

**Leila Dillon - SVP Marketing**

Thank you, \_\_\_\_\_, and good afternoon, everyone. We appreciate you joining us for today's call. Joining me here are George Sakellaris, Ameresco's Chairman, President, and Chief Executive Officer; Doran Hole, Executive Vice President and Chief Financial Officer; and Mark Chiplock, Senior Vice President and Chief Accounting Officer. 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 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 in our supplemental financial information.

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

---

**George Sakellaris – CEO**

Thank you, Leila, and good afternoon, everyone. We ended the quarter with a record total project backlog of \$3.7 billion, which was up 14% sequentially and 41% versus last year. We added an impressive \$700 million in new project awards during the quarter, bringing our year to date awards to \$1.7 billion, more than double last year's level. And, we anticipate that our new awards will continue to grow given the 35% increase in proposal activity as compared to last year's levels. This backlog, together with our energy asset and O&M visibility, give us over \$7.2 billion in total multiyear visibility of profitable revenues supporting our confidence in Ameresco's long term growth.

We did, however, face a number of industry-wide and company-specific challenges which impacted our third quarter results. While very disappointing, we are pleased with the progress we made in building our long-term business momentum.

We also added over 50 MW of assets in development in Q3, ending the quarter with almost 600 MWe of assets in development and construction. This is a 30% increase from the 460 MWe at the end of last year.

While our long term prospects have never been better, I did want to comment on some of the recent industry challenges. In our projects business, we are seeing longer cycles when converting our awarded projects into contracted backlog. These contracts are being delayed as some customers are taking longer to proceed with the actual implementation of project work. Its important to note that we have not experienced any cancellations, just a lengthening of the sales cycle in

moving awards to contracts. And like others in the industry, we also continue to face supply chain delays on certain components, as well as tightness in the labor market.

Our energy asset business has been challenged by both downtime at some of our biogas plants, as well as delays in the development and construction of some of our assets, especially our larger, more complicated plants such as RNG. While assets always incur downtime, the levels we have faced over the last few quarters have been considerably greater than budgeted, driven by several factors out of our control including adverse weather conditions and utility interruptions.

The asset construction timetables have stretched as a result of industry-wide component and labor shortages, as well as administrative bottlenecks. Again, while these delays are frustrating, it is important to

keep in mind that all of these profitable assets will be built, it is just taking longer than originally anticipated.

As the company continues to grow, we are optimizing the operational structure at Ameresco to bring more uniformity and scalability across all of our geographies and business units. We are making these changes to increase our ability to react to changing market conditions more quickly, and to drive increased corporate efficiency. And with our tremendous Project backlog, we have increased our focus on project execution and cash flow generation.

Further, in light of the continued industry challenges impacting conversion times and execution, we are revisiting some of our assumptions around guidance. Doran will provide more details on the numbers during his financial review. However, even with these challenges, we couldn't be more optimistic about our future. Ameresco is highly profitable, and we continue to expect substantial growth in

2024 and beyond. I will now turn the call over to Doran to comment on our financial performance and outlook. Doran?

---

## **Doran Hole – CFO**

Thank you, George, and good afternoon everyone. For additional financial information, please refer to the press release and supplemental slides that were posted to our website after the market closed today.

Total second quarter revenue of \$335 million was below our expectations as project delays and asset downtime impacted revenue. Our Project revenue was particularly impacted by a lengthening in the sales cycle of converting our awarded project backlog into contracted backlog, as well as continued industrywide supply chain issues, extending our construction timelines. Energy Asset revenue grew 6%, largely due to the greater number of operating assets compared to last

year, as well as higher RIN prices. These benefits helped to offset greater-than-expected downtime at our biogas facilities as well as delays in bringing some new assets online. Our O&M business delivered another consistent quarter with 4% growth, while our Other line of business experienced a slight decline in revenue driven by end market softness at our off grid solar business.

Gross margin expanded to 19%, but did not meet our expectations as the downtime I just mentioned and project mix impacted our results. I want to emphasize that we have not seen any fundamental change in our overall Project gross margins, as the expected margin within our backlog has been quite stable for at least two years.

