November 5, 2020

Hannon Armstrong Announces Third Quarter 2020 Results and Declares Dividend

ANNAPOLIS, Md.--(BUSINESS WIRE)-- Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong," "we," "our" or the "Company") (NYSE: HASI), a leading investor in climate change solutions, today reported results for the third quarter of 2020.

Recent Highlights

- Delivered $0.78 GAAP EPS on a fully diluted basis through the first three quarters in 2020, compared with $0.54 in the same period in 2019
- Delivered $1.19 Core EPS (pre-CECL provision) and $1.12 Core EPS on a fully diluted basis year-to-date in 2020, compared to $1.01 Core EPS in the same period in 2019
- Lowered weighted-average cost of debt and extended weighted-average maturity through issuance of $375 million of unsecured green bonds with 10-year maturity and a 3.75% coupon and $144 million of convertible green bonds with a 3-year maturity and a 0% coupon
- Reported $24.6 million of GAAP Net Investment Income and $67.2 million of Core Net Investment Income through the first three quarters of 2020
- Closed $716 million of transactions in the quarter, compared to $287 million in the same period in 2019
- Closed $1.1 billion of transactions through the first three quarters of 2020, compared to $810 million in the same period in 2019
- Declared quarterly dividend of $0.34 per share payable in January 2021
- Joined the Partnership for Carbon Accounting Financials
- Estimated that 1.2 million metric tons of annual carbon emissions will be avoided annually by our transactions closed this quarter, equating to a CarbonCount® score of 1.67 metric tons per $1,000 invested

"Since the global pandemic and resulting economic recession erupted in March, we have raised and committed to invest over $1 billion of capital in climate change solutions - all while our existing portfolio continues to perform and generate historically strong earnings," said Jeffrey W. Eckel, Hannon Armstrong Chairman and Chief Executive Officer.

"In addition, we have continued our leadership on ESG. With our recently announced membership in the Partnership for Carbon Accounting Financials, we have joined with over 70 financial institutions to help drive the development of a global and transparent standard on financed emissions that will finally enable investors to measure the efficiency with which their capital is reducing carbon emissions and mitigating climate change."

A summary of our results is shown in the tables below:

	For the three months ended September 30, 2020		For the three months ended September 30, 2019	
	$ in thousands	Per Share (Diluted)	$ in thousands	Per Share (Diluted)
GAAP Net Income	$ 21,175	$ 0.28	$ 9,102	$ 0.13
Core Earnings (1)	25,288	0.33	25,284	0.38

(1) Includes a provision for loss on receivables of $2 million related to the new credit loss standard, which we may refer to in this press release as CECL or Topic 326. On a pre-CECL provision basis comparable to last year, the per share core earnings are $0.36 for the three months ended September 30, 2020. A reconciliation of our GAAP net income to core earnings is included in this press release.

	For the nine months ended September 30, 2020		For the nine months ended September 30, 2019	
	$ in thousands	Per Share (Diluted)	$ in thousands	Per Share (Diluted)
GAAP Net Income	$ 57,491	$ 0.78	$ 35,487	$ 0.54
Core Earnings (1)	82,546	1.12	65,990	1.01

(1) Includes a provision for loss on receivables of $6 million for the adoption of CECL. On a pre-CECL provision basis comparable to last year, the per share core earnings are $1.19 for the nine months ended September 30, 2020. A reconciliation of our GAAP net income to core earnings is included in this press release.

Financial Results

"In the third quarter, we capitalized on favorable market conditions and our leading ESG position to raise over $500 million in ten-year unsecured and three-year convertible green bonds at the lowest coupons in our company's history," said Hannon Armstrong Chief Financial Officer Jeffrey A. Lipson.

"With over $880 million in available cash on our balance sheet, we remain well-positioned to fund our forward flow investment commitments in addition to other anticipated growth opportunities."

Comparison of the three months ended September 30, 2020 to the same period in 2019

Total revenue increased by approximately $10 million, or 25%. Gain on sale and fee income increased by approximately $6 million and interest and rental income increased by approximately $4 million. These increases were primarily driven by a larger portfolio of higher yielding assets as well as a change in the mix of assets being securitized.

