

HOLT® TMT Insights

Value Resurgence Ideas, Tech Hardware Opportunities & Corning (GLW)



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HOLT | Americas



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Value Resurgence Ideas, Tech Hardware Opportunities & Corning (GLW)

This report addresses several separate timely topics in the TMT space through the HOLT Framework.

1. Value Resurgence Ideas: With value's outperformance year-to-date, the framework within identifies TMT firms that continue to offer attractive valuations while also showing positive momentum attributes.

- [See 62 U.S. TMT Firms with Favorable Valuations and Positive Momentum](#)

2. Tech Hardware Opportunities: Compared with Semiconductors and Software, Hardware has exhibited a more consistent CFROI[®] profile over time, albeit with less growth. Even so, market expectations embed lower long-term CFROI for Hardware whereas Semiconductors are priced to sustain CFROI and Software is priced for an improvement. With the market's recent preference towards value, Tech Hardware offers ample opportunities.

- [See 16 Largest U.S. Technology Hardware Companies](#)

3. Corning (GLW): GLW has been a cost of capital business historically due to its asset intensity (i.e. low asset turns). That said, forecast CFROI is inflecting well above the firm's cost of capital for the first time since 2014. This is due to GLW's exposure to key secular trends such as increasing connectivity and efficiency. Nonetheless, market expectations look low and imply that forecast CFROI levels will not be sustained.

1. Value Resurgence Ideas: With value's outperformance year-to-date, the framework below identifies firms that continue to offer attractive valuations while also showing positive momentum attributes. Investors seeking undervalued TMT ideas where analysts' estimates continue to move higher will find this list of interest.

Value Resurgence Ideas with Positive Momentum

Sorted by							
		> 70	> 0	> 10			
Ticker	Company	Market Cap \$B	Valuation Peer Rank	CFROI Revisions (13-wk)	YTD Price Return	Warranted Upside (%)	Industry
MSFT	MICROSOFT CORP	1,902.9	78	0.5	13.5	70	Software
GOOGL	ALPHABET INC	1,589.1	81	1.7	35.7	156	Media
FB	FACEBOOK INC	926.2	83	1.5	21.6	178	Media
T	AT&T INC	223.8	92	0.1	13.1	44	Telecom
ORCL	ORACLE CORP	219.4	74	0.5	17.5	13	Software
CSCO	CISCO SYSTEMS	214.9	76	0.3	15.9	12	Hardware
TXN	TEXAS INSTRUMENTS	165.9	81	3.3	12.9	55	Semis
AMAT	APPLIED MATERIALS	121.8	86	3.6	55.8	62	Semis
MU	MICRON TECHNOLOGY	96.1	99	2.1	22.0	268	Semis
LRCX	LAM RESEARCH CORP	88.8	87	4.2	29.4	69	Semis
DELL	DELL TECHNOLOGIES	73.1	85	1.1	34.7	112	Hardware
KLAC	KLA-TENCOR CORP	48.6	89	2.2	22.1	94	Semis
TEL	TE CONNECTIVITY LTD	44.4	85	0.7	12.6	42	Hardware
HPQ	HP INC	42.7	73	5.3	41.4	7	Hardware
● GLW	CORNING INC	33.8	91	0.4	22.5	53	Hardware
SWKS	SKYWORKS SOLUTIONS	29.9	94	6.7	20.3	95	Semis
KEYS	KEYSIGHT TECHNOLOGIES	26.8	87	0.5	10.2	100	Hardware
STX	SEAGATE TECHNOLOGY	23.8	84	1.4	48.5	27	Hardware

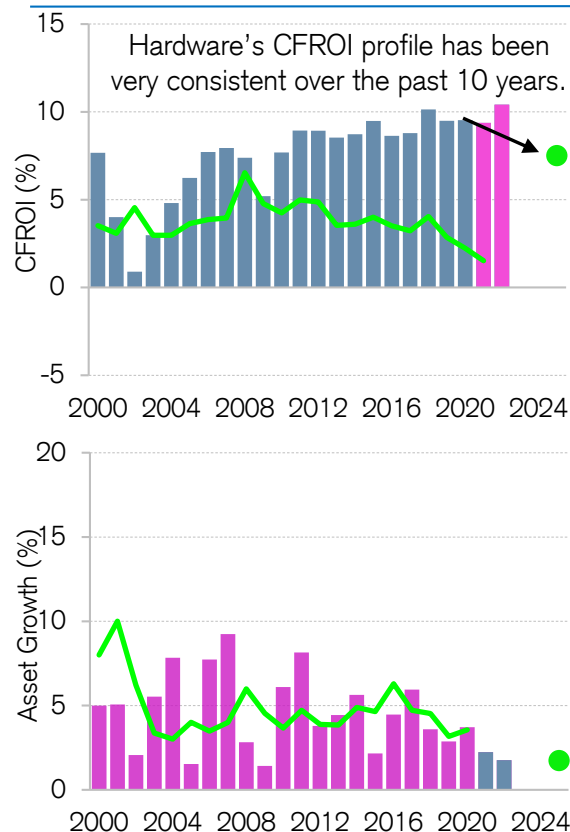
See Full List of 62 Firms with Favorable Valuations and Positive Momentum

