2017 Investor Day

New York City | December 12, 2017

Sensata Technologies



DRIVING WORLD-CLASS OPERATIONAL PERFORMANCE TO SUSTAIN INDUSTRY–LEADING MARGINS

Charles Kirol

SVP Global Operations



Operational leverage – Sensata's formula

- ✓ Highly Variable Cost Structure And Nimble Manufacturing Operations
- ✓ Continuous Cost and Quality Improvements through Sourcing & Design-Driven Actions
- ✓ "Clean Sheet" Approach to Optimize Supply Chain Network Annually
- ✓ Relentless Focus on Throughput and Appropriate Levels of Automation

We have significant scale and flexibility

17,000+
employees
in 15 countries

17,000+
unique products

2+ million
square feet of
facilities capacity

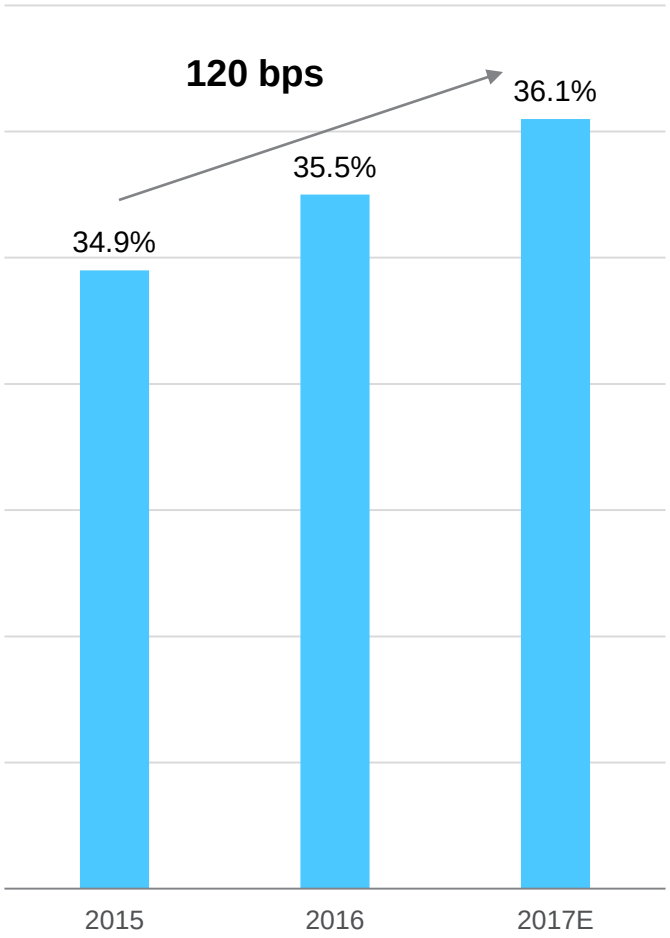
1.3+ billion
units shipped
annually

12
major manufacturing
sites around the globe

>550
manufacturing
lines



Operational initiatives are key drivers of our gross margin expansion



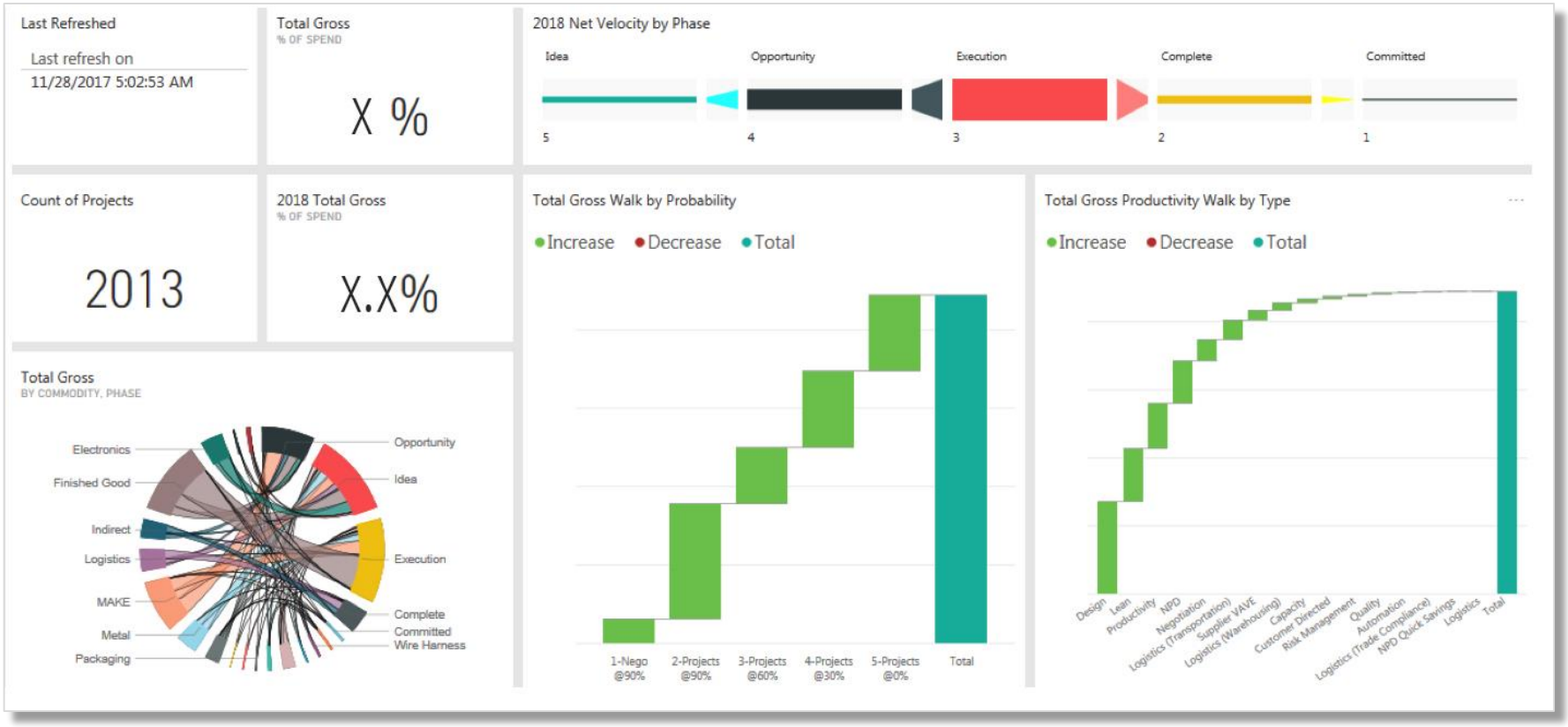
ADJUSTED GROSS MARGIN EXPANSION

- Gross margin improvement despite step-up in cost of engineering and FX headwinds
- Operational savings expected to drive meaningful gross margin expansion in FY-18

Headwinds
- Pricing
- Inflation

Operational Levers
- Acquisition synergies
- Material Cost Savings
- Labor & Overhead Cost Advantages
- Footprint Optimization
- Continuous Improvement

