



# McIntire Investment Institute

At the University of Virginia

CORNING

Corning  
Inc.  
(GLW)

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# What's what

- Company Overview and Stock Info
- Investment Thesis
- Potential Risks
- Recommendation for MII
- Your Questions



# Company Overview

- Headquartered in *Corning*, NY & founded in **1851**
- Manufacturer of **glass & ceramics** for industrial & scientific applications
- Formerly best known for tableware & cookware in the 50's/60's



... like this

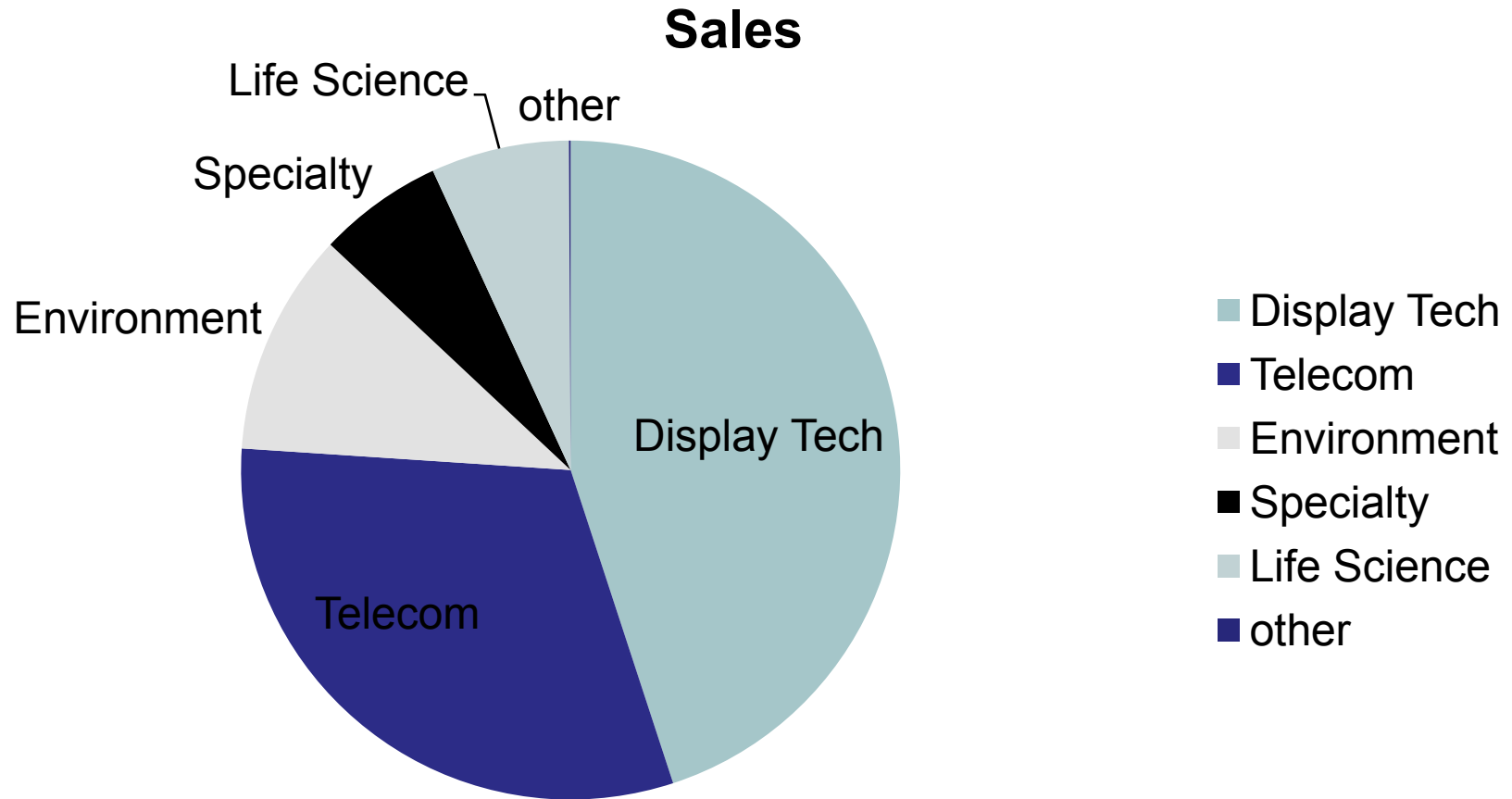


# Company Overview

- Currently, 24,000 employees in 17 states & 24 different countries
- Changed its name in 1989 from Corning Glass Works to Corning Inc
- **Current company structure:**
  - Display technologies
  - Environmental Technologies
  - Life Sciences
  - Telecommunications
  - Specialty materials



# Company Structure

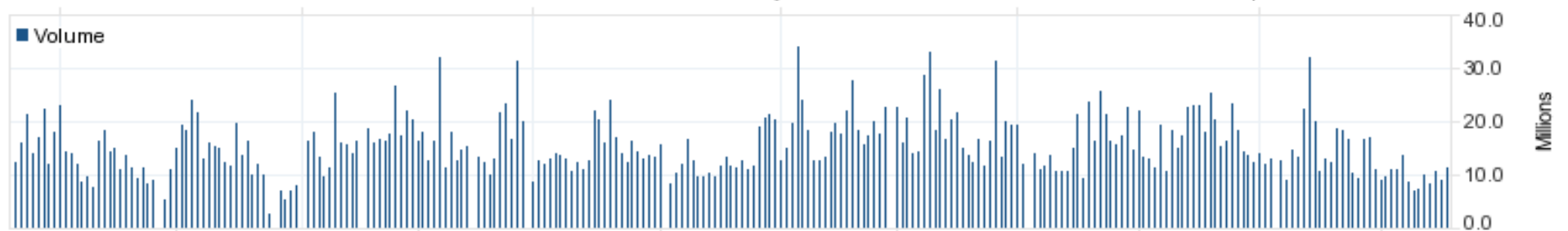


# Stock info

Corning Incorporated Common Sto

■ GLW

Oct 20, 2010



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# Valuation

- Market Cap: 28.95B Beta: 1.39
- P/E: 9.39 PEG: 0.79
- Profit Margin: 49.59%
- ROE: 20.21% ROIC-12.61
- 52 Week Range: 14.14-21.10
- Debt/ Equity: 11.48
- FCF: 536M (Q2) 472M (Q1) 156M (2009)
- 1-yr revenue growth; 24.9%





# GLW revenue and earnings break down by segments

Segment	Revenue (in Million)	% of Total	Earnings (in Million)	% of Total
Display Technologies	2426	44.97%	1992	106.30%
Telecommunications	1677	31.08%	19	1.01%
Environmental Technologies	590	10.94%	-42	-2.24%
Specialty Materials	331	6.14%	-54	-2.88%
Life Sciences	366	6.78%	39	2.08%
All other	5	0.09%	-80	-4.27%
Total	5395	100%	1874	100.00%

\*information and data obtained from 10-K 2009




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# Investment Thesis

- *Revolutionary* Technology & current R&D potential/aspirations (& planned expansion)
- Relationship With Household Names & current significant market share
- High Growth Potential & appeal to emerging markets
- Healthy Human Capital
- Large Cash Position
- The Legend



# Revolutionary Technology

- EAGLE XG®: for displays. **low density**, high chemical **durability**, advanced thermal properties, and a pristine surface ideal for the manufacture of large, high-resolution displays. No size limit! (2006)
- EAGLE XG® Slim: almost same as  0.4mm thick
- Jade®: for displays. higher-resolution displays with lower power consumption. Previously, no glass substrate fully optimized for low-temperature polysilicon (LTPS) = brighter displays and reduced energy consumption

## Patents!

*Ken Sofio-Corning investor relations representative*



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# Revolutionary Technology

[Gorilla® Glass](#)



