2025-08-13

Worksport Ltd. Quarter 2 2025 - Prepared Remarks

Slide 1 – Introduction

Steven Rossi, Worksport Founder & CEO:

Good afternoon, everyone, and thank you for joining Worksport's Quarter 2 (Q2) 2025 earnings call. I'm Steven Rossi, Chief Executive Officer of Worksport Ltd. With me today is our Chief Financial Officer, Michael Johnston.

This quarter represents another significant step forward in our growth story. We achieved record quarterly revenues, meaningfully expanded our gross margins, and continued to build the operational and commercial foundation that will carry us through the rest of 2025 and beyond.

We will be reviewing the financial results for the quarter ended June 30th, 2025, which were filed earlier today in our Form 10-Q and can be accessed on our investor relations website at investors.worksport.com/#reports. At the end of today's call, both our prepared remarks and the accompanying presentation deck will be available for download.

After these remarks, we will open the line for questions from attending analysts. Let's begin.

Slide 2 – Safe Harbor Statement

During this call we will make forward-looking statements, including statements regarding our financial outlook for the full year 2025 and 2026; our expectations regarding financial and business trends; impacts from the macroeconomic environment, our market position, opportunities, go-to-market initiatives, growth strategy and business aspirations; and product initiatives and the expected benefits of such initiatives. These statements are only predictions that are based on our current beliefs, expectations and assumptions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results or events may differ materially. Therefore, you should not rely on any of these forward-looking statements. These forward-looking statements are subject to risks and other factors that could affect our performance and financial results, which we discuss in detail in our filings with the SEC, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and other SEC filings. The forward-looking statements made in this earnings call are made only as of today's date. Worksport assumes no obligation to update any forward-looking statements we may make on today's webinar.

Slide 3 – Agenda

Today's call will cover:

1. **Q2 2025 performance highlights** – financial and operational
2. **Growth and market expansion** insights and updates – including dealer network, e-commerce (B2C), and Business-to-Business (B2B) initiatives
3. **Innovation pipeline** – progress on HD3, SOLIS, COR, and AetherLux.
4. **Current operations** – production scaling, cost management, and operational readiness

5. **Updated 2025 guidance** – revenue, margins, cash flow targets, and capital priorities

With that, let's move into the numbers. Mike will walk us through the Q2 2025 financial highlights.

Slide 4- Q2 2025 – Financial Performance

Michael Johnston, CFO:

Q2 2025 was our highest revenue quarter in company history. Net sales reached **$4.10 million**, representing **114% year-over-year growth** compared to $1.92 million in Q2 2024, and an **83% sequential increase** from Q1 2025.

This growth was driven by:

- Continued ramp-up of our flagship AL4 premium tonneau cover,
- Expanding dealer adoption and order frequency, and
- Sustained strength in e-commerce sales across our direct-to-consumer channels.

Slide 5- Q2 2025 – Gross Margin Improvement

Gross profit for the quarter rose 173% to **$1.08 million,** compared to $396,000 in Q1 2025. Gross margin improved 800 basis points to **26.4%,** up from 17.7% in Q1 and 15.4% in Q2 last year—marking our third consecutive quarter of margin expansion. This sustained improvement reflects continued operational efficiencies and a favorable mix of new B2B and B2C sales.

Slide 6- Q2 2025 – Operating Expenses & Loss Improvement

Operating expenses were **$4.70 million**, up modestly from Q2 2024's $4.21 million but essentially flat compared to Q1's $4.65 million, ***despite*** significantly higher revenues. Within operating expenses:

- **Sales & Marketing** increased to $1.31 million, supporting dealer growth and digital marketing campaigns.
- **G&A** declined to $2.45 million from $2.99 million in Q1, showing early results from cost discipline. We note this occurred while production went up nearly 100%, our belief is that the G&A of the Company will not increase proportionally with exponential revenue growth.
- **R&D** was $300,000, down significantly year-over-year due to prior-year development peaks.

Our operating loss improved to **$(3.62) million** for Q1, versus $(4.26) million in Q1 and $(3.91) million in Q2 last year. Net loss for Q2 narrowed to **$(3.73) million** from $(4.46) million in Q1.

We remain committed to achieving near-term operational cash flow positivity. While the tonneau cover division is currently our sole revenue-generating unit, we believe it can sustain the broader corporate structure—including R&D for COR and SOLIS, the AetherLux product line, and general corporate expenses. This outlook is further supported by our expectation that COR and SOLIS will transition from R&D expenses to revenue-generating products later this year. Since we believe that general corporate expenses will not increase proportional to business growth and profitability, a true path to cash flow positivity in the near term.

