2017 Investor Day

New York City | December 12, 2017

Sensata Technologies



WELL-POSITIONED TO DELIVER MARGIN EXPANSION, DOUBLE-DIGIT EPS GROWTH & STRONG CAPITAL RETURNS

Paul Vasington
CFO

Sensata is a compelling investment

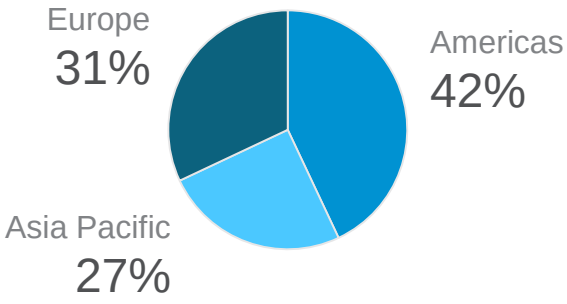
- ✓ A leading position in sensing
- ✓ Industry-leading margins and strong cash generation
- ✓ Demonstrated track record of double-digit EPS growth over the past 5 years
- ✓ Above market revenue growth
- ✓ Increasingly balanced and effective capital allocation



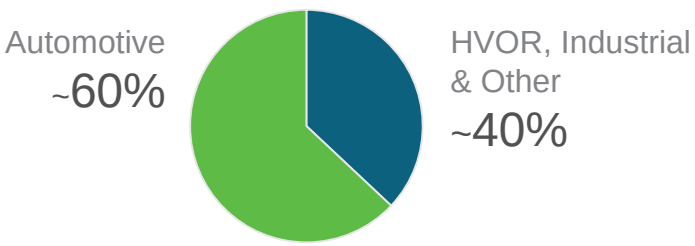
Our balanced portfolio mitigates industry or geographic-specific risk

