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**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 September 30, 2022

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)

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

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

Non-accelerated filer

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

Number of shares of common stock outstanding as of September 30, 2022: 37,780,685

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**MATSON, INC. AND SUBSIDIARIES**

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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>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating Revenue:</b>				
Ocean Transportation	\$ 918.5	\$ 863.5	\$ 2,911.6	\$ 2,106.9
Logistics	196.3	208.1	629.8	551.4
Total Operating Revenue	1,114.8	1,071.6	3,541.4	2,658.3
<b>Costs and Expenses:</b>				
Operating costs	(738.4)	(649.3)	(2,170.5)	(1,809.6)
Income from SSAT	23.4	13.0	82.1	35.0
Selling, general and administrative	(64.5)	(57.4)	(192.0)	(171.7)
Total Costs and Expenses	(779.5)	(693.7)	(2,280.4)	(1,946.3)
Operating Income	335.3	377.9	1,261.0	712.0
Interest income	1.3	—	1.3	—
Interest expense	(5.0)	(5.1)	(14.3)	(17.9)
Other income (expense), net	2.5	1.8	6.3	4.7
Income before Taxes	334.1	374.6	1,254.3	698.8
Income taxes	(68.1)	(91.4)	(268.4)	(165.9)
Net Income	\$ 266.0	\$ 283.2	\$ 985.9	\$ 532.9
<b>Other Comprehensive Income (Loss), Net of Income Taxes:</b>				
Net Income	\$ 266.0	\$ 283.2	\$ 985.9	\$ 532.9
<b>Other Comprehensive Income (Loss):</b>				
Amortization of prior service cost	(0.8)	(1.1)	(2.6)	(3.4)
Amortization of net loss (gain)	0.1	1.0	2.9	3.5
Other adjustments	(1.9)	(0.1)	(3.5)	(0.2)
Total Other Comprehensive Income (Loss)	(2.6)	(0.2)	(3.2)	(0.1)
Comprehensive Income	\$ 263.4	\$ 283.0	\$ 982.7	\$ 532.8
Basic Earnings Per Share	\$ 6.95	\$ 6.60	\$ 24.83	\$ 12.31
Diluted Earnings Per Share	\$ 6.89	\$ 6.53	\$ 24.65	\$ 12.19
<b>Weighted Average Number of Shares Outstanding:</b>				
Basic	38.3	42.9	39.7	43.3
Diluted	38.6	43.4	40.0	43.7

See Notes to Condensed Consolidated Financial Statements.

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

<b>(In millions)</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 242.8	\$ 282.4
Accounts receivable, net of allowance for credit losses of \$11.6 million and \$10.1 million, respectively	328.5	343.7
Prepaid expenses and other assets	303.2	78.4
Total current assets	<u>874.5</u>	<u>704.5</u>
Long-term Assets:		
Investment in SSAT	87.2	58.7
Property and equipment, net	1,907.4	1,878.3
Operating lease right of use assets	421.0	434.6
Goodwill	327.8	327.8
Intangible assets, net	178.0	181.1
Capital Construction Fund	565.0	—
Deferred dry-docking costs, net	62.0	68.7
Other long-term assets	36.1	39.4
Total long-term assets	<u>3,584.5</u>	<u>2,988.6</u>
Total Assets	<u>\$ 4,459.0</u>	<u>\$ 3,693.1</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of debt	\$ 57.3	\$ 65.0
Accounts payable and accruals	293.1	308.4
Operating lease liabilities	147.1	137.6
Other liabilities	102.4	101.4
Total current liabilities	<u>599.9</u>	<u>612.4</u>
Long-term Liabilities:		
Long-term debt, net of deferred loan fees	461.3	549.7
Long-term operating lease liabilities	284.3	307.4
Deferred income taxes	687.8	425.2
Other long-term liabilities	127.1	131.0
Total long-term liabilities	<u>1,560.5</u>	<u>1,413.3</u>
Commitments and Contingencies (see Note 13)		
Shareholders' Equity:		
Common stock	28.3	30.7
Additional paid in capital	290.4	314.1
Accumulated other comprehensive loss, net	(34.1)	(30.9)
Retained earnings	2,014.0	1,353.5
Total shareholders' equity	<u>2,298.6</u>	<u>1,667.4</u>
Total Liabilities and Shareholders' Equity	<u>\$ 4,459.0</u>	<u>\$ 3,693.1</u>

See Notes to Condensed Consolidated Financial Statements.

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

<b>(In millions)</b>	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 985.9	\$ 532.9
Reconciling adjustments:		
Depreciation and amortization	105.6	100.9
Amortization of operating lease right of use assets	113.9	73.9
Deferred income taxes	146.3	30.3
Share-based compensation expense	15.5	14.2
Income from SSAT	(82.1)	(35.0)
Distributions from SSAT	40.3	46.9
Other	(0.2)	(1.1)
Changes in assets and liabilities:		
Accounts receivable, net	13.9	(75.2)
Deferred dry-docking payments	(16.7)	(25.8)
Deferred dry-docking amortization	18.6	18.0
Prepaid expenses and other assets	(110.2)	(46.7)
Accounts payable, accruals and other liabilities	(5.0)	30.2
Operating lease liabilities	(113.8)	(72.1)
Other long-term liabilities	(9.5)	(8.1)
<b>Net cash provided by operating activities</b>	<b>1,102.5</b>	<b>583.3</b>
<b>Cash Flows From Investing Activities:</b>		
Capitalized vessel construction expenditures	(11.9)	—
Other capital expenditures	(113.4)	(244.7)
Cash deposits into Capital Construction Fund	(579.7)	(31.2)
Withdrawals from Capital Construction Fund	14.7	31.2
Other	(2.6)	2.2
<b>Net cash used in investing activities</b>	<b>(692.9)</b>	<b>(242.5)</b>
<b>Cash Flows From Financing Activities:</b>		
Repayments of debt	(97.2)	(41.1)
Proceeds from revolving credit facility	—	304.3
Repayments of revolving credit facility	—	(376.1)
Payment of financing costs	—	(3.0)
Dividends paid	(36.9)	(33.3)
Repurchase of Matson common stock	(296.9)	(115.7)
Tax withholding related to net share settlements of restricted stock units	(19.6)	(14.4)
<b>Net cash used in financing activities</b>	<b>(450.6)</b>	<b>(279.3)</b>
<b>Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash</b>	<b>(41.0)</b>	<b>61.5</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of the Period	287.7	19.7
<b>Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 246.7</b>	<b>\$ 81.2</b>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash, End of the Period:</b>		
Cash and Cash Equivalents	\$ 242.8	\$ 75.9
Restricted Cash	3.9	5.3
<b>Total Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 246.7</b>	<b>\$ 81.2</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid, net of capitalized interest	\$ 13.6	\$ 15.3
Income tax payments, net of refunds	\$ 212.4	\$ 162.1
<b>Non-cash Information:</b>		
Capital expenditures included in accounts payable, accruals and other liabilities	\$ 3.9	\$ 5.6

See Notes to Condensed Consolidated Financial Statements.

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

(In millions, except per share amounts)	Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Stated Value				
Balance at December 31, 2021	41.0	\$ 30.7	\$ 314.1	\$ (30.9)	\$ 1,353.5	\$ 1,667.4
Net income	—	—	—	—	339.2	339.2
Other comprehensive income (loss), net of tax	—	—	—	0.2	—	0.2
Share-based compensation	—	—	4.7	—	—	4.7
Shares issued, net of shares withheld for employee taxes	0.2	0.2	(19.5)	—	—	(19.3)
Shares repurchased	(0.7)	(0.5)	(3.1)	—	(65.0)	(68.6)
Dividends (\$0.30 per share)	—	—	—	—	(12.9)	(12.9)
Balance at March 31, 2022	40.5	30.4	296.2	(30.7)	1,614.8	1,910.7
Net income	—	—	—	—	380.7	380.7
Other comprehensive income (loss), net of tax	—	—	—	(0.8)	—	(0.8)
Share-based compensation	—	—	5.7	—	—	5.7
Shares issued, net of shares withheld for employee taxes	0.1	—	(0.2)	—	—	(0.2)
Shares repurchased	(1.6)	(1.2)	(7.0)	—	(129.9)	(138.1)
Dividends (\$0.30 per share and \$0.31 per share)	—	—	—	—	(24.4)	(24.4)
Balance at June 30, 2022	39.0	29.2	294.7	(31.5)	1,841.2	2,133.6
Net income	—	—	—	—	266.0	266.0
Other comprehensive income (loss), net of tax	—	—	—	(2.6)	—	(2.6)
Share-based compensation	—	—	5.1	—	—	5.1
Equity interest in SSAT	—	—	—	—	(15.5)	(15.5)
Shares repurchased	(1.2)	(0.9)	(9.4)	—	(77.7)	(88.0)
Balance at September 30, 2022	37.8	\$ 28.3	\$ 290.4	\$ (34.1)	\$ 2,014.0	\$ 2,298.6

(In millions, except per share amounts)	Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Stated Value				
Balance at December 31, 2020	43.2	\$ 32.4	\$ 321.5	\$ (50.8)	\$ 658.1	\$ 961.2
Net income	—	—	—	—	87.2	87.2
Other comprehensive income (loss), net of tax	—	—	—	(0.1)	—	(0.1)
Share-based compensation	—	—	4.8	—	—	4.8
Shares issued, net of shares withheld for employee taxes	0.2	0.2	(14.3)	—	—	(14.1)
Dividends (\$0.23 per share)	—	—	—	—	(10.1)	(10.1)
Balance at March 31, 2021	43.4	32.6	312.0	(50.9)	735.2	1,028.9
Net income	—	—	—	—	162.5	162.5
Other comprehensive income (loss), net of tax	—	—	—	0.2	—	0.2
Share-based compensation	—	—	4.7	—	—	4.7
Shares issued, net of shares withheld for employee taxes	0.1	—	(0.2)	—	—	(0.2)
Dividends (\$0.23 per share and \$0.30 per share)	—	—	—	—	(23.3)	(23.3)
Balance at June 30, 2021	43.5	32.6	316.5	(50.7)	874.4	1,172.8
Net income	—	—	—	—	283.2	283.2
Other comprehensive income (loss), net of tax	—	—	—	(0.2)	—	(0.2)
Share-based compensation	—	—	4.7	—	—	4.7
Shares issued, net of shares withheld for employee taxes	—	—	(0.1)	—	0.1	0.0
Shares repurchased	(1.5)	(1.1)	(7.2)	—	(107.4)	(115.7)
Balance at September 30, 2021	42.0	\$ 31.5	\$ 313.9	\$ (50.9)	\$ 1,050.3	\$ 1,344.8

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 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 premium, expedited services primarily from China to Long Beach, California, and provides services to Okinawa, Japan and various islands in the South Pacific, and operates an international export service from Dutch Harbor, Alaska to Asia. In addition, subsidiaries of MatNav provide 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, a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc., a subsidiary of Carrix, Inc. (“SSAT”). SSAT currently provides terminal and stevedoring services to various carriers at eight terminal facilities on the U.S. West Coast, including three facilities dedicated for MatNav’s use. Matson records its share of 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 extends the geographic reach of Matson’s transportation network throughout North America and Asia, and is an asset-light business that provides a variety of logistics services to its customers including: (i) multimodal transportation brokerage of domestic and international rail intermodal services, 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, trans-loading, value-added packaging and distribution services (collectively, “Warehousing” services); and (iv) supply chain management, non-vessel operating common carrier (“NVOCC”) freight forwarding and other services.

**2. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The Condensed Consolidated Financial Statements are unaudited, and include the accounts of Matson, Inc. 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. The Company accounts for its investment in SSAT 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, 2021, filed with the Securities and Exchange Commission (“SEC”) on February 25, 2022.

**Fiscal Period:** The period end for Matson covered by this report is September 30, 2022. The period end for MatNav and its subsidiaries covered by this report is September 30, 2022.

**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, 2021.

**Use of Estimates:** The preparation of the interim Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported. Estimates and assumptions are used for, but not limited to: impairment of investments; impairment of long-lived assets, intangible assets and goodwill; capitalized interest; allowance for doubtful accounts and other receivables; legal contingencies; insurance reserves and other related liabilities; accrual estimates; pension and post-retirement estimates; multi-employer withdrawal liabilities; operating lease assets and liabilities; income from SSAT; and income taxes. Future results could be materially affected if actual results differ from these estimates and assumptions.

**Prepaid Expenses and Other Assets:** Prepaid expenses and other assets consist of the following at September 30, 2022 and December 31, 2021:

<b>Prepaid Expenses and Other Assets (in millions)</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Income tax receivables	\$ 232.9	\$ 23.1
Prepaid fuel	32.4	22.6
Prepaid insurance and insurance related receivables	13.8	10.1
Restricted cash - vessel construction obligations	3.9	5.3
Other	20.2	17.3
Total	<u>\$ 303.2</u>	<u>\$ 78.4</u>

Income tax receivables include a federal income tax refund related to the Company’s 2021 federal tax return, overpayments of federal and state taxes paid during the nine months ended September 30, 2022, and other income tax receivables.

