



# Corning Inc. (GLW)

Updated October 31<sup>st</sup>, 2024 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$48	<b>5 Year CAGR Estimate:</b>	9.0%	<b>Market Cap:</b>	\$39 B
<b>Fair Value Price:</b>	\$36	<b>5 Year Growth Estimate:</b>	13.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	11/15/24
<b>% Fair Value:</b>	132%	<b>5 Year Valuation Multiple Estimate:</b>	-5.4%	<b>Dividend Payment Date<sup>1</sup>:</b>	12/13/24
<b>Dividend Yield:</b>	2.3%	<b>5 Year Price Target</b>	\$66	<b>Years Of Dividend Growth:</b>	12
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	F	<b>Rating:</b>	Hold

## Overview & Current Events

Tracing its roots back to 1851, Corning has proven to be an innovative business that has stood the test of time. Edison's light bulb was encased in Corning glass in 1879. The company produced cathode ray tubes for televisions in the 1940's, made significant improvements in optical fiber in the 1970's, and has been the Corning Gorilla Glass of choice for smart phones since 2007. Today the \$39 billion company operates in five segments: Display Technologies, Optical Communications, Specialty Materials, Environmental Technologies, and Life Sciences.

On July 30<sup>th</sup>, 2024, Corning reported third quarter 2024 results for the period ending September 30<sup>th</sup>, 2024. For the quarter, Corning reported \$3.73 billion in core sales, up 8% from one year ago. Optical Communications – the largest revenue segment – saw sales increase by 36% year-over-year, driven by demand for its new products for generative AI. Display Technologies and Life Sciences revenues rose 4%, and 6%, respectively. Meanwhile, Specialty Materials, Hemlock and Emerging Growth Businesses, and Environmental Technologies declined -3%, -9%, and -15%, respectively.

Core net income equaled \$465 million or \$0.54 per share, compared to \$386 million or \$0.45 per share in Q3 2023.

The company's core gross margin increased by 220 basis points over the previous year to 39.2%.

Corning also provided a financial outlook for Q4 2024, expecting \$3.75 billion in core sales and \$0.53 to \$0.57 core EPS.

Corning also announced a \$1 billion+ multi-year purchase agreement wherein Corning will provide AT&T with next-generation fiber, cable, and connectivity solutions to help its fiber network expansion.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$1.73	\$1.00	\$0.98	\$1.48	\$1.78	\$1.76	\$1.39	\$2.07	\$2.09	\$1.70	<b>\$1.95</b>	<b>\$3.59</b>
<b>DPS</b>	\$0.40	\$0.48	\$0.54	\$0.62	\$0.72	\$0.80	\$0.88	\$0.96	\$1.08	\$1.08	<b>\$1.12</b>	<b>\$1.57</b>
<b>Shares<sup>2</sup></b>	1,271	1,130	926	858	788	776	761	875	857	859	<b>854</b>	<b>835</b>

Note that the historical earnings-per-share prior to 2018 use GAAP numbers. The company also reports "core" non-GAAP EPS, which can vary significantly from GAAP earnings. In 2020 core earnings equaled \$1.39 – a number that we feel better reflects the underlying earnings power of the business – whereas reported earnings equaled \$0.54. Moving forward, we will continue to focus on core earnings power.

Corning's profits growth has been unspectacular, but it has stronger growth prospects ahead. The company enjoys a leading position in fiber-optic cables, LCDs, screens, and specialty glass. Smart phone glass will continue to be an important part of the business but increased optical fiber usage from areas like AI, the internet of things, 5G mobile technology and autonomous driving are also proving to be large demand drivers.

Furthermore, Corning has introduced its "Springboard" plan in 2024, which expects to achieve more than \$3 billion in annualized sales in the next three years, leading to incremental profit and cash flow.

We are forecasting 13% annual earnings growth over the intermediate term.

<sup>1</sup> Estimated date.

<sup>2</sup> In millions.

