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ST.N - Q4 2018 Sensata Technologies Holding PLC Earnings Call

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PRESENTATION

Operator

Good day, and welcome to Sensata Technologies Q4 2018 Earnings Call. (Operator Instructions) Please note, this event is being recorded.

I'll now turn the conference over to Mr. Joshua Young, Vice President, Investor Relations. Please go ahead.

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

Thank you very much, Keith, and good morning, everybody. I'd like to welcome you to Sensata's Fourth Quarter and Full Year 2018 Earnings Conference Call. Joining me on today's call are Martha Sullivan, Sensata's Chief Executive Officer; and Paul Vasington, Sensata's CFO.

In addition to the earnings release we issued earlier today, we will be referencing a slide presentation during today's conference call. The PDF of this presentation can be downloaded from Sensata's Investor Relations website. We will also post a replay of today's call shortly after the conclusion of today's event.

Before we begin, I'd like to reference Sensata's safe harbor statement on Slide #2. During the course of this conference call, we will make forward-looking statements regarding future events or the financial performance of the company that involve risks and uncertainties. The company's

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actual results may differ materially from the projections described in such statements. Factors that might cause such differences include, but are not limited to, those discussed in our Forms 10-Q and 10-K as well as other subsequent SEC filings.

On Slide #3, we show Sensata's GAAP results for the full year 2018. We encourage you to review our GAAP financial statements in addition to today's presentation. Most of the subsequent information that we will discuss during today's call will be related to non-GAAP financial measures. Reconciliations of our GAAP to our non-GAAP financial measures are included in our earnings release and in our webcast presentation. Additionally, the company provides details of its segment performance on Slides 11 and 12, which are the primary measures management uses to evaluate the business.

Martha will begin today's call with an overview of our full year and Q4 results. Paul will then discuss our fourth quarter and full year financial performance in greater detail as well as provide guidance for the first quarter and full year 2019. We will then take your questions after our prepared remarks.

Now I'd like to turn the call over to Sensata's CEO, Martha Sullivan.

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

Thank you, Joshua, and thanks to everyone on the call for joining us this morning.

I'd like to start the call by covering Sensata's financial performance for full year 2018. More than 1 year ago at our Investor Day, we communicated a detailed plan to drive balanced operational performance in our business. This included accelerating our organic revenue growth, further expanding our industry-leading adjusted EBIT margin, generating double-digit adjusted EPS growth and creating more flexibility and capacity for value-creating capital deployment.

On Slide 4, I show how we successfully executed against these objectives for full year 2018 despite seeing some end market softness at the end of the year, particularly in China. For 2018, we reported revenues of $3.5 billion and accelerated our organic revenue growth to 6%, which was 200 basis points higher than the organic revenue growth we generated in 2017. The primary driver of this performance was strong secular growth in both our HVOR and automotive businesses.

Our HVOR business generated 15.5% organic revenue growth while our automotive business generated 4.5% organic growth in 2018, which is in line with our 3-year guidance for the auto business to grow in the mid-single digits. We continue to outgrow underlying production in both the auto and HVOR end markets due to strong secular growth. In 2018, we outgrew the HVOR end market by 830 basis points. And in auto, we outgrew underlying production by 520 basis points. The primary drivers of this secular outgrowth continue to be the need for cleaner and more efficient products and increasing demand for more electrified products.

We further expanded our adjusted EBIT margins, reporting 60 basis points of margin expansion for full year 2018. Over the past 2 years, we have expanded our adjusted EBIT margins by 160 basis points, reflecting our continued commitment to further expand our industry-leading margin by elevating the profitability of the companies we acquire and creating operational efficiencies.

On the bottom line, we once again generated double-digit EPS growth for the full year, posting a 14% increase in adjusted earnings per share compared to 10% growth in adjusted EPS for 2017. As a management team, we are highly focused on consistently delivering double-digit EPS growth for our shareholders, and I am pleased that we once again delivered strong earnings growth.

Finally, a key highlight of the year was completing our redomicile to the U.K. Since completing the redomicile, we have repurchased $400 million of Sensata's stock as part of our value-creating capital deployment program. This reflects our confidence in the future performance of the company. In addition, we also divested our nonstrategic valves business and acquired GIGAVAC in order to enhance our position in electrification and further our portfolio for attractive growth.

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So as you can see on this slide, Sensata had a solid year of balanced operational performance in 2018. During the fourth quarter, we generated 3.5% organic revenue growth, driven by strong secular growth. Despite this secular performance, our China auto, China industrial and European auto end markets all weakened considerably late in the fourth quarter. As a result, our performance was negatively affected and we reported lower-than-expected revenue growth and earnings per share in the fourth quarter, which I will talk more about later in the call.

Slide 5 shows organic revenue growth by end market in fiscal year 2018 beginning with HVOR, which generated 15.5% organic revenue growth in the year. The business outgrew its underlying end market by 830 basis points in 2018, with all of our on-road and off-road businesses delivering double-digit organic revenue growth and strong content gain. This reflects the healthy balance of end markets we have within the HVOR business. For the full year, underlying production in the HVOR market grew 7.2%, in line with our guidance of 7% to 8% growth.

Looking ahead, we expect our HVOR end market will decline 1% to 2% in full year 2019, particularly as cyclical demand in the North American Class 8 truck market declined from the strong growth we've seen over the previous year. Due to our strong secular performance, we still expect HVOR to generate mid- to high-single-digit organic revenue growth in 2019 with this type of an end market.

Next, our automotive business had a strong year, posting 4.5% organic revenue growth and outgrowing the underlying end market by 520 basis points, a significant acceleration from our outgrowth in 2017. Despite volatility in the auto industry, our exposure to high-growth segments of the market helped us to deliver strong performance for the year. Geographically, North America and China were the primary drivers of growth. North America had a strong year while China auto generated robust double-digit organic revenue growth in 2018 despite the end market declining 15% in the fourth quarter. Looking ahead to 2019, we expect to generate low- to mid-single-digit organic growth in our auto business based on a 1% to 2% decline in the global auto market.

