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ST.N - Q4 2025 Sensata Technologies Holding PLC Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and welcome to Sensata's fourth quarter and full year 2025 financial results conference call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to James Entwistle, Senior Director of Investor Relations. Please go ahead.

James Entwistle - *Sensata Technologies Holding PLC - Senior Director, Investor Relations*

Thank you, operator, and good afternoon, everyone. I'm James Entwistle, Senior Director of Investor Relations for Sensata, and I would like to welcome you to Sensata's fourth quarter and full year 2025 financial results conference call. Joining me on today's call are Stephan Von Schuckmann, Sensata's Chief Executive Officer; and Andrew Lynch, Sensata's Chief Financial Officer. In addition to the financial results press release we issued earlier today, we will be referencing a slide presentation during today's conference call. The PDF of this presentation can be downloaded from Sensata's Investor Relations website.

This conference call is being recorded and we will post a replay on our Investor Relations website. As we begin, I will reference Sensata's safe harbor statement on slide 2. During this conference call, we will make forward-looking statements regarding future events or the financial performance the company that can involve certain risks and uncertainties. The company's actual results may differ materially from the projections described in such statements. Factors that might cause these differences include, but are not limited to, those discussed in our Forms 10-Q and 10-K, as well as other filings with the SEC.

We encourage you to review our GAAP financial statements in addition to today's presentation. Much of the information that we will discuss during today's call will relate to non-GAAP financial measures. Our GAAP and non-GAAP financial measures, including reconciliations are included in our earnings release and the appendices of our presentation materials and in our SEC filings. -- on the business. Andrew will cover our results for the fourth quarter and full year of 2025, as well as our financial outlook for the first quarter of 2026.

Stephan will then return for closing remarks. We will then take your questions. Now I would like to turn the call over to Sensata's Chief Executive Officer, Stephan Von Schuckmann.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Thank you, James, and good afternoon, everyone. Let's begin on slide 3. As I typically do at the start of our earnings calls, I would like to begin today with an update on Sensata's transformation journey. Throughout the year, I've spoken about our transformation -- operational excellence, capital allocation and growth, along with the various initiatives which underpin them. These key pillars for value creation are fundamental to everything we do.

Initiatives that we discussed this year are simply building blocks, laying a foundation and withheld our future. As we enter 2026, I'm proud of the work we did to put those building blocks firmly in place, and I'm excited to share more about -- moment to acknowledge the magnitude of what we accomplished this year and to thank the Sensata team for their tremendous work.

Our team demonstrated resilience and determination to perform continuously overcoming the many challenges that came our way, and always delivered on our commitments. I'll share more proof points in a moment, but at a high level, as we reflect on the year, the outcome of our 3-pillar approach is compelling. With our focus on operational excellence, reported results, at or above the midpoint of our guidance ranges every quarter this year. With our focus on capital allocation, we created urgency to improve cash generation reducing both gross and net leverage, and returning capital to shareholders.

And with our focus on returning to growth, we overcame structural challenges in our business and end market mix ultimately returning to outgrowth in the second half of 2025, and returning to revenue growth in the fourth quarter. We have a structured way of working, starting with a measure-based approach to prioritize hitting our targets. The compound value over time, we continuously raise the bar setting new targets incrementally higher than the previous ones. This way of working is now ingrained in our organization and is embedded in everything that we do. Maintaining this rigor requires determinant resilient leadership.

Let's turn to slide 4, as I would like to highlight the industry-leading executive team we have assembled over the past year. Our leadership team is a balanced mix of new talent with best-in-class industry experience and proven Sensata of performance. The team has demonstrated that, that will rise to meet the challenge of the moment, and I'm confident that we have the right team in place to lead us through the next phase of our transformation journey. With that, let's turn to slide 5, and I'll share a bit more about this past year's transformation. This year's performance demonstrates not only the progress we made.

It also sets a benchmark for the organization we expect to be. We finished 2025 with a strong fourth quarter, capping off a year in which we met or exceeded our expectations across each of our key metrics for four consecutive quarters. The results are proof points for the progress we made across each of our key pillars. Let's start with operational excellence. We exited the year with Q4 adjusted operating margin of 19.6%, representing 30 basis points of year-over-year margin expansion despite headwinds from tariffs.

With that strong finish in 2025, we delivered on our commitment of 19% adjusted operating margin for the year. This was a major inflection point for us, and it was the first year since 2021, with our year-over-year margin contraction. This is a testament to the resilience we have installed in this business and the seriousness with which we take our commitment to our margin floor of 19%. Free cash flow has been an area of significant focus, and we believe our progress is a leading indicator of the impact to come from the operational improvements we are making. We made significant strides in improving free cash flow this year, generating a record \$490 million at a 97% conversion rate.

This conversion rate was an improvement of 21-percentage-points from prior year and is significantly higher than any year in our history, aside from the abnormal 2020 pandemic year. With our strong free cash flow, we accelerated value creation through our capital allocation pillar, returning \$191 million to shareholders through buybacks and dividends, while also retiring \$354 million of long-term debt in the fourth quarter. Our net leverage now stands at 2.7x trailing 12 months adjusted EBITDA, and with \$573 million of cash on hand as of December 31, we have ample liquidity. Our third key pillar is growth. In our long-cycle business, the initiatives we took this year to drive growth will show up in the quarters and years ahead.

And we're already seeing compelling signs of progress. We delivered on our commitment to return to our growth in the second half of 2025, outgrowing production in Q3 and delivering 4% organic growth in Q4. With this progress, we are doubling down on our growth mandate moving forward. I'm tremendously pleased with the transformation that we've executed this year and the value we created in our first year on this journey. I also want to be clear that we are not done.

What we have accomplished sets the foundation for an even brighter future. I'm excited to share more about the next phase of our transformation. Turn to slide 6, and I will start by more clearly defining Sensata. Sensata is a uniquely diversified business. We sell sensing and electrical protection products into multiple end markets with automotive being our largest market.

This, as at times, creates confusion. Some see Sensata as an automotive business with exposure to other end markets. Others see Sensata as a diversified industrial business with outsized automotive exposure. None of you is entirely accurate. As we look towards the next phase of our transformation, we reconsidered how we are organized.

