CY24

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	1Q25E	1Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
FY (Jun)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Jun-23	Jun-24E	Jun-25E	Dec-23	Dec-24	Dec-25
<b>Revenue</b>	<b>\$1,345</b>	<b>\$1,370</b>	<b>\$1,240</b>	<b>\$1,205</b>	<b>\$1,053</b>	<b>\$1,131</b>	<b>\$1,160</b>	<b>\$1,280</b>	<b>\$1,303</b>	<b>\$1,358</b>	<b>\$1,379</b>	<b>\$1,387</b>	<b>\$5,160</b>	<b>\$4,625</b>	<b>\$5,428</b>	<b>\$4,630</b>	<b>\$5,102</b>	<b>\$5,582</b>
QoQ	51.6%	1.9%	-9.5%	-2.8%	-12.6%	7.4%	2.5%	10.4%	1.8%	4.2%	1.5%	0.6%						
YoY	69.1%	69.8%	49.8%	35.9%	-21.7%	-17.4%	-6.5%	6.3%	23.8%	20.0%	18.9%	8.4%	55.6%	-10.4%	17.4%	4.5%	10.2%	9.4%
Cost of sales	\$901	\$959	\$820	\$862	\$746	\$781	\$789	\$835	\$847	\$881	\$899	\$904	\$3,542	\$3,152	\$3,531	\$3,209	\$3,353	\$3,595
Gross profit	\$444	\$411	\$420	\$343	\$307	\$351	\$371	\$445	\$457	\$477	\$480	\$483	\$1,618	\$1,473	\$1,897	\$1,421	\$1,749	\$1,987
<b>Non-GAAP Gross Profit</b>	<b>\$542</b>	<b>\$546</b>	<b>\$463</b>	<b>\$433</b>	<b>\$366</b>	<b>\$408</b>	<b>\$429</b>	<b>\$506</b>	<b>\$516</b>	<b>\$539</b>	<b>\$543</b>	<b>\$547</b>	<b>\$1,984</b>	<b>\$1,709</b>	<b>\$2,145</b>	<b>\$1,670</b>	<b>\$1,990</b>	<b>\$2,221</b>
Opex:																		
R&D	\$121	\$129	\$126	\$123	\$113	\$111	\$118	\$139	\$141	\$142	\$145	\$143	\$500	\$482	\$571	\$474	\$540	\$591
Non-GAAP R&D	\$116	\$123	\$120	\$115	\$103	\$102	\$114	\$134	\$135	\$137	\$139	\$137	\$473	\$453	\$548	\$440	\$519	\$567
SG&A	\$280	\$274	\$226	\$256	\$212	\$209	\$220	\$197	\$182	\$188	\$187	\$193	\$1,037	\$838	\$749	\$903	\$786	\$759
Non-GAAP SG&A	\$140	\$145	\$126	\$133	\$131	\$134	\$140	\$145	\$142	\$147	\$145	\$151	\$544	\$550	\$586	\$523	\$574	\$599
Total GAAP Opex	\$401	\$403	\$353	\$499	\$328	\$319	\$338	\$336	\$323	\$330	\$332	\$335	\$1,655	\$1,321	\$1,320	\$1,498	\$1,327	\$1,350
Non-GAAP Opex	\$256	\$268	\$246	\$248	\$234	\$236	\$254	\$279	\$278	\$283	\$285	\$288	\$1,018	\$1,003	\$1,134	\$964	\$1,094	\$1,166
GAAP Operating income	\$42	\$8	\$67	(\$155)	(\$21)	\$32	\$32	\$109	\$134	\$147	\$148	\$148	-\$37	\$152	\$577	-\$77	\$423	\$637
