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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, 2020

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, 2020: 43,078,715

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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,	
	2020	2019	2020	2019
<b>Operating Revenue:</b>				
Ocean Transportation	\$ 498.3	\$ 437.2	\$ 1,310.0	\$ 1,250.5
Logistics	146.9	134.9	373.2	411.9
Total Operating Revenue	<u>645.2</u>	<u>572.1</u>	<u>1,683.2</u>	<u>1,662.4</u>
<b>Costs and Expenses:</b>				
Operating costs	(495.8)	(472.6)	(1,370.4)	(1,412.5)
Income from SSAT	7.7	8.4	15.4	17.8
Selling, general and administrative	(58.7)	(52.7)	(165.6)	(164.0)
Total Costs and Expenses	<u>(546.8)</u>	<u>(516.9)</u>	<u>(1,520.6)</u>	<u>(1,558.7)</u>
Operating Income	98.4	55.2	162.6	103.7
Interest expense	(5.7)	(6.2)	(22.5)	(16.9)
Other income (expense), net	2.4	(0.5)	4.5	0.9
Income before Income Taxes	95.1	48.5	144.6	87.7
Income taxes	(24.2)	(12.3)	(37.1)	(20.6)
Net Income	<u>\$ 70.9</u>	<u>\$ 36.2</u>	<u>\$ 107.5</u>	<u>\$ 67.1</u>
<b>Other Comprehensive Income (Loss), Net of Income Taxes:</b>				
Net Income	\$ 70.9	\$ 36.2	\$ 107.5	\$ 67.1
<b>Other Comprehensive Income (Loss):</b>				
Amortization of prior service cost	(1.2)	(1.0)	(3.5)	(3.3)
Amortization of net loss	0.5	1.2	3.1	3.0
Other adjustments	0.2	(0.7)	(0.6)	(0.9)
Total Other Comprehensive Income (Loss)	<u>(0.5)</u>	<u>(0.5)</u>	<u>(1.0)</u>	<u>(1.2)</u>
Comprehensive Income	<u>\$ 70.4</u>	<u>\$ 35.7</u>	<u>\$ 106.5</u>	<u>\$ 65.9</u>
Basic Earnings Per Share	\$ 1.65	\$ 0.84	\$ 2.50	\$ 1.57
Diluted Earnings Per Share	\$ 1.63	\$ 0.84	\$ 2.48	\$ 1.55
<b>Weighted Average Number of Shares Outstanding:</b>				
Basic	43.1	42.9	43.0	42.8
Diluted	43.5	43.3	43.4	43.2

See Notes to Condensed Consolidated Financial Statements.

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

<b>(In millions)</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 12.7	\$ 21.2
Accounts receivable, net of allowance for credit loss of \$5.9 million and \$4.3 million, respectively	234.3	205.9
Prepaid expenses and other assets	42.6	62.5
Total current assets	<u>289.6</u>	<u>289.6</u>
Long-term Assets:		
Investment in SSAT	55.2	76.2
Property and equipment, net	1,614.6	1,598.1
Operating lease right of use assets	244.3	256.1
Goodwill	327.8	327.8
Intangible assets, net	194.7	202.9
Deferred dry-docking costs, net	49.9	56.9
Other long-term assets	30.6	37.8
Total long-term assets	<u>2,517.1</u>	<u>2,555.8</u>
Total Assets	<u>\$ 2,806.7</u>	<u>\$ 2,845.4</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of debt	\$ 53.4	\$ 48.4
Accounts payable and accruals	245.4	235.7
Operating lease liabilities	63.9	66.6
Other liabilities	90.9	86.0
Total current liabilities	<u>453.6</u>	<u>436.7</u>
Long-term Liabilities:		
Long-term debt, net of deferred loan fees	754.5	910.0
Long-term operating lease liabilities	188.3	198.0
Deferred income taxes	370.9	337.6
Other long-term liabilities	147.6	157.4
Total long-term liabilities	<u>1,461.3</u>	<u>1,603.0</u>
Commitments and Contingencies		
Shareholders' Equity:		
Common stock	32.3	32.2
Additional paid in capital	312.6	306.2
Accumulated other comprehensive loss, net	(37.9)	(36.9)
Retained earnings	584.8	504.2
Total shareholders' equity	<u>891.8</u>	<u>805.7</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,806.7</u>	<u>\$ 2,845.4</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,	
	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 107.5	\$ 67.1
Reconciling adjustments:		
Depreciation and amortization	84.5	73.4
Amortization of operating lease right of use assets	53.1	52.3
Deferred income taxes	33.5	21.9
Share-based compensation expense	12.0	8.7
Income from SSAT	(15.4)	(17.8)
Distribution from SSAT	37.9	14.7
Other	0.5	(1.5)
Changes in assets and liabilities:		
Accounts receivable, net	(28.9)	(0.2)
Deferred dry-docking payments	(11.1)	(17.9)
Deferred dry-docking amortization	17.8	25.9
Prepaid expenses and other assets	19.6	25.3
Accounts payable, accruals and other liabilities	24.0	(11.7)
Operating lease liabilities	(53.7)	(51.7)
Other long-term liabilities	(10.5)	(8.1)
<b>Net cash provided by operating activities</b>	<b>270.8</b>	<b>180.4</b>
<b>Cash Flows From Investing Activities:</b>		
Capitalized vessel construction expenditures	(57.8)	(108.7)
Other capital expenditures	(53.5)	(62.7)
Proceeds from disposal of property and equipment	15.7	3.1
Cash deposits into Capital Construction Fund	(97.1)	(68.2)
Withdrawals from Capital Construction Fund	97.1	68.2
<b>Net cash used in investing activities</b>	<b>(95.6)</b>	<b>(168.3)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of debt	325.5	—
Repayments of debt	(204.2)	(28.4)
Proceeds from revolving credit facility	547.4	383.3
Repayments of revolving credit facility	(803.5)	(328.3)
Payment of financing costs	(18.5)	—
Proceeds from issuance of capital stock	0.1	0.1
Dividends paid	(29.1)	(27.7)
Tax withholding related to net share settlements of restricted stock units	(5.6)	(3.3)
<b>Net cash used in financing activities</b>	<b>(187.9)</b>	<b>(4.3)</b>
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(12.7)	7.8
Cash, Cash Equivalents and Restricted Cash, Beginning of the Period	28.4	24.5
<b>Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 15.7</b>	<b>\$ 32.3</b>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash, End of the Period:</b>		
Cash and Cash Equivalents	\$ 12.7	\$ 23.6
Restricted Cash	3.0	8.7
<b>Total Cash, Cash Equivalents and Restricted Cash, End of the Period</b>	<b>\$ 15.7</b>	<b>\$ 32.3</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid, net of capitalized interest	\$ 22.4	\$ 16.8
Income tax (refunds) and payments, net	\$ (18.0)	\$ (25.7)
<b>Non-cash Information:</b>		
Capital expenditures included in accounts payable, accruals and other liabilities	\$ 5.9	\$ 9.8

