Sensata Technologies

SENSATA FOURTH QUARTER AND FULL YEAR 2016 EARNINGS PRESENTATION

FEBRUARY 2, 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.

FY 2016 GAAP Results

	FY 2016	FY 2015	Δ
Revenue	$3,202.3M	$2,975.0M	7.6%
Gross Profit (% of revenue)	$1,118.0M *34.9%*	$997.2M *33.5%*	12.1%
R&D (% of revenue)	$126.7M *4.0%*	$123.7M *4.2%*	2.4%
SG&A (% of revenue)	$293.6M *9.2%*	$271.4M *9.1%*	8.2%
Profit from Operations (% of revenue)	$492.2M *15.4%*	$393.6M *13.2%*	25.0%
Net Income (% of revenue)	$262.4M *8.2%*	$347.7M *11.7%*	(24.5%)
Diluted EPS	$1.53	$2.03	(24.6%)
Diluted Shares Outstanding	171.5M	171.5M	(0.1M)

Changes recalculated based on unrounded numbers

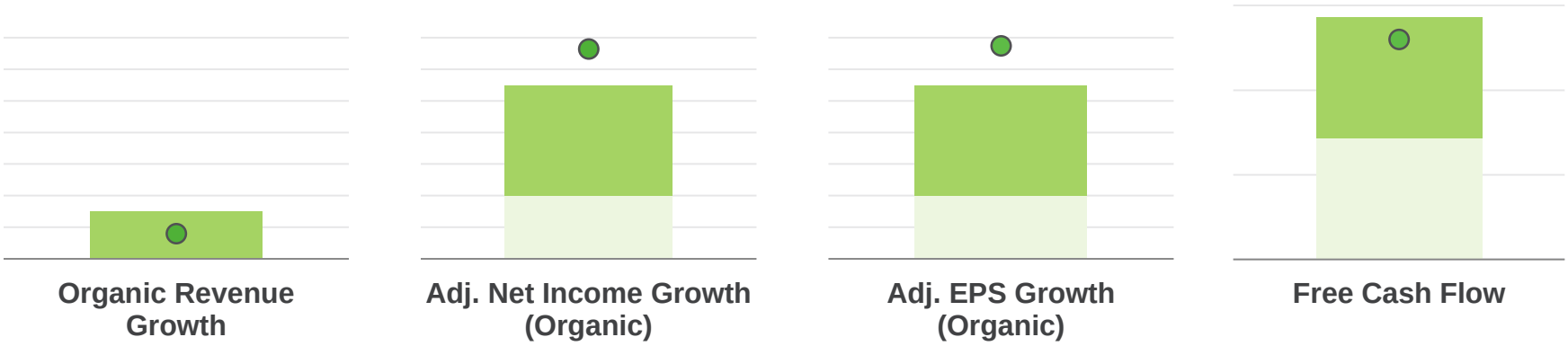
Strong Year of Margin Expansion and Earnings Growth

DELIVERED ON FULL YEAR GUIDANCE DESPITE CHALLENGE ON WEAK MARKETS

- ✓ **Performance in-line with or above original guidance provided in Feb ’16 –** good execution despite market softness and FX headwinds
- ✓ **Adjusted EPS of $2.89** above midpoint of guidance; **Organic EPS growth of 14%** in FY-16 and sequential margin expansion throughout the year
- ✓ **Strong free cash flow –** free cash flow of $391M at high-end of guidance; free cash yield of ~12% (% of revenues)
- ✓ **Strengthened balance sheet –** net leverage ratio lowered from 4.6x to 3.8x
- ✓ **Investing for the future –** new design wins, expansion into ADAS and electrification



Performance vs. FY 2016 Guidance*



	GUIDANCE*	ACTUAL	MET EXPECTATIONS
Organic Revenue Growth	0 – 3%	1.6%	●
Adjusted Net Income (organic growth)	4 – 11%	14.2% [1]	●
Adjusted EPS (organic growth)	4 - 11%	14.2% [1]	●
Free Cash Flow	$350M – $400M	$391M	●

