
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): February 16, 2023

Hannon Armstrong Sustainable Infrastructure Capital, Inc.

(Exact 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.)

One Park Place, Suite 200 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)

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 (§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

Item 2.02 Results of Operation and Financial Condition.

On February 16, 2023, Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “Company”) issued an earnings release announcing its financial results for the quarter and year ended December 31, 2022, as well as its Q1 2023 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.

Exhibit No.	Description
99.1	Earnings Release, dated February 16, 2023
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 Chief Legal Counsel

Date: February 16, 2023



Hannon Armstrong Announces Fourth Quarter and Full Year 2022 Results, Affirms Guidance, and Increases Dividend

ANNAPOLIS, Md., February 16, 2023 -- (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 fourth quarter and full year of 2022.

Financial Highlights

- Delivered \$0.47 GAAP EPS on a fully diluted basis in 2022, compared with \$1.51 in 2021
- Delivered \$2.08 Distributable EPS on a fully diluted basis in 2022, compared to \$1.88 Distributable EPS in 2021, representing 11% year-on-year growth
- Grew Portfolio 19% in 2022 to \$4.3 billion and managed assets 11% to \$9.8 billion compared to the end of 2021
- Reported GAAP-based Net Investment Income of \$45 million in 2022, compared to \$11 million in 2021
- Increased Distributable Net Investment Income in 2022 by 34% year-on-year to \$180 million, compared to \$134 million in 2021
- Closed \$1.8 billion of investments in 2022, compared to \$1.7 billion in 2021
- Reported pipeline of greater than \$4.5 billion as of the end of 2022, compared to greater than \$4 billion as of the end of 2021
- Increased dividend to \$0.395 per share for the first quarter of 2023, representing a 5.3% increase over the dividend declared in the fourth quarter of 2022
- Announce 4% discount on 2023 Dividend Reinvestment and Stock Purchase Plan ("DRIP") for the first quarter

Guidance

- 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
- Affirm guidance that annual dividends per share is expected to grow at a compounded annual rate of 5% to 8%

Key Executive Changes

- Concurrent press release indicating Jeffrey W. Eckel will become Executive Chairman, Jeffrey A. Lipson CEO and Marc Pangburn CFO
-

ESG Highlight

- Estimated more than 600,000 metric tons of carbon emissions will be avoided annually by our transactions closed in 2022, equating to a CarbonCount[®] score of 0.4 metric tons per \$1,000 invested

"This company continues to execute quarter after quarter, year after year, growing Distributable EPS at 11% CAGR since our first full year of going public as a company," said Jeffrey W. Eckel, Hannon Armstrong Chairman and Chief Executive Officer. "and our prospects entering 2023 look outstanding."

"I believe we are showing investors that climate solutions investing is the best market to be in, we have the best clients in the industry and the best mission-driven team to execute on the incredible growth in the energy transition. "

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

	For the three months ended December 31, 2022		For the three months ended December 31, 2021	
	\$ in thousands	Per Share (Diluted)	\$ in thousands	Per Share (Diluted)
GAAP Net Income	\$ (19,928)	\$ (0.22)	\$ 62,420	\$ 0.71
Distributable earnings	42,887	0.47	40,687	0.47
	For the year ended December 31, 2022		For the year ended December 31, 2021	
	\$ in thousands	Per Share	\$ in thousands	Per Share
GAAP Net Income	\$ 41,502	\$ 0.47	\$ 126,579	\$ 1.51
Distributable earnings	185,791	2.08	158,723	1.88

Financial Results

"Our capital and funding platform served us well in 2022 as we navigated rising interest rates by utilizing diverse funding sources," said Jeffrey A. Lipson, Chief Financial Officer and Chief Operating Officer. "The outlook for 2023 remains robust and I am enthusiastic about the transition and new roles for Jeff Eckel, Marc Pangburn, and myself."

Comparison of the year ended December 31, 2022 to the year ended December 31, 2021

Total revenue increased by \$27 million, or 13%. Interest and rental income increased by \$28 million, or 21%, due to a larger portfolio. Gain on sale and fee income decreased by \$1 million,

or 2%, primarily from a change in mix of assets being securitized, partially offset by increased deferred fee income.

Interest expense decreased by \$6 million, or 5%, due to a one-time loss of \$15 million on the redemption of senior unsecured notes in the prior year which did not recur, offset partially by additional expense from a larger average outstanding debt balance. Provision for loss on receivables increased by \$12 million compared to the prior year as a result of new loans and loan commitments in the current year. Other expenses (compensation and benefits and general and administrative expenses) increased by \$21 million primarily due to an increase in our employee headcount and compensation and additional investment in corporate infrastructure and corporate governance expense.

