STRATEGIC INTELLIGENCE DIVISION

The bottleneck moved to the optical link, and the buyer committed first

Lumentum's GAAP gross margin went from 34.0% to 51.0% in a year, and its second NPO/CPO win is "backed by purchase commitments exceeding $5 billion", about four quarters of its September quarter revenue. Marvell pays $115bn in stock for the company holding the link, with closing expected in the first half of 2028. The commitment sits inside a supplier changing owner.

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In brief

- GAAP gross margin went from 34.0% to 51.0% in the year to 26 September 2026, and non-GAAP operating margin from 18.7% to 42.3%, so the margin on AI capacity is now earned at the optical link rather than at the accelerator.
- One win is described as "backed by purchase commitments exceeding $5 billion", about four quarters of Lumentum's September quarter revenue, and the release names no counterparty, no products, no delivery schedule and no cancellation right.
- Eleven weeks earlier the same company's Form 10-K said the majority of its customers do not have contractual purchase commitments, so the largest disclosed commitment changed instrument inside one quarter.
- Marvell pays $115bn in stock, about 22.8 times Lumentum's September quarter revenue annualised, with a $5.8bn break fee, a $2.9bn reciprocal fee and a $3.2bn regulatory fee, against an outside date of 1 November 2027 and an expected closing in the first half of 2028.
- Two customers were 30% and 11% of gross receivables at 27 June 2026, which is the buyer's only leverage, and the contract packaging behind the supplier grew revenue 51% year over year, so the capacity is being added now.

The commitment was signed before the supplier changes hands

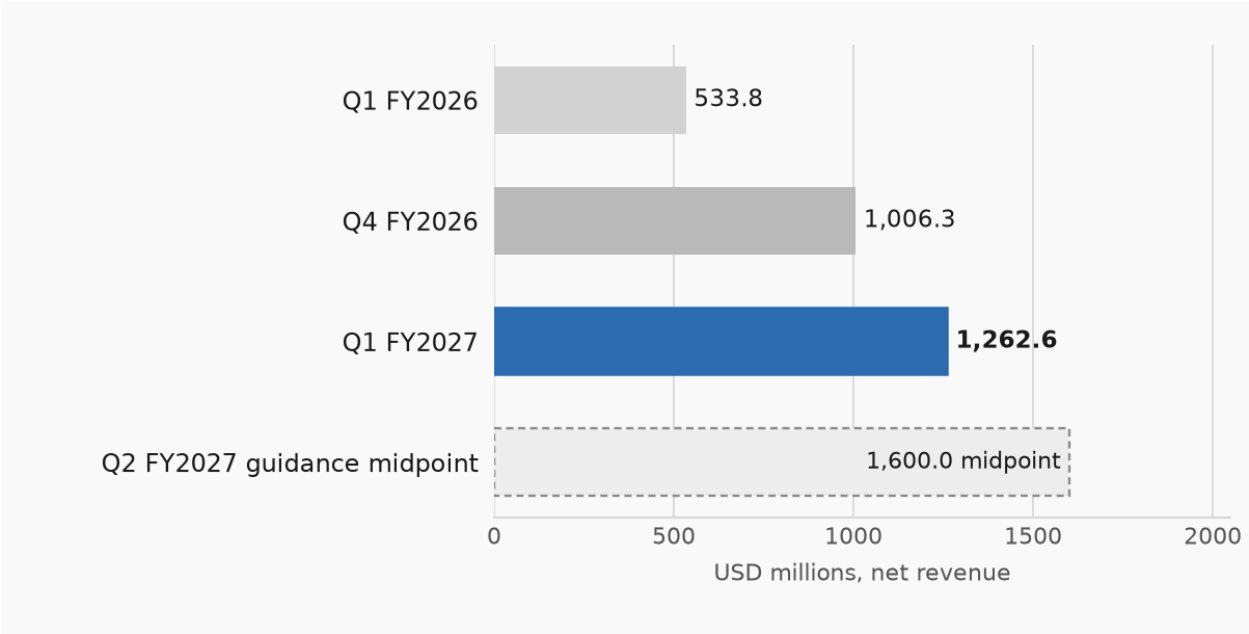
Lumentum's results release of 2 November 2026 states that its second NPO/CPO win is "backed by purchase commitments exceeding $5 billion". The agreement for Marvell to acquire Lumentum was signed on 1 November 2026 at an implied enterprise value of $115 billion in Marvell stock, and is not expected to close until the first half of calendar 2028. Source: Lumentum Form 8-K, Exhibit 99.1, filed 2 November 2026; Marvell and Lumentum joint release, Exhibit 99.1 to Marvell Form 8-K filed 2 November 2026.

The optical link is where the AI build now sets its price. Lumentum's GAAP gross margin went from 34.0% to 51.0% in the year to 26 September 2026, on revenue that went from $533.8 million to $1,262.6 million, and the company guides the quarter ending 26 December 2026 to $1.575 billion to $1.625 billion. Marvell gave its reason in the joint release: "the physical limitations of copper-based connectivity are accelerating the transition toward optical technologies". No filing says the link is scarce. The margin and the price say it.

