

AQN

^ TSX \$7.73 CAD +0.00 [+0.00%]

^ NYSE \$5.61 USD +0.02 [+0.36%]

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PRESS RELEASE

Algonquin Power & Utilities Corp. Announces 2023 Third Quarter Financial Results

Company Release - 11/10/2023

OAKVILLE, ON, Nov. 10, 2023 /CNW/ - Algonquin Power & Utilities Corp. (TSX: AQN) (NYSE: AQN) ("AQN" or the "Company") financial results for the third quarter ended September 30, 2023. All amounts are shown in United States dollars ("U.S. dollars").

Algonquin

"We have launched the sale process for our portfolio of high-quality renewable assets and extensive development pipeline focused on appropriate valuation," said Chris Huskison, Interim Chief Executive Officer of AQN. "Having now served as Interim CEO for several months and met with various stakeholders, I believe the Company's two businesses have untapped potential and bright future. In regards to the quarter, we continued to see constructive growth from rate cases and new development projects year-over-year, also saw those efforts partially offset by unfavourable weather and higher interest rates. On balance, our Adjusted Net Earnings were in a healthy pace for the quarter."

Third Quarter Financial Results

- Adjusted EBITDA¹ of \$281.3 million, an increase of 2%;
- Adjusted Net Earnings¹ of \$79.3 million, an increase of 8%; and
- Adjusted Net Earnings¹ per common share of \$0.11, no change, in each case on a year-over-year basis.

All amounts in U.S. \$ millions except per share information	Three months ended			Nine months ended		
	September 30			September 30		
	2023	2022	Change	2023	2022	Change
Revenue	\$ 624.7	\$ 664.4	(6) %	\$2,031.2	\$2,017.1	1 %
Net earnings attributable to shareholders	(174.5)	(195.2)	11 %	(157.6)	(137.6)	(15) %
<i>Per common share</i>	(0.26)	(0.29)	10 %	(0.24)	(0.21)	(14) %
Cash provided by operating activities	132.6	102.9	29 %	427.3	404.5	6 %
Adjusted Net Earnings ¹	79.3	73.5	8 %	255.4	323.9	(21) %
<i>Per common share</i>	0.11	0.11	—	0.36	0.47	(23) %
Adjusted EBITDA ¹	281.3	276.1	2 %	900.0	895.4	1 %
Adjusted Funds from Operations ¹	167.4	202.6	(17) %	524.5	599.1	(12) %
Dividends per common share	0.1085	0.1808	(40) %	0.3255	0.5322	(39) %

¹ Please refer to "Non-GAAP Measures" below for further details.

Quarterly Results

- **Regulated Growth from New Rate Implementations** – In the third quarter of 2023, the Regulated Services Group year revenue increase of \$12.1 million due to the implementation of new rates and recovery of investments at the Empire, Granite State and Bermuda Electric Systems as well as the Park Water System. New rates were offset by affecting wind production at Empire Electric's renewable assets.
- **Renewable Operating Performance Reduced by Unfavourable Weather** – The Renewable Energy Group previous Wind Facility, which achieved COD in March 2023. This growth was offset by more challenging weather conditions at assets.
- **New Facilities Commissioned within the Renewable Energy Group** – On September 16, 2023, the Renewable Energy Group achieved full commercial operations at the 87.6 MW Sandy Ridge II Wind Facility, located in Pennsylvania. The Sandy Ridge II Wind Facility is expected to sell its output to a leading technology company, pursuant to a renewable energy purchase agreement. In addition, the Renewable Energy Group achieved full commercial operations at the 108.3 MW Shady Oaks II Wind Facility, located in Virginia. The Shady Oaks II Wind Facility has agreed to sell output to a leading financial institution, pursuant to a renewable energy purchase agreement.
- **Higher Interest Expenses Reflect Growth Financing and Macro Environment** – In the third quarter of 2023, interest expense was \$19.2 million year-over-year, with approximately one-third of this increase due to the funding of capital deployed in the second half of 2022 and first half of 2023, and approximately two-thirds attributable to the increase in interest rates on variable rate debt.
- **Empire Electric Securitization** – In July 2023, oral arguments were heard in Empire Electric's appeal of the regulatory order regarding Empire Electric's securitization of costs incurred in connection with the February 2021 extreme winter storm and the Asbury coal plant. On August 1, 2023, the court affirmed the amount eligible for securitization of \$290.4 million as compared to the Company's original aggregate request of approximately \$363.0 million. The Company intends to securitize in line with the court's order to recover these costs. The order excludes a portion of carrying costs and taxes which leads to a net after-tax benefit.

