



Is This 1 of the Worst Stocks to Buy Today?

Description

Ballard (TSX:BLPD)([NASDAQ:BLDP](#)) is a company full of potential. (Yes, that's an energy pun.) It develops fuel cell technologies and sells to the heavy transport industry. You have to like a company that's based in Canada, develops clean technology, and has a [global reach](#).

Let's start off with the good news. In May 2019, Ballard announced it will participate in the Alberta Zero Emissions Truck Electrification Collaboration (AZETEC). It's part of the Government of Alberta's initiative into developing a hydrogen economy.

Also, in May 2019, Ballard announced it will work with **ABB** to develop fuel cells for riverboats. The intention is to deliver two of Ballard's 200-kilowatt fuel cell modules by 2020.

The good news kept flowing in June 2019 when Ballard announced it's a founding member of the H2Bus Consortium. The members of the group will provide 1,000 zero-emission fuel cell buses. By 2023, Denmark, Latvia, and the U.K. will each receive 200 buses.

Now for a look at the financials. Ballard has an order backlog of \$211.6 million. It also has substantial cash reserves of \$163.7 million, up 365% compared to the end of Q2 2018.

I was excited when I read these developments. Then I took a second look at its financials, and the exhilaration left me.

Revenue growth was negative year on year: (-)20.15%. Ballard's shine started to tarnish. No band-aid will relieve that pain. The profit margin year on year was down (-)28.29%. The long-term performance of this stock has been lacklustre and hasn't regained its 1999-2001 price.

At this point, I had to sit down and sip a glass of water. How can a company that has a great product be losing that much revenue and profit margin?

I think there are two trends at play. The first is the fork in the road when it comes to technology: fuel cells or electric vehicles. The market isn't sure which direction to take, and it's unclear if China will develop its [fuel cell market](#). Two sets of infrastructures (electric and hydrogen) are being built. Uneven

access to infrastructure creates barriers for customers.

It has partnerships with **Volkswagen, Audi, Daimler, Ford, and Honda**, yet the sales volumes aren't sufficient to drive up its revenues and stock.

There's another factor at play. Ballard is focused on the heavy transportation industry. It's going after buses, riverboats, and heavy trucks. This harms sales because Ballard is ignoring several vital markets.

There are military applications that haven't been explored. War zones lack the infrastructure to recharge electric vehicles. Fuel cells have a distinct competitive advantage and can fill that gap. The problem is, Ballard has yet to enter that market.

Let's not forget the potential markets in agricultural equipment. In 2016, there were 193,492 farms in Canada. Each farm has at least one tractor, and most will have other heavy equipment. There's also construction equipment. These markets are untouched by Ballard but could benefit from fuel cells.

On top of going after new markets, Ballard needs to critically examine its cost structure. It has products in many markets (bus, domestic automotive, rail, truck, material handling, marine, and critical infrastructure). Why then, with products out in these markets, is it losing so much margin and revenue?

Until Ballard expands its customer base, its revenues and margins will continue to decline. It has a history of collaboration and needs to take that approach when seeking different customers. If it can collaborate to build public transport vehicles, then it can do so to co-create a military vehicle or farm equipment. There are other markets it can go after if Ballard chooses to do so. Until then, their stock will continue to struggle.

There are too many markets left idling. (Yes, another energy pun.)

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