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**United States**  
**Securities and Exchange Commission**  
WASHINGTON, DC 20549

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**FORM 8-K**

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**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2022

**Hannon Armstrong Sustainable Infrastructure Capital, Inc.**

(Exact Name of Registrant as Specified In Its Charter)

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Maryland  
(State or other jurisdiction of incorporation)

001-35877  
(Commission File Number)

46-1347456  
(IRS Employer Identification No.)

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1906 Towne Centre Blvd, Suite 370 Annapolis,  
Maryland 21401  
(Address of principal executive offices)

(410) 571-9860  
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	HASI	New York Stock Exchange

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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

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**Item 2.02 Results of Operation and Financial Condition.**

On May 3, 2022, Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") issued an earnings release announcing its financial results for the quarter ended March 31, 2022, as well as its Q2 2022 dividend. A copy of the earnings release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

The information in this Current Report, including Exhibit 99.1, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, unless it is specifically incorporated by reference therein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Earnings Release, dated May 3, 2022</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**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 hereunto duly authorized.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL,  
INC.

By: /s/ Steven L. Chuslo

Steven L. Chuslo

Executive Vice President and Chief Legal Counsel

Date: May 3, 2022



## Hannon Armstrong Announces First Quarter 2022 Results and Declares Dividend

ANNAPOLIS, Md., May 3, 2022 -- (BUSINESS WIRE) -- Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong," "we," "our" or the "Company") (NYSE: HASI), a leading investor in climate solutions, today reported results for the first quarter of 2022.

### Financial Highlights

- Delivered \$0.51 GAAP EPS on a fully diluted basis for the first quarter of 2022, compared with \$0.61 for the same period in 2021
- Delivered \$0.52 Distributable EPS on a fully diluted basis for the first quarter of 2022, compared to \$0.43 Distributable EPS for the same period in 2021, representing a 21% YOY increase
- Reported GAAP-based Net Investment Income of \$10.1 million for the first quarter of 2022, compared to \$4.0 million for the same period in 2021
- Increased Distributable Net Investment Income for the first quarter of 2022 by 41% YOY to \$42.5 million, compared to \$30.1 million for the same period in 2021
- Closed \$331 million of investments in the first quarter of 2022, compared to \$188 million in the same period in 2021
- The portfolio grew 28% YOY to \$3.7 billion
- Lowered cost of funds with issuance of \$200 million CarbonCount-based exchangeable notes in April 2022, maturing in 2025. The notes have a 0.00% coupon, a \$56.54 initial exchange price and 3.25% per annum principal accretion if the exchange does not occur.
- Declared dividend of \$0.375 per share
- Affirm guidance that Distributable Earnings Per Share is expected to grow at a compound annual rate of 10% to 13% from 2021 to 2024, relative to the 2020 baseline of \$1.55 per share, which is equivalent to a 2024 midpoint of \$2.40 per share

### ESG Highlights

- Published 2021 Impact Report and Proxy on our website
  - Advanced several climate justice initiatives through Hannon Armstrong Foundation
  - An estimated over 63,000 metric tons of carbon emissions will be avoided annually by our transactions closed this quarter, equating to a CarbonCount<sup>®</sup> score of 0.19 metric tons per \$1,000 invested
-

"Strong NII growth contributed to this strong quarter and sets us up for a strong year. With our gain on sale revenue, in addition to NII, we demonstrate again that the HASI dual-revenue business model, built on a diverse set of clients, technologies and assets, continues to work well despite macroeconomic and industry challenges" said Jeffrey W. Eckel, Hannon Armstrong Chairman and Chief Executive Officer.

"In addition, we continue our leadership on ESG, which attracts and retains the best talent committed to making a positive impact on climate and social justice."

A summary of our results is shown in the table below:

	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	\$ in thousands	Per Share (Diluted)	\$ in thousands	Per Share (Diluted)
GAAP Net Income	\$ 45,346	\$ 0.51	\$ 51,024	\$ 0.61
Distributable earnings	45,734	0.52	35,677	0.43

## Financial Results

"We have a consistent track record of growing Distributable EPS in a variety of interest rate environments. Additionally, the recent issuance of \$200 million CarbonCount-based exchangeable notes provides an attractive source of capital to our funding mix," said Jeffrey A. Lipson, Chief Financial Officer and Chief Operating Officer. "With this and the other pillars of our funding platform in place, we now have over \$930 million of potential liquidity available to fund scheduled and anticipated investments"

### *Comparison of the quarter ended March 31, 2022 to the quarter ended March 31, 2021*

Total revenue increased by \$7 million, as higher interest income, the result of a larger portfolio and higher average rate, combined with higher fee income driven by additional fee generating opportunities.

