Westport Fuel (Q2 2026)
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Corporate Speakers

- Ashley Nuell; Westport Fuel Systems; Vice President, Investor Relations
- Daniel Sceli; Westport Fuel Systems; Chief Executive Officer & Director
- Elizabeth Owens; Westport Fuel Systems; Chief Financial Officer

Participants

- Amit Dayal; H.C. Wainwright; Analyst
- Eric Stine; Craig-Hallum Capital Group; Analyst
- Christopher Dendrinos; RBC Capital Markets; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to Westport's Second Quarter 2026 Conference Call.

At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions)

Please be advised today's conference is being recorded.

I would now like to turn the conference over to your speaker today, Ashley Nuell.

Please go ahead.

Ashley Nuell^ Thank you. Good morning, everyone. Welcome to Westport Fuel Systems Conference Call regarding its Second Quarter 2026 Financial and Operational Results.

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

On today's call, speaking on behalf of Westport will be Chief Executive Officer and Director, Dan Sceli; and Chief Financial Officer, Elizabeth Owens.

Attendance on this call is open to the public.

But questions will be restricted to the investment community.

You are reminded that certain statements made on this conference call and our responses to certain questions may constitute forward-looking statements within the meaning of U.S. and applicable Canadian securities laws.

Forward-looking statements are based on current expectations and involve risks and uncertainties that could cause -- that could cause actual results to differ materially.

Please refer to Westport's filings for a more complete discussion of these risks.

Before I turn the call over to Dan, I wanted to highlight that since our first quarter release in May Westport has continued to advance several important corporate and commercial priorities, including Cespira's hydrogen development agreement with Volvo and the completion of the $10 million offering and concurrent private placement.

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

Daniel Sceli^ Thank you, Ashley. And good morning, everyone. Q2 was an important quarter for Westport.

We continue to execute against our strategy of focusing the business around high-impact, scalable clean transportation solutions where our technology can deliver meaningful economic and emissions benefits without compromising performance. The quarter was also marked by important developments that strengthen our platform for future growth.

First, Cespira, our joint venture with Volvo Group, signed an agreement with Volvo Group to complete development of a hydrogen-fueled engine.

This is an important milestone because it reinforces the relevance of HPDI technology across multiple low-carbon fuels including hydrogen, natural gas and renewable natural gas.

It also further validates the role of internal combustion engine technology as part of the practical pathway to decarbonizing heavy-duty transport.

Second, we completed a $10 million offering in June. This financing provided additional working capital to support our ongoing operations and strategic priorities as we continue to advance the business.

We recognize the importance of managing capital carefully, and we remain focused on balancing investment in growth opportunities with continued financial discipline.

Operationally, the quarter continued to reinforce the strategic value of our core platforms.

At Cespira, we remain encouraged by the commercial momentum we are seeing in LNG-powered heavy-duty trucks and by the broader market context supporting adoption. The Q1 results showed a strong year-over-year revenue growth.

In Q2, we continued building on that foundation through development work, customer engagement and the hydrogen engine development agreement with Volvo.

We have consistently indicated that 2027 would be the breakeven year for Cespira, and the results we are seeing continue to build credibility behind that expectation.

Since inception, Cespira has delivered quarter-over-quarter revenue growth with growth delivered in Q2 being particularly significant. That momentum, combined with continued operating leverage as volume scale reinforces our confidence that Cespira is progressing toward the financial profile we have been targeting for next year. The message is clear, Cespira is not a single fuel opportunity.

It is a platform that can support multiple lower-carbon pathways for heavy-duty transport while preserving the power, range and reliability fleets require. The volume growth we are seeing is being supported by a more resilient commercial backdrop for LNG heavy-duty trucking.

Despite ongoing geopolitical tensions, the price differential between LNG and diesel has continued to show consistency, reinforcing the economic case for fleets evaluating lower carbon alternatives that can also support operating cost discipline.

At the same time recent regulatory developments in the European Union are increasing the strategic value of emissions-reducing technologies.

OEMs are now able to generate additional CO2 credits in the years leading up to 2030, which may help with compliance from 2030 onward. That creates a stronger incentive for earlier deployment of lower-emission heavy-duty technologies such as HPDI, where reduced emissions can translate into avoided compliance costs and potential emission credit value.

In North America, our high-pressure CNG fuel system remains an important area of focus.

