

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

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 001-34187

**Matson, Inc.**

(Exact name of registrant as specified in its charter)

**Hawaii**  
(State or other jurisdiction of  
incorporation or organization)

**99-0032630**  
(I.R.S. Employer  
Identification No.)

**1411 Sand Island Parkway**  
**Honolulu, HI**  
(Address of principal executive offices)

**96819**  
(Zip Code)

**(808) 848-1211**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address, and former fiscal year, if changed since last report)

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

| Title of each class             | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------|-------------------|---|
| Common Stock, without par value | MATX              | New York Stock Exchange                   |

Number of shares of common stock outstanding as of March 31, 2019: 42,826,363

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

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

| <b>(In millions, except per share amounts)</b>                 | <b>Three Months Ended</b> |                |
|--|---------------------------|----------------|
|  | <b>March 31,</b>          |                |
|  | <b>2019</b>               | <b>2018</b>    |
| <b>Operating Revenue:</b>                                      |                           |                |
| Ocean Transportation   | \$ 397.9                  | \$ 379.3       |
| Logistics  | 134.5                     | 132.1          |
| Total Operating Revenue  | <u>532.4</u>              | <u>511.4</u>   |
| <b>Costs and Expenses:</b>                                     |                           |                |
| Operating costs  | (467.1)                   | (439.3)        |
| Equity in income of Terminal Joint Venture                     | 8.5                       | 10.5           |
| Selling, general and administrative                            | (56.3)                    | (53.9)         |
| Total Costs and Expenses                                       | <u>(514.9)</u>            | <u>(482.7)</u> |
| Operating Income   | 17.5                      | 28.7           |
| Interest expense   | (4.6)                     | (5.0)          |
| Other income (expense), net                                    | 0.6                       | 0.8            |
| Income before Income Taxes                                     | 13.5                      | 24.5           |
| Income taxes   | (1.0)                     | (10.3)         |
| Net Income   | <u>\$ 12.5</u>            | <u>\$ 14.2</u> |
| <b>Other Comprehensive Income (Loss), Net of Income Taxes:</b> |                           |                |
| Net Income   | \$ 12.5                   | \$ 14.2        |
| Other Comprehensive Income (Loss):                             |                           |                |
| Amortization of prior service cost                             | (1.1)                     | (1.3)          |
| Amortization of net loss                                       | 0.9                       | 1.3            |
| Other adjustments  | —                         | 0.2            |
| Total Other Comprehensive Income (Loss)                        | <u>(0.2)</u>              | <u>0.2</u>     |
| Comprehensive Income   | <u>\$ 12.3</u>            | <u>\$ 14.4</u> |
| Basic Earnings Per Share:                                      | \$ 0.29                   | \$ 0.33        |
| Diluted Earnings Per Share:                                    | \$ 0.29                   | \$ 0.33        |
| <b>Weighted Average Number of Shares Outstanding:</b>          |                           |                |
| Basic  | 42.8                      | 42.6           |
| Diluted  | 43.1                      | 42.9           |

See Notes to Condensed Consolidated Financial Statements.

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

| <b>(In millions)</b>                        | <b>March 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                               |                           |                              |
| Current Assets:                             |                           |                              |
| Cash and cash equivalents                   | \$ 15.4                   | \$ 19.6                      |
| Accounts receivable, net                    | 217.9                     | 223.7                        |
| Prepaid expenses and other assets           | 73.3                      | 75.1                         |
| Total current assets                        | <u>306.6</u>              | <u>318.4</u>                 |
| Long-term Assets:                           |                           |                              |
| Investment in Terminal Joint Venture        | 91.3                      | 87.0                         |
| Property and equipment, net                 | 1,386.2                   | 1,366.6                      |
| Operating lease right of use assets         | 243.3                     | —                            |
| Goodwill                                    | 327.8                     | 327.8                        |
| Intangible assets, net                      | 211.2                     | 214.0                        |
| Deferred dry-docking costs, net             | 60.2                      | 67.1                         |
| Other long-term assets                      | 50.2                      | 49.5                         |
| Total long-term assets                      | <u>2,370.2</u>            | <u>2,112.0</u>               |
| Total Assets                                | <u>\$ 2,676.8</u>         | <u>\$ 2,430.4</u>            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                           |                              |
| Current Liabilities:                        |                           |                              |
| Current portion of debt                     | \$ 45.2                   | \$ 42.1                      |
| Accounts payable                            | 232.4                     | 246.8                        |
| Operating lease liabilities                 | 54.3                      | —                            |
| Accruals and other liabilities              | 79.2                      | 81.9                         |
| Total current liabilities                   | <u>411.1</u>              | <u>370.8</u>                 |
| Long-term Liabilities:                      |                           |                              |
| Long-term debt                              | 822.9                     | 814.3                        |
| Long-term operating lease liabilities       | 196.7                     | —                            |
| Deferred income taxes                       | 317.9                     | 312.7                        |
| Other long-term liabilities                 | 165.2                     | 177.3                        |
| Total long-term liabilities                 | <u>1,502.7</u>            | <u>1,304.3</u>               |
| Commitments and Contingencies (Note 2)      |                           |                              |
| Shareholders' Equity:                       |                           |                              |
| Common stock                                | 32.1                      | 32.0                         |
| Additional paid in capital                  | 297.8                     | 297.8                        |
| Accumulated other comprehensive loss, net   | (34.7)                    | (34.5)                       |
| Retained earnings                           | 467.8                     | 460.0                        |
| Total shareholders' equity                  | <u>763.0</u>              | <u>755.3</u>                 |
| Total Liabilities and Shareholders' Equity  | <u>\$ 2,676.8</u>         | <u>\$ 2,430.4</u>            |

See Notes to Condensed Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

| (In millions)   | Three Months Ended March 31, |         |
|---|------------------------------|---------|
|   | 2019                         | 2018    |
| <b>Cash Flows From Operating Activities:</b>  |                              |         |
| Net income  | \$ 12.5                      | \$ 14.2 |
| Reconciling adjustments:  |                              |         |
| Depreciation and amortization   | 23.3                         | 23.6    |
| Non-cash operating lease expense  | 16.7                         | —       |
| Deferred income taxes   | 3.8                          | 6.4     |
| Share-based compensation expense  | 3.2                          | 2.7     |
| Equity in income of Terminal Joint Venture  | (8.5)                        | (10.5)  |
| Distribution from Terminal Joint Venture  | 4.2                          | 7.0     |
| Other   | (0.6)                        | (0.6)   |
| Changes in assets and liabilities:  |                              |         |
| Accounts receivable, net  | 5.8                          | (14.5)  |
| Deferred dry-docking payments   | (3.2)                        | (4.6)   |
| Deferred dry-docking amortization   | 8.1                          | 9.2     |
| Prepaid expenses and other assets   | 4.8                          | 8.2     |
| Accounts payable, accruals and other liabilities  | (20.4)                       | (11.0)  |
| Operating lease liabilities   | (16.7)                       | —       |
| Other long-term liabilities   | 0.4                          | (0.2)   |
| Net cash provided by operating activities   | 33.4                         | 29.9    |
| <b>Cash Flows From Investing Activities:</b>  |                              |         |
| Capitalized vessel construction expenditures  | (20.9)                       | (57.7)  |
| Other capital expenditures  | (13.5)                       | (13.1)  |
| Proceeds from disposal of property and equipment  | 1.2                          | 1.0     |
| Cash deposits into Capital Construction Fund  | (13.4)                       | (53.5)  |
| Withdrawals from Capital Construction Fund  | 13.4                         | 53.5    |
| Net cash used in investing activities   | (33.2)                       | (69.8)  |
| <b>Cash Flows From Financing Activities:</b>  |                              |         |
| Repayments of debt and capital leases   | (8.2)                        | (2.5)   |
| Proceeds from revolving credit facility   | 107.8                        | 117.4   |
| Repayments of revolving credit facility   | (87.8)                       | (68.4)  |
| Proceeds from issuance of capital stock   | —                            | 0.2     |
| Dividends paid  | (9.1)                        | (8.7)   |
| Tax withholding related to net share settlements of restricted stock units                  | (3.1)                        | (4.2)   |
| Net cash (used in) provided by financing activities   | (0.4)                        | 33.8    |
| Net Decrease in Cash, Cash Equivalents and Restricted Cash                                  | (0.2)                        | (6.1)   |
| Cash, Cash Equivalents and Restricted Cash, Beginning of the Period                         | 24.5                         | 19.8    |
| Cash, Cash Equivalents and Restricted Cash, End of the Period                               | \$ 24.3                      | \$ 13.7 |
| <b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash, at End of the Period:</b> |                              |         |
| Cash and Cash Equivalents   | \$ 15.4                      | \$ 13.7 |
| Restricted Cash   | 8.9                          | —       |
| Total Cash, Cash Equivalents and Restricted Cash, End of the Period                         | \$ 24.3                      | \$ 13.7 |
| <b>Supplemental Cash Flow Information:</b>  |                              |         |
| Interest paid, net of capitalized interest  | \$ 4.8                       | \$ 5.3  |
| Income tax paid, net of income tax refunds  | \$ (5.4)                     | \$ 0.2  |
| <b>Non-cash Information:</b>  |                              |         |
| Capital expenditures included in accounts payable, accruals and other liabilities           | \$ 5.5                       | \$ 0.7  |