**Recognition of Revenues and Expenses:** 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 for the periods presented:

<b>Ocean Transportation (in millions) (1)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Ocean Transportation services	\$ 908.4	\$ 855.2	\$ 2,885.3	\$ 2,083.8
Terminal and other related services	5.4	4.8	13.8	12.5
Fuel sales	3.2	1.9	7.9	5.1
Vessel management and related services	1.5	1.6	4.6	5.5
Total	<u>\$ 918.5</u>	<u>\$ 863.5</u>	<u>\$ 2,911.6</u>	<u>\$ 2,106.9</u>

(1) Ocean Transportation revenue transactions are primarily denominated in U.S. dollars except for less than 3 percent of Ocean Transportation services revenue 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 selling, 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.

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Logistics (in millions) (1)	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
Transportation Brokerage and Freight Forwarding services	\$ 169.2	\$ 186.1	\$ 548.5	\$ 495.9
Warehousing and distribution services	15.5	12.2	41.4	31.8
Supply chain management and other services	11.6	9.8	39.9	23.7
Total	\$ 196.3	\$ 208.1	\$ 629.8	\$ 551.4

(1) Logistics revenue transactions are primarily denominated in U.S. dollars except for approximately 6.5 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, agent commissions, labor and equipment. 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, agent commissions, 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 revenue, 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 to 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 administrative 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, 2021. As of September 30, 2022 and December 31, 2021, \$9.8 million of eligible accounts receivable was assigned to the CCF. 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 short term U.S. Treasury Obligation Funds 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 September 30, 2022, the Company deposited \$569.0 million into the CCF and made qualifying cash withdrawals of \$4.0 million from the CCF. No CCF deposits or withdrawals were made during the three months ended September 30, 2021. During the nine months ended September 30, 2022 and 2021, the Company deposited \$579.7 million and \$31.2 million into the CCF and made qualifying cash withdrawals of \$14.7 million and \$31.2 million from the CCF, respectively. The balance of cash on deposit at September 30, 2022 was \$565.0 million and was nominal at December 31, 2021.

**Investment in SSAT:** Condensed income statement information for SSAT for the three and nine months ended September 30, 2022 and 2021 consisted of the following:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating revenue	\$ 369.8	\$ 316.3	\$ 1,191.3	\$ 944.6
Operating costs and expenses	(286.9)	(274.2)	(894.3)	(831.3)
Operating income	82.9	42.1	297.0	113.3
Net Income (1)	\$ 68.9	\$ 37.3	\$ 247.0	\$ 100.5
Company Share of SSAT's Net Income (2)	\$ 23.4	\$ 13.0	\$ 82.1	\$ 35.0

(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.

The Company's investment in SSAT was \$87.2 million and \$58.7 million at September 30, 2022 and December 31, 2021, respectively. On September 16, 2022, SSAT completed the purchase of a 20 percent non-controlling equity interest in SSAT Terminals (Oakland), LLC ("SSAT Oakland") from a third-party company. After completion of this transaction, SSAT Oakland became a wholly-owned subsidiary of SSAT. The operating results of SSAT Oakland continue to consolidate into the operating results of SSAT. As a result of this transaction, the Company recorded a decrease of \$15.5 million in its investment in SSAT and a corresponding decrease in retained earnings during the three months ended September 30, 2022 to reflect its proportionate share of this purchase.

**Dividends:** The Company's third quarter 2022 cash dividend of \$0.31 per share was paid on September 1, 2022. On October 27, 2022, the Company's Board of Directors declared a cash dividend of \$0.31 per share payable on December 1, 2022 to shareholders of record on November 10, 2022.

**Repurchase of Shares:** During the three months ended September 30, 2022, the Company repurchased approximately 1.1 million shares for a total cost of \$88.0 million. During the nine months ended September 30, 2022, the Company repurchased approximately 3.5 million shares for a total cost of \$294.7 million. As of September 30, 2022, the maximum number of remaining shares that may be repurchased under the Company's share repurchase program was approximately 3.0 million shares.

**Deferred Income Taxes:** During the three months ended September 30, 2022, the Company filed its 2021 federal income tax return. As a result of the Company depositing \$565.0 million into the Capital Construction Fund, the Company's federal income tax return resulted in a federal income tax refund position as the deposit is allowed as a deduction in the 2021 taxable period. The Company recorded the federal income tax refund receivable in Prepaid expenses and other assets, and a corresponding increase in Deferred income taxes in the Company's Condensed Consolidated Balance Sheet at September 30, 2022. Other changes in deferred income taxes related to the recording of the Company's income tax provision for the nine months ended September 30, 2022.

**Recent U.S. Tax Legislation:** On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law in the United States. The new provisions impose a one percent excise tax on the fair market value of share repurchases after December 31, 2022. The provisions of the IRA also include a 15 percent alternative minimum tax rate that generally applies to U.S. corporations with adjusted financial statement income in excess of \$1 billion, and is effective in taxable years beginning after December 31, 2022. The Company is reviewing the provisions of the IRA and monitoring any guidance with respect to having these provisions apply to the Company's tax provision in future periods.

**Subsequent Events:** On November 1, 2022, MatNav signed vessel construction agreements with Philly Shipyard, Inc. for three new LNG-ready Aloha Class containerships. Each of the new 3,600 TEU vessels is expected to provide 500 containers of additional capacity per voyage in the CLX service. The contract cost of this new Jones Act vessel program is expected to be approximately \$1 billion and delivery of the first vessel is currently anticipated to be in the fourth quarter of 2026 with subsequent deliveries in the second and fourth quarters of 2027. Upon signing the agreements, the Company made its first milestone payment of \$50 million from the CCF. The Company expects to finance the remaining construction-related payments with cash currently on deposit in the CCF, cash and cash equivalents on the balance sheet and through cash flows from operations, borrowings available under the Company's unsecured revolving credit facility and additional debt financings.

### 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. 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 SSAT segment has been aggregated into the Company's Ocean Transportation segment due to the operations of SSAT 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 in certain transactions. Accordingly, inter-segment revenue of \$78.2 million and \$57.8 million for the three months ended September 30, 2022 and 2021, and \$220.6 million and \$140.5 million for the nine months ended September 30, 2022 and 2021, respectively, have been eliminated from operating revenues in the table below.

Reportable segment financial information for the three and nine months ended September 30, 2022 and 2021 are as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Operating Revenue:</b>				
Ocean Transportation (1)	\$ 918.5	\$ 863.5	\$ 2,911.6	\$ 2,106.9
Logistics (2)	196.3	208.1	629.8	551.4
Total Operating Revenue	<u>\$ 1,114.8</u>	<u>\$ 1,071.6</u>	<u>\$ 3,541.4</u>	<u>\$ 2,658.3</u>
<b>Operating Income:</b>				
Ocean Transportation (3)	\$ 315.2	\$ 361.9	\$ 1,201.4	\$ 677.0
Logistics	20.1	16.0	59.6	35.0
Total Operating Income	335.3	377.9	1,261.0	712.0
Interest income	1.3	—	1.3	—
Interest expense	(5.0)	(5.1)	(14.3)	(17.9)
Other income (expense), net	2.5	1.8	6.3	4.7
Income before Taxes	334.1	374.6	1,254.3	698.8
Income taxes	(68.1)	(91.4)	(268.4)	(165.9)
Net Income	<u>\$ 266.0</u>	<u>\$ 283.2</u>	<u>\$ 985.9</u>	<u>\$ 532.9</u>

- (1) Ocean Transportation operating revenue excludes inter-segment revenue of \$28.0 million and \$21.8 million for the three months ended September 30, 2022 and 2021, and \$73.8 million and \$55.6 million for the nine months ended September 30, 2022 and 2021, respectively.
- (2) Logistics operating revenue excludes inter-segment revenue of \$50.2 million and \$36.0 million for the three months ended September 30, 2022 and 2021, and \$146.8 million and \$84.9 million for the nine months ended September 30, 2022 and 2021, respectively.
- (3) Ocean Transportation segment information includes \$23.4 million and \$13.0 million of equity in income from the Company's equity investment in SSAT for the three months ended September 30, 2022 and 2021, and \$82.1 million and \$35.0 million for the nine months ended September 30, 2022 and 2021, respectively.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2022 and December 31, 2021 consisted of the following:

<u>(In millions)</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Cost:		
Vessels	\$ 2,277.1	\$ 2,243.8
Containers and equipment	730.7	680.9
Terminal facilities and other property	131.5	128.3
Vessel construction in progress	—	14.9
Other construction in progress	65.4	19.5
Total Property and Equipment	<u>3,204.7</u>	<u>3,087.4</u>
Less: Accumulated Depreciation	(1,297.3)	(1,209.1)
Total Property and Equipment, net	<u>\$ 1,907.4</u>	<u>\$ 1,878.3</u>

#### 5. GOODWILL AND INTANGIBLES

Goodwill by segment as of September 30, 2022 and December 31, 2021 consisted of the following:

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

Intangible assets as of September 30, 2022 and December 31, 2021 consisted of the following:

<u>(In millions)</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Customer Relationships:		
Ocean Transportation	\$ 140.6	\$ 140.6
Logistics	95.3	90.1
Total	235.9	230.7
Less: Accumulated Amortization	(85.2)	(76.9)
Total Customer Relationships, net	150.7	153.8
Trade name – Logistics	27.3	27.3
Total Intangible Assets, net	<u>\$ 178.0</u>	<u>\$ 181.1</u>

The change in customer relationships related to new customers acquired during the three months ended September 30, 2022.

The Company evaluates its goodwill and intangible assets for possible impairment in the fourth quarter, or whenever events or changes in circumstances indicate that it is more likely than not that the fair value is less than its carrying amount. The Company has reporting units within the Ocean Transportation and Logistics reportable segments. The Company considered the general economic and market conditions and its impact on the performance of each of the Company's reporting units. Based on the Company's assessment of its market capitalization, future forecasts and the amount of excess of fair value over the carrying value of the reporting units in the 2021 annual impairment tests, the Company concluded that an impairment triggering event did not occur during the three months ended September 30, 2022.

The Company will monitor events and changes in circumstances that could negatively impact the key assumptions used in determining the fair value, including the amount and timing of estimated future cash flows generated by the reporting units, long-term growth and discount rates, comparable company market valuations, and industry and economic trends. It is possible that future changes in such circumstances, including future changes in the assumptions and estimates used in assessing the fair value of the reporting unit, could require the Company to record a non-cash impairment charge.

## 6. DEBT

As of September 30, 2022 and December 31, 2021, the Company's debt consisted of the following:

(In millions)	September 30, 2022	December 31, 2021
<b>Private Placement Term Loans:</b>		
3.66 %, payable through 2023	\$ 9.1	\$ 13.7
4.16 %, payable through 2027	—	28.8
3.37 %, payable through 2027	63.5	69.2
3.14 %, payable through 2031	132.8	151.2
4.31 %, payable through 2032	—	25.4
<b>Title XI Debt:</b>		
5.34 %, payable through 2028	13.2	15.4
5.27 %, payable through 2029	15.4	17.6
1.22 %, payable through 2043	170.1	174.1
1.35 %, payable through 2044	127.7	133.6
<b>Total Debt</b>	<b>531.8</b>	<b>629.0</b>
<b>Less: Current portion</b>	<b>(57.3)</b>	<b>(65.0)</b>
<b>Total Long-term Debt</b>	<b>474.5</b>	<b>564.0</b>
<b>Less: Deferred loan fees</b>	<b>(13.2)</b>	<b>(14.3)</b>
<b>Total Long-term Debt, net of deferred loan fees</b>	<b>\$ 461.3</b>	<b>\$ 549.7</b>

Except as described below, the Company's debt is described in Note 8 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**Revolving Credit Facility:** The Company's revolving credit facility has committed available borrowing of up to \$650 million and matures on March 31, 2026. As of September 30, 2022, the Company had \$642.2 million of remaining borrowing availability under the revolving credit facility. The Company used \$7.8 million of the revolving credit facility for letters of credit outstanding as of September 30, 2022. There were no outstanding borrowings under the revolving credit facility as of September 30, 2022 and December 31, 2021.

**Private Placement Term Loans:** On September 15, 2022, the Company prepaid \$26.2 million of outstanding principal on the 4.16 percent term loans due in 2027, and \$24.2 million of outstanding principal on the 4.31 percent term loans due in 2032, which represented all of the remaining outstanding principal for both term loans.

