

Alexander & Baldwin, Inc.
Form 10-Q
August 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-35492

ALEXANDER & BALDWIN, INC.

(Exact name of registrant as specified in its charter)

Hawaii	45-4849780
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 3440, Honolulu, Hawaii	96801
822 Bishop Street, Honolulu, Hawaii	96813
(Address of principal executive offices) (Zip Code)	
(808) 525-6611	
(Registrant's telephone number, including area code)	

N/A
(Former name, former address, and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
Emerging growth company <input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of June 30, 2017: 49,161,432

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC.
Condensed Consolidated Statements of Operations
(In millions, except per share amounts) (Unaudited)

	Quarter Ended		Six Months	
	June 30,		Ended June 30,	
	2017	2016	2017	2016
Operating Revenue:				
Commercial Real Estate	\$33.8	\$34.5	\$67.5	\$69.3
Land Operations	12.1	5.5	23.1	11.5
Materials & Construction	52.2	42.0	100.7	92.6
Total operating revenue	98.1	82.0	191.3	173.4
Operating Costs and Expenses:				
Cost of Commercial Real Estate	18.9	20.1	37.7	40.7
Cost of Land Operations	9.0	4.6	17.4	10.9
Cost of Materials & Construction	41.7	34.5	80.8	73.9
Selling, general and administrative	15.5	11.3	30.9	27.8
REIT evaluation/conversion costs	2.2	1.9	7.0	1.9
Total operating costs and expenses	87.3	72.4	173.8	155.2
Operating Income	10.8	9.6	17.5	18.2
Other Income and (Expenses):				
Income related to joint ventures	1.9	1.3	3.2	3.4
Gain on the sale of improved property	—	8.0	3.0	8.0
Reductions in solar investments, net	(0.2)	(9.5)	(2.2)	(9.5)
Interest and other income, net	1.2	0.8	2.2	1.1
Interest expense	(6.2)	(6.8)	(12.4)	(13.7)
Total other income and (expenses)	(3.3)	(6.2)	(6.2)	(10.7)
Income from Continuing Operations Before Income Taxes	7.5	3.4	11.3	7.5
Income tax expense	(3.5)	(0.3)	(2.7)	(0.6)
Income from Continuing Operations	4.0	3.1	8.6	6.9
Income (loss) from discontinued operations, net of income taxes	0.8	(3.7)	3.2	(14.5)
Net Income (Loss)	4.8	(0.6)	11.8	(7.6)
Income attributable to noncontrolling interest	(0.5)	(0.1)	(1.2)	(0.6)
Net Income (Loss) Attributable to A&B Shareholders	\$4.3	\$(0.7)	\$10.6	\$(8.2)
Basic Earnings (Loss) Per Share of Common Stock:				
Continuing operations available to A&B shareholders	\$0.08	\$0.06	\$0.16	\$0.14
Discontinued operations available to A&B shareholders	0.02	(0.07)	0.07	(0.30)
Net income (loss) available to A&B shareholders	\$0.10	\$(0.01)	\$0.23	\$(0.16)
Diluted Earnings (Loss) Per Share of Common Stock:				
Continuing operations available to A&B shareholders	\$0.07	\$0.06	\$0.16	\$0.14
Discontinued operations available to A&B shareholders	0.02	(0.07)	0.07	(0.30)
Net income (loss) available to A&B shareholders	\$0.09	\$(0.01)	\$0.23	\$(0.16)
Weighted-Average Number of Shares Outstanding:				
Basic	49.2	49.0	49.1	49.0
Diluted	49.6	49.4	49.6	49.3

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Amounts Available to A&B Shareholders (Note 4):

Continuing operations available to A&B shareholders, net of income taxes	\$3.7	\$3.1	\$8.1	\$6.8
Discontinued operations available to A&B shareholders, net of income taxes	0.8	(3.7)	3.2	(14.5)
Net income (loss) available to A&B shareholders	\$4.5	\$(0.6)	\$11.3	\$(7.7)

Cash dividends per share \$0.07 \$0.06 \$0.14 \$0.12

See Notes to Condensed Consolidated Financial Statements.

1

ALEXANDER & BALDWIN, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions) (Unaudited)

	Quarter		Six Months	
	Ended June		Ended June	
	30,	30,	30,	30,
	2017	2016	2017	2016
Net Income (Loss)	\$4.8	\$(0.6)	\$11.8	\$(7.6)
Other Comprehensive Income:				
Unrealized interest rate hedging loss	(0.6)	(2.8)	(0.6)	(2.8)
Reclassification adjustment for interest expense included in net income (loss)	0.1	—	0.3	—
Defined benefit pension plans:				
Amortization of prior service credit included in net periodic pension cost	(0.2)	(0.2)	(0.5)	(0.5)
Amortization of net loss included in net periodic pension cost	1.3	1.9	2.5	3.7
Income taxes related to other comprehensive income	(0.1)	0.6	(0.5)	0.1
Other comprehensive income (loss)	0.5	(0.5)	1.2	0.5
Comprehensive Income (Loss)	5.3	(1.1)	13.0	(7.1)
Comprehensive income attributable to noncontrolling interest	(0.5)	(0.1)	(1.2)	(0.6)
Comprehensive Income (Loss) Attributable to A&B Shareholders	\$4.8	\$(1.2)	\$11.8	\$(7.7)
See Notes to Condensed Consolidated Financial Statements.				

