

## Operator

Welcome to the Westport Fuel Systems 2016 Q2 Financial Results Conference Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Ryder McRitchie, Vice President of Investor of Relations. Please go ahead.

## RYDER McRITCHIE speaking Vice President, Investor Relations, Westport Fuel Systems Inc.

Thank you Anastasia, and good morning everyone. Welcome to our Second Quarter 2016 conference call which being held to coincide with the disclosure of our financial results earlier this morning. For those who haven't seen the release and financial statements yet, they can be found on our website at [www.westport.com](http://www.westport.com).

In addition, we have also posted on our website a short presentation specific to this conference call that our speakers will be referring to. Going forward, we will continue to update this presentation each quarter.

On today's call, speaking on behalf of Westport Fuel Systems is new Chief Executive Officer, Nancy Gougarty, as well as our Chief Financial Officer, Ashoka Achuthan. During our question-and-answer period, in addition to Nancy and Ashoka we also have a number of our Leadership Team available if necessary, including Andrea Alghisi, our COO of Automotive and Industrial who is here with us in New York. Others are on the line from various locations including China and Vancouver and will introduce themselves as needed. Attendance at this call is open to the public and to media but questions will be restricted to the investment community.

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 U.S. 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, so you are cautioned not to place undue reliance on these statements. Information contained in this conference call is subject to and qualified in its entirety by information contained in the Company's public filings.

I will now turn the call over to Nancy.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems Inc.

Okay. Thank you, Ryder. Good morning and thank you for joining us, and also thank you for your support of Westport Fuel Systems.

Well, today is a new beginning for us. Today is my first earnings call as CEO and also the first earnings call of Westport Fuel Systems. As you know, the past 12 months has been challenging for our industry, our company and especially for my fellow shareholders. I can tell you that our Leadership Team is not satisfied with our Q2 results and we know that we need to step up our performance and I have made that a priority for the entire company.

I'm going to spend my time today sharing with you my plans as CEO and I will let Ashoka discuss the quarter in more detail. So, as a start, I thought it would be important for me to outline for you what I see the vision of the Company being. As a combined entity, I believe that we are the premier global leader for engineering, manufacturing and supply of

alternative fuel systems and components, and my job as the CEO is to unlock the value of this combined company, our value of our assets, our technology and our people.

Important to say as what is going to be different: we now are one team, Westport Fuel Systems. I'm excited about what this means and the opportunities ahead, but I'm also cognizant that changes are needed to transform Westport Fuel Systems into a sustainable, profitable company; one that takes advantage of the values of our robust and unique technology portfolio and provides our customers with technology they need and want.

Over my 30-year career in the transportation industry, I have led some similar efforts, restructuring global businesses and transforming operations into profitable entities, and with me is Ashoka and Andrea who bring similar depth of experience. We are poised to do what we need to do.

In the past weeks I've had the fortunate opportunity to travel to many of our operations across Canada, the U.S. and in Europe, and I continue to be impressed by the depth of talent that exists. You can feel the energy within the team in them working together and collaborating. We are united as one company, getting the job done with a strong team around the world and a unified Board that is supporting the actions we need to take and me as the new CEO. With the merger closed, our near-term focus is on tactical actions that will set us up for a stronger 2017.

The priorities that I have set between now and the end of the calendar year, I have focused on three priorities for the balance of this year. They are outlined on Slide 3 of our presentation and that's really what I wanted to talk to you about today.

The priorities are: we are moving quickly to becoming cash flow positive and profitability on a sustained basis; secondly, taking steps to align our operating costs with revenue; and lastly, conducting a comprehensive review of our portfolio. So what I would like to do is to take more time to talk through each of these.

Firstly, in terms of cash flow positive, our immediate goal is to make the Company cash flow positive and profitable on a sustained basis as soon as we can. We are going to do this by moving forward with a sense of urgency with quick and decisive actions; however, I would tell you I have learned over my years with restructuring, to be truly successful we cannot blindly slash costs. We need to continue to invest in critical technologies and we'll do just that. We need to sustain our core business and make sure that we are positioned to take advantage of new and evolving opportunities such as HPDI. The key for me is finding the right balance and that is my job. We are also driving towards an asset-light model when appropriate, that is nimble enough to react to the changes in the market whether the changes are brought on by new technologies or market cyclicity.

