

BORGWARNER

Q1 2024 Earnings Call Presentation

May 2, 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, 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 original equipment manufacturer ("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; potential disruptions in the global economy caused by wars or other geopolitical conflicts; 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 2023 tax-free spin-off of our former Fuel Systems and Aftermarket segments into a separate publicly traded company will not achieve its intended benefits; the failure to promptly and effectively integrate acquired businesses; the potential for unknown or inestimable liabilities relating to the acquired businesses; our dependence on automotive and truck production which is highly cyclical and subject to disruptions; our reliance on major OEM customers; impacts 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.

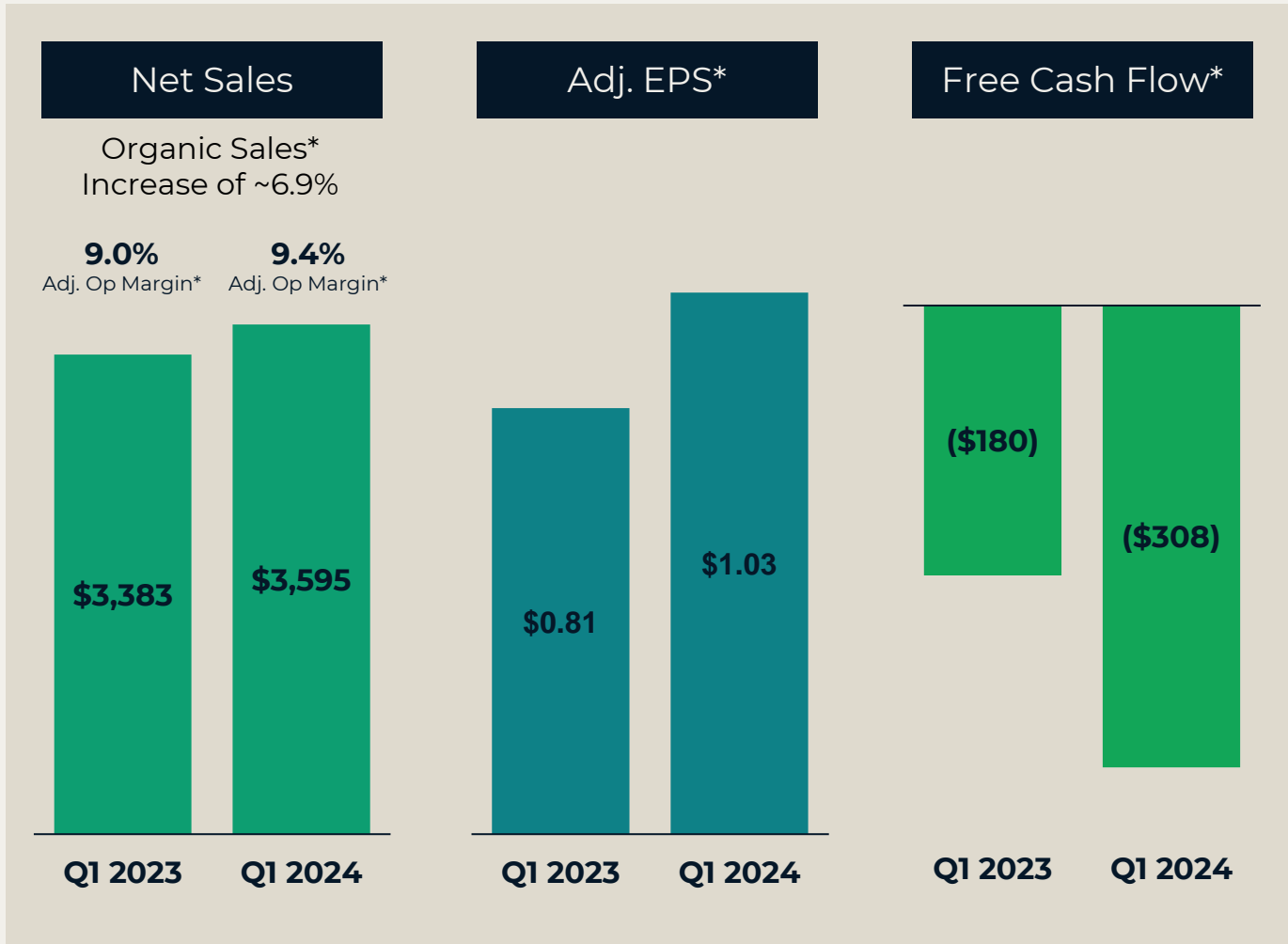
Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, because not all companies use identical calculations, the non-GAAP financial measures as presented by BorgWarner may not be comparable to similarly titled measures reported by other companies.

