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EDITED TRANSCRIPT

ST.N - Sensata Technologies Holding PLC at Wells Fargo Industrials Conference

EVENT DATE/TIME: MAY 08, 2018 / 6:35PM GMT

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CORPORATE PARTICIPANTS

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

PRESENTATION

Unidentified Analyst

All right. Good afternoon, everyone. Pleased to present Sensata Technologies, a newly merged plc company now, no longer in an -- incorporated in The Netherlands. So pleased to present Paul Vasington, CFO. We have Matt Roache here, who's Manager of Investor Relations, Senior Manager of Investor Relations. So Paul, thanks for making the time, appreciate it, and we'll...

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

(inaudible)

Unidentified Analyst

Yes, thank you.

QUESTIONS AND ANSWERS

Unidentified Analyst

So just to kick it off. Q1, you reported a couple of weeks ago, was a very good quarter growth-wise, top line growth-wise, and the margin was solid. Automotive picked up on the organic growth front, and HVOR, Heavy Vehicle and Off-Road, for people that are not familiar with the term, was a double-digit grower. And then you also had good contribution from the industrial businesses. With one quarter in the books and realizing you did give guidance for the second quarter and then, in fact, the full year, where do you think the most upside potential is across your major verticals?

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

So let's just start with Q1. It was a strong quarter for organic growth. And as you said, we saw strong growth in automotive, 4.5%; Heavy Vehicle and Off-Road, or HVOR, was 14.2%; then our Sensing Solutions segment was about 6.3%. So strong, strong growth in Q1. What I would attribute to most of that growth is content growth, so where we outgrow the market. When we talk about content growth, we look at it on an annualized basis. It's lumpy throughout the course of the year. So it's very strong in Q1, and it will probably not be that strong every single quarter. But that has nothing to do with the health of the business. It's just the way in terms of new product launches occur. So in the biggest place where we grew is in China in automotive, so very strong first quarter China auto (inaudible). So that drove most of the amount above, the guide that we had for the first quarter of 4%. As I think about the whole year, the markets look about the same as we call them. So in the first quarter, we had about 4.5% market growth in the Heavy Vehicle and Off-Road, and that was in line with our 4% to 5% for the year. Yes, we expect that to be about what we'll see for the whole year, maybe bounce around by quarter, but on average, that's what we think it'll be. In automotive, we call it to be flat to down slightly, and we're down 1.1% in Q1. So again, in line with our expectations. And so far, we think market looks as we called it at the beginning of the year, and the content piece is the part that really drives the overgrowth relative to our initial estimate for Q1. And so for the year, we have a 3% to 5% organic growth for the year, and we're sticking to that for now. As we enter the second quarter and continue to see that improving and incurring, we feel good about the guide that we have.

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Unidentified Analyst

On HVOR, the 14% growth rate, is that -- should we expect that to moderate over the course of this year? You're going to be facing some tougher comparisons. So is that a number that is sustainable or should that moderate a bit closer to 10%?

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

So that'll moderate closer to 10% for the full year. And like I said, the market of 4% to 5% demonstrate that growth. We saw that growth in Q1. We think that'll be the growth for the year for the market. That's production. And then content is the swing factor.

Unidentified Analyst

Sensing Solutions industrial markets, in general, are pretty favorable when you look at the major geographies that you participate in. This 6% growth rate was very good, and typically, a number that is outsized relative to what it normally grows out. You talked about content. Anything specific within that that's helping the Q1?

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

Well, the industrial sensing business does benefit from -- the market, so content growth. So that was one of the drivers of the better growth. And the other is just a strong -- that business has been recovering for many quarters. And so as we -- we're happy with the performance in Q1, a lot of, it market driven, some of it is timing of when we saw demand, we're expecting demand to come in. As we go further into the year, we're going to see tougher comps year-over-year. And so that business is more of a GDP kind of growth business, except for the outgrowth that we expect from the industrial sensing business.

Unidentified Analyst

Had there been any -- at this point, any meaningful traction with revenue synergies from CST?