TOTAL 2017E REVENUE: **$3.3 billion**

REGIONS



MARKETS

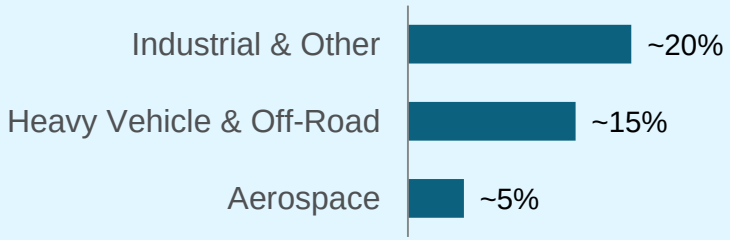


KEY MARKETS IN DETAIL

AUTOMOTIVE

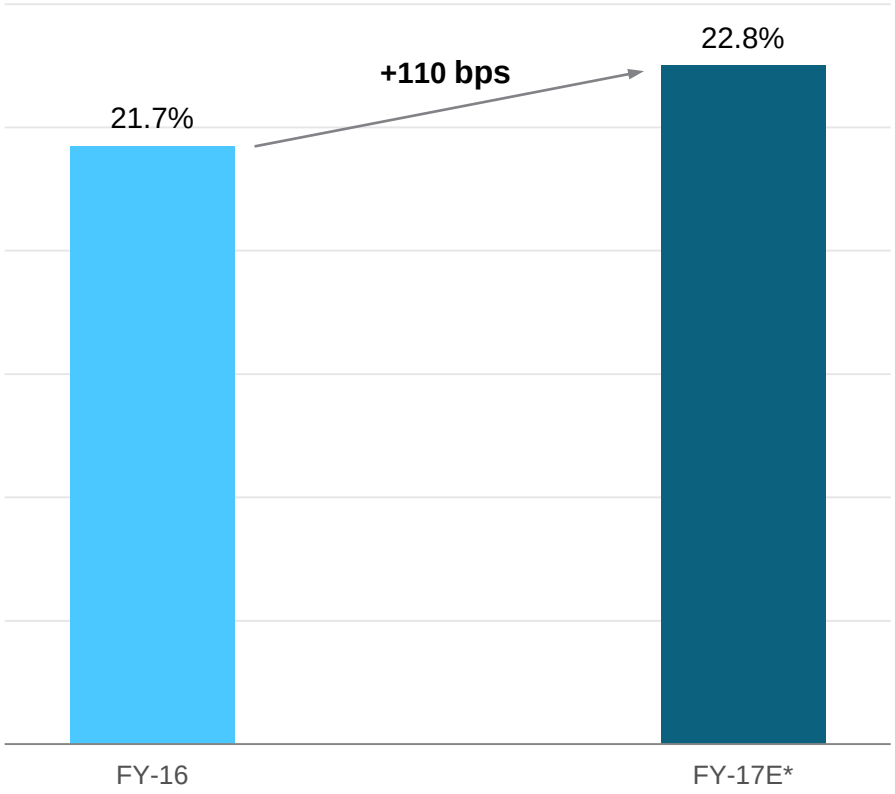


HVOR, INDUSTRIAL & OTHER



Strong adjusted EBIT margin expansion in 2017

ADJUSTED EBIT MARGIN



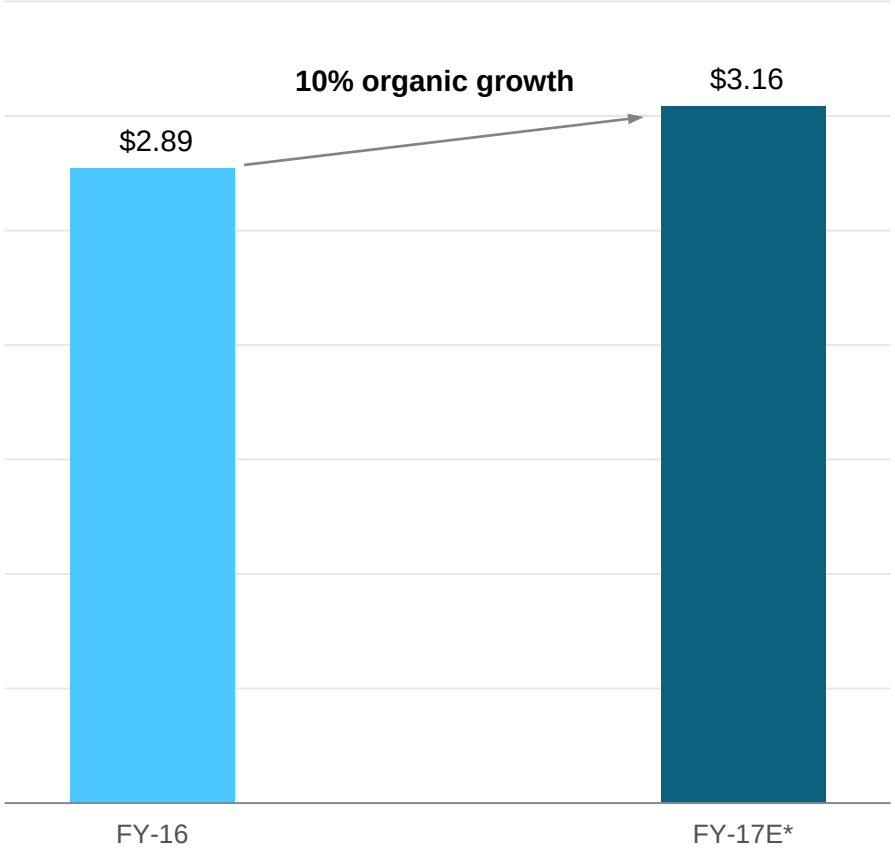
HIGHLIGHTS

- 110 bps of adjusted EBIT margin expansion, includes impact from ~$19M of integration costs
- Margin expansion in FY-17 primarily driven by strong M&A cost synergies
- FX expected to reduce adjusted EBIT margin by (~10) basis points in FY-17E

*Midpoint of FY-17 guidance

We expect our third straight year of double-digit organic EPS growth

ADJUSTED EPS



EPS DRIVERS

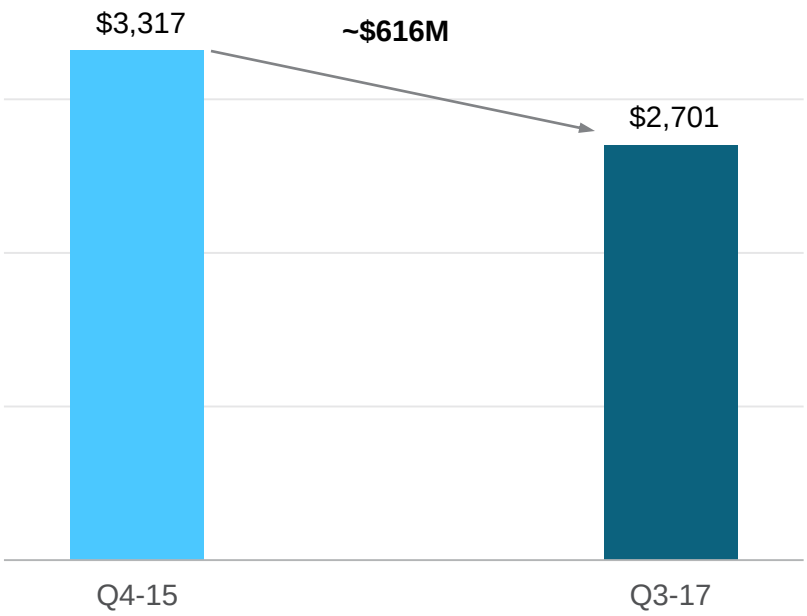
- Growing M&A cost synergies
- Net productivity gains
- Highly effective cost management

*Midpoint of FY-17 guidance

We leveraged our balance sheet to create shareholder value and expect to return to a normalized net leverage ratio by the end of 2017

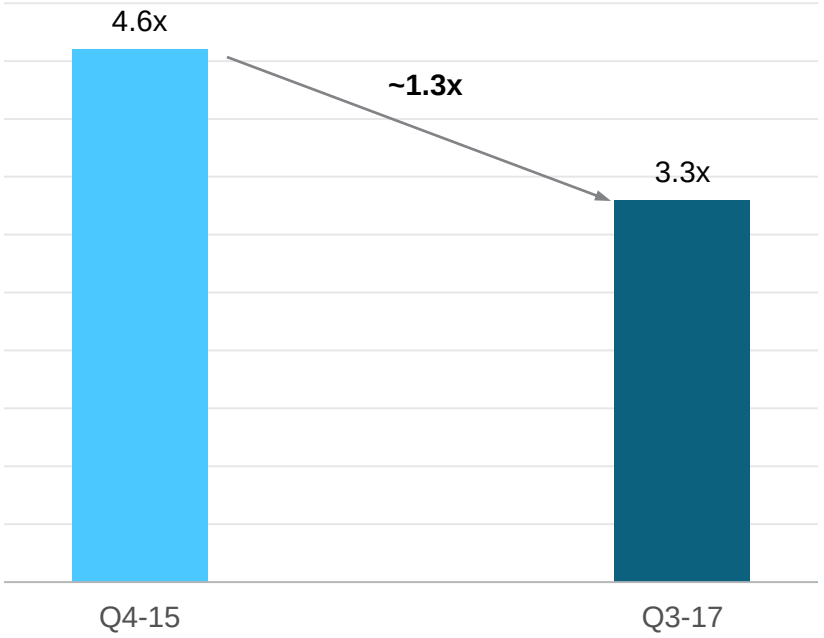
NET DEBT ($M)

~$616M OF NET DEBT REDUCTION SINCE Q4-15



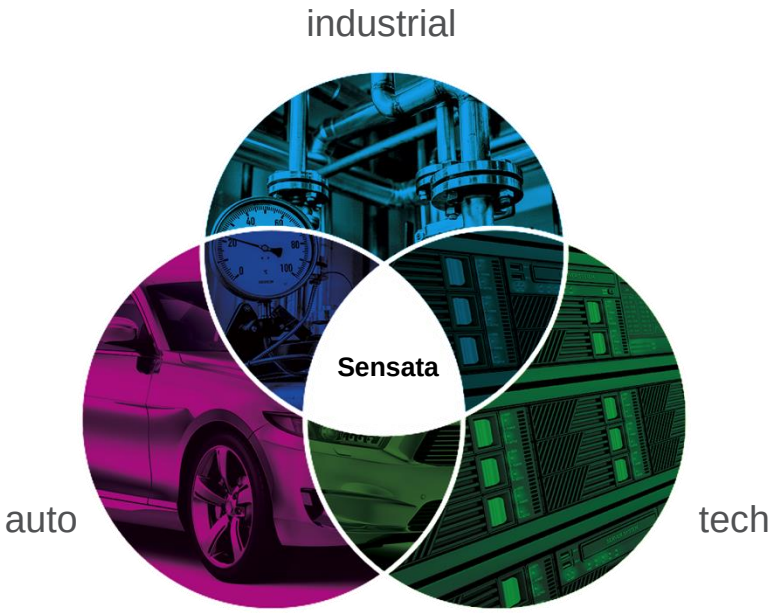
NET LEVERAGE

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



Goal is to maintain BB (S&P) / Ba2 (Moody's) credit rating

New peer group reflects the attractiveness of our business model and opportunity to create shareholder value



