

Sensata
Technologies

SENSATA FOURTH QUARTER AND FULL YEAR 2020 EARNINGS PRESENTATION

February 2, 2021

Forward-Looking Statements and Non-GAAP Measures

Safe Harbor Statement

This earnings release contains "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995, which relate to future events and are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance and financial condition, among other matters, may contain words or phrases such as: "believe," "continue," "expect," "look ahead," "predict," or "will," and other words and phrases of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about expected earnings, revenues, growth, liquidity or other financial matters, together with any statements related in any way to the COVID-19 pandemic including its impact on the Company. Although the Company believes the expectations reflected in its forward-looking statements are based upon reasonable assumptions, no assurance can be given that such expectations will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results, or other expectations expressed in this earnings release, including, without limitation, the following: future risks and existing uncertainties associated with the COVID-19 pandemic, which continues to have a significant adverse impact on our operations including, depending on the specific location, full or partial shutdowns of our facilities as mandated by government decree, government actions limiting our ability to adjust certain costs, significant travel restrictions, "work-from-home" orders, limited availability of our workforce, supplier constraints, supply chain interruptions, logistics challenges and limitations, and reduced demand from certain customers; uncertainties associated with a protracted economic slowdown that could negatively affect the financial condition of our customers and suppliers; uncertainties and volatility in the global capital markets; political, economic, military and other risks in countries outside of the United States; the impact of general economic conditions, geopolitical conditions and U.S. trade policies, legislation, trade disputes, treaties and tariffs, including those affecting China, on the Company's business operations; risks associated with the improper conduct by any of our employees, customers, suppliers, distributors or any other business partners which could impair our business reputation and financial results and could result in our non-compliance with anti-corruption laws and regulations of the U.S. government and various foreign jurisdictions; changes in exchange rates of the various currencies in which the Company conducts business; the Company's ability to obtain a consistent supply of materials, at stable pricing levels; changes in defense expenditures in the military market, including the impact of reductions or changes in the defense budgets of U.S. and foreign governments; the Company's ability to compete successfully on the basis of technology innovation, product quality and performance, price, customer service and delivery time; the Company's ability to continue to conceive, design, manufacture and market new products and upon continuing market acceptance of its existing and future product lines; difficulties and unanticipated expenses in connection with purchasing and integrating newly acquired businesses, including the potential for the impairment of goodwill and other intangible assets; events beyond the Company's control that could lead to an inability to meet its financial covenants under its credit arrangements; the Company's ability to access the capital markets on favorable terms, including as a result of significant deterioration of general economic or capital market conditions, or as a result of a downgrade in the Company's credit rating; changes in interest rates; governmental export and import controls that certain of our products may be subject to, including export licensing, customs regulations, economic sanctions or other laws; cybersecurity threats or incidents that could arise on our information technology systems that could disrupt business operations and adversely impact our reputation and operating results and potentially lead to litigation and/or governmental investigations; changes in fiscal and tax policies, audits and examinations by taxing authorities, laws, regulations and guidance in the United States and foreign jurisdictions; any difficulties in protecting the Company's intellectual property rights; and litigation, customer claims, product recalls, governmental investigations, criminal liability or environmental matters. In addition, the extent to which the COVID-19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments such as the length and severity of the crisis, the potential resurgence of the crisis, future government actions in response to the crisis and the overall impact of the COVID-19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable.

A further description of these uncertainties and other risks can be found in the Company's 2019 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and the Company's other reports filed with the SEC. Copies of our filings are available from our Investor Relations department or from the SEC website, www.sec.gov.

Non-GAAP Financial Measures

Where we have used non-GAAP financial measures, reconciliations to the most comparable GAAP measures are provided, along with a disclosure on the usefulness of the non-GAAP measure, at the back of this presentation as well as in the "Investor Relations" section of the Company's website, www.investors.sensata.com.

Q4-2020 GAAP Results

$ and shares outstanding in millions, except EPS	Q4-2020	Q4-2019	B/(W)
Revenue	$906.5	$846.7	7.1 %
Gross Profit *(% of revenue)*	$296.6 *32.7%*	$290.2 *34.3%*	2.2 %
R&D *(% of revenue)*	$33.3 *3.7%*	$38.5 *4.5%*	13.4 %
SG&A *(% of revenue)*	$77.0 *8.5%*	$70.7 *8.4%*	(8.9)%
Amortization of Intangibles *(% of revenue)*	$31.2 *3.4%*	$34.8 *4.1%*	10.5 %
Restructuring and Other *(% of revenue)*	$0.9 *0.1%*	$25.5 *3.0%*	96.5 %
Operating Income *(% of revenue)*	$154.2 *17.0%*	$120.7 *14.3%*	27.7 %
Tax Rate	(12.7%)	33.6%	NM
Net Income *(% of revenue)*	$121.7 *13.4%*	$53.5 *6.3%*	127.3 %
Diluted EPS	$0.77	$0.34	126.5 %
Diluted Shares Outstanding	158.6	159.6	1.0

FY-2020 GAAP Results

$ and shares outstanding in millions, except EPS	FY-2020	FY-2019	B/(W)
Revenue	$3,045.6	$3,450.6	(11.7)%
Gross Profit *(% of revenue)*	$926.5 *30.4%*	$1,183.2 *34.3%*	(21.7)%
R&D *(% of revenue)*	$131.4 *4.3%*	$148.4 *4.3%*	11.5 %
SG&A *(% of revenue)*	$294.7 *9.7%*	$281.4 *8.2%*	(4.7)%
Amortization of Intangibles *(% of revenue)*	$129.5 *4.3%*	$142.9 *4.1%*	9.3 %
Restructuring and Other *(% of revenue)*	$33.1 *1.1%*	$53.6 *1.6%*	38.2 %
Operating income *(% of revenue)*	$337.7 *11.1%*	$556.9 *16.1%*	(39.4)%
Tax Rate	0.8%	27.6%	NM
Net income *(% of revenue)*	$164.3 *5.4%*	$282.7 *8.2%*	(41.9)%
Diluted EPS	$1.04	$1.75	(40.6)%
Diluted Shares Outstanding	158.1	162.0	3.8

Key Performance Highlights

Executing well with recovery

- **Return to revenue growth of 7.1% in Q4; sequential revenue growth of 15.0%**
- **Demonstrates market leadership and the strength and flexibility of organizational model**

