SMC Investment Group

April 9, 2015
Real Estate

Ticker: HASI
Recommendation: Buy/Hold
Current Price: $18.63
Price Target: $22.00

Investment Thesis

- Strong returns since founding in 2013.
- Pays a very solid divided (5.58%)
- Has price momentum based on historical trends
- Investment is less risky due to investing in a fund that will then invest in other funds.
- Analysts expect a 15% growth rate in 2015
- Trading at discount compared to REIT industry

Business Overview

Brief history of the company
- Located in Annapolis, MD
- Despite becoming public in 2013, have over 25 years of experience on executive team

Explain how the company makes money
- Provides debt and equity financing to the energy efficiency and renewable energy markets.
- Focus on providing preferred or senior level capital to established sponsors and high credit quality obligors for assets that generate long-term, recurring and predictable cash flows.
Management and Employee Relations
CEO and other executives deemed important
- Jeffrey Eckel – CEO since 2000; was with firm from 1985-1989

Recent News
Announced 1Q15 dividend of $.26. EPS for end of 4Q14 was $.27, so earnings get kicked back to investors.

Macro Factors
There is a strong push for renewable and clean energy, in particular due to climate change. Hannon Armstrong is set to benefit as the primary financier of many different clean energy companies.

Competition
Hannon Armstrong has many REIT competitors, but they are one of the only ones to solely focus on sustainable investing.

Portfolio Allocation
Where does this fit in our portfolio?
- Small Growth
- Domestic
- Real Estate

Sales Growth Rate:
- 2013: -11.11%
- 2014: 87.5%
- est. 2015: 17%
- est. 2016: 20%
- est. 2017: 20%

What factors have led you to this conclusion?
- Increased demand for clean energy will lead to better cash flows for Hannon Armstrong Investors.

Recommendation:
Hannon Armstrong would make for an ideal candidate in the Responsible Investment Fund. With 5% of the fund allocated towards Real Estate, the upswing of the HASI combined with the business that it’s in should make for a solid addition to the Fund. Although not being public for very long, Hannon Armstrong has a long track record of being a very successful company, and its leadership should continue taking Hannon Armstrong to new levels, particularly with the new focus on renewable energy.