[**Plug Power's financial trouble stirs concern over Genesee County plant**]
Matt Glynn, *Buffalo News*
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Just six months ago, economic development officials were gushing about plans by Plug Power to expand the “green hydrogen” facility it is building in Genesee County, calling it one of the biggest investments ever in the region.

Now, questions surround the future of the project – and the company.

Plug Power, the Albany-based company behind the $678 million project, issued a dire warning to investors earlier this month, saying that it was running dangerously short on funds, raising concerns that it would be able to stay in business.

Plug Power’s already-battered share price fell 40% on Nov. 10 after the company released disappointing quarterly results containing the warning.

“In light of our projected capital expenditure and operating requirements under our current business plan, we have determined that there is a substantial doubt that we will have sufficient capital to fund our operations through the next 12 months,” the company said in the filing. “These conditions and events raise substantial doubt about the company’s ability to continue as a going concern.”

Plug Power’s warning triggered negative headlines for the company in the financial media. But in an interview, CEO Andy Marsh disputed the notion that the company is facing long-term financial trouble.

“It’s really more a technicality than anything else,” Marsh said of the going concern warning. “It hasn’t changed any of our outlooks for how we’re going to be running our business the next year or so.”

And Genesee County economic development officials say they remain confident about the company’s Town of Alabama project, which is an anchor of the Science, Technology and Advanced Manufacturing Park, or STAMP.

But the “going concern” warning that Plug Power issued is viewed as an alarming warning sign by investors.

A going concern notice “shows up in financial reports when firms have some uncertainty whether they’re going to be able to sustain operations, if they have enough cash to keep going over the next 12 months,” said Michael Dambra, associate professor of accounting law at the University at Buffalo’s School of Management.

“When a firm discloses that, it’s more likely than not that something has to change fundamentally for the firm to sustain operations,” Dambra said.

In a conference call with analysts last week, Plug Power’s CFO, Paul Middleton, sought to tamp down the significance of the going concern warning. “The language that we’ve included is oftentimes driven by accounting standards and how you have to evaluate it and manage it,” he said. “And it’s a lot more conservative, obviously, than what we feel like.”

But the concerns about Plug Power involve more than just the warning issued by the company.

Plug Power reported a $284 million loss during the third quarter, far steeper than analysts who track the company were expecting. The loss was bigger than Plug Power's $199 million in sales during the quarter. The company blamed the loss on "unprecedented supply challenges" that constrained volume and delayed deployments.

Plug Power's stock price was clobbered the day after the company released its third quarter earnings after the end of trading day on Nov. 9. Its shares fell to as low as $3.22 per share; on Friday, they were trading for about $4, down about 75% over the past year as investors have soured on green energy stocks.

Marsh this week expressed confidence about Plug Power's outlook and insisted the company was well-positioned to obtain more capital. He noted that the company has no debt.

"We've been really clear that we were going to raise between $500 (million) and $750 million for months now," he said. "We do have a clear path how we can bring more capital into the company, a lot it right off our $5 billion unleveraged balance sheet."

Plug Power's future is especially important in Genesee County, where the company first announced plans in February 2021 to build a "green hydrogen" plant now under construction at STAMP.

"From STAMP's perspective, we see construction work continuing at the site and there is no indication that this work is being impacted," said Jim Krencik, a spokesman for the GCEDC. "So from that standpoint, we remain very confident in Plug Power and its commitment at STAMP."

Marsh said the project remains on track and the cost will likely exceed $678 million, due to higher construction expenses. Plans call for the local operation to have 78 employees. The company will produce liquid hydrogen for freight transportation and materials handling equipment.

Plug Power's project ignited development of a site that was designed to attract large-scale employers but for years had struggled to secure a tenant. Edwards Vacuum, which supports the semiconductor industry, has also committed to the STAMP site, with plans for a $319 million plant. STAMP is roughly halfway between the Buffalo and Rochester regions, north of the Thruway's Pembroke exit.

In Plug Power's latest quarterly shareholder letter, the company said it plans to commission the STAMP plant next year and targets reaching full production in 2025. The company said it continues to work with National Grid and the New York Power Authority to complete and energize a new substation at the site. Construction of the substation continues, the GCEDC said.

Marsh said a key factor is a $1.5 billion loan from the U.S. Department of Energy. Plug Power expects the agency will approve the loan in the second or third quarter of 2024.

"I think that's where all the big work really starts happening, to get that plant online," he said.

Plug Power in its quarterly report said it faced obstacles from a hydrogen shortage in North America, but Marsh said that picture has since improved. He said Plug Power has a solid customer base that includes Amazon, Walmart and Home Depot, and the company expects to “generate more revenue this [current] quarter than we’ve ever generated in any quarter.”

Analysts had mixed reactions to Plug Power’s earnings report and the going concern warning. Some of them downgraded the stock and lowered their price targets.

“Management expressed confidence in executing a liquidity transaction near-term and continues to see a path for margin improvement through next year,” said RBC Capital analyst Chris Dendrinos, in a note to clients. “However, at this time we think it prudent to move to the sidelines and await execution of these events and until we see more material progress on initiatives to reduce the cash burn and improve margins.”

Citigroup analyst Vikram Bagri downgraded Plug Power’s stock in a report Wednesday. “Although there is a narrow way out of the near-term issues, margin of error is small,” he wrote in the report.

Marsh, however, had a more upbeat view.

“If you read all the analysts’ reports, they’re actually all pretty bullish when you get into the details,” Marsh said. “Most of them, it’s not, ‘The world’s collapsing.’ “