

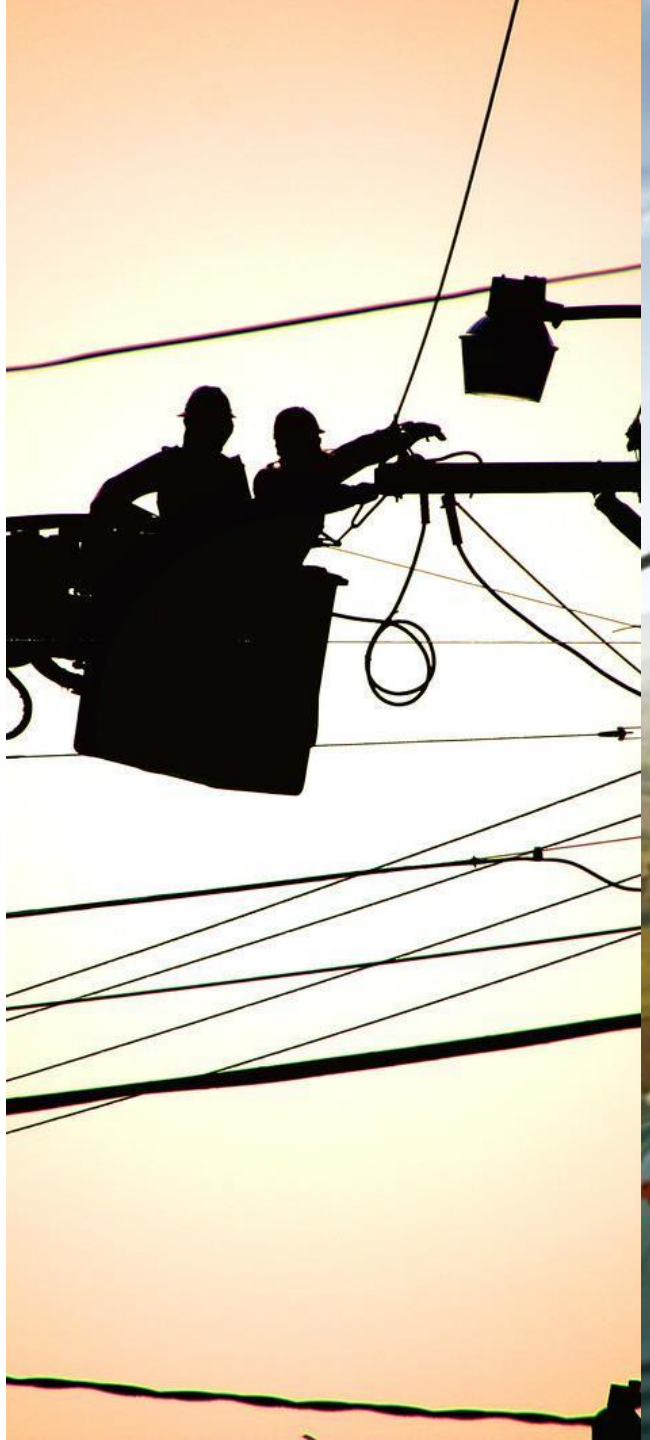
# Q4 2019

## EARNINGS CONFERENCE CALL

**February 28, 2020**

**10:00 a.m. ET**

ALGONQUIN Power & Utilities Corp.





## FORWARD-LOOKING STATEMENTS

Certain written and oral statements contained or made in this presentation and discussion constitute “forward-looking information” within the meaning of applicable securities laws in each of the provinces of Canada and the respective policies, regulations and rules under such laws and “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”), 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, ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results, and completion and closing dates, its future plans, its expected future customer counts, 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 annual and interim 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

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”, “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 14 of this presentation or APUC’s most recent management discussion & analysis.

*All dollar amounts presented in U.S. $ unless otherwise noted*

# SPEAKERS AND AGENDA



**Ian Robertson**
Chief Executive Officer



**Chris Jarratt**
Vice Chair



**David Bronicheski**
Chief Financial Officer

| | |
|---|---|
| **Introductory Remarks……** | **Chris Jarratt** |
| **Q4 2019 Strategic Achievements……** | **Ian Robertson** |
| **Q4 2019 Financial Highlights……** | **David Bronicheski** |
| **Update on our Strategic Plan……** | **Ian Robertson** |

Q4 2019

# Q4 2019

## EARNINGS CONFERENCE CALL




ALGONQUIN Power & Utilities Corp.

