



Why Weichai Was Westport's Obvious Partner in China

Description

Westport Innovations (TSX:WPT, NASDAQ:WPRT) sees growth opportunities in China. When it came time to pick a partner, the company chose Weichai. Westport CFO Bill Larkin explains that decision in an interview with The Motley Fool's Brendan Byrnes.

Bill shares some of Westport's experiences partnering with Weichai, the leading OEM in China's heavy-duty trucking market. Weichai supplies the engines and distribution; Westport does the assembly. (Run time: 2:21; a transcript is provided below. If you'd like to view the entire interview, [click here](#).)

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<https://youtu.be/jiArgJZPPWI>

Brendan Byrnes: A lot of companies doing business in the world's largest country by population, China of course, they have to use joint ventures. You have Weichai in China. GM, their joint venture gets about 50% of their profits. Could you talk about the dynamics of doing business in China through a joint venture, and specifically how that affects Westport as well?

Bill Larkin: Sure. From our standpoint, we want to go partner with the leading OEMs. By far, Weichai is the leading OEM in the heavy-duty trucking market. By volume, they are the world's largest diesel engine manufacturer, so it was critical for us to partner with them.

If you look at our joint venture, the only thing we've contributed is cash. It was a new joint venture. They had very similar technology to what we have in **CWI**, but also Weichai has to look at, "Above and beyond the cash standpoint, what else do you bring to this joint venture?"

What we bring to the table is our technology. We're working on an HPDI engine. It has received a lot of visibility; there was a lot of interest in that. To operate in that environment, by nature we do have to partner with a Chinese-based OEM. Our standpoint is we want to go partner with the best, and we have.

Brendan: Could you talk about the structure of the partnership with Weichai?

Bill: Sure. Weichai owns 40%, we own 35%, and there is a 25% interest by **Hong Kong Peterson**. They're just a finance company there. Weichai supplies all the engines, we do all the assembly in the joint venture, and then they distribute the products to the market, to their customers.

Where we see the value is — yes, we get some contribution from the profits of the joint venture — but where the value to Westport is, we have an opportunity to try to integrate our components on those engines.

They sold over 20,000 engines last year; that's a huge opportunity for us to integrate our components. But also is to generate revenues and profits from the sale of HPDI engines. That's where the value is, for us, is being a supplier to that joint venture.

Disclosure: Brendan Byrnes owns shares of General Motors. The Motley Fool owns shares of Cummins and Westport Innovations.

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

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