Screening Criteria: U.S. Domiciled, Market Cap > \$2B, Valuation Peer Rank (Region, Sector, Size Relative) > 70, CFROI Revisions (13 weeks cumulative) > 0, Price Return (Absolute YTD) > 10. Showing top 18 sorted by market cap. Link above includes full list of firms.

● = Highlighted on slide 6

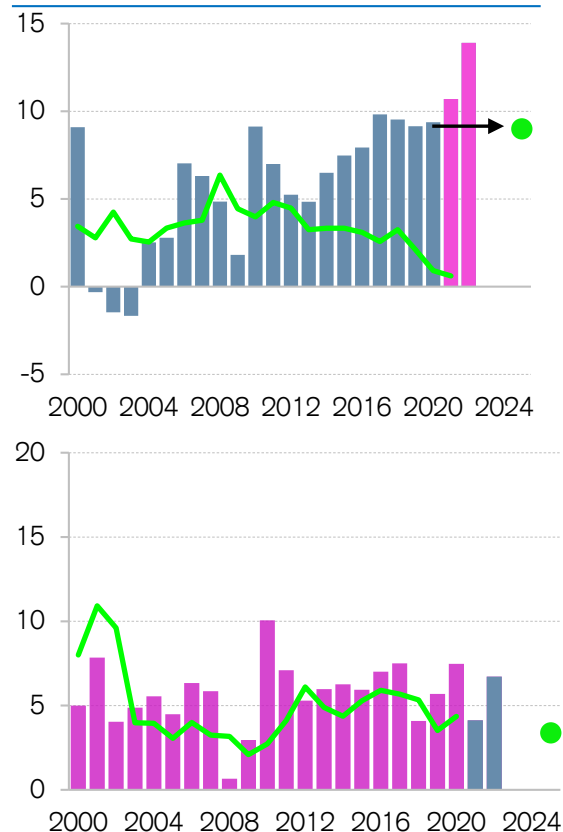
2. Tech Hardware Opportunities: Compared with Semiconductors and Software, Hardware has exhibited a more consistent CFROI profile over time, albeit with less growth. Even so, market expectations embed lower long-term CFROI for Hardware whereas Semiconductors are priced to sustain CFROI and Software is priced for an improvement. With the market's recent preference towards value, Hardware offers ample opportunities.

Tech Hardware (Medians)



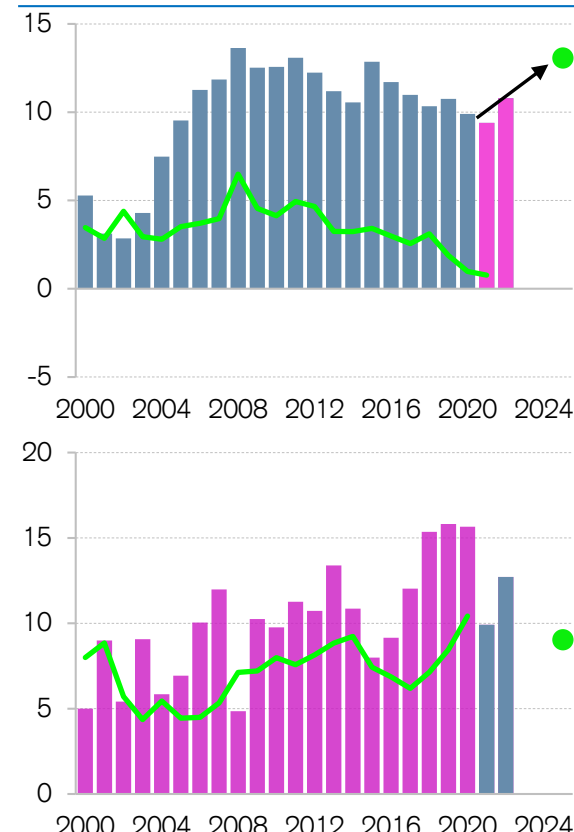
Industry Observations: Hardware companies have shown very consistent CFROI levels just recently reaching the 10% mark with growth steadily at or below 5%. Market expectations look modest for this group.

