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# EDITED TRANSCRIPT

ST.N - Sensata Technologies Holding PLC at Citi Global Technology Conference

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## CORPORATE PARTICIPANTS

**Joshua S. Young** *Sensata Technologies Holding PLC - VP of IR*

**Martha N. Sullivan** *Sensata Technologies Holding PLC - CEO, President & Executive Director*

## CONFERENCE CALL PARTICIPANTS

**Jim Suva** *Citigroup Inc, Research Division - Director*

## PRESENTATION

**Jim Suva** *- Citigroup Inc, Research Division - Director*

Thank you for joining us here for day 2 of Citi's Global Technology Conference here in New York City. My name is Jim Suva, and I'm the IT, hardware and technology supply chain analyst here at Citi. Importantly, I wanted to point out that this fireside presentation and discussion is with Sensata, ticker ST.

Joining me on stage, in the middle, is the Chief Executive Officer, Martha Sullivan; and as you face her to your left is Joshua, the Head of Investor Relations.

I have prepared a few opening comments to get things going. There are no slides with this presentation, but it is being webcast. Due to the size of the room, which those of you listing in to the webcast, it's really packed. And so if there are some latecomers, there's only a couple seats open more towards the front, we welcome you to sit down. Aside from that, I'll start off with a few questions, but because it's so populated in the room, I'm going to reserve a lot of time for interactive Q&A. We do ask that you wait for the microphone to circulate to you before you do ask your question, and I'll point to you if you can just raise your hand as you do have a question.

So first of all, Martha and Joshua, thank you much -- so much for joining us.

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## QUESTIONS AND ANSWERS

**Jim Suva** *- Citigroup Inc, Research Division - Director*

Martha, to kick things off, and then I'll come join you here on the couches, can you just start off by talking about how the year is progressing? Specifically, you're looking at organic growth, I believe at about 6% and EPS growth of about 15%. Can you help me to see if my numbers are right? And also what is driving this underlying demand growth?

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**Martha N. Sullivan** *- Sensata Technologies Holding PLC - CEO, President & Executive Director*

Thanks, Jim. It has a sound. So appreciate the question. We have gotten off to a great start to our long-range guide. We are, in fact, performing above that long-range guide of 4% to 6% organic growth and 10% to 13% EPS growth. And so the first thing to understand is, that organic growth is being driven by the secular growth that we have at Sensata. We came into the year, not expecting much help from the end market. We looked at an auto market where we expected to be flat to down in North America, a slowing China market, all of which we anticipated, but had conviction based on our visibility and our strong content growth that we would deliver well within an effective amount to the high side over -- our overall long-term guidance. And so you look at what drives that at Sensata, we see 3 things over the next 3 years that are driving growth across our business. First is the continuation of the relentless demand for clean, more efficient equipment, and that's everything from the move towards heat pumps and climate control, a trend towards moving from mechanical controls to electronic -- electric controls in operating control systems in off-road vehicles.





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In the automotive market, we're seeing the extension of gas direct injection, we're seeing particulate filters now in place to meet Euro 7 guidelines. So much of this regulation driven that theme of clean and efficient continues to drive secular growth at Sensata.

We're seeing the early days of electrification, again, across our business. We're seeing growing demand for our electrical protection products and things like electric bikes, for example. We're seeing the trend to move from lawn tools that are -- were combustion based to actually full electric. And then in our automotive business, we're seeing the early days of hybrid and a growing, but still very small move of electric vehicles, where we add content as those vehicles electrify. So strong secular growth underpinning our focus in mission-critical sensors in electrical protection.

On the bottom line of our business, we're performing very well, and you can see the margin expansion where we expect to deliver around 80 to 100 basis points of margin improvement in 2018. And our 3-year guide that we provided at the end of '17 was for 250 basis points of margin expansion. We're well along the way to deliver that. Much of that comes from the synergies that we achieved in our past acquisitions. And at the same time, we announced a $400 million share buyback that we expect to complete in the first quarter of 2019, and we've already begun that process, that's also helping us to move ahead with our EPS organic guide. And all of this is in the backdrop of a divestiture that we announced that took about $20 million of earnings out of our run rate and yet we've provided a guide now that's above our initial guide coming into the year.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

