

Ride the Future Fuel Revolution for Life-Changing Gains



Right or not, the Biden administration is pushing America towards green energy.

The deceptively titled “Inflation Reduction Act” did little to actually tamp down inflation. Instead, it turned out to be the largest climate bill in history. A whopping \$374 billion was authorized by Congress to be poured into “green” and “renewable” energy sources. And that’s not even counting the numerous tax credits, incentives, and other provisions designed to spur the transition to renewable energy vis a vis fossil fuels.

Now, we could have a whole discussion about how “green” or “renewable” wind and solar really are. Or how low the carbon footprint of a Tesla really is. (It’s not low at all).



But the truth of the matter is, Congress has mandated that these hundreds of billions of dollars flow into green energy.

The funny thing is, while electric, solar, or wind might not be the environmental saviors they’re portrayed as, there actually is a green “future fuel” that could be truly world-changing.

What most people don't know, is there was actually a little-known carve out in the Inflation Reduction Act specifically for subsidizing the roll-out of hydrogen-powered vehicles.

The legislation provides 60 cents fo tax credit per kilogram of hydrogen produced that generate less than one pound of carbon dioxide byproduct. And as long as hydrogen companies pay their workers a “fair wage” then this subsidy will be eligible for a 500% bonus multiplier.

Totaled up, this amounts to a hydrogen fuel tax credit of \$3.00 per kilogram. In the U.S., hydrogen costs \$3.73/kg to produce. When the subsidies are subtracted, the cost comes out to just \$0.73 – and means hydrogen is the cheapest form of fuel in the world.

And for investors who get in on this hydrogen “future fuel” now, they stand to rake in some serious hefty returns.



HYDROGEN: THE FUTURE FUEL THAT WILL REVOLUTIONIZE ENERGY?

Of course, this future fuel is hydrogen. Yes, the second component of water and the most abundant element in the universe.

Hydrogen as a potential fuel source dates all the way back to the year 1800, when two English scientists – William Nicholson and Sir Anthony Carlisle – discovered that running an electric current through water produced hydrogen and oxygen gases.

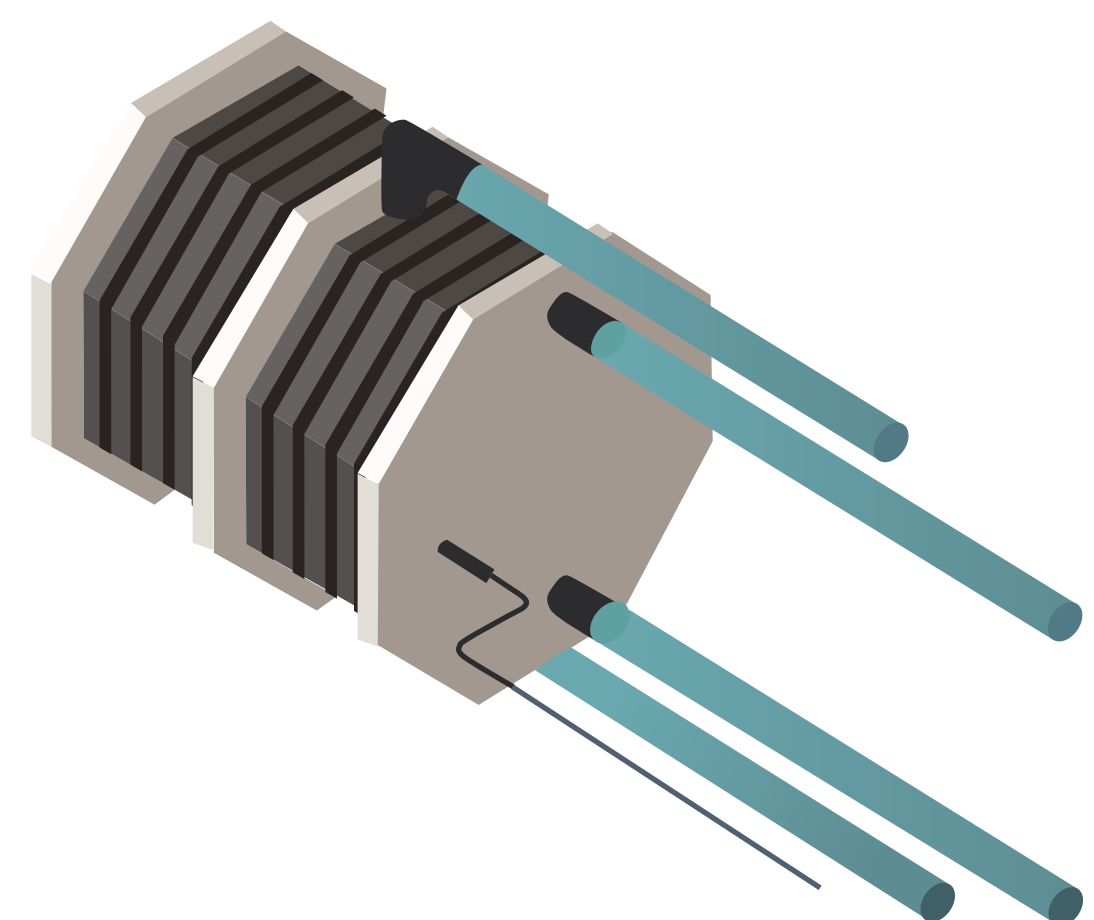
But it wasn't until 1845, that a practical application of this discovery was made by Sir William Grove. Grove has been dubbed “father of the fuel cell” due to figuring out a way to harness electrolysis in order to produce energy.

