



## **Q4 and Full Year 2022 Results**

March 14, 2023

# Westport Fuel Systems

## Disclaimer and Forward-Looking Statements

This presentation contains forward-looking statements, including statements regarding future revenue expectations, delayed-OEM vehicle conversions growth, projected renewable hydrogen production costs, future demand for LPG, future strategic initiatives and future growth, future of our development programs (including those relating to HPDI and Hydrogen), expected margin pressure, the Russia-Ukraine conflict and related impacts, the demand for our products, the future success of our business and technology strategies, intentions of partners and potential customers, the performance and competitiveness of Westport Fuel Systems' products and expansion of product coverage, future market opportunities as well as Westport Fuel Systems management's response to any of the aforementioned factors. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties and are based on both the views of management and assumptions that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activities, performance or achievements expressed in or implied by these forward-looking statements. These risks, uncertainties and assumptions include those related to our revenue growth, operating results, industry and products, the general economy, conditions of and access to the capital and debt markets, access to required semiconductors, solvency, governmental policies, sanctions and regulation, technology innovations, fluctuations in foreign exchange rates, operating expenses, continued reduction in expenses, ability to successfully commercialize new products, the performance of our joint ventures, the availability and price of natural gas, global government stimulus packages and new environmental regulations, the acceptance of and shift to natural gas vehicles, the relaxation or waiver of fuel emission standards, the inability of fleets to access capital or government funding to purchase natural gas vehicles, the development of competing technologies, our ability to adequately develop and deploy our technology, the actions and determinations of our joint venture and development partners, the Russia-Ukraine conflict, ongoing semiconductor shortages and supply chain disruptions as well as other risk factors and assumptions that may affect our actual results, performance or achievements or financial position discussed in our most recent Annual Information Form and other filings with securities regulators. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in these forward-looking statements except as required by National Instrument 51-102. The contents of any website, RSS feed or twitter account referenced in this press release are not incorporated by reference herein.

# Speaking Today...



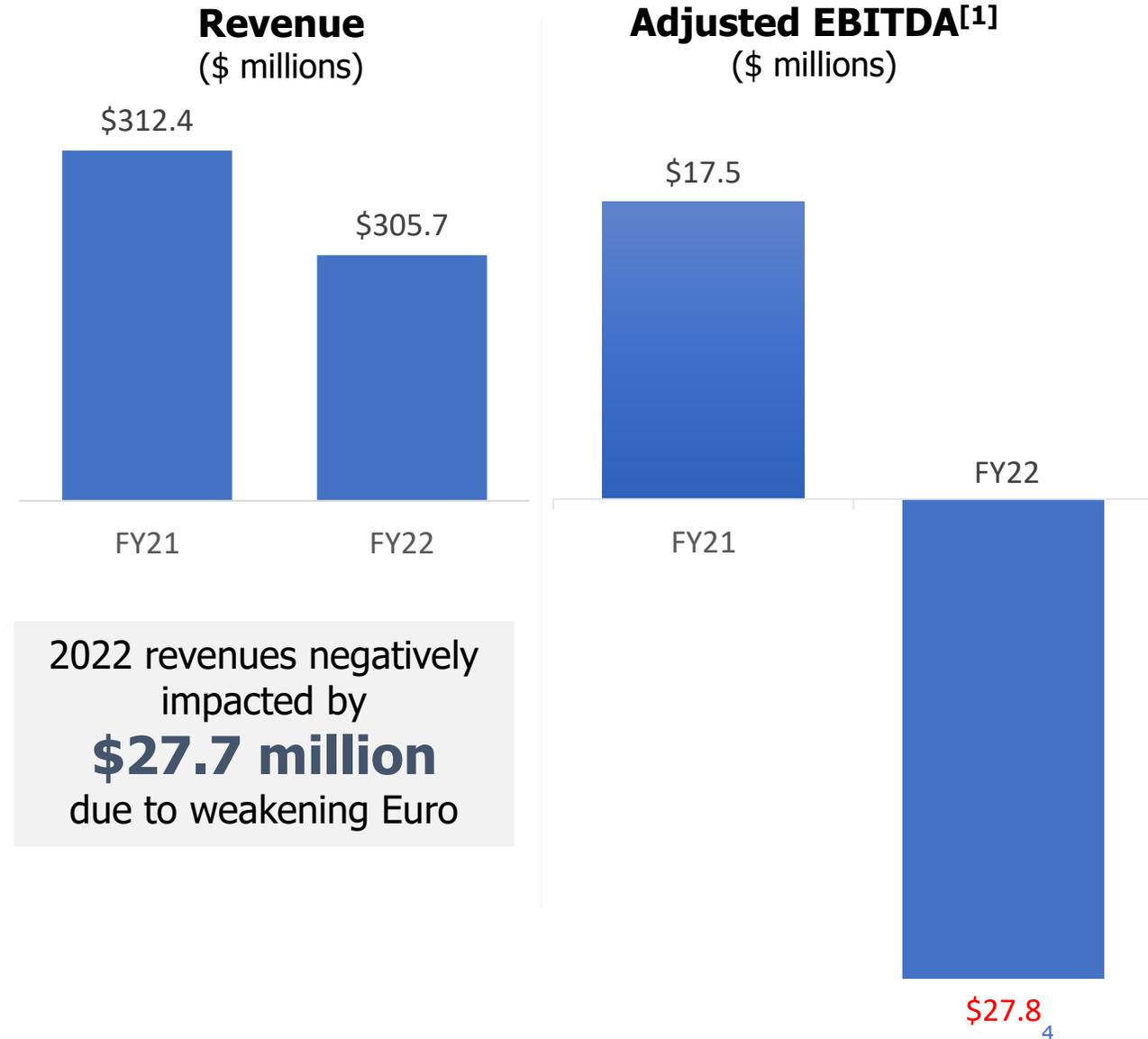
**David M. Johnson**  
Chief Executive Officer