**Debt Security and Guarantees:** All of the debt of the Company and MatNav, including related guarantees, as of September 30, 2022 was unsecured, except for the Title XI debt.

**Debt Maturities:** As of September 30, 2022, debt maturities during the next five years and thereafter are as follows:

Year (in millions)	As of September 30, 2022
Remainder of 2022	\$ 14.3
2023	52.7
2024	44.1
2025	44.1
2026	44.1
Thereafter	332.5
<b>Total Debt</b>	<b>\$ 531.8</b>

## 7. LEASES

The Company's leases 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, 2021.

*Components of Lease Cost:* Components of lease cost recorded in the Company's Condensed Consolidated Statement of Income and Comprehensive Income for the three and nine months ended September 30, 2022 and 2021 consisted of the following:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 40.8	\$ 26.7	\$ 120.8	\$ 79.4
Short-term lease cost	0.2	0.1	0.4	2.9
Variable lease cost	0.2	0.1	0.6	0.5
Total lease cost	<u>\$ 41.2</u>	<u>\$ 26.9</u>	<u>\$ 121.8</u>	<u>\$ 82.8</u>

Maturities of operating lease liabilities at September 30, 2022 are as follows:

Year (in millions)	As of September 30, 2022
Remainder of 2022	\$ 41.8
2023	146.0
2024	121.3
2025	70.4
2026	28.2
Thereafter	59.4
Total lease payments	467.1
Less: Interest	(35.7)
Present value of operating lease liabilities	431.4
Less: Short-term portion	(147.1)
Long-term operating lease liabilities	<u>\$ 284.3</u>

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the nine months ended September 30, 2022 consisted of the following:

(In millions)	Pension Benefits	Post- Retirement Benefits	Non- Qualified Plans	Other	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2021	\$ (39.1)	\$ 10.1	\$ (0.7)	\$ (1.2)	\$ (30.9)
Amortization of prior service cost	(0.2)	(0.7)	—	—	(0.9)
Amortization of net loss	0.6	0.2	—	—	0.8
Foreign currency exchange	—	—	—	0.3	0.3
Balance at March 31, 2022	(38.7)	9.6	(0.7)	(0.9)	(30.7)
Amortization of prior service cost	(0.2)	(0.7)	—	—	(0.9)
Amortization of net loss	0.7	0.2	—	1.1	2.0
Foreign currency exchange	—	—	—	(2.3)	(2.3)
Other adjustments	—	—	—	0.4	0.4
Balance at June 30, 2022	(38.2)	9.1	(0.7)	(1.7)	(31.5)
Amortization of prior service cost	(0.1)	(0.7)	—	—	(0.8)
Amortization of net loss	—	0.1	—	—	0.1
Foreign currency exchange	—	—	—	(2.0)	(2.0)
Other adjustments	—	—	—	0.1	0.1
Balance at September 30, 2022	<u>\$ (38.3)</u>	<u>\$ 8.5</u>	<u>\$ (0.7)</u>	<u>\$ (3.6)</u>	<u>\$ (34.1)</u>

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the nine months ended September 30, 2021 consisted of the following:

(In millions)	Pension Benefits	Post- Retirement Benefits	Non- Qualified Plans	Other	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2020	\$ (61.7)	\$ 12.2	\$ (0.6)	\$ (0.7)	\$ (50.8)
Amortization of prior service cost	(0.4)	(0.7)	—	—	(1.1)
Amortization of net loss	0.9	0.2	0.1	—	1.2
Foreign currency exchange	—	—	—	(0.2)	(0.2)
Balance at March 31, 2021	(61.2)	11.7	(0.5)	(0.9)	(50.9)
Amortization of prior service cost	(0.4)	(0.7)	(0.1)	—	(1.2)
Amortization of net loss	1.0	0.3	—	—	1.3
Foreign currency exchange	—	—	—	(0.1)	(0.1)
Other adjustments	—	—	—	0.2	0.2
Balance at June 30, 2021	(60.6)	11.3	(0.6)	(0.8)	(50.7)
Amortization of prior service cost	(0.5)	(0.6)	—	—	(1.1)
Amortization of net loss (gain)	1.0	—	—	—	1.0
Foreign currency exchange	—	—	—	(0.1)	(0.1)
Balance at September 30, 2021	<u>\$ (60.1)</u>	<u>\$ 10.7</u>	<u>\$ (0.6)</u>	<u>\$ (0.9)</u>	<u>\$ (50.9)</u>

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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, restricted cash and Capital Construction Fund, and Level 2 inputs for its variable and fixed rate debt. The fair values of cash, cash equivalents, restricted cash and Capital Construction Fund, and variable rate debt approximate their carrying values due to the nature of the instruments. The fair value of 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 September 30, 2022 and December 31, 2021 are as follows:

(In millions)	Total Carrying Value	Fair Value Measurements at September 30, 2022			
	September 30, 2022	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 242.8	\$ 242.8	\$ 242.8	\$ —	\$ —
Restricted cash	\$ 3.9	\$ 3.9	\$ 3.9	\$ —	\$ —
Capital Construction Fund	\$ 565.0	\$ 565.0	\$ 565.0	\$ —	\$ —
Fixed rate debt	\$ 531.8	\$ 438.4	\$ —	\$ 438.4	\$ —

  

(In millions)	December 31, 2021	Fair Value Measurements at December 31, 2021			
	December 31, 2021	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 282.4	\$ 282.4	\$ 282.4	\$ —	\$ —
Restricted cash	\$ 5.3	\$ 5.3	\$ 5.3	\$ —	\$ —
Fixed rate debt	\$ 629.0	\$ 615.1	\$ —	\$ 615.1	\$ —

## 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 computation of weighted average common shares outstanding excluded a nominal amount of anti-dilutive non-qualified stock options for each period ended September 30, 2022 and 2021.

The computations for basic and diluted earnings per share for the three and nine months ended September 30, 2022 and 2021 are as follows:

(In millions, except per share amounts)	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount
Basic	\$ 266.0	38.3	\$ 6.95	\$ 985.9	39.7	\$ 24.83
Effect of Dilutive Securities		0.3	(0.06)		0.3	(0.18)
Diluted	\$ 266.0	38.6	\$ 6.89	\$ 985.9	40.0	\$ 24.65

(In millions, except per share amounts)	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount
Basic	\$ 283.2	42.9	\$ 6.60	\$ 532.9	43.3	\$ 12.31
Effect of Dilutive Securities		0.5	(0.07)		0.4	(0.12)
Diluted	\$ 283.2	43.4	\$ 6.53	\$ 532.9	43.7	\$ 12.19

## 11. SHARE-BASED COMPENSATION

The Company granted time-based restricted stock units and performance-based shares to certain of its employees totaling approximately 2,400 shares with a weighted average grant date fair value of \$80.36 per share during the three months ended September 30, 2022, and 182,900 shares with a weighted average grant date fair value of \$100.55 per share during the nine months ended September 30, 2022.

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 \$5.0 million and \$4.7 million for the three months ended September 30, 2022 and 2021, and \$15.5 million and \$14.2 million for the nine months ended September 30, 2022 and 2021, respectively. Total unrecognized compensation cost related to unvested share-based compensation arrangements was \$28.1 million at September 30, 2022, and is expected to be recognized over a weighted average period of approximately 1.9 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, 2021. Components of net periodic benefit cost and other amounts recognized in Other Comprehensive Income (Loss) for the qualified pension plans and the post-retirement benefit plans for the three and nine months ended September 30, 2022 and 2021 consisted of the following:

(In millions)	Pension Benefits		Post-retirement Benefits	
	Three Months Ended September 30, 2022	2021	Three Months Ended September 30, 2022	2021
Components of net periodic benefit cost (benefit):				
Service cost	\$ 1.2	\$ 1.3	\$ 0.2	\$ 0.2
Interest cost	1.9	1.4	0.3	0.1
Expected return on plan assets	(4.0)	(3.5)	—	—
Amortization of net loss	0.1	1.3	0.2	0.1
Amortization of prior service credit	(0.3)	(0.6)	(1.0)	(0.9)
Net periodic benefit cost (benefit)	<u>\$ (1.1)</u>	<u>\$ (0.1)</u>	<u>\$ (0.3)</u>	<u>\$ (0.5)</u>

(In millions)	Pension Benefits		Post-retirement Benefits	
	Nine Months Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
Components of net periodic benefit cost (benefit):				
Service cost	\$ 3.6	\$ 3.6	\$ 0.5	\$ 0.5
Interest cost	5.2	4.6	0.7	0.5
Expected return on plan assets	(11.9)	(10.8)	—	—
Amortization of net loss	1.8	3.8	0.6	0.7
Amortization of prior service credit	(0.8)	(1.7)	(2.8)	(2.7)
Net periodic benefit cost (benefit)	<u>\$ (2.1)</u>	<u>\$ (0.5)</u>	<u>\$ (1.0)</u>	<u>\$ (1.0)</u>

## 13. COMMITMENTS AND CONTINGENCIES

**Environmental Matters:** The Company's Ocean Transportation business has certain risks that could result in expenditures for environmental remediation. Except as described below, 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.

On November 10, 2021, the California Air Resources Board ("CARB") issued a Notice of Violation ("NOV") to Matson for alleged violations of the Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port pursuant to California Code of Regulations, title 17, section 93118.3. CARB regulations require that a company's fleet plug into shore power for at least 80 percent of visits at California ports and reduce auxiliary engine power generation by at least 80 percent. The NOV alleges that Matson's fleet did not meet the 80 percent thresholds during visits to the Port of Long Beach in 2020. The violations were alleged to have been incurred by chartered vessels in the CLX+ service. These chartered vessels were not outfitted with alternative maritime power capability which would have allowed them to plug into the shore power grid and shut down the vessel diesel generators when at dock. The Company has presented mitigating factors for consideration in settlement discussions with CARB, as well as plans to achieve compliance in 2022. Although potential penalties for 2020, 2021 and 2022 violations could, in the aggregate, reasonably be expected to exceed \$1 million, they are not expected to be material to the Company's financial condition, results of operations, or cash flows.

**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.

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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, business or environmental, social and governance 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,” “design,” “goal,” “plan,” 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 II, Item 1A, “Risk Factors” below. 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 Condensed Consolidated 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 Condensed Consolidated 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, 2021](#), the Company’s reports on Forms 10-Q and 8-K, and other publicly available information.

### **THIRD QUARTER 2022 DISCUSSION AND UPDATE ON BUSINESS CONDITIONS**

*Ocean Transportation:* The Company’s container volume in the Hawaii service in the third quarter 2022 was 7.1 percent lower year-over-year. The decrease was primarily due to lower retail-related demand as compared to the pandemic spike in demand experienced in the year ago period. During the quarter, the Company saw continued improvement in the Hawaii economy supported by a low unemployment rate and strong tourist arrivals, including an improvement in international tourist trends. In the near-term, Matson expects continued economic growth in Hawaii supported by a relatively tight labor market and increasing tourism traffic, but there are also negative trends from a combination of economic effects that create uncertainty in the economic growth trajectory. These negative trends include weakening economic conditions in the U.S. and global economies and lower household discretionary income as a result of higher inflation, higher interest rates and the end of the pandemic-era stimulus helping personal income.

In China, the Company’s container volume in the third quarter 2022 decreased 15.1 percent year-over-year. The decrease was primarily due to (i) lower demand for the CLX, CLX+ and CCX services and (ii) one less sailing. Matson continued to realize a significant rate premium over the Shanghai Containerized Freight Index (“SCFI”) in the third

quarter 2022 and achieved average freight rates that were higher than in the year ago period, but below the pandemic high freight rates achieved earlier this year. With less demand for expedited ocean services and easing port congestion in Southern California, the Company ended its temporary CCX service in early September, about six weeks earlier than expected. Currently, the Company expects the next two quarters to be challenging in the Transpacific tradelane as retailers' inventories adjust to current consumer demand levels and as ocean liners reduce vessel capacity to meet lower demand levels. To this end, for the remainder of this year and into the first quarter of 2023, the Company expects to experience lower year-over-year freight demand and a lower rate environment for its CLX and CLX+ services, but Matson expects to continue to earn a significant rate premium to the SCFI due to its differentiated, reliable and fast ocean services.

In Guam, the Company's container volume in the third quarter 2022 decreased 1.8 percent year-over-year primarily due to lower retail-related demand. In the near-term, the Company expects the Guam economy to continue to benefit from a recovery in tourism, but there are negative trends as a result of higher inflation, higher interest rates and the end of the pandemic-era stimulus helping personal income that creates uncertainty in the economic growth trajectory.