See Notes to Condensed Consolidated Financial Statements.

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

<b>(In millions, except per share amounts)</b>	<b>Common Stock</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Retained</b>	<b>Total</b>	
	<b>Shares</b>	<b>Paid In</b>	<b>Other</b>	<b>Earnings</b>		
	<b>Stated</b>	<b>Capital</b>	<b>Comprehensive</b>	<b>Income (Loss)</b>	<b>Income (Loss)</b>	
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	
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 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, 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 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

<b>(In millions, except per share amounts)</b>	<b>Common Stock</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Retained</b>	<b>Total</b>	
	<b>Shares</b>	<b>Paid In</b>	<b>Other</b>	<b>Earnings</b>		
	<b>Stated</b>	<b>Capital</b>	<b>Comprehensive</b>	<b>Income (Loss)</b>	<b>Income (Loss)</b>	
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	
Balance at December 31, 2018	42.7	\$ 32.0	\$ 297.8	\$ (34.5)	\$ 460.0	\$ 755.3
Adoption of new lease accounting standard	—	—	—	—	4.4	4.4
Net income	—	—	—	—	12.5	12.5
Other comprehensive loss, net of tax	—	—	—	(0.2)	—	(0.2)
Share-based compensation	—	—	3.2	—	—	3.2
Shares issued, net of shares withheld for employee taxes	0.1	0.1	(3.2)	—	—	(3.1)
Dividends (\$0.21 per share)	—	—	—	—	(9.1)	(9.1)
Balance at March 31, 2019	42.8	32.1	297.8	(34.7)	467.8	763.0
Net income	—	—	—	—	18.4	18.4
Other comprehensive loss, net of tax	—	—	—	(0.5)	—	(0.5)
Share-based compensation	—	—	3.0	—	—	3.0
Shares issued, net of shares withheld for employee taxes	0.1	—	(0.1)	—	—	(0.1)
Dividends (\$0.21 per share and \$0.22 per share)	—	—	—	—	(18.6)	(18.6)
Balance at June 30, 2019	42.9	32.1	300.7	(35.2)	467.6	765.2
Net income	—	—	—	—	36.2	36.2
Other comprehensive loss, net of tax	—	—	—	(0.5)	—	(0.5)
Share-based compensation	—	—	2.5	—	—	2.5
Shares issued, net of shares withheld for employee taxes	—	0.1	—	—	—	0.1
Dividends	—	—	—	—	(0.2)	(0.2)
SSAT's adoption of new lease accounting standard	—	—	—	—	(5.6)	(5.6)
Balance at September 30, 2019	42.9	\$ 32.2	\$ 303.2	\$ (35.7)	\$ 498.0	\$ 797.7

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 two premium, expedited services from China to Long Beach, California, provides service 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 container stevedoring, refrigerated cargo services, inland transportation and other terminal services for MatNav and other ocean carriers on the Hawaiian islands of Oahu, Hawaii, Maui and Kauai, and in the Alaska locations of Anchorage, Kodiak and Dutch Harbor.

Matson has a 35 percent ownership interest in SSA Terminals, LLC, a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc., a subsidiary of Carrix, Inc. (“SSAT”). SSAT 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. Established in 1987, Matson Logistics 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, 2019, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2020.

**Fiscal Period:** The period end for Matson covered by this report is September 30, 2020. The period end for MatNav and its subsidiaries covered by this report occurred on the last Friday in September, or September 25, 2020.

**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, 2019.

**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; uninsured risks and 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.

**Allowance for Doubtful Accounts Receivable:** Allowance for doubtful accounts receivable is established by management based on estimates of collectability. Estimates of collectability are principally based on an evaluation of the current financial condition of the customer and the potential risks to collection, the customers’ payment history, expected future credit losses and other factors which are regularly monitored by the Company.

**Recognition of Revenues and Related 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,	
	2020	2019	2020	2019
<b>Ocean Transportation (in millions) (1)</b>				
Ocean Transportation services	\$ 490.8	\$ 424.1	\$ 1,284.5	\$ 1,218.6
Terminal and other related services	5.1	8.3	15.5	19.8
Fuel sales	1.3	3.3	6.0	7.9
Vessel management and related services	1.1	1.5	4.0	4.2
<b>Total</b>	<b>\$ 498.3</b>	<b>\$ 437.2</b>	<b>\$ 1,310.0</b>	<b>\$ 1,250.5</b>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019 (2)	2020	2019 (2)
<b>Logistics (in millions) (1)</b>				
Transportation Brokerage and Freight Forwarding services	\$ 133.0	\$ 123.5	\$ 337.0	\$ 378.5
Warehouse and distribution services	9.5	8.5	25.9	25.2
Supply chain management and other services	4.4	2.9	10.3	8.2
<b>Total</b>	<b>\$ 146.9</b>	<b>\$ 134.9</b>	<b>\$ 373.2</b>	<b>\$ 411.9</b>

- (1) Logistics revenue transactions are primarily denominated in U.S. dollars except for less than 3 percent of transportation brokerage and freight forwarding services revenue, and supply chain management and other services revenue categories which are denominated in foreign currencies.
- (2) The Company has reclassified \$3.9 million and \$10.0 million from transportation brokerage and freight forwarding services to warehouse and distribution services for the three and nine months ended September 30, 2019, respectively, to be consistent with its current period presentation. There was no change in total Logistics revenue for the three and nine months ended September 30, 2019.



