

Earnings Call Presentation

Q4 2018



February 14, 2019



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■ Statements in 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," variations of such words and similar expressions are intended to identify such forward-looking statements. 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: our dependence on automotive and truck production, both of which are highly cyclical; 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, including litigation with respect to various claims; and future changes in laws and regulations, including by way of example, tariffs, in the countries in which we operate, as well as other risks noted in reports that we file with the Securities and Exchange Commission, including the Risk Factors identified in our most recently filed Annual Report on Form 10-K/A. We do not undertake any obligation to update or announce publicly any updates to or revision to any of the forward-looking statements.

Reconciliation to US GAAP

Q4 2017 to Q4 2018

\$ in millions, except per share data

	US GAAP (Reported)	Asset Impairment & Loss on Divestiture	Restructuring & Other Expense	Officer Stock Awards Modification	Merger, Acquisition & Divestiture Expense	Tax Reform Adjustments	Asbestos-related Adjustments	Gain on Sale of Building	Other Tax Adjustments	Non-US GAAP (Excluding non-comparable Items, including M&A)
2018 Q4										
Sales	\$2,572.8									\$2,572.8
Gross Profit	542.8									542.8
GP % of sales	21.1%									21.1%
Operating income	265.6	(25.6)	(21.2)	(6.4)	(1.0)		(22.8)	19.4		323.2
OI % of sales	10.3%									12.6%
Diluted EPS	\$1.10	\$0.09	\$0.08	\$0.03	\$0.01	(\$0.06)	\$0.08	(\$0.07)	(\$0.05)	\$1.21

2017 Q4										
Sales	\$2,586.4									\$2,586.4
Gross Profit	564.8				(2.1)					566.9
GP % of sales	21.8%									21.9%
Operating income	207.8	(71.0)	(42.5)		(5.7)					327.0
OI % of sales	8.0%									12.6%
Diluted EPS	\$(0.70)	\$0.25	\$0.16		\$0.02	\$1.29			\$0.04	\$1.07*

*Row does not add due to rounding

Agenda

- Fred Lissalde – Chief Executive Officer
 - 2018 Year in Review
 - Industry Perspective
 - Q4'18 Recap / 2019 Outlook
 - 2019 thru 2021 Three Year Net New Business Backlog

- Tom McGill – Interim Chief Financial Officer
 - Q4 2018 Results
 - 2019 Full Year Guidance / Q1 2019 Guidance

- Q&A

Q4'18 Recap / 2019 Outlook



Fred Lissalde, President & Chief Executive Officer

February 14, 2019



Strong Execution in 2018

- More than 600bps Growth over Light Vehicle Market (“Market”)
- Significant Launches and Wins across Combustion-Hybrid-Electric
- 2023 Revenue Outlook of \$14.0B, and Free Cash Flow Outlook of \$1.0B
- Overweight Hybrid and Electric by 2023

Industry Perspective

- Q4 Light Vehicle Industry Volumes Weaker, Growth over Market Remains Robust
- Expect Challenging Industry Trends to Continue through 1H
- Expect Declining Full-year 2019 Industry Volumes
- Outgrowth of Market Continues Based on Strong Demand for BorgWarner Products

Q4'18 Recap and 2019 Outlook

- Solid Q4 2018 Outgrowth Despite Challenging Industry Volumes
 - Organic Growth of 2.0%
 - Adjusted EPS of \$1.21

- Full Year 2019 Outlook
 - Organic Growth Guidance of -2.5% to +2.0%, 250 - 400bps over market
 - EPS Guidance of \$4.00 - \$4.35

