

Operator

Welcome to the Westport Fuel Systems' Third Quarter 2019 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 will now turn the conference over to Shawn Severson at alphaDIRECT Advisors, Westport's Investor Relations representative. Please go ahead, Mr. Severson.

SHAWN SEVERSON speaking

Investor Relations Representative, alphaDIRECT Advisors

Thank you and good afternoon, everyone. Welcome to Westport Fuel Systems' Third Quarter Conference Call, which is being held to coincide with the press release containing Westport Fuel Systems' financial results that was distributed this afternoon.

On today's call, speaking on behalf of Westport Fuel Systems, is Chief Executive Officer, David Johnson and Chief Financial Officer, Richard Oraziatti. 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 the U.S. and applicable Canadian securities laws, 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 predicted in the forward-looking statements, so you are cautioned not to place any 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'll now turn the call over to David. David?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Thanks, Shawn. Good afternoon everyone. Thanks again for joining the Westport Fuel Systems' Q3 Conference Call.

Before I discuss our business, let me take a moment to introduce and welcome Westport Fuel Systems' CFO, Richard Orazietti. Richard joined our team in September, and he and I immediately hit the road to meet with investors in San Francisco, New York, and Boston. It was a perfect way to get started.

Richard joins us at a pivotal time, pivotal for the Company, pivotal for the industry, and now also pivotal for Richard. He's had a distinguished career with extensive experience in corporate finance, risk management, operational management, and strategic planning, to name just a few. I know you all join me in welcoming Richard to Westport Fuel Systems.

First the headline financial results; I'm pleased and proud of what we achieved in Q3. The continued growth of HPDI sales, combined with our strength in the independent aftermarket and light-duty OEM businesses resulted in transportation revenue of \$75.4 million, up 15% from a year ago.

Q3 net income from continuing operations improved by \$17 million to a gain of \$4.9 million compared to a loss of \$12.1 million from the same quarter last year. We recorded our third consecutive quarter of positive EBITDA, and our sixth consecutive quarter of positive Adjusted EBITDA. We created \$3.5 million positive cash flow from operations, before changes in working capital, compared with the use of cash of \$11.6 million in Q3 2018.

These results are evidence of growing global demand for our clean transportation systems. Our customers are deploying our products and technologies to deliver clean, cost-effective transportation in markets around the world. They're helping us save money and to save the environment, all while keeping us moving.

Let me turn now to the marketplace. I'll start by talking about scale: the scale of our market, the scale of the environmental challenge we face, how and why our products are scalable, and what that means for Westport Fuel Systems and our shareholders. Today, there are roughly 1.3 billion

cars and trucks on our roads today. Each year our industry produces and sells nearly 100 million new cars and trucks, and a new car or truck built today is likely to be used for the next 20 years.

Commercial trucks power our economies and passenger vehicles enrich our lives, but in total, they consume a massive amount of energy. A hundred and twenty quads, that's 120 quadrillion BTUs annually, according to the EIA; most of that in the form of gasoline or diesel. Transportation is the second largest producer of CO₂. The number one producer of CO₂ is electrical power generation.

Demand for transportation will continue to grow, and the clock is ticking with respect to our well-understood challenge of climate change. We need to take action, without delay, to reduce the carbon intensity of transportation. We need solutions now that move the needle. To move that needle, we must produce and sell a lot of vehicles that are better for the environment. To produce and sell a lot of vehicles, we need practical solutions that fully meet customers' needs, including, quite importantly, affordability. We need affordable, clean transportation urgently.

Westport Fuel Systems' products meet this challenge. Our products, fuelled by natural gas, reduce CO₂ emissions by 20% versus liquid hydrocarbon. That's gasoline and diesel. They do so today, and every day. Moreover, we're seeing a rapid and increased use of renewable natural gas where our products are offered. For example, about 70% of all the gaseous fuel burned in commercial vehicles in California is renewable gas, and more than 90% of all gaseous fuel used in vehicles in Sweden is renewable.

Our products are developed, they're validated, they're in production for sale and in use today. There's no waiting required. Ours are products, not prototypes. There's no need to wonder, "how far does it go?"; "can it meet my needs?"; "when can I drive one?"; "when can I buy one?"; "how much will it cost?" We know these answers from Westport Fuel Systems' products.

Westport Fuel Systems' products are affordable. The payback on the incremental cost is less than a year in most passenger vehicle applications, and two to three years in most commercial vehicle applications, in many markets around the world.

