



Ballard Power Systems Inc. Continues to Gain Momentum

Description

Yesterday **Ballard Power Systems Inc.** (TSX: BLD)([NASDAQ: BLDP](#)) reported first-quarter 2015 results that provided investors with a lot to get optimistic about. While the financial results were nothing to write home about, with a 33.6% decline in revenue and a gross margin performance that was quite disastrous (gross margin fell 71% to 10.8% from 25% in the same period last year), it is the steady progress being made in the company's business that is encouraging. Let's dive deeper into the different segments.

Telecom Backup Power

The Telecom Backup Power segment saw an almost 80% decline in revenue to \$0.6 million. This decline was expected due to ongoing delays from several telecom service providers, as Ballard faces a long sales cycle for its products given that these are early stage markets.

The good news here, however, is the announcement that a new customer in India, Reliance Jio, has ordered 100 ElectraGen-ME fuel cell backup power systems for its wireless telecom network in India. It is important to note that Ballard won this contract after a 12-month competitive trial period, in which Reliance tried different fuel cell systems.

Also, the 100-unit contract is the first of a wave of planned deployments from Reliance, and it is expected that if Reliance is satisfied with their first deployment, they will order 400-500 units in 2015 and 2016. The current backup system in India consists of diesel generators and lead acid batteries, and this is not in accordance with new clean energy regulations from India's Department of Telecommunications, which states that at least 50% of rural and 20% of urban towers should be powered from clean energy sources.

Another positive development in the telecom backup power segment is the fact that the New York fire department has now given Ballard the all clear for rooftop deployments, so the company can continue trials and commercial discussions with potential U.S. telecom customers.

Material Handling

The material handling segment performed well, posting a 30% increase in revenue due to continued strong demand from **Plug Power Inc.**

Development Stage

The Development Stage segment performed very strongly as well, posting revenue of \$1.7 million versus a mere \$0.1 million in the same period last year. This was driven by increased shipments of Ballard's fuel cell bus modules to customers primarily in Asia and North America.

In this segment, Ballard is seeing good sales momentum, and according to management, is consistently winning global fuel cell business.

Technology Solutions

Lastly, the Technology Solutions segment reported a 51% decline in revenue primarily due to the termination of the Azure licensing agreement, the uneven timing of work from Volkswagen, and resources being allocated to address product quality issues in 2014.

There are licensing opportunities that Ballard is currently working to secure in the Chinese bus and tram market, and the pipeline of new contracts signed is strong, so we can expect strengthening revenue as we move into the back half of the year.

Lastly, management is looking for M&A opportunities that supplement or complement its power products, and they are confident that they can get something done this year. With cash of almost \$50 million and no debt on the balance sheet, the company is in a good position for this.

CATEGORY

1. Investing

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

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