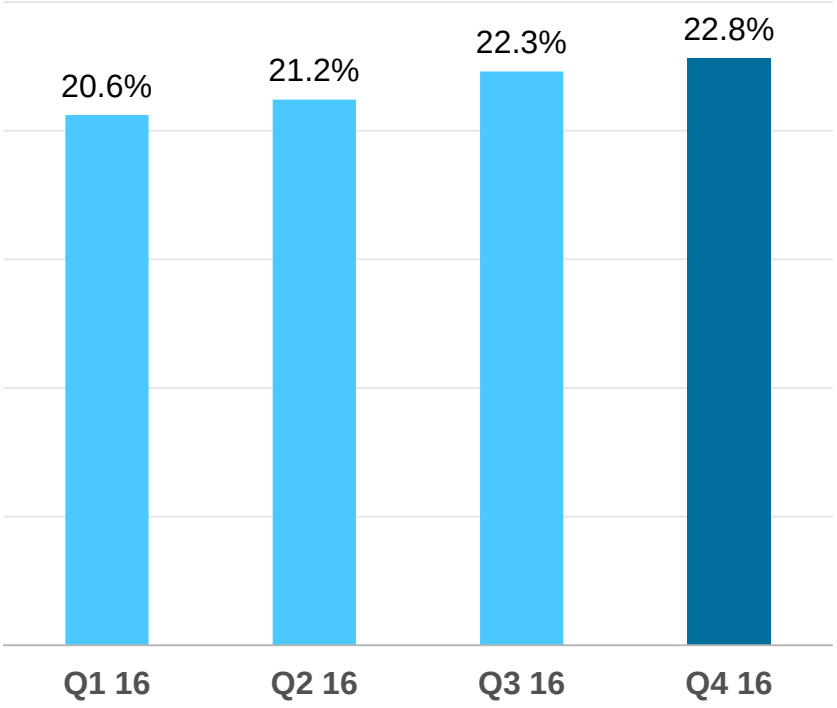
* Guidance provided on Feb 2, 2016

[1] CST recorded ($11M) loss in Q4-15

Delivered Sequential Margin Improvement in FY 2016

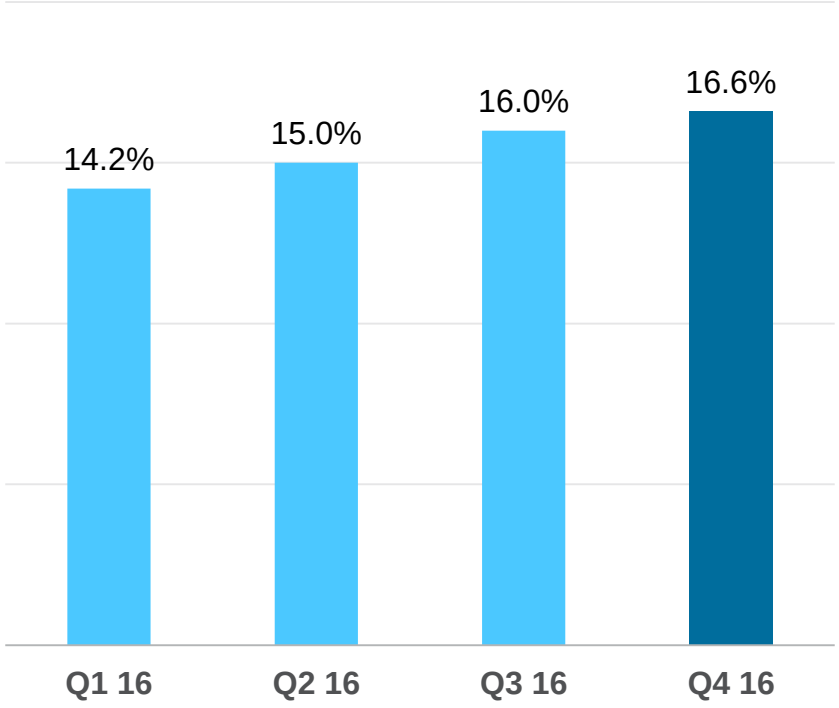
ADJUSTED EBIT MARGINS

+220 BASIS POINTS SINCE Q1-16



ADJUSTED NET INCOME MARGINS

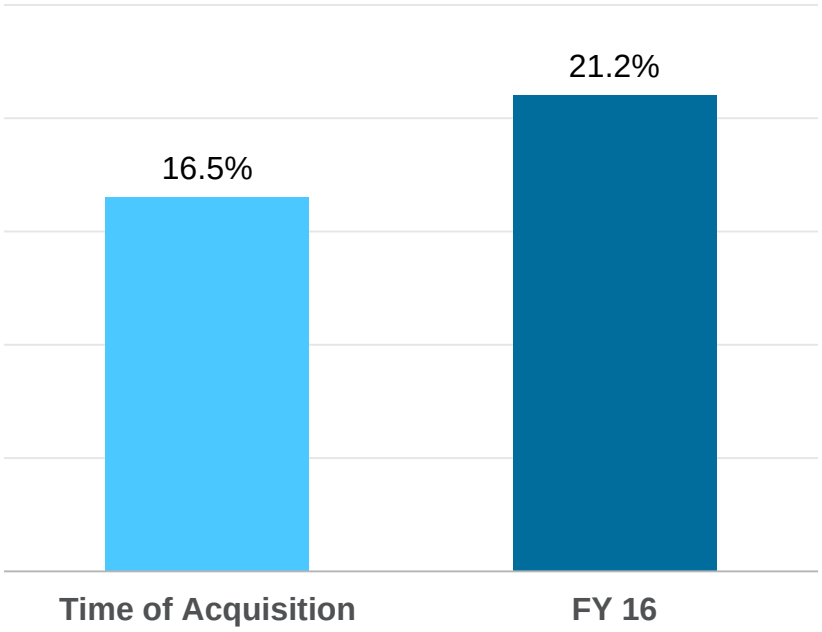
+240 BASIS POINTS SINCE Q1-16



Strong Profitability Improvement of Acquired Businesses

COMBINED ADJUSTED EBIT MARGIN* OF SCHRADER AND CST

+470 BASIS POINTS



* Excludes integration costs

COMMENTS

- Profitability improvement delivered by executing M&A playbook:
  - Leverage global scale
  - Capture manufacturing and low-cost sourcing synergies
  - Drive efficiency through back office integration
  - Integrated front-end to drive commercial excellence
- Significant opportunity for additional improvement
  - Margins remain well below both segments

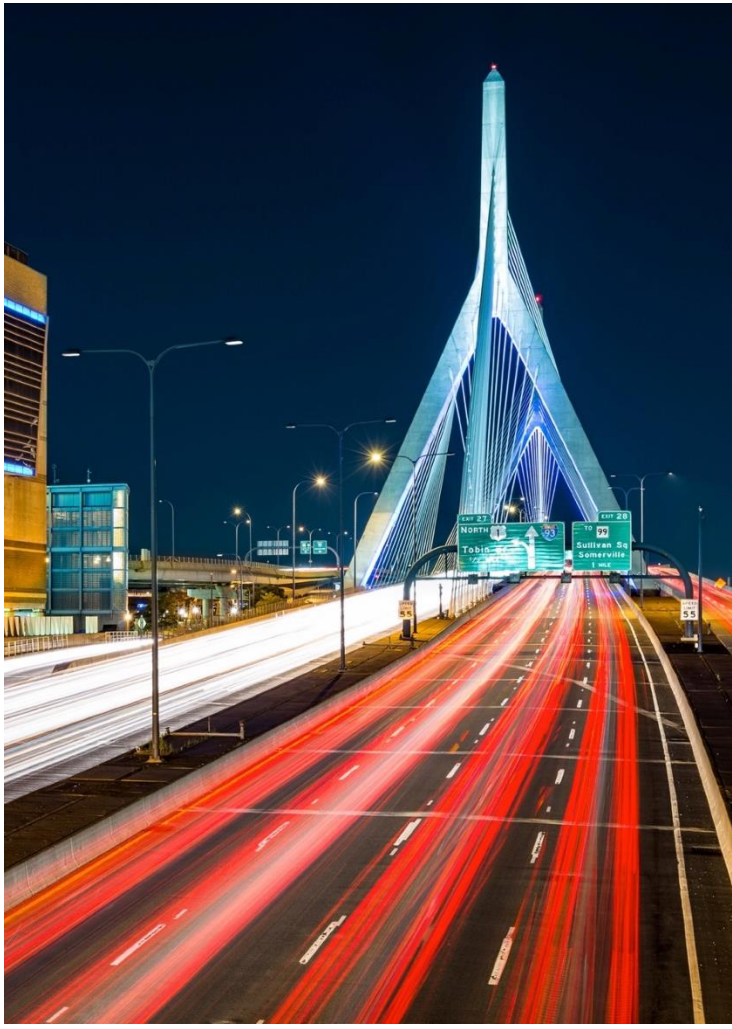
2016 Accomplishments

- **Integration of Schrader and CST** remained on track and contributed to **higher operating profit**
- New business wins across **key growth initiatives:**
  - Sensors for emissions and diagnostics
  - HVOR wins for operator sensing technologies
  - Strong wins in aerospace
- **Improved R&D effectiveness** with new systems and processes
- Continued to **efficiently deploy capital** and reduced debt



2017 Priorities

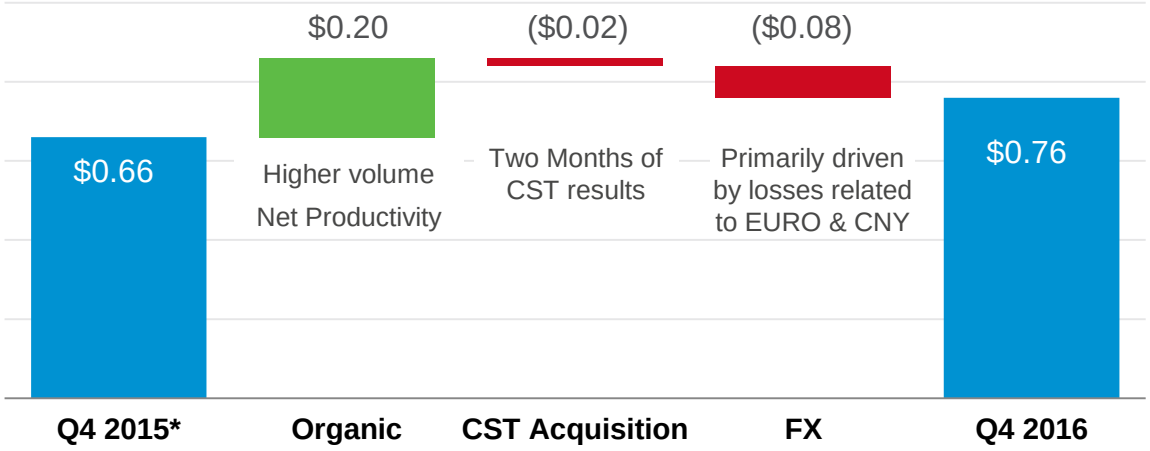
- Sustain disciplined focus on **attractive EPS growth** and free cash generation
- Continue to expand margins of acquired businesses
  - Deliver **on integration plans** for Schrader and CST
- Further develop emerging technologies, including LiDAR & wireless sensors
- Focus on capturing **long-term growth opportunities:**
  - Drive commercial excellence leveraging enhanced systems & tools
  - Execute on new design wins



