

PLUG POWER INC
Form 10-Q
May 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 0-27527

PLUG POWER INC.

(Exact name of registrant as specified in its charter)

968 ALBANY-SHAKER ROAD, LATHAM, NEW YORK 12110

(Address of registrant's principal executive office)

(518) 782-7700

(Registrant's telephone number, including area code)

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Delaware
(State or other jurisdiction)

22-3672377
(I.R.S. Employer

of Incorporation)

Identification Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock, par value of \$.01 per share, outstanding as of May 1, 2007 was 86,895,433

PLUG POWER INC.

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Plug Power Inc. and Subsidiaries**(A Development Stage Enterprise)****Condensed Consolidated Balance Sheets****(Unaudited)**

	March 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,954,388	\$ 26,899,866
Available-for-sale securities	178,416,212	242,223,202
Accounts receivable, less allowance of \$35,670 at March 31, 2007 and December 31, 2006	2,203,336	892,641
Inventory	6,775,529	5,558,710
Prepaid expenses and other current assets	5,559,998	3,706,400
Total current assets	265,909,463	279,280,819
Property, plant and equipment, net	17,831,695	18,048,254
Goodwill	10,388,980	10,388,980
Other assets	202,067	201,859
Total assets	\$ 294,332,205	\$ 307,919,912
Liabilities and Stockholders Equity		
Current liabilities:		
Due to broker for security purchase	\$	\$ 5,000,000
Accounts payable	1,941,430	1,989,983
Accrued expenses	2,641,332	2,596,990
Deferred revenue	3,856,821	2,692,320
Total current liabilities	8,439,583	12,279,293
Other liabilities	1,126,812	1,112,427
Total liabilities	9,566,395	13,391,720
Stockholders equity:		
Class B Capital stock, a class of preferred stock, \$0.01 par value per share; 5,000,000 shares authorized; 395,000 shares issued and outstanding at March 31, 2007 and December 31, 2006	3,950	3,950
Common stock, \$0.01 par value per share; 245,000,000 shares authorized; 86,844,706 shares issued and outstanding at March 31, 2007 and 86,794,915 shares issued and outstanding at December 31, 2006	868,450	867,952
Additional paid-in capital	752,481,123	751,118,315
Accumulated other comprehensive loss	(13,161)	(70,480)
Deficit accumulated during the development stage	(468,574,552)	(457,391,545)
Total stockholders equity	284,765,810	294,528,192
Total liabilities and stockholders equity	\$ 294,332,205	\$ 307,919,912

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Plug Power Inc. and Subsidiaries

(A Development Stage Enterprise)

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended March 31,		Cumulative Amounts from Inception
	2007	2006	
Revenue			
Product and service revenue	\$ 462,034	\$ 856,730	\$ 32,821,959
Research and development contract revenue	2,168,143	1,418,978	64,446,709
Total revenue	2,630,177	2,275,708	97,268,668
Cost of revenue and expenses			
Cost of product and service revenue	1,684,577	1,220,994	35,815,014
Cost of research and development contract revenue	2,653,279	2,536,699	91,442,917
In-process research and development			12,026,640
Research and development expense:			
Noncash stock-based compensation	876,369	663,360	12,501,913
Other research and development	8,422,026	8,321,400	343,198,686
General and administrative expense:			
Noncash stock-based compensation	512,561	194,634	18,359,888
Other general and administrative	3,537,995	2,238,234	66,465,550
Operating loss	(15,056,630)	(12,899,613)	(482,541,940)
Interest income and net realized gains/losses from the sale of available-for-sale securities	3,873,623	822,605	33,893,273
Interest expense		(48,911)	(1,348,135)
Loss before equity in losses of affiliates	(11,183,007)	(12,125,919)	(449,996,802)
Equity in losses of affiliates			(18,577,750)
Net loss	\$ (11,183,007)	\$ (12,125,919)	\$ (468,574,552)
Loss per share:			
Basic and diluted	\$ (0.13)	\$ (0.14)	
Weighted average number of common shares outstanding	86,448,152	85,927,896	

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Plug Power Inc. and Subsidiaries

