

Sensata
Technologies

# SENSATA FIRST QUARTER 2021 EARNINGS PRESENTATION

April 27, 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 2020 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.

# Q1-2021 GAAP Results

| *$ and shares outstanding in millions, except EPS* | Q1-2021 | Q1-2020 | B/(W) |
|---|---|---|---|
| Revenue | $942.5 | $774.3 | 21.7 % |
| Gross Profit | $307.2 | $207.9 | 47.8 % |
| *(% of revenue)* | *32.6%* | *26.8%* | |
| R&D | $36.0 | $34.5 | (4.4)% |
| *(% of revenue)* | *3.8%* | *4.4%* | |
| SG&A | $77.1 | $77.2 | 0.1 % |
| *(% of revenue)* | *8.2%* | *10.0%* | |
| Amortization of Intangibles | $32.1 | $33.1 | 3.1 % |
| *(% of revenue)* | *3.4%* | *4.3%* | |
| Restructuring and Other | $4.6 | $4.5 | (1.9)% |
| *(% of revenue)* | *0.5%* | *0.6%* | |
| Operating Income | $157.5 | $58.6 | 168.7 % |
| *(% of revenue)* | *16.7%* | *7.6%* | |
| Tax Rate | 27.4% | (21.9%) | NM |
| Net Income | $53.7 | $8.4 | 537.3 % |
| *(% of revenue)* | *5.7%* | *1.1%* | |
| Diluted EPS | $0.34 | $0.05 | 580.0 % |
| Diluted Shares Outstanding | 159.2 | 158.4 | (0.8) |

# Key Performance Highlights

## Continuing to execute well with recovery

- **Record revenue of $942.5M grew 21.7%** in Q1-21 from the prior-year period
- **Adjusted operating Income of $198.1M** in Q1-21; **operating margin increased 330 bps**
- Demonstrates **market leadership** and the strength and flexibility of **organizational model**
- **Raising annual outlook** to reflect acquisition of Xirgo, robust demand, and improved outgrowth

## Outgrowth exceeding long-term targets

- **Strong revenue outgrowth exceeds targets:**
  - 1,070 bps of outgrowth Q1-21 in Heavy Vehicle, Off-Road
  - 910 bps of outgrowth Q1-21 in Automotive

## Effective cash and capital management

- **Cash generation** – Generated $77M in free cash flow Q1-21
- **Reducing cost of capital** - cost of Fixed Debt now 4.5%, 80 bps lower than Q1-20

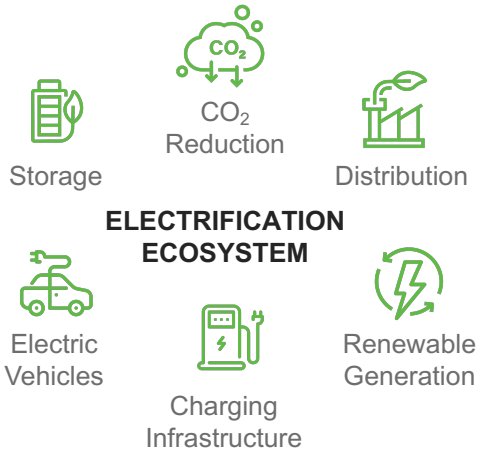
## Meaningful progress supporting long-term growth

- **New business awards including Electrification wins on track to exceed 2020**
- **Acquisition of Xirgo Technologies** significantly accelerates ability to provide data insights to Transportation and Logistics customers
- **Joint venture with Churod Electronics** extends electrical protection contactor portfolio

# 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

- Opportunity is much broader than just auto EVs
  - Includes e-mobility applications in heavy vehicles, charging infrastructure, industrial and grid opportunities
- Sensata has a leading portfolio of high-voltage protection and battery management systems




中汇瑞德 CHUROD ELECTRONICS



## Joint Venture with Churod Electronics expands our electrical protection contactor technology capabilities for mass-market applications

- Extension of product offering: ceramic, high-levitation contactors focused on medium voltage (150-400A) solutions applicable for mass-market vehicles
- Expands our electrical protection capabilities for light vehicle, commercial vehicle and charging infrastructure applications, fast-growing addressable markets of over $500M by 2030

# Significant progress in Heavy Vehicle and Industrial electrification

Partner of choice for high-voltage electrical protection solutions to leading charging solutions providers

