



# SENSATA FIRST QUARTER 2017 EARNINGS PRESENTATION

APRIL 25, 2017

## Forward-Looking Statements

In addition to historical facts, this earnings presentation, including any documents incorporated by reference herein, includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements also relate to our future prospects, developments, and business strategies. These forward-looking statements may be identified by terminology such as “may,” “will,” “could,” “should,” “expect,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “forecast,” “continue,” “intend,” “plan,” and similar terms or phrases, or the negative of such terminology, including references to assumptions. However, these terms are not the exclusive means of identifying such statements. Forward-looking statements contained herein, or in other statements made by us, are made based on management’s expectations and beliefs concerning future events impacting us, and are subject to uncertainties and other important factors relating to our operations and business environment, all of which are difficult to predict, and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by forward-looking statements. These forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. Although we believe that our plans, intentions, and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurances that any of the events anticipated by these forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

# Q1 2017 GAAP Results

	Q1 2017	Q1 2016	Δ
Revenue	\$807.3M	\$796.5M	1.3%
Gross Profit (% of revenue)	\$274.5M 34.0%	\$268.2M 33.7%	2.4%
R&D (% of revenue)	\$31.8M 3.9%	\$31.4M 3.9%	1.5%
SG&A (% of revenue)	\$70.3M 8.7%	\$71.9M 9.0%	(2.3%)
Profit from Operations (% of revenue)	\$121.1M 15.0%	\$113.6M 14.3%	6.7%
Net Income (% of revenue)	\$71.7M 8.9%	\$60.6M 7.6%	18.4%
Diluted EPS	\$0.42	\$0.35	20.0%
Diluted Shares Outstanding	171.9M	171.3M	0.6M

# Strong Start to the Year

TOP-LINE GROWTH, MARGIN EXPANSION, & DOUBLE-DIGIT ORGANIC GROWTH IN ADJUSTED EPS

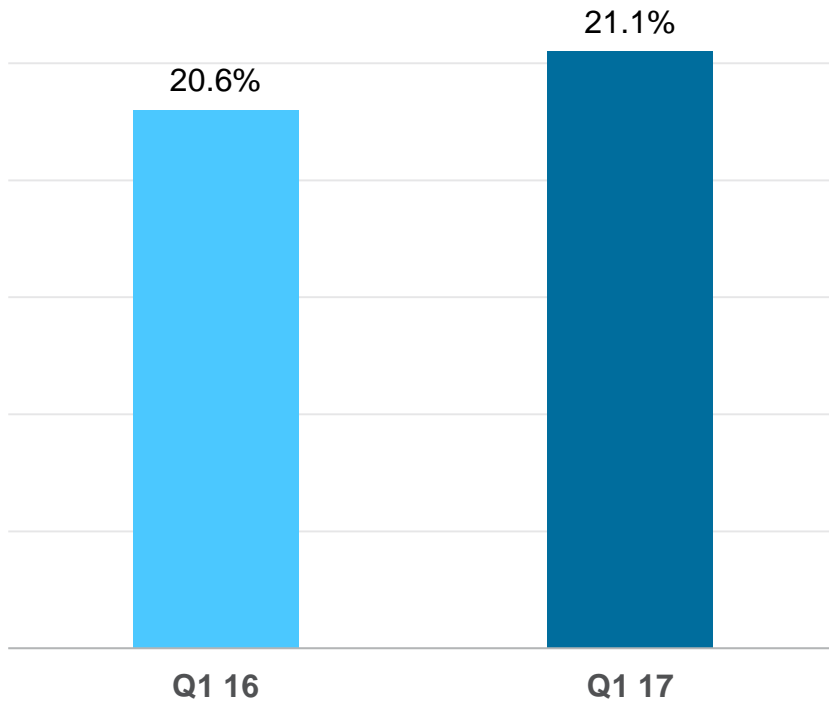
- ✓ **Organic revenue growth of 3.5%** – balanced growth from both segments with continued strength in China
- ✓ **Strong margin expansion (organic)** – adjusted EBIT margin expands by 90 basis points y/y; adjusted net income margin expands 130 basis points y/y
- ✓ **Organic Adjusted EPS growth of 12.1%** – increase driven by cost synergies and increased productivity
- ✓ **Performing to promise & delivering on expectations** – 5<sup>th</sup> straight quarter delivering operational performance in-line with/above guidance
- ✓ **Solid quarter of new design wins** – Auto, HVOR, and Aerospace drive performance, potential to exceed strong 2016 results



# Strong Year-Over-Year Margin Improvement

## ADJUSTED EBIT MARGINS\*

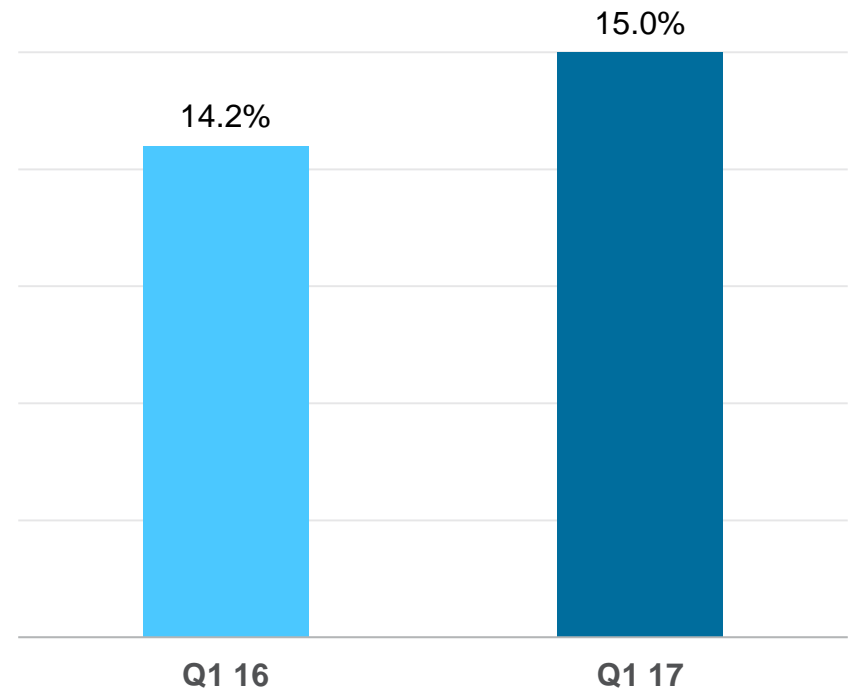
**+90** BASIS POINTS ORGANICALLY<sup>1</sup>