<b>Non-GAAP Operating income</b>	<b>\$286</b>	<b>\$278</b>	<b>\$217</b>	<b>\$185</b>	<b>\$132</b>	<b>\$172</b>	<b>\$175</b>	<b>\$227</b>	<b>\$238</b>	<b>\$256</b>	<b>\$259</b>	<b>\$259</b>	<b>\$966</b>	<b>\$706</b>	<b>\$1,012</b>	<b>\$706</b>	<b>\$897</b>	<b>\$1,055</b>
interest and other expense, net	(\$93)	(\$75)	(\$72)	(\$78)	(\$67)	(\$69)	(\$62)	(\$61)	(\$60)	(\$60)	(\$60)	(\$60)	-\$318	-\$258	-\$238	-\$287	-\$241	-\$238
Non-GAAP interest and other, net	(\$62)	(\$67)	(\$71)	(\$73)	(\$68)	(\$63)	(\$62)	(\$61)	(\$60)	(\$60)	(\$60)	(\$60)	-\$273	-\$253	-\$238	-\$275	-\$241	-\$238
GAAP Pretax income	(\$51)	(\$66)	(\$5)	(\$233)	(\$88)	(\$37)	(\$29)	\$49	\$75	\$88	\$89	\$88	-\$356	-\$106	\$339	-\$364	\$182	\$399
Non-GAAP Pretax income	\$225	\$210	\$146	\$112	\$65	\$109	\$114	\$167	\$179	\$196	\$199	\$199	\$693	\$454	\$774	\$431	\$656	\$817
GAAP Tax expense	(\$12)	(\$21)	(\$7)	(\$55)	(\$21)	(\$9)	(\$13)	\$9	\$5	\$9	\$9	\$9	-\$96	-\$33	\$32	-\$92	\$10	\$42
Non-GAAP Tax expense	\$41	\$39	\$28	\$18	\$10	\$24	\$20	\$42	\$38	\$41	\$42	\$42	\$126	\$95	\$162	\$79	\$140	\$172
Basic GAAP Net income attributable to common shareholders	(\$74)	(\$81)	(\$34)	(\$215)	(\$98)	(\$58)	(\$48)	\$9	\$39	\$48	\$48	\$48	-\$404	-\$196	\$183	-\$405	\$47	\$233
<b>Non-GAAP Net Income</b>	<b>\$184</b>	<b>\$171</b>	<b>\$118</b>	<b>\$95</b>	<b>\$55</b>	<b>\$86</b>	<b>\$94</b>	<b>\$125</b>	<b>\$141</b>	<b>\$155</b>	<b>\$157</b>	<b>\$158</b>	<b>\$567</b>	<b>\$359</b>	<b>\$611</b>	<b>\$352</b>	<b>\$515</b>	<b>\$645</b>
GAAP Diluted EPS	(\$0.56)	(\$0.58)	(\$0.24)	(\$1.54)	(\$0.65)	(\$0.38)	(\$0.31)	\$0.06	\$0.25	\$0.32	\$0.32	\$0.32	-\$2.93	-\$1.29	\$1.21	-\$2.79	\$0.31	\$1.55
<b>Non-GAAP Diluted EPS</b>	<b>\$1.04</b>	<b>\$0.95</b>	<b>\$0.58</b>	<b>\$0.41</b>	<b>\$0.16</b>	<b>\$0.36</b>	<b>\$0.41</b>	<b>\$0.61</b>	<b>\$0.72</b>	<b>\$0.81</b>	<b>\$0.83</b>	<b>\$0.83</b>	<b>\$3.00</b>	<b>\$1.54</b>	<b>\$3.20</b>	<b>\$1.49</b>	<b>\$2.56</b>	<b>\$3.43</b>
QoQ	6.0%	-9.1%	-39.0%	-28.7%	-60.4%	123.7%	12.5%	49.6%	17.6%	12.6%	1.9%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY	20.5%	3.4%	-39.0%	-58.1%	-84.4%	-61.5%	-29.0%	49.0%	342.6%	122.9%	102.0%	35.5%	-19.4%	-48.4%	107.0%	-62.2%	71.7%	34.1%