Turning to industrial, aerospace and other end markets, which are served by our Sensing Solutions segment. For the full year 2018, this segment generated 4.2% organic revenue growth. Our aerospace business generated high single-digit organic revenue growth on content gains and a strong market. Our industrial business reported a solid year of performance as strong content growth was somewhat offset by a slowdown in the Chinese economy and corresponding inventory corrections.

I want to sum up our market commentary with a review of our new business wins, or NBOs, for all of Sensata's businesses. We secured $488 million of new business wins in 2018, which was the second highest level of new wins we have generated in the past 5 years. This performance was led by our automotive and HVOR businesses, both of which exceeded our expectations for the year. These wins represent incremental revenue to our current revenue base that will be recognized over the next 3 to 8 years. As a reminder, in 2017, we grew our NBOs by more than 30% and reported $532 million in new business wins. This strong 2017 performance was unusually high due to several large wins being pulled out of 2018 into 2017, and this explains the reason for the year-over-year decline. But relative to our expectation, our NBO performance was quite strong.

On Slide 6, I show our fourth quarter performance in China and how our sharper-than-expected decline in Chinese automotive and industrial end markets lowered our growth in the quarter. Our overall China business posted 20% organic revenue growth in the first 9 months of 2018. And while we anticipated a slowdown in the China end market, our organic revenue growth of 4.3% in the fourth quarter of 2018 was lower than we expected. Given the magnitude of the end market declines in China, our organic growth in the fourth quarter illustrates our ability to offset end market declines with secular growth. Both our industrial and automotive businesses were affected by the slowdown we experienced in Q4. Demand from our industrial customers dropped significantly, which is reflected in PMI being at its lowest level in China in the past 3 years. The China economy and overall consumer consumption is slowing and our industrial customers are lowering production in response to this trend. Additionally, automotive production in China declined considerably in the second half of 2018, including a decline of approximately 15% in the fourth quarter, which was well beyond our expectation.

Sensata's automotive business in China delivered 0.6% organic growth in Q4, which was 1,560 basis points above underlying production. So while China is likely to remain weak in the first quarter, our underlying secular growth will continue to help to offset the effects of lower production. While China was the primary driver of our lower revenue growth in the fourth quarter, we also saw a more modest end market slowdown in the European auto and the North American Class 8 truck market. In Europe, we are seeing lower production as well as continued delays caused by WLTP.

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We are now 1/3 of the way towards the 3-year operational targets that we communicated at our Investor Day a little over 1 year ago. My message is that we are outgrowing our end markets through secular growth -- strong secular growth, which gives us confidence to deliver on our 3-year targets. I show our progress versus these targets on Slide 7.

Our organic revenue growth accelerated in 2018 to 6%, at the high end of our 3-year CAGR target of 4% to 6%, reflecting strong outgrowth relative to the markets we serve. We are increasing our margins. In 2018, we expanded our adjusted EBIT margins by 60 basis points, representing a solid progress against our long-term target. We are delivering sustainable double-digit bottom line growth, posting 14.4% growth in adjusted EPS, just above our long-term guidance range of 10% to 14%. And we are continuing to execute on value-creating capital deployment initiatives by completing our $400 million share repurchase program; establishing a new $250 million stock repurchase authorization; and finally, acquiring a profitable, fast-growing business in GIGAVAC that helps position us for long-term growth in electrification.

On Slide 8, I show how Sensata's exposure to high-growth segments of the automotive market will help us sustain attractive secular growth despite the impact from any future end market decline. Approximately, 50% of Sensata's overall revenues are intersecting fast-growing segments of the automotive market. We are creating sensor-rich solutions to help customers develop more efficient and connected systems, cleaner and more electrified vehicles and innovative solutions for new energy vehicles. Over the last 3 years, we have closed a significant amount of new business wins, which provides us visibility into our future secular growth. Additionally, as we are developing new products and expanding our portfolio, we are also seeing further opportunities to expand our business. For example, since closing our GIGAVAC acquisition in early Q4, we have already seen a strong response from customers for high-voltage contactor solutions. The incremental capabilities that Sensata is bringing to GIGAVAC technology helped us to quickly close 2 large deals in the fourth quarter. In the near term, we have strong visibility into our secular growth in auto as a result of near-term content catalysts, such as regenerative braking, gas particulate filters in Europe, new legislation mandating tire pressure sensors in China and the launch of 9 and 10 speed transmissions in North America.

Finally, our visibility into the business, which we have secured, gives us confidence that we can sustain the strong outgrowth relative to underlying automotive production that we generated in 2018. For full year 2019, we would expect to outgrow underlying auto production by 400 to 500 basis points.

On Slide 9, I show the attractiveness of Sensata's business model, which will enable us to deliver strong profitability and cash flow even in the face of weaker end markets and lower growth. Sensata has a low fixed cost business model that differentiates us from many of the other companies serving the automotive industry. Between 10% and 15% of Sensata's cost of goods represent fixed costs compared to peers whose fixed costs are 40% or more of their cost of goods. This highly variable cost structure enables us to take costs out of the business quickly and limit the decremental margins that peers with higher fixed costs typically see when volumes decline. While we are still forecasting 3.5% organic growth in 2019, and our forecast does not reflect a recessionary environment, Sensata's unique business model mitigates downside risk and enables us to respond quickly to any pronounced changes in demand. We also generate industry-leading EBIT and free cash flow margins that further strengthen our ability to maintain a strong balance sheet even during periods of weak end market demand.

And you can see the evidence of this model in our past financial performance.

