

Ameresco, Inc.  
Form 10-Q  
May 10, 2012  
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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 March 31, 2012

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

(State or Other Jurisdiction of  
Incorporation or Organization)

111 Speen Street, Suite 410

Framingham, Massachusetts

(Address of Principal Executive Offices)

(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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.

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Class	Shares outstanding as of May 4, 2012
Class A Common Stock, \$0.0001 par value per share	26,491,908
Class B Common Stock, \$0.0001 par value per share	18,000,000

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 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012  
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## PART I - FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## AMERESCO, INC.

## CONSOLIDATED BALANCE SHEETS

	December 31, 2011	March 31, 2012 (Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$26,277,366	\$38,435,362
Restricted cash	12,372,356	12,587,427
Accounts receivable, net	109,296,773	84,952,455
Accounts receivable retainage	26,089,216	20,539,058
Costs and estimated earnings in excess of billings	69,251,022	51,524,518
Inventory, net	8,635,633	8,776,498
Prepaid expenses and other current assets	8,992,963	6,183,681
Income tax receivable	9,662,771	10,287,965
Deferred income taxes	6,456,671	6,456,671
Project development costs	6,027,689	6,860,433
Total current assets	283,062,460	246,604,068
Federal ESPC receivable	110,212,186	124,282,323
Property and equipment, net	7,086,164	7,695,397
Project assets, net	177,854,734	181,531,005
Deferred financing fees, net	2,994,692	2,881,730
Goodwill	47,881,346	47,922,855
Intangible assets, net	12,727,528	11,071,284
Other assets	3,778,357	3,989,931
	362,535,007	379,374,525
	\$645,597,467	\$625,978,593
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$11,563,983	\$12,370,976
Accounts payable	93,506,089	71,419,981
Accrued expenses and other current liabilities	8,917,723	10,755,461
Book overdraft	7,297,122	—
Billings in excess of cost and estimated earnings	26,982,858	27,947,000
Total current liabilities	148,267,775	122,493,418
Long-term debt, less current portion	196,401,588	197,284,536
Deferred income taxes	29,953,103	29,402,775
Deferred grant income	6,024,099	5,938,793
Other liabilities	28,529,867	28,138,625
	\$260,908,657	\$260,764,729

Commitments and contingencies (Note 7)

The accompanying notes are an integral part of these condensed consolidated financial statements.



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## AMERESCO, INC.

## CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31, 2011	March 31, 2012 (Unaudited)
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding at December 31, 2011 and March 31, 2012	\$—	\$—
Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 30,713,837 shares issued and 25,880,553 outstanding at December 31, 2011, 31,251,858 shares issued and 26,418,574 outstanding at March 31, 2012	3,071	3,125
Class B common stock, \$0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at December 31, 2011 and March 31, 2012	1,800	1,800
Additional paid-in capital	86,067,852	89,115,280
Retained earnings	161,335,621	162,840,919
Accumulated other comprehensive loss	(1,868,352	) (129,421 )
Minority interest	63,614	71,314
Less — treasury stock, at cost, 4,833,284 shares, respectively	(9,182,571	) (9,182,571 )
Total stockholders' equity	236,421,035	242,720,446
	\$645,597,467	\$625,978,593

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2011	2012
	(Unaudited)	
Energy efficiency revenue	\$ 106,193,265	\$ 113,382,670
Renewable energy revenue	40,226,504	33,190,699
	146,419,769	146,573,369
Direct expenses:		
Energy efficiency expenses	86,361,423	89,619,775
Renewable energy expenses	32,075,313	27,729,784
	118,436,736	117,349,559
Gross profit	27,983,033	29,223,810
Operating expenses:		
Salaries and benefits	10,084,732	14,369,212
Project development costs	4,401,577	4,216,352
General, administrative and other	5,193,334	7,213,456
	19,679,643	25,799,020
Operating income	8,303,390	3,424,790
Other expenses, net (Note 9)	(900,437	) (1,337,605
Income before provision for income taxes	7,402,953	2,087,185
Income tax provision	(2,114,668	) (581,887
Net income	\$5,288,285	\$1,505,298
Net income per share attributable to common shareholders:		
Basic	\$0.13	\$0.03
Diluted	\$0.12	\$0.03
Weighted average common shares outstanding:		
Basic	41,322,276	44,145,093
Diluted	45,823,090	46,128,417
The accompanying notes are an integral part of these condensed consolidated financial statements.		

