Operator

Thank you and good afternoon. Welcome to the Westport Fuel Systems First Quarter Conference Call, which is being held to coincide with the press release containing Westport Fuel Systems financial results that went out earlier this afternoon.

On today's call, speaking on behalf of Westport Fuel Systems is Chief Executive Officer, Nancy Gougarty; Chief Operating Officer of the Automotive and Industrial Segment, Andrea Alghisi; as well as our Chief Financial Officer, Ashoka Achuthan. Attendance at this call is open to the public and to media, but questions will be restricted to the investment community.

You are reminded that certain statements made in this conference call and our responses to various questions may constitute forward-looking statements within the meaning of U.S. and applicable Canadian securities law and such forward-looking statements are made based on our current expectations and involve certain risks and uncertainties. Actual results may differ materially from those projected in the forward-looking statements, so you are cautioned not to place undue reliance on these statements. Information contained in this conference call is subject to and qualified in its entirety by information contained in the Company's public filings.

I would now like to turn the call over to Nancy Gougarty. Please go-ahead, ma'am.

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NANCY GOUGARTY speaking
Chief Executive Officer, Westport Fuel Systems

Thank you very much. Good afternoon and thank you for joining us to discuss Westport Fuel Systems first quarter results.

Today we're speaking for our third full quarter as a combined company. The past 12 months have not been without their challenges, but today, I am more confident than ever that the Company is on the right path to becoming a sustainable, profitable company that can deliver value to customers, employees and shareholders.

When I first spoke to you last August, we laid out several clear goals. Firstly, focus on our product portfolio and sell non-core assets; secondly, align our cost and revenue and capture the benefits and synergies of the merger; thirdly, improve our balance sheet; and fourthly, the advancement in bringing HPDI 2.0 to market. I am pleased to be able to report that we have made substantial progress on the path to meet these goals, and while we continue to focus on achieving these goals we remain agile and ready to ensure that we are able to adapt to ever-changing business environments.

We have made the decision to exit our industrial business, the first step of which was the sale of our APU assets. The decision was a result of a comprehensive review of our entire portfolio that began last summer. The Industrial segment is a good business that is Adjusted EBITDA positive, however, when we looked at our core skills, the competitive dynamics of the end markets, the size of competitors, this knowledge, plus our thorough assessment made our decision clear for Westport Fuel Systems to exit this segment.

Though it is taking time, we are purposeful and deliberate to ensure that Westport Fuel Systems gets the maximum shareholder value for these industrial assets. The cash received through the APU asset sale is meaningful and improves our balance sheet. It also allows us to concentrate on growing market share for our unmatched proprietary alternative fuel technologies, as well as bring new products to market that can drive results for the long term. It is our knowledge, technical expertise, deep patent portfolio, OEM relationships that make Westport Fuel Systems the global leader in our markets.

Turning to Slide 4, as you know I have more than 30 years' experience working in the truck and automotive industry, but you can see, in this slide, we have assembled an executive team that brings similar knowledge to what it takes to be a Tier 1 supplier to a global OEM, and we are working together to deliver operational excellence for our entire global organization.

On Slide 5, I would like to spend some more time talking about the new Westport Fuel Systems and what we consider is our core portfolio as our highest value segments. This focus comes from our portfolio reviews. Our Global Automotive segment is delivering improved operational performance with higher Adjusted EBITDA contributions. The Cummins Westport joint venture, which showcases our technology and how to partner with the leading OEM is also paying us quarterly dividends. Thirdly, our Corporate and Technology segment, including HPDI and other technologies. In this segment, 2017 is a milestone year as we'll be shipping our first HPDI 2.0 commercial components later this year. This will provide our first commercial revenue and allow us to dramatically reduce our R&D costs. This is a key step in turning this segment into a profitable contributor to our bottom line.

Moving to Slide 6, the Automotive segment. The Automotive segment provides a range of products for propane, natural gas and even hydrogen. This is a global business with Europe representing about 65% of the sales, followed by the Americas (excluding the US) and Asia at approximately 10% each, and then the U.S. representing approximately 7% of the Automotive revenue. As a global business, each region has its own characteristics, fuel price differential, government policy and fueling infrastructures. We understand the specific market characteristics in order to best serve them.

