

Ballard Power Systems Inc.

3Q21 Earnings First Take –Modest Negative

Quick Take: Modest negative. BLDP reported revenues of \$25M essentially in-line with \$26M Street est. but adj. EBITDA of (-\$23M) was below Street est. of (-\$17M). Orders of \$21M declined from \$26M in 2Q21. We see 4Q21 revenues at ~\$50M vs. Street's \$31M, but EBITDA of (-\$19M) vs. Street's (-\$16M) est. Expectations around the timing of clarity on China policy is likely the key for stock, in our opinion.

Earnings Reaction: Negative. BLDP reported revenues of \$25M essentially in-line with \$26M Street est. but adj. EBITDA of (-\$23M) was below Street est. of (-\$17M). Both, lower gross margins as well as higher opex, led to a miss. Orders of \$21M were modestly below our \$25M est.

4Q21 Potential Earnings: Neutral. Typically, annual revenues are split 35/65% in 1H vs. 2H, which implies 4Q21 revenues could be close to \$50M vs. Street's \$31M est. Assuming gross margins improve modestly to 13% and flat opex implies EBITDA of (-\$19M) vs. Street's (-\$16M) est.

Stock Reaction: Modest negative. A miss, lack of update on China policy and potential downside to 4Q21 Street est. do not bode well for the stock. However, ongoing COP26 and aftereffects of passing of infrastructure bill could provide offset.

Positives

- Reported 3Q21 revenues of \$25M were essentially in-line with \$26M Street est.
- Potential 4Q21 revenues of \$50M vs. \$31M Street est.

Negatives

- Reported 3Q21 adj. EBITDA of (-\$23M) was below Street's (-\$17M) est.
- Potential 4Q21 adj. EBITDA of (-\$19M) vs. Street's (-\$16M) est.
- Gross margins declined to 11.1% in 3Q21 from 15.2% in 2Q21.
- Opex was \$27M in 3Q21, up from \$24M in 2Q21.

Questions to Ask

- Expectations around an update on China policy given their absence at COP26?
- Outlook on orders 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

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Appendix A – Required Disclosures Contd.

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Coker & Palmer Institutional Ratings Distribution

Category	Count	Percent
Sector Outperform	4	29%
Sector Perform	4	29%
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Total	14	100%

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Appendix A – Required Disclosures Contd.

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