



## 4 Reasons Westport Innovations' Future Looks Bright

### Description

There's no doubt about it, the past year hasn't been kind to investors in **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)). The company's [weaknesses](#), including the winding road it has taken to profitability, has impacted its ability to outperform.

That said, Westport Innovations is more about where it could go in the future, not where it's going right now. That story includes four unique opportunities that if captured could fuel the company's stock in the years to come. Let's take a look.

#### Mining trucks

The world's 10 largest mining companies use almost 2 billion gallons of diesel each year to fuel massive mining trucks. That could change in the future, especially for mining oil from Canada's oil sands. Natural gas could become the [fuel of choice](#) for top oil sands miners like **Royal Dutch Shell** (NYSE:RDS-A). The global oil giant signed an agreement with **Caterpillar** ([NYSE:CAT](#)) last year to test running its mining trucks on natural gas. The current plan is for Shell to have the trucks deployed by 2016.

If the test is successful then other oil sands miners, as well as miners for other commodities, could make the switch to cheaper, cleaner burning natural gas. That would represent a future market opportunity of 19,411 engine units for Westport Innovations.

#### Drilling rigs and frac pumps

A growing number of natural gas drillers are looking to use it to fuel drilling rigs and frac pumps. **Apache Corporation** (NYSE:APA), for example, has teamed up with some of the leading oil-field service providers to use natural gas in its fracking activities. The company sees the move cutting its diesel fuel costs by 60% while also reducing its emissions. Apache is also using Caterpillar as a supplier for its natural gas pumps.

Each year land-based drilling rigs like those used by Apache consume up to 850 million gallons of diesel. That puts the overall engine market opportunity for Westport Innovations at 13,890 engine units. Given the fact that most drillers want to cut costs by using cheaper natural gas, this market

represents a lot of low hanging fruit for the company.

## Rail

Another major future opportunity is on the rails. **Canadian National Railways** ([TSX:CNR](#))([NYSE:CNI](#)), for example, has partnered with Westport Innovations on a natural gas-powered locomotive. Canadian National has successfully been running a 480-kilometre line between Edmonton and Fort McMurray since 2012. Just this past June, Canadian National ordered four more natural gas tenders, which hold 10,000 gallons of liquefied natural gas and can support two locomotives apiece.

Each year the rail industry consumes 9 billion gallons of fuel, half of which is consumed in the North American market. That puts the market opportunity for mainline locomotives at 50,594 engine units for Westport Innovations. It's a really big opportunity for the company as 23% of an American railroad's operating cost is fuel. Cheaper natural gas could really take a bite out of those costs.

## Marine

A final off-road opportunity for Westport Innovations is in the marine industry. Each year the industry's ferries, tugboats and platform support vessels consume 13 billion gallons of diesel fuel. That puts the overall market opportunity at 25,000 engine units just for the smaller vessels.

The opportunity when it comes to marine vessels is important because of the positive impact the switch could have on reducing emissions. Because these vessels travel on coastal and inland waterways, the switch from dirtier diesel to cleaner burning natural gas would have a big impact on wildlife and water quality.

## Foolish bottom line

Westport Innovations' on road opportunities to fuel North America's massive trucking fleet are typically what gets investors most excited about its future. However, these four unique off-road opportunities could really fuel the company's stock. That's what makes the company's story so compelling, and one reason why investors continue to hold on to the company's stock despite the rough road over the past year.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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