



How Westport Sizes Up International Opportunities

Description

There's no shortage of international opportunities in the natural gas vehicle and component industry. In this segment of Fool.com analyst Brendan Byrnes' interview with **Westport Innovations** (TSX:WPT, NASDAQ:WPRT) CFO Bill Larkin, Larkin explains what goes into Westport's investment decisions as it evaluates each country's unique mix of economics, politics, opportunities, and — in some cases — subsidies. (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: You talked about North America, China. What are some other big international markets that **Westport** might be focusing on?

Bill Larkin: All over. South America ... I think if you look at Asia, huge growth market for us. Europe, from a trucking perspective. Russia is a great opportunity. I think they just came out and said that one of their initiatives is to convert all vehicles — or at least half their vehicles — to run off natural gas, so that's a huge opportunity for our components business, is to be a supplier of those components.

Brendan: What's the biggest thing you look for when you look for what countries to target internationally? Is it infrastructure? Is it friendly government subsidies? What do you look for?

Bill: Ultimately, we're looking at, "How do we get a return?" because there's going to be some level of investment and we've got to look at, "What are the economics to Westport?"

We have a process that we go through, and we evaluate each and every one of our investment opportunities. We have a lot of opportunities and we're in a situation where we've got to kind of pick and choose what we go after. We don't have unlimited capital, so we're looking at the economics and what are the returns on that?

Then also, what can we leverage from our existing portfolio of technology? Sometimes when you go

into these different markets you may have to partner with someone, and who is that partner going to be?

Each and every country, deal, the dynamics are a little bit different.

Brendan: Some of the companies that our investors look at are ... not dependent, but they do better where there are subsidies in certain countries. You're one of them, also **Tesla** is another one we look at. How should investors evaluate that? It's kind of tough to put a hard number on that. What should they be looking at?

Bill: From our standpoint, when we're going through and looking at market opportunities and when we're building our business plans, we don't factor in the subsidies because sometimes it creates a false market.

If you look at one of our competitors, there was a huge incentive program in Italy. Their sales skyrocketed and there was great contributions, but as soon as those subsidies stopped, that market completely dried up.

Then you have to shrink and contract, and we're looking for long-term, stable markets, opportunities. But we do take that into consideration. If you look at Swedish markets, that's where we sell our **Volvo Cars** product, but we're looking at opportunities in which we can expand where that product is offered through Europe, Asia, and other markets as well.

That's the true opportunity. The incentives help get the market going. Essentially, I would say they kind of help us create the product, but we're also looking abroad, elsewhere.

Disclosure: Fool co-founder David Gardner owns shares of Tesla Motors. The Motley Fool owns shares of Tesla Motors and Westport Innovations.

CATEGORY

1. Investing

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