**Bill Larkin**  
Chief Financial Officer

# Resolute year, positive trends emerging

- 2022 revenues of \$305.7 million, slightly lower than FY21 driven by foreign currency translation from the weakening Euro. Excluding this impact revenues would have increased by 9%
- 2022 Adjusted EBITDA decreased to a loss of \$27.8 million
- Awarded two programs to develop and supply LPG systems to a global OEM accommodating several Euro 6 and Euro 7 vehicle platforms
- Announced significant H<sub>2</sub> HPDI test results with Scania, that demonstrated the tremendous value and best-in-class performance of our proprietary technology
- Successfully marketed H<sub>2</sub> HPDI to a broad global audience of industry participants, OEMs, policymakers and investors
- Collaboration with Johnson Matthey to develop an after-emissions treatment for H<sub>2</sub> HPDI
- Expanded global manufacturing footprint in China supporting ongoing and future growth in hydrogen
- Announced another major OEM collaborator to evaluate H<sub>2</sub> HPDI, the third announced OEM to evaluate the H<sub>2</sub> HPDI fuel system to date



<sup>1</sup> Adjusted earnings before interest, taxes and depreciation is a non-GAAP measure. Please refer to GAAP and NON-GAAP FINANCIAL MEASURES in Westport's Management Discussion and Analysis for the reconciliation.



# Strategy

1

**Drive sustainable growth** in our **existing markets** through a diversified portfolio of technology, products, and services

2

**Unlock new and emerging markets** through the delivery of cleaner, affordable transportation solutions

3

**Drive operational excellence** and reputation as a Tier 1 supplier with enhanced quality and reliability

4

**Extract efficiencies** internally through prudent capital management

# A Portfolio of Solutions is Required

OEMs are looking at LPG, LNG, biofuels, fuel cells, electric and hydrogen in the push to decarbonize

*"The way we see it is there won't be a single winning technology. We actually need a diverse array of technologies to meet all of our customer and application needs."*

**– Jim Nebergall Head of H<sub>2</sub>-ICE Cummins, January 2023**

*"We recognize that decarbonization needs to be achieved using a multifaceted approach. We're continuously looking at opportunities, which is why LNG engines are something we are excited to pilot."*