2019 thru 2021 Three-Year Net New Business Backlog

Strong Backlog Across Light Vehicle C-H-E Products



Combustion

20%



Hybrid

70%



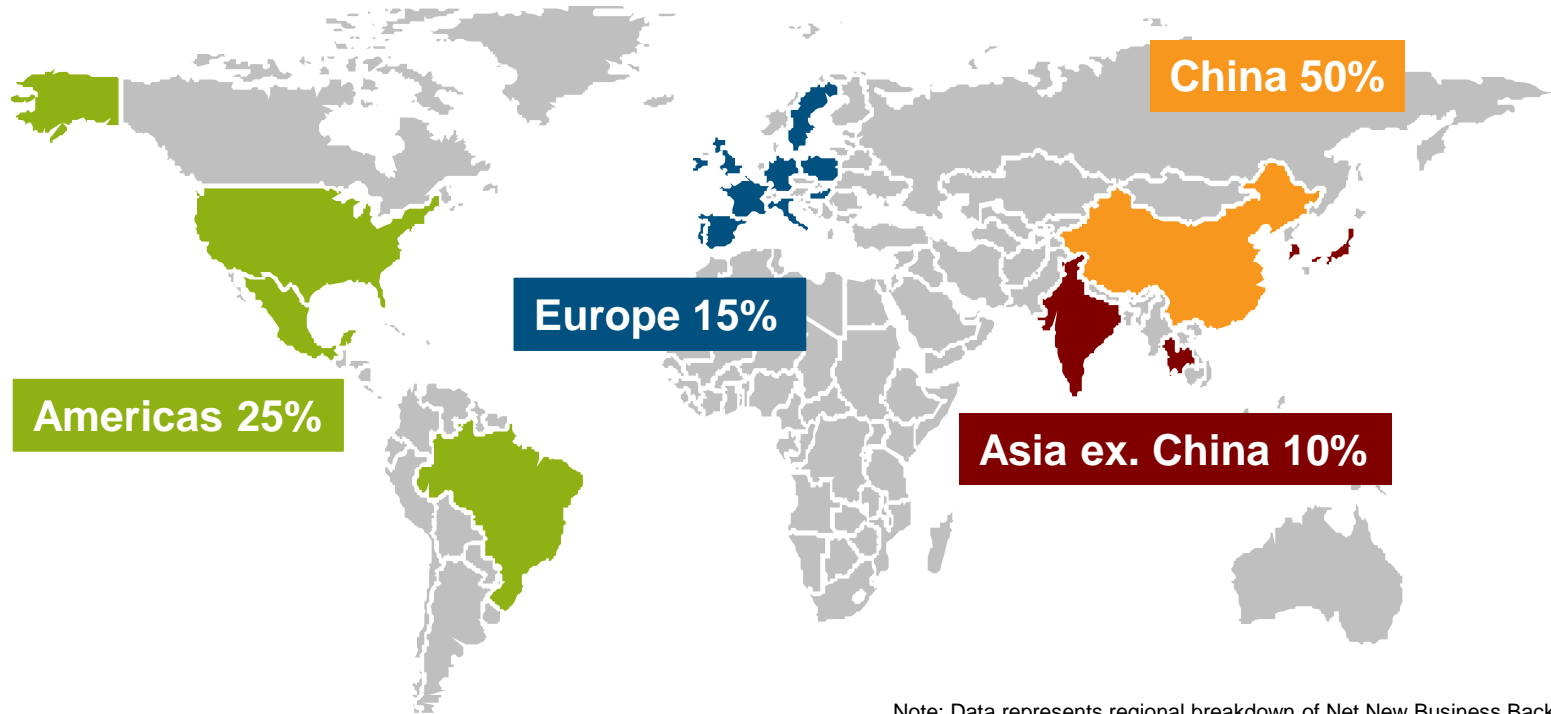
Electric

10%

80% of Backlog Related to Hybrid and Electric Propulsion

2019-2021 Backlog as of February 14, 2019

Market Growth in All Major Regions



