

Corning Incorporated



B+ 1 year PD
0.60% to 1.89%

- Slightly elevated leverage and a near 50% drop in Net Income (2024) heighten credit risk, although market leadership and likely long-term contracts (TBC) offer stability.
- Regulatory and customer concentration risks, though innovation, geographic, and product diversity mitigate some exposure. Potential sensitivity to DeepSeek - AI-infrastructure.

Strengths

- Technological Leadership:** Corning's expertise in advanced materials like optical fibers and Gorilla Glass drives innovation across industries, contributing to a robust EBITDA margin of 17.3% in FY-24, above the peer median of 15.3%.
- Strong Growth in Optical Communications:** The segment grew 36% YoY, reaching \$1.246bn in Q3-24, reflecting demand for fiber optic solutions, supported by long-term contracts like a \$1bn deal with AT&T.
- Stable Gross Margins:** Improved to 32% in FY-24 (up from 31.2% in FY-23), showcasing effective cost management even as revenue growth remained modest.

Challenges

- Elevated Leverage:** Corning's net debt-to-EBITDA ratio (2.61) far exceeds the peer median of 1.18, with \$7.41bnn in total debt and interest expense of \$333mn nearly matching FY-24 net income of \$336mn.
- Declining Profitability:** Net income declined 48% in FY-24, with ROCE at -0.6%, far below the peer median of 9.8%. Their operating ratio actually gradually worsened since FY-21, where COGS and OPEX were 85% of Revenue, which turned into 93% in FY-23 and FY-24. In addition "Other Income", largely comprised of FX-contracts, and derivative positions turned from a \$217mn profit to a loss over -\$200mn.
- Customer Concentration & Regulatory Risks:** Heavy reliance on key clients like Apple and Samsung exposes the company to material revenue risks if these relationships weaken, a critical factor for stability. The EU antitrust probe risks fines or contract changes, weakening pricing power, reducing key customer revenue, and straining liquidity.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership	Public			
	Company Stage	Stabilized			
	Financials	Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	4.7	Liquidity	15%	3.1
			Leverage	40%	4.2
			Profitability	45%	3.4
Business	25%	5.8	Industry Risk	20%	6.1
			Competitive Position	50%	6.1
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers	0.3		Revenue Segment		0.8
			Trend Analysis		(0.25)
			Financial Flexibility		0.25

Deepseek AI-infrastructure. They also took a hit on 1/27/2024. Optical Communication for AI!

Company Overview

Headquarters	Corning, NY
Type	Public
Employees	>52,000
Year Founded	1851
Website	https://www.corning.com/
Business	Innovates glass, ceramics, and optical solutions.
Revenues	\$12,822.7M

- Company Overview:** The entity is a global leader in manufacturing and materials science, known for its expertise in glass, ceramics, and optical technologies.
- Product:** Optical Communications - fiber optic cables and connectivity solutions supporting telecommunications and data infrastructure. Display Technologies - advanced glass for consumer electronics, such as smartphones and TVs. Specialty Materials - Gorilla Glass and ceramic substrates for automotive, aerospace, and consumer devices. Environmental Technologies - emission-control products, including ceramic substrates for catalytic converters. Life Sciences - laboratory and biopharmaceutical solutions, including cell culture media and lab equipment.
- Customers:** Primarily serves telecommunications, consumer electronics, and automotive industries, with major clients including Apple and Samsung.
- Ownership:** Publicly traded under NYSE: GLW.
- Debt Structure:** Vast majority of debt consists of debentures, of which ~18% will mature through 2030, fairly evenly distributed. Avg maturity and interest rate of the debt due past 2030 is 2050, and 4.71%. Lump in 2029 relates to capital leases, associated with Equipment and a larger project. 74% of debt is in USD, the balance about half in Yen and Euro. The entity uses swaps to curb FX-risk.
- Basis for Assessment:** SEC-filed FY-21/22/23, and Q1/Q2/Q3-24, primary basis for this assessment are the annualized T-9 financials through 9/31/2024.
- Single Event Risks:** Regulatory Penalties or Adverse Rulings (e.g. an ongoing EU antitrust investigation into their exclusive supply agreements), Loss of Key Customers or Significant Order Reductions (e.g. Apple, Samsung), and Disruption in Supply Chain or Manufacturing Operations (e.g. APAC)

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	64	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.90	1.66	25%
	Quick Ratio	1.27	1.05	23%
Leverage	Net Debt / EBITDA	1.18	2.61	43%
	Debt to Assets	24.6%	26.2%	72%
Profitability	EBITDA Margin	15.3%	17.3%	40%
	ROCE %	9.8%	-0.6%	1%
	Revenue	\$2,021M	\$12,823M	
Industry Benchmarks - Primary: Building Products Secondary: Tertiary:				

Debt Maturities



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24(A) T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	14,189,000	12,588,000	12,822,667		1.9%
Gross Profit	4,506,000	3,931,000	4,105,333		4.4%
Adjusted EBITDA	2,767,000	2,137,000	2,221,333		3.9%
Gross Profit Margin	31.8%	31.2%	32.0%		+79 bps
Net Income	1,386,000	648,000	336,000		-48.1%
Balance Sheet					
Cash And Cash Equivalents	1,671,000	1,779,000	1,613,000		-9.3%
Total Current Assets	7,453,000	7,212,000	7,676,000		6.4%
Total Assets	29,499,000	28,500,000	28,322,000		-0.6%
Total Current Liabilities	5,175,000	4,319,000	4,637,000		7.4%
Total Debt	6,911,000	7,526,000	7,408,000		-1.6%
Total Equity	12,275,000	11,868,000	11,467,000		-3.4%
Key Ratios					
Current Ratio	1.44	1.67	1.66		-0.9%
Quick Ratio	0.88	1.05	1.05		0.0%
Net Debt / EBITDA	1.89	2.69	2.61		-3.0%
Debt to Assets	23.4%	26.4%	26.2%		(25) bps
EBITDA Margin	19.5%	17.0%	17.3%		+35 bps
ROCE %	7.2%	2.4%	-0.6%		(302) bps

- Revenue declined from \$14.2bn in FY-22 to \$12.8bn in FY-24, though the Optical Communications segment offset some losses with strong growth (+36% YoY in Q3-24).
- Net income fell from \$1.39bn in FY-22 to \$336mn in FY-24, despite moderate growth.
- Operating cash flow dropped from 71.0% in FY-21 to 36.8% in FY-24, while CAPEX cuts (-56.6% from FY-21) provided temporary relief.

Business Risk Highlights

- Industry:** Corning benefits from growth in telecommunications infrastructure and consumer electronics, though these sectors exhibit moderate volatility due to economic sensitivity. The North American electronic components industry, valued at approximately \$83.9bn '22, is projected to reach \$154.4bn by '30, reflecting a CAGR of 8.2%. The specialty chemicals industry in North America is a substantial sector, with a market size valued ~\$627.7bn in 2023, projected to grow to 1.06tn by 2032, reflecting a CAGR of 5.0% during this period.
- Competitive Position:** Corning's proprietary manufacturing processes and long-term contracts (e.g., \$1 billion deal with AT&T) position it well against peers but expose it to customer dependency risks.
- Management:** Management has focused on cost management, evident in margin stabilization (32% gross margin in FY 2024), but declining ROCE (-0.6%) raises concerns about capital allocation.
- DEEP SEEK:** Following the news that went viral on 1/27/2025 about Deep Seek, Corning's shareprice dropped by 10%. Putting things in context, in Q3-24 their optical communications segment soard by 36% vs Q3-23 due to AI-demand in the US. Deep Seek effectively questions whether such large investments are necessary