Corning

3Q26 Review: Optical-Led Beat & Raise Reinforces Springboard, But Buy-Side Upside Awaits Target Update

Neutral

GLW, GLW US
Price (27 Oct 26):$126.30
Price Target (Dec-27):$165.00

IT Hardware/ Telecom & Networking Equipment

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Corning delivered another strong quarter in 3Q26, once again driven by optical as enterprise kept up its robust pace, with sales expanding +84% y/y, including Gen-AI product sales more than doubling, while Carrier returned to growth at +4% y/y (up +$50 mn q/q), driven by DCI demand, with both sub-segments now having several customer LTAs behind them. Management sounded incrementally more bullish on the durability and breadth of the optical opportunity heading into 2027 and beyond, emphasizing that existing LTAs are already helping fund capacity and provide visibility, while also suggesting scope to expand or extend agreements as demand moves from scale-out into scale-up. Importantly, Corning reiterated that scale-up should begin contributing in 2027 and inflect more meaningfully in 2028, with NPO/CPO testing set to start in early 2027 and convert to "real sales" later in the year as it noted that its prior ~$1 bn 2027 photonics framework remains reasonable, albeit still early. On the flipside, the stronger Optical result was balanced by softer performance elsewhere, most notably Solar, where demand and pricing remain favorable following Section 232 support for U.S.-made solar products, but wafer and module production is ramping more slowly than anticipated, muting 3Q26 and likely 4Q26 profitability. Investors also scrutinized segment margins as management pointed to two temporary 2026 headwinds that should reset in 2027: elevated performance-based compensation, and the allocation of more cash-based compensation to the segments versus stock-based compensation to corporate. Even so, management underscored that ~23% operating margins are sustainable against its "at or above 20%" target; although, stopping short of a formal update given the timing of optical capacity additions and the photonics and solar ramps. Separately, FCF is expected to grow in 2027 despite capex tracking closer to 2H26 levels as operating cash flow should more than offset elevated investments, helped by customer deposits. Management also described the $2 bn ATM as a "housekeeping" tool and said it has no plans to issue equity. Net-net, while the better 3Q26 results and 4Q26 guide support upward revisions to our revenue and earnings forecasts, and we would expect sell-side, we envision buy-side out-year estimates are likely largely unchanged, as the print reinforced rather than reset the Springboard framework, as investors await a more formal upward update to the long-term revenue and margin targets.

- **3Q26 Results: Modest revenue and earnings beats.** Revenue tracked to $5,081 mn (vs. JPMe of $5,041 mn, consensus of $5,019 mn, and prior guidance of $4,900-$5,000 mn), with Optical revenue growing +44% y/y to $2,379 mn and more than offsetting revenue shortfalls in Solar and Glass Innovations relative to expectations. Gross margin tracked to 40.5% (vs. JPMe of 40.0% and consensus of 39.9%). Modestly higher opex intensity partially offset the gross margin upside, but operating margin still reached 22.7% (vs. JPMe of 22.3% and consensus of 22.2%). Net-net, EPS tracked to $0.91 (vs. JPMe of $0.90, consensus of $0.88, and prior guidance of $0.85-$0.89).
- **4Q26 Guide: Modest revenue upside and a more pronounced earnings beat relative to expectations.** Revenue was guided to $5,200-$5,300 mn, with

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E ($)	4.25	4.40	3.7%

Quarterly Forecasts (FYE Dec)

Adj. EPS ($)

	2025A	2026E	2027E
Q1	0.54	0.70A	0.89
Q2	0.60	0.78A	1.03
Q3	0.67	0.91A	1.22
Q4	0.72	0.98	1.27
FY	2.54	3.37	4.40

Style Exposure

	Current	Hist %Rank (1=Top)			
Quant Factors	%Rank	6M	1Y	3Y	5Y
Value	#N/A	#N/A	#N/A	#N/A	#N/A
Growth	#N/A	#N/A	#N/A	#N/A	#N/A
Momentum	#N/A	#N/A	#N/A	#N/A	#N/A
Quality	#N/A	#N/A	#N/A	#N/A	#N/A
Low Vol	#N/A	#N/A	#N/A	#N/A	#N/A
ESGQ	#N/A	#N/A	#N/A	#N/A	#N/A

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 7 for analyst certification and important disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	44.2%	-19.4%	-11.9%	41.3%
Rel	31.4%	-19.2%	-16.1%	29.0%

Company Data

Shares O/S (mn)	872
52-week range ($)	271.78-77.39
Market cap ($ mn)	110,082.70
Exchange rate	1.00
Free float (%)	91.9%
3M ADV (mn)	10.04
3M ADV ($ mn)	1,480.3
Volatility (90 Day)	85
Index	S&P 500
BBG ANR (Buy | Hold | Sell)	15|5|0