Table of ContentsAMERESCO, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2011	2012
	(Unaudited)	
Net income	\$ 5,288,285	\$ 1,505,298
Other comprehensive income (loss):		
Unrealized gain from interest rate hedge, net of tax	239,848	1,208,334
Foreign currency translation adjustment	755,398	530,597
Total other comprehensive income	995,246	1,738,931
Comprehensive income	\$ 6,283,531	\$ 3,244,229

The accompanying notes are an integral part of these condensed consolidated financial statements.



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AMERESCO, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2012  
(Unaudited)

	Series A Preferred Stock	Class B Common Stock	Common Shares	Class A Common Stock	Common Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Minority Co Interest	Accumulated Other Inc (Lo
Balance, December 31, 2011	—	\$18,000,000	30,713,837	—	\$3,071	\$86,067,852	\$161,335,621	4,833,284	\$(9,182,571)	\$63,614	—
Exercise of stock options	—	—	538,021	54	—	1,063,378	—	—	—	—	—
Stock-based compensation expense, including excess tax benefits of \$1,202,597	—	—	—	—	—	1,984,050	—	—	—	—	—
Changes in minority interest in foreign subsidiary	—	—	—	—	—	—	—	—	—	7,700	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	53
Unrealized gain from interest rate hedge, net of tax	—	—	—	—	—	—	—	—	—	—	1,2
Net income	—	—	—	—	—	—	1,505,298	—	—	—	—
Balance, March 31, 2012	—	\$18,000,000	31,251,858	54	\$3,125	\$89,115,280	\$162,840,919	4,833,284	\$(9,182,571)	\$71,314	—

The accompanying notes are an integral part of these condensed consolidated financial statements.



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## AMERESCO, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2011	2012
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$5,288,285	\$1,505,298
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation of project assets	2,210,612	2,605,030
Depreciation of property and equipment	471,789	677,973
Amortization of deferred financing fees	110,833	133,287
Amortization of intangible assets	—	1,656,244
Provision for bad debts	24,186	53,636
Stock-based compensation expense	859,050	781,453
Deferred income taxes	2,692,134	(550,328 )
Excess tax benefits from stock-based compensation arrangements	(391,297 )	(1,202,597 )
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Restricted cash draws	40,912,909	10,082,814
Accounts receivable	(7,620,850 )	24,537,183
Accounts receivable retainage	1,439,552	5,692,808
Federal ESPC receivable	(36,506,536 )	(14,070,137 )
Inventory	(1,633,214 )	(140,865 )
Costs and estimated earnings in excess of billings	(6,143,202 )	17,780,552
Prepaid expenses and other current assets	(21,209 )	2,825,403
Project development costs	921,076	(831,959 )
Other assets	619,317	(174,600 )
Increase (decrease) in:		
Accounts payable, accrued expenses and other current liabilities	(23,204,150 )	(20,527,498 )
Billings in excess of cost and estimated earnings	(4,546,509 )	897,751
Other liabilities	4,342,540	870,642
Income taxes payable	(5,446,587 )	606,671
Net cash (used in) provided by operating activities	(25,621,271 )	33,208,761
Cash flows from investing activities:		
Purchases of property and equipment	(895,230 )	(1,276,533 )
Purchases of project assets	(6,591,203 )	(10,002,946 )
Grant awards and rebates received on project assets	6,695,711	3,838,766
Net cash used in investing activities	\$(790,722 )	\$(7,440,713 )

The accompanying notes are an integral part of these condensed consolidated financial statements.



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## AMERESCO, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Three Months Ended March 31,	
	2011	2012
	(Unaudited)	
Cash flows from financing activities:		
Excess tax benefits from stock-based compensation arrangements	\$ 391,297	\$ 1,202,597
Book overdraft	—	(7,297,122 )
Payments of financing fees	(50,589 )	(20,325 )
Proceeds from exercises of options	1,416,091	1,063,432
Proceeds from (payments on) senior secured credit facility	5,000,000	(6,428,571 )
Proceeds from long-term debt financing	5,500,089	—
Minority interest	—	7,700
Restricted cash	(587,567 )	(1,430,592 )
Payments on long-term debt	(911,878 )	(807,464 )
Net cash provided by (used in) financing activities	10,757,443	(13,710,345 )
Effect of exchange rate changes on cash	313,165	100,293
Net (decrease) increase in cash and cash equivalents	(15,341,385 )	12,157,996
Cash and cash equivalents, beginning of year	44,691,021	26,277,366
Cash and cash equivalents, end of period	\$ 29,349,636	\$ 38,435,362
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 471,352	\$ 725,845
Income taxes	\$ 3,254,600	\$ 25,712

