



# BorgWarner to Acquire AKASOL AG

## High-Performance Battery Systems Provider

February 2021



# Forward-Looking Statements







This presentation may contain forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform 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," "guidance," "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, 2019 ("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 in 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 COVID-19, including additional production disruptions; the possibility that the proposed transaction will not be consummated; failure to obtain necessary regulatory approvals or to satisfy any of the other conditions to the proposed transaction; adverse effects on the market price of BorgWarner's shares of common stock and BorgWarner's operating results because of a failure to complete the proposed transaction; failure to realize the expected benefits of the proposed transaction; negative effects relating to the announcement of the proposed transaction or any further announcements relating to the proposed transaction or the consummation of the proposed transaction on the market price of BorgWarner's shares of common stock; 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; our dependence on automotive and truck production, both of which are highly cyclical; our reliance on major OEM customers; commodities availability and pricing; supply disruptions; fluctuations in interest rates and foreign currency exchange rates; availability of credit; the uncertainty of the global economic environment; and the other risks 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 and in our most recently-filed Form 10-Q. 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.

# Acquisition of Leading Battery Systems Provider



**BorgWarner's acquisition of AKASOL will strengthen its 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 \$2.4B<sup>1</sup> 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.

# AKASOL AG Overview

## Company Snapshot

- AKASOL is a developer and manufacturer of **high-performance lithium-ion battery systems** for buses, commercial vehicles, rail vehicles and stationary applications

### Key Facts

**HQ:** Germany

**Employees:** 330

**Founded:** 1990

**Backlog:** ~\$2.4B<sup>1</sup>

## Key Markets & Customers



Buses



Rail



Industrial



Commercial



Marine

### High-Quality Customers



**DAIMLER**  
**ALSTOM**

And  
others

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

# Global Footprint with Production-Ready Capacity

State-of-the-art manufacturing facilities

Langen 



Completed capacity expansion to support future growth

Darmstadt 



New HQ with 1 GWh of installed capacity

Hazel Park 



New US facility to support North American customers



**1.0 GWH**  
Production Output

2020



2022

**4.7 GWH**  
Production Output



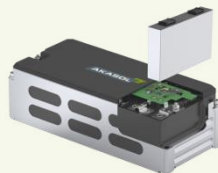
# Flexible Battery Technology Across Cell Types

Integrated battery solutions for any kind of commercial vehicle

## Cell Architectures



Pouch Cell / POC



Prismatic Cell / PRC



Cylindrical Cell / CYC

## Cell

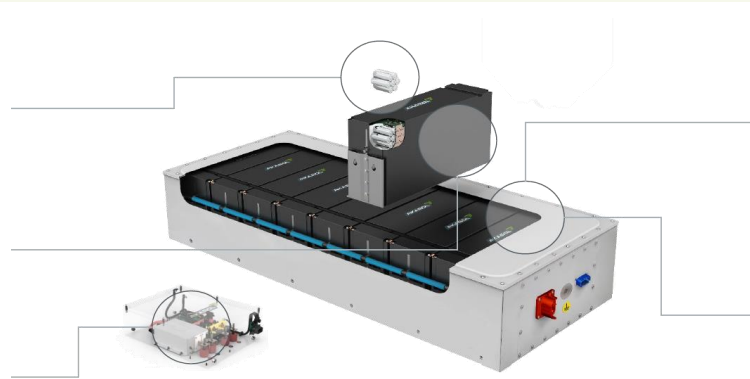
Highly selective process allows AKASOL to use only the top-tier quality cells