Secondly, we are taking steps to align our operating costs and revenue. You have seen the sale of our Michigan assets and the closing of our Union City facility. We are also completing the consolidation of our corporate functions by the end of third quarter, if not sooner. These three actions alone are not only expected to streamline our assets but also reduce our annual operating costs by more than \$9 million. When I said quick and decisive, this is what I meant.

We have identified a number of other opportunities as well. For example, we have selectively engaged consultants including AlixPartners to support achievement of synergies to EBITDA improvement through material procurement, working capital and supply chain management. Rather than putting out as aspirational targets, I want to set clear expectations. I will tell you what we have done when we have done it.

Thirdly, we are taking on a strategic review of the entire portfolio. This review will include a thorough assessment of each business line, identifying our core strengths and capabilities, and evaluating financial performance, as well as the potential and competitive market positioning. Today, we have 15 distinct operating lines and multiple technology groups. I will tell you this number is coming down. I am not ready to say what the final number is but the result will be a much more focused portfolio with investment and resources targeted to businesses that will drive long-term profitability.

Between now and the year-end, we expect that the bulk of our evaluation will be complete and the results will set us up for a stronger '17 and beyond. Our goals are clear; we're moving fast. It is my belief that a healthy company always looks to doing things better, faster and cheaper. Our markets and customers are always evolving and we must evolve with them to thrive and profit.

I look forward to meeting many of you over the next weeks and months and providing more updates in the near future.

At this point, I'm going to hand it over to Ashoka to talk around our Q2 performance.

## ASHOKA ACHUTHAN speaking Chief Financial Officer, Westport Fuel Systems Inc.

Thank you, Nancy. I will be providing you with some highlights of our second quarter and discuss our financial position under our new segment reporting format.

We will start with the Automotive segment, Slide 5. Note that the Q2 2016 results include three months of the formal Westport Innovations business and one month of the formal Fuel Systems Solutions business. The end markets for our Automotive businesses continue to face strong headwinds in a number of regions across the globe. As Nancy mentioned, we are in the midst of a comprehensive review of all our businesses and product offerings and we have all ready begun to take actions to streamline operations to be able to quickly react to changing market conditions. Our primary focus for this segment is: one, rationalization of our worldwide manufacturing footprint; two, aggressive working capital management; and three, alignment of our engineering capabilities globally. Our recent announcement of the consolidation of our Union City operations into Dallas is one such action.

Moving on to Slide 6, our Industrial segment which is essentially the industrial group of the former Fuel Systems Solutions business continues to be a solid performer led by the Auxiliary Power Unit business in North America, the Fuel Systems Components business in India and the Fleet Management Systems business in Europe. We continue to see a stable outlook for the segment and our focus here is rationalization of our operational footprint and working capital improvements.

Slide 7 summarizes our R&D and SG&A spend by business line. Looking at R&D, you can see that the bulk of our R&D spending continues to be on corporate and technology which is mostly related to our HPDI 2.0 program. This program continues to be on schedule and on budget for commercial release to our OEM customers in 2017. Our SG&A expense of \$18.8 million this quarter includes approximately \$4.5 million of non-recurring costs related to the merger and the Cartesian Capital financing arrangements.

As Nancy mentioned, we are taking a number of steps to streamline activities and capture synergies between the merged companies. We expect that the consolidation of the corporate functions from New York City to our Vancouver offices alone will result in annualized savings of over \$4 million. This of course is a significant part of the \$9 million savings that Nancy mentioned earlier.

Turning to Slide 8., as you know, one of our key development programs is our HPDI 2.0 program. A program that continues to be on track and on budget. Production design intent components were delivered to our OEM customer for vehicle integration in the second quarter of this year and are progressing through extended performance tests with them, along with Delphi we are on schedule with the development of production facilities to deliver the latest generation of HPDI fuel injectors, specifically designed to meet OEM specifications and reliability standards. We are seeing increasing customer interest in our fully integrated HPDI 2.0 solution, driven in particular by its ability to deliver meaningful reduction in greenhouse gas emissions without sacrificing performance, a solution that can be implemented across OEM product lines. We expect to be able to announce development programs with new OEMs in the near future.

