

BORGWARNER

# Q4 & FY 2023 Earnings Call Presentation

February 8, 2024



# 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 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 they relate to electric vehicles, and our ability to innovate in response; the difficulty in forecasting demand for electric vehicles and our electric vehicles revenue growth; disruptions in the global economy caused by wars, including the wars in Ukraine and the Middle East; the ability to identify targets and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions on a timely basis; the possibility that our recently-completed tax-free spin-off of our former Fuel Systems and Aftermarket segments into a separate publicly traded company will not achieve its intended benefits for us; 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 which is highly cyclical and subject to disruptions; our reliance on major OEM customers; the impact of any future strikes involving some of our OEM customers and any actions such OEM customers take in response; 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 in the context of guidance for 2024 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.

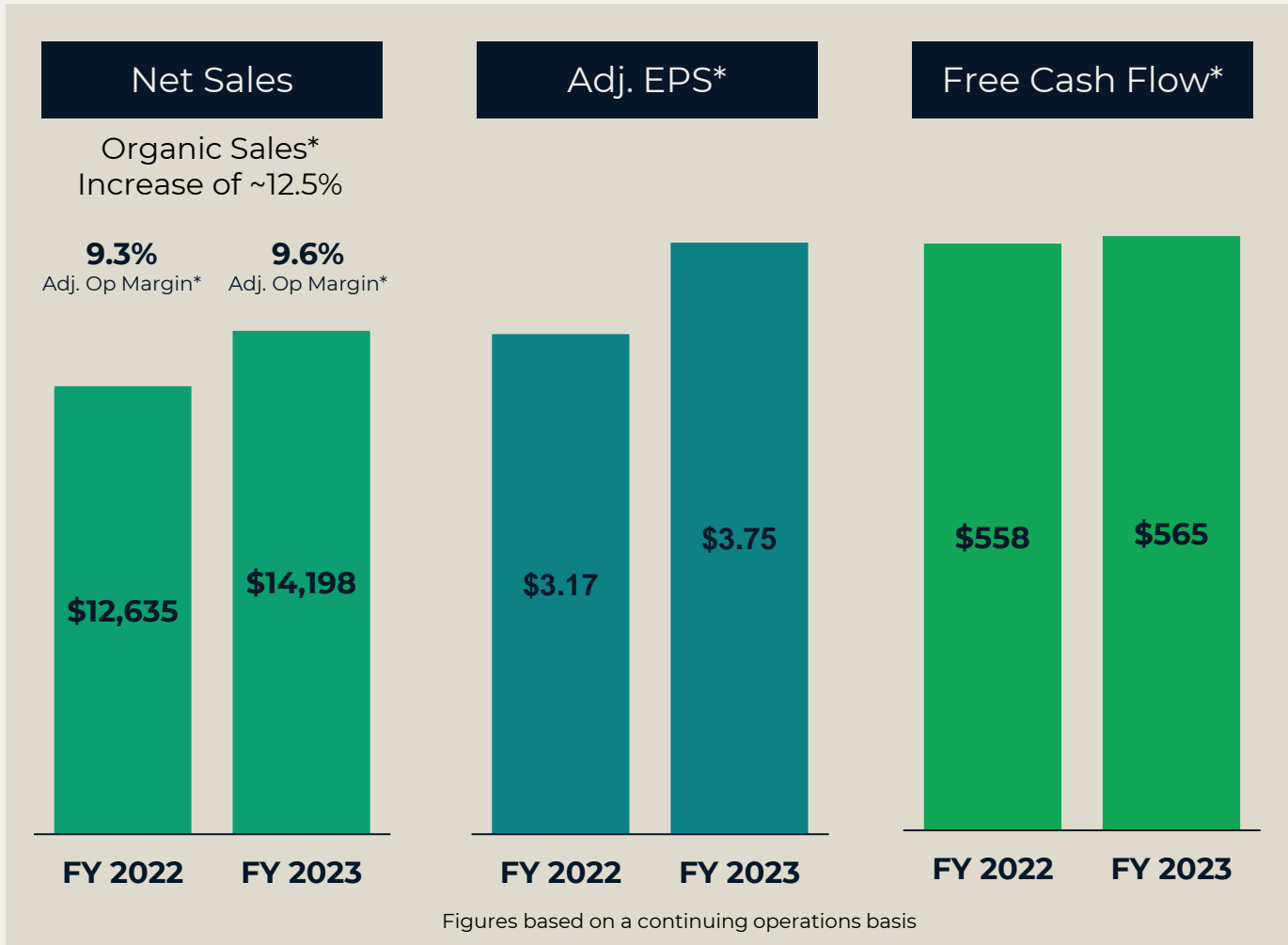
Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

