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Hannon Armstrong

First Quarter 2017 Earnings Call

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Benjamin Kallo, *Robert W. Baird & Co.*

Jeffrey Osborne, *Cowen and Company, LLC*

Carter Driscoll, *FBR Capital Markets & Co.*

PRESENTATION

Operator:

Good afternoon, and welcome to Hannon Armstrong's Conference Call on its Q1 2017 Financial Results. Management will be utilizing a slide presentation for this call which is available now for download on their Investor Relations page at investors.hannonarmstrong.com.

Today's call is being recorded and we have allocated 30 minutes for prepared remarks and Q&A. All participants will be in a listen-only mode, if you need Operator assistance please press star, zero on your touchtone telephone.

At this time, I'd like to turn the conference over to Amanda Cimaglia, Investor Relations Director for the company. Please go ahead, ma'am.

Amanda Cimaglia:

Thanks, Tom. Good afternoon, everyone, and welcome. Earlier this afternoon, Hannon Armstrong distributed a press release detailing its first quarter 2017 results, a copy of which is available on our website. This conference call is being webcast live on the Investor Relations page of our website, where a replay will be available later today.

Before the call begins, I would like to remind you that some comments made in the course of this call are forward-looking statements and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. The Company claims the protections of the Safe Harbor for forward-looking statements contained in such sections. The forward-looking statements made in this call are subject to the risks and uncertainties described in the Risk Factor section of the Company's Form 10-K and other filings with the SEC. Actual results may differ materially from those described during the call. In addition, all forward-looking statements are made as of today and the Company does not undertake any responsibility to update any forward-looking statements based on new circumstances or revised expectations. Please note that certain non-GAAP financial measures will be discussed on this conference call. A presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. A reconciliation of GAAP to non-GAAP financial measures is available on our posted earnings release and slide presentation.

Joining me on today's call are Jeffrey Eckel, the company's President and CEO; and Brendan Herron, our CFO.

With that, I'd like to turn the call over to Jeff, who will begin on Slide 3. Jeff?

Jeffrey W. Eckel:

Thank you, Amanda, and good afternoon. Thank you, all, for dialing in. Today, we are announcing core earnings of $15.5 million for the quarter or $0.32 per share. We closed approximately $288 million of transactions which is consistent with our business model and earnings guidance. These investments reduced over 197,000 tons of greenhouse gas equivalent emissions which is equivalent to 96,000 tons of coal.

Our leverage increased to 1.9 to 1 versus 1.7 last quarter, with fixed-rate debt at 64%. We also in the quarter issued an $84 million fixed-rate sustainable yield bond. This bond carried both Moody's highest green bond assessment, a first for our firm, and a CarbonCount rating. These are both metrics which improve visibility for green bond investors. Brendan will speak more about this issuance.

Turning to Slide 4 on pipeline. We continue to enjoy a robust, diversified pipeline of more than $2.5 billion of investment opportunities, all neutral to negative on incremental greenhouse gas emissions. In addition to our investments in efficiency, wind and solar, we have increased infrastructure assets as a percent of total pipeline to 12%. You will note that solar assets as a percent of pipeline has fallen from 13% last quarter to 5%, in part due to the conversion of that solar pipeline to portfolio assets which we will talk about in a bit. While we are reloading the solar pipeline, one could expect more originations in efficiency, wind and infrastructure in the coming quarters, simply based on the fact that 95% of the pipeline is in those categories.

Forward-looking portfolio yields have remained fairly constant over the last quarter in total and by category. On a net portfolio basis, the portfolio increased approximately 15% by over $240 million and now stands at approximately $1.9 billion. The single largest addition was an approximately $144 million portfolio of solar land investments which we will turn to next on Slide 5.

On Slide 5, we highlight four Q1 transactions. Starting at the bottom left is the aforementioned solar land portfolio, representing 4,000 acres, with over 20 utility-scale solar projects in 4 states. sPower is a new client for Hannon and we believe their subsequent acquisition by AES will allow sPower to prosper and our opportunities with them to continue.

On the bottom right, we highlight a wind preferred equity transaction with JP Morgan and a top tier sponsor. This approximately $65 million investment is associated with almost 600 megawatts of wind capacity in five projects right across three states, and enjoys a preferred equity position in cash flows with no debt ahead of us, a structure similar to the prior three transactions with JP Morgan.

