

Hawaiian Electric Industries

Watching the American Savings Bank given challenging macro conditions

Reiterate Rating: UNDERPERFORM | PO: 37.00 USD | Price: 37.33 USD

HE has outperformed local banking peers recently

Reiterate Underperform on shares of Hawaiian Electric (HE) which is expensive relative to our view of the fundamentals and deserves to trade at a discount to utility peers due to its banking exposure. HE owns American Savings Bank (ASB), one of the larger banks in Hawaii. ASB represented ~33% of earnings in 2022, down from 41% in 2021 and we expect this to be 35%+ in future years. Hawaii banking peers Bank of Hawaii (BOH) and First Hawaiian Inc (FHB) have both been under pressure in recent days after the events surrounding Silicon Valley Bank (SVB – not covered) and other lenders. BOH is -17% the past month and -6% on Friday. FHB was similarly -15% the past month and -3% on Friday. Peers BOH (39%) and FHB (52%) had a higher percentage of deposits below \$250,000 than SVB Financial Group (3%) and Signature Bank (SBNY 6%) per S&P Global Market Intelligence. Sunday evenings joint statement by the Department of the US Treasury, Federal Reserve, and FDIC should help ease concerns but the event highlights the risks of higher interest rates for banks equity. Historically ASB has been a funding source for the regulated utility with \$42Mn in 2022 and \$59Mn in 2023. In 2023 management guides to no external equity and \$50Mn dividends from the bank.

Examining the bank balance sheet: less equity than before

As of YE22 tangible common equity to assets was 4%, unchanged QoQ but down from 7%. The disclosed Tier 1 leverage was 7.8%, above the 5% “well capitalized” and 4% minimum requirements. ASB had \$8,170MMn deposit liabilities as of 12/31/22 (92% of funding sources) versus \$153Mn cash, \$1,633Mn unused borrowing capacity from FHLB, and \$1,640Mn unencumbered securities. The net unrealized losses on securities increased to \$329Mn at YE22 up from \$32Mn at YE21. This lowered shareholder equity to \$469Mn from \$728Mn and management described itself as having \$194Mn+ of excess equity above the “well capitalized” levels. In October 2022, ASB transferred 66 AFS investments with a \$755Mn fair value to HTM with a \$206Mn unrealized loss at the time of transfer. The rationale for the change was “to mitigate the potential future impact to capital through accumulated other comprehensive loss and the impact of rising rates on the market value of the investment securities.”

Estimates (Dec) (US\$)	2020A	2021A	2022E	2023E	2024E
EPS	1.81	2.25	2.20	2.24	2.41
GAAP EPS	1.81	2.25	2.20	2.24	2.41
EPS Change (YoY)	-9.0%	24.3%	-2.2%	1.8%	7.6%
Consensus EPS (Bloomberg)			2.18	2.27	2.45
DPS	1.32	1.36	1.37	1.41	1.45
Valuation (Dec)					
P/E	20.6x	16.6x	17.0x	16.7x	15.5x
GAAP P/E	20.6x	16.6x	17.0x	16.7x	15.5x
Dividend Yield	3.5%	3.6%	3.7%	3.8%	3.9%
EV / EBITDA*	16.0x	13.9x	14.0x	14.0x	13.3x
Free Cash Flow Yield*	1.1%	1.5%	3.4%	2.4%	3.7%

* For full definitions of *IQmethod*SM measures, see page 9.

13 March 2023

Equity

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Stock Data

Price	37.33 USD
Price Objective	37.00 USD
Date Established	15-Feb-2023
Investment Opinion	A-3-7
52-Week Range	33.18 USD - 44.72 USD
Mkt Val (mn) / Shares Out (mn)	4,087 USD / 109.5
Average Daily Value (mn)	16.34 USD
BofA Ticker / Exchange	HE / NYS
Bloomberg / Reuters	HE US / HE.N
ROE (2022E)	9.9%
Net Dbt to Eqty (Dec-2021A)	88.8%

ESGMeter™

High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

FDIC: Federal Deposit Insurance Corporation

ASB: American Savings Bank

HTM: Held-to-maturity

AFS: Available-for-sale

FHLB: Federal Home Loan Bank

MtM: Mark to market

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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iQprofileSM Hawaiian Electric Industries

iQmethodSM – Bus Performance*

(US\$ Millions)	2020A	2021A	2022E	2023E	2024E
Return on Capital Employed	3.5%	4.2%	4.1%	4.1%	4.2%
Return on Equity	8.6%	10.4%	9.9%	9.7%	10.0%
Operating Margin	12.1%	13.5%	10.2%	12.4%	12.9%
Free Cash Flow	46	61	138	96	150

