HASI

Third Quarter 2026 Earnings Conference Call

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Presenters

Jeff Lipson, President and CEO

Chuck Melko, Senior MD, Chief Financial Officer and Treasurer

Susan Nickey, Senior MD and Chief Client Officer

Aaron Chew, Senior Vice President of Investor Relations

Q&A Participants

Noah Kaye – Oppenheimer & Company

Ben Kallo – Baird

Chris Dendrinos – RBC Capital Markets

Anuhea Elliott – Jefferies

David Rold – Bank of America

Ryan Pfingst – B. Riley Securities

Operator

Greetings and welcome to the HASI Third Quarter 2026 Earnings Conference Call and Webcast. At this time, all participants are in 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 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.

Aaron Chew, Senior VP, Investor Relations

Thank you, operator, and good afternoon to everyone joining us today for HASI's Third Quarter 2026 Conference Call. Earlier this afternoon, HASI distributed a press release reporting our Third Quarter 2026 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. Also available for Q&A is Susan Nickey, our Chief Client Officer.

To kick things off, I will turn it over to our President and CEO, Jeff Lipson, who will begin on Slide 3. Jeff?

Jeff Lipson, President and CEO

Thank you, Aaron, and welcome to our Third Quarter 2026 Earnings Call. I am pleased to report that HASI has delivered another solid quarterly report, underpinned by robust investment activity, strong asset yields, healthy investment margins, and continued growth in fee income. Our strategy of partnering with clients providing capital to climate positive projects continues to prove resilient.

Adjusted Earnings Per Share in the quarter was $0.82, enhanced by a fair value adjustment of our SunStrong Management affiliate. And on a year-to-date basis, our Adjusted Earnings Per Share has grown 15% versus 2025. Adjusted Return on Equity is 15.6% year-to-date, as our balance sheet management strategy continues to result in higher returns. Through the first three quarters of 2026, Adjusted Recurring Net Investment Income has grown 23% year-over-year, to $330 million, and Managed Assets have increased 26% year-over-year, to $19 billion.

Supported by our outlook for investment volumes and margins, as well as fee income, we are reaffirming our guidance for Adjusted EPS in a range of $3.55 to $3.65 and Adjusted ROE of at least 17%, both in 2028. To be clear, we have not changed our outlook for the business, as a result of the election outcome.

Turning to Slide 4, I want to address the increase in interest rates in 2026 and the impact on our business. 10-year Treasury yields exceeded 5% in the third quarter for the first time in almost 20 years. However, we continue to implement strategies that mitigate interest rate volatility and result in a more stable, predictable business. In fact, we closed more than $1 billion of transactions in the quarter, and the year-to-date weighted average yield for balance sheet investments is greater than 11%. Our Portfolio yield is up over 70 basis points over the course of this year. On the funding side of the business, interest expense is up only modestly in 2026 as most of our debt is term debt, which is unimpacted by the current rate volatility, and our short-term funding costs actually declined year over year.

So as Page 4 details the outcome of our interest rate risk management, Page 5 details the tactics to achieve these outcomes. The single most important tactic that minimizes our interest rate sensitivity is that we issue long-term debt and make long-term investments with a targeted return in excess of these debt costs, locking in the spread for several years. Notably, investment-grade status has reduced both the spread and volatility of our debt costs.

Secondly, we reduce any duration mismatch of our assets and liabilities with a hedging program that utilizes forward-starting swaps and other derivatives to extend the duration of our liabilities. In addition, it is critical to note that we have structured our company with a focus on the IRR of our investments and the long-term cash flow of the business and not on moment-in-time measurements such as net asset value.

And finally, I will also note that we generally minimize our floating rate exposure both on the asset and liability side of our balance sheet. On average, more than 90% of our debt has been fixed rate or hedged over the last two years, and only around 5% of our investment Portfolio is in floating rate receivables.

