

1Q20 Results

June 05, 2020



Westport Fuel Systems

Forward-Looking Statements

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Speaking Today...



David M. Johnson
Chief Executive Officer



Richard Oraziotti
Chief Financial Officer

1Q20 Headline Financial Results

- Consolidated revenue of \$67.2 million, a decrease of \$6.0 million or 8% compared to the same period last year
- Adjusted EBITDA of -\$3.6 million, lower compared to \$7.3 million in 1Q19, due primarily to a one-time field service campaign cost of \$10.0 million and not including expected insurance recoveries
- Successful efforts to shore up the balance sheet and improve liquidity:
 - \$6 million in 2020 principal payment deferrals to Export Development Canada (EDC)
 - €5 million loan secured through UniCredit
 - \$10 million bridge facility with EDC
- \$4 million in wage subsidies expected in Q2 via government support programs in Canada, Italy and the Netherlands



2020 Strategic Objectives

1. The successful commercial launch of Westport HPDI 2.0™ in China.
2. Material and structural cost reductions to improve margins and cash flow.
3. New light-duty and heavy-duty OEMs in key market geographies.
4. Profitable growth of our light-duty product sales through aftermarket and OEM channels.

Financial Highlights – 1Q20 v 1Q19

(\$ millions, except loss per share)	1Q20	1Q19	\$ O/(U)
Revenue	\$ 67.2	\$ 73.2	\$ (6.0)
Cost of revenue	62.9	56.0	6.9
Gross Margin	4.3	17.2	(12.9)
Gross Margin - %	6.4%	23.5%	(17.1%)
Income from equity investments	5.4	8.6	(3.2)
Net loss for the period	(15.3)	(3.0)	(12.3)
EBITDA	(11.1)	4.2	(15.3)
Adjusted EBITDA	(3.6)	7.3	(10.9)
Loss per share	(0.11)	(0.02)	(0.09)

Adjusted Operating Cash Flow (\$ millions)	1Q20	1Q19	\$ O/(U)
Net cash used by operating activities before W/C	\$ (10.6)	\$ (4.2)	\$ (6.4)
Add back change in working capital	0.8	(11.0)	11.8
CWI Dividend	5.8	6.0	(0.2)
Adjusted operating cash flow	(4.0)	(9.2)	5.2
Debt Service	(0.6)	(3.6)	3.0
Capex	(1.6)	(2.0)	0.4
Other	(0.7)	(0.4)	(0.3)
Net cash used	\$ (6.9)	\$ (15.2)	\$ 8.3

Financial performance

- ❑ Revenue of \$67.2M, down 8% YoY
 - Impact of COVID-19 on production facilities in northern Italy
 - Slow start in the light-duty OEM business
 - Contracted price concessions on HPDI launch customer
- ❑ Gross margin of \$4.3M, \$12.9M lower YoY
 - \$10.0M charge for Field Service Campaign for PRD program. Excludes expected insurance recovery of approx. \$7M is expected in 4Q20
 - Impact of HPDI price concessions
- ❑ Income from equity investments of \$5.4M, down 37%
 - Lower CWI earnings driven by 17% decrease in engine sales, and lower parts revenue
- ❑ Net loss of -\$15.3M, down \$12.3M YoY driven by
 - Net \$7.5M charge for Field Service Campaign
 - Lower OEM margins
 - Unrealized foreign exchange loss of \$6.9M mainly from CAD devaluation
- ❑ Net cash outflow of \$6.9M, better YoY by \$8.3M
 - Cash outflow was driven mainly by build up of working capital
 - CWI dividend was consistent YoY, however, expecting decreases for the remainder of the year
 - Debt service costs were lower YoY due to deferral of EDC principal payment and draw on credit facility

EBITDA Comparisons

- Loss before taxes and EBITDA impacted by:
 - \$10M PRD Charge
 - \$6.9M unrealized foreign exchange loss
 - Reduced margins on Volvo revenues
- Adjusted EBITDA excludes the foreign exchange loss

\$ Millions USD	1Q20	1Q19	Change	% Change
Loss before taxes	\$ (16.0)	\$ (1.9)	-14.1	-742%
Interest Expense	1.5	1.8		
Depreciation	3.4	4.3		
EBITDA	(11.1)	4.2	-15.3	-364%
Share-based compensation	0.6	0.4		
Foreign Exchange	6.9	0.1		
Restructuring, termination and other	-	08		
SEC Legal Costs	-	1.8		
Adjusted EBITDA	\$ (3.6)	\$ 7.3	-10.9	-149%
Adjusted EBITDA % on sales	(9.4%)	10.0%		

Change in Segmented Reporting – OEM + IAM

The original equipment manufacturer (OEM) business segment includes:

- Light-duty OEM
- Heavy-duty OEM
- Delayed OEM
- Electronics
- Hydrogen

The independent aftermarket (IAM) business segment sells systems and components that consumers can have installed onto their existing vehicles to use LPG or CNG fuels in addition to gasoline.

Effective January 2020, the previously reported Transportation segment has been disaggregated into two segments, OEM and IAM.

1Q20				
	Revenue	Operating Income (loss)	Depreciation & Amortization	Equity Income
OEM	\$ 34.2	\$ (14.5)	\$ 1.8	\$ 0.1
IAM	33.0	4.8	1.5	-
Corporate	-	(10.2)	0.1	5.3
CWI - 50%	38.3	6.7	-	-
Total Segment	105.5	(13.2)	3.4	5.4
Less:CWI - 50%	(38.3)	(6.7)	-	-
Total Consolidated	\$ 67.2	\$ (19.9)	\$ 3.4	\$ 5.4

1Q19				
	Revenue	Operating Income (loss)	Depreciation & Amortization	Equity Income
OEM	\$ 39.0	\$ (2.7)	\$ 2.8	\$ 0.1
IAM	34.2	2.2	1.4	-
Corporate	-	(8.3)	0.1	8.6
CWI - 50%	46.1	9.9	0.1	-
Total Segment	119.3	1.1	4.4	8.7
Less:CWI - 50%	(46.1)	(9.9)	(0.1)	-
Total Consolidated	\$ 73.2	\$ (8.8)	\$ 4.3	\$ 8.7

1Q20 Liquidity Position

- Cash down \$7M since year-end due to increase in inventory and lower payables
- Drew on HSBC facility
- Secured €5M loan with UniCredit under the Italian Gov't Decreto Liquidità program
- Securing a \$10M bridge facility with EDC to support working capital needs

In \$ millions

Liquidity		
Cash Position	1Q20	4Q19
Total Cash	\$39	\$46
HSBC Facility (Available)	1	1
Total Liquidity	\$40	\$47

Working with our existing and other lenders to secure liquidity to weather the economic impact of COVID-19 and refinance the company to invest in its growth

Debt & Royalty Payable

Debt	1Q20	4Q19
Cartesian – Convertible	\$17	\$17
EDC – Term Loan	13	13
UniCredit Loans	11	11
HSBC AR Facility	6	4
Others	3	5
Total Debt	\$50	\$49
Cartesian Royalty *	19	18
Total Liabilities	\$69	\$67



Questions...

WestportTM
Fuel Systems