Since the merger closed, we have taken several initiatives to improve our competitiveness in the markets. These actions include consolidating our operating footprint, reducing our operating costs and restructuring our global purchasing and inventory systems. The results have been an improvement in Adjusted EBITDA with a business that is more in line with its current revenue and positioned to benefit when the market fully recovers.

On to Slide 7, our Cummins Westport joint venture delivers consistent dividends even with challenges of oil prices. We are also excited with the initial response of our zero-equivalent emissions engine and the joint venture continues to provide a stream of earnings, plus potentials for years to come. Ashoka will talk more about CWI in his section.

Turning to our Corporate and Technology segment, this segment is where we have developed new technologies for the transportation industry, including HPDI 2.0, as seen on Slide 8. This is the most immediate and exciting technology that we have right now, and later this year we'll be shipping our first commercial components to our launch partner. This is a culmination of many years of dedicated and determined work to bring HPDI 2.0 to market. I am proud to say that the team has worked through challenges that have come with bringing new technology to market. We have taken the setbacks and lessons learned and built off of them in order to provide better product. We have met the rigorous standards that our OEM partners and customers demand, and are excited to provide a game-changing technology that will allow users to reduce their fuel costs while making a meaningful reduction in their greenhouse gas emissions. Our OEM partners plan to launch the technology in the European market where the heavy-duty truck shipment typically ranges between 225,000 to 275,000 units per year, and the taxes keep diesel prices elevated and greenhouse gas reductions are valued more than in other markets.

I can't overstate the importance of this milestone for the Company, bringing new revenue streams in for component sales and licensing revenue and also allowing us to reduce significantly our R&D spending. This first program was unique and we needed to make a substantial investment to develop and bring to market this first-of-kind technology. As we work with other OEMs, however, our work will continue to be funded by these partners and commercial opportunities known. For example, we just recently executed a development agreement and beginning work with a leading OEM to develop their engine using technology to meet their country's new emission rules, similar to Euro 6. Our OEM customer came to us for our industry knowledge, our engine development technical expertise, proven components and engine management system plus our track record. We have clear scope of what needs to be accomplished and we are funded for the entire project, and there is a clear path for a supply agreement. This is the way that the new Westport Fuel Systems will be working.

Before I turn the call over to Andrea and Ashoka, I want to reiterate that we are excited and energized as we lead the shift in the global transportation system from petroleum to clean gaseous fuels of all forms. We do this by commercializing our unique technologies, bringing to market no-compromise products that offer compelling emissions and greenhouse gas reductions. We have the fundamentals in place and Westport Fuel Systems is moving in the right direction.

With that, Andrea, over to you.

ANDREA AGHISI, speaking
Chief Operating Officer Automotive and Industrial Segment, Westport Fuel Systems

Thank you, Nancy.

Now starting on Slide 10, as you have seen in our financial statements, all of our Industrial segment is now recorded in Discontinued Operations, so my comments will be about our Global Automotive segment. Please note that our Global Automotive segment now includes the electronic business as well as the high-pressure components, which had previously been included in Industrial. All numbers shown have been adjusted to reflect their addition.

My comments will compare the first quarter of 2017 to the fourth quarter of 2016. Because the merger did not occur until June 2016, the results of the first quarter of 2016 are less meaningful for comparative purposes.

As Nancy stated, since the close of the merger we have undertaken a number of initiatives to improve our operating performance and reduce our costs. This has included straightforward stats like consolidating our operating footprint and eliminating redundancies, but also exploiting technical levers like product redesign and make versus buy and commercial levers like strategic sourcing and supplier negotiation to improve product competitiveness. We have additional efforts underway and we have implemented a program of Operational Excellence. My colleagues and I have learned over years in the industry, you cannot control market cycles, government policies or commodity prices; you can only control how you operate and deliver to your clients.

Now turning to the performance in the first quarter, revenues were down from the fourth quarter due to weaker sales in the compressor business and in the high-pressure business as well; however, we expect performance to recover in the second quarter.

Gross margin of 25% were up from prior quarters as a result of the efforts to better control our product costs.

I am pleased to report that our Adjusted EBITDA for the automotive segment was $3.6 million or 6.4%, a significant improvement from prior quarters and a reflection of the efforts and actions taken since the merger closed.

