



4Q20 and FY 2020 Financial Results

March 16, 2021



Westport Fuel Systems

Forward-Looking Statements

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Speaking Today...



David M. Johnson
Chief Executive Officer



Richard Oraziotti
Chief Financial Officer

2020 Highlights

Record revenue in Q4; HPDI sales nearly doubled vs 2019

Commenced new HPDI development work with our initial launch partner

Weichai Power JV completed HPDI engine certification in China

Completed business combination with UNO MINDA JV in India and grew sales

Commenced work on Hydrogen with HPDI

Financial Highlights – 4Q20



\$83.9 million



13%
vs. 4Q19

FY2020 \$252.5 million



\$8.1 million



125%
vs. 4Q19

FY2020 \$14.7 million



\$4.1 million



+\$3.4 million
vs. 4Q19

FY2020 (\$7.4) million



\$64.3 million



+\$18 million
vs. 4Q19

**\$14.4m raised from
ATM in 4Q20**

Revenue

Adjusted EBITDA

Net Income (Loss)

Cash + Liquidity

- Supportive regulatory environment and growth in refueling infrastructure
- Total cost of ownership advantages driving sales growth
 - EU - Market share for alternative fuel trucks grew by 38% in 2020*
- Same torque and efficiency as diesel engine with reduced CO₂ emissions
- No change to engine architecture

*Source: <https://www.acea.be/press-releases/article/fuel-types-of-new-trucks-diesel-96.4-electric-0.5-alternative-fuels-2.9-mar>

HPDI 2.0™ – Commercially Available and Viable Now

Long Haul HD Truck Application	Diesel	Westport HPDI 2.0™	Battery Electric	Hydrogen FCV
Meet 2025/2030 EU, China, India requirements?	X	✓	✓	✓
Meet customer requirements? • Range, payload, performance, durability • Operations, refuel/recharge time	✓	✓	X	X
Refueling Infrastructure?	✓	X → ✓	X	X
Commercially available and viable?	✓	✓	X	X
Total Cost of Operation	<u>Baseline</u>	<u>Lower</u>	<u>Higher</u>	<u>Higher</u>

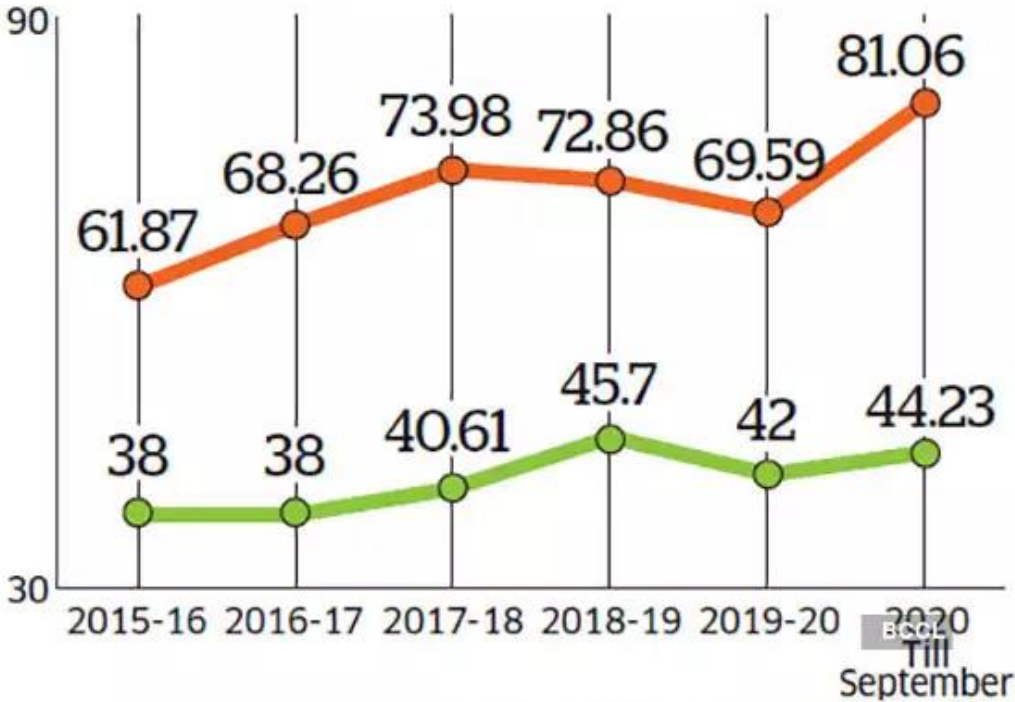
Growing Market Opportunity: India

- Government plans to raise share of natural gas in India's energy mix from 6.5% to 15% by 2025
- Government plans to invest \$1.4 billion in the next three year to construct up 1,000 LNG stations
- Due to Bharat VI emissions standards, diesel engines being replaced by more affordable CNG vehicles
- Cost conscious consumers, high diesel costs create impetus for affordable alternative fuel choices