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

Definitely. CST is -- the growth in CST is trying to pick up quite a bit. So we knew when we first acquired the business, the front end of that business was challenging. That business, every year, is continuing to show better and better growth, and we're seeing a much stronger top line and top line growth coming out of that business.

Unidentified Analyst

And then within CST, any particular verticals that are assisting with that? Aerospace was one of the areas that you wanted to augment, broader industrial. Anything within CST that's noteworthy?

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

CST spans into the Heavy Vehicle and Off-Road business. You'll see a part of that in there. You'll see CST in the industrial and also the aerospace. And in all 3 of those segments, they performed very well. It did very solid growth.

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Unidentified Analyst

The China growth in the first quarter, was there any meaningful benefit from tire pressure monitoring, growth rate? That is still yet to come in terms of a mandate, but you have one business, discretionary business, and so I assume that's helping a little bit.

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

It's definitely contributing to the growth. I think I would say the growth in China, though, is very broad-based across all the different product families that we offer.

Unidentified Analyst

Diesel penetration was down again in the first quarter. You talked about this at your Investor Day with regards to managing against that. Diesel penetration is -- depending on the numbers you see down, are down between 500 and 700 basis points. Can you just remind investors with regards to the shift from diesel to traditional gasoline, ICE or even hybrid applications, how the content changes for Sensata?

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

Sure. We have a large diesel business in Europe. And over the last few years, we've been seeing a decline in diesel production. So we've been living with this trend for a while, and I'd expect it. And we continue to grow our business in Europe. So it has not gotten away of our ability to have out-market growth in Europe. What we're seeing now is a continued decline in diesel production. We talked about it in our Investor Day. We gave some projections of where we think that'll be 3 years out. And while that seems like a negative, our growth in Europe around -- revenues in Europe will continue to grow over the next few years despite the fact that diesel is declining. Why that is, is that we're seeing significant content growth on gasoline engines in Europe and more specifically around the need to clean up the exhaust of those vehicles. So over time, you're going to see a shift with diesel going down, gas production going up, our gas content per vehicle expanding quickly and seeing our overall revenues in Europe over the next few years growing in the 4% to 5% range. So it's a net-net positive. We'll certainly have to talk about what's happening with diesel, but we are winning business -- more business to be able to more than offset that decline.

Unidentified Analyst

All right, okay. On that point, with regards to regulations, we referenced the tire pressure monitoring in China. There's also tire pressure monitoring opportunities with regards to heavy vehicles in terms of that market penetration and interest there. You've got fuel efficiency regulations that, even though the EPA is trying to relax rules here in North America, there's already a lot of sunk cost made by DOEs with regards to investments. How does the shift to -- when we think about, here in North America, the shift to more electrification, particularly in the hybrid side, that has [a plain] to that mid-single-digit growth rate for auto that you're targeting over the next few years?

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

So we step back and think about our automotive business, which is 60% of the business, we start with a big secular trend around more efficient, cleaner passenger vehicles, trucks, then it goes into industrial and material handling equipment and commercial equipment. So that secular demand for more -- efficient is something that we've been working with for a very long time. And we won a lot of business, and you're seeing that business come to fruition as a revenue as we execute on those new product launches. And so our gas and diesel powertrain businesses are very strong and growing. Hybridization only adds to that. And so as cars become more electrified, they have more subsystems to help extend the range of the vehicle. In many cases, that requires additional sensors to enable those systems, and we're well positioned to be providing solutions to our customers for those types of electrified applications. So one example we give is around regenerative braking, which is common on a lot of hybrid vehicle, which requires more sensors to enable that system to work and help extend the range of the vehicle. So it's good. And just also -- so there's more content opportunity on a hybrid vehicle than we would normally see on a gas vehicle.

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Unidentified Analyst

And then when we think about pure battery electric, you showcased some emerging products that I don't think were quite yet commercially available. What's the target time frame for quoting for that? I think there was some products related to extending the battery range, et cetera. And so just refresh us on where you are with being able to quote for that and the time frame with when you would potentially realize revenues on [BEDs].