We recognized \$31 million in income using the hypothetical liquidation at book value method (HLBV) for our equity method investments in 2022, compared to \$126 million of HLBV income in 2021, primarily due to the impact of increasing power prices and the resulting unrealized mark to market losses on economic hedges used by some of our projects to reduce the impact of power price fluctuations. As these swaps are settled, the projects will sell power at the higher market price, offsetting the loss recognized on the power price hedges.

We recognized income tax expense of \$7 million in 2022, compared to an income tax expense of \$17 million in 2021, driven primarily by the lower HLBV income described above.

GAAP net income in 2022 was \$42 million, compared to \$127 million in 2021, driven primarily by the equity method investment income change discussed above. Distributable earnings in 2022 was \$186 million, or an increase of approximately \$27 million from 2021 due primarily to an increase in distributable earnings from equity method investments.

Leverage

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

	December 31, 2022		December 31, 2021	
	(\$ in millions)		(\$ in millions)	
		% of Total		% of Total
Floating-rate borrowings ⁽¹⁾	\$ 431	14 %	\$ 151	6 %
Fixed-rate debt ⁽²⁾	2,545	86 %	2,342	94 %
Total	\$ 2,976	100 %	\$ 2,493	100 %
Leverage ⁽³⁾	1.8 to 1		1.6 to 1	

(1) Floating-rate borrowings include borrowings under our floating-rate credit facilities, commercial paper notes with less than six months original maturity, and loans under our term loan facility.

(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 \$4.3 billion as of December 31, 2022, which included approximately \$2.4 billion of behind-the-meter assets and approximately \$1.7 billion of grid-connected assets, with the remainder invested in other sustainable infrastructure. The following is an analysis of the performance of our portfolio as of December 31, 2022:

	Portfolio Performance					Total
	Government	Commercial				
	1 ⁽¹⁾	1 ⁽¹⁾	2 ⁽²⁾	3 ⁽³⁾		
	<i>(dollars in millions)</i>					
Total receivables held-for-investment	\$ 103	\$ 1,917	\$ —	\$ 11	\$ 2,031	
Less: Allowance for loss on receivables	—	(36)	—	(5)	(41)	
Net receivables held-for-investment ⁽⁴⁾	103	1,881	—	6	1,990	
Receivables held-for-sale	—	85	—	—	85	
Investments	2	8	—	—	10	
Real estate	—	353	—	—	353	
Equity method investments ⁽⁵⁾	—	1,847	23	—	1,870	
Total	\$ 105	\$ 4,174	\$ 23	\$ 6	\$ 4,308	
Percent of Portfolio	2 %	97 %	1 %	— %	100 %	
Average remaining balance ⁽⁶⁾	\$ 5	\$ 13	\$ 12	\$ 11	\$ 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. Loans in this category are placed on non-accrual status. In the second quarter of 2022, we moved to this category from Category 2 \$11 million of loans we had made in a new market venture where the performance has not met expectations.

Previously included in this category were two commercial receivables with a combined total carrying value of approximately \$8 million which were assignments of land lease payments from two wind projects that we had originated in 2014. In 2017, the operator of the projects terminated the lease, at which time we filed a legal claim and placed these assets on non-accrual status. In 2019, we received a court decision indicating that the owners of the projects were within their rights under the contract terms to terminate the lease which impacts the land lease assignments to us, at which time we reserved the receivables for their full carrying amount. In the second quarter of 2022, we received a court decision indicating that our appeal was not successful, and accordingly we wrote off the full amount of the receivable.

(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 270 transactions each with outstanding balances that are less than \$1 million and that in the aggregate total \$93 million. The average is calculated on a per project basis, and some investments are made in structures that own multiple projects.

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. 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 declared a quarterly cash dividend of \$0.395 per share of common stock. This dividend will be paid on April 10, 2023, to stockholders of record as of April 3, 2023. We are also announcing a 4% discount on the 2023 Dividend Reinvestment and Stock Purchase Plan ("DRIP") for the first quarter of 2023. Additional information on how shareholders can access the DRIP will be forthcoming.

Conference Call and Webcast Information

Hannon Armstrong will host an investor conference call today, Thursday, February 16, 2023, at 5:00 p.m. Eastern time. The conference call can be accessed live over the phone by dialing 1-877-407-0890 (Toll-Free) or +1-201-389-0918 (toll). 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 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 assets developed by leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets. With more than \$9 billion in managed assets, our core purpose is to make climate positive investments with superior risk-adjusted returns. For more information, please visit hannonarmstrong.com or follow us on Twitter and LinkedIn.

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. 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 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.

