

Earnings Call Presentation

Q4 2020



February 11, 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 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 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; 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; impacts from any potential future acquisition or divestiture transactions; 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 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.

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 2020 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.

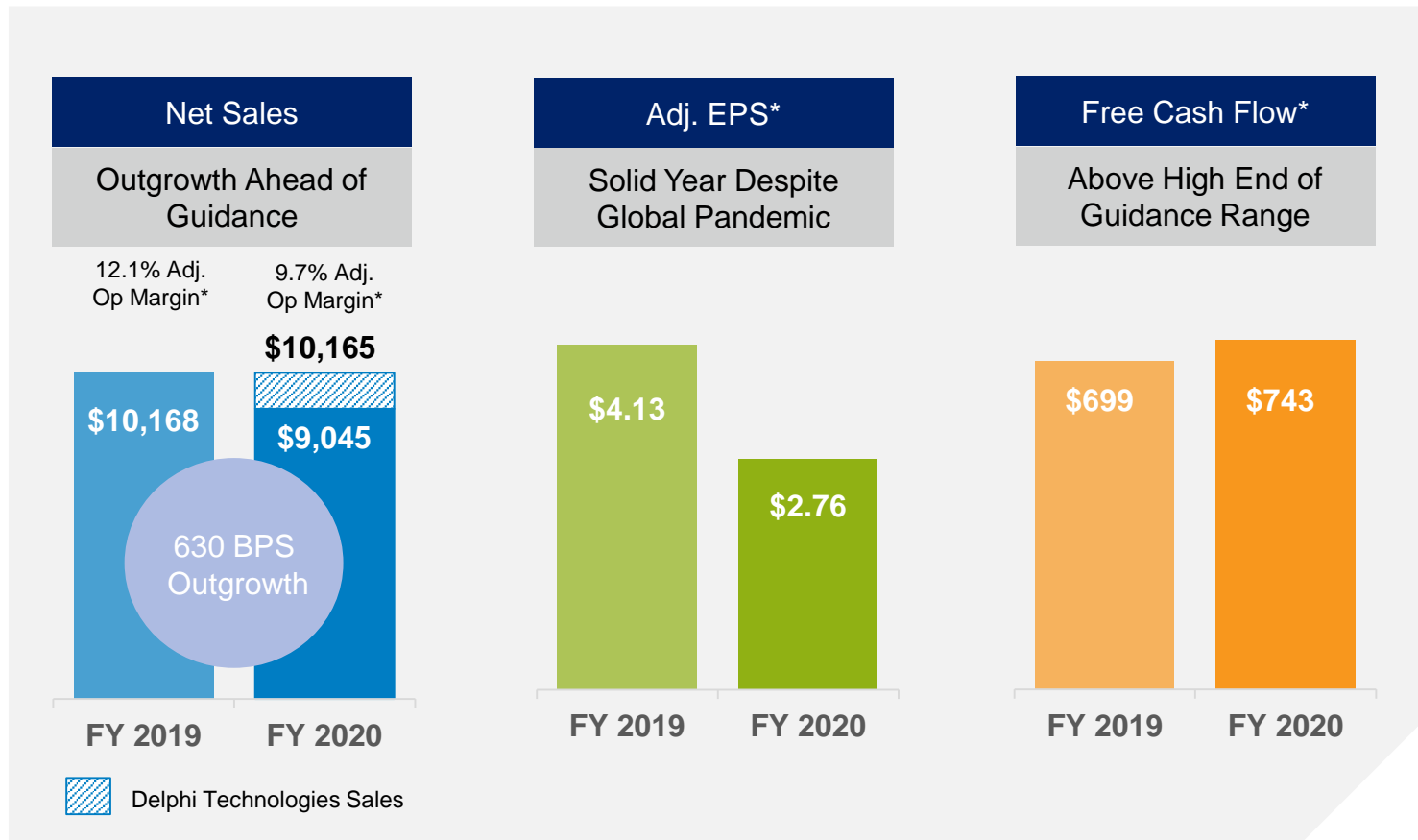
Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