Now turning to Slide 6, we examine the impact interest rates have on renewable energy project economics. There is often a perception that renewable energy is disproportionately exposed to interest rates, relative to other sources of electricity. And while it's true the cost of renewables is naturally impacted by higher interest rates, particularly because the vast majority of lifetime costs of a renewable energy project is incurred upfront, this impact is not disproportional to other sources and does not change the calculation that renewables remain the least expensive and fastest-to-market source of power.

This slide utilizes Lazard's annualized levelized cost of energy report to confirm these conclusions, and we at HASI are not seeing any reduction in activity from our clients related to renewables development and continue to observe higher PPA prices, reflecting continued strong demand.

Turning to Slide 7, we highlight a significant new investment we closed last quarter in a portfolio of projects developed by Invenergy. This investment includes 10 utility-scale solar, solar-plus-storage, and wind projects, totaling 2.7 gigawatts across seven states. It represents a major expansion of our partnership with Invenergy that originally began more than 10 years ago, and we look forward to building on this partnership in the years ahead.

We also note on this slide our substantial activity in Grid-Connected investments, particularly over the past two years, which reflects both the large volume of renewables development activity and HASI's strong presence as a leading capital partner.

Turning to Slide 8, even after closing more than $1 billion in new transactions, we successfully replenished our pipeline so that it remains greater than $6.5 billion as of quarter end. The pipeline also remains highly diversified across our three largest end markets and more than 10 asset classes. We also include an Other Sustainable Infrastructure category, which encompasses many of the new opportunities we are considering similar to our recent announcements related to water infrastructure and enhanced rock weathering.

There are also several trends noted on the slide, including a robust PPA market, expected growth in resi and community solar and storage, and continued development of RNG, all of which support ongoing pipeline growth.

Turning to Slide 9, I would like to provide an update and overview of our investment in SunStrong Management. As a reminder, SunStrong was a joint venture created by HASI and SunPower in 2018 for the purpose of owning and financing residential solar systems and leases. Following the SunPower bankruptcy, SunStrong was split into SunStrong Management, known as SSM, which is an operating company primarily providing servicing support for solar assets, and SunStrong Capital Holdings, which continues to own the solar systems and securitized cash flows.

As you may recall, in the third quarter of 2025, we were able to generate a meaningful distribution from SunStrong Capital Holdings due to a prudent senior debt refinancing. In the third quarter of 2026, we are able to take a meaningful gain on the SSM investment for which we utilize fair value accounting treatment.

As we turn to Slide 10, we display the tremendous progress the SSM team has achieved in terms of assets under management, volume of customers, revenue, and profitability. As of the end of Q3, SSM services more than 5 gigawatts of solar energy capacity, more than 160 EV charging systems, and approximately 450,000 solar customers. Revenues exceeded $100 million in 2025 and have grown significantly in 2026, and the company is now EBITDA positive. Given all of this progress and an independent third-party valuation, we are increasing the book value of our SSM investment to $41 million this quarter, and we



believe SSM offers even greater potential for appreciation and income generation in the years ahead. With that, I will ask Chuck to discuss our Q3 results in greater detail. Chuck?

Chuck Melko, Senior MD, Chief Financial Officer and Treasurer

Thanks, Jeff. Before I get into our financials, I should highlight that we are realizing the expected benefits from putting in place the building blocks for a solid foundation of recurring earnings and equity capital efficiency that is allowing us to thrive in a backdrop of volatility in the capital markets. Now let us take a look at our key profitability metrics.

For the first nine months of the year, Adjusted EPS has grown to $2.34. Adjusted Earnings is up 21% to $309 million. Adjusted ROE increased from 13.4% to 15.6%. This performance is driven by the success we continue to see in our transaction closings, maintenance of investment margins, increased asset management fees, and our equity capital efficiency. As Jeff already mentioned, we are on track to deliver on all of our guidance metrics.

Slide 12 provides the key components of our earnings growth. The largest contributor is our Adjusted Recurring Net Investment Income, or ARNII for short, which has grown 23% year-over-year, to $330 million through the first three quarters of 2026. Included in ARNII is the $35 million gain from SunStrong Jeff just discussed. This gain was offset in part by a $21 million charge we took in Q3 related to the RNG asset we consolidated in Q2. Work is underway and the equipment replacement is proceeding as planned, and we continue to expect the plant to come online in the first half of 2027 with a potential sale to be completed before the end of 2027. And while it is still our baseline view that we will recover all of our invested capital, there is a risk to that view, and we believe it is appropriate for a reserve to be taken.