Investor Contact:

Neha Gaddam
investors@hannonarmstrong.com
410-571-6189

Media Contact:

Gil Jenkins
media@hannonarmstrong.com
443-321-5753

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2022	2021	2022	2021
Revenue				
Interest income	\$ 36,752	\$ 30,536	\$ 134,656	\$ 106,889
Rental income	6,529	6,544	26,245	25,905
Gain on sale of receivables and investments	5,935	13,345	57,187	68,333
Fee income	9,092	3,270	21,649	12,039
Total revenue	58,308	53,695	239,737	213,166
Expenses				
Interest expense	30,524	26,311	115,559	121,705
Provision for loss on receivables	6,576	(2,399)	12,798	496
Compensation and benefits	13,337	13,124	63,445	52,975
General and administrative	7,238	5,093	29,934	19,907
Total expenses	57,675	42,129	221,736	195,083
Income before equity method investments	633	11,566	18,001	18,083
Income (loss) from equity method investments	(27,241)	56,903	31,291	126,421
Income (loss) before income taxes	(26,608)	68,469	49,292	144,504
Income tax (expense) benefit	6,412	(5,648)	(7,381)	(17,158)
Net income (loss)	\$ (20,196)	\$ 62,821	\$ 41,911	\$ 127,346
Net income (loss) attributable to non-controlling interest holders	(268)	401	409	767
Net income (loss) attributable to controlling stockholders	\$ (19,928)	\$ 62,420	\$ 41,502	\$ 126,579
Basic earnings (loss) per common share	\$ (0.22)	\$ 0.73	\$ 0.47	\$ 1.57
Diluted earnings (loss) per common share	\$ (0.22)	\$ 0.71	\$ 0.47	\$ 1.51
Weighted average common shares outstanding—basic	89,601,922	84,698,890	87,500,799	79,992,922
Weighted average common shares outstanding—diluted	89,601,922	88,609,807	90,609,329	87,671,641

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

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 155,714	\$ 226,204
Equity method investments	1,869,712	1,759,651
Commercial receivables, net of allowance of \$41 million and \$36 million, respectively	1,887,483	1,298,529
Government receivables	102,511	125,409
Receivables held-for-sale	85,254	22,214
Real estate	353,000	356,088
Investments	10,200	17,697
Securitization assets	177,032	210,354
Other assets	119,242	132,165
Total Assets	\$ 4,760,148	\$ 4,148,311
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 120,114	\$ 88,866
Credit facilities	50,698	100,473
Commercial paper notes	192	50,094
Term loan facility	379,742	—
Non-recourse debt (secured by assets of \$633 million and \$573 million, respectively)	432,756	429,869
Senior unsecured notes	1,767,647	1,762,763
Convertible notes	344,253	149,731
Total Liabilities	3,095,402	2,581,796
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, 90,837,008 and 85,326,781 shares issued and outstanding, respectively	908	853
Additional paid in capital	1,924,200	1,727,667
Accumulated deficit	(285,474)	(193,706)
Accumulated other comprehensive income (loss)	(10,397)	9,904
Non-controlling interest	35,509	21,797
Total Stockholders' Equity	1,664,746	1,566,515
Total Liabilities and Stockholders' Equity	\$ 4,760,148	\$ 4,148,311

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, losses or (gains) 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 Hannon Armstrong Sustainable Infrastructure, L.P., a Delaware limited partnership (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, and will consider certain circumstances such as the time period in default, 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 in any one period 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 is 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 underwritten cash flows discounted back to the net present value, based on a target investment rate, with the 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. The investment tax credit available for election in solar projects is a one-time credit realized in the quarter when the project is considered operational for tax purposes and is fully allocated under HLBV in that

quarter (subject to an impairment test), while the production tax credit required for wind projects and electable for solar projects is a ten year credit and thus is allocated under HLBV over a ten year period. 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 in a given period. We also consider the impact of any OTTI in determining our income from equity method investments.

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 in any one period. 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 underwritten 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 in any one period.

We have acquired equity investments in portfolios of renewable energy projects which have the majority of the distributions payable to more senior investors in the first few years of the project. The following table provides results related to our equity method investments for the last three years:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	<i>(in millions)</i>			
Income (loss) under GAAP	\$ (27)	\$ 57	\$ 31	\$ 126
Distributable earnings	\$ 33	\$ 27	\$ 132	\$ 104
Return of capital/(deferred cash collections)	(8)	(9)	25	(51)
Cash collected ⁽¹⁾	<u>\$ 25</u>	<u>\$ 18</u>	<u>\$ 157</u>	<u>\$ 53</u>

(1) Cash collected during the year ended December, 31 2022 includes \$64 million of debt issuance proceeds from three of our equity method investees, the repayment of which we have guaranteed.

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 and year ended December 31, 2022 and 2021 in the tables below.