Interest expense decreased \$1 million, or 3%, primarily due to a debt extinguishment expense in the prior year which did not recur and a lower average rate, partially offset by higher interest costs due to a higher average outstanding debt balance. We recorded a \$1 million provision for loss on receivables driven primarily by loans and loan commitments made during the period. Other expenses (compensation and benefits and general and administrative expenses) increased by approximately \$2 million primarily due to additional investment in corporate infrastructure.

We recognized income of \$48 million using the hypothetical liquidation at book value method (HLBV) for our equity method investments in the first quarter of 2022, compared to \$54 million

for the same period in 2021, primarily due to fewer tax attributes recognized by our co-investors which decreases our HLBV allocation of earnings.

Income tax benefit (expense) increased approximately \$(4) million in the first quarter of 2022 compared to the same period in 2021 due to an increase in our expected annual effective tax rate for 2022.

GAAP net income in the first quarter of 2022 was \$45 million, compared to \$51 million in the same period in 2021. Distributable earnings in the first quarter of 2022 was approximately \$46 million, or an increase of approximately \$10 million from the same period in 2021 due primarily to new assets added to our portfolio.

### Leverage

The calculation of our fixed-rate debt and leverage ratios as of March 31, 2022 and December 31, 2021 are shown in the table below:

	<b>March 31, 2022</b>	<b>% of Total</b>	<b>December 31, 2021</b>	<b>% of Total</b>
	<i>(\$ in millions)</i>		<i>(\$ in millions)</i>	
Floating-rate borrowings <sup>(1)</sup>	\$ 100	4 %	\$ 101	4 %
Fixed-rate debt <sup>(2)</sup>	2,416	96 %	2,392	96 %
<b>Total</b>	<b>\$ 2,517</b>	<b>100 %</b>	<b>\$ 2,493</b>	<b>100 %</b>
<b>Leverage <sup>(3)</sup></b>	<b>1.6 to 1</b>		<b>1.6 to 1</b>	

(1) Floating-rate borrowings include borrowings under our floating-rate credit facilities.

(2) Debt excludes securitizations that are not consolidated on our balance sheet.

(3) Leverage, as measured by our debt-to-equity ratio.

## Portfolio

Our balance sheet portfolio totaled approximately \$3.7 billion as of March 31, 2022, which included approximately \$2.0 billion of behind-the-meter assets and approximately \$1.7 billion of grid-connected assets. The following is an analysis of the performance of our portfolio as of March 31, 2022:

	Portfolio Performance				Total
	Government	Commercial			
	1 <sup>(1)</sup>	1 <sup>(1)</sup>	2 <sup>(2)</sup>	3 <sup>(3)</sup>	
	<i>(dollars in millions)</i>				
Total receivables	116	1,339	11	8	1,474
Less: Allowance for loss on receivables	—	(26)	(3)	(8)	(37)
Net receivables <sup>(4)</sup>	116	1,313	8	—	1,437
Receivables held-for-sale	—	66	—	—	66
Investments	9	7	—	—	16
Real estate	—	360	—	—	360
Equity method investments <sup>(5)</sup>	—	1,842	29	—	1,871
<b>Total</b>	<b>\$ 125</b>	<b>\$ 3,588</b>	<b>\$ 37</b>	<b>\$ —</b>	<b>\$ 3,750</b>
Percent of Portfolio	3 %	96 %	1 %	— %	100 %
Average remaining balance <sup>(6)</sup>	\$ 6	\$ 12	\$ 10	\$ 4	\$ 12

- (1) This category includes our assets where based on our credit criteria and performance to date, we believe that our risk of not receiving our invested capital remains low.
- (2) This category includes our assets where based on our credit criteria and performance to date, we believe there is a moderate level of risk of not receiving some or all of our invested capital.
- (3) This category includes our assets where based on our credit criteria and performance to date, we believe there is substantial doubt regarding our ability to recover some or all of our invested capital. Included in this category are two commercial receivables with a combined total carrying value of approximately \$8 million as of March 31, 2022 which we have held on non-accrual status since 2017. We have recorded an allowance for the entire asset amounts. We expect to continue to pursue our legal claims with regards to these assets.
- (4) Total reconciles to the total of the government receivables and commercial receivables lines of the consolidated balance sheets.
- (5) Some of the individual projects included in portfolios that make up our equity method investments have government off-takers. As they are part of large portfolios, they are not classified separately.
- (6) Average remaining balance is calculated gross of allowance for loss on receivables and excludes approximately 259 transactions each with outstanding balances that are less than \$1 million and that in the aggregate total \$93 million.

