



Earnings Call Presentation

Q1 2021

May 5, 2021

Forward-Looking Statements

Statements in this presentation may constitute forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act (the “Act”) that are based on management’s current outlook, expectations, estimates and projections. Words such as “anticipates,” “believes,” “continues,” “could,” “designed,” “effect,” “estimates,” “evaluates,” “expects,” “forecasts,” “goal,” “initiative,” “intends,” “may,” “outlook,” “plans,” “potential,” “predicts,” “project,” “pursue,” “seek,” “should,” “target,” “when,” “will,” “would,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Further, all statements, other than statements of historical fact contained or incorporated by reference in this presentation, that we expect or anticipate will or may occur in the future regarding our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success and other such matters, are forward-looking statements. Accounting estimates, such as those described under the heading “Critical Accounting Policies and Estimates” in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020 (“Form 10-K”), are inherently forward-looking. All forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Forward-looking statements are not guarantees of performance and the Company’s actual results may differ materially from those expressed, projected, or implied in or by the forward-looking statements.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Forward-looking statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed, projected or implied in or by the forward-looking statements. These risks and uncertainties, among others, include: uncertainties regarding the extent and duration of impacts of matters associated with the COVID-19/coronavirus pandemic (“COVID-19”), including additional production disruptions; the failure to realize the expected benefits of the acquisition of Delphi Technologies PLC that the Company completed on October 1, 2020; the failure to promptly and effectively integrate acquired businesses; the potential for unknown or inestimable liabilities relating to the acquired businesses; the possibility that the proposed transaction between the Company and AKASOL AG (“Proposed Transaction”) will not be consummated; failure to satisfy any of the conditions to the proposed transaction; failure to realize the expected benefits of the Proposed Transaction; our dependence on automotive and truck production, both of which are highly cyclical and subject to disruptions; our reliance on major original equipment manufacturers (“OEM”) customers; commodities availability and pricing; supply disruptions; fluctuations in interest rates and foreign currency exchange rates; availability of credit; our dependence on key management; our dependence on information systems; the uncertainty of the global economic environment; the outcome of existing or any future legal proceedings, including litigation with respect to various claims; future changes in laws and regulations, including, by way of example, tariffs, in the countries in which we operate; and the other risks, including, by way of example, pandemics and quarantines, noted in reports that we file with the Securities and Exchange Commission, including Item 1A, “Risk Factors” in our most recently-filed Form 10-K as updated by Item 1A of this report. We do not undertake any obligation to update or announce publicly any updates to or revisions to any of the forward-looking statements in this presentation to reflect any change in our expectations or any change in events, conditions, circumstances, or assumptions underlying the statements.

Non-GAAP Financial Measures

This presentation contains information about BorgWarner's financial results that is not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures in the Appendix. The provision of these comparable GAAP financial measures for 2021 is not intended to indicate that BorgWarner is explicitly or implicitly providing projections on those GAAP financial measures, and actual results for such measures are likely to vary from those presented. The reconciliations include all information reasonably available to the company at the date of this presentation and the adjustments that management can reasonably predict.

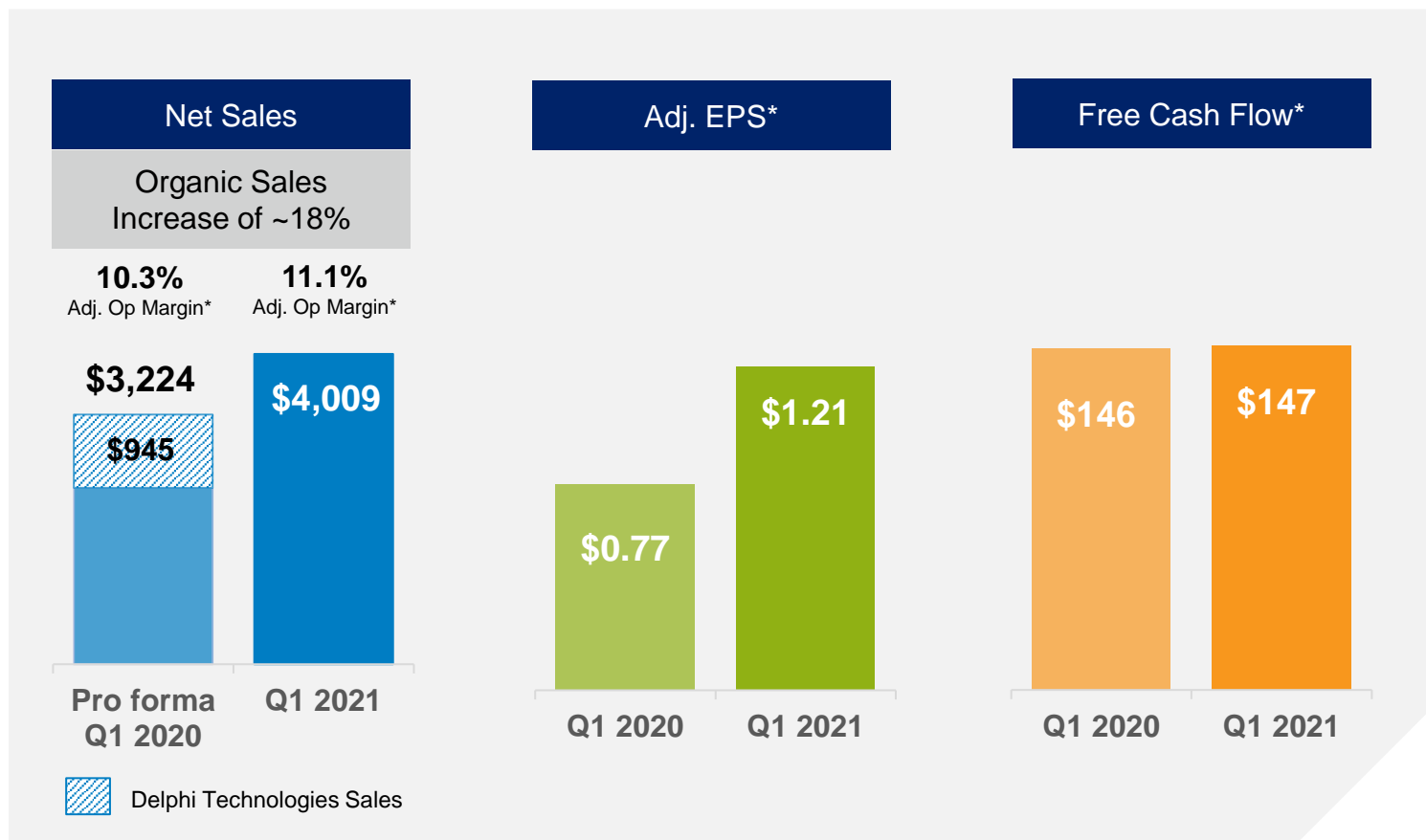
Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, because not all companies use identical calculations, the non-GAAP financial measures as presented by BorgWarner may not be comparable to similarly titled measures reported by other companies.

