

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **August 25, 2016**

MATSON, INC.

(Exact Name of Registrant as Specified in its Charter)

HAWAII

(State or Other Jurisdiction of
Incorporation)

001-34187

(Commission File Number)

99-0032630

(I.R.S. Employer Identification No.)

1411 Sand Island Parkway

Honolulu, Hawaii

(Address of Principal Executive Offices)

96819

(Zip Code)

Registrant's telephone number including area code: **(808) 848-1211**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On August 25, 2016 Matson, Inc. (the "Company") announced that its direct wholly owned subsidiary, Matson Navigation Company, Inc. ("MatNav") and National Steel and Shipbuilding Company ("NASSCO") entered into a definitive agreement pursuant to which NASSCO will construct two new Kanaloa Class dual-fuel capable combination container and roll-on/roll-off vessels on a 3,500 TEU vessel platform, with expected delivery dates at the end of 2019 and mid-2020 (the "Ship Construction Contract").

MatNav will pay an aggregate amount of \$511 million for the two vessels, which is expected to be funded primarily through cash flows from operations, borrowing available under the Company's unsecured revolving credit facility and additional debt financings, which could include U.S. Government guaranteed vessel finance bonds (Title XI).

Payments will be made over the next four years, with 5.0% due upon the execution of the Ship Construction Contract, a total of 8.2% due in 2017, a total of 39.0% due in 2018, a total of 36.4% due in 2019, and the remaining 11.4% due in 2020.

The foregoing is a summary description of certain terms of the Ship Construction Contract and is subject to, and qualified in its entirety by, the full text of the Ship Construction Contract, which will be filed as an exhibit to the Company's next periodic report.

Item 7.01 Regulation FD Disclosure.

On August 25, 2016, the Company issued a news release announcing the Ship Construction Contract and the transactions contemplated thereby. A copy of the news release is attached hereto as Exhibit 99.1. The Company also posted to the Investor Relations section of its website a series of questions and answers relating to the Kanaloa Class vessel construction. A copy of the questions and answers is attached hereto as Exhibit 99.2.

The information in the news release and questions and answers attached as Exhibits 99.1 and 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

Item 9.01 Financial Statements And Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	News Release, dated August 25, 2016, issued by Matson, Inc.
99.2	Questions and Answers Regarding the Kanaloa Class Vessel Construction

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SIGNATURE

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

MATSON, INC.

/s/ Joel M. Wine

Joel M. Wine

Senior Vice President and Chief Financial Officer

Dated: August 25, 2016

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FOR IMMEDIATE RELEASE

MATSON SIGNS CONTRACT WITH NASSCO TO BUILD TWO NEW CON-RO SHIPS FOR HAWAII SERVICE

- **Kanaloa Class ships complete renewal of Matson’s Hawaii fleet**
- **State-of-the-Art “Green Ship” Technologies reduce carbon footprint**

HONOLULU, Hawaii (August 25, 2016) – Matson, Inc. (“Matson”; NYSE: MATX) today announced that its subsidiary, Matson Navigation Company, Inc., a leading U.S. carrier in the Pacific, has signed a contract with General Dynamics NASSCO, a wholly owned subsidiary of General Dynamics (NYSE: GD) to build two new combination container and roll-on/roll-off (“Con-Ro”) vessels for its Hawaii fleet at a contract price of \$511 million for both vessels with deliveries scheduled for the end of 2019 and mid-year 2020.

Matson is calling these vessels the Kanaloa Class in honor of the ocean deity revered in the native Hawaiian culture and will name each of the new vessels after predecessor ships from its 134-year history. The first vessel will be named *Lurline*, the sixth Matson vessel to carry that name, while the second vessel will be its fifth named *Matsonia*.

The Kanaloa Class vessels will be built on a 3,500 TEU vessel platform, which is 265 meters long, 34.9 meters wide (beam), with a deep draft of 11.5 meters and enclosed garage space for up to 800 vehicles. In addition, the new vessels will have state-of-the-art green technology features, including a fuel efficient hull design, environmentally safe double hull fuel tanks, fresh water ballast systems and dual-fuel engines, meaning that they will be able to operate at speeds up to 23 knots on either conventional fuel oils or liquefied natural gas (“LNG”) with some adaptation for LNG. These advancements are important to Hawaii as a means to reduce fuel consumption, and will result in significant emissions reductions over time.

The two Kanaloa Class ships will replace three diesel powered vessels in active service, which will be moved to reserve status. With delivery of the Kanaloa Class ships, along with its two new Aloha Class ships, Matson will have completed the renewal of its Hawaii fleet, allowing it to retire its seven older steamship vessels that will no longer comply with environmental regulations in 2020 without substantial modification.