Slide 7- Cash Flow Improvement

Cash and cash equivalents ended the quarter at **$1.39 million**, compared to $5.08 million on March 31st. However, at the end of Q2, **$4.76 million was the available borrowing capacity** on our credit facility. Operating cash usage in Q2 was approximately **$(3.10) million**, a 19% improvement from Q1's $(3.84) million cash outflow.

Slide 8- Inventory Overview

Accounts receivable increased in line with higher dealer sales volumes, while inventory remained stable at $5.88 million—approximately 90% raw materials and 10% finished goods. In Q1, inventory stood at $5.7 million with a 60/40 split between raw materials and finished goods. The reduced finished goods share reflects demand consistently outpacing production. Later in this report, we will outline the steps being taken to expand production capacity and meet this growth. We are happy to share these steps have been successful thus far. Our inventory profile positions us to fulfill ongoing dealer and e-commerce demand without requiring significant near-term investment.

Slide 9- Long Term Debt Position

Our long-term debt, excluding amounts repayable in the next twelve months, declined to $2.09 million (compared to **$4.78M** as of December 31, 2024, and $2.7M as of March 31, 2025).

Slide 10 – Manufacturing Equipment Investment (2026 Growth)

Special Note: On August 1, 2025, the Company submitted a $3 million purchase order and placed a deposit with an established manufacturing equipment supplier for additional machinery, with delivery currently as early as Q1, 2026 in the Company's discretion. This occurred with extremely favorable financing terms with the manufacturer, not expected to place a cashflow concern to the business. This additional equipment is expected to meaningfully increase production capacity at the Company's West Seneca, NY manufacturing facility, enabling the Company to meet anticipated customer demand more efficiently, improve operational throughput, and support future revenue growth.

- However, management emphasizes that it expects that Worksport's current equipment and supply chain can allow the Company to generate positive cash flows from operations

Now, back to Steven for key insights on business operations.

Slide 11- Dealer Network Expansion

Steven Rossi (CEO): Beyond the financial numbers, Q2 marks the foundation of what we can expect for the year ahead**.** I'd like to highlight some of the key milestones we achieved that are setting the stage for our future.

Our growth engine continues to accelerate across both B2B and B2C channels.

- **Dealer Network / B2B Growth**: In Q2 2025, we added two national distributors to our dealer network. In April, we added Patriot Auto Group, which brought over 200 dealers under the Worksport dealer network. In June, we added another national distributor with access to approximately 250 additional dealer accounts.
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    - At full activation, Worksport estimates that our distribution network as of Q2, can support **over $21.5 million in annual repeatable revenue**, **alone (not including B2C sales via its online platforms)**, driven by ongoing B2B traction and demand for its premium, American-made tonneau covers. Importantly, this figure reflects *revenue potential at **current** dealer size*—a number that management expects to grow meaningfully as dealer onboarding continues through the second half of this year, which is expected to bring significant demand with fall being among the busiest seasons for our product among consumers.
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    - With more than **450 new accounts added year-to-date**, up from 94 at the end of last year, Worksport's U.S. dealer network is expanding rapidly, with new accounts joining weekly.

Slide 12- E-Commerce Growth

E-Commerce: Direct online sales, both via our own website remain a high-margin growth driver and accounted for over 50% of total unit volumes in the quarter. Online sales continue to grow at rapid paces.

- From this e-commerce and B2B growth, Worksport posted 3 months of consecutive record sales in Q2 2025.
    - April 2025: $1.22M
    - May 2025: $1.28M
    - **June 2025: $1.6M**
        - In June, we were already at an annual run rate of $19.2M. We expect the revenue increase will continue every quarter.
        - **Each month the gross margin improved.** This is why we are extremely excited for Q3 and Q4. Notably, Black Friday & December holiday sales are expected to bring significant demand in Q4.

Our strategy remains focused on giving local retailers and dealers the tools, margins, and product quality they need to succeed – creating a long-term mutually beneficial relationship that drives volume for Worksport.

Slide 13- Production Scaling

We mentioned previously demand continues to outpace production. We are proud to report our U.S. manufacturing facility in West Seneca continues to scale efficiently. We are targeting **200 units/day** production by late Q3, compared to approximately 50 units/day at the start of 2025. This quadrupling of daily throughput will drive significant fixed-cost absorption benefits and push gross margins toward our late-2025 target of 30%+.

Recruitment and training of skilled assembly technicians have kept pace with our production ramp-up, supported by the implementation of lean manufacturing practices to streamline workflows and reduce waste. In July 2025, average daily production was approximately 115 units, climbing to around 130 units in the latter half of the month. We also achieved record single-day output of 160 units, setting a strong foundation for Q3 2025.

