

Earnings Call Presentation

Q1 2019



April 25, 2019



Safe Harbor Statement

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. We do not undertake any obligation to update or announce publicly any updates to or revision to any of the forward-looking statements.

Agenda

- Fred Lissalde – Chief Executive Officer
 - Industry Perspective
 - Q1'19 Recap / 2019 Outlook
 - Cost Restructuring Plan
- Tom McGill – Controller
 - Q1 2019 Results
 - 2019 Full Year Guidance
 - Q2 2019 Guidance
- Q&A

Q1'19 Recap / 2019 Outlook



Fred Lissalde, President & Chief Executive Officer

April 25, 2019



Industry Perspective

- Q1 Light Vehicle Industry Volume Decline Modestly Lower Than Expected
- BorgWarner Full-year 2019 Industry Volume Expectations Unchanged
- Our Expected Outgrowth of Market Poised to Continue Based on Strong Demand for BorgWarner Products

Q1'19 Recap and 2019 Outlook

- Q1 2019 Outgrowth Ahead of Expectations
 - Organic revenue decline of 3.3%, 190bps Outgrowth
 - Adj. EPS of \$1.00*

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

* Q1 2019 Adj. EPS as shown on this slide is a non-US GAAP measure. See reconciliation to US GAAP on Slide 21.

** Adj. EPS Guidance on this slide is a non-US GAAP measure. See reconciliation to US GAAP on Slide 22.

Portfolio Positioned to Leverage Trends

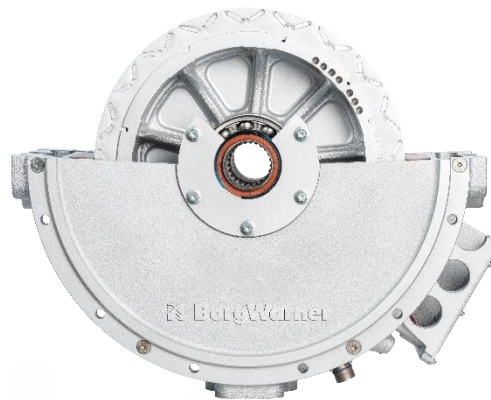
Downsized Turbo Charged Gasoline Engines