As we look out at the rest of the year, we currently see stable markets and expect Automotive segment revenues of between $200 million and $230 million. Looking at 2017, there are some outstanding tenders that could provide some tailwinds, while there are some markets that might weaken and there is a potential for some of our new programs to push into early 2018 if the OEMs delay them, so those could be some headwinds. Please note that there is some seasonality in this business, and holding all else equal, we expect higher revenues in the first half versus the second half and typically, the September quarter is the weakest due to summer holidays and production changeovers. When we look at our Automotive segment, we expect and target this as a between 7% and 10% Adjusted EBITDA margin business, with volumes, product mix, product cost and OpEx efficiency as the key drivers of the range. We have initiatives underway to improve our Adjusted EBITDA margin and we are targeting to be well within that range in 2018 and beyond.

I'll now turn the call over to you, Ashoka.

ASHOKA ACHUTHAN speaking
Chief Financial Officer, Westport Fuel Systems

Thank you, Andrea. My comments begin on Slide 12. As of March 31, we had cash and cash equivalents of $47.7 million down from $60.9 million at the year end. This does not include the cash we received as a part of the sale of our APU assets, which, as you know, closed on the 20 April. While the gross proceeds of that transactions were $70 million, our net proceeds were approximately $60 million after transaction fees, deal costs and a holdback of $7 million with the release milestones over the next 24 months. After the deal closed, we made an $8 million prepayment of royalties payable to address our collateral obligation to Cartesian Capital. With respect to the sale of the second non-core asset, I can say that we are in active negotiations with a potential buyer.

Please note that the Industrial businesses are now reflected as Discontinued Operations in our financials.

The first four quarters revenues for these businesses were $17.5 million and had they not been reported as Discontinued Operations, our first quarter revenue would have been $77.5 million. We are also ahead of our initial schedule for capturing synergies from the merger and now expect to exceed the original $30 million run rate savings target by the end of 2017.

At the bottom of the slide, you'll see our consolidated Adjusted EBITDA for the current and the past four quarters, which shows a loss of $4.1 million in the first quarter of 2017. We are seeing a positive trend; however, I do want to point out that the first quarter was helped by an HPDI program progress payment and also the timing of certain expenses. We do not expect the second quarter to be as strong as the first as we do not have a similar progress payment and we have some higher development costs. Basically, the 2017 quarterly Adjusted EBITDA is going to fluctuate as we work through the final stages of the commercial launch of HPDI 2.0, but what is important is that we're moving fast towards profitability and expect to be Adjusted EBITDA positive in early 2018.

Now turning on to Slide 13, which shows our CWI joint venture, revenues and shipments were up from the first quarter of 2016 on improved performance in the U.S. offset by continued weakness in certain international markets. Gross margins were 30.8%, up from the first quarter of 2016 primarily due to lower warranty costs, which are now at more normalized levels. R&D expenses of $10.8 million are higher due to engine development costs. CWI has seen elevated R&D and sales and marketing costs over the past two years as the Company launched its new 6.7-liter engine, spent R&D dollars to incorporate onboard diagnostics, and developed the new zero-equivalent emission engines. We are almost through this higher spend, however, and by the second half we'll be trending back towards spending levels seen in prior years.

CWI's new 2018 product line is a very significant milestone in product development for the Company. These new engines mean our customers can choose the most affordable path to zero-equivalent emissions with no commercial constraints of supply or technology readiness. I know some of you on the call attended the ACT show in Long Beach last week and you may have heard firsthand the owner/operator feedback. We think these engines are game changing and are excited about the prospects for the joint venture in the coming years.

Turning to Slide 14, which shows our SG&A and R&D expenses from Continuing Operations by segment, our SG&A costs are trending down, however, the first quarter 2017 was impacted by increased advisory fees and transaction related costs. Rightsizing our cost structure remains a key priority. As an example, we had another round of headcount reductions in March and we will continue to take appropriate steps needed to align our costs with our revenues. R&D spending was $12.2 million down from prior quarters, in part due to timing, but the majority was the result of actions taken to focus our R&D efforts. As in prior quarters, Corporate and Technology segment accounted for the largest component of R&D, mostly related to our HPDI 2.0 program. For the next three quarters of 2017, we expect to see similar levels of R&D spending through launch, after which the spending will drop off considerably. We expect 2018 R&D spend for our Corporate and Technology segments to be at about half the levels of 2017. Of course, new programs could add to this, but as Nancy made very clear, any new R&D program in our Corporate and Technology segment will be funded by third parties.