ABB
EVBOX
BTC POWER
chargepoint

Gaining momentum in fast emerging Electric Truck segment with key partnerships

HYLIION
WORKHORSE



## Acquisition of Lithium Balance opens up new opportunities in Battery Management and Energy Storage

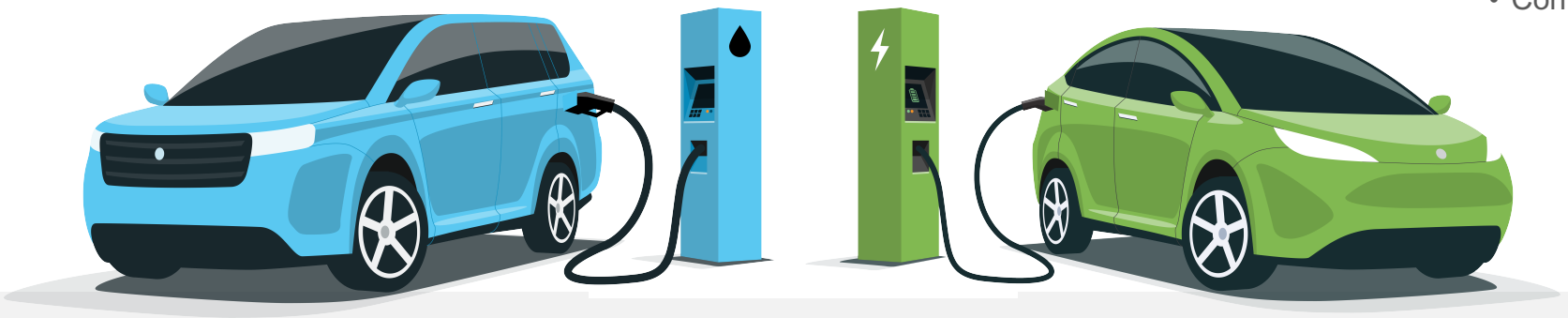
- Provides access to $500M addressable Battery Management System market and $6B addressable Battery Energy Storage System market by 2030
- Adds electrification capabilities for Heavy trucks, work trucks, material handling, and Commercial/Industrial Energy Storage

# EV content per vehicle represents an average ~20% uplift from comparable-class ICE

**Internal Combustion Engine**
*NA and EU CPV: **~$40***

**Electric Vehicle**
*NA and EU EV CPV: **~$50***
*EV CPV **+20%** by Vehicle Class*

| ICE-Specific components | **Powertrain Agnostic** *components for ICE or EV* | New EV-Specific components |
|---|---|---|
| • ~$20 CPV<br>• Engine Pressure Applications<br>• Transmission Speed & Position<br>• Exhaust Pressure & Temperature | • ~$20 CPV<br>• Tire Pressure<br>• A/C Pressure<br>• Electronic Stability Control Brake Pressure | • ~$30 CPV<br>• Thermal Management Pressure + Temp<br>• Electromechanical Brake Pressure<br>• Battery Pressure<br>• E-motor Position<br>• Fuses<br>• Contactors |



**Serviceable Addressable Market**




**2x growth**

ICE Powertrain | Powertrain Agnostic | EV specific

# Xirgo provides data insights to Transportation and Logistics customers

## Acquisition of Xirgo Technologies (closed April 1) brings new capabilities and customers

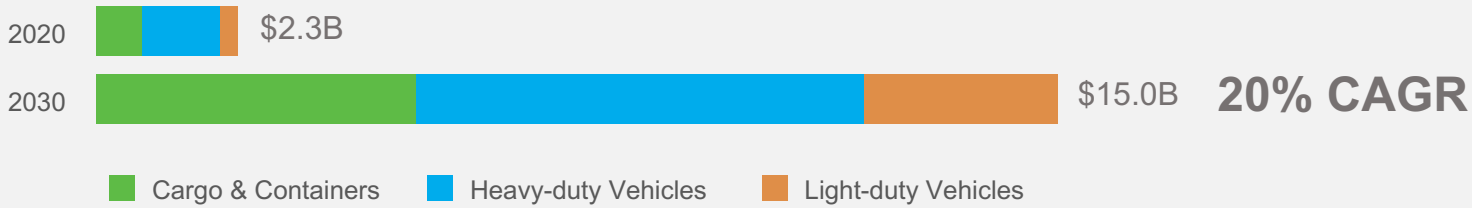
- Extends sensing portfolio into telematics and asset tracking and adds cellular gateways and cloud infrastructure
- Propels Smart & Connected solutions initiative into light-duty vehicles, cargo, and containers
- 2021E annualized revenue of $100M, growing 20%+ per year
- Committed orders for 80% of 2021E revenue
- ~50% gross margins and ~25% EBITDA margins with low capex




## Second TPMS commercial agreement with top 25 North American fleet

- Initial rollout of the connected vehicle area network underway on small number of trucks with TPMS as the first sensing application

**NA/EU Addressable Market**

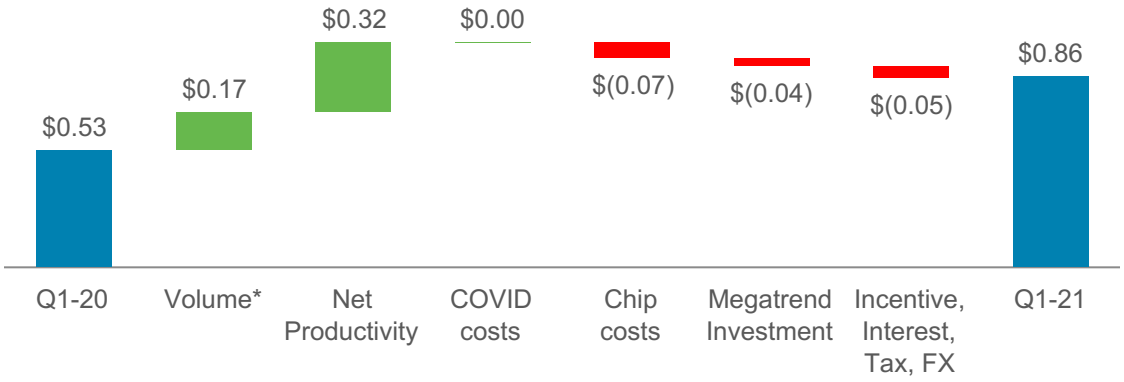


Sensata Technologies

# Q1-21 FINANCIALS & 2021 OUTLOOK

# Q1-2021 Financial Summary

| *$ in millions, except EPS* | Q1-2021 | Q1-2020 | B/(W) |
|---|---|---|---|
| Revenue | $942.5 | $774.3 | 21.7 % |
| Adjusted Operating Income | $198.1 | $136.7 | 44.9 % |
| *% Revenue* | *21.0%* | *17.7%* | |
| Adjusted Net Income | $137.6 | $83.2 | 65.4 % |
| *% Revenue* | *14.6%* | *10.7%* | |
| Adjusted EPS | $0.86 | $0.53 | 62.3 % |