We look at factors such as business cycles, market cycles, customer mix and go-to-market strategy. After careful evaluation, we reorganized Sensata to three operating segments, each with a distinct mandate for value creation and growth. These three segments are Automotive, which was approximately 57% of 2025 revenue, Industrials, which was approximately 21% of 2025 revenue, and Aerospace, Defense and Commercial Equipment, which is approximately 22% of 2025 revenue. Each operating segment is aligned to market verticals that are clearly delineated by customers, sales channels, growth drivers and business cycles. Automotive is a relatively mature end market with a limited underlying production growth, making this a market outgrowth driven segment.

We enjoy high volumes and revenue certainty -- to underlying vehicle production because our products are designed in on long-lived vehicle platforms. We outgrow production by increasing our content on vehicle platforms and by positioning the business to succeed on all propulsion technologies. Our ability to -- regardless of propulsion type is an enviable position in the automotive market compared to many of our peers and competitors who are levered primarily to either ICE, or E. This also positions us to grow in all geographies despite delivering powertrain trends. Industrials is a highly diversified and primarily short cycle business with a mix of direct to OEM distribution channel and project-based sales.

Our Industrial segment includes derivatives of sensor products from our other end markets, as well as products developed specifically for industrial applications, such as gas leak detection and certain electrical protection devices. Because the industrial segment is so diversified, it offers the most growth opportunity in terms of new applications, or markets for our products. This includes several areas with secular growth such as thermal management, grid hardening and data centers. Aerospace, defense and commercial equipment is also highly diversified, but is more long cycle and platform-driven. The end markets we serve include commercial aviation, defense, commercial trucking, construction equipment and agricultural equipment.

-- significantly longer than in automotive, often spanning multiple decades. The applications for our products typically support long service lives often in harsh environments, leading to much higher specifications and their premium price point for higher durability. Each of the markets we serve in this segment experienced cyclical growth. Cyclicity is influenced by macroeconomic factors, as well as by government policies such as defense spending, environmental standards, tax incentives and farm subsidies. As a result, we see a confluence of different cycles, often affording us the flexibility to manage the segment by balancing contracyclicity.

Historically, the market thought of Sensata is having high automotive concentration and therefore, being a market outgrowth business in a low growth market. Sensata's growth history, as to a certain extent, reinforced that view. As we think about value creation moving forward, we see a much wider field of opportunity which is best summarized in our 3-part growth framework. Let's turn to slide 7. First, we design, produce and sell sensing and electrical protection products in multiple end markets, each with the different growth dynamics I just described.

Second, we leverage our automotive scale and pedigree to our advantage. The high volumes and production certainty afford us the flexibility to manage through market volatility in our other end markets while underwriting growth investments. At the high quality and delivery standards in automotive enable us to win in other markets. Third, we use the common characteristics of our most successful programs to

set -- guardrails for new business opportunities. That means we stick to our core products and technologies, while focusing on high-volume platform-driven business opportunities, serving mission-critical or regulated applications.

As we develop growth strategies for each of our segments, we have been disciplined about filtering the market for growth opportunities that fit this framework, and we're excited about the opportunities we see. With that, I would now like to offer a glimpse into the next phase of our transformation, accelerating value creation by delivering growth in each of our segments. Let's turn to slide 8, and I will discuss our automotive segment, where our mandate is to foster our core business while delivering growth across all --. Recently, we have seen content accretive business opportunities on plug-in hybrid vehicles, or [PFS], and extended -- electric vehicles or [ERAS].

As vehicle type is particularly attractive for Sensata. Allow me to illustrate as we turn to slide 9. Approximately off of the dollar value of content that we have on a traditional ICE vehicle is outside of the powertrain and thus is still relevant on an EV. This includes sensor sockets in air conditioning and brake systems, as well as tire pressure sensors. On a typical EV, we see these same sensor socket, as well as additional content opportunity from electrical protection sockets in the electric power drain and charging architecture.

In aggregate, our content per vehicle opportunity on an EV is approximately -- ICE. In between ICE and EV are various hybrid platforms. -- hybrid will look more like an ICE vehicle while a plug-in hybrid, or range extender, will be more like an electric vehicle. Let's turn to slide 10 to unpack this further. In an automotive market that is expected to be approximately flat.

[PF] and [RF] production is expected to grow 17% and over the balance of the decade, we expect a 12% CAGR for these vehicle types. The content potential on a plug-in hybrid or range extender is attractive due to the availability of all three socket categories. ICE powertrain, high-voltage electrical protection, and sensor content outside of the powertrain. As these vehicles win in the market, we expect that will emerge as a meaningful outgrowth driver for us and yet another proof point for our competitive advantage in not being indexed to any propulsion technology. Now let's turn to slide 11 and take a look at Industrials.

Our Industrial segment has a strategic mandate to deliver growth across three key technology areas. Power and peak management, thermal management and electrical protection. We see demand over these products in multiple areas, including HVAC, appliances, buildings and microgrid. One of the most compelling growth vectors is data centers, and I'd like to briefly kick down to share more about where we see opportunity. Let's turn to slide 12.

In the past, we have shared that we have some content in data centers today, but that we are underpenetrated in this market. These opportunities span our key industrial product areas. As you can see illustrated on this page, the content opportunity inside the data center is significant. Turning to slide 13. There are meaningful opportunities outside the data center as well.

One of our growth initiatives in 2026 is to expand our share in data centers. What I can share today is that in the fourth quarter of 2025, we stood up an initiative to deliver growth in data centers. We reallocated some of our top performers to the critical growth initiative. And as we demonstrated in 2025, we take execution of our initiatives seriously. I look forward to sharing positive updates here as the year progresses.

Lastly, I will discuss our Aerospace, Defense and Commercial Equipment segment, starting on slide 14. We serve multiple market verticals in the segment, which can be grouped as aviation, ground transportation and off-highway equipment. We have a dual mandate for this segment to position the business, to weather market cycles and to grow our aerospace and defense business into a more meaningful part of the portfolio. We see ample opportunities for revenue growth in the super cycle that is developing across both commercial aviation and defense. With that, again, I will briefly kick down to share a bit more about where we play and where we see opportunity.

