THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

ST - Q2 2015 Sensata Technologies Holding NV Earnings Call

EVENT DATE/TIME: JULY 28, 2015 / 12:00PM GMT



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

## CORPORATE PARTICIPANTS

**Jacob Sayer** *Sensata Technologies Holding NV - VP of Treasury and IR*

**Martha Sullivan** *Sensata Technologies Holding NV - President and CEO*

**Paul Vasington** *Sensata Technologies Holding NV - CFO*

## CONFERENCE CALL PARTICIPANTS

**Wamsi Mohan** *BofA Merrill Lynch - Analyst*

**Craig Hettenbach** *Morgan Stanley - Analyst*

**Amit Daryanani** *RBC Capital Markets - Analyst*

**Mark Delaney** *Goldman Sachs - Analyst*

**William Stein** *SunTrust Robinson Humphrey - Analyst*

**Christopher Glynn** *Oppenheimer & Co. - Analyst*

**Rich Kwas** *Wells Fargo Securities, LLC - Analyst*

**Jim Suva** *Citigroup - Analyst*

**Ambrish Srivastava** *BMO Capital Markets - Analyst*

**Jeremie Capron** *CLSA - Analyst*

**Gausia Chowdhury** *Longbow Research - Analyst*

## PRESENTATION

**Operator**

Good morning, and welcome to the Sensata Technologies Holding NV second quarter 2015 earnings conference call. At this time, I would like to inform you that this conference call is being recorded and that all participants are in a listen-only mode. For opening remarks and introductions, I will turn the call over to Jacob Sayer, Vice President of Treasury and Investor Relations. Mr. Sayer, you may begin.

---

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

Thank you, Steve. Good morning, everyone. Earlier today, Sensata issued a Press Release describing its financial performance for the second quarter 2015. If you did not receive a copy, you may obtain it from the Investor Relations section of our website at Sensata.com. As a reminder, this call is being webcast live, and a replay will be available in the Investor Relations section of our website.

Today's discussion will contain forward-looking statements based on the business environment as we currently see it and as such, does include certain risks and uncertainties. Please refer to our Press Release, and our 10-Q and 10-K filings, for more information on the specific risk factors that could cause our actual results to differ materially from the projections described in today's discussion.

In addition to US GAAP reporting, we report certain financial measures that do not conform to generally accepted accounting principles. We believe these non-GAAP measures enhance the understanding of our performance. Reconciliations between these GAAP and non-GAAP measures are included in the tables found in today's Press Release, as well as in the Investor Relations section of our website, under financial reports. Comments made during today's call will primarily refer to our non-GAAP financial results.





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

On the call with me today are Martha Sullivan, our President and Chief Executive Officer; and Paul Vasington, our Chief Financial Officer. We'll hold questions until after our prepared remarks. But, if you would like to get in the queue, please do so by pressing the star key, followed by the number one. I will now turn the call over to Martha to review highlights from the quarter, and trends in the end markets we serve. Martha?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Thanks, Jacob. And thank you all, for joining our second quarter 2015 conference call. Our strategic imperative to win in sensing and drive long-term secular growth for Sensata, remains strong and Sensata continues to deliver on promised double-digit revenue, and earnings growth, for our shareholders. Key highlights for the second quarter include record net revenue of $770 million, an increase of 34% from the second quarter of 2014, including 16% organic revenue growth in the European Automotive end market.

Net revenue and performance sensing grew 51% in the quarter, from the prior year, driven by acquired revenue from Schrader and DeltaTech, and by 6% organic growth. Net revenue in Sensing Solutions shrank by 6%, compared to a strong prior-year quarter and by 8% percent organically, due primarily to a weakening market in China, as indicated by the fourth consecutive month of weak manufacturing PMI data and inventory destocking primarily, impacting the industrial and appliance and HVAC markets.

Record adjusted net income of $125 million, or $0.73 per diluted share, in line with our expectations and adjusted net income margins in our core business continued to expand year on year and Schrader's margins exceeded expectations. New sensor program launches driving content growth remain on schedule. And while certain markets were weaker than expected, primarily China and off-road vehicles, content growth enabled us to deliver 2% organic growth in the quarter.

Given the market backdrop, we've taken action to improve our cost position and deliver profits, in line with our expectations for the quarter. Our revenue from the European Automotive end market grew 52% in the second quarter, as compared to the year-ago quarter, primarily as a result of the impact of the acquisition of Schrader as well as content and market growth, in line with our expectations, offset somewhat by the impact of foreign currency exchange rate movements.

On a constant currency basis, our organic revenue growth from the European Automotive end market was 16% in the second quarter, as compared to the prior year primarily due to content growth, including the impact of the Euro 6 emissions regulations. We believe that we have now benefited from, roughly, three-quarters of the anticipated $80 million to $85 million in annualized Euro 6 related revenue. Third-party forecasts continue to call for modest automotive production growth in Europe, in 2015 and new passenger car registrations are growing, up 8.2% in the first half of 2015 confirming our belief from the beginning of the year, that we would see at least a few points of automotive production growth, this year, in Europe.

