

### Corning Stock Analysis

The stock had some crazy movement in 2000 when it was connected to fiber sales as the internet was supposed to explode and does usually really bad in a recession. That is logical as construction and industry depends on the economy.



The stock is where it was 20 years ago but the fundamentals (revenue, returns to shareholders, share count) have all improved severely over the last few years. Could this be a gem that the market is overlooking due to its complexity and cyclicity? That is what we are going to find out.

Let's take a look at fundamentals.

**Corning Inc** GLW | ★★★★★

**Financials** Export Ascending

	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	2019-12
Revenue USD Mil	6,632	7,890	8,012	7,819	9,715	9,111	9,390	10,116	11,290	11,503
Gross Margin %	46.0	45.2	42.4	42.5	41.7	40.1	39.9	39.9	39.5	35.1
Operating Income USD Mil	1,423	1,847	1,551	1,513	1,993	1,307	1,468	1,630	1,575	1,306
Operating Margin %	21.5	23.4	19.4	19.4	20.5	14.3	15.6	16.1	14.0	11.4
Net Income USD Mil	3,558	2,805	1,728	1,961	2,472	1,339	3,695	-497	1,066	960
Earnings Per Share USD	2.25	1.78	1.09	1.34	1.73	1.00	3.23	-0.66	1.13	1.07
Dividends USD	0.20	0.23	0.32	0.39	0.40	0.48	0.54	0.62	0.72	0.80
Payout Ratio % *	8.9	9.4	27.4	31.4	30.1	30.3	26.3	25.9	-	58.2
Shares Mil	1,581	1,583	1,506	1,462	1,427	1,343	1,144	895	941	899
Book Value Per Share * USD	12.41	14.28	14.62	15.55	15.29	15.66	16.65	19.19	14.71	14.09
Operating Cash Flow USD Mil	3,835	3,189	3,206	2,787	4,709	2,809	2,521	2,004	2,919	2,031
Cap Spending USD Mil	-1,007	-2,432	-1,801	-1,019	-1,076	-1,250	-1,130	-1,804	-2,310	-1,987
Free Cash Flow USD Mil	2,828	757	1,405	1,768	3,633	1,559	1,391	200	609	44
Free Cash Flow Per Share * USD	1.79	1.25	0.93	1.04	2.65	1.22	0.78	0.93	0.74	-0.30
Working Capital USD Mil	6,873	6,580	7,739	7,145	7,914	5,455	6,297	5,618	3,723	3,942

\* Indicates calendar year-end data information

Revenues have been growing steadily – we are looking at 10% growth. Margins are high, 35% gross margins give room for flexibility and indicate the product is strong. Earnings have been volatile but operating cash flows are always positive, going from \$2 to \$4 billion. The capital expenses are really high and take away most of the cash flows, but we have to see where is that money going and what will be the return on capital on the high capex investments.

The company has managed to half the number of shares outstanding over the last 10 years, remarkable. They have \$7 billion of long-term debt and \$7 billion of lease capital obligations.

Payments for common stocks (buybacks) have been high while the stock was high. A good opportunistic perspective.

▼ Name USD in Billion except per share data	2014	2015	2016	2017	2018	2019	TTM
▼ Cash Flow from Continuing Financ...							
▼ Issuance of/Payments for Com...							
Payments for Common Stock	2.48	-3.23	-4.23	-2.45	-2.23	-0.94	-0.94
Total Issuance of/Payments for ...	2.48	-3.23	-4.23	-2.45	-2.23	-0.94	-0.94
▼ Issuance of/Repayments for D...							
▼ Issuance of/Repayments for...							

Corning Incorporated  
NYSE: GLW



21,18 USD +0,61 (2,97%) ↑

Closed: 9 Apr, 18:50 GMT-4 · Disclaimer  
After hours 21,25 +0,070 (0,33%)

1 day    5 days    1 month    6 months    YTD    1 year    **5 years**    Max



Open	20,64	Div yield	4,15%
High	21,63	Prev close	20,57
Low	20,62	52-wk high	35,34
Mkt cap	16,15B	52-wk low	17,44
P/E ratio	19,83		

They practically spend approximately \$10 billion on buybacks over the last 10 years. That is a billion a year, add the dividend of 4% and you are at a return of 10% without calculating the possible growth in the future.

Conference call reading notes (red is my comment, black is quote):

- After two years of strong growth, slower markets
- “We met or exceeded all of the goals of our 2016 to 2019 Strategy and Capital Allocation Framework, including returning more than \$12.5 billion to shareholders over four years through share repurchases and a 67% dividend per share increase, all while creating a better, stronger, more resilient company.” That is 75% of the market cap in 4 years – a return of almost 20%.
- “From 2020 to 2023, we expect to deliver 6% to 8% compound annual sales growth and 12% to 15% compound annual EPS growth; expand operating margin and return on invested capital, invest between \$10 billion and \$12 billion with a focus on organic growth. And return \$8 billion to \$10 billion to shareholders through a combination of dividend increases and opportunistic share repurchases.” \$8 billion return over 4 years, that is \$2 billion per year – thus a 12.5% return in a normal environment at current market capitalization of \$16 billion.
- It is a picks and shovels company – customers are Apple, Intel, Verizon etc.
- SO GLASS – screens, double screen smart phone
- FIBER – 5G exposure
- Mobile Consumer Electronics – doubling sales
- “Apple announced that it is awarding \$250 million from its advanced manufacturing fund to Corning, building on the \$200 million we received from Apple's fund in 2017. Both investments support Corning's state-of-the-art glass processes, equipment and materials integral to the delivery of next-generation consumer devices.” Customers make investments too, this creates high switching costs and a moat
- “Automotive market, our goal is to double sales by 2023” This is possible, even if sales in 2020 and 2021 will likely be slow – even if double by 2025 is good, when the EV data trend in automotive really takes hold.
- Life sciences “We exceeded \$1 billion in sales in our Life Sciences segment as adoption of our industry-leading bioprocess and advanced cell culture products continues, driving our organic growth rate 7%.”

All in all, this looks like a very interesting company, 8% of sales go for R&D, which is the highest lever amongst competitors. Something good should come out of that long-term.

This is a business that will go on my watch list. This means that I'll learn it in depth, understand it and maybe buy it when the time is right.