

TE Connectivity Quarterly Sales Flat YOY

TE Connectivity reported calendar year (CY) 4Q18 sales of \$3,347 million, up +0.3% year-over-year, up +2% organically, and down -4.6% sequentially. FX impact decreased sales by \$73 million in the quarter.

Orders in the quarter were \$3,320 million, down -6% YOY and resulted in a book-to-bill ratio of 0.99.

Net income was \$383 from continuing operations, down -29.9% sequentially.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 4Q18 Sales	Calendar 4Q18 YOY	Calendar 4Q18 Organic YOY
Automotive	44%	\$1,469	-3%	-1%
Commercial Transportation	9%	\$297	-1%	2%
Sensors	7%	\$220	2%	4%
Mil/Aero/Marine	9%	\$285	12%	13%
Industrial	14%	\$483	33%	-1%
Energy	5%	\$160	2%	6%
Data & Devices	8%	\$257	8%	9%
Appliances	5%	\$176	-4%	-2%
	100%	\$3,347	0.3%	2.0%

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 \$3,300 to \$3,400 million in CY 1Q19, a year-over-year change of -6% actual to midpoint and up +2% organically (midpoint). Versus the prior year (organically), TE expects Transportation to be down in the low-single-digits organic, Industrial to be up low-single-digits organic, and Communications Solutions to be down mid-single-digits organic.

The full fiscal year outlook for 2019 is for sales of \$13,450 to \$13,850 million, a year-over-year change of -2% to the midpoint and flat to the organic midpoint.

Bishop & Associates' Comments

TE's year-over-year sales growth was +0.3% for CY 4Q18 versus industry growth of +4.7%. Sales growth was weak across five out of eight market segments. FX impact reduced the company's growth in 4Q18.

TE's organic orders were weak in the quarter, down -6% as reported and down -4% organically from the prior year. Orders growth in Industrial partially offset weakness in Transportation and Communications.

TE reported that their Automotive sales declined -3%, while global automotive production declined -7% in units. They attribute their smaller sales contraction to increasing electronic content per unit in all regions.

The following graph plots TE's sales performance versus the connector industry by quarter since 3Q16 (year-over-year percentage change).

TE Connectivity vs. Industry

