

Alexander & Baldwin, Inc. Reports First Quarter 2023 Results

HONOLULU, May 4, 2023 [/PRNewswire/](#) -- **Alexander & Baldwin, Inc.** (NYSE: ALEX) ("A&B" or "Company"), a Hawai'i-based company focused on owning and operating high-quality commercial real estate in Hawai'i, today announced financial results for the first quarter of 2023.

Chris Benjamin, A&B chief executive officer, stated: "Our commercial real estate ("CRE") portfolio performed well in the first quarter of 2023, continuing last year's momentum. CRE operating profit grew by 1.0% over the same quarter in 2022 to \$20.9 million, and Same-Store Net Operating Income ("Same-Store NOI") increased by 2.2% to \$30.4 million. Total leased occupancy was strong at 93.9%, and we continue to see robust leasing demand for our high-quality retail and industrial properties, with leasing spreads for the quarter at 7.4%."

"Our growth efforts continue. Earlier this week, we closed on the off-market acquisition of a 33,000 square foot industrial property on O'ahu for \$9.5 million and are tracking a steady pipeline of potential opportunities. While the interest rate environment has slowed the deal market, we remain disciplined and expect that our deep local roots and ample liquidity will serve as competitive advantages, allowing us to move quickly as opportunities arise across our target markets and preferred asset classes. We also advanced our redevelopment efforts at Manoa Marketplace and remain on track for completion in the third quarter of 2023. We continue to review value-add opportunities within our portfolio."

"As I prepare to retire on June 30, I want to thank the entire A&B family. The Company's pivot to a Hawai'i-focused commercial real estate business is nearly complete and I have the utmost confidence that Lance will lead our outstanding team in demonstrating the strength of the A&B platform and creating value for shareholders in 2023 and beyond. It has been a privilege to lead A&B as chief executive officer during this important period of transformation for the Company."

Financial Results for Q1 2023

- Net income (loss) attributable to A&B common shareholders and diluted earnings (loss) per share available to A&B shareholders for the first quarter of 2023 were \$5.3 million and \$0.07 per share, respectively, compared to \$10.5 million and \$0.14 per share in the same quarter of 2022. Income from continuing operations and continuing operations available to A&B shareholders per diluted share were \$9.5 million and \$0.13 per share, respectively, compared to \$9.6 million and \$0.13 per share in the same quarter of 2022.
- Nonrecurring Funds From Operations ("FFO") and FFO per-diluted share for the first quarter of 2023 were \$18.6 million and \$0.26 per share, respectively, compared to \$18.8 million and \$0.26 per share in the same quarter of 2022.
- Core FFO and Core FFO per-diluted share for the first quarter of 2023 were \$21.2 million and \$0.29 per share, respectively, compared to \$20.8 million and \$0.29 per share in the same quarter of 2022.

CRE Highlights for Q1 2023

- CRE revenue increased by \$1.6 million, or 3.5%, to \$47.9 million, as compared to \$46.3 million in the same quarter of 2022, primarily due to higher base rents.
- CRE operating profit increased by \$0.2 million, or 1.0%, to \$20.9 million as compared to \$20.7 million in the same quarter of 2022.
- CRE net operating income ("NOI") increased by \$0.6 million, or 2.2%, to \$30.4 million, as compared to \$29.8 million in the same quarter of 2022.
- CRE Same-Store NOI increased 2.2% compared to the prior year first quarter.
 - Excluding collections of previously reserved amounts of \$0.7 million in the first quarter of 2023 and \$2.0 million in the same quarter of 2022, CRE Same-Store NOI increased 7.1% compared to the prior year first quarter.
- During the first quarter of 2023, the Company executed a total of 49 leases, covering approximately 139,300 square feet of gross leasable area ("GLA").
- Comparable leasing spreads were 7.4% portfolio-wide for the first quarter of 2023, 10.2% for industrial spaces and 6.0% for retail spaces.
- Significant leases executed during the first quarter of 2023 included:
 - Eleven leases related to properties located in Kailua, including Aikahi Park Shopping Center, totaling approximately 24,000 square feet of GLA.
 - Three leases at Laulani Village totaling approximately 32,000 square feet of GLA.
- Both overall leased and Same-Store leased occupancy were 93.9% as of March 31, 2023, a decrease of 60 basis points compared to March 31, 2022.
 - Both leased and Same-Store leased occupancy in the retail portfolio were 93.6% as of March 31, 2023, an increase of 50 basis points compared to March 31, 2022, primarily due to strong leasing activity in Kailua and Laulani Village.
 - Leased occupancy in the industrial portfolio was 95.2% as of March 31, 2023, a decrease of 280 basis points compared to March 31, 2022, primarily due to the expected move out of one tenant at Kaka'ako Commerce Center. Same-Store leased occupancy in the industrial portfolio was 95.1% as of March 31, 2023, a decrease of 290 basis points compared to March 31, 2022.

