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Hawaiian Electric Industries, Inc. (HE)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

Nicholas Campanella

Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Audra and I will be your conference operator today. At this time, I would like to welcome everyone to the HEI Second Quarter 2025 Earnings Conference Call. Today's conference is being recorded. All lines have been placed on mute to prevent any background noise. After the speakers remarks, there will be a question-and-answer session. [Operator Instructions] .

At this time, I'd turn the conference over to Mateo Garcia, Director of Investor Relations. Please go ahead.

Mateo Garcia

Director-Investor Relations, Hawaiian Electric Industries, Inc.

Thank you. Welcome, everyone, to HEI's second quarter 2025 earnings call. Joining me today are Scott Seu, HEI President and CEO, Scott DeGhetto, HEI Executive Vice President and CFO. Shelee Kimura, Hawaiian Electric President and CEO and other members of senior management. Our earnings release and our presentation for this call are available in the Investor Relations section of our website. As a reminder, forward-looking statements will be made on today's call. Factors that could cause actual results to differ materially from expectations can be found in our presentation, our SEC filings and in the Investor Relations section of our website.

Today's presentation also includes references to non-GAAP financial measures. You should refer to the information contained in the slides accompanying today's presentation for definitional information and reconciliations of historical non-GAAP measures to the closest GAAP financial measure. We will take questions from institutional investors at the end of this call. Individual investors and others can reach out to investor relations.

Now, Scott Seu will begin with his remarks.

Scott W.H. Seu

President, Chief Executive Officer & Director, Hawaiian Electric Industries, Inc.

Aloha kākou. Welcome, everyone. For today's call, I'll start with an update on our continued progress improving our company's financial strength and resilience. I'll also touch on the ongoing implementation of our wildfire safety strategy. Scott DeGhetto will then walk through our financial results and then we'll open it up for questions. In the second quarter, we continued to take actions ensuring the long-term strength and resilience of HEI. While best positioning our company to serve the communities in which we operate for the long-term.

On our last earnings call, we discussed the Hawaii State Legislature's passage of three important pieces of legislation. As a reminder, the legislation appropriates funds for the state's contribution to the Maui Wildfire Tort Litigation Settlement, directs the Public Utilities Commission to establish an aggregate liability cap for economic damages from future wildfires and supports reliable, affordable, clean energy procurement. In July, Governor, Josh Green signed all three pieces of legislation into law. Under the Liability Cap Legislation, which is now known as Act 258. The Public Utilities Commission will initiate a rulemaking proceeding to establish the maximum amount the utility may pay to resolve claims arising from future catastrophic wildfires.

There is no set time period for the Commission to establish the cap. As Act 258 stipulates only that the cap shall be determined as soon as practicable. The Act also authorizes securitization to finance \$500 million of wildfire safety improvements and other infrastructure resilience investments. This will ensure that these critical safety improvements can be implemented at a lower cost to customers.

In addition, Act 258 directs the Commission to conduct a study to examine the establishment of a wildfire recovery fund to provide efficient compensation for damage resulting from future wildfires caused or exacerbated by an electric utility and to help protect the financial integrity of Hawaii's regulated utilities. The Commission has already started the process of information gathering and collecting stakeholder input regarding the wildfire fund and will submit a report of its findings and recommendations to the Hawaii State Legislature, 20 days prior to the start of the 2026 legislative session, which takes place in mid-January.

Turning to the settlement, we continue to see progress toward implementation of the Maui Wildfire Tort Litigation Settlement Agreement. The process to obtain final court approval of the class and individual plaintiff agreements continues to proceed as expected. The parties are working through the remaining administrative steps necessary for the settlement to take effect, and we still expect these steps to be completed in early 2026, which will then trigger our first payment obligation.

Last quarter, we discussed our strategy to move forward with a simpler HEI business model. We've continued to make progress on this front since selling 90.1% of American Savings Bank at the end of last year and selling Pacific Current's largest asset, the Hamakua Energy Plant in the first quarter of this year.

Just this week we announced the sale of Pacific Current's solar and battery energy storage facilities on Kauai, Oahu and Maui. The strategic review is ongoing for Pacific Current's remaining asset, a biomass plant on Kauai. We also expect to divest our remaining stake in American Savings Bank sometime over the next year. While we move forward with our strategy to focus solely on our utility business. The utility continues to remove risk from its system through implementation of the enhanced wildfire safety measures outlined in its wildfire safety strategy.

In the second quarter, the utility advanced its [ph] four-pillared (00:19:35) approach to wildfire safety, as laid out on slide 4. Implementing technologies and practices that make our communities safer. Over the next 6 months to 12 months, the utility will expand the implementation of these measures from high wildfire risk areas to medium wildfire risk areas as well. These medium risk areas are also important to focus on, particularly given the backdrop of increasingly severe weather events seen elsewhere.

With the wildfire safety strategy and legislative framework in place to better protect our communities from the risk of future wildfires. With the continued progress of the Maui Wildfire Tort Litigation Settlement and with our simpler, more focused business, our company's path toward financial strength and resilience is clearer now than ever.

We're pleased to see that all three of our credit rating agencies have recognized this in recent months, as we've received upgrades from Moody's, S&P and Fitch. We know that it'll take time to get back to investment grade. However, we'll continue to manage the metrics on a profile consistent with investment grade ratings. In summary, our company's investment thesis is stronger today than it has been at any point since the Maui wildfires. We've made significant progress toward resolving the wildfire tort litigation, simplifying our corporate structure and improving our risk profile. And we believe we're well-positioned for a strong and resilient future.

