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EDITED TRANSCRIPT

ST - Sensata Technologies Holding NV at Barclays Industrial Select Conference 2018

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CORPORATE PARTICIPANTS

Paul S. Vasington *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

CONFERENCE CALL PARTICIPANTS

Brian Arthur Johnson *Barclays PLC, Research Division - MD & Senior Equity Analyst*

PRESENTATION

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Okay. Let's -- very pleased to have with us, once again at the Industrial Select Conference, Sensata Technologies Holding. We're covering it this year out of the automotive side. Last year it was in the industrial side, although I helped a former analyst with some of the insights into that and was on stage as well. I'm very pleased to have with us this year, Paul Vasington, EVP and CFO; and Joshua Young, VP in IR.

Why don't we start with a couple of the ARS -- you have this, the ARS questions. You've got your voting machines in front of you. And number one, do you currently own this stock? I think by now you know how to use the machines. Would you like to vote? You're from Boston. I'm from Chicago. We should always vote early and often.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Exactly.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

If you have any deceased shareholders, they can vote, too. So yes, good attendance in the room with people who own the stock. Although -- and so we'll get to some of the bull/bear today (multiple speakers). There's a vocal minority there. Number two, what's your general bias towards the stock?

(voting)

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So we're having a little positive...

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Well, I'd say the positive, negative and positives kind of match. (Multiple speakers), it was interesting, 10% were underweight, but there's 0% negative. So that might be a macro call or that might be something -- hopefully some of you will ask questions so I'm not the only one asking questions.

Why don't I first go in and just talk about how you kind of think about the organic growth potential? Sort of ex this cycle because, of course, we'll talk about HVOR and some of the good cycle trends there that've been negative in prior years. But just the fundamental ability of your end markets in auto, that outgrow production, in HVOR it'd outgrow commercial and our pilot production, in industrial generally, they outgrow GDP. How do you think about your portfolio in particular? Of the 8% of the revenues that you put into RD&E, how much of that would go into sort of brand-new applications? How much into -- at the other end of the spectrum, very mature applications? And the things in the middle, sort of maturing in high growth kind of applications?

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Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Okay. So just tackle the research, development and engineering question first. So about 8% of our revenue is in research, development and engineering, and that's split half around pure R&D, which is the new design and development work, and the other 4% is in sustaining engineering. It's working on existing products and modifications for existing product applications. Most of that 8% is underpinning growth. It's to launch new products. It's to design, develop and get new products ready for launch when the customer's ready. So I would say, it's highly, highly -- a high percentage of that is really related to our growth model and our growth engine.

If I think about the business organic growth potential, our Investor Day back in December, we talked about 4 trends that are shaping the industry. It's around clean and efficient, it's around electrification, autonomy and smart and connected. And over the next 3 years, we have an organic growth rate between 4% and 6%. We've talked about 90% of that business being secured, so we have a strong carryover business. Business we have today that carries on. As well as new business we won, which we'll launch over the next 3 years and generate revenue. And most of that is coming out of the clean, efficient and electrification trends, where autonomy and smart connected are very exciting opportunities for us, are a little bit further out in terms of their maturity. So that kind of lays out the -- why we're confident in the growth. The business that we have in place that will support that growth and our ability to execute, which is we believe is very high.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So let's talk first about automotive. Because in part, we had BorgWarner up on stage here earlier talking about the growth and evolving their business from pure internal combustion to hybrids, of course, to electrification. I guess, as we look at your growth rate this past year, it actually ticked up. There were some cyclical factors that abated, but it does look like -- and then again in Investor Day, that you're getting content outside the engine cylinder, the manifold, some of the traditional pressure-sensing markets. Could you maybe go back and kind of when did you start seeing, in terms of the electrification and the autonomous, the need or the opportunity to move beyond that? When did you begin to put into place some of the building blocks that are now coming into the revenue stream now?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Okay. The one thing I wanted to add to the previous comment, what also overlays our growth and supports the organic growth is the modernization in China. So as the truck and auto fleets continue to modernize, that's great content growth for Sensata. We've talked about our content there going from $10 to $15, 150%. So that's another factor that you kind of align with those underlying industry trends that gives us great confidence in our ability to execute over the next few years. As it relates to electrification, we do see great content opportunity on hybrid vehicles. So vehicles with an advanced combustion system, the content opportunity there is greater than it would be on an existing gas powertrain vehicle. And we're really well prepared to serve that market. We talked about, we have part of our portfolio is electrified, right? So we're prepared to serve that, able to serve that. That's within our technology platform and the products that we offer.

