

DESK NOTE

16.01.2025

HA Sustainable Infrastructure Capital (HASI US) –

Seizing the AI Opportunity: HASI as a good play to recent Biden's executive order

Conclusive Summary: HASI presents a compelling investment opportunity to recent Biden administration's executive order, also driven by its strategic positioning in climate-focused infrastructure financing and resilience in navigating market challenges. Despite recent GAAP losses and elevated interest costs, the company has shown strong portfolio growth, with managed assets increasing to \$13.1 billion (+14% YoY) and new investment yields rising to 10.5%. **The Biden administration's executive order enabling AI companies to lease federal sites for datacenters further supports HASI's growth prospects amid surging power demands, combined with a favorable bear steepener (rising 10Y/2Y spread).** The company forecasts an 8-10% CAGR in EPS through 2026, supported by a manageable 60-70% payout ratio (expected 5-6% dividend yield), while a target price of \$36.20 (+34% from current levels) highlights meaningful upside potential and solid dividend prospects. **With institutional investors increasing their holdings and upcoming 4Q24 results expected to act as catalysts with further analyst upgrades, we recommend adding HASI at or below \$27, leveraging the current share weakness** to capitalize on medium-term growth potential.

Competitive Position: Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI) stands out in the renewable energy and climate finance sector with its unique focus on climate-positive investments and its proprietary CarbonCount® metric, which quantifies the environmental impact of each project. Unlike peers such as Brookfield Renewable Partners, NextEra Energy Partners, and Clearway Energy, HASI combines innovative securitization strategies with a diversified portfolio spanning behind-the-meter, grid-connected, and sustainable fuels projects. This integration of environmental impact measurement, financial expertise, and sector diversity positions HASI as a distinctive leader in advancing the energy transition.

Valuation: Using a combination of forward P/E and P/B multiples we reach a blended target price (TP) of \$36.20, around +34% above current levels. The stock is trading at a discount to its 2-year and 5-year multiple averages. **We recommend adding HASI stock at or below \$27.**

Ticker: HASI US

Previous day close price: \$27.56

Price range (52w.): \$ 21.77 - \$36.56

Target price: \$36.20 (+34% upside)

Recommendation: **Buy@ \$27**

Description: Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI) is a leading investor in climate-positive infrastructure, targeting greenhouse gas reductions through investments in renewable energy, energy efficiency, and sustainable projects. The company operates across three key sectors: Behind-the-Meter (BTM) distributed energy systems, Grid-Connected (GC) utility-scale renewables, and Fuels, Transport, and Nature (FTN) initiatives. It generates revenue through two primary streams: net investment income from its \$6.2 billion on-balance-sheet portfolio and gain-on-sale income and fees from securitization and advisory services. As of December 2023, the company managed \$12.3 billion in assets, leveraging financial structures like green bonds and securitization.

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Multiple Next 12 Months		Financial Metric	Target Price
P/B	1.75	20.13	\$35.23
P/E	14.00	2.65	\$37.12
Avg. Multiple Price			\$36.18

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