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. DESCRIPTION OF BUSINESS

Ameresco, Inc. (including its subsidiaries, the "Company") was organized as a Delaware corporation on April 25, 2000. The Company is a provider of energy efficiency solutions for facilities throughout North America. The Company provides solutions, both products and services, that enable customers to reduce their energy consumption, lower their operating and maintenance costs and realize environmental benefits. The Company's comprehensive set of services includes upgrades to a facility's energy infrastructure and the construction and operation of small-scale renewable energy plants. It also sells certain photovoltaic equipment worldwide. The Company operates in the United States, Canada and Europe.

The Company is compensated through a variety of methods, including: 1) direct payments based on fee-for-services contracts (utilizing lump-sum or cost-plus pricing methodologies); 2) the sale of energy from the Company's generating assets; and 3) direct payment for photovoltaic equipment and systems.

The condensed consolidated financial statements as of December 31, 2011 and March 31, 2012, and for the three months ended March 31, 2011 and 2012, include the accounts of Ameresco Inc., its wholly-owned subsidiaries and one subsidiary for which there is a minority shareholder. All significant intercompany transactions have been eliminated. The condensed consolidated financial statements as of March 31, 2012, and for the three months ended March 31, 2011 and 2012, are unaudited. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted. The interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation in conformity with GAAP. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, and notes thereto, included in the Company's annual report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on March 15, 2012. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Codification

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure its financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes to the condensed consolidated financial statements are to the FASB Accounting Standards Codification ("ASC").

A summary of the significant accounting policies consistently applied in the preparation of the accompanying condensed consolidated financial statements follows.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Ameresco, Inc., its wholly-owned subsidiaries and one subsidiary for which there is a minority shareholder. All significant intercompany accounts and transactions have been eliminated. Gains and losses from the translation of all foreign currency financial statements are recorded in the accumulated other comprehensive income (loss) account within stockholders' equity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions used in these condensed consolidated financial statements relate to management's estimates of final construction contract profit in accordance with accounting for long-term contracts, allowance for doubtful accounts, inventory reserves, project development costs, fair value of

derivative financial instruments and stock-based awards, impairment of long-lived assets, income taxes and potential liability in conjunction with certain commitments and contingencies. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash includes cash on deposit, overnight repurchase agreements and amounts invested in highly liquid money market funds. Cash equivalents consist of short term investments with original maturities of three months or less. The Company maintains accounts with financial institutions and the balances in such accounts, at times, exceed federally insured limits. This

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AMERESCO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

credit risk is divided among a number of financial institutions that management believes to be of high quality. The carrying amount of cash and cash equivalents approximates their fair value.

A book overdraft, representing certain checks issued in the normal course of business on a disbursement bank account but not yet paid by that bank, totaled \$7,297,122 as of December 31, 2011. GAAP requires that the book overdraft be classified as a current liability on the accompanying condensed consolidated balance sheet. The book overdraft was funded through normal collections of funds or transfers from bank balances at other financial institutions, or from draws under the Company's revolving line of credit. Under the terms of the senior secured credit facility with the bank, the respective financial institution is not legally obligated to honor the book overdraft balance as of December 31, 2011, or such balances on any given date.

There were no book overdrafts as of March 31, 2012.

For purposes of reporting cash flows, the Company reports the book overdraft as a financing activity.

**Restricted Cash**

Restricted cash consists of cash held in an escrow account in association with construction draws for energy savings performance contracts ("ESPCs") and construction of project assets, as well as cash required under term loans to be maintained in debt service reserve accounts until all obligations have been indefeasibly paid in full.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable at the end of the year. Bad debts are written off against the allowance when identified. Changes in the allowance for doubtful accounts for the three months ended March 31, 2011 and 2012 are as follows:

	Three Months Ended March 31,	
	2011	2012
Allowance for doubtful accounts, beginning of period	\$1,677,278	\$1,135,391
Charges to costs and expenses	24,186	53,636
Account write-offs and other	(30,475	) 45,246
Allowance for doubtful accounts, end of period	\$1,670,989	\$1,234,273

At December 31, 2011 and March 31, 2012, no customer accounted for more than 10% of the Company's total accounts receivable.