

TE Connectivity: Is industrial growth becoming durable?

Internal ID: S&F-STR-538

Topic: Growth Strategy, Mergers & Acquisitions, Customer Strategy

Industry: Electronic Components

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Student case | Information cutoff: October 3, 2026

The investor's question

By October 2026, TE Connectivity's Industrial Solutions segment was growing rapidly. The company attributed much of its digital-data-network growth to AI applications and cited strength in grid hardening, data centers, factory automation, and aerospace. Its Transportation Solutions segment remained a large business, anchored by automotive connectivity and sensors. TE had also agreed to acquire Astrodyne TDI, a power-management and filtering business, for approximately \$1.4 billion in cash.

Imagine you are an outside investor preparing an assessment of TE's growth strategy. How much confidence should you place in the recent acceleration? Does it indicate a more durable, diversified growth profile with attractive customer economics, or a strong but potentially cyclical industrial and AI infrastructure environment amplified by currency and acquisitions? How should the pending Astrodyne transaction affect that judgment?

This is an outside-investor assessment, not a claim that TE management was considering a specific internal capital-allocation choice. Use only information available by the cutoff. Do not assume that category growth proves market-share gains, customer retention, pricing power, or acquisition returns.

The portfolio

TE sells connectivity and sensor technologies used to transmit power, signal, and data. In fiscal 2025, it organized its reporting into Transportation Solutions and Industrial Solutions, recasting prior-period segment comparisons. Transportation represented 54% of FY2025 sales and Industrial 46%. Automotive accounted for about 41% of total company sales; digital data networks accounted for about 13%.

Transportation Solutions serves automotive, commercial transportation, and sensor applications. TE says its products can become designed into customer systems and vehicles, where reliability and engineering support matter. Industrial Solutions serves digital data networks, automation and connected living, aerospace/defense/marine, energy, and medical markets. The company estimated its combined served market at approximately \$200 billion; that is a company estimate of market scope, not a forecast of TE revenue.

The portfolio has already shifted through both organic growth and acquisitions. FY2025 sales were \$17.3 billion, up 8.9% reported and 6.4% organically. TE's displayed bridge attributed 2.2% to net acquisitions and divestitures and 0.3% to currency. Richards Manufacturing,

acquired on April 1, 2025 for about \$2.3 billion, contributed \$179 million in the partial year. Industrial sales grew 23.7% while Transportation sales declined 1.0% in FY2025.

A sharp, uneven acceleration

For the quarter ended June 26, 2026, TE reported Q3 FY2026 sales of \$5.160 billion, up 13.8% year over year and 12.2% organically; favorable currency added 1.6%. Pricing actions contributed \$34 million to organic sales. Nine-month sales were \$14.573 billion, up 16.5% reported. The year-to-date bridge included 11.4% organic growth, 2.9% favorable currency, and 2.2% acquisitions. Richards contributed \$227 million of incremental sales over the first six months of FY2026.

Measure	Q3 FY2026	First nine months FY2026
Consolidated sales	\$5.160bn; +13.8% reported; +12.2% organic	\$14.573bn; +16.5% reported; +11.4% organic
Transportation sales	\$2.580bn; +6.7% reported; +4.5% organic	\$7.469bn; +7.1% reported; +3.7% organic
Industrial sales	\$2.580bn; +21.9% reported; +21.0% organic	\$7.104bn; +28.3% reported; +21.2% organic
Segment GAAP operating margin	Transportation 17.2%; Industrial 20.8%	-

Source: TE Q3 FY2026 Form 10-Q and July 22, 2026 results release. Organic growth is TE's non-GAAP measure excluding currency and recent acquisitions/divestitures; it is not a substitute for GAAP sales. FY2026 nine-month results are not full-year results.

The segment averages conceal different end-market patterns. In Q3, Transportation's automotive sales grew 2.9% organically, which TE attributed mainly to higher content per vehicle. That was partly offset by lower global vehicle production and weakness in the Americas. Commercial transportation grew 17.8%, while sensors declined 2.8%. Price erosion reduced Transportation organic sales by \$12 million in Q3 and \$46 million year to date.