Agenda

- ▶ Fred Lissalde
Chief Executive Officer
- ▶ Craig Aaron
Chief Financial Officer
- ▶ Q&A

Strong Execution During First Quarter, with Continued Focus on Long-term Value Creation

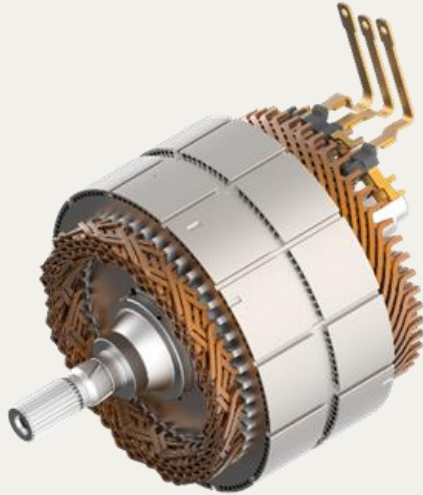
\$ in millions, except EPS



- Delivered close to 7% organic sales growth
- Solid margin performance supported by strong conversion on sales and cost controls
- Strong liquidity and free cash flow outlook supported ~\$100M share repurchase during Q1
- Additional eProduct program awards in multiple product lines
- Believe portfolio well positioned for profitable growth

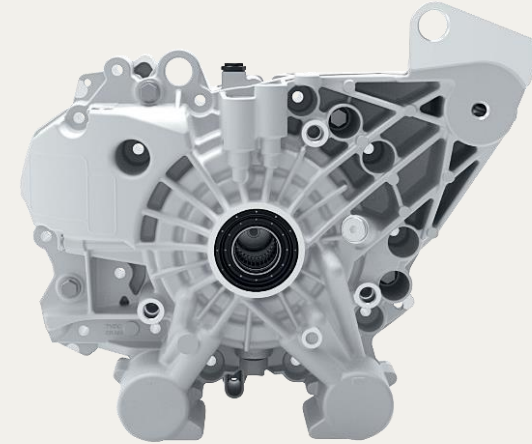
*Organic sales, adj. operating margin, adj. EPS and free cash flow on this slide are non-US-GAAP measures. See reconciliation to US GAAP in Appendix.

Additional eProduct Awards Across Portfolio



800V eMotors

- Awards with Xpeng Motors, a leading Chinese Smart EV company, for use on two upcoming SUV models expected to launch in 2025