(A Development Stage Enterprise)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended		Cumulative Amounts from Inception
	2007	March 31, 2006	
Cash Flows From Operating Activities:			
Net loss	\$ (11,183,007)	\$ (12,125,919)	\$ (468,574,552)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	800,761	804,689	30,984,312
Equity in losses of affiliates			18,577,750
Amortization of intangible asset			15,124,501
Noncash prepaid development costs			10,000,000
Amortization of deferred grant revenue			(1,000,000)
Stock-based compensation	1,388,930	1,518,089	31,276,013
Allowance for bad debts			35,670
Loss on disposal of property, plant and equipment			27,493
In-kind services			1,340,000
Amortization and write-off of deferred rent			2,000,000
In-process research and development			7,042,640
Changes in assets and liabilities, net of effects of acquired companies:			
Accounts receivable	(1,310,695)	250,938	(2,019,665)
Inventory	(1,216,819)	(536,089)	(6,420,956)
Prepaid expenses and other current assets	(381,206)	229,578	(5,165,774)
Accounts payable and accrued expenses	(29,835)	(1,310,949)	2,795,905
Deferred revenue	1,164,501	102,031	4,856,821
Net cash used in operating activities	(10,767,370)	(11,067,632)	(359,119,842)
Cash Flows From Investing Activities:			
Proceeds from acquisition, net			29,465,741
Increase in notes receivable	(1,500,000)		(2,500,000)
Purchase of property, plant and equipment	(542,417)	(332,461)	(34,521,592)
Proceeds from disposal of property, plant and equipment			315,666
Purchase of intangible asset			(9,624,500)
Investment in affiliate			(1,500,000)
Proceeds from maturities and sales of available-for-sale securities	192,186,063	53,916,313	1,964,970,773
Purchases of available-for-sale securities	(133,321,754)	(45,743,215)	(2,143,400,147)
Net cash provided by (used in) investing activities	56,821,892	7,840,637	(196,794,059)
Cash Flows From Financing Activities:			
Proceeds from issuance of common and preferred stock			428,529,602
Proceeds from public offerings, net			201,911,705
Stock issuance costs			(5,548,027)
Proceeds from shares issued for stock option exercises and employee stock purchase plan		3,591	10,761,696
Principal payments on long-term debt and capital lease obligations		(47,268)	(6,786,687)
Net cash (used in) provided by financing activities		(43,677)	628,868,289

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Increase (decrease) in cash and cash equivalents	46,054,522	(3,270,672)	72,954,388
Cash and cash equivalents, beginning of period	26,899,866	21,877,726	
Cash and cash equivalents, end of period	\$ 72,954,388	\$ 18,607,054	\$ 72,954,388

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Plug Power Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Nature of Operations

Description of Business

Plug Power Inc. and subsidiaries (Company) was originally formed as a joint venture between Edison Development Corporation (EDC) and Mechanical Technology Incorporated (MTI) in the State of Delaware on June 27, 1997 and succeeded by merger to all of the assets, liabilities and equity of Plug Power, L.L.C. on November 3, 1999.

The Company is a development stage enterprise involved in the design, development and manufacture of on-site energy systems for energy consumers worldwide. The Company's focus is on a platform-based systems architecture, which includes proton exchange membrane (PEM) fuel cell and fuel processing technologies, from which multiple products are being offered or are under development. A fuel cell is an electrochemical device that combines hydrogen and oxygen to produce electric power without combustion. Hydrogen is derived from hydrocarbon fuels such as natural gas, propane, methanol or gasoline and can also be obtained from the electrolysis of water, stored hydrogen or a hydrogen pipeline.

The Company is currently offering its GenCore® product for commercial sale. The GenCore® product is a back-up power product initially targeted for telecommunications, broadband, utility and industrial uninterruptible power supply (UPS) applications. We are developing additional products known as GenSys® for continuous run power applications, with optional combined heat and power capability for remote small commercial and remote residential applications. We are also pursuing development and commercialization of fuel cell power units known as GenDrive that provide power for electric lift trucks and other mobile industrial equipment for which lead-acid batteries are the incumbent technology.

Liquidity

The Company's cash requirements depend on numerous factors, including completion of our product development activities, ability to commercialize our on-site energy products, market acceptance of our systems and other factors. The Company expects to continue to devote substantial capital resources to continue its development programs directed at commercializing on-site energy products for worldwide use, hiring and training production staff, developing and expanding manufacturing capacity, and continuing expansion of production and research and development activities. The Company will pursue the expansion of its operations through internal growth and strategic acquisitions and expects that such activities will be funded from existing cash and cash equivalents and available-for-sale securities and to a lesser extent, issuance of additional equity or debt securities or additional borrowings subject to market and other conditions. The failure to raise the funds necessary to finance future cash requirements or consummate future acquisitions could adversely affect the Company's ability to pursue its strategy and could negatively affect its operations in future periods. The Company anticipates incurring additional losses over at least the next several years and believes that its current cash, cash equivalents and available-for-sale securities balances will provide sufficient liquidity to fund operations for at least the next twelve months. At March 31, 2007, the Company had unrestricted cash, cash equivalents and available-for-sale securities in the amount of \$251.4 million and working capital of \$257.5 million.

2. Basis of Presentation

Principles of Consolidation: The accompanying unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.