

Alexander & Baldwin, Inc.
Form 10-K
March 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
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
(Exact name of registrant as specified in its charter)
Hawaii
(State or other jurisdiction of
incorporation or organization)
822 Bishop Street
Post Office Box 3440, Honolulu, Hawaii 96801
(Address of principal executive offices and zip code)
808-525-6611
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

45-4849780
(I.R.S. Employer
Identification No.)

Title of each class	Name of each exchange on which registered
Common Stock, without par value	NYSE

Securities registered pursuant to Section 12(g) of the Act:

None

Number of shares of Common Stock outstanding at February 14, 2014:
48,672,972

Aggregate market value of Common Stock held by non-affiliates at June 30, 2013:
\$1,691,132,944

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

o No x

Documents Incorporated By Reference

Portions of Registrant’s Proxy Statement for the 2014 Annual Meeting of Shareholders (Part III of Form 10-K)

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ALEXANDER & BALDWIN, INC.

FORM 10-K

Annual Report for the Fiscal Year
Ended December 31, 2013

PART I

ITEMS 1 & 2. BUSINESS AND PROPERTIES

Overview

Alexander & Baldwin, Inc. (“A&B” or the “Company”), whose history in Hawaii dates back to 1870, is a premier Hawaii-focused company with interests in real estate development, real estate leasing, natural materials and construction, and agribusiness. A&B’s assets include 88,755 acres in Hawaii, 5.1 million square feet of high-quality retail, office and industrial properties in Hawaii and on the Mainland, and a real estate development portfolio encompassing residential and commercial projects across Hawaii. Its landholdings, primarily on Maui and Kauai, make it the third largest private landowner in the state. On October 1, 2013, A&B consummated its acquisition of Grace Pacific (“Grace”), one of the largest Hawaii-based natural materials and paving companies. A&B is Hawaii’s largest farmer with 36,000 acres in productive sugar cane cultivation. A&B also plays a key role as a major provider of renewable energy, supplying approximately five percent and eight percent of the power consumed on Maui and Kauai, respectively.

Prior to June 29, 2012, A&B’s businesses included Matson Navigation Company Inc. (“Matson Navigation”), a wholly owned subsidiary that provided ocean transportation, truck brokerage and intermodal services. As part of a strategic initiative designed to allow A&B to independently execute its strategies and to best enhance and maximize its earnings, growth prospects and shareholder value, A&B made a decision to separate the transportation businesses from the Hawaii real estate and agriculture businesses. In preparation for the separation, A&B modified its legal-entity structure and became a wholly owned subsidiary of a newly created entity, Alexander & Baldwin Holdings, Inc. (“Holdings”). On June 29, 2012, Holdings distributed to its shareholders all of the shares of A&B stock in a tax-free distribution (the “Separation”). Holders of Holdings common stock continued to own the transportation businesses, but also received one share of A&B common stock for each share of Holdings common stock held at the close of business on June 18, 2012, the record date. Following the Separation, Holdings changed its name to Matson, Inc. (“Matson”). On July 2, 2012, A&B began regular trading on the New York Stock Exchange under the ticker symbol “ALEX” as an independent, public company.

A&B is headquartered in Honolulu and operates in four segments in three industries—Real Estate, Natural Materials and Construction, and Agribusiness. The business industries of A&B are generally as follows:

Real Estate — The Real Estate Industry consists of two segments and engages in real estate development and ownership activities, including planning, zoning, financing, constructing, purchasing, managing, leasing, selling, exchanging, and investing in real property. Real estate activities are conducted through A&B Properties, Inc. and other wholly owned subsidiaries of A&B.

Real Estate Development and Sales segment — generates its revenues and creates value through an active and comprehensive program of land stewardship, planning, entitlement, development and sale of land and commercial and residential properties, principally in Hawaii.

Real Estate Leasing segment — owns, operates, and manages a large portfolio of high-quality retail, office, and industrial properties in Hawaii and on the Mainland. The Company also leases land in Hawaii. The significant recurring cash flow generated by this portfolio and ground leases serves as an important source of funding for A&B’s real estate development and sales activities.

B. Natural Materials and Construction — Grace, a wholly owned subsidiary of A&B, mines, processes, and sells basalt aggregate; imports sand and aggregates for sale and use; imports and markets liquid asphalt; manufactures and markets asphaltic concrete; performs asphalt paving as prime contractor and subcontractor; manufactures and

supplies precast/prestressed concrete products; and provides and markets various construction- and traffic-control-related products and services.

Agribusiness — Agribusiness, which contains one segment, produces bulk raw sugar, specialty food grade sugars, and molasses; markets and distributes specialty food-grade sugars; provides general trucking services, mobile equipment maintenance, and repair services in Hawaii; leases agricultural land to third parties; and generates and sells electricity to the extent not used in A&B's Agribusiness operations. A&B also is the member of Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative that provides raw sugar marketing and transportation services.

The following table contains key information regarding each of the Company's segments. Since the purchase and sale of real estate is considered an ongoing and recurring core activity of its real estate businesses, Real Estate Development and Sales and Real Estate Leasing segment revenue and segment operating profit are analyzed before subtracting amounts related to discontinued operations. This is consistent with how the Company generates earnings and how A&B's management evaluates performance and makes decisions regarding capital allocation for A&B's real estate businesses.

Segment	2013 Revenue (in millions)	Percentage of Total 2013 Revenue	2013 Operating Profit (in millions)	Percentage of Total 2013 Operating Profit	Key Facts
Real Estate Leasing	\$110.4	15%	\$43.4	43%	High-quality commercial portfolio consisting of 60 improved properties in Hawaii and seven Mainland states, totaling 5.1 million square feet, and over 115 acres of commercial ground leases to third parties with improved GLA. Hawaii-focused, experienced developer with a large development pipeline encompassing over a dozen projects entitled for approximately 3,500 units. Third largest private landowner in Hawaii with nearly 89,000 acres.
Real Estate Development and Sales	423.0	58%	44.4	44%	Hold a leading market position in asphalt paving and in the production of asphaltic concrete and is one of the largest producers of aggregate in the State of Hawaii. This segment was acquired on October 1, 2013.
Natural Materials and Construction (results represent the period from October 1, 2013 through December 31, 2013)	54.9	7%	2.9	3%	Largest farmer in Hawaii and only producer of raw sugar in Hawaii, producing over 190,000 tons of sugar in 2013, and provider of approximately 5 percent and 8 percent of renewable energy on Maui and Kauai, respectively.
Agribusiness	146.1	20%	10.7	10%	
Total	\$734.4	100%	\$101.4	100%	

Further information about the revenue, operating profits and identifiable assets of A&B's industry segments for the three years ended December 31, 2013 are contained in Note 17 "Segment Results" to A&B's financial statements in Item 8 of Part II below.

Strategy

A&B strives to create value through superior investments in Hawaii by leveraging its extensive asset base, market knowledge and development expertise to create shareholder value through the entire spectrum of land stewardship and development, including land planning, entitlement, permitting, development and sales. A&B has a long track record of successfully investing in residential and commercial projects for both its legacy landholdings and non-legacy holdings. A&B believes that Hawaii has attractive near- and long-term growth prospects, and A&B is positioning its development and investment activities to capitalize on this growth.