UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________.

Commission File Number: 001-34811

Ameresco, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3512838**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
111 Speen Street, Suite 410 Framingham, Massachusetts	**01701**
(Address of Principal Executive Offices)	(Zip Code)

(508) 661-2200

(Registrant's Telephone Number, Including Area Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of exchange on which registered
Class A Common Stock, par value $0.0001 per share	AMRC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated Filer o Non-accelerated filer o Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding as of July 28, 2023
Class A Common Stock, $0.0001 par value per share	34,200,760
Class B Common Stock, $0.0001 par value per share	18,000,000

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Part I - Financial Information

Item 1. Condensed Consolidated Financial Statements

AMERESCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents [1]	$ 48,999	$ 115,534
Restricted cash [1]	39,137	20,782
Accounts receivable, net of allowance of $903 and $911, respectively [1]	123,361	174,009
Accounts receivable retainage, net	37,803	38,057
Costs and estimated earnings in excess of billings [1]	575,113	576,363
Inventory, net	14,127	14,218
Prepaid expenses and other current assets [1]	58,874	38,617
Income tax receivable	7,497	7,746
Project development costs, net	16,956	16,025
Total current assets [1]	921,867	1,001,351
Federal ESPC receivable	499,250	509,507
Property and equipment, net [1]	16,888	15,707
Energy assets, net [1]	1,417,690	1,181,525
Deferred income tax assets, net	3,594	3,045
Goodwill, net	77,846	70,633
Intangible assets, net	8,142	4,693
Operating lease assets [1]	38,833	38,224
Restricted cash, non-current portion [1]	13,677	13,572
Other assets [1]	43,223	38,564
Total assets [1]	$ 3,041,010	$ 2,876,821
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portions of long-term debt and financing lease liabilities [1]	$ 332,999	$ 331,479
Accounts payable [1]	290,284	349,126
Accrued expenses and other current liabilities [1]	81,008	89,166
Current portions of operating lease liabilities [1]	5,935	5,829
Billings in excess of cost and estimated earnings	40,459	34,796
Income taxes payable	1,564	1,672
Total current liabilities [1]	752,249	812,068
Long-term debt and financing lease liabilities, net of current portion, unamortized discount and debt issuance costs [1]	784,266	568,635
Federal ESPC liabilities	464,566	478,497
Deferred income tax liabilities, net	7,971	9,181
Deferred grant income	7,319	7,590
Long-term operating lease liabilities, net of current portion [1]	32,487	31,703
Other liabilities [1]	70,175	49,493
Commitments and contingencies (Note 10)		
Redeemable non-controlling interests, net	47,994	46,623

[1] Includes restricted assets of consolidated variable interest entities ("VIEs") at June 30, 2023 and December 31, 2022 of $275,589 and $213,913, respectively. Includes non-recourse liabilities of consolidated VIEs at June 30, 2023 and December 31, 2022 of $153,715 and $50,729, respectively. See Note 13.

AMERESCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts) (Continued)

	June 30, 2023 (Unaudited)	December 31, 2022
Stockholders' equity:		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding at June 30, 2023 and December 31, 2022	$ —	$ —
Class A common stock, $0.0001 par value, 500,000,000 shares authorized, 36,302,405 shares issued and 34,200,610 shares outstanding at June 30, 2023, 36,050,157 shares issued and 33,948,362 shares outstanding at December 31, 2022	3	3
Class B common stock, $0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at June 30, 2023 and December 31, 2022	2	2
Additional paid-in capital	317,228	306,314
Retained earnings	540,964	533,549
Accumulated other comprehensive loss, net	(2,884)	(4,051)
Treasury stock, at cost, 2,101,795 shares at June 30, 2023 and December 31, 2022	(11,788)	(11,788)
Stockholders' equity before non-controlling interest	843,525	824,029
Non-controlling interests	30,458	49,002
Total stockholders' equity	873,983	873,031
Total liabilities, redeemable non-controlling interests and stockholders' equity	$ 3,041,010	$ 2,876,821

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts) (Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues	$ 327,074	$ 577,397	$ 598,116	$ 1,051,399
Cost of revenues	268,425	496,094	489,519	901,718
Gross profit	58,649	81,303	108,597	149,681
Earnings from unconsolidated entities	380	352	830	989
Selling, general and administrative expenses	41,413	38,601	82,714	78,930
Operating income	17,616	43,054	26,713	71,740
Other expenses, net	9,198	5,249	17,241	12,330
Income before income taxes	8,418	37,805	9,472	59,410
Income tax provision (benefit)	5	4,932	(498)	7,239
Net income	8,413	32,873	9,970	52,171
Net income attributable to non-controlling interests and redeemable non-controlling interests	(2,045)	(657)	(2,500)	(2,571)
Net income attributable to common shareholders	$ 6,368	$ 32,216	$ 7,470	$ 49,600
Net income per share attributable to common shareholders:				
Basic	$ 0.12	$ 0.62	$ 0.14	$ 0.96
Diluted	$ 0.12	$ 0.61	$ 0.14	$ 0.93
Weighted average common shares outstanding:				
Basic	52,127	51,818	52,045	51,781
Diluted	53,211	53,173	53,232	53,407

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Three Months Ended June 30,	
	2023	2022
Net income	$ 8,413	$ 32,873
Other comprehensive income (loss):		
Unrealized gain from interest rate hedges, net of tax	820	1,565
Foreign currency translation adjustments	943	(2,030)
Total other comprehensive income (loss)	1,763	(465)
Comprehensive income	10,176	32,408
Comprehensive income attributable to non-controlling interests and redeemable non-controlling interests:		
Net income	(2,045)	(657)
Foreign currency translation adjustments	(2)	—
Comprehensive income attributable to non-controlling interests and redeemable non-controlling interests	(2,047)	(657)
Comprehensive income attributable to common shareholders	$ 8,129	$ 31,751

	Six Months Ended June 30,	
	2023	2022
Net income	9,970	52,171
Other comprehensive income:		
Unrealized (loss) gain from interest rate hedges, net of tax	(48)	4,276
Foreign currency translation adjustments	1,226	(1,963)
Total other comprehensive income	1,178	2,313
Comprehensive income	11,148	54,484
Comprehensive income attributable to non-controlling interests and redeemable non-controlling interests:		
Net income	(2,500)	(2,571)
Foreign currency translation adjustments	(10)	—
Comprehensive income attributable to non-controlling interests and redeemable non-controlling interests	(2,510)	(2,571)
Comprehensive income attributable to common shareholders	$ 8,638	$ 51,913

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY
For the Three Months Ended June 30, 2023 and 2022
(In thousands, except share amounts) (Unaudited)

	Redeemable Non-controlling Interests	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Non-controlling Interests	Total Stockholders' Equity
		Shares	Amount	Shares	Amount				Shares	Amount		
Balance, March 31, 2022	$ 47,438	33,808,964	$ 3	18,000,000	$ 2	$ 289,459	$ 456,089	$ (3,889)	2,101,795	$ (11,788)	$ 6,335	$ 736,211
Exercise of stock options	—	7,933	—	—	—	158	—	—	—	—	—	158
Stock-based compensation expense	—	—	—	—	—	3,675	—	—	—	—	—	3,675
Employee stock purchase plan	—	16,996	—	—	—	948	—	—	—	—	—	948
Unrealized gain from interest rate hedges, net	—	—	—	—	—	—	—	1,565	—	—	—	1,565
Foreign currency translation adjustment	—	—	—	—	—	—	—	(2,030)	—	—	—	(2,030)
Distributions to redeemable non-controlling interests	(204)	—	—	—	—	—	—	—	—	—	—	—
Accretion of tax equity financing fees	27	—	—	—	—	—	(27)	—	—	—	—	(27)
Contributions from non-controlling interest	—	—	—	—	—	—	—	—	—	—	8,851	8,851
Net income	657	—	—	—	—	—	32,216	—	—	—	—	32,216
Balance, June 30, 2022	$ 47,918	33,833,893	$ 3	18,000,000	$ 2	$ 294,240	$ 488,278	$ (4,354)	2,101,795	$ (11,788)	$ 15,186	$ 781,567
Balance, March 31, 2023	$ 46,700	34,030,362	$ 3	18,000,000	$ 2	$ 310,726	$ 534,624	$ (4,645)	2,101,795	$ (11,788)	$ 65,850	$ 894,772
Exercise of stock options	—	134,600	—	—	—	1,523	—	—	—	—	—	1,523
Stock-based compensation expense	—	—	—	—	—	3,962	—	—	—	—	—	3,962
Employee stock purchase plan	—	24,833	—	—	—	1,017	—	—	—	—	—	1,017
Restricted stock units released	—	10,815	—	—	—	—	—	—	—	—	—	—
Unrealized gain from interest rate hedges, net	—	—	—	—	—	—	—	820	—	—	—	820
Foreign currency translation adjustment	—	—	—	—	—	—	—	941	—	—	2	943
Distributions to redeemable non-controlling interests	(157)	—	—	—	—	—	—	—	—	—	—	—
Accretion of tax equity financing fees	28	—	—	—	—	—	(28)	—	—	—	—	(28)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	812	812
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	(36,828)	(36,828)
Net income	1,423	—	—	—	—	—	6,368	—	—	—	622	6,990
Balance, June 30, 2023	$ 47,994	34,200,610	$ 3	18,000,000	$ 2	$ 317,228	$ 540,964	$ (2,884)	2,101,795	$ (11,788)	$ 30,458	$ 873,983

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2023 and 2022
(In thousands, except share amounts) (Unaudited)

	Redeemable Non-controlling Interests	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Non-controlling Interests	Total Stockholders' Equity
		Shares	Amount	Shares	Amount				Shares	Amount		
Balance, December 31, 2021	$ 46,182	33,716,309	$ 3	18,000,000	$ 2	$ 283,982	$ 438,732	$ (6,667)	2,101,795	$ (11,788)	$ —	$ 704,264
Exercise of stock options	—	100,588	—	—	—	1,866	—	—	—	—	—	1,866
Stock-based compensation expense	—	—	—	—	—	7,206	—	—	—	—	—	7,206
Employee stock purchase plan	—	16,996	—	—	—	948	—	—	—	—	—	948
Unrealized gain from interest rate hedges, net	—	—	—	—	—	—	—	4,276	—	—	—	4,276
Foreign currency translation adjustment	—	—	—	—	—	—	—	(1,963)	—	—	—	(1,963)
Distributions to redeemable non-controlling interests	(651)	—	—	—	—	—		—	—	—	—	—
Accretion of tax equity financing fees	54	—	—	—	—		(54)	—	—	—	—	(54)
Investment fund call option exercise	(238)					238	—				—	238
Contributions from non-controlling interest	—					—	—				15,186	15,186
Net income	2,571	—	—	—	—	—	49,600	—	—	—	—	49,600
Balance, June 30, 2022	$ 47,918	33,833,893	$ 3	18,000,000	$ 2	$ 294,240	$ 488,278	$ (4,354)	2,101,795	$ (11,788)	$ 15,186	$ 781,567
Balance, December 31, 2022	$ 46,623	33,948,362	$ 3	18,000,000	$ 2	$ 306,314	$ 533,549	$ (4,051)	2,101,795	$ (11,788)	$ 49,002	$ 873,031
Exercise of stock options	—	216,600	—	—	—	2,093	—	—	—	—	—	2,093
Stock-based compensation expense	—	—	—	—	—	7,999	—	—	—	—	—	7,999
Employee stock purchase plan	—	24,833	—	—	—	1,017	—	—	—	—	—	1,017
Restricted stock units released	—	10,815	—	—	—	—	—	—	—	—	—	—
Unrealized loss from interest rate hedges, net	—	—	—	—	—	—	—	(48)	—	—	—	(48)
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,215	—	—	11	1,226
Distributions to redeemable non-controlling interests	(335)	—	—	—	—	—	—	—	—	—	—	—
Accretion of tax equity financing fees	55	—	—	—	—	—	(55)	—	—	—	—	(55)
Investment fund call option exercise	195	—	—	—	—	(195)	—	—	—	—	—	(195)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	922	922
Distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	(20,521)	(20,521)
Net income	1,456	—	—	—	—	—	7,470	—	—	—	1,044	8,514
Balance, June 30, 2023	$ 47,994	34,200,610	$ 3	18,000,000	$ 2	$ 317,228	$ 540,964	$ (2,884)	2,101,795	$ (11,788)	$ 30,458	$ 873,983

