

Amphenol 2Q16 Up +14.6% YOY

Amphenol Corporation reported 2Q16 sales of \$1,548.2 million, up +14.6% over 2Q15 and up +6.7% sequentially. Organically, sales in the quarter increased +4% YOY.

Orders in 2Q16 were \$1,582 million, up +16% from prior year. The book-to-bill was 1.02.

Net income was \$206.4 million (13.3% of sales) in 2Q16, up +15.4% year-over-year and up +31.9% sequentially.

Market sector performance can be seen in the following table.

| Market | % of Total Sales in Quarter | 2Q16 YOY | 2Q16 Sequential | 2Q16 Organically |
|----------------------|--------------------------------|---------------|--------------------|---------------------|
| Automotive | 18% | 10% | 4% | 4% |
| Military | 9% | Down Slightly | Flat | No Comment |
| Commercial Aerospace | 5% | -5% | Down Slightly | No Comment |
| Broadband | 6% | 13% | 11% | 13% |
| IT/Data | 20% | 38% | 12% | 5% |
| Industrial | 18% | 19% | 5% | 2% |
| Mobile Networks | 10% | 29% | Modest Increase | 15% |
| Mobile Devices | 14% | Up Slightly | 15% | No Comment |
| | 100% | 14.6% | 6.7% | 4.0% |

Amphenol announced the acquisitions of two companies in the quarter: Auxel FTG, with sales of approximately \$50 million, is a France-based manufacturer of power interconnect solutions for the industrial and IT Datacom markets. Custom Cable, with sales of approximately \$30 million, is a US-based manufacturer of fiber optic and copper cable assemblies for the enterprise and carrier datacenter markets.

Outlook

Amphenol forecasts sales of \$1,543 to \$1,583 million in 3Q16, a year-over-year increase of +7% to midpoint. The full-year 2016 forecast is \$6,120 million to \$6,200, an increase of +11% to midpoint.

Bishop & Associates' Comments

Year-over-year sales growth of +14.6% and organic sales growth of +4% exceeded the industry sales growth of +1.5% for 2Q16. Amphenol has outperformed industry sales growth for the past 19 consecutive quarters. Acquisitions continue to enhance Amphenol's growth and reach. This was evident in the YOY increases in several market areas in 2Q16 and is due primarily to the FCI and other acquisition.

Amphenol's performance is not being significantly impacted by FX, at this time. As reported by Amphenol for 2Q16, the effect of currency translation was only a \$9 million decrease in sales.

Amphenol's automotive business was up +10% YOY in the quarter. Automotive has been a strong growth area for Amphenol over the last several quarters. Industrial products, one of Amphenol's more profitable product lines, was up +19% for the quarter which should help offset the issues in military and commercial aerospace businesses. Second quarter growth in industrial, mobile networks and IT/Data were all, in some part, attributed to the acquisition of FCI.

The following graph plots Amphenol's sales performance versus the connector industry by quarter since 1Q14 (year-over-year percentage change).

Amphenol versus Industry

