
United States
Securities and Exchange Commission
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 6, 2020

Hannon Armstrong Sustainable Infrastructure Capital, Inc.

(Name of Registrant as Specified In Its Charter)

Maryland
(State or other jurisdiction of incorporation)

001-35877
(Commission File Number)

46-1347456
(IRS Employer Identification No.)

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934

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

Item 2.02 Results of Operation and Financial Condition.

On August 6, 2020, Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) issued an earnings release announcing its financial results for the quarter ended June 30, 2020. 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.

Exhibit No.	Description
99.1	Earnings Release, dated August 6, 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 General Counsel

Date: August 6, 2020



Hannon Armstrong Announces Second Quarter 2020 Results

ANNAPOLIS, Md., August 6, 2020 -- (BUSINESS WIRE) -- Hannon Armstrong Sustainable Infrastructure Capital, Inc. ("Hannon Armstrong," "we," "our" or the "Company") (NYSE: HASI), a leading investor in climate change solutions, today reported results for the second quarter of 2020.

Recent Highlights

- Delivered \$0.16 GAAP EPS on a fully diluted basis in the second quarter of 2020, compared with \$0.19 in the second quarter of 2019
- Delivered \$0.40 Core EPS (pre-CECL provision) and \$0.36 Core EPS on a fully diluted basis in the second quarter of 2020, compared to \$0.30 Core EPS in the second quarter of 2019
- Announced a partnership with ENGIE in July for Hannon Armstrong to invest up to approximately \$540 million in a 2.3 GW portfolio of highly-contracted, grid-connected wind and solar assets
- Increased GAAP Net Investment Income for the first half of 2020 by 18% to \$21 million, compared to \$18 million in the first half of 2019
- Increased Core Net Investment Income for the first half of 2020 by 29% to \$49 million, compared to \$38 million in the first half of 2019
- Declared quarterly dividend of \$0.34 per share payable in October 2020
- Closed \$178 million of transactions in the quarter, compared to \$204 million in the same period in 2019, and remain on track to close more than \$1 billion of transactions for the full year 2020
- Launched multiple diversity, equity, inclusion, and justice initiatives, including a multi-year plan
- Estimated that 66,000 metric tons of annual carbon emissions will be avoided annually by our transactions this quarter, equating to a CarbonCount[®] score of 0.37 metric tons per \$1,000 invested

"We closed another strong quarter with 33% year-on-year growth in core earnings and remain on track for our full year guidance," said Jeffrey W. Eckel, Hannon Armstrong Chairman and Chief Executive Officer.

"Despite COVID-19, Hannon Armstrong continues to execute and support our clients' rapid penetration of climate change solutions, such as wind, solar, and efficiency. These assets are performing and proving durable during this historic crisis."

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

	For the three months ended June 30, 2020		For the three months ended June 30, 2019	
	\$ in thousands	Per Share (Diluted)	\$ in thousands	Per Share (Diluted)
GAAP Net Income	\$ 12,008	\$ 0.16	\$ 12,740	\$ 0.19
Core Earnings ⁽¹⁾	27,058	0.36	19,773	0.30

(1) Includes a provision for loss on receivables of \$2.5 million related to the new credit loss standard, which we may refer to in this press release as CECL or Topic 326. On a pre-CECL provision basis comparable to last year, the per share core earnings are \$0.40 for the three months ended June 30, 2020. A reconciliation of our GAAP net income to core earnings is included in this press release.

	For the six months ended June 30, 2020		For the six months ended June 30, 2019	
	\$ in thousands	Per Share (Diluted)	\$ in thousands	Per Share (Diluted)
GAAP Net Income	\$ 36,317	\$ 0.51	\$ 26,386	\$ 0.41
Core Earnings ⁽¹⁾	57,258	0.79	40,707	0.63

(1) Includes a provision for loss on receivables of \$3.2 million for the adoption of CECL. On a pre-CECL provision basis comparable to last year, the per share core earnings are \$0.84 for the six months ended June 30, 2020. A reconciliation of our GAAP net income to core earnings is included in this press release.

Financial Results

"In the second quarter, we demonstrated the strength of our dual revenue model, achieving growth in recurring Core Net Investment Income generated from our balance sheet portfolio and our public capital raising - while simultaneously recording significant Gain on Sale revenue utilizing our traditional securitization counterparties," said Hannon Armstrong Chief Financial Officer Jeffrey A. Lipson.

"With over \$500 million in available cash on our balance sheet, we remain well-positioned to fund the ENGIE co-investment and other near-term anticipated transactions."