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

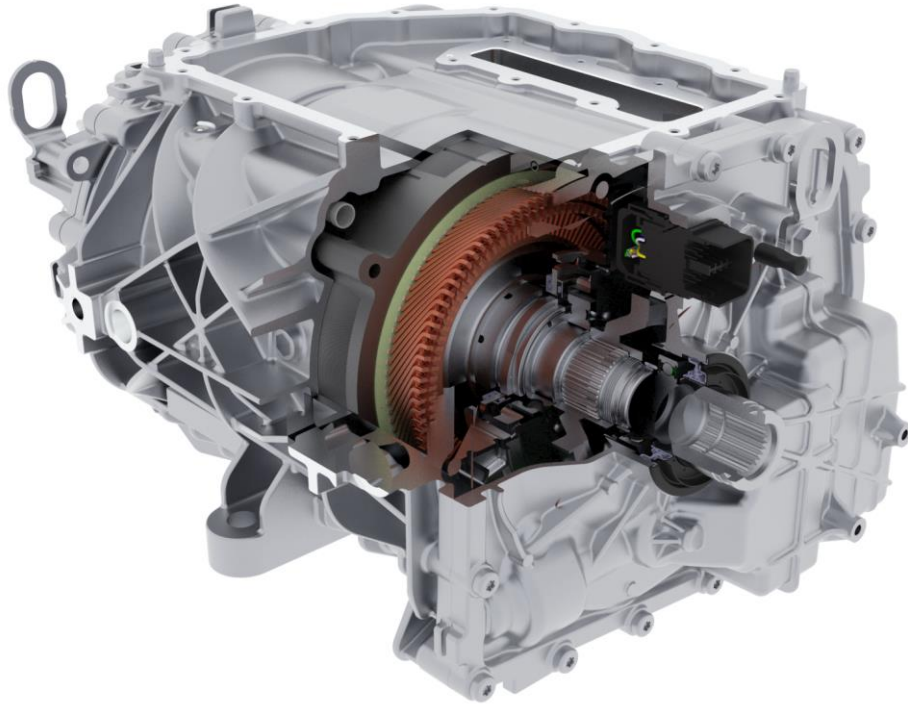
2020 Finishes Strong, Well Positioned for the Future



- Organic revenue and outgrowth ahead of expectations
- Decremental margin in line with expectations, while continuing to support future growth
- Record free cash flow generation
- Completed Delphi Technologies acquisition
- Multiple new 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.

800-volt Electric Motor for Global CV Customer

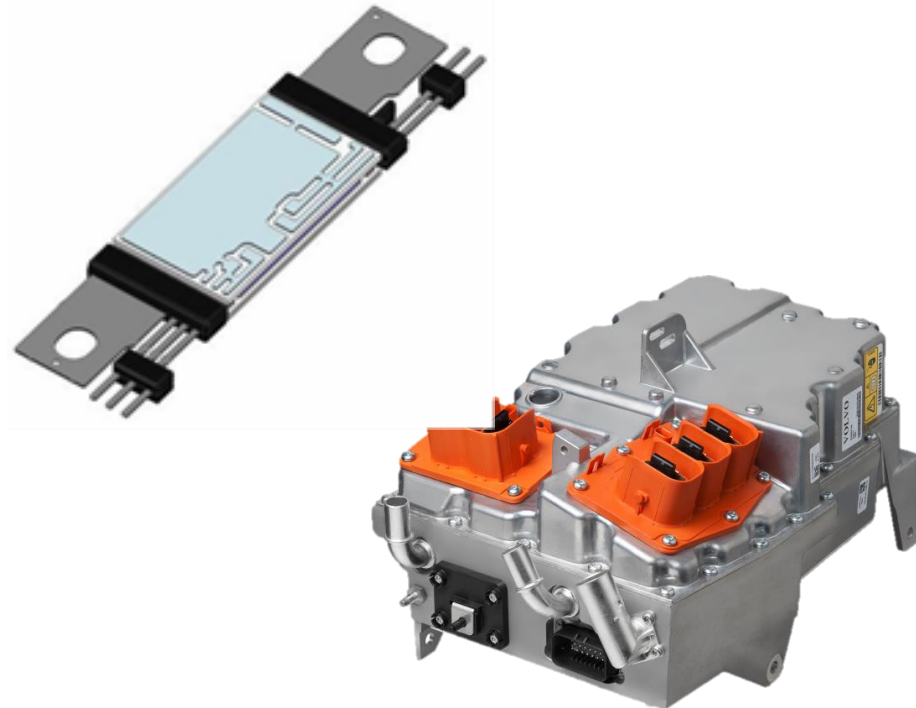


800-volt Electric Motor

- Award with a large global commercial vehicle (CV) EV customer launching in 2024
 - Multi-faceted platform will support the manufacturer's goal of a common electric drivetrain
 - Customer can significantly reduce charging time while achieving a higher power density
 - Available in multiple variants to serve our expanding commercial vehicle EV market

**Commercial Vehicle EV market
represents a significant opportunity**

400-Volt SiC Inverter for Major European OEM



400-Volt Inverter

- Partnering with a major European OEM on next-generation BEVs expected to launch in 2022
 - Leading market trend of 400V Si to SiC upgrade to extend EV mileages with minimum design impact
 - Downstream integration capability helps to secure customer demand with competitive cost

