



# Investor Presentation

November 15, 2020



# Westport Fuel Systems

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# Why invest?

- ✓ Premier technology position and patent portfolio in clean, gaseous fuel systems and components
- ✓ Our solutions deliver performance, fuel efficiency and economic benefits while meeting ever more stringent emissions standards to address global climate challenges
- ✓ Recognized global brands and products
- ✓ Growing market share for a diverse range of fuel system applications and markets

# Westport Fuel Systems at a Glance



## Tier 1

Automotive Supplier



## Manufacturing

7 Global Locations



## Renewable

Alternative Fuels



**70**

Countries (Sales)



**>100**

Global Distributors



**1,400**

Patents &  
Applications

# Alternative Fuel Capabilities

## Broad Range of Products that Deliver Emission Reductions

### LPG

Liquefied Petroleum Gas / Propane / Autogas



- Components and complete systems
- Light-duty applications – vapor and liquid LPG
- Monofuel, bi-fuel, dual fuel solutions
- The most commonly used alternative fuel in the world

### CNG

Compressed Natural Gas



- Components and complete systems
- Light- and medium-duty applications
- Monofuel, bi-fuel, dual fuel solutions

### LNG

Liquefied Natural Gas



- Complete systems
- Heavy-duty and high horsepower applications
- Monofuel and dual fuel solutions

### H<sub>2</sub>

Hydrogen



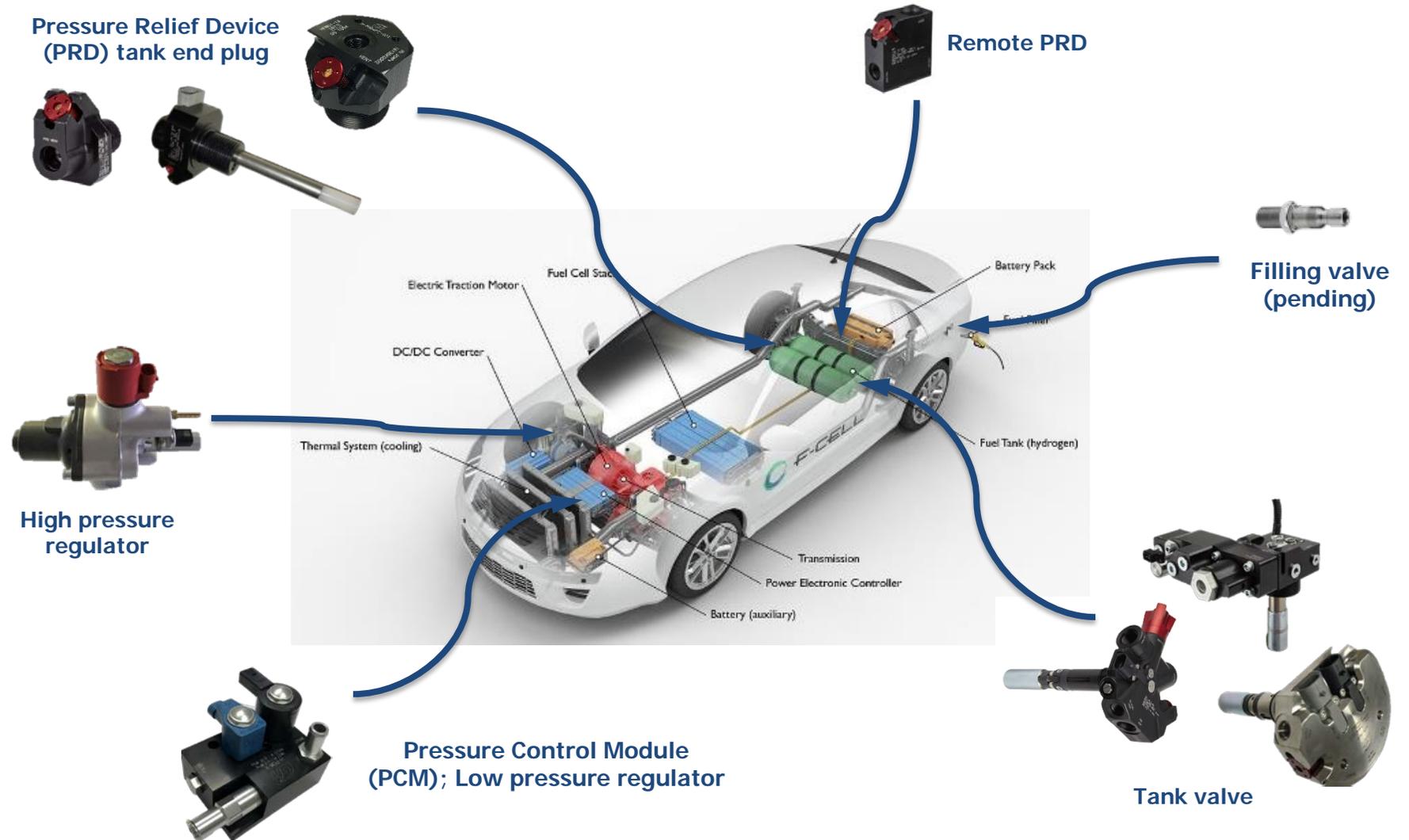
- High and low pressure components
- Light- to heavy-duty and industrial applications
- Hydrogen/CNG blends or pure hydrogen

**All Available as Renewable Fuels**  
**Substitute for fossil-based fuels**

# Hydrogen Capabilities



- Pioneer in H<sub>2</sub> components supplied under GFI brand
- Full portfolio of H<sub>2</sub> components
- 350 bar pressure: > 40% market share for tank valves
- 700 bar pressure: market shifting in this direction
- MD/HD/Bus/Industrial primary segments; automotive in some countries



# Hydrogen Development Pathway



Already participate across all transportation application and sell components to Tier 1 suppliers



Optionality for another cost-competitive pathway to reduce CO<sub>2</sub> emissions on a proven ICE platform



Testing to commence Q1 2021

# Performance Highlights: Executing on our Strategy

## Deliver Sustained Growth

- 2019 Transportation revenue of \$305M
- Growth mainly due to HPDI ramp in Europe and development revenues
- Independent Aftermarket generated an increase of \$5.8M

## Accelerate HPDI Commercialization

- Tripled HPDI volume in Europe in 2019, continued growth trajectory through 2021
- HPDI 2.0 certified with Weichai Westport JV, commercial launch in China expected 2021
- HPDI 2.0 is the only commercially-available technology that fully and affordably responds to European CO<sub>2</sub> regulations for trucks
- Potential for net-zero carbon for heavy-duty trucking with HPDI and renewable gas

## Align Cost Structure with Revenue to Improve Cash Flow & Operating Results

- 2019 net income from continuing operations up \$41M over 2018 and \$62M over 2017
- First full year of positive EBITDA of \$24.9M and adjusted EBITDA of \$28.4M
- Significant YoY improvement in liquidity and cash flow

# Macro Trends Driving Rapid Change



## Stringent Regulatory Frameworks

- European CO<sub>2</sub>
  - HD: -15% / -30%
  - LD: -33% / -50%
- China VI
- India BS VI
- Increased anti-diesel sentiment



## Demand for Clean, Affordable Transport

- Population growth and economic development
- Urban air quality concerns
- Affordability required to achieve scale



## Refuelling Infrastructure Build-Out

- CNG and LNG refuelling infrastructure expanding rapidly across Europe, China and India.



