



Ballard Power (TSX:BLDP) Just Soared 12%: Should You Buy the Breakout?

Description

Don't look now, but shares of **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) have [taken off](#), rocketing nearly 12% during Monday's trading session, just surpassing its all-time high hit back in July. The white-hot stock tanked after hours, though, surrendering a big chunk (around 5% at the time of writing) of the day's gains on news of a common share bought deal worth US\$250 million. There's no question that Ballard's been quite a roller-coaster ride of a stock this year. With the stock trading at north of 37 times sales, the name is not for the faint of heart.

Ballard Power stock blasts off: Did you miss your shot?

For fearless investors who are keen on gaining exposure to the hot fuel cell space, though, Ballard is one of the most promising names out there. Just mind the nosebleed-level valuation. For those unfamiliar with the name, it's behind zero-emission proton exchange membrane (PEM) fuel cells that are sought after by a variety of different industries, most notably fuel cell electric vehicles (FCEVs), which have been among the hottest (and sexiest) of plays for well over a year.

As you're probably aware, the electrification of mobility trend has been one of the hottest themes this year. I don't think it'll just be a theme of 2020. It's a profound secular trend that's still in its early stages. As the world continues to gravitate away from filthy fossil fuels and towards greener energy over the next decade and beyond, I think top green plays, including the likes of fuel cell developer Ballard still have a tonne of room to run.

One of the sexiest stocks on the TSX

Fellow Fool and my colleague here at the Motley Fool Christopher Liew thinks that Ballard is a name that could soar into year's end. Thus far, [Liew has been right on the money](#). As a green-friendly Joe Biden looks to take a seat in the Oval Office, renewable energy plays could continue to get a rocket into 2021. That said, I am wary of the valuations of such names like Ballard at this juncture and think the name is vulnerable to a severe double-digit decline, like the one it suffered in late July.

If the after-hours dip extends, and you're keen on gaining exposure into the name, I'd look to initiate a starter position. Ballard's impressive portfolio of technologies and the secular trend are very real, and the stock is worth paying a lofty premium for. Just how much of a premium remains the million-dollar question. With shares retreating in the after hours after barely breaking through its \$21 level of resistance, I'd prefer sitting on the sidelines and waiting for a more attractive entry point, which may be in the cards in just a few weeks' time.

The Foolish takeaway on Ballard Power stock

Ballard still has a tonne of upside over the long run, given it'll be a multi-year beneficiary of the adoption of electric vehicles. The firm has a solid liquidity position, leaving the door open for further value-creative acquisitions. In a nutshell, Ballard is firing on all cylinders and is in a terrific position to post massive growth numbers over the next decade.

Ballard has a front-row seat to one of the most lucrative industries on the planet, with its enviable portfolio of intellectual property (IP), the company could continue to make a huge splash. Although there are few, if any, dents in Ballard's armour, I find it tough to justify paying more than 35 times revenues for any firm. Unless you're keen and are willing to be on the receiving end of a 30% pullback by buying at these heights, I'd just wait on the sidelines for a move back to \$20.

The business is wonderful. The valuation? Not so much.

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