



## With Westport Innovations Inc. Shares Plummeting, Is Now the Time To Buy?

### Description

It sure hasn't been fun to be a **Westport Innovations Inc.** (TSX: WPT)([Nasdaq: WPRT](#)) shareholder in recent years. In early 2012, the company's shares were trading in the mid-\$40s, but have since moved seemingly in only one direction: straight down.

Westport supplies technology for natural gas-based engines for use in vehicles such as heavy-duty trucks. This is why its shares were trading so high in 2012 — at the time, natural gas prices were severely depressed, making natural gas engines a very compelling alternative. And the company had just grown revenues by over 50% during the previous two years.

The story is much different today. Natural gas prices have rebounded. Growth has slowed, too, coming in at only 5% last year, and even declining in the last couple of quarters. Meanwhile, the company remains unprofitable. And on Tuesday, the news got even worse.

### The latest bad news

On late Tuesday afternoon, Westport announced that 2014 revenue would be lower than previously expected. A lot lower.

Now it expects 2014 revenue to be between \$130 million and \$140 million, down from July's estimate of \$175 million and \$185 million. There are numerous causes for the downgraded outlook. One is weakness in the European, Russian, and Chinese markets. Also, the company will see some service-related revenue deferred, and a significant customer may not be able to pay what it owes.

Keep in mind that revenue last year was \$164 million, so Westport — which was originally thought of as a growth stock — is now shrinking. The market has certainly noticed; as of this writing, the shares are down by over 25% in less than an hour.

### So are the shares now a bargain?

Last year, Westport made just under \$3 per share in revenue. So even at \$8.50 per share, it trades at nearly three times 2013's sales. This is a fairly high multiple, even for a profitable business. For a

company that loses money, this is way too much, especially since revenue is forecasted to fall by nearly 20% this year.

### **What about longer term?**

There are also concerns about Westport's technology, which does not bode well for the long term. To be more specific, heavy-duty gas trucks cost about \$200,000 — about \$50,000 more than a diesel truck. And gas-powered trucks are about 20% less efficient than diesel equivalents. Diesel engines have become more efficient, too, reaching seven miles per gallon from 6.5 mpg previously.

This has all had an impact in 2014. Sales of natural gas-powered trucks are up 20% from a year ago, but the original forecast was for about 100% growth. And this is barely higher than the growth rate in diesel trucks.

### **The verdict**

Westport is a company with shrinking revenues, no profitability, and poor long-term prospects. Yet it is still trading for three times 2013's sales. So you should stay as far away as possible.

Luckily, there are good alternatives. One of them is featured in the report below.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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

### **Category**

1. Investing
2. Tech Stocks

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