Applying our products to existing vehicles and to new engines and new vehicle production is easy and also affordable to achieve. No new manufacturing technology or plant or required. Existing vehicle and engine manufacturing can be preserved and reused. No massive capital outlay is required to build new plants, Giga or otherwise. Our plants meet the most stringent emission standards, including those in Europe, China, India, and North America. We know this because we

are delivering our products to our customers every day in markets around the world. You can see them on the roads next to you.

Let me now turn to the important regulatory drivers of our business. More, and increasingly stringent regulations in China, India, and Europe are driving the marketplace and are driving our business to increase scale. On prior calls, I've spoken to Europe's heavy-duty CO2 regulations, and India's decision to move directly to Bharat Standard VI emissions, which are roughly equivalent to Europe's Euro 6 standard.

While the market for LNG-fuelled long-haul trucks is growing today in Europe, the Chinese LNG truck market is already the largest in the world. The new China 6 emissions regulations, which align with Europe and North American standards, take effect in July 2020. Sales of LNG-fuelled heavy-duty trucks in China, for the first half of 2019, were 85,000 units, up more than fourfold compared to the first half of 2018.

China is a critical market for us. We've been working together with Weichai to complete emissions testing and certification to lead up to the official test for the Chinese EPA. While the timing of the completion of the required test is not within our control and may push out the launch and the production and sales ramp that follow, we continue working every day to ensure we achieve a high-quality launch in this important market. We're excited about the progress being made, and the future of HPDI in China.

Let me offer a few examples about what scale looks like. UPS recently announced that they will spend \$450 million to add 6,000 vehicles powered by natural gas, along with the supporting fuel stations, beginning in 2020. It was the largest multiyear commitment UPS has made for alternative fuel vehicles, and it includes heavy-duty trucks, medium-duty package vans, and terminal tractors. Natural gas is not a test or an experimental phase at UPS, but rather is mainstream in their fleet. The low total cost of ownership of natural gas vehicles enables scale.

The build-out of a refuelling structure is another indicator of scale. In order to meet CO2 emissions reduction targets, sales of cleaner, more efficient vehicles must ramp-up dramatically, as must refuelling infrastructure. In the case of natural gas, this is well underway in markets around the world.

For example, at the start of 2019, there were 170 LNG stations in Europe. Now, there are 231 stations, including the first LNG station in Belgium. That's a 35% increase just this year. There are now LNG stations in 18 countries across Europe. New stations are coming online quickly, with 500 LNG stations projected by 2022, and 2,000 stations by 2030.

Let's contrast that growth with the reality that there's not yet one single public electrical charging point, or public hydrogen filling station in Europe for long-haul trucks. This scaling of infrastructure is not limited to Europe. There are currently about 6,500 LNG stations in China, and their steady goal is to increase that number to more than 10,000 within next year. In India, Total and Adani Gas recently announced their plan to build 1,500 LNG stations over the next 10 years.

Increasing product choice for individual consumers and fleets in all geographic markets is another driver of scale. Just a few examples to illustrate this. The global market for LPG and CNG conversion kits is approximately one million kits per year and our independent aftermarket business has a 30% share of that market. Argentina, Italy, Poland, Russia, and Turkey are well-established and critical markets for our business.

The global market for delayed OEM installations is about 35,000 units per year, and Westport Fuel Systems has more than 90% share of that market. Our Prins division has expanded its LPG and CNG delivery program to more than a hundred new models for the latest direct injection engine. Kia recently announced the availability of their LPG fuelled Sportage for the Italian market.

The global market for OEM production of LPG, CNG-fuelled light-duty vehicles is approximately half a million units per year, and again, Westport Fuel Systems has about a 30% share. Leading manufacturers in India have publicly stated, they expect a sales mix of natural gas potentially greater than 30% in the very near future.

Before I hand it over to Richard, let me make one more point, and to do so, I'll draw on the analysis that our own Mark Dunn presented last week in Michigan at the Innovations and Mobility Conference, hosted by SAE International. The path to sustainable transportation must be led by cost-competitive market-ready technologies that move the needle in both performance and scale. Westport Fuel Systems' HPDI, for example, enables a 20% reduction of CO2 versus diesel engines, at a low total cost of ownership, and will help OEMs respond to increasingly demanding regulations.