Let's turn to slide 15. Aerospace is one of our smaller and often overlooked market verticals today, yet it is one of the -- of our portfolio with high margins and outstanding growth potential. Earlier, I talked about our automotive pedigree. In aerospace, pedigree matters too. Being in-flight on commercial airlines is the gold standard, and we're [in fly] today.

Both -- and aircraft circuit breakers. Given the backlog for commercial aircraft, we expect meaningful growth from this part of our portfolio. With increased defense spending as a key secular trend, let's turn to slide 16 and take a look at their sector. UAVs of a high-volume

platform-driven opportunities for both sensing and electrical protection products, perfectly aligned to the growth framework I described. We look forward on future calls to sharing more about our progress on accelerating growth in this key end market.

With that, I will now turn the call over to Andrew to offer more insights on Q4 and full year results, as well as to share our outlook for 2026 and guidance for the first quarter.

Andrew Lynch - Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer

Thank you, Stephan, and good afternoon, everyone. Let's begin on slide 18. As Stephan mentioned earlier, 2025 was a transformative year for us as we rolled out new initiatives framed around three key pillars. Our Q4 and full year results are proof points for the progress we made. We reported revenue of \$918 million for the fourth quarter of 2025, which exceeded the midpoint of our guidance range by \$13 million.

Fourth quarter revenue represented an increase of \$10 million, or approximately 1%, compared to \$908 million in the fourth quarter of 2024. This was the first year-over-year quarterly revenue increase since the first quarter of 2024. On an organic basis, revenue increased approximately 4% year-over-year in the fourth quarter. We delivered adjusted operating income of \$180 million and adjusted operating margin of 19.6% in the fourth quarter of 2025, an increase of 30 basis points, both sequentially and year-over-year. Adjusted operating margin was diluted by approximately 30 basis points due to approximately \$15 million of zero margin, pass-through revenues related to tariff recovery.

Excluding the dilutive impact of tariff pass-through, fourth quarter adjusted operating margin increased by 60 basis points year-over-year, and 40 basis points sequentially. Tariff pass-through revenues did not meaningfully impact sequential performance as we recorded similar levels of tariff cost and pass-through revenues in both the third and fourth quarter of 2025. Adjusted earnings per share of \$0.88 in the fourth quarter of 2025 increased by \$0.14 year-over-year as we delivered on our margin expansion plans. Adjusted net income was \$130 million in the fourth quarter of 2025 -- approximately 16% year-over-year. We recorded approximately \$50 million of restructuring related and other charges in the fourth quarter.

While these charges primarily related to our ongoing transformation efforts, they also included approximately \$16 million -- related to an electric vehicle program cancellation by an OEM customer. These costs were excluded from our non-GAAP financial metrics. Now let's turn to slide 19 to review our financial performance for the full year 2025. 2025 revenue was \$3.70 billion, compared to \$3.93 billion in 2024, a decrease of 6%, primarily due to our previously disclosed divestitures and product life cycle management actions. On an organic basis, revenues were approximately flat year-over-year against the challenging market backdrop.

We delivered \$705 million of adjusted operating income in 2025, which was a decrease of 6% from \$749 million in 2024, primarily due to lower revenue. -- flat to 2024 despite the 6% lower revenue as our productivity gains offset any deleveraging impacts. 2025 adjusted operating margin was diluted by approximately 20 basis points due to approximately \$40 million of zero margin pass-through revenues related to tariff recovery. Excluding the dilutive impact from tariff recovery, 2025 adjusted operating margin increased by 20 basis points year-over-year. 2025 adjusted earnings per share of \$3.42 decreased by \$0.02 year-over-year, and 2025 adjusted net income of \$503 million decreased by approximately \$16 million year-over-year -- due to product divestitures. Adjusted net income as a percentage of net revenue increased by 40 basis points year-over-year, from 13.2% in 2024 to 13.6% in 2025. Now let's turn to slide 20 to discuss our free cash flow performance. We delivered record free cash flow of \$490 million in 2025, an increase of 25% compared to 2024 free cash flow of \$393 million. Free cash flow conversion was 97% of adjusted net income, an increase of 21-percentage-points year-over-year.

In 2025, we reduced net leverage from 3.0x trailing 12-month adjusted EBITDA as of December 31, 2024, to 2.7x as of December 31, 2025. In the fourth quarter, we took advantage of favorable bond market conditions [higher] \$354 million of our long-term debt. In connection with this transaction, we recorded a net gain of approximately \$3 million, which we excluded from our adjusted operating results. Turning to slide 21. We returned \$191 million to shareholders in 2025, which consisted of \$121 million in share buybacks, and \$70 million in dividend payments.

Last month, we announced our first quarter 2026 dividend of \$0.12 per share payable on February 25 to shareholders of record as of February 11. Our capital allocation strategy continues to prioritize deleveraging as a means to compound value for our shareholders. ROIC in the fourth quarter increased to 10.6%, which is an improvement of 40 basis points year-over-year compared to the fourth quarter of 2024. Now let's turn to slide 22, and I will walk through the results for our segments for the fourth quarter of 2025. In connection with the reorganization that Stephan described, our reporting segments are now automotive, industrials and aerospace, defense and commercial equipment.

This new segmentation reflects a reorganization of our business and leadership to align with our strategic imperatives, and to most effectively execute our strategy. With this new reporting structure, we look forward to giving investors enhanced visibility into our business results and the ongoing progress of our transformation journey. Growth is an increasingly important metric for us as we move to this next phase of our transformation journey. We were pleased that each of our segments delivered year-over-year organic revenue growth in the fourth quarter. Automotive segment net revenue was \$527 million in the fourth quarter of 2025, a decrease of approximately 1% year-over-year on a reported basis, primarily due to product divestitures.

Organically, revenue increased approximately 1% year-over-year, which was approximately in line with the market. Segment adjusted operating income was approximately \$129 million in the fourth quarter of 2025, or 24.4% of segment revenue, representing year-over-year margin expansion of 100 basis points. Industrial segment net revenue was \$191 million in the fourth quarter of 2025, an increase of 6% year-over-year on a reported basis, and 8% organically. This strong year-over-year growth was driven by continued growth in our gas leak detection business. Segment adjusted operating income was \$59 million in the fourth quarter of 2025, or 30.9% of segment revenue, representing year-over-year margin expansion of 620 basis points.