See Notes to Condensed Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Shareholders' Equity**  
(Unaudited)

| <b>(In millions, except per share amounts)</b>                                   | <b>Common Stock</b> |                         | <b>Additional<br/>Paid In<br/>Capital</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Retained<br/>Earnings</b> | <b>Total</b>    |
|--|---------------------|-------------------------|---|--|------------------------------|-----------------|
|  | <b>Shares</b>       | <b>Stated<br/>Value</b> |   |  |                              |                 |
| Balance at December 31, 2018   | 42.7                | \$ 32.0                 | \$ 297.8                                  | \$ (34.5)  | \$ 460.0                     | \$ 755.3        |
| Adjustment related to the adoption of new lease accounting standard (see Note 7) | —                   | —                       | —   | —  | 4.4                          | 4.4             |
| Net income   | —                   | —                       | —   | —  | 12.5                         | 12.5            |
| Other comprehensive loss, net of tax   | —                   | —                       | —   | (0.2)  | —                            | (0.2)           |
| Share-based compensation   | —                   | —                       | 3.2                                       | —  | —                            | 3.2             |
| Shares issued, net of shares withheld for employee taxes                         | 0.1                 | 0.1                     | (3.2)                                     | —  | —                            | (3.1)           |
| Dividends (\$0.21 per share)   | —                   | —                       | —   | —  | (9.1)                        | (9.1)           |
| Balance at March 31, 2019  | <u>42.8</u>         | <u>\$ 32.1</u>          | <u>\$ 297.8</u>                           | <u>\$ (34.7)</u>   | <u>\$ 467.8</u>              | <u>\$ 763.0</u> |
|  |                     |                         |   |  |                              |                 |
| <b>(In millions, except per share amounts)</b>                                   | <b>Common Stock</b> |                         | <b>Additional<br/>Paid In<br/>Capital</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Retained<br/>Earnings</b> | <b>Total</b>    |
|  | <b>Shares</b>       | <b>Stated<br/>Value</b> |   |  |                              |                 |
| Balance at December 31, 2017   | 42.5                | \$ 31.9                 | \$ 289.7                                  | \$ (24.9)  | \$ 380.5                     | \$ 677.2        |
| Reclassification resulting from adoption of new accounting pronouncement         | —                   | —                       | —   | (6.0)  | 6.0                          | —               |
| Net income   | —                   | —                       | —   | —  | 14.2                         | 14.2            |
| Other comprehensive income, net of tax   | —                   | —                       | —   | 0.2  | —                            | 0.2             |
| Share-based compensation   | —                   | —                       | 2.7                                       | —  | —                            | 2.7             |
| Shares issued, net of shares withheld for employee taxes                         | 0.2                 | 0.1                     | (4.3)                                     | —  | —                            | (4.2)           |
| Dividends (\$0.20 per share)   | —                   | —                       | —   | —  | (8.7)                        | (8.7)           |
| Balance at March 31, 2018  | <u>42.7</u>         | <u>\$ 32.0</u>          | <u>\$ 288.1</u>                           | <u>\$ (30.7)</u>   | <u>\$ 392.0</u>              | <u>\$ 681.4</u> |

See Notes to Condensed Consolidated Financial Statements.

**MATSON, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. DESCRIPTION OF THE BUSINESS**

Matson, Inc., a holding company incorporated in January 2012 in the State of Hawaii, and its subsidiaries (“Matson” or the “Company”), is a leading provider of ocean transportation and logistics services. The Company consists of two segments, Ocean Transportation and Logistics:

**Ocean Transportation:** Matson’s Ocean Transportation business is conducted through Matson Navigation Company, Inc. (“MatNav”), a wholly-owned subsidiary of Matson, Inc. Founded in 1882, MatNav provides a vital lifeline of ocean freight transportation services to the domestic non-contiguous economies of Hawaii, Alaska, and Guam, and to other island economies in Micronesia. MatNav also operates a premium, expedited service from China to Long Beach, California, and also provides services to Okinawa, Japan and various islands in the South Pacific. In addition, subsidiaries of MatNav provide container stevedoring, refrigerated cargo services, inland transportation and other terminal services for MatNav and other ocean carriers on the Hawaiian Islands of Oahu, Hawaii, Maui and Kauai, and in the Alaska locations of Anchorage, Kodiak and Dutch Harbor.

Matson has a 35 percent ownership interest in SSA Terminals, LLC (“SSAT”), a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc., a subsidiary of Carrix, Inc. SSAT provides terminal and stevedoring services to various carriers at eight terminal facilities on the U.S. West Coast, including four facilities which are used by MatNav (“Terminal Joint Venture”). Matson records its share of net income from SSAT in costs and expenses in the Condensed Consolidated Statements of Income and Comprehensive Income, and within the Ocean Transportation segment due to the nature of SSAT’s operations.

**Logistics:** Matson’s Logistics business is conducted through Matson Logistics, Inc. (“Matson Logistics”), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides a variety of logistic services to its customers including: (i) multimodal transportation brokerage of domestic and international rail intermodal service, long-haul and regional highway trucking services, specialized hauling, flat-bed and project services, less-than-truckload services, and expedited freight services (collectively “Transportation Brokerage” services); (ii) less-than-container load (“LCL”) consolidation and freight forwarding services (collectively “Freight Forwarding” services); (iii) warehousing and distribution services; and (iv) supply chain management, non-vessel operating common carrier (NVOCC) freight forwarding and other services.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The Condensed Consolidated Financial Statements are unaudited, and include the accounts of Matson and all wholly-owned subsidiaries, after elimination of intercompany amounts and transactions. Significant investments in businesses, partnerships, and limited liability companies in which the Company does not have a controlling financial interest, but has the ability to exercise significant influence, are accounted for under the equity method. A controlling financial interest is one in which the Company has a majority voting interest or one in which the Company is the primary beneficiary of a variable interest entity. The Company accounts for its investment in the Terminal Joint Venture using the equity method of accounting.

Due to the nature of the Company’s operations, the results for interim periods are not necessarily indicative of results to be expected for the year. These Condensed Consolidated Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim periods, and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete consolidated financial statements.

The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) on March 4, 2019.

**Fiscal Period:** The period end for Matson covered by this report is March 31, 2019. The period end for MatNav and its subsidiaries covered by this report occurred on the last Friday in March, or March 29, 2019, for the first quarter 2019.

**Significant Accounting Policies:** The Company’s significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in Part II, Item 8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The Company adopted Accounting Standards Codification (“ASC”) 842, *Leases* (“ASC 842”) on January 1, 2019. ASC 842 requires lessees to record leases on their balance sheets but recognize the expenses in their income statements in a manner similar to current practice. ASC 842 states that a lessee would recognize a lease liability for the obligation to make lease payments, and a right-of-use asset for the underlying leased asset for the period of the lease term. Refer to Note 7 for additional information on the Company’s adoption of ASC 842 and other lease related disclosures.

