

Westport Fuel Systems Inc.**Q4 2023 Conference Call**

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PRESENTATION

Operator

Good morning, ladies and gentlemen. My name is Sylvie, and I will be your conference Operator today. At this time, I would like to welcome everyone to Westport Fuel Systems' Q4 2023 conference call. Note that all lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question-and-answer session.

And if at any time you require Operator assistance, please press *, 0. And to get in the conference queue, you would need to press *, followed by 1 on your telephone keypad. And if you would like to withdraw from the question queue, simply press *, then number 2.

And I would like to turn the conference over to Ms. Ashley Nuell.

Please go ahead.

Ashley Nuell — Senior Director, Investor Relations, Westport Fuel Systems Inc.

Good morning, everyone. Welcome to Westport Fuel Systems' fourth quarter conference call for the 2023 fiscal year.

This call is being held to coincide with the press release containing Westport's financial results that was issued yesterday.

On today's call, speaking on behalf of Westport is Chief Executive Officer and Director, Dan Sceli; and Chief Financial Officer, Bill Larkin.

Attendance on this call is open to the public, but questions will be restricted to the investment community.

You're reminded that certain statements made on this conference call and our responses to certain questions may constitute forward-looking statements within the meaning of the US and applicable

Canadian securities laws. And as such, forward-looking statements are made based on our current expectations and involve certain risks and uncertainties.

With that, I'll turn the call over to you, Dan.

Dan Sceli — Chief Executive Officer and Director, Westport Fuel Systems Inc.

Thanks, Ashley, and good day, everyone. I'm pleased to join you on my first call as CEO and Director of Westport.

Today, I'll be covering our strategic objectives from 2023, recapping our highlights from last year, and providing an outlook for 2024. I'll then turn the call over to Bill to walk us through our Q4 and annual results.

I wanted to start by hitting some of the key highlights and top-line numbers for 2023.

With the recent announcement of the signed investment agreement, we are excited to be in the last stage to finalizing our HPDI joint venture to accelerate the commercialization and global adoption of Westport's HPDI fuel system technology for long-haul and off-road applications.

We are now working towards closing the joint venture and ensuring it's set up for success from day one.

Touching on our financials, for the full year we generated revenue of \$331.8 million as compared to \$305.7 million in 2022.

In addition, we continued delivering improved gross margins, both in dollar terms and as a percent of revenue, with total gross margin for 2023 of \$48.9 million or 15 percent of revenue, as compared to \$36.2 million or 12 percent of revenue in 2022.

We improved our adjusted EBITDA by over \$6 million to a negative \$21.5 million in 2023 as compared to a loss of \$27.8 million in 2022.

My first two months with Westport have been a great adventure. I have visited all our main facilities, gained a deep understanding of our technology and products, and learned about Westport's strengths and what improvements need to be made to optimize our productivity.

After assessing Westport's current situation, I established three main priorities for the Company in 2024 and beyond including, number one, driving success via our HPDI joint venture with Volvo; number two, improving operational excellence; and number three, reimagining a hydrogen-powered future.

To ensure that Westport achieves growth and success over the long term, we need disciplined operations that flow from a strong strategic plan.

These priorities are consistent with that need and are expected to elevate the performance and the value of our business long into the future.

However, in the near term, we have already begun to act in a more disciplined way by cutting costs and making headcount reductions where necessary.

As an example, in 2023, our overall headcount declined compared to the previous year, primarily due to the necessity to scale down operations at our facility in Argentina, the consolidation efforts in Italy, and closing of our production plant in India.

We expect this trend to continue and for our overall headcount to decline compared to certain financial metrics, like gross margin, as we increase our discipline and focus on operational excellence.

I am also excited to announce that earlier this year we delivered the first LPG fuel system to our global OEM customer. This program is a demonstration of exactly the type of work that our light-duty business should be undertaking.

We were able to secure a multiyear program and deliver against this program with minimal capital expenditures and no expansion to our production footprint.

Regarding Asia, our recent pivot in India is proving to be beneficial so far. We are seeing some benefits from our restructuring, and our new approach appears to be net positive.

This includes leveraging our local partner to deliver components and systems into this market, which is one of the fastest-growing markets in the world.

Regarding China, facility construction is underway and capital investment for the assembly lines and other equipment is in progress.

Recently, the regulations associated with hydrogen components have changed in China, resulting in a slightly longer timeline to complete the certification of the initial products we plan to launch in China. We, therefore, anticipate production will commence in the second quarter of 2025, rather than later in 2024, as originally expected.

