
Operator

At this time, I would like to turn the conference over to Darren Seed, Vice President of Capital Markets and Communications. Please go ahead.

DARREN SEED speaking

Vice President, Capital Markets and Communications, Westport Innovations Inc.

Thank you and good afternoon everyone. Welcome to our fourth quarter and fiscal 2014 conference call. It is being held to coincide with the disclosure of our financial results earlier this afternoon. For those who haven't seen the release and financial statements yet, they can be found on Westport's website at www.westport.com.

Speaking on behalf of the Company will be Westport's Chief Executive Officer, David Demers; and Westport's Chief Financial Officer, Ashoka Achuthan; and Westport's President and Chief Operating Officer, Nancy Gougarty. Attendance at this call is open to the public and to media, but for the sake of brevity, we are restricting questions to analysts.

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 US 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. Information contained in this conference call is subject to and qualified in its entirety by information contained in the Company's public filings, and except as required by applicable securities laws, we do not have any intention or obligation to update forward-looking information after this conference call. You are cautioned not to place undue reliance on any forward-looking statements.

Now, I will turn the call over to David Demers.

DAVID DEMERS speaking

Chief Executive Officer,
Westport Innovations Inc.

Thanks Darren. Good afternoon everyone and thank you for your interest and support of Westport. As usual I'll confine my formal remarks to the long-term strategy and our trajectory and then Nancy and Ashoka will take you through their operational reports for the quarter and the year-end numbers. We'll then open up for questions.

It's hard to believe, but as we look back on the turbulence of the last few months and when we called our time-out at the end of September forecasting a rough Q4, oil was still at \$84 and the Canadian dollar and the Euro were double-digit percentages higher. Obviously we were right to take fast action. In retrospect I think we reset appropriately. The collapse in oil prices and gasoline in particular has caused some markets, such as that for Ford vehicles, to slow down but, on the other hand, many customers even in the light-duty space see the long-term stability of natural gas prices as support for continued fleet migration. Our core business remains solid and as you can see, 2014 saw us achieve a billion dollar total segment revenue milestone for the first time.

Q4 saw good strength in our joint ventures and continued strength in core applications such as transit, refuse trucks, and urban trucking. CWI had a strong top line in Q4 and we seem to have turned the corner on our warranty accrual challenges that has dampened results for the past several quarters. This resulted in strong profitability in the joint venture. China also continues to see strong growth and our Weichai Westport joint venture broke 50,000 engines for the year, a spectacular milestone. Combining our two joint ventures, we captured about 2.8% market share of the entire global medium- and heavy-duty engine market last year.

I think we can conclude that natural gas is now a material and important segment in this business. If the last 10 years were about getting basic products into the market to establish that natural gas can work and get some measurable scale, our next 10 years will be about delivering next generation products to those established customers, as well as new ones. Our major investments in HPDI 2.0 and our advanced spark ignition technologies will deliver more power, better fuel economy, better greenhouse gas performance, and lower

costs. Our capital light business model will, we believe, deliver superior returns for our shareholders and allow us to scale up quickly as the market grows.

On the light-duty side, we're primarily—we're looking to displace gasoline vehicles. The market's also going through rapid change driven by two factors. First, gasoline engines are quickly moving to advanced direct injection systems with breakthrough performance in fuel economy. Traditional natural gas conversion systems will become obsolete. I'm pleased to announce that our first OEM bi-fuel direct injection vehicles will begin to ship in Q2; more details on this coming very soon.

Secondly, this technology shift combined with the sudden competitive price pressure due to oil price and currency volatility is putting great pressure on this traditionally fragmented industry. Many suppliers are feeling the pressure and I believe 2015 will see significant consolidations and alliances in this space. Westport's position with industry leading technology and experience—but 2015 is going to be a challenge for our ATG and On-Road Systems units. Nevertheless, the cost cutting and the margin improvements that we focused on in 2014 will set us up for strong growth once the uncertainty around energy prices and currencies start to clear.

Moving from the strategic outlook to the competitive landscape, we've seen almost all of the threatening competitive product and development activity in this space drop away in the face of market uncertainty and with the reality that the performance expectations and the cost of development of new products has risen substantially since the early aftermarket conversion days. Whatever the reasons, this means that Westport remains the standout global go-to for alternative fuel technology that can meet the expectations of advanced global OEMs. So, we too can now be more selective about where to invest and this gives us the flexibility to wait for partners to develop their own confidence to invest beside us in new products. The bottom line is that we refined our investment program for 2015. Net spending in our corporate and technology investments will fall by about 40% without materially affecting our long-term product portfolio. For example, the Off-Road applications including mining, rail, and marine are all developing, slowly but surely, and we've made significant investments in proof of concept and market development products over the past three years. I think we sufficiently proved our point. We have royalty agreements in place with key market participants and we'll therefore not need anything like the investment rate next year to continue to be well positioned as this industry develops.

With the short-term shock of the oil price and currency volatility behind us, we look forward to continued development of our global business in 2015 and continued progress toward our vision of a transition from oil-based fuels like diesel and gasoline to clean inexpensive natural gas.

Over to Ashoka and then Nancy to take you through the details.

ASHOKA ACHUTHAN
speaking

Chief Financial Officer,
Westport Innovations Inc.

Thank you, David. Good afternoon everyone. I'll begin by giving you some highlights of our fourth quarter and year-end results, our financial outlook for 2015, and I'll move on to providing you with actions we've taken to address our expenses and our cash position. Most importantly, I will lay out our path to profitability and the factors we've identified to get us there.

Starting with revenue, total segments revenue including the Cummins Westport and the Weichai Westport JVs and the Westport Operations revenue was \$1.1 billion for the year ended December 31st, 2014, an increase of 15% over the same period last year and a compound annual growth rate of 43% over the past three years. We are highlighting the combined segments revenue for three main reasons. One, the global market for natural gas vehicles is growing, despite some of the strongest headwinds we've seen in years. Two, we believe that revenues from Westport's own operations and the joint ventures together, combined, provide better clarity on the market's global picture. Three, we expect much stronger returns from these segments this year towards our own bottom line and that's a critical factor in our path to profitability.

Cummins Westport revenue was \$107 million on 3,382 units for the quarter ended December 31st, 2014, the second strongest quarterly revenue in the history of the joint venture, primarily due to strong growth in the bus applications. For the year ended December 31, 2014 CWI reported record annual revenue and volume of \$337.2 million and 10,512 units respectively. That's an increase of 9% in revenue compared to prior year. We believe

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CWI's core markets of transit and refuse will remain strong, despite the volatility in energy prices.

Weichai Westport's revenue was a record \$192.8 million on 16,221 units for the quarter ended December 31st, 2014, an increase of 106% in revenue compared to the prior year period. The full-year numbers were also at an all time high of \$618.5 million on 51,006 units, an increase of 33% in revenue compared to the prior year.

