

BORGWARNER

Q3 2024 Earnings Call Presentation

October 31, 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 any 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.

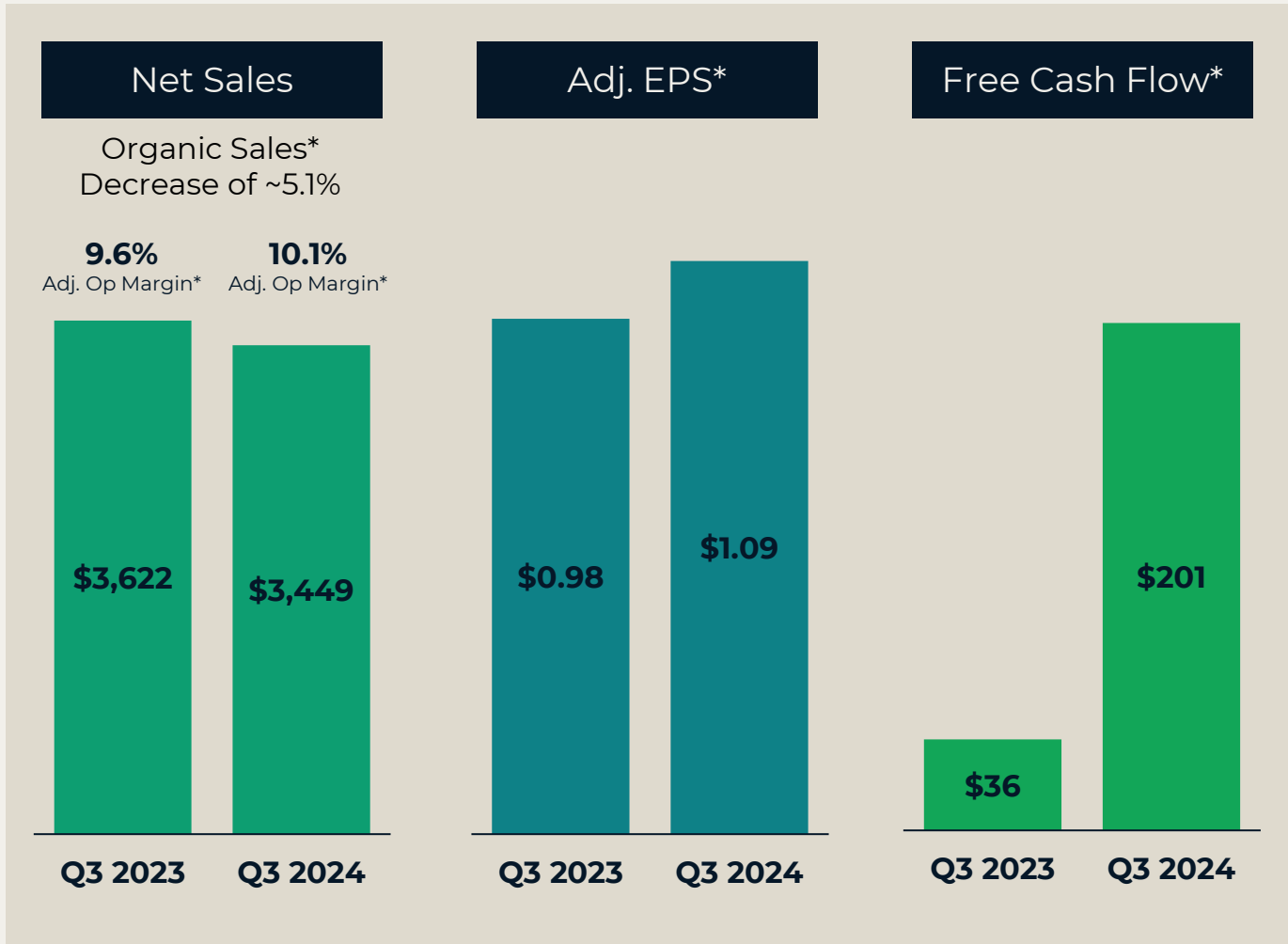
Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, because not all companies use identical calculations, the non-GAAP financial measures as presented by BorgWarner may not be comparable to similarly titled measures reported by other companies.

Agenda

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

Strong Margin, EPS and Cash Flow Growth

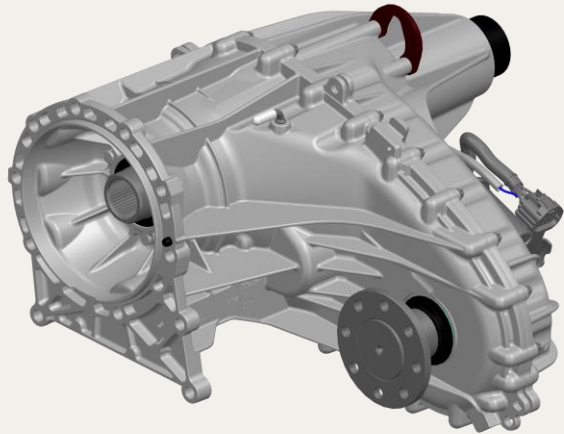
\$ in millions, except EPS



- Lower organic sales driven by declining industry production
- Additional Foundational and eProduct program awards support expected long-term profitable growth
- Strong margin, EPS and free cash flow growth driven by operational performance, cost controls and customer recoveries
- Completed \$400M share repurchase plan

*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.

