



1Q21 Financial Results

Friday, May 7th, 2021



Westport Fuel Systems

Forward-Looking Statements

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Speaking Today...



David M. Johnson
Chief Executive Officer



Richard Oraziotti
Chief Financial Officer

Driving Innovation to Power a Cleaner Tomorrow

- Westport designs, engineers and manufactures **clean alternative fuel systems and components** for the automotive market
 - Affordable, market-ready solutions that **reduce CO₂ emissions** and enable fuel cost savings
 - Products and services for passenger cars and light-, medium- and heavy-duty trucks
 - Offered through a global network of distributors, to original equipment manufacturers (“OEM”) and through Delayed OEM (“DOEM”) services
- Westport’s **patented and proprietary High Pressure Direct Injection 2.0 (“HPDI 2.0™”)** technology enables heavy-duty trucks to operate on natural gas and bio-methane (renewable natural gas) and hydrogen
 - Same power, torque, efficiency, and performance as diesel engines
 - Responds to CO₂ reduction mandates
 - Most cost-effective path to use zero carbon hydrogen

Financial Highlights – 1Q21

Revenue

\$76.4 million



14% in 1Q20

25% growth in OEM

Gross Margin

17%



vs. 6.4%* in 1Q20

Impact of COVID-19 on
aftermarket demand & supply
chain shortages creating near-
term pressure

Cash and Liquidity

\$59.7 million



vs. \$39.1 million
in 1Q20

\$13.2m raised from ATM in
1Q21

* Impacted by one-time \$10m charge related to field service campaign in 1Q20

Key Investment Highlights

Massive Total Addressable Market

- \$100 billion global total addressable market fuel systems in on-road transportation⁽¹⁾
- 56 million natural gas/liquid propane gas vehicles in service, and growing⁽²⁾
- Stringent regulatory frameworks driving demand

Leading Global Supplier

- Two decades experience developing and delivering innovative clean alternative fuel products to top tier OEMs
- Broad range of products for diverse end Markets
- Sales in 70 countries
- Technology applicable to a variety of end markets

