PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LUMENTUM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

(*Unaudited*)

	Three Months Ended	
	September 28, 2024	**September 30, 2023**
Net revenue	$ 336.9	$ 317.6
Cost of sales	236.5	222.9
Amortization of acquired developed intangibles	22.5	18.0
Gross profit	77.9	76.7
Operating expenses:		
Research and development	74.3	73.5
Selling, general and administrative	76.3	73.0
Restructuring and related charges	9.7	11.0
Total operating expenses	160.3	157.5
Loss from operations	(82.4)	(80.8)
Interest expense	(5.5)	(9.7)
Other income, net	8.7	21.2
Loss before income taxes	(79.2)	(69.3)
Income tax provision (benefit)	3.2	(1.4)
Net loss	$ (82.4)	$ (67.9)
Net loss per share:		
Basic	$ (1.21)	$ (1.02)
Diluted	$ (1.21)	$ (1.02)
Shares used to compute net loss per share:		
Basic	68.3	66.7
Diluted	68.3	66.7

See accompanying Notes to Condensed Consolidated Financial Statements.

LUMENTUM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)
(Unaudited)

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net loss	$ (82.4)	$ (67.9)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	—	(0.2)
Net change in unrealized gain on available-for-sale securities	2.3	1.3
Other comprehensive income, net of tax	2.3	1.1
Comprehensive loss, net of tax	$ (80.1)	$ (66.8)

See accompanying Notes to Condensed Consolidated Financial Statements.

LUMENTUM HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except par value)
(*Unaudited*)

	September 28, 2024	June 29, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 489.2	$ 436.7
Short-term investments	426.9	450.3
Accounts receivable, net	198.5	194.7
Inventories	403.3	398.4
Prepayments and other current assets	118.3	110.0
Total current assets	1,636.2	1,590.1
Property, plant and equipment, net	638.4	572.5
Operating lease right-of-use assets, net	35.7	72.8
Goodwill	1,060.9	1,055.8
Other intangible assets, net	573.9	617.5
Deferred tax asset	12.5	10.7
Other non-current assets	12.0	12.5
Total assets	$ 3,969.6	$ 3,931.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 163.1	$ 126.3
Accrued payroll and related expenses	42.0	36.1
Accrued expenses	39.7	52.4
Current portion of long-term debt	10.8	—
Operating lease liabilities, current	11.9	13.4
Other current liabilities	37.6	41.1
Total current liabilities	305.1	269.3
Long-term debt	2,569.2	2,503.2
Operating lease liabilities, non-current	29.8	43.0
Deferred tax liability	53.4	55.7
Other non-current liabilities	116.2	103.4
Total liabilities	3,073.7	2,974.6
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.001 par value, 990 authorized shares, 68.6 and 67.9 shares issued and outstanding as of September 28, 2024 and June 29, 2024, respectively	0.1	0.1
Additional paid-in capital	1,853.7	1,835.0
Accumulated deficit	(969.5)	(887.1)
Accumulated other comprehensive income	11.6	9.3
Total stockholders' equity	895.9	957.3
Total liabilities and stockholders' equity	$ 3,969.6	$ 3,931.9

See accompanying Notes to Condensed Consolidated Financial Statements.

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LUMENTUM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Three Months Ended	
	September 28, 2024	September 30, 2023
OPERATING ACTIVITIES:		
Net loss	$ (82.4)	$ (67.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	27.0	28.2
Stock-based compensation	35.6	32.1
Amortization and write-off of acquired intangibles	43.6	29.0
Loss on sales and dispositions of property, plant and equipment	0.2	1.4
Amortization of debt discount and debt issuance costs	0.7	4.9
Write-off of right-of-use assets	5.3	—
Other non-cash items	(0.3)	(5.7)
Changes in operating assets and liabilities:		
Accounts receivable	(3.8)	26.1
Inventories	(6.5)	(16.8)
Operating lease right-of-use assets, net	(0.2)	3.7
Prepayments and other current and non-currents assets	(16.6)	7.3
Income taxes, net	7.2	(19.9)
Accounts payable	32.6	(28.0)
Accrued payroll and related expenses	5.9	1.5
Operating lease liabilities	1.0	(4.0)
Accrued expenses and other current and non-current liabilities	(9.7)	5.8
Net cash provided by (used in) operating activities	39.6	(2.3)
INVESTING ACTIVITIES:		
Payments for acquisition of property, plant and equipment	(74.1)	(57.8)
Purchases of short-term investments	(63.9)	(149.1)
Proceeds from maturities and sales of short-term investments	90.7	227.7
Payments for acquisition of intangible assets	—	(3.0)
Proceeds from the sales of property, plant and equipment	0.2	—
Net cash (used in) provided by investing activities	(47.1)	17.8
FINANCING ACTIVITIES:		
Payment of withholding taxes related to net share settlement of restricted stock units	(16.0)	(12.9)
Proceeds from term loans	76.5	—
Proceeds from the exercise of stock options	0.9	—
Principal payments on term loans	(0.4)	—
Payment of acquisition related holdback	(1.0)	—
Net cash provided by (used in) financing activities	60.0	(12.9)
Decrease in cash and cash equivalents	52.5	2.6
Cash and cash equivalents at beginning of period	436.7	859.0
Cash and cash equivalents at end of period	$ 489.2	$ 861.6
Supplemental disclosure of cash flow information:		
Cash paid (refund) for taxes, net	$ (4.2)	$ 18.5
Cash paid for interest	0.1	0.6
Supplemental disclosure of non-cash investing and financing activities:		
Unpaid property, plant and equipment in accounts payable and accrued expenses	15.9	4.2
Unpaid intangible assets in accrued expenses	—	2.0
Right-of-use assets obtained in exchange for new operating lease liabilities	3.7	—

See accompanying Notes to Condensed Consolidated Financial Statements.

LUMENTUM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance as of June 29, 2024	**67.9**	**$ 0.1**	**$ 1,835.0**	**$ (887.1)**	**$ 9.3**	**$ 957.3**
Net loss	—	—	—	(82.4)	—	(82.4)
Other comprehensive income	—	—	—	—	2.3	2.3
Issuance of shares in connection with vesting of restricted stock units and performance stock units	0.9	—	—	—	—	—
Withholding taxes related to net share settlement of restricted stock units	(0.3)	—	(16.0)	—	—	(16.0)
Exercise of stock options	0.1	—	0.9	—	—	0.9
Stock-based compensation	—	—	33.8	—	—	33.8
Balance as of September 28, 2024	**68.6**	**$ 0.1**	**$ 1,853.7**	**$ (969.5)**	**$ 11.6**	**$ 895.9**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance as of July 1, 2023	**66.4**	**$ 0.1**	**$ 1,692.2**	**$ (340.6)**	**$ 4.1**	**$ 1,355.8**
Net loss	—	—	—	(67.9)	—	(67.9)
Other comprehensive income	—	—	—	—	1.1	1.1
Issuance of shares in connection with vesting of restricted stock units and performance stock units	0.8	—	—	—	—	—
Withholding taxes related to net share settlement of restricted stock units	(0.2)	—	(12.9)	—	—	(12.9)
Stock-based compensation	—	—	34.7	—	—	34.7
Balance as of September 30, 2023	**67.0**	**$ 0.1**	**$ 1,714.0**	**$ (408.5)**	**$ 5.2**	**$ 1,310.8**

See accompanying Notes to Condensed Consolidated Financial Statements.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Lumentum Holdings Inc. ("we," "us," "our," "Lumentum" or the "Company") is an industry-leading provider of optical and photonic products essential to a range of cloud, artificial intelligence and machine learning ("AI/ML"), telecommunications, consumer, and industrial end-market applications. We operate in two end-market focused reportable segments, Cloud & Networking and Industrial Tech.

Our Cloud & Networking products include a comprehensive portfolio of optical and photonic chips, modules, and subsystems supplied to cloud data center operator, AI/ML infrastructure provider, and network equipment manufacturer customers who are building cloud data center and network infrastructures. Our products enable high-capacity optical data links in cloud, AI/ML, and data center interconnect ("DCI") applications, and communications service provider networks, including in access (local), metro (intracity), long-haul (city-to-city and worldwide), and submarine (undersea) network infrastructure. Our Cloud & Networking products also support network equipment manufacturers building enterprise network infrastructure, including storage-area networks ("SANs"), local-area networks ("LANs") and wide-area networks ("WANs"). Demand for our Cloud & Networking products is driven by the continual growth in network capacity required for cloud computing and services, including for AI/ML, streaming video and video conferencing, wireless and mobile devices, and internet of things ("IoT").

Our Industrial Tech products include short pulse solid-state lasers, kilowatt-class fiber lasers, diode lasers, and gas lasers, which address applications in numerous end-markets. In the consumer end-market, our laser light sources are integrated into our customers' 3D sensing cameras, which are used in mobile devices, payment kiosks, and other consumer electronics devices to enable applications including biometric identification, computational photography and virtual and augmented reality. In the automotive end-market, our lasers are used in our customers' LiDAR and other optical sensor devices, which are increasingly being used in advanced driver assistance systems ("ADAS") and in-cabin driver and occupant monitoring systems. In the industrial manufacturing end-market, our lasers are incorporated into our customers' manufacturing machine tools used for the precision processing of materials in a range of industries including semiconductor device and microelectronics fabrication, electric vehicle and battery production, metal cutting and welding, and advanced manufacturing. Our products can also be used in the industrial end-market in imaging and sensing systems for process feedback and control, quality assurance, and waste reduction. Adoption of our products in the industrial end-market is driven by the needs of customers to advance semiconductor and microelectronics industry roadmaps, and by Industry 4.0/5.0 trends, including increasing manufacturing precision and flexibility and reducing waste and environmental impact. Demand for our products in the industrial end-market is driven by end-customer investments in manufacturing capacity. Our lasers also address certain semiconductor inspection and life-science applications.

Basis of Presentation

We have prepared the accompanying condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. In the opinion of the Company's management, the information presented herein reflects all normal and recurring adjustments necessary for a fair presentation of our results of operations, financial position, stockholders' equity, and cash flows. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective, or complex judgments by management. Those policies are inventory valuation, revenue recognition, income taxes, goodwill, and business combinations.