But this is just the starting place. As HPDI, like many of our product offerings, enables further greenhouse gas reductions when renewable natural gas is blended with, or replaces, fossil natural gas, this means that Westport Fuel Systems' products allow OEMs to respond to the current and future regulations and market needs, while preserving their considerable capital investments in the engines and trucks they make and sell today, all while delivering fully capable vehicles to their customers.

Westport Fuel Systems' products, in combination with renewable natural gas, are a real path to deep decarbonisation of transportation. The potential to get to net zero carbon for trucking in Europe, and globally, using HPDI, is available to us now, and this can be done with a competitive total cost of ownership, as compared to diesel, with no sacrifice in performance, reliability, or durability.

This market data validates what we hear from our customers around the world, trends that we also see in our financial results, our order book, and our development activities for our customers. The strength of our OEM and aftermarket business in key markets and the growth of HPDI in Europe, and the upcoming launch of HPDI in China ensure that we are well-positioned to capitalize on the opportunities.

Finally, let me remind you of our 2019 strategic priorities: deliver sustained growth, accelerate our HPDI commercialization, and align our cost structure with our revenues to improve cash flow and operating results. We're pleased with how the first three quarters of 2019 have delivered on this promise, and we're looking forward to the rest of the year and beyond.

With that said, I'll turn it over to Richard to review Q3 2019 financials.

RICHARD ORAZIETTI speaking

Chief Financial Officer, Westport Fuel Systems

Thank you, David. This is my first quarterly financial results call since starting with Westport Fuel Systems in early September. I'm excited to be joining Westport Fuel Systems at this point in time in the alternative fuels industry, and also having the opportunity to drive the Company's business transformation into a growing, sustainable Company.

I've been impressed by the talented and passionate professionals at Westport Fuel Systems, and the embodiment of the vision, Creating a Better World Through Innovative Energy Solutions. I've also had the chance to speak with many of our shareholders and analysts that cover the Company, and I look forward to meeting with more of you in the near future.

Turning to the financials, we had a strong third quarter on many fronts, from the continued strengthening of our operating performance in our three lines of business that David highlighted to you before. We posted our first quarter of net income from continuing operations of \$4.9 million,

our third consecutive quarter of positive EBITDA of \$11.7 million, and six quarters of positive Adjusted EBITDA.

To review our third quarter results in more detail, I'll begin on Slide 2. We closed the quarter with sales of \$75.4 million, net income from continuing operations of \$4.9 million, and positive Adjusted EBITDA of \$9.4 million. Our third quarter Adjusted EBITDA was an improvement over our second quarter 2019 and our third quarter 2018. The improvement over the prior period is a result of strong sales during the quarter and reduced operating costs.

Turning to Slide 3, we look at our transportation business segment. Transportation revenue was up 15% compared to the same quarter in 2018, primarily due to the strength in our HPDI and delayed OEM sales. The aftermarket business revenues were consistent with the prior-year quarter in euro terms, but declined 4% in U.S. dollar terms.

Third quarter 2019 OEM revenues increased by \$11.8 million or 64% over the prior-year quarter, HPDI product sales and development revenues were the primary driver for this increase.

Gross margins were in line with expectations with prior quarters. We do expect lower margins in Q4 and 2020, due to launch costs and volume-related price discounts that are partially offset by material cost reductions. As a result of the increased sales and reduced R&D spend, Adjusted EBITDA in our transportation segment improved significantly over both last quarter and versus Q3 2018.

Turning to Slide 4, we'll review the results of our CWI joint venture. CWI recorded revenue of \$83 million in the third quarter of 2019, a 1% decrease over the second quarter of 2019 and a 4% decrease over third quarter 2018. The current quarter was impacted by a \$3.8 million negative warranty adjustment, as compared to a \$0.6 million positive warranty adjustment in the prior-year quarter. Lower sales and the negative warranty adjustment led to lower net income for CWI as compared to the prior-year quarter.

In the third quarter of 2019, CWI recorded net income of \$10.7 million or 13% of sales, and during the quarter, Westport Fuel Systems received cash dividends of \$4.4 million.

Turning to our sales and general and administrative costs, SG&A costs decreased over the prior year, mainly due to the completion of the SEC investigation, which impacted our Q3 2018 results by \$3.5 million of legal fees and advisory, compared to nil in the current quarter. Lower stock-based compensation expense, lower seller expense, and lower discretionary costs also resulted in lower SG&A for the quarter.