Outgrowth exceeding long-term targets

- **Strong revenue outgrowth:**
  - 990 bps of outgrowth Q4-20 in Heavy Vehicle, Off-Road
  - 970 bps of outgrowth Q4-20 in Automotive
  - Full year 2020 outgrowth exceeded long-term targets

Effective cash and cost management

- **Strong cash generation** – Generated $240M in free cash flow Q4-20; 178% conversion rate
- **Continuing to see financial benefit from restructuring program**
- **Reinstating full year guidance for 2021**
- **Reducing cost of capital** - Intend to redeem $750M 6.25% Note due in 2026

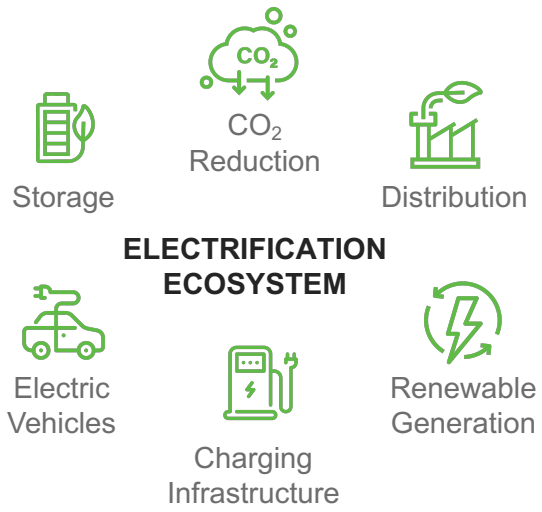
Meaningful progress supporting long-term growth

- **New business awards** in FY-20 of more than $465M, above 5-year average
- **Electrification grows across our end markets** - FY-20 new business awards of $180M
- **Acquisition of Lithium Balance** adds Battery Management Systems capabilities
- First fleet **Smart & Connected** installations rolling out

Sensata aims to be a leading provider of mission-critical sensor-rich hardware and software solutions to help customers transition to an Electrified future

Sensata is expanding its Electrification capabilities and opportunities

- Sensata views the Electrification opportunity beyond auto EVs to include e-mobility applications in heavy vehicles and charging infrastructure, as well as industrial and grid opportunities
- Gigavac added a leading portfolio of high voltage protection on EVs and charging infrastructure
- Continued momentum with additional $40M in new electrification business wins in Q4 brings 2020 total to $180M
- Strategy includes expanding energy management expertise and capabilities through joint ventures and acquisitions
- Acquisition of Lithium Balance propels Sensata into Battery Management Solutions and energy storage offerings



Auto: Benefiting from Electrification growth

Higher content in battery electric vehicles

- EV content per vehicle represents an average ~20% uplift from comparable-class ICE
- Sensata components enable longer range and faster charging times, which are critically important to the broader adoption of Electric Vehicle platforms

Sensata components being designed into EVs

Carryover components

- Electronic Stability Control brake pressure
- Tire pressure
- A/C pressure

New EV-specific components

- Contactors
- Fuses
- Electromechanical brake pressure
- Advanced battery sensing
- E-motor position
- Thermal management pressure + temperature

Helping leading OEMs launch Battery Electric Vehicles

GEELY, BYD, BAIC, GM, RIVIAN, HONDA, BMW, MERCEDES-BENZ, SAIC, VOLKSWAGEN, VOLVO, Great Wall, TESLA, HENGCHI, JAGUAR, LAND ROVER, CHERY, HYUNDAI, Ford, PORSCHE, FERRARI, MASERATI, NIO, LUCID, BYTON, RENAULT NISSAN MITSUBISHI, STELLANTIS, XPENG

Heavy Vehicle and Industrial: Expanding electrification opportunities

- Partner of choice for high voltage electrical protection solutions to leading charging solutions providers
- Multiple electric truck and bus platform new business wins with >$250 Sensata content per vehicle
- Acquired Lithium Balance for Battery Management Solutions and energy storage offerings

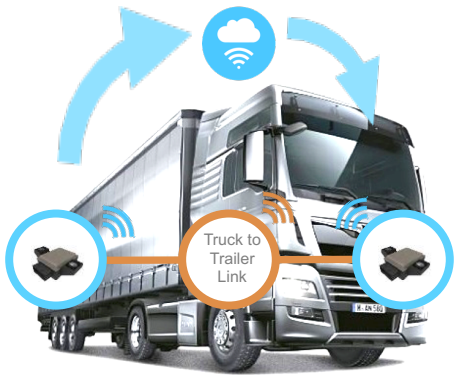




Acquisition of Lithium Balance opens up new opportunities and extends our Electrification capabilities and strategy

- Adds battery management capabilities in heavy vehicle and industrial markets
- Establishes battery energy storage systems with XOLTA brand
- Targets access to $500M addressable Battery Management System market and $6B addressable Battery Energy Storage System market by 2030

Significant progress in Smart & Connected



First commercial agreement with top 25 North American fleet manager

- Launched commercial deployment with new SaaS business model
- Initial rollout of the connected vehicle area network underway on small number of trucks and trailers with TPMS as the first sensing application

Expanding fleet quoting proposals - building momentum

- >$45M per year in fleet quotes outstanding representing >$140M in total contract value stemming from proof of concept trials in 2020 with 5 fleets
- Deployment of full-stack solutions to unlock value for fleets
  - Vehicle area network
  - Cloud-based insight delivery solutions
  - Web portal with data insight
  - Mobile apps
  - Integrations with 3rd party telematics service providers
- Large addressable fleet market opportunity of $6B by 2030

~$100M

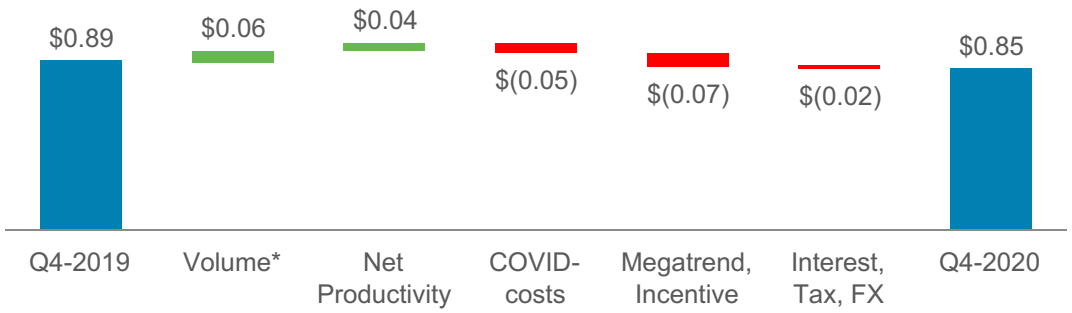
Smart & Connected new business wins to date for **HVOR OEMs** as part of $1B OEM market opportunity by 2030