**– Linde Canada, Press Release, 2023**

*"Our efficient gas-powered trucks have a performance comparable to their diesel equivalents. Fueling up is almost as fast as a diesel truck and the growing network of more than 600 fuel stations for both bio-LNG and LNG in Europe makes them ideal for long-haul transports."*

**– Daniel Bergstrand, Product Manager Volvo Trucks, January 2023**

*"..But no one solution fits all. Future mobility is likely to be a mix of solutions, for reducing emissions, including use of alternate fuels and hybrids in the near term, to zero-emission technologies (battery electric vehicles (BEVs) and hydrogen-powered vehicles) in the long term, depending on consumer acceptance, vehicle application and geography."*

**– Ernst & Young India, 2023**

# OEM business driving towards commercialized solutions

**16+<sup>%</sup>**

EU commercial vehicle registrations in 2022 vs 2021<sup>(1)</sup>

**€400m+**

Expected revenue from awarded LPG contracts through 2035

**25+<sup>%</sup>**

Delayed-OEM vehicle conversions growth expected in 2023

Leading the shift to lower-carbon alternative fuels

# Advancing Hydrogen Solutions in China

Developing innovative, specialized, and market-ready emission-reduction solutions

## Expanded manufacturing footprint in China supports future growth of hydrogen componentry business

- Ten-year, \$10 million investment to build hydrogen innovation center and manufacturing facility in the Changzhou Hydrogen Valley
- Westport's hydrogen fuel system components have had a strong presence in the Chinese marketplace for over ten years, supporting FCEVs, high-speed hydrogen trains, material handling equipment, stationary equipment, and other potential applications
- In operation in 2024 supporting current and growing customer base

China is leading the world in hydrogen investment and infrastructure development supporting the fast-growing hydrogen vehicles targeted to be on the road in the country

**Steppingstone to continued hydrogen technology advancement around the world**



FUELINGCHANGE

# Hydrogen economy and interest is growing

**\$1T**

Total global clean energy investment in 2022, hydrogen investments grew 3X

**60%**

Production cost reduction projected for renewable hydrogen by 2030 vs. 2020 World H<sub>2</sub> council baseline