We recorded revenue of \$130.6 million from what we are referring to as Westport Operations for the year ended December 31st, '14 which is within our previously stated guidance range. This is compared to \$164 million in the prior year, which included about \$24 million revenue contribution from the first generation Westport HPDI system. Westport Operations include a wide portfolio of products sold in different markets and segments in many parts of the world and is affected by various sensitivities to external factors.

Our Components revenue captured in the Applied Technologies group decreased by 8% to \$86.2 million, compared with \$93.2 million in the prior year period, primarily due to the unfavourable impact of foreign exchange translation from Euro to the US dollar and weakness in key markets such as Italy, Russia, and certain other Eastern European countries. That said, we did see growth in markets such as Germany, Poland, and India.

Our Ford business captured in the On-Road Systems segment was down 1% year-over-year in revenue, but declining over 60% in Q4 of 2014 alone compared to 2013, driven by the impact of lower gasoline prices in the US in 2014 and a sizeable fleet order booked in the fourth quarter of 2013. We have taken significant restructuring actions in this business and we'll continue to monitor the results closely. It is, however, important to note that the bottom line of the business has improved dramatically and we expect the Ford business to generate positive Adjusted EBITDA this year, even at this significantly reduced revenue level.

Sales of the Volvo Car business improved 25% year-over-year and almost doubled in Q4 2014 compared to Q4 of 2013. Timing of service revenue from our development agreements also impacted our revenue year-over-year. However, the development of our HPDI 2.0 heavy-duty vehicle products is making strong progress and we expect additional service revenue from our disclosed and undisclosed development partners in 2015.

For 2015, we are forecasting modest growth in revenue for some markets and continue to remain uncertain in

others. The result is that we expect our total segments revenue will be approximately \$1.1 billion for Westport Operations and the joint ventures combined for the year ended December 31st, 2015. We are able to provide revenue outlook for Westport Operations, but will refrain from a specific revenue number on each of the joint ventures for competitive reasons.

That said, we expect CWI to have modest revenue growth year-over-year due to current energy prices, although we believe CWI's core markets of transit and refuse will remain strong. We also expect that our portion of CWI's net income would improve significantly in 2015 as a result of our identifying and resolving the warranty issues associated with the 8.9 litre engine.

Given the growth we've seen in China in the past few years, we expect Weichai Westport to see continued growth. Revenue from Westport Operations is expected to be between \$110 million and \$125 million in 2015. Again, our products are sold in different markets and segments in many parts of the world, with each business affected by various sensitive—sensitivities to external factors including currency fluctuations, which impact our foreign currency translation from Euro to US dollars; volatility in US gasoline prices which affect sales for our Ford QVM products, although we are continuing to see commitments by larger fleets; geopolitical uncertainty in peak growth markets which impact our Applied Technologies business; and the growth of LNG infrastructure, particularly advanced cold LNG stations which would affect the sales of our products such as the iCE PACK system.

Moving on to gross margin, for CWI the gross margin for the quarter was \$33 million or 30.8% of revenue, a significant improvement of 139% year-over-year. The increase in CWI gross margin during the quarter is primarily due to a favourable warranty adjustment as a result of our resolving warranty issues related to the 8.9 litre engine. Favourable warranty adjustments totalling \$4.7 million were recorded in the quarter ended December 31st, 2014, compared with an unfavourable adjustment of \$21.3 million in the prior year period.

For Weichai Westport, the gross margin for the quarter and the year ended December 31st, 2014 increased by 197% to \$28.5 million and 41% to \$52.5 million respectively, primarily due to product mix, and higher margin engine sales, and improvements in production efficiencies.

From the Westport Operations side, our consolidated gross margin for the year was \$32.7 million or 25% of revenue, compared with \$15.3 million or 9.3% of revenue

in the prior year. The increase in gross margin is primarily due to a change in product mix, warranty adjustments, and inventory write-downs of \$26 million related to the discontinuation of the first generation HPDI system in 2013.

For the fourth quarter ended December 31st, 2014, gross margin was negative \$1.2 million as compared to a negative \$17 million for the same period last year. While this is still a 93% improvement, we recorded adjustments totalling \$6.1 million in the fourth quarter of this year, primarily related to a one-time charge on an engineering program and provisions for inventory purchase commitments associated with On-Road Systems businesses.

Moving on to operating expenses, I will spend some time outlining some of the actions we've taken to reduce operating expenses, but Nancy will go into operational details thereafter.

Westport reduced its operating expenses by over \$23 million for the year compared to the prior year as a result of several key actions taken in 2014. These included consolidation of facilities, restructuring of businesses at the Applied Technologies group—Ford, ServoTech, and Volvo Car to focus on lean operations, negotiations on terms with current production suppliers, reduction of our global headcount, and reduction of general corporate expenses such as reductions for executive salaries and corporate bonuses.

In addition, we have rationalized and completed a number of development programs and reduced the overall number from 45 in January 2014 down to 29 as of December 2014. Westport expects to further rationalize the development programs to a core group of 23 programs by the end of 2015 through continued prioritization of key technologies and programs combined with a completion of programs which, together with improved JV performance, would improve total 2015 Corporate and Technology Investment adjusted EBITDA results by approximately 40%.

Moving on to net income, for the fourth quarter of 2014 our net loss was \$64.9 million or \$1.02 per share. This is compared with a net loss of \$89.5 million or \$1.42 per share in the prior period, an improvement of 27%. For the fiscal year ended 2014, our net loss was \$149.6 million compared with \$185 million in 2013, an improvement of 19%. The improvement in net loss for the quarter ended December 31st, 2014 was primarily due to increases in consolidated gross margin and joint venture income combined with a significant reduction in operational expenses.

I would also like to point out that during the quarter we recorded non-cash adjustments totalling \$35.4 million. This includes goodwill impairment of \$18.5 million as a result of our annual goodwill impairment assessment in November. This charge was driven by a significant decline in the price of oil and a lower than expected adoption rate of natural gas vehicles. Other non-cash adjustments include \$5.5 million of intangible asset impairment, \$4.1 million of provision for inventory purchase commitments, \$2.5 million—\$2.1 million in inventory obsolescence, and \$5.2 million on impairment of long-lived assets.

The good news is that our income from the joint ventures improved considerably during the quarter. CWI reported record net income of \$14.3 million for the quarter, an increase of 276% from the prior year, as a result of favourable warranty adjustments. Our portion of CWI's net income for the quarter was a record \$7.7 million, an increase of 175% compared to 2013.

Furthermore, Weichai Westport generated record net income for the quarter and the year, reporting \$10.3 million for the quarter and \$17.2 million for the year, an increase of 442% and 42% respectively compared to the prior year periods. Our portion of Weichai Westport's net income for the quarter and the year was again, a record \$3.6 million and \$6 million respectively, an increase of 541% compared to the prior year periods.

