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PRESENTATION

Jon Chappell - *JPMorgan*

We are going to continue with the next presentation, try to keep on time as a good transport conference should.

Alexander & Baldwin is the next company to present. Today we have the CEO of the entire organization, Allen Doane, who will do most of the presentation. Here with him to help answer questions is Matt Cox, the Chief Operations Officer of the Matson Shipping division and also Kevin Halloran, the IR Director. So Allen.

Allen Doane - *Alexander & Baldwin - CEO*

I guess I should start by saying 'aloha'. I know that we are a little behind schedule here so I'm going to give you a 1040A version of A&B and then quickly open it up to your questions.

This is our disclaimer. And a little bit about A&B. We are an old company. We started out as a sugar plantation a long long time ago and we have kind of evolved. People do ask the question why are you the way you are today? And we evolved from a sugar plantation to needing a way of getting things to and from Hawaii which is one of the most remote places in all of the world. Hence Matson Navigation and then at one stage the light bulb went on and we started to take some of our land and convert it to real estate.

Today, Matson has a very, very strong brand identification and is growing in many directions. Our real estate business is really the premier real estate developer in Hawaii.

Kind of a composition, if you just take a look at this of our earnings by our two principal lines of business, transportation and real estate. You have Matson Navigation the shipping company that earned more than \$100 million as well as A&B properties earned \$100 million in 2006. Under Matson we have a logistics business that earned just over \$20 million and then under our Properties business we have a small agricultural business that earned a modest amount of money.

For us it is really important to understand that Hawaii is really a source of primary value for our Company. I would say if our Company is not unique it is very unusual in its geographic focus. Hawaii is unique, if unique is finding something that you find nowhere else. We really believe that we add a lot of value by being long-term and being very important parts of the community in Hawaii. The fact is that the reputation in Hawaii is of principal importance in what we do in both our transportation and in our real estate areas. And we find that while the connections aren't operationally synergistic that they are very significant because of the combined economic and political framework in which we operate.

It is important and you'll see in just a few moments that while Hawaii is our home we haven't limited ourselves to Hawaii. And we are growing beyond Hawaii in a pretty significant way.

This slide shows a five-year compounded annual rate of growth in our principal operating segments. We've got the two segments from Matson. The two real estate segments and then the small agribusiness segment. You can see on an overall basis, we have had a pretty good growth record over this period of time of 14% a year.

Business segments, let me very, very quickly go over the real estate part. I realize this is a transportation meeting and I'm just going to give you just a quick overview on real estate. We've had very strong results there. Consistent results, growth. We have a mix of both development activity and a commercial portfolio of real estate. We hit a very significant milestone where we reached \$100 million in operating profit in real estate this past year. We're very, very active as you might gather in Hawaii, but we are also active on the West Coast and, increasingly, in many areas in the U.S. And that we believe that we can demonstrate that we have had quite superior performance in our real estate business.

Our lease portfolio which represents about half of our real estate income is very diversified. You can see on the left-hand side of this slide there's a mix of a little more than half Hawaii, a little less than half of our income in the leasing area is on the mainland U.S. You can see the location of our properties, principally West Coast-based. Properties that we buy. We have an entire mechanism that we go through, part of our philosophy which involves finding good properties in locations that aren't necessarily primary to some of the larger institutional investors. And we do it via 1031 tax-deferred funds so we will make money in a transaction someplace, generally in Hawaii, then we will reinvest the funds on the tax-deferred basis generally on the mainland U.S.

You can also see that we have a very eclectic but, actually, a very good mix of different property types on that pie chart on the lower left side. I could spend a long time talking about our development business. I won't today. I think you should realize that we have a very significant development pipeline. We have large projects on Maui for those of you who have been there. We are the principal owner of all of the undeveloped land at Wailea. We have a tremendous 1000-acre project on the southern part of Kauai which, over a ten-year period, is going to produce a tremendous amount of income for the Company.

And of course we are large as well on the main island of Oahu, with a number of projects there. So we have a pipeline that is multiyear. It is significant and is very attractive despite some minor cyclical changes in the residential real estate market.

Let me just talk very briefly about our agribusiness segment. It represents 7% even a little less of the Company's assets, getting smaller. It is a mature part of the Company. It's, I would say, one part of our Company where we -- it's more of a defensive investment than anything else.