Sensata Technologies

Q4-20 FINANCIALS & 2021 OUTLOOK

Q4-2020 Financial Summary

$ in millions, except EPS	Q4-2020	Q4-2019	B/(W)
Revenue	$906.5	$846.7	7.1 %
Adjusted Operating Income	$195.6	$192.5	1.6 %
% Revenue	*21.6%*	*22.7%*	
Adjusted Net Income	$134.7	$141.7	(4.9)%
% Revenue	*14.9%*	*16.7%*	
Adjusted EPS	$0.85	$0.89	(4.5)%



- Revenue increase YoY of 7.1% composed of:
  - Organic revenue increased 5.3%
  - Foreign exchange increased revenue by 1.8%
- Sequential revenue increase of 15.0% from Q3
- Adjusted operating income increased 1.6% YoY due to:
  - Higher revenue largely due to end-market recovery
  - Restructuring program cost savings of $12M; on track for $60-65M annualized savings
  - Offset somewhat by COVID-19 costs, higher incentive compensation aligned with improved financial performance, and increased Megatrend spend

* Adjusted EPS impact of organic revenue change at prior year adjusted operating income margin rate

Sensata outgrew its end markets by 770 bps in Q4-20

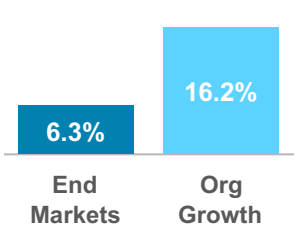
PERCENT OF REVENUES

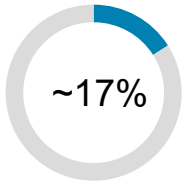
Performance Sensing

Heavy Vehicle, Off-Road

(990 bps of outgrowth)

- Outgrowth led by China VI emissions regulations, operator controls
- 880 bps 2020 outgrowth

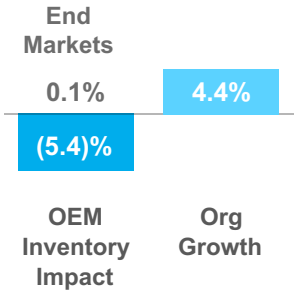


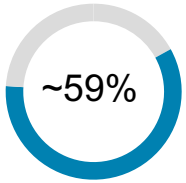


Automotive

(970 bps of outgrowth)

- Outgrowth led by emissions, electrification and safety-related launches
- 690 bps 2020 outgrowth
- NA vehicle inventory at lowest level in 9 years

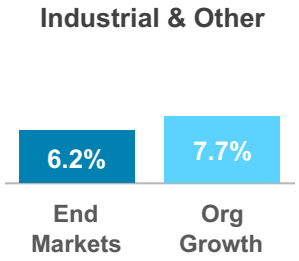


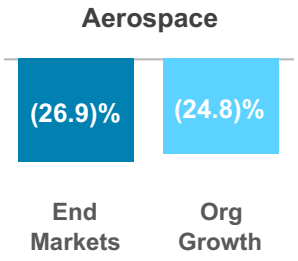


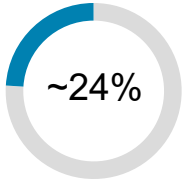
Sensing Solutions

Industrial, Aerospace & Other

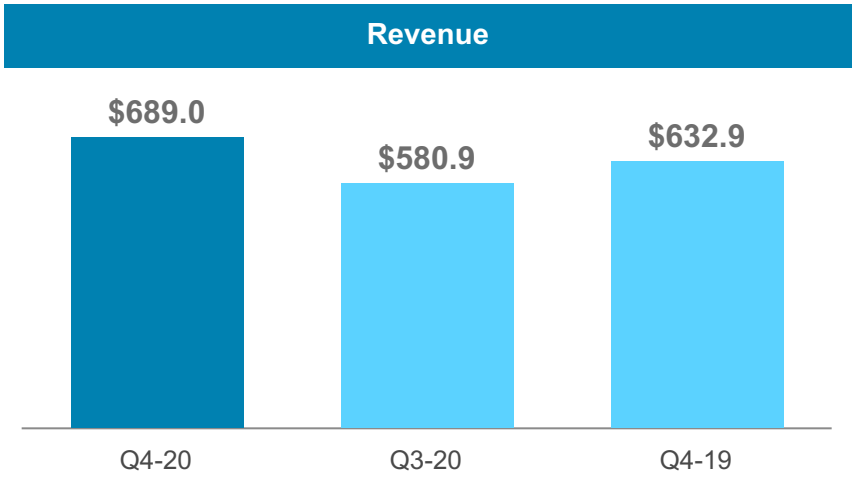
- Industrial outperformance led by HVAC, 5G, and supply chain restocking
- Aerospace outperformance led by defense product launches

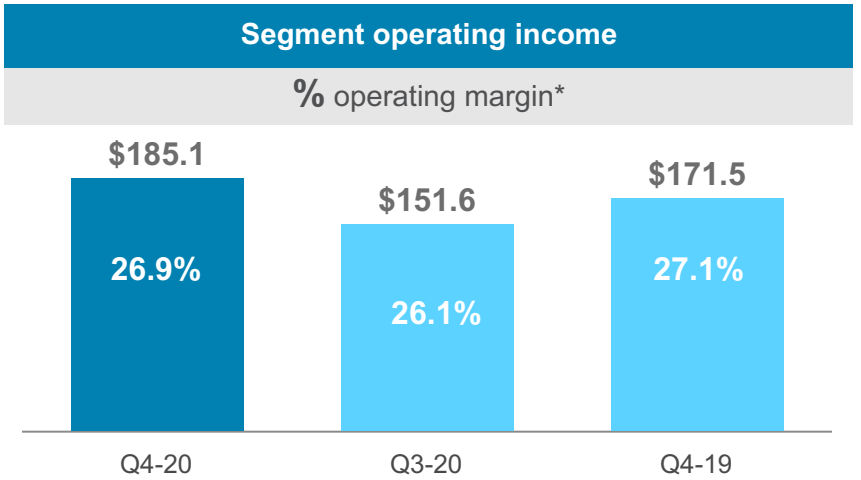






Q4-2020: Performance Sensing





Q4-20 YoY REVENUE GROWTH	REPORTED	ORGANIC
Automotive	6.5%	4.4%
Heavy vehicle, off-road	17.9%	16.2%
Performance Sensing	**8.9%**	**6.9%**