**Recognition of Revenues and Related Costs:** Revenue in the Company’s Condensed Consolidated Financial Statements is presented net of elimination of intercompany transactions. The following is a description of the Company’s principal revenue generating activities by segment, and the Company’s revenue recognition policy for each activity:

| <b>Ocean Transportation (in millions) (1)</b> | <b>Three Months Ended<br/>March 31,</b> |                 |
|---|---|-----------------|
|   | <b>2019</b>                             | <b>2018</b>     |
| Ocean Transportation services                 | \$ 387.9                                | \$ 368.8        |
| Terminal and other related services           | 6.7                                     | 6.2             |
| Fuel sales                                    | 2.0                                     | 2.6             |
| Vessel management and related services        | 1.3                                     | 1.7             |
| <b>Total</b>                                  | <b>\$ 397.9</b>                         | <b>\$ 379.3</b> |

(1) Ocean Transportation revenue transactions are primarily denominated in U.S. dollars except for less than 3 percent of Ocean Transportation revenues and fuel sales revenue categories which are denominated in foreign currencies.

- § Ocean Transportation services revenue is recognized ratably over the duration of a voyage based on the relative transit time completed in each reporting period. Vessel operating costs and other ocean transportation operating costs, such as terminal operating overhead and general and administrative expenses, are charged to operating costs as incurred.
- § Terminal and other related services revenue is recognized as the services are performed. Related costs are recognized as incurred.
- § Fuel sales revenue and related costs are recognized when the Company has completed delivery of the product to the customer in accordance with the terms and conditions of the contract.
- § Vessel management and related services revenue is recognized in proportion to the services completed. Related costs are recognized as incurred.

| <b>Logistics (in millions) (1)</b>                       | <b>Three Months Ended<br/>March 31,</b> |                 |
|--|---|-----------------|
|  | <b>2019</b>                             | <b>2018</b>     |
| Transportation Brokerage and Freight Forwarding services | \$ 126.4                                | \$ 124.5        |
| Warehouse and distribution services                      | 5.3                                     | 4.6             |
| Supply chain management and other services               | 2.8                                     | 3.0             |
| <b>Total</b>   | <b>\$ 134.5</b>                         | <b>\$ 132.1</b> |

(1) Logistics revenue transactions are primarily denominated in U.S. dollars except for less than 3 percent of transportation brokerage and freight forwarding services revenue, and supply chain management and other services revenue categories which are denominated in foreign currencies.

- § Transportation Brokerage and Freight Forwarding services revenue consists of amounts billed to customers for services provided. The primary costs include third-party purchased transportation services, labor and equipment costs. Revenue and the related purchased third-party transportation costs are recognized over the duration of a delivery based upon the relative transit time completed in each reporting period. Labor and other operating costs are expensed as incurred. The Company reports revenue on a gross basis as the Company serves as the principal in these transactions because it is responsible for fulfilling the contractual arrangements with the customer and has latitude in establishing prices.
- § Warehousing and distribution services revenue consist of amounts billed to customers for storage, handling, and value-added packaging of customer merchandise. Storage revenue is recognized in the month the service is



provided to the customer. Storage related costs are recognized as incurred. Other warehousing and distribution services revenue and related costs are recognized in proportion to the services performed.

§ Supply chain management and other services revenues, and related costs are recognized in proportion to the services performed.

The Company generally invoices its customers at the commencement of the voyage or the transportation service being provided, or as other services are being performed. Revenue is deferred when services are invoiced in advance by the customer. The Company's receivables are classified as short-term as collection terms are for periods of less than one year. The Company expenses sales commissions and contract acquisition costs as incurred because the amounts are generally immaterial. These expenses are included in selling, general and administration expenses in the Condensed Consolidated Statements of Income and Comprehensive Income.

**Capital Construction Fund:** The Company's Capital Construction Fund ("CCF") is described in Note 7 to the Consolidated Financial Statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. As of March 31, 2019 and December 31, 2018, \$1.7 million and \$1.0 million of eligible accounts receivable were assigned to the CCF, respectively. Due to the nature of the assignment of eligible accounts receivable into the CCF, such assigned amounts are classified as part of accounts receivable in the Condensed Consolidated Balance Sheets. Cash on deposit in the CCF is held in a money market account and classified as a long-term asset in the Company's Condensed Consolidated Balance Sheets, as the Company intends to use qualified cash withdrawals to fund long-term investment in the construction of new vessels. During the three months ended March 31, 2019, the Company deposited \$13.4 million into the CCF, and made qualifying cash withdrawals of \$13.4 million from the CCF. The balance of cash on deposit at March 31, 2019 and December 31, 2018 was nominal.

**Investment in Terminal Joint Venture:** The Company's investment in SSAT was \$91.3 million and \$87.0 million at March 31, 2019 and December 31, 2018, respectively. Condensed income statement information (unaudited) for the Terminal Joint Venture for the three months ended March 31, 2019 and 2018 consisted of the following:

| (In millions)                          | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2019                            | 2018     |
| Operating revenue                      | \$ 268.1                        | \$ 250.9 |
| Operating costs and expenses           | (244.2)                         | (219.7)  |
| Operating income                       | 23.9                            | 31.2     |
| Net Income (1)                         | \$ 22.5                         | \$ 30.7  |
| Company Share of SSAT's Net Income (2) | \$ 8.5                          | \$ 10.5  |

(1) Includes earnings from equity method investments held by SSAT less earnings allocated to non-controlling interests.

(2) The Company records its share of net income from SSAT in costs and expenses in the Condensed Consolidated Statement of Income and Comprehensive Income due to the nature of SSAT's operations.

**Income Taxes:** In connection with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the Company recorded a non-cash tax adjustment of \$3.3 million that increased income taxes and decreased income tax receivables for the three months ended March 31, 2018. This adjustment related to the application of an estimated 6.2 percent sequestration on alternative minimum tax (AMT) refunds due to the Company, and was based on guidance issued by the Internal Revenue Service (IRS) and emerging interpretations of the Tax Act during that period. On January 19, 2019, the IRS issued new guidance indicating that sequestration would not apply to refundable AMT credits. In accordance with this new guidance, the Company recorded a non-cash tax adjustment of \$2.9 million that decreased income taxes and increased income tax receivables for the three months ended March 31, 2019.

The Company continues to assess the impact of the Tax Act, related interpretations and other tax legislation, when issued, on the Company's income tax estimates. These and other factors could materially affect the Company's financial condition or its future operating results.

**Contingencies:** *Environmental Matters:* The Company's Ocean Transportation business has certain risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

*Other Matters:* The Company and its subsidiaries are parties to, or may be contingently liable in connection with other legal actions arising in the normal course of their businesses, the outcomes of which, in the opinion of management after

consultation with counsel, would not have a material effect on the Company's financial condition, results of operations, or cash flows.

**Dividends:** The Company's first quarter 2019 cash dividend of \$0.21 per share was paid on March 7, 2019. On April 25, 2019, the Company's Board of Directors declared a cash dividend of \$0.21 per share payable on June 6, 2019.

**New Accounting Pronouncements:**

*Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"): In June 2016, the Financial Accounting Standards Board issued ASU 2016-13 which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables, available-for-sale securities and other financial instruments. ASU 2016-13 requires entities to establish a valuation allowance for the expected lifetime losses of certain financial instruments. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses is permitted. The new standard is effective for interim and annual periods beginning on or after December 15, 2019, and early adoption is permitted. The Company is in the process of evaluating this new standard, but does not expect the adoption of ASU 2016-13 to have a significant impact on the Company's Consolidated Financial Statements.

### 3. REPORTABLE SEGMENTS

Reportable segments are components of an enterprise that engage in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's chief operating decision maker is its Chief Executive Officer.

The Company consists of two reportable segments, Ocean Transportation and Logistics, which are further described in Note 1. Reportable segments are measured based on operating income, exclusive of interest expense and income taxes. In arrangements where the customer purchases ocean transportation and logistics services, the revenues are allocated to each reportable segment based upon the contractual amounts for each type of service. The Company's Terminal Joint Venture segment has been aggregated into the Company's Ocean Transportation segment due to the operations of the Terminal Joint Venture being an integral part of the Company's Ocean Transportation business.