Interest expense increased approximately $10 million, or 58%, primarily as a result of a higher outstanding balance, including $775 million in unsecured debt raised in the second and third quarters. We recorded an approximate $2 million provision for loss on receivables, in accordance with the new CECL standard, as opposed to realized losses on the portfolio. In the same period last year, we recorded an $8 million provision on two commercial receivables that were previously placed on non-accrual. Other expenses (compensation and benefits and general and administrative expenses) increased by $2 million primarily due to an increase in our employee headcount and incentive compensation.

For the quarter, we recognized $17 million in income using the hypothetical liquidation at book value method (HLBV) for our equity method investments, compared to $6 million of HLBV income in the same period last year as a result of tax attribute allocations which had the impact of increasing our allocation of earnings.

Income tax expense increased by $2 million primarily as a result of an increase in income from our portfolio and the recognition of tax benefits in the prior year that did not recur.

GAAP net income for the three months was $21 million, an increase of $12 million, or 133% compared to the same period in the prior year. Core earnings for the three months was $25 million, equal to core earnings from the same period in prior year.

A reconciliation of our GAAP net income to core earnings is included in this press release.

Leverage

The calculation of our fixed-rate debt and leverage ratios as of September 30, 2020 and 2019 are shown in the chart below:

	September 30, 2020	% of Total	September 30, 2019	% of Total
	($ in millions)		*($ in millions)*	
Floating-rate borrowings [1]	$ 23	1%	$ 38	3%
Fixed-rate debt [2]	2,168	99%	1,318	97%
Total	$ 2,191	100%	$ 1,356	100%
Leverage [3]	2.0 to 1		1.5 to 1	

(1) Floating-rate borrowings include borrowings under our floating-rate credit facilities.

(2) Fixed-rate debt also includes the present notional value of non-recourse debt that is hedged using interest rate swaps. Debt excludes securitizations that are not consolidated on our balance sheet.

(3) Leverage, as measured by our debt-to-equity ratio. This calculation excludes securitizations that are not consolidated on our balance sheet (where the collateral is generally financing receivables with U.S. government obligors).

Portfolio

Our Portfolio totaled approximately $2.2 billion as of September 30, 2020, which included approximately $1.3 billion of behind-the-meter assets and approximately $0.9 billion of grid-connected assets. The following is an analysis of the performance our Portfolio as of September 30, 2020:

	Portfolio Performance						
	1 (1)		2 (2)		3 (3)		Total
	(dollars in millions)						
	Government	Commercial	Government	Commercial	Government	Commercial	
Total receivables	251	862	—	10	—	8	1,131
Less: Allowance for loss on receivables	—	(19)	—	(4)	—	(8)	(31)
Net receivables (4)	251	843	—	6	—	—	1,100
Investments	36	16	—	—	—	—	52
Real estate	—	360	—	—	—	—	360
Equity method (5) investments	—	695	—	24	—	—	719
Total	$ 287	$ 1,914	$ —	$ 30	$ —	$ —	$2,231
Percent of Portfolio	13%	86 %	—%	1 %	—%	— %	100 %
Average remaining balance (6)	$ 7	$ 12	$ —	$ 11	$ —	$ 4	$ 11

(1) This category includes our assets where based on our credit criteria and performance to date, we believe that our risk of not receiving our invested capital remains low.

(2) This category includes our assets where based on our credit criteria and performance to date, we believe there is a moderate level of risk to not receiving some or all of our invested capital.

(3) This category includes our assets where based on our credit criteria and performance to date, we believe there is substantial doubt regarding our ability to recover some or all of our invested capital. Included in this category are two commercial receivables with a combined total carrying value of approximately $8 million as of September 30, 2020 which we consider impaired and have held on non-accrual status since 2017. We recorded an allowance for the entire asset amounts as described in our Annual Report on Form 10-K filed with the SEC on February 25, 2020. We expect to continue to pursue our legal claims with regards to these assets.

(4) Total reconciles to the total of the government receivables and commercial receivables lines of the consolidated balance sheets.