Source: Enfu India Available at <https://www.enfuse.org>

FUEL PRICE

■ CNG price/kg ■ Petrol price/litre
figures in ₹



Note: Average price in India | Source: Maruti Suzuki

Hydrogen HPDI



Combustion modelling shows efficiency comparable to fuel cells in heavy duty applications



Total cost of ownership analysis indicates significant cost advantage vs. fuel cells

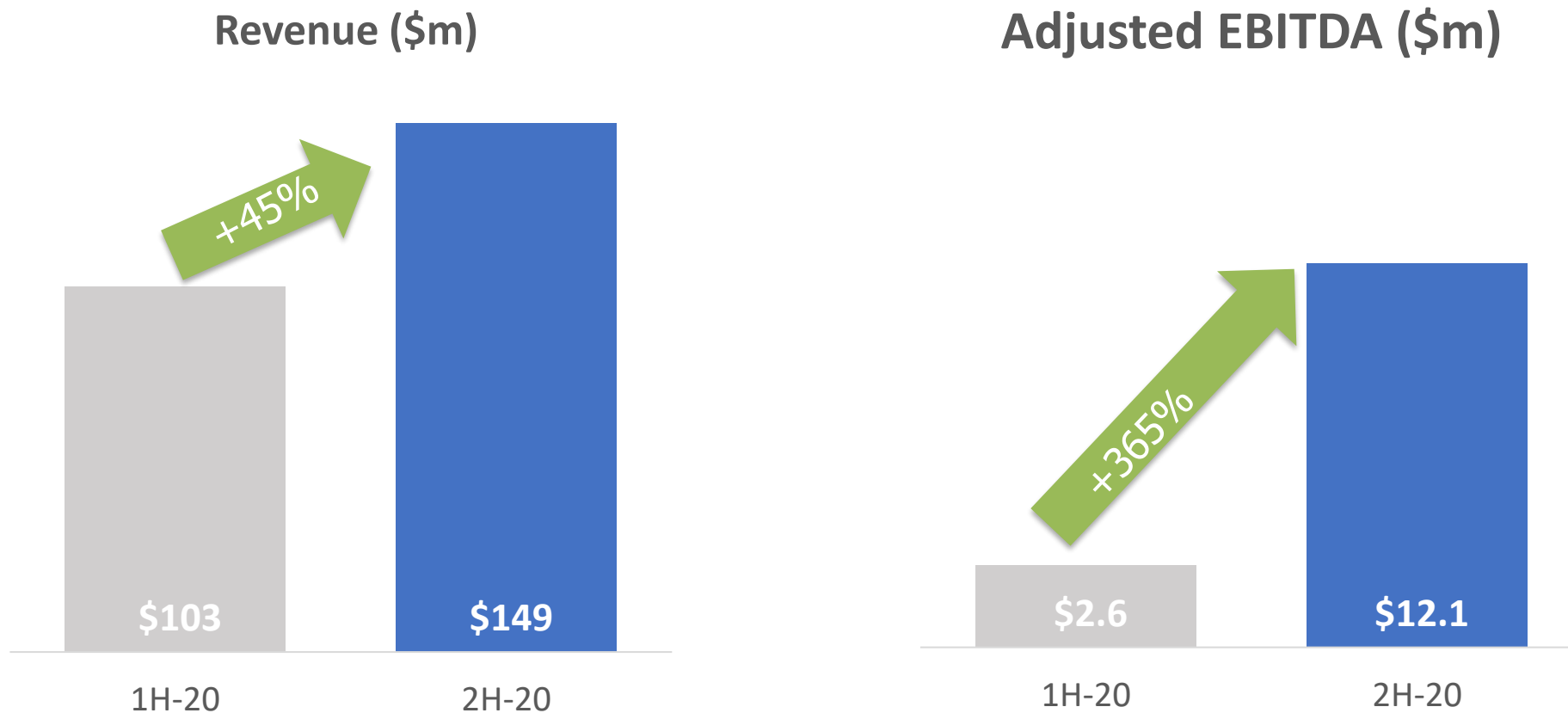


First engine testing completed, verifies modelling



Additional project with Scania to commence 2H 2021

Recovery from COVID



Strong recovery in the second half in top and bottom lines

Financial Results – Fourth Quarter 2020

Consolidated Financial Data

GAAP (\$ millions, except per share)	4Q20A	4Q19A	O/(U)
Revenues	\$ 83.9	\$ 74.3	\$ 9.6
Gross Margin	13.0	13.8	(0.7)
Loss from Continuing Operations	(0.7)	(5.5)	4.8
Equity Income - CWI and Other	9.9	6.8	3.1
Net Income	4.1	0.7	3.5
Net Income per Share	0.03	0.00	0.03
Operating Cash Flow	(12.0)	0.3	(12.3)
Cash and Cash Equivalents	64.3	46.0	18.3

Non-GAAP (\$ millions)	4Q20A	4Q19A	O/(U)
EBITDA	\$ 13.1	\$ 5.0	\$ 8.1
Adjusted EBITDA	8.1	3.6	4.5
Adjusted Operating Cash Flow	(5.0)	7.6	(12.6)

Commentary