Turning to Slide 15, which shows our quarterly cash walk, starting with $60.9 million at December 31, 2016, we received $3.8 million in dividends from joint venture, spent $1.7 million in net credit paydowns, spent $2.6 million on restructuring payments, had an increase of $4.1 million working capital. Capital expenditures was $2.2 million, down slightly from recent quarters due to timing. We expect to spend an additional $17.5 million in capital expenditures in the rest of this year of which about $14 million will be spent in the second quarter. This spend is needed to successfully launch HPDI 2.0 to meet our launch timing and to be able to service our current launch partner and future HPDI programs for other OEMs. It's an investment in our future, but it is not a recurring amount. Much like R&D, it is limited to 2017. We expect to spend only $5 million on capital expenditures in all of 2018, most of which is related to maintenance spend for our Global Automotive business. Our cash use in Operations was approximately $6.4 million.

We closed the quarter at $47.7 million, which, as I mentioned earlier, does not include the cash we received from the recent asset sale.

Moving on to Slide 16, as Andrea said, we expect our Automotive revenues to be between $200 million and $230 million for 2017. Revenues from the Industrial segment, including any related to the transition agreement, will be recorded as Discontinued Operations. With the sale of our Industrial segment, we do lose some Adjusted EBITDA contribution; however, I want to reiterate what I said on our last call, that our goal of reaching Adjusted EBITDA breakeven and then on to full profitability remains our most pressing target and we expect to be Adjusted EBITDA positive on a consolidated basis in early 2018.

Finally, we will complete our actions to address our balance sheet. We are off to a very good start in 2017. In March, we refinanced the 10 million Euro European credit facility for five years at similar terms. In April, we received a net of 60 million from the sale of our APU business. We do have approximately 40 million of debentures coming due in September, but we've been approaching this from multiple angles and the cash received from the recent asset sale only expands our options. We are in discussions with the existing holders about rolling over or extending all or some of the debentures. We are also far along at other options including refinancing them through additional asset sales, cash from potential licensing agreements, a new loan or credit facility or capital market transactions, and it is possible that the solution will be a combination of all of these elements. What is important to note however is that we're looking for a finite amount. There is not an open-ended need for more cash while we develop new technologies. We have two strong businesses that are sources of cash flow and value and we have HPDI technology that we believe will start producing significant value for Westport Fuel Systems in the coming years.

We have and we will continue to take the necessary steps to put the Company on a sustainable path. The options I listed will be a bridge to 2018 when we will be Adjusted EBITDA positive with growing HPDI 2.0 revenues and our legacy restructuring spend behind us.

With that, I'll turn the call over to the Operator for questions.

Operator

Yes sir. We will now begin the question and answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

The first question comes from Rob Brown with Lake Street Capital Markets. Please go ahead.

Rob Brown - Lake Street Capital Markets

Good afternoon.

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

Hello, Rob.

Rob Brown- Lake Street Capital Markets

On the HPDI program, you're talking about shipping later this year. Could you maybe just give us some parameters about how that kind of ramps into 2018? Is it initial product this year and then sort of production product next year? Can you give us some idea of how that HPDI program ramps?

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

Nancy, would you like to take that?

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

Yes, I will. Rob, first of all, thanks for your question, and as you know we're really quite excited about what's going on with HPDI, but the way it rolls out in calendar year '17 we are building some early production units and then rolling into what we call regular production, but our OEM partner will be I think shortly here making some announcements relative to the actual marketing plans so we're preparing our suppliers and preparing and getting the supply system ready and parts in queue in order for us to meet these initial builds that will happen in the latter part of calendar year '17.

Rob Brown - Lake Street Capital Markets

Okay. Good. Thank you, that's helpful. Then on the other HPDI programs you're working on, could you give us a sense of how many are active at the moment and a sense on when the timeline is for product launches there?

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

Well a couple things to be said. I think that as we're working in terms of HPDI, what we're finding is that the transportation and the trucking piece is one of it, but we're also finding some very interesting dynamic for off-road applications as well as in rail. I would be I think a bit remiss to give you the total numbers that we're working with several people in these various areas.