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

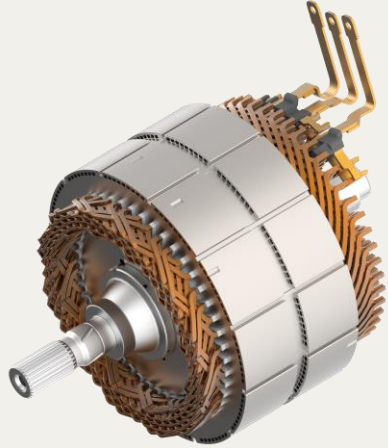
# Solid Sales Growth, Margin and Free Cash Flow in 2023, Continued Progress Towards Long-term Goals



- Delivered more than 12% organic sales growth
- Solid margin performance supported by conversion on sales and portfolio resiliency
- Strong free cash flow supported \$177M share repurchases during Q4
- Additional eProduct program awards across portfolio
- Strategic actions taken to further strengthen eProduct portfolio

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

# Additional eProduct Awards Across Portfolio



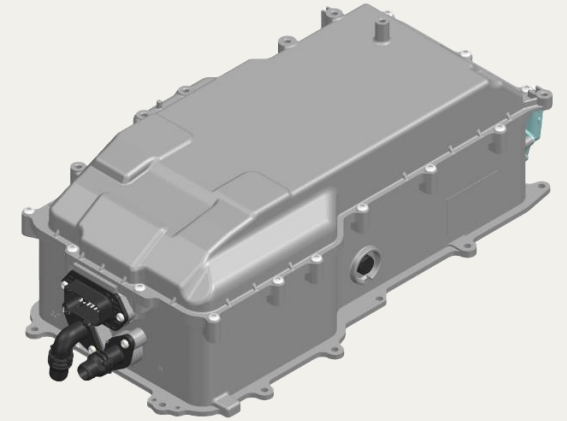
## eMotor Rotor/Stator

- Award with Xpeng Motors, a leading Chinese Smart EV company, for use on the X9 MPV, which launched in January 2024, and on electric B-class sedans expected to launch in Q3 2024



## 400V HV Coolant Heater

- Award with major global OEM for North American battery-electric light vehicle SUV and passenger truck programs
- One of three programs for North American OEMs using BorgWarner HVCHs

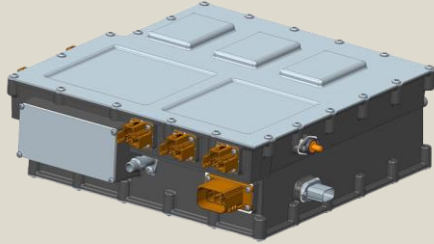


## Dual Inverter

- Award with major Chinese OEM featured on PHEV and REEV passenger cars expected to launch in Q3 2024
- Marks first 400V dual inverter with boost function

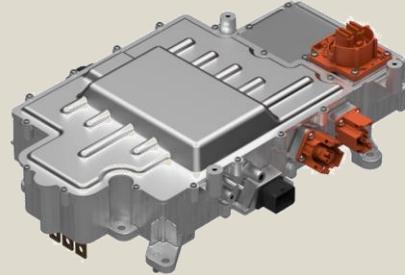
# Building Capabilities Throughout eProduct Portfolio

## Completion of Eldor Acquisition



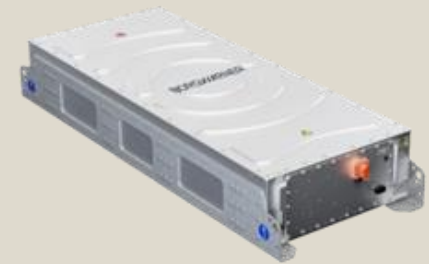
- Adds integrated high-voltage boxes, DC/DC converters and OBCs
- Augments existing power electronics capabilities
- Experienced engineering team with deep grid knowledge
- Expect HV Box and OBC true addressable market\* ~\$30 billion by 2030

## Development Joint Venture with Shaanxi Fast Auto Drive Group for Commercial Vehicle Inverters



- Shaanxi is a subsidiary of Weichai
- High-voltage inverter for commercial vehicles expected to strengthen product portfolio
- Expected to accelerate product development to commercialize eCV inverter technology
- Expect eCV inverter true addressable market\* ~\$1.5 billion by 2030