Moving on to Cummins Westport, our JV, which is on Slide 9. While volumes were up in the first quarter of this year compared—volumes were up from the first quarter of this year, 2,061 units versus 1,647 units in Q1. CWI continues to face multiple headwinds from a weakening truck market in the U.S. and lower diesel prices worldwide. We are, however, seeing solid performance in the transit bus markets which we believe will see a significant boost from our Near Zero ISL G engine offering which will be launched later this year. We continue to see growth in the share of natural gas vehicles in the refuse segments as well. CWI results however, were significantly impacted by higher engineering costs related to new product introductions, warranty costs and regulatory compliance costs related to onboard diagnostics for 2018 products.

As of June 30, 2016, the Company cash and short-term investments totalled \$71.2 million. Note that this does not include the cash from a recent sale of assets at the Plymouth facility.

Lastly, we are not providing guidance for 2016 at this time. As you are aware, the merger closed much later than we had expected it

to and given the changes that have since taken place and the changes that we are now making, we do not think it's appropriate to do so at this time. Having said that, our near-term goal remains achieving positive Adjusted EBITDA on a sustainable basis as soon as possible.

With that I'd like to open the call up to questions.

## Operator

We will now begin the question and answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

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

## Eric Stine - Craig-Hallum

Good morning everyone. Maybe just—you gave a lot of details and thanks for all the details on the strategic review that is ongoing here, but it sounds like it's safe to say that's going to include some non-core asset sales. Any chance you'd quantify, or are you thinking about anything as part of that process going forward?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Eric, thanks for your question. I would indicate to you that in this entire portfolio review, we're looking at everything that we have and looking across all the product lines as well as the technology groups. So yes, we will continue to look at things that are non-core and we'll make decisions on them. At this point in time because the process is under way and it has, I'll say, impacts to customers, employees and a variety of stakeholders with us, I'm just not willing to go into any level of detail until we get the process complete.

## Eric Stine - Craig-Hallum

No, understood. Okay. Maybe just turning to HPDI, good to hear. It sounds like there's some potential announcements we could see here in the near term and you talked through kind of where you're at, but just maybe more details on the confidence you've got. I mean I know you've had some confidence in the past but it does seem like as 2017 approaches you are convinced that that is year when things start to happen with that. So any clarity into that would be very helpful.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Let me start out. I think Ashoka will add some colour to this as well. I would tell you that at this point in time there are lots of things that I am spending energy on, but we are definitely in the launch window of HPDI and so at this point in time, as

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Ashoka mentioned in his presentation, we're on track, we're on budget, and we are looking for commercial release here in calendar year '17 of our components to the OEM. The team is working very diligently, spending a lot of time with customers and getting a lot of pull from a variety of OEMs as well as other folks that are suppliers in the automotive space that really do see HPDI as the product that is needed to address the greenhouse gas challenges, as well as other environmental, without the compromise of performance.

So, at this stage of the game, yes, we're quite pleased where we are and we're quite satisfied that we are appropriately prepared in order to get in and complete this launch window.

## Eric Stine - Craig-Hallum

Okay. Maybe last one for me. Just looking at Fuel Systems a little bit, we really haven't gotten a look at that business in about a year, and just some clarity into Q2; it looks like you had about \$20 million in revenues in June but the entire quarter on a pro forma basis was a little over \$40 million. Early in the quarter, was that something that was really impacted by business disruption leading up to the merger, or was there something at play there? How should we think about it going forward?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Ashoka and Andrea, do you want to help on that?

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

No, I mean there was no particular disruption. Obviously what we have included is the month of June, which has historically been a good quarter for Fuel Systems, and our second quarter results include the month of June from Fuel Systems and the full quarter obviously for the former Westport Innovations.

## Eric Stine - Craig-Hallum

Right. I was just looking at it's in the financials, just the pro forma full quarter of Fuels Systems looks like it was at \$41 million, so I was just looking for some clarity. I guess we can take that offline.

