

NASDAQ: BLDP | TSX: BLDP

# Q3 2017 Results

Conference Call

November 2, 2017



# BALLARD POWER SYSTEMS

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PUTTING FUEL CELLS TO **WORK**

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*The Power of Fuel Cells, Simply Delivered*

**BALLARD**<sup>®</sup>

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

# Conference Call Participants

**BALLARD**<sup>®</sup>



**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.*

# Financial Overview

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- **Strong progress in Q3 against 2017 financial performance objectives**
  - 54% year-on-year Revenue growth
  - 32% Gross Margin
  - Positive Adjusted EBITDA of \$0.9M
    - *Adjusted EBITDA of \$3.0M for trailing 12-months*
- **Substantial Order Backlog and 12-month Order Book underpin strong position going forward**

# Heightened Global Interest in FCEV Value Proposition

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- **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

+

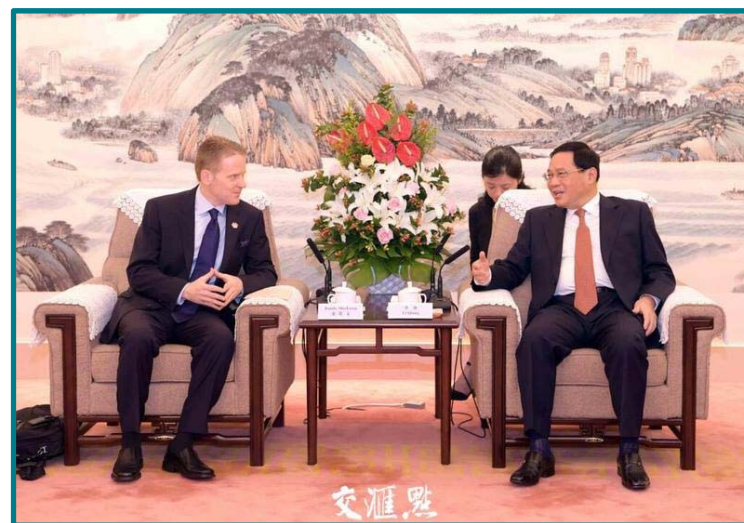
**While also addressing battery limitations by offering:**

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

# Global Movement Towards Decarbonization

# BALLARD®

- **Some countries & states moving toward banning all ICE vehicles**
  - Including Britain, France, India, Norway, the Netherlands, Germany, California
  - China has also announced development of a plan to eliminate fossil fuel-powered vehicles
- **CEO meetings with Mr. Hu Chunhua, Party Secretary of Guangdong Province and Mr. Li Qiang, Party Secretary of Jiangsu Province** (at right)
  - Discussed “30 by 30” vision .... targeting 30% of buses and commercial trucks to be FCEVs by 2030



# Global Movement Towards Decarbonization (Cont'd)

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- **C40 is a group of 40 megacities committed to addressing climate change**
- **“Fossil-Fuel-Free Street Declaration”**
  - October 2017 declaration targets procurement of only zero-emission transit buses by 2025
  - Signed by mayors of 12 C40 cities – London, Paris, Los Angeles, Copenhagen, Barcelona, Quito, Vancouver, Mexico City, Milan, Seattle, Auckland, Cape Town
  - These 12 cities currently have ~60,000 buses operating on their streets



# Shanghai Fuel Cell Vehicle Development Plan

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- **Ground-breaking Plan introduced in Shanghai, targeting:**
  - **2020** → Annual production of 3,000 FCEVs, 10 fueling stations, 2 fuel cell demonstration areas, \$2.2B in total fuel cell output
  - **2025** → Annual production of 30,000 FCEVs (20,000 passenger cars, 10,000 commercial trucks)
- **Ballard currently supporting Broad-Ocean subsidiary 'Shanghai EDrive'**
  - Licensed fuel cell engine assembly operation in Shanghai expected to be operational by end-2017





# Q3 Strategic Developments

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- **China**
  - Ballard joint venture facility with Guangdong Synergy in Yunfu officially opened in September
  - Ramping to annual production capacity of 6,000 fuel cell stacks ... then 20,000 stacks with 3 shifts operating 5-days per week
  - China Operations Video at - <http://ballard.com/investors/presentations-events>
  - Tangshan Vehicle Railway Company (“TRC”) launched trial of low floor tram, powered by Ballard engines



*Yunfu joint venture facility*



*TRC low floor tram*

# Q3 Strategic Developments (Cont'd)

# BALLARD®

- **Europe**

- **LOI received from Van Hool for 8 FCveloCity® engines to power tram-bus**
- 8 ExquiCity tram-buses expected to be delivered in Pau, France in 2H 2019