CRE Investment Activity

- The Manoa Marketplace redevelopment project is progressing and remains on budget and on schedule for completion in the third quarter of 2023. Efforts to enhance the visitor experience at this well-located neighborhood center are expected to realize between 8.0% and 8.5% stabilized yield on total estimated project costs ranging between \$8.0 million - \$8.8 million.
- On May 3, 2023, the Company completed the acquisition of a 33,000-square-foot industrial property located on the island of O'ahu for \$9.5 million, representing a going-in cap rate of 5.6%. The acquisition is expected to be accretive to long-term value.

Land Operations

- Land Operations operating loss was \$0.1 million for the quarter ended March 31, 2023, as compared to an operating profit of \$1.7 million for the quarter ended March 31, 2022. The year-over-year decline in operating profit was primarily attributable to the sale of five Maui Business Park II lots in the first quarter of 2022 compared to no lot sales in the first quarter of 2023, offset by the gain on disposal of the Company's legacy trucking and storage business in the Land Operations Segment.
- Land Operations Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") was \$(0.1) million for the first quarter of 2023, as compared to \$4.6 million in the first quarter of 2022.

Balance Sheet, Market Value, Liquidity and Adjusted EBITDA

- As of March 31, 2023, the Company had an equity market capitalization of \$1.4 billion and \$479.2 million in total debt, for a total market capitalization of approximately \$1.9 billion. The Company's debt-to-total market capitalization was 25.9% as of March 31, 2023. The Company's debt has a weighted-average maturity of 3.2 years, with a weighted-average interest rate of 4.4%. Ninety-two percent of the Company's debt was at fixed rates at quarter end.
- As of March 31, 2023, the Company had total liquidity of \$472.6 million, consisting of cash on hand of \$10.7 million and \$461.9 million available on its revolving line of credit.
- The Company reported Consolidated Adjusted EBITDA of \$156.0 million for the twelve-month period ended March 31, 2023, compared to

\$138.6 million for the same period ended March 31, 2022. Net Debt to Trailing Twelve Months ("TTM") Consolidated Adjusted EBITDA was 3.0 times as of March 31, 2023, compared to 3.5 times for the same period last year.

Dividend

- The Company paid a first quarter 2023 dividend of \$0.22 per share on April 4, 2023.
- The Company's Board declared a second quarter 2023 dividend of \$0.22 per share, payable on July 5, 2023, to shareholders of record as of the close of business on June 16, 2023.

ABOUT ALEXANDER & BALDWIN

Alexander & Baldwin, Inc. (NYSE: ALEX) (A&B) is the only publicly-traded real estate investment trust to focus exclusively on Hawai'i commercial real estate and is the state's largest owner of grocery-anchored, neighborhood shopping centers. A&B owns, operates and manages approximately 3.9 million square feet of commercial space in Hawai'i, including 22 retail centers, 13 industrial assets and four office properties, as well as 142.0 acres of ground leases. A&B is expanding and strengthening its Hawai'i CRE portfolio and achieving its strategic focus on commercial real estate by monetizing its remaining non-core assets. Over its 153-year history, A&B has evolved with the state's economy and played a leadership role in the development of the agricultural, transportation, tourism, construction, residential and commercial real estate industries. Learn more about A&B at www.alexanderbaldwin.com.

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ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES SEGMENT DATA & OTHER FINANCIAL INFORMATION (amounts in millions, except per share data; unaudited)

	Three Months Ended March 31,	
	2023	2022
Operating Revenue:		
Commercial Real Estate	\$ 47.9	\$ 46.3
Land Operations	2.5	12.9
Total operating revenue	50.4	59.2
Operating Profit (Loss):		
Commercial Real Estate	20.9	20.7
Land Operations	(0.1)	1.7
Total operating profit (loss)	20.8	22.4
Interest expense	(5.0)	(5.7)
Corporate and other expense	(6.3)	(7.1)
Income (Loss) from Continuing Operations	9.5	9.6
Income (loss) from discontinued operations, net of income taxes	(4.2)	1.4
Net Income (Loss)	\$ 5.3	\$ 11.0
Loss (income) attributable to discontinued noncontrolling interest	—	(0.5)
Net Income (Loss) Attributable to A&B Shareholders	\$ 5.3	\$ 10.5
Basic Earnings (Loss) Per Share of Common Stock:		
Continuing operations available to A&B shareholders	\$ 0.13	\$ 0.13
Discontinued operations available to A&B shareholders	(0.06)	0.01
Net income (loss) available to A&B shareholders	\$ 0.07	\$ 0.14
Diluted Earnings (Loss) Per Share of Common Stock:		
Continuing operations available to A&B shareholders	\$ 0.13	\$ 0.13
Discontinued operations available to A&B shareholders	(0.06)	0.01
Net income (loss) available to A&B shareholders	\$ 0.07	\$ 0.14
Weighted-Average Number of Shares Outstanding:		
Basic	72.5	72.6
Diluted	72.6	72.8
Amounts Available to A&B Common Shareholders:		
Continuing operations available to A&B common shareholders	\$ 9.5	\$ 9.6
Discontinued operations available to A&B common shareholders	(4.2)	0.9
Net income (loss) available to A&B common shareholders	\$ 5.3	\$ 10.5