Westport is fortunate to be part of a compelling industry in which alternative fuels are seeing increased support and investments. Many industry experts believe that over the next six years, alternative fuels will become more affordable and easier to access.

Government policies and regulations are also being implemented to support this shift, as hydrogen fuel stations are beginning to populate the transportation corridors across the EU.

By 2030, we expect to see a significant change in the alternative fuels industry that aligns with Westport's goals of offering more hydrogen fuel-based options to support the future of sustainable transportation.

I also wanted to highlight our recent efforts around the commercialization of our products across multiple modes of transport. We are at the section of innovation and sustainability and each program I am about to discuss represents another step forward in the pursuit of cleaner, more sustainable energy solutions.

First, in November of 2023, we announced a collaboration with a leading global OEM in the rail industry. This partnership aims to adapt our hydrogen HPDI fuel system for applications in locomotives and related equipment used in freight and transit rail sectors.

By leveraging the power of hydrogen, we hope to contribute to a greener future for rail transportation.

Secondly, in December, Westport proudly announced a monumental development program with a global heavy truck manufacturer. This program focuses on adapting our next-generation LNG HPDI fuel system to meet the stringent Euro 7 emissions requirements for heavy-duty vehicles.

With a significant investment of \$33 million funded by the OEM, we are working diligently to integrate cleaner energy solutions into the transportation sector.

Lastly, we are engaged in a proof-of-concept project with a global supplier of power solutions for marine applications. Beginning this quarter, this project will explore the use of our HPDI fuel system fuelled with methanol for marine propulsion.

With the support of our OEM partner, we aim to explore alternative, sustainable energy sources for maritime transportation. Methanol is easier to handle, requires less room and less expense to bunker on a vessel, and it has a lower CO2 footprint than emissions-intensive fossil fuels.

The testing of HPDI technology for use with methanol in a marine application is a natural extension of our HPDI technology. We expect that our HPDI fuel system with methanol will be able to provide similar torque, power, and efficiency to diesel, while also potentially reducing NOx emissions.

These initiatives represent more than just technological advancements; they embody our unwavering commitment to a brighter, greener future for generations to come.

Through collaboration, innovation, and dedication, Westport is leading the charge toward a world where sustainability and progress go hand in hand. Together we are embarking on a journey towards a future defined by a cleaner, healthier future for all.

Regarding the progress of our HPDI joint venture, as I mentioned above, the investment agreement has been signed. We are in a good place to start working on closing the joint venture and hope to have it operational prior to the end of the second quarter; however, we still have a lot of work ahead of us.

Even once the JV is closed, as a company we still must invest significant time and energy into supporting its growth as it begins its journey as a stand-alone enterprise.

Volvo and Westport have collaborated for over 15 years and share the vision of creating sustainable transport systems. We look forward to a long and prosperous future with the Volvo team.

And with that, I'll hand it over to Bill, who will walk you through our financial results.

Bill?

Bill Larkin — Chief Financial Officer, Westport Fuel Systems Inc.

Good morning, and thank you, Dan.

In the fourth quarter of 2023, we generated \$87.2 million in revenue. This is a 12 percent increase compared to \$78 million in the prior-year period.

For the full year, we generated a revenue of \$331.8 million. This compared to \$305.7 million in 2022.

For the fourth quarter, the revenue improvement was primarily driven by an increase in our light-duty OEM volumes, electronics business, and engineering services from the heavy-duty OEM

business, which were partially offset by lower sales volume in the independent aftermarket, heavy-duty OEM volumes, the light OEM, and fuel storage businesses.

In our independent aftermarket business, increased sales volume in Europe were more than offset by lower volumes for Africa and South America.

Gross margin increased to \$8 million or 9 percent of revenue in the quarter. This is up from \$4.6 million or 6 percent of revenue in Q4 2022.

Gross margin for the full year was \$48.9 million or 15 percent of revenue as compared to \$36.2 million or 12 percent of revenue in 2022.

Higher sales volume across multiple businesses and increased gross margin in our heavy-duty OEM business driven by the higher engineering services revenue drove improvements in our gross margin.

However, gross margin was offset by higher production costs stemming from little supply chain challenges in inflation, specifically in logistics and labour costs. We're continuously working with our customers to pass through the impacts of cost increases where we can.