The Management team has worked hard to reduce costs at the corporate centre to decentralize decision making to our business units that are closer to our customers, while ensuring we have the appropriate governance and leadership at corporate to drive the strategic direction of the Company. During the quarter, we also negotiated a settlement of a payable to a government-related technology funding agency, worth \$0.6 million, which resulted in a \$3.3 million gain during the quarter. The gain on settlement was recorded in interest and other income, and excluded from our Adjusted EBITDA calculation.

Turning to Slide 5, which provides a cash walk of the cash balances at the end of the second quarter to the third quarter, we received dividends from CWI of \$4.4 million. There was positive cash flow before working capital changes of \$3.5 million, offset by cash used in working capital of \$6.7 million. We paid principal and interest payments for debt and royalties of \$6.6 million, we had capital expenditures of \$1.8 million, and we had a \$1 million impact of the lower euro.

We continue to service and pay down our debt on schedule, which we will continue to do from our operating cash flows and financing facilities to optimize our borrowing costs. While we do not have any specific plans to raise capital at the moment, we will continue to evaluate our liquidity and financing needs to support the growth of the Company and strengthen its financial position.

As I reflect on Westport's progress in creating a growing and sustainable Company, I am impressed with the improvement in operations across our lines of business since the merger with Fuel System Solutions. As you can see on Slide 6, we went from a negative \$46 million in Adjusted EBITDA in 2016, working towards a positive \$25 million through the first nine months of 2019. This is a remarkable turnaround and a recognition of the tough decisions made by the Board and Management, and hard work of Westport employees over this period.

Now turning to guidance; based on our strong year-to-date results, we are revising our annual revenue guidance to \$295 million to \$305 million for 2019, up from \$285 million to \$305 million.

We look forward to attending the Craig-Hallum Investor Conference in New York City next week.

With that, I'd like to turn it back to the Operator for your questions.

Operator

Thank you. We'll now begin the question-and-answer session. Analysts who wish to join the question queue, may press star then one on your telephone keypad. You'll hear a tone

acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question please press star then two.

Our first question is from Colin Rusch with Oppenheimer. Please go ahead.

Kristen - Analyst, Oppenheimer & Company

Good afternoon, everyone. This is Kristen on for Colin. I was just wondering if we could start with the OEM and the DOEM business. Can you provide some additional colour on the strength that you mentioned in those businesses, and maybe break out the two, and where you're seeing that sequential growth in that light-duty business?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, nice to hear your voice, Kristen, and glad to come back on the discussion of OEM and DOEM. We don't have a specific break-out for you, but I can give you a little colour. Basically, our DOEM business, I would say, is the stronger growth story within that, and really that reflects the flexibility that we have with respect to DOEM. We can take a product from a manufacturer and create a DOEM kit and get DOEM business started very, very quickly, so in a matter of six to nine months, if you will.

On that basis, we can be very responsive to what's happening in the marketplace, so that's really driving our business. I did mention, and you might recall from the last Quarterly Call, how we had a real strong showing with respect to tank valve production and deliveries in Q2. I indicated that was a very good sign for what was coming with vehicles in the market in the future. I noted that, just today, there was a release of registrations in Italy that showed Volkswagen had extremely good performance in the Italian market with respect to natural gas vehicles. More than half of their Golf models were sold with natural gas fuel systems, including our components.

That gives you an idea of the strength and the potential of not only the DOEM but the OEM market when the products are available, and in markets where the fuel is available. We really see tremendous growth potential on a go-forward basis for those products.

Kristen - Analyst, Oppenheimer & Company

That's great, thank you. Then the next question that I wanted to ask is just on the R&D side. Are you seeing any particular areas of investment where you feel like you need to be making that commitment right now?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

As a general principle, we're very happy that we have a complete set of products in the marketplace that respond to the demands for clean transportation products meeting emissions requirements, meeting customer demand and so forth. Nonetheless, the market doesn't stand still, and we continue to invest in developing next-generation products. We feel that pull from our customers, both on the light-duty side and the heavy-duty side, and we're responding to it.

But I would tell you, as a general principle, we don't see the need for massive investments to hit some new standard or something like that. It's more keeping our products competitive in the marketplace, and being ready for that next round of emissions standards and things.