So Martha, a lot of moving parts, many of them demand related and strength to your company. As CEO, are there any challenges you're seeing out there whether it be yesterday some companies noted some component shortages, some rising raw material cost? Any challenges we should be aware of?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

At Sensata, we have a very focused global supply chain. And we also have visibility in our demand that's pretty far out, that's whether it's new design winnings or even looking at our order book. We tend to come into the quarter about 85% to 87% filled for that quarter. And so we're constantly, real time, looking at our demand and planning our supply chain. So while there are component challenges within the industry, we're in really good shape and that's not having an impact on our customers nor in our financial outlook.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

That's good to hear. I was pretty impressed when you'd given some commentary recently around China. I believe, for your company, if I'm correct, about 22% organic growth. Can you talk about the strength you're seeing there and help us understand kind of what's driving that? Is it more automotive? Is it industrial? Is it both? What's going on there?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, actually China is a really important driver for Sensata, both now and over the long term. And so you're right, we've delivered about 22% organic growth in China through the first half of the year, and that's on the backdrop of a slowing automotive market. Just to remind everybody, in China, there were strong tax incentives up through 2017, those came off. We expected the end market to slow, it has, and we're delivering 22% organic growth. And we're actually doing that across our businesses. Our largest business in China is our light vehicle automotive business, but we're also seeing very strong growth in our industrial base, and that's due to things like the move towards heat pump in commercial HVAC. We're providing sensors now and variable output pumps. So we're seeing the country really move forward with efficiency mandates. On the auto side, one of those mandates is the need for tire pressure sensing, which will be enacted, it has been enacted and required as we move through the end of 2019 and fully in place into 2020. We're actually seeing that adoption right now, and that's helping to drive our growth. We're also seeing the move towards disciplined modernization of the fleet. So the things like gas direct injection fairly low penetration in China versus other end markets. That, now, is coming into play. We actually see our content per vehicle in China moving from $11 per vehicle to about $16 per vehicle by the time we exit 2020. So lots of different dimensions, very broad-based growth, very much secular when you think about what's driving Sensata.



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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Well Martha while I prepared a whole list of questions, the room is so packed with people, I would be remiss if I don't offer them an opportunity to ask you some questions directly. I'm sure as you're looking out there blinded by the spotlights, you can actually see that almost every single chair is filled in the room. So I'll ask one last question and then if we can get the microphone circulated amongst the investors, please raise your hand when we get the microphone to you as I ask this last question. And that is recently in the news in media, there's been a lot of talks about political tariffs and things like that. Now realizing that you don't produce the end good that the consumer buys, but you supply to the OEMs in the supply chain. As CEO of Sensata, have you had discussions with your customers or anybody actually making changes? Or is there all talks right now? How should we think about tariffs and your discussions that you have at an executive level here at Sensata?

**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Sure. So let's just start with any direct impact on Sensata. Are we facing tariffs as a part -- as an additional part of our cost structure? So just a baseline everybody, we have a very global supply chain. And increasingly, we've moved that supply chain in, what we call, region for region. So most of what we build in China actually ships into Asia and most of that actually ships into China.

At the same time, we are very often the sole supplier of the mission-critical products that we provide our customers. That being said, it's really important for us to have redundancy in what we produce. So while we have some products today that ship from China into the U.S., those products are actually produced in other locations in Sensata. So for that reason, we do not see this as a long-term headwind. We've talked about an exposure of about $6 million to $8 million through the second half of 2018. We expect that to be behind us, and we are working with customers to actually change the supply chains in some case or offer them the option of a price increase and we think it's really important to bring our customers options. Our customers are working with us on that, I think that, that's going well. If you look at more indirect impacts, Jim, you think about things like, if there are tariffs on vehicles in Europe that would come into North America. One of the things that's really important to understand about our business model is that we are ubiquitous in the OEM base, with the only exception being Toyota, our content is not strong at Toyota. The point is, if exports from Europe, now if the demand comes down due to tariff cost, our expectation is that demand would be replaced by North American mix, and we're very well represented, our content is very strong in the North American mix as well. So it's a difficult time for the industry. We're somewhat agnostic about where it is -- which OEMs actually benefit when you look at what those puts and takes will be.

**Jim Suva** - *Citigroup Inc, Research Division - Director*

Well, what we'd like to do is circulate the microphone, if you could please raise your hand. If you're in the audience and we can get the microphone right to you, it's a completely packed room.

