

COMPANY PROFILE

Corning Incorporated

TABLE OF CONTENTS

Company Overview 3
Key Facts 3
SWOT Analysis 4

COMPANY OVERVIEW

Corning Incorporated (Corning) is a manufacturer of specialty glass, ceramic substrates and filter products. The company's product portfolio comprises glass substrates, optical bio-sensors, optical fibers, cable, hardware and equipment. Corning products find application in the areas of telecommunications, drug discovery, LCD televisions, computer monitors and laptops. It also manufactures advanced optics and specialty glass solutions for semiconductor, defense, metrology, aerospace, consumer electronics and other industries. The company has business presence in the Americas, Europe, Asia-Pacific, the UAE and South Africa. Corning is headquartered in Corning, New York, the US.

The company reported revenues of (US Dollars) US\$10,116 million for the fiscal year ended December 2017 (FY2017), an increase of 7.7% over FY2016. In FY2017, the company's operating margin was 16.1%, compared to an operating margin of 14.8% in FY2016. The net loss of the company was US\$497 million in FY2017, compared to a net profit of US\$3,695 million in FY2016.

The company reported revenues of US\$2,747.0 million for the second quarter ended June 2018, an increase of 9.9% over the previous quarter.

KEY FACTS

Head Office	Corning Incorporated 1 Riverfront Plz Corning New York Corning New York USA
Phone	1 607 9749000
Fax	
Web Address	www.corning.com
Revenue / turnover (USD Mn)	10,116.0
Financial Year End	December
Employees	46,200
New York Stock Exchange Ticker	GLW

SWOT ANALYSIS

Corning Incorporated (Corning) is a manufacturer of specialty glass and ceramics products. Strong focus on R&D and a robust geographical presence helps the company to extend its market reach, access a wide range of customers and harness larger market share. However intense competition may affect Corning's market share and may lead to declining revenues in the future.

<p>Strength</p> <p>Presence across diversified geographies Strong R&D capabilities and intellectual property Revenue growth</p>	<p>Weakness</p> <p>Concentrated customer base</p>
<p>Opportunity</p> <p>Strategic initiatives Growth in global internet access to boost Optical Communications business</p>	<p>Threat</p> <p>Intense competition Foreign exchange risks Regulatory environment</p>

Strength

Presence across diversified geographies

Corning has diversified geographic presence. The company manufactures and processes products at approximately 105 plants in 15 countries and generates significant amount of revenue from all these locations. In FY2017, the company's largest geographic region, the US, contributed 39.2% to the total revenues. In addition, the company generated 22% of its total revenues from China, followed by Korea with 12.7%, Taiwan with 5.4%, Japan with 4.5%, Germany with 4.2%, Canada with 2.8%, other Asia Pacific with 3.7% and other Europe with 6.9%, highlighting the geographic diversification. A diversified geographic presence offers the company more avenues for attaining significant revenue growth. It also reduces the company's exposure to risk associated with a particular market, including geo-political and socio-economic reasons, and facilitates a strong positive global image for the company.

Strong R&D capabilities and intellectual property

Corning has a strong emphasis on research and development (R&D). The company's R&D efforts are directed at the improvement and further development of its existing product portfolio. The company intends to create new business opportunities by virtue of its product portfolio. Corning focuses on the development of new specialty glass and ceramics and enhancement of its technologies. Its R&D capabilities enable the company to overcome technical barriers encountered in the commercialization of glass substrates, optical fibers, cable, hardware and equipment, ceramic substrates and filters, and optical bio-sensors. It operates research and development facilities and technical service centers worldwide, including the US, Belgium, China, Japan, Germany, South Korea, and the UK. The company

spent US\$689 million on R&D in FY2017. By the end of FY2017, Corning and its wholly-owned subsidiaries owned over 10,900 unexpired patents in various countries of which about 4,560 were in the US. In addition, the company has about 10,300 patent applications in process. Strong focus on R&D and a robust intellectual property portfolio helps the company to extend its product portfolio, access a wide range of customers and harness larger market share.

Revenue growth

Corning exhibited an increase in the financial performance during the review year. Strong financial performance enables the company's ability to provide higher returns to its shareholders and also increases its ability to allocate adequate funds for future growth initiatives. In FY2017, the company generated revenues of US\$10,116 million as compared to US\$9,390 million in FY2016, with an annual growth of 7.7% over FY2016. The increase in annual revenue was primarily due to increase in the revenues from the Optical Communications and the Specialty Materials segments, up US\$540 million and US\$279 million, respectively.

