HA Sustainable Infrastructure Capital, Inc.

First Quarter 2025 Results Conference Call

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HASI Presenters

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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

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Q&A Analysts

Christopher Dendrinos – RBC Capital Markets

Noah Kaye – Oppenheimer & Co.

Joe Nussbaum – BNP

Michael Fairbanks – JPMorgan

Ben Kallo – Baird

Tyler Bisset – Goldman Sachs

Maheep Mandloi – Mizuho Securities

Henry Roberts – Truist Securities

Jeff Osborne – TD Cowen

Operator

Greetings, and welcome to HASI's First 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

HASI

presentation. If anyone should require operator assistance during the conference, please press star then zero on your telephone keypad. As a reminder, this conference is being recorded.

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

Aaron Chew, Sr. VP, Investor Relations

Thank you, Operator, and good afternoon to everyone joining us today for HASI's First Quarter 2025 Conference Call. Earlier this afternoon, HASI distributed a press release reporting our first 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 CFO; and also available for Q&A are Susan Nickey, our Chief Client Officer; and Marc 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 three. Jeff?

Jeff Lipson, President and CEO

Thank you, Aaron. And thanks everyone for joining our first quarter 2025 call. Despite heightened policy and economic uncertainty, HASI is currently operating in a business-as-usual mode as we continue to close new investments, maintain a large pipeline, enhance our liquidity platform, and steadily grow our adjusted earnings per share. In fact, business activity is robust, and we are experiencing a historically high volume of incoming requests for capital from sponsors and developers.

We had the most active first quarter of new originations in our history, closing over $700 million of new investments. The average yield on these new investments was greater than 10.5%, and our adjusted earnings per share was $0.64. These results are further evidence of the resilience of our business model.

One of the key reasons we have been operating without meaningful disruption is the powerful funding and liquidity platform we have constructed over the past several years. Having substantial liquidity in periods of volatility is vital to capitalizing on opportunities. We currently have in excess of $1.3 billion in available liquidity resulting from our diverse funding strategy, including our CCH1 partnership, investment grade ratings, and a large and supportive bank group. This combination of a strong pipeline of investment opportunity, access to capital, and our recurring revenue model allow us to reaffirm our guidance of 8-10% compound annual growth in adjusted EPS through 2027.

Turning to page four, I'd like to discuss an issue which is on the minds of all investors, the impact of tariffs on our business. As a reminder, we are not a developer and do not directly procure any materials, so we are only impacted as related to the overall volume of project development. To assess the impact in more detail, let's begin with our portfolio and simply state that these projects are already operational or near operational and are unimpacted by tariffs. Likewise, the projects in our pipeline, which will likely comprise the vast majority of our investments over the next 12 to 18 months, are typically partially or fully constructed and thus not impacted by tariffs

Our clients, who are generally among the largest developers of renewables, energy efficiency, and R&D projects, have been effectively addressing various supply chain and tariff challenges for over 10 years. In addressing these challenges, our clients have invested significantly in their domestic supply chains and inventories, allowing them to deliver a positive message of minimal tariff impact in their quarterly reports. The post-pipeline impact refers to projects that will be constructed in 2027 and beyond. It is reasonable to assume that by that time, our developer clients will have adapted to any remaining tariffs by both onshoring more of their procurement and passing on any increased costs.

In fact, most of the public developers and sponsors who have already reported their first quarter results have confirmed strong confidence in their long-term pipelines just in the last few weeks. We also have a portion of our business that involves capital recycling on existing projects, which is an investment profile unimpacted by tariffs. In summary, we expect very limited impact from any increased tariffs on our business, particularly in the guidance period.

Turning to page five, another issue worth discussing is the expected impact of a recession on our business. GDP contracted in the first quarter of 2025, and many economic forecasts have increased the likelihood of a 2025 recession above 50%. However, as depicted on the slide, US electric generation capacity continues to expand, even during economic downturns, in recent years substantially driven by wind and solar.

