

Hyliion Holdings Corp.

Sector: Industrial Manufacturing
Industry: Electrical Equipment

Summary: Hyliion develops KARN0, a modular, fuel-agnostic on-site power generator for data centers, defense, and commercial facilities.

Key Stock Statistics

52-Week Range: \$1.47 - \$8.49
30D Avg. Volume: 3,097,617
5Y Adj. Beta: 1.72

Market Cap: \$667m
Enterprise Value: \$528m
Institutional Ownership: 27.8%

Cash & Inv.: \$139m
FY26E Cash Use: ~\$50m
Cash per Share: \$0.78

5-Year Share Price History



Risk Assessment

Hyliion remains pre-commercial in its largest markets. Its \$400m+ pipeline consists entirely of non-binding LOIs, with roughly one-third tied to a counterparty incorporated in January 2026, according to a June short report. Remaining UL certification steps are outstanding, the Power Module has not reached its 200 kW design rating, manufacturing capacity is undisclosed, and scaling will require additional financing. Its SPAC-era ~\$2b revenue projections were never approached, warranting a credibility discount on current targets.

Highlights

Capital Intact After the Pivot

- Wound down the powertrain business in 2023; now entirely focused on KARN0, acquired from GE Additive for ~\$37m.
- \$139m cash and investments vs. \$667m market cap, with dilution under 1% annually since the SPAC.

KARN0's Differentiation

- 200 kW modular linear generator, fuel-flexible, native 800-volt DC output.
- ~\$2,500/kW, between a gas genset (\$1,250–1,500) and a fuel cell (\$3,500).

Defense Is Only Current Revenue Source

- ~\$20m of ONR contracts, two units delivered, 800 kW unmanned vessel system underway.
- All cost-plus R&D services, not product sales.

Pipeline Is Large but Unconverted

- ~750 units under non-binding LOIs (\$400m+), zero definitive agreements.
- A June 23 short report flags VFG Tech Holdings, one-third of the pipeline, as a January 2026 incorporation. No company response yet.

No Position Pending Commercial Milestones

- FY2026 guide: ~\$10m revenue, ~\$50m cash use, commercialization late 2026.
- Would reassess on full 200 kW power output, one LOI converting, and first commercial revenue with a disclosed margin.

Business Overview

Hyliion Holdings is now operating its second business following the wind-down of its original electrified powertrain platform. The company went public in October 2020 through a merger with Tortoise Acquisition Corp., raising \$516.5 million in net proceeds and another \$140.8 million from warrant exercises. Its initial strategy was to develop electrified powertrains for Class 8 trucks. Production of the Hybrid eX began in 2021, but the platform failed to gain commercial traction. In August 2022, Hyliion agreed to acquire KARNO from GE Additive. The transaction closed in September 2022 for approximately \$37 million, consisting of \$15 million in cash and roughly \$22 million in Hyliion stock. The acquisition included both the generator technology and the Cincinnati-based engineering team that developed it. At the time, Hyliion intended to use KARNO as a fuel-agnostic range extender within its truck powertrain. That strategy changed in November 2023, when the board approved a plan to wind down the powertrain business and focus entirely on commercializing KARNO as a standalone power generation product. Hyliion liquidated much of the related equipment over the following two years, generating \$2.2 million of proceeds in FY2025 and another \$1.6 million in Q1 2026. It retained the underlying powertrain intellectual property, however, so the exit was not classified as a discontinued operation. In effect, Hyliion sold the physical assets associated with its original business while retaining the KARNO technology acquired for approximately \$37 million. KARNO now represents the company's primary operating focus.

Three aspects of the original company remain relevant following the pivot:

- Thomas Healy, who founded Hyliion in 2015, remains Founder, CEO and Director.
- Weighted-average diluted shares increased from 172.2 million in FY2021 to 177.7 million in Q1 2026, or less than 1% annually. The increase has primarily come from equity compensation rather than a secondary offering.
- Hyliion held \$139.3 million of cash and investments as of Q1 2026, funded by the remaining proceeds from its SPAC transaction.

This is an unusual outcome for a de-SPAC that abandoned its original business. Hyliion still held \$139.3 million of cash and investments as of Q1 2026 while avoiding the level of shareholder dilution often associated with similarly unsuccessful SPAC transactions.