Who controls it: the margin settled on one supplier's line

The growth sits in the systems line, which is where the optical switching is. Components revenue was $754.2 million, up 98.9% year over year. Systems revenue was $508.4 million, up 228.8%. Non-GAAP gross margin was 53.2% against 39.4% a year earlier and non-GAAP operating margin 42.3% against 18.7%, so revenue multiplied by 2.4 and operating margin by 2.3 over the same twelve months. Margins that multiply with volume are what a seller earns when the buyer has nowhere else to go.

Net revenue by quarter, USD millions: a step rather than a slope.



Source: Lumentum Form 8-K, Exhibit 99.1, filed 2 November 2026. Q1 FY2026 and Q1 FY2027 are the quarters ended 26 September 2025 and 26 September 2026; Q4 FY2026 is the quarter ended 27 June 2026. The fourth bar is the midpoint of guidance of $1.575 billion to $1.625 billion for the quarter ending 26 December 2026, not a reported figure. Derived figures in this article are Mosaic Singularity analysis, November 2026.

The commitment is the new instrument. In the release Hurlston describes the win as one “backed by purchase commitments exceeding $5 billion”. Against the September quarter's revenue that is about four quarters of the top line, committed ahead of delivery. The same release gives the amount and stops: it names no counterparty, no products, no quarters of delivery and no cancellation right. What the buyer has secured is not in the document that discloses it.

Who carries the risk: a commitment whose terms the buyer cannot see

Eleven weeks before that disclosure, Lumentum described the opposite condition as a risk to its own shareholders. Its Form 10-K for the year ended 27 June 2026, filed 17 August 2026, says: “We rely on a limited number of customers for a significant portion of our sales; and the majority of our customers do not have contractual purchase commitments.” One quarter later the largest disclosed win is commitment-backed. The exposure did not disappear when the instrument changed. It moved to the buyer's side of the table, and the buyer is the party that cannot see the terms.

What Lumentum disclosed about its buyers, before and after

Question	Form 10-K filed 17 August 2026	Results release filed 2 November 2026
Do buyers commit to volume?	For the majority, no: purchase orders and contracts “that do not contain volume or long-term purchase commitments”	One win “backed by purchase commitments exceeding $5 billion”
Who are the largest buyers?	Two customers at 30% and 11% of gross accounts receivable at 27 June 2026, against 13% and 11% a year earlier	Counterparty not named
What is the term?	Not stated for the majority of the book	Not disclosed in the release
What does the seller pay forward?	Two statements about suppliers: “advanced payments to secure orders from some of these suppliers” and “we have not entered into long-term agreements with many of these suppliers”	Not addressed
What margin does the seller earn on the link?	GAAP gross margin 34.0% in the quarter ended 26 September 2025	GAAP gross margin 51.0% in the quarter ended 26 September 2026

Source: Lumentum Form 10-K for the fiscal year ended 27 June 2026, filed 17 August 2026, Item 1A and Note 2; Lumentum Form 8-K, Exhibit 99.1, filed 2 November 2026.

The buyer's leverage is that concentration. Two customers were 30% and 11% of gross receivables at 27 June 2026, so the seller's book has become more dependent, not less, on the buyers who can commit, and a supplier in that position has little room to hold them to a shortage price. Fabrinet, an optical packaging and manufacturing contractor, reported revenue of $1,474.5 million for the quarter ended 25 September 2026, up 51% year over year, and guides the quarter ending 25 December 2026 to $1.6 billion to $1.65 billion. Capacity is being added at the stage that builds the modules, in the same quarter that the company holding the design agreed to be sold.

The consolidation is contracted on a clock that runs past the delivery date

The agreement was signed on 1 November 2026, the day before the results. Marvell's Form 8-K sets the outside date at 11:59 pm Pacific time on 1 November 2027, extendable to 1 February 2028, 1 May 2028 and 1 August 2028 if regulatory approvals are not in hand, and prices the exit in three parts: $5.8 billion payable by Marvell if its board withdraws its recommendation or it terminates for a superior proposal, a reciprocal $2.9 billion from Lumentum, and a $3.2 billion regulatory fee payable by Marvell if the transaction fails on antitrust grounds or runs past the outside date once every other condition to closing is met. The $5.8 billion fee is about 5% of the implied enterprise value. The parties' own expected closing is the first half of calendar 2028, later than the outside date they began with, so their own timetable already runs past that first date.

That timetable is the buyer's problem. Co-packaged optics are chosen with the switch and the accelerator, not after them, so the specifications a buyer locks during 2027 will be served by a supplier whose owner is still inside a pending regulatory review. The exchange ratio is fixed at 4.500 Marvell shares per Lumentum share, so the currency of the deal is Marvell's share price rather than Lumentum's, and Lumentum holders end with about 33% of the combined company. The $550 billion addressable market and the more than $1 billion of run-rate cost synergies are the issuers' projections, not terms.