In Alaska, the Company's container volume for the third quarter 2022 increased 10.6 percent year-over-year primarily due to (i) higher export seafood volume from Alaska-Asia Express ("AAX"), (ii) higher northbound volume primarily due to higher retail-related demand and volume related to a competitor's dry-docking and (iii) higher southbound volume primarily due to higher domestic seafood volume. In the near-term, the Company expects the Alaska economy to benefit from increased energy-related exploration and production activity as a result of elevated oil prices, but there are negative trends as a result of higher inflation, higher interest rates and the end of the pandemic-era stimulus helping personal income that creates uncertainty in the economic growth trajectory.

The contribution in the third quarter 2022 from the Company's SSAT joint venture investment was \$23.4 million, or \$10.4 million higher than the third quarter 2021. The increase was primarily driven by higher other terminal revenue.

*Logistics:* In the third quarter 2022, operating income for the Company's Logistics segment was \$20.1 million, or \$4.1 million higher compared to the level achieved in the third quarter 2021. The increase was due primarily to higher contributions from all services as the Company continued to see favorable supply and demand fundamentals in its core markets.

## CONSOLIDATED RESULTS OF OPERATIONS

### *Consolidated Results – Three months ended September 30, 2022 compared with 2021:*

<b>(Dollars in millions, except per share amounts)</b>	<b>Three Months Ended September 30,</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>	
Operating revenue	\$ 1,114.8	\$ 1,071.6	\$ 43.2	4.0 %
Operating costs and expenses	(779.5)	(693.7)	(85.8)	12.4 %
Operating income	335.3	377.9	(42.6)	(11.3)%
Interest income	1.3	—	1.3	100.0 %
Interest expense	(5.0)	(5.1)	0.1	(2.0)%
Other income (expense), net	2.5	1.8	0.7	38.9 %
Income before taxes	334.1	374.6	(40.5)	(10.8)%
Income taxes	(68.1)	(91.4)	23.3	(25.5)%
Net income	\$ 266.0	\$ 283.2	\$ (17.2)	(6.1)%
Basic earnings per share	\$ 6.95	\$ 6.60	\$ 0.35	5.3 %
Diluted earnings per share	\$ 6.89	\$ 6.53	\$ 0.36	5.5 %

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

The increase in interest income for the three months ended September 30, 2022, compared to the three months ended September 30, 2021, was due to increased cash on deposit in interest bearing accounts during the period.

The decrease in interest expense for the three months ended September 30, 2022, compared to the three months ended September 30, 2021, was due to lower outstanding debt during the period.

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 \$68.1 million or 20.4 percent of income before taxes for the three months ended September 30, 2022, compared to \$91.4 million or 24.4 percent of income before taxes for the three months ended September 30, 2021. The effective tax rate for the three months ended September 30, 2022 benefited from a 3.3 percent deduction related to foreign-derived intangible income ("FDII") under Section 250 of the Internal Revenue Code that lowered the effective tax rate for the current period. The effective tax rate for the three months ended September 30, 2021 was impacted by 0.5 percent related to foreign taxes and other discrete adjustments that increased the effective tax rate for the prior year period.

**Consolidated Results – Nine months ended September 30, 2022 compared with 2021:**

<b>(Dollars in millions, except per share amounts)</b>	<b>Nine Months Ended September 30,</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>	
Operating revenue	\$ 3,541.4	\$ 2,658.3	\$ 883.1	33.2 %
Operating costs and expenses	(2,280.4)	(1,946.3)	(334.1)	17.2 %
Operating income	1,261.0	712.0	549.0	77.1 %
Interest income	1.3	—	1.3	100.0 %
Interest expense	(14.3)	(17.9)	3.6	(20.1)%
Other income (expense), net	6.3	4.7	1.6	34.0 %
Income before taxes	1,254.3	698.8	555.5	79.5 %
Income taxes	(268.4)	(165.9)	(102.5)	61.8 %
Net income	<u>\$ 985.9</u>	<u>\$ 532.9</u>	<u>\$ 453.0</u>	<u>85.0 %</u>
Basic earnings per share	\$ 24.83	\$ 12.31	\$ 12.52	101.7 %
Diluted earnings per share	\$ 24.65	\$ 12.19	\$ 12.46	102.2 %

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

The increase in interest income for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, was due to increased cash on deposit in interest bearing accounts during the period.

The decrease in interest expense for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, was due to lower outstanding debt during the period.

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 \$268.4 million or 21.4 percent of income before taxes for the nine months ended September 30, 2022, compared to \$165.9 million or 23.7 percent of income before taxes for the nine months ended September 30, 2021. The effective tax rate for the nine months ended September 30, 2022 benefited from a 2.8 percent deduction related to FDII under Section 250 of the Internal Revenue Code that lowered the effective tax rate for the current period. The effective tax rate for the nine months ended September 30, 2021 benefited from a 0.5 percent discrete adjustment related to the valuation allowance against the Company's foreign income tax net operating losses that lowered the effective tax rate for the prior year period.

**ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT**

***Ocean Transportation Operating Results – Three months ended September 30, 2022 compared with 2021:***

<b>(Dollars in millions)</b>	<b>Three Months Ended September 30,</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>	
Ocean Transportation revenue	\$ 918.5	\$ 863.5	\$ 55.0	6.4 %
Operating costs and expenses	(603.3)	(501.6)	(101.7)	20.3 %
Operating income	\$ 315.2	\$ 361.9	\$ (46.7)	(12.9)%
Operating income margin	34.3 %	41.9 %		
<b>Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)</b>				
Hawaii containers	37,700	40,600	(2,900)	(7.1)%
Hawaii automobiles	11,300	12,600	(1,300)	(10.3)%
Alaska containers	24,100	21,800	2,300	10.6 %
China containers	39,500	46,500	(7,000)	(15.1)%
Guam containers	5,400	5,500	(100)	(1.8)%
Other containers (2)	6,000	5,400	600	11.1 %

- (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 \$55.0 million, or 6.4 percent, during the three months ended September 30, 2022, compared with the three months ended September 30, 2021. The increase was primarily due to higher fuel-related surcharge revenue, higher average freight rates in China and higher volume in Alaska, partially offset by lower volume in China and Hawaii.

On a year-over-year FEU basis, Hawaii container volume decreased 7.1 percent primarily due to lower retail-related volume; Alaska volume increased 10.6 percent primarily due to (i) higher export seafood volume from AAX, (ii) higher northbound volume primarily due to higher retail-related demand and volume related to a competitor’s dry-docking and (iii) higher southbound volume primarily due to higher domestic seafood volume; China volume was 15.1 percent lower primarily due to lower demand for the CLX, CLX+ and CCX services and one less sailing; Guam volume was 1.8 percent lower primarily due to lower retail-related demand; and Other containers volume increased 11.1 percent.

Ocean Transportation operating income decreased \$46.7 million during the three months ended September 30, 2022, compared with the three months ended September 30, 2021. The decrease was primarily due to lower volume in China, higher operating costs and expenses primarily due to the CLX+ service, and higher fuel-related expenses, partially offset by higher average freight rates in China and a higher contribution from SSAT.

The Company’s SSAT terminal joint venture investment contributed \$23.4 million during the three months ended September 30, 2022, compared to a contribution of \$13.0 million during the three months ended September 30, 2021. The increase was primarily driven by higher other terminal revenue.

**Ocean Transportation Operating Results – Nine months ended September 30, 2022 compared with 2021:**

(Dollars in millions)	Nine Months Ended September 30,			
	2022	2021	Change	
Ocean Transportation revenue	\$ 2,911.6	\$ 2,106.9	\$ 804.7	38.2 %
Operating costs and expenses	(1,710.2)	(1,429.9)	(280.3)	19.6 %
Operating income	\$ 1,201.4	\$ 677.0	\$ 524.4	77.5 %
Operating income margin	41.3 %	32.1 %		
Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)				
Hawaii containers	112,400	116,100	(3,700)	(3.2)%
Hawaii automobiles	30,500	36,000	(5,500)	(15.3)%
Alaska containers	67,000	58,800	8,200	13.9 %
China containers	134,800	131,200	3,600	2.7 %
Guam containers	16,200	16,200	—	0.0 %
Other containers (2)	17,500	14,600	2,900	19.9 %

- (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 \$804.7 million, or 38.2 percent, during the nine months ended September 30, 2022, compared with the nine months ended September 30, 2021. The increase was primarily due to higher revenue in China, higher fuel-related surcharge revenue, and higher revenue in Alaska. The higher revenue in China was primarily due to considerably higher average freight rates and higher volume. The higher revenue in Alaska was primarily the result of higher volume.

On a year-over-year FEU basis, Hawaii container volume decreased 3.2 percent primarily due to lower retail-related demand; Alaska volume increased 13.9 percent primarily due to (i) higher northbound volume primarily due to higher retail-related demand and volume related to a competitor's dry-docking, (ii) higher export seafood volume from AAX and (iii) higher southbound volume primarily due to higher domestic seafood volume; China volume was 2.7 percent higher as a result of seven more eastbound voyages than the prior year; Guam volume was flat; and Other containers volume increased 19.9 percent primarily due to the addition of China-Auckland Express volume in the South Pacific.

Ocean Transportation operating income increased \$524.4 million during the nine months ended September 30, 2022, compared with the nine months ended September 30, 2021. The increase was primarily due to considerably higher average freight rates and higher volume in China and a higher contribution from SSAT, partially offset by higher operating costs and expenses primarily due to the CLX+ and CCX services and higher fuel-related expenses.

The Company's SSAT terminal joint venture investment contributed \$82.1 million during the nine months ended September 30, 2022, compared to a contribution of \$35.0 million during the nine months ended September 30, 2021. The increase was primarily driven by higher other terminal revenue.

**Logistics Operating Results: Three months ended September 30, 2022 compared with 2021:**

(Dollars in millions)	Three Months Ended September 30,			
	2022	2021	Change	
Logistics revenue	\$ 196.3	\$ 208.1	\$ (11.8)	(5.7)%
Operating costs and expenses	(176.2)	(192.1)	15.9	(8.3)%
Operating income	\$ 20.1	\$ 16.0	\$ 4.1	25.6 %
Operating income margin	10.2 %	7.7 %		

Logistics revenue decreased \$11.8 million, or 5.7 percent, during the three months ended September 30, 2022, compared with the three months ended September 30, 2021. The decrease was primarily due to lower transportation brokerage revenue, partially offset by higher revenue in freight forwarding, warehousing and supply chain management.

Logistics operating income increased \$4.1 million, or 25.6 percent, during the three months ended September 30, 2022, compared with the three months ended September 30, 2021. The increase was primarily due to higher contributions from all services.

**Logistics Operating Results: Nine months ended September 30, 2022 compared with 2021:**

(Dollars in millions)	Nine Months Ended September 30,			
	2022	2021	Change	
Logistics revenue	\$ 629.8	\$ 551.4	\$ 78.4	14.2 %
Operating costs and expenses	(570.2)	(516.4)	(53.8)	10.4 %
Operating income	\$ 59.6	\$ 35.0	\$ 24.6	70.3 %
Operating income margin	9.5 %	6.3 %		

Logistics revenue increased \$78.4 million, or 14.2 percent, during the nine months ended September 30, 2022, compared with the nine months ended September 30, 2021. The increase was primarily due to higher transportation brokerage revenue.

Logistics operating income increased \$24.6 million, or 70.3 percent, during the nine months ended September 30, 2022, compared with the nine months ended September 30, 2021. The increase was primarily due to higher contributions from all services.

**LIQUIDITY AND CAPITAL RESOURCES**

Sources of liquidity available to the Company as of September 30, 2022, compared to December 31, 2021 were as follows:

**Cash, Cash Equivalents, Restricted Cash and Accounts Receivable:** Cash and cash equivalents, restricted cash and accounts receivable as of September 30, 2022, compared to December 31, 2021 were as follows:

(In millions)	September 30, 2022	December 31, 2021	Change
Cash and cash equivalents	\$ 242.8	\$ 282.4	\$ (39.6)
Restricted cash	\$ 3.9	\$ 5.3	\$ (1.4)
Accounts receivable, net (1)	\$ 328.5	\$ 343.7	\$ (15.2)

(1) As of September 30, 2022 and December 31, 2021, \$9.8 million of eligible accounts receivable were assigned to the CCF.