In North America, our automotive revenue grew 75% in the second quarter, year on year, reflecting the impact of the acquisition of Schrader, underlying production growth and sensing content growth in the region. Our revenue was up 15% from the year-ago quarter in the Asian automotive market, primarily a result of acquisitions and content growth, offset somewhat by weakness in the end market. Vehicle production in Japan and Korea have been in decline for some time, and this is expected to continue.

In China, automotive and commercial truck sales, and expectations for production growth rates, have slowed. Local sources are now predicting automotive market growth in China, for 2015, to be less than half what it was expected at the beginning of the year. While content growth remains strong in China, as OEMs seek to become compliant with outstanding emissions regulations, we no longer expect to see meaningful production growth there, for the second half of the year.

Our revenue from the heavy vehicle off-road market grew again this quarter, up 48% from a year ago reflecting primarily, the acquisition of DeltaTech controls, offset somewhat by weakness in the off-road vehicle market especially for agricultural and manufacturing equipment, which appears to be contracting at mid teens rate. The on-road market appears to be growing at a low single-digit pace. Organically, our revenue from the HVOR end market was down less than the overall market, thanks to increasing content.





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



Within Sensing Solutions is a small, but growing, industrial sensor unit that serves OEMs in HVAC and industrial markets. Despite market headwinds, Industrial Sensing revenue grew in the quarter from a year ago and was up over 20%, sequentially, driven by content growth from energy efficiency and emissions requirements, that those OEMs need to address.

However, the appliance and HVAC and industrial end markets are primarily served with our electrical protection control products, from our Sensing Solutions business unit. Revenue fell in these end markets, organically, as China broadly weakened, and customers worked down inventory in this weakening economic environment. Control products within Sensing Solutions do not benefit from content growth that drives sensor revenue growth. Consequently, our revenue in the appliance and HVAC end market was down 9% in the second quarter.

For Sensata, the most important driver of organic revenue growth is designing new sensors for applications within automotive, heavy vehicle, HVAC and industrial systems. These new sensor designs drive secular growth for Sensata, fueling organic growth even in years like this one, where markets are now expected to prove a headwind to revenue.

We collaborate closely with OEM customers to identify new applications, driven by energy efficiency, safety and emissions requirements, at early stages of development and then design mission-critical custom sensors that help enable these applications.

As one example of the regulatory requirements that help drive our content growth, during the quarter the EPA and NHTSA jointly proposed Phase 2 of national greenhouse gas and fuel efficiency standards, for medium and heavy-duty vehicles, in the US. These standards are intended to extend the gains made from the Phase 1 program, and will apply from 2018 to 2027.

The proposed Phase 2 standards address on-road heavy vehicles from large tractor-trailers to heavy-duty pickups, vans and buses, and seek to improve fuel efficiency by an average of 20%. The Phase 2 standards will be a meaningful driver of our HVOR business in the US in the coming years and are expected to be a template for heavy vehicle regulations globally.

The integration of our acquisitions is proceeding well. Including the cost of financing and integration, acquisitions were, in total, accretive to Sensata's adjusted net income per diluted share and Schrader is exceeding profit expectations. During the quarter, we decided to close Schrader's Brazilian business unit. This is a small, unprofitable business that did not have the scale to compete effectively in its local market.

Schrader Brazil does not manufacture sensors but is primarily a machine tooling and molding operation that was not core to the investment thesis and which we chose not to integrate. As a consequence of that decision, we took a charge of approximately $9 million, that was added back during the quarter, and expect a small loss of net revenue going forward. $4.5 million of the charge was in cash, and we expect an approximately two year payback.

I would now like to turn the call over to Paul, to review our second quarter results in more details, as well as to provide third quarter and updated full-year financial guidance. Paul?

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thank you, Martha. Second quarter 2015 net revenue of $770.4 million, increased 33.8% compared to the second quarter of 2014. Of this, acquisitions contributed 35.2% and organic revenue growth contributed 8%. Changes in foreign currency exchange rates, primarily the euro, represented a net revenue headwind of 3.1%. Second quarter adjusted net income was $124.6 million, or 16.2% of net revenue. Adjusted EBITDA for the second quarter was $184.2 million, or 23.9% of net revenue.

When compared to the prior year, profitability indices are lower in the second quarter, primarily due to the impact of acquisitions, which included integration costs of $4.2 million. Productivity gains from operating efficiencies more than offset investments in research, development and engineering, which are critical to the development and execution of our expanding pipeline of new business wins and opportunities. Core adjusted net income margin expanded in the second quarter, up 70 basis points from the prior year.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

In addition to the closing of Schrader Brazil, restructuring and special charges were recorded in the quarter, reflecting activities management is undertaking in response to weaker end markets and to resolve pre-acquisition loss contingencies. Restructuring activities include organizational and process changes to align our structure with our strategy and help enable us to continue to grow margins. Included in special charges is approximately $5 million of charges, to resolve pre-acquisition loss contingencies, which have been disclosed in our 10-Q under pending litigation and claims.

Cash taxes in the second quarter were approximately $8.2 million, or 5.1% of adjusted EBIT. We expect cash taxes for the full year 2015 to be in the range of 5% to 6% of adjusted EBIT. Sensata hedges a significant portion of its net earnings exposure to foreign currencies. As a result, the impact of exchange rates on earnings represents a weighted average impact of the prior movements.

