



# Earnings Call Presentation

Q2 2021

August 4, 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, 2020 ("Form 10-K"), are inherently forward-looking. All forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Forward-looking statements are not guarantees of performance, and the Company's actual results may differ materially from those expressed, projected or implied in or by the forward-looking statements.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Forward-looking statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed, projected or implied in or by the forward-looking statements. These risks and uncertainties, among others, include: the difficulty in forecasting demand for electric vehicles and our EV revenue growth to 2030; the ability to identify targets and consummate acquisitions on acceptable terms; failure to realize the expected benefits of acquisitions; the ability to identify appropriate combustion portfolio businesses for disposition and consummate planned dispositions on acceptable terms; 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 failure to realize the expected benefits of the acquisition of Delphi Technologies PLC that the Company completed on October 1, 2020; the failure to realize the expected benefits of the acquisition of AKASOL AG that the Company completed on June 4, 2021 or a delay in the ability to realize those benefits; the failure to successfully execute on a timely basis our taking private strategy with respect to AKASOL; 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 impacting the Company or the Company's customers, such as the current shortage of semi-conductors that has impacted OEM customers and the Company; 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 Annual Report on 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 2021 is not intended to indicate that BorgWarner is explicitly or implicitly providing projections on those GAAP financial measures, and actual results for such measures are likely to vary from those presented. The reconciliations include all information reasonably available to the company at the date of this presentation and the adjustments that management can reasonably predict.

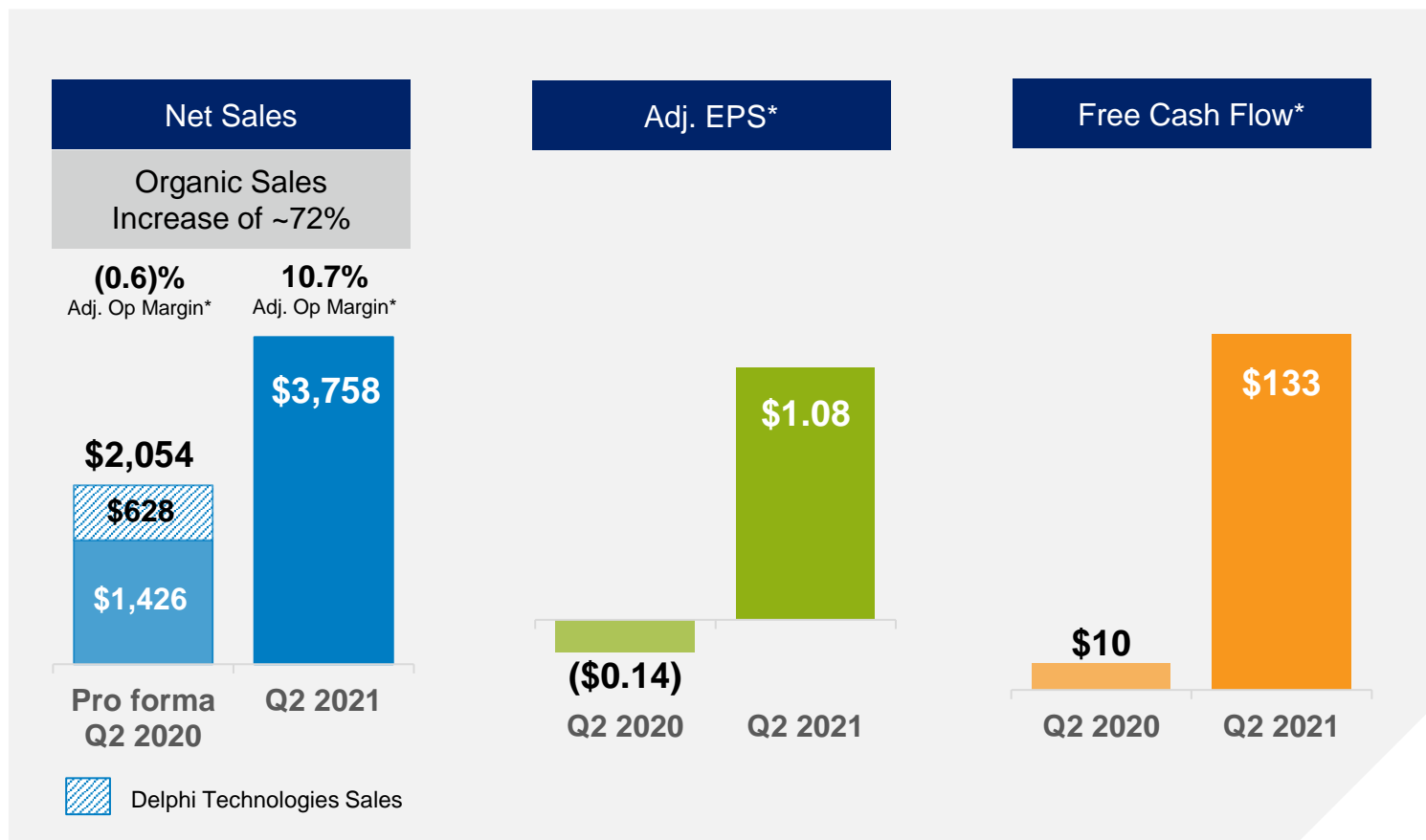
Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