On an FX-adjusted basis, we delivered double-digit EPS growth in both 2015 and 2016 despite considerable end market weakness in our HVOR and industrial businesses. And going back to the last financial crisis in 2008 and 2009, we increased margins by aggressively taking out costs. Over a long time period, we have consistently shown an operating discipline that delivers EPS growth and margin preservation even when our end markets decline. And this is the direct benefit of the way we have built our business model.

So I'd summarize my comments with the following. Sensata had a strong year of financial performance despite facing end market softness in the last 6 weeks of 2018. We are making significant progress against our 3-year financial targets that we shared with you 1 year ago. While we are likely to see some end market weakness persists into 2019, our strong secular growth will enable us to outgrow these markets, and our variable cost business model will enable us to optimize our margins and profitability while quickly responding to changes in end market demand.

I'd now like to turn the call over to Paul to review our fourth quarter and full year 2018 financial results in more detail and to provide financial guidance for the first quarter and full year 2019. Paul?

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

Thank you, Martha.

Key highlights for the fourth quarter, as shown on Slide 8, include revenue of approximately $848 million in the quarter, an increase of 0.9% from the fourth quarter of 2017. Of this growth, changes in foreign exchange rates decreased revenues by about 0.7% in the quarter. The net effect of our valves divestiture and the acquisition of GIGAVAC decreased revenues by 1.9% year-over-year. The net result was 3.5% organic revenue growth in the fourth quarter. Adjusted EBIT was $209 million in the quarter and grew 4.2% compared to the fourth quarter of 2017 or 5.1% organically. This organic adjusted EBIT growth resulted from higher volumes and lower compensation expense partly offset by the impact of tariffs. And on an organic basis, adjusted EBIT margin expanded by 40 basis points compared to the fourth quarter of 2017. Adjusted net income was approximately $158 million in the quarter and grew 5.5% compared to the fourth quarter of 2017 or 7.1% organically. Adjusted net income margins were 18.6% of revenue, an increase of 80 basis points compared to the fourth quarter of 2017. Adjusted EBIT -- adjusted EPS was $0.95 in the fourth quarter of 2018, an $0.08 increase from the prior year quarter, primarily driven by the higher adjusted EBIT and the favorable impact of share repurchases in previous quarters. Changes in foreign currency exchange rates added $0.02 to adjusted EPS in the quarter, and the divestiture of our valves business reduced adjusted EPS by $0.04 as compared to the prior year quarter.

Now I'd like to comment on our 2 business segments in the fourth quarter of 2018. I will start with Performance Sensing on Slide 11.

Our Performance Sensing business reported revenues of $639 million for the fourth quarter of 2018, an increase of 0.7% compared to the same quarter last year, reflecting both the negative impact from foreign exchange of 0.8% and the net effect of acquisitions and divestitures which reduced revenue by 3.5%. Excluding these factors, we generated 5% organic revenue growth in the fourth quarter compared to the same period last year. The heavy vehicle and off-road business, which reported organic revenue growth of 13.6% in the fourth quarter, once again had the strongest revenue growth in the segment and outpaced its battery end market by 760 basis points.

HVOR continued to benefit from strong production growth rates in both our global construction and agriculture markets. Revenue in our global on-road business increased nearly 7% in the current quarter from strong content growth, partly offset by softer demand for the North America Class 8 truck market that occurred late in the fourth quarter of 2018. Our automotive business reported organic revenue growth of 3.1% in the fourth quarter, outpacing the end market by 520 basis points. This growth was led by strong performance in North America and, to a lesser extent, in Asia.

Performance Sensing profit was $177.5 million, a decline of 1.8% as compared to the same quarter last year. Excluding the impact of foreign currency, the valves divestiture and our GIGAVAC acquisition, Performance Sensing profit as a percent of revenue was 27.3% in the fourth quarter of 2018, a decline of 140 basis points from the same quarter last year. This decline was driven by higher R&D costs related to design and development effort to intersect fast-growing emerging megatrends and execute on new design wins, tariffs and operational inefficiencies that resulted from a significant drop in end market demand late in the fourth quarter of 2018.

As shown on Slide 12, Sensing Solutions reported revenues of $208.9 million in the fourth quarter of 2018, an increase of 1.5% as compared to the same quarter last year. On an organic basis, factoring in a negative impact from foreign exchange rates of 0.1% and a 2.9% contribution from the acquisition of GIGAVAC, we reported an organic revenue decline of 1.3%. This decline was primarily in Asia across many of our end markets as well as from lower demand for semiconductor equipment. China revenue declined as economic conditions continued to soften and as customers managed down their inventory level. However, our aerospace business delivered strong year-over-year growth from healthy end markets and growing content. And our industrial sensing business reported solid growth in the quarter despite a weak HVAC and appliance end market.

Sensing Solutions profit was $68.8 million in the fourth quarter of 2018, an increase of 1.8% from the same quarter last year. Excluding the impact of foreign currency and GIGAVAC, Sensing Solutions profit as a percent of revenue was 32.4% in the fourth quarter of 2018 or a 40 basis point decline when compared to the prior year quarter. This decline in segment margin was primarily driven by tariffs and operating inefficiencies from lower volumes, partly offset by lower integration spend.

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Corporate and other costs not included in segment operating income were $47.3 million in the fourth quarter of 2018, down approximately $7.4 million year-over-year due primarily to lower variable compensation expense and cost controls. Excluding charges added back to our non-GAAP results, corporate and other costs were $33.8 million in the fourth quarter of 2018.

Slide 13 shows Sensata's fourth quarter 2018 non-GAAP results. Adjusted gross profit increased 2.1% year-over-year to $312.6 million, primarily due to higher volumes and a favorable impact from foreign currency, partly offset by the impact of the valves divestitures, tariffs and operating inefficiencies due to a drop in end market demand late in the fourth quarter. R&D costs were higher due to increased design and development efforts to intersect emerging and fast-growing megatrends and execute on new design wins. Adjusted EBIT margins expanded 80 basis points as compared to the prior year quarter, primarily from the favorable impact of foreign currency, lower compensation expense and the efficient management of SG&A costs. Finally, adjusted EPS increased by 9.2% in the fourth quarter of 2018 compared to the prior year quarter from higher year-over-year profit and the benefit from share repurchases in prior periods.