## Renewable Gas for Transport at Scale

- The “ready now” alternative fuel
- Shell building 50 carbon neutral LNG stations in Germany
- UPS purchases 170 million DGE of RNG



## Sustainability Leadership and Differentiation

- Deploy production solutions, not demonstrations
- Fleet and customer demand for lower-carbon fuels
- Well-to-wheel analysis of fuel impacts needed



# **Stringent Regulatory Frameworks Driving a Real-Time Market Response**

# HPDI Delivers CO<sub>2</sub> Emission Reductions Now

## Europe (2019 baseline):

- 15% CO<sub>2</sub> required by 2025
- 30% CO<sub>2</sub> required by 2030

## United States:

- Up to 25%\* CO<sub>2</sub> reduction from 2017 through 2027



The only commercially viable, cost-competitive HD technology solution available today to meet EU regulations

Fossil LNG

-20%

40% Biomethane

-55%

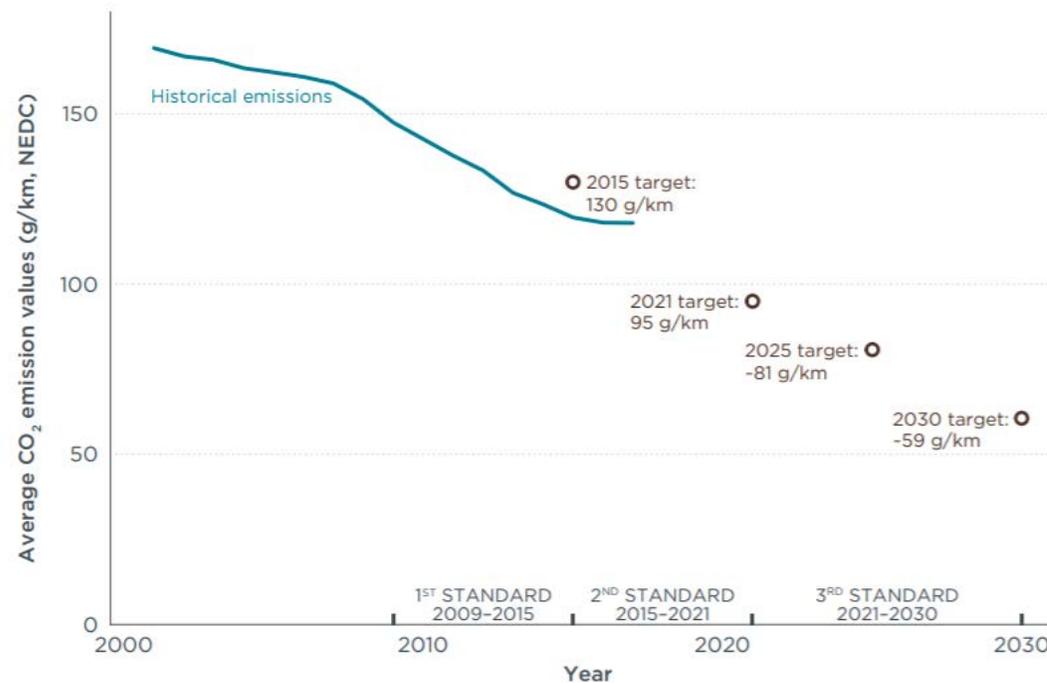
- HPDI 2.0 reduces CO<sub>2</sub> more than
  - *The 2025 EU requirement with Fossil LNG*
  - *The 2030 EU requirement with just 20% RNG*
- Penalty for non-compliance in EU is €4,250 per gram/ton-km starting in 2025
  - *Penalty up to €38,000 per truck*
- Preserves substantial OEM investments
- Purchase incentives up to €20,000 for LNG trucks make already compelling economics more attractive

\* Varies by vehicle class and application

# Natural Gas Offers OEMs a Compliance Pathway for Europe's Light-Duty Emission Standards

- EU represents ~ 70% of our sales
- LNG vehicle registrations and infrastructure continue to grow
- Biomethane makes LNG supply carbon neutral

The EU's stringent regulations for passenger cars/vans requires a ~33% reduction in CO<sub>2</sub> emissions in 2025 and ~50% in 2030 compared to 2018.

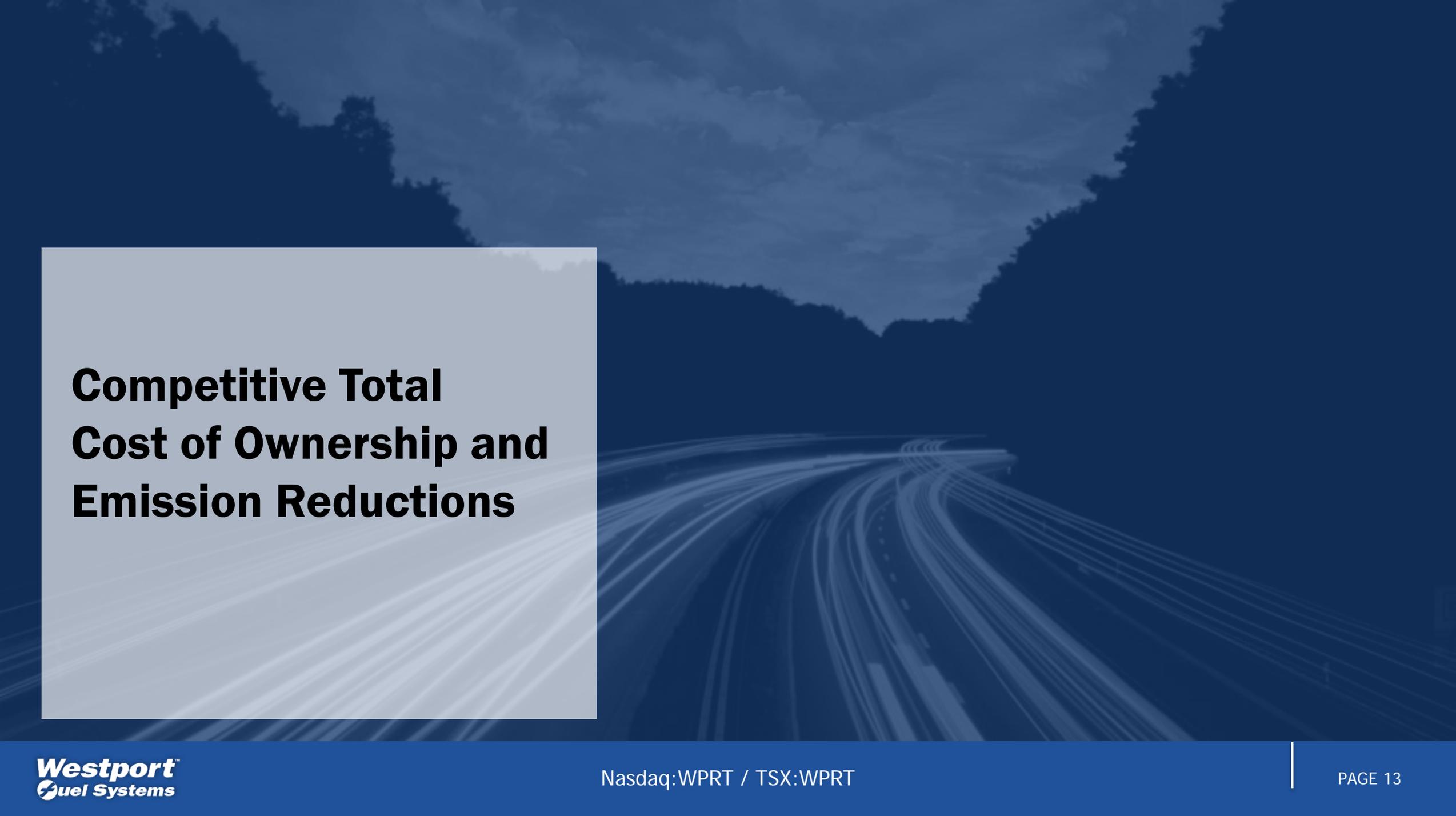


Penalties are set at €95 for each g/km above the target from 2025.

