
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.

Thanks Operator and thank you and good afternoon everyone. Welcome to our Second Quarter of Fiscal 2015 Conference Call. It's 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 the 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.

Good afternoon everyone and thank you for your interest and support of Westport. Despite some extraordinary economic turbulence around the world, our 2015 plan continues to be on track. I'll take you through some of the highlights in the context of our four key priorities for 2015 and then I'll turn the call over to Ashoka and Nancy for more detail.

First, as we've told you, we're continuing our Investment Program alongside committed OEM partners for new commercial products and of course these are long life products typically looking at least a decade in life. So these are our decisions that we don't take lightly. We do review our product investments quarterly and we believe all of our current investments represent important strategic opportunities with attractive risk rewards and with committed partners, even in the current markets.

As these programs complete and expenses taper off, we may be in a position to tamp down the historical investment pace while product sales begin to climb. So for example, our next generation Volvo cars will begin to ship this quarter and our previously announced Ford F150 will begin to ship in Q4 of this year. We also made steady progress this quarter on our

HPDI product programs including the announced completion of a major initiative with a new OEM partner. The completion of this initiative validates the unique performance and emission characteristics of HPDI 2.0 on state-of-the-art OEM engine platforms. Now our HPDI components are on track for delivery to customers for validation testing in early 2016 and at that point we would expect the development expenses associated with those components to begin to decline.

Our second theme of the year is that we are continuing to reset and rationalize and consolidate our current product portfolio while ensuring that we exceed customer expectations with leading price performance and strong value propositions even in the current energy markets. Now, global energy price volatility and the economic turbulence continue to put pressure on our global business units, most recently in China. But since natural gas prices generally have been falling in line with petroleum product prices, we continue to see good opportunities for natural gas vehicles in many markets. Since the acquisition of Prins late in 2014, we've also been expanding our offerings in the LPG market which continues to show promise in some narrow and regional markets.

The third theme as we told you last quarter, we are looking at selling non-core assets. We've identified significant assets that we think we don't need to own and are available for sale but only if we think the price is reasonable and realistic. Market turbulence is certainly creating some challenges, but we've identified our first deal which we expect to close by the beginning of Q4, and we have more that should reach conclusion soon and close in Q4. We expect these transactions to yield a little over \$50 million to Westport after expenses and taxes assuming they all close. There are a few other assets that we may sell if the right buyer appears.

Last but not least, despite global economic turbulence, we will continue to drive cost efficiencies and reduce global overhead expenses wherever we can and where this makes sense. All this should be apparent with the result this quarter with the 58% drop in cash burn rate compared to a year ago and 15% just from Q1 2015 alone. At \$7.7 million Adjusted EBITDA loss for the quarter and a \$60.6 million cash balance, with our current plans for non-core asset divestments, the expected sales of new products and continued cash discipline, we believe we've got the resources to complete our transition to positive Adjusted EBITDA by mid next year.

We continue to seek new opportunities for Westport in this market and we believe our plans are building Shareholder value over the long term. When energy markets stabilize and the global economy begins to rebound, we believe we'll be in a strong financial and strategic position.

Over to Ashoka who will take you through the financial details.

ASHOKA ACHUTHAN speaking

Chief Financial Officer, Westport Innovations Inc.

Thank you, David. Good afternoon, everyone. I will provide you with some highlights of our second quarter actions we have taken to address our expense and cash position and cover our financial outlook for the rest of 2015.

As David noted, despite global energy price volatility and economic turbulence in many key markets, Westport achieved a significant improvement on key financial measures for the second quarter of 2015 and is on track to deliver on its financial targets.

Westport revenue from operations including our corporate and technology investment segment was \$27.8 million for the second quarter ended June 30, compared with \$37.9 million for the same period last year. The 27% decrease is due to the timing of service revenue, a \$4.1 million unfavourable impact of foreign exchange translation from the Euro to the US dollar, and a sustained economic weakness in certain European and Asian markets.

Westport is reiterating its revenue outlook and expects consolidated revenue from Westport operations and corporate and technology investments to be between \$110 million and \$125 million for the year ended December 31, 2015.