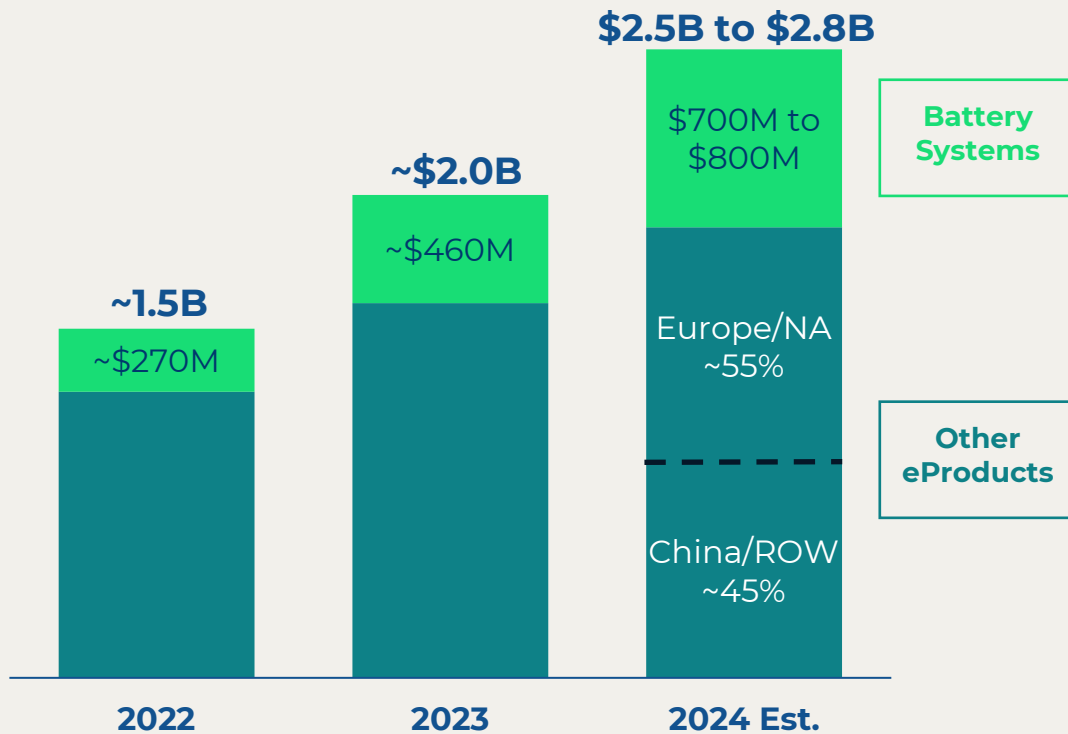
## Strategic Relationship Agreement with BYD Subsidiary FinDreams Battery for LFP Cells



- Will be the only non-OEM localized manufacturer, unaffiliated with FinDreams Battery, with rights to localize LFP battery packs for commercial vehicles utilizing FinDreams Battery blade cells
- BorgWarner will license FinDreams IP related to battery pack design and manufacturing process
- Expect eCV battery true addressable market\* ~\$7B by 2030

# Expected eProduct Sales Growth Supported by Capacity Expansion and Secured New Programs

## eProduct Sales



## Growth Drivers

- Expect Global LV 2023 to 2024 BEV and Hybrid markets\* ~20% increase
- Battery system capacity expansion to meet customer demand
- ePropulsion expectations supported by market growth, multiple Asia iDM launches and initial North American power electronics launches
- eThermal launched or expected to launch four disclosed products in 2<sup>nd</sup> half 2023 & 2024