## Guidance

The Company expects that annual distributable earnings per share will grow at a compounded annual rate of 10% to 13% from 2021 to 2024, relative to the 2020 baseline of \$1.55 per share, which is equivalent to a 2024 midpoint of \$2.40 per share. The Company also expects growth of annual dividends per share to be at a compounded annual rate of 5% to 8%. This guidance reflects the Company's judgments and estimates of (i) yield on its existing portfolio; (ii) yield on incremental portfolio investments, inclusive of the Company's existing pipeline; (iii) the volume and profitability of transactions; (iv) amount, timing, and costs of debt and equity capital to fund new investments; (v) changes in costs and expenses reflective of the Company's forecasted operations; and (vi) the general interest rate and market environment. All guidance is based on

current expectations of the ongoing and future impact of COVID-19 and the speed and efficacy of vaccine distribution on economic conditions, the regulatory environment, the dynamics of the markets in which we operate and the judgment of the Company's management team, among other factors. In addition, distributions are subject to approval by the Company's Board of Directors on a quarterly basis. The Company has not provided GAAP guidance as discussed in the Forward-Looking Statements section of this press release.

### **Dividend**

The Company is announcing today that its Board of Directors approved a quarterly cash dividend of \$0.375 per share of common stock. This dividend will be paid on July 12, 2022, to stockholders of record as of July 5, 2022.

### **Conference Call and Webcast Information**

Hannon Armstrong will host an investor conference call today, Tuesday, May 3, 2022, at 5:00 p.m. Eastern time. The conference call can be accessed live over the phone by dialing 1-877-407-0890 or for international callers, +1-201-389-0918. Participants should inform the operator they want to be joined to the Hannon Armstrong call. The conference call will also be accessible as an audio webcast with slides on the Company's website at <https://investors.hannonarmstrong.com/>. An online replay will be available for a limited time beginning immediately following the call.

### **About Hannon Armstrong**

Hannon Armstrong (NYSE: HASI) is the first U.S. public company solely dedicated to investments in climate solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets. With over \$9 billion in managed assets, Hannon Armstrong's core purpose is to make climate-positive investments with superior risk-adjusted returns. For more information, please visit [www.hannonarmstrong.com](http://www.hannonarmstrong.com). Follow Hannon Armstrong on [LinkedIn](#) and Twitter [@HannonArmstrong](#).

### **Forward-Looking Statements:**

*Some of the information contained in this press release is forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are subject to risks and uncertainties. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives, and include the ongoing impact of the current outbreak of the novel coronavirus ("COVID-19"). When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All*

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*statements that address operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements.*

*Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements include those discussed under the caption "Risk Factors" included in our most recent Annual Report on Form 10-K as well as in other periodic reports that we file with the U.S. Securities and Exchange Commission (the "SEC").*

*Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.*

*The Company has not provided GAAP guidance as forecasting a comparable GAAP financial measure, such as net income, would require that the Company apply the HLBV method to these investments. In order to forecast under the HLBV method, the Company would be required to make various assumptions related to expected changes in the net asset value of the various entities and how such changes would be allocated under HLBV. GAAP HLBV earnings over a period of time are very sensitive to these assumptions especially in regard to when a partnership transaction flips and thus the liquidation scenarios change materially. The Company believes that these assumptions would require unreasonable efforts to complete and if completed, the wide variation in projected GAAP earnings based upon a range of scenarios would not be meaningful to investors. Accordingly, the Company has not included a GAAP reconciliation table related to any distributable earnings guidance.*

*Estimated carbon savings are calculated using the estimated kilowatt hours, gallons of fuel oil, million British thermal units of natural gas and gallons of water saved as appropriate, for each project. The energy savings are converted into an estimate of metric tons of CO2 equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Agency. Portfolios of projects are represented on an aggregate basis.*

