

ETI ALPHADIRECT MANAGEMENT SERIES

DECEMBER 11, 2017

IN FOCUS: WESTPORT FUEL SYSTEMS INC. AND THEIR ADVANCED ALTERNATIVE FUEL SYSTEMS AND AUTOMOTIVE BUSINESS.

This report focuses on Westport Fuel Systems, Inc. (WPRT) and their advanced clean-burning fuel systems and automotive business.



Source: www.energytechinvestor.com

THE ENERGYTECH INVESTOR INSIGHT

Westport Fuel Systems has experienced a significant transition over the past few years, including a senior management change and a major merger, which streamlined the company into three main business divisions: Automotive, the Cummins Westport joint venture, and Corporate and Technology. The focus of the AlphaDirect Series is to help investors gain a basic understanding of the business operations before we take a deeper dive into the company. There are a number of market drivers for Westport Fuel Systems that include both economic advantages as well as environmental and emissions benefits. We believe that natural gas will play a meaningful role in the clean transportation future and Westport Fuel Systems is well positioned to benefit from these trends. This has been a critical transformation for investors to understand as the technology converges with market dynamics and the company moves forward on executing its growth strategy across all three divisions.

WPRT Business Snapshot

Founded: 1995

Headquarters: Vancouver, Canada

Ticker: WPRT (NASDAQ)

Stock Price: \$3.18*

Market Cap: \$408.65M*

Website: www.wfsinc.com

*As of November 24, 2017



About EnergyTech Investor

EnergyTech Investor, LLC (ETI) is an independent research and Investor Intelligence firm that creates and implements digital content and programs to help investors better understand a company's key drivers including industry dynamics, technology, strategy, outlook and risks as well as the impact they could have on the stock price. EnergyTech Investor's expertise encompasses a variety of sectors including Clean Transportation, Emerging EnergyTech, Energy Services, Smart Buildings, Solar, Water Value Chain and Industrial. EnergyTech Investor was founded by Wall Street veteran and research analyst, Shawn Severson, after seeing a significant shift in the investment industry that resulted in less fundamental research conducted on small cap companies and a significant decline in information available to all investors. ETI's mission is to bridge that information gap and engage companies and investors in a way that opens information flow and analytical insights.

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Participants

Ms. Nancy Gougarty
Chief Executive Officer
Westport Fuel Systems, Inc.

Ms. Gougarty joined Westport Fuel Systems in 2013 as President and Chief Operating Officer. In July 2016, Ms. Gougarty was appointed Chief Executive Officer. Prior to joining Westport, Ms. Gougarty served in various roles at TRW Automotive, including Vice President of Operations in Asia Pacific, Vice President of Product Planning, Business Planning and Business Development as well as Vice President of Breaking, Electronics and modules for Asia Pacific. Ms. Gougarty has also served on the board of directors for Westport Fuel Systems since 2013.

Mr. Shawn Severson
Founder and CEO
EnergyTech Investor, LLC

Mr. Severson is the founding partner and CEO of EnergyTech Investor, LLC. He has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding ETI he led the Energy, Environmental and Industrial Technologies practice at the Blueshirt Group. Mr. Severson was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



ABOUT WPRT

Westport Fuel Systems Inc., a transportation technology company engineers, manufacturers and supplies advanced clean-burning fuel systems and components in North America, Europe, Asia, South America and Africa. The company operates in three segments: Automotive, the Cummins Westport joint venture, and Corporate and Technology. From components to fully integrated systems, the company offers a wide range of products and services for alternative fuel solutions powered by natural gas, propane, renewable natural gas, and hydrogen. With a breadth of reach spanning from passenger vehicles to heavy-duty trucks, locomotives, marine applications, refueling, electronics and a strong intellectual property portfolio, Westport Fuel Systems serves original engine manufacturers (OEMs) and aftermarket distributors in more than 70 countries, under leading transportation brands including BRC Gas Equipment, Westport, Emer, OMVL, Valtek, Prins, GFI, Zavoli, TA Technology and Cubogas. Further, through its Cummins Westport joint venture, the company offers natural gas engines for transit, school, and shuttle buses; conventional trucks and tractors; refuse collection trucks; and specialty vehicles, such as short-haul port drayage trucks and street sweepers. The company was founded in 1995 as Westport Innovations Inc. and became Westport Fuel Systems Inc. in June 2016 following its merger with Fuel Systems Solutions. The company is headquartered in Vancouver, Canada with over 1200 employees and offices in 15 countries.

