



Ballard Power Systems Inc. Continues to Make Progress and Edge Closer to Profitability

Description

With all the false starts that **Ballard Power Systems Inc.** (TSX:BLD)([NASDAQ:BLDP](#)) has had over the years, I understand how investors can be pretty skeptical about the possibility of the company actually making money off of its revolutionary fuel cell technology. There are different reasons, however, why I believe investors can be optimistic about the future of this company.

And the market seems to agree for now. The stock has a one-year return of 21% as the company continues to make progress on different fronts.

Financials

The balance sheet is still in good shape with a debt-to-capitalization ratio of a mere 6.08% and cash on hand as of the end of the third quarter of 2016 of \$68 million. In the first half of 2016, revenue increased 98% to \$22 million as the company had strong increases in demand for its HD power module and its fuel cell stacks. The gross margin was 25%, and losses continued to decline.

At this time, Ballard's FCVeloCity fuel cell engines are powering more than 80 buses around the world. There are 41 in Europe, 24 in China, 13 in the U.S., three in Brazil, and one in India.

The company recently announced the signing of an agreement with a major Chinese manufacturer of battery electric buses, Yinlong Energy, for 10 fuel cell engines. This new relationship is significant as Yinlong Energy is a key player in China's new energy program which focuses on battery-powered electric vehicles.

Ballard continues to make 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.

Going forward, Ballard is expected to make further inroads in the European market for power modules for fuel cell buses. The company is bidding for more than 100 fuel cell buses under Europe's Horizon

2020 funded program and has recently received a purchase order to power buses for operation in Riga, Latvia. Ballard is also bidding on fuel cell bus programs funded by the U.S. Federal Transit Administration.

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 \$68 million of cash and negligible debt.

While this stock requires investors to be nimble and able to withstand volatility, it may still be a good candidate for the riskier portion of a well-diversified portfolio.

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Date

2025/07/25

Date Created

2017/02/06

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