Our business and operating results depend significantly on general market and economic conditions. The current global macroeconomic environment is volatile and continues to be adversely impacted by inflation, a dynamic supply chain and demand environment, and signs of a weaker macroeconomic environment impacting capital expenditures across our served markets. Additionally, instability in the global credit markets, capital expenditure reductions, unemployment and other labor issues, decline in stock markets, the instability in the geopolitical environment in many parts of the world, and the current global economic challenges continue to put pressure on our business and operating results.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

We are continuously monitoring both the current developments in the ongoing Russia-Ukraine war including the related export controls and resulting sanctions imposed on Russia and Belarus by the U.S. and other countries, and the ongoing conflicts in the Middle East. Additional factors, such as increased inflation, escalating energy prices and the related cost increases, could continue to impact the global economy and our business. Although the global implications of these wars are difficult to predict at this time, we do not presently foresee direct material adverse effects on our business.

Business Combinations

On November 7, 2023, we completed the acquisition of Cloud Light Technology Limited ("Cloud Light"). We have applied the acquisition method of accounting to account for this transaction in accordance with ASC Topic 805, *Business Combinations.* Our condensed consolidated financial statements include the operating results of the acquired entities from the acquisition close date. Refer to "Note 4. Business Combinations" for further discussions of this transaction.

Fiscal Years

We utilize a 52-53 week fiscal year ending on the Saturday closest to June 30th. Every fifth or sixth fiscal year will have a 53-week period. The additional week in a 53-week year is added to the third quarter, making such quarter consist of 14 weeks. Our fiscal 2025 is a 52-week year ending on June 28, 2025, with the quarter ended September 28, 2024 being a 13-week quarterly period. Our fiscal 2024 was a 52-week year that ended on June 29, 2024, with the quarter ended September 30, 2023 being a 13-week quarterly period.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Lumentum Holdings Inc. and its wholly owned subsidiaries. All inter-company transactions and balances are eliminated in consolidation.

Accounting Policies

The condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended June 29, 2024. There were no significant changes to our accounting policies during the three months ended September 28, 2024.

Note 2. Recently Issued Accounting Pronouncements

In March 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-02: Codification Improvements - Amendments to Remove References to the Concepts Statements, which contains amendments to the Codification that remove references to various FASB Concepts Statements. ASU 2024-02 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We do not expect this ASU to have a material impact on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income tax paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of this ASU on our income tax disclosures within the consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 does not change how a public entity identifies its operating segments, aggregates those operating segments, or applies quantitative thresholds to determine its reportable segments. The update is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We plan to adopt ASU 2023-07 in the fiscal fourth quarter of 2025. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements and disclosures.

Note 3. Earnings Per Share

The following table sets forth the computation of basic and diluted net loss per share (*in millions, except per share data*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Numerator:		
Net loss - basic and diluted	$ (82.4)	$ (67.9)
Denominator:		
Weighted average common shares outstanding - basic and diluted	68.3	66.7
Net loss per share:		
Basic	$ (1.21)	$ (1.02)
Diluted	$ (1.21)	$ (1.02)

Anti-dilutive shares excluded from the calculation of diluted net loss per share for the three months ended September 28, 2024 include 4.8 million shares issuable under restricted stock units (“RSUs”) and performance stock units (“PSUs”), 0.1 million shares issuable under the Employee Stock Purchase Plan (the “2015 Purchase Plan”), and 1.0 million shares outstanding related to stock options. Refer to “Note 13. Equity.”

Anti-dilutive shares excluded from the calculation of diluted net loss per share for the three months ended September 30, 2023 include 31.2 million shares related to convertible notes, 4.6 million shares issuable under RSUs and PSUs, and 0.2 million shares issuable under the 2015 Purchase Plan.

Potentially dilutive common shares issuable upon conversion of our outstanding convertible notes are determined using the if-converted method.

Note 4. Business Combinations

Cloud Light Acquisition

On October 29, 2023, we entered into a definitive merger agreement (the “Merger Agreement”) with Cloud Light. On November 7, 2023 (the “Cloud Light Closing Date”), we completed the acquisition of Cloud Light. Cloud Light designs, markets, and manufactures advanced optical modules for data center interconnect applications. The acquisition enables us to be well-positioned to serve the growing needs of cloud & networking customers, particularly those customers focused on optimizing their data center infrastructure for the demands of AI/ML.

We have applied the acquisition method of accounting in accordance with ASC 805 *Business Combinations*, with respect to the fair value of purchase price consideration and the identifiable assets and liabilities of Cloud Light, which have been measured at estimated fair value as of the Cloud Light Closing Date. The following tables summarize the purchase price consideration (*in millions*):

	Fair Value
Cash consideration [1]	$ 705.0
Share-based consideration [2]	23.5
Total purchase price consideration	$ 728.5

[1] Under the terms of the Merger Agreement, Cloud Light stockholders received $1.69 per share after adjusting for applicable withholding taxes, escrow fund and expense fund contributions, for each of the 409.4 million of shares outstanding at the Cloud Light Closing Date. As a result, we transferred $691.7 million of cash consideration on the Cloud Light Closing Date. Additionally, each of Cloud Light’s outstanding options was exchanged for a combination of up-front cash consideration and newly issued options (the “replacement options”). As a result, we transferred $13.3 million of cash consideration on the Cloud Light Closing Date.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(2) The replacement options have a total fair value of $38.9 million as of the Cloud Light Closing Date, of which $23.5 million attributed to pre-acquisition service is recorded as part of the purchase price consideration and the remaining $15.4 million is recorded as post-acquisition stock-based compensation expense over the vesting period of three years from the Cloud Light Closing Date. In general, these options expire within 10 years from the Cloud Light Closing Date. Refer to “Note 13. Equity”.

The cash consideration of $705.0 million, which was funded by the cash balances of Lumentum, includes $75.8 million of cash held in an escrow fund to support Cloud Light’s indemnification obligations under the Merger Agreement and customary adjustment for working capital. Since the the measurement period expired, any future adjustments will be included in our earnings. As of the date of this filing, no amount of the escrow funds have been released.

We incurred a total of $9.6 million of acquisition-related costs in fiscal year 2024, of which $2.4 million was incurred during the three months ended September 30, 2023, representing professional and other direct acquisition costs, which are recorded as selling, general and administrative expense in the condensed consolidated statement of operations when incurred.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

We allocated the fair value of the purchase price consideration to the assets acquired and liabilities assumed as of the Cloud Light Closing Date based on their estimated fair values. The excess of purchase price consideration over the fair value of net assets acquired is recorded as goodwill. Our final allocation of the purchase price consideration to the assets acquired and liabilities assumed as of the Cloud Light Closing Date is as follows (*in millions*):

	Fair Value
Total purchase price consideration	$ 728.5
Assets acquired	
Cash and cash equivalents	4.1
Short-term investments	1.0
Accounts receivable, net	20.9
Inventories	72.8
Prepayments and other current assets	14.2
Property, plant and equipment, net	62.5
Operating lease right-of-use assets, net	3.7
Other intangible assets, net [1]	333.0
Other non-current assets	0.3
Total assets	512.5
Liabilities assumed	
Accounts payable	45.5
Accrued payroll and related expenses	5.6
Accrued expenses	7.9
Operating lease liabilities, current	1.8
Other current liabilities	10.3
Operating lease liabilities, non-current	1.9
Deferred tax liability	60.6
Other non-current liabilities	16.2
Total liabilities	149.8
Goodwill	$ 365.8

[1] Other intangible assets include developed technology of $170.0 million, customer relationship of $130.0 million, in-process research and development ("IPR&D") of $16.0 million, order backlog of $14.0 million, and trade name and trademarks of $3.0 million. Refer to "Note 8. Goodwill and Other Intangible Assets" for more information.

Goodwill from the Cloud Light acquisition has been assigned to the Cloud & Networking segment. The goodwill of $365.8 million arising from the acquisition is attributed to the expected revenue growth and synergies, including future cost efficiencies and other benefits that are expected to be generated by combining Lumentum and Cloud Light. None of the goodwill is expected to be deductible for local tax purposes. Refer to "Note 8. Goodwill and Other Intangible Assets."

Cloud Light contributed $38.2 million of our consolidated net revenue for the three months ended September 28, 2024. Due to the continued integration of the combined businesses, as well as our corporate structure and the allocation of selling, general and administrative costs, it is impracticable to determine Cloud Light's contribution to our earnings the three months ended September 28, 2024.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Supplemental Pro Forma Information

The following supplemental pro forma information presents the combined results of operations for the three months ended September 28, 2024 and September 30, 2023, as if the acquisition was completed on July 3, 2022, the first day of the fiscal year 2023. The supplemental pro forma financial information presented below is not necessarily indicative of the financial position or results of operations that would have been realized if the acquisition had been completed on the date indicated. The supplemental pro forma financial information does not reflect synergies that might have been achieved, nor is it indicative of future operating results or financial position.

The pro forma financial information includes adjustments for: (i) amortization expense that would have been recognized related to the acquired intangible assets, (ii) depreciation expense that would have been recognized related to the acquired property, plant, and equipment, (iii) amortization of inventory fair value adjustment, (iv) acquisition related costs, such as third party transaction costs and restructuring costs, (v) stock-based compensation expense and (vi) the estimated income tax effect on the pro forma adjustments.

