

Ameresco Reports Third Quarter 2013 Financial Results

- Third quarter revenue of \$161.6 million
- Third quarter net income of \$4.5 million
- Third quarter net income per diluted share of \$0.10

FRAMINGHAM, Mass.--(BUSINESS WIRE)-- Ameresco, Inc. (NYSE:AMRC) a leading energy efficiency and renewable energy company, today announced financial results for the fiscal quarter ended September 30, 2013. The Company has also furnished prepared remarks in conjunction with this press release in a Current Report on Form 8-K. The prepared remarks contain expanded and supplemental information, including non-GAAP financial metrics, and have been posted to the "Investor Relations" section of the Company's website at www.ameresco.com.

Total revenue for the third quarter of 2013 decreased to \$161.6 million from \$163.9 million, or 1%, for the same period in 2012. Third quarter operating income decreased from \$10.7 million in 2012 to \$7.6 million for 2013. Third quarter adjusted EBITDA, a non-GAAP financial measure, decreased from \$16.3 million in 2012 to \$13.6 million for 2013. Third quarter net income decreased from \$6.7 million in 2012 to \$4.5 million for 2013. Third quarter 2013 net income per diluted share was \$0.10, compared to \$0.15 for 2012.

"While we did not return to year-over-year revenue growth as expected in the third quarter, we did see some encouraging signs of improvement," stated George P. Sakellaris, President and Chief Executive Officer of Ameresco. "Most importantly, we experienced a 15% year-over-year increase in contracted backlog, the first increase in ten quarters; a return to year-to-date profitability; and 9% revenue growth from our other offerings."

For the nine months ended September 30, 2013, or year-to-date, total revenue decreased to \$398.0 million from \$474.6 million, or 16%, for the same period in 2012. Year-to-date operating income decreased from \$22.4 million in 2012 to \$3.6 million for 2013. Year-to-date adjusted EBITDA decreased from \$39.4 million in 2012 to \$21.2 million for 2013. Year-to-date net income decreased from \$13.3 million in 2012 to \$0.8 million for 2013. Net income per diluted share was \$0.02, compared to \$0.29 for 2012.

Additional Third Quarter 2013 Operating Highlights:

- Revenue generated from backlog was \$114.7 million for the third quarter of 2013, a decrease of 5% year-over-year.
- All other revenue was \$46.9 million for the third quarter of 2013, an increase of 9% year-over-year.
- Operating cash flows were \$3.7 million for the third quarter of 2013.
- Total construction backlog was \$1.4 billion as of September 30, 2013 and consisted of:
 - \$366.0 million of fully-contracted backlog of signed customer contracts for installation or construction of projects, which we expect to convert into revenue over the next 12-24 months, on average; and
 - \$1.04 billion of awarded projects representing projects in development for which we do not have signed contracts. Historically, awarded projects have converted to signed contracts over 6-12 months on average. However, we have been experiencing an unusually sustained lengthening of conversion times of awarded projects to signed contracts, a trend we expect to continue.

FY 2013 Guidance

Ameresco is revising guidance for the fiscal year ending December 31, 2013. We now expect to earn total revenue in the range of \$570 million to \$590 million. We expect net income for 2013 to be in the range of \$11 million to \$13 million. Our 2013 guidance is based upon the following assumptions: a substantial improvement in fully-contracted backlog in the fourth quarter; fourth quarter revenue related to the sale of six renewable energy projects; strong fourth quarter revenue growth in two segments and one region; more than 5% revenue growth from our all other offerings; and maintaining operating expenses at or slightly below the current run rate.

Webcast Reminder

Ameresco will hold its earnings conference call today, November 7th, at 8:30 a.m. Eastern Time with President and Chief Executive Officer, George Sakellaris, and Vice President and Chief Financial Officer, Andrew Spence, to discuss details regarding the Company's third quarter 2013 results, business outlook and strategy. Participants may access it by dialing domestically 888.679.8034 or internationally 617.213.4847. The passcode is 64240281. Participants are advised to dial into the call at least ten minutes prior to the call to register. A live, listen-only webcast of the conference call will also be available over the Internet. Individuals wishing to listen can access the call through the "Investor Relations" section of the Company's website at www.ameresco.com. If you are unable to listen to the live call, the webcast will be archived on the Company's website shortly after the call and be available for one year.