Finally, aerospace, defense and commercial equipment, segment net revenue in the fourth quarter of 2025 was \$199 million, which grew approximately 4% year-over-year on a reported basis, and 7% organically. Segment adjusted operating income was approximately -- or 28.1% of segment revenue, representing year-over-year margin expansion of 310 basis points. Adjusted corporate and other costs include higher variable compensation costs associated with the improved segment performance. Before we get to our guidance for the first quarter of 2026 and outlook for the year, I will share what we are seeing in our end markets. Let's turn to slide 23.

In automotive, we saw Q4 light vehicle production growth of a modest 2%. For the year, we saw light vehicle production growth of nearly 4%, with market in China growing 10%, while production in the West, where we have higher content per vehicle, decreased by 1%. Looking ahead to 2026, we expect global light vehicle production to be flat to down 1%, with similar trends across each region. In Q1, we expect global light vehicle production to decrease by 3% to 4%, and then we expect modest year-on-year production growth each quarter thereafter. In our Industrial segment, 2025 GDP growth was just under 2% in the West, and just over 4% in Asia.

We expect similar regional growth differences in 2026 including in the first quarter. Our industrials business is primarily indexed to housing, construction and HVAC, and we continue to see soft end market demand and limited year-on-year market growth, as the market works through the drawdown of inventory that was built up in response to tariffs and regulatory changes. We expect this drawdown to continue through the first half 2026, and we are optimistic that market expectations for lower interest rates set up a second half recovery. In our Aerospace, Defense and Commercial Equipment segment, North America on-road truck production decreased 26% year-over-year in 2025, and decreased 22% in the fourth quarter. We are expecting similar decreases through the first half of 2026, followed by modest recovery in the second half, with an overall production decrease in the mid-single digits for the year.

However, as this end market recovers in the second half of 2026 and ramps sequentially from the first half, it will be margin accretive for us. In aerospace and defense, we saw low single-digit blended growth for both Q4 and full year 2025, and we are expecting similar growth throughout 2026. With that, let's turn to slide 24, and I will walk through our expectations for the first quarter of 2026. We expect first quarter revenue of \$917 million to \$937 million. Adjusted operating income of \$168 million to \$175 million.

Adjusted operating margins of 18.4% to 18.6%, adjusted net income of \$118 million to \$125 million, and adjusted earnings per share of \$0.81 to \$0.85. At the midpoint of our guidance range, we expect year-over-year revenue growth of approximately 2%, year-over-year operating income growth of approximately 3%, year-over-year adjusted operating margin expansion of 20 basis points, and year-over-year EPS growth

of \$0.05 per share. At the midpoint of our guidance range, we have assumed approximately \$12 million of tariff cost and pass-through revenues (technical difficulty) our guidance and tariff assumptions are based on trade policies and tariff rates in effect as of February 18, 2026, and do not incorporate any impacts from potential changes to trade policies. As we discussed last quarter, our Q1 guidance range reflects Q4 to Q1 margin seasonality related to the timing of customer pricing, supply chain productivity and inventory turns. We have taken measures to improve this dynamic, which is reflected in the 110 basis point step down at the midpoint of our guide, compared to the approximately 200 basis points experienced during the reference period of 2015 to 2019.

Similar to 2025, as we expect margins to normalize to 19% or better in the second quarter, and then expand each quarter thereafter. While we are not providing full year guidance, I would like to share some early thoughts on our outlook for 2026. We currently expect low single-digit year-over-year revenue growth. We expect to participate in market growth in both our industrial and aerospace, defense and commercial equipment segments, and we expect to deliver market outgrowth in our Automotive segment. Precious metals pricing has emerged as a headwind for us to mitigate in 2026.

Our most significant exposures are silver, gold and platinum, all of which we hedge, affording us time to work through pricing with our customers. With the work we did to mitigate tariffs last year, we developed a toolkit of measures, which we are now deploying to manage precious metals inflation. We do not see risk to our Q1 guide associated with metals. On a full year basis, we expect to offset any precious metals headwinds through a combination of supply chain optimization, product redesign, and pass-through of these costs to our customers. Our cost recovery muscle is well developed, and we take margin resilience seriously.

We reiterate our annual margin floor of 19%. However, we are targeting margin expansion of at least 20 basis points on a full year basis. Finally, with respect to free cash flow. We were thrilled with our 2025 free cash flow performance, converting at 97% of adjusted net income, which allowed us to accelerate the execution of our deleveraging plans. As we look ahead to 2026, we may see slightly lower free cash flow conversion than what we delivered in 2025, particularly in the first half of the year.

First quarter seasonality is impacted by variable compensation payments related to prior year performance, which in 2026, are approximately \$20 million -- than they were in 2025 due to the stronger underlying performance. We have a (technical difficulty) in first and third quarter. Consequently, we expect Q1 free cash flow conversion to be our seasonally lowest quarter, and likely below our 2025 results, primarily due to the higher variable compensation payments. On a full year basis, we are targeting performance in the high 80s, well above the 80% floor that we established last year. With that, I will now turn the call back to Stephan.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Thank you, Andrew. Let's turn to slide 25, and I will make a few closing remarks. I'm tremendously pleased with the 2025 results that Andrew just shared. We are in the early stages of what we expect will be a multiyear transformation journey. However, these results are evidence of just how significantly our business has changed for the better in such a short period of time.

As we look ahead to 2026, we're in a fundamentally different place than we were a year ago. We have built an organization that is intensely focused on execution, and we have adopted a highly structured way of working. We start with KPIs that are designed to create value. We underpin those KPIs with targets that are benchmark driven, always against best-in-class performance. For each target, we define metrics, against which we regularly evaluate progress.

And behind those metrics are a pipeline of measures each with accountable owners. The structured style of working is deeply ingrained in our organization. While 2025 was indeed a compelling proof point that our approach is working, maximizing value creation must always be our goal. Unlocking value means continuously raising the bar. As we turn the corner into 2026, we must build upon the foundation we laid in 2025.