Awards Across Technology-Focused Portfolio



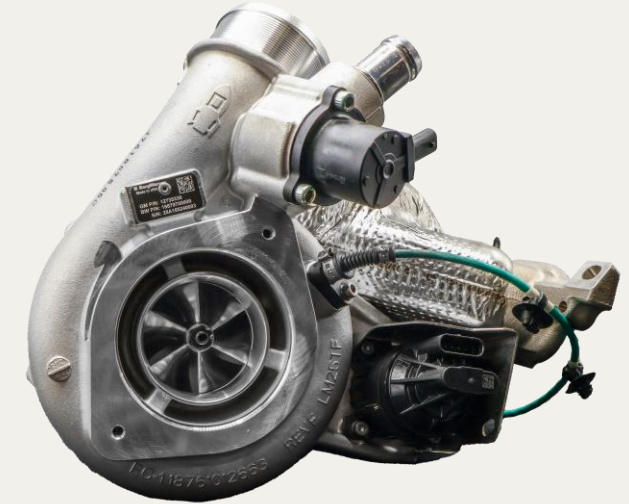
Transfer Case Extension

- Two transfer case awards with a major North American OEM for their next generation full-size pickup trucks
- Production expected to begin in 2027 and 2028



HV Coolant Heater

- Three awards in Asia for a Chinese, a Korean and a Japanese OEM
- Production expected to begin in 2025, 2025 and 2028, respectively

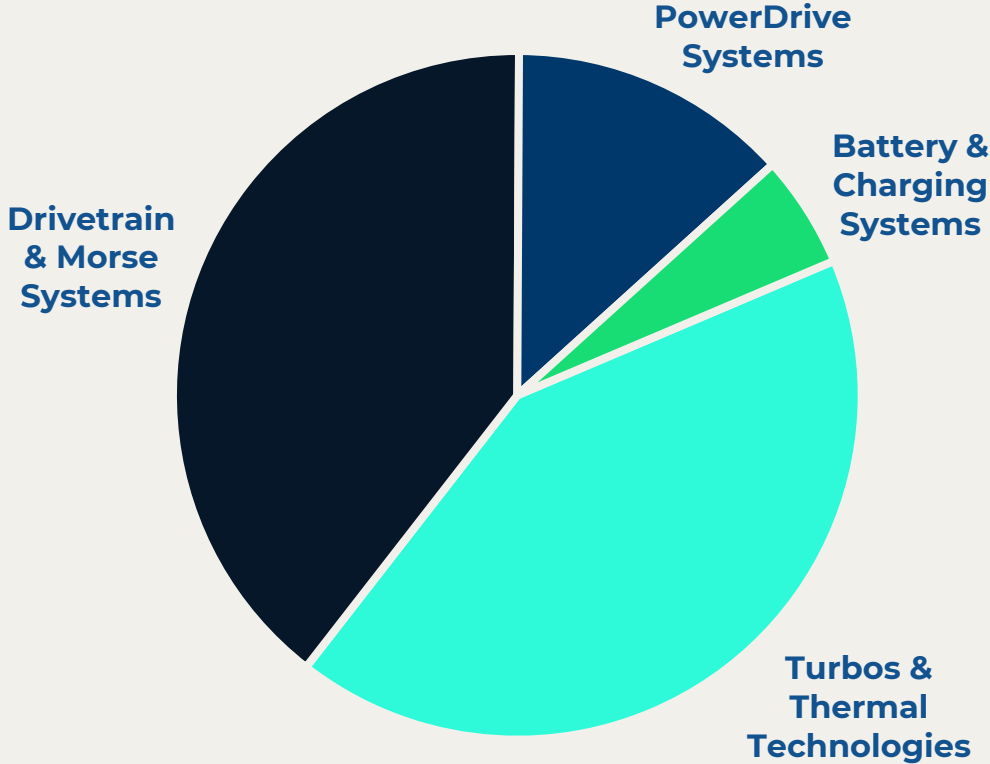


High Performance Turbocharger

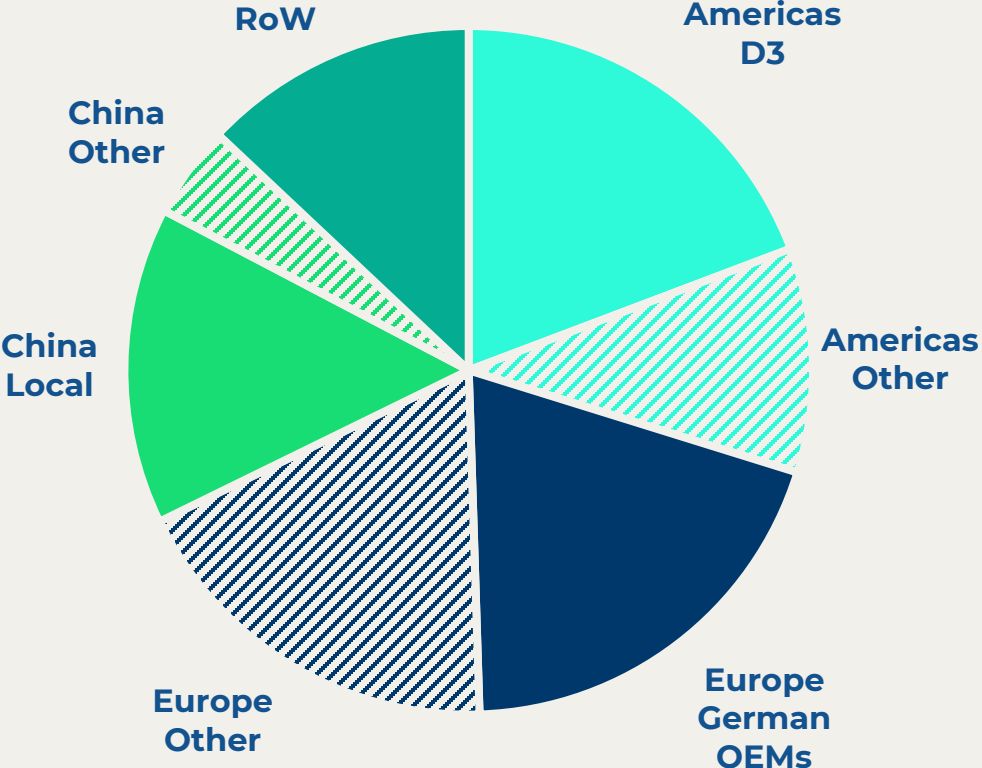
- Award with General Motors for its Chevrolet Corvette ZR1 sports car platform
- Expected to be the largest passenger car twin turbocharger on the market

