

NASDAQ: BLDP | TSX: BLDP

# Q2 2017 Results

Conference Call

August 3, 2017



# BALLARD POWER SYSTEMS

PUTTING FUEL CELLS TO **WORK**

*The Power of Fuel Cells, Simply Delivered*

**BALLARD**<sup>®</sup>

[WWW.BALLARD.COM](http://WWW.BALLARD.COM)

# Conference Call Participants



**Randy MacEwen**  
President & CEO



**Tony Guglielmin**  
CFO

# Forward-Looking Statements

The logo for Ballard, featuring the word "BALLARD" in a bold, blue, sans-serif font with a registered trademark symbol (®) to the upper right.

*This presentation contains forward-looking statements, including: estimated revenue; cash operating costs; gross margins; product cost reductions; adjusted EBITDA; liquidity; market size and growth projections; customer value propositions; and expected sales and product shipments. These forward-looking statements reflect Ballard's current expectations as contemplated under section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any such forward-looking statements are based on Ballard's assumptions relating to our financial forecasts and expectations regarding our product development efforts, manufacturing capacity, and market demand.*

*These forward-looking statements involve risks and uncertainties that may cause our actual results to be materially different, including, general economic and regulatory changes, detrimental reliance on third parties, successfully achieving our business plans and achieving and sustaining profitability. For a detailed discussion of these and other risk factors that could affect Ballard's future performance, please refer to our most recent Annual Information Form. Readers should not place undue reliance on Ballard's forward-looking statements and Ballard assumes no obligation to update or release any revisions to these forward looking statements, other than as required under applicable legislation.*

*All amounts are consolidated to include Ballard Power Systems Europe A/S and Protonex Technology Corporation results and are in U.S. dollars, unless otherwise noted.*

# Upcoming Investor Events

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- **Ballard to participate at the “Rodman & Renshaw 19<sup>th</sup> Annual Global Investment Conference”**
  - September 11<sup>th</sup> & 12<sup>th</sup> in New York City
  
- **“BALLARD INVESTOR & ANALYST DAY”**
  - Thursday, September 14<sup>th</sup> in NYC
  - Event to be webcast, beginning 10:00 a.m. ET
  - For those wishing to join the webcast, details will be available in the “*Investors*” section at [www.ballard.com](http://www.ballard.com) in late-August

# Financial Overview

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- **Strong progress in Q2 against 2017 financial performance objectives**
  - 50% year-on-year revenue growth
  - 6-point increase in gross margin
  - Positive Adjusted EBITDA
    - *Adjusted EBITDA of \$0.6M for trailing 12-months*
- **Well positioned for 2H and full year results**

# Electrification of Propulsion Systems

**BALLARD**<sup>®</sup>

- **Fuel Cell Electric Vehicles (FCEVs)**
  - Compelling value propositions in many Heavy Duty Motive use cases .... where standalone battery electric vehicles are challenged to address range, recharging, weight and operational & route flexibility
- **For Heavy Duty Motive vehicles with long routes, long duty cycles and limited flexibility for recharging infrastructure –**

**FCEVs with fuel cells and batteries in a hybrid configuration can generate key benefits:**

- (i) zero emissions
- (ii) low noise & vibration
- (iii) fast & smooth acceleration

+

**While also addressing battery limitations by offering:**

- (i) long range
- (ii) fast refueling
- (iii) full route flexibility  
....consistent with legacy diesel experience

# Heavy Duty Motive in China

## *Joint Venture Status*

**BALLARD**<sup>®</sup>

- **Solid progress in readying Yunfu JV facility, with partner Guangdong Synergy**
  - JV operation is tracking to Plan
  - Construction of building and infrastructure completed
  - Delivery and installation of production equipment completed
  - Staffing level at 91 employees
  - Initial pilot production runs completed  
→ have met Factory Acceptance Testing & Quality Control checks and generated solid yield & throughput data
- **Joint Venture on track to be operational in 2017**