# LEADERSHIP SUCCESSION



Arun Banskota

President



Arthur Kacprzak

Senior Vice President and
Deputy Chief Financial Officer

Q4
2019

# STRATEGIC ACHIEVEMENTS

## ✓ Strong Financial Performance Supports Growth in Dividend

- Adjusted EBITDA[1] of $838.6 million – a 4% year-over-year increase
- Adjusted EPS[1] of $0.63 – a 10% adjusted year-over-year increase
- Total Assets of $10.9 billion – a 16% year-over-year increase
- Annual dividend of $0.5512 – a 10% year-over-year increase

## ✓ Q4 2019 Announcements Support Growth Profile

- Completion of two utility acquisitions expanded utility footprint
- Announcement of New York American Water acquisition
- Approximately $8.5 million in successful rate review outcomes

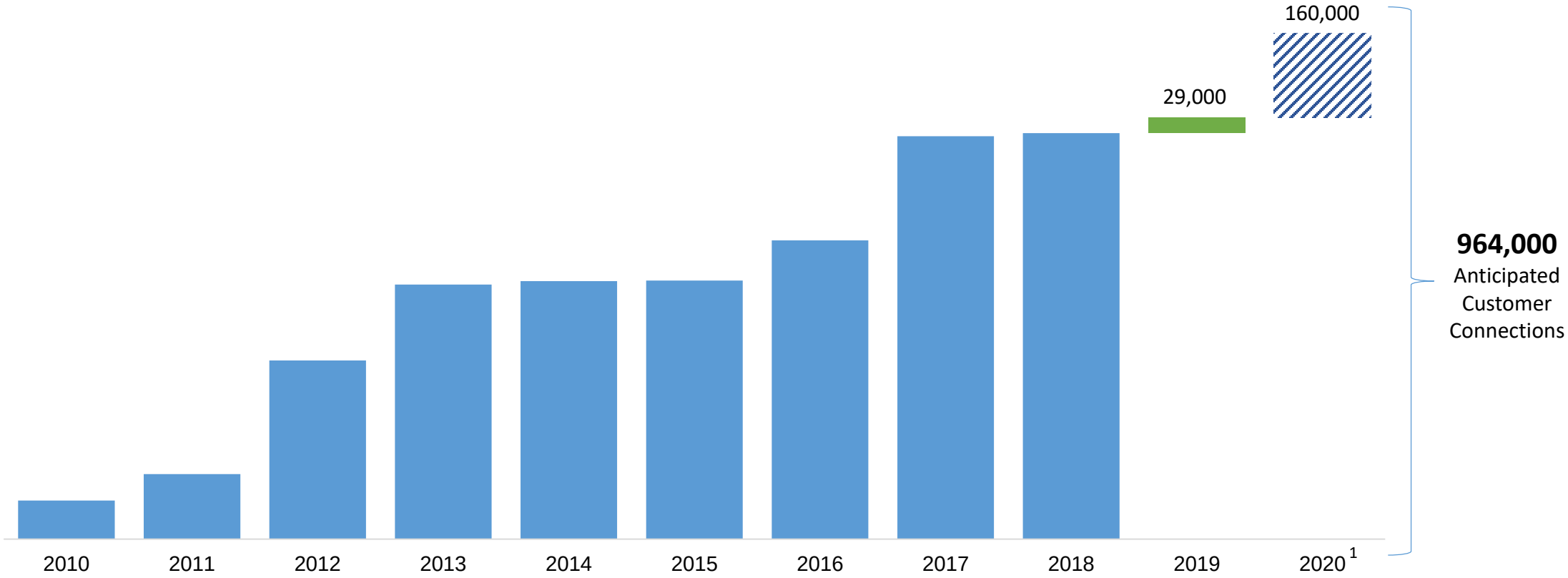







1. *Please see "Non-GAAP Financial Measures" on page 2 of this presentation, and Appendix - Reconciliation of non-GAAP Financial Measures beginning on page 14 of this presentation.*

# MARCH TO A MILLION




*1. Pending acquisitions.*

***Recent acquisitions provide line-of-sight to one million customers***

Q4
2019

# Q4 2019

## EARNINGS CONFERENCE CALL

# FINANCIAL PERFORMANCE



ALGONQUIN Power & Utilities Corp.