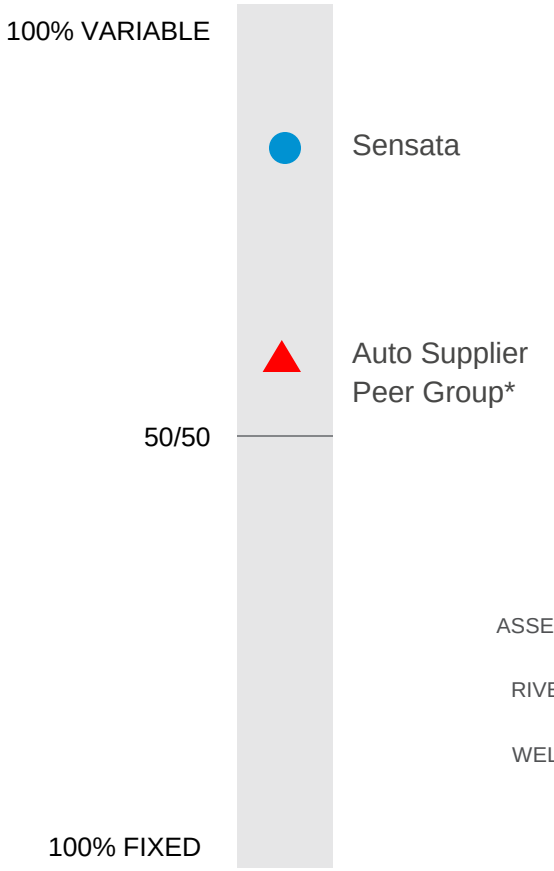
Productivity planning and resource optimization across businesses, operations and engineering allows for better execution annually



Sensata's Productivity Pipeline

Operating in low-cost countries with low fixed costs creates a structural advantage and allows us to adapt quickly to demand

FIXED COSTS AS A % OF COGS



OPERATIONAL LEVERS



LOW OVERHEAD COST STRUCTURE

90% of overhead in low-cost countries

LOW-COST COUNTRIES HIGH-COST COUNTRIES



LOW LABOR RATE

93% of direct labor headcount in low-cost countries

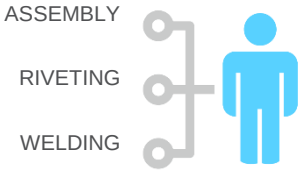
LOW-COST COUNTRIES HIGH-COST COUNTRIES



VARIABLE LABOR POOL

85% employees are variable and 15% are contingent

VARIABLE CONTINGENT



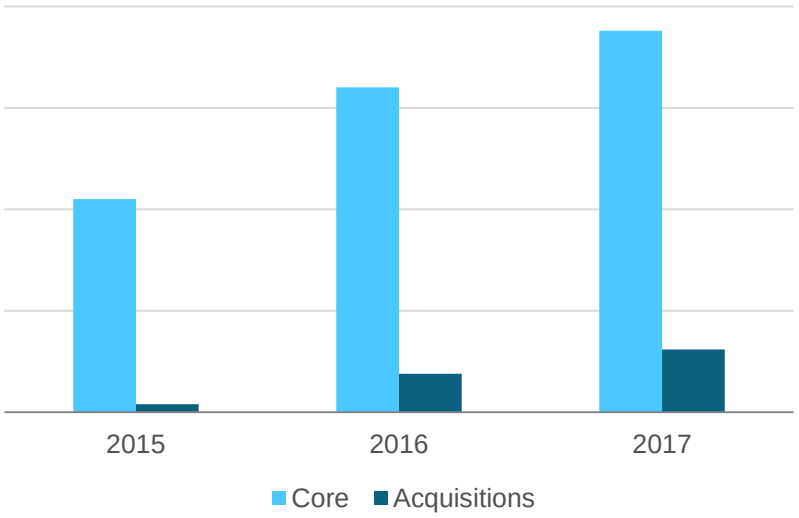
SHOP FLOOR FLEXIBILITY

3 x 3 multi-skilled and multi-ops certified employees to meet dynamic and changing production demands

*Source: JPMorgan

Driving lower material and product costs is a key part of our culture and operating discipline

