



Why This Stock Soared 34% Higher Yesterday

Description

Although the last few days have been very eventful few days for **Ballard Power Systems Inc.'s** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) stock, the stock has, in fact, barely moved if we compare the movement of Friday's close to today's.

The stock was trading at \$4.60 before a report by Spruce Point Capital came out on January 25 that rated the company a strong sell and shared many negative opinions and accusations. This caused the stock to plummet to lows of \$3.69 on January 26 for a one-day fall of 20%. Yesterday, Ballard Power increased 34% off Ballard's response to Spruce Point's report.

So, we can see that the volatility has been off the charts.

What was in this report?

The report stated that the fuel cell vehicle market in China is in its infancy, and that this is a big risk with the name. It questioned Ballard's partner Broad Ocean and its lack of experience in the fuel cell industry and its ability to fulfill its commitments, as well as Ballard's assertion that there are fuel cell buses operating in China.

In a well-timed, well-worded, and concise response, Ballard issued its response yesterday.

Firstly, we must say that Spruce Point is a firm that specializes in short selling, so we cannot ignore that publishing its remarks would serve its cause.

Secondly, Ballard's response to this report was swift and concise, which resulted in the rally yesterday. The company responded by saying that it expects better-than-expected record revenue of \$120 million in 2017 (more than 40% higher than last year), along with a positive adjusted EBITDA and \$60 million in cash on its balance sheet.

Ballard also addressed the claim that there are no fuel cell demonstration lines in Guangdong, Sanshui, or Yunfu, stating that there are, in fact, 11 that have been operating since 2016 and 13 that have been commissioned and are awaiting the receipt of licence plates.

Misrepresentation claims aside, I still like the [progress that Ballard has been making](#), and I believe in the potential for its fuel cells to be a disruptive technology.

Here are some key points to consider:

In 2016, revenue increased 51% to \$85 million. And in 2017, revenue increased 41%.

Along with this strong revenue performance, the company has also been working costs down and benefitting from scale and volume, and as such, the gross margin was 36% in the latest quarter versus 27% in 2016 and 18% in 2015. And as of the first nine months of 2017, the company reported backlog of \$237 million, with a 12-month backlog of \$82 million.

Ballard is not for every investor. It is for investors that have some money that they would like to invest in a higher-risk stock for the potential higher return. Ballard offers this and exposure to a potentially [game-changing technology](#) that is increasingly gaining traction.

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