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Cummins Westport or CWI's revenue was \$93.1 million on 2,947 units for the quarter ended June 30, an increase of 17% over the same period last year. Revenues increased year-over-year, basically due to a strong performance in North American core segments of transit and refuse. Weichai Westport's revenue was \$41.9 million on 3,491 units for the quarter, a decrease of 69% over the same period last year. General economic conditions in China which has resulted in an industry-wide softness in truck demand contributed to Weichai Westport's weaker sales.

Moving on to operating expenses. Westport Consolidated reduced its combined operating expenses by \$9 million or 26% for the quarter ended June 30, 2015, compared to the same period last year, primarily due to prioritization of investment programs, institution of cost discipline, reduced headcount, as well as the favourable impact on expenses of foreign currency translation from the Canadian dollar and the Euro to the US dollar.

Westport continues to drive cost efficiencies and reduce global headcount and overhead expenses. These actions together with our strategic initiatives we believe will be sufficient to enable the Company to reach positive consolidated Adjusted EBITDA in mid-2016 while maintaining the momentum required to launch major project initiatives such as HPDI 2.0.

Moving to net income. Our income from CWI improved significantly during the quarter. Net income for the quarter was \$3.4 million, a sevenfold increase compared to the same period in 2014. This improvement was largely related to the resolution of the warranty issues associated with the 8.9 litre engines. For Weichai Westport, the net income for the quarter was \$0.1 million, a decrease of 86% over the same period last year due to the significantly lower number of units sold as a reduction in industry-wide truck demand as I mentioned earlier.

From a consolidated standpoint, the second quarter ended June 30 resulted in a net loss of \$20.5 million or \$0.32 loss per share. Included in this quarter is a \$3.6 million or approximately \$0.05 per share non-cash impairment charge. This compares to a net loss of \$35.4 million or \$0.56 per share in the same period last year, an improvement of 42%. This improvement in net loss was primarily due to overall improvements in our cost structure, increased income from CWI, and income from the completion of a major HPDI engine program this quarter.

Moving on to our cash position. As of June 30, 2015, our cash, cash equivalents and short-term investment balance was \$60.6 million. Cash used in operations, excluding changes in working capital plus dividends received from our joint ventures, was \$8.1 million compared with \$19.2 million for the same period last year, an improvement of 58%. Working capital changes consumed \$3.9 million this quarter. Westport's cash management performance confirms the Management's ability to adjust our cost structure in the phase of ongoing economic headwinds.

We have initiatives in place to continue improving upon our working capital performance over the upcoming quarters. As David mentioned, plans for our non-core assets sales remain on track with these transactions expected to yield a little over \$50 million in the upcoming quarters.

Moving on to Adjusted EBITDA and key steps on the path to profitability. Adjusted EBITDA loss from our operation segment for the quarter ended June 30 was a loss of \$0.2 million, compared to a gain of \$1 million for the prior year. This decrease was due to an overall weakness in revenue, as I mentioned earlier, including a significant reduction in sales revenue due to the completion of a major project in 2014.

Consolidated Adjusted EBITDA loss for the quarter was \$7.7 million compared to a loss of \$16.9 million in the prior year, an improvement of 54%. This was due to overall improvements in our cost structure, prioritization of our investment programs, higher CWI net income to Westport, and the recognition of income upon the completion of a major HPDI engine program.

As you can see from our results, we have closed out the second quarter with very strong momentum as we head towards our target of positive Adjusted EBITDA in mid-2016. We are facing some headwinds from lower oil prices and economic turbulence in some markets but believe we have made the necessary adjustments to be able to capitalize on opportunities as they arise when the industry conditions improve.

I look forward to bringing you further updates on our progress next quarter. With that, I'll pass the call on to Nancy.

NANCY GOUGARTY speaking

President and Chief Operating Officer, Westport Innovations Inc.

Thank you, Ashoka. Today I'm going to focus on providing some operational highlights and priorities from the Company. I'll start by saying our Westport Team continues to deliver on our progress of our programs. We're hitting key milestones and targets despite the energy price volatility and the economic weakness in certain European and Asian markets.