Having said that it's still important for us to maintain this business. We have a number of employees. It's very, very important for us to keep the business going. Our sugar business which is the principal driver is a commodity business. Not an easy business. What we're doing is really two things. Any of you who see those little sugar in the raw packets that are all over the place, that's us. That is us and no one else. We have been very successful at creating a specialty sugar market of turbinado sugar across the mainland US with a marketing copartner over the last several years. We are going to continue to increase our specialty sugar and at the same time we are looking at a number of energy alternatives, including ethanol for our sugar business.

Let me move to ocean transportation and you can look at the five-year earnings here. I would say that 2002 was low, mostly as a residual effect of 9/11 in 2001 as well as a labor disruption. 2003, '04 and '05 were more indicative of the earning power of Matson Navigation. It is a very strong business. It really is the lifeline to Hawaii from the West Coast. The company has about a two-thirds market share of the Hawaiian market and the other third I believe is in the room here today. Hi, Chuck.

Not only do we serve Hawaii but we also serve the Guam market. That market over the long run has a very, very good growth profile and prospect to it with a major military buildup that's going to occur in the next five to 10 years there.

Then most recently -- and I hope that will have the opportunity as I go through this presentation quickly to talk about it more -- and I'm going to have Matt talk about it today is that we entered the China market last year with the China Express was launched just about a year ago. And it has become a very profitable trade link for us.

Basically what we do is we go from the West Coast Long Beach to Hawaii. One revenue stream. We take a revenue stream then from Honolulu, Hawaii to Guam which is the second market. We basically have no revenue from Guam to China and then we sail our ships from Ningbo in Shanghai back to the West Coast.

So what we do is we have three revenue streams. The Guam to China portion represents about 12% of the overall route. So in 88% of the route, we are carrying revenue of a pretty significant proportion.

The operating profit of the business -- and I will just mention that we had a significant transition year in 2006 with the termination of a long-term alliance that we had had with another carrier, APL, where we had served Guam and we went through the transition. We initiated this new China service along with continuing to serve Guam. And you can see that we kind of really clawed our way back over the remainder in 2006, compared to 2005.

I would also note that on an absolute basis that when you do your due diligence that A&B's margins on any kind of comparative basis in the ocean shipping business are top tier. So our performance in terms of just about any kind of metric you can make that's financial and otherwise is quite favorable. We are very proud of this. From an independent source through shipping consultants we were identified as the No. 1 most reliable carrier worldwide. This included 100% reliability in our first months of operation on this new China route. The growing reputation that we have gained for being not only fast, but reliable in this China service has really created some great opportunities for the Company.

Let me move for just a moment to a small but a very exciting part of our company, Matson Integrated Logistics. We call it Logistics Services. Here this is a business that five years ago was basically a back room service activity for Matson to help reposition containers. We have taken this business and I really give great recognition to Matson and our people in our Logistics Business from nowhere to where it earned more than \$20 million of operating income. Great growth record. And we think we have got substantial growth facing us very positively in the future.

What we've really done is we have gone from being a principally rail-based carrier for shipping companies to being a broad-based logistics provider that is increasingly in the highway segment. Over this same period of time we've established a national network which makes us now about the 10th largest logistics company nationwide. It's a good business. It's a business where you can at least postulate that you can scale the business, that your ability to grow, your margins and your earnings at a higher rate than your revenue is possible given just the nature of how it all functions.

We don't call them non-asset businesses these days. We call them asset-light businesses and this is truly an asset-light business. We are focusing as I said on the Highway segment. Increasingly, having a logistics arm has been a tremendous benefit to our China service and our ability to position ourselves effectively with containers and getting them back to the West Coast from various locations in the U.S.

We have done several smaller but very, very good acquisitions. We brought some great people into the Company and on a very selective and an embryonic basis we are going to be starting to emulate some of the bigger stars in the business and add services that they already have in the 3PL area. So the outlook for that business is quite positive.

If you were to look at the Company and see what we are and what we do at Matson, the China service has been very profitable. We came in, we were one of 20 carriers. We're new on the block. People didn't think we would make it. A year later not only have we made it but we have established a very good profitable service and even better than that we've established a platform for future growth of our business in China.

MIL is producing very strong gains in profitability as I've noted. We also have a joint venture partnership on the West Coast in a number of terminals with SSAT, a large terminal operator which we think puts us in a great place in the long run to enjoy the benefits of global trade.

Matson's strategic direction, we are in Hawaii and we are in Guam. We are going to continue to be there. It is a key part of our business. We expect to make some extensions off of our China business over time. Our integrated Logistics business we believe is going to continue to grow and then the new premium service, which we just announced -- two weeks ago? -- week and a half or two weeks ago and Long Beach, I think, is going to be important to us along with a venture partnership that has been established.

