

# Ballard Power Systems

**Alternative energy**
**15 October 2020**

## Power to change the world

Sixty-six countries have announced net zero carbon targets for 2050, 20 of which, collectively representing about 70% of global GDP, are proposing hydrogen strategies or roadmaps as key elements of their decarbonisation plans. Ballard is well placed to benefit from hydrogen adoption since it has already commercialised its fuel-cell technology and the c 1,000 buses and 2,200 trucks powered by its fuel cells have driven over 50m kilometres between them. Importantly Ballard is focused on heavy and medium duty motive applications including bus, truck, rail and marine, where fuel cells offer distinct range advantages over batteries.

## Addressing the Chinese market with Weichai Power

China's government has recently set a target of achieving one million fuel cell electric vehicles (FCEVs) on its roads by 2030, supporting the adoption of FCEVs in selected demonstration regions in China. This is a significant opportunity for Ballard, as its technology is in around half of the c 7,200 FCEVs in the country. The new policy coincides with Ballard's manufacturing JV in China's Shandong Province coming on line with an annual capacity of over 1 Gigawatt of fuel cell stacks. This JV was formed in November 2018 with Weichai Power, a major manufacturer of diesel engines used in vehicles, marine vessels and power generation. Weichai holds a 51% stake and Ballard 49%. In 2018 Weichai also made an equity investment in Ballard, taking a 19.9% ownership position.

## Europe also an attractive market

During FY20 Ballard established a marine centre of excellence at its facility in Denmark where it is designing and manufacturing heavy duty fuel cell modules for the marine industry, with capacity for up to 200 modules a year. For example, it intends to deliver three 100kW fuel cell modules in 2020 for a vessel transporting goods between Berlin and Hamburg. In September Ballard announced a collaboration agreement with MAHLE, a Tier 1 supplier to the commercial vehicle and automotive industry, addressing the \$100bn global market for commercial truck engines.

## Still to reach cash breakeven

Ballard is not yet profitable or cash generative. Total H120 revenues were US\$49.8m generating a US\$19.2m operating loss. Free cash-outflow (including capex and investment in the JV) totalled US\$44.7m, offset by an at-the-market (ATM) equity distribution agreement raising US\$64.7m (net). An ATM in September raised c US\$245m (net) and resulted in the issue of 16.5m shares from treasury.

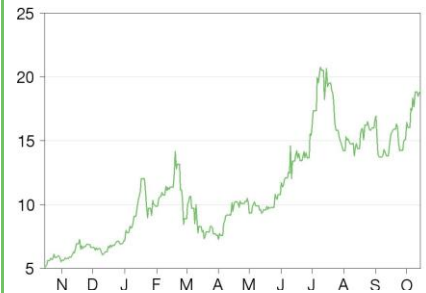
### Consensus estimates

| Year end | Revenue (\$m) | PBT (\$m) | EPS (\$) | DPS (c) | P/E (x) | Yield (%) |
|----------|---------------|-----------|----------|---------|---------|-----------|
| 12/18    | 96.6          | (27.0)    | (0.15)   | 0.00    | N/A     | N/A       |
| 12/19    | 106.3         | (39.0)    | (0.17)   | 0.00    | N/A     | N/A       |
| 12/20e   | 116.0         | (42.1)    | (0.18)   | 0.00    | N/A     | N/A       |
| 12/21e   | 154.1         | (23.1)    | (0.11)   | 0.00    | N/A     | N/A       |

Source: Refinitiv

**Price**
**US\$18.72**
**Market cap**
**US\$4.6bn**

### Share price graph



### Share details

|   |                            |
|---|----------------------------|
| Code  | NASDAQ: BLDP;<br>TSX: BLDP |
| Shares in issue   | 244.3m                     |
| Net cash at end June 2020 (excluding US\$17.8m IFRS 16 lease liabilities) | US\$170.3m                 |

### Business description

Ballard develops and manufactures proton exchange membrane fuel cells, which are used to provide electric power for buses, commercial trucks, trains, marine vessels, passenger cars, forklift trucks and unmanned aerial vehicles. It is headquartered in Canada, with operations in Denmark and Massachusetts and an office in China. It also has a 49% stake in a JV with Weichai Power (SEHK:2388) in China.

### Bull

- Governments are incorporating hydrogen roadmaps as part of decarbonisation strategies.
- Fuel cells have range advantages over batteries for heavy and medium duty motive applications.
- Ballard is investing in capacity to maintain or increase share as market grows.

### Bear

- Heavy investment in battery electric vehicles by other companies supporting cost reductions.
- Widespread adoption of FCEVs dependent on achieving cost-downs.
- Ballard not yet at cash breakeven.

### Analyst

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