We have taken bold steps to do exactly that. We have reorganized our business (inaudible) growth and end market characteristics and specific growth mandates. We developed a clear framework to which to pursue growth and we installed the right leadership team, including new

segment leaders to execute the next phase of our transformation journey. As with everything we do, the goal of this transformation is value creation. And that is how we will measure our success.

I could not be more excited for what is ahead. The future is bright, and I look forward to updating you on our progress along the way. I'll turn the call back to James for Q&A.

James Entwistle - *Sensata Technologies Holding PLC - Senior Director, Investor Relations*

Thank you, Stephan and Andrew. We will now move to Q&A. In order to ensure adequate time for all participants to ask a question we will limit each participant to one question. Should you wish to ask a follow-up question, please -- to the queue. Operator, please introduce the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Wamsi Mohan, Bank of America.

Wamsi Mohan - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Yes, thank you so much. Stephan, given the transformation underway where you made a lot of progress here, can you just talk about how you see the longer-term revenue potential of the portfolio? I appreciate your 2026 guidance that you have given. But how should investors think about the ultimate, like, revenue growth potential here over a longer period of time, especially since you have emphasized how key that is to your strategy?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Hi, Wamsi, Thanks for the question. So I think it's very important to mention that the overall growth opportunity that we've shown you on this slide today and especially in the call and in the different segments. That is real. So it's definitely real growth. We have different products, different solutions for each segment.

We feel that's real, and that's definitely also the next building block of value creation. Secondly, we have a very clear growth matter per segment. And also equally important to mention we have the right team in place to execute this growth. So we've had our -- points, as we've mentioned in the call, and Sensata has returned back to growth in the second half of 2025. And additional to that, we have a broad opportunity for growth across all products and all segments.

So if you ask me I feel really good about the growth opportunities that we have in 2025, and I feel equally optimistic around the growth opportunities that we've shown in each and every segment in 2027 and onwards.

Yes, there's still a lot of work to do. And we still need to penetrate some of these markets and some we're in like I've mentioned, but I feel very confident that we're on a good track and I feel very confident about growth going forward, 2027 and onwards.

Operator

Joe Giordano, TD Cowen.

Joe Giordano - *Cowen and Company LLC - Analyst*

Hi guys, thanks for taking my question. Look, I think you guys explained the segmentation well in terms of like thought process behind it. My first initial thought when I saw it was, okay, two of these segments are fairly small. And this is a company like focused on efficiency. So Stephan, can you talk to me how you balance like, okay, now we have three reporting structures, three presidents. You kind of add a little like -- I don't want -- bureaucracy is the wrong word there, clearly.

But like you had more kind of fixed structure there. How do you weigh that against what you're getting by separating it this way?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

I'll let Andrew start on the fixed cost to actual part on the overhead and -- jump in on.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Yes. So Joe, I mean, just from a cost perspective, you're right, we've added a little bit of cost to the overhead structure here in our corporate costs and we expect that to be sort of the normalized run rate moving forward, take variable compensation costs out. That was a little higher in Q4. But in general, we expect the second half run rate to sort of be our normalized run rate moving forward. We expect that to pay for itself.

I mean the expectation is that that's an investment. And with that investment will drive growth and margin expansion in each of our segments that more than offset that incremental cost. And I'll let Stephan talk to the thinking around strategy here.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Exactly. So Joe -- -- the resegmentation, and we mentioned it in the script, is all about value creation. And we've been executing, which is the first -- around value creation. But if you look at the second building block, which is everything around growth, we felt that with this segmentation, this gives us this level of opportunity and allow me to order benefit strategically. So the resegmentation is anchored in our end markets, and I think that's very important around value creation.

It also reflects how we structurally manage and operate the business at Sensata, despite now having three instead of two segments. What it also does, it strengthens alignment with our strategic pillars, so driving focused growth and again, operational excellence, which was a focus in 2025, and does is by recognizing the distinct characteristics and value drivers of each segment. That alone is for me, value-creating -- and define accountability supported by designated leadership, which is responsible for executing these very segment specific strategies. So that's our path to value creation by splitting up into three segments coming from two in the past.

Operator

Mark Delaney, Goldman Sachs.

Mark Delaney - *Goldman Sachs Group Inc - Analyst*

Hi team, you have a bond on for Mark.

Thank you for taking the question. The company mentioned that they're targeting, low single-digit outgrowth in the auto segment in 2026. And you previously talked about targeting bookings with domestic OEMs in Asia and China. Can you maybe talk a little more about how

those bookings with the domestics have been tracking and to what extent that and other factors are underpinning the low single-digit outgrowth expectation in 2026? Thank you.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Yes. Absolutely. Thanks for the question. You want to start?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

So let me jump in first and then Andrew -- ahead. So to the point in winning a [dental] business in Asia. Let me expand the following way. So since the last call -- so let me start -- So what we've -- what we've done, and this has been very supportive in the business development in these last couple of months. First of all, we've strengthened our Asia team from an organizational point of view.

So we've implemented a [China] President, and you saw that in the beginning, a gentleman called Jackie. Jackie has been highly successful within China and winning new business. And since the last call that we had together, Jackie has one additional business, specifically with Chinese OEMs. So it's been very successful, and I feel very bullish about that. We've been -- we've been winning business with contactors, but also with other content around sensing.

And it's been a great part for us, utilizing our plants and -- with broad business wins. Now addition to that. So if I look at the -- allow me to look at the region, maybe a little bit more from a broader perspective. We've also won good business in Japan. And let me give you one specific example.

So we have doubled (inaudible) in these recent months. We've actually just been in Japan, and it was very, very good to see what the team has won there and exciting to see that. And then I've actually -- while I was down there, I traveled over to South Korea, to meet our team in South Korea and when we also won good business with customers in South Korea. So -- and think about it from this point of view. The content per vehicle of the business that we've now won in South Korea, local customers has exceeded the North American OEM content, and content per vehicle.

That is obviously traditionally the highest content per vehicle for Sensata, and we've now managed to exceed that in South America. So overall, I think we've made good progress there. Look, again, a lot of work to do, and we have a great ambition for 2026 to win for the business, but I'm very, very happy with the progress that we've made in China, in Japan and South Korea overall Southeast Asia. But Andrew, any point you want to add on?

