

A white car is driving on a winding road that curves through a green, hilly landscape. In the background, a city skyline is visible under a blue sky with scattered clouds. The car is in the foreground, moving towards the viewer. The road has a metal guardrail on the left side. The overall scene is bright and clear.

# Earnings Call Presentation

## Q4 2016

February 9, 2017



# Safe Harbor Statement

Statements contained in this presentation may contain forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act (the "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," "initiative," "intends," "outlook," "plans," "potential," "project," "pursue," "seek," "should," "target," "when," "would," and variations of such words and similar expressions are intended to identify such forward-looking statements. All statements, other than statements of historical fact, 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. These statements are based on assumptions and analysis 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 document. Forward-looking statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control and include risks noted under Item 1A, "Risk Factors," of our Annual Report on Form 10-K and in other reports that we file with the Securities and Exchange Commission. We do not undertake any obligation to update or announce publicly any updates to or revision to any of the forward-looking statements in this Form 10-Q to reflect any change in our expectations or any change in events, conditions, circumstances, or assumptions underlying the statements. This section is intended to provide meaningful cautionary statements for purposes of the safe harbor provisions of the Act. This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity, financial condition and prospects.

# Agenda

- James Verrier – President and Chief Executive Officer
  - Macro Outlook and Industry Perspective
  - 2016 Recap and 2017 Outlook
  - Recent Product Announcements
  
- Ron Hundzinski – Chief Financial Officer
  - Q4 2016 Results
  - 2017 Guidance
  
- Q&A



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# Industry Perspective and Company Update

James Verrier, President and Chief Executive Officer



# Macro Outlook and Industry Perspective

- General Comments
- Market Outlook
- Regulatory/Technology Trends

# 2016 Recap and 2017 Outlook

- 2016 organic growth toward the high end of our guidance range and solid operating performance
- 2017 Guidance remains unchanged
- Strongly positioned to achieve mid to high single-digit organic growth over the long-term

# Recent Product Announcements



**Electric Drive Module (eDM) with integrated eGearDrive® transmission** in two pure electric vehicles from a major Chinese automaker.