If a recession occurs in 2025, we would expect investments in clean energy generation to be only marginally impacted, and we would not expect any resulting material impact on our financial results. Also, as stated a few moments ago related to tariffs, the vast majority of our pipeline includes projects under construction, which are unlikely to be impacted by a recession.

In summary, we have a non-cyclical business model in which growth and profitability are typically not directly tied to macroeconomic cycles.

In addition, related to both the tariff issue and the potential slowdown, the forecasted demand for energy is expected to drive clean energy development in all policy and macroeconomic scenarios, resulting in a large volume of investment opportunities. As we mention frequently, our business model is resilient and adaptable. We have demonstrated the ability to thrive despite interest rate fluctuations, policy changes, and economic cycles.

Turning to slide six, our pipeline of new investments is sizable and well-balanced among our business lines. As stated earlier, the demand from sponsors is elevated, as more projects are being developed to address the significant expected increase in load growth. Behind-the-meter solutions continue to be driven by fundamental consumer economics, increasing the demand for resi and community solar solutions, and by government efficiency initiatives, particularly at the state and local level.

Grid-connected activity has been elevated due to the impending increase in load growth, and in addition to several solar projects, wind opportunities have reemerged in the pipeline. And our FTN business continues to identify numerous opportunities, most notably in RNG, as that asset class has contributed meaningfully to our growth. Although not yet reflected in our pipeline, we continue to evaluate some of the "new frontier" asset classes that we discussed last quarter and expect at least some of these sectors will become investable for us.

As we turn to slide seven, we note that our managed assets have increased 12% year-over-year and that our robust pipeline has been successfully converted into a high volume of closed transactions in the first quarter. Significant investments in resi solar and public sector energy efficiency led to a first quarter volume above $700 million. We continue to see strong performance from resi solar assets, which we expect to remain an attractive consumer alternative as retail utility rates continue to increase. Importantly, the corporate issues that resi solar originators have faced are separate from the performance of the underlying assets in which we invest, and thus we expect to remain active in this asset class.

In addition, our CCH1 co-investment vehicle with KKR now has a funded balance of $1 billion, and we are considering placing debt at the vehicle, which will increase its investment capacity. And we have correspondingly extended the investment period until the fourth quarter of 2026. This partnership continues to provide significant value to our business as we maintain diverse sources of funding with several of these sources outside of capital markets.

And with that, I'll pass the call on to our CFO, Chuck Melko

Chuck Melko, EVP, Chief Financial Officer and Treasurer

Thanks, Jeff.

Over the past few months, we have certainly seen uncertainty in the markets from the public policy backdrop, and I believe we have constructed a portfolio that is well-positioned to continue to deliver earnings growth through these periods of volatility. In addition, our healthy level of liquidity and our capital platform will continue to provide access to capital to fund the business and preserve, if not expand, our investment margins.

Starting on slide eight, our portfolio is now at $7.1 billion, and as Jeff mentioned, we are delivering meaningful growth in our closed transactions. We had another quarter of delivering double-digit yields on new investments, with an average yield greater than 10.5% in Q1, and are continuing our success at generating growth in our portfolio with recurring earnings at attractive risk-adjusted returns. As a reminder, 50% of the balance sheet transactions that we close into CCH1 do not show up in our portfolio growth, but do provide earnings through upfront and annual management fees. Our portfolio continues to be well-diversified across our different asset classes, which we believe is a key strength to the resilience of our business.

On slide nine is a trend of our portfolio yield and average debt costs. Our portfolio yield is at 8.3% and our cost of debt at 5.7%. As we continue to originate and fund investments at higher yields, we expect our portfolio yield to continue to increase. On the cost of debt side, we have mentioned on several calls our active hedging strategy to manage the risk of increases in interest rates, and want to reiterate the success we have had in managing our debt costs through this program.

