



BorgWarner VLC3
Report Out: Profitability & Investment

Event date: May 18



Panel Topic: **Profitability & Investment**



1

What do we need to do to remain competitive in ICE while also funding 'E' growth at the same time?

2

How do we ensure that the financial lenses (metrics and returns) that we typically apply to our business doesn't inhibit the early-stage growth of our 'E' business?

3

It's 2025, and we achieved our targeted EV revenue mix of 25%, but our stock underperformed. What went wrong?



1

What do we need to do to remain competitive in ICE while also funding 'E' growth at the same time?

- Proactively manage our product portfolio and focus on ICE profitability
- Leverage Global Strength for process improvements and cost efficiencies across BUs
- Right size and maximize capacity utilization and cost structure across the enterprise
- Maintain product leadership and defend market share for key, profitable ICE products in the short term
- Consider bold moves, e.g., consolidating combustion products into one BU in order to increase scale and thin overheads/burdens
- Investigate and invest in technologies (hydrogen) and services (reman) to make ICE greener
- Retain and place value on key ICE talent at BW
- Prioritize customer relationships and invest in products that add value to their businesses - but watch our risk profile
- Think strategically about our supply base(s) and opportunities to consolidate



2

How do we ensure that the financial lenses (metrics and returns) that we typically apply to our business doesn't inhibit the early-stage growth of our 'E' business?

- Develop long-term approach to our business model
- Set clear expectations for eProducts and related financials
- Understand that costs associated with new strategies will be different from ICE - set new targets, change the risk tolerance
- Remain flexible and agile during ups and downs of eProducts
- ICE products must contribute high profit to support eProducts investment
- Ensure there is a path to profitability for growth products



3

It's 2025, and we achieved our targeted EV revenue mix of 25%, but our stock underperformed. What went wrong?

- Market shifted at different speed than anticipated
- Profitability/cash flow was not in line with expectations
- BW not recognized as a product leader in EV
- Divested too much/too early
- Lack of growth and longevity with EV customers we partnered with
- Pursued wrong M&A opportunities, or M&As not integrated with speed and with success