

# Q2 2017 Conference Call Presentation

August 14, 2017





**NANCY  
GOUGARTY**

> Chief Executive Officer

# DRIVING INNOVATION TO POWER A CLEANER TOMORROW



The premier global company for the engineering, manufacturing and supply of alternative fuel systems and components.

## Transformative Actions Set Company on a Sustainable Path Forward

- > Westport and Fuel Systems merged in June 2016, bringing together two industry leaders
- > Nancy Gougarty appointed CEO in July 2016
- > Global management team with extensive industry experience
- > Focusing on core business
  - Sold Industrial business for \$87.5 million in early 2017
- > Westport™ HPDI 2.0 commercialization
- > Expected to be positive adjusted EBITDA in early 2018
- > Completed a \$28.7 million equity offering
  - Management purchased in open market following the offering

# POSITIVE TREND

(\$ in millions)	2016		2017	
	Q3	Q4	Q1	Q2
<b>Total Revenues</b>	<b>56.1</b>	<b>60.1</b>	<b>60.0</b>	<b>62.1</b>
Gross Margin	8.6	13.1	17.5	15.8
GM%	15.3%	21.8%	29.2%	25.4%
Adjusted EBITDA <sup>1</sup>	(10.8)	(11.0)	(4.1)	(5.3)

Note: Q1 2017 included a \$3.8 million milestone payment versus a \$1.2 million milestone payments in 2Q17

# SEGMENTS

## Automotive



- Systems and components for Passenger cars, Commercial vehicles, Trucks
- Electronics and High Pressure components
- CNG Refueling
- OEM & Aftermarket

- 2017 revenue expected to be between \$200-\$230M
- Target 7-10% AEBITDA margins in 2018 and beyond

## Cummins Westport JV



- 50% ownership of Cummins Westport Inc. ("CWI")
- Medium to Heavy-Duty engine markets (trucks, buses, refuse trucks & tractors)

- Continued strength in bus and refuse markets
- New ultra-low emissions engine lineup
- Westport Fuel Systems has received \$33.9M in cash dividends over the last three years

## Corporate & Technology



- Advanced Engineering
- GDI / PFI technology
- HPDI (High Pressure Direct Injection engine technology)
- HESI (High Efficiency Spark Ignited engine technology)
- Cryogenics (Fuel Storage and delivery solutions)

- Westport HPDI™ 2.0 commercial launch in second half of 2017
- R&D spend expected to decline in 2018
- New development programs expected to be funded by 3<sup>rd</sup> parties

# PATH AHEAD

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- > Focus on our core businesses
- > Eliminate unprofitable initiatives
- > Advance our key technologies
- > Improve our financial performance



**ANDREA  
ALGHISI**

> Chief Operating Officer, Automotive

# AUTOMOTIVE SEGMENT

(\$ in millions)	2016		2017	
	Q3	Q4	Q1	Q2
<b>Total Revenues</b>	<b>50.9</b>	<b>59.1</b>	<b>56.4</b>	<b>60.8</b>
Gross Margin	6.9	12.4	13.8	14.6
GM%	13.6%	21.0%	24.5%	24.0%
Adjusted EBITDA <sup>1</sup>	(1.2)	0.4	3.6	3.1
Adjusted EBITDA % <sup>1</sup>	na	0.7%	6.4%	5.1%





**ASHOKA  
ACHUTHAN**

> Chief Financial Officer

# CONTINUED EXECUTION IN Q2 2017

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- > Strengthened balance sheet and liquidity position
- > Cash and cash equivalents of \$87.7 million at June 30<sup>th</sup>, 2017
- > Sold Industrial business in two transactions for gross proceeds of \$87.5 million
- > Completed an equity offering for \$28.7 million in gross proceeds
- > Addressing debentures due September 15<sup>th</sup>, 2017
- > Accomplishments in the past year
  - Achieved merger cost savings one year ahead of schedule
  - Sold non-core assets
  - Improved Automotive segment's adjusted EBITDA
  - Improved the company's consolidated adjusted EBITDA

# CUMMINS WESTPORT INC.

- > Continued strength in refuse markets
- > New ultra-low emissions engine lineup

(\$ in millions)	2016		2017	
	Q3	Q4	Q1	Q2
<b>Total Revenues</b>	<b>67.5</b>	<b>70.4</b>	<b>70.7</b>	<b>79.5</b>
Gross Margin	21.9	17.6	21.8	28.6
GM%	32.4%	25.0%	30.8%	36.0%
R&D	8.1	8.6	10.8	7.2
% of sales	12.0%	11.8%	15.3%	9.0%
SG&A	6.4	4.5	5.8	5.0
% of sales	9.5%	6.4%	8.2%	6.3%
Income for the period	4.6	4.1	3.5	10.6

