



The Most Misunderstood Thing About Westport

Description

The natural gas industry is not a sector that offers instant gratification, but **Westport Innovations** (TSX:WPT)([NASDAQ:WPRT](#)) has weathered the long development cycles and is planning to embark on even more product development.

In the following interview segment, Bill Larkin, Westport's CFO, talks to The Motley Fool's Brendan Byrnes about the biggest misconception of Westport, as well as the company's "huge" partnership with **Caterpillar** ([NYSE: CAT](#)). (Run time: 2:45; a transcript is provided below. If you'd like to view the entire interview, [click here](#).)

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Brendan Byrnes: Obviously Westport is a complicated company, when investors are looking at it. What do you see as the most misunderstood thing about Westport, when you're talking to investors or talking to people about the company, on the street?

Bill Larkin: I think one of the biggest frustrations is, "Why can't we get to profitability sooner? Quicker?"

One of the biggest challenges that we have is, when we enter into these investment programs like the **Volvo** program, it's a three- to five-year investment cycle. This isn't something where we enter into a relationship over a period of three to four months, we develop a product and we bring it to the market.

Here, we're investing tens of millions of dollars over a period of three to five years until we bring the product to the market. I think that's why we're very excited about our future, because we have a European product and a North American product coming out with Volvo. It's the 13-liter.

We're just launching the 12-liter spark through the joint venture with CWI. We've got our 12-liter HPDI version over in **Weichai**. These things, we've been working on them for years, so now we're finally bringing them to the market. We will top line contributions and also bottom line contributions from these products.

Brendan: You mentioned earlier working with Caterpillar on natural gas engines for locomotives. Could you talk about if this could be a big growth driver going forward, and where the technology is right now?

Bill: Huge. Huge growth driver for our business, but also it helps when Buffett gets up there and says, "This is the greatest thing since transitioning from steam." Not to quote him, but I think he's said he could see the entire rail industry transitioning over to natural gas by 2020.

If you look at ... The rail industry is in fierce competition with the trucking industry. They see this as a competitive advantage because fuel is the single largest line item on their P&L in terms of cost. If we can reduce their cost of fuel by 20, 30, or even 40%, that gives them a huge competitive advantage by driving down their overall cost for moving products.

From our perspective, if you look at our existing 15-liter system, it's anywhere from \$40,000 to \$60,000. Well, for the rail industry you're talking low six figures on a per-system basis, and that's just on the actual engine part. Then there's a huge opportunity in fuel storage because cryogenics is one of our core expertise.

The tender car business could be a good opportunity, and I know the fuel providers are looking at how do they get into that business?

The Motley Fool owns shares of Westport Innovations.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. NYSE:CAT (Caterpillar)

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