



# Charging Forward

Investor Day 2021







# Charging Forward

## Welcome and Agenda

Investor Day  
Patrick Nolan – Vice President, Investor Relations  
March 23, 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 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: the difficulty in forecasting margin performance and free cash flow through 2025 in light of the variables that can impact those results over that period of time; 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 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 the acquired businesses; the possibility that the proposed transaction between the Company and AKASOL AG will not be consummated; failure to obtain necessary regulatory approvals or to satisfy any of the other conditions to the proposed transaction; 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; 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 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. 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 and later 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

Accelerating Our Electrification Strategy

Fred Lissalde, Chief Executive Officer

Technology Leadership in Electrification

Stefan Demmerle,  
President, PowerDrive Systems

Financial Performance and Outlook

Kevin Nowlan, Chief Financial Officer

Closing Remarks

Fred Lissalde

Break

All

Q&A

All



# Questions

FOR THOSE DIALING IN

**United States: (844) 264-9340**

**International: (267) 753-2116**

**Conference ID: 9958459**

**To ask a question: Press \*1**

FOR THOSE LISTENING ON-LINE

**Submit your questions to [ir@BorgWarner.com](mailto:ir@BorgWarner.com) during the call**





# Charging Forward

## Accelerating Our Electrification Strategy

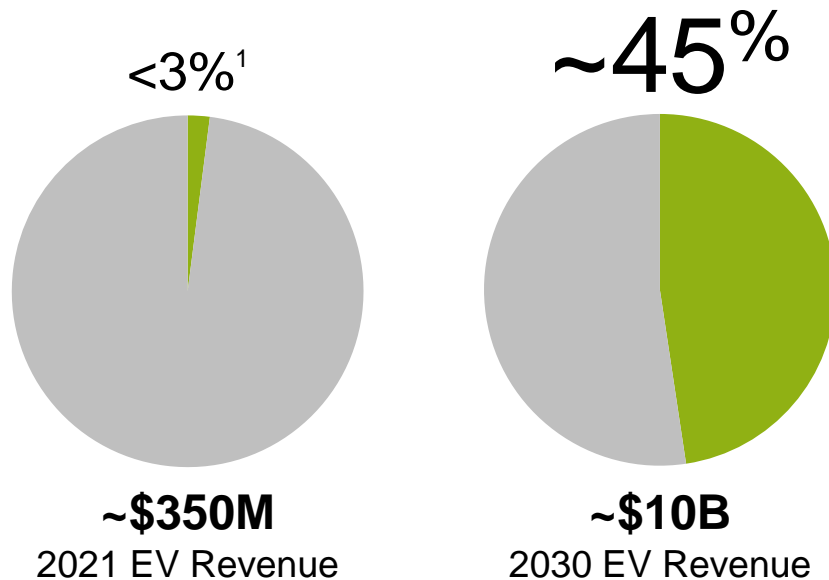
Investor Day  
Fred Lissalde – Chief Executive Officer  
March 23, 2021



# Intentional Growth for a Sustainable Future

- This high-impact change is a product of our **vision** and **strategy**
- Our vision of a **clean, energy-efficient world** is as relevant today as ever
- And our **accelerated electrification strategy** to advance that vision is today's story


## Revenue from EVs



<sup>1</sup> Estimate at the midpoint of FY21 guidance  
Source: BorgWarner estimate



# BorgWarner Is Evolving Its Mission



Our mission was  
focused on balance:

Propulsion System Leader  
for Combustion, Hybrid and  
Electric Vehicles

Today and Tomorrow

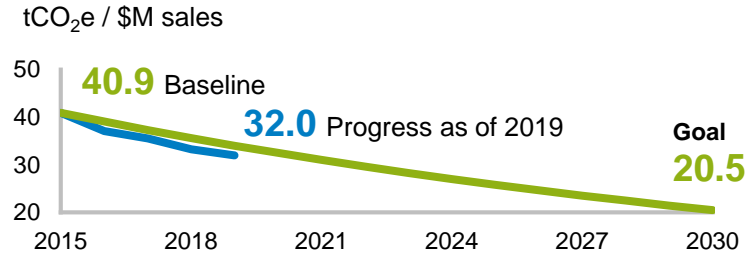
**We're accelerating  
toward electrification**

*We deliver innovative and sustainable  
mobility solutions for the vehicle market*

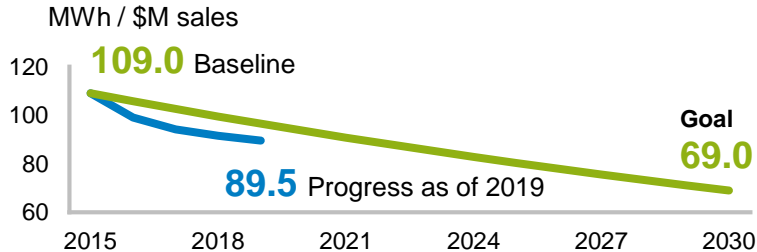


# This Evolution Is Consistent with Our Commitment to Sustainability

## GHG: 50% Reduction by 2030



## Energy: 37% Reduction by 2030



*Committed to being*

# CARBON NEUTRAL by 2035

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

Includes Scope 1 & 2 emissions





# We Empower Our Diverse Teams

**Local  
Accountability**



**Global  
Strength**



## Gender Diversity

Overall  
25.6%



New Hires



33.2%

**Gender Pay  
Parity<sup>1</sup>**

**98.7%**

Leadership



14.6%

## Minorities (USA)

Overall  
21.2%



New Hires  
24.7%



Leadership

13.9%



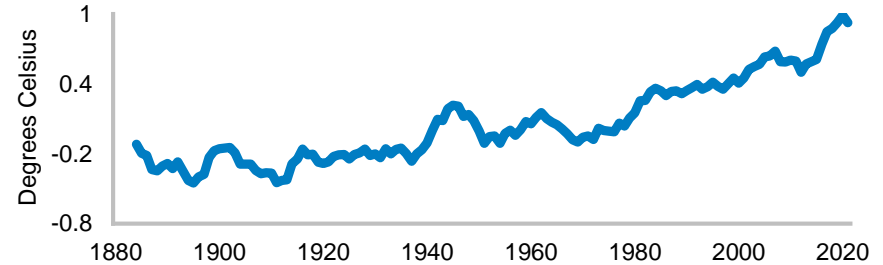
<sup>1</sup>This study was facilitated by Mercer on behalf of BorgWarner. Baseline data: Regions studied: US and Canada, China, Germany, W. Europe, E. Europe, Latin America, Asia | 6,210 salaried employees Grades 10-19 | Measured pay against gender

# External Factors Are Accelerating Demand for Cleaner, More Efficient Vehicles

Now is the optimal time to accelerate  
BorgWarner's shift toward electrification

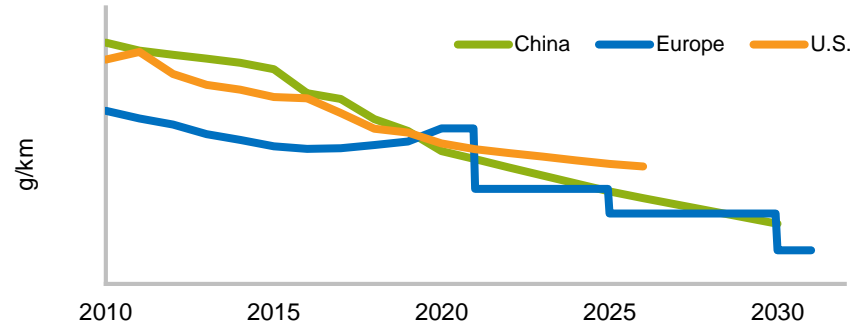
## Rising Temperatures Drive Demand for Clean, Efficient Vehicles

Global Surface Temperature Anomalies – 5-year average



NASA figure adapted from Goddard Institute for Space Studies Surface Temperature Analysis

## CO<sub>2</sub> Emissions Regulatory Standards Normalized to NEDC



NEDC figures adapted from The International Council on Clean Transportation Analysis



# We're Moving Electrification to the Forefront of Our Strategy

## 2021-2025: Accelerating Our Shift

- Significantly shifting our organic investments towards electrification
- More aggressively deploying capital toward M&A
- Steadily optimizing our combustion portfolio, targeting dispositions of products with \$3B to \$4B in annual revenue