The supplemental pro forma financial information for the periods presented is as follows (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net revenue	$ 336.9	$ 386.6
Net loss	$ (78.9)	$ (63.6)

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 5. Cash, Cash Equivalents and Short-term Investments

The following table summarizes our cash, cash equivalents and short-term investments by category for the periods presented (*in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 28, 2024:				
Cash	$ 284.9	$ —	$ —	$ 284.9
Cash equivalents:				
Commercial paper	7.5	—	—	7.5
Money market funds	184.8	—	—	184.8
U.S. Treasury securities	12.0	—	—	12.0
Total cash and cash equivalents	$ 489.2	$ —	$ —	$ 489.2
Short-term investments:				
Certificates of deposit	$ 0.8	$ —	$ —	$ 0.8
Commercial paper	11.5	—	—	11.5
Corporate debt securities	234.1	0.9	(0.1)	234.9
U.S. Agency securities	66.4	0.1	—	66.5
U.S. Treasury securities	113.3	—	(0.1)	113.2
Total short-term investments	$ 426.1	$ 1.0	$ (0.2)	$ 426.9
June 29, 2024:				
Cash	$ 196.9	$ —	$ —	$ 196.9
Cash equivalents:				
Commercial paper	15.9	—	—	15.9
Money market funds	223.9	—	—	223.9
Total cash and cash equivalents	$ 436.7	$ —	$ —	$ 436.7
Short-term investments:				
Certificates of deposit	$ 0.8	$ —	$ —	$ 0.8
Commercial paper	12.6	—	—	12.6
Corporate debt securities	244.5	—	(0.6)	243.9
U.S. Agency securities	81.2	—	(0.3)	80.9
U.S. Treasury securities	112.6	—	(0.5)	112.1
Total short-term investments	$ 451.7	$ —	$ (1.4)	$ 450.3

We review our investment portfolio to identify and evaluate investments that have indicators of possible impairment. Factors considered in determining whether a loss is other-than-temporary include, but are not limited to, the length of time and extent a security's fair value has been below its cost, the financial condition and near-term prospects of the investee, the credit quality of the security's issuer, likelihood of recovery and our intent and ability to hold the security for a period sufficient to allow for any anticipated recovery in value. For the debt instruments we own, we also evaluate whether we have the intent to sell the security or whether it is more likely than not that we will be required to sell the security before recovery of its cost basis. We have not recorded our unrealized losses on our short-term investments into income because we do not intend to sell nor is it more likely than not that we will be required to sell these investments prior to recovery of their amortized cost basis.

We use the specific-identification method to determine any realized gains or losses from the sale of our short-term investments classified as available-for-sale. During the three months ended September 28, 2024 and September 30, 2023, we did not realize significant gains or losses on a gross level from the sale of our short-term investments classified as available-for-sale.

LUMENTUM HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

During the three months ended September 28, 2024 and September 30, 2023, our other income, net was $8.7 million and $21.2 million, respectively, which includes interest and investment income on cash equivalents and short-term investments of $9.4 million and $21.7 million, respectively.

As of September 28, 2024 and June 29, 2024, we recorded interest receivables of $5.8 million and $5.8 million, respectively, in prepayments and other current assets within the condensed consolidated balance sheets. We did not recognize an allowance for credit losses against interest receivables in any of the periods presented, as there were no such losses.

The following table summarizes unrealized losses on our cash equivalents and short-term investments by category that have been in a continuous unrealized loss position for more than 12 months and less than 12 months as of the periods presented, respectively (*in millions*):

	Continuous Loss Position for More Than 12 Months		Continuous Loss Position for Less Than 12 Months		Gross Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
September 28, 2024:					
U.S. Agency securities	$ 44.6	$ —	$ 4.0	$ —	$ —
Commercial paper	—	—	7.5	—	—
Corporate debt securities	67.1	(0.1)	18.0	—	(0.1)
U.S. government bonds	68.4	(0.1)	22.5	—	(0.1)
Total	$ 180.1	$ (0.2)	$ 52.0	$ —	$ (0.2)
June 29, 2024:					
U.S. Agency securities	$ 62.3	$ (0.3)	$ 12.6	$ —	$ (0.3)
Commercial paper	—	—	28.6	—	—
Corporate debt securities	133.7	(0.5)	90.6	(0.2)	(0.7)
U.S. government bonds	72.3	(0.4)	39.7	(0.1)	(0.5)
Total	$ 268.3	$ (1.2)	$ 171.5	$ (0.3)	$ (1.5)

The following table classifies our short-term investments by remaining maturities (*in millions*):

	September 28, 2024		June 29, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	$ 346.1	$ 346.3	$ 405.5	$ 404.1
Due in 1 year to 5 years	80.0	80.6	46.2	46.2
Total	$ 426.1	$ 426.9	$ 451.7	$ 450.3

All available-for-sale securities have been classified as current, based on management's intent and ability to use the funds in current operations.

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Note 6. Fair Value Measurements

We determine fair value based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3: Inputs are unobservable inputs based on our assumptions.

The fair value of our Level 1 financial instruments, such as money market funds and U.S. Treasury securities, which are traded in active markets, is based on quoted market prices for identical instruments. The fair value of our Level 2 fixed income securities is obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data. Our marketable securities are held by custodians who obtain investment prices from a third-party pricing provider that incorporates standard inputs in various asset price models. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our pricing service against fair values obtained from another independent source.

Financial assets measured at fair value on a recurring basis are summarized below (*in millions*):

	Level 1	Level 2	Level 3	Total
September 28, 2024: [1]				
Assets:				
Cash equivalents:				
Commercial paper	$ —	$ 7.5	$ —	$ 7.5
Money market funds	184.8	—	—	184.8
U.S. Treasury securities	12.0	—	—	12.0
Short-term investments:				
Certificates of deposit	—	0.8	—	0.8
Commercial paper	—	11.5	—	11.5
Corporate debt securities	—	234.9	—	234.9
U.S. Agency securities	—	66.5	—	66.5
U.S. Treasury securities	113.2	—	—	113.2
Total assets	$ 310.0	$ 321.2	$ —	$ 631.2

[1] Excludes $284.9 million in cash held in our bank accounts as of September 28, 2024.

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	Level 1	Level 2	Level 3	Total
June 29, 2024 (1)				
Assets:				
Cash equivalents:				
Commercial paper	$ —	$ 15.9	$ —	$ 15.9
Money market funds	223.9	—	—	223.9
Short-term investments:				
Certificates of deposit	—	0.8	—	0.8
Commercial paper	—	12.6	—	12.6
Corporate debt securities	—	243.9	—	243.9
U.S. Agency securities	—	80.9	—	80.9
U.S. Treasury securities	112.1	—	—	112.1
Total assets	$ 336.0	$ 354.1	$ —	$ 690.1

(1) Excludes $196.9 million in cash held in our bank accounts as of June 29, 2024.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value with the exception of our convertible notes, refer to "Note 9. Debt". The estimated fair value of the convertible notes was determined based on the trading price of the convertible notes as of the last day of trading for the period. We consider the fair value of the convertible notes to be a Level 2 measurement as they are not actively traded in markets.

The carrying amounts and estimated fair values of the convertible notes are as follows for the periods presented (*in millions*):

	September 28, 2024		June 29, 2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2029 Notes	$ 599.6	$ 706.2	$ 599.4	$ 588.8
2028 Notes	856.9	748.9	856.6	680.2
2026 Notes	1,047.4	1,034.6	1,047.2	948.3
	$ 2,503.9	$ 2,489.7	$ 2,503.2	$ 2,217.3

Assets Measured at Fair Value on a Non-Recurring Basis

We periodically review our intangible and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. If not recoverable, an impairment loss would be calculated based on the excess of the carrying amount over the fair value.

Management utilizes various valuation methods, including an income approach, a market approach and a cost approach, to estimate the fair value of intangibles and other long-lived assets. During the annual impairment testing performed in the fourth quarter of fiscal 2024, we concluded that there was no impairment of our intangible and other long-lived assets. We review our intangible and other long-lived assets for impairment at least annually in the fourth quarter of each fiscal year, absent any interim indicators of impairment. There were no indicators of impairment during the three months ended September 28, 2024.

Note 7. Balance Sheet Details

Allowance for Current Expected Credit Losses

We did not have any allowance for credit losses other than our allowance for uncollectible accounts receivable. As of September 28, 2024 and June 29, 2024, the allowance for credit losses on our trade receivables was $0.2 million and $0.2 million, respectively.

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Inventories

The components of inventories were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Raw materials and purchased parts	$ 206.0	$ 196.9
Work in process	119.1	101.6
Finished goods	78.2	99.9
Inventories	$ 403.3	$ 398.4

In connection with the Cloud Light acquisition, we recorded $72.8 million of inventory as of the Cloud Light Closing Date. As of June 29, 2024, the entire $8.0 million of fair value step-up of inventory acquired from Cloud Light was amortized and recognized as cost of sales in our condensed consolidated statements of operations.

Property, Plant and Equipment, Net

The components of property, plant and equipment, net were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Land	$ 108.6	$ 75.2
Buildings and improvements	258.8	215.1
Machinery and equipment	778.9	772.1
Computer equipment and software	44.9	44.9
Furniture and fixtures	13.9	14.3
Leasehold improvements	44.8	47.5
Construction in progress	81.6	71.1
	1,331.5	1,240.2
Less: Accumulated depreciation	(693.1)	(667.7)
Property, plant and equipment, net	$ 638.4	$ 572.5

In connection with the Cloud Light acquisition, we assumed $62.5 million of property, plant and equipment, net, as of the acquisition Cloud Light Closing Date.

Our construction in progress primarily includes machinery and equipment that we expect to place in service in the next 12 months.

In July 2024, we purchased the land and building of our wafer fabrication facility located in Sagamihara, Japan for a total transaction price of $42.2 million including $1.3 million of incremental direct costs for fees paid to third parties that were capitalized. We also recorded a $16.3 million increase in the carrying value of buildings purchased related to the termination of leases for the purchased building. The total carrying value of assets purchased was $58.5 million at the purchase date, of which $33.4 million was allocated to the land and $25.1 million to the building.

In August 2023, we purchased land and buildings that we previously leased in Caswell, United Kingdom for a total purchase price of $23.3 million. Additionally, we capitalized $1.8 million of incremental direct costs for fees paid to third parties. We also recorded a $0.3 million reduction in the carrying value of buildings purchased related to the termination of leases for the purchased buildings. The total carrying value of assets purchased is $24.8 million at the purchase date, of which $11.8 million was allocated to the land and $13.0 million to the buildings.

During the three months ended September 28, 2024 and September 30, 2023, we recorded depreciation expense of $27.0 million and $28.2 million, respectively.

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Operating Lease Right-of-Use Assets

Operating lease right-of-use assets, net were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Operating lease right-of-use assets	$ 66.1	$ 112.3
Less: accumulated amortization	(30.4)	(39.5)
Operating lease right-of-use assets, net	$ 35.7	$ 72.8

In connection with our integration efforts to consolidate our sites, we recorded restructuring charges for various sites and reduced our operating lease right-of-use assets by $5.3 million during the three months ended September 28, 2024.