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

# Agenda

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

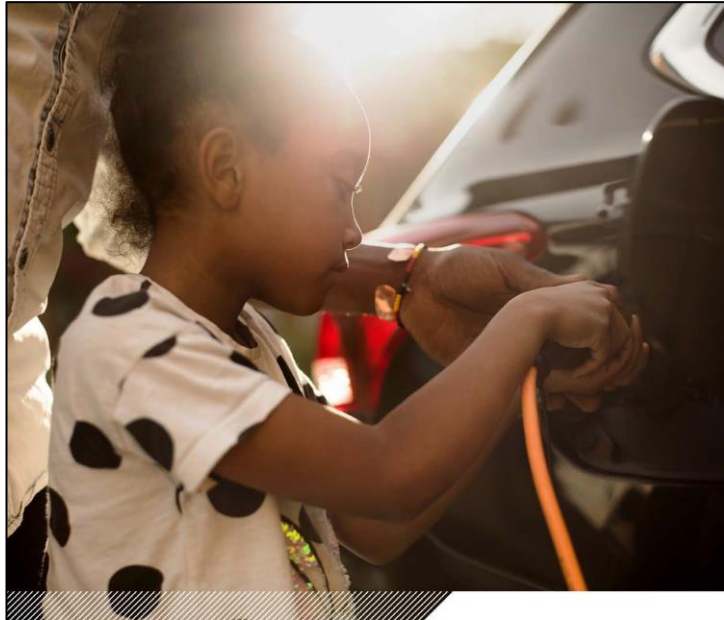
# Progress on Multiple Fronts During Second Quarter of 2021



- Outgrowth and margin performance ahead of expectations
- Increasing full year guidance
- Published 2021 Sustainability Report
- Completed AKASOL acquisition
- Multiple 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.

# 2021 Sustainability Report Highlights Our Commitment to the Electrification Trend



Evolving for All

2021 Sustainability Report



**Our sustainability objectives go hand in hand with our strategy to generate financial results**

- Committed to **carbon neutrality\*** by 2035 focusing on renewable and energy efficiency
- Provided **Scope 3 emissions** commentary
- Pay equity analysis shows near-parity results
- Disclosures aligned with **SASB, TCFD and GRI**
- Disclosed **environmental, social and governance KPIs**

\* Includes Scope 1 & 2 emissions

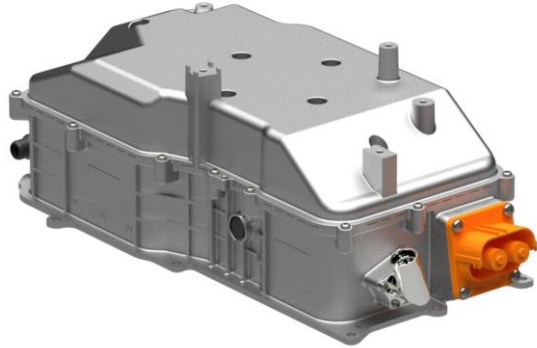
# Acquisition Finalized for Leading Battery Systems Provider



**Expands Commercial Vehicle and Industrial Electrification Capabilities**  
**Accelerates Positioning in Fast-Growing Commercial Vehicle and Off-Highway Battery Pack Market**

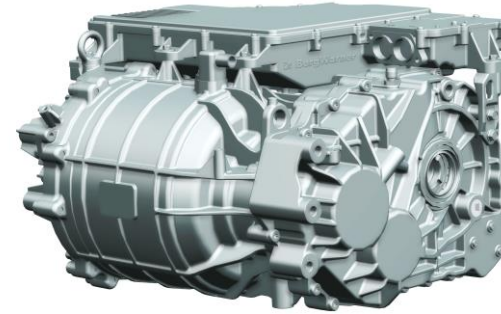
- Takeover offer completed on June 4, 2021
- Current ownership now ~93%
- Progressing with squeeze-out process with objective to achieve 100% ownership by mid-2022
- AKASOL represents ~20% to 25% of the inorganic sales underlying Project Charging Forward
- Announced first post-closing win with Belgian bus manufacturer

# Awards for Two Dual Inverters and Integrated Drive Module



## Dual Inverter for Dedicated Hybrid Transmissions (DHT)

- Award with Great Wall and another major Chinese OEM expected to launch in 2021 and 2023, respectively
  - Technology featured on HEV and PHEV passenger vehicles



## Integrated Drive Module (iDM)

- Award with a leading Chinese luxury NEV brand, expected to launch in early 2023
  - Combines our transmission, electric motor and power electronics into an integrated system
  - Compact 400V package offers smooth and quiet performance while reducing weight and size of the entire system