Moving on to our cash balance and Adjusted EBITDA, as of December 31st, 2014 our cash, cash equivalents, and short-term investment balance was \$94 million. During the quarter, cash use in operations was \$23.4 million, a sequential decrease of \$8 million for the quarter ended September 30th, 2014, where the cash use was \$31.4 million. This is primarily due to improvements in working capital. Cash used in operations for the year ended December 31st, 2014 was \$106.8 million, a decrease of \$10 million from the prior year where cash used was \$116.8 million. This is primarily due to some of the key actions I mentioned earlier to improve operations and reduce product investments, offset by the costs related to the restructuring activities.

In terms of cash and liquidity, our primary motivation is clearly to get the Company to break even from a cash flow standpoint as soon as possible. We have a number of choices that we can make around investments and other research and development programs that will expedite this process. However, we also have a number of strategic alternatives in front of us to help reduce core expenses and cash burn, and we have the ability to divest certain non-core assets. I expect over the next few

months that we will be able to provide more clarity on these alternatives as they evolve.

Moving on to Adjusted EBITDA and key steps on the path to our profitability; Adjusted EBITDA loss from operations for the year ended December 31st, 2014 was \$17.7 million, compared to \$34.5 million for the prior year. Consolidated Adjusted EBITDA loss for the year ended December 31st, '14 was \$83.9 million compared with a loss of \$96.9 million in the prior year. The year-over-year improvement was due to the fact of consolidation and restructuring activities I mentioned earlier and the prioritization of our engineering and investment development programs. The path to breakeven for Westport has stronger headwinds now than we—than when it was originally proposed in 2013. However, we are controlling what we can through rationalizing our businesses, our development programs, and technology investments, while looking out for opportunities for incremental sales.

Our current forecast for reaching consolidated breakeven using the Adjusted EBITDA as a metric is now mid 2016. However, there are some catalysts that could transpire for earlier success: one, stronger sales recovery in Westport operating units where each 10% improvement in sales will deliver approximately \$3.5 million in Adjusted EBITDA; improvement in sales at Westport's joint ventures where each 10% improvement would deliver approximately \$3 million in annual Adjusted EBITDA; and lower net investment in development programs and corporate expenses which will, of course, have a dollar for dollar impact. We have all the financial tools we need to succeed. We have the options and alternatives to shore up our liquidity and address any investment requirements. More importantly, we have demonstrated our commitment to make the necessary changes and sacrifice to ensure our longevity in this space.

Before I conclude, I'd like to briefly touch upon how we plan to be reporting our segments as of the first quarter of 2015. As we narrow the focus within certain business units and defer the development of certain product and—product related engineering programs, it makes sense to combine operational business units into one operations report, to appropriately reflect the nature of Westport's own product and systems revenue. Therefore, as of Q1 2015, Westport plans to report the total for the Applied Technologies group, On-Road Systems, and Off-Road Systems segments as one Westport Operations segment. Westport will, however, continue to report Corporate and Technology Investments and the two joint ventures as separate segments.

With that, I'd like to pass the call on to Nancy.

NANCY GOUGARTY
speaking

President and Chief
Operating Officer, Westport
Innovations Inc.

Thank s, Ashoka. I would like to take the opportunity this afternoon to talk about operational highlights. When I complete my comments, I will pass back to the Operator for questions.

Over the past quarter and year, we have continued to exercise financial discipline across our operations. Part of this is focusing on the headwinds in the energy market. We have remained nimble and took immediate action to align our operations with the pace of market adoption and the readiness of our OEM customers.

In terms of investment and new technologies, we remain committed to investing in technologies where we have support of OEMs. Westport invested \$38.2 million towards HPDI 2.0 while Westport—during the year. The lead customer for HPDI 2.0 is Volvo AB, while Westport continues to develop HPDI products with other OEMs. The key component of the Westport HPDI 2.0 system is a brand of new family high pressure fuel injection—injectors co-developed by Delphi. These have been designed to provide better cost, smaller size, and improved packaging compared to the prior generation of Westport HPDI injector designs. The new generation are currently running on engine tests and we expect to have volume production available by mid 2016.

As we look at Applied Technologies, we have strengthened our leadership by the appointment of Mehran Rahbar, Vice—Executive, Executive Vice President responsible for Applied Technologies business unit. His career includes 17 years with Siemens VDO in multiple divisions throughout Europe and North America. His last position was CEO and Executive Vice President of the Engine Actuator and Emissions Management Division. Just prior to joining Westport, Mehran was a Global Member of Leadership for quality in the Valeo Automotive Group.

During fourth quarter, we continued our intense review to improve the Applied Technologies business performance related to sales, productivity, inventory, and quality management. Priority investment projects were identified and implemented resulting in immediate cost savings. The remaining projects planned are for execution over calendar year 2015. We also launched product cost reductions, product benchmarking, and improved competitive pricing and response time for our customers. Activities included product technology enhancement, consolidation of our two warehouses in Italy, and a new eCommerce site. The eCommerce site developed in 2014 will go live in 2015 and will reach new and untapped customers, as well as providing information and education on products, as well as optional services available to support customer purchasing decisions. Our consolidated warehouse located on—right on our Italian property will bring our staff under one roof, increase our transportation efficiencies, allow us to ensure responsive delivery at best cost. We will report back throughout the year on the financial benefits of these actions.

The acquisition of Prins will further strengthen Westport's dominant technology portfolio. It extends our markets into Africa, Korea, Turkey, and Central Europe. As a result of the acquisition, we expect to realize synergies and economy of scales across our products, sales, and operations. Prins is a leading developer of direct injection LPG technology. The acquisition of Prins enhances our LPG capabilities, thus stimulating demand and supporting our market growth in this area.

Westport's Italian-based injector business remains consistently strong. The new Valtek Type 39 in the OMVL Gemini injector rail is final development phase with pre-series build and shipped to Russia for winter testing. The Type 39 in Gemini injector rail completes our rail portfolio. Expected—this product is expected to improve performance, reduce costs, and extend engine displacement on vehicle applications.

As we look at the On-Road business, Westport's natural gas sales through Ford Qualified Vehicle Modifier (QVM) program in 2014 was down 1% year-over-year. Challenging headwinds from much lower gasoline prices in the US was one cause. What—Westport has therefore restructured the business through headcount reduction, facility consolidation, to focus on lean operation. The improved operation results by 66% from an Adjusted EBITDA basis loss of over \$10 million in 2013. The Adjusted EBITDA loss in calendar year '14 was \$3.7 million for the year ending December 31st. Westport

expects for the QVM business to be at a breakeven in calendar year '15, even at our current sales volume.