*Yunfu joint venture facility*

# Heavy Duty Motive in China

## *Bus Market*

**BALLARD®**

- **Q2 announcement of transaction with  to support deployment of 400 FCveloCity® engines**
  - To power buses and commercial trucks in key Chinese cities
- **Total of 600 FCveloCity® engines for Broad-Ocean (in combination with Q1 announcement for 200 engines)**
  - \$29M total value
  - Significant deliveries expected this year



# Heavy Duty Motive in China

## *Bus Market* (Cont'd)

**BALLARD®**

- **Progress on technology transfer program to support engine assembly in 3 regions**
  - Shanghai, Wuhan, Shandong Province
  
- **Recent Broad-Ocean announcements**
  - Upcoming investment in facility near Wuhan in Hubei Province; capacity for assembly of up to 17,000 engines annually
  - Joint venture signed with Zhongtong Bus for fuel cell engines, bus platform & powertrain development in Liaocheng in Shandong Province



*Zhongtong hybrid bus*

# Heavy Duty Motive in China

## Tram Market

**BALLARD®**

- **6 FCveloCity® 200kW engines have been shipped to date to CRRC Qingdao Sifang Company**
  - Including 5 engines in Q2
- **To power the first fuel cell-powered trams**
  - On new Gaoming Line in the City of Foshan, beginning 2018
- **Total of 10 FCveloCity® engines expected to be shipped**



*CRRC Qingdao Sifang fuel cell tram demonstration in 2015, powered by Ballard*



*Ballard FCveloCity® 200 kilowatt engine*

# Heavy Duty Motive in Europe *Bus Market*

# BALLARD®

- **Funding available in 2016 call for 142 fuel cell buses**
  - Approvals from FCHJU now being secured for deployments in various cities
- **Funding application made under 2017 call for additional 152 fuel cell buses**
- **Together these 291 buses are an important step toward bringing down the cost of fuel cell buses**



*One of eight fuel cell buses in TfL's London, U.K. fleet, powered by Ballard*

# Heavy Duty Motive in the U.S. *Bus Market*

# BALLARD®

- **Q2 order received from SunLine Transit Agency for 5 FCveloCity® 150kW engines**
  - For buses in Palm Desert, CA
  - Expect to ship in 2017
- **Los Angeles County Metropolitan Transportation Authority planning to eliminate all emissions from its fleet by 2030**
  - Largest transit agency in SoCal, with a requirement for clean energy buses able to operate 20 hours a day, with 250 mile range
  - This is a use case that fuel cell + battery hybrid configuration can effectively address



*SunLine Transit Agency fuel cell bus,  
powered by Ballard*

# Heavy Duty Motive in the U.S.

## *Heavy Truck Market*

**BALLARD<sup>®</sup>**

- **Q2 announcement that Ballard will power drayage truck demonstration with Kenworth Truck Company**
  - 2-year program
  - Drayage truck will haul containers from Ports of Los Angeles and Long Beach to warehouses
  
- **California legislature has also re-authorized Cap-and-Trade program, together with Low Carbon Fuel Standard, to 2030**



*Rendering of Kenworth drayage truck,  
to be powered by Ballard*

# Other Updates



- **Japan**
  - Measured progress on initial field trials with key partners, including Toyota group .... also advancing other business development and technology programs
  - Partner confidentiality limits amount of information that can be shared
  
- **Protonex**
  - Behind Plan to this point in 2017
    - Primarily due to lower product shipments resulting from continued delay in achievement of Milestone C in the U.S. Army Program of Record
    - Continue to expect this achievement by year end
  - Encouraged by accelerated customer engagement in Ballard UAV / drone activity

# In Conclusion....

The Ballard logo consists of the word "BALLARD" in a bold, blue, sans-serif font, with a registered trademark symbol (®) to the upper right of the letter "D".

