

Corning Inc.

Optimism around sales recovery; PO to \$36

Reiterate Rating: BUY | PO: 36.00 USD | Price: 33.21 USD

\$3bn incremental sales opportunities in the mid-term

Corning reported F4Q rev of \$3.27bn which was higher than our/St estimates of \$3.20bn/\$3.26bn and guidance of \$3.25bn. F4Q EPS came in at \$0.39, which was in line with guidance range of \$0.37-\$0.42 and BofA estimate of \$0.39 but slightly below consensus of \$0.40. For the full year, Corning's revenue declined -8% y/y to \$13.6bn. As sales continue trending below long-term trajectory due to market conditions, mgmt. noted opportunities for sales to increase \$3bn in the mid-term (over next 3 year) as markets begin to normalize. Mgmt. guided F1Q EPS of \$0.35 at the mid-point which is below our/St estimates of \$0.44/\$0.39 (flat opex q/q). F1Q revenue guidance of \$3.1bn is in-line with our/St estimates of \$3.13bn/\$3.17bn. We maintain our Buy rating as more content in end devices will allow GLW to grow revs in excess of its end markets (consensus estimates adding only \$1bn in rev vs. \$3bn expected by mgmt. in the mid-term) despite weak near-term market conditions.

Minimal margin decline despite challenging environment

GM declined -10bps q/q to 36.9%, while OM also declined -40bps q/q to 16.3%. We model GM to increase +10 bps q/q to 37% and OM to decline -50 bps to 15.8% in F2Q. FCF was \$487mn in F4Q. Corning does not plan to repurchase shares at the moment.

Expect F1Q24 to be the bottom across most end markets

In Optical, F4Q sales declined -2% q/q to \$903mn given continued inventory drawdown. Display volume declined in F4Q due to reduction in panel maker utilization offset by the remaining benefits from the double-digit price increase initiative in 2H23. Mgmt. expects volume to decline mid-single digit q/q in F1Q24 due to continued reduction in panel maker utilization. For the full year, mgmt. anticipates mid-single digit growth in glass volume at retail. In Environmental, F4Q declined -4% q/q due to normal seasonality offset by benefits from an ongoing GPF adoption in China. Hemlock/Emerging growth business revenues were \$356mn in F3Q (+9% q/q) due to higher semiconductor volume.

Adjusting F23 estimates; PO moves to \$36 (from \$32)

Our F24 rev/EPS ests move to \$13.3bn/\$1.86 from \$13.4bn/\$1.97. PO moves to \$36 (from \$32) on 17x C25E EPS of \$2.12 (prior \$2.19). We use a higher multiple (prior 16x 24E) as GLW embarks on a cyclical recovery with F1Q24 as a near-term bottom.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.09	1.70	1.86	2.12	2.27
GAAP EPS	1.54	0.68	1.86	2.12	2.27
EPS Change (YoY)	1.0%	-18.7%	9.4%	14.0%	7.1%
Consensus EPS (Bloomberg)			1.95	2.21	2.63
DPS	1.08	1.19	1.31	1.44	1.58
Valuation (Dec)					
P/E	15.9x	19.5x	17.9x	15.7x	14.6x
GAAP P/E	21.6x	48.8x	17.9x	15.7x	14.6x
Dividend Yield	3.3%	3.6%	3.9%	4.3%	4.8%
EV / EBITDA*	9.9x	10.8x	10.5x	10.1x	9.9x
Free Cash Flow Yield*	3.6%	2.2%	3.8%	6.5%	5.5%

* For full definitions of *IQmethod™* measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 30 January 2024 12:06PM EST

30 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	32.00	36.00
2024E Rev (m)	13,353.5	13,252.7
2025E Rev (m)	13,930.9	13,829.8
2026E Rev (m)	NA	14,470.0
2024E EPS	1.97	1.86
2025E EPS	2.19	2.12
2026E EPS	NA	2.27

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Stock Data

Price	33.21 USD
Price Objective	36.00 USD
Date Established	30-Jan-2024
Investment Opinion	B-1-7
52-Week Range	25.26 USD - 37.10 USD
Mrkt Val (mn) / Shares Out (mn)	28,334 USD / 853.2
Free Float	90.3%
Average Daily Value (mn)	154.98 USD
BofA Ticker / Exchange	GLW / NYS
Bloomberg / Reuters	GLW US / GLW.N
ROE (2024E)	13.4%
Net Dbt to Eqty (Dec-2023A)	48.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Corning Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.3%	5.1%	7.5%	8.1%	8.3%
Return on Equity	14.7%	12.4%	13.4%	14.4%	14.5%
Operating Margin	16.8%	16.5%	17.7%	18.7%	18.7%
Free Cash Flow	1,011	615	1,068	1,855	1,559