- Transportation Brokerage and Freight Forwarding services revenue consists of amounts billed to customers for services provided. The primary costs include third-party purchased transportation services, labor and equipment. Revenue and the related purchased third-party transportation costs are recognized over the duration of a delivery based upon the relative transit time completed in each reporting period. Labor and other operating costs are expensed as incurred. The Company reports revenue on a gross basis as the Company serves as the principal in these transactions because it is responsible for fulfilling the contractual arrangements with the customer and has latitude in establishing prices.
- Warehousing and distribution services revenue consist of amounts billed to customers for storage, handling, and value-added packaging of customer merchandise. Storage revenue is recognized in the month the service is provided to the customer. Storage related costs are recognized as incurred. Other warehousing and distribution services revenue and related costs are recognized in proportion to the services performed.
- Supply chain management and other services 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, 2019. As of September 30, 2020 and December 31, 2019, \$1.7 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 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, 2020, the Company deposited \$97.1 million into the CCF, and made qualifying cash withdrawals of \$97.1 million from the CCF, respectively. The Company made no qualifying cash deposits or withdrawals during the three months ended September 30, 2020. The balance of cash on deposit at September 30, 2020 and December 31, 2019 was nominal.

**Investment in SSAT:** Condensed income statement information for SSAT for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating revenue	\$ 273.9	\$ 288.7	\$ 796.1	\$ 825.6
Operating costs and expenses	(243.1)	(262.6)	(738.4)	(771.8)
Operating income	30.8	26.1	57.7	53.8
Net Income (1)	\$ 26.2	\$ 23.3	\$ 51.5	\$ 50.1
Company Share of SSAT's Net Income (2)	\$ 7.7	\$ 8.4	\$ 15.4	\$ 17.8

(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 \$55.2 million and \$76.2 million at September 30, 2020 and December 31, 2019, respectively. During the nine months ended September 30, 2020, the Company recorded an increase of \$2.2 million in its investment in SSAT and a corresponding increase in retained earnings related to the formation of a new subsidiary of SSAT, whose controlling interest is retained by SSAT.

**Deferred Loan Fees:** The Company records deferred loan fees, excluding those related to the revolving credit facility, as a reduction to Total Debt in the Company's Condensed Consolidated Balance Sheets in accordance with Accounting Standards Update ("ASU") 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. These costs are being amortized over the life of the related debt using the effective interest method (see Note 6).

Deferred loan fees related to the Company's revolving credit facility are recorded in other long-term assets in the Company's Condensed Consolidated Balance Sheets. These deferred loan fees are being amortized using the straight-line method as the difference between that and the use of the effective interest method is not material. These deferred loan fees were \$2.5 million and \$1.3 million at September 30, 2020 and December 31, 2019, 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 2020 cash dividend of \$0.23 per share was paid on September 3, 2020. On October 29, 2020, the Company's Board of Directors declared a cash dividend of \$0.23 per share payable on December 3, 2020.

***New Accounting Pronouncements:***

*Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"):* In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables, available-for-sale securities and other financial instruments. ASU 2016-13 requires entities to establish a valuation allowance for the expected lifetime losses of certain financial instruments. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses is permitted. The new standard is effective for interim and annual periods beginning on or after December 15, 2019.

The Company adopted ASU 2016-13 effective January 1, 2020 using the modified retrospective approach. Upon adoption, the Company included an evaluation of expected future credit losses as part of its estimate for determining the allowance for doubtful accounts. The impact of this change was not material to the Company's allowance for doubtful accounts receivable in the Condensed Consolidated Financial Statements. The Company will continue to monitor the impact of COVID-19 pandemic on expected future credit losses. The Company's accounting policy related to allowance for doubtful accounts receivable is described above.

*Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract ("ASU 2018-15"):* In August 2018, FASB issued ASU 2018-15 which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs incurred to develop or obtain internal-use software. The Company adopted ASU 2018-15 on a prospective basis effective January 1, 2020. During the nine months ended September 30, 2020, the Company capitalized costs of \$1.9 million related to cloud computing arrangements and which were included in other long-term assets on the Company's Condensed Consolidated Balance Sheets as of September 30, 2020.

### 3. REPORTABLE SEGMENTS

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

The Company consists of two reportable segments, Ocean Transportation and Logistics, which are further described in Note 1. Reportable segments are measured based on operating income, exclusive of interest expense and income taxes. In arrangements where the customer purchases ocean transportation and logistics services, the revenues are allocated to each reportable segment based upon the contractual amounts for each type of service. The Company's 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 \$40.2 million and \$28.2 million for the three months ended September 30, 2020 and 2019, and \$83.8 million and \$75.3 million for the nine months ended September 30, 2020 and 2019, respectively, have been eliminated from operating revenues in the table below.

