



May 3, 2017

Matson, Inc. Announces First Quarter EPS Of \$0.16, Affirms 2017 Outlook

- **EPS of \$0.16 versus \$0.41 in 1Q16**
- **Net Income of \$7.0 million versus \$18.1 million in 1Q16**
- **EBITDA of \$52.3 million versus \$66.4 million in 1Q16**
- **Affirms Full Year 2017 Operating Income Outlook**

HONOLULU, May 3, 2017 /PRNewswire/ -- Matson, Inc. ("Matson" or the "Company") (NYSE: MATX), a leading U.S. carrier in the Pacific, today reported net income of \$7.0 million, or \$0.16 per diluted share for the quarter ended March 31, 2017. Net income for the quarter ended March 31, 2016 was \$18.1 million, or \$0.41 per diluted share. Consolidated revenue for the first quarter 2017 was \$474.4 million compared with \$454.2 million reported for the first quarter 2016.



Matt Cox, Matson's Chairman and Chief Executive Officer, commented, "Matson's ocean transportation businesses performed largely as expected in the first quarter, declining year-over-year primarily due to the timing of fuel surcharge collections, lower volume in Hawaii and Alaska, and higher vessel operating expenses related to the deployment of an additional vessel in Hawaii. The results of Matson's logistics business came in lower than expected due to market softness in both transportation brokerage and freight forwarding services."

Mr. Cox added, "For the balance of 2017, we continue to expect modest improvement in each of our core tradelanes with the exception of Guam where we expect further competitive losses due to the launch of a competitor's weekly service in December 2016. As a result, we are affirming our 2017 outlook for operating income and EBITDA. We continue to expect operating income to be lower than it was in 2016 and EBITDA to approximate the level achieved in 2016."

First Quarter 2017 Discussion and 2017 Outlook

Ocean Transportation:

The Hawaii trade experienced modest westbound market growth in the first quarter 2017, but as expected, the Company's container volume was lower than the first quarter 2016, which benefitted from volume gains associated with a competitor's service reconfiguration and related issues. The Company expects continued modest market growth in 2017 supported by the general Hawaii economy, the level of construction activity, and a stable market position. As a result, for the full year 2017, the Company expects its Hawaii container volume to approximate the level achieved in 2016.

In China, the Company's container volume in the first quarter 2017 was 23.4 percent higher year-over-year due to stronger demand for Matson's expedited service and an additional sailing. The Company continued to realize a sizeable rate premium in the first quarter 2017 and achieved average freight rates modestly higher than the first quarter 2016. In 2017, the Company expects continued strong demand for our highly differentiated expedited service amid a chronically over-supplied international container shipping market.

In Guam, as expected, the Company's container volume in the first quarter 2017 was lower on a year-over-year basis, the result of competitive losses to a U.S. flagged containership service that increased its service frequency to weekly in December 2016. For the full year 2017, the Company continues to expect a heightened competitive environment and lower volume.

In Alaska, the Company's container volume for the first quarter 2017 was 4.2 percent lower year-over-year, primarily the result of the continued energy sector related economic contraction. For the full year 2017, the Company continues to expect modestly lower volume based on declining northbound freight due to ongoing contraction of Alaska's energy-based economy, partially offset by improved southbound seafood volume. In addition, with the installation of exhaust gas scrubbers on its three diesel vessels serving Alaska now complete, the Company does not expect to regularly deploy its less

efficient steamship reserve vessel in 2017, resulting in lower expected vessel operating and dry-dock relief expenses.

As a result, the Company expects Ocean Transportation operating income in 2017 to be lower than the \$141.3 million achieved in 2016. In the second quarter 2017, the Company expects Ocean Transportation operating income to approximate the \$33.9 million achieved in the second quarter 2016.