[http://www.youtube.com/corningincorporated#p/u/8/dLXaCR6\\_0U0](http://www.youtube.com/corningincorporated#p/u/8/dLXaCR6_0U0)



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# Gorilla<sup>®</sup> Glass

- Superlative LCD display qualities

- crisp
- clear
- strong
- durable
- scratch resistant
- impact resistant
- bendable? Yes!
- **transportable**



Largely becoming common place



# Strong relationships

- Familiar names, huh?
- Any of these look familiar?
- Currently in over 20 brands & 225 devices



# & the *near* Future

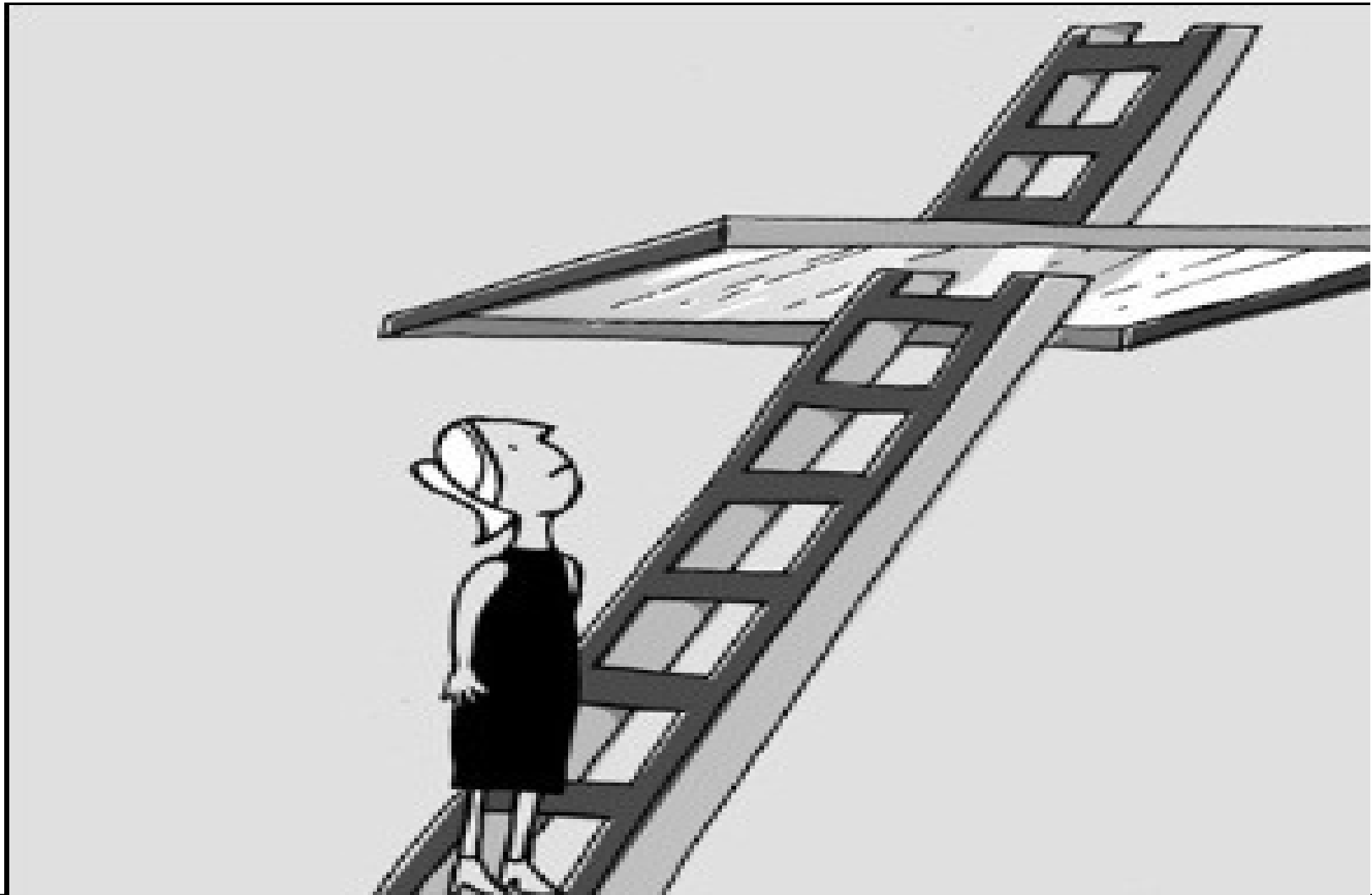
- Green laser Technology

- currently, only blue & red lasers are readily available.