The Company's Ocean Transportation segment provides ocean transportation services to the Logistics segment, and the Logistics segment provides logistics services to the Ocean Transportation segment. Accordingly, inter-segment revenue of \$21.8 million and \$18.3 million for the three months ended March 31, 2019 and 2018, respectively, have been eliminated from operating revenue in the table below.

Reportable segment results for the three months ended March 31, 2019 and 2018 consisted of the following:

| (In millions)               | Three Months Ended |                |
|-----------------------------|--------------------|----------------|
|                             | March 31,          |                |
|                             | 2019               | 2018           |
| <b>Operating Revenue:</b>   |                    |                |
| Ocean Transportation        | \$ 397.9           | \$ 379.3       |
| Logistics                   | 134.5              | 132.1          |
| Total Operating Revenue     | \$ 532.4           | \$ 511.4       |
| <b>Operating Income:</b>    |                    |                |
| Ocean Transportation (1)    | \$ 9.4             | \$ 24.5        |
| Logistics                   | 8.1                | 4.2            |
| Total Operating Income      | 17.5               | 28.7           |
| Interest expense, net       | (4.6)              | (5.0)          |
| Other income (expense), net | 0.6                | 0.8            |
| Income before Income Taxes  | 13.5               | 24.5           |
| Income taxes                | (1.0)              | (10.3)         |
| <b>Net Income</b>           | <b>\$ 12.5</b>     | <b>\$ 14.2</b> |

(1) Ocean Transportation segment information includes \$8.5 million and \$10.5 million of equity in income from the Company's equity investment in SSAT for the three months ended March 31, 2019 and 2018, respectively.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2019 and December 31, 2018 consisted of the following:

| <u>(In millions)</u>                     | <u>March 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|--|---------------------------|------------------------------|
| <b>Cost:</b>                             |                           |                              |
| Vessels                                  | \$ 1,490.1                | \$ 1,489.2                   |
| Containers and equipment                 | 514.7                     | 513.6                        |
| Terminal facilities and other property   | 66.0                      | 66.0                         |
| Vessel construction in progress          | 512.6                     | 487.2                        |
| Other construction in progress           | 70.0                      | 59.2                         |
| <b>Total Property and Equipment</b>      | <b>2,653.4</b>            | <b>2,615.2</b>               |
| Less: Accumulated Depreciation           | (1,267.2)                 | (1,248.6)                    |
| <b>Total Property and Equipment, net</b> | <b>\$ 1,386.2</b>         | <b>\$ 1,366.6</b>            |

Vessel construction in progress relates to progress payments for the construction of three new vessels, capitalized owner's items and capitalized interest. Capitalized interest included in vessel construction in progress was \$21.0 million and \$16.3 million at March 31, 2019 and December 31, 2018, respectively.

#### 5. GOODWILL AND INTANGIBLES

Goodwill by segment at March 31, 2019 and December 31, 2018 consisted of the following:

| <u>(In millions)</u> | <u>Ocean<br/>Transportation</u> | <u>Logistics</u> | <u>Total</u> |
|----------------------|---------------------------------|------------------|--------------|
| Goodwill             | \$ 222.6                        | \$ 105.2         | \$ 327.8     |

Intangible assets at March 31, 2019 and December 31, 2018 consisted of the following:

| <u>(In millions)</u>              | <u>March 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|-----------------------------------|---------------------------|------------------------------|
| <b>Customer Relationships:</b>    |                           |                              |
| Ocean Transportation              | \$ 140.6                  | \$ 140.6                     |
| Logistics                         | 90.1                      | 90.1                         |
| Total                             | 230.7                     | 230.7                        |
| Less: Accumulated Amortization    | (46.8)                    | (44.0)                       |
| Total Customer Relationships, net | 183.9                     | 186.7                        |
| Trade name - Logistics            | 27.3                      | 27.3                         |
| Total Intangible Assets, net      | <b>\$ 211.2</b>           | <b>\$ 214.0</b>              |

## 6. DEBT

At March 31, 2019 and December 31, 2018, the Company's debt consisted of the following:

| (In millions)   | March 31,<br>2019 | December 31,<br>2018 |
|---|-------------------|----------------------|
| <b>Private Placement Term Loans:</b>                      |                   |                      |
| 5.79 %, payable through 2020                              | \$ 10.5           | \$ 10.5              |
| 3.66 %, payable through 2023                              | 41.0              | 41.0                 |
| 4.16 %, payable through 2027                              | 44.5              | 44.5                 |
| 3.37 %, payable through 2027                              | 75.0              | 75.0                 |
| 3.14 %, payable through 2031                              | 194.0             | 200.0                |
| 4.31 %, payable through 2032                              | 32.7              | 32.7                 |
| 4.35 %, payable through 2044                              | 100.0             | 100.0                |
| 3.92 %, payable through 2045                              | 71.4              | 71.4                 |
| <b>Title XI Bonds:</b>                                    |                   |                      |
| 5.34 %, payable through 2028                              | 20.9              | 22.0                 |
| 5.27 %, payable through 2029                              | 23.1              | 24.2                 |
| Revolving credit facility, maturity date of June 29, 2022 | 255.0             | 235.0                |
| Capital leases  | —                 | 0.1                  |
| <b>Total Debt</b>   | <b>868.1</b>      | <b>856.4</b>         |
| Less: Current portion                                     | (45.2)            | (42.1)               |
| <b>Total Long-term Debt</b>                               | <b>\$ 822.9</b>   | <b>\$ 814.3</b>      |

The Company's debt is described in Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Borrowings under the revolving credit facility are classified as long-term debt in the Condensed Consolidated Balance Sheets, as principal payments are not required until the maturity date of June 29, 2022.

As of March 31, 2019, the Company had \$246.5 million of remaining availability under the revolving credit facility. The interest rate on borrowings under the revolving credit facility approximated 3.97 percent during the three months ended March 31, 2019.

## 7. LEASES

*Adoption of ASC 842:* The Company adopted ASC 842 on January 1, 2019 and made the following elections:

- § Applied the transition requirements that resulted in a cumulative-effect adjustment of \$4.4 million recorded to retained earnings at January 1, 2019, due to the elimination of deferred gains from the Company's sale and leaseback transactions recorded in the Consolidated Balance Sheet as of December 31, 2018;
- § Elected to apply the package of practical expedient permitted under the transition guidance which allows, among other things, the historical lease classification and initial direct costs to be carried forward;
- § Elected the short-term lease exception which allows the Company to exclude leases with an initial term of one year or less from recognition on the Condensed Consolidated Balance Sheets;
- § Elected to separate non-lease components by underlying asset class for real estate and terminal leases and operations equipment leases; and
- § Elected to use a portfolio approach in applying discount rates to leases based upon the lease terms in the following categories: (i) one to five years; (ii) six to ten years; (iii) eleven to fifteen years; and (iv) sixteen years and greater, regardless of the type of underlying asset class.

Upon adoption, the Company recorded a right-of-use asset of approximately \$251.4 million, a corresponding operating lease liability of \$259.1 million, and de-recognized deferred rent of \$7.7 million. The adoption of ASC 842 did not have a significant impact on the Company's current earnings, liquidity or existing debt covenant requirements. Significant assumptions and judgments made in applying the new lease accounting standard include determining the Company's incremental borrowing rate and evaluating the probability of exercising lease options.

*Description of Operating Leases:* The Company has a variety of different types of operating leases, the specific terms and conditions of which vary from lease to lease. Certain operating lease agreements include terms such as: (i) renewal and early termination options; (ii) early buy-out and purchase options; and (iii) rent escalation clauses. The lease agreements also include provisions for the maintenance of the leased asset and payment of lease related costs. The Company reviews the specific terms and conditions of each lease and, as appropriate, notifies the lessor of any intent to exercise any option in accordance with the terms of the lease. In the normal course of business, the Company expects to be able to renew or replace most of its operating leases by other similar leases as they expire. Except for the residual value guarantee described below, the Company's leases do not contain any other residual value guarantees.

The Company's sub-lease income was nominal to the Company's Condensed Consolidated Financial Statements for the three months ended March 31, 2019. The Company did not have any finance leases during the three month period ended March 31, 2019. Certain of the Company's lease agreements include rental payments that may be adjusted in the future based on economic conditions and others include rental payments adjusted periodically for inflation. Variable lease expense is disclosed for the adjusted portion of such payments.

