

June 6, 2023

BORGWARNER

Investor Day  
2023

June 6, 2023

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# Welcome/Agenda

**Patrick Nolan**

Vice President, Investor Relations

# 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 (including amounts labeled with an "E," which indicates the amount is estimated) 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 most recently filed Annual Report on Form 10-K ("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: supply disruptions impacting us or our customers, such as the current shortage of semiconductor chips that has impacted original equipment manufacturer ("OEM") customers and their suppliers, including us; commodity availability and pricing, and an inability to achieve expected levels of recoverability in commercial negotiations with customers concerning these costs; competitive challenges from existing and new competitors including OEM customers; the challenges associated with rapidly changing technologies, particularly as relates to electric vehicles, and our ability to innovate in response; uncertainties regarding the extent and duration of impacts of matters associated with the COVID 19/coronavirus pandemic, including additional production disruptions; the difficulty in forecasting demand for electric vehicles and our electric vehicles revenue growth; potential disruptions in the global economy caused by Russia's invasion of Ukraine; the ability to identify targets and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions on a timely basis; our ability to effect the intended tax-free spin-off of our Fuel Systems and Aftermarket segments into a separate, publicly traded company on a timely basis or at all; the potential that uncertainty during the pendency of the spin-off transaction could affect our financial performance; the possibility that the spin-off transaction will not achieve its intended benefits; 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 and subject to disruptions; our reliance on major OEM customers; fluctuations in interest rates and foreign currency exchange rates; 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, or governmental investigations, including related litigation; future changes in laws and regulations, including, by way of example, taxes and tariffs, in the countries in which we operate; impacts from any potential future acquisition or disposition transactions; 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/or Quarterly Report on 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.

# 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 2023 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.

# Today's Agenda

- **Keynote Address** | Fred Lissalde, President & Chief Executive Officer
- **ePropulsion Products** | Stefan Demmerle, President, ePropulsion
- **eThermal Products** | Joe Fadool, President, Emissions, Thermal & Turbo Systems
- **Battery Systems** | Volker Weng, President, Drivetrain and Battery Systems
- **Battery Charging** | Isabelle McKenzie President, Morse Systems

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*10-Minute Break*

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- **Financial Outlook** | Kevin Nowlan, Chief Financial Officer
- **Q&A** | All

June 6, 2023

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CEO Keynote  
Address

Investor Day

**Frédéric B. Lissalde**

Chief Executive Officer

# Executing on Our Vision & Mission

## Our Vision

- A clean, energy-efficient world

## Our Mission

- We deliver **innovative and sustainable mobility solutions**

# BorgWarner Today



**61**

Manufacturing Locations



**19**

Technical Centers



**~38,300**

Employees



**~7,500**

Engineers

**Global Headquarters**

Auburn Hills, MI

**Americas**

**~11,900**

Employees

**27**

Locations

**3**

Countries

**Europe**

**~14,300**

Employees

**23**

Locations

**10**

Countries

**Asia**

**~12,100**

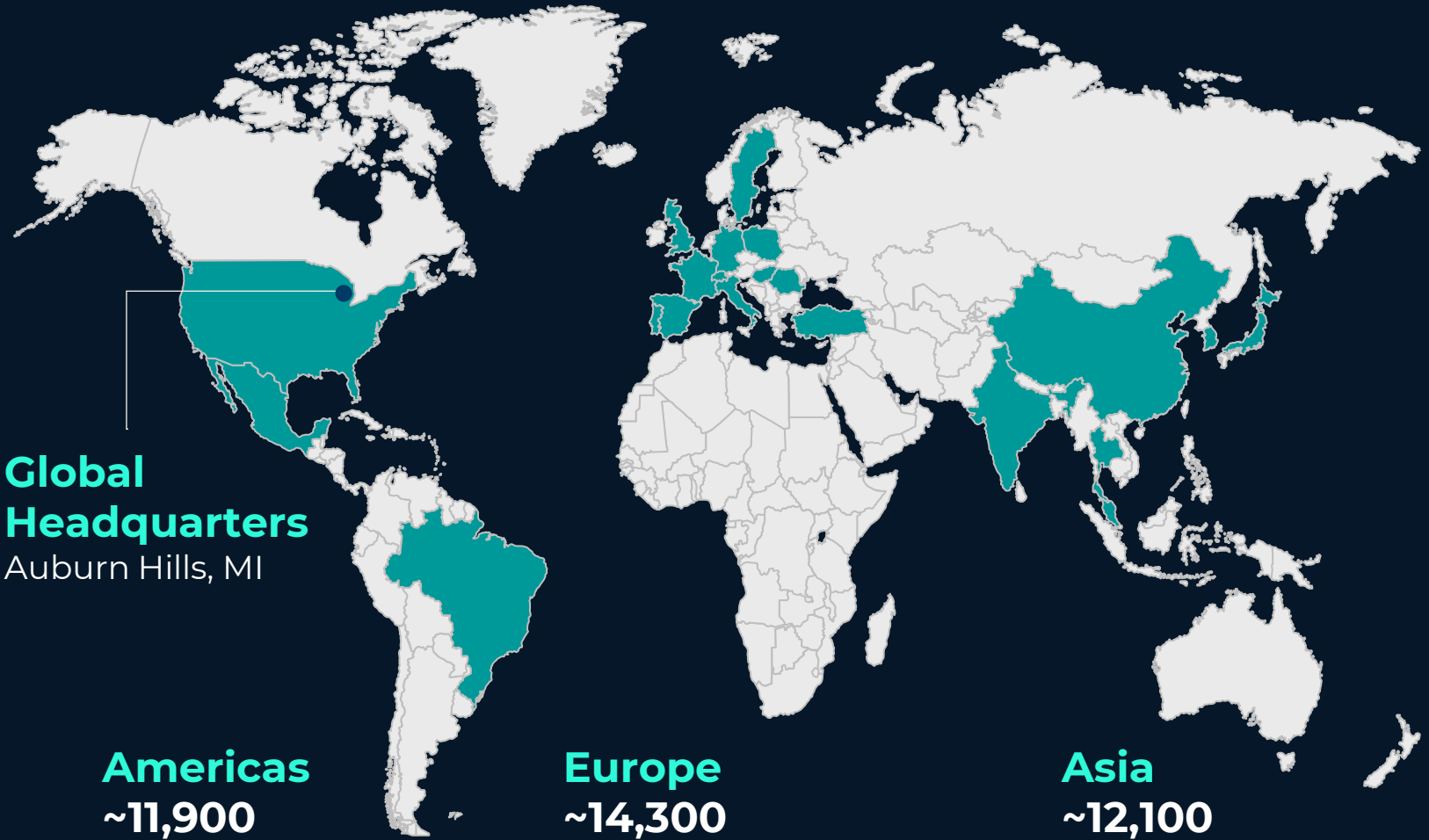
Employees

**30**

Locations

**6**

Countries





# Our Electrification Strategy is Accelerating

**Organic  
eProduct  
Activity has  
Intensified**

**~\$2.2B**

*2021A – 2023E Organic  
eProduct R&D & CapEx  
Investment*

**29 Awards**

*eProduct Awards  
Announced Since March  
2021 Investor Day*

**\$2.3-\$2.6B**

*2023E eProduct  
Sales Guidance*

*Announced  
**CHARGING FORWARD***

**SANTROLL**<sup>®</sup>

**drivetek**

**PHINIA**  
*Spin-Off*

**2020**

**2021**

**2022**

**2023**

**Delphi  
Technologies**

**AKASOL**

**Rhombus**  
*Energy Solutions*

**SSE**

# Our Priorities for Delivering on Our Vision

Creating a Cleaner,  
More Energy-Efficient  
World



- **88% of 2022 sales** from clean and emissions-reducing products
- **53% of 2022 R&D** invested in eProduct projects

Enhancing the  
Sustainability of Our  
Operations



- Commitment to **carbon neutrality by 2035**
- **Goal of 25% Scope 3 emissions reduction** by 2031 from 2021 baseline

Focusing on Workforce  
Transition



- Power to Evolve program has placed >90% of **participating engineers into electric platforms**
- **338** engineers enrolled in three cohorts

# Our Electrification Opportunity Continues to Grow

**Significant Acceleration of EV Market Penetration Since Charging Forward Announcement**

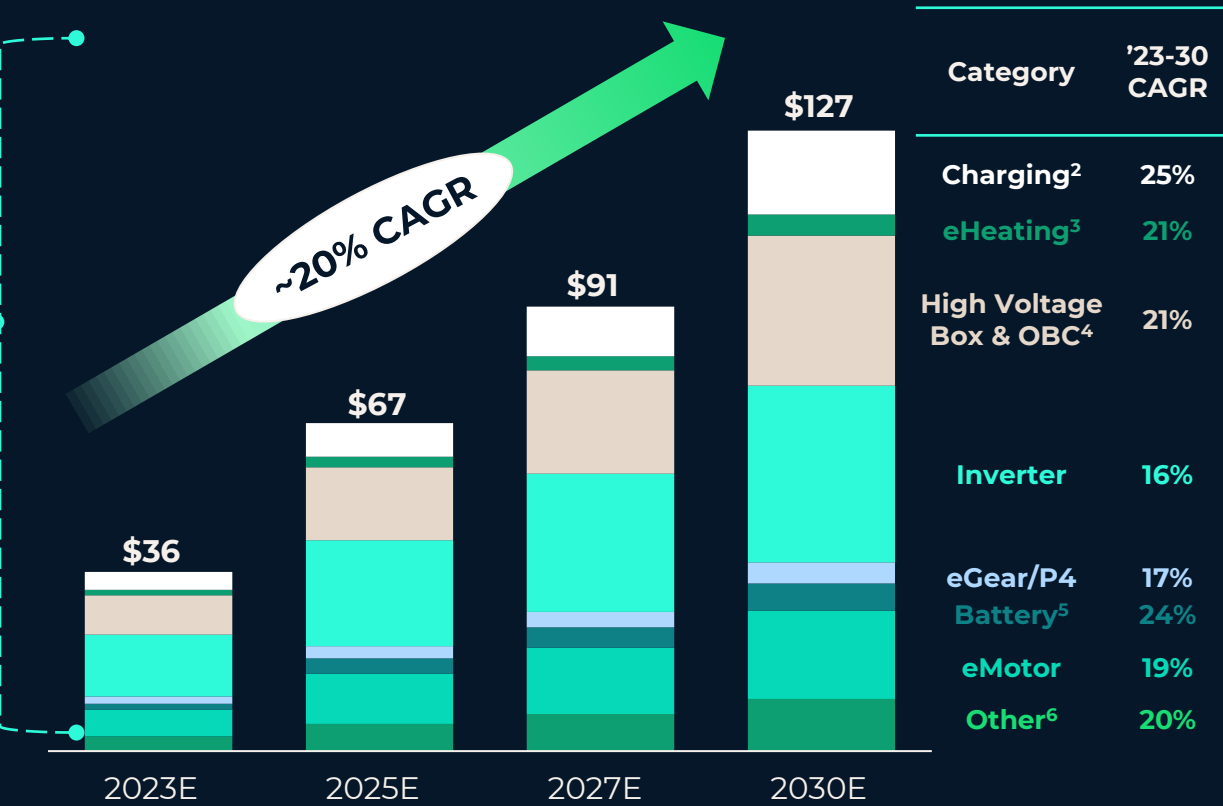
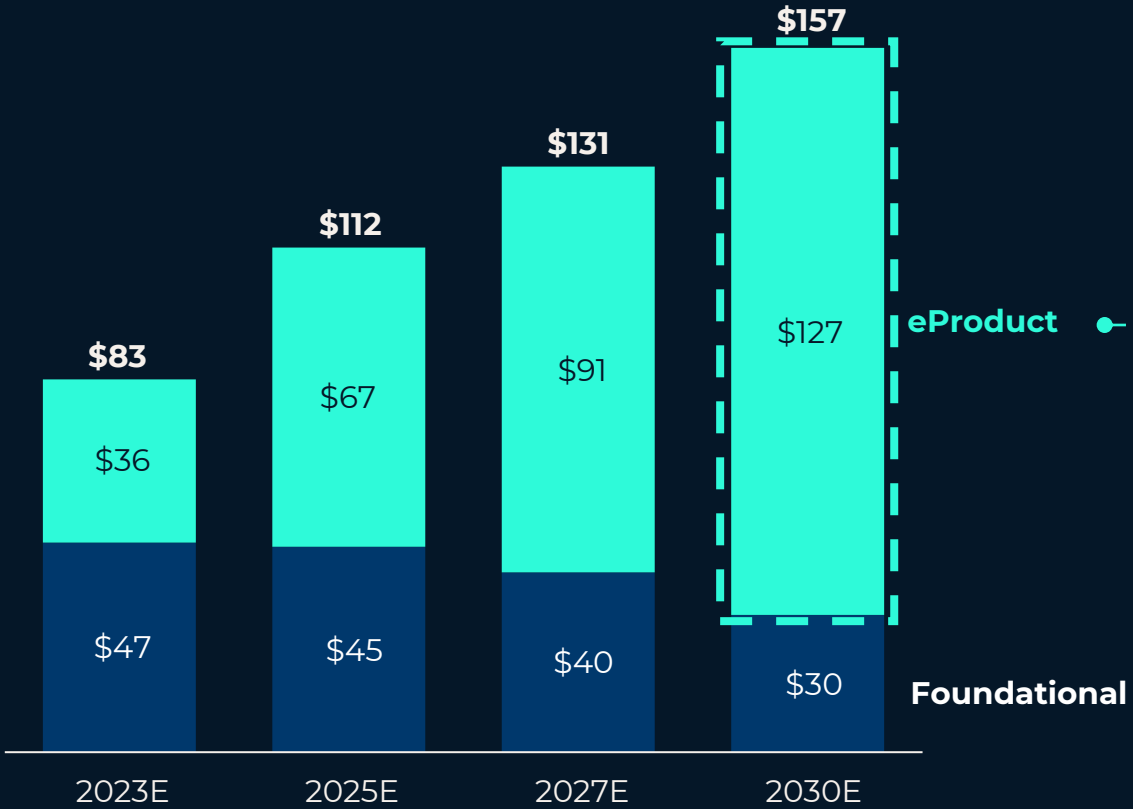
**% BEV Market Penetration:**



# Estimated High-Growth Opportunities Across Large eProduct Market

**True Addressable Market<sup>1</sup> (\$B)**

**eProduct True Addressable Market<sup>1</sup> (\$B)**



Category	'23-30 CAGR
Charging <sup>2</sup>	25%
eHeating <sup>3</sup>	21%
High Voltage Box & OBC <sup>4</sup>	21%
Inverter	16%
eGear/P4 Battery <sup>5</sup>	17%
eMotor	24%
Other <sup>6</sup>	20%

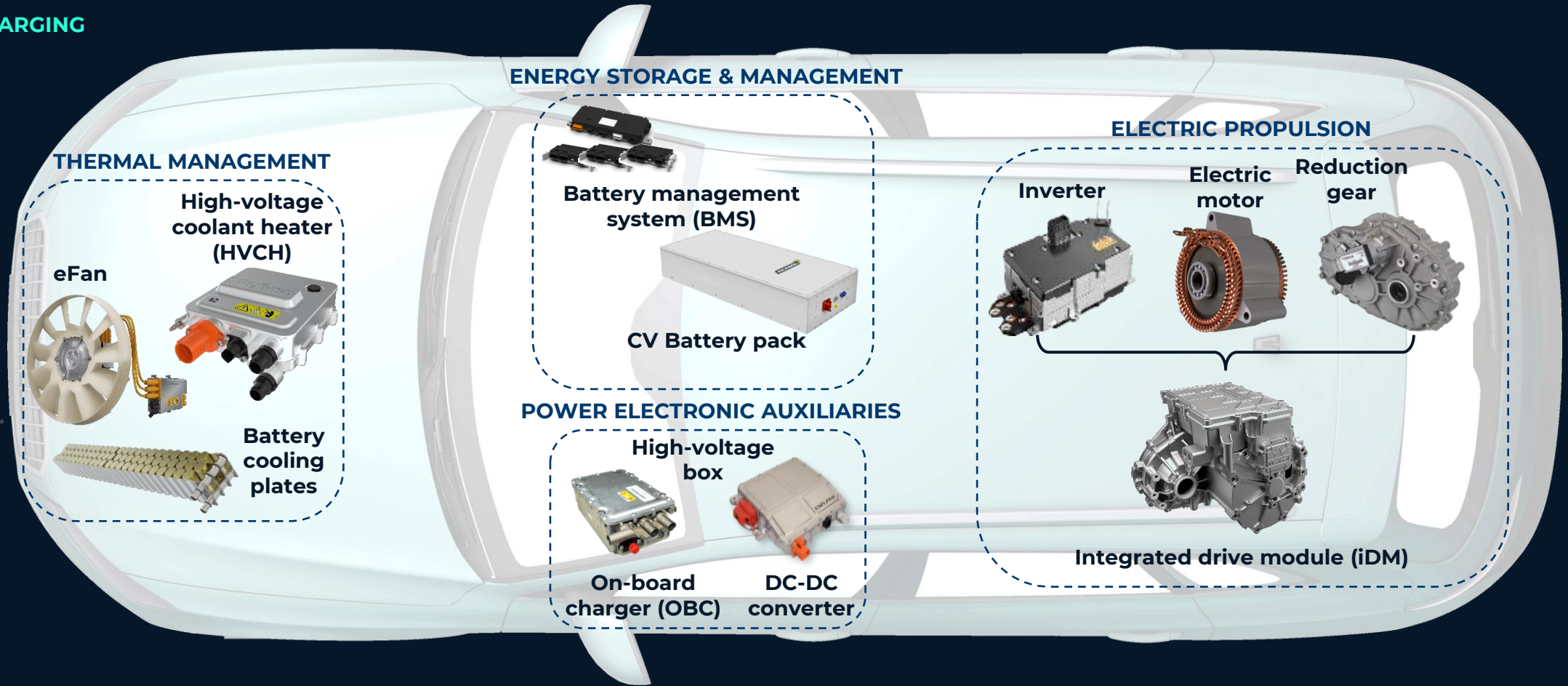
**eProduct TAM ~4x Size of Foundational TAM<sup>1</sup> by 2030**

**~20% Annual eProduct Growth with Power Electronics Remaining the Largest Market**

Source: BorgWarner Global Market Research (1) Excludes in-house markets; (2) DCFC, low and high Voltage, LV and CV on-highway; NA + EU + Asia only; (3) cabin and battery heaters only, does not include eFans, cold plates, PE cooling; (4) DC/DC Converters, OBC, standalone and combo units; (5) CV on-highway NA & EU only; (6) other propulsion Controllers, FCAS, etc.