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.5x	1.4x	1.5x	1.8x	1.6x
Asset Replacement Ratio	1.1x	1.0x	0.9x	1.0x	1.1x
Tax Rate	27.3%	45.4%	22.0%	22.0%	22.0%
Net Debt-to-Equity Ratio	42.7%	48.4%	47.0%	39.8%	36.2%
Interest Cover	8.5x	6.8x	6.5x	7.2x	7.5x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	14,805	13,580	13,253	13,830	14,470
% Change	4.9%	-8.3%	-2.4%	4.4%	4.6%
Gross Profit	5,327	4,933	4,979	5,283	5,528
% Change	1.6%	-7.4%	0.9%	6.1%	4.6%
EBITDA	3,942	3,612	3,703	3,848	3,914
% Change	0%	-8.4%	2.5%	3.9%	1.7%
Net Interest & Other Income	(202)	(296)	(312)	(312)	(312)
Net Income (Adjusted)	1,794	1,463	1,584	1,774	1,867
% Change	-0.9%	-18.5%	8.3%	12.0%	5.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,364	648	1,584	1,774	1,867
Depreciation & Amortization	1,452	1,369	1,361	1,262	1,208
Change in Working Capital	(37)	(330)	(610)	124	(151)
Deferred Taxation Charge	(46)	(75)	0	0	0
Other Adjustments, Net	(118)	393	0	0	0
Capital Expenditure	(1,604)	(1,390)	(1,267)	(1,305)	(1,365)
Free Cash Flow	1,011	615	1,068	1,855	1,559
% Change	-43.0%	-39.2%	73.7%	73.6%	-16.0%
Share / Issue Repurchase	(221)	0	0	0	0
Cost of Dividends Paid	(932)	(989)	(1,114)	(1,204)	(1,301)
Change in Debt	36	702	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,671	1,779	1,733	2,384	2,643
Trade Receivables	1,664	1,572	1,643	1,714	1,793
Other Current Assets	4,061	3,861	4,377	4,247	4,389
Property, Plant & Equipment	15,371	14,630	14,656	14,819	15,096
Other Non-Current Assets	6,675	6,658	6,538	6,418	6,298
Total Assets	29,442	28,500	28,947	29,583	30,219
Short-Term Debt	224	320	320	320	320
Other Current Liabilities	4,894	3,999	3,976	4,042	4,112
Long-Term Debt	6,687	7,206	7,206	7,206	7,206
Other Non-Current Liabilities	5,362	5,107	5,107	5,107	5,107
Total Liabilities	17,167	16,632	16,609	16,675	16,745
Total Equity	12,275	11,868	12,338	12,908	13,474
Total Equity & Liabilities	29,442	28,500	28,947	29,583	30,219

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Electrical Equipment

Company Description

Corning's Display Technologies (46% of sales) manufactures liquid crystal display (LCD) glass for flat-panel displays. Telecommunications (30% of sales) produces optical fiber and cable, component hardware and equipment, and photonic components for the telecommunications, CATV and networking industry. Environmental Technologies (12% of sales) produces specialized glass, glass ceramic and polymer-based products for the automotive industry.

Investment Rationale

Our Buy rating on Corning is based on glass supply and demand remaining in balance and glass price declines remaining moderate (post COVID-19). Corning has a strong capital return program. Increased adoption of Gorilla Glass in other end markets (automobiles), growth of Fiber-to-the-Home and gas particulate filters should be catalysts for Corning. Corning continues to have majority share of the LCD glass market (more than 50%) and has a competitive cost structure.

Stock Data

Average Daily Volume 4,666,696

Quarterly Earnings Estimates

	2023	2024
Q1	0.41A	0.37E
Q2	0.45A	0.45E
Q3	0.45A	0.52E
Q4	0.39A	0.51E

Abbreviations

FCF: Free Cash Flow

GPF: Gasoline Particulate Filter

OM: Operating Margin



Model

Exhibit 1: GLW Income Statement

We model F24 rev/EPS of \$13.3bn/\$1.86

GLW

(\$ in millions except EPS)