Agenda

- Fred Lissalde
Chief Executive Officer
- Kevin Nowlan
Chief Financial Officer
- Q&A

2021 Starts Strong Despite Industry Headwinds



- Organic revenue and outgrowth tracking ahead of full year guidance
- Strong incremental margin reflects cost controls and synergies in excess of PPA
- Strong FCF despite working capital investment
- Announced AKASOL acquisition
- Additional product awards for electrified vehicles

* Adj. operating margin, Adj. EPS and Free cash flow on this slide are non-US-GAAP measures. See reconciliation to US GAAP in Appendix.

Acquisition of Leading Battery Systems Provider



Strengthens BorgWarner's electric propulsion systems leadership

- Battery Systems is a key element of BorgWarner's e-growth strategy
- AKASOL is a leader in high-performance battery system solutions for electric vehicles
- AKASOL has highly flexible battery technology across multiple cell architectures
- AKASOL has proven technologies and products with established manufacturing facilities already in serial production today
- AKASOL has a strong order backlog of approximately \$2.4B¹ primarily from leading OEMs
- AKASOL products serve CV and Off-highway applications, which aligns with BorgWarner's goal to increase its electrification portfolio across both LV and CV markets

¹ Backlog based on latest AKASOL public disclosure of €2.0B as of Q2 2020 using \$1.20 USD to Euro exchange rate.

New iDM Award for Major Asian OEM Outside China



Integrated Drive Module (iDM)

- Award with major Asian OEM outside China for EVs expected to launch in 2023
 - Used in A-segments electric vehicles
 - Saves weight and space by combining BorgWarner's electric motor, gearbox and integrated power electronics

