ALGONQUIN
Power & Utilities Corp.

# Fourth Quarter and Year-End 2018 Earnings Conference Call

**Friday, March 1, 2019**

















## FORWARD-LOOKING STATEMENTS DISCLAIMER

Certain written and oral statements contained or made in this presentation and discussion are forward-looking within the meaning of applicable securities laws and reflect the views of Algonquin Power & Utilities Corp. (“APUC” or the “Company”) with respect to future events, based upon assumptions relating to, among others, the performance of the Company's assets and the business, financial and regulatory climates in which it operates. These forward-looking statements include, among others, statements with respect to the expected performance of the Company, its development projects, the effects of U.S. tax reform, its future plans and its dividends to shareholders.

Since forward-looking statements relate to future events and conditions, by their very nature they require us to make assumptions and involve inherent risks and uncertainties. We caution that although we believe our assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that our actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include those presented in the Company’s most recent management discussion & analysis and annual information form. Given these risks, undue reliance should not be placed on forward-looking statements, which apply only as of their dates. Except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

## NON-GAAP FINANCIAL MEASURES DISCLAIMER

The terms “adjusted net earnings”, “adjusted net earnings per share” (“Adjusted EPS”), “earnings before interest, taxes, depreciation and amortization” (“EBITDA”), “adjusted EBITDA”, “adjusted funds from operations”, “per share cash provided by adjusted funds from operations” (“AFFO”), “per share cash provided by operating activities”, "net energy sales", and "net utility sales" (together the “Financial Measures”) may be used in this presentation. The Financial Measures are not recognized measures under GAAP. There is no standardized measure of the Financial Measures, consequently APUC’s method of calculating these measures may differ from methods used by other companies and therefore they may not be comparable to similar measures presented by other companies. For a reconciliation of the Financial Measures used in the presentation to their corresponding GAAP measures, please see the Appendix - Reconciliation of non-GAAP Financial Measures beginning on page 12 of this presentation or APUC’s most recent management discussion & analysis. Per share cash provided by operating activities is not a substitute measure of performance for earnings per share. Amounts represented by per share cash provided by operating activities do not represent amounts available for distribution to shareholders and should be considered in light of various charges and claims against APUC.

# Speakers and Agenda



**Ian Robertson**
Chief Executive Officer



**Chris Jarratt**
Vice Chair



**David Bronicheski**
Chief Financial Officer

| | |
|---|---|
| ❖ **Introductory Remarks** | **Chris Jarratt** |
| ❖ **Q4 and FY2018 Financial and Strategic Achievements** | **Ian Robertson** |
| ❖ **Q4 and FY2018 Financial Performance** | **David Bronicheski** |
| ❖ **Growth Update** | **Ian Robertson** |

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# Q4 and FY2018 Financial & Strategic Achievements

















# 2018 Highlights




- ✓ Adjusted EPS[1] of $0.66 - 16% increase vs. prior year
- ✓ 2018 Adjusted EBITDA[1] of $803.3 M - 17% increase vs. prior year
- ✓ Maintained strong balance sheet metrics
- ✓ 10% dividend increase extended 7 year track record




- ✓ Commissioned 150 MW of new, sustainable generating capacity
- ✓ Driving value through customer-centric investments in new wind
- ✓ Executed on international infrastructure investment strategy
- ✓ Continued successful M&A with first Canadian regulated utility




- ✓ Identified investment program of $7.5 B
- ✓ Liberty Utilities focused on transition to low-carbon electricity supply
- ✓ Liberty Power executing on renewable energy development projects
- ✓ Driving sustainability and operational excellence throughout APUC



1. *Please see Disclaimer on Non-GAAP Financial Measures on page 2 of this presentation, and Appendix - Reconciliation of non-GAAP Financial Measures beginning on page 12 of this presentation.*

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# Q4 and FY2018 Financial Performance

















# Financial Performance – Full-Year 2018

| All figures are in USD millions except per share data | Full Year Ended December 31, 2018 | | |
|---|---|---|---|
| | 2018 | 2017 | Variance |
| **Revenue** | **1,647.4** | **1,521.9** | **8%** |
| **Net earnings attributable to shareholders** | **185.0** | **149.5** | **24%** |
| *Per share* | **0.38** | **0.37** | **3%** |
| **Adjusted net earnings[1]** | **312.2** | **225.0** | **39%** |
| *Per share* | **0.66** | **0.57** | **16%** |
| **Adjusted EBITDA[1]** | **803.3** | **689.4** | **17%** |
| **Adjusted Funds from Operations[1]** | **554.1** | **477.1** | **16%** |
| **Dividend per share** | **0.5011** | **0.4660** | **8%** |