# Our Investments Have Resulted in a Wide-Ranging Electric Vehicle System Portfolio

## STATIONARY CHARGING



# Charging Forward Progress Report

EV Organic Sales  
in 2025

M&A  
by 2025

Dispositions  
by 2025

## CHARGING FORWARD STRATEGY



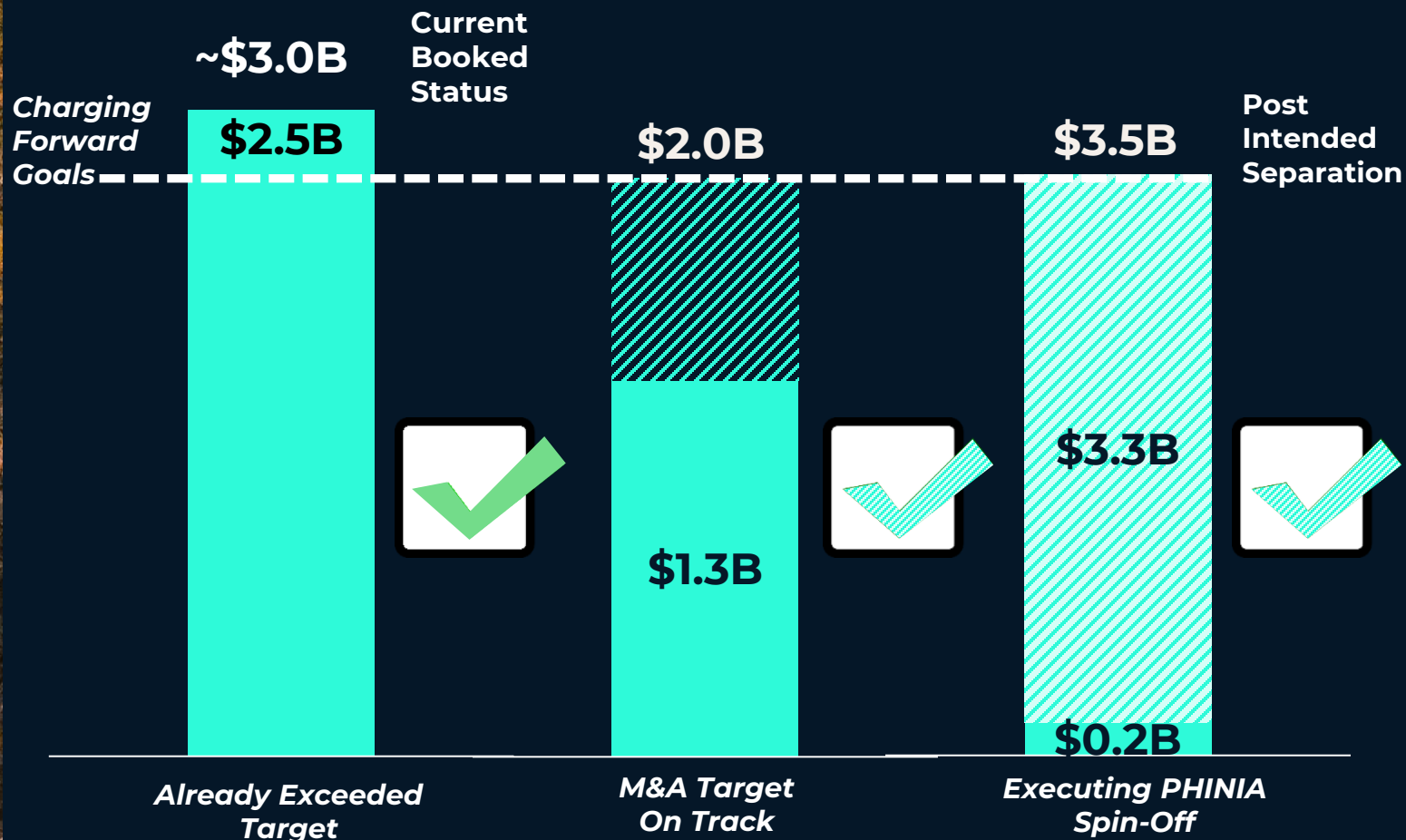
ORGANIC EV  
GROWTH



EV  
FOCUSED  
M&A



OPTIMIZE  
COMBUSTION  
PORTFOLIO



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# Charging Forward Strategy Evolution

STRATEGY  
**CHARGING FORWARD**



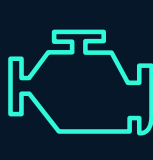
STRATEGY  
**CHARGING FORWARD 2027**



**Organic EV Growth**



**EV-Focused M&A**



**Optimize Combustion**



**eProduct Growth**



**eProduct Profitability**



**Maximize Foundational Value**

# CHARGING FORWARD 2027 STRATEGY



**eProduct  
Growth**



**eProduct  
Profitability**



**Maximize  
Foundational  
Value**

## Establishing 2027 Targets

**eProduct  
Growth**



\$10B+ in eProduct sales by  
2027

**eProduct  
Profitability**



eProduct Adj. Operating  
Margin ~7% by 2027

**Maximize  
Foundational  
Value**



Maintain double-digit  
margins for Foundational  
products

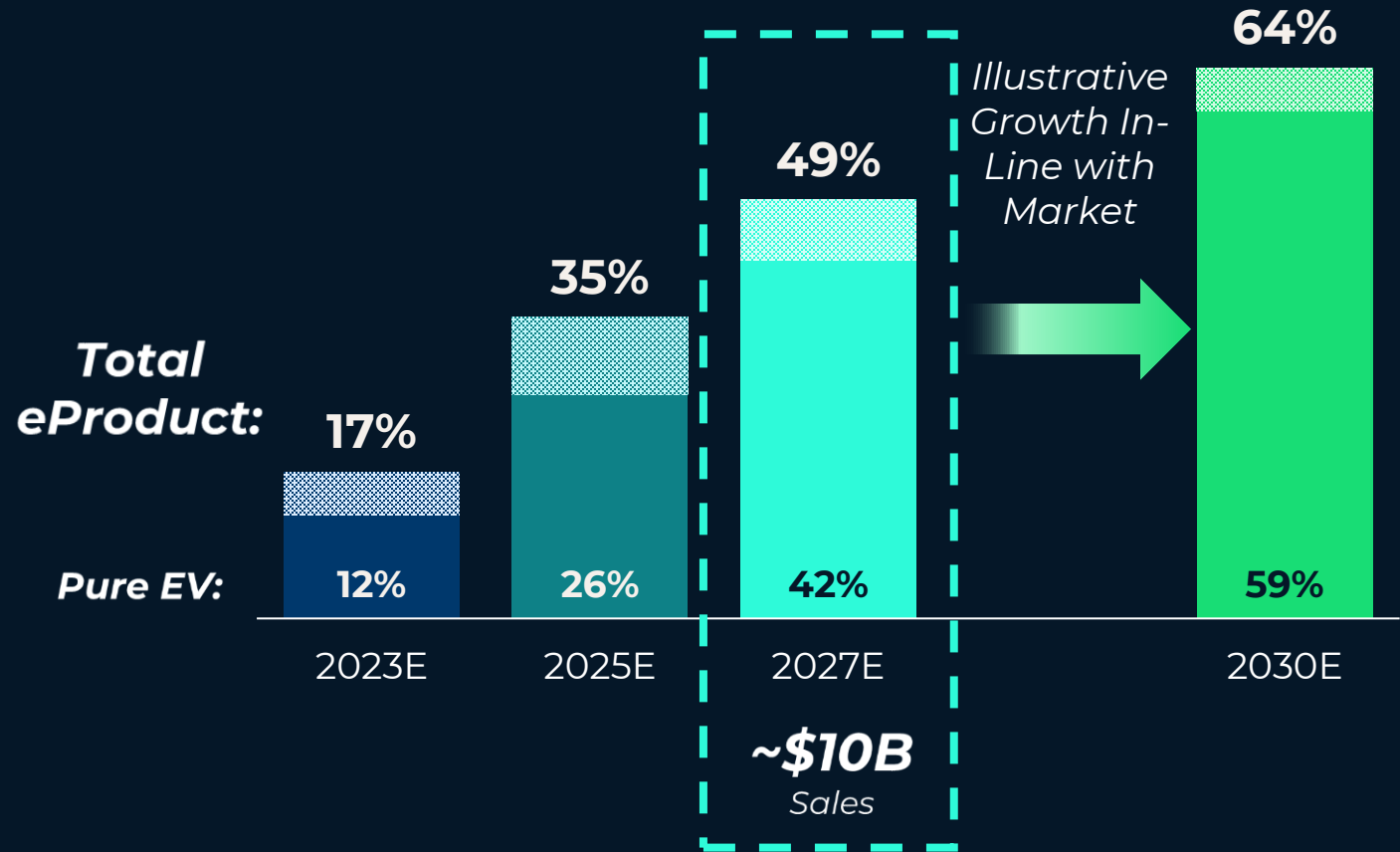


# Driving Growth Across Various eProduct Technologies

## 2023 – 2027: Continued Expansion and Building Scale in eProducts

- Estimated eProduct sales of **\$10B+ by 2027** with double-digit annual growth rates through 2030
- Technology advantage and unique system capabilities position BorgWarner for continued outgrowth
- Strong financial profile supports continued investment to enhance leading capabilities

Estimated eProduct (% of BorgWarner Sales)

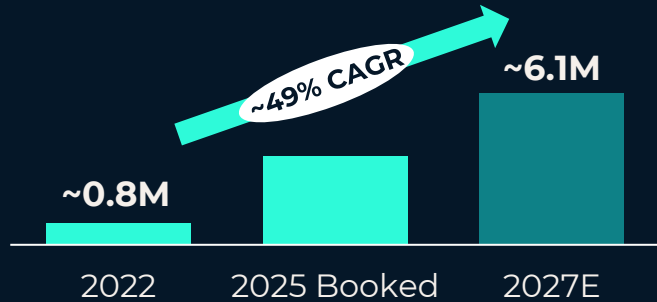
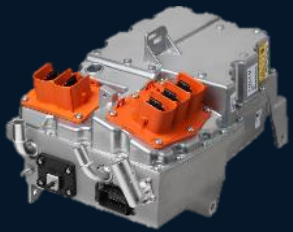


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# Significant Volumes Across Numerous eProduct Categories

## Inverter Volumes

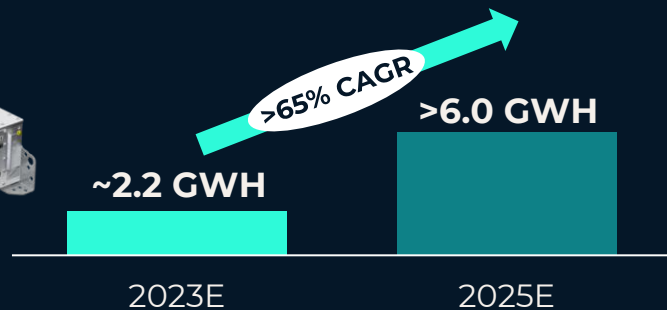
2027 Estimated Sales: ~\$3.5B



**Expect to be #1 Non-Captive Producer by 2025**

## Expected Production Capacity

2027 Estimated Sales: ~\$1.3B



**Awards with High-Quality Commercial Vehicle Customers**

## High-Voltage Coolant eHeater Volumes

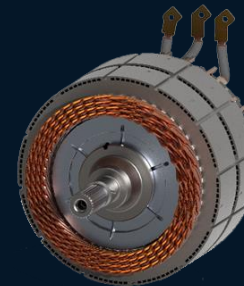
2027 Estimated Sales: ~\$0.6B



**Expect to be a Market Leader by 2025**

## eMotor Volumes (including in iDM)

2027 Estimated Sales: ~\$1.3B



**Business Award Momentum Across Voltages and LV / CV**

# Winning eProduct Awards with Large OEMs Around the World

## North America

7 eProduct Awards Since 2021

Product	SOP Year
CV Battery System	2023
Battery Pack	2023
DC Fast Charging Station	2023
HV Inverter	2024
Generator Inverter	2024
800V Inverter	2025
HV eFan	2025

## Europe

10 eProduct Awards Since 2021

Product	SOP Year
DC Fast Charging Station	2022
Battery Management System	2023
800V HV Coolant Heater	2023
HV eFan	2024
CV Battery System	2024
800V Inverter	2025
800V Inverter	2025
800V Inverter	2025
Battery Cooling Plate	2025
HV eFan	2025

## China/ROW

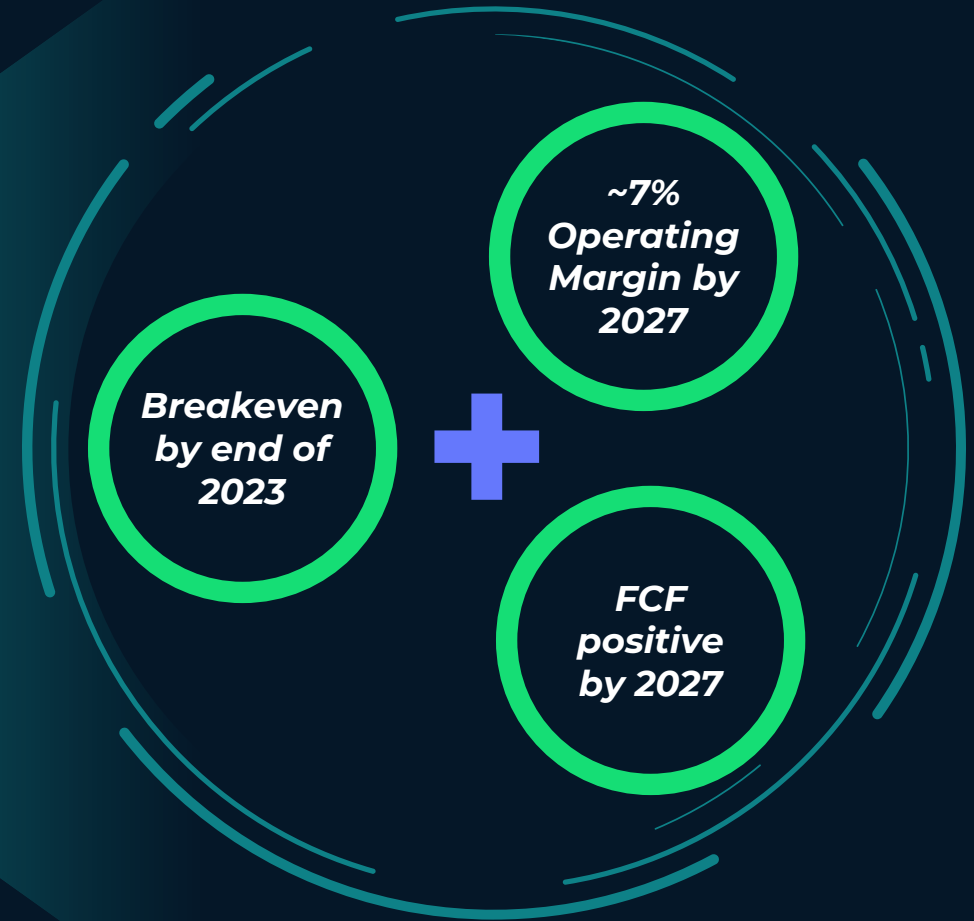
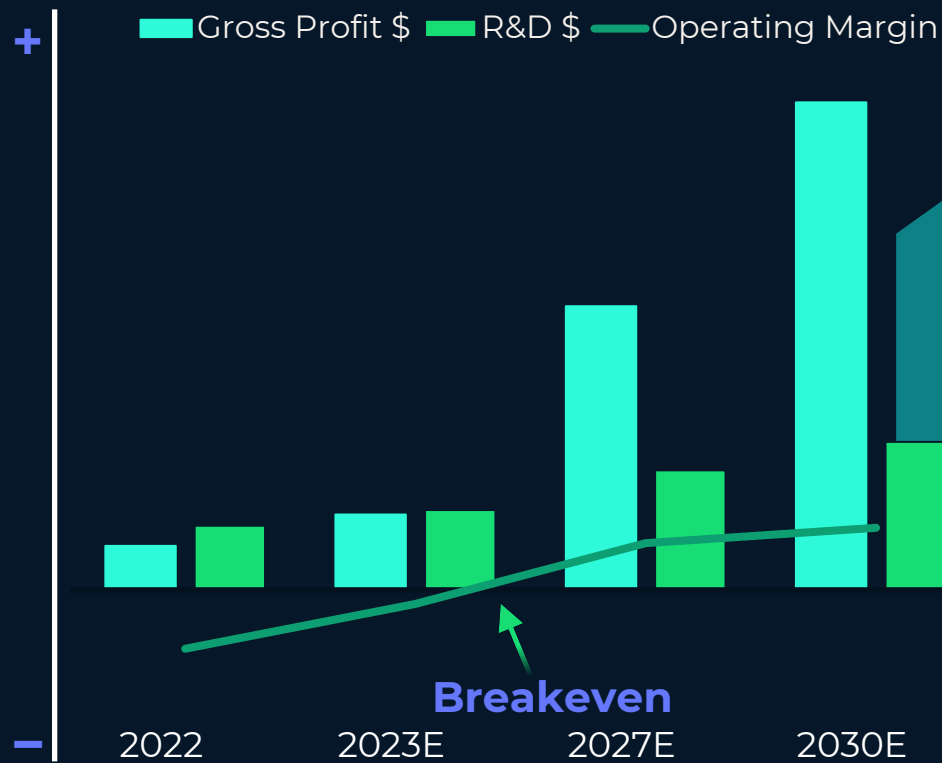
12 eProduct Awards Since 2021

Product	SOP Year
HV Coolant Heater	2021
400V iDM	2023
Dual Inverter	2023
400V iDM	2023
800V Inverter	2023
800V eMotor	2023
HV Coolant Heater	2023
P4 Hybrid iDM	2023
Motors for E-Axles	2023
eMotor	2023
800V HV Coolant Heater	2024
400V iDM	2024



# eProduct Margins ~7% in 2027; Pathway to Deliver Double-Digit Margins Longer Term

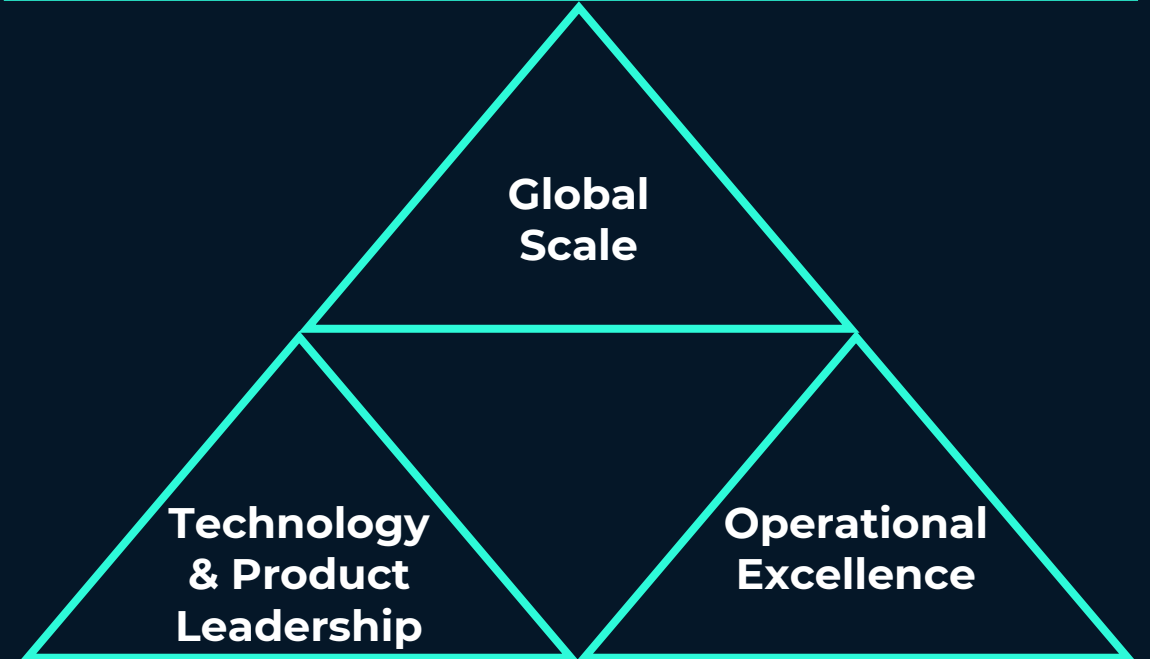
## Estimated eProduct Profitability Characteristics



# How Does BorgWarner Drive Strong Profitability in eProducts?



## Key Drivers of eProducts Profitability



**Uniquely Positioned with Differentiated Technology and Systems Capabilities  
Combined with a Track Record of Execution**

# Attractive Characteristics of Remaining Foundational Portfolio



**Focused ICE Portfolio Helps Customers Transition From Combustion to Hybrid to Electric**

**Leading Market Positions**

**Maintaining**

Expected Adjusted Operating Margins

**~100%**

Expected Free Cash Flow Conversion<sup>1</sup>

# Strong Foundation From Core Market-Leading Technologies Supports EV Growth

## Supporting Customers

Supporting customers with **access to critical technology as they execute their own transitions to EV**

## Enhancing Capabilities

**Core design, manufacturing and engineering capabilities** applicable to **electric vehicles**

## Strong Financial Profile

**Top-quartile<sup>1</sup> profitability and strong cash generation** supporting **investment in EV technologies**

## Continuity of Technologies and Capabilities

### Foundational

### eProduct

#### Air and Thermal Management



*Example:*  
**EGR Modules**

#### Thermal Management



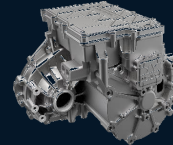
**HV Coolant Heaters**

#### Drivetrain



*Example:*  
**Transfer Cases**

#### Drivetrain and Vehicle Dynamic



**Integrated Drive Modules**

#### Engine and Transmission Controllers



*Example:*  
**Electronic Control Units**

#### Power Electronics and Electronics



**Inverters**

# Leveraging Existing Footprint to Support eProduct Growth

## North America

Plant Location	eProduct	SOP
SLP, Mexico	eMotor & iDM assembly	2021
Cadillac, MI, US	HV Heaters	2022
Seneca, SC, US	Battery Packs	2024
Additional Facility	eFan	2025
Additional Facility	Battery Coolers	2026

## Europe

Plant Location	eProduct	SOP
Landskrona, Sweden	eMotors	2018
Viana, Portugal	HV Heaters	2021
Blonie, Poland	Inverters	2023
x2 Additional Facilities	eFan	2024-2025
x2 Additional Facilities	Battery & PE Coolers	2025-2026

## China/ROW

Plant Location	eProduct	SOP
Jiangshan, China	HV Heaters	2021
Wuhan, China	eMotor & iDM assembly	2022
Changnyeong, Korea	eMotor & iDM assembly	2023

**Utilizing Existing Manufacturing Facilities to Support eProduct Growth**



# Delivering on Our Commitments and Continuing to *Charge Forward*

- ✓ Actions to complete Charging Forward pillars on track 2 years into plan
- ✓ Rapid growth across eProduct portfolio with sales of \$10B+ expected in 2027
- ✓ Clear path to eProduct profitability and expected ~7% margin by 2027 with continued margin expansion in succeeding years
- ✓ Driving continued strength in leading Foundational technology portfolio while expecting to maintain double-digit margins

**Unique Ability to Drive Efficiency for Customers Supports a Clean, Energy-Efficient World and Drives Value for Shareholders**