2019 Automotive News PACE Award Winner

for innovative Dual-Volute
Turbocharger

Commercial Vehicle Electrification



High Voltage Hairpin (HVH) 410 Electric Motor

for a major European
commercial vehicle
manufacturer

Light Vehicle Electrification



Hybrid



Electric

Secured Wins

across multiple Hybrid
architectures and Electric products

Earnings Review & Financial Outlook



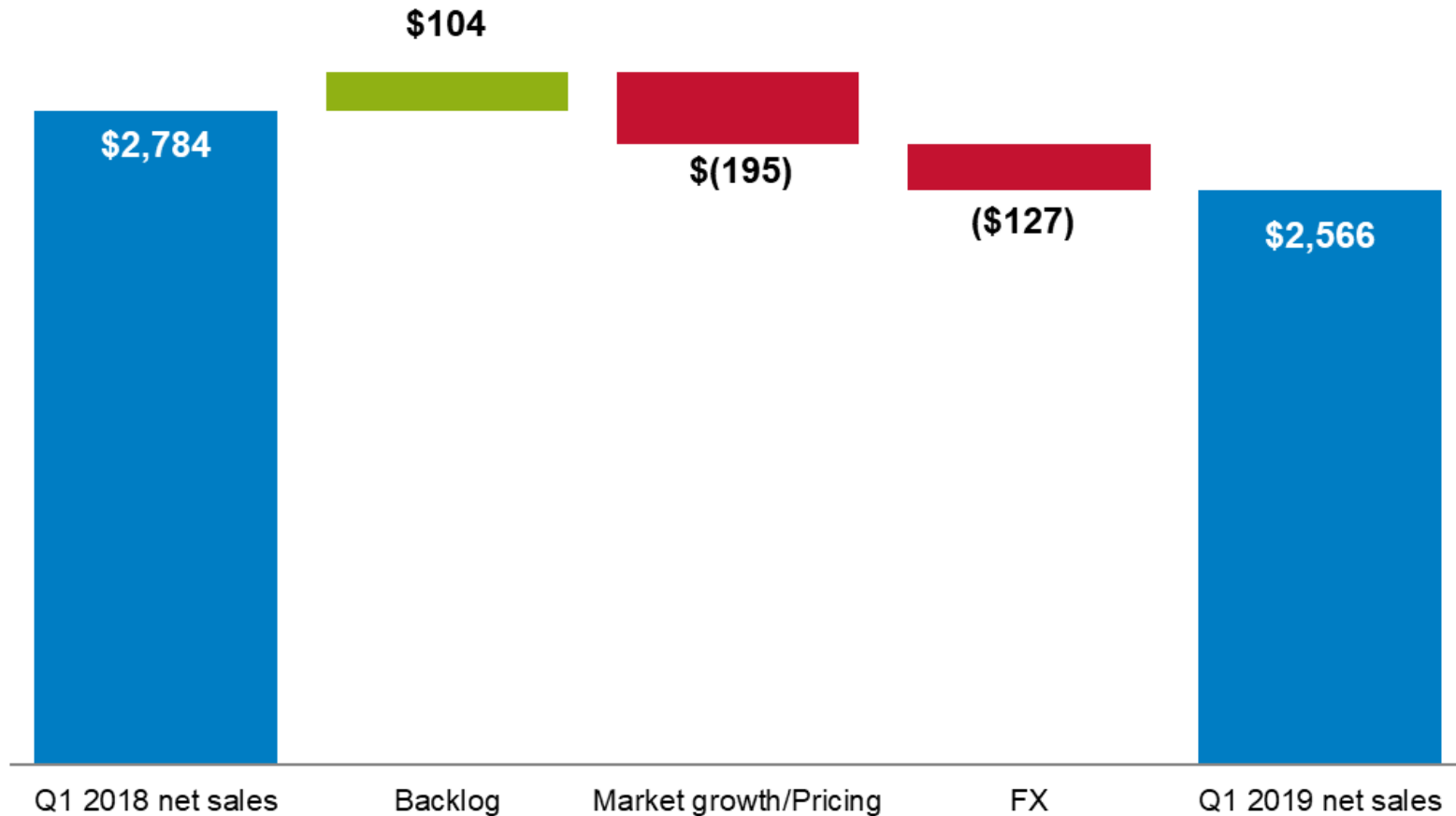
Thomas McGill, Controller

April 25, 2019



BorgWarner Net Sales

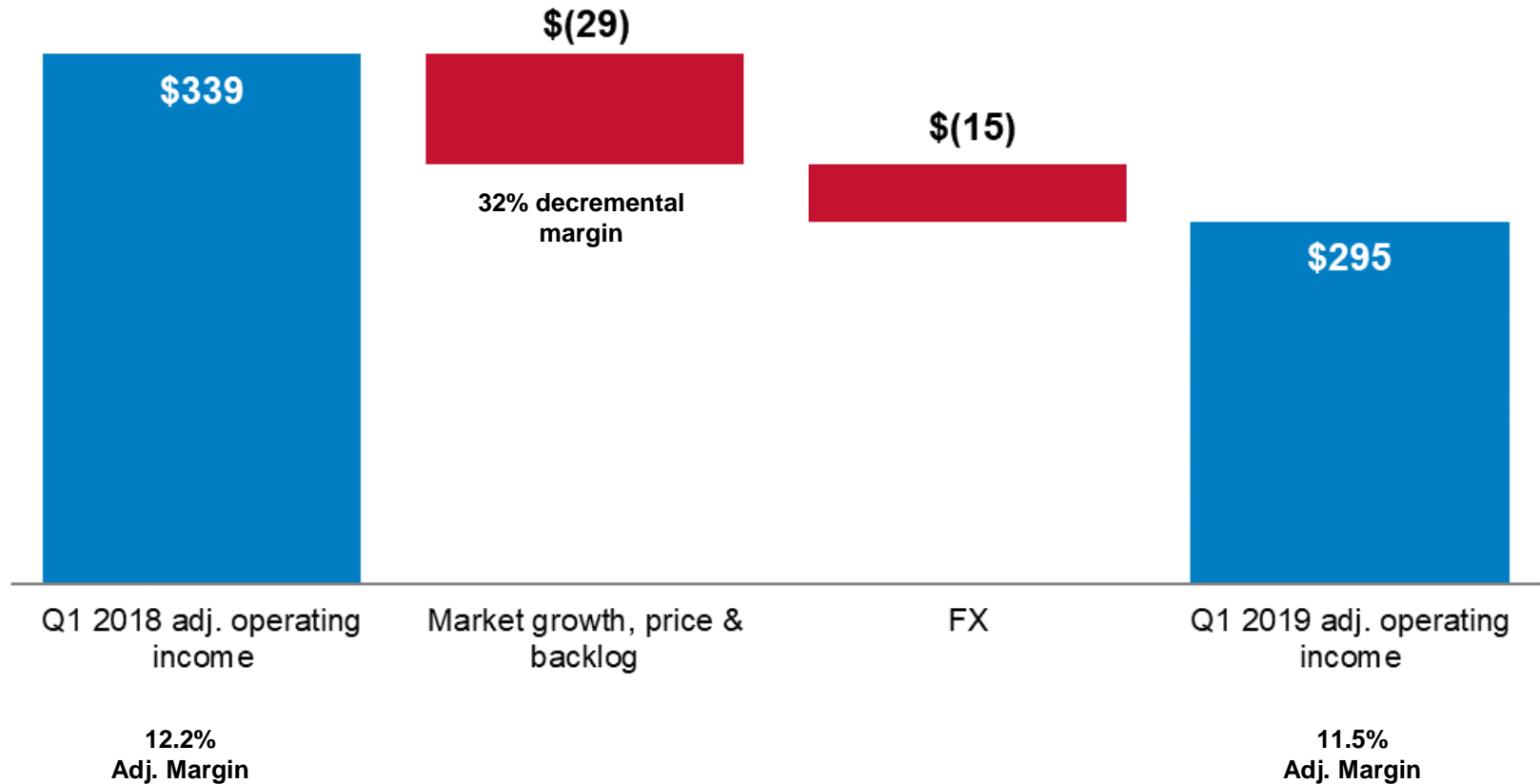
Q1 2018 to Q1 2019, \$ in millions



Organic Sales Decline of 3.3%

BorgWarner Adj. Operating Income*

Q1 2018 to Q1 2019, \$ in millions



* Adj. Operating Income and Adj. Operating Margin as shown on this slide are non-US GAAP measures. See reconciliation to US GAAP on Slide 21.

Engine Segment Net Sales & Adj. EBIT**

Q1 2018 to Q1 2019, \$ in millions



* % change to net sales

**Adj. Operating Income and Adj. Operating Margin as shown on this slide are non-US GAAP measures. See reconciliation to US GAAP on Slide 25.

