Westport Fuel Systems, Inc. (Q3 2025)
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Corporate Speakers:

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

Participants:

- Eric Stine; Craig Hallum; Analyst
- Robert Brown; Lake Street Capital Markets; Analyst
- Christopher Dendrinos; RBC Capital Markets; Analyst

PRESENTATION

Operator^ Good day and welcome to Westport's Q3 2025 Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker, Ms. Ashley Nuell, Vice President of Investor Relations. Please go ahead.

Ashley Nuell^ Good morning, everyone. Welcome to Westport Fuel Systems' conference call regarding its third quarter 2025 financial and operational results. This call is being held to coincide with the press release containing Westport's financial results that was issued yesterday after markets closed. On today's call speaking on behalf of Westport will be Chief Operating -- or 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 analyst and the institutional investor community.

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

Daniel Sceli^ Thank you, Ashley. And good morning, everyone. To start, I want to welcome Elizabeth Owens to her first conference call following her appointment as CFO at Westport. We are thrilled to have her at the helm. And for her first CFO conference call I'm happy to have Elizabeth run through some financial details first, and then I'll cover some of our business and strategy updates afterwards.

Over to you, Elizabeth.

Elizabeth Owens^ Thank you, Dan. First, I want to say thank you for welcoming me to my first conference call as CFO of Westport. It's an honor to serve shareholders in this

new capacity. Now getting into the details of our Q3 results. Westport reported revenue of $1.6 million for the quarter. Our reported revenue this quarter reflects the expected decline from the $4.9 million reported in the same quarter of last year based on some changes I'll address in a moment.

On an upward trend, however, it was great to see Cespira increased its revenue by 19% over the same period last year to $19.3 million in the quarter. As you know, our heavy-duty segment was utilized to capture revenue generated by a transitional service agreement, or TSA, in place to facilitate the transition of Cespira to a stand-alone organization. As intended, the TSA concluded in the second quarter of this year, and we therefore did not record any revenue related to it this quarter.

Revenue this quarter was representative of our continuing High-Pressure Controls & Systems segment, which produced $1.6 million in comparison to $1.8 million in the same quarter last year. Our adjusted EBITDA for the quarter was negative $5.9 million as compared to the negative $0.8 million reported for the same quarter of last year. The change was primarily driven by lower gross profit related to the divestiture of the light-duty business, partially offset by lower operating expenditures.

Our net loss from continuing operations included some extraneous items. The net loss from continuing operations of $10.4 million for the quarter is compared to a net loss from continuing operations of $6 million for the same quarter last year. This was primarily the result of an increase in operating expenditures in research and development and SG&A, a decrease in profit of $0.2 million compared to the prior year, and a negative impact from a swing in foreign exchange impact by $3 million.

Further on this topic, for the three months ended September 30, 2025, we recognized foreign exchange losses of $1.3 million as compared to a foreign exchange gain of $1.7 million for the three months ended September 30, 2024. The loss recognized in the current period primarily relates to unrealized foreign exchange losses resulting from the translation of previous U.S. dollar-denominated debt in our Canadian legal entities. Additionally, this quarter, we incurred onetime costs of approximately $1 million for severance and restructuring.

Looking ahead, we expect more cost reductions on a relative basis in the near future as we adjust to become a smaller organization after the divestiture of the light-duty segment.

Looking at our specific business units, High-Pressure Control Systems -- High-Pressure Controls & Systems revenue for Q3 of 2025 was $1.6 million, a slight decrease over Q3 of 2024. As Dan mentioned, we are in the process of moving these production lines in the facility in Italy that was part of the divestiture of the light-duty business to sites in Canada and China. Prior to the move, our team worked to increase inventories to ensure our customers experience minimal impact from the move. Construction at these facilities is ongoing through the fourth quarter with the majority of the capital spending to be wrapped up by the end of this year. The facilities in China as well as our Canadian site are anticipated to be producing initial product late this year. Gross profit for this business

was largely unchanged, increasing slightly as a percent of revenue was driven by the higher margin with respect to engineering services revenue.