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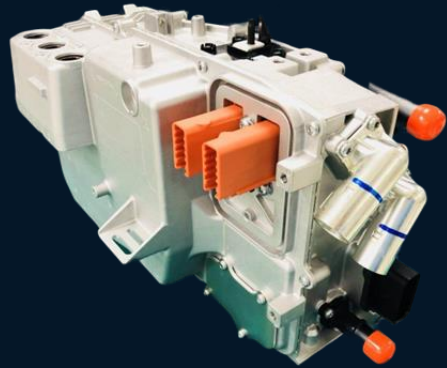
ePropulsion  
Products

Investor Day

**Stefan Demmerle**

President, ePropulsion

# ~\$100B Market Opportunity Estimated by 2030



**Inverter**



**eMotor**

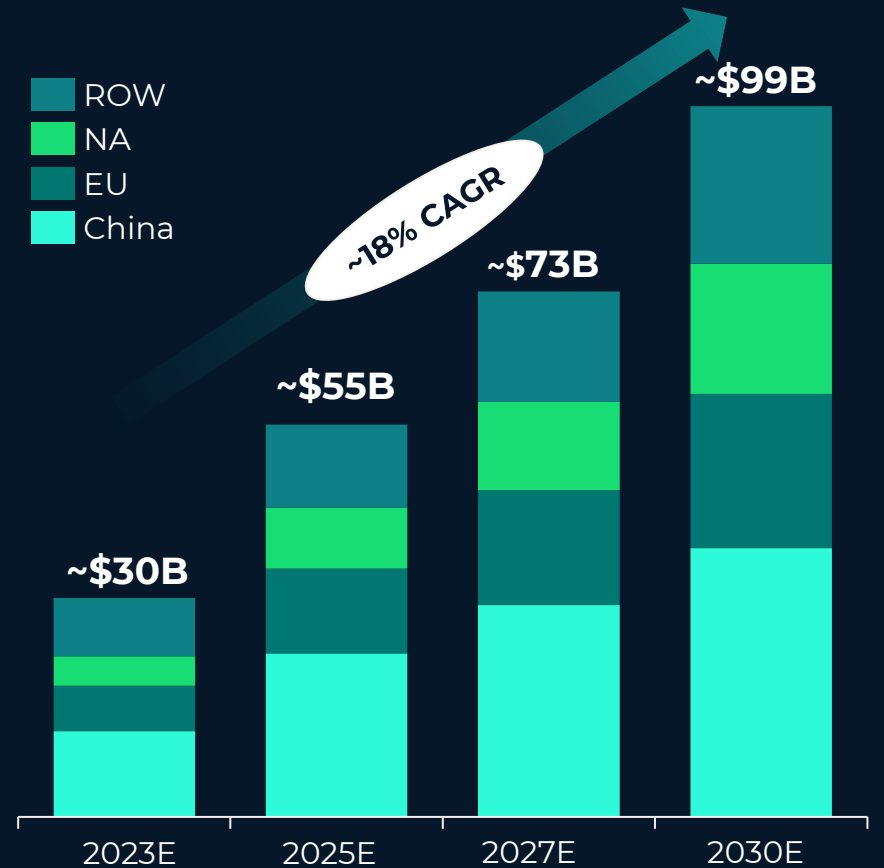


**iDM**



**Other Power Electronics**

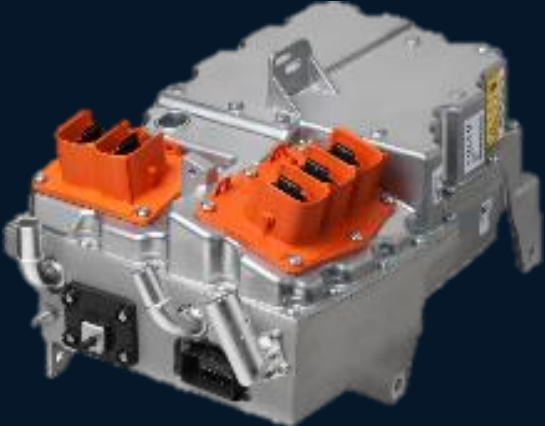
## True Addressable Market<sup>1</sup>



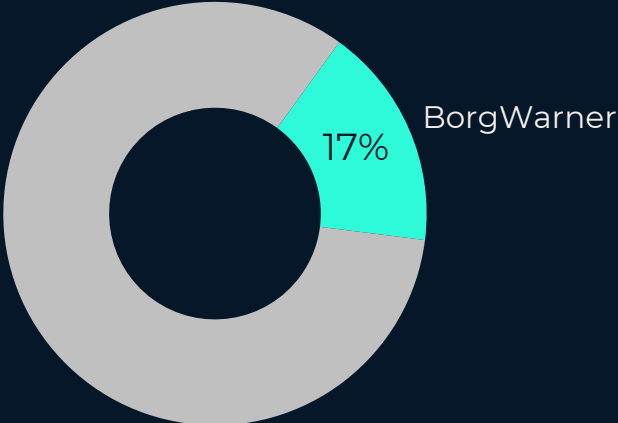
# Inverter Volume and Pricing Illustrate Leadership

## Product Leadership Highlights

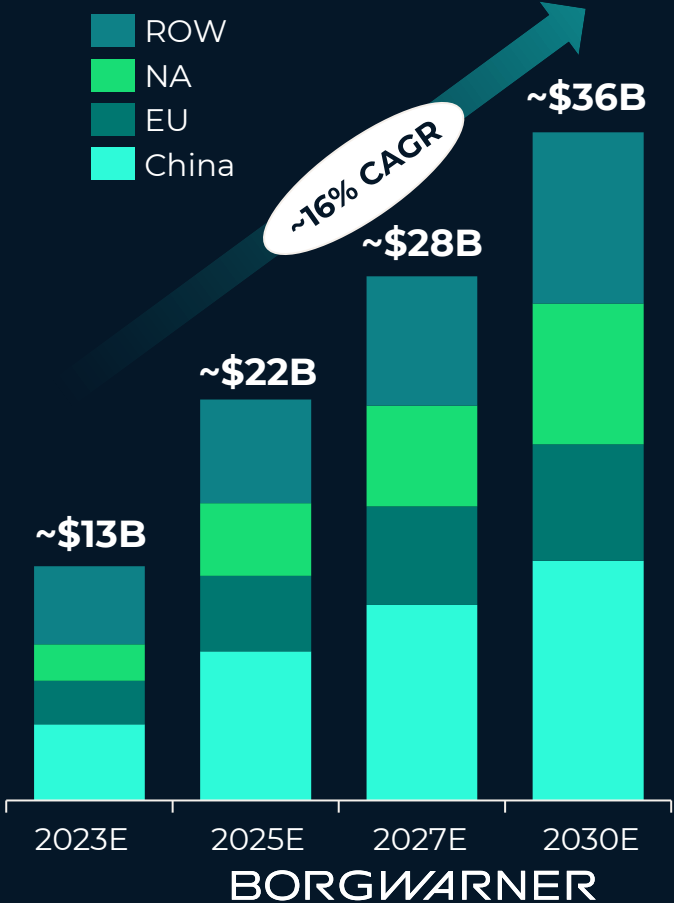
- #1 non-captive supplier by mid-decade (BEV and xEV) with growth expected to be significantly faster than market
- Market leader in advanced solutions including 800v and SiC
- 40+ years experience w/ automotive hardware & software
- Broad capabilities with awarded business globally



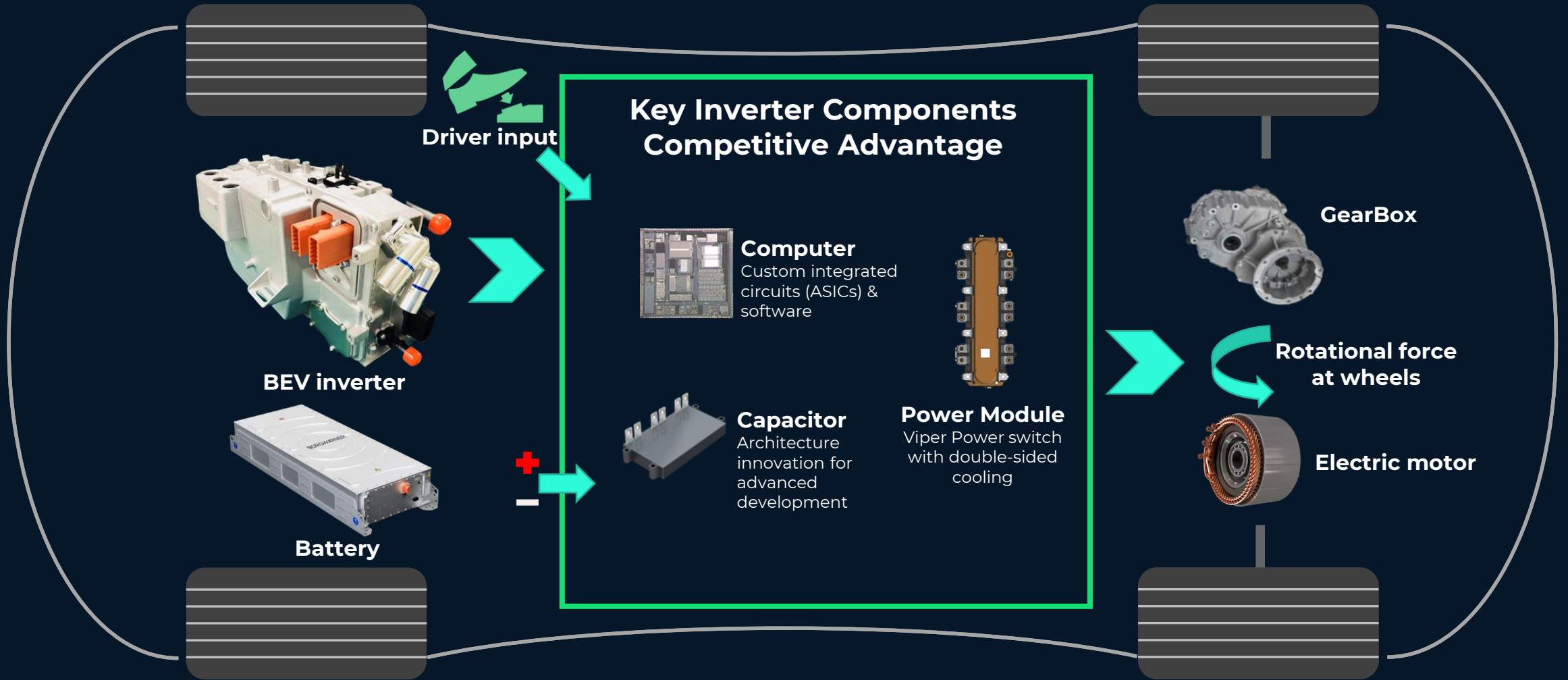
## 2027 Inverter Estimated Market Share<sup>2</sup>



## Inverter True Addressable Market<sup>1</sup>



# Innovation Driving Market Leading Position



# Ongoing Innovation to Maintain Leadership Position



Leading in efficient use of SiC



R&D focused on maintaining product leadership

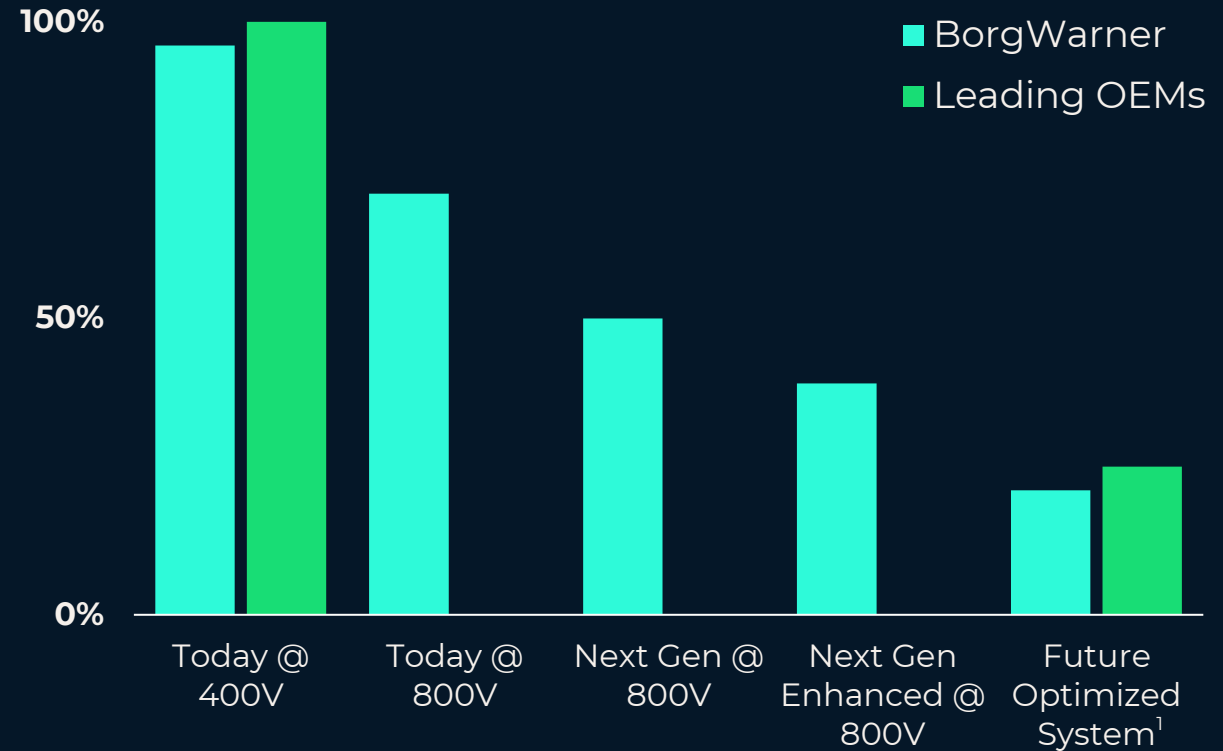


Leveraging scale across multiple OEM platforms



Incremental awards leverage efficiency benefits

## Viper SiC Usage



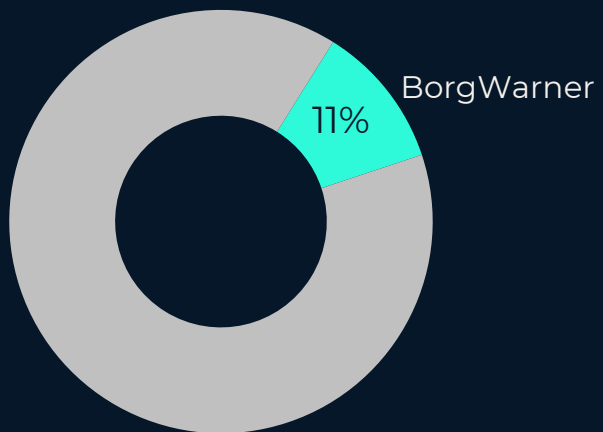
# eMotors Positioning Has Improved Significantly

## Product Leadership Highlights

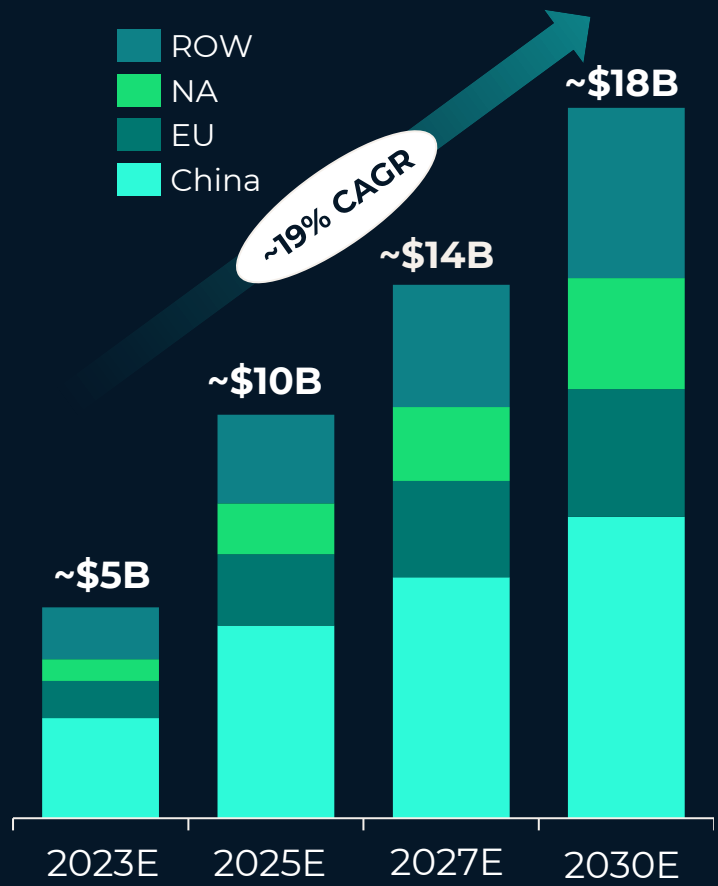
- By mid-decade, among market leaders in xEV and non-captive BEV
- Added scale and in-house tooling capabilities through Santroll acquisition
- Expecting to improve through next-generation rotor winding and cooling technologies
- Leading in sustainability by developing permanent magnet machines with reduced rare-earth content along with rare-earth-free electrical machines



## 2027 eMotors Estimated Market Share<sup>2</sup>



## eMotor True Addressable Market<sup>1</sup>

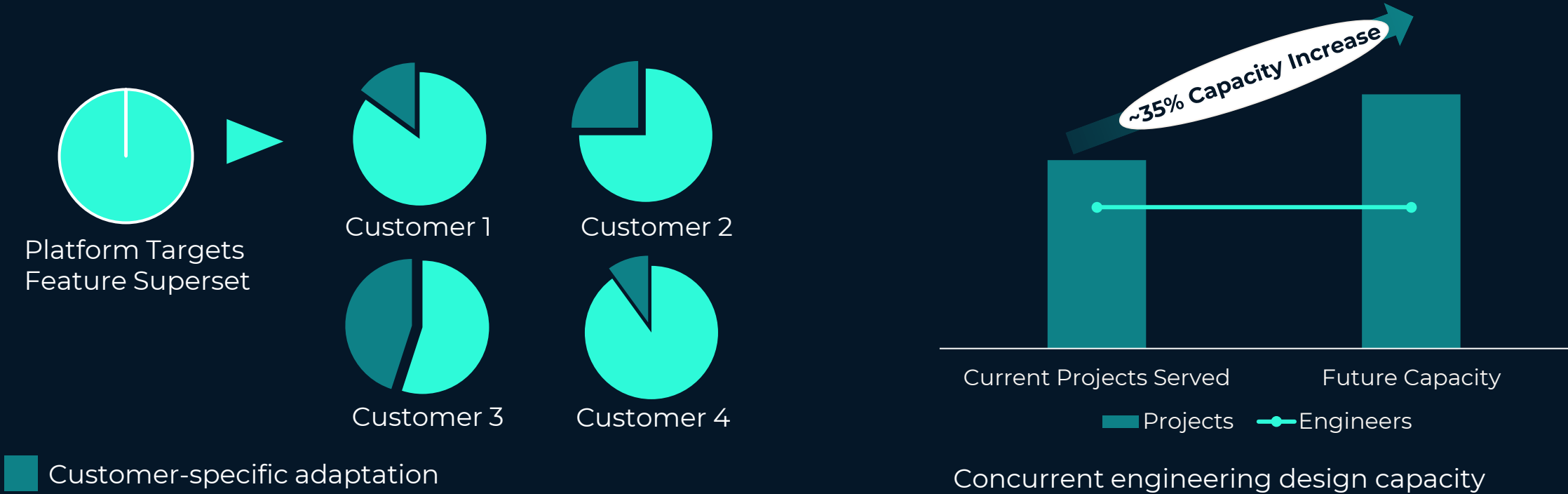


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# eR&D Leverage by Reusing Key Building Blocks

## Leveraging eR&D Scale

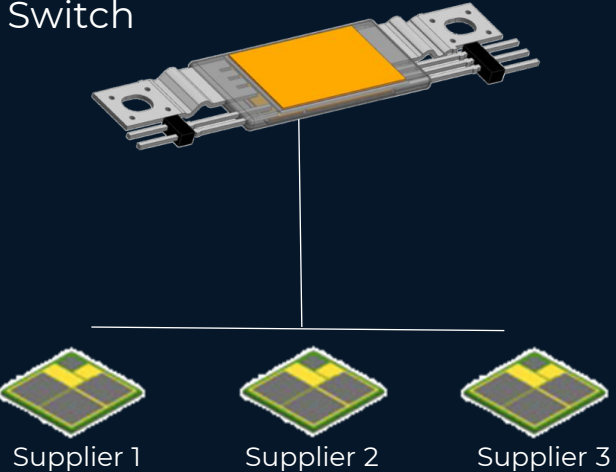
- Developed base of technology able to drive commonality and reuse across OEM customer programs
- Forward-looking R&D concentrates on customer platforms, improving project costs and maximizing talent





