

# ETI ALPHADIRECT MANAGEMENT SERIES

JANUARY 25 , 2018

## IN FOCUS: UQM TECHNOLOGIES (NYSE: UQM) AND ITS STRATEGIC PARTNERSHIP WITH CNHTC.

This issue focuses on UQM Technologies Inc. (“UQM”) and its recently announced strategic partnership with China National Heavy Duty Truck Group Co., Ltd (“CNHTC”), the parent company of Sinotruk, one of the largest commercial vehicle manufacturers in the world.



Source: [www.energytechinvestor.com](http://www.energytechinvestor.com)

### ALPHADIRECT ENERGYTECH INVESTOR INSIGHT

The opportunity in China remains a critical aspect for long-term growth at UQM in our opinion. Sinotruk and the CNHTC deal is a key part of that strategy and in this *alphaDIRECT* Management Series, we look for a progress report on that transaction and CFIUS approval as well as updates on Meritor and other recently announced wins. Over the past twelve months, the battery and fuel cell powered vehicle market has continued to gain traction and we are particularly encouraged by the opportunity in the commercial vehicle market around the world. In our view, UQM is one of the few pure play investments to take advantage of the vehicle electrification megatrend. With the recent cash infusion by CNHTC and the additional investment expected to be made once CFIUS review is concluded and approved, we believe UQM is very well positioned to take full advantage of the market opportunity. We are also watching the fuel cell compressor market closely as this could also become a meaningful market sector for UQM in the coming years. We are also keeping a close eye on Meritor and the E-axis development as UQM has now moved into the second phase with them and could present a meaningful commercial opportunity long-term.

### UQM Business Snapshot

**Founded:** 1967

**Headquarters:** Longmont, CO

**Nasdaq Ticker:** UQM (NYSE)

**Stock Price:** \$1.43\*

**Market Cap:** \$77.336M\*

**Website:** [www.uqm.com](http://www.uqm.com)

\*As of January 24, 2018



### About alphaDIRECT EnergyTech Investor

EnergyTech Investor, LLC (ETI), a division of AlphaDirect Advisors, is a research and Investor Intelligence firm that creates and implements digital content and programs to help investors better understand a company's key drivers including industry dynamics, technology, strategy, outlook and risks as well as the impact they could have on the stock price. EnergyTech Investor's expertise encompasses a variety of sectors including Clean Transportation, Emerging EnergyTech, Energy Services, Smart Buildings, Solar, Water Value Chain and Industrial. EnergyTech Investor was founded by Wall Street veteran and research analyst, Shawn Severson, after seeing a significant shift in the investment industry that resulted in less fundamental research conducted on small cap companies and a significant decline in information available to all investors. ETI's mission is to bridge that information gap and engage companies and investors in a way that opens information flow and analytical insights.

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## Participants

**Mr. Joseph Mitchell**  
**President and CEO**  
**UQM Technologies Inc.**

Mr. Mitchell joined UQM Technologies, Inc. in 2012 as Vice President of Operations and took over the role of President and CEO in January of 2016. Mr. Mitchell has extensive experience in the automotive industry serving in a number of international management positions and has over 17 years specifically in the hybrid and electric vehicle industry. Today he has UQM focused on expanding into new markets and growing with both existing and new customer opportunities and applications for UQM's leading electric drive technology.

**Mr. Shawn Severson**  
**CEO and Founder**  
**alphaDIRECT EnergyTech Investor**

Mr. Severson is the founding partner and CEO of EnergyTech Investor, LLC. He has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding ETI he led the Energy, Environmental and Industrial Technologies practice at the Blueshirt Group. Mr. Severson was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Stamine's top three stock pickers.



## ABOUT UQM TECHNOLOGIES INC.

UQM Technologies is a developer and manufacturer of power-dense, high-efficiency electric motors, generators, power electronic controllers and fuel cell compressors for the commercial truck, bus, automotive, marine, and industrial markets. A major emphasis for UQM is developing products for the alternative energy technologies sector, including propulsion systems for electric hybrid electric, plug in hybrid electric and fuel cell electric vehicles. UQM's headquarters, engineering, product development center and manufacturing operations are located in Longmont Colorado. UQM is TS 16949 and ISO 14001 certified.



**Shawn Severson:** Good Morning, Joe, and thank you for taking time to speak with us again today. The last time we spoke, we discussed the Meritor Alliance. Today's focus will be on the strategic partnership with CNHTC. Can you start by providing us with a brief overview of the deal?

**Joe Mitchell:** Thank you, Shawn, and good to speak with you again. Quickly summarizing the CNHTC deal, the transaction is set up to be completed in two tranches, with the first tranche having them purchase 9.9% of UQM stock (that stage has been completed) bringing in approximately \$5.0 million in proceeds to UQM. With this first stage, CNHTC is currently the largest shareholder of UQM. With the second stage, CNHTC will purchase an additional approximately 24% of UQM stock, giving them roughly 34% ownership in UQM on a fully diluted basis and bringing us another \$23 million in proceeds. The second tranche required both shareholder approval and CFIUS approval. Shareholder approval was obtained late last year with our shareholders voting overwhelmingly to approve the deal, and we continue to work with CFIUS to obtain their final approval. Beyond the capital infusion from CNHTC, the most important element of the investment is the business opportunities for UQM. CNHTC, being the parent company of Sinotruk, one of the largest commercial vehicle manufacturers in the world, will bring immense business opportunities to UQM. To give us local manufacturing presence in the largest market in the world for electric vehicles, we will be forming a joint venture with Sinotruk to build our electric propulsion systems for this market to serve both Sinotruk and other customers. Also included in the agreement is that UQM will have direct supplied content on every

system with the control board including our proprietary software, along with funded development programs to support the JV product needs.

