



Coherent Corp



B+ 1 year PD
0.60% to 1.89%

- Strong liquidity and global diversification support stability; leadership shifts and strategic review show proactive financial management. Return to profitability and lower leverage in FY-25(A)
- Margin pressure, still a high leverage, and separation-related uncertainty pose near- to mid-term execution risks. Prior issues meeting expectations feed concerns pertaining to the financials.

Strengths

- Trend:** Upon operating at a Net Loss over the past 2 years, the entity is likely to achieve a Net Profit in FY-25 (A) of roughly \$171mn, the first time after FY-22. At the same time the company substantially reduced Total Debt, eventually reducing Leverage from 7x in FY-23 to 3.3x in FY-25 (A). EBITDA Margin improved nearly 4 points to 16.8% since FY-23. Recent leadership changes (CEO & CFO), plus strategy adjustment, seems to pay off.
- Strong Liquidity Position:** With a current and quick ratio of 2.95x/2.0x in FY-25 (A), their liquidity exceeds peer medians (2.16 and 1.60 respectively). The entity has a solid access to capital markets, supported by public issuer ratings from S&P & Moodys' ('BB-' / 'Ba2').
- Geographic and Product Diversification:** Coherent operates across Americas, EMEA, and Asia-Pacific, with revenue well-distributed across lasers, optics, and microelectronics, reducing regional and segment risk exposure.

Challenges

- Leverage:** FY-25(A) Net Debt/EBITDA stood at 3.3x versus a 1.17x peers, and Debt-to-Assets at 33.4% vs. 24.9%, still reflecting structural over-leverage concerns.
- Low Profitability Metrics:** EBITDA margin (16.3%) and ROCE (2.9%) both underperform significantly versus peers (19.9% and 12.8% respectively), indicating operational ichallenges. In FY-22 EBITDA Margin and ROCE were 21.7% and 6.3%, respectively.
- Management / Strategy:** Ongoing strategic restructuring (kicked off in 2024) introduces execution risk (e.g. including a potential separation of its Materials and Networking businesses, due to an underwhelming performance, scaling back investments, etc). Past earnings calls show revisions to guidance, margin slippage, and challenges forecasting near-term demand, negatively impacting investor-confidence and trust.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership	Public			
	Company Stage	Stabilized			
	Financials	Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	3.4	Liquidity	15%	6.9
			Leverage	40%	2.4
			Profitability	45%	3.0
Business	25%	6.2	Industry Risk	20%	5.3
			Competitive Position	50%	6.8
			Mgmt / Governance	30%	6.0
			Sponsor / Parent		
Modifiers	1.6		Revenue Segment		0.6
			Trend Analysis		0.50
			Financial Flexibility		0.25

Company Overview

Headquarters	Saxonburg, PA
Type	Public
Employees	~26,000
Year Founded	1971
Website	https://www.coherent.com
Business	Lasers, optics, semiconductors, and photonic systems.
Revenues	\$5,707.6M

- Company Overview:** Coherent Corp. is a vertically integrated global manufacturer specializing in lasers, optics, and engineered materials for use across industrial, communications, electronics, and aerospace & defense markets.
- Product:** The business is primarily structured across three segments: [Lasers & Optics](#) - precision laser systems and optical components. [Materials & Components](#) - engineered compound semiconductor materials and crystal growth products. [Networking Components & Systems](#) - high-speed optical modules and subsystems for data centers and telecom.
- Customers:** The company primarily serves OEMs and large corporates in the semiconductor, aerospace, industrial, telecom, and automotive sectors. Key customer verticals include semiconductor capital equipment, defense integrators, and data infrastructure firms.
- Ownership:** Publicly listed on the NYSE under ticker “COHR”. No single dominant shareholder is known; institutional investors and mutual funds hold significant stakes.
- Debt Structure:** Term Loans A and B (jointly \$2.7bn, floating rate), and a 5% Senior Note \$980mn make up the majority of the debt. Hence, there is Rate Sensitivity and a maturity wall in 2029.
- Basis for Assessment:** SEC-filed financials (10-Ks) for FY-22, FY-23, and FY-24 plus Q1/2/3-25 (T9), which ended in 3/25. Biggest reliance is on FY-25 (annualized).
- Single Event Risks:** [Separation Plan Failure](#) - inability to execute strategic separation or divestiture would stall deleveraging efforts and prolong elevated leverage, straining credit metrics. [Demand Shock in Key Markets](#) - sudden downturn in semis or optical comms (e.g. China, inventory cuts) could hit cash flows before margin recovery solidifies.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	72	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.16	2.95	71%
	Quick Ratio	1.60	2.02	66%
Leverage	Net Debt / EBITDA	1.17	3.34	11%
	Debt to Assets	24.9%	33.4%	30%
Profitability	EBITDA Margin	19.9%	16.8%	41%
	ROCE %	12.8%	2.9%	10%
	Revenue	\$1,879M	\$5,708M	
Industry Benchmarks - Primary: Electronic Equipment and Instruments Secondary: Semiconductors				