In addition to fixing the cost of our floating rate borrowings, we also have hedged the base rate for the refinancing of our '26 and '27 bond maturities, and recently executed base rate hedges with a notional amount of $300 million related to expected debt issuances later in the year. These hedges were executed in early April, fixing base rates at an average of 3.5% when Treasuries had declined meaningfully, and are a great example of the active management of our cost of capital. The details of our hedging activities are included in the appendix.

Turning to slide 10, for our key profitability metrics, we ended the quarter with an Adjusted EPS of $0.64. The growth in our portfolio and yield drove an increase of 11% in our Adjusted Net Investment Income to $72 million, compared to the same period last year. In addition, we continue to see growth in our other recurring sources of income related to our securitization activities and our CCH1 asset management fees.

Our Gain on Sale and Other income were lower this quarter at $24 million compared to $30 million last year, due to higher than normal Gain on Sale activity in the prior year from asset rotations. As discussed in our Q4 call, our full-year Gain on Sale activity is expected to be more in line with the levels seen in 2021 through 2023, and we expect that 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 delivered strong Adjusted EPS that continues to be predominantly generated from recurring earnings and is a large contributor to the confidence we have in achieving our Adjusted EPS guidance.

On slide 11, we illustrate key characteristics of our finance platform. Our available liquidity as of March 31st was $1.3 billion. We have been very focused on building a liquidity and capital platform that enhances the resilience of our business, and a key strength of this platform is the credit facility that we have enhanced over the years.

We recently increased our credit facility by $200 million and now have approximately $1.6 billion in total capacity that includes 16 relationship banks. This facility ensures we can continue to fund the growth of our business in times of market volatility and opportunistically time our longer-term capital market issuances. In addition, our commercial paper program has been a success at reducing our overall costs. We have a well-laddered maturity profile and are actively focused on our plan for refinancing our upcoming maturities.

We recently, this past April, paid off our convertible bond due in Q2 with a portion of our available revolver commitments. And related to our upcoming bond maturity in 2026, our available liquidity will provide us flexibility in our refinancing plans, which we will likely address later this year or early 2026. We remain committed to managing our capital structure at a 1.5-2.0x leverage ratio, and we're at 1.9x as of the end of the quarter.

It is also important to highlight that Moody's recently reaffirmed in April, our investment grade rating in the current environment. It is our liquidity, access to capital, and diversified sources of funding that will allow us to thrive in these periods of market volatility and is a key strength in the continued growth of our business.

I will now turn the call back to Jeff for some closing remarks.

Jeff Lipson, President and CEO

Thank you, Chuck, great job.

Turning to page 12, we highlight our progress regarding CarbonCount and WaterCount, as well as noting that our seventh annual sustainability and impact report was recently published and is available on our website. Concluding on page 13, with a reminder that we have substantial liquidity and ongoing access to capital. We have a demonstrated track record of successfully growing our earnings in all interest rate, public policy, and macroeconomic environments. Therefore, we are able to affirm our 2027 guidance despite the current volatility.

The long-term fundamentals of our business are powerful and position us effectively for continued earnings growth over many years. I thank our outstanding team for their execution as we completed a successful first quarter of 2025 and continue to position ourselves for further prosperity. Thank you for your attention.

Operator, please open the line for questions.

Operator

Thank you. We will now begin be conducting a question and answer session. If you would like to ask a question, please press star and then one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press the star then two if you would like to remove your question from the queue.

Please, may I also ask if you could limit your questions to one question and one follow-up question. For participants using speaker equipment, it may be necessary for you to pick up your handset before pressing the star keys. One moment please, while we poll for questions.

The first question comes from Chris Dendrinos from RBC Capital Markets. Please proceed with your question, Chris.

Chris Dendrinos – RBC Capital Markets

Yeah, good evening, and thanks for taking the question. I guess, maybe to start here, you mentioned doing some debt at the CCH1 level. Could you maybe discuss, I guess, what kind of leverage profile that would look like, and then, does that interest rate look similar to HASI's interest rate, or how do we think about, I guess, the interest rate there, and maybe just the strategy in general to put the debt at that level? Thanks.