\*Includes integration-related charges of \$8.9M of in Q1-17 and \$3.5M in Q1-16

## ADJUSTED NET INCOME MARGINS\*

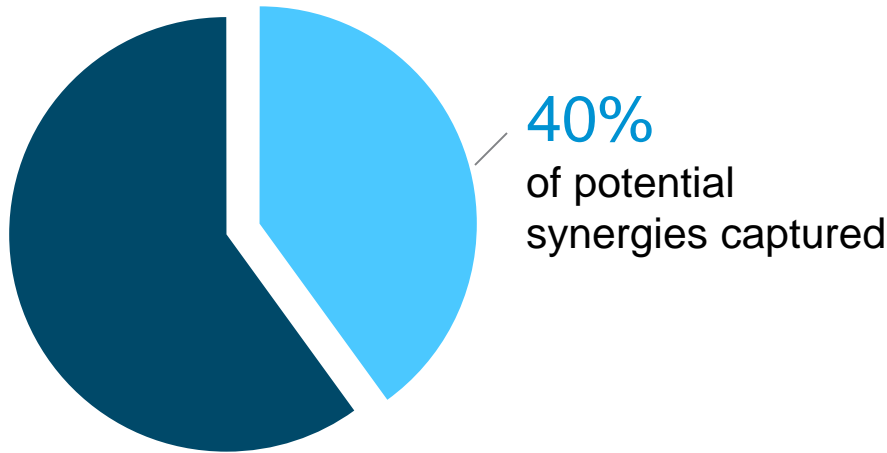
**+130** BASIS POINTS ORGANICALLY<sup>2</sup>



<sup>1</sup> Excluding FX, Adj EBIT Margin was 21.5%  
<sup>2</sup> Excluding FX, Adj ANI Margin was 15.5%

# M&A Cost Synergies Will Continue to Benefit Earnings Growth in 2017 and Beyond

## TOTAL POTENTIAL COST SAVINGS OF CST & SCHRADER



- Savings Achieved
- Anticipated Savings over next 3 years

## Areas of Savings

- Consolidate footprint for manufacturing and related support functions
- Best Cost Sourcing: leveraging larger scale to reduce cost of raw materials
- Implementing next-generation design and production to drive better product performance at lower cost
- Integrating back office and eliminating redundancies in SG&A

# Performance Sensing Update



## AUTO

- Global Auto Markets expected to be in-line with initial guidance for FY-17
  - Continued strength in China in Q1-17, weaker 2H-17
  - Expect North America auto production declines in 2H-17 due to higher inventories
- Diesel revenues continue to grow, despite gradual decline in diesel market share
- Strong design wins for low pressure and TPMS applications



## HVOR

- North America commercial truck market has bottomed and is slowly recovering
- Demand and outlook from off-road customers improving
- Building share of wallet with large existing customers
  - Strong quarter of new design wins for both engine content and TPMS for on road vehicles

# Expanding Content Growth Opportunities in Sensing Solutions



## HVAC

### APPLICATION

Variable Refrigerant Flow Technology (VRF) saves energy by moving refrigerant around a building rather than heated or cooled air

### SENSOR IMPLICATIONS

~2x more sensors needed per ton of cooling due to long length of refrigerant piping installed

### SENSATA VALUE PROPOSITION

High-performing pressure sensors to improve efficiency and reduce the risk of refrigerant leaks (safety)



## Aerospace

### APPLICATION

Demand for more powerful engines with smaller footprint

### SENSOR IMPLICATIONS

Generating higher thrust at smaller footprint requires engines to run hotter and drives the need for additional temperature and pressure sensors

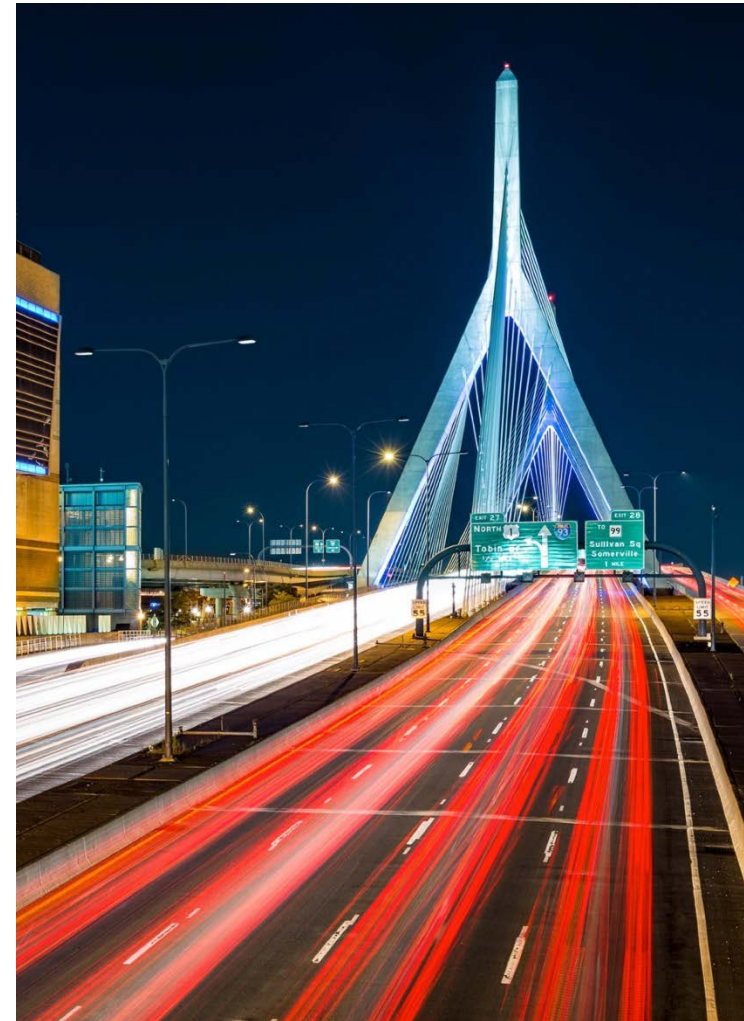
### SENSATA VALUE PROPOSITION

Extend core competency in mission-critical sensors to provide innovative pressure and temperature sensors that meet the unique needs of customers