- **At a critical inflection point in adoption of fuel cells for a variety of Heavy Duty Motive applications**
- **Ballard well positioned for future success in target markets**
- **Energized team at Ballard as Company executes against the Business Plan, improves financial performance .... and builds shareholder value!**

# Q2 2017 Financial Highlights

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- **Delivered strong progress against 2017 financial performance objectives in Q2 –**
  - +50% year-on-year revenue growth to \$26.5M
  - +6-points in Gross Margin to 35%
  - +136% Adjusted EBITDA improvement to \$1.1M
  - \$68.1M cash reserves at end-Q2



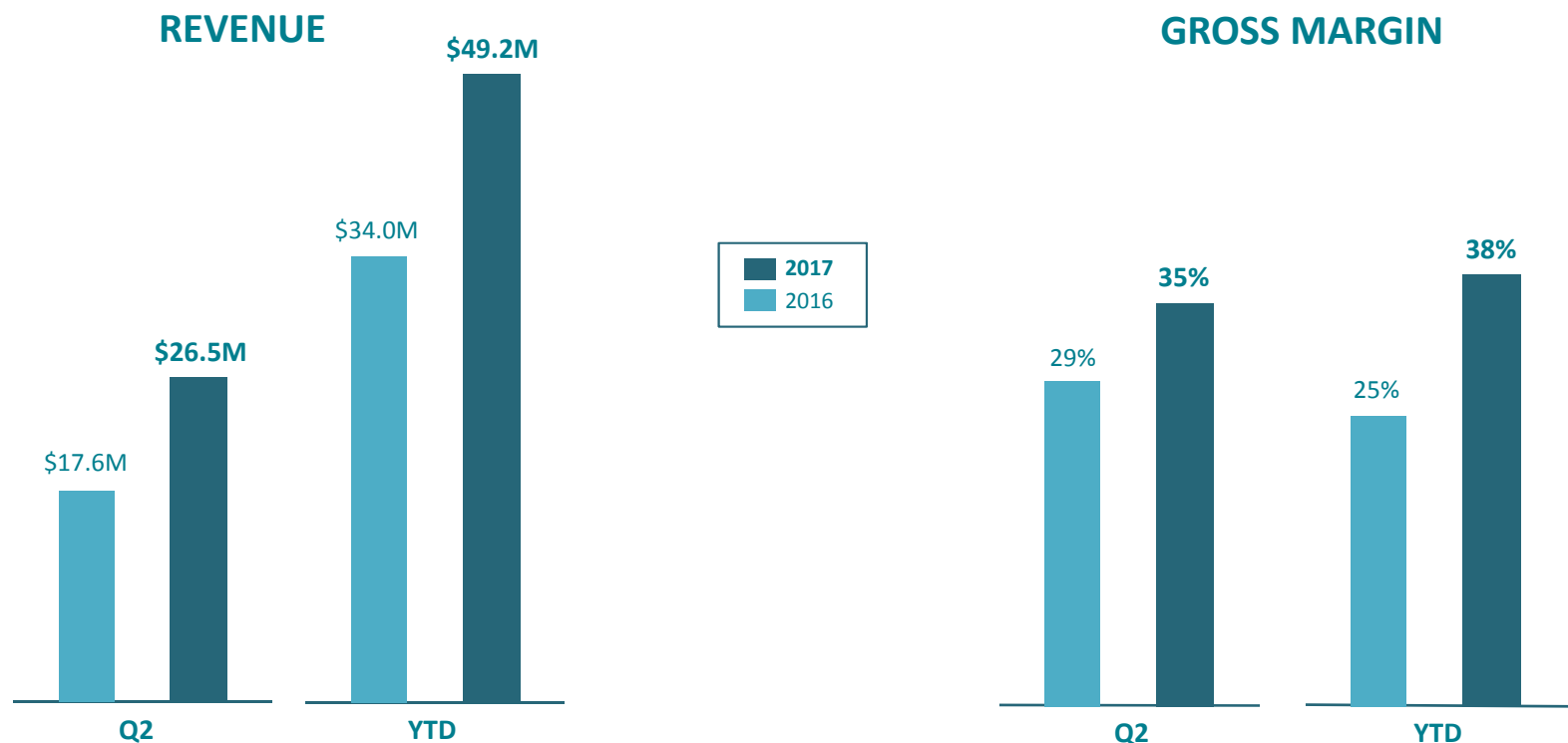
# YTD 2017 Financial Highlights

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- **Strong improvements YTD in 2017 –**
  - +45% year-on-year revenue growth to \$49.2M
  - +13-points in Gross Margin to 38%
  - +104% Adjusted EBITDA improvement to \$0.4M