Collectively, the industry trajectory is 20g/km over the target, which would result in an average penalty of €1,900 per vehicle.

Average historical CO<sub>2</sub> emission value and adopted CO<sub>2</sub> standards for new passenger cars in the EU (2019)

Source: [https://www.theicct.org/sites/default/files/publications/EU-LCV-CO2-2030\\_ICCTupdate\\_20190123.pdf](https://www.theicct.org/sites/default/files/publications/EU-LCV-CO2-2030_ICCTupdate_20190123.pdf) and <https://www.eea.europa.eu/highlights/average-co2-emissions-from-new>

The background of the slide is a dark blue image of a road winding through a forest. The road is illuminated by light trails, suggesting motion and speed. The text is overlaid on a semi-transparent white box on the left side of the image.

# **Competitive Total Cost of Ownership and Emission Reductions**

# Total Cost of Ownership and Emission Reductions

| Passenger Cars                             |        |        |        |
|--------------------------------------------|--------|--------|--------|
|                                            | Petrol | LPG    | CNG    |
| Incremental price per vehicle              |        | €1,000 | €1,500 |
| Fuel cost (€/litre or kg)                  | €1.50  | €0.65  | €0.95* |
| Annual distance (km)                       | 20,000 | 20,000 | 20,000 |
| Fuel consumption (km/l or kg)**            | 12     | 11     | 21     |
| Annual fuel cost                           | €2,500 | €1,200 | €900   |
| Annual Fuel Cost Savings                   |        | €1,300 | €1,600 |
| Payback (months)                           |        | 9      | 11     |
| CO <sub>2</sub> Emission Reductions (%)*** |        | ~20%   | ~25%   |

| Heavy-Duty Trucks |          |
|-------------------|----------|
| Diesel            | HPDI LNG |
|                   | €40,000  |
| €1.36             | €0.95*   |
| 120,000           | 120,000  |
| 3.3               | 4.8      |
| €49,000           | €23,900  |
|                   | €25,100  |
|                   | 19       |
|                   | ~20%     |

The actual payback period is dependent upon vehicle transaction prices, annual distance traveled, fuel prices and the impact of taxes and incentives. All of these factors can vary over time and between jurisdictions.

Fuel prices as of 11/19

FOR ILLUSTRATIVE PURPOSES ONLY

\* Euro 0.95/kg = 0.684 Euro/m<sup>3</sup>

\*\* Average European car

\*\*\* Emission reductions greater with blends of renewable gas

# HPDI 2.0™ – Commercially Available and Viable Now

- Regulation and total cost of ownership will drive growth
- Same torque and efficiency as diesel engine with reduced CO<sub>2</sub> emissions
- No change to engine architecture
- Minimal change to vehicle architecture

| Long Haul HD Truck Application                                                                                 | Diesel          | Westport HPDI 2.0™ | Battery Electric | Hydrogen FCV  |
|----------------------------------------------------------------------------------------------------------------|-----------------|--------------------|------------------|---------------|
| Meet EU 2025/2030 requirements?                                                                                | X               | ✓                  | ✓                | ✓             |
| Meet customer requirements?<br>• Range, payload, performance, durability<br>• Operations, refuel/recharge time | ✓               | ✓                  | X                | X             |
| Refueling Infrastructure?                                                                                      | ✓               | X → ✓              | X                | X             |
| Commercially available and viable?                                                                             | ✓               | ✓                  | X                | X             |
| Total Cost of Operation                                                                                        | <u>Baseline</u> | <u>Lower</u>       | <u>Higher</u>    | <u>Higher</u> |

# Future Heavy-Duty Transportation Fuel and Technology Mix

## Difference Compared to Diesel

*Heavy Duty Truck, 400 mile daily range @ current costs and technologies:*

| Fuel System      | Fuel Storage Size<br><i>(cubic feet)</i> | Fuel + Storage Weight<br><i>(pounds)</i> | Propulsion System Cost<br><i>(approximate)</i> | Daily Fueling Time<br><i>(minutes)</i> | Daily Fuel Cost<br><i>(US West Coast)</i> |
|------------------|------------------------------------------|------------------------------------------|------------------------------------------------|----------------------------------------|-------------------------------------------|
| SI CNG           | 5X                                       | +550                                     | +\$40,000                                      | +5                                     | -\$20                                     |
| HPDI             | 3X                                       | +700                                     | +\$50,000                                      | Same                                   | -\$50                                     |
| H2 Fuel Cell     | 6X                                       | +950                                     | +\$110,000                                     | +10                                    | +\$100                                    |
| Battery Electric | 15X                                      | +17,500                                  | +\$300,000                                     | +70 (@ 700kW)<br>+470 (@ 120kW)        | -\$70                                     |

For long-haul commercial vehicle applications which require extended range, battery electric and fuel cell technologies are not commercially available, nor economically viable.

Information based on latest estimates from multiple industry sources and may vary



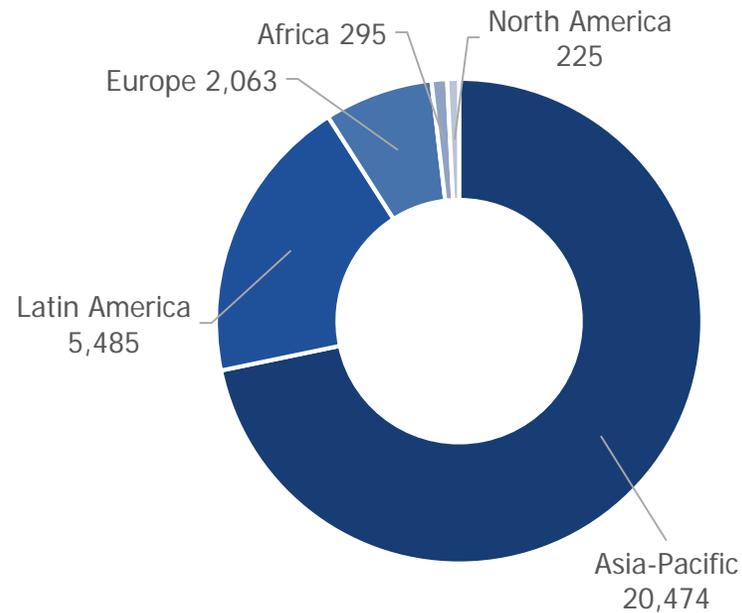
**Clean, Market-Ready,  
and Sustainable  
Transportation at  
Scale**

# Global Overview of Natural Gas and LPG Vehicles

- 55 million natural gas and LPG vehicles are currently in service, with about 1.5 million new vehicles or conversions sold annually

## Natural Gas Vehicles in Service

(in thousands)

