



HA Sustainable Infrastructure Capital, Inc.

Second Quarter 2025 Results Conference Call

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HASI Presenters

Jeffrey A. Lipson, President and CEO

Chuck Melko, Executive VP, Chief Financial Officer and Treasurer

Susan Nickey, Executive VP and Chief Client Officer

Marc Pangburn, Executive VP, Chief Revenue and Strategy Officer

Aaron Chew, Senior VP, Investor Relations

Q&A Analysts

Christopher Dendrinis – RBC Capital Markets

Tyler Bisset – Goldman Sachs

Maheep Mandloi – Mizuho Securities

Noah Kaye – Oppenheimer & Co.

Moses Sutton– BNP

Ted Giletti – Citi

Ben Kallo – Baird

Operator

Greetings and welcome to HASI's second quarter 2025 earnings conference call and webcast. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press Star 0 on your telephone keypad. As a reminder, this conference is being recorded.



It is now my pleasure to introduce your host, Aaron Chew, Vice President of Investor Relations.

Aaron Chew, Sr. VP, Investor Relations

Thank you, operator, and good afternoon to everyone joining us today for HASI's second quarter 2025 conference call. Earlier this afternoon, HASI distributed a press release reporting our second quarter 2025 results, a copy of which is available on our website along with the slide presentation we will be referring to today. This conference call is being webcast live on the Investor Relations page of our website where a replay will be available later today.

Some of the comments made in this call are forward-looking statements, which are subject to risks and uncertainties described in the Risk Factors section of the company's Form 10-K and other filings with the SEC. Actual results may differ materially from those stated. Today's discussion also includes some non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is available in our earnings release and presentation.

Joining us on the call today are Jeff Lipson, the company's President and CEO, as well as Chuck Melko, our Chief Financial Officer and also available for Q&A are Susan Nickey, our Chief Client Officer and Mark Pangburn, our Chief Revenue and Strategy Officer.

To kick things off, I will first turn it over to our President and CEO, Jeff Lipson, who will open the presentation today on Slide 3. Jeff?

Jeff Lipson, President and CEO

Thank you, Aaron and thanks everyone for joining our Q2 2025 call. We are pleased to report another strong quarter and remain very confident in our business model and strategy. Our business model focused on climate positive investments with programmatic clients investing in non-cyclical revenue-producing projects, is indeed the ideal strategy for today's environment. In addition, our thoughtful approach to leverage, capital and liquidity likewise positions us well for long-term growth in all policy and macroeconomic environments.

Importantly, we also value diversification, investing in several different asset classes and consistently expanding our scope to create additional opportunities for growth and avoiding any material impacts of slowdowns in a particular market. Our FTN business has grown meaningfully over the past few years and we continue to explore opportunities beyond our historical focus, including investments that have very limited public policy ramifications.



The impact of this consistent approach to our business has led to a number of accomplishments in the second quarter, we have increased our pipeline, which now exceeds \$6 billion, and our new business year-to-date has an average yield greater than 10.5%. On the capital raising side, we issued \$1 billion of term debt and used \$900 million of the proceeds to pay off maturing convertible notes and near-term senior debt. We also successfully closed a nearly \$600 million debt offering on our CCH1 joint venture, expanding its capacity and extending the investment period until late 2026. Our Adjusted EPS for the quarter was \$0.60, slightly down from last quarter simply due to the timing of Gain on Sale Revenue. And we are introducing a new metric that reflects the recurring revenue nature of our business entitled Adjusted Recurring Net Investment Income, which is 19% higher year to date as compared to 2024. I'm also pleased to reaffirm our guidance of 8% to 10% compound annual Adjusted EPS growth through 2027, as we remain on track to meet this target over the next three years.

Turning to Page 4, I'd like to provide context for why certain recent macroeconomic, legislative and policy items will result in positive outcomes for our business. First, the United States remains at a current and forecasted level of power demand that requires an all-of-the-above energy strategy. In fact, even with an all-of-the-above approach, supply is unlikely to keep pace, leading to higher power prices, which in turn will drive additional development, including renewables. The impact of changes in tax credit policy for renewables is still a few years away, and given existing safe harboring more than enough time for the industry to adapt, particularly when economic viability without tax credits has fundamentally already occurred.

