

## Superior connectivity = profitability

- TEL is poised to benefit on AI/Cloud (DDN) and Energy/grid exposure, riding on multi-year AI-data centre and grid-electrification supercycles.
- Industrial-led mix shift lifts margins, ROIC and adjusted EPS toward ~USD14 by FY28E (~17% CAGR from FY25).
- Initiated BUY at USD228 TP, based on 18x FY27E adjusted P/E.

### AI-driven business model transformation underway

TEL is now in its business transformation, with revenue much less dependent on automotive cycle and increasingly higher exposure on Industrial business, led by AI/data-centre and Energy (ADE). Industrial business now account for a larger share of sales and profit, while Transportation remains a steady cash generator. We expect adjusted EPS to rise from USD8.76 in FY25 (Oct-24 to Sep-25) to USD14.02 in FY28E (Oct-27E to Sep-28E), with recent share-price pullback offering a more attractive entry point.

### AI/Cloud is TEL's New Growth Engine

TEL's revenue from data-centre business outlook is moving from strength to strength, growing about 70% y-y to USD707m in 1QFY26. Management expects AI-related revenue of about USD2.4b in FY26 and over USD3b by 2027. More AI systems need more data and power connections, supporting demand for TEL products.

### Energy/grid expansion on Richards M&A

Energy gives TEL growth beyond AI. The USD2.3bn Richards Manufacturing (RM) deal, completed in April 2025, adds products for US power grids and transmission/distribution. Energy organic growth was 15% in FY25. High US utility spending and grid connection delays support demand. The deal adds real scale, but TEL still needs to show synergies and strong returns.

### Superior Margins, Returns and Cash Flow

Better margins and cash flow are the consequences of TEL's business model shift to Industrial and better execution. Group adjusted operating margin reached 20% in FY25 and should reach 22.5% by FY28E, catalyzed by the higher segment profitability from Industrial AI/Data centre. The projected 17-18% ROIC and strong cash generation further make TEL a stronger, more efficient business.

### Initiated with a BUY and a TP of USD228

We initiate coverage on TEL with a BUY and a 12-month target price of USD228, an 18x FY27E adjusted P/E. At the current share price of USD196.24 as of July 8 2026, TEL trades at around 15.6x FY27E P/E, which we believe still does not fully reflect its improving business mix, growing margin, and recent energy acquisition. The recent decline in share price offers attractive opportunity to enter.

#### Analyst

Suwat\_Sinsadok  
[Suwat.s@globlex.co.th](mailto:Suwat.s@globlex.co.th)  
+662 672 5806

#### Assistant Analyst

Peerayu Sirivorawong

ESG Rating : A

## BUY

<b>Target Price 12M (USD)</b>	<b>228.00</b>
VS. BB Consensus TP (%)	-15.6%
Share Price (USD)	196.24
Upside/Downside	16.2%

### Share Data

Market Cap (USD m)	57,302
Free Float (%)	99.8
Issued shares (m shares)	292

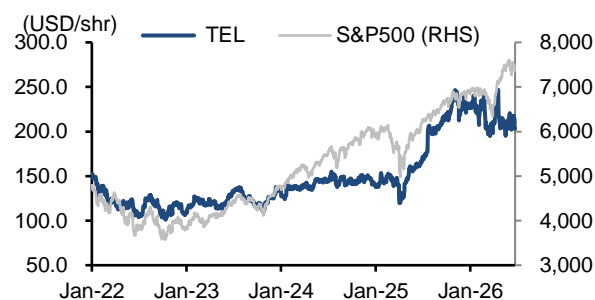
### Financial forecast

YE Dec (USD m)	FY25A	FY26E	FY27E	FY28E
Revenue	17,262	19,553	21,234	22,606
Net profit	2,619	3,290	3,623	3,949
vs Consensus (%)	n.a.	0.4	1.0	1.5
Net profit growth (%)	15.1	25.6	10.1	9.0
Core net profit growth (%)	15.1	25.6	10.1	9.0
EPS (USD)	8.76	11.22	12.61	14.02
Core EPS (USD)	8.76	11.22	12.61	14.02
DPS (USD)	2.72	2.84	3.04	3.25
P/E (x)	22.4	17.5	15.6	14.0
P/BV (x)	4.9	4.3	3.9	3.4
ROE (%)	21	24	25	24
Dividend yield (%)	1.4	1.4	1.5	1.7