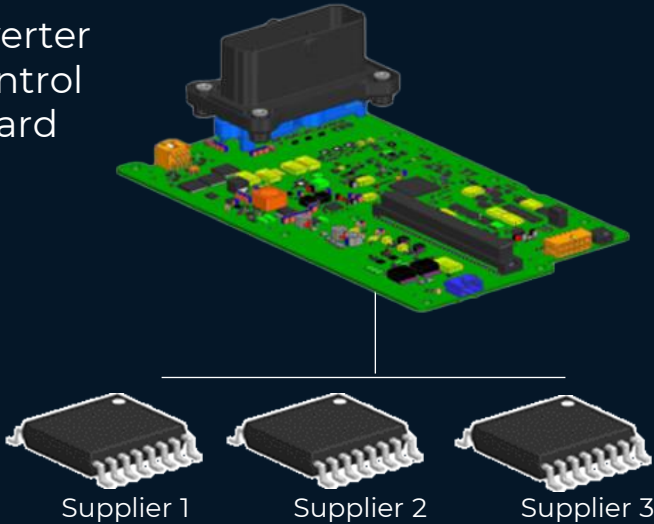
# Products Designed to Manage Supply Chain Risk

Viper Switch



**Scalable and flexible power-switch design:**  
Offering die-level interchangeability from all major suppliers (Si & SiC)

Inverter Control Board



**Hardware abstraction concept:**  
Supporting multiple sources for control board chipset including microcontrollers

eMotor

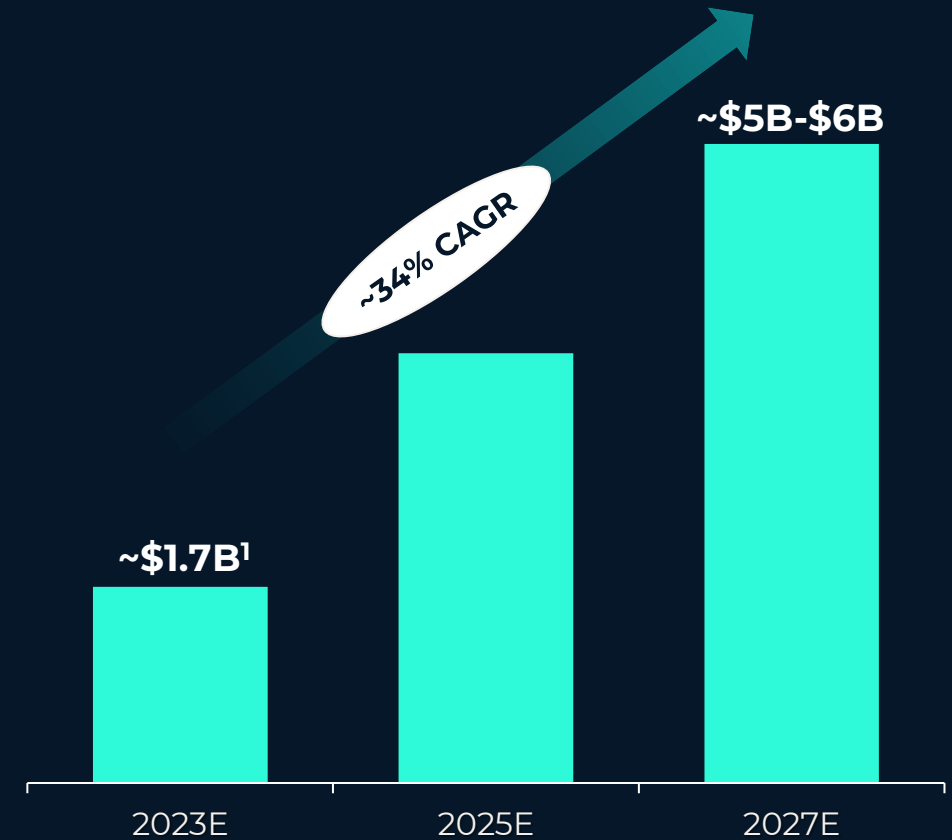


**Scalable eMotor platform:**  
Performance optimized permanent magnet as well as rare-earth-free eMotor designs

# ePropulsion Products Core to Success in Electrification

- ePropulsion expected to account for **>50% of overall eProduct sales** in 2027
- **Strong share positions** across multiple product lines
- Making the necessary investments to **maintain our product leadership**
- **Significant opportunities for additional growth**

## Estimated ePropulsion eProduct Sales



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eThermal  
Products

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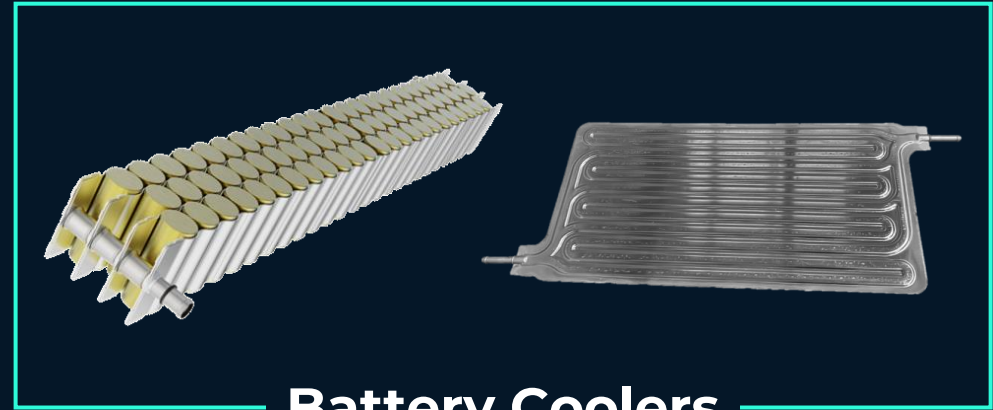
**Joe Fadool**

President, Emissions, Thermal & Turbo Systems

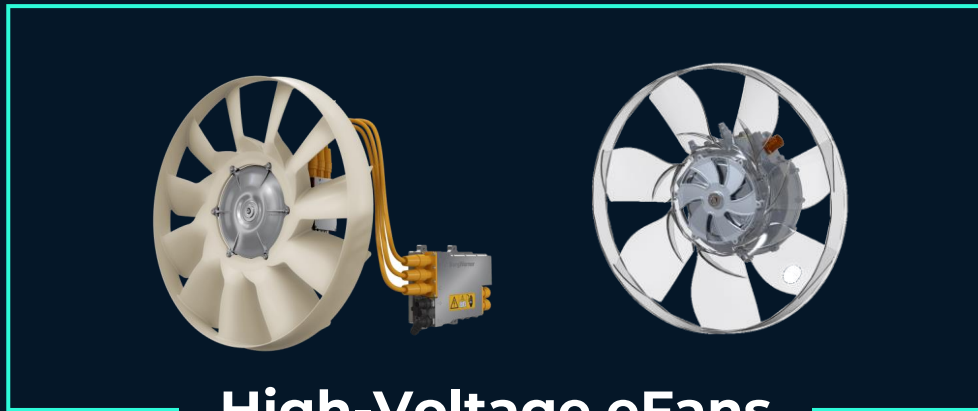
# Electrified Thermal Products Are Great Examples of Leveraging Foundational Business



**High-Voltage Heaters**



**Battery Coolers**

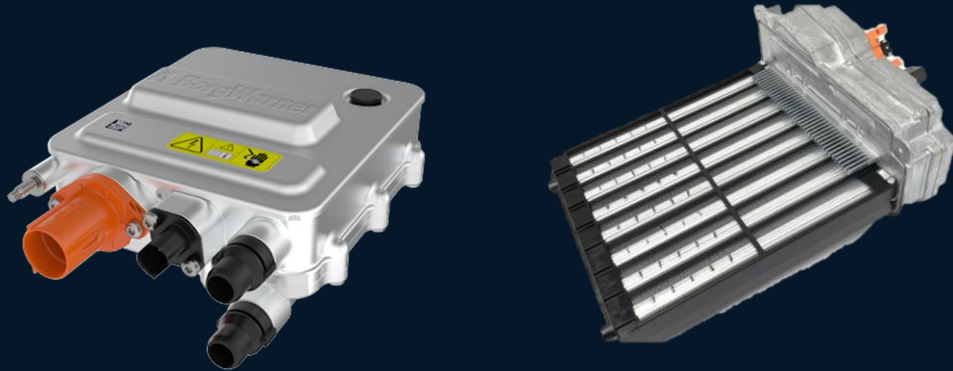


**High-Voltage eFans**



**Power Electronics Coolers**

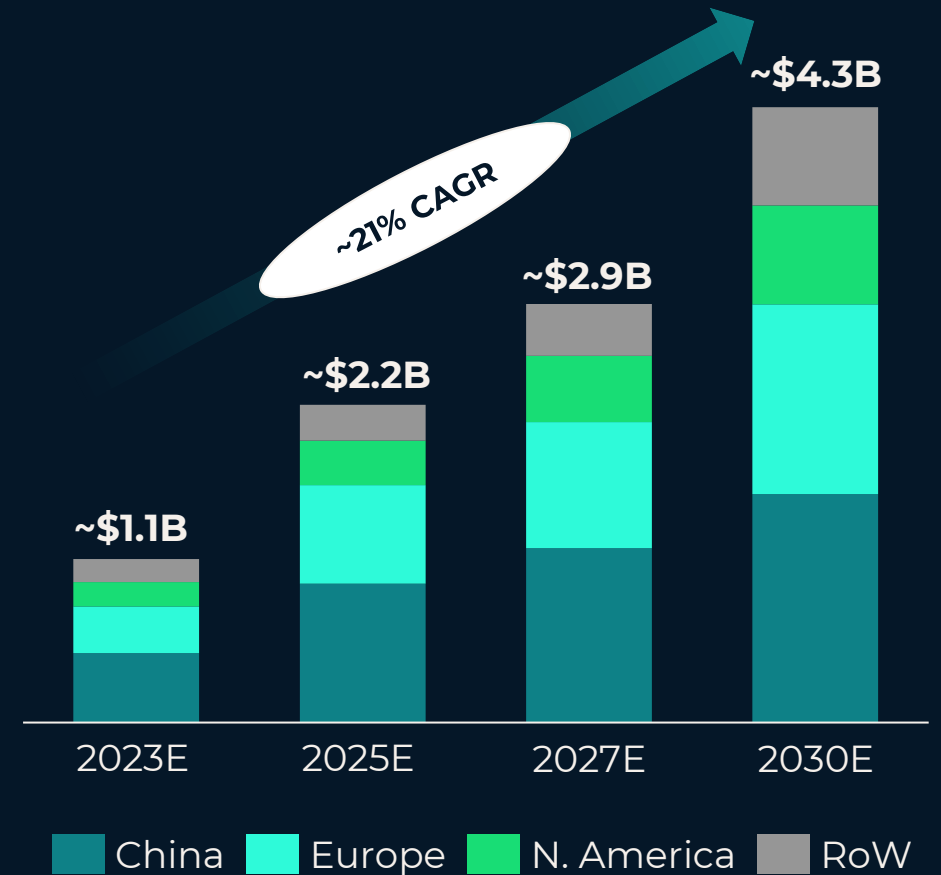
# High-Voltage Heaters



## Product Background

- Enables improved battery performance, longer range and comfortable cabin climate
- Organically developed by leveraging low-voltage heater and other thermal expertise including EGR
- First award in 2016

## High-Voltage Heater True Addressable Market<sup>1</sup>

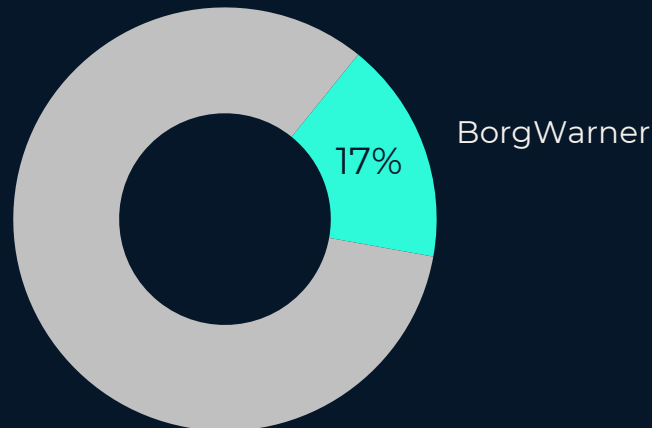


# High-Voltage Heater Product Line Has Product Leadership and Scale

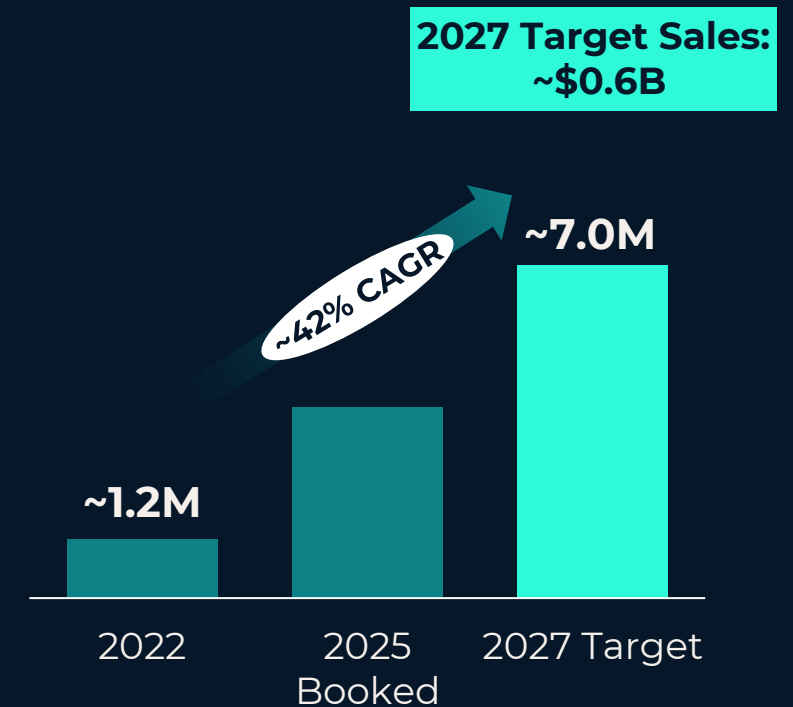
## Product Leadership Highlights

- 400V and 800V capabilities with awarded business across multiple variations
- Advantages in efficiency and preventing pressure drop
- Expect to become market leader by 2027

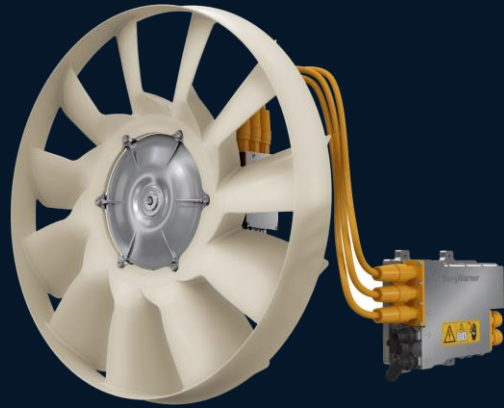
2027 High-Voltage Heater Estimated Market Share by Volume



BorgWarner High-Voltage Heater Volumes



# eFans for CV On-Highway



eFan HP: 30-60kW

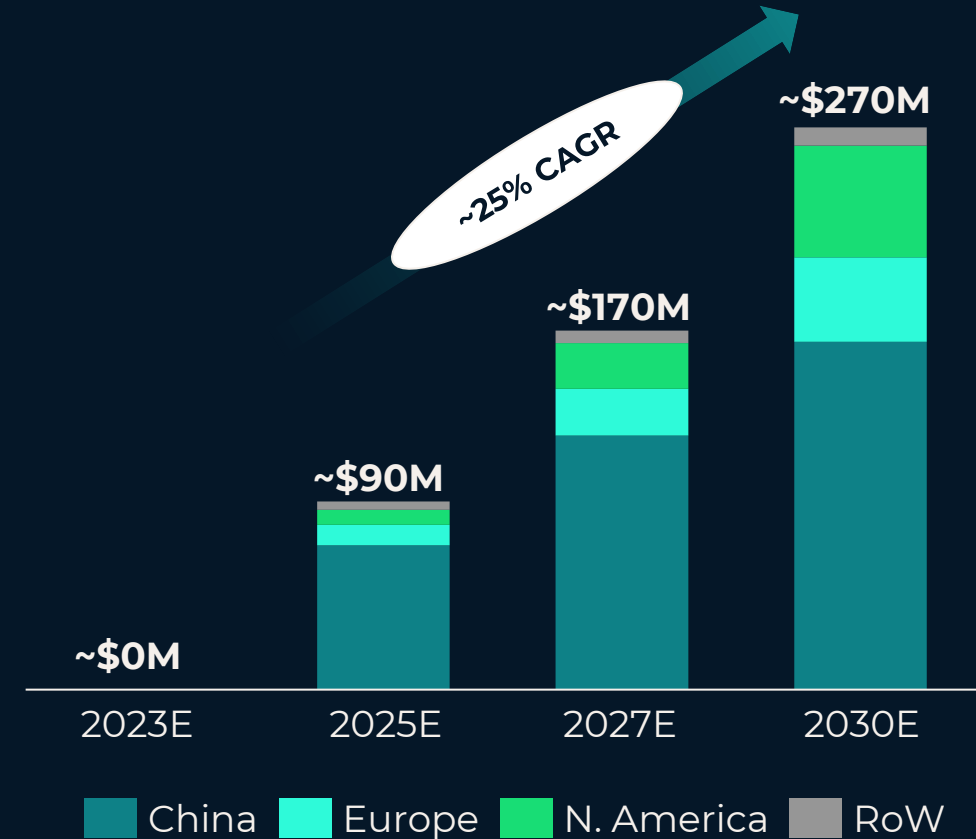


eFan LP: 5-20kW

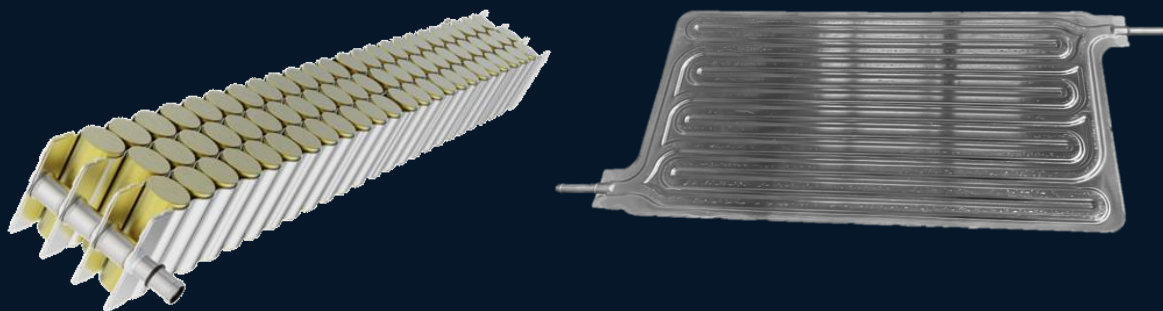
## Product Background

- Market leader in clutch fans today
- Multiple requests to quote before product was available
- Strong thermal management knowledge combined with automotive-grade high-voltage motor and inverter capabilities
- Awards with major European CV OEMs for battery electric, long-haul trucks for eFan HP (SOP 2024) and eFan LP (SOP 2025)

## eFan True Addressable Market<sup>1</sup>



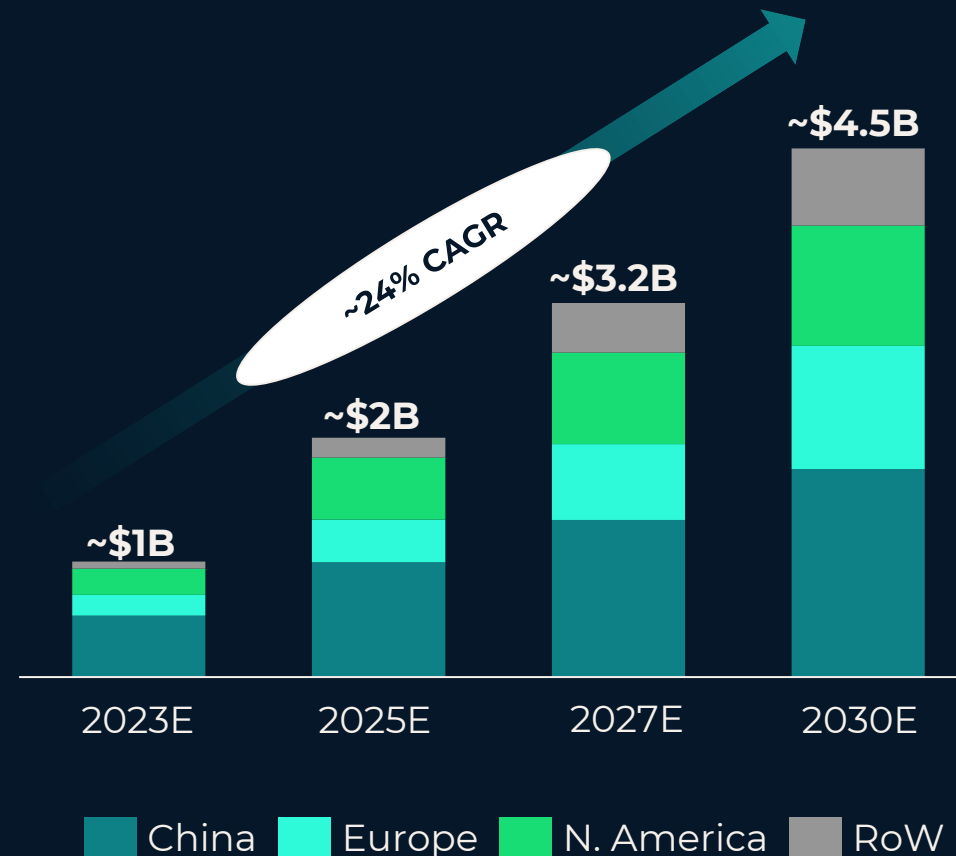
# Battery Coolers



## Product Background

- Strong relationship in EGRs drove customer to request development of this new product
- Asked to quote product due to customer intimacy
- Award with major German vehicle manufacturer expected to launch in 2025 in U.S. and European markets

