



ALEXANDER & BALDWIN

PARTNERS FOR HAWAII

Positioned For Growth

Second Quarter 2021  
Earnings Presentation  
July 29, 2021

ALEX  
LISTED  
NYSE





# AGENDA

**Chris Benjamin**

Strategic and Operational Update

**Brett Brown**

Detailed Operational Update

Financial Matters

**Chris Benjamin**

Closing Remarks

**Questions & Answers**





# OPENING REMARKS

## CRE PORTFOLIO CONTINUES TO PERFORM VERY WELL

Improved tenant performance as Hawai'i's economy recovers

## STRONG DEMAND PERSISTS FOR NON-CORE ASSETS

Surge in demand for Hawai'i real estate has supported monetization efforts of non-core assets

## WITHIN TARGETED LEVERAGE RANGE, AT 5.4 TIMES EBITDA

Shrinks non-CRE asset base and supports pivot back to growth via acquisitions

## SECOND CONSECUTIVE QUARTERLY DIVIDEND INCREASE

Dividend is just a penny below pre-COVID levels at \$0.18 per share following 2-cent, or 12.5%, increase





# RECOVERY OF THE HAWAI'I ECONOMY

- Hawai'i rate of employment growth nearly double national average
- State unemployment rate fell 2.2% since start of year through May 2021
- Vaccine exemption for mainland travelers initiated in early July
- Visitor arrivals for June were at 82% of 2019 levels, with essentially no international travelers

Source: U.S. Bureau of Labor Statistics and Hawai'i Department of Labor and Industrial Relations





**NOI UP NEARLY 13%  
OVER PRIOR QUARTER AND  
UP NEARLY 29% YEAR-OVER-YEAR**

Greatly improved tenant performance and collections

**STRONG LEASING ACTIVITY  
WITH AVERAGE SPREADS OF 11.5%**

Robust leasing demand, including 14% spreads for retail leases, with near match of quarterly record for new lease volume

**SAME-STORE LEASED  
OCCUPANCY OF 94%**

Solid Same-Store leased occupancy realizes positive incremental movement of 20 basis points over prior quarter

**STRONG  
CRE RESULTS**

# AIKAHI PARK SHOPPING CENTER

- On budget
- Substantial completion of central shops
- Starbucks grand opening in May
- Safeway's exterior fully renovated
- 94% occupancy

**8.2% to 9%**

ESTIMATED RETURN ON  
INVESTMENT

**\$1.7M**

ANTICIPATED  
INCREMENTAL ANNUAL  
NOI UPLIFT





# SIMPLIFICATION EFFORTS

## Non-Core Asset Monetization

- \$19 million cash proceeds in Q2 2021
- \$48 million cash proceeds YTD
- Robust demand for Hawai'i land and operating assets continues, supporting simplification efforts

## KUKUI'ULA JOINT VENTURE PROJECTS

### Q2 2021

- 14 units closed
- \$15 million in joint venture distributions and other payments

High level of buyer interest continues at this exceptional community on the south shore of Kauai



## MAUI BUSINESS PARK

### Q2 2021

- 6.3 acres closed
- \$11 million in revenue

Strategically offering build-to-suit lease arrangements, while monetizing select parcels at well-located industrial park







# MATERIALS & CONSTRUCTION

- Robust quarry sales and progress made in closing out old projects and collecting receivables
- Operations challenged due to delays in commencing jobs we have won
- Strong backlog of paving projects should drive meaningful results for business





COMMITMENT TO  
CORPORATE RESPONSIBILITY





# FINANCIAL RESULTS

## Q2 2021 PERFORMANCE

	Q2 2021		Q2 2020		Q2 2021 PER SHARE		Q2 2020 PER SHARE
NET INCOME	\$12.8M	vs	\$(4.7)M		\$0.18	vs	\$(0.07)
FFO	\$22.3M	vs	\$5.9M		\$0.31	vs	\$0.08
CORE FFO	\$18.5M	vs	\$13.1M		\$0.25	vs	\$0.18

- Core FFO compares favorably with same quarter of prior year due to improved tenant performance resulting in higher current rent payments and increased collections of previously-reserved amounts
- On sequential basis, Core FFO increased by 20% from Q1 2021



# CRE SEGMENT METRICS

QUARTERLY RESULTS FOR Q2 2021

	Q2 2021	YOY Q2 2020	YOY % CHANGE	QOQ Q1 2021	QOQ % CHANGE
REVENUE	\$43.3M	\$34.0M	+27%	\$39.9M	+9%
NOI	\$28.5M	\$22.2M	+29%	\$25.3M	+13%
SAME-STORE NOI	\$27.8M	\$21.6M	+29%	\$24.7M	+13%

- YoY and QoQ increase driven by enhanced collections of both current and prior-period rents as tenant performance continues to improve, with meaningful reversal of reserves

Note: See appendix for a statement on management's use of non-GAAP financial measures and reconciliations.