Logistics: In the first quarter 2017, operating income for the Company's Logistics segment included a full quarter of freight forwarding operating results from its acquired Span Alaska business. However, operating results of the Company's transportation brokerage business were lower year-over-year in the first quarter 2017, as operating margins were compressed by excess capacity and a more competitive pricing environment. For the full year 2017, the Company expects Logistics operating income to be approximately \$20 million, up significantly from the 2016 level of \$11.9 million, primarily due to the inclusion of Span Alaska's freight forwarding business for a full year. In the second quarter 2017, the Company expects Logistics operating income to be approximately double the \$2.2 million achieved in the second quarter 2016.

Depreciation and Amortization: For the full year 2017, the Company expects depreciation and amortization expense to increase by approximately \$15 million to \$150 million, inclusive of dry-docking amortization of approximately \$50 million, primarily due to the higher levels of maintenance capital and vessel dry-docking expenditures in 2016 and planned for 2017.

EBITDA: The Company expects full year 2017 EBITDA to approximate the \$288.6 million achieved in 2016.

Interest Expense: The Company expects interest expense for the full year 2017 to be approximately \$25 million.

Income Tax Expense: In the first quarter 2017, the Company's effective tax rate was 30.7 percent. For the full year 2017, the Company expects its effective tax rate to be approximately 39 percent.

Capital and Vessel Dry-docking Expenditures: In the first quarter 2017, the Company made maintenance capital expenditure payments of \$22.9 million, capitalized vessel construction expenditures of \$1.3 million, and dry-docking payments of \$15.1 million. For the full year 2017, the Company expects to make maintenance capital expenditure payments of approximately \$50 million, capitalized vessel construction expenditures of approximately \$210 million, and dry-docking payments of approximately \$60 million.

Results By Segment

Ocean Transportation — Three months ended March 31, 2017 compared with 2016

(Dollars in millions)	Three Months Ended March 31,			
	2017	2016	Change	
Ocean Transportation revenue	\$ 370.0	\$ 366.1	\$ 3.9	1.1 %
Operating costs and expenses	(355.5)	(333.1)	(22.4)	6.7 %
Operating income	\$ 14.5	\$ 33.0	\$ (18.5)	(56.1) %
Operating income margin	3.9 %	9.0 %		
Volume (Forty-foot equivalent units (FEU) except for automobiles) (1)				
Hawaii containers	36,400	38,500	(2,100)	(5.5) %
Hawaii automobiles	13,800	17,300	(3,500)	(20.2) %
Alaska containers	15,800	16,500	(700)	(4.2) %
China containers	15,300	12,400	2,900	23.4 %
Guam containers	5,400	5,800	(400)	(6.9) %
Micronesia/South Pacific containers	2,100	2,100	—	— %

(1) Approximate volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages in transit at the end of each reporting period.

Ocean Transportation revenue increased \$3.9 million, or 1.1 percent, during the first quarter 2017 compared with the first quarter 2016. This increase was primarily due to higher container volume in China and higher average freight rates across the Company's core tradelanes, mostly offset by lower volume in Hawaii, Guam and Alaska.

On a year-over-year FEU basis, Hawaii container volume decreased by 5.5 percent primarily due to the absence of competitive volume gains in the prior year; Alaska volume decreased by 4.2 percent attributable to the continued energy sector related economic contraction; China volume was 23.4 percent higher due to stronger demand for the Company's expedited service and an additional sailing during the first quarter 2017; and Guam volume was 6.9 percent lower due to competitive losses.

Ocean Transportation operating income decreased \$18.5 million, or 56.1 percent, during the first quarter 2017 compared with the first quarter 2016. The decrease was primarily due to the unfavorable timing of fuel surcharge collections, lower container volume in Hawaii and Alaska, higher vessel operating expenses related to the deployment of an additional vessel in Hawaii, and higher vessel dry-docking amortization expense. Partially offsetting these unfavorable year-over-year comparisons was higher container volume in China.

The Company's SSAT terminal joint venture investment contributed \$4.9 million during the first quarter 2017, compared to a \$2.6 million contribution in the first quarter 2016. The increase was primarily attributable to improved lift volume.

