WHITE DIAMOND RESEARCH

BALLARD POWER: SACRIFICING ITS FUTURE FOR A SHORT TERM GAIN – $1.50 PRICE TARGET

February 20, 2015

RESEARCH SUMMARY

– Ballard Power (BLDP) sold its fuel cell manufacturing patented technology to Volkswagen for $50 million.

– Selling assets is nothing new for Ballard as it continually depletes its cash, but it sold a core asset – its automotive fuel cell technology patents.

– Ballard has never made any money for the past 20 years.

– In a couple years, for the first time Ballard will be completely shut out of the automotive industry. All Ballard will have as customers are buses, stationary power, and forklifts, which don't provide enough revenues for Ballard to be profitable.

– Signs indicate that BLDP will report missed earnings and/or guide down in its earnings report on 2/25/15.

Ballard Power Has Been Selling Its Assets And Technology For Years

Ballard keeps selling its assets and technology patents because it needs cash to continue and it has never been able to make a profit from its normal business.

In 2007, Ballard Power sold its automotive fuel cell business to Daimler AG and Ford. Today, it gets no business from those automotive companies or any automotive companies except for Volkswagen. Once Volkswagen's contract expires, it will also likely part ways with Ballard, which is why it purchased the fuel cell patents.

In 2010, Ballard sold its head office building for $19.4M, and is now leasing that same property.

In 2013, Ballard sold its US Materials Products division, a non-core asset unrelated to fuel cells.

Ballard even sold its tax loss carry forward in 2011.

Why Ballard Power Will Likely Report A Lousy Quarter on February 25th

On 2/17, Ballard reported that it expects to supply 10 fuel cell modules to buses for two projects that were already awarded funding by the US Federal Transit Administration (FTA). These projects were already awarded funding and investors already expected Ballard to supply the fuel cells. There's no reason for Ballard to announce details of this deal a week before earnings because it's an old contract.

It's likely the reasons why this PR was released is to soften the blow from a disappointing upcoming earnings report on 2/25/15. First, the PR says that the orders and revenues are expected in the second half of 2015. Therefore, if Ballard misses on earnings, it's telling investors that they have revenues to look forward to later in the year.

Second, the PR was released to make investors excited and keep the share price up after the stock rallied on the Volkswagen deal news. Otherwise, why not just let investors know the details during the conference call? Ballard has confused some investors into thinking that it's a newly awarded contract.

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