



## Ballard Power Edging Closer to Profitability: 4 Things Investors Should Know

### Description

Back in January, I wrote a piece about **Ballard Power** (TSX:BLD)([NASDAQ:BLDP](#)) titled "[Why Investors Should Pay Attention to Ballard Power](#)". The company reported its fourth quarter and year-end results today that were above expectations as the company continues to build momentum.

The risk/reward tradeoff with this stock is becoming more and more attractive, and some investors are starting to notice. The stock is up big again today and has a three-month return of 141%.

### Results show encouraging progress toward profitability

	For the three months ended Dec. 31			For the year ended Dec. 31		
(\$ in millions)	2013	2012	% ch	2013	2012	%ch
Revenue	17.3	16.5	4.8%	61.251	43.69	40.2%
Gross Profit	5.882	3.63	62.0%	16.759	7.369	127.4%
Gross Margin	34.0%	22.0%	54.5%	27.4%	16.9%	62.2%
EBITDA	0.2	-3.2	106.3%	-8.2	-22.1	62.9%
EPS	-0.02	-0.19	89.5%	-0.2	-0.48	58.3%

As we can see from the above table, Ballard has achieved a significant increase in gross margins for the quarter and the year as a whole. This was driven by a shift in the revenue make-up toward higher margin products, as well as a 7% reduction in cash costs.

Adjusted EBITDA in the fourth quarter was \$200,000, a huge improvement from last year's fourth quarter loss of \$3.2 million. For the year, EBITDA improved by 62% to a loss of \$8.2 million from a loss of \$22.1 million in 2012.

### Fuel cell technology gaining market acceptance

**Plug Power's** ([NASDAQ:PLUG](#)) fuel cell product, GenDrive, is an alternative to lead-acid batteries for electric lift trucks, and it is gaining market acceptance and usage. This week, the company announced that **Wal-Mart** ([NYSE:WMT](#)) has ordered 38 new GenDrive systems to be delivered over the next two

years.

Ballard has partnered with Plug Power, and supplies the company with the fuel cell stacks for its GenDrive power units. On the fourth quarter conference call Ballard's management indicated that based on Plug Power's reported new orders, Ballard expects a 50% increase in shipments in 2014. This is not including the recently announced Walmart deal, which is a very significant deal.

### **Balance sheet continues to strengthen**

Ballard's balance sheet is pretty much debt-free, and it has \$30.3 million of cash. The cash burn in 2013 was \$17.4 million versus a burn of \$28 million in 2012. 2014 should be greatly improved as well on this front, and with \$30.3 million in cash on the balance sheet, Ballard is well funded at this time.

Management expects 30% revenue growth in 2014 and a break-even adjusted EBITDA.

### **Foolish bottom line**

I will close by repeating my thoughts in my last article about Ballard. Ballard Power seems to be approaching the finish line with respect to figuring out how to make a business out of its fuel cell technology. While we could say that in the early 2000s 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. That's understandable, since many investors got burned as the stock got beaten down from its highs of \$150 to single digit territory, but I think it is time to revisit this stock.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:PLUG (Plug Power Inc.)

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