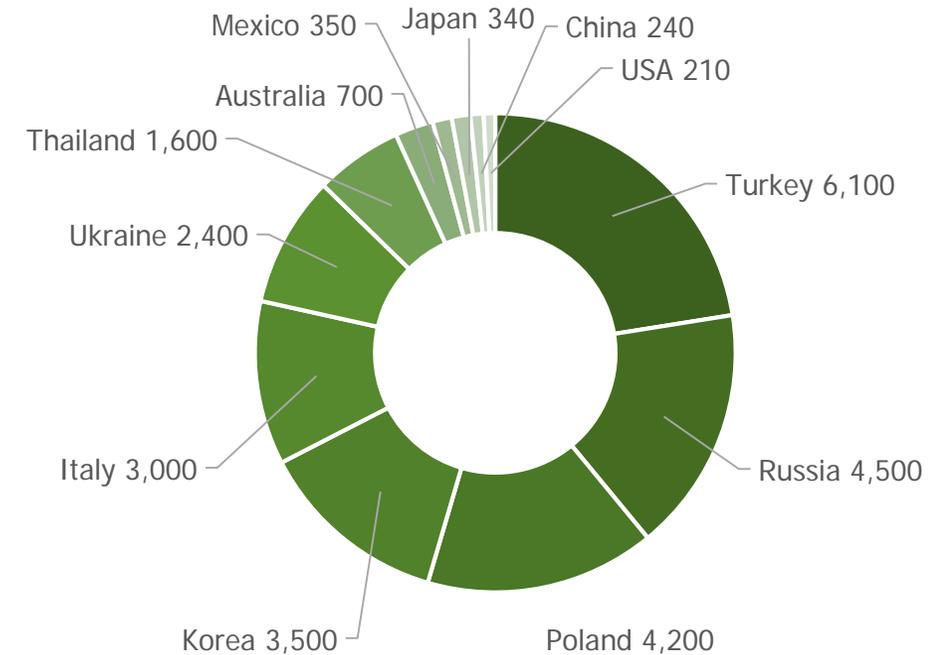


**Total: 28.5 million**

Source: NGV Global December 31, 2019

## LPG Vehicles in Service

(in thousands)



**Total: 27.1 million**

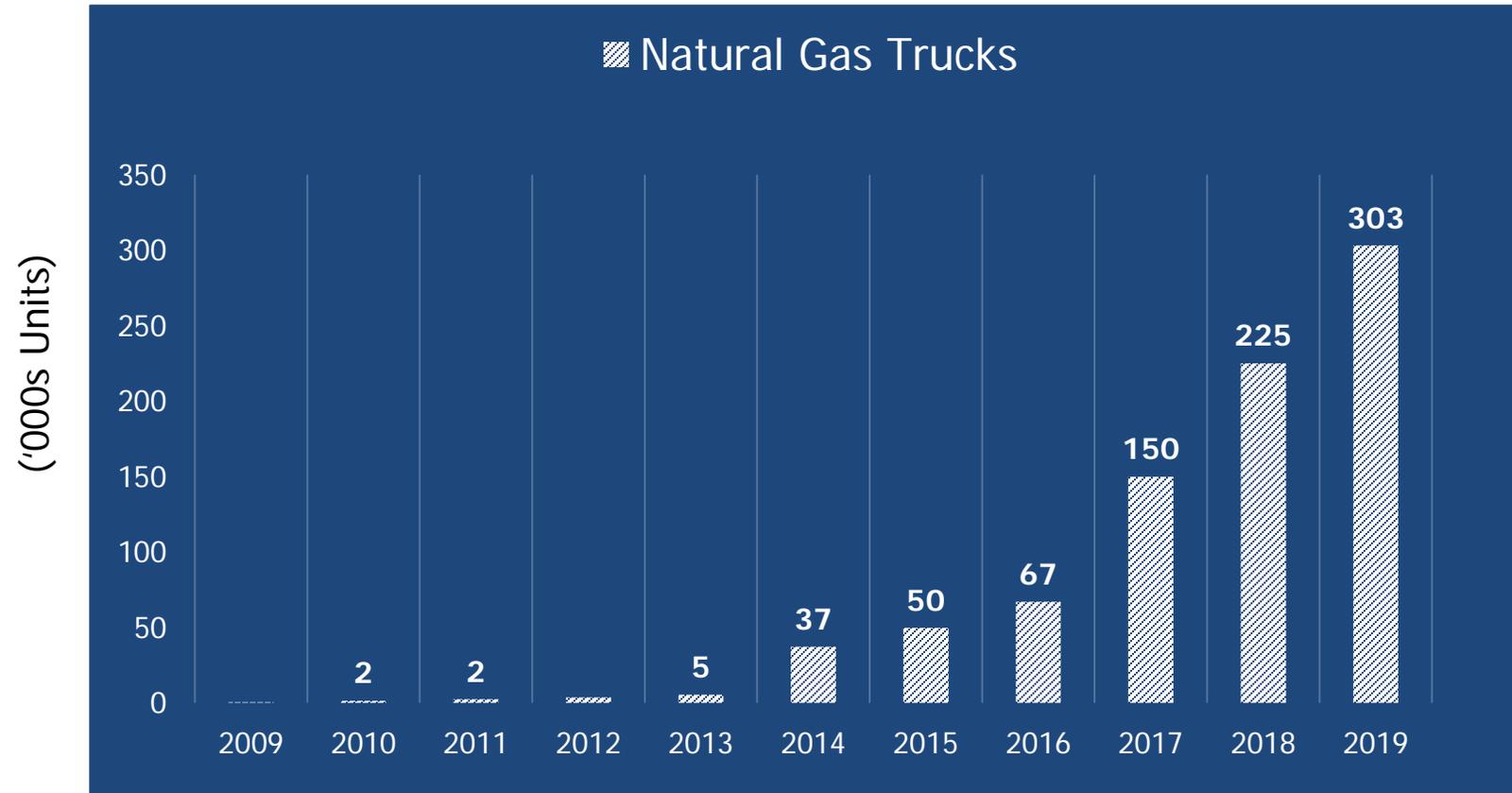
Source: World LPG Association 2018 Annual Report, WFS analysis



# China: World's Largest Natural Gas Truck Market

- Class 7 and 8 HD natural gas vehicles offered by 40 OEMs
- The majority of HD natural gas trucks are powered by LNG
- LNG costs ~35 to 55% less than diesel
- 10,500 LNG stations with 12,000 expected by the end of 2020
- WWI JV received certification of HPDI-equipped engine; next step is vehicle certification by OEMs

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



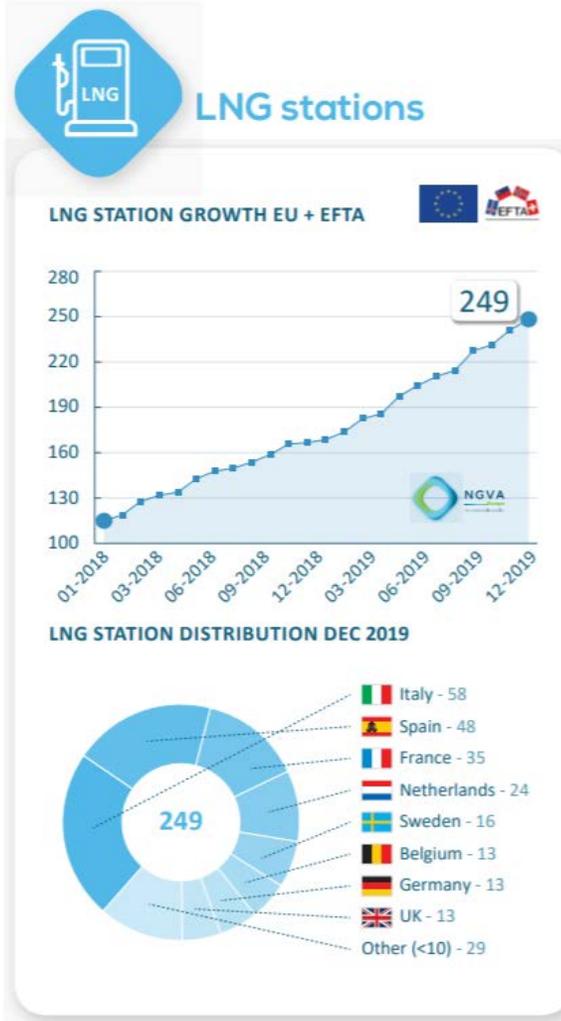
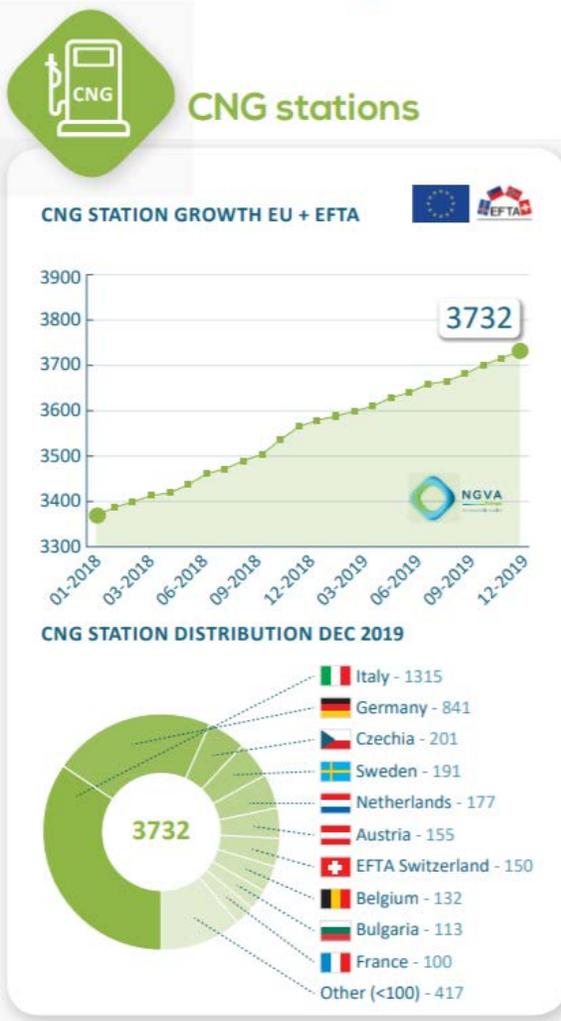
Source: PSR Database and WFS Analysis (2019)