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

Okay. So in total, over time, we believe electrification will be a tailwind for (inaudible) from a content per vehicle perspective. Today, we have products that we offer that are supporting, as I said before, hybrid vehicles, which is where -- which we believe will be where you'll see most of the uptick in production, so to the extent it still has an internal combustion engine and it's -- and that engine advance is going to evolve to similar technology that we have today. And then you add on the features of a hybrid vehicle, we have an electric motor, and that -- those systems have to work together. We think that's all very positive for Sensata, and we've given examples where we won some braking system sensors. We talked about how thermal management is important. Again, just focusing on extending the range of the vehicle. We talked about thermal management and how you can go from 1 to 5 sensors, potentially, in that thermal management system, so opportunities to grow that are -- that exist with our current products that we have and solutions that we have, maybe things we're mentioning around, an example, of battery management, which is managing the health of the battery and getting more performance out of the battery, doing that in a wireless way to reduce the cost. That is things that we're working on. It seems very promising. But you're right, those are going to come later in the cycle. We won't expect to see any revenues in that type of thing over the next 3 years or so. But beyond 3 years, we think it becomes a more meaningful part of the business, but still more work to do to secure business and to really drive that solution.

Unidentified Analyst

And how does R&D investment change in terms of pure dollars or percentage to revenue and the profile that -- where you're allocating it? What are the differences? Because you have industrial sensing, you have the changes going on in the powertrain side, then auto and then there's new opportunities that -- with regards to autonomous. So how is the company changing their profile spend?

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

So within the guide the we gave this year, it contemplates us reallocating some of our engineering resources to pursue these emerging trends that are shaping our market. So we are putting investment into autonomy. We talk about our relationship with Quanergy and the work that we're doing with them around LiDAR sensing. We are looking at how do we continue to grow our knowledge, understanding of solutions around -- in a smart connected world. So we've talked a little bit about where we have tire pressure sensing on a large truck that has a network, how do we expand that network, have more sockets and more sensors for which we can attach to. And so in looking at -- and deploying resources to grow in that area. Electrification, another example; other areas of autonomy like vehicle helpline. So we're taking internal resources or even external resources and deploying them into those areas, sort of how we can best intercept those growth trends but all staying within the existing guidance that we have today. So it's more of a reallocation than it is incremental.

Unidentified Analyst

We'll touch on this a little more in depth later. But in terms of capital deployment as it relates to this, what is the level -- the appetite to deploy capital on smaller software engineering acquisitions that would augment or quicken the pace of being able to come to market with some of these products?

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

It's something that we're considering very seriously about, investing in new technologies or partnerships, joint ventures to help move us forward in terms of our ambition to develop technology that can intersect these growing trends. So we have a broad pipeline, M&A pipeline that looks up all the different businesses that we serve. Bite-size type acquisitions are the things that we're looking to pursue. The technology opportunity are something we definitely are looking to invest in to the point it supports our growth strategy.

Unidentified Analyst

Right, okay. Why don't I stop there and see if there are any questions? Okay.

Unidentified Analyst

Can you talk about -- I guess you said -- so hybrid vehicle, do you see as more of a needle mover over the next few years versus purely electric? Why do you think that's the case? And then second question, can you break out your content per vehicle, ICE versus hybrid versus electric today and where you think it'll get to? And that kind of goes back to the question on -- you said electric eventually be a tailwind, but I think today it isn't. So I'm just trying to kind of bridge.