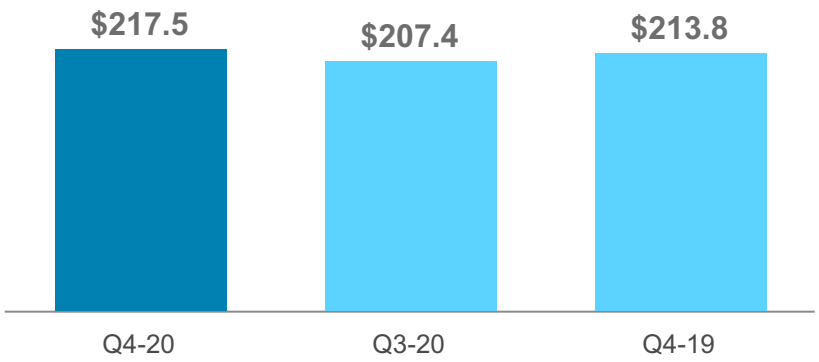
Foreign exchange 2.0% positive impact

- Revenue increase YoY and QoQ as customers' production recovered
- Higher YoY segment income driven by higher revenues, savings from cost reduction actions, and FX, somewhat offset by elevated COVID-19 costs
- Margin rate of 31% on incremental QoQ revenue demonstrates profit potential in market upswing

* % of revenue, Q4-19 adjusted for reclassification of Megatrend growth spend to corporate and other

Q4-2020: Sensing Solutions

Revenue

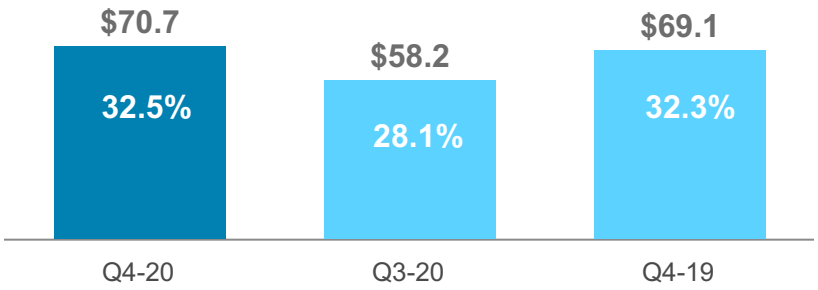


Q4-20 YoY REVENUE GROWTH	REPORTED	ORGANIC
Sensing Solutions	1.7%	0.6%

Foreign exchange 1.1% positive impact

Segment operating income

% operating margin*



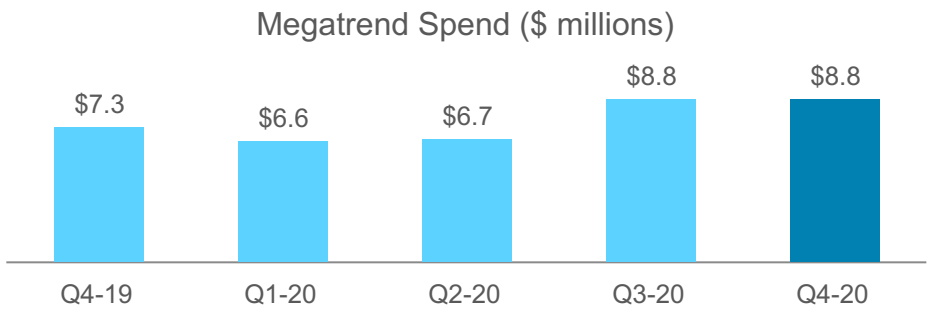
- Revenue increase YoY and QoQ reflects Industrial market recovery
- Higher YoY segment income driven by higher revenues, savings from cost reduction actions, and FX, somewhat offset by elevated COVID-19 costs
- Strong rebound in margin rate QoQ

* % of revenue, Q4-19 adjusted for reclassification of Megatrend growth spend to corporate and other

Corporate and Other Operating Expenses

$ in millions, except EPS	Q4-2020	Q4-2019	B/(W)
Corporate and Other	$69.6	$59.6	(16.7)%
% Revenue	*7.7%*	*7.0%*	
Adj. Corporate and Other	$58.5	$46.5	(25.8)%
% Revenue	*6.5%*	*5.5%*	

- Adj. Corporate and Other increase primarily due to higher global incentive compensation costs aligned to rapid financial recovery and higher Megatrend investments



- **$8.8M** Megatrend spend in Q4-20
- **$50M-$55M** Megatrend spend expected in 2021

Q4-2020 Non-GAAP Results

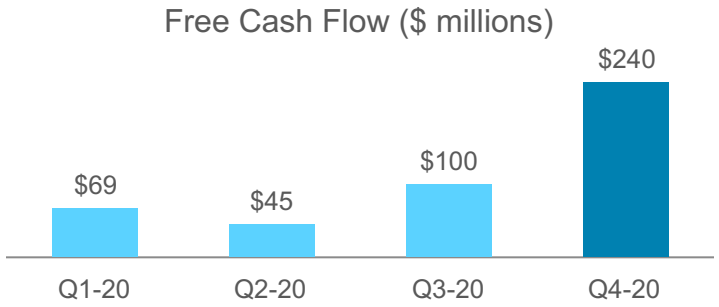
$ and shares outstanding in millions, except EPS	Q4-2020	Q4-2019	B/(W)
Revenue	$906.5	$846.7	7.1 %
Adj. Gross Profit *(% of revenue)*	$301.4 *33.2%*	$297.8 *35.2%*	1.2 %
R&D *(% of revenue)*	$33.3 *3.7%*	$38.5 *4.5%*	13.4 %
Adj. SG&A *(% of revenue)*	$70.8 *7.8%*	$65.1 *7.7%*	(8.7)%
Adj. Operating Income *(% of revenue)*	$195.6 *21.6%*	$192.5 *22.7%*	1.6 %
Adj Tax Rate [1]	10.1%	8.4%	(170) bps
Adj. Net Income *(% of revenue)*	$134.7 *14.9%*	$141.7 *16.7%*	(4.9)%
Adj. EPS	$0.85	$0.89	(4.5)%
Diluted Shares Outstanding	158.6	159.6	1.0

1 – Adjusted tax rate expressed as a % of adjusted profit before tax. Adjusted tax rate expressed as a % of adjusted EBIT was 7.8% and 6.7% in Q4-2020 and Q4-2019, respectively.