Q4 2016 Financial Summary

ADJUSTED EARNINGS PER SHARE GREW 30%* ORGANICALLY

	Q4 2016	Q4 2015	Δ
Revenue	$788.4M	$726.5M	8.5%
Adjusted EBIT *% revenue*	$179.6M *22.8%*	$154.9M *21.3%*	15.9%
Adjusted Net Income *% revenue*	$131.0M *16.6%*	$113.3M *15.6%*	15.6%
Adjusted EPS	$0.76	$0.66	15.2%

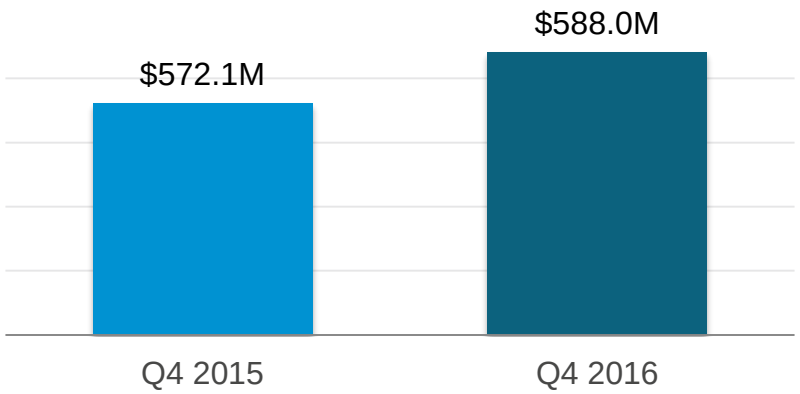


- Revenue growth of 8.5% comprised of:
  - Organic revenue growth: 5.8%
  - Acquisitions, less exited businesses, add 5.6%
  - Foreign exchange lowers revenue by (2.9%)
- Adjusted EBIT grows 21% organically y/y
  - Both segments drive y/y EBIT margin improvement excluding CST and FX
- Adjusted EBIT Margin of 22.8% up 150 bps
- Majority of FX loss primarily relates to the EURO and CNY

*CST reported ($11M) loss in Q4-15, which included $5.9M of integration costs

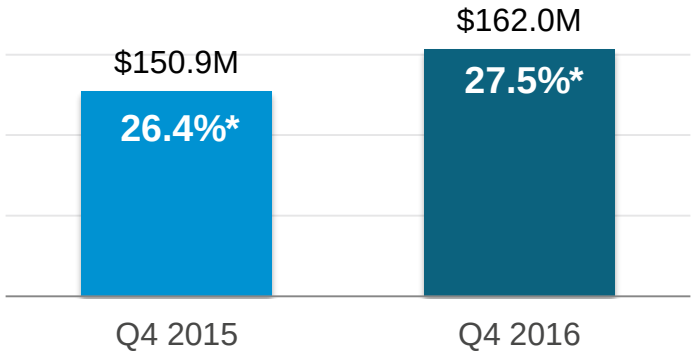
Q4 2016 Review: Performance Sensing

REVENUE



PROFIT FROM OPERATIONS (PFO)

28.4% PFO INDEX EXCLUDING FX AND CST



Q4-16 GROWTH Y/Y	REPORTED	ORGANIC
Automotive	1.6%	5.5%
HVOR	9.1%	0.7%
Performance Sensing	**2.8%**	**4.7%**

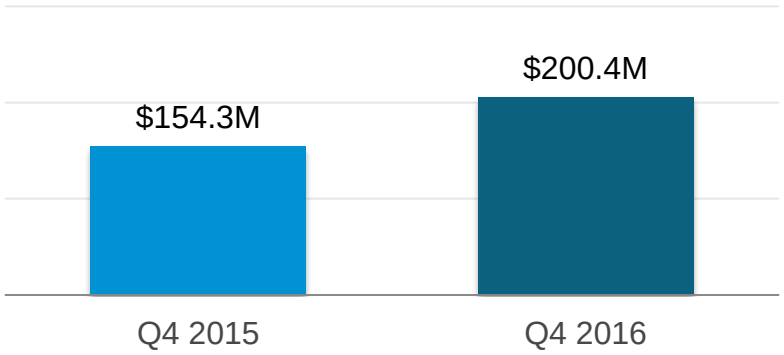
- Acquisitions less exited businesses added 1.3%
- Foreign exchange (3.2)% negative impact

- Automotive organic growth driven by strong performance from China
- HVOR continues to outperform market due to strong content growth
  - Construction, agriculture and North American on-road markets all remain weak
- Strong Performance Sensing margin expansion of 190 bps y/y excluding FX & CST in both periods

*% of revenue

Q4 2016 Review: Sensing Solutions

REVENUE

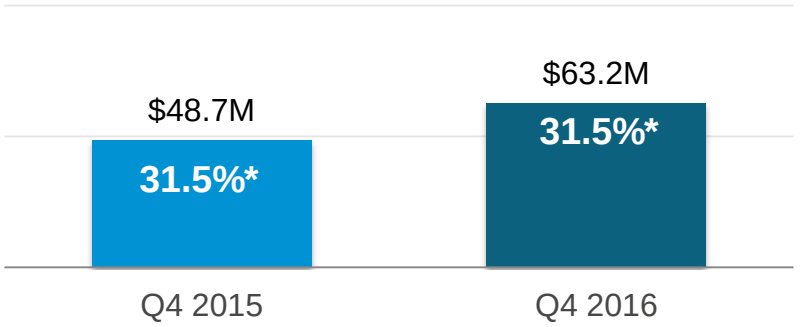


Q4-16 GROWTH Y/Y	REPORTED	ORGANIC
Sensing Solutions	29.9%	9.8%

- CST acquisition adds 21.7% to revenue growth
- Foreign exchange (1.6%) negative impact

PROFIT FROM OPERATIONS (PFO)

33.0% PFO INDEX EXCLUDING FX AND CST



- Strong organic revenue growth driven by easier y/y comparison and improved results from industrial and aerospace businesses
- All geographic regions contribute to growth
- Margins expand by 60 basis points y/y excluding FX and CST in both periods

*% of revenue

FY 2016 Non-GAAP Results

	FY 2016	FY 2015	Δ
Revenue	$3,202.3M	$2,975.0M	7.6%
Adj. Gross Profit (% of revenue)	$1,137.7M *35.5%*	$1,038.5M *34.9%*	9.5%
R&D (% of revenue)	$126.7M *4.0%*	$123.7M *4.2%*	2.4%
Adj. SG&A (% of revenue)	$289.4M *9.0%*	$252.7M *8.5%*	14.5%
Adj. EBIT (% of revenue)	$695.3M *21.7%*	$630.9M *21.2%*	10.2%
Adj. Tax Rate*	6.0%	5.8%	+20 bps
Adj. Net Income (% of revenue)	$494.8M *15.5%*	$472.0M *15.9%*	4.8%
Adj. EPS	$2.89	$2.75	5.1%
Diluted Shares Outstanding	171.5M	171.5M	(0.1M)

COMMENTS

- Organic revenue growth of 1.6% and organic EPS growth of 14.2%
- Gross profit improvement driven by lower materials and logistics costs
  - FX reduces gross margin by ~40 bps y/y
- SG&A increase primarily related to CST acquisition
- Organic ANI margin expands 190 bps y/y