INDUSTRIAL

ROPER

Rockwell Automation

WABCO

AMETEK

AUTO

GENTEX CORPORATION

Littelfuse

DELPHI

TECH / INDUSTRIAL TECH

FORTIVE

FLIR SYSTEMS

TE connectivity

Amphenol

Results stack up well versus peers, but are not reflected in valuation

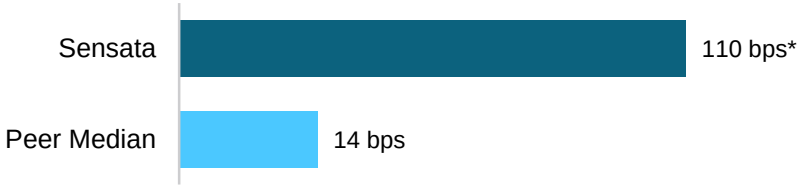
ADJUSTED EBIT MARGIN

Q3 2017 YTD



ADJUSTED Y/Y EBIT MARGIN EXPANSION

Q3 2017 YTD



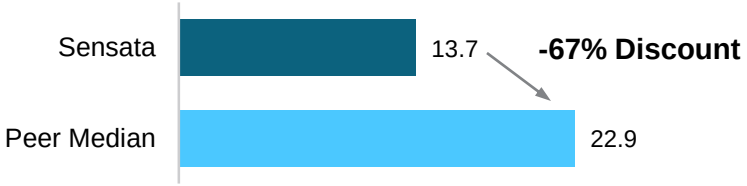
ADJUSTED EPS GROWTH

Q3 2017 YTD



FY-18 FORWARD P/E MULTIPLE

as of December 6, 2017



* Excludes integration costs

Peers include: AME, APH, DLPH, FLIR, FTV, GNTX, LFUS, ROK, ROP, TEL, WBC

We are poised for higher revenue growth over the next three years



HVOR

- Fastest growing segment of Sensata portfolio
- Both on-road and off-road segments expected to remain strong
- High-single digit content growth



AUTO

- Acceleration of content growth due to China, and new applications serving cleaner, more efficient powertrains
- Planning for market contribution of 0%
- Long cycle business – significant portion of revenue already secured



INDUSTRIAL

- Strong content growth expected in HVAC and Water Management
- Electrical protection seeing renewed growth opportunity from electrified products



CHINA

- Average content per light passenger vehicle is expected to increase by ~50%
- New regulations drive increased content on commercial trucks - HVOR
- Industrial market remains healthy; sensing design wins augment growth

Nearly 70% of Sensata's portfolio demonstrates sustainable growth above its markets