## Battery Cooler True Addressable Market<sup>1</sup>





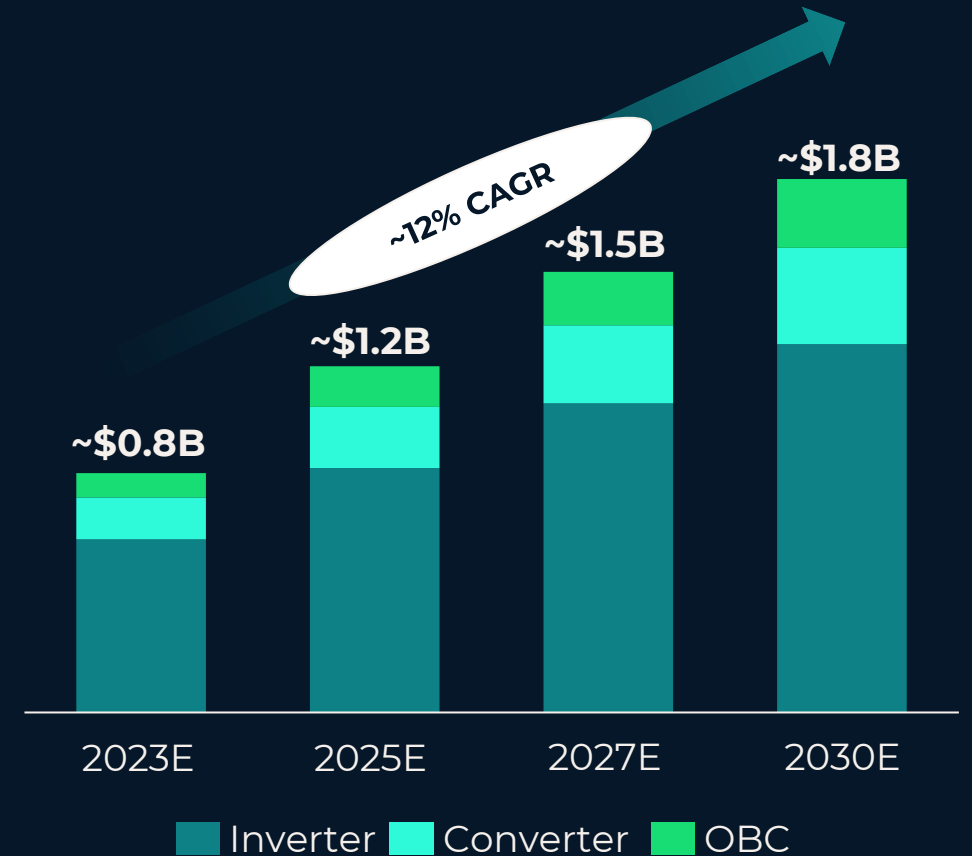
# Power Electronics Coolers



## Product Background

- Heat transfer expertise
- In-house copper manufacturing capabilities
- Strong design and simulation capabilities for thermal loading, combined with process engineering for cost-effective manufacturability
- Internal collaboration with ePropulsion business unit as well as external collaboration with OEMs and Tier 1s

## Power Electronics Cooler True Addressable Market<sup>1</sup>

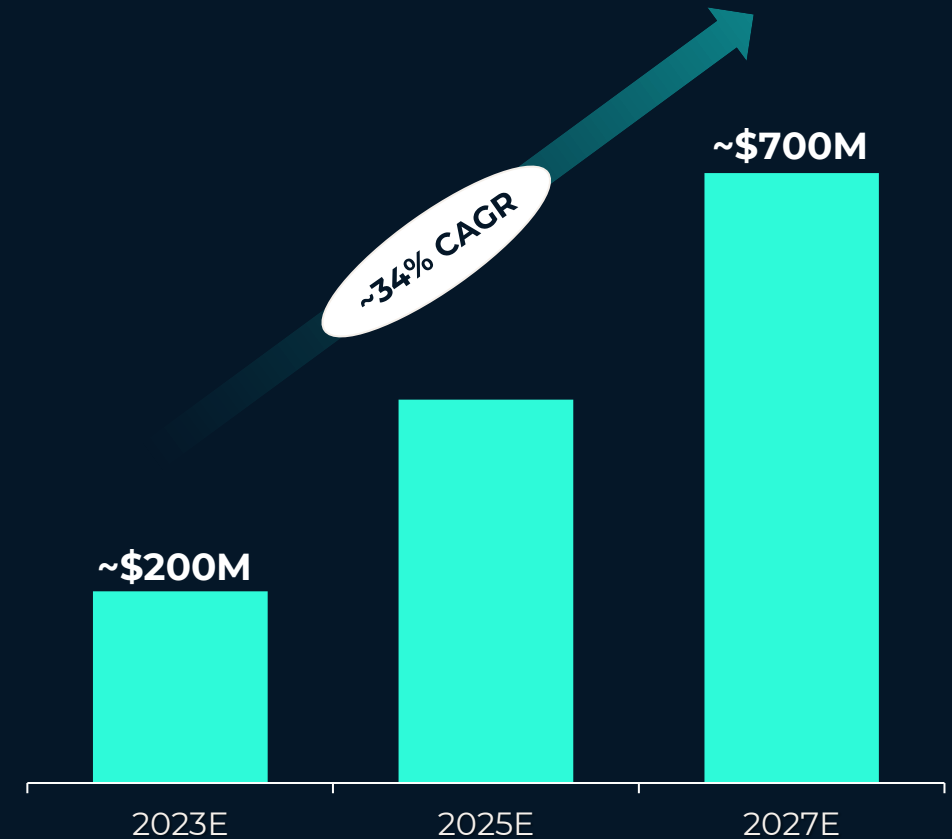


# eThermal Products Showcases Ability to Organically Develop eProducts

## Key eThermal takeaways

- **Leveraging** customer intimacy and technical capabilities developed from **foundational products**
- **Speed to market** is differentiator vs. peers
- Believe current portfolio additions have **further opportunities for growth**, with additional portfolio expansion potential

## Estimated eThermal Sales



June 6, 2023

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# Battery Systems

Investor Day

**Volker Weng**

President, Drivetrain and Battery Systems

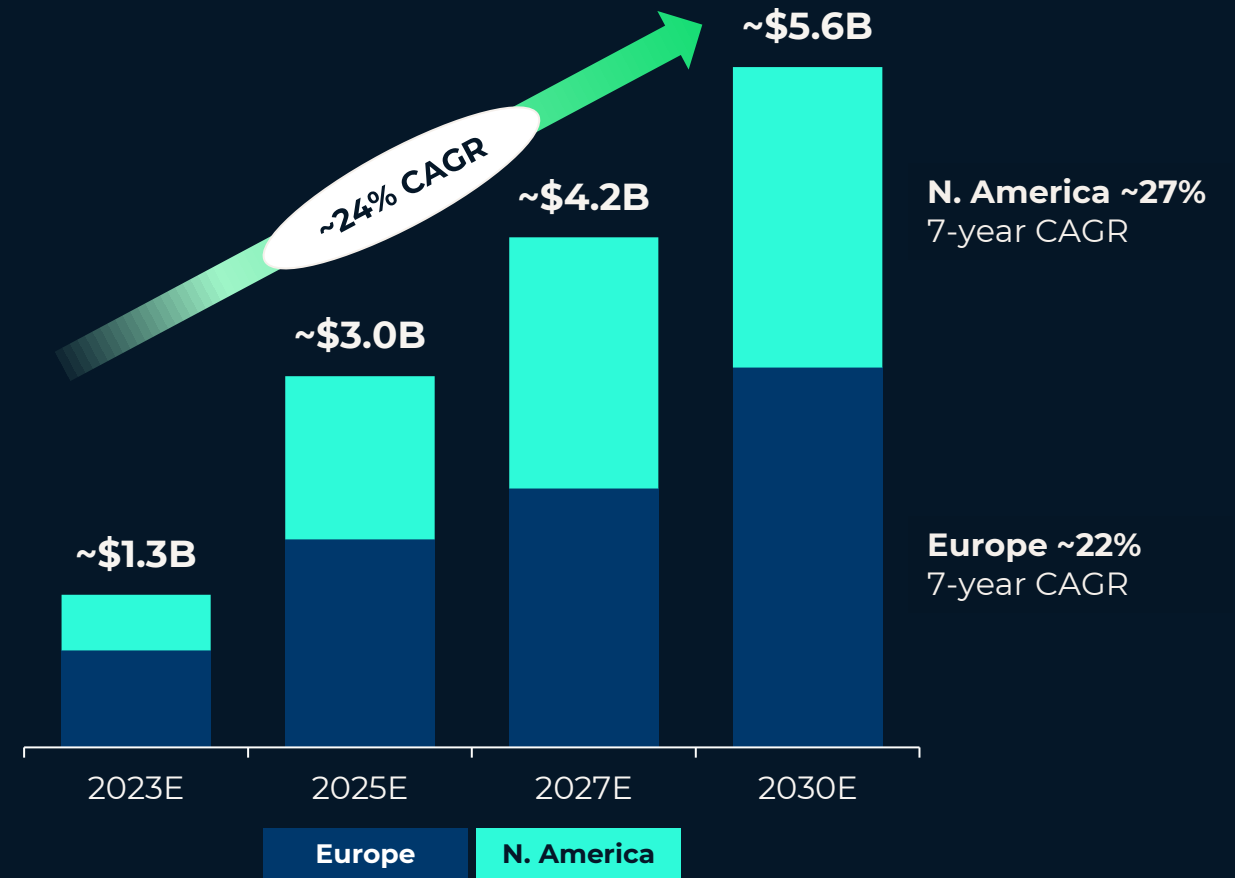
# Potential for Significant, Long-Term Growth



## Pioneering eCV Battery Packs

- Expected strong growing market opportunities
- Electric Bus and Truck penetration in EU and NA expected to increase to over 20% by 2030
- Believe China represents additional potential opportunity of >\$7B

## True Addressable Market<sup>1</sup> for CV On-Hwy in EU+NA



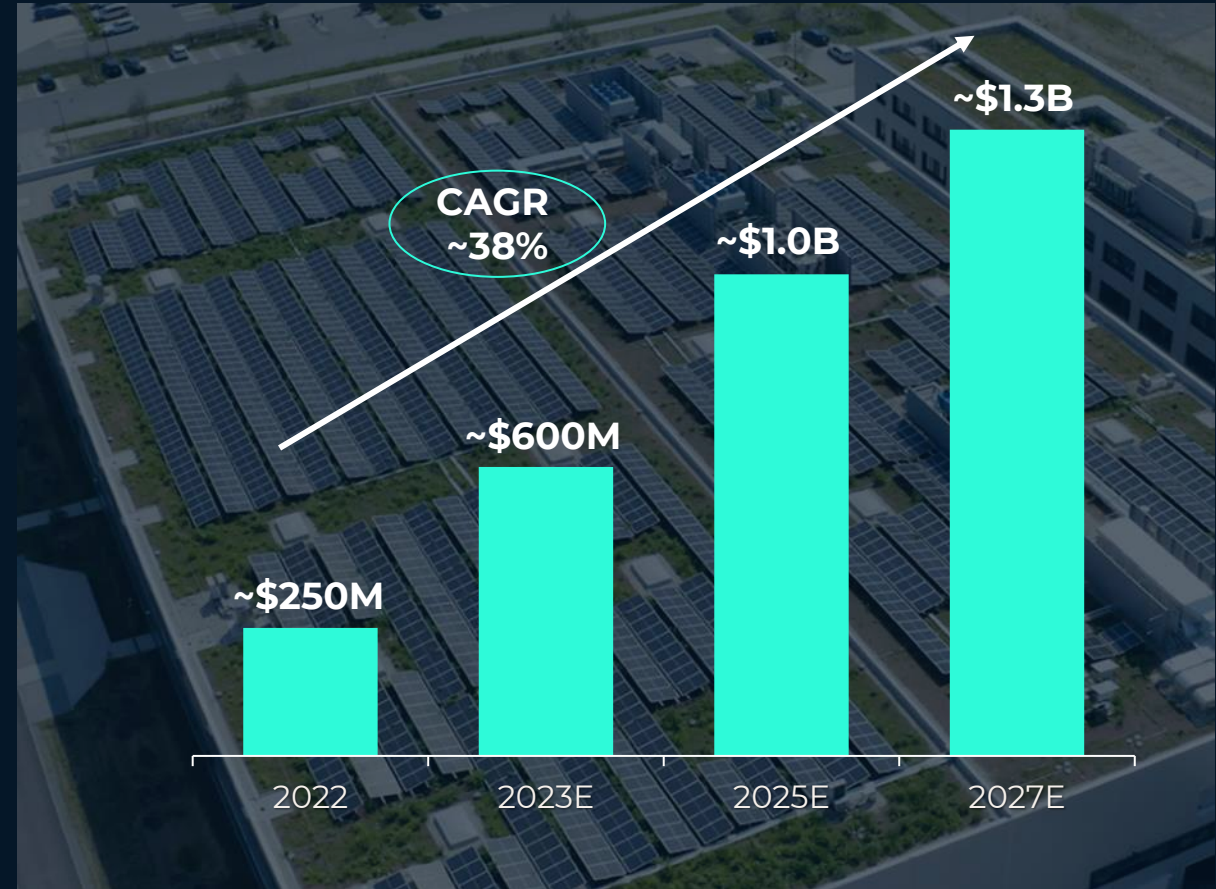
# Overview of the Business

## Pioneering eCV Battery Packs



- **Ultra-high energy density** in customized solutions
- **Modular and scalable** on Battery pack level
- **Robust and safe designs** for eCV requirements
- **Meeting circular and regulatory requirements** for a sustainable Ecosystem

## Estimated Global Battery Pack Sales



# Battery Systems Manufacturing Footprint



**Hazel Park, MI, USA**  
Manufacturing location



**Seneca, SC, USA**  
Manufacturing location



**Darmstadt & Langen, Germany**  
HQ; 2 manufacturing locations & tech center



**Piracicaba, Brazil**  
Manufacturing location

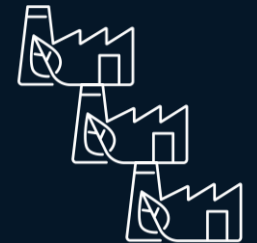


**2.2 GWH**  
(22,000 BPs/yr)  
Production Capacity

**2023**

**2025E**

**>6.0 GWH**  
(>60,000 BPs/yr)  
Production Capacity



# Seneca, South Carolina Plant Expansion Update

## Plant Overview

- BorgWarner manufacturing site since 1995
- Currently produces driveline systems and components

## Battery Module Expansion

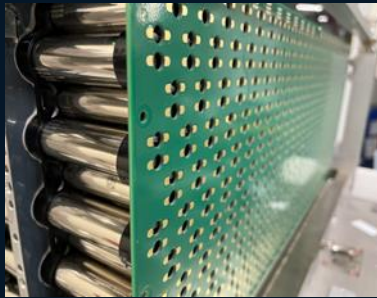
- Investment amount of \$42 million
- Battery modules start of production expected:
  - First half of 2024
  - Launching 2 GWh capacity
- Expect to qualify for IRA credits under section 45X



# Next Steps Towards Sustainable Growth

## “GROW NOW”

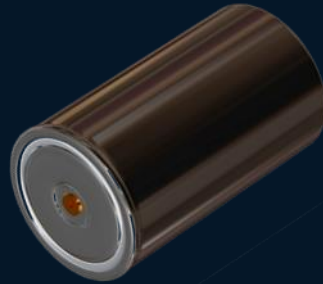
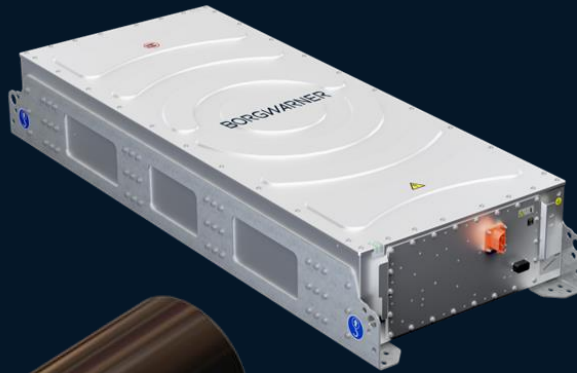
21700 cylindrical NMC cell



Adding production capacity to capitalize on **profitable growth opportunities**

## “GO NEXT”

46xx cylindrical NMC cell



Preparing **next generation for higher-energy-density CV applications**

## “GO BROAD”

LFP / Lithium Sodium



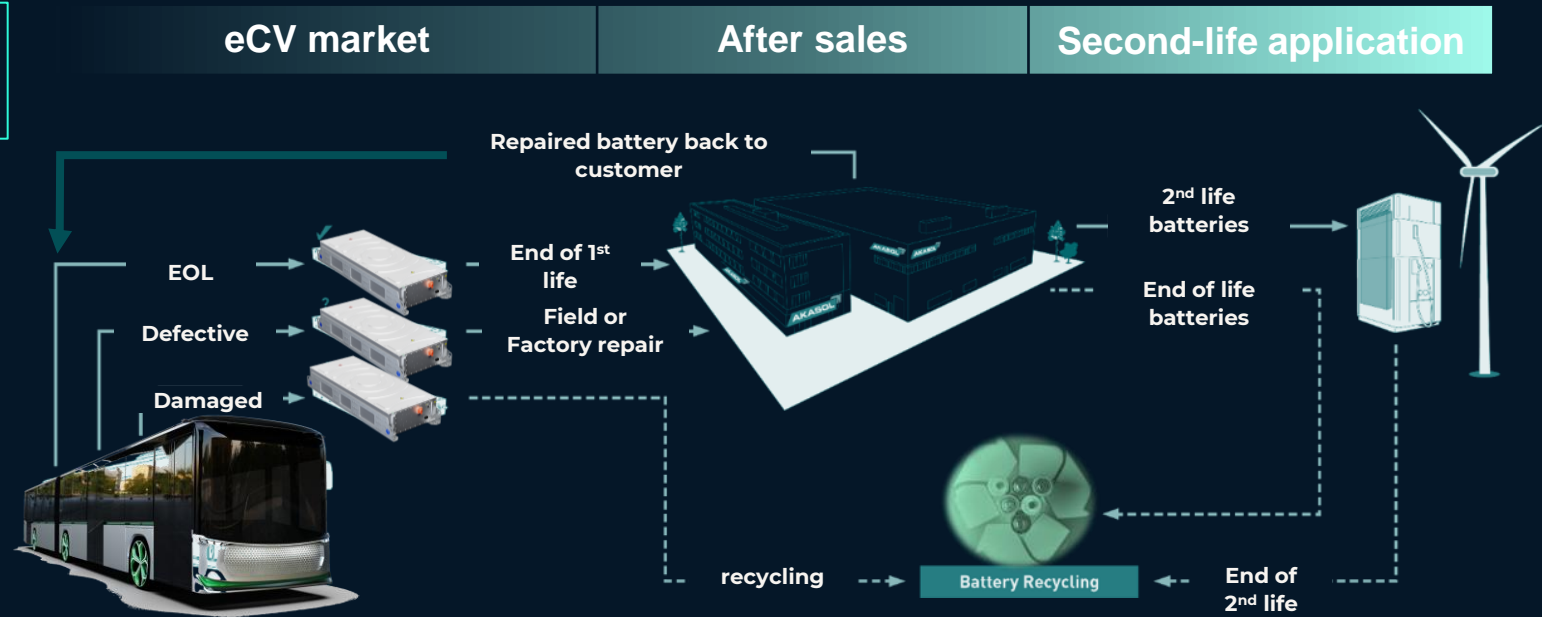
Completing **product portfolio with a cost-efficient solution for CV**