In the second quarter, changes in foreign currency exchange rates had an unfavorable impact of approximately 3.1% of net revenue, and $0.01 to adjusted net income per share. For the full-year 2015, we continue to expect a 2% to 3% unfavorable impact to net revenue, and a $0.03 to $0.05 unfavorable impact to adjusted net income, per diluted share, as a result of changes in foreign exchange rates.

During the second quarter, we took advantage of the attractive capital market environment to further optimize our capital structure, by repricing our outstanding secured term loans, in an economically positive transaction. We combined the two outstanding term-loan tranches into one; extended the combined maturity to October, 2021; and lowered the interest rate, saving approximately $4 million in annual interest expense.

Financing and other transaction costs of $6 million, relating primarily to the repricing, as well as the redemption of the remaining 6.5% senior notes were added back to our non-GAAP results for the quarter. Free cash flow for the second quarter was $60 million. We invested $49 million in capital expenditures during the quarter and working capital consumed cash, as receivables expanded in line with the higher revenue.

Inventory Management improved and days on hand is now at 60 days, a substantial improvement from December, as we work down buffer inventory that was brought on last year to support customers during our ERP system upgrade. Cash at June 30, 2015 was $227 million and we now expect free cash flow to be between $375 million and $425 million during 2015.

Now, I would like to comment on the performance of our two business segments. Performance Sensing net revenue was $606 million for the second quarter, up 51% from the year-ago quarter, as a result of acquired revenue, and robust new program launches that continue to gain momentum, partly offset by the impact of change in foreign exchange rates, the impact of product obsolescence and weakness in the HVOR market.

Organic volume growth, which excludes the impact of price downs, grew 8% in the second quarter, from the same period in 2014. Performance Sensing profit from operations was $153 million, up 36% from the year-ago quarter, primarily as a result of acquired revenue, content growth and productivity gains, partly offset by annual price downs and investments in research and development and engineering, which are critical to developing and executing on our expanding pipeline of new business wins and opportunities. Performance Sensing profit from operations index of 25.2% was lower than the second quarter of 2014, primarily due to the impact of acquisitions and annual price downs.

Sensing Solutions net revenue was $164 million for the second quarter, down 6% from a strong year-ago quarter due primarily to a broadly weaker China, resulting in lower volumes and inventory destocking in the industrial and appliance and HVAC end markets. The unfavorable impact of changes in foreign currency exchange rates and weakness in communications in semiconductor markets, offset somewhat by acquired revenue.

With the exception of industrial sensing, Sensing Solutions products do not benefit from content growth drivers. As a consequence, changes in revenue are highly influenced by the rise and fall of its end markets and given weakness in its end markets, we expect Sensing Solutions' revenue to continue to be soft for the third quarter of the year and are taking actions to address costs within the solutions business segment. Sensing Solutions' profit from operations was $52 million, a decline of 3% from the same quarter last year, primarily due to lower volume. Despite revenue headwinds, Sensing Solutions' profit from operations index of 31.8% was higher than the second quarter of 2014, primarily due to the impact of cost controls and productivity improvements.

Corporate and other costs, not included in segment operating income, was $56.8 million in the second quarter. These costs are higher than the second quarter of 2014 due to the addition of corporate costs from the acquisitions, restructuring activities in the quarter, settlement of pre-acquisition





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



loss contingencies and the closure of Schrader Brazil. We also incurred approximately $3.3 million in legal fees during the quarter, to successfully defend against IP litigation that had been brought by Bridgestone against Schrader, in the US. We expect corporate and other costs to contract in the second half of the year.

We are lowering and tightening our full year net-revenue guidance to reflect a broadly weaker China, and continued weakness in the HVOR off-road segment. However, we are maintaining the midpoint of our full-year guidance on adjusted EBITDA, and adjusted net income, as our efforts to improve our cost position, as well as greater than expected profit from acquisitions, provide a lift to profitability in the second half of the year.

Details of our updated financial guidance for the full year of 2015 include; net revenue of $2.99 billion to $3.07 billion, which, at the midpoint, is an increase of approximately 26% from 2014 and includes organic growth of 3% to 4% and FX headwinds of 2% to 3%. Key revenue growth assumptions impacting the full year include acquired revenue growth, aligned with our initial expectations.

Auto production growth in North America and Europe, in the low-single digits. Accelerating content growth, especially in Europe with the adoption of Euro 6. All of these probably offset by the unfavorable impact of a broadly weaker China, that negatively impacts demand for electrical protection-control products in the industrial appliance and HVAC end markets, as well as, negatively impact passenger vehicle production in China during the second half of the year. Weak demand in HVOR construction, agricultural and mining, and HVOR in China. Inventory destocking in industrial and appliance and HVAC channels, with an expected return to normal buying patterns in the fourth quarter albeit, in a lower growth environment.

Expected adjusted EBITDA up $735 million to $765 million. Adjusted net income of $491 million to $511 million, which reflects the lower revenue guidance, offset by improved cost position, from increased operating efficiencies, higher sourcing savings, cost control and greater than expected profit from acquired businesses. Adjusted net income per diluted share of $2.86 to $2.98, reflecting a fully diluted share count of 171.7 million shares.