Following our ACT Expo showcase, we continue to build awareness around a solution designed to deliver diesel-like performance with lower fuel cost potential and reduced emissions.

Over the last couple of months, we have had the opportunity to demonstrate our truck to several fleets at our Vancouver facility, giving them the opportunity to put a driver into the truck. The level of engagement we are seeing and the feedback we are receiving reinforcing that fleets are looking for practical alternatives that can work within existing operating realities rather than requiring a wholesale change in how they run the business.

Our High-Pressure Controls business also remains a key part of Westport's value proposition.

With production underway at our expanded Cambridge, Ontario, facility and at GFI's China Hydrogen Innovation Center and manufacturing facility in Changzhou, China, we continue to believe this business is well positioned to serve growing demand across hydrogen, natural gas and industrial applications.

With that, I'll ask Elizabeth to walk through the financial results in more detail. Elizabeth, over to you.

Elizabeth Owens^ Thank you, Dan.

Our second quarter financial results have demonstrated meaningful progress. From a capital perspective, the June financing strengthened our near-term liquidity profile.

Westport closed the sale of 1.6 million common shares and 3.3 million pre-funded warrants in a registered direct offering, together with private placement warrants to purchase up to 4.8 million common shares. The combined effective purchase price was $2.06 per common share or pre-funded warrant and associated private placement warrant, generating gross proceeds of approximately $10 million before fees and expenses.

The offering proceeds are intended for working capital and general corporate purposes.

In addition, if the private placement warrants are exercised in full for cash, Westport would receive additional gross proceeds of approximately $10 million, although the timing and likelihood of any exercise cannot be predicted.

From an accounting perspective, the warrants contain settlement features that require us to account for these warrants as liabilities rather than equity. These liabilities will be remeasured to fair value at each reporting date with changes recorded through earnings until the warrants are exercised or expire.

As of the end of June, our cash and cash equivalents position stood at 23.9 million compared to 24.5 million at March 31, 2026.

The slight net decrease in cash was primarily driven by our operating losses, including certain one-time costs relating to the financing activities and to our cyber incident in Q1 and by funding of the Cespira JV and debt repayment. This was offset by proceeds from the financing transaction.

In the quarter, our capital contributions to Cespira decreased to $3.5 million in the current quarter compared to Q2 2025, reflecting the improvement of Cespira's financial performance.

We anticipate this number will continue to decrease in the coming year as Cespira continues to drive volume growth.

We also paid $1.0 million in debt repayments to EDC, and we'll make our final debt repayment in Q3.

Turning to our operating segments. Q2 2026 revenue for our High-Pressure Controls business was 2.7 million compared with 2.9 million for Q2 2025. The decrease in revenue was primarily driven by lower sales volume in the quarter. That said, at the end of the quarter, we did see a backlog of demand from customers that are waiting to be fulfilled as we continue to improve the production output from our two main manufacturing plants in Canada and China. Gross profit was 0.1 million or 5% of revenue, similar to what we saw in Q2 2025.

We anticipate that as the manufacturing plants in Canada and China continue to work on localizing its supply chain and improving its manufacturing processes and output, gross profit and margin will improve.

Since Cespira's beginning, we have driven quarter-over-quarter revenue growth with Q2 2026 being the strongest at 125% as compared to Q2 2025. The broader strategic direction remains consistent with what we outlined in Q1. Cespira is benefiting from demand for practical lower carbon heavy-duty solutions. The hydrogen development agreement signed during the quarter, along with the work completed by the second OEM, all add important technology pathways to the existing LNG and renewable natural gas opportunity.

Product revenue was up 127% to 18.9 million compared to 8.3 million in Q2 2025.

As Dan mentioned, Cespira's growth is influenced by the favorable price differential between diesel and natural gas and government regulation support in markets like Europe. Aftermarket revenue was 5.5 million compared to 2.6 million, also driven by the increase in sales volumes.

Service revenue was 2.6 million compared to 1 million in Q2 of 2025, primarily driven by the milestones achieved.

Service revenue allocated to project milestones are weighted differently across the phases of an engineering service revenue project.

One of Cespira's significant long-term engineering service revenue projects is expected to complete in Q4 2026 in advance of the anticipated launch of their Euro 7 product. Gross profit was 3.8 million compared to gross loss of 1.9 million in Q2 2025. Cespira had a net loss of 2.4 million, a 65% improvement over the 6.7 million in Q2 2025, as they meaningfully increased product revenue and lowered their cost base and continue to grow and scale the business. Year-to-date, we have seen our capital contributions to Cespira decrease, a trend that we see continuing, as Dan mentioned, as they move towards an expected breakeven next year.