It feels like the wind is howling outside but sometimes—outside—but despite these challenges, we're making a number of product announcements in the quarter including the introduction of the new Volvo Car Drive powertrain bi-fuel engine and the EPA certification on the 2015 Ford Transit Van, and the announcement of the new Ford F-150 bi-fuel product. In addition to these announcements, the Team is dedicated to our HPDI 2.0 and continue to focus on component readiness.

As we progress substantially in the engineering of our injectors, rails and off-engine systems for HPDI 2.0, the outcome of a number of engineering challenges to achieve the state of component readiness is here. The deployment of HPDI 2.0 is expected to shift from a design and development phase into testing and validation phase in early calendar year 2016. The associated investments in the technology will be in line with these upcoming phases of development and are indicative of the near-term launch.

It would be reasonable to expect that with the near-term launch, our R&D efforts will drop off as these products reach their launch stage. We have seen strong interest in our technology as demonstrated in our post-quarter two and with the announcement of the completion of the major engine program with our fifth HPDI engine customer, in this case was Daimler AG.

As we turn our attention to Weichai Westport and our China sales, despite the challenges that we have seen in the sales of our joint venture WWI over the past two quarters, we remain very bullish on the prospects in China for our product as the Central Government finalizes its policy changes. We continue to expect that the tightening of the environmental policy will drive increased demand for our natural gas vehicle products in China and we are positioned well to capitalize and expect an industry upturn.

Additionally, we have invested in and are preparing for new product known as the low pressure pump or LPP. This relates to fueling infrastructure, our HPDI technology, and a variety of parts and systems to service the expected growth and demand for natural gas vehicles.

As Ashoka mentioned, our consolidated Adjusted EBITDA saw significant improvement of 54% compared to the same period last year. This improvement was primarily due to the strong performance of our joint venture CWI and strong cash preservation across all segments. Our cash management performance as reflected in our Adjusted EBITDA is strong validation that Management's ability to adjust our cost structure of the Company during our challenging conditions. I have a very watchful eye and have recently launched a working capital task force internally to keep watch on what we are spending in the Investors' capital.

With that, I would like to thank you for your time and interest, and I will push hard to hit our publicly stated goals on timelines that we have committed to.

So with that, I will now pass it 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

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may be necessary to pick up your handset before pressing any key. If you wish to remove yourself from the question queue, you may press star and two. There will be a brief moment while we poll for questions.

Thank you. Our first question is from Laurence Alexander from Jefferies. Please go ahead.

Jeff - Jefferies & Company

Hi. This is Jeff on for Laurence. On the new OEM announcements, how will the OEM relationships be accounted for? Are they service revenue situations where you'll shell out the cash initially and then the OEM will reimburse after milestones, or will they be funded mostly by the partner?

David Demers - Westport Innovations Inc., Chief Executive Officer

I'll jump in. We're all looking at each other. I mean the answer depends on the partner and depends on the circumstances. So I think generally we have been building the components, let's say, so I mean that's our duty is to get things ready in our supply chain, and so a lot of our work is component readiness as you heard Nancy say, and so then we're putting more of the work of developing specific engines or trucks onto the OEM partner.

But again, we're going to help out in some of those cases, so it's not really cut and dry. Generally that's been the divide, as we want to build a common platform that we can use with multiple OEMs and that's why we're spending so much time on the next generation injectors in rails and fuel pumps and things like that. But at some point we want the OEM to take on the truck integration, truck development and testing. So that's typically how the expense split has gone, and our partners are making substantial investments beside us to bring these products to market which is why we think it's a realistic thing to do.

Whether that crosses over into them hiring us to do work that we would expect them to do, that's sort of one circumstance, or whether we step in and help out because it's not clear, and we just want to get the program moving, that's kind of the second side. So generally I'd say the answer is yes, there is a lot of money to be spent.

We're going to divide it up between the partner on a rational basis and then presumably we're going to have a similar divide on the rewards when we start to sell product in the marketplace. But right now our focus is on getting these components to the level of engineering proof and certainty and manufacturability and cost that we think we need. Nancy, I don't know if you want to elaborate.