Key Metrics (FYE Dec)

$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	16,408	19,414	23,182	28,896
Adj. EBIT	3,160	4,256	5,387	7,138
Adj. EBITDA	4,397	5,728	7,126	9,305
Adj. net income	2,199	2,938	3,819	5,208
Adj. EPS	2.54	3.37	4.40	6.05
BBG EPS	2.52	3.30	4.38	5.93
Cashflow from operations	2,695	4,458	5,378	6,881
FCFF	1,654	2,695	3,137	4,405
Margins and Growth				
Revenue Growth Y/Y (%)	13.4%	18.3%	19.4%	24.7%
EBIT margin	19.3%	21.9%	23.2%	24.7%
EBIT Growth Y/Y (%)	24.9%	34.7%	26.6%	32.5%
EBITDA margin	26.8%	29.5%	30.7%	32.2%
EBITDA Growth Y/Y (%)	17.0%	30.3%	24.4%	30.6%
Net margin	13.4%	15.1%	16.5%	18.0%
Adj. EPS growth	29.1%	32.9%	30.7%	37.3%
Ratios				
Adj. tax rate	19.2%	18.8%	18.5%	18.5%
Interest cover	14.8	19.6	25.4	33.2
Net debt/Equity	0.6	0.4	0.3	0.1
Net debt/EBITDA	1.6	0.9	0.6	0.3
ROE	18.8%	21.6%	24.1%	28.5%
Valuation				
FCFF yield	1.5%	2.4%	2.9%	4.0%
Dividend yield	0.9%	0.9%	1.0%	1.1%
EV/Revenue	7.0	5.9	5.0	4.0
EV/EBITDA	26.2	20.1	16.2	12.4
Adj. P/E	49.8	37.5	28.7	20.9

Summary Investment Thesis and Valuation

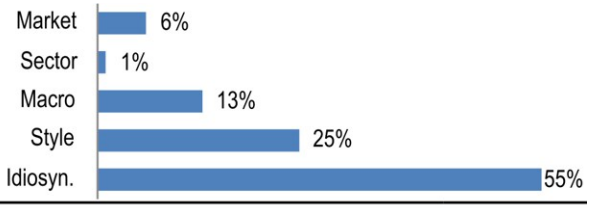
Investment Thesis

We are maintaining our Neutral rating on Corning on the balance of a strong underlying optical demand environment where the company is well positioned to benefit given its leadership in fiber cables and connectors both inside and outside the data center, offset by a lofty valuation premium that investors are ascribing to the shares that in our view embeds blue-sky scenarios and leaves little margin for error on risks related to optical capacity and adoption as well as the remaining portion of the business tied to non-optical markets.

Valuation

We are maintaining our December 2027 price target at $165, based on valuing our 2028E EPS estimate at a 26x P/E multiple. We believe the 26x multiple is more in-line with the broader optical peer groups, while still accounting for Corning's unique positioning as a U.S.-based, vertically integrated, large-scale supplier of optical fiber cable and connectors, products that are well positioned to benefit from the AI infrastructure investment backdrop.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.34	0.25
Sect: Technology	0.29	0.08
Ind: Tech Hard Equip	-0.09	0.17
Macro:		
Crude Oil	-0.27	-0.32
US 10yr Breakeven	-0.20	-0.26
US 10yr yield	-0.11	-0.21
Quant Styles:		
Momentum	0.45	0.50
Size	0.26	0.37
Growth	-0.03	-0.23

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

a midpoint of $5,250 mn (vs. JPMe of $5,216 mn and consensus of $5,204 mn heading into the print), implying approximately +19% y/y growth. EPS was guided to $0.96-$1.00, with a midpoint of $0.98 (vs. JPMe of $0.95 and consensus of $0.93), approximately +3% and +5% above JPMe and consensus, respectively.

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Investment Thesis, Valuation and Risks

Corning *(Neutral; Price Target: $165.00)*

Investment Thesis

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Corning P/E-Based Target Analysis

$ in Millions, except per share amounts

	NTM Qtrs 1-4	2028E
JPM Net Income	**3,576**	**5,208**
Add Back: SBC	**295**	**315**
JPM Net Income ex SBC	**3,871**	**5,523**
JPM EPS	$3.87	$6.05
JPM EPS ex SBC	**$4.21**	**$6.41**
P/E Multiple	33x	
P/E Multiple (ex-SBC)	30x	
JPM P/E Multiple		26x
Implied Equity Value	**110,083**	**142,266**
Average Diluted Share Count	872	861
Implied Share Price	**$126.3**	**$165.0**
Current Value per Share	$126.30	$126.30
Upside vs. Current		31%
Memo:		
(-) Net Cash/(Debt)	(5,289)	(2,440)
Enterprise Value	**115,372**	**144,706**
JPM EBITDA	6,757	9,297
Implied EV/EBITDA	*17.1x*	*15.6x*

Source: J.P. Morgan estimates.

