

TE Connectivity Quarterly Sales Down -4.2% YOY Sales Down 2% Organically

TE Connectivity reported calendar year (CY) 1Q16 sales of \$2,952 million, down -4.2% year-over-year and up +4.2% sequentially.

Orders in the quarter were \$2,700 million, up +1% sequentially and resulted in a book-to-bill ratio of 1.00 (excluding Subsea Communications).

Net income was \$380 million (12.9% of sales), up +20.3% year-over-year and up +7.7% sequentially.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 1Q16 Sales	Calendar 1Q16 YOY	Calendar 1Q16 Organic YOY
Automotive	41%	\$1,215	0%	4%
Commercial Transportation	7%	\$208	-1%	1%
Sensors	6%	\$185	-2%	2%
Mil/Aero/Marine	8%	\$242	-2%	-2%
Industrial	10%	\$308	-5%	-8%
Oil & Gas	1%	\$31	-44%	-42%
Energy	5%	\$157	-8%	-2%
Data & Devices	9%	\$259	-25%	-24%
Appliances	5%	\$147	-8%	-6%
Subsea Communications	7%	\$200	18%	18%
	100%	\$2,952	-4.2%	-2.0%

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

In the quarter, TE announced the sale of their Circuit Protection business was completed. They also completed the acquisition of Greganna Medical, a ~\$250 million designer and manufacturer of minimally invasive interventional devices. The purchase price of Greganna was \$895 million.

Outlook

TE Connectivity forecasts sales of \$3,000 to \$3,200 million in CY 2Q16, a year-over-year change of +1% actual to midpoint and flat organically (midpoint). Versus the prior year organically, TE expects Transportation to be up low-single-digits, Industrial to be up mid-single-digits, and Communications Solutions to be down mid-single-digits.

The full fiscal year outlook for fiscal 2016 is for sales of \$12,100 to \$12,500 million, a year-over-year change of +1% midpoint and +3% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was -4.2% for CY 1Q16 versus the industry decline of -3.2%. TE was under the industry sales performance by 1-point.

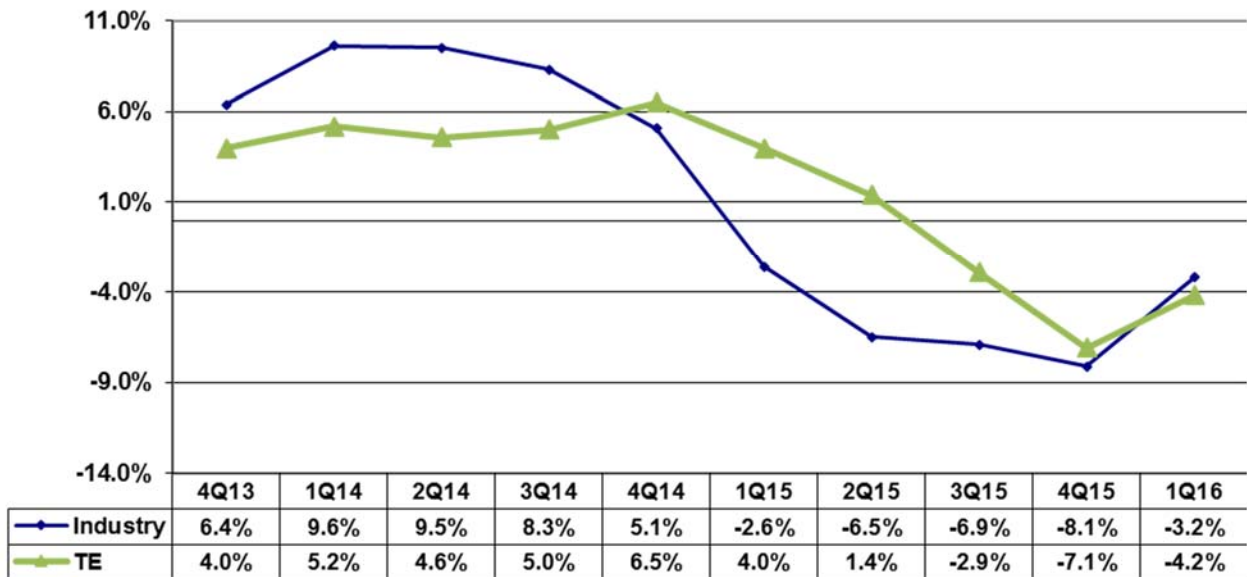
With approximately two-third of their sales outside of the Americas, TE's performance is being impacted by the strong dollar. For CY 1Q16, the impact of currency exchange reduced their sales by \$74 million year-over-year.

Despite the softness in some of their more profitable product lines, TE was able to achieve an adjusted operating margin at 14.9%.

TE is continuing their strategy of developing and acquiring harsh environment businesses.

The following graph plots TE's sales performance versus the connector industry by quarter since 3Q13 (year-over-year percentage change).

TE Connectivity vs. Industry



Note - TE's 2014 sales growth performance was recalculated to exclude sales from the discontinued business.