**Advanced wastegate turbocharging technology** for HEVs from BYD Auto Industry Company Limited.



**Silent chains** for Suzuki's Solio hybrid vehicle.



**Advanced Engine Timing System** for Alfa Romeo 2.0-liter gasoline engine.



# Earnings Review and Financial Outlook

Ron Hundzinski, Chief Financial Officer





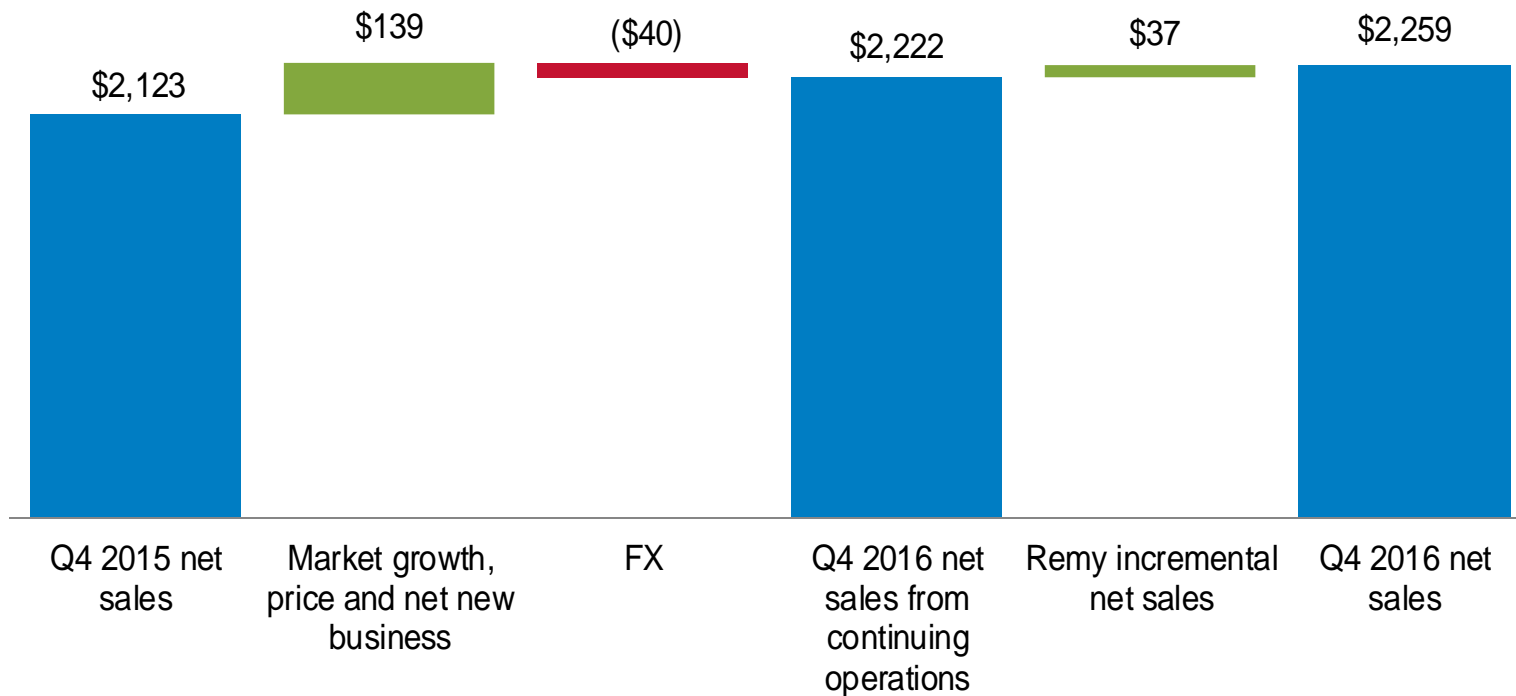
# Reconciliation to US GAAP

\$ in millions, except per share data

	US GAAP (Reported)	Asset Impairment	Etatech Impairment	Asbestos IBNR	Restructuring Expense	Pension Settlement	M&A Expense	Tax Adjustments	Non-US GAAP (Excluding non- comparable Items, including M&A)
<b>2016 Q4</b>									
Sales	\$2,259.0								\$2,259.0
Operating income	(458.0)	(20.6)	(12.6)	(703.6)			(4.8)		283.6
% of sales	(20.3%)								12.6%
Diluted EPS	\$(1.39)	\$(0.12)	\$(0.04)	\$(2.07)			\$(0.02)	\$0.02	\$0.85
<b>2015 Q4</b>									
Sales	\$2,123.1								\$2,123.1
Operating income	200.5				(24.4)	(25.7)	(17.9)		268.5
% of sales	9.4%								12.6%
Diluted EPS	\$0.56				\$(0.11)	\$(0.07)	\$(0.06)	\$0.03	\$0.78

