

alphaDIRECT MANAGEMENT SERIES

OCTOBER 16, 2019

IN FOCUS: WESTPORT FUEL SYSTEMS AND ITS LONG-TERM STRATEGIC OUTLOOK AND DRIVERS.

This report focuses on Westport Fuel Systems, Inc. (TSX/NASDAQ: WPRT) and its long-term strategic outlook and drivers.



Source: www.alphadirectadvisors.com

THE alphaDIRECT INSIGHT

The market and industry for natural gas and other gaseous fuel systems technologies are at a critical point as the world is starting to recognize the urgent need to decarbonize the transportation sector. Westport Fuel Systems has a strong global presence and a leading market share both internationally and domestically through its CWI joint venture. As the market consists of almost 1.4 billion cars and trucks, the shift to decarbonization will take a significant amount of time, in our view. However, we believe Westport is well-positioned with its broad portfolio of products that offers a comprehensive set of capabilities and the company possesses the unique ability to transform existing diesel and gasoline vehicles to run on natural gas or propane.

WPRT Business Snapshot

Founded: 1995
Headquarters: Vancouver, Canada
Ticker: WPRT (TSX/NASDAQ)
Stock Price: \$2.43*
Market Cap: \$331.412M*
Website: www.wfsinc.com
*As of October 15, 2019



About alphaDIRECT Advisors

alphaDIRECT Advisors is an 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. alphaDIRECT's expertise encompasses a variety of sectors including Clean Transportation, Emerging EnergyTech, Energy Services, Smart Buildings, Solar, Water Value Chain and Industrial. alphaDIRECT 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. alphaDIRECT's mission is to bridge that information gap and engage companies and investors in a way that opens information flow and analytical insights.

To learn more, visit:
www.alphadirectadvisors.com
or follow us on LinkedIn or Twitter.
@alpha_DIRECT

Participants

Mr. David M. Johnson
Chief Executive Officer
Westport Fuel Systems, Inc.

David M. Johnson was appointed Chief Executive Officer in January 2019 and is a member of the Westport Fuel Systems Board of Directors. Mr. Johnson is an industry veteran with more than 25 years of experience leading engine development for automotive and commercial vehicle industries around the world. Prior to his appointment, Mr. Johnson served ten years as President and Chief Executive Officer of Achates Power Inc. leading technical, commercial and corporate development to establish the organization as a leading developer of opposed-piston engines. Mr. Johnson's distinguished career began in 1990 with Ford Motor Company in Truck Powertrain Planning. He subsequently held a variety of roles in engineering, product planning, program management, and strategic development with increasing responsibility. Since then, Mr. Johnson has served in a variety of roles with leading automotive companies, including senior roles at Navistar and General Motors. Mr. Johnson combines deep technical expertise with a decades-long career in international markets. He earned a Master of Business Administration and a Bachelor of Science in mechanical engineering from Cornell University.

Mr. Shawn Severson
Founding Partner
alphaDIRECT Advisors

Mr. Severson is the Founding Partner of alphaDIRECT Advisors (ADA), a division of EnergyTech Investor, LLC (ETI). He has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding alphaDIRECT Advisors, 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 WESTPORT FUEL SYSTEMS INC.

At Westport Fuel Systems, we are driving innovation to power a cleaner tomorrow. We are inventors, engineers, manufacturers and suppliers of advanced clean fuel systems and components that can change the way the world moves. Our technology delivers performance, fuel efficiency and environmental benefits to address the challenges of global climate change and urban air quality. Headquartered in Vancouver, Canada, we serve our customers in more than 70 countries with leading global transportation brands. At Westport Fuel Systems, we think ahead.

For more information, visit www.wfsinc.com.



***“Driving Innovation To Power A
Cleaner Tomorrow”***

Shawn Severson: First, I'd like to thank you, David, for taking the time to speak with us today. The last time that we spoke with Westport Fuel Systems, we discussed your independent after-market business and delayed OEM solutions. Today, our focus will be on your long-term strategic outlook and market drivers. However, let's begin by having you provide a brief summary of your background and what brought you to Westport Fuel Systems for those who are new to the company.

David Johnson: Thanks, Shawn. It's a pleasure to be speaking with you today and a pleasure to update and inform investors and the *alphaDIRECT* network. I started in the automotive industry basically from birth since my family had a car dealership in upstate New York and I spent every moment I could there.

