



ANALYST QUICK NOTES

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Corning Inc. (NYSE: GLW: BUY)

Target Price: \$30

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GLW Thesis

- Corning does one thing well – glass – by adding value and using proprietary processes to build moats around its businesses
 - Display, optical fiber, tough cover glass, emission substrates
- 150-year-old company now prioritizing returns to shareholders
- BUY to \$30

GLW to report 1Q17 results on Tuesday 4/25/17

- Street expects: revenue of \$2.37 billion, EPS of \$0.35
- Argus expects: revenue of \$2.39 billion, EPS of \$0.40
 - Revenue & EPS on a core basis: non-GAAP, currency-adjusted
 - At consensus, rev up 9%; EPS up 26%

Guidance for fiscal 2Q17 will be important

- Investors anticipate continued momentum, will be looking for sequential improvement in 2Q17
- Street expects: core revenue of \$2.51 billion, EPS of \$0.41
- Argus expects: revenue of \$2.58 billion, EPS of \$0.44
 - At consensus, rev up 6%; EPS up 40%
- Comparisons begin to get tougher from here, based on solid 2016

Strategy & Capital Allocation framework

- Return \$10 billion to shareholders, invest \$10 billion in business by 2019
- Authorized a \$4 billion buyback in October 2015, with \$1.25 billion accelerated repurchase
- Executed additional accelerated buyback of \$2 billion in July 2016
- Pledged to raise the dividend at least 10% annually through 2019
- In February 2017, hiked quarterly dividend 14.8% to \$0.155
- Strong cash flow (4-times) and free cash flow (2.5-times) coverage of dividend

Platforms for success:

- Corning is focusing 80% of its portfolio on three core technologies, four manufacturing and engineering platforms, and five market-access platforms.
 - Five market access platforms: mobile, automotive, optical communications, display, and life sciences
- Management believes this tightened focus is reducing the cost of innovation while increasing the success rate for successful innovation.

Valuation & Conclusion

- In a generally rising environment for technology shares, GLW has reached multiyear highs.
- While absolute P/Es are above historical trends, relative valuations remains consistent with past multiples.
- The shares currently trade at a 14% discount to the market multiple; the historical five-year (2012-2016) discount has been 18%.
- With continued momentum likely going forward, GLW appears attractive based on future cash flow growth and valuation.

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