# Fuel Availability Drives Scale: Europe Case Study

- LNG fueling infrastructure grew 90% since 2017
- 330+ LNG stations spanning 21 countries

- CNG fueling infrastructure grew 10% in 2019
- 3,800 CNG stations with ten countries having more than 100 CNG stations

Source: NGV Europe (2020) Available at <https://www.ngva.eu/>



## Growing uptake of LNG vehicles as refuelling infrastructure increases

28 Apr 2020 by John Snyder  
 Europe's Green Deal lays the groundwork for an expansion of CNG, LNG and bioLNG as a road transportation fuel

**UK: Gasrec refuelling network taps into record demand for CNG and LNG**

**Shell to expand its network of bio-LNG stations in Germany**

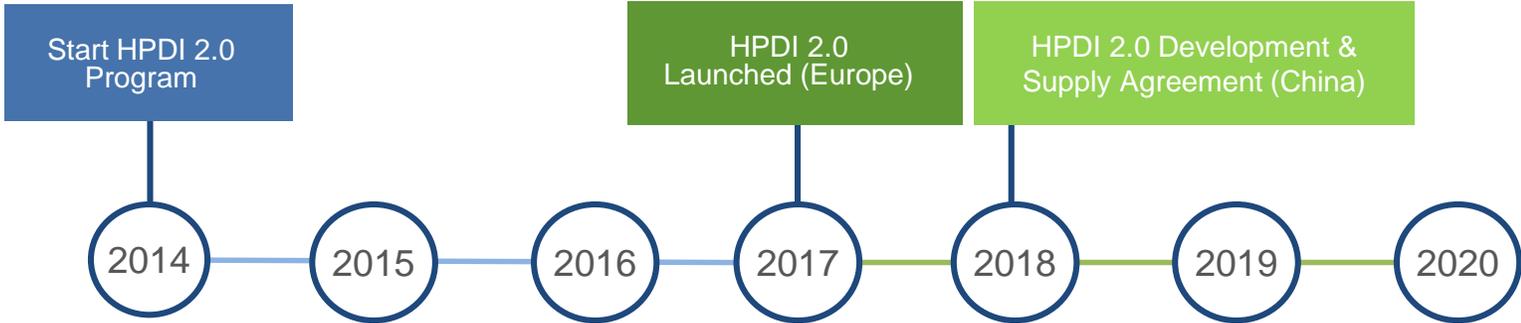
The international fuel retailer continues to look at alternative forms of fuel for the transport sector as it seeks to reduce CO2 emissions.

**BIOGAS NEWS** May 4, 2020

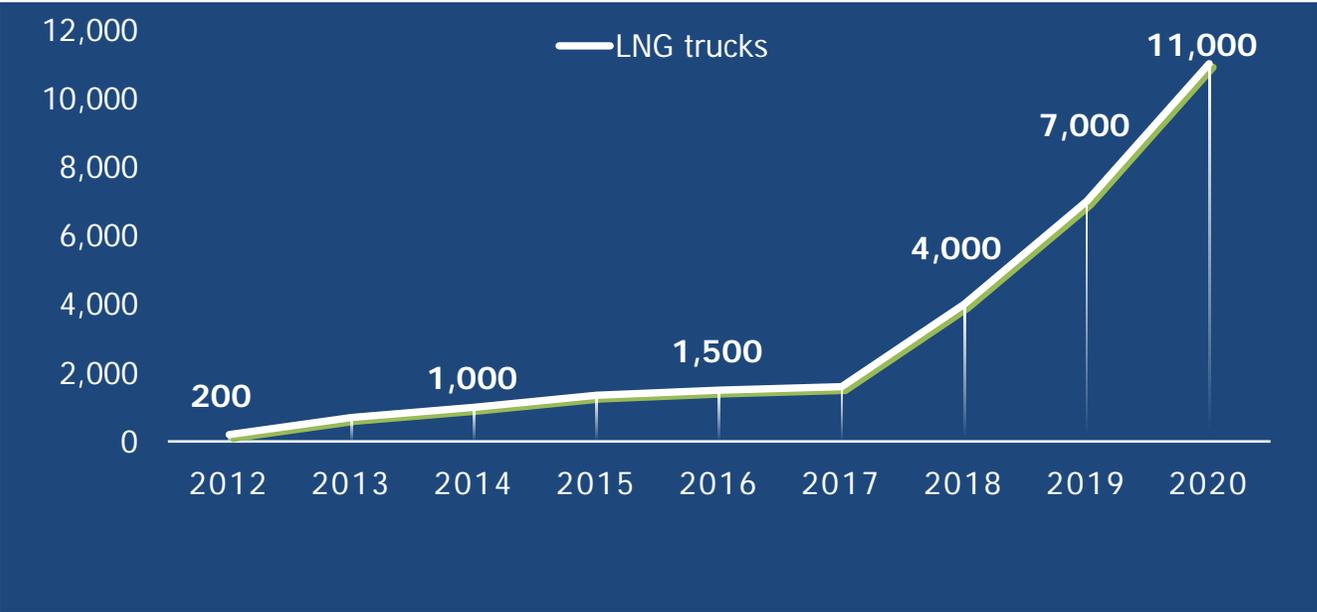
**Gasum strengthens LNG and biogas offering with new acquisitions**

# LNG for Heavy-Duty Trucking Scaling in Europe

- LNG truck registrations increased 175% in 2019
- CNG vehicle registrations increased 40% over 2017