I would tell you that the good news is is that because we've done all the heavy lifting relative to the validation and reliability testing for all the HPDI components, the good news is now getting the products to market because it’s application work in these circumstances; we are able to get the product to market in a much quicker fashion than what we did with our original launch which meant that we had to do all the component validation and then do the vehicle validation activity in addition to that. So, I think that what you will see is over the next years several opportunities that can rollout. Now, it really again, as you know, as we are the Tier 1, so this is really up to the OEMs relative to how they want to put this product in their portfolio, but I would say in general we're highly encouraged relative to HPDI being a technology that is key for their alternative fuel technology, primarily because it has such good performance relative to the diesel product.

Rob Brown - Lake Street Capital Markets

Okay. Then just one more quick question on the R&D spending. I think you mentioned that Corporate spending will come down by about half once that HPDI program rolls down. What's kind of the baseline there of spending that you're running at?

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

Yes, let me take that, Rob. We've obviously not released figures or guided to figures for R&D spend, but you can expect our ongoing spend to be somewhere tracking to about half the levels that you're seeing in the Corporate and Technology segment today.

Rob Brown - Lake Street Capital Markets

Okay. Good. Thank you. I'll turn it over.

Operator

The next question is from Eric Stine with Craig-Hallum. Please go ahead.

Eric Stine - Craig-Hallum

Hi everyone. Listen, Nancy, you just answered a part of this question, but related to that new OEM agreement that you just disclosed today, and given that it's HPDI 2.0 and that platform and it speeds the timeframe, are you able to kind of give some thoughts about when you think that could move from development to supply agreement? It may be too early, but just wondering if you could provide any colour there.

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

First of all, Eric, thanks for the question. Let me try to answer this and I think there are some other folks in the room that probably can pipe in, but part of the development agreement we have a gate defined in there that actually moves us into a supply agreement arrangement, and I would anticipate that that's going to happen within calendar year '17 that the supply agreement activity will get going. Again, I think it's important that we are a full system and full solution provider, meaning that we really want in addition to being able to do the development work, we want the supply agreements to go along with it. So, as I stated, so the new Westport, both getting customer funding, but also making sure that we're able to bring meaningful revenues through has really been key to us. So, we have now structured our agreements in phases in order for us to be allowed and to ensure that the supply agreement is going to come along with the development activity.

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

The only thing I would add to that is—this is Ashoka. The only thing I would add to that is this is not an HPDI program that we were referring to, just for clarity.

Eric Stine - Craig-Hallum

Okay. Understood.

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

But it is the Euro 6 certification.

Eric Stine - Craig-Hallum

Understood. Okay. Good. That is helpful. Well, then maybe just turning to HPDI given that you are approaching volumes, initial volumes with your lead customer, just curious, have you noticed any other OEMs that are moving faster as a result, as I see Volvo about to come to market?

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

I would tell you that each OEM has their own view relative to this and we've had lots of discussion with them about how it fits into their portfolio. I would say more highly encouraged in the European market that because of some greenhouse gas and CO2 initiatives that we're going to see it more in the near term, but again, as we always continue to say, Eric, and will continue is this is the OEM that needs to decide their launch timing relative to this.

I would say, as I mentioned in my comment to Rob, that we are really very pleased because of the fact that we get such comparable performance, both in terms of range as well as vehicle performance to diesel, that this alternate technology has lots of advantages over other things that OEMs can initiate. So, that is one of the things, at least on the trucking side that we're finding to be one of the calling cards that's making it really interesting.

Eric Stine - Craig-Hallum

Right. Okay. Maybe last one for me—and I did jump on late, so I apologize if you touched on this, but the Industrial piece and discontinuing that, should we take this as—because you've talked about the one non-core asset sale that you're working towards near term, should we take this that there are certainly more to come, or at least that would be your objective?

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

So, Eric in Ashoka's portion he did mention that we're in negotiations with a party to sell another portion of our Industrial assets.

Eric Stine - Craig-Hallum

Right. Okay. So, you had previously talked about two; you sold APU so you have the other one. I was just curious, do you see within Industrial others beyond that, or is the one non-core asset sales that you're in final stages, does that incorporate the rest of the Industrial, the discontinued operations?

Nancy Gougarty - Westport Fuel Systems - Chief Executive Officer

Right now, the only thing that's in Discontinued Operations are those that are part of the Industrial group, but I would tell you that we continue to look at our portfolio and there are some other opportunities, and again, in certain cases we're looking for some market opportunity for them, and as they become ready for us to move out into the market we will certainly let you guys know that.

Eric Stine - Craig-Hallum

Okay. Thank you.