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Yes. I'll just add on the content per vehicle dynamic. As you noted, we had a challenge earlier in the year with our mix and our exposure to local OEMs. The enabler for us returning to outgrowth in Q3 was effectively that we've overcome that headwind. We've won enough business with local OEMs in China that if you take the top 10 to 20 OEMs in that market and compare them to the multinationals where we've historically had really strong content we're effectively at parity.

And so we've overcome that mix headwind in China, which has enabled us to outgrow that market in the back half. And then more broadly, the automotive market as a whole we saw production start to normalize in the sense that China was not outgrowing the broader market by such a rate that made it impossible to outgrow the market. And we expect similar in '26. We expect market growth across regions to be more or less similar. And so our content difference in China will be less relevant because of the similar market growth, in each region.

Mark Delaney - *Goldman Sachs Group Inc - Analyst*

Appreciate the call thank you.

Operator

Robert Jamieson, Vertical Research.

Robert Jamieson - *Vertical Research Partners LLC - Equity Analyst*

Hi, thank you for taking my questions. Just wanted to focus back on the new segment structure. And I think the separation obviously makes a lot of sense. And as Joe alluded to, there's obviously some costs that come with that. But as we think about this as we go forward, does this essentially help you become more nimble from an organic reinvestment standpoint in the different segments where you see fit, given you have dedicated leadership and potentially have them have a higher ability to capture opportunities as they arise more quickly to drive growth through the cycle. Like particularly given the focus on winning with the right products and customers across the portfolio.

Is that the right way to think about part of this change?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

To keep it short, that's exactly the right way to see it. That's exactly the thinking behind it. Each segment that we've defined is unique for itself. And each segment has ample opportunity for growth. And with a very strong and new leadership team in place, and we feel very confident that we can generate value by doing that.

I think this is -- you summarized it very well.

Robert Jamieson - *Vertical Research Partners LLC - Equity Analyst*

Okay. Perfect. And then sorry, just one quick follow-up there, too. Stephan is, as you've traveled quite a bit across the globe, any new learnings or areas of focus outside of what you've discussed today that you'd like to improve upon just across any of the new segments.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

So one big learning is, especially now that I've also been to Southeast Asia I met my teams in Japan and Korea (technical difficulty) to be open, I'm even more confident with what I see and the strong team that we have and the capabilities that we have. This is really, I think, something that stands out with Sensata in comparison to others. When I travel to Japan, we have a long, long-standing team with a great amount of experience. I've been with the company for many years. So they know exactly how to generate business and how to generate value there with the right guidance, and with the right leadership now in place and especially with the new team, I really feel good about that.

So that's basically been a reconfirmation of what I have seen in other areas that I visited, for example, in China, which we see a similar picture. Or even in Mexico and other reasons, I want to can't list them all up now. But that's been very encouraging. And I think that foundation gives us the opportunity around value creation and growth and everything that we have ahead of us.

Robert Jamieson - *Vertical Research Partners LLC - Equity Analyst*

Excellent. Thank you so much.

Operator

Joseph Spak, UBS.

Joseph Spak - UBS AG - Equity Analyst

Thanks, good afternoon, wanted to touch, Stefan, on, some of the opportunities you mentioned in the data center, and I know you have some content in that side. As you highlighted on the slides, and some of it actually looks new for '26. But I guess the question is, as you sort of formed this team to focus more on the opportunity, is that expected to deliver mostly organic results? And if so, is that leveraging existing tech and finding new uses? Or does that mean new R&D?

Or will there be some inorganic opportunities potentially that present themselves? And then I guess just a quick side to that as well. Like I know you've taken like almost \$400 million of write-downs on Dynapower. But were those -- were any of those asset write-downs, meaning that if you start to leverage that tech for these opportunities, the margin accretion could be quite good?

Stephan von Schuckmann - Sensata Technologies Holding PLC - Chief Executive Officer, Director

Thanks for the question. Let me elaborate a bit how we see data centers and what organic growth opportunities we have with them. So I think, first of all, very important to mention that we -- that our products are in data centers today. So in existing data centers that are up and running. And I say that for products that are both inside data centers, and outside of the data centers.

And that's really broad. So inside data centers, we're talking about electrical protection. So we're talking about circuit protection, circuit breakers, fuses, content. Those are all existing products, think of sensing. So pressure and temperature sensing, think of refrigerant leakage detection and so on.

Those are all existing products within data centers today. They are designed in hyperscalers have designed those Sensata products into data centers that exist. The same applies to products outside of data centers or Sensata products outside of data centers. So we're talking about power and peak management, which is converters, inverters. We're talking about electrical protection.

So our contact is motor protection and so on. So these are all existing products inside of the data center. That's very important. So this is all organic growth if we grow with -- if data centers are growing, we grow with them if they're designed into the concept. Now beyond that, it's still within the range of organic growth.

We're also designed into future data center concepts. So you have the hyperscalers that specify the Tier three components. And basically, once they specified and once they're approved, they designed into these future -- designed into future data concepts with certain hyperscalers. So not all, but with certain. And on the other hand, we're in deep discussions with others.

So we obviously have the ambition within 2026 to try and get designed into most hyperscaler concept of the Googles and Amazons and Metas and so on. And now beyond that, we want to leverage our sensing capabilities to develop further unique products to broaden the product portfolio that we have today, everything that I've just mentioned, which is organic growth. We're going to broaden that. And that is related to own R&D. And you could see on some of the slides, that's, for example -- one example is flow sensors.

So that's within our own development we're going to design a specific flow center for data centers, and we're going to design that into the future data centers that we we're currently discussing. So that's just -- that's it. And then we have -- within data centers, we have specific focus areas like liquid cooling for data center racks, but we feel we have a very competitive position. So overall, strong position with existing products -- a lot of years for future products that we're currently working on, and that will give us ample opportunity to grow within the data center segment market.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

And on the Dynapower question, just to add some clarity there. So the charge that we took was a goodwill impairment charge. And so we won't see any margin -- for that example. But I think it does raise an important point, which is when we think about margin expansion and productivity and we're focused on real margin expansion. And so when we say we're looking to expand margin at least 20 basis points next year.

