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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, 2021

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)

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

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

**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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Number of shares of common stock outstanding as of September 30, 2021: 42,031,967

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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)

(In millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Revenue:</b>				
Ocean Transportation	\$ 863.5	\$ 498.3	\$ 2,106.9	\$ 1,310.0
Logistics	208.1	146.9	551.4	373.2
Total Operating Revenue	<u>1,071.6</u>	<u>645.2</u>	<u>2,658.3</u>	<u>1,683.2</u>
<b>Costs and Expenses:</b>				
Operating costs	(649.3)	(495.8)	(1,809.6)	(1,370.4)
Income from SSAT	13.0	7.7	35.0	15.4
Selling, general and administrative	(57.4)	(58.7)	(171.7)	(165.6)
Total Costs and Expenses	<u>(693.7)</u>	<u>(546.8)</u>	<u>(1,946.3)</u>	<u>(1,520.6)</u>
Operating Income	377.9	98.4	712.0	162.6
Interest expense	(5.1)	(5.7)	(17.9)	(22.5)
Other income (expense), net	1.8	2.4	4.7	4.5
Income before Income Taxes	374.6	95.1	698.8	144.6
Income taxes	(91.4)	(24.2)	(165.9)	(37.1)
Net Income	<u>\$ 283.2</u>	<u>\$ 70.9</u>	<u>\$ 532.9</u>	<u>\$ 107.5</u>
<b>Other Comprehensive Income (Loss), Net of Income Taxes:</b>				
Net Income	\$ 283.2	\$ 70.9	\$ 532.9	\$ 107.5
<b>Other Comprehensive Income (Loss):</b>				
Amortization of prior service cost	(1.1)	(1.2)	(3.4)	(3.5)
Amortization of net loss	1.0	0.5	3.5	3.1
Other adjustments	(0.1)	0.2	(0.2)	(0.6)
Total Other Comprehensive Income (Loss)	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>(1.0)</u>
Comprehensive Income	<u>\$ 283.0</u>	<u>\$ 70.4</u>	<u>\$ 532.8</u>	<u>\$ 106.5</u>
Basic Earnings Per Share	\$ 6.60	\$ 1.65	\$ 12.31	\$ 2.50
Diluted Earnings Per Share	\$ 6.53	\$ 1.63	\$ 12.19	\$ 2.48
<b>Weighted Average Number of Shares Outstanding:</b>				
Basic	42.9	43.1	43.3	43.0
Diluted	43.4	43.5	43.7	43.4

See Notes to Condensed Consolidated Financial Statements.

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

<b>(In millions)</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 75.9	\$ 14.4
Accounts receivable, net of allowance for credit loss of \$9.0 million and \$6.3 million, respectively	328.6	253.4
Prepaid expenses and other assets	77.2	38.1
Total current assets	<u>481.7</u>	<u>305.9</u>
Long-term Assets:		
Investment in SSAT	37.2	48.7
Property and equipment, net	1,826.8	1,689.9
Operating lease right of use assets	264.0	251.4
Goodwill	327.8	327.8
Intangible assets, net	183.8	192.0
Deferred dry-docking costs, net	63.1	51.9
Other long-term assets	38.4	33.0
Total long-term assets	<u>2,741.1</u>	<u>2,594.7</u>
Total Assets	<u>\$ 3,222.8</u>	<u>\$ 2,900.6</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of debt	\$ 65.0	\$ 59.2
Accounts payable and accruals	299.0	283.1
Operating lease liabilities	86.9	72.4
Other liabilities	96.4	96.8
Total current liabilities	<u>547.3</u>	<u>511.5</u>
Long-term Liabilities:		
Long-term debt, net of deferred loan fees	567.5	685.6
Long-term operating lease liabilities	185.8	186.9
Deferred income taxes	420.0	389.6
Other long-term liabilities	157.4	165.8
Total long-term liabilities	<u>1,330.7</u>	<u>1,427.9</u>
Commitments and Contingencies		
Shareholders' Equity:		
Common stock	31.5	32.4
Additional paid in capital	313.9	321.5
Accumulated other comprehensive loss, net	(50.9)	(50.8)
Retained earnings	1,050.3	658.1
Total shareholders' equity	<u>1,344.8</u>	<u>961.2</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,222.8</u>	<u>\$ 2,900.6</u>

See Notes to Condensed Consolidated Financial Statements.

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

(In millions)	Nine Months Ended September 30,	
	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 532.9	\$ 107.5
Reconciling adjustments:		
Depreciation and amortization	100.9	84.5
Amortization of operating lease right of use assets	73.9	53.1
Deferred income taxes	30.3	33.5
Share-based compensation expense	14.2	12.0
Income from SSAT	(35.0)	(15.4)
Distribution from SSAT	46.9	37.9
Other	(1.1)	0.5
Changes in assets and liabilities:		
Accounts receivable, net	(75.2)	(28.9)
Deferred dry-docking payments	(25.8)	(11.1)
Deferred dry-docking amortization	18.0	17.8
Prepaid expenses and other assets	(46.7)	19.6
Accounts payable, accruals and other liabilities	30.2	24.0
Operating lease liabilities	(72.1)	(53.7)
Other long-term liabilities	(8.1)	(10.5)
<b>Net cash provided by operating activities</b>	<b>583.3</b>	<b>270.8</b>
<b>Cash Flows From Investing Activities:</b>		
Capitalized vessel construction expenditures	—	(57.8)
Other capital expenditures	(244.7)	(53.5)
Proceeds from disposal of property and equipment	2.2	15.7
Cash deposits into Capital Construction Fund	(31.2)	(97.1)
Withdrawals from Capital Construction Fund	31.2	97.1
<b>Net cash used in investing activities</b>	<b>(242.5)</b>	<b>(95.6)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of debt	—	325.5
Repayments of debt	(41.1)	(204.2)
Proceeds from revolving credit facility	304.3	547.4
Repayments of revolving credit facility	(376.1)	(803.5)
Payment of financing costs	(3.0)	(18.5)
Proceeds from issuance of capital stock	—	0.1
Dividends paid	(33.3)	(29.1)
Repurchase of Matson common stock	(115.7)	—
Tax withholding related to net share settlements of restricted stock units	(14.4)	(5.6)
<b>Net cash used in financing activities</b>	<b>(279.3)</b>	<b>(187.9)</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>61.5</b>	<b>(12.7)</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of the Period	19.7	28.4
<b>Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 81.2</b>	<b>\$ 15.7</b>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash, End of the Period:</b>		
Cash and Cash Equivalents	\$ 75.9	\$ 12.7
Restricted Cash	5.3	3.0
<b>Total Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 81.2</b>	<b>\$ 15.7</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid, net of capitalized interest	\$ 15.3	\$ 22.4
Income tax payments and (refunds), net	\$ 162.1	\$ (18.0)
<b>Non-cash Information:</b>		
Capital expenditures included in accounts payable, accruals and other liabilities	\$ 5.6	\$ 5.9