Source: Financial Statement and Globlex securities

### Share Price Performance (%)

	1M	3M	6M	YTD
TEL	(3.8)	(5.2)	(11.9)	9.8
S&P500	1.5	5.0	6.0	26.0
12M High/Low (USD)	252.56 / 162.17			



### Major Shareholders (%) as of

Blackrock Inc.	8.88
Vanguard Capital Management LLC	6.53
Vanguard Portfolio Management LLC	5.69
Dodge & Cox Inc.	5.03

### Company Profile

Global leader in engineered connectors and sensors for automotive, AI/datacentre, energy/grid, aerospace & defence and industrial markets.

Sources: S&P500, Bloomberg

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## AI-driven business model transformation underway

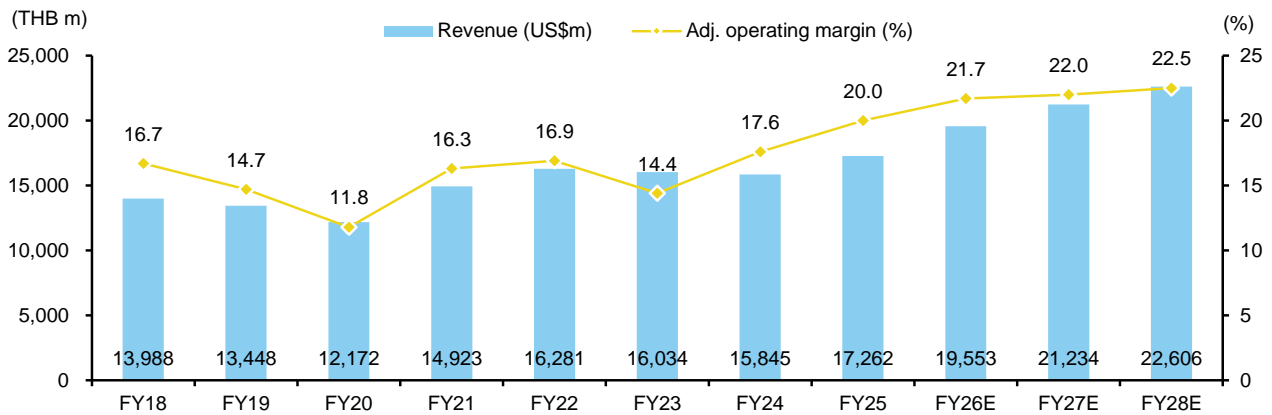
We believe TEL is now in a strategic transition from a commodity-driven to an AI-centric market, riding on the global AI supercycle to drive its net profit 3-year growth CAGR of 14.7% in 2025-28E.

Prior to the arrival of Covid-19 pandemic, TEL had been operating as a producer of common connectivity products used primarily for the traditional automotive and power industries. As a result, when global demand was hit by the global lockdowns in 2020, TEL’s revenue and margins plunged significantly before later recovering in 2021-23 post pandemic period.

However, the turning point came in 2022 when Open AI announced its ChatGPT in Nov-22, which has revolutionized the global technology and industry landscapes, thereby driving demand for AI-related products to the roof, including TEL’s connectivity.

