

TE Connectivity Sales Up +5.1% YOY In CY 1Q14

TE Connectivity reported calendar year (CY) 1Q14 sales of \$3,431 million, up +5.1% year-over-year and up sequentially +3.2% to CY 4Q13. Sales were up +6% organically over CY 1Q13.

Orders in the quarter were \$3,488 million, up +13.3% year-over-year and up sequentially +5.1%. The book-to-bill ratio is 1.03 (excluding Subsea Communications).

Net income was \$362 million (10.6% of sales), up +30.7% year-over-year and up +2.6% sequentially.

The following is TE's performance by market sector:

| Market | Percent of Total Sales in Quarter | Calendar 1Q14 Sales | Calendar 1Q14 YOY | Calendar 1Q14 Organic YOY | Calendar 1Q14 Sequential |
|-----------------------|-----------------------------------|---------------------|-------------------|---------------------------|--------------------------|
| Automotive | 46% | \$1,571 | 13% | 13% | 9% |
| Mil/Aero/Marine | 8% | \$273 | 5% | 5% | 10% |
| Industrial | 10% | \$330 | 8% | 8% | 2% |
| Energy | 5% | \$186 | -4% | -1% | -4% |
| Consumer Devices | 6% | \$223 | -9% | -8% | -14% |
| Appliances | 5% | \$160 | 5% | 5% | 5% |
| Data Communications | 5% | \$160 | -18% | -7% | -2% |
| Telecom Networks | 9% | \$318 | 6% | 6% | 2% |
| Enterprise Networks | 4% | \$149 | 1% | 5% | -1% |
| Subsea Communications | 2% | \$61 | -26% | -27% | -28% |
| | 100% | \$3,431 | 5.1% | 6.0% | 3.2% |

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

In the quarter, TE acquired SEACON Group for \$490 million. SEACON is a leading supplier of underwater connectors and systems. Their 2013 sales were \$115 million.

Outlook

TE Connectivity forecasts sales of \$3,540 to \$3,640 million in CY 2Q14, a year-over-year change of +2.6% to +5.5% actual and +2% to +5% organically. Versus the prior year, TE expects Transportation to be up +8-10%, Network Solutions to be flat, Industrial to be up mid-single-digits, and Consumer to be up slightly.

The full fiscal year outlook for 2014 is for sales of \$13,800 to \$14,100 million, a year-over-year change of +4% to +6% actual and organic.

Bishop & Associates' Comments

TE's year-over-year sales growth was +5.1% for CY 1Q14 versus the industry growth of +9.6%. TE's Automotive, Mil/Aero/Marine and Industrial businesses, at 63% of their sales in the last quarter, with +12.8% YOY growth, is helping offset sales declines in their Network Solutions businesses, representing 20% of their overall business, which are down a combined -5% year-over-year.

The following graph plots TE's sales performance versus the connector industry by quarter since 3Q11 (year-over-year percentage change).

TE Connectivity vs. Industry