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

Sure.

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Ryder McRitchie - Westport Fuel Systems Inc. - Vice President,  
Investor Relations

Shall we go to the next question then? Thanks.

Operator

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

Rob Brown - Lake Street Capital Markets

Good morning.

Ryder McRitchie - Westport Fuel Systems Inc. - Vice President,  
Investor Relations

Good morning.

Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive  
Officer

Good morning.

Rob Brown - Lake Street Capital Markets

My first question is for Nancy. You've talked about doing restructuring before, but what do you sort of see as the biggest hurdle here in getting the ship turned around and getting towards your goal of positive Adjusted EBITDA?

Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive  
Officer

I would tell you that we've got a lot of critical events ahead of us here. I would say that we're a quite unified group now. We have very strong operational focus, Rob, and I would tell you that that's important. I think the other thing is, is that we're working as one team. The companies have come together quite successfully and collaboratively, so having everyone working with the same vision in the same direction certainly is one of the attributes that I think it's going to take in order for us to get the restructuring done.

As you know, we had a lot of complementary events. We have a lot of synergies that we can capture. The teams are working quite hard on those. We have now got the establishment of the post-merger integration activity. I think that we have a very critical and I'll say a rich talent running that, as well as with Andrea's past history of running many mergers in the past and his prior work experience, all of that is helping us. So I think that that restructuring is going to be really benefitted from this post-merger integration activity that we have going. There are several elements to that. We are definitely looking at product competitiveness. We're looking at footprint optimization as part of that restructuring, and then as we've already talked, you've seen some things that we're doing to address overhead and we're going to continue to tackle the overhead element as well.

I'm highly confident that we've got the right team, we've got the right focus and we've got the right structure to go capture this.

## Rob Brown - Lake Street Capital Markets

Okay, good. Thank you. Then in terms of R&D spending, I guess how would you characterize R&D spending in the second half of the year, or maybe quarterly R&D rates? Then to sort of follow on to that, if you win more HPDI OEMs do you see that going up?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Let me have Ashoka answer the first part and then we could take the second question.

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

We have R&D spending as you know, Rob, left in order for us to complete the development of the current HPDI 2.0 program, so yes you can expect to see continued R&D spend in the second half of this year, coming into 2017, significantly dropping off after our launch. A launch of course defined as delivering production-ready components to our OEMs.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Rob, perhaps on the second question let me just take it through. I'm not sure that I see that taking on more customers for HPDI is going to really add a tremendous amount of cost. I think that you're well aware that we have—the way that we have attacked our development for HPDI is that we have developed a family of core components for on-engine and off-engine applications and we have employed an asset-light approach relative to the manufacturing system, such as what we continue to talk Delphi around the injector side but we have a lot of other key suppliers as well.

Our activities are really—at this stage of the game we're moving very much away from the development activities into the application activities, and again, that means that our ability to have to do redesigns and those kinds of things are very limited. Also, we are finding that typically when you get to the application side and with some of the tailoring we have to do, we could get customer funding for those kinds of activities.

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Additionally, in terms of we have developed some relationships in the industry. I think that perhaps in prior calls and other things we have talked about our relationship with AVL, AVL being this engine, I'll say expert, in the market relative to their, I'll say consultancy activity, working with many OEMs around the world. We have the ability to work with them and help leverage and get some scalability out of them relative to being able to be able to bring more customers on at a quite quick pace as well as a good cost.

## Rob Brown - Lake Street Capital Markets

Okay thank you. I'll turn it over.

## Ryder McRitchie - Westport Fuel Systems Inc. - Vice President, Investor Relations

Just before going to the next question, Ashoka just wanted to address Eric's question on the pro forma financials from earlier on.

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

Eric, we can discuss in more detail later but I took a quick look at the pro forma Q2 for Fuel Systems and their quarter revenue numbers is 61.5 and not 40 as you had mentioned, so it makes sense that our portion included in our Q2, in the combined company Q2 is \$20-odd million.

