



Westport Innovations Inc.: If You Believe in the Story, Now Is the Time to Buy

Description

If you believe the next 100 years are going to be as lucrative for the oil business as the last 100 years were, I think you're wrong.

I'm not about to predict the end of oil or anything like that. The world's economy runs on oil and will likely to continue to do so for as long as I'm alive. Oil keeps us connected. Oil is the reason why globalization exists. Oil is even the main part of a lot of the items around your home, assuming you have as much as much plastic stuff as I do.

In fact, oil's strength may be also its greatest weakness. The market for oil is so huge and so lucrative that even capturing a tiny percentage of it can make investors a fortune. A prominent example would be electric car maker **Tesla Motors Inc.** ([NASDAQ: TSLA](#)), which has a market cap of \$31 billion even though it's only on pace to sell 33,000 vehicles in 2014.

Tesla is a phenomenal growth story, but the fact remains that it's simply too expensive for most investors. The company has to grow exponentially for years for it to justify today's valuation, without stumbling along the way. That seems unlikely, to put it lightly.

Instead, investors looking to capitalize on the same trend should look at **Westport Innovations Inc.** (TSX: WPT)([NASDAQ: WPRT](#)) Here's why it's a good choice.

It's cheap

Westport's fall from grace during 2014 has been nothing short of mind-boggling.

The maker of natural gas engines started off the year trading above \$20, and just kept on falling. It currently sits at a little above \$7, and that's after rallying for the past month. What exactly has changed over the last year?

It can mostly be summed up in two words: investor confidence.

For a stock like Westport, investor confidence is almost as important as its results. 2014 was expected

to be the year that it crept closer to profitability. Thus far, it hasn't happened. So nervous investors are dumping the stock, leading to losses.

This could all turn out very well for investors who get in now, assuming sentiment ever turns around. Remember, this company traded at more than \$30 per share as recently as 2013. If it finds a way to get investors engaged again, there could be huge upside potential in the future.

Joint venture success

Westport has two joint ventures, one with **Cummins Inc.** ([NYSE: CMI](#)) and one with a Chinese partner. Thus far, both are continuing to experience some serious growth.

In 2013 Westport and its Chinese partner sold 38,000 natural gas engines. That's up significantly from 2012, when the partnership only sold 22,000 engines. Based on results so far in 2014, it looks like the partnership is on track to sell 43,000 engines this year.

Meanwhile, the company's joint venture with Cummins is seeing similar strength. Over the first three quarters of 2014, revenue has increased 15%. Sales of engines are projected to grow approximately 15% annually for the foreseeable future, and could potentially top out at 40% of the market in a few decades. This growth story is still only in the second inning, which is all the more reason to get in now.

The kicker: oil

Westport has one main competitor, and that's traditional engines.

When oil prices collapse so will demand for alternative fuels. Considering the fall of oil stocks over the last few months, is it any surprise that Westport's shares have suffered as well? If fuel is cheap, there's no incentive for big trucking companies to switch.

As we all know, the price of oil is prone to violent moves in both directions. Any number of factors could send it higher in the future. One thing is certain — oil below \$80 per barrel won't be here forever. When it recovers, so will demand for natural gas engines. When that happens, you don't want to be left on the sidelines.

CATEGORY

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2. NASDAQ:WPRT (Westport Fuel Systems Inc.)
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Date

2025/07/02
Date Created
2014/11/13
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