Lastly, we did record \$5 million in inventory write-downs during the fourth quarter of 2023, which \$4.5 million related to our heavy-duty business and negatively impacted our gross margin. Including the impact of the inventory write-downs, gross margin for the quarter would have been approximately 15 percent of revenue.

In the fourth quarter of 2023, adjusted EBITDA was a loss of \$10 million. That's an improvement compared to a loss of \$12.9 million in Q4 of 2022.

Total adjusted EBITDA loss for 2023 was \$21.5 million as compared to a loss of \$27.8 million in 2022.

The improvements in revenue and gross margin drove positive improvements in adjusted EBITDA, which were partially offset by higher research and development expenditures to further invest in our hydrogen and light-duty OEM businesses; increases in G&A expense, which included \$4.5 million of severance costs; increases in sales and marketing expenditures to support hydrogen marketing activities; as well as increased corporate expenses, including consulting and legal fees related to ongoing activities to include finalizing our HPDI joint venture.

We expect this trend with respect to increased costs associated with setting up our joint venture to continue through the first half of 2024 as we move forward towards closing.

OEM revenue for the fourth quarter of 2023 was \$61.2 million as compared to \$47.8 million in the prior-year period, and \$222.8 million for the full year of 2023 compared to \$198 million for 2022.

The increase in revenue for the fourth quarter is primarily driven by increased sales volumes in light-duty OEM and electronics businesses, as well as higher engineering services revenue from our heavy-duty business.

This was partially offset by lower sales volumes in our heavy-duty OEM volumes and delayed OEM business.

The gross margin in our OEM business expanded in the quarter, increasing to \$800,000 or 1 percent of revenue, an increase from negative \$800,000 or negative 2 percent of revenue in Q4 of 2022.

Gross margin in our OEM business for the full year of 2023 increased to \$25.3 million or 11 percent of revenue. This is compared to \$13.6 million or 7 percent of revenue in 2022.

The increase in gross margin for the fourth quarter was driven by an increase in revenue, partially offset by the \$4.5 million inventory write-down in the heavy-duty business.

Specifically, this write-down relates to a shift in a customer's priority regarding an engine platform on which our development work is ongoing.

On the LPG side of our business, we're excited to start shipping our Euro 6 fuel systems to our global OEM customer earlier this year. As a reminder, this program includes both Euro 6 and Euro 7 deliveries and is expected to generate approximately €255 million in revenue through 2028.

Affordability drives the buying decision in the LPG market. Currently, on average, the cost of LPG in Europe is less than half the cost of petrol or diesel, and our products enable customers to take advantage of these fuel price differentials.

Independent aftermarket revenue for the fourth quarter of 2023 was \$26 million compared with \$30.2 million in the prior-year period, and \$109 million for the full year of 2023 compared to \$107.7 million for 2022.

Lower sales volumes in Africa and South America markets drove down the quarterly decline, partially offset by higher sales volumes in Europe.

Despite the decrease in our Q4 2023 independent aftermarket revenue, our gross margin increased to \$7.2 million or 28 percent of revenue compared to \$5.4 million or 18 percent of revenue in the prior-year period.

Margins for the quarter were primarily impacted by the positive sales mix, lower electronic components costs, and increased sales volumes in Europe.

For the full year, the independent aftermarket gross margin increased to \$23.6 million or 22 percent of revenue compared to \$22.6 million or 21 percent of revenue for 2022.

Looking ahead, supportive LPG pricing continues to boost demand in Europe, which is an important area of growth for our company in the years ahead.

Over the last 10 years, net cash used in operations have steadily and significantly improved. We have seen a substantial improvement and a reduction in our cash used in operations to \$13.2 million in 2023 compared to cash used in operations of \$34.6 million in '22 and \$43.8 million in 2021.

We are encouraged by this trend, as it shows sustainable and meaningful improvements we've been making across the entire business over the long term.

So our liquidity, our cash and cash equivalents at December 31, 2023, was \$54.9 million, which was a net decrease of \$31.3 million in 2023. This compared to \$86.2 million in cash at the end of 2022.

Cash used in operating activities was \$13.2 million and the year-over-year reduction in cash used in operating activities was facilitated by improvements in working capital.

We purchased \$15.6 million of fixed assets during 2023 and had \$2.2 million in net debt payments.

In Q4 2023, we secured an additional \$11.5 million in new term loans and we secured an additional \$3.9 million in the first quarter of 2024.