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2020A	2021A	2022E	2023E	2024E
Cash Realization Ratio	2.2x	1.5x	2.0x	2.0x	2.0x
Asset Replacement Ratio	1.6x	1.3x	1.4x	1.6x	1.4x
Tax Rate	17.0%	20.2%	20.1%	18.5%	18.6%
Net Debt-to-Equity Ratio	83.4%	88.8%	86.0%	85.2%	82.2%
Interest Cover	3.5x	4.1x	3.7x	4.2x	4.4x

Income Statement Data (Dec)

(US\$ Millions)	2020A	2021A	2022E	2023E	2024E
Sales	2,580	2,850	3,742	3,029	3,091
% Change	-10.3%	10.5%	31.3%	-19.1%	2.0%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	550	632	632	630	664
% Change	-5.0%	15.0%	-0.1%	-0.3%	5.4%
Net Interest & Other Income	(68)	(81)	(81)	(77)	(78)
Net Income (Adjusted)	198	246	241	246	264
% Change	-9.2%	24.4%	-2.0%	2.0%	7.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2020A	2021A	2022E	2023E	2024E
Net Income from Cont Operations (GAAP)	200	248	243	248	266
Depreciation & Amortization	238	246	251	254	264
Change in Working Capital	(79)	(126)	0	0	0
Deferred Taxation Charge	(2)	(5)	(5)	(5)	(5)
Other Adjustments, Net	72	13	0	0	0
Capital Expenditure	(384)	(315)	(350)	(400)	(375)
Free Cash Flow	46	61	138	96	150
% Change	-17.2%	34.4%	126.4%	-30.6%	55.7%

Balance Sheet Data (Dec)

(US\$ Millions)	2020A	2021A	2022E	2023E	2024E
Cash & Equivalents	359	311	311	311	311
Trade Receivables	281	344	344	344	344
Other Current Assets	7,439	8,247	8,247	8,247	8,247
Property, Plant & Equipment	5,266	5,392	5,435	5,581	5,692
Other Non-Current Assets	1,659	1,528	1,528	1,528	1,528
Total Assets	15,004	15,823	15,865	16,012	16,123
Short-Term Debt	219	142	232	237	238
Other Current Liabilities	7,593	8,398	8,398	8,398	8,398
Long-Term Debt	2,119	2,322	2,244	2,297	2,306
Other Non-Current Liabilities	2,701	2,536	2,530	2,525	2,519
Total Liabilities	12,632	13,397	13,404	13,457	13,462
Total Equity	2,372	2,425	2,518	2,611	2,717
Total Equity & Liabilities	15,004	15,823	15,922	16,068	16,179

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Electric Utilities

Company Description

Hawaiian Electric Industries (NYSE: HE) is a Hawaii based holding company comprised of an electric utility and a savings bank. The majority of the company is comprised of utilities, about 57% of its earnings at its utility subsidiaries Hawaiian Electric Company (HECO), Hawaii Electric Light (HELCO) and Maui Electric (ME).

Investment Rationale

We rate Hawaiian Electric Industries as Underperform with an increasingly cautious setup at the utility outweighing bank tailwinds. Decelerating capex and elevated O&M are likely to limit EPS upside while performance incentive mechanisms are proving punitive thus far. Overall, we see a discount as merited given below average growth, historical execution challenges, and near term risks to the plan.

Stock Data

Average Daily Volume

437,850

Quarterly Earnings Estimates

	2021	2022
Q1	0.59A	0.57A
Q2	0.58A	0.48A
Q3	0.58A	0.57A
Q4	0.50A	0.52A

Banking valuation discount not priced-in

HE currently trades at 14.7x 2025E, a -4% discount versus the electric utility sector at 15.3x. We believe a larger discount is warranted for (1) the below-average utility EPS growth ~5% with performance incentive mechanisms; and (2) having 30-40% of EPS from the banking subsidiary. Our banking colleague rates both Bank of Hawaii and First Hawaiian Inc. as underperform. The two companies trade at ~13x and ~10x Consensus 2024E; respectively, both steeply discounted versus US utilities at ~16x.

