ETI ALPHADIRECT MANAGEMENT SERIES

FEBRUARY 7, 2018

IN FOCUS: THE FINANCIAL ASPECTS OF WESTPORT FUEL SYSTEMS, INC. AND THE ECONOMICS OF ALTERNATIVE FUEL VEHICLES VERSUS OTHER TECHNOLOGIES.

This report focuses on Westport Fuel Systems, Inc. (WPRT) and the financial aspects of the business and the economics of alternative fuel vehicles versus other technologies.

Source: www.energytechivestor.com

THE ALPHADIRECT ENERGYTECH INVESTOR INSIGHT

We continue to believe that alternative fuel vehicles will play an important part of the new energy vehicle portfolio both in terms of passenger and commercial platforms. Westport Fuel Systems is well positioned to take advantage of that megatrend and the recent turnaround and operational excellence initiatives are positioning the company for a critical inflection point in 2018. Specifically, the company is making solid progress in our view towards their previously stated goal of being adjusted EBITDA positive by early 2018. Although we expect automotive will experience some growth, the real driver will be operational excellence, margins and the launch of Westport HPDI 2.0™. We also look to CWI to be a positive contributor on the back of new product launches and what should be lower R&D expenses. The Corporate and Technology segment should also be a positive factor as costs should come down meaningfully following the launch of HPDI 2.0. Overall 2018 is a key year for investors and is potentially a critical inflection point for the company.

WPRT Business Snapshot

Founded: 1995
Headquarters: Vancouver, Canada
Ticker: WPRT (TSX/NASDAQ)
Stock Price: $2.79*
Market Cap: $376.24M*
Website: www.wfsinc.com
**As of February 6, 2018*

About alphaDIRECT EnergyTech Investor

EnergyTech Investor, LLC (ETI), a division of AlphaDirect Advisors, is a 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

Mr. Ashoka Achuthan
Chief Financial Officer
Westport Fuel Systems, Inc.
Ashoka Achuthan was appointed CFO in June 2014. Mr. Achuthan has been with Westport Fuel Systems since November 2013 as Executive Vice President, Finance Operations. Prior to joining Westport Fuel Systems, he was CFO at CODA Holdings Inc. between 2011 and 2013. His career includes over 20 years with Siemens in Asia, Europe and North America. His last position at Siemens was Executive Vice President and CFO of Siemens VDO Automotive Inc. Ashoka has also held roles as CFO at Cooper Power Systems Inc. between 2005 and 2008; CFO at ATC Technologies Corp between 2008 and 2010; and the CFO at Key Plastics LLC in 2010. Ashoka earned a Bachelor of Science degree from the University of Bombay, an MBA from Case Western Reserve University, and is a Chartered Accountant.

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.

Westport Fuel Systems

ABOUT WPRT

Westport Fuel Systems Inc., a transportation technology company engineers, manufactures 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: First, I'd like to thank you, Ashoka, for taking the time to speak with us today. This is our second alphaDIRECT Management Series with Westport Fuel Systems and today we will discuss the financial aspects of the business and the economics of natural gas vehicles versus other technologies. However, before we get started, can you please give us a brief introduction of yourself and what brought you to Westport Fuel Systems?

Ashoka Achuthan: Thank you for giving us this opportunity, Shawn, and it is our pleasure to be able to talk about Westport Fuel Systems - where we have been and more importantly, where we are going.

I am a Chartered Accountant by training and have a Master's degree in Business. After business school, I joined Siemens in New York where I spent 22 years of my career in various regions and businesses. My last job at Siemens was as CFO of their automotive business which was based in the Detroit area. I exited when Siemens decided to sell the automotive business to Continental. I then joined Cooper Power Systems as their CFO, a company which is now a part of Eaton after an acquisition four years ago. I left Cooper Power Systems in 2008 and joined a company in Chicago called ATC Technologies which operates primarily in third-party logistics and transmission remanufacturing. In 2011, I joined an electrical start-up in LA called CODA Electric as CFO which was privately funded by some very well-known names in the industry including Riverside Capital and Fortress. We launched our first electric car, the CODA 1.0 but by 2013 we were unable to get meaningful traction in terms of volumes. After we wound down the company, the CEO of CODA suggested that I talk to Westport Fuel Systems given my background and experience with transportation and alternative fuel companies. In 2013, I joined Westport Fuel Systems as Executive Vice President, Finance Operations. I was then appointed CFO in 2014, at a critical stage, transitioning from being a very engineering focused company into a company that was ready to commercialize a product. It's been quite an exciting challenge since then.

Shawn Severson: Thank you, Ashoka. Can you talk about your adjusted EBITDA target and identify some of the key factors that you require to get there, especially versus 2017?