Moving counterclockwise around the page, we were proud to finance Schneider Electric's $22 million investment in three V.A. hospitals this quarter. These investments improve conditions in hospitals while saving the government money. As an aside, Secretary of Energy Rick Perry is quoted in a press release last week praising the energy savings performance contract transactions. Not just the Schneider Electric one at the V.A. but the program in general, is the kind of public-private partnerships the administration is supporting. We think that's very good news for us.

The top left project is another SunPower Helix system we financed for a California school district, similar to the two school districts we featured in the prior quarter. All four of these investments have attractive returns on equity, are diversified by geography, technology, operator, obligor and they continue to diversify our portfolio.

Now I'll turn it over to Brendan to detail our financial performance.

J. Brendan Herron:

Thanks, Jeff. Turning to the Q1 results. We generated $15 million of core earnings as compared to $12 million last year. While earnings grew by approximately 27% on a dollar basis, the impact of reduced other investment revenue and lower leverage in part due to the timing of equity raises, resulted in a flat core EPS of $0.32 per share. For the quarter, we generated GAAP interest income, rental income and income from equity method investments which we have labeled investment income, of $23 million, an increase from approximately $15 million last year as a result of a nearly 40% growth in the portfolio from this time last year.

We generated gain on sale and fee income, which we labeled other investment revenue, of approximately $4.6 million, down from $5.8 million in the prior year or about $0.02 on a core basis. If you remember, in the first half of last year, we had higher than normal other investment revenue. Interest expense grew to $14 million from $11 million last year as a result of approximately $230 million of higher debt in 2017, used to fund our portfolio growth. Approximately $100 million of this debt was floating rate to finance the land portfolio transaction and thus our fixed-rate debts fell slightly to 64% from 67% at the end of last year. We expect to complete more fixed-rate debt transactions in the next several quarters as we work towards our increased fixed-rate debt target. Comp and general and administrative expenses remained fairly consistent on both a GAAP and a core basis for the quarter as compared to this time last year, with variances primarily due to one-time items. Headcount was 41 at the end of the quarter.

In total, we have $7 million or $0.14 a share of GAAP income, a 100% increase from the $0.07 per share last year, in part due to higher GAAP income from equity method transactions of approximately $4 million. This increase was the result of new transactions where we see a preferred distribution of both cash and profits. The GAAP earnings do not effect—do not include the full effect of the cash we received from our equity method investment, especially when we have invested alongside of tax equity and receive a limited allocation of profits and losses, although a much larger allocation of cash.

For the first quarter, we collected $17 million in cash from our equity method investments as compared to GAAP income on these investments of approximately $4 million. Since we have based our investments on future cash flows discounted back to a present value, we believe the cash we receive reflects both a return of capital and a return on our investment. Thus, we make a core adjustment of approximately $5 million to recognize the return on investment which, year-to-date, when added to our GAAP $4 million of income, gives a total core return of $9 million. Thus, the other $8 million is treated as a return of capital.

Turning to Slide 7. Our focus on high credit quality assets is reflected in our portfolio which, excluding equity method investment, consist of 42% of our assets from government obligors and 57% commercial transactions, with only two projects representing about 1% of our assets or $21 million not considered investment grade. Our portfolio is widely diversified with over 155 projects and an average outstanding balance of approximately $11 million per project.

On Slide 8, we want to focus on our balance sheet. Essentially, our assets have largely fixed-rate return characteristics as opposed to floating-rate investments and generally have little prepayment risk. Sixty-one percent of our assets are fixed—are finance receivables and debt investments with fixed rates. The balance of the portfolio consists of equity method investments in real estate, with largely preferred and predictable returns. As we have discussed, new assets are originated at current rates which is, in effect, similar to a bond ladder.

On the debt side, we are at approximately 64% fixed rate debt. As of March 31, 2017, before considering any improvement in asset yield, we estimate that a 25 basis point increase in LIBOR would increase quarterly interest expense by approximately $300,000 or $0.005 a share, certainly a manageable number. We completed our eighth, asset-backed, nonrecourse debt deal this quarter, with the $84 million announced transaction Jeff mentioned earlier, bringing our total average to 1.9 to 1 compared to 1.7 to 1 at year-end. These transactions have allowed us to add fixed-rate debt, extend maturities and diversified lenders and investors. We've also been successful in diversifying our equity investor base with many high quality investors and increasing the liquidity of our stock. As we grow, we will continue to use these and other financing tools as we execute on our capital plan.

I will now turn it back to Jeff, who will wrap up the presentation.