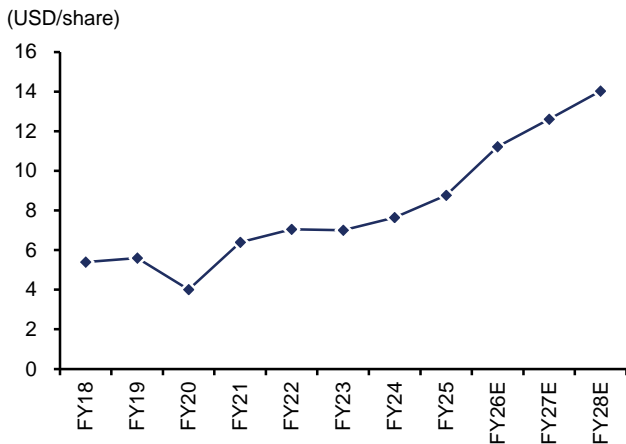
Since its margin bottomed in 2023 due to data center inventory correction, TEL’s revenue and operating profit margin (OPM) has risen consistently, rising from sub-15% OPM in 2023 to a record 20% in 2025. We project revenue and OPM to rise further to 24% by 2028, driven mainly by the demand growth of AI and power grid connectivity.

**Exhibit 1: TEL’s Transformation from Automotive-cyclical to Industrial Supplier**



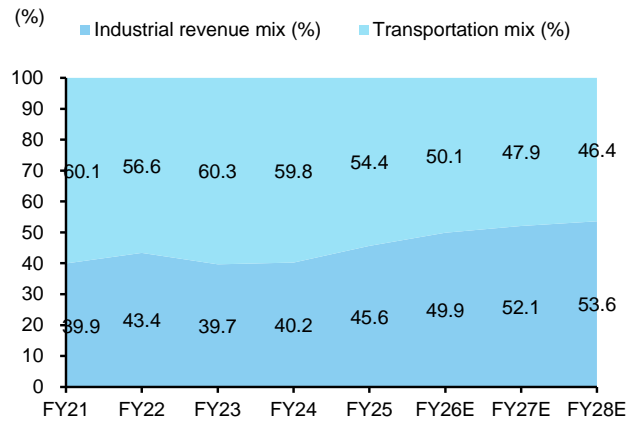
Sources: TEL; Globlex Research

**Exhibit 2: Earning power inflection on EPS uptrend**



Sources: TEL: Globlex Research

**Exhibit 3: Revenue mix - industrial overtakes transport**



Sources: TEL: Globlex Research

**Who is TEL?**

After the advent of the AI cycle in 4Q22 (when ChatGPT was announced), TE Connectivity has greatly benefited from the global demand growth for connectivity as TEL produces connectors, sensors, and other parts that move power and data. TEL’s products are now deployed for vehicles, AI data centres, power grids, aircraft, factories and medical equipment.

TEL has two main businesses:

- 1) Transportation Solutions, mainly cars and commercial vehicles
- 2) Industrial Solutions, which includes AI/data-centre, energy and grid, aerospace and defense, automation, and medical.

**TEL has a strong and defensible business model**, with over 9,000 engineers working closely with customers in over 130 countries, supported by more than 15,000 patents worldwide. This creates a real competitive moat for the high entry barrier to newcomers and competitors, as TEL’s components are designed into customer systems years before production begins, and changing an approved supplier can be costly and risky.

As a result, its demand, margins, and cash flow are generally more stable than those of a typical component supplier, evidenced in TEL’s revenue and OPM uptrends with around USD17b of revenue in FY25.

**Exhibit 4: From a Covid bane to an AI boon to lead to TEL's ongoing valuation re-rating**

Era	What happened	Revenue (US\$bn)	Adj. op. margin (%)	Mix / earnings profile	1-yr forward P/E (x)
Pre-COVID (FY18-19)	Mature, auto-cyclical connector maker	~13-14	~15-17	Transportation-led; quality but cyclical	~13-17x — cyclical-industrial range
COVID (FY20-21)	Auto production collapses, then rebounds	12.2 (FY20 trough) -> 14.9	11.8 (FY20) -> 16.3	Proved cost flex; still cyclical	~12x (2020 trough) -> ~21x (2021 peak)
Post-COVID (FY22-24)	Range-bound sales; portfolio reshaping; cost/supply pressure	~16	14-18	Industrial building quietly under the surface	~13-18x — auto-cycle range (=16x year-ends)
AI / grid (FY25- )	DDN (AI) +70% YoY; Richards adds grid; record orders	17.3 -> 22.6 (E)	20.0 -> 22.5 (E)	Industrial overtakes Transportation	~15-20x; 15.6x now — re-rating