Strong free cash generation enables investment in growth and enhances Sensata's balance sheet

$240M

Q4-20 free cash flow, 178% conversion rate;
$453M 2020 free cash flow, 130% conversion rate
85% conversion rate expected in 2021



$107M

2020 Capital Expenditures
$160M-$170M expected in 2021

$58.4M

inventory reduction from Dec-19;
reduced days on hand by 16.3 days

3.2x

net leverage ratio as of 12/31/2020

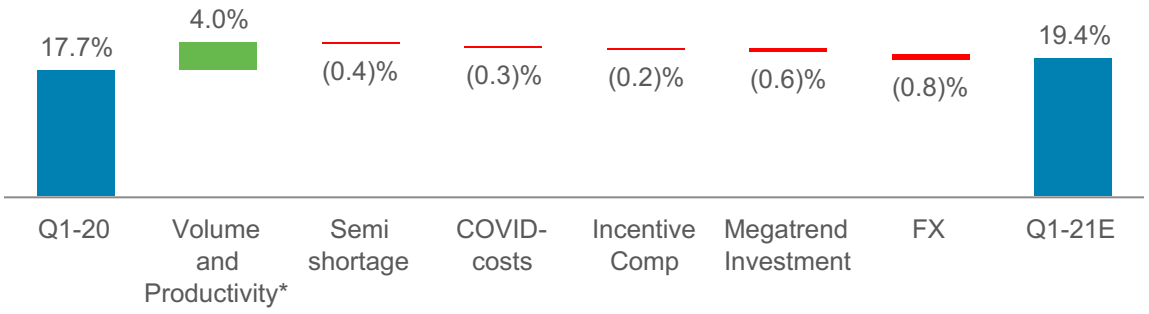
$750M

intend to redeem 6.25% 2026 Senior Notes in late Q1-21

Q1-21 Financial Guidance

$ in millions, except EPS	Q1-21 GUIDANCE	Q1-20	B/(W)
Revenue *organic*	$875 – $915	$774.3	13% - 18% *11% - 16%*
Adj. Op Income	$166 – $182	$136.7	21% - 33%
Adj. Net Income	$106 – $122	$83.2	27% - 47%
Adj. EPS	$0.67 – $0.77	$0.53	26% - 45%

OPERATING MARGIN WALK Q1-20 TO Q1-21



*Productivity includes manufacturing efficiencies, restructuring, and price

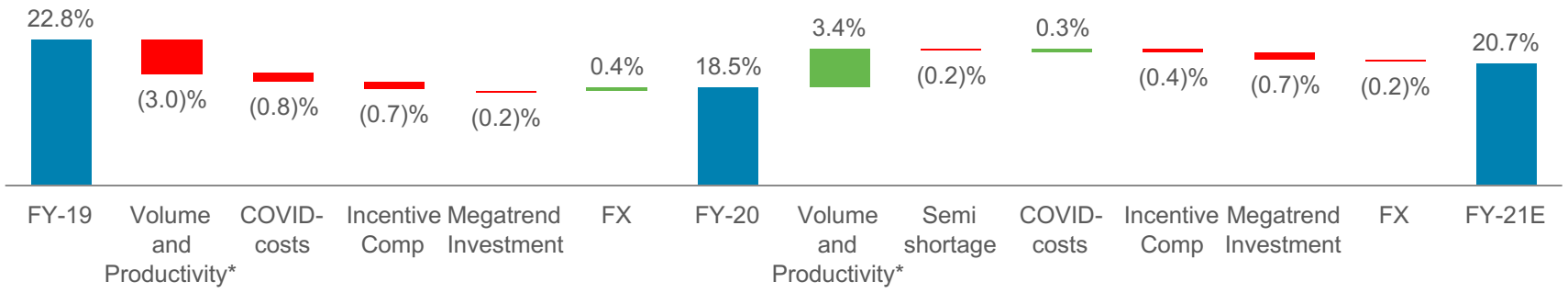
- YoY market expansion expected to be ~12%
  - Auto: ~16%
  - HVOR: ~16%
  - Industrial: ~9%
  - Aerospace: ~(23%)
- FX expected to increase revenue by ~$17M at mid-point
  - OpInc margin of 20.2% ex-FX
  - Adjusted EPS: ($0.01) decrease from FX at mid-point
- Q1-20 inventory build of $20-25M reverses
- Fill rate of 93% at mid-point
- Reflects current expected impact of global semiconductor chip shortage of 25-50 bps
- Strong incremental OpInc margin of 40%, FX-adjusted

FY-21 Financial Guidance

$ in millions, except EPS	FY-21 GUIDANCE	FY-20	B/(W)
Revenue *organic*	$3,425 – $3,575	$3,045.6	12% - 17% *10% - 15%*
Adj. Op Income	$695 – $755	$562.1	24% - 34%
Adj. Net Income	$488 – $544	$349.2	40% - 56%
Adj. EPS	$3.06 – $3.42	$2.21	38% - 55%