## Continued Focus on Growth & Execution

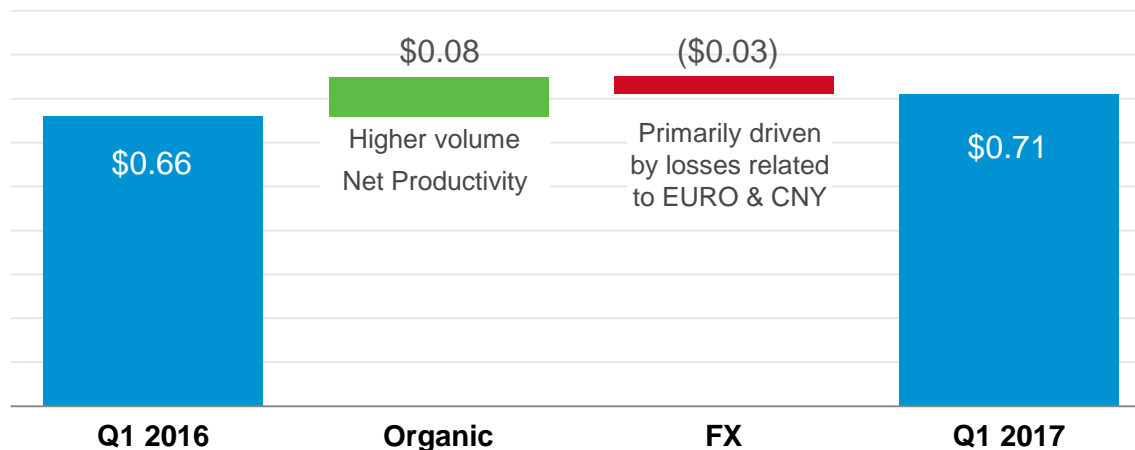
- **Strong start** to 2017
- **Delivering strong combination** of organic revenue growth, margin expansion, and double-digit adjusted EPS growth (organic basis)
- **Markets remain stable** and are expected to be in-line with our initial guidance for FY-17
  - Industrial and HVOR markets continue to improve
  - NA and China auto production expected to decline y/y in 2H-17 due to higher inventories
- Focused on **delivering integration milestones** and operational targets for the remainder of the year



# Q1 2017 Financial Summary

ADJUSTED NET INCOME GROWS 13% ORGANICALLY

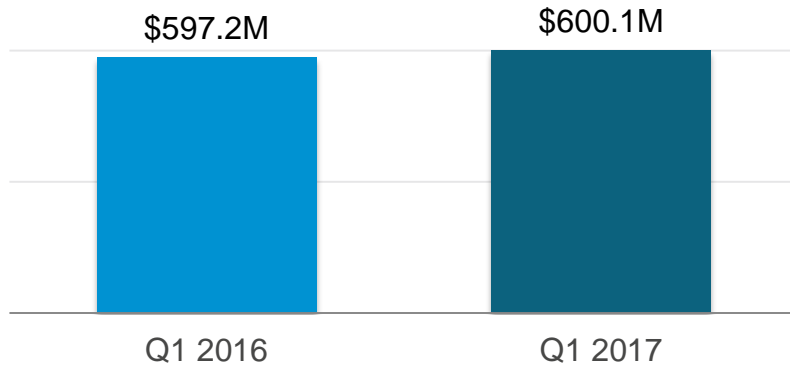
	Q1 2017	Q1 2016	Δ
Revenue	\$807.3M	\$796.5M	1.3%
Adjusted EBIT <i>% revenue</i>	\$170.7M 21.1%	\$164.1M 20.6%	4.0%
Adjusted Net Income <i>% revenue</i>	\$121.5M 15.0%	\$113.2M 14.2%	7.3%
Adjusted EPS	\$0.71	\$0.66	7.6%



- Revenue growth of 1.3% composed of:
  - Organic revenue growth: 3.5%
  - Foreign exchange lowers revenue by (2.2%)
- Adjusted EBIT grows 8% organically; margins expand by 90 bps (organic)
  - Both segments drive y/y margin improvement
- ANI grows 13% organically; margins increase by 80 basis points on reported basis; expand 130 basis points y/y organically
- Majority of FX loss primarily relates to the EURO & CNY, in-line with expectations

# Q1 2017: Performance Sensing

## REVENUE



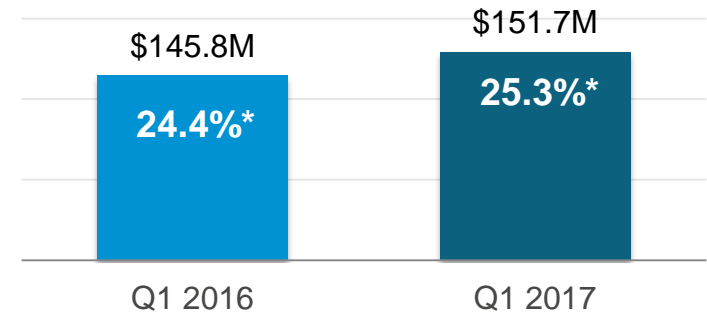
Q1-17 REVENUE GROWTH	REPORTED	ORGANIC
Automotive	0.2%	3.1%
HVOR	1.9%	2.9%
<b>Performance Sensing</b>	<b>0.5%</b>	<b>3.1%</b>