Sources: TEL: Globlex Research

### From mediocre automotive to meteoric AI growth trajectory.

The biggest change to TEL is where its new growth is coming from. For years, investors saw TEL mainly as an automotive supplier but now more of its new growth and profit comes from Industrial businesses that can grow faster and are less cyclical. This is why TEL has the potential to trade above the valuation of a normal automotive supplier. The key question is whether this change can last.

### Why did the share price fall, and is this a better entry point?

Recent share-price reset is best read as a re-pricing of expectations, not a change in TEL's franchise value. After re-rating through FY25 on Industrial and AI strengths, TEL's share price peaked at USD252.56 on 21 April, 2026. Despite a strong fiscal Q2 with record orders, shares fell roughly 20% to around USD196, near the 2026 low, as the market re-assessed valuation and the pace of AI/data-centre growth.

TEL's fundamentals remained intact: orders stayed close to record levels, Industrial execution remained solid, and Energy demand stayed healthy. Hence, we view this lower share price as a better entry point. TEL currently (July 8, 2026) trades at 15.6x FY27E adjusted P/E, below the roughly 18x we believe its current business quality deserves.

### Exhibit 5: 2Q-FY26E expectations reset

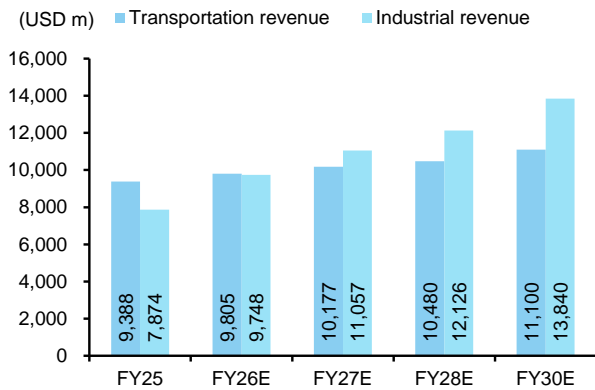
Event	Approx. date	Share price (USD)	Read
Richards acquisition closes	Apr-25	~\$185	Energy platform added (USD2.3bn, all-cash)
FY25 results (record, +17% Q4 sales)	Oct-25	~\$229	Industrial/AI strength re-rates the stock
Cycle high	Apr-26	~\$242	Peak AI-capex enthusiasm
Valuation de-rating (2026 low)	Jul-26	~\$191	Expectation reset on DDN pace/ costs
Current	8-Jul-26	~\$196.24	15.6x FY27E adj. P/E; ~20% below April peak
<b>Globlex target</b>	<b>12M</b>	<b>~228</b>	<b>16.2% upside</b>

Sources: TEL; Globlex Research

## Driver#1: AI/Cloud - More connectivity and power

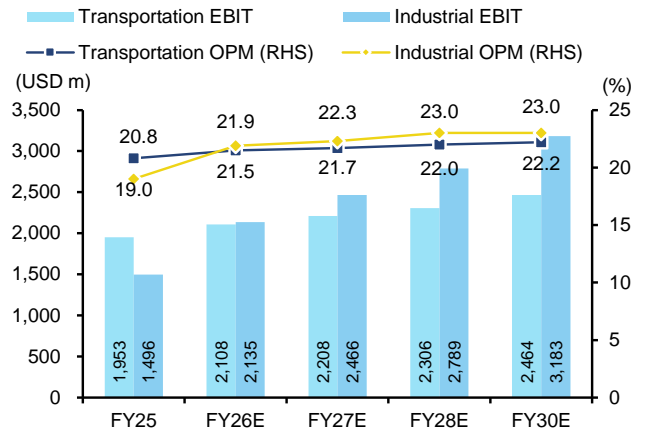
The industrial segment is becoming the main driver of TEL's new growth, propelling its revenue share from about 40% of FY23 revenue to an estimated 52-54% by FY27-28E. The industrial segment also accounts for about 79% of the incremental adjusted EBIT, with AI/Cloud and Energy contributing roughly half of the increase in revenue.