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

No, I think that summarizes it. I think it's a blend and we continue to work successfully with a variety of different partners, and as we work in this market and as we've stated with the five different customers that we have and we're working on, everyone has their unique ways they want to do it and I think that's why Westport is their—I'll say partner of choice in this regard because we do have the flexibility.

Jeff - Jefferies & Company

Great and if I can switch gears quickly to China. Can you elaborate a little bit on what you're seeing there and the outlook for the HPDI or the lean burn product there? Given this environment, do you expect to launch the 12 litre and what was the reaction from the test engines in late 2014?

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

I would say that, as I commented, that we remain very bullish on the China market. There is several dynamics going on in China that we think played well for us relative to our segment and relative to natural gas. We think that, first of all, the discussion that's going on in the Central Government is relative to their view of what they want to do from the environment and some of the new regulations, plus the demands I would say even just for the environmental standards in China being strengthened and the demands of the population on that front.

So those played well to us. At this stage of the game, we continue to be very positive relative to what we're seeing relative to the market interest in our HPDI. As I mentioned, we are launching this fueling system called LPP, low pressure pump, which will allow us to be using the LNG and getting the market ready for that fueling source. As you know, HPDI really demands to be run on LNG at this point in time. So we are seeing interest from a variety of folks on this front and I think that as you look at what's happening with the LPP, that's a precursor for the kind of demands that we're going to see in the HPDI market.

Jeff - Jefferies & Company

Great, thank you.

Operator

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

Ann Duignan - J.P. Morgan

Hi guys, good afternoon. Can you give us a little bit more colour on the assets that you are looking to sell and how you're valuing those and how much interest do you expect to have for them? Then could you talk a little bit about, you know, have you had any conversation with Ford at all about maybe selling the entire Westport instead of just breaking up assets?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

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Ann, this is Ashoka. I know, in terms of the non-core asset sales—we call them non-core for a reason. I mean clearly these are not asset sales that are going to impact our ongoing revenues, but outside of that, there is very little I can elaborate on other than the fact that we are on track to have these transactions consummated over the upcoming quarters. David also mentioned the range of our expectations in terms of proceeds which is around \$50 million, and no, there is no plan to put Westport up for sale.

Ann Duignan - J.P. Morgan

Okay, I appreciate that and then just switching gears—just out of curiosity, in your presentation upfront, you know, when you describe your business, you describe yourselves as a leading provider of engine and fuel system technologies utilizing gaseous fuel. Then, I noticed in your press releases in July 7, you've announced that you're offering a liquid propane system? Is this another shift in strategy?

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

No, Ann, it's Darren. The strategy actually specifically was around the Ford F-150 campaign. This is a light duty focus just based on the market demand and obviously we've had the natural gas F-250, F-350 series and the F150 offering, dedicated or bi-fuel. But there was some demand in this specific market for propane applications for pickup trucks so that...

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

And what I'd add Ann, you know, with our acquisition of Prins last year, we acquired a lot of LPG or propane capability, so this is an example of how we leverage the capabilities we acquire into our existing product spectrum.

Ann Duignan - J.P. Morgan

Okay. So maybe the business overview needs to be updated to include other than gas?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

We will make a note of that

Ann Duignan - J.P. Morgan

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Okay. I'll get back in line. Thank you

David Demers - Westport Innovations Inc., Chief Executive Officer

Thanks Ann.

Operator

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

Eric Stine - Craig-Hallum Capital Group

Hi everyone. Just maybe high-level I'm wondering how you can characterize the OEM activity. Behind the scenes to your—over the last year—I know that the Daimler program, you've been working on that for many years. Have you seen any change in due to oil or is it pretty much steady?