In connection with the Cloud Light acquisition, we acquired $3.7 million of right-of-use assets related to leases of real estate properties used as our manufacturing and office premises. We accounted for these leases as operating leases and have the remaining lease term ranging from 1.5 to 2.6 years at the Cloud Light Closing Date.

In connection with the purchase of land and building in Sagamihara, Japan in July 2024, we terminated our leases for the related facilities and recorded a $16.3 million increase in the carrying value of building purchased, as a result of derecognizing $32.0 million of net operating lease right-of-use asset, $1.6 million of operating lease liabilities, current, and $14.1 million of operating lease liabilities, non-current.

In connection with the purchase of land and buildings in the United Kingdom in August 2023, we terminated our leases for the related facilities and recorded a $0.3 million of reduction in the carrying value of buildings purchased, as a result of derecognizing $4.8 million of net operating lease right-of-use asset, $2.4 million of operating lease liabilities, current, and $2.7 million of operating lease liabilities, non-current.

Other Current Liabilities

The components of other current liabilities were as follows *(in millions)*:

	September 28, 2024	June 29, 2024
Restructuring accrual and related charges [1]	$ 6.3	$ 11.1
Warranty reserve [2]	13.2	13.2
Deferred revenue and customer deposits	0.6	0.6
Income tax payable [3]	11.9	13.2
Other current liabilities	5.6	3.0
Other current liabilities	$ 37.6	$ 41.1

(1) Refer to “Note 11. Restructuring and Related Charges.”

(2) Refer to “Note 14. Commitments and Contingencies.”

(3) Refer to “Note 12. Income Taxes.”

Other Non-Current Liabilities

The components of other non-current liabilities were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Asset retirement obligations	$ 7.0	$ 7.5
Pension and related accruals [1]	8.6	7.5
Unrecognized tax benefit	94.4	83.0
Other non-current liabilities	6.2	5.4
Other non-current liabilities	$ 116.2	$ 103.4

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[1] We have defined benefit pension plans in Japan, Switzerland, and Thailand. Pension and related accrual of $8.6 million as of September 28, 2024 represents $9.5 million of non-current portion of benefit obligation, offset by $0.9 million of funding for the pension plan in Switzerland. Pension and related accrual of $7.5 million as of June 29, 2024 relates to $8.6 million of non-current portion of benefit obligation, offset by $1.2 million of funding for the pension plan in Switzerland. We typically re-evaluate the assumptions related to the fair value of our defined benefit obligations annually in the fiscal fourth quarter and make any updates as necessary.

Note 8. Goodwill and Other Intangible Assets

Goodwill

In November 2023, we completed the acquisition of Cloud Light. We recognized goodwill of $365.8 million, which was allocated to the Cloud & Networking segment.

The following table presents goodwill by reportable segments as of September 28, 2024 and June 29, 2024 (*in millions)*:

	Cloud & Networking	Industrial Tech	Total
Balances as of June 29, 2024	$ 1,044.6	$ 11.2	$ 1,055.8
Acquisition of Cloud Light [1]	5.1	—	5.1
Balances as of September 28, 2024	$ 1,049.7	$ 11.2	$ 1,060.9

[1] During the three months ended September 28, 2024, we adjusted the purchase price allocation and recorded a $5.1 million increase to goodwill. The primary adjustment to the opening balance sheet relates to income tax liabilities which were not known in previous periods.

Impairment of Goodwill

We review goodwill for impairment during the fourth quarter of each fiscal year or more frequently if events or circumstances indicate that an impairment loss may have occurred. In the fourth quarter of fiscal 2024, we completed the annual impairment test of goodwill, which indicated there was no goodwill impairment. There were no indicators of goodwill impairment during the three months ended September 28, 2024.

Other Intangibles

Our intangible assets are amortized on a straight-line basis over the estimated useful lives, except for certain customer relationships, which are amortized using an accelerated method of amortization over the expected customer lives, more accurately reflecting the pattern of realization of economic benefits we expect to derive. Acquired developed technologies are amortized to cost of sales and research and development expenses. Acquired customer relationships are amortized to selling, general and administrative expenses in the consolidated statement of operations.

In-process research and development ("IPR&D") is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When an IPR&D project is completed, the IPR&D is reclassified to an amortizable purchased intangible asset and amortized over the asset's estimated useful life.

During the annual impairment testing performed in the fourth quarter of fiscal 2024, we concluded that our intangible and other long-lived assets were not impaired at the asset group level. We review our intangible and other long-lived assets for impairment at least annually in the fourth quarter of each fiscal year, absent any interim indicators of impairment. There were no indicators of impairment at the asset group level during the three months ended September 28, 2024.

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In November 2023, we completed the acquisition of Cloud Light. The intangible assets acquired from the acquisition were as follows as of the acquisition date (*in millions, except for weighted average amortization period*):

	Fair Value at the Acquisition Date	Weighted Average Amortization Period (Years)
Acquired developed technologies	$ 170.0	7.0
Customer relationships	130.0	7.0
In-process research and development	16.0	n/a
Order backlog	14.0	1.0
Trade name and trademarks	3.0	1.2
Total intangible assets	$ 333.0	

Refer to "Note 4. Business Combinations" for the acquisitions of Cloud Light.

The following tables present details of all of our intangible assets as of the periods presented (*in millions, except for weighted average remaining amortization period*):

September 28, 2024	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted Average Remaining Amortization Period (Years)
Acquired developed technologies	$ 818.2	$ (496.4)	$ 321.8	4.6
Customer relationships	419.8	(183.7)	236.1	4.7
In-process research and development	13.6	—	13.6	n/a
Order backlog	14.0	(12.4)	1.6	0.1
Trade name and trademarks	3.0	(2.2)	0.8	0.3
Total intangible assets	$ 1,268.6	$ (694.7)	$ 573.9	

June 29, 2024	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted Average Remaining Amortization Period (Years)
Acquired developed technologies	$ 818.1	$ (473.0)	$ 345.1	4.8
Customer relationships	419.8	(169.4)	250.4	4.9
In-process research and development	15.5	—	15.5	n/a
Order backlog	14.0	(8.9)	5.1	0.4
Trade name and trademarks	3.0	(1.6)	1.4	0.6
Total intangible assets	$ 1,270.4	$ (652.9)	$ 617.5	

The following table presents details of amortization for the periods presented *(in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Cost of sales	$ 22.5	$ 18.0
Research and development	0.4	0.3
Selling, general and administrative	18.8	10.7
Total amortization of intangibles	$ 41.7	$ 29.0

Based on the carrying amount of our acquired intangible assets except in-process research and development as of September 28, 2024, and assuming no future impairment of the underlying assets, the estimated future amortization is as follows *(in millions)*:

Fiscal Years		
Remainder of 2025	$	107.6
2026		133.3
2027		121.0
2028		81.5
2029		51.8
Thereafter		65.1
Total future amortization	$	560.3

Note 9. Debt

Convertible Notes

2029 Notes

On June 16, 2023, we issued $603.7 million in aggregate principal amount of 1.50% Convertible Senior Notes due in 2029 (“2029 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2029 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association, (as successor in interest to U.S. Bank National Association), as a trustee (the “2029 Indenture”). The 2029 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The net proceeds from the sale of the 2029 Notes was $599.4 million, after deducting $4.3 million of net issuance costs. In addition, we incurred $0.8 million of professional fees directly related to this transaction. Concurrent with the issuance of the 2029 Notes, we used $132.8 million of the net proceeds to repurchase $125.0 million aggregate principal amount of the 2024 Notes and $125.0 million of the net proceeds to repurchase our common stock in privately negotiated transactions. We intend to use the remaining net proceeds for general corporate purposes, which may include the repayment of our indebtedness, including any of our existing convertible notes, capital expenditures, working capital and potential acquisitions.

The 2029 Notes bear interest at a rate of 1.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2029 Notes will mature on December 15, 2029, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 14.3808 shares of common stock per $1,000 principal amount of the 2029 Notes (which is equivalent to an initial conversion price of approximately $69.54 per share). The conversion rate is subject to adjustment upon the occurrence of certain events specified in the 2029 Indenture but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert the 2029 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding September 15, 2029, holders of the 2029 Notes may convert their 2029 Notes only under the following circumstances:

- during any fiscal quarter commencing after September 30, 2023 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% if the applicable conversion price on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the “2029 measurement period”) in which the trading price per $1,000 principal amount of 2029 Notes for each trading day of the 2029 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day;

- if we call any or all of the 2029 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events as specified in the 2029 Indenture.

On or after September 15, 2029 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2029 Notes at any time. Following our irrevocable settlement method election made on September 25, 2024, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2029 Notes by delivering cash equal to the principal amount of such converted 2029 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash all or any portion of the 2029 Notes, at our option (subject to the partial redemption limitation set forth in the 2029 Indenture), on or after June 22, 2026, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2029 Notes. If we elect to redeem fewer than all of the outstanding 2029 Notes, at least $100.0 million aggregate principal amount of the 2029 Notes must be outstanding and not subject to redemption as of the redemption notice date. Upon the occurrence of a fundamental change (as defined in the 2029 Indenture), holders may require us to repurchase all or a portion of their 2029 Notes for cash at a price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The entire 2029 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

2028 Notes

In March 2022, we issued $861.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due in 2028 (the “2028 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The 2028 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as trustee (the “2028 Indenture”). The 2028 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The net proceeds from the sale of the 2028 Notes was $854.8 million, after deducting $6.2 million in issuance costs. In addition, we incurred $0.7 million in professional fees in connection with this transaction. Concurrent with the issuance of the 2028 Notes, we used $200.0 million of the net proceeds to repurchase our common stock in privately negotiated transactions.

