



This IPO Is an Enticing Energy Buy for Enormous Growth

Description

“Build a zero-emissions world” is the mission of **Loop Energy**. The \$278.02 million company from Burnaby, Canada, debuted on the **Toronto Stock Exchange** (TSX) on February 25, 2021. The fuel cell maker’s Initial Public Offering (IPO) was worth \$100 million. It pits the [growth stock](#) with **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)), a provider of clean energy and fuel cell solutions also based in Burnaby.

Loop Energy’s IPO price was \$16, although investors’ reception wasn’t that good. As of May 18, 2021, you can purchase the industrial stock at \$8.44, or 47.25% lower than the price on the first trading day. Meanwhile, shares of Ballard are down by the same percentage since Loop’s IPO. At \$18.27 per share, Ballard is a [bargain](#) with its year-to-date loss is 38.65%.

Vying for the same market

Loop Energy and Ballard Power Systems have identical objectives: zero-emission. The former caters to the delivery industry where delivery vans, transit and medium-duty trucks, and heavy-duty semi-trailers can use its fuel cell products. Apart from buses, trucks, and light rail, Ballard’s fuel system can be used in the marine industry.

The two companies operate in the markets of North America, Europe, and China. In 2020, the coronavirus outbreak hurt the global fuel cell market via supply chain disruptions, project delays, and inadequate financial support for R&D activities.

Industry experts, however, predict the fuel cell market to register a compound annual growth rate (CAGR) of about 14.06% from 2021 to 2026. The value could reach approximately US\$7.12 billion in five years. The fastest-growing market is in the Asia-Pacific region.

Due to the increasing economic viability of the technology and increasing innovation in the sector, the vehicular application will likely to dominate the market soon. Thus, Loop Energy and Ballard Power Systems will compete to garner a more significant market share.

Head to head

On May 3, 2021, Ballard reported its consolidated financial results for Q1 2021 (the quarter ended March 31, 2021). Total revenue decreased by 26% to \$17.6 million versus Q1 2020. The company declared \$17.8 million in net loss for the quarter. Despite the dismal financial results, Ballard ended the quarter with \$1.2 billion in cash reserves.

The highlight of Loop Energy's Q1 2021 was the IPO in February 2021. Management reported a \$4.9 million net loss during the quarter compared to the \$1.9 million net loss in Q1 2020. Loop also sealed several deals in various countries as part of its expansion initiatives.

The company shipped the first unit of eFlow, Loop's revolutionary fuel cells architecture, to the European Union. Management also entered into an agreement with Rheintal-Transporte in Germany to provide fuel cell modules and expertise for heavy-duty trucking applications. In Italy, Loop will provide fuel cell modules to Morelo. A joint market development agreement for the deployment of hydrogen vehicles and hydrogen fueling infrastructure with Bayotech in New Mexico is in place.

Vast ocean

Loop Energy is a small fish in a vast ocean. Ballard Power Systems is the big fish and appears to have the upper hand due to its size (\$5.43 billion) and lengthy corporate existence (42 years). However, Loop could take away some of Ballard's market share. Analysts forecast Loop's price to climb 89.5% to \$16 in the next 12 months. For Ballard, the upside potential is 60.7% to \$29.37.

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