**First iDM product combining
BorgWarner and Delphi Technologies portfolios**

PROJECT CHARGING FORWARD



**PROFITABLY
SCALE eLV**

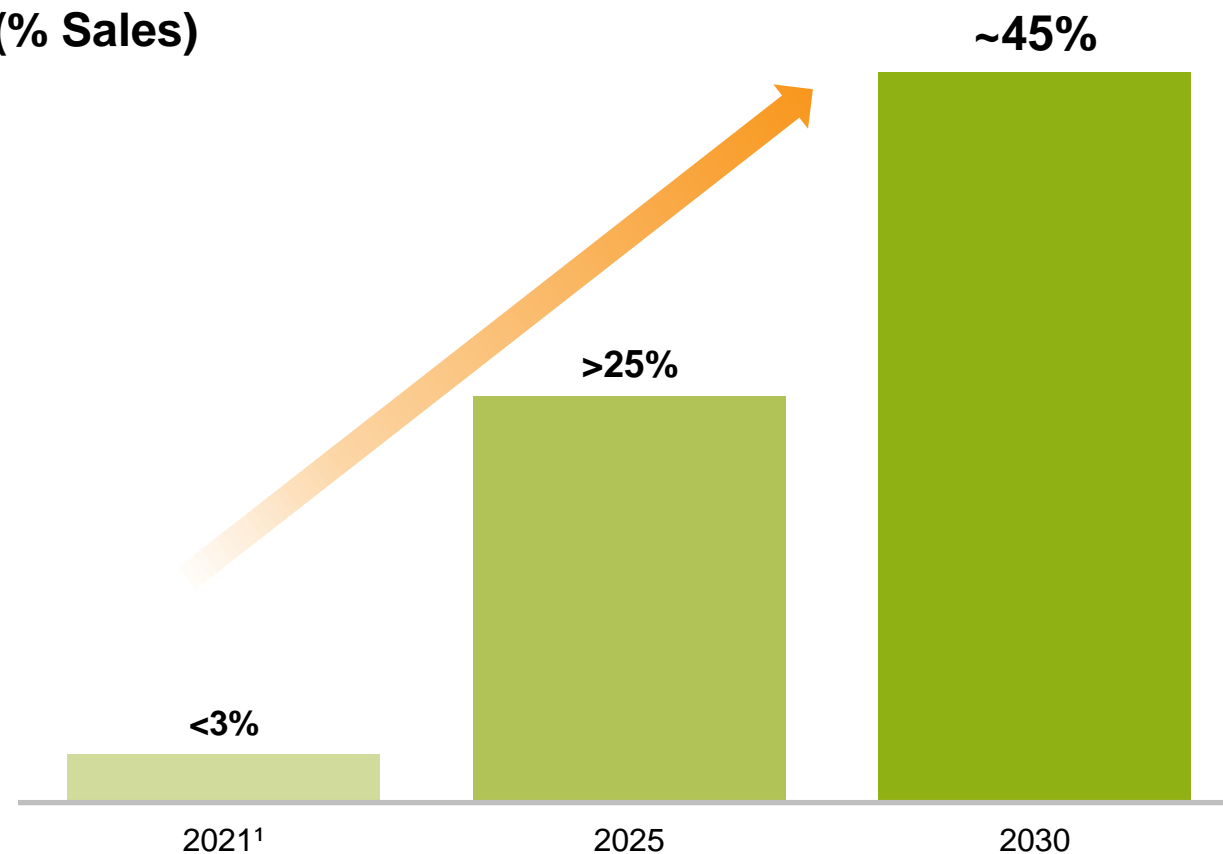


**EXPAND
INTO eCV**



**OPTIMIZE
COMBUSTION
PORTFOLIO**

Electric Vehicles (% Sales)