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, 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	—
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

(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, 2019	42.9	\$ 32.2	\$ 306.2	\$ (36.9)	\$ 504.2	\$ 805.7
Net income	—	—	—	—	3.8	3.8
Other comprehensive income (loss), net of tax	—	—	—	(0.6)	—	(0.6)
Share-based compensation	—	—	3.1	—	—	3.1
Shares issued, net of shares withheld for employee taxes	0.1	0.1	(4.6)	—	—	(4.5)
Equity interest in SSAT	—	—	—	—	2.2	2.2
Dividends (\$0.22 per share)	—	—	—	—	(9.5)	(9.5)
Balance at March 31, 2020	43.0	32.3	304.7	(37.5)	500.7	800.2
Net income	—	—	—	—	32.8	32.8
Other comprehensive income (loss), net of tax	—	—	—	0.1	—	0.1
Share-based compensation	—	—	3.0	—	—	3.0
Shares issued, net of shares withheld for employee taxes	0.1	—	(1.0)	—	—	(1.0)
Dividends (\$0.22 per share and \$0.23 per share)	—	—	—	—	(19.6)	(19.6)
Balance at June 30, 2020	43.1	32.3	306.7	(37.4)	513.9	815.5
Net income	—	—	—	—	70.9	70.9
Other comprehensive income (loss), net of tax	—	—	—	(0.5)	—	(0.5)
Share-based compensation	—	—	6.0	—	—	6.0
Shares issued, net of shares withheld for employee taxes	—	—	(0.1)	—	—	(0.1)
Balance at September 30, 2020	43.1	\$ 32.3	\$ 312.6	\$ (37.9)	\$ 584.8	\$ 891.8

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 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 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 seven 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. Matson Logistics, established in 1987, extends the geographic reach of Matson’s transportation network throughout North America, 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 and distribution services; and (iv) supply chain management, non-vessel operating common carrier (“NVOCC”) freight forwarding and other services.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The Condensed Consolidated Financial Statements are unaudited, and include the accounts of Matson, 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, 2020, filed with the Securities and Exchange Commission (“SEC”) on February 26, 2021.

**Fiscal Period:** The period end for Matson covered by this report is September 30, 2021. The period end for MatNav and its subsidiaries covered by this report occurred on the last Friday in September, or September 24, 2021.

**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, 2020.

**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; legal contingencies; insurance reserves and other related liabilities; accrual estimates; pension and post-retirement estimates; multi-employer withdrawal liabilities; operating lease assets and liabilities; and income taxes. Future results could be materially affected if actual results differ from these estimates and assumptions.

**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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Ocean Transportation (in millions) (1)</b>				
Ocean Transportation services	\$ 855.2	\$ 490.8	\$ 2,083.8	\$ 1,284.5
Terminal and other related services	4.8	5.1	12.5	15.5
Fuel sales	1.9	1.3	5.1	6.0
Vessel management and related services	1.6	1.1	5.5	4.0
<b>Total</b>	<b>\$ 863.5</b>	<b>\$ 498.3</b>	<b>\$ 2,106.9</b>	<b>\$ 1,310.0</b>

(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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Logistics (in millions) (1)</b>				
Transportation Brokerage and Freight Forwarding services	\$ 186.1	\$ 133.0	\$ 495.9	\$ 337.0
Warehouse and distribution services	12.2	9.5	31.8	25.9
Supply chain management and other services	9.8	4.4	23.7	10.3
<b>Total</b>	<b>\$ 208.1</b>	<b>\$ 146.9</b>	<b>\$ 551.4</b>	<b>\$ 373.2</b>

(1) Logistics revenue transactions are primarily denominated in U.S. dollars except for less than 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, 2020. As of September 30, 2021 and December 31, 2020, \$1.8 million and \$1.7 million of eligible accounts receivable was assigned to the CCF, respectively. Due to the nature of the assignment of eligible accounts receivable into the CCF, such assigned amounts are classified as part of accounts receivable in the Condensed Consolidated Balance Sheets. Cash on deposit in the CCF is held in a money market account and classified as a long-term asset in the Company's Condensed Consolidated Balance Sheets, as the Company intends to use qualified cash withdrawals to fund long-term investment in the construction of new vessels. During the nine months ended September 30, 2021, the Company deposited \$31.2 million into the CCF and made qualifying cash withdrawals of \$31.2 million from the CCF. The Company made no qualifying cash deposits or withdrawals during the three months ended September 30, 2021. The balance of cash on deposit at September 30, 2021 and December 31, 2020 was nominal.

**Investment in SSAT:** Condensed income statement information for SSAT for the three and nine months ended September 30, 2021 and 2020 consisted of the following:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenue	\$ 316.3	\$ 273.9	\$ 944.6	\$ 796.1
Operating costs and expenses	(274.2)	(243.1)	(831.3)	(738.4)
Operating income	42.1	30.8	113.3	57.7
Net Income (1)	\$ 37.3	\$ 26.2	\$ 100.5	\$ 51.5
Company Share of SSAT's Net Income (2)	\$ 13.0	\$ 7.7	\$ 35.0	\$ 15.4

(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 \$37.2 million and \$48.7 million at September 30, 2021 and December 31, 2020, respectively.

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

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

**Dividends:** The Company's third quarter 2021 cash dividend of \$0.30 per share was paid on September 2, 2021. On October 28, 2021, the Company's Board of Directors declared a cash dividend of \$0.30 per share payable on December 2, 2021.

### 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 \$57.8 million and \$40.2 million for the three months ended September 30, 2021 and 2020, and \$140.5 million and \$83.8 million for the nine months ended September 30, 2021 and 2020, respectively, have been eliminated from operating revenues in the table below.

