



Ballard Power Systems Inc. Rises After More Success in China

Description

Ballard Power Systems Inc. (TSX:BLD)([NASDAQ:BLDP](#)) shares rose 6.5% yesterday as the company announced two deals that demonstrate further progress in its fuel-cell business.

The first deal was announced on Friday, a \$17 million deal for the deployment of approximately 300 fuel-cell buses in China. It is a long-term license and supply agreement with Guangdong Synergy Hydrogen Power Technology Co Ltd.; Ballard will provide fuel-cell products and technology solutions for the planned deployment of approximately 300 fuel-cell powered buses in Foshan and Yunfu, China. There is the opportunity for recurring royalties starting in 2017.

The second deal is valued at \$6 million, and involves the deployment of fuel-cell-powered trams. The joint development and supply agreement is with CRRC Qingdao Sifang Company, Ltd. in China.

This agreement includes the delivery of 10 of Ballard's customized FCvelocity fuel-cell modules for the low-floor trams that are manufactured by CRRC, as well as the development of a new prototype to the FCvelocity modules, and this new prototype would be deployed on trams in the City of Foshan starting in 2017. CRRC Sifang currently has a yearly production capacity of 1,000 mass-transit vehicles.

Ballard is making progress in its goal to get a strong foothold in the Chinese market, and these deals will clearly help in this regard. China's new energy program involves investment and expansion in mass transit in order to address air-quality issues, and involves 48 cities, so the potential here is big.

And lastly, management stated earlier in the year that they are on the lookout for acquisitions. The goal is to make a complementary acquisition that will increase the scale of the company and improve its gross margin profile.

At the end of June, an acquisition was made that fits this profile, as Ballard bought Protonex Technology Corporation, a designer and manufacturer of advanced power-management products and portable fuel-cell solutions. Management expects this transaction to boost the company's growth profile, provide further diversification, and bring it closer to profitability.

As the company gains more traction, it moves closer to profitability, which, of course, is key. In the

meantime, the company still has a strong balance sheet, with \$41 million of cash and negligible debt. And while this may not be the best market for this type of stock, and although recent results have clearly been disappointing, as revenue fell 39% in the latest quarter, the stock may still be a good candidate for the more risky portion of a well-diversified portfolio.

Ballard will host its Investor Day on October 1st and plans to provide a more thorough discussion on its activities and plans in the mass-transit market.

CATEGORY

1. Investing

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

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