

F R O S T & S U L L I V A N

BEST PRACTICES

AWARDS

F R O S T & S U L L I V A N

2020 BEST PRACTICES AWARD

AMERESCO 
Green • Clean • Sustainable

**2020 GLOBAL
DISTRIBUTED ENERGY RESOURCES
COMPANY OF THE YEAR AWARD**

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Background and Company Performance

Industry Challenges

The global energy market is undergoing a massive transformation, primarily driven by a rise in clean energy sources, technological innovations in power generation, transmission, and distribution, and increasing decentralization with distributed energy resources (DER). Although DERs currently account for only a small fraction of installed generation capacity globally, the penetration of different distributed generation (DG) resources into grids will intensify as environmental regulations at national and subnational level become more stringent. Furthermore, a decrease in generation and storage technology costs, alongside the launch of new business models, minimize the upfront investment barriers that otherwise hinder DER adoption.

Frost & Sullivan notes that, for stakeholders seeking green energy solutions, renewable DERs enable robust adaptation strategies to mitigate the impact of climate change, e.g., global warming and severe weather events, by reducing the carbon footprint. Moreover, DERs can reduce the exposure stakeholders face due to increasing volatile electricity prices—an important value proposition for commercial and industrial (C&I) businesses whose business projections are based multi-year budgets based on long-term cost profiles. Hence, energy solutions that offer a high degree of certainty are in high demand.

Frost & Sullivan notes that the market imperatives of sustainability, resilience, and reduced operational and financial risks support the DER model as the future of the global energy landscape. Participants across the energy value chain, including utilities, technology providers, energy service companies, developers, and system integrators can benefit from the emergence of distributed energy and should adjust their growth strategies and business models accordingly.

Frost & Sullivan recognizes that Ameresco, an exemplary energy services company, is successfully capitalizing on the emergence of DER deployment by providing flexible solutions that can address diverse client needs by adjusting to multiple operating profiles.

Visionary Innovation and Performance of Ameresco

Much of Ameresco's success is due to its exceptionally customer-centric business focus that can meet the market's evolving needs. Since its inception in 2000, the company's prime value proposition is improving energy efficiency by identifying areas for improvement, and optimizing performance through retrofitting measures such as installing LED lighting and efficient HVAC. Later, the company broadened its scope to include supply-side contracts, providing an end-to-end energy offering. With the advent of climate change concerns, Ameresco is actively meeting the market demand for greater resiliency and sustainability.

Since its founding in 2000, Ameresco has implemented a large, diverse number of DER installations across North America and Europe. From its early focus on peaking plants and co-generation, Ameresco has been expanding its offerings to include microgrid solutions that combine green technologies including solar, battery storage, geothermal, and biogas.

The company's range of distributed systems not only incorporates diverse clean energy technologies but can accommodate different magnitudes of size and complexity. Ameresco leverages its 20 years of expertise to create a uniquely comprehensive portfolio of efficiency and renewable energy solutions, capable of meeting versatile supply and demand-side clean energy needs for a range of end users.

Blue Ocean Strategy: Leveraging Renewable Natural Gas (RNG) to Achieve Multiple Clean Energy Goals

Businesses and governments worldwide are investing in DERs to meet four primary goals: mitigate cost uncertainty, secure power supply, reduce operational risk, and minimize its carbon footprint. Ameresco is capable of helping customers meet all four targets simultaneously. While competitors can provide DERs with storage capabilities to provide sustainable on-site self-generation and utility bill savings, their offerings provide limited customization and fail to provide secure energy supply for long periods in a cost effective manner. Thanks to its diversified and technology agnostic approach, diversity of contract models, and ability to incorporate smart devices, Ameresco can offer uniquely customized clean energy solutions for clients, helping them obtain the resiliency they are looking for.

Part of Ameresco's unique competitive advantage resides in the use of raw biogas or RNG as a base load fuel source. In partnership with municipalities and water utilities, Ameresco develops wastewater treatment biogas-to-RNG plants that reduce customers' reliance on fossil fuels while helping meet carbon reduction goals. The company's 91st Ave RNG plant, in Phoenix, Arizona, is the largest of its kind in the United States. With a processing capacity of 3,250 standard cubic feet per minute of raw digester gas, the plant provides the city with estimated savings of 44,671 metric tons of carbon dioxide per year¹.

"This innovative partnership allows us to turn waste into (a) resource by converting biogas, a byproduct of wastewater treatment, into renewable energy. This not only benefits our regional economy but also reduces greenhouse gas emissions. Phoenix has set ambitious sustainability and renewable energy goals, and this kind of public-private partnership will help us get there."

