

TE Connectivity Quarterly Sales Up +16.1% YOY

TE Connectivity reported calendar year (CY) 1Q18 sales of \$3,745 million, up +16.1% year-over-year, up +7% organically and up +7.6% sequentially. FX impact increased sales by \$231 million in the quarter.

Orders in the quarter were \$3,679 million, up +6% YOY organically excluding SubCom sales, and resulted in a book-to-bill ratio of 1.03.

Net income was \$490 million, up 21% YOY. Operating income was \$624 million.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 1Q18 Sales	Calendar 1Q18 YOY	Calendar 1Q18 Organic YOY
Automotive	42%	\$1,571	20%	7%
Commercial Transportation	9%	\$333	34%	24%
Sensors	6%	\$230	16%	8%
Mil/Aero/Marine	8%	\$298	11%	5%
Industrial	13%	\$496	19%	9%
Energy	5%	\$178	7%	-1%
Data & Devices	7%	\$258	11%	7%
Appliances	5%	\$198	20%	14%
Subsea Communications	5%	\$183	-17%	-17%
	100%	\$3,745	16.1%	7.0%

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 \$3,650 to \$3,700 million in CY 2Q18, a year-over-year change of +9.1% actual to midpoint and up +5% organically (midpoint). Versus the prior year (organically), TE expects Transportation to be up in the mid-teens, Industrial to be up high-single-digits, and Communications Solutions to be down mid-single-digits.

The full fiscal year outlook for 2018 is for sales of \$14,500 to \$14,700 million, a year-over-year change of +11% to the midpoint and up +6% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +16.1% for CY 1Q18 versus industry growth of +15.8%. Sales growth was strong across all segments with Transportation a stand-out, growing 18% YOY. FX impact is a significant contributor to the company's growth in 2018.

TE's organic orders were good in the quarter, up 6% organically from the prior year. With strong orders and sales, TE has increased their sales growth forecast from 8% to 11% for their fiscal year.

TE's strong growth in Industrial and Commercial Transportation of high margin products will help grow the company's bottom line.

The following graph plots TE's sales performance versus the connector industry by quarter since 4Q15 (year-over-year percentage change).

TE Connectivity vs. Industry