David Demers - Westport Innovations Inc., Chief Executive Officer

Yes, it's such a small number to target say statistically. I'd say the general feeling and I'm looking at Nancy here, is I think there's widespread acceptance in every market in the world that they need a natural gas strategy, step one; step two is I think most people have gone through some technology analysis and understand that they're going to need a high performance natural gas engine not just a quick 'me too.' You know, a lot of people have launched pretty straightforward dual fuel systems or even gone to a spark ignition system but I think those first generation products are now well understood and their limitations are understood and so we are seeing a lot of belief that direct injection systems, HPDI systems in particular, are what's going to dominate the market for the next generation. So I think everyone is quite engaged in looking at their natural gas strategy.

The only thing that's really changed is timing. I think people are now feeling that timing is less urgent than it was in 2012, but at the same time they're all pushing towards a timetable that says they've got to get a product out the door in the next few years because greenhouse gas regulations are hitting and other expectations are hitting, and no one knows when oil's going to turn up. So I'd say generally the consensus is moving in one direction which is natural gas is here to stay and we need it, and number two is we need unique performance of HPDI. So we're really busy.

Eric Stine - Craig-Hallum Capital Group

Okay. So maybe and I know that's about HPDI but also curious to some of the enhanced spark ignited product traction there. Is that something we could see some developments in 2015 and I would assume that would also be cost sharing?

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

Yes I would say that in general just—I mean as David said, he used HPDI as an example, but I would—as he mentioned, the need for, within the portfolio, to have a natural gas product depending on where the vehicle or engine range is that we're finding a strong interest and maybe I'll say serious interest in relative to this enhanced spark ignited products that we have. I think that you can, from our point of view, is we have looked at it; there is obviously some gains that the people can get by introducing this enhanced spark ignited which we think is exciting and interesting. But like David said, the need to have a product offering from most OEMs is really critical. So the dialogue we're having are quite encouraging.

Eric Stine - Craig-Hallum Capital Group

Okay. All right, last one from me. Just on the OpEx, ex the one-time charge, it was another—now a sequential decline. I mean, any way to quantify how much more you have to go there or what inning you're in? Anything along those lines would be helpful. Thanks.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

So as you can see, Eric, I mean our operating expense decline was pretty much across the board in R&D. The only word of caution I'd have here is our R&D spend is inherently a little lumpy quarter-over-quarter. So I would not necessarily read any kind of trajectory at the current level. But outside of the R&D spend, you will notice that we've had significant control and cost discipline across the board on OpEx. So that you can clearly expect will continue.

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

I think adjusting over time for all the unexpected things is—and I think that that's—we as an organization and I think you have to really buckle down and every time we do have changes, we're making the adjustments and I think that that's why the results came through like they did in quarter two.

Eric Stine - Craig-Hallum Capital Group

Got it. Thanks.

Operator

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

Rob Brown - Lake Street Capital Markets

Good afternoon. Kind of back to China, do you have any sense on when the Chinese market kind of stabilizes and turns up?

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

Oh gosh, I wish I knew that. I'd be a very wealthy woman. I think at this point in time I can just repeat what I have read. I think that there is thought that the second half of the year will be better than the first half. We need to see if that's going to be true or not. I would say the China market has a lot of volatility going on that's well beyond just what's happening in the natural gas market. I would say that I'm encouraged because the activities are still staying on pace for us relative to the programs that we're working with our partners there. So I think that that to me is probably the strongest indicator. But I would tell you I think China is a hard read at this point in time.

Rob Brown - Lake Street Capital Markets

Okay. Thank you, and then on the HPDI development work. You said you'd have sort of next step in testing in 2016. But if you could just kind of lay out how it rolls out thereafter; are we two or three years away from product into the market? How long to revenue in that business?

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

I would say it varies—so as we have chosen to talk, we're talking about component readiness. I think the individual OEMs will have to speak to how they want to bring it out to market. I would say each OEM has its own cycle by which we go through to get the engine complete, get the testing done, go through formal certification levels and as you noted last year, we did announce for our Weichai engine, we have already received the China five certification for that and I think that that's an indication also that things are progressing. So I would say for us it's all about getting the right componentry ready and getting it to production status which we're nearing year end; we're closing out here in the third and fourth quarter and moving into our, I'll say durability and production level testing.

Rob Brown - Lake Street Capital Markets

Great. Thank you.

Operator

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

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Jerry Revich - Goldman Sachs

Good afternoon.