Slide 14 shows Sensata's full year 2018 non-GAAP results. The company delivered 9.5% growth in adjusted EBIT on 6.5% growth in revenue for the full year 2018. This revenue and earnings growth reflect strong operational performance, significant new product launches that drive our growth above our end markets, R&D investment to intersect fast-growing megatrends and execute new design wins, trade tariffs, the divestiture of our valves business and the acquisition of GIGAVAC significantly advances our ability to serve the fast-growing needs for electrification. Adjusted EPS grew 14.4% for the full year 2018, reflecting our strong operating results and balanced capital deployment, which included 7.6 million Sensata shares repurchased during 2018. Our adjusted net income margin expanded 100 basis points from 16.6% in 2017 to 17.6% in 2018. For the full year 2018, we generated approximately $461 million in free cash flow. Excluding GIGAVAC, we reported $466 million of free cash flow which compares to our previous guidance of $460 million to $480 million of free cash flow for the full year.

Now let me turn to our guidance for the full year 2019 shown on Slide 15. We expect revenue to be in the range of $3.58 billion to $3.68 billion for the full year 2019, representing growth of 2% to 5%. We expect foreign currency exchange rates to decrease revenues by 0% to 1%. And our acquisition of GIGAVAC and divestiture of valves will largely offset and, therefore, will have a minimal impact on revenue in 2019. We expect organic revenue growth between 2% and 5% for the full year. We expect adjusted EBIT between $858 million and $886 million, which would represent organic growth of 3% to 6%. On the bottom line, we expect adjusted net income between $643 million and $669 million and adjusted earnings per share between $3.94 and $4.10 for the full year 2019, which would represent growth between 8% and 12%. We expect to generate free cash flow of approximately $510 million to $550 million. This free cash flow guidance assumes annual capital expenditures of approximately $165 million to $185 million for the full year 2019. This guidance assumes that global automotive end market will be down 1% to 2%, with the China automotive end market down 3% to 4% and the aggregate HVOR end market down 1% to 2% for the full year 2019.

On Slide 16, I show our financial guidance for the first quarter of 2019. Overall, we expect to report revenues between $840 million and $864 million, representing a reported revenue decline of 3% to 5%. At the midpoint of our guidance, we expect that foreign exchange rates will reduce revenues year-over-year by approximately $14 million in the first quarter of 2019. And the net effect of acquisitions and divestitures will further reduce net revenues by approximately $12 million. Excluding the impact of foreign exchange and the net effect of acquisitions and divestitures, we expect to report organic revenues between a 2% decline and 0 growth in the first quarter of 2019. Our current fill rate is approximately 91% of the revenue guidance midpoint for the first quarter of 2019. We expect to report adjusted EBIT between $188 million and $194 million. On the bottom line, we expect to report adjusted net income between $136 million and $142 million, which would represent an organic decline of 1.5% at the midpoint of our guidance. We expect to report adjusted EPS between $0.83 and $0.87, which would represent organic growth of 2% to 5%.

As we move into 2019, we are making a small change to the way we report our financials and give guidance. Beginning in Q1 2019, we'll be changing the key performance indicator for our operating profitability from adjusted EBIT to adjusted operating income. The primary reason for making this change is to more closely align our operating profit KPI with our peers, most of whom are using adjusted operating income. This new measure of adjusted operating income as compared to adjusted EBIT will exclude the impact of foreign currency change on non-U. S. net monetary assets, pension expense and other miscellaneous expenses reflected in the other net line of our GAAP income statement. Additionally, commodity hedge gains and losses reported in the other net line of our GAAP income statement will now be a component of adjusted operating income. In mid-March, we will recast our historical P&L performance and provide a reconciliation between adjusted EBIT and adjusted operating income. A spreadsheet will be posted on our website for all investors and analysts to download. Then beginning with our Q1 2019 earnings call, we will begin reporting and giving guidance with adjusted operating income. This change will have no impact on our adjusted EPS guide for 2019.

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So I'd like to conclude my comments with the following key points. Sensata is delivering on its objective to deliver mid-single digit organic revenue growth and double-digit EPS growth for shareholders. Our top line performance is being driven by strong secular growth that is largely independent of underlying production in our end market. And while markets weakened at the end of 2018 and are expected to be weaker in the coming year, we expect to deliver another year of double-digit adjusted EPS growth.

Now I'd like to turn the call back over to Joshua.

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

Thank you, Keith. Please assemble the Q&A roster.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from Wamsi Mohan with Bank of America Merrill Lynch.

Wamsi Mohan - *BofA Merrill Lynch, Research Division - Director*

Can you comment on the seasonality and the implied pickup beyond 1Q that you're expecting, given that you're starting the year flat to down on organic growth, but ending the -- for the full year, you've got a 2% to 5% organic growth, that's almost a 7-point change in trajectory. So can you help bridge that? And I have a follow-up.

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

Sure, Wamsi. From a seasonality standpoint, we're a little -- coming in a little slower in the first quarter than we normally would. Point being some of the volatility that we saw in the fourth quarter around inventory corrections we expect to continue into the first, but we do expect to stabilize given the way we're calling end market. Secondly, when we look at our content growth, those are very much tied to vehicle and equipment launches. And they are typically biased more towards the second half of the year. And then finally when we just look at the comps, we're going to be dealing with easier comps in the second half of the year. And that's, I think, the high level that lets us bridge to the guide that we've provided.