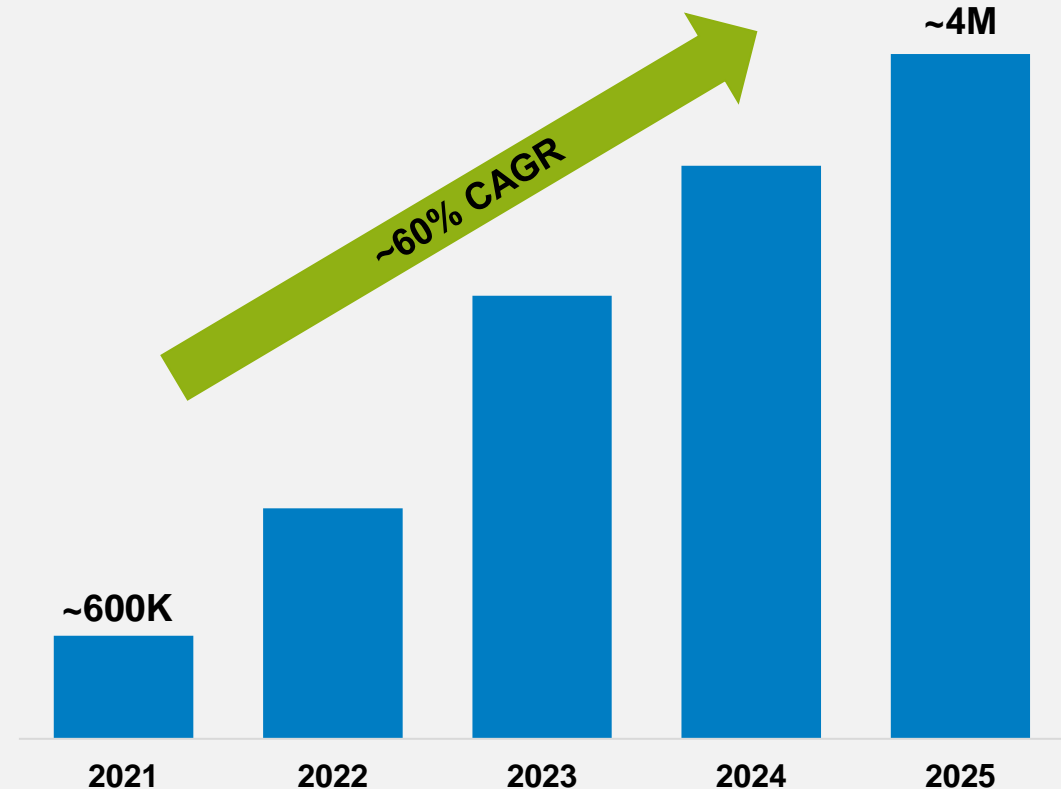
# Recently Launched Geely Award Adds Scale to High-voltage Coolant Heater Product Line



## Product Highlights

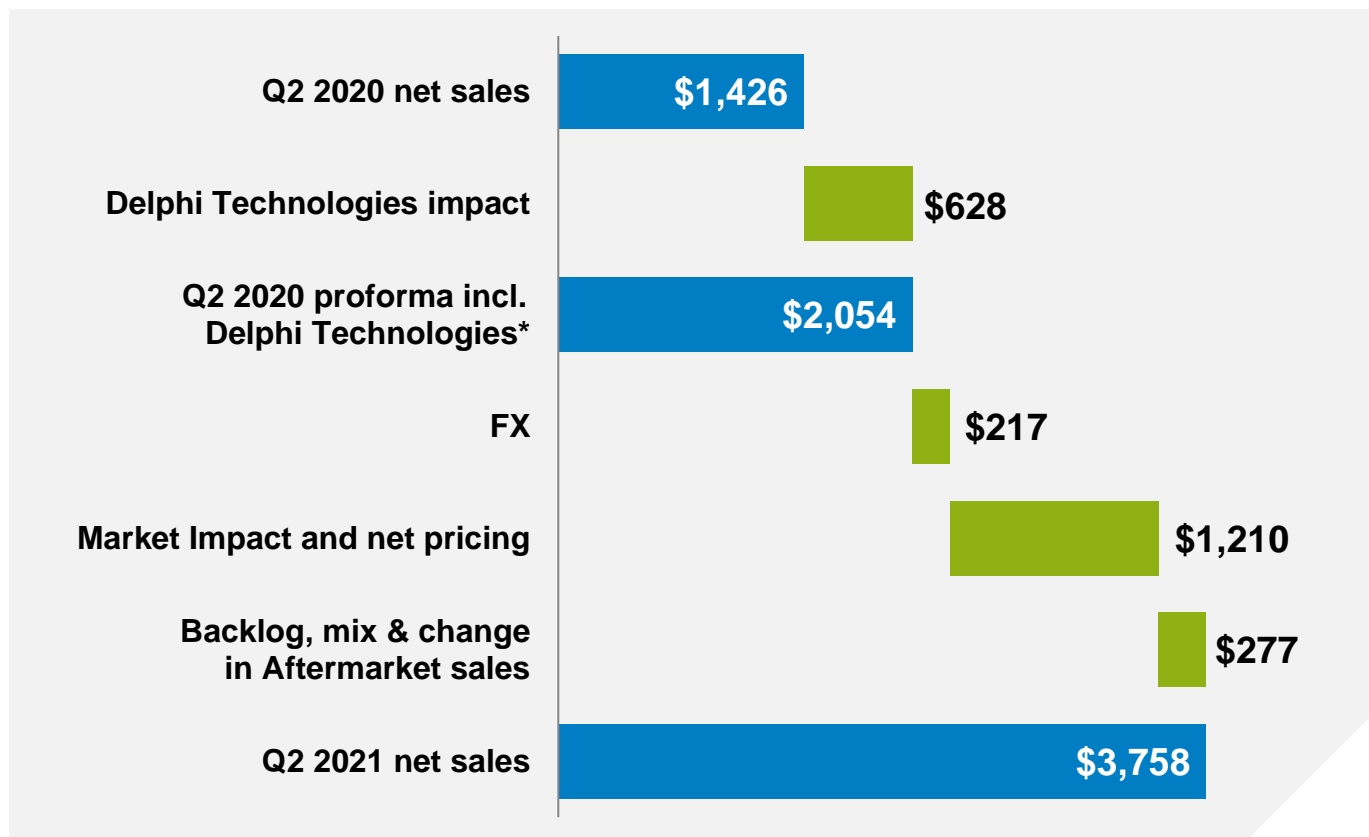
- Enables improved battery performance, longer range and comfortable cabin climate
- 400V and 800V capabilities with awarded business across multiple variations
- Expected to be a ~\$400 million product line by 2025

