

HAWAIIAN ELECTRIC INDUSTRIES INC
Form 8-K
April 22, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: April 21, 2003

Exact Name of Registrant	Commission	I.R.S. Employer
as Specified in Its Charter	File Number	Identification No.
Hawaiian Electric Industries, Inc.	1-8503	99-0208097
Hawaiian Electric Company, Inc.	1-4955	99-0040500

State of Hawaii

(State or other jurisdiction of incorporation)

900 Richards Street, Honolulu, Hawaii 93813

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:

(808) 543-5662 Hawaiian Electric Industries, Inc. (HEI)

(808) 543-7771 Hawaiian Electric Company, Inc. (HECO)

None

(Former name or former address, if changed since last report.)

Item 5. Other Events

On April 21, 2003, HEI issued the following news release:

HAWAIIAN ELECTRIC INDUSTRIES, INC. REPORTS FIRST QUARTER 2003 EARNINGS

HONOLULU Hawaiian Electric Industries, Inc. (NYSE HE) today reported net income for the three months ended March 31, 2003, of \$24.3 million, or 66 cents per share, compared with \$26.9 million, or 75 cents per share, in the same quarter of 2002. Net income was down 9% for the quarter due to lower utility net income that was partially offset by a 1.2% increase in bank net income. We had a strong first quarter considering the expected increases in retirement benefits costs and the impact of the uncertainties surrounding the war in Iraq on the Hawaii economy, said Robert F. Clarke, HEI chairman, president and chief executive officer. HEI has previously announced that it expected a \$16 million increase in retirement benefits expense, net of tax benefits, in 2003 compared to 2002.

Electric utility net income for the first quarter was \$17.7 million compared to \$20.4 million for the same quarter last year primarily due to higher retirement benefits expense and depreciation expense. These increased expenses were partially offset by higher kilowatthour sales. Increases in residential usage and the number of residential customers as a result of a strong real estate market in Hawaii helped to boost kilowatthour sales by 2.5% for the quarter, said Clarke. Going forward, the full impact of the conflict with Iraq on the Hawaii tourism industry and the Company's kilowatthour sales growth is still unknown.

Bank net income in the first quarter was \$13.5 million compared to \$13.4 million in the same quarter last year. The increase in net income was primarily due to a lower provision for loan losses and slightly higher net interest and other income. The increase was partially offset by writedowns of mortgage servicing rights and higher general and administrative expenses as a result of the bank's continued implementation of its strategic transformation from a retail thrift to a full-service community bank.

During the first quarter, the bank continued to see loan asset quality and delinquencies improve resulting in a lower provision for loan losses, said Clarke. However, the low interest rate environment continued to put pressure on the interest rate spread. The interest rate spread was lower at 3.14% in the recent quarter versus 3.27% for the same period in 2002.

HEI will hold its annual shareholders' meeting tomorrow at 9:30 a.m., in Honolulu, Hawaii to elect four Class I directors and the Company's independent auditor, as well as to consider approval of proposed amendments to its 1987 Stock Option and Incentive Plan.

HEI is the largest Hawaii-based company, providing electric utility services to approximately 95% of Hawaii's residents and a wide array of banking services to consumers and businesses through the state's third largest bank.

Forward-Looking Statements

This release may contain forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. In addition, any statements concerning future financial performance (including future revenues, expenses, earnings or losses or growth rates), ongoing business strategies or prospects and possible future actions, which may be provided by management, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about HEI and its subsidiaries, the performance of the industries in which they do business and economic and market factors, among other things. These forward-looking statements are not guarantees of future performance.

Forward-looking statements in this release should be read in conjunction with the Forward-Looking Statements and Risk Factors discussion (which is incorporated by reference herein) set forth on page vi of HEI's Annual Report on Form 10-K for the year ended December 31, 2002, and in HEI's future periodic reports that discuss important factors that could cause HEI's results to differ materially from those anticipated in such statements. Forward-looking statements speak only as of the date of this release.

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Hawaiian Electric Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share amounts)	Three months		Twelve months	
	ended March 31,		ended March 31,	
	2003	2002	2003	2002
Revenues				
Electric utility	\$ 328,912	\$ 278,331	\$ 1,307,757	\$ 1,249,212
Bank	95,102	98,842	395,515	427,690
Other	622	263	(2,371)	(5,526)
	<u>424,636</u>	<u>377,436</u>	<u>1,700,901</u>	<u>1,671,376</u>
Expenses				
Electric utility	287,937	232,727	1,117,430	1,057,673
Bank	72,676	76,671	302,377	343,569
Other	4,935	3,434	20,177	14,291
	<u>365,548</u>	<u>312,832</u>	<u>1,439,984</u>	<u>1,415,533</u>
Operating income (loss)				
Electric utility	40,975	45,604	190,327	191,539
Bank	22,426	22,171	93,138	84,121
Other	(4,313)	(3,171)	(22,548)	(19,817)
	<u>59,088</u>	<u>64,604</u>	<u>260,917</u>	<u>255,843</u>
Interest expense other than bank	(17,980)	(18,527)	(71,745)	(77,668)
Allowance for borrowed funds used during construction	443	355	1,943	1,937
Preferred stock dividends of subsidiaries	(502)	(501)	(2,007)	(2,005)
Preferred securities distributions of trust subsidiaries	(4,009)	(4,009)	(16,035)	(16,035)
Allowance for equity funds used during construction	988	773	4,169	3,747
	<u>38,028</u>	<u>42,695</u>	<u>177,242</u>	<u>165,819</u>
Income from continuing operations before income taxes	38,028	42,695	177,242	165,819
Income taxes	13,701	15,823	61,570	58,965
	<u>24,327</u>	<u>26,872</u>	<u>115,672</u>	<u>106,854</u>
Income from continuing operations	24,327	26,872	115,672	106,854
Discontinued operations, net of income taxes				
Loss from operations				(1,235)
Net loss on disposals				(22,787)
	<u></u>	<u></u>	<u></u>	<u>(24,022)</u>
Loss from discontinued operations				(24,022)
Net income	\$ 24,327	\$ 26,872	\$ 115,672	\$ 82,832

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Per common share				
Basic earnings (loss)				
Continuing operations	\$ 0.66	\$ 0.75	\$ 3.17	\$ 3.11
Discontinued operations				(0.70)
	\$ 0.66	\$ 0.75	\$ 3.17	\$ 2.41
Diluted earnings (loss)				
Continuing operations	\$ 0.66	\$ 0.75	\$ 3.15	\$ 3.09
Discontinued operations				(0.69)
	\$ 0.66	\$ 0.75	\$ 3.15	\$ 2.40
Dividends	\$ 0.62	\$ 0.62	\$ 2.48	\$ 2.48
Weighted-average number of common shares outstanding	36,897	35,818	36,544	34,410
Adjusted weighted-average shares	37,086	36,014	36,751	34,573
Income (loss) from continuing operations by segment				
Electric utility	\$ 17,656	\$ 20,359	\$ 87,502	\$ 87,234
Bank	13,508	13,351	56,382	