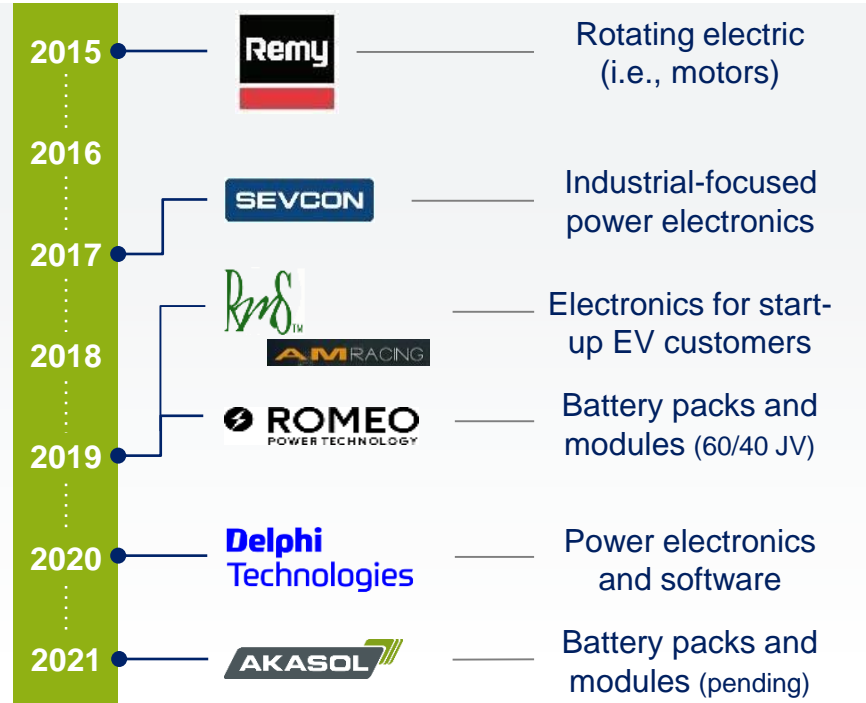
These actions alone expected to lead to

**~45%**

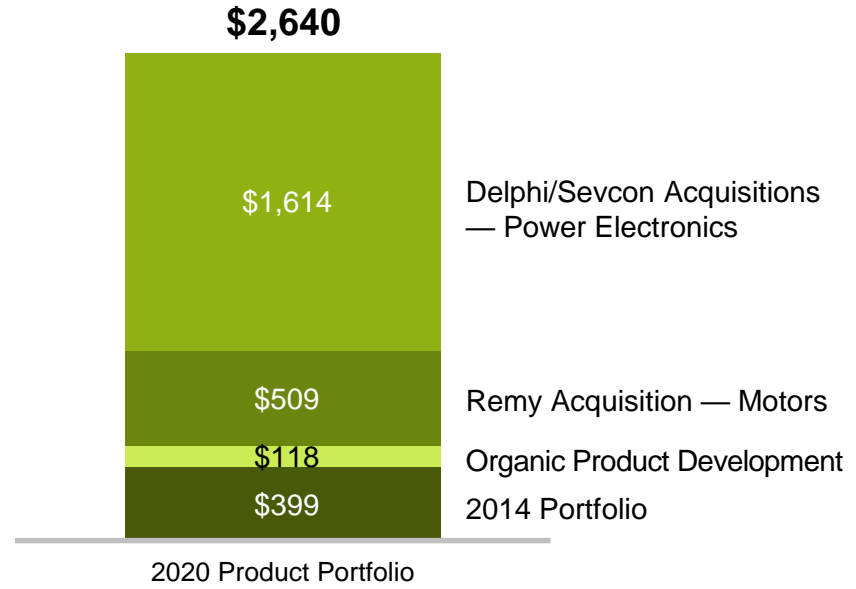
revenue from EV  
**by 2030**

**...and future actions could increase this further as appropriate**

# We've Grown Our Electrification Portfolio Deliberately over Time



## Est. 2025 Content Opportunity per eLV



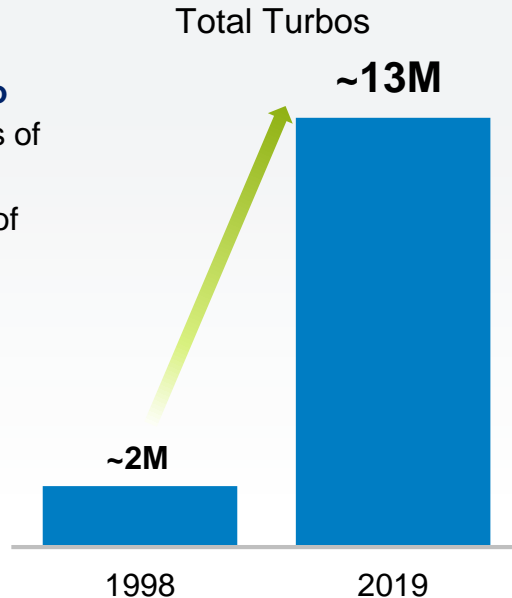


# We Know How to Evolve to Meet Tomorrow's Needs

Decades of leadership through strategic evolution — and our next phase is underway

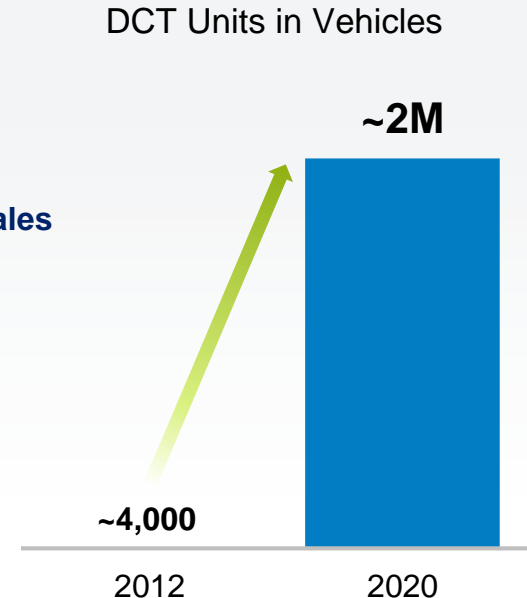
## Late 1990s

BorgWarner **pivots to turbos** through series of strategic acquisitions, including the merger of 3K and Schwitzer



## 2010s

BorgWarner **significantly accelerates dual clutch module sales** in China through wholly-owned and joint ventures



# PROJECT CHARGING FORWARD



**PROFITABLY  
SCALE eLV**

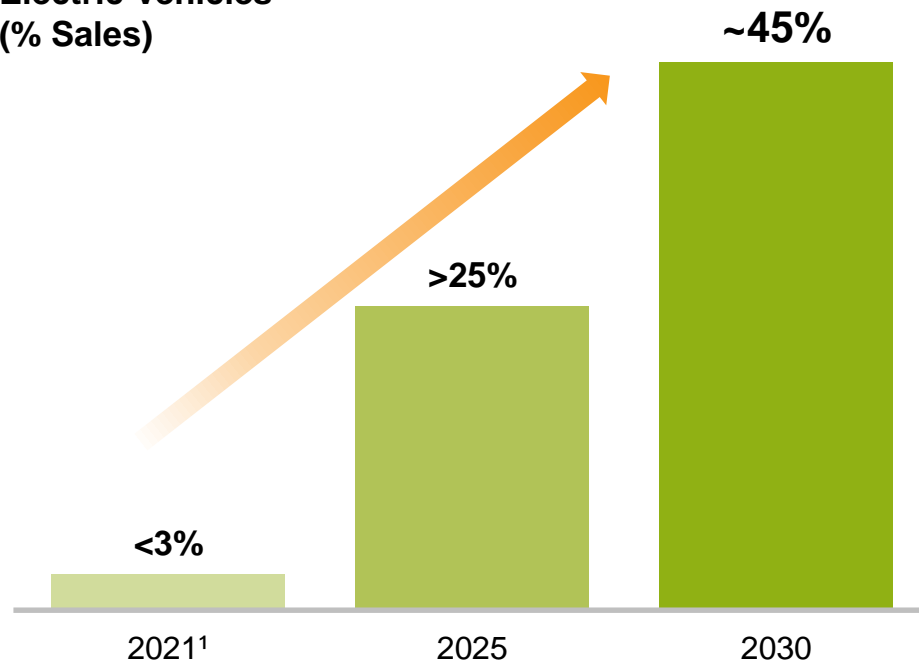


**EXPAND  
INTO eCV**



**OPTIMIZE  
COMBUSTION  
PORTFOLIO**

## Electric Vehicles (% Sales)



<sup>1</sup> Estimate at the midpoint of FY21 guidance  
Source: BorgWarner estimate

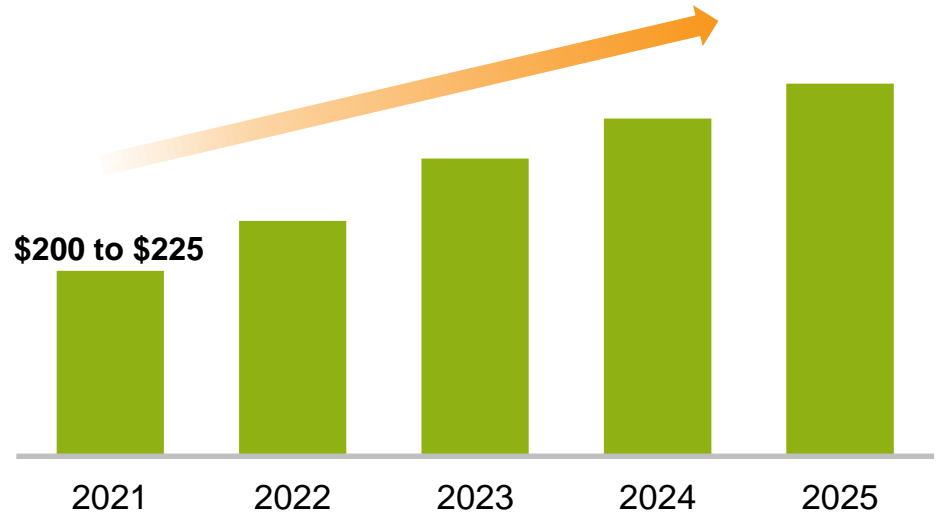


# Organic Investment Will Play a Major Role in Advancing eLV...

## Organic Investment Strategy

- Combined R&D and capital spending for eProducts >\$3B over next 5 years
- eProducts approaching 50% of R&D before acquisitions by 2025
- Spending driven by secured programs or targeted pursuits

