



3 Stocks to Avoid

Description

While we all like to remember our home runs, investing is all about avoiding big mistakes. That's what separates the good investors from the great ones. With that in mind, below are three stocks that may do very well in the short term — any company can see a run-up in its stock price — but in the long term, the odds are against you.

1. Ballard Power

A lot of people might be tempted by the stock of fuel cell technology provider **Ballard Power** (TSX: BLD)([NASDAQ: BLDP](#)), whose shares are down more than 50% since their peak in March (despite surging on Wednesday). But make no mistake: The shares are still very pricy.

In the last 12 months, Ballard made \$63 million dollars in revenue, but currently has a market capitalization of nearly \$470 million. Even after accounting for Ballard's cash balance, the company still trades at nearly seven times revenue. This is a very high multiple for any company, even one growing as quickly as Ballard.

The multiple is especially unreasonable because Ballard is still not profitable. The company hopes to improve profitability metrics as it grows, but is nowhere close to justifying a stock price equal to seven times revenue. While it may be tempting to bet on Ballard's fuel cell technology, doing so would be too expensive.

2. Westport Innovations

Natural gas engine company **Westport Innovations** (TSX: WPT)([NASDAQ: WPRT](#)) has a lot in common with Ballard. It offers a very promising technology and due to a slumping share price, may look cheap — over the past year, its shares are down nearly 45%.

But also like Ballard, the shares are still expensive, trading at over five times revenue, which is again very expensive for a company that is not profitable. However, there still seem to be plenty of people willing to pay such a lofty price. If the company's technology does take off, those shareholders will be nicely rewarded, but it's a gamble not worth taking.

3. Teck Resources

If you *had* to pick one stock from this list, it should be **Teck Resources** (TSX: TCK.B)(NYSE: TCK). But fortunately, no one is forcing you to make that choice.

Teck makes money off of metallurgical coal, copper, and zinc. All three are highly dependent on investment activity in China, and as that has slumped, so have the prices for these commodities. So it should surprise no one that Teck's share price is in the doldrums, down more than 50% since 2011.

Things could easily get much worse. Numerous experts believe China's investment boom is on shaky ground, and if activity were to slow, and commodity prices were to slump further, then Teck's shares would get a lot cheaper.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:WPRT (Westport Fuel Systems Inc.)
3. NYSE:TECK (Teck Resources Limited)
4. TSX:TECK.B (Teck Resources Limited)

Category

1. Investing

Date

2025/07/05

Date Created

2014/05/29

Author

bensinclair

default watermark