Changes in the Company's cash, cash equivalents and restricted cash for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021 were as follows:

(In millions)	Nine Months Ended September 30,		
	2022	2021	Change
Net cash provided by operating activities (1)	\$ 1,102.5	\$ 583.3	\$ 519.2
Net cash used in investing activities (2)	(692.9)	(242.5)	(450.4)
Net cash used in by financing activities (3)	(450.6)	(279.3)	(171.3)
Net (decrease) increase in cash, cash equivalents and restricted cash	(41.0)	61.5	(102.5)
Cash, cash equivalents and restricted cash, beginning of the period	287.7	19.7	268.0
Cash, cash equivalents and restricted cash, end of the period	\$ 246.7	\$ 81.2	\$ 165.5

(1) *Changes in net cash provided by operating activities:*

Changes in net cash provided by operating activities for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Net income	\$ 453.0
Non-cash depreciation and amortization	4.7
Deferred income taxes	116.0
Other non-cash related changes, net	2.2
Income and distributions from SSAT, net	(53.7)
Accounts receivable, net	89.1
Prepaid expenses and other assets	(63.5)
Accounts payable, accruals and other liabilities	(35.2)
Operating lease liabilities	(41.7)
Non-cash amortization of operating lease right of use assets	40.0
Deferred dry-docking payments	9.1
Non-cash deferred dry-docking amortization	0.6
Other long-term liabilities	(1.4)
Total	<u>\$ 519.2</u>

Net income was \$985.9 million for the nine months ended September 30, 2022, compared to \$532.9 million for the nine months ended September 30, 2021, as described above. Income from SSAT was \$82.1 million for the nine months ended September 30, 2022, compared to \$35.0 million for the nine months ended September 30, 2021. The increase in income from SSAT was due to higher operating profits generated by SSAT during the nine months ended September 30, 2022 as compared to the same prior year period. Cash distributions received from SSAT were \$40.3 million during the nine months ended September 30, 2022, compared to \$46.9 million for the nine months ended September 30, 2021. Cash distributions from SSAT are dependent on the level of cash available for distribution after operational and future capital needs of SSAT, and the timing of when such dividends are declared and paid. Changes in accounts receivable were primarily due to increased levels of revenues, and the timing of collections associated with those receivables. Changes in prepaid expenses and other assets were primarily due to increased prepaid income taxes, and increased prepaid fuel and other operating expenses for the nine months ended September 30, 2022 as compared to the same prior year period. Changes in accounts payable, accruals and other liabilities were due to the timing of payments associated with those liabilities. Changes in operating lease liabilities were primarily due to new operating lease additions and renewals, partially offset by operating lease terminations during the nine months ended September 30, 2022, compared to the same prior year period. Deferred dry-docking payments for the nine months ended September 30, 2022 were \$16.7 million, compared to \$25.8 million for the nine months ended September 30, 2021. The decrease in deferred dry-docking payments was due to less dry-dock related activity during the nine months ended September 30, 2022 as compared to the same prior year period.

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

Changes in net cash used in investing activities for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Cash deposits into CCF	\$ (548.5)
Withdrawals from CCF	(16.5)
Capitalized vessel construction expenditures	(11.9)
Other capital expenditures	131.3
Other	(4.8)
Total	<u>\$ (450.4)</u>

The Company deposited \$579.7 million into the CCF and withdrew \$14.7 million from the CCF during the nine months ended September 30, 2022, compared to \$31.2 million deposited into the CCF and \$31.2 million withdrawn from the CCF during the nine months ended September 30, 2021. Deposits into the CCF are intended to fund long-term investment in the construction of new vessels. Capitalized vessel construction expenditures (including capitalized interest) were \$11.9 million for the nine months ended September 30, 2022 and related to the construction of a new flat-deck barge. There were no capitalized vessel construction expenditures during the nine months ended September 30, 2021. Other capital expenditures payments were \$113.4 million for the nine months ended September 30, 2022, compared to \$244.7 million for the nine months ended September 30, 2021. Other capital expenditures primarily relates to the acquisition of containers, chassis and other equipment; vessel related expenditures; and expenditures on other capital related projects. The Company purchased fewer containers, chassis and other equipment during the nine months ended September 30, 2022 as compared to the same prior year period.

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

Changes in net cash used in financing activities for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Repurchase of Matson common stock	\$ (181.2)
Repayments of fixed interest debt	(56.1)
Repayments and borrowings under revolving credit facility, net	71.8
Withholding tax related to net share settlements of restricted stock units	(5.2)
Payment of financing costs	3.0
Dividends paid	(3.6)
Total	<u>\$ (171.3)</u>

During the nine months ended September 30, 2022, the Company paid \$296.9 million to repurchase Matson common stock, compared to \$115.7 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, the Company prepaid \$50.4 million of debt and paid \$46.8 million in scheduled fixed debt payments, compared to \$41.1 million in scheduled fixed debt payments during the nine months ended September 30, 2021. During the nine months ended September 30, 2021, the Company decreased net borrowings under the revolving credit facility by \$71.8 million. There were no borrowings under the revolving credit facility during the nine months ended September 30, 2022. An increase in cash generated by operating activities was used to repurchase Matson common stock, prepay debt and reduce the revolving credit facility during the nine months ended September 30, 2022. The Company paid \$3.0 million in financing costs during the nine months ended September 30, 2021. No financing costs were paid during the nine months ended September 30, 2022. During the nine months ended September 30, 2022, the Company paid \$19.6 million in payroll taxes related to vested restricted stock units, compared to \$14.4 million for the nine months ended September 30, 2021. The increase in withholding tax was primarily due to the increase of the Company's stock price as of the vesting date of the restricted stock units. During the nine months ended September 30, 2022, the Company paid \$36.9 million in dividends, compared to \$33.3 million during the nine months ended September 30, 2021. The increase in dividend payments resulted from an increase in dividends declared per share of common stock by the Company.

**Capital Construction Fund:** Cash on deposit in the capital construction fund as of September 30, 2022 and December 31, 2021 is as follows:

<u>(In millions)</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Capital Construction Fund:		
Cash on deposit	\$ 565.0	\$ —
Assigned accounts receivables	\$ 9.8	\$ 9.8

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During the nine months ended September 30, 2022, the Company deposited \$579.7 million into the CCF, and withdrew \$14.7 million out of the CCF. Cash on deposit in the CCF is held in short term U.S. Treasury Obligation Funds 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.

Assigned accounts receivable in the CCF are classified as part of accounts receivable in the Condensed Consolidated Balance sheet due to the nature of the assignment.

**Debt:** Total Debt as of September 30, 2022 and December 31, 2021 is as follows:

<u>(In millions)</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>Change</u>
Fixed interest debt	\$ 531.8	\$ 629.0	\$ (97.2)
Total Debt	<u>\$ 531.8</u>	<u>\$ 629.0</u>	<u>\$ (97.2)</u>

Total Debt decreased by \$97.2 million during the nine months ended September 30, 2022. The decrease in fixed interest debt was due to prepayment of \$50.4 million of outstanding principal of certain private placement term loans, and scheduled repayments of private placement term loans and Title XI debt during the nine months ended September 30, 2022.

As of September 30, 2022, the Company had \$642.2 million of remaining borrowing availability under the revolving credit facility, with a maturity date of March 31, 2026. The Company's debt is described in Note 6 of Part I, Item 1 above.

**Working Capital:** The Company had a working capital surplus of \$274.6 million and \$92.1 million at September 30, 2022 and December 31, 2021, respectively. Working capital is primarily impacted by the amount of net cash provided by operating activities, the amount of capital expenditures, the timing of collections associated with accounts receivable, prepaid expenses and other assets, and by the amount and timing of payments associated with accounts payable, accruals, income taxes and other liabilities. The increase in working capital surplus at September 30, 2022 is primarily due to the increase in cash generated from operating activities during the nine months ended September 30, 2022, and an increase in federal income tax receivables at September 30, 2022.

**Capital Expenditures:** Except as described below, there were no material changes during the quarter ended September 30, 2022 to the Company's expected capital expenditures for the years ending December 31, 2022 and 2023 that are described in Part II, Item 7 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2021](#).

On November 1, 2022, MatNav signed vessel construction agreements with Philly Shipyard, Inc. for three new LNG-ready Aloha Class containerships. Each of the new 3,600 TEU vessels is expected to provide 500 containers of additional capacity per voyage in the CLX service. The contract cost of this new Jones Act vessel program is expected to be approximately \$1 billion and delivery of the first vessel is currently anticipated to be in the fourth quarter of 2026 with subsequent deliveries in the second and fourth quarters of 2027. Upon signing the agreements, the Company made its first milestone payment of \$50 million from the CCF. The Company expects to finance the remaining construction-related payments with cash currently on deposit in the CCF, cash and cash equivalents on the balance sheet and through cash flows from operations, borrowings available under the Company's unsecured revolving credit facility and additional debt financings.

The following represents the estimated timing of future milestone payments under the vessel construction agreements:

<u>(in millions)</u>	<u>Milestone Payments By Period</u>				<u>Total</u>
	<u>Q4 2022</u>	<u>2023-2024</u>	<u>2025-2026</u>	<u>Thereafter</u>	
Three Aloha Class Containerships	\$ 50	\$ 121	\$ 658	\$ 170	\$ 999

**Repurchase of Shares:** During the nine months ended September 30, 2022, the Company repurchased approximately 3.5 million shares for a total cost of \$294.7 million. The maximum number of remaining shares that may be purchased under the Company's share repurchase program was approximately 3.0 million shares at September 30, 2022.

**Other Material Cash Requirements:** Except as described above, there were no other material changes during the quarter ended September 30, 2022 to the Company's other cash requirements that are described in Part II, Item 7 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2021](#).

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

There have been no changes during this quarter to the Company's critical accounting policies and estimates as discussed in Part II, Item 7 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2021](#).

#### **OTHER MATTERS**

The Company's third quarter 2022 cash dividend of \$0.31 per share was paid on September 1, 2022. On October 27, 2022, the Company's Board of Directors declared a cash dividend of \$0.31 per share payable on December 1, 2022 to shareholders of record on November 10, 2022.

#### **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 its [Annual Report on Form 10-K for the year ended December 31, 2021](#).

#### **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 September 30, 2022, 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 September 30, 2022, 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 segment has certain risks that could result in expenditures for environmental remediation. Except as described below, 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.

In accordance with SEC rules, with respect to administrative or judicial proceedings involving the environment, the Company has determined it will disclose any such proceeding if it reasonably believes such proceeding will result in monetary sanctions, exclusive of interest and costs, at or in excess of \$1 million. The Company believes that such threshold is reasonably designed to result in disclosure of environmental proceedings that are material to its business or financial condition.

On November 10, 2021, the California Air Resources Board ("CARB") issued a Notice of Violation ("NOV") to Matson for alleged violations of the Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port pursuant to California Code of Regulations, title 17, section 93118.3. CARB

regulations require that a company's fleet plug into shore power for at least 80 percent of visits at California ports and reduce auxiliary engine power generation by at least 80 percent. The NOV alleges that Matson's fleet did not meet the 80 percent thresholds during visits to the Port of Long Beach in 2020. The violations were alleged to have been incurred by chartered vessels in the CLX+ service. These chartered vessels were not outfitted with alternative maritime power capability which would have allowed them to plug into the shore power grid and shut down the vessel diesel generators when at dock. The Company has presented mitigating factors for consideration in settlement discussions with CARB, as well as plans to achieve compliance in 2022. Although potential penalties for 2020, 2021 and 2022 violations could, in the aggregate, reasonably be expected to exceed \$1 million, they are not expected to be material to the Company's financial condition, results of operations or cash flows.

*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**

The following material factors, events and uncertainties may make an investment in the Company speculative or risky and should be reviewed carefully. The Company's business faces the material risks set forth below; however, these risk factors do not identify all risks the Company faces, and additional risks or uncertainties that are currently unknown or are not currently believed to be material may occur or become material. The occurrence of these or the events and uncertainties described below may, in ways the Company may not be able to accurately predict, recognize or control, adversely affect the Company's business, financial condition, operating results, cash flows, liquidity, demand, revenue, growth, prospects, reputation or stock price. All forward-looking statements made by the Company or on the Company's behalf are qualified by the risks described below.

The risk factors described below include material changes to and supersede the risk factors previously described in Part I, Item 1A, "Risk Factors" of the Company's [Annual Report on Form 10-K for the year ended December 31, 2021](#).

### ***Risks Related to the Jones Act***

#### **Repeal, substantial amendment, or waiver of the Jones Act or its application would have an adverse effect on the Company's business.**

The Merchant Marine Act of 1920 (commonly referred to as the Jones Act) regulates all interstate and intrastate marine commerce within the U.S. If the Jones Act were repealed, substantially amended or waived and, as a consequence, competitors were to enter the Hawaii or Alaska markets with lower operating costs by utilizing their ability to acquire and operate foreign-flagged and foreign-built vessels and/or being exempt from other U.S. regulations, the Company's business would be adversely affected. In addition, the Company's position as a U.S. citizen operator of Jones Act vessels would be negatively impacted if periodic efforts and attempts by foreign interests to circumvent certain aspects of the Jones Act were successful. If maritime cabotage services were included in the General Agreement on Trade in Services, the United States-Mexico-Canada Agreement, or other international trade agreements, or if the restrictions contained in the Jones Act were otherwise altered, the shipping of cargo between covered U.S. ports could be opened to foreign-flagged or foreign-built vessels and could have other adverse impacts to our business.