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**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	<b>For the Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Interest income	\$ 30,242	\$ 25,100
Rental income	6,499	6,469
Gain on sale of receivables and investments	17,099	17,490
Fee income	4,636	2,636
<b>Total revenue</b>	<b>58,476</b>	<b>51,695</b>
<b>Expenses</b>		
Interest expense	26,652	27,582
Provision for loss on receivables	621	505
Compensation and benefits	14,929	15,210
General and administrative	7,138	4,884
<b>Total expenses</b>	<b>49,340</b>	<b>48,181</b>
<b>Income before equity method investments</b>	<b>9,136</b>	<b>3,514</b>
Income (loss) from equity method investments	47,566	54,481
<b>Income (loss) before income taxes</b>	<b>56,702</b>	<b>57,995</b>
Income tax (expense) benefit	(10,999)	(6,779)
<b>Net income (loss)</b>	<b>\$ 45,703</b>	<b>\$ 51,216</b>
Net income (loss) attributable to non-controlling interest holders	357	192
<b>Net income (loss) attributable to controlling stockholders</b>	<b>\$ 45,346</b>	<b>\$ 51,024</b>
Basic earnings (loss) per common share	\$ 0.53	\$ 0.65
Diluted earnings (loss) per common share	\$ 0.51	\$ 0.61
Weighted average common shares outstanding—basic	85,583,152	77,493,021
Weighted average common shares outstanding—diluted	89,052,167	86,866,581

**HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)**

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 133,323	\$ 226,204
Equity method investments	1,871,168	1,759,651
Commercial receivables, net of allowance of \$37 million and \$36 million, respectively	1,320,507	1,298,529
Government receivables	116,183	125,409
Receivables held-for-sale	65,749	22,214
Real estate	359,867	356,088
Investments	16,501	17,697
Securitization assets	192,178	210,354
Other assets	146,253	132,165
<b>Total Assets</b>	<b>\$ 4,221,729</b>	<b>\$ 4,148,311</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable, accrued expenses and other	\$ 90,895	\$ 88,866
Credit facilities	100,464	100,473
Green commercial paper notes	75,172	50,094
Non-recourse debt (secured by assets of \$567 million and \$573 million, respectively)	424,441	429,869
Senior unsecured notes	1,774,900	1,762,763
Convertible notes	141,863	149,731
<b>Total Liabilities</b>	<b>2,607,735</b>	<b>2,581,796</b>
<b>Stockholders' Equity:</b>		
Preferred stock, par value \$0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value \$0.01 per share, 450,000,000 shares authorized, 86,719,735 and 85,326,781 shares issued and outstanding, respectively	867	853
Additional paid in capital	1,783,938	1,727,667
Accumulated deficit	(181,282)	(193,706)
Accumulated other comprehensive income (loss)	(12,341)	9,904
Non-controlling interest	22,812	21,797
<b>Total Stockholders' Equity</b>	<b>1,613,994</b>	<b>1,566,515</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,221,729</b>	<b>\$ 4,148,311</b>

**EXPLANATORY NOTES**

**Non-GAAP Financial Measures**

**Distributable Earnings**

We calculate distributable earnings as GAAP net income (loss) excluding non-cash equity compensation expense, provisions for loss on receivables, amortization of intangibles, non-cash provision (benefit) for taxes, gains or (losses) from modification or extinguishment of debt facilities, any one-time acquisition related costs or non-cash tax charges and the earnings attributable to our non-controlling interest of our Operating Partnership. We also make an adjustment to our equity method investments in the renewable energy projects as described below. We will use judgment in determining when we will reflect the losses on receivables in our distributable earnings. In making this determination we will consider certain circumstances such as the time period in default and sufficiency of collateral as well as the outcomes of any related litigation. In the future, distributable earnings may also exclude one-time events pursuant to changes in GAAP and certain other adjustments as approved by a majority of our independent directors.

We believe a Non-GAAP measure, such as distributable earnings, that adjusts for the items discussed above is and has been a meaningful indicator of our economic performance and is useful to our investors as well as management in evaluating our performance as it relates to expected dividend payments over time. As a REIT, we are required to distribute substantially all of our taxable income to investors in the form of dividends, which are a principal focus of our investors. Additionally, we believe that our investors also use distributable earnings, or a comparable supplemental performance measure, to evaluate and compare our performance to that of our peers, and as such, we believe that the disclosure of distributable earnings is useful to our investors.