**254**

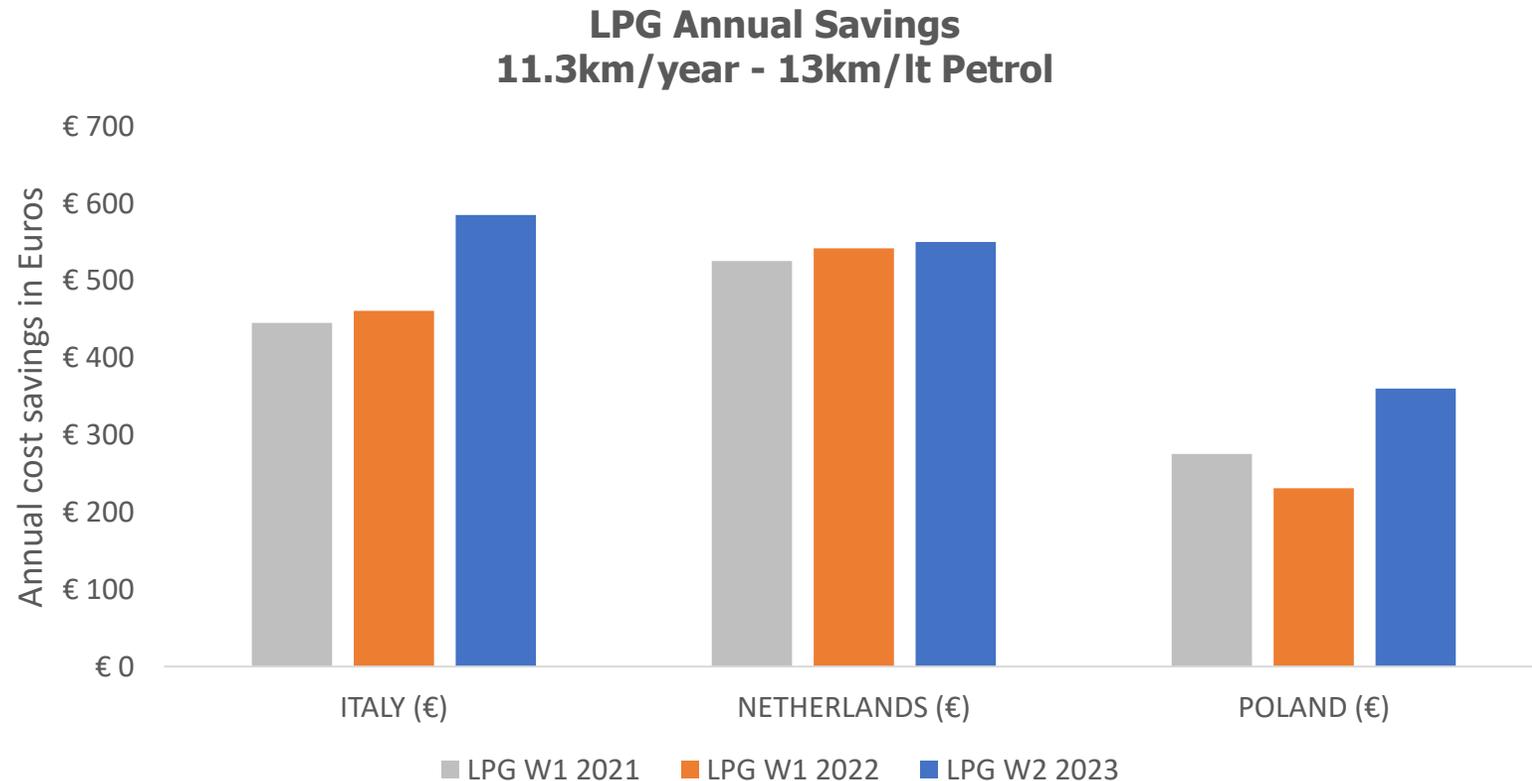
Hydrogen refueling stations in Europe at the end of 2022, a 21% increase in growth from 2021

Hydrogen and H<sub>2</sub> ICE gaining momentum globally.  
We can benefit broadly from the growing hydrogen mobility landscape.

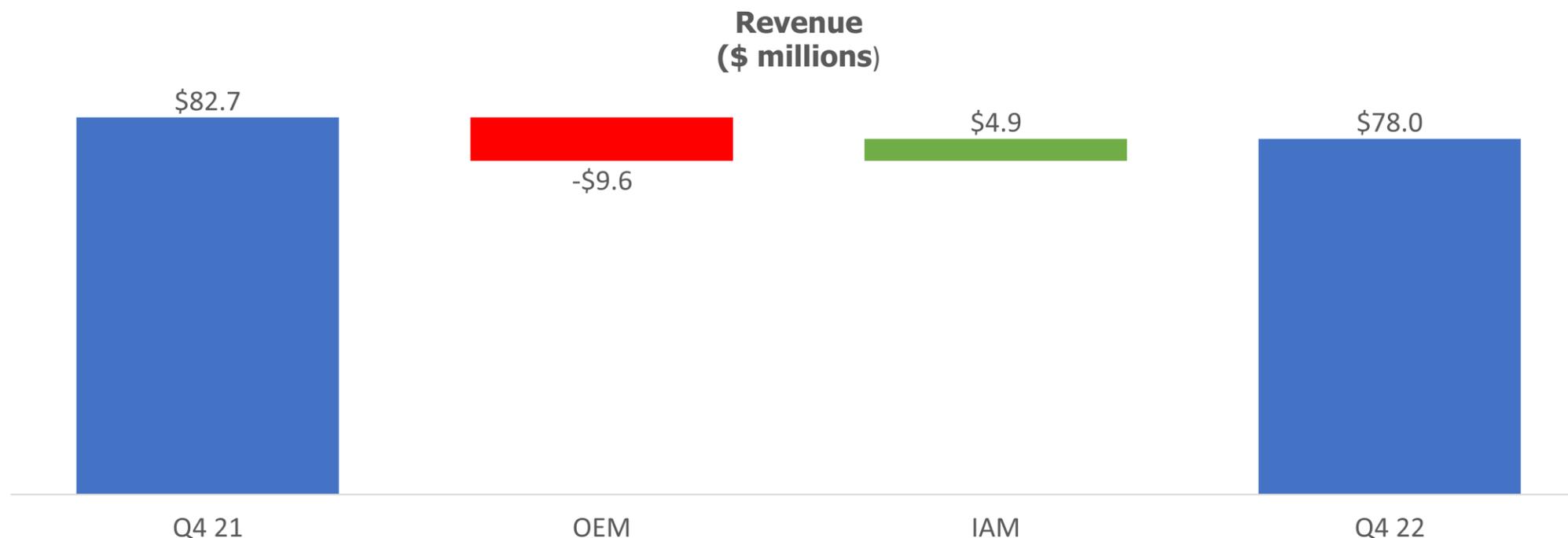
# Demand and usage of clean, low-cost LPG will persist for decades globally