# SG&A AND R&D

## SG&A

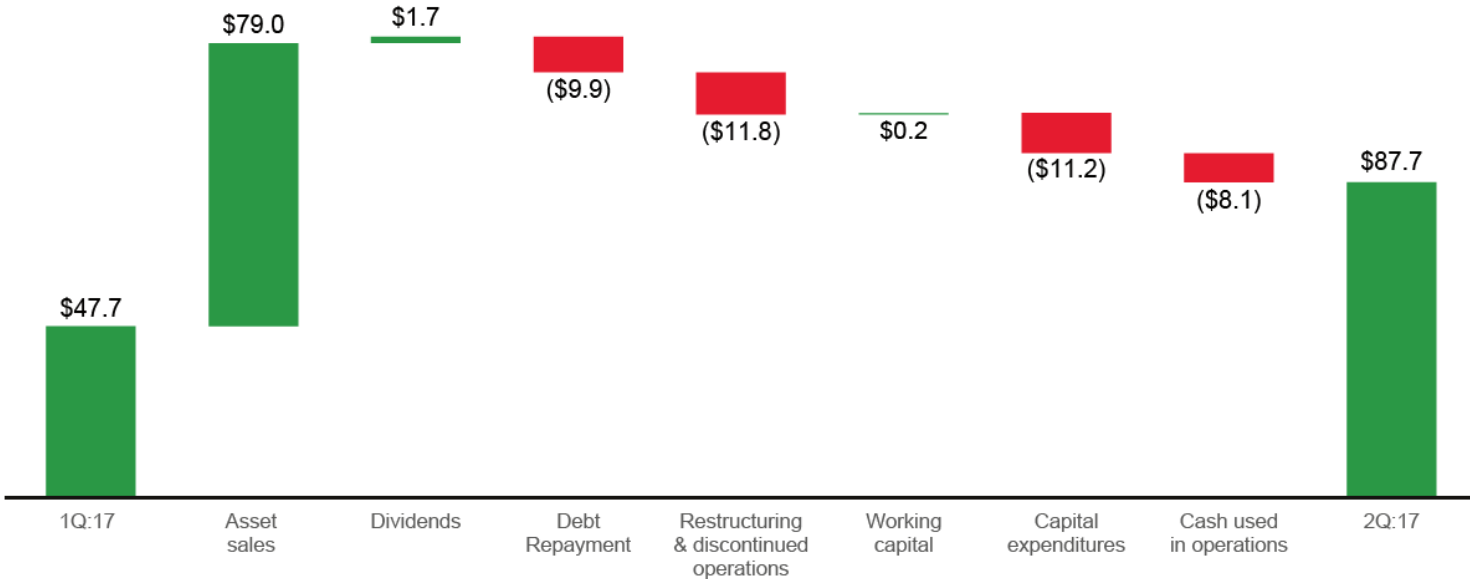
(\$ in millions)	2016		2017	
	Q3	Q4	Q1	Q2
Automotive	\$7.4	\$8.9	\$8.8	\$8.1
Corporate and Technology	\$9.5	\$5.8	\$6.5	\$7.9
<b>Total SG&amp;A</b>	<b>\$16.9</b>	<b>\$14.7</b>	<b>\$15.3</b>	<b>\$16.0</b>

## R&D

(\$ in millions)	2016		2017	
	Q3	Q4	Q1	Q2
Automotive	\$4.9	\$4.2	\$3.9	\$4.2
Corporate and Technology	\$9.4	\$10.6	\$8.3	\$10.0
<b>Total R&amp;D</b>	<b>\$14.3</b>	<b>\$14.8</b>	<b>\$12.2</b>	<b>\$14.2</b>

Note: 2016 numbers adjusted to exclude the impact of discontinued operations

# QUARTERLY CASH WALK



# OUTLOOK

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- > Continue to expect 2017 Automotive segment revenues in the range of \$200-\$230 million
- > Ongoing cost alignment and expense control
- > Commercial shipment of Westport™ HPDI 2.0 components to our OEM launch partner
- > Positive adjusted EBITDA in early 2018



**Q&A**

# CAUTIONARY NOTE

## Forward Looking Statements

- > This presentation contains forward-looking statements, including statements regarding Westport's business, revenue, liquidity and cash usage expectations, timing for and expectations related to Westport becoming Adjusted EBITDA positive, 2017 revenue expectations, future Adjusted EBITDA margins, timing and benefits of financing options, continued research and development investment, future of our development programs and timing for launch, delivery and completion of milestones related to the products referenced herein, future sales of products and gross margin, the demand for and future availability of our products, the future success of our business and technology strategies, the performance and competitiveness of Westport's products and expansion of product coverage and future market opportunities. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties and are based on both the views of management and assumptions that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activities, performance or achievements expressed in or implied by these forward looking statements. These risks and uncertainties include risks and assumptions related to our revenue growth, operating results, industry and products, the general economy, conditions of and access to the capital and debt markets, governmental policies, regulation and approvals, technology innovations, fluctuations in foreign exchange rates, operating expenses, the availability and price of natural gas, global government stimulus packages, the acceptance of and shift to natural gas vehicles, the relaxation or waiver of fuel emission standards, the inability of fleets to access capital or government funding to purchase natural gas vehicles, the development of competing technologies, our ability to adequately develop and deploy our technology, the actions and determinations of our joint venture and development partners, as well as other risk factors and assumptions that may affect our actual results, performance or achievements or financial position discussed in Westport's most recent Annual Information Form and Annual Report on Form 40-F for the year ended December 31, 2016 and other filings made by Westport with securities regulators. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in these forward looking statements except as required by National Instrument 51-102. The contents of any website, RSS feed or twitter account referenced in this presentation are not incorporated by reference herein.
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