The storage ITC will also incrementally improve solar economics well into the next decade, and RNG remains an attractive asset class, bolstered by the extension of the clean fuels PTC. For our business, these developments have a number of implications. The value of our existing portfolio increases as power prices increase, and although we don't mark to market our assets, we may see a higher yield on these investments over time. Our pipeline remains unimpacted by any policy changes, which I will discuss more in a moment. We also maintain a diversified approach to the business, and we continue to expand our scope. This approach coupled with lower risk asset-level investing allows us to be significantly more insulated from policy changes than other business models. The lack of tax equity in the project capital stack a few years from now may create additional opportunities for HASI capital to fill the void, and we are also well-positioned to continue our long-standing client solution of providing capital recycling.

Finally, we expect the policy environment to result in less competition for project-level investments. In summary, we have no need to make any material changes to our existing strategy to thrive in the current operating environment.



Turning to Page 5, we emphasize that our investments are funded after development risk has been eliminated. This slide also reinforces that our existing pipeline is insulated from policy changes. The slide provides an example of the chronology of HASI's participation in utility-scale investments. The underlying projects are already at an advanced stage when we add the investment to our pipeline, the project is even further advanced by the time we close our commitment and typically at or very near commercial operation when we fund our investment.

This is a reminder that our investments occur at a derisked stage of development, and we typically do not incur permitting or policy risk. Further, this graphic provides a depiction of the stage of the investments in our pipeline and strong evidence that our pipeline is not at risk related to permitting, tariffs, or subsequent tax policy changes.

Turning to Page 6, our pipeline has grown over the past few quarters and now exceeds \$6 billion. Our pie chart reinforces the diversification of our business with strong representation from each of our markets and a new slice representing the "Next Frontier" asset classes discussed on our February earnings call. The Behind-the-Meter pipeline includes a long list of energy efficiency, community solar and residential solar and storage projects with several existing and new clients. The Grid Connected pipeline is also very active as many developers are in search of capital to execute on their pipelines. And our Fuels, Transportation and Nature pipeline continue to reflect the significant opportunity, particularly in renewable natural gas and transportation, which are less impacted by policy changes.

Turning to page 7, I'd like to emphasize the significant improvement in the efficiency of our balance sheet. Putting aside our securitization activity and our retained capital, prior to CCH1 closing in 2024, \$100 of equity raising resulted in \$300 of investments. Following CCH1, we have doubled the investment dollars for each dollar of equity. Now that we have closed the debt facility at CCH1 with the vehicle leverage target of 0.5, the investment dollars for each dollar of equity has tripled from the original business model. As a reminder, we also earn fees on both the KKR equity investment and the funded CCH1 debt balance. This slide is a powerful reminder of the significant strides we have made in our efforts to grow earnings while limiting additional equity issuance.

And with that, I will pass the call over to Chuck Melko to discuss our financial results.

Chuck Melko, EVP, Chief Financial Officer and Treasurer

Thanks, Jeff.

Before I get into our quarterly results, I would like to take a minute to discuss the ways we create value for our shareholders. First, we generate returns from closing accretive transactions into our portfolio, either through our CCH1 structure or directly onto our balance sheet and minimizing the cost of capital related to our funding sources. Second, once we have funded the investment, we can further optimize the portfolio and also reinvest cash received into other high yielding investments. And lastly, we generate recurring and one time fees related to our securitization activities and CCH1. These fees typically do not require any equity capital, which further enhances our return on equity.

Now to take a look at our transaction activity, on Slide 8, we have closed approximately \$900 million in transactions in the first half of this year, which is 9% higher than last year. Q2 was lower than Q1 and was not the result of a particular theme, rather, normal course changes in the closing timeline. Given the strength of our pipeline, we feel good about the outlook of closings through the remainder of the year and the total being higher than 2024. We continue to be successful in closing transactions with double digit yields and had a weighted average closing yield of greater than 10.5% and continue to execute across all of our asset classes.

On Slide 9, we are meaningfully scaling our platform with managed assets of \$14.6 billion and a portfolio of \$7.2 billion, up 13% and 16%, respectively, from the same time last year. Our CCH1 co-investment structure is now at \$1.1 billion of funded assets, and with the recent debt transaction at CCH1, has \$1.5 billion of additional capacity that we expect will be filled before the end of 2026. As a reminder, the investments in CCH1 are comprised of both receivables and equity investments, but due to the structure show up in equity method investments on our balance sheet.

Our portfolio yield is 8.3% and we expect it to increase over time, as we fund the higher yielding investments that we have closed over the past year. To sum it up, we have built a base of diversified transactions creating a recurring income stream that is a reliable source of income year after year, especially given the high-quality performance of the assets as is evidenced by our realized loss rate of less than 10 basis points.