We generated Adjusted EBITDA of \$43.3 million in the quarter.

Our GAAP results for the quarter include a discrete tax benefit of \$7.2 million related to the allocation of a prior year Section 179D tax deduction allocated from a customer. To maximize our earnings, we

will continue to take advantage of all of the benefits available to us and our customers as part of the IRA and other favorable legislation.

Our long-term revenue visibility remains as strong as ever. As George mentioned, we ended the quarter with a record total project backlog of \$3.7 billion. This is an impressive increase of 41% versus last year, and a sequential increase of 14% driven by winning over \$700 million in new project awards during this quarter alone. Our operating energy asset visibility is approximately \$2.3 billion, representing both contracted revenue as well as a conservative estimate of lifetime uncontracted RNG revenues. These metrics, together with our O&M backlog, give Ameresco visibility to over \$7.2 billion of future revenue.

Importantly, this does **not** include any revenue contribution from the 596 MWe of energy assets still in development and construction. The timing of placing these assets into operation can be anywhere from under a year for small, more simple assets, to 4 plus years for more



complex assets such as RNG facilities. Unfortunately, this timeframe has recently been increasing due to labor and equipment availability along with permitting delays. However, we continued our high rate of conversion with approximately 90+ % of our energy assets either successfully placed into service on our balance sheet, or monetized through a sale to a third party.

We continue to field many questions on how higher interest rates will impact Ameresco especially as it relates to our Energy Asset business. Compared to many in our industry, the inherent diversity of our business model gives us the flexibility to adjust to changes in the business environment. We have the optionality to develop profitable assets and then either hold them on our balance sheet as an operating energy asset, or to sell to a third party and recognize Project revenue if the assets do not hit our risk-adjusted levered IRR hurdle rates. While some assets may not hit our own hurdle rates, they

are well within the return profile of many energy asset buyers and aggregators ready to add assets to their portfolios. And such a sale would often come with an attached O&M contract. This strategy is not new for Ameresco, as recycling our cash flow through asset sales has been part of our business model for several years.

In the end, we believe that our flexible corporate model with Project, O&M and Asset business lines allows us to continue to benefit from the rapid growth in the deployment of clean technologies – even in a rising interest rate environment.

Our ability to finance our growth remains excellent. During the quarter, we secured over a half a billion dollars in financing commitments, bringing our year-to-date total to over one billion dollars. While the clean tech industry at large has experienced credit tightening and expansion of spreads, we are particularly pleased that in our recent financings, credit spreads for Ameresco's high quality asset portfolio

continue to be stable. We have a number of attractive options for financing our growth, including non-recourse project level debt, tax equity and the recycling of capital through asset sales.

We are adjusting our 2023 guidance in response to the items which we described earlier. We now anticipate full year 2023 revenue, adjusted EBITDA and EPS to be approximately \$1.35 billion, \$165 million and \$1.20 at the midpoints as detailed in our press release. We now expect to place between 120 and 130 MWe of energy assets in service for all of 2023, including the recently acquired Los Alamitos microgrid project and our second 5MWe RNG plant. A third RNG plant is expected to be at mechanical completion by the end of the year, and fully commissioned in early 2024.

And while we will be providing detailed full year 2024 guidance when we report our fourth quarter and full year results, we want to take this opportunity to comment on our 2024 adjusted EBITDA target of \$300

million, which we originally provided in early 2022. Given the lengthening in the sales and construction cycles in our project and energy asset businesses, we now expect that 2024 adjusted EBITDA could be approximately \$250 million. I want to make it clear, that none of this adjusted EBITDA opportunity has been lost, it is just being delayed. And this new Adjusted EBITDA level still represents impressive growth compared to our expected 2023 results, and still fits in the framework of our long term 20%+ adjusted EBITDA growth target. Operating leverage remains top of mind, as we remain diligent on opex, further bolstered by our internal optimizations.

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

**George Sakellaris – CEO**

Thank you, Doran.

As we have discussed in detail during this call, while we continue to face some headwinds, our long term growth opportunities have never been better. The company is redoubling its focus on profitable execution and cash flow generation, and we look forward to detailing our success in future quarters. 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.