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	$ 9,970	$ 52,171
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation of energy assets, net	27,725	23,978
Depreciation of property and equipment	1,607	1,404
Increase (decrease) in contingent consideration	155	(320)
Accretion of ARO liabilities	130	72
Amortization of debt discount and debt issuance costs	2,364	2,036
Amortization of intangible assets	991	1,020
Provision for bad debts	579	244
Loss on write-off of long-lived assets	18	—
Earnings from unconsolidated entities	(830)	(989)
Net (gain) loss from derivatives	(261)	555
Stock-based compensation expense	7,999	7,206
Deferred income taxes, net	(3,177)	3,606
Unrealized foreign exchange loss	38	467
Changes in operating assets and liabilities:		
Accounts receivable	60,028	(44,334)
Accounts receivable retainage	354	(458)
Federal ESPC receivable	(88,072)	(113,478)
Inventory, net	91	(2,080)
Costs and estimated earnings in excess of billings	15,664	(358,603)
Prepaid expenses and other current assets	1,312	(1,629)
Project development costs	(2,825)	(1,332)
Other assets	(1,867)	(10,020)
Accounts payable, accrued expenses and other current liabilities	(80,555)	126,783
Billings in excess of cost and estimated earnings	13,462	4,073
Other liabilities	1,240	18
Income taxes receivable, net	11	1,767
Cash flows from operating activities	(33,849)	(307,843)
Cash flows from investing activities:		
Purchases of property and equipment	(2,662)	(2,525)
Capital investment in energy assets	(261,547)	(124,924)
Capital investment in major maintenance of energy assets	(5,810)	(4,838)
Acquisitions, net of cash received	(9,184)	—
Loans to joint venture investments	(39)	—
Cash flows from investing activities	(279,242)	(132,287)

See notes to condensed consolidated financial statements.

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited) (Continued)

	Six Months Ended June 30,	
	2023	**2022**
Cash flows from financing activities:		
Payments of debt discount and debt issuance costs	$ (5,074)	$ (2,756)
Proceeds from exercises of options and ESPP	3,110	2,814
(Payments on) proceeds from senior secured revolving credit facility, net	(80,000)	120,000
Proceeds from long-term debt financings	343,923	307,911
Proceeds from Federal ESPC projects	76,699	121,731
Net proceeds from energy asset receivable financing arrangements	8,114	4,651
Contributions from non-controlling interests	499	12,919
Distributions to non-controlling interest	(20,521)	—
Distributions to redeemable non-controlling interests, net	(338)	(561)
Payments on long-term debt and financing leases	(61,335)	(101,035)
Cash flows from financing activities	265,077	465,674
Effect of exchange rate changes on cash	(61)	(1,291)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(48,075)	24,253
Cash, cash equivalents, and restricted cash, beginning of period	149,888	87,054
Cash, cash equivalents, and restricted cash, end of period	$ 101,813	$ 111,307
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 31,778	$ 13,672
Cash paid for income taxes	$ 2,500	$ 2,829
Non-cash Federal ESPC settlement	$ 91,379	$ —
Accrued purchases of energy assets	$ 80,519	$ 37,683
Non-cash contributions from non-controlling interest	$ 422	$ 2,039

See notes to condensed consolidated financial statements.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Ameresco, Inc. (including its subsidiaries, the "Company," "Ameresco," "we," "our," or "us") are unaudited, according to certain rules and regulations of the Securities and Exchange Commission, and include, in our opinion, normal recurring adjustments necessary for a fair presentation in conformity with accounting principles generally accepted in the United States ("GAAP") of the results for the periods indicated.

The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of results which may be expected for the full year. The December 31, 2022 consolidated balance sheet data was derived from audited financial statements, but certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. The interim condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, included in our annual report on Form 10-K ("2022 Form 10-K") filed with the Securities and Exchange Commission on February 28, 2023.

Reclassification

Certain prior period amounts were reclassified to conform to the presentation in the current period.

Significant Risks and Uncertainties

Global factors have continued to result in global supply chain disruptions,certain governmental travel and other restrictions, and inflationary pressures.

We have considered the impact of general global economic conditions on the assumptions and estimates used, which may change in response to this evolving situation. Results of future operations and liquidity could be adversely impacted by a number of factors including supply chain disruptions, varying levels of inflation, payments of outstanding receivable amounts beyond normal payment terms, workforce disruptions, and uncertain demand. As of the date of issuance of these condensed consolidated financial statements, we cannot reasonably estimate the extent to which macroeconomic conditions may impact our financial condition, liquidity, or results of operations in the foreseeable future. The ultimate impact of the pandemic and general global economic conditions on our business is highly uncertain and will depend on future developments, and such impacts could exist for an extended period of time, even after the pandemic subsides.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting policies are set forth in Note 2 to the consolidated financial statements contained in our 2022 Form10-K. We have included certain updates to those policies below.

Accounts Receivable and Allowance for Credit Losses

Changes in the allowance for credit losses are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Allowance for credit losses, beginning of period	$ 971	$ 2,265	$ 911	$ 2,263
Provision for bad debts	486	7	579	244
Account write-offs and other	(554)	(10)	(587)	(245)
Allowance for credit losses, end of period	$ 903	$ 2,262	$ 903	$ 2,262

Accounts Receivable Factoring

Ameresco's wholly-owned subsidiary in Italy entered into factoring agreements to sell certain receivables to unrelated third-party financial institutions on a non-recourse basis. These transactions are accounted for in accordance with ASC Topic 860, Transfers and Servicing and result in a reduction in accounts receivable because the agreements transfer effective control over the receivables, and related risk, to the buyers. Our Italian subsidiary does not retain any interest in the underlying accounts receivable once sold. Trade accounts receivables balances sold are removed from the condensed consolidated balance sheets, and cash received is reflected in operating activities in the condensed consolidated statements of cash flows. Factoring fees during the three months ended June 30, 2023 were $1,252 and are included in other expense, net in the condensed consolidated statements of income. See Note 18. Other Expenses, Net.

Recent Accounting Pronouncements

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU 2020-04, as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a results of the cessation of the publication of certain London interbank offered rate ("LIBOR") rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020, and then amended by ASU 2022-06 in December 2022, extending the adoption date to no later than December 31, 2024, with early adoption permitted. We adopted this guidance beginning January 1, 2023 upon entering amendments to credit agreements which introduced the secured overnight financing rate as administrated by the Federal Reserve Bank of New York to replace LIBOR as the benchmark. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

Derivatives and Hedging

In March 2022, the FASB issued ASU 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method, which expands the current single-layer method to allow multiple hedged layers of a single closed portfolio to be hedged under the method. ASU 2022-01 is effective for our fiscal year ending beginning after December 15, 2022. We adopted this accounting standard as of January 1, 2023 and the adoption did not have an impact on our condensed consolidated financial statements.

Fair Value Measurement

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies the measurement criteria for equity securities and refines the disclosure requirements for equity securities subject to contractual sale restrictions. ASU 2022-03 is effective for our fiscal year ending beginning after December 15, 2023. We are currently evaluating the impact that adopting this new accounting standard would have on our condensed consolidated financial statements.

Investments - Equity Method and Joint Ventures

In March 2023, the FASB issued ASU 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, which defines consistent accounting for equity investments for the purpose of receiving income tax credits and other income tax benefits. ASU 2023-02 is effective for our fiscal year ending beginning after December 15, 2023. We are currently evaluating the impact that adopting this new accounting standard would have on our condensed consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Our reportable segments for the three and six months ended June 30, 2023 and 2022 were U.S. Regions, U.S. Federal, Canada, Alternative Fuels and All Other.

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The following table presents our revenue disaggregated by line of business and reportable segment for the three months ended June 30, 2023:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total
Project revenue	$ 113,502	$ 63,904	$ 11,082	$ —	$ 40,399	$ 228,887
O&M revenue	6,309	13,901	53	2,295	460	23,018
Energy assets	18,057	2,164	1,334	28,021	430	50,006
Integrated-PV	—	—	—	—	11,486	11,486
Other	1,117	50	2,726	—	9,784	13,677
Total revenues	$ 138,985	$ 80,019	$ 15,195	$ 30,316	$ 62,559	$ 327,074

The following table presents our revenue disaggregated by line of business and reportable segment for the three months ended June 30, 2022:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total
Project revenue	$ 378,646	$ 85,850	$ 10,160	$ —	$ 14,464	$ 489,120
O&M revenue	5,457	13,365	11	2,122	95	21,050
Energy assets	12,253	2,074	1,487	27,070	39	42,923
Integrated-PV	—	—	—	—	12,267	12,267
Other	1,029	139	2,803	—	8,066	12,037
Total revenues	$ 397,385	$ 101,428	$ 14,461	$ 29,192	$ 34,931	$ 577,397

The following table presents our revenue disaggregated by line of business and reportable segment for the six months ended June 30, 2023:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total
Project revenue	$ 217,822	$ 109,453	$ 25,993	$ —	$ 58,849	$ 412,117
O&M revenue	11,838	26,601	63	5,981	793	45,276
Energy assets	31,708	3,240	2,096	52,674	1,060	90,778
Integrated-PV	—	—	—	—	23,430	23,430
Other	1,986	281	5,454	—	18,794	26,515
Total revenues	$ 263,354	$ 139,575	$ 33,606	$ 58,655	$ 102,926	$ 598,116

The following table presents our revenue disaggregated by line of business and reportable segment for the six months ended June 30, 2022:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total
Project revenue	$ 677,278	$ 148,067	$ 24,111	$ —	$ 33,068	$ 882,524
O&M revenue	10,537	25,662	22	4,896	186	41,303
Energy assets	22,271	3,164	2,248	53,557	111	81,351
Integrated-PV	—	—	—	—	23,623	23,623
Other	1,819	181	5,252	—	15,346	22,598
Total revenues	$ 711,905	$ 177,074	$ 31,633	$ 58,453	$ 72,334	$ 1,051,399

The following table presents information related to our revenue recognized over time:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Percentage of revenue recognized over time	95%	97%	94%	97%

The remainder of our revenue is for products and services transferred at a point in time, at which point revenue is recognized.

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We attribute revenues to customers based on the location of the customer. The following table presents information related to our revenues by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
United States	$ 270,957	$ 548,880	$ 504,041	$ 987,271
Canada	13,566	13,025	30,800	29,013
Other	42,551	15,492	63,275	35,115
Total revenues	$ 327,074	$ 577,397	$ 598,116	$ 1,051,399

Contract Balances

The following tables provide information about receivables, contract assets and contract liabilities from contracts with customers:

	June 30, 2023	December 31, 2022
Accounts receivable, net	$ 123,361	$ 174,009
Accounts receivable retainage, net	$ 37,803	$ 38,057
Contract Assets:		
Costs and estimated earnings in excess of billings	$ 575,113	$ 576,363
Contract Liabilities:		
Billings in excess of cost and estimated earnings	$ 40,459	$ 34,796
Billings in excess of cost and estimated earnings, non-current[(1)]	15,659	7,617
Total contract liabilities	$ 56,118	$ 42,413

	June 30, 2022	December 31, 2021
Accounts receivable, net	$ 207,990	$ 161,970
Accounts receivable retainage, net	$ 43,444	$ 43,067
Contract Assets:		
Costs and estimated earnings in excess of billings	$ 663,798	$ 306,172
Contract Liabilities:		
Billings in excess of cost and estimated earnings	$ 39,787	$ 35,918
Billings in excess of cost and estimated earnings, non-current[(1)]	$ 6,175	$ 6,481
Total contract liabilities	$ 45,962	$ 42,399

(1) Performance obligations that are expected to be completed beyond the next twelve months and are included in other liabilities in the condensed consolidated balance sheets.