The Ford business is also launching an aggressive campaign that will put Westport in front of 150 new CNG stations that are being built in calendar year '15. This will put Westport in front of the customer before many CNG stations open and allow us to develop partnerships and relationships in identifying evolving demand of our customer.

Sales through the Volvo car business have stabilized. Cost and margin improvements have allowed the business to reach a positive operating income for the first time in quarter three 2014. We have reached production capacity with our customer orders to the end of April.

As we look at the Off-Road business, Westport has delivered four prototype LNG tenders to the Canadian Rail—National Railroad and will use—for use in testing the LNG locomotive in late calendar year '14. Westport will continue to support and provide service to CN. However, we have paused further investments on LNG tender until there is clarity on the timing of commercial LNG locomotive is available and there is associated customer demand.

In terms of right-sizing the business and talent acquisition, in the effort to refocus our business and align with the current market conditions and readiness of our OEM customers, Westport has rationalized the number of development programs from 45 as of January 2014 down to 29 as of December 2014. Westport expects further reduction in the development programs to a core group of 23 by the end of calendar year '15 through prioritization of key technologies and combining of programs as pointed out earlier by Ashoka. It is a focus; not abandonment. We are focused; number one, on key items and number two, on elimination of distractions; consolidation of facilities from 30 locations at the end of calendar year '13 to 22 at the end of calendar year '14—this is over 25% reduction of our sites; negotiation for current production; suppliers, for example, is another area of focus; pricing of CNG and LNG tanks, corporate logistics services, and facility maintenance; consolidation of volume of commonly used components by leveraging worldwide facility consumption resulting in savings on pressure sensors costs used in multiple products and applications.

Over the past 18 months, in an effort to reduce costs and align expenses with revenue, Westport has proactively rightsized our organization. Since reaching our peak global headcount of 1,175 employees in quarter two 2013, we are currently at 908 employees including full-time

and contract or part-time employees as of December 31st, 2014. This is a reduction of 23%. In addition to Mehran's announcement in 2014, we have also appointed Tom Rippon to the Executive Vice President position overseeing global engineering activities. Tom's experience includes extensive tenure at GM Powertrain, both in North America and in Asia.

In conclusion, overall calendar year '14 was—caused us to face some tough decisions amidst uncontrollable macroeconomic conditions. This allowed us to take the opportunity to improve our operational efficiencies, prioritize our investment program, and lastly, focus on developing our business around our OEM partners in their readiness to market. In calendar year '15, we will continue to exercise financial discipline around our operations and we remain committed to investing in key programs that—in order for us to quickly respond to an—evolving market conditions and our OEMs' evolving needs. We expect to have eventful months ahead and I look forward to providing you more insight on these operational improvements as they take shape.

Now, I will pass back to the Operator for questions.

Operator

Thank you. We will now begin the question and answer session. If you would like to ask a question, please press star, and one on your touchtone phone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star, and two.

The first question is from Laurence Alexander of Jefferies. Please go ahead.

Laurence Alexander -
Jefferies & Company

Good morning. Just a couple of questions; first, when you speak about the cost reductions, is that a year-over-year adjustment or is that your run rate cost adjustments at the end of 2015?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Laurence, that would depend on the nature of the cost reduction. For instance, clearly if it relates to a shutdown of a location, you know, something we did in the first quarter—fourth quarter of 2014, that would be a run rate reduction, whereas others would be more of a year-over-year reduction; so it's a combination of both those factors.

Laurence Alexander -
Jefferies & Company

Okay, so then just to clarify, so the 40% reduction; is there a tailwind into 2015 that is implied by the reductions you're already planning?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

The 40% is a year-over-year reduction, Laurence.

Laurence Alexander -
Jefferies & Company

Okay and secondly, can you give a sense for—can you help size—you make a couple of comments around asset sales and FX. Can you give us a quantification of what the size of potential asset sales might be and what your sensitivity is to say a \$0.10 move in the Euro?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

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You know, it's—I mean you can look through our balance sheet to get a sense of what kind of assets we carry. We are looking into, you know, all kinds of monetization opportunities and at this point I'm a little reluctant to go more specific than that. We will, as I mentioned, you know, giving you more colour and adding more clarity as each of these initiatives evolves over the next few months, but believe me, it's right there on the front burner for us.

Laurence Alexander -
Jefferies & Company

Okay and then lastly, you know, just in the reference to moving to full systems sales, will there be any—is there any situations where you'll be competing with your customers and what percentage of your business might be affected by that?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Nancy, you want to take that? His question was: Is there a risk of the Ford business, the system sales, competing with the customer, meaning competing with Ford?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

I don't—I mean...

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

I don't think so, but...

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

I can't think of anything that would fit that scenario.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

We don't see that concern at this point, Laurence.

Laurence Alexander -
Jefferies & Company

Okay, thank you.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Sure.

Operator

The next question is from Ann Duignan of J.P. Morgan. Please go ahead.

Ann Duignan - J.P. Morgan

Hi. Thank you. Where to begin? You talked about cutting development programs from 45 to 29 today and— but down to 23 by year-end. I guess my question is with

the cash burn where it's at, with your inventories at an elevated level, your receivables at an elevated level, and your payables at an elevated level; I mean are we moving with a fast enough sense of urgency here? I mean, we've got less than four quarters of cash to use up and why wouldn't we stop every development program and go into survival mode right now until you generate cash, generate the profits in the business as you have and then go back and look at development programs?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

I'll let David answer. The second part of the question is: Why don't we stop doing everything until we generate cash? But, I can assure you, Ann, that, you know, our management of working capital has our highest priority and attention. Yes, you do—you have noticed receivables as well as payables, I may add, on the high side and we're trying to offset it the best we can. We are struggling with certain headwinds, particularly, you know, Russia and South America with the macroeconomic conditions there that we've had some issues related to collectability. But, outside of that, you know, we are—we have written off inventories where we have been holding amounts well in excess of current requirements, which is a part of our one-time adjustments this year. But, raw working capital management is and will continue to be our highest priority this year.

Your second part of the question: Why don't we pull out of engineering programs until we get cash positive? David, you—I guess you wish it could be something else other than that, right?

David Demers - Westport
Innovations Inc., Chief
Executive Officer

Yes, I wish we could do it as simple as that. Ann, as you know, we've got commitments to people. We've got alliances, we've got joint development agreements, and frankly, we've got a lot of enthusiastic customers who think that these next generation products are really

important so it's not something that we can just sort of shut down. I think, as Nancy said, we have been pretty ruthless about programs where we don't see that demand and that excitement or where the timetable's been pushed out, you know, and as we've seen in the mining and rail business, it looks like there's going to be some more time. But, there's also a whole bunch of partners who are looking as to how they're going to make those investments and so there's no need for us to make investments on our own right now. We'll wait and see how that team coalesces. But, for the things that we are doing now, we think we have a strong demand and a good return for shareholders and we want to preserve those programs and obviously we think that we can afford them or we'd be shutting them down. We don't think this is a question of survival, frankly.