Estimated Annual High-voltage Coolant Heater Volumes



# BorgWarner Q2 2021 Net Sales Walk

\$ in millions

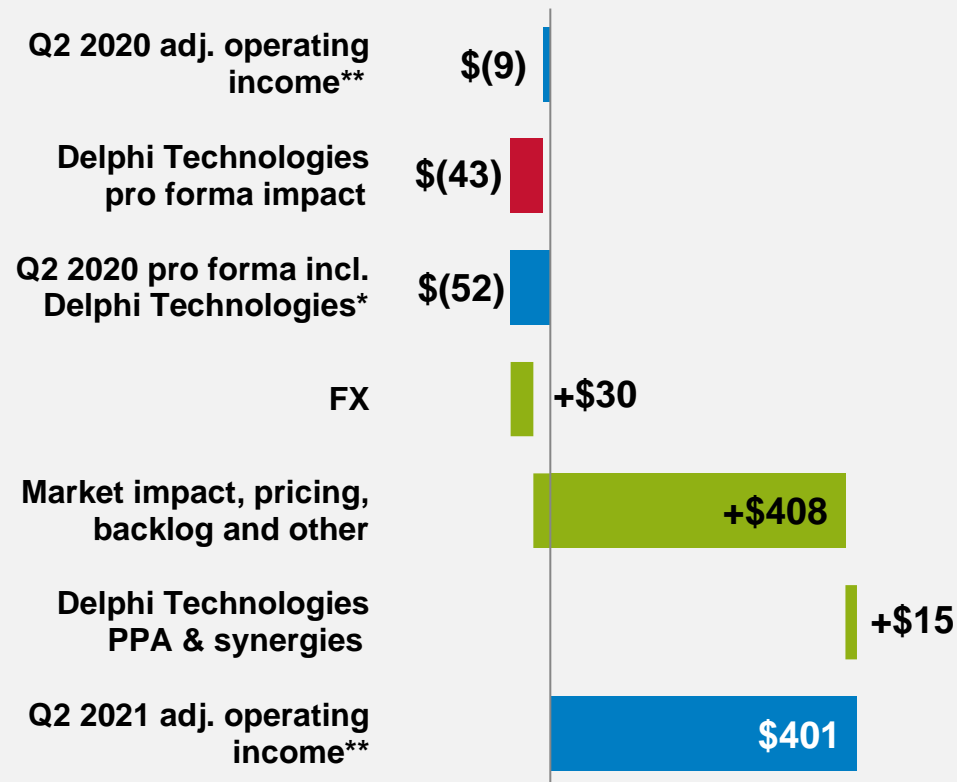


- Global vehicle markets up ~64% year over year
- Organic sales grew ~72%, with outgrowth driven by Europe and China
  - **Europe** – Small gas turbos, VCT and fuel injection
  - **China** – DCT, AWD and fuel injection
  - **North America** – Underperformed market due to customer mix