Shawn Severson: Thank you, Nancy, for taking the time to speak with EnergyTech Investor today. Since this is the first introduction to Westport Fuel Systems for many investors, we will keep the focus to a general overview and will follow up with additional discussions covering key topics in more detail. Before we dig into the business, could you start by giving us a brief introduction of yourself and what brought you to Westport Fuel Systems?

Nancy Gougarty: Thank you, Shawn. My history in the automotive sector goes back nearly forty years. I started out of the university with General Motors Corporation and that advanced me through a series of leadership roles, which led me into the Delphi Organization. I then proceeded from the Delphi Organization into TRW to run their Asia Pacific operations. At the end of 2012, I decided to retire, but immediately thereafter I got a call from Westport asking if I would be interested in joining their board. In February of 2013, I joined Westport as a board member. Shortly after, David Demers, the founder and CEO at the time, asked me if I would be interested in joining his management team. I agreed with the focus on helping the organization with the commercialization of their proprietary Westport™ High Pressure Direct Injection 2.0 (Westport™ HPDI 2.0) technology with their European OEM launch partner. I used my experience in the automotive sector to try and help them understand how to move from an R&D company into a commercial organization. After the merger with Fuel Systems Solutions took place in June 2016, I was appointed as CEO of the combined company. I am very pleased and proud to take on this role.

Shawn Severson: Since the sale of your industrial business earlier this year, the company has been streamlined into three business divisions: Automotive; the Cummins Westport joint venture; and Corporate and Technology. Regarding the restructuring, it is important for investors to understand the history of Westport Fuel Systems. Can you please provide some perspective on the past couple years and what brought the company to its current position?

Nancy Gougarty: The good news came when we had the opportunity to merge with Fuel Systems Solutions. Fuel Systems, very much like Westport, was a leader in their industry. However, we needed to come together and looked at the company as a whole. The industrial business had two focuses: products using natural gas; and products using an auxiliary power unit (APU), which was really a product that was running on diesel. When we completed the merger, we decided that we wanted to keep our core competencies focused in the clean energy environment. So, we divested the industrial business in two transactions, in April and May, but retained some important aspects of the business. We kept what we call high pressure, which includes hydrogen components, an area we are very keen on and we think it can grow as fuel cells are gaining traction in multiple industries.

In addition, we kept the electronics business, which has positioned us well. Overall, the decision to divest those assets was a combination of really understanding the key drivers of our businesses and where we wanted our core competencies.

Shawn Severson: So, let's discuss Westport Fuel Systems first business division, Automotive. You have stated that you

expect the 2017 segment revenue to be approximately \$200-230M for FY2017. Can you provide us with a brief overview of this division's operations and products?

Nancy Gougarty: Sure. This is an exciting piece of our business and obviously this is where we have really benefited from the merger with Fuel Systems. Westport was seen more as an OEM supplier in the natural gas component world, whereas Fuel Systems was recognized in the independent aftermarket business. The business currently focuses on alternative fuel componentry and full systems in order for people to benefit from using either liquid petroleum (LPG), compressed natural gas (CNG), or liquefied natural gas (LNG). Our primary manufacturing facilities are based in Italy and we serve customers in more than 70 countries. We have done a lot with this business because we had such great synergies. We were able to adjust and ensure that our brands don't collide in the marketplace since we were competitors before the merger. We have also made progress on our operational performance and adjusted EBITDA contribution and I am very pleased that this business is on the right path, relative to profitability and growth.

