

Why Investors Should Pay Attention to Ballard Power

Description

In the last 5 days, **Ballard Power's** (TSX: BLD, NASDAQ: BLDP) stock price has increased over 30%, on much higher volumes to boot. The average volume in the last 3 months is just over 200,000 yet on January 3rd, the stock was up on volume of over 1.2 million shares. Back in the early 2000's Ballard's stock hit a high of \$150 per share. Unbelievable considering the losses that the company was seeing and the early stage of the fuel cell market and technology. 13 years later though, trading at just over \$2.00(!) per share, the stock is starting to look interesting

Fuel Cells Gaining Traction

The move in Ballard's shares seems, at least in part, to be related to activity in the fuel cell industry. **Plug Power** ([NASDAQ: PLUG](#)) recently announced fourth quarter orders that were above expectations, and announced contracts from big name customers, such as Walmart and FedEx. The company is struggling financially, but the news of increasing demand bodes well for the industry as a whole.

Ballard Moving Closer to Profitability

But that's not the whole story. In fact, Ballard has been making quiet progress in its attempt to turn the company into an actual money making business. For the first nine months of 2013, Ballard reported revenue of \$43.9 million, an increase of 65% compared to the previous year. Furthermore, the company saw a big improvement in gross margin. Gross margin for the first nine months of 2013 was 25%, compared to 17% in 2012 and 13% in 2011.

According to the company, EBITDA will break-even at a quarterly revenue rate of approximately \$20 million. In the third quarter, revenue was \$17 million.

Full year 2013 Guidance

Management has given a very optimistic outlook and guidance. For 2013, they expect revenue growth of over 30% and an improvement in adjusted EBITDA of over 50%. Based on results so far this year, this outlook is totally achievable.

Are Current Cash Reserves Enough?

Currently, Ballard has \$20 million of cash on the balance sheet. The company issued 9 million shares back in October in order to raise US \$12.6 million to continue to fund ongoing operations. While there is no guarantee that the company will not need to come to the market again, recent results have been encouraging.

Bottom Line

Ballard Power seems to be approaching the finish line with respect to figuring out how to make a business out of their fuel cell technology. While we could say that during the early 2000's there was

blind optimism for the company and its technology, it seems that at this point, the market has been slow to get excited about some real signs that things are looking up. Understandable, since many investors got burned as the stock got beaten down from its highs of \$150 to single digit territory. I think it's time to revisit this name.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)

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Date

2025/07/22

Date Created

2014/01/07

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