Financial Statement Highlights

	(C)	(B)	(A)	Change	
	Jun-23 T12	Jun-24 T12	Jun-25 (A) T12	(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	5,160,100	4,707,688	5,707,572		21.2%
Gross Profit	1,618,283	1,455,964	1,996,231		37.1%
Adjusted EBITDA	664,417	673,534	957,668		42.2%
Gross Profit Margin	31.4%	30.9%	35.0%		+405 bps
Net Income	(259,458)	(158,764)	170,891		207.6%
Balance Sheet					
Cash And Cash Equivalents	837,566	1,789,686	1,626,030		-9.1%
Total Current Assets	3,256,231	4,349,744	4,416,565		1.5%
Total Assets	13,711,133	14,488,634	14,444,825		-0.3%
Total Current Liabilities	1,078,748	1,343,767	1,497,004		11.4%
Total Debt	5,516,526	5,312,938	4,826,424		-9.2%
Total Equity	7,228,966	7,946,279	8,168,789		2.8%
Key Ratios					
Current Ratio	3.02	3.24	2.95		-8.9%
Quick Ratio	1.84	2.28	2.02		-11.4%
Net Debt / EBITDA	7.04	5.23	3.34		-36.1%
Debt to Assets	40.2%	36.7%	33.4%		(326) bps
EBITDA Margin	12.9%	14.3%	16.8%		+247 bps
ROCE %	-0.3%	0.7%	2.9%		+219 bps

- Total revenue reached \$5.7bn in FY-25, marking a 21% YoY rebound from the FY-24 dip, but still below FY-23 highs. Yet, most importantly, the entity is profitable again.
- Free cash flow improved to \$303mn in FY-25, up from \$130mn and \$176mn in prior years, supported by better working capital management.
- After negative operating income in FY-23, FY-25 returned to \$378mn, reflecting gradual improvement post-integration of prior acquisitions, and declining Total Debt.

Business Risk Highlights

- Industry:** Coherent operates in the cyclical and R&D-heavy optoelectronics and semiconductor equipment industry, where demand is highly sensitive to macro cycles. North America’s Electronic Test & Measurement (ETM) industry is projected to grow at a 7.2% CAGR through 2032, driven by demand in semiconductors, telecom, aerospace, and EV sectors. Competition is intense with precision, modularity, and software integration being key differentiators. Rapid technological evolution, including RF/5G testing, IoT connectivity, and AI-enabled diagnostics, is central to growth.
- Competitive Position:** Competes with firms like Lumentum, IPG Photonics, and II-VI. While diversified, pricing pressure and innovation pace remain key challenges.
- Management:** Several large acquisitions have stretched execution capacity in prior years; integration costs and amortization continue to weigh on earnings. Management shows strong strategic intent and relevant experience, but faces a credibility challenge tied to financial underperformance (e.g. past earnings calls show revisions to guidance, margin slippage, and challenges forecasting near-term demand), leadership changes (CEO, CFO, board realignment), and the complexity of ongoing restructuring. Continued focus on transparency, consistent execution, and capital discipline will be critical to mitigate risk and