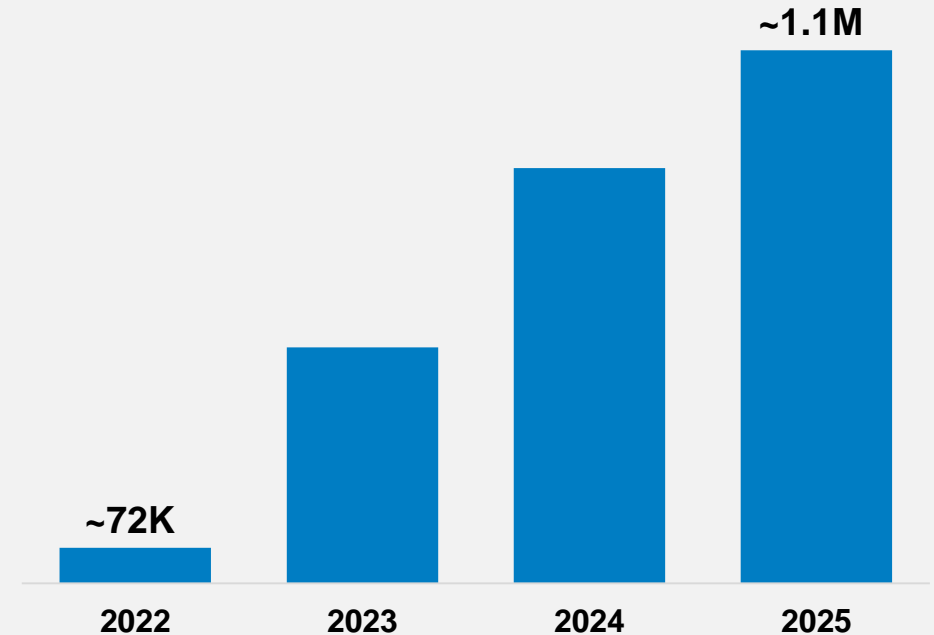
Second largest power electronics win to date

Key European Inverter Wins Provide Scale

BorgWarner Competitive Advantage

- Efficient speed to market with products covering 400V SiC, 800V SiC, 48V
- Proprietary inverter power module design
- Vertical integration
 - Power modules, integrated circuit development and full software capability in-house
- Scale in Electronics

Inverters for 3 Key European OEM Programs

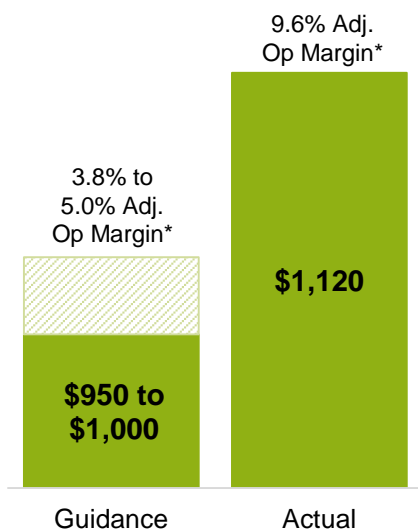


Inverter wins expected to drive substantial future revenue growth

Integration on Track – Moving Forward as One BorgWarner

\$ in millions

**Q4 2020 Sales & Adj.
Operating Margin**

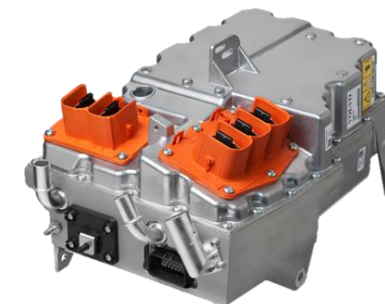


**Delphi Technologies
Q4 results ahead of
guidance**

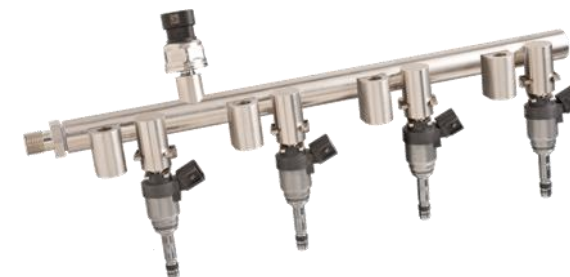
**Cumulative Cost
Synergies**



**Synergies on
schedule**



SiC Inverters



GDi systems

**Multiple program
awards post signing**

* Adj. Operating Margin excludes synergies of \$15 million and \$13 million of purchase price amortization.

