



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

	Three Months Ended				Twelve Months Ended	Three Months Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013	March 31, 2014
Revenue:*						
Grid operator	\$ 15,063	\$ 15,080	\$ 236,300	\$ 12,815	\$ 279,258	\$ 35,770
Utility	11,769	13,397	32,673	13,772	71,611	10,309
Enterprise	6,018	7,676	9,500	9,397	32,591	6,429
Total Revenues	32,850	36,153	278,473	35,984	383,460	52,508
Cost of Revenues	22,197	23,873	126,072	20,150	192,292	36,139
Gross Profit	10,653	12,280	152,401	15,834	191,168	16,369
Gross Margin	32.4%	34.0%	54.7%	44.0%	49.9%	31.2%
Operating Expenses:						
Selling and marketing	15,653	19,030	15,761	15,471	65,915	18,499
General and administrative	20,121	21,005	19,746	18,348	79,220	23,677
Research and development	4,820	4,770	4,535	4,192	18,317	5,175
Total operating expenses	40,594	44,805	40,042	38,011	163,452	47,351
(Loss) Income From Operations	(29,941)	(32,525)	112,359	(22,177)	27,716	(30,982)
Other (Expense) Income, Net	(246)	(1,632)	(218)	(892)	(2,988)	124
(Loss) Income From Operations Before Income Taxes	(30,187)	(34,157)	112,141	(23,069)	24,728	(30,858)
Provision for (Benefit from) Income Taxes	350	194	5,284	(3,188)	2,640	(425)
Net (Loss) Income	(30,537)	(34,351)	106,857	(19,881)	22,088	(30,433)
Net (Loss) Income Attributable to Noncontrolling Interest						(20)
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)
Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	\$ (1.12)	\$ (1.23)	\$ 3.70	\$ (0.71)	\$ 0.76	\$ (1.09)
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
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)
Adjustments:						
Stock-based compensation expense and related payroll tax	4,704	3,307	3,821	4,036	15,868	4,227
Amortization of acquired intangible assets, net of taxes	1,794	1,763	1,703	1,769	7,029	1,883
Non-GAAP Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (24,039)	\$ (29,281)	\$ 112,381	\$ (14,076)	\$ 44,985	\$ (24,303)
Non-GAAP Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.	\$ (0.88)	\$ (1.05)	\$ 3.90	\$ (0.51)	\$ 1.55	\$ (0.87)
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
Stock-Based Compensation						
Selling and marketing	\$ 1,390	\$ 1,456	\$ 1,426	\$ 1,557	\$ 5,829	\$ 1,193
General and administrative	2,952	1,520	2,049	2,108	8,629	2,696
Research and development	362	331	346	371	1,410	338
Total Stock-Based Compensation	\$ 4,704	\$ 3,307	\$ 3,821	\$ 4,036	\$ 15,868	\$ 4,227
Reconciliation of Adjusted EBITDA						
Net (Loss) Income Attributable to EnerNOC, Inc.	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088	\$ (30,413)
Adjustments - Depreciation and amortization	6,730	6,831	7,055	7,228	27,844	7,365
Adjustments - Stock-based compensation	4,704	3,307	3,821	4,036	15,868	4,227
Adjustments - Direct and incremental expenses related to acquisitions or divestitures	-	-	-	-	-	946
Adjustments - Other expense (income), net	(67)	1,184	(233)	458	1,342	(574)
Adjustments - Interest expense	313	448	451	434	1,646	450
Adjustments - Provision for (benefit from) income taxes	350	194	5,284	(3,188)	2,640	(425)
Adjusted EBITDA	\$ (18,507)	\$ (22,387)	\$ 123,235	\$ (10,913)	\$ 71,428	\$ (18,424)
Reconciliation of Free Cash Flow						
Cash provided by (used in) operating activities	\$ 6,780	\$ 5,384	\$ 21,295	\$ 46,005	\$ 79,464	\$ (11,566)
Adjustments - Purchases of property and equipment	(8,938)	(18,248)	(5,739)	(3,738)	(36,663)	(6,113)
Free cash flow	\$ (2,158)	\$ (12,864)	\$ 15,556	\$ 42,267	\$ 42,801	\$ (17,679)

* The Company has reclassified certain amounts in its condensed consolidated statements of operations for the three month period ended March 31, 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 operations, revenues from utilities, and 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 period ended March 31, 2013 had no impact on previously reported total consolidated revenues or consolidated results of operations.

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 trend. 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 (loss) income 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.
- Management defines adjusted EBITDA as net (loss) income 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 eliminates items that are either not part of the Company's 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 management's 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 out the Company's 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 where similarly titled, used by other companies and therefore should not be used to compare the Company's performance to that of other companies.