## Module

Highly functional and scalable module design with liquid cooling

## Accessories

Development and supply of various accessories



## System

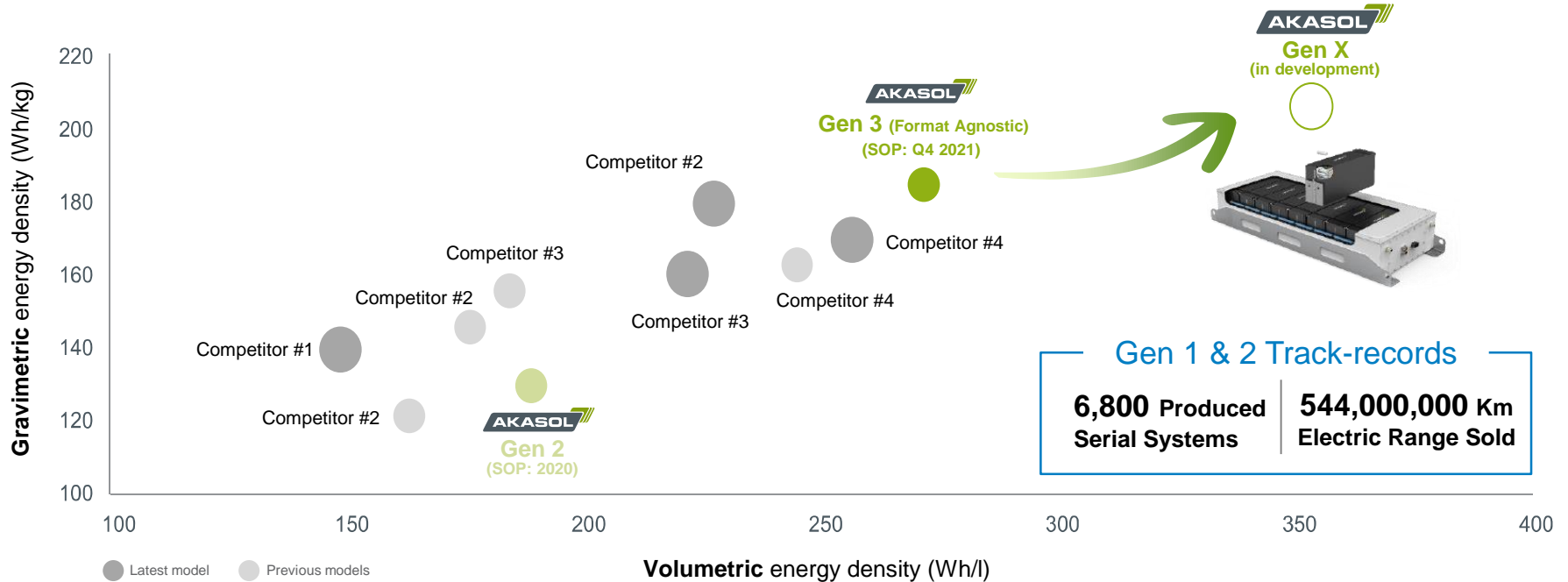
Reliable and robust system design with various industry compliances

## Smart BMS

AKASOL's BMS offers a complete solution for monitoring and controlling complex battery systems

# Technology Leading Position in Energy Density

## Ultra-High-Energy System in Gravimetric and Volumetric Energy Density



Note(s): Company information as of November 2020. Gravimetric represents amount of energy stored in given mass. Volumetric represents amount of energy stored in given volume.

# Potential for Significant, Long-Term Growth

## Significant TAM Opportunities

Global Lithium-ion Battery Systems Market for Electric Vehicle in 2030E<sup>1</sup>

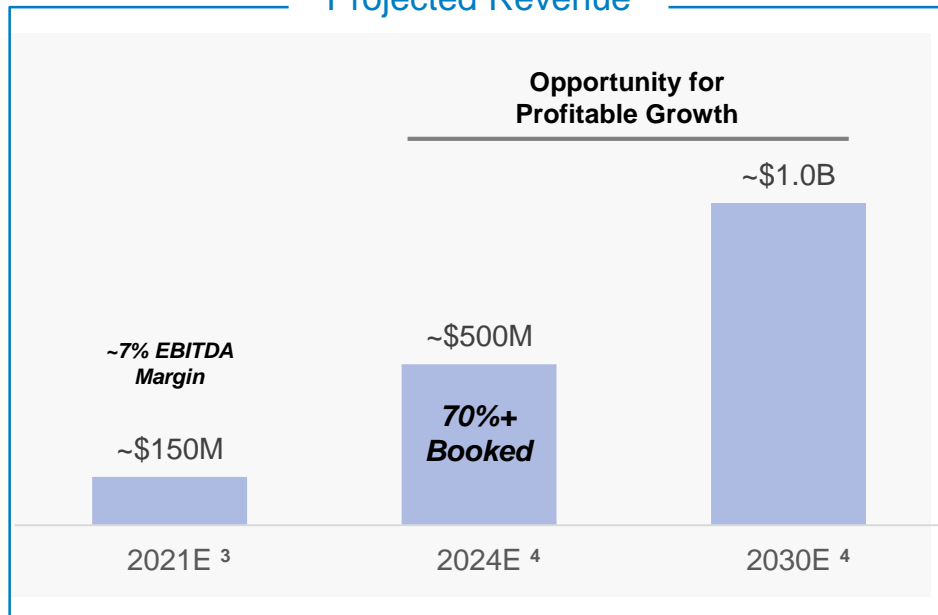
~\$140B

Near-term Focus on:

Europe and North America  
CV / Off-Highway<sup>2</sup>

~\$10B

## Projected Revenue



Source: IHS and management forecast.