On Slide 10, we are making a modification to one of our metrics—Adjusted Net Investment Income—to include other recurring sources of revenue, and it is now called Adjusted Recurring Net Investment Income. In addition to the income generated from our Portfolio, we are also beginning to generate meaningful recurring fees from our retained interest in securitizations and CCH1 asset management fees. Combining these other recurring income sources with our portfolio income will provide a metric that is a helpful indicator of the growing high-quality recurring income that we are generating.



When comparing our Adjusted Recurring Net Investment Income for the first half of 2025 of \$164 million to the same period last year, it has grown 19%. As a reminder, this is not our only source of income, and we also have income from Gain on Sale from our securitization activities and upfront fees from our CCH1 co-investment structure, which are more dependent on new transactions.

On Slide 11, the efforts we have put into scaling a high-quality investment platform have resulted in our third investment grade rating. We already had this rating with Moody's and Fitch, and we were recently upgraded to investment grade by S&P. Having three investment grade ratings assists us in minimizing our cost of debt. This upgrade from S&P is a notable validation of our business model, especially given the macroeconomic backdrop that we have seen thus far in 2025.

Subsequent to receiving our S&P upgrade, we issued \$1 billion of bonds with \$600 million that matures in 2031 and \$400 million that matures in 2035. The proceeds were largely used to refinance \$900 million of debt, and this transaction displays our capabilities and managing our debt structure to minimize risk and cost. To further illustrate these capabilities, we partially tendered the 2026 bonds that were issued in 2021 when the 10-year treasury was at 75 basis points, and it was evident that interest rates could be much higher when we refinanced the bonds.

We managed our business and scaled our platform to give us access to the investment grade market and also executed some hedges and were able to refinance at a cost that keeps us well-positioned to meet our earnings guidance and hit our target ROE. This is a great example of the resilient balance sheet we have built and the capabilities of our liability platform. Related to our capital structure, we ended the quarter with a debt-to-equity ratio of 1.8 times and continue to operate within our target range of 1.5 to 2.0 times.

Lastly, we continue to operate with strong levels of liquidity, which was \$1.4 billion at the end of the second quarter. This liquidity will provide us flexibility in funding our business and managing the refinancing of our remaining 2026 bond maturity.

On Slide 12, we illustrate the trend in our portfolio yield and our realized cost of debt. We have been able to maintain our margins even as interest rates have risen and expect to see our portfolio yield further increase as our higher-yielding investments are funded. We will see a slight increase in our cost of debt next quarter when the recent debt issuance impacts our interest expense. The effective weighted average cost of this recent issuance was 6.28% and we expect it to impact our total average cost by approximately 20 basis points.



On Slide 13, our Q2 adjusted EPS was \$0.60, and we are continuing to deliver an attractive return with our ROE of 11.9% in Q2. Our newly modified metric, Adjusted Recurring Investment Income, was \$85 million for the quarter and increased 25% from the same period in the prior year.

Our Gain on Sale, Origination Fee and Other Income was \$9 million. As highlighted on our Q1 call, our full year Gain on Sale activity is expected to be more in line with the levels seen between 2021 and 2023 and we expect the majority of the total Gain on Sale this year to come through in the second-half of the year due to the expected timing of closings. Overall, we are executing on the activities that will continue to deliver value through the growth of our Adjusted Recurring Investment Income and the efficiency created from CCH1 on our need for equity capital, and we believe we are well on track to deliver on our guidance to grow earnings into 2027.

Before I hand the call back to Jeff, in an effort to ensure we are providing information that is most useful to our investors, we will be publishing on our website a summary of our key historical metrics that should assist in building models. We hope that it is helpful and certainly would like to hear your feedback.

With that, I will pass it back to Jeff for a few topics in closing.

Jeff Lipson, President and CEO

Thank you, Chuck.

Turning to Page 14, we present our sustainability and impact highlights, noting our cumulative CarbonCount and WaterCount numbers reflect the significant impact of our investment strategy over time.

And concluding on Page 15, our business model has produced the powerful combination of robust investment activity, access to deep pools of capital, attractive margins and results that are non-cyclical and sustainable in all interest rate and policy environments. The core components of this resilient business model have been in place for several years, validating its true durability. Successful execution of this business model relies on a talented team, and my HASI colleagues continue to flawlessly and relentlessly overcome all obstacles reflected in our ongoing ability to achieve our goals. As always, thank you to this outstanding team.