## Price advantage drives continued growth in LPG

- Consistent LPG cost savings over the last 2 years in key markets
- OEM customer committed to EU LPG production



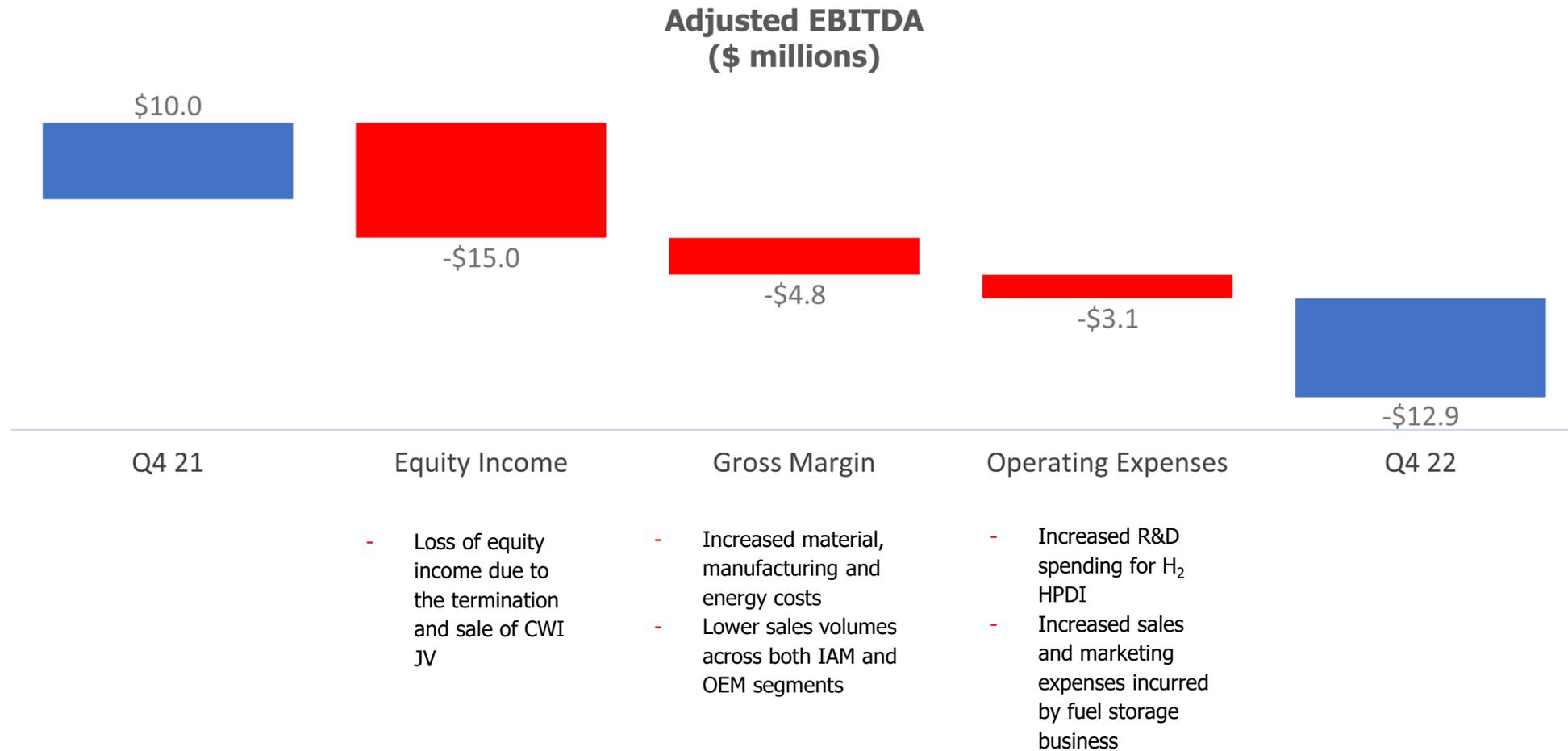
# Fundamentals persisting despite macro headwinds