Comparison of the three months ended June 30, 2020 to the same period in 2019

Total revenue increased by approximately \$17 million, or 55%. Gain on sale and fee income increased by approximately \$11 million and interest and rental income increased by approximately \$6 million. These increases were primarily due to higher-yielding assets with a higher average balance as well as a change in the mix of assets being securitized.

Interest expense increased approximately \$7 million as a result of a higher outstanding balance and cost of debt, including as a result of the new \$400 million debt offering in April 2020. We recorded an approximate \$3 million provision for loss on receivables as a result of the potential economic impacts resulting from the COVID-19 pandemic and loan commitments made during the period. Other expenses (compensation and benefits and general and administrative expenses)

increased by \$3 million primarily due to an increase in our employee headcount and incentive compensation.

For the quarter, we recognized a \$1 million loss using the hypothetical liquidation at book value method (HLBV) for our equity method investments. This compared to \$8 million of HLBV income in the same period last year when income was higher as the result of tax attribute allocations which had the impact of increasing earnings.

GAAP net income was \$12 million, or a decrease of \$1 million. Core earnings was \$27 million, or an increase of \$7 million, or 37%, primarily due to the higher interest income, gain on sale and fee income, and core equity method income offset partially by higher interest expense.

A reconciliation of our GAAP net income to core earnings is included in this press release.

Leverage

The calculation of our fixed-rate debt and leverage ratios as of June 30, 2020 and 2019 are shown in the chart below:

	June 30, 2020		June 30, 2019	
	(\$ in millions)		(\$ in millions)	
		% of Total		% of Total
Floating-rate borrowings ⁽¹⁾	\$ 30	2 %	\$ 269	24 %
Fixed-rate debt ⁽²⁾	1,687	98 %	830	76 %
Total	\$ 1,717	100 %	\$ 1,099	100 %
Leverage ⁽³⁾	1.6 to 1		1.2 to 1	

(1) Floating-rate borrowings include borrowings under our floating-rate credit facilities and approximately \$59 million of non-recourse debt with floating rate exposure as of June 30, 2019.

(2) Fixed-rate debt also includes the present notional value of non-recourse debt that is hedged using interest rate swaps. Debt excludes securitizations that are not consolidated on our balance sheet.

(3) Leverage, as measured by our debt-to-equity ratio. This calculation excludes securitizations that are not consolidated on our balance sheet (where the collateral is typically financing receivables with U.S. government obligors).

Portfolio

Our Portfolio totaled approximately \$2.1 billion as of June 30, 2020, which included approximately \$1.3 billion of behind-the-meter assets and approximately \$0.8 billion of grid-connected assets. The following is an analysis of the performance our Portfolio as of June 30, 2020:

	Portfolio Performance						Total
	1 ⁽¹⁾		2 ⁽²⁾		3 ⁽³⁾		
	Government	Commercial	Government	Commercial	Government	Commercial	
	<i>(dollars in millions)</i>						
Total receivables	257	853	—	10	—	8	1,128
Less:							
Allowance for loss on receivables	—	(18)	—	(3)	—	(8)	(29)
Net receivables ⁽⁴⁾	257	835	—	7	—	—	1,099
Investments	35	11	—	—	—	—	46
Real estate	—	361	—	—	—	—	361
Equity method ⁽⁵⁾ investments	—	532	—	24	—	—	556
Total	\$ 292	\$ 1,739	\$ —	\$ 31	\$ —	\$ —	\$ 2,062
Percent of Portfolio	14 %	84 %	— %	2 %	— %	— %	100 %
Average remaining balance ⁽⁶⁾	\$ 7	\$ 11	\$ —	\$ 11	\$ —	\$ 4	\$ 10

- (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 to 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 June 30, 2020 which we consider impaired and have held on non-accrual status since 2017. We recorded an allowance for the entire asset amounts as described in our Annual Report on Form 10-K filed with the SEC on February 25, 2020. 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 130 transactions each with outstanding balances that are less than \$1 million and that in the aggregate total \$49 million.

Guidance

The Company expects that annual core earnings per share in 2020 (pre-CECL provision) will exceed the previously communicated guidance midpoint of \$1.43, reflecting 2018 to 2020 annual Core EPS growth above the midpoint of the 2% to 6% from the 2017 baseline. This guidance reflects the Company's 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 securitization 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, (vi) the ongoing impact of the current outbreak of COVID-19 and (vii) the general interest rate and market environment. All guidance is based on current expectations of the future impact of COVID-19 and the economic conditions, the regulatory environment, the dynamics of the markets in which we operate and the judgment of the Company's management team. We do not undertake a duty to update such guidance. 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 \$0.34 per share of common stock. This dividend will be paid on October 9, 2020, to stockholders of record as of October 2, 2020.