Weakness

Concentrated customer base

The company depends on a limited number of customers for a majority of its sales. In FY2017, the company's Display Technologies had its 3 largest customers account for 62% of the total segment sales. Similarly, in the Optical Communications segment, one customer accounted for 19% of segment's total net sales. In the Environmental Technologies segment, top 3 customers accounted for 81% of total segment sales. In the Specialty Materials segment, top three customers accounted for 58% of total segment sales and for the Life Sciences segment, the top 2 customers accounted for 47% of the total segment sales during the same period. Corning's sales could be significantly reduced if any of these customers cancel or reduce their orders, significantly change the product delivery schedule, or demand lower prices, which could have an adverse impact on the company's results of operations. In addition, dependency on few customers for a substantial part of its revenues reduces the company's bargaining power.

Opportunity

Strategic initiatives

The company undertook several strategic initiatives to enhance its market presence and revenue growth. In January 2018, Corning opened a new cable manufacturing facility in Newton, North Carolina, the US, to meet growing worldwide demand for its optical fiber and cable. In February 2017, Corning partnered with Micromax to deliver Corning Gorilla Glass on new video series of smartphones. In July, the company acquired SpiderCloud Wireless Inc., a provider of in-building wireless solutions. The deal enables Corning to improve its optical communications business. Further, the company is considering the prospect of using its Corning Gorilla Glass product in the automotive sector to further strengthen its market position by finding additional industry applications for its existing product line. Strategic initiatives such as these

would provide the company with an opportunity to further develop its offering in both developed and emerging markets and further enhance its customer base and revenue generation avenues.

Growth in global internet access to boost Optical Communications business

Corning's Optical Communications business is poised to benefit from the robust growth in internet access provided by the internet service providers (ISPs) from the provision of narrowband and broadband internet connections. According to MarketLine, the total global internet access market grew by 5.7% in 2016 to reach a volume of 2,924.8 million subscriptions. The global internet access market is expected to reach a volume of 3,751.2 million subscriptions by 2021. The company's Optical communications segment provides optical fiber, hardware and equipment products; cable and connectivity solutions including cable assemblies, fiber optic hardware, optical components and couplers, fiber optic connectors, closures and pedestals, splice and test equipment and other accessories for the telecommunications industry. The growth in demand for internet and the ISPs continuously looking to increase their network infrastructure could help the company boost its Optical Communications business, driving the segment's revenue.

Threat

Intense competition

Corning faces intense competition across all of its product lines with many large and varied manufacturers, both domestic and foreign. In the Display Technology segment Corning competes with Asahi Glass and Nippon Electric Glass. The principal competitors of its Optical Communications segment include Commscope and Prysmian. The Environmental Technologies segment faces principal competition from NGK and Ibiden. In the Specialty Materials segment, Schott, Asahi Glass, Nippon Electric Glass, and Heraeus are the company's main competitors. In the Life Sciences segment, the company faces competition from Thermo Fisher Scientific, and Perkin Elmer. Corning also faces increasing competition from large distributors that have pursued backward integration or introduced private label products. Intense competition may force the company to reduce prices, which may strain its margins.

Foreign exchange risks

Corning operates and conducts business in several foreign countries and as a result is exposed to movements in foreign currency exchange rates. The company's most significant foreign currency exposures relate to the Japanese yen, South Korean won, New Taiwan dollar, Chinese Renminbi, and the Euro. Foreign exchange rates may make the company's products less competitive in countries where local currencies decline in value relative to the US dollar and Japanese yen. Corning recorded a foreign currency transaction gain of US\$20 million and US\$21 million in FY2017 and FY2016, respectively, and foreign currency transaction losses of US\$22 million in FY2015. Corning hedges significant transaction and balance sheet currency exposures and uses derivative instruments to limit exposure to foreign currency fluctuations associated with certain monetary assets and liabilities as well as operating results. Although the company selectively hedge these items, changes in exchange rates will significantly impact its reported revenues and profits.

Regulatory environment

Corning's operations are subject to stringent environmental regulations and regulatory changes. The company's manufacturing processes generate chemical waste, waste water, other industrial waste or greenhouse gases, and is subject to numerous laws and regulations relating to the use, storage, discharge and disposal of such substances. Environmental regulations may require the company to acquire costly equipment, incur other significant compliance expenses; or restrict production or operations and thus materially and negatively impact its financial condition and results of operations. Furthermore, changes in regulations and the regulatory environment in the US and other countries, such as those resulting from the regulation and impact of global warming and carbon dioxide abatement, may adversely impact the company's businesses. Hence, any failure to comply with the environmental regulations may result in the assessment of damages or imposition of fines against the company, or the suspension/cessation of production or operations.

Copyright of Corning, Inc. SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.