Semiconductors (Medians)



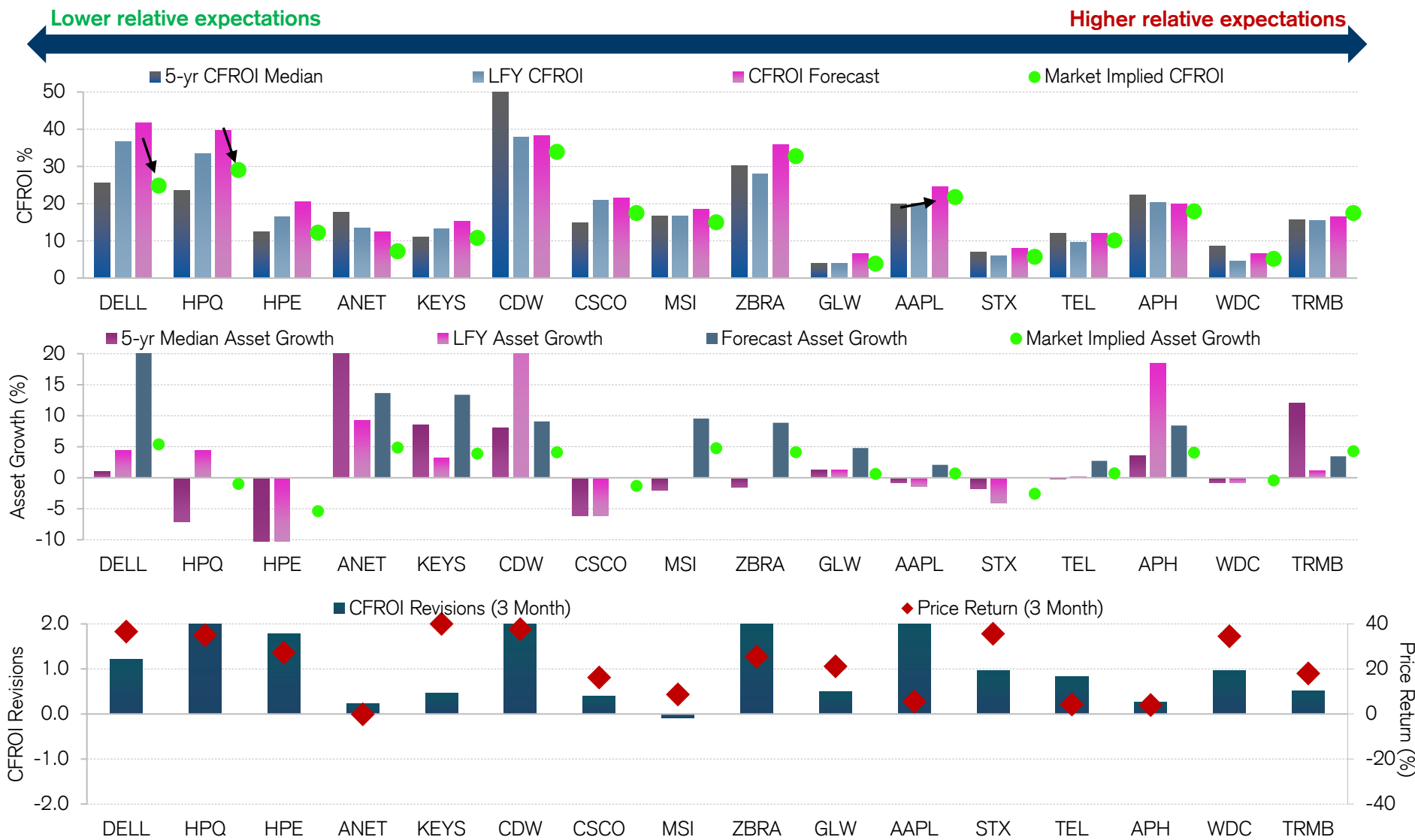
Industry Observations: CFROI levels have meaningfully increased over the past 10 years. Forecasts expect a continuation of that trend with 5% growth. The market is embedding near peak CFROI but still below forecast levels.

Software & Services (Medians)



