



Why Ballard Power Systems Inc. Is Soaring Over 18%

Description

What?

Fuel cell and clean energy solutions provider **Ballard Power Systems Inc.** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) is up more than 18% at the open of trading on Monday following a press release on Sunday that previewed the company's record financial performance in the fourth quarter and provided comments on Spruce Point Capital Management LLC's short report entitled "[Fuel SELL Opportunity](#)" that was released last Thursday.

So what?

Ballard's preliminary unaudited financial results for fiscal 2017 show record annual revenue of approximately US\$120 million, positive adjusted EBITDA, and year-ending cash on hand of approximately US\$60 million, showing that its positive momentum in the [first nine months](#) of the year carried over into the fourth quarter.

Commenting on the strong results, Randy MacEwen, Ballard's president and CEO, stated the following: "We believe these results fully validate our long-held belief that Ballard is uniquely positioned to capitalize on the worldwide trend toward zero-emission transportation."

Speaking about Spruce Capital's negative report, Mr. MacEwen then stated: "Nothing we have seen in the short-seller report fundamentally changes our outlook for the business. To the contrary, we note that some of the statements upon which the short-seller bases its argument are demonstrably false, while others amount to little more than what we believe is unduly negative speculation about the obvious and well-disclosed risks and uncertainties of commercializing new technologies in emerging markets."

Ballard then provided two examples of what it says are "false claims" made by Spruce Capital:

"A false claim that the Synergy Ballard joint venture is only able to produce a few hundred

fuel cell stacks per year. In fact, the joint venture has produced 1,145 stacks since beginning operations in September 2017, including 558 stacks manufactured in December alone...”

“A false claim that there are no fuel cell bus demonstration lines operating in Guangdong, Sanshui or Yunfu. In fact, according to the local transit operators, 11 of the previously commissioned fuel cell buses powered by Ballard technology have been operating in the Cities of Foshan and Yunfu since October 2016, traveling a total of more than 240,000 kilometres to date. The remaining 13 commissioned fuel cell buses are ready for operation, subject to receipt of licence plates from the appropriate local authorities.”

Ballard ended its press release by stating that its shareholders should be skeptical of Spruce Capital’s comments, since it’s a short seller that profits from a falling stock price, and it added that it will “let the results of its business efforts speak for themselves.”

Now what?

Ballard’s stock has pared the majority of its losses from last Thursday and Friday, and it may pare them entirely by the end of the week, but it’s still down more than 18% year to date.

I think Ballard has incredible growth potential over the next decade, especially if fuel cell technology takes off like it, and others think it could; however, I simply would not throw money in the middle of this boxing match between it and Spruce Capital. I’m in favour of sitting on the sidelines for the time being, but I will be paying close attention to its fourth-quarter earnings release on March 1.

CATEGORY

1. Investing

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