

Amphenol Continues to Impress

Since the beginning of the 21st century (January 1, 2000), Amphenol has acquired over 70 companies. Ten companies were acquired in 2023, adding \$600 million in sales. Carlisle's CIT business will be acquired in 2024 for \$2.02 billion, which will add another \$900 million in sales. In addition to connectors and cable assembly manufacturers, Amphenol is also acquiring companies that manufacture antennas, sensors, microwave components, fiber optics, and broadband related products.

The acquisition strategy, coupled with internal growth, has increased Amphenol's market capitalization from \$1.3 billion on January 1, 2000, to approximately \$65 billion today. That is a compound annual growth rate (CAGR) of 17.7% compared to the S&P 500 CAGR of 5.0%.

Growth Almost Triple the Industry

Their connector and cable assembly sales achieved a 10.8% CAGR versus the industry CAGR of 4.0%.

Amphenol Connector and Cable Assembly Sales vs. Industry

Company	2000	2022	22-Year CAGR
Amphenol	\$1,043.6	\$9,997.4	10.8%
Industry	\$35,692.7	\$84,091.0	4.0%

\$ Millions

Note: Amphenol's total sales are approximately \$12.5 billion of which over \$2.5 billion are non-connector or cable assembly products. Bishop reports on connector and cable assembly sales by connector companies.

Now Second Largest Company

In 2000, Amphenol was ranked the fifth largest connector company in the world. Amphenol is now ranked number two in size behind TE Connectivity. The following table ranks the top 10 companies and shows how the ranking has changed since 2000.

**Top 10 Connector Companies
2000 to 2022**

Rank	2000	2010	2015	2020	2022
1	Tyco Electronics	Tyco Electronics	TE Connectivity	TE Connectivity	TE Connectivity
2	Molex	Molex	Amphenol	Amphenol	Amphenol
3	FCI	Amphenol	Molex	Molex	Molex
4	Delphi	Yazaki	Delphi	Luxshare Precision	Aptiv (FKA Delphi)
5	Amphenol	FCI	Yazaki	Aptiv (FKA Delphi)	Luxshare Precision
6	Yazaki	J.S.T.	Foxconn (FIT)	Foxconn (FIT)	Foxconn (FIT)
7	ITT Cannon	Foxconn (Hon Hai)	JAE	Yazaki	Yazaki
8	3M	Delphi	J.S.T.	JAE	Rosenberger
9	JAE	Hirose	Luxshare	J.S.T.	JAE
10	J.S.T.	JAE	Hirose	Hirose	Hirose Electric

In 2000, Tyco Electronics’ connector business was 6.7 times larger than Amphenol. Now TE Connectivity is 0.8 times larger with approximately \$2.5 billion more connector and cable assembly sales. In 2000, TE had about \$7.0 billion more connector sales than Amphenol. Clearly, the acquisition strategy, if continued at the current pace, would eventually make Amphenol a challenger for the number one ranking.

China A Growth Driver

The following table shows Amphenol sales by region of the world along with the 22-year growth rate.

Amphenol Regional Sales

Region	2000	Percent Of Sales	2022	Percent Of Sales	22-Year CAGR
North America	\$603.7	57.8%	\$3,219.2	32.2%	7.9%
Europe	\$256.9	24.6%	\$2,025.6	20.3%	9.8%
Japan	\$30.3	2.9%	\$146.1	1.5%	7.4%
China	\$10.0	1.0%	\$2,726.0	27.3%	29.0%
Asia Pacific	\$105.9	10.1%	\$1,476.5	14.8%	12.7%
ROW	\$36.8	3.5%	\$404.0	4.0%	11.5%
Total	\$1,043.6	100.0%	\$9,997.4	100.0%	10.8%

\$ Millions

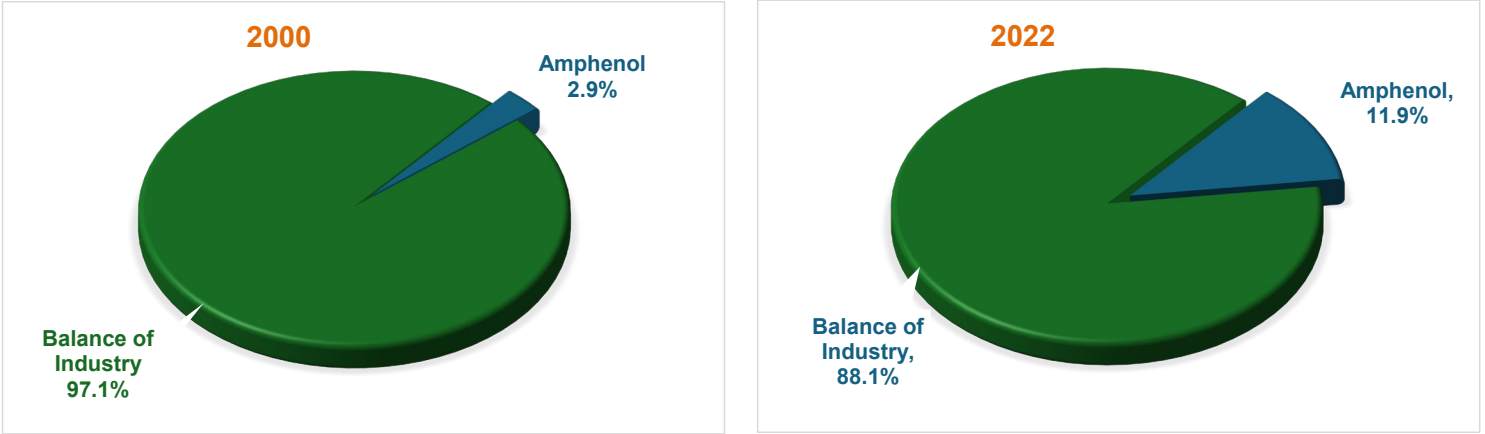
Key Take Aways

- China drives Amphenol sales with a 29% CAGR.
- China grows to 27.3% of Amphenol’s total sales from minimal China sales in 2000.
- Amphenol now has approximately 250 manufacturing plants, with approximately 50 in China.