Reportable segment financial information for the three and nine months ended September 30, 2020 and 2019 are as follows:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Operating Revenue:</b>				
Ocean Transportation (1)	\$ 498.3	\$ 437.2	\$ 1,310.0	\$ 1,250.5
Logistics (2)	146.9	134.9	373.2	411.9
Total Operating Revenue	<u>\$ 645.2</u>	<u>\$ 572.1</u>	<u>\$ 1,683.2</u>	<u>\$ 1,662.4</u>
<b>Operating Income:</b>				
Ocean Transportation (3)	\$ 86.5	\$ 43.9	\$ 136.7	\$ 73.0
Logistics	11.9	11.3	25.9	30.7
Total Operating Income	98.4	55.2	162.6	103.7
Interest expense, net	(5.7)	(6.2)	(22.5)	(16.9)
Other income (expense), net	2.4	(0.5)	4.5	0.9
Income before Income Taxes	95.1	48.5	144.6	87.7
Income taxes	(24.2)	(12.3)	(37.1)	(20.6)
Net Income	<u>\$ 70.9</u>	<u>\$ 36.2</u>	<u>\$ 107.5</u>	<u>\$ 67.1</u>

- (1) Ocean Transportation operating revenue excludes inter-segment revenue of \$22.4 million and \$14.0 million for the three months ended September 30, 2020 and 2019, and \$43.7 million and \$39.2 million for the nine months ended September 30, 2020 and 2019, respectively.
- (2) Logistics operating revenue excludes inter-segment revenue of \$17.8 million and \$14.2 million for the three months ended September 30, 2020 and 2019, and \$40.1 million and \$36.1 million for the nine months ended September 30, 2020 and 2019, respectively.
- (3) Ocean Transportation segment information includes \$7.7 million and \$8.4 million of equity in income from the Company's equity investment in SSAT for the three months ended September 30, 2020 and 2019, and \$15.4 million and \$17.8 million for the nine months ended September 30, 2020 and 2019, respectively.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 and December 31, 2019 consisted of the following:

(In millions)	September 30, 2020	December 31, 2019
Cost:		
Vessels	\$ 1,914.1	\$ 1,653.5
Containers and equipment	532.8	544.5
Terminal facilities and other property	117.2	114.4
Vessel construction in progress	230.4	488.9
Other construction in progress	17.2	35.4
<b>Total Property and Equipment</b>	<b>2,811.7</b>	<b>2,836.7</b>
Less: Accumulated Depreciation	(1,197.1)	(1,238.6)
<b>Total Property and Equipment, net</b>	<b>\$ 1,614.6</b>	<b>\$ 1,598.1</b>

Vessel construction in progress relates to progress payments for the construction of new vessels, capitalized owner's items and capitalized interest. During the nine months ended September 30, 2020, the newly constructed vessel *Lurline* was placed into service resulting in \$308.2 million, including \$16.5 million of capitalized interest, being transferred from the Vessel construction in progress category to the Vessels category within Property and Equipment. Capitalized interest included in Vessel construction in progress was \$11.0 million and \$22.0 million at September 30, 2020 and December 31, 2019, respectively.

#### 5. GOODWILL AND INTANGIBLES

Goodwill by segment as of September 30, 2020 and December 31, 2019 consisted of the following:

(In millions)	Ocean Transportation	Logistics	Total
Goodwill	\$ 222.6	\$ 105.2	\$ 327.8

Intangible assets as of September 30, 2020 and December 31, 2019 consisted of the following:

(In millions)	September 30, 2020	December 31, 2019
Customer Relationships:		
Ocean Transportation	\$ 140.6	\$ 140.6
Logistics	90.1	90.1
Total	230.7	230.7
Less: Accumulated Amortization	(63.3)	(55.1)
Total Customer Relationships, net	167.4	175.6
Trade name – Logistics	27.3	27.3
<b>Total Intangible Assets, net</b>	<b>\$ 194.7</b>	<b>\$ 202.9</b>

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 deterioration in 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 2019 annual impairment tests, the Company concluded that an impairment triggering event did not occur during the quarter ended September 30, 2020.

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, 2020 and December 31, 2019, the Company's debt consisted of the following:

(In millions)	September 30, 2020	December 31, 2019
<b>Private Placement Term Loans:</b>		
5.79 %, payable through 2020	\$ —	\$ 3.5
3.66 %, payable through 2023	27.4	31.9
4.16 %, payable through 2027	36.7	39.3
3.37 %, payable through 2027	75.0	75.0
3.14 %, payable through 2031	169.6	188.0
4.31 %, payable through 2032	29.0	30.3
4.35 %, payable through 2044	—	100.0
3.92 %, payable through 2045	—	69.5
<b>Title XI Debt:</b>		
5.34 %, payable through 2028	17.6	19.8
5.27 %, payable through 2029	19.8	22.0
1.22 %, payable through 2043	185.9	—
1.35 %, payable through 2044	139.6	—
Revolving credit facility, maturity date of June 29, 2022	123.0	379.1
Total Debt	823.6	958.4
Less: Current portion	(53.4)	(48.4)
Total Long-term Debt	770.2	910.0
Less: Deferred loan fees	(15.7)	—
Total Long-term Debt, net of deferred loan fees	\$ 754.5	\$ 910.0

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, 2020 and in the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2020.

**Revolving Credit Facility:** As of September 30, 2020, the Company had \$518.9 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, 2020. Based on the Company's consolidated net leverage ratio, which stipulates borrowing margins, the interest rate applicable to revolving credit facility was approximately 3.25 percent at September 30, 2020. Borrowings under the revolving credit facility are classified as long-term debt in the Condensed Consolidated Balance Sheets, as principal payments are not required until the maturity date of June 29, 2022.

**Debt Security and Guarantees:** All of the debt of the Company and MatNav, including related guarantees, as of September 30, 2020 was unsecured, except for the Title XI debt.

