



3 Reasons to Buy Westport Innovations Inc. Before It's Too Late

Description

There's a lot *not* to like about **Westport Innovations Inc.** (TSX: WPT)([NASDAQ: WPRT](#)) right now, and Mr. Market has made his opinion abundantly clear. Over the past two years, Westport shares have lost a stunning 75% of their value. That drop looks even worse when compared to the wider stock market rally.

But while some of the headlines are ugly at the natural gas engine maker, the investment thesis remains strong. Here're three reasons to consider buying Westport today.

1. Westport is incredibly cheap

The proper price for any stock must take future growth into account. But Westport is priced as if the company already ran out of room to grow. Hold that thought — I'll get to this in a second.

With a price-to-book ratio of around 1.3, Westport is the kind of stock that value investors drool over. That's exceptionally cheap compared to stodgy dividend names, let alone other growth stocks. Westport shares need to rally 40% just to return to its historical average price-to-book multiple.

2. Westport has a big tailwind

Of course, you shouldn't buy a stock just because it's 'cheap'. Like most things in life, you usually get what you pay for. That said, there're a number of catalysts that could send shares higher.

America is sitting on a virtual ocean of natural gas. According to government estimates, the United States has roughly 2,170 trillion (yes, that's trillion with a t) cubic feet of dry gas reserves. Based on today's consumption rates, the nation is sitting on a nearly 90-year supply.

That means investors can count on low prices for a long time to come. Right now, natural gas is 40% less expensive than diesel. Soon, almost every transport truck in the country will run on natural gas.

3. Westport is growing fast

Based on the conversion of large trucking fleets, Westport is expected to grow revenues by more than 50% annually over the next three years. However, that forecast could be too cautious if natural gas engines make their way into new markets.

Westport has signed partnerships with a number of top automakers. The company is also targeting other markets that use diesel for fuel including locomotives, ferry boats, and cell phone tower operators. I don't even have time to mention Westport's long growth runway in markets like China and Europe.

My advice: Scale into Westport. That means buy small lots of the stock over the next few months instead of taking a full position today. Long term, Westport has huge upside potential. But after the company reported weaker-than-expected financial results, you have a rare opportunity to buy this stock on sale.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/07/04

Date Created

2014/10/27

Author

rbailieul

default watermark

default watermark