Pre-Registration for the call is also available at:

<https://www.theconferencingservice.com/prereg/key.process?key=PKU97F64E>. Pre-registrants will be issued a pin number to use when dialing into the live call which will provide faster access to the conference by bypassing the operator upon connection.

Use of Non-GAAP Financial Measures

This press release and the accompanying tables include references to adjusted EBITDA, which is a non-GAAP financial measure. For a description of this non-GAAP financial measure, including the reasons management uses this measure, please see the section following the accompanying tables titled "Exhibit A: Non-GAAP Financial Measures". For a reconciliation of adjusted EBITDA to operating income, the most directly comparable financial measure prepared in accordance with GAAP, please see Other Non-GAAP Disclosure in the accompanying tables.

Prior Period Financial Results

Certain prior period financial information included in this press release and the accompanying tables have been revised from amounts previously reported to reflect our previously reported restatement related to accounting treatment for certain derivative transactions. See note 2 to our consolidated financial statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 18, 2013 for further discussion.

About Ameresco, Inc.

Founded in 2000, Ameresco, Inc. (NYSE:AMRC) is a leading independent provider of comprehensive services, energy efficiency, infrastructure upgrades, asset sustainability and renewable energy solutions for facilities throughout North America. Ameresco's services include upgrades to a facility's energy infrastructure and the development, construction and operation of renewable energy plants. Ameresco has successfully completed energy saving, environmentally responsible projects with federal, state and local governments, healthcare and educational institutions, housing authorities, and commercial and industrial customers. With its corporate headquarters in Framingham, MA, Ameresco provides local expertise through its 70 offices in 33 states, five Canadian provinces and the United Kingdom. Ameresco has more than 900 employees. For more information, visit www.ameresco.com.

Safe Harbor Statement

Any statements in this press release about future expectations, plans and prospects for Ameresco, Inc., including statements about market conditions, pipeline and backlog, as well as estimated future revenues and net income, and other statements containing the words "projects," "believes," "anticipates," "plans," "expects," "will" and similar expressions, constitute forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including the timing of, and ability to, enter into contracts for awarded projects on the terms proposed; the timing of work we do on projects where we recognize revenue on a percentage of completion basis, including the ability to perform under recently signed contracts without unusual delay; demand for our energy efficiency and renewable energy solutions; our ability to arrange financing for our projects; changes in federal, state and local government policies and programs related to energy efficiency and renewable energy; the ability of customers to cancel or defer contracts included in our backlog; the effects of our recent acquisitions; seasonality in construction and in demand for our products and services; a customer's decision to delay our work on, or other risks involved with, a particular project; availability and costs of labor and equipment; the addition of new customers or the loss of existing customers; and other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission on March 18, 2013. In addition, the forward-looking statements included in this press release represent our views as of the date of this press release. We anticipate that subsequent events and developments will cause our views to change. However, while we may

elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

**AMERESCO, INC.
CONSOLIDATED BALANCE SHEETS**

| | September 30, 2013 | December 31, 2012 |
|--|-------------------------------|------------------------------|
| | <u>(Unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,790,233 | \$ 63,347,645 |
| Restricted cash | 25,817,232 | 26,358,908 |
| Accounts receivable, net | 79,043,751 | 84,124,627 |
| Accounts receivable retainage | 24,895,807 | 23,197,784 |
| Costs and estimated earnings in excess of billings | 64,020,703 | 62,096,284 |
| Inventory, net | 9,408,046 | 9,502,289 |
| Prepaid expenses and other current assets | 10,108,304 | 9,600,619 |
| Income tax receivable | 5,951,233 | 5,385,242 |
| Deferred income taxes | 4,503,551 | 5,190,718 |
| Project development costs | 11,877,141 | 9,038,725 |
| Total current assets | <u>254,416,001</u> | <u>297,842,841</u> |
| Federal ESPC receivable | 27,616,681 | 91,854,808 |
| Property and equipment, net | 9,362,245 | 9,387,218 |
| Project assets, net | 227,100,403 | 207,274,982 |
| Deferred financing fees, net | 5,554,225 | 5,746,177 |
| Goodwill | 55,615,137 | 48,968,390 |
| Intangible assets, net | 10,236,744 | 9,742,878 |
| Other assets | 7,255,009 | 4,654,709 |
| | <u>342,740,444</u> | <u>377,629,162</u> |
| | <u>\$ 597,156,445</u> | <u>\$ 675,472,003</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|-----------------------|-----------------------|
| Current liabilities: | | |
| Current portion of long-term debt | \$ 15,653,453 | \$ 12,452,678 |
| Accounts payable | 77,333,742 | 101,007,455 |
| Accrued expenses and other current liabilities | 11,847,160 | 13,157,024 |
| Billings in excess of cost and estimated earnings | 14,532,741 | 22,271,655 |
| Total current liabilities | <u>119,367,096</u> | <u>148,888,812</u> |
| Long-term debt, less current portion | 150,492,409 | 201,922,172 |
| Deferred income taxes | 22,677,085 | 24,888,229 |
| Deferred grant income | 7,736,754 | 7,590,730 |
| Other liabilities | 27,737,611 | 30,362,869 |
| | <u>\$ 208,643,859</u> | <u>\$ 264,764,000</u> |