The lease type by underlying asset class and maximum terms of the Company's operating leases are as follows:

| <b>Lease Type:</b>                    | <b>Life</b> |
|---------------------------------------|-------------|
| Real estate and terminal leases       | 65 years    |
| Vessel charter leases                 | 10 years    |
| Operations equipment and other leases | 8 years     |

*Incremental Borrowing Rate:* As most of the Company's operating leases do not provide an implicit rate, the Company uses an estimated incremental borrowing rate based on information available at the date of adoption and subsequent lease commencement dates in calculating the present value of its operating lease liabilities. The incremental borrowing rate is determined using the U.S. Treasury rate adjusted to account for the Company's credit rating and the collateralized nature of operating leases.

*Components of Lease Cost:* Components of lease cost recorded in the Company's Condensed Consolidated Statement of Income and Comprehensive Income for the three months ended March 31, 2019 consisted of the following:

| <b>(In millions)</b>  | <b>Three Months Ended<br/>March 31,<br/>2019</b> |
|-----------------------|--|
| Operating lease cost  | \$ 16.7  |
| Short-term lease cost | 2.4  |
| Variable lease cost   | 0.1  |
| Total lease cost      | \$ 19.2  |

*Other Lease Information:* Other information related to the Company's operating leases for the three months ended March 31, 2019 is as follows:

| <b>(In millions, except lease term and discount rate)</b>                        | <b>Three Months Ended<br/>March 31,<br/>2019</b> |
|--|--|
| Cash paid for amounts included in operating lease liabilities                    | \$ 16.7  |
| Right of use assets obtained in the exchange for new operating lease liabilities | \$ 5.8   |
| Weighted-average remaining operating lease term                                  | 7.9 years  |
| Weighted-average incremental borrowing rate                                      | 4.5%   |

Maturities of operating lease liabilities at March 31, 2019 are as follows:

| Year (in millions)                           | As of<br>March 31, 2019 |
|--|-------------------------|
| 2019   | \$ 48.6                 |
| 2020   | 59.8                    |
| 2021   | 45.6                    |
| 2022   | 35.6                    |
| 2023   | 31.4                    |
| Thereafter                                   | 83.2                    |
| Total lease payments                         | 304.2                   |
| Less: Interest                               | (53.2)                  |
| Present value of operating lease liabilities | 251.0                   |
| Less: Short-term portion                     | (54.3)                  |
| Long-term operating lease liabilities        | \$ 196.7                |

Future minimum payments under operating lease agreements at December 31, 2018 are as follows:

| Year (in millions)           | Total    |
|------------------------------|----------|
| 2019                         | \$ 68.3  |
| 2020                         | 59.2     |
| 2021                         | 44.8     |
| 2022                         | 34.7     |
| 2023                         | 30.5     |
| Thereafter                   | 83.6     |
| Total minimum lease payments | \$ 321.1 |

*Residual Value Guarantee:* On November 26, 2018, a wholly-owned subsidiary of the Company entered into a Bareboat Charter Agreement (the “Charter”). Charter lease payments are approximately \$3.0 million per quarter and are included in the operating lease liabilities described above. The base term of the Charter is a five year period with a two year end-of-term renewal option. The Charter also includes a maximum residual value guarantee amount of \$50.9 million after five years, or \$47.7 million after the extended term. The residual value guarantee is excluded from operating lease liabilities described above as the Company determined that it is not probable that any portion of the residual value guarantee will be paid by the Company. The Charter and residual value guarantee are described in Note 9 to the Consolidated Financial Statements included in Part II, Item 8 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2019 consisted of the following:

| (In millions)                      | Pensions  | Post<br>Retirement | Non-<br>Qualified<br>Plans | Other    | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|------------------------------------|-----------|--------------------|----------------------------|----------|--|
| Balance at December 31, 2018       | \$ (55.8) | \$ 21.7            | \$ (0.1)                   | \$ (0.3) | \$ (34.5)  |
| Amortization of prior service cost | (0.4)     | (0.7)              | —                          | —        | (1.1)  |
| Amortization of net loss           | 0.7       | 0.2                | —                          | —        | 0.9  |
| Balance at March 31, 2019          | \$ (55.5) | \$ 21.2            | \$ (0.1)                   | \$ (0.3) | \$ (34.7)  |

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2018 consisted of the following:

| (In millions)  | Pensions         | Post Retirement | Non-Qualified Plans | Other         | Accumulated Other Comprehensive Income (Loss) |
|--|------------------|-----------------|---------------------|---------------|---|
| Balance at December 31, 2017                           | \$ (40.6)        | \$ 15.6         | \$ (0.3)            | \$ 0.4        | \$ (24.9)                                     |
| Reclassification adjustment related to the Tax Act (1) | (9.2)            | 3.4             | (0.2)               | —             | (6.0)   |
| Amortization of prior service cost                     | (0.4)            | (0.9)           | —                   | —             | (1.3)   |
| Amortization of net loss                               | 0.9              | 0.3             | 0.1                 | —             | 1.3   |
| Other adjustments                                      | —                | —               | —                   | 0.2           | 0.2   |
| Balance at March 31, 2018                              | <u>\$ (49.3)</u> | <u>\$ 18.4</u>  | <u>\$ (0.4)</u>     | <u>\$ 0.6</u> | <u>\$ (30.7)</u>                              |

(1) Reclassification from accumulated other comprehensive income (loss) to retained earnings for the remeasurement tax effects resulting from the Tax Act in accordance with ASU 2018-02.

## 9. FAIR VALUE MEASUREMENTS

The Company values its financial instruments based on the fair value hierarchy of valuation techniques for fair value measurements. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability. If the technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy, the lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Company uses Level 1 inputs for the fair values of its cash, cash equivalents and restricted cash, and Level 2 inputs for its variable and fixed rate debt. The fair values of cash, cash equivalents and restricted cash, and variable rate debt approximate their carrying values due to the nature of the instruments. The fair value of the Company's fixed rate debt is calculated based upon interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

The carrying value and fair value of the Company's financial instruments as of March 31, 2019 and December 31, 2018 are as follows:

| (In millions)             | Total Carrying Value | Fair Value Measurements at March 31, 2019 |   |   |   |
|---------------------------|----------------------|---|---|---|---|
|                           | March 31, 2019       | Total                                     | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | \$ 15.4              | \$ 15.4                                   | \$ 15.4                                   | \$ —                                    | \$ —                                      |
| Restricted cash           | 8.9                  | 8.9                                       | 8.9                                       | —                                       | —   |
| Variable rate debt        | 255.0                | 255.0                                     | —   | 255.0                                   | —   |
| Fixed rate debt           | 613.1                | 594.1                                     | —   | 594.1                                   | —   |

  

| (In millions)             | December 31, 2018 | Fair Value Measurements at December 31, 2018 |   |   |   |
|---------------------------|-------------------|--|---|---|---|
|                           | December 31, 2018 | Total  | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | \$ 19.6           | \$ 19.6                                      | \$ 19.6                                   | \$ —                                    | \$ —                                      |
| Restricted cash           | 4.9               | 4.9  | 4.9                                       | —                                       | —   |
| Variable rate debt        | 235.0             | 235.0  | —   | 235.0                                   | —   |
| Fixed rate debt           | 621.4             | 584.5  | —   | 584.5                                   | —   |

## 10. EARNINGS PER SHARE

Basic earnings per share is determined by dividing net income by the weighted-average common shares outstanding during the period. The calculation of diluted earnings per share includes the dilutive effect of unexercised non-qualified stock options and non-vested restricted stock units. The denominator used to compute basic and diluted earnings per share for the three months ended March 31, 2019 and 2018, are as follows:

| (In millions, except per share amounts) | Three Months Ended March 31, 2019 |                                |                         | Three Months Ended March 31, 2018 |                                |                         |
|---|-----------------------------------|--------------------------------|-------------------------|-----------------------------------|--------------------------------|-------------------------|
|   | Net Income                        | Weighted Average Common Shares | Per Common Share Amount | Net Income                        | Weighted Average Common Shares | Per Common Share Amount |
| Basic:                                  | \$ 12.5                           | 42.8                           | \$ 0.29                 | \$ 14.2                           | 42.6                           | \$ 0.33                 |
| Effect of Dilutive Securities:          |                                   | 0.3                            | —                       |                                   | 0.3                            | —                       |
| Diluted:                                | \$ 12.5                           | 43.1                           | \$ 0.29                 | \$ 14.2                           | 42.9                           | \$ 0.33                 |

The computation of weighted-average common shares outstanding excludes a nominal amount of anti-dilutive non-qualified stock options for each period ended March 31, 2019 and 2018.