Logistics — Three months ended March 31, 2017 compared with 2016

(Dollars in millions)	Three Months Ended March 31,				
	2017	2016	Change		
Logistics Revenue (1)	\$ 104.4	\$ 88.1	\$ 16.3	18.5	%
Operating costs and expenses (1)	(102.5)	(86.5)	(16.0)	18.5	%
Operating income (1)	\$ 1.9	\$ 1.6	\$ 0.3	18.8	%
Operating income margin (1)	1.8	1.8			%

(1) Logistics operating results include Span Alaska operating results from the date of acquisition on August 4, 2016.

Logistics revenue increased \$16.3 million, or 18.5 percent, during the first quarter 2017 compared with the first quarter 2016. This increase was primarily due to the inclusion of freight forwarding revenue from the acquired Span Alaska business and higher fuel surcharge revenue in transportation brokerage services.

Logistics operating income increased \$0.3 million during the first quarter 2017 compared with the first quarter 2016. The increase was primarily due to the inclusion of freight forwarding operating results attributable to the acquired Span Alaska business, largely offset by lower domestic intermodal and highway brokerage yields.

Liquidity, Cash Flows and Capital Allocation

Matson's Cash and Cash Equivalents increased by \$5.6 million to \$19.5 million during the quarter ended March 31, 2017. Matson generated net cash from operating activities of \$4.0 million during the quarter ended March 31, 2017, compared to \$19.8 million in the first quarter 2016. Capital expenditures for the first quarter 2017 totaled \$24.2 million compared with \$30.6 million in the first quarter 2016. Total debt increased by \$41.4 million during the first quarter to \$780.3 million as of March 31, 2017, of which \$748.7 million was long-term debt.

For twelve months ended March 31, 2017, Matson's Net Income and EBITDA were \$69.4 million and \$274.5 million, respectively. The ratio of Matson's Net Debt to last twelve month EBITDA was 2.7 as of March 31, 2017.

Subsequent Events

On April 27, 2017, Matson's Board of Directors declared a cash dividend of \$0.19 per share payable on June 1, 2017 to all shareholders of record as of the close of business on May 11, 2017.

Teleconference and Webcast

A conference call is scheduled today at 4:30 p.m. EDT when Matt Cox, Chairman and Chief Executive Officer, and Joel Wine, Senior Vice President and Chief Financial Officer, will discuss Matson's first quarter 2017 results.

Date of Conference Call: Wednesday, May 3, 2017

Scheduled Time: 4:30 p.m. EDT / 1:30 p.m. PDT / 10:30 a.m. HST

Participant Toll Free Dial In #: 1-877-312-5524

International Dial In #: 1-253-237-1144

The conference call will be broadcast live along with a slide presentation on the Company's website at www.matson.com; Investor Relations. A replay of the conference call will be available approximately two hours after the call through May 11, 2017 by dialing 1-855-859-2056 or 1-404-537-3406 and using the conference number 3371299. The slides and audio

webcast of the conference call will be archived for one full quarter on the Company's Investor Relations page of the Matson website.

About the Company

Founded in 1882, Matson (NYSE: MATX) is a leading U.S. carrier in the Pacific. Matson provides a vital lifeline to the economies of Hawaii, Alaska, Guam, Micronesia and select South Pacific islands, and operates a premium, expedited service from China to Southern California. The Company's fleet of 22 owned vessels includes containerships, combination container and roll-on/roll-off ships and custom-designed barges. Matson Logistics, established in 1987, extends the geographic reach of Matson's transportation network throughout the continental U.S. Its integrated, asset-light logistics services include rail intermodal, highway brokerage, warehousing, and less-than-container load freight consolidation and forwarding to Alaska. Additional information about the Company is available at www.matson.com.

GAAP to Non-GAAP Reconciliation

This press release, the Form 8-K and the information to be discussed in the conference call include non-GAAP measures. While 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, Depreciation and Amortization ("EBITDA") and Net Debt/EBITDA.