That premium service, really, is doing something that hasn't been done to any degree in the past. It provides not only a fast service but it provides a guaranteed service, a commitment and it is really leveraging the great record we have had for on-time service along with the fact that we have a dedicated terminal on the West Coast that allows the containers to get in and out very quickly. We have just established a partnership with J. B. Hunt and we are very, very happy so to speak to be in the same room with them, in leveraging their capabilities along with ours, to provide additional customer options for our Chinese customers. So lots of good things are starting and business is good.

Let me just end on one note and sort of saying so what we do? What is the role of management in this company? It's really just a couple of things. It sounds self-evident, but I think it's important to focus on it and to say it.

Number 1, it is important to point the compass in the right direction, to have the right strategies. It is really important and one thing you'll see that goes across our Company no matter what division we are looking at is a very strong financial discipline that deals with the types of returns that the business will get and implicitly the types of returns our shareholders will get. Consistent across the Company, we think that our operating businesses because we have very strong executives and management in place perform very well.

The key for us is to continue to grow the business. We have had, in the eight years that I have been doing this, we've had an average total shareholder return of 15% a year over these eight years and our challenge is to continue to grow the business and to find new ways and places to do what we do all in our [comfort] zone.

So with that I am done with the presentation and we will open it up to your questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Allen and maybe for Matt. Can you explain a little bit the J. B. Hunt partnership that you've established? What was the impetus behind it? What are the benefits you think it provides both to yourselves and why J. B. Hunt do you think became involved in this as well?

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

Sure. I would say two things. We launched two separate products. Just to be clear one was a Matson only. That is, Matson Navigation and Matson Integrated Logistics for moving cargo contracts. That is the Matson product in a single container from Shanghai Ningbo into a number of U.S. markets including the West Coast. And because our service was so good that we decided to further differentiate our service to offer this guarantee. And as far as we know we are the only ocean carrier in the world to offer a guaranteed service.

And when we looked further, we have certain operating arrangements with Matson Integrated Logistics and J. B. Hunt and we look for someone who looked like us. J. B. Hunt, from our perspective, in the truckload business fit the bill. They are obsessed with their customer service. Their on-time stats are comparable to Matson's and we found even though they speak in a Southern accent and we don't we found a great connection in terms of our operating cultures.

And what that allowed us to do was to add a second product which will allow those customers who are looking for a transload option on the West Coast to basically take the offer of guaranteed service through the J. B. Hunt network, which would allow us to transload this cargo into their 53-foot fleet of equipment and offer expedited service to a number of other destinations. So it was an exciting link up and I think both companies are excited by the prospects.

Now long-term, I think it's early. We are defining in some ways a new market segment. It used to be that our customers faced a choice between a very fast and a very expensive airfreight product and a very mediocre, slow, and unreliable ocean transportation segment.

We are creating a expedited guaranteed ocean segment and we think that has a lot of value long-term, although we think the business over time we think the value of the Matson is, we hope it will improve our margins on this China service.

Unidentified Audience Member

On the China Express move, I can understand what you take from the West Coast to Hawaii. I can understand what you bring back from China. I'm having a tough time imagining how you fill a ship from Hawaii to Guam?

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

Yes I mean I think it's -- there are really two parts of that market. There it is the West Coast to Guam market and a number of products are sourced from the West Coast that ride through or are relayed in Honolulu to Guam. There are also a number of segments of the market that are -- instead of sourcing the product in the West Coast they've sourced it in Hawaii. So you might say those are beverages and a number of other commodities that will move although that's the smaller of the two markets.

Unidentified Audience Member

So really what it is, let's say the ship is 75% full going to Guam and then you put enough on to move it to Hawaii, that 25% and then fill it up again and take it off to Guam type of thing conceptually?

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

Yes. I mean, I think it leaves the West Coast with a combination of Hawaii and Guam cargo. That string. Other strings will bring in other Guam cargo in a relay once the Hawaii cargo is discharged to Honolulu.

Allen Doane - Alexander & Baldwin - CEO

It does make a lot of economic sense because you are already in Hawaii. You are going to go to China. Well, it is not quite the great Circle Route, it is kind of a drive-by service on your way there, but it is also a good trade in a good market.

Unidentified Audience Member

I was wondering if you could talk about what you've been able to achieve and what you hope or expect to achieve in terms of premium pricing for your regular China service, as well as the guaranteed service through J. B. Hunt?