With that, I'll pass the call back to Dan.

Daniel Sceli^ Thank you, Elizabeth.

As we look ahead, Westport is focused on disciplined execution. The developments since our Q1 release reinforce the progress we are making across the business: Cespira continues to advance as a strategic platform for heavy-duty decarbonization; the hydrogen engine development agreement with Volvo expands the relevance of HPDI technology; our high-pressure CNG solution is gaining visibility in North America; and the June financing provided additional flexibility to continue advancing our priorities.

We are operating in a market where customers are not looking for theory. They are looking for solutions that can reduce emissions, lower operating costs and maintain the performance they need today. That is where Westport is focused.

We believe our technologies are well aligned with the realities of commercial transportation and industrial applications, and we are committed to translating that alignment into commercial traction, improved financial performance and long-term shareholder value.

Thank you for your time today, and we appreciate your continued interest in Westport, and we will now open the call for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Amit Dayal with HC Wainwright.

Amit Dayal^ Good to see Cespira coming through in a strong way for you guys.

Can you maybe give us a little bit more color on what are some of the tactical drivers?

I know it's a practical solution. It's available.

But in terms of any specific sales efforts or customer wins, is there anything that is supporting this trend?

And how should we think about future growth for Cespira?

Daniel Sceli^ Sure. So I'll break the market for the current LNG system into two chunks. You've got the European Union and then you've got the other countries around the world. The European market is moving forward with its emission credit system with their new mandates -- so the trucking companies are all, OEMs and the fleets are all looking for ways to meet the new requirements that are coming up. Euro 7 is a big part of that for the new engine from Volvo with our HPDI 3.0.

And I think that we're going to see more and more of this increased growth. The market is finding that it's no longer a question of the technology. The technology is proven. It's reliable.

The market is accepting the benefits that come with that.

And now what we're seeing is the economic solutions are also becoming very prevalent and giving us the growth that we've been looking for and we knew would come.

So we think it's going to continue. Then outside of the European Union, Volvo is moving and creating beachheads in South America and India, we're in 37 countries now, over 12,000 trucks on the road, so that adoption is going to continue to grow rapidly, not just in Europe, but in those other global countries.

Then, of course, our plan to bring HPDI to North America is mission-critical as well that we're bringing a new storage system, a CNG system that will allow HPDI to run in North America.

For us, it's very exciting to see this significant growth.

Amit Dayal^ Yes. I understand.

Then just a follow-up on the HPDI hydrogen efforts between Cespira and Volvo. There is no sort of requirement for Westport to maybe fund any of this, right?

This is just going to be between Cespira and Volvo, and they are going to figure out like how to fund this effort, how to bring that to market.

Daniel Sceli^ Well it's a development contract that Volvo is funding the development of the HPDI system for hydrogen.

So it is a customer-funded development program.

Operator^ Our next question comes from Eric Stine with Craig-Hallum Capital Group.

Eric Stine^ So maybe I'll just start with the High-Pressure segment. You alluded to some, I guess, unfulfilled demand as your two locations, Canada and China, ramp up.

I'm just curious, I mean, is this kind of just the typical ramp-up now that your equipment has been moved to both locations?

Or is there something else that's maybe limiting that and visibility that that's a near-term impact?

Daniel Sceli^ Yes. It's a bit of a combination.

So the time we had to shut down, pick up the equipment, move it from Europe to both Canada and China, install the equipment, get the facilities certified and then up and running, that's the primary issue.

It's typical transferring of capital equipment.

Then, obviously, launching it, training people on this equipment and getting them hitting volume.

So we're seeing a very typical changeover impact that has left us a bit behind on volume.

Eric Stine^ And is this something -- I mean once that is rectified in both locations that it means there is some upside to these numbers.

I mean, this quarter is the highest High-Pressure revenue you've had in, I guess four.

So just curious is -- do you view that Q2 is limited in a big way on the top line?

Or how should we think about that?

Daniel Sceli^ Well, yes, I think Q1, Q2 were the transition periods.

As we go into Q3 and Q4, it's just ramping up volume, meeting the various customer demands.

So I don't think we have any more roadblocks or bottlenecks that would -- of hitting the volumes that are in the plan.