# FINANCIAL PERFORMANCE

| *All figures are in $ millions except per share data* | Quarter Ended December 31 | | | Year Ended December 31 | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| **Revenue** | 439.7 | 421.9 | 4% | 1,624.9 | 1,648.5 | (1)% |
| **Net earnings attributable to shareholders** | 172.1 | 44.0 | 291% | 530.9 | 185.0 | 187% |
| *Per share* | 0.33 | 0.09 | 267% | 1.04 | 0.38 | 174% |
| **Adjusted net earnings[1]** | 103.6 | 70.5 | 47% | 321.3 | 312.2 | 3% |
| *Per share* | 0.20 | 0.14 | 43% | 0.63 | 0.66 | (5)% |
| **Adjusted EBITDA[1]** | 231.5 | 198.9 | 16% | 838.6 | 804.4 | 4% |
| **Adjusted Funds from Operations[1]** | 144.1 | 132.5 | 9% | 566.2 | 554.1 | 2% |
| **Dividend per share** | 0.1410 | 0.1282 | 10% | 0.5512 | 0.5011 | 10% |

1. *Please see "Non-GAAP Financial Measures" on page 2 of this presentation, and Appendix - Reconciliation of non-GAAP Financial Measures beginning on page 14 of this presentation.*

# MAINTAINING STRONG BALANCE SHEET









### ✓ Issuance of Green Bonds

- Issued 10 year, 4.6% C$300 M senior unsecured bond
- Inaugural “green bond” offering

### ✓ Issuance of Subordinated Notes

- Issued $350 M of 60 year fixed-to-floating 6.2% subordinated notes
- Second public U.S. offering of subordinated notes

### ✓ Common Equity Financing

- Issued $354.4 M of common equity through inaugural U.S. marketed offering
- Accretively funds APUC growth program

### ✓ Issuance of Liberty Utilities Canada Debentures

- Liberty Utilities (Canada) LP issued 30 year, 3.315% C$200 million senior unsecured bond
- Proceeds used to repay debt from closing of New Brunswick Gas

# Q4 2019

## EARNINGS CONFERENCE CALL




ALGONQUIN
Power & Utilities Corp.

# ADVANCING OUR STRATEGIC PLAN

## $2.5 B Renewable Energy Development Pipeline

- Construction underway on 841 MW of non-regulated renewable energy projects
- Over 600 MW of non-regulated renewable energy projects in development
- Current development pipeline maintains our attractive average PPA length with credit-worthy counterparties

## $6.7 B Regulated Services Capital Initiatives

- Significant progress on 600 MW Midwest wind projects; two of three facilities under construction
- Pending acquisitions – BELCO and New York American Water
- $69.3 million in pending rate reviews

***Multiple avenues for growth within 5-year, $9.2 B CapEx program***

Q4 2019

# LEADERS IN SUSTAINABILITY




Q4 2019

# Q4 2019

## EARNINGS CONFERENCE CALL



# APPENDIX

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ALGONQUIN Power & Utilities Corp.

# 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 December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2019** | **2018** | **2019** | **2018** |
| Net earnings attributable to shareholders | **$ 172.1** | $ 44.0 | **$ 530.9** | $ 185.0 |
| Add (deduct): | | | | |
| Net earnings attributable to the non-controlling interest, exclusive of HLBV[1] | **(3.7)** | 3.4 | **19.1** | 4.8 |
| Income tax expense | **12.5** | 2.8 | **70.1** | 53.4 |
| Interest expense on long-term debt and others | **47.4** | 40.3 | **181.5** | 152.1 |
| Other losses | **6.2** | 2.3 | **15.1** | 2.7 |
| Acquisition-related costs | **6.4** | (8.9) | **11.6** | 0.7 |
| Pension and post-employment non-service costs | **8.4** | 3.4 | **17.3** | 5.0 |
| Change in value of investments carried at fair value[2] | **(98.1)** | 46.0 | **(278.1)** | 138.0 |
| Costs related to tax equity financing | **—** | 1.3 | **—** | 1.3 |
| Loss (gain) on derivative financial instruments | **(0.5)** | (0.3) | **(16.1)** | 0.6 |
| Realized (loss) gain on energy derivative contracts | **—** | 0.1 | **(0.2)** | 0.1 |
| Loss (gain) on foreign exchange | **3.1** | 0.7 | **3.1** | (0.1) |
| Depreciation and amortization | **77.7** | 63.8 | **284.3** | 260.8 |
| **Adjusted EBITDA** | **$ 231.5** | $ 198.9 | **$ 838.6** | $ 804.4 |

