

PLUG POWER INC  
Form 10-Q  
May 09, 2006  
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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 10-Q

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

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

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## PLUG POWER INC.

(Exact name of registrant as specified in its charter)

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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)

Delaware  
(State or other jurisdiction)

22-3672377  
(I.R.S. Employer)

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of Incorporation)

Identification Number)

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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, 2006 was 86,019,775

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

	March 31, 2006	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,607,054	\$ 21,877,726
Restricted cash	385,000	385,000
Marketable securities	67,658,904	75,685,634
Accounts receivable	1,266,031	1,516,969
Inventory	5,228,604	4,692,515
Prepaid expenses and other current assets	1,295,956	1,524,004
<b>Total current assets</b>	<b>94,441,549</b>	<b>105,681,848</b>
Restricted cash	3,580,274	3,580,274
Property, plant and equipment, net	19,395,668	19,826,111
Goodwill	10,388,980	10,388,980
Other assets	278,234	307,164
<b>Total assets</b>	<b>\$ 128,084,705</b>	<b>\$ 139,784,377</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	2,210,321	2,660,130
Accrued expenses	2,974,833	3,835,973
Deferred revenue	3,250,079	3,148,048
Current portion of capital lease obligation and long-term debt	479,538	526,806
<b>Total current liabilities</b>	<b>8,914,771</b>	<b>10,170,957</b>
Long-term debt	3,603,641	3,603,641
Other liabilities	1,069,273	1,054,888
<b>Total liabilities</b>	<b>13,587,685</b>	<b>14,829,486</b>
Stockholders equity:		
Preferred stock, \$0.01 par value per share; 5,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value per share; 245,000,000 shares authorized; 86,002,835 shares issued and outstanding at March 31, 2006 and 85,835,248 shares issued and outstanding at December 31, 2005	860,028	858,353
Additional paid-in capital	532,955,621	531,435,616
Accumulated other comprehensive loss	(110,752)	(257,120)
Deficit accumulated during the development stage	(419,207,877)	(407,081,958)
<b>Total stockholders equity</b>	<b>114,497,020</b>	<b>124,954,891</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 128,084,705</b>	<b>\$ 139,784,377</b>

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



**Table of Contents****Plug Power Inc. and Subsidiaries****(A Development Stage Enterprise)****Condensed Consolidated Statements of Operations****(Unaudited)**

	Three months ended		Cumulative
	March 31,		Amounts from
	2006	2005	Inception
<b>Revenue</b>			
Product and service revenue	\$ 856,730	\$ 1,056,370	\$ 30,560,180
Research and development contract revenue	1,418,978	2,164,317	58,518,269
Total revenue	2,275,708	3,220,687	89,078,449
<b>Cost of revenue and expenses</b>			
Cost of product and service revenue	1,220,994	707,665	30,518,437
Cost of research and development contract revenue	2,536,699	2,914,459	83,689,675
In-process research and development			12,026,640
Research and development expense:			
Noncash stock-based compensation	663,360	372,274	9,469,536
Other research and development	8,321,400	9,448,988	304,340,194
General and administrative expense:			
Noncash stock-based compensation	194,634	135,544	16,595,199
Other general and administrative	2,238,234	1,967,733	54,344,689
Operating loss	(12,899,613)	(12,325,976)	(421,905,921)
Interest income	822,605	270,248	22,502,005
Interest expense	(48,911)	(28,970)	(1,226,211)
Loss before equity in losses of affiliates	(12,125,919)	(12,084,698)	(400,630,127)
Equity in losses of affiliates		(450,455)	(18,577,750)
Net loss	\$ (12,125,919)	\$ (12,535,153)	\$ (419,207,877)
<b>Loss per share:</b>			
Basic and diluted	\$ (0.14)	\$ (0.17)	
Weighted average number of shares outstanding	85,927,896	73,449,444	

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

**Table of Contents****Plug Power Inc. and Subsidiaries****(A Development Stage Enterprise)****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Three months ended		Cumulative
	March 31,		Amounts from
	2006	2005	Inception
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (12,125,919)	\$ (12,535,153)	\$ (419,207,877)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	804,689	846,611	27,768,450
Equity in losses of affiliates		450,455	18,577,750
Amortization of intangible asset		687,500	15,124,501
Noncash prepaid development costs			10,000,000
Amortization of deferred grant revenue			(1,000,000)
Stock based compensation	1,518,089	959,613	26,547,072
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:			
Accounts receivable	250,938	1,064,483	(1,046,690)
Inventory	(536,089)	(817,704)	(4,874,031)
Prepaid expenses and other current assets	229,578	126,805	(3,368,299)
Accounts payable and accrued expenses	(1,310,949)	(484,974)	2,837,099
Deferred revenue	102,031	(465,855)	4,918,900
Net cash used in operating activities	(11,067,632)	(10,168,219)	(313,312,992)
<b>Cash Flows From Investing Activities:</b>			
Proceeds from acquisition, net			29,465,741
Purchase of property, plant and equipment	(332,461)	(576,285)	(33,036,842)
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 of marketable securities	53,916,313	21,635,881	874,072,983
Purchases of marketable securities	(45,743,215)	(4,030,829)	(941,842,639)
Net cash provided by (used in) investing activities	7,840,637	17,028,767	(82,149,591)
<b>Cash Flows From Financing Activities:</b>			
Proceeds from issuance of common stock			211,217,782
Proceeds from public offerings, net			201,911,705
Stock issuance costs			(2,678,336)
Proceeds from shares issued for stock option exercises and employee stock purchase plan	3,591	198,626	10,369,268
Cash placed in escrow			(3,965,274)
Principal payments on long-term debt and capital lease obligations	(47,268)	(16,414)	(2,785,508)

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Net cash provided by (used in) financing activities	(43,677)	182,212	414,069,637
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,270,672)</b>	<b>7,042,760</b>	<b>18,607,054</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>21,877,726</b>	<b>18,976,767</b>	
<b>Cash and cash equivalents, end of period</b>	<b>\$ 18,607,054</b>	<b>\$ 26,019,527</b>	<b>\$ 18,607,054</b>

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



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**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, LLC in November 1999.

The Company is focused on its proprietary proton exchange membrane (PEM) fuel cell and fuel processing technology platforms, from which multiple products are being offered or are under development. The Company is currently offering for commercial sale its GenCore<sup>®</sup> product, a backup power product for telecommunications, broadband, utility and industrial uninterruptible power supply (UPS) applications. The Company is also developing additional products, including a continuous power product, with optional combined heat and power capability for remote small commercial and remote residential applications.

*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 our production staff, developing and expanding our manufacturing capacity, and continuing expansion of our production and our research and development activities. The Company will pursue the expansion of its operations through internal growth and strategic acquisitions and expect that such activities will be funded from existing cash and cash equivalents and the 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 the Company's future cash requirements or consummate future acquisitions could adversely affect its 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.

At March 31, 2006, the Company had unrestricted cash, cash equivalents and marketable securities in the amount of \$86.3 million and working capital of \$85.5 million. Management believes that the Company's currently available cash, cash equivalents and marketable securities will provide sufficient capital to fund operations for at least the next twelve months (see also note 7).

**2. Basis of Presentation**

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

*Interim Financial Statements:* The unaudited condensed interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly, in accordance with U.S. generally accepted accounting principles, the financial position, results of operations and cash flows for all periods presented, have been made. The results of operations for the interim