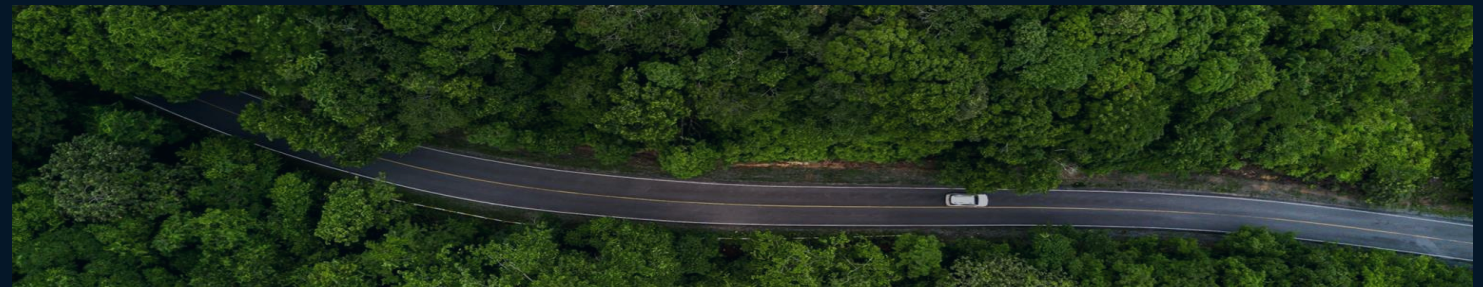
# Circular Battery Eco System (CBES)

## Circularity Sustainability

- **Piloting circularity** as a new way of thinking for BorgWarner
- **Circularity is key** for Battery Systems to foster sustainable future
- **2<sup>nd</sup> life and recycling** are differentiators for Battery Systems



**Battery growth supports our SBTi Scope 3 CO<sub>2</sub> reduction**



# Battery Systems – Business Wins

## Key Markets & Customers



High-Quality Customers

**VOLVO**      **Daimler Truck**  
**GILLIG**      **Others**

## Awards Announced Since Last Investor Day

- Award with GILLIG (North American transit buses) with third generation battery systems, launched in 2023
- Award for leading North American bus platform integrator launched in 2023
- Product launch for award of Turkish truck manufacturer planned for Q2 2024

June 6, 2023

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# Battery Charging

Investor Day

**Isabelle McKenzie**

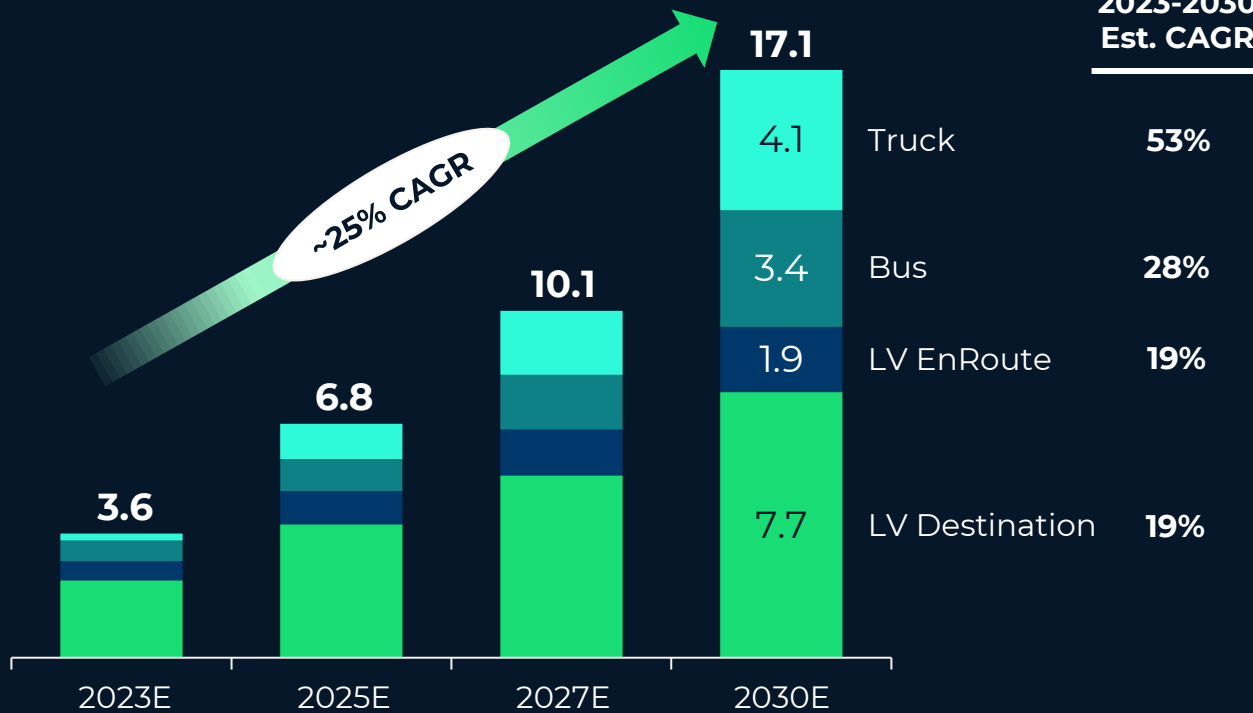
President, Morse Systems

# Charging Market Overview

Expect strong growth across all DC charging segments

## DC Charging Hardware Market Projection

Total Addressable Market in (\$B)



## Key takeaways

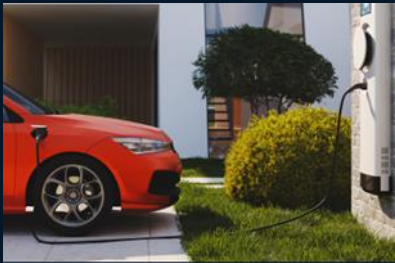
- Believe DC charging market shows **strong growth through 2030**
- **Bus and Truck** CV segments showing expected **highest growth**
- **Estimated 2027 Global market opportunity** of 27% North America, 33% Europe and 40% in Asia
- China leads today, but NA and especially EU expected to catch up through 2030

# Charging Market Requirements Vary by Segment

## LIGHT VEHICLE

### Destination

Shopping, work, OEM dealer, home chargers, etc.



### Enroute

Mostly charge point operators, oil/gas and utility players



## COMMERCIAL VEHICLE

### School Bus

*US only*

School bus fleet operators



### Transit Bus

OEM, municipalities and private municipal fleet operators



### Truck

OEM, fleets



- Low power AC & DC hardware
- Consumer-facing software
- Lower customer intimacy
- Cost focused

- Focus on 150+kW DC charging hardware
- Charging monitoring & energy management cloud software
- High importance of OEM/customer intimacy
- High total cost of ownership and reliability orientation

# BorgWarner Charging Strategy

Focus on segments with highest potential for value creation

## LIGHT VEHICLE

## COMMERCIAL VEHICLE

### Destination

### Enroute

### School Bus

### Transit Bus

### Truck

*US only*

**✗** LV Destination excluded

**✓** Expand to LV Enroute segment over time

**✓** Focus on CV segment via OEM, Fleet & CPOs



Excluded due to low power, cost-driven requirements and highly fragmented customer base

Attractive future expansion due to similar hardware & software requirements

- High need for OEM intimacy
- High-power and total cost of ownership orientation
- “Turnkey” demand requiring product leadership
- Aligned with BorgWarner margin expectations

# BorgWarner Building Charging Expertise Since 2017

Position strengthened with recent acquisitions of SSE and Rhombus

## Timeline



2017

Acquired first stationary charging assets via **Sevcon**



2020

**Delphi** acquisition added significant electronics scale and capabilities



2022

Acquired **Rhombus Energy Solutions** (up to 120kW DC V2G chargers, and North American presence)



2023

Acquired **Surpass Sun Electric** (up to 360kW DC chargers, turnkey provider, and China presence)

# BorgWarner's Broad, DC Fast Charging Portfolio



**Light Vehicle**  
*Enroute*



**School Bus**



**Transit Bus**



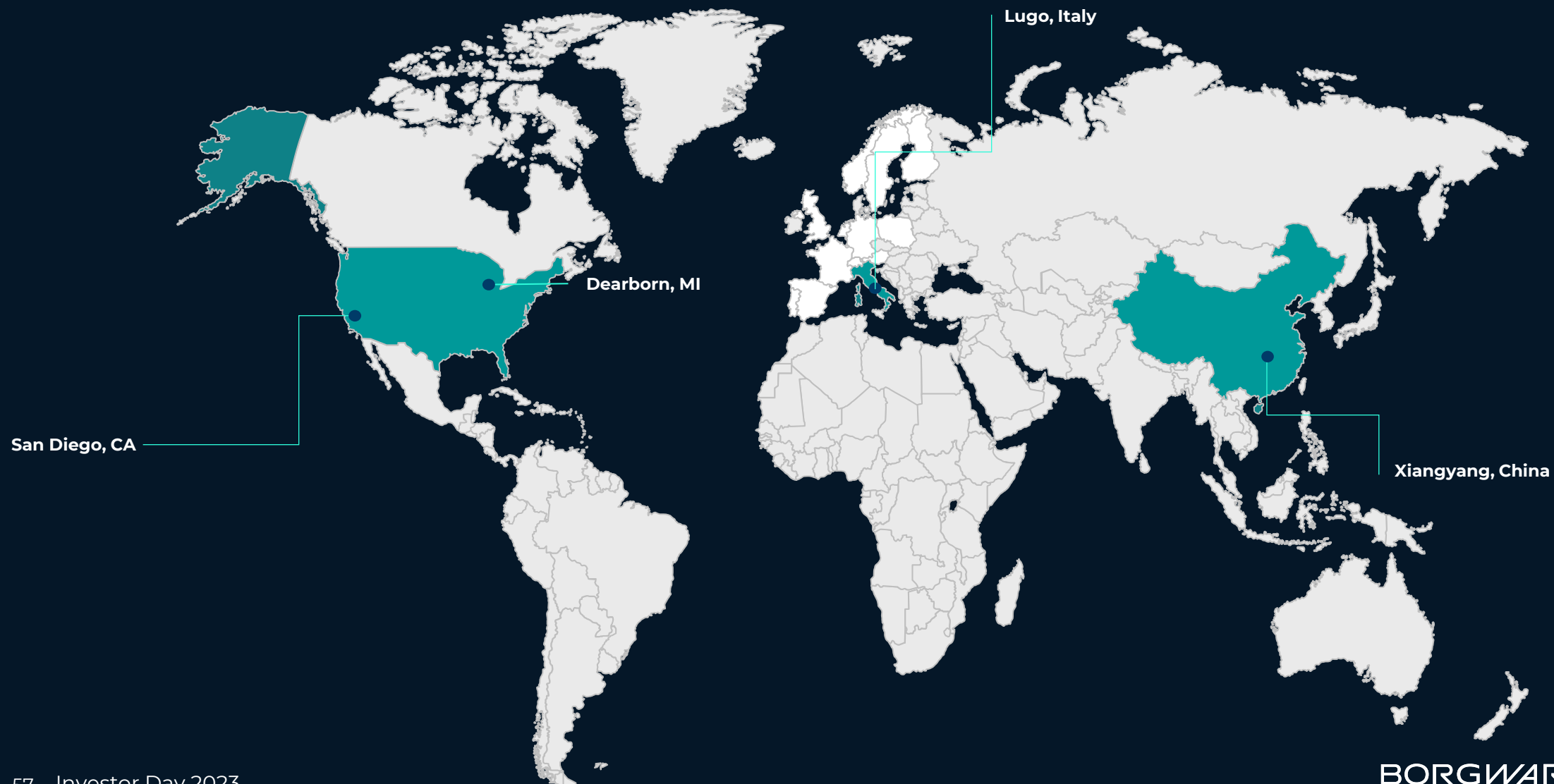
**Truck**

	Light Vehicle <i>Enroute</i>	School Bus	Transit Bus	Truck
DC ≤50kW	✓	← Under development, globally →		
DC 50kW-150kW	✓	✓	✓	✓
DC 150kW-350kW		Not a customer requirement	← Under development, globally →	
DC >350kW		Not a customer requirement	← Under development, globally →	
V2G	✓	✓	Not a customer requirement	✓
Dynamic Charging	✓	Not a customer requirement	← Under development, globally →	
Charging Monitoring	✓	✓	✓	✓

**Initial Commercial Focus**



# Established Global Footprint in Key Markets



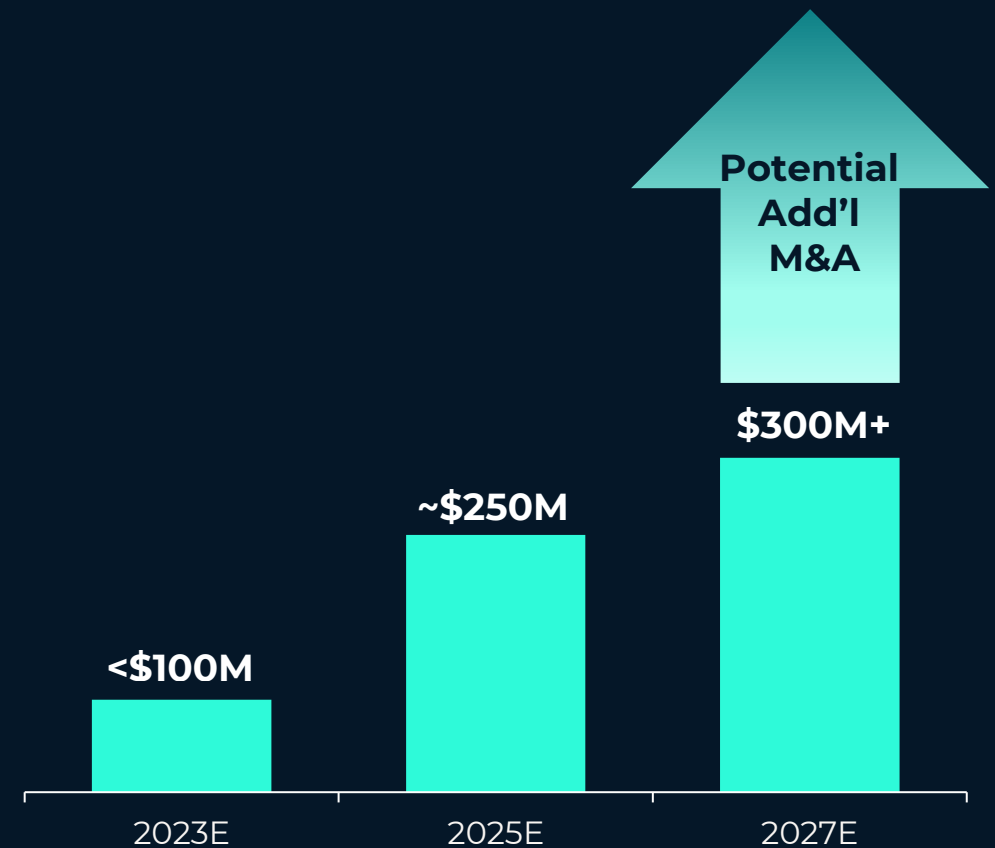
# Potential to Create Differentiation

Leverage core automotive capabilities to support charging

## Key differentiators

- We plan to leverage existing foundational capabilities to achieve **product leadership**
  - Electronics & software capabilities
  - System engineering
  - BOM cost synergies
  - Manufacturing efficiency
  - Automotive-grade reliability
- **Power Electronics and Thermal Management** as two differentiated technological advantages
- CV fleet and OEM **customer intimacy**
- **Global footprint** & integration capabilities

## Estimated Global Charging Sales



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# Financial Outlook

Investor Day

**Kevin Nowlan**

Chief Financial Officer

# Our Financial Strategy



# BorgWarner Financials at a Glance

2023E Financials Pro Forma for Spin-Off of Fuel Systems and Aftermarket Segments

**\$14.0-\$14.6B**

*Net Sales*

**~10%-15%**

*YOY Organic Sales Growth*

**\$2.3-\$2.6B**

*eProduct Sales*

**9.2%-9.6%**

*Adj. Operating Margin*

**~\$400-\$500M<sup>1</sup>**

*Free Cash Flow*

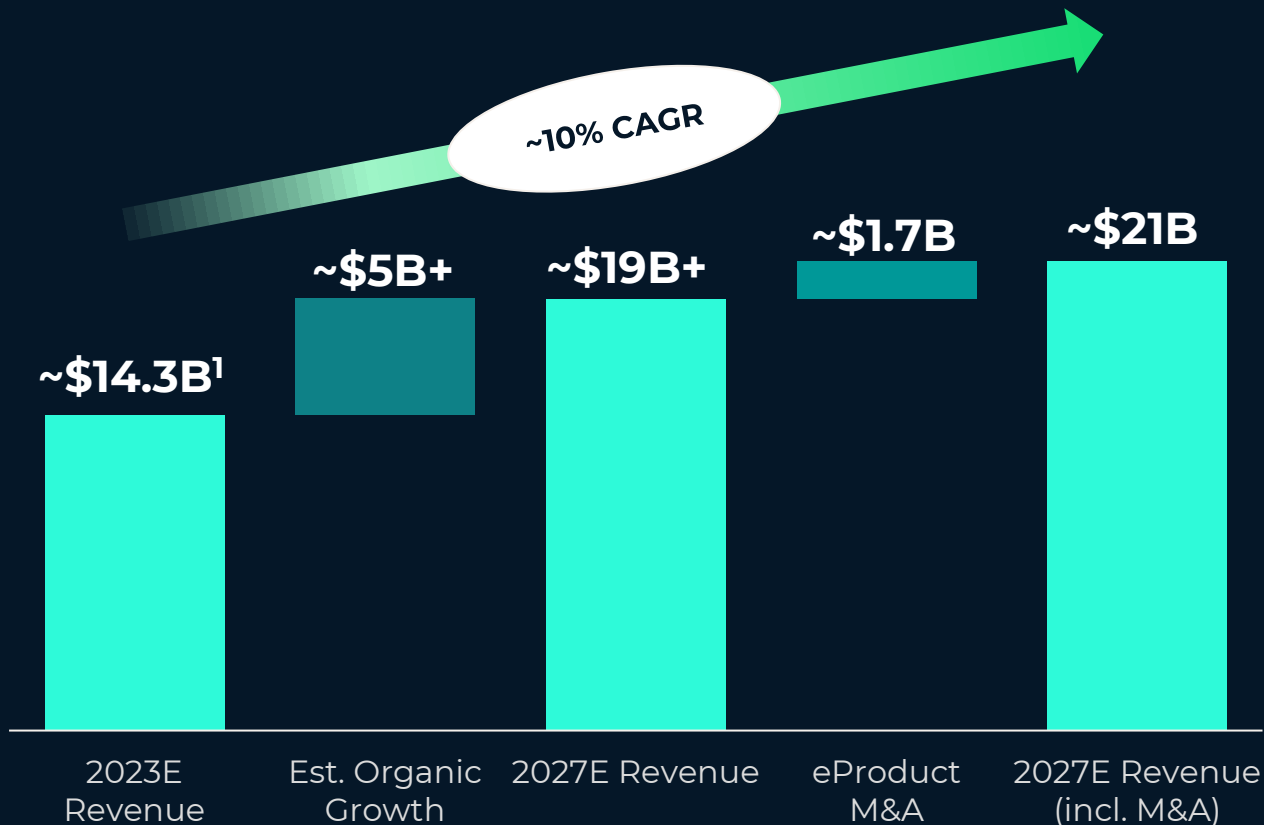
**1.3x**

*Net Leverage at YE2023*

**Post Spin-Off Transaction, BorgWarner Continues to have Attractive Financial Profile**

# Accelerating eProduct Strategy & Driving Sales Growth

## 2023E – 2027E Sales Growth

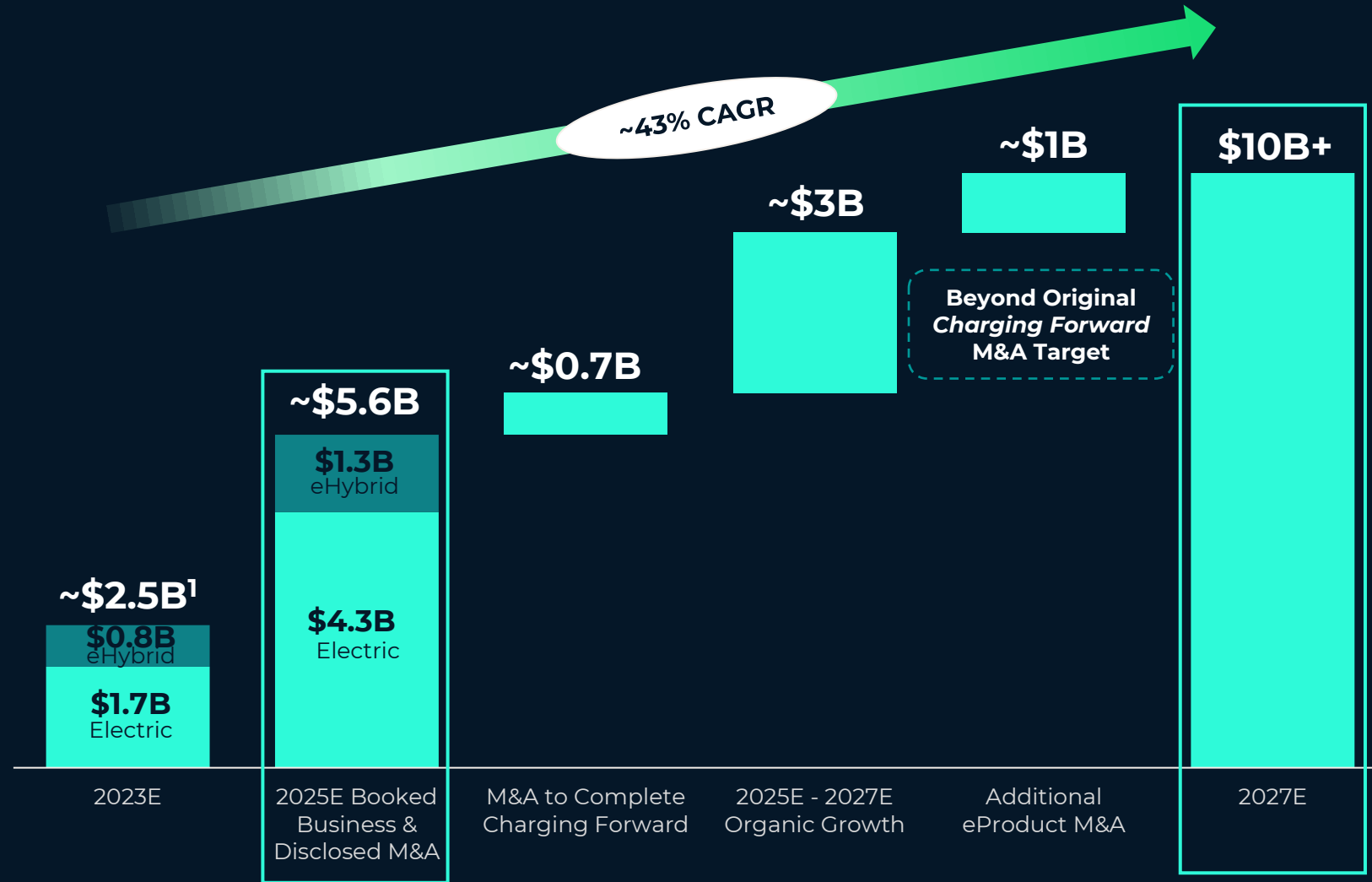


## Drivers of Outsized Growth

- Focused electrification strategy poised for significant acceleration
- Customer demand and industry recovery from macro challenges
- Expected strategic M&A to augment electrification capabilities
- Enhanced content opportunity per vehicle