David Demers - Westport Innovations Inc., Chief Executive Officer

Hey Jerry.

Jerry Revich - Goldman Sachs

I am wondering if you could talk about the performance of Weichai Westport this quarter. If you think we're seeing inventory destock and presumably there're some—at how far through the destock cycle are we? Any colour there would be helpful.

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

I think that what you're seeing is just from what—and I've been there a couple of times in the quarter. I would just say that it's very reflective of what's going on generally within the truck market within the China for most of the big trucks. Mind you that the number of units that they produced though it looks—is definitely year-over-year lighter. I think it's still, if you look at it on a full year basis, it's still one of our largest markets relative to natural gas. So though it's not what 2014 was, we're still relatively confident with the uptake level that we see and the interest on the variety of the OEMs that use the Weichai engines

Jerry Revich - Goldman Sachs

Okay. Nancy, I guess if it's not inventory destock, that implies some share shift towards diesel from gas. Is that what you're saying?

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

No, I don't think so, because I think that if you look at the overall market in and of itself, you'll find that the first half of the year just in general, trucks, and even diesels, the volume isn't what it was the prior year. If you look across all the players, not just Weichai, but others that play in the market as well on the engine manufacturing side.

Jerry Revich - Goldman Sachs

Okay, and then can you talk about how the natural gas locomotive program is going for you folks. Where are you in the testing process? When do you expect that program to deliver a commercial product?

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

I don't know we can—we're still working relative to our LNG tenders that we have given to Canadian National Railroad. We're working those but at this point in time I'm not sure we're in a position to talk too much else relative to what we're doing on the locomotive side. But stay tuned.

Jerry Revich - Goldman Sachs

Okay. After you complete the divestitures that you spoke about, Dave, could you just remind us your priority for use of cash. Will you look for M&A opportunities or do you want to keep the cash on the balance sheet on the R&D? Just reorient us if you could on how we should think about priorities there?

David Demers - Westport Innovations Inc., Chief Executive Officer

I think—I mean it's—I'm looking around at Ashoka. I think Ashoka is going to turn it into gold bars and bury them in his office somewhere but honestly it's going to be whatever the strategic plan looks like. This has been a really volatile few years in this industry, as you know. We think we called the trends right. There is an increasing push towards OEM product from the aftermarket. We're increasingly seeing people looking for higher technology and more advanced systems because the base engines are getting better. We're seeing direct injection gasoline, that's why we've launched the new technology platform with Volvo Car because they have one of the first high-performance direct injection gasoline platforms.

So the tendency is toward technology and toward integrated OEM products which is where we've positioned ourselves. Lots of opportunity across this industry as it makes that shift. So will there be M&A or investment opportunities? Certainly. Will we want to keep our powder dry because of the uncertainty and the volatility that Nancy talks about? Yes, of course. When we say it's not things that we need to own, it doesn't mean that it's not still of interest; maybe that to our partners that we want to work with that we can sell these to or something like that. So I think the industry is going through a rapid maturation and transition. We intend to be in the lead in the future as we are today and so we'll have to decide what to do with our balance sheet as we see the opportunities but strengthening the balance sheet and giving people comfort that we have the balance sheet we need to finish our programs is certainly a priority for 2015.

Jerry Revich - Goldman Sachs

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Okay, and lastly, I know you don't give quarterly guidance, but you spoke about a couple of product lines that are going to be launching into 4Q. It sounds like you should be building momentum exiting the year. Is that the right way to think about it?

David Demers - Westport Innovations Inc., Chief Executive Officer

We aspire to be a growth business. I know it doesn't quite look like that, but if you look at CWI, you know, we're up year-over-year. There seems to be a broad consensus somehow that with low oil prices, there is no interest in natural gas. Which is just not true. There are some very strong core markets that are continuing to develop well and that we just launched the new engine, as you probably saw with Cummins Westport for the school bus market. We think the school bus market's finally ready to move in a serious way. So we want to have those products ready and see that growth.