It's hard to believe that people won't have questions, but please raise your hand if you have any questions for the Chief Executive Officer of Sensata Technologies.

There's a question right here in the first row.

**Unidentified Analyst**

How is the M&A market now? And what are your thoughts on it as we look through the different areas?

**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. So we had a track record of really strong high returns acquisitions, I appreciate the question. The way we look at our M&A pipeline today, our last large acquisition gave us a really healthy footprint in the industrial market and actually diluted our overall auto exposure. And in doing so, it provided us great organic opportunities, also a line of sight to much more fragmented bite-sized acquisition opportunities. So a lot of very interesting



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plays that we see on the market. At the same time, we recognize that valuations are high. Having said that, what we hold ourselves to is making sure that there is a high returning, highly probable investment thesis when we look at making acquisitions. So the increase valuations make that hurdle a little bit tougher. We do expect that we'll continue to do M&A, most of that will be ex auto, and again, much more bite-sized. For that reason, we felt it was really important for us to have optionality on our capital deployment. We went through a long project, a redomicile into the U.K. to make that more efficient for our shareholders, we announced a $400 million buyback this year and we're well along our -- the way to deploying that. So you can expect to see continued balance in the way we deploy our capital to create great returns for our shareholders.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Additional questions from those in the audience? There's a question here in the middle of the room. Yes, please go ahead.

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**Unidentified Analyst**

Martha, your HQ in the U.K., do you expect Brexit will have any impact on the company?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Brexit is actually something that we looked at pretty closely. And when you look at the impacts, our legal structure are actually legal structures, it really is not -- it's not relevant to that overall decision. So we don't see impacts there. We continue to watch the market to see what's going to happen and things like vehicle or equipment demand in the U.K. So those are really still the areas that we focus on, but no impact at all to the restructuring of the business.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Additional questions in the audience? There's a question kind of towards the back of the room here.

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**Unidentified Analyst**

Martha, can you talk about the pricing erosion. Are you seeing any trend? Is it getting better or worse compared to a year ago?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

You know we really haven't seen a change in that overall trend. So we guide to about 1.5% to 2% price down year-over-year across the company. That actually is a mix of parts of our business, where we look at pricing increases based on volume, based on opportunity. In our automotive business, we're usually running on a multiyear contract and that contract comes with commitments for productivity along the way, also tied to cost reductions along the way. So our customers benefit from the economics that they need, and we actually improve our margin as those multiyear contracts play out, but we really have not seen a change in the overall dynamic.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

And Martha, if I can just follow-up on the pricing side, any change on the input cost that you're seeing, whether it be copper, gold, aluminum, resins, oil-based petroleum? Anything we should be aware of there?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, so in terms of commodities, so we'd have that kind of exposure, that's a very small part of our overall cost structure. So around $70 million to $80 million a year on an over $900 million spend on our material cost, so very small. We actually go through a hedging process to make sure that we smooth out those effects as well. And since those are primarily -- that exposure is primarily on the industrial side of our business, pass-through pricing is typical in those industries that we serve.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Great. Additional investor questions? There's one in the room.

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**Unidentified Analyst**

So I have just one more question. And you have a Term Loan B that's expiring in 2021. What do you propose to do with that? Would you use cash to repay it or take out bonds or extend this?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

You're asking about the term loan in 2021?

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**Unidentified Analyst**

The Term Loan B, the 2021.

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, we're constantly looking at the overall capital structure, the cost of debt and the right trade there. So number of options. We've increasingly moved towards more fixed exposure in our debt structure. We'll look at those economics over time, but I think a lot of options to make sure we push that term out on the horizon. And if you look at the balance of for our debt structure, we're pretty well laddered on those terms.

Joshua, I don't know if there's anything else you want to comment.

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**Joshua S. Young** - *Sensata Technologies Holding PLC - VP of IR*

Yes. I mean, we cleaned up the balance sheet quite a bit. We're generating a lot of cash. So $1.8 million of cash flow. So as Martha said, as we get to that point where it does mature, we'll have options either through financing or to pay it down.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

We have a question on this side of the room.