Note: Data represents regional breakdown of Net New Business Backlog

Backlog Supports Average Outgrowth of 500 - 600bps

\$ in millions

**\$2.0 Billion - \$2.4 Billion of Backlog
2019 thru 2021**



As of February 14, 2019

Earnings Review & Financial Outlook



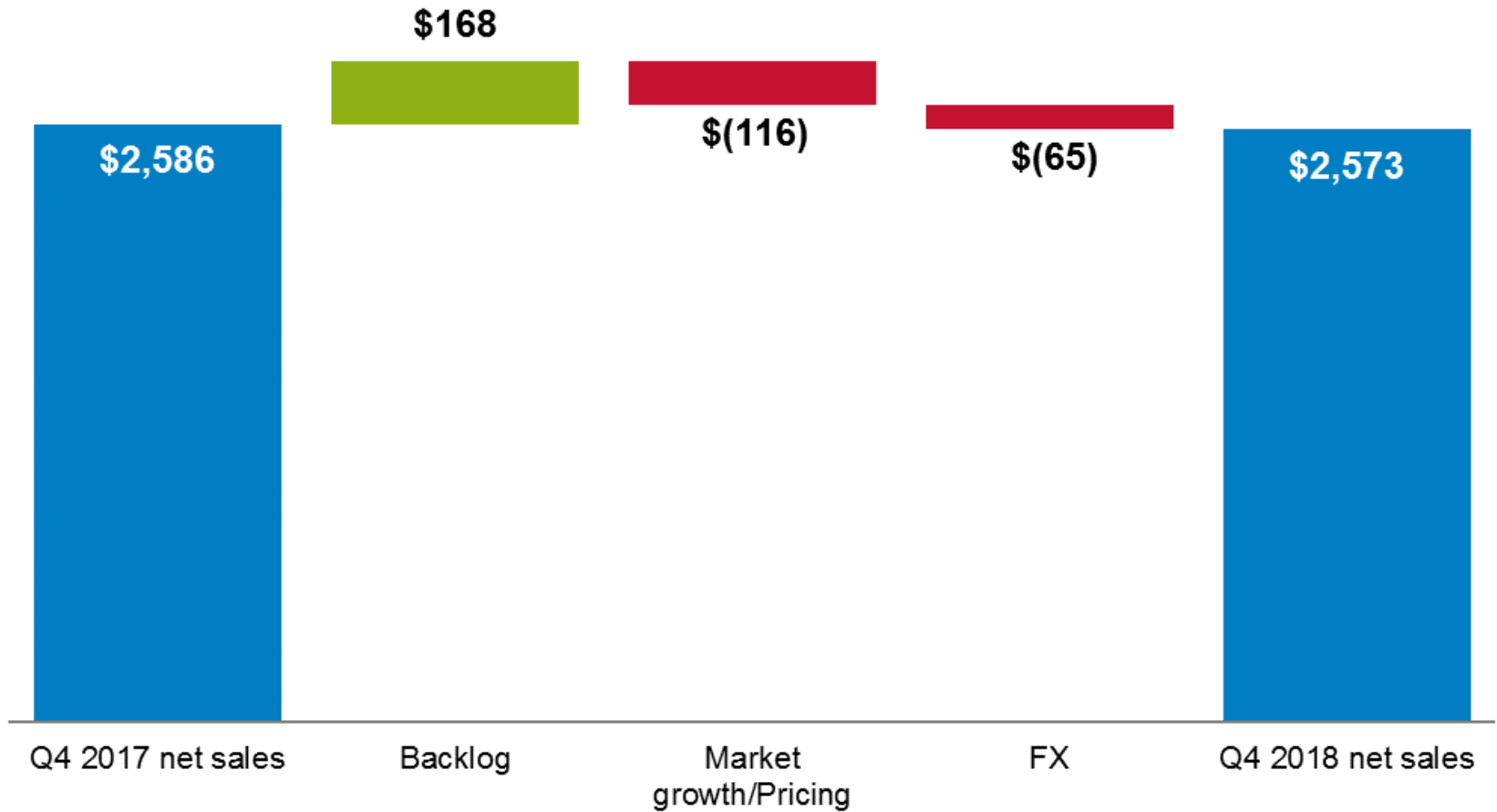
Thomas McGill, Interim Chief Financial Officer and Treasurer