Q4 2022 revenues negatively impacted by **\$4 million** due to weakening Euro

- Lower sales volumes to India for light-duty OEM CNG products, CNG/Diesel spread continues to be pressured
- LNG price differential to diesel drives heavy-duty OEM sales volume down 50%
- Russia-Ukraine conflict continuing to affect IAM and OEM segments
- + Sales in our fuel storage, hydrogen, delayed-OEM and electronics businesses
- + Sales volumes to Western Europe, especially Italy, Eastern Europe and Asia Pacific
- Sales volumes to Turkey, Russia and Egypt

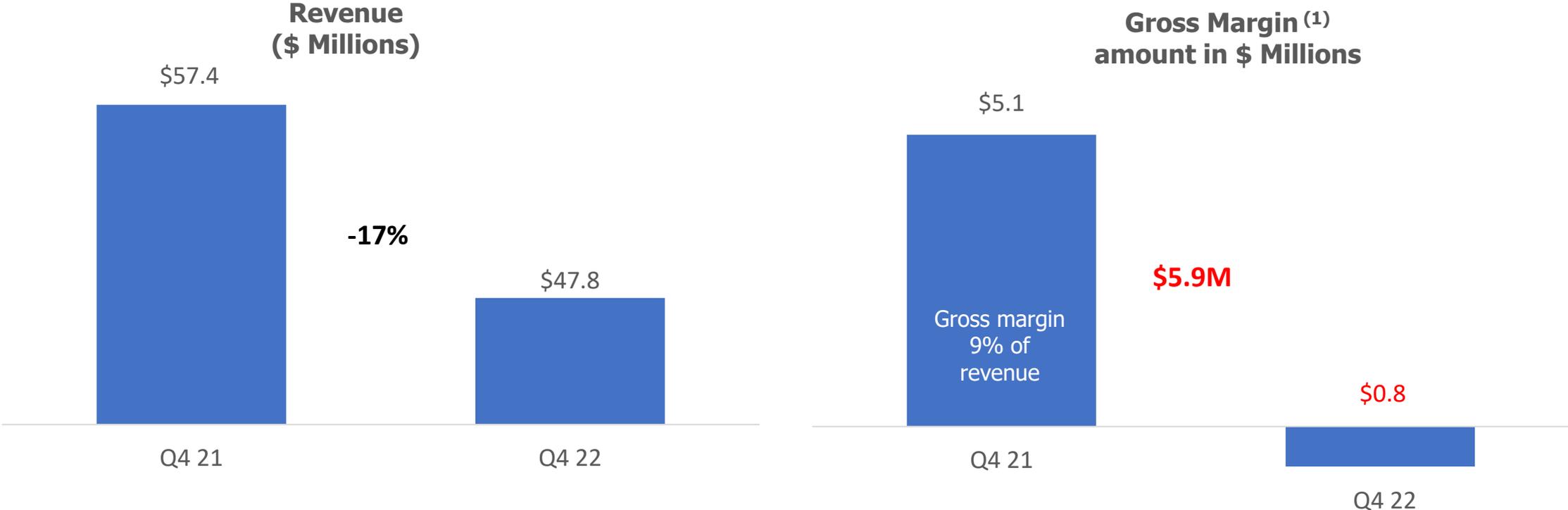
# Adjusted EBITDA<sup>(1)</sup> Year Over Year