Wamsi Mohan - *BofA Merrill Lynch, Research Division - Director*

Okay. And then in your EPS guide, if you -- so I look on the year-on-year bridge, you've got $0.16 from share repurchases and $0.14 to $0.17 from FX. That itself gets you to the low end of your EPS range, but you are expecting some organic growth at the top line level. So why are you not seeing more leverage to the bottom line in 2019 from that? And what investments, if any, are going to offset that?

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

Wamsi, the other piece would be the impact of the valve divestiture, which significantly impacts year-over-year EPS growth. So that'd be one thing that would -- [bob] against the organic growth that we're expecting. So we're just expecting organic EBIT growth around 4.5% next year on the 3.5%. So a pretty good leverage and pretty good margin expansion year-over-year.

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Wamsi Mohan - *BofA Merrill Lynch, Research Division - Director*

Paul, just to clarify, at the revenue level, I think you said that between the acquisition and divestiture, it's roughly net neutral. Can you give us what it is at the EPS level as well?

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

So I'd say, it's probably around $0.10 headwind.

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

Yes. Just to -- as a reminder, when you look at the gross margins, they're quite comparable. We are overinvesting in OpEx in GIGAVAC, just given tremendous response we're seeing from customers and that's what we expected to do. So we talked about very little accretion over the first couple of years of the acquisition.

Operator

And the next question comes from Samik Chatterjee with JPMorgan.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Martha, I just wanted to understand, I know -- I believe you've spoken about strong content growth in China in the past. And I think expectations have been that you grow content by roughly 50% over the 3-year time horizon. In light of the weakness in the market itself or in the industry production itself, are you seeing any change in terms of your customers' willingness to add content to the vehicles? Any change to your expectations on that front? Or is the content growth story largely impacting China?

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

Thanks, Samik. It's an important question, and it's one we keep our eye on. Because in extreme recessionary environments, we have in the past seen some of those content adds slow down. We're watching that very carefully. We have not seen that. We are on track with the content gains that we had expected. And actually, as we move to the second half of 2018, we had some stronger content gains than we had anticipated in China. So they're continuing with content additions ahead of mandates. And we're really seeing those mandates hold in terms of government enforcement, and that's very important.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. Got it. Just a quick follow-up, if I can, on GIGAVAC. You spoke about good response or strong response from your customers. What's typically the lead time between taking an award win and putting something in a production vehicle on that front? When should we start to expect seeing this kind of strong response translate into revenues?

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

We see a typical design cycle that we would normally see in the automotive business, so not a lot of change there. And that's anywhere from 30 months to 48 months over time. The other comment I would make though is that a lot of the interests is also in China, and the design cycles there tend to be a bit shorter. So that's more in the 24- to 36-month time horizon. Having said that, we acquired a business that was growing strongly. And we'll continue to see the benefit of the organic growth that was already in place in GIGAVAC.

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Operator

And the next question comes from Jed Dorsheimer with Canaccord Genuity.

Jonathan Edward Dorsheimer - *Canaccord Genuity Limited, Research Division - MD & Analyst*

Two. I guess, first one, Martha, if we take a look at the duration of your design wins versus the cadence of design wins, it would imply -- or at least my understanding is that you have natural growth based upon the delta there. So as we look at this slight slowing here, just curious if that is more -- if that is a greater function of some end-of-life on -- we saw some major announcements in 2018 of end-of-life on certain product lines, if that was the bigger issue or if it's really just a matter of taking down the expectations on the SAAR numbers.

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

It's actually independent of SAAR. So I appreciate the question and the chance to convey again why we track NBO closures and what they represent. So given our long design cycles that we have in the business, we monitor very carefully how much incremental new business wins are we getting. And those are really independent of end market rates. So it's the addition of new sensor content, protection, subsystems on end unit equipment. And that's how we're tracking it. To answer the question about the movement on that closure number year-over-year, every year, these now represent incremental revenue from the baseline. And so we're enjoying content gains right now based on wins that we had 3, 4, 5 years ago. So this is a very long-term leading indicator for the business. It's I think much more useful to look at it on averages over time. We mentioned that the 2018 NBO closure rate was the second highest over 5 years. So we're dealing with a moving average up on that NBO closure rate. We had a very high number in 2017, and that was based on the fact that we saw customers in China and in Europe pull ahead their contract decisions on some mandated content. They wanted to get that done in '17. We had expected that would actually close in '18, and it got very much accelerated into the late half of 2017, if that helps.

Jonathan Edward Dorsheimer - *Canaccord Genuity Limited, Research Division - MD & Analyst*

That's useful and helpful. And maybe just as a segue and follow-up to that. As we look at the integration of GIGAVAC and we look at the portfolios of both EV, PEV, it's still somewhere we can debate about, but it's somewhere around 2% to 3% right now. And the range of forecasts are anywhere from 15% to 50% over the next 10 years. So you seem fairly well positioned for this transition. Combine that with decline in China, it would seem like you should have much greater content growth per unit for '19. Would that be the case? And when will you be updating those figures?

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

The content growth piece as it relates to GIGAVAC, again, as you called out, the EV market itself is quite small today. So the number of vehicles is small. And it's going to be, I think, in the next couple of years, probably difficult to move the overall content rate needle just given what is a pretty small part of the overall end market. If we simply looked at our content growth on EV, it will be strong, but it's a low denominator, if you will. Our content growth rate was very strong in 2018. We're expecting that to be -- to continue, strong momentum into 2019. And it's the combination of what's happening in -- on commercial truck, off-road equipment, auto and gains that we're seeing on the industrial side of the business related to more efficient unitary air-conditioning, material handling opportunities, broad range of things happening in addition to, I think, the way we're positioned very strongly in electrification.

Operator

And the next question comes from Steven Fox with Cross Research.

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Steven Bryant Fox - *Cross Research LLC - MD*

First of all, I was wondering, Martha, could you just expand a little bit on the comment that you're seeing or expecting markets to stabilize now after some of the surprises in Q4, especially like some of the more cyclical markets like auto and now Class 8 trucks? What are the tangible signs that you would point to that say it doesn't get worse from here or maybe gets a little bit better? And then I had a follow-up.