# Q2 2017 Revenue and Gross Margin

# BALLARD®



- **Q2 2017 Revenue +50%, to \$26.5M**

- +29% Power Products, to \$15.2M
  - +157% Heavy Duty Motive, to \$12.2M
  - -69% Portable Power, to \$0.9M
  - -21% Material Handling, to \$2.0M
  - -93% Backup Power, to \$0.1M
- +93% Technology Solutions, to \$11.3M

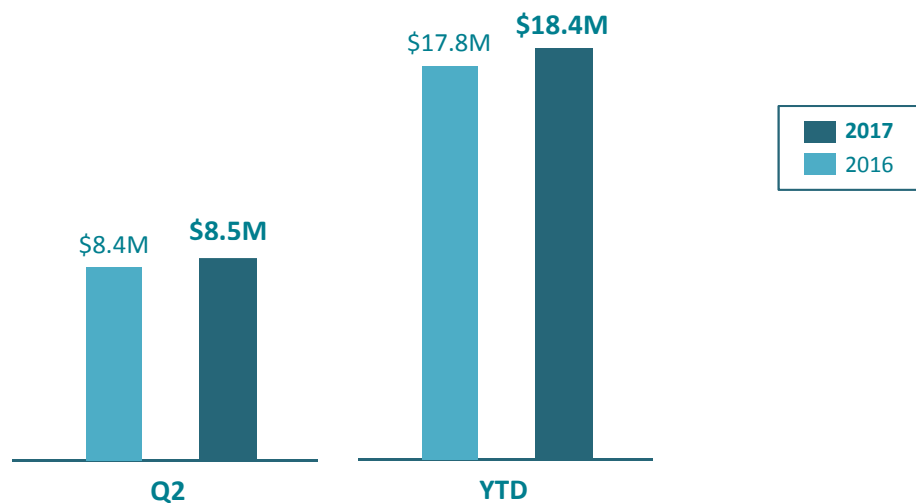
- **Q2 2017 Gross Margin +6-points, to 35%**

- Ongoing focus on growing revenue from high margin businesses, specifically Heavy Duty Motive and Technology Solutions

# Q2 2017 Cash Operating Cost Base and Operating Leverage

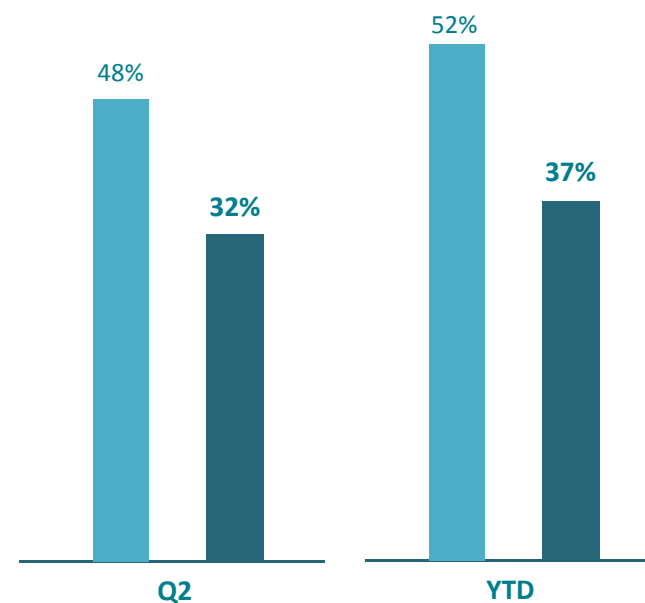
# BALLARD®

## CASH OPERATING COST BASE \*



- **Q2 2017 Cash Operating Costs +1% to \$8.5M**
  - Expect modest increase through the balance of 2017 to support product development activities and investment in China operating platform