- Revenues higher YoY due to strong HPDI sales volumes to initial launch partner. IAM and LD OEM continue to recover from impact on sales volumes from COVID-19, with strong Q-o-Q performance from OEM LD.
- Better sales performance not reflected strongly in gross margin mainly due to lower Y-o-Y margins realized on HPDI product sales (large one-time contractual price reduction in 4Q19), and lower high margin HPDI engineering services and IAM sales.
- Generated higher Y-o-Y adjusted EBITDA of \$8.1m bolstered by strong quarterly performance from CWI joint venture.
- Adjusted operating cash flow decreased YoY due to increase in working capital resulting from increase in receivables from higher sales volumes in HPDI and inventory in anticipation of higher HPDI sales volume in 1Q21.

Financial Results – FY 2020

Consolidated Financial Data

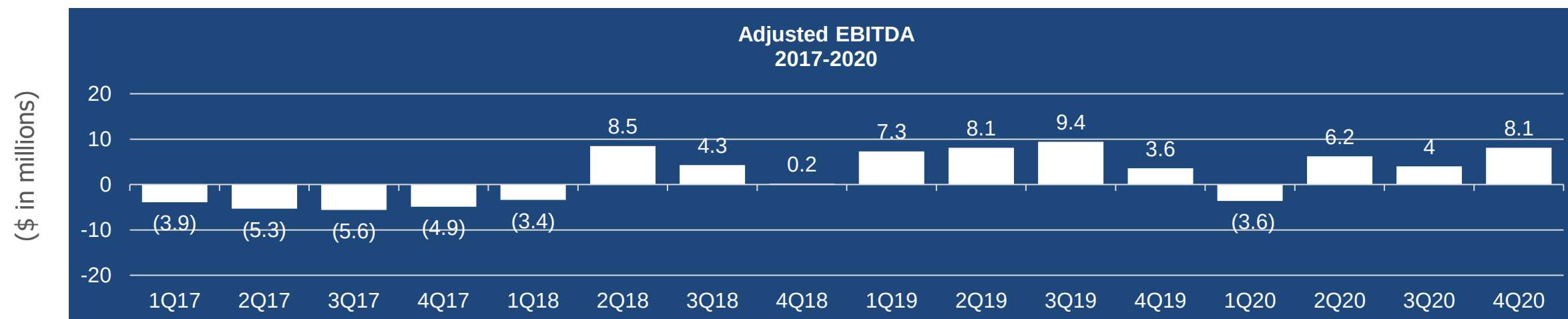
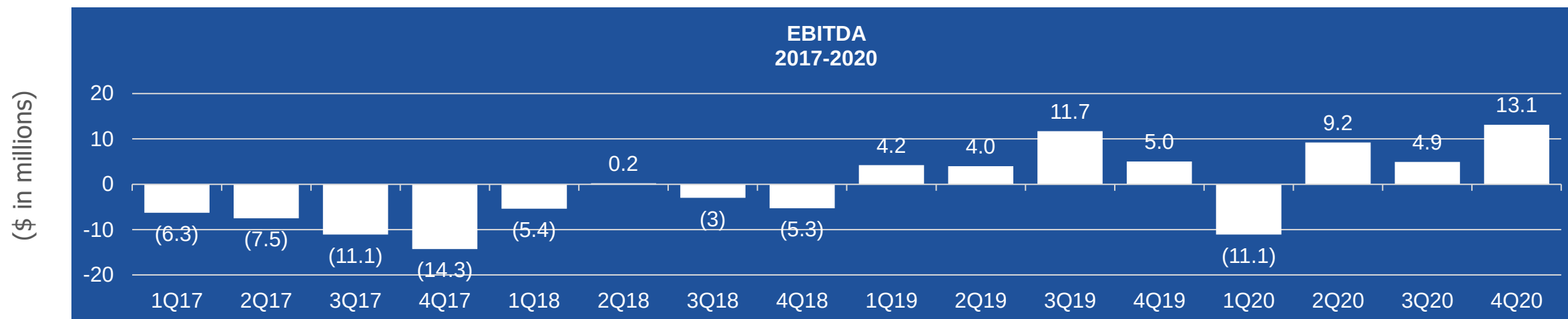
GAAP (\$ millions, except per share)	2020A	2019A	O/(U)
Revenues	\$ 252.5	\$ 305.3	\$ (52.8)
Gross Margin	39.5	68.2	(28.6)
Loss from Continuing Operations	(23.0)	(21.4)	(1.6)
Equity Income - CWI and Other	24.0	26.7	(2.7)
Net Income (Loss)	(7.4)	0.2	(7.6)
Net Income (Loss) per Share	(0.05)	0.00	(0.05)
Operating Cash Flow	(35.1)	(15.7)	(19.5)
Cash and Cash Equivalents	64.3	46.0	18.3

