

TE Connectivity 3rd Quarter Sales Down -2.9%

TE Connectivity reported calendar year (CY) 3Q15 sales of \$2,984 million which was down -2.9% year-over-year and down -4.3% sequentially. For their fiscal year ending in September, sales were \$12,233 million, up +10% in constant currency and up +4% organically.

Orders in the quarter resulted in a book-to-bill ratio of 0.95 (excluding Subsea Communications).

Net income was \$136 million (4.6% of sales), down -77.9% year-over-year and down -56.0% sequentially. The net income was reduced by \$252 million of tax expenses.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 3Q15 Sales	Calendar 3Q15 YOY	Calendar 3Q15 Organic YOY
Automotive	38%	\$1,132	-8%	3%
Commercial Transportation	6%	\$187	-12%	-4%
Sensors	6%	\$189	264%	-
Mil/Aero/Marine	9%	\$276	-16%	-11%
Industrial	11%	\$343	-6%	-3%
Energy	6%	\$173	-18%	-5%
Data & Devices	11%	\$323	-24%	-20%
Appliances	5%	\$159	-5%	1%
Subsea Communications	7%	\$202	135%	135%
	100%	\$2,984	-2.9%	0.0%

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

In the quarter, TE completed the sale of their Broadband Networks (BNS) product line to CommScope. TE also acquired four businesses in harsh environment products.

Outlook

TE Connectivity forecasts sales of \$2,700 to \$2,900 million in CY 4Q15, a year-over-year change of -8% actual to midpoint and +4% organically (midpoint). Versus the prior year, TE expects Transportation to be down high single-digits, Industrial to be down high single-digits, and Communications Solutions to be down high single-digits.

The full fiscal year outlook for fiscal 2015 is for sales of \$12,000 to \$12,800 million, a year-over-year change of +1% midpoint and +3% organic midpoint.

Bishop & Associates' Comments

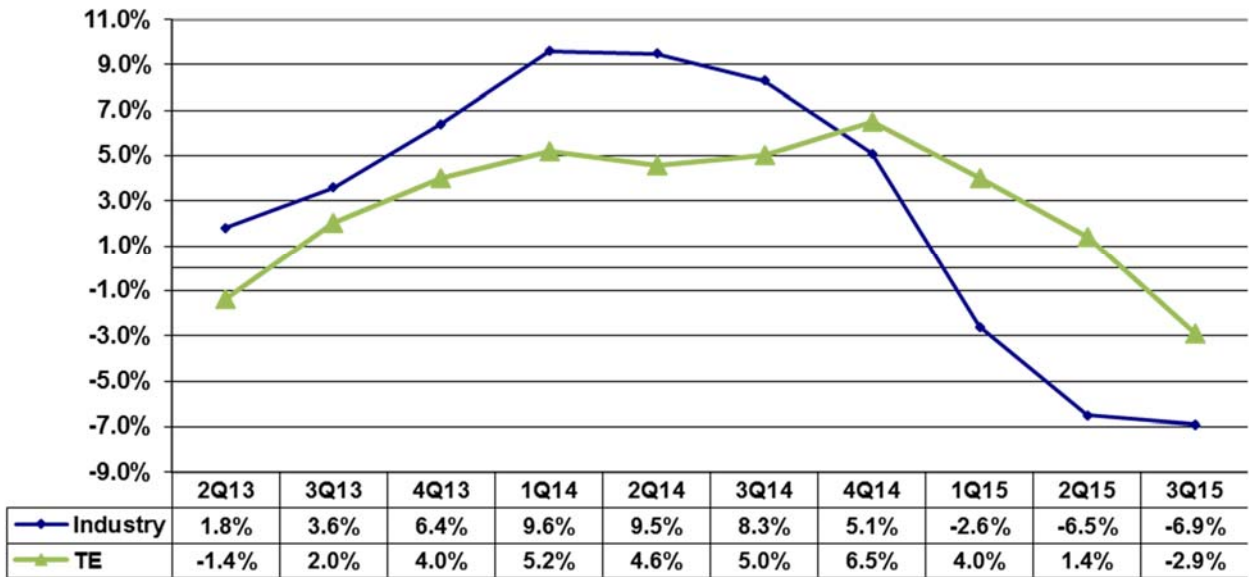
TE's year-over-year sales growth was -2.9% for CY 3Q15 versus the industry decline of -6.9%. TE exceeded the industry sales performance by 4 points.

With approximately two-third of their sales outside of the Americas, TE's performance is being impacted by the strong dollar. As forecast by TE for their full FY 2015, the impact of currency exchange reduced their sale by \$955 million year-over-year.

Despite the sales declines in some of their more profitable product lines, TE was able to expand their operating margin to 16.3%.

The following graph plots TE's sales performance versus the connector industry by quarter since 2Q13 (year-over-year percentage change).

TE Connectivity vs. Industry



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