The decrease in contract assets for the six months ended June 30, 2023 was primarily due to billings of $436,030 offset by revenue recognized of $413,181. Contract assets are also affected by reclassifications, primarily from contract liabilities as a result of timing of customer payments. The increase in contract liabilities was primarily driven by the receipt of advance payments from customers, and related billings, as well as reclassifications from contract assets as a result of timing of customer payments. The advance payments and reclassifications exceeded the recognition of revenue as performance obligations were satisfied. For the six months ended June 30, 2023, we recognized revenue of $73,585 and billed $80,774 to customers that had balances which were included in contract liabilities at December 31, 2022.

The increase in contract assets for the six months ended June 30, 2022 was primarily due to revenue recognized of $545,211 offset by billings of $492,820. Contract assets also increased due to reclassifications, primarily from contract liabilities as a result of timing of customer payments. The increase in contract liabilities was primarily driven by the receipt of advance payments from customers, and related billings, as well as reclassifications from contract assets as a result of timing of customer payments. In addition, the advance payments and reclassifications exceeded the recognition of revenue as performance obligations were satisfied. For the six months ended June 30, 2022, we billed customers $59,453 and recognized revenue of $64,145 that was previously included in the beginning balance of contract liabilities.

Performance Obligations

Our remaining performance obligations ("backlog") represent the unrecognized revenue value of our contract commitments. At June 30, 2023, we had contracted backlog of $2,328,660 of which approximately 36% is anticipated to be recognized as revenue in the next twelve months. The remaining performance obligations primarily relate to the energy efficiency and renewable energy construction projects, including long-term operations and maintenance ("O&M") services related to these projects. The long-term services have varying initial contract terms, up to 25 years.

Project Development Costs

Project development costs of $3,605 and $1,771 were recognized in the condensed consolidated statements of income on projects that converted to customer contracts during the three months ended June 30, 2023 and 2022, respectively. Project development costs of $6,217 and $5,980 were recognized in the condensed consolidated statements of income on projects that converted to customer contracts during the six months ended June 30, 2023 and 2022, respectively.

No impairment charges in connection with our project development costs were recorded during the three or six months ended June 30, 2023 and 2022.

4. BUSINESS ACQUISITIONS AND RELATED TRANSACTIONS

We account for acquisitions using the acquisition method in accordance with ASC 805, Business Combinations. The purchase price for each acquisition is allocated to the assets based on their estimated fair values at the date of acquisition. The excess purchase price over the estimated fair value of the net assets acquired, which is calculated using level 3 inputs per the fair value hierarchy as defined in Note 11, is recorded as goodwill. Intangible assets, if identified, are also recorded. See Note 5 for additional information.

On February 24, 2023, we signed a definitive purchase and sale agreement to acquire Enerqos Energy Solutions S.r.l. ("Enerqos"), a renewable energy and energy efficiency company headquartered in Milan, Italy. The acquisition closed on March 30, 2023 and the total purchase consideration was $13,445, of which $9,535 has been paid. There is no contingent consideration related to this acquisition. Cash acquired was $353, debt assumed was $3,951, and a deferred tax liability, net of $931 was recorded. The transaction costs, pro-forma effects of this acquisition on our operations, and contribution to revenue and net income the three and six months ended June 30, 2023 were not material.

The estimated goodwill of $6,855 from the Enerqos acquisition consists largely of expected benefits, including the combined entities experience and the acquired workforce. This goodwill is not deductible for income tax purposes. The estimated fair value of tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions that are preliminary and subject to adjustments. Any measurement period adjustments made within one year from acquisition date, are recorded as adjustments to goodwill. Any adjustments made beyond the measurement period will be included in our condensed consolidated statements of income.

The results of the acquisition since the date of the acquisition have been included in our operations as presented in the accompanying condensed consolidated statements of income, condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows. We did not complete any acquisitions during the year ended December 31, 2022.

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A summary of the cumulative consideration paid and allocation of the purchase price for the Enerqos acquisition are presented in the table below:

		March 30, 2023
Cash and cash equivalents	$	190
Accounts receivable		6,230
Costs and estimated earnings in excess of billings		8,985
Prepaid expenses and other current assets		16,504
Project development costs		5,140
Property and equipment and energy assets		1,234
Goodwill		6,855
Intangible assets		4,438
Long-term restricted cash		163
Accounts payable		(15,480)
Accrued expenses and other current liabilities		(4,510)
Current portions of long-term debt		(15,165)
Deferred income tax liabilities, net		(931)
Other liabilities		(208)
Purchase price	$	13,445
Purchase price, net of cash acquired	$	13,092
Long-term debt assumed, net of current portions	$	3,951
Total fair value of consideration	$	13,445
Cash paid	$	9,535

5. GOODWILL AND INTANGIBLE ASSETS, NET

The changes in the carrying value of goodwill balances by reportable segment were as follows:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	Other	Total
Carrying Value of Goodwill						
Balance, December 31, 2022	$ 39,593	$ 3,981	$ 3,236	$ —	$ 23,823	$ 70,633
Goodwill acquired during the year	—	—	—	—	6,855	6,855
Currency effects	—	—	74	—	284	358
Balance, June 30, 2023	$ 39,593	$ 3,981	$ 3,310	$ —	$ 30,962	$ 77,846

Definite-lived intangible assets, net consisted of the following:

	As of June 30, 2023	As of December 31, 2022
Gross carrying amount	$ 37,050	32,277
Less - accumulated amortization	(28,908)	(27,584)
Intangible assets, net	$ 8,142	$ 4,693

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

The table below sets forth amortization expense:

		Three Months Ended June 30,		Six Months Ended June 30,	
Asset type	**Location**	**2023**	**2022**	**2023**	**2022**
Customer contracts	Cost of revenues	$ —	$ 137	$ —	$ 321
All other intangible assets	Selling, general and administrative expenses	689	305	991	699
Total amortization expense		$ 689	$ 442	$ 991	$ 1,020

6. ENERGY ASSETS, NET

Energy assets, net consisted of the following:

	June 30, 2023	December 31, 2022
Energy assets (1)	$ 1,758,599	$ 1,493,913
Less - accumulated depreciation and amortization	(340,909)	(312,388)
Energy assets, net	$ 1,417,690	$ 1,181,525

(1) Includes financing lease assets (see Note 7), capitalized interest and asset retirement obligations ("ARO") assets (see tables below).

The following table sets forth our depreciation and amortization expense on energy assets, net of deferred grant amortization:

	Three Months Ended June 30,		Six Months Ended June 30,	
Location	**2023**	**2022**	**2023**	**2022**
Cost of revenues (2)	$ 14,384	$ 12,172	$ 27,725	$ 23,978

(2) Includes depreciation and amortization on financing lease assets (see Note 7).

The following table presents the interest costs relating to construction financing during the period of construction, which were capitalized as part of energy assets, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Capitalized interest	$ 9,642	$ 2,064	$ 16,018	$ 3,908

The following tables sets forth information related to our ARO assets and ARO liabilities:

	Location	**June 30, 2023**	**December 31, 2022**
ARO assets, net	Energy assets, net	$ 3,559	$ 2,359
ARO liabilities, non-current	Other liabilities	$ 4,487	$ 3,052

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Depreciation expense of ARO assets	$ 53	$ 36	$ 108	$ 73
Accretion expense of ARO liabilities	$ 64	$ 36	$ 130	$ 72

(In thousands) (Unaudited) (Continued)

7. LEASES

The table below sets forth supplemental condensed consolidated balance sheet information related to our leases:

	June 30, 2023	December 31, 2022
Operating Leases:		
Operating lease assets	$ 38,833	$ 38,224
Current portions of operating lease liabilities	$ 5,935	$ 5,829
Long-term portions of operating lease liabilities	32,487	31,703
Total operating lease liabilities	$ 38,422	$ 37,532
Weighted-average remaining lease term	13 years	13 years
Weighted-average discount rate	6.1 %	6.0 %
Financing Leases:		
Energy assets	$ 28,314	$ 29,365
Current portions of financing lease liabilities	$ 1,631	$ 1,992
Long-term financing lease liabilities, net of current portion, unamortized discount and debt issuance costs	13,504	14,068
Total financing lease liabilities	$ 15,135	$ 16,060
Weighted-average remaining lease term	14 years	14 years
Weighted-average discount rate	12.1 %	12.1 %

The costs related to our leases were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating Leases:				
Operating lease costs	$ 2,316	$ 2,063	$ 4,436	$ 4,354
Financing Leases:				
Amortization expense	525	532	1,051	887
Interest on lease liabilities	433	536	877	1,095
Total lease costs	$ 3,274	$ 3,131	$ 6,364	$ 6,336

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Supplemental cash flow information related to our leases was as follows:

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 3,792	$ 3,814
Right-of-use assets ("ROU") obtained in exchange for new operating lease liabilities	$ 3,486	$ 1,712

The table below sets forth our estimated minimum future lease obligations under our leases:

	Operating Leases	Financing Leases
Year ended December 31,		
2023	$ 4,344	$ 1,832
2024	7,475	2,565
2025	6,187	2,213
2026	3,990	2,054
2027	3,072	1,922
Thereafter	31,317	17,891
Total minimum lease payments	56,385	28,477
Less: interest	17,963	13,342
Present value of lease liabilities	$ 38,422	$ 15,135

We have a future lease commitment for a ground lease which does not yet meet the criteria for recording a ROU asset or ROU liability. The net present value of this commitment totals $10,500 as of June 30, 2023 and relates to lease payments to be made over a20-year period. We are in process of modifying the terms of this agreement such that the criteria to record a ROU asset and ROU liability may not be met.

August 2018 Master Sale-leaseback

We enter into amendments to our August 2018 master lease and participation agreement from to time to time, which may extend the maturity date, increase the availability, or modify other covenants.

We sold and leased back four energy assets for $80,384 in cash proceeds under this facility during the six months ended June 30, 2023. As of June 30, 2023, a majority of the total commitment of $350,000 remained available under this lending commitment.

Net gains from amortization expense recognized in cost of revenues relating to deferred gains and losses in connection with our sale-leaseback agreements were $7 and $114 for the three and six months ended June 30, 2023 and 2022.

December 2020 Master Sale-leaseback

We enter into amendments to our December 2020 master lease and participation agreement from to time to time, which may extend the maturity date, increase the availability, or modify other covenants.

We sold and leased back three energy assets for $9,201 in cash proceeds under this facility during the six months ended June 30, 2023.

(In thousands) (Unaudited) (Continued)

8. DEBT AND FINANCING LEASE LIABILITIES

Our debt and financing lease liabilities are comprised of the following:

	June 30, 2023	December 31, 2022
Senior secured revolving credit facility (1)	$ 102,900	$ 182,900
Senior secured term loans	295,000	295,000
Non-recourse construction revolvers (4)	127,457	45,391
Non-recourse term loans (4)	377,468	255,403
Non-recourse long-term financing facilities (2)	201,836	120,923
Non-recourse financing lease liabilities (3)	15,135	16,060
Non-recourse project financing (5)	18,680	—
Total debt and financing lease liabilities	1,138,476	915,677
Less: current maturities	332,999	331,479
Less: unamortized discount and debt issuance costs	21,211	15,563
Long-term debt and financing lease liabilities, net of current portion, unamortized discount and debt issuance costs	$ 784,266	$ 568,635

(1) At June 30, 2023, funds of $20,710 were available for borrowing under this facility.