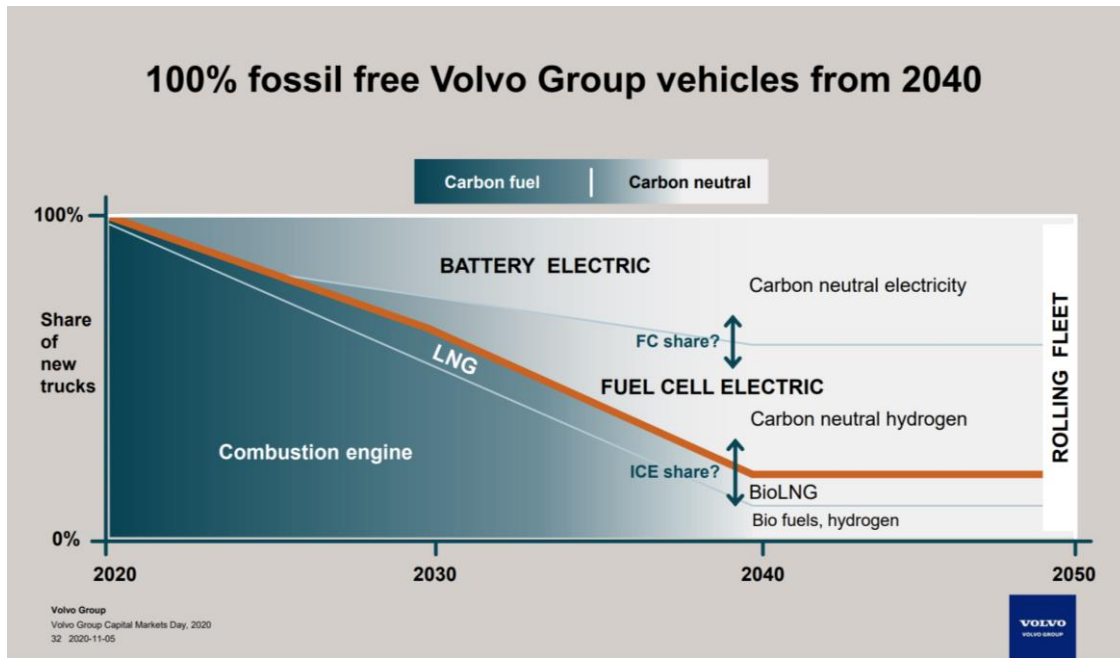
Industry Leader in Gaseous Fuels

- HPDI delivers performance fuel efficiency and economic benefits NOW (not demonstrations)
- HPDI sales increasing in Europe and set to ramp in China
- Provides lower total cost of ownership
- Preserves substantial OEM investments
- Investing in R&D to run HPDI on hydrogen fuel

(1) Source: Power Systems Research, International Organization of Motor Vehicle Manufacturers (OICA) (2) NGV Global <https://www.iangv.org/natural-gas-vehicles/>

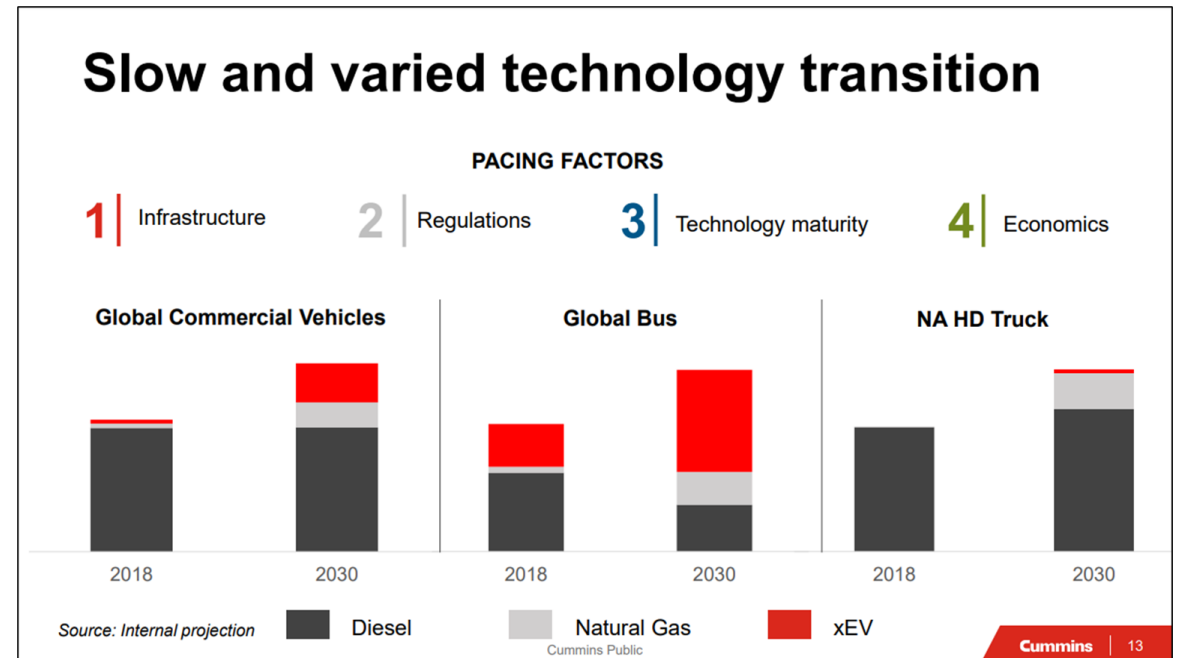
OEM Perspectives on the Energy Transition in Transportation

Volvo Trucks



Source: Volvo Group Capital Markets Day, November 5, 2020 <https://www.volvogroup.com/en-en/investors/reports-and-presentations.html>

Cummins



Source: Cummins Analyst Day Presentation, November 21, 2019 <https://investor.cummins.com/events-presentations/presentations>

