



## This Alt-Energy Stock Is up an Amazing +40% Over the Past Month: Here's Why There's Tonnes of Upside Left

### Description

High-flying stocks are always tough to ignore. After all, no one wants to see a 40% pop turn into a 4,000% gain without getting in on the action. The fear of missing out is real.

And while momentum investing is a risky game, there's something to be said for buying into a company that's actually improving — even as its shares skyrocket.

**Westport Fuel Systems** ([TSX:WPRT](#))([NASDAQ:WPRT](#)) could be one such situation. The alternative fuel company is up a whopping 43% over just the past month on a bunch of positive news.

Is there any upside left? Or is the stock just waiting to retrace? Let's dig in and find out.

### A really big deal

First, here's the news that's largely driving Westport shares: last week, the company announced a deal with Weichai Group — one of the biggest auto manufacturing groups in China — to develop a heavy-duty, natural gas engine.

Under the contract, Weichai will purchase the components needed for a minimum of 18,000 engines from Westport. Additionally, Westport will receive a royalty from Weichai for each engine sold. The engine will be certified to meet China's emissions standards and is slated to launch in the second half of 2019.

So, why did Mr. Market send Westport stock up 21% on this deal alone? Well, in addition to the obvious boost in revenue, the deal reinforces the viability of Westport's clean-tech products. Moreover, with the sheer volume that Weichai has committed to, Westport should be able to drive its costs down through increased scale — something that the company has struggled with.

Remember, Fools: Westport has a long history of operating at a loss. And the new Weichai contract reignites optimism that profitability might be around the corner.

Of course, that's not the only sign of better times ahead. Westport posted strong quarterly results last month, which is also fueling the shares. In Q2, revenue jumped 37% to \$80.5 million. Meanwhile, the company's adjusted EBITDA climbed to \$8.6 million from a loss of \$5.3 million in the year-ago period.

"I am pleased that we have achieved an important milestone as we move towards becoming a profitable, sustainable company," said CEO Nancy Gougarty. "We have executed against our goal to reach positive adjusted EBITDA during Q2 2018."

Given all the positive news Westport has recently announced, it's no surprise that the stock has bounced sharply. That said, the shares remain off about 13% from their 52-week highs and a long, long way from their 10-year highs.

Check it out:



## The bottom line

While it's still highly speculative, Westport is an intriguing play for aggressive investors. The company's path to profitability seems relatively free from roadblocks, while big deals reinforce its long-term viability.

As long as you can handle stomach-churning volatility — the stock has a beta of three — Westport's momentum seems worth the ride.

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## **Date**

2025/07/04

## **Date Created**

2018/09/06

## **Author**

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