Kristen - Analyst, Oppenheimer & Company

Great, and if I can sneak in just one more, can you provide an update on the discussions with CWI and the sunset of that JV for the end of next year?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, I'd love to do that, and I look forward to doing so; at this juncture, I don't have any news or update to share with you. Our situation is as it was in Q2 in terms of, we have a contract, we're proceeding to do business, and we're having discussions around what comes next in the phase. At this juncture, unfortunately, I have nothing I can share.

Kristen - Analyst, Oppenheimer & Company

Great, I appreciate the questions. We'll take the rest—get back in the queue.

Operator

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

Eric Stine - Analyst, Craig-Hallum Capital Group

Hi, David. Hi, Richard.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Hey, Eric, how are you?

Eric Stine - Analyst, Craig-Hallum Capital Group

Great, and you?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Excellent, thanks.

Eric Stine - Analyst, Craig-Hallum Capital Group

Good. On the OEM, I appreciate the detail there, the nearly \$12 million increase year-over-year. I'm just wondering, your commentary about HPDI being the primary driver, I mean, any way to dial that in a little further; are you saying that it was greater than 50%, or maybe some type of percentage would be great.

Then also, I'm just curious, obviously you're seeing good traction, steady traction there with Volvo. Is that something where you saw sequential improvement in volumes?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, thanks for the question. Let me just provide what I can in that regard. Basically, as you know, our business is with our European lead customer, and we had a small start with our Chinese customer. The vast majority of our revenues in the HPDI business today are still driven by one customer, so we're not breaking it out, I apologize for that.

Eric Stine - Analyst, Craig-Hallum Capital Group

Mm-hmm.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

But yes, in terms of sequential growth, we continue to see that. We continue to work with our customer, and we have plans for product enhancements and all sorts of good things in the future, but it's driven by the demand in the marketplace, and we do see those volumes continuing to move forward.

Eric Stine - Analyst, Craig-Hallum Capital Group

Okay, it was worth a try.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, can't (inaudible 25:12) ever.

Eric Stine - Analyst, Craig-Hallum Capital Group

Yes, absolutely. Maybe, just turning to the pipeline, I know, and I can appreciate you can't necessarily talk about specific OEMs and programs, but knowing that last quarter, you did add a development agreement to that pipeline; with that in mind, I mean, as the CO2 standards come on, as we go through this year where they're setting the baseline, I mean, how do you anticipate that pipeline—the speed in that pipeline, how fast those programs move forward or decisions are made whether to move forward on that?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, a couple comments on that. It's our normal business to do development programs with OEMs around the world for both light-duty and heavy-duty product. What I can tell you about that is the decisions aren't so predictable, and the programs are very lumpy.

What I mean by that is, one day we're not working with a given OEM and the next day we are, and then it's a fair bit of work, so it's a challenge for us to manage. In this timeframe, as we look out into the beginning of the 2020 to 2030 timeframe and the regulations that are coming on, both in light-duty and medium-duty and the need to reduce CO2, and then the affordability and availability of our product, my expectation is that those development revenues will grow. It will be more interesting in the future than they are today.

I look forward to making announcements about such things, but today I don't have one further for you.

Eric Stine - Analyst, Craig-Hallum Capital Group

Yes, got it. Maybe last one for me, just turning to aftermarket, it looks like that was down a little bit versus the prior year. Just curious, I know, a lot of moving parts; you're in, what, 90 different countries—but just maybe some of the main markets and the puts and takes to that?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, we saw really good—so as you mention, we have a number of key markets where we're very strong and it's an important part of our business, so we mentioned some of those earlier in the call. Italy, for example, is a really important market for us, and hence, we have our operations there, and a long presence there, and the growth is good. The pull on the product is strong there.

Meanwhile in places like Poland, we also see growth, and Russia, too. Those markets are really important to us, and even in Argentina, despite all the turmoil there, we see good results. I know there's a desire for a further break-out of results from country to country, but we have that in our future, perhaps, and we look forward to doing that.

Eric Stine - Analyst, Craig-Hallum Capital Group

Okay, thanks a lot.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Our pleasure.

Operator

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

Robert Brown - Analyst, Lake Street Capital Markets

Good afternoon.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Good afternoon, Rob.

Robert Brown - Analyst, Lake Street Capital Markets

On the European market, given the new regulations earlier this year, how have you seen the truck makers responding, I guess, the ones that are your direct partners, but are they in the—how would you characterize where they're at? Are they in the decision-making stage yet, or are they really in the evaluation stage, and maybe just some colour on how the markets have been changing over this year?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Sure. In general, what we see is our lead customer's, I would say, in a very strong position, and they know they are with respect to leading the marketplace and having our HPDI system available for their customers today.