Sales Resiliency – Strong Diversification Across Products, Customers and Regions

YTD 2024 Segment Sales

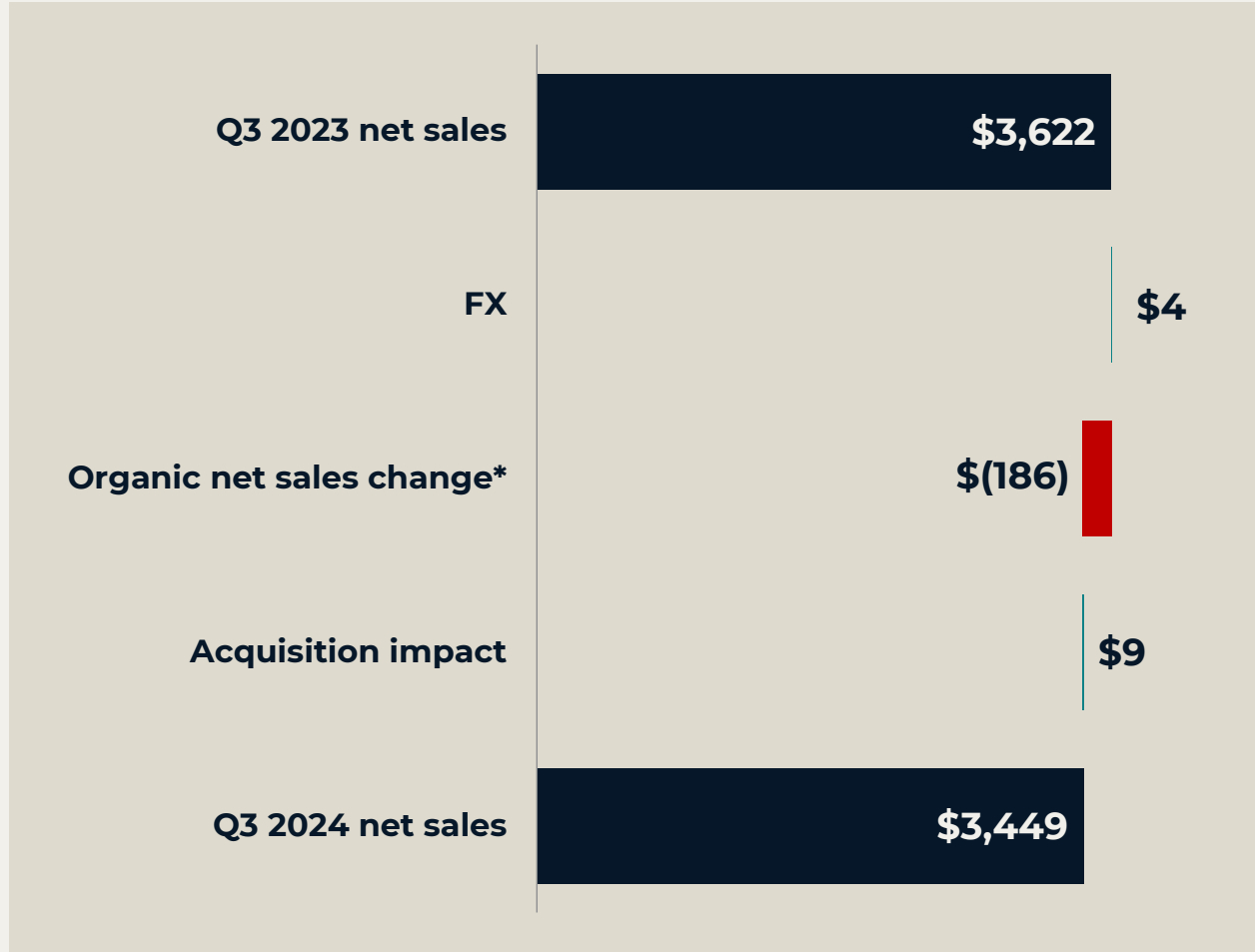


YTD 2024 Regional Sales



Q3 2024 Net Sales Walk

\$ in millions



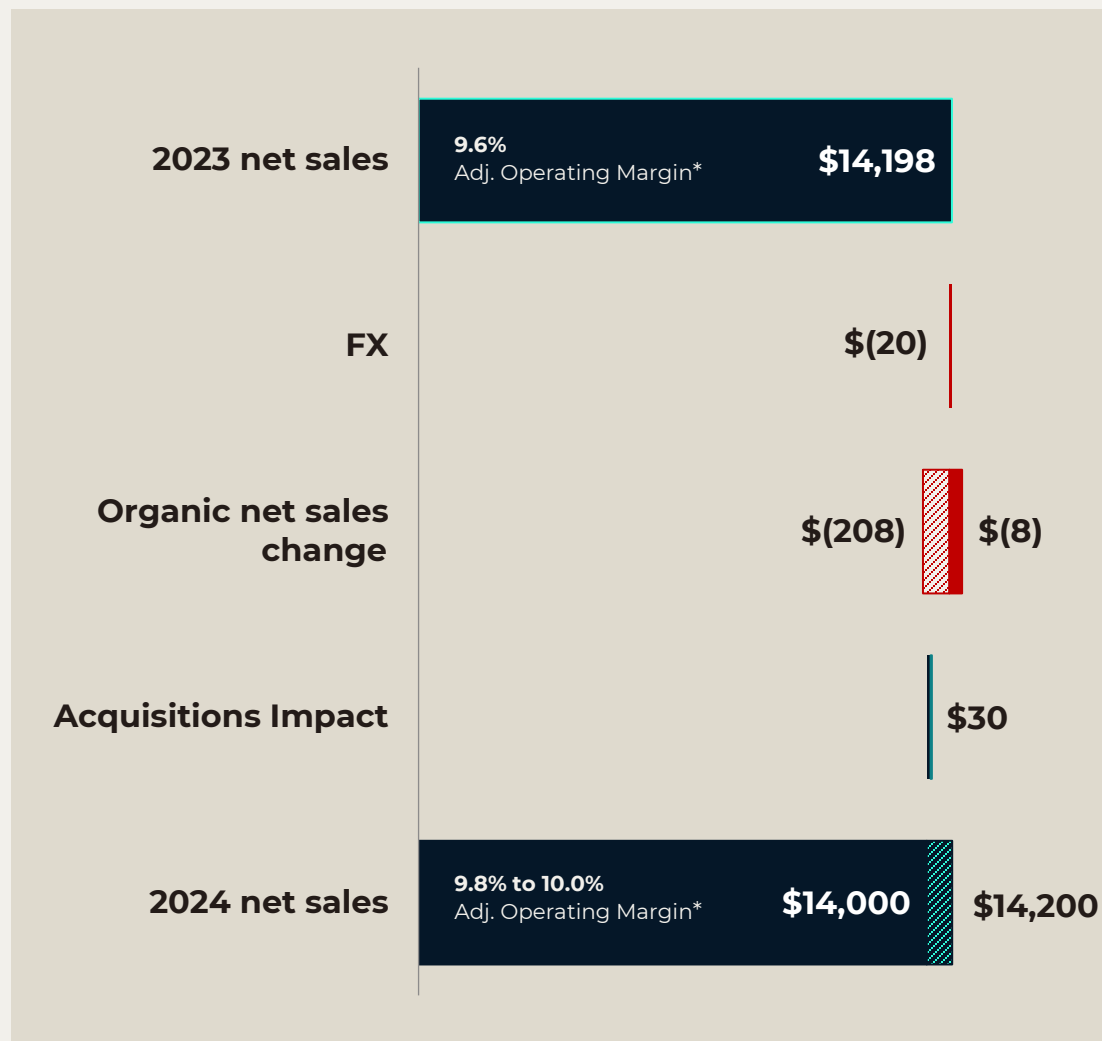
- **Organic sales* down ~5%** driven by:
 - **Europe** – Outperformance due to growth in battery systems, other eProducts and EGR modules
 - **China** – Lower volumes on an existing EV program and declining Foundational sales
 - **North America** – Lower volumes on a North American EV program and a full-size truck transfer case program