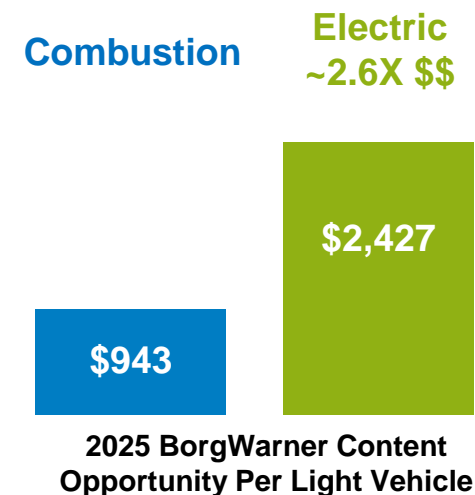
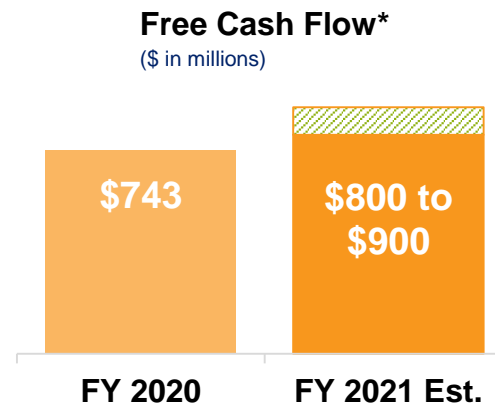
Investor Day 2021

- Date: Tuesday, March 23, 2021
- Time: 9:00AM – 11:30AM EDT
- Where: Virtual broadcast from BorgWarner WHQ
- Will feature presentations by senior leadership followed by Q&A



Summary of 2020 Results and 2021 Outlook

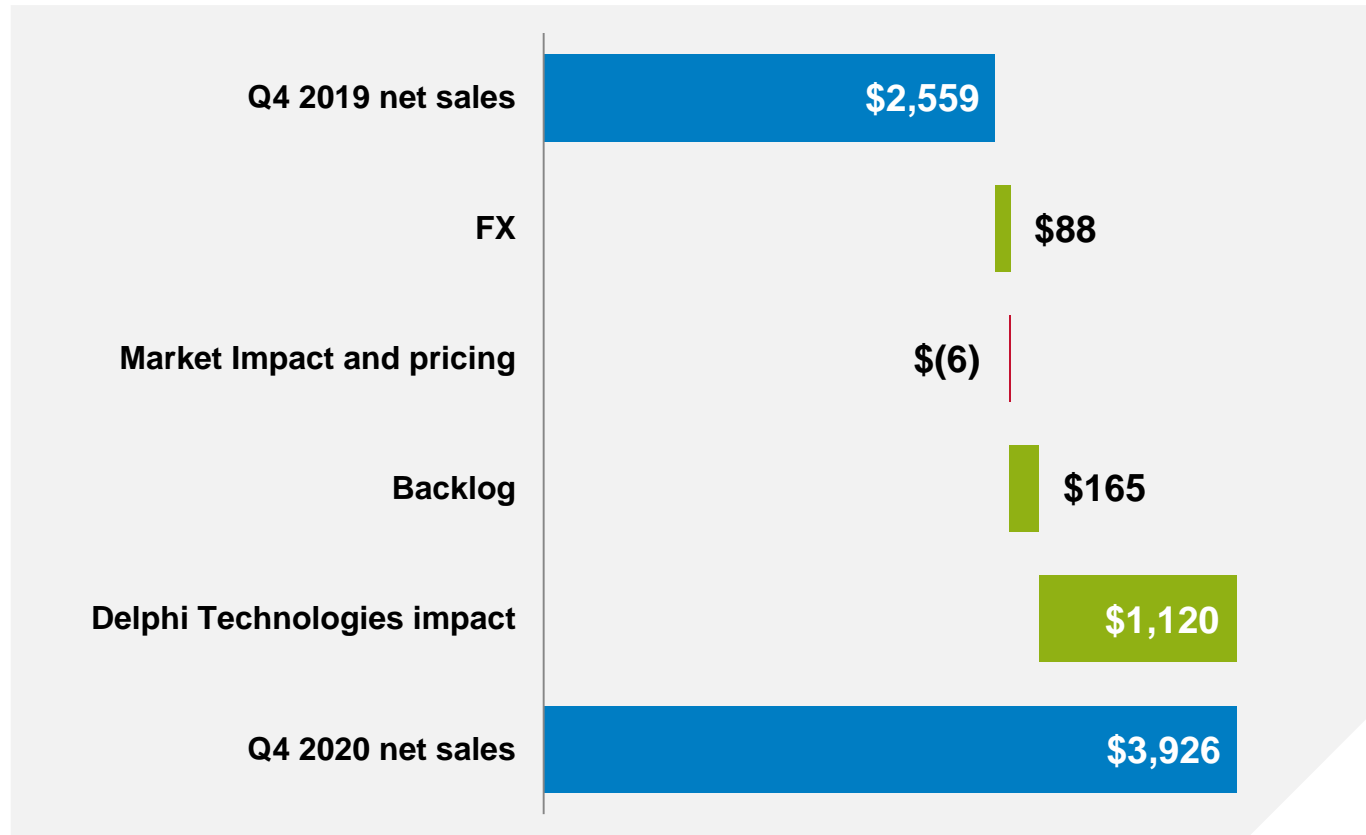
- Delivered strong outgrowth and free cash flow in 2020
- Strong free cash flow expected to continue, enabling investments to support growth
- Expect medium-term outgrowth to be in line with prior expectations
- Believe we remain strongly positioned to capitalize on long-term industry trends



* Free cash flow on this slide is a non-US-GAAP measure. See reconciliation to US GAAP in Appendix.

