

AMRC Prepared Remarks Q1 2021 FINAL

May 1, 2023

Leila Dillon - SVP Marketing

Thank you, _____, and good afternoon, everyone. We appreciate you joining us for today's call. Joining me here are George Sakellaris, Ameresco's Chairman, President, and Chief Executive Officer; Doran Hole, Executive Vice President and Chief Financial Officer; and Josh Baribeau, Senior Vice President – Finance, in for Mark Chiplock who is traveling today. Before I turn the call over to George, I would like to make a brief statement regarding forward-looking remarks.

Today's earnings materials contain forward-looking statements, including statements regarding our expectations. All forward-looking statements are subject to risks and uncertainties. Please refer to today's earnings materials, the safe harbor language on Slide 2 and our SEC filings for a discussion of the major risk factors that could cause our

actual results to differ from those in our forward-looking statements. In addition, we use several non-GAAP measures when presenting our financial results. We have included the reconciliations to these measures in our supplemental financial information.

I will now turn the call over to George. George?

George Sakellaris – CEO

Thank you, Leila, and good afternoon, everyone. First quarter results represented a solid start for the year. We were pleased to make significant progress in key areas that support our 2023 guidance as well as our long-term financial targets.

The Ameresco team once again executed well, delivering first quarter revenues higher than our expectations and adjusted EBITDA at the higher-end our guidance range. We also continued to lay the foundation for our ongoing success as such we were particularly pleased by the addition of new project awards of \$472 million in the

first quarter, which increased our total project backlog by 13% sequentially.

We are executing on our contracted backlog and expect to convert a good portion of our awarded backlog to contracts throughout the year, giving us excellent visibility into our expected project revenue ramp in the second half of this year.

We are seeing very strong customer interest across all our business lines. In fact, in this year's first quarter the total value of the proposals we submitted was 50% higher compared with the same period last year. This reflects greater demand as well as a higher level of project complexity and scope. This increased activity is a function of our great value proposition, which addresses customer requirements for resiliency, cost savings, and carbon reduction.

We are excited by the recently enacted Inflation Reduction Act, which provides broad and meaningful financial incentives and benefits for a range of clean energy technologies. Ameresco's technology neutral business model is perfectly suited to assist customers in finding the best solutions to fit their energy needs and optimize the IRA's benefits. While we have seen a slight uptick in awards directly attributable to IRA benefits in Q1, we expect to see a greater impact in the coming quarters and the years to come.

The Energy Asset team again made excellent progress in this quarter, bringing 34 MWe online. The recurring revenue model of our Energy Asset and O&M businesses helps to mitigate some of the timing issues inherent in our projects business. Included in the assets we brought online this quarter was the 27MW solar facility in DePue Illinois. DePue is our largest operating solar asset to date and is representative of the larger sized solar, battery and RNG assets that we are pursuing. This year we expect to add a total of 80 to 100 MWe of Energy Assets into

operation. These asset additions along with continued strong performance in our O&M and Other businesses, supports our confidence in our full year 2023 guidance. Doran will provide more detail on our visibility during the financial discussion.

As we noted last quarter, Ameresco continues to expand into the European market, building on our successful operations in the United Kingdom and Ireland. We expect our expansion to take several forms including organic growth, acquisitions, joint ventures and partnerships.

This quarter we entered the Italian market with our acquisition of Milan-based Enerqos. With a strong management team and market position, Enerqos has been offering energy efficiency and renewable energy solutions to the Commercial and Industrial markets for more than 15 years. We also recently announced the expansion of our partnership with Sunel Group, an Athens-based international developer and EPC contractor for renewable energy projects. Ameresco and Sunel have established Ameresco Sunel Energy, which is currently proposing a

project pipeline of 1.5 GW, with an estimated \$500M in potential contract value in the United Kingdom, Greece, Italy, Spain and Romania. The JV has already been selected as the contractor for a 100MW solar photovoltaic project in Greece, currently in construction, as well as various other smaller PV projects across commercial and industrial markets.

Given the increasing importance of the European market to our future growth strategy and recognizing our large and growing European shareholder base, we are holding our Investor Day in London on May 11th. The event will primarily focus on our European strategy and the market and policy dynamics that we believe make this a very compelling opportunity for us. Ameresco's European expansion plan will be selective and measured, maximizing potential shareholder value, while minimizing execution risk. Given the importance of acquisitions and partners to this plan, we will hold a panel discussion with executives from both Enerqos and Sunel as well as members of our

finance team. We are also pleased to be hosting Bristol City councilor Kye Dudd who will be discussing our transformational Bristol City project from the customer's perspective. We believe our European expansion will be an increasingly important contributor to our revenue and EBITDA growth in the coming years.