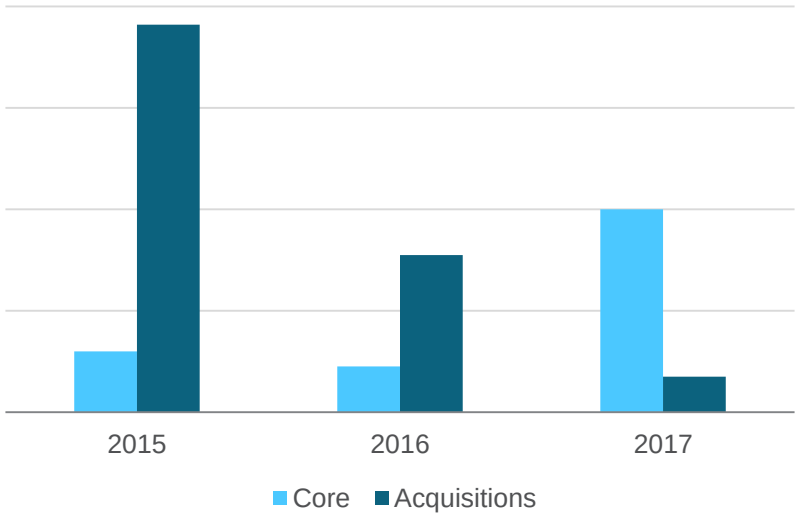
BEST COST SOURCING SAVINGS ($M)



OPERATIONAL LEVERS

- Global Project Productivity Pipeline
- Cost Estimating
- Reverse Auctioning
- Leveraging New Awards
- Strategic Sourcing (Rationalization | Risk Mitigation)

DESIGN-DRIVEN COST REDUCTION SAVINGS ($M)



OPERATIONAL LEVERS

- Cost Out Work Shops
- Manufacturing Technology Advancements
- Standardizing to a Common Design
- Reduced Raw Material Content – Metals | Resins

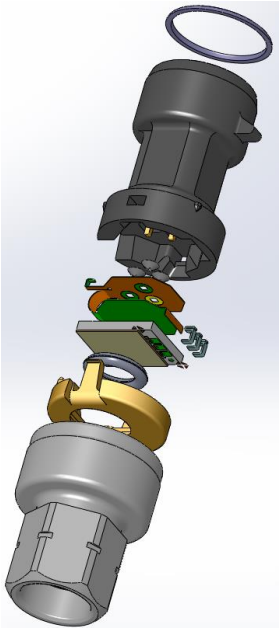
Design-driven cost savings case study: auto pressure transducer

AP4 – 4th Gen APT

TARGET:
> 10% Cost Savings
(Exclusive of Capex Investment)

- ✓ Downsize sense element
- ✓ Higher performing ASIC
- ✓ Improved fault detection for higher quality
- ✓ Faster cycle time ~ higher asset utilization / output
- ✓ Lower cost of capacity

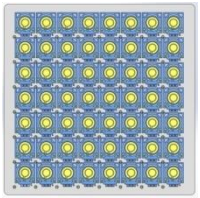
ORIGINAL



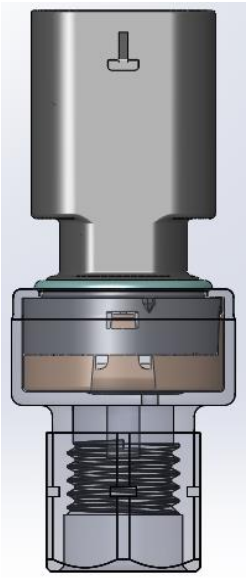
18 sec
CYCLE TIME

1.0
INDEX COST

7 x 8 array



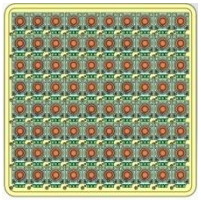
REDESIGN

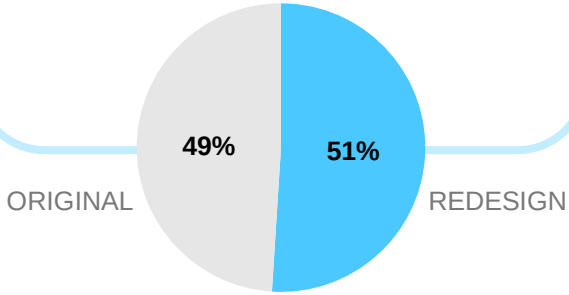


14 sec
CYCLE TIME

0.9
INDEX COST

8 x 10 array





2019 VOLUME MIX

Supply chain footprint optimization is an ongoing process that produces better cost and delivery for our customers