The other OEMs in the marketplace that we work with all the time, I can't be specific of course, but they're all weighing their options and considering what their portfolio will consider in the future,

and making their decisions. Our work with each one of them, unfortunately for the most part, is going to remain a supplier secret until such time as our customers decide they're going to make an announcement, and we won't be making those announcements.

But I do see, as a general premise, that right now, because of that regulation and increasingly as the clock ticks away, the intensity of the discussions and the work we're doing is growing, and so that's exciting for us.

Robert Brown - Analyst, Lake Street Capital Markets

Okay, good, thank you. Then on the Weichai program, did you say that was entering final testing, and just wanted to clarify what you said about the timeline there. Do you have a sense on when that happens and how that might affect the launch time?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, glad to talk about Weichai. Our work with Weichai continues very strongly, and where we are in that project is basically in the final stage to get certification completed, and certified, if you will, by the agency in China, the Chinese EPA. I expect that soon, but frankly, it's not a timing we control, and that's our challenge as a team. There's all the work we do, and we have to overcome all our challenges and deliver with a product, and we've done that; now it's the certification step, which unfortunately isn't so controllable.

We do see some risk that we won't achieve exactly the curve and the timing that we were hoping for and planning on, but it's not out of our grasp yet, so we're still working on it.

Robert Brown - Analyst, Lake Street Capital Markets

Okay, thank you. I'll turn it over.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Thanks, Rob.

Operator

Once again, analysts who wish to ask a question may press star then one on their telephone keypad.

The next question is from Chris Souther with Cowen & Company. Please go ahead.

Christopher Souther - Analyst, Cowen & Company

Hey, thanks for taking my question. For Weichai, you discussed the certification process being out of your hands. I just wanted to see, is there anything that is in your hands at this point with that launch, or anything that's left for you guys to do specifically?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, that's a great question. I would say, basically, other than continuing to support our customer and work with them as they face any challenges, there's no specific thing. In our business, we take our components, design them and validate them and then peep (phonetic 31:10) at them and deliver them to the customer. We're in that condition where all our commodities are available for our customer, and we're just waiting for the final steps that they have to do, and certification and sales and production, all those follow-on steps.

Christopher Souther - Analyst, Cowen & Company

Got it. Then a few people have either—they've kind of tried to touch on this, but with the initial launch partner, can you talk about any regional commentary? In the past you've kind of mentioned specific markets where there were kind of initial launches. Anything you can kind of give to that effect? If not, you discussed the ramp-up in stations. Is it fairly similar kinds of markets we should be looking at to kind of follow where you might be seeing the strength there?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, the infrastructure build-out, I would tell you, is probably one of the most important indicators of where you'll see truck sales growth next. There's really good data on the web about where they are today and where they're going to be in the future. I think that is, more than anything else, kind of the key ingredient on where the regional growth is, and where the trucks are going to have the greater market share sooner.

It's real hard to summarize in a call and go through all that data so I won't even try, but as a general principle, I also struggle with—they're not our sales of vehicles, and so we don't have the detailed data ourselves. What we're going off of, as we see it, is announcements of infrastructure and announcements of fleets that say, look, we're so proud, we bought these trucks and they're working great for us.

Christopher Souther - Analyst, Cowen & Company

Excellent, and then, just my last one, is that \$3.2 million service revenue that you called out from development work with an OEM, is that related to HPDI, and go through the OEM kind of segment that you discussed, or is that something different?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes, that's one of our heavy-duty programs. Yes, so that's it.

RICHARD ORAZIETTI speaking

Chief Financial Officer, Westport Fuel Systems

Yes.

Christopher Souther - Analyst, Cowen & Company

Okay, so that's included in—would you say the majority of that OEM increase is related to HPDI, it's in there, (inaudible 33:16)?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Exactly.

Christopher Souther - Analyst, Cowen & Company

Perfect, I'll hope into queue. Thanks, guys.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Thank you.

Operator

This concludes the time allocated for questions. I'll now turn the conference back over to Shawn Severson for closing remarks.

SHAWN SEVERSON speaking

Investor Relations Representative, alphaDIRECT Advisors

Great, thank you everyone for joining us today, and thanks again for your interest in Westport Fuel Systems.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and have a pleasant day.