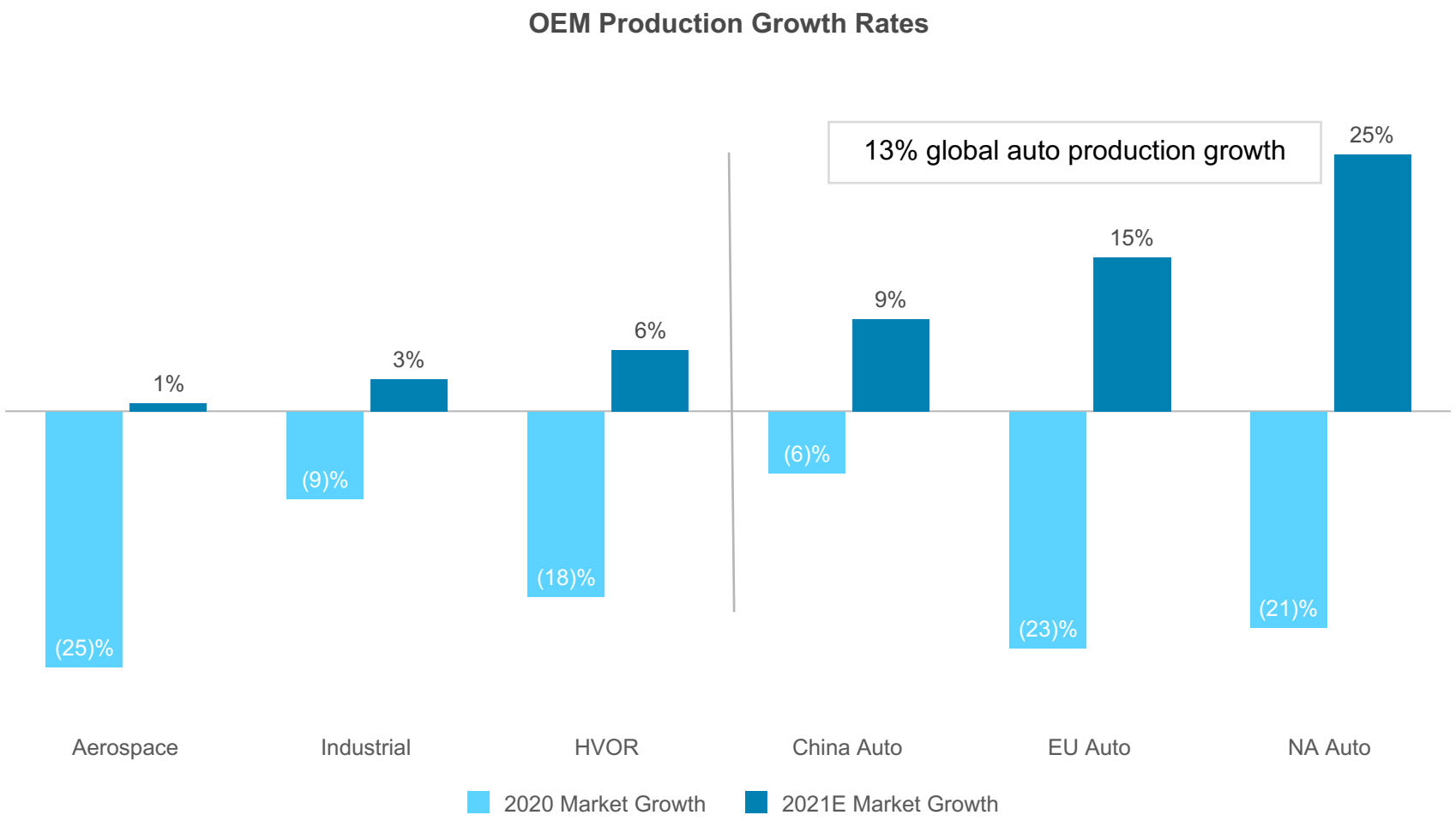
- FX expected to increase revenue by ~$64M at mid-point
  - OpInc margin of 20.9% ex-FX
  - Adjusted EPS: negligible impact from FX at mid-point
- Reflects current expected impact of global semiconductor chip shortage of 25-50 bps for H1-21

OPERATING MARGIN WALK 2019 TO 2021



*Productivity includes manufacturing efficiencies, restructuring, and price

After a challenging 2020 we expect all of our end markets to return to growth in 2021



Key Messages – Looking Forward

Strong response across units to rapidly improving markets

Strong Q4-20 performance enabled by strength and flexibility of organizational model

We are delivering attractive end-market outgrowth

Continuing to meet long-term outgrowth targets of Auto (400-600 bps) and HVOR (600-800 bps)

We are generating strong liquidity through disciplined management

Record free cash flow of $240M Q4-20; effective working capital management and cost reductions

Continuing execution of long-term Megatrend growth strategy

Electrification expansion continues with acquisition of Lithium Balance

M&A and technology partnerships important drivers in value creation

Expand addressable markets in high growth areas

Delivering industry-leading margins

While making incremental investments in our growth and our people

Sensata's mission helps create a cleaner, safer world



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APPENDIX A

OTHER FINANCIAL INFORMATION

FY-2020 Non-GAAP Results

$ and shares outstanding in millions, except EPS	FY-2020	FY-2019	B/(W)
Revenue	$3,045.6	$3,450.6	(11.7)%
Adj. Gross Profit *(% of revenue)*	$969.4 *31.8%*	$1,208.3 *35.0%*	(19.8)%
R&D *(% of revenue)*	$131.4 *4.3%*	$148.4 *4.3%*	11.5 %
Adj. SG&A *(% of revenue)*	$269.2 *8.8%*	$267.4 *7.7%*	(0.7)%
Adj. Operating Income *(% of revenue)*	$562.1 *18.5%*	$785.7 *22.8%*	(28.5)%
Adj Tax Rate[1]	11.7%	8.6%	(310) bps
Adj. Net Income *(% of revenue)*	$349.2 *11.5%*	$575.9 *16.7%*	(39.4)%
Adj. EPS	$2.21	$3.56	(37.9)%
Diluted Shares Outstanding	158.1	162.0	3.8

1 – Adjusted tax rate expressed as a % of adjusted profit before tax. Adjusted tax rate expressed as a % of adjusted EBIT was 8.3% and 7.0% in FY 2020 and FY 2019, respectively.

Q4-2020 Cash Flow Statement

$ in millions	Q4-2020	Q4-2019	B/(W)
Net Income	$121.7	$53.5	127.3 %
Depreciation & Amortization	$62.6	$66.3	(5.6)%
Changes in Working Capital	$109.9	$46.3	137.2 %
Other	($27.7)	$19.9	NM
Operating Cash Flow	$266.4	$186.0	43.2 %
Capital Expenditures	($26.8)	($38.1)	29.6 %
Free Cash Flow	$239.7	$148.0	62.0 %

Changes recalculated based on unrounded numbers. Certain amounts may not appear to sum due to rounding.

FY 2020 Cash Flow Statement

$ in millions	FY 2020	FY 2019	B/(W)
Net Income	$164.3	$282.7	(41.9)%
Depreciation & Amortization	$255.2	$258.7	(1.4)%
Changes in Working Capital	$154.5	($10.7)	NM
Other	($14.2)	$88.8	NM
Operating Cash Flow	$559.8	$619.6	(9.6)%
Capital Expenditures	($106.7)	($161.3)	33.8 %
Free Cash Flow	$453.1	$458.3	(1.1)%

Changes recalculated based on unrounded numbers. Certain amounts may not appear to sum due to rounding.