Source: BofA Global Research estimates, company reports

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**Exhibit 6: COHR – Segment model (\$mn)**

Comms now represents &lt;50% of revenue, though could expand with AI upside

FY (Jun)	1Q23 Sep-22	2Q23 Dec-22	3Q23 Mar-23	4Q23 Jun-23	1Q24 Sep-23	2Q24 Dec-23	3Q24E Mar-24E	4Q24E Jun-24E	1Q25E Sep-24E	1Q25E Dec-24E	3Q25E Mar-25E	4Q25E Jun-25E	FY23 Jun-23	FY24E Jun-24E	FY25E Jun-25E	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
Communications	\$588	\$604	\$536	\$570	\$460	\$520	\$543	\$616	\$639	\$659	\$691	\$692	\$2,298	\$2,139	\$2,681	\$2,086	\$2,457	\$2,760
Industrial	\$456	\$452	\$438	\$412	\$404	\$423	\$436	\$479	\$474	\$503	\$493	\$503	\$1,758	\$1,742	\$1,973	\$1,677	\$1,892	\$2,026
Electronics	\$180	\$199	\$140	\$106	\$90	\$89	\$80	\$79	\$83	\$90	\$85	\$82	\$625	\$338	\$341	\$425	\$333	\$355
Instrumentation	\$121	\$115	\$126	\$117	\$99	\$99	\$101	\$106	\$107	\$106	\$109	\$110	\$480	\$405	\$433	\$442	\$420	\$441
<b>Total</b>	<b>\$1,345</b>	<b>\$1,370</b>	<b>\$1,240</b>	<b>\$1,205</b>	<b>\$1,053</b>	<b>\$1,131</b>	<b>\$1,160</b>	<b>\$1,280</b>	<b>\$1,303</b>	<b>\$1,358</b>	<b>\$1,379</b>	<b>\$1,387</b>	<b>\$5,160</b>	<b>\$4,625</b>	<b>\$5,428</b>	<b>\$4,630</b>	<b>\$5,102</b>	<b>\$5,582</b>
QoQ (%)																		
Communications	0.4%	2.8%	-11.3%	6.4%	-19.3%	13.1%	4.4%	13.4%	3.7%	3.2%	4.8%	0.2%						
Industrial	133.6%	-0.8%	-3.2%	-5.9%	-1.9%	4.7%	3.0%	10.0%	-1.0%	6.0%	-2.0%	2.0%						
Electronics	124.4%	10.3%	-29.5%	-24.4%	-15.1%	-1.1%	-10.0%	-1.0%	5.0%	8.0%	-5.0%	-4.0%						
Instrumentation	241.1%	-4.9%	9.9%	-7.5%	-15.4%	0.0%	2.0%	5.0%	1.0%	-1.0%	3.0%	1.0%						
<b>Total</b>	<b>50.0%</b>	<b>1.9%</b>	<b>-9.5%</b>	<b>-2.8%</b>	<b>-12.6%</b>	<b>7.4%</b>	<b>2.5%</b>	<b>10.4%</b>	<b>1.8%</b>	<b>4.2%</b>	<b>1.5%</b>	<b>0.6%</b>						
YoY (%)																		
Communications	10.3%	17.0%	-4.8%	-2.6%	-21.7%	-13.9%	1.4%	8.0%	38.8%	26.7%	27.3%	12.4%	4.6%	-6.9%	25.3%	-10.9%	17.8%	12.3%
Industrial	160.6%	143.7%	140.4%	111.1%	-11.4%	-6.5%	-0.5%	16.3%	17.4%	18.9%	13.1%	4.9%	138.3%	-0.9%	13.3%	30.5%	12.9%	7.1%
Electronics	183.3%	146.3%	141.9%	32.0%	-50.0%	-55.2%	-42.8%	-25.2%	-7.5%	1.0%	6.7%	3.4%	121.2%	-45.9%	0.7%	-17.8%	-21.8%	6.8%
Instrumentation	407.3%	375.6%	409.4%	229.9%	-18.1%	-14.0%	-20.1%	-9.4%	8.1%	7.1%	8.1%	4.0%	342.6%	-15.5%	6.8%	49.0%	-4.8%	5.0%
<b>Total</b>	<b>69.1%</b>	<b>69.8%</b>	<b>49.8%</b>	<b>34.4%</b>	<b>-21.7%</b>	<b>-17.4%</b>	<b>-6.5%</b>	<b>6.3%</b>	<b>23.8%</b>	<b>20.0%</b>	<b>18.9%</b>	<b>8.4%</b>	<b>55.1%</b>	<b>-10.4%</b>	<b>17.4%</b>	<b>4.3%</b>	<b>10.2%</b>	<b>9.4%</b>
% of Total																		
Communications	43.7%	44.1%	43.2%	47.3%	43.7%	46.0%	46.8%	48.1%	49.0%	48.5%	50.1%	49.9%	44.5%	46.3%	49.4%	45.1%	48.2%	49.4%
Industrial	33.9%	33.0%	35.3%	34.2%	38.4%	37.4%	37.6%	37.4%	36.4%	37.0%	35.7%	36.2%	34.1%	37.7%	36.4%	36.2%	37.1%	36.3%
Electronics	13.4%	14.5%	11.3%	8.8%	8.5%	7.9%	6.9%	6.2%	6.4%	6.6%	6.2%	5.9%	12.1%	7.3%	6.3%	9.2%	6.5%	6.4%
Instrumentation	9.0%	8.4%	10.2%	9.7%	9.4%	8.8%	8.7%	8.3%	8.2%	7.8%	7.9%	8.0%	9.3%	8.8%	8.0%	9.5%	8.2%	7.9%