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<sup>2</sup> Gross margin is a non-GAAP measure. Please refer to GAAP and NON-GAAP FINANCIAL MEASURES in Westport's Management Discussion and Analysis for the reconciliation

# Financial Performance – OEM



**Revenue**

- Lower light-duty OEM business sales to OEMs in India, CNG/Petrol spread continues to be pressured
- Heavy-duty OEM sales volume decreased by 50% compared to Q4 21 due to fuel price volatility
- Growth in electronics, hydrogen components, delayed-OEM and fuel storage business

**Gross Margin**

- Decreased sales volumes in multiple OEM businesses – Light-Duty and Heavy-Duty most affected
- Lower sales volumes to our main OEM launch partner alongside elevated warranty costs and annual contractual price reduction
- Continued margin pressure from higher production input costs from global supply chain challenges and inflation

<sup>[1]</sup>Gross margin is a non-GAAP measure. Please refer to GAAP and NON-GAAP FINANCIAL MEASURES in Westport’s Management Discussion and Analysis for the reconciliation.

# Financial Performance – Independent Aftermarket



## Revenue

- Recovery of sales into Western Europe, particularly Italy
- Increased sales into Eastern Europe
- Increased sales into Asia Pacific

## Gross margin

- Higher sales volumes in Eastern and Western Europe
- Higher production input costs from ongoing supply chain challenges, inflation, and European energy supply shortage
- Lower sales volumes to Turkey, Russia and Egypt

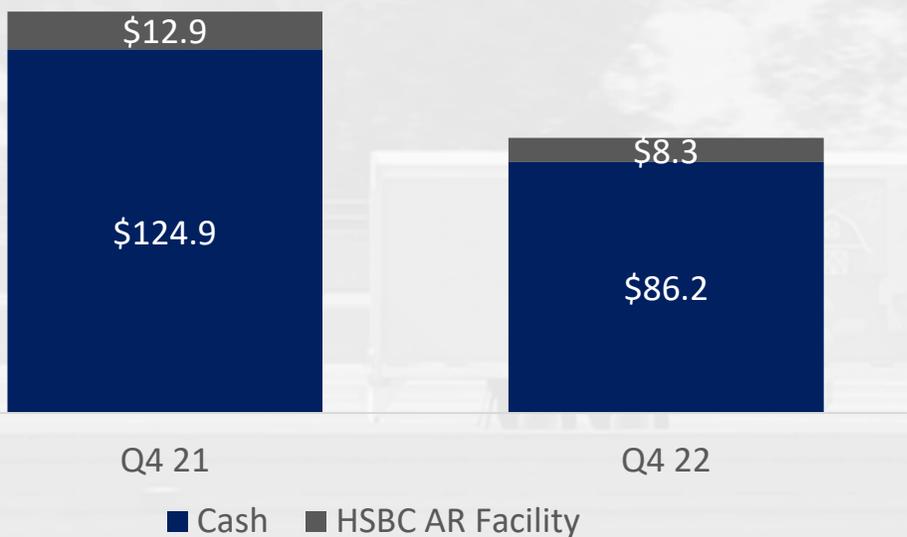
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# Liquidity