(5) Some of the individual projects included in portfolios that make up our equity method investments have government off takers. As they are part of large portfolios, they are not classified separately.

(6) Average remaining balance is calculated gross of allowance for loss on receivables and excludes approximately 145 transactions each with outstanding balances that are less than $1 million and that in the aggregate total $58 million.

Guidance

The Company expects that annual core earnings per share in 2020 (pre-CECL provision) will exceed the previously communicated guidance midpoint of $1.43, reflecting 2018 to 2020 annual Core EPS growth above the midpoint of the 2% to 6% from the 2017 baseline. This guidance reflects the Company's estimates of (i) yield on its existing Portfolio; (ii) yield on incremental Portfolio investments, inclusive of the Company's existing pipeline; (iii) the volume and profitability of securitization transactions; (iv) amount, timing, and costs of debt and equity capital to fund new investments; (v) changes in costs and expenses reflective of the Company's forecasted operations, (vi) the ongoing impact of the current outbreak of COVID-19 and (vii) the general interest rate and market environment. All guidance is based on current expectations of the future impact of COVID-19 and the economic conditions, the regulatory environment, the dynamics of the markets in which we operate and the judgment of the Company's management team. The Company has not provided GAAP guidance as discussed in the Forward-Looking Statements section of this press release.

Dividend

The Company is announcing today that its Board of Directors approved a quarterly cash dividend of $0.34 per share of common stock. This dividend will be paid on January 8, 2021, to stockholders of record as of December 28, 2020.

Conference Call and Webcast Information

Hannon Armstrong will host an investor conference call today, Thursday, November 5, 2020, at 5:00 p.m. eastern time. The conference call can be accessed live over the phone by dialing 1-866-652-5200 or for international callers, 1-412-317-6060. Please ask to be connected to the Hannon Armstrong call. A replay will be available two hours after the call and can be accessed by dialing 1-877-344-7529, or for international callers, 1-412-317-0088. The passcode for the replay is 10149196. The replay will be available until November 12, 2020.

Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investor Relations section of the Company's website at www.hannonarmstrong.com. The online replay will be available for a limited time beginning immediately following the call.

About Hannon Armstrong

Hannon Armstrong (NYSE: HASI) is the first U.S. public company solely dedicated to investments in climate change solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets. With more than $6 billion in managed assets as of September 30, 2020, Hannon Armstrong's core purpose is to make climate-positive investments with superior risk-adjusted returns. For more information, please visit www.hannonarmstrong.com. Follow Hannon Armstrong on LinkedIn and Twitter @HannonArmstrong.

Forward-Looking Statements*:*

Some of the information contained in this press release is forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that are subject to risks and uncertainties. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements include those discussed under the caption "Risk Factors" included in our most recent Annual Report on Form 10-K as well as in other periodic reports that we file with the U.S. Securities and Exchange Commission (the "SEC").

Other important factors that we think could cause our actual results to differ materially from expected results are summarized below, including the ongoing impact of the current *outbreak of the novel coronavirus (COVID-19), on the U.S., regional and global economies, the U.S. sustainable infrastructure market and the broader financial markets. The current outbreak of COVID-19 has also impacted, and is likely to continue to impact, directly or indirectly, many of the other important factors below and the risks described in the Form 10-K and in our subsequent filings under the Securities Exchange Act of 1934, as amended. Other factors besides those listed could also adversely affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. In particular, it is difficult to fully assess the impact of COVID-19 at this time due to, among other factors, uncertainty regarding the severity and duration of the outbreak domestically and internationally, uncertainty regarding the effectiveness of federal, state and local governments' efforts to contain the spread of COVID-19 and respond to its direct and indirect impact on the U.S. economy and economic activity.*

Statements regarding the following subjects, among others, may be forward-looking:

- *negative impacts from continued spread of COVID-19, including on the U.S. or global economy or on our business, financial position or results of operations;*
- *our expected returns and performance of our investments;*
- *the state of government legislation, regulation and policies that support or enhance the economic feasibility of projects that reduce carbon emissions or increase resilience to climate change, which we refer to as climate change solutions, including energy efficiency and renewable energy projects and the general market demands for such projects;*
- *market trends in our industry, energy markets, commodity prices, interest rates, the debt and lending markets or the general economy;*
- *our business and investment strategy;*
- *availability of opportunities to invest in climate change solutions including energy efficiency and renewable energy projects and our ability to complete potential new opportunities in our pipeline;*
- *our relationships with originators, investors, market intermediaries and professional advisers;*
- *competition from other providers of capital;*
- *our or any other company's projected operating results;*
- *actions and initiatives of the federal, state and local governments and changes to federal, state and local government policies, regulations, tax laws and rates and the execution and impact of these actions, initiatives and policies;*
- *the state of the U.S. economy generally or in specific geographic regions, states or municipalities and economic trends;*
- *our ability to obtain and maintain financing arrangements on favorable terms, including securitizations;*
- *general volatility of the securities markets in which we participate;*
- *the credit quality of our assets;*
- *changes in the value of our assets, our portfolio of assets and our investment and underwriting process;*
- *the impact of weather conditions, natural disasters, accidents or equipment failures or other events that disrupt the operation of our investments or negatively impact the value of our assets;*

- *rates of default or decreased recovery rates on our assets;*
- *interest rate and maturity mismatches between our assets and any borrowings used to fund such assets;*
- *changes in interest rates and the market value of our assets and target assets;*
- *changes in commodity prices, including continued low natural gas prices;*
- *effects of hedging instruments on our assets or liabilities;*
- *the degree to which our hedging strategies may or may not protect us from risks, such as interest rate volatility;*
- *impact of and changes in accounting guidance;*
- *our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;*
- *our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended;*
- *availability of and our ability to attract and retain qualified personnel;*
- *estimates relating to our ability to generate sufficient cash in the future to operate our business and to make distributions to our stockholders; and*
- *our understanding of our competition.*

The risks included here are not exhaustive. Forward-looking statements are based on beliefs, assumptions and expectations as of the date of this press release. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements after the date of this earnings release, whether as a result of new information, future events or otherwise.

The Company has not provided GAAP guidance as forecasting a comparable GAAP financial measure, such as net income, would require that the Company apply the HLBV method to these investments. In order to forecast under the HLBV method, the Company would be required to make various assumptions related to expected changes in the net asset value of the various entities and how such changes would be allocated under HLBV. GAAP HLBV earnings over a period of time are very sensitive to these assumptions especially in regard to when a partnership transaction flips and thus the liquidation scenarios change materially. The Company believes that these assumptions would require unreasonable efforts to complete and if completed, the wide variation in projected GAAP earnings based upon a range of scenarios would not be meaningful to investors. Accordingly, the Company has not included a GAAP reconciliation table related to any core earnings guidance.

Estimated carbon savings are calculated using the estimated kilowatt hours, gallons of fuel oil, million British thermal units of natural gas and gallons of water saved as appropriate, for each project. The energy savings are converted into an estimate of metric tons of CO2 equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Agency. Portfolios of projects are represented on an aggregate basis.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenue				
Interest income	$ 23,508	$ 19,322	$ 71,046	$ 54,270
Rental income	6,469	6,469	19,408	19,415
Gain on sale of receivables and investments	13,628	7,713	34,449	16,718
Fee income	4,984	5,338	13,115	12,850
Total revenue	**48,589**	**38,842**	**138,018**	**103,253**
Expenses				
Interest expense	26,085	16,561	65,884	46,861
Provision for loss on receivables	2,458	8,027	5,629	8,027
Compensation and benefits	9,012	7,193	27,223	21,281
General and administrative	3,918	3,737	11,181	10,818
Total expenses	**41,473**	**35,518**	**109,917**	**86,987**
Income before equity method investments	**7,116**	**3,324**	**28,101**	**16,266**
Income (loss) from equity method investments	16,506	5,984	32,505	18,114
Income (loss) before income taxes	**23,622**	**9,308**	**60,606**	**34,380**
Income tax (expense) benefit	(2,345)	(132)	(2,860)	1,298
Net income (loss)	**$ 21,277**	**$ 9,176**	**$ 57,746**	**$ 35,678**
Net income (loss) attributable to non-controlling interest holders	102	74	255	191
Net income (loss) attributable to controlling stockholders	**$ 21,175**	**$ 9,102**	**$ 57,491**	**$ 35,487**
Basic earnings (loss) per common share	$ 0.28	$ 0.14	$ 0.80	$ 0.55
Diluted earnings (loss) per common share	$ 0.28	$ 0.13	$ 0.78	$ 0.54
Weighted average common shares outstanding—basic	74,012,788	64,922,325	71,376,004	63,492,884
Weighted average common shares outstanding—diluted	76,131,252	65,630,711	72,644,626	64,147,835