# Charging Forward Strategy Supports Long-Term, Profitable Growth and Near-Term Resiliency

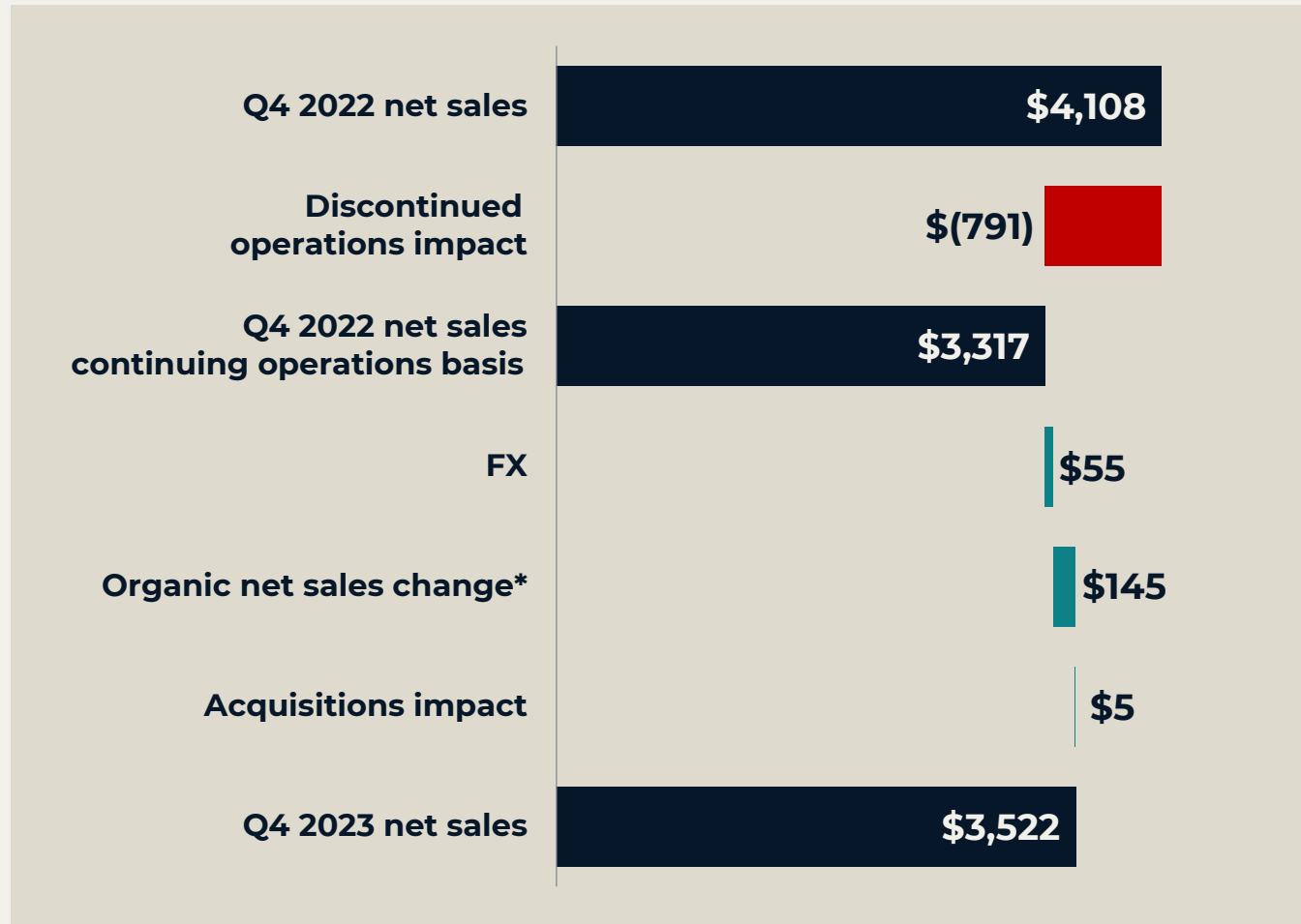
## CHARGING FORWARD

### 2027 STRATEGY



# Q4 2023 Net Sales Walk

\$ in millions



- **Organic sales\* increased ~4.5%** supported by the following:
  - **Europe** – Growth supported by battery systems, other eProducts and all-wheel drive
  - **China** – Grew but lagged industry growth driven by eProduct launch timing and decline in DCT volumes
  - **North America** – Impacted by lower customer volumes on a North American EV program and UAW strike

\*Organic net sales change on this slide is a non-US-GAAP measure. See reconciliation to US GAAP in Appendix.