#### **The Company's business would be adversely affected if the Company were determined not to be a U.S. citizen under the Jones Act.**

Certain provisions of the Company's articles of incorporation protect the Company's ability to maintain its status as a U.S. citizen under the Jones Act. If non-U.S. citizens were able to defeat such articles of incorporation restrictions and own in the aggregate more than 25 percent of the Company's common stock, the Company would no longer be considered a U.S. citizen under the Jones Act. Such an event could result in the Company's ineligibility to engage in coastwise trade and the imposition of substantial penalties against it, including seizure or forfeiture of its vessels.

### ***Risks Related to the Company's Operations***

#### **Changes in macroeconomic conditions, geopolitical developments, or governmental policies, including from the COVID-19 pandemic, have affected and could in the future affect the Company.**

The transportation industry in which the Company operates has been impacted by fluctuations, volatility, downturns, inflation, recessions and other economic shifts or market instabilities, as well as the development of and changes in governmental policies and relations and geopolitical developments, across the jurisdictions in which it operates. These adverse economic conditions may also impact customers' business levels and needs. Within the U.S., a weakening of economic drivers in Hawaii, Alaska and Guam, which include tourism, military spending, construction, personal income growth and employment, the weakening of consumer confidence, market demand, and the economy in the U.S. Mainland, inflation, interest rates, and the effect of a change in the strength of the U.S. dollar against other foreign currencies may reduce the demand for goods, adversely affecting inland and ocean transportation volumes or rates. In addition, overcapacity in the global or transpacific ocean transportation markets, a change in the cost of goods or currency exchange rates, pressure from U.S. or foreign governments, imposition of tariffs and uncertainties regarding tariff rates or a change in international trade policies could adversely affect freight volumes and rates in the Company's China service.

Since March 2020, the COVID-19 pandemic has impacted the U.S. and global economies, shut down or limited many business operations, led to port closures, and disrupted manufacturing, rail services, supply chains, travel, drayage of containers and transportation of goods for extended periods of time. In the United States and in many other countries worldwide, public health officials and state and local governments have recommended or mandated a range of precautions to mitigate the spread of COVID-19 and its variants as they evolve and fluctuate in their global impacts. The full impact of such disruptions on the Company's business in the future remains uncertain.

Fluctuations in the price of oil could further impact the Alaskan economy, which in turn could impact the Company's business. In addition, the global macroeconomic effects of the pandemic and related impacts on the Company's customers' business operations, including financial difficulties or bankruptcies, may persist for an indefinite period, even after the pandemic has subsided.

As the COVID-19 pandemic subsides, supply and demand trends normalize, and supply chain congestion eases, the high volumes and rates the Company previously experienced in its China service have started to decline, but the Company cannot predict the size and duration of such decline. These declines are expected to reduce revenues, but certain fixed costs will remain. For example, the Company cannot terminate leases early for chartered vessels in the CLX+ service absent a breach by vessel owners.

The Company's operations may be further impacted if its employees, including mariners aboard our vessels, are otherwise restricted from or unable to perform their duties, the Company's or SSAT's terminals are temporarily closed, or there are outbreaks aboard the Company's vessels that cause the Company to miss port calls, due to a COVID-19 outbreak. Some vessel dry-dockings could also be delayed or become more expensive if shipyards are unable to accommodate demand or obtain parts in a timely manner or if necessary personnel are not allowed to travel to the shipyards.

As the COVID-19 pandemic reaches endemic stages, the future impact on the Company's business, financial condition, operating results or cash flows remains difficult to predict with certainty at this time. Additional or unforeseen effects from COVID-19, including resurgences or mutations of the virus and the actions taken in response to the virus, may give rise to additional risks or instigate or amplify the other risks described throughout these Risk Factors.

#### **The shipping industry is competitive, and the Company has been impacted by new or increased competition.**

The Company may face new competition by established or start-up shipping operators that enter the Company's markets. The shipping industry is competitive with limited barriers to entry, especially in international tradelanes. Ocean carriers can shift vessels in and out of tradelanes or charter vessels to manage capacity and meet customer demands. For example, in 2020 and 2021, in response to rising demand, several new carriers entered the China tradelane in competition with the Company's China service. The entry of a new competitor or the addition of new vessels or capacity by existing competition on any of the Company's routes could result in a significant increase in available shipping capacity that could have an adverse effect on the Company's volumes and rates.

**The loss of or damage to key customer or agent relationships may adversely affect the Company's business.**

The Company's businesses are dependent on their relationships with customers and agents, and derive a significant portion of their revenues from the Company's largest customers. The Company's business relies on its relationships with the U.S. military, freight forwarders and non-vessel owning common carriers, large retailers and consumer goods manufacturers, as well as other larger customers. For more information regarding the Company's significant customers, see the discussion in Part I, Item 1 of this Annual Report.

The Company could also be adversely affected by any changes in the services, or changes to the costs of services, provided by third party vendors such as railroads, truckers, terminals, agents and shipping companies, including charter vessel owners. Service structures and relationships with these parties are important in the Company's intermodal business, as well as in the China, Guam, Micronesia, Japan, Alaska export and South Pacific services.

The loss of or damage to any of these key relationships may adversely affect the Company's business and revenue.

**The Company is dependent upon key vendors and third-parties for equipment, capacity and services essential to operate its business, and if the Company fails to secure sufficient third-party services, its business could be adversely affected.**

The Company's businesses are dependent upon key vendors who provide terminal, rail, truck, and ocean transportation services. If the Company cannot secure sufficient transportation equipment, capacity or services from these third-parties at reasonable prices or rates to meet its or its customers' needs and schedules, customers may seek to have their transportation and logistics needs met by others on a temporary or permanent basis. If this were to occur, the Company's business, results of operations and financial condition could be adversely affected.

**An increase in fuel prices, changes in the Company's ability to collect fuel-related surcharges, and/or the cost or limited availability of required fuels on the U.S. West Coast may adversely affect the Company's profits.**

Fuel is a significant operating expense for the Company's Ocean Transportation business. The price and supply of fuel are unpredictable and fluctuate based on events beyond the Company's control, including impacts from global macroeconomic conditions and geopolitical events. Increases in the price of fuel may adversely affect the Company's results of operations. Increases in fuel costs also can lead to increases in other expenses, such as energy costs and costs to purchase outside transportation services. In the Company's Ocean Transportation and Logistics services segments, the Company utilizes fuel-related surcharges, although increases in the fuel-related surcharge may adversely affect the Company's competitive position and may not correspond exactly with the timing of increases in fuel expense. Changes in the Company's ability to collect fuel-related surcharges, including recovery of all fuel-related expenses, also may adversely affect its results of operations.

**Evolving stakeholder expectations related to environmental, social and governance ("ESG") matters exposes the Company to heightened scrutiny, additional costs, operational challenges and a number of risks.**

Investors, advisory firms, employees, customers, suppliers, governments and other stakeholders are increasingly focused on, and establishing expectations for, ESG matters and related corporate practices, disclosures and initiatives. These evolving expectations may impact the Company's reputation, business and attractiveness as an investment, employer or business partner to the extent the Company – including its initiatives, goals and reporting – meets or is perceived to meet those expectations, including as a result of any third-party rating or assessment. The adoption and expansion of ESG-related legislation and regulation have also resulted and may again result in increased capital expenditures and compliance, operational and other costs to the Company.

The Company's public disclosures on its climate, sustainability, human capital and other ESG initiatives include its goals or expectations with respect to those matters, including greenhouse gas ("GHG") emission reduction targets. These disclosures are aspirational and based on standards and frameworks for presenting and measuring progress that are not harmonized and are still developing, assumptions that may change, and disclosure controls and procedures that continue to evolve. The Company's initiatives and goals may not be favored by certain stakeholders and could impact the attraction and retention of investors, customers and employees, as well as the Company's willingness to do business with other companies or customers. Efforts to achieve the Company's initiatives and goals face numerous risks and may

be unsuccessful, result in additional costs or experience delays, and as a result may have a material negative impact on the Company, including its brand, reputation and stock price.

**The Company may not be timely or successful in completing its fleet upgrade initiatives, which may result in significant costs and adversely impact the Company's ability to meet its climate goals.**

The Company's four new Aloha and Kanaloa class vessels include dual fuel capable engines that can run on LSFO or liquefied natural gas ("LNG"). The Company has announced plans to install tanks, piping and cryogenic equipment on *Daniel K. Inouye* and *Kaimana Hila* and to re-engine *Manukai* to operate on LNG. The Company also expects to begin LNG installations on *Lurline* and *Matsonia*. The Company anticipates making significant capital expenditures in connection with these fleet initiatives. These initiatives may be hindered by substantial delays and long lead times for necessary equipment, including as a result of ongoing supply chain congestion, other residual impacts from the COVID-19 pandemic, increased demand across the industry for LNG installations and conversions, and new ship-building. Additional operating costs may be incurred to the extent additional ships are needed to maintain schedule integrity while such updates and installations are performed. Once completed, operation of these vessels may be slowed to the extent they present new maintenance requirements or unforeseen complications.

Use of LNG fuel may not result in anticipated GHG emission reductions, and the Company's investments in LNG-ready vessels may be insufficient to meet the Company's previously announced GHG emission reduction goals on a timely basis or at all. There is no guarantee that the Company will be able to secure LNG via bunker barges or other methods on the U.S. West Coast in sufficient amounts to fuel its vessels or at a reasonable cost, as increased demand for LNG could decrease available supply of LNG and increase prices. Governments have in the past and may again in the future impose tariffs on LNG that also may increase supply costs. As a result of these risks, the Company may not fully realize the benefits of these investments.

**The Company's vessel construction agreements with Philly Shipyard are subject to risks.**

On November 1, 2022, MatNav and Philly Shipyard entered into vessel construction agreements pursuant to which Philly Shipyard will construct three new 3,600-TEU Aloha Class dual-fuel capable containerships, with expected delivery dates during the fourth quarter of 2026 and subsequent deliveries in the second and fourth quarters of 2027. Failure of any party to the vessel construction agreements to fulfill its obligations under the agreements could have an adverse effect on the Company's financial position and results of operations. Such a failure could happen for a variety of reasons, including but not limited to (i) delivery delays, (ii) delivery of vessels that fail to meet any of the required operating specifications (for example, capacity, fuel efficiency or speed), (iii) events in Korea which prevent one or more significant subcontractors to Philly Shipyard from performing, (iv) loss of key personnel at either Philly Shipyard or any of its subcontractors, (v) work stoppages or other labor disruptions that may occur as a result of the failure of Philly Shipyard to negotiate collective bargaining agreements with its unions, or (vi) the insolvency of, or the refusal or inability to perform for any reason, by Philly Shipyard or any of its subcontractors. Significant delays in the delivery of the new vessels could limit our ability to replace aging vessels in the Alaska service without substantial modifications, which could also have an adverse impact on our business plans, financial condition and results of operations.

**The Company's operations are susceptible to weather, natural disasters, maritime accidents, spill events and other physical and operating risks, including those arising from climate change.**

As a maritime transportation company, the Company's operations are vulnerable to disruption as a result of weather, natural disasters and other climate-driven events, such as rising temperatures, sea levels and storm severity, bad weather at sea, hurricanes, typhoons, tsunamis, floods and earthquakes, as well as a maritime accident, oil or other spill, or other environmental mishap. Climate change has increased and may continue to increase the frequency, severity and uncertainty of such events. Such events interfere with the Company's ability to provide on-time scheduled service, resulting in increased expenses and potential loss of business associated with such events. In addition, severe weather and natural disasters can result in interference with the Company's terminal operations and may cause serious damage to its vessels and cranes. These impacts could be particularly acute in certain ports in Alaska where the Company is dependent on a single crane. The Company's vessels and their cargoes are also subject to operating risks such as mechanical failure, collisions and human error.

The occurrence of any of these events may result in damage to or loss of vessels, containers, cargo and other equipment, increased maintenance expense, loss of life or physical injury to its employees or people, pollution, or the slow down or

suspension of operations. These events can expose the Company to reputational harm and liability for resulting damages and possible penalties that, pursuant to typical maritime industry policies, it must pay and then seek reimbursement from its insurer. Affected vessels may also be removed from service and thus would be unavailable for income-generating activity.

The Company's casualty and liability insurance policies are generally subject to large retentions and deductibles and may not cover all losses the Company may incur. Some types of losses, such as losses resulting from a port blockage, generally are not insured. In some cases, the Company retains the entire risk of loss because it is not economically prudent to purchase insurance coverage or because of the perceived remoteness of the risk. Other risks are uninsured because insurance coverage may not be commercially available. Finally, the Company retains all risk of loss that exceeds the limits of its insurance.

