



Why You Should Still Buy Toronto-Dominion Bank Over Westport Innovations Inc.

Description

Warren Buffett can always be counted on to provide witty quotes about investing. One that deserves particular attention goes as follows: “Investors should remember that their scorecard is not computed using Olympic-diving methods; degree-of-difficulty doesn’t count.”

In other words, if you stick to the basics, you’ll usually come out OK. A comparison of **Westport Innovations Inc.** (TSX: WPT)([Nasdaq: WPRT](#)) and **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) provides a perfect example.

A stark difference

If you had bought \$10,000 worth of Toronto-Dominion shares three years ago, today that investment would be worth nearly \$17,000. A similar investment in Westport would be worth just over \$2,400. So why have these stocks diverged so much? And why should you stick with TD over Westport? Let’s take a closer look.

Westport: The perfect storm

Back in 2011, Westport was flying high – its product revenue was growing by more than 100% per year, its technology was seen as the future, and its stock price was through the roof. In fact, the company was trading at roughly seven times revenue, a very big number for an unprofitable company.

Since then, nearly everything has gone wrong. Natural gas prices have rebounded, making Westport’s natural gas engines less economic. More recently, diesel prices have come down, making the natural gas alternative even less appealing. As a result, revenue has slowed, and it is now in decline. To illustrate, total revenue for this year is expected to range between \$130 million and \$140 million. Three years ago, its annual trailing revenue exceeded \$200 million.

Most important, Westport remains unprofitable. And this is the problem with betting on these kinds of companies; without any earnings, investing in Westport requires making a bet on the future of transportation. This is an incredibly difficult thing to do. And with the stock so expensive, the results can be disastrous if you're wrong.

So should you buy Westport today? Well, the stock trades at only about 3.5 times revenue, a bargain compared to historical standards. But the same issues remain; you have to make a bet on the future of transportation, and if you're wrong, there's a long way for the stock to fall. You're better off sticking to basics.

TD: Steady as she goes

Normally, a bank isn't cited as a simple investment. But TD can be considered an exception.

For one, TD operates a very profitable business in Canada. And these profits are relatively safe – TD faces relatively little competition and has incredibly loyal customers. Secondly, TD has an extensive franchise in the United States, one that will grow earnings substantially once interest rates rise.

Better yet, TD has a dividend that you can rely on. Since 1970, its payout has been raised 60 times, and it's never been cut. Not once. Even during the financial crisis, the dividend kept coming. And today, the dividend yields 3.3%, higher than what you can get with bonds.

So if you like, you can buy TD stock and just watch the dividends roll in, no matter what happens to natural gas prices. What could be simpler than that?

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:TD (The Toronto-Dominion Bank)

Category

1. Bank Stocks
2. Investing

Date

2025/07/04

Date Created

2014/11/14

Author

bensinclair

default watermark