

Here's the Next TSX Stock I'm Going to Buy

Description

The ongoing selloff surrounding growth stocks allows investors the opportunity to buy multiple companies at a discount. Several stocks across sectors have trailed the broader market by a significant margin in 2022, as investors were concerned over the steep valuations of companies in addition to a challenging macro environment.

While growth stocks underperform indices when the market turns bearish, they generate exponential gains in a bull run. One such quality [TSX stock](#) that has massive upside potential is **Ballard Power** ([TSX:BLDP](#)).

Trading 86% below all-time highs, BLDP stock returned over 2,300% to shareholders between 2016 and 2020. Let's see why BLDP stock is a buy right now.

Ballard Power is among the top hydrogen stocks

When burned, hydrogen does not emit any greenhouse gas. It is a much cleaner energy source, unlike non-renewable fossil fuels, including coal and oil. Right now, hydrogen is quite difficult to extract, making the commercial use of this gas an expensive process.

In 2020, the cost to produce each dekatherm of hydrogen ranged between US\$18.5 and US\$33.5, which is much higher than the cost of natural gas, which is less than US\$5 per dekatherm.

But several companies have allocated resources to bring down the cost of producing hydrogen due to a variety of use cases. For instance, hydrogen fuel cells can be used to power vehicles as well as a stationary power source.

Ballard Power is one of the leading players in the hydrogen energy space. It has more than 1,400 patents and applications while successfully developing a proton exchange membrane, or PEM, fuel cell that runs on hydrogen gas.

The company is focused on creating applications where the use of hydrogen fuel cells is the strongest. It already has a global and diverse fuel cell installation base and has powered 1,400 buses, 2,200 trucks, 23 trains, eight marine vessels, and nine megawatts of stationary power.

What's next for BLDP stock and investors?

As the cost of producing hydrogen is high, the large-scale adoption of this [clean energy](#) source has been quite slow. Ballard Power's sales have increased from \$125 million in 2018 to just \$139 million in 2021. Analysts expect revenue to fall by 12.2% to \$122.2 million in 2022, but it might touch \$150 million in 2023.

Trading at 14.7 times forward sales, Ballard Power Systems continues to trade at a hefty premium. Further, Ballard Power's operating losses totaled \$140.23 million in the last 12 months. While the company remains unprofitable, it ended Q3 with \$957 million in cash, providing BLDP with enough liquidity to offset its cash-burn rates.

Earlier this year, Ballard Power partnered with **ABB**, a Swiss industrial heavyweight, to develop and manufacture fuel cells that power ships. It also announced a partnership with Adani Group, an India-based industrial conglomerate to evaluate the possibility of investing in hydrogen fuel cells in the country.

Ballard Power recently announced plans to invest \$130 million in a manufacturing facility in Shanghai with an annual production capacity to supply 20,000 fuel cell engines. The facility will begin operations in 2025 and will complement China's fuel cell value chain localization policy, allowing Ballard Power to gain traction in one of the largest markets globally.

Ballard Power has forecasted its total addressable market at almost US\$250 billion, making it one of the most enticing growth stocks on the TSX. Due to multiple secular tailwinds surrounding Ballard Power, the stock is trading at a discount of more than 150% right now.

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