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We also expect some level of share repurchases to drive bottom line results over the long term.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	11.8	20.3	21.6	19.7	17	17.6	20.1	19.7	16.7	19.0	24.5	18.5
Avg. Yld.	2.6%	1.8%	2.6%	2.1%	2.4%	2.6%	3.2%	2.4%	2.8%	3.4%	2.3%	2.4%

Given the company's lumpy earnings-per-share past, it has been difficult to peg a "fair" valuation on the security. Over the past decade shares have traded with an average P/E ratio of about 17.5, varying greatly from 11 to 22 times earnings. We believe 18.5 times earnings is more or less fair for Corning, given the growth prospects of the industry. At the current valuation of 24.5 times estimated earnings, this implies the potential for a moderate valuation headwind.

Meanwhile, the dividend ought to aid results as the company continues to focus on increasing this payout.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

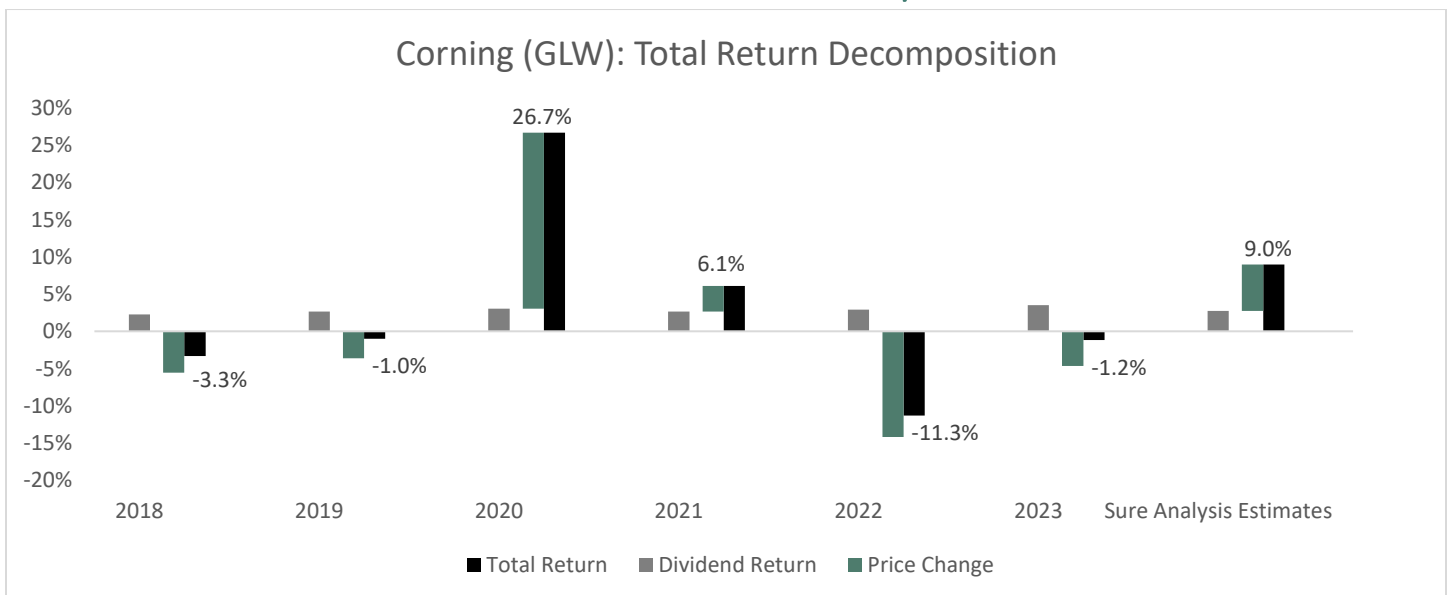
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	23%	48%	55%	42%	40%	45%	63%	46%	52%	64%	57%	44%

Corning enjoys competitive advantages in its businesses due to its patented manufacturing process, cost advantages, elevated R&D spending, and leading relationships with the best technology firms on the planet. This does not guarantee success; the company's products are still components of powerful brands and not powerful brands themselves, but the switching costs for Corning's customers are high.

