Matson

Fourth Quarter 2018 Earnings Conference Call

February 21, 2019

Forward-Looking Statements

Statements made during this call and presentation that set forth expectations, predictions, projections or are about future events are based on facts and situations that are known to us as of today, February 21, 2019.

We believe that our expectations and assumptions are reasonable. Actual results may differ materially, due to risks and uncertainties, such as those described on pages 13-21 of our 2017 Form 10-K filed on February 23, 2018, page 23 of our Form 10-Q filed on November 6, 2018 and other subsequent filings by Matson with the SEC. Statements made during this call and presentation are not guarantees of future performance.

We do not undertake any obligation to update our forward-looking statements.

Opening Remarks

- Matson's results in 4Q18 were in-line with expectations
  - Strong contributions from China service and Logistics
- Recap of FY 2018 results
  - Favorable contributors:
    - Higher rates in China
    - Significant contributions from SSAT and Logistics
    - Steady performance in Hawaii
  - Unfavorable trends:
    - Ongoing competitive dynamics in Guam
    - Weaker-than-expected southbound seafood season in Alaska

Current Priorities

- Complete Hawaii service fleet renewal
  - *Daniel K. Inouye* entered service in November 2018
  - *Kaimana Hila* and *Lurline* to enter service in 2019, *Matsonia* to enter service in 2020
    - Upon *Lurline* entering service, expect to shift to a fixed 9-ship deployment in the Hawaii tradelane
- Upgrade Sand Island terminal
  - Install three new gantry cranes, refurbish three existing cranes and upgrade electrical infrastructure
  - Prepare for expansion into Piers 51A and 51B when Pasha moves to new Kapālama facility
- Prepare for IMO 2020
  - Complete installation of scrubbers on three CLX vessels
  - Actively assessing scrubbers on two additional CLX vessels
- De-lever the balance sheet beginning in 2020
- Organic growth opportunities

Hawaii Service

Fourth Quarter 2018 Performance

- Container volume was flat YoY
  - Stable market share
- Favorable ongoing economic conditions in Hawaii

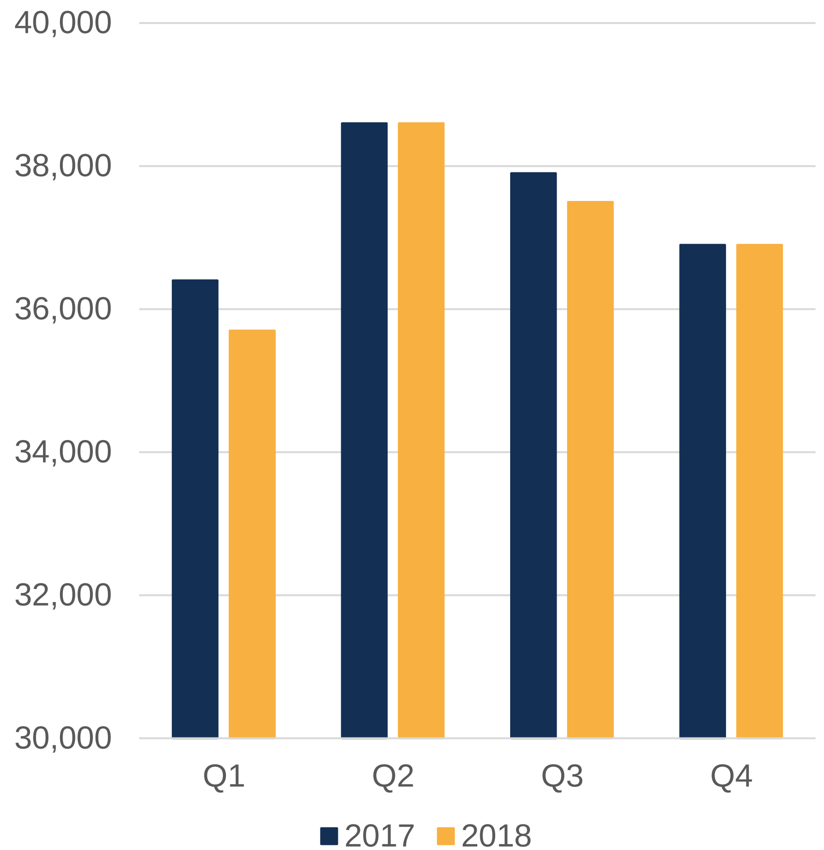
Full Year 2018 Performance

- Container volume decreased 0.7% YoY
  - Lower Eastbound volume
  - Westbound volume increased modestly

Full Year 2019 Outlook

- Expect volume to approximate the level achieved in 2018, reflecting modest economic growth and stable market share

Container Volume (FEU Basis)



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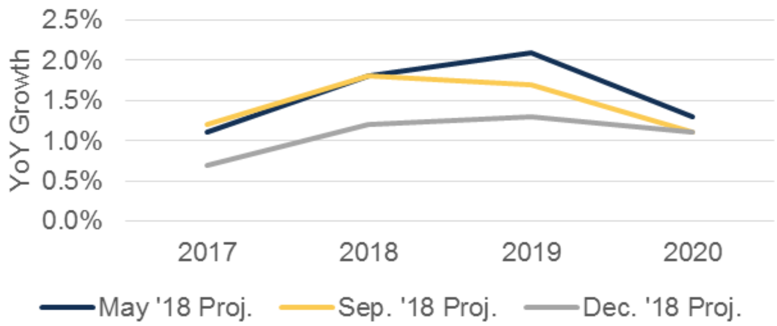
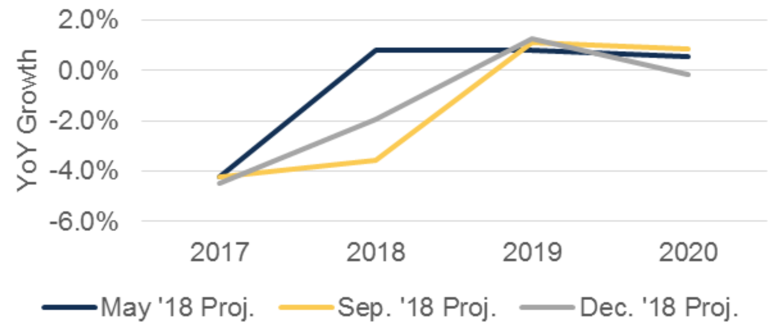
Hawaii Economic Indicators

Hawaii's economic trajectory continues at a modest pace, and the construction cycle over the medium-term remains positive.

