

Ballard Power Systems Inc. Shares Have Skyrocketed 60%! Should You Jump on Board?

Description

Flash back to March 10, 2014. **Ballard Power Systems Inc.** (TSX:BLD)([Nasdaq:BLDP](#)) shares had just tripled over the previous month, mainly off the back of **Walmart's** purchase of 1,700 fuel cell forklifts. I wrote an article that day claiming that Ballard was extremely risky, and that "anyone who prefers safety over adventure should avoid this name."

In retrospect, I should have been much more negative on Ballard's stock. The shares fell like a rock throughout the rest of the year, and on January 2 the company announced it wouldn't meet 2014 guidance. The shares reached a low of \$1.72 later that month, down from a high of over \$7. Ouch.

Which brings me to today. Ballard finally has some good news for its shareholders, selling a collection of patents to Volkswagen AG for US\$80 million, as well as extending a service agreement by two years. In response, Ballard's shares jumped by a whopping 60%.

So is this a good time to buy Ballard? Or is this simply a repeat of last year?

This does look promising...

There's no denying that this is good news for Ballard and its shareholders. The patent sale not only allows Ballard to realize some value, but also brings more legitimacy to hydrogen fuel cell technology. And the extension of the service contract deepens Ballard's relationship with the world's second largest automaker.

To put this in perspective, the US\$80 million sale is equal to about US\$0.60 per Ballard share. Not bad for a company whose American-listed shares closed at US\$1.69 on Tuesday.

But more importantly, this could be just the beginning. If fuel cell technology does take off, it could be used in a lot more than cars. And Ballard would be very well positioned, having only sold automotive-related patents to Volkswagen, so the sky really is the limit. No wonder Ballard's shares jumped so much.

...but there are some serious doubts about this technology...

Is it time to jump on the fuel cell bandwagon? Well, not necessarily. Some high-profile figures in the auto industry have expressed some serious doubts about the technology.

Notably, **Tesla Motors Inc.** CEO Elon Musk called the technology "incredibly dumb" at a press conference just last month. He's used even harsher terms to describe fuel cells in the past.

And it's not just competitors that have expressed doubts. Even Volkswagen executives have shown skepticism. Just last year, Volkswagen Group Japan President Shigeru Shoji told *Bloomberg News* that

“hydrogen cars will only be successful in the Japanese market because of extensive government subsidies.” To say the least, not everyone is on board.

...and we must not forget last year

Most importantly, last year taught us some very valuable lessons about this stock. The rise in Ballard’s share price was really caused more by speculation than by fundamentals. And that’s why it crashed just as hard.

The same seems to be true this time. According to Google Finance, over 27 million shares of Ballard have changed hands in just one day. That’s 30 times the daily average, and also a whopping 21% of the total share count! With numbers like these, it’s not surprising to see the shares spike so drastically.

So with that said, I would avoid the shares. Granted, they could rise another 10% in the time it takes for you to read this article. But if last year has taught us anything, it’s just not worth the risk.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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