BorgWarner Q4 2020 Net Sales Walk

\$ in millions



- Global light vehicle markets up ~1.6% year over year
- Organic sales grew ~6.2%, driven by outgrowth in China and strong China commercial vehicle performance
 - **China** – Dual clutch transmission modules (DCT); commercial vehicles
 - **Europe** – Roughly in line with market due to lapping diesel outperformance
 - **North America** – Impacted by F-150 change-over

BorgWarner Financial Results & Adj. Operating Income

\$ in millions

Q4 2019 adj. operating income*

\$340

FX

\$6

Market impact, pricing, backlog and other

\$(7)

Delphi Technologies impact

\$109

Q4 2020 adj. operating income*

\$448

(in millions, except per share amounts)
GAAP & Non-GAAP Financials

Three months ended
December 31,
2019 2020

Sales

\$2,559

\$3,926

Adj. operating income*
Adj. operating margin

\$340

\$448

13.3%

11.4%

Adj. diluted EPS*

\$1.17

\$1.18

Free cash flow*

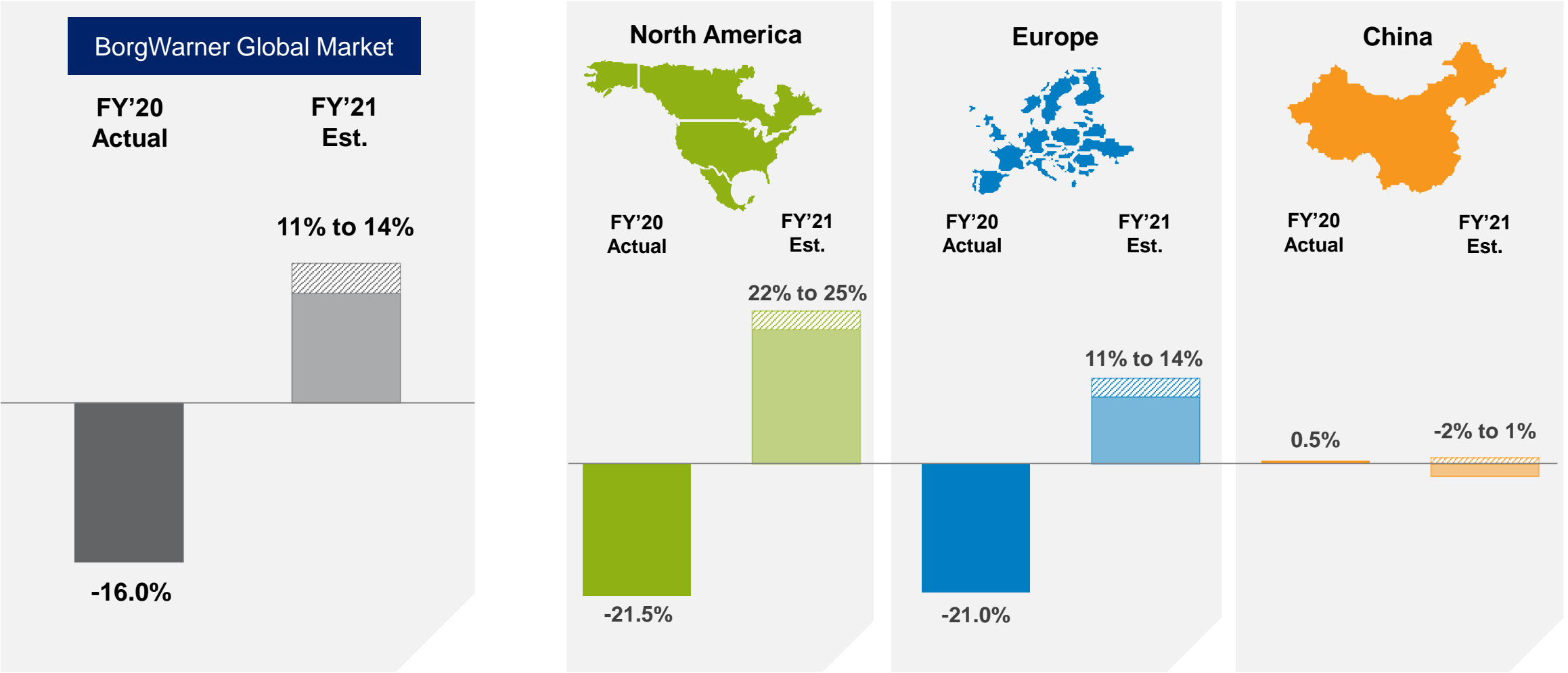
\$221

\$197

\$216 million of stock
buybacks in Q4 2020

* 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

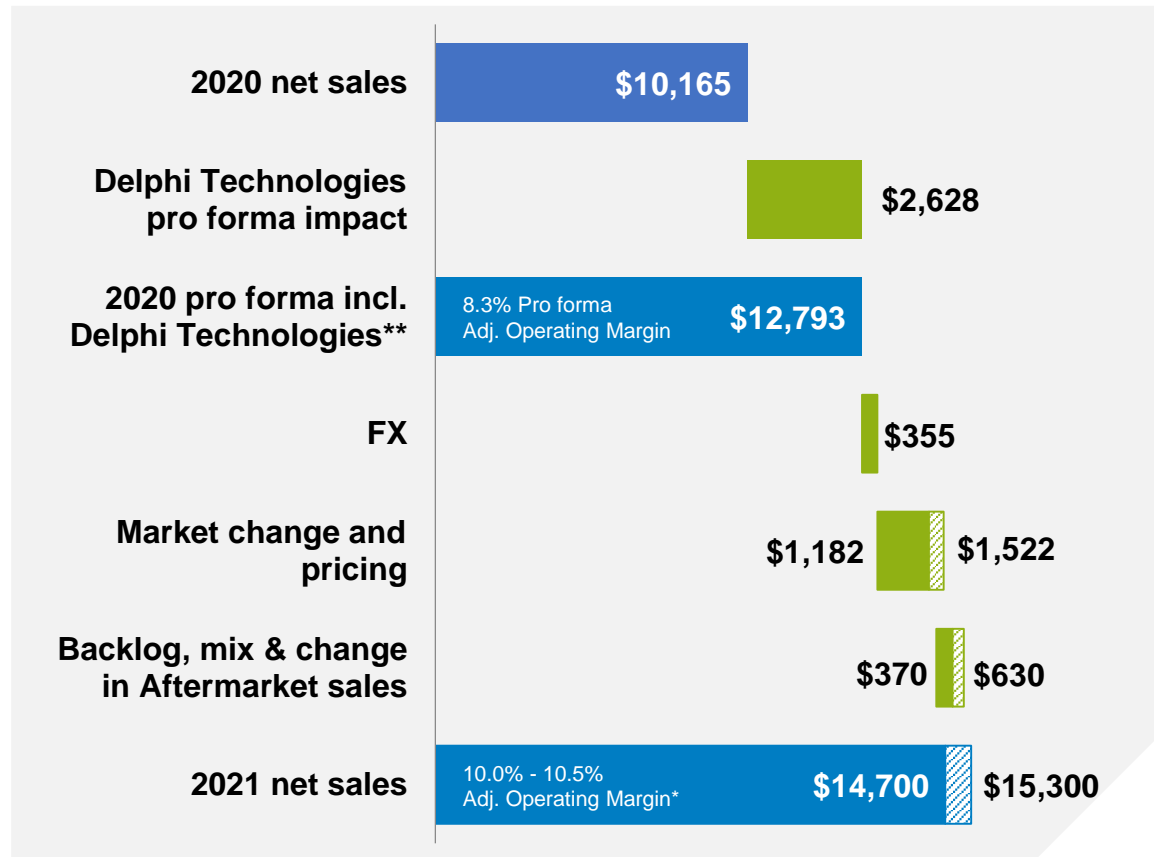


Note: FY'20 Actuals are BorgWarner-weighted market assumptions based on January 2021 LV IHS and February 2021 CV On-Hwy IHS

2021 Expected Sales Walk and Guidance

\$ in millions

Full-year Net Sales Outlook



Net Sales Highlights

- Global BWA LV/CV markets up ~11% to ~14%
- ~100 to ~300 basis points of outgrowth

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 an incremental \$70 to \$80 million in 2021
 - Cumulative Synergies ~\$85 to \$95 million
- Adj. Diluted EPS ~\$3.85 to \$4.25*
- Free cash flow ~\$800 to \$900 million*

