



4Q21 and FY 2021 Results Conference Call

March 15, 2022



Westport Fuel Systems

Forward-Looking Statements

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Speaking Today...



David M. Johnson
Chief Executive Officer



Richard Oraziotti
Chief Financial Officer

Financial Highlights – FY21

Revenue	OEM Revenue	Adjusted EBITDA
\$312 million	\$195 million	\$17.5 million
 24% YoY	 31% YoY	 vs. \$14.7 million in FY20
• Continued recovery, despite global supply-chain headwinds	• Growing sales of HPDI • Recovery of LD OEM sales	• Increased Gross Margin • Gain on Stako acquisition • Income tax recovery
Stronger Balance Sheet due to June equity raise and December EDC term loan refinancing		

Three Strategic Pillars

Key Financial Goals:

- \$1bn revenue
- 20% gross margin
- 10% Operating margin



Principled Growth



Leading Tier 1 Supplier

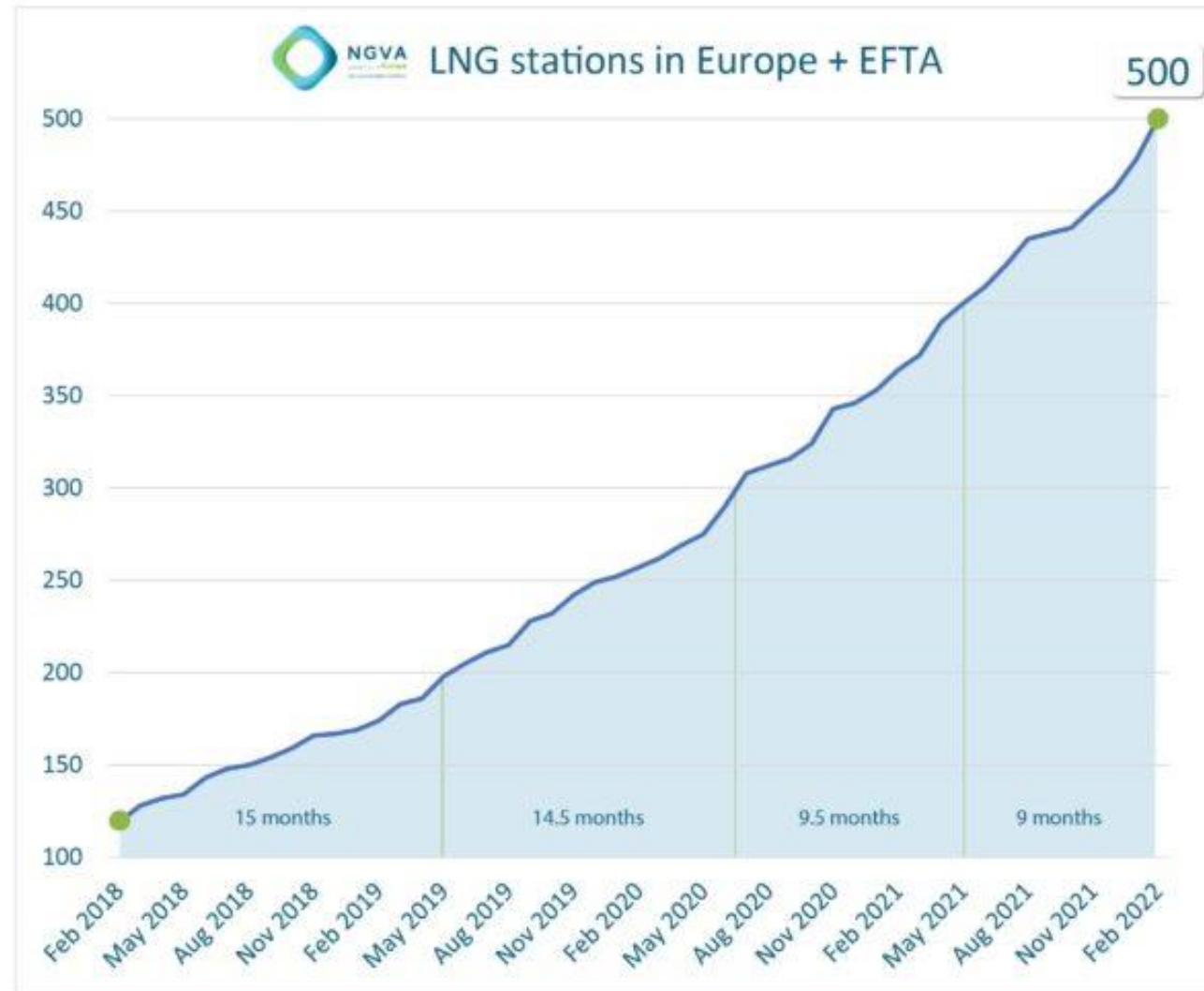


Innovation and Technology

Growing Recognition of Alternative Gaseous Fuels

- Number of LNG fueling stations in Europe up 2x in the past two years
- In 2021 alternative-fueled trucks had 3.6% market share in Europe – reflects 40% YoY growth
- Natural Gas now part of EU Taxonomy
- OEMs need a portfolio of solutions that respond to regulations
- Fleets need affordable solutions, we can address this