**AMERESCO, INC.
CONSOLIDATED BALANCE SHEETS — (Continued)**

| | September 30, 2013 | December 31, 2012 |
|--|-----------------------------------|----------------------------------|
| | <u>(Unaudited)</u> | |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2013 and December 31, 2012 | \$ — | \$ — |
| Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 32,527,901 shares issued and 27,694,617 outstanding at September 30, 2013, 32,019,982 shares issued and 27,186,698 outstanding at December 31, 2012 | 3,253 | 3,202 |
| Class B common stock, \$0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at September 30, 2013 and December 31, 2012 | 1,800 | 1,800 |
| Additional paid-in capital | 97,360,315 | 93,141,432 |
| Retained earnings | 178,010,011 | 177,169,717 |
| Accumulated other comprehensive income | 2,949,677 | 713,194 |
| Non-controlling interest | 3,005 | (27,583) |
| Less - treasury stock, at cost, 4,833,284 shares | <u>(9,182,571)</u> | <u>(9,182,571)</u> |

Total stockholders' equity

269,145,490 261,819,191
\$597,156,445 \$675,472,003

**AMERESCO, INC.
CONSOLIDATED STATEMENTS OF INCOME**

| | Three Months Ended September 30, | |
|---|---|---------------------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited and Restated) |
| Revenue: | | |
| Energy efficiency revenue | \$ 108,872,457 | \$ 108,418,955 |
| Renewable energy revenue | 52,776,356 | 55,487,250 |
| | <u>161,648,813</u> | <u>163,906,205</u> |
| Direct expenses: | | |
| Energy efficiency expenses | 88,500,003 | 87,898,560 |
| Renewable energy expenses | 43,084,980 | 41,205,349 |
| | <u>131,584,983</u> | <u>129,103,909</u> |
| Gross profit | <u>30,063,830</u> | <u>34,802,296</u> |
| Operating expenses: | | |
| Salaries and benefits | 10,374,465 | 12,441,502 |
| Project development costs | 4,013,498 | 4,288,657 |
| General, administrative and other | 8,093,904 | 7,362,802 |
| | <u>22,481,867</u> | <u>24,092,961</u> |
| Operating income | <u>7,581,963</u> | <u>10,709,335</u> |
| Other expenses, net | 1,589,360 | 1,313,278 |
| Income before provision for income taxes | 5,992,603 | 9,396,057 |
| Income tax provision | 1,447,486 | 2,683,936 |
| Net income | <u>\$ 4,545,117</u> | <u>\$ 6,712,121</u> |
| Net income per share attributable to common shareholders: | | |
| Basic | \$ 0.10 | \$ 0.15 |
| Diluted | \$ 0.10 | \$ 0.15 |
| Weighted average common shares outstanding: | | |
| Basic | 45,621,552 | 44,788,160 |
| Diluted | 46,605,360 | 46,247,239 |
| Gross margins: | | |
| Energy efficiency revenue | 18.7% | 18.9% |
| Renewable energy revenue | 18.4% | 25.7% |
| Total | <u>18.6%</u> | <u>21.2%</u> |
| Operating expenses as a percent of revenue | <u>13.9%</u> | <u>14.7%</u> |
| OTHER NON-GAAP DISCLOSURES | | |
| Adjusted Earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA): | | |
| Operating income | \$ 7,581,963 | \$ 10,709,335 |
| Depreciation and amortization of intangible assets | 5,226,314 | 4,738,264 |
| Stock-based compensation | 789,416 | 853,866 |
| Adjusted EBITDA | <u>\$ 13,597,693</u> | <u>\$ 16,301,465</u> |
| Adjusted EBITDA margin | <u>8.4%</u> | <u>9.9%</u> |
| Construction backlog: | | |
| Awarded | \$ 1,041,682,101 | \$ 1,142,847,053 |
| Fully-contracted | 366,023,175 | 318,368,389 |
| Total construction backlog | <u>\$ 1,407,705,276</u> | <u>\$ 1,461,215,442</u> |