Industrial digital data networks grew 34.0% organically in Q3 and 47.7% year to date. Management attributed the growth primarily to AI applications. The category includes networking, data-center, wireless-infrastructure, and other connectivity applications; TE does not disclose AI-only revenue, margins, customer wins, or share. Q3 Industrial automation and connected living grew 14.3%, which management associated mainly with factory automation. Aerospace/defense/marine grew 11.5%; energy grew 32.7%, with management citing grid-hardening and data-center applications; medical declined 7.2%.

TE generated \$2.997 billion in operating cash flow in the first nine months of FY2026, compared with \$2.718 billion in the prior-year period. The company reported \$2.2 billion of company-defined free cash flow and \$826 million of net capital expenditures year to date, and returned \$2.0 billion to shareholders. Cash generation provides capacity for investment and distributions, but does not establish the return on any particular growth initiative.

Acquisitions and market context

TE's acquisition strategy is another part of the portfolio question. Richards added energy products and acquired revenue. During the first nine months of FY2026, TE also reported another Industrial acquisition for \$200 million net of cash plus an estimated \$150 million contingent earn-out.

On July 22, TE announced a definitive agreement to acquire Astrodyne TDI for about \$1.4 billion in cash. Astrodyne makes power-management and filtering solutions for mission-critical industrial applications. TE expected more than \$250 million in annual sales and expected to place Astrodyne in Industrial Solutions. The transaction was subject to customary approvals and closing conditions and was expected to close by calendar year-end 2026. At the information cutoff, it had not closed. TE had not disclosed acquired profit, a purchase multiple, expected synergies, integration milestones, or realized customer economics.

The broad market could explain some of the growth. Amphenol, a listed connector and interconnect supplier, reported Q2 2026 sales growth of 55%, including 30% organic growth, and \$10.7 billion in orders. Its management cited exceptional organic IT-datacom growth alongside acquisition contributions. The businesses, periods, mixes, acquisition perimeters, and scale differ, so this is directional industry context-not a like-for-like comparison or proof about TE's market share.

Academic research offers mechanisms, not company-specific forecasts. A meta-analysis of 51 studies, comprising 53 samples and 11,420 observations, found a positive average association between supplier involvement in new-product development and performance (overall $r = .189$), with substantial heterogeneity. Greater supplier design responsibility was associated with project efficiency and effectiveness; earlier involvement by itself was not significantly associated with effectiveness. Underlying studies often use cross-sectional, single-respondent data, and the findings do not estimate TE's margins or returns.

A historical study of 201 UK manufacturers found the electronics subset reduced average supplier counts by 35% from 1991 to 1995. Four follow-up plant cases described benefits from focusing management attention on remaining suppliers, while preserving backup or dual sourcing in some categories. The evidence is descriptive and historical; it does not show that supplier concentration automatically creates value or applies directly to TE's global customer programs.

Your assessment

Prepare a short investment committee brief that:

1. States how confident you are that TE's recent Industrial growth can persist and create attractive economics.
2. Separates organic growth from acquisitions and currency, and discusses differences between Industrial and Transportation.
3. Assesses whether Astrodyne's disclosed product fit changes your confidence despite limited return and integration evidence.
4. Identifies the next evidence you would seek before increasing or reducing that confidence.

You may make a conditional judgment. Distinguish reported facts, management explanations, and your own assumptions. Do not treat Q4 guidance as realized results or the pending Astrodyne deal as completed.

Sources

- TE Connectivity, [FY2025 Form 10-K](#), filed Nov. 10, 2025.
- TE Connectivity, [Q3 FY2026 Form 10-Q](#), filed July 24, 2026.
- TE Connectivity, [Q3 FY2026 results release](#), July 22, 2026.
- Amphenol, [Q2 2026 results release](#), July 29, 2026.
- Suurmond, Wynstra, and Dul, “Unraveling the Dimensions of Supplier Involvement and Their Effects on NPD Performance: A Meta-Analysis”, 2020.
- Goffin, Szwejczewski, and New, “Managing Suppliers: When Fewer Can Mean More”, 1997.