Operator, please open the line for questions.

Operator



Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. If you would like to ask a question, please press * and 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press * and 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the * key. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from Chris Dendrinis with RBC Capital Markets. Please go ahead..

Chris Dendrinis – RBC Capital Markets

Thank you and good evening. Maybe to start here, we noted that you all were an acquirer, I think, of the service co from NOVA. So, can you maybe chat a little bit about that transaction, and what that does for you all going forward? Thanks.

Jeff Lipson, President and CEO

Sure. Thanks for the question, Chris. So, just to clarify, SunStrong is a joint venture that's 50% owned by HASI and is a servicer of residential solar leases. SunStrong has been awarded the servicing by the purchasers of Sunnova—of the Sunnova portfolio. And, you know, we're certainly pleased by that, we're pleased by the progress of SunStrong overall. We have a good management team there, the company is well positioned in the current environment, and the Sunnova transaction will provide scale to the business. So, we're certainly very pleased with the progress of our SunStrong team. That's a 50% joint venture in terms of HASI's ownership.

Chris Dendrinis – RBC Capital Markets

Got it. Thank you. And then I mean, I guess, you know, any kind of color you can provide on how that might impact EPS going forward? And then I have a quick follow up as well.

Jeff Lipson, President and CEO

Go ahead, Chuck.

Chuck Melko, CFO

Yeah. Hey, Chris, it's Chuck. So right now, SunStrong, as Jeff mentioned, is a JV, and the JV that will be servicing at this current time, you know, is not really coming through in our results that you can see, but as



the servicing platform does get some scale, you know, the Sunnova assets coming into it and overtime whatever other activities that might get into, we will start to see some of the margins from that business come through most likely with where you see our other equity investments coming in.

Chris Dendrinis – RBC Capital Markets

Got it. Thanks. And then yeah, I guess just a related note on resi performance, I think there was an article in The Wall Street Journal a couple weeks back highlighting some underperformance of loans out there. I think they mentioned kind of Good Leap specifically, but you know anything to comment on as far as that portfolio is performing? I think you've highlighted that you have really low losses, so I assume that you all weren't being impacted, but any kind of thoughts there? Thanks.

Jeff Lipson, President and CEO

Thanks for the question. And you did say loans in your question and The Wall Street Journal article specifically referenced loans. More than 95% of the HASI portfolio is leases and lease customers have significant incentives to continue to make the payments, much more so than loan customers. And our portfolio continues to perform very, very well. And many of the issues that were brought about in that article were present in resi solar loans are just not present in leases. So, that's a little bit of apples and oranges there.

Chris Dendrinis – RBC Capital Markets

Got it. Very helpful. Thank you.

Operator

Thank you. Our next question comes from Brian Lee with Goldman Sachs.

Tyler Bisset – Goldman Sachs

Hey, guys. This is Tyler Bisset on for Brian. Thanks for taking our questions. You've seen steadily increasing Adjusted ROEs, suggesting ROEs on new deals is meaningfully higher than your legacy deals. You also called out some incremental ROEs of like 19% and up to 28% with the additional CCH1 leverage. So, can you discuss like how you expect your Adjusted ROE to trend from here and, you know, could you see a meaningful bump as you work through the CCH1 funding?



Jeff Lipson, President and CEO

Thanks for the question. Maybe I will start and Chuck can add on. I just want to make a clarification that the ROEs that are on Slide 7 are incremental ROE dollars invested without taking into account expenses, you know, or SG&A or anything like that. They're illustrative ROEs of incremental dollars put to work under the more and more capital efficient structure that we're displaying on that slide. So, that doesn't relate directly to the ROEs on HASI's business, but ROEs on HASI's business do have an upward trend influenced by some of the same impact on this slide. But I wouldn't compare them specifically to the ROEs on the full business when we include the operating expenses of the business. And Chuck, if you want to add anything to that?

Chuck Melko, CFO

Yeah. I think the other thing I would add is, you know, in the prepared remarks, we've mentioned some commentary around capital efficiency and to the extent that we continue on that trend to reduce the amount of equity needed to fund our investments, and some of these activities we're getting into with asset management fees with CCH1, to the extent we're increasing our earnings there because they don't need equity, we will see a steady increase in ROE, but I wouldn't say that there's going to be any big jump. It will most likely just be a gradual increase.