## Andrea Alghisi - Westport Fuel Systems Inc. - Chief Operating Officer, Automotive and Industrial

Just to give you a little bit more colour on that now, in Q2 there were some product lines which were performing very well in terms of revenues, in particular the APUs and, as Ashoka mentioned before, fuel system components for the Indian market, for example, which is growing very fast due to the CNG incentives.

On the Industrial side and also on the Automotive side, even though the market is softening, in particular the after-market because of low oil prices, we had let's say a market share increase, in particular in Italy, which is as you know the most important market in Europe.

In particular, if we extend, let's say, the analogies on H1, we had a very good H1 compared to last year. We had an increase in revenue due to these product lines as I mentioned, and even though it was lower than budget because obviously of the continuous low oil price and also because of the fact that the OEMs are let's say marketing the gasoline and diesel cars where they make more profit, and in particular in Europe.

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## Ryder McRitchie - Westport Fuel Systems Inc. - Vice President, Investor Relations

Thanks Andrea and Ashoka. We can go to the next question.

## Operator

The next question is from Amit Dayal of Rodman & Renshaw. Please go ahead.

## Amit Dayal - Rodman & Renshaw

Thank you. Congratulations Nancy, on the new role.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Thank you.

## Amit Dayal - Rodman & Renshaw

In terms of how you define or what you will look at what is core and non-core, could you give us any colour on how that process will work? What will be the sort of non-core and core businesses that you will sort of separate from hereon?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Well as I said that—thanks for your question, but as I said—at this point in time we're just getting in the thick of this. We're 60-odd days into the merge. There are some learnings that I have as we went through the due diligence process because we were competitors, we had a bit of a wall up between us appropriate, so as we bring the team together there's some learning that we need to do and then with a full assessment, of course we're going to look at technology. We're going to look at competitiveness. We're going to look at market position. We're going to look at cost. We're going to look at all the aspects of it, so it's a very comprehensive, thorough review of the business. So at this stage of the game I don't want to be so prejudiced. I want to have a pretty open mind relative to this. We have a defined process that's going to walk us through this and I want that process to be used to full value, so I don't want to make any pre-calls relative to where we're going to stand and that kind of thing.

I think that as I had mentioned, my vision early on is that we see ourselves as the premier global leader in engineering, manufacturing and supply of alternative fuels and components. I think there's not going to be a change to that. What we're going to do is underpin it with the core elements that we need in order for us to have sustained profitability.

## Amit Dayal - Rodman & Renshaw

Understood, thank you. Maybe Ashoka, this one is for you probably. Are the merger-related expenses out of the way? Should we expect some of these to continue maybe in the next quarter?

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

When you say merger-related expenses, yes, you can see some. Not too much but you can see some in the third quarter. But if you define merger-related expenses as costs related to our PMI or post-merger and integration activities, you will see that in the following quarters as well.

## Amit Dayal - Rodman & Renshaw

I was mostly referring to the former, so thank you for that.

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

Okay. Fair enough.

## Amit Dayal - Rodman & Renshaw

In regards to the HPDI 2.2 effort, the initial commercialization is it with maybe one or two customers or are there multiple customers in play here?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

I would tell you at this point in time obviously we continue to be very limited in terms of what we talk about, but we intentionally used a plural in terms of customers.

## Amit Dayal - Rodman & Renshaw

Got it.

## Operator

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

## John Quealy - Canaccord Genuity

Good morning folks, and congratulations, Nancy.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Thank you.

## John Quealy - Canaccord Genuity

Bigger question for you, given all that's going on, can you talk about some of the outside advisors or consultative folks that are helping you folks look at the portfolio and make your decisions in the next couple of quarters? Then also, internally, what's the Strike Team that's focused exclusively on this transformation?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Okay. I would tell you, John, from the process that we have chosen, we have a variety of different groups that are coming in and aiding us relative to that. We don't have one primary lead. The activity that we have to do the portfolio assessment is really our process that I'll say that I have used at other places. Within my experience and Ashoka's experience and Andrea's experience we collectively took all of the things that we have done over our many years and we have put that portfolio assessment together and when we need outside help we are bringing them in and spotlight projects. That's how we're ending up using them.