Heavy-Duty Natural Gas Trucks >400hp in Operation in Europe



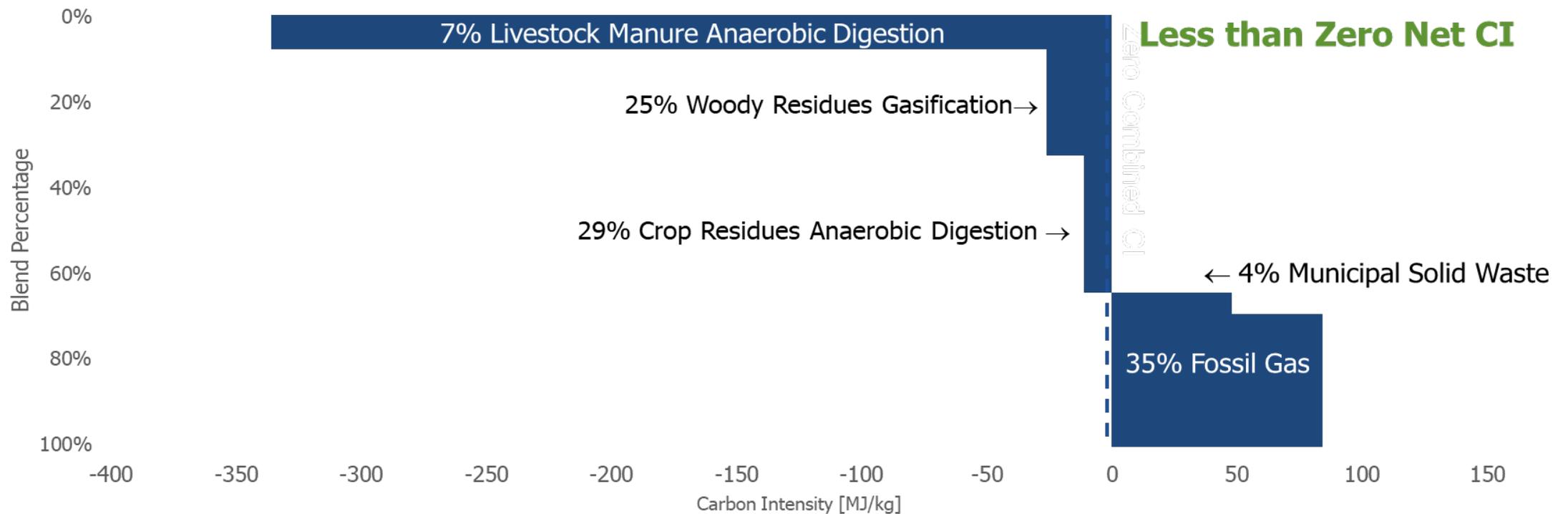
- Four engines >400 hp
- Three OEMs
- Commercially available in Europe

Source: NGV Europe (2020) Available at <https://www.ngva.eu/>

Source: PSR (202) and Analysis by WFS

# Can We Make Road Transport Carbon Neutral?

With zero net-carbon biomethane and a fossil gas BLEND, there is enough renewable gas feedstock to power 100% of the EU 28 truck energy demand in 2030



Source: WFS Analysis (2019) presented to SAE International with estimates based on CARB [LCFS](#) averages and [GTI](#) data sources

# 3Q20 Results

# 3Q20 Headline Financial Results



Revenues \$65.4 million  
Q-o-Q sales increased 82%



Positive Net Income  
\$0.8 million



Liquidity Improved: Cash  
Balance increased by \$17  
million to \$46.3 million

# Financial Highlights – 3Q20 v 3Q19

- Lower revenues due to the pandemic's impact on IAM and OEM LD sales. Sales showed progressive recovery from the first half of the year
- Lower gross margin due to lower engineering services, lower IAM & non-HD OEM sales, partially offset by an increase in HPDI sales volumes
- Net income benefited from government wage subsidies of \$1.2M and a \$2.3M unrealized foreign exchange gain.

| (\$ millions, except income per share) | 3Q20    | 3Q19    | \$ O/(U)  |
|----------------------------------------|---------|---------|-----------|
| <b>Revenue</b>                         | \$ 65.4 | \$ 75.4 | \$ (10.0) |
| Cost of revenue                        | 55.4    | 57.5    | (2.1)     |
| <b>Gross Margin</b>                    | 10.0    | 17.9    | (7.9)     |
| Gross Margin - %                       | 15.3%   | 23.7%   | (8.4%)    |
| <b>Income from equity investments</b>  | 4.6     | 5.4     | (0.8)     |
| <b>Net income for the period</b>       | 0.8     | 5.0     | (4.2)     |
| <b>EBITDA</b>                          | 4.9     | 11.7    | (6.8)     |
| <b>Adjusted EBITDA</b>                 | 4.0     | 9.4     | (5.4)     |
| <b>Income per share</b>                | 0.01    | 0.04    | (0.03)    |

## Segmented Performance – 3Q20 vs 3Q19

- OEM revenue increased due to higher sales volumes of HPDI partially offset by contractual price concessions and reduced engineering service revenue.
- Operating loss in OEM business due to lower sales volumes from LD OEM and lower HPDI engineering service revenue.
- IAM revenue decreased significantly due to COVID-19 impact, however, earnings impact mitigated through austerity measures.

| 3Q20                      |         |                         |                             |               |  |
|---------------------------|---------|-------------------------|-----------------------------|---------------|--|
|                           | Revenue | Operating Income (loss) | Depreciation & Amortization | Equity Income |  |
| <b>OEM</b>                | \$ 37.4 | \$ (4.8)                | \$ 2.1                      | \$ (0.3)      |  |
| <b>IAM</b>                | 28.0    | 1.7                     | 1.3                         | -             |  |
| <b>Corporate</b>          | -       | 0.0                     | 0.1                         | 4.9           |  |
| <b>CWI - 50%</b>          | 42.2    | 6.2                     | 0.0                         | -             |  |
| <b>Total Segment</b>      | 107.6   | 3.1                     | 3.4                         | 4.6           |  |
| <b>Less:CWI - 50%</b>     | (42.2)  | (6.2)                   | (0.0)                       | -             |  |
| <b>Total Consolidated</b> | \$ 65.4 | \$ (3.1)                | \$ 3.4                      | \$ 4.6        |  |

| 3Q19                      |         |                         |                             |               |  |
|---------------------------|---------|-------------------------|-----------------------------|---------------|--|
|                           | Revenue | Operating Income (loss) | Depreciation & Amortization | Equity Income |  |
| <b>OEM</b>                | \$ 36.2 | \$ (0.9)                | \$ 2.2                      | \$ 0.0        |  |
| <b>IAM</b>                | 39.2    | 4.0                     | 1.9                         | -             |  |
| <b>Corporate</b>          | -       | (4.3)                   | 0.1                         | 5.4           |  |
| <b>CWI - 50%</b>          | 41.5    | 6.6                     | 0.0                         | -             |  |
| <b>Total Segment</b>      | 116.9   | 5.4                     | 4.2                         | 5.4           |  |
| <b>Less:CWI - 50%</b>     | (41.5)  | (6.6)                   | (0.0)                       | -             |  |
| <b>Total Consolidated</b> | \$ 75.4 | \$ (1.2)                | \$ 4.2                      | \$ 5.4        |  |

# Liquidity – Cash Flow

- Impact to adjusted operating cash flow from loss of gross margins partially offset by wage subsidies of \$1.2M and austerity measures
- Increase in working capital due to higher accounts receivables driven by increasing HPDI sales volumes and general recovery in sales

| Adjusted Operating Cash Flow (\$ millions)                     | 3Q20    | 3Q19     | \$ O/(U) |
|----------------------------------------------------------------|---------|----------|----------|
| <b>Net cash from (used by) operating activities before W/C</b> | \$ 0.3  | \$ 3.5   | \$ (3.2) |
| Change in working capital                                      | (4.6)   | (6.7)    | 2.1      |
| CWI Dividend                                                   | 4.6     | 4.4      | 0.2      |
| <b>Adjusted operating cash flow</b>                            | 0.3     | 1.2      | (0.9)    |
| <b>Financing cashflows</b>                                     | 19.5    | (6.6)    | 26.1     |
| <b>Capex</b>                                                   | (1.3)   | (1.7)    | 0.4      |
| <b>FX on cash and cash equivalents and other</b>               | (1.1)   | (0.9)    | (0.2)    |
| <b>Net cash generated (used)</b>                               | \$ 17.4 | \$ (8.0) | \$ 25.4  |