(2) These facilities are accounted for as failed sale leasebacks and are classified as long-term financing facilities. See Note 7 for additional disclosures.

(3) Financing lease liabilities are sale-leaseback arrangements under previous guidance. See Note 7 for additional disclosures.

(4) Most of these agreements are now using the Secured Overnight Financing Rate (“SOFR”) as the primary reference rate used to calculate interest.

(5) Debt acquired in connection with the acquisition of Enerqos. See Note 4 for additional information.

Senior Secured Credit Facility - Revolver and Term Loans

On March 17, 2023, we entered into amendment number two to the fifth amended and restated senior secured credit facility with five banks to increase the total funded debt to EBITDA covenant ratio from a maximum of 3.50 to 4.00 for the quarters ending March 31, 2023 and June 30, 2023, and 3.5 thereafter.

Non-recourse Term Shelf Notes, 5.99%, due December 31, 2047

On March 28, 2023, three senior secured notes (“Shelf Notes”) due December 31, 2047 were issued under our shelf facility, with gross proceeds of $12,625. The Shelf Notes bear interest at a fixed rate of 5.99% per annum and are payable quarterly commencing June 30, 2023. At closing, we incurred $282 in lender fees and debt issuance costs. In connection with the Shelf Notes, we recorded a derivative instrument for make-whole provisions with an initial value of $3,123, which was recorded as a debt discount.

Non-recourse Variable Rate Term Loan, 6.38%, due March 28, 2028

On March 30, 2023, we entered into an amended and restated financing agreement (“Amended Agreement”) with the existing bank that extended the maturity date of the loan from March 30, 2023 to March 28, 2028. The Amended Agreement consists of a term loan of $14,084, an incremental term loan of $359 and a letter of credit of $899. The term loan bears interest at a variable rate, with interest payments due in quarterly installments. The rate at March 31, 2023 was 6.38% per annum. The remaining principal balance and unpaid interest is due March 28, 2028. As a result of this refinancing, we entered into a new interest rate swap contract with an initial notional amount of $14,084 and termination date of December 31, 2040. See Note 12 Derivative Instruments and Hedging Activities for additional information on this new swap contract.

Non-recourse Fixed Rate Note, 6.38%, due May 2038 (formerly 6.50%, due October 2037)

On March 31, 2023, we drew down $30,000 under this facility and on May 31, 2023, we entered into the first amendment to the loan agreement that increased the original commitment of $125,000 by an additional $90,000 to $215,000 and at closing we drew down the $90,000. As of June 30, 2023, $204,891 was outstanding under this facility, net of unamortized debt discount and issuance costs.

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The first amendment also contained the following amended terms:

- The loan bears interest on the unpaid principal amount thereof from the date made through repayment at an interest rate of 6.38% per annum compared to the original rate of 6.50%.
- The loan maturity date was changed from October 26, 2037 to May 31, 2038

Non-recourse Construction Credit Facility, 2.00%

On March 31, 2023, we entered into a credit agreement for a construction facility with a total commitment of CAD$100,000 which has an availability period of five years. As of June 30, 2023, no funds were drawn under this facility. During the availability period the loans will bear interest at a fixed rate of 2.00% and during the operating period the rate will range from 1.00% to 3.00% as set forth in the agreement. The maturity date is the earlier of twenty years from project commencement date or one year prior to the termination date of the last remaining energy services agreements.

Non-recourse Construction Credit Facility, 6.54%, due July 31, 2024

On April 18, 2023, one of our consolidated joint venture subsidiaries ("JV") entered into a construction loan agreement with two lenders for a principal amount of up to $140,844 under a non-recourse credit facility. At the closing, the JV drew down $90,921 for construction of an energy asset and drew down an additional $15,113 in May and June 2023.

Monthly payments of interest only on the loan will be due and payable in accordance with the provisions as set forth in the agreement. Any outstanding principal of the loan shall be paid in full no later than the maturity date (or in any event upon acceleration of the loan), together with all accrued and unpaid interest on such amount. The loan will be repaid after the energy asset project achieves provisional acceptance, through a sale-leaseback financing under lease agreements to be entered into between the same parties, the form of which were included in the closing documents.

9. INCOME TAXES

We recorded a provision for income taxes of $5 and $4,932 for the three months ended June 30, 2023 and 2022, respectively. The estimated effective annualized tax rate impacted by the period discrete items is an expense of 0.1% for the three months ended June 30, 2023, compared to an expense of 13.0% of estimated effective annualized tax rate for the three months ended June 30, 2022.

We recorded a benefit for income taxes of $498 and provision of $7,239 for the six months ended June 30, 2023 and 2022, respectively. The estimated effective annualized tax rate impacted by the period discrete items is a benefit of 5.3% for the six months ended June 30, 2023, compared to an expense of 12.2% of estimated effective annualized tax rate for the six months ended June 30, 2022.

The principal reasons for the difference between the statutory rate and the estimated annual effective rate for 2023 were the effects of investment tax credits which we are entitled from solar and storage plants placed into service or are forecasted to be placed into service during 2023, stock plan compensation deductions and deductions related to the Section 179D.

Under GAAP accounting rules deferred taxes are shown on a net basis in the condensed consolidated financial statements based on taxing jurisdiction. Under the guidance, we have recorded long term deferred tax assets and deferred tax liabilities based on the underlying jurisdiction in the accompanying condensed consolidated balance sheets.

The following table sets forth the total amounts of gross unrecognized tax benefits:

	Gross Unrecognized Tax Benefits
Balance, December 31, 2022	$ 900
Balance, June 30, 2023	$ 900

The amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods was $450 at June 30, 2023 and December 31, 2022 (net of the federal benefit on state amounts).

10. COMMITMENTS AND CONTINGENCIES

From time to time, we issue letters of credit and performance bonds with our third-party lenders, to provide collateral.

Legal Proceedings

We are involved in a variety of other claims and other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our financial condition or results of operations.

Commitments as a Result of Acquisitions

In August 2018, we completed an acquisition which provided for a revenue earn-out contingent upon the acquired business meeting certain cumulative revenue targets over 4 years from the acquisition date. The fair value remained consistent at $358 at December 31, 2022 and June 30, 2023. At December 31, 2022 it was included in other liabilities and at June 30, 2023 it was included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. The contingent consideration will be paid no later than May 2024. No payments have been made to date.

In December 2021, we completed our acquisition of Plug Smart which provided for an earn-out based on future EBITDA targets beginning with EBITDA performance for the month of December 2021 and each fiscal year thereafter, over a five-year period through December 31, 2026. The maximum cumulative earn-out is $5,000 and we evaluated financial forecasts of the acquired business and concluded that the fair value of this earn-out was approximately $3,800 upon acquisition and as of December 31, 2022. At June 30, 2023, the fair value of the contingent consideration decreased to $915 and is included in accrued expenses and other current liabilities, and other liabilities on the condensed consolidated balance sheets. The decrease is due to payments of $3,040 made during the six months ended June 30, 2023, partially offset by a $155 increase in fair value.

See Note 11 for additional information.

11. FAIR VALUE MEASUREMENT

We recognize our financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs are based on unadjusted quoted prices for identical instruments traded in active markets.

Level 2: Inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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The following table presents the input level used to determine the fair values of our financial instruments measured at fair value on a recurring basis:

	Level	Fair Value as of June 30, 2023	Fair Value as of December 31, 2022
Assets:			
Interest rate swap instruments	2	$ 5,004	$ 5,202
Total assets		$ 5,004	$ 5,202
Liabilities:			
Interest rate swap instruments	2	$ —	$ 9
Make-whole provisions	2	8,096	5,348
Contingent consideration	3	1,273	4,158
Total liabilities		$ 9,369	$ 9,515

The following table sets forth a summary of changes in the fair value of contingent consideration liability classified as level 3:

	Fair Value as of June 30, 2023	Fair Value as of December 31, 2022
Contingent consideration liability balance at the beginning of period	$ 4,158	$ 2,838
Changes in fair value included in earnings	155	(19)
Payment of contingent consideration	(3,040)	1,614
Remeasurement period adjustment	—	(275)
Contingent consideration liability balance at the end of period	$ 1,273	$ 4,158

The following table sets forth the fair value and the carrying value of our long-term debt, excluding financing leases:

	As of June 30, 2023		As of December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt (Level 2)	$ 1,089,390	$ 1,102,130	$ 869,771	$ 884,054

The fair value of our long-term debt was estimated using discounted cash flows analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements which are considered to be level two inputs. There have been no transfers in or out of level two or three financial instruments for the six months ended June 30, 2023 and the year ended December 31, 2022.

We are also required to periodically measure certain other assets at fair value on a nonrecurring basis, including long-lived assets, goodwill and other intangible assets. We calculated the fair value used in our annual goodwill impairment analysis utilizing a discounted cash flow analysis and determined that the inputs used were level 3 inputs. There were no assets recorded at fair value on a non-recurring basis as of June 30, 2023 or December 31, 2022.

12. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During the six months ended June 30, 2023, we adopted ASU 2020-04, Reference Rate Reform, for six interest rate swap contracts with the transition from LIBOR to SOFR as the reference rate. In March 2023, we dedesignated one interest rate swap contract for a previous loan facility and entered into a new interest rate swap contract to hedge $14,084 of the extended loan facility. The new interest rate swap was designated as a cash flow hedge. In June 2023, we prepaid one loan facility and terminated the related swap prior to its maturity date.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

The following table presents information about the fair value amounts of our cash flow derivative instruments:

		Derivatives as of	
		June 30, 2023	December 31, 2022
	Balance Sheet Location	Fair Value	Fair Value
Derivatives Designated as Hedging Instruments:			
Interest rate swap contracts	Other assets	$ 1,676	$ 1,748
Interest rate swap contracts	Other liabilities	$ —	$ 9
Derivatives Not Designated as Hedging Instruments:			
Interest rate swap contracts	Other assets	$ 3,328	$ 3,454
Make-whole provisions	Other liabilities	$ 8,096	$ 5,348

As of June 30, 2023 and December 31, 2022, all buttwo of our freestanding derivatives were designated as hedging instruments.