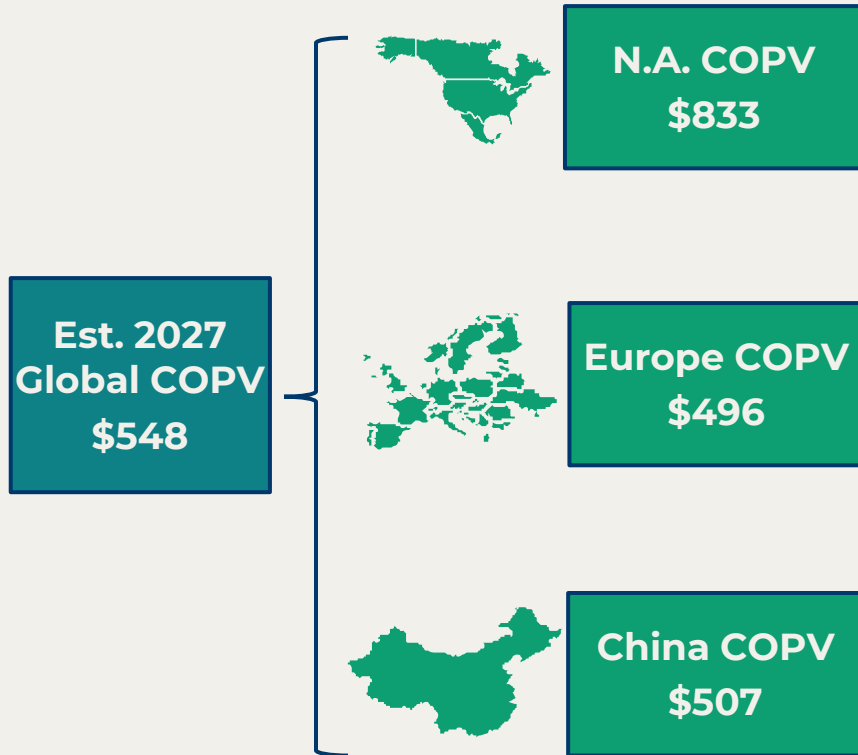


Electric Torque Vectoring Disconnect (eTVD) Systems




- Currently in production for the Polestar 3 SUV with production for a major European OEM expected to begin later in 2024
- eTVD is part of the electric Torque Management System (eTMS) portfolio, which helps improve traction and safety of electrified vehicles

Believe Foundational Portfolio Positioned for Outgrowth

2027 Estimated Combustion Content Opportunity Per Light Vehicle (COPV)




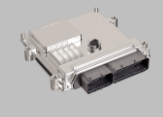





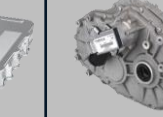
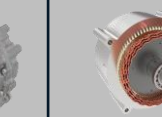
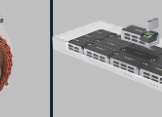


2023 Foundational Sales >\$12 Billion