Slide 14- Innovation Pipeline: HD3

HD3: On track for Q3 launch with production already scheduled, the HD3 is a heavy-duty tonneau cover designed for commercial and fleet applications. Building on the AL3, it features upgraded materials, seals, and latching for maximum durability. While available through all channels, its primary focus is driving growth in our wholesale and B2B segments, adding a new revenue stream and completing our U.S.-made tonneau cover lineup.

Slide 15- Innovation Pipeline: SOLIS & COR

SOLIS: Beta testing has commenced with select customers for the SOLIS solar-integrated tonneau cover. The redesign announced in late 2024 is delivering anticipated cost savings and expanding compatibility with third-party portable power systems. We remain on track for a Q4 launch.

COR: The COR Portable Power Station is nearing mass production readiness. COR's modular design enables integration with SOLIS or standalone use, targeting jobsite, overlanding, and emergency backup markets. The Worksport COR is projected to launch at the same time as the SOLIS cover.

COR and SOLIS together function as Worksport's portable nano-grid. In Q2 2025, this system was selected by a multi-billion-dollar U.S. construction agency for a pilot project for its fleet use. Testing and use is ongoing. **Together,** COR and SOLIS position Worksport within the fast-growing broader portable energy market—a space the Company believes will be a key long-term profitability driver.

Slide 16- AetherLux: Revolutionary Heat Pump Technology

- **Clean-Tech Development – AetherLux**
  On February 11, 2025, we introduced **AetherLux**, a cold-climate heat pump featuring two industry-first innovations:

  - **ZeroFrost™ – No Defrost Cycles:** Continuous operation without the traditional defrost interruptions that reduce efficiency in freezing conditions.
  - **Ultra-Low Temperature Performance:** Operates in ambient temperatures as low as -59.6°F (-51°C), far beyond the capabilities of typical commercial heat pumps, enabling use in extreme arctic environments.

Since its launch, AetherLux has attracted significant interest from major global corporations, federal governments, and numerous distributors, with inbound inquiries potentially representing **hundreds of millions** of dollars in potential opportunities.

Slide 17- AetherLux Q2 Progress

In Q2 2025, Terravis Energy, our subsidiary company has achieved numerous milestones on this disruptive technology:

- It has advanced AetherLux heat pumps from lab testing to commercial testing;
- Initiated manufacturer selection for product certification;
- Continued R&D optimization of ZeroFrost™ technology, and;
- Began evaluating strategic business opportunities.

Management believes AetherLux could have a meaningful impact on Worksport's 2026 balance sheet, supported by its position in the $123B global market.

Slide 18- Intellectual Property Portfolio

Worksport holds a robust and growing global portfolio of nearly 200 issued, registered, and pending patents, designs, and trademarks. We believe our intellectual property protects our innovation and branding, strengthening our competitive position and helping us address potential challenges in the market.

Slide 19- Tariff Impact & Management

While our current revenue-generating tonneau cover line is manufactured in the U.S. with approximately 90% or more domestically-sources components, recent tariff-related pressures have contributed to a 5–10% inflationary increase in costs, including Worksport's domestic material costs. To date, these increases have been offset by operational efficiencies that have lowered per-unit costs. Worksport's management team has outlined several alternative strategies as well, to offset the effects of inflation as a result of tariffs and remains confident that these strategies will only prove to increase long-term profitability once domestic material price inflation eventually and inevitably subsides.

For upcoming products—particularly those incorporating solar cells and lithium-ion batteries sourced internationally—the potential impact of tariffs remains less certain. However, we note that such cost pressures affect our competitors equally, and in some cases more severely, especially where reliance on global supply chains is greater.

Given the continued growth and healthy margins in our tonneau cover business, we are confident in our ability to manage tariff-related cost inflation while advancing toward near-term cash flow positivity and maintaining our 2026 profitability target.

Passing it to Mike with our updated FY 2025 Outlook and Guidance.

Slide 20- 2025 Revenue Guidance

Michael Johnston, CFO:

We reaffirm our full-year 2025 gross revenue target of at least **$20 million**. Based on Q2 results and current order momentum, we remain confident in meeting this goal, supported by continued dealer adoption, production growth, and the successful launches of HD3, SOLIS, and COR in the second half of the year.

Slide 21- Margin & Expense Outlook

Gross margins have exceeded initial forecasts and are expected to rise each quarter, reaching our **30% target by year-end**. Operating expenses are projected to grow at a slower rate than revenues, enhancing operating leverage.

