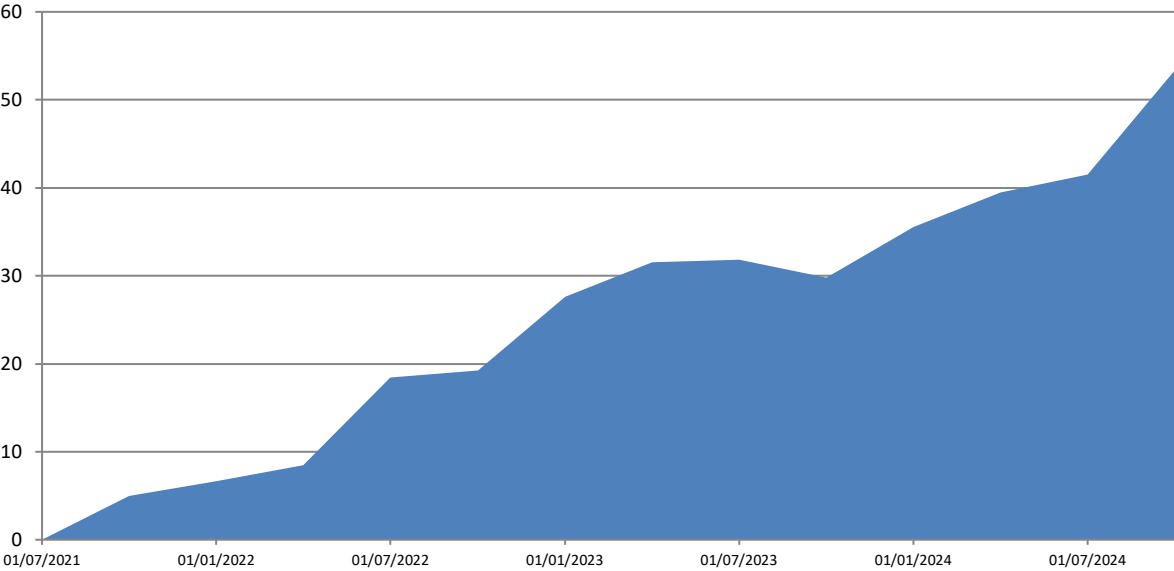




RIO SMART MONEY

RIO Smart Money recorded a return of 8.39% in the third quarter of 2024. Firstly, thank you to all the members who have commented on Smart Money and its consistent gains, your positive feedback is appreciated. This investment has benefited from quarter-on-quarter growth, but more importantly, since inception, the account has registered a return of over 53%.



The main stock traded for this investment during the third quarter was NIO Inc. The EV maker has seen its stock return its best month in 4 years as stimulus measures lead to a big rally in China’s stock market. The US listed shares of NIO Inc. shot up toward another double-digit gain on Monday, after a disclosure of a new big investment and a continued surge in China’s stock market fuelled the rally. NIO has seen an impressive rise in its price, benefiting from solid investor confidence and increasing demand for EVs globally. Our analysts feel that NIO has broken key resistance levels and is showing strong momentum with the previous resistance at \$6.06. The stock breached this level on the 27th of September and then rallied to \$7.34 on the 30th.

The Market

Forecasts indicated that global auto manufacturing and sales could rise to 6 trillion in revenue this year. Over the last several years, the Auto industry have invested massively in electric vehicle production. Globally, electric vehicle sales represented 16% of vehicle sales in 2023, but competition could be just around the corner.

Looking at a market alternative - Hydrogen powered vehicles

Recent research indicates that the number of hydrogen-powered vehicles on the market in the USA could grow significantly. As such Smart Money's analysts are searching the market for opportunities, one such company identified is Plug Power Incorporated, Plug's Power's electrolyzer and hydrogen fuel businesses could benefit from the predicted increase in the hydrogen powered vehicle market.

Plug Power released a statement saying the company is hoping to receive a sizable loan from the US federal government, which would enable them to build multiple hydrogen plants in the US. These hydrogen plants will capitalize on the anticipated surge in US hydrogen demand, driving long-term growth for Plug Power. Should the above loan become set in stone, Plug's electrolyzer and hydrogen fuel businesses would grow considerably.

Another attractive indicator is recent developments indicating that the growth of e-commerce is accelerating. The latter development is positive for Plug's substantial material-handling business.

Nikola noted that the demand for hydrogen-powered trucks, also known as fuel-cell electric vehicles, has risen. The company anticipates that hydrogen trucks will be utilized to transport heavy loads over long distances and has predicted that over three million hydrogen-powered heavy-duty and medium-duty trucks will operate in North America by 2035. I noted reports on hydrogen-powered vehicles from both **BMW** and **Toyota**, who recently announced that they would collaborate to develop a new generation of fuel-cell powertrains. BMW has announced plans to launch a car powered by Hydrogen by 2028. Toyota would probably not be spending the time and money to partner with BMW on the development of fuel cell powertrains unless it, too, plans to unveil hydrogen-powered cars at some point. Toyota is reportedly also interested in partnering with Hyundai on hydrogen vehicles.

Renault has already launched a prototype of a new hydrogen-powered van called the Renault Master. The vehicle, supported by a network of H2 stations being rolled out across Europe, will have a very high range of 700 kilometers or nearly 435 miles and a refueling time of just five minutes. It's expected to be marketed starting at the end of 2025.

Hyundai is already producing the world's first heavy-duty hydrogen fuel cell truck and hydrogen buses at one of its plants. The factory can now manufacture over 3,000 buses annually and plans to start producing new hydrogen buses in 2027.

The increased utilization of hydrogen would likely result in an increased demand for Plug's electrolyzers; one research firm recently estimated that the US electrolyzer market would grow at an awe-inspiring compound annual growth rate of 23.8% between 2023 and 2033. By 2033, the firm estimates the market will be worth roughly over \$790 million.

It certainly looks like a massive increase in the number of hydrogen vehicles coming to the market in the future in the US and elsewhere, a huge amount of hydrogen will have to be produced to fuel those vehicles. This market growth should positively impact Plug, which sells electrolyzers used to produce green hydrogen.

On the fuel production side, Plug has stated that it intends to build six more clean hydrogen facilities using a \$1.66 billion loan from the Department of Energy. Importantly, this is no far-off plan; the firm expects the loan to be disbursed by the end of this year.

Plug has also noted that, due to the green hydrogen tax credit, it can sell green hydrogen at a significant, positive gross margin. With many hydrogen trucks set to be deployed by 2030, Plug will likely see strong demand for the fuel it can produce.

Our analysts feel that should the plans come to fruition, the supply-demand trade will kick in as the production of hydrogen is unable to keep up with the demand for fuel.

In short, this stock may indeed have strong potential, as highlighted above, so why don't we simply add it to Smart Money stock selection now? Well, there are potential drawbacks. Plug Power may not be able to obtain the \$1.66 billion loan from the Department of Energy, hindering its ability to take advantage of the forecasted rise in demand for hydrogen in the longer term.

Although I see the upside potential, a close look at finances reveals that the company ran through \$149 million of cash last year, and had only \$62.4 million left in cash and short-term investments in the second quarter. That said, PLUG stock has begun to perk up interest from institutional investors recently. The company's valuation is attractive, given its huge, albeit future opportunities.

The Smart Money analytical team are continuing to focus on PLUG stock, and this stock could well be added to our selection in the coming months. However, I wouldn't suggest members buy the stock themselves as yet - unless they are very risk-tolerant or interested in speculating on the potential growth long-term.

William Gray
The RIO Club