Jeff Lipson, President and CEO

Sure. Thanks for the question, Chris. I would envision the leverage at CCH1 would be relatively low, certainly more equity than debt. And in terms of interest rate, it's probably premature, but I would say an investment-grade type cost of funds would be very likely at the CCH1 level.

Chris Dendrinos – RBC Capital Markets

I guess, would that be below the HASI level cost of debt, potentially?

Jeff Lipson, President and CEO

I would say it would be in the same general vicinity, would be our expectation.

Chris Dendrinos – RBC Capital Markets

Got it. OK. And then, I guess, maybe just as a follow-up here, how does equity financing need kind of factor into the pace of your investment? I just am thinking about, kind of, the stock price right now being a little bit depressed given a lot of the uncertainty out in the marketplace, and I'm just trying to figure out how you all factor that into the thought process of the rate that you go at. Thanks.

Jeff Lipson, President and CEO

Sure. So I think we've reduced substantially, the number of shares we need to issue to grow our business, both through CCH1, through what we've done with the payout ratio. The CCH1 debt we were just talking about, in addition, ultimately reduces the number of shares we have to issue. So I think we've moved the business in a direction of issuing fewer shares per dollar invested, which I think over time is a very positive thing.

Chris Dendrinos – RBC Capital Markets

Thank you.

Jeff Lipson, President and CEO

Thank you, Chris.

Operator

Thank you. The next question comes from Noah Kaye from Oppenheimer & Company. Please proceed with your questions, Noah.

Noah Kaye – Oppenheimer

Hi, all. Thanks for taking the questions. Nice quarter.

Jeff Lipson, President and CEO

Thanks, Noah.

Noah Kaye – Oppenheimer & Co.

The extending of the CCH1 term through 4Q '26, I assume we should not read into that as an indication of not getting to the $2 billion target funding by the end of 2025, or can you kind of comment on timing of expectations there?

Jeff Lipson, President and CEO

Sure. I think you should definitely not read that into the extension. The extension is ultimately a reflection that we will increase the capacity of CCH1, and therefore it was logical to extend the investment period in mutual agreement between HASI and KKR. So it's just going to be a larger vehicle than originally contemplated, and therefore the investment period would naturally be longer.

Noah Kaye – Oppenheimer & Co.

Helpful. Thank you. Second one just on the record transactions in 1Q. We understand that timing can be lumpy. Was there anything unique to the environment or the types of conversations with clients that maybe pulled forward some originations? I think you mentioned business as usual at the outset. In other words, what do we make of the 1Q record originations and any implications for future quarters?

Jeff Lipson, President and CEO

Sure. I'm going to ask Mark to jump in on that one.

Marc Pangburn, CFO

Hey, Noah. Thanks for the question. No, I would not attribute it to any specific pull forward of pipeline, but simply just the level of our business activity growing. And I do think it would be reasonable to assume that with the macro and political uncertainty, that our competitive position has increased, and we've seen some of our competition leave the market, which has certainly helped as well.

Noah Kaye – Oppenheimer & Co.

OK. Thank you all. I'll follow up offline.

Jeff Lipson, President and CEO

Thank you.

Operator

Thank you. The next question comes from Moses Sutton from BNP. Please proceed with your questions, Moses.

Joe Nussbaum - BNP

This is Joe Nussbaum on for Moses Sutton. Thanks for taking my question. Average yield on new investments is pushing north of 10.5%. How would you break out the dispersion of that blended yield, anything pushing 12-13% or higher? And are the mezz debt slices of the capital stack pushing it in double digits, or is the yield expansion coming more from equity investments? Thank you.

Chuck Melko, CFO

Yeah, I think, in general, the asset yields that we saw in the quarter are pretty consistent with the yields on closing of transactions last quarter. We're not really seeing asset yields jumping into the mid-double digits by any stretch of the means right now, based on the nature of the assets that we are investing in. But we are continuing to see strong yields in the double digits.