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**Unidentified Analyst**

So just talking about the capital structure, would you have aspiration to become investment grade company over the longer term?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

We have looked at that, and when you look at the cost of our capital, we think being just a click below investment grade is the right place for Sensata. And part of that is, we do believe in using our balance sheet for shareholders. We think that the leverage ratio that's appropriate for Sensata is about 2.5 to 3x leverage. You've seen us now restore the balance sheet more than once to that to that's sort of main reversion, and we think that's right for overall Sensata. So that's how we look at the question about our credit rating.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Additional questions in the room?

Martha, I actually got one from a European investor who couldn't make the trip. It says, hey Jimmy, sorry, I couldn't make it. Could you please ask Martha to comment on sensors versus connectors? Is the world converging or Sensata more isolated in areas that doesn't see this type of a convergence?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, it's an interesting question. I think it probably reflects the business model for some of our peers. When we think about sensors, I think the first thing to recognize is what we bring to the market are Sensing Solutions and that can be anything from a component-level sensor to a sensor with embedded software to subsystems, for example, in tire pressure sensing. Our operator sensing technologies are complete subsystems, so software, joysticks, embedded sensors.

The point being, when we have the opportunity to do more and the customer is pulling us to do more, it's never been in the direction of connectors. It's really been in much more vertical integration for a full-up system. Second thing I would say is, if you actually look at our physical sensors, you'll see that there is a lot of embedded interconnects within those sensors. We actually make connectors that we combine in our sensors and have been doing it for about 30 years. So we don't see a new phenomenon here that says it's important to be able to bring both of these components. They, quite frankly, are procured in different parts of the OEM structure in order to deliver something that is of different value to our customers.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Additional questions in the room?

Martha, let me ask you a question. Looking out of the population here of investors compared to several years ago, it's almost night and day. I mean, it is packed in this room. What do you attribute the change of interest today versus, say, 3 or 5 years ago? You've been CEO at Sensata a very long time. I'm sure as you look out there, you're smiling at the interest. What do you think is changed from the audience perspective relative to the interest in Sensata stock?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Look, I think there are a number of points here, I appreciate the question. I think one of the aspects of our business that has changed is that we have very deliberately looked at extending our end-market exposure beyond the automotive market. That is to say that we do well in automotive, we like our business in automotive, but we see the opportunity to extend that secular growth beyond the automotive market, and we're being quite successful in doing that. So we've shifted 10 percentage points of mix over just the past 3 years alone. And we have rates of growth now where -- and a biased M&A pipeline that you can expect to see that mix continue to shift ex auto, and I think that brings in different investor and different interest. I think the second aspect of it is, we are really exposed to a rich opportunity set, driven by megatrends that everybody is aware of. And near term, that's things like smart and connected equipment, sensors are the fundamental building block to enable that transition. Secondly, it's electrification and that's happening across our business. So it's the move from mechanical hydraulic controls in operator systems in the cab of an offer or piece of equipment to electric controls. It's the movement into e-bikes and electric bikes now. We're seeing an extension of the opportunity



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in some of our more mature products. And it's really now added content as vehicles electrify. And so we're now adding sensors into braking systems that regenerate energy on an electric vehicle. The climate control systems that we have on a hybrid have more sensors than in a conventional area. So I think what the investor base is beginning to recognize that along with the strong growth we're delivering right now, the megatrends that extend into the future, drive really interesting opportunities for Sensata.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

And Joshua, a question, perhaps, for you, since you have to field a lot of the calls and filter them to alleviate time for Martha to run the company as CEO. What are the couple of misperceptions or the questions you get asked the most about that in front of this full audience you can help clarify or help them better grasp?

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**Joshua S. Young** - *Sensata Technologies Holding PLC - VP of IR*

Well, I think Sensata focuses a lot on cyclical market, so there's a lot of focus on the market. And I think what gets missed sometimes in China, as an example, we're predicting 50% content growth. So that secular growth piece far outweighs any incremental changes in the market dynamic itself. I think the other dynamic is the fact that if you look at our financial profile, not only growing comparatively around 6% organically this year, we've really outpaced peers around the level of margin expansion we've achieved in the business. So I'll point to those 2 key points.