# 3Q20 Liquidity Position

- Cash balance increased by \$17m in 3Q20 due to:
  - \$23M in Liquidity Decree backed loans with UniCredit and Deutsche Bank
  - \$4.5M drawn on EDC bridge facility
  - Offset by \$8.4M repayment on restructured Cartesian Convertible Debt

| Liquidity               |             |             |
|-------------------------|-------------|-------------|
| Cash Position           | 3Q20        | 2Q20        |
| Canada (WPI)            | \$5         | \$5         |
| Italy (MTM)             | \$27        | \$12        |
| Italy (EMER)            | \$9         | \$7         |
| Others                  | \$5         | \$5         |
| <b>Total Cash</b>       | <b>\$46</b> | <b>\$29</b> |
| <i>HSBC AR Facility</i> | <i>\$2</i>  | <i>0</i>    |
| <i>EDC -Revolver</i>    | <i>\$6</i>  | <i>-</i>    |
| <b>Total Liquidity</b>  | <b>\$58</b> | <b>\$29</b> |

| Liabilities              |             |             |
|--------------------------|-------------|-------------|
| Liabilities              | 3Q20        | 2Q20        |
| Cartesian – Convertible  | \$10        | \$17        |
| EDC – Term Loan          | \$13        | \$13        |
| EDC – Revolver           | \$4         | -           |
| UniCredit Loans          | \$31        | \$16        |
| Deutsche Bank            | \$8         | -           |
| HSBC AR Facility         | \$8         | \$4         |
| Others                   | \$1         | \$5         |
| <b>Total Debt</b>        | <b>\$76</b> | <b>\$55</b> |
| <i>Cartesian Royalty</i> | <i>\$14</i> | <i>\$14</i> |
| <b>Total Liabilities</b> | <b>\$90</b> | <b>\$69</b> |

# Delivering Clean Transportation Solutions



## Cost Competitive and Commercially Available

Developed, validated, in production, for sale and in use around the world

Low incremental costs to access cleaner, more affordable fuels



## Financial Discipline and Performance

Strong record of improvement

Sustainable profitability driven by growth, aligning costs with revenues, and fiscal discipline in investment decisions



## Gaseous Fuels Industry Leader

Sales in 70 countries  
CNG, LNG, RNG, LPG, H<sub>2</sub>

All transportation applications

Leading market shares



## Environmental Solutions for Climate and Air Quality

Reduced CO<sub>2</sub> emissions

Reduced criteria emissions

Net zero carbon NOW



## 100% Renewable

Growing bio-methane (RNG) availability means net zero carbon transportation is possible NOW with gaseous fuels



## Alternative Fuels at Scale

No performance compromise

Lower total cost of ownership

Enables OEMs to meet regulations at the lowest cost



## Appendix



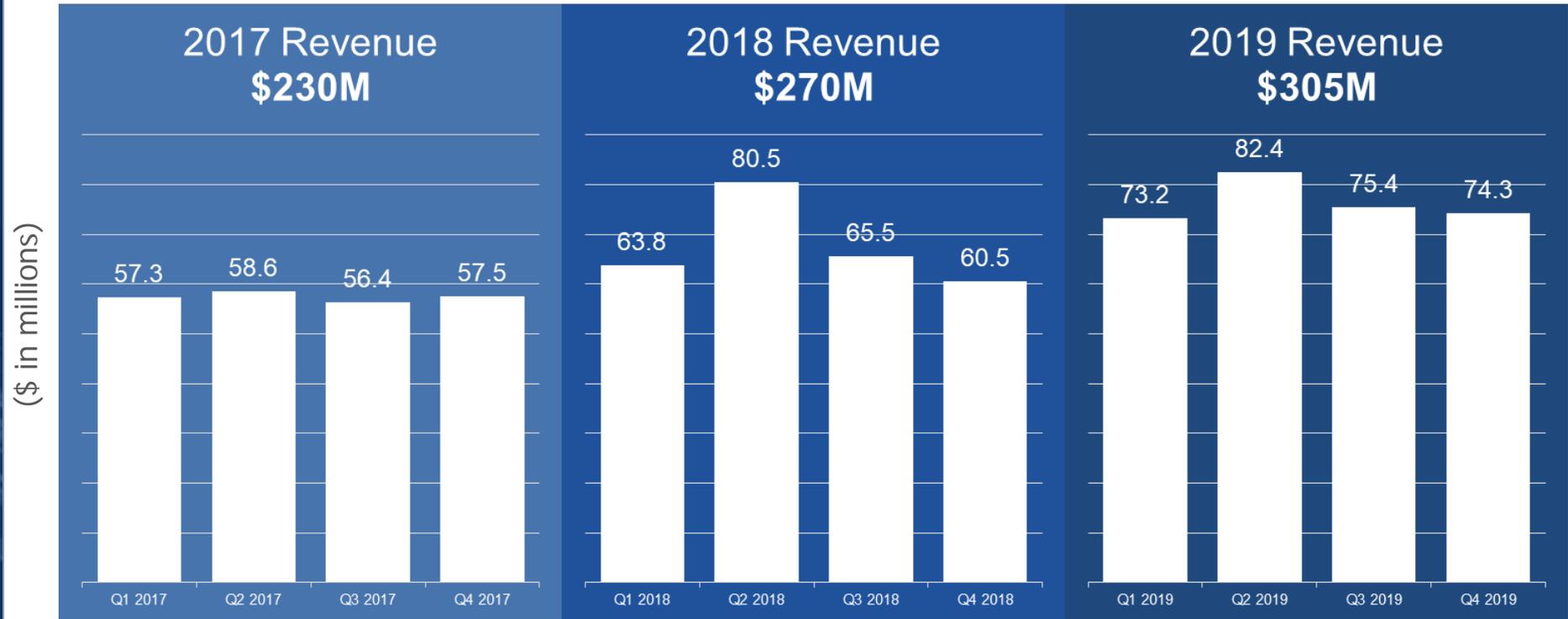
# Navigating COVID-19

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- All plants operating at normal capacity
- Monitoring guidance from public health officials; Continue to maintain safe work environment, first class customer service and support
- Worked with existing and new lenders to secure government-backed financing in Canada and Italy to support short term liquidity and longer term operational and investment plans
- Secured agreement from EDC to defer 2020 payments and extended loan maturity
- Restructured Cartesian convertible debt
- Received government funding in all locations for wage-subsidy programs
- Leadership voluntary compensation deferrals – 100% deferral by CEO, CFO and Board and deferred annual bonus payments at Corporate
- Temporary salary reductions and operating plans for all sites
- Cut and deferred discretionary expenditures, managing working capital and inventory to satisfy growing demand

# 2019 Corporate Highlights: Steady Revenue Growth

- Transportation revenue grew to \$305M
- Up 13% over 2018
- Up 33% over 2017
- Revenue growth due to HPDI volume ramp and increased OEM services