## 11. SHARE-BASED COMPENSATION

The Company granted approximately 338,000 in total of time-based restricted stock units and performance-based shares to certain of its employees at a weighted-average grant date fair value of \$33.30 during the three months ended March 31, 2019.

Total share-based compensation cost recognized in the Condensed Consolidated Statements of Income and Comprehensive Income as a component of selling, general and administrative expenses was \$3.2 million and \$2.7 million for the three months ended March 31, 2019 and 2018, respectively. Total unrecognized compensation cost related to unvested share-based compensation arrangements was \$21.2 million at March 31, 2019, and is expected to be recognized over a weighted-average period of approximately 2.2 years. Total unrecognized compensation cost may be adjusted for any unearned performance shares or forfeited shares.

## 12. PENSION AND POST-RETIREMENT PLANS

The Company's pension and post-retirement plans are described in Note 11 to the Consolidated Financial Statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Components of net periodic benefit cost for the Company's qualified defined benefit pension and post-retirement plans for the three months ended March 31, 2019 and 2018 consisted of the following:

| (In millions)                                      | Pension Benefits<br>Three Months Ended March 31, |        | Post-retirement Benefits<br>Three Months Ended March 31, |          |
|--|--|--------|--|----------|
|  | 2019   | 2018   | 2019   | 2018     |
| Components of net periodic benefit cost (benefit): |  |        |  |          |
| Service cost                                       | \$ 1.1   | \$ 1.1 | \$ 0.1   | \$ 0.2   |
| Interest cost                                      | 2.3  | 2.2    | 0.3  | 0.2      |
| Expected return on plan assets                     | (3.1)  | (3.4)  | —  | —        |
| Amortization of net loss                           | 0.9  | 1.1    | 0.2  | 0.4      |
| Amortization of prior service credit               | (0.6)  | (0.6)  | (0.9)  | (0.9)    |
| Net periodic benefit cost                          | \$ 0.6   | \$ 0.4 | \$ (0.3)   | \$ (0.1) |

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## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and related notes, and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q.

### **FORWARD-LOOKING STATEMENTS**

Except for historical information, the statements made in this Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the safe-harbor provisions of the Private Security Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, SEC filings, such as reports on Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company's Internet Websites (including Websites of its subsidiaries), and oral statements made by officers of the Company.

This report, and other statements that the Company may make, may contain forward-looking statements with respect to the Company's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," or similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions.

The Company cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time, including, but not limited to, the risk factors that are described in Part I, Item 1A, "Risk Factors" of Matson's Annual Report on Form 10-K for the year ended December 31, 2018. Forward-looking statements speak only as of the date they are made, and the Company assumes no duty to and does not undertake any obligation to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

### **OVERVIEW**

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a discussion of the Company's financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company's financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company's financial statements. MD&A is provided as a supplement to the Condensed Consolidated Financial Statements and notes herein, and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018, the Company's reports on Forms 10-Q and 8-K, and other publicly available information.

### **BUSINESS OUTLOOK**

*Ocean Transportation:* The Company's container volume in the Hawaii service in the first quarter 2019 was 2.2 percent lower year-over-year primarily due to one less westbound sailing and weather-related impacts. The Hawaii economy continues to show economic growth, supported primarily by healthy tourism activity and low unemployment. The Company expects volume in 2019 to approximate the level achieved in 2018, reflecting modest economic growth in Hawaii and stable market share.

In China, the Company's container volume in the first quarter 2019 was 16.0 percent higher year-over-year largely due to one additional sailing and stronger volume post Lunar New Year. Matson continued to realize a sizeable rate premium in the first quarter 2019 and achieved average freight rates modestly higher than the first quarter 2018. For 2019, the Company expects volume to approximate the exceptional level achieved in 2018 and expects average freight rates to approach the levels achieved in 2018.

In Guam, the Company's container volume in the first quarter 2019 was higher on a year-over-year basis primarily due to typhoon relief-related volume. For 2019, the Company expects modestly lower volume as the highly competitive environment remains.

In Alaska, the Company's container volume for the first quarter 2019 was 5.7 percent lower year-over-year, primarily due to a decrease in northbound volume mainly related to the dry-docking of a competitor's vessel in the year ago period and one less northbound sailing. For 2019, the Company expects volume to be modestly higher than the level achieved in 2018 with higher northbound volume supported by improving economic conditions in Alaska and higher southbound seafood-related volume due to stronger seafood harvest levels than in 2018.

The contribution in the first quarter 2019 from the Company's SSAT joint venture investment was \$2.0 million lower than the first quarter 2018 due primarily to the absence of favorable one-time items in the year ago period. For 2019, the Company expects the contribution from SSAT to be lower as a result of lower lift volume coming off an exceptionally strong lift volume level in 2018.

As a result of the first quarter performance and the outlook trends noted above, the Company expects full year 2019 Ocean Transportation operating income to approximate the \$131.1 million achieved in 2018 after taking into account a full year net operating expense impact of \$7.2 million associated with the sale and leaseback of *MV Maunalei*. In the second quarter 2019, the Company expects Ocean Transportation operating income to be moderately lower than the level achieved in the second quarter 2018.

*Logistics:* In the first quarter 2019, operating income for the Company's Logistics segment was \$3.9 million higher compared to the operating income achieved in the first quarter 2018 due to improved performance across all of the service lines. For 2019, the Company expects Logistics operating income to be moderately higher than the level achieved in 2018 of \$32.7 million. In the second quarter 2019, the Company expects operating income to be modestly higher than the level achieved in the second quarter 2018.

*Depreciation and Amortization:* For the full year 2019, the Company expects depreciation and amortization expense to be approximately \$130 million, inclusive of dry-docking amortization of approximately \$35 million.

*EBITDA:* While the Company expects net income in 2019 to decline year-over-year, we expect EBITDA in 2019 to be approximately \$288 million, which is higher than the level achieved in 2018 after taking into account the full year impact in 2018 of the \$12.0 million of lease expense related to the sale and leaseback of *MV Maunalei*.

*Other Income (Expense):* The Company expects full year 2019 other income (expense) to be approximately \$2.7 million in income, which is attributable to other component costs related to the Company's pension and post-retirement plans.

*Interest Expense:* The Company expects interest expense for the full year 2019 to be approximately \$25 million.

*Income Taxes:* In the first quarter 2019, the Company's effective tax rate was 7.4 percent, which includes a favorable non-cash adjustment of \$2.9 million related to the reversal of an expense adjustment in 2018 arising from the enactment of the Tax Cuts and Jobs Act of 2017. For the full year 2019, the Company expects its effective tax rate to be approximately 26.0 percent, which excludes the aforementioned positive non-cash adjustment of \$2.9 million in the first quarter of 2019.

*Capital and Vessel Dry-docking Expenditures:* For the first quarter 2019, the Company made other capital expenditure payments of \$13.5 million, capitalized vessel construction expenditures of \$20.9 million, and dry-docking payments of \$3.2 million. For the full year 2019, the Company expects to make other capital expenditure payments, including maintenance capital expenditures, of approximately \$120 million, vessel construction expenditures (including capitalized interest and owner's items) of approximately \$215 million, and dry-docking payments of approximately \$12 million.

