



Westport Innovations Could Be the Best Investment You Make All Year

Description

One of the easiest ways for investors to outperform the market is to find a company with short-term issues that has a great long-term story. The market is incredibly short sighted sometimes, which presents opportunities for patient investors.

This type of situation is happening, right now, with shares of **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)). Not only is the stock trading at near a 52-week low, but the last time the company traded at this level was back in 2011, when revenue was less than half of what it is today. If you're a believer in the technology, this is a terrific entry point.

The company's main products are engines that run off natural gas, for every type of vehicle. Natural gas is cheaper and cleaner than gasoline, making it a terrific fuel for people who put a lot of miles on their car. As you'd expect, the major converters to this technology include long haul truckers, taxi drivers, and public transport systems.

Westport is making progress converting its target market, albeit slowly. It's a dominant leader in the industry, having a 90% market share. Yet only 2% of North American heavy duty trucks have natural gas engines, even though fully converting could save a huge trucking company millions of dollars each year. Like in any industry, converting customers to a new technology can take time, especially in something like trucking.

The majority of the company's revenue comes from two joint ventures. The first, with a Chinese company, is on pace to ship more than 36,000 engines in 2014, and is actually profitable. The second, with leading engine company **Cummins** ([NYSE: CMI](#)), has seen revenue increase nearly 80% year over year, to \$79 million in the most recent quarter. You won't see that kind of growth in a traditional auto manufacturer.

Analysts expect this growth to continue. Total revenue in 2014 is expected to grow more than 25%, and the company is expected to follow that up with a 50% growth in 2015. These are some huge potential numbers for a company trading at near a 52-week low.

Westport is beginning to get into other markets than large trucks. It currently has a joint venture with **Ford**

, making natural gas engines for its F-250 and F-350 trucks. This project is currently small, but should grow as consumers get access to natural gas filling facilities. The company is also working on engines for heavy duty machinery, for things like tractors, forklifts, and construction equipment. It also has joint ventures working on power generation and marine equipment. If any of these take off, so will the company's shares.

Of course, the company currently doesn't make any money, and isn't forecast to do so for at least the next two years. Based on the burn rate of the last quarter, it has about 18 months worth of cash left before needing to raise more. If the company's products continue to gain traction over that time, raising additional capital won't be a problem.

Like with a lot of technology companies, Westport's story is pretty simple. If the technology catches on in a major way, shares will end up a lot higher. The market is there, and it's pretty easy for the company to illustrate how its engines will save a major trucking company a lot of money. And at this point, shares are so beaten up that any piece of good news could send them soaring. If you believe in the story, this is a terrific entry point.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. NYSE:CMI (Cummins Inc.)

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