As you start thinking about electrification, as it gets more towards EV, I mean, there's certainly things that we do today. We talk about having $25 to $30 of content on the Chevy Volt, as an example. So there are some small examples. That market hasn't really matured. It's hard to get a real view of what the average content will be, but we feel good about the technology we have today to serve the needs of customers today in terms of pure EV. We also see a lot of opportunity as those systems start to advance the electrical system, which is going to be focused on improving range and efficiency of those vehicles, that we're well-positioned with existing technologies to serve those needs. And we see a lot of exciting opportunities in other areas which we think we can intersect. We talked about things around thermal management and battery management systems as a way to do that, which has a lot more content than what we have today in terms of what we have on vehicles. So it feels as if there is a definite and identifiable tailwind that can come from the growth in pure electric vehicles over time.

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So what you're saying is, even if, I don't know, a kind of customer in 2020 walks out of the showroom with an all-electric Mercedes or Tesla or BMW or whatever versus what they would have been buying in 2015, a gas or diesel 3 Series or 5 Series or E-class. You see the constant opportunities not only flat but could increase in that environment?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Right. And we talked about on Investor Day, an example where if you think about the HVAC...

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Multi-zone.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Zone in a vehicle. Today, it's a sensor, one sensor, the air conditioning system, that expanding into sensors that manage heat and other thermal issues related to an electric vehicle. We think that those -- that's just incremental sensors that we would -- pressure sensors that we would not have today available to us. So as that system evolves and the needs become more apparent on what they have to manage and how they have to -- what they need to do to optimize the battery and the range of the vehicle, that's new content for Sensata that we would expect to see on that kind of a vehicle in the future.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Now in terms of sort of the buying groups, so they're the same buying groups, different buying groups?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Well, it's the same. I think it's leveraging our existing relationship with those customers at the engineer level and we're working with those customers to find solutions to the issues that are developing as they move from -- move into hybrids and moving then into pure electric vehicle.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Now one of the things a lot of -- we had Aptiv up on stage earlier as well, and Borg as well, but one of the things people talk about in the automotive world as we move to electrification is it brings in potentially new competitors. Certainly, it's theory out there that if you're a legacy industrial automotive supplier, fine, you know the people and fossil fuel end of the business. But there's either big tech companies or Asian tech companies are active in things like electronics, power electronics. Do you see any of that in the sensing world in terms of a different competitor set showing up, say, for a battery, thermal monitoring, temperature system than say for a fossil fuel, fossil engine, the emissions control system?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Yes, on the -- today's platforms, I think it's the same competitors, same level of competitive intensity. I think we're really well positioned to be successful as we see more and more hybrid vehicles on the road. On the EV side, I think others may be better suited to speak to this but so far, what we're looking at is how we take our existing technology in relation to the OEMs to help solve their problems. And then looking at new technologies where we think we can provide the unique value-differentiated option. And I don't think the market's mature enough to know where others may be intersecting that, that we're trying to intersect the same opportunities. I don't have that visibility and I don't see that today but you know...

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

One of the questions that comes up as well is, you bought Schrader in part to get into the Chinese -- to TPMS, which we know is about to boom and in the process of booming in China. So maybe, A, update on that. But secondly, seems like part of the rationale was to get into just wireless sensing. And we had Aptiv up earlier, as you know, they're active in electrical architecture. They're having dialogues with the big OEMs, the leading edge OEMs, particularly in Europe around how do we get wires out of the system? How do we move data around without necessarily having to run twisted pairs? So maybe could you update us on both those parts of the Schrader? Just kind of remind us where we are in the China inflection on TPMS. So then where are you taking that wireless sensing technology into either automotive or industrial applications?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

I guess, a couple of different pieces there. The first is, how is tire-pressure sensing adopting in China. There is regulation that's out there that will come into being in the 2019, '20 time frame. And so when we get to full adoption, full regulation, we think it's about a $100 million business. Today, it's about a $40 million business and we do think that there'll be a continued ramp-up in the revenues as not driven by regulation, but driven by consumer preference, where OEMs are seeing that that's a feature that consumers want. And so they're asking for that feature to be on the car sooner than regulation would otherwise require. So it's a growing business. It will ultimately increase $50 million or so over the next 3 years. And it will be somewhat of a gradual increase and probably more back-end loaded just because regulation will certainly drive it faster. But we are definitely seeing the growth there, and that's great.