# BorgWarner Net Sales

Q4 2015 to Q4 2016, \$ in millions



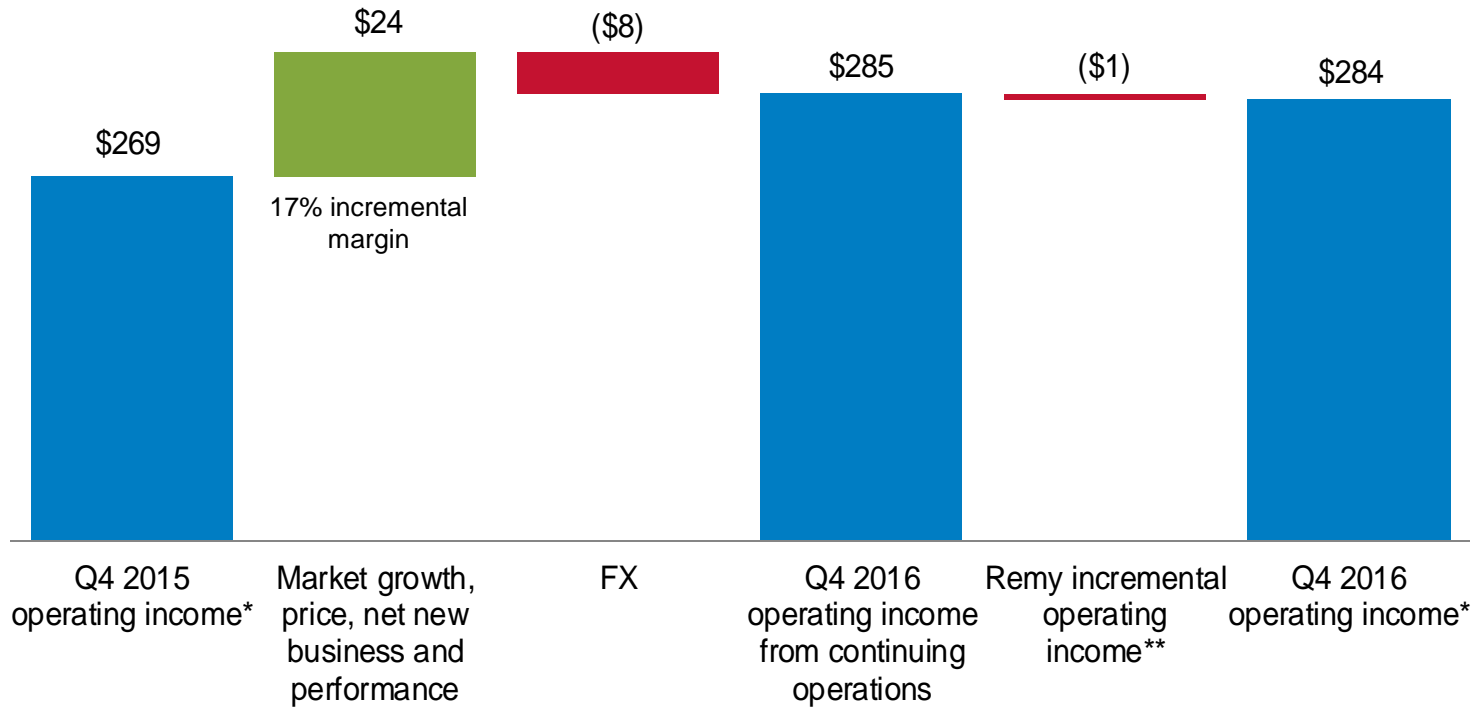
\* % change to net sales

6.6%\*

1.7%\*

# BorgWarner Operating Income\*

Q4 2015 to Q4 2016, \$ in millions



\* Operating income as shown on this slide is non-US GAAP. See slide 3 for reconciliation to US GAAP

\*\* Includes impact of Remy operating income or Adjusted EBIT, synergies and purchase price accounting adjustments