Certain of our equity method investments in renewable energy and energy efficiency projects are structured using typical partnership “flip” structures where the investors with cash distribution preferences receive a pre-negotiated return consisting of priority distributions from the project cash flows, in many cases, along with tax attributes. Once this preferred return is achieved, the partnership “flips” and the common equity investor, often the operator or sponsor of the project, receives more of the cash flows through its equity interests while the previously preferred investors retain an ongoing residual interest. We have made investments in both the preferred and common equity of these structures. Regardless of the nature of our equity interest, we typically negotiate the purchase prices of our equity investments, which have a finite expected life, based on our assessment of the expected cash flows we will receive from these projects discounted back to the net present value, based on a target investment rate, with the expected cash flows to be received in the future reflecting both a return on the capital (at the investment rate) and a return of the capital we have committed to the project. We use a similar approach in the underwriting of our receivables.

Under GAAP, we account for these equity method investments utilizing the HLBV method. Under this method, we recognize income or loss based on the change in the amount each partner would receive, typically based on the negotiated profit and loss allocation, if the assets were liquidated at book value, after adjusting for any distributions or contributions made during such quarter. The HLBV allocations of income or loss may be impacted by the receipt of tax attributes, as tax equity investors are allocated losses in proportion to the tax benefits received, while the sponsors of the project are allocated gains of a similar amount. In addition, the agreed

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upon allocations of the project's cash flows may differ materially from the profit and loss allocation used for the HLBV calculations.

The cash distributions for those equity method investments where we apply HLBV are segregated into a return on and return of capital on our cash flow statement based on the cumulative income (loss) that has been allocated using the HLBV method. However, as a result of the application of the HLBV method, including the impact of tax allocations, the high levels of depreciation and other non-cash expenses that are common to renewable energy projects and the differences between the agreed upon profit and loss and the cash flow allocations, the distributions and thus the economic returns (i.e., return on capital) achieved from the investment are often significantly different from the income or loss that is allocated to us under the HLBV method. Thus, in calculating distributable earnings, for certain of these investments where there are characteristics as described above, we further adjust GAAP net income (loss) to take into account our calculation of the return on capital (based upon the investment rate) from our renewable energy equity method investments, as adjusted to reflect the performance of the project and the cash distributed. We believe this equity method investment adjustment to our GAAP net income (loss) in calculating our distributable earnings measure is an important supplement to the HLBV income allocations determined under GAAP for an investor to understand the economic performance of these investments where HLBV income can differ substantially from the economic returns.

The following table provides our results related to our equity method investments for the three months ended March 31, 2022 and 2021.

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(in millions)</i>	
Income (loss) under GAAP	\$ 48	\$ 54
Distributable earnings	\$ 32	\$ 24
Return of capital/(deferred cash collections)	(19)	(13)
Cash collected	<u>\$ 13</u>	<u>\$ 11</u>

Distributable earnings does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP), or an indication of our cash flow from operating activities (determined in accordance with GAAP), or a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating distributable earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported distributable earnings may not be comparable to similar metrics reported by other companies.

### Reconciliation of our GAAP Net Income to Distributable Earnings

We have calculated our distributable earnings and provided a reconciliation of our GAAP net income to distributable earnings for the three months ended March 31, 2022 and 2021 in the tables below.

	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	\$	per share	\$	per share
Net income attributable to controlling stockholders <sup>(1)</sup>	\$ 45,346	\$ 0.51	\$ 51,024	\$ 0.61
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(47,566)		(54,481)	
Add equity method investments earnings	31,598		23,837	
Equity-based compensation charges	3,540		5,499	
Provision for loss on receivables	621		505	
(Gain) loss on debt modification or extinguishment	—		1,499	
Other adjustments <sup>(2)</sup>	12,195		7,794	
<b>Distributable earnings<sup>(3)</sup></b>	<b>\$ 45,734</b>	<b>\$ 0.52</b>	<b>\$ 35,677</b>	<b>\$ 0.43</b>

(1) The per share amounts represent GAAP diluted earnings per share and is the most comparable GAAP measure to our distributable earnings per share.

(2) See Other adjustments table below.

