Sensata Technologies Holdings

NYSE: ST

Recommendation: BUY

Current Price (Date): $41.17 (10/15/26)
Price Target: $58.75
Implied Upside: 42.7%

Investment Overview

We recommend a buy on Sensata Technologies Holdings (NYSE: ST), or "the Company." ST is an industrial electrical components manufacturer, specializing in sensor technology. ~57% of revenue is currently generated through its automotive end market.

We believe the Company will outperform as:

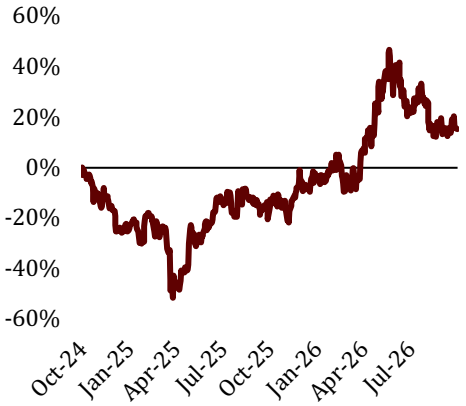
- The accelerating EV market in China will drive a higher content per vehicle (CPV) particularly for EVs which we expect to **grow 39%** over the investment horizon. This will result in **FY30 Automotive revenue of $2,501m representing 208bps of variance vs the Street.**
- Increasing power density in AI data centers is shifting demand to components that are already core to ST's operations. We project **revenue per MW to increase 224% over the investment horizon, resulting in 5,485bps of variance vs the Street's** FY30 data center revenue projections.

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Two-Year Stock Performance



Valuation Summary

We projected FY30 revenue of $4.64b with an EBIT margin of 17%. Using a discounted cash flow analysis, we arrived at an implied share price of $58.75 representing an upside of 43%. These were calculated using a WACC of 12.9% (vs Bloomberg's 13.9%) and an EV/EBITDA multiple of 12.2x. The Street models ST using sum of the parts, as a result our multiple is derived by weighing each end markets % of revenue by its respective multiple.

Company Data (FY25)

Market Cap ($m): 6,165
Shares Outstanding (m): 145
52 Week Range ($): 28.16 – 153.89

FY25 Content per Vehicle: $26.29
1Y Rev. ($m): 3,704 (-5.8%)
EBIT ($m): 237.5 (+59.1%)

Gross Margin: 29.3%
Operating Margin: 6.4%
Net Income Margin: 0.8%

Business Overview

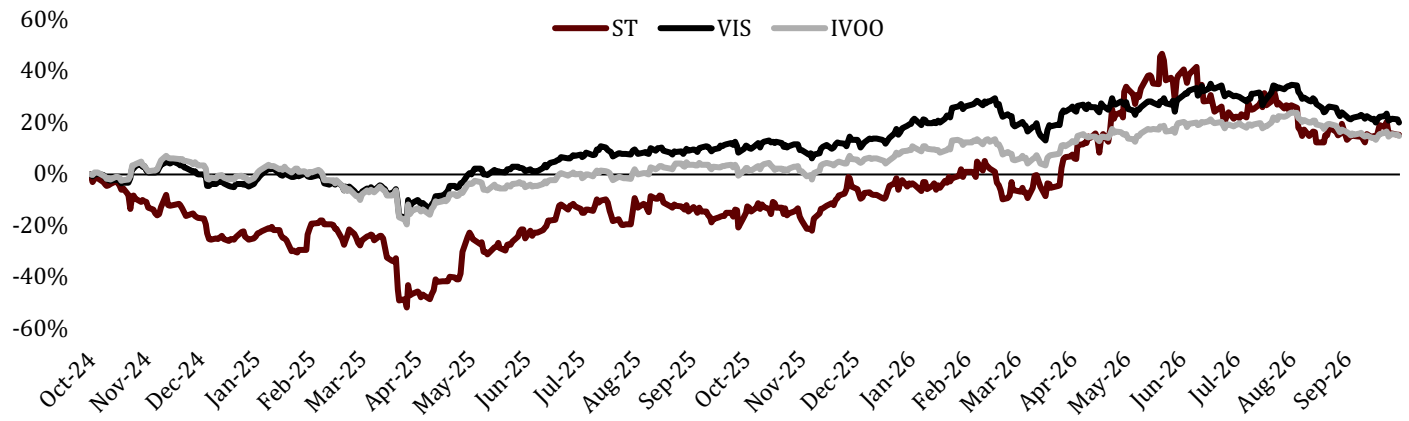
Sensata Technologies (ST) is an electrical components manufacturer producing sensors, power solutions, and electrical protection products across multiple end markets. It operates on the global level across 14 countries in North America, Asia, and Europe.