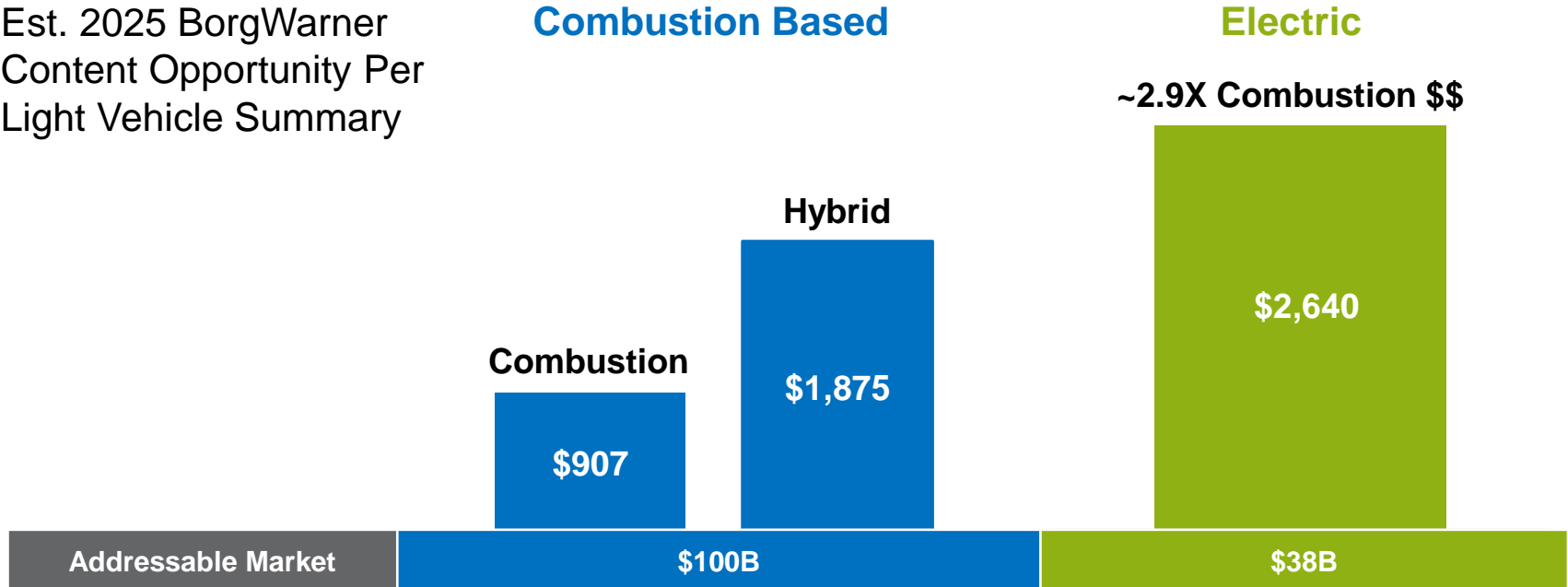
Estimated R&D Spend for eProducts (\$M)



Source: BorgWarner estimate

# ...and We're Well Positioned to Seize Market Opportunity

Est. 2025 BorgWarner Content Opportunity Per Light Vehicle Summary

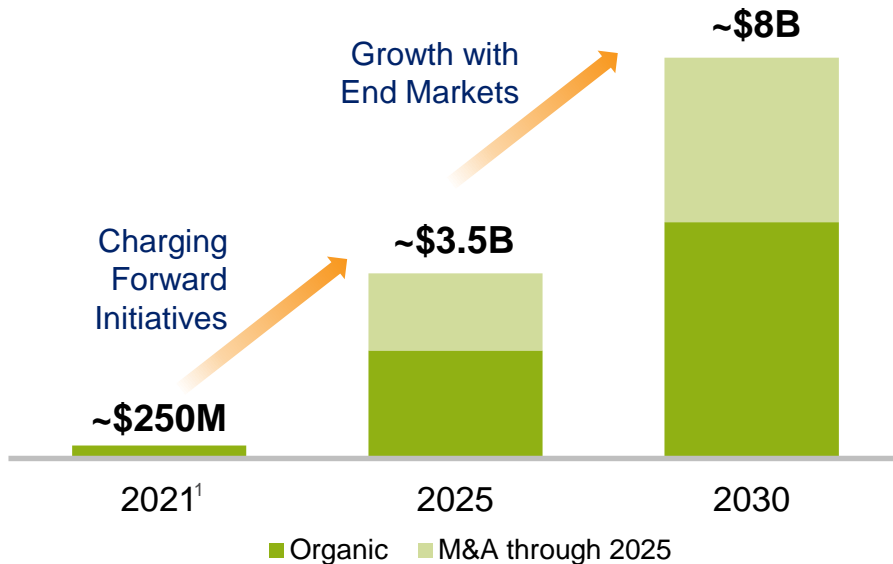


Sources: BorgWarner TAM; IHS Markit, KGP. Excludes: Romeo Power Battery JV opportunities, Service & Aftermarket



# We're Prepared to Profitably Scale eLV and Accelerate Expansion

## Estimated BorgWarner eLV Revenue



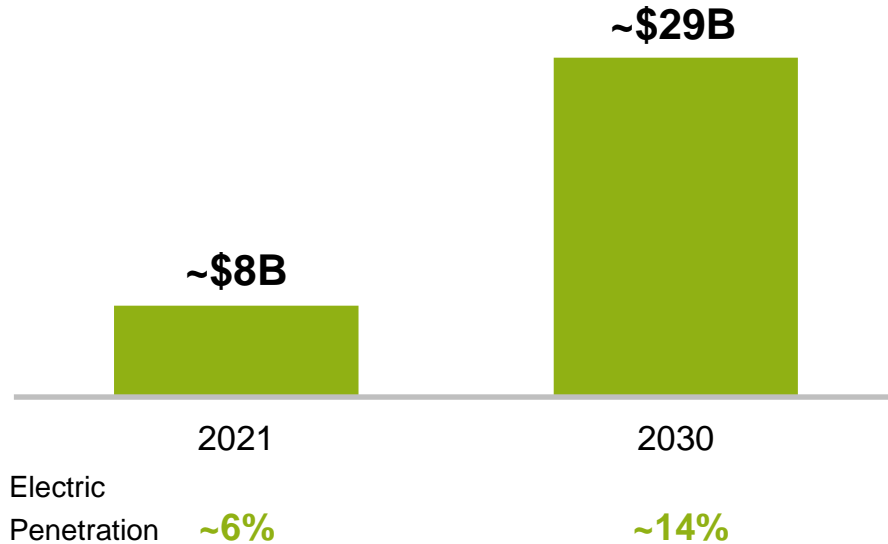
<sup>1</sup> Estimate at the midpoint of FY21 guidance. Source: BorgWarner estimate.

## Our Objectives

- Deliver on organic growth initiatives
- Leverage next-generation products and technologies
- Proactively pursue inorganic growth opportunities to strengthen e-propulsion capabilities and scale

# We're Expanding into eCV Based on Growth, Size, Profit Potential and Fit...

## Estimated eCV Total Addressable Market (TAM)



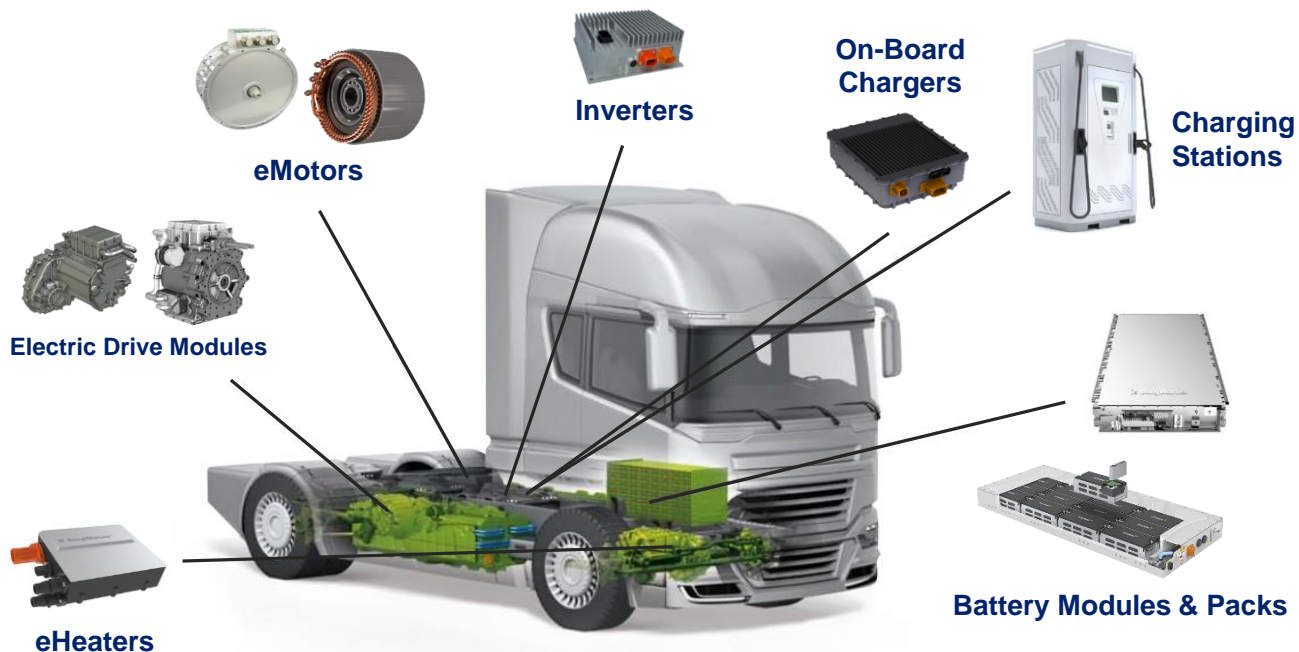
Estimates include forklift chargers, batteries for trucks and buses, material handling, rail, marine, construction & mining and inverters, motors, and eGear drives for global on-road EV trucks and buses as well as off-road estimates. Source: BorgWarner estimate.