Finally, we are always honored when our company and the solutions we provide are recognized in the industry. We recently were awarded the 2023 North American Energy Services Company of the Year by the market research firm Frost & Sullivan. And our expertise in LED street lighting projects was once again recognized as our Chicago Smart Light Program was awarded the Inspiring Efficiency Impact Award by the Midwest Energy Efficiency Alliance.

I will now turn the call over to Doran to comment on our financial performance and outlook. Doran?

Doran Hole – CFO

Thank you, George, and good afternoon everyone. For additional financial information, please refer to the press release and supplemental slides that were posted to our website after the market closed today.

Total first quarter revenue was \$271 million, about \$40 million above our guidance, as we experienced faster execution on certain projects as well as some early contract conversions. Energy Asset revenue grew 6%, with the increased number of operating assets and greater production from existing solar assets more than offsetting weak RIN prices in the first quarter. Our O&M business delivered another solid quarter with 10% growth as we continued to win O&M contracts on our completed projects. And, our Other line of business had another strong

quarter of double digit growth, up 13%, driven by increased demand for our utility SaaS and consulting businesses.

Gross margin increased to 18.3%, as the lower margin SoCal Ed contract declined as a percentage of our total revenue. We generated Adjusted EBITDA of \$27 million in the quarter, at the higher end of our guidance.

This quarter our working capital showed significant sequential improvement. We reduced our receivables and unbilled revenue during the quarter through payments from our SCE projects. The company generated cash flow from operations of \$56.7 million and adjusted cash flow from operations of approximately \$100 million, ending the quarter with approximately \$176 million of unrestricted cash. We anticipate continued improvements in working capital during the coming quarters as the final SCE payments are invoiced and collected.

Speaking of SCE, as disclosed in the press release, during Q1 we agreed on the reimbursement of additional costs incurred by Ameresco related to SCE's request to move the project completions into 2023. As part of this agreement SCE made a \$125 million advance payment to us on future milestones, which is reflected in the improved working capital I just mentioned.

Total project backlog was a healthy \$3.0 billion, a 13% sequential increase, as we added \$472 million in new awards during the quarter – a Q1 record. Our energy asset visibility is approximately \$2.3 billion.

This metric includes both contracted energy asset revenue as well as uncontracted RNG revenues that we expect to generate over the life of these assets. And to reiterate from last quarter, this is only from our OPERATING assets. We have a line of sight to even more recurring revenue potential from our Assets in Development pipeline. In calculating the uncontracted part of this metric, we have used conservative assumptions for asset life and merchant market pricing for

RINs as noted in our release. Our Energy Asset visibility together with our project and O&M backlog, gives Ameresco visibility on over \$6.5 billion in future revenue.

We are pleased to be reiterating our 2023 guidance which anticipates adjusted EBITDA growth of 5% at the midpoint, which is noteworthy considering the difficult year-on-year comparisons associated with the wind down and completion of the large SCE projects. I'd now like to give some color around how we are looking at the 2023 Q1 to Q4 ramp with a focus on the pattern of revenue generation.

- On the projects side, we ended Q1 with a 12-month Contracted backlog of \$639M, much of which we expect to be recognized as revenue throughout this year. In addition, we typically convert between 10-15% of our Awarded project backlog into revenue in any given year. Furthermore, approximately 5-10% of our total revenue in a typical year comes from aged proposals which get awarded, contracted and converted to revenue in that same year.

- Our operating assets have a stable base of recurring revenue subject to weather-related seasonality on the solar side. With the commissioning of 34MW of the new Q1 assets contributing for almost the full year, plus 22MWe of RNG and another 24-44MW of solar & storage contributing partially this year, we expect very healthy growth from our Energy Assets line of business.
- Our O&M and Other lines of business tend to be more linear, so the Q1/2023 run-rate is a good estimate for the remainder of the year.

When you add those items to our already-reported Q1 results, we have a clear path to our guidance levels. Recognizing that this is a high-level overview of our near-term visibility, we plan to elaborate on this during our upcoming investor day.

Turning to Q2 guidance: Taking into account Q1 actual performance and considering the ramp described above, we expect second quarter

revenue to be in the range of \$280 million to \$300 million, adjusted EBITDA of \$30 million to \$40 million and Non-GAAP EPS, of \$0.10 to \$0.20.

Now I'd like to turn the call back over to George for closing comments.

George Sakellaris – CEO

Thank you, Doran.

As we have discussed in detail during this call, we have continued to grow our long-term line of sight with now over \$6.5 billion in revenue visibility and over 400MW of assets in development and construction.

We also maintain an excellent line of sight to both our 2023 guidance and 2024 target of \$300 million in adjusted EBITDA. There is no better time to be in our business given the tremendous opportunities both in the US and internationally as governments and institutions around the world invest in solutions addressing carbon and cost reduction, grid

reliability and volatile energy prices. Again, we look forward to seeing investors in London and at upcoming conferences and events. In closing I would like to once again thank our employees, customers and stockholders for their continued support.

Operator we would like to open the call to questions.