Reportable segment financial information for the three and nine months ended September 30, 2021 and 2020 are as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Revenue:</b>				
Ocean Transportation (1)	\$ 863.5	\$ 498.3	\$ 2,106.9	\$ 1,310.0
Logistics (2)	208.1	146.9	551.4	373.2
Total Operating Revenue	<u>\$ 1,071.6</u>	<u>\$ 645.2</u>	<u>\$ 2,658.3</u>	<u>\$ 1,683.2</u>
<b>Operating Income:</b>				
Ocean Transportation (3)	\$ 361.9	\$ 86.5	\$ 677.0	\$ 136.7
Logistics	16.0	11.9	35.0	25.9
Total Operating Income	<u>377.9</u>	<u>98.4</u>	<u>712.0</u>	<u>162.6</u>
Interest expense, net	(5.1)	(5.7)	(17.9)	(22.5)
Other income (expense), net	1.8	2.4	4.7	4.5
Income before Income Taxes	<u>374.6</u>	<u>95.1</u>	<u>698.8</u>	<u>144.6</u>
Income taxes	(91.4)	(24.2)	(165.9)	(37.1)
Net Income	<u>\$ 283.2</u>	<u>\$ 70.9</u>	<u>\$ 532.9</u>	<u>\$ 107.5</u>

- (1) Ocean Transportation operating revenue excludes inter-segment revenue of \$21.8 million and \$22.4 million for the three months ended September 30, 2021 and 2020, and \$55.6 million and \$43.7 million for the nine months ended September 30, 2021 and 2020, respectively.
- (2) Logistics operating revenue excludes inter-segment revenue of \$36.0 million and \$17.8 million for the three months ended September 30, 2021 and 2020, and \$84.9 million and \$40.1 million for the nine months ended September 30, 2021 and 2020, respectively.
- (3) Ocean Transportation segment information includes \$13.0 million and \$7.7 million of equity in income from the Company's equity investment in SSAT for the three months ended September 30, 2021 and 2020, and \$35.0 million and \$15.4 million for the nine months ended September 30, 2021 and 2020, respectively.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2021 and December 31, 2020 consisted of the following:

<u>(In millions)</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cost:		
Vessels	\$ 2,323.8	\$ 2,191.6
Containers and equipment	611.7	572.3
Terminal facilities and other property	120.2	119.8
Construction in progress	52.7	28.6
Total Property and Equipment	3,108.4	2,912.3
Less: Accumulated Depreciation	(1,281.6)	(1,222.4)
Total Property and Equipment, net	<u>\$ 1,826.8</u>	<u>\$ 1,689.9</u>

#### 5. GOODWILL AND INTANGIBLES

Goodwill by segment as of September 30, 2021 and December 31, 2020 consisted of the following:

<u>(In millions)</u>	<u>Ocean</u> <u>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, 2021 and December 31, 2020 consisted of the following:

<u>(In millions)</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Customer Relationships:		
Ocean Transportation	\$ 140.6	\$ 140.6
Logistics	90.1	90.1
Total	230.7	230.7
Less: Accumulated Amortization	(74.2)	(66.0)
Total Customer Relationships, net	156.5	164.7
Trade name – Logistics	27.3	27.3
Total Intangible Assets, net	<u>\$ 183.8</u>	<u>\$ 192.0</u>

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 due to the COVID-19 pandemic 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 2020 annual impairment tests, the Company concluded that an impairment triggering event did not occur during the quarter ended September 30, 2021.

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 a more prolonged and/or severe COVID-19 pandemic, or 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, 2021 and December 31, 2020, the Company's debt consisted of the following:

<u>(In millions)</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>Private Placement Term Loans:</b>		
3.66 %, payable through 2023	\$ 18.2	\$ 22.8
4.16 %, payable through 2027	31.4	34.0
3.37 %, payable through 2027	75.0	75.0
3.14 %, payable through 2031	151.2	169.6
4.31 %, payable through 2032	26.7	27.9
<b>Title XI Debt:</b>		
5.34 %, payable through 2028	15.4	17.6
5.27 %, payable through 2029	17.6	19.8
1.22 %, payable through 2043	178.0	182.0
1.35 %, payable through 2044	133.7	139.6
Revolving credit facility, maturity date of March 31, 2026	—	71.8
<b>Total Debt</b>	<b>647.2</b>	<b>760.1</b>
Less: Current portion	(65.0)	(59.2)
<b>Total Long-term Debt</b>	<b>582.2</b>	<b>700.9</b>
Less: Deferred loan fees	(14.7)	(15.3)
<b>Total Long-term Debt, net of deferred loan fees</b>	<b>\$ 567.5</b>	<b>\$ 685.6</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, 2020 and in Note 6 to the Condensed Consolidated Financial Statements included in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2021.

**Revolving Credit Facility:** As of September 30, 2021, the Company had \$641.9 million of remaining borrowing availability under the revolving credit facility. The Company used \$8.1 million of the sublimit for letters of credit outstanding as of September 30, 2021. Although there were no outstanding borrowings under the facility at September 30, 2021, based on the Company's consolidated net leverage ratio, which stipulates borrowing margins, the interest rate applicable to the revolving credit facility would have been approximately 1.10 percent at September 30, 2021. Borrowings under the revolving credit facility are classified as long-term debt in the Condensed Consolidated Balance Sheets, as principal payments are not required until the maturity date.

**Debt Security and Guarantees:** All of the debt of the Company and MatNav, including related guarantees, as of September 30, 2021 was unsecured, except for the Title XI debt.

**Debt Maturities:** As of September 30, 2021, debt maturities during the next five years and thereafter are as follows:

<u>Year (in millions)</u>	<u>As of</u> <u>September 30, 2021</u>
Remainder of 2021	\$ 18.1
2022	65.0
2023	60.4
2024	51.7
2025	51.7
Thereafter	400.3
<b>Total Debt</b>	<b>\$ 647.2</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, 2020.

*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, 2021 and 2020 consisted of the following:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 26.7	\$ 20.0	\$ 79.4	\$ 60.5
Short-term lease cost	0.1	4.4	2.9	6.9
Variable lease cost	0.1	0.2	0.5	0.6
Total lease cost	<u>\$ 26.9</u>	<u>\$ 24.6</u>	<u>\$ 82.8</u>	<u>\$ 68.0</u>

*Sale and Leaseback of Equipment:* There were no sale and leaseback transactions during the three and nine months ended September 30, 2021. During the three months ended March 31, 2020, the Company entered into an agreement for the sale and leaseback of multiple tranches of chassis and container equipment. The net proceeds from the sales were \$14.3 million, and the gain on the disposal of the equipment was not material to the Company's Condensed Consolidated Financial Statements. The Company subsequently leased back the equipment under a five-year operating lease agreement that includes purchase options exercisable at fair market value. There were no sale and leaseback transactions during the three months ended June 30, 2020 and September 30, 2020.