We're focused on doing that through a combination of improved volume and volume leverage and productivity. One of the things that will help margins over time is the fact that we've gotten more disciplined about our capital expenditures and deploying flexible line concepts to keep CapEx lean, and we expect that will show up in lower depreciation expenses over time. What our focus is on real margin expansion and not write-offs.

Operator

Luke Junk, Baird.

Luke Junk - *Robert W. Baird & Co Inc - Analyst*

Good afternoon. Thanks for taking the question. Just curious about a couple of the newer areas that you on earth tonight specifically data center and defense. Just wondering if you'd be able to speak to materiality for both of those in terms of percentage of sales today? And then just as we're trying to think about the growth file potential. I don't know if you could speak to any historical growth in terms of recent growth trends or maybe put a finer point on some of the opportunity from here? Thank you.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Sure, Luke. I'll take the first part of that question on the size of the segment. So the Aerospace, Defense and Commercial Equipment segment in total is about \$800 million of revenue on an annualized basis. If you break that down, there's obviously multiple market verticals that we serve within that segment. I'll give you sort of a high-level breakdown.

About 40% of that is on-road truck across the three key regions that we serve there. Another roughly 25% tied to the construction end market. Another roughly 10% tied to the agricultural market. The balance of that segment would be in other off-road vehicles as well as commercial aviation defense market distribution. Those all break down pretty equally in sort of the 7% to 10% size range each so pretty diversified.

And within those, we see the highest growth opportunity from end markets in commercial aviation and defense given the higher level of spend. And then on top of the end market growth opportunity, there's obviously opportunity around new content that we called out, and I'll turn it over to Stephan to talk a little bit more about the growth that we see.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Exactly. So let me explain the growth opportunity around defense in a bit more detail. So I think it's important to mention we also said it in the script. We're obviously in a period of a super cycle growth and U.S. defense spending.

And Sensata is a fantastic opportunity to participate in this growth. And today, there are multiple defense -- helicopters, ground transportation vehicles. These are obviously all strongly growing application. And then we have the emerging UAV, or unmanned aerial vehicle market, where we really see significant growth opportunities. And you also saw in the slide -- and within those UAVs, we already have existing

business with all different types of products in powertrain systems and precision sensing and feedback, flight control and actuation systems, and systems and targeting where we have a broad range of products.

We're in the actual drones or [UOBs] today. And because this market where we expect a double-digit percent CAGR is growing significantly. We feel we're going to participate with our products in that growth.

Luke Junk - *Robert W. Baird & Co Inc - Analyst*

Andrew, would be possible just to break down the Industrial segment as well some -- market standpoint quick?

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Sure thing. Industrials, as you know, is -- we've historically talked about that in terms of commercial versus residential. And I think that split still largely applies. We're focused on those verticals rather than applications like HVAC and appliance like we've previously disclosed. So just give you the breakdown here.

So that resi and -- about 80% of the segment and then the remaining 20% would be the clean energy opportunities that we see around for example, Dynapower power microgrid applications outside of the data center as well as electrical protection components that we sell into grid hardening applications.

Luke Junk - *Robert W. Baird & Co Inc - Analyst*

Got it. I'll leave it there. Thank you.

Operator

Samik Chatterjee, JPMorgan.

Samik Chatterjee - *JPMorgan Chase & Co - Analyst*

Hi, thank you for taking my question. This is MP on behalf of Samik Chatterjee. I just wanted to ask how much of the industrial growth during 4Q was linked -- sorry, during the full year was linked to -- detection sensors and how did the rest of the industrial business track during the year? And also, we'll squeeze in another one. Clearly, you will be launching this flow sensors in 2026. Will that be a similar contribution like the [8 wells] this year? Thank you.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

First part of the question on the size. So we launched -- last year in 2024. We saw somewhere in the order of magnitude -- significantly to about \$70 million in 2025. So you could think of the year-on-year growth is somewhere in the order of magnitude of \$50 million to \$60 million. And then we think that matures at north than \$100 million annualized run rate business as our incremental wins continue to stack and as we see that market mature.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

And let me add to that. So that's actually been a success story in 2025. We've won two major new businesses with OEMs long term with long-term agreements with --. So that's, I think, was a really, really good success in 2025. The team has done a fantastic job to fill our order books, and we have a really high market share in North America.

And what's quite interesting with this business is -- and that was something we also discussed now during the trip in Japan and in Korea. Obviously, depending on regulation, we see great opportunities there as well. And if you're looking at a market size, a same in North America, roughly \$150 million, you see the same amount of a sizable business in Southeast Asia. So in this case, more in Japan and in South Korea. So that's a great opportunity.

And by the way, with A3, similar size of business that we're working on. So great growth in '25, and we're going to see continued growth in '26 onwards and especially in South Korea and Japan comes in, that will be good for us in Sensata.

Operator

Konstandinos Tasoulis, Wells Fargo.

Kosta Tasoulis - *Wells Fargo Securities LLC - Equity Analyst*

Hey guys, thanks for taking my questions. So I'm just going back to the data centers, how long have you guys been working on the opportunity there? And where do you feel the bigger value-add opportunity is? Or where are you more differentiated? Is it more like electrical protection side? Or is it the sensors?

And is that something that could be another -- in terms of dollars look like A2L, the leak detectors in the next year or 2?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

So we've been working on this quite some time. We've spent a lot of time in 2025. We've been intensified our efforts and -- and look, it's pretty broad. So I wouldn't say it's based on a single group of products. We had electrical protection -- it's pretty broad.

I mean we want to -- when we -- when we speak about designing into future data center concept, we don't only want to do that with a specific group of products. We're looking at all opportunities that we have. And all the opportunities that I've just mentioned in this call so inside and outside of data centers. But give us some time, this is developing. And we'll be more precise once we go further through the calls of every quarter.

But it's got a lot of opportunity, and we feel very confident that this could be a significant growth driver for the segment and for Sensata. Thank you.

Operator

Steven Fox, Fox Advisors.