Significant Global Momentum

Global reach and established relationships with key customers around the world

Volvo Trucks

- Follow-on contract with current European-based OEM partner announced in November 2020 for new product development work to apply HPDI 2.0™ to an updated engine platform
- Programs will incorporate new features for the resulting HPDI 2.0™ fuel system as well as certification to meet Euro VI Step E emission regulations that take effect in 2024



- October 2019: UPS commits \$450 million to add 6,000 natural gas trucks
- February 2021: Reuters reports that Amazon ordered over 700 CNG trucks



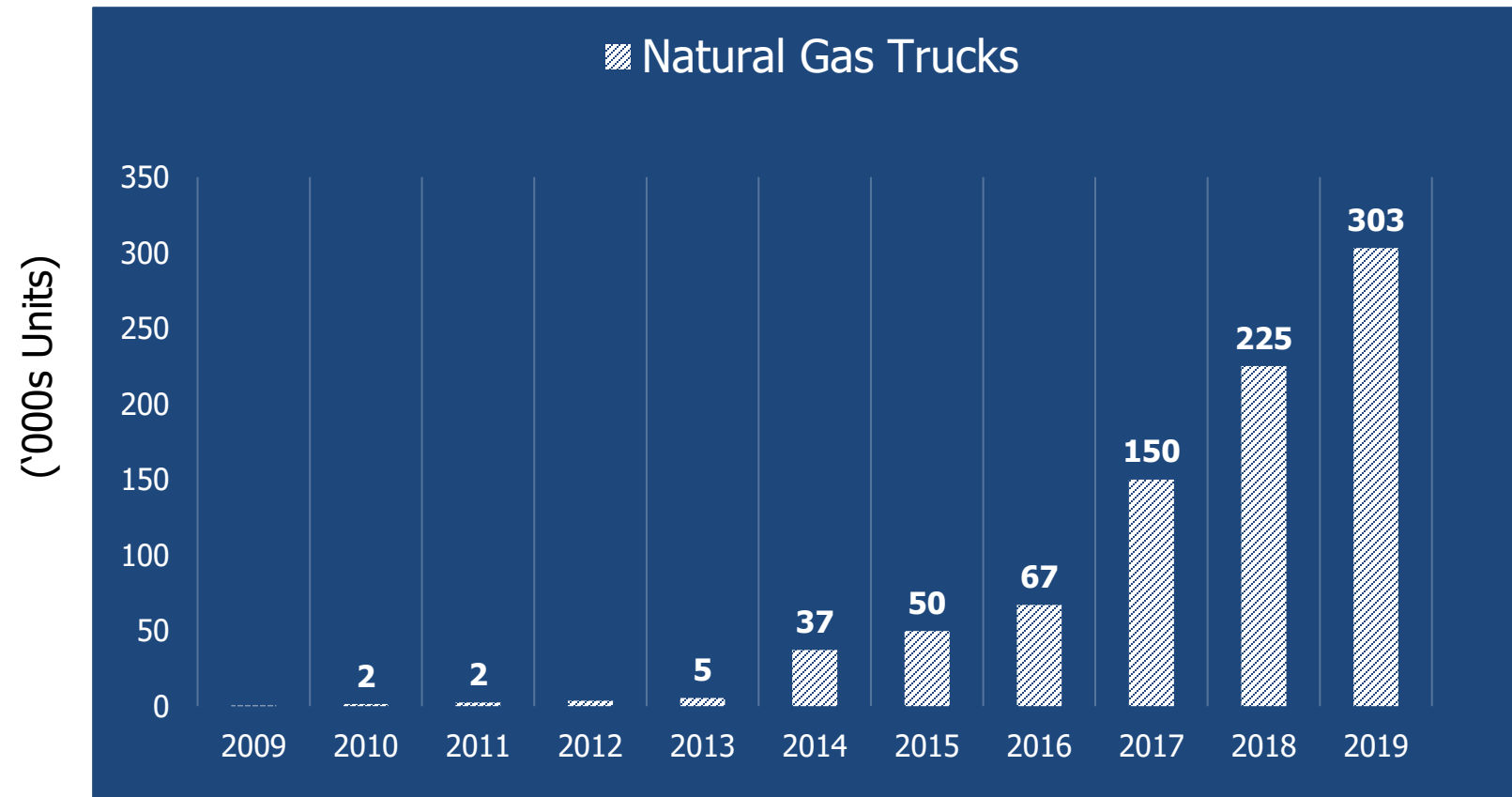
- Agreement to supply no less than 25,000 12-liter engines operating on the HPDI 2.0 fuel system
- Investing with tier one injector manufacturing partner to expand manufacturing footprint for HPDI 2.0 injectors in China