Eric Stine^ Got it. Okay. Then just on Cespira, you mentioned that 2027 is when you're targeting breakeven.

I know you've now had two consecutive quarters of positive gross margin in that joint venture. Just curious how we should think about that.

And once you do get to breakeven, curious what that does?

Or could you remind us what that does in terms of reducing your capital contribution to the joint venture?

Daniel Sceli^ Yes. I mean, the moment they flip over to breakeven and don't need cash contributions, that's a huge step in the right direction for both Westport and Volvo.

As we said in the talk, volumes are up 125% over the same period last year.

It's fantastic. We see that continued strong growth in all 37 countries that are buying the system today.

And with Volvo launching the new Euro 7 engine, which is a much, much improved engine, they've done a fantastic job on that engine from all aspects. Combined with our new HPDI 3.0, we think that the market pull is going to be even stronger.

So we're very excited that we're crossing over that period. We figured it would be three or four years before we could get there. With the volumes, we're getting there sooner than we thought.

So we're pretty happy about it.

We think it's going to continue.

Now it's a question of getting the HPDI system into North America and adding volume to that.

Eric Stine^ Yes. So just to be clear, the contributions to the joint venture, those are not necessarily dictated over a period of time. That's really dictated by getting to that breakeven mark.

Then once that is done, by and large, those contributions end.

Daniel Sceli^ Yes. It's really a cash need. It was not any fixed numbers that were written into the agreement.

It was a case of year-by-year, quarter-by-quarter evaluating the cash needs of the business. Recall that to start the business up back in '24, to be a certified Tier 1, we needed a fully built-out company, all disciplines, all certifications.

And so from day 1, we had the full overhead cost. And as volumes go up, we're not -- I mean that's in place.

We don't have to add more of that.

So we're going to continue to take advantage of that volume, and we will not have the cash calls as we have seen for the last 2.5 years.

Operator^ And I'm not showing any further questions at this time.

I'd like to turn the call back to Dan for any further remarks.

Daniel Sceli^ Well, I'd like to thank everybody for joining today.

I hope you find our --

Operator^ Pardon me, Dan. I'm sorry, I didn't mean to interrupt.

We just have someone queue up. Did you want to take the question?

Daniel Sceli^ Sure. Absolutely.

Operator^ Our next question comes from Chris Dendrinos with RBC Capital Markets.

Christopher Dendrinos^ I apologize --

Daniel Sceli^ No worries, Chris. No worries.

Christopher Dendrinos^ But I missed it. Maybe just to start here and follow up on a couple of the prior questions.

But following on the Cespira commentary here, and you mentioned some additional work with that second potential OEM customer. Maybe just expand on that a little bit, where you all are at with them and possible timing related to, I guess call it, additional milestones or additional advancements --

Daniel Sceli^ Yes. So that second OEM did the original, I think it was a 200-truck trial.

We're at the stage now where they're planning out the second phase of their field trials, which would be much larger than the original field trial.

We're imminently awaiting to hear their planning for that.

So it's probably going to be another month at least before we hear what their next phase is.

But what we've heard so far is that Phase 1, the initial field trials, went extremely well.

Christopher Dendrinos^ Got it. Maybe just a follow-up on Eric's question in regards to the High-Pressure systems.

I'm trying to nail you down on something here.

So if you all weren't kind of, call it, bottlenecked on the manufacturing side of things, would you anticipate revenue growth in the back half of this year?

Daniel Sceli^ I think that the revenue growth is going to come.

We -- as I said, we lost about six months in picking up the equipment, moving it, installing it, getting the facilities recertified to the industrial and automotive standards.

So there's going to be a bit of -- there's still a bit of backlog that we're filling.

So the market itself, the hydrogen market itself is not growing at the rate we thought it would a year ago.

I think we've all acknowledged that.

But I think that we're going to see, specifically in China, as the government continues to push for the rapid growth of hydrogen across their markets, their mobility markets, we're going to see some volume increases.

In North America and Europe, I think we're going to get right back to plan, and we expect to beat our plan this year on volume.

Operator^ And that was our last question. Back to you, Dan.

Daniel Sceli^ All right. Well, thank you, everybody, for joining the call.

I hope you leave as excited as we are about the growing business for Cespira.

It's finally coming to where we all thought it would.

So have a great day.

Thank you.

Operator^ Ladies and gentlemen, this does conclude today's presentation. We thank you for your participation.

You may now disconnect.

And have a wonderful day.