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

Yes. To be clear, we're actually expecting more end market decline. So let me clarify my comment. When I'm talking about stabilizing, given the abrupt decline that we saw in China, for example, and given what we see as slowing order rates for North America Class 8 truck, we saw inventory takeout in the fourth quarter. We expect that kind of turbulence to continue in the first quarter. So that's the element that impacts our demand that we would expect to stabilize once we move from the first quarter. Let's separate that from what we think actual end market production is going to do, and we do expect end market production to decline, for example, in China auto year-over-year. We're expecting that to be a down year from 2018. We're expecting Class 8 North America trucks to actually be a slower production rate overall in '19 than in '18. So I hope that, that clarifies the remark about stabilization. There is end market decline and then there is volatility. We saw a lot of volatility in the fourth quarter. We think we're going to continue to see some of that in the first quarter.

Steven Bryant Fox - *Cross Research LLC - MD*

Got it. So -- but mainly, you're pointing to early part of the year, the inventory cycle working itself out?

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

That's right.

Steven Bryant Fox - *Cross Research LLC - MD*

Great. And then just as a follow-up. Given where you're guiding to revenues and now restating how you're looking at operating profit versus EBIT, could we get a little help on what operating expenses in dollars could look like for the year versus what the Q4 reported number was?

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

I mean, the changes are going to be relatively minor in terms of the dollar magnitude between the 2 measures. We just think it's a more widely accepted consistent metric to use, and so we'll make that change. And we'll provide you with the information you need in March so that you can restate your models.

Operator

And the next question comes from Rich Kwas with Wells Fargo Securities.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Just as a follow-up in terms of the assumptions here. So down 3% to 4% on China. There are some out there, some of your peers that -- one of them at least you listed in the back of your presentation, is assuming down 8 in China for the year. Is this just a function of comps as you mentioned, Martha, in the second half of the year getting more favorable? Or do you see some -- how derisked is this in your view at this point with the down 3% to 4%?

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

Yes. When we look at our peers, I would say, just pay attention to fiscal year versus calendar year. So in some cases, their guide may include a really rough fourth quarter 2018. But to answer your question, Rich, we're not actually factoring in any benefit of a stimulus. So we've looked at -- as best we can, we've looked at where do we think inventory is sitting in terms of vehicle inventory. We've looked at what the overall production rates were. We've looked at demand in the Tier 1, Tier -- to Tier 3, 4, 5 cities because that is having an impact. We're, I think, below third-party forecast. So we think that's appropriate. So that -- those are the elements that went into our overall thinking about the China auto market.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Okay. And then just as a follow-up. Maybe this is for Paul. Restructuring, how should we think about that for 2019? How do you feel about the cost structure given some of the headwinds at least in the early part of the year? And then, is there an update on tariff? I think that was supposed to be neutralized for 2019. Just an update there would be appreciated.

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

So in our press release, you can see what we're thinking about in terms of restructuring for 2019. Those are projections of what could happen. But clearly, we continue to look at our cost structure to try to drive as much efficiency and to optimize them as much as possible. As it relates to tariffs, we talked about $6 million to $8 million in 2018, in the second half, and that's about where it came in. And for next year, we expect to be at that same expense level. So net-net, no impact year-over-year as it relates to tariff expense -- tariff costs.

Operator

(Operator Instructions) And the next question comes from Shawn Harrison with Longbow Research.

Shawn Matthew Harrison - *Longbow Research LLC - Senior Research Analyst*

I wanted to dig into the share buyback. You obviously exceeded the 25% target that was set a little bit while ago in terms of free cash flow. Given the growth in net income you forecast for the year and the increase in free cash flow, do you think you'd exceed that 25% of the $500-plus million again for 2019?

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

So we have an authorization, just to restate, for $250 million. We talked -- we put that in place in the third -- in the fourth quarter. It was up -- $250 million up to 18 months. And so as we look at our capital deployment opportunities, share repurchase will certainly feature as a piece of that, and we expect to sort of be on track to completing that authorization in the time line that we suggested.

Shawn Matthew Harrison - *Longbow Research LLC - Senior Research Analyst*

Okay. And then as a follow-up. Martha, you mentioned that some of the content items in China were on track. I'm guessing that was referring to TPMS. But maybe you could highlight the expected revenues from that adoption in 2019? And what kind of the trailing number was exiting 2018, please?

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

So the content growth in China is much more than TPMS. We're seeing very strong pull for content related to emissions regulation that are very similar to what we see in Europe. So we're shipping into gas particulate filter applications. We're shipping into more vehicle stability control systems. So it's a -- quite a broad range of content opportunities in China. I don't have a number for you on TPMS. We should be getting to full deployment by the time we exit 2019. It's an important part of the content growth story in China. It's definitely not the only part.

Operator

The next question comes from Christopher Glynn with Oppenheimer.

Christopher D. Glynn - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

If you take the measure of Europe and WLTP, wondering on your latest view if that becomes a favorable flush at some point and how the delays kind of fade, if you see that as a kind of uniform industry trend or more staggered by OEMs?

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

Yes. We think it -- we need to get through the end of the quarter for that to play out. And it's taking longer, in some cases, than we would've anticipated. So once that gets stabilized, I don't think it's a huge tailwind, but it should help with the volatility issue that I talked about earlier on in the call here.

Christopher D. Glynn - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Okay. And then looking at the free cash flow conversion of ANI last year and in the guide, I'm just wondering if -- previously, you had an 85% to 90% target. Wondering if 75% to 80% is a more realistic expectation given your rate of the new business wins and the kind of investment that, that will entail.