Foreign exchange (2.6%) negative impact

\*% of revenue

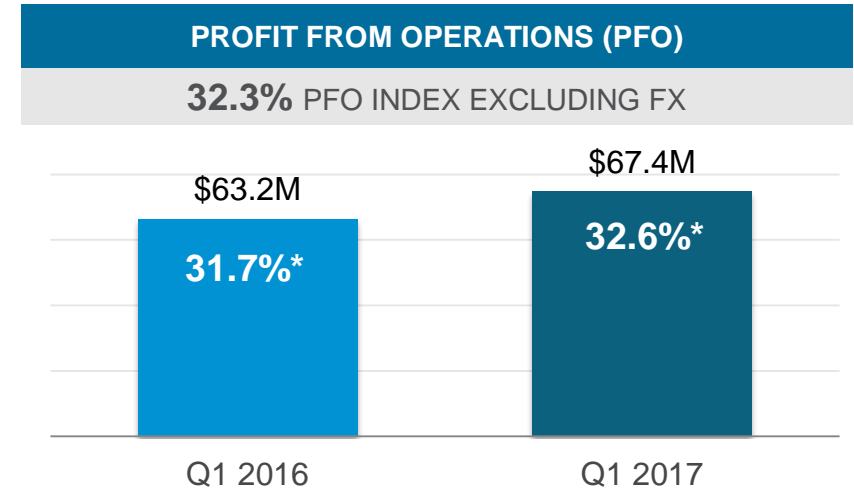
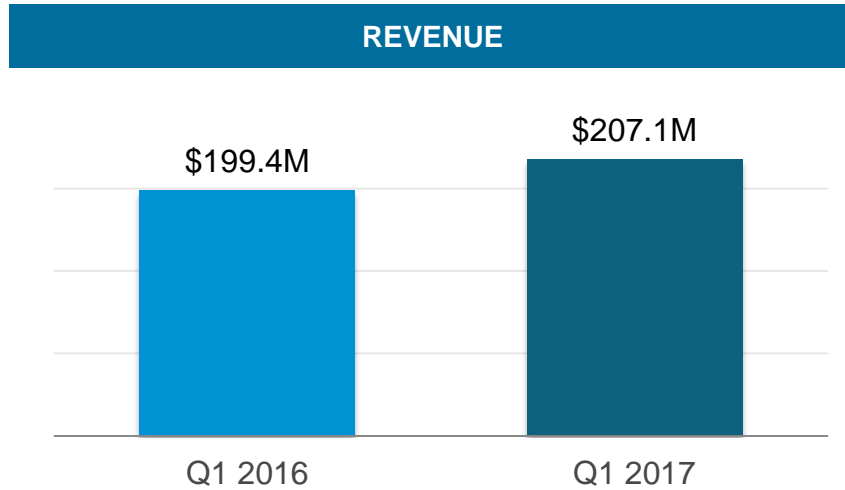
## PROFIT FROM OPERATIONS (PFO)

25.7% PFO INDEX EXCLUDING FX



- Automotive organic growth driven by strong performance from China
  - Strength unlikely to be sustained in 2H-17 due to higher inventories
- HVOR posts second straight quarter of organic revenue growth as markets show signs of recovery
- Strong Performance Sensing margin expansion of 130 bps y/y excluding FX

# Q1 2017: Sensing Solutions



Q1-17 REVENUE GROWTH	REPORTED	ORGANIC
Sensing Solutions	3.9%	4.9%

Foreign exchange (1.0%) impact

- Third straight quarter of solid organic revenue growth driven by recovery in HVAC, Appliance and Industrial markets
- Control Solutions business unit drives growth primarily due to strength in Asia
- Favorable effect of FX on margins, offset by higher integration costs

\*% of revenue

# Q1 2017 Non-GAAP Results

Changes recalculated based on unrounded numbers

	Q1 2017	Q1 2016	Δ
Revenue	\$807.3M	\$796.5M	1.3%
Adj. Gross Profit (% of revenue)	\$279.7M 34.7%	\$271.5M 34.1%	3.0%
R&D (% of revenue)	\$31.8M 3.9%	\$31.4M 3.9%	1.5%
Adj. SG&A (% of revenue)	\$69.0M 8.5%	\$70.3M 8.8%	(1.9%)
Adj. Other Opex <sup>1</sup>	\$8.1M	\$1.4M	NM
Adj. Other Gains/(Losses), net	(\$0.1M)	(\$4.4M)	(96.7%)
Adj. EBIT (% of revenue)	\$170.7M 21.1%	\$164.1M 20.6%	4.0%
Adj. Tax Rate*	6.3%	6.4%	10 bps
Adj. Net Income	\$121.5M 15.0%	\$113.2M 14.2%	7.3%
Adj. EPS	\$0.71	\$0.66	7.6%

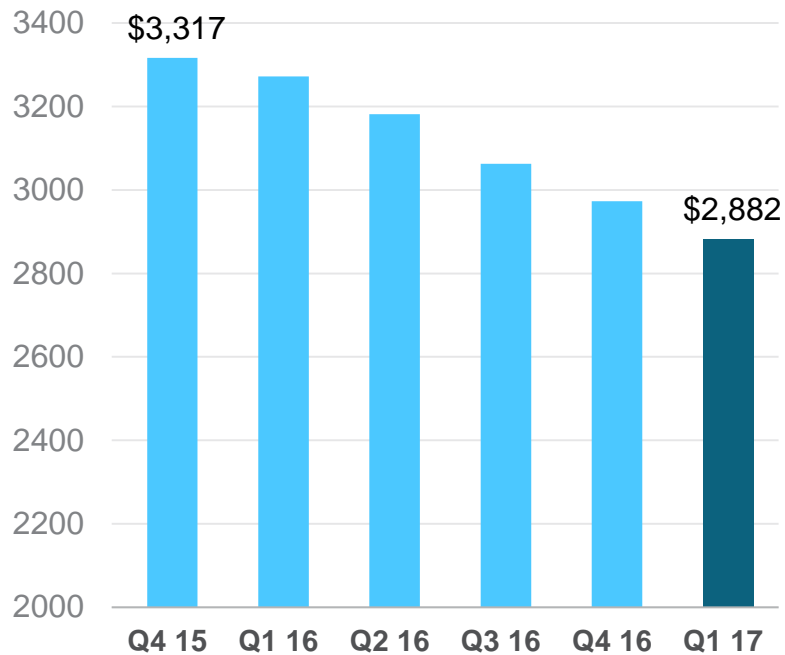
\*shown as a % of Adj. EBIT

<sup>1</sup>Represents sum of adjusted amortization of intangible assets & adj. restructuring & special charges