*Termination of Vessel Charter:* On July 7, 2021, a wholly-owned subsidiary of the Company entered into an agreement to terminate a Bareboat Charter Agreement (the "Charter") on the vessel, *Maunalei*, for \$95.8 million thereby acquiring the vessel. The Company paid the termination payment with a combination of cash on hand and borrowing on the revolving credit facility. The Company derecognized the related right-of-use ("ROU") asset of \$27.4 million and ROU liability of \$28.5 million, and increased property and equipment by \$94.7 million, net. Concurrent with the termination of the Charter, the Company was released from obligations under a Guaranty related to the Charter.

## 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, 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	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>

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the nine months ended September 30, 2020 consisted of the following:

(In millions)	Pension Benefits	Post- Retirement Benefits	Non- Qualified Plans	Other	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2019	\$ (51.9)	\$ 16.3	\$ (0.4)	\$ (0.9)	\$ (36.9)
Amortization of prior service cost	(0.5)	(0.6)	(0.1)	—	(1.2)
Amortization of net loss	1.1	0.1	0.1	—	1.3
Foreign currency exchange	—	—	—	(0.5)	(0.5)
Other adjustments	—	—	—	(0.2)	(0.2)
Balance at March 31, 2020	(51.3)	15.8	(0.4)	(1.6)	(37.5)
Amortization of prior service cost	(0.4)	(0.7)	—	—	(1.1)
Amortization of net loss	1.1	0.1	0.1	—	1.3
Foreign currency exchange	—	—	—	0.3	0.3
Other adjustments	—	—	—	(0.4)	(0.4)
Balance at June 30, 2020	(50.6)	15.2	(0.3)	(1.7)	(37.4)
Amortization of prior service cost	(0.4)	(0.8)	—	—	(1.2)
Amortization of net loss (gain)	0.3	0.3	(0.1)	—	0.5
Foreign currency exchange	—	—	—	0.1	0.1
Other adjustments	—	—	—	0.1	0.1
Balance at September 30, 2020	<u>\$ (50.7)</u>	<u>\$ 14.7</u>	<u>\$ (0.4)</u>	<u>\$ (1.5)</u>	<u>\$ (37.9)</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 and restricted cash, and Level 2 inputs for its variable and fixed rate debt. The fair values of cash, cash equivalents and restricted cash, and variable rate debt approximate their carrying values due to the nature of the instruments. The fair value of 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, 2021 and December 31, 2020 are as follows:

(In millions)	Total Carrying Value September 30, 2021	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value Measurements at September 30, 2021				
Cash and cash equivalents	\$ 75.9	\$ 75.9	\$ 75.9	\$ —	\$ —
Restricted cash	\$ 5.3	\$ 5.3	\$ 5.3	\$ —	\$ —
Variable rate debt	\$ —	\$ —	\$ —	\$ —	\$ —
Fixed rate debt	\$ 647.2	\$ 636.0	\$ —	\$ 636.0	\$ —

  

(In millions)	December 31, 2020	Fair Value Measurements at December 31, 2020			
Cash and cash equivalents	\$ 14.4	\$ 14.4	\$ 14.4	\$ —	\$ —
Restricted cash	\$ 5.3	\$ 5.3	\$ 5.3	\$ —	\$ —
Variable rate debt	\$ 71.8	\$ 71.8	\$ —	\$ 71.8	\$ —
Fixed rate debt	\$ 688.3	\$ 686.7	\$ —	\$ 686.7	\$ —

## 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, 2021 and 2020.

The computations for basic and diluted earnings per share for the three and nine months ended September 30, 2021 and 2020 are as follows:

	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
(In millions, except per share amounts)						
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

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount
(In millions, except per share amounts)						
Basic	\$ 70.9	43.1	\$ 1.65	\$ 107.5	43.0	\$ 2.50
Effect of Dilutive Securities		0.4	(0.02)		0.4	(0.02)
Diluted	\$ 70.9	43.5	\$ 1.63	\$ 107.5	43.4	\$ 2.48

## 11. SHARE-BASED COMPENSATION

During the three and nine months ended September 30, 2021, the Company granted approximately 900 and 238,400 in total of time-based restricted stock units and performance-based shares to certain of its employees at a weighted average grant date fair value of \$75.07 and \$68.39 per share, respectively.

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 \$4.7 million and \$5.9 million for the three months ended September 30, 2021 and 2020, and \$14.2 million and \$12.0 million for the nine months ended September 30, 2021 and 2020, respectively. Total unrecognized compensation cost related to unvested share-based compensation arrangements was \$25.8 million at September 30, 2021, and is expected to be recognized over a weighted average period of approximately 1.7 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, 2020. 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, 2021 and 2020 consisted of the following:

(In millions)	Pension Benefits		Post-retirement Benefits	
	Three Months Ended September 30, 2021	2020	Three Months Ended September 30, 2021	2020
Components of net periodic benefit cost (benefit):				
Service cost	\$ 1.3	\$ 1.3	\$ 0.2	\$ 0.1
Interest cost	1.4	2.1	0.1	0.2
Expected return on plan assets	(3.5)	(3.9)	—	—
Amortization of net loss	1.3	0.5	0.1	0.1
Amortization of prior service credit	(0.6)	(0.6)	(0.9)	(1.0)
Net periodic benefit cost (benefit)	<u>\$ (0.1)</u>	<u>\$ (0.6)</u>	<u>\$ (0.5)</u>	<u>\$ (0.6)</u>

(In millions)	Pension Benefits		Post-retirement Benefits	
	Nine Months Ended September 30, 2021	2020	Nine Months Ended September 30, 2021	2020
Components of net periodic benefit cost (benefit):				
Service cost	\$ 3.6	\$ 3.8	\$ 0.5	\$ 0.4
Interest cost	4.6	5.9	0.5	0.6
Expected return on plan assets	(10.8)	(10.4)	—	—
Amortization of net loss	3.8	3.4	0.7	0.4
Amortization of prior service credit	(1.7)	(1.8)	(2.7)	(2.8)
Net periodic benefit cost (benefit)	<u>\$ (0.5)</u>	<u>\$ 0.9</u>	<u>\$ (1.0)</u>	<u>\$ (1.4)</u>

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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 ESG 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 I, Item 1A, “Risk Factors” of Matson’s Annual Report on Form 10-K for the year ended December 31, 2020. Forward-looking statements speak only as of the date they are made, and the Company assumes no duty to and does not undertake any obligation to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

### **OVERVIEW**

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a discussion of the Company’s financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company’s financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company’s financial statements. MD&A is provided as a supplement to the Condensed Consolidated Financial Statements and notes herein, and should be read in conjunction with the Company’s [Annual Report on Form 10-K for the year ended December 31, 2020](#), the Company’s reports on Forms 10-Q and 8-K, and other publicly available information.

