



Is Ballard Power Stock Worth Holding After its Q1 Earnings Miss?

Description

Ballard Power Systems ([TSX:BLDP](#))([NASDAQ:BLDP](#)) announced its disappointing first-quarter financial results Monday, triggering a massive selloff in its stock. BLDP stock dived by about 11% yesterday to below \$9 per share for the first time since December 2019. While the [broader market selloff](#) also intensified yesterday, pressuring Ballard Power stock further, the company's another quarterly earnings miss could be the main reason for its massive losses after its latest earnings event.

Before we discuss whether BLDP stock is worth holding after its Q1 results, let's take a closer look at its financial growth trends and some other key factors.

Ballard Power missed quarterly estimates again

Ballard Power is a Burnaby-based polymer electrolyte membrane (PEM) fuel cells company focused on zero-emission electrification of mobility. Based on its 2021 revenue data, Europe and China were two of its largest markets.

The ongoing growth trend in Ballard Power's financials doesn't look impressive, as its bottom line has been missing Street's estimates for the last 11 consecutive quarters. In Q1 2022, the company's total revenue [rose](#) by 19.3% YoY (year over year) to US\$21 million. Its revenue figure, however, fell short of analysts' expectations of US\$24 million due mainly to a decrease in revenue contribution from China.

Factors such as increased fixed overhead costs, a shift in revenue mix, and rising labour, supply, and freight expenses also affected its margin in the last quarter. As a result, its adjusted EBITDA loss widened in the last quarter to US\$27.5 million from US\$14 million a year ago. With rising costs and lower revenue from China, Ballard Power's adjusted net loss for the quarter stood at US\$40.4 million in Q1 2022 — worse than its US\$17.80 million loss in Q1 2021. Bay Street analysts were expecting its quarterly losses to be around US\$32.6 million.

Other key factors and the reason for increasing costs

In the last few quarters, Ballard Power Systems has increased its focus on investing more in business expansion and new technology. Its investments in advanced manufacturing and new production capacity expansion were the key reasons for its surging fixed overhead costs in the first quarter. These investments, however, could help the company achieve better efficiency and higher growth in the long run.

On the profitability side, the PEM fuel cells company expects continued gross margin compression in the near term. Nonetheless, it expects higher production volumes and customer transition from pilot projects to commercial deployments to help it to reduce product development costs, achieving better margins in the medium to long term.

Is Ballard Power stock worth holding?

In the first quarter, Ballard Power managed to secure new orders worth US\$27.8 million — mostly from the European market. While its latest financial growth trends might not support a big rally in BLDP stock in the near term, its consistent focus on long-term goals like a cost-reduction program, expansion of production capacity, and driving efficiency could help the stock yield attractive returns in the long term. With these positive factors, along with rising demand for zero-emission energy, I find Ballard stock worth holding for the long term, despite its worse-than-expected latest quarterly results.

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