AMRC Prepared Remarks Q4 2024 FINAL

February 27, 2025

Leila Dillon - SVP Marketing & Communications

Thank you, _____ , and good afternoon, everyone. We appreciate you joining us for today's call. Our speakers on the call today will be George Sakellaris, Ameresco's Chairman and Chief Executive Officer; Mark Chiplock, Chief Financial Officer and Nicole Bulgarino, President of Federal and Utility Infrastructure. In addition, Mike Bakas and Josh Baribeau will be available during Q&A to help answer questions. 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 and additional information in our supplemental slides that were posted to our website. Please note that all comparisons that will be discussed today are on a year-over-year basis, unless otherwise noted.

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

George Sakellaris – CEO

Thank you, Leila, and good afternoon everyone.

We ended 2024 on a strong note, which contributed to our annual revenue and adjusted EBITDA growth of 29% and 38%, respectively. We also delivered a record project backlog and placed a record level of

Energy Assets into operation. Fourth quarter results were highlighted by 21% revenue and 59% adjusted EBITDA growth, with particular strength in our Projects and Energy Asset businesses as well as the benefit from the successful sale of our non-core AEG business. Growth in our contracted backlog was a key highlight, increasing 92% year over year with a record $1.1 billion in conversions during the fourth quarter. This resulted in total project backlog growth of 24% year over year to a record $4.8 billion. During the quarter, we also brought an additional 31 MWe of Energy Assets into operation, bringing our annual additions to a record 241 MWe. Our total operating energy assets now stand at 731 MW, with another 637 MW in development.

While I am very proud of our team's accomplishments, we did encounter challenges on two large projects that significantly impacted our results during the fourth quarter and the full year. While we do our best to anticipate and mitigate these impacts, there are times when we experience schedule delays and significant inflation which result in unrecoverable cost overruns. Over time we have tightened our project review process and applied what we have learned to better mitigate these risks. We believe that the financial impact of these two projects is largely behind us. Importantly, our team's strength lies in our ability to successfully execute and deliver on hundreds of projects in a dynamically changing industry.

Now I'd like to have Nicole comment on the impact of the new administration in Washington.

Nicole?

Nicole Bulgarino – President of Federal and Utility Infrastructure

Thank you, George and good afternoon everyone. We are working diligently to stay on top of all the information and changes coming out of DC that might impact the industry. As many of you are aware, federal policies play an important role in our business. The Federal government is a significant customer representing approximately 20% of our 2024 revenue. This work includes a wide variety of Federal entities – both civilian and military. While to date, the direct impact to Ameresco has been minimal, we have encountered one cancellation on a project contracted earlier in January, and a pause on two other contracts. And, given the recent changes in the federal workforce, we are anticipating the potential for additional delays. That said, the majority of our Federal projects are continuing in their normal cadence and on schedule.

I believe that our Federal work, especially through the well-established Energy Savings Performance Contract mechanism, is well aligned with the approach and goals of the current administration. ESPCs allow federal agencies to procure energy savings and facility improvements **with no up-front capital costs or special appropriations from Congress**.

Federal agencies have been using the ESPC contracting vehicle for over 25 years to significantly reduce energy and operating costs in a budget neutral manner. As a reminder, the majority of our federal projects are focused on cost savings, resiliency, and upgrading critical infrastructure, which we believe will continue to be in great demand and is in line with the current administration's priorities, as shown though the large multi-million-dollar military housing contract we announced just last week. In addition, these ESPC projects are often signed with long O&M contracts, as proven by our contracted O&M backlog that stands at over $1 Billion dollars.

In closing, we will continue to closely monitor the impacts of the changes in DC, however, we feel strongly that the fundamental drivers and benefits of our Federal projects remain. I will now turn the call back to George. George?

George Sakellaris – CEO

Thank you Nicole.