# Financial Results & Adj. Operating Income

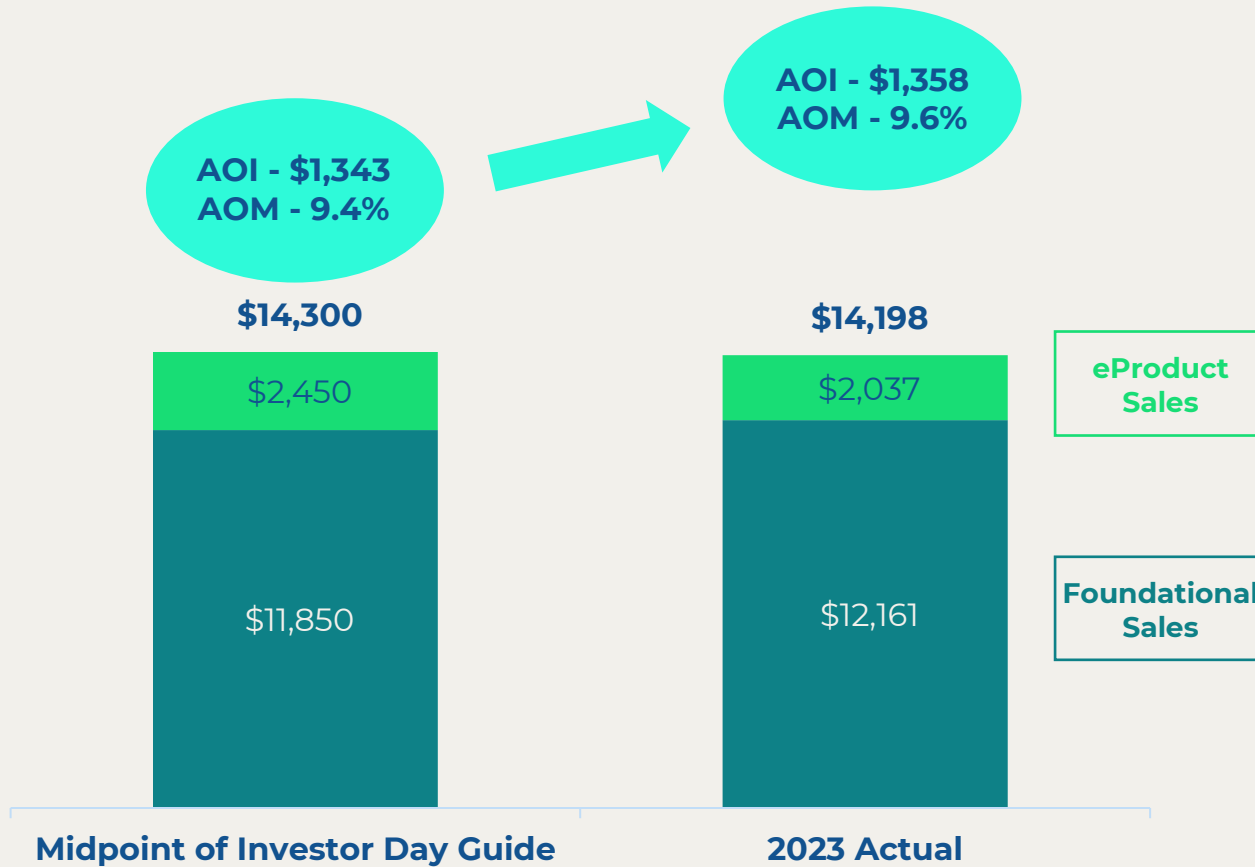
\$ in millions

Q4 2022 adj. operating income*	<b>\$428</b>	(in millions, except per share amounts) <b>Non-GAAP Financial Information (Continuing Operations)</b>	<b>Three months ended December 31,</b>		
Discontinued operations impact	<b>\$(107)</b>		<b>2022</b>	<b>2023</b>	
Q4 2022 adj. operating income continuing operations basis*	<b>\$321</b>		Net sales	<b>\$3,317</b>	<b>\$3,522</b>
FX	<b>\$2</b>		Adj. operating income*	<b>\$321</b>	<b>\$332</b>
Organic change, R&D and performance	<b>\$16</b>		Adj. operating margin*	9.7%	9.4%
Acquisitions impact	<b>\$(7)</b>		Adj. diluted EPS*	<b>\$0.94</b>	<b>\$0.90</b>
Q4 2023 adj. operating income*	<b>\$332</b>		Free cash flow*	<b>\$433</b>	<b>\$679</b>

\*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.