So we're going through a pretty rapid evolution of our product line. Nancy reiterated a few of them, but there is a lot of new products in the cycle. It's not just the HPDI. Yes, of course we have hopes that we can launch these products at the right time for our market demand to assess them and pick up. That said, the market is certainly challenging and volatile and we have to be a little humble about picking the timing perfectly. I think we are getting the long-term trends right. We've got the products' interest from all the players that we work with and all the OEMs we talk to. I think we're pretty clearly developing products that people want. How fast we see the market pick them up, we'll have to wait and see, but certainly we hope that we're on a growth trajectory. That's why we're doing it.

Jerry Revich - Goldman Sachs

Thank you.

Operator

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

Argen Baudry - Northland Capital Markets

Yes. Hi, this is Argen Baudry in for Noah Kaye. Couple of questions here. So first question is kind of regarding the CWI 6.7 litre engine. Do you have any expectations for revenue contribution? I'm just trying to get a sense of how we can model this moving forward.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Well, bear in mind in terms of the space, the CW has a 6.7 litre engine, the plate, and you know, it's much larger than either of the two engines that they currently have in production. So it is going to be a very significant space, very attractive in

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certain markets like school buses and as we mentioned in our press release earlier this year, the launch is going to be mid-2016. So all in all, we are expecting this to be a very significant player in the space.

David Demers - Westport Innovations Inc., Chief Executive Officer

The market size given our 8.9 litre current product for school buses is probably closer to around 5,000 units. Just given the size of the engine and the buses that can go in. But I think with the 6.7 litre, you're targeting a market that's closer to 25,000 to 30,000 units per year. So there is definitely a much larger opportunity—just to give you a sense of that and in terms of penetration, hopefully it's something we can look at the rest of the business as a historical trend; just trying to help you get some modeling together.

Argen Baudry - Northland Capital Markets

Okay, great, and kind of touching on the CWI gross margins. Are you guys anticipating any changes with kind of the rollouts of new products or do you think they're reaching a more sustainable level at this point?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes. I think they are at sustainable levels at this point.

Argen Baudry - Northland Capital Markets

Okay, all right. Thank you and then final question is just, can you give a little more colour into kind of this new LPP product? Where is it in terms of being rolled out? Are there any expectations for revenue contribution there?

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

I would say the focus of the low pressure pumps and system is really for the China market. I think if you study the China market, you can see that LNG is pretty predominant fuel and availability in that market and we are finding that there is a demand for it and as we prepare for our HPDI launch, we're finding that a lot of the customers that we'll be doing OEM truck programs with have an immediate need for this kind of product, so our intent is to get it rolled out at the end of this calendar year. So we are prepared with manufacturing facilities and other assets in order to make sure that that comes to fruition.

Argen Baudry - Northland Capital Markets

Okay, thanks for taking my questions.

Operator

The next question is from Chip Moore from Canaccord Genuity. Please go ahead.

Chip Moore - Canaccord Genuity

Thanks. Just wanted to clarify on the disposals, it sounded like your first couple of transactions at least were moving towards completion in the Q4 timeframe. Do you expect those to represent the majority of expected proceeds or how should we think about timing and magnitude? Thanks.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

I would expect—Chip, was it? I would expect the majority of the transactions to wind up by the end of this year. Yes.

Chip Moore - Canaccord Genuity

Okay, great. Thanks.

Operator

The next question is from Jeff Osborne from Cowen & Company. Please go ahead.

Jeff Osborne - Cowen & Company

Hey, great. I just had two questions. One, looking at the CWI units, take the average, if you just take revenue divided by units, looks like the pricing was up about \$5,000 sequentially. Is there any noticeable mix shifts between 12 litre and 8.9 in the quarter?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes. It is a mix shift that is the contributor; mix and then there is parts revenue as well, so yes, a combination of those two.

Jeff Osborne - Cowen & Company

Is that, Ashoka, a geographic mix shift, or it's engine displacement side more towards 12 litre in the quarter?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

As you know, we don't break out the split between 8.9 and 12 but it is products mix within shall we say, within North America for the most part.