ST reports earnings in 3 segments, Automotive (57.0% of rev), Industrials (21.3%), and Aerospace, Defense, and Commercial Equipment (21.7%). The automotive segment operates across, EVs, Hybrids, and Internal Combustion Engines (ICEs). ST develops sensors for thermal management, brake systems, and tire monitoring. ST specializes with battery control in EVs and Hybrids, and with engine control in ICEs. In its industrials segment, ST develops sensors and power control solutions that ensure proper performance across industrial end markets. ST is diversified across data centers, with electrical protection, thermal management and power management; HVAC with temp. and gas leak sensors, motor protectors, and pressure loops; and energy with Dynapower. The Aerospace, Defense, and Commercial Equipment segment sees revenue from sensors in commercial and electric aircraft, along with spaceflight. ST makes sensors for defense systems, with position, pressure, and flight controls. ST is also diversified across agriculture, construction, and Heavy Off-Road Vehicles (HVORs).

Stephen Von Schuckmann became CEO in 2025, prior to his appointment ST was struggling and had begun to divest from certain segments. ST now operates under a three-pillar system. Its first pillar, operational excellence, leads to the company attempting to improve manufacturing, while lowering costs to expand margins. The second pillar, capital allocation, sees the company attempting to reduce its leverage ratio, while also returning cash back to shareholders. Its final pillar is growth as the company attempts to generate revenue while outgrowing its end markets.

In FY25, ST generated $3.7b in revenue, representing a 5.8% y/y decrease. This decrease is due to the divestures ST has taken as revenue was flat organically y/y. Net leverage ratio currently sits at 2.4x, 0.6x turns below FY24. FCF was $490m in FY25, 24.7% y/y growth, at a conversion rate of 97% enabling deleveraging. ST generated $705m of adj. operating income, a 6% decrease from 2024, with adj. operating margin staying at a flat rate of 19%. ST will see many new opportunities in data centers with their electrical protection and thermal management. Mgmt expects this industry to grow by ~1.5-2.5x. ST is also expanding further into India with a new factory being built for automotive production. The company plans to capitalize on more advanced automobiles which will require more advanced sensors, driving future opportunities.

Fig. 1: 2 Year Performance

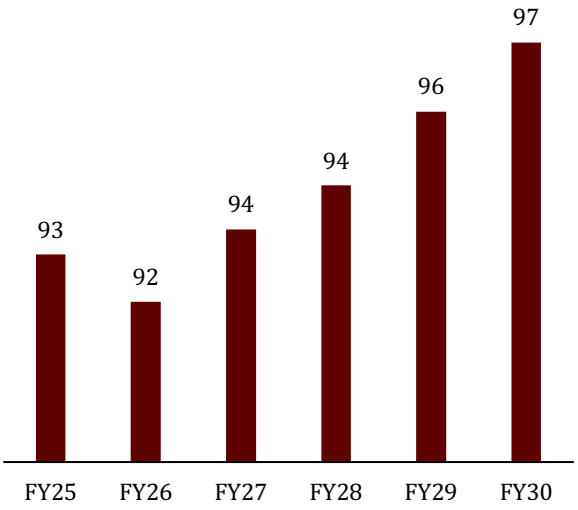


Sources: *Bloomberg, Earnings Calls, SEC Filings, Sensata Technologies*

Industry Overview

As a diversified industrials electrical components manufacturer ST operates across numerous end markets including Automotive (ICE & EV), HVAC, Data Centers, Microgrids, Commercial and Defense Aviation as well as Commercial Equipment. Historically each end market's performance has varied, a trend future growth prospects exemplify.