As we have mentioned in the past, we expect to continue to see long term demand from our federal agency customers given the need for secure, resilient, reliable power. But as always, we remain focused on policy changes that might impact our business and have incorporated the potential for delays and disruptions into our 2025 guidance, which Mark will discuss in his comments.

And while we work through short term challenges, we have built a diversified and resilient business model that we believe can manage through difficult environments. Beyond the multi-year visibility of our strong and growing project backlog, we have also purposely grown our recurring Energy Asset and O&M businesses, which now account for the majority of our annual adjusted EBITDA. These business lines generally have long-term contracts, providing annuity-like revenue visibility - helping us to mitigate short term volatility in the Projects business. We also have deliberately expanded geographically. Ameresco now has operations in every state, Canada, the UK, and a growing footprint in Continental Europe. 2024 marked a significant milestone for this region with over $250 million of revenue generated from our expanding European business.

I will now turn the call over to Mark to comment on our financial performance and 2025 outlook. Mark?

Mark Chiplock – CFO

Thank you, George, and good afternoon everyone.

Strong execution across our business led to a record revenue finish to the year, with total revenues in the quarter growing over 20% to $533 million, and each of our four business lines experiencing solid growth.

Our Projects business revenue grew 21%, reflecting our consistent focus on execution and conversion of our backlog. Energy Asset revenue grew 31%, driven largely by the greater number of operating assets compared to last year. We added another 31 MW of assets into operation this quarter, bringing our full year adds to a record 240 MW. Our base of operating Assets now stands at 731 MW. O&M revenue grew 9%, as we continued to win more long-term O&M business, while revenues from our Other line of business grew 14% with strong performances from our off-grid PV and consulting businesses.

Gross margin of 12.5% for the quarter was significantly lower than expected. As George mentioned, unanticipated cost overruns on two projects, negatively impacted gross profit by approximately $20 million, or 400 basis points. For the full year, the impact to gross profit from these two projects was approximately $38 million, or 260 basis points. We believe that the financial impact of these two projects is largely behind us.

Operating income of $44.7 million, an increase of 31%, was bolstered by our revenue growth and the completed sale of our AEG business unit, which resulted in a gain recognized in the quarter of approximately $38 million. This increase was partially offset by non-cash, asset impairment charges of $12 million, related primarily to the County's announced closing of one of our landfill gas sites. We also saw higher depreciation expenses of $8 million directly related to the growth of our operating asset portfolio. Net income attributable to common shareholders was $37.1 million, increasing by 14.6%. We continued to take advantage of clean energy tax incentives, which resulted in an effective tax rate benefit for 2024 of (59%) compared to a benefit of (67%) in 2023. Fourth quarter Adjusted EBITDA of $87.2 million, increased 58.7%.

The growth of our project backlog continued to be outstanding, fueled by our business development activity which remained very healthy, with over $700 million of new project awards in the quarter. Importantly, we added new awards at 2X our 2024 project revenue. Total project backlog increased 24% to $4.8 billion. These metrics demonstrate our continued focus on execution and the strong demand for our projects.

Turning to our balance sheet and cash flows, we ended the quarter in a solid cash position with approximately $109 million in cash. Our total corporate debt declined to $243 million from $273 million, as the cash proceeds from our sale of AEG were used to pay down a large portion of our outstanding term loan. During the fourth quarter we successfully executed approximately $237 million in project financing commitments to help fund our Asset business. Our Adjusted Cash from Operations during the quarter was $54 million, bringing our full year total to $282 million. Our 8-quarter rolling average Adjusted Cash from Operations was $46 million.

Before turning to our 2025 guidance, I wanted to touch on some of the recent events impacting our RNG business. First - In December, Treasury finalized new rules governing the Section 48 Investment Tax Credit. These rules clarified that the ITC would apply to our RNG projects that began construction before the end of 2024 and were placed in service in 2023 or later. Importantly we can choose to either use the tax credits internally or sell the credits to third-party investors under the transferability rules. Our RNG assets placed in service between 2023 and 2024, generated ITCs of approximately $100 million - part of which we recognized as a tax benefit in 2024, with the remainder expected to be sold for cash in 2025. In addition, we have safe-harbored RNG projects expected to go COD between 2025 and 2027, with an estimated $200 million of additional potential credits.