Micro projector devices need red+blue+green light. Green laser technology allows micro projectors in mobile phones = larger image view



# Market Share & Barriers





# Market Share & Barriers

- Now with the introduction of specialized glass substrates, the only business that makes more LCD screens than Corning Inc. is Corning Inc.
- Most of the majors have pledged their loyalty with GLW & have seen immense success in doing so, moving away from **plastic LCD** screens.
- It appears as these companies battle for consumer popularity, GLW stands to gain no matter what the outcome maybe, therefore potentially causing more to flock to GLW for a chance at similar success.
- There was no previous significant market for LCD screens (only simple LCD's e.g. digital clocks existed). Product manufacturers made their own screens, but now use GLW
- Future competitors have a long way to go to catch up



# Human Capital

Ground  
Breaking  
Technology



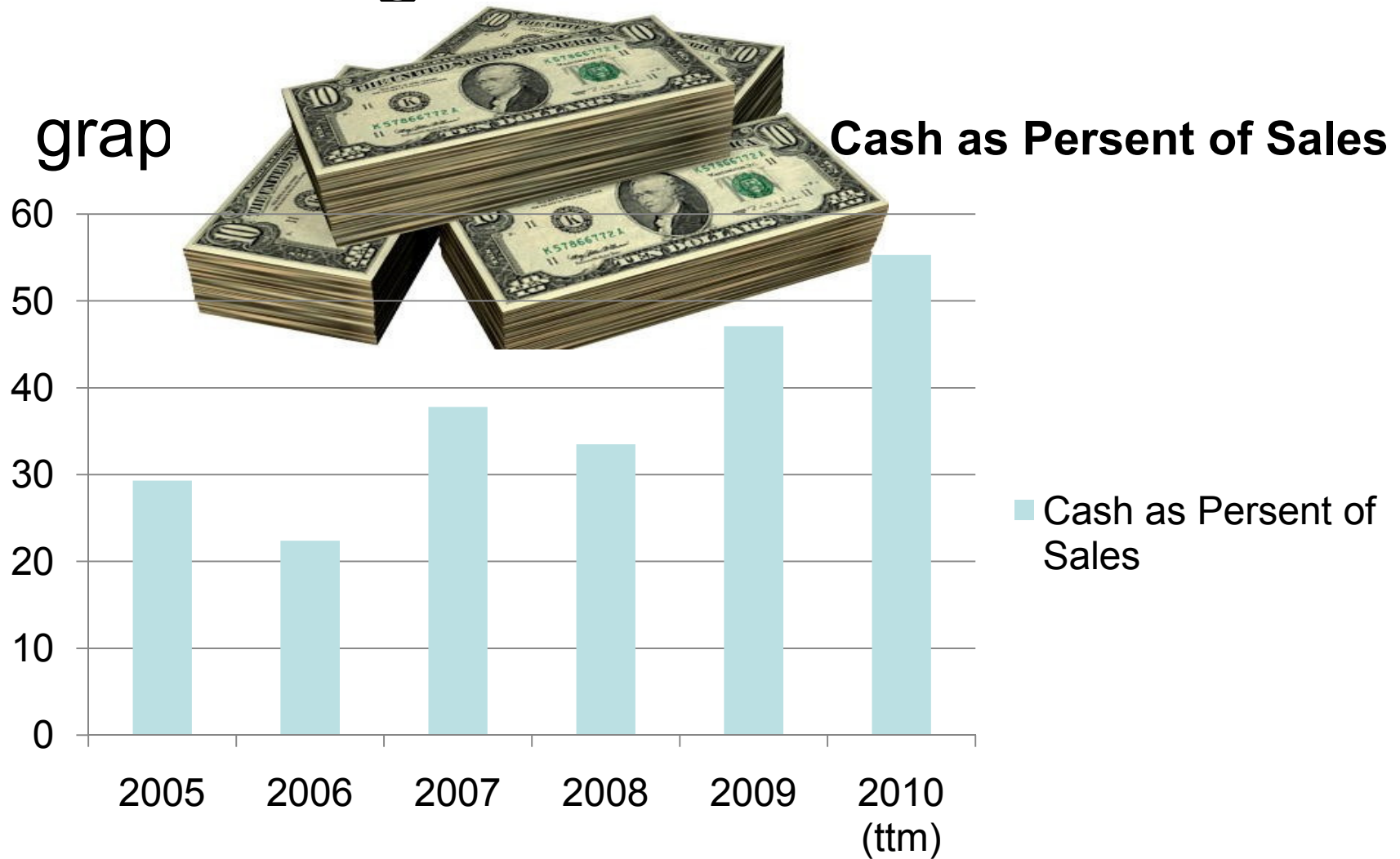
Knows  
where  
to go

•Wages!!!



# Large Cash Position

- grap



# Large Cash Position Cont.

- Cash=4.26B Debt=1.95B
- Current ratio=4.43
- What do they use that for??!
- Acquisitions!
- Expansions!
- Stable Dividends- 1.10% annual yield
- Stock Repurchase-1.2B in total



# Customer Survey

What do you think of the quality of our items?  
Excellent  Good  Poor  Very Bad

How good was our service?  
Excellent  Good  Poor  Very Bad

How much value do you get for the money?  
Excellent  Good  Poor  Very Bad



# Survey from the consumers!

- 135/150 responses
- From students to parents
- 22% have broken screens before
- 73% are bothered by scratches & smudges
- >80% put keys with screen-based products
- ~94% have no idea about screen glass
- >70% will go for the Gorilla screen



# “Comments you want to leave?”

- “Love the new iPhone screen! And the iPad too! It’s so scratch resistant and has virtually no fingerprints on it!” --Lindsey
- “Now that I know my screen is made of Gorilla, I will go for other products made of Gorilla!! No more plastic screens”--Carl
- “The new fancy products should all matched up with Gorilla glass.” --Robert
- “Will keep looking for Gorilla glass screen products and will pay more to get them” --Katie