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I'll probably just add one more. We know there is an awful lot of angst right now in the investor base, particularly about the automotive end market, and while we have diluted that exposure, we're 60% in our mix in automotive. And I think one of the big misperceptions about Sensata, beyond just the fact that secular growth is alive and well in the automotive business at Sensata, it's this notion that our structure is an automotive supplier structure. Our cost structure is quite different, and our financial performance is quite different than what investors are used to seeing in automotive supply base. So we're very high-margin business. We've a very flexible, variable cost structure, where we've been through cyclical movements in auto and our heavy vehicle and off-road and other elements of the business over time, and we have a track record of being very cash positive, maintaining high margins, coming out of those cycles with higher margins than we went into in a better overall competitive position. So we are feeling great about our top line growth right now. We think we understand the markets well. They're behaving the way we expected them to, but if you think about the longer term, I think it's important to understand how we make sure that we continue to create earnings growth for our investors, despite what's happening in the end markets.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Any questions? There's a question here in the first row and the microphone will make its way to you.

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**Unidentified Analyst**

So back to some of the capital allocation. Valuations are a bit high, some of the dollar strengthened, so that may or may not help some of your M&A perspective. But when you look, you have a choice to buy back stock, your stock like the rest of the market is a little bit elevated, probably not cheap enough, but depending on your perspective. And you don't offer a dividend, so how do you look and think about did you just sit back and maybe pause for M&A? Maybe you pause for some of the stock buybacks? Would you consider a dividend there? Is there a threshold of being a $10 billion company and say, hey, this -- that would make us attractive to another several investors as well?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

We think ST is a terrific investment today and it's a really great opportunity for investors, given what our overall multiple is relative to the market and relative to the many of our peers, combined with our operational performance. So the way we think about that is, every time we deploy capital, we look at it from a return's perspective, and we think about it from the investor perspective. The least efficient of those choices is dividend. And so just given what we've been able to do with the acquisitions and we have taken a pause, our last one was actually in -- at the end of 2015. And given what's in the pipeline, and at the same time, our belief in the long-term growth of Sensata, we continue to believe that those 2 options are the best options for investors.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

I actually got a e-mail -- 2 e-mails from 2 different investors asking a similar question. They're asking about your first half of the year strength. Any chance or that it was actually a pull-in related to demand in the future, for example, tariffs are down the road, tight supply, ZTE rumor and Huawei potential shutdowns, tariffs coming that are increasing. Any thoughts about potential pull in from future demand to either first half or current quarters?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, so a couple of things to revisit about Sensata's business model.

One of the things that gives us very high margins in our products is that we are able to customize for customers, and also often the sole source position. So if you understand that every partner we're in skew, represents a customer application intersection. And so this is not a business where we are providing catalog products and we can inventory those or customers inventory those and they can move those out across the market. The nature of our customers' equipment is, they have a scheduling need to commit to, they've got to get that equipment to the marketplace, and our demand is pulled from there. So we don't see any evidence of displacement relative to building up demand. We think we saw a little bit of displacement within the year in Europe in auto with this WTLP (sic) [WLTP] testing regimen, very well managed, I think, inside of Sensata. We didn't see that is being something that would affect the overall year and it's very much a second half phenomena, so third quarter to fourth quarter. Beyond that, not meaningful movement in demand.

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**Joshua S. Young** - *Sensata Technologies Holding PLC - VP of IR*

I'd also make one point that we raised guidance for the year, right? So we raised guidance for organic growth from 3% to 5% to 5% to 7%, reflecting the fact that we expect the second half to be strong.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

There's a question in the very back of the room.

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**Unidentified Analyst**

Outside of China, is there a rule of thumb for content growth for automobile that you expect to achieve? Obviously electric vehicles have a different dynamic, but outside of electric vehicles in China, sort of what do you expect from a content growth standpoint?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

We really expect a secular growth across our automotive business to mere the guide that we provided. So that content growth ranges from about 5% to 6% over the 3-year time horizon. Got lots of options for actually improving that beyond that particular time horizon, that will depend on



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how quickly we see electric vehicles actually take off, that's now a tailwind for the overall business. So we translate our growth now to a growth -- organic growth guide that we find most useful for investors.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

There's a question towards the middle of the room on this side.

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**Unidentified Analyst**

So your auto has recovered very nicely from 2017, and it's grew 4% in the second quarter. Seems like a lot of that came from China. So China, you mentioned, was about 15% of revenue and which grew 22%. So if you multiply by that, which indicates the rest of the world has a very minimal growth. So what type of trend are you seeing in North America and in Europe? And any potential for the trend to reverse?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes, a couple of comments there. The 15% China is all-in for Sensata and a portion of that is our auto business. It is the largest portion of China. So I think directionally, I understand your question.