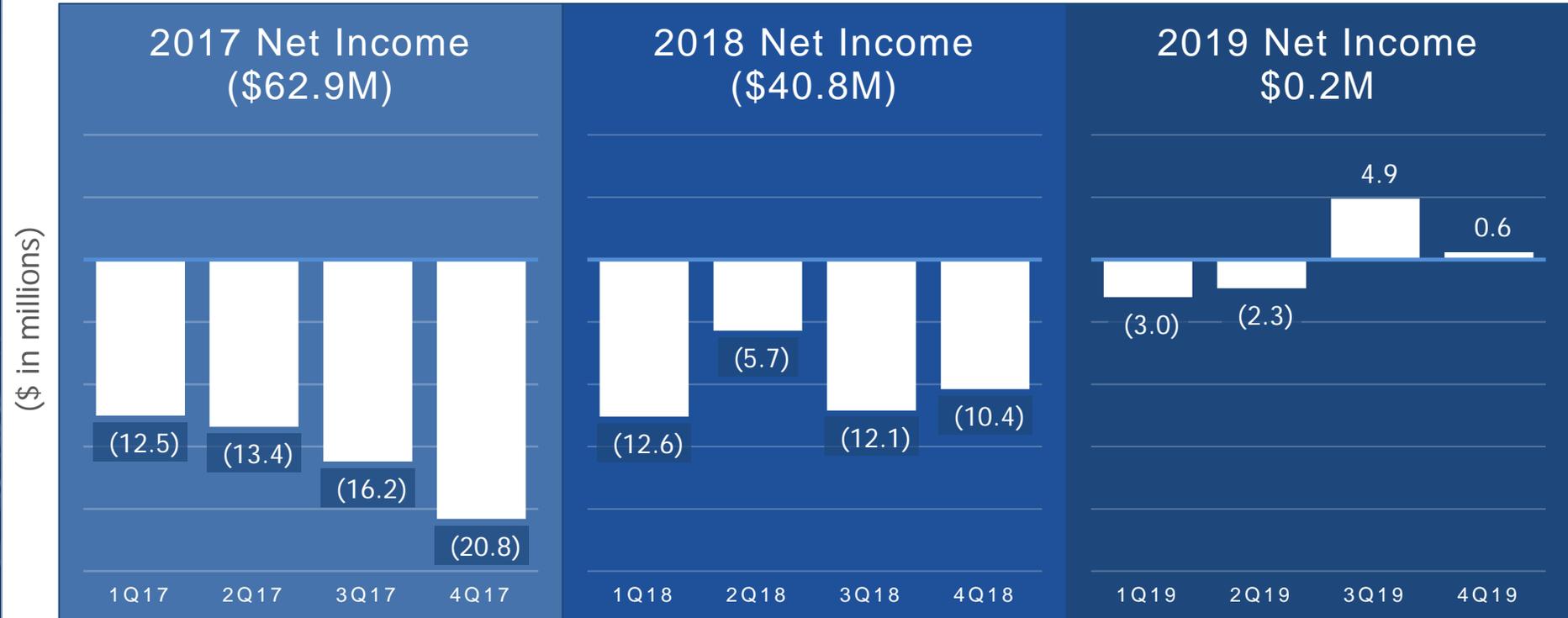


Balanced business with market-ready solutions and customers in 70 countries

# 2019 Corporate Highlights:

## Positive Net Income From Continuing Operations

- \$41M improvement from 2018
- \$62M improvement from 2017
- Two quarters of positive net income from continuing operations

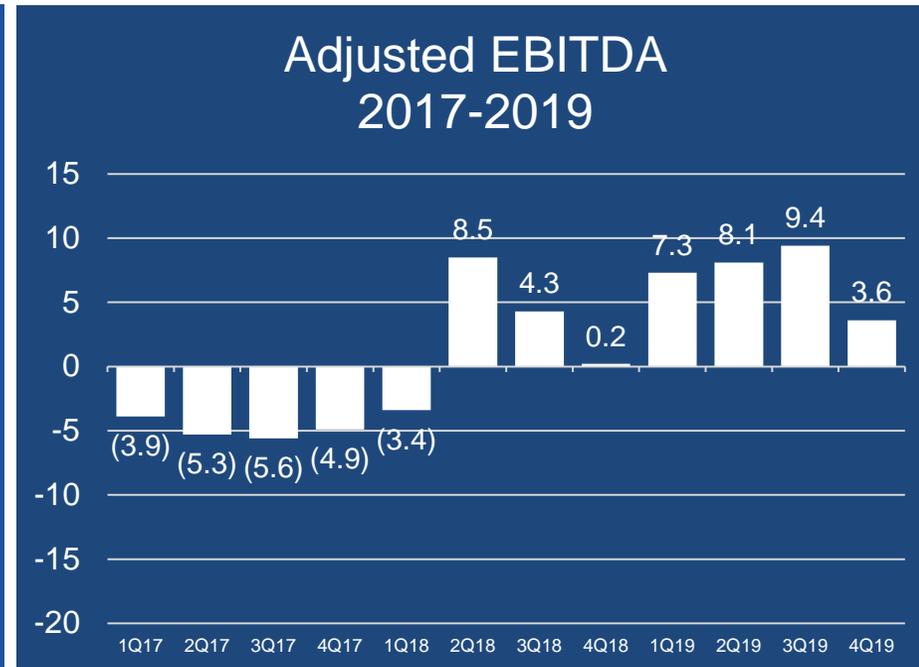
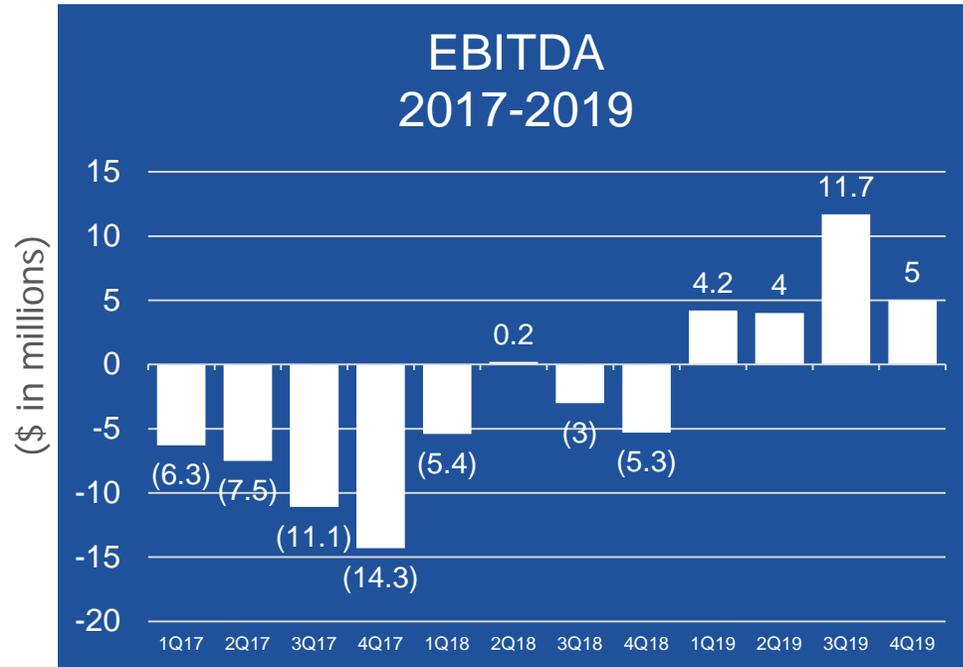


Full year of positive net income from continuing operations in 2019

# 2019 Corporate Highlights:

## Positive EBITDA and Adjusted EBITDA

- First full year of positive EBITDA
- Seventh consecutive quarter of positive adjusted EBITDA
- Positive EBITDA of \$24.9m, up \$38.4m YoY and adjusted EBITDA of \$28.4m, up \$18.8m



Continued ramp in HPDI and fiscal discipline to improve financial performance