¹ Estimate at the midpoint of FY21 guidance
Source: BorgWarner estimate

Achieved Great Place to Work-Certified™ Company Status

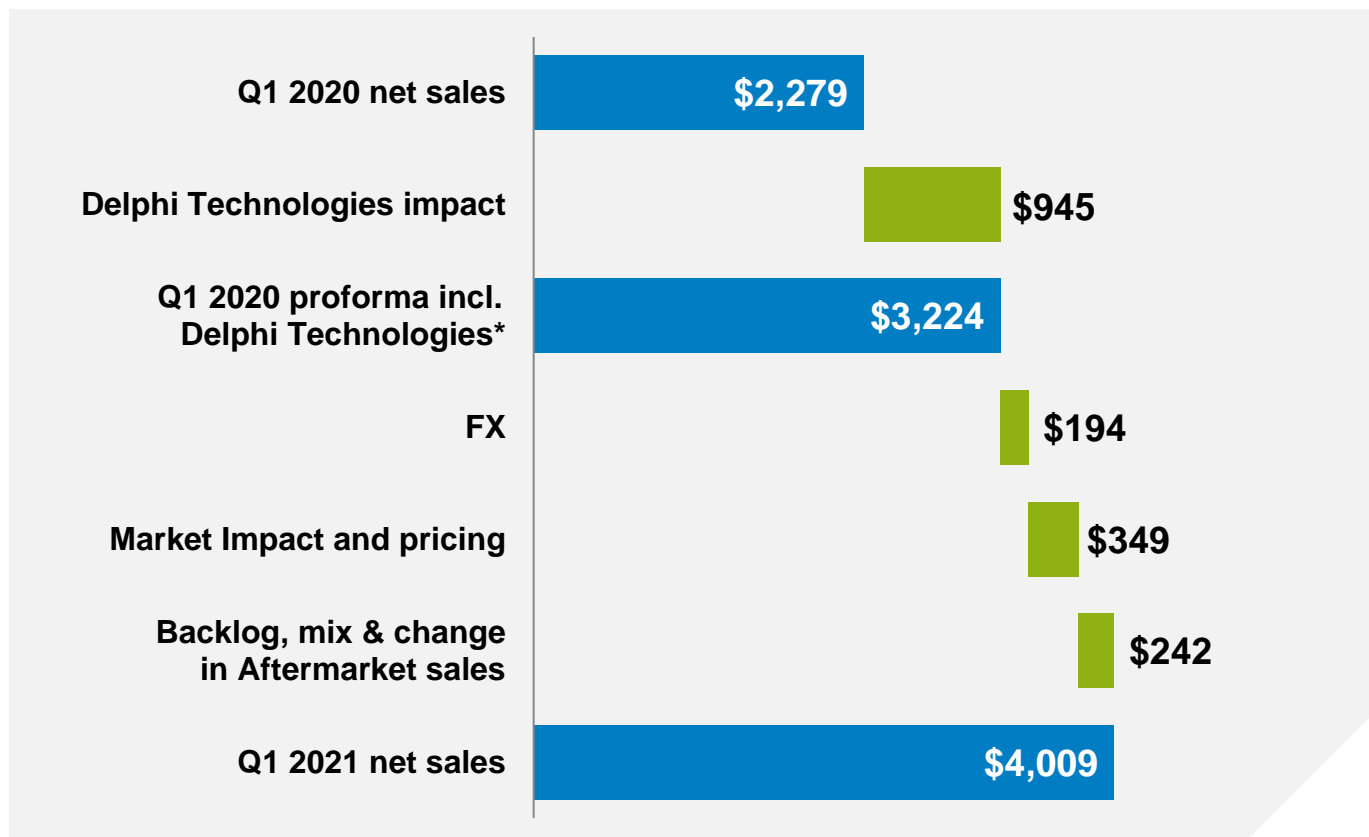


- Achieved status for 2nd consecutive year
 - Great Place to Work is the global authority on workplace culture
 - Affirms leadership behaviors proven to deliver market leading revenue and increased innovation
 - Certification validates positive work environment

We continue to strive to be an employer of choice

BorgWarner Q1 2021 Net Sales Walk

\$ in millions

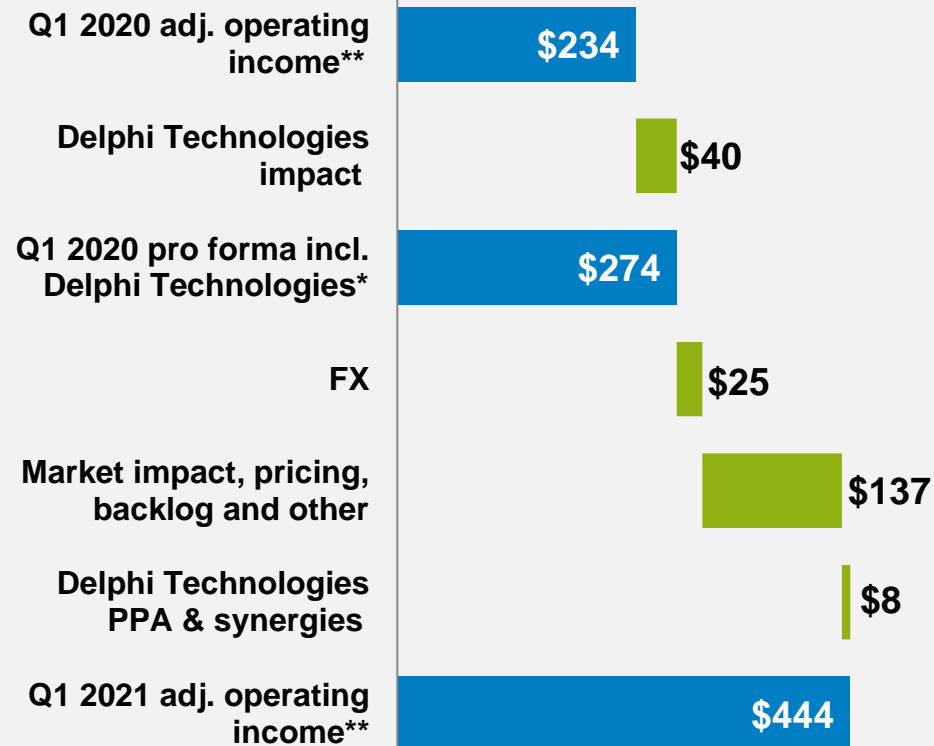


* See pro forma description in Appendix

- Global light vehicle markets up ~13% year over year
- Organic sales grew ~18%, with outgrowth driven by North America and Europe
 - **Europe** – Gas turbos, GDI Growth
 - **North America** – New business launches and F-150 benefit