TOTAL REVENUE



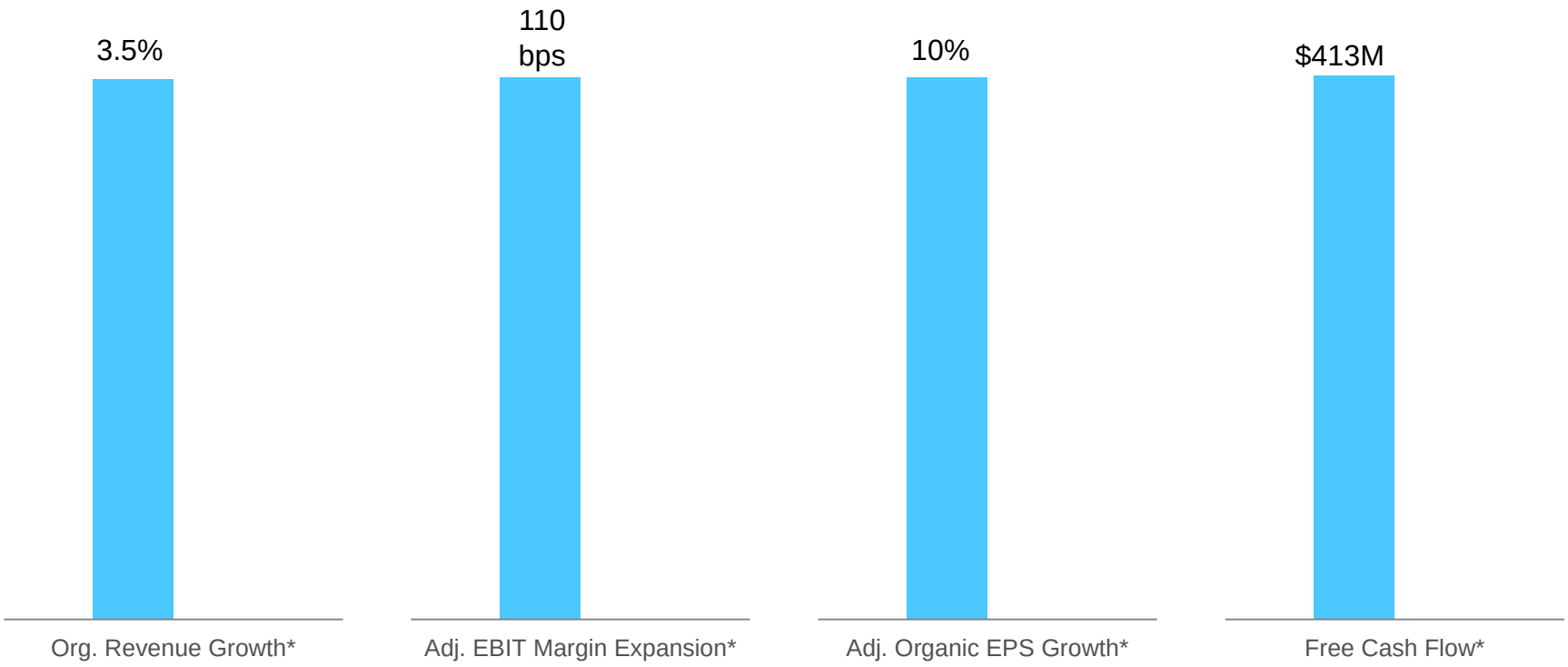
70%
outgrows markets

30%
grows in-line with end market



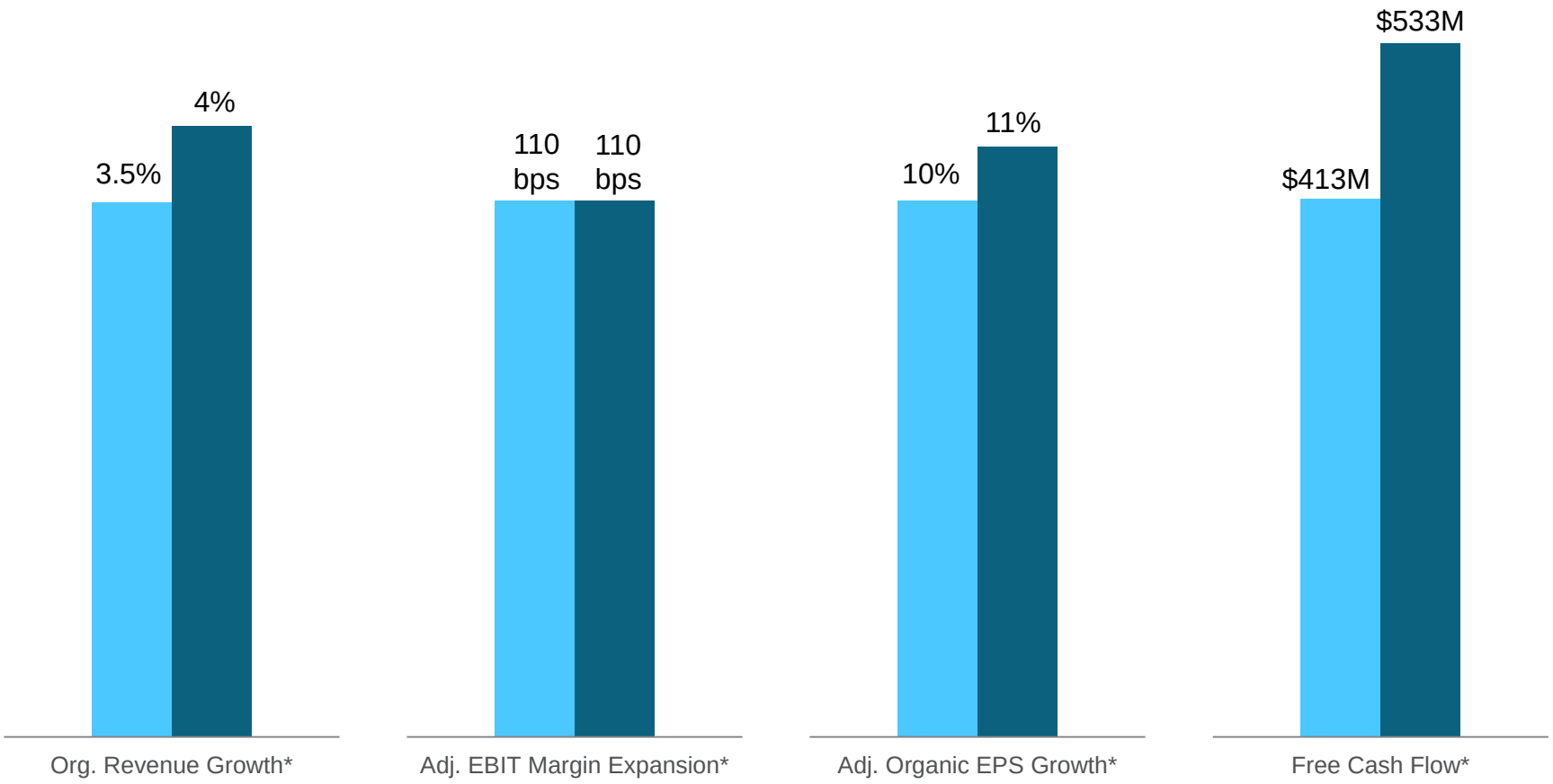
FINANCIAL OUTLOOK

We expect to report strong performance in 2017…



*Midpoint of 2017E Sensata Guidance

We expect to report strong performance in 2017 and are forecasting even better results for FY-18



*Midpoint of FY-2017E and FY-2018E Sensata guidance; detailed FY-18E guidance provided in appendix

We expect a positive EPS tailwind from foreign exchange in 2018

	FY 2018 FX IMPACT	
Revenue	~$36M	↑
EBIT	~$18M	↑
EPS	~$0.08 – $0.12	↑

HIGHLIGHTS

- Sensata's global functional currency is the U.S. dollar
- Hedge net cash flows on a rolling basis and out 18-24 months
- 80-90% of annual exposure hedged
- Company long the Euro, Renminbi and Korean won and short the Peso and British Pound
  - » ~$400M of net earnings (cash flow) exposure is in EURO

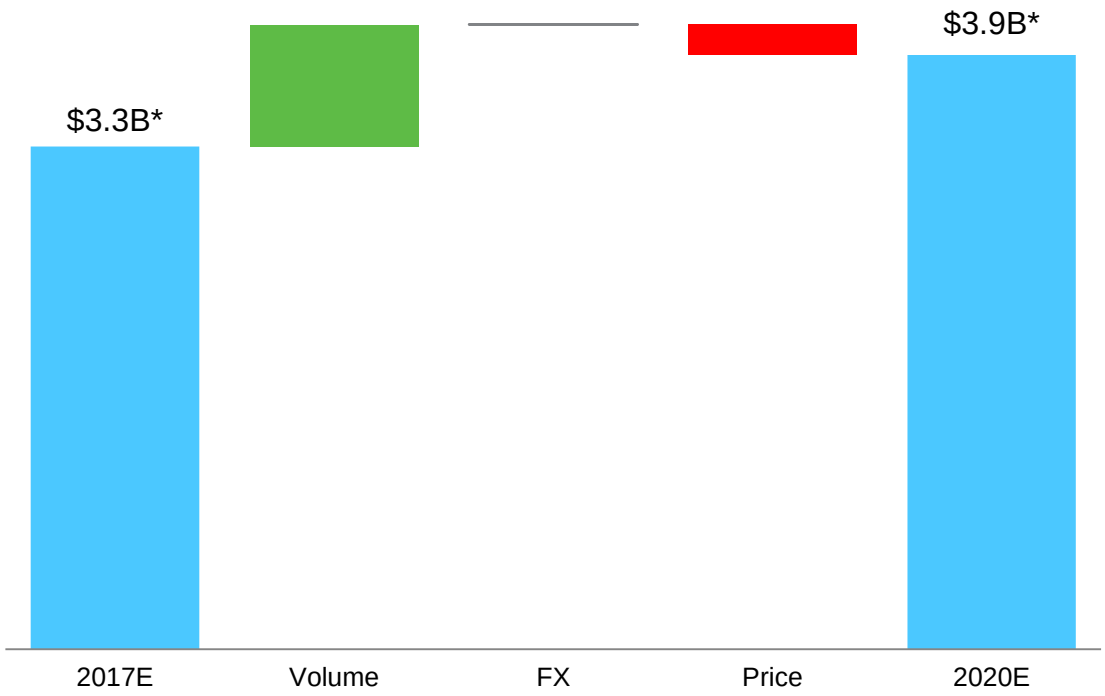
Our outlook anticipates a strong combination of revenue growth, margin expansion, and EPS growth over the next 3 years