Who gains, and for how long

Lumentum's shareholders take a 23.9% premium to the unaffected close of 28 October 2026 and a third of a company that will own the electrical and the optical link. Marvell takes the part of the signal chain its own release says copper cannot carry, at 22.8 times Lumentum's September quarter revenue annualised, which is the price of not being the layer that gets designed out. The losers sit on both sides of that trade: the copper interconnect whose limits the release cites, and the buyer of modules who has committed money without a delivery date. The advantage lasts as long as capacity does not catch up. The design lock lasts longer,

because once the optics are integrated into the package a second source is a re-design, not a purchase order.

What each seat owes, and by when

- Chief information officer and head of infrastructure: before the next optical supply agreement is signed, require a delivery schedule by fiscal quarter, a cancellation term, and an assignment or step-in right on a change of control of the supplier. By 31 January 2027, because the merger is not expected to close before the first half of 2028 and the co-packaged designs qualified during 2027 will still be in service then.
- Chief financial officer: move the prepayment out of the capital budget and into the commitment schedule, and cap it at the value of one quarter's deliverable capacity until a schedule exists. By 31 January 2027, because one win is already backed by more than $5 billion, about four quarters of the supplier's revenue, and the release states no term.
- General counsel: read the change-of-control and assignment clauses in every optical supply agreement against the merger agreement filed as Exhibit 2.1 to Marvell's Form 8-K of 2 November 2026. By 1 November 2027, the stated outside date, because an extension runs to 1 August 2028 and the contract has to survive a change of owner that can land anywhere in that 21-month window.
- Chief procurement officer: qualify a second optical source to a validated design rather than to a quoted price. By 30 June 2027, because the merger is expected to take until the first half of 2028, and a design qualified after closing is qualified into a market where the constraint holder and the integrator are the same company.

What the board puts to management

On 31 January 2027 the board decides whether to approve the optical capacity commitment, on two documents: the commitment schedule the chief financial officer builds and the register of single-sourced optical designs the chief information officer returns, because the money is committed ahead of delivery and a second source is a re-design rather than a purchase order.

- How much of our FY2027 capacity commitment is money committed ahead of delivery, and what does each agreement give us if delivery slips one quarter?
- Which optical designs are single-sourced, and what would it cost and take to validate a second?
- If our optical supplier is acquired, does our agreement survive on our terms or theirs, and whose consent does the transfer need?
- Who is behind the $5 billion of purchase commitments Lumentum disclosed, and where do we sit in the delivery order behind them?

What to watch, and the date this reading fails

Three dates settle this. By 28 February 2027, when Lumentum reports the quarter ended 26 December 2026: if revenue lands inside $1.575 billion to $1.625 billion and non-GAAP operating margin comes in below 45.0%, the scarcity reading fails, because a supplier holding a shortage does not give margin back while volume arrives. On 1 November 2027, the outside date: if the transaction has not cleared and Marvell pays the $3.2 billion regulatory fee, the consolidation half fails and the buyer faces the same supplier, still unconsolidated. And at Fabrinet's quarter ending 25 December 2026, guided to $1.6 billion to $1.65 billion: if packaging revenue runs above that range while Lumentum's margin holds, capacity is arriving and still not clearing, which strengthens this reading rather than breaking it.

Sources

Lumentum Holdings Inc., Form 8-K, Item 2.02, Exhibit 99.1, results for the fiscal first quarter ended 26 September 2026, filed 2 November 2026, accession 0001628280-26-068655.

Marvell Technology, Inc. and Lumentum Holdings Inc., joint press release, Exhibit 99.1 to Marvell Form 8-K filed 2 November 2026, accession 0001193125-26-442714.

Marvell Technology, Inc., Form 8-K, Items 1.01 and 9.01, date of report 1 November 2026, filed 2 November 2026, accession 0001193125-26-442717. The merger agreement is filed as Exhibit 2.1.

Lumentum Holdings Inc., Form 10-K for the fiscal year ended 27 June 2026, filed 17 August 2026, accession 0001628280-26-057358, Item 1A and Note 2.

Fabrinet, Form 8-K, Item 2.02, Exhibit 99.1, results for the fiscal first quarter ended 25 September 2026, filed 2 November 2026, accession 0001408710-26-000034.

Lumentum Holdings Inc., Form 8-K, Items 1.01 and 9.01, filed 2 November 2026, accession 0001193125-26-442758, the reciprocal filing of the same merger.

Marvell Technology, Inc., Form 8-K, Exhibit 99.2, filed 2 November 2026, accession 0001193125-26-442714.

Derived figures: the 2.4 and 2.3 multiples, the four-quarter equivalence of the $5 billion of purchase commitments, the 22.8 times annualised revenue multiple, the 5% termination fee ratio and the $312 million to $362 million guidance step are arithmetic on the filings above. Mosaic Singularity analysis, November 2026.