



EnerNOC, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended					Twelve Months Ended		
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014
Revenue:								
Grid operator	\$ 15,063	\$ 15,080	\$ 236,300	\$ 12,815	\$ 279,258	\$ 35,770	\$ 22,974	\$ 291,848
Utility	11,769	13,397	32,673	13,772	71,611	10,309	11,961	27,741
Enterprise	6,018	7,676	9,500	9,397	32,591	6,429	9,120	9,833
Total Revenues	32,850	36,153	278,473	35,984	383,460	52,508	44,055	329,422
Cost of Revenues	22,197	23,873	126,072	20,150	192,292	36,139	27,802	168,564
Gross Profit	10,653	12,280	152,401	15,834	191,168	16,369	16,253	160,858
Gross Margin	32.4%	34.0%	54.7%	44.0%	49.9%	31.2%	36.9%	48.8%
Operating Expenses:								
Selling and marketing	15,653	19,030	15,761	15,471	65,915	18,499	19,526	18,972
General and administrative	20,121	21,005	19,346	18,348	79,220	23,677	24,191	24,472
Research and development	4,820	4,770	4,535	4,192	18,317	5,175	4,997	5,260
Gain on sale of service	-	-	-	-	-	-	(3,378)	(359)
Gain on the sale of assets	-	-	-	-	-	-	(2,171)	-
Total operating expenses	40,594	44,805	40,042	38,011	163,452	47,351	43,165	48,345
(Loss) Income From Operations	(29,941)	(32,525)	112,359	(22,177)	27,716	(30,982)	(26,912)	112,513
Other (Expense) Income, Net	(246)	(1,632)	(218)	(892)	(2,988)	124	(229)	(3,747)
(Loss) Income From Operations Before Income Taxes	(30,187)	(34,157)	112,141	(23,069)	24,728	(30,858)	(27,141)	108,766
Provision for (Benefit from) Income Taxes	350	194	5,284	(3,188)	2,640	(425)	264	12,111
Net (Loss) Income	(30,537)	(34,351)	106,857	(19,881)	22,088	(30,433)	(27,405)	96,655
Net (Loss) Income Attributable to Noncontrolling Interest	-	-	-	-	-	(20)	(20)	(18)
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)	\$ (27,385)	\$ 96,673
Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	\$ (1.12)	\$ (1.23)	\$ 3.70	\$ (0.71)	\$ 0.76	\$ (1.09)	\$ (0.96)	\$ 3.11
Shares Used In Computing Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	27,366,612	27,852,298	28,843,010	27,832,793	29,045,066	27,923,861	28,461,111	31,434,164
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)	\$ (27,385)	\$ 96,673
Adjustments:								
Stock-based compensation expense and related payroll tax	4,704	3,307	3,821	4,036	15,868	4,227	3,799	4,135
Amortization of acquired intangible assets, net of taxes	1,794	1,763	1,703	1,769	7,029	1,883	2,479	2,391
Non-GAAP Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (24,039)	\$ (29,281)	\$ 112,381	\$ (14,076)	\$ 44,985	\$ (24,303)	\$ (21,107)	\$ 103,199
Non-GAAP Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	\$ (0.88)	\$ (1.05)	\$ 3.90	\$ (0.51)	\$ 1.55	\$ (0.87)	\$ (0.74)	\$ 3.31
Shares Used In Computing Non-GAAP Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	27,366,612	27,852,298	28,843,010	27,832,793	29,045,066	27,923,861	28,461,111	31,434,164
Stock-Based Compensation								
Selling and marketing	\$ 1,390	\$ 1,456	\$ 1,426	\$ 1,557	\$ 5,829	\$ 1,193	\$ 1,372	\$ 1,512
General and administrative	2,952	1,520	2,049	2,108	8,629	2,696	2,108	2,262
Research and development	362	331	346	371	1,410	338	319	319
Total Stock-Based Compensation	\$ 4,704	\$ 3,307	\$ 3,821	\$ 4,036	\$ 15,868	\$ 4,227	\$ 3,799	\$ 4,135
Reconciliation of Adjusted EBITDA								
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)	\$ (27,385)	\$ 96,673
Adjustments - Depreciation and amortization	6,730	6,831	7,055	7,228	27,844	7,365	7,842	7,960
Adjustments - Stock-based compensation	4,704	3,307	3,821	4,036	15,868	4,227	3,799	4,135
Adjustments - Direct and incremental expenses related to acquisitions or divestitures	-	-	-	-	-	946	413	197
Adjustments - Other expense (income), net	(67)	1,184	(233)	458	1,342	(574)	(374)	2,224
Adjustments - Interest expense	313	448	451	434	1,646	450	603	1,523
Adjustments - Provision for (benefit from) income taxes ²	350	194	5,284	(3,188)	2,640	(425)	(1,186)	12,441
Adjusted EBITDA	\$ (18,507)	\$ (22,387)	\$ 123,238	\$ (10,913)	\$ 71,428	\$ (18,424)	\$ (16,288)	\$ 125,153
Reconciliation of Free Cash Flow								
Cash provided by (used in) operating activities	\$ 6,780	\$ 5,284	\$ 21,295	\$ 46,005	\$ 79,464	\$ (11,566)	\$ 17,292	\$ 23,986
Adjustments - Purchases of property and equipment	(8,938)	(18,248)	(5,739)	(3,738)	(36,663)	(6,113)	(6,473)	(6,662)
Free cash flow	\$ (2,158)	\$ (12,864)	\$ 15,556	\$ 42,267	\$ 42,801	\$ (17,679)	\$ 10,819	\$ 17,324

(1) - The Company has reclassified certain amounts in its condensed consolidated statements of operations for the three month periods ended March 31, 2013, June 30, 2013, and September 30, 2013, to conform to the 2014 presentation. The reclassifications made related to the presentation of the Company's revenues from DemandSMART revenues and EfficiencySMART. SupplySMART and other revenues to revenues from grid operators, revenues from enterprise customers and was done in order to provide the users of its consolidated financial statements with additional insight into how the Company and its management views and evaluates its revenues and related growth. This reclassification within the condensed consolidated statements of operations for the three month periods ended March 31, 2013, June 30, 2013, and September 30, 2013 had no impact on previously reported total consolidated revenues or consolidated results of operations.