Gain on Sale was $46 million through the first nine months of the year, compared to $51 million in the same period last year. And based on what is currently in the pipeline for the remainder of the year, we expect Gain on Sale to be between $50 and $60 million. But due to the growth in our ARNII, we still expect 2026 Adjusted EPS to be in line with our long-term Adjusted EPS growth target of 10%. Lastly, Origination Fees and Other Income was up almost four times from the same period last year, to $27 million, driven by both CCH1 origination fees, as well as other one-time fees.

Slide 13 provides an overview of closed transactions for the first nine months of the year. We have closed a total of $2.8 billion of transactions so far this year, $2.5 billion of which will be held on our balance sheet, or at CCH1, a meaningful step up from our pace of investments over the prior three years. For our new balance sheet or CCH1 transactions, we are already at the midpoint of our target of $2 to $3 billion

and expect to be at the higher end of the range for the full year. Our new investments continue to be diversified, and their related yields are supportive in maintaining our margins and have been on average greater than 11% so far this year.

On Slide 14, we provide a summary of our base of earning assets. Managed Assets have grown almost $3 billion for the year and have nearly doubled since 2022 to $19 billion. Our Portfolio has grown 20% from the end of last year to more than $9 billion. Assets held at CCH1 have grown more than 230% from the same time last year to nearly $4 billion, where half of that is fee-generating assets.

Discussions and work related to CCH2 are still progressing, and we remain optimistic on a smooth transition. On the diversification of our Portfolio, you can clearly see that we continue to not be concentrated in any one particular asset class. And while we may have new investment concentrations in an individual quarter, our pace of closings eventually balance out the distribution of our investments and is a driver in the strong performance of our Portfolio.

On Slide 15, we highlight our capital markets activity since our last call. CCH1 priced its third note offering in October: $400 million of 20-year fixed-rate amortizing notes due in 2046. Spreads were consistent with the prior issuance in May of this year at 195 basis points. This was achieved despite an increase in market spreads and volatility across fixed income markets at the time. In addition, we closed on a new secured term loan facility with a spread to SOFR that improved 100 basis points from the secured term loan it replaced.

On the equity capital front, we have had another quarter with no ATM usage to fund our growth, and we continue to expect minimal ATM share issuance in 2026. As mentioned before, future growth in our transaction opportunities may require equity issuance, but we will be more efficient with how much earnings are generated for each share of equity issued. We ended the quarter with $2 billion of liquidity and our adjusted leverage ratio was well within our 1.5 to 2.0 times target and 1.8 times debt-to-equity.

Lastly, we ended the quarter with a slightly higher mix of floating rate debt to total debt. This largely reflects amounts outstanding on our commercial paper program. The higher short-term borrowing balance is timing-related, as our funding strategy is to initially fund with short-term borrowing and refinance with longer-term unsecured notes.

Moving on to Slide 16, given the volatility in the credit markets, it is helpful to spend a few minutes on our credit spreads, which have narrowed considerably over the last few years, helping to offset the increase in base rates over the last few months. From our last issuance earlier this year in February, there has been a meaningful improvement in our credit spreads in secondary market trading relative to issuance. We

previously issued a 10-year note with a spread of 195 basis points at pricing, and it is now trading 15 to 25 basis points lower on the spread. With the improvement in our spreads, as well as a positive outlook, recently announced by Moody's, we are positioned for success on our next issuance.

Additionally, as I mentioned earlier, we have a commercial paper program that has seen an improvement in cost with an 80-basis point reduction, over the past year. I will now turn the call back to Jeff for his closing remarks.