Shawn Severson: How does the Automotive division fit into the bigger strategic plans for Westport Fuel Systems going forward?

Nancy Gougarty: Working with Tier One automotive suppliers has taught us a lot relative to what is needed to serve the customer base. As I mentioned earlier, the transformation of a technology company into an industrial producer is not an easy transition and not many people have been successful at it. Another area where we have an advantage is in the technology that we are working on, which allows the businesses

to scale either up or down. For example, we are using our operations in Italy to produce some of the Westport™ HPDI 2.0 components. We have a very good synergy between the businesses. Additionally, we can take the technology that we have, whether it's in light duty, medium duty, heavy duty, or high horsepower, and leverage it across the different business segments. Ultimately, this benefits the entire organization.

Shawn Severson: Let's continue and take a closer look at the growth in this segment. What do you see as the key drivers for this business and are there any specific competitive dynamics in the industry that investors should consider both on a short-term and long-term basis?

Nancy Gougarty: It's quite interesting. We have done a deep dive recently and we discussed what has changed over the years. We originally thought that oil pricing was the only factor that would drive adoption, but it seems like the dialogue has shifted away from just fuel pricing differential. We are finding that environmental impact is also very important, especially in Europe and Asia. Whether it is on the light duty, heavy duty or high horsepower side, we are seeing that dynamic front and center around the world including India, China and Europe. Obviously, in North America most of our green energy products are through the Cummins Westport joint venture.

Shawn Severson: That's a great lead because the next question I have is on the Cummins Westport JV, of which Westport Fuel Systems owns 50%. The JV is focused on the medium to heavy duty markets, but can you please provide us with some perspective on the operational structure and the products that the JV actually produces?

Nancy Gougarty: There are several different products that we produce through our JV with Cummins. The three primary products are a 6.7 liter, an 8.9 liter, and a 12 liter product where we use the Cummins base engine and modify it to be able to run on natural gas. We market the product through the Cummins sales organization and we have seen tremendous industry acceptance of our product on the refuse side. About 50% of new garbage trucks in North America incorporate Cummins Westport engines and we are the only provider in that market. The transit bus market also sees this as a great opportunity. As we move into 2018, all three engine variants not only will be on-board diagnostic (OBD) compliant, which is necessary to be able to sell engines in the North American market, but they will also be zero equivalent products, meaning they have equivalent emissions comparable to battery electric vehicles when used with renewable natural gas (RNG). Using RNG now has a very positive influence relative to the environmental conditions and greenhouse gas (GHG) emission reductions.

Shawn Severson: The JV experienced nice growth in the last quarter, but how should we think about catalysts for the JV over the next couple of years, including the economics and payback analysis of the technology?

Nancy Gougarty: Multiple factors come into play given that it's a joint venture. Since we now have the 2018 compliance in conjunction with the zero equivalent products, we are finding great market reception to the products. Also, recently, we appointed CWI's next President—currently a Westport Fuel Systems VP and Managing Director—who will start in January 2018 for a three-year term. This gets us close to the joint

venture and provides us the opportunity to run the joint venture. All in all, we are very pleased with the joint venture's contribution to our profitability, which has been strong in the last two quarters.

Shawn Severson: Let's move on to the Corporate and Technology division. Can you start by giving us an overview of the technology and IP portfolio and specifically your advanced engineering, HPDI, HESI, and cryogenics?

Nancy Gougarty: Westport™ HPDI is really one of our core products. We are very proud and pleased, as seen recently, that we now have our first OEM customer incorporating Westport™ HPDI 2.0 technology on their trucks and opening their order book for an LNG product. Westport™ HPDI 2.0 has been a long path to market, but throughout the process we have learned a lot about what it takes to be a tier one OEM supplier. Getting over a million kilometers of capability to meet the criteria for an OEM application, as well as understanding maintenance cycles and the cost of ownership is a significant task. We have learned a lot in the process and we have been able to successfully support our OEM customer in getting these benchmarks and criteria met. I would also like to mention that it's not just an engine solution, but a full vehicle system solution. We provide the cryogenics as well as chassis interfaces in order to enable the driver to have enhanced performance.