The following table presents information about the effects of our derivative instruments on our condensed consolidated statements of income and condensed consolidated statements of comprehensive income:

		Amount of Loss (Gain) Recognized in Net Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
	Location of Loss (Gain) Recognized in Net Income	2023	2022	2023	2022
Derivatives Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	$ (222)	$ 360	$ (211)	$ 841
Derivatives Not Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	$ (338)	$ (759)	$ 182	$ (2,021)
Commodity swap contracts	Other expenses, net	$ —	$ (92)	—	2,514
Make-whole provisions	Other expenses, net	$ (86)	$ (216)	(443)	62

The following table presents the changes in Accumulated Other Comprehensive Loss ("AOCL"), net of taxes, from our hedging instruments:

	Six Months Ended June 30, 2023
Derivatives Designated as Hedging Instruments:	
Accumulated gain in AOCL at the beginning of the period	$ 1,284
Unrealized loss recognized in AOCL	163
Loss reclassified from AOCL to other expenses, net	(211)
Loss on derivatives	(48)
Accumulated gain in AOCL at the end of the period	$ 1,236

(In thousands) (Unaudited) (Continued)

The following tables present all of our active derivative instruments as of June 30, 2023:

Active Interest Rate Swaps	Effective Date	Expiration Date	Initial Notional Amount ($)	Status
11-Year, 5.77% Fixed	October 2018	October 2029	$ 9,200	Designated
15-Year, 5.24% Fixed	June 2018	June 2033	$ 10,000	Designated
10-Year, 4.74% Fixed	June 2017	December 2027	$ 14,100	Designated
8-Year, 3.49% Fixed	March 2020	June 2028	$ 14,643	Designated
8-Year, 3.49% Fixed	March 2020	June 2028	$ 10,734	Designated
13-Year, 0.72% Fixed	May 2020	March 2033	$ 9,505	Not Designated
13-Year, 0.72% Fixed	May 2020	March 2033	$ 6,968	Not Designated
7.75-Year, 3.16% Fixed	March 2023	December 2040	$ 14,084	Designated

Other Derivatives	Classification	Effective Date	Expiration Date	Fair Value ($)
Make-whole provisions	Liability	June/August 2018	December 2038	$ 566
Make-whole provisions	Liability	August 2016	April 2031	$ 76
Make-whole provisions	Liability	April 2017	February 2034	$ 59
Make-whole provisions	Liability	November 2020	December 2027	$ 51
Make-whole provisions	Liability	October 2011	May 2028	$ 16
Make-whole provisions	Liability	May 2021	April 2045	$ 144
Make-whole provisions	Liability	July 2021	March 2046	$ 2,963
Make-whole provisions	Liability	June 2022	March 2042	$ 1,157
Make-whole provisions	Liability	March 2023	December 2047	$ 3,064

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

13. VARIABLE INTEREST ENTITIES AND EQUITY METHOD INVESTMENTS

Variable Interest Entities

The table below presents a summary of amounts related to our consolidated investment funds and joint ventures, which we determined meet the definition of a variable interest entity ("VIE"), as of:

	June 30, 2023 (1)	December 31, 2022 (1)
Cash and cash equivalents	$ 7,472	$ 10,107
Restricted cash	—	799
Accounts receivable, net	—	590
Costs and estimated earnings in excess of billings	22,595	952
Prepaid expenses and other current assets	2,374	14,322
Total VIE current assets	32,441	26,770
Property and equipment, net	379	89
Energy assets, net	236,759	182,050
Operating lease assets	5,851	4,901
Restricted cash, non-current portion	73	73
Other assets	86	30
Total VIE assets	$ 275,589	$ 213,913
Current portions of long-term debt and financing lease liabilities	$ 2,185	$ 2,087
Accounts payable	19,493	8,055
Accrued expenses and other current liabilities	4,012	12,559
Current portions of operating lease liabilities	215	117
Total VIE current liabilities	25,905	22,818
Long-term debt and financing lease liabilities, net of current portion, unamortized discount and debt issuance costs	120,989	19,177
Long-term operating lease liabilities, net of current portion	6,085	5,159
Other liabilities	736	3,575
Total VIE liabilities	$ 153,715	$ 50,729

(1) The amounts in the above table are reflected in Note 1 on our condensed consolidated balance sheets.

See Note 14 for additional information on the call and put options related to our investment funds.

Non-controlling Interests

Non-controlling interests represents the equity owned by the other joint venture members of consolidated joint ventures. During the six months ended June 30, 2023, joint venture members contributed $922 to joint ventures. One JV member was refunded $20,521, net of adjustments, from debt proceeds received from the JV's Non-recourse Construction Credit Facility, 6.54%, due July 2024. Our joint ventures generated $622 and $1,044, in earnings during the three and six months ended June 30, 2023, respectively.

Equity Method Investments

Unconsolidated joint ventures are accounted for under the equity method. For these unconsolidated joint ventures, our investment balances are included in other assets on the condensed consolidated balance sheets and our pro rata share of net income or loss is included in earnings from unconsolidated entities on the condensed consolidated statements of income.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

The following table provides information about our equity method investments in joint ventures:

	As of	
	June 30, 2023	December 31, 2022
Equity method investments	$ 11,900	$ 10,855

14. REDEEMABLE NON-CONTROLLING INTERESTS

Our subsidiaries with membership interests in the investment funds we formed have the right to elect to require the non-controlling interest holder to sell all of its membership units to our subsidiaries, a call option. Our investment funds also include rights for the non-controlling interest holder to elect to require our subsidiaries to purchase all of the non-controlling membership interests in the fund, a put option.

The call options are exercisable beginning on the date that specified conditions are met for each respective fund. The put options for the investment funds are exercisable beginning on the date that specified conditions are met for each respective fund.

We initially record our redeemable non-controlling interests at fair value on the date of acquisition and subsequently adjust to redemption value. At both June 30, 2023 and December 31, 2022 redeemable non-controlling interests were reported at their carrying values, as the carrying value at each reporting period was greater than the estimated redemption value.

15. EARNINGS PER SHARE

Earnings Per Share

The following is a reconciliation of the numerator and denominator for the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2023	2022	2023	2022
Numerator:				
Net income attributable to common shareholders	$ 6,368	$ 32,216	$ 7,470	$ 49,600
Adjustment for accretion of tax equity financing fees	(28)	(27)	(55)	(54)
Income attributable to common shareholders	$ 6,340	$ 32,189	$ 7,415	$ 49,546
Denominator:				
Basic weighted-average shares outstanding	52,127	51,818	52,045	51,781
Effect of dilutive securities:				
Stock options	1,084	1,355	1,187	1,626
Diluted weighted-average shares outstanding	53,211	53,173	53,232	53,407
Net income per share attributable to common shareholders:				
Basic	$ 0.12	$ 0.62	$ 0.14	$ 0.96
Diluted	$ 0.12	$ 0.61	$ 0.14	$ 0.93
Potentially dilutive shares (1)	1,961	2,798	1,939	2,232

(1) Potentially dilutive shares attributable to stock options were excluded from the computation of diluted earnings per share as the effect would have been anti-dilutive.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

16. STOCK-BASED COMPENSATION

We recorded stock-based compensation expense, including expense related to our employee stock purchase plan, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock-based compensation expense	$ 3,962	$ 3,675	$ 7,999	$ 7,206

Our stock-based compensation expense is included in selling, general and administrative expenses in the condensed consolidated statements of income. As of June 30, 2023, there was $43,239 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 2.5 years.

Stock Option and Restricted Stock Units ("RSUs") Grants

During the six months ended June 30, 2023, we granted 100 common stock options to certain employees under our 2020 Stock Incentive Plan ("2020 Plan"), which have a contractual life of ten years and vest over a five-year period. We also granted awards of 66 RSUs to certain employees and directors under our 2020 Plan. We did not grant awards to individuals who were not either an employee or director of ours during the six months ended June 30, 2023 and 2022.

17. BUSINESS SEGMENT INFORMATION

Our reportable segments for the three and six months ended June 30, 2023 were U.S. Regions, U.S. Federal, Canada, Alternative Fuels and All Other.

Our U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services which include the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure, renewable energy solutions and services and the development and construction of small-scale plants that Ameresco owns or develops for customers that produce electricity, gas, heat or cooling from renewable sources of energy and O&M services.

Our Alternative Fuels segment sells electricity and processed renewable natural gas ("RNG") derived from biomethane from small-scale plants that we own and operate, and provides O&M services for customer-owned small-scale RNG plants.

The "All Other" category includes enterprise energy management services, other than the U.S.-based portion; consulting services, energy efficiency products and services outside of the U.S. and Canada; and the sale of solar PV energy products and systems which we refer to as integrated-PV.

These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments. Certain reportable segments are an aggregation of operating segments.

The tables below present our business segment information recast for the prior-year period and a reconciliation to the condensed consolidated financial statements:

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total Consolidated
Three Months Ended June 30, 2023						
Revenues	$ 138,985	$ 80,019	$ 15,195	$ 30,316	$ 62,559	$ 327,074
(Gain) loss on derivatives	(125)	66	39	(404)	—	(424)
Interest expense, net of interest income	1,715	288	182	3,436	630	6,251
Depreciation and amortization of intangible assets	6,704	1,234	409	6,205	1,037	15,589
Unallocated corporate activity	—	—	—	—	—	(17,131)
Income before taxes, excluding unallocated corporate activity	10,284	8,887	1,189	3,110	2,079	25,549

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands) (Unaudited) (Continued)

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total Consolidated
Three Months Ended June 30, 2022						
Revenues	$ 397,385	$ 101,428	$ 14,461	$ 29,192	$ 34,931	$ 577,397
(Gain) loss on derivatives	(261)	—	45	(851)	—	(1,067)
Interest expense, net of interest income	1,883	315	313	2,193	(18)	4,686
Depreciation and amortization of intangible assets	5,298	1,213	430	5,651	259	12,851
Unallocated corporate activity	—	—	—	—	—	(17,673)
Income before taxes, excluding unallocated corporate activity	32,840	12,011	1,012	6,476	3,139	55,478

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total Consolidated
Six months ended June 30, 2023						
Revenues	$ 263,354	$ 139,575	$ 33,606	$ 58,655	$ 102,926	$ 598,116
(Gain) loss on derivatives	(428)	4	47	116	—	(261)
Interest expense, net of interest income	3,118	586	364	5,787	749	10,604
Depreciation and amortization of intangible assets	12,753	2,459	814	12,073	1,341	29,440
Unallocated corporate activity	—	—	—	—	—	(35,974)
Income before taxes, excluding unallocated corporate activity	18,240	14,099	1,921	6,625	4,561	45,446

	U.S. Regions	U.S. Federal	Canada	Alternative Fuels	All Other	Total Consolidated
Six Months Ended June 30, 2022						
Revenues	$ 711,905	$ 177,074	$ 31,633	$ 58,453	$ 72,334	$ 1,051,399
(Gain) loss on derivatives	(34)	—	96	493	—	555
Interest expense, net of interest income	3,525	621	535	3,983	(25)	8,639
Depreciation and amortization of intangible assets	10,576	2,458	877	11,067	530	25,508
Unallocated corporate activity	—	—	—	—	—	(33,582)
Income before taxes, excluding unallocated corporate activity	51,058	20,897	1,291	13,898	5,848	92,992

See Note 3 for additional information about our revenues by product line.

18. OTHER EXPENSES, NET

The following table presents the components of other expenses, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
(Gain) loss on derivatives	$ (424)	$ (1,067)	$ (261)	$ 555
Interest expense, net of interest income	7,222	6,558	14,415	11,047
Amortization of debt discount and debt issuance costs	1,575	1,184	2,365	2,036
Foreign currency transaction loss (gain)	150	598	(7)	714
Government incentives	(577)	(2,024)	(523)	(2,022)
Factoring fees	1,252	—	1,252	—
Other expenses, net	$ 9,198	$ 5,249	$ 17,241	$ 12,330

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2022 included in our Annual Report on Form 10-K ("2022 Form 10-K") for the year ended December 31, 2022 filed on February 28, 2023 with the U.S. Securities and Exchange Commission ("SEC"). This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward looking statements include statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, objectives of management, expected market growth and other characterizations of future events or circumstances. All statements, other than statements of historical fact, including statements that refer to our expectations as to the future growth of our business and associated expenses; our expectations as to revenue generation; the future availability of borrowings under our revolving credit facility; the expected future growth of the market for energy efficiency and renewable energy solutions; our backlog, awarded projects and recurring revenue and the timing of such matters; our expectations as to acquisition activity; the impact of any restructuring; the uses of future earnings; our intention to repurchase shares of our Class A common stock; the expected energy and cost savings of our projects; the expected energy production capacity of our renewable energy plants; the impact of the ongoing COVID-19 pandemic and supply chain disruptions and shortage of materials; our expectations related to our agreement with SCE including the impact of any delays; the impact of the U.S. Department of Commerce's solar panel import investigation and other characterizations of future events or circumstances are forward-looking statements. Forward looking statements are often, but not exclusively, identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "target," "project," "predict" or "continue," and similar expressions or variations. These forward-looking statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially and adversely from future results expressed or implied by such forward-looking statements. Risks, uncertainties and factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors," set forth in Part I, Item 1A of our 2022 Form 10-K. Subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so and undertake no obligation to do so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Overview

Ameresco is a leading clean technology integrator with a comprehensive portfolio of energy efficiency and renewable energy supply solutions. We help organizations meet energy savings and energy management challenges with an integrated comprehensive approach to energy efficiency and renewable energy. Leveraging budget neutral solutions, including energy savings performance contracts ("ESPCs") and power purchase agreements ("PPAs"), we aim to eliminate the financial barriers that traditionally hamper energy efficiency and renewable energy projects.