The 2028 Notes bear interest at a rate of 0.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Notes will mature on June 15, 2028, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 7.6319 shares of common stock per $1,000 principal amount of the 2028 Notes (which is equivalent to an initial conversion price of approximately $131.03 per share). The conversion rate is subject to adjustment upon the occurrence of certain specified events, but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2028 Indenture) or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert the 2028 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding March 15, 2028, holders of the 2028 Notes may convert their 2028 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price, or $170.34, on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of the 2028 Notes for each trading day of such

measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day;

- if the Company calls any or all of the 2028 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events, as specified in the 2028 Indenture.

On or after March 15, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2028 Notes at any time. Following our irrevocable settlement method election made on September 25, 2024, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2028 Notes by delivering cash equal to the principal amount of such converted 2028 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash all or any portion of the 2028 Notes, at our option (subject to the partial redemption limitation set forth in the 2028 Indenture), on or after June 20, 2025, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2028 Notes. If we elect to redeem fewer than all of the outstanding 2028 Notes, at least $100.0 million aggregate principal amount of the 2028 Notes must be outstanding and not subject to redemption as of the redemption notice date. Upon the occurrence of a fundamental change (as defined in the 2028 Indenture), holders may require the Company to repurchase all or a portion of their 2028 Notes for cash at a price equal to 100% of the principal amount of the 2028 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We initially bifurcated the principal amount of the 2028 Notes into liability and equity components. The liability component of the 2028 Notes was initially valued at $629.8 million based on the contractual cash flow discounted at an appropriate comparable market on non-convertible debt borrowing rate at the date of issuance, which was 5.7%, with the equity component representing the residual amount of the proceeds of $231.2 million, which was recorded as a debt discount. Upon adoption of ASU 2020-06 in the first quarter of fiscal 2023, our 2028 Notes were accounted for as a single liability measured at amortized cost. The entire 2028 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

2026 Notes

In December 2019, we issued $1,050.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due in 2026 (the "2026 Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2026 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association, as trustee (as supplemented by the First Supplemental Indenture, dated as of September 25, 2024, the "2026 Indenture"). We used approximately $196.0 million of the net proceeds of the offering to repay in full all amounts outstanding under our term loan credit facility, and a portion of the net proceeds of the offering to purchase approximately $200.0 million of our common stock concurrently with the pricing of the offering in privately negotiated transactions. The 2026 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The 2026 Notes bear interest at a rate of 0.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2026 Notes will mature on December 15, 2026, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 10.0711 shares of common stock per $1,000 principal amount of the 2026 Notes (which is equivalent to an initial conversion price of approximately $99.29 per share). The conversion rate is subject to adjustment upon the occurrence of certain events specified in the 2026 Indenture but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2026 Indenture) or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares set forth in the 2026 Indenture or a holder that elects to convert the 2026 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding September 15, 2026, holders of the 2026 Notes may convert their 2026 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2026 Notes, or $129.08 on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the "2026 measurement period") in which the trading price per $1,000 principal amount of the 2026 Notes for each trading day of the 2026 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate for the 2026 Notes on each such trading day;
- if we call any or all of the 2026 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the relevant redemption date; or
- upon the occurrence of specified corporate events.

On or after September 15, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2026 Notes at any time. Following our entry into the First Supplemental Indenture, dated as of September 25, 2024, to the 2026 Indenture, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2026 Notes by delivering cash equal to the principal amount of such converted 2026 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash, all or any portion of the 2026 Notes, at our option, on or after December 20, 2023, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide a notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2026 Notes. Upon the occurrence of a fundamental change (as defined in the 2026 Indenture), holders may require us to repurchase all or a portion of the 2026 Notes for cash at a price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We initially bifurcated the principal amount of the 2026 Notes into liability and equity components. The liability component of the 2026 Notes was initially valued at $734.8 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 5.8% with the equity component representing the residual amount of the proceeds of $315.2 million, which was recorded as a debt discount. Upon adoption of ASU 2020-06 in the first quarter of fiscal 2023, our 2026 Notes were accounted for as a single liability measured at amortized cost. The entire 2026 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

2024 Notes

In March 2017, we issued $450.0 million in aggregate principal amount of 0.25% convertible senior notes due in 2024 (the "2024 Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2024 Notes were governed by an indenture between the Company, as the issuer, and U.S. Bank Trust Company National Association (as successor in interest to U.S. Bank National Association), as trustee (the "2024 Indenture"). The 2024 Notes were unsecured and did not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The 2024 Notes bore interest at a rate of 0.25% per year. Interest on the 2024 Notes was payable semi-annually in arrears on March 15 and September 15 of each year. The 2024 Notes matured on March 15, 2024.

The initial conversion rate of the 2024 Notes was 16.4965 shares of common stock per $1,000 principal amount of 2024 Notes, which was equivalent to an initial conversion price of approximately $60.62 per share. The conversion rate was subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2024 Indenture) or our issuance of a notice of redemption, we were required to, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elected to convert the 2024 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding December 15, 2023, each holder of the 2024 Notes was able to convert their 2024 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter was greater than or equal to 130% of the applicable conversion price, or $78.80 on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the "2024 measurement period") in which the trading price per $1,000 principal amount of 2024 Notes for each trading day of such 2024 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate for the 2024 Notes on each such trading day; or
- upon the occurrence of specified corporate events.

On or after December 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders could convert their 2024 Notes at any time. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2024 Indenture), we were required to, in certain circumstances, increase the conversion rate by a number of additional shares set forth in the 2024 Indenture for a holder that elected to convert 2024 Notes in connection with such make-whole fundamental change.

We could not redeem the 2024 Notes prior to their maturity date and no sinking fund was provided for the 2024 Notes. Upon the occurrence of a fundamental change (as defined in the 2024 Indenture), holders could require us to repurchase all or a portion of their 2024 Notes for cash at a price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus any accrued and unpaid interest.

We considered the features embedded in the 2024 Notes other than the conversion feature, including the holders' put feature, our call feature, and the make-whole feature, and concluded that they are not required to be bifurcated and accounted for separately from the host debt instrument.

Prior to the Tax Matters Agreement settlement condition ("TMA settlement condition"), because we could only settle the 2024 Notes in cash, we determined that the conversion feature met the definition of a derivative liability. We separated the derivative liability from the host debt instrument based on the fair value of the derivative liability. As of the issuance date, March 8, 2017, the derivative liability fair value of $129.9 million was calculated using the binomial valuation approach. The residual principal amount of the 2024 Notes of $320.1 million before issuance costs was allocated to the debt component. We incurred approximately $7.7 million in transaction costs in connection with the issuance of the 2024 Notes. These costs were allocated to the debt component and recognized as a debt discount. We amortized the debt discount, including both the initial value of the derivative liability and the transaction costs, over the term of the 2024 Notes using the effective interest method. The effective interest rate of the 2024 Notes was 5.4% per year.

During fiscal 2017, we satisfied the TMA settlement condition. As such, the value of the conversion option was no longer marked-to-market and was reclassified to additional paid-in capital within stockholders' equity on our condensed consolidated balance sheets. The value of the conversion option at the time of issuance was treated as an original issue discount for purposes of accounting for the debt component of the 2024 Notes. The debt component accreted up to the original amount over the term of the debt. The adoption of ASU 2020-06 did not change the presentation of the 2024 Notes, as the conversion feature associated with the 2024 Notes was classified within stockholders' equity.

Concurrent with the issuance of the 2029 Notes in June 2023, we used $132.8 million of the net proceeds to repurchase $125.0 million aggregate principal amount of the 2024 Notes, which we accounted for as an extinguishment of liability. $13.5 million of the $132.8 million repurchase price was allocated to the conversion feature of the repurchased 2024 Notes, representing the fair value of the conversion feature at the date of the repurchase, and was recognized as a reduction of the stockholders' equity. Additionally, since issuing the 2024 Notes, we converted a total of approximately $1.9 million of principal amount of the 2024 Notes, with less than $0.1 million of principle amount converted during the three months ended September 28, 2024.

On March 15, 2024, the 2024 Notes maturity date, we fully repaid the remaining principal amount of $323.1 million. The conversion feature previously classified within stockholder's equity was fully amortized as of the maturity date.

Convertible Notes - Additional Disclosures

On September 25, 2024, Lumentum entered into the First Supplemental Indenture to the 2029 Indenture, 2028 Indenture and 2026 Indenture, pursuant to which we irrevocably elected to settle the principal amounts of the 2029 Notes, 2028 Notes and 2026 Notes in cash. Any amounts due above the principal may be settled in cash, equity, or any combination thereof at the election of the Company.

Our convertible notes consisted of the following components as of the periods presented (*in millions*):

September 28, 2024	2026 Notes (1)	2028 Notes (2)	2029 Notes (3)	Total
Principal	$ 1,050.0	$ 861.0	$ 603.7	$ 2,514.7
Unamortized debt discount and debt issuance costs	(2.6)	(4.1)	(4.1)	(10.8)
Net carrying amount of the liability component	$ 1,047.4	$ 856.9	$ 599.6	$ 2,503.9

June 29, 2024	2026 Notes (1)	2028 Notes (2)	2029 Notes (3)	Total
Principal	$ 1,050.0	$ 861.0	$ 603.7	$ 2,514.7
Unamortized debt discount and debt issuance costs	(2.8)	(4.4)	(4.3)	(11.5)
Net carrying amount of the liability component	$ 1,047.2	$ 856.6	$ 599.4	$ 2,503.2

(1) If the closing price of our stock exceeds $129.08 (or 130% of the conversion price of $99.29) for 20 of the last 30 trading days of any future fiscal quarter, our 2026 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

(2) If the closing price of our stock exceeds $170.34 (or 130% of the conversion price of $131.03) for 20 of the last 30 trading days of any future fiscal quarter, our 2028 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

(3) If the closing price of our stock exceeds $90.40 (or 130% of the conversion price of $69.54) for 20 of the last 30 trading days of any future quarter, the 2029 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our consolidated balance sheets.