- Revenue growth YoY of 21.7% composed of:
  - Organic revenue increased 18.8%
  - Foreign exchange increased revenue by 2.9%
- Adjusted operating income increased 44.9% YoY due to:
  - Higher revenue largely due to end-market recovery and outgrowth
  - Restructuring program on track for $60-65M annualized cost savings
  - Offset somewhat by costs related to chip shortages, increased Megatrend spend, and higher incentive compensation aligned with improved financial performance

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

# Sensata outgrew its end markets by 790 bps in Q1-21

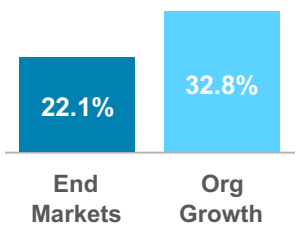
PERCENT OF REVENUES

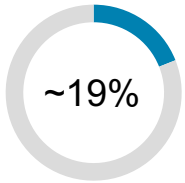
Performance Sensing

## Heavy Vehicle, Off-Road

**(1,070 bps of outgrowth)**

- Outgrowth led by China VI emissions regulations, operator controls
- Three year average outgrowth: 780 bps (600-800 bps target range)

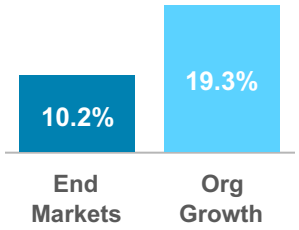


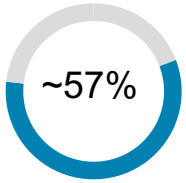




## Automotive

**(910 bps of outgrowth)**

- Outgrowth led by powertrain and emissions, safety, and electrification related applications
- NA vehicle inventory still at record lows
- Three year average outgrowth: 560 bps (400-600 bps target range)

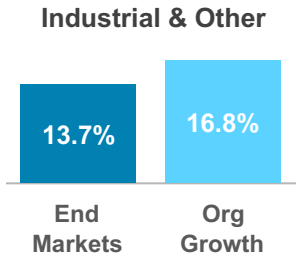



Sensing Solutions

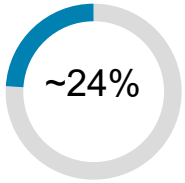
## Aerospace, Industrial & Other

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



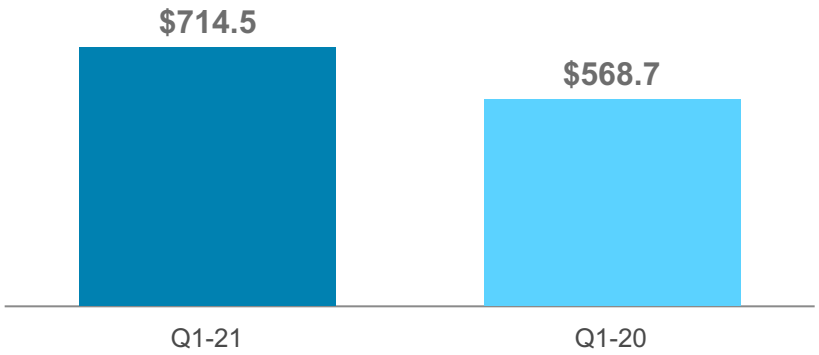






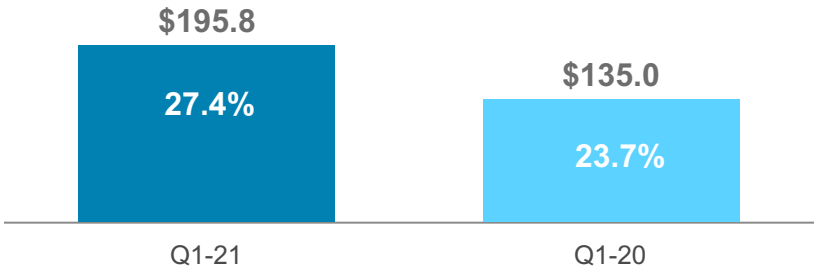
# Q1-2021: Performance Sensing

**Revenue**




**Segment operating income**

**%** operating margin*




| Q1-21 YoY REVENUE GROWTH | REPORTED | ORGANIC |
|---|---|---|
| Automotive | 22.6% | 19.3% |
| Heavy Vehicle, Off-Road | 35.7% | 32.8% |
| **Performance Sensing** | **25.6%** | **22.4%** |

