

## Molex Sales Up +2.1% YOY in Calendar 3Q13

Molex reported calendar 3Q13 sales of \$936.4 million, up +2.1% year-over-year (YOY) and up sequentially +6.1% to calendar 2Q13.

Orders in the quarter were \$939 million, down -0.1% YOY and up sequentially +6.7%. The book-to-bill ratio is 1.00.

Net income was \$84.1 million (9% of sales), up +17.9% year-over-year and up +47.3% sequentially.

Molex exceeded revenue guidance in automotive, mobile devices, and telecom.

Market	% of Total Sales in Quarter	Calendar 3Q13 Sales	Calendar 3Q13 YOY	Calendar 3Q13 Sequential
Automotive	20%	\$187	21%	1%
Infotech	16%	\$150	-1%	-2%
Telecom	15%	\$140	6%	19%
Mobile Devices	17%	\$159	-12%	17%
Consumer	14%	\$131	-11%	7%
Industrial	13%	\$122	7%	1%
Medical/Military	5%	\$47	38%	-1%
	<b>100%</b>	<b>\$936</b>	<b>2.1%</b>	<b>6.1%</b>

In September 2013, Molex announced it had signed a merger agreement with Koch Industries, Inc. If the merger is completed, the total purchase price will be approximately \$7.2 billion. The transaction is subject to approval of the shareholders and regulatory approvals. The deal is expected to close by the end of the year. Molex will be held as a separate subsidiary and will retain its current management.

## Outlook

Molex did not provide a forecast for sales in calendar 4Q13, but expect the sales to increase +1% to +2% sequentially. They exceeded their calendar 3Q13 forecast, which was a year-over-year change of -2.9% to +1.4%.

## Bishop & Associates' Comments

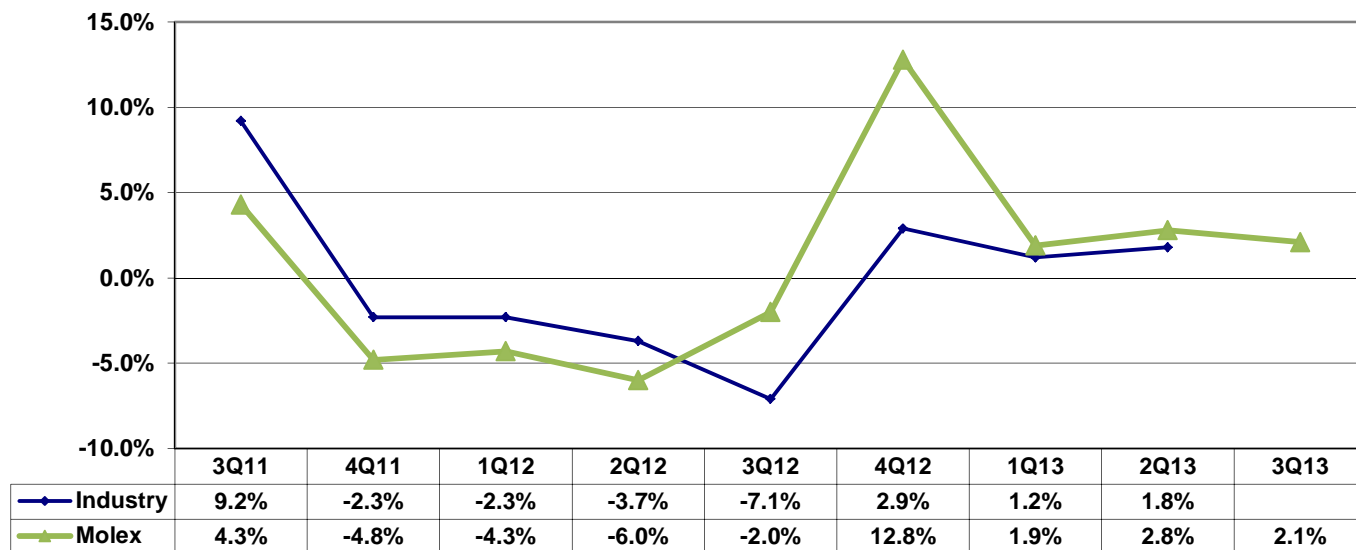
Molex's sales have outperformed the industry in the prior four quarters. When industry sales are tallied for 3Q13, Molex will likely have performed close to the industry level.

The potential merger of Molex with Koch Industries is at a premium price. The purchase price represents a 42% premium (31% premium on Class A; 56% premium on Class B) over the stock's September 6 closing price. The \$7.2 billion all cash Koch offer values Molex at 11.2x trailing EBITDA, and 1.9x revenue, both premium multiples relative to historical norms.

In our opinion, the Koch acquisition of Molex will not, in the short term, have a material impact on the competitive landscape of the industry because Molex will continue to operate as a standalone company with the current management team. In the longer term, with the financial backing of Koch, Molex may become a more aggressive acquirer. We could also envision Molex acquiring other electronic companies that are outside, but related to, the connector space.

The following graph plots Molex's sales performance versus the connector industry by quarter since 3Q11 (year-over-year percentage change).

**Molex vs. Industry**



Note: 3Q13 industry growth will be available the week of November 4.