Drivetrain Segment Net Sales & Adj. EBIT**

Q1 2018 to Q1 2019, \$ in millions



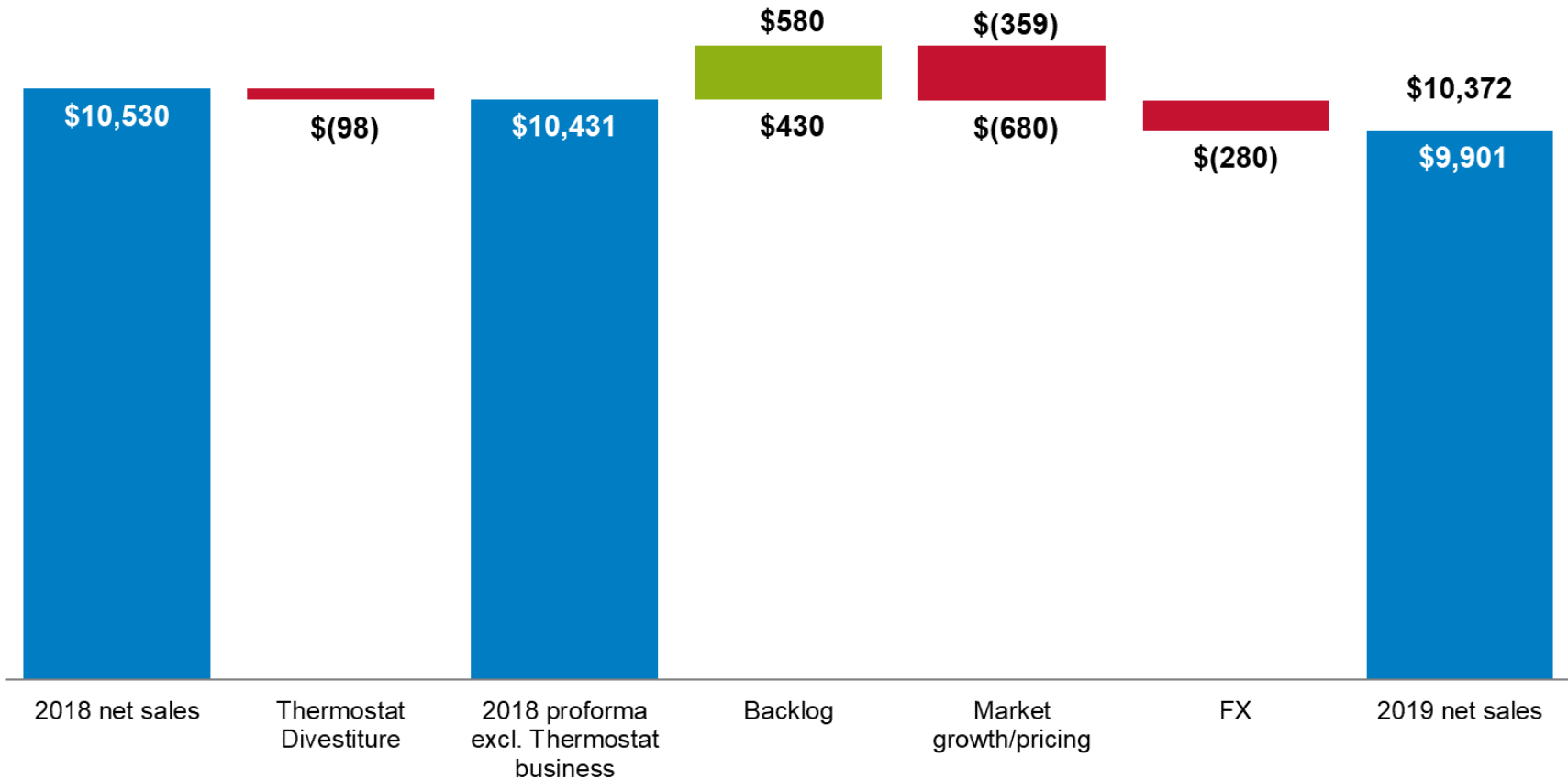
* % change to net sales

**Adj. Operating Income and Adj. Operating Margin as shown on this slide are non-US GAAP measures. See reconciliation to US GAAP on Slide 25.