Source: BofA Global Research estimates, company reports

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**Exhibit 7: COHR – Balance Sheet (\$mn)**

COHR will likely manage cash position in conjunction with debt paydowns

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	1Q25E	1Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
<b>FY (Jun)</b>	<b>Sep-22</b>	<b>Dec-22</b>	<b>Mar-23</b>	<b>Jun-23</b>	<b>Sep-23</b>	<b>Dec-23</b>	<b>Mar-24E</b>	<b>Jun-24E</b>	<b>Sep-24E</b>	<b>Dec-24E</b>	<b>Mar-25E</b>	<b>Jun-25E</b>	<b>Jun-23</b>	<b>Jun-24E</b>	<b>Jun-25E</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25</b>
Cash and cash equivalents	\$899	\$913	\$901	\$833	\$941	\$856	\$652	\$583	\$703	\$740	\$923	\$1,079	\$833	\$583	\$1,079	\$856	\$740	\$1,375
Accounts receivable, net	\$975	\$957	\$924	\$902	\$796	\$856	\$872	\$962	\$979	\$1,021	\$1,036	\$1,043	\$902	\$962	\$1,043	\$856	\$1,021	\$1,086
Inventories	\$1,347	\$1,367	\$1,394	\$1,272	\$1,281	\$1,292	\$1,388	\$1,469	\$1,442	\$1,501	\$1,481	\$1,490	\$1,272	\$1,469	\$1,490	\$1,292	\$1,501	\$1,511
Deferred income taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid and refundable income taxes	\$23	\$25	\$26	\$28	\$20	\$24	\$24	\$24	\$24	\$24	\$24	\$24	\$28	\$24	\$24	\$24	\$24	\$24
Prepaid and other current assets	\$151	\$154	\$161	\$217	\$206	\$394	\$394	\$394	\$394	\$394	\$394	\$394	\$217	\$394	\$394	\$394	\$394	\$394
<b>Total current assets</b>	<b>\$3,395</b>	<b>\$3,416</b>	<b>\$3,407</b>	<b>\$3,252</b>	<b>\$3,244</b>	<b>\$3,422</b>	<b>\$3,329</b>	<b>\$3,431</b>	<b>\$3,542</b>	<b>\$3,678</b>	<b>\$3,857</b>	<b>\$4,030</b>	<b>\$3,252</b>	<b>\$3,431</b>	<b>\$4,030</b>	<b>\$3,422</b>	<b>\$3,678</b>	<b>\$4,390</b>
Net property, plant and equipment	\$1,804	\$1,876	\$1,911	\$1,782	\$1,775	\$1,849	\$1,911	\$1,927	\$1,947	\$1,967	\$1,988	\$2,008	\$1,782	\$1,927	\$2,008	\$1,849	\$1,967	\$2,051
Goodwill	\$5,285	\$4,427	\$4,505	\$4,513	\$4,460	\$4,566	\$4,566	\$4,566	\$4,566	\$4,566	\$4,566	\$4,566	\$4,513	\$4,566	\$4,566	\$4,566	\$4,566	\$4,566
Intangible assets, net	\$2,985	\$4,029	\$3,954	\$3,815	\$3,696	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705	\$3,815	\$3,705	\$3,705	\$3,705	\$3,705	\$3,705
Investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred income taxes	\$28	\$31	\$34	\$38	\$39	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$38	\$48	\$48	\$48	\$48	\$48