Amphenol’s Market Share Quadruples

Amphenol grows from 2.9% share of the connector market in 2000 to 11.9% now.

Amphenol Market Share



Since 2000, Amphenol has added \$8.9 billion in connector and cable assembly sales.

A Solid Operator

Considering the large number of acquisitions, it would be understandable if key financial benchmarks were to slip a bit. That is not the situation with Amphenol. Throughout the process of acquiring, and rapid internal growth, Amphenol has outperformed the industry in key financial benchmarks.

**Amphenol vs. Industry
Key Financial Benchmarks**

Benchmark		Amphenol	Industry
Operating Income	10-Year	20.0%	13.4%
Operating Income	5-Year	20.1%	14.2%
Net Income	10-Year	13.5%	10.2%
Net Income	5-Year	14.5%	9.6%
Return on Assets	10-Year	10.2%	8.0%
Return on Assets	5-Year	11.0%	7.9%
Return on Equity	10-Year	20.6%	15.3%
Return on Equity	5-Year	19.7%	15.0%

Source: Connector Industry Yearbook

Bishop Comments

Amphenol Corporation has outperformed the connector industry and the S&P 500 in the 21st century. Acquisitions have contributed significantly to their success. However, so has solid internal growth achieved by focusing on the fast-growing electronics industry and their ability to manufacture products that are in high demand.

Today, Amphenol ranks in the top 10 in key market sectors such as industrial equipment, automotive, transportation, military, telecom/datacom, computers & peripherals, and medical and consumer equipment. They also hold the number one or two position from an interconnect product standpoint in the heavy duty/harsh environment, power/high voltage, fiber optic, circular, PCB and RF interconnect market.

Adam Norwitt serves as a Director and Chief Executive Officer of Amphenol. He joined the company in 1998, so he has witnessed the phenomenal success of Amphenol for all the 21st century.

We were able to catch up to Adam to explore his thoughts on Amphenol's past and future.



R. Adam Norwitt has served as a Director and Chief Executive Officer of Amphenol Corporation (NYSE: APH) since 2009 and as President since 2007. Previously, he served in a variety of executive roles, including General Manager, Group General Manager and Senior Vice President, and has been based in Asia and the United States. He joined the Company in 1998 as an intern in Taiwan and China working in mergers and acquisitions. Mr. Norwitt received an MBA from INSEAD in France, has a Juris Doctor degree from the University of Michigan as well as a B.S. in International Politics from Georgetown University's School of Foreign Service.

Bishop: We expected to see some slippage in financial performance because of all the acquisitions. However, that is not the case. In fact, Amphenol outperformed the industry. How did you do that?

Norwitt: Our companies perform well because we give the management team complete authority to run their operating unit. The team on the ground, those closest to the customer have total flexibility. We do not micro-manage from headquarters (HQ). However, as a matter of common sense, the operating units take advantage of the benefits of Amphenol's size. Amphenol's operating units are encouraged to work collaboratively to take advantage of the company's breadth of technologies and market position.

For example, many of our units produce cable assemblies. We do not insist the connector on the assembly be an Amphenol product. For example, if they can acquire a connector for less, they will use a competitor's product. This is a good illustration of our commitment to management autonomy and flexibility in running their business.

Bishop: How do you incorporate the new companies into the mix? How are they managed? You must have a process that has been refined overtime.

Norwitt: We have three divisions, 14 groups and 135 operating units. The new companies are not integrated into Amphenol. As just discussed, they have total operating autonomy. The divisions are Harsh Environment Solutions, Communications Solutions, and Interconnects and Sensor Systems.

We establish high standards of achievement and reward our teams accordingly. For example, our managers can earn 100% of their target bonuses for sales growth of 7% and income growth of 11%.

We want our teams working for shared goals with high spirits. Coupling achievement and compensation has worked well for us.

Bishop: Besides connectors and cable assemblies Amphenol is acquiring sensors and antennas. What other products are a focus for Amphenol?

Norwitt: We are fortunate to be in the fast-growing and profitable electronics industry. We plan on sticking with our current strategy and do not expect to add non-interconnect related products. After all, in 2022, the connector industry was valued at \$84 billion, the cable assembly market at \$214 billion, and the sensor and antenna industry are north of \$100 billion. These large and growing markets offer us a lot of opportunities.

Bishop: Amphenol's past has been exciting. You must be optimistic about the future. Where do you see Amphenol in 10 years? At your current CAGR of 10.8%, Amphenol would have annual sales of approximately \$28 billion in 2033.

Norwitt: I am reluctant to predict the future, but I am optimistic. We are well positioned in the growing electronics industry. We have broad enabling products and a great entrepreneurial attitude. We anticipate that Amphenol's culture will remain vibrant, and we will be able to continue our past success well into the future.