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Risks to Rating and Price Target

Industry Upside Risks

Display pricing could strengthen more than expected. Despite solid growth in displays, including glass used in consumer devices over the last few years, pricing has historically declined, though in more recent years has shown signs of stabilization and improvement. Nonetheless, greater than expected strength in pricing for the display market would likely lead to upside to our forecasts.

Industry Downside Risks

Delays in the copper-to-optical transition in the scale-up domain. A slower than expected adoption of optics inside the rack, driven by customer architecture choices, supply chain challenges, or innovations that push out the photonics roadmap, would likely lead to downside to our forecasts.

Company Upside Risks

Supply chain leadership in optical fiber cable and connectors. Corning is one of the few vertically integrated U.S. optical companies, spanning raw fiber to cables and connectors. Better-than-expected market share in passive optical content due to better cost, reliability of supply, or U.S.-sourced manufacturing could drive upside to our estimates.

Faster than expected adoption of Hemlock's solar solutions. We expect Hemlock's solar solutions to find increasing adoption as customers look to benefit from U.S. federal support, which is encouraging domestic substitution. Faster than expected adoption could drive upside to our estimates.

Company Downside Risks

Memory headwinds could adversely impact unit volumes in Corning's Glass Innovations segment. Continued growth in memory prices would alter the cost structures for end-markets like TVs and mobile phones, which can reduce demand for display panels and, in turn, adversely impact unit volumes in Corning's Glass Innovations segment.

Drop performance requirements from Gorilla cover glass could reach a ceiling. One of the primary drivers of the premium pricing for Gorilla cover glass is the superior drop performance relative to the competition, which Corning improves further with every generation of the product. However, customers could see further improvements beyond a certain level of drop performance as unnecessary and could be unwilling to pay continued premiums for improvements beyond a certain level, limiting ASP opportunity for Corning.

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Corning: Summary of Financials

Income Statement - Annual	FY25A	FY26E	FY27E	FY28E	FY29E
Revenue	**16,408**	**19,414**	**23,182**	**28,896**	**33,547**
COGS	(10,115)	(11,655)	(13,894)	(17,287)	(20,042)
Gross profit	**6,293**	**7,759**	**9,288**	**11,609**	**13,505**
SG&A	(2,028)	(2,316)	(2,494)	(2,817)	(3,109)
Adj. EBITDA	**4,397**	**5,728**	**7,126**	**9,305**	**11,087**
D&A	(1,237)	(1,472)	(1,739)	(2,167)	(2,516)
Adj. EBIT	**3,160**	**4,256**	**5,387**	**7,138**	**8,571**
Net Interest	(298)	(292)	(280)	(280)	(280)
Adj. PBT	**2,903**	**3,901**	**5,023**	**6,774**	**8,207**
Tax	(558)	(733)	(929)	(1,253)	(1,582)
Minority Interest	(146)	(230)	(275)	(312)	(343)
Adj. Net Income	**2,199**	**2,938**	**3,819**	**5,208**	**6,281**
Reported EPS	2.54	3.37	4.40	6.05	7.35
Adj. EPS	**2.54**	**3.37**	**4.40**	**6.05**	**7.35**
DPS	**1.12**	**1.12**	**1.23**	**1.36**	**1.49**
Payout ratio	44.1%	33.2%	28.0%	22.4%	20.3%
Shares outstanding	867	872	867	861	854