2019 Full Year Guidance

Organic Sales Growth of -2.5% to +2.0%

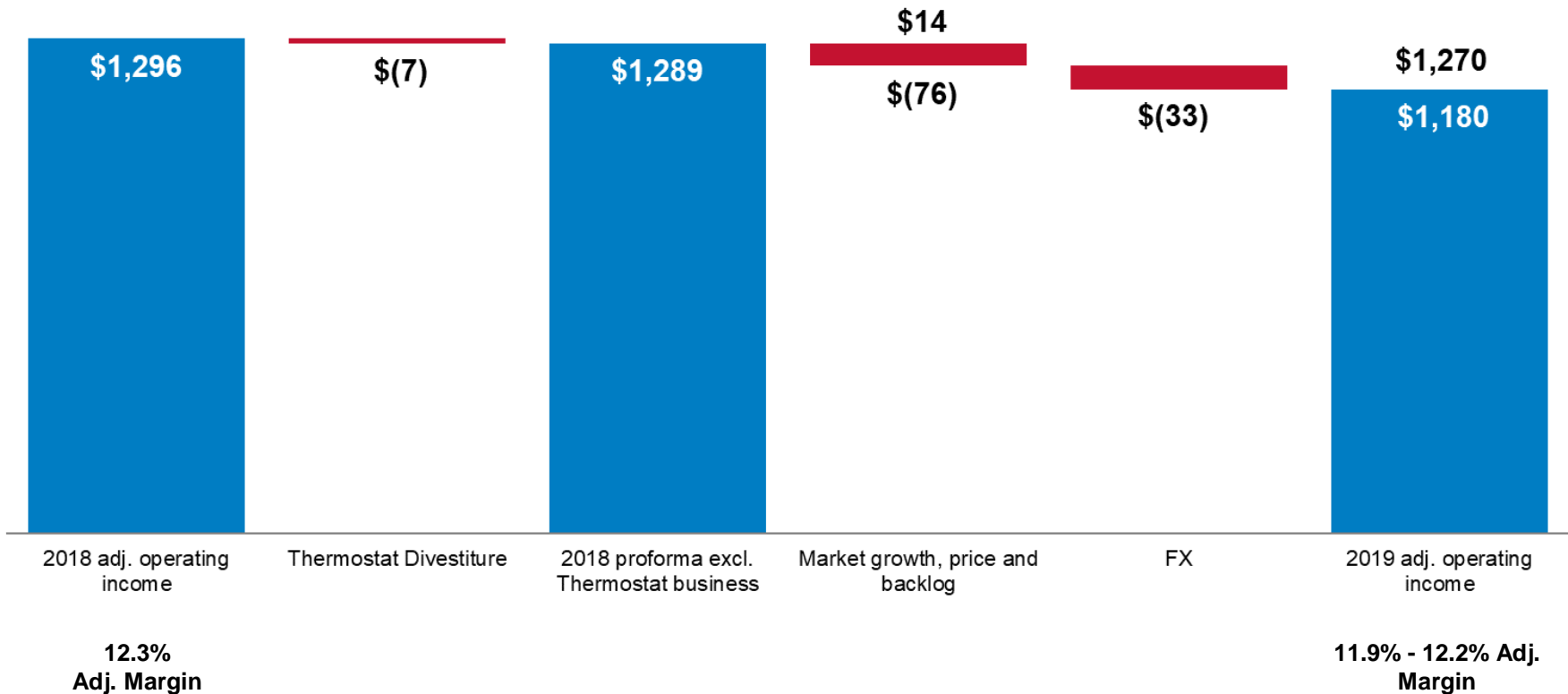
\$ in millions



Growth Over Market of 250-400bps

Adj. Operating Margin* Flat to Down

\$ in millions



* Adj. Operating Income and Adj. Operating Margin as shown on this slide are non-US GAAP measures. See reconciliation to US GAAP on Slide 24.

2019 Guidance – Other Items

■ Adj. EPS*	↔	\$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
■ Effective Tax Rate	↔	~26%
■ FY'19 FX Revenue Impact	↔	~\$(280)M

* Adj. EPS as shown on this slide is a non-US GAAP measure. See reconciliation to US GAAP on Slide 22

** Free Cash Flow as shown on this slide is a non-US GAAP measure. See reconciliation to US GAAP on Slide 23

2019 Second Quarter Guidance

Q2 2019 Guidance

■ Sales Guidance Range	\$2.5B - \$2.6B
■ Organic Revenue Decline	(2.5%) – 0.0%
■ Adj. EPS*	\$0.99 - \$1.05
■ Effective Tax Rate	~26%
■ \$ / Euro FX Rate & Impact	\$1.13 / ~\$(100)M

* Adj. EPS as shown on this slide is a non-US GAAP measure. See reconciliation to US GAAP on Slide 22

Thank you!