China: World's Largest Natural Gas Truck Market

- World's largest truck market ~1.2 million vehicles/year
- ~10% of market is LNG fueled trucks
- LNG costs ~35 to 55% less than diesel
- 12,000 LNG refueling stations
- Weichai JV received certification of HPDI-equipped engine; next step is vehicle certification by OEMs
- Class 7 and 8 HD natural gas vehicles offered by 40 OEMs
- Our partner is the leading supplier of engines
- HPDI outperforms spark ignited products currently offered in this market

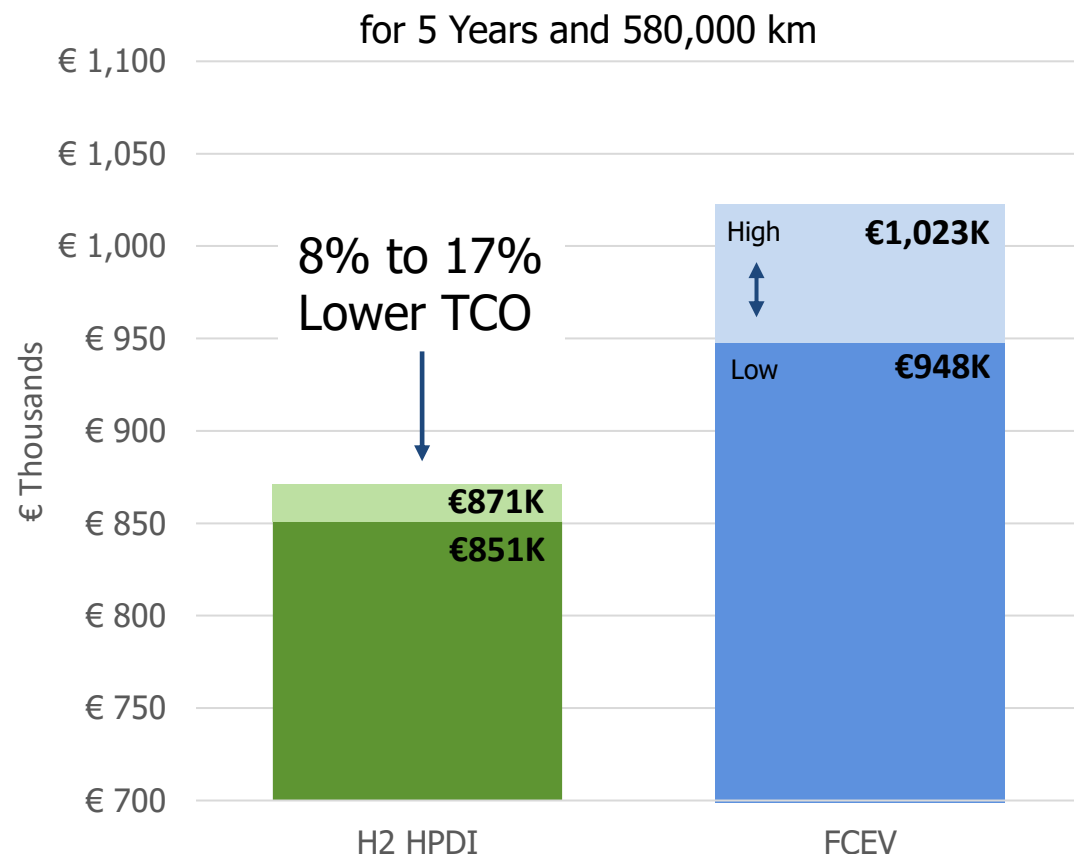
Source: PSR Database and WFS Analysis (2019)