Moving on to Cespira. It generated $19.3 million in Q3 2025, up 19% from the same period last year, driven by higher volumes. Gross profit was negative $1.1 million for Q3 2025 as compared to negative $0.2 million in Q3 2024. Gross profit continues to be negative as Cespira needs higher volumes to achieve a positive margin on a per unit basis for its systems sold.

Regarding liquidity, as of September 30, 2025, our cash and cash equivalents totaled $33.1 million with only the EDC term loan remaining and reflects a significant increase in cash from the sale of our light-duty business. Net cash used in operating activities from continuing operations was $4.5 million, a significant improvement over $11.7 million used in operations in the same quarter last year. The improvement is primarily a result of decreases in working capital partially offset by an increase in operating losses. Proceeds from the sale of the Light-Duty business drove improvements in net cash provided by investing activities of continuing operations. We recorded $14.5 million in Q3 2025 as compared to $9.4 million in Q3 2024.

Capital contributions to the Cespira joint venture of $11 million were also made in the quarter. As a reminder, in Q4 2024, we received proceeds of $9.6 million from the sale of shares to Volvo related to the formation of the Cespira joint venture and on the sale of our investment in Weichai Westport Inc. Net cash used in financing activities of continuing operations was $1 million compared to $4.4 million in Q3 2024. Our outstanding debt currently sits at $3.9 million with a maturity date of September 2026. To date, in 2025, we have reduced our debt and have strengthened our balance sheet and helped to reduce the complexity of our corporate structure. Our business is focused on the right markets for us, and we are continually looking at ways to streamline our operations.

With that, I will pass the call back to Dan.

Daniel Sceli^ Thank you, Elizabeth. As our CFO noted, our third quarter results reflect the continued execution of the transformation we began earlier this year, anchored by our commitment to sharpen Westport's focus, strengthen our financial foundation, and position the company for growth. The successful completion of the Light-Duty segment divestiture marked an important milestone in simplifying our business and concentrating on our core heavy-duty and alternative fuel systems.

Operationally, our third quarter performance highlights the early benefits of our disciplined approach. While revenue declined as an expected outcome to the Light-Duty divestiture, we achieved a stronger gross margin of 31% in Q3 2025 compared to 14% in Q3 2024, driven by higher margin engineering services revenue, and we demonstrated tighter cost management year-to-date versus the prior year. As noted by Elizabeth, adjusted EBITDA results were impacted by the Light-Duty divestiture, partly offset by decreased operating expenditures, providing a more efficient and focused underlying business.

We also remain disciplined in strengthening our balance sheet, ending the quarter with $33.1 million in cash and less than $4 million in debt while keeping cost efficiency and operational agility at the forefront. This solid financial position enables us to execute our strategic priorities and engage more proactively with OEM and fleet partners who are increasingly seeking affordable, low-carbon solutions.

The Cespira joint venture continues to play a central role in Westport's growth strategy during the quarter. Deliveries increased year-over-year, supported by aftermarket sales growth as supply chain constraints continue to ease. This progress reinforces our belief that Cespira provides a scalable, high-impact platform to accelerate the adoption of the HPDI systems in the key markets worldwide.

We continue to make progress on Westport's strategic transformation. Westport is taking the necessary steps to execute on a new focused and integrated competitive strategy. The divestiture strengthened our balance sheet and provided liquidity to begin to fund our growth through new system and related market expansions, including North America and our recently announced CNG solution when combined with the on-engine HPDI fuel system.

We are in the process of evolving a new, more focused Westport that we can support and drive into more sustainable transportation industry. We recognize that we're operating within an evolving macroeconomic environment, which is enabling us to capitalize on renewed market momentum, especially as it relates to the use of natural gas as a transport fuel in the North American market. CNG has gained acceptance as an alternative to diesel fuel for long-haul trucking in North America, driven by its affordability and abundant supply. Westport's innovative and proprietary CNG solution hope to set a new standard for high-efficiency performance while delivering superior economics.

As I mentioned last quarter, Westport will be focused on the following key drivers. On-engine, Cespira is pursuing strategic market expansion via technological leadership in heavy-duty transportation and truck OEMs. Off-engine, high-pressure controls and systems complement the energy transition regardless of the powertrain and a variety of financial initiatives. Westport's goal for Cespira is to deliver demonstrated volume growth over the coming year, driven by expanding into new geographies and adding new OEM customers.

