

Yahoo! Singapore My Yahoo! Y! Mail More

New user? Sign up **Sign in** Help



Search **SEARCH**

Home [English Premier League](#) [World Cup 2010](#) [Champions](#) [La Liga](#) [Italian](#) [Cricket](#) [Tennis](#) [F1](#) [Motor Sports](#) [Suggestions](#) | [My teams](#)

[News](#) [Photos](#) [Premiership Fantasy League](#)

RPT-IPO VIEW-Rich valuation, debt could stall auto parts co IPO

March 07, 2010 07:00 AM

0 **Recommend** (Repeats story filed March 5 with no changes to headline or text)
Recommendations **Comment** * Sensata hopes to net about \$458.3 mln in IPO

- * Could price low on valuation, debt concerns-analysts
- * Recovering auto industry a good long term bet-analysts

By Clare Baldwin and Soyoung Kim

NEW YORK/DETROIT, March 5 - Car parts maker Sensata Technologies Holding <ST.N> probably won't turbocharge a mostly stalled IPO market as concerns about valuation and debt may outweigh hopes it could benefit from a broader auto market recovery.

Sensata, which is looking to float its shares next week, makes everything from thermal circuit breakers for aircraft to temperature controllers for electric motors, but earns most of its money selling sensors to automakers like BMW <BMWG.DE>, Chrysler and Ford Motor Co <F.N>.

That could in theory put it in position to benefit from a gradual recovery for the U.S. auto market. In reality, its rich valuation, elevated debt levels and the fees it will pay to its private equity backer could make it the latest in a series of initial public offerings to struggle, analysts said.

"I think the dominant factor in the pricing will be . . . previous private equity IPOs," said Josef Schuster, founder of Chicago-based IPO research house IPOX Schuster LLC in Chicago. "That's the overhang over the deal -- the recent history of private equity."

Sensata is backed by funds associated with private equity firm Bain Capital, which bought Sensata from Texas Instruments in 2006.

Bain, founded by former Massachusetts governor and U.S. presidential hopeful Mitt Romney, plans to sell 4.9 million shares in the offering but will still own more than 80 percent of Sensata after the IPO. The entire offering is expected to be 31.6 million shares, according to the prospectus.

Sensata hopes to net about \$458.3 million and said in a regulatory filing it will spend about \$22 million of the proceeds on advisory fees.

Private equity backer Blackstone decided to keep all of its shares in IPOs of Graham Packaging Co Inc <GRM.N> and Team Health Holdings LLC <TMH.N> after originally planning to sell a portion of its stake. Analysts said the moves were designed to reassure investors and get the deals done.

The value of the Graham and Team Health IPOs were both cut before they debuted.

If Sensata prices at the midpoint of its expected range, at \$19 per share, it will have a valuation dramatically higher than some of its competitors, according to IPOdesktop.com President Francis Gaskins. Sensata's price to book value is about 3.9, compared with competitor Denso Corp's <6902.T> 1.2. and Nagano Keiki Co Ltd's <7715.T> 0.29.

"If you take out the debt it's probably undervalued -- but you can't. They're only paying back some of the debt and it's going to linger," said IPO Boutique Senior Managing Partner Scott Sweet.

Sensata had total assets of \$3.2 billion in the year ended Dec. 31 and total debt including capital lease and financing obligations of \$2.3 billion. It said it will use about \$350 million, the bulk of the proceeds, to pay off debt.

Sensata said in a regulatory filing that it expects to benefit from increasing auto production and cars that are becoming more computer-driven, but also said it will continue to have significant debt following its IPO and expects to post losses in the foreseeable future.

Sensata's net revenue fell to \$1.1 billion in the year ended Dec. 31 from \$1.4 billion a year earlier but during the same period the company narrowed its net loss to \$27.7 million from \$134.5 million. Operating costs fell by nearly 20 percent and losses from discontinued operations fell to \$395,000 from over \$20 million.

Sensata also may struggle to entice investors who are wary of what has been an iffy IPO market so far this year. Sixty-nine percent of the IPOs to date have priced below the expected range, according to data from Connecticut-based research house Renaissance Capital. That figure averaged 28 percent between 2001 and 2009.

Analysts say Sensata will likely have to cut the price range from the \$18 to \$20 it is currently hoping for.

THE UPSIDE

Over the long term Sensata could be positioned attractively.

Sensata in 2009 earned more than half of its revenue from the auto industry. Detroit-based investment banker Chris Price, a managing director at O'Keefe & Associates said that debt is less of a concern for auto-related companies now than it was two years ago because vehicle volumes and revenues are almost certain to increase.

"The industry is at the very low end and I think there's enormous upside," said Kelley Blue Book executive market analyst Jack Nerad. "I think there is substantial pent up demand."

Analysts say the U.S. auto industry is in the midst of a gradual recovery after plunging to its lowest levels in 27 years.

Auto industry executives and analysts forecast 2010 U.S. auto sales in the range of 11.5 million units to 12.5 million units, more than a 10 percent improvement over 2009 when sales fell to 10.4 million units. As recently as 2007, auto sales were 16.1 million vehicles.

Many analysts believe the U.S. auto industry had seen the bottom of the downturn last year and will continue to see growth over the next several years.

Sensata is currently scheduled to price next Wednesday night. There are currently 10 auto-related IPOs in the pipeline globally, according to Thomson Reuters data.

Welcome! [Sign in](#) | New user? [Sign up](#)

[Manage My Updates](#)

Everyone **My Connections**

[Sign In](#)
to see what your Connections are up to on Yahoo! Sports.
New User? [Sign Up](#)

ADVERTISEMENT

Latest News

[US advertisers to spend more on digit...](#)
Afp, March 08, 2010 01:39 PM

[US-ODD Summary](#)
Reuters, March 08, 2010 01:28 PM

[Interpol joins search for Dubai kille...](#)
Reuters, March 08, 2010 01:25 PM

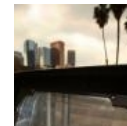
[U.S. blacks, Hispanics losing more sl...](#)
Reuters, March 08, 2010 01:24 PM

[Seal meat to be on menu at Canadian P...](#)
Reuters, March 08, 2010 01:24 PM

[US-BUSINESS Summary](#)
Reuters, March 08, 2010 01:16 PM

[Read more news](#)

Latest photos



Afp



Afp



Afp



Afp

[See more photos](#)

Sports > News > RPT-IPO VIEW-Rich valuation, debt could stall auto...

Championships

Premier League	Arsenal	Burnley	Liverpool	Sunderland
News	Aston Villa	Chelsea	Manchester City	Tottenham
Photos	Birmingham City	Everton	Man United	West Ham United
Calendar	Blackburn	Fulham	Portsmouth	Wigan Athletic
League Stats	Bolton	Hull City	Stoke City	Wolverhampton

World Cup 2010
 Champions League
 La Liga
 Italian League

Yahoo! Fantasy Sports

Premier League
 La Liga
 Serie A
 Ligue 1

Also On Yahoo!

Answers	Games	Personals
Astrology	Groups	Travel
Education	Movies	Video
Finance	News	Web Msgr
Flickr		

Copyright © 2010 Yahoo! Southeast Asia Pte Ltd. (Co. Reg. No. 199700735D). All Rights Reserved.
 Powered by PA SPORTSTICKER
 Privacy Policy - Terms of Service - Community - Intellectual Property Rights Policy - Help