Financial guidance for the third quarter of 2015 includes net revenue of $715 million to $755 million which, at the midpoint, is an increase of approximately 27% from the third quarter of 2014. Our current fill rate stands at approximately 82% of the midpoint of this guidance. Key revenue growth assumptions impacting the third and fourth quarter include normal seasonal decline in European Automotive production levels, in HVAC end markets, less inventory destocking, electrical protection-control products and the slowdown in China passenger vehicle production.

We expect adjusted EBITDA of $176 million to $188 million, adjusted net income of $117 million to $127 million and adjusted net income per diluted share of $0.68 to $0.74, reflecting a fully-diluted share count of 171.8 million shares.

In summary, we reported record net revenue and earnings for Sensata for the second quarter of 2015 and despite weaker end markets, delivering earnings on target with expectations. Sensata continues to deliver on its promises of strong double-digit revenue and earnings growth, partly enabled by superior capital deployment through high returning, repeatable acquisitions.

We're happy to take questions that listeners may have. Operator, please introduce the first question.

## QUESTIONS AND ANSWERS

**Operator**

Thank you, Mr. Vasington.

(Operator Instructions)

Wamsi Mohan, Bank of America Merrill Lynch.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Wamsi Mohan** - *BofA Merrill Lynch - Analyst*

Paul or Martha, when you take the midpoint of revenue guidance for the third quarter, it seems the lowered full-year guidance is almost entirely from the weaker trends in the third quarter. What gives you the confidence that 4Q will be up so much stronger, sequentially? And, I have a follow-up.

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Yes. Hi, Wamsi. Thanks for the question. The way we are thinking about the second half, we expect that this inventory destocking that's impacting the controls portfolio within Sensing Solutions will continue through the third quarter.

When we look at past trends, we have seen this phenomenon before. And roughly, we are talking about between 2 to 3 quarters of destocking, typically, when there is a market correction on that business. And so, looking at those past trends, we expect to have that behind us in the fourth quarter. And so, that is one element of our overall assumption.

When we look at where production rates land throughout the fourth quarter, that's an additional piece. When we look at the fact that we are all-in by the time we get to the fourth quarter, on Euro 6, that's also something that drives our expectation for the fourth quarter revenue.

**Wamsi Mohan** - *BofA Merrill Lynch - Analyst*

Okay, thank you. Thanks, Martha. And then, on the auto side, can you help us think through the magnitude, and I know you don't report it this way, but, can you talk about the magnitude of the revenue impact from weaker exports, from Europe to China, versus the true production slow down in China, on the auto side? Thanks.

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

I don't think we can help you with that one, Wamsi, because, we don't have our content laid out, inside Europe, between stays in country or export. So, unfortunately, we can't help you a lot with that. I would say, if it is helpful, our content per vehicle is roughly similar to the cars that stay in Europe, versus go to China. Maybe somewhat weaker, because you have less diesel content there. If you look at, overall, exports from Europe to China, and you think about high 20s to low 30s, you might get a sense for Sensata's content.

**Wamsi Mohan** - *BofA Merrill Lynch - Analyst*

Okay, thanks. If I could sneak one more in. Paul, you mentioned corporate and other costs lower in the second half. Can you give us the magnitude of that, versus on a half on half basis? Thanks.

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Sure. The way to think about it is, we had $56 million this quarter. And most of that increase, nearly $20 million of that $56 million, is related to the Brazil shutdown, the restructuring activities, the special charges which we are adding back. I think we will get back into the $40 million range, $35 million to $40 million range, on a run rate basis.

**Wamsi Mohan** - *BofA Merrill Lynch - Analyst*

Great, thank you.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Operator**

Craig Hettenbach, Morgan Stanley.

---

**Craig Hettenbach** - *Morgan Stanley - Analyst*

Just a question on the Q3 guidance, as you look between segments, between the Performance Sensing. If you look at today versus a quarter ago, just curious, how much is more of the destocking effect in the controls-type business, versus the China slowdown on the auto side? Just to give some context, in terms of where their revisions are coming from.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

It is primarily on the Sensing Solutions side of the business. The point being that, we continue to perform very, very well with sensing content growth in China. If you looked at Performance Sensing in the quarter, in the second quarter, we were at a 13% overall growth rate, organically, there. So, the primarily correction for us is on the Sensing Solutions side.

---

**Craig Hettenbach** - *Morgan Stanley - Analyst*

Got it. And then, on the Sensing Solutions, Martha, we've seen a number of these kind of corrections. Not just for you guys, but just for the overall component space, the last couple of years. And just curious to get your take, in terms of how you see the supply chain react in times like this. And, maybe a follow-up to the first question in terms of visibility, like the types of forecasts you're getting in Q2 into Q3, and confidence that this is being -- it kind of runs its course in Q3.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Yes, it is absolutely volatile. Particularly for this controls portfolio, within Sensing Solutions, where we sit farther back in the supply chain. It is not unfamiliar. We've been through these kinds of corrections in the past. Visibility typically pulls in. So, that is not surprising to us. And so, we are very much relying on patterns from the past, to call the second half of the year. And, we do expect more of this inventory destocking in the third quarter.

---

**Craig Hettenbach** - *Morgan Stanley - Analyst*

Okay. Appreciate it. Thank you.

---

**Operator**

Amit Daryanani, RBC Capital Markets.