**Debt Maturities:** As of September 30, 2020, debt maturities during the next five years and thereafter are as follows:

Year (in millions)	As of September 30, 2020
Remainder of 2020	\$ 12.3
2021	59.2
2022	188.0
2023	60.4
2024	51.7
Thereafter	452.0
Total Debt	\$ 823.6

**Deferred Loan Fees:** Deferred loan fees are recorded as a reduction of Total Debt in the Condensed Consolidated Balance Sheets in accordance with Accounting Standards Codification (“ASC”) 835, *Imputation of Interest* (“ASC 835”). Activity relating to deferred loan fees for the nine months ended September 30, 2020 are as follows:

<b>Deferred Loan Fees (in millions)</b>	<b>Amount</b>
Deferred financing costs related to Title XI bonds and private placement debt amendments	\$ 16.5
Deferred fees expensed related to the redemption of private placement debt	(0.3)
Amortization expense for the nine months ended September 30, 2020	(0.5)
Balance at September 30, 2020	<u>\$ 15.7</u>

As of September 30, 2020, amortization expense relating to deferred loan fees during the next five years and thereafter are as follows:

<b>Year (in millions)</b>	<b>Amount</b>
Remainder of 2020	\$ 0.4
2021	1.5
2022	1.2
2023	1.1
2024	1.1
Thereafter	10.4
Total amortization expense of deferred loan fees	<u>\$ 15.7</u>

## 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, 2019.

*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, 2020 and 2019 consisted of the following:

<b>(In millions)</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating lease cost	\$ 20.0	\$ 18.8	\$ 60.5	\$ 52.3
Short-term lease cost	4.4	0.9	6.9	5.8
Variable lease cost	0.2	0.1	0.6	0.3
Total lease cost	<u>\$ 24.6</u>	<u>\$ 19.8</u>	<u>\$ 68.0</u>	<u>\$ 58.4</u>

*Sale and Leaseback of Equipment:* On March 25, 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 second and third quarter of 2020, and during the nine months ended September 30, 2019.

## 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, 2020 are as follows:

<u>(In millions)</u>	<u>Pensions</u>	<u>Post-Retirement</u>	<u>Non-Qualified Plans</u>	<u>Other</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>
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>

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the nine months ended September 30, 2019 consisted of the following:

<u>(In millions)</u>	<u>Pensions</u>	<u>Post-Retirement</u>	<u>Non-Qualified Plans</u>	<u>Other</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>
Balance at December 31, 2018	\$ (55.8)	\$ 21.7	\$ (0.1)	\$ (0.3)	\$ (34.5)
Amortization of prior service cost	(0.4)	(0.7)	—	—	(1.1)
Amortization of net loss	0.7	0.2	—	—	0.9
Balance at March 31, 2019	(55.5)	21.2	(0.1)	(0.3)	(34.7)
Amortization of prior service cost	(0.5)	(0.7)	(0.1)	0.1	(1.2)
Amortization of net loss	0.7	0.1	0.1	—	0.9
Other adjustments	—	—	—	(0.2)	(0.2)
Balance at June 30, 2019	(55.3)	20.6	(0.1)	(0.4)	(35.2)
Amortization of prior service cost	(0.4)	(0.5)	(0.1)	—	(1.0)
Amortization of net loss (gain)	1.6	(0.4)	—	—	1.2
Other adjustments	—	—	—	(0.7)	(0.7)
Balance at September 30, 2019	<u>\$ (54.1)</u>	<u>\$ 19.7</u>	<u>\$ (0.2)</u>	<u>\$ (1.1)</u>	<u>\$ (35.7)</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, 2020 and December 31, 2019 are as follows:

(In millions)	Total Carrying Value September 30, 2020	Total	Fair Value Measurements at September 30, 2020		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 12.7	\$ 12.7	\$ 12.7	\$ —	\$ —
Restricted cash	\$ 3.0	\$ 3.0	\$ 3.0	\$ —	\$ —
Variable rate debt	\$ 123.0	\$ 123.0	\$ —	\$ 123.0	\$ —
Fixed rate debt	\$ 700.6	\$ 697.7	\$ —	\$ 697.7	\$ —

  

(In millions)	December 31, 2019	Total	Fair Value Measurements at December 31, 2019		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 21.2	\$ 21.2	\$ 21.2	\$ —	\$ —
Restricted cash	\$ 7.2	\$ 7.2	\$ 7.2	\$ —	\$ —
Variable rate debt	\$ 379.1	\$ 379.1	\$ —	\$ 379.1	\$ —
Fixed rate debt	\$ 579.3	\$ 585.9	\$ —	\$ 585.9	\$ —

## 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, 2020 and 2019.

The denominators used to compute basic and diluted earnings per share for the three and nine months ended September 30, 2020 and 2019 are as follows:

(In millions, except per share amounts)	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
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

  

(In millions, except per share amounts)	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	Net Income	Weighted Average Common Shares	Per Common Share Amount	Net Income	Weighted Average Common Shares	Per Common Share Amount
Basic	\$ 36.2	42.9	\$ 0.84	\$ 67.1	42.8	\$ 1.57
Effect of Dilutive Securities		0.4	—		0.4	(0.02)
Diluted	\$ 36.2	43.3	\$ 0.84	\$ 67.1	43.2	\$ 1.55

## 11. SHARE-BASED COMPENSATION

During the three and nine months ended September 30, 2020, the Company granted approximately 3,000 and 341,200 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 \$41.82 and \$38.67, 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 \$5.9 million and \$2.5 million for the three months ended September 30, 2020 and 2019, and \$12.0 million and \$8.7 million for the nine months ended September 30, 2020 and 2019, respectively. Total unrecognized compensation cost related to unvested share-based compensation arrangements was \$17.3 million at September 30, 2020, 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, 2019. 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, 2020 and 2019 consisted of the following:

<u>(In millions)</u>	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>Three Months Ended September 30,</u>	<u>Three Months Ended September 30,</u>	<u>Three Months Ended September 30,</u>	<u>Three Months Ended September 30,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Components of net periodic benefit cost (benefit):</b>				
Service cost	\$ 1.3	\$ 1.3	\$ 0.1	\$ —
Interest cost	2.1	2.4	0.2	0.1
Expected return on plan assets	(3.9)	(2.7)	—	—
Amortization of net loss (gain)	0.5	2.2	0.1	(0.5)
Amortization of prior service credit	(0.6)	(0.5)	(1.0)	(0.9)
<b>Net periodic benefit cost (benefit)</b>	<b>\$ (0.6)</b>	<b>\$ 2.7</b>	<b>\$ (0.6)</b>	<b>\$ (1.3)</b>

<u>(In millions)</u>	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>Nine Months Ended September 30,</u>	<u>Nine Months Ended September 30,</u>	<u>Nine Months Ended September 30,</u>	<u>Nine Months Ended September 30,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Components of net periodic benefit cost (benefit):</b>				
Service cost	\$ 3.8	\$ 3.5	\$ 0.4	\$ 0.3
Interest cost	5.9	7.0	0.6	0.7
Expected return on plan assets	(10.4)	(9.0)	—	—
Amortization of net loss (gain)	3.4	4.0	0.4	(0.1)
Amortization of prior service credit	(1.8)	(1.7)	(2.8)	(2.8)
<b>Net periodic benefit cost (benefit)</b>	<b>\$ 0.9</b>	<b>\$ 3.8</b>	<b>\$ (1.4)</b>	<b>\$ (1.9)</b>

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

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

### **FORWARD-LOOKING STATEMENTS**

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

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

The Company cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time, including, but not limited to, the risk factors that are described in Part 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 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, 2019, the Company’s reports on Forms 10-Q and 8-K, and other publicly available information.

### **THIRD QUARTER 2020 DISCUSSION AND UPDATE ON BUSINESS CONDITIONS**

*Ocean Transportation:* The Company’s container volume in the Hawaii service in the third quarter 2020 was 0.8 percent lower year-over-year primarily due to lower volume from the state’s COVID-19 mitigation efforts including restrictions on tourism and a second shelter-in-place order that took effect in August. The State of Hawaii recently eased visitor travel restrictions to the islands, but the levels of tourism are expected to remain low in the near-term and to have a meaningfully negative impact on Hawaii’s economy.

In China, the Company’s container volume in the third quarter 2020 was 124.7 percent higher year-over-year primarily due to volume from the CLX+ service in addition to higher volume on the CLX service as a result of increased capacity in the tradelane. Matson continued to realize a rate premium in the third quarter 2020 and achieved average freight rates that were higher than in the year ago period. The Company expects increased consumption of e-commerce and other commodities along with potential further disruption in air cargo markets to continue to provide opportunities for its CLX and CLX+ expedited ocean services.

In Guam, the Company's container volume in the third quarter 2020 was 2.1 percent higher primarily due to increased demand for home improvement and government cargo. In the near-term, we expect depressed tourism levels to have a negative impact on the Guam economy.

In Alaska, the Company's container volume for the third quarter 2020 increased 1.5 percent year-over-year primarily due to higher southbound volume as a result of stronger seafood volume compared to the prior year, partially offset by modestly lower northbound volume. The Alaska economy continues to recover from the second quarter low, but residual negative economic effects from the COVID-19 pandemic coupled with a low oil price environment is expected to have a negative impact on Alaska's economy in the near-term.

The contribution in the third quarter 2020 from the Company's SSAT joint venture investment was \$7.7 million, or \$0.7 million lower than the third quarter 2019. The decrease was primarily due to lower lift volume.

*Logistics:* In the third quarter 2020, operating income for the Company's Logistics segment was \$11.9 million, or \$0.6 million higher compared to the operating income achieved in the third quarter 2019. The increase was due primarily to improved performance in all of the business lines (i.e., transportation brokerage, freight forwarding, warehousing and distribution, and supply chain management and other services) driven by the continued reopening of the U.S. economy. In the near-term, we expect the elevated consumption of e-commerce and other high demand goods to benefit most of the business lines.

For the fourth quarter of 2020, the Company expects its businesses to continue to perform well and to generate strong financial results.

## CONSOLIDATED RESULTS OF OPERATIONS

### *Consolidated Results - Three months ended September 30, 2020, compared with 2019:*

<i>(Dollars in millions, except per share amounts)</i>	<b>Three Months Ended September 30,</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>	
Operating revenue	\$ 645.2	\$ 572.1	\$ 73.1	12.8 %
Operating costs and expenses	(546.8)	(516.9)	(29.9)	5.8 %
Operating income	98.4	55.2	43.2	78.3 %
Interest expense	(5.7)	(6.2)	0.5	(8.1)%
Other income (expense), net	2.4	(0.5)	2.9	(580.0)%
Income before income taxes	95.1	48.5	46.6	96.1 %
Income taxes	(24.2)	(12.3)	(11.9)	96.7 %
Net income	\$ 70.9	\$ 36.2	\$ 34.7	95.9 %
Basic earnings per share	\$ 1.65	\$ 0.84	\$ 0.81	96.4 %
Diluted earnings per share	\$ 1.63	\$ 0.84	\$ 0.79	94.0 %

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, 2020, compared to the three months ended September 30, 2019, was due to lower outstanding debt during the period, offset by a lower amount of capitalized interest associated with the new vessel construction.

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, and interest received from income tax refunds. The increase in Other income (expense) was due to favorable adjustments related to the Company's pension and post-retirement plan liabilities during the three months ended September 30, 2020.

Income tax expense was \$24.2 million or 25.4 percent of income before income taxes for the three months ended September 30, 2020, compared to \$12.3 million or 25.4 percent of income before income taxes for the three months ended September 30, 2019.