	For the Three Months Ended December 31, 2022		For the Three Months Ended December 31, 2021	
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ (19,928)	\$ (0.22)	\$ 62,420	\$ 0.71
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	27,241		(56,903)	
Add equity method investments earnings	32,802		27,135	
Equity-based compensation charges	2,108		3,544	
Provision for loss on receivables	6,576		(2,399)	
Other adjustments ⁽²⁾	(5,912)		6,890	
Distributable earnings⁽³⁾	\$ 42,887	\$ 0.47	\$ 40,687	\$ 0.47

(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 December, 2022 and 2021, are based on 91,536,442 shares and 87,143,351 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 an expectation of the likelihood of conversion based on current conditions. 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.

	Twelve Months Ended December 31, 2022		Twelve Months Ended December 31, 2021	
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ 41,502	\$ 0.47	\$ 126,579	\$ 1.51
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(31,291)		(126,421)	
Add equity method investments earnings	131,762		103,707	
Equity-based compensation charges	20,101		17,047	
Provision for loss on receivables ⁽²⁾	12,798		496	
(Gain) loss on debt modification or extinguishment	—		16,083	
Other adjustments ⁽³⁾	10,919		21,232	
Distributable earnings⁽⁴⁾	\$ 185,791	\$ 2.08	\$ 158,723	\$ 1.88

(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) In addition to these provisions, in the second quarter of 2022 we wrote-off two commercial receivables with a combined total carrying value of approximately \$8 million which represented assignments of land lease payments from two wind projects that we had originated in 2014 as a part of an acquisition of a large land portfolio. In 2017, the operator of the projects terminated the lease, at which time we filed a legal claim and placed these assets on non-accrual status. In 2019, we received a court decision indicating that the owners of the projects were within their rights under the contract terms to terminate the lease which impacts the land lease assignments to us, at which time we reserved the receivables for their full carrying amount. In the second quarter of 2022, we received a court decision indicating that our appeal was not successful, and accordingly wrote off the full amount of the receivable. We have excluded the write off from Distributable earnings due to the infrequent occurrence of credit losses as well as the unique nature of the receivables, as the assignment of land lease payments from wind projects represent a small portion of our total portfolio.

(3) See Other adjustments table below.

(4) Distributable earnings per share for the years ended December 31, 2022 and 2021, are based on 89,355,907 shares and 84,268,341 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 an expectation of the likelihood of conversion based on current conditions. 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 December 31,		For the Year Ended December 31,	
	2022	2021	2022	2021
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Other adjustments				
Amortization of intangibles ⁽¹⁾	\$ 768	\$ 841	\$ 3,129	\$ 3,307
Non-cash provision (benefit) for income taxes	(6,412)	5,648	7,381	17,158
Net income attributable to non-controlling interest	(268)	401	409	767
Other adjustments	\$ (5,912)	\$ 6,890	\$ 10,919	\$ 21,232

(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 December 31,		For the Year Ended December 31,	
	2022	2021	2022	2021
	<i>(in thousands)</i>		<i>(in thousands)</i>	
GAAP SG&A expenses				
Compensation and benefits	\$ 13,337	\$ 13,124	\$ 63,445	\$ 52,975
General and administrative	7,238	5,093	29,934	19,907
Total SG&A expenses (GAAP)	\$ 20,575	\$ 18,217	\$ 93,379	\$ 72,882
Distributable SG&A expenses adjustments:				
Non-cash equity-based compensation charge ⁽¹⁾	\$ (2,108)	\$ (3,544)	\$ (20,101)	\$ (17,047)
Amortization of intangibles ⁽²⁾	—	(69)	(68)	(218)
Distributable SG&A expenses adjustments	(2,108)	(3,613)	(20,169)	(17,265)
Distributable SG&A expenses	\$ 18,467	\$ 14,604	\$ 73,210	\$ 55,617

(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 December 31,		Year ended December 31,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Interest income	\$ 36,752	\$ 30,536	\$ 134,656	\$ 106,889
Rental income	6,529	6,544	26,245	25,905
GAAP-based investment revenue	43,281	37,080	160,901	132,794
Interest expense	30,524	26,311	115,559	121,705
GAAP-based net investment income	12,757	10,769	45,342	11,089
Equity method earnings adjustment ⁽¹⁾	32,802	27,135	131,762	103,707
(Gain) loss on debt modification or extinguishment ⁽²⁾	—	—	—	16,083
Amortization of real estate intangibles ⁽³⁾	768	772	3,061	3,089
Distributable net investment income	\$ 46,327	\$ 38,676	\$ 180,165	\$ 133,968

(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 December 31, 2022 and December 31, 2021:

	As of	
	December 31, 2022	December 31, 2021
	<i>(dollars in millions)</i>	
Equity method investments	\$ 1,870	\$ 1,760
Commercial receivables, net of allowance	1,887	1,299
Government receivables	103	125
Receivables held-for-sale	85	22
Real estate	353	356
Investments	10	18
GAAP-Based Portfolio	4,308	3,580
Assets held in securitization trusts	5,486	5,199
Managed assets	\$ 9,794	\$ 8,779