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (amounts in millions; unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Real estate investments		
Real estate property	\$ 1,600.7	\$ 1,598.9
Accumulated depreciation	(209.3)	(202.3)
Real estate property, net	1,391.4	1,396.6
Real estate developments	59.9	59.9
Investments in real estate joint ventures and partnerships	7.4	7.5

Real estate intangible assets, net	41.8	43.6
Real estate investments, net	1,500.5	1,507.6
Cash and cash equivalents	10.7	33.3
Restricted cash	1.0	1.0
Accounts receivable, net	4.2	6.1
Other property, net	2.3	2.5
Operating lease right-of-use assets	3.0	5.4
Goodwill	8.7	8.7
Other receivables	8.0	6.9
Prepaid expenses and other assets	92.6	89.0
Assets held for sale	125.1	126.8
Total assets	<u>\$ 1,756.1</u>	<u>\$ 1,787.3</u>

LIABILITIES AND EQUITY

Liabilities:

Notes payable and other debt	\$ 479.2	\$ 472.2
Accounts payable	4.9	4.5
Operating lease liabilities	2.9	4.9
Accrued pension and post-retirement benefits	10.1	10.1
Deferred revenue	71.9	68.8
Accrued and other liabilities	81.7	102.1
Liabilities associated with assets held for sale	77.8	81.0

Redeemable Noncontrolling Interest

	7.6	8.0
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Equity

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Total liabilities and equity

<u>\$ 1,756.1</u>	<u>\$ 1,787.3</u>
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ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED CASH FLOWS

(amounts in millions; unaudited)

	Three Months Ended March 31,	
	2023	2022
Cash Flows from Operating Activities:		
Net income (loss)	\$ 5.3	\$ 11.0
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Loss (income) from discontinued operations	4.2	(1.4)
Depreciation and amortization	9.2	9.9
Loss (gain) from disposals and asset transactions, net	(1.1)	—
Share-based compensation expense	1.6	1.5
Equity in (income) loss from affiliates, net of operating cash distributions	(0.4)	0.1
Pension termination	—	3.2
Changes in operating assets and liabilities:		
Trade and other receivables	(1.4)	(0.8)
Prepaid expenses, income tax receivable and other assets	(1.2)	(5.7)
Development/other property inventory	(0.1)	3.1
Accrued pension and post-retirement benefits	—	0.8
Accounts payable	0.2	0.3
Accrued and other liabilities	(3.6)	(4.8)
Operating cash flows from continuing operations	12.7	17.2
Operating cash flows from discontinued operations	(7.2)	(9.9)
Net cash provided by (used in) operations	<u>5.5</u>	<u>7.3</u>
Cash Flows from Investing Activities:		
Capital expenditures for property, plant and equipment	(3.0)	(2.2)
Proceeds from disposal of assets	1.6	—
Payments for purchases of investments in affiliates and other investments	(0.1)	(0.1)
Investing cash flows from continuing operations	(1.5)	(2.3)
Investing cash flows from discontinued operations	2.2	(1.6)
Net cash provided by (used in) investing activities	<u>0.7</u>	<u>(3.9)</u>
Cash Flows from Financing Activities:		
Payments of notes payable and other debt and deferred financing costs	(18.0)	(10.2)
Borrowings (payments) on line-of-credit agreement, net	25.0	—
Cash dividends paid	(32.0)	(27.0)
Repurchases of common stock and other payments	(2.4)	(2.2)
Financing cash flows from continuing operations	(27.4)	(39.4)
Financing cash flows from discontinued operations	(0.4)	(0.3)
Net cash provided by (used in) financing activities	<u>(27.8)</u>	<u>(39.7)</u>
Cash, Cash Equivalents, Restricted Cash, and Cash included in Assets Held for Sale		
Net increase (decrease) in cash, cash equivalents, restricted cash, and cash included in assets held for sale	(21.6)	(36.3)
Balance, beginning of period	34.4	71.0
Balance, end of period	<u>\$ 12.8</u>	<u>\$ 34.7</u>

USE OF NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP measures when evaluating operating performance because management believes that they provide additional

insight into the Company's and segments' core operating results, and/or the underlying business trends affecting performance on a consistent and comparable basis from period to period. These measures generally are provided to investors as an additional means of evaluating the performance of ongoing core operations. The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for or superior to, financial measures calculated in accordance with GAAP.

