

TE Connectivity Quarterly Sales Up +11.7% YOY & +2% Organically

TE Connectivity reported calendar year (CY) 3Q16 sales of \$3,332 million, up +11.7% year-over-year and up +6.8% sequentially. The quarter included an extra week over prior year. Organic sales were up +2% year-over-year. For the fiscal year ending in September, TE's sales were flat to prior year at \$12.24 billion and up +2% organically.

Orders in the quarter were approximately \$3,200 million, up +1.6% sequentially, and resulted in a book-to-bill ratio of 1.03 (excluding Subsea Communications).

Net income was \$437 million (13.1% of sales), up +221% year-over-year. Net income for the fiscal 2016 was \$2,009 million, down -17% from prior year.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 3Q16 Sales	Calendar 3Q16 (14 weeks) YOY	Calendar 3Q16 (14 weeks) Organic YOY
Automotive	39%	\$1,311	16%	15%
Commercial Transportation	6%	\$215	13%	12%
Sensors	6%	\$210	11%	4%
Mil/Aero/Marine	8%	\$269	14%	13%
Industrial	13%	\$427	25%	1%
Oil & Gas	1%	\$30	-25%	-23%
Energy	6%	\$193	12%	13%
Data & Devices	8%	\$262	-19%	-6%
Appliances	5%	\$176	11%	10%
Subsea Communications	7%	\$239	18%	18%
	100%	\$3,332	11.7%	2.0%

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

The company announced they completed the acquisition of Intercontec Group, a manufacturer of connectivity solutions in the industrial market.

Outlook

TE Connectivity forecasts sales of \$2,950 to \$3,050 million in CY 4Q16, a year-over-year change of +6% actual to midpoint and up +3% organically (midpoint). Versus the prior year, TE expects Transportation to be up in the mid-single-digits, Industrial to be up mid-teens, and Communications Solutions to be down mid-single-digits.

The full fiscal year outlook for fiscal 2017 is for sales of \$12,300 to \$12,900 million, a year-over-year change of +5% to the midpoint and up +3% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +11.7% for CY 3Q16 (with the extra week) and +3.7% on a 13-week basis versus industry growth of +8.9%.

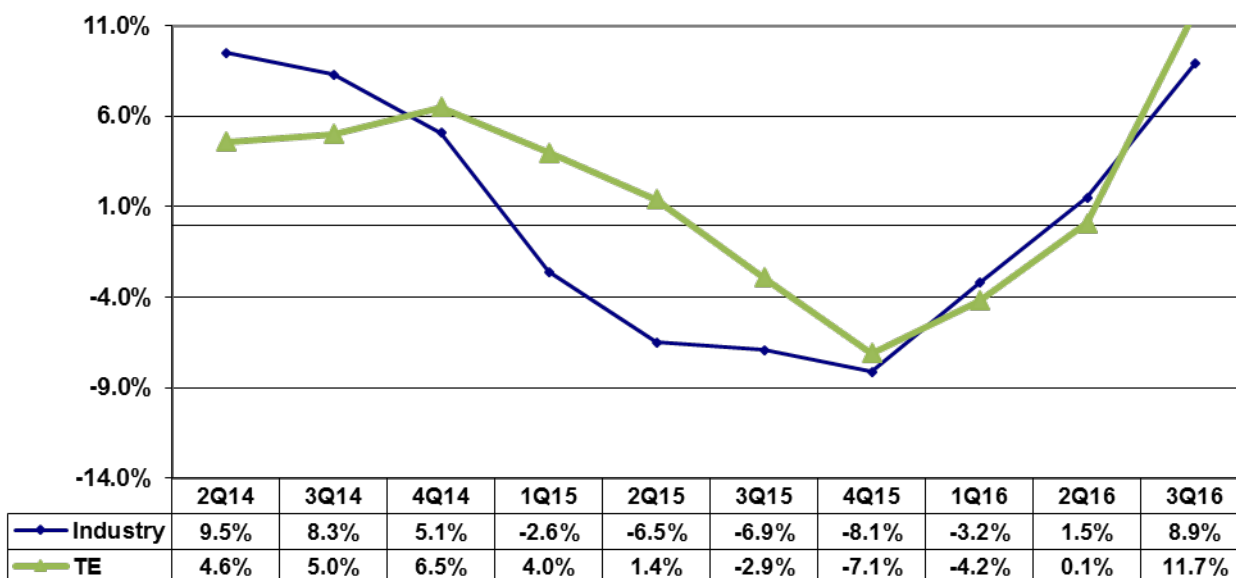
TE's performance in CY 3Q16 was not significantly impacted by FX as the euro to dollar exchange has seen less volatility this year.

Despite some overall softness in some of their sales, TE achieved an adjusted operating margin of 15.5%.

TE emphasized that they are 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 2Q14 (year-over-year percentage change).

TE Connectivity vs. Industry



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