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

Sure. So I mean, hybrids are -- the production of hybrids is growing more rapidly than any other area of electric -- of the electrified automotive world. And so we're seeing a lot more interest in how we can serve the needs of OEMs who are -- have hybrid systems, and we can apply current technology we have to meet those needs. So hybrid vehicle, which -- regenerative braking is going to require more sensors and Sensata-type sensors than a purely gas combustion engine. And we're getting quotes. We're winning business in that regard. So the content per vehicle is higher. And that -- and regenerative brake is one example where you're going to find more content than you will with a normal ICE engine. Why is electrification a tailwind? I mean, today, when we look at the content opportunity in electric vehicle -- I mean, there's not many purely EV product out there to really create a trend with. But we do have cases where we've seen $25 to $30 of content on EV, and we're just getting started in terms of the opportunity. The things that we're looking at like battery management could have many, many dollars, hundreds of dollars of content based on the opportunity that we've seen from it. So we think there's a lot that still has to happen. There's a lot of evolution in the architect that's going to drive how these vehicles will have greater range. And thermal management will be a big part of that. And we talked about how our product that support the current HVAC, a need of a vehicle, could be expanded from a single sensor to 5. So lots of things that we see as opportunity today that will evolve over time as the architecture of the vehicle continues to grow and improve. And one of the reasons why we don't talk a lot about purely electric, so BE, battery electric vehicles as a content, it's very hard to create a trend when you don't have a large -- there's not a lot of production out there in the market today.

Unidentified Analyst

So what's the content on your internal combustion engine versus $25 to $30 you said today on an electric or hybrid?

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

It could be.

Unidentified Analyst

it could be right.

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

Yes, it could be.

Unidentified Analyst

What are the (inaudible)?

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

So diesel runs -- so think of diesel engine average powertrain, average car, it's about $35 to $40. If you look at hybrid, gas-powered car engine content is high 20s, low 30s, and then a hybrid vehicle on a gas engine would probably be another, easily $5 to $10.

Unidentified Analyst

Question?

Unidentified Analyst

Can you discuss the mix of facts, specifically HVOR and how that's likely to influence your margins and your growth going forward? I'm under the impression that the growth in margins have been inhibited during the downturn. It's seen some of an uptick as HVOR is covered. but what should we expect going forward from product mix and market mix?

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

The margins in our businesses across automotive, HVOR are relatively consistent. They're using very similar technology. There's a slight different mix of HVOR. You see on-road, off-road. You also have our acquired DeltaTech business, which is our operator sensing control business. It's a bit dealing with electronic controls in off-road equipment versus the oil hydraulics. you see a slightly different mix, but on average, the margins are pretty consistent. And when we talk about Sensata's margin, we have high variable cost in terms of our structure. So even when volume's declining, we're able to maintain our margins at a pretty high level. So we've -- the volume up and down is not a huge driver of the overall margin profile. As we think about HVOR, you're right. That business was -- had declined significantly from 2014, saw it coming back in the last year or so. It's come back really strong. Now we're -- last year, we were probably growing somewhere near the 15%, 20% range in any quarter. We saw 14% Q1 this quarter. We're calling about 10% double digit for the year. And if you look out over the next 3 years, we think it's a high-single digit to low double-digit grower over the next 3 years. So still great growth, good margin profile and great business to be in.

Unidentified Analyst

Are you still below (inaudible) on that HVOR business? How far below (inaudible)?

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

So when you think about HVOR, we've got -- we serve about 7 or 8 different markets. One of the biggest markets would be heavy vehicle on-road North America, Class 8 trucks. The Class 8 truck market has been cycling up for quite a while now. I think we're thinking -- based on third party data, I think we get to 320 or 3,000 units produced sometime over the next 6 to 9 months. That would be a pretty high level historically. So I do think we're -- at least we're getting back to historical peak, and that's driving a lot of our growth. But there's also another subsegment of the HVOR North

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America on-road, which is Class 5 to 7, which is not growing very well. So when you balance those 2 out, our overall growth is lower than what some would quote for Class 8 North America.

Unidentified Analyst

Could you expand on how you're able to grow Europe 4% to 5%, given that negative mix shift away from diesel? Like what are the key drivers of that medium-term outlook?

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

The key driver is going to be the growth in that content per vehicle. So there's -- and we're going to double -- more than double our content per vehicle over the next 3 years, 3 or 4 years, and you're talking about a production level going from $11 million to $12 million or $13 million. So we're getting all that content growth on that entire base of production. On the diesel, we're losing -- diesel production is going down, but we're also maintaining and actually slightly growing our content per vehicle on diesel cars. So net-net, when you do the math and you look on our revenue -- total revenue basis, we're going to grow around 4% to 5% over the next 3 years in Europe as it relates to powertrain. We -- if you go on our Investor Day, we had a slide there that kind of laid that out a little bit.