# Delivering on Promise to Strengthen Balance Sheet

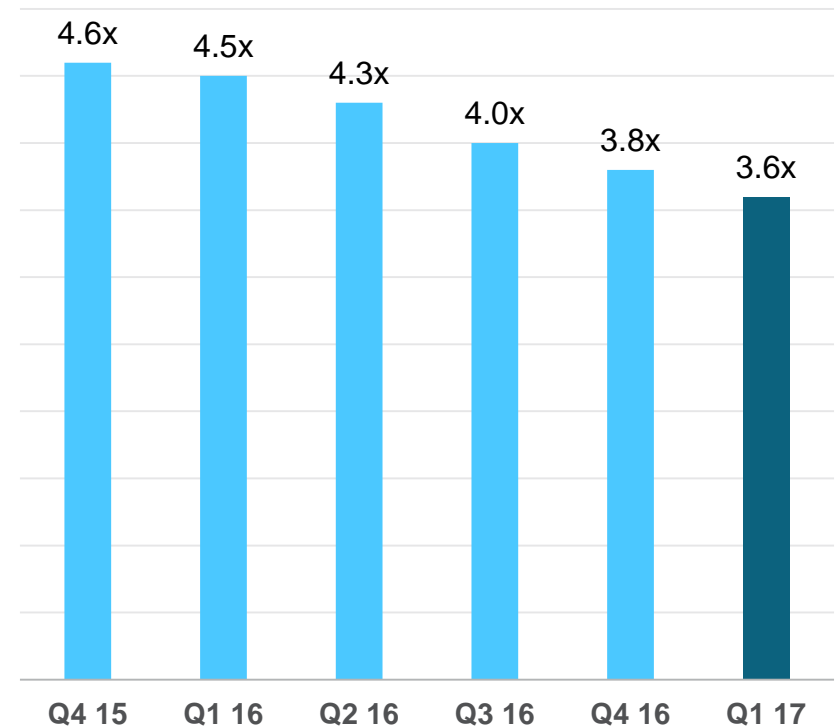
## NET DEBT (\$M)

~\$435M OF NET DEBT REDUCTION SINCE Q4-15



## NET LEVERAGE RATIO

LEVERAGE RATIO OF ~3.0X BY END OF 2017\*



\* Assumes no additional M&A or share repurchases

# 2017 Financial Guidance

	FY 2016	FY 2017 GUIDANCE	REPORTED	ORGANIC
Revenue	\$3,202M	\$3,165M – \$3,265M	(1%) – 2%	1% – 3%
Adj. EBIT	\$695.3M	\$734M – \$756M	6% – 9%	6% – 10%
Adj. Net Income	\$494.8M	\$528M – \$550M	7% – 11%	8% – 12%
Adj. EPS	\$2.89	\$3.08 – \$3.20	7% – 11%	8% – 12%

## COMMENTS

- No change to organic guidance for revenue, Adj. EBIT, Adj. Net Income & Adj. EPS
- FX expected to lower revenue by ~\$52M, which is ~\$15M better than previous guidance
  - Adjusted EPS impact from FX remains unchanged: (\$0.02) - (\$0.03)
- Integration expense: ~\$20M, up \$3M from previous guidance

## Q2-17 Financial Guidance

	Q2-16	Q2-17 GUIDANCE	REPORTED	ORGANIC	COMMENTS
Revenue	\$827.5M	\$820M – \$844M	(1%) – 2%	2% – 4%	<ul style="list-style-type: none"> <li>Integration expense of ~\$8-\$9M in Q2-17</li> </ul>
Adj. EBIT	\$175.3M	\$182M – \$188M	4% – 7%	4% – 8%	<ul style="list-style-type: none"> <li>FX assumption: EUR/USD: 1.12 CNY/USD: 6.89</li> </ul>
Adj. Net Income	\$124.3M	\$131M – \$137M	5% – 10%	6% – 11%	<ul style="list-style-type: none"> <li>Fill rate of 86%</li> </ul>
Adj. EPS	\$0.73	\$0.76 – \$0.80	4% – 10%	5% – 10%	



# Sensata is Committed to Shareholder Value Creation

- ✓ Deliver **double-digit organic EPS growth**
- ✓ Sustain high-profitability and **increase margins** of acquired businesses
- ✓ Leading and expanding positions in markets with **attractive long-term growth**
- ✓ Strong **cash generation** and value-creating **capital deployment**