ALEXANDER & BALDWIN, INC.
 Condensed Consolidated Balance Sheets
 (In millions) (Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$11.0	\$2.2
Accounts receivable, net	39.7	32.1
Contracts retention	12.5	13.1
Costs and estimated earnings in excess of billings on uncompleted contracts	15.5	16.4
Inventories	34.1	43.3
Real estate held for sale	2.0	1.0
Income tax receivable	9.8	10.6
Prepaid expenses and other assets	34.4	19.6
Total current assets	159.0	138.3
Investments in Affiliates	398.7	390.8
Real Estate Developments	184.5	179.5
Property – Net	1,235.1	1,231.6
Intangible Assets – Net	50.3	53.8
Goodwill	102.3	102.3
Other Assets	47.1	60.0
Total assets	\$2,177.0	\$2,156.3
LIABILITIES AND EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$44.1	\$42.4
Accounts payable	32.2	35.2
Billings in excess of costs and estimated earnings on uncompleted contracts	3.1	3.5
Accrued interest	5.1	6.3
Deferred revenue	0.1	17.6
Indemnity holdback related to Grace acquisition	9.3	9.3
HC&S cessation-related liabilities	5.2	19.1
Accrued and other liabilities	29.1	31.7
Total current liabilities	128.2	165.1
Long-term Liabilities:		
Long-term debt	530.8	472.7
Deferred income taxes	182.8	182.0
Accrued pension and post-retirement benefits	63.7	64.8
Other non-current liabilities	43.1	47.7
Total long-term liabilities	820.4	767.2
Total liabilities	948.6	932.3
Commitments and Contingencies		
Redeemable Noncontrolling Interest	10.8	10.8
Equity:		
Common stock - no par value; authorized, 150 million shares; outstanding, 49.2 million and 49.0 million shares at June 30, 2017 and December 31, 2016, respectively	1,158.9	1,157.3
Accumulated other comprehensive loss	(42.0) (43.2)
Retained earnings	96.5	95.2

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Total A&B shareholders' equity	1,213.4	1,209.3
Noncontrolling interest	4.2	3.9
Total equity	1,217.6	1,213.2
Total liabilities and equity	\$2,177.0	\$2,156.3

See Notes to Condensed Consolidated Financial Statements.

3

ALEXANDER & BALDWIN, INC.
Condensed Consolidated Statements of Cash Flows
(In millions) (Unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net income (loss)	\$11.8	\$(7.6)
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	21.0	54.9
Deferred income taxes	0.1	(19.5)
Gains on asset transactions, net of impairment losses	(12.1)	1.6
Share-based compensation expense	2.2	2.1
Investment in affiliates, net of distributions	5.8	(1.9)
Changes in operating assets and liabilities:		
Trade, contracts retention, and other receivables	(6.3)	11.0
Costs and estimated earnings in excess of billings on uncompleted contracts - net	0.6	2.9
Inventories	9.2	(10.1)
Prepaid expenses, income tax receivable and other assets	(3.7)	10.6
Accrued pension and post-retirement benefits	1.6	3.1
Accounts payable and contracts retention	(3.6)	(7.0)
Accrued and other liabilities	(36.6)	(5.3)
Real estate inventory sales (real estate developments held for sale)	2.9	—
Expenditures for real estate inventory (real estate developments held for sale)	(9.5)	(5.0)
Net cash provided by (used in) operations	(16.6)	29.8
Cash Flows from Investing Activities:		
Capital expenditures for property, plant and equipment	(23.4)	(99.8)
Capital expenditures related to 1031 commercial property transactions	—	(6.2)
Proceeds from disposal of property and other assets	9.7	1.9
Proceeds from disposals related to 1031 commercial property transactions	6.9	59.3
Payments for purchases of investments in affiliates and other investments	(23.9)	(26.4)
Proceeds from investments in affiliates and other investments	2.0	3.0
Change in restricted cash associated with 1031 transactions	5.4	16.2
Net cash used in investing activities	(23.3)	(52.0)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	83.5	132.0
Payments of long-term debt and deferred financing costs	(35.1)	(94.3)
Borrowings (payments) on line-of-credit agreement, net	11.4	(4.9)
Distribution to noncontrolling interests	(0.2)	(0.5)
Dividends paid	(6.9)	(5.9)
Proceeds from issuance (repurchase) of capital stock and other, net	(4.0)	0.9
Net cash used in financing activities	48.7	27.3
Cash and Cash Equivalents:		
Net increase in cash and cash equivalents	8.8	5.1
Balance, beginning of period	2.2	1.3
Balance, end of period	\$11.0	\$6.4

Other Cash Flow Information:

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Interest paid, net of capitalized interest	\$(8.5)	\$(14.0)
Income taxes paid	(3.6)	—
Noncash Investing and Financing Activities:		
Uncollected proceeds from disposal of equipment	\$2.1	\$—
Capital expenditures included in accounts payable and accrued expenses	2.3	3.4
See Notes to Condensed Consolidated Financial Statements.		

4

ALEXANDER & BALDWIN, INC.

Condensed Consolidated Statements of Equity

For the six months ended June 30, 2017 and 2016

(In millions) (Unaudited)

	Total Equity					Redeem- able Non- Controlling interest	
	Common Stock Share Value	Stated	Accumulated Other Compre- hensive Loss	Retained Earnings	Non- Controlling interest Total		
Balance, January 1, 2016	48.9	\$1,151.7	\$ (45.3)	\$ 117.2	\$ 3.5	\$1,227.1	\$ 11.6
Net income (loss)				(8.2)	0.1	(8.1)	0.5
Other comprehensive income, net of tax			0.5			0.5	
Dividends paid on common stock (\$0.12 per share)				(5.9)		(5.9)	
Distributions to noncontrolling interest						—	(0.1)
Adjustments to redemption value of redeemable noncontrolling interest				0.4		0.4	(0.4)
Share-based compensation		2.1				2.1	
Shares issued or repurchased, net	0.1	1.0		(0.1)		0.9	
Balance, June 30, 2016	49.0	\$1,154.8	\$ (44.8)	\$ 103.4	\$ 3.6		