



## Should You Buy Shares of Westport Innovations?

### Description

Despite a big drop in share price over the last year, there is still many who believe that **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)) will flourish in the longer term. The company, which sells natural-gas-powered engines, certainly has plenty of trends in its favour.

Despite a run-up in price over the past couple of years, natural gas is still much cheaper than oil in North America. It's also cleaner. Meanwhile, alternative energies, like electric vehicles, are still too expensive for most people. As a result, industries like trucking and public transportation have begun to adopt natural-gas-powered vehicles at a rapid pace. Others, like mining, rail, and the marine industry are not far behind.

Westport is right in the middle of the action. The company has 327 patents related to natural gas engines, more than any other company — **Caterpillar** is a distant second with 201. So if this technology really takes off, Westport may be able to ride the wave without much resistance at all.

### Not so fast

The main problem for natural gas as a transportation fuel is a lack of infrastructure. According to the U.S. Department of Energy, there are only 712 public compressed natural gas fueling stations in the U.S. This compares to about 120,000 gas stations.

This means there's a catch-22 — without more infrastructure, there's a disincentive to build more natural gas vehicles, and vice versa. This is made worse by the high cost of building a CNG fueling station — up to \$1.7 million. By comparison, a traditional gas station only costs about \$100,000 to build.

This is a big reason why CNG still hasn't taken off in passenger vehicles like automobiles. However, it's a problem for trucks too, something that's been acknowledged by Westport CEO David Demers. Any growth projections for the industry must be taken with a grain of salt.

### A high valuation

Westport's shares are certainly a lot cheaper than they were last year; over the past 12 months, the

stock is down more than 40%. It's still a very expensive company, though.

Last year, Westport made \$2.85 per share in revenue, yet the stock still trades at about \$18. This is a very high price/revenue multiple by almost any standard. It's even higher when looking at Westport's bottom line, as last year the company lost \$3.22 per share.

Management expects to break even by the end of this year on an adjusted EBITDA basis, so that would be an improvement from where the company is today. However, for Westport to justify its current stock price, it will probably need to meet every one of its goals for years to come. As an investor, this is a gamble not worth taking.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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

## **Category**

1. Investing

## **Date**

2025/09/30

## **Date Created**

2014/06/20

## **Author**

bensinclair

default watermark

default watermark