



## Westport Innovations Inc. Stock Jumped 6% Last Week: Is the Worst Over?

### Description

To investors' relief, **Westport Innovations Inc.** (TSX: WPT)([Nasdaq: WPRT](#)) stock snapped its losing streak to end last week on a positive note, gaining 6% after surging close to 10% on Friday. The only piece of news floating around was Stifel Nicolaus initiating coverage with a “hold” rating on the stock. But that's no small potatoes, because revival of analyst interest in Westport Innovations could signal a bottom for the stock price. So should you get excited?

### What's fueling interest in Westport?

Even as investors were hoping to see the first signs of profitability from Westport Innovations, the company dashed all hopes with a bummed third-quarter earnings report and guidance in October. Bears were quick to take charge – the stock shed nearly 40% over the month. And then oil prices crashed, making Westport's business of designing natural-gas engine technology look a lot less promising as the spread between diesel/gasoline and natural gas narrows.

So what could have fueled Stifel Nicolaus' interest in Westport?

One, the stock has been destroyed to a point where downside appears minimal – it's trading 78% lower year to date as of this writing. Two, last week's report from the U.S. Energy Information Administration indicated higher stockpiles of natural gas. Prices slipped soon after – Natural gas is currently trading at its lowest point for the year. Low natural gas price could reignite interest in the alternative-fuel engines and vehicles.

Westport bulls have also been pointing at management's cost-cutting efforts – the company's operating expenses fell 16% year-over-year for the nine months through September.

### So is Westport headed for recovery?

Unfortunately, it may be too early to get excited, especially since Westport's revenue is under a lot of pressure. A key market, Europe, is still weak and the ruble's freefall has dented its business in Russia. Moreover, any slowdown in China is terrible news for Westport since its joint venture with China-based Weichai counts among its key sources of revenue today.

More notably, lower gasoline prices are already hurting demand for Westport's WiNG power system products designed for **Ford** ([NYSE: F](#)). Westport's partnership with Ford is considered a key stepping stone towards the company's growth in the U.S.

In fact, while referring to the impact of lower gasoline prices during Westport's last earnings conference call, CFO Ashoka Achuthan said, "the incentive to aggressively shift to CNG is simply not as strong" despite the spread between CNG and gasoline prices. That perhaps sums up the real challenge that Westport faces.

### **So what should you do now?**

Long story short, analysts may start betting on Westport shares, but it doesn't mean you should jump in yet. Management has a tough task at hand, and investors cannot expect meaningful returns until the company heads towards profitability. For now, that seems far away, especially with oil prices tanking.

If you're tired of waiting to see Westport Innovations turnaround, consider adding a couple of top stocks to your portfolio. The following free report, which tells you about five such top picks, should be of great help!

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. NYSE:F (Ford Motor Company)

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1. Investing

### **Date**

2025/08/25

### **Date Created**

2014/12/22

### **Author**

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