Balance Sheet & Cash Flow Statement	FY25A	FY26E	FY27E	FY28E	FY29E
Cash and cash equivalents	1,526	2,911	3,951	5,760	8,667
Accounts receivable	2,779	3,204	3,770	4,775	5,536
Inventories	3,077	3,492	4,194	5,406	6,152
Other current assets	7,410	8,754	10,022	12,238	13,746
Current assets	**8,936**	**11,664**	**13,973**	**17,999**	**22,412**
PP&E	14,825	15,824	16,556	17,093	17,282
LT investments	0	0	0	0	0
Other non current assets	4,069	4,196	4,196	4,196	4,196
Total assets	**30,976**	**34,756**	**37,796**	**42,358**	**46,961**
Short term borrowings	804	933	933	933	933
Payables	1,934	2,567	3,054	3,861	4,312
Other short term liabilities	2,890	3,106	3,709	4,623	5,367
Current liabilities	**5,628**	**6,607**	**7,696**	**9,418**	**10,613**
Long-term debt	7,630	7,267	7,267	7,267	7,267
Other long term liabilities	13,041	13,253	13,253	13,253	13,253
Total liabilities	**18,669**	**19,860**	**20,949**	**22,671**	**23,866**
Shareholders' equity	12,307	14,896	16,847	19,688	23,096
Minority interests	-	-	-	-	-
Total liabilities & equity	**30,976**	**34,756**	**37,796**	**42,358**	**46,961**
BVPS	**14.39**	**17.30**	**19.61**	**23.07**	**27.30**
y/y Growth	*10.9%*	*20.3%*	*13.3%*	*17.6%*	*18.3%*
Net debt/(cash)	6,908	5,289	4,249	2,440	(467)
Cash flow from operating activities	**2,695**	**4,458**	**5,378**	**6,881**	**8,485**
o/w Depreciation & amortization	1,237	1,472	1,739	2,167	2,516
o/w Changes in working capital	0	0	0	0	0
Cash flow from investing activities	**(1,243)**	**(1,706)**	**(2,470)**	**(2,704)**	**(2,706)**
o/w Capital expenditure	(1,282)	(2,000)	(2,470)	(2,704)	(2,706)
as % of sales	*7.8%*	*10.3%*	*10.7%*	*9.4%*	*8.1%*
Cash flow from financing activities	**(1,672)**	**(1,410)**	**(1,868)**	**(2,367)**	**(2,873)**
o/w Dividends paid	(999)	(1,000)	(1,068)	(1,167)	(1,273)
o/w Net debt issued/(repaid)	(55)	(514)	0	0	0
Net change in cash	**(202)**	**1,359**	**1,040**	**1,809**	**2,906**
Adj. Free cash flow to firm	**1,654**	**2,695**	**3,137**	**4,405**	**6,005**
y/y Growth	*38.0%*	*63.0%*	*16.4%*	*40.4%*	*36.3%*

Income Statement - Quarterly	1Q26A	2Q26A	3Q26A	4Q26E
Revenue	**4,345A**	**4,738A**	**5,081A**	**5,250**
COGS	(2,645)A	(2,864)A	(3,022)A	(3,124)
Gross profit	**1,700A**	**1,874A**	**2,059A**	**2,126**
SG&A	(546)A	(590)A	(592)A	(588)
Adj. EBITDA	**1,210A**	**1,357A**	**1,528A**	**1,633**
D&A	(334)A	(368)A	(376)A	(394)
Adj. EBIT	**876A**	**989A**	**1,152A**	**1,239**
Net Interest	(70)A	(82)A	(70)A	(70)
Adj. PBT	**797A**	**898A**	**1,057A**	**1,149**
Tax	(157)A	(168)A	(195)A	(213)
Minority Interest	(28)A	(50)A	(67)A	(85)
Adj. Net Income	**612A**	**680A**	**795A**	**851**
Reported EPS	0.70A	0.78A	0.91A	0.98
Adj. EPS	**0.70A**	**0.78A**	**0.91A**	**0.98**
DPS	**0.28A**	**0.28A**	**0.28A**	**0.28**
Payout ratio	39.8%A	36.0%A	30.7%A	28.6%
Shares outstanding	871A	875A	871A	869

Ratio Analysis	FY25A	FY26E	FY27E	FY28E	FY29E
Gross margin	38.4%	40.0%	40.1%	40.2%	40.3%
EBITDA margin	26.8%	29.5%	30.7%	32.2%	33.0%
EBIT margin	19.3%	21.9%	23.2%	24.7%	25.5%
Net profit margin	13.4%	15.1%	16.5%	18.0%	18.7%
ROE	18.8%	21.6%	24.1%	28.5%	29.4%
ROA	7.5%	8.9%	10.5%	13.0%	14.1%
ROCE	13.1%	15.8%	18.2%	22.0%	23.4%
SG&A/Sales	12.4%	11.9%	10.8%	9.7%	9.3%
Net debt/equity	0.6	0.4	0.3	0.1	NM
P/E (x)	49.8	37.5	28.7	20.9	17.2
P/BV (x)	8.8	7.3	6.4	5.5	4.6
EV/EBITDA (x)	26.2	20.1	16.2	12.4	10.4
Dividend Yield	0.9%	0.9%	1.0%	1.1%	1.2%
Sales/Assets (x)	0.6	0.6	0.6	0.7	0.8
Interest cover (x)	14.8	19.6	25.4	33.2	39.6
Operating leverage	185.8%	189.3%	137.0%	131.8%	124.8%
Revenue y/y Growth	13.4%	18.3%	19.4%	24.7%	16.1%
EBITDA y/y Growth	17.0%	30.3%	24.4%	30.6%	19.2%
Tax rate	19.2%	18.8%	18.5%	18.5%	19.3%
Adj. Net Income y/y Growth	29.4%	33.6%	30.0%	36.4%	20.6%
EPS y/y Growth	29.1%	32.9%	30.7%	37.3%	21.6%
DPS y/y Growth	0.0%	0.0%	10.0%	10.0%	10.0%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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