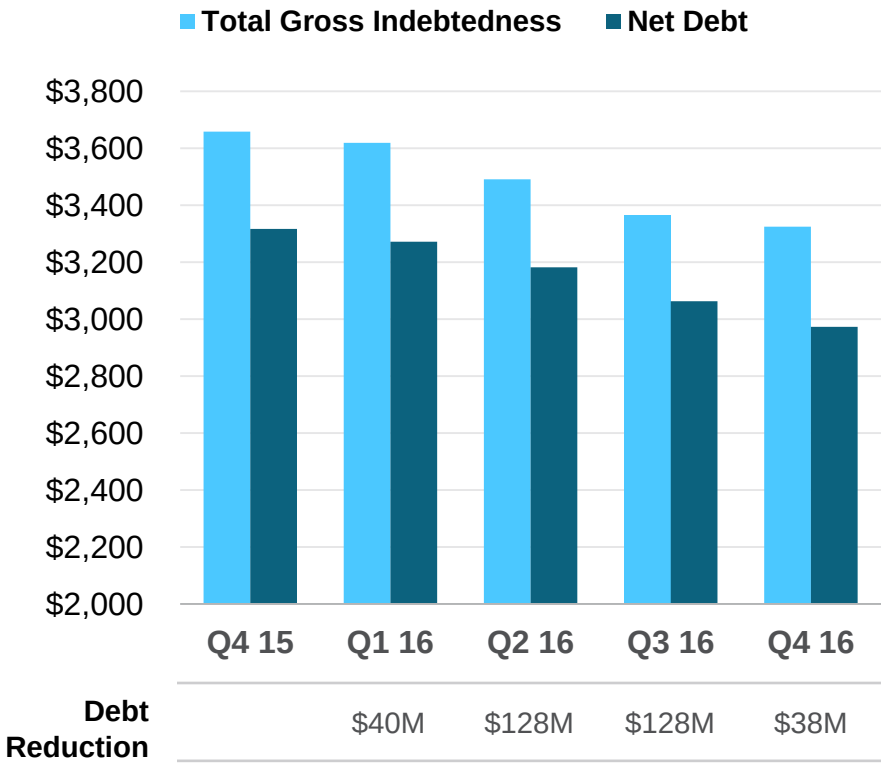
*shown as a % of Adj. EBIT

Changes recalculated based on unrounded numbers

Delivering on Promise to De-Lever

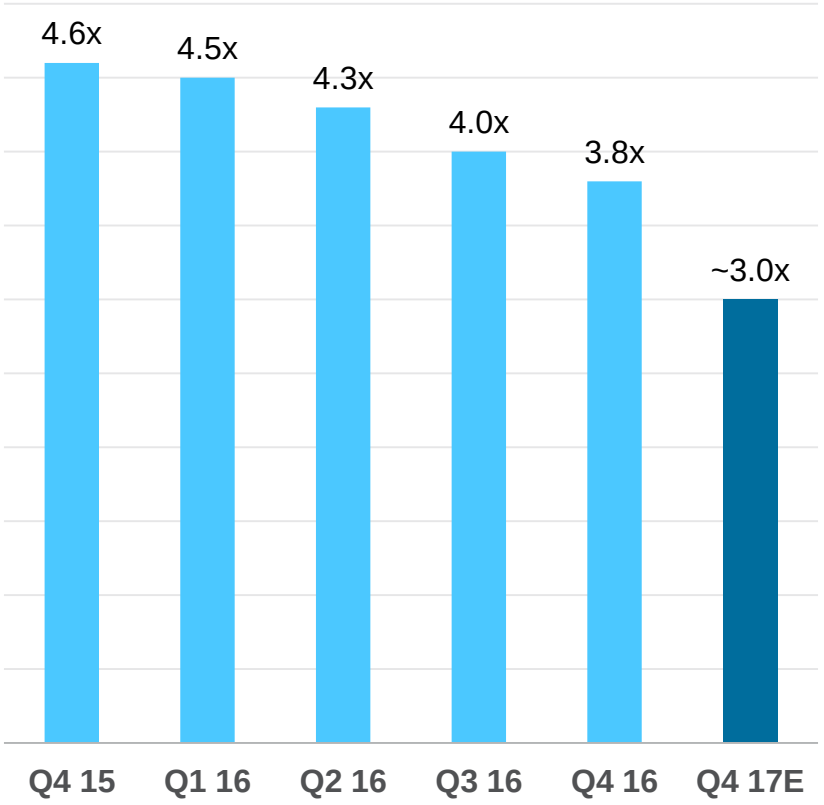
DEBT ($M)

~$335M OF 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

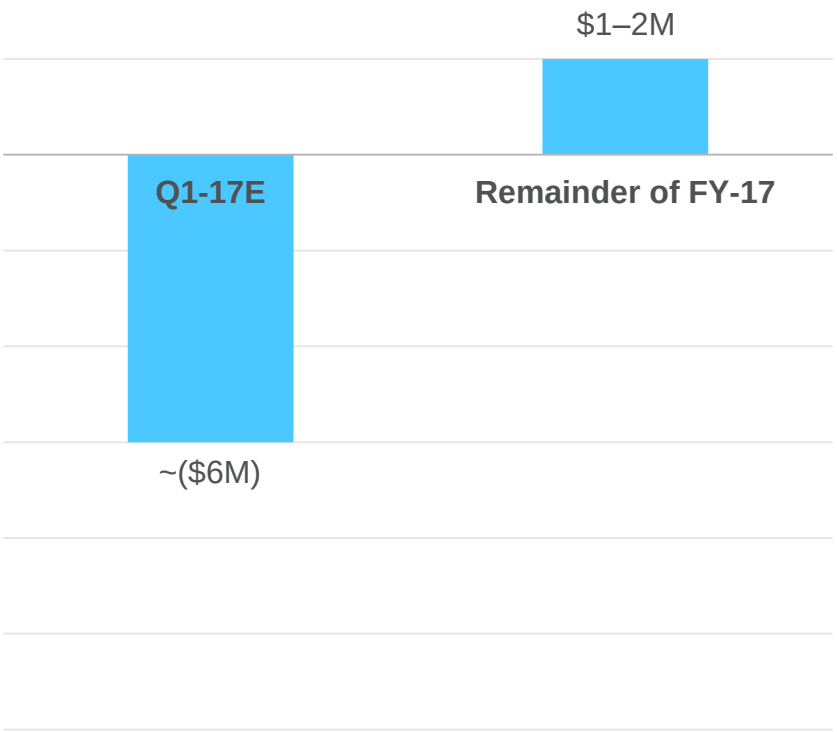
	FY 2016	FY 2017 GUIDANCE	REPORTED	ORGANIC
Revenue	$3,202M	$3,150M – $3,250M	(2%) – 1%	1% – 3%
Adj. EBIT	$695.3M	$734M – $756M	6% – 9%	6% – 10%
Adj. Net Income	$494.8M	$528M – $550M	7% – 11%	8% – 12%
Adj. EPS	$2.89	$3.08 – $3.20	7% – 11%	8% – 12%