---

**Amit Daryanani** - *RBC Capital Markets - Analyst*

I just want to go back to Wamsi's question. When I look at the December quarter guide, just on the EBITDA basis, it looks like you guys are implying low-double digit EBITDA growth, sequentially, September to December. I get the comfort around sales growth. But, could you just walk through how you get double-digit EBITDA growth in December?

---



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

We talked through the revenue trends on that pace. Let's take you through some of the things that are improving our margins, as we go through the year. And Paul, why don't you speak to that.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

There is a couple of key things. And, we continue to see greater operating efficiencies in our business, both on the manufacturing side and also on the back office. And same we're seeing greater traction on our sourcing initiatives. So, we are seeing an improvement there that's driving improved profitability.

We are clearly controlling costs. We're being very thoughtful about our investments. And, we're seeing better performance within the acquisition field. They're performing better. Trade is performing better. And so, that is definitely offsetting some of the weakness we are seeing on the top line.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Keep in mind, a big part of the margin improvement over time, in Performance Sensing, is driven by the pace of our integrations. So, when we closed on Schrader, you actually saw our index come down. That is not unusual.

We acquire businesses that are rarely, if ever, at the margins of Sensata. And then, we spend time integrating to improve our overall margin. As the year progresses, and the close dates of those acquisitions become more in the rear-view mirror, you will see our margins improve.

---

**Amit Daryanani** - *RBC Capital Markets - Analyst*

Got it. And then, as a follow up, I was wondering if you could just talk about what you're seeing in China from both a sensor and an industrial sensing basis? Is the expectation that the softness we are seeing is going to be a one, two quarter blip? Or, do you think it is going to sustain, perhaps into calendar 2016, especially on the auto production side? And then, broadly, how much is China as a percent of sales for you guys?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

So, a few things to unpack there. I believe that China is currently sitting about 17% of our overall revenue?

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Altogether, it's a little bit less than that, about 12%.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

So, were at about 12%. There is enough volatility there now, that it is difficult to know what is going to happen as we enter into 2016. At this point, what I would characterize is, we're seeing a production slow down on the auto side. We are not seeing the same level of volatility in auto, as we are seeing in other end markets in China. So, a little more disciplined than the other end markets. So, at this point, a bit early for us to call 2016.

---

**Amit Daryanani** - *RBC Capital Markets - Analyst*

Thank you.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Operator**

Mark Delaney, Goldman Sachs.

**Mark Delaney** - *Goldman Sachs - Analyst*

Good morning, and thanks very much for taking the questions. First question, I'm going to follow up on some of the cost reductions that the Company has talked about implementing. Can you just help us understand how sustainable some of these actions are especially into 2016? I know, certainly, some of them are permanent reductions, especially the actions in Brazil.

And Paul, you mentioned doing some stuff around Sensing Solutions, and that's been slower. Are any of these sort of cost cuts that are only in the second half? Or, can they be sustained into next year?

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

I think they can be sustained into next year. A large portion of Brazil, certainly. Brazil was losing money. So, there's definitely savings there. We have had some markets that have underperformed. We've taken action and restructured, and reduced headcount and resources. So, that's a sustainable savings.

We are restructuring some of our resource development activities in Europe. So, we're recognizing that we have a euro headwind next year. And so, we are taking cost actions there. We are also moving production to Europe. Localized, since it has a lower cost point, so we're optimizing our best delivered cost. So, these are things that we're doing. And, we are also getting very aggressive on the sourcing side. We continue to push to maximize our entitlement opportunity on that front as well.

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Just one comment on the product investment side, we call it RD&E side, of the work that we are doing. One of the things that Sensata benefits from is an extremely effective global footprint, including low-cost country. And, we are constantly looking at ways to optimize what we do in those locations. So, Paul mentioned Europe and our RD&E efforts in Europe.

It's a really important market to us. We have a strong growing engineering team in Bulgaria. We are actually moving some of what we do to Bulgaria. That's the kind of optimization that Sensata is constantly doing. And, we do it in a way to make sure that it is sustainable.

**Mark Delaney** - *Goldman Sachs - Analyst*

That's helpful, thanks. And then, as a follow-on to that question, can you just update us on how profitable, on the EPS line, Schrader is now, for 2015? And, relative to the prior guidance, I think it was $0.18 to $0.20. And then, given the cost actions the Company is taking, any sort of comments you can provide about how accretive Schrader will be in 2016?

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

I would say that we are certainly better than the range that we gave before. I think we are probably $0.03 to $0.04, maybe $0.05 better than what we had originally anticipated, as the business continues to perform very well. And, we are seeing the top line is where we expected. But they are, certainly, delivering much better on the growth margin and on the A&I level. So, that's certainly a tailwind for us.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Yes, and I think the thing that we are always balancing is, we actually are spending money on the integration. We will tend to net all of that out. Those are the two parts. How the business is actually performing, and what we are spending on the overall integration. And, we are continuing to look at that budget, both in the near term and the long term, as we move into 2016.

---

**Mark Delaney** - *Goldman Sachs - Analyst*

Okay. I think there's three to four years, originally, to fully integrate Schrader and get to the EPS accretion target? Is that still the rough timeframe to think about? Is there any thoughts about trying to bump that in --

---

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

The plan itself is still intact, and we are still on track.