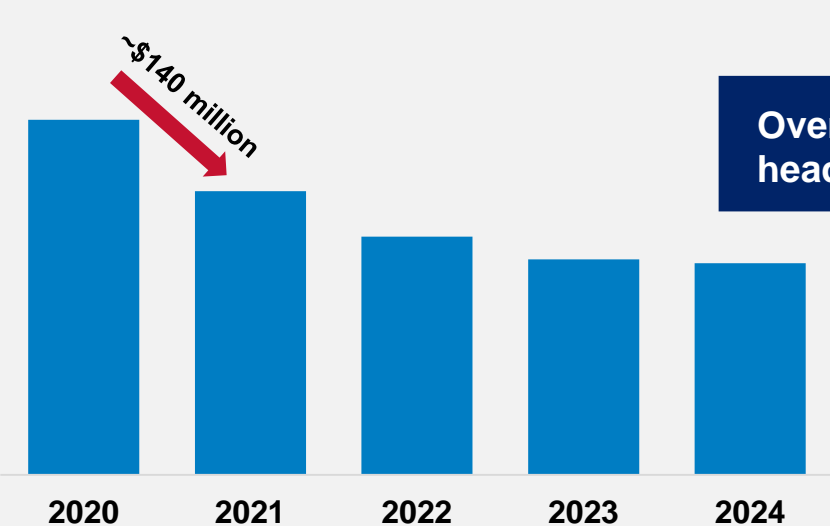
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** On October 1, 2020 BorgWarner completed its acquisition of Delphi Technologies PLC (Delphi Technologies). The 2020 pro forma unaudited quarterly financial information included herein includes the pro forma combined results of BorgWarner and Delphi Technologies for periods prior to October 1, 2020. The pro forma financial information has been derived from the unaudited consolidated financial statements included in BorgWarner's and Delphi Technologies' Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020 and does not give effect to the transaction on periods prior to October 1, 2020. The pro forma financial information 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.

Mid-Term Outgrowth Expectations Remain Intact

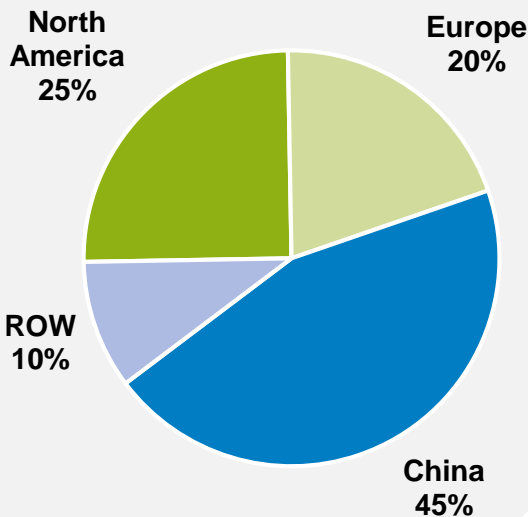
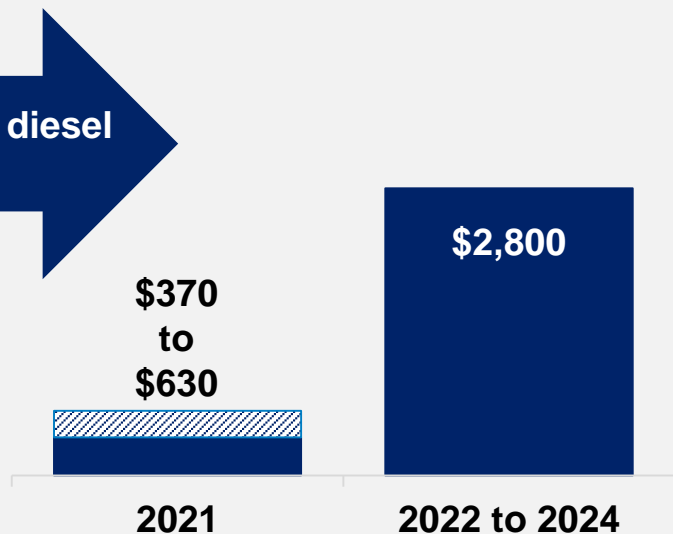
\$ in millions

Expected Light-duty Diesel Sales for Legacy Delphi Technologies Portfolio



Overcoming diesel headwind

2021 to 2024 LV/CV Net Backlog & Aftermarket Growth



In line with original expectations

Net backlog supports 2022-2024 outgrowth in the mid-4% range

Thank you!



Combustion



Hybrid



Electric

Appendix

2021 Planning Assumptions

- **CapEx** **\$650 to \$700 million**
- **R&D spending** **~5% of sales**
- **Tax rate for ongoing operations** **~32%**

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

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 has been derived from the unaudited consolidated financial statements included in BorgWarner's and Delphi Technologies' Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020 and does not give effect to the transaction on periods prior to October 1, 2020. The pro forma financial information 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.