Joe Nussbaum - BNP

Great. Thank you.

Operator

Thank you. And the next question comes from Mark Strouse from J.P. Morgan. Please proceed with your questions, Mark.

Michael Fairbanks - JPMorgan

Yeah. Hey, this is Michael on for Mark. It looks like it was a pretty strong quarter of volumes within resi solar. Can you give some color on the dynamics at play there, and is that related to SunStrong.

Jeff Lipson, President and CEO

I'll start, and maybe Marc can add to my answer. But no, that is unrelated to SunStrong. SunStrong, at this point, is a servicing platform. And the investments we made in resi solar were consistent with the resi solar investments we've made historically, in terms of being mezzanine loans on pools of resi solar leases. Marc, would you add anything else to that?

Marc Pangburn, CFO

I would just want to reinforce that we invest at the asset level and are continuing to see strong performance in our underlying resi solar assets. And that performance is not impacted by the sponsor's financial position, which I understand has been a little bit more volatile.

Michael Fairbanks - JPMorgan

Got it. And then, maybe just as a follow-up, you mentioned a historically high volume of incoming requests for capital. I know you mentioned some competitors dropping out of the market, and maybe that has something to do with it, but are there any other underlying drivers there in regards to policy uncertainty or tariff uncertainty that you'd call out?

Susan Nickey, EVP and Chief Client Officer

Thanks for the question. I think, really, the underlying factors here continue to be the high demand growth, really across all sectors and our clients transacting on the pipelines that they've had in place for a while. So we don't see that as, again, I think the question about a pull-forward of tariffs or uncertainty. And our clients and partners have insulated themselves largely from some of that volatility.

Operator

May I just confirm, are those all your questions?

Michael Fairbanks - JPMorgan

Yep, thank you.

Jeff Lipson, President and CEO

Thank you..

Operator

Thank you so much. The next question comes from Ben Kallo from Baird. Please proceed with your question, Ben.

Ben Kallo - Baird

Hey, guys. Just thinking about the cadence of investment with uncertainty about the IRA. I know that there's a long timeline with what you guys do, so how should we think about Q2, Q3, ahead of that? And then, is there a sub-sector that you guys find more appealing right now than others? Thank you.

Jeff Lipson, President and CEO

Thanks, Ben. I would say the pipeline is well-balanced by timing of closings as well. So again, to reiterate, a high first quarter was not a pull-forward of a number of things that may have closed later in the year. That's not how to view the first quarter. We're very bullish on our continued volumes through second, third, and fourth quarter. And that volume of calls we're talking about continues to build the pipeline.

So we're just not seeing a lot of impacts of IRA or tariffs from our developers, again, for all the reasons we've mentioned in terms of fundamental economics and load demand. We still view it as low probability that the core components of the IRA will be repealed. And so, again, we go back to that sort of "business as usual" phrase. If anything, business even slightly elevated from usual, if anything. So we're just not seeing the impact of these policy items in our business right now.

Ben Kallo - Baird

Thank you.

Jeff Lipson, President and CEO

Thank you..

Operator

Thank you. The next question comes from Brian Lee from Goldman Sachs. Please proceed with your questions, Brian.

Tyler Bisset – Goldman Sachs

Hey, guys. This is Tyler Bisset on for Brian. Thanks for taking our questions. So I just want to piggyback on the last question on the IRA. I'm just curious, what's your latest view on the outlook for and timing of potential changes to the IRA.

Jeff Lipson, President and CEO

Sure. Susan, why don't you go ahead on that one.