On our advanced engineering side we're looking at next generation technology and understanding the different systems we can use. One example is conformable tanks, which would impact the way we can position our products on the vehicles and the applications we have.

We have recently signed up with a customer to do enhanced spark ignited solution, which is a technology and innovation that Westport Fuel Systems has developed. We have been working on this for the last couple years and are very pleased that it's continuing to move forward.

Finally, I think one of the things that Westport Fuel Systems needs to build more awareness about is our cryogenic capability. In fact we have been brought into some European consortiums because we have this cryogenic capability and not many other people are active in. The cryogenic capability that we have and the technology that we have invented is really unique not only in terms of storage, but also in terms of vehicle performance, making sure that the system has the correct fuel delivery rate, pressure and temperature to optimize engine performance and emissions. The result is a highly integrated system, which is one of the things I'm very proud about Westport Fuel Systems.

Shawn Severson: Great, thank you. And I know we talked a little bit about one of the drivers being emissions and green aspects, but I think in the end certainly the green that matters to a lot of fleet owners is the dollar and the economic payback. Can you help investors understand the drivers for fleet owners and why they would use this technology versus conventional alternatives? Can you also talk about some of the basics of the payback analysis, not in great detail, but just to help investors understand the initial principle?

Nancy Gougarty: One of the things that we're finding on the heavy duty side is that the workhorse engine and cost of ownership is

definitely the key criteria. There is a significant differential between a liter of diesel vs. a diesel liter equivalent of LNG. In a very general sense across industrialized Europe, you have about a 50% price reduction on a diesel liter equivalent of LNG vs. diesel. As a result, we're finding that using 90-95% of LNG, and assuming it's a long-haul application running about 120,000 kilometers/annum, it could result in a 15- to 27-month payback depending on what the OEM is going to charge and the fuel price differential. We have not factored in any country incentive programs into our payback model, which exist in a variety of different countries and jurisdictions.

We believe that this product is hitting the market at just the right time because it is building on a positive momentum where fleets want a green alternative to diesel, but an alternative that matches diesel performance, as our product does. Whether it's additional tolls that will be taken on diesel trucks or embargoes for inner cities, these implications have well positioned the Westport™ HPDI 2.0 product now into that market.

Shawn Severson: Thank you and let's conclude with your OEM launch partner, specifically how they would help leverage your IP by introducing trucks utilizing the Westport™ HPDI technology.

Nancy Gougarty: As a company that's the size of Westport Fuel Systems, to have the opportunity to work with any major OEM is just an incredible honor. So being able to have our product badged under a global leading OEM is really remarkable and proves how good our technology is. They wouldn't be doing this with something that is substandard. Our Westport™ HPDI 2.0 product is a fully

integrated solution offering fleets no compromise performance relative to their current diesel products, which is really important. And it is market-ready today.

Shawn Severson: Thank you very much, Nancy. Again, we appreciate your time today and look forward to discussing more aspects of Westport Fuel Systems in the future.

Nancy Gougarty: Perfect, thank you.

SHAWN SEVERSON FOUNDER AND CEO

Mr. Severson founded EnergyTech Investor in 2016 after seeing a significant communication and information gap developing between small and micro-cap companies and the financial community. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Previously, he was Managing Director at the Blueshirt Group where he was the head of the Energy, Environmental and Industrial Technologies practice. Prior to the Blueshirt Group, Mr. Severson was at JMP Securities where he was a Senior Equity Research Analyst and Managing Director of the firm's Energy, Environmental & Industrial Technologies research team. Before joining JMP, he held senior positions at ThinkEquity, Robert W. Baird (London) and Raymond James. He began his career as an Equity Research Associate at Kemper Securities. He was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



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