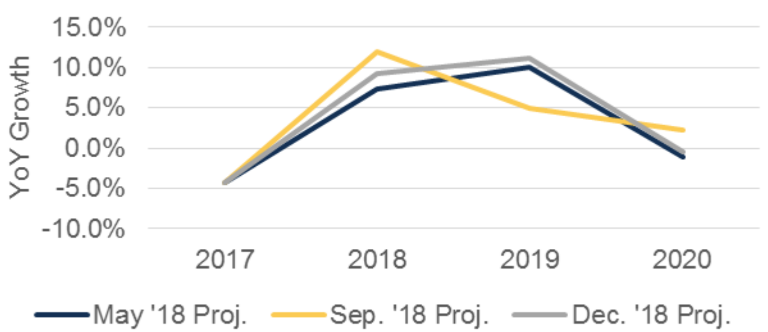
Real GDP Growth



Construction Jobs Growth



Real Building Permits Growth



"As expected, the [Hawaii] economy's rate of expansion has slowed as the business cycle has matured, and risks to the external environment have increased. But at present there are no signs of an imminent downturn. Instead, further growth at a restrained pace is the most likely outcome for the next few years at least."

– UHERO, December 14, 2018

Source: http://www.uhero.hawaii.edu/assets/18Q4_Public.pdf

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China Expedited Service (CLX)

Fourth Quarter 2018 Performance

- Experienced elevated demand late in quarter during period traditionally not as strong
- Container volume increased 3.8% YoY
- Continued to realize a sizeable rate premium

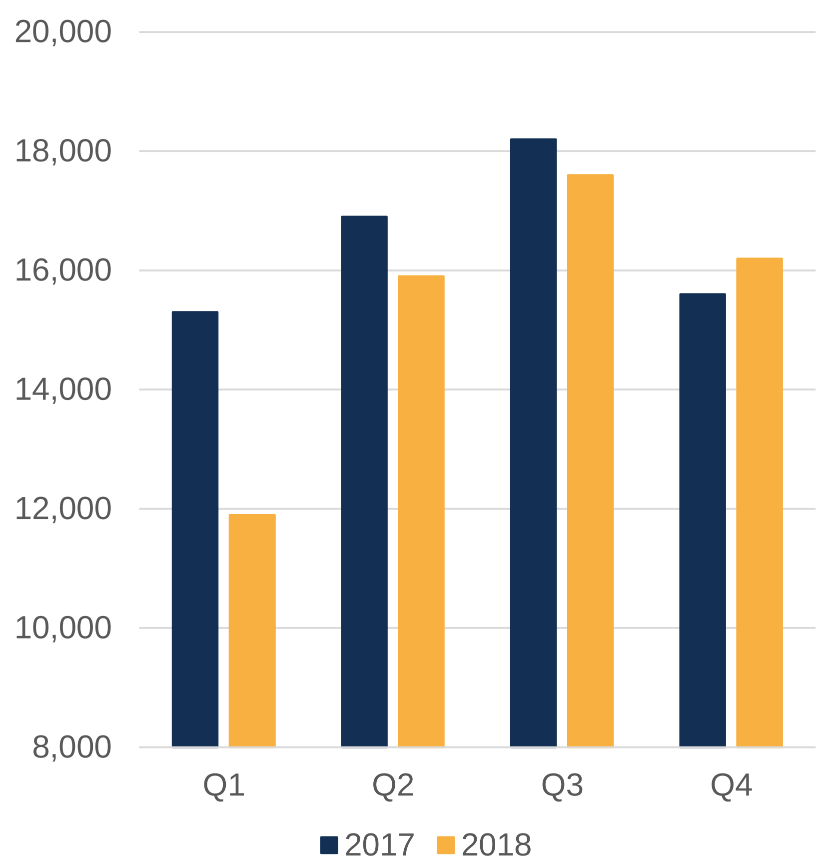
Full Year 2018 Performance

- Container volume decreased 6.7% YoY
  - Fewer sailings in year and lower volume during Lunar New Year period
- Achieved sizeable rate premium

Full Year 2019 Outlook

- Transpacific capacity likely to remain in excess of demand while trade flow normalizes following stronger seasonal 4Q 2018
- Expect CLX average rate to be lower than the level achieved in 2018
- Expect CLX volume to be modestly lower than 2018 level as 3Q19 and 4Q19 reflect more traditional level of activity
- Expect another strong year for Matson's highly differentiated service

Container Volume (FEU Basis)



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Guam Service

Fourth Quarter 2018 Performance

- Container volume increased 10.6%
  - Primarily due to typhoon relief volume
- Market was flat YoY