Tyler Bisset – Goldman Sachs

Super helpful. And then on the CCH1 debt, how will this like mechanically flow through your income statement? How do credit rating agencies treat this debt? Like, is this going to be applied to your leverage ratio?

Jeff Lipson, President and CEO

Yeah. So, on the first part on how the debt comes through in our financial, so the debt -- so, CCH1 is not in its entirety on its balance sheet as a joint venture. So, the debt is being placed, was placed, at CCH1. It does not show up in our financials and the way that it will come through in our results is through increasing our returns a bit on CCH1 as investments are funded with the proceeds. In terms of the rating agencies, you know, we have talked to the rating agencies about this of course, and in fact, I think S&P may have actually written this in their report that when they look at these kinds of structures, that as long as you are keeping the debt to equity ratio under 0.5 to 1, they don't really factor it in. So, it's just kind of a non-



event and we don't have any intent to go any higher than that leverage ratio, so I think we're gonna be just fine from a rating agency standpoint.

Tyler Bisset – Goldman Sachs

Great. Thank you very much.

Operator

Thank you. Our next question comes from Maheep Mandloi with Mizuho. Please go ahead.

Maheep Mandloi – Mizuho Securities

Hey, good evening. Thanks for the questions. On Slide 6, I was looking at the mix here, can you just talk about what is included in next frontier? I think the first time we saw this broken out. It's nice to see. What's in there. And secondly, just on the mix of BTM solar, and BTM energy efficiency. Could you talk about like historically, how has that trended, are you seeing more energy efficiency now or how do you think about that?

Jeff Lipson, President and CEO

Thanks, Maheep. So, on the next frontier, just as a reminder, in our February call, we put forth this notion of next frontier, where we may expand the business. I talked a little bit about that in the prepared remarks. The relevant slide is on Page 17 in the appendix in this afternoon's deck. And so, the progression from disclosing in February where we may take the business next to disclosing that we have some of these investments in the pipeline is sort of the natural chronology. We're not going to talk specifically about exactly what's in the pipeline. You know the third step of that will be to actually close the transaction and then we'll talk about it. But I will say I am very pleased that in relatively short order we've identified next frontier investments and they're at a stage where they are in the pipeline. So, I think we feel good about that and the diversification that it will bring to the business.

On the second part of your question. I think the breakout in behind-the-meter between solar—which is primarily community and resi, solar and storage and a little bit of C&I solar—and the energy efficiency is just something we thought would be helpful. I think that split is -- which this quarter is roughly 50/50, is relatively consistent in terms of the what has been the behind-the-meter slice and the relevant sizes of those two pieces of business. So, hopefully that's helpful in understanding what's in the pipeline.



Maheep Mandloi – Mizuho Securities

That's helpful. And let me just one clarification. I think some of the slide, maybe Slide 4, I saw you guys talking about replacing tax equity. Just to clarify, that's for post-tax credit timeline? Or is it something you're looking to invest in, even or replacing, tax equity over the next few years.

Jeff Lipson, President and CEO

I'm going to ask Marc to answer that one.

Marc Pangburn, EVP and Chief Revenue and Strategy Officer

It's Marc. We would not anticipate replacing tax equity in the current structure, but as tax credits go away, there is less need for tax equity, and that will create more room in the capital stack for investors like us who focus on monetizing cash positions. So this is primarily a post-tax credit opportunity.

Maheep Mandloi – Mizuho Securities

Okay. Thank you.

Operator

Thank you. Our next question comes from Noah Kaye with Oppenheimer. Please go ahead.

Noah Kaye – Oppenheimer & Co.

Good, thanks for taking the questions. You know, last quarter you talked about I think a record volume of inbound client requests, and we saw that with the pipeline expanding quarter over quarter. I would just like to get a sense of what you, and really your customers, are trying to solve for in the current environment? I think you made some comments in your opening remarks around, you know, the shifting policy environment and your expectations that transactions will, you know, kind of continue to pick up in the back half. But, would just sort of love to get an understanding of, you know, how you and your clients are approaching some of the policy and regulatory changes here as it relates to developing not only 12-month of pipeline, but you know further-out opportunities.

Jeff Lipson, President and CEO

Sure. Thanks for the question, Noah. I'm actually going to ask Susan to go ahead and answer that.