**Consolidated Results - Nine months ended September 30, 2020, compared with 2019:**

(Dollars in millions, except per share amounts)	Nine Months Ended September 30,			
	2020	2019	Change	
Operating revenue	\$ 1,683.2	\$ 1,662.4	\$ 20.8	1.3 %
Operating costs and expenses	(1,520.6)	(1,558.7)	38.1	(2.4)%
Operating income	162.6	103.7	58.9	56.8 %
Interest expense	(22.5)	(16.9)	(5.6)	33.1 %
Other income (expense), net	4.5	0.9	3.6	400.0 %
Income before income taxes	144.6	87.7	56.9	64.9 %
Income taxes	(37.1)	(20.6)	(16.5)	80.1 %
Net income	\$ 107.5	\$ 67.1	\$ 40.4	60.2 %
Basic earnings per share	\$ 2.50	\$ 1.57	\$ 0.93	59.2 %
Diluted earnings per share	\$ 2.48	\$ 1.55	\$ 0.93	60.0 %

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 expense for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, was due to a lower amount of capitalized interest associated with the new vessel construction.

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, and interest income received from income tax refunds. The increase in Other income (expense) was due to favorable adjustments related to the Company's pension and post-retirement plan liabilities and higher interest received from income tax refunds during the nine months ended September 30, 2020.

Income tax expense was \$37.1 million or 25.7 percent of income before income taxes for the nine months ended September 30, 2020, compared to \$20.6 million or 23.5 percent of income before income taxes for the nine months ended September 30, 2019. In connection with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the Company recorded a non-cash tax adjustment of \$2.9 million that decreased income taxes for the nine months ended September 30, 2019. Excluding the impact of this non-cash tax adjustment, the adjusted effective tax rate would have been 26.8 percent for the nine months ended September 30, 2019. The adjusted effective tax rate for the nine months ended September 30, 2019 is higher than the effective tax rate for the nine months ended September 30, 2020 due to discrete tax adjustments recorded during that period.

**ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT**
**Ocean Transportation Operating Results - Three months ended September 30, 2020, compared with 2019:**

(Dollars in millions)	Three Months Ended September 30,			
	2020	2019	Change	
Ocean Transportation revenue	\$ 498.3	\$ 437.2	\$ 61.1	14.0 %
Operating costs and expenses	(411.8)	(393.3)	(18.5)	4.7 %
Operating income	\$ 86.5	\$ 43.9	\$ 42.6	97.0 %
Operating income margin	17.4 %	10.0 %		
Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)				
Hawaii containers	36,400	36,700	(300)	(0.8)%
Hawaii automobiles	12,900	15,700	(2,800)	(17.8)%
Alaska containers	19,700	19,400	300	1.5 %
China containers	38,200	17,000	21,200	124.7 %
Guam containers	4,800	4,700	100	2.1 %
Other containers (2)	4,600	4,400	200	4.5 %

- (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 \$61.1 million during the three months ended September 30, 2020, compared with the three months ended September 30, 2019. The increase was primarily due to higher freight revenue in the China service, including revenue associated with the CLX+, partially offset by lower fuel-related surcharge revenue and lower revenue in the Hawaii service.

On a year-over-year FEU basis, Hawaii container volume decreased 0.8 percent primarily due to lower volume from the state's COVID-19 mitigation efforts including restrictions on tourism and a second shelter-in-place order that took effect in August; Alaska volume increased 1.5 percent primarily due to higher southbound volume as a result of stronger seafood volume compared to the prior year, partially offset by modestly lower northbound volume; China volume was 124.7 percent higher primarily due to volume from the CLX+ service in addition to higher volume on the CLX service as a result of Matson's increased capacity in the tradelane; Guam volume was 2.1 percent higher primarily due to increased demand for home improvement and government cargo; and Other containers volume increased 4.5 percent.

Ocean Transportation operating income increased \$42.6 million, or 97.0 percent, during the three months ended September 30, 2020, compared with the three months ended September 30, 2019. The increase was primarily due to a higher contribution from the China service, including the contribution from the CLX+, lower vessel operating costs, including the impact of one less vessel operating in the Hawaii service, and the timing of fuel-related surcharge collections, partially offset by a lower contribution from the Hawaii service and higher general and administrative expenses.

The Company's SSAT terminal joint venture investment contributed \$7.7 million during the three months ended September 30, 2020, compared to a contribution of \$8.4 million during the three months ended September 30, 2019. The decrease was primarily due to lower lift volume.

***Ocean Transportation Operating Results - Nine months ended September 30, 2020, compared with 2019:***

<b>(Dollars in millions)</b>	<b>Nine Months Ended September 30,</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>	
Ocean Transportation revenue	\$ 1,310.0	\$ 1,250.5	\$ 59.5	4.8 %
Operating costs and expenses	(1,173.3)	(1,177.5)	4.2	(0.4)%
Operating income	\$ 136.7	\$ 73.0	\$ 63.7	87.3 %
Operating income margin	10.4 %	5.8 %		
<b>Volume (Forty-foot equivalent units (FEU), except for automobiles) (1)</b>				
Hawaii containers	108,100	109,300	(1,200)	(1.1)%
Hawaii automobiles	34,400	49,400	(15,000)	(30.4)%
Alaska containers	55,000	54,600	400	0.7 %
China containers	78,500	47,100	31,400	66.7 %
Guam containers	13,900	14,600	(700)	(4.8)%
Other containers (2)	12,600	12,700	(100)	(0.8)%

- (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 \$59.5 million, or 4.8 percent, during the nine months ended September 30, 2020, compared with the nine months ended September 30, 2019. The increase was primarily due to higher freight revenue in the China service, including revenue associated with the CLX+, partially offset by lower revenue in the Hawaii service and lower fuel-related surcharge revenue.