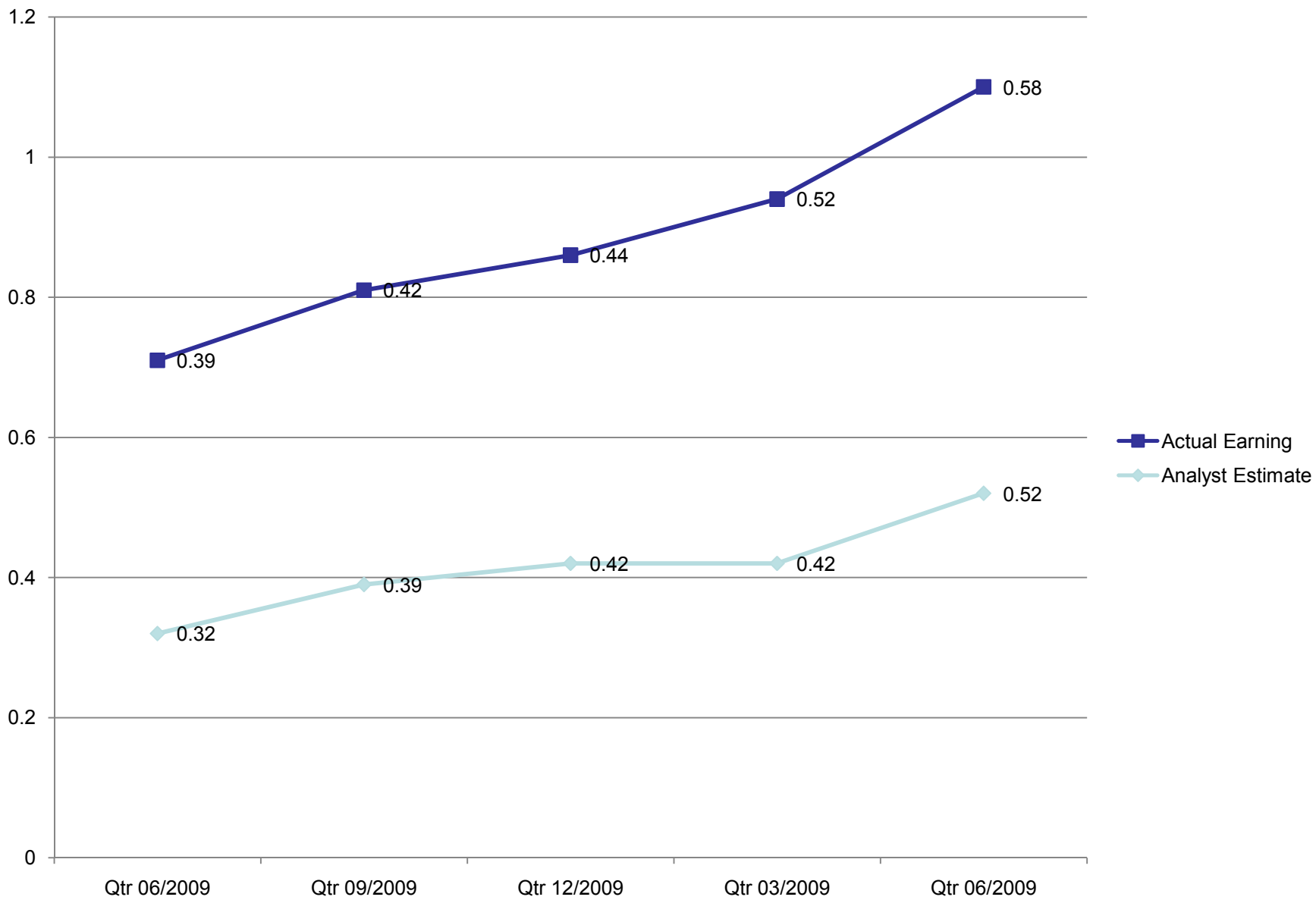
# High Growth Potential

GLW's current primary product (Gorilla) **just** introduced into the market in 2009.

- Market/demand for LCDs = growing
- Multiple potential future uses, e.g. construction, medical field
- “Gorilla glass will do for display screens what steel did for buildings”







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# High Growth Potential Cont.

- Segment focus
- Screens!!!-phone/pc/TV set/ touch screen
- Solar-efficiency is no longer a dream
- Life science-promotes tech advancement
- Optical-wireless? Yes!
- And glass printing -----→



# High Growth Potential Cont.

- Geographical growth
  - \*38%W 22%EU 66%C 70%J 105%SA
- Manufacturing based in Japan and Korea
- Mainland China presence
  - \*LCD& Bio-engineering
- Strategic acquisition and growing presence in Europe



# The Legend

- Produced Thomas Edison's light bulbs
- Is one of the main component of the iPhone 4's front and back
- Were the windows for every manned space vehicle
- Glass blank for mirror in Hubble Telescope
- Marketed & developed first optic fibers
- Also one of main component in iPad (fastest selling electronic device)



# Risks

- Failed growth of LCD/smartphone market
- Over-optimism of expansion endeavors
- Fail to adjust volumes and fixed cost structure
- Performance issues will let GLW suffer
- Subject to international disruptions
- Key Personnel matters



# Recommendation

- Based on our research, we suggest that MII initiate a position of 4% at its current price.
- It's 3<sup>rd</sup> Quarter earnings report comes out Monday Nov 1<sup>st</sup>





Questions? Comments?