(2) - Excludes discrete tax provision of \$1,450 recorded during the three month period ended June 30, 2014 and a discrete tax benefit of \$(330) recorded during the three month period ended September 30, 2014 related to the Company's sale of the USC business component.

Statement on Use of Non-GAAP Financial Measures:

To supplement the Company's consolidated financial statements presented on a GAAP basis, the Company discloses certain non-GAAP measures that exclude certain amounts, including non-GAAP net (loss) income attributable to EnerNOC, Inc., non-GAAP net (loss) income per share attributable to EnerNOC, Inc., adjusted EBITDA and free cash flow. These non-GAAP measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States.

The GAAP measure most comparable to non-GAAP net (loss) income attributable to EnerNOC, Inc. is GAAP net (loss) income attributable to EnerNOC, Inc. The GAAP measure most comparable to non-GAAP net (loss) income per share attributable to EnerNOC, Inc. is GAAP net (loss) income per share attributable to EnerNOC, Inc. The GAAP measure most comparable to adjusted EBITDA is GAAP net (loss) income attributable to EnerNOC, Inc. and the GAAP measure most comparable to free cash flow is cash flows provided by (used in) operating activities. Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP measures are included below.

Management uses these non-GAAP measures when evaluating the Company's operating performance and for internal planning and forecasting purposes. Management believes that such measures help indicate underlying trends in the business, are important in comparing current results with prior period results, and are useful to investors and financial analysts in assessing the Company's operating performance. For example, management considers non-GAAP net (loss) income attributable to EnerNOC, Inc. to be an important indicator of the overall performance because it eliminates the effects of events that are either not part of the Company's core operations or are non-cash compensation expenses. In addition, management considers adjusted EBITDA to be an important indicator of the Company's operational strength and performance of the business and a good measure of the Company's historical operating result. Moreover, management considers free cash flow to be an indicator of the Company's operating trend and performance of the business.

The following is an explanation of the non-GAAP measures that management utilizes, including the adjustments that management excluded as part of the non-GAAP measures, as well as, reasons for excluding these individual items:

- Management defines non-GAAP net (loss) income attributable to EnerNOC, Inc. as net income (loss) attributable to EnerNOC, Inc. before expenses related to stock-based compensation and amortization expenses related to acquisition-related intangible assets, net of related tax effects. Non-GAAP net (loss) income attributable to EnerNOC, Inc. includes gains or losses resulting from either the sale of certain assets or disposals of components of an entity that do not represent a strategic shift that has (or would be expected to have) a major effect on an entity's operations and financial results, net of any related tax effects, or that represents potential ongoing operational trends or are not material. When evaluating the materiality of a gain (or loss) on the sale of assets, management evaluates such gain (or loss) in the context of the Company's estimated full year financial results, and considers the judgment of a reasonable person relying on the evaluation and whether or not such judgment would have been changed or influenced by the inclusion or exclusion of the gain (or loss).
- Management defines adjusted EBITDA as net income (loss) attributable to EnerNOC, Inc., excluding depreciation, amortization, stock-based compensation, direct and incremental expenses related to acquisitions or divestitures, interest, income taxes and other income (expense). Adjusted EBITDA includes gains or losses resulting from either the sale of certain assets or disposals of components of an entity that do not represent a strategic shift that has (or would be expected to have) a major effect on an entity's operations and financial results, net of any related tax effects, or that represent potential ongoing operational trends or are not material. When evaluating the materiality of a gain (or loss) on the sale of assets, management evaluates such gain (or loss) in the context of the Company's estimated full year financial results, and considers the judgment of a reasonable person relying on the evaluation and whether or not such judgment would have been changed or influenced by the inclusion or exclusion of the gain (or loss). Adjusted EBITDA eliminates items that are either not part of our core operations or do not require a cash outlay, such as stock-based compensation. Adjusted EBITDA also excludes depreciation and amortization expense, which is based on our estimate of the useful life of tangible and intangible assets. These estimates could vary from actual performance of the asset, are based on historical cost incurred to build our non-deployed network and may not be indicative of current or future capital expenditures.
- Management defines free cash flow as net cash provided by (used in) operating activities less capital expenditures. Management defines capital expenditures as purchases of property and equipment, which includes capitalization of internal-use software development costs.

Non-GAAP net (loss) income attributable to EnerNOC, Inc., non-GAAP net (loss) income per share attributable to EnerNOC, Inc., adjusted EBITDA and free cash flow may have limitations as analytical tools. The non-GAAP financial information presented here should be considered in conjunction with, and not as a substitute for, or superior to the financial information presented in accordance with GAAP and should not be considered measures of the Company's liquidity. There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even when similarly titled, used by other companies and therefore should not be used to compare the Company's performance to that of other companies.