

TE Connectivity Quarterly Sales Down -6.0% YOY

TE Connectivity reported sales of \$3,300 million for the quarter ending September 27, 2019, down -6.0% year-over-year, down -5% organically, and down -2.6% sequentially. FX impact decreased sales by \$63 million in the quarter. Sales for the fiscal year ending September 27 were \$13,448 million, down -3.9% from 2018. FX impact for the year decreased sales by \$409 million.

Orders in the quarter were \$3,206 million, down -7.5% YOY, resulting in a book-to-bill ratio of 0.97.

Net income for the quarter was \$376 million from continuing operations.

The following is TE's performance by market sector for calendar 3Q19:

Market	Percent of Total Sales in Quarter	Calendar 3Q19 Sales	Calendar 3Q19 YOY	Calendar 3Q19 Organic YOY
Automotive	42%	\$1,374	-6%	-4%
Commercial Transportation	9%	\$283	-9%	-14%
Sensors	7%	\$239	1%	0%
Mil/Aero/Marine	11%	\$348	12%	13%
Industrial	15%	\$479	-7%	-8%
Energy	6%	\$187	-2%	2%
Data & Devices	7%	\$240	-18%	-18%
Appliances	5%	\$150	-21%	-18%
	100%	\$3,300	-6.0%	-5.0%

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

In the quarter, TE signed a definitive agreement on September 20 to acquire Silicon Microstructures Inc. from Elmos Semiconductor. The acquisition of Silicon Microstructures will expand TE's leadership in pressure sensing technology, particularly in medical, transportation, and industrial applications.

Outlook

TE Connectivity forecasts sales of \$3,000 to \$3,200 million in CY 4Q19, a year-over-year change of -7.4% actual to midpoint. TE is forecasting Transportation to be down in the high-single-digits, Industrial to be down low-single-digits, and Communications Solutions to be down mid-teens versus the prior year.

The full fiscal year outlook for 2020 is for sales of \$12,700 to \$13,300 million, a year-over-year change of -3.3% to the midpoint and down -2% to the organic midpoint. FX headwinds are reducing the sales forecast by \$230 million.

Bishop & Associates' Comments

TE's year-over-year sales decline was -6.0% for CY 3Q19 versus industry decline of -3.9%. Sales declined in six out of TE's eight market segments. FX impact reduced the company's sales performance in 3Q19 by \$63 million.

TE's orders were weak in the quarter, down -7.5% YOY as reported, down -6% organically from the prior year and down -3.5% sequentially. The company reported that the orders decline reflected market weakness and inventory destocking.

The following graph plots TE's sales performance versus the connector industry by quarter since 2Q17 (year-over-year percentage change).

TE Connectivity vs. Industry