Other assets	\$334	\$331	\$307	\$312	\$307	\$1,074	\$1,074	\$1,074	\$1,074	\$1,074	\$1,074	\$1,074	\$312	\$1,074	\$1,074	\$1,074	\$1,074	\$1,074
<b>Total Assets</b>	<b>\$13,831</b>	<b>\$14,109</b>	<b>\$14,118</b>	<b>\$13,711</b>	<b>\$13,521</b>	<b>\$14,663</b>	<b>\$14,632</b>	<b>\$14,751</b>	<b>\$14,881</b>	<b>\$15,038</b>	<b>\$15,237</b>	<b>\$15,430</b>	<b>\$13,711</b>	<b>\$14,751</b>	<b>\$15,430</b>	<b>\$14,663</b>	<b>\$15,038</b>	<b>\$15,833</b>
Current liabilities:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current portion of long term debt	\$129	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75
Accounts payable	\$479	\$429	\$429	\$405	\$449	\$504	\$442	\$468	\$474	\$494	\$503	\$506	\$405	\$468	\$506	\$504	\$494	\$514
Accruals and other current liabilities	\$575	\$629	\$604	\$599	\$559	\$609	\$609	\$609	\$609	\$609	\$609	\$609	\$599	\$609	\$609	\$609	\$609	\$609
<b>Total current liabilities</b>	<b>\$1,183</b>	<b>\$1,133</b>	<b>\$1,107</b>	<b>\$1,079</b>	<b>\$1,083</b>	<b>\$1,188</b>	<b>\$1,126</b>	<b>\$1,152</b>	<b>\$1,158</b>	<b>\$1,177</b>	<b>\$1,187</b>	<b>\$1,190</b>	<b>\$1,079</b>	<b>\$1,152</b>	<b>\$1,190</b>	<b>\$1,188</b>	<b>\$1,177</b>	<b>\$1,197</b>
Long-term debt	\$4,494	\$4,423	\$4,350	\$4,235	\$4,219	\$4,137	\$4,087	\$4,037	\$3,987	\$3,937	\$3,937	\$3,937	\$4,235	\$4,037	\$3,937	\$4,137	\$3,937	\$3,937
Deferred income taxes	\$619	\$826	\$847	\$780	\$743	\$814	\$814	\$814	\$814	\$814	\$814	\$814	\$780	\$814	\$814	\$814	\$814	\$814
Other long-term liabilities	\$372	\$366	\$362	\$388	\$373	\$378	\$378	\$378	\$378	\$378	\$378	\$378	\$388	\$378	\$378	\$378	\$378	\$378
<b>Total Liabilities</b>	<b>\$6,668</b>	<b>\$6,748</b>	<b>\$6,667</b>	<b>\$6,482</b>	<b>\$6,418</b>	<b>\$6,517</b>	<b>\$6,405</b>	<b>\$6,381</b>	<b>\$6,337</b>	<b>\$6,306</b>	<b>\$6,316</b>	<b>\$6,319</b>	<b>\$6,482</b>	<b>\$6,381</b>	<b>\$6,319</b>	<b>\$6,517</b>	<b>\$6,306</b>	<b>\$6,326</b>
Total stockholders' equity	\$7,163	\$7,361	\$7,451	\$7,229	\$7,104	\$8,146	\$8,228	\$8,370	\$8,544	\$8,731	\$8,921	\$9,111	\$7,229	\$8,370	\$9,111	\$8,146	\$8,731	\$9,507
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$13,831</b>	<b>\$14,109</b>	<b>\$14,118</b>	<b>\$13,711</b>	<b>\$13,521</b>	<b>\$14,663</b>	<b>\$14,632</b>	<b>\$14,751</b>	<b>\$14,881</b>	<b>\$15,038</b>	<b>\$15,237</b>	<b>\$15,430</b>	<b>\$13,711</b>	<b>\$14,751</b>	<b>\$15,430</b>	<b>\$14,663</b>	<b>\$15,038</b>	<b>\$15,833</b>