**Exhibit 6: Revenue by Segment**



Sources: TEL: Globlex Research

**Exhibit 7: Incremental adj EBIT by Segment**



Sources: TEL: Globlex Research

AI is a real growth driver for TEL. Its DDN business, which serves data centres, grew 71.2% y-y in 1QFY26 (Oct-25 to Dec-25). Management expects AI-related revenue to grow from USD2.4b in FY26 to more than USD3b by 2027. YTD, TEL's revenue growth slowed but remained strong, up 58.8% y-y in 1QFY26 and 48.1% in 2QFY26 (Jan-26 to Mar-26).

The market backdrop is also supportive. The International Energy Agency (IEA) expects data-centre electricity consumption to roughly double to about 945TWh by 2030. AI servers are expected to grow at around 30% per year and drive about half of that increase. More AI systems, with more connections and power needs, create a larger opportunity for TEL.

The financial impact can be meaningful, with around USD400m of extra DDN revenue at an estimated 25% incremental margin to add about USD0.27 to FY27E adjusted EPS. This makes AI a meaningful source of profit growth, not just revenue growth.

**Exhibit 8: Where TEL sells products inside an AI rack**

Architecture layer	TEL products	Opportunity	Evidence	Main risk
GPU / accelerator trays	High-speed connectors, near-chip	Content rises each GPU gen	Reported	Optical may bypass copper
Switch / fabric	Active copper, board/backplane	More lanes per rack	Guided / orders	Speed roadmap favours optics
Power shelves / busbars	Power connectors, busbar	kW/rack rising fast	Reported	Design competition
Optical / fibre array	Fibre-array, optical (emerging)	New content pool	Early / unproven	Capture not yet shown

Sources: TEL: Globlex Research

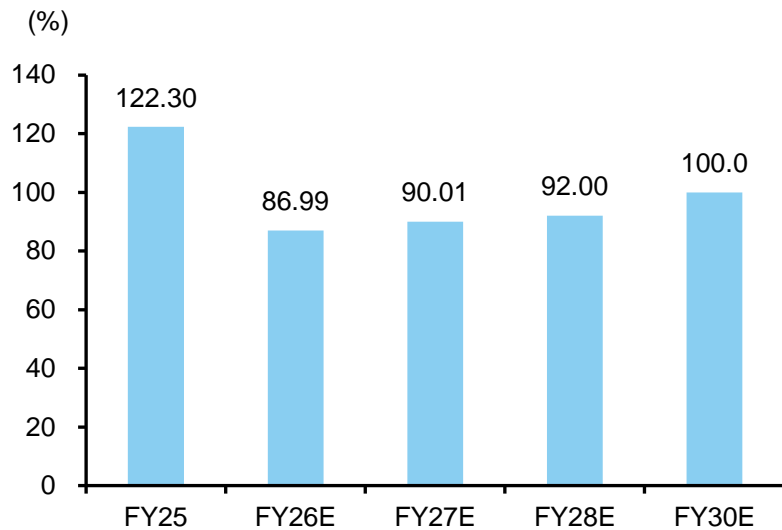
**What Industrial Growth Is Already Doing to the Financials?**

A larger Industrial mix also reduces TEL's dependence on vehicles, but the main driver of higher group margins is better segment performance. The financial results are improving, but TEL still needs to prove its sustainability. Group adjusted operating margin was 22.2% in 1QFY26 and 22.0% in 2QFY26, while 3QFY26 guidance was about 21.2%.