\* See pro forma description in Appendix

# BorgWarner Financial Results & Adj. Operating Income

\$ in millions

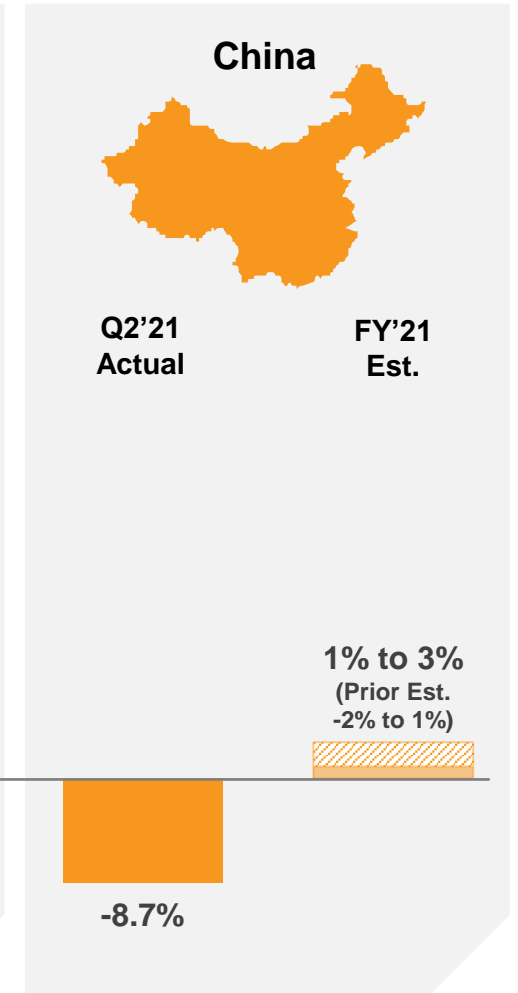
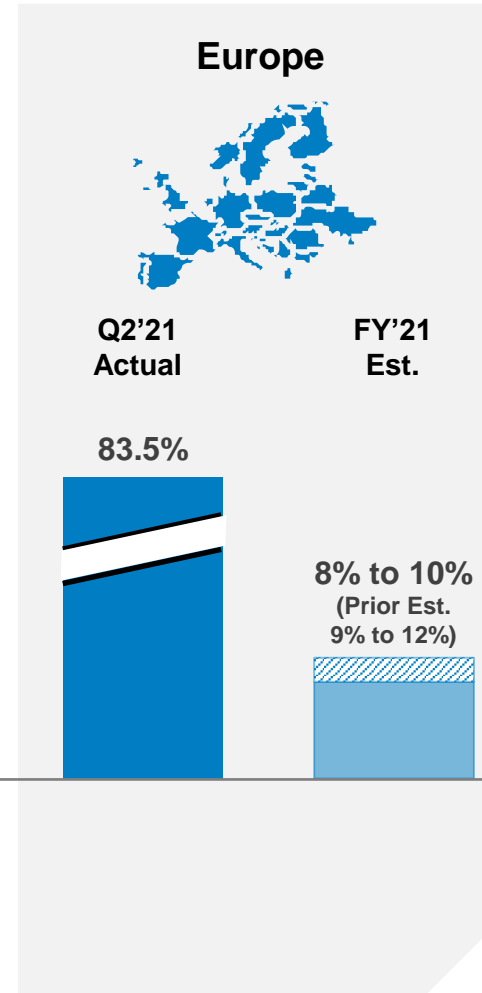
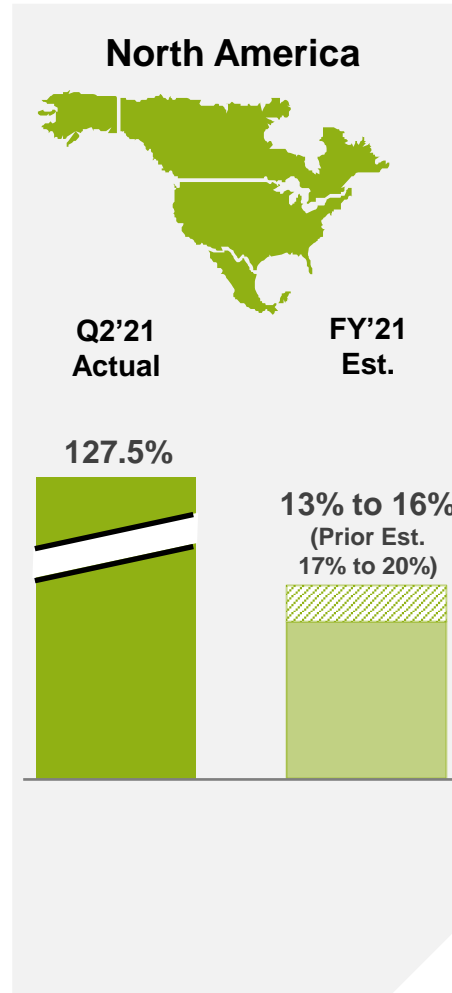
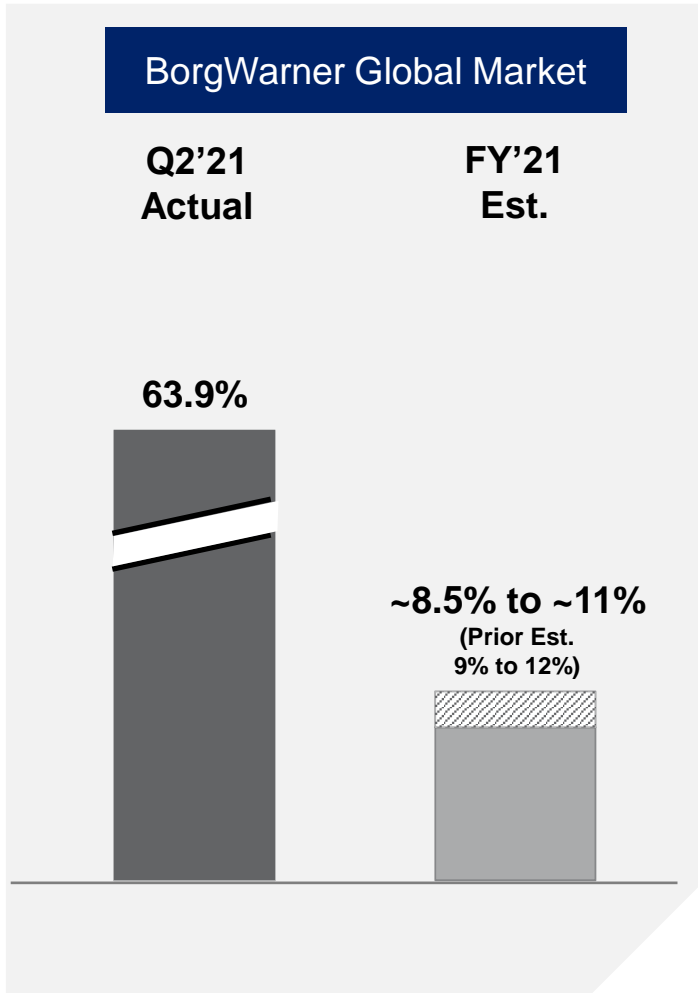


(in millions, except per share amounts) GAAP & Non-GAAP Financials	Three months ended June 30,	
	2020	2021
Sales	\$1,426	\$3,758
Adj. operating income** <i>Adj. operating margin**</i>	\$(9) (0.6)%	\$401 10.7%
Adj. diluted EPS**	\$(0.14)	\$1.08
Free cash flow**	\$10	\$133