	2018E – 2020E
Organic revenue growth	~4-6% CAGR
Adjusted EBIT margin (% of revenue)	~250 bps higher *~25.3%*
Adjusted Organic EPS growth	~10-13% CAGR
Reported EPS growth	~10-14% CAGR

We are accelerating our organic revenue growth

REVENUE BRIDGE

3-YEAR ORGANIC REVENUE GROWTH CAGR: 4–6%



HIGHLIGHTS

- **Already secured business for ~90% of 2020E revenue midpoint**
- 2–3x acceleration in organic growth rate from previous 3 years (2015–2017E)

* Midpoint of FY-17 and long-term guidance

Key Assumptions:

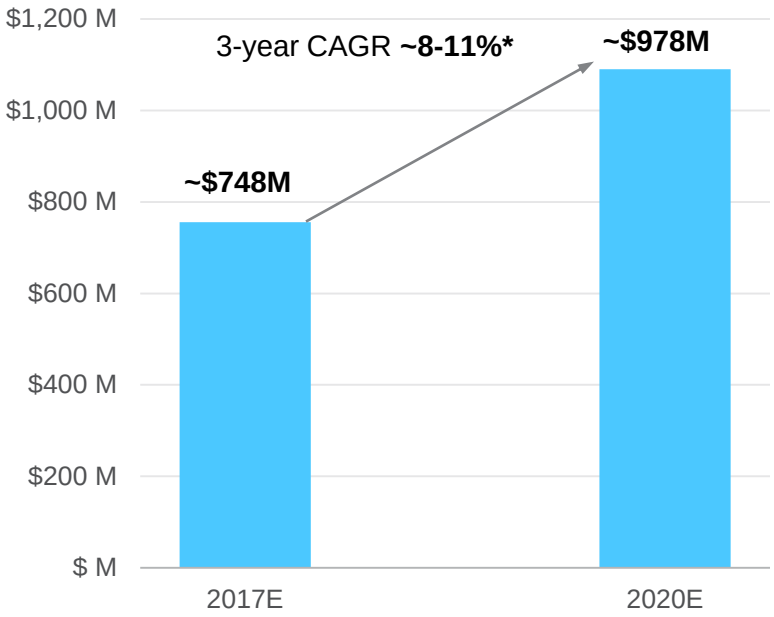
Volume growth: 6-7.5% per year
Price: (1.5%) - (2%)

Auto Market: 0% production growth
HVOR Market: 3% production growth

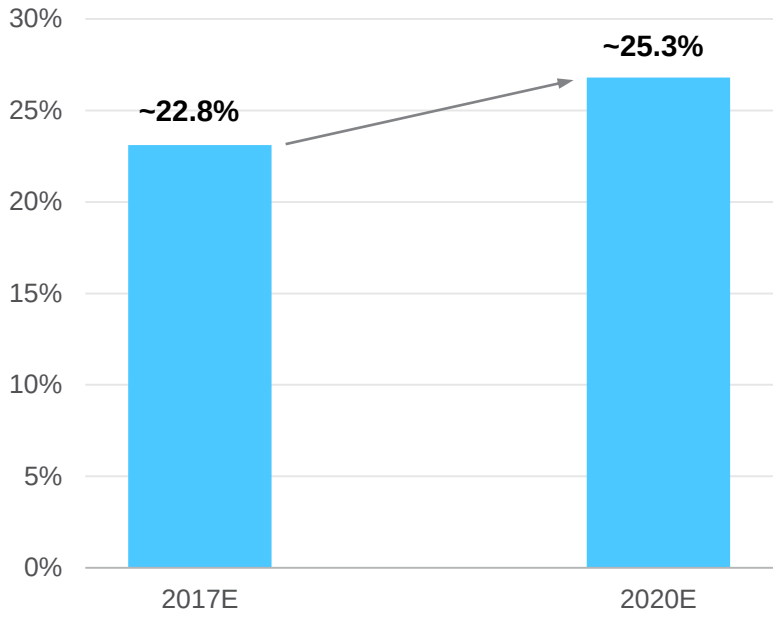
Content growth: 5-6%
European diesel market share declines to ~39%