Natural Gas Trucks in Operation in China (2009 – 2019)



Pathway to Zero Carbon Fuel – Hydrogen ICE

Total Cost of Ownership (TCO)



Source: AVL / Westport TCO study, 2021

Benefits vs. Fuel Cell



For the Truck Customer

- Lower upfront acquisition costs
- Proven truck design and durability
- Familiar truck operation



For the OEM

- Low product development cost
- Preserve current manufacturing, supply chain and service infrastructure
- Avoid manufacturing investments for fuel cells, batteries and motors



For the Environment

- Renewable fuel with near zero emissions
- Lower investment path to reduce CO₂ compared to FCEV

Strong ESG Performance is in our DNA

Sustainability is at the core of our technology strategy, our product portfolio and our operations



Governance

- Sustainability Working Group established 2018, reporting to CFO and CEO



Solutions with Reduced Emissions

- Decreased energy consumption intensity by 7.6% from 2018 - 2019



Enabling Energy Transition

- Our products help meet the urgent demand for cleaner transportation solutions



Diversity and Inclusion

- 50/50 gender representation on the Board of Directors
- 35% female representation across global workforce



Health and Safety

- 96% of employees work in facilities with a formal joint management-employee health and safety committee
- ISO certified facilities



Committed to Enhancing ESG Disclosures

- ESG disclosure published in 2018 and 2019; enhanced disclosure aligned with leading frameworks in 2020

Management and Board of Directors

Executive Leadership Team



David M. Johnson
Chief Executive Officer
And Board Director



Richard Oraziotti
Chief Financial Officer



James ("Jim") Arthurs
Executive Vice President



Lance Follett
Chief Legal Officer and
Executive Vice President



Nicola Cosciani
EVP, Global Operations



Tim Smith
EVP & Chief of Staff

Board of Directors



Daniel M. Hancock
Chair



Michele J. Buchignani



Brenda J. Eprile



Rita Forst



Anthony ("Tony")
Guglielmin



Prof. Dr. Karl Viktor
Schaller



Eileen Wheatman

Financial Results – First Quarter 2021

Consolidated Financial Data

GAAP (\$ millions, except per share)	1Q21A	1Q20A	O/(U)
Revenues	\$ 76.4	\$ 67.2	\$ 9.2
Gross Margin	13.0	4.3	8.7
Loss from Continuing Operations	(8.2)	(19.9)	11.7
Equity Income - CWI and Other	6.6	5.4	1.2
Net Loss	(3.1)	(15.3)	12.2
Net Loss per Share	(0.02)	(0.11)	0.09
Operating Cash Flow	(2.6)	(9.8)	7.2
Cash and Cash Equivalents	59.7	39.1	20.6

Non-GAAP (\$ millions)	1Q21A	1Q20A	O/(U)
EBITDA	\$ 1.9	\$ (11.1)	\$ 13.0
Adjusted EBITDA	2.7	(3.6)	6.3
Adjusted Operating Cash Flow	5.3	(4.0)	9.3

Commentary

- Revenues higher 14% YoY driven by:
 - 25% increase in revenues from OEM businesses driven by strong sales volumes in LD OEM, HPDI products and stronger Euro to U.S. dollar
- Gross margin of 17% of sales experienced pressure due to continued impact of COVID-19 on customer demand and supply chain
 - Lower Y-o-Y margins realized on HPDI product sales from price reduction 1Q20
 - Lower margin sales mix to emerging markets in IAM
 - 1Q20 included a one-time \$10m charge related to the PRD field service campaign
- CWI income increase by \$1.2m primarily due to lower R&D
- Liquidity has improved significantly due to equity raised from ATM program and refinancing efforts throughout 2020