Source: BofA Global Research estimates, company reports

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**Exhibit 8: COHR – Statement of cash flows (\$mn)**

We model FCF margins in low double digit range long-term

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E	1Q25E	1Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Jun-23	Jun-24E	Jun-25E	Dec-23	Dec-24	Dec-25
Cash flows from operating activities :																		
Net income	(\$39)	(\$45)	\$3	(\$178)	(\$68)	(\$28)	(\$17)	\$40	\$70	\$79	\$79	\$79	(\$259)	(\$73)	\$307	(\$272)	\$171	\$357
Depreciation and amortization	\$147	\$170	\$161	\$204	\$138	\$138	\$140	\$150	\$143	\$149	\$152	\$153	\$682	\$566	\$597	\$641	\$583	\$572
Depreciation	\$65	\$65	\$68	\$70	\$66	\$67	\$68	\$75	\$72	\$75	\$76	\$76	\$268	\$276	\$299	\$271	\$290	\$293
Amortization	\$83	\$105	\$93	\$133	\$73	\$72	\$72	\$74	\$72	\$75	\$76	\$76	\$414	\$290	\$299	\$370	\$293	\$279
Share based compensation expense	\$54	\$35	\$35	\$25	\$46	\$27	\$26	\$29	\$33	\$34	\$34	\$35	\$149	\$127	\$136	\$132	\$121	\$140
Amortization of discount on convertible debt and debt issuance costs	\$4	\$4	\$5	\$6	\$4	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$20	\$9	\$0	\$20	\$0	\$0
Impairment of PPE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(Gain) Loss on foreign currency remeasurements and transactions	(\$22)	\$26	(\$5)	(\$3)	(\$14)	\$13	\$0	\$0	\$0	\$0	\$0	\$0	(\$4)	(\$2)	\$0	(\$9)	\$0	\$0
Earnings from equity investment	(\$1)	(\$0)	\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$0	\$0
Deferred Income taxes	(\$14)	(\$72)	(\$35)	(\$86)	(\$40)	(\$57)	\$0	\$0	\$0	\$0	\$0	\$0	(\$207)	(\$97)	\$0	(\$217)	\$0	\$0
Excess tax benefits form share-based compensation expense, other	\$7	\$11	(\$11)	\$122	\$0	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$129	\$3	\$0	\$113	\$0	\$0
Changes in assets and liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts receivable, net	(\$1)	\$14	\$38	\$17	\$116	(\$63)	(\$16)	(\$91)	(\$17)	(\$41)	(\$15)	(\$6)	\$68	(\$53)	(\$80)	\$109	(\$164)	(\$66)
Inventories	\$8	\$89	(\$21)	\$99	(\$17)	\$14	(\$96)	(\$81)	\$26	(\$58)	\$20	(\$9)	\$174	(\$180)	(\$21)	\$75	(\$209)	(\$11)
Accounts payable	(\$43)	(\$39)	\$3	(\$4)	\$42	\$21	(\$62)	\$26	\$6	\$19	\$10	\$3	(\$83)	\$27	\$38	\$62	(\$10)	\$20
Contract Liabilities	\$44	(\$32)	\$1	(\$32)	(\$10)	(\$22)	\$0	\$0	\$0	\$0	\$0	\$0	(\$19)	(\$31)	\$0	(\$62)	\$0	\$0
Income taxes	(\$9)	\$33	(\$6)	\$10	(\$3)	\$30	\$0	\$0	\$0	\$0	\$0	\$0	\$29	\$27	\$0	\$31	\$0	\$0