Conference Call and Webcast Information

Hannon Armstrong will host an investor conference call today, Thursday, August 6, 2020, at 5:00 p.m. eastern time. The conference call can be accessed live over the phone by dialing 1-866-652-5200 or for international callers, 1-412-317-6016. Please ask to be connected to the Hannon Armstrong call. A replay will be available two hours after the call and can be accessed by dialing 1-877-344-7529, or for international callers, 1-412-317-0088. The passcode for the replay is 10146124. The replay will be available until August 13, 2020.

Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investor Relations section of the Company's website at www.hannonarmstrong.com. The 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 change solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets. With more than \$6 billion in managed assets as of June 30, 2020. Hannon Armstrong's core purpose is to make climate-positive investments with superior risk-adjusted returns. For more information, please visit 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, and Section 21E of the Securities Exchange Act of 1934, as amended 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. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify 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").

Other important factors that we think could cause our actual results to differ materially from expected results are summarized below. One of the most significant factors, however, is the ongoing impact of the current outbreak of the novel coronavirus (COVID-19), on the U.S., regional and global economies, the U.S. sustainable infrastructure market and the broader financial markets. The current outbreak of COVID-19 has also impacted, and is likely to continue to impact, directly or indirectly, many of the other important factors below and the risks described in the Form 10-K and in our subsequent filings under the Securities Exchange Act of 1934, as amended. Other factors besides those listed could also adversely affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. In particular, it is difficult to fully assess the impact of COVID-19 at this time due to, among other factors, uncertainty regarding the severity and duration of the outbreak domestically and internationally, uncertainty regarding the effectiveness of federal, state and local governments' efforts to contain the spread of COVID-19 and respond to its direct and indirect impact on the U.S. economy and economic activity.

Statements regarding the following subjects, among others, may be forward-looking:

- negative impacts from continued spread of COVID-19, including on the U.S. or global economy or on our business, financial position or results of operations;*
 - our expected returns and performance of our investments;*
 - the state of government legislation, regulation and policies that support or enhance the economic feasibility of projects that reduce carbon emissions or increase resilience to climate change, which we refer to as climate change solutions, including energy efficiency and renewable energy projects and the general market demands for such projects;*
 - market trends in our industry, energy markets, commodity prices, interest rates, the debt and lending markets or the general economy;*
 - our business and investment strategy;*
 - availability of opportunities to invest in climate change solutions including energy efficiency and renewable energy projects and our ability to complete potential new opportunities in our pipeline;*
 - our relationships with originators, investors, market intermediaries and professional advisers;*
 - competition from other providers of capital;*
 - our or any other company's projected operating results;*
 - actions and initiatives of the federal, state and local governments and changes to federal, state and local government policies, regulations, tax laws and rates and the execution and impact of these actions, initiatives and policies;*
 - the state of the U.S. economy generally or in specific geographic regions, states or municipalities and economic trends;*
 - our ability to obtain and maintain financing arrangements on favorable terms, including securitizations;*
 - general volatility of the securities markets in which we participate;*
 - the credit quality of our assets;*
 - changes in the value of our assets, our portfolio of assets and our investment and underwriting process;*
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- *the impact of weather conditions, natural disasters, accidents or equipment failures or other events that disrupt the operation of our investments or negatively impact the value our assets;*
- *rates of default or decreased recovery rates on our assets;*
- *interest rate and maturity mismatches between our assets and any borrowings used to fund such assets;*
- *changes in interest rates and the market value of our assets and target assets;*
- *changes in commodity prices, including continued low natural gas prices;*
- *effects of hedging instruments on our assets or liabilities;*
- *the degree to which our hedging strategies may or may not protect us from risks, such as interest rate volatility;*
- *impact of and changes in accounting guidance;*
- *our ability to maintain our qualification as a real estate investment trust (a “REIT”) for U.S. federal income tax purposes;*
- *our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (the “1940 Act”);*
- *availability of and our ability to attract and retain qualified personnel;*
- *estimates relating to our ability to generate sufficient cash in the future to operate our business and to make distributions to our stockholders; and*
- *our understanding of our competition.*

The risks included here are not exhaustive. Forward-looking statements are based on beliefs, assumptions and expectations as of the date of this press release. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements after the date of this earnings release, whether as a result of new information, future events or otherwise.

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 core earnings guidance.