Business Segments – Operational Performance

(\$ millions except Gross Margin %)

OEM

	1Q21A	1Q20A	O/(U)
Revenues	\$ 42.7	\$ 34.2	\$ 8.5
Gross Margin	4.9	(6.1)	11.0
Gross Margin %	11%	-18%	
Operating Loss	(6.5)	(14.5)	8.0
Depreciation	2.1	1.8	0.3

Independent After Market

	1Q21A	1Q20A	O/(U)
Revenues	\$ 33.7	\$ 33.0	\$ 0.7
Gross Margin	8.1	10.4	(2.3)
Gross Margin %	24%	32%	
Operating Income	1.6	4.8	(3.2)
Depreciation	1.3	1.5	(0.2)

Commentary

- Revenue increased 25% YoY driven by:
 - Strong rebound in sales volume LD OEM customers in India and Russia
 - YoY higher sales volumes of HPDI systems to initial launch partner, net of contractual price reductions, and stronger EURO
- Excluding one-time \$10m warranty accrual in 1Q20, gross margin increased due to higher sales, net of price reduction
- Excluding the \$10m charge mentioned above, operation loss increased due to increase in operating expenses and stronger EURO

Commentary

- Revenue increased slightly by 2% YoY driven by:
 - Strong EURO more than offset lower demand YoY resulting from continuing impact of COVID-19 on customer demand in Western Europe
- Gross margin was impacted by sales mix to lower margin emerging markets and the challenging recovery in Western Europe
- Besides gross margin impact, operating income also included a one-time severance charge

Balance Sheet & Liquidity

Key Metrics

Cash & Liquidity	1Q21	4Q20	1Q20
Cash Balance	\$60	\$64	\$39
Line of Credit + Bridge Loan	\$7	\$6	\$1
Total Liquidity	\$67	\$70	\$40
Liabilities	1Q21	4Q20	1Q20
Convertible Debt	\$2	\$4	\$17
EDC Term Loan + Bridge Loan	\$18	\$20	\$13
HSBC AR Facility	\$2	\$18	\$6
UniCredit Loans	\$29	\$31	\$11
Deutsche Bank	\$8	\$8	n/a
Other Banks	\$3	\$4	\$3
Total Debt	\$62	\$85	\$50
Cartesian Royalty	\$16	\$16	\$19
Total Liabilities	\$78	\$101	\$69
Working Capital	1Q21	4Q20	1Q20
Change in working capital	\$1.0	\$(8.5)	\$0.8

Commentary

- Cash at quarter-end was **\$59.7m**, a decrease of \$4.6m compared to 4Q20 due to debt repayment, lower EURO offset by proceeds from ATM of \$13.2m.
- Total debt is **\$62.2m**, down from \$85.4m in 4Q20 on repayment of HSBC facility from Volvo collections and scheduled debt repayment on EDC and UniCredit term loans
- Change in non-cash working capital decreased in 1Q21 as we collected receivable from Volvo offset by build up additional inventory build-up to meet HPDI demand
- Two UniCredit loans refinanced on April 29, 2021, with principal increased from €5.4m to €7.5m maturing on March 31, 2027, removal of cash pledge requirement and lower interest rate at 1.65%
- Key financing priorities in 2021:
 - Fund capital program to expand and automate HPDI production capacity
 - Advance research and development of the HPDI technology using Hydrogen
 - Restructure existing debt to extend maturity and 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

Mid-Decade Financial Goals ⁽¹⁾

Additional Vectors for Sales Growth:

- Entry into North American market
- Development of Hydrogen HPDI
- Off-road applications



Sales Growth – \$1 Billion Annual Revenue



Margin Expansion – Gross Margin > 20%



Sustainable Profit – EBIT Margin 10% ⁽²⁾

(1) These goals are provided for the purpose of providing insight into Westport management's long term strategic goals and the financial targets established in relation thereto; these targets may not be appropriate for other purposes