After getting my engineering and business degrees, I was lucky enough to get a job with Ford, which was a good fit for me since my family owned a Ford dealership. I spent 13 great years at Ford developing products, product strategy, and business plans and bringing new products to market. I was also working with quality improvements. A passion of mine has always been developing and delivering high quality value-added products for the customer.

Following my 13 years at Ford, I had a chance to join General Motors and move my family to Germany where I worked on improving the efficiency and cleanliness of powertrains primarily for the European market. At General Motors, I had the opportunity to join forces with great automotive companies like Isuzu and Fiat, who were partners with General Motors during that time.

Following my stint in Germany I came back to the U.S. and went to work for the truck maker, Navistar, in Chicago. We were seeking to grow the sales of our existing and modified products to markets around the world such as South Africa, Russia, Australia and other far-reaching places, including India and China. This was really a great opportunity for me to be further introduced to global markets and understand customer needs in different segments including the military market.

For the last decade, I had a chance to run a startup company named Achates Power in San Diego, California. Achates had, from my perspective, a similar DNA, if you will, to the original Westport Innovations. The opportunity to move from Achates Power to Westport Fuel Systems was driven by two important events; the merger between Westport Innovations and Fuel System Solutions and the commercialization of our high pressure direct injection (HPDI) technology. It's a real game changing product that has the ability to address the two critical drivers of sustainability in the transport space: economic viability/cost competitiveness and environmental benefits.

I think for me, joining Westport Fuel Systems at this time was great because it is really a pivotal moment in the marketplace and a pivotal time for our company. I'm very happy to be here and bring what I can to the company.

Shawn Severson: Thank you, David. We appreciate the review. Now that you've had some time to integrate deeper into the company, what would you say have been the most positive surprises internally, and

what would you say have also presented the greatest challenges?

David Johnson: For me it's really been a whirlwind of an introduction. The company is a relatively small company still, but with a truly significant global presence and significant market share. To be honest, I had known about HPDI and the technical merits of HPDI for commercial trucking, but personally I wasn't as familiar with the different technologies that are in the broader umbrella of Westport Fuel Systems and all the regions where we operate. We're a dominant player in the marketplace. As an example, we have factories in Italy that are making components supporting major manufacturers like Volkswagen and Ford and others and we have operations in India and China where we're supporting customers locally. We have brands like TA in Argentina, that have a dominant market share in a country where natural gas vehicles make up 10% of the vehicles on the road today.

We have a strong global presence and a leading market share with a portfolio of products that is far broader and comprehensive than my initial impression of Westport Fuel Systems. So, when you look at our operations and come to know about our brands, it's really a fantastic company with a comprehensive set of capabilities.

Shawn Severson: Thank you, David. Following up on my last question, how would you answer that regarding external factors impacting the company, such as industry tailwinds and headwinds? If you can also review that business segment as well and discuss some of the challenges that are unique to Westport.

David Johnson: Absolutely, Shawn. To start with, I see a pivotal time in the marketplace and what I mean by that more than anything else is that natural gas and gaseous fuel systems are not new technologies and have been on the road for a long time. I think the key ingredient here that makes things different now than they have been in the past is that we have all recognized that we need to decarbonize transportation. In fact, we need to accomplish this urgently.

The only way to really do this effectively is when it is also economic for all the players in the ecosystem. It's hard to force technology onto the marketplace and customers unless we can all do it affordably. Companies need to make money on it, whether it's manufacturers of cars, manufacturers of engines, or manufacturers of fuel systems. If the basic technology can't be produced and sold at a profit, it will not reach the scale that it requires to generate the environmental benefits we need. The car, truck and engine business is roughly a hundred-million units of production and sales each year. The vehicles that operate on our roads globally add up to around 1.4 billion vehicles. So, if we, as a population, decide that we are going to decarbonize transportation, we must do it on mass scale. We need to really affect the majority of those hundred million cars and trucks that we make each year. We have to affect all those cars and trucks that are already on the road.

I think one key ingredient of what Westport Fuel Systems offers today is the ability to transform existing vehicles with our aftermarket kits from running on gasoline or diesel, to running on natural gas or propane. We can take new vehicles and

newly built engines and make them run on natural gas or propane right from the start. We talk a lot about our OEM channel but we also have a well-established, market leading aftermarket business.