I'll now hand the call off to Scott DeGhetto, who will take you through the quarter's financial results.

Scott T. DeGhetto

Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc.

Thank you, Scott. I'll start with our financial results for the quarter on slide 5. In the second quarter, we generated net income of \$26.1 million or \$0.15 per share. The quarter's results include \$5.4 million of earnings impacts related to the sale of Pacific Current assets that Scott mentioned, primarily from the recapture of solar investment tax credits. The quarter's results also include \$5.2 million of pre-tax Maui wildfire-related expenses, net of insurance recoveries and deferrals. Approximately \$4.5 million of the \$5.2 million in Maui wildfire expenses was recorded at the utility. Excluding these items, consolidated core net income was \$35.4 million for the quarter or \$0.20 per share. This compares to core net income from continuing operations of \$28.4 million or \$0.26 per share in the second quarter of 2024.

Utility core net income for the quarter was \$42.5 million, compared to \$43.9 million in the second quarter of 2024. The decrease in utility core net income was driven by higher wildfire mitigation program expenses and higher insurance costs, partially offset by higher annual revenue adjustment mechanism revenues and better heat rate performance.

Holding company core net loss was \$7.1 million, compared to \$15.5 million in the second quarter of 2024. The lower core net loss was driven by lower interest expense, due to lower holding company debt balance following the \$384 million debt retirement in April and higher interest income from holding company cash being held on the balance sheet primarily to make the first settlement payment.

Turning to the next slide, I'll provide a few key updates on our capitalization and liquidity. As of the end of the second quarter, the holding company and utility had approximately \$44 million and \$106 million of unrestricted cash on hand, respectively. In addition, the holding company has approximately \$374 million in combined liquidity available under its ATM program and credit facility capacity. The utility also has approximately \$382 million of liquidity available under its accounts receivable facility and credit facility capacity.

The first settlement payment of \$479 million continues to be held in a subsidiary created for addressing the first installment payment pursuant to the Maui wildfire settlement. This is included in restricted cash on the balance sheet until we make the first settlement payment expected in early 2026.

Looking ahead, HEI remains committed to a simpler, more focused business model as we explore strategic alternatives for the remaining Pacific Current asset, the biomass facility on Kauai and our remaining 9.9% stake in American Savings Bank. Lastly, Hawaiian Electric's board of directors approved a \$10 million quarterly dividend to HEI for the second quarter of 2025.

At that, let's open up the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] . We'll pause just a moment to assemble our roster. We'll go first to Nicholas Campanella at Barclays.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Hey, good morning or good afternoon. Hope everyone is doing well. Thanks for the update.

Scott W.H. Seu

President, Chief Executive Officer & Director, Hawaiian Electric Industries, Inc.

A

Yeah. Hi, Nick.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

So, hey, so thanks for running through the financing and the liquidity slides. I think you set aside \$479 million for the first installment. Just updated thoughts on how you're thinking about de-risking that second payment. I understand you have a good amount of time before getting there, but are you waiting to get to these asset sale reviews or could you do anything in the near-term to maybe address that? Thanks.

Scott T. DeGhetto

Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc.

A

Yeah, no. Thanks for the question, Nick. It's Scott DeGhetto. So, in terms of the second payment, I think, based upon the timeline that we believe the settlement is on, we wouldn't look to raise that next payment probably until first quarter of next year. That said, we have made a decision. So, at this point, our intention is to raise that money up at HEI and raise it in the form of either straight debt and or convertible debt. So, it'll be basically will be [ph] relevering (00:26:31) HEI for that second payment.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Okay, that's great. And then, you know, you are kind of getting into the later innings of having clarity, so just [indiscernible] (00:26:46) give new CapEx outlook, [ph] new rate base forecast book (00:26:54). Could it be [indiscernible] (00:26:57) or any other thoughts there as this comes together?

Scott T. DeGhetto

Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc.

A

Yeah, I think, Nick, if you could repeat that you were going in and out. I don't know if you're on a cell phone.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

I'm sorry. I hope that I'm coming through, okay. I was just asking, when you think you could give more of a view on the consolidated rate base growth in CapEx with all the kind of moving pieces behind you?

Scott T. DeGhetto

Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc.

A

Yeah, based upon the way we're looking at it right now, we should be able to do that later this year, probably in the November timeframe.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: And that concludes our Q&A session. And I will now turn the conference back over to Scott Seu for closing remarks.

Scott T. DeGhetto

Executive Vice President, Chief Financial Officer and Treasurer, Hawaiian Electric Industries, Inc.

All right. Thank you again, everybody, for joining us today. In closing, we're well-positioned to continue serving our communities with safe, reliable and resilient utility operations for the long-term. We really do believe that we are in a stronger position than at any point over the past two years. And this is a direct result of the actions we've taken to regain HEI's financial strength and emerge a stronger company following the Maui wildfires. With the expected resolution of the Wildfire Tort Litigation, our simpler business model focused solely on regulated utility operations and our strong and improving safety profile. We are optimistic about our future. Thank you again.

Operator: And this concludes today's conference call. Thank you for your participation. You may now disconnect.

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