Accrued compensation and benefits	(\$45)	\$28	(\$27)	\$0	\$3	(\$12)	\$0	\$0	\$0	\$0	\$0	\$0	(\$44)	(\$9)	\$0	(\$36)	\$0	\$0
Other operating net assets	(\$11)	\$0	\$11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11	\$0	\$0
<b>Net cash provided by operating activities</b>	<b>\$80</b>	<b>\$220</b>	<b>\$152</b>	<b>\$182</b>	<b>\$199</b>	<b>\$67</b>	<b>(\$24)</b>	<b>\$72</b>	<b>\$261</b>	<b>\$182</b>	<b>\$279</b>	<b>\$254</b>	<b>\$634</b>	<b>\$314</b>	<b>\$976</b>	<b>\$600</b>	<b>\$491</b>	<b>\$1,012</b>
Cash flows from investing activities :																		
Purchases of property, plant and equipment	(\$139)	(\$107)	(\$97)	(\$93)	(\$62)	(\$91)	(\$130)	(\$91)	(\$91)	(\$95)	(\$97)	(\$97)	(\$436)	(\$375)	(\$380)	(\$344)	(\$408)	(\$377)
Purchase of businesses, net of cash acquired	(\$5,489)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,489)	\$0	\$0	\$0	\$0	\$0
Other investing activities	(\$1)	(\$2)	\$0	(\$2)	(\$2)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	(\$4)	(\$2)	\$0	(\$4)	\$0	\$0
<b>Net cash provided by (used in) investing activities</b>	<b>(\$5,628)</b>	<b>(\$108)</b>	<b>(\$97)</b>	<b>(\$95)</b>	<b>(\$64)</b>	<b>(\$92)</b>	<b>(\$130)</b>	<b>(\$91)</b>	<b>(\$91)</b>	<b>(\$95)</b>	<b>(\$97)</b>	<b>(\$97)</b>	<b>(\$5,929)</b>	<b>(\$377)</b>	<b>(\$380)</b>	<b>(\$348)</b>	<b>(\$408)</b>	<b>(\$377)</b>
Cash flows from financing activities :																		
Proceeds from borrowings	\$3,715	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,715	\$0	\$0	\$0	\$0	\$0
Payment on borrowings	(\$996)	(\$137)	(\$79)	(\$121)	(\$19)	(\$89)	(\$50)	(\$50)	(\$50)	(\$50)	\$0	\$0	(\$1,334)	(\$207)	(\$100)	(\$307)	(\$200)	\$0
Payment of debt issuance	(\$127)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$127)	\$0	\$0	\$0	\$0	\$0
Minimum tax withholding requirements	(\$4)	(\$47)	(\$1)	(\$2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$54)	\$0	\$0	(\$4)	\$0	\$0
Proceeds from exercises of stock options	\$7	\$42	(\$8)	(\$17)	(\$14)	(\$4)	\$0	\$0	\$0	\$0	\$0	\$0	\$24	(\$18)	\$0	(\$43)	\$0	\$0
Common stock repurchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Excess tax withholding requirements	(\$0)	(\$0)	\$22	\$24	\$15	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$45	\$16	\$0	\$62	\$0	\$0
<b>Net cash used in financing activities</b>	<b>\$3,907</b>	<b>(\$156)</b>	<b>(\$73)</b>	<b>(\$123)</b>	<b>(\$18)</b>	<b>\$881</b>	<b>(\$50)</b>	<b>(\$50)</b>	<b>(\$50)</b>	<b>(\$50)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,554</b>	<b>\$763</b>	<b>(\$100)</b>	<b>\$666</b>	<b>(\$200)</b>	<b>\$0</b>