## eCV Thematic Findings

- Large, fast-growing market that builds on existing BorgWarner technologies and capabilities
- Existing customer relationships will support penetration
- BorgWarner is at an earlier stage of its evolution in eCV



# ...Creating an Expanded eCV Portfolio...

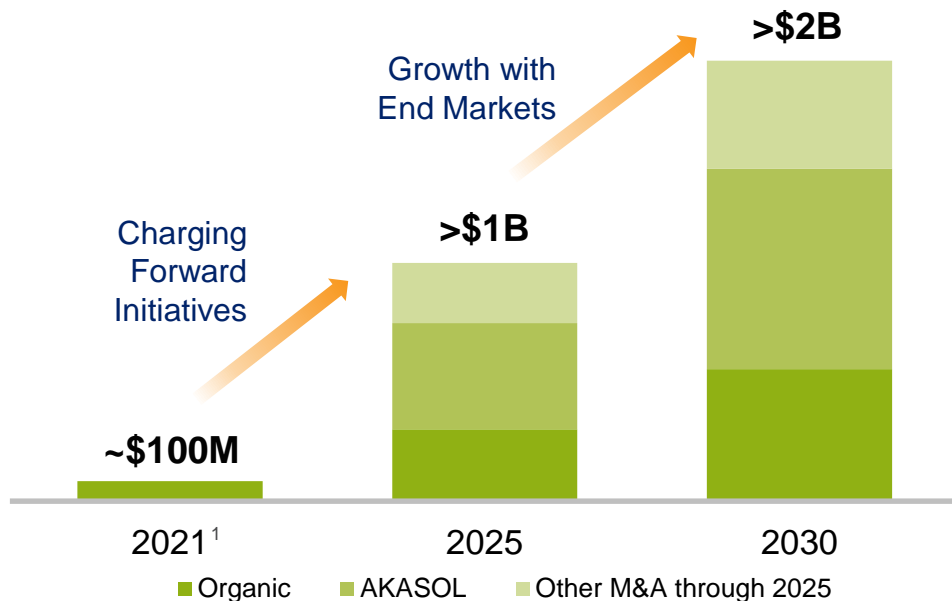


## Product Offerings

- Leverage existing eLV portfolio
- Other offerings for fuel-cell-based eCVs

# ...With Significant Potential for Growth

## Estimated BorgWarner eCV Revenue



<sup>1</sup> Estimate at the midpoint of FY21 guidance. Source: BorgWarner estimate.

## Our Objectives

- Execute organic growth plan
- Explore potential partnerships or collaborations for stronger move into eCV market
- Complement existing portfolio through acquisitions

# A More Focused Combustion Business

## Areas of Focus

- Support our customers as they bridge to electrification
- Focus on technologies that interconnect with EVs and future mobility needs
- Deliver strong margins, cash flow and scale benefits
- Dispose \$3B to \$4B in annual revenue by 2025

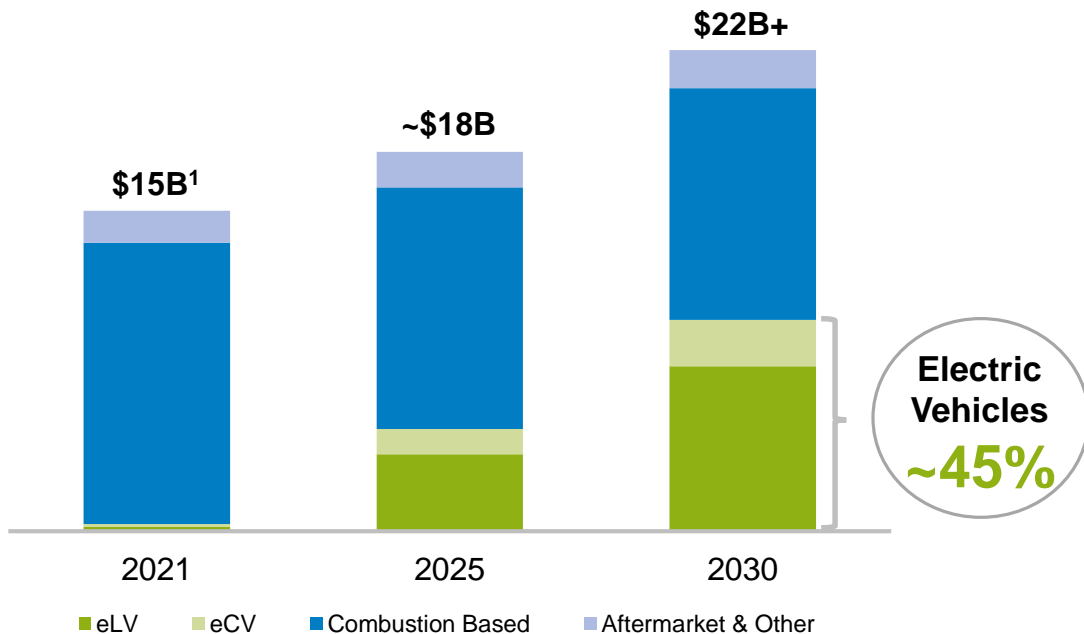
## Combustion Portfolio Profile



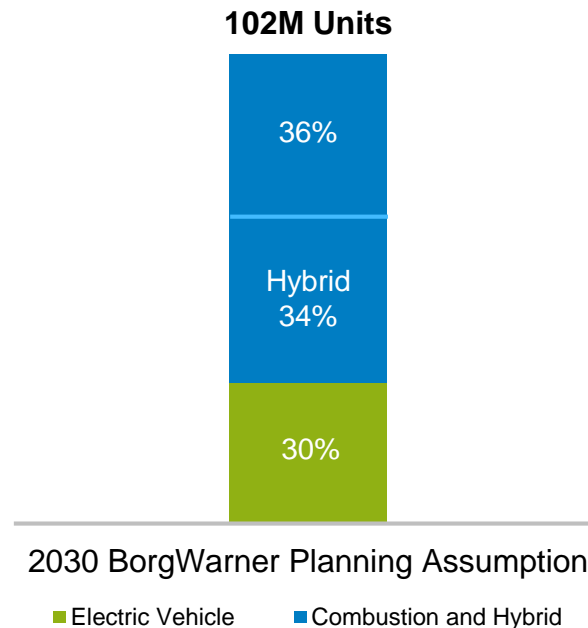


# How We'll Measure Success

## Expected Revenue Mix



## 2030 Light Vehicle Market Mix





PROJECT  
**CHARGING FORWARD**



**PROFITABLY  
SCALE eLV**



**EXPAND  
INTO eCV**



**OPTIMIZE  
COMBUSTION  
PORTFOLIO**

- We have both the **strategies** and **execution capabilities** to **lead** the industry
- **Sustainability is core** with a commitment to **carbon neutrality by 2035**
- Our actions through 2025 are expected to achieve **~45% of revenue from EV by 2030**, with potential for more to come





# Charging Forward

Technology Leadership Positions BorgWarner  
to Capture Electrification Opportunities

Investor Day  
Stefan Demmerle – President, PowerDrive Systems  
March 23, 2021





## Delphi Engineering Integration is a Key Near-Term Focus



### Bring together

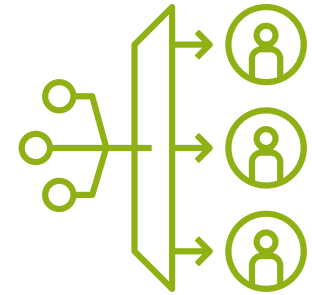
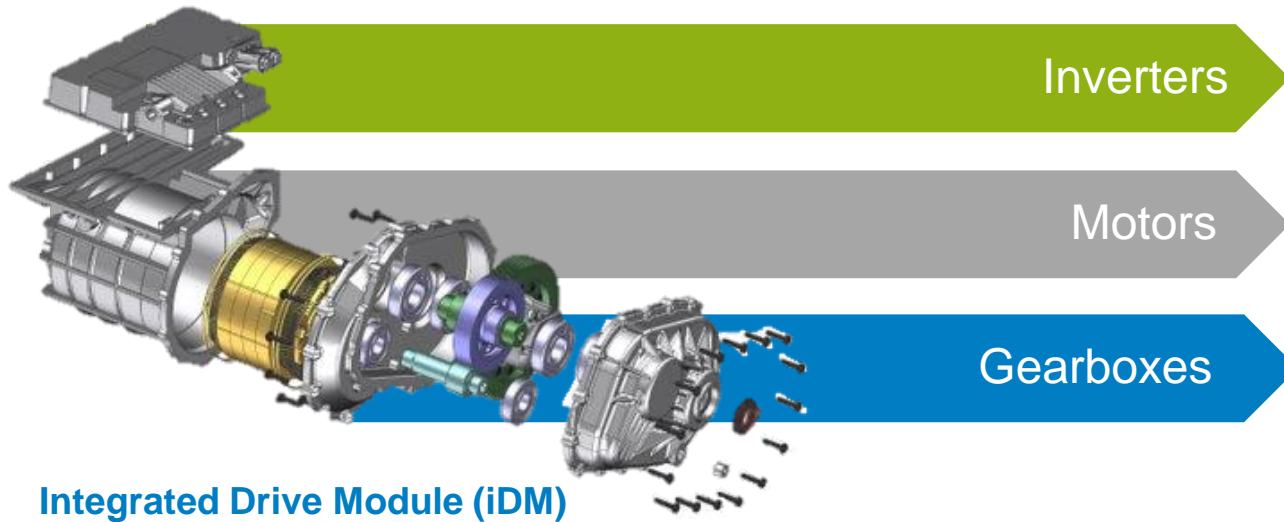
- **Product Leadership** from BorgWarner
- **Technology Leadership** in Power Electronics from Delphi Technologies
- **Regional Autonomy** for Speed and Accountability



### Engineering priorities moving forward

- **Execution:** Securing Program Launches
- **Pursuit:** Driving Growth
- **Innovation:** Positioning for the Future

# Product **AND** System Capability Are Core to Our Electric Vehicle Strategy



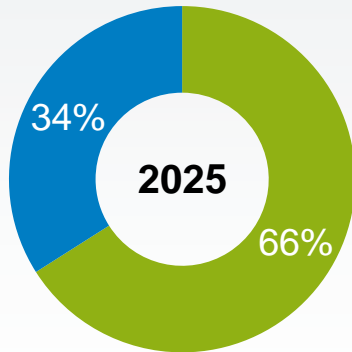
Efficient System

Customers

# Electric Vehicle Gearboxes Provide Foundation for Drive Module Integration

**\$1.9B**

Addressable LV outsourced market



■ OEM In-House ■ Suppliers

Source: BorgWarner estimate

## BorgWarner Strategy / Competitive Advantage

- Essential component in integrated drive modules
- Builds upon proven transmission and transfer case reliability
- Proven technology
  - Quiet, low-noise designs
  - High efficiency with low-loss lubrication design
  - Thermal management for high sustained power capability