We expect ROIC of around 17-18% and strong cash conversion, but FY27 will be the key proof point, especially if DDN growth slows. The real issue is whether TEL can keep or grow its total content per AI system as system design changes.

Higher system complexity gives TEL a larger opportunity, but TEL still needs to win designs and execute well. Our base case stays close to consensus and does not give TEL extra credit for unproven optical or fibre-array wins.

**Exhibit 9: Cash conversion**



Sources: TEL: Globlex Research

## Driver#2: Energy/grid expansion on Richards M&A

Energy segment offers TEL a second source of growth that is not solely tied to AI system design but also benefits from electrification and heavy investment in power grids. S&P Global expects U.S. utilities to spend about USD1.3tn during 2026-30E. The U.S. grid connection queue totals around 1,400GW and can take years to clear, pointing to continued spending on transmission lines, substations and underground distribution.

TEL bought Richards Manufacturing (RM) for USD2.3b in cash in April 2025, adding markets for equipment used in underground power networks, medium-voltage cable accessories and network protectors. RM also enables TEL to gain deeper relationships with U.S. utility customers, in our view.

### Exhibit 10: RM acquisition

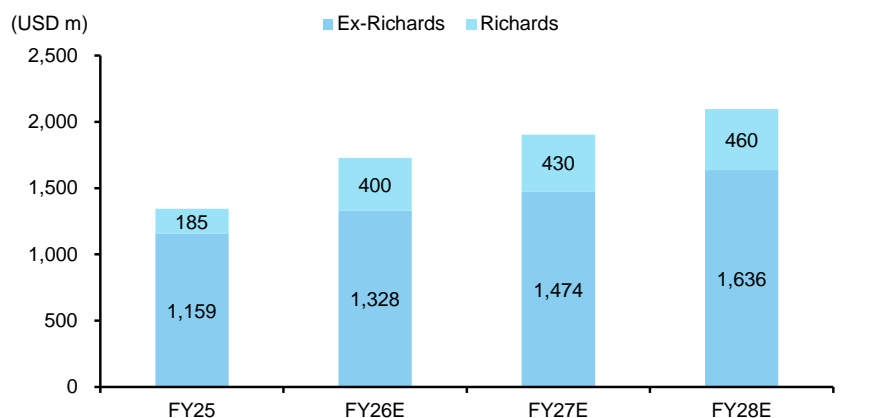
Item	Detail	Type
Products	Underground distribution, MV cable accessories, network protectors	Company disclosed
Customers	North American electrical utilities; underground networks	Company disclosed
Purchase price	USD2.3bn cash (closed Apr 2025)	Company disclosed
Annual sales (run-rate)	~USD400m	Management expectations
EBITDA margin	~mid-30s%	Management expectations
EV/sales/ EV/EBITDA	~5.8x/ ~17x	Derived
EPS accretion year 1	~USD0.10	Management expectations

Sources: TEL; Globlex Research

Energy segment gives TEL a durable growth area outside AI. Its grid products serve transmission, substations and underground power networks, where demand should be supported by high utility spending and long connection backlogs. RM expands TEL's product range and customer access and could improve Industrial margins and returns.

The deal still needs to prove itself, however. Investors should watch for the promised EPS contribution, cost and revenue synergies, and a good return on invested capital. Organic Energy growth also needs to stay healthy once the first-year benefit from the acquisition lapses.