Drawing from decades of experience, Ameresco develops tailored energy management projects for its customers in the commercial, industrial, local, state, and federal government, K-12 education, higher education, healthcare, public housing sectors, and utilities.

We provide solutions primarily throughout North America, the U.K., and Europe and our revenues are derived principally from energy efficiency projects, which entail the design, engineering, and installation of equipment and other measures that incorporate a range of innovative technology and techniques to improve the efficiency and control the operation of a facility's energy infrastructure; this can include designing and constructing a central plant or cogeneration system for a customer providing power, heat and/or cooling to a building, or other small-scale plant that produces electricity, gas, heat or cooling from renewable sources of energy. We also derive revenue from long-term O&M contracts, energy supply contracts for renewable energy operating assets that we own, integrated-PV, and consulting and enterprise energy management services.

In addition to organic growth, strategic acquisitions of complementary businesses and assets have been an important part of our growth enabling us to broaden our service offerings and expand our geographical reach. During 2022, we entered into joint venture arrangements in Greece and California and acquired an operating wind farm in Ireland. On March 30, 2023, we closed on the acquisition of Enerqos Energy Solutions S.r.l., a renewable energy and energy efficiency company headquartered in Milan, Italy. With this acquisition, we expect to expand our portfolio of clean energy projects and solutions throughout Italy. The pro forma effects of this acquisition were not material to our operations for the fiscal periods presented.

Key Factors and Trends

The Inflation Reduction Act ("IRA")

The IRA was signed into law by President Biden on August 16, 2022. The bill invests nearly $369 billion in energy and climate policies. The provisions of the IRA are intended to, among other things, incentivize domestic clean energy investment, manufacturing, and deployment. The IRA incentivizes the deployment of clean energy technologies by extending and expanding federal incentives such as the ITC and the Production Tax Credit ("PTC"). We view the enactment of the IRA as favorable for the overall business climate for the renewable energy industry, however, we are seeing an increase in engagement as customers assess and prioritize their projects to optimize the potential benefits of the IRA. The IRA may increase the competition in our industry and as such increase the demand and cost for labor, equipment and commodities needed for our projects.

Supply Chain Disruptions and Other Global Factors

We continue to monitor the impact of global economic conditions on our operations, financial results, and liquidity, including the result of supply chain challenges, war in Ukraine, evolving relations between the U.S. and China, and other geopolitical tensions. The impact to our future operations and results of operations as a result of these global trends remains uncertain and the challenges we face, including challenges and increases in costs for logistics and supply chains, such as increased port congestion, and intermittent supplier delays as well as shortage of certain components needed for our business, such as lithium-ion battery cells, semiconductors, electrical transformers and other components required for our clean energy solutions may continue or become more pronounced.

During the six months ended June 30, 2023, we were impacted by supply chain disruptions and varying levels of inflation, causing delays in the timely delivery of material to customer sites and delays and disruptions in the completion of certain projects, and increased shipping and transportation costs, as well as increased component and labor costs. This negatively impacted our results of operations during the six months ended June 30, 2023. We expect the trends of supply chain challenges and inflationary pressures to continue beyond this year. We continue to monitor macroeconomic conditions to remain flexible and to optimize and evolve our business as appropriate to address the challenges presented from these conditions.

As previously disclosed, in December 2022, as a result of an investigation initiated in April 2022, the U.S Department of Commerce determined that certain imports of crystalline silicon photovoltaic cells and modules manufactured in Cambodia, Thailand, Vietnam, or Malaysia using components from China were circumventing existing Chinese tariffs. While President Biden issued an executive action under which additional duties would not be imposed on imports by U.S importers between June 2022 and June 2024, legislation has been introduced seeking to overturn President Biden's executive action. While we do not believe this investigation will have a material impact on our business in the near term, any resulting duties or other trade restrictions imposed may disrupt the solar panel supply chain, increase the cost for solar cells and panels, and ultimately impact the demand for clean energy solutions. We are closely monitoring the investigation and any regulations issued in connection with it.

Climate Change and Effects of Seasonality

The global emphasis on climate change and reducing carbon emissions has created opportunities for our industry. Sustainability has been at the forefront of our business since its inception and we are committed to staying at the leading edge of innovation taking place in the energy sector. We believe the next decade will be marked by dramatic changes in the power infrastructure with resources shifting to more distributed assets, storage, and microgrids to increase overall reliability and resiliency. The sustainability efforts are impacted by regulations, and changes in the regulatory climate may impact the demand for our products and offerings. See "Our business depends in part on federal, state, provincial and local government support or the imposition of additional taxes, tariffs, duties, or other assessments on renewable energy or the equipment necessary to generate or deliver it, for energy efficiency and renewable energy, and a decline in such support could harm our business" and "Compliance with environmental laws could adversely affect our operating results" in Item 1A, Risk Factors in our 2022 Form 10-K.

Climate change also brings risks, as the impacts have caused us to experience more frequent and severe weather interferences, and this trend is expected to continue. We are subject to seasonal fluctuations and construction cycles, particularly in climates that experience colder weather during the winter months, such as the northern United States and Canada, and climates that experience extreme weather events, such as wildfires, storms or flooding, hurricanes, or at educational institutions, where large projects are typically carried out during summer months when their facilities are unoccupied. In addition, government customers, many of which have fiscal years that do not coincide with ours, typically follow annual procurement cycles and appropriate funds on a fiscal-year basis even though contract performance may take more than one year. Further, government contracting cycles can be affected by the timing of, and delays in, the legislative process related to government programs and incentives that help drive demand for energy efficiency and renewable energy projects. As a result, our revenues and operating income in the third and fourth quarter are typically higher, and our revenues and operating income in the first quarter are typically lower, than in other quarters of the year, however, this may become harder to predict with the potential effects of climate change. As a result of such fluctuations, we may occasionally experience declines in revenues or earnings as compared to the immediately preceding quarter, and comparisons of our operating results on a period-to-period basis may not be meaningful.

Our annual and quarterly financial results are also subject to significant fluctuations as a result of other factors, many of which are outside our control. See "Our business is affected by seasonal trends and construction cycles, and these trends and cycles could have an adverse effect on our operating results" in Item 1A, Risk Factors in our 2022 Form 10-K.

The Southern California Edison ("SCE") Agreement

As discussed in our 2022 Form 10-K, in October 2021, we entered into an agreement with SCE to design and build three grid scale battery energy storage systems ("BESS") throughout SCE's service territory in California with an aggregate capacity of 537.5 MW ("SCE Agreement"). As previously disclosed, our ability to complete these systems by the guaranteed completion date of August 1, 2022 was impacted by supply delays related to COVID-19 lockdowns and changes in Chinese transportation safety policies as well as from unprecedented weather events. As a result of these events, we made certain force majeure claims under the SCE Agreement. SCE also instructed us to adjust the project schedules into 2023. We are continuing to work with SCE to evaluate our force majeure claims and costs related to the schedule changes. If we cannot reach agreement with SCE about the applicability of force majeure relief, we may be required to pay liquidated damages up to an aggregate maximum of $89 million and may not be able to recover costs associated with schedule changes.

Despite the delays, two of the three SCE projects are currently in the commissioning stage and are expected to reach substantial completion during the third quarter of 2023. The third project, which was significantly impacted by the heavy rainfall in California, is expected to reach substantial completion in the fourth quarter of 2023.

A majority of our revenues under this contract were recognized in 2022 based upon costs incurred in 2022 relative to total expected costs on this project.

Stock-based Compensation

During the six months ended June 30, 2023, we granted 100,000 common stock options 66,247 RSUs to certain employees and directors under our 2020 Plan. Our unrecognized stock-based compensation expense was $43.2 million at June 30, 2023 compared to $46.7 million at December 31, 2022 and is expected to be recognized over a weighted-average period of three years. See Note 16 "Stock-based Compensation" for additional information.

Backlog and Awarded Projects

Backlog is an important metric for us because we believe strong order backlogs indicate growing demand and a healthy business over the medium to long term, conversely, a declining backlog could imply lower demand.

The following table presents our backlog:

	As of June 30,	
(In Thousands)	2023	2022
Project Backlog		
Fully-contracted backlog	$ 1,090,010	$ 1,002,740
Awarded, not yet signed customer contracts	2,145,550	1,828,530
Total project backlog	$ 3,235,560	$ 2,831,270
12-month project backlog	$ 744,970	$ 756,700
O&M Backlog		
Fully-contracted backlog	$ 1,238,650	$ 1,196,820
12-month O&M backlog	$ 84,425	$ 73,475

Our total project backlog increased at June 30, 2023 compared to June 30, 2022 due to an increase in awarded projects.

Total project backlog represents energy efficiency projects that are active within our sales cycle. Our sales cycle begins with the initial contact with the customer and ends, when successful, with a signed contract, also referred to as fully-contracted backlog. Our sales cycle averages 18 to 42 months. Awarded backlog is created when a potential customer awards a project to Ameresco following a request for proposal. Once a project is awarded but not yet contracted, we typically conduct a detailed energy audit to determine the scope of the project as well as identify the savings that may be expected to be generated from upgrading the customer's energy infrastructure. At this point, we also determine the subcontractors, what equipment will be used, and assist in arranging for third party financing, as applicable. It takes an average of 12 to 24 months to convert our awarded backlog to fully-contracted backlog. It may take longer, as it depends on the size and complexity of the project. Historically, approximately 90% of our awarded backlog projects have resulted in a signed contract. After the customer and Ameresco agree to the terms of the contract and the contract is executed, the project moves to fully-contracted backlog. The contracts reflected in our fully-contracted backlog typically have a construction period of 12 to 36 months and we typically expect to recognize revenue for such contracts over the same period.

Our O&M backlog represents expected future revenues under signed multi-year customer contracts for the delivery of O&M services, primarily for energy efficiency and renewable energy construction projects completed by us for our customers.

We define our 12-month backlog as the estimated amount of revenues that we expect to recognize in the next twelve months from our fully-contracted backlog. See "We may not recognize all revenues from our backlog or receive all payments anticipated under awarded projects and customer contracts" and "In order to secure contracts for new projects, we typically face a long and variable selling cycle that requires significant resource commitments and requires a long lead time before we realize revenues" in Item 1A, Risk Factors in our 2022 Form 10-K.

Assets in Development

Assets in development, which represents the potential design/build project value of small-scale renewable energy plants that have been awarded or for which we have secured development rights, were estimated at $1.8 billion, which includes $79.8 million attributable to a non-controlling interest at June 30, 2023, and $1.4 billion at June 30, 2022. The portion of assets in development related to spending for Energy as a Service assets was approximately $41.2 million and $60.0 million at June 30, 2023 and 2022, respectively. This is another important metric because it helps us gauge our future capacity to generate electricity or deliver renewable gas fuel which contributes to our recurring revenue stream.

Results of Operations

All financial result comparisons made below are against the same prior year period unless otherwise noted.