The larger capacity of the Aloha Class and Kanaloa Class vessels will allow Matson to return to an optimal nine-ship fleet deployment in Hawaii, increasing efficiency and lowering operating costs. The Kanaloa Class vessels are expected to be more fuel efficient than the ships they will replace and will add rolling stock carrying capacity while lowering operating, repair and maintenance, and dry-docking costs.

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“This vessel order underscores Matson’s long-standing commitment to serve Hawaii with the largest, most reliable, efficient and environmentally friendly fleet for the long-term,” said Matt Cox, president and CEO. “The Kanaloa Class ships will be built specifically to meet Hawaii’s freight demands while reducing our environmental impact and improving our efficiency for decades to come.”

Matson expects to finance the Kanaloa Class vessels primarily through cash flows from operations, borrowing available under the Company’s unsecured revolving credit facility and additional debt financings, which could include U.S. Government guaranteed vessel finance bonds (Title XI).

About Matson

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

Forward-Looking Statements

Certain information set forth in this communication, including vessel delivery dates, financial results, increased fleet efficiency, fleet deployment, future vessel replacement expectations, financings, and anticipated long-term borrowing levels and capital allocation strategies, constitutes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These estimates, expectations and statements are based upon the current beliefs and expectations of the management of Matson and are subject to risks and uncertainties that could cause actual results to differ materially from those expected in or suggested by such statements, including but not limited to risks and uncertainties relating to: the occurrence of any event, change or other circumstances that could give rise to the termination of the agreement for the Kanaloa Class vessel construction; the ability of the shipyards to construct and deliver the Aloha Class and Kanaloa Class vessels on the contemplated timeframes; regional, national and international economic conditions; changes in general economic and/or industry-specific conditions; conditions in the financial markets; changes in our credit profile and our future financial

performance; our ability to obtain future debt financings; continuation of the Title XI and CCF programs; the impact of future and pending legislation, including environmental legislation; government regulations and investigations; repeal, substantial amendment or waiver of the Jones Act or its application, or our failure to maintain our status as a United States citizen under the Jones Act; and the occurrence of marine accidents, poor weather or natural disasters. These forward-looking statements are not guarantees of future performance. This communication should be read in conjunction with our Annual Report on Form 10-K and our other filings with the SEC through the date of this release, which identify important factors that could affect the forward-looking statements in this release. We do not undertake any obligation to update our forward-looking statements.

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August 25, 2016

MATSON SIGNS CONTRACT WITH NASSCO TO BUILD TWO NEW CON-RO SHIPS FOR HAWAII SERVICE

The following questions and answers provide supplementary information related to Matson's news release issued on August 25, 2016:

1. Why is Matson ordering the Kanaloa Class vessels? What are the operational benefits?

Matson is investing in new vessels to continue the Company's long-standing commitment to serve Hawaii with the largest, most reliable, efficient and environmentally friendly fleet. The Company expects significant operational benefits upon the delivery of its two new Aloha Class containerships and its two new Kanaloa Class Con-Ro vessels, including:

- **Optimal Hawaii fleet size and vessel utilization:** The larger vessel capacities of the Aloha Class and the Kanaloa Class are expected to allow the Company to return to an optimal nine-ship deployment in its Hawaii service, which represents two fewer vessels than the 11 ships currently deployed.
- **Improves fleet reliability:** Upon delivery of the Aloha Class and the Kanaloa Class, the renewal of Matson's Hawaii fleet will be complete and the Company expects to benefit from improved vessel reliability as the average age of the Hawaii fleet will have declined from 27 years old today to only 13 years old in 2020.
- **Modernizes capacity capabilities:** The new Aloha Class and Kanaloa Class vessels have been designed to reflect the modern cargo requirements of Hawaii with additional 45-foot capacity and additional reefer outlets which are expected to allow Matson to better transport perishable goods to the islands. These vessels have also been designed to carry construction materials more effectively and with a wider beam to provide enhanced stability and loadability while reducing ballast water requirements.
- **Improves weekly capacity balance:** The Company expects to benefit from a more balanced weekly deployment with consistent roll-on, roll-off capacity which is expected to generate incremental rolling stock earnings.
- **Removes reliance on near end-of-life steamships:** Upon delivery of the Kanaloa Class vessels, the Company expects to have three diesel-powered containerships as reserve vessels and, therefore, will no longer be reliant upon near end-of-life steamships that will no longer comply with environmental regulations in 2020 without substantial modifications.

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2. How did Matson select the shipyard for the Kanaloa Class vessels construction contract?

The Company was in discussions with a number of shipyards regarding the construction of these new Con-Ro vessels. Matson selected NASSCO as the successful shipyard based on an assessment of their proposal as the most competitive after taking into account several factors including contract price, vessel delivery dates, compliance with bid specifications, and other factors.