This is the key ingredient that positions us well in the industry. In terms of challenges, when we talk about a hundred million cars and trucks and we talk about 1.4 billion cars and trucks on the road today, decarbonizing the transport sector is really a significant undertaking and it will take some time. It takes a persistent effort and the steadfastness that Westport Fuel Systems has demonstrated and will continue to demonstrate.

Shawn Severson: You covered this in answering that question, but I wanted to expand on the topic a little bit. As CEO and leader of Westport Fuel System, what would you say are your most important long-term priorities? Can you also discuss some priorities that are more current in nature for the company?

David Johnson: When I think about Westport Fuel Systems, it's important that the company is sustainable. We are rapidly transforming from a company that was investing heavily in developing technology and therefore, not in the business of making money, to a company that makes money and can sustain its own operations. I'm proud of the progress that transpired under my predecessors to transform the company, merge Westport Innovations with Fuel Systems Solutions, and get past and unlock the synergies of that merger to become a profitable and self-sustaining company. This to me is critical. Even if you have a good idea, you have to be able to make the company profitable. For me, this

is one of my main focuses for sure and we have to continue to make progress towards being that company that stands on its own two legs in a solid, sustainable fashion.

Shawn Severson: As investors we all know the advancement of key milestones as a way of tracking progress, so can you give us an idea of what investors should look for over the next two years and what you think investors should focus on that will demonstrate that Westport is on the right track in executing your strategy?

David Johnson: I think key milestones for us are continued growth of independent aftermarket and light-duty OEM business and particularly our HPDI technology. HPDI 2.0 was launched in the last year, and we have one customer in Europe that's brought the product to market and we're very excited about it. That market reception has been strong and we see the volume growing and it's just the start.

Later this year we're launching with Weichai in China, which is the largest market in the world for cars and trucks. It's also the largest market in the world for natural gas-powered trucks and so, launching with Weichai in China is a very big milestone for us. It's still just around the corner, but in our near future. With the expected ramp in 2020, we should expect a trend where we can carve out and demonstrate to investors how we are growing our HPDI and heavy-duty business into a profitable contributor to Westport Fuel Systems.

In my conversations with investors to date, I understand that we have not provided the kind of transparency that they would like to see regarding our different business lines and regional performance. So, of course

this is something that I also recognize on my “to-do list”. We strive to increase the transparency so that our investor base can see how these businesses are growing and transforming into cash contributors and profitable contributors to the company.

Shawn Severson: Thank you, David. That's a great lead into our next question. Upon arriving at Westport, you had an opportunity to meet with investors. What would you want to reiterate to them as key points to understanding Westport? Also, do you think the investment community is missing anything, particularly about the Westport opportunity?

David Johnson: Thank you, Shawn. This is a really important question and it's critical for the investor community to recognize that Westport Fuel Systems is not just HPDI although HPDI is a very important growth opportunity for us. We are actually spending a significant amount of our time and attention to make sure we achieve growth across all of our business units. It is important to recognize that the global light-duty market is 90% of that hundred million plus or minus production every year and this market is facing the same kind of challenges that the heavy-duty market is facing. With this I mean challenges such as regulatory pressures to decarbonize, improve efficiency, and ensure cost competitiveness of the products. I'm pained to see the way the market is progressing in Europe, where as a result of various cities and jurisdictions banning diesel engines, customers are fearing that their cars may be not allowed for much longer. The end result is that people are going back to buying gasoline-fueled vehicles, which is making our global warming, greenhouse gas, and CO₂ emissions worse as a result.

I believe that the intentions of people are good, but the reality is that banning diesel vehicles and engines, is pushing people into a worse situation with gasoline-fueled vehicles.

However, this is a dynamic that natural gas can mitigate directly. Our OEM customers, are developing and selling products that can address this challenge. Coming back to your original question, I think there is an element of confusion in the marketplace around what will be the future of transportation and as we all know all too well, there's just a tremendous amount of talk about electrification. To be frank, there's been a lot of talk about electrification for a very long time, and yet we don't see the kind of progress we need to see that would decarbonize transportation based on electrification solutions and I believe that the reason is that the electric vehicles are just too expensive. Don't get me wrong, they're great products, but they're just too expensive. They can't be the 99% response to the challenge that we have to decarbonize the transportation sector.