# Engine Segment Net Sales & Adjusted EBIT

Q4 2015 to Q4 2016, \$ in millions



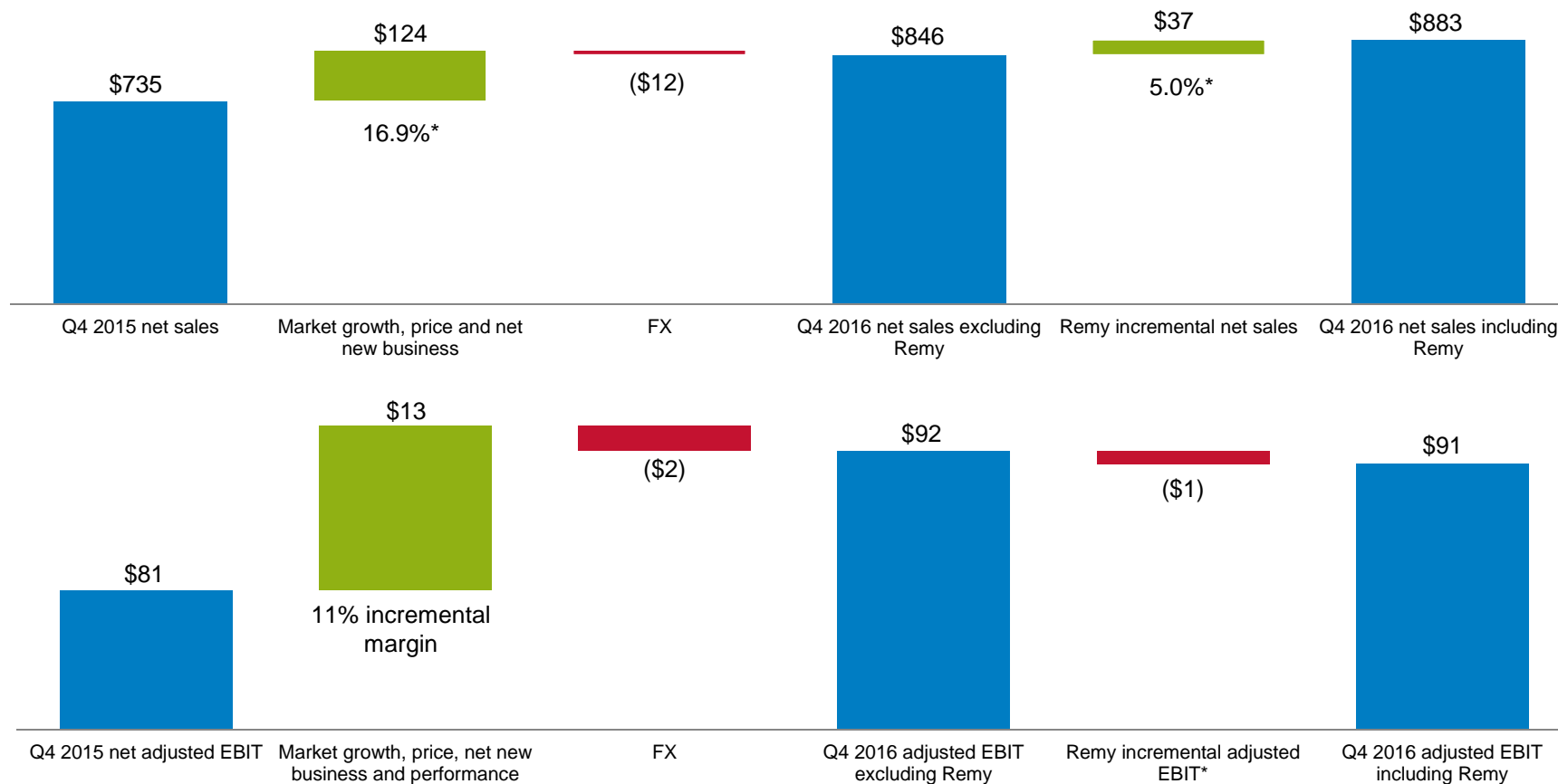
\* % change to net sales





# Drivetrain Segment Net Sales & Adjusted EBIT

Q4 2015 to Q4 2016, \$ in millions



\* % change to net sales

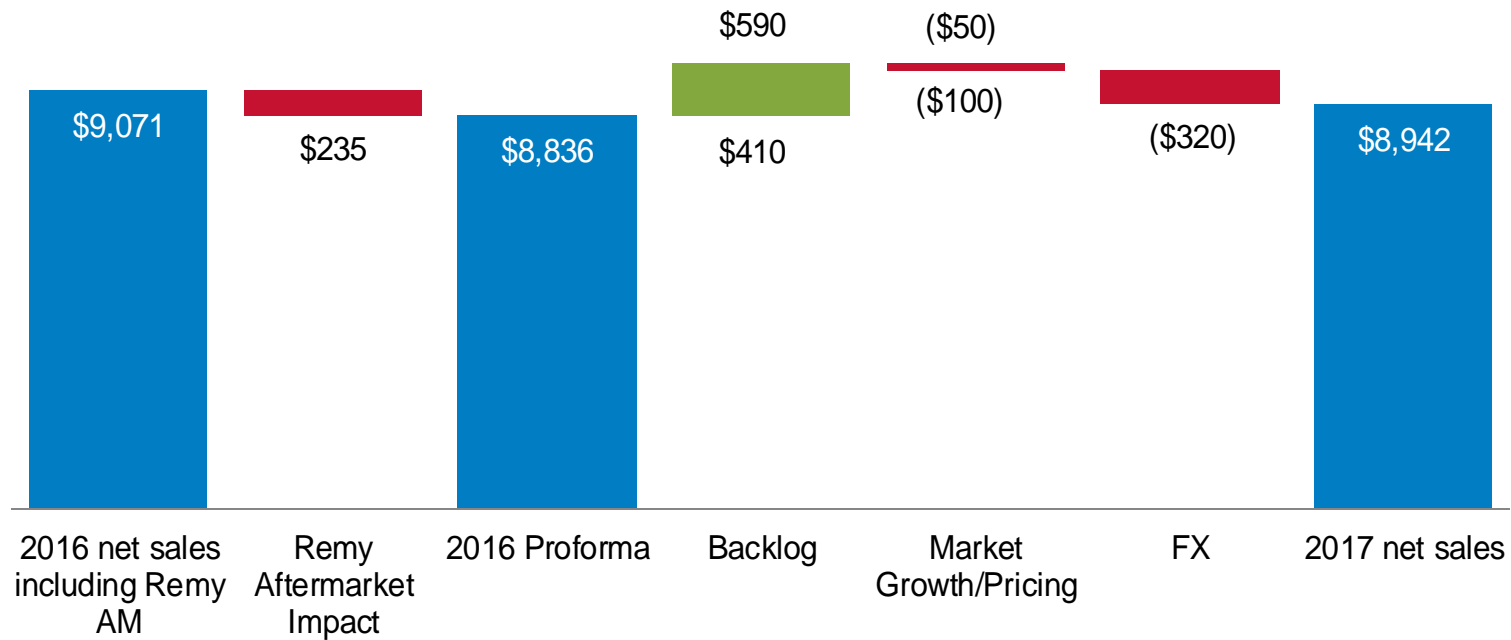
# Asbestos-Related Charge

- \$441 million after tax charge on account of indemnity and defense costs for pending and future asbestos-related claims.
  - One-time non-cash charge
- Undiscounted reasonable estimate of indemnity and defense costs.
- The cash costs already reflected in the company's strong cash generation.