 <p>Turbocharger Top 2 Market Position*</p>	<p>Penetration Opportunity in North America</p> <ul style="list-style-type: none"> N.A. penetration of 44%, compared to 92% in Europe & 69% in China 	 <p>EGR #1 Market Position*</p>	<p>Penetration Opportunity on Hybrid Architectures</p> <ul style="list-style-type: none"> Efficiency benefit higher in hybrids as ICE operates more steady state
 <p>Timing Systems #1 Market Position*</p>	<p>Growth Opportunity in PHEV and REEV</p> <ul style="list-style-type: none"> Chain preferred timing system on hybrids due to durability and strength 	 <p>AWD Top 2 Market Position*</p>	<p>Penetration Opportunity in Asia and Longer Tail in N.A.</p> <ul style="list-style-type: none"> China penetration 6% compared to 51% in N.A.

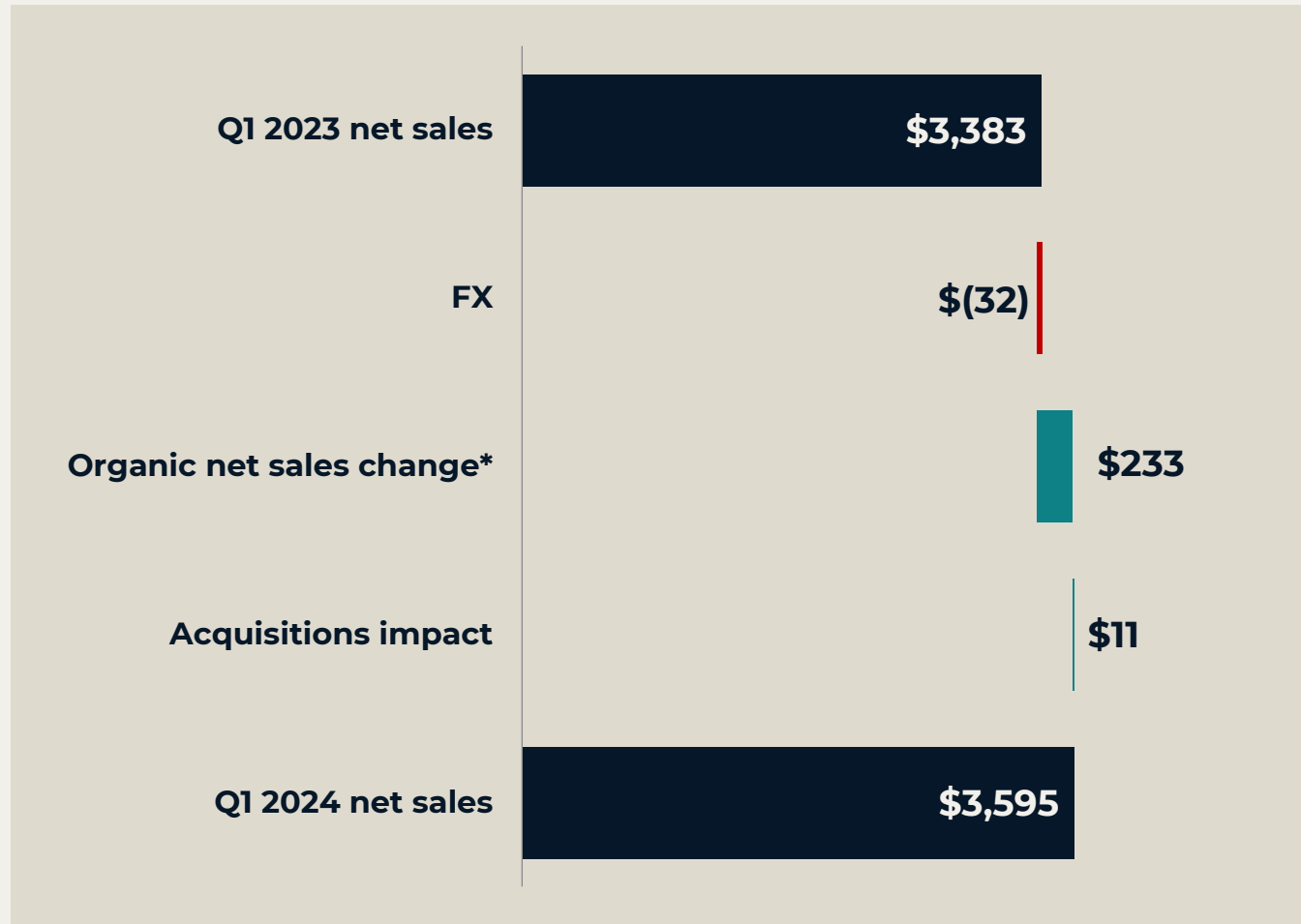
*Based on BorgWarner Global Market Research

