Amphenol Corporation (APH)

Updated January 22nd, 2025, by Ian Bezek

Key Metrics

Current Price:	$77	**5 Year CAGR Estimate:**	4.3%	**Market Cap:**	$92.7 B
Fair Value Price:	$55	**5 Year Growth Estimate:**	10.5%	**Ex-Dividend Date:**	03/18/25[1]
% Fair Value:	140%	**5 Year Valuation Multiple Estimate:**	-6.5%	**Dividend Payment Date:**	04/10/25[1]
Dividend Yield:	0.9%	**5 Year Price Target**	$91	**Years Of Dividend Growth:**	14
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Amphenol is an American electronics company primarily involved in the production of fiber optic connectors, coaxial cables, and other such systems. The company was founded in 1932 as American Phenolic Corp; the name was subsequently shortened to Amphenol. Its primary end markets are for IT and data services, industrial, and automotive uses. The company had a highly successful run, with its share price rising 450% over the past 10 years. This, in turn, lifted Amphenol's market cap to more than $90 billion today.

Historically, Amphenol was a growth investment with a minimal dividend. However, the company started to put a focus on increasing its dividend. In fact, it has grown its annual payout at a 16.9% annualized rate since 2015. Amphenol split its stock 2:1 in June 2024, and we have updated all numbers in this report to reflect the split's impact.

On January 22nd, 2025, Amphenol released its Q4 2024 earnings. The company earned 55 cents per share, which topped estimates, and increased considerably from last year's 43 cent figure. The company's revenue came in at $4.2 billion, which amounted to a 30% increase from the same period last year and greatly exceeded expectations.

Amphenol faced challenging industry dynamics in 2023 and barely grew earnings. However, 2024 was a tremendous return to form for Amphenol, with quarterly results often exceeding even the high end of management's prior guidance. This strength is impressive, as several key industries that Amphenol serves – such as automobiles and consumer electronics – remain relatively weak. That said, data centers are proving to have blistering market demand right now, helping Amphenol considerably. The company's recent M&A has also added to the growth picture. Q4 was excellent and the 2025 outlook is favorable as well. We expect $2.20 in EPS in 2025, which would be a 16% increase year-over-year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.61	$0.68	$0.78	$0.97	$0.94	$0.98	$1.24	$1.50	$1.56	$1.89	***$2.20***	***$3.62***
DPS	$0.14	$0.15	$0.18	$0.22	$0.24	$0.26	$0.32	$0.41	$0.43	$0.55	***$0.66***	***$1.02***
Shares	1,232	1,230	1,222	1,194	1,192	1,198	1,198	1,198	1,194	1,208	***1,204***	***1,200***

Since 2015, Amphenol has grown its earnings at a 13.5% average compounded rate. Earnings growth has been quite consistent, and 2024 returned the company to its strong long-term trajectory following a weaker 2023. Amphenol has boosted its earnings both through organic growth and a series of acquisitions.

Up until 2012, Amphenol paid a minimal dividend. Since then, Amphenol has become a tremendous dividend growth story. As a result of this change in capital allocation, Amphenol has managed tremendous dividend growth rates of 20.5% and 16.9% over the past five and nine years, respectively. In conjunction with its stock split, Amphenol announced a massive dividend increase on July 24th, 2024, with the payout going from $0.11 to $0.165 cents per quarter.

As for earnings, we estimate that Amphenol will generate 10.5% annualized earnings growth over the next five years. Investments in AI and data centers, such as OpenAI's recently announced Stargate initiative, should power strong demand for Amphenol products in coming years.

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[1] Estimated date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.8	21.7	24.7	23.1	25.4	26.4	29.0	26.0	28.2	37.5	***35.0***	***25.0***
Avg. Yld.	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%	1.0%	1.0%	0.7%	***0.9%***	***1.1%***

A significant portion of Amphenol's exemplary returns over the past decade came due to expansion of its P/E ratio. Amphenol's P/E rose from 22.8 in 2015 to 35x estimated 2025 earnings. We are skeptical that Amphenol's business will be able to support the loftier P/E ratios that the stock has obtained recently. Rather, we see Amphenol's P/E ratio settling closer to 25 over the long term.

Amphenol's dividend yield of 0.9% is right in-line with its long-term average. We see that ticking up to 1.1% over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	22%	21%	22%	23%	26%	27%	26%	27%	27%	29%	***30%***	***28%***