# Portfolio Provided Resiliency in Volatile End-Market Environment

\$ in millions

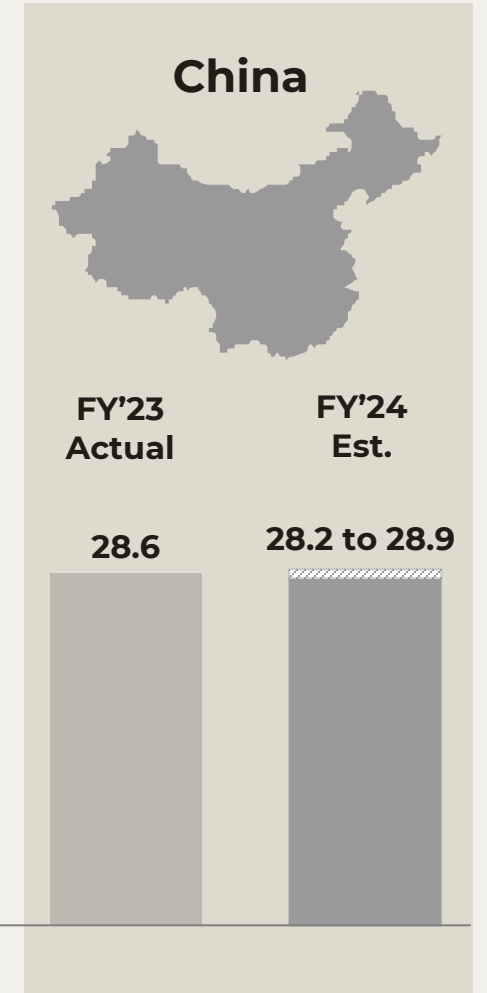
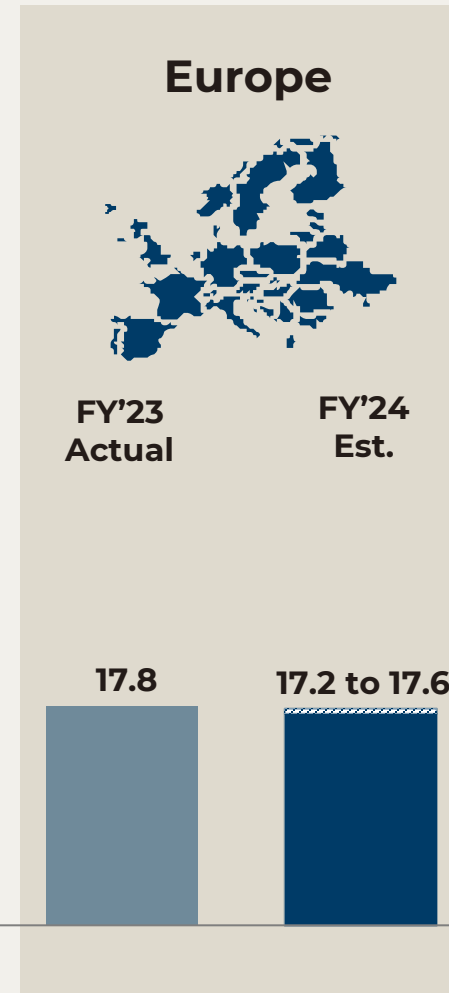
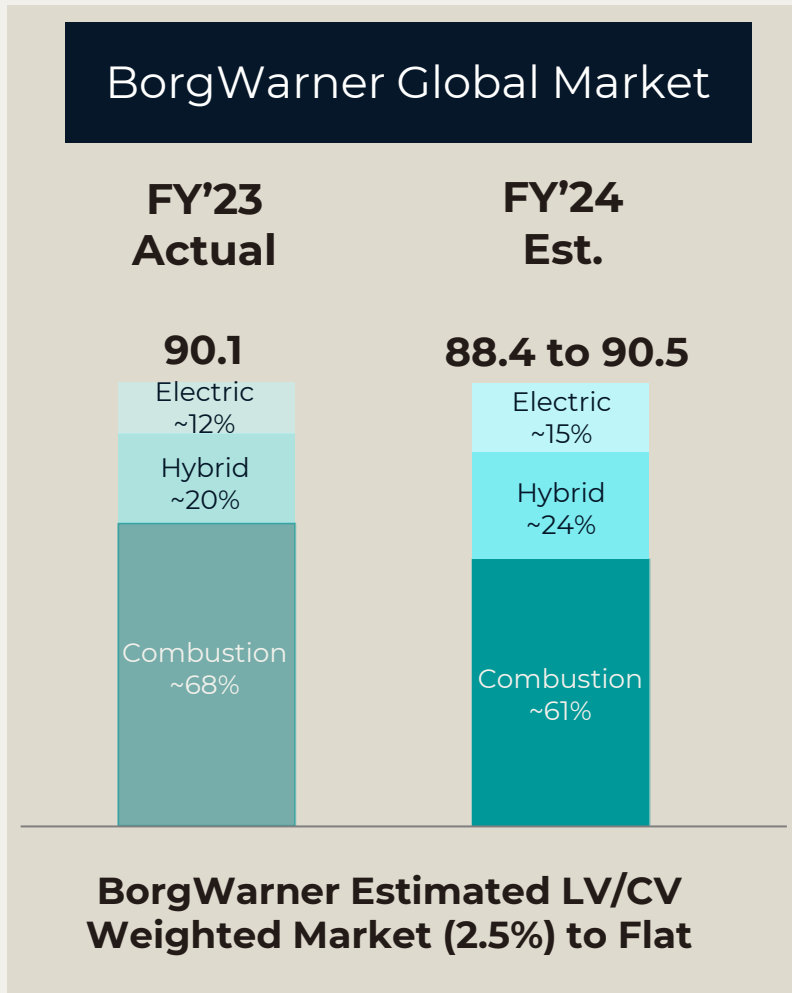


## Summary

- End markets shifted towards foundational products following June 2023 Investor Day
  - Foundational products increased ~\$300M
  - eProducts decreased ~\$400M
- Adj. operating income ahead of Investor Day guidance on lower sales
- Adj. operating margin moved higher with shift to foundational products
- Expect such resiliency to continue to support financial results over time

# 2024 Market Expectations

LV Units in millions



# 2024 Outlook and Other Items

## Full-year Net Sales Outlook

2023 net sales	9.6% Adj. Operating Margin*	\$14,198	
FX		\$(0)	
Organic net sales change		\$162	\$662
2024 net sales excl. Eldor impact	9.6% to 9.9% Adj. Operating Margin*	\$14,360	\$14,860
Eldor impact			\$40
2024 net sales	9.2% to 9.6% Adj. Operating Margin*	\$14,400	\$14,900

## Market & Earnings Outlook

	2023 Actual	2024 Outlook
Organic growth*	12.5%**	1% to 5%
eProduct sales***	\$2.0B	\$2.5B to \$2.8B
Adj. diluted EPS*	\$3.75	\$3.65 to \$4.00
Free cash flow*	\$565M	\$475M to \$575M

\*Adj. operating margin, adj. diluted EPS, free cash flow (FCF) and organic growth on this slide are non-US GAAP measures. See reconciliation to US GAAP in Appendix.

\*\*Adjusted for net sales from continuing operations basis.

\*\*\*eProducts include all products utilized on EVs, plus those products and components that are included in hybrid powertrains whose underlying technologies are adaptable or applicable to those used in or for EVs.