**Shawn Severson:** Thank you, Joe. In August you signed the stock purchase agreement CNHTC, and CNHTC completed the initial purchase of 9.9% of common shares outstanding. Can you give an update on the progress and the CFIUS review?

**Joe Mitchell:** We continue to work directly with many members of the Sinotruk teams defining the product portfolio and development needs along with planning for all aspects of the JV. We are looking forward to the closing of the second tranche that will provide us the funding to contribute our portion of the equity needed to fund the JV. Our portion for our 25% ownership of the JV of contributed capital will be \$6 million. The CFIUS process and review continues. CFIUS has sent a number of supplemental questions to both us and CNHTC that have put us into a 45-day extension period for the CFIUS process. We now anticipate this being wrapped up by early March, assuming no other delays and they are satisfied with the responses provided and will not require additional information.

**Shawn Severson:** Has this request for additional time changed your focus or expectations?

**Joe Mitchell:** No, not at all. We continue to work very closely with the Sinotruk teams and we are all working under the anticipation of a positive review and approval.

**Shawn Severson:** Does this change the need for capital short-term?

**Joe Mitchell:** Also, no impact here. We are well capitalized and continue to see good momentum with our base business.

**Shawn Severson:** Are there any terms or exclusivity that are attached to the JV as it pertains to UQM?

**Joe Mitchell:** As we reported previously, our agreement and JV does have some levels of exclusivity. This JV is set up to serve the China commercial vehicle market for electric propulsion systems. We have the option to bring other products in such as our fuel cell compressor systems, but that is open, and the decision is controlled by UQM. To keep our options open, the automotive market is not currently within the scope of the JV but could be at some future point if we decide that makes sense. With Sinotruk having the majority stake of the JV, they will hold most of the senior management positions, but UQM will have key board and management representation, especially in the technical areas.

**Shawn Severson:** Following up on my previous question, we have heard a lot about the commercial bus market in China, but we know that Sinotruk has a broad commercial vehicle portfolio beyond buses. There has even been some activity in fuel cells with Sinotruk. Can you give a bit more color on where other opportunities sit with them in a broader portfolio?

**Joe Mitchell:** The fuel cell market in China is very hot right now and China has made a significant commitment to this technology. We have been able to participate in this

market growth with our fuel cell compressor system that we have sold to a number of customers around the globe, but the biggest orders have been in China so far. We are aware that Sinotruk is looking at a number of fuel cell vehicle applications, and we have been supporting them on a number of fronts including the E-drive, along with introductions to fuel cell suppliers in North America. The nice part from our perspective is regardless of energy source, the electric vehicles can use our powertrain and we will continue to support Sinotruk with these applications.

**Shawn Severson:** Meritor has been very active lately talking about new technology opportunities. Can you give an update on your progress there?

**Joe Mitchell:** We continue to work very closely with Meritor on the development of their E-axle applications. We have moved into the second phase of the development with them where they are developing the functional prototypes that will be ready for testing in the coming months. Meritor views this program as very strategic to their long-term vision of greater participation in the new energy vehicle market and we are very pleased to be associated with them and chosen as a key supplier to them.

**Shawn Severson:** Other markets have continued to evolve as well including a recent announcement with Keshi. Can you expand a bit on that opportunity as well as other niche markets?

**Joe Mitchell:** We obviously have been working with Keshi for quite some time on their mining application for electric drives that requires explosion-proof enclosures around all components. Keshi has been

working from their end to get the appropriate testing and certifications done to apply this technology in the mining industry which they have now completed. With the certifications done and Keshi receiving the first orders for these vehicles, we have received our first production order from Keshi for the delivery of \$1.2 million of explosion-proof E-drive systems during 2018. We certainly hope that this will be first of many production orders for this product line. The move to production took longer than first anticipated, but it is very good news for us to see this product move from the concept level to production. There are other niche markets we also participate in, such as Dannar with their utility vehicle and Kalmar with their airport pushback vehicles. The nice part of our product portfolio is it is proving to be applicable to many different products adaptable to electrification.

**Shawn Severson:** Fuel cells continue to gain attention for commercial applications. On a

strategic level, how are you in attacking that market and what is the opportunity for UQM?

**Joe Mitchell:** From our perspective, there are really two areas we focus on. First, with our traction or propulsion systems, we are independent to the energy source used so any growth in electric vehicles is positive. On our fuel cell compressor business, we continue to work to improve the performance and cost of this product to compete globally and we are working very closely with our key supplier, Eaton, on the compressor along with our customer base on how to move this product from a low volume concept to a full production tooled and validated product. We definitely see some excellent growth opportunities for this product line, especially in China, and we will continue to view this as a key product in our portfolio.

**Shawn Severson:** Thank you, Joe.

## SHAWN SEVERSON FOUNDER AND CEO

Mr. Severson founded alphaDIRECT EnergyTech Investor in 2016 after seeing a significant communication and information gap developing between small and micro-cap companies and the financial community. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Previously, he was Managing Director at the Blueshirt Group where he was the head of the Energy, Environmental and Industrial Technologies practice. Prior to the Blueshirt Group, Mr. Severson was at JMP Securities where he was a Senior Equity Research Analyst and Managing Director of the firm's Energy, Environmental & Industrial Technologies research team. Before joining JMP, he held senior positions at ThinkEquity, Robert W. Baird (London) and Raymond James. He began his career as an Equity Research Associate at Kemper Securities. He was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



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