Note: Awarded represents estimated future revenues from projects that have been awarded, though the contracts have not yet been signed.

**AMERESCO, INC.
CONSOLIDATED STATEMENTS OF INCOME**

Nine Months Ended September 30,
2013 2012

| | (Unaudited) | (Unaudited and Restated) |
|---|----------------------|--------------------------|
| Revenue: | | |
| Energy efficiency revenue | \$ 263,944,074 | \$ 341,620,742 |
| Renewable energy revenue | 134,092,956 | 132,958,737 |
| | <u>398,037,030</u> | <u>474,579,479</u> |
| Direct expenses: | | |
| Energy efficiency expenses | 213,708,750 | 275,391,607 |
| Renewable energy expenses | 109,363,003 | 104,003,905 |
| | <u>323,071,753</u> | <u>379,395,512</u> |
| Gross profit | <u>74,965,277</u> | <u>95,183,967</u> |
| Operating expenses: | | |
| Salaries and benefits | 32,162,357 | 38,369,446 |
| Project development costs | 13,333,880 | 12,335,875 |
| General, administrative and other | 25,878,594 | 22,085,897 |
| | <u>71,374,831</u> | <u>72,791,218</u> |
| Operating income | <u>3,590,446</u> | <u>22,392,749</u> |
| Other expenses, net | 2,502,405 | 3,833,761 |
| Income before provision for income taxes | 1,088,041 | 18,558,988 |
| Income tax provision | 247,747 | 5,292,453 |
| Net income | <u>\$ 840,294</u> | <u>\$ 13,266,535</u> |
| Net income per share attributable to common shareholders: | | |
| Basic | \$ 0.02 | \$ 0.30 |
| Diluted | \$ 0.02 | \$ 0.29 |
| Weighted average common shares outstanding: | | |
| Basic | 45,472,517 | 44,492,509 |
| Diluted | 46,390,468 | 46,010,138 |
| Gross margins: | | |
| Energy efficiency revenue | 19.0% | 19.4% |
| Renewable energy revenue | 18.4% | 21.8% |
| Total | <u>18.8%</u> | <u>20.1%</u> |
| Operating expenses as a percent of revenue | <u>17.9%</u> | <u>15.3%</u> |
| OTHER NON-GAAP DISCLOSURES | | |
| Adjusted Earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA): | | |
| Operating income | \$ 3,590,446 | \$ 22,392,749 |
| Depreciation and amortization of intangible assets | 15,504,794 | 14,446,767 |
| Stock-based compensation | 2,125,276 | 2,527,926 |
| Adjusted EBITDA | <u>\$ 21,220,516</u> | <u>\$ 39,367,442</u> |
| Adjusted EBITDA margin | <u>5.3%</u> | <u>8.3%</u> |

AMERESCO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended September 30, | |
|---|---|---------------------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited and Restated) |
| Cash flows from operating activities: | | |
| Net income | \$ 4,545,117 | \$ 6,712,121 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of project assets | 2,902,714 | 2,903,901 |
| Depreciation of property and equipment | 855,727 | 721,330 |
| Amortization of deferred financing fees | 518,251 | 95,667 |
| Amortization of intangible assets | 1,467,873 | 1,113,033 |
| Provision for bad debts | 137,227 | 6,024 |
| Unrealized (gain) loss on interest rate swap | (124,980) | 59,061 |
| Gain on sale of asset | (631,917) | — |
| Stock-based compensation expense | 789,416 | 853,866 |
| Deferred income taxes | (682,904) | (951,974) |
| Excess tax benefits from stock-based compensation arrangements | (120,601) | (723,710) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Restricted cash draws | 11,013,725 | 5,688,561 |
| Accounts receivable | (2,106,271) | (5,633,607) |