Fig. 2: Automotive Production (m units)



- Automotive: S&P Global Mobility projections global light vehicle production to increase ~4.5% from 2025 through 2030. Through FY27 EV penetration is expected to increase 1,300bps from FY24 to represent ~40% of all powertrains produced annually. Increasing oil prices as well as laxing CO2 emission targets globally have created a headwind for automotive production and demand. Semiconductor components are becoming increasingly prevalent in all powertrains with 9% CAGR projected on content per vehicle through FY30.

- HVAC: Demand in this end market is primarily driven by residential activity. In August 2026 new home sales decreased 2.0% y/y coupling this with mortgage rates >7%, an uptick in demand is not likely in the near to mid-term resulting in a softer HVAC end market. Increasing regulation in the end market is resulting in greater content per HVAC system.

- Data Centers: Global data center capacity in terms of Terawatt-hours is expected to increase at a CAGR of 14% through 2030. AI rack power density is also increasing now approaching ~100kW per rack on average, with advanced racks ~1MW, representing an 11x increase from 2020. These trends are resulting in increased demand for both liquid cooling and electrical power protection components as the criticality of these components increases as data centers scale and become more power intensive.

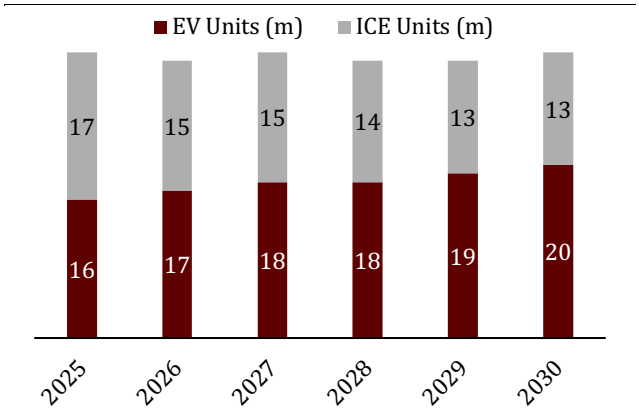
- AD&CE: Defense spending is expected to increase across the globe through FY30 as geopolitical tensions and technological innovation drive the need for new systems. In 2025, the EU set a new target for defense spending to be 5% of GDP by 2035 as the region attempts to become less reliant on the US for protection. Technological innovation is being driven by the emerging UAV market, which is expected to grow at DD% CAGR through FY30. Commercial aviation is also driving demand in this end market as it is expected to grow at an HSD% CAGR through FY30.

Sensing EV Revenue from China

Competition among manufacturers coupled with a growing EV market in China, will lead to higher number of EVs with greater CPV for ST

ST is winning business in a strong Chinese EV end market (~50% EV penetration). Clean energy is being prioritized in the country, resulting in stronger demand for EVs as the government subsidizes 10-12% of the price of EVs for consumers. Components manufacturers are relatively fragmented in China resulting in constant competition with each other to innovate and make higher tech products. This leads to increased content per vehicle (CPV) as more features are implemented into higher tech vehicles.

Fig. 3: ICE vs EV units in China



In Q2 FY25, 90% of ST's new business wins in China were said to be with top local OEMs and leading New Energy Vehicles (NEVs) manufacturers. For ST, CPV per EV is ~$16 in China, while being ~$50 in NA. Barclays is projecting CPV in China to increase 15.6% through 2027 to $18.50.