Ashoka Achuthan: Absolutely, Shawn. There is a very straight forward way of looking at this. If you look back to 2017, we reported our financials in three segments.

First is the Automotive segment, which by way of background, almost two-thirds of the Automotive segment is the former Fuel Systems Solutions business and the other one-third is the former Westport Innovations Automotive business. Our focus within this segment has been operational excellence and enhanced productivity, which basically means "blocking and tackling" to optimize our operations and increase profitability. We've been very successful in doing that. We have consolidated half a dozen individual locations - in Italy, the United States, China, India, and Argentina. The fruits of our efforts are beginning to show. This segment is expected to be profitable in the range of 7% to 10% adjusted EBITDA in 2018 and beyond.

The second segment is our joint venture (JV) with Cummins, the Cummins Westport Inc. (CWI), of which we own 50%. The JV has always been a profitable business and we expect that the profitability is going to be enhanced going forward for a number of reasons. The first reason is that we have three zero equivalent engines that we have recently launched. We are also focused on cutting back on research and development (R&D) because almost all of the development costs related to these near zero engines are behind us. These factors should improve the JV's performance for the next four years.

The third segment is what we call the Corporate and Technology segment. If you look back historically, this is where we had the highest spend in R&D costs and engineering costs to develop the Westport HPDI 2.0™ products. It's been a very expensive proposition over the past years, but we expect the R&D costs in this segment to come down by about half during 2018 because we have now launched our Westport HPDI 2.0™ product with our European OEM launch partner.

The factors of operational excellence in Automotive, enhanced performance of the CWI JV and reduction in R&D expenses in our Corporate and Technology segment, together with revenue inflow from the new Westport HPDI 2.0™ product, will get us to the objective that we have previously stated: adjusted EBITDA positive in early 2018.

Shawn Severson: Thank you, that was very helpful. When you build a financial forecast, where do you think the greatest risks or variabilities exist relative to both sales and margins in terms of your objectives?

Ashoka Achuthan: Under the Automotive business, a fair amount of effort has gone into operational excellence and the consolidation of footprint. We are very well diversified there, not only from a customer standpoint, but from OEMs and independent markets as well as geographically. We sell products to over 70 countries and the reason I draw some comfort from that is because in this business, the dynamics and the factors that drive revenue and profitability vary from country to country. For example, Argentina was a very strong market for us three years ago, but last year Argentina essentially collapsed. On the other hand, we saw a significant pick up in countries like Poland, India, Turkey and China. We have what I consider a natural balance with us being diversified both regionally and across customers. While this business could certainly come under pressure if the oil prices fall further or certain regional incentives or infrastructure issues arise, we believe that on a whole it is a manageable risk.

The second business is CWI, a medium to heavy duty business where the engines are primarily sold in North America. The majority of engines go into applications like transit buses, refuse and long-haul transportation applications. The revenues for this business segment could be impacted by a marked drop in oil prices similar to what we witnessed between 2014 and 2015, but outside of that, the risks are within our control.

The risks within the Corporate and Technology segment would be related to volumes as Westport HPDI 2.0™ is a new product with new technology. We fully expect our OEM customer to be a little conservative when they launch the product into their markets.

Shawn Severson: Thank you, Ashoka. Let's move onto government policies and subsidies. We get a lot of questions from investors with concerns and uncertainties on how that plays into your business both on a short-term and a long-term basis. Can you help us to understand the impact or importance it has in driving growth in your businesses?

Ashoka Achuthan: Sure, Shawn. This is a complicated question simply because it varies from country to country, not only in terms of subsidies, but also due to fuel price differential.

However, as I've mentioned before, we have found that historically our business has been balanced due to our geographic diversity. Argentina is a great example of the bottom, since we essentially dropped out of business there in 2014, which had everything to do with eroding fuel price differentials between gasoline and CNG. On the other hand, we realized that infrastructure was developing in countries like Poland, Turkey and Thailand and we saw a significant uptick. In China, you could have excise taxes or other levies on gasoline or natural gas almost overnight to drive a shift to alternative fuels adoption. There is very little we can do about that except to react quickly if it happens. So, on the Automotive side, there are as many possible subsidies or regulatory events as there are countries.