1. *Please see Disclaimer on Non-GAAP Financial Measures on page 2 of this presentation, and Appendix - Reconciliation of non-GAAP Financial Measures beginning on page 12 of this presentation.*

# Maintaining Strong Balance Sheet

**Common Shares**

- Issued C$617 M of common equity in 2018
- Accretively funds APUC growth program



**Subordinated Notes**

- Issued $287.5 M of junior subordinated notes
- First offering of public securities directly to U.S. market
- Provides additional equity credit from rating agencies



**Green Bond**

- Issued 10 year, 4.6% C$300 M senior unsecured bond
- First bond to be qualified as a “Green Bond”



**ATM Program**

- Established APUC’s ATM program
- Qualified for both Canada and the U.S.
- Represents an additional low cost financing option



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# Growth Update

















# 2019 Focus on Stable, Persistent, Peer-Leading Growth

**Robust Renewable Energy Growth Opportunities**

- Commencing construction of >950 MW of renewable energy
- 600 MW of “Greening the Fleet” capacity on track
- Finalizing turbine supply slots and erection cranes



**Advancing Liberty Utilities Capital Initiatives**

- Granite Bridge increasing natural gas accessibility in NE U.S.
- Partnership with Fortis for transmission in Ontario
- Complete utility acquisitions in Canada and the U.S.



**Deliver Peer-Leading Shareholder Returns**

- Entrepreneurial spirit drives industry leading growth profile
- Diversified 5-year $7.5 B CapEx plan drives trajectory
- Creating shareholder value through intelligent execution



***2019 Investment Program of $1.4 B to $1.6 B***

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# Appendix – Reconciliation of Non-GAAP Financial Measures

















# NON-GAAP FINANCIAL MEASURES

**Reconciliation of Adjusted EBITDA to Net Earnings**

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP consolidated net earnings.

| | Three Months Ended Dec 31 | | Twelve Months Ended Dec 31 | |
|---|---|---|---|---|
| **(all dollar amounts in USD millions)** | **2018** | **2017** | **2018** | **2017** |
| Net earnings attributable to shareholders | $44.0 | $47.2 | $185.0 | $149.5 |
| Add (deduct): | | | | |
| Net earnings attributable to non-controlling interest, exclusive of HLBV | 3.4 | 0.6 | 4.8 | 2.4 |
| Income tax expense | 2.8 | 29.7 | 53.4 | 73.4 |
| Interest expense on Conv. Debs & acquisition financing costs | — | — | — | 13.4 |
| Interest expense on long-term debt and others | 40.3 | 33.3 | 152.1 | 142.4 |
| Other losses | 2.3 | 3.8 | 2.7 | 0.7 |
| Acquisition-related costs | (8.9) | 1.0 | 0.7 | 47.7 |
| Pension and post-employment non-service costs[1] | 1.4 | 2.5 | 3.9 | 9.0 |
| Change in value of investment in Atlantica carried at fair value | 46.0 | — | 138.0 | — |
| Costs related to tax equity financing | 1.3 | 0.4 | 1.3 | 1.8 |
| Loss (gain) on derivative financial instruments | (0.3) | (3.1) | 0.6 | (1.9) |
| Realized (loss) gain on energy derivative contracts | 0.1 | — | 0.1 | (0.6) |
| Loss (gain) on foreign exchange | 0.7 | 1.2 | (0.1) | 0.3 |
| Depreciation and amortization | 63.8 | 69.2 | 260.8 | 251.3 |
| **Adjusted EBITDA** | **$196.9** | **$185.8** | **$803.3** | **$689.4** |



1. As a result of adoption of ASU 2017-07 certain components of net benefit pension costs are considered non-service costs and are now classified outside of operating income (see annual audited financial statements note 2(a)).