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 881,487	$ 6,208
Equity method investments	718,793	498,631
Government receivables	250,914	263,175
Commercial receivables, net of allowance of $31 million and $8 million, respectively	848,520	896,432
Real estate	359,948	362,265
Investments	51,638	74,530
Securitization assets	146,549	123,979
Other assets	86,649	162,054
Total Assets	**$3,344,498**	**$2,387,274**
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	$ 56,843	$ 54,351
Credit facilities	22,565	31,199
Non-recourse debt (secured by assets of $724 million and $921 million, respectively)	599,958	700,225
Senior unsecured notes	1,278,844	512,153
Convertible notes	288,551	149,434
Total Liabilities	2,246,761	1,447,362
Stockholders' Equity:		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value $0.01 per share, 450,000,000 shares authorized, 74,252,973 and 66,338,120 shares issued and outstanding, respectively	743	663
Additional paid in capital	1,282,744	1,102,303
Accumulated deficit	(202,914)	(169,786)
Accumulated other comprehensive income (loss)	11,474	3,300
Non-controlling interest	5,690	3,432
Total Stockholders' Equity	1,097,737	939,912
Total Liabilities and Stockholders' Equity	**$3,344,498**	**$2,387,274**

EXPLANATORY NOTES

Non-GAAP Financial Measures

Core Earnings

We calculate core earnings as GAAP net income (loss) excluding non-cash equity compensation expense, certain provisions for loss on receivables, amortization of intangibles, any one-time acquisition related costs or non-cash tax charges and the earnings attributable to our non-controlling interest of our Operating Partnership. We also make an adjustment to our equity method investments in the renewable energy projects as described below. In the future, core earnings may also exclude one-time events pursuant to changes in GAAP and certain other non-cash charges as approved by a majority of our independent directors.

Certain of our equity method investments in renewable energy and energy efficiency projects are structured using typical partnership "flip" structures where the investors with cash distribution preferences receive a pre-negotiated return consisting of priority distributions from the project cash flows, in many cases, along with tax attributes. Once this preferred return is achieved, the partnership "flips" and the common equity investor, often the operator or sponsor of the project, receives more of the cash flows through its equity interests while the previously preferred investors retain an ongoing residual interest. We have made investments in both the preferred and common equity of these structures. Regardless of the nature of our equity interest, we typically negotiate the purchase prices of our equity investments, which have a finite expected life, based on our assessment of the expected cash flows we will receive from these projects discounted back to the net present value, based on a target investment rate, with the expected cash flows to be received in the future reflecting both a return on the capital (at the investment rate) and a return of the capital we have committed to the project. We use a similar approach in the underwriting of our receivables.

Under GAAP, we account for these equity method investments utilizing the HLBV method. Under this method, we recognize income or loss based on the change in the amount each partner would receive, typically based on the negotiated profit and loss allocation, if the assets were liquidated at book value, after adjusting for any distributions or contributions made during such quarter. The HLBV allocations of income or loss may be impacted by the receipt of tax attributes, as tax equity investors are allocated losses in proportion to the tax benefits received, while the sponsors of the project are allocated gains of a similar amount. In addition, the agreed upon allocations of the project's cash flows may differ materially from the profit and loss allocation used for the HLBV calculations.