As I mentioned, corporate costs were higher due to increased costs related to ongoing activities to finalize the joint venture, along with increased legal fees related to our restructuring in India and \$4.5 million in severance costs.

As Dan mentioned, cutting costs through 2024 is the main priority, and we've already begun taking the necessary steps in areas like headcount to make impactful reductions.

Regarding our cash burn trend, we are making progress, but we still have a lot of work to do here.

Looking forward, we have multiple projects and initiatives either announced or underway that will have a positive impact on our liquidity as we continue to prioritize solidifying our balance sheet.

First, the formation of our HPDI JV is almost complete and is substantial for Westport financially and HPDI commercially. To recap the arrangement, Volvo's payments for their 45 percent share of the joint venture includes an initial \$28 million and an earn-out amount of up to \$45 million, which is a clear signal of their commitment to the future growth of HPDI. And that also helps shore up our balance sheet.

With the investment agreement signed, closing the JV will be our next step in establishing our commitment to Volvo and our HPDI technology.

Moving forward, we'll continue to be prudent in our liquidity management and multiple steps are being taken to do so; however, we will continue to do what is necessary to ensure that we are adequately and fully capitalized.

Thank you. And with that, I will turn the call back to Dan.

Dan Sceli

Thanks, Bill. Finally, I wanted to close on a few key points.

Westport is part of a compelling industry with a bright future, and we are driven to make a material impact on the decarbonization of the transport industry. The magnitude of this impact will only grow as we deliver our products to more customers.

Although we made considerable progress in the second half of 2023 regarding our strategic priorities and implementing operational efficiencies, achieving cost reductions, and strengthening our balance sheet, we recognize that our work is not done.

We remain committed to enhancing our core capabilities, learning and evolving as a company, and seizing new opportunities for continued growth and value creation.

In the near term, we are focusing on cutting costs and optimizing operations. Nothing is off limits. We have already begun to identify and eliminate redundancies, and we are looking at spending throughout the organization. Additionally, better inventory management is key.

These are only a few examples of the areas we are targeting to improve Westport's overall profitability.

I want to take a moment to thank everyone for being here today. I'm excited to be on this call and energized by and committed to Westport's bright future.

And with that, I'll turn it over to the Operator to open the call for your questions.

Thank you.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request. And if you would like to withdraw from the question queue, please press *, followed by 2.

And your first question will be from Amit Dayal at H.C. Wainwright. Please go ahead.

Amit Dayal — H.C. Wainwright

Thank you. Good morning, everyone. Just, Dan, on all the cost-cutting initiatives and gross margin improvement initiatives, could you give us any sense of where you might arrive at in the next 12 to 18 months in terms of operating costs and gross margin levels?

Dan Sceli

So I'm not going to get into specific numbers. As you know, I've been on the job here for a couple of months and I'm digging in hard and getting the team circled around the wagon, so to speak, to identify and focus on areas of redundancy, of open capacity, of cost cutting. And we're going through that process very aggressively and we will be executing many of those initiatives throughout the next 6, 9, 12 months.

But I can tell you that my approach is one of operational excellence. And we will be driving that through the organization to ensure that everything we do we do professionally, very well, and efficiently. And the benefits will come out of that.

Amit Dayal

Understood. With respect to inventory write-downs, is there some additional costs on that side that could be coming down the line? Or are we done with whatever needed to be addressed?

Dan Sceli

Bill, you want to take that one?

Bill Larkin

Yeah. Yeah. I'll take that one. We continue to evaluate our inventory across all the businesses. And as of right now that's based on the assessment that we did resulted in the write-down during the quarter.

We'll continue to assess our inventory levels, our customer commitments going forward, and we'll continue to monitor it at this point.

I'd like to say I don't expect any future write-downs, but we are a manufacturer. We do supply components, and we typically do have some level of write-downs each quarter.

Amit Dayal

Okay. Thank you, Bill.

Bill Larkin

But not to the extent that we had during the quarter.

Amit Dayal

Right. Right. Understood. Just last one for me. For 1Q '24, should we expect a bounce back in gross margins?

Bill Larkin

Well, I mean, if you—

Amit Dayal

Compared to 4Q?

Bill Larkin

Well, I mean, if you exclude the write-downs, right there is going to have improvements in our gross margins.

As Dan said, we we're looking at reducing our cost structure across the entire company. And it's over time we would expect to see improvements in our gross margin.

But as of right now a lot of those improvements will be dictated by the timing of executing and implementing those initiatives across the Company.