	2023A			4Q23A	2024E				2022	2023A	2024E	2025E	2026E
	1Q23A	2Q23A	3Q23A	4Q23A	1Q24E	2Q24E	3Q24E	4Q24E					
Sales	3,367	3,482	3,459	3,272	3,083	3,282	3,490	3,397	14,805	13,580	13,253	13,830	14,470
Cost of sales	2,181	2,220	2,180	2,066	1,943	2,068	2,164	2,099	9,478	8,647	8,274	8,547	8,942
Gross profit	1,186	1,262	1,279	1,206	1,141	1,214	1,326	1,298	5,327	4,933	4,979	5,283	5,528
SG&A	411	403	438	413	407	394	419	408	1,800	1,665	1,627	1,660	1,736
R&D	252	250	264	259	247	246	262	255	1,037	1,025	1,009	1,037	1,085
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	523	609	577	534	487	574	646	635	2,490	2,243	2,342	2,586	2,706
Equity in earnings of affiliated companies	12	11	8	12	4	4	4	4	17	43	16	16	16
Interest income	7	8	10	13	8	8	8	8	15	38	32	32	32
Interest expense	-76	-81	-82	-90	-90	-90	-90	-90	-292	-329	-360	-360	-360
Other Net	-5	-24	-3	-16	-	-	-	-	58	-48	-	-	-
Pretax income	461	523	510	453	409	496	568	557	2,288	1,947	2,030	2,274	2,394
Taxes	111	135	124	114	90	109	125	123	494	484	447	500	527
Tax rate	24%	26%	24%	25%	22%	22%	22%	22%	22%	25%	22%	22%	22%
Net income	350	388	386	339	319	387	443	435	1,794	1,463	1,584	1,774	1,867
Prefred payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (after preferred payments)	350	388	386	339	319	387	443	435	1,794	1,463	1,584	1,774	1,867
Dil EPS	\$0.41	\$0.45	\$0.45	\$0.39	\$0.37	\$0.45	\$0.52	\$0.51	\$2.09	\$1.70	\$1.86	\$2.12	\$2.27
Average shares (mn diluted)	859	859	859	860	860	855	850	845	857	859	853	838	823
Net income (GAAP)	176	281	164	-40	319	387	443	435	1,316	581	1,584	1,774	1,867
GAAP EPS	\$0.20	\$0.33	\$0.19	(\$0.05)	\$0.37	\$0.45	\$0.52	\$0.51	\$1.54	\$0.68	\$1.86	\$2.12	\$2.27
Dividend	\$0.30	\$0.30	\$0.30	\$0.30	\$0.33	\$0.33	\$0.33	\$0.33	\$1.08	\$1.19	\$1.31	\$1.44	\$1.58
Payout	73%	66%	66%	75%	88%	72%	63%	64%	52%	70%	70%	68%	70%
As % of Revenue													
Cost of Sales	64.8%	63.8%	63.0%	63.1%	63.0%	63.0%	62.0%	61.8%	64.0%	63.7%	62.4%	61.8%	61.8%
Gross Profit	35.2%	36.2%	37.0%	36.9%	37.0%	37.0%	38.0%	38.2%	36.0%	36.3%	37.6%	38.2%	38.2%
SG&A	12.2%	11.6%	12.7%	12.6%	13.2%	12.0%	12.0%	12.0%	12.2%	12.3%	12.3%	12.0%	12.0%
R&D	7.5%	7.2%	7.6%	7.9%	8.0%	7.5%	7.5%	7.5%	7.0%	7.5%	7.6%	7.5%	7.5%
Amort GW	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	15.5%	17.5%	16.7%	16.3%	15.8%	17.5%	18.5%	18.7%	16.8%	16.5%	17.7%	18.7%	18.7%
Equity in earnings of affiliated companies	3.4%	2.8%	2.1%	3.5%	1.3%	1.0%	0.9%	0.9%	0.9%	2.9%	1.0%	0.9%	0.9%
Int Income	0.2%	0.2%	0.3%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.3%	0.2%	0.2%	0.2%
Int. Exp.	2.3%	2.3%	2.4%	2.8%	2.9%	2.7%	2.6%	2.6%	2.0%	2.4%	2.7%	2.6%	2.5%
Other Income	-0.1%	-0.7%	-0.1%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.4%	-0.4%	0.0%	0.0%	0.0%
Pretax Earnings	13.7%	15.0%	14.7%	13.8%	13.3%	15.1%	16.3%	16.4%	15.5%	14.3%	15.3%	16.4%	16.5%
Net Income	10.4%	11.1%	11.2%	10.4%	10.4%	11.8%	12.7%	12.8%	12.1%	10.8%	12.0%	12.8%	12.9%
Year-Over-Year Growth													
Sales	-10%	-7%	-6%	-10%	-8%	-6%	1%	4%	5%	-8%	-2%	4%	5%
Cost of Sales	-8%	-6%	-7%	-14%	-11%	-7%	-1%	2%	7%	-9%	-4%	3%	5%
Gross Profit	-13%	-10%	-3%	-1%	-4%	-4%	4%	8%	2%	-7%	1%	6%	5%
SG&A	-11%	-12%	2%	-8%	-1%	-2%	-4%	-1%	0%	-8%	-2%	2%	5%
R&D	1%	2%	-5%	-2%	-2%	-2%	-1%	-2%	5%	-1%	-2%	3%	5%
Operating Income	-21%	-14%	-7%	5%	-7%	-6%	12%	19%	1%	-10%	4%	10%	5%
Equity in earnings of affiliated companies	NM	267%	167%	9%	-67%	-64%	-50%	-67%	-55%	153%	-63%	0%	0%
Int Income	133%	167%	233%	117%	14%	0%	-20%	-38%	36%	153%	-16%	0%	0%
Int. Exp.	7%	13%	12%	18%	18%	11%	10%	0%	-3%	13%	9%	0%	0%
Other Income	-267%	-500%	-121%	-146%	-100%	-100%	-100%	-100%	-21%	-183%	-100%	NM	NM
Pretax Earnings	-22%	-19%	-10%	-6%	-11%	-5%	11%	23%	0%	-15%	4%	12%	5%
Net Income	-25%	-21%	-12%	-16%	-9%	0%	15%	28%	-1%	-18%	8%	12%	5%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Corning Inc. (GLW)

