

TE Connectivity Quarterly Sales Up +8.5% YOY

TE Connectivity reported calendar year (CY) 3Q18 sales of \$3,509 million, up +8.5% year-over-year, up +8% organically and down -6.8% sequentially. FX impact decreased sales by \$41 million in the quarter. For the fiscal year, TE sales were \$13,988 million, up +14.8% YOY and up +9% organically. FX impact increased sales by \$436 million in the fiscal year.

SubCom business was sold in the quarter and the results for the quarter and the fiscal year reflect it as a Discontinued Operations.

Orders in the quarter were \$3,465 million, up +4% YOY organically and resulted in a book-to-bill ratio of 0.99.

Net income was \$546, up 25.8% YOY.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 3Q18 Sales	Calendar 3Q18 YOY	Calendar 3Q18 Organic YOY
Automotive	42%	\$1,463	8%	6%
Commercial Transportation	9%	\$312	14%	15%
Sensors	7%	\$237	8%	10%
Mil/Aero/Marine	9%	\$310	9%	9%
Industrial	15%	\$514	5%	4%
Energy	5%	\$190	6%	8%
Data & Devices	8%	\$294	15%	17%
Appliances	5%	\$189	4%	5%
	100%	\$3,509	8.5%	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 \$3,330 to \$3,430 million in CY 4Q18, a year-over-year change of +1% actual to midpoint and up +3% organically (midpoint). Versus the prior year (organically), TE expects Transportation to be up in the low-single-digits, Industrial to be up mid-single-digits, and Communications Solutions to be up mis-single-digits.

The full fiscal year outlook for 2019 is for sales of \$13,900 to \$14,300 million, a year-over-year change of +1% to the midpoint and up +3% organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +8.5% for CY 3Q18 versus industry growth of +9.6%. Sales growth was strong across all segments. FX impact is a significant contributor to the company's growth in 2018.

TE's organic orders were good in the quarter, up 4% organically from the prior year. Orders growth in North America and Europe helped offset weakness in China.

TE's strong growth in Transportation and Communications helped offset weaker growth in Industrial. The strongest segments for growth were Commercial Transportation; Aerospace, Defense and Marine; and Data and Devices.

The following graph plots TE's sales performance versus the connector industry by quarter since 2Q16 (year-over-year percentage change).

TE Connectivity vs. Industry