Non-GAAP (\$ millions)	2020A	2019A	O/(U)
EBITDA	\$ 16.1	\$ 24.9	\$ (8.8)
Adjusted EBITDA	14.7	28.4	(13.7)
Adjusted Operating Cash Flow	(14.4)	9.4	(23.8)

Commentary

- Revenues lower YoY due pandemic's impact on IAM, OEM LD and DOEM, partially offset by strong sales growth in HD OEM, net of contractual price reductions and lower engineering services work.
- YoY gross margin declined mainly due to lower IAM, OEM LD and DOEM revenues, and the price reductions and lower engineering services work in HD OEM. Further impact of a \$3.2m charge taken on two PRD field service actions.
- Equity income from CWI decreased in 2020 mainly due to the impact of COVID-19 and the related OEM shutdowns in 1H20.
- Despite challenging year, generated positive adjusted EBITDA of \$14.7m supported by government wage subsidies of \$6.1m, and cost reductions from austerity measures.
- OCF and Adjusted OCF were significantly impact by COVID-19. Multiple financing efforts, government support and austerity measures mitigated this impact to secure the liquidity of WFS.

Improving EBITDA and Adjusted EBITDA



Business Segment – OEM

Selected Statements of Operations Data

(in \$ millions except Gross Margin %)

	4Q20A	4Q19A	O/U
Revenue	\$ 58.8	\$ 44.7	\$ 14.1
Gross Margin	6.6	5.3	1.3
Gross Margin (%)	11%	12%	
Operating Loss	(3.0)	(6.1)	3.1
Depreciation	2.1	1.9	0.2

	FY 2020	FY 2019	O/U
Revenue	\$ 149.6	\$ 164.7	\$ (15.1)
Gross Margin	12.3	29.7	(17.4)
Gross Margin (%)	8%	18%	
Operating Loss	(21.2)	(12.7)	(8.5)
Depreciation	8.2	9.5	(1.3)

Commentary

Fourth Quarter 2020

- Revenue higher due to strong sales volume of HPDI systems to initial launch partner, net of contractual price reductions, and stronger EURO
- Gross Margin increase due to increase in HPDI sale volume, net of price reduction
- Operating Loss narrows due to increased revenue partially offset by lower HPDI service revenue

Full Year 2020

- Revenue decreased primarily due to the impact of plant shutdowns in response to COVID-19 in the first half of the year, combined with lower light-duty OEM sales
- Gross Margin decline due to lower sales, net warranty charge of \$3.2 million related to two field service actions and higher percentage of lower margin HPDI products sold

Business Segment – Independent After Market

Selected Statements of Operations Data

(in \$ millions except Gross Margin %)