Ann Duignan - J.P. Morgan

Okay and I'm going to say—and then on the impairment, can you walk us through what was impaired? Where—is there any risk that your patents—were any patents impaired?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

No. Impairment had to do with our North American business; goodwill and certain intangible assets related to the business.

Ann Duignan - J.P. Morgan

Okay. I'll get back in line in the interest of time. Thank you.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Thank you.

Operator

The next question is from Nicole DeBlase of Morgan Stanley. Please go ahead.

Nicole DeBlase - Morgan Stanley

Yes, thanks. Good afternoon, guys.

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

Hey, Nicole.

Nicole DeBlase - Morgan Stanley

Hey there. So, I think the question was asked, but I'm not sure we got an answer on this. So, you guys have embedded \$1.15 to \$1.20 on the Euro for—within your revenue guidance and I'm just curious. You know, now that we're at \$1.08, it could potentially move to parity by year-end. How much of an additional headwind could that represent to your guidance?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes. You know, it's something we've been looking at and like—as you'll likely find out, but the range we were going with for the guidance which explains why the guidance is flat to lower than our current year revenue. Our current year average is closer to \$1.33 to the Euro. Let me answer the question this way. You know, about 80% of our Westport operating revenue is from the ATG Group and that is substantially all Euro denominated so, you know, you can do the math to get a sense of what any change in the Euro with the dollar would do to us there. But, it's just as important to note that while our revenues are dollar denominated, all the input costs are also dollar denominated, so we expect, you know, corresponding benefit on the cost side. Yes, so net-net profitability-wise, there is going to be a negative impact, but, you know, the important thing to note is that we are substantially self hedged there.

Nicole DeBlase - Morgan Stanley

Okay, that's helpful and then my second question is just around the new EBITDA guidance, so pushing it out to mid 2016; I'm just curious what level of confidence you guys have around hitting that and what market conditions you need to see in 2016 in order to execute on that guidance?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Confidence; you know, we're reasonably confident, which is why we shared it. You know, we were hoping to be able to get there by the end of 2015. Obviously we made that commitment under a totally different set of circumstances—macroeconomic, oil prices, currency situation; you name it. But in terms of operational improvements and the things that we're doing that we can control, you know, we are in extremely high degree of confidence that we will execute and with the macroeconomic winds, probably not as much as—against as it is today. We expect we'll be able to get there by mid 2016 as stated.

Nicole DeBlase - Morgan Stanley

Okay, thanks. I'll pass it on.

Operator

The next question is from Jerry Revich of Goldman, Sachs. Please go ahead.

Jerry Revich - Goldman, Sachs & Co.

Good afternoon.

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

Hi, Jerry.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Hey, Jerry.

Jerry Revich - Goldman, Sachs & Co.

I'm wondering if you folks can talk about the margin profile in Cummins Westport going forward, you know,

this quarter, excluding that of period? Warranty benefit looks like the margin profile was about 14%. I know the margins have been pretty volatile here. I'm wondering if you'd counsel us to think about the go forward margin profile at a similar rate?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes, we've always—I believe we have always stated the go forward margins for that business to be in the mid—early to mid 20 range and we expect that will continue. Obviously we expect 2015 to be a little favourable because of the impact of certain warranty accrual reversals, but the specific answer to your question would be it'll continue to be, you know, early to mid 20s as we've said in the past.

Jerry Revich - Goldman, Sachs & Co.

Okay and then, in terms of what you folks are considering non-core as you review the portfolio? I know you're not going to tell us the exact businesses, but can you just help us understand the overall profile of what you folks might consider non-core and you know, what the potential buyer pool for any of those assets could look like?

Nancy Gougarty - Westport Innovations Inc., President and Chief Operating Officer

Well, I would say that, as I mentioned, the—I mentioned the tender cars. At this point in time we don't see that market developing as quickly as we had hoped, so we have now set that out and said that as that market comes about, we will take up—continue to keep our eye on it. But, at this point in time, it's not core to our portfolio in the upcoming 24 months, so therefore we have said we'll continue to support the activity and watch the market develop. So, I think that those are the kinds of decisions

we're making in terms of market readiness, where the customers are willing to support programs, as well as where we in general think that the technology is going and, as mentioned, you know, in light-duty space, the challenges are a bit different than in the heavy trucking space, so we tried to place our priority in the different sectors and trying to make best calls as we can.

Jerry Revich - Goldman,
Sachs & Co.

Okay and then, I know you're changing the reporting structure going forward, but it looks like for the On-Road business the sales were down to just over a million dollars in the fourth quarter, you know, versus, \$6.5 million in the prior quarter. Can you just step us through? Was there any timing related revenue recognition that drove the lower number in the fourth quarter or is that the type of run rate we should be thinking about for this part of the business?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Yes, we've had one-time adjustments. As a matter of fact, there was about \$2.5 million of a revenue reversal that we booked in the fourth quarter in On-Road, so that would impact us. It is—and also the fourth quarter, you know, our North American Ford business was down compared to the fourth quarter in the prior year for the reasons I touched upon in my script. It had to do with a significant slug of a fleet business that we had in 2014 that—in 2013 that we did not have in 2015 [supposed to be 2014]. So, essentially what you'll find going forward in the On-Road business is the Ford business, the Volvo Car business, and our iCE PACK products...

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

And the ServoTech piece.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Yes, and the ServoTech piece.

Jerry Revich - Goldman,
Sachs & Co.

Okay, thank you.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Sure.

Operator

The next question is from Eric Stine of Craig-Hallum Capital Group. Please go ahead.

Eric Stine - Craig-Hallum
Capital Group

Hi everyone. I was wondering if we could just start with Weichai Westport, the gross margins there, that number and that's a better number than we've seen in a while. Just wondering, different approach there to the market in terms of pricing, you know, or is it mix or overhead absorption; just some clarity there and how we should think about that number going forward?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Yes, it is an impressive number by all accounts, Eric, and we were just as happy to see it as you are. No, nothing out of the ordinary, I mean where - you know, they continue to push for market share. Their market's booming in China. They're doing their thing. They're up there as the market leader. Product mix did help, but I don't think there was any one-time or extraordinary impact that contributed to that 12% gross margin that you saw in the quarter.

Eric Stine - Craig-Hallum
Capital Group

Okay. Maybe sticking with China, just—and this has turned into the WP12, just wondering how that pipeline is shaping up, you know, an update on the test? I know you may have a few—handful of test units out there and just kind of an update on when you think, you know, you'll start to see meaningful volumes? Is that still a late '15, early '16 type of event?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

Well, as mentioned in my comments that we're working with—on some key components. Right now one of them is working on the next generation injectors. What we would anticipate is that we would be using current generation as we get started and then moving to next generation. So I think that our tests are continued to move forward with positive results and I would say I think it's a bit early at this moment to comment when we think the launch is actually going to be because we're working - as you know, Weichai is the engine manufacturer. We are working with a series of OEMs as well, as we bed the engine on their vehicles, so at this point in time I'm going to hold from giving information. But, I think we're—like I said, we see '15 and '16 being

transformative years in terms of getting into production in terms of HPDI 2.0.