Meanwhile, our natural gas fueled products show a financial payback for consumers in less than a year after the initial purchase. Yes, they cost a bit more than a petrol or gasoline fueled product, but still less than diesel, hybrids, and battery electric vehicle options. The savings on the fuel that result from buying that natural gas-fueled vehicle delivers a payback in less than a year. So, it's truly an economic product that we offer.

Shawn Severson: It's obvious there are a lot of positive tailwinds and trends that are converging in favor of Westport Fuel

Systems, but of course, every business and every strategy has some risks. Can you spend a minute talking about where you see those risks are both internally at Westport and then also in the broader market? How would you mitigate them?

David Johnson: It's very important to be clear about the challenges ahead. First of all, growth in itself is a challenge for any company. We expect growth with HPDI given that we are just getting started in Europe with our lead customer and we are working towards launch in China with Weichai. As you understand, this is a really big opportunity for us, but managing that growth is also a challenge and we need to deliver to our customer with high-quality products and on time. We also must be ready with the required capacity and be able to grow at the same rate. I'm currently paying close attention to this.

Another opportunity is to reestablish natural gas for transportation. It is my view that the natural gas will take off in a significant way in the next decade across many market segments. I was just in India recently and leading manufacturers have publicly stated that they expect a sales mix of natural gas approaching greater than 30% in the near future. With numbers like that, and the indication that they're going to drop diesels altogether, it is a big opportunity for Westport Fuel Systems. But it also comes with

challenges such as transformation, responding to customers, and delivering all of the new products on the cadence that's required for our partners to respond to both marketplace drivers and regulatory drivers.

Shawn Severson: Thank you very much, David. I appreciate your time today. We look forward to talking with you on another subject in the near future.

David Johnson: Thank you, Shawn. I appreciate the opportunity to talk to you and your investors about Westport Fuel Systems.

SHAWN SEVERSON FOUNDING PARTNER

Mr. Severson founded *alphaDIRECT* Advisors, a division of EnergyTech Investor, LLC 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.



DISCLOSURE

alphaDIRECT Advisors, a division of EnergyTech Investor, LLC, is an Investor Intelligence and Publishing firm, not a licensed broker, broker dealer, market maker, investment banker, or underwriter. This report is published solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. This is not a complete analysis of every material fact regarding any company, industry or security.

alphaDIRECT may offer its opinions in its articles, reports and interviews concerning featured companies, or the business spaces and market segments in which they operate. Any opinions are provided solely for the general opinionated discussion of its readers and viewers, and therefore should not be considered to be complete, precise, accurate, or current investment advice, and all investment decisions are solely the responsibility of the reader.

A fee has been paid for the sponsored material contained herein (the "Sponsored Materials"), by the indicated Company. Additionally, *alphaDIRECT* may perform consulting or advisory services for Companies that *alphaDIRECT* produce and publish Sponsored Materials for.

The Sponsored Materials are not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. No information in the Sponsored Materials should be construed as individualized investment advice. A licensed financial advisor should be consulted prior to making any investment decision. *alphaDIRECT* makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness of the Sponsored Materials.

alphaDIRECT assumes no warranty, liability or guarantee for the current relevance, correctness or completeness of any information provided. Furthermore, we assume no liability for any direct or indirect loss or damage or, in particular, for lost profit, which you may incur as a result of the use and existence of the information, provided within the Sponsored Materials. We may distribute our reports through other organizations or companies.

The *alphaDIRECT* content may contain "forward-looking statements," as that term is used in the federal securities laws. Forward-looking statements may be identified by words such as "expects," "objective," "intend," "targeted," "plan" and similar phrases. These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in the Companies' filings with the Securities and Exchange Commission that may cause the Companies' actual results to be materially different from any future results expressed or implied in such statements.

The Companies caution readers not to place undue reliance on these forward-looking statements, which speak only as of the date of the release of the investor content. The Companies undertake no obligation, and specifically disclaim any obligation, to release any revisions to any forward-looking statements to reflect events or circumstances after the date of the release or to reflect the occurrence of unanticipated events.

WWW.ALPHADIRECTADVISORS.COM