In terms of the wireless capability, what we're doing with pressure sensing, which is part of what we considered when we bought Schrader, is the ability to take their tire-pressure sensing in the automotive market and bring that to the truck market. Although the truck market is regulated, owners are aware of and looking for using tire-pressure sensing to not only drive safety but increase the operating performance and the cost efficiency of the truck. And so there's natural adoption beyond regulation that's happening in the truck market. And then if you then take the fact that we have this wireless capability on the tire-pressure sensing, we're seeing the ability to use that to think about a smart-connected environment around a vehicle like a truck where you can create a network, which exists today for tire-pressure sensing, expand that to more sensors on the vehicle, to be able to sense more things, gather more data and provide that to users to run a more efficient -- wirelessly. Because the difference, it's hard (multiple speakers).

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Is there any early application to that in the pipeline?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So there's something we talked to investors that we're looking at and thinking that this is -- because of the wireless network, how do we build on that, bring more sensors on to the vehicle, provide more information to the user, to the owner, to the fleet manager, and do that wirelessly from the other cost-effective solution? So that's exciting. And then the other one would be in terms of when we think about battery management and the key things, staying in the range of electric vehicle, how do you get more out of the battery? How do you improve the health, the life of the battery? And being able to manage and understand what's happening at the cell level, but using wireless technology to be able to have that demand of that system, and then communicate that to the car to be able to optimize the performance and do that wirelessly.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So you can monitor at wireless points without having to additional (multiple speakers)

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Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

And without having to wire it. And so that you take weight and cost and probably make the manufacturing process a lot easier by being able to do that in a wireless environment.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

And if you talk about integrating the integration. Have you been able to take some of that wireless technology into some of the industrial markets like some of the things CST brought you?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So another area to go explore, in how to use the wireless environment on the industrial side.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Which then gets to -- okay, you've got these sensors generating data, some coming through wires, but in future increasingly more coming through wireless. How does that position Sensata in a world of automotive big data or just more broadly, the industrial Internet of Things? And is it just -- how do you see that kind of driving your growth? And are there adjacencies where you're not just generating the data, but you're perhaps creating software and other systems that interpret it and act on it?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

I think for the most part, we're focused on the component, being a component supplier of the sensor, the measuring of the phenomenon and then providing the right data to upstream. But there are going to be pockets where we're going to want to move up more because we think we're in a unique position. And I think the one I just described around creating that network on a large vehicle, and whether it's big truck or a trailer, and leveraging our position that we have and then expanding upstream a bit because it makes a lot of sense. I don't -- strategically, that's not we're trying to drive the business across the business, but there will be situations where it makes a lot of sense and we're well positioned to be successful there and we'll likely want to go do that.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Okay. Let's bring up question number 3 about growth, and then I want to get to your other driver of growth. Through-cycle EPS growth for Sensata Technologies. And would you rather have this against the industrial peer group in the other rooms or versus the automotive peer group, your call? Shall we start the clock?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

No, that's fine. We want to be best-in-class.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So industrial?

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Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Yes.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Okay. So versus industrial peers. Which makes sense.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Yes.

(voting)

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Okay. So still above or in line with the group growing generally faster than automotive, at least this point in the cycle. Just one thing on the growth, and then I'll get to the margins. HVOR, which had been a headwind in terms of commercial and off-highway builds, now swinging. If we look at the strong recent growth in there, is there any way to dimension how much is just being in the right end markets at the right time? And how much is their end markets where that is happening, but there's also additional content, for example, I would imagine, Chinese construction and trucks?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So the heavy vehicle and off-road business in 2017 grew 14%. That was with 8% -- 6% market growth, 8% content growth. And so a real strong performance. And we've always had content growth from that business, but we're seeing a lot more content growth now and into over the next 3 years, driven by just the need to continue to clean up exhaust systems, the transition from hydraulic controls on off-road vehicles to electronic controls and interfaces. So there's a lot of great content that's happening over the next 3 years in a business that is having a stronger market than in the past 3 years. And just for everyone's knowledge, I mean, they -- our heavy vehicle and off-road business is in a number of different markets. It's North America truck, it's Class 8, there's Class 5 to 7; it's European truck; it's global construction; it's global agriculture. And then there's some other smaller businesses around motorbikes and RVs that we also serve as well through the HVOR business. So there's a lot of different markets.