Susan Nickey, EVP and Chief Client Officer

Oh, thank you. The anticipation of next steps with the IRA and the reconciliation bill, I think are public now, but sometime in the next few days or weeks the first draft of the bill is anticipated to come out from the House Ways and Means, as well as other drafts that are related that come from committees. But again, we anticipate, and certainly the American Clean Power Association that we're involved with, anticipate this is the beginning and certainly there may be rocky headlines, but it's a process and negotiation and the industry remains confident that the bill won't be repealed and that a majority both in the House and the Senate realize the importance of, again, of meeting our priorities of energy dominance, growth from AI, as well as the low cost of renewable energy is part of all the above.

Tyler Bisset – Goldman Sachs

Super helpful. And then, appreciate the commentary on the limited impact from tariffs. And can you just remind us, what is your exposure on the storage side, like, standalone and also solar plus storage projects?

Jeff Lipson, President and CEO

So on standalone, it's very, very minimal. On solar plus storage, certainly most of what we do in either utility-scale solar or residential solar does involve some component of storage. But again, as I alluded to in the prepared remarks, the partners we have there have generally already reported and I think have expressed a very high degree of confidence in their ability to procure ongoing storage equipment. And to also amplify something I said in the prepared remarks, most of what we'll invest in, in the next 12 to 18 months, is already constructed or nearly already constructed. And so this issue, even if it became more challenging, would have a substantial period before it would impact folks like us.

Tyler Bisset – Goldman Sachs

Super helpful. Thank you, guys.

Jeff Lipson, President and CEO

Thank you.

Operator

Thank you. The next question comes from Maheep Mandloi from Mizuho Securities. Please proceed with your questions, Maheep.

Maheep Mandloi – Mizuho Securities

Hey, thanks for the question, and I apologize if this was asked. I've been jumping between calls here. On the tax credit transferability, any thoughts on that, like, if that is removed, does that impact your overall funnel of projects available in the market here under the IRA.

Susan Nickey, EVP and Chief Client Officer

This is Susan again. Thanks for the question. I think there are a couple of things. One is the tax market certainly includes both traditional tax equity, and transferability has expanded that market. But again, with the Safe Harboring projects, not only for this year, but the years going forward, a lot of the pipeline is already insulated from whatever may happen with changes in the tax bill. But again, that's viewed as an important component of the value of the energy tax credits and building out more clean energy projects across the associations, utilities and other groups.

Jeff Lipson, President and CEO

Yeah, and I would also mention, there's broad support for transferability by utilities, corporates. It's really worked very well, and I think that broad support will go a long way.

Maheep Mandloi – Mizuho Securities

OK. Great. No, I think the concern is also how would the JCT even attribute any cost savings from removing that, but I guess that's a different question. And then separately, just on the financing, could you just help us understand once you lock in drop-down yields, do you lock-in the cost of capital at the same time, or do you use the liquidity on hand to kind of manage that? I'm just trying to understand if rates are volatile, then how do you manage that for the project you're dropping in the next quarter or two? Thanks.

Chuck Melko, CFO

Yeah. Hi, this is Chuck. I assume you're referring to assets originated in the CCH1 with that question, in part.

Maheep Mandloi – Mizuho Securities

Or any assets in general, like, where you haven't locked in the interest rates and rates change before you go and lock them.

Chuck Melko, CFO

OK. Understood. Yeah. So when we're funding assets, we typically initially use our revolver and our available liquidity to fund those investments and we have some hedging products to lock in the interest rate that we're paying on that. So we're not really bearing interest rate risk once we fund some of those investments. And for longer term takeout of the short-term facility, we also have some hedging products where we hedge the long-term takeout as well.

Maheep Mandloi – Mizuho Securities

I appreciate the color. Thanks.

Operator

Thank you. The next question comes from Jordan Levy from Truist Securities. Please proceed with your questions, Jordan.

Henry Roberts – Truist Securities

Hi, all. It's Henry on for Jordan here. Thanks for taking my questions. Maybe just to start, could you just give a little bit more color around the potential wind opportunities you mentioned you're seeing in the pipeline now? I would assume those are onshore opportunities given the current policy environment. And then, just kind of the timeline you see for those?

