

## TE Connectivity Quarterly Sales Up +11.8% YOY

TE Connectivity reported calendar year (CY) 2Q18 sales of \$3,764 million, up +11.8% year-over-year, up +6% organically and up +0.5% sequentially. FX impact increased sales by \$131 million in the quarter.

Orders in the quarter were \$3,747 million, up +9% YOY organically excluding SubCom sales, and resulted in a book-to-bill ratio of 1.05.

Net income was \$454 million, up 4.4% YOY. Operating income was \$558 million, up 2.6% YOY.

The following is TE's performance by market sector:

| Market                    | Percent of Total Sales in Quarter | Calendar 2Q18 Sales | Calendar 2Q18 YOY | Calendar 2Q18 Organic YOY |
|---------------------------|-----------------------------------|---------------------|-------------------|---------------------------|
| Automotive                | 41%                               | \$1,541             | 19%               | 10%                       |
| Commercial Transportation | 9%                                | \$335               | 28%               | 22%                       |
| Sensors                   | 6%                                | \$236               | 13%               | 8%                        |
| Mil/Aero/Marine           | 8%                                | \$295               | 9%                | 6%                        |
| Industrial                | 13%                               | \$506               | 11%               | 6%                        |
| Energy                    | 5%                                | \$187               | 5%                | 2%                        |
| Data & Devices            | 7%                                | \$277               | 13%               | 11%                       |
| Appliances                | 5%                                | \$203               | 12%               | 9%                        |
| Subsea Communications     | 5%                                | \$184               | -32%              | -32%                      |
|                           | <b>100%</b>                       | <b>\$3,764</b>      | <b>11.8%</b>      | <b>6.0%</b>               |

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 \$3,590 to \$3,690 million in CY 3Q18, a year-over-year change of +5.3% actual to midpoint and up +5% 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 down low-single-digits.

The full fiscal year outlook for 2018 is for sales of \$14,580 to \$14,680 million, a year-over-year change of +11.6% to the midpoint and up +6% organic midpoint.

## Bishop & Associates' Comments

TE's year-over-year sales growth was +11.8% for CY 2Q18 versus industry growth of +14.6%. Sales growth was strong across all segments except Communications which was down because of the SubCom decline from prior year. 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. Transportation and Industrial grew across all businesses and regions.

TE's strong growth in Industrial and Commercial Transportation of high margin products helped grow the company's bottom line. TE has raised their Adjusted earning per share for the fiscal year.

The following graph plots TE's sales performance versus the connector industry by quarter since 1Q16 (year-over-year percentage change).

**TE Connectivity vs. Industry**