Jeffrey W. Eckel:

Thanks, Brendan. To close, we continue to execute on our business plan of investing our capital and assets that enable the growth in the best efficiency, renewable and infrastructure companies in the business. By aggregating assets like efficiency assets at a V.A. hospital or land for solar farm, assets that are otherwise not accessible to our public Shareholders, we are building a business that allows our Shareholders to participate in attractive yielding assets generated by an increasingly diverse portfolio and managed by a team that owns 6% of your business and is dedicated to good governance. We thank our Shareholders for their continued support and interest, and I would like to thank my colleagues at Hannon Armstrong for keeping our clients top of mind as we continue to invest in the future of energy.

We appreciate you listening to our update and we'll now open the call for a few questions.

Operator:

Thank you, sir. Ladies and gentlemen, if you would like to ask a question at this time, it is star, one on your touchtone telephone. Please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's star, one at this time if you would like to ask a question.

We'll take our first question from Noah Kaye with Oppenheimer.

Noah Kaye:

Thank you. Good afternoon Jeff, Brendan and Amanda, thanks for taking the question.

Jeffrey W. Eckel:

Hi, Noah.

Noah Kaye:

If I can just start with the federal business, we saw last week that the deal we indefinite—those were indefinite in quantity, $55 billion authorization for a federal efficiency projects was successfully put into place. So, that runs now for quite a long time and I think it overlaps with the existing program authorization. So, there should be good continuity there. But from where you sit, I'm wondering more about kind of the ongoing activity and flow of projects that have already kind of been in developed. From your perspective, are things pretty much business as usual? Have you seen any change in kind of activity and flow on a contracting basis?

Jeffrey W. Eckel:

Let me answer that a little bit differently. There's always a change at administrations. Contracting officers and agencies look for new direction. I frankly see less change in this transition of administrations than any of the prior four that we've been through. Remember, we go back to Bush one in this business. Part of it is because the last two years in '15 and '16 were such high volume ESPC transaction years that the industry really developed the muscle, and the anecdotal evidence we hear is this is really well-institutionalized. You probably noticed that when President Trump undid President Obama's Executive orders on energy, he did not unwind any of the Executive orders on ESPCs. With Secretary Perry saying—calling out explicitly, these are good public-private partnerships, they are. This makes great sense for Republican administrations, for Democratic administrations. So, it's early days, of course, but we don't see the typical slowdown in a change of administration that frankly, I feared. Regardless of anybody's politics, it’s just change is never good for contracting. So, we're quite optimistic.

Noah Kaye:

Okay. Thanks very much for that colour. Second question, just picking around incentives that the Company, as a business continues to grow. Having had a chance to read the proxy, it seems like in the past, incentives have something based off of a combination of origination volume and then core EPS. Please correct me if I'm wrong, but also some provisions around credit losses and certainly stock-preparedness. But as you take the on balance sheet portfolio now over $2 billion and some of the one-time gain on sales from securitization that you had last year, it's a little bit lower this year, those do a little short-term EPS but don't necessarily lead to higher recurring revenue and EPS growth. How are you thinking about those incentives? Is there any thought to kind of putting more emphasis on the recurring earnings portion of the business, particularly if that becomes a bigger part of the overall earnings?

Jeffrey W. Eckel:

Well, I think that has been sort of the premise of why we went public. For 32 years, all we did was had effectively gain on sale income and no recurring revenues. The whole point of going public was to build the balance sheet and as we've—each of the now-16 quarters we've been public, we are less and less reliant on nonrecurring fees and more and more generating our core earnings from net interest margin which is obviously a more robust and longer-dated earnings stream. So, I think you should expect that—I don't think it's a change in the way we're compensating ourselves, I think it's the same—or incentivizing ourselves. It's the same basic driver of be less reliant on fees, have fees be noise to the upside on earnings, not something that causes to hit earnings. That's why the fact that fees are down a little bit but earnings are up, that, to us, is going in the right direction.

J. Brendan Herron:

I think the other thing to add to that is it's still—we really try to align ourselves with Shareholders. So, the awards that—and the way the grants are structured, the short-term rewards are focused mostly on—a large percentage of it is our core earnings targets, and that largely tracks guidance. Then, the longer-term incentives are more on total return which, again, is what Shareholders, I think, care about. So, we're really trying to, as Jeff has always talked about, have good governance and align how we're compensated with how our Stockholders expect to benefit from moving our stock. So, hopefully we've done a good job in aligning those two.

Noah Kaye:

Okay. Well, thank you very much. I will jump back in queue.