### Exhibit 11: Energy scaling towards USD2.1bn by FY28E



Sources: TEL; Globlex Research

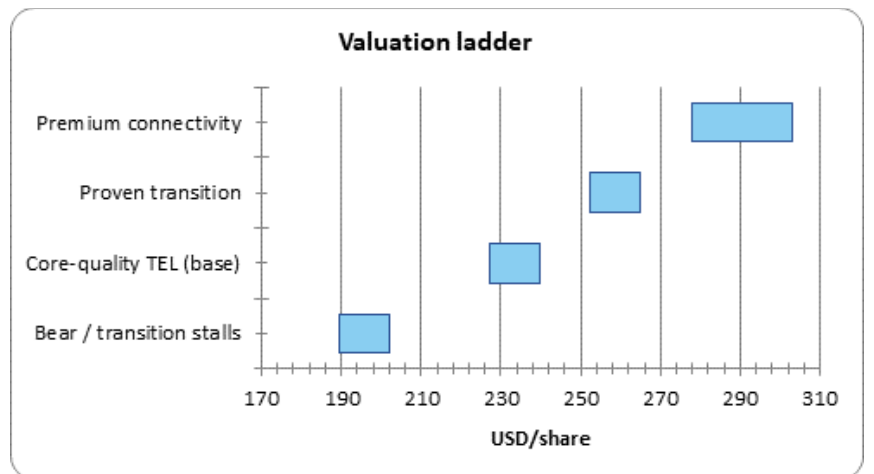
## Initiated with BUY and a TP of USD228

We do not see TEL as a normal automotive supplier, evidenced by TEL's products being built into customer systems to serve both Transportation and Industrial markets at high margins, returns and cash flow. We therefore believe this supports over 18x FY27E adjusted P/E valuation, or about USD227-240 per share.

Our USD228 target price is based on the FY27E SoTP value and already includes management's AI growth guidance and RC contribution. We do not pay extra for unproven optical wins, AI content above our base case, or Energy returns above our model. Those are the items that could later support 20-21x FY27E P/E.

At a USD196.24 market price as of 8 Jul-26, TEL trades at 15.6x FY27E adjusted P/E. The market still appears to value it at a level below the quality of its existing business. The risk is that weaker DDN growth, lower margins or poor RC execution could offset this valuation support.

### Exhibit 12: TEL's Valuation ladder



Sources: TEL: Globlex Research

We use 18-19x P/E rather than the peer average as we think TEL's valuation should sit between premium AI connectivity companies and automotive suppliers.

Compared with Amphenol (about 33x P/E), TEL has lower AI/data-centre revenue exposure (TEL's 13% versus Amphenol's 40%), slower revenue growth and more cyclical automotive exposure. TEL should therefore trade at a discount P/E.

Compared with Aptiv and Sensata (about 9x P/E), TEL has higher margins, better returns and a more diversified business, therefore justifying a premium valuation. Taken together, this supports a valuation multiple near the low end of the quality-industrial range, about 19x P/E.

### Exhibit 13: A reframed ladder band

Band	FY27E P/E (x)	Value (USD)	Meaning
Bear / transition stalls	15-16	189-202	DDN normalises / margins fade
Core-quality TEL (base)	18-19	227-240	High-quality diversified franchise
Proven transition	20-21	252-265	FY27 confirms margins & retention
Premium connectivity	22	277+	Sustained AI/content leadership

Sources: TEL: Globlex Research

On EV/EBITDA, TEL is trading at about 10.8x FY27E, below Amphenol's 21-26x and quality industrials at 14-18x, but above automotive peers. The discount to AI peers is the result of segment mix, not a mispricing; the gap to quality industrials is the part we see value and think under-credits TEL's existing franchise.

#### Exhibit 14: Peer-derived valuation multiples

Earnings pool	FY27E EBIT (USD m)	Valuation (x)	Enterprise value (USD m)	Peer basis / rationale
Transportation	2,208	11.0x EV/EBIT	24,292	Auto-connectivity (Aptiv, Sensata); premium for margin/returns
Core Industrial ex-DDN/Energy	1,452	19.0x EV/EBIT	27,590	Quality industrials (PH, AME, DOV, ETN, nVent); low end of range
DDN / AI connectivity	690	20.0x EV/EBIT	13,800	Discount to Amphenol (~26x+); lower AI mix, unproven optical
Energy ex-Richards	280	16.0x EV/EBIT	4,481	Electrical / grid peers (nVent, Eaton); franchise still building
Richards	150	14.0x EV/EBIT	2,107	Grid peers + discount vs ~16x deal until synergy proven
Corporate / unallocated	-86	15.0x EV/EBIT	(1,284)	Capitalised unallocated cost (Globlex estimate)
<b>Gross enterprise value</b>			<b>70,987</b>	
Less: net debt (Q2 FY26, 28 Mar 2026)			(4,540)	
Equity value			66,447	
Shares outstanding (8 July 26, m shares)			292	
<b>SOTP fair value / share (USD)</b>			<b>228</b>	