Susan Nickey, EVP and Chief Client Officer

Yeah. Thanks, Noah. And really, the fundamentals are so strong, that's what's the core tailwinds for our client's business and then obviously we follow on as those projects and their pipelines mature. But with the demand side of the business, not only on the utility-scale side but behind-the-meter, Sunrun and some other clients have reported out, that's really where the fundamentals are and then clearly everyone's now navigating through what's passed with the OBBB, but have invested through safe harboring's to be able to continue and plan and build out their pipelines. You know, for not only next year, but for the next several years. But our pipeline, again, is, that we report on, is for 12 months.

Noah Kaye – Oppenheimer & Co.

Yeah. And to follow up on the previous question, I mean I believe, certainly for grid connected, but, you know, probably for a decent chunk of the overall portfolio, there's been substantial safe harboring already. And so, this future opportunity around replacing tax equity, I imagine that might flow first to behind-the-meter and later to utility, but over a multi-year period. Is that kind of the right way to think about?

Jeff Lipson, President and CEO

I think that's right, Noah. And again, as Marc said, that's still a couple years out. We just wanted to plant the seed that there's now going to be a void in the capital stack, and an outcome of this tax policy change, may be that HASI's able to put more dollars to work per project. But again, this is this is not for a couple of years, and I think the way you laid it out is likely the way it will play out.

Noah Kaye – Oppenheimer & Co.

Great. If I could sneak one more in. Just want to talk about cash generation. You know, the continued helpful disclosures around Adjusted Cash Flow from Ops and Other Portfolio Collections. I do notice that that is somewhat down on a run rate versus 2024? Can you just talk through any kind of expected timing in your cash generation for the back half?

Chuck Melko, CFO

Noah, this is Chuck. You know, looking at -- well, let me start with what's going into these numbers. When we look at cash collected from our portfolio, certainly that includes all of the cash distributions that we're



receiving related to the operations of the projects. But there can be other activities that occur at the projects such as refinancing of debt or initial debt that's being put onto a project that, you know, getting favorable terms on that financing. We oftentimes get a distribution out of it. So, it's tough to really get a trend of that, of course. And in 2024, there was a little bit of that going on that is causing this to look like, you know, there's a little bit of a downtrend here. But I will say that this quarter, you know, we did have a bit of an uptick in cash received from both our equity investments and our loans. So, you know, we're seeing a positive trend there, but I would say that, you know, the trend that you're seeing right now, I mean the rest of the year, you know, will probably continue that same growth rate and will probably mirror the growth in our portfolio.

Noah Kaye – Oppenheimer & Co.

Excellent. Thank you very much.

Chuck Melko, CFO

You're welcome. Thank you.

Operator

Thank you. Our next question comes from Moses Sutton from BNP Paribas. Please go ahead.

Moses Sutton - BNP

Thanks for taking my question. Closed transactions seemed rather low. I think you noted the year-to-date number, so it implies around like \$190 million if I'm getting that right. So how should we characterize that and the timing element? And then conversely on the Adjusted Cash from Operations plus other portfolio collections, that was back up to like \$200 million from the negative number in the first quarter. I know that's also a lumpy thing based on how you get your collections. Should we think of that as returning to like a \$300-plus million a quarter number? Just those two on transactions and then the adjusted cash from operations.

Jeff Lipson, President and CEO

So, thanks Moses for the question. I'll take the first part. I'll ask Chuck to take the second part of that question. I would encourage you to read absolutely nothing into the second quarter volumes and isolation. I

think we've consistently talked about the lumpiness in the business and the nature of closings being out of our control and really driven by our clients. And so, sometimes we have, you know, outsized quarters and slower quarters in terms of actual investment volume. It's part of the reason we do guidance over three years and certainly on a number such as volume in the business. I'd encourage you to at least look at a one-year number and not a quarterly number.

And as Chuck mentioned in the prepared remarks, it is our expectation at this point that volumes will exceed last year. So I wouldn't read anything into the second quarter. For the other part of the question, Chuck?

Chuck Melko, CFO

Yeah. Hey, Moses. So, I think the answer to your question really is tied into the response to Noah's question here. When you're looking at the trailing 12 month from last quarter's going to this quarter, it drops off a little bit because the last quarter and the trailing 12 months that was in there last period had some of the, I'll call it, one-time cash distributions coming off of some of our projects. So, I wouldn't read into that decline in the trailing 12 month at all there in terms of ongoing rate.