Resilient Product Portfolio Well-Positioned for Growth

	Foundational Products						eProducts					
	Turbos	AWD/4WD	Intake & EGRs	ECUs	Engine Timing	Transmission Products	Inverters	Other Power Electronics	Thermal Mgt.	EV Gearboxes	Electric Drive Motors	Battery Systems
												
Combustion	✓	✓	✓	✓	✓	✓						
Hybrid	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Electric							✓	✓	✓	✓	✓	✓

Q1 2024 Net Sales Walk

\$ in millions

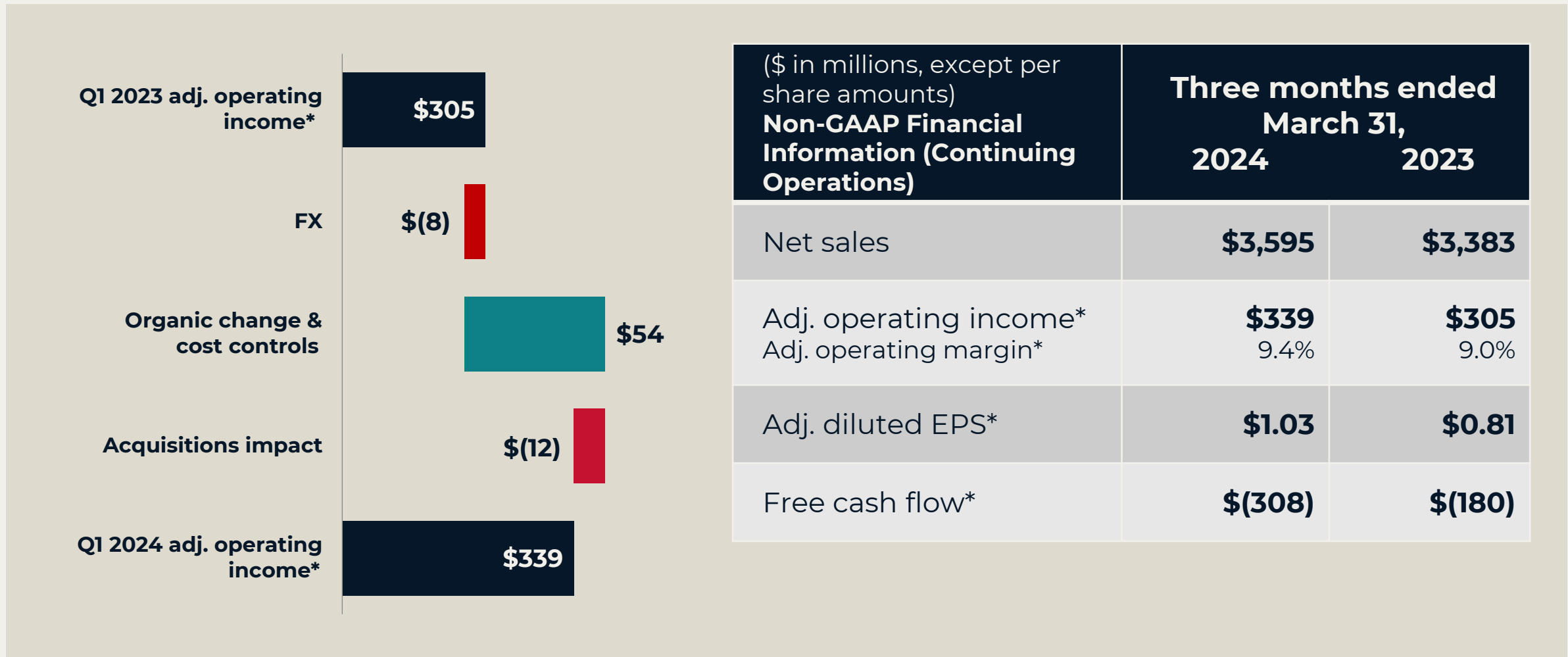


- **Organic sales* increased ~7%** supported by:
 - **Europe** – Growth in battery systems, other eProducts and all-wheel drive
 - **China** – Growth in HV coolant heaters, eMotors and all-wheel drive
 - **North America** – In line with market as turbo and battery systems growth, offset lower customer volumes on a North American EV program

*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



(\$ in millions, except per share amounts) Non-GAAP Financial Information (Continuing Operations)	Three months ended March 31,	
	2024	2023
Net sales	\$3,595	\$3,383
Adj. operating income*	\$339	\$305
Adj. operating margin*	9.4%	9.0%
Adj. diluted EPS*	\$1.03	\$0.81
Free cash flow*	\$(308)	\$(180)

*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.

2024 Outlook and Other Items

\$ in millions, except EPS

Full-year Net Sales Outlook (\$M)