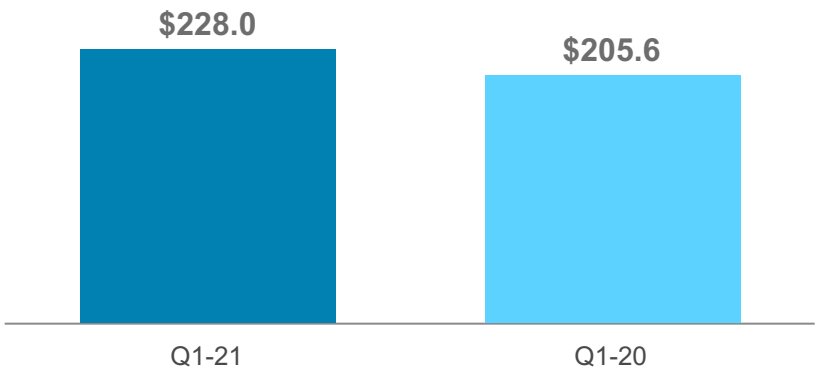
Foreign exchange 3.2% positive impact

- Record revenue; Customers' production recovery and newly launched programs drove increase
- Higher YoY segment income driven by higher revenues, savings from cost reduction actions, and FX, somewhat offset by elevated chip shortage costs
- Margin rate of 42% on incremental YoY revenue demonstrates profit potential in market upswing

* % of revenue, Q1-20 adjusted for reclassification of Megatrend growth spend to corporate and other

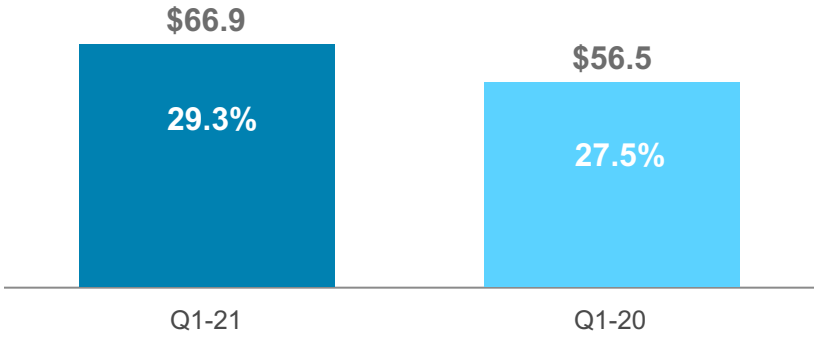
# Q1-2021: Sensing Solutions

## Revenue




## Segment operating income

% operating margin*




| Q1-21 YoY REVENUE GROWTH | REPORTED | ORGANIC |
|---|---|---|
| Industrial & Other | 19.5% | 16.8% |
| Aerospace | (22.4)% | (22.4)% |
| **Sensing Solutions** | **10.9%** | **8.8%** |

- Revenue increase YoY reflects HVAC market recovery and new Electrification launches
- Higher YoY segment income driven by higher revenues and savings from cost reduction actions, somewhat offset by elevated chip shortage costs
- Margin rate of 46% on incremental YoY revenue demonstrates profit potential in market upswing

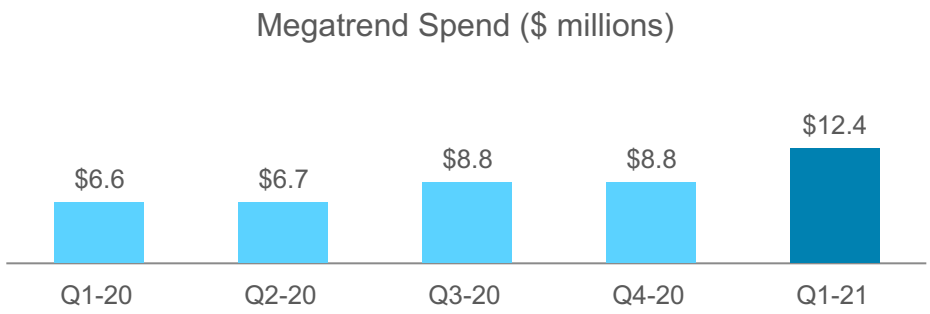
Foreign exchange 2.1% positive impact

* % of revenue, Q1-20 adjusted for reclassification of Megatrend growth spend to corporate and other

# Corporate and Other Operating Expenses

| $ in millions | Q1-2021 | Q1-2020 | B/(W) |
|---|---|---|---|
| Corporate and Other | $68.6 | $95.4 | 28.0 % |
| *% Revenue* | *7.3%* | *12.3%* | |
| Adj. Corporate and Other | $61.8 | $53.2 | (16.2)% |
| *% Revenue* | *6.6%* | *6.9%* | |

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



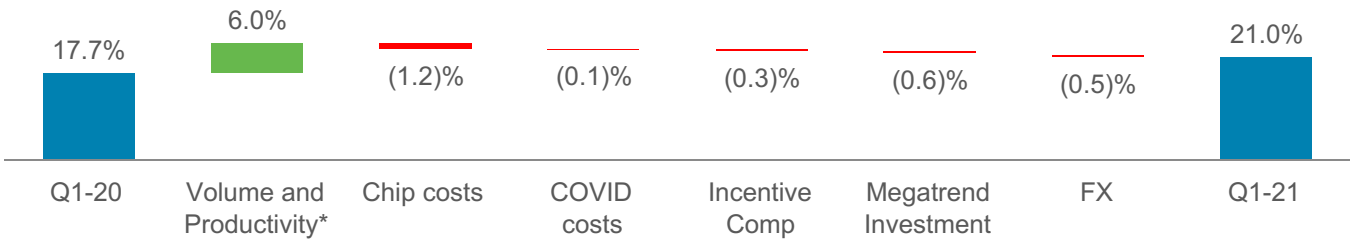

- **$12.4M** Megatrend spend in Q1-21
- **$50M-$55M** Megatrend spend expected in 2021