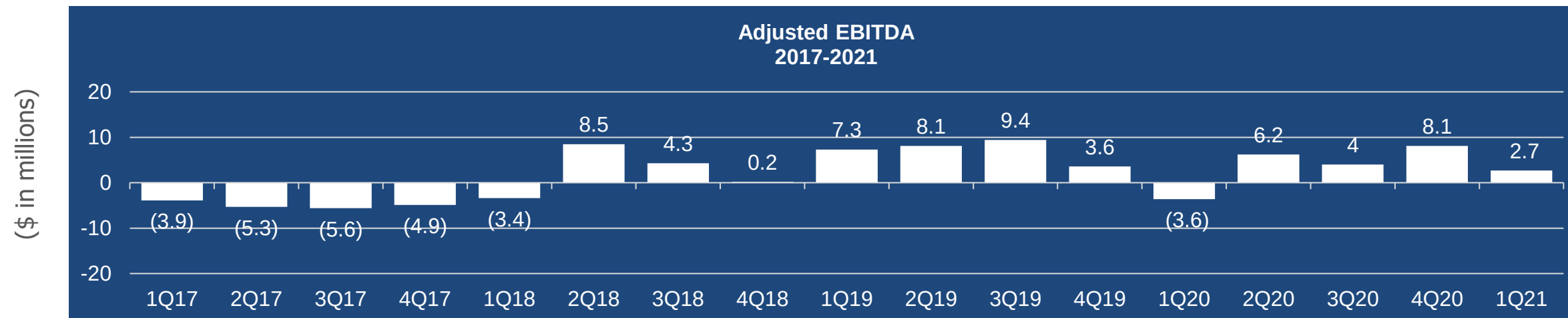
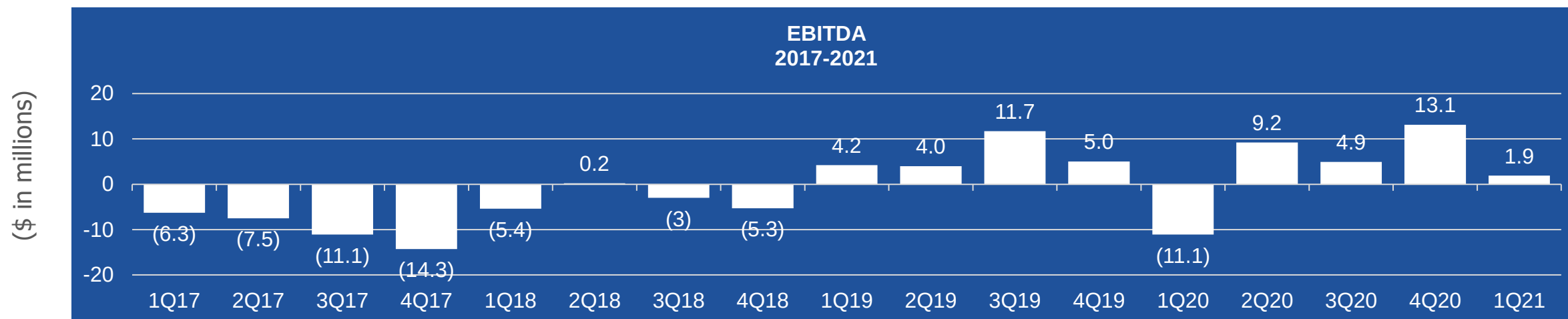
(2) EBIT Margin is defined as Earnings before Interest and Taxes to Total Sales



Questions?

Westport[™]
Fuel Systems

Appendix: Improving EBITDA and Adjusted EBITDA



SEP 23, 2020

Volvo Trucks reports increased interest in LNG and bio-LNG

Volvo Trucks is seeing an increased interest in gas as an alternative to diesel for heavy-duty truck operations in Europe.

Hauliers and transport buyers are increasingly interested in reducing their carbon dioxide (CO2) emissions and costs through the use of refrigerated liquefied gas as a fuel. As a result, the new Volvo FH and Volvo FM trucks will have engines that run on liquefied natural gas (LNG) and biogas, offering the same high performance as diesel engines.