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

So I think the two things that we continue to -- that have changed the outlook a little bit in terms of conversion. One, is that capital is a little bit higher than we originally planned. Some of that is because of the acceleration of the need for gas particulate filters and things like that in Europe, which is increasing our production capacity at a faster rate. And then the second is strong inventory management which we continue to make progress on, but not as fast as we originally anticipated. So those are probably the two big things that are different.

Operator

And the next question comes from David Kelley with Jefferies.

David Lee Kelley - *Jefferies LLC, Research Division - Equity Analyst*

Two quick ones for me. And the first one, you referenced the increased Performance Sensing R&D costs I think related to fast-growing megatrends. Was that in line with your expectations? Or are you seeing further acceleration in development? And I guess how should we think about the allocation of those dollars? Is it acceleration in electrification?

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

Well, I think -- I mean, actually, the -- let's put it this way. The investment that we're making is in line with what we expected. So we continue to invest in intersecting those megatrends and all the win that -- business that we've been winning, the growth through the process of launching those over a couple of year periods. So it's in line with our expectations. So nothing different there, it's just that it's a year-over-year increase as a -- in terms of an expense.

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

The one comment I would make is, with the acquisition of GIGAVAC and a very deliberate decision to continue what's been a strong growth rate in that business, a 30% growth rate, we felt it was important to increase the OpEx of R&D for that entity in particular. And that was an acquisition that we made at the end of the year. So it's on -- the overall net effect of that would be stronger spend overall for Sensata RD&E.

David Lee Kelley - *Jefferies LLC, Research Division - Equity Analyst*

Okay. Great. That's helpful. And then just one quick follow-up on Q1 organic growth guidance. Could you walk us through your underlying assumption for, I guess, the global auto market decline or the view there? And could you speak to China specifically as well, how you view particular market volumes in China given the recent slowdown?

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

Yes. I mean, it's -- I think in the first quarter, we're moving sideways on end market. So we saw a China contraction of 15% in the fourth quarter in production. We're not looking for a lot of rebound there. Some improvement, but really in line with the year that's down overall 3% to 4% in production. And then there's still this volatility issue, particularly in Europe that we think will play out through the first quarter. And that's going to mean a very soft end market picture in the first quarter. That's -- that is the #1 factor driving our guide as you look at our fourth to first transition.

Operator

And the next question comes from William Stein with SunTrust.

William Stein - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

First, Martha, you highlighted that in sort of the buildup of your demand view for the year, you're not expecting a stimulus, but you're also not expecting any sort of recessionary environment. Can you give us your view on -- or what you assumed your growth outlook as it relates to the trade conflict between U.S. and China in tariffs? Does your guidance assume that, that gets resolved in some constructive manner? Or does it matter maybe less to your business aside from the cost impacting (inaudible)?

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

Your last comment is correct. We don't see a big demand impact in terms of the trade tension. Where we would look for that is how much of our business gets exported through customers out of China and into the U.S. And it's not a large part of the business. It's maybe $30 million to $40 million. And we've been living with that really all year long. So we're not expecting that to get better as we move from '18 to '19. And as it relates to demand, the demand side of this, there's a lot of debate about how much that's actually impacting domestic demand in China, which is the more important factor for us.

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William Stein - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

I appreciate that. As a follow-up, periodically, you've updated us on your dollar content per electric vehicle versus internal combustion engine and gas versus diesel. Any update that you could provide us or a reminder of that split, it remains sort of a -- I think a controversial issue with Sensata?

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

Well, I would really point you back to our third quarter earnings call. Do I have that right, Joshua?

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

Yes.

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

We gave very deliberate numbers on that. We would -- it was really post the GIGAVAC announcement. So take a good look at that. We would not expect content numbers to change over the course of a quarter. So no big update on that. But it's pretty, pretty clear that electrification is a strong tailwind for Sensata given what's been happening to our content growth there.

Operator

And the next question comes from Brian Johnson with Barclays Capital.

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

Just a couple of questions left. Within industrial, could you give us a sense of your assumptions around aerospace and other industrial end markets underlying the growth there?

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

Yes. What we're looking at in industrial, just given that it's a fragmented market, China PMI is an important element there. So we're expecting that to remain in -- below the 50 level for 2019. Just digging up the data here for aerospace. Keep in mind, that's about 4% to 5% of our overall revenue. So not a huge part of the business. Some of the other markets, again, these are -- they're all sort of small parts of our business. But when we look at all the indexes, we ship into semiconductor equipment. It's about a $60 million to $70 million products family for us. That's going to be a down market in 2019. Housing is indirectly related as well. We don't see a lot of contraction there, but not a lot of strength either. If there's anything else I missed on...

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

We expect pretty good mid-single-digit growth in the aero business next year, so good end markets continue.

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

Okay. And second question. So as we think about the stepped up R&D, is there any way just -- as we kind of think about modeling to separate the R part from the D part? Because D, I assume, is tied to launches and the kind of pre -- volumes getting ready to ramp up, whereas the R is more of an ongoing investment in the future.

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

Yes. I think the way to look at that in our financial framework, we break out R&D. And that's more -- that's more the intense technology development. We had -- we talked about an R, D and E spend, so research, development and engineering. And the engineering piece is embedded in our COGS. That combination gets you to about 6% to 7%.

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

A little bit about 7%...

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

Yes, in total. You can see the breakout on the R&D as well for the engineering.

Operator

And the next question comes from Mark Delaney with Goldman Sachs.

Mark Trevor Delaney - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

First question is a follow-up on the comment about inventory reductions. Martha, you mentioned the -- into the different end markets, the company started seeing customers reducing inventory in the fourth quarter. Can you give us a bit of better sense about across different end markets where inventory may be at this point? And any areas where it's either higher or lower? And then related to the inventory question, I think in past periods of negative auto production, the auto supply chain was taking down inventory, which was a partial offset to content growth. I'm curious how Sensata thought about the inventory dynamic when it was thinking about the 2019 guidance?