Over the intervening two hundred years, the hydrogen fuel cell was consistently refined. By the time 1969 rolled around, and NASA was launching Apollo 11, hydrogen was a prime component of rocket propulsion systems and hydrogen fuel cells were an indispensable part of powering our space missions.

The only problem?

Unless you had a NASA-size budget, hydrogen fuel was too expensive to produce at scale. The process of electrolysis – separating the hydrogen from the oxygen in water – required a ton of energy input. This energy requirement made it much more expensive than say gasoline.

However, that's all about to change. Very recent advancements in electrolyzer tech – plus generous government subsidies – have actually made hydrogen cheaper than gasoline. And a major player in all of this advancement is the company I'm bringing you today:



PLUG POWER INC (NASDAQ: PLUG)



Price At Recommendation: \$27.47

Market Cap At Recommendation: \$15.9 Billion

Shares Outstanding: 579.28 Million

52-Week Range: \$12.70 - \$46.50

Plug Power is the dominant force in American hydrogen power. They offer the widest array of products, from hydrogen electrolyzers, liquified hydrogen, and gas hydrogen, to hydrogen cryogenic trailers, mobile hydrogen storage equipment, and hydrogen automotive fuel pumps.

In other words, however you want your hydrogen, Plug Power can deliver it. Not only that, but Plug Power has also developed it's own line of hydrogen-powered vehicles.



PLUG POWER: THREE REVENUE STREAMS

Plug makes money three ways:

- ➔ **Material handling**
- ➔ **New Markets**
- ➔ **Green Hydrogen Market**

Material handling is right now the largest (94%) of Plug's revenue. This includes forklifts, and other types of heavy lifting equipment that are used in warehouses.

New Markets -- the actual electric vehicle segment -- represent 2% of their revenues. And the Green Hydrogen market -- which is the actual fuel and equipment for hydrogen fuel production -- makes up 4% of Plug's overall revenue.

Looking at these revenue streams, you may notice that not only does Plug provide the end consumer-facing products, but they also provide the raw hydrogen energy resource. This vertical integration places them at an advantage over their competitors, some of which actually rely on Plug to provide the raw hydrogen and electrolysis equipment.

While material handling is the largest portion of their revenues right now, it's the New Markets and Green Hydrogen markets that will really help Plug's share price skyrocket over the coming years.

DEAL, DEALS, AND MORE DEALS

Plug just announced a \$2.1 billion deal to sell its products to Amazon over the next seven years. Starting in 2025, Plug will provide Amazon with 10,950 tons of liquified hydrogen per year. That's enough hydrogen to power 30,000 forklifts or 800 long-haul trucks. Additionally, Plug will also sell Amazon an unspecified amount of hydrogen fuel cells and electrolyzers to the ecommerce giant.

Amazon is only the latest “big name” to jump aboard the Plug Power ship. Walmart, Home Depot, and General Motors are just three “prestigious” companies that rely on Plug’s hydrogen-powered forklifts and other heavy equipment in their warehouses.



Source: [Company 2019 presentation](#)

Additionally, Plug has partnered with French automaker Renault to produce a series of first-to-market hydrogen-powered light transport vehicles. And they’ve also partnered with Edison Motors and the South Korean government to create a hydrogen supply network in the country, along with a fleet of hydrogen-powered buses.

These numerous deals along will put Plug firmly on its way to hit its \$3 billion revenue target by 2025. Which would be a 500% increase in revenue over just the next three and a half years.

Pretty crazy stuff. And if they sign additional big-name clients, this pace of growth could increase significantly and the gains could be much higher. Especially when you consider that the liquid hydrogen market is supposed to grow by 40% CAGR until 2025; and the hydrogen fuel cell market by 44% until 2025.

Plug’s position as the only vertically-integrated hydrogen company will put them in a perfect position to grow their market dominance as hydrogen achieves widespread adoption.

THE FINANCIALS

In 2021, Plug posted a \$502 million revenue, but after costs, came in at around negative \$40 million in net revenue. In the first two quarters of 2022, they've posted revenues of \$140 million and \$151 million, respectively. Though the revenue is moving in the right direction (Q2 2021 revenue was only \$124.6 million), Plug is still losing money. In Q2, their gross margin was negative 21%.

However, I'm not worried about this, for a few reasons. One, Plug Power may not yet be profitable, but it's not like they aren't selling anything. In fact, part of the reason for their net losses are the capital expenditures they've been investing in over the past 16 months, but especially in the past year.

Q1 capex was up over 544%, and Q2 was up 220%. Plug is pouring a ton of money into developing an industry-leading supply chain and increasing the number of hydrogen-production facilities it owns. Over the past two years, Plug has begun construction of plants in Georgia, California, New York, Texas, Louisiana, and Belgium. Additionally, the tax credits and incentives will allow Plug to keep pushing the price/kg of hydrogen down. In the most recent earnings letter, CEO Andrew Marsh stated that every dollar/kg that production cost is lowered results in a gross profit increase of \$10-\$12 million.

When you also consider that the projected growth rate of the industry is around 44% for the next three and a half years, and Plug has multiple production facilities set to come online during that timeframe, they should have no problem reaching profitability. By 2024, the management team believe they could reach 30% gross margins.



TO SUM IT UP

Plug Power is well-positioned to become a leader in the hydrogen energy sector over the next three years. An international shift to green energy, generous government subsidies, a dominant, vertically-integrated supply chain, and state of the art consumer end products mean Plug Power could very well become THE dominant player in green energy.

For us here at Wealthpin Pro, we're marking this a strong buy.

Please see the most recent monthly issue for current buy limit and price target.

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