### **THIRD QUARTER 2021 DISCUSSION AND UPDATE ON BUSINESS CONDITIONS**

*Ocean Transportation:* The Company’s container volume in the Hawaii service in the third quarter 2021 was 11.5 percent higher year-over-year. The increase was primarily due to higher retail and hospitality-related demand due to the continued rebound in tourism and the Hawaii economy compared to the pandemic-reduced volume in the year ago period. Volume in the third quarter 2020 was negatively impacted by the state’s COVID-19 mitigation efforts, including restrictions on tourism. Domestic visitor travel to the state remained strong throughout much of the third quarter 2021 until the end of the quarter when the state’s efforts to address the spread of the COVID-19 Delta variant, including the Governor’s request to defer travel plans, led to a softening in airline passenger traffic. As a result, we experienced a modest negative impact in freight demand late in the quarter. In the near-term, the Hawaii economy may experience a brief slowdown as a result of the state’s response to the COVID-19 Delta variant and the related impacts on tourism trends. In late October, the Governor announced that non-essential travel to the state can resume on November 1, 2021.

In China, the Company’s container volume in the third quarter 2021 increased 21.7 percent year-over-year. The increase was primarily due to volume from the China-California Express (“CCX”) service and volume from an extra loader. The total number of eastbound voyages in the China service increased by six year-over-year of which five were from CCX

voyages and one from an extra loader. Volume demand in the quarter was driven by e-commerce, garments and other goods. Matson continued to realize a significant rate premium in the third quarter 2021 and achieved average freight rates that were considerably higher than in the year ago period. Currently, supply chain congestion continues in the Transpacific tradelane with the combination of ongoing elevated consumption trends, inventory restocking, and bottlenecks at critical points for both ocean and overland transportation. We expect these conditions to remain largely in place at least through mid-year 2022.

In Guam, the Company's container volume in the third quarter 2021 increased 14.6 percent year-over-year primarily due to higher retail-related demand compared to the pandemic-reduced volume in the year ago period. The economic recovery trajectory in Guam continues to remain uncertain as the economy recovers slowly and tourism remains constrained.

In Alaska, the Company's container volume for the third quarter 2021 increased 10.7 percent year-over-year due to (i) the addition of volume from the Alaska-Asia Express, (ii) higher northbound volume primarily due to an additional sailing and higher retail-related demand, and (iii) higher southbound volume. In the near-term, we expect improving economic trends in Alaska, but the recovery's trajectory continues to remain uncertain.

The contribution in the third quarter 2021 from the Company's SSAT joint venture investment was \$13.0 million, or \$5.3 million higher than the third quarter 2020. The increase was primarily driven by higher lift volume.

*Logistics:* In the third quarter 2021, operating income for the Company's Logistics segment was \$16.0 million, or \$4.1 million higher compared to the level achieved in the third quarter 2020. The increase was due primarily to higher contributions from supply chain management and transportation brokerage as a result of elevated goods consumption, inventory restocking and favorable supply and demand fundamentals in our core markets.

## CONSOLIDATED RESULTS OF OPERATIONS

### *Consolidated Results - Three months ended September 30, 2021 compared with 2020:*

<u>(Dollars in millions, except per share amounts)</u>	<u>Three Months Ended September 30,</u>			
	<u>2021</u>	<u>2020</u>	<u>Change</u>	
Operating revenue	\$ 1,071.6	\$ 645.2	\$ 426.4	66.1 %
Operating costs and expenses	(693.7)	(546.8)	(146.9)	26.9 %
Operating income	377.9	98.4	279.5	284.0 %
Interest expense	(5.1)	(5.7)	0.6	(10.5)%
Other income (expense), net	1.8	2.4	(0.6)	(25.0)%
Income before income taxes	374.6	95.1	279.5	293.9 %
Income taxes	(91.4)	(24.2)	(67.2)	277.7 %
Net income	<u>\$ 283.2</u>	<u>\$ 70.9</u>	<u>\$ 212.3</u>	<u>299.4 %</u>
Basic earnings per share	\$ 6.60	\$ 1.65	\$ 4.95	300.0 %
Diluted earnings per share	\$ 6.53	\$ 1.63	\$ 4.90	300.6 %

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

The decrease in interest expense for the three months ended September 30, 2021, compared to the three months ended September 30, 2020, 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 \$91.4 million or 24.4 percent of income before income taxes for the three months ended September 30, 2021, compared to \$24.2 million or 25.4 percent of income before income taxes for the three months ended September 30, 2020. The effective tax rate for the three months ended September 30, 2021 was lower than the effective tax rate for the three months ended September 30, 2020 due to the impact of state taxes that lowered the effective tax rate for the current period.

**Consolidated Results - Nine months ended September 30, 2021 compared with 2020:**

(Dollars in millions, except per share amounts)	Nine Months Ended September 30,			
	2021	2020	Change	
Operating revenue	\$ 2,658.3	\$ 1,683.2	\$ 975.1	57.9 %
Operating costs and expenses	(1,946.3)	(1,520.6)	(425.7)	28.0 %
Operating income	712.0	162.6	549.4	337.9 %
Interest expense	(17.9)	(22.5)	4.6	(20.4)%
Other income (expense), net	4.7	4.5	0.2	4.4 %
Income before income taxes	698.8	144.6	554.2	383.3 %
Income taxes	(165.9)	(37.1)	(128.8)	347.2 %
Net income	\$ 532.9	\$ 107.5	\$ 425.4	395.7 %
Basic earnings per share	\$ 12.31	\$ 2.50	\$ 9.81	392.4 %
Diluted earnings per share	\$ 12.19	\$ 2.48	\$ 9.71	391.5 %

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

The decrease in interest expense for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, was due to a 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 \$165.9 million or 23.7 percent of income before income taxes for the nine months ended September 30, 2021, compared to \$37.1 million or 25.7 percent of income before income taxes for the nine months ended September 30, 2020. The effective tax rate for the nine months ended September 30, 2021 was lower than the effective tax rate for the nine months ended September 30, 2020 as it benefitted from discrete adjustments related to the release of the valuation allowance against the Company's foreign income tax net operating losses and stock compensation that lowered the effective tax rate for the current period.

**ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT**
**Ocean Transportation Operating Results - Three months ended September 30, 2021 compared with 2020:**

(Dollars in millions)	Three Months Ended September 30,			
	2021	2020	Change	
Ocean Transportation revenue	\$ 863.5	\$ 498.3	\$ 365.2	73.3 %
Operating costs and expenses	(501.6)	(411.8)	(89.8)	21.8 %
Operating income	\$ 361.9	\$ 86.5	\$ 275.4	318.4 %
Operating income margin	41.9 %	17.4 %		
Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)				
Hawaii containers	40,600	36,400	4,200	11.5 %
Hawaii automobiles	12,600	12,900	(300)	(2.3)%
Alaska containers	21,800	19,700	2,100	10.7 %
China containers	46,500	38,200	8,300	21.7 %
Guam containers	5,500	4,800	700	14.6 %
Other containers (2)	5,400	4,600	800	17.4 %

- (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 \$365.2 million, or 73.3 percent, during the three months ended September 30, 2021, compared with the three months ended September 30, 2020. The increase was primarily due to higher revenue in China, higher fuel-related surcharge revenue, and higher revenue in Hawaii and Alaska.

On a year-over-year FEU basis, Hawaii container volume increased 11.5 percent primarily due to higher retail and hospitality-related demand due to the continued rebound in tourism and the Hawaii economy compared to the volume in the year ago period, which was negatively impacted by the state's COVID-19 mitigation efforts, including restrictions on tourism; Alaska volume increased 10.7 percent due to the addition of volume from the Alaska-Asia Express, higher northbound volume primarily due to an additional sailing and higher retail-related demand, and higher southbound volume; China volume was 21.7 percent higher primarily due to CCX volume and volume from an extra loader; Guam volume was 14.6 percent higher primarily due to higher retail-related demand; and Other containers volume increased 17.4 percent primarily due to higher volume in Okinawa.

Ocean Transportation operating income increased \$275.4 million during the three months ended September 30, 2021, compared with the three months ended September 30, 2020. The increase was primarily due to a higher contribution from China.

The Company's SSAT terminal joint venture investment contributed \$13.0 million during the three months ended September 30, 2021, compared to a contribution of \$7.7 million during the three months ended September 30, 2020. The increase was primarily driven by higher lift volume.

***Ocean Transportation Operating Results - Nine months ended September 30, 2021 compared with 2020:***

<u>(Dollars in millions)</u>	<u>Nine Months Ended September 30,</u>			
	<u>2021</u>	<u>2020</u>	<u>Change</u>	
Ocean Transportation revenue	\$ 2,106.9	\$ 1,310.0	\$ 796.9	60.8 %
Operating costs and expenses	(1,429.9)	(1,173.3)	(256.6)	21.9 %
Operating income	\$ 677.0	\$ 136.7	\$ 540.3	395.2 %
Operating income margin	32.1 %	10.4 %		
Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)				
Hawaii containers	116,100	108,100	8,000	7.4 %
Hawaii automobiles	36,000	34,400	1,600	4.7 %
Alaska containers	58,800	55,000	3,800	6.9 %
China containers	131,200	78,500	52,700	67.1 %
Guam containers	16,200	13,900	2,300	16.5 %
Other containers (2)	14,600	12,600	2,000	15.9 %

- (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 \$796.9 million, or 60.8 percent, during the nine months ended September 30, 2021, compared with the nine months ended September 30, 2020. The increase was primarily due to higher revenue in China and Hawaii, higher fuel-related surcharge revenue and higher revenue in Alaska.

On a year-over-year FEU basis, Hawaii container volume increased 7.4 percent primarily due to higher retail and hospitality-related demand due to the reopening of the Hawaii economy compared to the negatively impacted volume in the year ago period as a result of the pandemic and the state's COVID-19 mitigation efforts, partially offset by volume associated with the dry-docking of a competitor's vessel in the second quarter of last year; Alaska volume increased by 6.9 percent due to higher northbound volume primarily due to higher retail-related demand compared to the negatively impacted volume in the year ago period as a result of the pandemic and the state's COVID-19 mitigation efforts, higher southbound volume, and the addition of volume from the Alaska-Asia Express service; China volume was 67.1 percent higher primarily due to incremental volume from the CLX+ service, higher volume on the CLX service as a result of increased capacity in the tradelane, and the addition of volume from the CCX service; Guam volume was 16.5 percent higher primarily due to higher retail-related demand compared to the negatively impacted volume in the year ago period as a result of the pandemic and the island's COVID-19 mitigation measures; and Other container volume increased 15.9 percent primarily due to higher volume in Okinawa.

Ocean Transportation operating income increased \$540.3 million during the nine months ended September 30, 2021, compared with the nine months ended September 30, 2020. The increase was primarily due to a higher contribution from China.

The Company's SSAT terminal joint venture investment contributed \$35.0 million during the nine months ended September 30, 2021, compared to a contribution of \$15.4 million during the nine months ended September 30, 2020. The increase was primarily driven by higher lift volume.

**Logistics Operating Results: Three months ended September 30, 2021, compared with 2020:**

(Dollars in millions)	Three Months Ended September 30,			
	2021	2020	Change	
Logistics revenue	\$ 208.1	\$ 146.9	\$ 61.2	41.7 %
Operating costs and expenses	(192.1)	(135.0)	(57.1)	42.3 %
Operating income	\$ 16.0	\$ 11.9	\$ 4.1	34.5 %
Operating income margin		7.7 %	8.1 %	

Logistics revenue increased \$61.2 million, or 41.7 percent, during the three months ended September 30, 2021, compared with the three months ended September 30, 2020. The increase was primarily due to higher transportation brokerage and supply chain management revenue.