**The Company may be impacted by transitional and other risks arising from climate change.**

The Company may be impacted by transitional and other risks arising from climate change and the global shift toward a low carbon future. Organizational, industrial and governmental shifts in operations as well as legal and regulatory requirements to reduce or eliminate emissions and/or increase efficiency may require the Company to increase expenditures, make changes to existing infrastructure, vessels and equipment and shift its business model. For example, the maritime industry is moving toward deployment of clean energy technologies and use of electricity powered by renewable energy sources to power terminal operations as a way to reduce shoreside greenhouse gas emissions. As the Company and SSAT increase their reliance on the power grid at terminals, including for cold-ironing and ground service fleets, the Company may experience increased risks related to power outages, brown outs or black outs. The likelihood of these risks is compounded by uncertainties regarding the reliability of renewable energy sources as well as any increased frequency of extreme weather events that may disrupt the generation or transmission of electricity. In addition, compliance with new climate change requirements or regulations such as the IMO's requirements related to EEXI and CII could require Matson's fleet to slow down if efficiency improvements or transitions to alternative fuels together are not enough to reduce GHG emissions sufficiently, thus impacting Matson's expedited business model and competitive advantage. New environmental requirements for vessel performance and operation could also require the Company to accelerate the building of new vessels, increase the construction costs for new vessels and equipment to accommodate even newer technology as it emerges while today's technology becomes obsolete, initiate unexpected retrofit projects for existing vessels, retire older vessels earlier than expected, or render reserve vessels unusable. If these outcomes were to occur, the Company's business, results of operations, cash flows and financial condition could be adversely affected.

**The Company faces risks related to actual or threatened health epidemics, pandemics or other major health crises, such as the COVID-19 pandemic, which could significantly disrupt the Company's business.**

The Company's business could be impacted adversely by the effects of public health epidemics, pandemics or other major health crises (which the Company refers to collectively as public health crises). Actual or threatened public health crises may have a number of adverse impacts, including volatility in the global economy, impacts to the Company's customers' business operations, reduced tourism in the markets the Company serves, potential restrictions on employee travel, or significant disruptions in ocean-borne transportation of goods, logistics demand and supply chain activity, caused by a variety of factors such as quarantines, factory and office closures, port closures, or other government-imposed restrictions, any of which could adversely impact the Company's business, financial condition, operating results and cash flows.

**The Company's significant operating agreements and leases could be replaced on less favorable terms or may not be replaced on acceptable terms.**

The significant operating agreements and leases entered into by the Company in its businesses, including those related to terminals, chartered vessels and warehouses as well as those with SSAT, expire at various points in time and may not be replaced with comparable assets with the specifications necessary for the Company's or SSAT's businesses or could be replaced on less favorable terms, thereby adversely affecting the Company's future financial position, results of operations and cash flows.

**The Company may face unexpected dry-docking or repair costs for its vessels.**

The Company routinely engage shipyards to dry-dock its vessels for regulatory compliance and to provide repair and maintenance. Vessels may also have to be dry-docked or repaired at sea in the event of accidents or other unforeseen damage. Unexpected dry-dockings or repairs could require the Company to activate a reserve vessel, purchase additional fuel and operate a less-efficient, smaller vessel for a period of time. The Company also operates a number of older active and reserve vessels that may require more frequent and extensive maintenance. The cost of repairs is difficult to predict with certainty and can be substantial. In addition, the time when a vessel is out of service for maintenance is determined by a number of factors, including regulatory deadlines, market conditions, shipyard availability and customer requirements, and accordingly, the length of time that a vessel may be out of service may be longer than anticipated, which could adversely affect the Company's business, financial condition, results of operations and cash flows.

**The Company is involved in a joint venture and is subject to risks associated with joint venture relationships.**

The Company is involved in a terminal joint venture with SSAT (and through SSAT, other joint ventures at various U.S. West Coast terminals), and may initiate future joint venture projects. A joint venture involves certain risks for the Company such as:

- The Company's lack of voting control over the joint venture, including the risk that the joint venture takes actions resulting in reputational harm to the Company;
- Misalignment or inconsistency of interests between the Company and the joint venture partner;
- Reliance on the joint venture partner to fund its share of capital or fulfill its other commitments, including the risk that the joint venture partner could become bankrupt; and
- Operating difficulties and financial losses at the joint venture, which may lead to the Company writing down assets or incurring impairment charges.

In addition, the Company relies on SSAT for its stevedoring services at the ports of Long Beach and Oakland, California and Tacoma, Washington on the U.S. West Coast. The Company could be adversely affected by any changes in the services provided or to the costs of such services provided by SSAT.

**The Company is subject to risks associated with conducting business in foreign shipping markets.**

Matson's China, Alaska export, Micronesia, Japan and South Pacific services are subject to risks associated with conducting business in a foreign shipping market, which include:

- Challenges associated with operating in foreign countries and developing relationships with foreign companies, business associates and governments, including as a result of cultural differences;
- Difficulties in staffing and managing foreign operations, including dynamic employment and immigration laws;
- The Company's ability to comply with U.S. and foreign legal and regulatory restrictions, including anti-corruption laws such as the Foreign Corrupt Practices Act;
- Not having continued access to existing port facilities or feeder vessels;
- The Company's ability to manage changes in the cost of goods or currency exchange rate fluctuations;
- Geopolitical and economic instability; and
- Dynamics involving U.S. trade relations with other countries, including the imposition of or uncertainty associated with the level of tariffs or other governmental actions.

**The Company's terminals in Hawaii and Alaska require modernization.**

The Company has completed the first phase of renovating and modernizing its Sand Island terminal in Honolulu Harbor. Significant additional upgrades and projects remain. The Company has also continued discussions with state and local authorities in Anchorage, Alaska regarding upgrades to those terminal and port facilities. Regulatory, construction or other delays or cost overruns related to the expansion and modernization of the terminals could have an adverse impact on the Company's business plans, financial condition and results of operations. In addition, the terminal modernization programs may not result in improved operational productivity or generate expected returns.

**Heightened security measures, war, actual or threatened terrorist attacks, efforts to combat terrorism and other acts of violence may adversely impact the Company's operations and profitability.**

War, including the war in Ukraine, terrorist attacks and other acts of violence may cause consumer confidence and spending to decrease, or may affect the ability or willingness of tourists to travel to Hawaii, Guam or Alaska, thereby adversely affecting those economies and the Company. Additionally, acts of wars and future terrorist attacks could increase volatility in the U.S. and worldwide financial markets. Acts of war or terrorism may also be directed at the Company's shipping operations, or may cause the U.S. government to take control of Matson's vessels for military operation. Heightened security measures, including customs inspections and related procedures in countries of origin and destination, potentially slow the movement and increase the cost of freight through U.S. or foreign ports, across borders or on U.S. or foreign railroads or highways.

**Acquisitions may have an adverse effect on the Company's business.**

The Company's growth strategy includes expansion through acquisitions, including, for example, the Company's acquisitions of Horizon Lines, Inc. ("Horizon") in 2015 and Span Intermediate, LLC ("Span Alaska") in 2016. There is no assurance that the Company will be successful in identifying, negotiating, or consummating any future acquisitions. Even if suitable candidates are identified, such transactions may result in difficulties in assimilating acquired assets or companies, and may result in the diversion of the Company's capital and its management attention from other business issues and opportunities. The Company may not be able to integrate companies that it acquires successfully, including their personnel, financial systems, distribution, operations and general operating procedures. The Company may also encounter challenges in achieving appropriate internal control over financial reporting in connection with the integration of an acquired company. The Company may pay a premium for an acquisition, resulting in goodwill that may later be determined to be impaired.

***Risks Related to Employees***

**Work stoppages or other labor disruptions caused by the Company's unionized workers and other workers or their unions in related industries could adversely affect the Company's operations.**

A significant portion of Matson's employees are covered by collective bargaining agreements. Furthermore, the Company relies on the services of third-parties, including SSAT, which employ persons covered by collective bargaining agreements. For additional information on collective bargaining agreements with unions, see Item 1.C. Employees and Labor Relations of Part I of our Fiscal 2021 Annual Report on Form 10-K.

The Company has been adversely affected by actions taken by employees of the Company or other companies in related industries against efforts by management of the Company or other companies to control labor costs, restrain wage or benefit increases or modify work practices. In the past, strikes, slow-downs and disruptions have occurred as a result of the failure of Matson or other companies in its industry to negotiate collective bargaining agreements with such unions successfully.

Matson and SSAT are members of the Pacific Maritime Association ("PMA"), which on behalf of its members negotiates collective bargaining agreements with the International Longshore and Warehouse Union ("ILWU") on the U.S. West Coast. The PMA/ILWU collective bargaining agreements that cover substantially all U.S. West Coast longshore labor expired on July 1, 2022. If such collective bargaining agreements are not renewed, Matson and SSAT could be subject to future slow-downs, strikes, lock-outs or other disruptions that may adversely impact Matson's or SSAT's operations.

In addition, any slow-downs, strikes, lock-outs or other disruptions, including limits on the availability of labor through trade union hiring halls, have had and in the future, particularly in years when collective bargaining agreements are being negotiated, could have an adverse impact on Matson's or SSAT's operations.

**Loss of the Company's key personnel or failure to adequately manage human capital could adversely affect its business.**

The Company's future success will depend, in significant part, upon the continued services of its key personnel and skilled employees, including its senior management, as well as key personnel at its joint venture partners. The permanent or temporary loss of the services of key personnel could adversely affect the Company's future operating results because of such employees' experience with and knowledge of the Company's business and customer relationships. If key personnel and skilled employees depart or are unable or unwilling to work, the Company's ability to execute its business model could be impaired to the extent it cannot replace such personnel or sufficiently train new personnel in a timely manner. In addition, the Company may incur significant costs to replace these employees. Whether the Company can meet its labor needs is subject to a variety of pressures, including market compensation and benefit levels, which may be impacted by pressure within the industry to increase wages, including due to the threat of a labor strike; the availability of labor, which may be impacted by national and global labor trends including higher-than-normal levels of individuals leaving the workforce and industry trends including aging workforces that may reduce the available pool of skilled workers; a mismatch of skills or experience to support the evolving needs of the Company's business; and employee expectations or desire for changes in the work environment. In addition, the Company's workforce is aging, and within the next few years an increasing number of employees will be eligible to retire, which may result in a period of higher turnover rates than we have historically experienced and could amplify these challenges. The Company does not maintain key person insurance on any of its key personnel.

The Company's investments in and efforts to manage its human capital and maintain a desirable workplace culture, including to create a safe and healthy work environment, improve diversity and create a respectful, responsive and inclusive culture, and foster a rewarding workplace for employee development and advancement, may not be successful in identifying, attracting, developing, motivating, retaining, competing for or replacing qualified personnel. These efforts and the Company's reputation may also be impacted by any failure or perceived failure to meet or timely progress on publicly disclosed human capital-related goals and initiatives, including with respect to diversity, equity and inclusion, or to compare favorably with the progress or goals of its industry or peers. In addition, the Company may be subject to federal, state or local vaccine or other COVID-19 related mandates (including as a U.S. government contractor) and enforcement of such mandates may result in reputational harm, labor disruption and increased operating costs and impact the Company's ability to attract and retain qualified talent, among other risks.

***Risks Related to Information Technology***

**If the Company is not able to use its information technology and communications systems effectively, the Company's ability to conduct business might be negatively impacted.**

The Company is highly dependent on the proper functioning of its information technology systems to enable operations and compete effectively. The Company regularly updates its information technology systems or implements new systems, which could cause substantial business interruption. There is no assurance that the systems upgrades or new systems will meet the Company's current or future business needs, or that they will operate as designed. For example, the Company recently completed a multi-year process to implement a new enterprise resource planning, or ERP, system intended to enhance operating efficiencies and provide more effective management of its business operations. System enhancements are on-going.

The Company's information technology systems also rely on third-party service providers for access to the Internet, satellite-based communications systems, the electric grid, database storage facilities and telecommunications providers. The Company has no control over the operations of these third-party service providers. In the past, disruptions in the Company's third-party service providers have impacted the Company's operations, including the Company's ability to book and manage freight, stow vessels, and process customs declarations. In the past, some of the Company's employees worked from home or remotely, increasing the Company's dependence on its information technology systems and third-party providers during those times. If the Company's information technology and communications systems experience reliability issues, integration or compatibility concerns or if the Company's third-party providers are unable to perform effectively or experience disruptions or failures, there could be an adverse impact on the availability and functioning of the Company's information technology and communications systems, which could lead to business disruption or inefficiencies, reputational harm or loss of customers.