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Air Management					
Net sales	\$ 1,683	\$ 961	\$ 1,750	\$ 1,942	\$ 6,336
e-Propulsion & Drivetrain					
Net sales	1,032	757	1,305	1,447	4,541
Fuel Injection					
Net sales	411	250	410	479	1,550
Aftermarket					
Net sales	174	129	195	194	692
Inter-segment sales eliminations	(76)	(43)	(72)	(136)	(327)
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 Weighted Market Estimates

		FY'20	FY-21 Est.
LV Range	North America	-20.1%	22% to 25%
CV Range		-30.1%	25.5% to 28.5%
LV Range	Europe	-21.6%	11% to 14%
CV Range		-16.9%	7.5% to 10.5%
LV Range	China	-4.2%	3% to 6%
CV Range		26.5%	-30% to -33%
Weighted LV Range	Total	-16.8%	12.5% to 15.5%
Weighted CV Range		-10.8%	3.5% to 6.5%
Weighted Total Range		-16.0%	11% to 14%

Note: FY'20 Actuals are BorgWarner-weighted market assumptions based on January 2021 LV IHS and February 2021 CV On-Hwy IHS

Fourth Quarter and Year-to-Date 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 December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Sales	\$ 3,926	\$ 2,559	\$ 10,165	\$ 10,168
Operating income	\$ 214	\$ 478	\$ 618	\$ 1,303
Operating margin %	5.5%	18.7%	6.1%	12.8%
Non-comparable items:				
Restructuring expense	131	31	203	72
Merger, acquisition and divestiture expense	38	1	96	11
Intangible asset accelerated amortization	38	-	38	-
Amortization of inventory step-up	27	-	27	-
Asset impairment and loss on divestiture	-	7	17	7
Net gain on insurance recovery for property damage	-	-	(9)	-
Unfavorable arbitration loss	-	-	-	14
Officer stock awards modification	-	-	-	2
Gain on derecognition of subsidiary	-	(177)	-	(177)
Adjusted operating income	\$ 448	\$ 340	\$ 990	\$ 1,232
Adjusted operating margin	11.4%	13.3%	9.7%	12.1%

Fourth Quarter and Year-to-Date 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 December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Earnings per diluted share	<u>\$ 1.52</u>	<u>\$ 1.06</u>	<u>\$ 2.34</u>	<u>\$ 3.61</u>
Non-comparable items:				
Restructuring expense	0.53	0.11	0.86	0.26
Merger, acquisition and divestiture expense	0.13	0.01	0.38	0.05
Intangible asset accelerated amortization	0.13	-	0.14	-
Amortization of inventory step-up	0.09	-	0.10	-
Asset impairment and loss on divestiture	-	0.03	0.08	0.03
Net gain on insurance recovery for property damage	-	-	(0.04)	-
Unfavorable arbitration loss	-	-	-	0.07
Officer stock awards modification	-	-	-	0.01
Gain on derecognition of subsidiary	-	(0.02)	-	(0.02)
Unrealized gain on equity securities	(1.26)	-	(1.36)	-
Delayed-draw term loan cancellation	-	-	0.01	-
Pension settlement loss	0.02	-	0.02	0.10
Tax adjustments	0.02	(0.02)	0.23	0.02
Adjusted earnings per diluted share	<u>\$ 1.18</u>	<u>\$ 1.17</u>	<u>\$ 2.76</u>	<u>\$ 4.13</u>

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

	Full Year 2021 Guidance	
	Low	High
Net Sales	\$ 14,700	\$ 15,300
Operating income	\$ 1,260	\$ 1,450
Operating margin	8.6%	9.5%
Non-comparable items		
Restructuring expense	\$ 200	\$ 150
Merger, acquisition and divestiture expense	10	10
Adjusted operating income	\$ 1,470	\$ 1,610
Adjusted operating margin	10.0%	10.5%

FY'21 Adj. Earnings per Diluted Share Reconciliation to US GAAP

	Full Year 2021 Guidance	
	Low	High
Earnings per diluted share	<u>\$ 3.23</u>	<u>\$ 3.77</u>
Non-comparable items:		
Restructuring and other expense	0.58	0.44
Merger, acquisition and divestiture expense	0.04	0.04
Adjusted earnings per diluted share	<u>\$ 3.85</u>	<u>\$ 4.25</u>

FY'20 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.

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 416	\$ 184	\$ 1,224	\$ 1,008
Derecognition of subsidiary	-	172	-	172
Capital expenditures, including tooling outlays	(219)	(135)	(481)	(481)
Free cash flow	\$ 197	\$ 221	\$ 743	\$ 699

	Full Year 2021 Outlook	
	Low	High
Net cash provided by operating activities	\$ 1,450	\$ 1,600
Capital expenditures, including tooling outlays	(650)	(700)
Free cash flow	\$ 800	\$ 900

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.** For 2020, light vehicle production weighted for BorgWarner's geographic exposure as estimated by BorgWarner. For 2021, light and commercial vehicle production weighted for BorgWarner's geographic exposure as estimated by BorgWarner.
- **Outgrowth.** For 2020, BorgWarner's "Organic Net Sales Change" vs. year-over-year change in "Market". For 2021 "Organic Net Sales Change" excluding Aftermarket segment vs. year-over-year change in "Market".