KARNO is a linear generator that converts fuel into electricity without conventional combustion. It oxidizes fuel through a flameless process to produce heat, which then drives a sealed linear generator. The system does not use a crankshaft and contains relatively few moving parts. Its core thermal components are additively manufactured, making production capacity for those components one of the primary constraints on commercialization. The base product is a 200-kilowatt module. Four modules can be combined into an 800-kilowatt

system, with additional units stacked to support deployments above 3.2 megawatts. KARNO also produces native 800-volt direct-current output. In Q1 2026, Hyliion demonstrated the system switching between diesel, natural gas and hydrogen without shutting down.



Hyliion is currently targeting three primary end markets. First is *the military*. This is the only segment currently generating revenue. Hyliion has received approximately \$20 million of cumulative contracts from the Office of Naval Research and delivered two early-adopter units to the U.S. Navy in 2025. Revenue to date has come from research and development services rather than commercial product sales. Second is *prime power*. Hyliion is targeting commercial and industrial facilities, including EV charging sites. KARNO's native DC output could allow it to connect more directly with DC fast-charging infrastructure while reducing the need for additional power conversion equipment. Third is *data centers*. This remains the largest potential market, but Hyliion has not yet generated revenue from it. KARNO's 800-volt DC architecture could align with the gradual shift toward higher-voltage DC power distribution within data centers, while its ability to operate on multiple fuels could allow one system to serve both primary and backup power applications.

KARNO is technically differentiated, but Hyliion has not yet proven a commercial business. The company has preserved meaningful capital through its strategic pivot, while KARNO has demonstrated enough technical differentiation and Navy validation to justify continued monitoring. Its largest markets remain pre-commercial, with manufacturing scale, customer conversion and commercial economics still unproven.

Industry Synopsis

My latest AAON report covered data center buildout, emphasizing the increase in annual spending from approximately \$20 billion in 2023 to \$43 billion in 2025, installed capacity growing from 2 GW to 11 GW, and the development pipeline sitting at 240 GW, with 8-12 GW being added annually. For Hyliion, the relevant constraint is power availability. Grid interconnection queues can extend for years, while much of the equipment needed to support on-site generation is already committed. In its Q2 2026 earnings release and call, GE Vernova reported that gas power backlog and slot reservation agreements reached 116 GW, up from 100 GW in the prior quarter, with reservations extending as far as 2031. For hyperscalers, delays in securing power directly limit the ability to bring new capacity online and generate revenue. This has created demand for behind-the-meter generation that can be deployed without waiting for a traditional grid connection.

Bloom Energy as a Commercial Precedent

Bloom Energy provides the clearest evidence that customers are willing to adopt on-site, gas-fueled power systems, although its solid oxide fuel cells are not directly comparable with KARNO's linear generator technology. The more relevant comparison is how customers purchase these systems. Oracle signed an agreement for up to 2.8 GW in April, while AEP committed \$2.65 billion over twenty years for up to 1 GW in January. Bloom's backlog is now approximately \$20 billion.

These agreements show that hyperscalers and utilities are willing to sign large, long-term contracts for on-site power that does not rely on traditional gas turbines. Hyliion therefore does not need to prove that a market for this type of generation exists. Bloom also shows, however, how difficult it is to become a trusted infrastructure provider. Founded in 2001 and public since 2018, Bloom's commercial inflection came roughly twenty-five years after its founding. Bloom illustrates how long it can take to scale critical-power infrastructure.

The investment cases are therefore very different. Bloom is a scaled incumbent, while Hyliion has a roughly \$667 million market capitalization, \$139 million of cash, no commercial product revenue, and an unproven manufacturing base. Hyliion is exposed to the same underlying power constraint, but at a much earlier stage and with substantially greater execution risk.

KARNO's Positioning

Management estimates that KARNO would be positioned between a conventional natural gas generator and a fuel cell on initial system cost.

KARNO's higher upfront cost relative to a conventional generator could be offset by higher efficiency and lower maintenance requirements. For qualifying buyers, the 30% investment tax credit would reduce the net cost to approximately \$1,750 per kilowatt. Relative to fuel cells, Hyliion highlights three main advantages. KARNO can switch between diesel, natural gas, and hydrogen without shutting down, provides native 800-volt DC output, and uses a modular design starting at 200 kW rather than requiring a larger campus-scale installation.