*Van Hool ExquiCity tram-bus*

- **Japan**

- **Announced development of FCgen® -1040 fuel cell stack with Nisshinbo Non Precious Metal Catalyst (NPMC) for ultra-lightweight applications**
- Received PO from Nisshinbo for **multi-year Technology Solutions program** to assess potential development of fuel cell stacks with NPMC for commercial material handling applications

# NISSHINBO



*FCgen® -1040 fuel cell stack*

# Q3 Strategic Developments (Cont'd)

# BALLARD®

- **U.S.**
  - **Protonex subsidiary achieved Milestone C** in U.S. Army Program of Record for Power Manager products
  - Purchase orders expected in 2018, following confirmation of military budgets



*Squad Power Manager  
SPM-622*

# In Conclusion....

The Ballard logo is displayed in a bold, blue, sans-serif font. The word "BALLARD" is in all caps, with a registered trademark symbol (®) to the upper right of the final letter. The logo is positioned on the right side of the slide, partially overlapping the blue header bar.

- **Underlying trends continue building momentum and driving demand for fuel cell-powered applications**
- **Ballard well positioned for future success in target markets**
  - **Products** for an expanding array of applications, including buses, commercial trucks & trains
  - Embedded optionality in **Technology Solutions** programs in emerging applications, including automotive & drones

# Q3 2017 Financial Highlights



- **Delivered strong progress against 2017 financial performance objectives in Q3 –**
  - +54% year-on-year revenue growth to \$31.9M
  - +1-point in Gross Margin to 32%
  - +158% Adjusted EBITDA improvement to \$0.9M
  - \$60.1M cash reserves at end-Q3