February 14, 2019



BorgWarner Net Sales

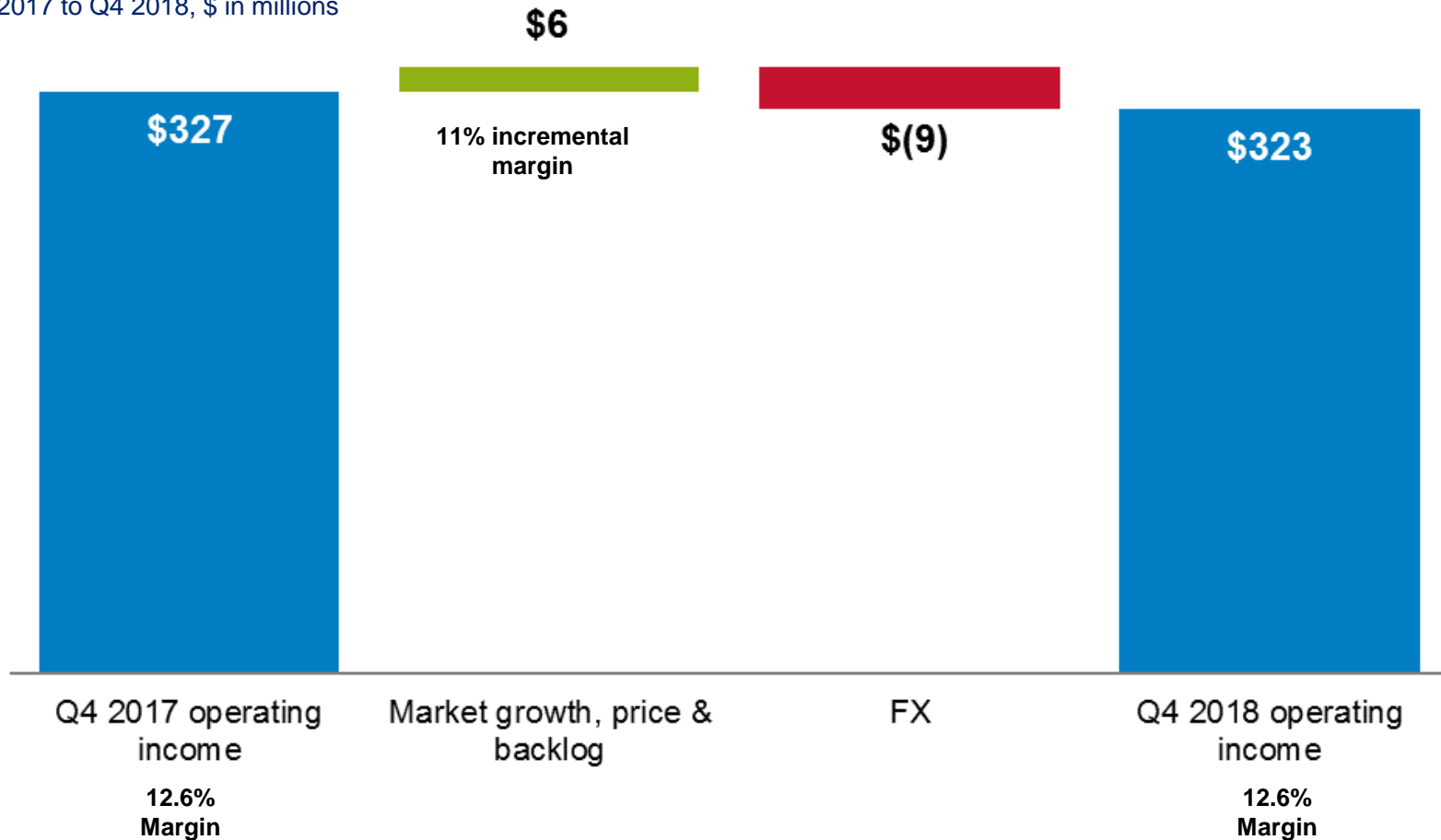
Q4 2017 to Q4 2018, \$ in millions



Organic Sales Growth of 2.0%

BorgWarner Operating Income*

Q4 2017 to Q4 2018, \$ in millions



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

Engine Segment Net Sales & Adjusted EBIT