BorgWarner Financial Results & Adj. Operating Income

\$ in millions

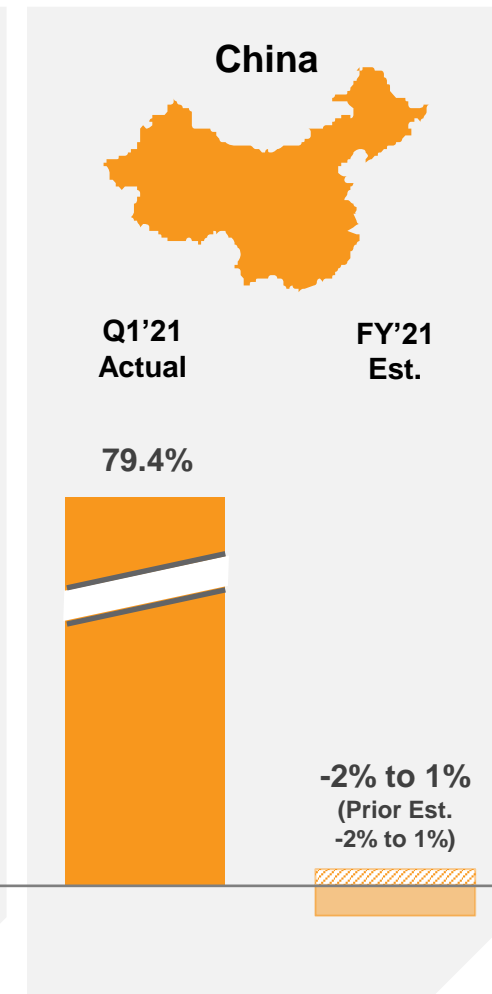
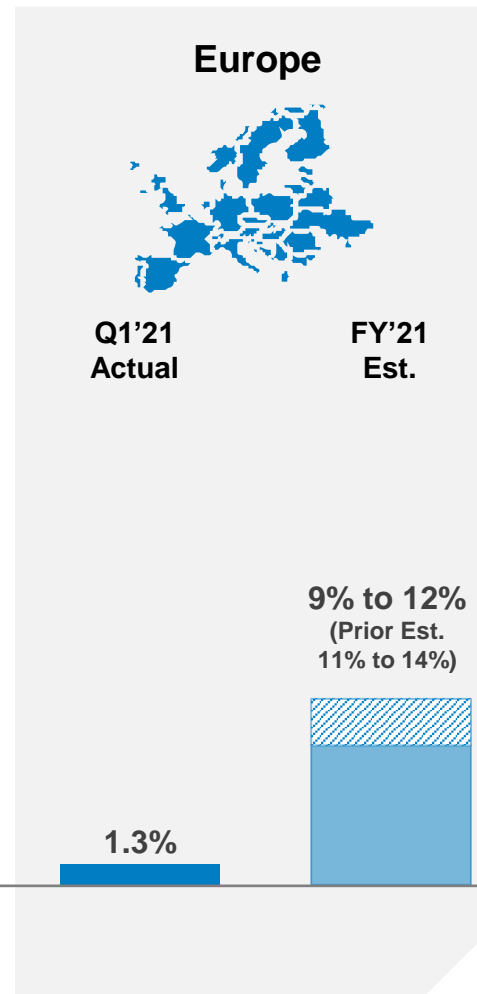
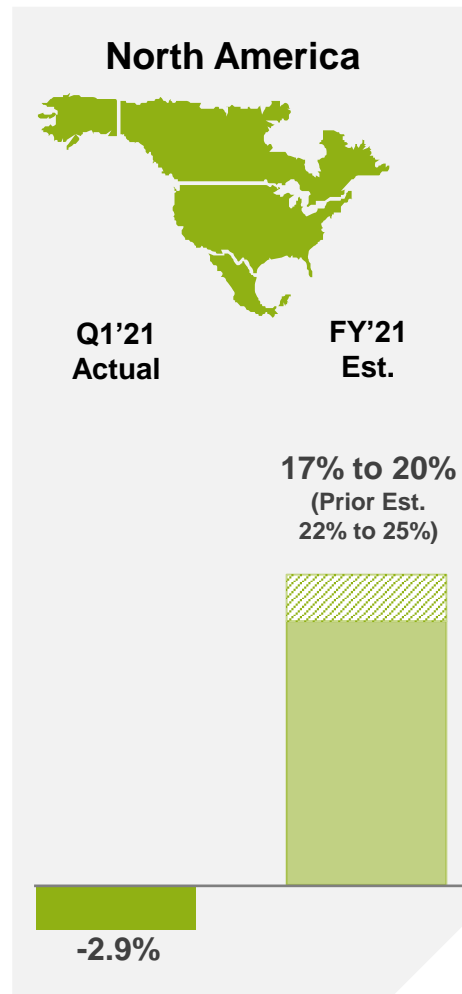
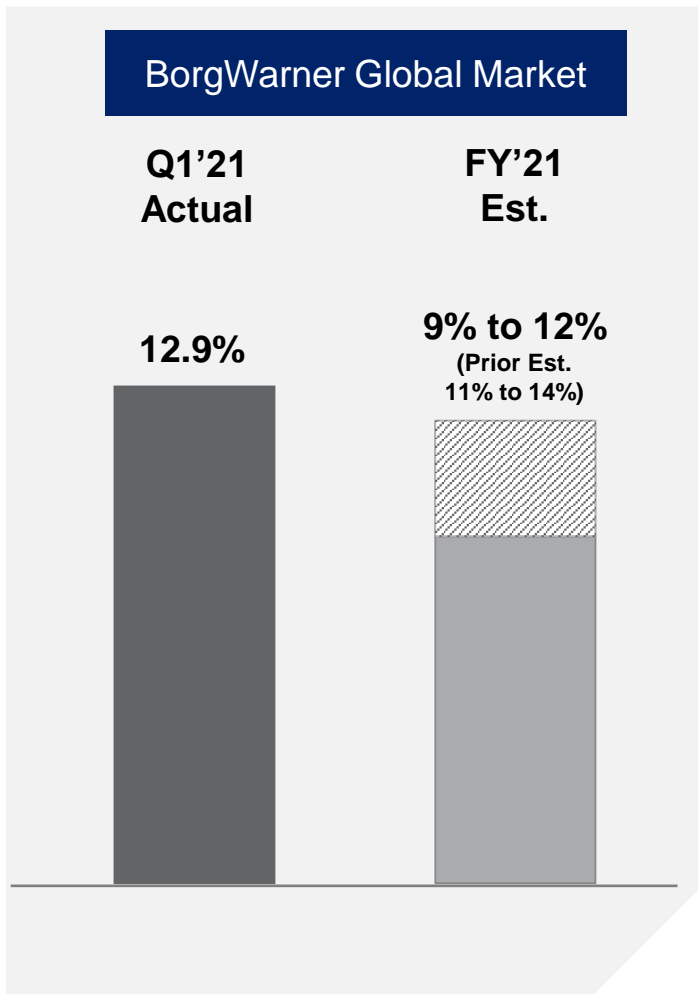