The following table sets forth interest expense information related to the convertible notes for the periods presented *(in millions)*:

	Three Months Ended	
	September 28, 2024	September 30, 2023
Contractual interest expense	$ 4.7	$ 4.8
Amortization of the debt discount and debt issuance costs	0.7	4.9
Total interest expense	$ 5.4	$ 9.7

The future interest and principal payments related to our convertible notes are as follows as of September 28, 2024 *(in millions)*:

Fiscal Years	2026 Notes	2028 Notes	2029 Notes	Total
2025	$ 5.3	$ 4.3	$ 9.1	$ 18.7
2026	5.3	4.3	9.1	18.7
2027	1,052.5	4.3	9.1	1,065.9
2028	—	865.3	9.1	874.4
2029	—	—	617.1	617.1
Total payments	$ 1,063.1	$ 878.2	$ 653.5	$ 2,594.8

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The principal balances of our convertible notes are reflected in the payment periods in the table above based on their respective contractual maturities.

Term Loans

SMBC Term Loan

On August 9, 2024, the Company entered into a term loan agreement with Sumitomo Mitsui Banking Corporation ("SMBC"). The SMBC term loan provides an aggregate principal amount of 6.4 billion Japanese yen ("JPY"). The loan requires monthly payments of the principal amounting to approximately 53.3 million JPY, which commenced on August 31, 2024 totaling approximately 3.1 billion JPY and interest based on a fixed annual interest rate of 0.88%, with the remaining principal of approximately 3.3 billion JPY due on the loan maturity date of July 31, 2029. Under the loan agreement, the Company cannot prepay the outstanding loan without SMBC's approval. In the event the Company prepays the outstanding loan with SMBC's approval, the Company shall pay SMBC settlement money pursuant to the loan agreement. The term loan is secured by the real estate owned in Sagamihara, Japan.

As of September 28, 2024, the Company has $44.5 million in principal amount outstanding, of which the short-term portion of $4.5 million is recorded as current liabilities while the long-term portion of $40.0 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

Mizuho Term Loan

On September 20, 2024, the Company entered into a loan agreement with Mizuho Bank, Ltd. (the "Mizuho Term Loan"), in order to finance our planned manufacturing expansions. The Mizuho Term Loan provides for borrowings of 4.5 billion JPY with a 5-year term from the funding date September 20, 2024. The loan requires quarterly principal payments of approximately 225.0 million JPY commencing on December 20, 2024 with the final payment on September 20, 2029. The Mizuho Term Loan bears a fixed annual interest rate of 0.90%. The term loan is secured by the real estate assets owned by NeoPhotonics Semiconductor GK. The Mizuho Term Loan agreement requires that the Company and certain domestic subsidiaries comply with covenants relating to customary matters, including obtaining prior approval from lender in case of transferring, creating a security interest, or disposing the collateral assets; obtaining prior approval from lender in case of business transfer, business acquisition, corporate reorganization or changes as mergers, company splits, share exchanges or share transfers or capital structure changes; obtaining prior approval of the lender in case Lumentum Holdings Inc. changes its indirect ownership in Lumentum Japan, Inc; and obtaining prior approval from the lender in case Lumentum Japan, Inc. distributes dividends to its shareholders.

As of September 28, 2024, the Company has $31.6 million in principal amount outstanding, of which the short-term portion of $6.3 million is recorded as current liabilities while the long-term portion of $25.3 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

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Note 10. Accumulated Other Comprehensive Income (Loss)

Our accumulated other comprehensive income (loss), net of tax, consists of the accumulated net unrealized gains or losses on foreign currency translation adjustments, the defined benefit obligations and available-for-sale securities.

The changes in accumulated other comprehensive income (loss), net of tax, were as follows for the periods as presented (*in millions*):

	Foreign Currency Translation Adjustments, Net of Tax (1)	Defined Benefit Obligations, Net of Tax (2)	Unrealized Gain (Loss) on Available-for-Sale Securities, Net of Tax (3)	Total
Beginning balance as of June 29, 2024	$ 9.8	$ 0.7	$ (1.2)	$ 9.3
Other comprehensive gain (loss), net	—	—	2.3	2.3
Ending balance as of September 28, 2024	$ 9.8	$ 0.7	$ 1.1	$ 11.6

	Foreign Currency Translation Adjustments, Net of Tax (1)	Defined Benefit Obligations, Net of Tax (2)	Unrealized Gain (Loss) on Available-for-Sale Securities, Net of Tax (3)	Total
Beginning balance as of July 1, 2023	$ 10.4	$ (0.4)	$ (5.9)	$ 4.1
Other comprehensive gain (loss), net	(0.2)	—	1.3	1.1
Ending balance as of September 30, 2023	$ 10.2	$ (0.4)	$ (4.6)	$ 5.2

(1) In fiscal 2019, we established the functional currency for our worldwide operations as the U.S. dollar. Translation adjustments reported prior to December 10, 2018 remain as a component of accumulated other comprehensive income (loss) in our condensed consolidated balance sheets, until all or a part of the investment in the subsidiaries is sold or liquidated. In fiscal 2023, we acquired IPG telecom transmission product lines. The functional currency of the Brazilian entities acquired as part of this acquisition is the local currency.

(2) We re-evaluate the assumptions related to the fair value of our defined benefit obligations annually in the fiscal fourth quarter and make any updates as necessary.

(3) For the three months ended September 28, 2024, our unrealized loss on available-for-sale securities is presented net of tax of nil.

For the three months ended September 30, 2023, our unrealized loss on available-for-sale securities is presented net of tax of $0.4 million.

Note 11. Restructuring and Related Charges

We have initiated various strategic restructuring actions primarily to reduce costs, consolidate our operations, rationalize the manufacturing of our products and align our business in response to market conditions and as a result of our acquisitions.

The following table summarizes activities of restructuring and related charges for the periods as presented (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Balance as of beginning of period	$ 11.1	$ 5.0
Charges	9.7	11.0
Payments and other adjustments	(14.5)	(6.7)
Balance as of end of period	$ 6.3	$ 9.3

During the three months ended September 28, 2024, we recorded restructuring and related charges of $9.7 million, which includes $6.0 million of asset write-offs primarily due to integration efforts to consolidate our sites, $3.0 million of charges related to the discontinuation of our in-house development of coherent DSPs and RFICs and the remaining restructuring charges due to company-wide cost reduction initiatives.

During the three months ended September 30, 2023, we recorded restructuring and related charges of $11.0 million in our condensed consolidated statements of operations, which were primarily due to company-wide cost reduction initiatives, as well as our integration efforts as a result of the merger with NeoPhotonics.

Any changes in the estimates of executing our restructuring activities will be reflected in our future results of operations.

Note 12. Income Taxes

Our tax provision for interim periods has generally been determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that arise during the period. However, when a reliable estimate cannot be made, the actual tax or benefit applicable may be reported as a discrete item in the interim period. For the three months ended September 28, 2024, we concluded that the use of the cut-off tax rate method was more appropriate than the annual effective tax rate method, because the estimated annual effective tax rate is not reliable due to its sensitivity to minimal changes in forecasted annual pre-tax earnings. As a result, we have computed our tax provision using the discrete method as though the three-month period was the annual period.

We recorded a tax provision of $3.2 million for the three months ended September 28, 2024. Our tax provision for the three months ended September 28, 2024 is primarily related to the tax expense associated with interest on uncertain tax positions, partially offset by the tax benefit from currency re-measurements.

We recorded a tax benefit of $1.4 million for the three months ended September 30, 2023. Our tax provision for the three months ended September 30, 2023 includes a discrete tax benefit of $1.8 million primarily related to the tax benefit from changes in prior year uncertain tax positions, partially offset by the tax expenses related to a shortfall in connection with stock-based compensation vested during the quarter and foreign return to provision differences.

Our estimated effective tax rate for the three months ended September 28, 2024 differs from the 21% U.S. statutory rate primarily due to the income tax expense from foreign rate differential, non-deductible stock-based compensation, uncertain tax positions, and current year valuation allowance changes, partially offset by the income tax benefit from various income tax credits.

We regularly assess our ability to realize our deferred tax assets on a quarterly basis and will establish a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. As of September 28, 2024, we maintain a full valuation allowance on U.S. federal and state and certain foreign deferred tax assets. We will continue to assess the need for a valuation allowance against our remaining deferred tax assets and may increase or decrease our valuation allowance materially in the future.

As of September 28, 2024, we had $94.4 million of unrecognized tax benefits, which, if recognized, would affect the effective tax rate. We are subject to examination of income tax returns by various domestic and foreign tax authorities. The timing of resolution and closure of these tax examinations is highly unpredictable. Although it is possible that certain ongoing tax examinations may be concluded within the next 12 months, we cannot reasonably estimate the impact to tax expense and net income from tax examinations that could be resolved or closed within the next 12 months. Subject to audit timing and uncertainty, we expect the amount of unrecognized tax benefit that would become recognized due to expiration of the statute of limitations and affect the effective tax rate to decrease by $3.7 million over the next 12 months.

Note 13. Equity

Description of Lumentum Stock-Based Compensation Plans

Equity Incentive Plan

On November 17, 2023, our stockholders approved amendments to the Amended and Restated Equity Incentive Plan (the “2015 Plan”) to increase the number of shares of common stock reserved for issuance by an additional 3.0 million shares.

As of September 28, 2024, we had 5.8 million shares subject to stock options, restricted stock units, restricted stock awards, and performance stock units issued and outstanding under the 2015 Plan. Restricted stock units, restricted stock awards, and performance stock units are performance-based, time-based or a combination of both and are expected to vest within four years. The fair value of these grants is based on the closing market price of our common stock on the date of grant. The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. We issue new shares of common stock upon exercise of stock options. Options generally have vesting period of three years. As of September 28, 2024, 2.1 million shares of common stock under the 2015 Plan were available for grant.

On November 28, 2023 we adopted and assumed the Cloud Light Share Option Scheme (the “Cloud Light Scheme”) in connection with the Cloud Light acquisition and we have reserved a total of 1.5 million shares of common stock for issuance thereunder, of which 1.1 million options was granted at the acquisition date.

Stock Options

In connection with the acquisition of Cloud Light, each of Cloud Light’s outstanding options was exchanged for a combination of cash and options to acquire Lumentum common stock having equivalent value (the “replacement options”) using an exchange ratio of 0.04375 according to the terms in the Merger Agreement. At the acquisition Closing date, the replacement options consisted of 1.1 million options with a weighted average grant date fair value of $34.63. These replacement options have a total fair value of $38.9 million as of the Closing date, of which $23.5 million attributed to pre-acquisition service was recorded as part of purchase price consideration and the remaining $15.4 million will be recorded as post-acquisition stock-based compensation expense over the vesting period of three years from the acquisition Closing date. Refer to “Note 4. Business Combinations.”