**The Company's information technology systems have in the past and may in the future be exposed to cybersecurity risks and other disruptions that could impair the Company's ability to operate and adversely affect its business.**

The shipping industry is a more frequent target of cyber attacks than some other industries because of the essential nature of these services. The Company relies extensively on its information technology systems and third-party service providers in many aspects of its business, including cloud services for accounting, billing, disbursement, cargo booking and tracking, vessel scheduling and stowage, equipment tracking, customer service, banking, payroll and employee communication systems. The Company also collects, stores and transmits sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees. Despite the Company's continuous efforts to make investments in the Company's information technology systems and system-wide data security program, the implementation of security measures to protect the Company's data and infrastructure against breaches and other cyber threats, and the Company's use of internal processes and controls designed to protect the security and availability of the Company's systems, the Company has in the past experienced and may in the future experience cybersecurity incidents, such as computer viruses, hacking, malware, denial of service attacks, cyber terrorism, ransomware, circumvention of security systems, malfeasance, breaches due to employee error, natural disasters, telecommunications failure, or other catastrophic events at the Company's facilities, aboard its vessels or at third-party locations.

Any failure, breach or unauthorized access to the Company's systems or those of third-parties on which the Company relies could result in the loss of confidential, sensitive or proprietary information, interruptions in its service or production or otherwise impact the Company's ability to conduct business operations, and could result in potential reductions in revenue and profits, damage to its reputation or liability.

***Risks Related to Financial Matters***

**A deterioration of the Company's credit profile, disruptions of the credit markets or higher interest rates could restrict its ability to access the debt capital markets or increase the cost of debt.**

Deterioration in the Company's credit profile may have an adverse effect on the Company's ability to access the private or public debt markets and also may increase its borrowing costs. If the Company's credit profile deteriorates significantly, its access to the debt capital markets or its ability to renew its committed lines of credit may become restricted, or the Company may not be able to refinance debt at the same levels or on the same terms. Because the Company relies on its ability to draw on its revolving credit facilities to support its operations when required, any volatility in the credit and financial markets that prevents the Company from accessing funds (for example, a lender that does not fulfill its lending obligation) could have an adverse effect on the Company's financial condition and cash flows. Additionally, the Company's credit agreements generally include an increase in borrowing rates if the Company's credit profile deteriorates. Furthermore, the Company incurs interest under its revolving credit facilities based on floating rates. Floating rate debt creates higher debt service requirements if market interest rates increase, as has been the case in connection with the U.S. Federal Reserve's interest rate increases in 2022, which could adversely affect the Company's cash flow and results of operations. In addition, the floating rate on certain borrowings under the Company's revolving credit facility is tied to LIBOR. Regulators in the United States and other countries have begun to phase out the use of LIBOR, with a complete phase out of U.S. dollar LIBOR rates currently expected by June 2023. Uncertainty regarding the transition from LIBOR to an alternate benchmark rate or rates could pose funding risks for the Company and adversely affect the Company's financing costs. Disruptions to the credit markets as a result of macroeconomic, geopolitical, or financial market developments could increase the Company's cost of capital and limit the Company's access to capital.

**Failure to comply with certain restrictive financial covenants contained in the Company's credit facilities could preclude the payment of dividends, impose restrictions on the Company's business segments, capital resources or other activities or otherwise adversely affect the Company.**

The Company's credit facilities contain certain restrictive financial covenants, the most restrictive of which include a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), a minimum ratio of EBITDA to interest expense, certain prohibitions on additional priority debt, certain prohibitions on sale and leaseback transactions, and the maintenance of minimum shareholders' equity. If the Company does not maintain these and other required covenants, and a breach of such covenants is not cured timely or waived by the lenders, resulting in a default, the Company's access to credit may be limited or terminated, dividends may be suspended, and the lenders could declare any outstanding amounts due and payable. The Company's continued ability to borrow under its credit facilities is subject to compliance with these financial and other non-financial covenants.

**The Company's effective income tax rate may vary.**

Various internal and external factors may have favorable or unfavorable material or immaterial effects on the Company's effective income tax rate and, therefore, impact the Company's net income and earnings per share. These factors include, but are not limited to changes in tax rates; changes in tax laws, regulations, and rulings; changes in interpretations of existing tax laws, regulations and rulings; changes in the evaluation of the Company's ability to realize deferred tax assets, and changes in uncertain tax positions; changes in accounting principles; changes in current pre-tax income as well as changes in forecasted pre-tax income; changes in the level of Capital Construction Fund ("CCF") deductions, non-deductible expenses, and expenses eligible for tax credits; changes in the mix of earnings among countries with varying tax rates; changes to the allowable amounts of foreign derived intangible income deductions; and acquisitions and changes in the Company's corporate structure. These factors may result in periodic revisions to the Company's effective income tax rate, which could affect the Company's cash flow and results of operations.

**Changes in the value of pension assets, or a change in pension law or key assumptions, may adversely affect the Company's financial performance.**

The amount of the Company's employee pension and post-retirement benefit costs and obligations is calculated on assumptions used in the relevant actuarial calculations. Adverse changes in any of these assumptions due to economic or other factors, changes in discount rates, higher health care costs, or lower actual or expected returns on plan assets, may adversely affect the Company's operating results, cash flows, and financial condition. In addition, a change in federal law, including changes to the Employee Retirement Income Security Act or Pension Benefit Guaranty Corporation premiums, may adversely affect the Company's single-employer and multi-employer pension plans and plan funding. These factors, as well as a decline in the fair value of pension plan assets, may put upward pressure on the cost of providing pension and medical benefits and may increase future pension expense and required funding contributions. There can be no assurance that the Company will be successful in limiting future cost and expense increases, and continued upward pressure in costs and expenses could further reduce the profitability of the Company's businesses.

**The Company may have exposure under its multi-employer pension and post-retirement plans in which it participates that extends beyond its funding obligation with respect to the Company's employees.**

The Company contributes to various multi-employer pension plans. In the event of a partial or complete withdrawal by the Company from any plan that is underfunded, the Company would be liable for a proportionate share of such plan's unfunded vested benefits (see Note 11 to the Consolidated Financial Statements in Item 8 of Part II of this Annual Report). Based on the limited information available from plan administrators, which the Company cannot independently validate, the Company believes that its portion of the contingent liability in the case of a full withdrawal or termination may be material to its financial position and results of operations. If any other contributing employer withdraws from any plan that is underfunded, and such employer (or any member of its controlled group) cannot satisfy its obligations under the plan at the time of withdrawal, then the Company, along with the other remaining contributing employers, would be liable for its proportionate share of such plan's unfunded vested benefits. In addition, if any of the multi-employer plans to which the Company contributes fails to satisfy the minimum funding requirements, the Internal Revenue Service will impose certain penalties and taxes on the Company and other contributing employers.

***Risks Related to Legal, Regulatory and Compliance Matters***

**As an ocean transportation and logistics services company, the Company is subject to numerous safety, environmental, and other laws and regulations that impact the Company's operations, are costly to comply with and expose us to liability.**

The Company, including its vessels and terminals, is subject to numerous federal, state and local laws and regulations, including those related to safety, cabotage, equipment standards and government rates. In addition, the Company is subject to environmental laws and regulations, including those relating to air quality initiatives at port locations; air emissions; use of shore power at California ports; wastewater discharges; management of storm water; the transportation, handling and disposal of solid and hazardous materials, oil and oil-related products, hazardous substances and wastes; the investigation and remediation of contamination; health, safety and the protection of the environment and natural resources; and climate change, including any regulations, mandates or restrictions related to greenhouse gas emissions, such as a "cap and trade" system of allowances and credits, and energy use. Any changes in applicable laws and regulations, including their enforcement, interpretation or implementation that results in more stringent requirements than currently anticipated, as well as any new laws and regulations that are adopted could impose significant additional costs and limitations on the Company's ability to operate. Mitigation strategies or contingency plans to remain in compliance with applicable laws and regulations may be unsuccessful, result in additional costs or experience delays. Such costs may not be recoverable through increased payments from customers. For a discussion of specific laws and regulations, see Part I, Item 1, of our Fiscal 2021 Annual Report on Form 10-K.

Federal, state and local laws and regulations require us to obtain certificates of financial responsibility and to adopt procedures for oil and hazardous substance spill prevention, response and clean up, among other requirements impacting the Company's business. In complying with applicable laws and regulations, the Company has incurred expenses and may incur material future costs and expenses related to vessel and equipment modifications, new equipment, higher-priced fuel, changes in operating practices and procedures, tracking emissions, changing routes, adopting or modifying energy sources and undergoing additional oversight inspections, all of which could adversely affect the Company's business and financial condition. For example, Matson's vessels operate within emissions control areas, and the Company's U.S. flagged vessels generally must be maintained "in class" and are subject to periodic inspections by the American Bureau of Shipping or similar classification societies. They also must be periodically inspected by, or on behalf of, the United States Coast Guard. The Company's vessels' operating certificates and licenses are renewed periodically during the required annual surveys of the vessels, but there is no assurance that the Company's programs and policies will be sufficient to have such certificates and licenses renewed. The EPA also requires vessels to obtain coverage under a general permit and to comply with inspection, monitoring, discharge, recordkeeping and reporting requirements.

These laws and regulations provide for substantial fines, as well as criminal and civil penalties, in the event of any violations of, or non-compliance with, their requirements (including any waivers, permits or recordkeeping and other reporting requirements). Any vessel-generated pollution from incidents in U.S. waters within three nautical miles, and in some cases, within the 200-mile exclusive economic zone, for example, could expose us to such fines or penalties.

**The Company is subject to, and may in the future be subject to, disputes, legal or other proceedings, and government inquiries or investigations that could have an adverse effect on the Company.**

The nature of the Company's business exposes it to the potential for disputes, legal or other proceedings, and government inquiries or investigations relating to antitrust matters, labor and employment matters, personal injury and property damage, environmental, shore power and other matters, as discussed in the other risk factors disclosed in this section or in other Company filings with the SEC. For example, Matson is a common carrier, whose tariffs, rates, rules and practices in dealing with its customers are governed by extensive and complex foreign, federal, state and local regulations, which may be the subject of disputes or administrative or judicial proceedings. If these disputes develop into proceedings, these proceedings, individually or collectively, could involve or result in significant expenditures or losses by the Company, or result in significant changes to Matson's tariffs, rates, rules and practices in dealing with its customers.

**The Company may continue to be exposed to risks and unknown liabilities related to the Horizon acquisition.**

The Company acquired Horizon subject to all of the liabilities and obligations of its non-Hawaii business, including any remaining liabilities and obligations associated with its Puerto Rico operations, which Horizon ceased during the first quarter of 2015. The disposition of these liabilities, and any other obligations that are unknown to the Company, including contingent liabilities, could have an adverse effect on the Company's financial condition and results of operations.

Pasha acquired Horizon's former Hawaii business immediately before the Company acquired Horizon, and Pasha assumed substantially all liabilities and obligations related to Horizon's Hawaii business and agreed to perform various covenants. In some cases, however, Horizon, as the original contracting party, may remain primarily responsible for such assumed Hawaii liabilities and obligations. The Company may incur losses related to such assumed Hawaii liabilities and obligations.

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

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchases.

The following is the summary of Matson shares that were repurchased under the Company's share repurchase program during the three months ended September 30, 2022:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Maximum Number of Shares that May Be Purchased Under the Plans or Programs</b>
July 1 – 31, 2022	467,332	\$ 77.05	467,332	733,567
August 1 – 31, 2022	355,156	\$ 82.93	355,156	3,378,411
September 1 – 30, 2022	318,679	\$ 71.93	318,679	3,059,732
Total	1,141,167	\$ 77.45	1,141,167	

(1) On June 24, 2021, the Company announced that Matson's Board of Directors had approved a share repurchase program of up to 3.0 million shares of common stock from August 3, 2021 through August 2, 2024. On January 27, 2022, the Company's Board of Directors approved an addition of 3.0 million shares to the Company's existing share repurchase program. On August 23, 2022, the Company's Board of Directors approved an addition of 3.0 million shares to the Company's existing share repurchase program. Shares will be repurchased in the open market from time to time, and may be made pursuant to a trading plan in accordance with Rule 10b5-1 of the Security Exchange Act of 1934.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

For a description of the new vessel construction agreements between MatNav and Philly Shipyard, Inc., see "Liquidity and Capital Resources – Capital Expenditures" above.

The foregoing is a summary description of certain items of the vessel construction agreements and is subject to, and qualified in its entirety by, the full text of the vessel construction agreements, which will be filed as exhibits to the Company's next periodic report.

**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\*\* Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH\*\* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL\*\* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\*\* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\*\* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\*\* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104\*\* Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101).

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\*\* Filed herewith.

\*\*\* Furnished herewith.

**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: November 3, 2022

/s/ Joel M. Wine

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

Date: November 3, 2022

/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: November 3, 2022

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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, Executive Vice President and  
Chief Financial Officer

Date: November 3, 2022

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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 September 30, 2022, 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 Executive 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: November 3, 2022

/s/ Joel M. Wine

Name: Joel M. Wine  
Title: Executive Vice President and Chief Financial Officer  
Date: November 3, 2022

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