Balance Sheet

$ in millions	DEC 31, 2020	DEC 31, 2019
Total Assets	$ 7,844.2	$ 6,834.5
Working Capital	$ 2,234.8	$ 1,330.9
Intangibles, Net & Other Long-Term Assets	$ 4,864.2	$ 4,868.9

$ in millions	DEC 31, 2020	DEC 31, 2019
Cash & Equivalents	$ 1,862.0	$ 774.1
Current Debt	$ 7.2	$ 6.9
Net Cash	$ 1,854.8	$ 767.2



APPENDIX B

GAAP TO NON-GAAP RECONCILIATIONS

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 may refer to the below measures which are not determined in accordance with U.S. GAAP (i.e., non-GAAP measures). Reconciliations of each non-GAAP measure to the most directly comparable U.S. GAAP financial measure are included within this Appendix.

Adjusted EBITDA – represents net income, determined in accordance with U.S. GAAP, excluding interest expense, net, provision for/(benefit from) income taxes, depreciation expense, amortization of intangible assets, and the following non-GAAP adjustments, if applicable: (1) restructuring related and other, (2) financing and transaction related, (3) deferred gain or loss on commodities and other derivative instruments, and (4) step-up inventory amortization. Refer to definition of ANI, below, for additional information regarding the nature of these non-GAAP adjustments.

Adjusted EPS – represents ANI divided by the diluted weighted-average ordinary shares outstanding. Refer also to definition of ANI, below.

Adjusted Operating Income – represents operating income, determined in accordance with U.S. GAAP, adjusted to exclude the following non-GAAP items, if applicable: (1) restructuring related and other, (2) financing and transaction related, (3) deferred gain or loss on commodities and other derivative instruments, and (4) step-up amortization and depreciation. Refer to definition of ANI, below, for additional information regarding the nature of these non-GAAP adjustments.

Adjusted Operating Margin – represents adjusted operating income divided by net revenue.

Adjusted Net income ("ANI") – represents net income, determined in accordance with U.S. GAAP, excluding certain non-GAAP adjustments including:

a. Restructuring related and other - includes charges, net related to certain restructuring and other exit activities as well as other costs (or income) that we believe are either unique or unusual to the identified reporting period, or that we believe impact comparisons to prior period operating results. Such costs include charges related to optimization of our manufacturing processes to increase productivity. This type of activity occurs periodically, however each action is unique, discrete, and driven by various facts and circumstances. Such amounts are excluded from internal financial statements and analyses that management uses in connection with financial planning, and in its review and assessment of our operating and financial performance, including the performance of our segments. Restructuring related and other does not, however, include charges related to the integration of acquired businesses, including such charges that are recognized as restructuring and other charges, net in the consolidated statements of operations.

b. Financing and transaction related – includes losses or gains related to debt financing transactions, losses or gains related to the divestiture of a business, and costs incurred, including for legal, accounting and other professional services, that are directly related to an acquisition, divestiture, or equity financing transaction.

c. Deferred loss or gain on commodities and other derivative instruments – includes unrealized losses or gains on derivative instruments that do not qualify for hedge accounting as well as the impact of commodity prices on our raw material costs relative to the strike price on our commodity forward contracts.

d. Step-up depreciation and amortization – includes depreciation and amortization expense associated with the step-up in fair value of assets acquired in connection with a business combination (e.g., PP&E, definite-lived intangible assets, and inventory).

e. Deferred income taxes and other tax related – includes adjustments for book-to-tax basis differences due primarily to the step-up in fair value of fixed and intangible assets and goodwill, the utilization of net operating losses, and adjustments to our U.S. valuation allowance in connection with certain acquisitions. Other tax related items include certain adjustments to unrecognized tax positions.

f. Amortization of debt issuance costs.

g. Where applicable, the current tax effect of non-GAAP adjustments (i.e., we use the current rather than the total tax effect since we excluded deferred income taxes from ANI).

Organic or Constant Currency Measures – in discussing trends in the Company's performance, we may refer to the percentage change of certain GAAP or non-GAAP financial measures in one period versus another, calculated on either a reported, constant currency, or organic basis. Changes calculated on a constant currency basis exclude the period-over-period impact of foreign exchange rate differences while changes calculated on an organic basis exclude the period-over-period impact of foreign exchange rate differences as well as the net impact of acquisitions and divestitures for the 12 months following the respective transaction date(s). We believe that these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

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. We believe free cash flow is useful to management and investors as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to, among other things, fund acquisitions, repurchase ordinary shares, and (or) accelerate the repayment of debt obligations.

Net Debt – represents total debt, finance lease and other financing obligations less cash and cash equivalents. We believe net debt is a useful measure to management and investors in understanding trends in our overall financial condition.

Net Leverage Ratio – represents net debt divided by last twelve months (LTM) adjusted EBITDA. We believe that the net leverage ratio is a useful measure to management and investors in understanding trends in our overall financial condition.

Adjusted Taxes & Adjusted Tax Rate – adjusted taxes represents the provision for/(benefit from) income taxes, determined in accordance with U.S. GAAP, adjusted to exclude deferred taxes and other tax related items as well as the current tax effect of other non-GAAP adjustments (refer also to definition of ANI). The adjusted tax rate is calculated as adjusted taxes divided by adjusted income before taxes.

Adjusted EBITDA

$ in thousands	Period					
Total Sensata	**FY 2020**	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**	**4Q 2019**
Net income/(loss)	**$ 164,286**	**$ 121,667**	**$ 76,729**	**$ (42,541)**	**$ 8,431**	**$ 53,538**
Interest expense, net	171,757	47,417	44,129	40,808	39,403	40,137
Provision for/(benefit from) income taxes	1,355	(13,751)	15,181	1,441	(1,516)	27,060
Depreciation expense	125,680	31,464	28,928	30,609	34,679	31,508
Amortization of intangible assets	129,549	31,152	32,562	32,743	33,092	34,807
Earnings before interest, taxes, depreciation, and amortization ("EBITDA")	592,627	217,949	197,529	63,060	114,089	187,050
Non-GAAP adjustments:						
Restructuring related and other	93,117	12,902	(5,050)	42,708	42,557	19,137
Financing and other transaction costs	6,363	(832)	1,842	3,619	1,734	20,842
Deferred (gain)/loss on derivative instruments	(6,961)	(1,992)	(5,926)	(4,927)	5,884	(1,932)
Adjusted EBITDA	**$ 685,146**	**$ 228,027**	**$ 188,395**	**$ 104,460**	**$ 164,264**	**$ 225,097**