(in millions, except per share amounts) GAAP & Non-GAAP Financials	Three months ended March 31,	
	2020	2021
Sales	\$2,279	\$4,009
Adj. operating income** Adj. operating margin**	\$234 10.3%	\$444 11.1%
Adj. diluted EPS**	\$0.77	\$1.21
Free cash flow**	\$146	\$147

* See pro forma description in Appendix

**Adj. operating income, Adj. operating margin, Adj. diluted EPS and free cash flow on this slide are non-US-GAAP measures. See reconciliation to US GAAP in Appendix

Expect Global Markets to Rebound in 2021

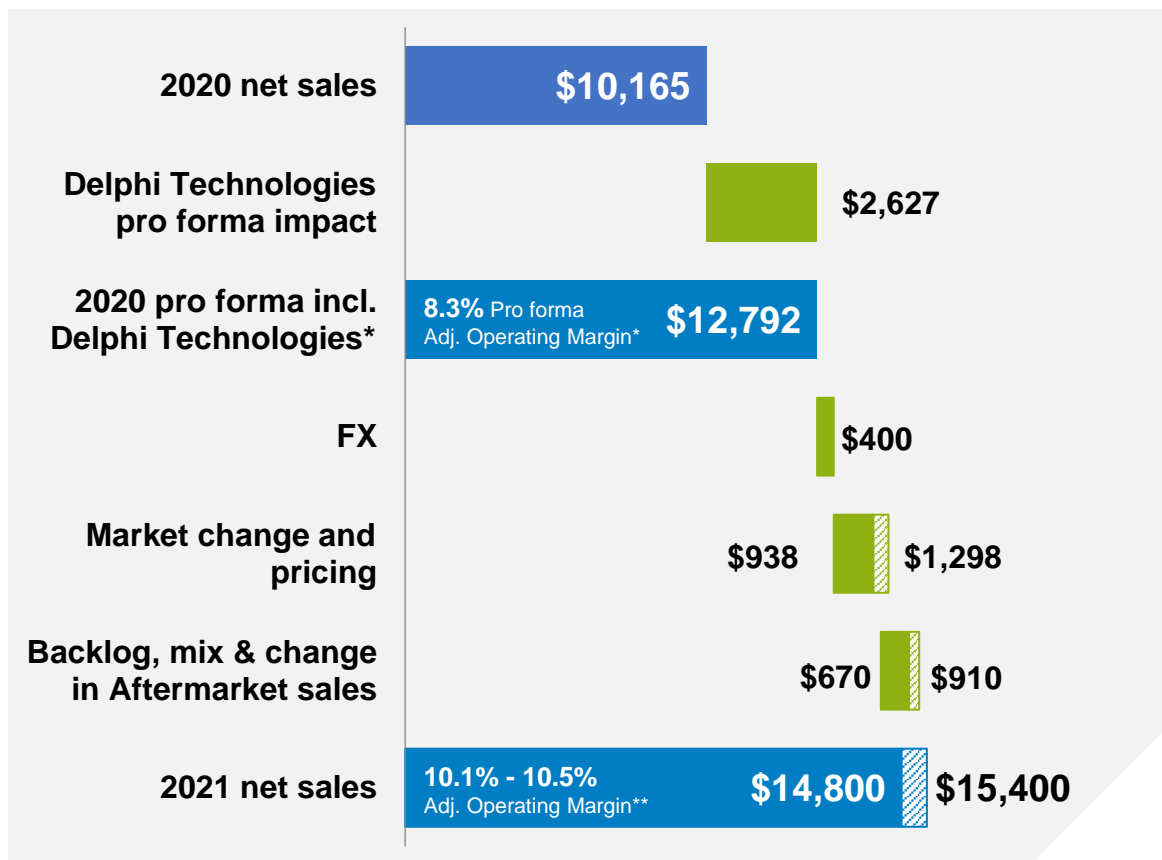


Note: 2021 actuals and estimates are BorgWarner-weighted market assumptions based on April 2021 LV IHS and May 2021 CV On-Hwy IHS