# 2017 Full Year Guidance

# Organic Sales Growth of 3.5% - 6.0%

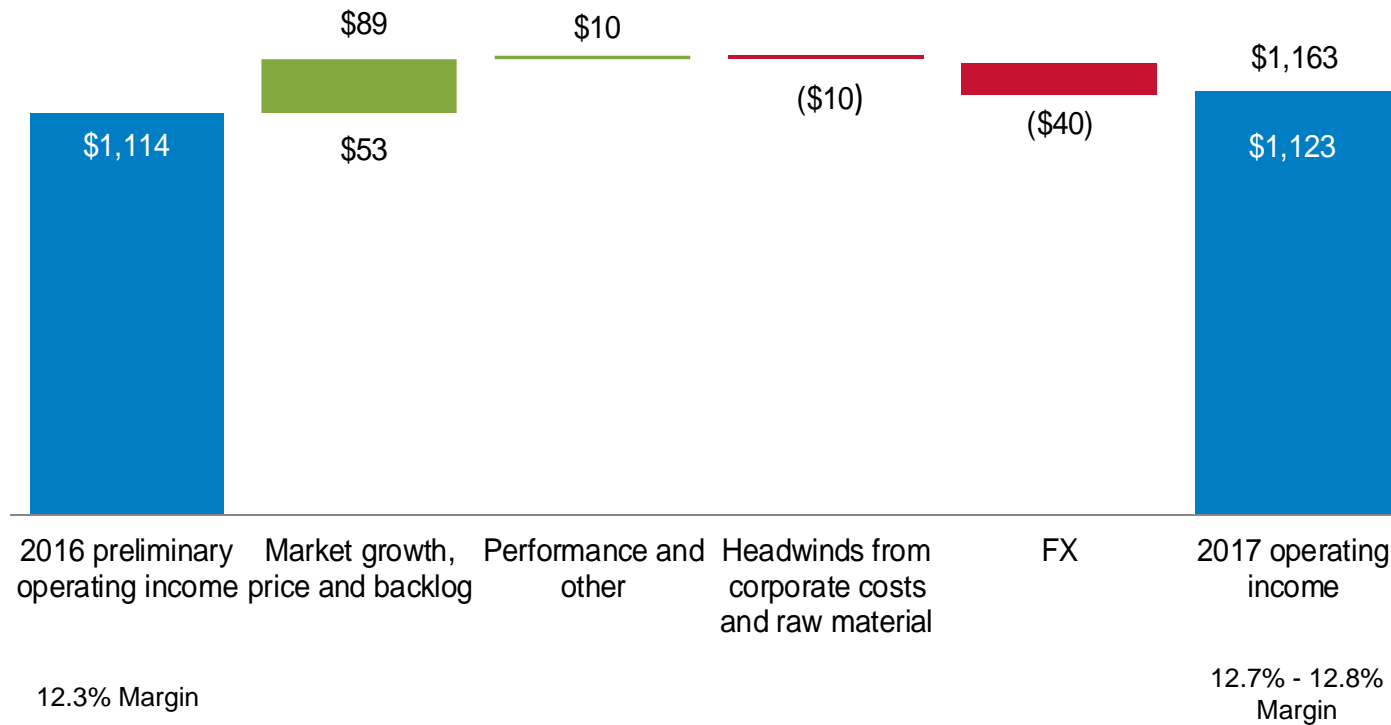
\$ in millions





# Operating Margins Expand by 40-50 bps

\$ in millions



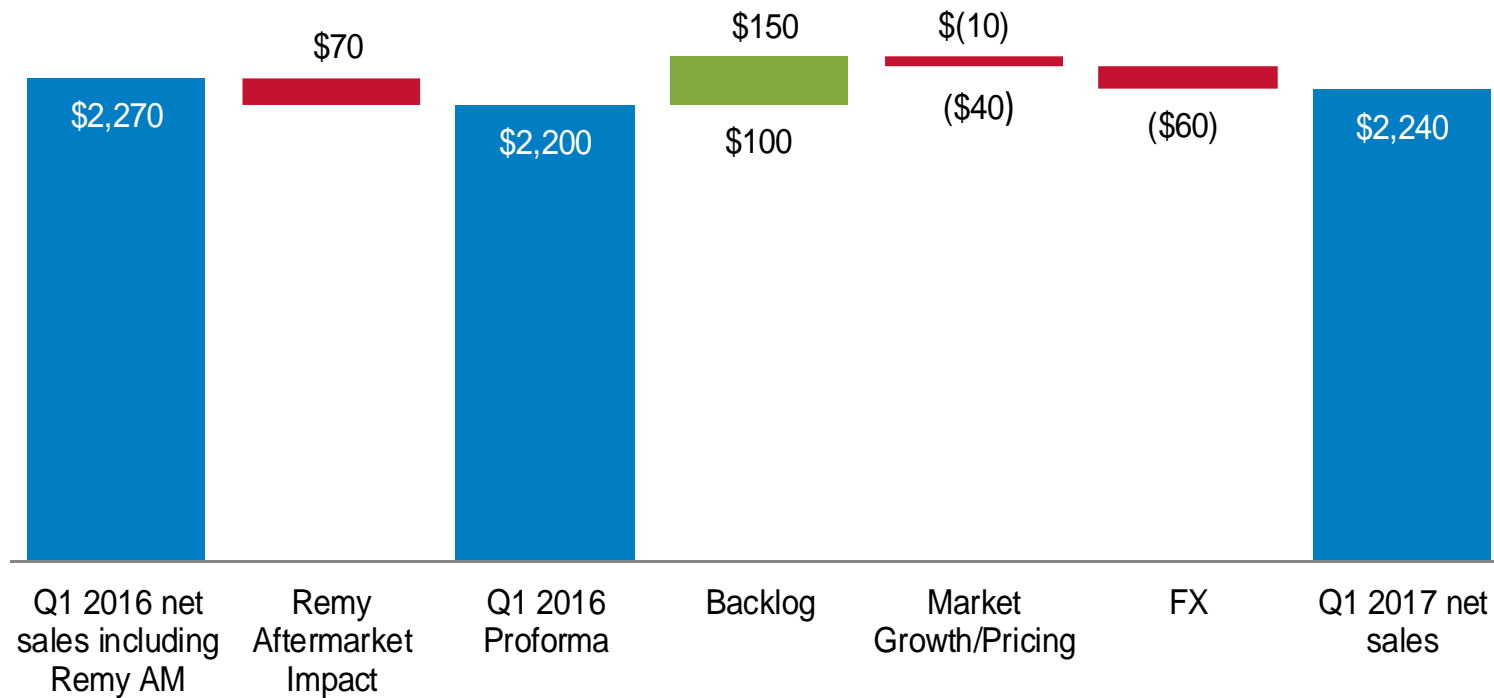
# 2017 Guidance - Other Items

■ <b>EPS Guidance</b>	<b>\$3.35-\$3.45</b>
■ <b>Free Cash Flow</b>	<b>\$450-\$500 million</b>
■ <b>CapEx</b>	<b>\$475-\$525 million</b>
■ <b>Share Repurchases</b>	<b>\$100+ million</b>
■ <b>R&amp;D Spending</b>	<b>~4% of sales</b>
■ <b>Tax Rate</b>	<b>~32%</b>
■ <b>\$ / Euro Exchange Rate</b>	<b>\$1.05</b>

