TE Connectivity (TEL)

Updated April 24th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$142	**5 Year CAGR Estimate:**	10.9%	**Market Cap:**	$40 B
Fair Value Price:	$151	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date[1]:**	05/21/2025
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.2%	**Dividend Payment Date[1]:**	06/10/2025
Dividend Yield:	2.0%	**5 Year Price Target**	$222	**Years Of Dividend Growth:**	17
Dividend Risk Score:	C	**Sector:**	Information Technology	**Rating:**	Hold

Overview & Current Events

TE Connectivity (TEL) is a company that manufactures and sells connectivity and sensor solutions worldwide. These sensors are used in transportation, renewable energy, automated factories, data centers, and medical technology. The company operates in two segments: Transportation Solutions and Industrial Solutions.

The Transportation Solutions segment provides sensor and connectivity components for the automotive and commercial transportation industry. The Industrial Solutions segment provides components for industrial sectors like aerospace, defense, oil & gas, medical, and energy markets. We expect the company will benefit over the intermediate term from its investments in electric vehicles, factory automation, and renewable energy.

On March 13th, 2025, the company announced it increased its dividend by 9% starting with the June 2025 payment.

On April 23rd, 2025, TE Connectivity reported second quarter 2025 results for the period ending March 28th, 2025. The company reported $2.10 in adjusted earnings-per-share for the quarter, 13% higher year-over-year, which beat analysts' estimates by $0.14. Adjusted operating margins rose 90 basis points year-over-year to 19.4%.

Revenue improved 4% to $4.1 billion, beating analysts' consensus estimates by $170 million. For the quarter, sales in the Transportation Solutions segment fell 4% year-over-year to $2.3 billion, while sales in the Industrial Solutions segments increased 17% year-over-year to $1.8 billion.

In the second quarter, it repurchased $306 million of its common shares, for a total of $609 million year-to-date.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.60	$4.08	$4.83	$5.61	$5.54	$4.26	$6.52	$7.33	$6.74	$7.56	***$8.16***	***$11.99***
DPS	$1.24	$1.40	$1.54	$1.68	$1.80	$1.88	$1.96	$2.12	$2.30	$2.48	***$2.84***	***$3.62***
Shares	394	355	352	345	335	331	327	321	313	305	***296***	***275***

Over the past nine and five years, TE Connectivity has seen earnings-per-share grow at an average annualized rate of 8.6% and 6.4%, respectively. For the next quarter, management expects net sales of about $4.30 billion and adjusted earnings-per-share for the quarter of approximately $2.06. For the full fiscal year 2025, we expect $8.16 in earnings-per-share.

We forecast that the company can grow EPS by 8% annually over the intermediate term, which guides our 2030 estimate of $11.99. The company will rely on growth in its Transportation Solutions segment, most notably in its Automotive business, which is currently facing headwinds, as well as sales growth in its AI offerings.

The company has also actively repurchased its shares, and has decreased its share count by -2.8% annually since 2014. Furthermore, it has recently announced a $2.5 billion increase in its share repurchase program, good for 6.3% of the company's stock at the current price.

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[1] Estimate based on last year's date

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Over the past nine and five years, TE Connectivity has increased its dividend by 8.0% and 6.6% annually. Over the next five years, we forecast that the company could increase dividends by 5% annually, which is below our EPS growth estimate and the historic dividend growth rate. This guides our 2030 dividend estimate of $3.62 per share. TE Connectivity has grown dividend payments for 17 consecutive years, a solid track record.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.0	14.9	15.3	17.0	15.3	20.3	19.9	17.4	19.1	19.3	***17.4***	***18.5***
Avg. Yld.	1.9%	2.3%	2.1%	1.8%	2.1%	2.2%	1.5%	1.6%	1.8%	1.7%	***2.0%***	***1.6%***

Over the trailing ten and five years, TE Connectivity has averaged a P/E ratio of 17.6 and 19.2, respectively. We believe that a P/E ratio of 18.5 is fair for the business over the intermediate term. TEL's 2.0% dividend yield is near its 10-year average, indicating that shares are trading around fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	34%	34%	32%	30%	32%	44%	30%	29%	34%	33%	***35%***	***30%***

