

TE Connectivity Sales Up +4.2% YOY In CY 4Q14

TE Connectivity reported calendar year (CY) 4Q14 sales of \$3,466 million, up +4.2% year-over-year and down -3.1% to CY 3Q14. TE finished the calendar year 2014 at \$14,052 million, up +4.3% over 2013.

Orders in the quarter were \$3,700 million, up +9% year-over-year and up 3.1% sequentially. The book-to-bill ratio is 1.03 (excluding Subsea Communications).

Net income was \$472 million (13.6% of sales), up +33.7% year-over-year and down -28.8% sequentially. For calendar year 2014, TE recorded net income of \$1,900 million (13.5% of sales), up +40.5% from 2013.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 4Q14 Sales	Calendar 4Q14 YOY	Calendar 4Q14 Organic YOY
Automotive	35%	\$1,227	3%	8%
Commercial Transportation	6%	\$206	3%	7%
Sensors	5%	\$179	273%	7%
Mil/Aero/Marine	8%	\$292	18%	8%
Industrial	9%	\$311	-3%	Flat
Energy	5%	\$181	-6%	1%
Consumer Devices	6%	\$208	-20%	-17%
Appliances	5%	\$158	4%	7%
Data Communications	4%	\$153	-7%	-4%
Broadband Networks	12%	\$417	-10%	-6%
Subsea Communications	4%	\$134	57%	57%
	100%	\$3,466	4.2%	NA

Note: Organic sales performance takes out the impact of actions such as the acquisitions.

TE announced the sale of their Broadband Networks (BNS) product line to CommScope for \$3 billion (10x adjusted EBITDA). BNS includes the Telecom, Enterprise and Wireless businesses which had total sales of \$1.9 billion in TE's FY2014.

Outlook

TE Connectivity forecasts sales of \$3,550 to \$3,650 million in CY 1Q15, a year-over-year change of +3.5% to +6.4% actual and +6% organically. Versus the prior year, TE expects Transportation to be up mid single-digits, Network Solutions to be up in the low teens, Industrial to be up low single-digits, and Consumer to be down high single-digits.

The full fiscal year outlook for fiscal 2015 is for sales of \$14,450 to \$14,850 million, a year-over-year change of +3.9% to +6.7%.

Bishop & Associates' Comments

TE's year-over-year sales growth was +4.2% for CY 4Q14 versus the industry growth of +5.1%.

TE's decision to increase their focus on harsh environment applications should help increase their net income, as will their focus on connectors and sensors.

The following graph plots TE's sales performance versus the connector industry by quarter since 3Q12 (year-over-year percentage change).

TE Connectivity vs. Industry