Operator

Once again, if you have a question, please press star, then one. The next question comes from Jeff Osborne with Cowen & Company. Please go ahead.

Jeff Osborne - Cowen & Company

Hey good afternoon. A couple of questions on my end. I was wondering if we could talk about the CWI near-zero engine. Any sense of preliminary interest or backlog that's built for that, is part A of the question, and then for Ashoka, how should we be thinking about in 2018 gross margins for CWI as that engine ramps up? Is there a larger warranty reserve and we should be factoring that into our assumptions?

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

Thanks for your question, Jeff. Let me take the first one first, which is interest in the zero equivalent engines that CWI has just launched. As you know, their 8.9-litre product is available today and the 12-litre version of the zero-equivalent engine will be launched later this year or very early next year. Very positive reaction. I don't know if you were there at the ACT in Long Beach last week, but we were extremely impressed with customer reactions. People see it as a game changer, and most importantly, it offers them a real alternative as a zero-equivalent option with no commercial constraints to supply or technological readiness compared to the other zero-emission options that may be available. So, very positive and we expect that to contribute very favourably to both the topline on the bottom line going forward.

Your second question on the gross margins, yes, we expect to see continuing strength on gross margins as these engines come on stream, but more significantly, we expect our operating margins to improve because of reduced ongoing R&D spend. As you know, the past year and this year has been significantly impacted by the spend related to the development of these engines, both the new 6.7-litre engine as well as the zero-equivalent versions of the 8.9 and the 12 litre, and plus a fair amount of engineering spend related to onboard diagnostics which are required for engines in 2018. Once that will be behind us, which we expect will happen in the middle of this year, you can see a significant drop off for both R&D and SG&A spend going forward as well.

Jeff Osborne - Cowen & Company

Got it. That's helpful. Maybe one for Andrea, or anyone can jump in, but is there a sense on the Automotive side that you could give us the rough mix that you expect or that you saw in 2016 on a combined basis for the two companies, of what the mix is of delayed OEM, OEM and retrofit kits for the vehicles?

Andrea Aghisi - Westport Fuel Systems - Chief Operating Officer, Automotive and Industrial Segment

Thank you, Jeff for your questions. I heard correct. Are you asking for 2016 or 2017?

Jeff Osborne - Cowen & Company

I'm just curious what the rough mix is maybe in the quarter for 2017 would be helpful. I don't need exact numbers, but just a perspective of what you anticipate between those three segments.

Andrea Aghisi - Westport Fuel Systems - Chief Operating Officer, Automotive and Industrial Segment

Well, I would say that the 50% of our business is aftermarket and let's say the other 50% is shared among let's say three different businesses; so, one is OEM, the second is delayed OEM and the third one is what we call diversified businesses. So, the OEM together with the delayed OEM is another let's say 25%, 30%, and the last 20% is diversified businesses. Some of them are complementary because they are, for example, we have what we call a car service business which allows us to give more revenue stream to our dealers in Italy.

Jeff Osborne - Cowen & Company

Got it. Then Ashoka, any sense of perspective of the remaining asset that you would sell in terms of size? Is that half the size or similar to what you've already done with the APU segment? My assumption is it's much smaller, but I just wanted to see if you had any comments on that.

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

Not an unreasonable assumption, Jeff. Bear in mind we have reclassified almost the entire piece of the Industrial segment as Discontinued Operations, so you can draw your own conclusions from that in terms of what is left after the APU sales. There is a very small piece of the former Industrial business that rolls into Automotive and that has to do with electronics, but as Nancy mentioned besides this, we have a couple of businesses that are potentially non-core as well.

Jeff Osborne - Cowen & Company

Makes sense. The last one, real quick. I saw the automotive service revenue was the highest it's been in I think in three years. What was going on there? I think in the MD&A it was at $3.7 million.

Ashoka Achuthan - Westport Fuel Systems - Chief Financial Officer

That was a milestone payment from our customer related to the HPDI program.

Jeff Osborne - Cowen & Company

Got it. Okay. Thank you.

Operator

This concludes the question-and-answer session. I would now like to turn the conference back over to the management for any closing remarks.

Investor Relations representative

Thanks for joining the call today everyone. If you have any follow-up questions, please feel free to reach out to the Investor Relations team. Thanks again for your interest in Westport Fuel Systems. That ends our Q1 call today.