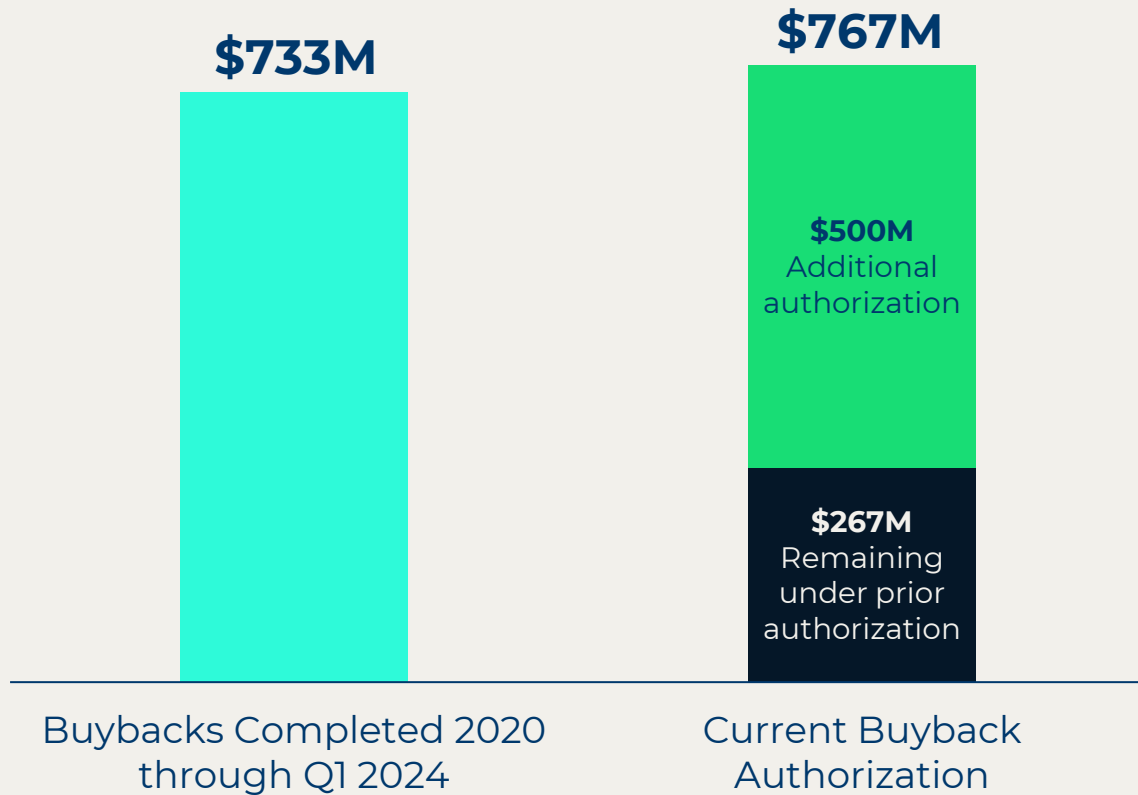
Market & Earnings Outlook

	Prior Guidance	2024 Outlook
Organic growth*	1% to 5%	2% to 5%
eProduct sales**	\$2.5B to \$2.8B	\$2.5B to \$2.8B
Adj. diluted EPS*	\$3.65 to \$4.00	\$3.80 to \$4.15
Free cash flow*	\$475M to \$575M	\$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.

**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.

Strong Liquidity and Expected Free Cash Flow Generation Enables Disciplined Capital Deployment



BorgWarner's Balanced Capital Allocation Approach

Since 2020	
Buybacks	~\$733 million
Dividends	~\$623 million
Market Cap of PHINA at Spin-off	~\$1.7 billion
Total Capital Returned	~\$3.1 billion