Amit Dayal

Okay. Understood that. That's all I—

Bill Larkin

One thing, yeah—

Amit Dayal

—had. I'll save my other question, though.

Bill Larkin

Okay.

Operator

Thank you. Next question will be from Rob Brown at Lake Street Capital Markets. Please go ahead.

Rob Brown — Lake Street Capital Markets

Good morning.

Dan Sceli

Good morning.

Rob Brown

And welcome, Dan.

Dan Sceli

Thank you.

Rob Brown

As you kind of move into the Volvo JV process, could you give us a sense of sort of how the first year or so of that JV should should look and ramp?

And what sort of are your expectations coming out of that over the first 12 or 18 months?

Dan Sceli

Sure. I mean, the first 12 months it's really getting the organization up and running as a stand-alone entity, ensuring that all the business processes, the policies, procedures we need to run a stand-alone business are in place. I mean, the product that we're shipping today is the product we'll be shipping next quarter.

It's the building the business around it with our partner and making sure that's all organized well and running. And then, of course, we're going to continue on developing technology and building the future for the joint venture.

Rob Brown

Okay. Good. And then on China, I wanted to clarify your comments that the China sort of activity there you said was running a little behind schedule. How do you see that playing out?

And is there enough visibility to sort of say '25? Or is it still unclear on how that ramps?

Dan Sceli

Well, the changes in the Chinese regulations are having us on the product that we're developing, having us go through some new regulatory testing and certification. It hasn't changed the timeline of our development of these new hydrogen components. It just delays how fast we can put them into the market.

And there's no sense having a plant sitting there empty while we're going through a certification. We're just timing the move into the plant with the certification and the production just to ensure that we're efficient in managing our costs.

The timeline of our development has not changed. We're developing the hydrogen products and those will be going to the market in China.

Rob Brown

Okay. Great. Thank you. I'll turn it over.

Operator

Thank you. Next question will be from Eric Stine at Craig-Hallum. Please go ahead.

Eric Stine — Craig-Hallum

Good morning, everyone.

Dan Sceli

Good morning.

Bill Larkin

Good morning.

Eric Stine

Hey. Good morning. So just wanted to clarify. So with the JV, and I know in that first 12 months it really is focused on how do you get it set up, how is everything working together. But just to be clear, I mean, that really shouldn't impact the volumes that you would be shipping to Volvo today. Right? As you said, Q1 will be the same model that you have been shipping the on-and-off engine components. Is that how we should think about that?

And with that in mind, what is your expectation for those volumes in '24?

Dan Sceli

Yeah. We're getting, obviously we're getting regularly informed by Volvo of the volumes they need of those components. We don't see any changes from what we're building today.

And we're, in fact, hoping to help them move even more product. Right? That's one of the goals of this joint venture. But the volumes will not change from what we're shipping today.

Eric Stine

Okay. And—

Dan Sceli

Of course, I mean, over time that's going to grow—

Eric Stine

Sure.

Dan Sceli

—but immediately it's a pretty steady state.

Eric Stine

Sure. Yeah. I'm just trying to kind of get a sense here of the near term as you kind of get into that changeover.

Maybe, I know you called out, or Bill called out lower HPDI volumes in Q4. I mean, just curious, does that have anything to do with the joint venture timing? Is that more the model change? Or how should we think about that?

Bill Larkin

Yeah. No, that the volumes aren't driven by the JV activities. Our goal is to have a seamless transition so there is no disruption in delivering components and systems to our JV partner, to our customer. And so that's what we're focusing on.

We will go through a transition period. But ultimately we expect one of the outcomes of entering into the JV is to drive higher volumes, which for our business volumes solves a lot of issues in terms of driving—

Eric Stine

Yeah.

Bill Larkin

—top-line growth and profitability of the overall business.

Eric Stine

Yep. Yeah. Understood. Okay. And then lastly just on the LPG programs; good that you started those in Q1 here.

Can you just remind us? I know that it's the Euro 6 and the Euro 7 it's over the next four to five years. You called out, I believe, €255 million. Can you just give a brief reminder on how that kind of should break down, at least as your expectations are today?

Bill Larkin

When you say break down, do you mean by period? By?

Eric Stine

Yeah. By period. I mean, obviously, it starts in '24, probably heavier in '25. Just some high-level discussion of that.

Bill Larkin

Yeah. I think we're going to see clearly a ramp-up this year in delivering components to our OE customer, and we expect that increase to continue into 2025.