*Organic net sales change on this slide is a non-US-GAAP measure. 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

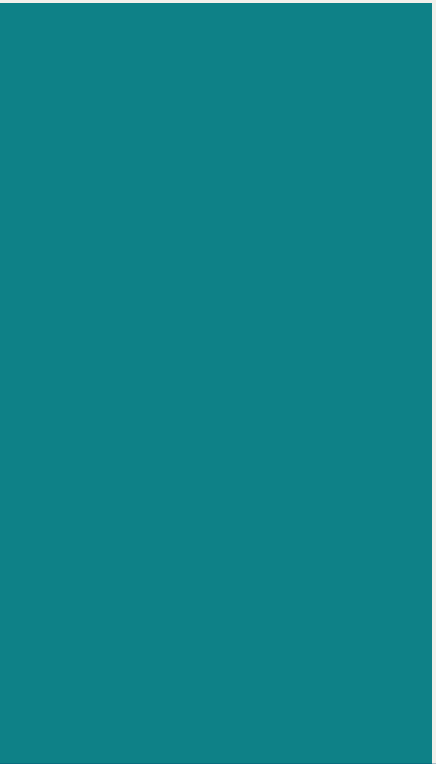
	Prior Guidance	Current 2024 Outlook
Organic growth*	0.5% to 2.5%	(1.5)% to 0%
Adj. operating margin*	9.6% to 9.8%	9.8% to 10.0%
eProduct sales**	~\$2.5B	~\$2.4B
Adj. diluted EPS*	\$3.95 to \$4.15	\$4.15 to \$4.30
Free cash flow*	\$475M to \$575M	\$475M to \$575M
Share repurchases	\$400M	\$400M

*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.