Source:
www.ngvaeurope.com



HPDI Driving Growth of OEM Business

- **HPDI offers greater torque & efficiency, with less CO₂** than spark ignited natural gas engines
- HPDI is the key catalyst for growth in OEM revenue
- OEM revenue grew 31% YoY in 2021
- OEM revenue was 62% of total revenue in 2021



Update on China

- Field trials of HPDI 2.0 with LNG are ongoing
- Current LNG prices are a headwind
- Interest in Hydrogen with HPDI in China is significant



Source www.shell.com/cn

Factors Impacting 2022 Outlook

Headwinds

- Industry wide semiconductor chip supply constraints
- Global spiking of commodity prices
- Volatile global fuel prices
- Ongoing Russia & Ukraine conflict

Tailwinds

- Rising demand for clean, affordable fuel solutions
- Prioritization of lower cost solutions
- Growing market shares and product recognition

Financial Highlights – Fourth Quarter 2021

GAAP (\$ millions, except per share)	4Q21A	3Q21A	4Q20A	O/(U)
Revenues	\$ 82.7	\$ 74.3	\$ 83.9	\$ (1.2)
Gross Margin	9.3	10.1	13.0	(3.7)
Gross Margin %	11%	14%	15%	
Loss from Operations	(10.0)	(8.6)	(0.7)	(9.3)
Equity Income - CWI and Other	15.0	4.1	9.9	5.1
Net Income (loss)	5.4	(5.8)	4.1	1.3
Net Income (loss) per Share	0.04	(0.03)	0.03	0.01
Operating Cash Flow	(18.1)	(14.4)	(12.0)	(6.1)
Cash and Cash Equivalents	124.9	141.9	64.3	60.6

Non-GAAP (\$ millions)	4Q21A	3Q21A	4Q20A	O/(U)
EBIT	\$ 4.9	\$ (4.5)	\$ 9.3	\$ (4.4)
EBITDA	8.4	(1.2)	13.1	(4.7)
Adjusted EBITDA	10.0	(1.4)	8.1	1.9

4Q21 v 4Q20

- **Revenue of \$82.7m decreased YoY 1.4%**
 - Slightly lower HD OEM sales volumes; YoY contractual HPDI 2.0 fuel systems price reductions
 - Offset by revenue from fuel storage business
- **Gross margin of \$9.3m decreased YoY by 28.5%:**
 - Impact of HD OEM sales volumes and price reduction;
 - Sales volumes impacted negatively also by fuel price volatility
 - Lower margin sales mix to emerging markets in both LD OEM and IAM (India and Africa)
 - Higher material cost resulted from global supply chain disruptions
 - Partially offset by acquired fuel storage business
- **Net income of \$5.4m driven by strong performance of CWI, partially offset by lower gross margin**

Financial Highlights – FY 2021

GAAP (\$ millions, except per share)	2021A	2020A	O/(U)
Revenues	\$ 312.4	\$ 252.5	\$ 59.9
Gross Margin	48.2	39.5	8.7
Gross Margin %	15%	16%	
Loss from Operations	(30.5)	(22.0)	(8.5)
Equity Income - CWI and Other	33.7	24.0	9.7
Net Income (loss)	13.7	(7.4)	21.1
Net Income (loss) per Share	0.09	(0.05)	0.14
Operating Cash Flow	(43.8)	(35.1)	(8.7)
Cash and Cash Equivalents	124.9	64.3	60.6
Non-GAAP (\$ millions)	2021A	2020A	O/(U)
EBIT	\$ 9.0	\$ 2.1	\$ 6.9
EBITDA	23.0	16.1	6.9
Adjusted EBITDA	17.5	14.7	2.8

2021 v 2020

- **Revenue of \$312.4m increased YoY 23.7%**
 - Higher sales volume from HD OEM (+21%), rapid growth of LD OEM volumes in India & recovery in sales volumes in IAM
 - additional revenue from fuel storage business
 - growth in electronic business
- **Gross margin increased 22% YoY to \$48.2m**
 - Driven by higher sales volumes and fuel storage business,
 - Partially offset by contractual HPDI price reductions and higher material costs
 - FY 2020 included large COVID-19 related wage subsidies offset by \$2.4m field campaign charge
- **Net income of \$13.7m driven by:**
 - \$9.7m higher income from CWI
 - \$8.9m tax recovery related to an Italian Government COVID-19 tax relief program
 - \$5.9m bargain purchase gain on Stako acquisition
 - Partially offset by lower government subsidies