| | | |
|--|----------------------|----------------------|
| Accounts receivable retainage | (37,866) | 3,150,711 |
| Federal ESPC receivable | (10,533,232) | (2,569,522) |
| Inventory | 2,800,877 | 2,052,646 |
| Costs and estimated earnings in excess of billings | (11,352,008) | (5,950,854) |
| Prepaid expenses and other current assets | 931,682 | 2,564,642 |
| Project development costs | (412,795) | (1,078,080) |
| Other assets | (1,839,224) | 312,248 |
| Increase (decrease) in: | | |
| Accounts payable, accrued expenses and other current liabilities | 10,831,805 | (2,942,065) |
| Billings in excess of cost and estimated earnings | (7,075,163) | (7,286,785) |
| Other liabilities | 1,882,477 | 2,826,363 |
| Income taxes payable | (52,156) | 1,155,924 |
| Net cash provided by operating activities | <u>3,707,774</u> | <u>3,079,501</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (790,427) | (1,715,410) |
| Purchases of project assets | (4,136,438) | (11,604,966) |
| Grant awards received on project assets | — | 395,007 |
| Proceeds from sales of assets | 3,504,000 | — |
| Acquisition, net of cash received | (599,375) | (3,677,393) |
| Net cash used in investing activities | <u>(2,022,240)</u> | <u>(16,602,762)</u> |
| Cash flows from financing activities: | | |
| Excess tax benefits from stock-based compensation arrangements | 120,601 | 723,710 |
| Payments of financing fees | — | (164,753) |
| Proceeds from exercises of options | 426,294 | 1,216,985 |
| Proceeds from senior secured credit facility | 3,000,000 | 12,017,429 |
| Non-controlling interest | (10,042) | — |
| Restricted cash | (2,349,555) | (1,454,199) |
| Payments on long-term debt | (1,643,787) | (1,245,455) |
| Net cash (used in) provided by financing activities | <u>(456,489)</u> | <u>11,093,717</u> |
| Effect of exchange rate changes on cash | <u>(68,775)</u> | <u>(303,643)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,160,270 | (2,733,187) |
| Cash and cash equivalents, beginning of period | 17,629,963 | 28,909,987 |
| Cash and cash equivalents, end of period | <u>\$ 18,790,233</u> | <u>\$ 26,176,800</u> |

AMERESCO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | <u>Nine Months Ended September 30,</u> | |
|---|--|---------------------------------|
| | <u>2013</u> | <u>2012</u> |
| | <u>(Unaudited)</u> | <u>(Unaudited and Restated)</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 840,294 | \$ 13,266,535 |
| Adjustments to reconcile net income to cash (used in) provided by operating activities: | | |
| Depreciation of project assets | 9,781,865 | 8,359,908 |
| Depreciation of property and equipment | 2,465,981 | 2,002,804 |
| Amortization of deferred financing fees | 850,713 | 367,145 |
| | 3,256,948 | 4,084,055 |
| Amortization of intangible assets | | |
| Provision for bad debts | 508,535 | 83,767 |
| Unrealized (gain) loss on interest rate swap | (1,378,039) | 178,813 |
| Gain on sale of asset | (631,917) | (800,000) |
| Stock-based compensation expense | 2,125,276 | 2,527,926 |
| Deferred income taxes | (3,553,593) | (1,458,605) |
| Excess tax benefits from stock-based compensation arrangements | (417,612) | (2,375,223) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Restricted cash draws | 29,018,663 | 29,841,218 |
| Accounts receivable | 4,749,408 | 6,936,036 |
| Accounts receivable retainage | (1,610,440) | 5,230,093 |
| Federal ESPC receivable | (24,317,877) | (28,345,258) |
| Inventory | 754,293 | 1,542,422 |
| Costs and estimated earnings in excess of billings | (1,420,819) | 6,246,532 |
| Prepaid expenses and other current assets | (594,650) | 885,482 |
| Project development costs | (2,843,145) | (2,234,165) |
| Other assets | (2,597,959) | (629,034) |