COMMENTS

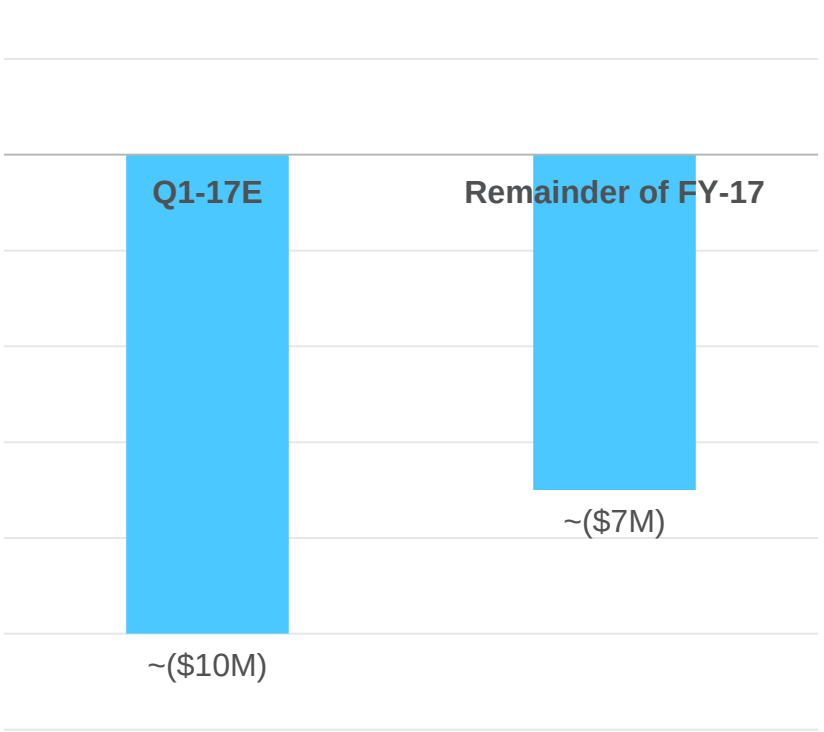
- FX expected to lower revenue by ~2% and EPS by ($0.02) to ($0.03)
- Free cash flow expected to be between: $425M-$450M in FY-17
  - Capex expected to be between $130-$150M

Profitability Impact from FX and Integration Costs Will Disproportionately Affect Q1 2017

FX IMPACT ON ADJUSTED NET INCOME



INTEGRATION COSTS



Q1-17 Financial Guidance

	Q1-16	Q1-17 GUIDANCE	REPORTED	ORGANIC
Revenue	$796.5M	$781M – $805M	(2%) – 1%	1% – 3%
Adj. EBIT	$164.1M	$164M – $170M	0% – 4%	4% – 7%
Adj. Net Income	$113.2M	$114M – $120M	1% – 6%	6% – 11%
Adj. EPS	$0.66	$0.66 – $0.70	0% – 6%	6% – 11%

COMMENTS

- FX expected to lower revenue by ~$16M – $24M, or 2%-3%
- Integration costs of ~$10M, up ~$6M over Q1-16
- Adjusted net income lowered by ~$6M due to FX

Sensata is Committed to Shareholder Value Creation

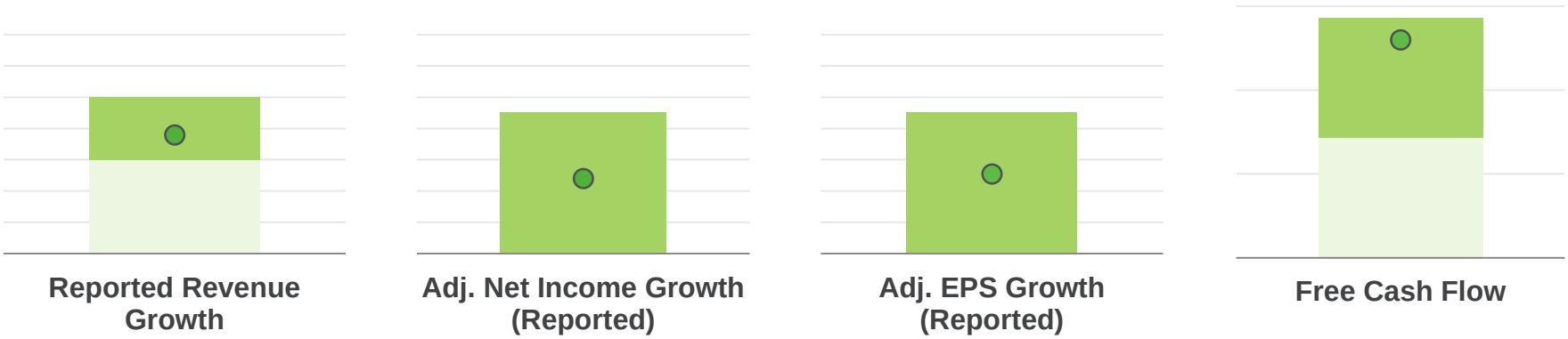
- ✓ Deliver **double-digit organic EPS growth**
- ✓ Sustain high-profitability and **increase margins** of acquired businesses
- ✓ Leading and expanding positions in markets with **attractive long-term growth**
- ✓ Strong **cash generation** and value-creating **capital deployment**

Win In Sensing

APPENDIX

SENSATA FOURTH QUARTER AND FULL YEAR 2016 EARNINGS SUMMARY

Performance vs. FY 2016 Guidance* on Reported Basis

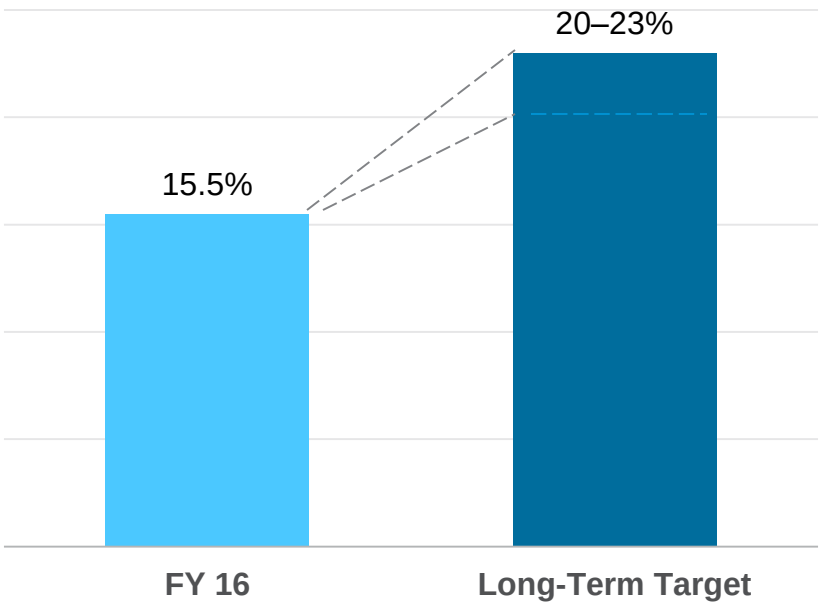


	GUIDANCE*	ACTUAL	MET EXPECTATIONS
Reported Revenue Growth	6 – 10%	7.6%	●
Adjusted Net Income (reported growth)	0 – 9%	4.8%	●
Adjusted EPS (reported growth)	0 - 9%	5.1%	●
Free Cash Flow	$350M – $400M	$391M	●

* Guidance provided on Feb 2, 2016

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
- Reduced interest expense

Q4 2016 GAAP Results

	Q4 2016	Q4 2015	Δ
Revenue	$788.4M	$726.5M	8.5%
Gross Profit (% of revenue)	$278.9M *35.4%*	$249.8M *34.4%*	11.6%
R&D (% of revenue)	$31.4M *4.0%*	$30.9M *4.2%*	1.8%
SG&A (% of revenue)	$69.0M *8.7%*	$67.7M *9.3%*	1.8%
Profit from Operations (% of revenue)	$127.7M *16.2%*	$91.2M *12.5%*	40.0%
Net Income (% of revenue)	$66.5M *8.4%*	$218.3M *30.0%*	(69.5%)
Diluted EPS	$0.39	$1.27	(69.3%)
Diluted Shares Outstanding	171.8M	171.5M	0.3M