Steven Fox - *Fox Advisors LLC - Analyst*

Hi, good afternoon. I was just curious if you could provide any more color around the segment margins from the aspects of where do you see the most opportunity for margin expansion? And maybe where the incremental margins may differ? Thanks very much.

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Yes. So I mean we're focused on operating margin expansion across all of our segments over time. Now certainly, growth is going to be an element of that operating margin expansion. Higher growth opportunity in industrials and aerospace, defense and commercial equipment, given the stronger underlying market growth that we expect in those sectors over time. So I would say automotive will continue to be -- sort of our -- we'll look to outgrow the market by a couple of percentage points, and we'll look for variable contribution margin in the 20% to 30% range on that business, depending on the product mix and region.

Industrials and aerospace would be similar but with higher growth rates.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

When it gets to strengthening our margins, we don't differentiate between segments. So when we speak about improving productivity, or plant performance irrespective of the individual segment, we do that across all segments. When we speak about reducing product costs, we tackle all our products in everything segment. We don't only focus on specific product per segment. So it's an exercise that we've been pushing very hard in 2025 over all businesses that we have with Sensata -- to do exactly the same, if not even harder in 2026 going forward.

So it's not a specific segment-related exercise is a very, very broad initiative to push on margin movement.

Steven Fox - *Fox Advisors LLC - Analyst*

Great, that's very helpful. Thank you.

Operator

Shreyas Patil, Wolfe Research.

Shreyas Patil - *Wolfe Research LLC - Equity Analyst*

Hey, thanks so much. So looking at Q4, you mentioned organic -- auto organic growth was 1%, but it looks like industry production, was 2%. So it looks like you underperformed the market by about 1 point. You're pointing to low single-digit outgrowth in '26. Just thinking maybe if you could help give us some of the drivers about growth for this year? And are there opportunities to add content in areas outside of the powertrain, such as domain consolidation or autonomy?

Andrew Lynch - *Sensata Technologies Holding PLC - Executive Vice President, Chief Financial Officer*

Yes, sure. I'll take the first part of that question. So a little bit of this is a function of using whole numbers here on the percent. But yes, you're right, the auto production rounds to 2% and our revenue -- Biggest reason for that is, again, regional mix. So if you unpack the growth rates in auto production in the fourth quarter, China grew about 4% year-over-year in Q4.

The -- North America and Europe both decreased by about 0.5%. Korea, where we mentioned we now have even higher content per vehicle, dropped by about 6% year-on-year in the fourth quarter. And so while there was average market growth of of close to 2%. The market mix of where that growth occurred was not in our favor from a content per vehicle perspective. Looking ahead to 2026, as we look at third-party production forecasts, as well as what we're hearing from our customers and seeing in our order book, we're seeing relatively similar growth rates in every region.

And so we don't expect this regional mix dynamic to be meaningful in 2026, and that's important because as the regional mix and growth rates normalize, our underlying content growth will be the true driver of our market outgrowth.

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

Let me add to that. I think you asked a question around growth opportunities. And let me start a bit broad, and I think it's -- in this case, it's important to mention that Sensata is in a really desirable position. It's -- and let me explain that. Let me explain why I call it as a -- position.

Its because we can naturally grow in any region with any type of application, and that's really irrespective of it is -- hybrid or EV related. So what does that ultimately mean? We can follow any pace of electrification. If it speeds up or if it slows down, we will follow that pace. And so take an example -- we have a high push in content.

Andrew mentioned the content increase, for example, in China, strongest towards electrification. We benefit from that. We have doubled the content of an ICE, we win business, that's obviously supports our growth path in China. Around plugin hybrids and -- we also said we have growth potential in that market. I mean, that's actually a strong growing application where we see a 12% CAGR overall.

And if we win business with -- , we will grow with the market, depending where -- are sold the most. So that is another area where we see a content rich opportunity for Sensata to grow.

Operator

Joe Giordano, TD Cowen.

Joe Giordano - *Cowen and Company LLC - Analyst*

Hey guys, thanks. I appreciate the follow-up here. One thing I just want to like a more existential question, I guess. But Sensata in the past got itself into trouble by chasing the shiny thing, right, and then ending up with a bunch of businesses that were subscale. So as you talk about small businesses today into attractive markets like data center and grid hardening and all these things, I think we all appreciate why Sensata would want to chase that. But how do you make a decision to be confident that these are businesses that we should win, that we could participate in profitably and then we can ultimately have scale and kind of prevent the same issues that we all kind of saw years ago?

Stephan von Schuckmann - *Sensata Technologies Holding PLC - Chief Executive Officer, Director*

So I think in this case, it's important that a lot of these products exist really today with Sensata. So these are an existing product range within our portfolio. It could be within auto, there could be within other areas of this. So it's not a new development of a product. Might be a slight adoption of a product, but we have high standards, high-quality products that we can apply out of, for example, auto and apply into other applications, be it data centers.

So I would say, in that case, the risk is manageable. The second thing is, so if you look at our growth framework, that we've set for ourselves. So we say we want to maximize value from our core products, as I've just mentioned, that is maximizing because we're using an existing product portfolio. And then we'll leverage our scale and pedigree. So a lot of these products that are already produced at high scale, where we have existing production line and existing equipment that we can use in this case, no additional assets required.

No additional plant structures required. We use our competitive footprint around the world, and we produce our products as we do every day just for a new type of segment. And then look, we've also defined rigorous standards for this new business. So it's not just an area where we step in, it needs to be high volume. It needs to be platform-driven business.

It needs to be -- need to be mission critical that they need to be regulated --. That's important for us. And they also need to be hard to do application. I think that's also important. So it's not anything that you can copy that easily.

So we have I think a higher standard that we've set ourselves before we enter these markets, or we a new markets within the segments to manage that risk accordingly.

Joe Giordano - *Cowen and Company LLC - Analyst*

Yeah, perfect. That's exactly what the answer I was hoping to hear so thank you guys.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to James Entwistle for any closing remarks.

James Entwistle - *Sensata Technologies Holding PLC - Senior Director, Investor Relations*

Thanks, everyone, for joining today's presentation. This concludes our fourth quarter and full year 2025 earnings conference call. Operator, you may now end the call.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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