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH





## Price objective basis & risk

### Coherent Corp (COHR)

We assign a \$65 PO based on 14x CY25E P/E, in the upper-middle of historical 7x-26x range, given potential sales upside from hyperscaler upgrades, but partially offset by lower margin profile (versus industry).

Upside risks to our PO are 1) better than expected telco capex trends, 2) more resilient iPhone sales trends as well as continued share growth in 3D sensing, 3) quick rebound in cloud activity

Downside risks to our PO are 1) lumpy telecom/hyperscaler capex trends, 2) frequent M&A activity increasing leverage limiting valuation multiples, 3) persistent supply constraints impacting topline growth, 4) heightened trade tensions impacting opportunities in growing Asia markets.

## Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
<b>NEUTRAL</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
<b>UNDERPERFORM</b>				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya



## US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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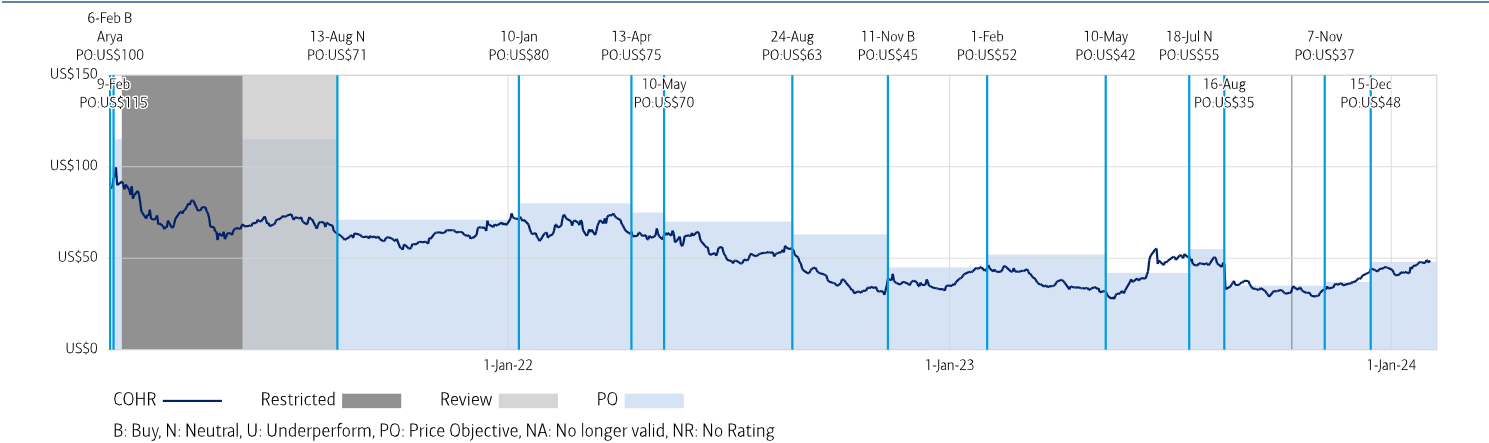
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## Important Disclosures

Coherent (COHR) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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