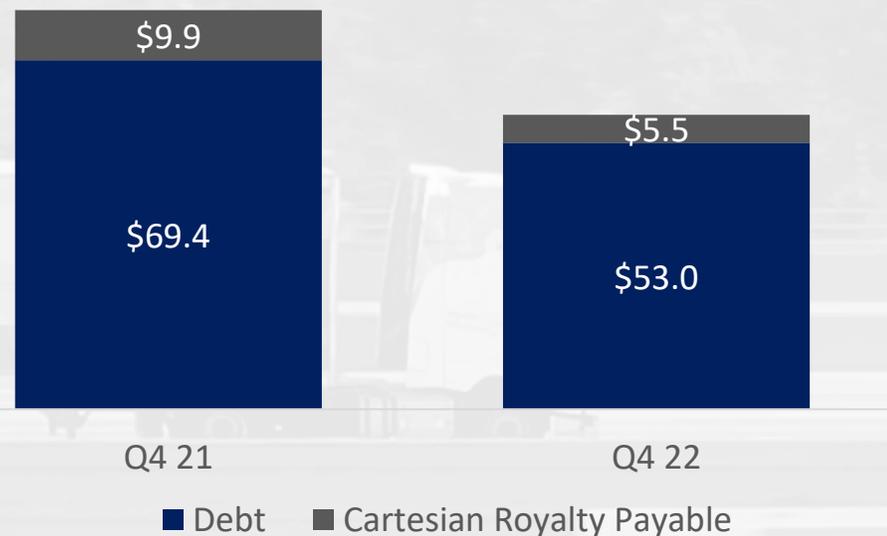
## Addressing margin improvements, and cash conservation

- Pricing action taken with customers
- Working to monetize high levels of inventory

### Cash and Liquidity (\$ Millions)



### Debt & Cartesian Royalty Payable (\$ Millions)



- Operating cash flow used \$31.6 million in 2022

- Debt repayments of \$22.5 million in 2022, including \$2.4 million in Q4 22
- \$5.5 million to Cartesian Royalty due as of Q4 2022



# In Closing...

- Aftermarket business a profit driver with further growth opportunities available
- HPDI is on the road and is the solution today, saving customers money and helping fleets hit carbon targets
- H<sub>2</sub> HPDI is the future of the internal combustion for long-haul trucking
- Making the necessary financial optimizations now to enable growth well into the future

**The energy transition is happening now,  
and we are in a prime position to leverage this**

# Appendix



# Selected Quarterly Data

	Three months ended				FY	Three months ended				FY	Three months ended				YTD
	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
<b>Revenue</b>	\$67.2	\$36.0	\$65.4	\$83.9	\$252.5	\$76.4	\$79.0	\$74.3	\$82.7	\$312.4	\$76.5	\$80.0	\$71.2	\$78.0	\$305.7
OEM	34.2	19.1	37.4	58.8	149.5	42.7	47.4	48	57.4	195.5	51.8	54.3	44.1	\$47.8	\$198.0
IAM	33.0	16.9	28	25.1	103	33.7	31.6	26.3	25.3	116.9	24.7	25.7	27.1	\$30.2	\$107.7
<b>Gross Margin</b>	\$4.3	\$12.2	\$10.0	\$13.0	\$39.5	\$13.0	\$15.7	\$10.1	\$9.3	\$48.2	\$9.9	\$10.5	\$11.3	\$4.6	\$36.2
OEM	(6.1)	9.2	2.6	6.6	12.3	4.9	7.2	3.4	5.1	20.4	5	4.7	4.7	(0.8)	13.7
IAM	10.4	3	7.4	6.4	27.2	8.1	8.5	7	4.2	27.85	4.9	5.8	6.6	5.4	22.5
<b>Gross Margin %</b>	6%	34%	15%	15%	16%	17%	20%	14%	11%	15%	13%	13%	16%	6%	12%
OEM	(18%)	48%	7%	11%	8%	11%	15%	6%	9%	10%	10%	9%	11%	(-2%)	7%
IAM	32%	18%	26%	25%	26%	24%	27%	27%	17%	24%	20%	23%	24%	18%	21%
<b>EBITDA</b>	\$(11.1)	\$9.2	\$4.9	\$13.1	\$16.1	\$1.9	\$13.9	\$(1.2)	\$8.4	\$23.0	\$11.7	\$(7.7)	\$(8.0)	\$(13.5)	\$(17.5)
<b>Adjusted EBITDA</b>	\$(3.6)	\$6.2	\$4.0	\$8.1	\$14.7	\$2.7	\$6.2	\$(1.4)	\$10.0	\$17.5	\$(6.1)	\$(4.3)	\$(4.5)	\$(12.9)	\$(27.8)

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