Sources: TEL: Globlex Research

Consensus expects a higher target price of about USD270, or roughly 21.4x FY27E, higher than our more conservative TP of USD228. We give TEL a full credit for the quality of its existing business but wait for FY27 proof before giving it the higher proven-transition valuation. The move from today's 15.6x P/E to our 18x base case P/E is the upside in our target. A move to 20-21x P/E would need stronger evidence to justify.

#### Exhibit 15: Why ~18x FY27E P/E is reasonable for TEL

Company	Fwd P/E (x)	EPS (%)	CAGR (%)	Op margin* (%)	ROIC (%)	FCF conv. (%)	End-market mix	AI / datacom
Parker Hannifin (PH)	26	10	25	15	100	diversified ind. / aero	low	
AMETEK (AME)	27	9	26	15	105	instruments / EMG	low-mod	
Dover (DOV)	21	9	20	14	95	diversified industrial	modest	
Eaton (ETN)	30	11	24	15	95	electrical / datacentre	meaningful	
Amphenol (APH)	33	18	22	18	95	diversified connectors	~40%	
TE Connectivity (TEL)	15.6	12	22	17-18	90-100	diversified / mid	~13% DDN	
Aptiv (APTV)	10	10	11	10-12	80	automotive	low	
Sensata (ST)	9	14	18	10	85	automotive / sensors	low	

Sources: TEL: Globlex Research

With our USD228 TP, we think the attractive entry point for TEL will be the share price below USD207, which will provide 10%+ upside and justify our BUY threshold. A more attractive accumulation level is around USD190, where upside would be about 20%. At USD196.23, TP implies 16.2% upside.

### Exhibit 16: At USD196, TEL Offers 16% Upside to Our USD228 Target

Entry price (USD/share)	Expected total return	Rating
190	+20%	High-conviction accumulation
196.23	+16.2%	BUY - narrow (clears +10% upside)
207	+10%	Formal BUY threshold
228 (target)	+0% (at fair value)	Fairly valued

Sources: TEL: Globlex Research

### Final straw: TEL's investment thesis.

TEL is already a high-quality connector business and deserves a valuation above its old automotive-cycle range. AI/Cloud and Energy give it credible growth paths, while Transportation remains a cash base.

The next step is to prove that AI content, Industrial margins and RM integration can hold up. At USD196.23 on 8 July 2026, TEL offers 16.2% upside to our USD228 TP. We therefore rate the shares BUY, but with a limited margin of safety. The recent pullback has improved the entry point.

We would move to HOLD or REDUCE if Industrial adjusted operating margin falls below about 20% for two straight quarters, AI/DDN guidance is cut, Energy organic growth falls below high-single digits, or cash conversion remains below about 85%.

### Exhibit 17: What would confirm the case - and What could break it title

Topic	Evidence today	What confirms	What breaks it
AI / DDN growth	+70% YoY; record orders	retention + margin held FY27	DDN air-pocket; copper displaced
Industrial margin	22% (FY26 H1)	21% full year	sub-20% two quarters
Energy / Richards	+15% organic; USD2.3bn deal	organic holds; synergy/ROIC	organic fades; integration slips
Transportation base	flat volume, content +	content offsets cycle	auto downturn
Cash generation	90% conv. (build)	recovers 100%	durably <85%

Sources: TEL: Globlex Research

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### Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.