Jeffrey W. Eckel:

Thanks.

Operator

We'll take our next question from Carter Driscoll with FBR.

Carter Driscoll:

Hi, guys. How are you?

Jeffrey W. Eckel:

Good.

J. Brendan Herron:

Good, Carter, how are you?

Carter Driscoll:

Fine. Thank you. Just following up on Noah's question. Do you see the scope of the ESPC program changing at all in terms of adding storage or micro grids, really expanding the opportunity? Obviously, you highlighted a program with Ameresco, Parris Island last quarter, is a unique project. Just trying to get at—could you get some incremental margin as you drive some new technologies into these types of deployments? I have a follow-up.

Jeffrey W. Eckel:

Well, I think the incremental margin would accrue to the ESCO, if they're able to make a larger project by adding storage or some kind of distributed generation solution, they've got a markup on the total package, that goes to them. We certainly like larger deals rather than smaller deals, so effectively, it probably gives us a little margin. But the real juice is for the ESCO. As to where the industry's going, I think it started out as, how do you save money. Really, that was sort of, when we started doing ESPCs, the average deal size was $2 million. It's now substantially larger than that and you're seeing transactions like Parris Island and some other ones that are in the $100 million. Now, we're looking at rebuilding bases, rebuilding for resiliency, net energy, zero; net water, zero; net waste, zero.

So, the scope and the ambition of the ESPC program, I think, has expanded significantly along with the capabilities and competencies of the ESCO community. That's where I think, to revisit Noah's question, it's become an expected source of investment, in particularly DoD facilities. There isn't appropriation for this kind of stuff and with the performance guarantees the government enjoys, I think they're getting a very, very good deal. So, hopefully, that addresses the question. I think the adding storage, we think that's a terrific idea in the context of efficiency upgrades and distributed generation as well.

Carter Driscoll:

That's very helpful, thank you. Have you seen any change in—you talked obviously about the ESPC and through this administration, really little change unlike maybe some of the prior administrations. At the state level, you've hit a couple hiccups, maybe Oklahoma; I realize it's a smaller state, but really pulling back from renewals or subsidization. Any other pockets of states that you should worry about or you should keep an eye on, potentially changing their commitment to reducing GHG?

Jeffrey W. Eckel:

I know Ohio just introduced in the state legislature a bill that reverses what Governor Kasich just vetoed, no prognostication on Ohio politics. The simple answer is no, we probably don't see that level of visibility. Fortunately, the developers are the ones who have to bear that risk. If they've made an investment in Oklahoma in the transaction or in Ohio and that political landscape becomes less favorable, that's frankly, their risk. We are likely to not even know of a change in their development pipeline. But we see the transactions when they become much more mature and much closer to being developed or, in fact, in construction. I would suggest some other states like California, that are—they may be softening on some aspects like residential solar, but there's still significant public policy support for renewables in general.

Carter Driscoll:

Then if I could just sneak in a quick last one. I think you're pretty confident in your getting closer to your high end of your fixed rate target by year-end. If you could contrast that with the variable issue you did for the land deal, was it for speed to market? Just trying to get a sense of your confidence in still reaching at least close to the high end of that target by year-end?

J. Brendan Herron:

Yes, if you remember back in 2015, we had a similar land transaction. We were able to take it down to a rated ABS debt transaction. So, this was much more of a bridge facility to get us through that process so we could close the land transaction in the timeframe that our customer needed it for us to do it. Then, we'll replace it with longer-term financing.

Carter Driscoll:

Perfect. I will get back in the queue. Thank you.

Operator:

We'll take our next question from Philip Shen with Roth Capital Partners.

Philip Shen:

Hi, everyone. Thanks for the questions.

Jeffrey W. Eckel:

Hi, Philip.

Philip Shen:

Hi, guys. So, recently, I believe there's a bill called the PACE Act of 2017, was proposed in the Senate. Can you talk about how this bill might impact your C-PACE opportunity? Do see a meaningful probability for the bill to pass? Then, you've been expecting this segment to be a nice source of growth in '17 versus '16, do you continue to expect the same level of opportunity as you did on the Q4 call?

J. Brendan Herron:

So, that bill is largely focused on residential, an area that we haven't really participated in. In my understanding, it does some things to make sure that the PACE—the residential PACE programs are complying with truth in lending and some of the other lending requirements that are applicable to residential loans. As far as commercial PACE where we focus ourselves, we continue to invest in the area. We continue to see progress in transactions. As we've explained all along, it's an education process, it's slightly different sales channels. I used to describe it as the toddler standing at the table. He's now taking a few steps but certainly not running a marathon yet. So, we're—we continue to work at it and we continue to be optimistic that it will be well accepted and be a good source of long-term revenue.