1 HLBV represents the value of net tax attributes earned during the period primarily from electricity generated by certain U.S. wind power and U.S. solar generation facilities. HLBV earned in the three and twelve months ended December 31, 2019 amounted to $16.0 million and $65.0 million as compared to $13.8 million and $110.7 million during the same period in 2018. In the first quarter of 2018 a one-time acceleration of HLBV income in the amount of $55.9 million was recorded as a result of U.S. Tax Reform. Excluding the one-time acceleration of HLBV due to U.S. Tax Reform, Adjusted EBITDA increased by $90.1 million year over year.

2 See Note 8 in the annual audited consolidated financial statements

# 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 consolidated net earnings in accordance with U.S. GAAP.

The following table shows the reconciliation of net earnings to Adjusted Net Earnings exclusive of these items:

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions except per share information)** | **2019** | **2018** | **2019** | **2018** |
| Net earnings attributable to shareholders | **$ 172.1** | $ 44.0 | **$ 530.9** | $ 185.0 |
| Add (deduct): | | | | |
| Loss (gain) on derivative financial instruments[1] | **(0.5)** | (0.3) | **(0.3)** | 0.6 |
| Realized (loss) gain on energy derivative contracts | **—** | 0.1 | **(0.2)** | 0.1 |
| Other Losses | **6.1** | 1.9 | **15.1** | 0.8 |
| Loss (gain) on foreign exchange | **3.0** | 0.7 | **3.1** | (0.1) |
| Acquisition-related costs | **6.4** | (8.9) | **11.6** | 0.7 |
| Change in value of investments carried at fair value[3] | **(98.1)** | 46.0 | **(278.1)** | 138.0 |
| Costs related to tax equity financing | **—** | 1.3 | **—** | 1.3 |
| Other non-recurring adjustments | **2.2** | — | **2.2** | — |
| U.S. Tax Reform and related deferred tax adjustments[2] | **—** | (18.4) | **—** | (18.4) |
| Adjustment for taxes related to above | **12.4** | 4.1 | **37.0** | 4.2 |
| **Adjusted Net Earnings** | **$ 103.6** | $ 70.5 | **$ 321.3** | $ 312.2 |
| **Adjusted Net Earnings per share** | **$ 0.20** | $ 0.14 | **$ 0.63** | $ 0.66 |

1 Excludes the gain related to the discontinuation of hedge accounting on an energy hedge put in place early in the development of the Sugar Creek Wind Project (See *Note 24(b)(iv)* in the annual audited consolidated financial statements).

2 Represents the non-cash accounting adjustment related to the revaluation of U.S. deferred income tax assets and liabilities as a result of implementation of the effects of U.S. Tax Reform.