Jeff Lipson, President and CEO

Thanks, Chuck. Turning to Slide 17, we display our Sustainability and Impact highlights. We note HASI improved its S&P Corporate Sustainability Assessment, was named one of America's Greenest Companies for the third year in a row by *Newsweek*, as well as a Low Carbon Leader by Morningstar Sustainalytics. As always, we also highlight our CarbonCount and WaterCount figures for our investments year to date, in particular highlighting the 900 million-gallon increase in water savings so far this year, driven in large part by our latest investment in wastewater treatment infrastructure we announced last quarter.

Wrapping up on Slide 18, we are reiterating our guidance for Adjusted EPS, Adjusted ROE, and payout ratio for 2028, as well as our guidance for transaction volume in 2026. The outlook for our business continues to be underpinned by a healthy pace of new investment activity in both our existing end markets, as well as new opportunities. We also continue to achieve attractive asset yields, improvement in our debt spreads, an increasing level of fee income, and impactful capital efficiency.

All of these positive outcomes are due to the hard work, dedication, and talent of our growing team that has been the key to our success. We look forward to a strong close to 2026 and starting off 2027 with great momentum. Operator, please open the line for questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by the one on your touchtone phone. You will hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question. Your first question comes from Noah Kaye with Oppenheimer. Your line is now open.

Noah Kaye – Oppenheimer & Company

Well, good afternoon and thanks for taking the questions. Congratulations on the investment with Invenergy. I would love to get a bit more color on the nature of that, structured as pref equity or common, does it vary across the different types of assets? And I assume it's at that sort of yield that you talked about for investment profile overall, but just a little bit more color would be helpful. Thank you.

Jeff Lipson, President and CEO

Thanks, Noah, for the question. In this case, this investment is common equity. It's an investment where we had a very strong sponsor, we had very strong contracts, we had equipment we were comfortable with, and there were several other elements of the transaction of the investment that made us comfortable being common. So in this case, we are common. As you point out, often, we have preference, but in this case, we are common, we have more upside, and I would say our expected IRR is consistent with where we have been investing in Grid-Connected recently.

Noah Kaye – Oppenheimer & Company

Excellent. And then this is sort of a victim of your success question, but indicating that the company is on track to reach near the high end of the targeted closed transactions, you're effectively already there, right? So understanding that timing can always be lumpy, is there anything that we should read into for the fourth quarter to make that a relatively low amount of activity? Or is that just some conservatism on your part?

Jeff Lipson, President and CEO

Just for clarification, when you say we're almost there, what our guidance is, is for balance sheet. So for instance, on Page 13, it's the $2.5 billion number, not the $2.8 billion number. That would be the number we're guiding towards. But yes, we are relatively close to the high end already, but I would not read anything into that. I think the fourth quarter pipeline still looks good. It's always difficult to predict timing of closings, but there's nothing to read into it around fourth quarter perhaps being slow in any way. We are expecting a good fourth quarter, but if things slip into the first quarter, that's not actually a big deal either. So no, I wouldn't read anything into that.

Noah Kaye – Oppenheimer & Company

Great. Maybe just one quick last one. It looks like CCH1, if I have the math right, added about $200 million net, quarter over quarter. Please correct me if that's not the case, but just that's how to square that with the billion plus of transactions closed in the quarter.

Jeff Lipson, President and CEO

A couple things. First of all, the billion closed does not necessarily mean funded, and the CCH number is the funded number in CCH. Another clarification is, I don't have the number right in front of me, but I do think funded balance in CCH did go up much more than $200 million in the quarter. Scrambling for that number now, but I think it's closer to a billion. Is that right, Chuck?

Chuck Melko, Senior MD, Chief Financial Officer and Treasurer

Yeah, a billion is the total increase in CCH1, and that's the number that's inclusive of KKR's funding portion, a little bit of debt funding, as well as our equity commitment funding.

Noah Kaye – Oppenheimer & Company

Okay. Thank you for clearing that up. I'll turn it over.

Jeff Lipson, President and CEO

Thanks, Noah.

Operator

Your next question comes from Ben Kallo with Baird. Your line is now open.