# Q1-2021 Non-GAAP Results

| *$ and shares outstanding in millions, except EPS* | Q1-2021 | Q1-2020 | B/(W) |
|---|---|---|---|
| Revenue | $942.5 | $774.3 | 21.7 % |
| Adj. Gross Profit<br>*(% of revenue)* | $309.6<br>*32.8%* | $243.9<br>*31.5%* | 27.0 % |
| R&D<br>*(% of revenue)* | $36.0<br>*3.8%* | $34.5<br>*4.4%* | (4.4)% |
| Adj. SG&A<br>*(% of revenue)* | $72.7<br>*7.7%* | $71.0<br>*9.2%* | (2.4)% |
| Adj. Operating Income<br>*(% of revenue)* | $198.1<br>*21.0%* | $136.7<br>*17.7%* | 44.9 % |
| Adj Tax Rate [1] | 9.4% | 13.2% | 3.8 % |
| Adj. Net Income<br>*(% of revenue)* | $137.6<br>*14.6%* | $83.2<br>*10.7%* | 65.4 % |
| Adj. EPS | $0.86 | $0.53 | 62.3 % |
| Diluted Shares Outstanding | 159.2 | 158.4 | (0.8) |

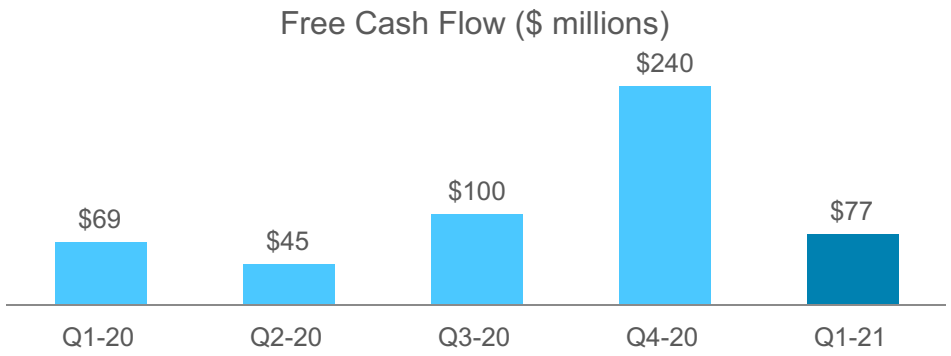
1 – Adjusted tax rate expressed as a % of adjusted profit before tax. Adjusted tax rate expressed as a % of adjusted EBIT was 7.3% and 9.5% in Q1-2021 and Q1-2020, respectively.

**OPERATING MARGIN WALK Q1-20 TO Q1-21**




*Productivity includes manufacturing efficiencies, restructuring, and price

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




## $77M

Q1-21 free cash flow, 56% conversion rate;
**85%** conversion rate expected in 2021

## $27M

Q1-21 Capital Expenditures
**$160M-$170M** expected in 2021

## 2.9x

net leverage ratio as of March 31, 2021
**3.4x** pro-forma for Xirgo acquisition
bottom end of **2.5x - 3.5x** range by Q4-21

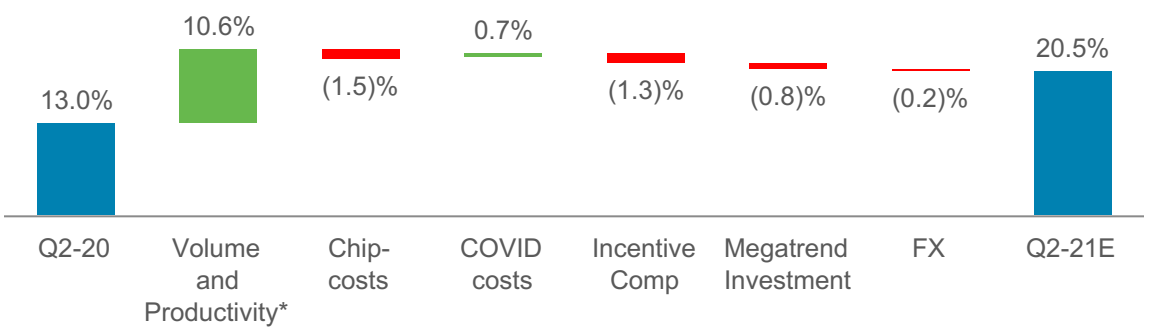
## 80 bps Reduction

in Cost of Fixed Debt from Q1-20 now **4.5%**
Redeemed 2026 Notes and Issued 2029 Notes

# Q2-21 Financial Guidance

| *$ in millions, except EPS* | Q2-21 GUIDANCE | Q2-20 | B/(W) |
|---|---|---|---|
| Revenue<br>*organic* | $960 – $990 | $576.5 | 67% - 72%<br>*58% - 63%* |
| Adj. Op Income | $195 – $205 | $75.0 | 160% - 173% |
| Adj. Net Income | $134 – $144 | $27.7 | 385% - 420% |
| Adj. EPS | $0.84 – $0.90 | $0.18 | 367% - 400% |

