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Corning Incorporated (GLW.N)

July-Q Quick Take

CITI'S TAKE

GLW stock is down 15% % premarket after reporting Jun-Q results that exceeded Street with F3Q revenue/eps guide a smidge below/above expectations. We are awaiting additional commentary on the 8:30am ET earnings call.

Buy	
Price (27 Jul 26 16:00)	US$143.36
Target price	US$240.00
Expected share price return	67.4%
Expected dividend yield	0.8%
Expected total return	68.2%
Market Cap	US$123,381M

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Fundamentals — Revenues of $4.74bln (+17% y/y) upsided guide of ~$4.6bln vs Street (FactSet) expectations of $4.63bln. Gross margins were 39.6% vs Street 38.60%. Adjusted operating margins were 20.9% vs Street 20.6%. Non-GAAP EPS of $0.78 (+30% y/y) compared with guidance of $0.73–$0.77 and Street $0.76. Adjusted FCF was $1.42mln.

- Optical segment sales of $2.07bln, +32% y/y growth, including 65% increase in enterprise optical vs consensus of $2.06bln. Optical NI of $438mln (77% y/y), representing NI margins of 21.1%. Incremental net income margins at 37.7% yy.
- Glass Innovations sales of $1.46bln, 1% y/y vs consensus at $1.46bln. NI of $354mln (9% y/y), representing NI margins of 24.2%.
- Automotive segment sales of $471mln, 2% y/y, NI of $82mln (4% y/y) vs consensus at $448mln, representing NI margins of 17.4%.
- Solar segment sales of $438mln vs consensus at $357mln, 90% y/y, NI of $-7mln
- Life Sciences + other segment sales of $294mln (vs consensus at $291.5mln), NI of $-21mln.

Guidance — The company guided F3Q26 revenues of $4.9-5.0 bln (+16% yy vs. FactSet consensus of $5bln) and EPS of $0.85-0.89 (vs. consensus of $0.85). We are awaiting additional commentary on the earnings call.

Focus on the call will be: 1) Optical demand and visibility (carrier vs enterprise/datacenter, backlog conversion); 2) Fiber tightness/capacity/supply; 3) Glass display demand dynamics amid consumer electronic demand woes offset by mix to premium mix; 5) Auto end-demand given current production; 5) Solar/Hemlock ramp; 6) Margins/incrementals (mix, pricing/cost actions, flow-through).

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati



Corning Incorporated

Valuation

We derive our $240 target price based on applying a ~35x P/E multiple to our CY28 EPS discounted by a year. Given multiyear AI infrastructure build cycles and improving optical capacity and higher visibility, we now anchor valuation to 2028E earnings which better reflects structural demand. Our target multiples are higher than the stock's median multiples over the past five years (but in line with peers), reflective of the current secular dynamics in Corning's end markets. On EV/EBITDA, our target price is equivalent to applying a ~30x EV/EBITDA multiple to our NTM EBITDA 1 year from today.

Risks

Risks that could impact our target price include: 1) LCD glass market fundamentals, potentially resulting from global TV demand or average TV screen size varying negatively from expectations; 2) Corning's Optical Communications business growth differs from what we expect; 3) Recession risk continues to temper demand; 4) Yen and other foreign currency volatility; and 5) Varying capital expenditures to support the company’s numerous growth initiatives and business partners.

The impact from the above could be worse than expected, resulting in the share price failing to achieve our target price.