Unidentified Analyst

Can you give us an update on Quanergy? Are you producing for them at this point? And then kind of maybe a step back, what -- will there be more investments like that to be made, maybe LiDAR for autonomous, kind of higher-level question as well?

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

So still working with Quanergy. We still have our partners with them, and that partnership is such that Sensata is the manufacturer and go-to-market for LiDAR sensors in transportation market, Quanergy being the technology provider. They're the ones responsible for bringing the technology to the point where we can manufacture commercial part. We work together, and we've been working together. And we're still in the development phase of designing that LiDAR sensor and really understanding the customer use case. And so we're at the point now where working with customers on exactly what is the need, what would be the specifications of the sensor and how does it meet the use case, if they're developing or design. So it's still a few years away, for sure.

Unidentified Analyst

And then more of (inaudible) investments to be made? Or is that kind of (inaudible)?

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

So the LiDAR piece is unique for -- the relationship is unique for the LiDAR sensor in the transportation segment. But there are other opportunity that we see in autonomy that don't -- have nothing to do with the relationship with Quanergy. So the idea of vehicle health monitoring in an autonomous environment is very interesting area that we're focusing on, thinking about how sensors can play a part in that.

Unidentified Analyst

Just staying on that real quick. On LiDAR, there's been some suppliers that have been -- have won some programs out for production in '20 or starting in 2021. Are you quoting at this point? Is it commercially viable? Are you quoting? Or it sounds like it's still in development so -- with Quanergy.

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

I think we're still in the process of working with the customers to find use case. That's all we know.

Unidentified Analyst

Okay. So you're still on the earlier stages, if you will, versus...

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

And this is for a Level 4 and 5 autonomous driving, so yes.

Unidentified Analyst

Similar to the question that was asked before. Have you been able to quantify your current opportunity set in autonomous, in vehicle autonomous-based sensor space? Wondered you -- you had mentioned you were working on other things. But is there a content we can think about as an opportunity for you going forward?

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

Yes. I think it'd be too early to try to comment or quantify that, more to come over time, but probably too early.

Unidentified Analyst

How are you situated in China through OEMs, local and JVs? I mean, if China opens up the market to JVs owning it completely, is that a plus for you? Or are you agnostic to OEM in China there?

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

I would say that we're -- we have great relationships with the multinationals and the local suppliers. And Sensata has been in China for many, many -- 20-plus years. We manufacture locally. We design locally. We procure locally. We work very closely with our customers. And so I feel we're really well positioned both locally and globally. And so I would think in any case, we're going to continue to have a very strong relationship with all of our customers.

Unidentified Analyst

Yes. Just along the lines of that. The structure of the Quanergy relationship, what's your appetite to engage in similar structures going forward, partnerships, JV? Obviously, it changes the complexion of the finance. Is that fair enough?

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

Yes. I think we're open to all that. We think that Quanergy arrangement is a great one. And so similar types of investments like that and some restructures, we'd certainly welcome. Those opportunities -- to the extent it makes sense for us so that we continue to grow our business and it's good for the partner.

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Unidentified Analyst

Just -- I know it's still early days because you haven't booked it in your revenue yet. But when you start shipping for whenever business is won with the Quanergy product, will that be -- is Quanergy essentially a supplier to you and then you'll consolidate the revenues fully and it'll just be their part of the COGS, if you will? Or how does that...

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

So the way the agreement is structured today is that Sensata would be selling the sensor. We would -- and we would take all the risk of manufacturing it, selling it, pricing it, collecting from the customer. So we would have the revenue. And -- sorry, I didn't have the mic here. We would have the revenue, and we will have the profit. And then we would have a range where we split the profit, the gross margin in certain percentage, and then Quanergy would receive a distribution or a royalty for their part of developing the technology. I can't speak to how Quanergy wants to do their accounting. But from our perspective is it is a sale in revenue and fully consolidated for Sensata.