# eProduct Leadership With Clear Roadmap to ~\$10B+ in Sales by 2027

## 2023E – 2027E eProduct Sales

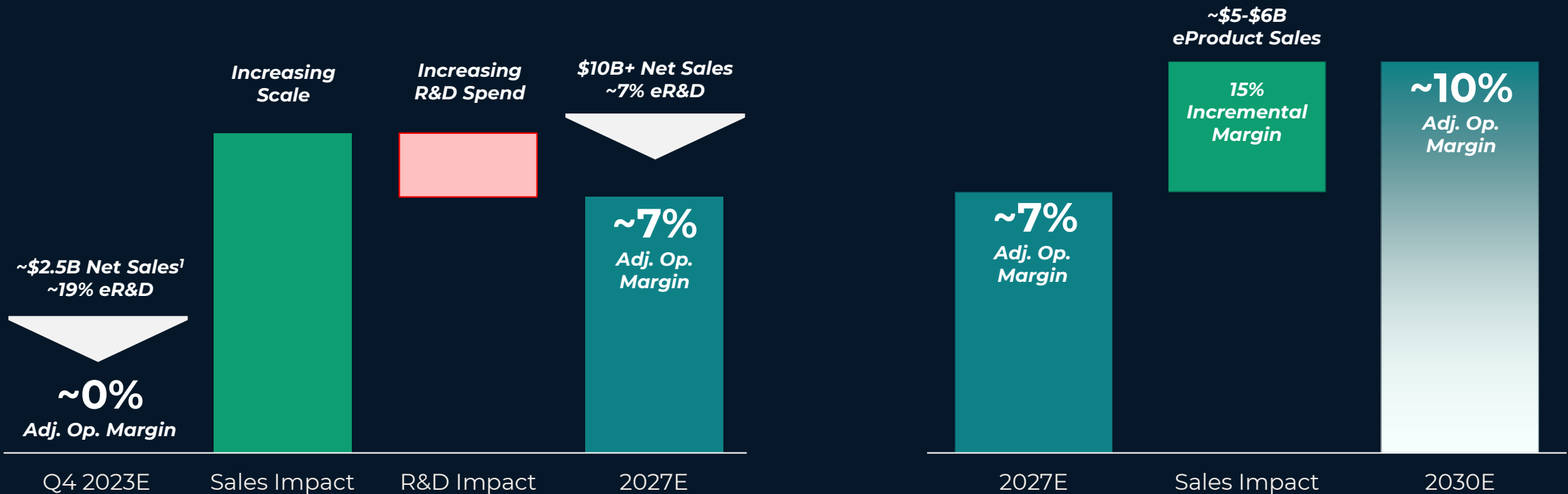


1. Reflects midpoint of 2023E eProduct sales guidance of \$2.3-\$2.6B

# Expect Strong, Long-Term Profitability for eProducts

eProducts Expected to Breakeven by YE 2023 and Reach Strong Profitability by 2027...

...With Clear Path Expected to Deliver Double-Digit Margins by 2030



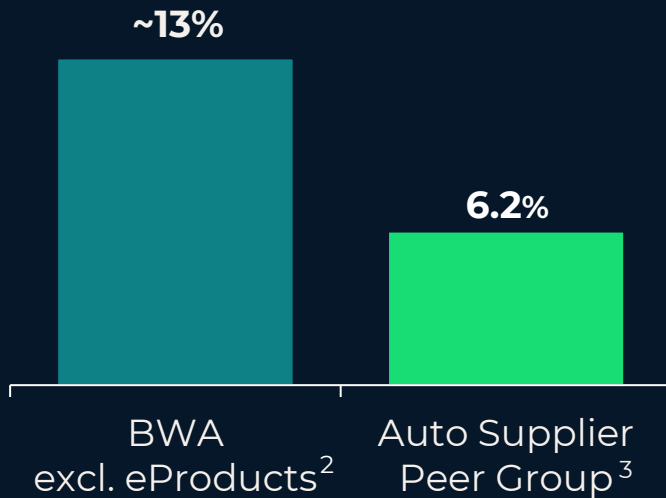
Driving Higher Margins by Leveraging Scale



# Attractive Financial Profile for Foundational Business

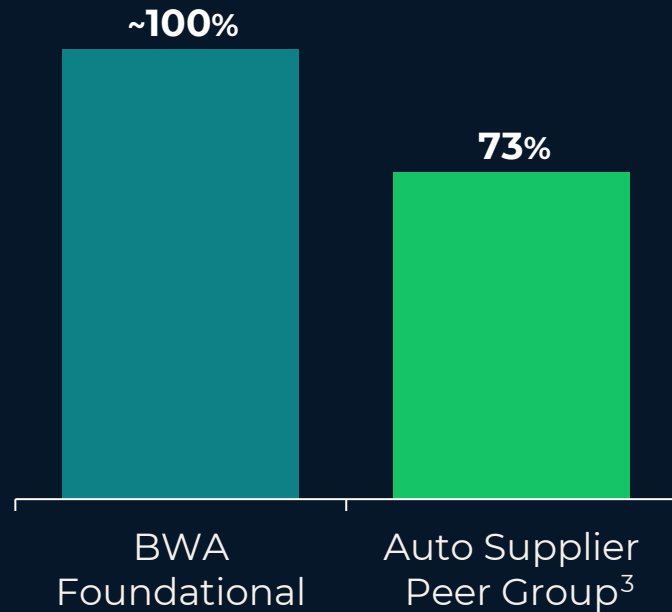
## Leading Margins

2023E Operating Margins



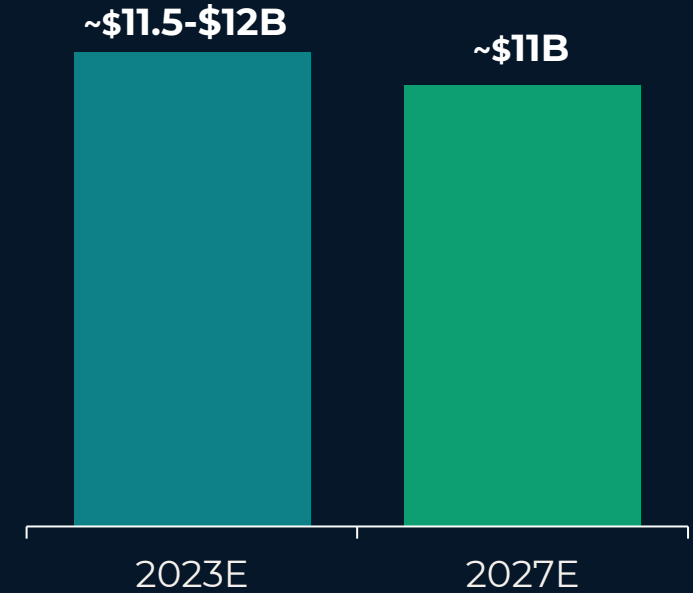
## Robust FCF Conversion<sup>1</sup>

2023E FCF Conversion: FCF / Adj. Net Income



## Relatively Stable Sales Base

BWA Foundational Sales ('23E - '27E)

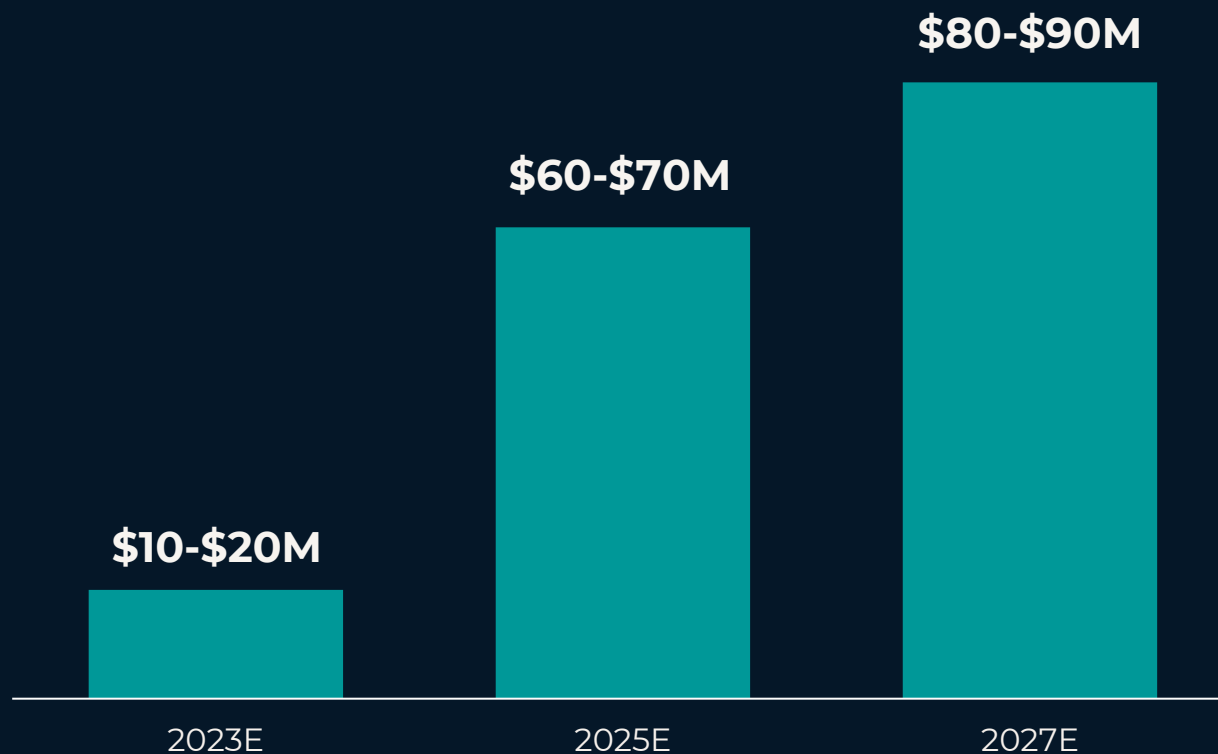


**Expect Foundational Business to Continue to Support Investments in Electrification**

# Proactive Actions to Sustain Foundational Margins

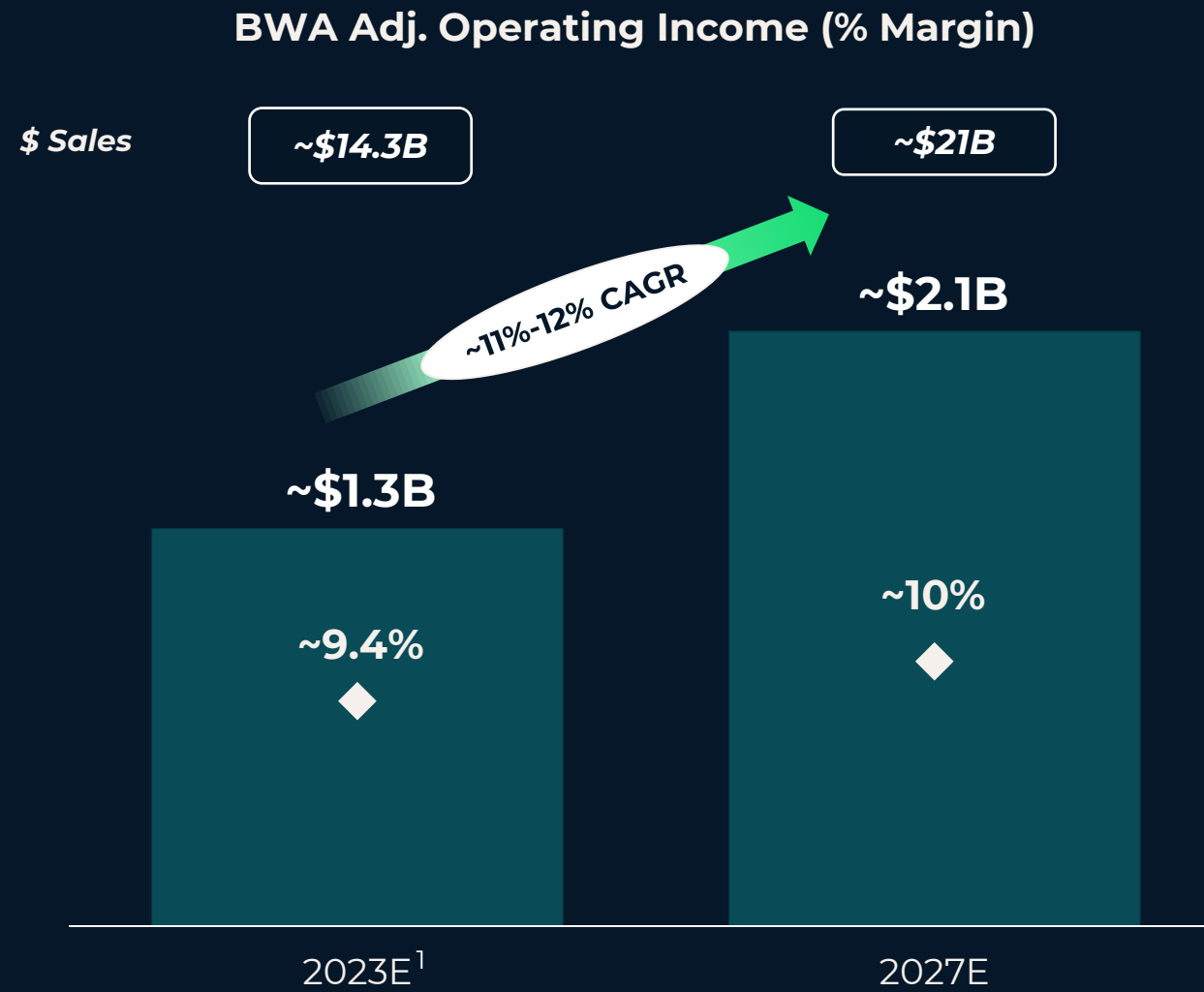
Executing from Position of Strength

## Estimated Restructuring Annualized Cost Savings



- Restructuring, closure or consolidation of select facilities in all major regions
- Est. additional cash restructuring costs of \$130-\$150M from 2023-2027
- Expect to generate annual cost savings of \$80-\$90M by 2027
- Positions company to sustain strong Foundational product margin profile and long-term competitiveness

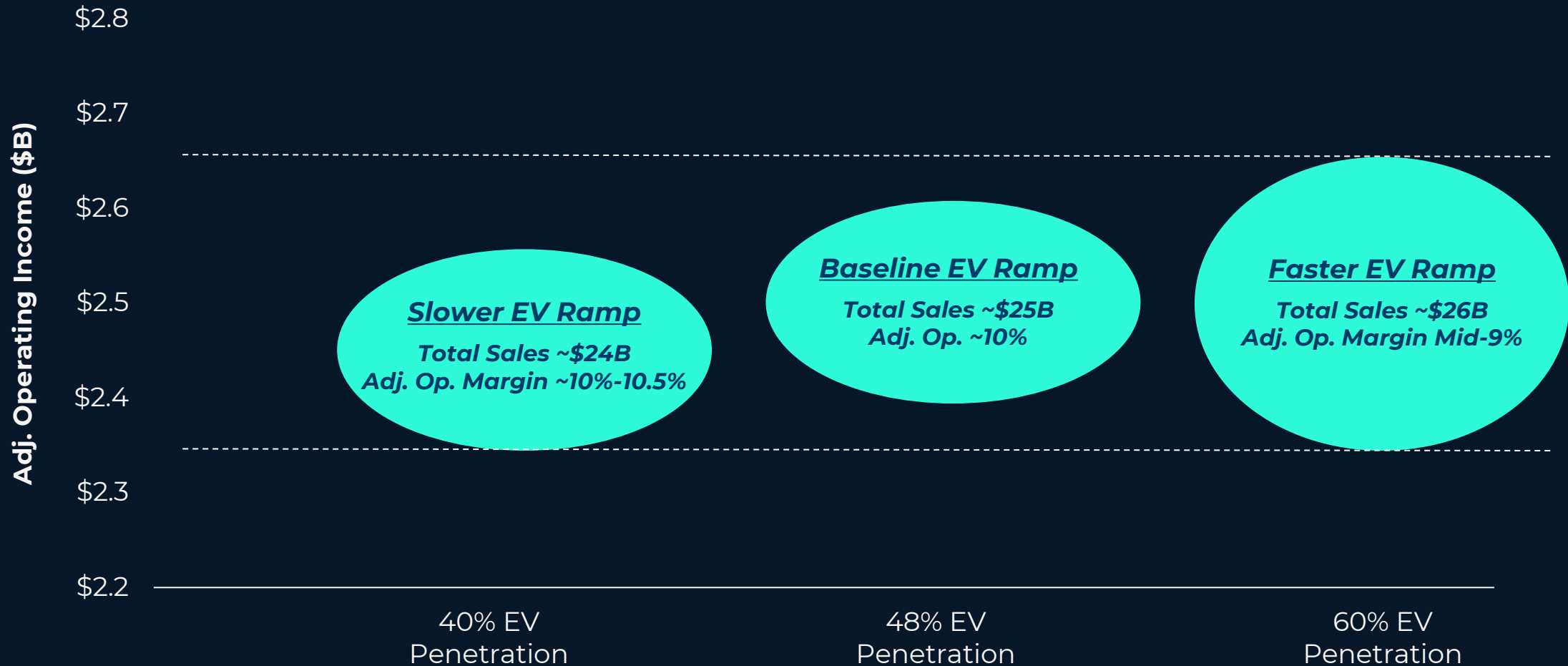
# Charging Forward Driving Long-Term, Double-Digit Growth in Profitability