The cash distributions for our equity method investments are segregated into a return on and return of capital on our cash flow statement based on the cumulative income (loss) that has been allocated using the HLBV method. However, as a result of the application of the HLBV method, including the impact of tax allocations, the high levels of depreciation and other non-cash expenses that are common to renewable energy projects and the differences between the agreed upon profit and loss and the cash flow allocations, the distributions and thus the economic returns (i.e. return on capital) achieved from the investment are often significantly different from the income or loss that is allocated to us under the HLBV method. Thus, in calculating core earnings, for certain of these investments where there are the characteristics described above, we further adjust GAAP net income (loss) to take into account our calculation of the return on capital (based upon the investment rate) from our renewable energy equity method investments, as adjusted to reflect the performance of the project and the cash distributed. We believe this core equity method investment adjustment to our GAAP net income (loss) in calculating our core earnings measure is an important supplement to the HLBV income allocations determined under GAAP for an investor to understand the economic performance of these investments where HLBV income can differ substantially from the economic returns.

The following table provides our results related to our equity method investments for the three and nine months ended September 30, 2020 and 2019,

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
	(in millions)			
Income (loss) under GAAP	17	6	33	18
Core earnings	13	10	40	29
Return of capital	16	11	95	46
Cash collected	29	21	135	75

We believe that core earnings provides an additional measure of our core operating performance by eliminating the impact of certain non-cash expenses and facilitating a comparison of our financial results to those of other comparable companies with fewer or no non-cash charges and comparison of our own operating results from period to period. Our management uses core earnings in this way. We believe that our investors also use core earnings, or a comparable supplemental performance measure, to evaluate and compare our performance to that of our peers, and as such, we believe that the disclosure of core earnings is useful to our investors.

However, core earnings does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), or an indication of our cash flow from operating activities (determined in accordance with GAAP), or a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating core earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported core earnings may not be comparable to similar metrics reported by other companies.

Reconciliation of our GAAP Net Income to Core Earnings

We have calculated our core earnings and provided a reconciliation of our GAAP net income to core earnings for the three and nine months ended September 30, 2020 and 2019 in the tables below. In the current year we adopted Topic 326, which requires us to recognize a provision for loss on receivables expected over the life of the receivable rather than probable incurred losses. We provide below core earnings which reflects the Topic 326 provision. To provide comparable metrics to periods prior to the adoption of Topic 326, we have also provided core earnings which adds back the Topic 326 provision for loss on receivables.

	For the three months ended September 30, 2020		**For the three months ended September 30, 2019**	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders [1]	$ 21,175	$ 0.28	$ 9,102	$ 0.13
Core earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(16,506)		(5,984)	
Add back core equity method investments earnings [2]	13,258		9,715	
Non-cash equity-based compensation charges [3]	4,091		3,395	
Non-cash provision for loss on receivables before the adoption of ASC 326 [4]	—		8,027	
Other core adjustments [5]	3,270		1,029	
Core earnings (including Topic 326 provision) [6]	**$ 25,288**	**$ 0.33**	**$ 25,284**	**$ 0.38**
Add back provision for loss on receivables under Topic 326 [7]	2,458		—	
Core earnings (pre-Topic 326 provision) [6]	**$ 27,746**	**$ 0.36**	**$ 25,284**	**$ 0.38**

(1) Represents GAAP diluted earnings per share and is the most comparable GAAP measure to our core earnings per share.

(2) Reflects adjustment for equity method investments described above.

(3) Reflects adjustment for non-cash equity-based compensation.

(4) Reflects provision related to receivables, which had been on non-accrual status since the second quarter of 2017.

(5) See detail below.

(6) Core earnings per share for the three months ended September 30, 2020 and 2019, are based on 77,041,509 shares and 66,785,779 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. We believe the use of the treasury stock method is an appropriate representation of the potential dilution when considering the economic behaviors of the holders of the instrument.

(7) As discussed above, to provide a comparable metric to prior year metrics we are adding back the provision for loss on receivables recognized under Topic 326.