Unrealized losses the investor focus on banks currently

Of the gross unrealized losses, \$248.5Mn related to available-for-sale securities and \$103Mn for held-to-maturity securities. Within these categories 90%+ were for mortgage-backed securities “issued or guaranteed by U.S. Government agencies or sponsored agencies.”

Exhibit 1: American Savings Bank AFS and HTM Unrealized Gain/(Losses)

The unrealized losses have grown significantly YoY

American Savings Bank	2021A	2022A
Available for Sale		
Gross Unrealized Gains	8	-
Gross Unrealized Losses	(52)	(249)
Net	(44)	(249)
Held to Maturity		
Gross Unrealized Gains	2	3
Gross Unrealized Losses	(13)	(103)
Net	(12)	(101)
Total	(56)	(349)

Source: Company filings

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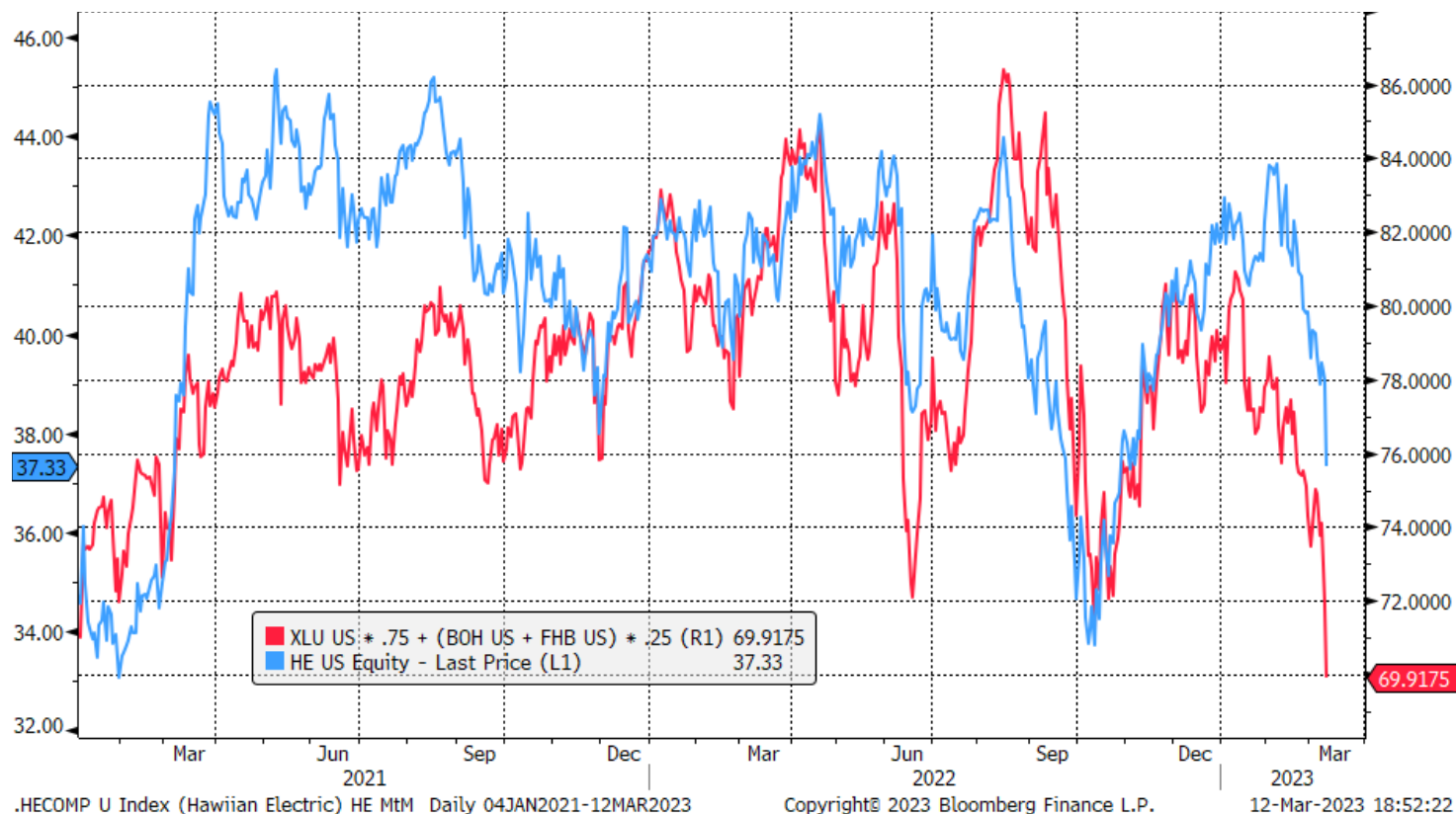
HE describes limitations on its banking activities if the tangible equity capital ratio declines below 2% with further borrowing limitations if tangible equity becomes negative.

