



## Read-Throughs from Clean Energy Call for Westport

### Description

One of **Westport Innovations'** (TSX:WPT,NASDAQ:WPRT) peers, **Clean Energy Fuels** ([NASDAQ:CLNE](#)), reported quarterly earnings yesterday. Peppered throughout the company's conference call were several comments that seemed positive for Westport's engines, or at least for the industry in general. These points are summarized below:

- Clean Energy pumped 49.9 million gallons in Q1'13, up from 43.7 million in Q1'12, a 14% increase. A sign that either more natural gas fuelled engines are in use, or the ones in use are being relied upon more heavily.
- Further indications that Corporate America is supporting the push for cleaner burning natural gas over diesel fueled engines. **UPS** ([NYSE:UPS](#)) has made a strong commitment and plans to purchase 700 additional LNG trucks over the next 18 months. In addition, **Proctor & Gamble** ([NYSE:PG](#)) has made natural gas fueled vehicles a requirement for trucking fleets that transport the company's products.
- **Waste Connections** ([NYSE:WCN](#)), the 4<sup>th</sup> largest publicly traded waste company has also committed to starting to use natural gas fueled engines in its fleet of trucks.
- Clean Energy is gaining traction with airports, taxis, and the shuttle market, an indication that these hub related businesses are becoming increasingly exposed to natural gas fueled engines.
- The Natural Gas Highway in the U.S. continues to expand. Clean Energy currently has 70 stations built with 2 very near to completion. 20 more are under early construction and there are 34 more behind that. The company is trying to get ahead of an expected massive uptake in natural gas fueled engines in the Class A trucking market over the next two years. They are not alone. This wasn't on the conference call but the analyst at Raymond James indicated that China's ENN Group is building 50 LNG fueling stations in 2013 along U.S. interstates. This company has 238 such stations in China. And, Shell and TravelCentres of America finalized plans that could see them build 200 LNG fuel lines at 100 highway sites to build by 2014.
- Back to the call, as mentioned, Clean Energy's CEO explained that this build out is required to accommodate the tremendous expected growth in natural gas fueled engines. He indicated that about 200,000 Class A trucks are sold per year. This year, he expects "a couple of thousand" of these will be natural gas fueled. Next year, he expects this number to increase to 7,500 (12-litres) and by 2015, 20,000 units or 10% of all Class A truck sales. A 10x increase over two years

sounds like a bold prediction, but CEO Littlefair in fact described it as “pretty conservative”.

## Foolish Takeaway

This is an industry that is obviously evolving, and from several angles, Westport appears well-positioned. Seemingly, the biggest problem Westport has is that it doesn't make any money. As Clean Energy is finding out from the likes of ENN and Shell, evolving industries tend to attract competition. Westport needs to begin monetizing its current advantage before the competition catches up.

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*Fool contributor Iain Butler does not own shares in any of the companies mentioned in this report at this time. The Motley Fool owns shares in Westport Innovations.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:CLNE (Clean Energy Fuels Corp.)
2. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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