

Stocks in motion

Luminating Lumentum's Acceleration

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Key takeaways

- Understanding where a company sits in the Corporate Life Cycle framework is vital when identifying investment opportunities.
- Companies in the Accelerating phase show growth, but lack the track record to guarantee their long-term durability.
- Lumentum is an example of a company benefiting from a demand-supply imbalance, which is creating prolonged sales acceleration.

Within our Corporate Life Cycle framework, we define the Accelerating stage as a period in which companies are experiencing strong, upward momentum in sales. This is frequently a result of significant change in the end market. This could be driven by regulatory or technological change and/or a new disruptive product or service from the company. While often associated with early-stage disruptors, even Mature or Turnaround businesses can enter this phase if they secure a new lease of life. Success also hinges on exceptional management – leaders who can execute with precision amid a whirlwind of rapid change.

What does Lumentum do?

Lumentum is a leading supplier of lasers, optical transceivers, and photonic components. These products are essential for modern data centres, enabling faster, more power-efficient, and highly scalable data transmission.

The demand-supply imbalance

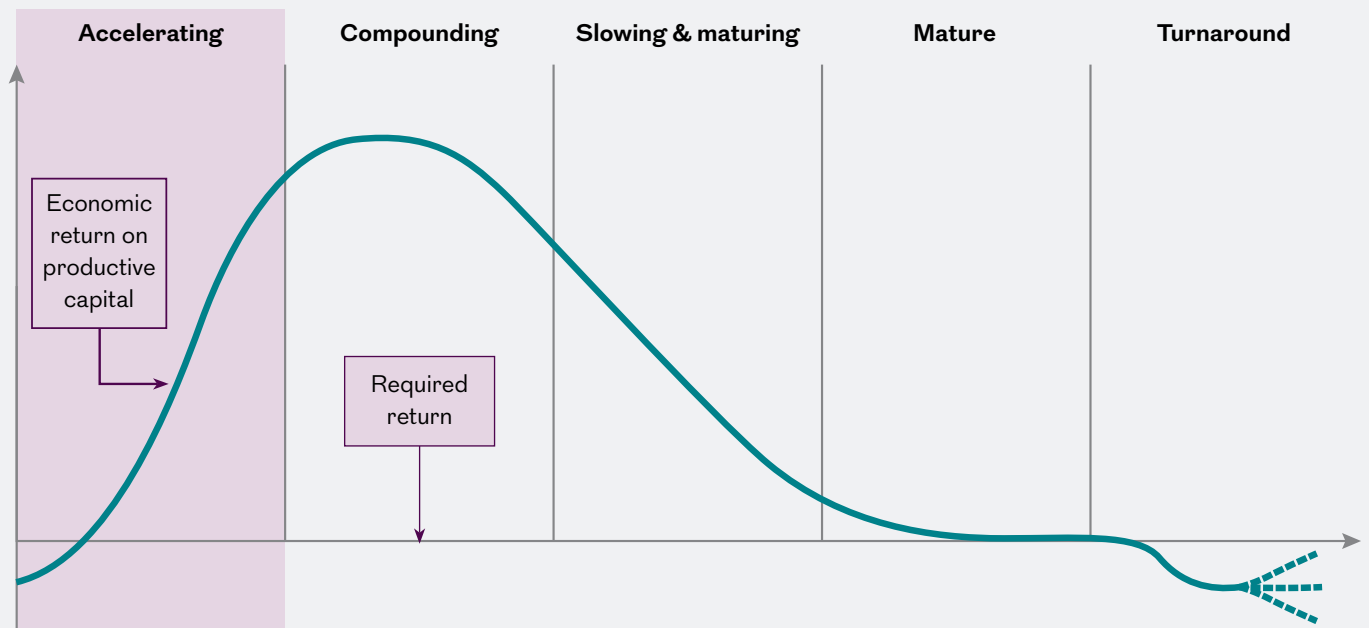
Generative AI workloads require accelerator chips (high-performance AI computing chips) to exchange data at very high bandwidth and low latency. This is driving high demand for networking infrastructure. Between now and 2035, network capacity is projected to grow at 40% compound annual growth rate¹.

In recent years, there has been a trend of moving from copper to optics in data centres because AI workloads need faster, longer connections. As bandwidth requirements increase, copper interconnects suffer from signal degradation, limiting the distance these can reliably transmit data. In contrast, optical links can carry data over longer distances more efficiently at high speeds and are not affected by electromagnetic interference. Lumentum, being one of the leaders in optical links, is able to capture this significant volume growth.

¹ [LightCounting and Lumentum, 2025](#)

Figure 1: Corporate Life Cycle

Corporate returns on productive capital and growth tend to progress along a Life Cycle. Every company can be located economically in a Life Cycle category.



For illustrative purposes only. Source: RLAM.

At the same time, the photonics industry is facing a severe bottleneck in the supply of the specialised lasers required to build these optical modules. Lumentum is under-shipping demand by roughly 30%² even though the company has significantly increased manufacturing capacity. As technology giants continue to announce new, massive data centre projects, the horizon for when supply might finally catch up to demand just keeps stretching further into the future.

The demand-supply imbalance also means that Lumentum's target markets have been transformed. Historically reliant on the cyclical telecom market, Lumentum has successfully pivoted toward higher-margin cloud and data centre optics businesses. Furthermore, the extreme shortage of specialised lasers gives Lumentum notable pricing power, significantly improving its operating margins.

What are the risks?

The rapid pace of innovation poses an ongoing threat of technological obsolescence from emerging alternatives like silicon photonics or linear pluggable optics. Additional risk comes from a slowdown in the demand for data centres and consequently the supply shortage rapidly flips into overcapacity. There is also significant customer concentration. If any one of its customers fails to execute on their own plans, demand for Lumentum's products will decline as well.

Lumentum's role in the Global Equity portfolio?

Ultimately, Lumentum's story is not just about lasers and data centres; it is a textbook example of sudden, dramatic corporate metamorphosis. In the framework of the Corporate Life Cycle, businesses constantly evolve through phases. In fact, Lumentum's historical reliance on the cyclical telecom market initially flagged it as a default Turnaround company in our Life Cycle framework. Yet, the sheer force of the artificial intelligence revolution and the sudden, emerging demand for its products have catapulted the company directly into an Accelerating Life Cycle phase. These are the rare engines that can be the catalyst to soaring sales momentum and true disruptive potential required to drive wealth creation.

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