



Is This Dip in Hydrogen Stocks a Buying Opportunity?

Description

Investors are making a conscious move towards clean energy. According to the International Energy Agency (IEA), renewables accounted for roughly 30% of global energy production in 2020. However, a drop in the last quarter was observed with several clean energy producers in the hydrogen sector, including **Ballard Power** ([TSX:BLDP](#))([NASDAQ:BLDP](#)).

For long-term believers in the ability of hydrogen to become a true clean energy powerhouse, Ballard could be a [great choice](#).

That said, recent earnings highlight some concerns with this stock.

Here's what investors should make of this stock.

Disappointing earnings

Let's start with the bad news first.

There is no denying the last quarter has been disappointing for Ballard Power. The company's stock price has taken a hit on relatively weak numbers.

Ballard reported a EBT loss of Us\$14 million. The company's management team and board have tried to salvage the situation by making a series of announced partnerships and collaborations. However, Ballard's stock price has dropped more than 25% since the beginning of the month on these concerns.

Hydrogen fuel cells could indeed be the wave of the future. For energy investors who believe this to be the case, perhaps this is a buy-the-dip opportunity. However, it's hard to ignore Ballard's downside momentum right now.

This stock is down more than 65% from its 52-week high, amid earnings and valuation concerns.

Should investors focus on a brighter, greener future?

Ballard's rapid stock price rise earlier this year was likely due, in part, to the rapid speculative fervor we saw take hold in financial markets. I had previously commented on how this was likely unsustainable for Ballard and its hydrogen-focused peers.

However, there's now room to believe that Ballard could be approaching fair value at these levels. Investors need to balance the company's long-term growth prospects with its near-term earnings weakness.

For investors who believe hydrogen is a part of the green plan that Canada will make a priority in decades to come, picking up shares on weakness could turn out to be a smart move right now.

Bottom line

Ballard is a stock that has been overvalued for some time. Even at these levels, it's difficult to justify an investment on a purely fundamental basis.

Accordingly, this is a high-risk, high-reward investment that should be treated as such. As part of a well-diversified portfolio, Ballard could do well over the very long term. That said, near-term uncertainty could drive further downside in this stock.

Right now, I'm on the sidelines with this name for this reason.

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1. Energy Stocks
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Date

2025/07/19

Date Created

2021/05/20

Author

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