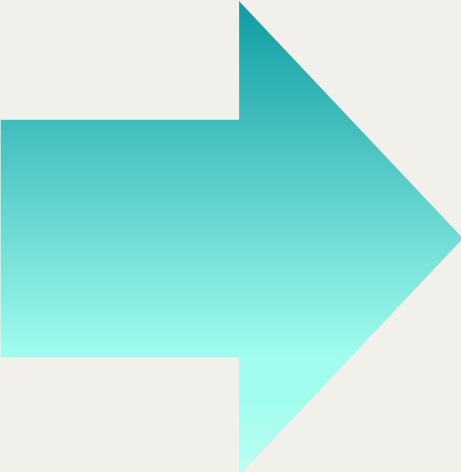
**eProducts include all products utilized on EVs, plus those products and components that are included in hybrid powertrains whose underlying technologies are adaptable or applicable to those used in or for EVs.

Expected 2024 Free Cash Flow Deployed to Shareholders

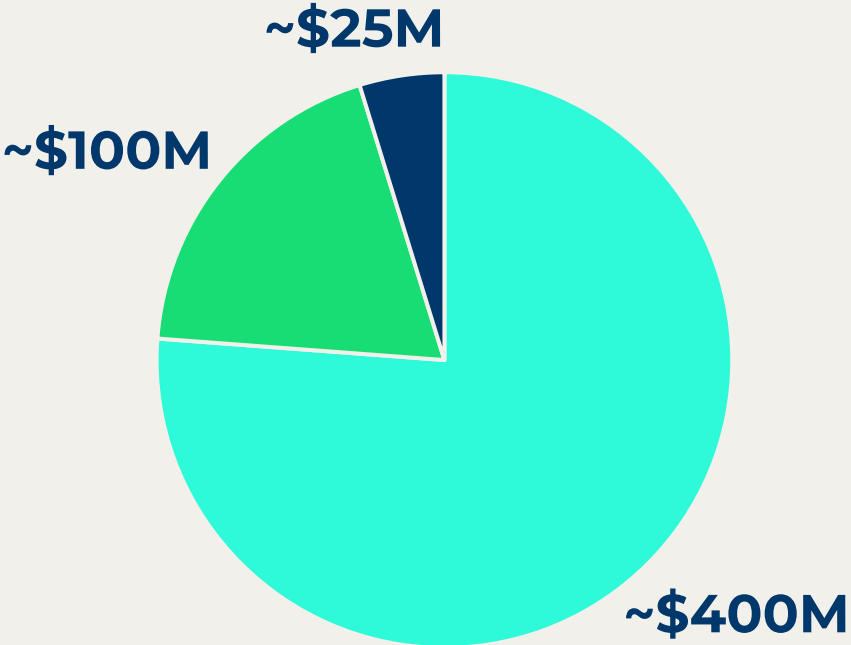
\$525M



Est. 2024 FCF at Midpoint



Expected Use of 2024 Free Cash Flow



■ Share Repurchases ■ Dividends ■ Other

October 31, 2024

BORGWARNER

Q3 2024