---

**Mark Delaney** - *Goldman Sachs - Analyst*

Thank you.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thank you, Mark.

---

**Operator**

William Stein, SunTrust.

---

**William Stein** - *SunTrust Robinson Humphrey - Analyst*

Can you please remind us of the commodity percent of your costs? Copper and gold are certainly down quite a bit from their prior peaks. It looks like they continue to decline today. And, I'm wondering to what degree that is benefiting the margins, as part of this higher margin we are looking for later in the year?

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

We've said before, it's about 3% of our revenue. But, we have a hedging program. So, to be really transparent here, we've been hedging similar to our foreign exchange program. We are not currently seeing the benefit, a complete benefit, of the lower commodity cost because, we average into that lower-cost environment. So, it's not as helpful as you would've expected.

---

**William Stein** - *SunTrust Robinson Humphrey - Analyst*

Great. That's helpful, thank you. And maybe one more. Can you remind us of your view of acceptable leverage and what level we'd look for you to achieve, before you would contemplate another acquisition?

---





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Our long-term goal of 2 to 3 times net leverage has not changed. But, we have to reiterate that M&A is our priority for capital deployment. We are comfortable at operating at higher leverage, for a period of time. But, our overall strategic goal has not changed.

---

**William Stein** - *SunTrust Robinson Humphrey - Analyst*

If I can squeeze one more in, I think in the past you've talked about some orders for TPMS in China. While, it has not been mandated yet that would of course be a much bigger potential upside. Can you talk about both of those orders? And then, the potential for a mandate for TPMS in China?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Sure. We have seen some orders come in. Some design has come in well ahead of regulation, and that is encouraging. It's not a terribly material part of the overall business, at this point. But, for example, early in the year we secured a win with a local producer that was worth about $30 million in revenue. I think we've added an additional $15 million, or so. And, these are design ins that will play out over the three, four year horizon, as we see in other parts of the automotive landscape.

In terms of the regulation, we are really encouraged about what's happening there. We've seen the rule-making now, come out. We are at the point now where, very high confidence there will be regulation. And so, the next phases that are underway are actually refining that regulation to pick the specific thresholds for inflation, and which OEMs have to comply. The timing.

So, some of the specific specifications are important, and we continue to keep our eye on those. But, we've seen great development on that front, and remain confident that this will be regulated equipment in China.

---

**William Stein** - *SunTrust Robinson Humphrey - Analyst*

Thanks.

---

**Operator**

Christopher Glynn, Oppenheimer.

---

**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

I was just wondering if you could clarify the range of potential destocking activity in markets and geographies other than China, that you're seeing?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

We have not seen a lot of it, elsewhere. I guess one place I would point to, and it's more of a one-off. In the second quarter, we saw some distributor destocking that happened in the aftermarket for the aerospace business. It's not, typically, something that's all that impactful to us. But in this particular case, we had a distributor who was overstocked, and it had about a $3 million or $4 million impact on the business. Other than that, there is not a lot of destocking activity that we see in our business.

---

**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Yes, that certainly seems to qualify as one-off and peculiar. That's interesting. I just wanted to clarify, was Performance Sensing 8% organic, and total company was 6%?



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

No. Performance Sensing was 8% on unit, for organic, and 6% if you include price impact.

**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Got you. Okay, and then, I just wanted to understand one of the add backs a little bit better. On the taxes it was $0.4 million deferred, in other income tax expense. But, the add back was $5.4 million. Could you help me reconcile that?

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Sure. We had an indemnification related to a preacquisition tax liability. And, during the second quarter, we were able to favorably resolve that, and no longer required the indemnification. So, that was part of the selling expense and added back.

**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Where was it in the GAAP P&L?

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Certainly, the indemnification was in selling expense. We had offsetting liability, and that ran through the tax provision. They net each other off.

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

You see it in tax and in SG&A, in the two tables.

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

It provided a slight benefit, but what you are talking about is the indemnification piece.

**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Okay. Got it. Thank you.

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thanks, Chris.

**Operator**

Rich Kwas, Wells Fargo.





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

I just wanted to check in and see on the outlook for the year, in terms of going from 6 to 3.5 at the midpoint on organic revenue growth. If you take the 250, it seems like a good chunk of that is weighted towards Sensing Solutions, versus Performance Sensing. But, I don't know if Martha or Paul, if you could give us a breakdown on that adjustment, for the entire year of that 250?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

You are correct, Rich. It is primarily weighted on Sensing Solutions because, that's where we've seen the headwind on organic growth, particularly late in the first and through the second quarter. That is primarily what the drive is.

In prior quarters, we would have been able to count on end market in China, and auto for example, to offset that. So, we're not seeing a decline, certainly, on the Performance Sensing side. We are just not seeing any help from the end markets that would've helped us offset the kind of correction we are seeing on the Sensing Solutions side.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

And then, for the balance of the year, what are you assuming for production, for China? Or, for the full year at this point?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Yes. I believe for the balance of the year, we are about flat.