Eric Stine - Craig-Hallum
Capital Group

Okay. Maybe last one for me; just—I know you talked about the non-core assets and your thinking there, but you also referenced strategic alternatives, reduced core expenses and just to clarify, I mean are those things that are under consideration now? You know, you need the business to deteriorate further to trigger those or are those things that are—you know, those are things you're thinking about in the near-term?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

We are thinking about them in the near-term, Eric. No, I don't think we are waiting for deterioration. It's on the table, it's being discussed, and, you know, we will share details as they crystallize.

Eric Stine - Craig-Hallum
Capital Group

Okay, that's great. Thanks.

Operator

The next question is from Vishal Shah at Scotiabank. Please go ahead.

Vishal Shah - Deutsche Bank
Securities

Yes, hi. Thanks for taking my question. You mentioned, you know, your Ford business will be—will have positive EBITDA in 2015. Can you maybe talk about, you know, your assumptions in that business and your guidance for this year?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Yes. Vishal, are you with Scotiabank? You show up as Scotiabank; just checking.

Vishal Shah - Deutsche Bank
Securities

Sorry, Deutsche Bank.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Yes, okay. It shows up as Scotiabank on the website. But, could you please repeat that question, Vishal?

Vishal Shah - Deutsche Bank
Securities

I wanted to just get your assumptions behind your guidance for the Ford business turning positive EBITDA in 2015?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Well, I mean, we've got it restructured to a point that we are extremely confident it'll be Adjusted EBITDA positive. You know, as I mentioned in my script, you know, we did have a very significant one-time fleet order in 2014 that did not—I mean 2013 that did not repeat in 2014. You know, gasoline prices have come down a lot more significantly at the pump than have diesel prices and the Ford business is impacted by that, so we expect to see, if you will, a market reacting negatively to our light-duty business. It's like the Ford business. It's more than we do in medium-duty and heavy-duty. Having said that, we have restructured the business both from a cost, a location, and from a people and staffing standpoint, to the level where we think we will get to Adjusted EBITDA positive, even at these low revenue levels.

Vishal Shah - Deutsche Bank
Securities

Okay, great. Thank you and then you also mentioned that you're seeing some more activity from the larger fleets. You know, can you maybe just provide some more colour on what you see there and also some colour on what you see in the refuse and the transit business in this environment? Thank you.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

I don't know. David, Nancy; larger fleets?

Darren Seed - Westport
Innovations Inc., Vice

President, Capital Markets and Communications

Yes, I mean the refuse market and transit fleet market has been pretty much at the solid base of our core, Vishal, which is great and obviously with Cummins Westport supporting a lot of the business, I think over 50% of that business is transit and refuse which, again, despite some volatility in the energy and oil prices, it just has not been affected by the current volatility; so there is a good part of that.

In terms of the fleet order business within the 12 litre Cummins Westport engines, it's tough for us to comment right now just maybe specifically around North American trucking. I think it's still been a substantive business. We do know some of our bigger customers have already put their orders in for calendar '15 and so I think for calendar '15 actually it's why we're sort of guiding between the segments some moderate growth year-over-year, but in some cases maybe flat. It just boils down to the fact that a lot of these orders are just for bigger fleets or baked into 2015. I think somewhere around Q4 when larger fleets need to start—or even late Q3 and Q4 looking at 2016, that probably might be a different discussion, depending on where energy prices are.

Vishal Shah - Deutsche Bank Securities

Okay, thank you.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Thanks, Vishal.

Operator

The next question is from John Quealy of Canaccord Genuity. Please go ahead.

John Quealy - Canaccord Genuity

Hi. Thanks, folks. Good afternoon. So, could we just summarize the expense reductions here? So, looking into '15 off the '14 base, this is a \$26 million savings in—give or take in Corporate and Technology expenses. Does that include any, let's say, cash reversal on the warranty side? If you don't mind, Ashoka, just summarizing right now with the available information you have for expense reductions, what's under your control to go down in '15?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Well, the single biggest area is, you know, prioritization of engineering programs because that's far our single largest bucket of expense. So, between improvements and curtailing our engineering and development program expense and improved dividend performance from our JVs, as David mentioned we expect a 40% year-over-year cost improvement in those buckets. Now, as addition to that, we are looking at improved performance in our Westport Operations businesses and our Corporate expenses, as well.

John Quealy - Canaccord Genuity

Okay, great and then, lastly, as a follow-up to this, so OEM development programs, whether it's sales and support or R&D, is every program across the board being optimized or are some relationships being more fully funded than others? Thanks, guys.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Do you want to take it, Nancy?

Nancy Gougarty - Westport Innovations Inc., President and Chief Operating Officer

I would say I think that certainly we're trying to optimize everything and we're trying to build on the synergies of the business in order for us to be able to do development across a multitude of customers. But, also, I think one of the focuses is making—also getting customers to support us through part of the development process and so that's been one of our focuses as well as we try to do this because that gives us a strong indication relative to their interest in making sure that we bring the product to market. So, that's one area that we continue to focus on and that is helping in terms of our total investments and making sure that we have the right partners as we move forward.

Operator

The next question is from Rob Brown of Lake Street Capital Markets. Please go ahead.

Robert Brown - Lake Street Capital Markets

Good afternoon.

Darren Seed - Westport Innovations Inc., Vice

President, Capital Markets and Communications

Hey, Rob.

Robert Brown - Lake Street Capital Markets

You kind of mentioned that the trucking market, your outlook was sort of flat. Is that—is—could you just really characterize how the 12 litre has been selling and what sort of visibility you have in that segment?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

You know, we don't break out sales for, you know, engine—by engine unit sales for obvious reasons, Rob. But all I can tell you is that it's been a success. We always hope for higher adoption rates than what you see. I mean, that's the case no matter what the adoption rate is. But the product itself has been very well received by the market. We have had no warranty related issues like we've had on the 8.9 and we expect to see continued strong growth with the 12 litre.

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

Rob, I mean in North America, the Cummins Westport unit volume has increased 28% year-over-year. In fairness, it was really almost on the back of some trucking and bus applications, about 41, 40% respectively. So, I appreciate that's a bit of truck and bus in there, but you've got a solid base in the bus. But you are seeing some growth—or we just witnessed some growth in Q4.

Where does it either grow or continue from here in trucking, Rob? It's—I think probably today it's been hard to say. Maybe by Q2 we'll have a better sense than here based on what impact, if any, the energy prices have had.