But generally, the market growth has been much stronger than in the last 3 years and that's across the board. And as we look forward to 2018, we're expecting 4% to 5% growth, market growth, production growth in our heavy vehicle and off-road business. On average -- it's on average across all those end markets. And over the 3 years, we talked about 3% growth in market production. So the growth will start to slow from the market, but the content growth will continue to be strong. And so it's going to be in that 6% to 8% range over the next 3 years. So very, very positive, strong content tailwind out of that business.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So if end markets (multiple speakers)

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

And the other thing that's happening is tire-pressure sensing, as I mentioned earlier, is becoming an important content growth driver for that business. So again, taking the Schrader capability around passenger vehicle, bringing that into the truck market, seeing a lot of adoption because it drives efficiency and safety in those -- for those truck owners.

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

So obviously, revenue growth is one way to grow EBIT and EBIT margins through incremental profitability. But what gives you confidence in the EBIT margin expansion of 110 basis points in 2018, 250 basis points over a 3-year period? What gives you confidence? And maybe start -- and I apologize if this is buried in the investor deck, but kind of how much of that is coming from organic growth flowing through and sort of incremental 15% to 20% or so, plus or minus? How much is coming from just shifting to some higher margin products? And then how much is coming from your back-end efficiencies, everywhere from further merger integration to the supply chain efforts you've been talking about?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So I'll stick with what we laid out in the investor deck that helped bridge the earnings growth over the 3-year period. The first thing is we're going to have a benefit because we're going to have less integration spend. So we had $20 million in 2017, and that's going to be $4 million or $5 million in 2018 as we finish up some of the integration work that we have for both Schrader and CST. So that gives you a tailwind going from '17 to '18 and it continues over the 3-year period. Synergies that we're achieving as we complete the manufacturing moves around Schrader, CST and some other product conversion work we're doing. That generates another $20 million over the next few years, which is, again, that's going to be a margin tailwind. So taking cost out of the existing cost base.

And then the rest is going to be just the normal productivity initiatives that we have around offsetting price concessions that we see in our automotive business by productivity gains on the cost side for the parts that we're producing. And then we also get operating leverage. So there's fixed cost in the business, and it's a highly variable cost business, but there are some fixed costs where we get operating leverage so we're growing incrementally our volumes higher than our EBIT. And so that also helps bring margin expansion.

Offsetting that will be the need to continue to invest in the business for the growth that we've won. So we won an NBO. It's a new business win. It takes a number of years to bring that product to market. You have to work with your -- particularly on your -- on the auto and the aerospace side, to work with them to design and get that product ready for production, and that requires investment. And so that is a good investment because it supports the growth that we're going to see over the next 3 to 5 years. And then there's also the investment that we're making to intersect the growth trend that are more in the future around electrification, autonomy and smart and connected. So that's additional investment that we think makes a lot of sense to support those emerging growth trends.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Now you've guided cash flow up 30% in '18, 19% over the longer time. How much of that is driven just by the EBIT? And then what are the other cash levers that we should be thinking about?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

I think the -- a couple of things that stand out. One is the higher earnings. Secondly would be an improvement in terms of working capital management, and that improvement comes from completing the transitions related to the sites that we're integrating. So the transitions take time, the new -- the receiving site needs to get their production up and running and qualified. And so we've built a lot of stock inventory to support that transition to make sure that our customers are going to be served flawlessly as we transition. So we've built a bunch of inventory to enable those transitions to take place and we'll work that inventory down in 2018.

Now, we're growing so we're still going to have growing working capital, receivables will grow as we grow. But that change in terms of kind of working through that temporary elevation inventory will also generate strong cash flows in '18. And then we've been doing a lot of restructuring the last couple of years, and so we had quite a bit of restructuring spend in 2017 that doesn't repeat at the same level in '18. So those will be 3 things that help support that free cash flow growth above the earnings growth.

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Let's bring up question number four. And then, also, does anyone -- which is what should you do with the excess cash? Because I do want to talk about capital allocation.

(voting)

So bolt-on M&A, share repurchases, dividends, debt paydown. I want to pause there. Is there any questions from the audience? Okay. Well, let's then talk about capital allocation. Actually, if you could leave that numbers up because it's a good thing to talk around. Given that strong cash flow, at least in our model we have your leverage dropping to 2.2x. You've actually only talked about a target of 2.7x to 3x, I believe. So are you leaving room in that for share repurchases? 27% of the people like it, which is a dead tie with bolt-on M&A. And is there an acquisition, kind of, B, budget, or B -- and B, direction we ought to be thinking about?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So the last couple of years, we've been deleveraging to get our leverage in a range which we feel very comfortable with. 3x feels comfortable. It's, for Sensata, given our desire to grow and to be acquisitive, it feels like the right place. It gives us access to the capital markets at the right pricing that we would like to get in terms of raising capital. And so with that, and then concerning the free cash flow that will be generated over the next few years, we feel we're in a great place to think about how we deploy capital in a balanced, return-driven way. And so we're talking about M&A, M&A being the area where we expect to get the highest returns. So with 15%, 20% internal rate of return. We showed you examples of Schrader at above 20%. We showed examples of CST at 13% to 15%, which is where we thought when we first bought the company. So we have those expectations of M&A and those returns are obviously higher than buying back shares because there's greater risk. But we also think there will be a time for share repurchase makes a lot of sense, where economically, it delivers for greater returns than any other option we have available to us.