AQN's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2023, and the discussion and analysis for the three and nine months ended September 30, 2023 (the "Interim MD&A") will be available on www.AlgonquinPower.com and in its corporate filings on SEDAR+ at www.sedarplus.com (for Canadian filings) and EDGAR at www.sec.gov/edgar (for U.S. filings).

Earnings Conference Call

AQN will hold an earnings conference call at 8:30 a.m. eastern time on Friday, November 10, 2023, hosted by Interim CEO, Chris Huskison, and Chief Financial Officer, Darren Myers.

Date:	Friday, November 10, 2023	
Time:	8:30 a.m. ET	
Conference Call:	Toll Free Dial-In Number	1 (888) 596-4144
	Toll Dial-In Number	1 (647) 495-7514
	Conference ID	6295385

Webcast: <https://edge.media-server.com/mmc/p/ob3vv7b3>

Presentation also available at: www.algonquinpowerandutilities.com

About Algonquin Power & Utilities Corp. and Liberty

Algonquin Power & Utilities Corp., parent company of Liberty, is a diversified international generation, transmission, and distribution utility with approximately \$18 billion of total assets. AQN is committed to providing safe, secure, reliable, cost-effective, and sustainable energy solutions through its portfolio of generation, transmission, and distribution utility investments to over one million customers in the United States and Canada. In addition, AQN owns, operates, and/or has net interests in over 4 GW of installed renewable energy capacity. AQN's common shares, preferred shares, Series A, and preferred shares, Series D are listed on the Toronto Stock Exchange under the symbols AQN, AQN.PR.A, and AQN.PR.D, respectively. AQN's common shares, Series 2019-A subordinated notes and equity securities are listed on the New York Stock Exchange under the symbols AQN, AQNB, and AQNU, respectively.

Visit AQN at www.algonquinpower.com and follow us on Twitter @AQN_Utilities.

Caution Regarding Forward-Looking Information

Certain statements included in this news release constitute "forward-looking information" within the meaning of applicable securities laws of each of the provinces and territories of Canada and the respective policies, regulations and rules under such laws and "forward-looking information" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). Words such as "will", "expects", "intends" (and grammatical variations of such terms) and similar expressions are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specific forward-looking information is intended to provide a general overview of the company's business and financial performance and is not intended to provide a detailed analysis of the company's business and financial performance.

news release include, but are not limited to, statements regarding: the Company's pursuit of a sale of its renewable energy assets, the Company's expectations regarding the securitization of expenses at Empire Electric. These statements are based on factors or assumptions applied in drawing a conclusion or making a forecast or projection, including assumptions based on historical trends and expected future developments. Since forward-looking statements relate to future events and conditions, by their very nature, they involve making assumptions and involve inherent risks and uncertainties. AQN cautions that although it is believed that the information is reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ from the expectations set out in the forward-looking statements. There can be no assurance that a sale or other separation transaction involving the Company's renewable energy business will occur, or that any of the intended benefits and aims of any such transaction will be realized. Forward-looking statements contained herein are provided for the purposes of assisting in understanding the Company's operations, risks, financial performance, financial position and cash flows as at and for the periods indicated and to provide information consistent with management's current expectations and plans relating to the future and such information may not be appropriate for investment decisions. Material risk factors and assumptions include those set out in AQN's Annual Information Form and Management Discussion and Analysis for the year ended December 31, 2022 (the "Annual MD&A"), and in the Interim MD&A, each of which is or will be available on the Company's website. Given these risks, undue reliance should not be placed on these forward-looking statements, which apply only as of the date of this news release. Specifically required by law, AQN undertakes no obligation to update any forward-looking statements to reflect new information or otherwise.

Non-GAAP Measures

AQN uses a number of financial measures to assess the performance of its business lines. Some measures are calculated in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), while other measures do not have a standard under U.S. GAAP. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in the Company's Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure*. AQN's method of calculating these measures may differ from the methods used by other companies and therefore may not be comparable to similar measures presented by other companies. The terms "Adjusted Net Earnings", "Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization" (or "Adjusted Earnings") and "Adjusted Funds from Operations", which are used in this news release, are non-GAAP financial measures. An explanation of how these non-GAAP financial measures can be found in the section entitled "Caution Concerning Non-GAAP Measures" in the Interim MD&A, which is incorporated by reference into this news release, and a reconciliation to the most directly comparable U.S. GAAP measure can be found below. In addition, "Adjusted Net Earnings" is presented in this news release on a per common share basis. Adjusted Net Earnings per common share is a non-GAAP ratio and is calculated by dividing Adjusted Net Earnings by the weighted average number of common shares outstanding during the applicable period.