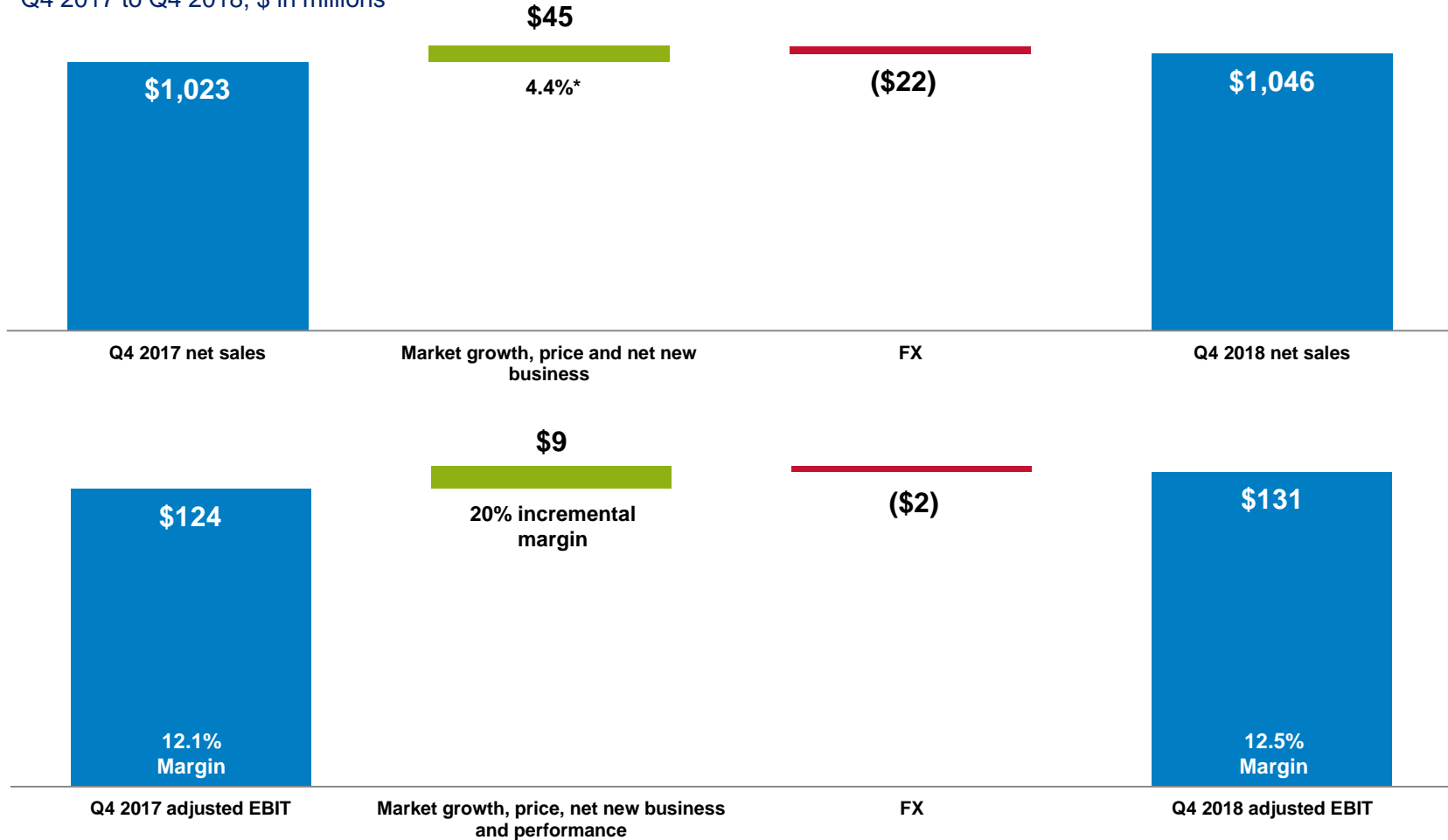
Q4 2017 to Q4 2018, \$ in millions



* % change to net sales

Drivetrain Segment Net Sales & Adjusted EBIT

Q4 2017 to Q4 2018, \$ in millions

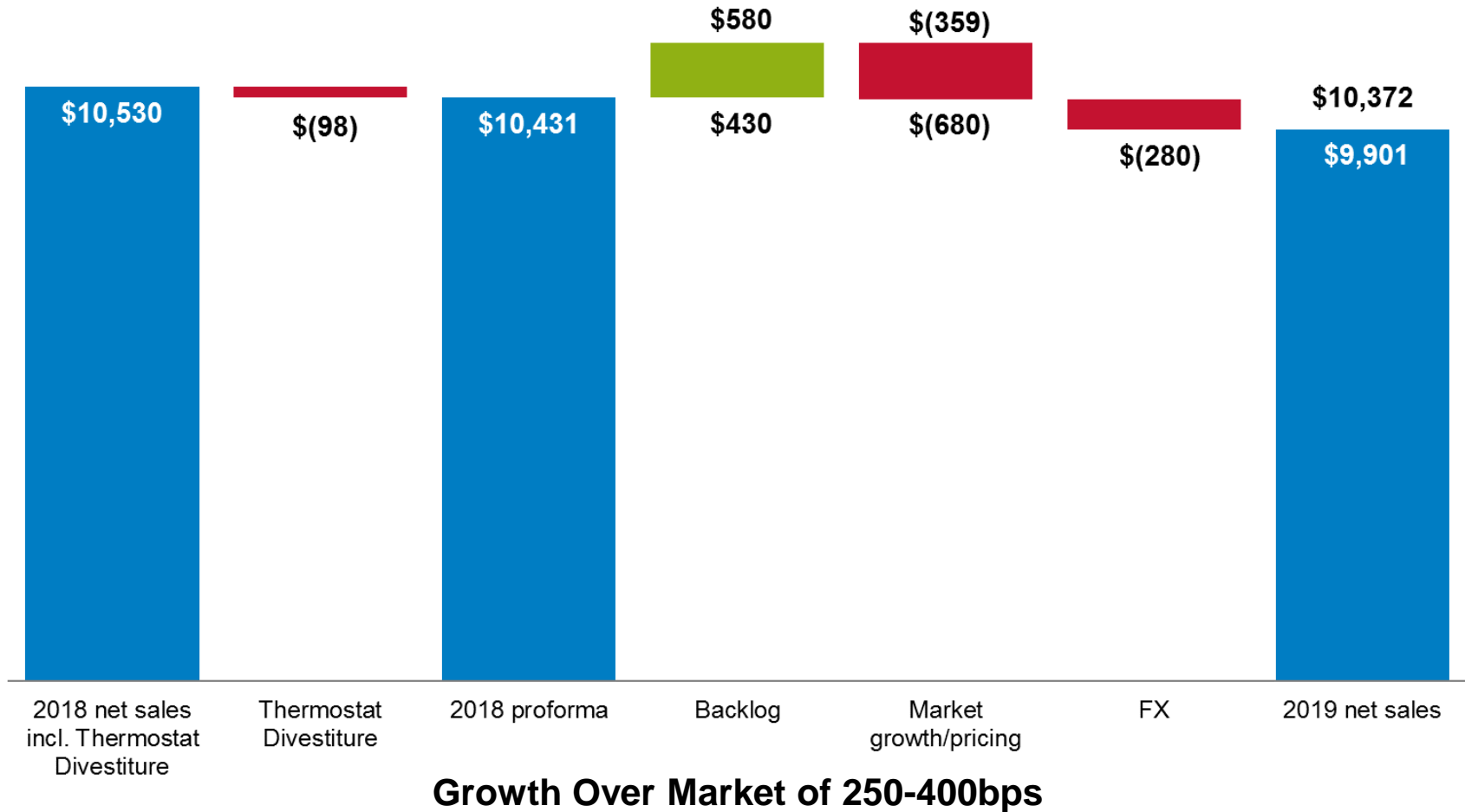


* % change to net sales

2019 Full Year Guidance

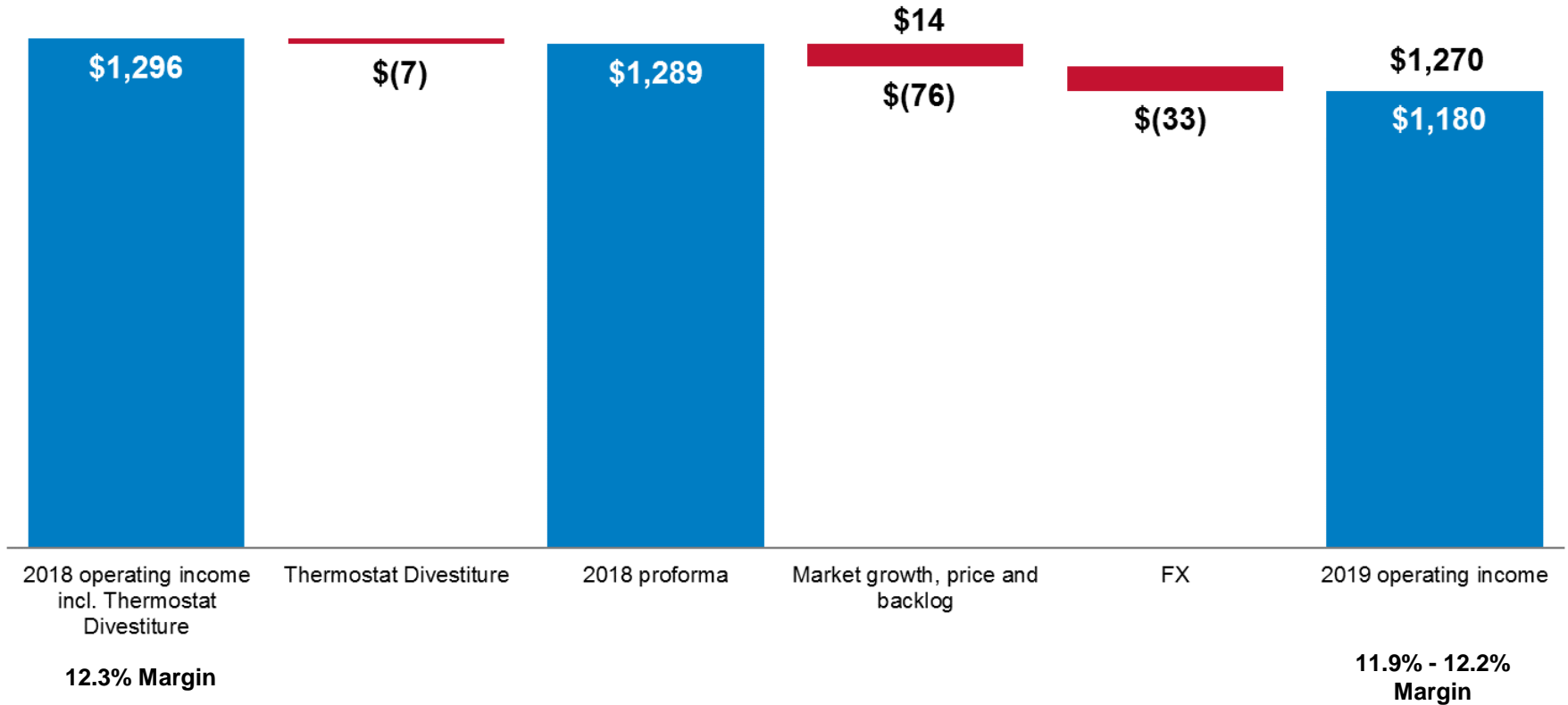
Organic Sales Growth of -2.5% to +2.0%

\$ in millions



Operating Margins Flat to Down

\$ in millions



2019 Guidance – Other Items

■ EPS Guidance	\$4.00 - \$4.35
■ Free Cash Flow	\$550 - \$600 million
■ CapEx	\$575 - \$625 million
■ Share Repurchases	~\$100 million
■ R&D Spending	Low 4% of sales
■ Tax Rate	~26%
■ FY'19 FX Revenue Impact	~\$(280)M

2019 First Quarter Guidance

Q1 2019 Guidance

- **Sales Guidance Range** **\$2.44B - \$2.50B**
- **Organic Revenue Decline** **(7.5%) – (5.5%)**
- **EPS Range** **\$0.92 - \$0.96**
- **Tax Rate** **~26%**
- **\$ / Euro FX Rate & Impact** **\$1.13 / (\$130)M**

Thank you!



Combustion



Hybrid



Electric