We expect sustained EBIT margin expansion over the next 3 years

ADJUSTED EBIT*

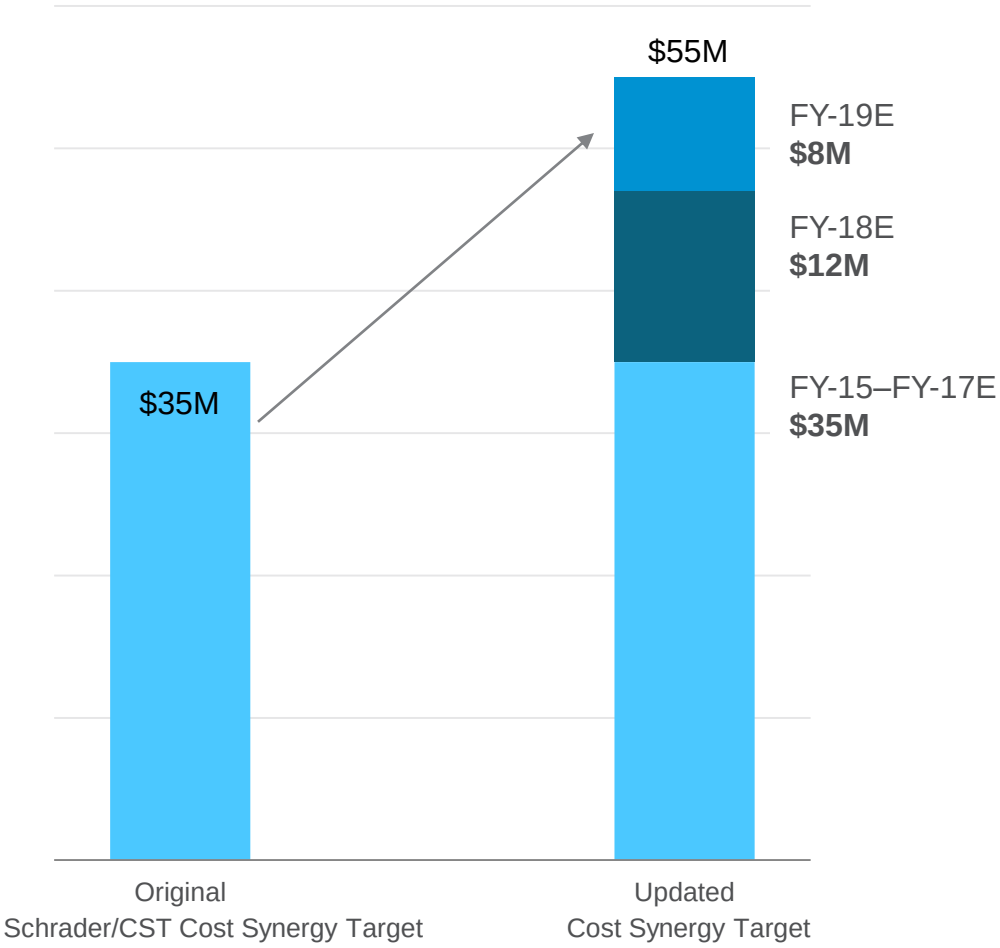


ADJUSTED EBIT MARGIN*



*Midpoint of FY-2017E and FY-2018E Sensata Guidance; detailed FY-18E guidance provided in appendix

We expect to significantly exceed our original M&A cost synergy target for the Schrader & CST acquisitions

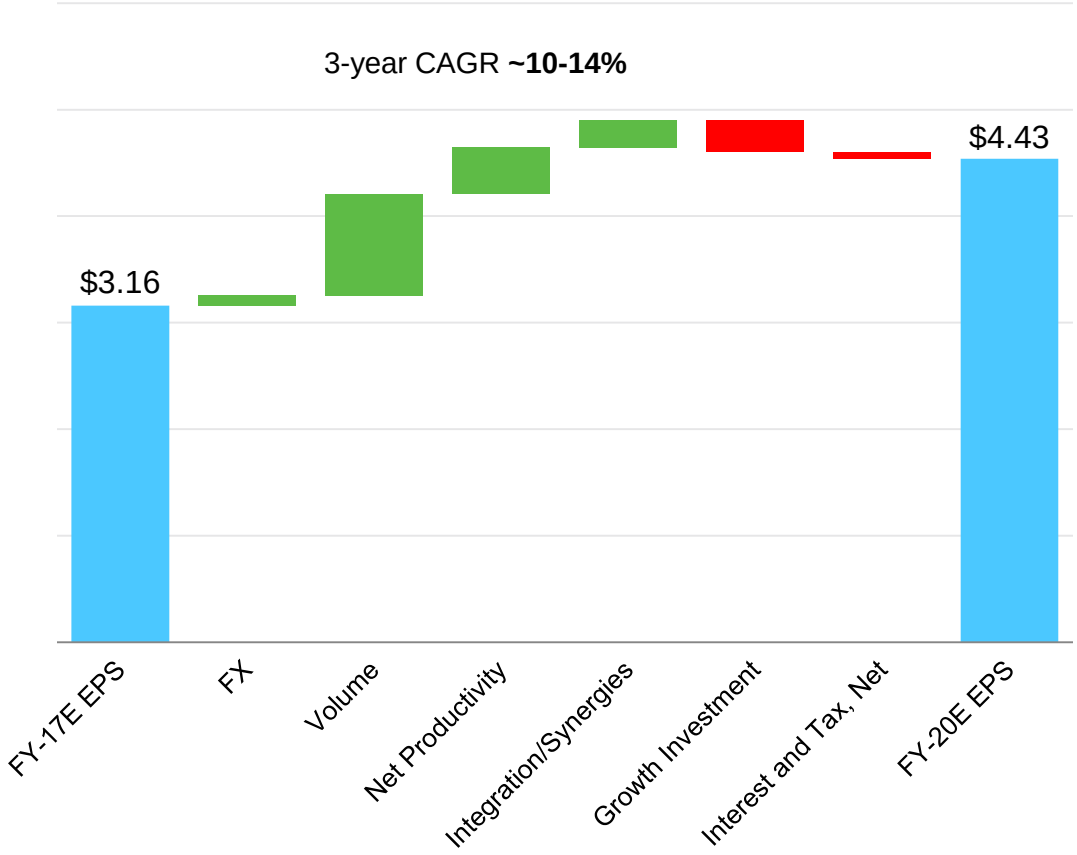


HIGHLIGHTS

- Updated synergy target of $55M represents 7% of acquired revenue
- ~$35M of cost synergies already captured by end of FY-17E
- ~$20M of synergies to be delivered over the next two years
- FY-18E integration spend of approximately $5M
  - Year-over-year savings of ~$14M from lower integration spending