We expect CPV per EV in China to increase >15% for numerous reasons. First, China's EV OEMs are competitive, resulting in greater innovation in the industry. Manufacturers will need to make higher tech EVs which require more sensors than previous models. Accounting for ST's recent wins in China, a trend we see continuing, it will be relied on to supply more components to more OEMs over the investment horizon. This trend will continue due to the innovativeness of ST's technology, including its new Tire Burst Detection tech, a product it was the first to bring to market. Battery architecture shifting from 400v to 800v requires more electrical protection components as well as a more intricate charging design. The fact that 49% of new vehicles registered in China in 1H26 were NEVs exemplifies the demand for these products coupling this with the fact that production timelines are ~50% shorter for these vehicles ST is well positioned to absorb demand.

We project ST's revenue from Greater China Automotive will increase 23.5% through FY30 representing 29.2% of overall Automotive revenue, 120bps increase from FY25. The increase in revenue will be driven by 37.5% increase in CPV per EV in China, a variance from the Street of 208bps, driven by increased technology in EVs in the region and ST's increasing market share.

Fig. 4: Automotive Revenue Build

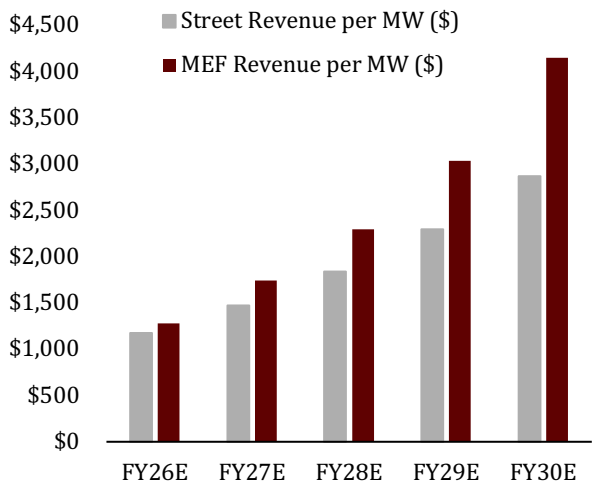
Sensata Technology (NYSE: ST) Model - Auto Rev Build	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
$ amounts in m, expect CPV								
Auto Revenue	**$2,167**	**$2,196**	**$2,112**	**$2,133**	**$2,225**	**$2,305**	**$2,404**	**$2,501**
% Growth		*1.3%*	*(3.8%)*	*1.0%*	*4.3%*	*3.6%*	*4.3%*	*4.0%*
Consensus Auto Revenue				$2,141	$2,188	$2,260	$2,359	$2,450
MEF Variance				*(41bps)*	*167bps*	*199bps*	*189bps*	*208bps*
ST Outgrowth of LVP				*198bps*	*278bps*	*270bps*	*273bps*	*264bps*

Temp Check on Data Center Revenue Growth

AI data centers re-architecture as power density increases will driver content per megawatt growth and a multiple rerate for ST

Data centers are entering a period of mass innovation driven by the ~$800b in CapEx spending by hyperscalers in 2026. This innovation will result in data center electricity increasing ~130% through FY30, according to IEA. ST's mgmt expects a 14% CAGR for data center capacity through FY29 as high-end rack architecture approaches 1MW per rack in FY27. New rack architectures increase the criticality of electrical protection components as well as liquid cooling, which is expected to increase to 80% of deployments by FY30. The shift in data centers architecture is towards components that are already core to ST's operations, with mgmt stating "the ability to participate in this growth factor without significant investment is a distinct advantage for Sensata".

Fig. 5: Rev per MW



Consensus currently underestimates the impact from data centers on ST's future earnings and it's multiple. Barclays bull case for ST currently values it on an 11x EV/EBITDA multiple, representing a 1.0x increase over its 5-year average. Barclays is also expecting Industrial's revenue to grow 17% from FY24 to FY27, with data centers "adding ~1pt of growth to the Industrial segment" which undervalues the growth potential of this end market. We believe the Street undervalues the growth potential of this end market as it is overly focused on HVAC recovery and the growth potential of A2L leak detection sensor, which could represent ~$100m in annualized revenue.