KARNO may also have an advantage in permitting. The product is not classified as an internal combustion engine under federal regulations, allowing it to avoid the federal permitting requirements applied to conventional engines. It remains subject to local air district oversight, but the reduced federal burden could be meaningful in markets where permitting timelines determine how quickly a project can begin operating.

Alignment with 800-Volt DC Architecture

A central part of Hyliion's data center pitch is KARNO's native 800-volt DC output. NVIDIA has published a technical report outlining a transition toward 800-volt DC architectures in next-generation AI data centers, primarily to reduce conversion losses and support more scalable power distribution. Conventional facilities generally receive 480-volt AC power and convert it to DC before delivering it to the racks. Because KARNO produces 800-volt DC directly, management believes the system could reduce the need for certain transformers, conversion equipment and copper infrastructure.

Healy has also said that he met NVIDIA CEO Jensen Huang and Intel CEO Lip-Bu Tan through a coincidental opportunity. According to Healy, both identified 800-volt architecture as an important direction for the industry. The interaction was not a commercial discussion, and Hyliion has not announced a relationship with either company. It does, however, provide some support for management's view that KARNO is being designed around the expected direction of future data center power architecture.

Solution	Estimated 200 kW System Cost	Estimated Cost per kW
Natural gas ICE genset for prime power	\$250-300k	\$1,250-1,500
KARNO	Approximately \$500k	\$2,500
Fuel cell	Approximately \$700k	\$3,500

Source: Management commentary on the Q4 2025 earnings call.

Defense

While data centers represent the largest potential market, defense is currently the only end market producing revenue. Hyliion has received approximately \$20 million of cumulative contracts from the Office of Naval Research, including a September 2024 award worth up to \$16 million for R&D services through February 2027 and delivery of up to seven KARNØ cores. Hyliion also received earlier awards totaling up to \$2.4 million and a Phase II SBIR award of up to \$1.5 million in July 2025. The company delivered two early-adopter units to the Navy in 2025.

In early 2026, Hyliion completed a mission-representative Navy load profile using a Navy-owned KARNØ unit and has since begun constructing an 800 kW system for an unmanned Navy vessel. The use case is particularly relevant to KARNØ's design. Unmanned vessels cannot rely on onboard personnel for routine maintenance while underway, while conventional marine diesel generators typically require servicing after several hundred operating hours. KARNØ's lower-maintenance design could therefore address a meaningful operational constraint. Fuel flexibility and lower acoustic and heat signatures could provide additional advantages. Management is targeting another \$40-50 million of military contracts during 2026.

However, the nature of this revenue matters. Existing agreements are primarily best-effort, cost-plus-fixed-fee R&D contracts. The government is funding development and testing rather than purchasing KARNØ systems for broad deployment. Hyliion's 10-K also states that ONR revenue depends on KARNØ proving viable in maritime applications that have not yet been fully tested.

The defense relationship nevertheless provides strategic value. The Navy is funding qualification and testing that future customers may require, giving Hyliion third-party validation while reducing the development costs it would otherwise bear. Defense therefore provides Hyliion with a paying customer and a path toward validation, while commercial power remains unproven. Hyliion has not yet announced a definitive commercial purchase agreement, and KARNØ's claimed advantages remain based largely on management estimates and technical demonstrations. Bloom has validated the broader market with approximately \$20 billion of backlog, but Hyliion has yet to demonstrate that KARNØ can capture a portion of it.



Catalyst Path

To this point, the investment case has largely depended on Hyliion's technical claims and potential end markets. The next step is determining whether management can meet the operating and financial targets it has publicly established.

Management has provided the following expectations for 2026:

Metric	2026 Guidance / Target
Revenue	Approximately \$10 million, primarily R&D services
Additional military contracts	\$40–50 million
Total cash use	Approximately \$50 million, assuming roughly \$10 million of planned equipment financing
Year-end cash and investments	Approximately \$100 million
Full 200 kW design power rating	By year-end
Early-adopter units deployed	Approximately 10
Commercialization of the 200 kW module	By year-end

Management describes 2027 as the transition from initial commercialization into meaningful production scale, followed by accelerating growth in 2028 and beyond. That growth depends on expanding the company's additive manufacturing capacity through equipment it does not yet own.

Hyliion believes its current capital is sufficient to reach commercialization, but additional financing will be required to support the subsequent production ramp. The larger question is how much additional capital the ramp will require and on what terms. The timing and structure of a future raise are important considerations for the investment case.