Business Segments – OEM

(\$ millions except Gross Margin %)	4Q21A	3Q21A	4Q20A	O/(U)
Revenues	\$ 57.4	\$ 48.0	\$ 58.8	\$ (1.4)
Gross Margin	5.1	3.1	6.6	(1.5)
Gross Margin %	9%	6%	11%	
Operating Loss	(5.0)	(7.3)	(3.0)	(2.0)
Depreciation	2.1	2.4	2.2	(0.1)

(\$ millions except Gross Margin %)	2021A	2020A	O/(U)
Revenues	\$ 195.5	\$ 149.6	\$ 45.9
Gross Margin	20.4	12.3	8.1
Gross Margin %	10%	8%	
Operating Loss	(22.3)	(21.2)	(1.1)
Depreciation	8.7	8.2	0.5

4Q21 v 4Q20

- **Revenue decreased YoY by 2% due to:**
 - Lower sales in heavy-duty OEM impacted by contractual HPDI 2.0 fuel systems price reductions
 - Offset by \$6.7m revenue from the fuel storage business
- **Gross margin decreased by \$1.5m due to:**
 - Increase in material costs from the global supply chain disruption across all business segments
 - Change in sales mix towards lower margin markets in light-duty OEM business
 - Offset by gross margin from fuel storage business

2021 v 2020

- **Revenue increased YoY by 31% driven by:**
 - Higher sales volumes in heavy-duty and light-duty OEM business
 - \$13.8m revenue from the fuel storage business
- **Gross margin increased by \$8.1m driven by:**
 - Higher sales in heavy-duty and light-duty OEM businesses
 - The addition of fuel storage business
 - Partially offset by higher material costs and contractual HPDI price reductions

Business Segments – Independent After Market

(\$ millions except Gross Margin %)	4Q21A	3Q21A	4Q20A	O/(U)
Revenues	\$ 25.3	\$ 26.3	\$ 25.1	\$ 0.2
Gross Margin	4.2	7.0	6.4	(2.2)
Gross Margin %	17%	27%	25%	
Operating Income	(1.3)	0.6	1.3	(2.6)
Depreciation	1.4	0.8	1.6	(0.2)

(\$ millions except Gross Margin %)	2021A	2020A	O/(U)
Revenues	\$ 116.9	\$ 102.9	\$ 14.0
Gross Margin	27.8	27.2	0.6
Gross Margin %	24%	26%	
Operating Income	2.0	6.6	(4.6)
Depreciation	5.1	5.6	(0.5)

4Q21 v 4Q20

- **Revenue increased by \$0.2m YoY**
 - due to higher sales to Africa and South America markets, offset by lower demand from Russia and Turkey
- **Gross margin and operating income decreased YoY due to:**
 - change in sales mix towards lower margin markets
 - higher material costs
 - higher government subsidies received in prior year quarter

2021 v 2020

- **Revenue increased by 14% YoY**
 - driven by higher sales compared to prior year which was significantly impacted by COVID-19
- **Operating income decreased YoY**
 - due to change in sales mix to lower margin markets, higher material costs and lower government subsidies compared to prior year

Liquidity

Cash & Liquidity	2021	2020
Cash balance	\$125	\$64
HSBC AR Facility/EDC Revolver	\$7	\$6
Total Liquidity	\$132	\$70

Debt	2021	2020
Convertible debt	\$0	\$4
EDC Term Loan	\$19	\$12
EDC COVID-19 Bridge Loan	\$0	\$6
HSBC AR Facility	\$13	\$18
UniCredit Loans	\$27	\$31
Deutsche Bank	\$7	\$8
Other Banks	\$3	\$4
Total Debt	\$69	\$85
Cartesian Royalty Payable	\$10	\$16
Total Liabilities	\$79	\$101

- **Liquidity improved significantly in 2021 mainly due to equity raised in 2021 and refinancing debt**
- **Refinancing over 2020-21 has better matched organic cash flow growth profile from HD OEM at better borrowing rates to secure near-term liquidity**
 - Cartesian convertible debt fully converted in 2021
 - Refinancing of \$20m EDC Term Loan completed in December 2021
- **Net cash used in operating activities of \$43.8m**
 - HD OEM operating losses due to lack of scale
 - Working Capital increase of inventory caused by build up of HD OEM inventory and supply chain disruption and inflation
 - Proactively managing our working capital to monetize and optimizing purchasing levels
 - Risks from Russia-Ukraine conflict and volatile fuel prices will cause near-term pressure
- **In February 2022, received proceeds of \$31.4m from sale of CWI to Cummins Inc.**
 - \$20m for the sale of our interest in the intellectual property held in CWI
 - \$22m for the sale of 100% of our shares in CWI, net of a \$10.8m holdback receivable



| In Closing

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Questions?

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