**CONSOLIDATED RESULTS OF OPERATIONS****Consolidated Results: Three months ended March 31, 2019, compared with 2018:**

| (Dollars in millions, except per share amounts) | Three Months Ended March 31, |          |           |         |
|---|------------------------------|----------|-----------|---------|
|   | 2019                         | 2018     | Change    |         |
| Operating revenue                               | \$ 532.4                     | \$ 511.4 | \$ 21.0   | 4.1 %   |
| Operating costs and expenses                    | (514.9)                      | (482.7)  | (32.2)    | 6.7 %   |
| Operating income                                | 17.5                         | 28.7     | (11.2)    | (39.0)% |
| Interest expense                                | (4.6)                        | (5.0)    | 0.4       | (8.0)%  |
| Other income (expense), net                     | 0.6                          | 0.8      | (0.2)     | (25.0)% |
| Income before income taxes                      | 13.5                         | 24.5     | (11.0)    | (44.9)% |
| Income taxes                                    | (1.0)                        | (10.3)   | 9.3       | (90.3)% |
| Net income                                      | \$ 12.5                      | \$ 14.2  | \$ (1.7)  | (12.0)% |
| Basic earnings per share                        | \$ 0.29                      | \$ 0.33  | \$ (0.04) | (12.1)% |
| Diluted earnings per share                      | \$ 0.29                      | \$ 0.33  | \$ (0.04) | (12.1)% |

Changes in operating revenue, and operating costs and expenses are further described below in the Analysis of Operating Revenue and Income by Segment.

The decrease in interest expense for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, was due to increased interest expense offset by a higher amount of capitalized interest.

Other income (expense) relates to the amortization of certain components of net periodic benefit costs or gains related to the Company's pension and post-retirement plans.

Income tax expense was \$1.0 million or 7.4 percent of income before income taxes for the three months ended March 31, 2019, compared to \$10.3 million or 42.0 percent of income before income taxes for the three months ended March 31, 2018. In connection with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the Company recorded a non-cash tax adjustment of \$3.3 million that increased income taxes for the three months ended March 31, 2018. This adjustment related to the application of an estimated 6.2 percent sequestration on alternative minimum tax (AMT) refunds due to the Company for the years 2018 to 2021, and was based on guidance issued by the Internal Revenue Service (IRS) and emerging interpretations of the Tax Act during that period. On January 19, 2019, the IRS issued new guidance indicating that sequestration would not apply to refundable AMT credits. In accordance with this new guidance, the Company recorded a non-cash tax adjustment of \$2.9 million that decreased income taxes for the three months ended March 31, 2019.

Excluding the impact of these discrete tax adjustments, the adjusted effective tax rate would be 28.9 percent for the three months ended March 31, 2019, compared to 28.6 percent for the three months ended March 31, 2018.

## ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT

### *Ocean Transportation Operating Results: Three months ended March 31, 2019, compared with 2018:*

| (Dollars in millions)  | Three Months Ended March 31, |          |           |         |
|--|------------------------------|----------|-----------|---------|
|  | 2019                         | 2018     | Change    |         |
| Ocean Transportation revenue   | \$ 397.9                     | \$ 379.3 | \$ 18.6   | 4.9 %   |
| Operating costs and expenses   | (388.5)                      | (354.8)  | (33.7)    | 9.5 %   |
| Operating income   | \$ 9.4                       | \$ 24.5  | \$ (15.1) | (61.6)% |
| Operating income margin  | 2.4 %                        | 6.5 %    |           |         |
| Volume (Forty-foot equivalent units (FEU), except for automobiles) (1) |                              |          |           |         |
| Hawaii containers  | 34,900                       | 35,700   | (800)     | (2.2)%  |
| Hawaii automobiles   | 17,000                       | 16,800   | 200       | 1.2 %   |
| Alaska containers  | 16,400                       | 17,400   | (1,000)   | (5.7)%  |
| China containers   | 13,800                       | 11,900   | 1,900     | 16.0 %  |
| Guam containers  | 5,100                        | 4,900    | 200       | 4.1 %   |
| Other containers (2)   | 3,500                        | 3,100    | 400       | 12.9 %  |

- (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.
- (2) Includes containers from services in various islands in Micronesia and the South Pacific, and Okinawa, Japan.

Ocean Transportation revenue increased \$18.6 million, or 4.9 percent, during the three months ended March 31, 2019, compared with the three months ended March 31, 2018. This increase was primarily due to higher fuel surcharge revenue and higher revenue in China, partially offset by lower container volume in Alaska and Hawaii.

On a year-over-year FEU basis, Hawaii container volume decreased 2.2 percent primarily due to one less westbound sailing and weather-related impacts; Alaska volume decreased by 5.7 percent primarily due to lower northbound volume mainly related to the dry-docking of a competitor's vessel in the year ago period and one less sailing; China volume was 16.0 percent higher primarily due to one additional sailing and stronger volume post Lunar New Year; Guam volume was 4.1 percent higher primarily due to typhoon relief-related volume; and Other container volume increased 12.9 percent primarily due to the Japan service.

Ocean Transportation operating income decreased \$15.1 million, or 61.6 percent, during the three months ended March 31, 2019, compared with the three months ended March 31, 2018. The decrease was primarily due to higher vessel operating costs, including weather-related impacts and *MV Maunalei* lease expense, higher terminal handling costs and lower container volume in Alaska and Hawaii, partially offset by a higher contribution from the China service.

The Company's SSAT terminal joint venture investment contributed \$8.5 million during the three months ended March 31, 2019, compared to a contribution of \$10.5 million during the three months ended March 31, 2018. The decrease was primarily attributable to the absence of favorable one-time items in the year ago period.

### *Logistics Operating Results: Three months ended March 31, 2019, compared with 2018:*

| (Dollars in millions)        | Three Months Ended March 31, |          |        |        |
|------------------------------|------------------------------|----------|--------|--------|
|                              | 2019                         | 2018     | Change |        |
| Logistics revenue            | \$ 134.5                     | \$ 132.1 | \$ 2.4 | 1.8 %  |
| Operating costs and expenses | (126.4)                      | (127.9)  | 1.5    | (1.2)% |
| Operating income             | \$ 8.1                       | \$ 4.2   | \$ 3.9 | 92.9 % |
| Operating income margin      | 6.0 %                        | 3.2 %    |        |        |

Logistics revenue increased \$2.4 million, or 1.8 percent, during the three months ended March 31, 2019, compared with the three months ended March 31, 2018. This increase was primarily due to higher freight forwarding revenue.

Logistics operating income increased \$3.9 million, or 92.9 percent, for the three months ended March 31, 2019, compared with the three months ended March 31, 2018. The increase was due primarily to higher contributions from transportation brokerage and freight forwarding.

## LIQUIDITY AND CAPITAL RESOURCES

**Sources of Liquidity:** Sources of liquidity available to the Company at March 31, 2019, compared to December 31, 2018 were as follows:

| <u>(In millions)</u>         | <u>March 31,</u><br><u>2019</u> | <u>December 31,</u><br><u>2018</u> | <u>Change</u> |
|------------------------------|---------------------------------|------------------------------------|---------------|
| Cash and cash equivalents    | \$ 15.4                         | \$ 19.6                            | \$ (4.2)      |
| Restricted cash              | \$ 8.9                          | \$ 4.9                             | \$ 4.0        |
| Accounts receivable, net (1) | \$ 217.9                        | \$ 223.7                           | \$ (5.8)      |

(1) As of March 31, 2019 and December 31, 2018, \$1.7 million and \$1.0 million, respectively, of eligible accounts receivable were assigned to the CCF (see Note 2 of the Condensed Consolidated Financial Statements).