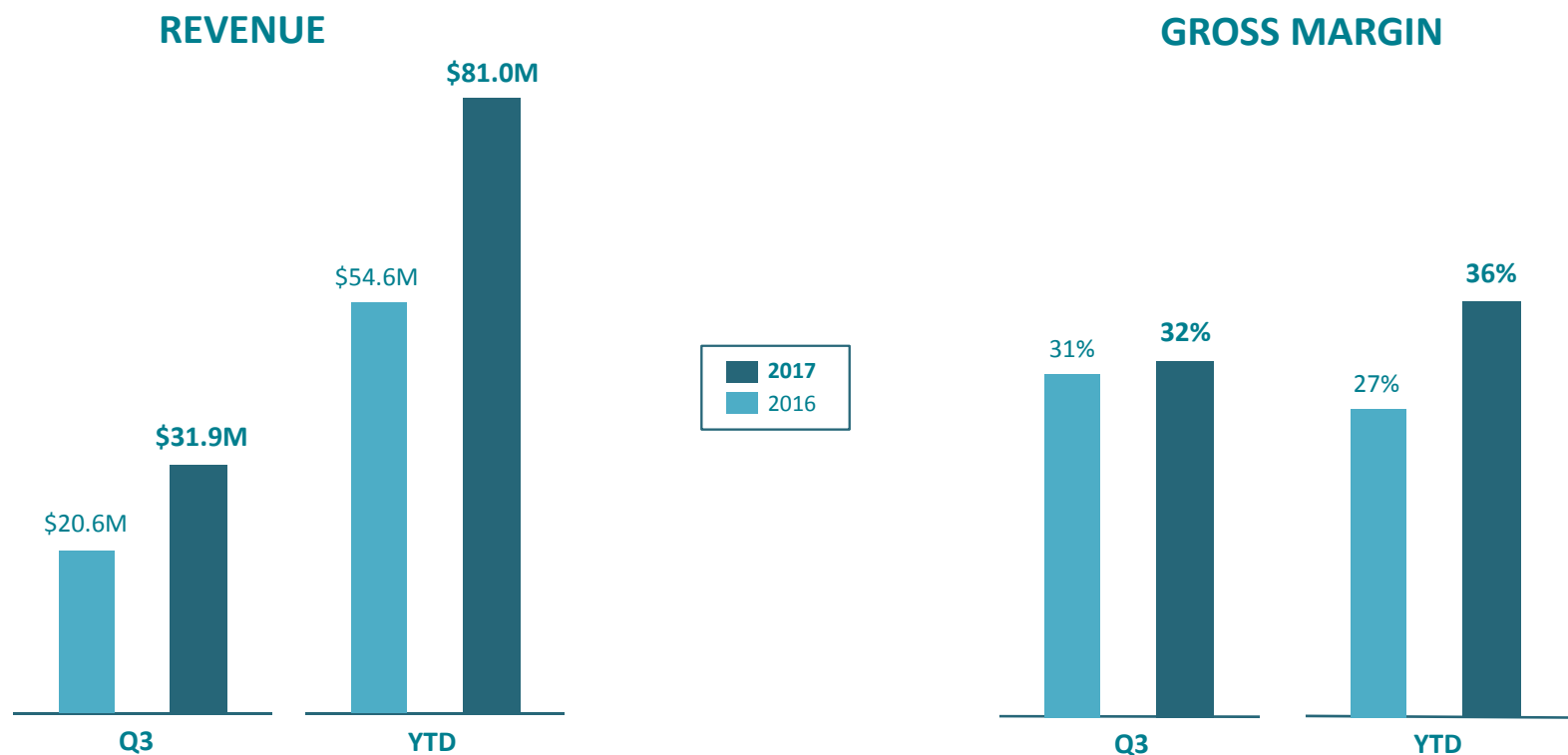
# YTD 2017 Financial Highlights

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- **Strong improvements YTD in 2017 –**
  - +48% year-on-year revenue growth to \$81.0M
  - +9-points in Gross Margin to 36%
  - +111% Adjusted EBITDA improvement to \$1.2M
    - *\$3.0M Adjusted EBITDA over trailing 12-months*

# Q3 & YTD 2017 Revenue and Gross Margin

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- **Q3 2017 Revenue +54%, to \$31.9M**

- +45% Power Products, to \$21.3M
  - +138% Heavy Duty Motive, to \$17.8M
  - -72% Portable Power, to \$0.9M
  - -39% Material Handling, to \$2.0M
  - -30% Backup Power, to \$0.6M
- +78% Technology Solutions, to \$10.6M

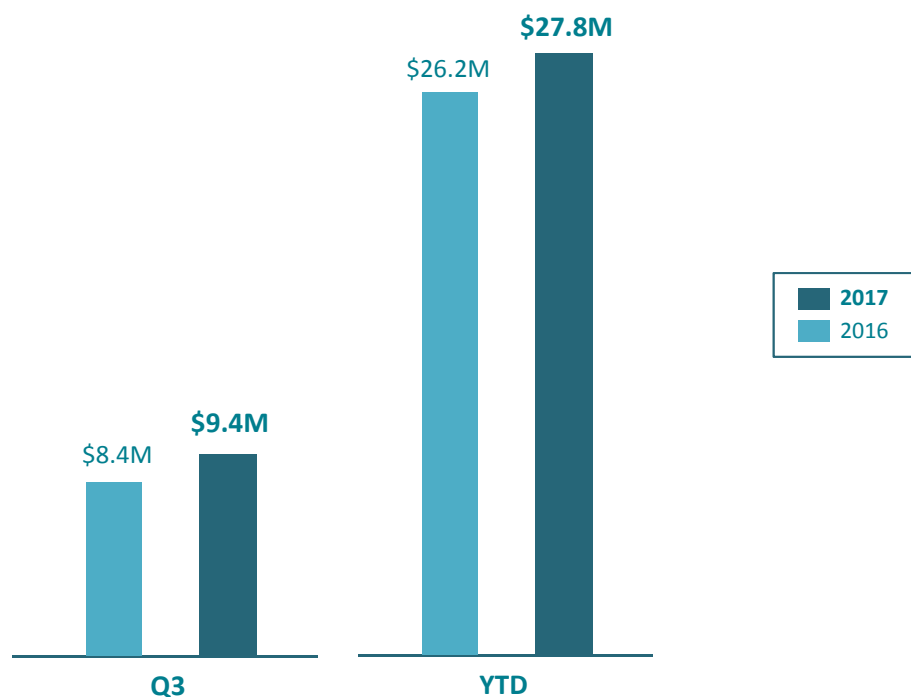
- **Q3 2017 Gross Margin +1-point, to 32%**

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

# Q3 & YTD 2017 Cash Operating Cost Base and Operating Leverage

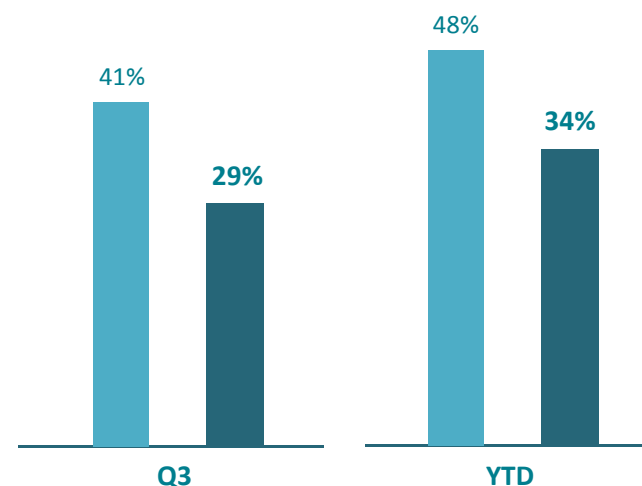
# BALLARD®

## CASH OPERATING COST BASE \*



- **Q3 2017 Cash Operating Costs +11% to \$9.4M**
  - Increased investment in research and product development work related to next-generation products