Q4 2016 Non-GAAP Results

	Q4 2016	Q4 2015	Δ
Revenue	$788.4M	$726.5M	8.5%
Adj. Gross Profit (% of revenue)	$285.7M *36.2%*	$259.2M *35.7%*	10.2%
R&D (% of revenue)	$31.4M *4.0%*	$30.9M *4.2%*	1.8%
Adj. SG&A (% of revenue)	$68.7M *8.7%*	$60.4M *8.3%*	13.7%
Adj. EBIT (% of revenue)	$180.0M *22.8%*	$154.9M *21.3%*	15.9%
Adj. Tax Rate*	5.4%	6.8%	-140 bps
Adj. Net Income	$131.0M *16.6%*	$113.3M *15.6%*	15.6%
Adj. EPS	$0.76	$0.66	15.2%
Diluted Shares Outstanding	171.8M	171.5M	0.3M

*shown as a % of Adj. EBIT

Changes recalculated based on unrounded numbers

Q4 2016 Cash Flow Statement

	Q4 2016	Q4 2015	Δ
Net Income	$66.5M	$218.3M	(69.5%)
Depreciation & Amortization	$79.2M	$75.5M	4.9%
Changes in Working Capital	($27.7M)	$61.4M	(145.1%)
Other	$7.2M	($185.7M)	103.9%
Operating Cash Flow	$125.2M	$169.4M	(26.1%)
Capital Expenditures	($35.6M)	($47.0M)	24.1%
Free Cash Flow	$89.5M	$122.5M	(26.9%)

Changes recalculated based on unrounded numbers

FY 2016 Cash Flow Statement

	FY 2016	FY 2015	Δ
Net Income	$262.4M	$347.7M	(24.5%)
Depreciation & Amortization	$308.4M	$282.7M	9.1%
Changes in Working Capital	($93.9M)	$24.4M	(484.7%)
Other	$44.6M	($121.7M)	136.7%
Operating Cash Flow	$521.5M	$533.1M	(2.2%)
Capital Expenditures	($130.2M)	($177.2M)	26.5%
Free Cash Flow	$391.3M	$355.9M	9.9%

Changes recalculated based on unrounded numbers

Balance Sheet

	DEC 31, 2016	DEC 31, 2015
Total Assets	$6,241.0M	$6,298.9M
Working Capital	$758.2M	$412.7M
Intangibles, Net & Other Long-Term Assets	$4,899.5M	$5,021.0M

	DEC 31, 2016	DEC 31, 2015
Cash & Equivalents	$351.4M	$342.3M
Current Debt	$14.6M	$300.4M
Net Cash	$336.8M	$41.8M

Reconciliation of Organic Revenue Growth

	Q4 2016	FY 2016
SENSATA		
Net revenue growth	8.5%	7.6%
Less: Effects of foreign currency movements	(2.9%)	(1.9%)
Less: Acquisitions, net of exited businesses[1]	5.6%	7.9%
Organic revenue growth	5.8%	1.6%
PERFORMANCE SENSING		
Net revenue growth	2.8%	1.7%
Less: Effects of foreign currency movements	(3.2%)	(2.1%)
Less: Acquisitions, net of exited businesses[1]	1.3%	1.9%
Organic revenue growth	4.7%	1.9%
SENSING SOLUTIONS		
Net revenue growth	29.9%	29.9%
Less: Effects of foreign currency movements	(1.6%)	(1.2%)
Less: Acquisitions, net of exited businesses[1]	21.7%	30.5%
Organic revenue growth	9.8%	0.6%

1 – On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. as well as certain additional assets (collectively, "CST"). Portions of CST are being integrated into our Performance Sensing and Sensing Solutions segments. In the reconciliations above, the term "acquisitions" refers to CST and the term "exited businesses" represents the impact of the termination of unprofitable business activities in late 2015, primarily at our Schrader Brazil facility.

Sum of items may not foot due to rounding

Reconciliation of Net Income to Adjusted Net Income – Q4

Amounts have been calculated based on unrounded numbers.
Accordingly, sum of items may not foot due to rounding

	Q4 2016			Q4 2015		
[$ in Thousands] *(except per share amounts)*	**$**	**EPS**	**Margin**	**$**	**EPS**	**Margin**
Net income	**$66,527**	**$0.39**	**8.4%**	**$218,289**	**$1.27**	**30.0%**
Non-GAAP adjustments:						
Restructuring and special charges	3,985	0.02	0.5%	10,651	0.06	1.5%
Financing and other transaction costs	-	-	-	14,395	0.08	2.0%
Deferred loss/(gain) on other hedges	5,150	0.03	0.7%	(174)	(0.00)	(0.0%)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	52,559	0.31	6.7%	53,313	0.31	7.3%
Deferred income tax and other tax expense/(benefit)	936	0.01	0.1%	(184,889)	(1.08)	(25.5%)
Amortization of deferred financing costs	1,833	0.01	0.2%	1,701	0.01	0.2%
Total adjustments	$64,463	$0.38	8.2%	($105,003)	($0.61)	(14.5%)
Adjusted net income	**$130,990**	**$0.76**	**16.6%**	**$113,286**	**$0.66**	**15.6%**
Weighted average diluted shares outstanding	171,765			171,513		
Net revenue	$788,396			$726,471		

Reconciliation of Net Income to Adjusted Net Income – FY

Amounts have been calculated based on unrounded numbers.
Accordingly, sum of items may not foot due to rounding

	FY 2016			FY 2015		
[$ in thousands] *(except per share amounts)*	**$**	**EPS**	**Margin**	**$**	**EPS**	**Margin**
Net income	**$262,434**	**$1.53**	**8.2%**	**$347,696**	**$2.03**	**11.7%**
Non-GAAP adjustments:						
Restructuring and special charges	14,982	0.09	0.5%	42,332	0.25	1.4%
Financing and other transaction costs	1,508	0.01	0.0%	43,850	0.26	1.5%
Deferred (gain)/loss on other hedges	(19,347)	(0.11)	(0.6%)	11,864	0.07	0.4%
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	210,847	1.23	6.6%	193,370	1.13	6.5%
Deferred income tax and other tax expense/(benefit)	17,086	0.10	0.5%	(173,550)	(1.01)	(5.8%)
Amortization of deferred financing costs	7,334	0.04	0.2%	6,456	0.04	0.2%
Total adjustments	$232,410	$1.36	7.3%	$124,322	$0.72	4.2%
Adjusted net income	**$494,844**	**$2.89**	**15.5%**	**$472,018**	**$2.75**	**15.9%**
Weighted average diluted shares outstanding	171,460			171,513		
Net revenue	$3,202,288			$2,974,961		

Reconciliation of Net Income to Organic ANI Growth

Amounts have been calculated based on unrounded numbers. Accordingly, sum of items may not foot due to rounding

	Q4		FY	
	2016	2015	2016	2015
Net income	**$66,527**	**$218,289**	**$262,434**	**$347,696**
Non-GAAP adjustments:				
Restructuring and special charges	3,985	10,651	14,982	42,332
Financing and other transaction costs	-	14,395	1,508	43,850
Deferred loss/(gain) on other hedges	5,150	(174)	(19,347)	11,864
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	52,559	53,313	210,847	193,370
Deferred income tax and other tax expense/(benefit)	936	(184,889)	17,086	(173,550)
Amortization of deferred financing costs	1,833	1,701	7,334	6,456
Adjusted net income	$130,990	$113,286	$494,844	$472,018
Percentage change in Adjusted net income	15.6%		4.8%	
Non-GAAP adjustments:				
Effects of foreign currency exchange movements[2]	(12.0%)		(8.2%)	
Acquisitions, net of exited businesses that occurred within the previous twelve months[1]	(3.2%)		(1.2%)	
Organic earnings growth	**30.8%**		**14.2%**	

1 – On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. as well as certain additional assets (collectively, "CST"). Portions of CST are being integrated into our Performance Sensing and Sensing Solutions segments. In the reconciliations above, the term "acquisitions" refers to CST and the term "exited businesses" represents the impact of the termination of unprofitable business activities in late 2015, primarily at our Schrader Brazil facility.