Second – In January the Treasury released its initial guidance on the Section 45Z Clean Fuels Production Tax Credit. 45Z, which takes effect this year, provides a tax credit for the production of transportation fuels sold from 2025 through 2027. All of our landfill RNG plants qualify for this credit and like the ITC, we have the option to either use the credits ourselves to lower our tax rate or to sell them to third parties for cash. Once the guidance is finalized, we believe our total annual benefit from 45Z could be approximately $8 - 10 million.

Finally, D3 RIN prices weakened at the end of last year, fueled by the EPA's proposed rule to partially waive the 2024 cellulosic biofuel volume requirement, due to a forecasted shortfall in production. While the waiver has not been finalized, our guidance reflects the current market price for RINs. We continue to deploy our dynamic hedging strategy to manage the risks associated with RIN price volatility and its impact on our earnings. As of today, less than 30% of our overall expected 2025 RIN generation is merchant.

Now turning to 2025 guidance. We believe our guidance reflects the current unpredictable political and regulatory environment. We are guiding revenue of $1.9 billion and adjusted EBITDA of $235 million at the midpoints of our ranges. Included in our EPS guidance is the anticipation of an estimated net tax benefit. But the benefit will likely be lower than last year as we optimize the mix of credits that we keep versus credits that we sell for cash.

We anticipate placing approximately 100-120 MW of energy assets in service, including 1-2 RNG plants. Our expected capex is $350 million to $400 million, the majority of which we expect to fund with additional energy asset debt, tax equity or tax credit sales.

For additional clarity on our EPS guidance, I thought it would be helpful to provide more color on certain factors that have an impact on EPS - depreciation, interest expenses and non-controlling interests. As our energy asset portfolio grows, we anticipate a corresponding increase in our depreciation expenses. Additionally, our strategic use of non-recourse debt to finance this growth will lead to higher interest expenses. And as we expand our global footprint, we will continue to use strategic joint venture arrangements which allow us to leverage our partners' local expertise and resources. Our Ameresco Sunel Energy JV in Europe is an example of such a partnership. When we have a majority stake and have control under these arrangements, we report 100% of the joint venture’s revenue and expenses. However, our Adjusted EBITDA and net income are reduced by the non-controlling interest of our JV partner, reflecting their ownership stake in the joint ventures. Given these factors have a significant impact on our EPS results, we’ve provided estimated ranges for them in our 2025 guidance as detailed in our press release. Also, I want to call out that our 2025 guidance does not include the potential impact of a change in accounting principle related to sale-leaseback arrangements that is currently being assessed. If implemented, this change could result in lower annual interest and other expenses, with an estimated impact of $20 million in 2025.

Finally, I will provide some shaping on 2025. We anticipate that first quarter revenue and Adjusted EBITDA will be similar to Q1 last year. And because the first quarter is our seasonally lowest revenue quarter, and due to the linear nature of depreciation and interest expenses, we expect to have negative EPS. With respect to the cadence of revenue, we expect revenues in the second half of the year to represent approximately 60% of our total revenue for 2025 - this is consistent with our performance from the past couple of years.

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

George Sakellaris – CEO

Thank you, Mark.

As you have heard we ended the year on a very solid footing with record project and O&M backlogs and a record number of Energy

Assets in operation. As we look to 2025, we are cautiously navigating the transition of the federal government. However, I am confident in our ability to execute in this dynamic environment. There is strong demand for our budget neutral solutions that provide customers with significant cost savings, resiliency and infrastructure improvements. We remain focused on the profitable execution of our tremendous project backlog, and assets in development, and the generation of cash flow. 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.