



Should You Buy Ballard Power (TSX:BLDP) Stock Before Its Q4 Earnings?

Description

Fuel cell maker **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) will release its Q4 earnings on March 5. The stock has risen more than 60% in the last three months. Its upcoming quarterly earnings will be an important trigger for the stock. Also, management's commentary for 2020 will also likely pave the path for its stock in the near future.

Concerns over earnings

While Ballard Power remains unprofitable, the positive outlook has helped its stock. With few exceptions, its revenue growth has also been lacklustre for the last several quarters. Analysts expect ordinary top line growth for Q4 2019 compared to the same quarter last year.

However, the company could remain unprofitable for the next few quarters. The company has managed to maintain its gross profits margin stable, around 25% in the last several quarters.

[Ballard Power stock indeed had a great run](#) in the last few years. It was trading well below \$5 levels at the start of 2019 while the stock zoomed close to \$19-odd levels in February 2020. However, continued stresses on its bottom line could make investors jittery, which could create downward pressure on the stock.

Also, Ballard stock has a beta of 2.6, which means that the stock is more than double volatile than the broader markets. That's why, while the coronavirus outbreak has lowered the global markets from record highs, Ballard Power stock has lost more than 20% in the last week.

Ballard Power stock on the move

Interestingly, Ballard Power stock had risen almost 300% since its 52-week low in March 2019. It's one of the [top growth stocks in the Canadian stock markets](#). It was trading close to \$6 levels for the recent past; the surge since late last year is therefore indeed notable. How the stock plays out after its Q4 earnings will be interesting to see.

From the valuation perspective, Ballard Power stock looks expensive, currently trading well above 30 times its historical sales. While growth investors would argue and think it justifiable, the stock is trading at a significant premium. We have considered price-to-sales valuation multiple instead of price-to-earnings, as the company is yet to report profits.

Fuel cells carry out a chemical reaction which converts hydrogen fuel into electricity. Thus, this is a relatively clean method of energy generation compared to combustion of oil or gas.

Outlook

While the investment in fuel cell technology is consistently increasing, the outlook for the industry remains bright as well. However, the number of competitors has also been on the rise in the last few years, which could see established market players struggle for market share. Time will better tell how the industry shapes up and how these companies fare amid the challenges.

Fuel cell developer stocks are attractive investment avenues for investors looking for relatively cleaner energy options. However, financial stability will be the key for these companies.

There is no point in a long-term investment when the company is unprofitable. Thus, investors in Ballard Power would be eagerly waiting for the company to turn to profits. Otherwise, the stock just looks overhyped.

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