

TE Connectivity Quarterly Sales Down -5.4% YOY

TE Connectivity reported quarter ending June 30 sales of \$3,389 million, down -5.4% year-over-year, down -3% organically, and down -0.7% sequentially. FX impact decreased sales by \$125 million in the quarter.

Orders in the quarter were \$3,321 million, down -11.8% YOY, resulting in a book-to-bill ratio of 0.98.

Net income was \$757 million from continuing operations including \$245 million tax benefit, up +66.7% YOY and up +72.4% sequentially.

The following is TE's performance by market sector:

Market	Percent of Total Sales in Quarter	Calendar 2Q19 Sales	Calendar 2Q19 YOY	Calendar 2Q19 Organic YOY
Automotive	42%	\$1,418	-8%	-4%
Commercial Transportation	9%	\$317	-5%	-5%
Sensors	7%	\$233	-1%	1%
Mil/Aero/Marine	10%	\$342	16%	17%
Industrial	14%	\$485	-4%	-6%
Energy	5%	\$178	-5%	0%
Data & Devices	7%	\$245	-12%	-9%
Appliances	5%	\$171	-16%	-13%
	100%	\$3,389	-5.4%	-3.0%

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

In the quarter, TE completed the acquisition of Kissling Group, a provider of high- power relays and ruggedized switches used in the commercial vehicle, transportation, industrial, military and aviation industries as well as other applications, and Alpha Technics. Alpha Technics is a leading designer and manufacturer of high precision, medical temperature measurement products and solutions. The company, headquartered in California, reported sales of approximately \$20 million in 2018 and is a privately held company. TE also announced its intention to acquire First Sensor AG, a German sensor manufacturer.

Outlook

TE Connectivity forecasts sales of \$3,200 to \$3,300 million in CY 3Q19, a year-over-year change of -7.4% actual to midpoint. Versus the prior year, TE expects Transportation to be down in the mid-single-digits, Industrial to be down low-single-digits, and Communications Solutions to be down high-teens-digits.

The full fiscal year outlook for 2019 is for sales of \$13,350 to \$13,450 million, a year-over-year change of -4.2% to the midpoint and down -2% to the organic midpoint. FX headwinds are reducing the sales forecast by \$400 million.

Bishop & Associates' Comments

TE's year-over-year sales decline was -5.4% for CY 2Q19 versus industry decline of -4.6%. Sales declined in seven out of eight market segments. FX impact reduced the company's performance in 2Q19 by \$125 million.

TE's orders were weak in the quarter, down -11.8% YOY as reported and down -10% organically from the prior year.

TE reported that their Automotive sales declined -4% organically, while global automotive production declined -10% in units. They attribute their smaller sales contraction to increasing electronic content per unit.

The following graph plots TE's sales performance versus the connector industry by quarter since 1Q17 (year-over-year percentage change).

TE Connectivity vs. Industry