## Final Thoughts & Recommendation

Shares of Corning have increased by an eye-watering 57% year-to-date, massively outperforming the S&P 500 Index. The company enjoys an enviable position as a top supplier in a variety of growing technology industries. However, in the last decade or so, the business has put together only an average history – and this was during a time when smart phone adoption was booming. We forecast 9.0% annual total return potential stemming from 13.0% EPS growth and the 2.3% starting yield, partly offset by -5.4% P/E multiple compression. Due to the 20% increase in the share price since we rated Corning a buy in our last research report, the stock has become richly valued. As a result, we are now downgrading GLW from buy to hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	9715	9111	9390	10116	11290	11503	11300	14082	14189	12590
<b>Gross Profit</b>	4052	3653	3763	4020	4461	4,035	3531	5063	4506	3931
<b>Gross Margin</b>	41.7%	40.1%	40.1%	39.7%	39.5%	35.1%	31.2%	36.0%	31.8%	31.2%
<b>SG&amp;A Exp.</b>	1202	1508	1462	1473	1799	1,585	1747	1827	1898	1843
<b>D&amp;A Exp.</b>	1200	1184	1195	1158	1293	1,503	1520	1481	1452	1369
<b>Operating Profit</b>	2002	1322	1501	1608	1575	1,306	509	2112	1438	890
<b>Operating Margin</b>	20.6%	14.5%	16.0%	15.9%	14.0%	11.4%	4.5%	15.0%	10.1%	7.1%
<b>Net Profit</b>	2472	1339	3695	-497	1066	960	512	1906	1316	581
<b>Net Margin</b>	25.4%	14.7%	39.4%	-4.9%	9.4%	8.3%	4.5%	13.5%	9.3%	4.6%
<b>Free Cash Flow</b>	3633	1579	1407	200	609	44	803	1775	1011	615
<b>Income Tax</b>	1096	147	-3	2154	437	256	111	491	411	168

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	30063	28527	27899	27494	27505	28898	30780	30154	29442	28500
<b>Cash &amp; Equivalents</b>	5309	4500	5291	4317	2355	2434	2672	2148	1671	1779
<b>Accounts Receivable</b>	1501	1372	1481	1807	1940	1836	2133	2004	1664	1572
<b>Inventories</b>	1322	1385	1471	1712	2037	2320	2438	2481	2904	2666
<b>Goodwill &amp; Int. Ass.</b>	1647	2086	2373	2563	3228	3120	3768	3569	3423	3285
<b>Total Liabilities</b>	8411	9664	9939	11724	13619	15901	17330	17609	17167	16630
<b>Accounts Payable</b>	997	934	1079	1439	1456	1587	1174	1612	1804	1466
<b>Long-Term Debt</b>	3263	4462	3902	5128	5998	7740	7799	6861	6911	7526
<b>Shareholder's Equity</b>	19279	16488	15593	13398	11492	10607	10960	12333	12008	11550
<b>D/E Ratio</b>	0.15	0.24	0.22	0.33	0.43	0.60	0.59	0.56	0.58	0.65

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	8.4%	4.6%	13.1%	-1.8%	3.9%	3.4%	1.7%	6.3%	4.4%	2.0%
<b>Return on Equity</b>	12.2%	7.5%	23.0%	-3.4%	8.6%	8.7%	4.8%	16.4%	10.8%	4.9%
<b>ROIC</b>	10.0%	5.6%	16.4%	-2.3%	5.2%	4.7%	2.5%	9.4%	6.8%	3.0%
<b>Shares Out.</b>	1,271	1,130	926	858	788	776	772	844	857	859
<b>Revenue/Share</b>	6.81	6.78	8.21	11.30	12.00	12.80	14.64	16.68	16.56	14.65
<b>FCF/Share</b>	2.55	1.18	1.23	0.22	0.65	0.05	1.04	2.10	1.18	0.72

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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