February 8, 2024

**BORGWARNER**

Q4 2023

Earnings Call Presentation

**THANK YOU**

# APPENDIX



# 2024 Planning Assumptions

- **CapEx** **\$800-\$850 million**
- **Adjusted tax rate for ongoing operations** **~25%**

# BorgWarner Global Production Outlook (2024 vs. 2023)

## Actual & Estimated Production Totals (in Millions of Units)

	North America		Europe		China		Total	
	2023	2024	2023	2024	2023	2024	2023	2024
<b>Light Vehicle</b>	15.6	15.6 to 16.0	17.8	17.2 to 17.6	28.6	28.2 to 28.9	90.1	88.4 to 90.5
<b>Commercial Vehicle</b>	0.7	~0.6	0.7	~0.6	1.1	1.1 to 1.2	3.5	3.4 to 3.5

## Estimated Year-over-Year Change in Production

	North America	Europe	China	Total
<b>Light Vehicle</b>	(0.5%) to 2%	(3.5%) to (1%)	(1.5%) to 1%	(2%) to 0.5%
<b>Commercial Vehicle</b>	(5%) to (7%)	(7%) to (9%)	0.5% to 2.5%	(1.5)% to 0.5%
<b>BorgWarner-Weighted</b>	<b>(1%) to 1%</b>	<b>(2%) to (4%)</b>	<b>(1%) to 1%</b>	<b>(2.5%) to 0%</b>

Note: 2023 estimates are BorgWarner-weighted market assumptions based on July 2023 LV S&P Global and July 2023 CV On-Hwy S&P Global.

# Fourth Quarter & Full-Year Continuing Operations Basis Reconciliation to US GAAP

## Adjusted Operating Income and Operating Margin

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.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
\$ in millions				
<b>Net sales</b>	<b>\$ 3,522</b>	<b>\$ 3,317</b>	<b>\$ 14,198</b>	<b>\$ 12,635</b>
<b>Operating income</b>	<b>\$ 281</b>	<b>\$ 265</b>	<b>\$ 1,160</b>	<b>\$ 1,009</b>
<b>Operating margin</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>8.2 %</b>	<b>8.0 %</b>
<b>Non-comparable items:</b>				
Restructuring expense	\$ 11	\$ 6	\$ 79	\$ 48
Intangible asset amortization	16	17	67	69
Merger and acquisition expense, net	1	(4)	23	9
Asset impairments and lease modifications	18	30	29	30
Asset impairments and lease modification	—	—	—	—
Loss (gain) on sale of business	—	2	(5)	(13)
Gain on sale of assets	—	—	(13)	—
Corporate synergy from spin-off	—	5	10	20
<b>Other non-comparable items</b>	<b>5</b>	<b>—</b>	<b>8</b>	<b>—</b>
<b>Net non-comparable items</b>	<b>\$ 51</b>	<b>\$ 56</b>	<b>\$ 198</b>	<b>\$ 163</b>
<b>Adjusted operating income</b>	<b>\$ 332</b>	<b>\$ 321</b>	<b>\$ 1,358</b>	<b>\$ 1,172</b>
<b>Adjusted operating margin</b>	<b>9.4 %</b>	<b>9.7 %</b>	<b>9.6 %</b>	<b>9.3 %</b>

# Fourth Quarter & Full-Year 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. The non-comparable items presented below are calculated after tax using the corresponding effective tax rate discrete to each item and the weighted average number of diluted shares for each of the periods then ended.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Earnings per diluted share</b>	<b>\$ 0.64</b>	<b>\$ 0.73</b>	<b>\$ 2.70</b>	<b>\$ 2.69</b>
<b>Non-comparable items:</b>				
Merger and acquisition expense, net	0.01	(0.01)	0.09	0.03
Restructuring expense	0.04	(0.02)	0.24	0.15
Asset impairments and lease modification	0.07	0.13	0.10	0.13
Gain on debt extinguishment	—	—	(0.09)	—
Loss (gain) on sale of business	—	0.01	(0.02)	(0.04)
Gain on sale of assets	—	—	(0.04)	—
Other non-comparable items	0.01	—	0.07	—
Realized and unrealized loss on debt and equity securities	0.18	0.14	0.73	0.25
Corporate synergy from spin-off	—	0.02	0.02	0.06
Tax adjustments	(0.05)	(0.06)	(0.05)	(0.10)
<b>Adjusted earnings per diluted share</b>	<b>\$ 0.90</b>	<b>\$ 0.94</b>	<b>\$ 3.75</b>	<b>\$ 3.17</b>

# Fourth Quarter & Full-Year Organic Net Sales Change

## Organic Net Sales Change

BorgWarner net sales change year over year excluding the estimated impact of foreign exchange (FX) and the acquisitions of Santroll's light vehicle eMotor business, Rhombus Energy Solutions, Drivetek, the electric vehicle solution, smart grid and smart energy businesses of Hubei Surpass Sun Electric and the Electric Hybrid Systems business segment of Eldor Corporation.

