

# Corning: Where should optical communications attention go next?

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## Two customer groups, one unsettled market

Corning's Optical Communications business serves two broad groups. Its carrier network products support communications infrastructure for video, data and voice services. Its enterprise network products are optical networks sold to businesses, governments and individuals for their own use. The company sells fiber, cable, hardware and connectivity solutions across these markets.<sup>1</sup>

The cycle had been difficult. Optical Communications revenue fell from \$5.023 billion in 2022 to \$4.012 billion in 2023. Corning attributed the decline primarily to lower carrier order rates as customers drew down inventory. Its 2023 filing also reported that enterprise network revenue declined, from \$1.263 billion to \$1.141 billion.<sup>1</sup> The filing does not tell readers how much of the decline reflected customer inventory, underlying demand, competition or other causes.

On 30 April 2024, Corning reported first-quarter Optical Communications sales of \$930 million, 17% below the prior-year quarter but 3% above the preceding quarter. Segment net income was \$100 million, down 37% year over year. Management said sequential sales grew in both carrier and enterprise, while the annual comparison reflected temporarily lower carrier demand as customers continued to draw down inventory. The release did not provide separate Q1 sales or order figures for the two groups.<sup>2</sup>

Corning was also positioning products for higher-density networks. It introduced RocketRibbon cable, which it said reduced cable diameter by 60% and was suited to carrier and data-center infrastructure. Management discussed broadband, 5G, cloud computing and advanced AI as growth drivers. Those statements described product features and management's view of opportunity; the release did not quantify AI-linked orders, data-center sales or conversion from pipeline to revenue.<sup>2</sup>

## What is the real choice?

Corning's CEO said the company was executing a plan to add more than \$3 billion in annualized sales within three years and that the capacity and capabilities required were already in place. That was a company-wide management plan, not an Optical Communications forecast.<sup>2</sup> It does not show which products have available capacity or whether people, equipment and technical support can shift between carrier and enterprise offerings.

The competitive environment adds pressure to choose carefully. Corning identifies CommScope Holding Company and Prysmian Group as principal Optical Communications competitors and

describes pricing pressure and competition to innovate. It does not compare their exposure to data-center demand or disclose market shares by product group.<sup>1</sup>

Assume you are advising Corning's leadership on 30 April 2024. How should it prioritize existing commercial and technical attention across carrier and enterprise/data-center opportunities, given the carrier inventory correction and uncertain growth prospects? The choice does not assume a new factory or capacity expansion.

Three approaches are open:

1. **Protect carrier relationships and readiness.** Maintain attention on carrier customers and be positioned to respond if the inventory correction eases.
2. **Stage more enterprise/data-center emphasis.** Give additional attention to qualified opportunities as customer interest converts into orders and technical requirements become clearer.
3. **Keep an adaptive balance.** Preserve options to shift discretionary attention as demand evidence develops, if the relevant people and resources can actually move between groups.

The alternatives are hypothetical. Public disclosures do not reveal group-specific utilization, order backlog, customer-level demand, product economics or the degree of operational flexibility between offerings.

## Evidence at the cutoff

| Measure                           | 2022      | 2023      | Q1 2024                 |
|-----------------------------------|-----------|-----------|-------------------------|
| Optical Communications sales      | \$5.023bn | \$4.012bn | \$930m                  |
| Year-over-year change             | -         | -20%      | -17%                    |
| Sequential change                 | -         | -         | +3%                     |
| Carrier network revenue           | \$3.760bn | \$2.871bn | Not separately reported |
| Enterprise network revenue        | \$1.263bn | \$1.141bn | Not separately reported |
| Optical Communications net income | -         | -         | \$100m; -37% y/y        |

Sources: Corning 2023 Form 10-K, MD&A and Note 17; Corning Q1 2024 results. Rounded amounts and percentages as reported. Q1 segment results are not split into carrier and enterprise.<sup>1 2</sup>

## Research lens

An automotive study found product-mix flexibility associated with manufacturer incentives and plant utilization, but the estimates came from U.S. automobile models and remain subject to endogeneity caveats. It does not show that Corning's carrier and enterprise resources are interchangeable, or predict Corning's returns.<sup>3</sup> Use it to ask what operational flexibility Corning actually has and what would be needed to preserve it.

## Questions for discussion

1. Which of the three approaches would you recommend, and what assumption matters most to your choice?
2. What evidence would distinguish a temporary carrier inventory correction from a longer demand slowdown?
3. What would count as a qualified enterprise/data-center opportunity, rather than interest that may never convert?
4. Before shifting attention between groups, what must management establish about product fit, resources, capacity and switching costs?
5. What indicators would you monitor, and what new evidence would cause you to change course?

## **Selected sources**

1. Corning Incorporated, 2023 Form 10-K, filed 15 February 2024: [SEC filing](#), Item 1 pp. 2-3 (carrier/enterprise definitions), p. 6 (competition and named competitors); MD&A pp. 24, 28 (management view and 2023 sales attribution); Note 17 p. 101 (2022-23 carrier/enterprise revenue).
2. Corning Incorporated, “Corning Reports First-Quarter 2024 Financial Results,” 30 April 2024: [official release](#), lines 68-80 (management plan and capacity statement), 91-99 (product/market claims), 118-126 (Optical Communications results and attribution).
3. A. Moreno & C. Terwiesch (2015), “Pricing and Production Flexibility: An Empirical Analysis of the U.S. Automotive Industry,” *Manufacturing & Service Operations Management* 17(4), 428-444, [DOI](#), author-submitted manuscript §§3-7 and Tables 3-6, pp. 6-14, 25-30. Its automotive associations and identification limits do not transfer to Corning.