Philip Shen:

Okay. Great. Thanks, Brendan.

Jeffrey W. Eckel:

So, just to supplement that, I have no comment on the toddler walking or running, but we didn't mention PACE in this quarterly call and that's—I mean, it's developing normally, there's nothing really to highlight, we're pleased with the development. Its absence in our comments is of no significance. The toddler did not fall down.

Philip Shen:

Previously, you guys indicated that if rates fall or the yield curve inverts, you could look to increase securitizations for gains on sale. With the recent modest flattening of the yield curve, can you talk us through the conditions in which you could or may start to pursue more securitizations versus holding assets on balance sheets?

J. Brendan Herron:

I think if you look at the yield curve kind of over the timeframe, it's very much been in the range. A couple of a months ago, they were probably at the high end of the range of where we've been in the last 4 years. It's trended back down a little bit more towards maybe the midpoint of the range of where we've been. So, I don't think that any—the changes that we've seen, either up or down, were sufficient to make us change the business model in any way. We've tried very hard to protect ourselves on the upside and as Jeff mentioned, we're continuing to try to grow the portfolio. So, I don't think that any—the most recent changes, either or the upswing post-election and then the kind of return downward, would cause us to change our strategy.

Philip Shen:

Okay, great. Then, finally, your—given your change in assets from Q4 to Q1, you guys originated $288 million which implies, I think, $135 million of assets rolled off in Q1. Does that make sense? Then, for the assets that you added during the quarter, can you compare and contrast perhaps the yield profiles between what rolled off and kind of what came on in the period?

J. Brendan Herron:

Well, I think we continue to add assets in the period. I don't know that there's been a mix. Jeff did point to the land transactions and land has historically been at the higher end of the rates that we bring on or—so, I think we're happy with where land ended up. I know that—and $135 million seems high to me.

Jeffrey W. Eckel:

Yes. How are you getting to that one, Phil?

Philip Shen:

I was just taking the gross assets, adding the originations and looking at the change in the net assets and getting to an implied number of assets, more amount of assets rolled off. So, $288 million less the $153 million, getting to the $135 million.

J. Brendan Herron:

Oh, you're talking number assets? Because in portfolio...

Philip Shen:

No, we're talking more—this is the dollar amounts, just the dollar amounts.

J. Brendan Herron:

So, at the end of the quarter, it was just 1—just under 1.9 and it was 1.6 last quarter, the portfolio of balance. I'm just focused on portfolio, not other assets. So, of the portfolio, we added about $240 million net. So, I think the $288, we put about 90—high 90s of that $288 million percentage on to the balance sheet. So, there wasn't that much roll off in the quarter, Phil.

Philip Shen:

Okay, great. Well, thanks, Jeff, thank you, Brendan. I will pass it on.

Jeffrey W. Eckel:

Thanks, Phil.

Operator:

Again, ladies and gentlemen, if would like to ask a question, it’s star, one on touchtone telephone.

We'll go next to Ben Kallo with Baird.

Benjamin Kallo:

Hey, guys, can you just comment on your expected growth rate? Now that we're a couple of months into the year and you haven't seen things slow down, so can you talk about that a little bit. As it concerns larger transactions, can you just talk about competition in larger transaction sizes and maybe origination? Just following off of that, I know there was a storage question. How about with water, where can we expect it?

Jeffrey W. Eckel:

Ben, what was your first question? Sorry, I was taking notes.

Benjamin Joseph Kallo:

Growth rate?

Jeffrey W. Eckel:

Oh, so, we're reaffirming the 132 in for 2017 earnings. We haven't really talked much more about growth beyond that other than as we continue to add assets to the balance sheet with the impacts of operating leverage and financial leverage, we're able to continue to grow earnings. So, that's a 10% midrange growth in earnings. In terms of competition for large deals, you have to remember, even our large deals are a lot of little deals. The $144 million deal was made up of 20 deals, all of which need to be due diligenced. Frankly, a lot of shops look at that and say forget it, we can't get our heads around $12 million average deal sizes. So, that's not to say we don't have competition. But I think the one thing that we're starting to appreciate is the fact that we have permanent capital is perceived as valuable by financial and sponsor partners.