\* See pro forma description in Appendix

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

# Moderating 2021 Industry Expectations

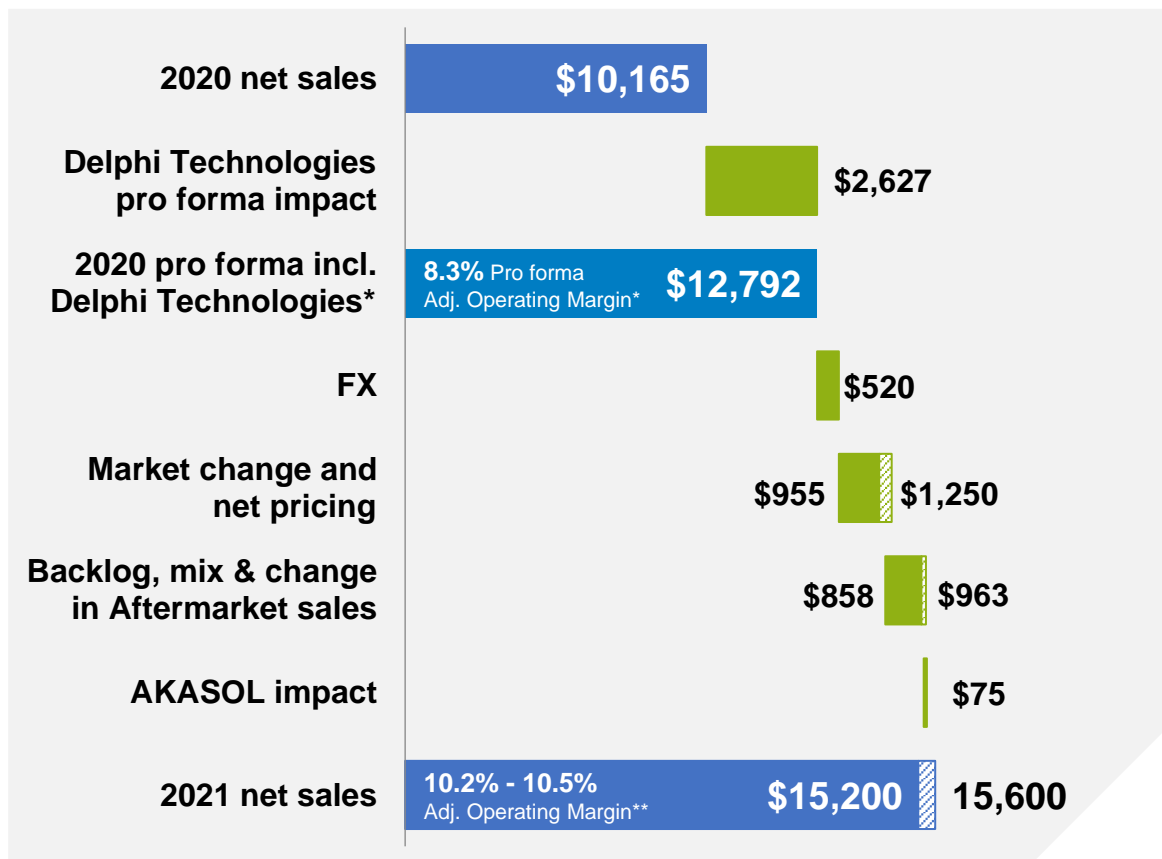


Note: 2021 actuals and estimates are BorgWarner-weighted market assumptions based on July 2021 LV IHS and May 2021 CV On-Hwy IHS

# 2021 Expected Sales Walk and Guidance

\$ in millions

## Full-year Net Sales Outlook



## Net Sales Highlights

- Organic growth of ~14% to ~17%

## Earnings and FCF Highlights

- Incremental margins in the low 20% range before M&A, synergies and purchase price amortization
- Delphi Technologies cost synergies benefit expected to be incremental \$100 to \$105 million in 2021
- Adj. diluted EPS ~\$4.15 to \$4.40\*\*
- Free cash flow ~\$800 to \$900 million\*\*

\* See pro forma description in Appendix

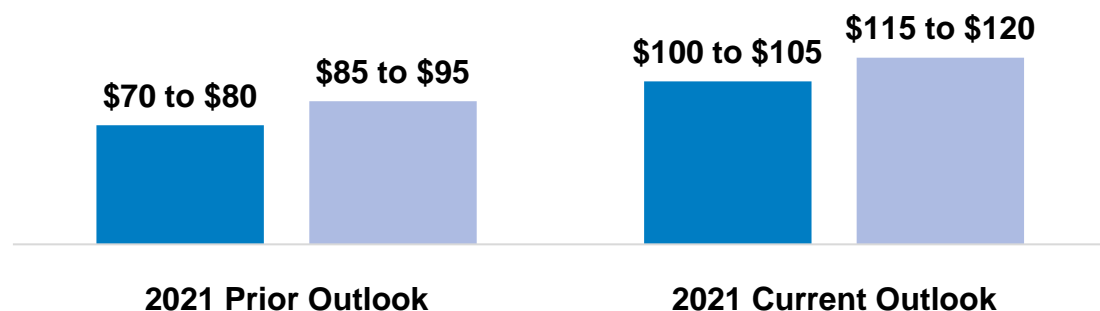
\*\* Adj. operating margin, Adj. diluted EPS and free cash flow on this slide are non-US GAAP measures. See reconciliation to US GAAP in Appendix.