2021 Expected Sales Walk and Guidance

\$ in millions

Full-year Net Sales Outlook



Net Sales Highlights

- Organic growth of ~12% to ~17%

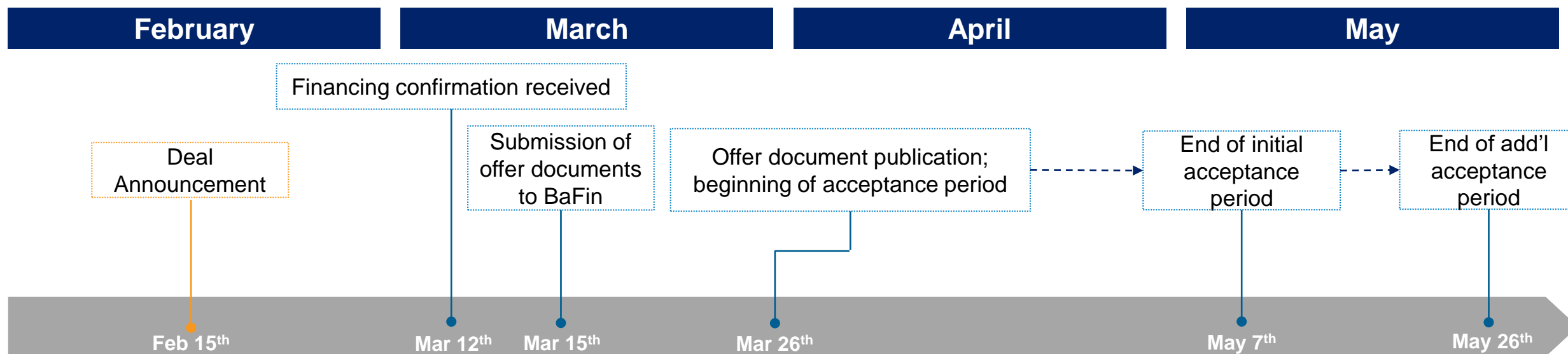
Earnings and FCF Highlights

- Incremental margins in the low 20% range before synergies and purchase price amortization
- Delphi Technologies cost synergies benefit expected to be incremental \$70 to \$80 million in 2021
 - Cumulative synergies ~\$85 to \$95 million
- Adj. diluted EPS ~\$4.00 to \$4.35**
- Free cash flow ~\$800 to \$900 million**

* See pro forma description in Appendix

** Adj. operating margin, Adj. diluted EPS and free cash flow on this slide are non-US GAAP measures. See reconciliation to US GAAP in Appendix.

AKASOL Transaction Progressing Towards Q2 Closing



Charging Forward MD&A process is well under way



 **BorgWarner**
Thank you!

May 5, 2021

Appendix

2021 Planning Assumptions

- | | |
|-----------------------------------|------------------------|
| ■ CapEx | \$725 to \$775 million |
| ■ R&D spending | ~5% of sales |
| ■ Tax rate for ongoing operations | ~31% |

Pro Forma Description

On October 1, 2020 BorgWarner completed its acquisition of Delphi Technologies PLC (Delphi Technologies). The 2020 pro forma unaudited quarterly financial information included herein includes the pro forma combined results of BorgWarner and Delphi Technologies for periods prior to October 1, 2020. The pro forma financial information for the three months ended March 31, 2020 and June 30, 2020 has been derived from the unaudited consolidated financial statements included in BorgWarner's and Delphi Technologies' Quarterly Reports on Form 10-Q for the three and six months ended June 30, 2020. The pro forma financial information for the three months ended September 30, 2020 has been derived from the unaudited consolidated financial statements included in BorgWarner's Quarterly Report on Form 10-Q for the three months ended September 30, 2020 and from the books and records of Delphi Technologies for the same period. The pro forma financial information does not give effect to the transaction on periods prior to October 1, 2020 and is not necessarily indicative of either the actual consolidated results had the acquisition of Delphi Technologies occurred on January 1, 2020 or of future operating results.

Pro Forma 2020 Quarterly Sales and Adj. Operating Income (Unaudited)

	Pro forma Q1 2020	Pro forma Q2 2020	Pro forma Q3 2020	As Reported Q4 2020	Pro forma FY 2020
Air Management					
Net sales	\$ 1,683	\$ 961	\$ 1,750	\$ 1,942	\$ 6,336
Adj. EBIT	241	34	278	301	854
Adj. EBIT Margin	14.3%	3.5%	15.9%	15.5%	13.5%
e-Propulsion & Drivetrain					
Net sales	\$ 1,032	\$ 757	\$ 1,305	\$ 1,447	\$ 4,541
Adj. EBIT	64	(4)	148	164	372
Adj. EBIT Margin	6.2%	-0.5%	11.3%	11.3%	8.2%
Fuel Injection					
Net sales	\$ 411	\$ 250	\$ 410	\$ 479	\$ 1,550
Adj. EBIT	20	(28)	31	39	62
Adj. EBIT Margin	4.9%	-11.2%	7.6%	8.1%	4.0%
Aftermarket					
Net sales	\$ 174	\$ 129	\$ 195	\$ 194	\$ 692
Adj. EBIT	15	6	18	22	61
Adj. EBIT Margin	8.6%	4.7%	9.2%	11.3%	8.8%
Inter-segment sales eliminations	(76)	(43)	(72)	(136)	(327)
Corporate expenses	(66)	(60)	(79)	(78)	(283)
Total Company					
Net sales	\$ 3,224	\$ 2,054	\$ 3,588	\$ 3,926	\$ 12,792
Adj. operating income	\$ 274	\$ (52)	\$ 396	\$ 448	\$ 1,066
Adj. operating margin	8.5%	-2.5%	11.0%	11.4%	8.3%

BorgWarner Global Production Outlook (2021 vs. 2020)