Robert Brown - Lake Street
Capital Markets

Okay, thanks for the colour and then—and you mentioned a one-time revenue adjustment in Q4. Could you give us some colour there?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

You mean for CWI? Is that what you're referring to, Rob?

Robert Brown - Lake Street
Capital Markets

No, I think earlier in response to a question you talked about a \$2.5 million revenue reversal and I believe that was not.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Oh yes, that was in our On-Road segment. It had to do with a program that we were working on for an OEM that we had to adjust out in the fourth quarter. It's—that's all it was. It was a one-time event, \$2.5 million.

Robert Brown - Lake Street
Capital Markets

Okay, great. I'll turn it over. Thank you.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Sure.

Operator

The next question is from Noah Kaye of Northland Capital Markets. Please go ahead.

Noah Kaye - Northland
Capital Markets

Thank you. Just one question; you've commented on your outlook for the LNG rail tender market. I was wondering if you could touch on Off-Road industrial applications generally. I believe you have the forklift and oil field programs. What are your aspirations for the industrial segment and maybe you could tell us, of the programs—the development programs you have now, how many of them are for, you know, Off-Road applications?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

Well, I would say that we're still—and actually we're still, for the industrial business, we're pleased to where we are. It, you know, ended calendar year '14, I would say that we have done some investment. We have the 2.4 litre. We're introducing the 3.8 litre and that will give us additional

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opportunity, both in the oil field as well as in mobile, like forklift applications. So we believe at this point in time that we got the right portfolio moving forward and we continue to be quite pleased with—as we partner in the market with - as we deliver those with Clarke and others.

Noah Kaye - Northland
Capital Markets

Thank you and the second part of the question on the number of development programs that are not for On-Road?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

Not for On-Road?

Noah Kaye - Northland
Capital Markets

That are for the Off-Road?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

For Off-Road, we do continue to have some component activity going on. There are some key technologies, both for the engine and also for the fuel delivery system that we keep our eye on. As we have customers interested, then we, you know, do more the, I'll say, application work. So, at this point in time, in most cases we're doing component development as we see the market readying, but we're—our application work at this point in time is limited to those where we have active customer contribution.

Noah Kaye - Northland
Capital Markets

Okay, thank you.

Operator

The next question is from Alex Potter of Piper Jaffray. Please go ahead.

Alexander Potter - Piper
Jaffray

Hi, guys. Question on the ICE PACK. I didn't see a lot of mention of that in the release or the prepared remarks. Just wondering if you can give an update there?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

Well, let's see. Obviously ICE PACK is a product that we're very, very pleased to still have in our portfolio. We believe that it has good opportunity. At this point in time I would say that, as we look through calendar year '14, the—our sales were not as strong as what we had initially anticipated. But, we are still having quite good dialogue in the field and in a variety of different applications, both as you bed them on trucks, but we're also seeing some very good stationary applications for them and we continue to work across a series of industries in order to bring it forward. I think at this point in time the reason that you didn't see much there is, as we are keeping our focus on here, we are really making sure that in our statements today, we were trying to really lay out and focus on the choices we have made and the things that we are really setting aside. ICE PACK is still in our portfolio and we are actively marketing it and looking at, you know, additional, I'll say, placements in calendar year '15.

Alexander Potter - Piper Jaffray

Okay, very good. I was wondering also. You mentioned on the increasing pricing pressure given the decline in gasoline prices. I think that was specifically related to Applied Technologies and you had also mentioned...

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

This is a Ford—a Ford business, Alex.

Alexander Potter - Piper Jaffray

Okay.

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

It's just that that's putting pressure against our pickup trucks business.

Alexander Potter - Piper Jaffray

Okay. My—I guess my question there was primarily regarding—you mentioned that you expect to see consolidation partnerships, given the increased pricing pressure over the next year. Would you consider yourself

to be more of, I guess, a buyer or a seller in that consolidation process?

David Demers - Westport Innovations Inc., Chief Executive Officer

I think that was probably my line you're quoting, so I get to answer that one. I think we—you know, a good example is what you just saw with Prins in December. You know, Prins have been suppliers, competitors, partners over the years with Westport in the light-duty business and at the end of the year it just became very clear that there was so many synergies by combining with Westport that, you know, like we put together a very attractive deal to bring their technology portfolio, and their experience, and their customer base, you know, inside with us and I think that that's true around the world. We're seeing a lot of headwinds against what I would call the traditional players in the natural gas conversion business. There are new commodity suppliers as well as kind of new expectations from the OEMs as they get into the business; so new suppliers are getting into the business there. The new markets like China are forcing people to make big investments, so I think there's going to be continued pressure there. We believe we've got a good solid strategy. We've been saying this for years that the reason that we're into the light-duty business is because the OEMs are taking us there, but there's going to be some turbulence. I think this energy situation is putting pressure on lots of people.

Alexander Potter - Piper Jaffray

Okay, thank you.

Operator

The next question is from Pavel Molchanov of Raymond James. Please go ahead.

Pavel Molchanov - Raymond James

Thanks for taking the question, guys. You alluded to South America and Russia as headwinds this year. How would you characterize the US? Is that a headwind or a tailwind or neutral?

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

Well I think, Pavel, it was in terms of Russia and South America, there was more of a collections issue as the headwinds, to be very specific. In North America I don't think it—it's a different animal. We've got a solid customer base with income as Westport in the refuse and transit, so I'm not sure you're going to be seeing a lot of degradation there. But, I think in North America you've also got some new products. We're bringing in some components and systems into North America, so you have some new introductions. I just don't see any major—I don't see any significant degradation in the market and then, looking for new products to launch to grow the market, maybe that's another way.

Pavel Molchanov - Raymond James

So okay, as a follow-up, if you were to predict how many natural gas fueled trucks will be sold in the US in 2015 versus last year, what do you think that trajectory looks like?

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

I think it's—I think the challenge is, Pavel, realizing that we represent—I mean, to be quite frank, we represent about 98% of the market and your question is strikingly similar to an earlier analyst question and we're just a bit nervous about giving specific or gross numbers around the trucking market. If there was a handful of competitors, ironically it would be easier for us to guide, but it's—I would say ask perhaps Cummins, a few OEMs. You might get some colour from the specific OEMs like Kenworth and Volvo Truck as to their Cummins Westport truck sales; but it's tough, just given our role in the industry to give any kind of guidance to that.

Pavel Molchanov - Raymond James

Okay, fair enough, guys. Appreciate it.

Operator

The next question is from Aditya Satghare of FBR Capital Markets. Please go ahead.

Aditya Satghare - FBR Capital Markets

Thank you. Good evening, guys. So, first question on sort of CNG, LNG, and iCE PACK, right? When are—can you sort of help us understand? If customers are willing to acknowledge some of the weight savings which come with sort of introducing iCE PACK system because we continue to see some larger tanks being installed, right, from a CNG standpoint, even though it may not have the weight savings that you guys offer.