We will continue to drive double-digit adjusted EPS growth

ADJUSTED EPS BRIDGE



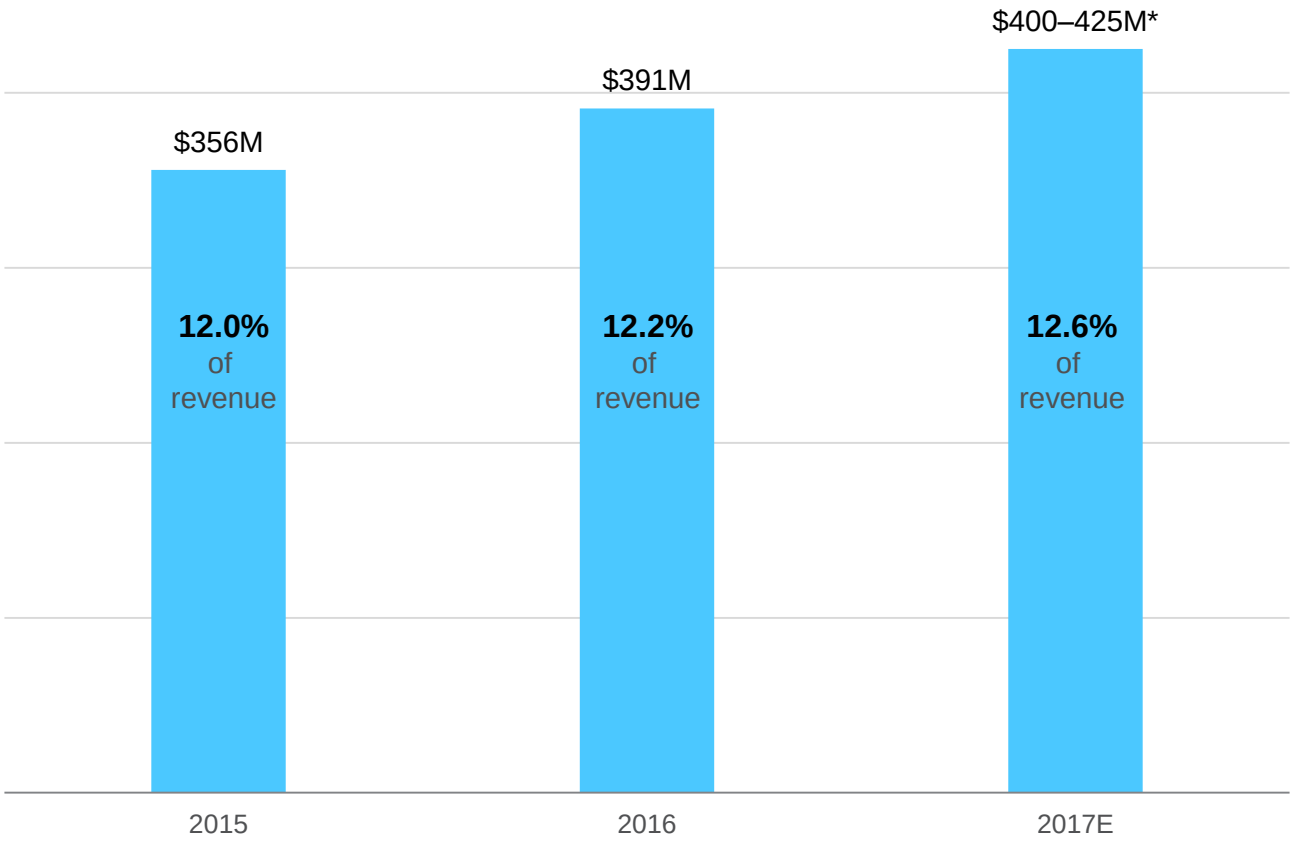
HIGHLIGHTS

- Flat share count
- Reflects no impact from additional acquisitions
- 50 bps per year increase in cash tax rate
- Continued growth investment
- Adjusted Net Income as a percentage of revenue nearly 20% in 2020E



CAPITAL DEPLOYMENT

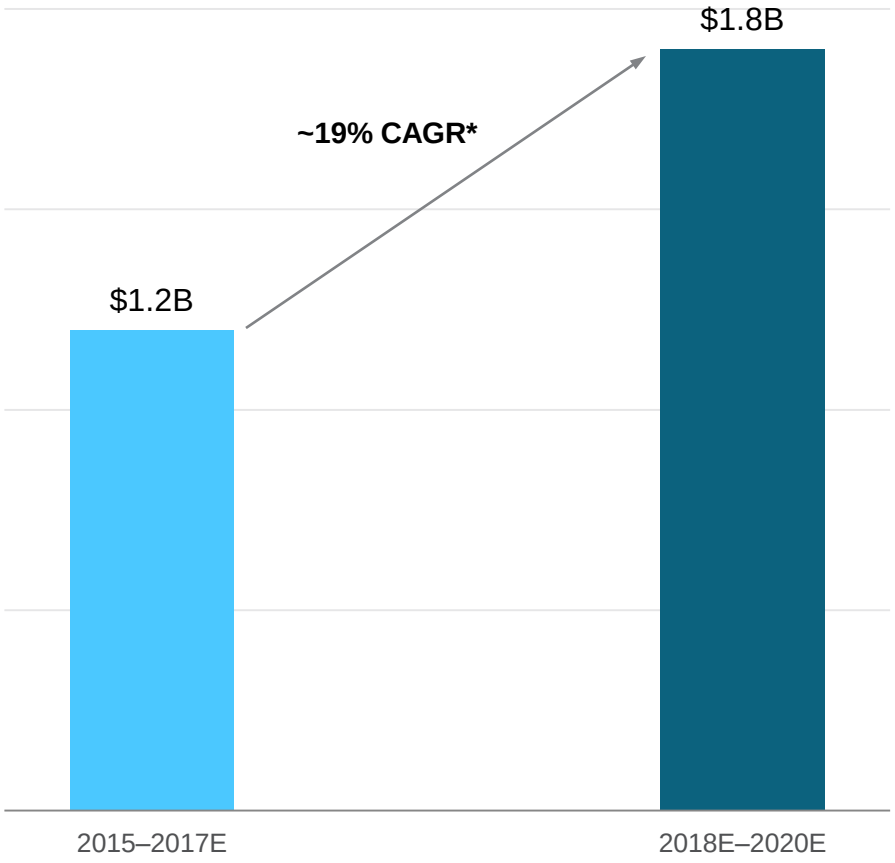
We have a track record of delivering attractive free cash flow . . .