Jeff Osborne - Cowen & Company

Okay, great to hear it, and then I was just curious on the \$50 million in asset sales. David, can you confirm that you have an identified buyer with an agreed upon price and you're just in the closing process of that or is this—you know, you mentioned, Ashoka, I think that you've identified assets that maybe you had some offers that were less than attractive. So I'm just trying to understand between your comments and the optimism of about the \$50 million, is how locked and secure that number is?

David Demers - Westport Innovations Inc., Chief Executive Officer

Yes, again, we're trying to be careful here. Certainly when we said that we have identified some transactions, we're in active negotiations with multiple parties. We're not yet certain that those transactions are going to close for a bunch of reasons that you can imagine. So we think we have a pretty good handle and we're on track to get these things done on the timetable that we've talked about but there is still enough uncertainty that we're not telling you about it. So reasonably confident but not yet certain; how's that?

Jeff Osborne - Cowen & Company

That's helpful and just a last question about the \$50 million. Is that a pre-tax number? Is there a taxable gain on the sale of these assets?

David Demers - Westport Innovations Inc., Chief Executive Officer

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That's proceeds to us after whatever cost or expenses or taxes might be involved. So we're trying to be fair and say, yes, that's what we would expect would go into Ashoka's gold bar stash.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes, bear in mind we are sitting on a significant net operating loss position at this point.

Jeff Osborne - Cowen & Company

Right and then you mentioned, just a follow-up, if you're willing to comment, you mentioned no noticeable revenue impact but I assume there would be a reasonable OpEx impact or should we think about these more as facilities as like sale-leaseback transactions? I'm just trying to get a sense of what...?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

I think other than telling you it's green and it comes in a little box, I think we have shared everything we're willing to share on this. So please. Thank you.

Jeff Osborne - Cowen & Company

All right. Thanks guys.

Operator

As a reminder, if you would like to ask a question, please press star and one on your touchtone phone.

Our next question is from Mike Baudendistel from Stifel. Please go ahead.

Mike Baudendistel - Stifel

Thank you. I wanted to ask you about this table in your press release that breaks down total Adjusted EBITDA between operating business units and corporate technology investments. Just thinking about your path to getting debt to be positive over the next year or so. How would you envision that breaking down between business units and corporate tech investments?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

You can see ongoing improvement in the operating business unit performance; I mean that trend's been building at least for the last year. We did have a blip towards the end of 2014 but we are back on track, so clearly you can expect to see continuing improvement. Maybe not necessarily linear but certainly continued improvement in Adjusted EBITDA in the operating business units because that's what the operating business units are there for, to make money and help us support our R&D spend on the investment side.

At the same time, you will continue—you will expect to see a decline in our engineering and investment spend simply because as Nancy and David mentioned, at the phase of the development program we are at; As programs die down and we enter the validation phase from the development phase, you will see a decline in the R&D spend, and as we transition from a validation space to production space, you will see the earnings slipping from the investments segment to the operation unit segment.

Mike Baudendistel - Stifel

Okay, great for coming (inaudible 46:39.8). You said a couple of times in the press release that currency benefited your expenses; can you possibly quantify that.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes, I think on the revenue side, I mentioned we had about a \$4.1 million negative impact due to the Euro to US dollar exchange rate. Obviously that unfavourable impact changes to favourable when you look at it on the operating expense side. So there was a light contribution, if you will, on the operating expense side for our Euro expenses.

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

And the Canadian dollar.

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

Yes and the Canadian dollar helps us on our spend—on our R&D spend in Canada.

Mike Baudendistel - Stifel

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Okay, got it, and then could you just tell us what region of the world that the new HPDI customer is located?

Ashoka Achuthan - Westport Innovations Inc., Chief Financial Officer

I'll let Nancy. HPDI customers.

David Demers - Westport Innovations Inc., Chief Executive Officer

Pretty clear that it's based in Europe.

Mike Baudendistel - Stifel

Got it. Thank you. Those are my questions.

Operator

This concludes the time allocated for questions on today's call. I will now hand the call back over to Mr. Seed for closing comments.

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

Thanks very much everyone and look forward to seeing everyone on our Q3 conference call currently estimated for the end of October.

Operator

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