(3) Distributable earnings per share for the three months ended March 31, 2022 and 2021, are based on 87,206,540 shares and 82,561,956 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards, restricted stock units, long-term incentive plan units, and the non-controlling interest in our Operating Partnership. We include any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. As it relates to convertible notes, we will assess the market characteristics around the instrument to determine if it is more akin to debt or equity based on the value of the underlying shares upon conversion. If the instrument is more debt-like then we will include any related interest expense and exclude the underlying shares issuable upon conversion of the instrument. If the instrument is more equity-like and is more dilutive when treated as equity then we will exclude any related interest expense and include the weighted average shares underlying the instrument.

The table below provides a reconciliation of the Other adjustments:

	For the Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
<b>Other adjustments</b>		
Amortization of intangibles <sup>(1)</sup>	\$ 839	\$ 823
Non-cash provision (benefit) for income taxes	10,999	6,779
Net income attributable to non-controlling interest	357	192
<b>Other adjustments</b>	<b>\$ 12,195</b>	<b>\$ 7,794</b>

(1) Adds back non-cash amortization of lease and pre-IPO intangibles.

The table below provides a reconciliation of GAAP SG&A expenses to Distributable SG&A expenses:

	For the Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
<b>GAAP SG&amp;A expenses</b>		
Compensation and benefits	\$ 14,929	\$ 15,210
General and administrative	7,138	4,884
<b>Total SG&amp;A expenses (GAAP)</b>	<b>\$ 22,067</b>	<b>\$ 20,094</b>
Distributable SG&A expenses adjustments:		
Non-cash equity-based compensation charge <sup>(1)</sup>	\$ (3,540)	\$ (5,499)
Amortization of intangibles <sup>(2)</sup>	(68)	(51)
Distributable SG&A expenses adjustments	(3,608)	(5,550)
<b>Distributable SG&amp;A expenses</b>	<b>\$ 18,459</b>	<b>\$ 14,544</b>

(1) Reflects add back of non-cash amortization of equity-based compensation. Outstanding grants related to equity-based compensation are included in the distributable earnings per share calculation.

(2) Adds back non-cash amortization of pre-IPO intangibles.

## Distributable Net Investment Income

We have a portfolio of debt and equity investments in climate change solutions. We calculate distributable net investment income by adjusting GAAP-based net investment income for those distributable earnings adjustments described above which impact investment income. We believe that this measure is useful to investors as it shows the recurring income generated by our Portfolio after the associated interest cost of debt financing. Our management also uses distributable net investment income in this way. Our non-GAAP distributable net investment income measure may not be comparable to similarly titled measures used by other companies. The following is a reconciliation of our GAAP-based net investment income to our distributable net investment income:

	Three months ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Interest income	\$ 30,242	\$ 25,100
Rental income	6,499	6,469
GAAP-based investment revenue	36,741	31,569
Interest expense	26,652	27,582
GAAP-based net investment income	10,089	3,987
Equity method earnings adjustment <sup>(1)</sup>	31,598	23,837
(Gain) loss on debt modification or extinguishment <sup>(2)</sup>	—	1,499
Amortization of real estate intangibles <sup>(3)</sup>	771	772
<b>Distributable net investment income</b>	<b>\$ 42,458</b>	<b>\$ 30,095</b>

(1) Reflects adjustment for equity method investments described above.

(2) Adds back losses related to debt prepayments included in interest expense in our income statement.

(3) Adds back non-cash amortization related to acquired real estate leases.

## Managed Assets

As we both consolidate assets on our balance sheet and securitize assets, certain of our receivables and other assets are not reflected on our balance sheet where we may have a residual interest in the performance of the investment, such as servicing rights or a retained interest in cash flows. Thus, we present our investments on a non-GAAP “managed” basis, which assumes that securitized receivables are not sold. We believe that our Managed Asset information is useful to investors because it portrays the amount of both on- and off-balance sheet receivables that we manage, which enables investors to understand and evaluate the credit performance associated with our portfolio of receivables, investments, and residual assets in securitized receivables. Our non-GAAP Managed Assets measure may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of our GAAP-based Portfolio to our Managed Assets as of March 31, 2022 and December 31, 2021:

	As of	
	March 31, 2022	December 31, 2021
	<i>(dollars in millions)</i>	
Equity method investments	\$ 1,871	\$ 1,760
Commercial receivables, net of allowance	1,321	1,299
Government receivables	116	125
Receivables held-for-sale	66	22
Real estate	360	356
Investments	16	18
GAAP-Based Portfolio	3,750	3,580
Assets held in securitization trusts	5,286	5,199
<b>Managed assets</b>	<b>\$ 9,036</b>	<b>\$ 8,779</b>