



## Should You Buy Shares of Ballard Power?

### Description

Back in March, shares of fuel cell supplier **Ballard Power** (TSX: BLD)([Nasdaq: BLDP](#)) were flying high, reaching as high as \$9.32, five times as high as their January 1 price. The company had reported excellent results for the 2013 fiscal year, with revenue up 40% and the gross margin improving by 10 percentage points.

Since then, Ballard's investors have seen the bottom fall out of their investment. As of late Wednesday morning, the shares were trading below \$3.50. So is this an opportunity to scoop up Ballard shares at a discount?

### Tied to Plug Power

Investors in fuel cell forklift supplier **Plug Power** ([Nasdaq: PLUG](#)) have been on an even wilder ride. A year ago, the shares traded at \$0.22. By January 1, they had reached \$2.33, a more than 10-fold increase. Then in March the shares traded as high as \$11.72. Since then the bottom has fallen out, and the shares trade at about \$3.80.

Plug Power uses fuel cell technology supplied by Ballard, which is why their fortunes (and stock prices) are so intertwined. And Plug did have some great wins, such as a deal to supply 1,700 forklifts to **Walmart**. But Plug's share price started its slide when Citron Research identified it as a "casino stock". Investors who bought the shares last year have still done very well. But those who had poor timing have gotten burned.

### So what now?

Has this created an opportunity to buy shares of Ballard or Plug? To find out, let's take a look at some basic numbers.

First, a look at Ballard. Even though the stock has fallen off a lot, the shares are still very expensive at over six times revenue. And the company is not yet profitable – when looking at 2013 numbers, the company lost \$21.7 million last year.

Plug's numbers are even more extreme. In 2013, the company had total revenue of \$26.6 million, which was flat relative to the prior two years. And the net loss was nearly \$63 million. Yet the company trades at a market capitalization of \$560 million.

### Still casino stocks

Both Ballard and Plug seem to be trading well above their fundamental values; investors clearly are hoping that their shares will be bid up some time in the future, even if the fundamental value is much less. This is a dangerous game to play; despite the recent selloff, your best bet is to avoid the shares of both companies.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### Category

1. Investing

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