	North America	Europe	China	Total
Light Vehicle Production	17% to 20%	9% to 12%	2% to 5%	10% to 13%
Commercial Vehicle Production	24% to 26%	8% to 11%	-20% to -25%	5% to 8%
BorgWarner-Weighted Production	17% to 20%	9% to 12%	-2% to 1%	9% to 12%

Note: 2021 estimates are BorgWarner-weighted market assumptions based on April 2021 LV IHS and May 2021 CV On-Hwy IHS

First Quarter Reconciliation to US GAAP

Adjusted Operating Income and Adjusted Operating Margin

The Company defines adjusted operating income as operating income adjusted to eliminate the impact of restructuring expense, merger, acquisition and divestiture expense, other net expenses, discontinued operations, and other gains and losses not reflective of the Company's ongoing operations. The company defines adjusted operating margin as adjusted operating income divided by net sales

\$ in millions	Three Months Ended March 31,	
	2021	2020
Sales	\$ 4,009	\$ 2,279
Operating income	\$ 403	\$ 198
Operating margin %	10.1%	8.7%
Non-comparable items:		
Restructuring expense	30	15
Merger, acquisition and divestiture expense	13	21
Net gain on insurance recovery for property damage	(2)	-
Adjusted operating income	\$ 444	\$ 234
Adjusted operating margin	11.1%	10.3%

First Quarter Reconciliation to US GAAP

Adjusted Earnings Per Diluted Share

The Company defines adjusted earnings per diluted share as earnings per diluted share adjusted to eliminate the impact of restructuring expense, merger, acquisition and divestiture expense, other net expenses, discontinued operations, other gains and losses not reflective of the Company's ongoing operations, and related tax effects.

	Three Months Ended March 31,	
	2021	2020
Earnings per diluted share	\$ 0.27	\$ 0.63
Non-comparable items:		
Restructuring expense	0.12	0.06
Merger, acquisition and divestiture expense	0.04	0.10
Unrealized loss on equity securities	0.87	0.04
Tax adjustments	(0.09)	(0.06)
Adjusted earnings per diluted share	\$ 1.21	\$ 0.77

First Quarter Organic Net Sales Change

Organic Net Sales Change

BorgWarner net sales change year over year excluding the estimated impact of foreign exchange (FX) and net M&A.

\$ in millions	Q1 2020 Net Sales	FX	Q1 2020 Delphi Technologies Impact	Market Impact, Pricing & Other	Q1 2021 Net Sales	Organic Net Sales Change
Air Management	\$ 1,434	\$ 98	\$ 249	\$ 230	\$ 2,011	13.7%
e-Propulsion & Drivetrain	860	63	172	371	1,466	35.9%
Fuel Injection	-	29	411	35	475	8.5%
Aftermarket	-	4	174	19	197	10.9%
Inter-segment eliminations	(15)	-	(61)	(64)	(140)	-
Total	\$ 2,279	\$ 194	\$ 945	\$ 591	\$ 4,009	18.3%

FY'21 Adj. Operating Income and Adj. Operating Margin Guidance Reconciliation to US GAAP

\$ in millions	Full Year 2021 Guidance	
	Low	High
Net Sales	\$ 14,800	\$ 15,400
Operating income	\$ 1,282	\$ 1,452
Operating margin	8.7%	9.4%
Non-comparable items		
Restructuring expense	\$ 200	\$ 150
Merger, acquisition and divestiture expense	20	20
Net gain on insurance recovery for property damage	(2)	(2)
Adjusted operating income	\$ 1,500	\$ 1,620
Adjusted operating margin	10.1%	10.5%

FY'21 Adj. Earnings per Diluted Share Guidance

Reconciliation to US GAAP

	Full Year 2021 Guidance	
	Low	High
Earnings per diluted share	\$ 3.42	\$ 3.92
Non-comparable items:		
Restructuring and other expense	0.58	0.43
Merger, acquisition and divestiture expense	0.09	0.09
Tax adjustments	(0.09)	(0.09)
Adjusted earnings per diluted share	\$ 4.00	\$ 4.35

Q1'21 and FY'21 Free Cash Flow to Reconciliation to US GAAP

The Company defines free cash flow as net cash provided by operating activities minus capital expenditures, including tooling outlays. The measure is useful to both management and investors in evaluating the Company's ability to service and repay its debt.

\$ in millions	Three Months Ended March 31,	
	2021	2020
Net cash provided by operating activities	\$ 342	\$ 263
Capital expenditures, including tooling outlays	(195)	(117)
Free cash flow	<u>\$ 147</u>	<u>\$ 146</u>

\$ in millions	Full Year 2021 Outlook	
	Low	High
Net cash provided by operating activities	\$ 1,525	\$ 1,675
Capital expenditures, including tooling outlays	(725)	(775)
Free cash flow	<u>\$ 800</u>	<u>\$ 900</u>

Key Definitions

The terms below are commonly used by management and investors in assessing ongoing financial performance:

- **Organic Net Sales Change.** BorgWarner net sales change year over year excluding the estimated impact of foreign exchange (FX) and net M&A.
- **Market.** Light and commercial vehicle production weighted for BorgWarner's geographic exposure as estimated by BorgWarner.
- **Outgrowth.** "Organic Net Sales Change" excluding Aftermarket segment vs. year-over-year change in "Market".