# Delphi Technologies Financials Ahead of Targets

## Update on Estimated Synergies

\$ in millions

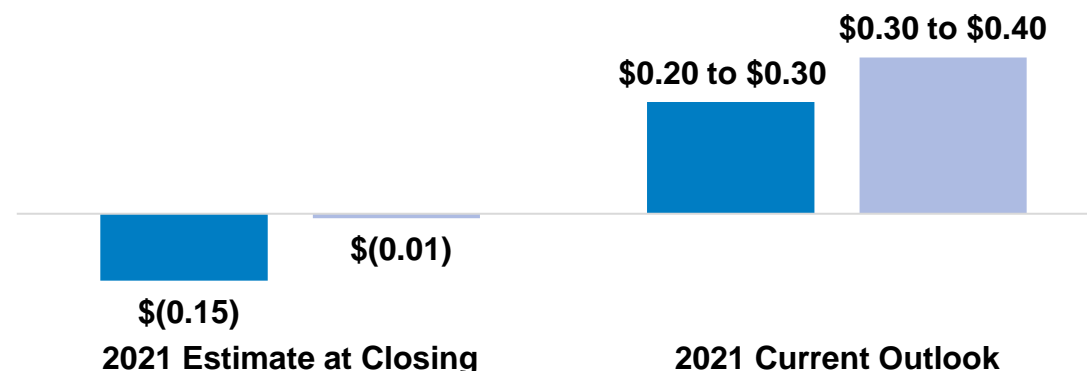
- 2021 Synergies
- Cumulative Synergies since Delphi Technologies acquisition



- Acceleration of synergies into 2021 driven by faster headcount reductions
- Total synergies outlook of \$175 million remains unchanged

## Update on Estimated EPS Accretion

- Adj. EPS\*
- Excl. Amort of Intangibles\*\*



- Accretion well ahead of original estimates
- Driven by stronger-than-expected sales and acceleration of synergies

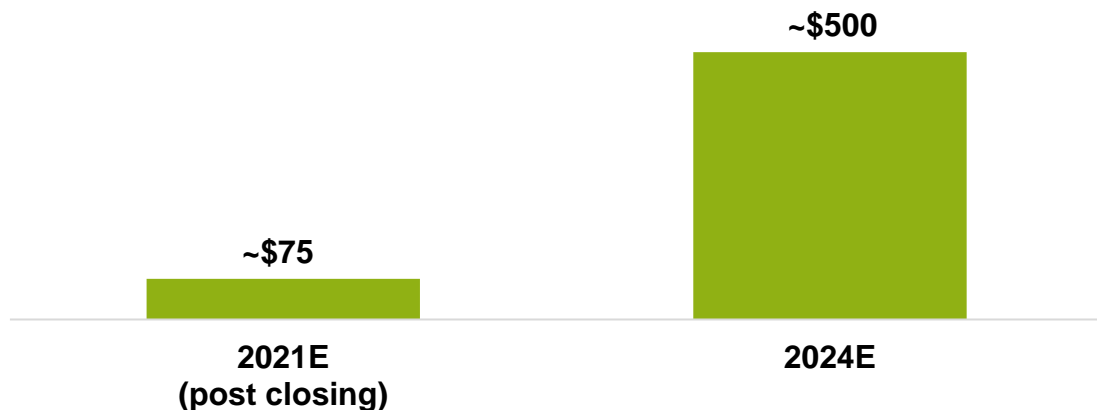
\* Represents expected accretion to Adjusted EPS. A full reconciliation to GAAP EPS is not practicable without unreasonable efforts.

\*\* Excludes estimated purchase accounting adjustment of \$55 million to \$60 million for incremental depreciation and amortization related to acquired PPE and intangibles.

# AKASOL Backlog Expected to Drive Financial Results

## Sales Outlook

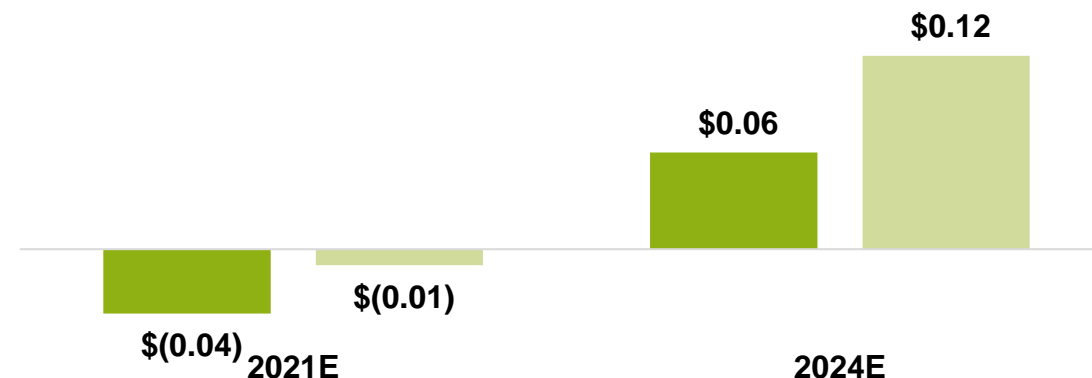
\$ in millions



- 2021 and 2025 sales aligned with original expectations driven by strong backlog

## EPS Accretion Outlook

■ Adj. EPS\*   ■ Excl. Amort of Intangibles\*\*



- Modest dilution in 2021
- Conversion on strong new business growth drives accretion in the coming years

\* Represents expected accretion to Adjusted EPS. A full reconciliation to GAAP EPS is not practicable without unreasonable efforts.