Despite tariff-related headwinds, we are targeting **operational cash flow breakeven by late Q4 2025 or early Q1 2026**. While a successful launch of COR and SOLIS could accelerate profitability in 2026, we believe our core tonneau cover business alone can drive us into profitability next year.

Slide 22- 2026 Profitability Drivers

We view COR, SOLIS, and AetherLux as significant profitability enhancers in 2026. Current expectations are **$2-3M in revenue from the first batch of COR and SOLIS**, with AetherLux anticipated to deliver a meaningful positive impact to the 2026 balance sheet. More detailed projections will be provided in Q4 2025.

Slide 23- Commentary on Cash

As of June 30, 2025, we have access to approximately **$6 million in total liquidity**, consisting of $1.39 million in cash and cash equivalents **and** $4.76 million in unused capacity on our revolving credit facility**.** In addition, we hold **$5.88 million in inventory**, providing a strong foundation to support ongoing sales growth without significant near-term investment in working capital.

Cash used in operating activities improved meaningfully in Q2, declining to approximately **$(3.10) million**, compared to **$(3.84) million** in Q1. This 19% improvement reflects both higher gross profit and disciplined expense management. We expect further efficiencies in the second half of the year as production continues to scale.

We expect to spend moderately in the second half of 2025. Key expenses will relate to the final tooling of the COR & SOLIS and increased production growth in the US factory.

Most of our required equipment for tonneau cover production is already in place, although management has invested in additional equipment for growth in 2026, with zero interest payment terms offered by this vendor. This would allow Worksport to essentially double its production throughput without significant cash outlay or interest expenses in 2026.

Slide 24- Capital Position and Strategy

We also continue to make progress on our **Regulation A crowd fund offering**, which has been highly successful in attracting new retail investors to the Worksport shareholder base. This offering has enhanced our shareholder base, increased trading liquidity, and strengthened market visibility. We are announcing today that we expect to close this Reg A offering at the **end of August 2025**. If we achieve the **full $10 million allotment**, management believes the Company will be fully funded for the remainder of 2025 and into 2026.

While we will consider opportunistic access to capital markets, our intent is to limit further notable equity dilution. We aim to leverage the Company's **existing outstanding warrants**, which are exercisable in the **$4.50 to $6.70 range**, as a potential source of growth capital for 2026. This approach is aligned with our path toward cash flow positivity and eventual profitability. Management believes that as we execute in Q3 and Q4, the market will better recognize the Company's intrinsic value, creating the potential for these warrants to be exercised at prices that benefit both shareholders and the Company.

Importantly, we believe that the successful execution of our operational and growth initiatives will enable the Company to approach **near**-profitability **without requiring capital beyond** the targeted $10 million from the current Regulation A offering. We further believe access to efficient debt tools will be available as we approach cash flow positivity.

Finally, we would like to highlight that we view **AetherLux**, our proprietary cold-climate heat pump technology, as a significant strategic asset whose value is not **currently reflected in our share pric**e. We believe that as the market gains greater awareness of its potential applications and commercial opportunities, this technology could represent a **meaningful source of long-term shareholder value.**

Now, back to Steve with our concluding remarks.

Slide 25- Concluding Remarks:

Steven Rossi, CEO:

Thank you, Mike. Q2 2025 was a pivotal quarter for Worksport. In just one quarter, we increased revenue by **83%** while improving gross profit by **173%** compared to the prior quarter. We also decreased operating loss by **15%.** We believe that in Q3, this growth will in revenues and decrease in operating loss will continue. We are optimistic about cash flow positivity and profitable cash flow within 2026.

Slide 26- Priorities for Remainder of 2025

Our priorities for the remainder of 2025 are clear:

1. **Scale production** to meet demand while maintaining quality.
2. **Launch new products** – HD3, SOLIS, and COR – successfully and on schedule.
3. **Expand dealer relationships** and deepen e-commerce reach.
4. **Continue innovation leadership** in both automotive accessories and clean energy.
5. **Create increased brand awareness** utilizing key media and influencers.
6. **Execute with discipline** toward cash flow positivity.

I want to thank our employees, partners, and shareholders for their continued support and commitment. We are building a company with the potential to lead at the intersection of automotive and clean energy – and Q2 showed that our strategy is working.

Michael Johnston (CFO): Thank you everyone. – This concludes our prepared remarks. Operator, please open the line for questions.

Slide 27- Question & Answer Session

Operator: Worksport is now opening the floor for Q&A. We welcome live questions from the analysts attending the call. Investors attending the call are encouraged to email investors@worksport.com with their questions and we will get back to you.

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