## CASH OPERATING COSTS AS % OF REVENUE



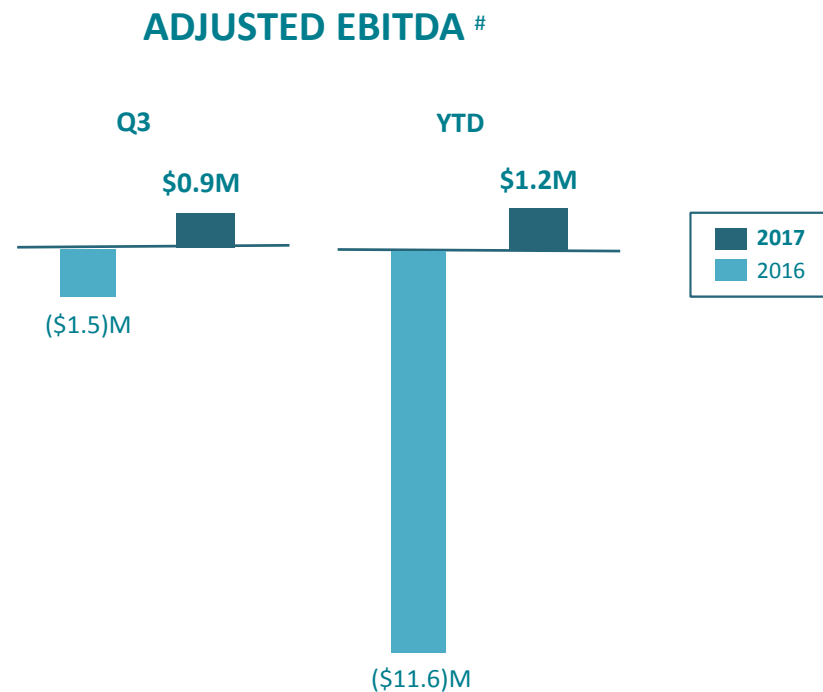
- **Q3 2017 Cash Operating Costs 29% of Revenue:**
  - 12-point improvement from Q3 2016
    - 14-point improvement YTD
  - Continuing positive trend in operating leverage

*\* 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*



# Q3 & YTD 2017 Adjusted EBITDA

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- **Q3 2017:**
  - Adjusted EBITDA improved 158% to \$0.9M
    - *Trailing 12-month Adjusted EBITDA of \$3.0M*
  - Net Loss improved 75% to (\$1.0)M
  - EPS improved 67% to (\$0.01)

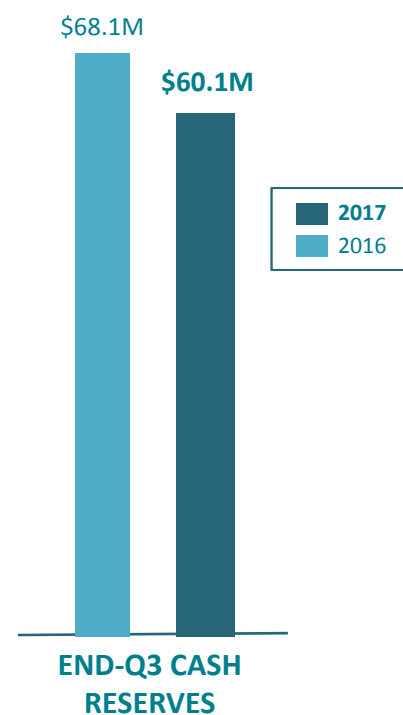
# Measures EBITDA adjusted for stock-based compensation expense, transactional gains and losses, asset impairment charges, finance and other income and acquisition costs

# Liquidity

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- **Q3 2017 Cash Used By Operating Activities increased to (\$7.7)M**
  - Working capital outflows resulted principally from lower deferred revenue balances related to China, as deliverables on contracts were fulfilled for which pre-payments had previously been received

- **End-Q3 2017 cash reserves of \$60.1M**



# End-Q3 Order Backlog



**End-Q3 2017: Order Backlog<sup>1</sup> of \$236.8M and  
12-Month Order Book<sup>2</sup> of \$82.4M**

<b>ORDER BACKLOG</b>	Order Backlog At End-Q2 2017	Orders Received in Q3 2017	Orders Delivered in Q3 2017	Order Backlog At End-Q3 2017
<b>Total Fuel Cell Products &amp; Services</b>	<b>\$263.5M</b>	<b>\$5.2M</b>	<b>\$31.9M</b>	<b>\$236.8M</b>

<sup>1</sup> *Order Backlog* = aggregate value of orders received

<sup>2</sup> *12-Month Order Book* = aggregate value of that portion of Order Backlog expected to be delivered in the subsequent 12-month period

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**Q & A**

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