NOI is a non-GAAP measure used internally in evaluating the unlevered performance of the Company's Commercial Real Estate portfolio. The Company believes NOI provides useful information to investors regarding the Company's financial condition and results of operations because it reflects only the contract-based income and cash-based expense items that are incurred at the property level. When compared across periods, NOI can be used to determine trends in earnings of the Company's properties as this measure is not affected by non-contract-based revenue (e.g., straight-line lease adjustments required under GAAP); by non-cash expense recognition items (e.g., the impact of depreciation and amortization expense or impairments); or by other expenses or gains or losses that do not directly relate to the Company's ownership and operations of the properties (e.g., indirect selling, general, administrative and other expenses, as well as lease termination income). The Company believes the exclusion of these items from operating profit (loss) is useful because the resulting measure captures the contract-based revenue that is realizable (i.e., assuming collectability is deemed probable) and the direct property-related expenses paid or payable in cash that are incurred in operating the Company's Commercial Real Estate portfolio, as well as trends in occupancy rates, rental rates and operating costs. NOI should not be viewed as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

The Company reports NOI and Occupancy on a Same-Store basis, which includes the results of properties that were owned and operated for the entirety of the prior calendar year and current reporting period, year-to-date. The Company believes that reporting on a Same-Store basis provides investors with additional information regarding the operating performance of comparable assets separate from other factors (such as the effect of developments, redevelopments, acquisitions or dispositions).

Reconciliations of Commercial Real Estate operating profit (loss) to Commercial Real Estate NOI and Same-Store NOI are as follows:

	Three Months Ended March 31,		Change ¹
	2023	2022	
(amounts in millions; unaudited)			
CRE Operating Profit (Loss)	\$ 20.9	\$ 20.7	\$ 0
Plus: Depreciation and amortization	9.1	9.2	(0)
Less: Straight-line lease adjustments	(1.3)	(1.5)	0
Less: Favorable/(unfavorable) lease amortization	(0.3)	(0.2)	(0)
Plus: Selling, general, administrative and other expenses	2.0	1.6	0
NOI	30.4	29.8	0
Less: NOI from acquisitions, dispositions, and other adjustments	—	(0.1)	0
Same-Store NOI	\$ 30.4	\$ 29.7	\$ 0

¹ Amounts in this table are rounded to the nearest tenth of a million, but percentages were calculated based on thousands. Accordingly, a recalculation of some percentages, if based on the reported data, may be slightly different

FFO is presented by the Company as a widely used non-GAAP measure of operating performance for real estate companies. The Company believes that, subject to the following limitations, FFO provides a supplemental measure to net income (calculated in accordance with GAAP) for comparing its performance and operations to those of other REITs. FFO does not represent an alternative to net income calculated in accordance with GAAP. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to cash flow from operating activities, determined in accordance with GAAP, as a measure of the Company's liquidity. The Company presents different forms of FFO:

- Core FFO represents a non-GAAP measure relevant to the operating performance of the Company's commercial real estate business (i.e., its core business). Core FFO is calculated by adjusting CRE operating profit to exclude items in a manner consistent with FFO (i.e., depreciation and amortization related to real estate included in CRE operating profit) and to make further adjustments to include expenses not included in CRE operating profit but that are necessary to accurately reflect the operating performance of its core business (i.e., corporate expenses and interest expense attributable to this core business) or to exclude items that are non-recurring, infrequent, unusual and unrelated to the core business operating performance (i.e., not likely to recur within two years or has not occurred within the prior two years). The Company believes such adjustments facilitate the comparable measurement of the Company's core operating performance over time. The Company believes that Core FFO, which is a supplemental non-GAAP financial measure, provides an additional and useful means to assess and compare the operating performance of REITs.
- FFO represents the Nareit-defined non-GAAP measure for the operating performance of the Company as a whole. The Company's calculation refers to net income (loss) available to A&B common shareholders as its starting point in the calculation of FFO.