**Customers view us as partner and product leader**



# Ford Mustang Mach-e iDM is a Great Example

## High torque capacity

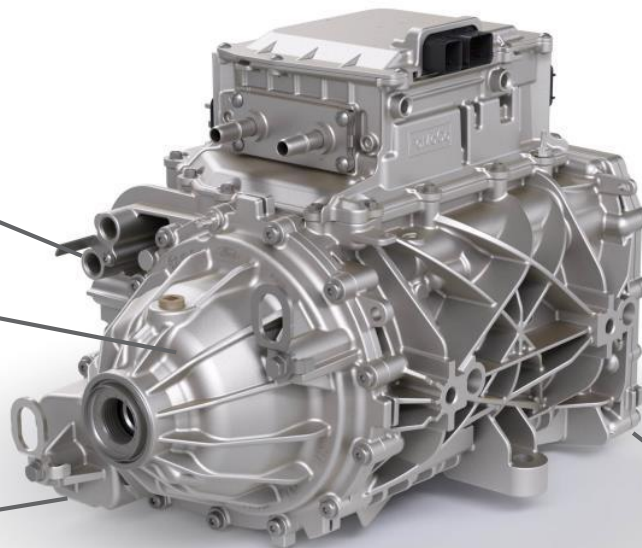
- Potential for other platform applications, such as light commercial vehicles

## Integrated Gearbox

- Stepped planetary gearset with differential
- Optimized for quietness

## Built-in lubrication pump and distribution

- Optimized for efficiency



Integrated Drive Module with gearbox, electric motor, and inverter

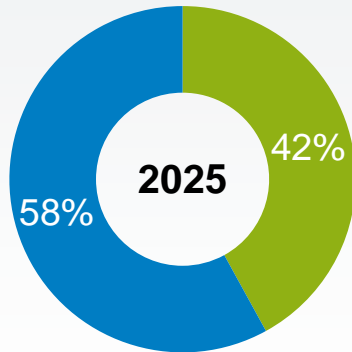
Integrated Parking Module (electrically activated)

Application showcases our integration expertise

# Electric Motors are Supportive of Drive Module Opportunities and eCV Expansion

**\$4.2B**

Addressable LV outsourced market



■ OEM In-House ■ Suppliers

Source: BorgWarner estimate

## BorgWarner Strategy / Competitive Advantage

- Broad range of motors for 400V, 800V & 48V
- Technology focused on driving superior power density
- Product and process innovation focus: winding pattern, new materials and cooling capabilities
- eLV pursuits to focus on combination products and full iDM modules
- Expanding standalone and combination opportunities in eCV



**Motors enable full module offerings to our customers**

# Why We Are Winning — 800V Electric Motor for European Commercial Vehicle OEM



High-voltage hairpin technology



High efficiency – 97% maximum



Sized for high power:  
over 400kW peak



Patented stator winding  
technology



2024 SOP

The biggest drivers  
of the win were

**POWER DENSITY**

and

**STRONG  
CUSTOMER  
RELATIONSHIP**

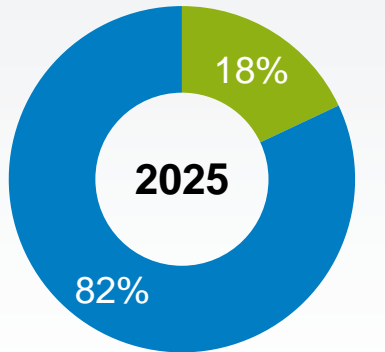




# Inverter Innovation and Technology Will Remain Drivers of Future Business Awards

**\$8.8B**

Addressable LV outsourced market

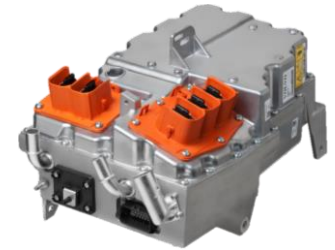


■ OEM In-House ■ Suppliers

Source: BorgWarner estimate

## BorgWarner Strategy / Competitive Advantage

- Scale in Electronics
- 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



**Strong technology advantages create value add for our customers**



## 800V and Silicon Carbide Inverters Will Be Drivers of Change



**800V** is an emerging trend for EVs. Enables:

- High power density (2x possible at 400V) for high performance automotive and commercial EVs
- 50% reduction in charging time



**Silicon Carbide** is an increasing trend for Inverters. Enables:

- Significantly higher efficiency, especially at low- to medium-power levels seen in typical daily driving
- Improved e-Machine NVH

# Custom Integrated Circuits Will Drive Further Innovation...

Condenses part of the circuit onto a small silicon chip



Electronics  
Circuitry



Silicon  
"die"

## Benefits

- Reduced size
- Reduced cost
- Added functionality
- Unique selling proposition
- Effective IP protection

Award-winning,  
in-house  
design team





# Why We Are Winning — 800V SiC Inverter for Major European OEM



High-efficiency, high-power design



Light duty passenger vehicles at high volume

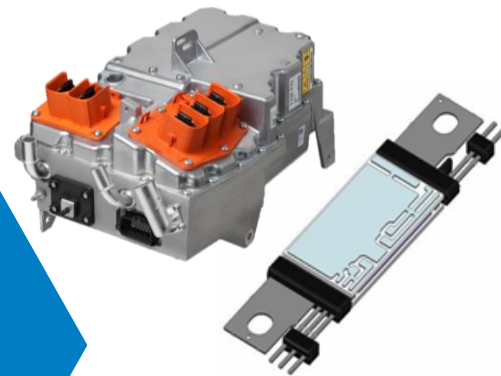


Uses proprietary Viper power switch  
— Compact, double-sided cooling



SOP 2022

The biggest driver of the win was  
**TECHNOLOGY LEADERSHIP**  
in 800V and SiC



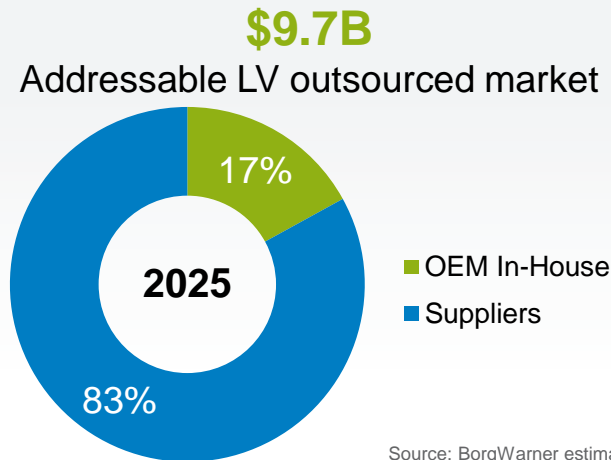
# ...And We Are Seeing Further Opportunities for Combination Units of Other Power Electronics

## Benefits and Features

- Combines multiple electronic units for both 400V & 800V applications
- Saves space, eliminates cables and hoses
- Single unit to install in the vehicle
- Leverages BorgWarner's packaging & integration strengths

## Example (in production)

Combined dual inverter, DC/DC Converter and Hybrid supervisory control ECU



# Three Measures of Success in the Coming Years



Speed



Innovation



Growth



## Near-term Revenue Focus for ePropulsion

Inverters  
Globally

iDMs  
in Asia

eCV  
Opportunities





# Charging Forward

## Financial Performance and Outlook

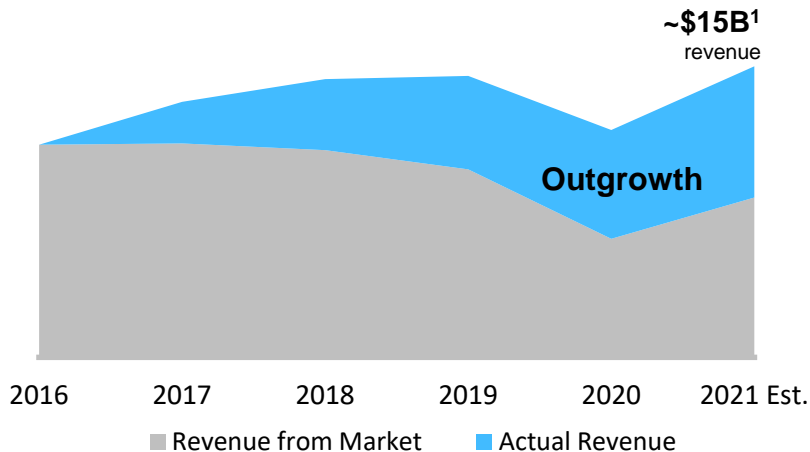
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# Long-Term Planning Secures a Portfolio That...