And so it's going to be balanced. It's going to be returns-driven. It's going to be economic-based. And we just -- we're now in a better position to do that. And also with our redomicile to the U.K., which I would say that we -- thank you for those shareholders who supported that, that was approved by shareholders. So we're moving forward to the next stage of the merger process. That gives us a lot more optionality and flexibility to be able to distribute capital back to shareholders in a more effective way. So we're much -- we're just in a better position: strong cash flows, better leverage, better execution, to be able to generate high returns for shareholders through capital deployment.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Okay. Kind of related to capital deployment, how do you think about ROIC at your company? And you have very strong margins, but at least in your definition of ROIC, it's kind of 12%. And others, I mean, some OEMS we won't mention who define ROIC very creatively and get to 30%. But does your forecast for EBIT improvement improve that ROIC? Are there actions, [white tides] in here in terms of reducing cash or other parts of invested capital? You mentioned finished goods inventory that improved there.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

So we'll get back to about 13.5% in 2020, based on our definition. And that doesn't assume any aggressive new capital allocation. That's just kind of keeping the share count flat. And so depending on what we do on capital deployment, we can improve that outcome. And certainly, if acquisitions ultimately will initially be a drag, depending on the profit. Because we're not buying -- we're buying companies that have less profitability than we do. And so we try to spend an appropriate amount. If we get those 15% to 20% returns, we get the synergies we're expecting, eventually the ROIC will go up. But even without any deployment, we're going to move this up 150 basis points or so over the next 3 years.

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Let's ask question number five. Well, both full of 2018 earnings. So it's inside the [trade desk]. This is the same range for everyone.

(voting)

So it's a pretty spikey distribution, right around 16 to 18. How do you think about that? And how do you think about it especially in light of acquisitions?

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

When we -- going back to talking about our peer group, which we showed at the Investor Day, we think that's a great peer group to compare ourselves to into -- and to benchmark of our performance. And in many of the cases, we're performing at the median or above around earnings growth, margin performance, EPS growth, without having a real capital deployment. We're not buying shares. And so just organically through earnings growth. And so we do think that it's a compelling argument that, relative to that peer group and our performance, that the multiple has room to expand. And so that's certainly 60%. 16x or above is a good sign; (multiple speakers) alignment there.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Let's bring up question number six. What do you see as the most significant investment issue? It'd be interesting to see how this compares to last year. The multiples were up 2x, roughly, over last year. But I mean, the market is up, but then you had actually there some people supporting a much higher multiple. So core growth, 58%, similar to 5 years, a little bit higher than last year. And yes, so I think describing -- how do you think about number three? So like more people are thinking capital deployments can (inaudible). I guess, that's to get to the fact that you're now within your leverage targets, and hence that's probably a good thing.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Yes, I think it is. I mean, the core growth, I guess it's an issue for 58% of the folks.

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

The other interesting thing. I was looking at number four. The -- just raw execution has dropped off appreciably.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

That's good. If I'm reading the chart right, that's about (multiple speakers).

Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Yes, yes. So it's probably -- you've sort of come through that period where the organic growth is mushy with the end markets moving around.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

The only comment I'd say about the core growth is 4% this year, 4% to 6% over the next 3 years. And I guess for me, the backdrop there is that we're growing and still growing very profitably. And so we're -- the value of that growth in my mind is very good. And so combining the 2 I think it's really important from how Sensata operates and what our strategic objectives are.

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Brian Arthur Johnson - *Barclays PLC, Research Division - MD & Senior Equity Analyst*

Great. Thank you, Paul. Thank you, Josh. Thank you, folks. Remember, we have a reception at the end of the day after the analyst roundtable.

Paul S. Vasington - *Sensata Technologies Holding PLC - CFO, CAO & Executive VP*

Thanks a lot. Appreciate it.

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