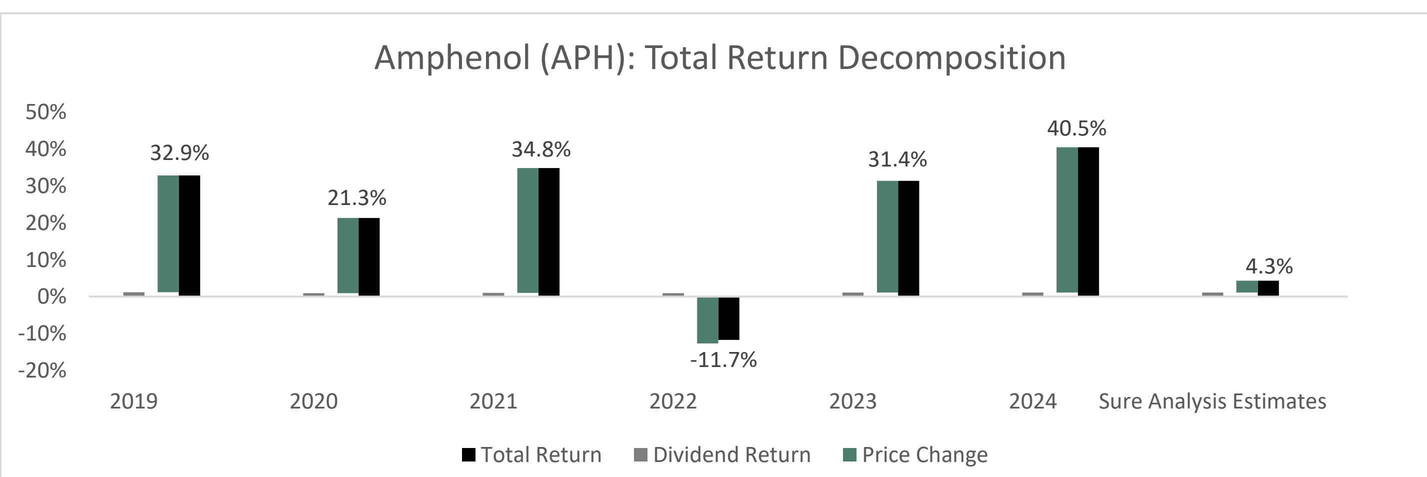
Amphenol operates in highly competitive markets with tons of rival firms. However, its broad product line and superior cost management have given the firm a persistent advantage over its peers. For example, the firm had a surprisingly strong 2022, and its results didn't cede much ground in 2023 despite broad weakness in much of the tech industry.

On paper, Amphenol might seem to face significant risk during economic downturns. But the company has developed durable relationships with key customers, insulating it from the technology industry's boom and bust cycle. Additionally, while the company's payout ratio has moved up slightly in recent years, it remains at a low level overall. The company's balance sheet is in reasonable shape; while the firm carries a fair chunk of debt, its interest obligations should be manageable compared to its consistent cash flows.

Final Thoughts & Recommendation

Amphenol shares are trading near their all-time highs, and the P/E multiple has expanded dramatically, which will lower future returns. However, the company's growth in 2024 was tremendous, and increasing AI spend are likely to power significant earnings growth in 2025 as well. We have significantly raised our fair value target as a result of Amphenol's excellent results. Shares are still trading well over our fair value estimate, however, and multiple contraction will offset much of the company's earnings growth. With 4.3% annualized projected returns, the stock earns a hold rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	5,346	5,569	6,286	7,011	8,202	8,225	8,599	10,876	12,623	12,550
Gross Profit	1,694	1,780	2,040	2,310	2,655	2,616	2,664	3,402	4,028	4,084
Gross Margin	31.7%	32.0%	32.5%	32.9%	32.4%	31.8%	31.0%	31.3%	31.9%	32.5%
SG&A Exp.	645	669	798	878	960	971	1,014	1,226	1,421	1,490
D&A Exp.	168	172	217	227	300	312	308	396	393	406
Operating Profit	1,049	1,110	1,242	1,432	1,695	1,645	1,650	2,176	2,607	2,594
Op. Margin	19.6%	19.9%	19.8%	20.4%	20.7%	20.0%	19.2%	20.0%	20.7%	20.7%
Net Profit	709	764	823	651	1,205	1,155	1,203	1,591	1,902	1,928
Net Margin	13.3%	13.7%	13.1%	9.3%	14.7%	14.0%	14.0%	14.6%	15.1%	15.4%
Free Cash Flow	672	858	887	918	802	1,207	1,315	1,180	1,791	2,156
Income Tax	257	281	309	692	372	332	313	409	551	509

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6,986	7,458	8,499	10,004	10,045	10,816	12,327	14,678	15,326	16,530
Cash & Equivalents	969	1,737	1,035	1,719	1,279	891	1,702	1,197	1,373	1,475
Acc. Receivable	1,124	1,105	1,349	1,599	1,792	1,736	1,952	2,455	2,631	2,618
Inventories	866	852	929	1,107	1,234	1,310	1,462	1,894	2,094	2,167
Goodwill & Int.	2,852	2,909	4,153	4,484	4,501	5,309	5,430	7,134	7,180	7,927
Total Liabilities	4,048	4,180	4,776	5,961	5,981	6,219	6,875	8,299	8,232	8,100
Accounts Payable	618	588	678	876	891	867	1,121	1,312	1,309	1,351
Long-Term Debt	2,656	2,814	3,011	3,543	3,571	3,607	3,867	4,800	4,578	4,337
Total Equity	2,907	3,239	3,675	3,990	4,017	4,530	5,385	6,302	7,016	8,346
LTD/E Ratio	0.91	0.87	0.82	0.89	0.89	0.80	0.72	0.76	0.65	0.52

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	10.8%	10.6%	10.3%	7.0%	12.0%	11.1%	10.4%	11.8%	12.7%	12.1%
Return on Equity	24.6%	24.8%	23.8%	17.0%	30.1%	27.0%	24.3%	27.2%	28.6%	25.1%
ROIC	13.4%	13.1%	12.8%	9.1%	15.8%	14.6%	13.7%	15.5%	16.6%	15.8%
Shares Out.	620	616	615	611	597	596	599	599	595	621
Revenue/Share	8.34	8.80	9.97	11.08	13.12	13.36	13.98	17.39	20.33	20.23
FCF/Share	1.05	1.36	1.41	1.45	1.28	1.96	2.14	1.89	2.88	3.47

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.