We believe data centers will represent ~$103m in revenue vs the Street's $66m in FY30. The outperformance in revenue is a result of revenue per MW increasing 224% through FY30, as ST experiences increased demand for its components, as a direct result of increasing power density in data centers. Our expectations are in-line with the high-end of mgmt's guide for TAM per MW to expand 1.5-2.5x by FY29. Coupling the increase in revenue from data centers with consensus estimations for HVAC, we expect industrials to represent ~23% of total revenue in FY30 and for the company to trade at 12.2x EV/EBITDA as a result.

Fig. 6: Data Center Revenue Build

Sensata Technology (NYSE: ST) Model - Data Center Rev Build	2026E	2027E	2028E	2029E	2030E
$ amounts in m, except $ per MW; capacity in GW / MW					
Data Center-Related Revenue	**$31**	**$46**	**$64**	**$74**	**$103**
% Growth		*49.0%*	*39.3%*	*15.9%*	*39.0%*
Street Data Center-Related Revenue	$29	$38	$49	$53	$66
MEF Variance ($)	*$2*	*$7*	*$14*	*$21*	*$36*
MEF Variance	*622bps*	*1,939bps*	*2,924bps*	*4,056bps*	*5,485bps*
Data Center % of Industrials Revenue	*2.7%*	*4.0%*	*5.4%*	*5.9%*	*7.9%*

Investment Risks

AI Regulation

Large AI companies, like Anthropic and OpenAI, are speaking out about the need for regulation in the industry. Open AI recently cancelled the release of a new model over safety concerns. These developments are creating global arguments for regulation in AI. This would negatively impact CapEx spending by AI companies, slowing the data center buildout. The demand for electrical protection systems in data centers would shrink, impacting ST's ability to expand into data centers. The mitigant to this risk is the fact that for meaningful regulation to occur in the industry key countries, such as the US and China, need to agree on the regulations, something we do not see occurring in the near-term.

Local Chinese Competition

Chinese OEMs could shift to local components manufacturers instead of using a company like ST to provide components for their vehicles. Mgmt has stated that price wars have been constant across the Chinese OEM market, with every supplier extremely focused on cost. If regulations or pricing shift Chinese OEMs to local companies, it would negatively impact ST's opportunity to gain share in China. This risk is mitigated by the fact that ST has won numerous contracts with top-tier OEMs and leaders in NEVs over the last year. ST also has the ability to drive market share growth through innovation.

Valuation – Comparable Companies

		Market Data		Valuation				Profitability		Revenue	
	Company Name	Market Cap (b)	Price as a % of 52 Week High	P/E	Forward P/E	EV/EBITDA	Forward EV/EBITDA	Gross Margin	Operating Margin	Revenue Growth	Forward Revenue 1 Year
Electrical Components	Ametek Inc	$57.43	95.9%	30.0x	27.5x	22.2x	19.8x	37.8%	26.8%	13.9%	18.1%
	Allegro MicroSystems	$6.23	46.9%	32.4x	25.9x	23.0x	19.7x	52.5%	24.1%	17.7%	20.7%
	Amphenol Corp	$210.96	95.5%	31.7x	26.8x	18.8x	16.5x	39.6%	29.3%	19.0%	49.2%
	Cognex Corp	$10.00	82.3%	35.2x	30.7x	27.3x	23.9x	70.9%	29.6%	11.0%	18.3%
	TE Connectivity	$10.40	85.5%	16.6x	16.5x	11.2x	11.2x	36.9%	21.4%	9.2%	11.5%
Auto Suppliers	Aptiv PLC	$9.20	56.4%	7.8x	7.0x	5.9x	5.6x	23.0%	14.9%	4.0%	-38.2%
	Stoneridge Inc	$0.18	62.8%	12.5x	0.0x	56.2x	9.6x	21.6%	-4.5%	2.9%	-15.9%
A&D Suppliers	Curtiss-Wright Corp	$18.56	62.1%	32.8x	30.1x	22.2x	20.6x	38.2%	19.8%	8.3%	9.7%
	Woodward Inc	$19.65	73.7%	31.0x	30.8x	20.1x	20.0x	29.9%	19.0%	8.8%	17.6%
	Mean	$38.07	73.5%	25.6x	21.7x	23.0x	16.3x	38.9%	20.0%	10.5%	10.1%
	Median	$10.40	73.7%	31.0x	26.8x	22.2x	19.7x	37.8%	21.4%	9.2%	17.6%
	Sensata Technologies	**$6.20**	**78.9%**	**11.3x**	**10.6x**	**9.1x**	**8.7x**	**31.7%**	**17.5%**	**4.6%**	**5.2%**