The 30Yr US Treasury was 1.9% on 12/31/21 versus 3.9% on 12/31/22 and is slightly lower at 3.7% currently. The fact that long-term interest rates have declined since 12/31/22 should help to keep the investment portfolio's valuation intact. ASB's disclosed weighted average investment yield was 1.74%.

See our full SOTP in our last note: [Hawaiian Electric Industries: Incorporating PIMs in its 5% Utility LT Guide: Implicitly cautious update 15 February 2023](#).

Exhibit 2: Hawaiian Electric (HS US Equity) Equity performance vs XLU US Equity * .75 + (BOH US Equity + FHB US Equity) * .25

HE equity has outperformed a mix of utilities and Hawaiian banking peers to reflect earnings mix of combined entity



Source: Bloomberg

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Exhibit 3: American Savings Bank balance sheet and capital ratios

Equity has declined due to the unrealized losses on securities, still comfortably above minimums and capitalization thresholds for well capitalized.

American Savings Bank Balance Sheet	2021A	2022A			
ASSETS					
Cash and due from banks	100	153			
Interest-bearing deposits	151	3			
Restricted cash	-	-			
Available-for-sale investment securities, at fair value	2,575	1,430			
Held to maturity at amortized cost	522	1,252			
Investment Securities	3,097	2,681			
Stock in Federal Home Loan Bank, at cost	10	27			
Loans receivable held for investment	5,211	5,979			
Allowance for loan losses	(71)	(72)			
Net Loans	5,140	5,907			
Loans held for sale, at lower of cost or fair value	10	1			
Other	591	692			
Goodwill	82	82			
Total Assets	9,182	9,546			
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposit liabilities—noninterest-bearing	2,977	2,811			
Deposit liabilities—interest-bearing	5,196	5,359			
Other borrowings	88	695			
Other	193	212			
Total Liabilities	8,454	9,077			
Common stock	-	-			
Additional paid in capital	354	356			
Retained earnings	411	450			
Accumulated other comprehensive loss, net of tax benefits					
Net unrealized losses on securities	(32)	(329)			
Retirement benefit plans	(6)	(8)			
Total Shareholder's Equity	727	469			
Total Liabilities and Shareholder's Equity					
Banking Ratios			Minimum	Well Cap.	vs Min
Tier 1 Leverage	7.90%	7.80%	4.0%	5.0%	4.0%
Common Equity Ratio	13.30%	12.20%	4.5%	6.5%	4.5%
Tier 1 Capital Ratio	13.30%	12.20%	6.0%	8.0%	6.0%
Total Capital Ratio	14.30%	13.10%	8.0%	10.0%	8.0%
Tangible Common Equity to Tangible Assets - Actual	7.10%	4.10%			

Source: Company filings

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Below we highlight sections from HE's 10K

Risk section

Because the earnings of ASB depend primarily on net interest income, interest rate risk is a significant risk of ASB's operations. HEI and the Utilities are also exposed to interest rate risk primarily due to their periodic borrowing requirements, the discount rate used to determine pension funding requirements and the possible effect of interest rates on the electric utilities' rates of return. Interest rates are sensitive to many factors, including general economic conditions and the policies of government and regulatory authorities. HEI cannot predict future changes in interest rates, nor be certain that interest rate risk management strategies it or its subsidiaries have implemented will be successful in managing interest rate risk.

Interest rate risk also represents a market risk factor affecting the fair value of ASB's investment securities. Increases and decreases in prevailing interest rates generally translate into decreases and increases in the fair values of those instruments, respectively. Disruptions in the credit markets, a liquidity crisis in the banking industry or increased levels of residential mortgage delinquencies and defaults may result in

decreases in the fair value of ASB's investment securities and an impairment, requiring ASB to write down its investment securities. As of December 31, 2022, ASB's investment in U.S. Treasury and federal agency obligations, and mortgage-backed securities have an implicit guarantee from the U.S. government. Decreases in the fair value of ASB's investment securities may also result in lower equity capital balances as unrealized losses in the available-for-sale investment securities portfolio are recorded as a decrease in equity capital through accumulated other comprehensive losses. The lower equity capital balance could result in a lower tangible equity capital ratio and restrict ASB's permissible activities if the tangible equity capital ratio falls below 2%. A negative tangible equity capital ratio would impact ASB's availability to borrow funds from the FHLB of Des Moines.