	4Q20A	4Q19A	O/U
Revenue	\$ 25.1	\$ 29.6	\$ (4.5)
Gross Margin	6.4	8.5	(2.1)
Gross Margin (%)	25%	29%	
Operating Income	1.3	2.2	(0.9)
Depreciation	1.6	1.9	(0.3)

	FY 2020	FY 2019	O/U
Revenue	\$ 102.9	\$ 140.6	\$ (37.7)
Gross Margin	27.2	38.5	(11.3)
Gross Margin (%)	26%	27%	
Operating Income	6.6	11.9	(5.3)
Depreciation	5.6	6.6	(1.0)

Commentary

Fourth Quarter 2020

- Revenue decreased due to the continuing impact of COVID-19 on customer demand in Western Europe
- Gross Margin decreased due to lower sales from higher-margin markets in Western Europe

Full Year 2020

- Revenue decreased due to the plant shutdowns in response to COVID-19 in the second quarter of 2020 partially offset by the stronger EURO during 2020
- Gross margin reduced slightly as lower revenue offset by government subsidies and austerity measures

Business Segment – Cummins Westport Joint Venture

Selected Statements of Operations Data – 100%

(in \$ millions except Unit Sales & Gross Margin %)

	4Q20A	4Q19A	O/U
Unit Sales	2,288	2,407	(119)
Total Revenue	\$ 96.0	\$ 102.5	\$ (6.5)
Gross Margin	28.5	28.3	0.2
Gross Margin (%)	30%	28%	
Net Income	18.8	13.4	5.4
Equity Income - 50%	9.4	6.7	2.7

	FY 2020	FY 2019	O/U
Unit Sales	7,065	7,883	(818)
Total Revenue	\$ 323.5	\$ 361.8	\$ (38.3)
Gross Margin	87.3	104.1	(16.8)
Gross Margin (%)	27%	29%	
Net Income	47.6	53.2	(5.6)
Equity Income - 50%	23.8	26.6	(2.8)

Commentary

Fourth Quarter 2020

- Revenue decreased due to decline in parts revenue
- Gross Margin increased driven largely by product mix which more than offset lower revenue in the quarter

Full Year 2020

- Unit sales lower for the year due to the impact of OEM factory shutdowns in 2Q20 in response to the COVID-19 pandemic
- Gross margin decreased primarily related to lower revenue and a lower proportion of high-margin part sales

Balance Sheet & Liquidity

Key Metrics

Cash & Liquidity	4Q20	3Q20	4Q19
Cash Balance	\$64	\$46	\$46
Line of Credit + Bridge Loan	\$6	\$8	\$1
Total Liquidity	\$70	\$54	\$47
Liabilities	4Q20	3Q20	4Q19
Convertible Debt	\$4	\$10	\$17
EDC Term Loan + Bridge Loan	\$20	\$18	\$13
HSBC AR Facility	\$18	\$8	\$4
UniCredit Loans	\$31	\$31	\$11
Deutsche Bank	\$8	\$8	-
Other Banks	\$4	\$1	\$4
Total Debt	\$85	\$76	\$49
Cartesian Royalty	\$16	\$14	\$18
Total Liabilities	\$101	\$90	\$67

Working Capital	4Q20	3Q20	4Q19
Change in working capital	\$(8.5)	\$(4.6)	\$4.8

Commentary

- Improved and enhanced liquidity in 2020
 - Secured government-backed loans in Italy
 - Deferred principal payments on term loan with EDC and entered a new bridge term loan to weather COVID-19 economic impact
 - Restructured Cartesian convertible debt; \$7.5m of \$10m debt converted to equity as of 1Q21
 - Increased limit on HSBC AR facility to fund working capital for HPDI
 - At-The-Market (ATM) program raised \$27m as of 1Q21
- Change in non-cash working capital increased in 2020 due to build up of accounts receivable and inventory build-up on higher sales volume of HPDI
- Key financing priorities in 2021:
 - Fund capital program to expand HPDI production capacity, technology development and expand industry applications
 - Restructure existing debt to provide additional financial flexibilities to support growth
 - Improve working capital through partnership with suppliers

2021 Strategic Objectives

1. Increased volume, profitability of HPDI, including sales in China
2. Hydrogen internal combustion engine development using HPDI
3. Stable recovery of IAM business
4. New product segments and geographies



Questions?

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