3. Why are the Kanaloa Class vessels more expensive than the Aloha Class vessels Matson ordered in November 2013?

The two Kanaloa Class Con-Ro vessels have an average contract price of \$255.5 million per vessel compared to the two Aloha Class containerships ordered in November 2013 which had an average contract price of \$209.0 million per vessel. The higher contract price for the Kanaloa Class vessels is primarily driven by the inclusion of a 9,650 sq. meter roll-on/roll-off garage structure and self-contained stern ramp with capacity to load up to 800 automobiles and other wheeled cargo. In addition, since November 2013 there are more stringent and costly environmental regulations that impact hull form and engine specification requirements, and lastly, there has been modest inflation in U.S. shipyard construction costs.

4. What are the expected financial returns to Matson from this investment in the Kanaloa Class vessels?

When complete, these new Kanaloa Class Con-Ro vessels are expected to have among the lowest operating cost per TEU of any ship in the U.S. domestic trades. The cost efficiencies are expected to be driven by our ability to return to an optimal nine-ship Hawaii fleet deployment and by significantly lower operating costs in areas such as fuel consumption, maintenance and repair, and dry-docking costs.

In considering the completion of its Hawaii fleet renewal, the Company evaluated its investment in the Kanaloa Class on two alternative timelines: (i) building for delivery in 2020 or (ii) building five years later for delivery in 2025. By investing in building the Kanaloa Class vessels for delivery by 2020, the Company expects to (i) avoid substantial capital spending on the modification of near end-of-life steamships and additional dry-docking requirements; (ii) benefit from operating one fewer vessel for the five year period; (iii) benefit from the significantly lower operating costs of the Kanaloa Class vessels; and (iv) generate incremental rolling stock earnings starting in 2020. The Company believes the 2020 delivery alternative to be financially superior as it is expected to result in: (i) a net present value benefit of approximately \$50 million compared to building five years later; and (ii) modest increases to total annual return on invested capital and accretion to earnings per share in the first full year and the subsequent years following delivery of the Kanaloa Class vessels.

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5. Are the Kanaloa Class vessels being purchased for replacement purposes or expansion into new markets?

The two new Kanaloa Class Con-Ro vessels will have a loaded container capacity of 2,750 TEUs plus the capacity to load up to 800 automobiles and other wheeled cargo. The Kanaloa Class vessels are expected to replace three diesel-powered ships that are currently deployed in Matson's Hawaii service. Upon replacement, the Company expects those three diesel-powered ships would move to reserve status, allowing Matson to retire its seven steamship vessels that will no longer comply with environmental regulations in 2020 without substantial modifications.

6. How will the construction of the new Aloha Class containerships and the new Kanaloa Class Con-Ro vessels affect Matson's fleet deployment in the Hawaii trade?

Table 1.

MATSON'S HAWAII FLEET	Today August 2016	2019 (Post delivery of Aloha Class)	2020 (Post delivery of Kanaloa Class)
# of Diesel Powered Vessels	8	8	5
# of Dual-fuel Capable Vessels	0	2	4
# of Steamships	3	0	0
# of Vessels Deployed	11	10	9
Total Capacity (TEU) Deployed	24,600	26,200	24,900
Average Age of Active Fleet (years)	27	20	13
Reserve Vessels	4 near end-of-life steamships	7 near end-of-life steamships	3 diesel powered vessels

Today, Matson has 11-ships actively deployed in its Hawaii service including three steamships. In reserve, Matson currently has an additional four near end-of-life steamships. In 2019, Matson's fleet deployment is expected to shrink to 10-ships with the delivery of two new Aloha Class containerships that will replace the three active steamships currently deployed. However, in 2019, Matson would still be relying on near end-of-life steamships as its reserve fleet which would require substantial modifications to maintain these ships after 2020. Upon delivery of these Kanaloa Class vessels in 2020, Matson expects its Hawaii fleet deployment to return to an optimal nine-ship deployment when the two new Kanaloa Class Con-Ro vessels deliver and replace three diesel-powered ships in active duty. Those three diesel-powered ships would then move to reserve status, allowing Matson to retire its seven steamship vessels that will no longer comply with environmental regulations in 2020 without substantial modifications.

7. What will the average age of Matson's Hawaii fleet be following the delivery of the Kanaloa class vessels?

As shown in Table 1, the average age of Matson's deployed fleet in Hawaii is expected to decrease from 27 years old today to 13 years old in 2020 after the delivery of the second Kanaloa Class vessel.

8. What will be the Company's future expected vessel replacement needs after these ships are delivered?

Upon delivery of the Aloha Class vessels and the Kanaloa Class vessels, the renewal of Matson's Hawaii fleet will be complete and the Company does not expect to need to order additional new vessels for the Hawaii tradeline until sometime after 2030. The Company expects its next vessel replacement requirements to be for the Alaska service sometime after 2025 when the three diesel powered containerships in active service will be approaching 40 years old.