**OPERATING MARGIN WALK Q2-20 TO Q2-21**




*Productivity includes manufacturing efficiencies, restructuring, and price

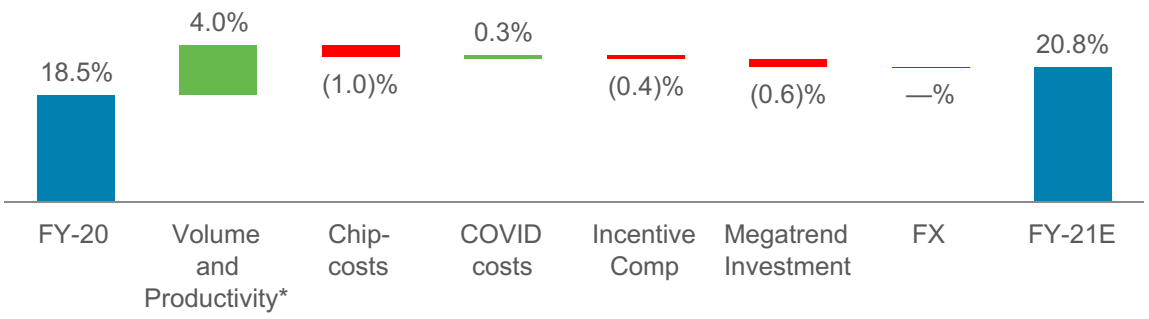
- Q2-21 market expansion expected to be ~49% YoY
  - Auto: ~69%
  - HVOR: ~57%
  - Industrial: ~15%
  - Aerospace: ~19%
- Guide now includes Xirgo
- FX expected to increase revenue by ~$23M at mid-point
  - Adjusted EPS: $0.01 increase from FX at mid-point
- Fill rate of 96% at mid-point
- Q2-20 included one-time savings of $22M from furloughs and temporary pay-cuts

# FY-21 Updated Financial Guidance

| *$ in millions, except EPS* | FY-21 GUIDANCE | FY-20 | B/(W) |
|---|---|---|---|
| Revenue<br>*organic* | $3,675 – $3,825 | $3,045.6 | 21% - 26%<br>*16% - 21%* |
| Adj. Op Income | $755 – $805 | $562.1 | 34% - 43% |
| Adj. Net Income | $509 – $557 | $349.2 | 46% - 60% |
| Adj. EPS | $3.20 – $3.50 | $2.21 | 45% - 58% |

- FX expected to increase revenue by ~$58M at mid-point
  - Adjusted EPS: $0.03 increase from FX at mid-point
- Includes nine months of Xirgo