Earnings Call Presentation

THANK YOU

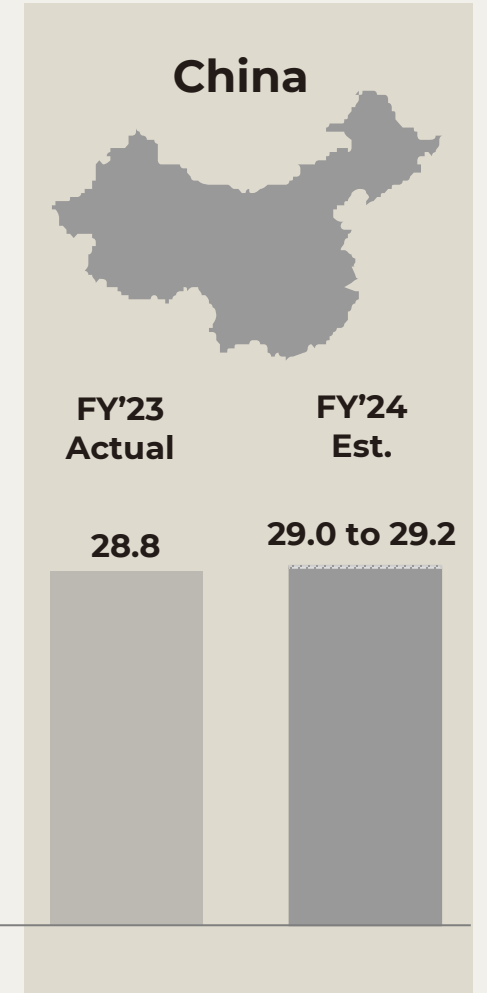
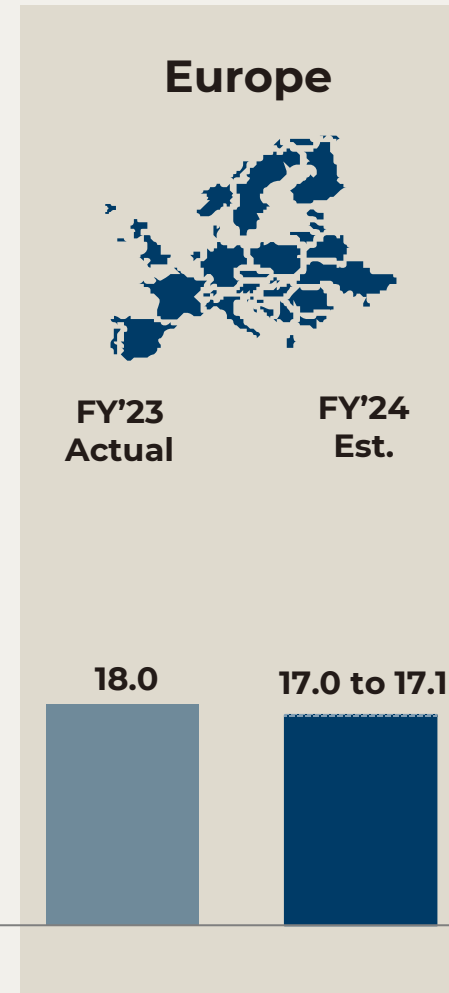
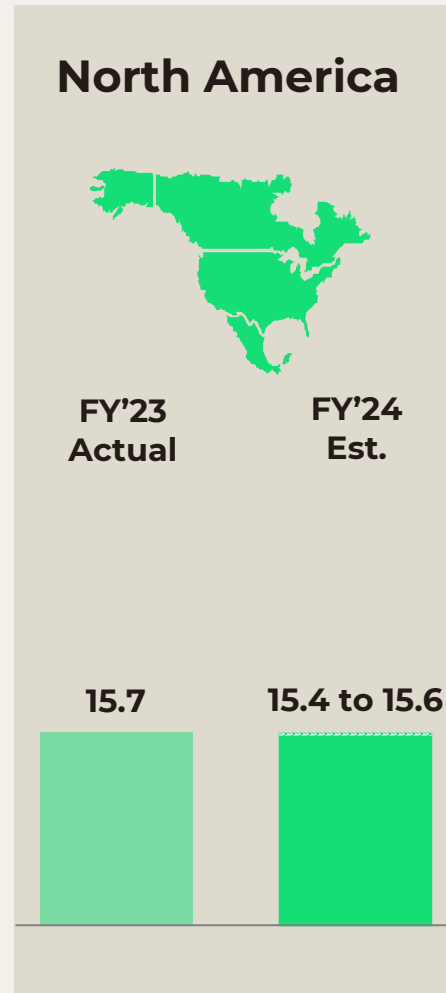
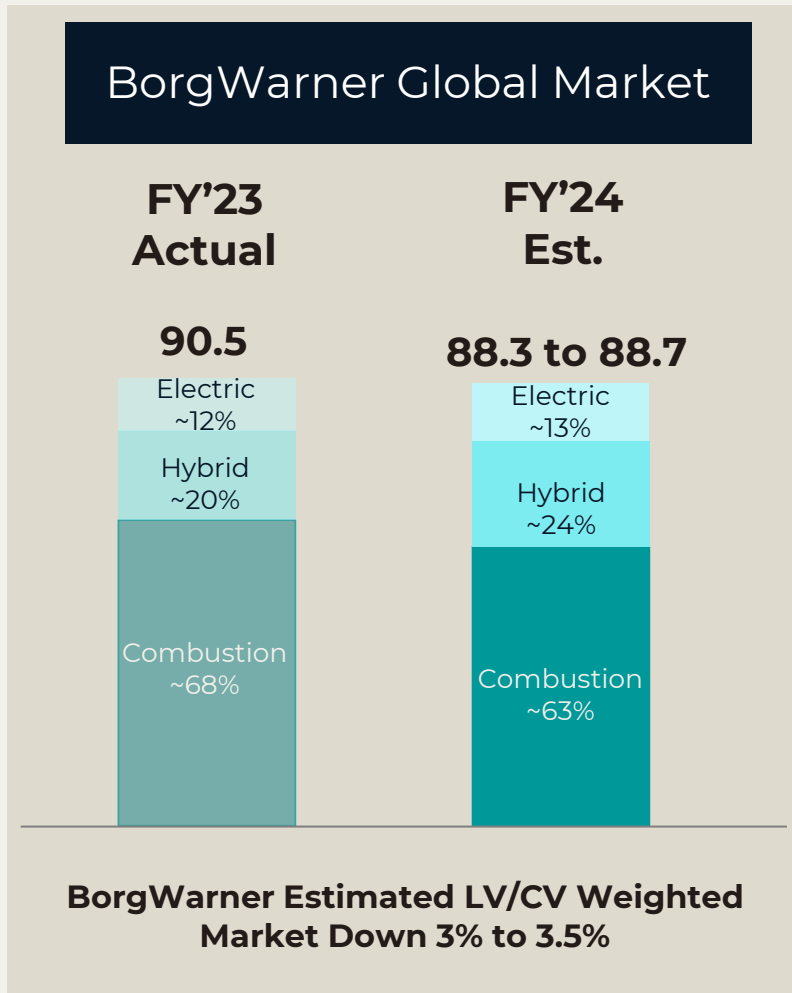
APPENDIX

2024 Planning Assumptions

- **CapEx** **\$800-\$850 million**
- **Adjusted tax rate for ongoing operations** **~23%**

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	15.4 to 15.6	18.0	17.0 to 17.1	28.8	29.0 to 29.2	90.5	88.3 to 88.7
Commercial Vehicle	0.7	~0.6	0.7	~0.6	1.1	~1.1	3.5	~3.5