And then we get to and then we start seeing just slight increases from there. But we will see a big jump this year, a big jump next year, and then somewhat stabilizing beyond 2025.

Dan Sceli

Yeah. Okay. That's a pretty quick ramp-up into their capacity numbers and then it'll run.

Eric Stine

Okay. Thank you.

Dan Sceli

Thanks, Eric.

Operator

Next question will be from Chris Dendrinis at RBC Capital Markets. Please go ahead.

Chris Dendrinis — RBC Capital Markets

Yeah. Good morning. Thank you.

Dan Sceli

Good morning.

Chris Dendrin

I wanted to go back to Amit's question here just on the priorities and then the objectives to kind of improve that operational excellence. And I guess maybe just a bigger-picture question.

But maybe looking out 12 to 18 months, like how do you envision this—how does this company look then versus today? Are there sort of big changes that we see? Or is it more of like this kind of gradual progression?

And just kind of want to get your perspective on what you foresee with Westport in the future.

Thanks.

Dan Sceli

Sure, sure. Over the next 12 to 18 months, I mean, we're going to be instituting things like harmonized metrics across the operations to drive performance. We're going to be trying to optimize our capital—or sorry—our capacity utilization. We're going to be looking at balancing overhead costs to the businesses.

It's just a what I call operational excellence drive to go into every corner of our operations and put in place a discipline that will drive performance. And it takes time. It's not a next week, next month thing.

And I mean, there's a lot of really good things that we want to optimize and continue. And there's some things that we need to fix, and we will drive those in a manner that it can be executed without causing any issues to customers or supply.

And that's kind of my approach. It's my theory of operational excellence and driving it across the business.

Chris Dendrin

Got it. Okay. And then I guess a follow-up thing on that. Is there an opportunity to consolidate some of the, I guess, the manufacturing footprint? Because I think you mentioned capacity utilization. And then, are there leases or anything like that that sort of, I guess, maybe slow that transition? Thanks.

Dan Sceli

Yeah. As I said in my earlier talk, nothing is off limits. We're going to be looking across the entire enterprise for areas to become more efficient. And consolidation is always on that list that we look around and figure out what's the best setup and footprint for the long haul, and we'll be evaluating that.

Chris Dendrin

Got it. Okay. And then maybe just separately as far as the marine opportunity goes, can you just provide a bit more colour on what is going to be, I guess, tested and sort of where this opportunity falls within the marine segment? Is it commercial applications? Is it more like a residential—or retail, I guess—

Dan Sceli

No, no. It's commercial applications. And it'll follow—these are diesel engines, and this will follow a similar path to the engine development we would do for any mobility customer.

And you're taking our HPDI technology, which can be developed for various types of diesel engines. And these things take some time, obviously, working with the customer for design development and then trials. So it's going to develop over the next couple of years.

Chris Dendrin

Got it. Thank you very much.

Operator

Thank you. The next question will be from Colin Rusch at Oppenheimer. Please go ahead.

Lydia Yuan — Oppenheimer

Good morning. This is Lydia on for Colin. Could you speak to the non-HPDI hydrogen revenue you're currently seeing and the scope of the opportunity?

Dan Sceli

The non, so the light-duty business? Is that what you're referring to? Or the aftermarket?

Lydia Yuan

Light-duty business. Correct.

Dan Sceli

Light-duty business, yeah. So the light-duty business is with the Euro 6 and the launch of our new business with our OEM customer, we expect this year the ramp-up of that technology into the marketplace. And it'll happen fairly quickly.

And I don't have the exact numbers in front of me here of what that'll do. Maybe Bill has some exact numbers, but the growth is pretty substantial for us.

Lydia Yuan

Thank you. And then as a follow-up, as you're looking at optimizing your supply chains on the natural gas vehicles, could you give us a sense of the scope of the opportunity to drive cost reduction?

And then maybe the operating leverage potential for the platform as revenue grows?

Dan Sceli

Yeah. So on our supply chain, I mean, I'm not going to get into any specific numbers that we're expecting to get from managing our supply chains, but it's a continual part. Part of my overall operational

excellence initiative includes the supply side of optimizing the logistics, the cost of the product, cost-reduction efforts, those types of things. And we take the same approach to our suppliers as we do to our own operations.

Lydia Yuan

Thank you.

Operator

Thank you. Next question will be from Jeff Osborne at TD Cowan. Please go ahead.