BEST COST PRODUCTION (BCP)

Relocation of MFG lines from a high cost country (HCC) into a low cost country (LCC)

BEST DELIVERED COST (BDC)

Addition of new capacity lines or upgrade of an existing line to add capacity on a existing site in a LCC location; or relocation to another LCC

SITE CONSOLIDATIONS

Consolidation of MFG sites within the same region:

HCC to HCC

LCC to LCC

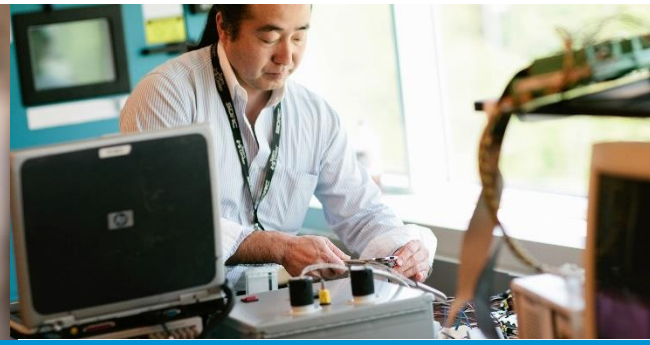
12

Transitions are completed or nearly complete

- Relocated **21** manufacturing lines
- Closed **3** manufacturing sites
- Qualified | requalified **>200** SKUs







Low capital investment profile and stringent customer requirements demand a process that delivers significant annual throughput improvements

Despite significant demands, operational levers allow Sensata to maintain CAPEX investments in the target range of **4% – 5%** of revenue



OPERATIONAL LEVERS TO MAINTAIN LOW CAPITAL INTENSITY

Value Stream Mapping	allows us to identify waste for elimination
Changeover Improvements	cycle time reductions directly influence throughput
Lean "ANDON" Implementation	provides rapid visual indications of issues on the line
Flow and Layout Optimization	eliminates waste in movement across the shop floor
Lean "Jidoka" Implementation	identifies root causes for line stoppages
Digital Manufacturing Simulation	allows rapid changes to improve line output

Acquisition case study: TPMS value creation through multiple operational levers

OPERATIONAL LEVERS

VALUE GENERATED

1 BEST COST PRODUCTION



- **2016:** China new line start-up serving Asia demand
- **2017:** Springfield to Mexico move serving Americas demand

2 KAIZEN: YIELD & LOW COST AUTOMATION

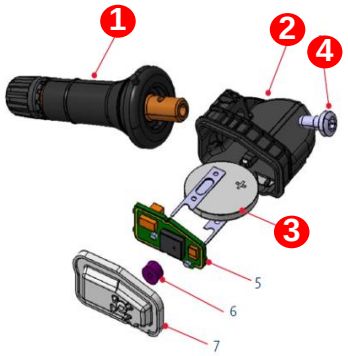


Throughput/ Cell (Mu)

Final Yield (%)

- **2017:** 21% increase in throughput
- **2017:** 0.5% increase in yield

3 STRATEGIC SOURCING & LOCALIZATION



1. **2016:** Dual sourcing on mechanical valves Cost savings 18%/component
2. **2017:** Molded parts localized in China to meet Asia demand. Cost impact = 25%/component
3. **2018:** Battery sourcing from Asia. Cost impact = 8%/component
4. **2018:** Localization of supply. Cost impact = 40%/component

Key Messages

- Our integrated approach to global operations differentiates Sensata from competitors and peers
- We have a continuous improvement focus on driving operational efficiency and improving core product margins
- Our operational model enables us to significantly improve the margins of acquired businesses