Estimated carbon savings are calculated using the estimated kilowatt hours (“kWh”), gallons of fuel oil, million British thermal units (“MMBtus”) 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)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Interest income	\$ 23,649	\$ 17,294	\$ 47,539	\$ 34,949
Rental income	6,469	6,469	12,939	12,945
Gain on sale of receivables and investments	15,916	2,167	20,820	9,006
Fee income	2,561	5,338	8,130	7,511
Total revenue	48,595	31,268	89,428	64,411
Expenses				
Interest expense	21,664	14,869	39,798	30,300
Provision for loss on receivables	2,523	—	3,171	—
Compensation and benefits	9,314	6,650	18,212	14,089
General and administrative	3,853	3,739	7,262	7,080
Total expenses	37,354	25,258	68,443	51,469
Income before equity method investments	11,241	6,010	20,985	12,942
Income (loss) from equity method investments	(590)	7,624	15,999	12,131
Income (loss) before income taxes	10,651	13,634	36,984	25,073
Income tax (expense) benefit	1,407	(839)	(515)	1,430
Net income (loss)	\$ 12,058	\$ 12,795	\$ 36,469	\$ 26,503
Net income (loss) attributable to non-controlling interest holders	50	55	152	117
Net income (loss) attributable to controlling stockholders	\$ 12,008	\$ 12,740	\$ 36,317	\$ 26,386
Basic earnings (loss) per common share	\$ 0.16	\$ 0.20	\$ 0.51	\$ 0.41
Diluted earnings (loss) per common share	\$ 0.16	\$ 0.19	\$ 0.51	\$ 0.41
Weighted average common shares outstanding—basic	72,914,145	63,772,549	70,043,125	62,766,318
Weighted average common shares outstanding—diluted	73,382,217	64,429,155	70,662,377	63,394,220

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

	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 541,825	\$ 6,208
Equity method investments	556,450	498,631
Government receivables	255,757	263,175
Commercial receivables, net of allowance of \$29 million and \$8 million, respectively	843,223	896,432
Real estate	360,720	362,265
Investments	45,926	74,530
Securitization assets	139,793	123,979
Other assets	93,246	162,054
Total Assets	\$ 2,836,940	\$ 2,387,274
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 52,123	\$ 54,351
Credit facilities	30,377	31,199
Non-recourse debt (secured by assets of \$800 million and \$921 million, respectively)	625,884	700,225
Senior unsecured notes	910,665	512,153
Convertible notes	149,927	149,434
Total Liabilities	1,768,976	1,447,362
Stockholders' Equity:		
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, 73,318,552 and 66,338,120 shares issued and outstanding, respectively	733	663
Additional paid in capital	1,250,976	1,102,303
Accumulated deficit	(198,719)	(169,786)
Accumulated other comprehensive income (loss)	9,619	3,300
Non-controlling interest	5,355	3,432
Total Stockholders' Equity	1,067,964	939,912
Total Liabilities and Stockholders' Equity	\$ 2,836,940	\$ 2,387,274

EXPLANATORY NOTES

Non-GAAP Financial Measures

Core Earnings

We calculate core earnings as GAAP net income (loss) excluding non-cash equity compensation expense, certain provisions for loss on receivables, amortization of intangibles, 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. In the future, core earnings may also exclude one-time events pursuant to changes in GAAP and certain other non-cash charges as approved by a majority of our independent directors.

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 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 our equity method investments 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 core earnings, for certain of these investments where there are the characteristics 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 core equity method investment adjustment to our GAAP net income (loss) in calculating our core 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 and six months ended June 30, 2020 and 2019,

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>			
Income (loss) under GAAP	(1)	8	16	12
Core earnings	11	10	27	19
Return of capital	19	17	79	35
Cash collected	30	27	106	54

We believe that core earnings provides an additional measure of our core operating performance by eliminating the impact of certain non-cash expenses and facilitating a comparison of our financial results to those of other comparable companies with fewer or no non-cash charges and comparison of our own operating results from period to period. Our management uses core earnings in this way. We believe that our investors also use core 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 core earnings is useful to our investors.

However, core 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 core earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported core earnings may not be comparable to similar metrics reported by other companies.

Reconciliation of our GAAP Net Income to Core Earnings

We have calculated our core earnings and provided a reconciliation of our GAAP net income to core earnings for the three and six months ended June 30, 2020 and 2019 in the tables below. In the current year we adopted Topic 326, which requires us to recognize a provision for loss on receivables expected over the life of the receivable rather than probable incurred losses. We provide below core earnings which reflects the Topic 326 provision. To provide comparable metrics to periods prior to the adoption of Topic 326, we have also provided core earnings which adds back the Topic 326 provision for loss on receivables.