---

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

Near flat.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

We're about flat. But we're assuming, sequentially, production gets stronger from Q3 to Q4, as we normally expect. It's just year over year, we are thinking about flat growth.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Okay. Okay. And then, you said 13% growth in China, in Performance Sensing in the second quarter, correct? Year over year organic?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

That's right.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

And then, if you take a look at the outlook for the balance of the year, what are the risks here at this point? There is certainly a fair amount of concern around China auto. Do you think you have that fully captured, at this point? How confident are you about the back half?

---



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

I think the risk areas are the ones you would expect, if you look at what has been a challenge for us. And, year to date, it is primarily this whole area on the Sensing Solutions, call it control products. Just given there is a lot more volatility than just on the end markets. Our base case has the demand, at the same low point that we've seen in the destocking, behind us, as we enter the fourth quarter. That's an important assumption for Sensata, as we look ahead.

The other elements of this, we don't have a secret sauce on China. We are looking at the same data everybody's looking at, on overall production rates. We think we have reflected the fairly extreme slow down there. It has less impact on our business than it does for many, given that we do have strong content growth in China. But, it is also an important element, as we look at the second half of the year.

The only other third dimension, it's again, it's the down markets you have to watch out for. We talk a lot about the off-road portion of heavy vehicle, and off-road. So, you think about what OEMs who make tractors and construction equipment are dealing with, that has been a volatile part of the business.

On the flip side, I will tell you volatility goes both ways. We continue to look at the gap between production rates and registrations in Europe. And so, we really think we've put together a middle of the fairway guide here. Just recognizing there's volatility on both sides of the equation.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Martha, do have one to two still, for European light-vehicle production, for the year?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

We do.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

So, there is potential that that could come in a little bit better and help out?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

That's right.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Should we think of that as, if it's three or four, then that's helpful to the guide. That's not part of the guide?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

That's correct.

---

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Just quickly, last one. Paul, on FX, the $0.12 to $0.20 impact that you talked about last quarter for 2016, any update there in terms of the cost activities and natural hedging? Any updated views there?



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

We continue on our normal hedging program. The $0.12 to $0.20 is still our estimate, based on where exchange rates are, and where we have been hedging into. And, the pace at which we've been hedging. The things I mentioned earlier, the actions we're taking. It's Brazil, it's RD&E, transition from one location to Bulgaria. It is restructuring in underperforming markets.

All those things are things we are doing to improve our cost structure, which will help us in 2016 and help be a mitigating factor against that foreign exchange headwind.

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Okay.

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

And our work is not done here. There's more to do but we are moving aggressively.

**Rich Kwas** - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you.

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thanks, Rich.

**Operator**

Jim Suva, Citi.

**Jim Suva** - *Citigroup - Analyst*

You had mentioned a Bridgestone litigation. Can you help us understand what is the maximum exposure there, if there is anything? And, a little bit of background? I assume this is related to Schrader, in some regards, or maybe I'm wrong on that. And if so, was it all pre or post acquisition? And, do you have any type of protection from that?

And then, the second question I have is on M&A. Some of the rest of the industry, such as the connector companies, have been acquiring their way into sensors and are now talking about the merger of being able to sell solutions of sensors plus connectors, together. Do you see this as something that, over time, is going to be a bit of a collision for Sensata, or way to react?

Or, is it simply that those things that they are talking about are more on the peripheral bumper side, or infotainment side of things and, you don't see that in a harsh engines? Or, over time, do you see that these two areas will come together more tightly? Thank you.





©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

I will take the first one. I'm sure Martha will want to handle the second. But, on Bridgestone, my first statement would be to refer you to our disclosures in our 10-Q. You will find a lot of details in there, regarding Bridgestone and Schrader.

So, Bridgestone sued Schrader for infringement. The short story here is that, we had a trial in the US, and Schrader Sensata, the result was favorable, that we do not infringe on the original patent.

Obviously, it cost us to defend ourselves, but the outcome in the US was favorable for us. They threatened to appeal. They have not appealed. They also have an action in Germany, which is still ongoing, which we are still defending.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

To your comment relative to connector companies buying sensors. This has been a phenomenon that folks have asked us about now, for well over a year. It's a little perplexing, having been in the sensor business now for close to 30 years. We have never once been asked to provide a connector with our sensors.

When we look at what is important, relative to the applications that we serve, it really is to have the best sensor and the best sensing capabilities. We do not see a tremendous amount of synergies between that level of componentry. I think, to me, it's a reflection more of what's available for growth in the connector space, than anything else.

---

**Jim Suva** - *Citigroup - Analyst*

Okay, thank you very much.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thanks, Jim.

---

**Operator**

Ambrish Srivastava, BMO.

---

**Ambrish Srivastava** - *BMO Capital Markets - Analyst*

Two questions, Martha and Paul. The first one, just a blocking/tackling one. There have been several acquisitions. How should we be thinking about normal seasonality, on a quarterly basis? And we all understand, there is no normal. But, when we model out, how should we be thinking about the quarter over quarter?

The second question, on the HVOR side, Martha. This has been a very good growth driver. And, I might have missed this. Did you refer to the weakness only in China, or elsewhere as well? And then, my assumption, is it correct, that the content is higher than the higher end, for this segment of the market? Thank you.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Yes. The content is higher. The weakness in HVOR, it stems from two issues. One is the off-road part of the heavy-vehicle market. You can think of it as on-road and off-road. And, there are two very different market dynamics underway.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

The off-road piece has seen some real headwinds, if you look at the end market alone. We talk about the large equipment associated with off-road. So mining equipment, construction equipment, ag equipment. We are feeling the cyclical downturn on that equipment.