Cespira is seeing success here, delivering revenue growth of almost 20% in the third quarter and recently adding a second OEM customer in the form of a customer truck trial with a leading OEM utilizing Cespira's-HPDI components. The trial will include several hundred sets of key components and is designed to assess the (technical difficulty) is also expected to form the basis upon which the OEM will decide whether to make a further investment toward commercializing the system.

Regarding our High-Pressure Controls & Systems business, we are currently developing components that are critical to performance and reliability. As a reminder, we are selling

into three primary markets: China, Europe and North America. Following the close of the Light-Duty transaction, we have focused on moving our manufacturing to Canada and China. Both facilities are in the final stages before start of production, and we anticipate both to be online at the end of the year.

The global truck market continues to expand and is expected to reach 1.95 million units in 2025. The long-haul truck market has historically struggled to decarbonize. Fleets around the world are focused beyond just reducing emissions and now prioritizing the total cost of ownership, natural gas is affordable, infrastructure is ample, and RNG production is growing at a fast pace. We are ideally positioned for this. What sets Westport apart from our competitors is our ability. We have solutions that can meet growing demand, delivering a total cost of ownership that is compelling to customers.

We are optimistic about the company's future as well as that of Cespira. We have strengthened our balance sheet through the sale of our light-duty business and made a strategic return to our roots by developing innovative new technology to transform the Heavy-Duty market. In addition to new growth opportunities, we are making difficult economic decisions to enhance future shareholder value through planned reductions of 60% in CapEx and 15% in SG&A in 2026. Regardless of the unknowns or uncertainties ahead, we are paving our own path in the transportation industry that we believe will truly make a difference.

Thank you to everyone who joined the call today. Your continued support is important to us. We continue to move through 2025 with purpose to create value for our shareholders. Thank you again.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question will come from the line of Eric Stine with Craig Hallum.

Eric Stine^ Just wondering, can we start on the new OEM development with Cespira. I mean just if you could provide a little more detail there? I know that that OEM needs to go through a number of steps to make the decision about moving towards the development agreement and then beyond that, a commercial agreement. But what are kind of the signposts that we should look for over -- whether it's over 2026 and beyond? And how do you kind of envision this playing out as Volvo obviously wants more OEMs than just their use of HPDI?

Daniel Sceli^ Yes, absolutely. And I'll just remind everybody listening that in this industry, the OEMs are very, very protective of their commercial strategies. So we are completely unable to talk about the who and any specifics, and that's not going to change, unfortunately. We'd love to be able to talk about it, but that's the business we're in. This is a typical development, not unlike what we went through with Volvo originally, trialing the technology on trucks. The development programs going forward, to be more (inaudible) we're almost 10,000 trucks in 31 countries. But it is a development cycle that

will follow their standard – a standard path in the industry. And -- so we think we're going to start to get some feedback from that OEM probably mid-'26. We'll be talking about it at that point, I hope that we're in a position to communicate that we're moving to the next phase.

Eric Stine^ Got it. Yes, that's what I was getting at. Is this typical, but also because you've got Volvo in the market, is it something that potentially is shorter than what you've seen in the past? And it sounds like, yes. Okay. Maybe sticking with the joint venture, any -- I mean any thoughts on additional OEMs? And again, I know that the nature of this business is you can't give details, names, et cetera, but just maybe what that pipeline looks like. I also know that Volvo is looking at growth with their HPDI truck in other markets. I think you mentioned India, South America last quarter. So maybe an update on that as well.

Daniel Sceli^ Sure. Well we continue we continue to talk to all the OEMs about HPDI through Cespira. And clearly, volume is the key to getting this business to the place where we all want it to be. We've got the interest of many OEMs. I think we're at a point where we don't have to prove the technology anymore. And simply, when does the timing fit for the OEM in terms of their specific markets and their business cases? So the technology is proven, the performance is proven, and Volvo continues to expand its reach where they want these trucks. I did mention India and South America. Those are beachheads that are being opened up. We expect continued volume increases, at least that's what we're hoping for. One of the big tickets will be in Europe, the legislative changes to the system, and biogas being credited for the emissions standards in Europe is a really big deal that we're hoping will come in the next year.