Jeff Osborne — TD Cowan

Hey. Good morning. I had a couple questions on my side. I was just curious if there's any update after you've had two months on the job, and I imagine, connected with some of your leading partners on the ICE engine side. Any updates around the commercialization timeline, especially just given some of the hydrogen infrastructure projects globally have been a bit delayed relative to expectation?

Dan Sceli

You mean beyond the Volvo joint venture? The—

Jeff Osborne

Correct.

Dan Sceli

Yeah. So we are continuing to do development across, as we talked about in the thing, in rail and marine and, of course, in the heavy-truck markets. And we're going to continue to do that.

We're in discussions with other OEMs. And we're going to continue to market and push the potential gains of that technology to those OEMs.

Jeff Osborne

I guess I was just trying to get at you had some exciting announcements in sort of the October through December period. Do you anticipate those to be two- to three-year development contracts? And so we're really looking out to 2027 and beyond for those to come to fruition?

Or what's your expectation of development cycles for some of the more recent developments?

Dan Sceli

Yeah. There might be, I'd have to get the specific timing for you, which we can follow up with, because marine, rail, and the trucking industry all have somewhat different development cycles.

And of course, from that comes different development times. And as you said, I'm here two months, so I haven't got that at the top of my head of where we are in the timing of those and what the endpoint is, but I can certainly follow up with that.

Jeff Osborne

No worries. Maybe two for Bill.

There's, I don't know, six days left in the quarter. Can you give us any directional comments about how Q1 is shaking out relative to Q4, both from a top-line and maybe a margin perspective?

Bill Larkin

Yeah. No, we typically don't provide any guidance, as you're aware. So we will go through our normal reporting cycle on that.

Jeff Osborne

Got it. And then I assume the same is true for '24, but is there any comments you can make on things that you can control? I understand there's a lot in life you can't.

It doesn't sound like you're willing to give OpEx because everything's under review, but you also have a moving part with the joint venture. So can you just give us a sense of like how much headcount expenses would move to the JV and how we should think about minority interest losses for that?

And then maybe any comments you can on anticipated CapEx relative to the \$15 million you spent last year and the \$2 million of debt payments?

Bill Larkin

No. And I think we've talked about this before. With the closing of the JV, we do not expect to be able to consolidate the financial results of the JV.

However, this process is going to change how we're going to report our segments going forward, I would expect. We expect we're going to provide more transparency [audio gap] each of these businesses.

So even though we're not going to be able to—we don't expect to be able to consolidate the joint venture, we'll provide a fulsome disclosure, very similar to what we did with our CWI joint venture. So you'll be able to see, we expect to start disclosing volumes, revenues. You're going to be able to see the margins.

Also, we are evaluating our other businesses and how do we break that out and considering looking at the hydrogen business and breaking that out. So we're working through that process right now.

And I would expect after the JV closes, probably that subsequent quarter we'll start—you'll start seeing that information and broken out differently as we go forward.

Jeff Osborne

Got it. Thank you. That's all I had.

Operator

Thank you. Ladies and gentlemen, as a reminder, please press *, 1 if you have any questions.

Next will be a follow up from Eric Stine. Please go ahead.

Eric Stine

Hey, everyone. Yeah. Just a quick follow-up here. So more of a high-level question. I know for Volvo and this is joint venture, it's obviously the internal combustion engine key part of their strategy going forward, differentiated product in the market.

But whether it's Volvo's view, or your combined view as a joint venture partner, what do you envision this being potentially as a percentage of the overall market as you see it developing going forward, and you've got a number of technologies that are kind of in the mix for those future volumes?

Dan Sceli

Yeah. Good question. And I think we'd have to defer to Volvo on that. They have the eyes and view of the market growth. They've been announcing their priorities and their focus the exact or specific breakout of the HPDI technology versus the alternatives. I think you'd have to ask them.

And we're relying on them as the experts to know that market and hopefully optimize it in regards to the joint venture.

Eric Stine

All right. I guess it was worth a try, but something we'll stay tuned on. Thank you.

Dan Sceli

Yeah. Yeah.

Operator

Thank you. And at this time, we have no further questions. Please proceed.

Dan Sceli

Thank you very much for all of the questions. And look forward to talking to you all again, and we'll keep you informed.

Bill Larkin

Thank you.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. And at this time, we do ask that you please disconnect your lines.

Dan Sceli

Thank you. Bye-bye.