Logistics operating income increased \$4.1 million, or 34.5 percent, for the three months ended September 30, 2021, compared with the three months ended September 30, 2020. The increase was primarily due to higher contributions from supply chain management and transportation brokerage.

**Logistics Operating Results: Nine months ended September 30, 2021, compared with 2020:**

(Dollars in millions)	Nine Months Ended September 30,			
	2021	2020	Change	
Logistics revenue	\$ 551.4	\$ 373.2	\$ 178.2	47.7 %
Operating costs and expenses	(516.4)	(347.3)	(169.1)	48.7 %
Operating income	\$ 35.0	\$ 25.9	\$ 9.1	35.1 %
Operating income margin		6.3 %	6.9 %	

Logistics revenue increased \$178.2 million, or 47.7 percent, during the nine months ended September 30, 2021, compared with the nine months ended September 30, 2020. The increase was primarily due to higher transportation brokerage and supply chain management revenue.

Logistics operating income increased \$9.1 million, or 35.1 percent, for the nine months ended September 30, 2021, compared with the nine months ended September 30, 2020. The increase was due primarily to higher contributions from transportation brokerage, supply chain management, and freight forwarding.

## LIQUIDITY AND CAPITAL RESOURCES

Sources of liquidity available to the Company as of September 30, 2021, compared to December 31, 2020 were as follows:

**Cash, Cash Equivalents, Restricted Cash and Accounts Receivable:** Cash and cash equivalents, restricted cash and accounts receivable as of September 30, 2021, compared to December 31, 2020 were as follows:

(In millions)	September 30, 2021	December 31, 2020	Change
Cash and cash equivalents	\$ 75.9	\$ 14.4	\$ 61.5
Restricted cash	\$ 5.3	\$ 5.3	\$ —
Accounts receivable, net (1)	\$ 328.6	\$ 253.4	\$ 75.2

(1) As of September 30, 2021 and December 31, 2020, \$1.8 million and \$1.7 million of eligible accounts receivable were assigned to the CCF, respectively.

Changes in the Company's cash, cash equivalents and restricted cash for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020 were as follows:

(In millions)	Nine Months Ended September 30,		
	2021	2020	Change
Net cash provided by operating activities (1)	\$ 583.3	\$ 270.8	\$ 312.5
Net cash used in investing activities (2)	(242.5)	(95.6)	(146.9)
Net cash used in financing activities (3)	(279.3)	(187.9)	(91.4)
Net increase (decrease) in cash, cash equivalents and restricted cash	61.5	(12.7)	74.2
Cash, cash equivalents and restricted cash, beginning of the period	19.7	28.4	(8.7)
Cash, cash equivalents and restricted cash, end of the period	<u>\$ 81.2</u>	<u>\$ 15.7</u>	<u>\$ 65.5</u>

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

Changes in net cash provided by operating activities for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, were due to the following:

(In millions)	Change
Net income	\$ 425.4
Amortization of operating lease right of use assets	20.8
Depreciation and amortization	16.4
Non-cash deferred income taxes	(3.2)
Other non-cash related changes, net	0.6
Income and distributions from SSAT, net	(10.6)
Accounts receivable, net	(46.3)
Prepaid expenses and other assets	(66.3)
Accounts payable, accruals and other liabilities	6.2
Operating lease liabilities	(18.4)
Deferred dry-docking payments	(14.7)
Deferred dry-docking amortization	0.2
Other long-term liabilities	2.4
Total	<u>\$ 312.5</u>

Income and cash distributions from SSAT was \$35.0 million and \$46.9 million for the nine months ended September 30, 2021, respectively, compared to \$15.4 million and \$37.9 million for the nine months ended September 30, 2020. The change in income and cash distributions was due to greater levels of operating profits generated by SSAT during the nine months ended September 30, 2021 as compared to the same prior year period. 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 fuel and other operating related costs, primarily due to increased levels of operations, and prepaid income taxes, primarily due to increased levels of earnings for the nine months ended September 30, 2021, as compared to the same prior year period. Changes in accounts payable, accruals and other liabilities were primarily due to increased levels of operating costs and the timing of

payments associated with those liabilities. Deferred dry-docking payments for the nine months ended September 30, 2021 were \$25.8 million, compared to \$11.1 million for the nine months ended September 30, 2020. The increase in deferred dry-docking payments was due to an increase in dry-dock related activity during the nine months ended September 30, 2021 as compared to the same prior year period.

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

Changes in net cash used in investing activities for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Cash deposits into CCF	\$ 65.9
Withdrawals from CCF	(65.9)
Other capital expenditures	(191.2)
Capitalized vessel construction expenditures	57.8
Proceeds from disposal of property and equipment, net	(13.5)
Total	<u>\$ (146.9)</u>

Capitalized vessel construction expenditures (including capitalized interest) were \$57.8 million for the nine months ended September 30, 2020. There were no capitalized vessel construction expenditures during the nine months ended September 30, 2021 due to the completion of the Company's fleet renewal program in 2020. Changes in cash deposits into CCF and withdrawals from CCF primarily relate to the timing of when deposits are made into the CCF, and when the subsequent withdrawals are made out of the CCF for the purposes of vessel construction progress payments. Other capital expenditures payments were \$244.7 million for the nine months ended September 30, 2021, compared to \$53.5 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company increased its acquisition of containers, chassis and other terminal equipment, as compared to the same prior year period, primarily driven by the increased level of operating activities. The increase in other capital expenditure payments was also due to the repurchase of *Maunalei* for \$95.8 million, repurchase of other leased equipment, installation of scrubbers on certain vessels, and the timing of certain capital project activities incurred during 2021 as compared to 2020. The decrease in proceeds from disposal of property and equipment was primarily due to the sale and leaseback of chassis and container equipment for net proceeds of \$14.3 million during the nine months ended September 30, 2020. There were no sale and leaseback transactions during the nine months ended September 30, 2021.