Ben Kallo – Baird

Hey, good evening, guys. Congrats on the quarter. Just maybe on CCH2, I know it's still early, but do you expect it's going to be still just KKR as a partner, or are you bringing other investors in that? And I have a follow-up as well.

Jeff Lipson, President and CEO

Thanks for the question, Ben. We are talking to other parties, as well. I think we mentioned that in another call, but nothing definitive to report yet. We remain very confident there will be a CCH2. At this point, it's likely to embark early next year and it may have some other partners in addition to KKR.

Ben Kallo – Baird

Great. Thanks, Jeff. And just as you think about the pipeline, and just with the election and worries around data centers, could you just talk about the exposure to data centers regionally or however you think best to explain it to us? Thank you.

Jeff Lipson, President and CEO

Sure. So we don't have direct exposure to data centers. Of course, data centers do drive much of the demand for electricity that's driving much of the development that we see and invest in. We don't foresee that demand curve changing. I think the demand expectation from most of the consulting companies has not changed. And therefore, as a downstream impact of that, we don't envision development in renewables changing much from what we had expected, prior to the election.

Ben Kallo – Baird

Thank you.

Jeff Lipson, President and CEO

Thank you.

Operator

Your next question comes from Chris Dendrinos with RBC Capital Markets. Your line is now open.

Chris Dendrinos – RBC Capital Markets

Great. Thank you, and good evening. Maybe to start and I'll follow up on Ben's question there in regard to CCH2, and you mentioned additional partners. Are there thoughts around changing the structure of, I guess, the overall funding? I think right now with CCH1, it's 50-50, and maybe just how are you thinking about that commitment level and maybe flexing it down or up? Thanks.

Jeff Lipson, President and CEO

Thanks for the question, Chris. I think from an overall structure point of view, CCH2 is unlikely to look much different from CCH1 in that the structure has worked particularly well. In terms of the other portion of your question, which is what percent of the vehicle will HASI own, I think that, again, will be derivative of how many parties participate in CCH2. And there may be more participants down the road too. So whoever participates at closing may not be the full universe of those that participate. So HASI's percentage ownership may change over time. But yes, it could be lower than the 50% that we own in CCH1, and we do view that as an interesting balance sheet efficiency item.

Chris Dendrinos – RBC Capital Markets

Got it. Thanks. And maybe just separately, I think it was a week or two ago, you all announced that you closed a transaction with Terradot for carbon removal. And I think it's the first time you've done a partnership on the carbon capture vertical. And so maybe just overall, how are you thinking about the size of that market opportunity? And as you jump into these kind of newer asset classes, is it kind of a situation where you make one investment and then step back and watch its performance for some time? Or is there the opportunity to kind of have follow-ons to this going forward? Thanks.

Jeff Lipson, President and CEO

Sure. Good question, and I think you touched on some of the ways in which we think about it. We generally wouldn't invest in an area where we didn't think there was scale. So carbon removal, broadly, is an area where we do think we may be able to become active over time. How much of that is specifically enhanced rock weathering remains to be seen. But I think carbon removal more broadly is very interesting to us. And then yes, investing in small amounts, watching it, learning, using that knowledge to make further investments is typically how we have expanded into new markets. So I think that is consistent with the way we think about this investment.

Chris Dendrinos – RBC Capital Markets

Thank you.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star one. Your next question comes from Julien Dumoulin-Smith with Jefferies. Your line is now open.

Anuhea Elliott – Jefferies

Hey everyone, this is Anuhea Elliott on for Julien. Thanks for taking my question and congratulations on the strong quarter. I guess just to start out on Portfolio performance, I noticed that about 1% of the Portfolio is now classified as significantly below metrics compared with none in 2Q. So I guess just can you discuss at a high level what drove that change, and how are you thinking about the potential for maybe stabilization or improvement here?

Chuck Melko, Senior MD, Chief Financial Officer and Treasurer

Yeah, hi, this is Chuck. So the asset that had moved to the, what we call the Category 3 of investments is the investment that we mentioned last quarter that we moved to Category 2 where there were some challenges with completing construction of the project. We took it on, we're consolidating it, and now we're working to manage it to complete the project and then ultimately sell it. So we think there is a little bit of risk here on getting our invested capital back, which we felt prudent to move to Category 3 as a result.