**Cash, Cash Equivalents and Restricted Cash:** Significant changes in the Company's cash, cash equivalents and restricted cash for the three months ended March 31, 2019, compared to the three months ended March 31, 2018 are as follows:

| <u>(In millions)</u>  | <u>Three Months Ended March 31,</u> |                |                |
|---|-------------------------------------|----------------|----------------|
|   | <u>2019</u>                         | <u>2018</u>    | <u>Change</u>  |
| Net cash provided by operating activities (1)                       | \$ 33.4                             | \$ 29.9        | \$ 3.5         |
| Net cash used in investing activities (2)                           | (33.2)                              | (69.8)         | 36.6           |
| Net cash (used in) provided by financing activities (3)             | (0.4)                               | 33.8           | (34.2)         |
| Net decrease in cash, cash equivalents and restricted cash          | (0.2)                               | (6.1)          | 5.9            |
| Cash, cash equivalents and restricted cash, beginning of the period | 24.5                                | 19.8           | 4.7            |
| Cash, cash equivalents and restricted cash, end of the period       | <u>\$ 24.3</u>                      | <u>\$ 13.7</u> | <u>\$ 10.6</u> |

### (1) Change in net cash provided by operating activities:

Changes in net cash provided by operating activities for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, were due to the following:

| <u>(In millions)</u>                             | <u>Change</u> |
|--|---------------|
| Net income from operations                       | \$ (1.7)      |
| Non-cash deferred income taxes                   | (2.6)         |
| Other non-cash related changes, net              | 1.1           |
| Distributions from Terminal Joint Venture        | (2.8)         |
| Deferred dry-docking payments                    | 1.4           |
| Accounts receivable, net                         | 20.3          |
| Prepaid expenses and other assets                | (3.4)         |
| Accounts payable, accruals and other liabilities | (9.4)         |
| Other long-term liabilities                      | 0.6           |
| Total  | <u>\$ 3.5</u> |

The decrease in equity income and distributions from Terminal Joint Venture results from a decrease in the Company's share of income from the Terminal Joint Venture to \$8.5 million during the three months ended March 31, 2019, compared to \$10.5 million for the three months ended March 31, 2018 while distributions from the Terminal Joint Venture decreased to \$4.2 million for the three months ended March 31, 2019, compared to \$7.0 million for the three months ended March 31, 2018. The decrease in equity income and distributions from Terminal Joint Venture was primarily attributed to the absence of favorable one-time items in the prior year period, and the timing of distributions. Deferred dry-docking payments decreased to \$3.2 million for the three months ended March 31, 2019, compared to \$4.6 million for the three months ended March 31, 2018, primarily due to fewer vessels in dry-docking during the current year period. Changes in accounts receivable were primarily due to decreased receivables resulting from the timing of billings and collections associated with those receivables. The decrease in prepaid expenses and other assets primarily related to an income tax refund received during the three months ended March 31, 2019, and the timing of prepayments and other assets. Changes in accounts payable, accruals and other liabilities were due to decrease in accounts payables

and accrued costs resulting from operations during the three months ended March 31, 2019, compared to the same prior year period, and the timing of payments associated with those liabilities.

*(2) Change in net cash used in investing activities:*

Changes in net cash used in investing activities for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, were due to the following:

| <u>(In millions)</u>                                  | <u>Change</u>  |
|---|----------------|
| Capitalized vessel construction expenditures          | \$ 36.8        |
| Cash deposits into CCF                                | 40.1           |
| Withdrawals from CCF                                  | (40.1)         |
| Other capital expenditures                            | (0.4)          |
| Proceeds from disposal of property and equipment, net | 0.2            |
| Total   | <u>\$ 36.6</u> |

Vessel construction expenditures (including capitalized interest) were \$20.9 million for the three months ended March 31, 2019, compared to \$57.7 million for the three months ended March 31, 2018. Vessel construction expenditures relate to progress payments for the construction of new vessels for the Hawaii service, capitalized interest and owner's items. Changes in cash deposits into CCF, and withdrawals from CCF primarily relate to the timing of when deposits are made into the CCF, and when the subsequent withdrawals are made out of the CCF for the purposes of vessel construction progress payments. Other capital expenditures payments were \$13.5 million for the three months ended March 31, 2019, compared to \$13.1 million for the three months ended March 31, 2018.

*(3) Change in net cash used in financing activities:*

Changes in net cash used in financing activities for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, were due to the following:

| <u>(In millions)</u>                                 | <u>Change</u>    |
|--|------------------|
| Repayments of fixed interest debt and capital leases | \$ (5.7)         |
| Borrowings under revolving credit facility, net      | (29.0)           |
| Dividends paid                                       | (0.4)            |
| Change in other payments, net                        | 0.9              |
| Total  | <u>\$ (34.2)</u> |

During the three months ended March 31, 2019, the Company paid \$8.2 million in scheduled fixed debt and capital lease repayments compared to \$2.5 million during the three months ended March 31, 2018. During the three months ended March 31, 2019, the Company increased net borrowings under the revolving credit facility by \$20.0 million, compared to \$49.0 million for the three months ended March 31, 2018. Borrowings from the Company's revolving credit facility were primarily used to fund progress payments related to the construction of new vessels for the Hawaii service. During the three months ended March 31, 2019, the Company paid \$9.1 million in dividends, compared to \$8.7 million during the three months ended March 31, 2018. The increase in dividend payments resulted from an increase in dividends declared per share of common stock by the Company.

**Debt:** Total debt as of March 31, 2019 and December 31, 2018 is as follows:

| <u>(In millions)</u>      | <u>March 31,<br/>2019</u> | <u>December 31,<br/>2018</u> | <u>Change</u>  |
|---------------------------|---------------------------|------------------------------|----------------|
| Revolving credit facility | \$ 255.0                  | \$ 235.0                     | \$ 20.0        |
| Fixed interest debt       | 613.1                     | 621.4                        | (8.3)          |
| Total Debt                | <u>\$ 868.1</u>           | <u>\$ 856.4</u>              | <u>\$ 11.7</u> |

Total debt increased by \$11.7 million during the three months ended March 31, 2019. The increase in the Company's revolving credit facility was primarily due to the funding of progress payments related to the construction of new vessels for the Hawaii service. The reduction in fixed interest debt was due to increased scheduled debt repayments.

As of March 31, 2019, the Company had \$246.5 million of availability under the revolving credit facility, with a maturity date of June 29, 2022. The Company's debt is described in Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2018](#), which is incorporated herein by reference.

**Working Capital:** The Company had a working capital deficiency of \$104.5 million and \$52.4 million at March 31, 2019 and December 31, 2018, respectively.

#### **CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS**

There were no material changes during this quarter to the Company's contractual obligations, commitments, contingencies and off-balance sheet arrangements that are described in Part II, Item 7 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2018](#), which is incorporated herein by reference.

#### **CRITICAL ACCOUNTING ESTIMATES**

There have been no changes during this quarter to the Company's critical accounting estimates as discussed in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

#### **OTHER MATTERS**

The Company's first quarter 2019 cash dividend of \$0.21 per share was paid on March 7, 2019. On April 25, 2019, the Company's Board of Directors declared a cash dividend of \$0.21 per share payable on June 6, 2019.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the Company's market risk position from the information provided under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2018.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures.**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2019, the Company's disclosure controls and procedures are effective.

##### **Changes in Internal Control Over Financial Reporting.**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **PART II. OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

*Environmental Matters:* The Company's Ocean Transportation business has certain risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

*Other Matters:* The Company and its subsidiaries are parties to, or may be contingently liable in connection with other legal actions arising in the normal course of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on the Company's financial condition, results of operations, or cash flows.

**ITEM 1A. RISK FACTORS**

There were no material changes to the Company's risk factors that are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATSON, INC.

\_\_\_\_\_  
(Registrant)

Date: May 9, 2019

/s/ Joel M. Wine

\_\_\_\_\_  
Joel M. Wine  
Senior Vice President and  
Chief Financial Officer

Date: May 9, 2019

/s/ Kevin L. Stuck

\_\_\_\_\_  
Kevin L. Stuck  
Vice President and Controller  
(principal accounting officer)

**Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.**

I, Matthew J. Cox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Matson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Matthew J. Cox  
Matthew J. Cox, Chairman and  
Chief Executive Officer

Date: May 9, 2019

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**Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.**

I, Joel M. Wine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Matson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Joel M. Wine  
Joel M. Wine, Senior Vice President and  
Chief Financial Officer

Date: May 9, 2019

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**Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.**

In connection with the Quarterly Report on Form 10-Q of Matson, Inc. (the "Company") for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew J. Cox, as Chairman and Chief Executive Officer of the Company, and Joel M. Wine, as Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that to their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Matthew J. Cox

Name: Matthew J. Cox  
Title: Chairman and Chief Executive Officer  
Date: May 9, 2019

/s/ Joel M. Wine

Name: Joel M. Wine  
Title: Senior Vice President and Chief Financial Officer  
Date: May 9, 2019

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