# STRONG LEASING DEMAND

- 59 standard leases totaling approximately 106,000 sf of GLA
- 11.5% portfolio-wide lease spreads and 14% for retail spaces
- 32 new leases in quarter nearly ties high-water mark for new leases by count in Hawai'i portfolio





# LAND OPERATIONS

- \$16.0 million of revenue
- \$9.3 million of EBITDA
- Monetization of non-core assets during the quarter included:
  - 14 units at Kukui‘ula joint venture projects, resulting in second consecutive quarter of distributions from main partnership
  - 6.3 acres at Maui Business Park
  - \$19 million in total cash proceeds for the quarter

Note: See appendix for a statement on management’s use of non-GAAP financial measures and reconciliations.





# MATERIALS & CONSTRUCTION

- \$0.7 million Adjusted EBITDA for the quarter
- Results were largely impacted by delays associated with receiving necessary approvals to commence jobs we have won
- Performance should improve over time as paving activity increases, based on backlog built

Note: See appendix for a statement on management's use of non-GAAP financial measures and reconciliations.







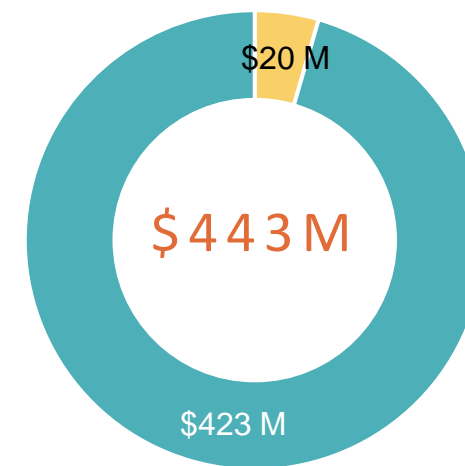
# CONSOLIDATED FINANCIALS

- Pleased with core G&A trajectory and expect decreases to continue as simplification and streamlining efforts advance
- \$12.4 million of G&A expenses for the quarter, an increase YoY due to timing of expenses including certain one-time charges and low G&A levels experienced at height of pandemic
- \$51 million to \$55 million core G&A range for full-year 2021
- On net basis, expenses should be well below 2019 run-rate, consistent with progress made in simplification efforts

# STRONG BALANCE SHEET

AMPLE LIQUIDITY TO SUPPORT  
ACCELERATED CRE GROWTH

TOTAL LIQUIDITY | \$443M  
CASH | \$20M  
UNDRAWN REVOLVER | \$423M



**In the coming weeks, in an effort to improve our financial tools as we focus on growth of our portfolio:**

- Will complete a recast of our credit facility which has been fully committed and will include favorable changes to all unsecured debt covenants
- Will establish an At-the-Market equity issuance program, though no imminent issuance is anticipated
  - Combined with existing share repurchase authorization, provides us robust capital market tools as we complete our simplification efforts and pivot to growth

After completing recast of credit facility, no material debt maturities until 2024

As of June 30, 2021, Net Debt to TTM Consolidated Adjusted EBITDA was **5.4x**, down from 6.4x last quarter and from 7.1x one year ago



# DIVIDEND

Q3 2021 dividend of \$0.18 per share,  
a 12.5% increase from the Q2 2021 dividend.

- Second consecutive quarterly dividend increase
- Reflects improved visibility and growing conviction that Hawai'i is on a stronger path to growth
- Will continue to work with Board to align dividend with REIT taxable income

# REVISED GUIDANCE

The Company increased its annual 2021 guidance  
to reflect its improved outlook

- Core FFO per diluted share
- CRE Same-Store NOI

## REVISED

\$0.81 to \$0.87

7% to 10%

## PRIOR

\$0.69 to \$0.77

1% to 4%



# CLOSING REMARKS



**RECOVERY OF HAWAI'I** AND  
RETURN OF TOURISM HELPS  
PORTFOLIO PERFORMANCE



**PROGRESS OF SIMPLIFICATION**  
EFFORTS REFLECT LEVEL OF FOCUS  
AND STRENGTH OF BUYER DEMAND



**STRONG BALANCE SHEET** SUPPORTS  
PIVOT TO GROWTH



# Q & A





# APPENDIX





# CRE NET OPERATING INCOME

## RECONCILIATION OF GAAP TO NON- GAAP MEASURES

DOLLARS IN MILLIONS

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change
<b>CRE Operating Profit (Loss)</b>	<b>\$18.6</b>	<b>\$8.9</b>	<b>\$9.7</b>
Plus: Depreciation and amortization	9.5	10.6	(1.1)
Less: Straight-line lease adjustments	(1.0)	1.3	(2.3)
Less: Favorable/(unfavorable) lease amortization	(0.2)	(0.5)	0.3
Plus: Other (income)/expense, net	(0.1)	0.1	(0.2)
Plus: Selling, general, administrative and other expenses	1.7	1.8	(0.1)
<b>NOI</b>	<b>\$28.5</b>	<b>\$22.2</b>	<b>\$6.3</b>
Less: NOI from acquisitions, dispositions and other adjustments	(0.7)	(0.6)	(0.1)
<b>Same-Store NOI</b>	<b>\$27.8</b>	<b>\$21.6</b>	<b>\$6.2</b>

