

TE Connectivity Quarterly Sales Up +13.6% YOY

TE Connectivity reported calendar year (CY) 4Q17 sales of \$3,480 million, up +13.6% year-over-year, up +8% organically and up +0.7% sequentially.

Orders in the quarter were \$3,500 million, up +11% YOY organically excluding SubCom sales, and resulted in a book-to-bill ratio of 1.06.

Net income after income tax was -\$39 million. Operating income was \$581 million.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 4Q17 Sales	Calendar 4Q17 YOY	Calendar 4Q17 Organic YOY
Automotive	44%	\$1,517	19%	10%
Commercial Transportation	9%	\$300	41%	34%
Sensors	6%	\$215	15%	11%
Mil/Aero/Marine	7%	\$254	1%	-2%
Industrial	14%	\$471	23%	17%
Energy	5%	\$157	-2%	-6%
Data & Devices	7%	\$239	3%	2%
Appliances	5%	\$184	24%	22%
Subsea Communications	4%	\$143	-33%	-33%
	100%	\$3,480	13.6%	8.0%

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

Outlook

TE Connectivity forecasts sales of \$3,550 to \$3,650 million in CY 1Q18, a year-over-year change of +11.6% actual to midpoint and up +6% organically (midpoint). Versus the prior year (organically), TE expects Transportation to be up in the high single-digits, Industrial to be up mid-single-digits, and Communications Solutions to be up low-single-digits.

The full fiscal year outlook for 2018 is for sales of \$14,100 to \$14,300 million, a year-over-year change of +8.3% to the midpoint and up +5% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +13.6% for CY 4Q17 versus industry growth of +14.3%. Sales growth was strong across all segments with Transportation a stand-out, growing 21% YOY.

TE's organic orders were strong in the quarter, up 11% organically from the prior year. This is a good start for next quarter's sales.

TE feels that their harsh environment strategy with above-market growth; and serving large market sectors with good content growth, such as automotive, will drive their sales growth to higher levels.

The following graph plots TE's sales performance versus the connector industry by quarter since 3Q15 (year-over-year percentage change).

TE Connectivity vs. Industry