With CWI, California is a very big market for us and LA Transit is a significant customer. There are clear subsidies and strict regulatory initiatives in California that are playing in our favor. The first one is CAAP, or the Clean Air Action Plan, which relates to the Port Authority of Long Beach and Los Angeles. There are a significant number of trucks in use within the jurisdiction of these ports and CAAP has mandated that from 2019, unless a truck is near zero or zero emission, there will be a penalty levied for any truck operating within that jurisdiction. Secondly, California has made approximately $895 million of funds available and has now identified how they will be distributed between different clean air and clean technology projects. While the majority of funds have been directed to electric vehicles, natural gas industry associations including NGV America and the California Natural Gas Vehicle Coalition have ensured that natural gas engines are included as commercially available, cost competitive solutions delivering air quality and GHG emission reduction benefits in medium and heavy-duty applications, a market segment with very limited current options. The third area is the California Air Resource Board (CARB). There is as much as $40,000 available for near zero trucks that are being used within the state of California. All these subsidies and incentive-driven actions in the state of California provide a very good opportunity for Cummins Westport to be offering near zero products.

In regard to our HPDI product, the European market is changing rapidly and there is a massive backlash against diesel. At the moment, most of these relate to LD passenger vehicles but they are strong signals about how regulators are planning to incentivize cleaner alternative fuels. For example, it could be toll exemptions which are being discussed in Germany or levies on diesel, as well as use of specific traffic lanes for alternative fuel vehicles that may not be available to conventional fuel vehicles. The environment in Europe is turning very favorably to the use of alternative fuel vehicles and the point I want to make is to look at subsidies in a much broader context other than simply in dollar incentives to buy vehicles.

Shawn Severson: Thank you, that's very helpful, Ashoka. Expanding on that a bit from a growth perspective, if we look at the Automotive segment, can you help us understand what the growth prospects are for the Automotive division over the longer term?

Ashoka Achuthan: We are modeling modest growth for this segment, in the low- to mid-single digit, due to diversification across regions and customers both on the OEM side and the independent after-market side.

Shawn Severson: Thank you, Ashoka. Are there any markets from a geographic perspective that are especially attractive to Westport Fuel Systems on the automotive side?

Ashoka Achuthan: We are seeing a lot of interest in Europe with India being another area where we are seeing a significant uptick. These are all countries that are aggressively pushing regulations on environmental grounds. I would not throw North America in the bucket at the moment. China seems to have electric buyers on the light duty side, however, there are opportunistic situations for us in China that we continue to exploit. Turkey, Poland, Russia and the Ukraine are countries that come to mind as well. South America tends to be a wildcard because they could collapse for a year or two and then snap back just as fast. A part of what we consider to be our skillset and our competitive advantage is the fact that we have been a diversified global company that can react quickly to situations no matter where they arise.

Shawn Severson: Thank you, Ashoka. Moving on to your Corporate and Technology divisions, what are your expectations - are there any other significant expenditures or technology cycles you expect to see in the next year or two? Secondly, what about having third parties help fund new programs as a strategic initiative?

Ashoka Achuthan: Absolutely, Shawn, as Nancy Gougarty has mentioned, we have sunk a lot of money into the Westport HPDI 2.0™ program. Now we have situations where OEMs are coming to us and in most cases, the development work is going to be funded by the OEMs. We have public company and other corporate expenses, but we continue to optimize and drive efficiencies. The bulk of spending within this segment is R&D and we expect that any new development program will be funded by our new customers.

Shawn Severson: Great, thank you. Lastly, we receive a lot of questions on battery powered electric vehicles as well as fuel cells, especially regarding commercial vehicles. Can you help investors understand the competitive dynamic between EVs and fuel cells relative to Westport Fuel Systems natural gas technology solutions, specifically on the commercial vehicle side?

Ashoka Achuthan: Sure. I'm glad that you mentioned commercial vehicles. There has been a lot of talk about electric vehicles on the light duty side, which we are fully cognizant of. On the light duty side, we compete at a very different price point with the conversion cost of a regular gasoline or diesel car into propane or a CNG car being minimal compared to what an electric car costs. As well, the infrastructure for LPG and CNG is far more developed globally speaking than the electric charging infrastructure is.

On the medium and heavy-duty side, we are fully aware that there are other companies like Cummins, Tesla and Nikola that have announced products. However, Westport HPDI 2.0™ is a market ready-solution that has been proven and sold. If you recollect, we have sold about 1,300 Westport HPDI 1.0™ systems, of which many of them are still on the roads today with hundreds of millions of kilometers on them. Westport HPDI 2.0™ is also fully compatible with renewable LNG or bio-LNG, meaning fleets can realize significant GHG reductions to meet stringent current and future emission regulations. We would be naive to assume that there isn't going to be ongoing development of electrification in the medium and heavy-duty side, but we believe that for the foreseeable future, there is a strong market and the customers will continue to see a lot of appeal in our technology.

Shawn Severson: Great. Thank you again so much for your time today, Ashoka, and we look forward to speaking with you again.

Ashoka Achuthan: My pleasure, Shawn. 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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