Unidentified Analyst

Okay. And then are you -- will you be the integrator as part of a broader system? Or will you feed into somebody like an active with this? So will you be the point person for the OE packaging, which is the LiDAR plus a camera vision plus radar? Is that -- how does -- how will that work?

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

So as I understand, the best of my knowledge, I think about it is that we will be -- we're still a component. We're selling a component, fully functioning LiDAR sensor that will integrate into another system that will be interpreting the data and managing the core.

Unidentified Analyst

So when you say selling to OE, you could be working with a Tier 1 that's integrating it with other sensors?

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

Right. I think the view -- the arrangement is that Sensata can effectively approach the entire market for those who need or are integrating LiDAR sensors into the vehicle versus picking one integrator and going...

Unidentified Analyst

Right, yes. Right, and limiting yourself, right. Okay, understood. And then industrial sensing, what's the size of the business now? Numbers I have is maybe a little stale, $75 million or so.

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

So -- yes. So how we think about industrial sensing is now that are $225 million, $300 million business, and it encompasses the $75 million industrial sensor business, as you probably recall. But we've expanded that through the acquisition of CST. So now it includes the industrial business, CST we acquired, as well as their sensor -- they have a sensor -- a really -- which sell through distribution and has a very strong position in the market -- (inaudible) really, excuse me. So you combine those together, you got about a $225 million, $230 million business, and much of that business can outgrow the market. So it's definitely an area that we're looking to grow and to invest in and to build out.

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Unidentified Analyst

And is that -- just remind me, is that part of Sensing Solutions? Or is that -- some of that fall under Performance Sensing?

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

It's in Sensing Solutions. It's a part of CST that we acquired that was -- Heavy Vehicle and Off-Road is in Performance Sensing.

Unidentified Analyst

In Performance Sensing, okay. All right. Let's shift gears to the balance sheet and the cash flow. This is an area where the company, for a period of time, had to digest an acquisition, the leverage was above norm with limit in terms of capital deployment. Now you've redomiciled to the U.K. to free up -- create more flexibility for you to allocate cash to various initiatives and prerogatives. It seems like once -- you're second half of the year. As we look forward here, the company is certainly going to have more flexibility to deploy capital. And so if you could just update folks on what the primary strategy and initiatives are for capital deployment. And then on the M&A front, within that, when you did some -- you did some big deals back in '14 and '15. How should investors think about the threshold for M&A and size at this point in the cycle for the company?

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

Okay. So over 1.5 years ago, we started the process to redomicile since -- (inaudible) to the U.K., so very complex project. In March of this -- at the end of March of this year, the merger was completed. So we're a plc company. There's 2 steps left to give us the ability to buy shares. One is we need the U.K. High Court to approve the amount of distributable reserves that the company has, and that's a process we have to go through in the U.K. It's normal diligence process that we need to conclude. We think it's not a difficult step. And so that should be cleared up here in the next week or 2, and then we'll know. And then a second thing, we're going to need to shareholders to approve our ability to repurchase shares. So those are in the proxy. There's a resolution for the company to be able to buy its shares and their -- who their counterparties are and what agreement and the agreements to be used. That's partly requirement of the U.K. Once, hopefully, shareholders do approve that, we'll be in a position where we can actually buy shares. As it relates to what we'll do in terms of share repurchase, we -- back in Investor Day, it's a returns-driven balanced approach. And we're going to look at what drives the greatest returns for shareholders, and we're going to deploy capital in that direction. Our M&A pipeline, we're looking at all -- across all the businesses that we have. We talked about it being bolt-on, bite-size. We talked about them being highly accretive, high returns. And so we're actively pursuing, thinking about opportunity within M&A. But to the extent that things aren't developing, we're clearly going to want to do more on the share repurchase front. So more to come on that once we get through these 2 key steps. But suffice to say that the share repurchase is definitely going to be an important part of our ongoing capital deployment approach.

