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 Mark Chiplock, Senior Vice President and Chief Accounting Officer. 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 of our supplemental information 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 information.

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

George Sakellaris – CEO

Thank you, Leila, and good afternoon, everyone.

We are pleased with our first quarter performance as the team's focus on execution drove growth across our four business lines as well as significant results in our business development activities. The actions we have taken to optimize our organization are already driving a positive impact across our company and positioning Ameresco to capture the substantial opportunities in front of us.

First quarter revenue exceeded our guidance, led by strong execution from our projects group, and complemented by growth in our other business lines. Additionally, the momentum of business development has continued to show strength, with new project wins and energy asset development activity laying the foundation for good profitable growth. Our focus on cash flow generation is also yielding positive results as Doran will discuss later in this call.

The current market demand for energy efficiency and renewable energy solutions remains robust across our technologies, geographies, and customer base. But this demand is continuing to stretch industry supply chains, create tight labor markets and generally lengthen overall timetables. I am pleased to say that these industry issues seem to be leveling out and we remain cautiously optimistic. And as we discussed last quarter, Ameresco is adapting to the new industry environment and the tremendous growth opportunities in front of us. We continue to refine our approach to drive increased win rates, expand project margins, and accelerate the speed of implementation. We have reorganized our corporate structure to bring more uniformity and scalability across all of our geographies and business units. We have also focused our business development efforts on larger contracts in our core areas of expertise with our traditional customer base. This is already helping us to increase our project win rates, and we are seeing early signs of improving gross margins in our total project backlog. We have, however, anticipated the continuation of these industry challenges in our approach to forecasting and guidance. And with our solid start to the year, plus the visibility from our contracted backlog and our energy asset and O&M revenue streams, we are pleased to re-affirm our full year guidance.

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 information that was posted to our website after the market closed today.

We are off to a good start this year with total revenues growing 10% to $298 million and with each of our four business lines experiencing growth. Our Projects business grew 11.5%, reflecting our focus on faster implementation and conversion of our backlog. While market challenges remain, we continue to take steps to succeed in today's operating environment. Energy Asset revenue grew 6%, largely due to the greater number of operating assets compared to last year, improved production, as well as higher RIN prices. We brought an additional 13MW of assets into operation in the first quarter, adding to our large and growing operating base of 518MW, which we expect to provide decades of profitable revenue to the company. Our O&M business had a very strong quarter, growing 14%, due to favorable timing on some of our long-term contracts, while our Other line of business grew 3% as strong consulting revenues offset continued softness in our integrated PV business.

Gross margin of approximately 16% dipped as higher than normal project cost adjustments during the quarter outweighed higher margins in the O&M business. Enhancing gross margins is a key priority for us, and as George mentioned we are seeing early signs of improved gross margins in our project backlog. That said, we continue to emphasize driving incremental gross profit dollars and controlling operating expenses, in other words using our operating leverage to maximize EBITDA. We have been laser focused on increasing the efficiency of our business development process, a key controllable component of operating expenses. In the first quarter, our revenue growth as well as cost savings and operating leverage drove Adjusted EBITDA growth of 13% to $30.8 million.

As George noted, our business development activity on both the project and asset side was very healthy during the first quarter. The Company's total Project Backlog exceeded $4 billion for the first time in our history, growing 36% year-on-year and 4% sequentially. This growth was led by our contracted backlog which reached almost $1.5 billion and grew 45% year-on-year and 10% sequentially.

Our Energy Asset business also had a successful quarter of new development activity, ending the quarter with over 750 MW in net assets in development. We added over 50MW during the quarter including the 40MW biofuel facility in Maui mentioned in the press release. This asset represents our 4th award with HECO and is one of many projects and assets we are executing in the state of Hawaii.

Turning to our balance sheet and cash flows, we ended the quarter with approximately $80 million in cash and corporate debt of approximately $280 million. Our Debt to EBITDA leverage ratio under our Senior Secured Credit facility was 3.0x and remains below our bank covenant level of 3.5x. Our Energy Asset Debt Advance rate, which you will remember is our total energy asset debt divided by our energy asset book value, remains at a very conservative level in the low 70% range. Importantly, our access to energy asset capital remains excellent with many financing options available. An example of our collaborative approach to financing was our partner Republic Services' investment in our under-construction Roxana RNG plant, allowing them to take a strategic minority interest in addition to providing site access and gas supply. Our energy assets remain highly attractive to many financing parties interested in teaming with Ameresco given our proven capabilities. In addition, we continue to pursue our develop and sell business model for a portion of our energy assets in development. Under this model, once a transaction is executed, we would convert the assets into project and O&M revenue streams without the need for Ameresco to provide the permanent capital investment or to raise additional asset debt.

Our cash flows continued to be strong with positive adjusted cash flow from operations of over $40 million during the quarter. Our 8 quarter rolling average, which best represents our implementation cycle, reached almost $30 million. In our supplemental slides we highlight the increased momentum we have seen in the rolling cash flows, and we expect both cash flow metrics to continue to improve, especially as we bill and collect on the SoCalEd battery projects.

Speaking of SoCalEd, we have completed performance testing and are working on the final checklist for substantial completion for two of the three projects. The third project, which was more significantly impacted by the 2023 rainfall, is still expected to reach substantial completion this summer.

The solid start to our year together with our visibility from our project backlog and energy asset revenues supports our confidence that 2024 will be a year of strong growth for Ameresco. As George mentioned, we are reaffirming our full year guidance, which anticipates revenue and adjusted EBITDA growth of 20% and 38% at the midpoints of our ranges, respectively. We continue to expect to place approximately 200 MWe of energy assets in service during 2024, including our large Kupono asset, United Power Battery assets and 3 RNG plants – one of which went COD already in January. You can find more details on our 2024 guidance in our press release.

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

George Sakellaris – CEO

Thank you, Doran.

Ameresco is off to a solid start with a commitment to profitable execution and growth. The company remains extremely well positioned to take advantage of the tremendous opportunities on the horizon in both our domestic markets and in Europe. Our top priority for 2024 remains execution and cash flow generation. 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.