



TFSA Investors: This Tiny Small-Cap Stock Soared 10% at Open!

Description

It's not very often that you see a stock soar 10% at market open only to come right back down.

But today, that's exactly what happened with **Loop Energy** ([TSX:LPEN](#)). This morning, the stock rallied 10% within minutes of market open, only to fall 10.5% immediately afterward.

It's not immediately clear why the stock rallied so sharply. Loop Energy sounds like an energy company going by its name. Energy prices are relatively strong this month, which has led to strength in names like **Suncor Energy**. But looks can be deceiving. LPEN is not an oil extractor. Rather, it develops hydrogen fuel cells — devices that convert hydrogen to energy — for vehicles.

Hydrogen fuel cell manufacturing is considered to be a growth industry. Recently, Research and Markets forecasted that the industry would have a [38% CAGR growth rate in 2021](#). We still need economic and financial data for 2021 to be released before we can say whether that happened or not. But it is known that hydrogen fuel cells have applications in the electric vehicle (EV) industry.

Hydrogen fuel cells are used to create electricity from hydrogen. This application is of interest to EV manufacturers, because hydrogen is considered a clean energy source. Electric cars are a well-established product category at this point, but fuel cell electric vehicles are even cleaner than regular EVs. An EV in an area where the grid is powered by coal has a high carbon footprint. A fuel cell EV, however, draws most of its energy from clean sources. So, it may deliver better environmental impacts than the average EV.

Where does Loop Energy fit into all this?

As a [manufacturer of hydrogen fuel cells](#), it develops technology that is critical for manufacturing fuel cell EVs. Its fuel cell technology is patented and purports to help manufacturers maximize performance and minimize cost. It mainly targets commercial EVs, such as trucks, forklifts, and tractors. Adoption of EVs in commercial applications is steadily increasing. **Amazon** is known to be ordering EVs for use at its warehouses, and many government buyers are doing the same thing. This could translate to strong demand for LPEN's products.

How is LPEN doing as a business?

In its most recent quarter, it delivered the following metrics:

- \$1.3 million in revenue, up more than 200%.
- Net loss of -\$6.6 million, worsened from -\$2.4 million.
- 200,000 kilometres of accumulated service.

As you can see, revenue grew dramatically, but the net loss grew at a similar pace. It was a mixed quarter. But there were some encouraging bits in there. For example, it's very great to see that Loop's Nanjing, China bus fleet is in service and being used. China is one of the fastest-growing economies in the world — THE fastest-growing large economy. So, having a presence there is a positive, particularly for EV companies. If Loop's business in China grows, then its stock could have a good future.

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