**~\$750M Expected Increase in Annual Adj. Operating Income between 2023 and 2027**

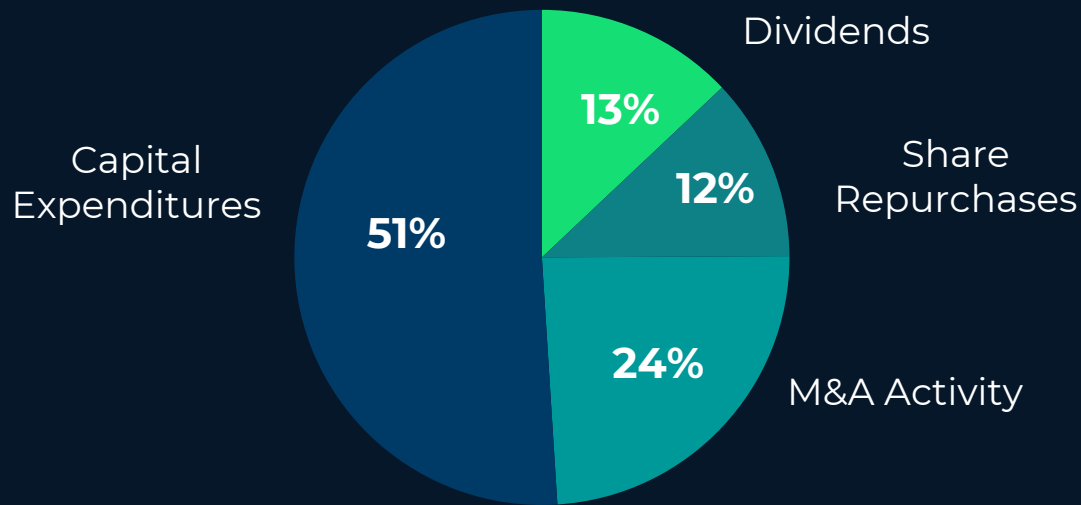
1. Reflects midpoint of 2023E guidance

# Expected Strong, Stable Earnings Profile Under Multiple 2030 EV Penetration Scenarios

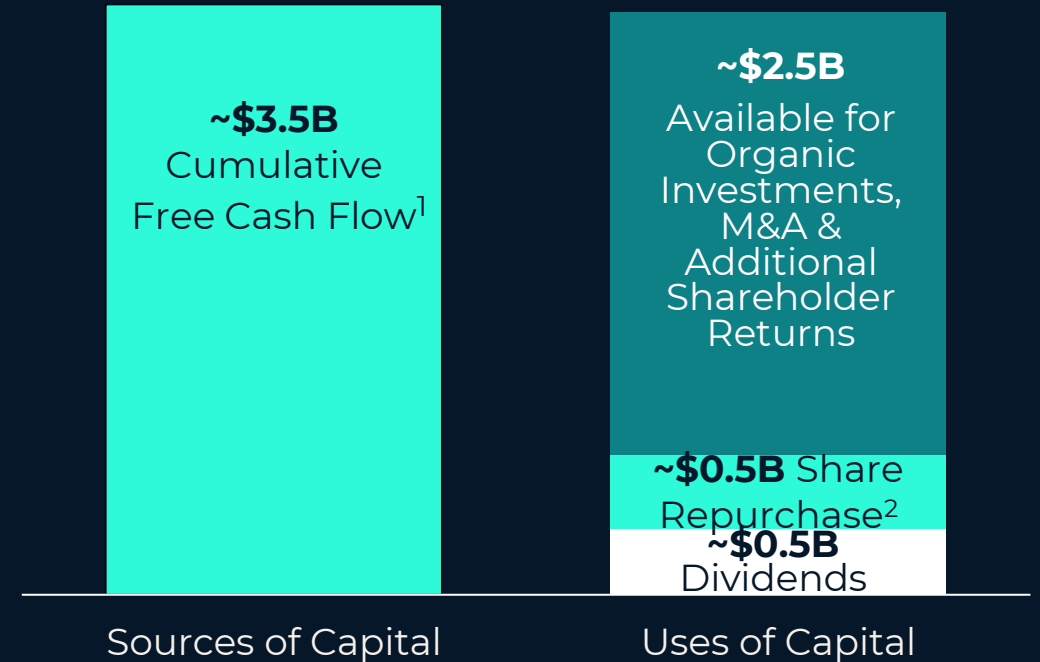


# Expected Strong Free Cash Flow Generation Enables Disciplined Capital Deployment

Historical Capital Allocation (2017 – 2022)



Estimated Capital Flows (2023E – 2027E)



**Capital Allocation Strategy has Supported eProduct Investments While Maintaining Commitments to Return Capital to Shareholders**

# Proven Track Record of Active Portfolio Management

## M&A is a Core Competency

- Delphi acquisition was cornerstone of accelerated eProduct strategy
- Completed five eProduct acquisitions since start of *Charging Forward*
- M&A has expanded attractive eProduct portfolio
- Positioned to scale leading eProduct businesses

## Enhanced Electrification Portfolio Via M&A

### Power Electronics

**Delphi  
Technologies**

 drivetek



### Battery Packs & Modules

**AKASOL**

High Performance Battery Systems

### eMotors

**Remy**

**SANTROLL**<sup>®</sup>

### DC Fast Charging

 **Rhombus**  
Energy Solutions

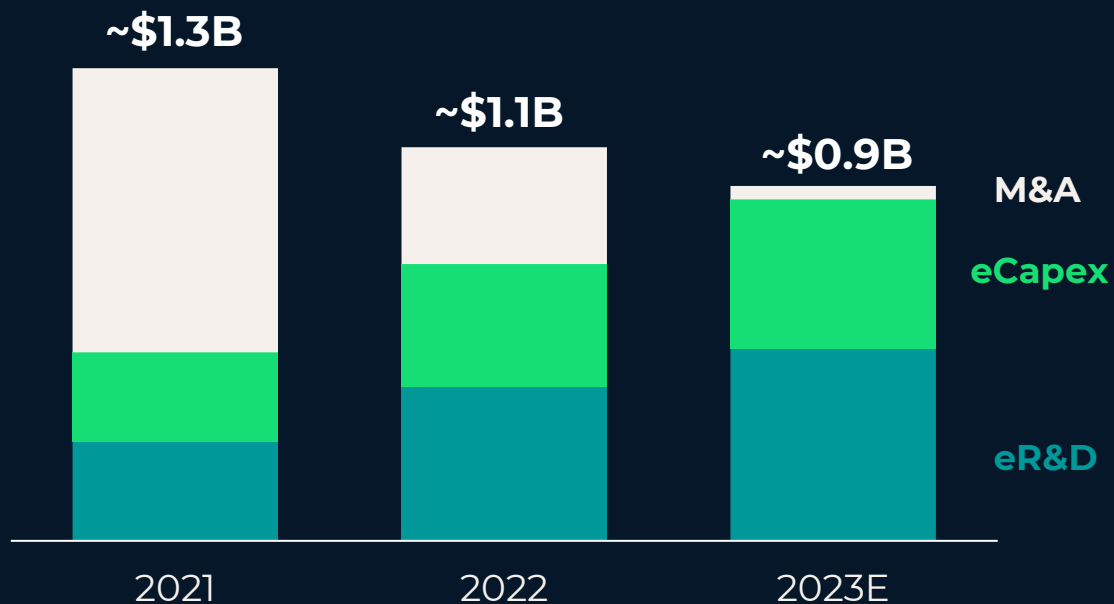
 **SSE**



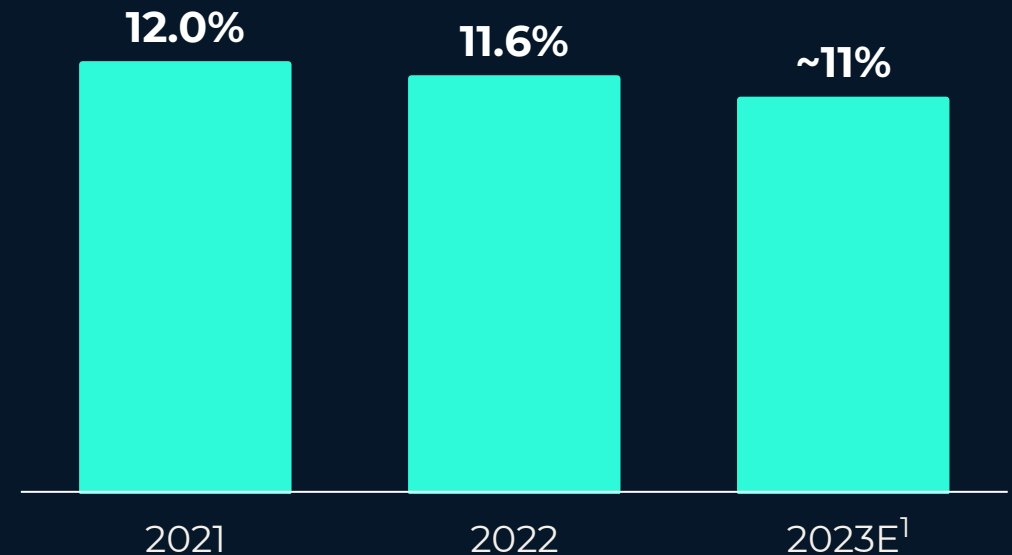
**~\$6B Enterprise Value of Acquisitions Since 2015**

# ROIC Discipline Throughout BorgWarner Transformation

eR&D, eCapEx & M&A



Return on Invested Capital



**Significant Investments in Emerging Technologies  
Constantly Governed by Focus on Investment Discipline**

# Financial Summary

- Strategic growth actions through 2027 expected to drive:
  - **\$10B+ of eProduct sales**
  - **~7% eProduct margins**
  - **Sustained Foundational margins**
- Expected achievement of these targets supports **top-quartile margin** performance
- **Strong FCF generation** expected to accelerate through 2027 & beyond
- Continued pursuit of **disciplined M&A** to augment eProduct capabilities



June 6, 2023

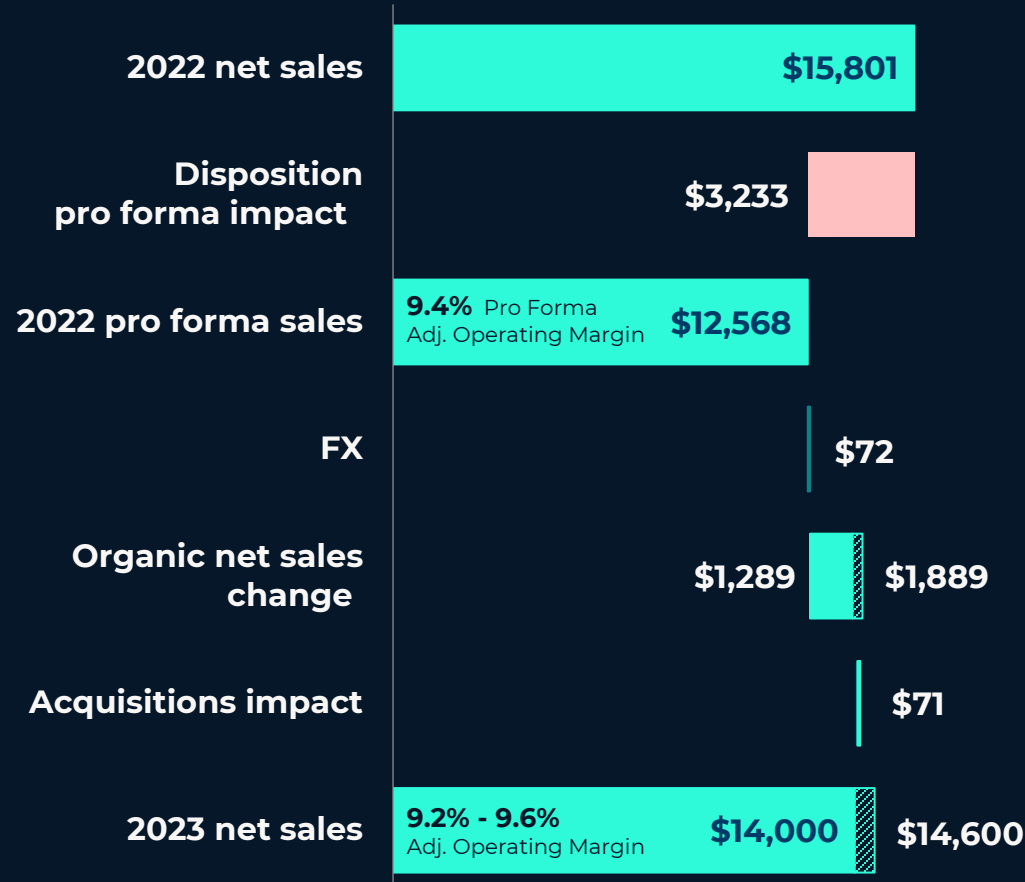
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Investor Day  
2023

# Appendix

# 2023 Expected Outlook and Other Items

## Full-year Net Sales Outlook (\$M)

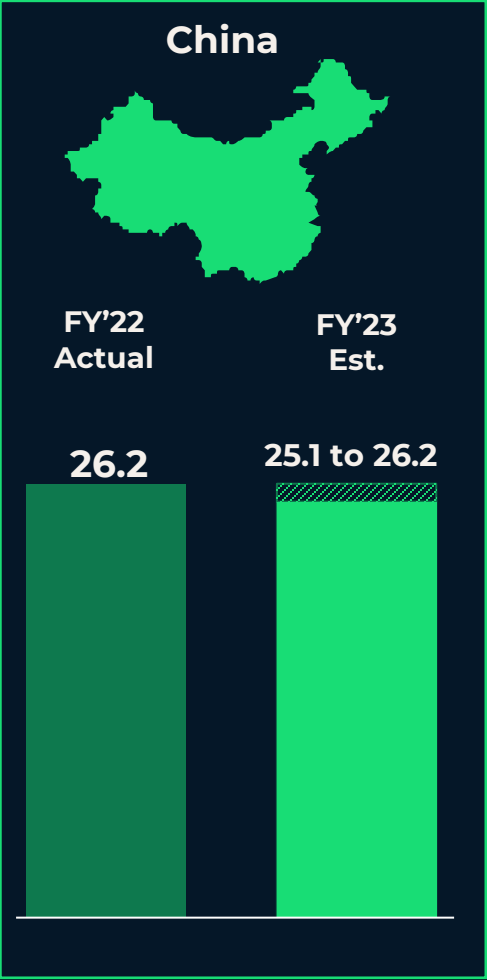
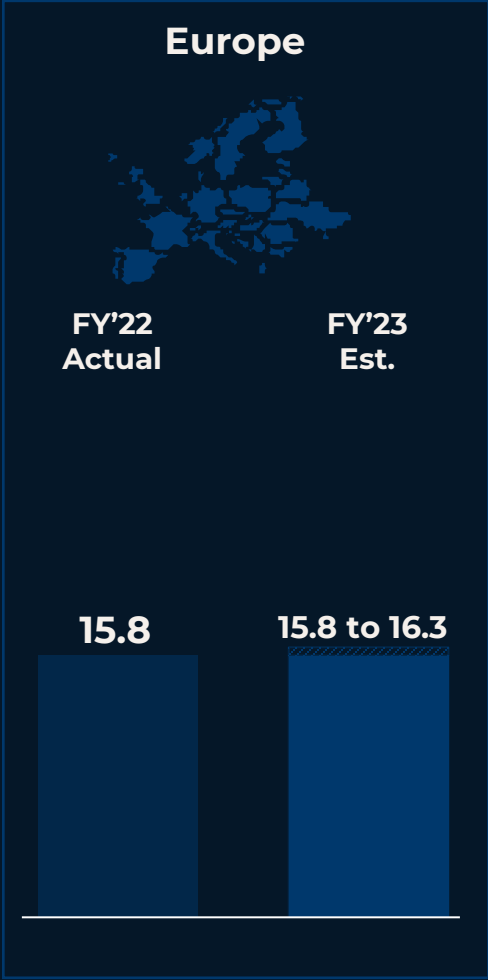
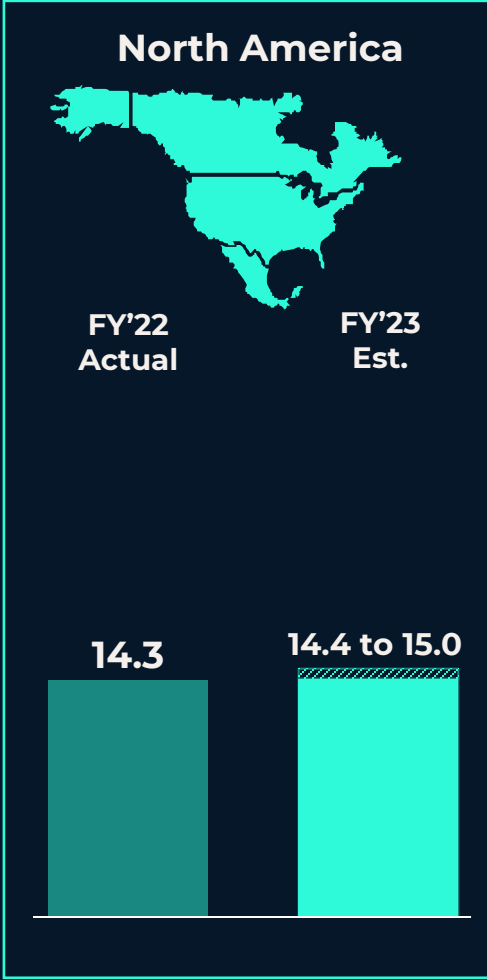
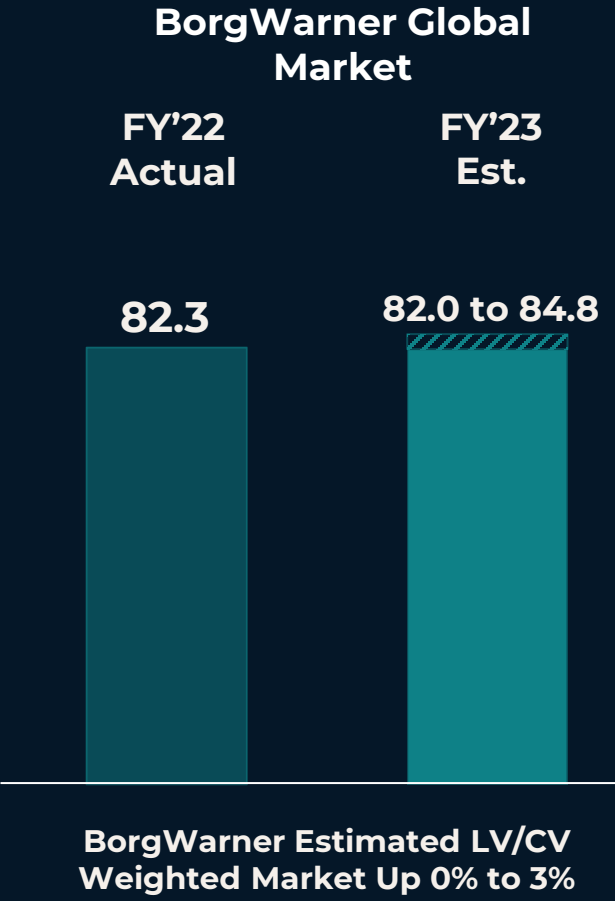


## 2023E Outlook

Organic Growth	10% to 15%
EV Sales	\$1.5B to \$1.8B
eProduct Sales	\$2.3B to \$2.6B
eR&D increase	\$60M to \$70M
Adj. diluted EPS	\$3.45 to \$3.85
Free Cash Flow <sup>1</sup>	~400M to \$500M

# 2023 Market Expectations

LV Units in millions



# Adjusted Operating Income and Margin Reconciliation to US GAAP

The Company defines adjusted operating income as operating income adjusted to exclude the impact of restructuring expense, merger, acquisition and divestiture expense, intangible asset amortization expense, other net expenses, discontinued operations, and other gains and losses not reflective of the Company's ongoing operations. Adjusted operating margin is defined as adjusted operating income divided by net sales.

\$ in millions	Full Year 2023 Guidance		2027E
	Low	High	
<b>Sales</b>	\$14,000	\$14,600	\$21,000+
<b>Operating income</b>	\$1,084	\$1,179	~\$1,800-\$1850
<b>Operating margin %</b>	7.7%	8.1%	Mid 8% Range
<b>Non-comparable items:</b>			
Restructuring expense	40	50	~100-150
Merger, acquisition and divestiture expense, net	90	100	~50
Intangible asset amortization expense	71	71	~92
<b>Adjusted operating income</b>	\$1,285	\$1,400	~\$2,100
<b>Adjusted operating margin</b>	9.2%	9.6%	~10%

# Full Year 2022 Pro Forma Adj. Operating Income and Adj. Operating Margin Reconciliation to US GAAP

\$ in millions	2022
<b>Net Sales</b>	\$15,801
Pro forma disposition impact	(\$3,233)
<b>Pro forma net sales</b>	\$12,568
<b>Operating income</b>	\$1,374
<b>Operating margin %</b>	10.9%
<b>Non-comparable items:</b>	
Intangible asset amortization expense	97
Restructuring expense	59
Merger, acquisition and divestiture expense, net	40
Asset impairments and lease modifications	30
Gain on sale of business	(13)
Other, primarily asset write-offs	16
<b>Adjusted operating income</b>	1,603
Pro forma disposition impact	(419)
<b>Pro forma adjusted operating income</b>	1,184
<b>Pro forma adjusted operating margin</b>	9.4%

# Free Cash Flow 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	Full Year 2023 Outlook		Total Years Ended December 31,
	Low	High	2023-2027
Net cash provided by operating activities	\$ 975	\$ 1,125	\$ ~7,350
Capital expenditures, including tooling outlays	(725)	(775)	~(4000)
<b>Free cash flow</b>	<b>\$ 250</b>	<b>\$ 350</b>	<b>\$ 3,350</b>
One-time cash costs for spin-off transaction	150	150	~150
<b>Free cash flow excluding one-time cash costs for spin-off transaction</b>	<b>\$ 400</b>	<b>\$ 500</b>	<b>\$ ~3,500</b>

Source: BorgWarner estimate excluding the impact of any new acquisitions and dispositions