Phoenix, Arizona Mayor Kate Gallego²

Visionary Scenarios: Equipping Utilities to Meet Future Energy Demands

Ameresco's distinctive ability to accurately recognize emerging energy trends and take rapid action to secure first-mover advantage assures the company's leading position in the energy services sector. A combination of best practices including extensive client interaction to fully understand their business goals and needs, ongoing assessment of megatrends by management and marketing teams, and the active participation of

¹ Ameresco Web Site. <https://www.ameresco.com/portfolio-item/city-of-phoenix-91st-avenue-wastewater-treatment-plant-az/>

² Ameresco Press Release. Available at <https://www.ameresco.com/ameresco-declares-commercial-operations-of-historic-rng-plant/>

Ameresco in thought leadership industry associations such as the Energy Storage Association and the Coalition for Renewable Natural Gas sets the company apart.

Furthermore, the drive for accurate future casting and subsequent innovation is in the company's DNA. For example, with remarkable foresight, the company forged ahead with development of its first renewable energy project in the early 2000s, despite a lack of supporting federal or state-level mechanisms at the time. Frost & Sullivan notes that Ameresco's management correctly identified the imminent renewables trend at its nascent stage, before many stakeholders. That same foresight allowed the company to build an early market position with the growth of battery storage projects and microgrids. Green hydrogen is Ameresco's newest area of focus as the company anticipates the energy market will soon embrace its use to enable a faster transition to carbon neutrality.

Implementing Best Practices to Achieve a Consistent Level of Success

Despite its futuristic approach, Ameresco strikes the right balance between staying tuned to evolving market trends while remaining cognizant of what is sound and economically feasible for customers and shareholders. The company's market advantage is achieved not only via disruptive innovations, but with incremental improvements. The company's team of in-house technical experts is also dedicated to staying abreast of the market by vetting technological advances that can integrate into Ameresco's plants and projects; e.g., beta-testing new and promising technology at its sites first. Moreover, the company is technology-agnostic, allowing flexibility for customers that maximizes client value. All these efforts have enabled Ameresco to achieve sustained revenue growth at a compound annual growth rate (CAGR) of 8% since 2015. Recently the company has experienced even greater earnings growth—18% CAGR—as a result of a higher volume of recurring contracts and repeat clients³.

Customer Impact

Focusing on Customization to Enhance the Customer Experience

Ameresco's strong client focus is reflected in its superior customer service and management. Given its diverse client base, the company ensures its account executives and project managers clearly understand local incentives and energy markets. To that end, Ameresco has local teams on the ground, distributed across 70 locations in North America and the United Kingdom, to specialize in industry segments ranging from healthcare to education, government, and C&I. The company seeks multiple touch points with clients and solicits input from key staff including energy managers, facility managers, and CFOs. As a result, Ameresco can conceive and deliver functional solutions that help clients achieve maximum benefit in their operations.

Frost & Sullivan identifies that, despite an increasing transition from a pure pay-and-purchase model to operation and output-based operational expenditure contracts that

³ Ameresco Q4 2019 Supplemental Information Presentation. Available at https://d1io3yog0oux5.cloudfront.net/_9a8b733d7d560165964fd841557c1ae5/ameresco/db/433/3709/supplemental_information/2019+Q4+supplemental+slides+FINAL.pdf

include maintenance, performance guarantees, and installed equipment availability, a single contract model will not dominate due to differing market regulations and customer preferences. In contrast to competitors who have a limited offering in terms of contract models, Ameresco can work with multiple contract types including Engineering, Procurement, and Construction; Design, Build, and Operate; Performance Contracts, Power Purchase Agreements, and Energy-as-a-Service to name a few. Hence, the company's flexibility in terms of accommodating multiple business models and financing capabilities confers on Ameresco a powerful competitive advantage in the DER space.

"These solar installations on our developments will make NBHA one of the largest Housing Authority renewable installations in New England. The savings generated from these EPC projects go right back into the developments, which is one reason why they are in such great condition."

-Steven A. Beauregard, Executive Director, New Bedford Housing Authority, MA⁴.

Conclusion

As a leading independent energy service firm focusing on client-centric innovation, Ameresco uniquely integrates diverse distributed energy resource technologies with an array of business models, providing governments and businesses unparalleled value. Ameresco's extensive expertise, technical innovation, and high-touch client model, as well as the ability to offer base load dispatchable energy, allows the company to stay abreast of the evolving market trends while providing sustainable, carbon-free, and cost-effective solutions. Alongside superior customer service that translates into repeat business accounting for almost 70% of the company's earnings, Ameresco is uniquely positioned to capture market share globally.

With its thought leadership, technical excellence, and holistic and customer-centric approach, Ameresco earns Frost & Sullivan's 2020 Company of the Year Award in the global distributed energy resources market.

⁴ Quote provided by Ameresco.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company’s future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).



Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation and Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation of Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

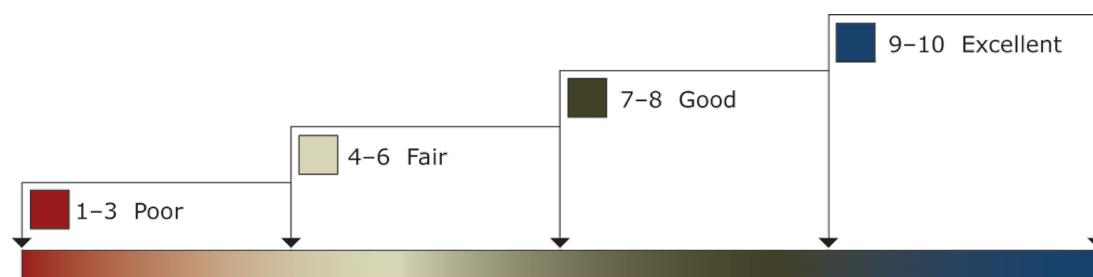
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Ameresco

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows research and consulting teams to objectively analyze performance according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard considers Visionary Innovation and Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Ameresco	10	9	9.5
Competitor 1	8	8	8
Competitor 2	7	8	7.5

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or underserved needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling first-to-market growth opportunity solutions.

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially uncontested market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenue, revenue growth, operating margin, and other key financial metrics.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

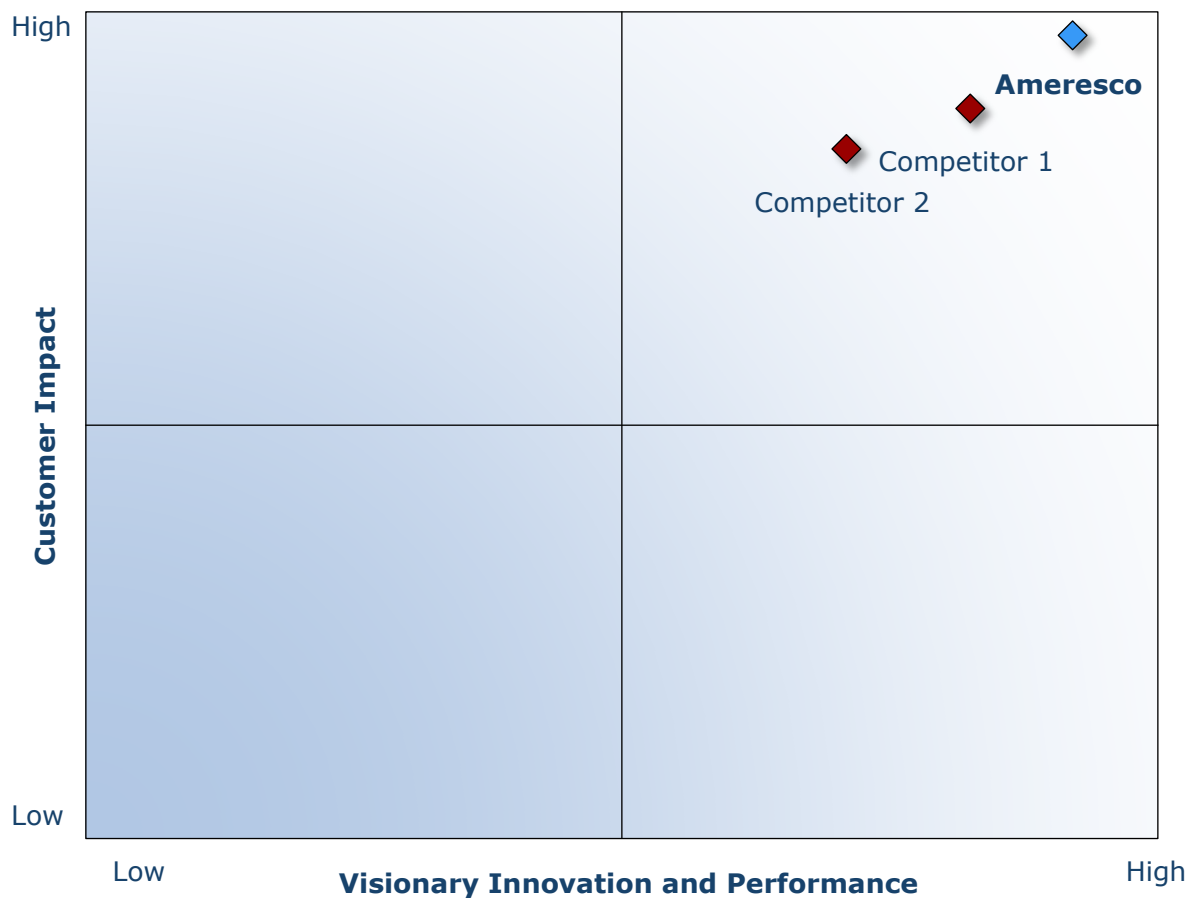
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best practices positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of recognition	<ul style="list-style-type: none"> • Announce award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company able to share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of the research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.