The Company presents both non-GAAP measures and reconciles each to the most directly-comparable GAAP measure as well as reconciling FFO to Core FFO. The Company's FFO and Core FFO may not be comparable to FFO non-GAAP measures reported by other REITs. These other REITs may not define the term in accordance with the current Nareit definition or may interpret the current Nareit definition differently.

Reconciliations of net income (loss) available to A&B common shareholders to FFO and Core FFO are as follows:

	Three Months Ended March 31,	
	2023	2022
(amounts in millions; unaudited)		
Net Income (Loss) available to A&B common shareholders	\$ 5.3	\$ 10.5
Depreciation and amortization of commercial real estate properties	9.1	9.2
(Income) loss from discontinued operations, net of income taxes	4.2	(1.4)
Income (loss) attributable to discontinued noncontrolling interest	—	0.5
FFO	\$ 18.6	\$ 18.8
Exclude items not related to core business:		
Land Operations operating (profit) loss	0.1	(1.7)
Non-core business interest expense	2.5	2.8
Pension termination - CRE and Corporate	—	0.9
Core FFO	\$ 21.2	\$ 20.8

Reconciliations of Core FFO starting from Commercial Real Estate operating profit (loss) are as follows:

	Three Months Ended March 31,	
	2023	2022
(amounts in millions; unaudited)		
Commercial Real Estate Operating Profit (Loss)	\$ 20.9	\$ 20.7
Depreciation and amortization of commercial real estate properties	9.1	9.2
Corporate and other expense	(6.3)	(7.1)
Core business interest expense	(2.5)	(2.9)
Pension termination - CRE and Corporate	—	0.9

The Company may report various forms of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), on a consolidated basis or a segment basis (e.g., "Consolidated EBITDA" or "Land Operations EBITDA"), as non-GAAP measures used by the Company in evaluating the Company's and segments' operating performance on a consistent and comparable basis from period to period. The Company provides this information to investors as an additional means of evaluating the performance of the Company's and segments' ongoing operations.

Consolidated EBITDA is calculated by adjusting the Company's consolidated net income (loss) to exclude the impact of interest expense, income taxes and depreciation and amortization. Land Operations EBITDA is calculated by adjusting Land Operations operating profit (which excludes interest expense and income taxes) to add back depreciation and amortization recorded at the Land Operations segment.

The Company also adjusts Consolidated EBITDA or Land Operations EBITDA (to arrive at "Consolidated Adjusted EBITDA" or "Land Operations Adjusted EBITDA") for items identified as non-recurring, infrequent or unusual that are not expected to recur in the Company's core business or segment's normal operations.

As an illustrative example, the Company identified non-cash pension termination charges as a non-recurring, infrequent or unusual item that is not expected to recur in the consolidated or segment's normal operations (or in the Company's core business). By excluding these items from Segment EBITDA and Consolidated EBITDA to arrive at Segment Adjusted EBITDA or Consolidated Adjusted EBITDA, the Company believes it provides meaningful supplemental information about its core operating performance and facilitates comparisons to historical operating results. Such non-GAAP measures should not be viewed as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

Reconciliations of the Company's consolidated net income to Consolidated EBITDA and Consolidated Adjusted EBITDA are as follows:

	TTM March 31,	
	2023	2022
(amounts in millions, unaudited)		
Net Income (Loss)	\$ (55.2)	\$ 36.9
Adjustments:		
Depreciation and amortization	37.3	39.4
Interest expense	21.3	24.9
Income tax expense (benefit)	(18.3)	(0.1)
Depreciation and amortization related to discontinued operations	4.4	9.7
Interest expense related to discontinued operations	0.4	0.1
Consolidated EBITDA	\$ (10.1)	\$ 110.9
Asset impairments related to the Land Operations Segment	5.0	—
Pension termination	73.7	3.2
(Income) loss from discontinued operations, net of income taxes and excluding depreciation, amortization and interest expense	87.4	24.5
Consolidated Adjusted EBITDA	\$ 156.0	\$ 138.6

FORWARD-LOOKING STATEMENTS

Statements in this release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding possible or assumed future results of operations, business strategies, growth opportunities and competitive positions. Such forward-looking statements speak only as of the date the statements were made and are not guarantees of future performance. Forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from those expressed in or implied by the forward-looking statements. These factors include, but are not limited to, prevailing market conditions and other factors related to the Company's REIT status and the Company's business, the evaluation of alternatives by the Company related to its non-core assets and business, and the risk factors discussed in the Company's most recent Form 10-K, Form 10-Q and other filings with the Securities and Exchange Commission. The information in this release should be evaluated in light of these important risk factors. We do not undertake any obligation to update the Company's forward-looking statements.

SOURCE Alexander & Baldwin, Inc.