\*\* Excludes preliminary estimated purchase accounting adjustment for incremental depreciation and amortization related to acquired PPE and intangibles.



 **BorgWarner**

**Thank you!**

August 4, 2021



# Appendix

# 2021 Planning Assumptions

- **CapEx** **\$725 to \$775 million**
- **R&D spending** **~\$725 million**
- **Tax rate for ongoing operations** **~30%**

# Pro Forma Description

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

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

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

# BorgWarner Global Production Outlook (2021 vs. 2020)

## Year-over-Year Change in Production

	North America	Europe	China	Total
Light Vehicle Production	11% to 13%	7% to 9%	5% to 7%	8% to 10%
Commercial Vehicle Production	27% to 36%	14% to 16%	-16% to -18%	-1% to 2%
<b>BorgWarner-Weighted Production</b>	<b>13% to 16%</b>	<b>8% to 10%</b>	<b>1% to 3%</b>	<b>8.5% to 11%</b>

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

# Second 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales	\$ 3,758	\$ 1,426	\$ 7,767	\$ 3,705
Operating income	\$ 317	\$ (78)	\$ 720	\$ 120
Operating margin %	8.4%	-5.5%	9.3%	3.2%
Non-comparable items:				
Restructuring expense	62	37	92	52
Merger, acquisition and divestiture expense	15	21	28	42
Loss on sale	7	-	7	-
Asset impairments	-	17	-	17
Net gain on insurance recovery for property damage	-	(6)	(2)	(6)
Adjusted operating income	\$ 401	\$ (9)	\$ 845	\$ 225
Adjusted operating margin	10.7%	(0.6)%	10.9%	6.1%

# Second 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Earnings per diluted share	\$ 1.03	\$ (0.47)	\$ 1.30	\$ 0.15
Non-comparable items:				
Restructuring expense	0.19	0.15	0.31	0.21
Merger, acquisition and divestiture expense	0.06	0.10	0.10	0.20
Loss on sale	0.03	-	0.03	-
Asset impairments	-	0.08	-	0.08
Net gain on insurance recovery for property damage	-	(0.02)	-	(0.02)
Unrealized loss on equity securities	0.01	-	0.88	0.04
Loss on debt extinguishment	0.06	-	0.06	-
Delayed draw term loan cancellation	-	0.01	-	0.01
Tax adjustments	(0.30)	0.01	(0.38)	(0.05)
Adjusted earnings per diluted share	\$ 1.08	\$ (0.14)	\$ 2.30	\$ 0.62

# Second Quarter Organic Net Sales Change

Organic Net Sales Change

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

\$ in millions	Q2 2020 Net Sales	FX	Q2 2020 Delphi Technologies Pro Forma Impact	Market Impact, Pricing & Other	Q2 2021 Net Sales	Organic Net Sales Change
Air Management	\$ 826	\$ 105	\$ 135	\$ 788	\$ 1,854	82.0%
e-Propulsion & Drivetrain	607	68	150	512	1,337	67.6%
Fuel Injection	-	36	250	194	480	77.6%
Aftermarket	-	8	129	89	226	69.0%
Inter-segment eliminations	(7)	-	(36)	(96)	(139)	-
<b>Total</b>	<b>\$ 1,426</b>	<b>\$ 217</b>	<b>\$ 628</b>	<b>\$ 1,487</b>	<b>\$ 3,758</b>	<b>72.4%</b>



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

\$ in millions	Full Year 2021 Guidance	
	Low	High
Net Sales	\$ 15,200	\$ 15,600
Operating income	\$ 1,317	\$ 1,452
Operating margin	8.7%	9.3%
Non-comparable items		
Restructuring expense	\$ 200	\$ 150
Merger, acquisition and divestiture expense	28	28
Loss on sale	7	7
Net gain on insurance recovery for property damage	(2)	(2)
Adjusted operating income	\$ 1,550	\$ 1,635
Adjusted operating margin	10.2%	10.5%

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

	Full Year 2021 Guidance	
	Low	High
Earnings per diluted share	\$ 2.80	\$ 3.21
Non-comparable items:		
Restructuring expense	0.66	0.50
Merger, acquisition and divestiture expense	0.10	0.10
Loss on sale	0.03	0.03
Loss on debt extinguishment	0.06	0.06
YTD 2021 unrealized loss on equity securities	0.88	0.88
Tax adjustments	(0.38)	(0.38)
Adjusted earnings per diluted share	\$ 4.15	\$ 4.40

# Q2'21, YTD'21 and FY'21 Free Cash Flow to Reconciliation to US GAAP

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

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 280	\$ 64	\$ 622	\$ 327
Capital expenditures, including tooling outlays	(147)	(54)	(342)	(171)
Free cash flow	\$ 133	\$ 10	\$ 280	\$ 156

\$ in millions	Full Year 2021 Outlook	
	Low	High
Net cash provided by operating activities	\$ 1,525	\$ 1,675
Capital expenditures, including tooling outlays	(725)	(775)
Free cash flow	\$ 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.** Light and commercial vehicle production weighted for BorgWarner's geographic exposure as estimated by BorgWarner.
- **Outgrowth.** "Organic Net Sales Change" excluding Aftermarket segment vs. year-over-year change in "Market".