May 2, 2024

BORGWARNER

Q1 2024

Earnings Call Presentation

THANK YOU

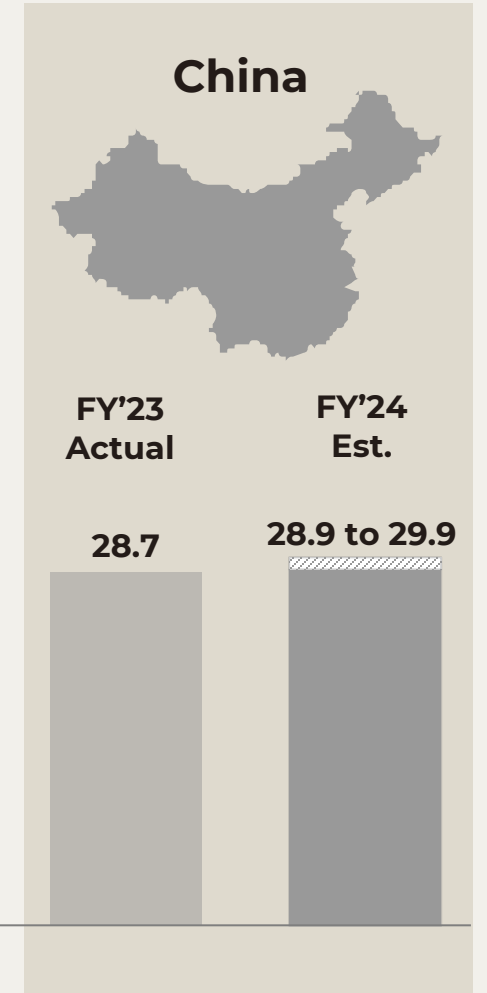
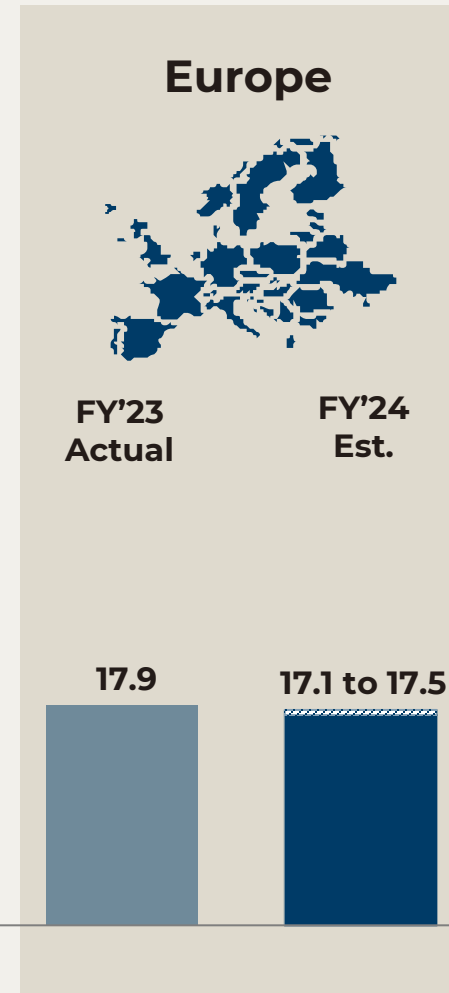
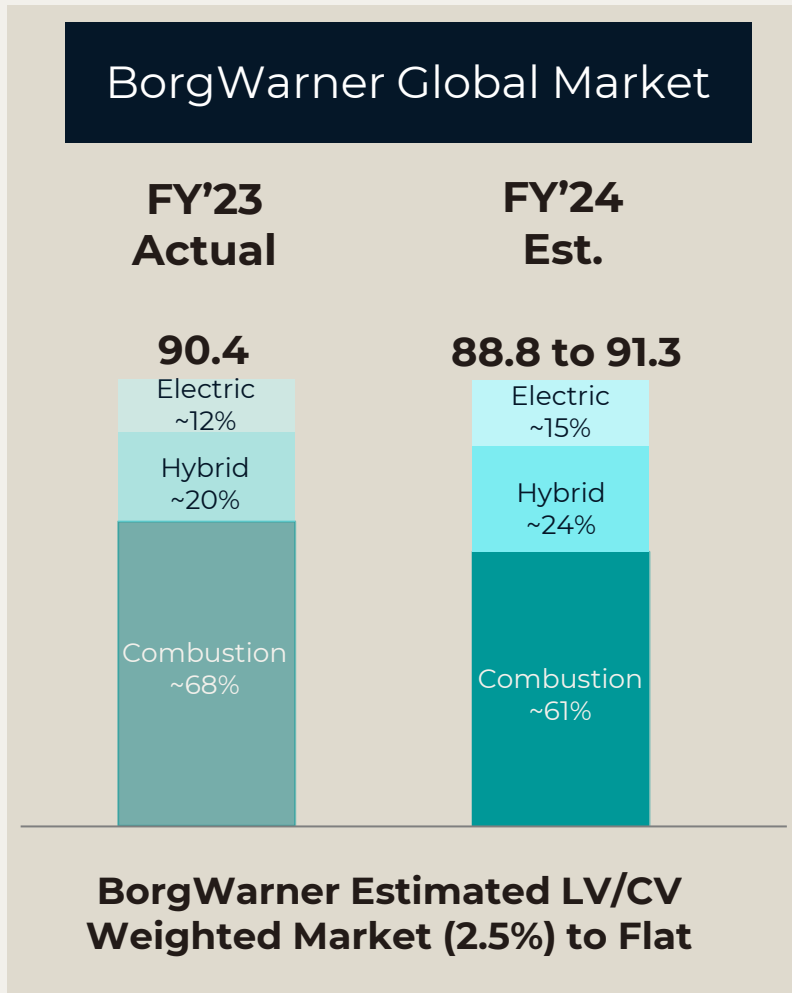
APPENDIX

2024 Planning Assumptions

- **CapEx** **\$800-\$850 million**
- **Adjusted tax rate for ongoing operations** **~24%**

2024 Light Vehicle Market Expectations

LV Units in millions



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
Light Vehicle	15.7	15.8 to 16.1	17.9	17.1 to 17.5	28.7	28.9 to 29.9	90.4	88.8 to 91.3
Commercial Vehicle	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
Light Vehicle	0.5% to 3%	(4.5%) to (2%)	0.5% to 4%	(1.5%) to 1%
Commercial Vehicle	(8.5%) to (7%)	(11.5%) to (9%)	1.5% to 3.5%	(2.5%) to (0.5%)
BorgWarner-Weighted	(0.5%) to 1.5%	(5.5%) to (3%)	0.5% to 4%	(2.5%) to 0%

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

First Quarter 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.