Win In Sensing



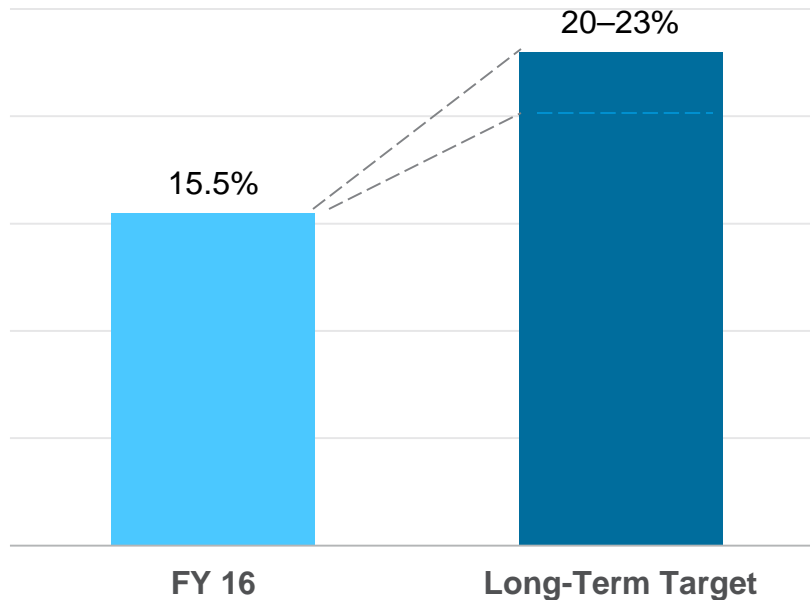


# APPENDIX

## SENSATA FIRST QUARTER 2017 EARNINGS SUMMARY

# Opportunity for Sustained, Long-Term Margin Expansion

## ADJUSTED NET INCOME MARGIN



## PERFORMANCE LEVERS

- Improved profitability of acquired businesses
- Volume growth, operating leverage, and net productivity gains
- Roll-off of integration expenses

# Q1 2017 Cash Flow Statement

	Q1 2017	Q1 2016	Δ
Net Income	\$71.7M	\$60.6M	18.4%
Depreciation & Amortization	\$69.1M	\$76.4M	(9.7%)
Changes in Working Capital	(\$32.4M)	(\$10.2M)	(216.7%)
Other	\$11.3M	\$9.4M	20.8%
Operating Cash Flow	\$119.7M	\$136.2M	(12.1%)
Capital Expenditures	(\$33.1M)	(\$34.2M)	3.4%
Free Cash Flow	\$86.6M	\$102.0M	(15.0%)

Changes recalculated based on unrounded numbers

# Balance Sheet

	MAR 31, 2017	DEC 31, 2016
Total Assets	\$6,330.6M	\$6,241.0M
Working Capital	\$878.1M	\$758.2M
Intangibles, Net & Other Long-Term Assets	\$4,857.3M	\$4,899.5M

	MAR 31, 2017	DEC 31, 2016
Cash & Equivalents	\$431.7M	\$351.4M
Current Debt	\$7.4M	\$14.6M
Net Cash	\$424.3M	\$336.8M

# Reconciliation of Organic Revenue Growth

	Q1 2017 vs Q1 2016
<b>SENSATA</b>	
Reported revenue % change	1.3%
Less: Foreign exchange rate differences	(2.2%)
<b>Organic revenue growth</b>	<b>3.5%</b>
<b>PERFORMANCE SENSING</b>	
Reported revenue % change	0.5%
Less: Foreign exchange rate differences	(2.6%)
<b>Organic revenue growth</b>	<b>3.1%</b>
<b>SENSING SOLUTIONS</b>	
Reported revenue % change	3.9%
Less: Foreign exchange rate differences	(1.0%)
<b>Organic revenue growth</b>	<b>4.9%</b>

# Reconciliation of Net Income to Adjusted Net Income

[ \$ in Thousands ] (except per share amounts)	Q1 2017			Q1 2016		
	\$	EPS	Margin	\$	EPS	Margin
<b>Net income</b>	<b>\$71,736</b>	<b>\$0.42</b>	<b>8.9%</b>	<b>\$60,612</b>	<b>\$0.35</b>	7.6%
<i>Non-GAAP adjustments:</i>						
Restructuring and special charges	7,691	0.04	1.0%	3,639	0.02	0.5%
Financing and other transaction costs	-	-	-	781	0.00	0.1%
Deferred gain on other hedges	(5,340)	(0.03)	(0.7%)	(13,273)	(0.08)	(1.7%)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	41,994	0.24	5.2%	53,866	0.31	6.8%
Deferred income tax and other tax expense/(benefit)	3,542	0.02	0.4%	5,757	0.03	0.7%
Amortization of deferred financing costs	1,857	0.01	0.2%	1,844	0.01	0.2%
Total adjustments	\$49,744	\$0.29	6.2%	\$52,614	\$0.31	6.6%
<b>Adjusted net income</b>	<b>\$121,480</b>	<b>\$0.71</b>	<b>15.0%</b>	<b>\$113,226</b>	<b>\$0.66</b>	<b>14.2%</b>
Weighted average diluted shares outstanding	171,905			171,257		
Net revenue	\$807,271			\$796,549		

Per share and percentage amounts have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding

# Reconciliation of Net Income to Organic ANI Growth

	Q1	
	2017	2016
<b>Net income</b>	<b>\$71,736</b>	<b>\$60,612</b>
<i>Non-GAAP adjustments:</i>		
Restructuring and special charges	7,691	3,639
Financing and other transaction costs	-	781
Deferred gain on other hedges	(5,340)	(13,273)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	41,994	53,866
Deferred income tax and other tax expense/(benefit)	3,542	5,757
Amortization of deferred financing costs	1,857	1,844
<b>Adjusted net income (ANI)</b>	<b>\$121,480</b>	<b>\$113,226</b>
ANI % change (Q1 2017 vs Q1 2016)	7.3%	
<i>Less year-over-year change due to:</i>		
Foreign exchange rate differences	(5.6%)	
Acquisitions, net of exited businesses	0.0%	
<b>Organic ANI growth</b>	<b>12.9%</b>	



# Reconciliation of Net Income Per Diluted Share to Adjusted EPS Growth (Organic)

	Q1	
	2017	2016
<b>Net income per diluted share</b>	<b>\$0.42</b>	<b>\$0.35</b>
<i>Non-GAAP adjustments:</i>		
Restructuring and special charges	0.04	0.02
Financing and other transaction costs	-	-
Deferred gain on other hedges	(0.03)	(0.08)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	0.24	0.31
Deferred income tax and other tax expense/(benefit)	0.02	0.03
Amortization of deferred financing costs	0.01	0.01
<b>Adjusted EPS</b>	<b>\$0.71</b>	<b>\$0.66</b>
Percentage change in adjusted net income per share	7.6%	
<i>Less year-over-year change due to:</i>		
Foreign exchange rate differences	(4.5%)	
<b>Organic Adjusted EPS growth</b>	<b>12.1%</b>	

