

TE Connectivity Quarterly Sales Up +7.9% YOY

TE Connectivity reported calendar year (CY) 2Q17 sales of \$3,367 million, up +7.9% year-over-year, as reported and organically, and +4.3% sequentially. For the first six months of 2017, TE's sales are up +8.6% over prior year.

Orders in the quarter were \$3,270 million, up +12% YOY excluding SubCom, and resulted in a book-to-bill ratio of 1.06.

Net income was \$435 million (12.9% of sales), up +7.4% sequentially.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 2Q17 Sales	Calendar 2Q17 YOY	Calendar 2Q17 Organic YOY
Automotive	38%	\$1,294	4%	6%
Commercial Transportation	8%	\$262	21%	23%
Sensors	6%	\$209	10%	7%
Mil/Aero/Marine	8%	\$271	-2%	-1%
Industrial	14%	\$456	15%	10%
Energy	5%	\$178	-	2%
Data & Devices	7%	\$245	4%	6%
Appliances	5%	\$181	12%	14%
Subsea Communications	8%	\$271	22%	22%
	100%	\$3,367	7.9%	8.0%

Note: Organic sales performance takes out the impact of actions such as the acquisitions and added weeks to the quarter.

In the quarter, the company announced an agreement to acquire Hirschmann Car Communication, which focuses on vehicle connectivity technology used in antenna and infotainment systems and acquired MicroGroup, a producer of specialized shafts for medical applications.

Outlook

TE Connectivity forecasts sales of \$3,200 to \$3,300 million in CY 3Q17, a year-over-year change of +5% actual to midpoint and up +4% organically (midpoint). Versus the prior year (organically), TE expects Transportation to be up in the mid-single-digits, Industrial to be up mid-single-digits, and Communications Solutions to be up mid-single-digits.

The full fiscal year outlook for 2017 is for sales of \$12,850 to \$12,950 million, a year-over-year change of +8% to the midpoint and up +7% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +7.9% for CY 2Q17 versus industry growth of +10.5%. Sales growth was strong across all segments.

TE's sales performance in CY 2Q17 was reduced by \$51 million due to unfavorable currency exchange.

TE's organic orders were strong in the quarter, up 12% from prior year. This is good for next quarter's sales and TE has raised their guidance for the full fiscal year.

The following graph plots TE's sales performance versus the connector industry by quarter since 1Q15 (year-over-year percentage change).

TE Connectivity vs. Industry