Commentary: Comps are spread across three buckets; Electrical Components, Automotive Suppliers, and A&D suppliers. We value on current and forward P/E and EV/EBITDA, these multiples exemplify that the Street views ST as an auto supplier with Aptiv trading the closest to ST's multiples. These multiples show the Street is overlooking the growth potential of ST's Industrial/Data Center end market. ST's profitability and revenue growth metrics are slightly below both the median and mean of the comps, primarily due to the divestures ST had from 2024-2025.

Valuation – Discounted Cash Flow Analysis

Sensata Technology (NYSE: ST) Model - DCF	2026E	2027E	2028E	2029E	2030E
Free Cash Flow Build	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
EBIT	$637	$682	$716	$734	$796
(-) Tax Expense	$70	$81	$89	$102	$120
EBIAT	$567	$601	$627	$632	$676
(+) D&A	$229	$248	$253	$275	$286
(-) CapEX	($133)	($159)	($161)	($181)	($189)
(-) Chg in NWC	($20)	($99)	($91)	($135)	($108)
Future Free Cash Flow	$643	$591	$627	$591	$665
Time Until Free Cash Flow	0.11	0.71	1.71	2.71	3.71
Present Value of Future Free Cash Flow	$634	$542	$510	$426	$425

Implied DCF Valuation - Exit Multiple	
Terminal Year EBITDA	$1,082
(x) EBITDA Multiple	12.2x
Terminal Value in Final Yea	$13,188
Present Value of Terminal Valu	$8,425
Present Value of Future FCF	$2,537
Total Enterprise Value	$10,962
(-) Net Debt	$2,273
Equity Value	$8,689,177
Diluted Shares Outstanding	147,900
Implied Share Price	$58.75
Implied Upside	42.7%

Discount Rate	12.8%
Exit Multiple	12.2x
Step	1.0%
Valuation Date	10/15/2026

	10.2x	11.2x	12.2x	13.2x	14.2x
10.9%	$53.29	$58.27	$63.25	$68.23	$73.21
11.9%	$51.36	$56.18	$61.00	$65.82	$70.63
12.9%	$49.51	$54.17	$58.84	$63.50	$68.16
13.9%	$47.74	$52.25	$56.76	$61.27	$65.78
14.9%	$46.03	$50.40	$54.77	$59.13	$63.50

	10.2x	11.2x	12.2x	13.2x	14.2x
10.9%	29.4%	41.5%	53.6%	65.7%	77.8%
11.9%	24.8%	36.5%	48.2%	59.9%	71.6%
12.9%	20.3%	31.6%	42.9%	54.2%	65.6%
13.9%	16.0%	26.9%	37.9%	48.8%	59.8%
14.9%	11.8%	22.4%	33.0%	43.6%	54.2%

Commentary: Using a discounted cash flow analysis, we arrived at an implied upside 42.7%, resulting in an implied share price of $58.75. These were calculated using a WACC of 12.8% and an EV/EBITDA multiple of 12.2x. We calculated the EV/EBITDA multiple by deriving a multiple for each of ST's three end markets and weighed them by there % of revenue in FY30.