9. What are Matson's total new vessel construction progress payments through the delivery of the Kanaloa Class vessels?

The expected annual construction progress payments for both the Aloha Class vessels and the Kanaloa Class vessels are shown below in Table 2.

Table 2.

Estimated Progress Payment Schedule (\$ in millions)	2H-16	2017	2018	2019	2020
Two Aloha Class Containerships	\$55.0	\$159.1	\$154.1	\$8.4	
Two Kanaloa Class Con-Ro Vessels	\$25.6	\$41.7	\$199.5	\$186.0	\$58.2
Total New Vessel Progress Payments	\$80.6	\$200.8	\$353.6	\$194.4	\$58.2

10. How does Matson expect to finance the Kanaloa Class vessels? Does the company expect to use the Capital Construction Fund Program for the Kanaloa Vessels?

Matson expects to finance the Kanaloa Class vessels primarily through cash flows from operations, borrowing available under the Company's unsecured revolving credit facility and additional debt financings, which could include U.S. Government guaranteed vessel finance bonds (Title XI). In addition, Matson intends to utilize the Capital Construction Fund ("CCF") program as part of its funding strategy for the Kanaloa Class, which will allow the Company to benefit from lower cash tax payments in the years in which we make deposits to the CCF. (see Note 7 of the consolidated financial statements in the Company's 2015 Form 10-K filed on February 26, 2016 for additional information about the CCF)

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11. What are the expectations for the Company's balance sheet leverage ratio between now and delivery?

The Company expects its Debt/EBITDA ratio (disclosed at 1.8x pro forma for the Span Acquisition on August 2, 2016) to increase above its long-term targeted level of the "low 2x's" during the new vessel construction period. However, following the delivery of the second Kanaloa Class Con-Ro vessel in mid-2020, the Company does not expect to order additional new vessels for any of its existing tradelanes for at least five years thereafter, during which time the Company expects its Debt/EBITDA ratio will decline to or below its long-term targeted level. (see Appendix for non-GAAP measures reconciliation)

12. What impact is the Kanaloa Class investment expected to have on Matson's capital allocation strategy during the vessel construction period?

The Company's maintenance capital spending is expected to remain in the range of \$40 to \$50 million per year on average for the fiscal years 2017 to 2020. The Company expects to maintain its approach to quarterly dividend throughout the new vessel construction period. On share repurchases, the Company expects to take a slower pace for its remaining approximately 1.9 million shares authorized for repurchase than the pace executed since the inception of the program on November 4, 2015.

Forward-Looking Statements

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Appendix – Non-GAAP Measures

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

Pro Forma Capitalization as of 6/30/16

(\$ in millions)	MATX	SPAN Transaction ⁽³⁾	Private Placement Financing ⁽²⁾	Pro Forma
Revolving Credit Facility	\$44.0	\$202.6	(\$200.0)	\$46.6
Term Loans	\$359.3		\$200.0	\$559.3
Title XI Bonds	\$57.2			\$57.2
Capital Leases	\$2.3	\$1.3		\$3.6
Total Debt	\$462.8			\$666.7
Less: Cash and Cash Equivalents	\$19.2	\$0.0	\$0.0	\$19.2
Net Debt	\$443.6			\$647.5

LTM EBITDA (Before Horizon Acquisition SG&A and Molasses Settlement) ⁽¹⁾	\$355.3	\$21.0	\$376.3
Net Debt / EBITDA (Before Horizon Acquisition SG&A and Molasses Settlement) ⁽¹⁾	1.2x		1.7x
Debt / EBITDA (Before Horizon Acquisition SG&A and Molasses Settlement) ⁽¹⁾	1.3x		1.8x

(1) Based on Matson's LTM EBITDA (before Horizon acquisition related SG&A and Molasses Settlement) as of June 30, 2016 and current estimated annual run-rate EBITDA for SPAN

(2) Excludes private placement transaction fees

(3) Purchase price of \$197.6 million plus estimated one-time pre-tax transaction closing and integration costs of approximately \$5.0 million

EBITDA (before Horizon Acquisition SG&A and Molasses Settlement) RECONCILIATION <i>(In millions)</i>	Last Twelve Months Ended 6/30/16
Net Income	\$104.2
Add: Income tax expense	63.2
Add: Interest expense	21.0
Add: Depreciation and amortization	94.8
Add: Dry-dock amortization	29.2
EBITDA	\$312.4
Add: Horizon Acquisition related SG&A in excess of run-rate target	29.6
Add: Molasses Settlement	13.3
EBITDA (before Horizon Acquisition SG&A and Molasses Settlement)	\$355.3