Note: Additional information is included in the Company's quarterly Supplemental Information report, which is furnished to the SEC and available at [www.alexanderbaldwin.com](http://www.alexanderbaldwin.com).





# FUNDS FROM OPERATIONS (FFO) AND CORE FFO

RECONCILIATION OF NET INCOME (LOSS) AVAILABLE TO A&B COMMON SHAREHOLDERS TO FFO AND CORE FFO

DOLLARS IN MILLIONS

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<b>Net income (loss) available to A&amp;B common shareholders</b>	<b>\$12.8</b>	<b>\$(4.7)</b>
Depreciation and amortization of commercial real estate properties	9.5	10.6
Gain on the disposal of commercial real estate properties, net	-	-
<b>FFO</b>	<b>\$22.3</b>	<b>\$5.9</b>
Exclude items not related to core business:		
Land Operations Operating (Profit)	(9.1)	(4.0)
Materials & Construction Operating (Profit) Loss	1.9	6.9
Loss from discontinued operations	0.1	0.6
Income (loss) attributable to noncontrolling interest	0.2	-
Income tax expense (benefit)	-	-
Non-core business interest expense	3.1	3.7
<b>Core FFO</b>	<b>\$18.5</b>	<b>\$13.1</b>



# CORE FUNDS FROM OPERATIONS (CORE FFO)

RECONCILIATION OF CORE FFO STARTING FROM COMMERCIAL REAL ESTATE OPERATING PROFIT

DOLLARS IN MILLIONS

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<b>CRE Operating Profit</b>	<b>\$18.6</b>	<b>\$8.9</b>
Depreciation and amortization of commercial real estate properties	9.5	10.6
Corporate and other expense	(6.0)	(2.3)
Core business interest expense	(3.6)	(4.1)
<b>Core FFO</b>	<b>\$18.5</b>	<b>\$13.1</b>

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# CONSOLIDATED ADJUSTED EBITDA

RECONCILIATION OF CONSOLIDATED NET INCOME TO CONSOLIDATED ADJUSTED EBITDA

DOLLARS IN MILLIONS

	TTM June 30, 2021	TTM June 30, 2020
<b>Net Income (Loss)</b>	<b>\$27.2</b>	<b>\$(45.0)</b>
Depreciation and amortization	51.3	54.5
Interest expense	28.4	31.5
Income tax expense (benefit)	(0.3)	(0.9)
<b>Consolidated EBITDA</b>	<b>\$106.6</b>	<b>\$40.1</b>
Asset impairments related to the M&C segment	-	55.3
<b>Consolidated Adjusted EBITDA</b>	<b>\$106.6</b>	<b>\$95.4</b>

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# LAND OPERATIONS EBITDA

RECONCILIATION OF SEGMENT OPERATING PROFIT TO EBITDA

DOLLARS IN MILLIONS

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	TTM June 30, 2021
<b>Land Operations Operating Profit (Loss)</b>	<b>\$9.1</b>	<b>\$4.0</b>	<b>\$27.4</b>
Land Operations depreciation and amortization	0.2	0.4	1.2
<b>Land Operations EBITDA</b>	<b>\$9.3</b>	<b>\$4.4</b>	<b>\$28.6</b>

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# M&C

## ADJUSTED EBITDA

RECONCILIATION OF SEGMENT OPERATING PROFIT TO EBITDA AND M&C ADJUSTED EBITDA

DOLLARS IN MILLIONS

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	TTM June 30, 2021
<b>M&amp;C Operating Profit (Loss)</b>	<b>\$(1.9)</b>	<b>\$(6.9)</b>	<b>\$(6.2)</b>
M&C depreciation and amortization	2.8	2.6	10.8
<b>M&amp;C EBITDA</b>	<b>\$0.9</b>	<b>\$(4.3)</b>	<b>\$4.6</b>
Impairment of assets	-	5.6	-
Loss (income) attributable to noncontrolling interest	(0.2)	-	(0.4)
<b>M&amp;C Adjusted EBITDA</b>	<b>\$0.7</b>	<b>\$1.3</b>	<b>\$4.2</b>

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