Amounts have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding

# Reconciliation of Net Income Margins to Organic ANI Margins

Amounts have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding

	Q1		
	2017	2016	Change
<b>Net income as a % of Net revenue</b>	<b>8.9%</b>	<b>7.6%</b>	<b>1.3%</b>
<i>Non-GAAP adjustments:</i>			
Restructuring and special charges	1.0%	0.5%	0.5%
Financing and other transaction costs	0.0%	0.1%	(0.1%)
Deferred gain on other hedges	(0.7%)	(1.7%)	1.0%
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	5.2%	6.8%	(1.6%)
Deferred income tax and other tax expense/(benefit)	(0.4%)	(0.7%)	(0.3%)
Amortization of deferred financing costs	0.2%	0.2%	0.0%
<b>ANI margin</b>	<b>15.0%</b>	<b>14.2%</b>	<b>0.8%</b>
Less: Foreign exchange rate differences	(0.5%)	0.0%	(0.5%)
<b>Organic ANI margin</b>	<b>15.5%</b>	<b>14.2%</b>	<b>1.3%</b>

# Reconciliation of Net Income to Adjusted EBIT

[ \$ in Thousands ]	LTM	QUARTERLY				
		Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
<b>Net income</b>	<b>\$273,558</b>	<b>\$71,736</b>	<b>\$66,527</b>	<b>\$69,785</b>	<b>\$65,510</b>	<b>\$60,612</b>
Interest expense, net	163,827	40,277	40,617	41,176	41,757	42,268
Provision for income taxes	57,148	14,332	10,714	11,121	20,981	16,195
<b>EBIT</b>	<b>494,533</b>	<b>126,345</b>	<b>117,858</b>	<b>122,082</b>	<b>128,248</b>	<b>119,075</b>
<i>Non-GAAP adjustments:</i>						
Restructuring and special charges	19,034	7,691	3,985	4,197	3,161	3,639
Financing and other transaction costs	727	-	-	452	275	781
Deferred (gains)/losses on other hedges	(11,414)	(5,340)	5,150	(2,930)	(8,294)	(13,273)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	198,975	41,994	52,559	52,531	51,891	53,866
<b>Adjusted EBIT</b>	<b>701,855</b>	<b>170,690</b>	<b>179,552</b>	<b>176,332</b>	<b>175,281</b>	<b>164,088</b>
<i>% Net revenue</i>	<i>21.8%</i>	<i>21.1%</i>	<i>22.8%</i>	<i>22.3%</i>	<i>21.2%</i>	<i>20.6%</i>
Net revenue	\$3,213,010	\$807,271	\$788,396	\$789,798	\$827,545	\$796,549

# Reconciliation of Net Income to Organic Adjusted EBIT Growth

Amounts have been calculated based on unrounded numbers. Accordingly, certain amounts may not sum due to the effect of rounding

[ \$ in Thousands ]	Q1	
	2017	2016
<b>Net income</b>	<b>\$71,736</b>	<b>\$60,612</b>
Interest expense, net	40,277	42,268
Provision for income taxes	14,332	16,195
<b>EBIT</b>	<b>126,345</b>	<b>119,075</b>
<i>Non-GAAP adjustments:</i>		
Restructuring and special charges	7,691	3,639
Financing and other transaction costs	-	781
Deferred gains on other hedges	(5,340)	(13,273)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	41,994	53,866
<b>Adjusted EBIT</b>	<b>\$170,690</b>	<b>\$164,088</b>
Percentage change in Adjusted EBIT	4.0%	
<i>Less year-over-year change due to:</i>		
Foreign exchange rate differences	(3.9%)	
<b>Organic Adjusted EBIT growth</b>	<b>7.9%</b>	

# Reconciliation of Net Income to Adjusted EBITDA

[ \$ in Thousands ]	LTM	QUARTERLY				
		Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
<b>Net income</b>	<b>\$273,558</b>	<b>\$71,736</b>	<b>\$66,527</b>	<b>\$69,785</b>	<b>\$65,510</b>	<b>\$60,612</b>
Interest expense, net	163,827	40,277	40,617	41,176	41,757	42,268
Provision for income taxes	57,148	14,332	10,714	11,121	20,981	16,195
Depreciation expense	109,699	28,795	29,254	26,304	25,346	25,999
Amortization of intangible assets	191,309	40,258	49,926	50,562	50,563	50,447
<b>EBITDA</b>	<b>795,541</b>	<b>195,398</b>	<b>197,038</b>	<b>198,948</b>	<b>204,157</b>	<b>195,521</b>
<i>Non-GAAP adjustments:</i>						
Restructuring and special charges	15,423	6,250	2,185	3,827	3,161	2,363
Financing and other transaction costs	727	-	-	452	275	781
Deferred (gains)/losses on other hedges	(11,414)	(5,340)	5,150	(2,930)	(8,294)	(13,273)
Amortization expense related to the step-up in fair value of inventory	-	-	-	-	-	2,319
<b>Adjusted EBITDA</b>	<b>\$800,277</b>	<b>\$196,308</b>	<b>\$204,373</b>	<b>\$200,297</b>	<b>\$199,299</b>	<b>\$187,711</b>
<i>% Net revenue</i>	<i>24.9%</i>	<i>24.3%</i>	<i>25.9%</i>	<i>25.4%</i>	<i>24.1%</i>	<i>23.6%</i>
Net revenue	\$3,213,010	\$807,271	\$788,396	\$789,798	\$827,545	\$796,549