# 2017 First Quarter Guidance

# Organic Sales Growth of 2.5% - 6.5%

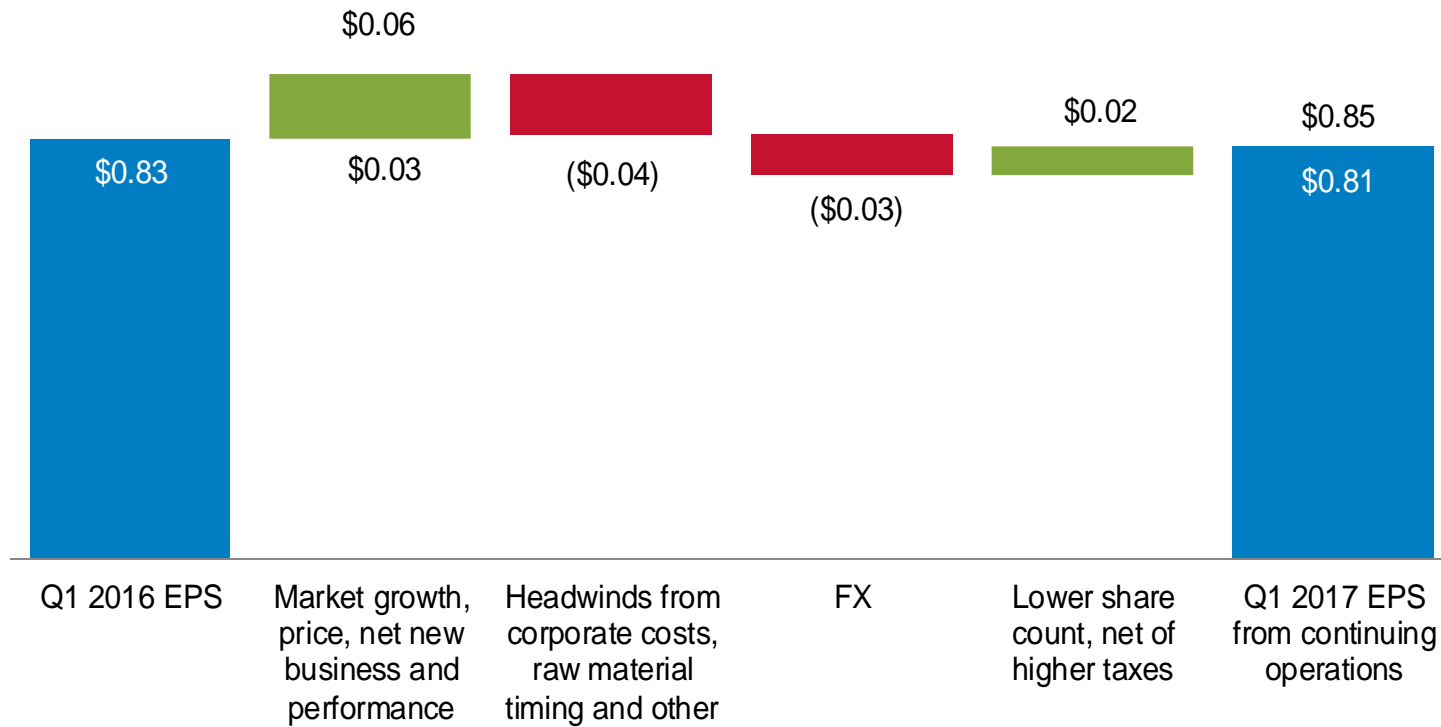
\$ in millions





# Q1'17 EPS Impacted by Timing of Costs

\$ in millions



# Thank you!