Anuhea Elliott – Jefferies

Okay, got it, makes sense. And then I guess just second, I noticed that the pipeline mix changed a lot this quarter. So I guess Grid-Connected shrunk and then BTM and then Fuels, Transport, and Nature increased quite a bit. I guess, can you explain what drove that shift, and what other kinds of projects you're now seeing is more interesting? I know we just touched on the carbon capture, but just any more color there?

Jeff Lipson, President and CEO

Sure. I think the Grid-Connected as a percent of the pipeline shrank primarily because we closed the Invenergy deal. I would definitely not read anything into that. I think our Grid-Connected pipeline is as strong as ever, and we're continuing to build that pipeline further. And as we showed on one of the slides, our Grid-Connected activity has been particularly strong in the last two years. It just so happened we just closed a large transaction, and then the Behind the Meter and FTN pipelines grew, so proportionally it became smaller.

In terms of the second part of your question related to some of the Other Sustainable Infrastructure, again, I think last quarter we talked a little bit about water infrastructure, we talked a little bit about sustainable agriculture. Just a few moments ago, we talked about carbon removal. So I think those are some of the areas that would comprise that Other Sustainable Infrastructure slice of the pie.

Anuhea Elliott – Jefferies

Gotcha. Thank you.

Operator

Your next question comes from David Rold with Bank of America. Your line is now open.

David Rold – Bank of America

Hi, guys. Thanks for the question. Understanding that they're very different assets, I was wondering if you could just compare and contrast the situation with both, I guess, the RNG assets and the Category 3 project relative to the SunStrong situation at the time. As part of that, I'm wondering how much the evolution of your company over the past couple of years might expand the degrees of freedom you have with respect to remediation and I guess the extent to which SunStrong is a better case study for those situations versus the other.

Jeff Lipson, President and CEO

So thanks for the question. I think there's zero relevance between the SunStrong investment and the RNG project. Again, one is, as it relates specifically to SunStrong Management, an operating company, in which we are an owner, I think I gave a little bit of the history, and the company is performing very well, continuing to sign contracts to service additional portfolios and has a strong management team, and we're able to recognize a gain on that investment, this quarter.

Completely separately, we had, as Chuck talked about, made an RNG investment in which there were some equipment problems and we foreclosed and now we're fixing the equipment and going to sell the project. But those two things have absolutely nothing to do with each other.

Chuck Melko, Senior MD, Chief Financial Officer and Treasurer

I think the one thing I would add here is a consistent theme between the two that can be used. In both cases, we did have to step in and help stabilize the operations to protect our investment. So if there was one common thing here we are, that is the one that I would pull through on both.

David Rold – Bank of America

All right, thank you very much.

Jeff Lipson, President and CEO

Thank you.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star one. Your next question comes from Ryan Pfingst with B. Riley Securities. Your line is now open.

Ryan Pfingst – B. Riley Securities

Hey guys, thanks for taking the question. Just wanted to ask a follow-up on the opportunities in water, you know, following the investment in the wastewater treatment infrastructure that you announced last quarter. What other kind of verticals within water are you looking at? Do the yields make sense relative to what you're earning in other markets? Just curious if we'll see more investments announced here in the coming quarters within water.

Jeff Lipson, President and CEO

Thanks, Ryan. I would say we are still in the very, very early innings of what our water strategy is going to be. We had this opportunity, we did a significant amount of research and diligence around that opportunity to understand the broader water infrastructure market, and this particular investment was very attractive to us. As it relates to follow-on investments, as I said earlier, we would not have done it if we didn't think there was additional opportunity. But by the same token, I don't think we have framed that opportunity precisely enough to articulate a water strategy just yet, but it's something we're spending a lot of time on and figuring out exactly how we want to attack that market.

Ryan Pfingst – B. Riley Securities

Appreciate that guys.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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