They want to know that they have a more permanent partner rather than a fund which is time-limited. That doesn't make us win all deals, maybe we get to win five with that advantage. But I think we are finding that to make money in this, you have to specialize in the various niches. We expect to see more solar land transactions, precisely because the market for utility-scale solar is tight and people have to get the capital stack to be even more efficient. If we're bidding on the land and provide an accretive solution to the sponsor, now is the time they're going to seek that out. It's worth it and they need every help they that can get, so—and then with respect to storage, I think we've always had the view that storage is another measure to be included behind the meter with efficiency upgrades and other supply side solutions, whether it's cogeneration or solar. We don't have—I haven't talked about utility-scale or wholesale side-of-the-meter type storage projects. We know they're out there. I suspect we'll see them but it's not something we're...

Benjamin Joseph Kallo:

I was asking about water. Sorry, I made that confusing, about water projects.

Jeffrey W. Eckel:

Oh, that reminds me of a bad presentation I made at (inaudible) one time where I completely misunderstood the question. Water storage or water, we always report on water in our annual report in terms of millions of gallons saved. There are a lot of water upgrade projects alongside efficiency upgrades. We have started to look at storm water remediation, particularly in the Chesapeake Bay region. We don't have any of those assets yet but it seems to us like the kind of assets that our financing could help accelerate. We are looking at water privatizations on military bases. Again, nothing on that but there could be something on that. So, we'd love to have a water project to talk about and get it to scale. But we really want to make sure that the transactions we're talking about are programmatic and repeatable and scalable. That's the kind of transaction that we get enthusiastic about talking about and get enthusiastic about investing in. Not yet.

Benjamin Joseph Kallo:

Great. Thank you.

Operator:

We'll go next to Jeff Osborne with Cowen and Company.

Jeffrey Osborne:

Hi, good afternoon. Most of the questions have been answered already. I appreciate that. But maybe just your expectations on pricing at deals that you're getting, how are you seeing the market evolve, particularly on some of the solar and wind projects, just given solar in particular has less volume this year than last year?

Jeffrey W. Eckel:

Really hard to generalize, Jeff. I'm not trying to be evasive, but some transactions where we're a really good fit and have some maybe softer benefits like the permanent capital, it's not as quite—execution is more valued than the last basis points. Other deals that are addressable by many other players, of course they get super bid out but those aren't ones we've ever really pursued, so we continue to like the niches. That said, in any one of our markets, if somebody wants to beat us and buy a deal, they're going to have some opportunity. But none of these niches are that big that, that many competitors come in and can make a good business out of it. The cost of capital advantage doesn't seem to be much of an issue. So, it's hard to say. I don't want to be a utility-scale developer, that's why we own land underneath them. We think that's a better business for us. We're thankful others are out there developing those projects but it's a pretty thin business right now, for sure.

Jeffrey David Osborne:

Got it. The last question I had was just on the efficiency side. Historically, I always associated you with a large presence within Johnson Controls. A lot of the examples that you've given in the past with that partner has just been a key ally of yours for quite some time. In today's presentation, you had a nice win with Schneider Electric, which I think has also been a partner. But just if you were—I know you don't report results this way and probably won't continue to do that but just qualitatively, can you just discuss, are you gaining share within non-Johnson Controls partners? Or how do you look at the business that way with the types of folks that you're doing deals with?

Jeffrey W. Eckel:

Well, we've talked about the six industrial giants of energy efficiency: Johnson Controls, Siemens, Schneider, Honeywell, Trane and UTC. We've done business with all of them for as long as 17 years. Schneider, I think, started four years ago, we did their U.S. Federal deal. So, we've had multiyear, in some cases, multi-decade relationships with these companies. We continue to do business with all of them. The only thing we've ever said about any one client is we generally win more than we lose in the industry. So, you'd almost have to go back to the FEMP website, Federal Energy Management Program, kind of add up market share of the various ESCOs and that would probably be a pretty interesting or a pretty useful indicator of where we are. I'm not sure there is a bias from any one ESCO to another in terms of our win rate.

Jeffrey David Osborne:

Okay. Good to hear. Thanks so much.

Jeffrey W. Eckel:

Thank you.

Operator:

Ladies and Gentlemen, that's our final question today. I'd like to turn the call back over to Mr. Eckel for any closing remarks.

Jeffrey W. Eckel:

Thanks for everybody listening in and good questions. Hopefully, our answers were up to the questions. Thanks so much.

Operator:

Ladies and gentlemen, this does conclude today's conference. We appreciate your participation.