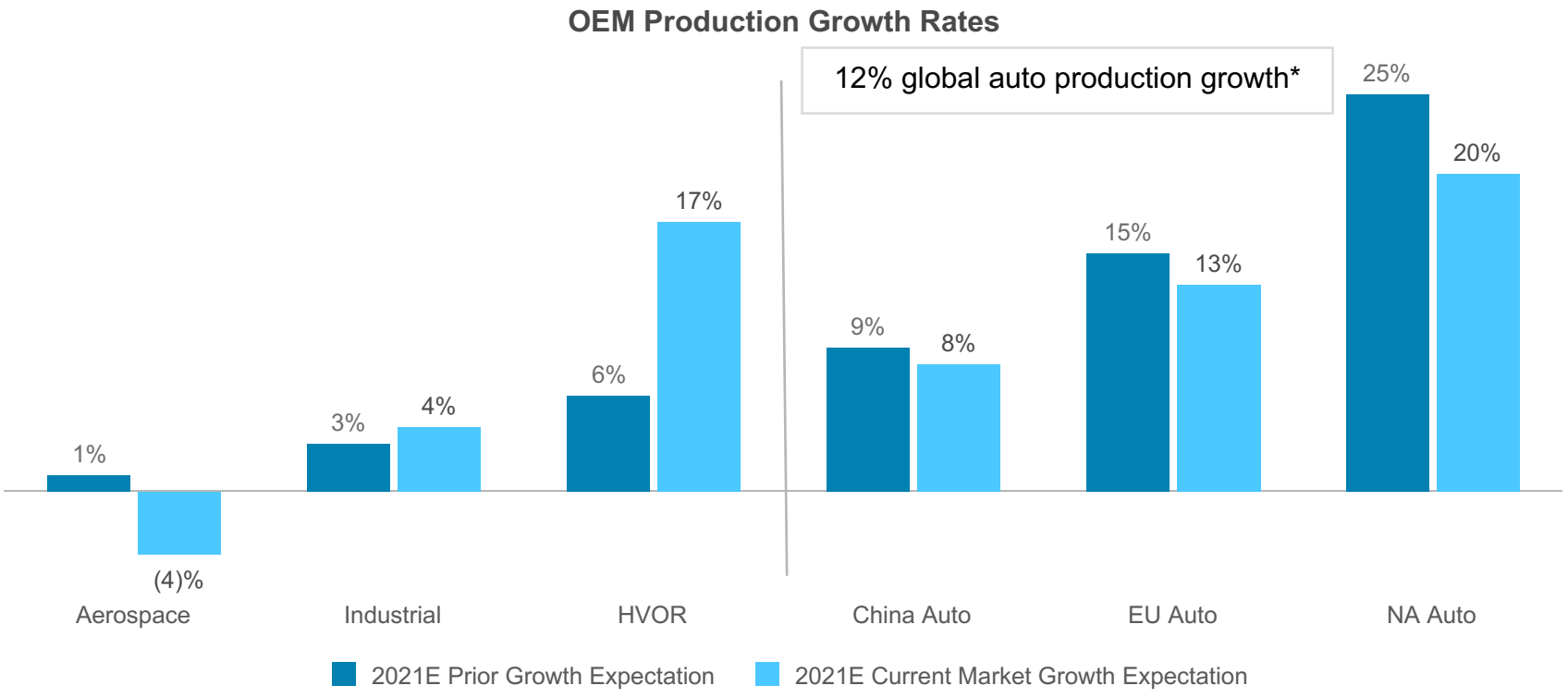
**OPERATING MARGIN WALK 2020 TO 2021**




*Productivity includes manufacturing efficiencies, restructuring, and price

# We continue to expect strong market growth in 2021

Auto production down slightly from earlier expectations given semiconductor chip shortage, Heavy Vehicle and Industrial show improvement




*IHS data (ex-Toyota). 13% on a regionally-adjusted basis to reflect Sensata's revenues.

# Key Messages – Looking Forward

## Strong results well above rapidly improving markets

Strong Q1-21 performance enabled by strength and flexibility of organizational model

## Delivering higher end-market outgrowth

Exceeding long-term Auto (400-600 bps) and HVOR (600-800 bps) outgrowth targets

## Continuing execution of long-term Megatrend growth strategy

Expanding addressable markets in high growth areas

## M&A and technology partnerships are important value creation amplifiers

- Acquisition of Xirgo provides substantial footprint in Smart & Connected
- Joint venture with Churod extends Sensata's electrical protection capabilities

## Delivering industry-leading margins

While making incremental investments in our growth and our people

## Sensata helps create a cleaner, safer world



Sensata
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# APPENDIX A

## OTHER FINANCIAL INFORMATION

# Q1-2021 Cash Flow Statement

| *$ in millions* | Q1-2021 | Q1-2020 | B/(W) |
|---|---|---|---|
| Net Income | $53.7 | $8.4 | 537.3 % |
| Depreciation & Amortization | $63.3 | $67.8 | (6.7)% |
| Changes in Working Capital | ($58.3) | ($21.5) | 170.9 % |
| Other | $45.8 | $43.9 | 4.4% |
| Operating Cash Flow | $104.5 | $98.5 | 6.1 % |
| Capital Expenditures | ($27.2) | ($29.5) | 8.0 % |
| Free Cash Flow | $77.3 | $69.0 | 12.1 % |

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

# Balance Sheet

| *$ in millions* | MAR 31, 2021 | DEC 31, 2020 |
|---|---|---|
| Total Assets | $ 7,945.2 | $ 7,844.2 |
| Working Capital | $ 2,332.6 | $ 1,484.8 |
| Intangibles, Net & Other Long-Term Assets | $ 4,839.1 | $ 4,864.2 |

| *$ in millions* | MAR 31, 2021 | DEC 31, 2020 |
|---|---|---|
| Cash & Equivalents | $ 1,893.9 | $ 1,862.0 |
| Current Debt (1) | $ 9.7 | $ 757.2 |
| Net Cash | $ 1,884.2 | $ 1,104.8 |

(1) On February 3, 2021, we announced that we intended to redeem in full the $750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026. Because we had not issued our 2020 Annual Report on Form 10-K, we determined that these notes should be classified as current on our consolidated balance sheet as of December 31, 2020.




# 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 valuation allowance in connection with certain acquisitions and tax law changes. 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** | **LTM** | **1Q 2021** | **4Q 2020** | **3Q 2020** | **2Q 2020** | **1Q 2020** |
| **Net income/(loss)** | **$ 209,588** | **$ 53,733** | **$ 121,667** | **$ 76,729** | **$ (42,541)** | **$ 8,431** |
| Interest expense, net | 176,397 | 44,043 | 47,417 | 44,129 | 40,808 | 39,403 |
| Provision for/(benefit from) income taxes | 23,152 | 20,281 | (13,751) | 15,181 | 1,441 | (1,516) |
| Depreciation expense | 122,198 | 31,197 | 31,464 | 28,928 | 30,609 | 34,679 |
| Amortization of intangible assets | 128,521 | 32,064 | 31,152 | 32,562 | 32,743 | 33,092 |
| Earnings before interest, taxes, depreciation, and amortization ("EBITDA") | 659,856 | 181,318 | 217,949 | 197,529 | 63,060 | 114,089 |
| *Non-GAAP adjustments:* | | | | | | |
| Restructuring related and other | 57,926 | 7,366 | 12,902 | (5,050) | 42,708 | 42,557 |
| Financing and other transaction costs | 40,537 | 35,908 | (832) | 1,842 | 3,619 | 1,734 |
| Deferred (gain)/loss on derivative instruments | (9,852) | 2,993 | (1,992) | (5,926) | (4,927) | 5,884 |
| **Adjusted EBITDA** | **$ 748,467** | **$ 227,585** | **$ 228,027** | **$ 188,395** | **$ 104,460** | **$ 164,264** |