## CASH OPERATING COSTS AS % OF REVENUE

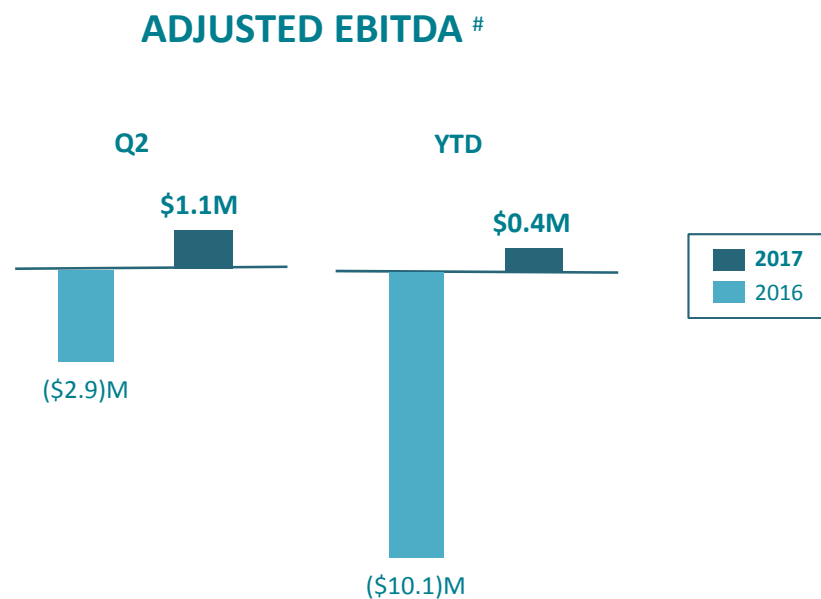


- **Q2 2017 Cash Operating Costs 32% of Revenue:**
  - 16-point improvement from Q2 2016
    - 15-point improvement YTD
  - Continuing positive trend in operating leverage

\* Measures operating expenses excluding stock-based compensation expense, depreciation and amortization, impairment losses or recoveries on trade receivables, restructuring charges, acquisition costs and financing charges

# Q2 2017 Adjusted EBITDA

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- **Q2 2017:**
  - Adjusted EBITDA improved 136% to \$1.1M
    - Trailing 12-month Adjusted EBITDA of \$0.6M
  - Net Loss improved 79% to (\$1.2)M
  - EPS improved 81% to (\$0.01)

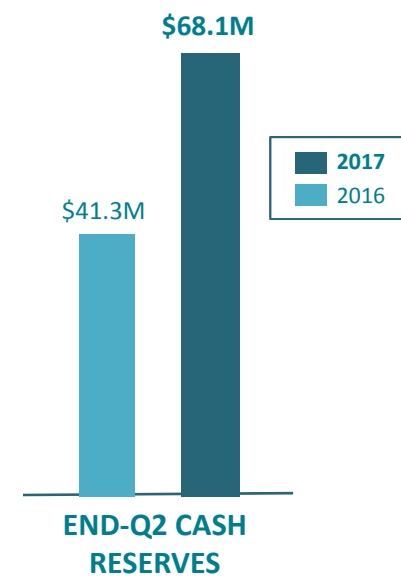
# Measures EBITDA adjusted for stock-based compensation expense, transactional gains and losses, asset impairment charges, finance and other income and acquisition costs

# Liquidity

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- Q2 2017 Cash Provided By Operating Activities improved 146% to \$1.8M

- End-Q2 2017 cash reserves of \$68.1M, +65% from end-Q2 2016



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**Q & A**

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