2 – Represents the effects of changes in foreign currency exchange rates, including acquisitions in Q4'16 versus Q4'15 and FY'16 versus FY'15.

Reconciliation of Diluted Net Income Per Share to Organic EPS Growth

Amounts have been calculated based on unrounded numbers. Accordingly, sum of items may not foot due to rounding

	Q4		FY	
	2016	2015	2016	2015
Diluted net income per share	**$0.39**	**$1.27**	**$1.53**	**$2.03**
Non-GAAP adjustments:				
Restructuring and special charges	0.02	0.06	0.09	0.25
Financing and other transaction costs	-	0.08	0.01	0.26
Deferred loss/(gain) on other hedges	0.03	(0.00)	(0.11)	0.07
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	0.31	0.31	1.23	1.13
Deferred income tax and other tax expense/(benefit)	0.01	(1.08)	0.10	(1.01)
Amortization of deferred financing costs	0.01	0.01	0.04	0.04
Adjusted net income per share	**$0.76**	**$0.66**	**$2.89**	**$2.75**
Percentage change in adjusted net income per share	15.2%		5.1%	
Non-GAAP adjustments:				
Effects of foreign currency exchange movements[2]	(12.1%)		(8.0%)	
Acquisitions, net of exited businesses that occurred within the previous twelve months[1]	(3.0%)		(1.1%)	
Organic EPS growth	**30.3%**		**14.2%**	

1 – On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. as well as certain additional assets (collectively, "CST"). Portions of CST are being integrated into our Performance Sensing and Sensing Solutions segments. In the reconciliations above, the term "acquisitions" refers to CST and the term "exited businesses" represents the impact of the termination of unprofitable business activities in late 2015, primarily at our Schrader Brazil facility.

2 – Represents the effects of changes in foreign currency exchange rates, including acquisitions in Q4'16 versus Q4'15 and FY'16 versus FY'15.

Reconciliation of Net Income Margins to Organic ANI Margins

Amounts have been calculated based on unrounded numbers.
Accordingly, sum of items may not foot due to rounding

	Q4			FY		
	2016	2015	Change	2016	2015	Change
Net income as a % of Net revenue	**8.4%**	**30.0%**	**(21.6)%**	**8.2%**	**11.7%**	**(3.5)%**
Non-GAAP adjustments:						
Restructuring and special charges	0.5%	1.5%	(1.0)%	0.5%	1.4%	(1.0)%
Financing and other transaction costs	0.0%	2.0%	(2.0)%	0.0%	1.5%	(1.4)%
Deferred loss/(gain) on other hedges	0.7%	0.0%	0.7%	(0.6)%	0.4%	(1.0)%
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	6.7%	7.3%	(0.7)%	6.6%	6.5%	0.1%
Deferred income tax and other tax expense/(benefit)	0.1%	(25.5)%	25.6%	0.5%	(5.8)%	6.4%
Amortization of deferred financing costs	0.2%	0.2%	0.0%	0.2%	0.2%	0.0%
ANI margin	**16.6%**	**15.6%**	**1.0%**	**15.5%**	**15.9%**	**(0.4)%**
Less: Effects of foreign currency movements[2]	(1.2)%	0.0%	(1.2)%	(0.9)%	0.0%	(0.9)%
Less: Acquisitions, net of exited businesses[1]	(1.5)%	(0.1)%	(1.4)%	(1.5)%	(0.1)%	(1.4)%
Organic ANI margin	**19.3%**	**15.7%**	**3.6%**	**17.9%**	**16.0%**	**1.9%**

1 – On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. as well as certain additional assets (collectively, "CST"). Portions of CST are being integrated into our Performance Sensing and Sensing Solutions segments. In the reconciliations above, the term "acquisitions" refers to CST and the term "exited businesses" represents the impact of the termination of unprofitable business activities in late 2015, primarily at our Schrader Brazil facility.

2 – Represents the effects of changes in foreign currency exchange rates, including acquisitions in Q4'16 versus Q4'15 and FY'16 versus FY'15.

Reconciliation of Net Income to Adjusted EBIT

[$ thousands]	FY 16	QUARTERLY Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Net income	**$262,434**	**$66,527**	**$69,785**	**$65,510**	**$60,612**	**$218,289**
Interest expense, net	165,818	40,617	41,176	41,757	42,268	41,597
Provision for/(benefit from) income taxes	59,011	10,714	11,121	20,981	16,195	(174,409)
EBIT	$487,263	$117,858	$122,082	$128,248	$119,075	$85,477
Non-GAAP adjustments:						
Restructuring and special charges	14,982	3,985	4,197	3,161	3,639	10,651
Financing and other transaction costs	1,508	-	452	275	781	5,598
Deferred (gains)/losses on other hedges	(19,347)	5,150	(2,930)	(8,294)	(13,273)	(174)
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	210,847	52,559	52,531	51,891	53,866	53,313
Adjusted EBIT	**$695,253**	**$179,552**	**$176,332**	**$175,281**	**$164,088**	**$154,865**
% Net revenue	*21.7%*	*22.8%*	*22.3%*	*21.2%*	*20.6%*	*21.3%*
Net revenue	$3,202,288	$788,396	$789,798	$827,545	$796,549	$726,471

Reconciliation of Net Income to Organic Adjusted EBIT Growth

Amounts have been calculated based on unrounded numbers. Accordingly, sum of items may not foot due to rounding

	Q4		FY	
	2016	2015	2016	2015
Net income	**$66,527**	**$218,289**	**$262,434**	**$347,696**
Interest expense, net	40,617	41,597	165,818	137,626
Provision for/(benefit from) income taxes	10,714	(174,409)	59,011	(142,067)
EBIT	$117,858	$85,477	$487,263	$343,255
Non-GAAP adjustments:				
Restructuring and special charges	3,985	10,651	14,982	42,332
Financing and other transaction costs	-	5,598	1,508	35,053
Deferred losses/(gains) on other hedges	5,150	(174)	(19,347)	11,864
Other tax expense/(benefit)	-	-	-	5,000
Depreciation and amortization expense related to the step-up in fair value of fixed and intangible assets and inventory	52,559	53,313	210,847	193,370
Adjusted EBIT	**$179,552**	**$154,865**	**$695,253**	**$630,874**
Percentage change in Adjusted EBIT	15.9%		10.2%	
Non-GAAP adjustments:				
Effects of foreign currency exchange movements[2]	(8.7%)		(6.1%)	
Acquisitions, net of exited businesses that occurred within the previous twelve months[1]	3.9%		7.5%	
Organic Adjusted EBIT growth	**20.7%**		**8.8%**	

1 – On December 1, 2015, we completed the acquisition of all of the outstanding shares of certain subsidiaries of Custom Sensors & Technologies Ltd. as well as certain additional assets (collectively, "CST"). Portions of CST are being integrated into our Performance Sensing and Sensing Solutions segments. In the reconciliations above, the term "acquisitions" refers to CST and the term "exited businesses" represents the impact of the termination of unprofitable business activities in late 2015, primarily at our Schrader Brazil facility.