## Drives Sustained Outgrowth

Each year, revenue has grown more than industry production

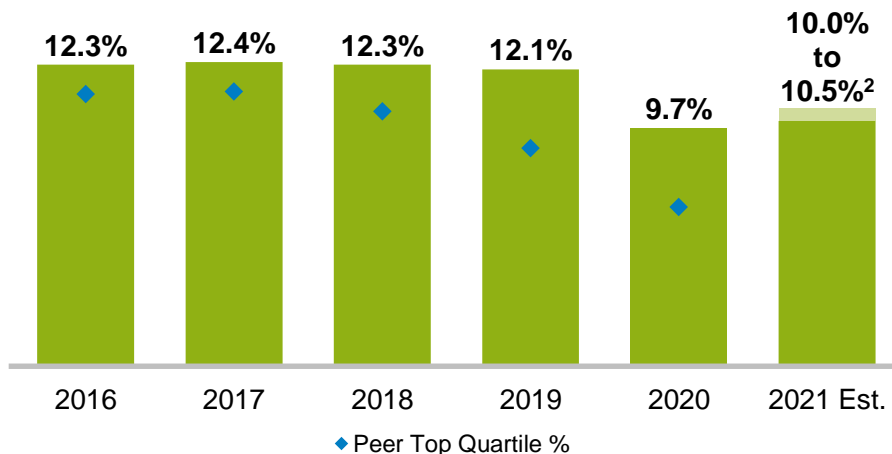


**~\$2.8 billion**

Additional 2021 sales arising from 5 years of outgrowth

## Delivers Top-Quartile Margins

Adjusted operating margin



**~\$3.2 billion**

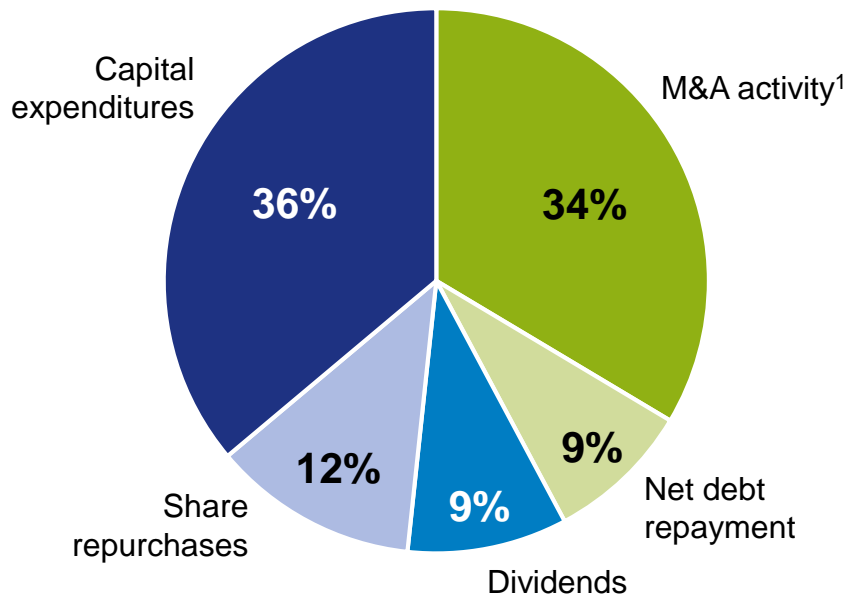
2016-2020 cumulative free cash flow

<sup>1</sup> Estimate at the midpoint of FY21 guidance

<sup>2</sup> Adj. operating margin on this slide is a non-US-GAAP measure. See reconciliation to US GAAP in Appendix

# Balanced, Disciplined Capital Deployment

## 2016-2020 Capital Allocation



**Capital allocation strategy has supported growth while returning value to shareholders**

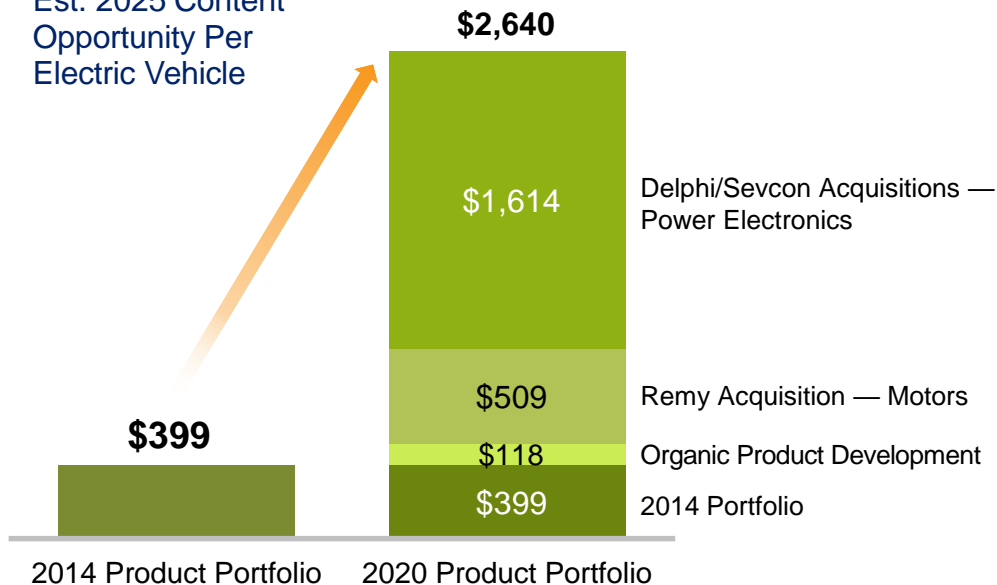
- Organic investments have driven meaningful outgrowth
- M&A has accelerated company's positioning in electrified propulsion
- Have maintained shareholder return commitments throughout COVID-19

<sup>1</sup> Includes ~\$1.5B for value of shares issued to acquire Delphi Technologies and \$172M for derecognition of subsidiary

# Acquisitions Are Driving Long-Term Value Creation

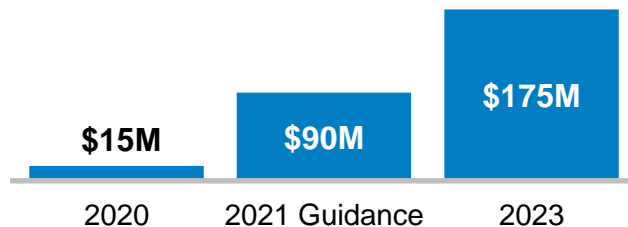
## M&A Has Enhanced Content Opportunity Per Vehicle

Est. 2025 Content Opportunity Per Electric Vehicle



## Delphi Integration On Track

Est. Cumulative Cost Synergies



## Multiple Program Awards Post Signing



SiC Inverters



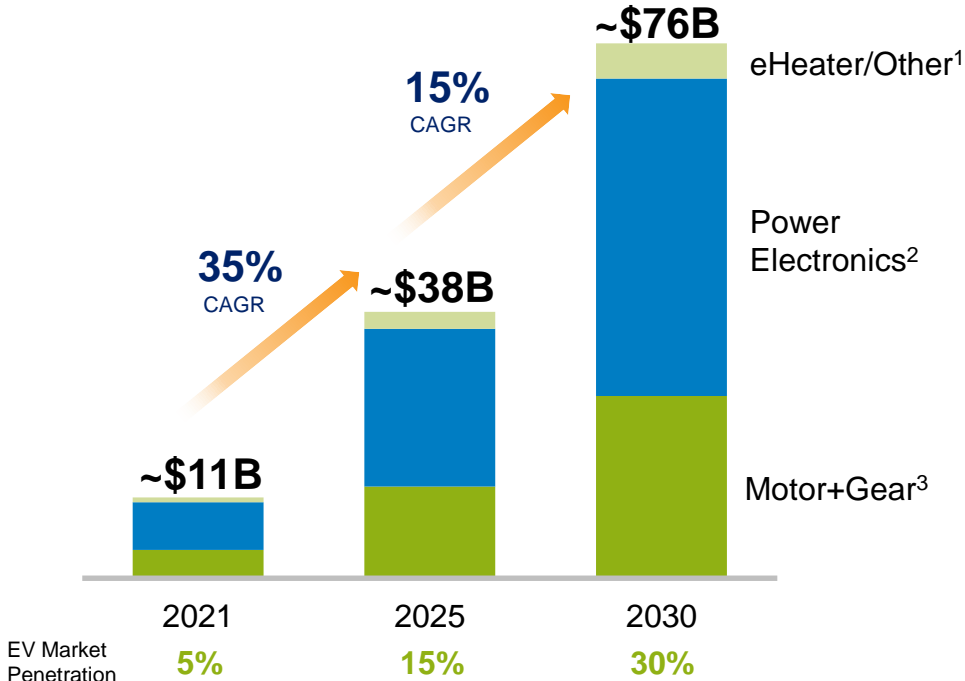
GDi systems

# eLV Market Expected to Experience Profound Growth Over Next Decade

BorgWarner has positioned itself to capitalize on this growth



## eLV Addressable Market



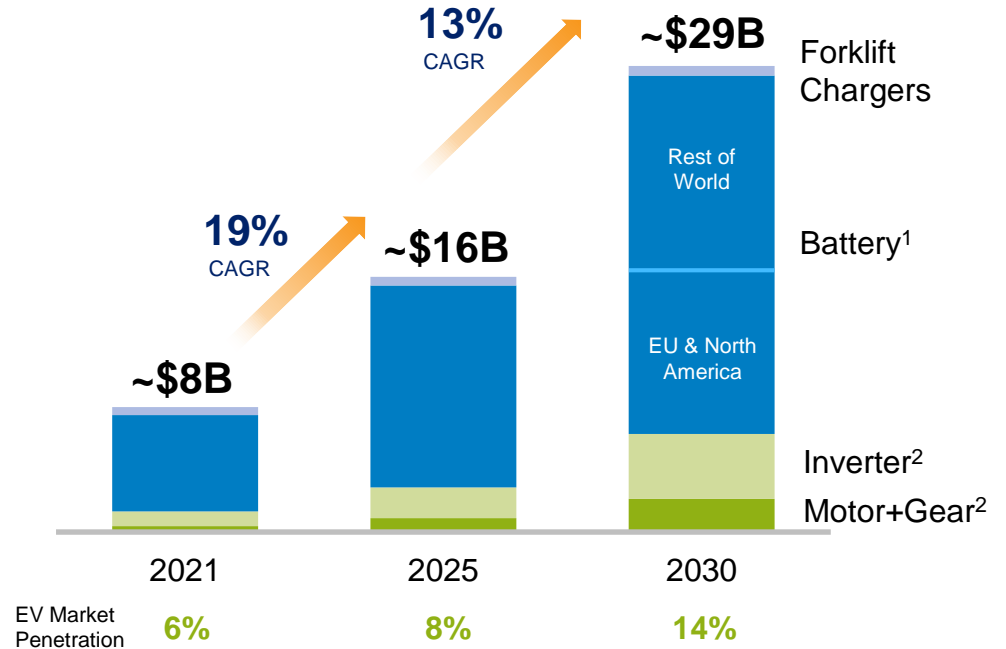
<sup>1</sup> Includes high-voltage air heater and high-voltage coolant heater for light vehicle EVs only  
<sup>2</sup> Includes inverter, DCDC, OBC, CIID, HV Box and BMS for light vehicle EVs only  
<sup>3</sup> Includes motors and eGearDrives<sup>®</sup> for light vehicle EVs only  
 Source: BorgWarner estimate



