



3 Reasons to Buy Westport Innovations Inc (Even After the Plunge)

Description

The recent market swoon has clobbered equities, and no stock has felt the pain more than **Westport Innovations Inc** (TSX: WPT)([NASDAQ: WPRT](#)). Over the past year, shares of the natural gas engine maker have plunged nearly 75%.

Time to panic? Hardly. If you believe in buying wonderful businesses when the market throws a sale, then Westport may be worth a look. Here are three reasons to buy this stock.

1. Growth

Large trucking fleets are converting to natural gas engines in mass. Based on this conversion, Westport is expected to grow revenues by more than 50% annually for at least the next three years. However, that forecast could be too cautious if natural gas engines find their way into new markets.

Westport has partnered with seven of the top 10 automakers, including **General Motors Company**, **Toyota Motor Corp.**, and **Ford Motor Company**. Today, the firm is getting calls from railroads, ferry operators, and cell phone tower owners interested in natural gas engines. If Westport could capture a fraction of these markets, the stock could soar.

2. Moats

In his shareholders letters, Warren Buffett calls it a key ingredient for success – an economic moat. In the market, any business “castle” that is earning high returns will repeatedly assaulted by rivals. In the same way a moat protects a castle, a competitive advantage protects a company’s profits from competition.

Westport has built a moat around its business a mile wide and filled it with angry, mutant alligators. The company and its partners have filed over 700 patent applications for natural gas engine-related inventions. It’s almost impossible for a rival to compete without infringing on at least one Westport patent.

3. Economics

The United States is sitting on a virtual ocean of natural gas. According to the non-profit Potential Gas Committee, the country has roughly 2.2 trillion cubic feet of dry gas reserves. At current consumption rates, that represents a nearly 90-year supply.

That means you can likely count on low prices for as far as the eye can see. Today, natural gas is 50% cheaper than diesel as a transit fuel. It's just a matter of time until every heavy-duty truck in the country runs on natural gas.

Westport's losses may turn off some investors. No doubt, being on the cutting edge of a new industry is fought with risks. But given the stock's recent plunge, most of that downside has been priced in (and then some).

CATEGORY

1. Investing

TICKERS GLOBAL

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

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