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 disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information regarding the performance of AQN. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP earnings.

(all dollar amounts in \$ millions)	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Net loss attributable to shareholders	\$ (174.5)	\$ (195.2)	\$ (157.6)	\$ (137.6)
Add (deduct):				
Net earnings attributable to the non-controlling interest, exclusive of HLBV	6.2	5.2	36.9	12.8
Income tax recovery	(53.8)	(19.5)	(85.1)	(32.9)
Interest expense	94.2	75.0	265.8	197.6
Other net losses ¹	75.2	5.9	119.0	19.3
Unrealized loss on energy derivatives included in revenue ²	7.1	0.1	7.0	3.0
Pension and post-employment non-service costs	4.9	1.5	15.2	6.4
Change in value of investments carried at fair value ³	220.8	300.4	352.8	484.4
Loss (gain) on derivative financial instruments	(0.7)	(0.5)	(3.9)	2.0
Loss (gain) on foreign exchange	(2.9)	(5.0)	5.0	(0.3)

Depreciation and amortization	104.8	108.2	344.9	340.7
Adjusted EBITDA	\$ 281.3	\$ 276.1	\$ 900.0	\$ 895.4

1 See Note 16 in the unaudited interim consolidated financial statements.

2 Includes \$7.1 million of unrealized losses on derivatives included in equity income for the three months ended September 30, 2023. See Note 6 in the unaudited interim consolidated financial st

3 See Note 6 in the unaudited interim consolidated financial statements.

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. disclosure is intended to more fully explain disclosures related to Adjusted Net Earnings and provides additional infor operating performance of AQN. Investors are cautioned that this measure should not be construed as an alternative earnings in accordance with U.S. GAAP.

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

(all dollar amounts in \$ millions except per share information)	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Net loss attributable to shareholders	\$ (174.5)	\$ (195.2)	\$ (157.6)	\$ (137.6)
Add (deduct):				
Loss (gain) on derivative financial instruments	(0.7)	(0.5)	(3.9)	2.0
Other net losses ¹	75.2	5.9	119.0	19.3
Loss (gain) on foreign exchange	(2.9)	(5.0)	5.0	(0.3)
Unrealized loss on energy derivatives included in revenue ²	7.1	0.1	7.0	3.0
Change in value of investments carried at fair value ³	220.8	300.4	352.8	484.4
Adjustment for taxes related to above	(45.7)	(32.2)	(66.9)	(46.9)
Adjusted Net Earnings	\$ 79.3	\$ 73.5	\$ 255.4	\$ 323.9
Adjusted Net Earnings per common share	\$ 0.11	\$ 0.11	\$ 0.36	\$ 0.47

1 See Note 16 in the unaudited interim consolidated financial statements.

2 Includes \$7.1 million of unrealized losses on derivatives included in equity income for the three months ended September 30, 2023. See Note 6 in the unaudited interim consolidated financial st

3 See Note 6 in the unaudited interim consolidated financial statements.

Reconciliation of Adjusted Funds from Operations to Cash Provided by Operating Activities

The following table is derived from and should be read in conjunction with the consolidated statement of operations statement of cash flows. This supplementary disclosure is intended to more fully explain disclosures related to Adjust and provides additional information related to the operating performance of AQN. Investors are cautioned that this r construed as an alternative to cash provided by operating activities in accordance with U.S GAAP.

The following table shows the reconciliation of cash provided by operating activities to Adjusted Funds from Operatic items:

(all dollar amounts in \$ millions)	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022

Cash provided by operating activities	\$ 132.6	\$ 102.9	\$ 427.3	\$ 404.5
Add (deduct):				
Changes in non-cash operating items	34.8	95.7	88.1	180.5
Production based cash contributions from non-controlling interests	—	—	9.1	6.2
Acquisition-related costs	—	4.0	—	7.9
Adjusted Funds from Operations	\$ 167.4	\$ 202.6	\$ 524.5	\$ 599.1

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