# eCV Market Also Poised for Significant Acceleration

BorgWarner enhancing its focus in this area to participate in rapid growth

## eCV Addressable Market



<sup>1</sup> Includes batteries for trucks and buses, material handling, rail, marine, construction & mining

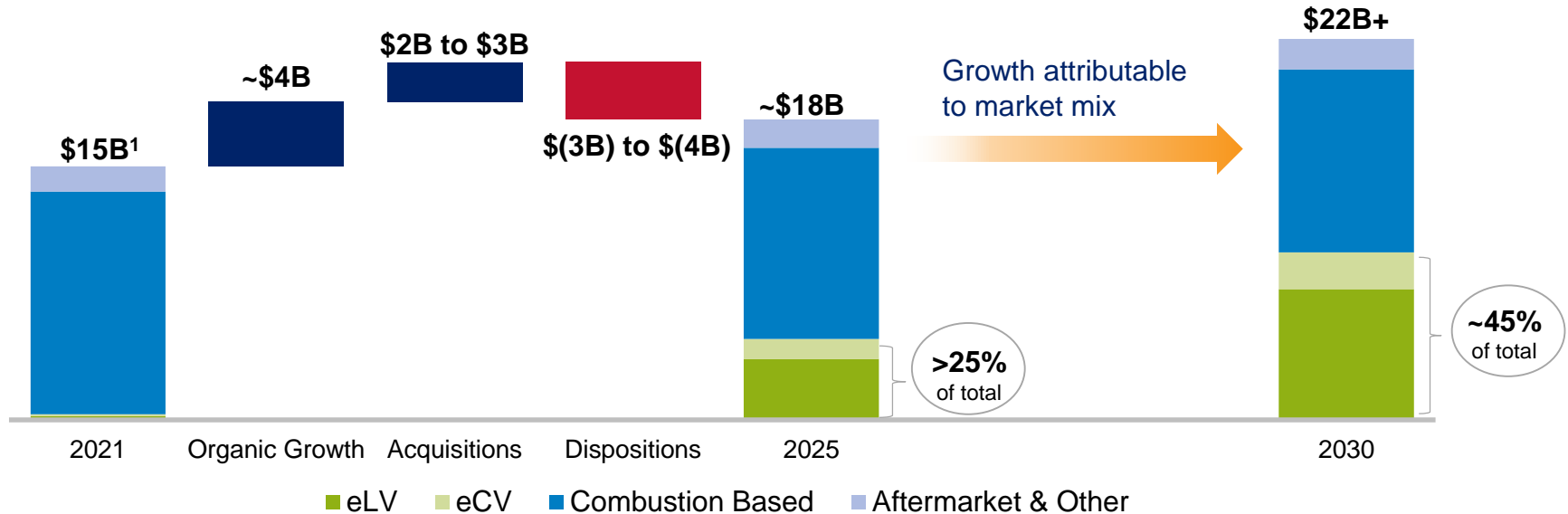
<sup>2</sup> Includes inverters, motors, and eGearDrives® for global on-road EV trucks and buses as well as off-road estimates

Source: BorgWarner estimate

# Clear Roadmap to Driving Sustainable Growth Through 2030

Estimated Organic Growth and Portfolio Realignment...

...Sets Up Second Half of Decade



<sup>1</sup> Estimate at the midpoint of FY21 guidance. Source: BorgWarner estimate.

# Profitability on EV Portfolio Expected to Improve as Programs Launch



Current profitability already reflects elevated R&D spending for EVs

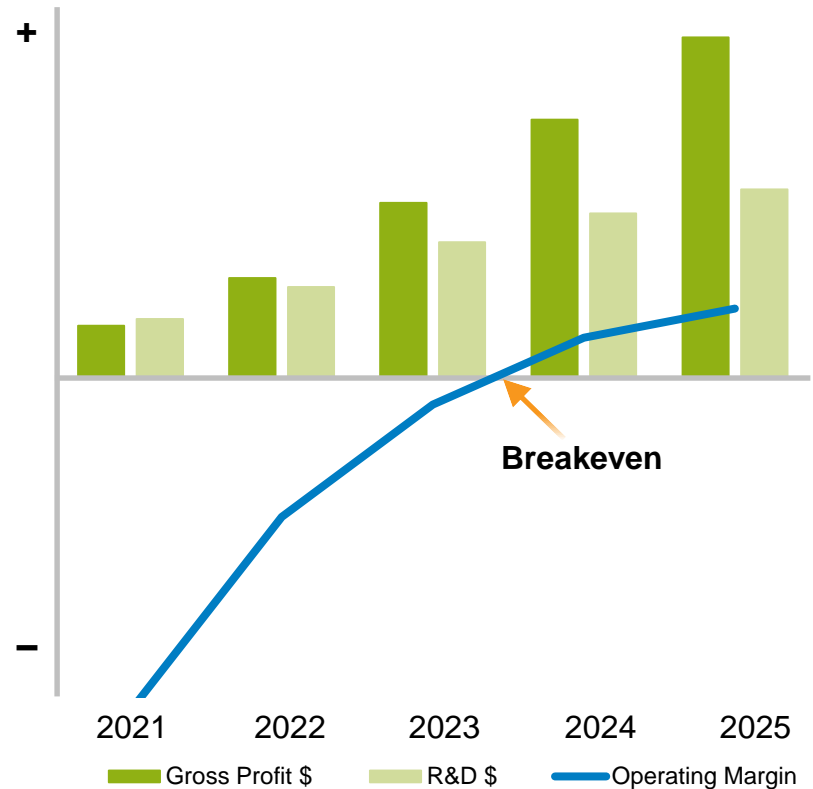


Growth in R&D spending not commensurate with sales trajectory



Improving gross margin reflects expected incremental margins on increasing sales

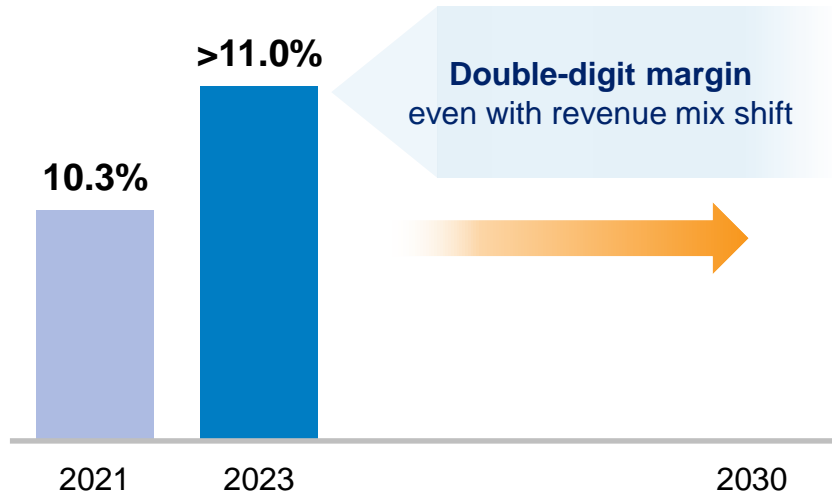
## Estimated EV Profitability Characteristics



Source: BorgWarner estimate

# Committed to Top-Quartile Margin Profile

## Adj. Operating Margin Performance



Source: BorgWarner estimate at the midpoint of FY21 guidance and estimated FY23 outlook

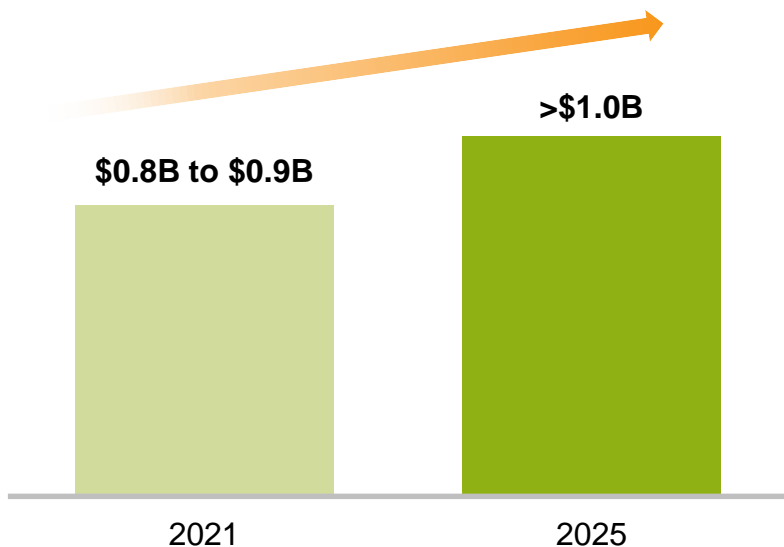
## Strong margins are part of the BorgWarner culture

- Sales growth and proactive cost management sustain margin profile
- R&D for rapidly growing EV portfolio is overhang in medium term until corresponding revenue materializes
  - Maintaining ROIC discipline on EV programs expected to deliver comparable, long-term margin profile