Accounting

Investment securities. Investments in debt securities are classified as held-to-maturity (HTM), trading or available-for-sale (AFS). ASB determines the appropriate classification at the time of purchase. Debt securities that ASB intends to and has the ability to hold to maturity are classified as HTM securities and reported at amortized cost. Marketable debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Marketable debt securities not classified as either HTM or trading securities are classified as AFS and reported at fair value. Unrealized gains and losses for AFS securities are excluded from earnings and reported on a net basis in accumulated other comprehensive income (AOI) until realized.

Transfers of debt securities from the available-for-sale classification to the held-to-maturity classification are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer remains in AOI and in the carrying value of the held-to-maturity investment security. [emphasis added]

Unrealized holding gains or losses that remain in AOI are amortized or accreted over the expected life of the security as an adjustment of yield, offsetting the related amortization of the premium or accretion of the discount.

Price objective basis & risk

Hawaiian Electric Industries (HE)

Our PO of \$37 for Hawaiian Electric Industries is based on a sum of the parts approach. We apply:

- 1) a 15.9x base 2025E sector peer forward P/E multiple is grossed up +5% to reflect capital appreciation across the sector. We apply a -1.0x discount to incorporate below-average growth profile and volatile historical performance.
- 2) a 2023E forward price to book value of 1.6x in-line with small-cap banking peers.
- 3) Apply an average P/E multiple to reflect parent expense.

Upside and downside risks are: 1) political, regulatory, and legislative changes, 2) capital expenditures, 3) inflation and operating costs, 4) bank loss reserves and margins, and 5) pandemics and natural disasters.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

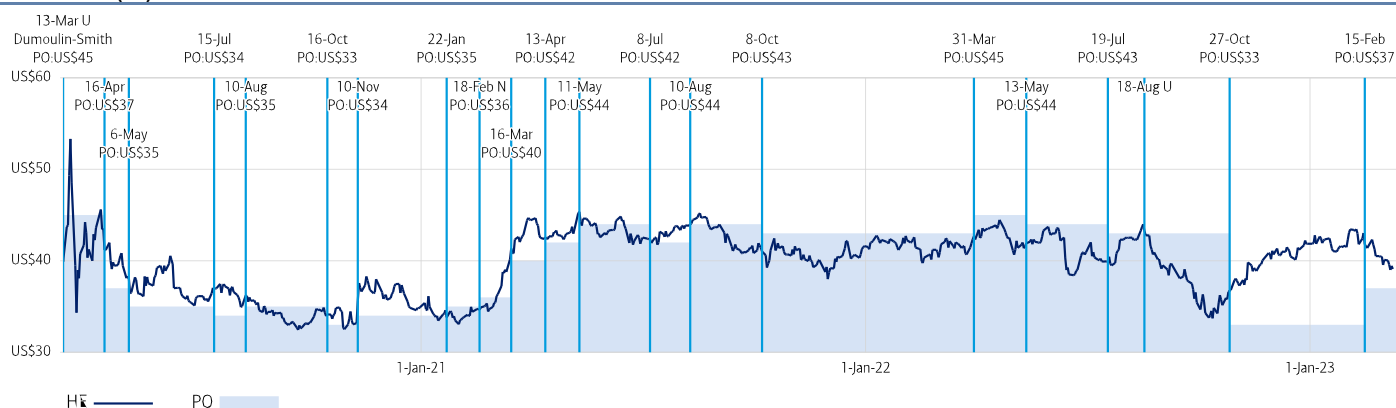
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Disclosures

Important Disclosures

Hawaiian Electric (HE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	48.98%	Buy	51	70.83%
Hold	38	25.85%	Hold	29	76.32%
Sell	37	25.17%	Sell	25	67.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1853	52.58%	Buy	1040	56.13%
Hold	840	23.84%	Hold	493	58.69%
Sell	831	23.58%	Sell	404	48.62%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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