Looking at North America, that's a market, that's down-production market in auto and it represents about 18% of our overall revenues, and yet we are growing in North America. So again, that secular dimension is alive and well across our automotive business, particularly in North America. Similarly, in Europe, we're looking at a couple of things in the marketplace, in end market that, I think, grows much more slowly, but is growing. At the same time, we're seeing a shift down in diesel mix. We've seen it for 7 years now, and even with that shift down and the high content we have on diesel engine cars, we've been able to offset that mix with growing content on gas vehicles. So those are some of the regional dynamics on our overall auto demand.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

There's a question towards the far side of the room over here.

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**Unidentified Analyst**

Actually the topic of capital allocation. With respect to tax reform here in the U.S., has that moved the needles significantly on the attractiveness of CapEx, at least in the U.S.?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

It really hasn't at Sensata. We're not a U.S. taxpayer, so that's one dynamic that really hasn't had any impact on the business.

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**Unidentified Analyst**

And in conjunction with that question, Martha, does the tax changes at all change where you're putting or the tariffs additional CapEx or investments in R&D or production of your sites?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I think it really has just reinforced the strategy that we've had to build and ship in region. And so, there are lots of reasons to do that. Logistics costs are one reason, cycle time for our customers are another reason. But just maintaining a model that has us shipping into the U.S. or serving North America from Mexico, serving Asia largely from China and Malaysia, serving Europe from Bulgaria. So that's been a path that we've been on, and I think some of these dynamics have reinforced that path.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

We have time for one more question from the audience, and then after that I'll ask Martha, who's been CEO at Sensata for quite a while, what keeps you so excited and motivated to be CEO and running Sensata as well as the investors in the room. A couple of points you want them to walk away from this knowing why they should own or buy Sensata's stock. But we have time for one more question in the audience, if you could please raise your hand?

There is a question on the side of the room.

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**Unidentified Analyst**

I'll just squeeze one more question in. So I know you've guided to organic growth, but FX was a very strong tailwind in the first half, and I expect you reverse in the second half, given how strong dollar is. And so I just want to ask about, do you have any updated guidance on FX? And how much your FX is hedged?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

So it's a -- we don't have an updated guidance, and it's a pretty significant portion of our earnings exposure that we hedge for FX. And so for that reason, not really a change in the outlook on FX at this point.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

Well, let me wrap it up, Martha, by asking you the question of you've been CEO of Sensata for a long time through a lot of changes as well as your domicile change, a lot of changes from diesel to Dieselgate, to electrification, to hybrid cars, to EV, changes in China, M&A, a lot of things you've seen. So what gets you most excited about being CEO of Sensata? And a couple of the points you want to drive home to investors in the room about why they should be shareholders of Sensata stock?

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**Martha N. Sullivan** - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

One of things I love about my job is that we are an industrial technology business, so emphasis on the technology. And it's been really exciting to see us adapt to the demands and the megatrends that are in place and to look at how we're actually influencing that growth against those megatrends. So that would be a #1 takeaway have you think about. The opportunity environment that we're in is allowing us to deliver consistently secular growth, despite movements in end markets, despite concerns about what happens quarter-to-quarter, you can see ongoing and a commitment for secular growth, you've seen it in our 3-year guide and you'll see us now delivering above that guide.

Secondly, Sensata is a really strong operator. We have used that scale to expand our margins with productivity plans and cost reduction programs, but also to be able to deliver high-returning acquisitions. We're able -- we don't find companies that operate at our margins. We're able to bring them to our margins and we're able to get them to grow, and very often they're not being invested for growth. More recently, we've taken that focus and extended our end market exposure. And so with that has come a dilution of our overall automotive exposure. I think that's really important for investors to understand.



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And then thirdly, what does this mean to you? It means that we've got a guide that's very strong, we're delivering against that guide. We are very attractive investment right now, quite frankly, if you look where our multiple is. We are deploying cash and capital for shareholders now beyond M&A. I've announced the buyback, have a commitment for that as we go forward, and we think all of that makes us a really attractive investment. So thanks for the question.

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**Jim Suva** - *Citigroup Inc, Research Division - Director*

With that, I'd like to thank Martine and Joshua for joining us here today at Citi's Global Technology Conference.

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