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Darren Seed - Westport
Innovations Inc., Vice
President, Capital Markets
and Communications

So Aditya, I just want to clarify. The question is about given the weight benefit perhaps with an iCE PACK versus a CNG tank package, perhaps we should see a greater pick up? Is that—sorry, I just want to make sure that I understood the question correctly.

Aditya Satghare - FBR
Capital Markets

I'm just trying to understand. Are customers willing to acknowledge the weight savings of the LNG system, which you guys produce or does it still come down to the—you know, the infrastructure and things like that?

David Demers - Westport
Innovations Inc., Chief
Executive Officer

I mean, we'll—Nancy, you go ahead, so.

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

Yes, go ahead.

David Demers - Westport
Innovations Inc., Chief
Executive Officer

You know, I was going to start by saying I think that the pattern we're seeing playing out is just what we've been saying for a while. In regional trucking it really depends on can you get LNG and can you get it at the right price, and then people pick LNG because it's got such obvious benefits. If you don't have access to LNG or you don't like the price of the LNG, you have CNG and that drives that. So, we've seen, you know, I think over the year if I'm looking—you know, Nancy, I think we've seen it settle out around 60/40, 50/50. It's not a big—you know, it's not a big swing one way or the other, CNG versus LNG.

Going forward, in markets like China and in Europe, I think LNG is going to take more and more of the market because there is so much more interest in LNG infrastructure and the price advantages are clearer in those markets. So I think over time, we're going to see people move to these new technologies. I wouldn't draw too much conclusion from, you know, any particular data point in any particular year. The US story, I guess the other thing you'd say just looking at the numbers out of Cummins Westport, you know, part of why the transit and refuse business has been so strong is they typically do in-yard refuelling and they own their own infrastructure. In the case of a lot of the refuse business, they're generating their own fuel, which obviously has tremendous economic benefits and the long-term stability of those fuel prices gives people certainty. Now, that tends to be a CNG business because its return to base quite localized; not an LNG business. The LNG business is doing well. I want to think it's, you know, continuing to grow and globally I think there's a bright future. So, let's continue to monitor it, but we don't see any real change in strategy on that front. Nancy, do you want to add to that?

Nancy Gougarty - Westport
Innovations Inc., President
and Chief Operating Officer

I'd just say, you know, what we find a lot of customers are very, very—look at LNG also for long haul. So, again, as David said, you know, the CNG where they have the in-yard refuelling and versus long haul and long distance is also, you know, one of the differentiators as we talk to them—and in some, as I mentioned, we're also seeing some stationary applications and the stationary application, obviously weight doesn't play the factor, but they want the opportunity, you know, to have easy

refuelling and on-site, you know, LNG fuelling stations that serve them well.

David Demers - Westport Innovations Inc., Chief Executive Officer

I want to get two—no, go ahead.

Aditya Satghare - FBR Capital Markets

Thank you. Now, just moving onto China, one quick question there and I'm sorry if I missed this, but can you give us an update on sort of HPDI in China and how we should think about the cadence between pilot orders and actual deployments there?

Nancy Gougarty - Westport Innovations Inc., President and Chief Operating Officer

So, I'm a little bit - on the last part of your question was...

Darren Seed - Westport Innovations Inc., Vice President, Capital Markets and Communications

He's talking HPDI.

Nancy Gougarty - Westport Innovations Inc., President and Chief Operating Officer

No, but he said private owners. I'm not—I'm trying to understand. What was the last part of your question?

Aditya Satghare - FBR Capital Markets

I was thinking the cadence between pilot orders and then moving to actual deployments.

David Demers - Westport Innovations Inc., Chief Executive Officer

Pilot orders.

Nancy Gougarty - Westport Innovations Inc., President and Chief Operating Officer

Oh, pilot; okay, I'm sorry. We were having a hard time. I would say at this point in time what we're finding is, in the China market, that there appears to be, I'll say, quite good interest in HPDI product for a variety of reasons. It—as mentioned before, with HPDI you can get really long haul applications and what we're finding is that in the pilot vehicles that we have, people are real pleased with the performance and, as you know, we were able to get China five performance on the engine that we have been working with Weichai on and that also gives additional, I'll say, what do you call—I'll say environmental conditions that are positive for that to take off in that market. Because right now China has moved to China 4 regulations and we're one generation better than that. So we're thinking at this point in time with the customers and the feedback that we have gotten

that it looks like this could be—I don't know, as we move into the next couple of years could be a real positive for the market.

Aditya Satghare - FBR
Capital Markets

All right. Thank you. Thanks for the updates there.

Operator

Next is a follow-up from Ann Duignan of J.P. Morgan. Please go ahead.

Ann Duignan - J.P. Morgan

Hi there. Yes, I just wanted to come back. Somebody asked me to ask the question on the cash burn and I should've asked it the first time around. How much cash do you need to run this business going forward, you know, it's a smaller footprint, you have less expense? But, how much cash have you burned? I think \$23 million in Q4. I would imagine that that's probably seasonally light. How should we forecast it going forward?

Ashoka Achuthan - Westport
Innovations Inc. Chief
Financial Officer

No. You know, directionally, the numbers we talked about earlier, Ann, is quite reflective of what our cash burn is going to run like. You know, we talked about our 40% reduction or improvement, if you will, in our Corporate and Technology Investments segments and JV contributions. Our Operations business will be Adjusted EBITDA positive in 2015, so you can expect a contribution from that part of the business as well, so that's—we're not guiding to any specific number on cash, but that should be able to give you a sense of where we expect to be by the end of 2015.

Ann Duignan - J.P. Morgan

Let me ask it a different way then. Would you expect to generate cash in the first quarter or are you still going to be burning cash?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

First quarter which year?

Ann Duignan - J.P. Morgan

Fifteen.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

No, we don't expect to be cash positive in the first quarter of '15.

Ann Duignan - J.P. Morgan

Okay and then, seasonally, I would imagine that inventory builds in Q2 or do you relieve inventory and generate sales seasonally?

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

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It's not terribly seasonal. You know, yes, there is a buildup in Q2 and it's bled out in Q3, but, you know, I don't think the swings are that dramatic.

Ann Duignan - J.P. Morgan

Okay, I'll leave it there. Thanks.

Ashoka Achuthan - Westport
Innovations Inc., Chief
Financial Officer

Thank you.

Operator

There are no more questions at this time. I will hand the call back over to Mr. Seed for closing comments.

Darren Seed - Westport
Innovations Inc., Vice
President, Capital Markets
and Communications,

Thank s very much, everyone, for your attendance on the call and we look forward to seeing everybody on the Q1 conference call, roughly the first week of May.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.