	For the three months ended June 30, 2020		For the three months ended June 30, 2019	
	<i>(dollars in thousands, except per share amounts)</i>			
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ 12,008	\$ 0.16	\$ 12,740	\$ 0.19
Core earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	590		(7,624)	
Add back core equity method investments earnings ⁽²⁾	11,018		9,538	
Non-cash equity-based compensation charges ⁽³⁾	3,975		3,411	
Other core adjustments ⁽⁴⁾	(533)		1,708	
Core earnings (including Topic 326 provision)⁽⁵⁾	\$ 27,058	\$ 0.36	\$ 19,773	\$ 0.30
Add back provision for loss on receivables under Topic 326 ⁽⁶⁾	2,523		—	
Core earnings (pre-Topic 326 provision)⁽⁵⁾	\$ 29,581	\$ 0.40	\$ 19,773	\$ 0.30

(1) Represents GAAP diluted earnings per share and is the most comparable GAAP measure to our core earnings per share.

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

(3) Reflects adjustment for non-cash equity-based compensation.

(4) See detail below.

(5) Core earnings per share for the three months ended June 30, 2020 and 2019, are based on 74,543,045 shares and 65,749,618 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest.

(6) As discussed above, to provide a comparable metric to prior year metrics we are adding back the provision for loss on receivables recognized under Topic 326.

	For the six months ended June 30, 2020		For the six months ended June 30, 2019	
	<i>(dollars in thousands, except per share amounts)</i>			
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ 36,317	\$ 0.51	\$ 26,386	\$ 0.41
Core earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(15,999)		(12,131)	
Add back core equity method investments earnings ⁽²⁾	27,103		19,143	
Non-cash equity-based compensation charges ⁽³⁾	7,524		6,990	
Other core adjustments ⁽⁴⁾	2,313		319	
Core earnings (including Topic 326 provision)⁽⁵⁾	\$ 57,258	\$ 0.79	\$ 40,707	\$ 0.63
Add back provision for loss on receivables under Topic 326 ⁽⁶⁾	3,171		—	
Core earnings (pre-Topic 326 provision)⁽⁵⁾	\$ 60,429	\$ 0.84	\$ 40,707	\$ 0.63

(1) Represents GAAP diluted earnings per share and is the most comparable GAAP measure to our core earnings per share.

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

(3) Reflects adjustment for non-cash equity-based compensation.

(4) See detail below.

(5) Core earnings per share for the six months ended June 30, 2020 and 2019, are based on 72,095,539 shares and 64,733,505 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest.

(6) As discussed above, to provide a comparable metric to prior year metrics we are adding back the provision for loss on receivables recognized under Topic 326.

The table below provides a reconciliation of the Other core adjustments:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Other core adjustments				
Amortization of intangibles ⁽¹⁾	\$ 824	\$ 823	\$ 1,646	\$ 1,638
Non-cash provision (benefit) for income taxes	(1,407)	830	515	(1,436)
Net income attributable to non-controlling interest	50	55	152	117
Other core adjustments	\$ (533)	\$ 1,708	\$ 2,313	\$ 319

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>		<i>(in thousands)</i>	
GAAP SG&A expenses				
Compensation and benefits	\$ 9,314	\$ 6,650	\$ 18,212	\$ 14,089
General and administrative	3,853	3,739	7,262	7,080
Total SG&A expenses (GAAP)	\$ 13,167	\$ 10,389	\$ 25,474	\$ 21,169
Core SG&A expenses adjustments:				
Non-cash equity-based compensation charge ⁽¹⁾	\$ (3,975)	\$ (3,411)	\$ (7,524)	\$ (6,990)
Amortization of intangibles ⁽²⁾	(51)	(52)	(100)	(101)
Core SG&A expenses adjustments	(4,026)	(3,463)	(7,624)	(7,091)
Core SG&A expenses	\$ 9,141	\$ 6,926	\$ 17,850	\$ 14,078

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

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

Core Net Investment Income

We have a portfolio of debt and equity investments in climate change solutions. We calculate core net investment income by adjusting GAAP net investment income for those core 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 core net investment income in this way. Our non-GAAP core net investment income measure may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of our GAAP net investment income to our core net investment income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
Interest income	\$ 23,649	\$ 17,294	\$ 47,539	\$ 34,949
Rental income	6,469	6,469	12,939	12,945
GAAP investment revenue	30,118	23,763	60,478	47,894
Interest expense	21,664	14,869	39,798	30,300
GAAP net investment income	8,454	8,894	20,680	17,594
Core equity method earnings adjustment ⁽¹⁾	11,018	9,538	27,103	19,143
Amortization of real estate intangibles ⁽²⁾	773	773	1,546	1,537
Core net investment income	\$ 20,245	\$ 19,205	\$ 49,329	\$ 38,274

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

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