\$ in millions	Q4 2022 Net Sales	FX	Acquisition Impact	Organic Net Sales Change	Q4 2023 Net Sales	Organic Net Sales Change %
Air Management	\$ 1,809	\$ 38	\$ 2	\$ 33	\$ 1,882	1.8 %
Drivetrain & Battery Systems	990	14	—	126	1,130	12.7 %
ePropulsion	545	3	3	(9)	542	(1.7) %
Inter-segment eliminations	(27)	—	—	(5)	(32)	18.5
<b>Net sales</b>	<b>\$ 3,317</b>	<b>\$ 55</b>	<b>\$ 5</b>	<b>\$ 145</b>	<b>\$ 3,522</b>	<b>4.4 %</b>

\$ in millions	2022 Net Sales	FX	Acquisition Impact	Organic Net Sales Change	2023 Net Sales	Organic Net Sales Change %
Air Management	\$ 7,137	\$ (6)	\$ 25	\$ 677	\$ 7,833	9.5 %
Drivetrain & Battery Systems	3,735	(17)	—	630	4,348	16.9 %
ePropulsion	1,906	(43)	28	275	2,166	14.4 %
Inter-segment eliminations	(143)	—	—	(6)	(149)	4.2
<b>Net sales</b>	<b>\$ 12,635</b>	<b>\$ (66)</b>	<b>\$ 53</b>	<b>\$ 1,576</b>	<b>\$ 14,198</b>	<b>12.5 %</b>

# 2024 Adj. Operating Income and Adj. Operating Margin Guidance Reconciliation From Continuing Operations

\$ in millions	Full-Year 2024 Guidance	
	Low	High
<b>Net sales</b>	<b>\$ 14,400</b>	<b>\$ 14,900</b>
<b>Operating income</b>	<b>\$ 1,225</b>	<b>\$ 1,320</b>
<b>Operating margin</b>	<b>8.5 %</b>	<b>8.9 %</b>
<b>Non-comparable items:</b>		
Restructuring expense	\$ 30	\$ 40
Intangible asset amortization	70	70
<b>Adjusted operating income</b>	<b>\$ 1,325</b>	<b>\$ 1,430</b>
<b>Adjusted operating margin</b>	<b>9.2 %</b>	<b>9.6 %</b>
Eldor acquisition impact	\$ 60	\$ 45
<b>Adjusted operating income excluding Eldor acquisition impact</b>	<b>\$ 1,385</b>	<b>\$ 1,475</b>
<b>Adjusted operating margin excluding Eldor acquisition impact</b>	<b>9.6 %</b>	<b>9.9 %</b>

# 2024 Adj. Earnings per Diluted Share Guidance Reconciliation From Continuing Operations

	Full-Year 2024 Guidance	
	Low	High
<b>Earnings per Diluted Share</b>	<b>\$ 3.56</b>	<b>\$ 3.88</b>
<u>Non-comparable items:</u>		
Restructuring expense	0.09	0.12
<b>Adjusted Earnings per Diluted Share</b>	<b>\$ 3.65</b>	<b>\$ 4.00</b>

# 2024 Organic Net Sales Change Guidance Reconciliation From Continuing Operations

## Organic Net Sales Change

BorgWarner net sales change year over year excluding the estimated impact of foreign exchange (FX) and the acquisitions of the electric vehicle solution, smart grid and smart energy businesses of Hubei Surpass Sun Electric and the Electric Hybrid Systems business segment of Eldor Corporation.

\$ in millions	FY 2023 Net Sales	FX	FY 2024 Acquisition Impact	Organic Net Sales Change	FY 2024 Net Sales	Organic Net Sales Change %
Low	\$ 14,198	\$ —	\$ 44	\$ 158	\$ 14,400	1.1%
High	14,198	—	44	658	14,900	4.6%



# Q4 2023, Full-Year 2023 & Full-Year 2024 Free Cash Flow Reconciliation From Continuing Operations

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 December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net cash provided by operating activities from continuing operations	\$ 887	\$ 628	\$ 1,397	\$ 1,180
Capital expenditures, including tooling outlays	(208)	(195)	(832)	(622)
<b>Free cash flow</b>	<b>\$ 679</b>	<b>\$ 433</b>	<b>\$ 565</b>	<b>\$ 558</b>

\$ in millions	Full-Year 2024 Guidance	
	Low	High
Net cash provided by operating activities	\$ 1,325	\$ 1,375
Capital expenditures, including tooling outlays	(850)	(800)
<b>Free cash flow</b>	<b>\$ 475</b>	<b>\$ 575</b>

# 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), the acquisitions of Santroll's light vehicle eMotor business, Rhombus Energy Solutions, Drivetek the electric vehicle solution, smart grid and smart energy businesses of Hubei Surpass Sun Electric and Eldor Corporation's Electric Hybrid Systems business segment.

**Market.** Light and commercial vehicle production weighted for BorgWarner's geographic exposure as estimated by BorgWarner.