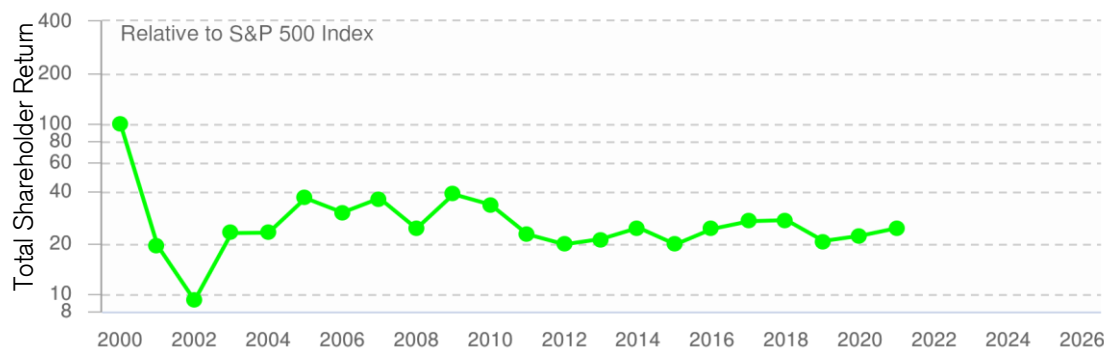
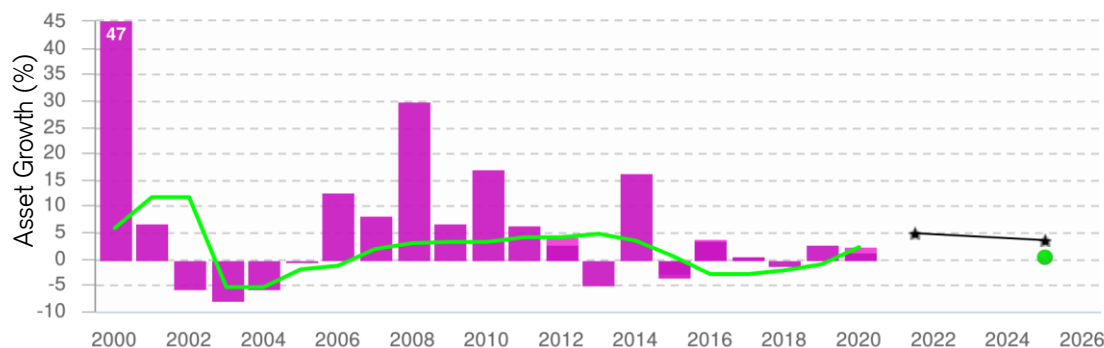
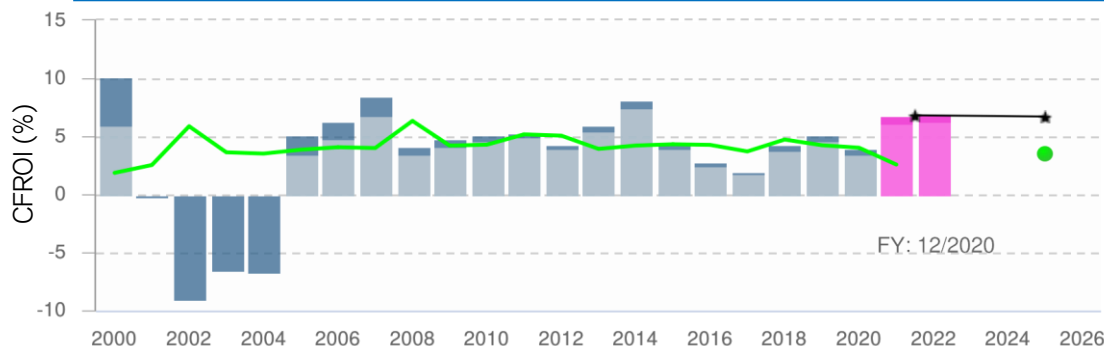
Industry Observations: Software has achieved 10%+ CFROI for over 15 years with the highest growth rates in the sector. The market is pricing in peak CFROI not seen since 2015 and higher long-term growth than the other industries.

2. Tech Hardware Opportunities: PC manufacturers DELL and HPQ are priced for the sharpest fade in CFROI levels, despite showing the highest forecasted CFROI amongst the group. AAPL is priced at a discount to CFROI forecasts, though the market is pricing long-term CFROI to increase compared to historically levels.



3. Corning (GLW): GLW has been a cost of capital business historically due to its asset intensity (i.e. low asset turns). That said, forecast CFROI is inflecting well above the firm's cost of capital for the first time since 2014. This is due to GLW's exposure to key secular trends such as increasing connectivity and efficiency. Nonetheless, market expectations look low and imply that forecast CFROI levels will not be sustained.

Relative Wealth Chart



Valuation

Price USD	44.21	upside +53%
Warranted Price	67.70	
Economic PE Ratio		23.9x
HOLT Price to Book		1.6x
Dividend Yield		2.01%

Momentum

	6m	3m	1m
CFROI Revisions	0.68	0.41	0.41
Price Change %	38.29	23.25	0.50

Risk & Leverage

Accounting Quality Score	Poor (Bottom Quintile)
Management Incentive Score	Good
HOLT Fixed Charge Ratio	1.4

Tech Hardware

Market Cap: 33.8B USD

Source: CS HOLT Lens Summary as of 5/3/21.

Companies Mentioned (Price as of 03-May-2021)

Apple Inc. (AAPL.OQ, \$131.46)
Corning, Inc. (GLW.N, \$44.21)
Dell Technologies (DELL.N, \$98.33)
HP Inc. (HPQ.N, \$34.11)

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This research report is authored by:

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