# Strong Free Cash Flow Generation Expected to Continue

## Estimated Free Cash Flow



Source: BorgWarner estimate excluding acquisitions and dispositions

**~\$4.5B in FCF expected over 5 years,  
building on record 2020 performance**

- Expect to continue delivering strong conversion of earnings into FCF
- Working capital in support of revenue growth encompassed in cash generation
- Cash flow contemplates funding of all current restructuring programs and potential future actions

# Dispositions Increase EV Focus and Allow for Capital Redeployment

## Portfolio management becomes increasingly important



Prioritizes BorgWarner vision of a clean, energy-efficient world



Supports future propulsion mix objectives



Based on evaluation of medium-term financial prospects of product portfolio



Opportunities for value-maximizing transactions

## Disposition Planning Assumptions

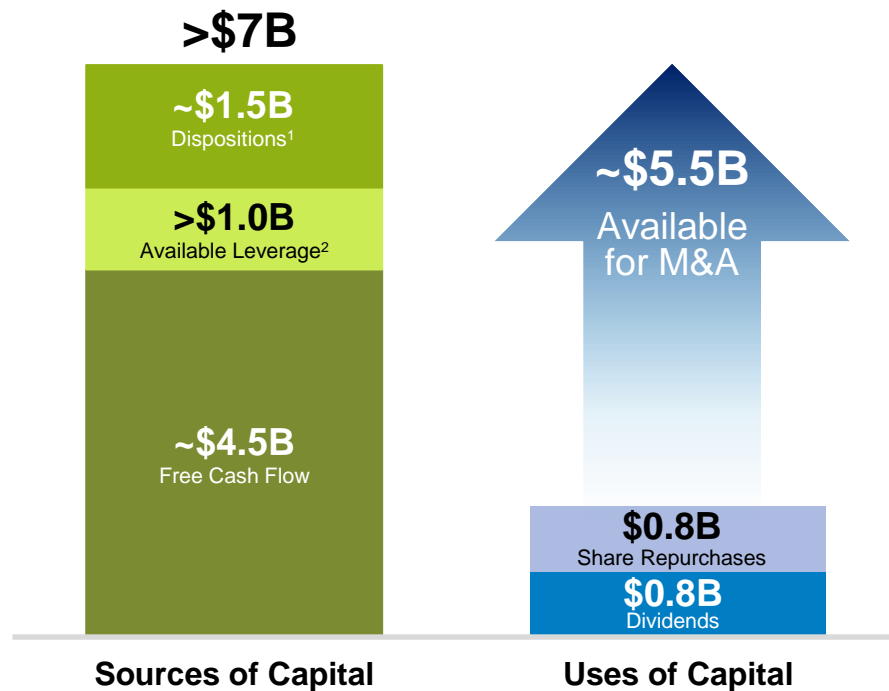
**~\$1B in sales**  
over next 12-18 months

**~\$3B to \$4B in sales**  
by 2025

# Significant Capital Available to Accelerate Positioning in EV

- Strong cash flow and investment-grade balance sheet support M&A
- Dispositions provide additional source of capital
- Discipline of returning capital to shareholders remains intact
  - Dividends sustainable through downturns
  - Share repurchase timing subject to M&A execution

## 2021-2025 Estimated Capital Flows

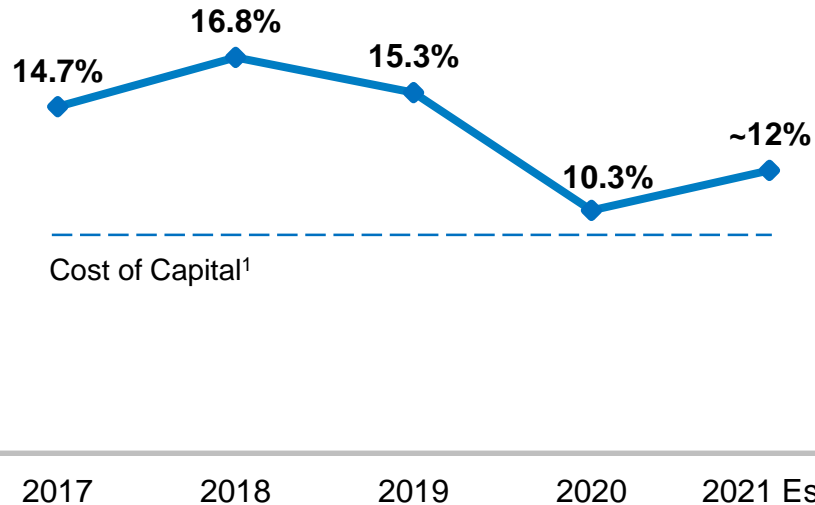


<sup>1</sup> Est. disposition proceeds net of loss of FCF through 2025 associated with dispositions

<sup>2</sup> Est. incremental debt that could be issued while maintaining 1.8x gross-debt-to-EBITDA ratio BorgWarner estimate

# ROIC Focus Will Continue to Drive Capital Allocation Decisions

## Return on Invested Capital



Cost of Capital<sup>1</sup>

2017 2018 2019 2020 2021 Est.

<sup>1</sup> As disclosed in 2020 proxy

## Will maintain ROIC discipline as electrification investments accelerate

- Have delivered consistently strong ROIC, even during COVID-19 pandemic
- Although EV investments can have longer return profiles, intend to maintain life-of-project ROIC focus



# Financial Summary

- Strategic growth actions expected to drive **EV revenue** of:
  - >25% of sales in 2025
  - ~45% of sales in 2030
- **Top-quartile margin** performance expected to be sustained, even while funding EV investments
- **Strong FCF generation** expected to continue through 2025 & beyond
- **More aggressive portfolio management** also expected to contribute to positioning in EVs



# Appendix

# Adjusted Operating Income and Margin Reconciliation to US GAAP

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	Year Ended December 31,					Full Year 2021 Guidance		Full Year 2023 Estimate <sup>1</sup>	
	2016	2017	2018	2019	2020	Low	High	Low	High
Sales	\$9,071	\$9,799	\$10,530	\$10,168	\$10,165	\$14,700	\$15,300	\$15,500	\$17,500
Operating income	\$973	\$1,072	\$1,190	\$1,303	\$618	\$1,260	\$1,450	>\$1,605	>\$1,825
Operating margin %	10.7%	10.9%	11.3%	12.8%	6.1%	8.6%	9.5%	>10.4%	>10.4%
<b>Non-comparable items:</b>									
Restructuring expense	27	59	67	72	203	200	150	100	100
Merger, acquisition and divestiture expense	24	10	6	11	96	10	10	-	-
Intangible asset accelerated amortization	-	-	-	-	38	-	-	-	-
Amortization of inventory step-up	-	-	-	-	27	-	-	-	-
Asset impairment and loss on divestiture	127	71	25	7	17	-	-	-	-
Net gain on insurance recovery for property damage	-	-	-	-	(9)	-	-	-	-
Unfavorable arbitration loss	-	-	-	14	-	-	-	-	-
Officer stock awards modification	-	-	8	2	-	-	-	-	-
Asbestos related charge	(49)	-	23	-	-	-	-	-	-
Gain on sale of building	-	-	(19)	-	-	-	-	-	-
Gain on derecognition of subsidiary	-	-	-	(177)	-	-	-	-	-
Other	12	7	(4)	-	-	-	-	-	-
Adjusted operating income	\$1,114	\$1,219	\$1,296	\$1,232	\$990	\$1,470	\$1,610	>\$1,705	>\$1,925
Adjusted operating margin	12.3%	12.4%	12.3%	12.1%	9.7%	10.0%	10.5%	>11.0%	>11.0%

<sup>1</sup> Significant variability in low and high sales expectations relates to potential variability in acquisitions and dispositions

# 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.

	Year Ended December 31,					Year Ended December 31,		Total Years Ended December 31,
	2016	2017	2018	2019	2020	2021 <sup>1</sup>	2025 Est.	2021-2025 Est.
\$ in millions								
Net cash provided by operating activities	\$1,036	\$1,180	\$1,126	\$1,008	\$1,184	\$1,525	>\$2,000	\$8,800
Derecognition of subsidiary	-	-	-	172	-	-	-	-
Capital expenditures, including tooling outlays	(501)	(560)	(546)	(481)	(441)	(675)	(1,000)	(4,300)
Free cash flow	\$535	\$620	\$580	\$699	\$743	\$850	>\$1,000	\$4,500

<sup>1</sup> Estimate at the midpoint of FY21 guidance

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

# ROIC Reconciliation to US GAAP

\$ in millions	Year Ended December 31,				Guidance <sup>1</sup>
	2017	2018	2019	2020	2021
A. Adj. operating income	\$1,222	\$1,350	\$1,232	\$990	~\$1,540
B. Adjustment to align operating earnings to the performance target's foreign exchange basis	-	-	17	-	-
C. Less taxes ((A. plus B.) times tax rate)	391	391	325	317	~490
<b>D. After-tax net adj. operating earnings (A. plus B. minus C.)</b>	<b>831</b>	<b>958</b>	<b>924</b>	<b>673</b>	<b>~1,050</b>
E. Short-term and long-term debt	2,188	2,113	1,960	2,908	3,787
F. Stockholders' equity	4,208	4,345	4,844	5,317	6,723
G. Adjustment to align stockholders' equity to the performance target's foreign exchange basis	-	-	55	-	-
H. Cash	731	739	832	1,669	1,650
<b>I. Capital invested (E. plus F. plus G. minus H.)</b>	<b>5,665</b>	<b>5,719</b>	<b>6,027</b>	<b>6,556</b>	<b>8,860</b>
<b>J. Return on invested capital (D. divided by I.)</b>	<b>14.7%</b>	<b>16.8%</b>	<b>15.3%</b>	<b>10.3%</b>	<b>~12%</b>

2017 to 2019 derived from proxy statements; 2020 calculated from FY financials using average of quarter ends for capital balances

<sup>1</sup> Estimate at the midpoint of FY21 guidance for adj. operating income; year-end 2020 figures utilized for 2021 capital invested balances