Our price objective for Corning is \$36 and is based on 17x our 2025E EPS. This multiple compares to the historical range of 10x-24x, with the median 15x. We believe that our choice of multiple at the high end is justified given the cyclical recovery in Display, Environmental and Specialty segments, coupled with a recovery in the Optical segment that will see multi-year growth from Hyperscalers and 5G driven densification. We also remain positive based on use of Gorilla Glass in new end markets (including automotive) and a strong capital return program.

Upside risks to our price objective are better adoption of Gorilla Glass, better-than-expected TV unit and area growth, upside from recovery in the heavy truck business, and upside from stronger telecom demand.

Downside risks to our price objective are an unexpected slowdown in TV sales, glass supply/demand becoming unbalanced due to more-than-expected supply coming online, Corning's customers cutting utilization rates more than expected, thereby reducing demand for LCD glass substrates, and higher-than-expected capex investments.

Analyst Certification

I, Wamsi Mohan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amphenol	APH	APH US	Wamsi Mohan
	Apple Inc.	AAPL	AAPL US	Wamsi Mohan
	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
NEUTRAL				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
UNDERPERFORM				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya
	Vizio	VZIO	VZIO US	Wamsi Mohan



US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

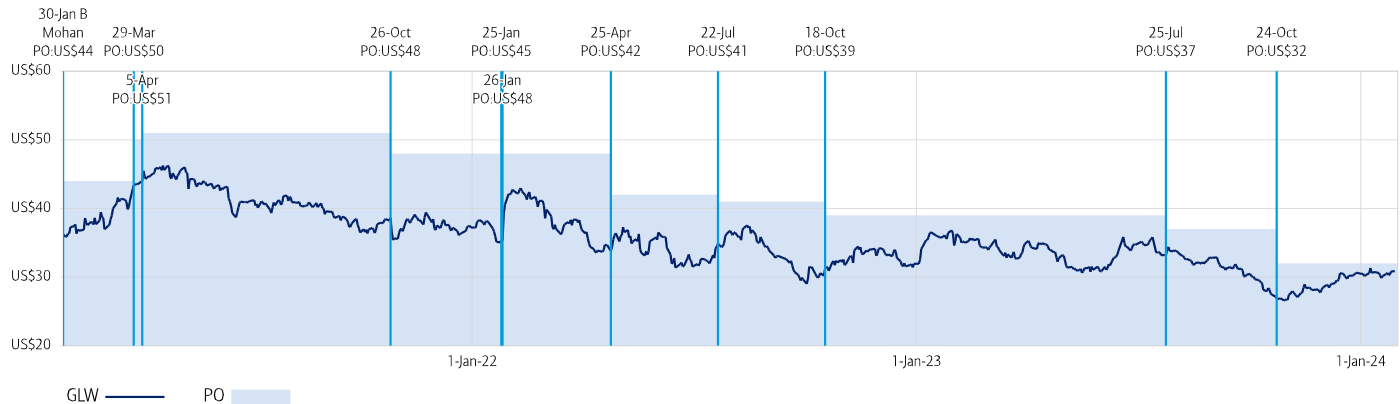
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Disclosures

Important Disclosures

Corning (GLW) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Electrical Equipment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	53.85%	Buy	10	71.43%
Hold	6	23.08%	Hold	3	50.00%
Sell	6	23.08%	Sell	1	16.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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