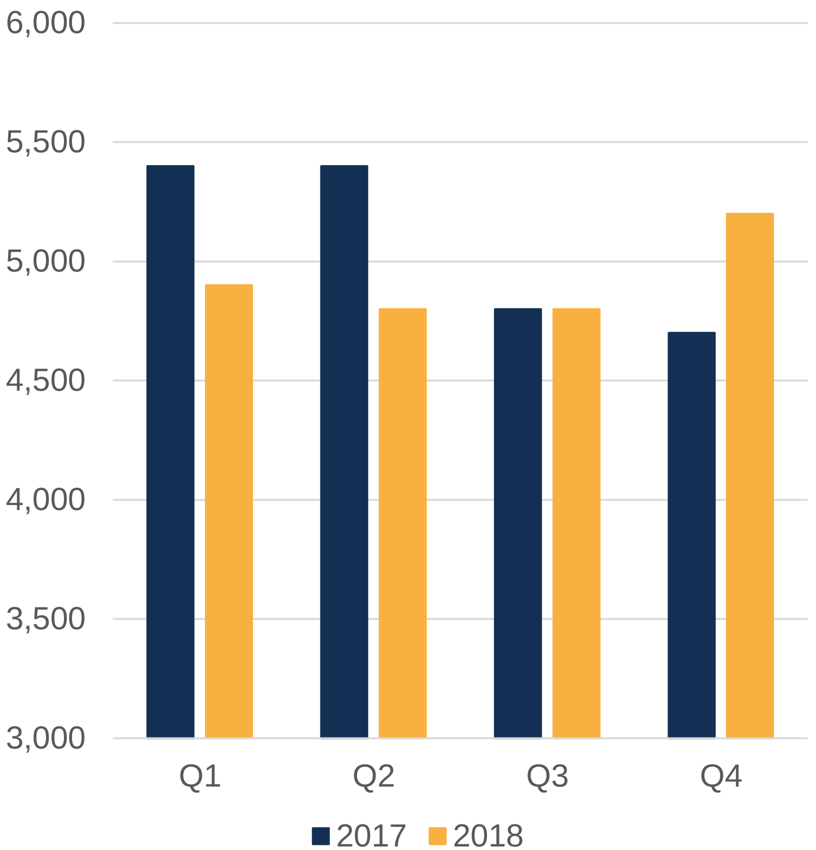
Full Year 2018 Performance

- Container volume decreased 3.0%
  - Competitive pressure from APL

Full Year 2019 Outlook

- Expect modestly lower volume as highly competitive environment remains
- Matson's transit advantage expected to remain with superior on-time performance

Container Volume (FEU Basis)



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Alaska Service

Fourth Quarter 2018 Performance

- Container volume increased 4.2% YoY
  - Increase in NB volume
- Alaska's economic indicators improving

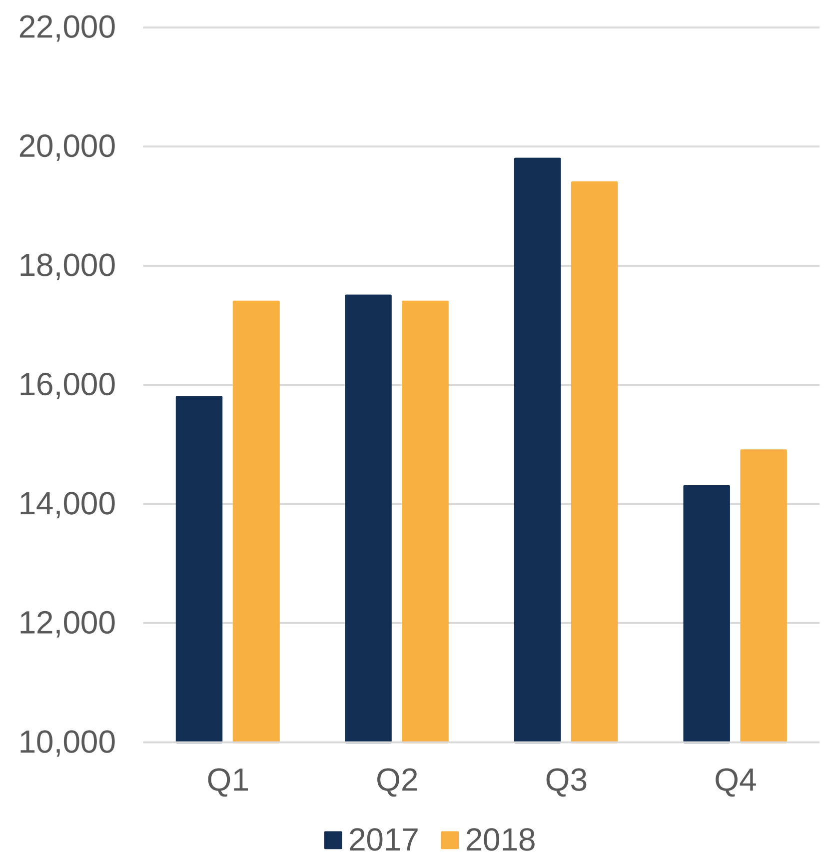
Full Year 2018 Performance

- Container volume increased 2.5% YoY
  - Increase in NB volume, partially offset by lower SB volume due to weaker-than-expected seafood season

Full Year 2019 Outlook

- Expect volume to be modestly higher than the level achieved in 2018
  - Improvement in NB volume as economic conditions improve
  - Stronger SB seafood harvest levels than in 2018

Container Volume (FEU Basis)



Note: 1Q 2018 and 4Q 2017 volume figures include volume related to a competitor's vessel dry-docking.