"Today, LNG-fuelled trucks are the most commercially-viable alternative to ordinary diesel for heavy long-haul operations," said Lars Mårtensson, director of environment and innovation at Volvo Trucks.

"This fuel is available in sufficiently large quantities and at a competitive price. Using more gas trucks creates favourable conditions for making a transition to a larger share of liquefied biogas over time."



Image: Volvo Trucks

Dutch logistics firm launches LNG-powered truck fleet

By LNG Prime Staff

April 29, 2021



Image: H.Z. Logistics

Dutch firm H.Z. Logistics has taken delivery of thirty Volvo LNG-powered tractor units as it looks to slash emissions and costs.

The logistics service provider said in a statement it would mainly use the Volvo FH 460 LNG trucks for conditioned transport of potato, fruit and vegetable and floriculture products for



Most Popular



Asda and Culina in major new truck deals with Volvo

December 10, 2020 Chris Tindall



Asda has ordered the largest ever number of HGVs running on renewable fuels in the UK, with 202 Volvo FH LNG tractor units delivered in the run-up to Christmas. The supermarket wants to transition its 1,000-strong core fleet of tractor units over to gas by 2024 after its own trials showed it could cut CO2 emissions by more than 80%. The latest bumper order follows an initial delivery of two Volvo LNG trial vehicles in 2018 and then another 49 [...]

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Volvo Trucks to test LNG trucks for possible South African debut



Volvo Trucks sees increased interest in gas as an alternative to diesel for heavy-duty truck operations in Europe

Hauliers and transport buyers are increasingly interested in reducing their CO2 emissions and costs through the use of refrigerated liquefied gas as a fuel

September 22, 2020

Media Sources

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- [2] Dutch Haulier gets 30 Volvo FH LNG trucks: Apr 22, 2021 (<https://www.freshplaza.com/article/9314228/dutch-haulier-gets-30-volvo-fh-lng-trucks/>)
- [3] Gregory Distribution puts seven Volvo LNG trucks on trial: Oct 15, 2020 (<https://www.thetruckexpert.co.uk/gregory-distribution-puts-seven-volvo-lng-trucks-on-the-road-as-part-of-major-trial/>)
- [4] Volvo Trucks sees increased interest in gas as an alternative to diesel for heavy-duty truck operations in Europe: Sep 22, 2020 (<https://www.automotiveworld.com/news-releases/volvo-trucks-sees-increased-interest-in-gas-as-an-alternative-to-diesel-for-heavy-duty-truck-operations-in-europe/>)
- [5] Refuelling milestone for Volvo FM LNG truck: March 28, 2018 (<https://airqualitynews.com/2018/03/28/refuelling-landmark-for-volvo-fm-lng-truck/>)
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- [8] Armstrong Logistics takes delivery of five LNG-powered Volvo FHs: Feb 11, 2021 (<https://www.commercialmotor.com/news/product/armstrong-logistics-takes-delivery-five-lng-powered-volvo-fhs>)
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- [10] Reed Boardall installs new bio-LNG refuelling station at its Boroughbridge base: Jan 28, 2021 (<https://www.fleetpoint.org/fuel/liquefied-natural-gas-lng/reed-boardall-installs-new-bio-lng-refuelling-station-at-its-boroughbridge-base/>)
- [11] Limpens Buys Volvo FH LNG trucks for Sustainable Operations: May 18, 2019 (<https://www.ngvglobal.com/blog/limpens-buys-volvo-fh-lng-trucks-for-sustainable-operations-0518>)
- [12] Volvo Trucks reports increased interest in LNG and bio-LNG: Sep 23, 2020 (<https://www.bioenergy-news.com/news/volvo-trucks-reports-increased-interest-in-lng-and-bio-lng/>)
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- [14] Posti switches to use of biogas in heavy-duty transport in Finland: October 27, 2020 (<https://www.gnvmagazine.com/en/posti-switches-to-use-of-biogas-in-heavy-duty-transport-in-finland/>)