Estimated Year-over-Year Change in Production (Low to High)

	North America	Europe	China	Total
Light Vehicle	(1.5)% to (0.5)%	(5.5%) to (5%)	1% to 1.5%	(2.5%) to (2%)
Commercial Vehicle	~(4.5)%	~(15)%	~2%	~(2.5)%
BorgWarner-Weighted	(2%) to (1)%	(7%) to (6.5)%	1% to 1.5%	(3.5%) to (3)%

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

Quarterly & Full-Year 2023 Recast Segment Information

Effective July 1, 2024, the Company implemented a new business unit and management structure designed to further enhance the execution of the Company's *Charging Forward* strategy. The Company now reports its results in the following four reportable segments: Turbos & Thermal Technologies, Drivetrain & Morse Systems, PowerDrive Systems (formerly ePropulsion) and Battery & Charging Systems. The reportable segment disclosures have been updated accordingly which included recasting prior period information for the new reporting structure. For informational purposes only, in the following tables, the Company has recast the quarterly segment information for fiscal 2024 and 2023 to align with this presentation.

2023 Net Sales by Reportable Segment

(in millions)	Three Months Ended March 31, 2023	Three Months Ended June 30, 2023	Three Months Ended September 30, 2023	Three Months Ended December 31, 2023	Year Ended December 31, 2023
Turbos & Thermal Technologies	\$ 1,541	\$ 1,555	\$ 1,474	\$ 1,442	\$ 6,012
Drivetrain & Morse Systems	1,266	1,431	1,449	1,403	5,549
PowerDrive Systems	487	566	571	542	2,166
Battery & Charging Systems	110	139	146	151	546
Inter-segment eliminations	(21)	(20)	(18)	(16)	(75)
Net Sales	<u>\$ 3,383</u>	<u>\$ 3,671</u>	<u>\$ 3,622</u>	<u>\$ 3,522</u>	<u>\$ 14,198</u>

2023 Segment Adjusted Operating Income (Loss)

(in millions)	Three Months Ended March 31, 2023	Three Months Ended June 30, 2023	Three Months Ended September 30, 2023	Three Months Ended December 31, 2023	Year Ended December 31, 2023
Turbos & Thermal Technologies	\$ 218	\$ 228	\$ 214	\$ 214	\$ 874
Drivetrain & Morse Systems	201	246	253	258	958
PowerDrive Systems	(35)	(19)	(20)	(16)	(90)
Battery & Charging Systems	(23)	(27)	(26)	(40)	(116)
Corporate & Non-Operating	(56)	(56)	(72)	(84)	(268)
Adjusted Operating Income	<u>\$ 305</u>	<u>\$ 372</u>	<u>\$ 349</u>	<u>\$ 332</u>	<u>\$ 1,358</u>

Quarterly & Full-Year 2024 Recast Segment Information

Effective July 1, 2024, the Company implemented a new business unit and management structure designed to further enhance the execution of the Company's *Charging Forward* strategy. The Company now reports its results in the following four reportable segments: Turbos & Thermal Technologies, Drivetrain & Morse Systems, PowerDrive Systems (formerly ePropulsion) and Battery & Charging Systems. The reportable segment disclosures have been updated accordingly which included recasting prior period information for the new reporting structure. For informational purposes only, in the following tables, the Company has recast the quarterly segment information for fiscal 2024 and 2023 to align with this presentation.

2024 Net Sales by Reportable Segment

(in millions)	Three Months Ended March 31, 2024	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Turbos & Thermal Technologies	\$ 1,574	\$ 1,515	\$ 3,089
Drivetrain & Morse Systems	1,419	1,442	2,861
PowerDrive Systems	436	464	900
Battery & Charging Systems	177	193	370
Inter-segment eliminations	(11)	(11)	(22)
Net Sales	<u>\$ 3,595</u>	<u>\$ 3,603</u>	<u>\$ 7,198</u>

2024 Segment Adjusted Operating Income (Loss)

(in millions)	Three Months Ended March 31, 2024	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Turbos & Thermal Technologies	\$ 228	\$ 224	\$ 452
Drivetrain & Morse Systems	253	266	519
PowerDrive Systems	(62)	(49)	(111)
Battery & Charging Systems	(15)	(10)	(25)
Corporate & Non-Operating	(65)	(55)	(120)
Adjusted Operating Income	<u>\$ 339</u>	<u>\$ 376</u>	<u>\$ 715</u>

Third Quarter & YTD 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 3,449	\$ 3,622	\$ 10,647	\$ 10,676
Operating income	\$ 270	\$ 272	\$ 862	\$ 879
Operating margin	7.8 %	7.5 %	8.1 %	8.2 %
Non-comparable items:				
Restructuring expense	\$ 21	\$ 56	\$ 65	\$ 68
Intangible asset amortization expense	17	17	51	51
Accelerated depreciation	27	1	35	4
Commercial contract settlement	—	—	15	—
Adjustments associated with Spin-Off related balances	3	—	14	—
Collective bargaining agreement ratification bonus	4	—	4	—
Loss (gain) on sale of businesses	6	—	3	(5)
Merger and acquisition expense, net	(5)	2	—	18
Asset impairment and lease modification	—	2	—	11
Gain on sale of assets	—	(7)	—	(13)
Corporate synergy from Spin-Off	—	—	—	10
Other non-comparable items	7	6	16	3
Adjusted operating income	\$ 350	\$ 349	\$ 1,065	\$ 1,026
Adjusted operating margin	10.1 %	9.6 %	10.0 %	9.6 %