The following tables set forth certain financial data from the condensed consolidated statements of income for the periods indicated:

	Three Months Ended June 30,					
	2023		2022		Year-Over-Year Change	
(In Thousands)	Amount	% of Revenues	Amount	% of Revenues	Dollar Change	% Change
Revenues	$ 327,074	100.0 %	$ 577,397	100.0 %	$ (250,323)	(43.4)%
Cost of revenues	268,425	82.1 %	496,094	85.9 %	(227,669)	(45.9)%
Gross profit	58,649	17.9 %	81,303	14.1 %	(22,654)	(27.9)%
Earnings from unconsolidated entities	380	0.1 %	352	0.1 %	28	8.0 %
Selling, general and administrative expenses	41,413	12.7 %	38,601	6.7 %	2,812	7.3 %
Operating income	17,616	5.4 %	43,054	7.5 %	(25,438)	(59.1)%
Other expenses, net	9,198	2.8 %	5,249	0.9 %	3,949	75.2 %
Income before income taxes	8,418	2.6 %	37,805	6.5 %	(29,387)	(77.7)%
Income tax provision	5	— %	4,932	0.9 %	(4,927)	(99.9)%
Net income	8,413	2.6 %	32,873	5.7 %	$ (24,460)	(74.4)%
Net income attributable to non-controlling interests and redeemable non-controlling interests	(2,045)	(0.6)%	(657)	(0.1)%	$ (1,388)	(211.3)%
Net income attributable to common shareholders	$ 6,368	1.9 %	$ 32,216	5.6 %	$ (25,848)	(80.2)%

Our results of operations for the three months ended June 30, 2023 are due to the following:

- ***Revenues:*** total revenues for the three months ended June 30, 2023 decreased over 2022 primarily due to a $260.2 million, or 53%, decrease in our project revenues attributed to the timing of revenue recognized as a result of the phase of active projects versus the prior year, including our SCE battery storage project.
- ***Cost of Revenues and Gross Profit:*** the decrease in cost of revenues and gross profit is primarily due to the decrease in project revenues described above. However, our gross profit as a percent of revenues increased due to lower revenue contribution from our lower margin SCE battery storage project.
- ***Selling, General and Administrative Expenses ("SG&A"):*** SG&A expenses for the three months ended June 30, 2023 increased over 2022 primarily due to higher professional fees, project development costs not realized on projects and amortization expense related to acquired intangible assets.
- ***Other Expenses, Net:*** Other expenses, net, includes gains and losses from derivatives transactions, foreign currency transactions, interest expense, interest income, accounts receivable factoring, amortization of financing costs and certain government incentives. Other expenses, net for the three months ended June 30, 2023 increased over 2022 primarily due to higher interest expenses, net of $0.7 million related to an increase in the amount of non-recourse project financing outstanding, higher interest rates, higher accounts receivable factoring related costs, and lower government incentive income.
- ***Income before Income Taxes:*** the decrease in income before income taxes is due to reasons described above.
- ***Income Tax Provision:*** the provision for income taxes is based on various rates set by federal, state, provincial and local authorities and is affected by permanent and temporary differences between financial accounting and tax reporting requirements. We expect the effective tax rate will be lower in 2023 as compared to 2022 primarily due to the effects of additional investment tax credits which we are entitled to from solar and storage plants placed into service or are forecasted to be placed into service during 2023, higher level of compensation deductions related to employee stock option exercises, and higher Section 179D deductions available in 2023 under the IRA.
- ***Net Income and Earnings Per Share:*** Net income attributable to common shareholders decreased due to the reasons described above. Basic earnings per share for the three months ended June 30, 2023 was $0.12, a decrease of $0.50 per

share compared to the same period of 2022. Diluted earnings per share for 2023 was $0.12, a decrease of $0.49 per share compared to last year.

	Six Months Ended June 30,									
	2023			2022			Year-Over-Year Change			
(In Thousands)		Amount	% of Revenues		Amount	% of Revenues		Dollar Change	% Change
Revenues	$	598,116	100.0 %	$	1,051,399	100.0 %	$	(453,283)	(43.1)%
Cost of revenues		489,519	81.8 %		901,718	85.8 %		(412,199)	(45.7)%
Gross profit		108,597	18.2 %		149,681	14.2 %		(41,084)	(27.4)%
Earnings from unconsolidated entities		830	0.1 %		989	0.1 %		(159)	(16.1)%
Selling, general and administrative expenses		82,714	13.8 %		78,930	7.5 %		3,784	4.8 %
Operating income		26,713	4.5 %		71,740	6.8 %		(45,027)	(62.8)%
Other expenses, net		17,241	2.9 %		12,330	1.2 %		4,911	39.8 %
Income before income taxes		9,472	1.6 %		59,410	5.7 %		(49,938)	(84.1)%
Income tax (benefit) provision		(498)	(0.1)%		7,239	0.7 %		(7,737)	(106.9)%
Net income		9,970	1.7 %		52,171	5.0 %	$	(42,201)	(80.9)%
Net income attributable to redeemable non-controlling interest		(2,500)	(0.4)%		(2,571)	(0.2)%	$	71	2.8 %
Net income attributable to common shareholders	$	7,470	1.2 %	$	49,600	4.7 %	$	(42,130)	(84.9)%

Our results of operations for the six months ended June 30, 2023 are due to the following:

- ***Revenues:*** total revenues for the six months ended June 30, 2023 decreased over 2022 primarily due to a $470.4 million, or 53%, decrease in our project revenues attributed to the timing of revenue recognized as a result of the phase of active projects versus the prior year, including our SCE battery storage project.
- ***Cost of Revenues and Gross Profit:*** the decrease in cost of revenues is primarily due to the decrease in project revenues described above. Gross profit decreased due to decreased revenue, however, our gross profit as a percent of revenues increased due to the lower revenue contribution from our lower margin SCE battery storage project.
- ***Selling, General and Administrative Expenses ("SG&A"):*** SG&A expenses for the six months ended June 30, 2023 increased over 2022 primarily due to higher professional fees, project development costs not realized on projects, and IT and telecommunications costs. SG&A expenses for the six months ended June 30, 2022 included higher miscellaneous expenses related to a settlement of an outstanding legal proceeding.
- ***Other Expenses, Net:*** Other expenses, net, includes gains and losses from derivatives transactions, foreign currency transactions, interest expense, interest income, accounts receivable factoring, amortization of financing costs and certain government incentives. Other expenses, net for the six months ended June 30, 2023 increased over 2022 primarily due to higher interest expenses, net of $3.4 million related to an increase in the amount of non-recourse project financing outstanding and higher interest rates, higher accounts receivable factoring related costs and lower government incentive income.
- ***Income before Income Taxes:*** the increase in income before income taxes is due to reasons described above.
- ***Income Tax (Benefit) Provision:*** the provision for income taxes is based on various rates set by federal, state, provincial and local authorities and is affected by permanent and temporary differences between financial accounting and tax reporting requirements. The effective tax rate was lower in 2023 as compared to 2022 primarily due to the effects of additional investment tax credits which we are entitled to from solar and storage plants placed into service or are forecasted to be placed into service during 2023, higher level of compensation deductions related to employee stock option exercises, and higher Section 179D deductions available in 2023 under the IRA.
- ***Net Income and Earnings Per Share:*** Net income attributable to common shareholders decreased due to the reasons described above. Basic earnings per share for the six months ended June 30, 2023 was $0.14, a decrease of $0.82 per share compared to the same period of 2022. Diluted earnings per share for 2023 was $0.14, a decrease of $0.79 per share compared to last year. The results for the six months ended June 30, 2023 and 2022 reflect a non-cash downward adjustment of $2.5 million and $2.6 million, respectively, related to non-controlling interest activities.

Business Segment Analysis

Our reportable segments for the three and six months ended June 30, 2023 were U.S. Regions, U.S. Federal, Canada, Alternative Fuels and All Other. These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments. See Note 17 "Business Segment Information" for additional information about our segments.

All financial result comparisons made below relate to the three and six-month period and are against the same prior year period unless otherwise noted.

Revenues

	Three Months Ended June 30,				Six Months Ended June 30,			
(In Thousands)	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
U.S. Regions	$ 138,985	$ 397,385	$ (258,400)	(65.0)%	$ 263,354	$ 711,905	$ (448,551)	(63.0)%
U.S. Federal	80,019	101,428	(21,409)	(21.1)	139,575	177,074	(37,499)	(21.2)
Canada	15,195	14,461	734	5.1	33,606	31,633	1,973	6.2
Alternative Fuels	30,316	29,192	1,124	3.9	58,655	58,453	202	0.3
All Other	62,559	34,931	27,628	79.1	102,926	72,334	30,592	42.3
Total revenues	$ 327,074	$ 577,397	$ (250,323)	(43.4)%	$ 598,116	$ 1,051,399	$ (453,283)	(43.1)%

- ***U.S. Regions:*** revenues decreased primarily due to lower project revenues resulting from the timing of revenue recognized based upon costs incurred to date relative to total expected costs on active projects, including our SCE battery storage projects, versus the prior period.
- ***U.S. Federal:*** the decrease in revenue versus the prior year is primarily due to lower project revenues. Project revenues decreased year-over-year resulting from the timing of revenue recognized based upon costs incurred to date relative to total expected costs on active projects.
- ***Canada:*** revenues increased due to higher project revenues resulting from the timing of revenue recognized based upon costs incurred to date relative to total expected costs on active projects compared to the prior period.
- ***Alternative Fuels:*** the increase in revenues is primarily attributed to increased production levels and more favorable second quarter pricing on renewable identification numbers ("RINs") generated from our renewable natural gas facilities.
- ***All Other:*** All other revenues increased year-over-year primarily due to higher project revenues resulting from the timing of revenue recognized based upon costs incurred to date relative to total expected costs on active projects, as well as revenue related to our acquisition of Enerqos Energy Solutions, versus the prior period.

Income before Taxes and Unallocated Corporate Activity

	Three Months Ended June 30,				Six Months Ended June 30,			
(In Thousands)	2023	2022	Dollar Change	% Change	2023	2022	Dollar Change	% Change
U.S. Regions	$ 10,284	$ 32,840	$ (22,556)	(68.7)%	$ 18,240	$ 51,058	$ (32,818)	(64.3)%
U.S. Federal	8,887	12,011	(3,124)	(26.0)	14,099	20,897	(6,798)	(32.5)
Canada	1,189	1,012	177	17.5	1,921	1,291	630	48.8
Alternative Fuels	3,110	6,476	(3,366)	(52.0)	6,625	13,898	(7,273)	(52.3)
All Other	2,079	3,139	(1,060)	(33.8)	4,561	5,848	(1,287)	(22.0)
Unallocated corporate activity	(17,131)	(17,673)	542	3.1	(35,974)	(33,582)	(2,392)	(7.1)
Income before taxes	$ 8,418	$ 37,805	$ (29,387)	(77.7)%	$ 9,472	$ 59,410	$ (49,938)	(84.1)%

- ***U.S. Regions:*** the decrease is primarily due to the lower revenues described above.
- ***U.S. Federal:*** the decrease is primarily due to the lower revenues described above.
- ***Canada:*** the increase is primarily due to the higher revenues described above partially offset by higher project development costs.

- ***Alternative Fuels:*** the decrease is primarily due to higher direct costs related to unplanned maintenance and higher depreciation expense related to the timing of assets placed in operations.
- ***All Other:*** the decrease is primarily due to higher salaries and benefits costs, higher project development costs, and higher professional fees, partially offset by the higher revenues described above.
- Unallocated corporate activity includes all corporate level selling, general and administrative expenses and other expenses not allocated to the segments. We do not allocate any indirect expenses to the segments. Corporate activity increased primarily due to higher net salaries and benefit costs and interest expenses.

Liquidity and Capital Resources

Overview

Since inception, we have funded operations primarily through cash flow from operations, advances from Federal ESPC projects, our senior secured credit facility, various forms of other debt and equity offerings. See Note 8 “Debt and Financing Lease Liabilities” for additional information.

Working capital requirements can be susceptible to fluctuations during the year due to timing differences between costs incurred, the timing of milestone-based customer invoices and actual cash collections. Working capital may also be affected by seasonality, growth rate of revenue, long lead-time equipment purchase patterns, advances from Federal ESPC projects, and payment terms for payables relative to customer receivables.