Really interested in that (indiscernible) on this one.

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

I think it is fair to say we think there it is a value in positioning the Matson service that probably is of significant value in positioning us long-term towards attracting better paying cargo. I don't know that we ourselves know as we sit here how many customers will decide to pay more for a guaranteed product. But what we want to do is to be able to stand out in a crowded market and have conversations with customers about the service offerings that frankly can't be repeated.

So I think it is hard to tell and as I said earlier it is sort of a new market segment so we ourselves are working closely with J. B. Hunt. I know when we made the announcement we were very excited, and J. B. Hunt, on behalf of a number of their customers, were also very interested in what this could offer them.

So stay tuned I guess is the best answer. I don't think we know yet.

Dan Moore - *Scopist Asset Management - Analyst*

Dan Moore with [Scopist] Asset Management. The question as it relates to the holding company structure and you always get this question as long as I can remember you coming to these conferences in one shape, form, or another. But obviously you are building out some fairly unique transportation infrastructure and franchises here that have some nice opportunities within the long-term. But seems like you talk about the value of those franchises and the real estate holdings and that sort of thing and I remember when your market cap was \$1 billion. It's a lot further down the road from that. But you talked earlier about soft elements and some hard elements as it relates to politics, Hawaiian politics and having the two infrastructures under one shell or one ticker if you will.

At some point in the future do you envision a scenario where it could ever make sense to have two different stocks, two different companies? Because I don't -- from the outside looking in they've never really seemed to be as complementary or maybe as the market -- as sometimes I think had a hard time valuing them independently and together, for that matter. So if you could just at least kind of update our -- update us in terms of your thinking there?

Allen Doane - *Alexander & Baldwin - CEO*

I would say that there's always a possibility that that could happen at a point in time. We believe that the Company has performed very, very well. The individual operating performance of both of our businesses has been, we think, very very good. We have been able to grow both businesses and it is kind of a funny thing and I would just deal with it in general terms. But the benefit for example the real estate business has for its linkage to Matson is quite significant in Hawaii.

There are 18-wheel advertisements that we have in containers because there are thousands of them today. It's the power of the ships coming in. It's the lifeline to Hawaii.

Even on the real estate side, people want to know that you are there for the long-term. There's something about being a long way from anywhere that has a psychology that is quite important. So that's soft but it's real. As I said, there are not a lot of operating synergies between the real estate side and the transportation side.

What I think is something that is emerging, however, is that the transportation side as it relates to logistics. We are starting to see some potential strong synergies between our Logistics business and our Real Estate business. So we are hopeful that over a longer period of time that there will be some interesting things that we are going to do there.

But to answer the question directly, the businesses are together. They have been together. They have done very well together. We expect them to continue to do well together but if at some point it's clearly in the shareholders' interest to change the structure of the Company, then, that's something that obviously would have to be considered and then the directors would have to act on it.

I think we've got maybe 40 seconds.

Unidentified Audience Member

Very quickly, just back to the premium service. Can you help me out, give me an example or two of type of client, type of product that would be interested in premium service needs the on-time delivery but doesn't necessarily need the time limits of airfreight?

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

As you may know all of our contracts are confidential so I will not name the company but I would just say it's a household name and this is a company that manufactures laptops. And Shanghai is the laptop center of the world. So this is a customer who is shipping 80% of their laptops airfreight now; and because of the margins in that business are looking for ways to reduce the cost and this customer tried us out. They've doubled their contract, committed volumes from last year to this year and are saving tens of millions of dollars in their transportation budget because they can rely on this quick service.

So the unit economics are so compelling for this laptop manufacturer to move from airfreight to ocean that the economics are overwhelming. We just need to fill the ship with those types of customers and, frankly, that will take place over time. It won't happen overnight but that (MULTIPLE SPEAKERS)

Unidentified Company Representative

-- laptops do you get in the container?

Matt Cox - Alexander & Baldwin - COO - Matson Navigation

You get 2600 laptops and, just to give you one other point for them, they shared with us that in airfreight, a laptop costs about \$24 to \$27. In ocean freight, it's \$2.50. So if could just look at this -- but you can't put it in a service that gets there whenever that arrives and gets unloaded three days later because it's at the bottom of a 10,000 TEU ship. It doesn't work that way. So that's the value proposition that we think is unique and we think it's replicatable. That's, frankly, what our team is after in terms of looking for customers.

Unidentified Company Representative

I guess we're done. Thank you, everyone.

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