Third Quarter & YTD 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Earnings per diluted share	\$ 1.08	\$ 0.37	\$ 3.40	\$ 2.06
Non-comparable items:				
Restructuring expense	0.07	0.17	0.21	0.21
Accelerated depreciation	0.10	—	0.13	0.01
Commercial contract settlement	0.02	—	0.06	—
Adjustments associated with Spin-Off related balances	0.01	—	0.06	—
Loss (gain) on sale of businesses	0.03	—	0.02	(0.02)
Collective bargaining agreement ratification bonus	0.01	—	0.01	—
Gain on debt extinguishment	(0.01)	(0.09)	(0.01)	(0.09)
Merger and acquisition expense, net	(0.02)	0.01	—	0.07
Asset impairment and lease modification	—	—	—	0.03
Gain on sale of assets	—	(0.03)	—	(0.04)
Unrealized and realized (gain) loss on equity and debt securities	(0.01)	0.32	—	0.55
Corporate synergy from Spin-Off	—	—	—	0.03
Tax adjustments	(0.23)	0.18	(0.65)	—
Other non-comparable items	0.04	0.05	0.07	0.03
Adjusted earnings per diluted share	\$ 1.09	\$ 0.98	\$ 3.30	\$ 2.84

Third Quarter & YTD 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)	Q3 2023 Net Sales	FX	Acquisition Impact	Organic Net Sales Change	Q3 2024 Net Sales	Organic Net Sales Change %
Turbos & Thermal Technologies	\$ 1,474	\$ (1)	\$ —	\$ (87)	\$ 1,386	(5.9)%
Drivetrain & Morse Systems	1,449	2	—	(86)	1,365	(5.9)%
PowerDrive Systems	571	2	9	(70)	512	(12.3)%
Battery & Charging Systems	146	1	—	50	197	34.2%
Inter-segment eliminations	(18)	—	—	7	(11)	(38.9)%
Net sales	\$ 3,622	\$ 4	\$ 9	\$ (186)	\$ 3,449	(5.1)%

(in millions)	Q3 2023 YTD Net Sales	FX	Acquisition Impact	Organic Net Sales Change	Q3 2024 YTD Net Sales	Organic Net Sales Change %
Turbos & Thermal Technologies	\$ 4,570	\$ (21)	\$ —	\$ (74)	\$ 4,475	(1.6)%
Drivetrain & Morse Systems	4,146	(52)	—	132	4,226	3.2%
PowerDrive Systems	1,624	(17)	21	(216)	1,412	(13.3)%
Battery & Charging Systems	395	—	5	167	567	42.3%
Inter-segment eliminations	(59)	—	—	26	(33)	(44.1)%
Total	\$ 10,676	\$ (90)	\$ 26	\$ 35	\$ 10,647	0.3%

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

(in millions)	Full-Year 2024 Guidance	
	Low	High
Net sales	\$ 14,000	\$ 14,200
Operating income	\$ 1,128	\$ 1,158
Operating margin	8.1 %	8.2 %
Non-comparable items:		
Restructuring expense	\$ 90	\$ 100
Intangible asset amortization expense	70	70
Accelerated depreciation	35	35
Commercial contract settlement	15	15
Adjustments associated with Spin-Off related balances	14	14
Collective bargaining agreement ratification bonus	4	4
Loss on sale of businesses	3	3
Other non-comparable items	16	16
Adjusted operating income	\$ 1,375	\$ 1,415
Adjusted operating margin	9.8 %	10.0 %

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

	Full-Year 2024 Guidance	
	Low	High
Earnings per Diluted Share from Continuing Operations	\$ 4.17	\$ 4.28
Non-comparable items:		
Restructuring expense	0.29	0.33
Accelerated depreciation	0.13	0.13
Commercial contract settlement	0.06	0.06
Adjustments associated with Spin-Off related balances	0.06	0.06
Loss on sale of businesses	0.02	0.02
Collective bargaining agreement ratification bonus	0.01	0.01
Gain on debt extinguishment	(0.01)	(0.01)
Tax adjustments	(0.65)	(0.65)
Other non-comparable items	0.07	0.07
Adjusted Earnings per Diluted Share from Continuing Operations	\$ 4.15	\$ 4.30

Full Year 2024 Estimated Organic Net Sales Change Guidance and Outgrowth 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.

(in millions)	FY 2023 Net Sales	FX	FY 2024 Acquisition Impact	Organic Net Sales Change	FY 2024 Net Sales	Organic Net Sales Change %	LV/CV Weighted Market	Outgrowth
Low	\$ 14,198	\$ (20)	\$ 30	\$ (208)	\$ 14,000	(1.5)%	(3.5)%	2.0%
High	\$ 14,198	\$ (20)	\$ 30	\$ (8)	\$ 14,200	(0.1)%	(3.0)%	2.9%

Q3 & YTD 2024, Q3 & YTD 2023 & Full Year 2024 Free Cash Flow Reconciliations 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by operating activities from continuing operations	\$ 356	\$ 221	\$ 700	\$ 510
Capital expenditures, including tooling outlays	(155)	(185)	(510)	(624)
Free cash flow	\$ 201	\$ 36	\$ 190	\$ (114)

(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.

Outgrowth. "Organic Net Sales Change" vs. year-over-year change in "Market".