Cash Position

Line Item	Value
Cash and investments as of December 31, 2025	\$152.4 million
Cash and investments as of March 31, 2026	\$139.3 million
Q1 2026 cash use	\$13.0 million
Guided FY2026 cash use	Approximately \$50 million
Guided year-end 2026 cash and investments	Approximately \$100 million

Pipeline and Commercial Readiness

As of Q1 2026, Hyliion reported approximately 750 units covered by non-binding LOIs, up from roughly 500 in Q3 2025 and 100 a year earlier. Management values the pipeline at more than \$400 million. The issue is conversion. At 500 units, the pipeline represented roughly twelve customers, and management has said evaluations typically take three to nine months or longer. Hyliion has not yet announced a definitive purchase agreement.

UL certification is another gating item. Hyliion completed non-recurring UL testing of the KARNØ Power Module in Q1 2026, allowing it to begin transitioning early-adopter units to

customer sites. Individual modules still require final operating tests for nameplate certification, while facility-level certification is expected later in the year.

The Short Report

On June 23, Pelican Way Research published a short report questioning Hyliion's execution history and, more importantly, the quality of its commercial pipeline. The report focused on VFG Tech Holdings, the counterparty to a non-binding LOI covering approximately 250 KARNØ cores and roughly \$133 million of equipment, or about one-third of Hyliion's disclosed pipeline.

The concern is legitimate. VFG was incorporated in January

2026 and has limited public operating history and a small online presence. If the LOI does not convert, the issue extends beyond the loss of one potential customer because VFG represents a meaningful portion of the reported pipeline. Hyliion has not yet provided a detailed public response.

The report also revisited Hyliion's history of missed projections. Its original SPAC materials projected 34,500 units and approximately \$2 billion of revenue, neither of which was achieved. That history warrants a credibility discount when evaluating the company's current targets. The report's compensation comparison and subsequent plaintiff law-firm investigations are less meaningful on their own and do not change the underlying investment case.

What I Am Watching

The short report does not materially challenge Hyliion's defense business, which remains the strongest evidence that KARN0 can operate in a real-world application. Hyliion has approximately \$20 million of contracted ONR work, has delivered two early-adopter units, completed a mission-representative Navy load profile and is constructing an 800 kW system for an unmanned vessel. The defense opportunity is unlikely to support the current valuation by itself, but it provides third-party validation that the commercial business does not yet have.

My view therefore hinges on several measurable milestones.

VFG and the commercial pipeline. I want to see Hyliion either convert the VFG LOI into a definitive purchase agreement or provide enough information to establish that the counterparty can actually finance and execute the order. More broadly, I want to see the \$400 million-plus pipeline become increasingly tangible rather than simply grow through additional LOIs.

Full 200 kW power output. Hyliion is still working toward the Power Module's full 200 kW design rating, which management expects to achieve by year-end. I would view reaching that rating as an important technical milestone ahead of broader commercialization.

Commercial revenue. The first product sale will matter, but the economics will matter more. Hyliion has acknowledged that initial units may be sold at a loss to support adoption. I would therefore be more positive once the company demonstrates both product revenue and a credible path toward positive gross margins.

Military contracts. Management is targeting another \$40-50 million of military contracts in 2026. Progress toward that target would provide additional validation and help fund development while the commercial business ramps.

Capital requirements. Management believes current capital is sufficient to reach commercialization, but additional financing will be required to scale production. I am less concerned about the existence of a future raise than whether the capital is raised on reasonable terms and translates directly into additional manufacturing capacity.

Manufacturing capacity. The most important longer-term metric is how many megawatts Hyliion can actually produce each year. Management has not yet disclosed a production rate because it wants to demonstrate additive printer throughput first. Until that figure is available, it is difficult to determine how quickly the 750-unit LOI pipeline could translate into revenue.

Conclusion

I would not invest in Hyliion today. The market opportunity is credible, KARN0 has shown meaningful technical progress and the Navy provides real third-party validation, but the commercial evidence remains too limited at this point in time. The next few milestones should make that clearer. Full 200 kW power output, completion of remaining UL certification steps, a definitive purchase agreement with a credible customer, commercial product revenue with disclosed gross margins and a manageable capital raise would materially improve my view. Until those occur, Hyliion remains a development-stage company with an attractive market opportunity but substantial execution, financing and customer-conversion risk.