# Organic Revenue Growth

| | Q1-2021 | | | | |
|---|---|---|---|---|---|
| | Reported % Change (GAAP) | Less: FX Impact | Constant Currency % Change (non-GAAP) | Less: Acquisition & Divestitures, net | Organic Growth (non-GAAP) |
| Performance Sensing | **25.6%** | 3.2% | **22.4%** | —% | **22.4%** |
| Sensing Solutions | **10.9%** | 2.1% | **8.8%** | —% | **8.8%** |
| Sensata Total | **21.7%** | 2.9% | **18.8%** | —% | **18.8%** |

# Free Cash Flow

*$ in thousands*

| Total Sensata | Q1 2021 | Q1 2020 | Change |
|---|---|---|---|
| **Net cash provided by operating activities** | **$ 104,511** | **$ 98,544** | **6.1%** |
| Additions to property, plant and equipment and capitalized software | (27,172) | (29,547) | 8.0% |
| **Free cash flow** | **$ 77,339** | **$ 68,997** | **12.1%** |

# Net Debt and Net Leverage Ratio

*$ in thousands*

| Total Sensata | As of 3/31/2021 | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 |
|---|---|---|---|---|---|
| Current portion of long-term debt, finance lease and other financing obligations [1] | $ 9,678 | $ 757,205 | $ 7,049 | $ 407,042 | $ 7,095 |
| Finance lease and other financing obligations, less current portion | 27,605 | 27,931 | 28,360 | 28,243 | 28,280 |
| Long-term debt, net | 3,961,397 | 3,213,747 | 3,963,076 | 3,220,833 | 3,220,359 |
| **Total debt, finance lease and other financing obligations** | **3,998,680** | **3,998,883** | **3,998,485** | **3,656,118** | **3,255,734** |
| Less: Discount | (8,416) | (9,605) | (10,143) | (10,681) | (11,220) |
| Less: Deferred financing costs | (30,495) | (28,114) | (29,404) | (22,266) | (23,359) |
| Total gross indebtedness | 4,037,591 | 4,036,602 | 4,038,032 | 3,689,065 | 3,290,313 |
| Less: Cash and cash equivalents | 1,893,926 | 1,861,980 | 1,610,191 | 1,242,949 | 802,971 |
| **Net debt** | **$ 2,143,665** | **$ 2,174,622** | **$ 2,427,841** | **$ 2,446,116** | **$ 2,487,342** |
| | | | | | |
| Adjusted EBITDA (LTM) | $ 748,467 | $ 685,146 | $ 682,216 | $ 719,192 | $ 845,933 |
| **Net leverage ratio** | **2.9** | **3.2** | **3.6** | **3.4** | **2.9** |

(1) On February 3, 2021, we announced that we intended to redeem in full the $750.0 million aggregate principal amount outstanding on our 6.25% Senior Notes due 2026. Because we had not issued our 2020 Annual Report on Form 10-K, we determined that these notes should be classified as current on our consolidated balance sheet as of December 31, 2020.

# Adjusted Taxes and Adjusted Tax Rate

| *$ in thousands* | Q1 | |
|---|---|---|
| **Total Sensata** | **2021** | **2020** |
| **Provision for/(benefit from) income taxes** | **$ 20,281** | **$ (1,516)** |
| *Non-GAAP adjustments:* | | |
| Deferred income tax and other tax expense/(benefit) | 10,122 | (4,931) |
| Current tax effect of non-GAAP adjustments | (4,052) | (9,269) |
| **Adjusted taxes** | **$ 14,211** | **$ 12,684** |
| | | |
| Adjusted income before taxes | $ 151,814 | $ 95,892 |
| **Adjusted tax rate** | **9.4 %** | **13.2 %** |

# Other GAAP to non-GAAP Reconciliations

| *$ in thousands* | Q1-2021 | | | | Q1-2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Total Sensata** | **Operating income** | **Operating margin** | **Net income** | **EPS** | **Operating income** | **Operating margin** | **Net income** | **EPS** |
| **Reported (GAAP)** | **$ 157,454** | **16.7%** | **$ 53,733** | **$ 0.34** | **$ 58,599** | **7.6%** | **$ 8,431** | **$ 0.05** |
| *Non-GAAP adjustments:* | | | | | | | | |
| Restructuring related and other | 4,525 | 0.5% | 7,291 | 0.05 | 43,757 | 5.7% | 38,188 | 0.24 |
| Financing and transaction costs | 4,571 | 0.5% | 32,805 | 0.21 | 1,734 | 0.2% | 1,734 | 0.01 |
| Step-up depreciation and amortization | 29,696 | 3.2% | 29,696 | 0.19 | 32,271 | 4.2% | 32,271 | 0.20 |
| Deferred loss on derivative instruments | 1,840 | 0.2% | 2,245 | 0.01 | 309 | 0.0% | 5,884 | 0.04 |
| Amortization of debt issuance costs | — | —% | 1,711 | 0.01 | — | —% | 1,631 | 0.01 |
| Deferred income tax and other tax related | — | —% | 10,122 | 0.06 | — | —% | (4,931) | (0.03) |
| Total adjustments | 40,632 | 4.3% | 83,870 | 0.53 | 78,071 | 10.1% | 74,777 | 0.47 |
| **Adjusted (non-GAAP)** | **$ 198,086** | **21.0%** | **$ 137,603** | **$ 0.86** | **$ 136,670** | **17.7%** | **$ 83,208** | **$ 0.53** |