



Amid All the Chaos, This TSX Stock Rose 15% in Q1

Description

While broad market indexes fell more than 25% due to the virus outbreak, one **TSX** stock stood substantially strong in the first quarter. The \$2.6 billion fuel cell maker **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) stock notably outperformed and soared more than 15% in the first quarter. However, though the stock was resilient in the last quarter, it tumbled around 40% since its 52-week high of \$18.8 in February.

Ballard Power Systems makes customized hydrogen fuel cells mainly for heavy- and medium-duty vehicles. It aims to provide zero-emission solutions for the automobile industry.

High-growth potential

Hydrogen fuel cells are clean energy alternatives and are significantly more efficient compared to traditional sources. As we are gradually moving away from fossil fuels and adopting cleaner energy solutions, fuel cell companies have huge growth potential for the future.

Many countries across the globe have started taking aggressive steps to fight climate change. According to Ballard Power, 66 countries have announced net-zero emission targets by 2050.

However, there will likely be higher corporate investments in the sector given the rosy outlook, which will ultimately make it difficult for existing players to gain the market share going forward.

Investors who wish to invest in socially responsible companies can consider Ballard Power Systems stock. However, the company has not reported profits in the last several years.

In the last 12 months, the stock has surged almost 170%, while TSX stocks at large fell 20%. While it continues to report losses, Ballard's top-line growth and positive outlook for the industry have mainly uplifted the stock.

Ballard Power: Earnings trends

In 2019, Ballard Power reported total revenues of \$106 million, representing a 10% rise from 2018. However, losses widened to \$39 million last year compared to \$27 million in 2018.

The management expects approximately \$130 million in revenues in 2020. That represents nearly 13% growth year over year. The company has been inconsistent with its margins mainly due to volatile revenues. In 2017, it reported gross profit margins of almost 42%, while it fell to 23% in 2019. Analysts expect Ballard Power to continue reporting losses in 2020 and 2021.

TSX stock Ballard Power has exhibited notably higher volatility in the last few trading sessions, thanks to [volatile crude oil prices](#). Interestingly, shares of alternative energy companies such as Ballard Power generally exhibit a direct correlation to crude oil prices.

That's mainly because lower crude price lowers the attractiveness of green energy companies against oil companies and vice versa. Notably, crude oil prices bottoming out and expectations of reaching some respectable levels in the near future could help Ballard Power stock too.

TSX stock: Ballard Power

[Ballard Power stock](#) looks expensive from the valuation standpoint at the moment. It is currently trading approximately 25 times its historical sales. It might seem fair for aggressive growth investors, but uncertainty around its bottom line is what mainly bothers me.

Thus, in a nutshell, even if Ballard Power stock was fairly resilient in one of the most brutal market crashes last month, it would not appeal to me. I agree that the industry is growing and still has a large potential for the future, but I would need some visibility on its earnings.

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Date

2025/07/08

Date Created

2020/04/03

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