	For the nine months ended September 30, 2020		**For the nine months ended September 30, 2019**	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders [1]	$ 57,491	$ 0.78	$ 35,487	$ 0.54
Core earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(32,505)		(18,114)	
Add back core equity method investments earnings [2]	40,361		28,857	
Non-cash equity-based compensation charges [3]	11,615		10,384	
Non-cash provision for loss on receivables before the adoption of ASC 326 [4]	—		8,027	
Other core adjustments [5]	5,584		1,349	
Core earnings (including Topic 326 provision) [6]	**$ 82,546**	**$ 1.12**	**$ 65,990**	**$ 1.01**
Add back provision for loss on receivables under Topic 326 [7]	5,629		—	
Core earnings (pre-Topic 326 provision) [6]	**$ 88,175**	**$ 1.19**	**$ 65,990**	**$ 1.01**

(1) Represents GAAP diluted earnings per share and is the most comparable GAAP measure to our core earnings per share.

(2) Reflects adjustment for equity method investments described above.

(3) Reflects adjustment for non-cash equity-based compensation.

(4) Reflects provision related to receivables, which had been on non-accrual status since the second quarter of 2017.

(5) See detail below.

(6) Core earnings per share for the nine months ended September 30, 2020 and 2019, are based on 73,819,517 shares and 65,425,114 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. We believe the use of the treasury stock method is an appropriate representation of the potential dilution when considering the economic behaviors of the holders of the instrument.

(7) As discussed above, to provide a comparable metric to prior year metrics we are adding back the provision for loss on receivables recognized under Topic 326.

The table below provides a reconciliation of the Other core adjustments:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Other core adjustments				
Amortization of intangibles [1]	$ 823	$ 823	$ 2,469	$ 2,462
Non-cash provision (benefit) for income taxes	2,345	132	2,860	(1,304)
Net income attributable to non-controlling interest	102	74	255	191
Other core adjustments	$ 3,270	$ 1,029	$ 5,584	$ 1,349

(1) Adds back non-cash amortization of lease and pre-IPO intangibles.

The table below provides a reconciliation of GAAP SG&A expenses to Core SG&A expenses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
GAAP SG&A expenses				
Compensation and benefits	$ 9,012	$ 7,193	$ 27,223	$ 21,281
General and administrative	3,918	3,737	11,181	10,818
Total SG&A expenses (GAAP)	$ 12,930	$ 10,930	$ 38,404	$ 32,099
Core SG&A expenses adjustments:				
Non-cash equity-based compensation charge [1]	$ (4,091)	$ (3,395)	$ (11,615)	$ (10,384)
Amortization of intangibles [2]	(51)	(51)	(152)	(152)
Core SG&A expenses adjustments	(4,142)	(3,446)	(11,767)	(10,536)
Core SG&A expenses	$ 8,788	$ 7,484	$ 26,637	$ 21,563

(1) Reflects add back of non-cash amortization of equity-based compensation. Outstanding grants related to equity-based compensation are included in the core earnings per share calculation.
(2) Adds back non-cash amortization of pre-IPO intangibles.

Core Net Investment Income

We have a portfolio of debt and equity investments in climate change solutions. We calculate core net investment income by adjusting GAAP net investment income for those core earnings adjustments described above which impact investment income. We believe that this measure is useful to investors as it shows the recurring income generated by our portfolio after the associated interest cost of debt financing. Our management also uses core net investment income in this way. Our non-GAAP core net investment income measure may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of our GAAP net investment income to our core net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Interest income	$ 23,508	$ 19,322	$ 71,046	$ 54,270
Rental income	6,469	6,469	19,408	19,415
GAAP investment revenue	29,977	25,791	90,454	73,685
Interest expense	26,085	16,561	65,884	46,861
GAAP net investment income	3,892	9,230	24,570	26,824
Core equity method earnings adjustment (1)	13,258	9,715	40,361	28,857
Amortization of real estate intangibles (2)	772	772	2,317	2,310
Core net investment income	$ 17,922	$ 19,717	$ 67,248	$ 57,991

(1) Reflects adjustment for equity method investments described above.
(2) Adds back non-cash amortization related to acquired real estate leases.

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Investor Relations Contact:

Chad Reed
investors@hannonarmstrong.com
410-571-6189

Media Contact:

Gil Jenkins
media@hannonarmstrong.com
443-321-5753

Source: Hannon Armstrong Sustainable Infrastructure Capital, Inc.