We estimate the fair value of the replacement options on the date of grant using the Black-Scholes option-pricing model. The assumptions used to estimate the fair value of the replacement options are as follows:

	At the Acquisition Date
Expected terms (years)	3.0
Expected volatility	45.0 %
Risk-free interest rate	5.0 %
Dividend yield	— %

Restricted Stock Units

Restricted stock units (“RSUs”) under the 2015 Plan are grants of shares of our common stock, the vesting of which is based on the requisite service requirement. Generally, our RSUs are subject to forfeiture and are expected to vest within four years. For annual grants to existing employees, RSUs generally vest ratably on an annual basis, or combination of annual and quarterly basis, over three years.

During the three months ended September 28, 2024, our board of directors approved grants of 1.5 million RSUs, which primarily vest over three years.

Performance Stock Units

Performance stock units (“PSUs”) under the 2015 Plan are grants of shares of our common stock that vest upon the achievement of certain performance and service conditions. We begin recognizing compensation expense when we conclude that it is probable that the performance conditions will be achieved. We reassess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment. Our PSUs are subject to risk of forfeiture until performance and service conditions are satisfied and generally vest within three years.

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During the three months ended September 28, 2024, we granted 0.7 million PSUs with an aggregate grant date fair value of $39.8 million to executive and non-executive employees as part of our revised Annual Incentive Plan. These PSUs are subject to performance targets and service conditions, with a vesting period of one year. We also granted 0.3 million PSUs with an aggregate grant date fair value of $19.1 million to certain executive officers and senior management. These PSUs will vest subject to the achievement of revenue targets and certain non-financial performance measurements, as well as service conditions, over three years.

Employee Stock Purchase Plan

Our 2015 Purchase Plan provides eligible employees with the opportunity to acquire an ownership interest in the Company through periodic payroll deductions and provides a 15% purchase price discount as well as a 6-month look-back period. The 2015 Purchase Plan is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended. The 2015 Purchase Plan will terminate upon the date on which all shares available for issuance have been sold. Of the 3.0 million shares authorized under the 2015 Purchase Plan, 0.7 million shares remained available for issuance as of September 28, 2024.

Stock-Based Compensation

The impact on our results of operations of recording stock-based compensation by function for the periods presented was as follows *(in millions)*:

	Three Months Ended	
	September 28, 2024	**September 30, 2023**
Cost of sales	$ 9.7	$ 6.0
Research and development	9.3	10.3
Selling, general and administrative	16.6	15.8
Total stock-based compensation	$ 35.6	$ 32.1

During the three months ended September 28, 2024 and September 30, 2023, we recorded $7.3 million and $4.7 million of stock-based compensation related to PSUs, respectively. The amount of stock-based compensation expense recognized in any one period related to PSUs can vary based on the achievement or anticipated achievement of the performance conditions. If the performance conditions are not met or not expected to be met, no compensation cost would be recognized on the underlying PSUs, and any previously recognized compensation expense related to those PSUs would be reversed.

Total income tax benefit associated with stock-based compensation recognized in our condensed consolidated statements of operations during the periods presented was as follows *(in millions)*:

	Three Months Ended	
	September 28, 2024	**September 30, 2023**
Income tax benefit associated with stock-based compensation	$ 1.4	$ 1.9

Approximately $12.7 million and $14.4 million of stock-based compensation was capitalized to inventory as of September 28, 2024 and June 29, 2024, respectively.

As of September 28, 2024, $177.6 million of stock-based compensation cost related to RSU awards remains to be amortized, which is expected to be recognized over an estimated amortization period of 2.0 years.

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Stock Award Activity

The following table summarizes our award activities for the three months ended September 28, 2024 *(in millions)*:

	Stock Options		Restricted Stock Units		Performance Stock Units	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Balance as of June 29, 2024	1.1	$ 34.6	2.7	$ 62.5	0.9	$ 65.5
Granted	—	—	1.5	56.3	1.0	56.4
Vested/Exercised	(0.1)	7.7	(0.8)	65.1	(0.1)	85.8
Canceled	—	—	(0.1)	63.2	(0.3)	61.7
Balance as of September 28, 2024	1.0	$ 34.6	3.3	$ 58.9	1.5	$ 59.6

A summary of awards available for grant is as follows *(in millions)*:

	Awards Available for Grant
Balance as of June 29, 2024	4.3
Authorized	—
Granted	(2.6)
Canceled	0.4
Balance as of September 28, 2024	2.1

Employee Stock Purchase Plan Activity

The 2015 Purchase Plan expense for the three months ended September 28, 2024 was $1.2 million. The 2015 Purchase Plan expense for the three months ended September 30, 2023 was $1.2 million. The expense related to the 2015 Purchase Plan is recorded on a straight-line basis over the relevant subscription period.

During the three months ended September 28, 2024 and the three months ended September 30, 2023, there were no shares issued to employees through the 2015 Purchase Plan.

Repurchase and Retirement of Common Stock

Share Buyback Program

We have a share buyback program that authorizes us to utilize up to an aggregate amount of $1.2 billion to purchase our own shares of common stock through May 2025. During the three months ended September 28, 2024 and September 30, 2023, we did not repurchase any shares of our common stock. Since the board of directors initially approved the share buyback program, we have repurchased 7.7 million shares in aggregate at an average price of $81.66 per share for a total purchase price of $630.4 million. We recorded the $630.4 million aggregate purchase price as a reduction of retained earnings within our condensed consolidated balance sheet and immediately retired all repurchased shares. As of September 28, 2024, we have $569.6 million remaining under the share buyback program.

The price, timing, amount, and method of future repurchases will be determined based on the valuation of market conditions and other factors, at prices determined to be attractive and in the best interests of both the Company and our stockholders. The stock repurchase program may be suspended or terminated at any time.

Note 14. Commitments and Contingencies

Purchase Obligations

Our purchase obligations of $589.2 million as of September 28, 2024 represent legally binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the option to cancel, reschedule and adjust the requirements based on our business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

We depend on a limited number of contract manufacturers, subcontractors and suppliers for raw materials, packages and standard components. We generally purchase these single or limited source products through standard purchase orders or one-year supply agreements and have no significant long-term guaranteed supply agreements with these vendors. While we seek to maintain a sufficient safety stock of such products and maintain on-going communications with our suppliers to guard against interruptions or cessation of supply, our business and results of operations could be adversely affected by a stoppage or delay of supply, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, increases in the price of such supplies, or our inability to obtain reduced pricing from our suppliers in response to competitive pressures.

Product Warranties

We provide reserves for the estimated costs of product warranties at the time revenue is recognized. We typically offer a twelve-month warranty for most of our products. However, in some instances depending upon the product, product components or application of our products by the end customer, our warranties can vary and generally range from six months to five years. We estimate the costs of our warranty obligations on an annualized basis based on our historical experience of known product failure rates, use of materials to repair or replace defective products, and service delivery costs incurred in correcting product failures. In addition, from time-to-time, specific warranty accruals may be made if unforeseen technical problems arise with specific products. We assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

The following table presents the changes in our warranty reserve for the periods presented (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Balance as of beginning of period	$ 13.2	$ 6.8
Warranties assumed in Cloud Light acquisition	0.8	—
Provision for warranty	2.4	0.2
Utilization of reserve, net	(3.2)	(1.5)
Balance as of end of period	$ 13.2	$ 5.5

Environmental Liabilities

Our research and development, manufacturing and distribution operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. We apply strict standards for protection of the environment and occupational health and safety to sites inside and outside the United States, even if not subject to regulations imposed by foreign governments. We believe that our properties and operations at our facilities comply in all material respects with applicable environmental laws and occupational health and safety laws. However, the risk of environmental liabilities cannot be completely eliminated and there can be no assurance that the application of environmental and health and safety laws will not require us to incur significant expenditures. We are also regulated under a number of international, federal, state and local laws regarding recycling, product packaging and product content requirements. The environmental and product content/disposal and recycling laws are gradually becoming more stringent and may cause us to incur significant expenditures in the future.

Legal Proceedings

We are subject to a variety of claims and suits that arise from time-to-time in the ordinary course of our business. While management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our financial position, results of operations or statements of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. We accrue for loss contingencies when it is both probable that we will incur the loss and when we can reasonably estimate the amount of the loss or range of loss. During the year ended June 29, 2024, we recorded $7.8 million with respect to the pending settlement of certain non-ordinary course litigation matters which has been settled as of September 28, 2024.

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Oclaro Merger Litigation

In connection with our acquisition of Oclaro in 2018, seven lawsuits were filed by purported stockholders of Oclaro challenging the proposed merger (the "Merger"). All but one was voluntarily dismissed after the Oclaro Merger closed. The remaining lawsuit, SaiSravan B. Karri v. Oclaro, Inc., et al., No. 3:18-cv-03435-JD (the "Karri Lawsuit"), was filed in the United States District Court for the Northern District of California and was styled as a class action.

The Karri Lawsuit alleged, among other things, that Oclaro and its directors violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-9 promulgated thereunder by disseminating an incomplete and misleading Form S-4, including proxy statement/prospectus. The Karri Lawsuit further alleged that Oclaro's directors violated Section 20(a) of the Exchange Act by failing to exercise proper control over the person(s) who violated Section 14(a) of the Exchange Act. The plaintiff in the Karri Lawsuit sought, among other things, damages to be awarded to the plaintiff and any class, if a class is certified, and litigation costs, including attorneys' fees.

The case proceeded through fact and expert discovery and the parties subsequently reached an agreement for a class-wide settlement of the Karri Lawsuit that provided for a payment of $15.3 million to the members of the class. On August 17, 2023, the court preliminarily approved the settlement. In March 2024, the court finally approved the settlement.

We recorded the court approved settlement amount of $15.3 million as accrued expenses in our condensed consolidated balance sheet as of June 29, 2024, of which $7.5 million represents the amount to be reimbursed by insurance and was recorded as prepayments and other current assets. As of September 28, 2024, this litigation matter has been settled.

