

TE Connectivity Ltd.
Form 10-Q
January 26, 2017

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 30, 2016

Or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

001-33260
(Commission File Number)

TE CONNECTIVITY LTD.

(Exact name of registrant as specified in its charter)

Switzerland
(Jurisdiction of Incorporation)

98-0518048
(I.R.S. Employer Identification No.)

Rheinstrasse 20
CH-8200 Schaffhausen, Switzerland
(Address of principal executive offices)

+41 (0)52 633 66 61
(Registrant's telephone number)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of common shares outstanding as of January 23, 2017 was 355,292,904.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TE CONNECTIVITY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the	
	Quarters Ended	
	December 30,	December 25,
	2016	2015
	(in millions,	
	except per share data)	
Net sales	\$ 3,063	\$ 2,833
Cost of sales	1,998	1,888
Gross margin	1,065	945
Selling, general, and administrative expenses	372	340
Research, development, and engineering expenses	158	162
Acquisition and integration costs	2	5
Restructuring and other charges, net	47	40
Operating income	486	398
Interest income	5	6
Interest expense	(31)	(30)
Other income, net		8
Income from continuing operations before income taxes	460	382
Income tax expense	(54)	(58)
Income from continuing operations	406	324
Income from discontinued operations, net of income taxes	3	29
Net income	\$ 409	\$ 353

Basic earnings per share:

Income from continuing operations	\$ 1.14	\$ 0.84
Income from discontinued operations	0.01	0.08
Net income	1.15	0.92

Diluted earnings per share:

Income from continuing operations	\$ 1.13	\$ 0.83
Income from discontinued operations	0.01	0.07
Net income	1.14	0.91

Dividends paid per common share	\$ 0.37	\$ 0.33
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Weighted-average number of shares outstanding:

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Basic	356	385
Diluted	359	390

See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Quarters Ended	
	December 30, 2016	December 25, 2015
	(in millions)	
Net income.	\$ 409	\$ 353
Other comprehensive loss:		
Currency translation	(185)	(85)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	13	2
Gains (losses) on cash flow hedges, net of income taxes	16	(7)
Other comprehensive loss	(156)	(90)
Comprehensive income.	\$ 253	\$ 263

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**TE CONNECTIVITY LTD.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	December 30, 2016	September 30, 2016
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 665	\$ 647
Accounts receivable, net of allowance for doubtful accounts of \$17	2,034	2,046
Inventories	1,636	1,596
Prepaid expenses and other current assets	474	486
Total current assets	4,809	4,775
Property, plant, and equipment, net	2,956	3,052
Goodwill	5,363	5,492
Intangible assets, net	1,800	1,879
Deferred income taxes	2,290	2,111
Other assets	397	299
Total Assets	\$ 17,615	\$ 17,608
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 1,052	\$ 331
Accounts payable	1,123	1,090
Accrued and other current liabilities	1,189	1,437
Deferred revenue	149	208
Total current liabilities	3,513	3,066
Long-term debt	2,976	3,739
Long-term pension and postretirement liabilities	1,474	1,502
Deferred income taxes	194	207
Income taxes	266	247
Other liabilities	355	362
Total Liabilities	8,778	9,123
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common shares, CHF 0.57 par value, 382,835,381 shares authorized and issued	168	168
Contributed surplus	1,729	1,801
Accumulated earnings	9,256	8,682
Treasury shares, at cost, 27,334,732 and 27,554,005 shares, respectively	(1,618)	(1,624)
Accumulated other comprehensive loss	(698)	(542)
Total Shareholders' Equity	8,837	8,485

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Total Liabilities and Shareholders' Equity	\$	17,615	\$	17,608
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See Notes to Condensed Consolidated Financial Statements.

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TE CONNECTIVITY LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)