Moses Sutton - BNP

Got it. That's very helpful. If I could squeeze one more in. If I recall from maybe, it was two or three years ago, when there was confusion in the investor community on the timing of cash collections or sort of cash flow waterfall in projects where tax equity got money before you, like just the structure of the matter. It implied that at a certain point in project life and aggregate in the sense when you did a lot of -- after you did a lot of equity investments, you would actually earn more than the amount that would show up in adjusted earnings. So, is there a certain point that we might expect it? This is a further out question on cash flow and cash waterfall, where you -- even though you're continuing to make equity investments, pref equity investments, JV investments like that, where some of the legacy stuff will be seeing cash come in at a pretty significantly higher number as tax equity reaches their hurdle. And is that around 2025, 2026, 2027? Is that a fair view there, and could you quantify that? Sorry for the long question.

Chuck Melko, CFO

Yeah, you know, it's kind of tough to pinpoint exactly when that's going to happen. Yes, it will start to happen, and you know, as I mentioned a little bit ago, we are starting to get a little bit more cash coming in the door. But because we are continuing to add investments with that similar profile, you know, we can't



really put a definitive date where that's going to—you're going to start to see that in our portfolio. But it has started to happen on old deals.

Moses Sutton - BNP

Okay. Very, very helpful. Thank you.

Chuck Melko, CFO

Thank you.

Operator

Thank you. A reminder to all participants, if you would like to ask a question, please press Star and 1 on your telephone keypad. Our next question comes from Vikram Bagri with Citi. Please go ahead.

Ted Giletti - Citi

Hi, thanks for taking the question. It's Ted on for Vik. Just one question on the model. I think there's a comment on the prior quarter call that Gain on Sale revenue would be more in line with 2021 to 2023 levels. Should we still expect that to be the case this year? And if so, what do you expect in terms of cadence for the third and fourth quarters?

Chuck Melko, CFO

Yeah, that's case we do still expect to see Gain on Sale on the levels that we mentioned—average of 2021 through 2023. So Q3 and Q4 certainly will be higher than we saw in Q2 here, but I would just prorate Q3, Q4 to get to those total average annual levels.

Ted Giletti - Citi

Got it. Thank you.

Chuck Melko, CFO

Thank you.

Operator



Thank you. Our next question comes from Ben Kallo with Baird. Please go ahead.

Ben Kallo - Baird

Hey, good evening. How are you?

Jeff Lipson, President and CEO

Good. Thanks, Ben.

Ben Kallo - Baird

Just on the ITC, can you talk about what you're seeing in terms of projects being pulled forward from ITC changes or is it—and I guess I'm—maybe we could break it down by solar and everything else? And then and utility solar and everything else. And then when you look at this, the next frontier investments like geothermal and fuel cells, which now have a favorable tax treatment, how do you view this under that next frontier type of investment label? Thank you.

Jeff Lipson, President and CEO

Thanks, Ben. I think on the first part of the question, we're not seeing meaningful pull forward. I think the nature of many investments that we make and the projects that our clients develop is such that they're normally moving as fast as they can. You know, I think our Page 5 is a good indication of how much work they have to do to get a project to commercial operation. So, you know, we're not really hearing or seeing from our clients much in the way of acceleration. We are seeing our clients remain active. We're not seeing delays, but we're really not seeing much in the way of acceleration.

On the second part of your question, I would just answer it more holistically that many of the investment categories in the next frontier are less susceptible, I would say, to policy changes and less driven by tax policy, and that's one of the evolutions of our business that overtime our business, you know, through the phase out that we're already seeing in some of the core business and through the next frontier, there'll be less of a tax policy orientation to our business overtime as well. So, I think that that's probably the best way to answer your question there.

Ben Kallo - Baird



OK. If I could sneak one more in, and sorry if you covered it, I've jumped around. But in the past you talked about maybe moving internationally, could you just give us an update there?

Jeff Lipson, President and CEO

Sure. I don't think we really have anything to report, Ben. You know, we've talked about it a few times. I think the most likely approach there if we, as we've said before, is to work with one of our existing long term clients, many of whom are multinationals on a non-U.S. project and use that as a way to expand our business internationally. But we really just don't have anything currently to report on that front on this call.

Ben Kallo - Baird

OK, great. Thank you very much, Jeff

Jeff Lipson, President and CEO

Thanks, Ben.

Operator

Thank you. Ladies and gentlemen, at this time, there are no further questions. The Conference of HASI has now concluded. Thank you for your participation, you may now disconnect your lines. Thank you

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