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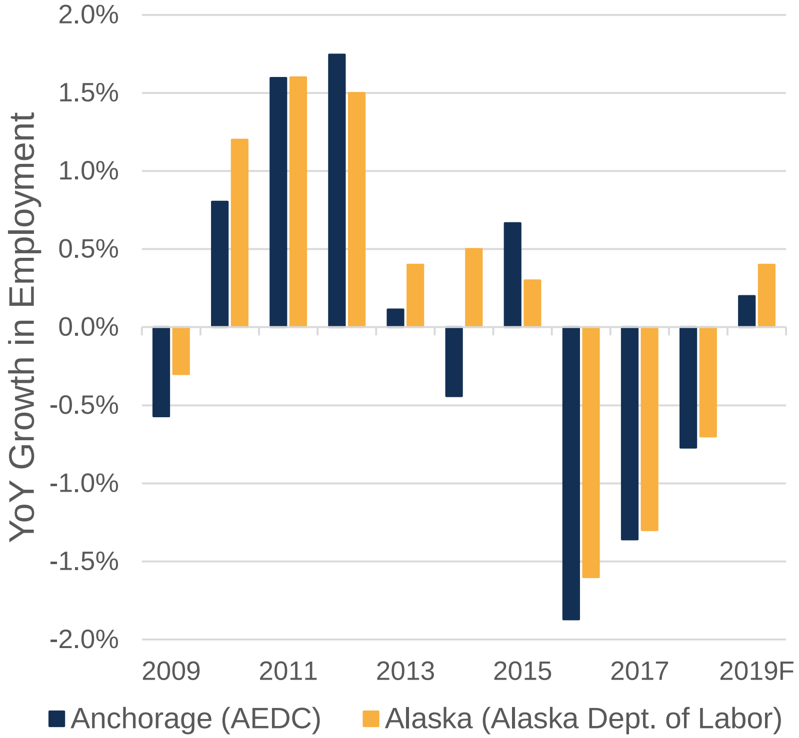
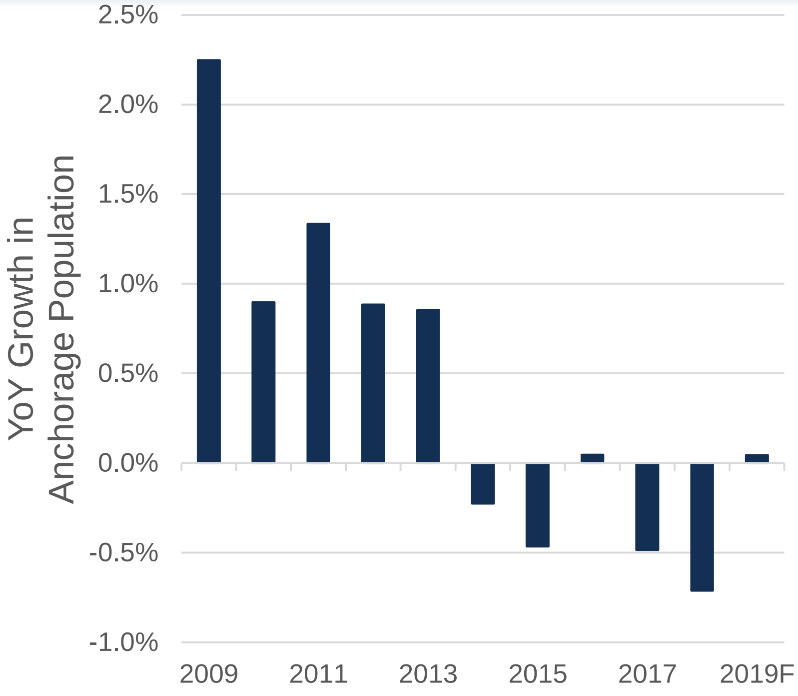
Alaska Economic Indicators

Economic indicators in Alaska suggest 2018 marked the bottom of the recession, and that a fragile recovery is underway.

Anchorage and Alaska Employment Growth[1][2]



Anchorage Population Growth[1]



(1) Source: http://aedcweb.com/wp-content/uploads/2019/01/Econ-Forecast-Report-2019_v5.pdf
(2) Source: http://labor.alaska.gov/trends/jan19.pdf

SSAT Joint Venture

Fourth Quarter 2018 Performance

- Terminal joint venture contribution was $8.0 million, $0.9 million lower than last year
  - Higher operating costs, partially offset by higher revenue resulting from increased lift volume

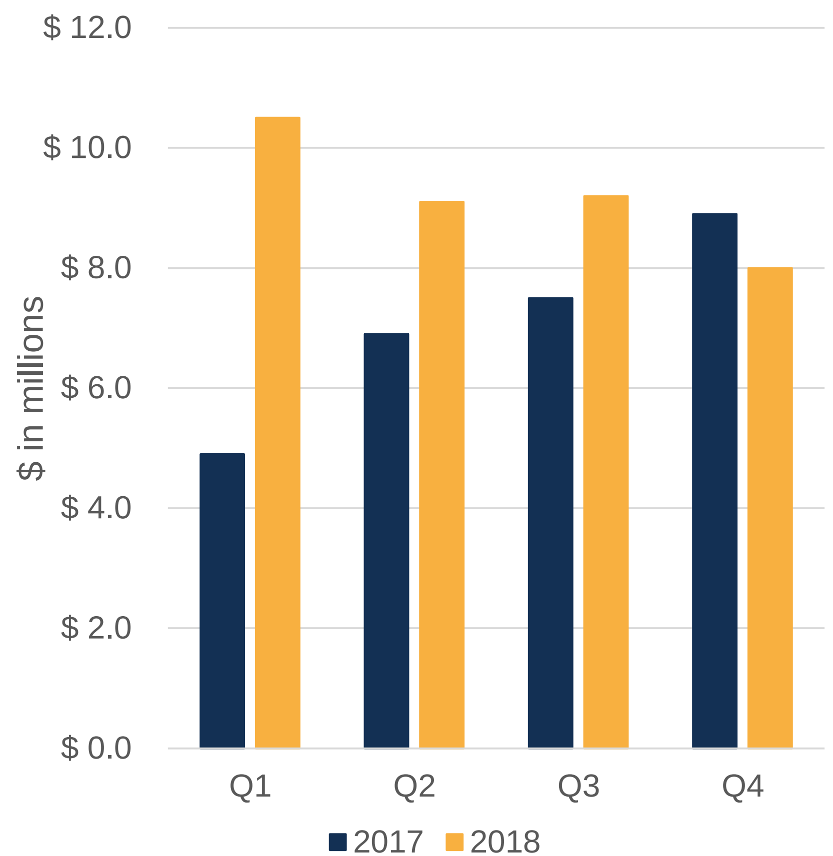
Full Year 2018 Performance

- Terminal joint venture contribution was $36.8 million, $8.6 million higher than last year
  - Higher lift volume throughout year