Marc Pangburn, CFO

Sure. Thanks for the question. I can confirm that they are all onshore, and that there's nothing in our pipeline that is offshore. The type of projects that we look at in wind are very consistent with the projects that we've done in the past, and frankly, very consistent with solar projects as well, simply a different technology. One of the reasons that we did call that out is because wind has been in the news, and wind has not been in our closed transactions more recently. We did want to note for investors that we are starting to see more wind assets available and continuing to move forward. But in terms of the uniqueness, I would consider the revenue streams and risk profile to be very consistent with what we've seen in the past.

Henry Roberts – Truist Securities

Understood. Thanks. Thanks for that. And then, just a quick one looking at FTN within CCH1. It looks like it's a pretty decent piece of the mix right now. I guess, is that primarily being driven by RNG at this stage? And do you expect that level of mix to hold up as CCH1 develops?

Jeff Lipson, President and CEO

Yes, that is primarily renewable natural gas at this point. And I would just think of the CCH1 balance sheet profile, so to speak, to be very consistent with HASI's. So, we have constructed CCH1 to look a lot like HASI from an asset diversification perspective. So, as we grow our RNG business, CCH1's RNG percentage should be consistent.

Operator

OK. Thank you. The next question comes from Jeff Osborne from TD Cowen. Please proceed with your questions, Jeff.

Jeff Osborne – TD Cowen

Hey. Great. Thank you. I just had one, Jeff Lipson, on CCH1 actually. I guess, just given -- maybe I'm a naïve Texan, but given it had one in the name, I was assuming instead of making it longer and bigger, you would just create CCH2 and maybe extract more value for yourselves. So maybe you could just enlighten me. Was there any conversation about creating a new vehicle that maybe had different terms and conditions as opposed to extending the existing one, and making it larger?

Jeff Lipson, President and CEO

So good question, Jeff. I think the way to think about that is the existing CCH1 is working particularly well. I think both parties are very pleased with it. I think the notion of putting debt on CCH1, which is an objective of both HASI and KKR, and growing it to something like $2.5-$3.0 billion without additional equity contributions from the partners, but rather through debt, was just a very prudent way to continue forward and allow this vehicle to exist in terms of an investment period through next year. And so there might be a CCH2 someday, but I think at the current moment, this was a very prudent way to attack the notion of increasing in the capacity of CCH1.

Jeff Osborne – TD Cowen

Got it. And I think I know the answer to this question, but just to reiterate, there is another company in the storage space reporting tonight, that lowered guidance for this calendar year—and so—in light of the tariffs. And so is there a way of talking about your pipeline or funnel as it relates to what percentage of the behind-the-meter, front-of-the-meter assets that require batteries? Typically, people don't buy battery a year in advance, just given they degrade, and prices historically have gone down. And so I was intrigued by your comment that you're locked and loaded for the next 12 to 18 months. I think First Solar talked of projects with batteries potentially being delayed. So is there a way of flushing that out for investors?

Jeff Lipson, President and CEO

I think, again, the status of the projects that comprise our pipeline is such that equipment has generally been procured, identified, safe harbored, and these issues that you are raising are real issues, but very unlikely to impact our pipeline, and therefore, very unlikely to impact your volumes in the next 12 to 18 months. I think there will be issues in that post pipeline period, which I talked about in the prepared remarks, but I do think our pipeline reflects a stage of construction and development in which these issues are not a large risk.

Jeff Osborne – TD Cowen

Great to hear. That's all I have. Thank you.

Jeff Lipson, President and CEO

Thank you.

Operator

Thank you. Ladies and gentlemen, just one final reminder, if you would like to ask a question, please press star and then one. If you would like to ask a question, please press star and then one. We will pause to see if we have any further questions before we conclude.

Thank you. There are no further questions at this time, and this does conclude today's teleconference. Thank you very much for joining us today and you may now disconnect your lines.

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