



Should You Buy, Sell, or Hold Westport Innovations Inc. Following its Steep Post-Earnings Decline?

Description

Westport Innovations Inc. (TSX:WPT)([NASDAQ:WPRT](#)), one of the world's leading designers and manufacturers of advanced natural gas engines and vehicles, announced fourth-quarter earnings after the market closed on March 9, and its stock responded by falling over 15.8% in the trading session that followed. Let's take a closer look at the results to determine if this weakness represents a long-term buying opportunity, or a major warning sign.

The results that caused the sell-off

Here's a summary of Westport's fourth-quarter earnings results compared to its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q4 2014	Q4 2013
Earnings Per Share	(\$1.02)	(\$1.42)
Revenue	\$27.4 million	\$52.6 million

Source: Westport Innovations Inc.

In the fourth quarter of fiscal 2014, Westport reported a net loss of \$64.9 million, or \$1.02 per share, compared to a net loss of \$89.5 million, or \$1.42 per share, in the same quarter a year ago, as its revenue declined 47.9% to \$27.4 million. The company noted that these weak results could be attributed to the discontinuation of its first generation Westport HPDI system in the year-ago period, to competition from gasoline-fueled vehicles due to the decrease in oil prices, and to the unfavourable impact of foreign currency translation from Euro to U.S. dollar equivalent, among other factors.

Here's a breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Revenues decreased 12.8% to \$21.2 million in its Applied Technologies segment
2. Revenues decreased 80% to \$5.2 million in its On-Road Systems segment
3. Revenues increased 40% to \$0.7 million in its Off-Road Systems segment

4. Gross margin came in at a loss of \$1.2 million, compared to a loss of \$17 million in the year-ago period
5. Consolidated adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) came in at a loss of \$23 million, compared to a loss of \$23.2 million in the year-ago period
6. Operating expenses decreased 11% to \$34.9 million
7. Consolidated operating loss of \$36.2 million, compared to a loss of \$56.2 million in the year-ago period
8. Ended the quarter with \$94 million in cash, cash equivalents, and short-term investments, a decrease of 55.4% from the year-ago period

Should you buy Westport Innovations on the dip?

I think the post-earnings weakness in Westport Innovations' stock is warranted, and I think it could continue to trade erratically over the next several weeks, as investors decide whether or not to gamble on the future of the company. I do not think it is worth the gamble, especially when there are great value and dividend investment opportunities elsewhere in the market today.

With all of the information provided above in mind, I think Foolish investors should avoid an investment in Westport Innovations today.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/08/24

Date Created

2015/03/11

Author

jsolitro

default watermark