



Westport Innovation's Quarterly Release: Swing and a Miss

Description

One of Canada's most innovative companies, **Westport Innovations** (TSX:WPT,NASDAQ:WPRT) reported its quarterly earnings after yesterday's close. Based on the market's reaction, with the stock currently off by more than 12%, the results were a disappointment.

The consensus estimate for Westport's 2nd quarter EPS was for a loss of \$0.49. The company checked in with a loss of \$0.61.

Reported revenues of \$34.9 million also missed the estimate of \$43.2 million and were lower than the \$49.1 million the company booked in last year's second quarter.

In addition, the company also dropped its full year 2013 revenue guidance range to \$160-\$180 million. This range had been \$180-\$200 million.

Though disappointing, even at the low end of this range, it still indicates a much stronger second half of the year for Westport.

The real issue

Westport's products are still in their relative infancy and therefore top and bottom line quarterly misses shouldn't be all that concerning to those investors that believe that this story has legs over the long-term.

What should however be a concern to Westport's investors is the rate at which the company is plowing through cash. The company's cash balance at the end of the second quarter stood at \$135 million. This is down from \$276 million at the same time last year. A 51% year-over-year decline. And at least one analyst (Raymond James) is forecasting that this cash burn will continue, although at a declining rate, through 2014.

The company's cash balance was built up by an equity raise in the first quarter of 2012. Should the drawdown continue, investors have to at least partially expect something similar to occur at some point in the next year or so.

The Foolish Bottom Line

Westport seemingly has a brilliant piece of technology and the company is gaining traction in a market with almost endless possibilities. However, for shareholders to benefit, this technology needs to be monetized – soon. Otherwise, the company's long-term prospects could be squashed by the more near-term financial reality that it faces.

Westport is a leader in an unproven industry. Many of today's best companies started out the same way and have gone on to make their shareholders billions (and billions, and billions) of dollars richer. 3 such companies are profiled in our special **FREE** report "**3 U.S. Stocks Every Canadian Should Own**". Simply [click here](#) and we'll send you this report – absolutely **FREE!**

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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:WPRT (Westport Fuel Systems Inc.)

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