Combustion



Hybrid



Electric

Appendix

First Quarter Reconciliation to US GAAP

Q1 2018 to Q1 2019	US GAAP (Reported)	Restructuring & Other Expense	Officer Stock Awards Modification	Merger, Acquisition & Divestiture Expense	Loss on Arbitration	Gain on Commercial Settlement	Other Tax Adjustments	Non-US GAAP (Excluding non- comparable Items, including M&A)
\$ in millions, except per share data								
2019 Q1 Sales								
Sales	\$2,566							\$2,566
Gross Profit	519							519
<i>GP % of sales</i>	20.2%							20.2%
Operating Income	264	(14)	(2)	(1)	(14)			295
<i>Operating Margin</i>	10.3%							11.5%
Diluted EPS	\$0.77	\$0.05	\$0.01	\$0.01	\$0.07		\$0.08	\$1.00*
2018 Q1								
Sales	\$2,784							\$2,784
Gross Profit	592							592
<i>GP % of sales</i>	21.3%							21.3%
Operating Income	334	(6)		(2)		3		339
<i>Operating Margin</i>	12.0%							12.2%
Diluted EPS	\$1.07	\$0.03		\$0.01		(\$0.01)		\$1.10

* Row does not add due to rounding

Adj. EPS Guidance to US GAAP Reconciliation

	Q1 2019		Q2 2019		Full-Year 2019	
	Low	High	Low	High	Low	High
U.S. GAAP	<u>\$ 0.77</u>	<u>\$ 0.77</u>	<u>\$ 0.91</u>	<u>\$ 1.05</u>	<u>\$ 3.59</u>	<u>\$ 4.13</u>
Non-comparable items:						
Restructuring expense	0.05	0.05	0.08	-	0.24	0.05
Merger, acquisition and divestiture expense	0.01	0.01			0.01	0.01
Officer stock awards modification	0.01	0.01			0.01	0.01
Loss on arbitration	0.07	0.07			0.07	0.07
Tax adjustments	0.08	0.08			0.08	0.08
Non - U.S. GAAP EPS Guidance	<u>\$ 1.00 *</u>	<u>\$ 1.00</u>	<u>\$ 0.99</u>	<u>\$ 1.05</u>	<u>\$ 4.00</u>	<u>\$ 4.35</u>

Free Cash Flow to US GAAP and Key Definitions

Free Cash Flow Outlook Reconciliation
(in Millions)

	Full Year 2019 Outlook	
	Low	High
Free Cash Flow:		
Cash Provided By Operating Activities	\$ 1,125	\$ 1,225
Capital Expenditures	(575)	(625)
Free Cash Flow	<u>\$ 550</u>	<u>\$ 600</u>

Key Definitions

- Organic Revenue Change – Revenue change year over year excluding the estimated impact of FX and net M&A
- Market – The estimated change in light vehicle production weighted for BorgWarner’s geographic exposure
- Outgrowth – Defined as BorgWarner’s “Organic Revenue Change” vs. “Market”

Adj. Operating Income to US GAAP Reconciliation

FY 2019 Guidance	US GAAP	Restructuring & Other Expense	Officer Stock Awards Modification	Merger, Acquisition & Divestiture Expense	Loss on Arbitration	Non-US GAAP (Excluding non-comparable items, including M&A)
\$ in millions, except per share data						
Sales Low	\$9,901					\$9,901
Sales High	\$10,372					\$10,372
Operating income Low	1,098	(65)	(2)	(1)	(14)	1,180
Operating income High	1,239	(14)	(2)	(1)	(14)	1,270
<i>Operating Margin Low</i>	<i>11.1%</i>					<i>11.9%</i>
<i>Operating Margin High</i>	<i>11.9%</i>					<i>12.2%</i>

Adj. EBIT to US GAAP Reconciliation

	Three Months Ended March 31,	
	2019	2018
Engine	\$ 241	\$ 280
Drivetrain	105	121
Adj. EBIT	346	401
Restructuring expense	14	8
Merger, acquisition and divestiture expense	1	2
Loss on arbitration	-	-
Other expense (income)	14	(5)
Officer stock award modification	2	-
Asset impairment expense	-	-
Other postretirement income	-	(3)
Gain on previously held equity interest	-	-
Corporate, including equity in affiliates' earnings and stock-based compensation	42	53
Interest income	(3)	(2)
Interest expense	14	16
Earnings before income taxes and noncontrolling interest	262	332
Provision for income taxes	91	95
Net earnings	171	237
Net earnings attributable to the noncontrolling interest, net of tax	11	12
Net earnings attributable to BorgWarner Inc.	\$ 160	\$ 225