| | | |
|--|----------------------|----------------------|
| Increase (decrease) in: | | |
| Accounts payable, accrued expenses and other current liabilities | (25,354,177) | (11,702,805) |
| Billings in excess of cost and estimated earnings | (6,703,710) | 957,105 |
| Other liabilities | 2,376,895 | 3,351,544 |
| Income taxes payable | (417,194) | 4,239,382 |
| Net cash (used in) provided by operating activities | <u>(15,112,261)</u> | <u>42,555,677</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (2,331,004) | (4,096,980) |
| Purchases of project assets | (35,755,383) | (31,303,607) |
| Grant awards and rebates received on project assets | 1,580,219 | 4,233,773 |
| Proceeds from sales of assets | 3,510,500 | — |
| Acquisitions, net of cash received | (9,944,976) | (3,677,393) |
| Net cash used in investing activities | <u>(42,940,644)</u> | <u>(34,844,207)</u> |
| Cash flows from financing activities: | | |
| Excess tax benefits from stock-based compensation arrangements | 417,612 | 2,375,223 |
| Book overdraft | — | (7,297,122) |
| Payments of financing fees | (504,985) | (185,078) |
| Proceeds from exercises of options | 1,676,046 | 3,016,256 |
| Proceeds from senior secured credit facility | 18,000,000 | 4,160,287 |
| Proceeds from long-term debt financing | 9,434,434 | — |
| Non-controlling interest | 30,588 | 7,700 |
| Restricted cash | (7,547,832) | (6,252,306) |
| Payments on long-term debt | (8,384,516) | (3,380,412) |
| Net cash provided by (used in) financing activities | <u>13,121,347</u> | <u>(7,555,452)</u> |
| Effect of exchange rate changes on cash | 374,146 | (256,584) |
| Net decrease in cash and cash equivalents | (44,557,412) | (100,566) |
| Cash and cash equivalents, beginning of year | 63,347,645 | 26,277,366 |
| Cash and cash equivalents, end of period | <u>\$ 18,790,233</u> | <u>\$ 26,176,800</u> |

Exhibit A: Non-GAAP Financial Measures

We define adjusted EBITDA as operating income before depreciation, amortization of intangible assets, impairment and share-based compensation expense. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as an alternative to operating income or any other measure of financial performance calculated and presented in accordance with GAAP. For a reconciliation of adjusted EBITDA to operating income, the most directly comparable financial measure prepared in accordance with GAAP, please see Other Non-GAAP Disclosure in the tables above.

We believe adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons: adjusted EBITDA and similar non-GAAP measures are widely used by investors to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon financing and accounting methods, book values of assets, capital structures and the methods by which assets were acquired; securities analysts often use adjusted EBITDA and similar non-GAAP measures as supplemental measures to evaluate the overall operating performance of companies; and by comparing our adjusted EBITDA in different historical periods, investors can evaluate our operating results without the additional variations of depreciation and amortization expense, and share-based compensation expense.

Our management uses adjusted EBITDA: as a measure of operating performance, because it does not include the impact of items that we do not consider indicative of our core operating performance; for planning purposes, including the preparation of our annual operating budget; to allocate resources to enhance the financial performance of the business; to evaluate the effectiveness of our business strategies; and in communications with the board of directors and investors concerning our financial performance.

We understand that, although measures similar to adjusted EBITDA are frequently used by investors and securities analysts in their evaluation of companies, adjusted EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for GAAP operating income or an analysis of our results of operations as reported under GAAP. Some of these limitations are: adjusted EBITDA does not reflect the Company's cash expenditures or future requirements for capital expenditures or other contractual commitments; adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; adjusted EBITDA does not reflect stock-based compensation expense; adjusted EBITDA does not reflect cash requirements for income taxes; adjusted EBITDA does not reflect net interest income (expense); although depreciation, amortization and impairment are non-cash charges, the assets being depreciated, amortized or impaired will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for these replacements; and

other companies in our industry may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

To properly and prudently evaluate our business, we encourage investors to review our GAAP financial statements included above, and not to rely on any single financial measure to evaluate our business. Please refer to the above reconciliation of adjusted EBITDA to operating income, the most directly comparable GAAP measure.

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