



Top Canadian Hydrogen Stocks of 2023

Description

Hydrogen is an element that can be used as a fuel and renewable source of energy. In Canada, hydrogen is used for generating clean heat and electricity.

Hydrogen energy first appeared as fuel cell technology in consumer vehicles and is now expanding to infrastructure like utilities. Compared to traditional non-renewable sources of energy like fossil fuels, hydrogen technology and adoption remains at an early stage.

So is hydrogen a good investment? Let's break it down.

What are hydrogen stocks?

Hydrogen stocks are those companies involved in the production, processing, and sale of hydrogen. Also included are companies that produce hydrogen machinery and equipment, and those that provide support services like logistics and staffing.

Hydrogen stocks fall under the umbrella of the [energy sector](#), and in particular the renewables industry given the close relationship between hydrogen and other renewable sources of energy.

Hydrogen companies tend to be micro-to-small market capitalization firms, with high research and development expenses. Demand for hydrogen energy has not yet reached sufficient heights as to help most of these companies generate strong revenues, margins, and earnings. As a result, many hydrogen companies may be operating at a loss with negative cashflow, and their share prices may reflect this.

That being said, hydrogen technology is considered highly innovative and may be a critical portion of the energy sector in the future. The push for zero-emissions and clean energy may provide the industry with more tailwinds, especially as companies mature and improve.

Investing in Canadian hydrogen stocks

In terms of regulations, the impetus for increasing adoption of hydrogen technology comes from Canada's emission mandates. Currently, the Federal government is committed to reducing Canada's greenhouse gas emissions by 30% (below 2005 levels) by 2030 and achieving net-zero emissions by 2050.

Canadians looking to buy domestic hydrogen stocks should begin their search in the energy sector of the TSX. From there, it is important to determine if the company under consideration is involved primarily in hydrogen as a pure-play or operates as a segment of an integrated energy company.

The former derives most of its revenues from hydrogen production, processing, sales, and technology, whereas the latter deals with a broad range of petroleum products, such as [crude oil](#) and [natural gas](#). This is important to note if you only want exposure to hydrogen stocks, instead of the broader energy sector and more traditional [renewable stocks](#).

When considering Canadian hydrogen stocks, many of the same considerations for fundamental analysis and valuation that apply to the energy sector and small-cap growth stocks should be considered:

1. Is the company's balance sheet healthy? What is the current ratio and long-term debt-to-equity ratio? Is there negative shareholder equity?
2. Has the company consistently grown quarterly revenues and earnings year over year? If so, at what rate?
3. Are the company's gross and operating margins positive and ample?
4. How does the company's enterprise value-to-EBIDTA ratio compare to peers in its sector?
5. What are the company's price-to-book, price-to-sales, price-to-free-cash-flow, and price-to-earnings ratios, and how do these compare to peers in its sector?
6. What does the company's return on assets, return on equity, and return on invested capital ratios look like?
7. Does the company have a decent cash runway and sufficient cash flow for long-term operations?
8. Does the company have a commercially viable product with documented use cases?
9. Does the company have negative earnings-per-share growth?
10. If the company operates at a loss, does it have funding sources to stay in operation? If so, are those funds equity or debt based?

Top Canadian hydrogen stocks

Let's look at some of the top hydrogen stocks on the [Toronto Stock Exchange \(TSX\)](#), listed by highest market capitalization.

Company	Description
Ballard Power (TSX:BLDP)	Ballard Power designs, develops, manufactures, sells, and services hydrogen fuel cell products.

Xebec Adsorption
(XBC.TO)

Xebec Adsorption designs, manufactures, and sells hydrogen purification and production systems (electrolysis).

Loop Energy (
[TSX:LPEN](#))

Loop Energy develops, manufactures, and supplies hydrogen fuel cells to vehicles and power generation systems.

Ballard Power

Ballard Power's main product line comprises hydrogen fuel cells, which the company calls proton exchange membrane (PEM) products. Its products are used in a variety of industrial automotive applications, such as heavy-duty bus, truck, rail, and marine applications. Ballard also provides technology solutions, including engineering and consulting services, in addition to selling licences.

Currently, Ballard operates globally, with operations in China, Germany, the United States, the United Kingdom, Canada, Denmark, Norway, Belgium, Japan, France, Spain, Taiwan, Poland, India, Ukraine, and Sweden. The company also has a strategic alliance with Linamar Corporation for developing and selling hydrogen powertrains for class 1 and 2 commercial vehicles in North America and Europe.

Xebec Adsorption Inc.

Xebec Adsorption supports the hydrogen industry by selling purification, separation, and filtration equipment throughout North America and internationally. Its H2X Solutions brand offers hydrogen purification systems, while its Hy.GEN brand provides steam methane reforming products for creating hydrogen from natural gas. Finally, its Hy.GEN-e brand provides electrolysis products for production of hydrogen from electricity.

Xebec also provides equipment to hydrogen producers, such as on-site oxygen and nitrogen generators, industrial process chillers, fluid savers and pumping stations, compressed air, gas dryers and filters, and dew point probes.

However, investors should note that in 2021, Xebec incurred accounting errors related to previously recognized revenues and earnings estimates, which severely impacted its share price and investor confidence.

Loop Energy Inc.

Loop Energy designs, manufactures, and sells hydrogen fuel cells primarily to the commercial vehicle industry, with a focus on transit buses, medium/heavy trucks, marine transport, trains, and materials and handling vehicles. According to the company, their hydrogen fuel cells consume 16% less fuel and provide up to 90% higher peak power compared to industry equivalents.

In May of 2022, Loop Energy was awarded a \$9.75 million grant over three years from the Federal government via the Pacific Economic Development Canada's Jobs and Growth Fund. Loop Energy will use this funding to increase its hydrogen fuel cell manufacturing capacities.

Recently, the company also signed a supply agreement with Tevva Motors with sales commitments of over \$12 million through 2023 and expanded operations into the Australian hydrogen bus market.

Are Canadian hydrogen stocks right for you?

Investing in Canadian hydrogen stocks is higher on the risk-reward spectrum compared to more “boring” sectors like consumer staples or industrials. Hydrogen stocks also tend to have higher betas, which makes them more volatile compared with the overall market. Many hydrogen stocks, especially [small-cap stocks](#), tend to be highly speculative given their poorer fundamentals compared with blue-chip energy stocks.

Investing in hydrogen stocks is best suited for investors who have a strong thesis for the technology and are OK with prolonged periods of underperformance and volatility. The returns of these stocks can be highly unpredictable, and often come during a significant positive catalyst or breakthrough, such as the announcement of new products, clients, contracts, etc.

It is possible that hydrogen stocks represent the “next frontier” within the energy sector, much like how [electric vehicle stocks](#) boomed and overtook traditional car manufacturers in previous years. Investors looking to invest in this nascent and unproven industry must have conviction and a strong stomach for risk.

TICKERS GLOBAL

1. TSX:BLDP (Ballard Power Systems Inc.)
2. TSX:LPEN (Loop Energy Inc.)

PP NOTIFY USER

1. cleona
2. metienne
3. tmfbwelch

Date

2025/08/14

Date Created

2022/09/30

Author

tdong

default watermark