# NON-GAAP FINANCIAL MEASURES

**Reconciliation of Adjusted Net Earnings to Net Earnings**

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Earnings and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP consolidated net earnings. The following table shows the reconciliation of net earnings to Adjusted Net Earnings exclusive of these items:

| | Three Months Ended Dec 31 | | Twelve Months Ended Dec 31 | |
|---|---|---|---|---|
| **(all dollar amounts in U.S. $ millions, except per share data)** | **2018** | **2017** | **2018** | **2017** |
| Net earnings attributable to shareholders | $44.0 | $47.2 | $185.0 | $149.5 |
| Add (deduct): | | | | |
| Loss (gain) on derivative financial instruments | (0.3) | (3.1) | 0.6 | (1.9) |
| Realized (loss) gain on energy derivative contracts | 0.1 | — | 0.1 | (0.6) |
| Loss (gain) on long-lived assets, net | 1.9 | 1.2 | 0.8 | (1.8) |
| Loss (gain) on foreign exchange | 0.7 | 1.2 | (0.1) | 0.3 |
| Interest expense on Conv. Debs & acquisition financing costs | — | — | — | 13.4 |
| Acquisition-related costs | (8.9) | 1.0 | 0.7 | 47.7 |
| Change in value of investment in Atlantica carried at fair value | 46.0 | — | 138.0 | — |
| Costs related to tax equity financing | 1.3 | 0.4 | 1.3 | 1.8 |
| Other adjustments | — | 2.5 | — | 2.5 |
| U.S. Tax Reform and related deferred tax adjustments[1] | (18.4) | 17.1 | (18.4) | 17.1 |
| Adjustment for taxes related to above | 4.1 | (0.5) | 4.2 | (3.0) |
| Adjusted Net Earnings | $70.5 | $67.0 | $312.2 | $225.0 |
| **Adjusted Net Earnings per share[2]** | **$0.14** | **$0.16** | **$0.66** | **$0.57** |

1. Represents the non-cash accounting charge related to the revaluation of U.S. net deferred income tax assets and liabilities as a result of U.S. Tax Reform (see U.S. Tax Reform for additional information).
2. Per share amount calculated after preferred share dividends and excluding subscription receipts issued for projects or acquisitions not reflected in earnings.

# NON-GAAP FINANCIAL MEASURES

**Reconciliation of Adjusted Funds from Operations to Cash Flows from Operating Activities**

The following table is derived from and should be read in conjunction with the consolidated statement of operations and consolidated statement of cash flows. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Funds from Operations and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to funds from operations in accordance with U.S. GAAP. The following table shows the reconciliation of funds from operations to Adjusted Funds from Operations exclusive of these items:

| | Three Months Ended Dec 31 | | Twelve Months Ended Dec 31 | |
|---|---|---|---|---|
| **(all dollar amounts in USD millions)** | **2018** | **2017** | **2018** | **2017** |
| Cash flows from operating activities | $168.6 | $116.0 | $530.4 | $326.6 |
| Add (deduct): | | | | |
| Changes in non-cash operating items | (27.3) | 9.1 | 8.1 | 87.7 |
| Production based cash contributions from non-controlling interests | — | — | 13.9 | 7.9 |
| Interest expense on Conv. Debs & acquisition financing costs[1] | — | — | — | 7.2 |
| Acquisition-related costs | (8.8) | 0.9 | 0.7 | 47.7 |
| Reimbursement of operating expenses incurred on joint venture | — | — | 1.0 | — |
| **Adjusted Funds from Operations** | **$132.5** | **$126.0** | **$554.1** | **$477.1** |

1. Exclusive of deferred financing fees of $6.2 million.

## Contact Information

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**Chief Executive Officer**

**David Bronicheski**
**Chief Financial Officer**

**Ian Tharp**
**Vice President, Investor Relations**

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## Corporate Information

| | |
|---|---|
| **Head Office** | Oakville, ON |
| **Common Share Symbol** | TSX/NYSE: AQN |
| **Subordinated Notes Symbol** | NYSE: AQNA |
| **Preferred Share Symbols** | TSX: AQN.PR.A, AQN.PR.D |
| **Shares Outstanding*** | 490,491,245 |
| **Share Price*** | U.S.$11.09 |
| **Market Capitalization** | U.S.$5.4 B |
| **Dividend**** | U.S.$0.5128 per share annually |

* Shares outstanding as of Jan. 30, 2019 and price (NYSE) as of January 8, 2019.
** Annualized using Q3 2018 dividend rate.