What I would tell you is at this stage of the game as we try to make our decisions to move forward in terms of the portfolio, obviously it's a big balancing point in terms of all the things that we have to get done. With the post-merger activities that we have that is helping us by having the post-merger office and that is one area that we're truly benefitting from as we try to make sure that we have the organization centered on trying to do some quick capture and really plotting out our plans as we move forward.

## John Quealy - Canaccord Genuity

In terms of the relationship with the OEM customers, as you go through this time and you talk about getting rid of business units, do you think there's any dampening of demand from customers at all, especially on the OEM side, to figure out what

Westport will be in the next couple of years? Or do you think they're just ordering what they need to order and have confidence that you folks will or somebody will own the asset that they'll buy from? Thank guys.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Okay. John, I would say that I don't think that there's dampening demand at all. In terms of where that is, I would say that if anything we're seeing people coming to Westport because we're a full system supplier and we have the technology and I think as we have merged we have become a much stronger company. We have a strong component portfolio. We have a strong technology portfolio, and then not to mention the talented people that we have, as well as our supply base. I think that we are uniquely positioned in this market and what we're finding is all different types of customers coming to us and because they see us having the full range of solutions.

## Operator

The next question is from Chris Souther of Cowen and Company. Please go ahead.

## Chris Souther - Cowen and Company

Hi. Thanks for taking my question. I wanted to know if you could provide any commentary on progress in India or other emerging markets for heavy-duty transportation applications.

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

I would say we play heavily in both markets. I'll have Andrea speak a bit about what is going on, because again, as we've merged, we have quite a bit of competency in the automotive sector relative to our India, in terms of joint ventures and other activities we have going there. But specifically, we're still seeing China as one of the spots that we're very keen on relative to medium and heavy-duty truck applications, especially with the challenges they have relative to environmental conditions, and we continue to work heavily and very strong in that market across many different technology sectors as well as gaining position relative to our component penetration into that market. Andrea?

## Andrea Alghisi - Westport Fuel Systems Inc. - Chief Operating Officer, Automotive and Industrial

Speaking about India, again India is a market that is growing very fast, both in terms of OEMs and after-market. In terms of OEM we are developing very good relationships with specific OEMs there. We are strategically thinking already before the merger about having India, let's say our manufacturing location in India as the CNG pool for the whole group, at least for light-duty applications.

As Nancy was mentioning, China is obviously the second strategic market in Asia. Obviously it's a little bit softening due to both the decrease of the growth rate in China and also due to the oil price, but for sure in the mid-, long term it's a strategic market as well for us. That's why we are preparing ourselves in terms of manufacturing locations and customer relationships there to be able to exploit the market growth once we start again.

## Chris Souther - Cowen and Company

Got it. That's very helpful. Then obviously this would be dependent on strategic—potential strategic initiatives, but I wanted to get an idea about how you were thinking about cash burn for the remainder of the year and if there was any timeline that you were targeting to be cash flow positive?

## Nancy Gougarty - Westport Fuel Systems Inc. - Chief Executive Officer

Ashoka?

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

Yes. As I mentioned, we are not providing guidance but cash positive is—Adjusted EBITDA first followed quickly by cash positive continues to be our highest priority and we will lay it out with more clarity when we are ready to provide guidance.

## Chris Souther - Cowen and Company

Thanks so much. I'll hop back in the queue.

## Ashoka Achuthan - Westport Fuel Systems Inc. - Chief Financial Officer

Thank you.

## Operator

As a reminder, if you have a question, please press star, then one.

There are no more questions at this time. I would like to turn the conference back over to Ryder McRitchie for closing remarks.



# Conference Call Transcript

Second Quarter 2016 Financial Results: August 9, 2016

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## Ryder McRitchie - Westport Fuel Systems Inc. - Vice President, Investor Relations

Thank you, Anastasia. I'd just like to mention that Ashoka will be presenting at a conference here in New York later this week and that presentation will be webcast and available on our website.

With that, I'd like to thank everybody for joining us today. If you have any follow-up questions, please feel free to reach out to our IR Team, and thanks again for your interest in Westport Fuel Systems. Our call is now complete.