



Westport's Path to Profitability

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, Inc. and DDi Corp.

Questions about capital allocation are probably inevitable as a growth company makes its investments on the road to profitability. In the following video, Bill explains Westport's approach to investment, and its reaction to Wall Street's short-term focus. (Run time: 3:12; a transcript is provided below. If you'd like to view the entire interview, [click here](#).)

The Motley Fool Canada's senior investment analyst just unveiled his [top two stock ideas](#) for new money now on Oct. 1. And YOU can be one of the first investors to find out their names and ticker symbols — just [click here](#) for all the info.

https://www.youtube.com/watch?v=SVsige_JfPA

Brendan Byrnes: Westport is a growth company, and you guys aren't profitable yet. How do you look at capital allocation when you look at shareholders, versus investing in the business? What do you think about that?

Bill Larkin: We have a huge opportunity in front of us. We are the leading company within this industry, being led by our technology, and we have to make investments in developing that technology and then integrating that technology on our customers' engine platforms.

Last year we invested a little over \$80 million. This year we've targeted another \$80 million, but we have a very rigorous process that we go through in how we allocate that capital, because we have a lot of opportunities.

We can spend a lot more money than that, but we only have limited human resources and capital resources so we have to pick and choose, what are those critical programs? We're looking for long-term relationships as well.

We've got to balance that. We have an opportunity; we can manage our cash flows. There were concerns out there, "Wow, you're burning a lot of cash."

It is a valid concern; however, as we look at the market, we're going to start having several products coming to the market which are going to be generating revenues, which will start providing returns to the company and then ultimately to the shareholders.

But also, we have to remain the leader in this industry, because the day we stop investing is the day we cap our ability to grow.

Brendan: Wall Street is notoriously short-term focused. For a company, especially like yours, they're not profitable yet. Is it difficult to tune out the noise on Wall Street and say, "We're just going to focus on building this company for the long term?"

Bill: There's me, David our CEO; we do go out and participate in these investor conferences. We do spend a lot of time with the analysts, with the institutional investors, and we have to address that question every time because it's a valid concern.

They want to know when we're going to be a viable, profitable company because there's always that overhang with us; "You're losing money. You only have so much cash. What's the long-term outlook for the business?"

You can't completely tune it out; however, we need to stay focused on our strategy. We spent a lot of time on that strategy and we've got to stay true to our strategy.

Sometimes we've got to amend it based on changes in the market or the technology, but we cannot deviate from that strategy because we want every person on our team to stay focused on what the goals and objectives are so we can bring these products to market on time, under budget.

We want to make sure they're high-quality and reliable products. That's what's important. We're going to be focusing on being a product company, not an engineering company anymore.

Brendan: Sure.

The Motley Fool owns shares of Westport Innovations.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/06/30

Date Created
2013/10/02

Author
motley-fool-staff

default watermark

default watermark