Full Year 2019 Outlook

- Expect terminal joint venture contribution to be lower than the 2018 level, which was a historic high
  - Normalization of import volume on the U.S. West Coast
- SSAT is the premier stevedore on the U.S. West Coast

Equity in Income of Joint Venture



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Matson Logistics

Fourth Quarter 2018 Performance

- Operating income increased $4.4 million YoY to $9.1 million

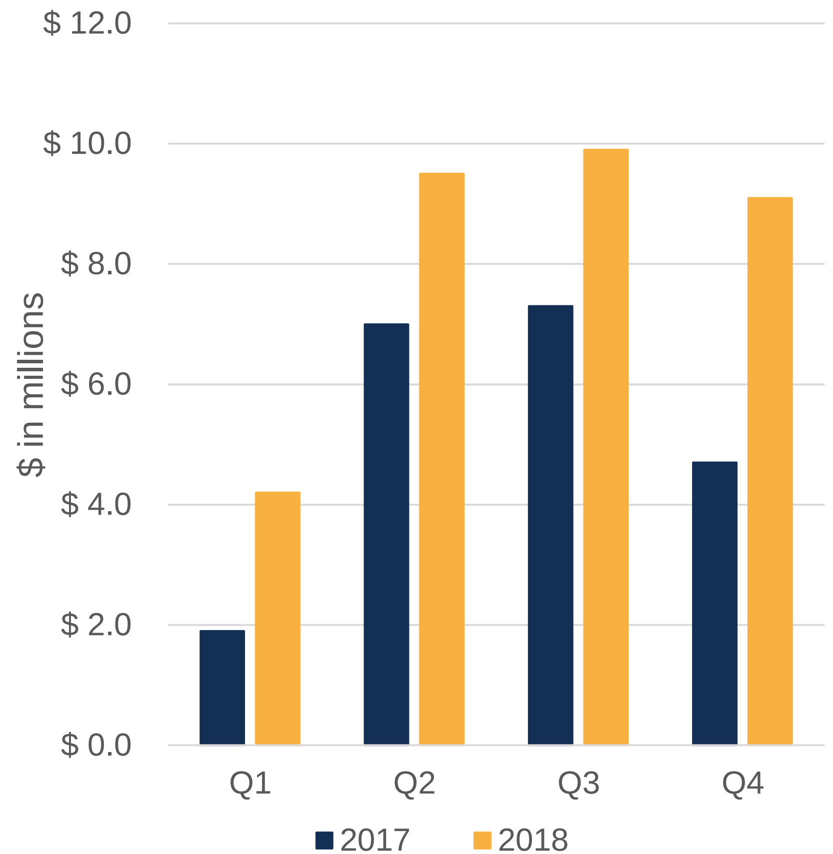
Full Year 2018 Performance

- Operating income increased $11.8 million YoY to $32.7 million
- Strong performance across all service lines
  - Span Alaska performed well despite challenging economic conditions in Alaska
- Tight truck market played to Matson Logistics' strengths in customer service

Full Year 2019 Outlook

- Expect operating income to approximate 2018 level of $32.7 million, which was a historic high

Operating Income



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Financial Results – Summary Income Statement

($ in millions, except per share data)	Year-to-Date: Years Ended 12/31 2018	Year-to-Date: Years Ended 12/31 2017	Year-to-Date Δ $	Year-to-Date Δ %	Fourth Quarter: Quarters Ended 12/31 2018	Fourth Quarter: Quarters Ended 12/31 2017	Fourth Quarter Δ $	Fourth Quarter Δ %
Revenue								
Ocean Transportation	$ 1,641.3	$ 1,571.8	$ 69.5	4.4%	$ 418.1	$ 389.9	$ 28.2	7.2%
Logistics	581.5	475.1	106.4	22.4%	146.8	126.2	20.6	16.3%
Total Revenue	$ 2,222.8	$ 2,046.9	$ 175.9	8.6%	$ 564.9	$ 516.1	$ 48.8	9.5%
Operating Income								
Ocean Transportation	$ 131.1	$ 126.4	$ 4.7	3.7%	$ 21.4	$ 20.1	$ 1.3	6.5%
Logistics	32.7	20.9	11.8	56.5%	9.1	4.7	4.4	93.6%
Total Operating Income	**$ 163.8**	**$ 147.3**	**$ 16.5**	**11.2%**	**$ 30.5**	**$ 24.8**	**$ 5.7**	**23.0%**
Interest Expense	(18.7)	(24.2)			(4.3)	(5.4)		
Other income (expense), net	2.6	2.1			0.7	0.5		
Income Taxes	(38.7) (1)	106.8 (2)			(6.3)	147.0 (2)		
Net Income	**$ 109.0**	**$ 232.0**			**$ 20.6**	**$ 166.9**		
GAAP Net Income	**$ 109.0**	**$ 232.0**			**$ 20.6**	**$ 166.9**		
Less: Tax Act Adjustment (2)	-	(155.0)			-	(155.0)		
Adjusted Net Income	$ 109.0	$ 77.0	$ 32.0	41.6%	$ 20.6	$ 11.9	$ 8.7	73.1%
GAAP EPS, diluted	**$ 2.53**	**$ 5.37**			**$ 0.48**	**$ 3.90**		
Less: Tax Act Adjustment (2)	-	(3.59)			-	(3.62)		
Adjusted EPS, diluted	$ 2.53	$ 1.78	$ 0.75	42.1%	$ 0.48	$ 0.28	$ 0.20	71.4%
Depreciation and Amortization (incl. dry-dock amortization)	$ 130.9	$ 146.6	($ 15.7)	(10.7)%	$ 33.2	$ 37.2	($ 4.0)	(10.8)%
EBITDA	$ 297.3	$ 296.0	$ 1.3	0.4%	$ 64.4	$ 62.5	$ 1.9	3.0%

See the Addendum for a reconciliation of GAAP to non-GAAP Financial Metrics.