# Reconciliation of Debt to Net Debt and Net Leverage Ratio

[ \$ in Thousands ]	3/31/2017
Current portion of long-term debt, capital lease and other financing obligations	\$7,363
Capital lease and other financing obligations, less current portion	31,260
Long-term debt, net of discount and deferred financing costs, less current portion	3,225,965
<b>Total Debt, capital lease and other financing obligations</b>	<b>\$3,264,588</b>
Less: Discount	(17,041)
Less: Deferred financing costs	(32,413)
Total Gross Indebtedness	3,314,042
Less: Cash and cash equivalents	431,700
<b>Net Debt</b>	<b>\$2,882,342</b>
LTM Adjusted EBITDA	\$800,277
<b>Net Leverage Ratio</b>	<b>3.6</b>

# Reconciliation of Provision for Income Taxes to Adjusted Taxes

	Q1	
[ \$ in Thousands ]	2017	2016
<b>Provision for income taxes</b>	<b>\$14,332</b>	<b>\$16,195</b>
<i>Non-GAAP adjustments:</i>		
Less: Deferred income tax and other tax expense/(benefit)	3,542	5,757
<b>Adjusted taxes</b>	<b>\$10,790</b>	<b>\$10,438</b>
Adjusted EBIT	\$170,690	\$164,088
<b>Adjusted tax rate</b>	<b>6.3%</b>	<b>6.4%</b>

# Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

	Q1	
[ \$ in Thousands ]	2017	2016
<b>Net cash provided by operating activities</b>	<b>\$119,701</b>	<b>\$136,202</b>
Less: Additions to property, plant and equipment and capitalized software	(33,059)	(34,235)
<b>Free cash flow</b>	<b>\$86,642</b>	<b>\$101,967</b>
% Change	(15.0%)	



# Reconciliation of PFO as percentage of Net Revenue to PFO as percentage of Net Revenue ex FX

[ \$ in Thousands ]	Q1	
	2017	2016
<b>PERFORMANCE SENSING</b>		
Net Revenue	\$600,143	\$597,175
Profit from Operations ("PFO")	151,736	145,787
<b>PFO as % Net Revenue</b>	<b>25.3%</b>	<b>24.4%</b>
<i>Less year-over-year change due to:</i>		
Foreign exchange rate differences (basis points)	(40) bps	0
<b>PFO as % Net Revenue (ex FX)</b>	<b>25.7%</b>	<b>24.4%</b>
Change in Segment PFO as a % segment revenue (ex FX)	130 bps	
<b>SENSING SOLUTIONS</b>		
Net Revenue	\$207,128	\$199,374
Profit from Operations ("PFO")	67,438	63,248
<b>PFO as % Net Revenue</b>	<b>32.6%</b>	<b>31.7%</b>
<i>Less year-over-year change due to:</i>		
Foreign exchange rate differences (basis points)	30 bps	0
<b>PFO as % Net Revenue (ex FX)</b>	<b>32.3%</b>	<b>31.7%</b>
Change in Segment PFO as a % segment revenue (ex FX)	60 bps	

# Sensata Peer Group

ST Peer Group	Sector
1. Ametek Inc	Industrial
2. Amphenol Corp	Tech
3. Delphi	Auto
4. Fortive	Industrial Tech
5. FLIR Systems	Tech
6. Gentex	Auto
7. Littelfuse	Industrial
8. Rockwell	Industrial
9. Roper	Industrial
10. TE Connectivity	Industrial Tech
11. Wabco	Industrial

## Non-GAAP Measures

We supplement the reporting of our financial information determined in accordance with U.S. generally accepted accounting principles (“GAAP”) with certain non-GAAP financial measures. We use these non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance, and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures may be useful for period-over-period comparisons of underlying business trends and our ongoing business performance. We also believe presenting these non-GAAP measures provides additional transparency into how management evaluates our business.

Non-GAAP financial measures should be considered as supplemental in nature and are not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

Within this presentation we refer to the following measures which are not determined in accordance with U.S. GAAP:

**Adjusted EBIT** – represents net income excluding interest expense, net, provision for/(benefit from) income taxes, and certain non-GAAP adjustments including (1) restructuring and special charges, (2) financing and other transaction costs, (3) deferred losses/(gains) on other hedges, and (4) depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory.

**Adjusted EBITDA** – represents net income excluding interest expense, net, provision for/(benefit from) income taxes, depreciation expense, amortization of intangible assets, and certain non-GAAP adjustments including (1) restructuring and special charges, (2) financing and other transaction costs, (3) deferred losses/(gains) on other hedges, and (4) amortization expense related to the step-up in fair value of inventory.

**Adjusted earnings per share (EPS)** – represents ANI divided by the number of diluted weighted-average ordinary shares outstanding during the period.

**Adjusted net income (ANI)** – represents net income excluding certain non-GAAP adjustments including (1) restructuring and special charges, (2) financing and other transaction costs, (3) deferred losses/(gains) on other hedges, (4) depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory, (4) deferred income tax and other tax expense/(benefit), and (5) amortization of deferred financing costs and debt discounts.

**ANI margin** – represents ANI as a percentage of net revenue.

**Adjusted taxes** – represents provision for/(benefit from) income taxes excluding certain non-GAAP adjustments recorded to provision for/(benefit from) income taxes in our U.S. GAAP financial statements, such as deferred income tax and other tax expense/(benefit).

**Adjusted tax rate** – represents adjusted taxes divided by adjusted EBIT.

## Non-GAAP Measures – continued

**Free cash flow** – represents net cash provided by/(used in) operating activities less additions to property, plant and equipment and capitalized software.

**Net debt** – represents total debt, capital lease and other financing obligations less cash and cash equivalents.

**Net leverage ratio** – represents net debt divided by last twelve months (LTM) adjusted EBITDA.

**Organic growth** – in discussing trends in the Company's performance, we refer to the percentage change of certain GAAP or non-GAAP financial measures in one period versus another, calculated on either a reported or organic basis. Changes calculated on an organic basis exclude the period-over-period impact of acquisitions, net of exited businesses that occurred within the previous year and foreign exchange rate differences between the two periods.

**Segment profit margin (excluding foreign exchange)** – in discussing trends in segment performance, we refer to the period-over-period change in segment profit margin excluding the impact of foreign exchange rate differences between the two periods.