3 See Note 8 in the annual audited consolidated financial statements

# 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.

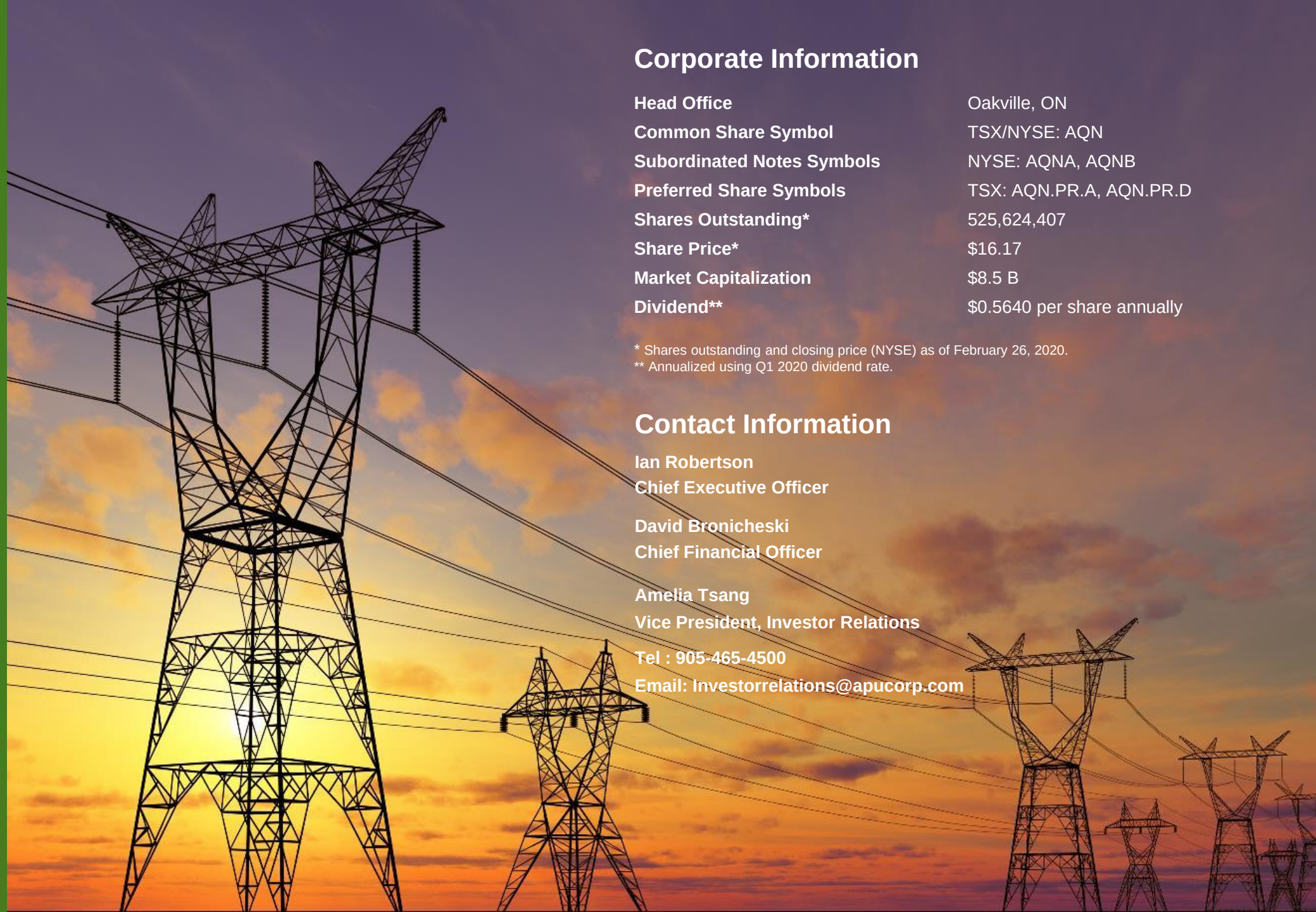
The following table shows the reconciliation of funds from operations to Adjusted Funds from Operations exclusive of these items:

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| **(all dollar amounts in $ millions)** | **2019** | **2018** | **2019** | **2018** |
| Cash flows from operating activities | **$ 167.5** | $ 168.6 | **$ 611.3** | $ 530.4 |
| Add (deduct): | | | | |
| Changes in non-cash operating items | **(29.8)** | (27.3) | **(60.3)** | 8.1 |
| Production based cash contributions from non-controlling interests | **—** | — | **3.6** | 13.9 |
| Acquisition-related costs | **6.4** | (8.8) | **11.6** | 0.7 |
| Reimbursement of operating expenses incurred on joint venture | **—** | — | **—** | 1.0 |
| **Adjusted Funds from Operations** | **$ 144.1** | $ 132.5 | **$ 566.2** | $ 554.1 |

1 Exclusive of deferred financing fees of $6.2 million.

# Q4 2019

## EARNINGS CONFERENCE CALL



## Corporate Information

| | |
|---|---|
| **Head Office** | Oakville, ON |
| **Common Share Symbol** | TSX/NYSE: AQN |
| **Subordinated Notes Symbols** | NYSE: AQNA, AQNB |
| **Preferred Share Symbols** | TSX: AQN.PR.A, AQN.PR.D |
| **Shares Outstanding*** | 525,624,407 |
| **Share Price*** | $16.17 |
| **Market Capitalization** | $8.5 B |
| **Dividend**** | $0.5640 per share annually |

* Shares outstanding and closing price (NYSE) as of February 26, 2020.
** Annualized using Q1 2020 dividend rate.

## Contact Information


**Ian Robertson**
**Chief Executive Officer**

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

**Amelia Tsang**
**Vice President, Investor Relations**

**Tel : 905-465-4500**
**Email: Investorrelations@apucorp.com**


ALGONQUIN Power & Utilities Corp.