



Can the Delphi Automotive Deal Turn Westport Around?

Description

Westport Innovations Inc. (TSX:WPT)([NASDAQ:WPRT](#)) a producer of natural gas engines and vehicles has just announced a new partnership with **Delphi Automotive PLC** (NYSE:DLPH).

Under the agreement the two companies will be joining forces to co-develop and manufacture high-pressure natural gas fuel injectors. These injectors are designed for heavy duty vehicles looking to use Westport's high pressure direct injection (HPDI 2.0) fuel systems.

The companies will be combining engineering capabilities and production capacities to create these products on multiple platforms for several OEMs. Delphi is already a major player in the OEM market. It operates major technical centers, manufacturing sites and customer support services in 32 countries, giving Westport manufacturing and inventory capabilities across the world. This boost in production is a key factor for the company, especially given its recent [agreement](#) with auto manufacturer Tata to develop OEM Westport engines for the Indian market.

The terms

Under the agreement Westport will contribute to investing in critical equipment (manufacturing, assembly, etc.) in Delphi's production centers. The cost associated has not been released but the company claims that the funds required were earmarked in Westport's September 2013 prospectus.

In return Delphi will work with Westport to optimize all aspects of the injectors. Intellectual property rights will be jointly owned by both companies and maintained by Westport. Both companies are expecting production to reach 100,000 injectors a year within the next four years.

Foolish bottom line

An agreement like this could be just the thing to help Westport break out of its stock slump. The company hit a new 52-week low on Monday, dropping down to \$16.90, the first time since March 2011 that the stock has sunk this low. This is a far cry from the 52-week high Westport saw in July of \$36.57.

Another year of losses — which totaled \$185.5 million in 2013 and \$98.8 million in 2012 — has taken its toll on the company. A good portion of these losses have apparently come from R&D and

production of Westport’s next generation of engines. Now that the engines are ready for market and agreements such as this one and the one with Tata are rolling in, it might finally be time for the company to reap the rewards of years of capital and intellectual investments.

CATEGORY

- 1. Investing

TICKERS GLOBAL

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

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