\$ in millions	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 3,595	\$ 3,383
Operating income	\$ 295	\$ 274
Operating margin	8.2 %	8.1 %
Non-comparable items:		
Restructuring expense	\$ 19	\$ 3
Intangible asset amortization expense	17	17
Merger and acquisition expense, net	2	8
Corporate synergy from spin-off	—	5
Other non-comparable items	6	(2)
Adjusted operating income	\$ 339	\$ 305
Adjusted operating margin	9.4 %	9.0 %

First Quarter 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 March 31,	
	2024	2023
Earnings per diluted share	\$ 0.93	\$ 0.72
Non-comparable items:		
Merger and acquisition expense, net	0.01	0.03
Restructuring expense	0.06	0.01
Other non-comparable items	0.02	(0.01)
Unrealized loss on debt and equity securities	0.01	0.05
Corporate synergy from spin-off	—	0.02
Tax adjustments	—	(0.01)
Adjusted earnings per diluted share	\$ 1.03	\$ 0.81

First Quarter Organic Net Sales Change

Organic Net Sales Change

The Company defines organic net sales changes as net sales change year over year excluding the estimated impact of foreign exchange (FX) and the acquisitions of the smart grid and smart energy businesses of Hubei Surpass Sun Electric and the Electric Hybrid Systems business segment of Eldor Corporation.

(in millions)	Q1 2023 Net Sales	FX	Acquisition Impact	Organic Net Sales Change	Q1 2024 Net Sales	Organic Net Sales Change %
Air Management	\$ 1,979	\$ (9)	\$ 5	\$ 55	\$ 2,030	2.8 %
Drivetrain & Battery Systems	956	(13)	—	216	1,159	22.6 %
ePropulsion	487	(10)	6	(47)	436	(9.7) %
Inter-segment eliminations	(39)	—	—	9	(30)	(23.1) %
Net sales	\$ 3,383	\$ (32)	\$ 11	\$ 233	\$ 3,595	6.9%

2024 Adj. Operating Income and Adj. Operating Margin Guidance Reconciliation to US GAAP

\$ in millions	Full-Year 2024 Guidance	
	Low	High
Net sales	\$ 14,400	\$ 14,900
Operating income	\$ 1,177	\$ 1,272
Operating margin	8.2 %	8.5 %
Non-comparable items:		
Restructuring expense	\$ 70	\$ 80
Intangible asset amortization expense	70	70
Merger and acquisition expense, net	2	2
Other non-comparable items	6	6
Adjusted operating income	\$ 1,325	\$ 1,430
Adjusted operating margin	9.2 %	9.6 %

2024 Adj. Earnings per Diluted Share Guidance Reconciliation to US GAAP

	Full-Year 2024 Guidance	
	Low	High
Earnings per Diluted Share from Continuing Operations	\$ 3.54	\$ 3.86
Non-comparable items:		
Merger and acquisition expense, net	0.22	0.25
Restructuring expense	0.01	0.01
Unrealized loss on debt and equity securities	0.01	0.01
Other non-comparable items	0.02	0.02
Adjusted Earnings per Diluted Share from Continuing Operations	\$ 3.80	\$ 4.15

2024 Organic Net Sales Change Guidance Reconciliation

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.

	FY 2023 Net Sales	FX	FY 2024 Acquisition Impact	Organic Net Sales Change	FY 2024 Net Sales	Organic Net Sales Change %
\$ in millions						
Low	\$ 14,198	\$ (100)	\$ 30	\$ 272	\$ 14,400	1.9%
High	\$ 14,198	(100)	30	772	14,900	5.4%

Q1 2024, Q1 2023 and Full Year 2024 Free Cash Flow Reconciliation to US GAAP

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

\$ in millions	Three Months Ended March 31,	
	2024	2023
Net cash (used in) provided by operating activities from continuing operations	\$ (118)	\$ 59
Capital expenditures, including tooling outlays	(190)	(239)
Free cash flow	\$ (308)	\$ (180)

\$ 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)
Free cash flow	\$ 475	\$ 575

Key Definitions

The terms below are commonly used by management and investors in assessing ongoing financial performance:

Organic Net Sales Change. The Company defines organic net sales changes as net sales change year over year excluding the estimated impact of foreign exchange (FX) and the acquisitions of the smart grid and smart energy businesses of Hubei Surpass Sun Electric and the Electric Hybrid Systems business segment of Eldor Corporation.

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