



## Why Ballard Power Systems Inc. Has Soared 64% Year to Date

### Description

With all the false starts that **Ballard Power Systems Inc.** ([TSX:BLDP](#))([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 year-to-date return of 21%, as the company continues to make progress on different fronts.

### Increasing visibility

The fuel cell market continues to build momentum, as clean air becomes an increasingly important goal for countries across the world. From China to Europe to California, governments are showing more and more interest and activity in fuel cell vehicles. Ballard has been involved through partnerships, joint ventures, and it's seeing its FCveloCity engines being used to power buses in Beijing and Vancouver.

And in the cities of Foshan and Yunfu, China, it seems that their fuel cell bus program will be expanded. As a result, Ballard has opened its first operations office there.

Other markets where Ballard's fuel cells are relevant are the portable power market (through the Protonex subsidiary in the U.S.) and the automotive industry, where Ballard has been working with different OEM partners.

The backlog for 2017 is currently at \$87 million.

### Improved financials

In 2016, revenue increased 51% to \$85 million, and this puts the \$87 million backlog number into context. It's pretty significant. And moving down the income statement, we can see that gross margins have been improving dramatically, as the company has been working costs down, benefiting from scale and volume, and increasing revenue from its higher-margins businesses. In 2015, the gross

margin was 18%, in 2016 it was 28%, and in the last two quarters of the year, it was above 30%.

In the first quarter of 2017, revenue increased 39%, and the gross margin was 42%. According to management, we can expect this trend to continue as they continue to drive down costs and focus on higher-margin business. And while the company is still reporting losses, the losses are reducing and the opportunities are growing.

A key component of this story is the fact that the company has maintained a very strong balance sheet, ensuring that it has the flexibility and ability to respond to market conditions. Ballard still has no debt on its balance sheet, and as of the end of the first quarter of 2017, it had \$72.6 million in cash, which represented an increase of 81%.

Lastly, management mentioned M&A as a possibility in the 2017-2018 time frame, and this could be a game changer.

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