(1) Includes a non-cash tax expense of $2.9 million resulting from discrete adjustments in applying the provisions of the Tax Act.

(2) Reflects the impact from a positive one-time, non-cash deferred tax adjustment recorded in 4Q17 of $155.0 million pursuant to the enactment of the Tax Act.

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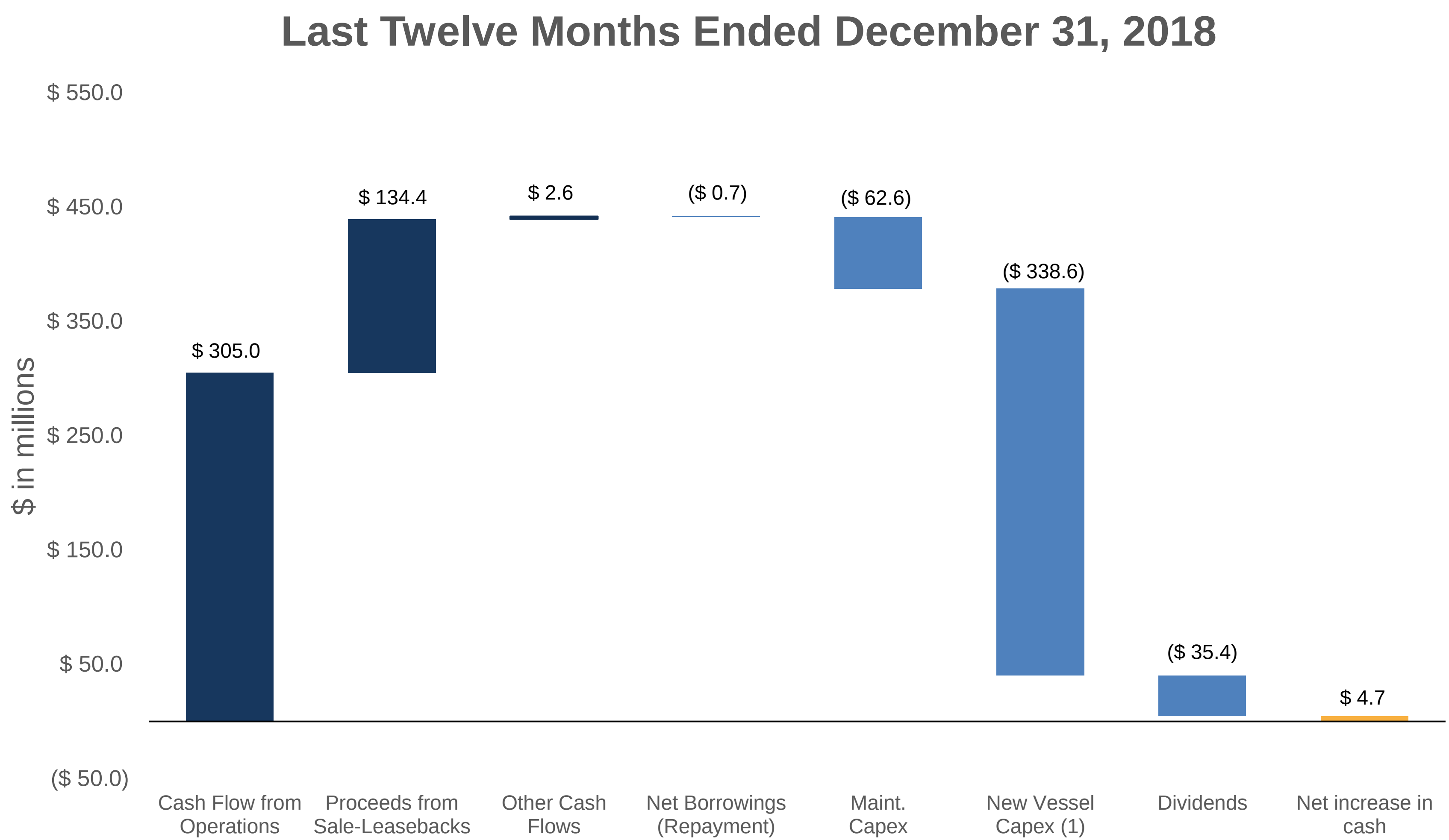
Cash Generation and Uses of Cash



(1) Includes capitalized interest and owner's items.

New Vessel Payments and Percent of Completion

Vessel Construction Expenditures

($ in millions)	FY 2018 1Q	2Q	3Q	4Q[1]	FY[1]
Cash Capital Expenditures	$ 54.0	$ 104.6	$ 50.6	$ 110.7	$ 319.9
Capitalized Interest	3.7	4.5	5.2	5.3	18.7
Capitalized Vessel Construction Expenditures	$ 57.7	$ 109.1	$ 55.8	$ 116.0	$ 338.6

Updated Vessel Timing and Percent of Completion

	Percent of Completion[2]	Current Delivery Timing
Kaimana Hila	94%	end of 1Q ’19
Lurline	75%	4Q ’19
Matsonia	14%	3Q ’20

Actual and Estimated Vessel Progress Payments[3]

($ in millions)	Cumulative through 12/31/18	Year Ending 12/31 2019	2020	Total
Two Aloha Class Containerships	$ 386.9	$ 20.7	$ 3.9	$ 411.5
Two Kanaloa Class Con-Ro Vessels	290.7	168.2	57.8	516.7
Total New Vessel Progress Payments	$ 677.6	$ 188.9	$ 61.7	$ 928.2

(1) Excludes $4.9 million in restricted cash related to final milestone payment on *Daniel K. Inouye*.
(2) As of February 15, 2019.
(3) Excludes owner’s items and capitalized interest.