Unidentified Analyst

And how do you characterize or quantify bolt-on bite-size in terms of revenue base?

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

So the pipeline is -- it's broad. And I would say what we're trying to suggest is it's not another Schrader or CST-type deal. It was a great deal. There's great returns created. So now it we're looking at is where do we kind of add on to our existing businesses, how we make them more growth-ful, build to scale (inaudible). We're using bolt-ons to help expand the capability of the businesses that we have today. We're also focused on how do we intersect these growing trends of electrification and autonomy in a smart connected world. And so using our capital to look for opportunity to do that organically, it makes a lot of sense.

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Unidentified Analyst

So just -- I don't know -- I don't mean to put words in your mouth, but $100 million to $300 million would be characteristic of bolt-on acquisition revenue, contribution-wise?

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

Just from a size, from revenue?

Unidentified Analyst

Yes, revenue contribution.

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

I think it could be arguably smaller. I don't think it would be any larger than that. Hard to say. Every deal is an actionable, so it's actionable. And there's a pretty big pipeline of opportunities that -- what we actually are able to action now, only know when it happens.

Unidentified Analyst

Okay. And then the stock has been weak since the earnings release, not really atypical, many industrial companies at this point, given it's earnings cycle, it's earnings season. But what would you tell investors as -- we just went through share repurchases, capital deployment. What else could you tell investors as what to look forward to? I mean, growth is certainly a component, outgrowth on the top line, organic growth. But what else is it that you think investors are not appreciating at this point?

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

Well, I would -- I guess I'll say that when we had our Investor Day, we laid out what we thought was a very compelling road map for a company that is going to continue to grow its revenue at mid-single digits with earnings growth double digits and margins expanding and $1.8 million of free cash flow and now in a much better position to be able to deploy capital efficiently, both to M&A and to shareholders. And so I think -- and we've gone through the redomicile, and we've merged. And we're very close to being ready to be able to action some of this stuff. And so I think we're in a -- and we've also put up a couple of years of pretty consistent improving financials. So I think we're in a really good place. The Investor Day laid out the kind of the road map for the future. We talked about the next 3 years being pretty secure in terms of the revenue. I talked about secure. We said 90% of our 2020 revenue is secured to the extent that this business we have today or this business that we won that we're going to deliver in the next 3 years. Now we've laid out market assumptions that we -- that everyone can understand and they're like -- how does -- what are the risks that might underpin that. But the stuff that we control, we feel very good about. So I think the business is really well positioned to meet those targets. And then the work we're doing around intersecting some of these mega trends, I think, is really exciting, and we're making a lot of progress. So I think we're in really, really good position to execute on the plans that we've laid out and continue to be successful and have a much more robust capital deployment outcome.

Unidentified Analyst

All right. Okay. [Kim], question?

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Unidentified Analyst

Kind of -- well, along those same lines. In such a dynamic auto transportation world with all these mega trends that you guys could benefit, why don't you jack up R&D spending and internal growth spending? You talk about M&A, bolt-on, which I understand, from a risk mitigation standpoint, is probably the right thing to do. You talked about share repurchase. But what about higher -- and you talk about reallocating your spend. But with such high growth prospects, how do you think about that just really increasing that internal spend?

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

If we get to the point that we think we need to do that and that's the right way to (inaudible) sustainable growth, then we'll consider that. But today, based on the opportunities in front of us and what we're working on, we think we can fund those initiatives and still maintain the guidance that we provided over the next 3 years. So when we gave guidance, we thought about how much do we want to deploy into these growth -- new growth-ful areas. And there are some parts of the business that are ultimately -- are not as growth-ful and well we want to reallocate, and we think that's being good stewards of capital. But if the opportunities be that -- reserve for another day. But if the opportunities are there, I mean, we'd certainly want to go after and invest in it. That makes the most sense for Sensata and for shareholders.

Unidentified Analyst

Great. Let's wrap it there. Thank you.

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

Thanks.

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