

## Ballard Power Systems Inc.

### 3Q21 Preview – Modest Positive

**Quick Take:** Modest positive. We expect BLDP EBITDA for 3Q/4Q21 at (-\$14M)/(-\$11M), modestly better than Street est. of (-\$17M)/(-16M). Orders should be flattish in 3Q21 at about \$25M from 2Q21.

#### Modeling Assumptions

- Orders: BLDP has announced ~5 MW of orders in 3Q21 or about ~\$5M worth in our estimate. However, the company does not announce all awards. Accordingly, we est. 3Q21 orders should be ~\$25M, flattish from 2Q21.
- Revenues: We model flattish q/q revenues in 3Q21 at \$26M revenues, essentially in line with Street's \$27M est. Typically, annual revenues are split 35/65% in 1H vs. 2H, which implies 4Q21 revenues could be close to \$50M vs. Street's \$38M est.
- Gross margins: Given inflation in raw materials and freight cost, we expect gross margins to decline modestly to ~14.0% in 3Q21/4Q21 from 15.2% in 2Q21
- Opex: We model \$23M/Q opex each in 3Q/4Q21.
- EBITDA: We est. 3Q/4Q21 EBITDA at (-\$14M)/(-\$11M) vs. Street's (-\$17M)/(-16M) est.
- Cash burn: With the company still building some inventory, we expect cash burn rate should be \$25-30M both in 3Q and 4Q21.

#### Discussion Topics

- Clarity on Chinese subsidies: We have not seen any updates from Chinese government.
- Inflation: Supply chain issues have resulted in modestly higher costs. Our understanding is BLDP does not pay for freight for products sold but has to pay for freight on inbound raw materials. Raw material cost inflation has been manageable given organic 3x3 cost reduction efforts. However, gross margins could decline modestly near term.
- PEM electrolyzers: BLDP continues to look into PEM electrolyzer opportunity, but we do not expect any meaningful announcement near term.
- Alliances: We expect BLDP to provide color on Forsee Power and other alliances work together.
- Cost reductions: We expect BLDP to provide color on continuing 3x3 stack cost reduction efforts.
- Longer term growth remains intact with increasing supportive government policies.

#### Questions to Ask

- What major orders are expected in 4Q21/1H22?
- Results/update from testing 240 kW prototype for Class 6/7 vehicles with MAHLE and light vehicle testing with UPS and heavy vehicle testing with Kenworth in U.S.?

#### OILFIELD SERVICES & GREEN ENERGY

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## Appendix A – Required Disclosures Contd.

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<b>Category</b>	<b>Count</b>	<b>Percent</b>
Sector Outperform	4	29%
Sector Perform	4	29%
Sector Underperform	6	43%
Total	14	100%

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## Appendix A – Required Disclosures Contd.

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