Lurline, January 2019.

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Financial Results – Summary Balance Sheet

($ in millions)	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 19.6	$ 19.8
Other current assets	298.8	246.2
Total current assets	318.4	266.0
Investment in Terminal Joint Venture	87.0	93.2
Property and equipment, net	1,366.6	1,165.7
Intangible assets, net	214.0	225.2
Goodwill	323.7	323.7
Other long-term assets	116.6	173.7
Total assets	**$ 2,426.3**	**$ 2,247.5**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of debt	$ 42.1	$ 30.8
Other current liabilities	322.0	255.5
Total current liabilities	364.1	286.3
Long-term debt	814.3	826.3
Other long-term liabilities	491.6	456.7
Total long-term liabilities	1,305.9	1,283.0
Total shareholders' equity	756.3	678.2
Total liabilities and shareholders' equity	**$ 2,426.3**	**$ 2,247.5**

Debt Levels

- Total debt of $856.4 million
- Net debt of $836.8 million
- Net debt-to-LTM EBITDA of 2.81x

See the Addendum for a reconciliation of GAAP to non-GAAP Financial Metrics.

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Maunalei Sale-Leaseback Transaction

- Transaction announced on November 27, 2018
- Gross proceeds of $106.0 million
- Proceeds used to reduce outstanding revolver borrowings
  - Approximately $4.0 million in interest savings in 2019
- Annual lease expense = $12.0 million; impacts EBITDA directly
- Reduction in depreciation and amortization (incl. dry-dock amortization) = $4.8 million
- Reduction in annual operating income = $7.2 million
- Effect of transaction for 1 month in 2018

2019 Outlook

	FY 2019 Outlook Items	
	Full Year	**First Quarter**
Operating income:		
Ocean Transportation	To approximate $131.1 million achieved in FY 2018 after adjusting 2018 result for full year impact of vessel sale-leaseback	Approximately $10 million
Logistics	To approximate FY 2018 level of $32.7 million	Moderately higher than $4.2 million achieved in 1Q 2018
Depreciation and Amortization	Approximately $130 million, including $31 million in dry-dock amortization	-
EBITDA	To approximate $286 million or roughly flat to 2018 level after adjusting 2018 result for full year impact of vessel sale-leaseback	-
Other Income/(Expense)	Approximately $2.7 million	-
Interest Expense **(excluding capitalized interest)**	Approximately $24 million	-
GAAP Effective Tax Rate	Approximately 26%, excluding positive non-cash tax adjustment of $2.9 million in 1Q 2019	-

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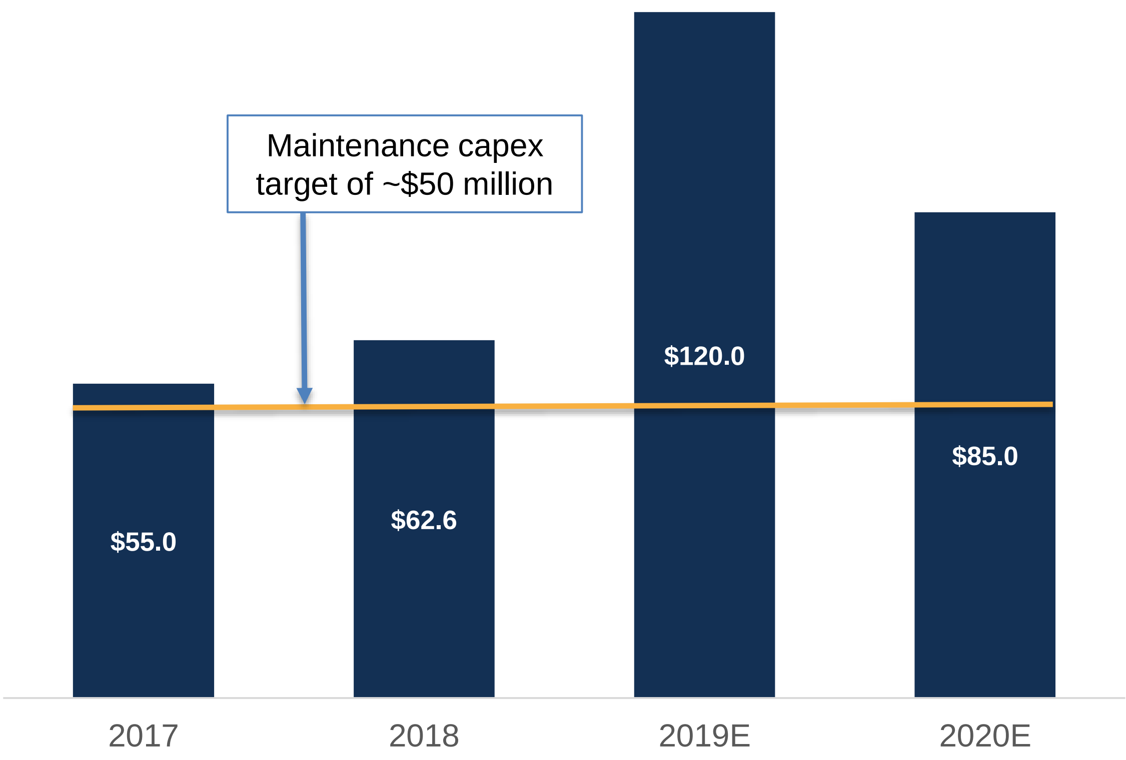
Actual and Estimated Other Capital Expenditures

($ in millions)

Actual and Estimated Other Capital Expenditures (including maintenance capex)[1]



Key Projects:

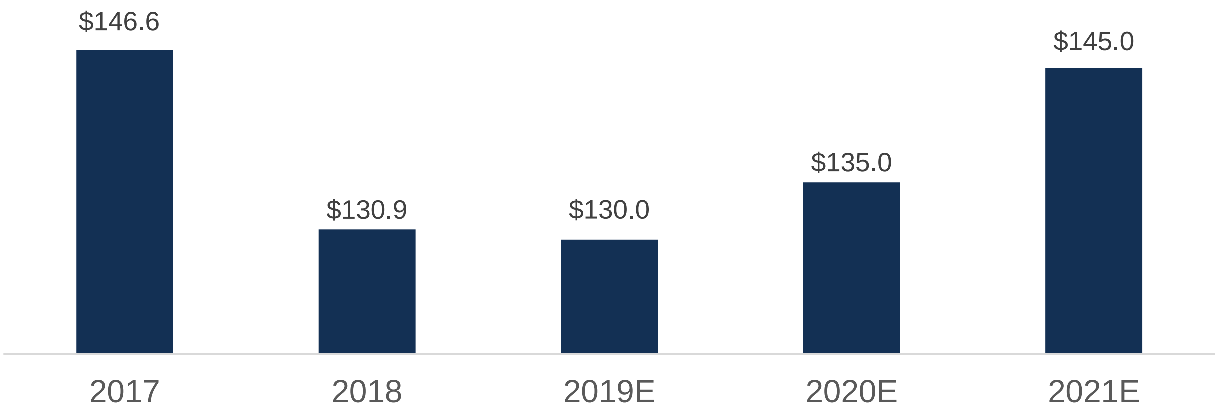
- *Sand Island cranes and related infrastructure*
  - *Cost ~ $60 million*
  - *Timing: 2018 to 2020*
- *3 scrubbers on CLX vessels*
  - *Cost ~$9 million per vessel*
  - *Timing: 2019 to early 2020*
- *New Span Alaska facility in Anchorage*
  - *Cost ~ $26 million*
  - *Timing: 2018 and 2019*

(1) Cost and timing of projects subject to change.

Select Outlook Items to FY 2021

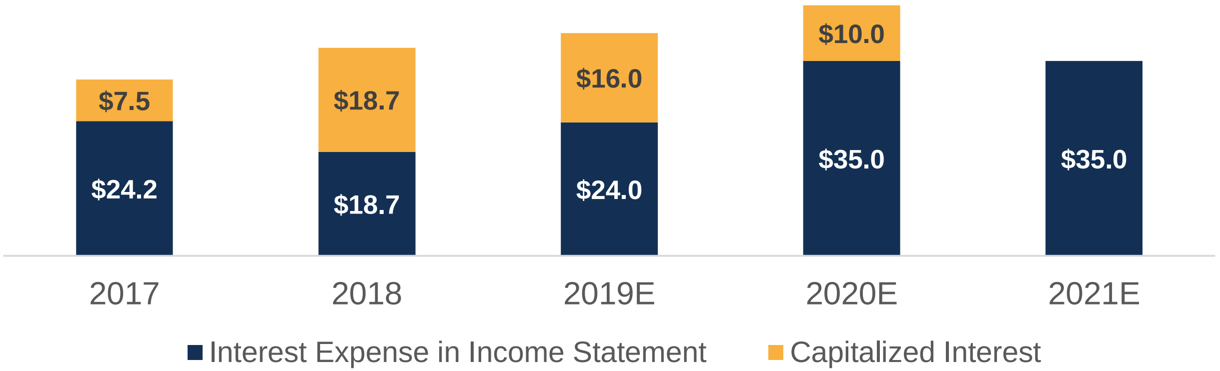
($ in millions)

Actual and Estimated Depreciation and Amortization (incl. dry-dock amortization)[1]



- *Continue to expect $5 to $8 million in D&A savings from new vessels versus 10-ship fleet with steamships*
- *New projects such as CLX scrubbers, Sand Island cranes and related infrastructure, and new Span Alaska facility will add ~$5 million to D&A by 2021*

Actual and Estimated Interest Expense (in P&L and capitalized)[1][2]



(1) Based on the current delivery schedule of the remaining new vessels.
(2) Based on the current interest rate on the Company's revolving credit facility.

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Addendum

Addendum – Non-GAAP Measures

Matson reports financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company also considers other non-GAAP measures to evaluate performance, make day-to-day operating decisions, help investors understand our ability to incur and service debt and to make capital expenditures, and to understand period-over-period operating results separate and apart from items that may, or could, have a disproportional positive or negative impact on results in any particular period. These non-GAAP measures include, but are not limited to, Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), and Net Debt/EBITDA.

NET DEBT RECONCILIATION

(In millions)	December 31, 2018
Total Debt:	$ 856.4
Less: Cash and cash equivalents	(19.6)
Net Debt	$ 836.8

EBITDA RECONCILIATION

	Three Months Ended December 31,		
(In millions)	2018	2017	Change
Net Income	$ 20.6	$ 166.9	$ (146.3)
Add: Income taxes	6.3	(147.0)	153.3
Add: Interest expense	4.3	5.4	(1.1)
Add: Depreciation and amortization	23.3	26.7	(3.4)
Add: Dry-dock amortization	9.9	10.5	(0.6)
EBITDA (1)	$ 64.4	$ 62.5	$ 1.9

	Years Ended December 31,		
(In millions)	2018	2017	Change
Net Income	$ 109.0	$ 232.0	$ (123.0)
Add: Income taxes	38.7	(106.8)	145.5
Add: Interest expense	18.7	24.2	(5.5)
Add: Depreciation and amortization	93.5	100.4	(6.9)
Add: Dry-dock amortization	37.4	46.2	(8.8)
EBITDA (1)	$ 297.3	$ 296.0	$ 1.3

(1) EBITDA is defined as the sum of net income plus income taxes, interest expense and depreciation and amortization (including deferred dry-docking amortization). EBITDA should not be considered as an alternative to net income (as determined in accordance with GAAP), as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our calculation of EBITDA may not be comparable to EBITDA as calculated by other companies, nor is this calculation identical to the EBITDA used by our lenders to determine financial covenant compliance.