Forward-Looking Statements

Statements in this news release that are not historical facts are "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation those statements regarding earnings, operating income, profitability and cash flow expectations, fleet renewal progress, fleet deployments, economic effects of competitors' services, expenses, rate premiums and market conditions in the China service, trends in volumes, economic growth and construction activity in Hawaii, economic conditions in Alaska, vessel deployments and operating efficiencies, and effective tax rates. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including but not limited to risks and uncertainties relating to regional, national and international economic conditions; new or increased competition or improvements in competitors' service levels; fuel prices and our ability to collect fuel surcharges; our relationship with vendors, customers and partners and changes in related agreements; the actions of our competitors; our ability to offer a differentiated service in China for which customers are willing to pay a significant premium; the imposition of tariffs or a change in international trade policies; the ability of the shipyards to construct and deliver the Aloha Class and Kanaloa Class vessels on the contemplated timeframes; any unanticipated dry-dock expenses; consummating and integrating acquisitions; changes in general economic and/or industry-specific conditions; competition and growth rates within the logistics industry; freight levels and increasing costs and availability of truck capacity or alternative means of transporting freight; changes in relationships with existing truck, rail, ocean and air carriers; changes in customer base due to possible consolidation among customers; conditions in the financial markets; changes in our credit profile and our future financial performance; our ability to obtain future debt financings; continuation of the Title XI and CCF programs; the timing, amount and manner of share repurchases and the ability to return capital to shareholders through the share repurchase program; the impact of future and pending legislation, including environmental legislation; government regulations and investigations; repeal, substantial amendment or waiver of the Jones Act or its application, or our failure to maintain our status as a United States citizen under the Jones Act; relations with our unions; satisfactory negotiation and renewal of expired collective bargaining agreements without significant disruption to Matson's operations; and the occurrence of marine accidents, poor weather or natural disasters. These forward-looking statements are not guarantees of future performance. This release should be read in conjunction with our Annual Report on Form 10-K and our other filings with the SEC through the date of this release, which identify important factors that could affect the forward-looking statements in this release. We do not undertake any obligation to update our forward-looking statements.

MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)

(In millions, except per-share amounts)	Three Months Ended	
	March 31,	
	2017	2016
Operating Revenue:		
Ocean Transportation	\$ 370.0	\$ 366.1
Logistics	104.4	88.1

Total Operating Revenue	474.4	454.2
Costs and Expenses:		
Operating costs	(412.2)	(376.4)
Equity in income of related party Terminal Joint Venture	4.9	2.6
Selling, general and administrative	(50.7)	(45.8)
Total Costs and Expenses	(458.0)	(419.6)
Operating Income	16.4	34.6
Interest expense	(6.3)	(4.9)
Income before Income Taxes	10.1	29.7
Income tax expense	(3.1)	(11.6)
Net Income	\$ 7.0	\$ 18.1
Basic Earnings Per-Share:	\$ 0.16	\$ 0.42
Diluted Earnings Per-Share:	\$ 0.16	\$ 0.41
Weighted Average Number of Shares Outstanding:		
Basic	43.0	43.4
Diluted	43.4	43.8
Cash Dividends Per-Share	\$ 0.19	\$ 0.18

MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

(In millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 19.5	\$ 13.9
Other current assets	268.0	260.3
Total current assets	287.5	274.2
Long-term Assets:		
Investment in related party Terminal Joint Venture	87.3	82.4
Property and equipment, net	950.8	949.2
Goodwill	323.7	323.7
Intangible assets, net	233.7	236.6
Capital Construction Fund - cash on deposit	31.2	31.2
Other long-term assets	120.2	118.2
Total long-term assets	1,746.9	1,741.3
Total assets	\$ 2,034.4	\$ 2,015.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of debt	\$ 31.6	\$ 31.8
Other current liabilities	229.7	247.4
Total current liabilities	261.3	279.2
Long-term Liabilities:		
Long-term debt	748.7	707.1
Deferred income taxes	352.2	348.8
Other long-term liabilities	206.1	208.9
Total long-term liabilities	1,307.0	1,264.8
Total shareholders' equity	466.1	471.5
Total liabilities and shareholders' equity	\$ 2,034.4	\$ 2,015.5

MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(In millions) (Unaudited)

	Three Months Ended March 31,	
	2017	2016
Cash Flows From Operating Activities:		
Net income	\$ 7.0	\$ 18.1
Reconciling adjustments:		
Depreciation and amortization	24.6	23.8
Deferred income taxes	2.9	3.0
Share-based compensation expense	2.6	2.8
Equity in income of related party Terminal Joint Venture	(4.9)	(2.6)
Other	(2.6)	(1.6)
Changes in assets and liabilities:		
Accounts receivable, net	(8.4)	2.6
Deferred dry-docking payments	(15.1)	(13.2)
Deferred dry-docking amortization	11.5	8.1
Prepaid expenses and other assets	(1.1)	7.7
Accounts payable, accruals and other liabilities	(13.3)	(29.3)
Other long-term liabilities	0.8	0.4
Net cash provided by operating activities	<u>4.0</u>	<u>19.8</u>
Cash Flows From Investing Activities:		
Capital expenditures	(22.9)	(30.6)
Capitalized vessel construction expenditures	(1.3)	—
Proceeds from disposal of property and equipment	—	0.5
Cash deposits into Capital Construction Fund	—	(12.5)
Net cash used in investing activities	<u>(24.2)</u>	<u>(42.6)</u>
Cash Flows From Financing Activities:		
Repayments of debt and capital leases	(2.6)	(2.7)
Proceeds from revolving credit facility	100.0	97.0
Repayments of revolving credit facility	(56.0)	(43.0)
Proceeds from issuance of capital stock	0.4	0.8
Dividends paid	(8.3)	(7.9)
Repurchase of Matson common stock	(0.7)	(20.8)
Tax withholding related to net share settlements of restricted stock units	(7.1)	(6.1)
Other	0.1	0.1
Net cash provided by financing activities	<u>25.8</u>	<u>17.4</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5.6	(5.4)
Cash and Cash Equivalents, Beginning of the Period	13.9	25.5
Cash and Cash Equivalents, End of the Period	<u>\$ 19.5</u>	<u>\$ 20.1</u>
Supplemental Cash Flow Information:		
Interest paid, net of capitalized interest	\$ 6.5	\$ 4.2
Income tax paid (refund)	\$ 0.4	\$ (0.1)
Non-cash Information:		
Capital expenditures included in accounts payable, accruals and other liabilities	\$ 2.4	\$ 2.1

MATSON, INC. AND SUBSIDIARIES
Net Debt to EBITDA and EBITDA Reconciliations
(Unaudited)

NET DEBT RECONCILIATION

(In millions)	March 31, 2017
Total Debt:	\$ 780.3
Less: Cash and cash equivalents	(19.5)
Capital Construction Fund - cash on deposit	(31.2)
Net Debt	<u>\$ 729.6</u>

EBITDA RECONCILIATION

(In millions)	Three Months Ended			Last Twelve Months
	2017	2016	Change	
Net Income	\$ 7.0	\$ 18.1	\$ (11.1)	\$ 69.4
Add: Income tax expense	3.1	11.6	(8.5)	40.1
Add: Interest expense	6.3	4.9	1.4	25.5
Add: Depreciation and amortization	24.4	23.7	0.7	97.2
Add: Dry-dock amortization	11.5	8.1	3.4	42.3
EBITDA (1)	<u>\$ 52.3</u>	<u>\$ 66.4</u>	<u>\$ (14.1)</u>	<u>\$ 274.5</u>

(1) EBITDA is defined as the sum of net income, less income or loss from discontinued operations, plus income tax expense, 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.

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