



Straight From the CFO: Understanding Westport Innovation's Segments

Description

Bill Larkin is the CFO of **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)), a global leader in low-emissions transportation technologies that engineers the world's most advanced natural gas engines and vehicles. A CPA with a degree in accounting from the University of Southern California, Bill has also served as CFO of Fuel Systems Solutions and DDi Corp.

In the interview clip below, Bill breaks down the different segments of Westport — including components and kits for aftermarket conversion, on-road trucking, and off-road vehicles — and its work with partners such as **Ford**, **Volvo**, **PACCAR**, **Caterpillar**, and **CN Rail**. (Run time: 3:10; a transcript is provided below. If you'd like to view the entire interview, [click here](#).)

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Brendan Byrnes: Could we talk about, when investors look at your financial statements, how you break down your segments and what goes into each of those?

Bill Larkin: Sure. Transparency to our business is very critical, especially for an investor to understand our business. It is a very complex business. It's become more complex over time as we expand our global footprint, but also our technology portfolio.

We try to provide that transparency and break down the business; number one, this is how we manage it, and two, to help the investors to understand what are those growth levers that we have in each of our businesses?

If you look at our Applied Technologies business, that's principally our components business, which is principally headquartered out of Italy. The original focus was more of an aftermarket type components business, supplying components and kits for aftermarket conversions, but also we can leverage our core OEM relationships.

If you look at what we've done with **Ford**, now we can sell our components that we manufacture in Italy, and integrate those into our Ford products. That's what we're trying to drive towards more, is start

bolstering that product portfolio so we can continue to expand into different product offerings in the automotive technology.

Now, the on-road business is quite broad. When we went through the realignment last year we really wanted to get focused on our OEM customers, because under the old structure — in our light-duty structure — we had a relationship with Volvo, and then with the heavy-duty structure we had a different relationship with Volvo, and that just doesn't work.

We need to have one person interacting with the Volvo management team, whether it's on the heavy duty product, or automotive product, or any of the products that they offer.

Today, when you fast forward, that business is focused on bringing HPDI technology to the on-road trucking markets, whether it's through the PACCAR relationship using the 15-liter HPDI system, or through Volvo, and we're pursuing other OEM customers as well.

Then finally, if you look at our off-road new markets, this is our **Caterpillar** relationship, this is our CN Rail relationship with EMD, and also we have our China operations folded in there as well.

Brendan: You mentioned your HPDI technology. Could you explain to investors what that is, and why that's so important to Westport?

Bill: Sure. What's critical to the customer who uses this technology is, ultimately we want them to use natural gas as the primary fuel, and we want them to say, "Yup, this runs like a diesel engine."

What the HPDI system does is it preserves the existing characteristics of a diesel engine compression ignition. What that delivers to them, by running on natural gas, we can deliver the same fuel efficiency, same horsepower, and same torque. Ultimately, to the end customer, that's critical.

For part one of our interview with Bill Larkin, [click here](#).

The Motley Fool owns shares of Westport Innovations. Fool co-founder David Gardner owns shares of Canadian National Railway and Ford. Fool co-founder Tom Gardner owns shares of Paccar.

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1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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