2 – Represents the effects of changes in foreign currency exchange rates, including acquisitions in Q4'16 versus Q4'15 and FY'16 versus FY'15.

Reconciliation of Net Income to Adjusted EBITDA

		QUARTERLY				
[$ thousands]	FY 16	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Net income	**$262,434**	**$66,527**	**$69,785**	**$65,510**	**$60,612**	**$218,289**
Interest expense, net	165,818	40,617	41,176	41,757	42,268	41,597
Provision for/(benefit from) income taxes	59,011	10,714	11,121	20,981	16,195	(174,409)
Depreciation expense	106,903	29,254	26,304	25,346	25,999	24,889
Amortization of intangible assets	201,498	49,926	50,562	50,563	50,447	50,564
EBITDA	$795,664	$197,038	$198,948	$204,157	$195,521	$160,930
Non-GAAP adjustments:						
Restructuring and special charges	11,536	2,185	3,827	3,161	2,363	9,743
Financing and other transaction costs	1,508	-	452	275	781	5,598
Deferred (gains)/losses on other hedges	(19,347)	5,150	(2,930)	(8,294)	(13,273)	(174)
Amortization expense related to the step-up in fair value of inventory	2,319	-	-	-	2,319	1,820
Adjusted EBITDA	**$791,680**	**$204,373**	**$200,297**	**$199,299**	**$187,711**	**$177,917**
% Net revenue	*24.7%*	*25.9%*	*25.4%*	*24.1%*	*23.6%*	*24.5%*
Net revenue	$3,202,288	$788,396	$789,798	$827,545	$796,549	$726,471

Reconciliation of Debt to Net Debt and Net Leverage Ratio

[$ thousands]	12/31/2016
Current portion of long-term debt, capital lease and other financing obligations	$14,643
Capital lease and other financing obligations, less current portion	32,369
Long-term debt, net of discount and deferred financing costs, less current portion	3,226,582
Total Debt	**$3,273,594**
Less: Discount	(17,655)
Less: Deferred financing costs	(33,656)
Total Gross Indebtedness	3,324,905
Less: Cash and cash equivalents	351,428
Net Debt	**$2,973,477**
LTM Adjusted EBITDA	$791,680
Net Leverage Ratio	**3.8**

Reconciliation of Provision for/(Benefit From) Income Taxes to Adjusted Taxes

	Q4		FY	
[$ thousands]	2016	2015	2016	2015
Provision for/(benefit from) income taxes	**$10,714**	**($174,409)**	**$59,011**	**($142,067)**
Non-GAAP adjustments:				
Less: Deferred income tax and other tax expense/(benefit)	936	(184,889)	17,086	(178,550)
Adjusted taxes	**$9,778**	**$10,480**	**$41,925**	**$36,483**
Adjusted EBIT	$179,552	$154,865	$695,253	$630,874
Adjusted tax rate	**5.4%**	**6.8%**	**6.0%**	**5.8%**

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

	Q4		FY	
[$ thousands]	2016	2015	2016	2015
Net cash provided by operating activities	**$125,174**	**$169,418**	**$521,525**	**$533,131**
Less: Additions to property, plant and equipment and capitalized software	(35,633)	(46,953)	(130,217)	(177,196)
Free cash flow	**$89,541**	**$122,465**	**$391,308**	**$355,935**
% Change	(26.9%)		9.9%	

Reconciliation of PFO as percentage of Net Revenue to PFO as percentage of Net Revenue ex FX and CST

	Q4		FY	
	2016	2015	2016	2015
PERFORMANCE SENSING				
Net Revenue	$587,985	$572,145	$2,385,380	$2,346,226
Profit from Operations (“PFO”)	161,986	150,862	615,526	598,524
PFO as % Net Revenue	**27.5%**	**26.4%**	**25.8%**	**25.5%**
Non-GAAP adjustments:				
Effects of foreign currency exchange movements	(0.5%)	0.0%	(0.6%)	0.0%
CST	(0.4%)	(0.1%)	(0.3%)	0.0%
PFO as % Net Revenue (ex FX and CST	**28.4%**	**26.5%**	**26.7%**	**25.5%**
Change (basis points)	190		120	
SENSING SOLUTIONS				
Net Revenue	$200,411	$154,326	$816,908	$628,735
Profit from Operations (“PFO”)	63,177	48,675	261,914	199,744
PFO as % Net Revenue	**31.5%**	**31.5%**	**32.1%**	**31.8%**
Non-GAAP adjustments:				
Effects of foreign currency exchange movements	(0.1%)	0.0%	0.0%	0.0%
CST	(1.4%)	(0.9%)	(0.9%)	(0.2%)
PFO as % Net Revenue (ex FX and CST	**33.0%**	**32.4%**	**33.0%**	**32.0%**
Change (basis points)	60		100	

Non-GAAP Measures

In discussing financial results and guidance, we refer to “Organic Revenue Growth,” “Adjusted Net Income (ANI),” “ANI Margin,” “Adjusted EPS,” “Organic Earnings Growth,” “Organic ANI Margin,” “Core ANI Margin,” “Free Cash Flow,” “Adjusted EBIT,” “Adjusted EBITDA,” “Research, Development and Engineering expenses as a % of Net Revenue,” “Adjusted Taxes,” “Adjusted Tax Rate,” “Net Debt,” “Net Leverage Ratio,” “Total Invested Capital,” and “Return on Invested Capital” and all of which are financial measures not determined in accordance with U.S. Generally Accepted Accounting Principles (GAAP). 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 performance and as a factor in determining compensation for certain employees. We believe these non-GAAP measures provide additional information to facilitate comparisons of our historical operating results and trends in our underlying 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. We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. The following provides additional information regarding these non-GAAP measures:

Organic revenue growth – represents the reported percentage change in Net revenue calculated in accordance with U.S. GAAP, excluding the effects of (1) foreign currency movements and (2) acquisitions, net of exited businesses that occurred within the previous 12 months.

Organic Adjusted EBIT – represents the percentage change in Adjusted EBIT, excluding the impact of acquisitions, net of exited businesses that occurred within the previous 12 months, and the effects of changes in foreign currency exchange rates.

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 (or premiums).

ANI margin – represents ANI as a percentage of Net revenue.

Adjusted EPS – represents ANI divided by the number of diluted weighted-average ordinary shares outstanding during the period.

Organic EPS Growth -represents the percentage change in adjusted net income per share, excluding the impact of acquisitions, net of exited businesses that occurred within the previous 12 months, and the effects of changes in foreign currency exchange rates.

Organic ANI Growth – represents the percentage change in ANI, excluding the impact of acquisitions, net of exited businesses that occurred within the previous 12 months, and the effects of changes in foreign currency exchange rates.

Non-GAAP Measures – continued

Organic ANI margin – represents ANI margin excluding the effects of (1) foreign currency movements and (2) acquisitions, net of exited businesses that occurred within the previous 12 months.

Core ANI margin – represents ANI margin excluding the effects of (1) acquisitions, net of exited businesses that occurred within the previous 12 months and (2) acquisitions that occurred outside of the previous 12 months that have not yet been fully integrated.

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

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 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.

Net debt – represents Total gross indebtedness less Cash and cash equivalents. Total gross indebtedness represents Total debt excluding discounts (or premiums) and deferred financing costs.

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