<sup>1</sup> Global EV and hybrid lithium-ion battery systems market for all vehicles in 2030E.

<sup>2</sup> 2030E estimate includes Class 4+ Truck & Bus, Material Handling, Construction & Mining, Rail and Marine segments.

<sup>3</sup> 2021E in line with average broker consensus as of 12 February 2021 using \$1.20 USD to Euro exchange rate.

<sup>4</sup> Based on BorgWarner's diligence of AKASOL management plan for 2024 and BorgWarner's estimate of 2030E using \$1.20 USD to Euro exchange rate.



# Complements BorgWarner's Electrification Capabilities

BorgWarner's Product Offerings Across Full Suite of Electrification Capabilities

## E-Motors & Gearboxes



eGearDrive®  
Transmission



Electric Drive  
Motor

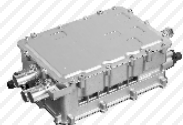
 **BorgWarner**



## Power Electronics



Combined  
Inverter and  
DC/DC  
Converter

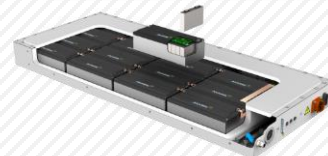


On Board  
Charger

**Delphi**  
Technologies

**SEVCON**

## Battery Pack Systems



**AKASOL**

 **ROMEO**  
POWER TECHNOLOGY  
60/40 JV

Continued Organic and Inorganic Investments in Powertrain Electrification

Representative Examples

# Transaction Summary

## Transaction Overview

- BorgWarner and AKASOL signed binding Business Combination Agreement under which BorgWarner will launch a voluntary public takeover offer for all outstanding shares of AKASOL AG
- ~59% majority ownership already secured via irrevocable undertakings from major shareholders, including CEO and founder Sven Schulz
- Cash offer consideration of €120.00 per share
  - Implied equity value of €727M<sup>1</sup> and enterprise value of €754M<sup>2</sup>
  - Implied enterprise multiple of 1.8x 2024E sales<sup>3</sup>
  - Represents ~23% premium to AKASOL's 3-month VWAP (€97.28)<sup>4</sup>

## Governance Framework

- AKASOL is expected to continue to be run independently from its Darmstadt headquarters
- AKASOL Executive Board expected to continue their roles after completion of the transaction
- BorgWarner to have majority control of the Supervisory Board, commensurate with its ownership stake
  - BorgWarner does not intend to enter into domination agreement and/or profit and loss transfer agreement
- Subsequent to completion of the public tender offer, BorgWarner will pursue additional actions, as necessary, to achieve full control and ownership of AKASOL, including delisting

1. Based on basic shares outstanding.

2. Reflecting latest reported AKASOL balance sheet items as of September 30, 2020.

3. See footnote 4 on slide 8.

4. AKASOL ("ASL-GR") three months volume weighted average price based on Bloomberg from November 13, 2020 until February 12, 2021.

# Transaction Summary (continued...)

## Voluntary Offer Considerations

- Minimum acceptance threshold to be crossed with shares delivered under the irrevocable commitments
- Certain regulatory approvals as well as other customary closing conditions:
  - Receipt of necessary clearances or filings with, any governmental or regulatory authorities being procured or made, as applicable
  - Non-occurrence of defined material adverse changes
- Expected publication of offer document by end of March after approval by BaFin
- Closing expected in late second quarter 2021

## Transaction Financing

- Transaction to be funded primarily with existing cash balances and potentially some incremental debt
  - For purpose of satisfying German “Cash Confirmation” requirements, BorgWarner intends to secure \$900M, 364-day undrawn credit facility
- Healthy post-transaction leverage at 1.9x gross-debt-to-EBITDA ratio
- Strong post-transaction liquidity at 24% of 2021 estimated sales