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

Changes in net cash used in financing activities for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Proceeds received from issuance of fixed interest debt	\$ (325.5)
Repayments of fixed interest debt	163.1
Repayments and borrowings under revolving credit facility, net	184.3
Repurchase of Matson common stock	(115.7)
Payment of financing costs	15.5
Tax withholding related to net share settlements of restricted stock units	(8.8)
Dividends paid	(4.2)
Change in other payments, net	(0.1)
Total	<u>\$ (91.4)</u>

During the nine months ended September 30, 2021, the Company paid \$41.1 million in scheduled fixed debt payments, compared to \$34.7 million in scheduled fixed debt payments and redeemed debt at par of \$169.5 million during the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company decreased net borrowings under the revolving credit facility by \$71.8 million, compared to a \$256.1 million decrease during the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company paid \$3.0 million in financing costs, compared to \$18.5 million paid during the nine months ended September 30, 2020, related to amendments of its revolving credit facility, private placement term loans and Title XI debt. During the nine months ended September 30, 2021, the Company paid \$14.4 million in taxes related to vested restricted stock units, compared to \$5.6 million for the nine months ended September 30, 2020. The increase in taxes 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, 2021, the Company paid \$33.3 million in dividends, compared to \$29.1 million during the nine months ended September 30, 2020. The increase in dividend payments resulted from an increase in dividends declared per share of common stock by the Company. During the nine months ended September 30, 2021, the Company paid \$115.7 million for the repurchase of Matson common stock. There was no stock repurchase activity during the prior year.

**Debt:** Total Debt as of September 30, 2021 and December 31, 2020 is as follows:

<u>(In millions)</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Change</u>
Revolving credit facility	\$ —	\$ 71.8	\$ (71.8)
Fixed interest debt	647.2	688.3	(41.1)
Total Debt	<u>\$ 647.2</u>	<u>\$ 760.1</u>	<u>\$ (112.9)</u>

Total Debt decreased by \$112.9 million during the nine months ended September 30, 2021. The decrease in the Company's outstanding revolving credit borrowings was primarily due to the increase in net cash provided by operating activities during that same period. The decrease in fixed interest debt was due to the scheduled repayments of private placement term loans and Title XI debt during the nine months ended September 30, 2021.

As of September 30, 2021, the Company had \$641.9 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 deficit of \$65.6 million and \$205.6 million at September 30, 2021 and December 31, 2020, respectively. The Company manages its working capital needs through the use of borrowings on its revolving credit facility which can be received on short notice. The decrease in working capital deficit at September 30, 2021 is primarily due to the increase in cash flow generated from operating activities during the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. Working capital is also impacted by the timing of collections associated with accounts receivable and other assets, and the timing of payments associated with accounts payable, accruals, income taxes and other liabilities.

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

Except as described below, there were no material changes during this quarter to the Company's contractual obligations, commitments, contingencies and off-balance sheet arrangements that are described in Part II, Item 7 of the Company's [Annual Report on Form 10-K for the year ended December 31, 2020](#), which is incorporated herein by reference.

The Company's debt is described in Note 6 to the Condensed Consolidated Financial Statements included in the Company's [Quarterly Report on Form 10-Q for the three months ended March 31, 2021](#), which is incorporated herein by reference.

On July 7, 2021, the Company terminated a Bareboat Charter Operating Lease agreement as described in Note 7 of Part I, Item 1 above.

#### **CRITICAL ACCOUNTING ESTIMATES**

There have been no changes during this quarter to the Company's critical accounting estimates as discussed in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

#### **OTHER MATTERS**

The Company's third quarter 2021 cash dividend of \$0.30 per share was paid on September 2, 2021. On October 28, 2021, the Company's Board of Directors declared a cash dividend of \$0.30 per share payable on December 2, 2021.



From October 1, 2021 through November 2, 2021, Matson repurchased an additional 0.4 million shares for a total cost of \$33.1 million. As of November 2, 2021, the Company had approximately 1.1 million shares remaining on its share repurchase program.

In early November, the Company announced short, medium and long-term goals designed to significantly reduce its impact on climate change by lowering the Company's greenhouse gas emissions. To help meet these goals, the Company plans to install tanks, piping and other equipment on *Daniel K. Inouye*, its first Aloha Class vessel, to operate its dual fuel engine on liquefied natural gas ("LNG") as originally designed. The installation is expected to take approximately five months to complete and is scheduled to begin during the first quarter of 2023, at an estimated cost of approximately \$35 million. The Company is actively considering further LNG installations on *Kaimana Hila* and the two Kanaloa Class vessels (*Lurline* and *Matsonia*). In addition, the Company plans to re-engine *Manukai* to operate on both LNG and conventional fuels at an estimated cost of approximately \$60 million. The Company is continuing to evaluate different initiatives to increase efficiency and lower emissions. For more information about risks and uncertainties associated with the Company's greenhouse gas emissions reduction goals, please see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements.

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

There have been no material changes to the Company's market risk position from the information provided under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2020.

### **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, 2021, the Company's disclosure controls and procedures are effective.

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

Except described below, 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, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

During the quarter ended June 30, 2021, the Company implemented the financial modules of a new enterprise resource planning ("ERP") system intended to enhance operating efficiencies and provide more effective management of its business operations. The Company completed pre-implementation testing and is currently performing post-implementation monitoring of the financial modules to ensure the continued effectiveness of internal controls over financial reporting. As a result of this implementation, certain internal controls over financial reporting have been automated, modified or implemented. While the Company believes the ERP financial modules system will strengthen its internal control environment, there are inherent risks in implementing any new system. The Company will continue to evaluate these internal control changes as part of its assessment of internal controls over financial reporting throughout 2021.

**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. 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 that in future filings 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.

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

**ITEM 1A. RISK FACTORS**

There were no material changes to the Company's risk factors that are described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

**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, 2021:

<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, 2021	—	\$ —	—	—
August 1 – 31, 2021	964,446	\$ 75.08	964,446	2,035,554
September 1 – 30, 2021	514,978	\$ 83.94	514,978	1,520,576
Total	<u>1,479,424</u>	<u>\$ 78.16</u>	<u>1,479,424</u>	

(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. 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**

None.

**ITEM 6. EXHIBITS**

- 10.1\* [Amended and Restated Matson, Inc. 2016 Incentive Compensation Plan \(incorporated by reference to Exhibit 99.1 of Matson's Form S-8 dated July 30, 2021\).](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.](#)
- 101.INS XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101).

\* Indicates management contract or compensatory plan or arrangement.

**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 4, 2021

/s/ Joel M. Wine

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

Date: November 4, 2021

/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 4, 2021

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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 4, 2021

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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, 2021, 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 4, 2021

/s/ Joel M. Wine

Name: Joel M. Wine

Title: Executive Vice President and Chief Financial Officer

Date: November 4, 2021

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