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

Yes. We're -- the -- we've looked at that really as a first quarter phenomena just given the abrupt drop that we saw in China, in particular. So we've seen some inventory correction there. We think that is not so much on the auto side as we move into the first quarter, but we'll continue to see it in industrial end markets in China. We also saw some of that happening in Europe, again, we think, related to the WLTP and to a slowing production market. So the customers are getting nervous and really trimming their overall inventories there. A little bit of that overhang into the first quarter. And then finally on North America Class 8, given the slowing order rate for truck, we saw our customers tightened in the fourth quarter as well. And we're planning on that through the first quarter, but that should be behind us by the time we exit the first quarter.

Mark Trevor Delaney - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Got it. That's helpful. Just a follow-up on the M&A opportunity. Martha, you mentioned in your comments about you're continuing to look for bolt-on M&A and especially given how nice of a start GIGAVAC is off to. Any sense of what the pipeline looks like? And whether or not we should think about Sensata potentially doing bolt-on M&A this year?

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

Yes. The pipeline is active. It's biased much more outside of automotive. When we look at where we're positioned in the industrial landscape, we have nice visibility to a fairly fragmented market. Valuations, we're watching closely and we would expect that those should correct and at the

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same time, making sure that we maintain a healthy balance sheet. So the fourth quarter was a period of end market volatility, but we had really good conviction around GIGAVAC and saw a nice return on that investment. As we see those opportunities, we'll continue to execute.

Operator

And the next question comes from Joe Giordano with Cowen.

Tristan Margot - *Cowen and Company, LLC, Research Division - Associate*

This is Tristan in for Joe. I'm looking at your 3-year target for margin expansion of 20 -- sorry, 250 basis points. I think you did 60 bps in 2018 and looks like your guide implies about 70 bps in 2019. So that leaves about 124 for year 3, which looks like a high bar to clear, but definitely not impossible. Am I thinking about this correctly?

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

Yes. So you are thinking about that we have to deliver about 120 basis points to get there. We have delivered more than 100 basis points in prior years, so it's something certainly we feel we have the ability to do. It's going to be driven by our ability to continue to drive costs out, execute really well, continue to see great growth. And we expect to be in line with our 4% to 6% over the 3 years based on our view to 2020 based on where markets are today. So we think there's a clear path to get there, we just have to execute to make it happen.

Tristan Margot - *Cowen and Company, LLC, Research Division - Associate*

Thanks. And then just a quick one on the LiDAR scene. It seems that there's a new company emerging almost every month. How do you keep track of the competitive environment there? And would you consider making maybe an investment in another company to sort of diversify your exposure there?

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

You are right. It's a very active landscape and we're really happy about where we're positioned in that landscape right now. I think we -- given that we were -- I think pretty early on in investing in the space, we've got a great insight into a number of use cases around LiDAR. And as you look at those use cases, they often imply different technologies. So we are already partnering for various use cases beyond our Quanergy investment. We will continue to do so. The thing we keep our eye on is the time line to actually get to Level 3, Level 4, Level 5 driving in automotive. And that time line is somewhat pushed out. So we're trying to be prudent in terms of magnitude of investment aligned to the timing of the opportunity.

Operator

And the next question comes from Matt Sheerin with Stifel.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Just another question regarding how you're seeing the Sensing Solutions business play off here, specifically in the appliance and the HVAC market where I know there is China exposure. And it sounds like you're seeing inventory pressures there as well. So how do you see that market playing out?

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

I think it's going to play out as we've seen it in the past. So we went through the cycle in 2015. This feels very familiar -- when we look at the part of our business that is exposed to that kind of dynamic. The difference I would point out between 2015 and where we sit now is much more of our Sensing Solutions has a secular growth dimension. So the acquisition that we made of CST has put us into some nice positions in material handling. We're bringing more technology Sensing Solutions-type products into that environment. So you're not seeing as great a volatility impact on our overall business. If we would've had the same dynamics, we wouldn't -- that we had in 2015, we would be predicting no growth, down growth in overall Sensing Solutions, which is not our expectation for 2019.

Operator

And the next question comes from Jim Suva with Citi.

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

The subsidies, we know that there's an impact to the SAAR number that gets sold. Is there any impact to subsidies in the changes of content that you have seen?

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

So Jim, are you asking about incentives when you say subsidies?

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

Yes. Yes.

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

Okay, incentives. No, there really isn't. They're sort of on the margins if there's any impact. One of the things you know we track really carefully is overall diesel engine production and diesel engine consumption. And to the extent that you've had municipalities or countries disincentivize that powertrain, those have been played out I think pretty well. And we're seeing the decline in overall diesel take rates that we had talked about. But generally speaking, those incentives have no impact on our content.

Operator

And the next question comes from Craig Hettenbach with Morgan Stanley.

Craig Matthew Hettenbach - *Morgan Stanley, Research Division - VP*

Martha, just a question on the heels of the GIGAVAC acquisition, just how you're seeing the environment this year for other potential tuck-in type deals and then how you'd measure that versus the buyback of Sensata?

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

Yes. As I mentioned, our pipeline is active. It's very much concentrated around bolt-on, medium to small acquisitions that are focused in end markets outside of auto. We still believe that is a great way to create returns for our shareholders. But we look at both options on a returns basis. So repurchase versus acquisition, we're just drilling those down to the same returns analysis to make sure we're making the right call for our shareholders.

Operator

That is all the time we have allotted for today's call. So I'd like to turn the call back over to Joshua Young.

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

Thank you, Keith. I'd like to thank everyone for joining us this morning. Sensata will be presenting at the Barclays Industrial Conference in Miami on February 20 and the Citi Industrials Conference on February 21. We'd also welcome you the opportunity to visit us at our headquarters in Attleboro, Massachusetts. We appreciate your continued interest in Sensata. Thank you and good day.

Operator

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

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