Organic Revenue Growth

	Q4-2020				
	Reported % Change (GAAP)	Less: FX Impact	Constant Currency % Change (non-GAAP)	Less: Acquisition & Divestitures, net	Organic Growth/ (Decline) (non-GAAP)
Performance Sensing	**8.9%**	2.0%	**6.9%**	—%	**6.9%**
Sensing Solutions	**1.7%**	1.1%	**0.6%**	—%	**0.6%**
Sensata Total	**7.1%**	1.8%	**5.3%**	—%	**5.3%**

	FY-2020				
	Reported % Change (GAAP)	Less: FX Impact	Constant Currency % Change (non-GAAP)	Less: Acquisition & Divestitures, net	Organic Growth/ (Decline) (non-GAAP)
Performance Sensing	**(12.7%)**	0.1%	**(12.8%)**	—%	**(12.8%)**
Sensing Solutions	**(9.2%)**	—%	**(9.2%)**	—%	**(9.2%)**
Sensata Total	**(11.7%)**	0.2%	**(11.9%)**	—%	**(11.9%)**

Free Cash Flow

$ in thousands	Q4			FY		
Total Sensata	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Net cash provided by operating activities	**$ 266,437**	**$ 186,035**	**43.2%**	**$ 559,775**	**$ 619,562**	**(9.6%)**
Additions to property, plant and equipment and capitalized software	(26,780)	(38,053)	29.6%	(106,719)	(161,259)	33.8%
Free cash flow	**$ 239,657**	**$ 147,982**	**62.0%**	**$ 453,056**	**$ 458,303**	**(1.1%)**

Net Debt and Net Leverage Ratio

$ in thousands

Total Sensata	As of 12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
Current portion of long-term debt, finance lease and other financing obligations	$ 7,205	$ 7,049	$ 407,042	$ 7,095	$ 6,918
Finance lease and other financing obligations, less current portion	27,931	28,360	28,243	28,280	28,810
Long-term debt, net	3,963,747	3,963,076	3,220,833	3,220,359	3,219,885
Total debt, finance lease and other financing obligations	**3,998,883**	**3,998,485**	**3,656,118**	**3,255,734**	**3,255,613**
Less: Discount	(9,605)	(10,143)	(10,681)	(11,220)	(11,758)
Less: Deferred financing costs	(28,114)	(29,404)	(22,266)	(23,359)	(24,452)
Total gross indebtedness	4,036,602	4,038,032	3,689,065	3,290,313	3,291,823
Less: Cash and cash equivalents	1,861,980	1,610,191	1,242,949	802,971	774,119
Net debt	**$ 2,174,622**	**$ 2,427,841**	**$ 2,446,116**	**$ 2,487,342**	**$ 2,517,704**
Adjusted EBITDA (LTM)	$ 685,146	$ 682,216	$ 719,192	$ 845,933	$ 900,137
Net leverage ratio	**3.2**	**3.6**	**3.4**	**2.9**	**2.8**

Adjusted Taxes and Adjusted Tax Rate

$ in thousands	Q4		FY	
Total Sensata	**2020**	**2019**	**2020**	**2019**
(Benefit from)/provision for income taxes	**$ (13,751)**	**$ 27,060**	**$ 1,355**	**$ 107,709**
Non-GAAP adjustments:				
Deferred income tax and other tax (benefit)/expense	(33,053)	14,403	(40,856)	55,242
Current tax effect of non-GAAP adjustments	4,123	(343)	(4,214)	(1,843)
Adjusted taxes	**$ 15,179**	**$ 13,000**	**$ 46,425**	**$ 54,310**
Adjusted income before taxes	$ 149,864	$ 154,699	$ 395,591	$ 630,226
Adjusted tax rate	**10.1 %**	**8.4 %**	**11.7 %**	**8.6 %**

Other GAAP to non-GAAP Reconciliations – Q4 and FY

$ in thousands	Q4 2020				FY 2020			
Total Sensata	**Operating income**	**Operating Margin**	**Net income**	**EPS**	**Operating income**	**Operating Margin**	**Net income**	**EPS**
Reported (GAAP)	**$ 154,161**	**17.0%**	**$ 121,667**	**$ 0.77**	**$ 337,737**	**11.1%**	**$ 164,286**	**$ 1.04**
Non-GAAP adjustments:								
Restructuring related and other	8,379	0.9%	17,025	0.11	87,420	2.9%	93,803	0.59
Financing and transaction costs	1,014	0.1%	(832)	(0.01)	8,209	0.3%	6,363	0.04
Step-up depreciation and amortization	30,042	3.3%	30,042	0.19	125,677	4.1%	125,677	0.79
Deferred loss/(gain) on derivative instruments	2,045	0.2%	(1,992)	(0.01)	3,066	0.1%	(6,961)	(0.04)
Amortization of debt issuance costs	—	—%	1,828	0.01	—	—%	6,854	0.04
Deferred income tax and other tax related	—	—%	(33,053)	(0.21)	—	—%	(40,856)	(0.26)
Total adjustments	41,480	4.6%	13,018	0.08	224,372	7.4%	184,880	1.17
Adjusted (non-GAAP)	**$ 195,641**	**21.6%**	**$ 134,685**	**$ 0.85**	**$ 562,109**	**18.5%**	**$ 349,166**	**$ 2.21**

$ in thousands	Q4 2019				FY 2019			
Total Sensata	**Operating income**	**Operating Margin**	**Net income**	**EPS**	**Operating income**	**Operating Margin**	**Net income**	**EPS**
Reported (GAAP)	**$ 120,718**	**14.3%**	**$ 53,538**	**$ 0.34**	**$ 556,885**	**16.1%**	**$ 282,714**	**$ 1.75**
Non-GAAP adjustments:								
Restructuring related and other	17,000	2.0%	18,794	0.12	61,916	1.8%	62,210	0.38
Financing and transaction costs	20,842	2.5%	20,842	0.13	28,911	0.8%	34,851	0.22
Step-up depreciation and amortization	33,823	4.0%	33,823	0.21	139,587	4.0%	139,587	0.86
Deferred loss/(gain) on derivative instruments	149	0.0%	(1,932)	(0.01)	(1,604)	0.0%	(6,492)	(0.04)
Amortization of debt issuance costs	—	—%	2,231	0.01	—	—%	7,804	0.05
Deferred income tax and other tax related	—	—%	14,403	0.09	—	—%	55,242	0.34
Total adjustments	71,814	8.5%	88,161	0.55	228,810	6.6%	293,202	1.81
Adjusted (non-GAAP)	**$ 192,532**	**22.7%**	**$ 141,699**	**$ 0.89**	**$ 785,695**	**22.8%**	**$ 575,916**	**$ 3.56**