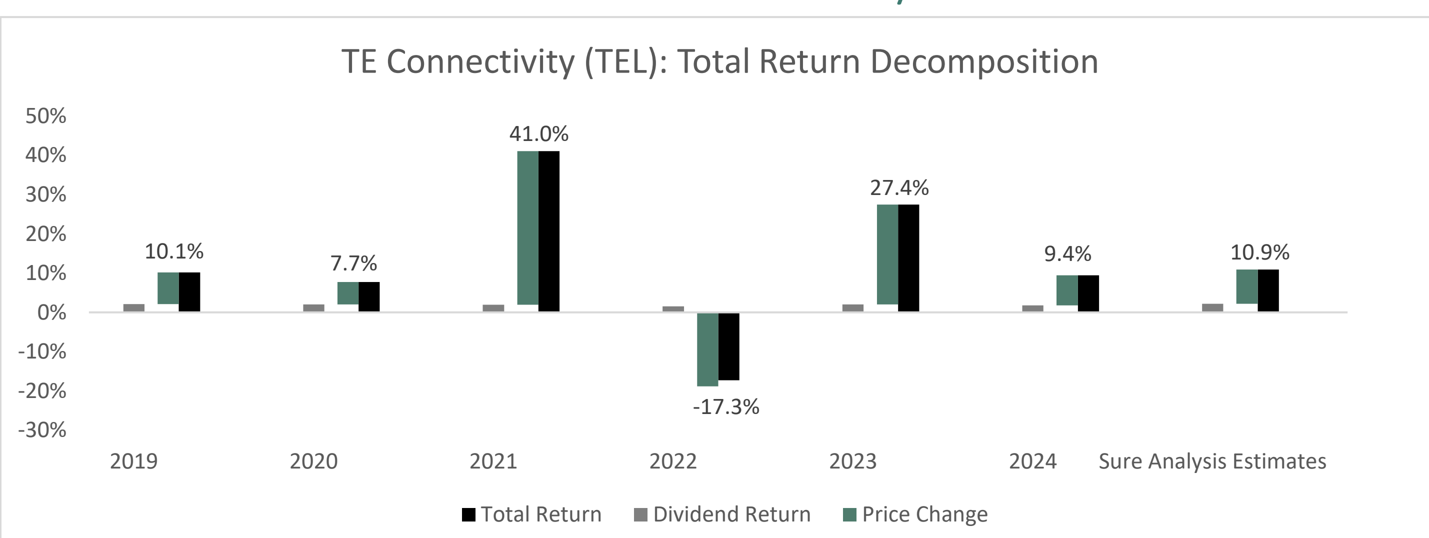
The business has averaged a low payout ratio of 33% over the past ten years, and we expect the dividend to continue to be safe. We believe TE Connectivity has a competitive advantage due to its expertise in the field of electronics, components, and networking for aerospace, medicine, defense, and other industries.

As of the most recent quarterly report, TE Connectivity held $2.6 billion in cash, $9.1 billion in current assets and $23.7 billion in total assets against $6.0 billion in current liabilities and $11.4 billion in total liabilities. Additionally, long-term debt stood at $3.3 billion.

Final Thoughts & Recommendation

TE Connectivity is a growing sensor and connectivity company that is likely to benefit from secular trends in electric vehicles, AI, factory automation, and renewable energy. Following the 8% share price decrease since our last research report in January, the valuation has become more attractive. At today's price, we rate the stock as a hold with total return prospects of 10.9% annually, driven by an 8.0% annual EPS growth rate, a 2.0% dividend yield, and 1.2% P/E multiple expansion.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	12,233	11,352	12,185	13,988	13,448	12,172	14,923	16,281	16030	15840
Gross Profit	4,087	3,827	4,183	4,745	4,394	3,735	4,887	5,244	5055	5456
Gross Margin	33.4%	33.7%	34.3%	33.9%	32.7%	30.7%	32.7%	32.2%	31.5%	34.4%
SG&A Exp.	1,504	1,396	1,543	1,594	1,490	1,392	1,512	1,584	1670	1732
D&A Exp.	616	560	611	667	690	711	769	785	794	826
Operating Profit	1,956	1,828	2,029	2,471	2,260	1,730	2,698	2,942	2677	2983
Op. Margin	16.0%	16.1%	16.7%	17.7%	16.8%	14.2%	18.1%	18.1%	16.7%	18.8%
Net Profit	2,420	2,009	1,683	2,565	1,844	(241)	2,261	2,428	1910	3193
Net Margin	19.8%	17.7%	13.8%	18.3%	13.7%	-2.0%	15.2%	14.9%	11.9%	20.2%
Free Cash Flow	1,330	1,344	1,642	1,516	1,673	1,432	1,986	1,700	2400	2797
Income Tax	337	(826)	180	(344)	(15)	783	123	306	364	-397

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	20,589	17,608	19,403	20,386	19,694	19,242	21,462	20,782	21710	22850
Cash & Equivalents	3,329	647	1,218	848	927	945	1,203	1,088	1661	1319
Acc. Receivable	2,120	2,046	2,138	2,361	2,320	2,377	2,928	2,865	2967	3055
Inventories	1,615	1,596	1,647	1,857	1,836	1,950	2,511	2,676	2552	2517
Goodwill & Int.	6,379	7,371	7,492	7,388	7,336	6,817	7,139	6,546	6638	6975
Total Liabilities	11,004	9,123	9,652	9,555	9,124	9,747	10,714	9,885	10060	10370
Accounts Payable	1,143	1,090	1,387	1,548	1,357	1,276	1,911	1,593	1563	1728
Long-Term Debt	3,884	4,070	4,344	4,000	3,965	4,146	4,092	4,206	4211	4203
Total Equity	9,585	8,485	9,751	10,831	10,570	9,383	10,634	10,802	11550	12360
LTD/E Ratio	0.41	0.48	0.45	0.37	0.38	0.44	0.38	0.39	0.36	0.34

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	11.9%	10.5%	9.1%	12.9%	9.2%	-1.2%	11.1%	11.5%	9.0%	14.3%
Return on Equity	26.0%	22.2%	18.5%	24.9%	17.2%	-2.4%	22.6%	22.7%	17.1%	26.5%
ROIC	18.4%	15.4%	12.6%	17.7%	12.6%	-1.7%	15.9%	16.2%	12.3%	19.6%
Shares Out.	394	355	352	345	335	331	327	325	317	309
Revenue/Share	29.76	30.76	34.04	39.63	39.55	36.66	44.81	50.10	50.58	51.28
FCF/Share	3.24	3.64	4.59	4.29	4.92	4.31	5.96	5.23	7.57	9.05

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