Having said that, we are seeing substantial increases in sensors going into that equipment. We are not feeling it to the extent that the end market is down. The truck side, or the on-road side, at this point, is operating at low-single digit production rate improvements, with the big exception of China. China has been down, substantially, on commercial truck. Not a huge part of our business, but again, an area where we've seen a lot of content growth.

We think that these markets are really going to be important, continue to be important. There is a lot of regulation driving sensing content growth in those markets. We are holding the course, in terms of our investments into that end market. And, we view the current environment in the areas that I talked about, as just being a cyclical phenomenon.

---

**Ambrish Srivastava** - *BMO Capital Markets - Analyst*

Martha, if I may, on the mining side, given what is going on with commodities, do you expect this to be a prolonged cyclical downturn?

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Mining is a very, very small part of what we do. It's kind of an academic debate, from our perspective. When you look at how much of our overall equipment we are talking about, it's not all that important.

I think that's probably going to be the one that takes the longest to play out and the longest to come back. So, perhaps, a little bit more than cyclic. When we look at the other elements like ag, like construction, I think we are really looking at a cyclical phenomenon.

---

**Ambrish Srivastava** - *BMO Capital Markets - Analyst*

Okay. And then, seasonality?

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

I would just say that the largest acquisition is Schrader. It performs like the rest of our auto business, so the seasonality is very similar. And, it weights heavily. So, I would generally say the acquisitions don't materially impact our normal historical seasonality.

---

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

Perhaps the best way to look at that is, take a look at Performance Sensing historical, quarter to quarter, and we will see the same pattern in Schrader.

---

**Ambrish Srivastava** - *BMO Capital Markets - Analyst*

Okay, thanks for all the details.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Thanks, Ambrish.

---



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Client Id: 77



**Operator**

Jeremie Capron, CLSA.

---

**Jeremie Capron** - *CLSA - Analyst*

I wanted to ask you about the free cash flow outlook for the year. It looks like you've reduced it by $25 million, or so. Just wondering what is behind that. It looks like working capital is actually trending better than initially expected. So, some more color here would be appreciated.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Appreciate the question. Two things to consider. So, we've had these restructuring and special charges. We've added those back for A&I purposes. But, some of that will result in cash outlays. And so, funding those restructurings will have a bit of a negative impact on free cash flow. So, we are taking that into account.

And then, I think the second thing is the linearity of our revenue. Depending on how revenue plays out in a quarter, it can affect our receivables. And given the fact that the fourth quarter is now looking higher, it's ramping up late into the quarter, we are assuming that we are not to get our receivables down as well as we originally expected. And, that will flow into 2016.

---

**Jeremie Capron** - *CLSA - Analyst*

Okay, and on the CapEx side, any change here? And, if you could give us an idea of what to expect, going into next year? My understanding is, we are basically at peak CapEx in 2015.

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

Yes, the percentage of revenue, I would say that's probably right. We are on track. We give a range of 175 to 200, and we're in that range. And as we continue to progress, as we continue to grow, and we build capacity and new product launches. And, we are going to continue to invest in capital. But, we expect the percentages -- the spend as a percentage of revenue to gradually come down over time here.

---

**Jeremie Capron** - *CLSA - Analyst*

Thanks, very much.

---

**Operator**

Gausia Chowdhury, Longbow.

---

**Gausia Chowdhury** - *Longbow Research - Analyst*

Two questions for me. First of all, let's just say that 250 basis point change in the organic, how should we now think about the OWS headwind? Is there any change to how you are thinking about that rolling off?

---



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

**Martha Sullivan** - *Sensata Technologies Holding NV - President and CEO*

There is not. That is a headwind we expect to be behind us here in the second half. Our outlook on that has not changed. And, that's one of the reasons we expect to have a stronger organic performance in the second half of the year, than we've had in the first half.

---

**Gausia Chowdhury** - *Longbow Research - Analyst*

Regarding M&A, you highlighted about $0.03 to $0.04 of upside with Schrader. What about Wabash and Delta? Is there any color that you can provide on potential upside?

---

**Paul Vasington** - *Sensata Technologies Holding NV - CFO*

They're performing as expected. No change there.

---

**Gausia Chowdhury** - *Longbow Research - Analyst*

Great. Thank you very much.

---

**Operator**

As there are no more questions, I would like to turn the conference call back over to Mr. Sayer for closing remarks. Mr. Sayer?

---

**Jacob Sayer** - *Sensata Technologies Holding NV - VP of Treasury and IR*

Thank you, Steve. I would like to thank you all for joining our second quarter 2015 financial results call today. Sensata will be participating in Citigroup's Technology Investor conference in New York on September 8. This event will be webcast live and available for replay from the investor's section of our website at Sensata.com.

We appreciate your continued interest in, and support of, Sensata, and look forward to speaking with you on the road, and again next quarter. Thank you and goodbye.

---

**Operator**

That concludes the call for today. You may now disconnect.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2018, Thomson Reuters. All Rights Reserved.



©2018 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS