EPA-2023-003165

Investor Day 2018

Propulsion Technical Center

Auburn Hills, Michigan

September 18, 2018

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Investor Day 2018

Patrick Nolan
Vice President, Investor Relations

September 18, 2018

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Safe Harbor Statement

Statements contained in, or incorporated by reference into this presentation, future filings by us with the Securities and Exchange Commission ("SEC"), and oral statements made by, or with the approval of, our authorized personnel, that relate to our future performance or future events are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements can be identified by use of forward-looking words or phrases such as "intend," "anticipate," "plan," "estimate," "target," "aim," "forecast," "project," "expect," "believe," "we are optimistic that we can," "current visibility indicates that we forecast," "contemplation" or "currently envisions" and similar phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, our expectations may not prove to be correct. Forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control, which could cause actual results to differ materially from those suggested 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 in the countries in which we operate. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All subsequent written and oral forward-looking statements concerning the matters addressed in this presentation and attributable to us or any person acting on our behalf are qualified by these cautionary statements. Forward-looking statements are based on current expectations only and are not guarantees of future performance, and are subject to certain risks, uncertainties and assumptions. We may change our intentions, beliefs or expectations at any time and without notice, based upon any change in our assumptions or otherwise. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. In addition, some factors are beyond our control. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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Investor Day Agenda - Morning

11:05am	Keynote address | Fred Lissalde, President & Chief Executive Officer
11:35am	Combustion | Robin Kendrick, President & General Manager
11:45am	Hybrid | Joe Fadool, President & General Manager
11:55am	Electric | Stefan Demmerle, President & General Manager
12:05pm	Display booths, demonstration vehicles & lunch

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Investor Day Agenda - Afternoon

2:05pm Commercial vehicle / aftermarket | Joel Wiegert, President & General Manager

2:15pm Portfolio management | Brady Ericson, Chief Strategy Officer

2:30pm Financial discipline / cash flow & outlook | Ron Hundzinski, Chief Financial Officer

2:50pm Closing remarks | Fred Lissalde

Q&A | All

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Investor Day 2018

Fred Lissalde
President & Chief Executive Officer

September 18, 2018

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Our Vision:

A clean, energy-efficient world

Our Mission:

Propulsion System Leader for Combustion, Hybrid and Electric Vehicles

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BorgWarner Today

- Executing Balanced Propulsion Strategy
- Product Leadership Remains the Driver of Our Business
- Strong Operational Discipline, with Areas to Improve
- Delivering

Growth,

Growth,

Growth

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Our Strategy is Working

- Unrivaled Product Positioning
- Booking Ahead of Plan, Overweight Hybrid and Electric by 2023
- Trusted Partner to Our Customers
- Strong Talent Pipeline

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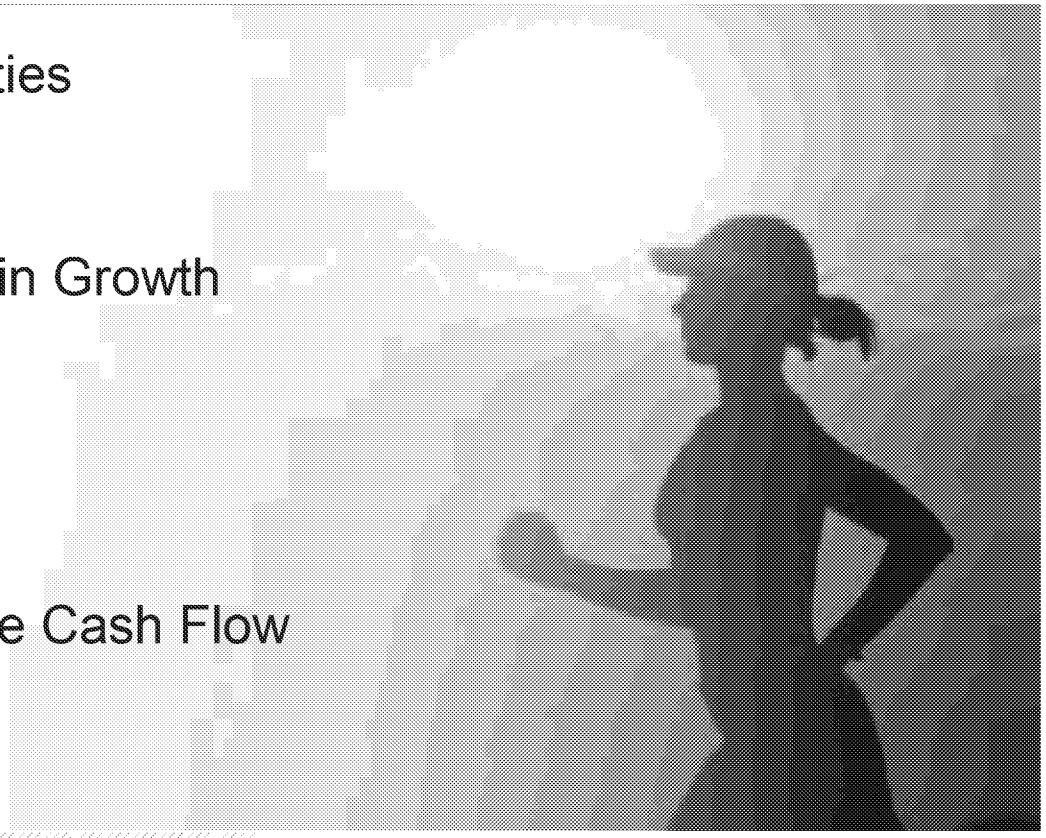
Moving Forward…

- Electrification Accelerates Opportunities
- Ongoing Strength in Sales and Margin Growth
  - 2023 revenue outlook of $14bn
  - Margins continue to improve
- Leverage Growth with Improving Free Cash Flow and Cost Efficiency



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Growth Drivers & Outlook

Fred Lissalde
President & Chief Executive Officer

September 18, 2018

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Driving Growth

Organic

Invest ~4% of revenue in R&D

M&A

Technology driven to complement our portfolio

Venture Capital Engagements

Market & Technology Sensing

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BorgWarner Growth Strategy

Combustion

Focus on efficient & clean Combustion products

Hybrid

Accelerate our product growth across Hybrid architectures

Electric

Grow our Electric product portfolio

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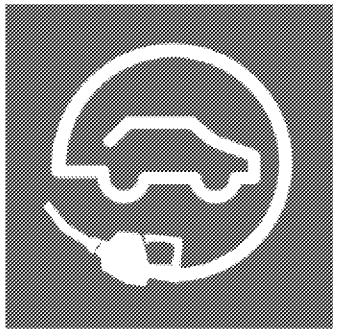
Combustion Vehicle Technology*

* Includes engines, transmissions and all-wheel drive systems with no electrification, includes stop/start.



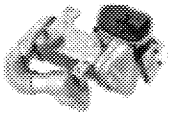
Combustion

Delivering clean, fast-to-market technology solutions to increase efficiency and performance.

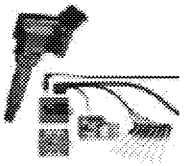
AWD Systems

Boosting Technologies

Engine timing Systems

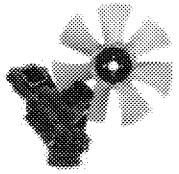


Exhaust Gas Management

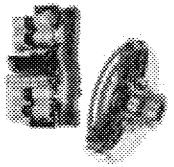


Ignition Technologies

Starters & Alternators



Thermal Management



Transmission Technologies

Variable Valvetrain Systems

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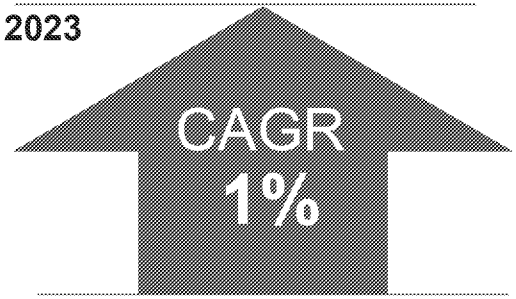
Combustion Still Growing

Combustion

BorgWarner Revenue Related to Combustion Propulsion

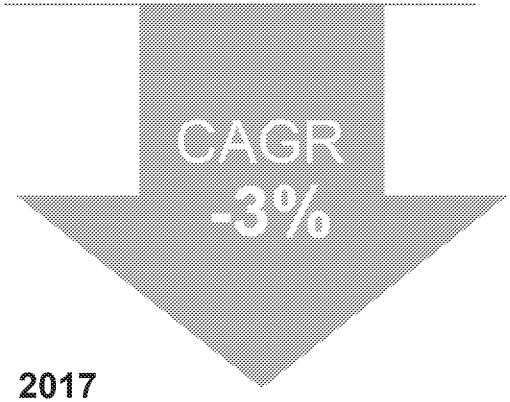
2023



2017

Industry Combustion Vehicle Volumes

2023



2017

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Customers Pursuing Broad Electrification Strategies

Developing / Producing	Electric	Hybrid					
Yes Yes No	BEV	P0	P1	P2	P3	P4	PS
Customer A							
Customer B							
Customer C							
Customer D							
Customer E							
Customer F							
Customer G							
Customer H							
Customer I							
Customer J							

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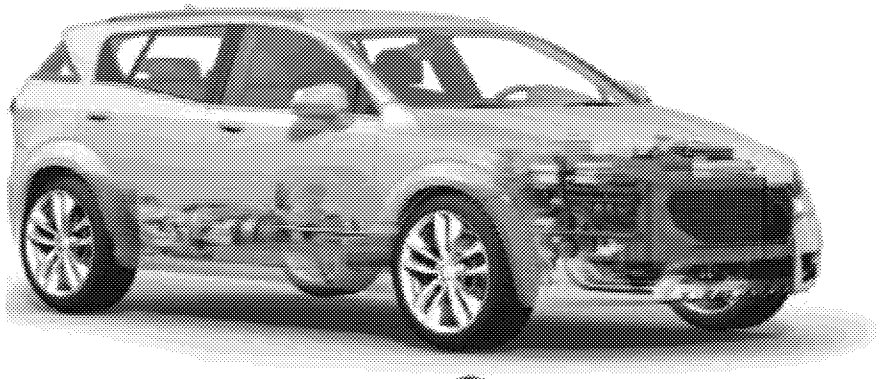
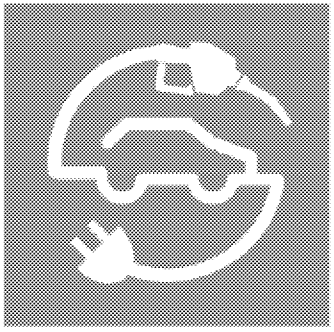
Hybrid Vehicle Technology

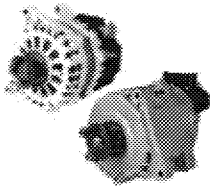
Combustion Products
PLUS Hybrid Specific Products





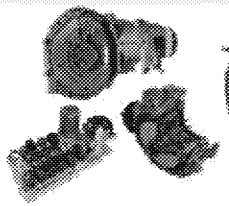
Hybrid

Mild, full and plug-in. Comprehensive product portfolio, offers advanced solutions for all hybrid architectures.

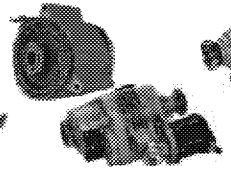


P0 Hybrid Architecture

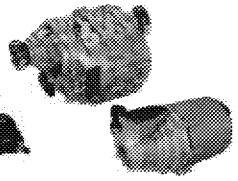
P1 Hybrid Architecture



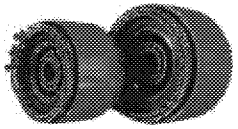
P2 Hybrid Architecture



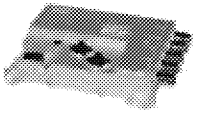
P3 Hybrid Architecture



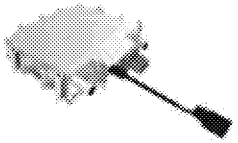
P4 Hybrid Architecture



PS Hybrid Architecture



Power Electronics



Thermal Management

Electric Boosting Technologies

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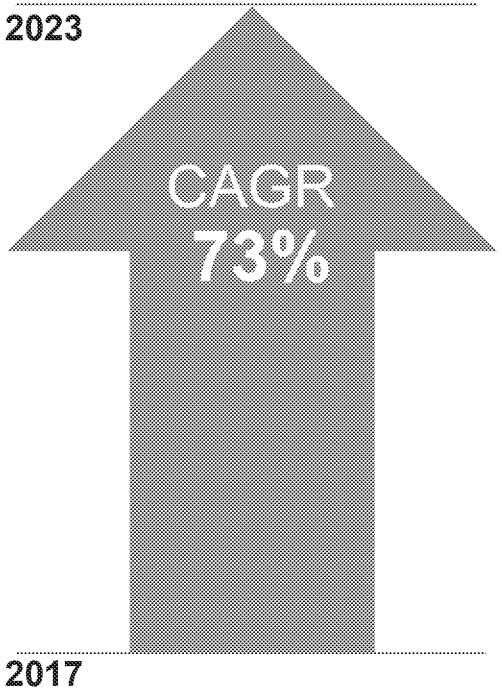
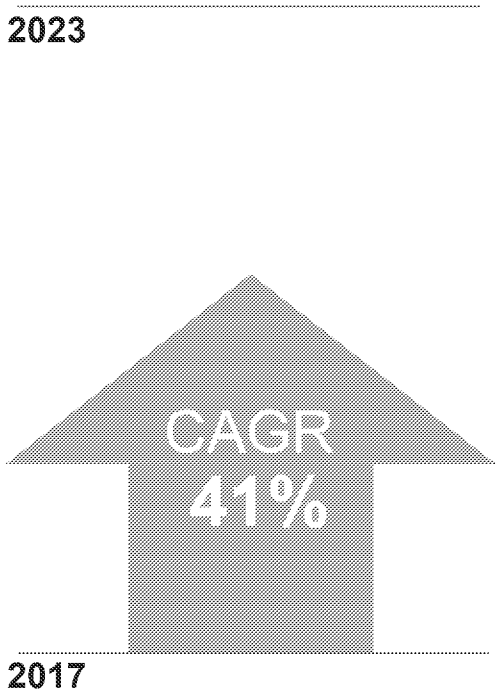
Significant Revenue Growth

Hybrid

BorgWarner Revenue Related to Hybrid Propulsion



Industry Hybrid Vehicle Volumes



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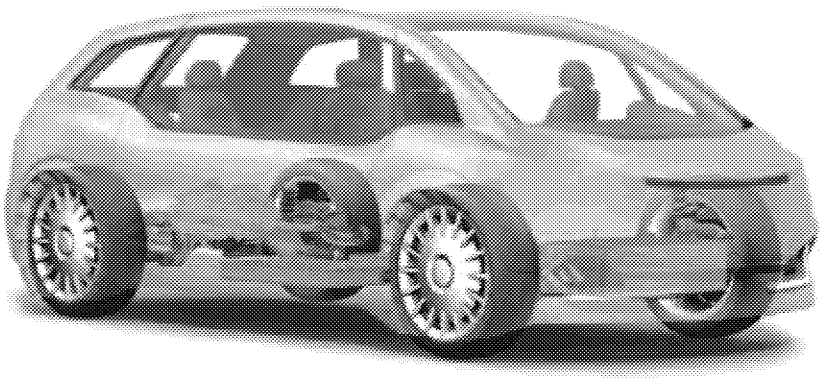
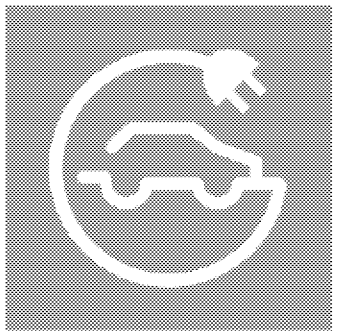
Electric Vehicle Technology*

* Includes battery electric vehicles, range extenders and fuel cells.





Electric

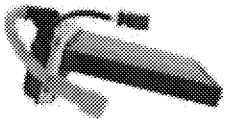
Our growing product portfolio covers virtually all electric propulsion areas including electric motors, power transmission, power electronics, thermal management and battery charging.

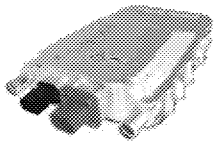
EV Transmission

Electric Drive Motor

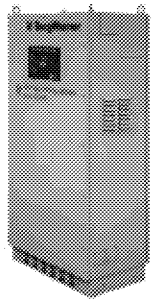
Electric Drive Module

Power Electronics





Cabin Heaters and Battery Heaters



Battery Charging

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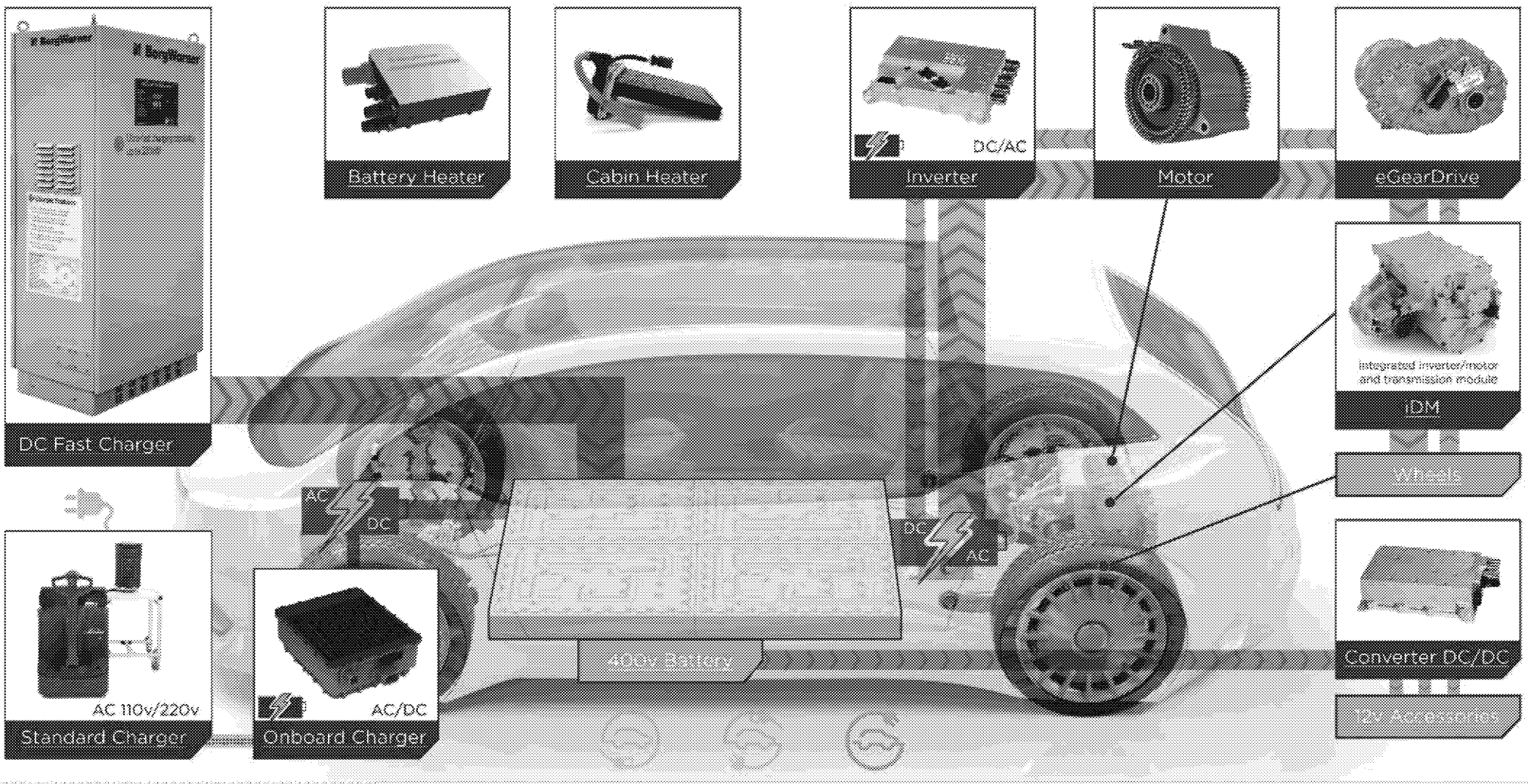

EV Portfolio - Provides Opportunities

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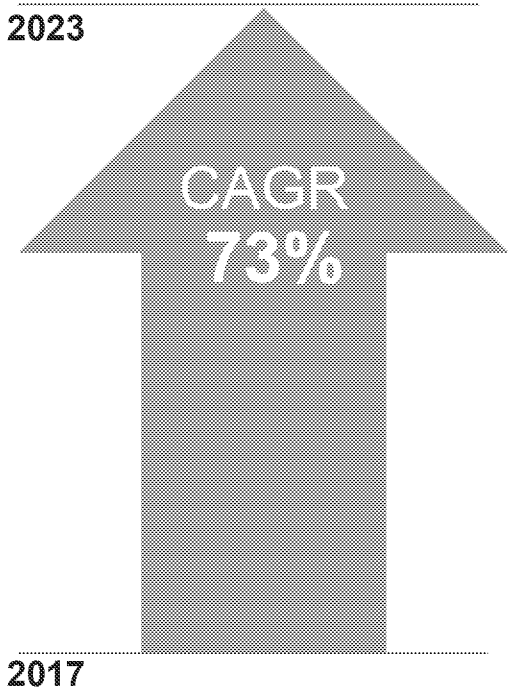
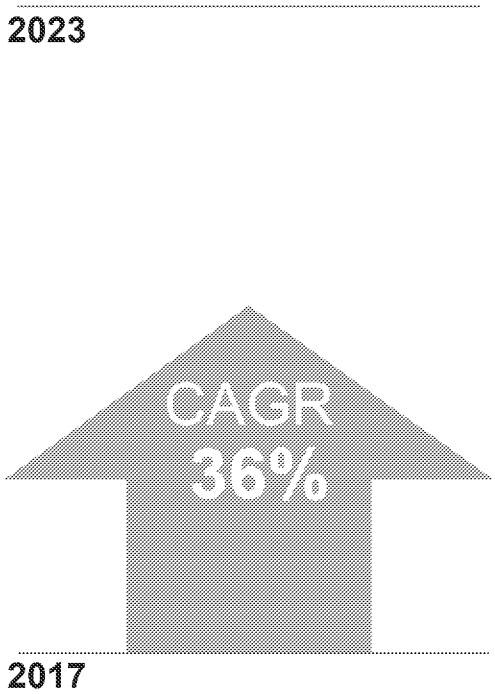
System Expertise Driving Dramatic Growth

Electric

BorgWarner Revenue Related to Electric Propulsion



Industry Electric Vehicle Volumes



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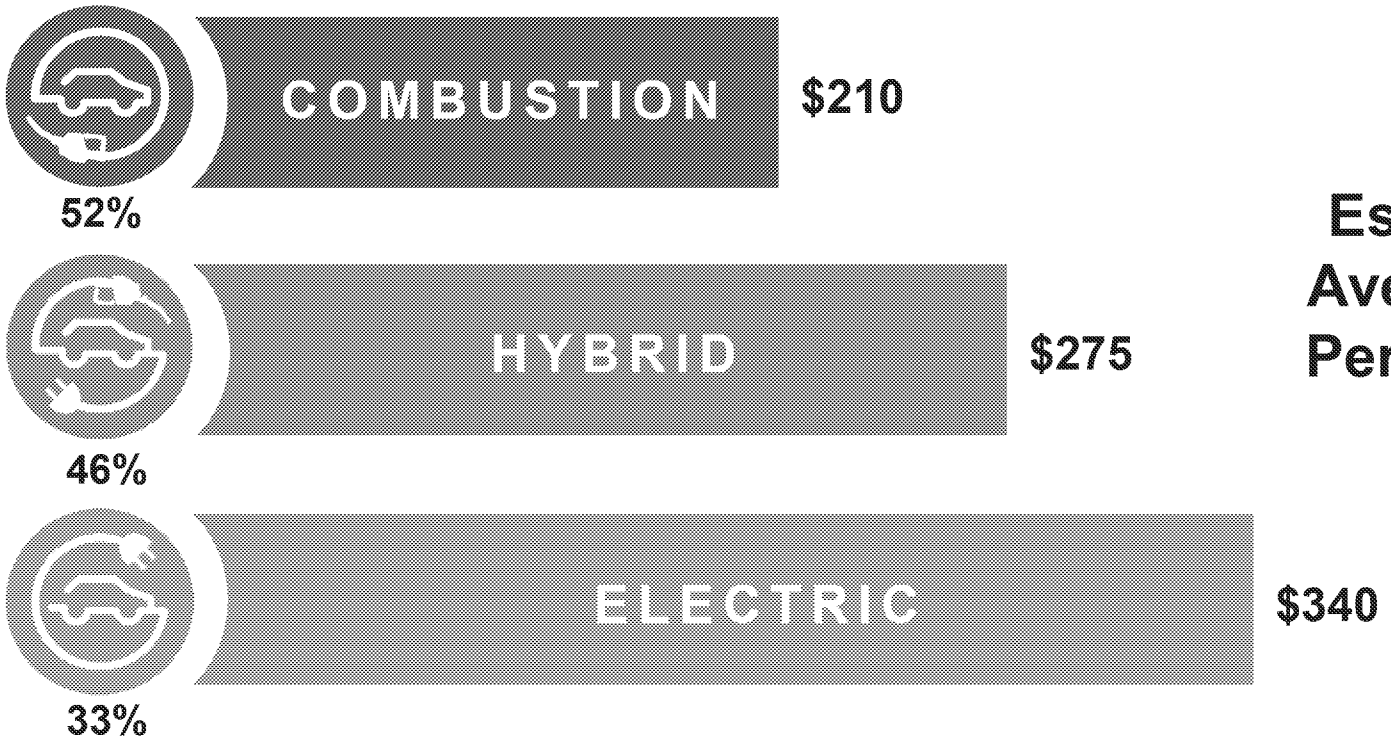
2023 Revenue Outlook of **$14.0bn**



Note: Participation Rate

Estimated 2023 Average Content Per Light Vehicle

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Catching the Waves of Industry Change

- Robust sales growth and margin improvement through 2023
- Product portfolio is well positioned to drive growth across C-H-E
- Manage our portfolio to maximize growth
- Increased focus on cash flow and cost efficiency
- Long-term outlook supported by additional revenue opportunities

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Investor Day 2018

Combustion, Still Growing

Robin Kendrick
President & General Manager

September 18, 2018

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Combustion Still Growing

Combustion

- Demand for BorgWarner products continues to grow in combustion propulsion
- Innovation focused on efficient and clean combustion
- Hybrids are an additional demand driver for efficient ICE products

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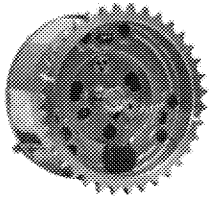
Combustion Propulsion Technology*

Combustion

* Includes engines, transmissions and all-wheel drive systems with no electrification, includes stop/start. All prices are estimates, actual prices will vary.

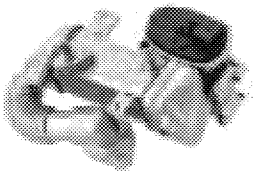
Combustion Products:

- Timing system
- Variable cam timing
- Exhaust gas recirculation
- Clutch plates
- All-wheel drive systems
- Enhanced starters
- Fans & fan drives
- Pictured products and many more…



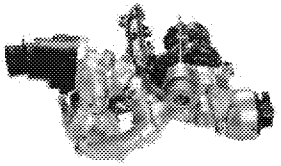
Variable Cam Timing

$45



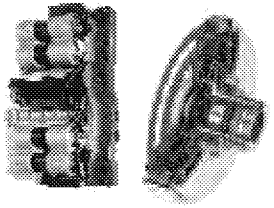
Exhaust Gas Management

$100



Boosting Technologies

$250



Transmission Technologies

$350

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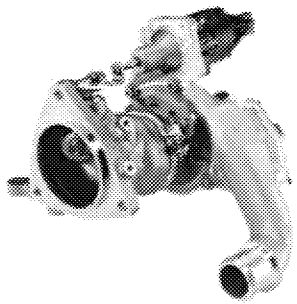
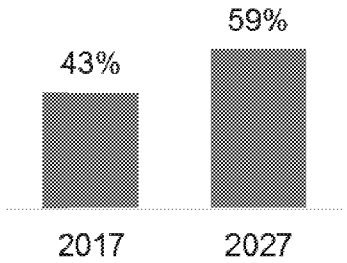
Penetration Rates Continue to Grow

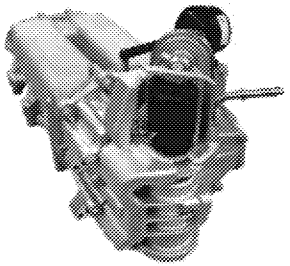
Combustion

Technology Penetration % - Combustion Only

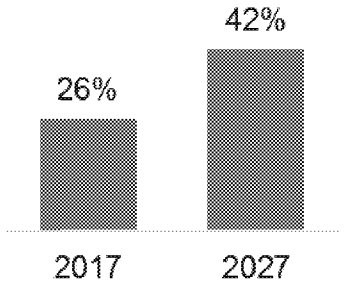


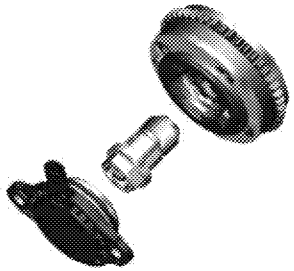
Turbochargers



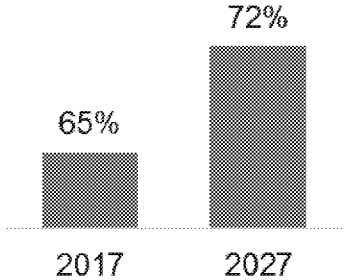


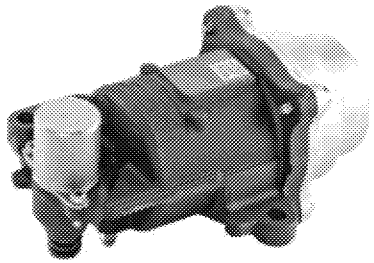
Exhaust Gas Recirculation



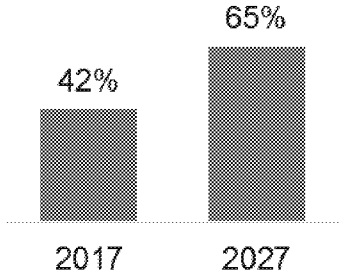


Variable Cam Timing





Stop/Start



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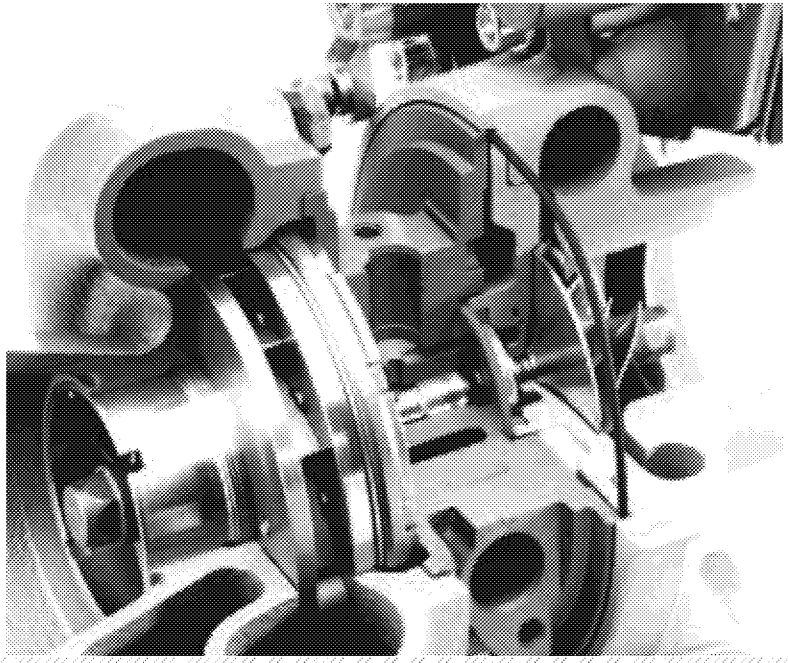
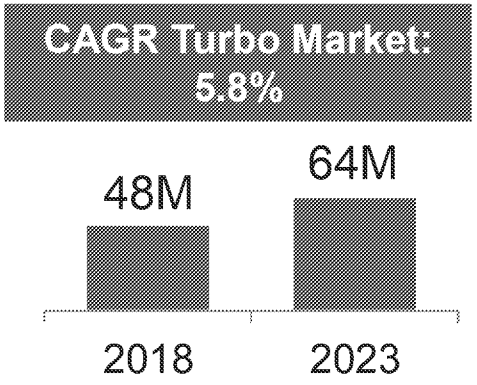
Gasoline Turbocharger

Combustion

- Variable Turbine Geometry for highly fuel efficient gasoline engines





Turbo Penetration	2018	2023
Europe	80%	80%
North America	31%	52%
Asia	37%	52%
Global	**47%**	**59%**

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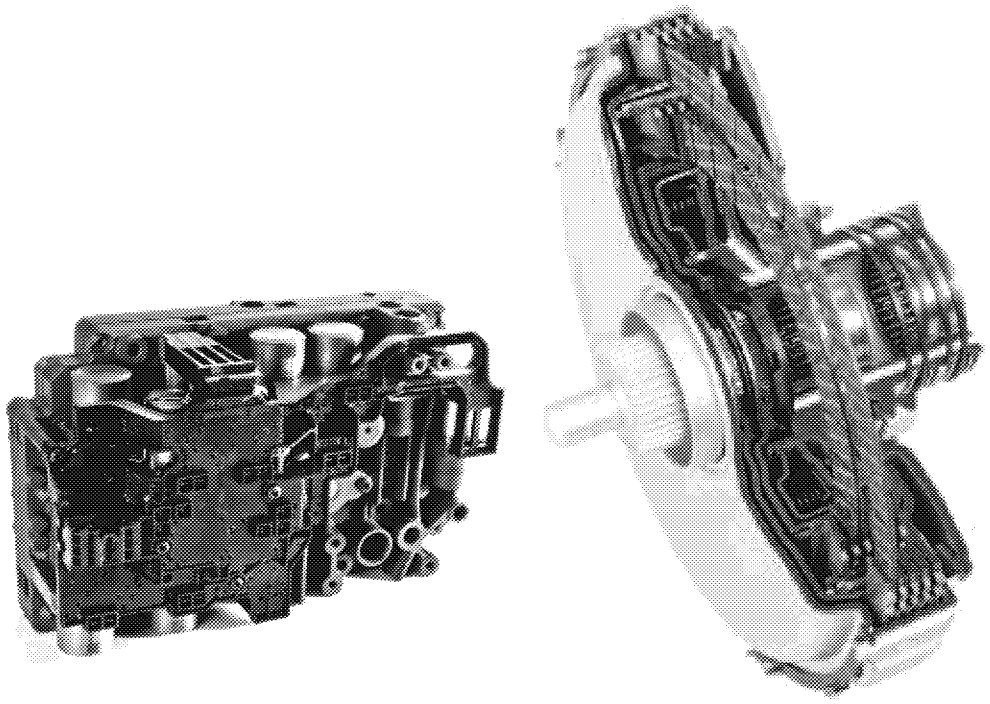
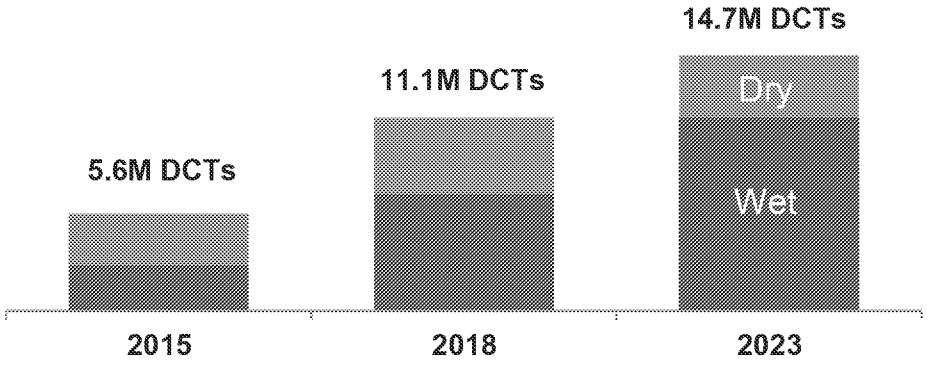
Dual Clutch Transmission (DCT) Modules

Combustion



Market:

- Global Market CAGR ’18–’23: 5.7%
- BorgWarner Global Rev. CAGR ’18–’23: ~10%



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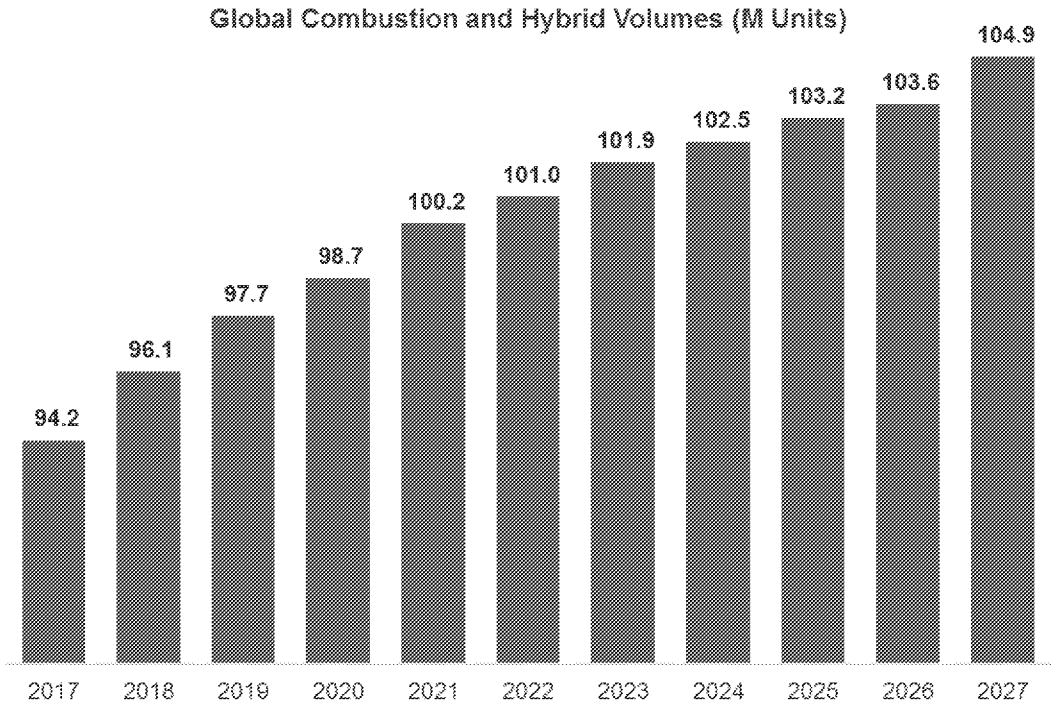
Hybrid Opportunity for Efficient Combustion Products

Combustion

Technology Penetration % - Hybrid Only		
	2017	2027
Turbochargers	20%	67%
Variable Cam Timing	63%	70%
Dual Clutch Transmission	15%	36%



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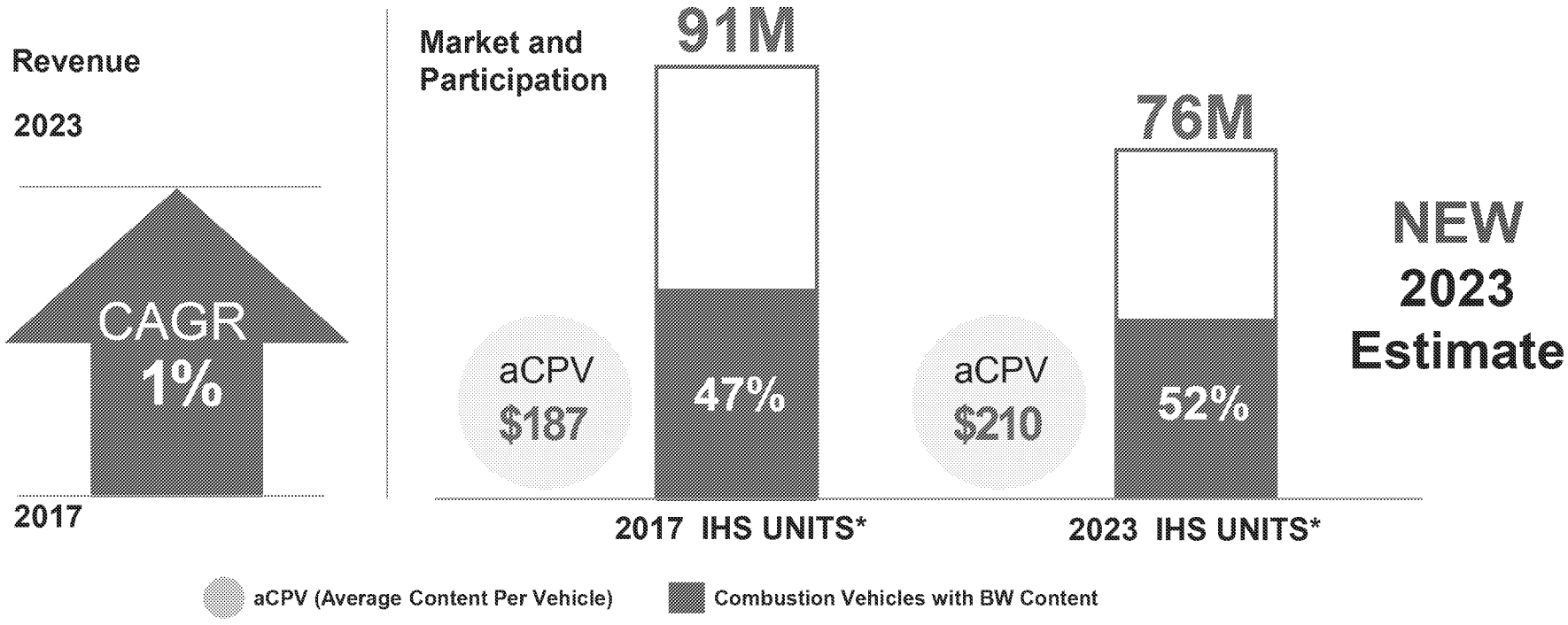
Combustion Still Growing



*Source market data: IHS Light Vehicle Forecast (June 2018). All values are approximate.

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Investor Day 2018

Hybrid, Breadth Across Portfolio

Joe Fadool
President & General Manager

September 18, 2018

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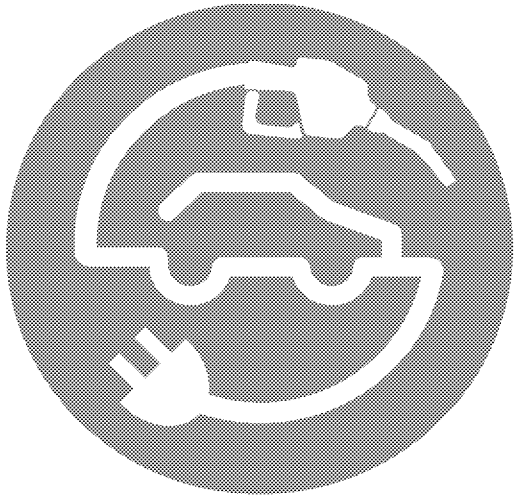
Significant Revenue Growth



Hybrid

- **Strong** global market growth
- **Right** products and portfolio **depth** is driving **leading position**
- **Overweight** hybrid business by 2023

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Hybrid Propulsion Technology*

Hybrid

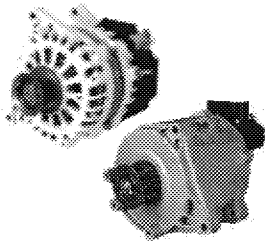
* Includes mild, full and plug-in hybrid. All prices are estimates, actual prices will vary.

Combustion Products
PLUS Hybrid Specific Products

- Exhaust heat recovery systems
- Electric drive motors
- Disconnect clutch and controls
- Pictured products and many more…

eBooster

$250

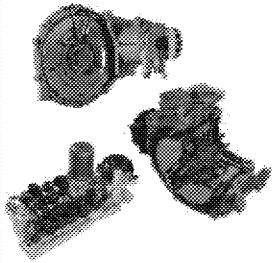


iBAS Systems

$200

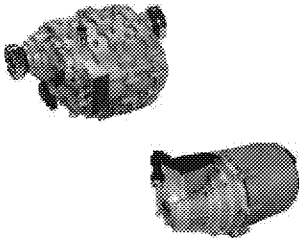
Power Electronics

$600



P2 Hybrid Modules On/Off Axis

$900



Electric All-Wheel Drive

$1200

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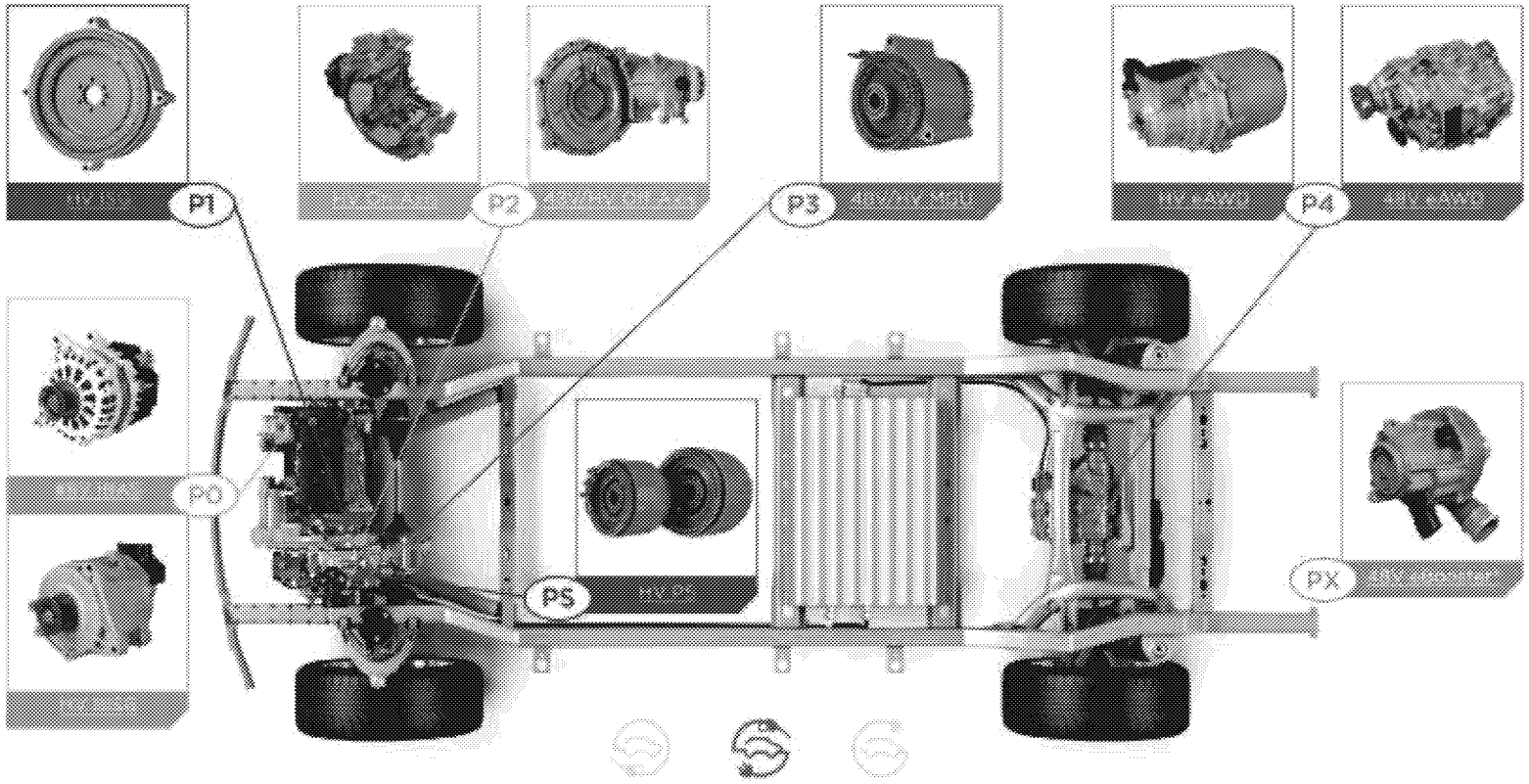
Broad Expertise Across Hybrid Platforms

Hybrid



- iBAS – Integrated Belt Alternator Starter
- BISG – Belt Integrated Starter Generator
- MGU – Motor Generator Unit
- PS – Power Split

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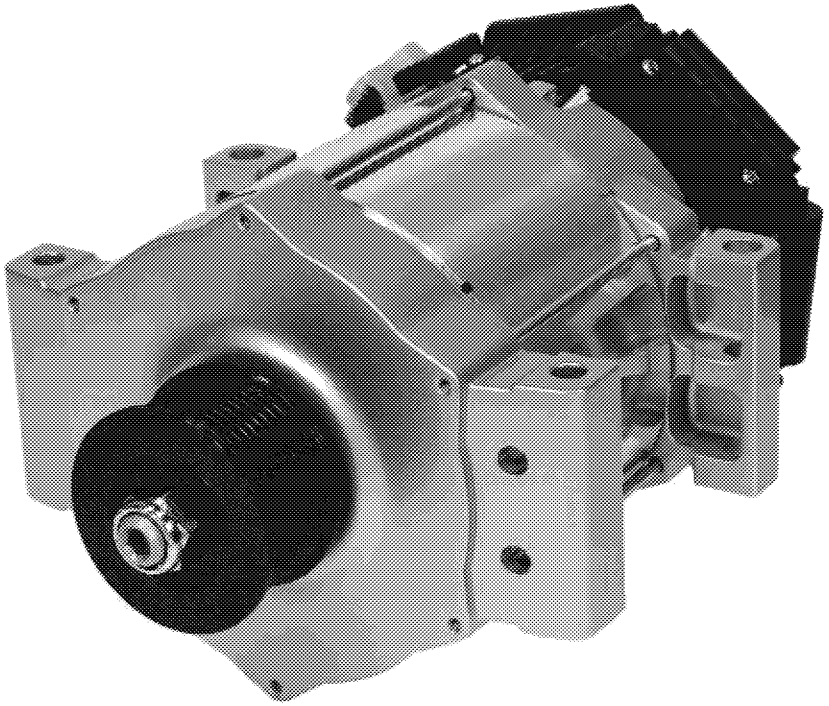
Integrated Motor Generator (MGI)

Hybrid

- High performance 48V electrical machine
- S-Wind technology drives competitive advantages in efficiency and compact design
- Motor Generator Unit with integrated Power Electronics
- Modular concept to fit multiple hybrid architectures



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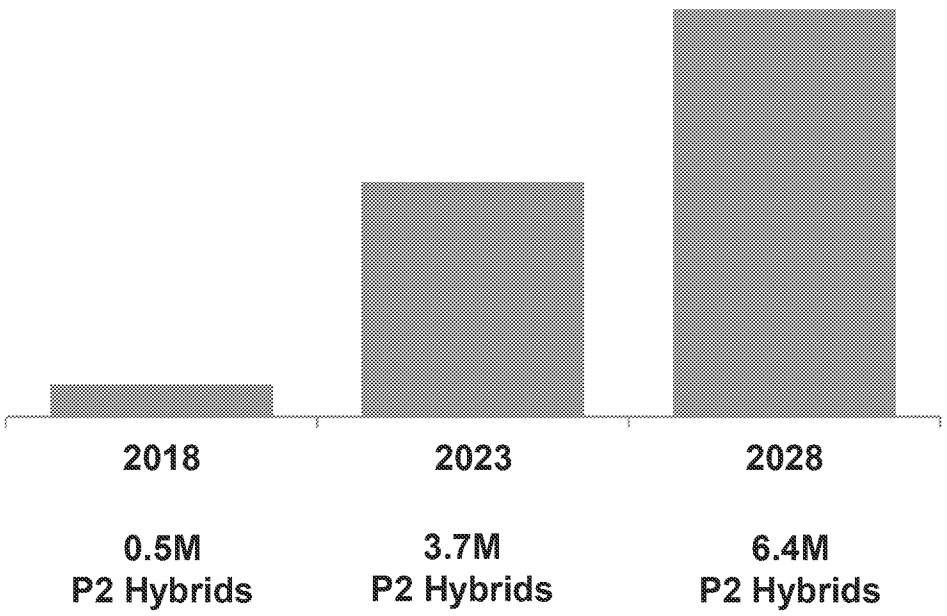
Growing P2 Hybrid Opportunity

Hybrid

- Strong volume growth, with upside potential in the market forecast
- Leverages transmission, clutching, hydraulic controls, and electric motor expertise
- Numerous production contracts awarded (18 to date)



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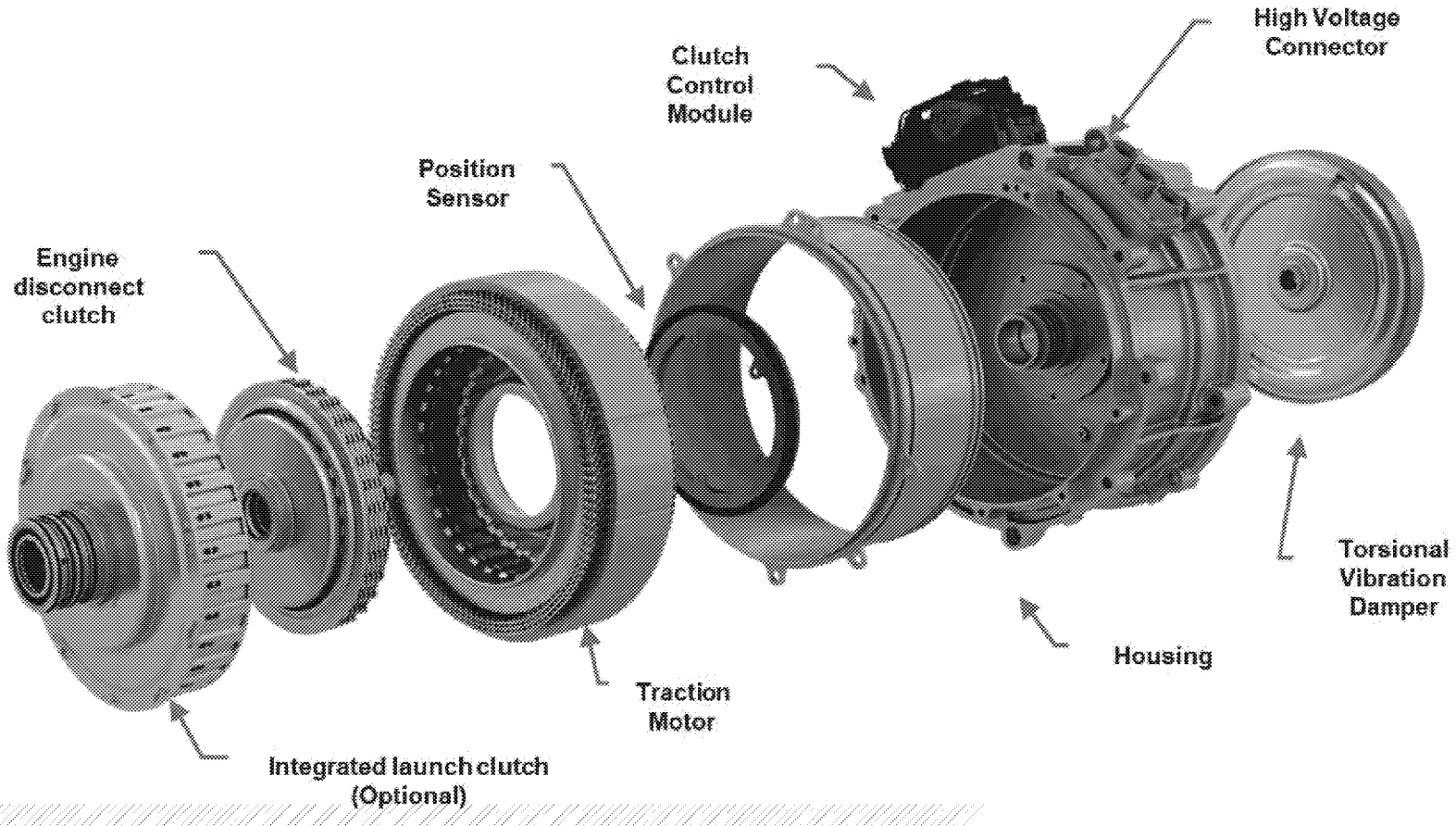
P2 Modules – Leveraging Our Expertise

Hybrid



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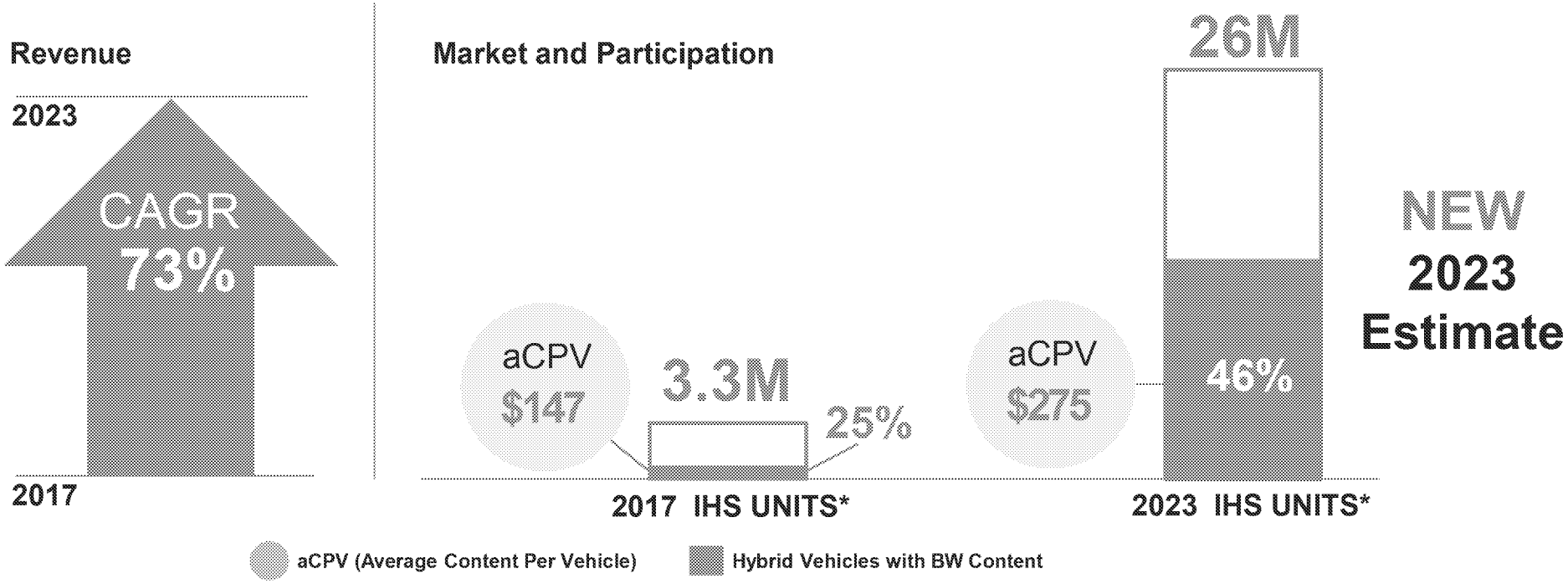
Significantly Increasing Penetration and aCPV

Hybrid



*Source market data: IHS Light Vehicle Forecast (June 2018). All values are approximate.

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Investor Day 2018

Electric, Full System Expertise

Stefan Demmerle
President & General Manager

September 18, 2018

BorgWarner

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Full System Expertise Driving Growth

Electric

- Uniquely positioned to provide complete propulsion solutions for Electric vehicles
- Wide variety of products fitting customers needs
- Leveraging system competence to win business

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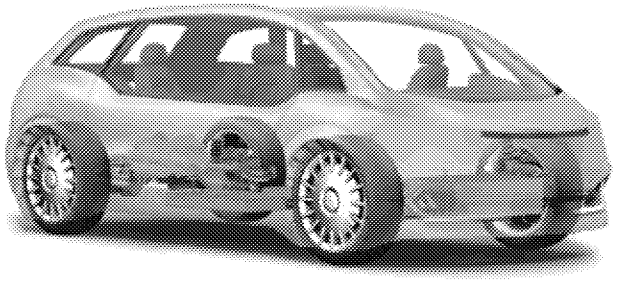
Electric Propulsion Technology*

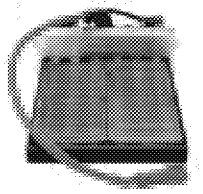
Electric

* Includes battery electric vehicles, range extenders and fuel cells. All prices are estimates, actual prices will vary.

Electric Vehicle Products:

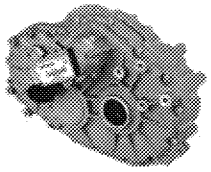
- Battery Heater
- Fuel Cell air supply
- Transmission Chain
- Pictured products and many more…





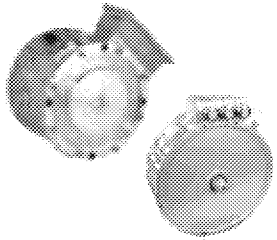
Cabin Heater

$150



EV Transmission eGearDrive®

$500

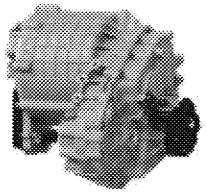


Electric Drive Motor

$700

Power Electronics

$600



Electric Drive Module

$1100

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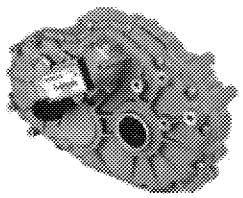
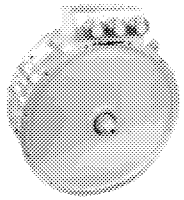
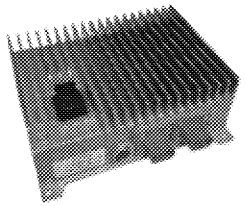
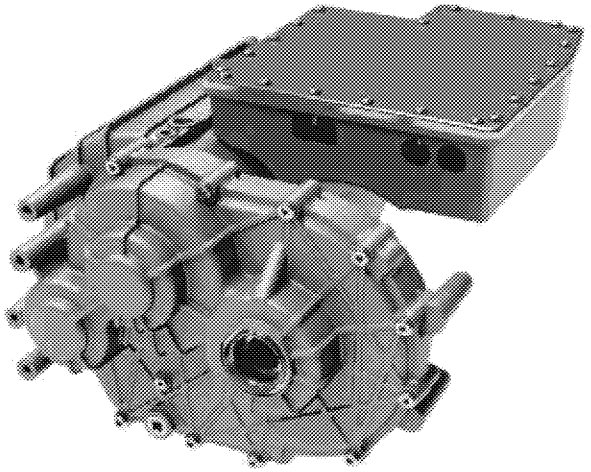
Full Electric Propulsion System Expertise

Electric









EV Transmission eGearDrive®

Electric Drive Motor

Power Electronics

Integrated Electric Drive Module

Specify, Develop and Manufacture

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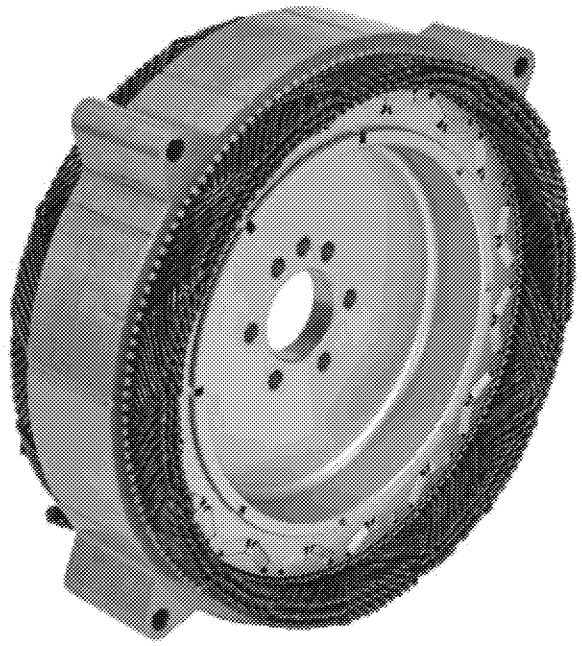
S-wind Stator Technology

Hybrid Electric

- 2018 Automotive News PACE Award winner
- High efficiency and compact winding technology
- Leverage across multiple products (48V through HV) to gain economies of scale



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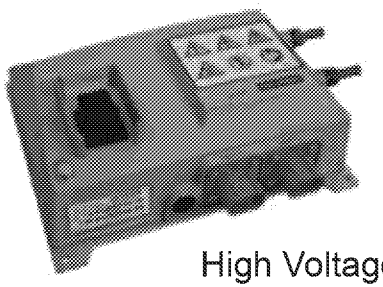
Motor Controllers (Power Electronics)

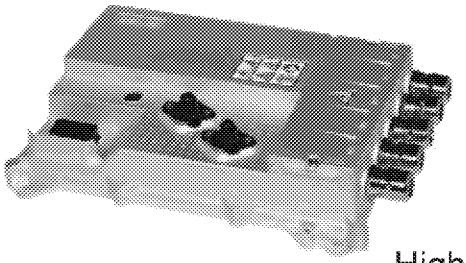
Hybrid Electric

- Motor controllers for pure electric (and hybrid) passenger and commercial vehicles
- Highly configurable to satisfy different vehicle profiles
- Controls both induction and permanent magnet motors

Low Voltage
96Vdc



High Voltage,
Low Power



High Voltage,
High Power

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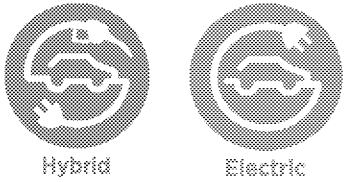
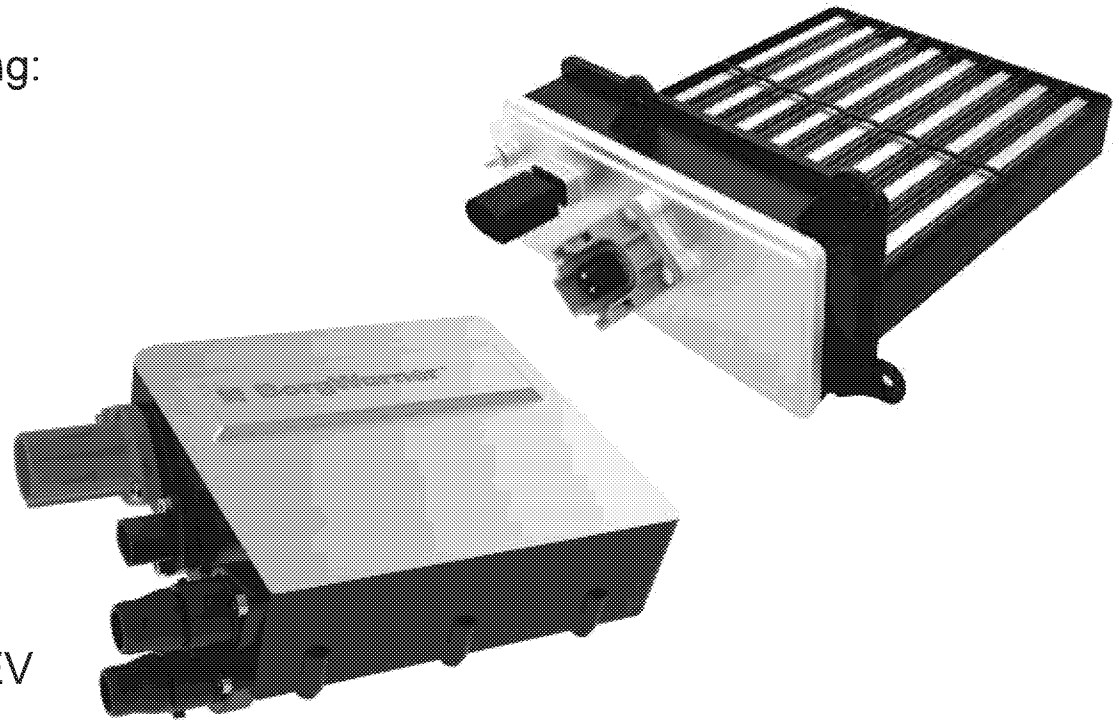
Cabin Heaters & Battery Heaters



- High Voltage Air Heater for Cabin Heating:
  - High power density packages
  - Closed heater rod for safety
  - Light weight design
- High Voltage Coolant Heaters for Cabin and Battery Heating:
  - Highly flexible packaging options
  - Compact technology
  - Fail safe operation
- Applicable to wide range of PHEV and EV platforms



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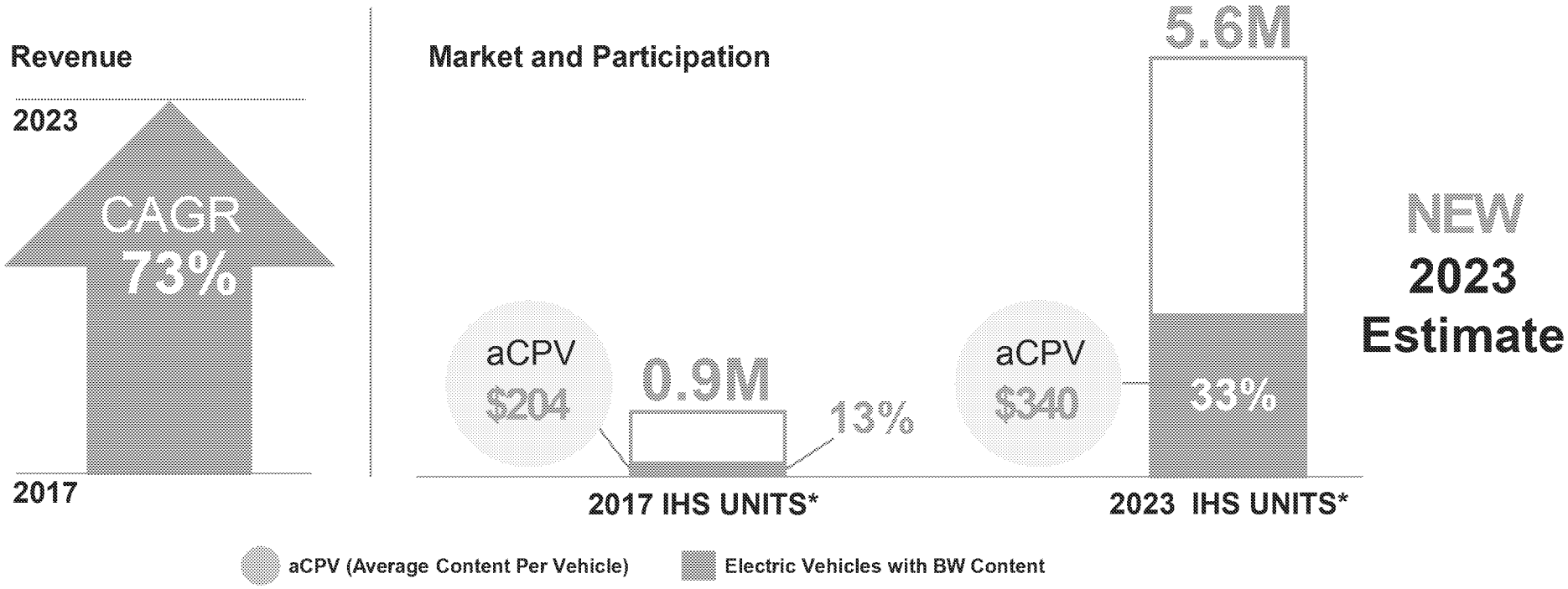
Full System Expertise Driving Growth

Electric



*Source market data: IHS Light Vehicle Forecast (June 2018). All values are approximate.

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Investor Day 2018

Propulsion Technical Center

Auburn Hills, Michigan

September 18, 2018

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Investor Day Agenda - Afternoon

2:05pm Commercial vehicle / aftermarket | Joel Wiegert, President & General Manager

2:15pm Portfolio management | Brady Ericson, Chief Strategy Officer

2:30pm Financial discipline / cash flow & outlook | Ron Hundzinski, Chief Financial Officer

2:50pm Closing remarks | Fred Lissalde

Q&A | All

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Investor Day 2018

Commercial Vehicle and Aftermarket

Joel Wiegert
President & General Manager

September 18, 2018

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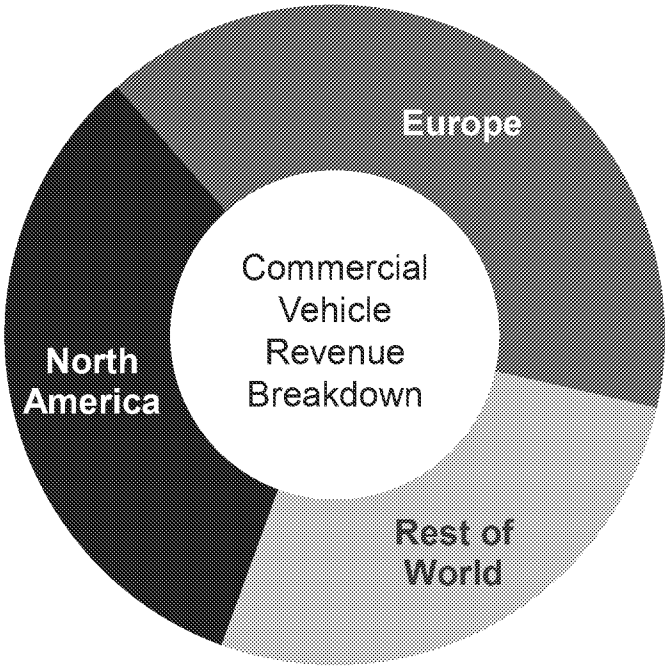
Diverse Commercial Vehicle Portfolio

- ~14% of Total Revenue
- Global Business with Diverse Customer Base
- On and Off-Road Exposure



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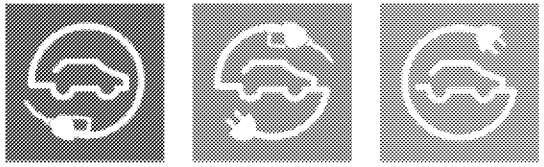
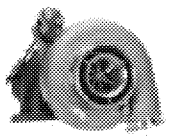
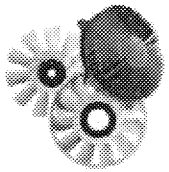
Commercial Vehicle Technology



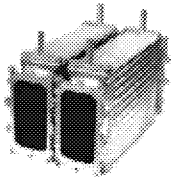
Low fuel consumption and long service life are priorities. BorgWarner offers highly efficient combustion, hybrid and electric technologies.



Boosting Technologies

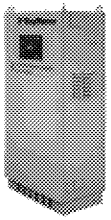


Thermal Management

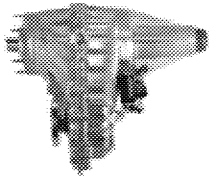


Exhaust Gas Management

Starters & Alternators



Battery Charging



Heavy Duty Transfer Case

Transmission Components

Power Electronics

Electric Drive Module

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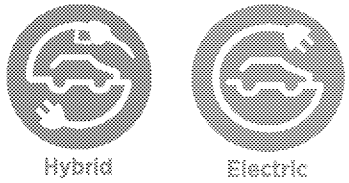
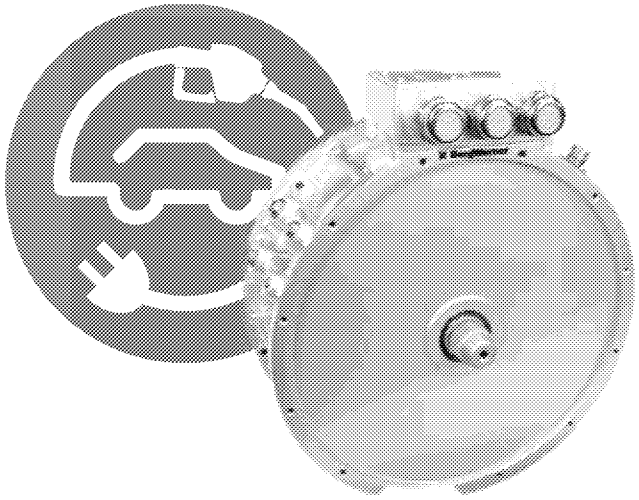
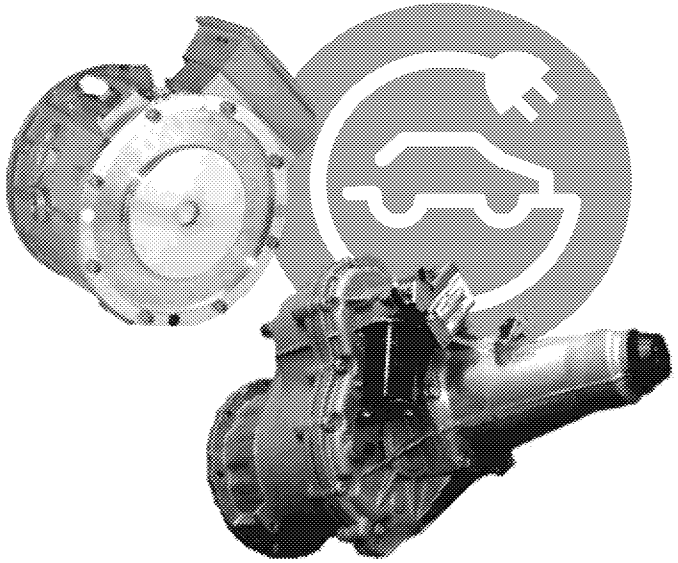
Applying Hybrid & Electric Technologies



Electric Motor for Scania's new Citywide hybrid bus



Electric Motor and eGearDrive for FUSO eCanter Trucks



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Global Aftermarket Business Overview

800
Customers in 4 Regions

5
Dedicated Reman Operations & 5 Distribution Centers

$365M
(~2017 Revenue)
11,000 PNs

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Commercial Vehicle & Aftermarket Summary

- Technology translates across both light vehicle and commercial vehicle markets
- Electrification of propulsion systems is happening now
- Growing Aftermarket revenue opportunities
- Conservative revenue projections in a potential growth market

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Investor Day 2018
Portfolio Management

Brady Ericson
Chief Strategy Officer

September 18, 2018

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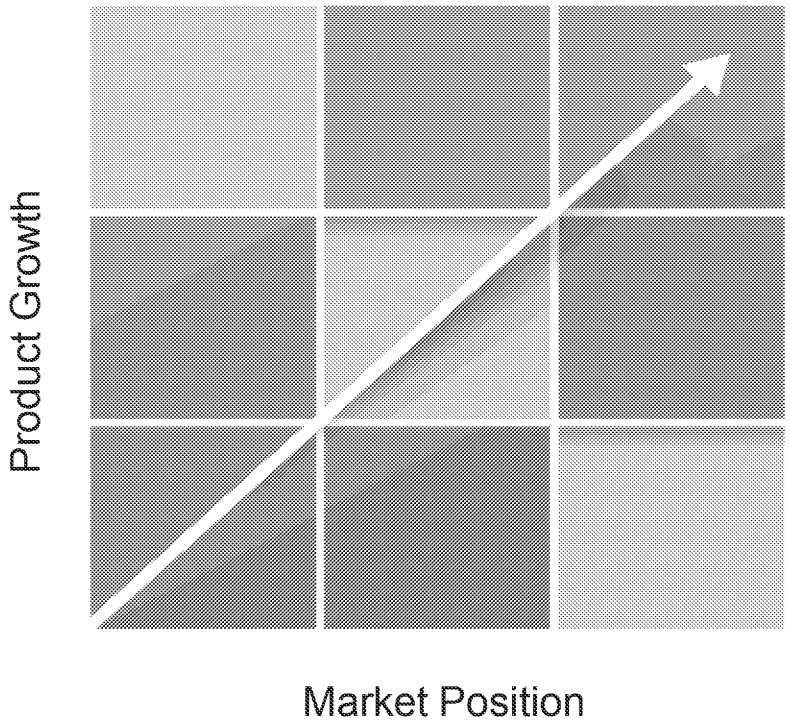
Managing Portfolio for Growth

- Product Line Strategy
  - Prioritize
  - Optimize
  - Rationalize

- Active Management of Portfolio to Meet Growth Expectations



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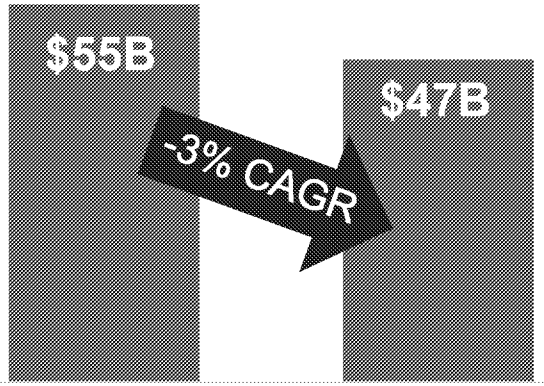
Combustion Opportunity

Combustion

BorgWarner Addressable Market



Market Volumes	91M	76M / (3%)
BorgWarner Content Opportunity Per Vehicle	$607	$613
BorgWarner Rev. CAGR ('17-'23)		1%

Takeaways

- Combustion remains largest market opportunity
- Growth despite declining market volumes
  - Revenues continue to rise
  - Driven by product penetration gains

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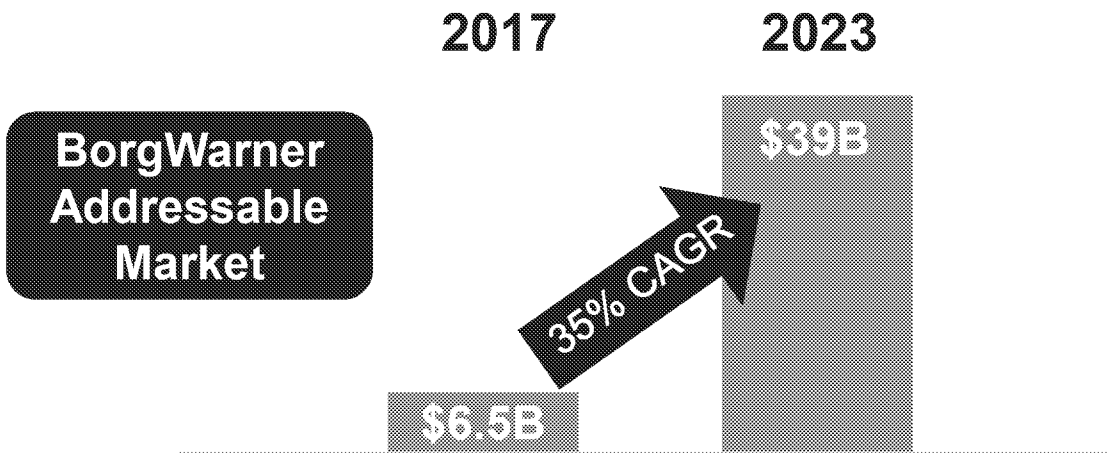
Hybrid Opportunity



Market Volumes	3.3M	26M / 41%
BorgWarner Content Opportunity Per Vehicle	$1,994	$1,501
BorgWarner Rev. CAGR ('17-'23)		73%

Takeaways

- Average Hybrid Cost to Customers declines
  - Current volumes low, led by PS
  - Higher volume content on P0/P1/P2, shifting from PS
- Opportunity in Hybrid is 2.5x that of Combustion
- Revenue CAGR close to double that of market
- Significant share gains

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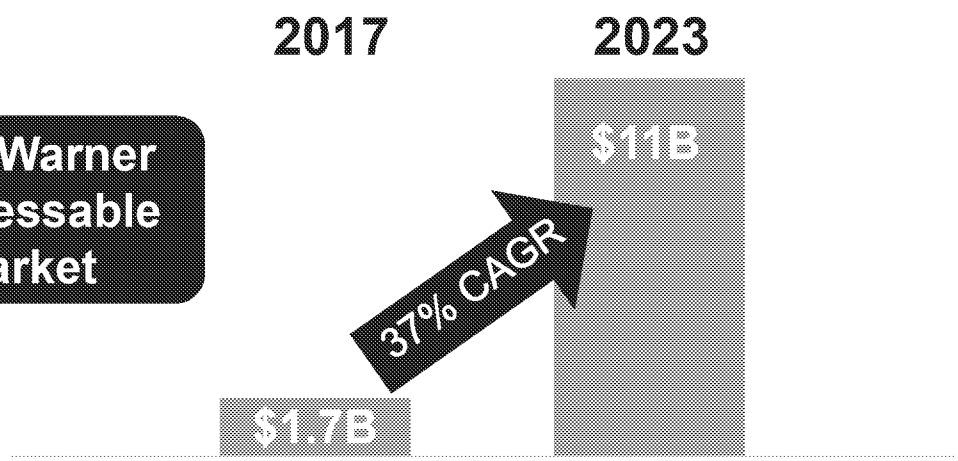
Electric Opportunity

Hybrid

BorgWarner Addressable Market



Market Volumes	0.9M	5.6M / 36%
BorgWarner Content Opportunity Per Vehicle	$1,854	$1,947
BorgWarner Rev. CAGR ('17-'23)		73%

Takeaways

- Average content opportunity increasing
  - Despite prices decreasing
  - Driven by higher AWD penetration
- Opportunity in Electric is more the 3x that of Combustion
- CAGR more than double that of market
- Significant share gains

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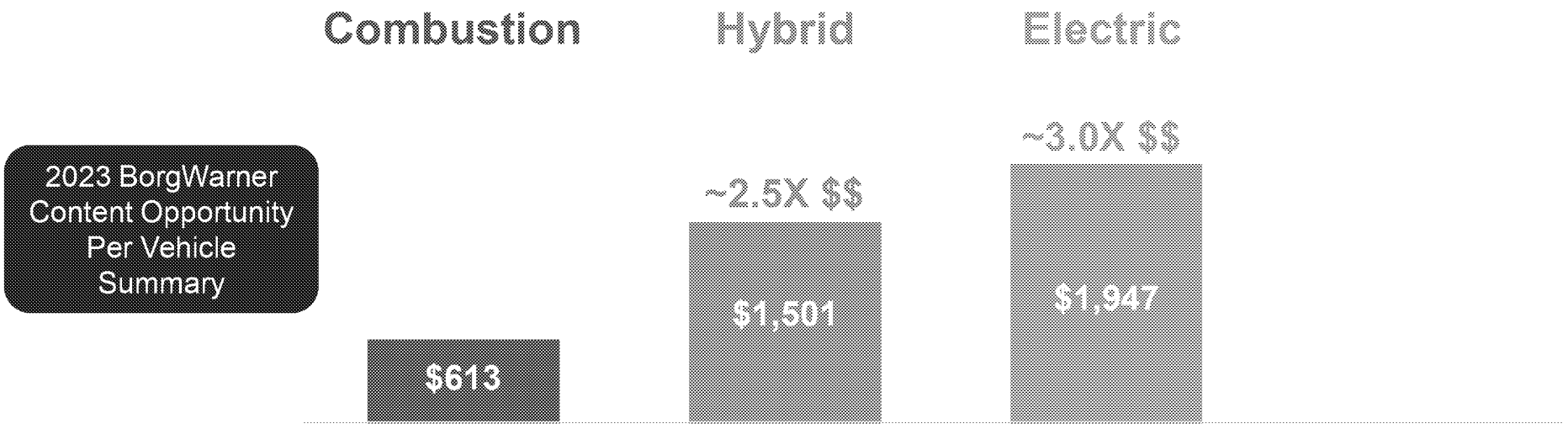
Significantly Higher Content Opportunities in Hybrid and Electric



Market Volumes	76M	26M	5.6M
Addressable Market	$47B	$39B	$11B

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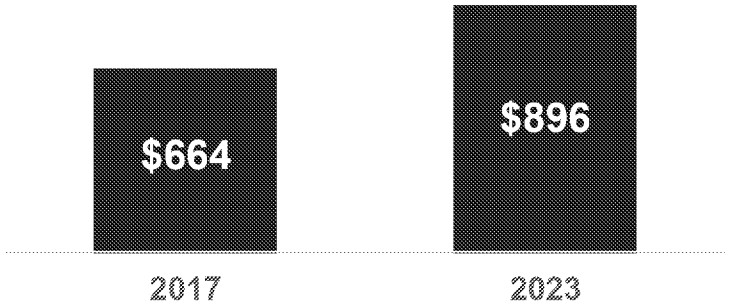
Our Content Opportunity Continues to Grow

BorgWarner

BorgWarner Content Opportunity Per Vehicle Summary



Market Volumes	95M	108M / 2%
BorgWarner Addressable Market	$63B	$97B / 7%
BorgWarner LV Revenue CAGR ('17-'23)		~7%

Takeaways

- Average content opportunity up over 35%
  - Driven by higher share of Hybrid and Electric
- Revenue opportunity up 54%
  - Content and volume driven
  - Equates to 7% CAGR
- BorgWarner light vehicle growth at ~7%
- Hybrid & Electric addressable market $50B

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Investor Day 2018

Financial Discipline & Outlook

Ron Hundzinski
Chief Financial Officer

September 18, 2018

BorgWarner

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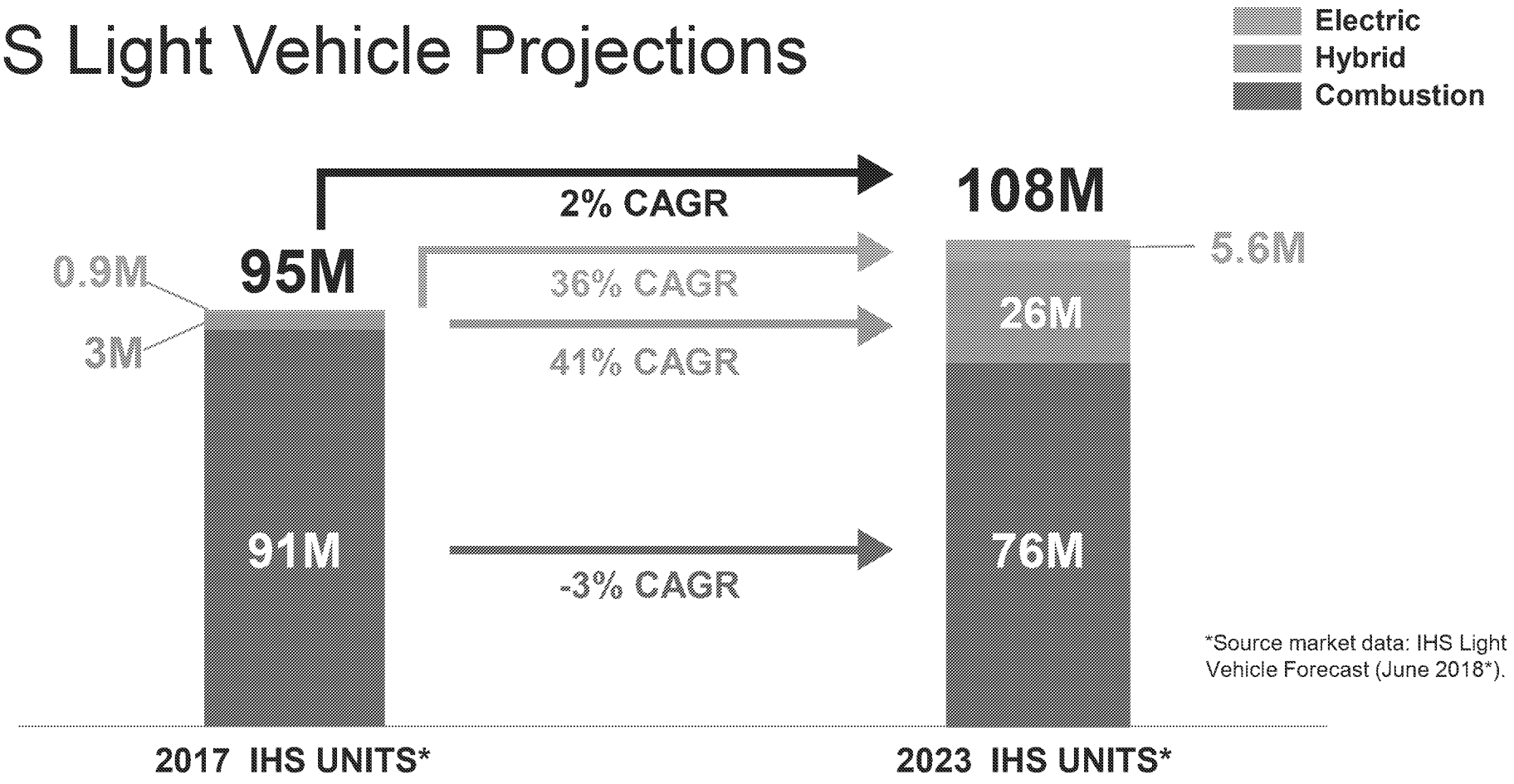
IHS Light Vehicle Projections



Source market data: IHS Light Vehicle Forecast (June 2018).

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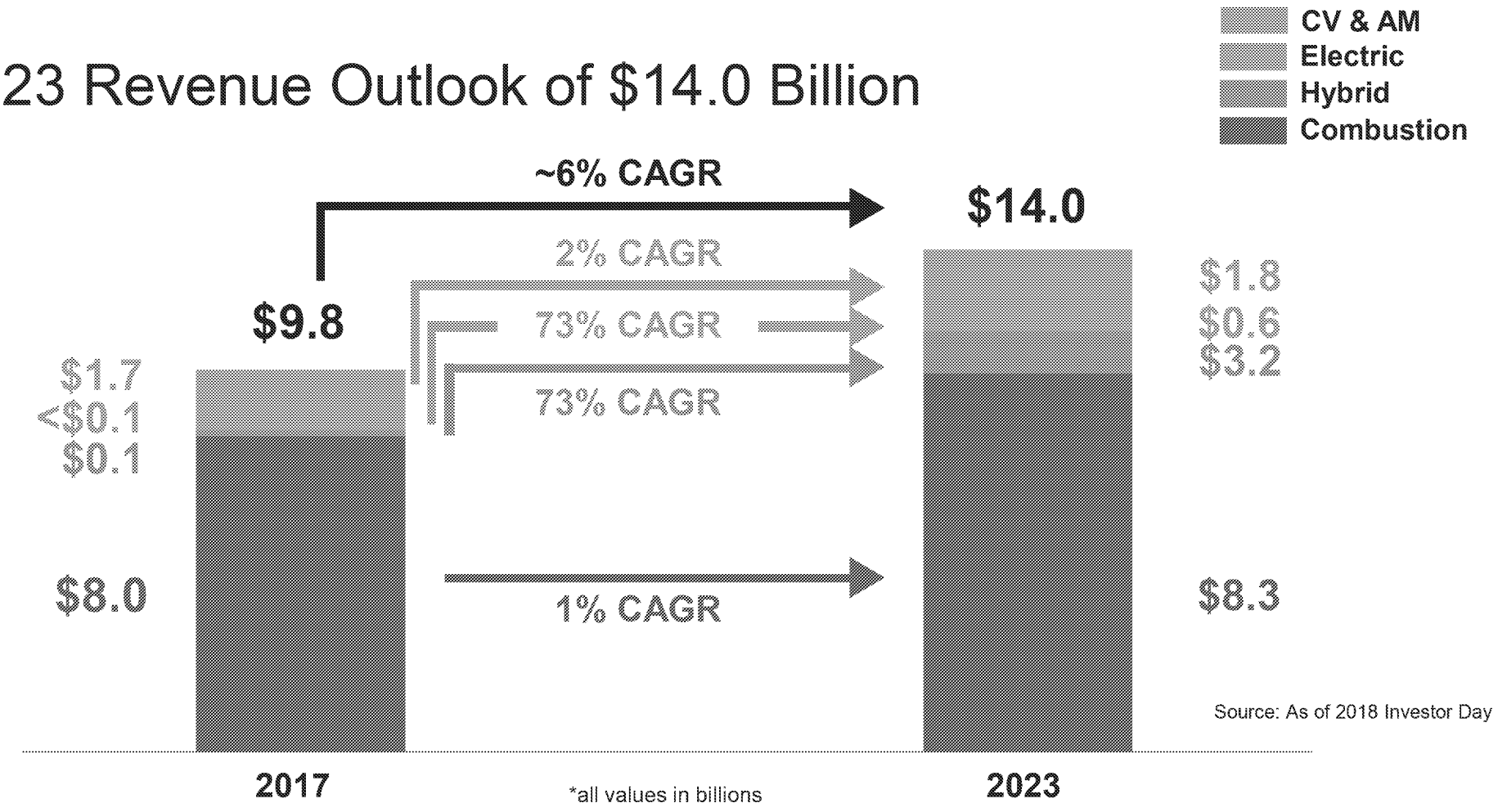
2023 Revenue Outlook of $14.0 Billion



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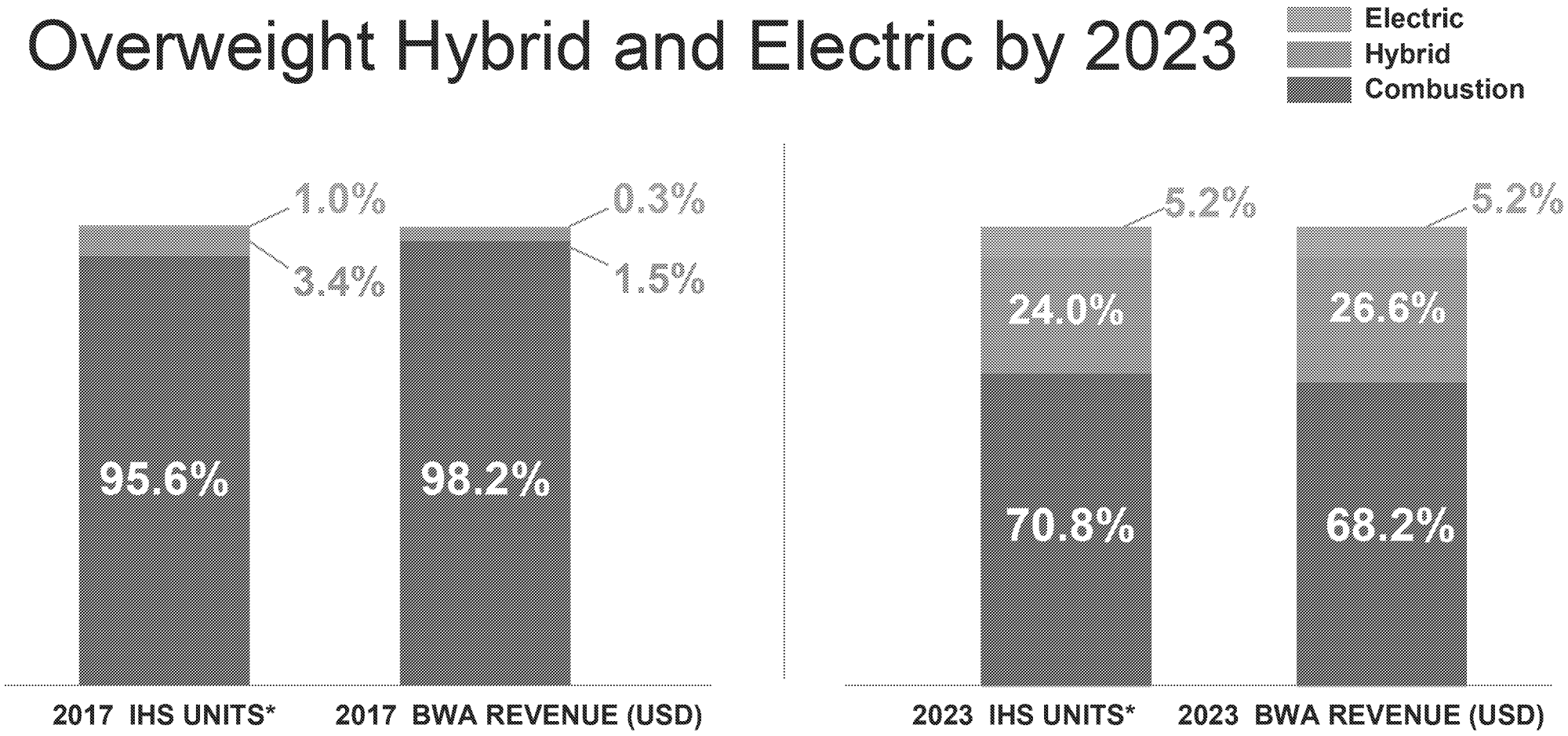
Overweight Hybrid and Electric by 2023



*Source market data: IHS Light Vehicle Forecast (Jun 2018), volumes and revenue are light vehicle only

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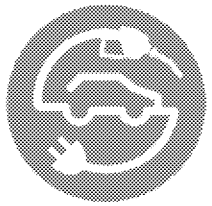
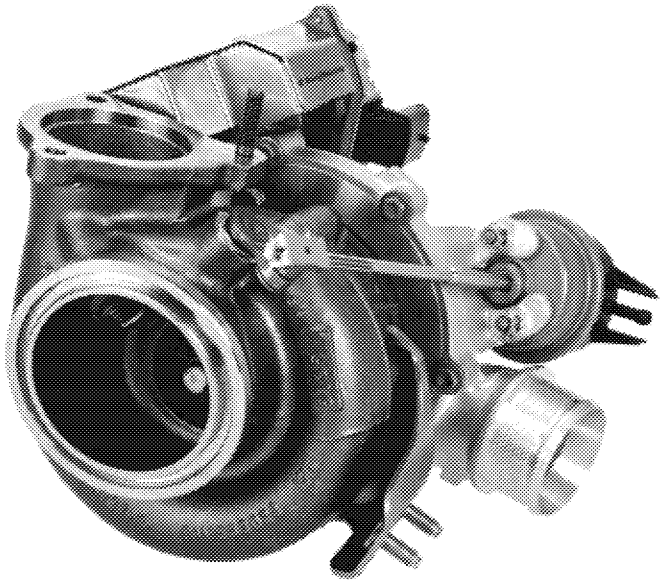
Hybrid Boosting Market Opportunity





Turbocharger Opportunity for Hybrids

- 2028 Hybrid market is 47M vehicles
- Turbocharger penetration of 68%
- Average content per vehicle $250

~$8bn Annual Market Opportunity

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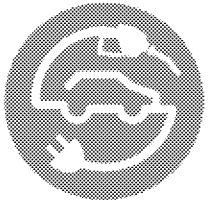
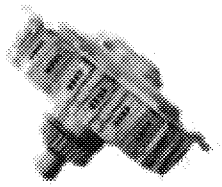
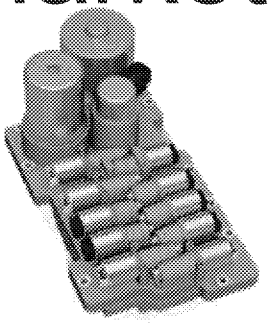
P2 Hybrid Market Opportunity

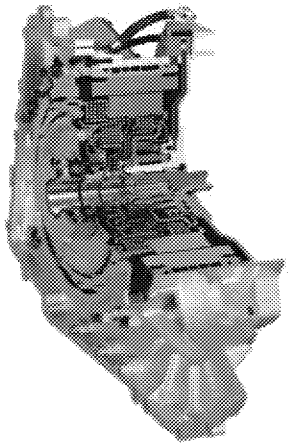




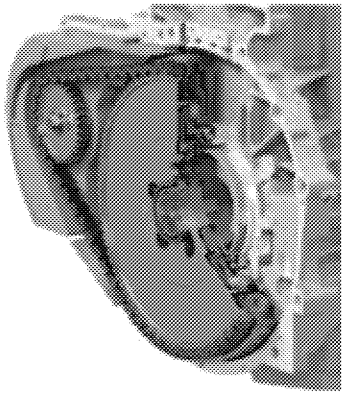
Clutch Modules & Friction



Transmission Controls



P2 "On-Axis" Modules



P2 "Off-Axis" Modules

P2 Hybrid Architectures

- 2028 Hybrid market is 47M vehicles
- P2 module penetration of 14%
- Average content per vehicle: $900

~$6bn Annual Market Opportunity

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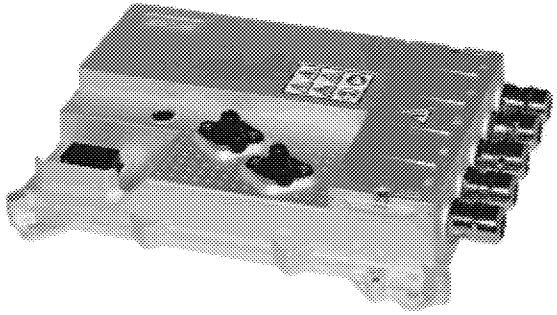
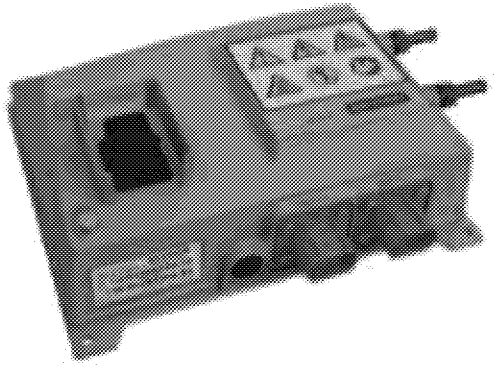
Power Electronics Opportunity

Electric





High Voltage Power Electronics

(excludes 12 & 48V Hybrids)

- 2028 Hybrid and Electric market is 22M vehicles
- Power Electronics penetration of 100%
- Average content per vehicle $350

~$8bn Annual Market Opportunity

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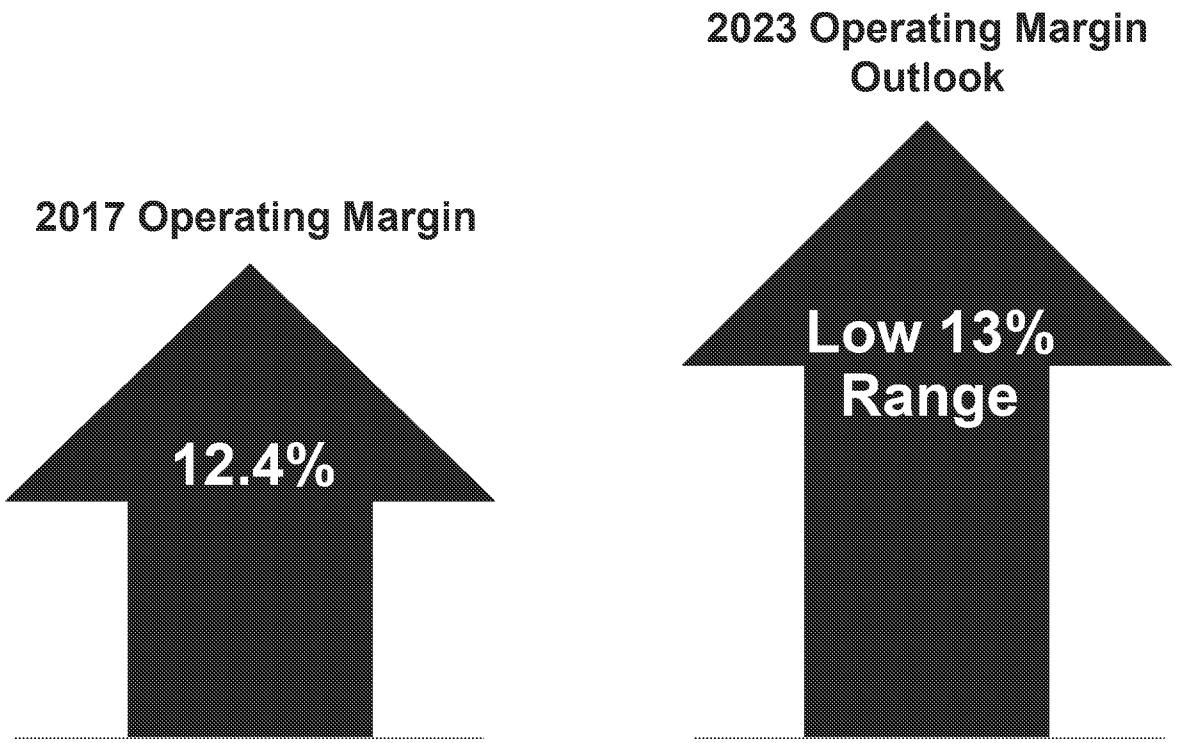
Margins Poised to Expand Through 2023



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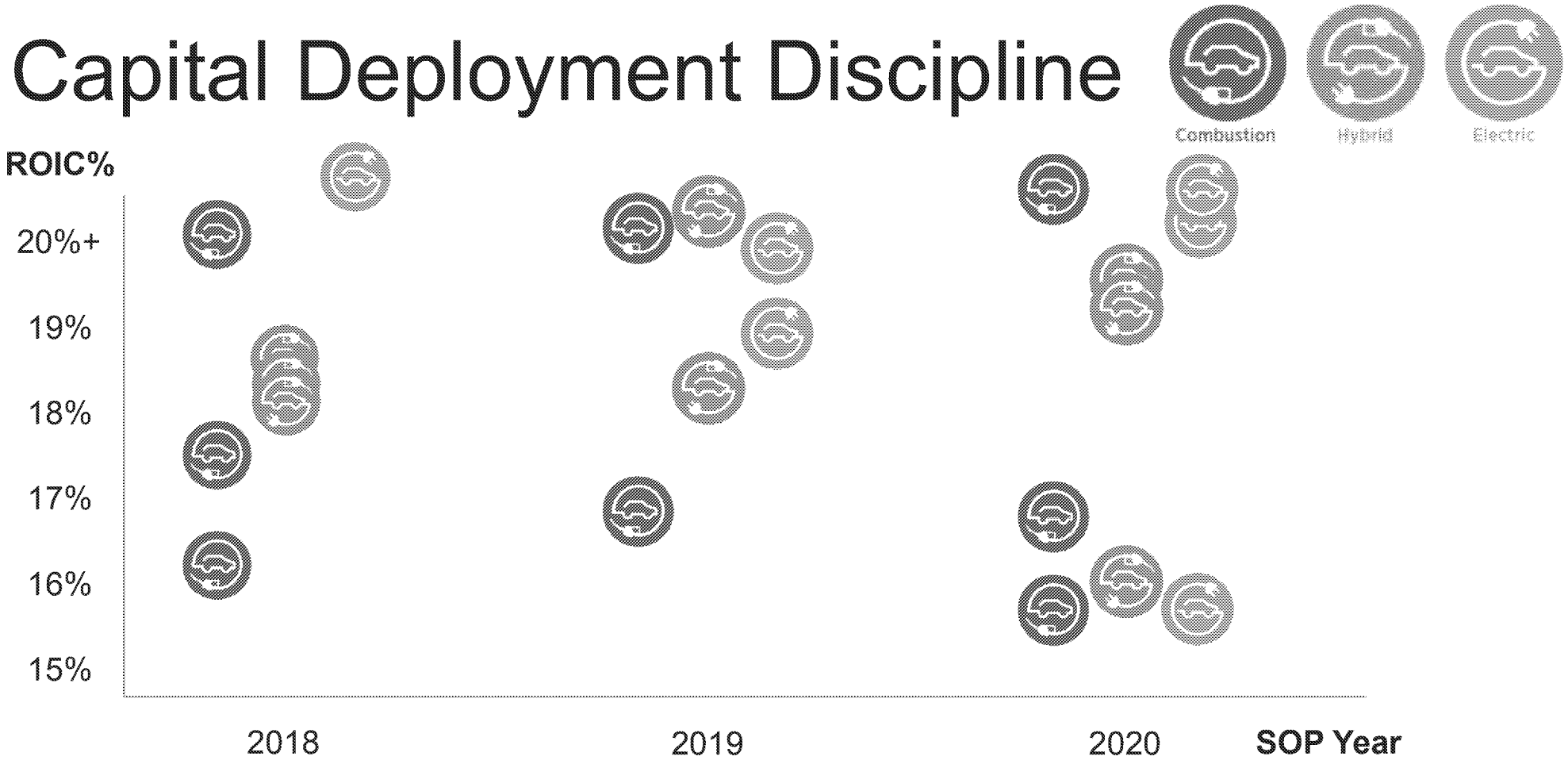
Capital Deployment Discipline



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Focus on Cost Efficiency

- Leverage corporate costs
- Reallocate R&D spend and personnel
- Control launch costs
- Total cost of quality

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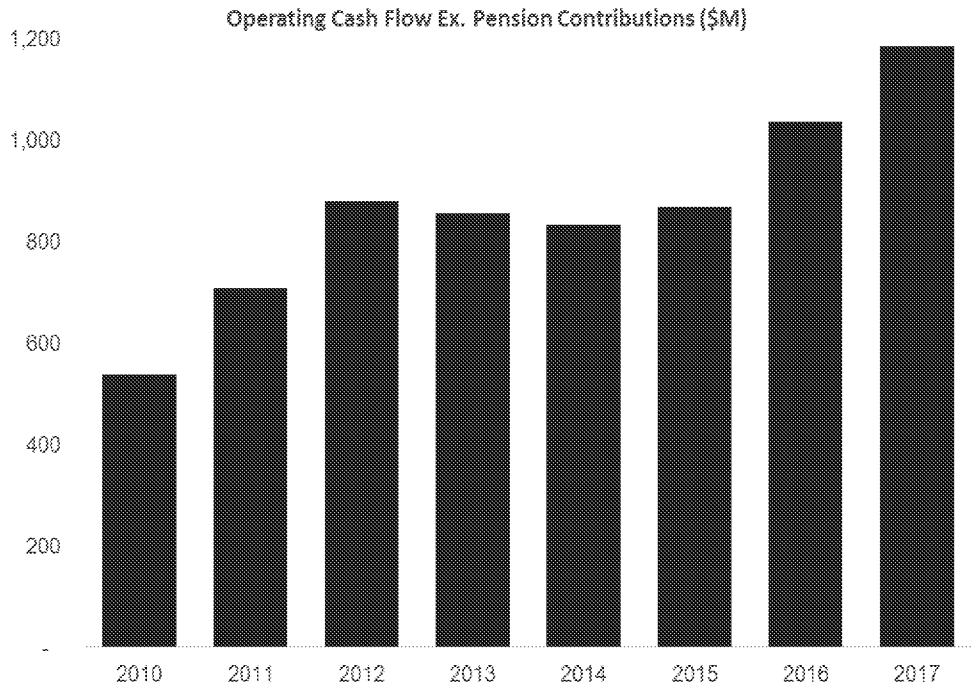
Strong Base for Free Cash Flow Improvement



- Operating Cash Flow Continues to Improve

  Goal: Accelerate Pace

- Capital Spending to Support Growth

  Goal: Increase Efficiency

- Increase Corporate Level Focus

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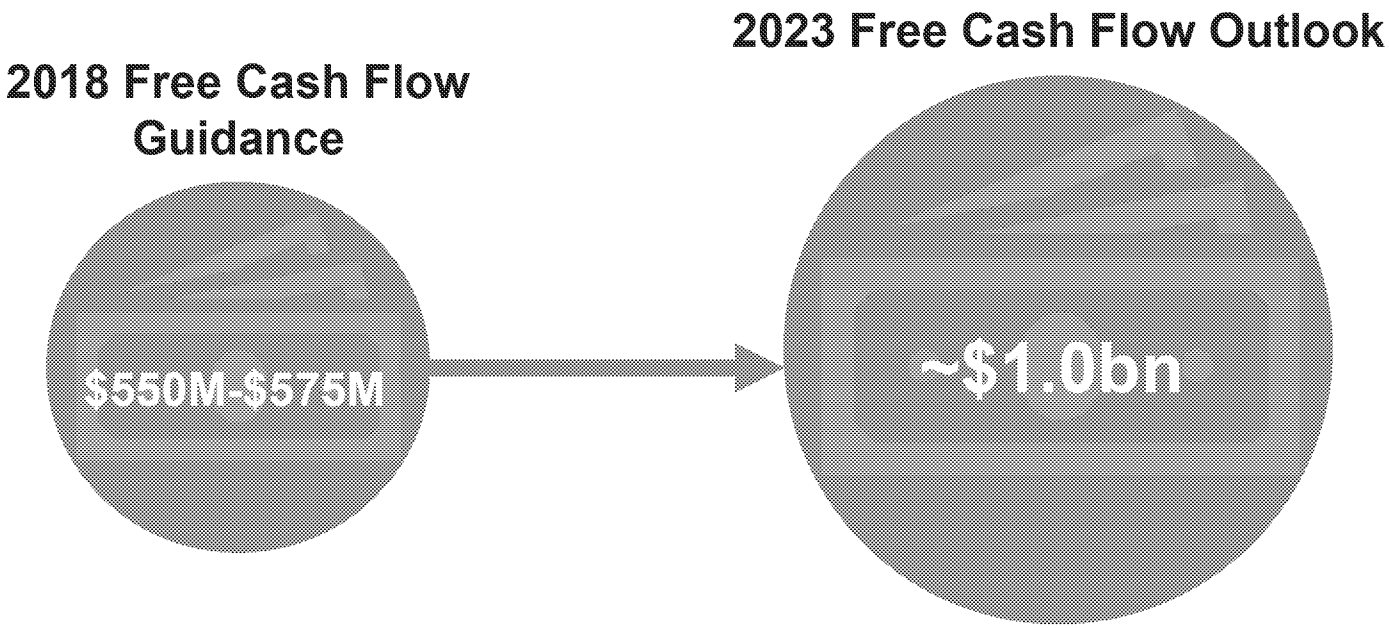
Significant Free Cash Flow Leverage



12% FCF CAGR through 2023

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Cash Priorities

- Return Capital to Shareholders
  - Dividend growth in line with cash flow
  - Opportunistic share buybacks
- Manage Portfolio for Growth
  - Effective technology driven acquisition of assets
  - Identify non-core assets for possible divestiture
  - Balance near-term financial impacts with long-term portfolio positioning

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Building Upon Our Financial Strength

- Expect $14bn of revenue by 2023
- Overweight hybrid and electric revenue by 2023
- Abundant future growth opportunities
- Margin improvements poised to continue
- Expect $1bn of free cash flow by 2023

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Investor Day 2018
Closing Remarks

Fred Lissalde
President & Chief Executive Officer

September 18, 2018

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Combustion Awards Secured Into Next Decade

Combustion

- Gas <2.0L turbocharger EU (2020, 2021, 2022), Asia (2018, 2020, 2021)
- Gas <1.5L turbocharger EU (2020), Asia (2018, 2019, 2020, 2022)
- Variable Cam Timing EU (2019, 2021), Asia (2019, 2020, 2021), Americas (2020)
- Dual Clutch Module EU (2022), Asia (2019, 2020)
- AWD Systems EU (2019, 2020), Asia (2019, 2020), Americas (2020)
- EGR Cooler EU (2018, 2019, 2020, 2021, 2022), Asia (2018, 2019, 2020, 2021), Americas (2018, 2020)

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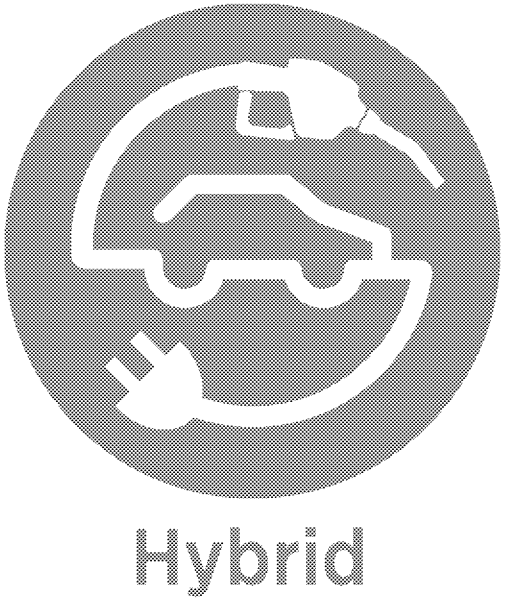
Significant Revenue Contribution from Hybrid Awards



- Complete P2 On-Axis Module Asia (2020, 2021)
- P2 On-Axis Stator EU (2019)
- Wet disconnect and controls for P2 Asia (2019, 2020)
- Chain drive for P3 EU (2018)
- 200V MGU for P0 EU (2019), Asia (2019)
- Exhaust Heat Recovery System Americas (2019)
- 48V eBooster® EU (2019, 2021)

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Awards Across Products, Regions and Customers

Electric

- eGearDrive® Transmission Asia (2018 (3), 2019 (3), 2021)
- Electric Drive Module Asia (2018 (3) 2019 (3))
- Electric Drive Module N. America (2019)
- Electric Drive Motor N. America (2018)
- CV Electric Drive Motor EU (2019, 2020)
- Cabin Air Heater Asia (2018)
- HV Coolant Cabin & Battery Heaters EU (2021), Asia (2021)
- Power Electronics EU (2020, 2021), Asia (2018, 2019)
- Turbine Range Extender (2019)
- Commercial Vehicle (Bus) Charging Station EU (2018)

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BorgWarner: Driving Forward

- $14 billion Revenue Outlook
- Overweight Hybrid and Electric by 2023
- $1 billion Free Cash Flow Outlook
- Electrification Accelerates Opportunities

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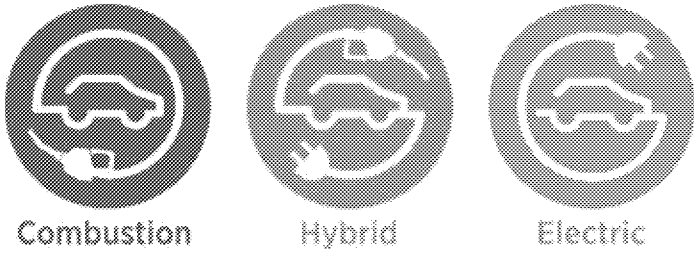
Thank you!



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Investor Day 2018

Propulsion Technical Center

Auburn Hills, Michigan

September 18, 2018

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