*% of revenue shown as midpoint of 2017E guidance

. . .and we expect this performance to accelerate through 2020E

FREE CASH FLOW



HIGHLIGHTS

Greater free cash flow resulting primarily from:

- Higher income
- Improved working capital management and completion of acquisition integration
- Maintain attractive tax position
- Low capital intensity continues – capex expected to be between 4 and 5 percent of revenue

*3 year free cash flow CAGR from 2017E-2020E

Moving to the UK will increase our flexibility to deploy capital

- ✓ **Allows for flexible and effective capital allocation**
- ✓ The UK is a **shareholder-friendly corporate governance environment**
- ✓ **Sensata has significant presence in the UK**; improves administrative efficiency
- ✓ Eliminates the requirement for **50% of shareholders to be US residents** in order to qualify for tax treaty benefits



We will maintain a balanced, returns-driven approach to deploying capital

Capital Deployment
fueled by strong, growing free cash flow

Critical to maintain a
strong balance sheet
while deploying capital to highest-return alternatives
(situational approach)

M&A

Expect highest returns

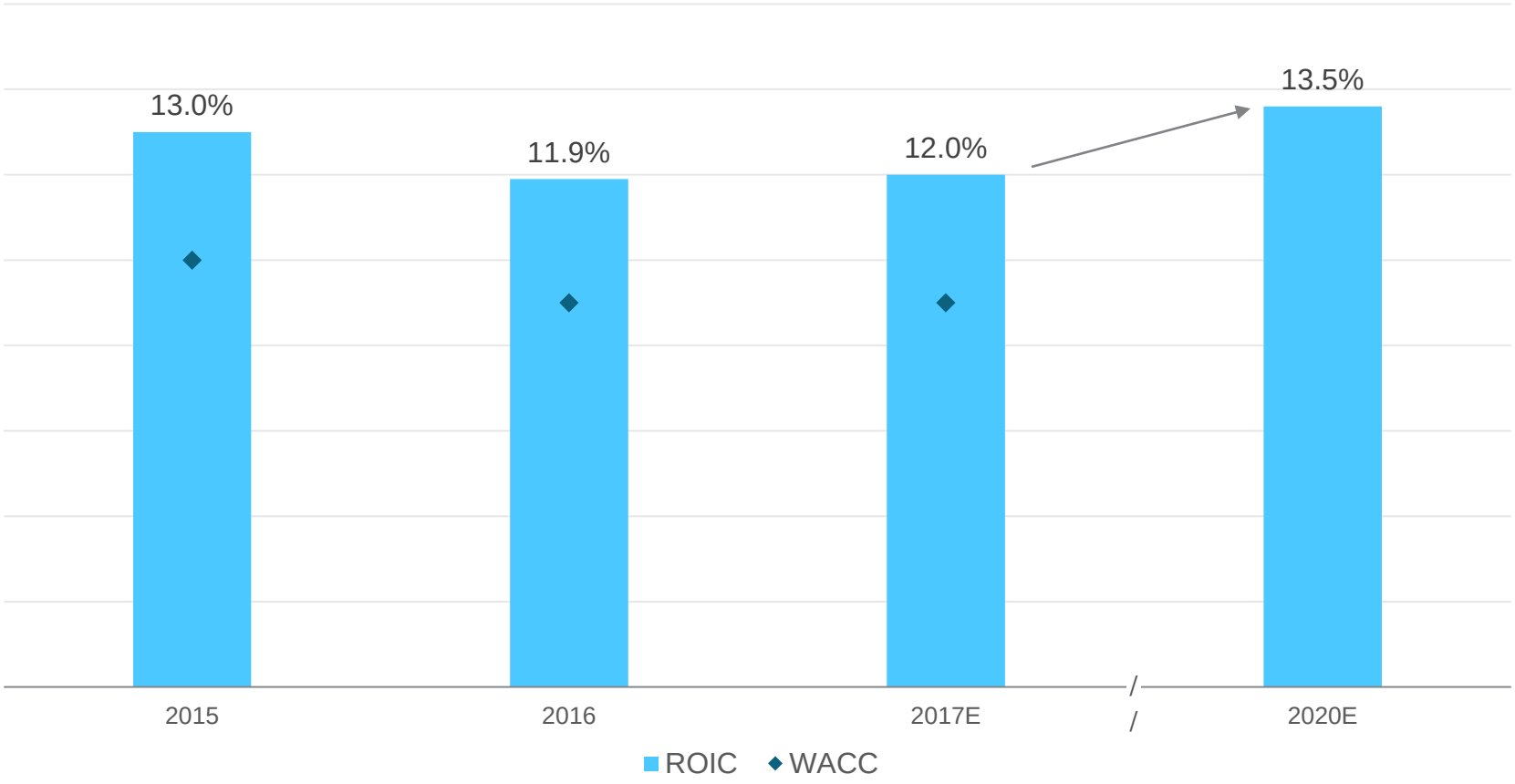
- Target mid-to-high teens unlevered IRR
- Near-term bias for bolt-on acquisitions
- Proven track record of value creation by Sensata management

Share Repurchase

Economic driven decision

- Greater flexibility to repurchase shares if re-domicile proposal is passed by shareholders
- Amount of buyback could vary based on business, market or economic conditions

We expect to continue driving strong returns on invested capital



*Assumes share repurchases to hold share count flat

Sensata is an attractive investment

- ✓ Accelerating organic revenue growth
- ✓ Expanding adjusted EBIT margins: ~250 bps*
- ✓ Delivering double-digit adjusted EPS organic growth: ~11% CAGR*
- ✓ Generating robust free cash flow: 19% CAGR* from 2017E-2020E
- ✓ Increasing flexibility for value-creating capital deployment



*Midpoint of FY-2018E-FY-2020E guidance



APPENDIX

FY-2018 Financial Guidance

	FY 2018 Guidance	Reported	Organic
Revenue	$3,410M – $3,510M	4% – 7%	3% – 5%
Adj. EBIT	$812M – $840M	9% – 12%	7% – 10%
Adj. EPS	$3.52 – $3.68	11% – 17%	9% – 13%

Details of FX impact on financials

As of September 30, 2017

Major Currency	Long/ Short	Net Cash Flow Exposure ($mm)	2018 Avg Rate[1]	Y/Y Rate Change Fav / (Unfav)	P/L Classification	Y/Y EPS Impact
EUR	Long	$380	1.13	0.7%	Revenue	$0.02
CNY[2]	Long	170	6.71	2.0%	Revenue	0.02
KRW	Long	30	1,139	2.7%	Revenue	0.00
MXN	Short	120	19.53	5.3%	COGS	0.04
GBP	Short	40	1.34	9.2%	COGS	0.02
Total						$0.08 - $ 0.12

[1] Average rate is a weighted average of the hedge rate and market rate.
[2] CNY hedged at 50%; all other currencies hedged at 80-90%.