Operator^ One moment for our next question. And that will come from the line of Rob Brown with Lake Street Capital Markets.

Robert Brown^ On the Cespira joint venture, you made a capital contribution in the quarter. Does that sort of set you for a while? Or what's the capital needs over the next sort of 12 months there?

Daniel Sceli^ Yes. So I think we've talked about this a number of times over the last at least 18 months here. There was -- there's always been a 3-year build-out setting this business up to be completely stand-alone. So the joint venture was always structured to have about a 3-year build-in of capital contributions to get it set to stand-alone. Obviously we're in year two of that now. So yes, there's additional capital will be needed next year.

Robert Brown^ Okay. I guess -- and then on the High-Pressure Controls business, when do you expect to have that fully -- the manufacturing fully moved out of Italy and under your operations?

Daniel Sceli^ Sure. Well it's all out of Italy now completely. We're in the process now of installing the equipment in both our Cambridge site and our Chinese plant site Changzhou [ph] and expect to have both those facilities up and running by year-end.

Robert Brown^ Okay. Great. Will you have a, I guess lower revenue run rate during that period? Or do you have a stock that can carry through?

Daniel Sceli^ No. It will be a bit lower revenue. I mean there is some stock, but there's -- it will be a bit lower revenue. Then I mean the underlying theme here is that we want further -- the Chinese market is the biggest market for hydrogen components today. It was very important for us to manufacture it locally for a couple of reasons. One, geopolitically, it's just a lot easier to make it there and for that market than it is to ship it in from Europe. Two, cost, right? We can be a lot more competitive out of a Chinese plant. Then of course the North American market is starting to turn on natural gases, as we've talked about. It's a pendulum swing that we're very excited about. We want to be in a position to take advantage of that market from a Canadian site.

Operator^ Our next question will come from the line of Chris Dendrinos with RBC Capital Markets.

Christopher Dendrinos^ I wanted to ask on the CNG solution announcement here. I think it was last week at this point. What's the timing look like for potential deployment there? And does your partner, Cespira, need to, I guess move trucks over to the United States? Or I guess how does that sort of I guess timeline look for potential development?

Daniel Sceli^ Yes. Sure. The intention isn't for trucks to come from Europe to North America at all. We're developing a CNG solution that is what we call the off-engine side of the thing. The on-engine, the Cespira's HPDI on-engine stuff, is fully developed and ready to go. So what this CNG strategy in North America will do for Cespira is bring additional volume. What it does for Westport, the -- what we call the back of cab system, the storage system for CNG combined with our high-pressure controls and our AFS engine control system is -- it's a full package that can be deployed into North America. The initial steps are going to be demonstration fleets. We're going to have trucks built with the CNG systems that fleets are going to run and trial. And certainly, our anticipation is that they'll be screaming for commercialization. Once we're through the demonstrations and have it proven out, we'll be working with the OEM to build out a commercialization plan. Again, the on-engine side is fully developed with HPDI. It's just a matter now of certifying a back of cap and doing the EPA certification, which is just simply miles on trucks.

Christopher Dendrinos^ Got it. Then maybe just shifting gears a little bit to the engineering revenue that you all recognized in the quarter. I mean is that sort of an ongoing, I guess revenue stream? Or was this sort of a onetime I guess recognition this quarter?

Daniel Sceli^ Well yes. So in our High-Pressure Controls business, we are paid for a lot of development work for the hydrogen systems from our OEM customers. So that's an ongoing thing. We'll be spending R&D money over the next three years and the customer pays for it at start of production. So we have a bit of a run here of cash out for R&D before we get the customers' payment to cover it. But it's an ongoing part of this business. These are very complex components that the customers, the OEMs look to us to develop the technology for them.

Operator^ I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Mr. Dan Sceli for any closing remarks.

Daniel Sceli^ Thank you. Well it's a pleasure always to share our story with our investors and the market. Thank you for your participation. And have a great day.

Operator^ This concludes today's program. Thank you, all for participating. You may now disconnect.