We expect to incur additional expenditures in connection with the following activities:

- equity investments, project asset acquisitions and business acquisitions that we may fund from time to time
- capital investment in current and future energy assets
- material, equipment, and other expenditures for large projects

We regularly monitor and assess our ability to meet funding requirements. We believe that cash and cash equivalents, working capital and availability under our revolving senior secured credit facility, combined with our right (subject to lender consent) to increase our revolving credit facility by $100.0 million, and our general access to credit and equity markets, will be sufficient to fund our operations through at least July 2024 and thereafter. With the schedule adjustment requested by SCE and the anticipated timeline for completing the SCE battery storage projects primarily due to the previously disclosed weather-related issues, we have requested an extension to mid December 2023 to the maturity date for the $220 million delayed draw term loan A under our Senior Secured Credit Facility, which is scheduled to mature on September 4, 2023.

We continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate and that we can meet our capital requirements during these uncertain times. This may include limiting discretionary spending across the organization and re-prioritizing our capital projects amid times of political unrest, the duration of supply challenges, and the rate and duration of the inflationary pressures. For example, recent increases in inflation and interest rates have impacted overall market returns on assets. We have therefore been particularly prudent in our capital commitments over the past few quarters, ensuring that our assets in development continue to align with our hurdle rates.

Senior Secured Credit Facility — Revolver and Term Loans

On March 17, 2023, we entered into a second amendment to our fifth amended and restated senior secured credit facility, which increased the total funded debt to EBITDA covenant ratio from a maximum of 3.50 to 4.00 for the quarters ended March 31, 2023 and June 30, 2023, and 3.50 thereafter. As of June 30, 2023, the balance on the senior secured term loans was $295.0 million, the balance on the senior secured revolving credit facility was $102.9 million, and we had funds available of $20.7 million.

Project Financing

Non-recourse Construction Revolvers and Term Loans

We have entered into a number of construction and term loan agreements for the purpose of constructing and owning certain renewable energy plants. The physical assets and the operating agreements related to the renewable energy plants are generally owned by wholly owned, single member “special purpose” subsidiaries of Ameresco. These construction and term loans are structured as project financings made directly to a subsidiary, and upon commercial operation and achieving certain milestones in the credit agreement, the related construction loan converts into a term loan. While we are required under GAAP to reflect these loans as liabilities on our condensed consolidated balance sheets, they are generally non-recourse and not direct obligations of Ameresco, Inc.

We entered into a credit agreement for a construction facility with a total commitment of CAD$100.0 million and as of June 30, 2023, no funds were drawn under this facility.

Net proceeds from non-recourse construction revolvers and term loans during the three months ended March 31, 2023 totaled $53.7 million.

On May 31, 2023, we entered into the first amendment to a loan agreement that increased the original commitment of $125,000 by $90.0 million to $215.0 million and at closing we drew down the $90.0 million.

On April 18, 2023, one of our consolidated joint venture subsidiaries ("JV") entered into a construction loan agreement with two lenders for a principal amount of up to $140.8 million under a non-recourse credit facility. At the closing, the JV drew down $90.9 million for construction of an energy asset and drew down an additional $15.1 million in May and June 2023. Monthly payments of interest only on the loan will be due and payable in accordance with the provisions as set forth in the agreement. Any outstanding principal of the loan and unpaid interest shall be paid in full no later than the maturity date, July 2024. The loan will be repaid after the energy asset project achieves provisional acceptance, through a sale-leaseback financing under lease agreements to be entered into between the same parties, the form of which were included in the closing documents.

Non-recourse Sale-leasebacks

During the six months ended June 30, 2023, we sold and leased back seven energy assets for $89.6 million in cash proceeds under our master sale-leaseback agreements.

Federal ESPC Liabilities

We have arrangements with certain third-parties to provide advances to us during the construction or installation of projects for certain customers, typically federal governmental entities, in exchange for our assignment to the lenders of our rights to the long-term receivables arising from the ESPCs related to such projects. These financings totaled $464.6 million as of June 30, 2023. Under the terms of these financing arrangements, we are required to complete the construction or installation of the project in accordance with the contract with our customer, and the liability remains on our condensed consolidated balance sheets until the completed project is accepted by the customer.

We are the primary obligor for financing received, but only until final acceptance of the work by the customer. At this point recourse to us ceases and the ESPC receivables are transferred to the investor. The transfers of receivables under these agreements do not qualify for sales accounting until final customer acceptance of the work, so the advances from the investors are not classified as operating cash flows. Cash draws that we received under these ESPC agreements were $76.7 million during the six months ended June 30, 2023, and are recorded as financing cash inflows. The use of the cash received under these arrangements is to pay project costs classified as operating cash flows and totaled $88.1 million during the six months ended June 30, 2023. Due to the manner in which the ESPC contracts with the third-party investors are structured, our reported operating cash flows are materially impacted by the fact that operating cash flows only reflect the ESPC contract expenditure outflows and do not reflect any inflows from the corresponding contract revenues. Upon acceptance of the project by the federal customer the ESPC receivable and corresponding ESPC liability are removed from our condensed consolidated balance sheets as a non-cash settlement.

Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities:

	Six Months Ended June 30,		
(In Thousands)	**2023**	**2022**	**$ Change**
Cash flows from operating activities	$ (33,849)	$ (307,843)	$ 273,994
Cash flows from investing activities	(279,242)	(132,287)	(146,955)
Cash flows from financing activities	265,077	465,674	(200,597)
Effect of exchange rate changes on cash	(61)	(1,291)	1,230
Total net cash flows	$ (48,075)	$ 24,253	$ (72,328)

Our service offering also includes the development, construction, and operation of small-scale renewable energy plants. Small-scale renewable energy projects, or energy assets, can either be developed for the portfolio of assets that we own and operate or designed and built for customers. Expenditures related to projects that we own are recorded as cash outflows from investing activities. Expenditures related to projects that we build for customers are recorded as cash outflows from operating activities as cost of revenues.

Cash Flows from Operating Activities

Our cash flows from operating activities during the six months ended June 30, 2023 improved over the same period last year primarily due to a decrease of $374.3 million in unbilled revenue (costs and estimated earnings in excess of billings) due to the timing of when certain projects are invoiced, including our SCE battery storage project and a $104.4 million decrease in accounts receivable, which were partially offset by decreases of $42.2 million in net income and $207.3 million in accounts payable, accrued expenses and other current liabilities when compared to the prior year period.

Cash Flows from Investing Activities

During the six months ended June 30, 2023 we made capital investments of $261.5 million in new energy assets and $5.8 million in major maintenance of energy assets compared to $124.9 million and $4.8 million, respectively, in 2022. In addition, during the six months ended June 30, 2023 we paid $9.2 million, net of cash received, for the acquisition of Enerqos.

We currently plan to invest approximately $150 million to $200 million in additional capital expenditures during the remainder of 2023, principally for the construction or acquisition of new renewable energy plants, the majority of which we expect to fund with project finance debt.

Cash Flows from Financing Activities

Our primary sources of financing for the six months ended June 30, 2023 were net proceeds from long-term debt of $338.8 million, net proceeds received from Federal ESPC projects and energy asset receivable financing arrangements of $84.8 million, partially offset by payments on our senior secured credit facility of $80.0 million and payments on long-term debt of $61.3 million.

Our primary sources of financing for the six months ended June 30, 2022 were net proceeds from long-term debt financings of $305.2 million, net proceeds received from Federal ESPC projects and energy assets of $126.4 million, and proceeds from our senior secured credit facility of $120.0 million, partially offset by payments on long-term debt of $101.0 million.

We currently plan additional project financings of approximately $250 million to $300 million during the remainder of 2023 to fund the construction or the acquisition of new renewable energy plants as discussed above.

Critical Accounting Estimates

Preparing our condensed consolidated financial statements in accordance with GAAP involves us making estimates and assumptions that affect reported amounts of assets and liabilities, net sales and expenses, and related disclosures in the accompanying notes at the date of our financial statements. We base our estimates on historical experience, industry and market trends, and on various other assumptions that we believe to be reasonable under the circumstances. However, by their nature, estimates are subject to various assumptions and uncertainties, and changes in circumstances could cause actual results to differ from these estimates, sometimes materially.

Income Taxes

We have reviewed all tax positions taken as of June 30, 2023 and there were no additional uncertain tax positions taken during the three and six months ended June 30, 2023. We believe our current tax reserves are adequate to cover all known tax uncertainties.

Other than as noted above, there have been no material changes in our critical accounting estimates from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2022 Form 10-K. In addition, refer to Note 2 "Summary of Significant Accounting Policies" for updates to critical accounting policies.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies" for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2023, there have been no significant changes in market risk exposures that materially affected the quantitative and qualitative disclosures as described in Item 7A to our 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report, or the evaluation date. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, after evaluating the effectiveness of our disclosure controls and procedures as of the evaluation date, concluded that as of the evaluation date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2022, we implemented a new Enterprise Resource Planning ("ERP") system. In connection with this ERP implementation, we updated and will continue to update our internal control over financial reporting, as necessary, to accommodate modifications to our business processes and accounting procedures. We do not believe this implementation has had or will have a material adverse effect on our internal control over financial reporting.

Except as disclosed above, there were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations, and claims. Although we cannot predict with certainty the ultimate resolution of such lawsuits, investigations and claims against us, we do not believe that any currently pending or threatened legal proceedings to which we are a party will have a material adverse effect on our business, results of operations or financial condition.

For additional information about certain proceedings, please refer to Note 10, Commitments and Contingencies, to our condensed consolidated financial statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

Our business is subject to numerous risks, a number of which are described below and under "Risk Factors" in Part I, Item 1A of our 2022 Form 10-K.

You should carefully consider these risks together with the other information set forth in this report, which could materially affect our business, financial condition and future results. The risks described in Part I, Item 1A of our 2022 Form 10-K are not the only risks we face. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Item 2. Unregistered Sales of Equity and Use of Proceeds

Stock Repurchase Program

We did not repurchase any shares of our common stock under our stock repurchase program authorized by the Board of Directors on April 27, 2016 (the "Repurchase Program") during the three months ended June 30, 2023. Under the Repurchase Program, we are authorized to repurchase up to $17.6 million of our Class A common stock. As of June 30, 2023, there were shares having a dollar value of approximately $5.9 million that may yet be purchased under the Repurchase Program.

Item 5. Other Information

Director and Officer Trading Arrangements

A portion of the compensation of our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act is in the form of equity awards and, from time to time, directors and officers engage in open-market transactions with respect to the securities acquired pursuant to such equity awards or other shares of Class A common stock held by such individuals. Transactions in our securities by directors and officers are required to be made in accordance with our insider trading policy, which requires that the transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in a company's securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information.

The following table describes contracts, instructions or written plans for the sale or purchase of Company securities adopted by our directors and officers during the quarterly period covered by this report/fourth quarter of 2023 that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a "Rule 10b5-1 trading arrangement"):

Name (Title)	Action Taken (Date of Action)	Duration of Trading Arrangement	Aggregate Number of Securities
Jennifer Miller, Director	Adoption: 5/22/2023	Until February 11, 2025 or such earlier date upon which all transactions are completed or expire without execution	Sale of up to 40,000 shares

Item 6. Exhibits

Exhibit Index

Exhibit Number	Description
31.1*	Principal Executive Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Principal Financial Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following condensed consolidated financial statements from Ameresco, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statement of Changes in Redeemable Non-Controlling Interests and Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		AMERESCO, INC.	
Date:	August 1, 2023	By:	/s/ Spencer Doran Hole
			Spencer Doran Hole
			Executive Vice President and Chief Financial Officer
			(duly authorized and principal financial officer)

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, George P. Sakellaris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ George P. Sakellaris

George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Spencer Doran Hole, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ Spencer Doran Hole

Spencer Doran Hole
Executive Vice President and Chief Financial Officer
(duly authorized and principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ameresco, Inc. (the “Company”) to which this certification is attached and as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2023

/s/ George P. Sakellaris
George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

Date: August 1, 2023

/s/ Spencer Doran Hole
Spencer Doran Hole
Executive Vice President and Chief Financial Officer
(duly authorized and principal financial officer)