Regulatory Matters

In August 2024, the Company received inquiries from the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS") and Department of Justice ("DOJ") following the Company's voluntary disclosure to BIS in December 2023, and supplemented in April 2024. The Company continues to cooperate with both agencies on this matter. The Company is unable to predict the likely outcome of these matters.

Indemnifications

In the normal course of business, we enter into agreements that contain a variety of representations and warranties and provide for general indemnification. Exposure under these agreements is unknown, because claims may be made against us in the future, and we may record charges in the future as a result of these indemnification obligations. As of September 28, 2024, we did not have any material indemnification claims that were probable or reasonably possible.

Audit Proceedings

We are under audit by various domestic and foreign tax authorities with regards to income tax and indirect tax matters. In some, although not all cases, we have reserved for potential adjustments to our provision for income taxes and accrual of indirect taxes that may result from examinations by these tax authorities or final outcomes in judicial proceedings, and we believe that the final outcome of these examinations, agreements or judicial proceedings will not have a material effect on our results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period when we determine the liabilities are no longer necessary. If our estimates of the federal, state, and foreign income tax liabilities and indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense.

Note 15. Operating Segments and Geographic Information

Our chief executive officer is our Chief Operating Decision Maker ("CODM"). The CODM allocates resources to the segments based on their business prospects, competitive factors, segment net revenue and segment profit. The CODM regularly reviews operating results to make decisions about resources to be allocated to the segments and to assess their performance.

Segment profit includes operating expenses directly managed by operating segments, including research and development, and direct sales and marketing expenses. Segment profit does not include stock-based compensation, acquisition or integration related costs, amortization and impairment of acquisition-related intangible assets, restructuring and related charges, and certain other charges. Additionally, we do not allocate corporate marketing and strategic marketing expenses and general and administrative expenses, as these expenses are not directly attributable to our operating segments.

We do not track all of our property, plant and equipment by operating segments. The geographic identification of these assets is set forth below.

Cloud & Networking

Our Cloud & Networking products include comprehensive portfolio of optical and photonic chips, components, modules, and subsystems supplied to cloud data center operator, AI/ML infrastructure provider, and network equipment manufacturer customers who are building cloud data center and network infrastructures. Our products enable high-capacity optical links in cloud, AI/ML and DCI applications, and communications service provider networks, including products for access (local), metro (intracity), long-haul (city-to-city and worldwide) and submarine (undersea) network infrastructure. Our Cloud & Networking products also support network equipment manufacturers building enterprise network infrastructure, including SANs, LANs, and WANs. These products enable the transmission and transport of data, video, and audio over high-capacity fiber-optic cables. We maintain leading positions in these fast-growing cloud and networking markets through our extensive product portfolio, including high-speed optical components and transceivers, reconfigurable optical add/drop multiplexers ("ROADMs"), coherent dense wavelength division multiplexing ("DWDM") pluggable transceivers, and tunable small form-factor pluggable transceivers. Demand for our Cloud & Networking products is driven by the continual growth in network capacity required for cloud computing and services, including for AI/ML, streaming video and video conferencing, wireless and mobile services, and IoT.

Industrial Tech

Our Industrial Tech products include short pulse solid-state lasers, kilowatt-class fiber lasers, ultrafast lasers, diode lasers, and gas lasers, which address applications in numerous end-markets. In the consumer end-market, our laser light sources are integrated into our customers' 3D sensing cameras, which are used in mobile devices, payment kiosks, and other consumer electronics devices to enable applications including biometric identification, computational photography and virtual and augmented reality. In the automotive end-market, our lasers are used in our customers' LiDAR and other optical sensor devices, which are increasingly being used in advanced driver assistance systems ("ADAS") and in-cabin driver and occupant monitoring systems. In the industrial manufacturing end-market, our lasers are incorporated into our customers' manufacturing machine tools used for the precision processing of materials in a range of industries including semiconductor device and microelectronics fabrication, electric vehicle and battery production, metal cutting and welding, and advanced manufacturing. Our products can also be used in the industrial end-market in imaging and sensing systems for process feedback and control, quality assurance, and waste reduction. Adoption of our products in the industrial end-market is driven by the needs of customers to advance semiconductor and microelectronics industry roadmaps, and by Industry 4.0/5.0 trends, including increasing manufacturing precision and flexibility and reducing waste and environmental impact. Demand for our products in the industrial end-market is driven by end-customer investments in manufacturing capacity. Our lasers also address certain semiconductor inspection and life-science applications.

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Reportable Segments

The two operating segments, Cloud & Networking and Industrial Tech, also represent our two reportable segments. Our CODM allocates resources and evaluates segment performance based on segment revenue and segment profit. The following table summarizes segment profit and a reconciliation to the consolidated income (loss) before income taxes for the periods presented (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net revenue:		
Cloud & Networking	$ 282.3	229.7
Industrial Tech	54.6	87.9
Net revenue	$ 336.9	$ 317.6
Segment profit (loss):		
Cloud & Networking	$ 36.5	23.9
Industrial Tech	2.2	15.3
Total segment profit	38.7	39.2
Unallocated corporate items:		
Selling, general and administrative (1)	(28.7)	(28.6)
Stock-based compensation	(35.6)	(32.1)
Amortization of acquired intangibles	(41.7)	(29.0)
Acquisition related costs	—	(4.0)
Integration related costs	(3.4)	(11.3)
Restructuring and related charges	(9.7)	(11.0)
Intangible asset write-off	(1.9)	—
Other charges, net	(0.1)	(4.0)
Interest expense	(5.5)	(9.7)
Other income, net (2)	8.7	21.2
Consolidated loss before income taxes	$ (79.2)	$ (69.3)

(1) We do not allocate selling, general and administrative expenses that are not directly attributable to our operating segments.

(2) Other income, net for the three months ended September 28, 2024 includes interest and investment income of $9.4 million, offset by foreign exchange and other gains, net of $0.7 million.

Other income, net for the three months ended September 30, 2023 includes $21.7 million of interest and investment income, offset by $0.5 million of net foreign exchange losses.

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Concentrations

We operate in three geographic regions: Americas, Asia-Pacific, and EMEA (Europe, Middle East, and Africa). Net revenue is assigned to the geographic region and country where our product is initially shipped. For example, certain customers may request shipment of our product to a contract manufacturer in one country, which may differ from the location of their end customers.

The following table presents net revenue by the three geographic regions we operate in and net revenue from countries that generally represented 10% or more of our total net revenue *(in millions, except percentage data):*

	Three Months Ended			
	September 28, 2024		September 30, 2023	
	Amount	% of Total	Amount	% of Total
Net revenue:				
Americas:				
United States	$ 65.4	19.4 %	$ 41.1	12.9 %
Mexico	33.9	10.0	23.7	7.5
Other Americas	2.9	0.9	1.2	0.4
Total Americas	$ 102.2	30.3 %	$ 66.0	20.8 %
Asia-Pacific:				
Hong Kong	$ 88.7	26.4 %	$ 64.9	20.4 %
South Korea	8.8	2.6	25.0	7.9
Japan	16.9	5.0	25.4	8.0
Thailand	52.5	15.6	64.2	20.2
Other Asia-Pacific	37.2	11.0	39.5	12.4
Total Asia-Pacific	$ 204.1	60.6 %	$ 219.0	68.9 %
EMEA	$ 30.6	9.1 %	$ 32.6	10.3 %
Total net revenue	$ 336.9	100.0 %	$ 317.6	100.0 %

During the three months ended September 28, 2024, two customers individually accounted for 15% and 12% of our total revenue, respectively. During the three months ended September 30, 2023, three customers individually accounted for 15%, 13% and 10% of our total net revenue, respectively. We had no other customers that represented 10% or greater of our total net revenue.

As of September 28, 2024, two customers individually accounted for 11% and 11% of gross accounts receivable, respectively. As of June 29, 2024, one customer individually accounted for 13% of gross accounts receivable. We had no other customers that represented 10% or greater of our gross accounts receivable.

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Long-lived assets, namely property, plant and equipment, net, were identified based on the physical location of the assets in the corresponding geographic areas as of the periods indicated *(in millions)*:

	September 28, 2024	June 29, 2024
Property, plant and equipment, net		
United States	$ 126.5	$ 131.0
Thailand	147.2	141.0
Japan	129.8	75.7
United Kingdom	88.0	83.8
China	90.3	85.7
Other countries	56.6	55.3
Total property, plant and equipment, net	$ 638.4	$ 572.5

We purchase a portion of our inventory from contract manufacturers that are located primarily in Thailand, Taiwan, and Malaysia. During the three months ended September 28, 2024, our net inventory purchases from a single contract manufacturer that represented 10% or greater of our total net inventory purchases were concentrated with one contract manufacturer, who accounted for 27% of the total net inventory purchases. During the three months ended September 30, 2023, our net inventory purchases from a single contract manufacturer that represented 10% or greater of our total net inventory purchases were concentrated with one contract manufacturer, who accounted for 45% of the total net inventory purchases.

Note 16. Revenue Recognition

Disaggregation of Revenue

We disaggregate revenue by segment and by geography. We do not present other levels of disaggregation, such as by type of products, customer, markets, contracts, duration of contracts, timing of transfer of control and sales channels, as this information is not used by our CODM to manage the business.

The table below discloses our total net revenue attributable to each of our two reportable segments (*in millions, except percentage data*):

	Three Months Ended			
	September 28, 2024		September 30, 2023	
	Amount	% of Total	Amount	% of Total
Cloud & Networking	$ 282.3	83.8 %	229.7	72.3 %
Industrial Tech	54.6	16.2 %	87.9	27.7 %
Net revenue	$ 336.9	100.0 %	$ 317.6	100.0 %

Contract Balances

The following table reflects the changes in contract balances for the periods presented (*in millions, except percentages*):

Contract balances	Balance sheet location	September 28, 2024	June 29, 2024	Change	Percentage Change
Accounts receivable, net	Accounts receivable, net	$ 198.5	$ 194.7	$ 3.8	2.0 %
Deferred revenue and customer deposits	Other current liabilities	$ 0.6	$ 0.6	$ —	— %