On a year-over-year FEU basis, Hawaii container volume decreased 1.1 percent primarily due to lower volume as a result of the state's COVID-19 mitigation efforts including restrictions on tourism, partially offset by volume associated with the dry-docking of one of Pasha's vessels; Alaska volume increased by 0.7 percent primarily due to higher northbound volume, including volume associated with the dry-docking of a competitor's vessel, partially offset by modestly lower southbound volume; China volume was 66.7 percent higher primarily due to volume from the CLX+ service; Guam volume was 4.8 percent lower primarily due to lower demand for retail-related goods resulting from the COVID-19 pandemic and its related effects; and Other container volume decreased 0.8 percent.

Ocean Transportation operating income increased \$63.7 million, or 87.3 percent, during the nine months ended September 30, 2020, compared with the nine months ended September 30, 2019. The increase was primarily due to a higher contribution from the China service, including the contribution from the CLX+, and lower vessel operating costs, including the impact of one less vessel operating in the Hawaii service, partially offset by a lower contribution from the Hawaii service.

The Company's SSAT terminal joint venture investment contributed \$15.4 million during the nine months ended September 30, 2020, compared to a contribution of \$17.8 million during the nine months ended September 30, 2019. The decrease was largely attributable to lower lift volume.

**Logistics Operating Results: Three months ended September 30, 2020, compared with 2019:**

(Dollars in millions)	Three Months Ended September 30,			
	2020	2019	Change	
Logistics revenue	\$ 146.9	\$ 134.9	\$ 12.0	8.9 %
Operating costs and expenses	(135.0)	(123.6)	(11.4)	9.2 %
Operating income	\$ 11.9	\$ 11.3	\$ 0.6	5.3 %
Operating income margin		8.1 %		8.4 %

Logistics revenue increased \$12.0 million, or 8.9 percent, during the three months ended September 30, 2020, compared with the three months ended September 30, 2019. The increase was primarily due to higher transportation brokerage revenue.

Logistics operating income increased \$0.6 million, or 5.3 percent, for the three months ended September 30, 2020, compared with the three months ended September 30, 2019. The increase was due primarily to a higher contribution from transportation brokerage.

**Logistics Operating Results: Nine months ended September 30, 2020, compared with 2019:**

(Dollars in millions)	Nine Months Ended September 30,			
	2020	2019	Change	
Logistics revenue	\$ 373.2	\$ 411.9	\$ (38.7)	(9.4)%
Operating costs and expenses	(347.3)	(381.2)	33.9	(8.9)%
Operating income	\$ 25.9	\$ 30.7	\$ (4.8)	(15.6)%
Operating income margin		6.9 %		7.5 %

Logistics revenue decreased \$38.7 million, or 9.4 percent, during the nine months ended September 30, 2020, compared with the nine months ended September 30, 2019. The decrease was primarily due to lower transportation brokerage and freight forwarding revenue.

Logistics operating income decreased \$4.8 million, or 15.6 percent, for the nine months ended September 30, 2020, compared with the nine months ended September 30, 2019. The decrease was due primarily to lower contributions from transportation brokerage and freight forwarding.

## LIQUIDITY AND CAPITAL RESOURCES

**Sources of Liquidity:** Sources of liquidity available to the Company as of September 30, 2020, compared to December 31, 2019 were as follows:

<u>(In millions)</u>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>Change</u>
Cash and cash equivalents	\$ 12.7	\$ 21.2	\$ (8.5)
Restricted cash	\$ 3.0	\$ 7.2	\$ (4.2)
Accounts receivable, net (1)	\$ 234.3	\$ 205.9	\$ 28.4

(1) As of September 30, 2020 and December 31, 2019, \$1.7 million and \$1.7 million, respectively, of eligible accounts receivable were assigned to the CCF (see Note 2 of the Condensed Consolidated Financial Statements).

**Cash, Cash Equivalents and Restricted Cash:** Significant changes in the Company's cash, cash equivalents and restricted cash for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019 are as follows:

<u>(In millions)</u>	<u>Nine Months Ended September 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Net cash provided by operating activities (1)	\$ 270.8	\$ 180.4	\$ 90.4
Net cash used in investing activities (2)	(95.6)	(168.3)	72.7
Net cash used in financing activities (3)	(187.9)	(4.3)	(183.6)
Net (decrease) increase in cash, cash equivalents and restricted cash	(12.7)	7.8	(20.5)
Cash, cash equivalents and restricted cash, beginning of the period	28.4	24.5	3.9
Cash, cash equivalents and restricted cash, end of the period	<u>\$ 15.7</u>	<u>\$ 32.3</u>	<u>\$ (16.6)</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, 2020, compared to the nine months ended September 30, 2019, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Net income from operations	\$ 40.4
Non-cash deferred income taxes	11.6
Amortization of operating lease right of use assets	0.8
Other non-cash related changes, net	16.4
Income and distributions from SSAT, net	25.6
Operating lease liabilities	(2.0)
Deferred dry-docking payments	6.8
Accounts receivable, net	(28.7)
Prepaid expenses and other assets	(5.7)
Accounts payable, accruals and other liabilities	35.7
Deferred dry-docking amortization	(8.1)
Other long-term liabilities	(2.4)
Total	<u>\$ 90.4</u>

Changes in accounts receivable were primarily due to the timing of collections associated with those receivables. Changes in accounts payable, accruals and other liabilities were primarily due to the timing of payments associated with those liabilities.

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

Changes in net cash used in investing activities for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, were due to the following:

<u>(In millions)</u>	<u>Change</u>
Capitalized vessel construction expenditures	\$ 50.9
Cash deposits into CCF	(28.9)
Withdrawals from CCF	28.9
Other capital expenditures	9.2
Proceeds from disposal of property and equipment, net	12.6
Total	<u>\$ 72.7</u>

Capitalized vessel construction expenditures (including capitalized interest) were \$57.8 million for the nine months ended September 30, 2020, compared to \$108.7 million for the nine months ended September 30, 2019. Capitalized vessel construction expenditures relate to progress payments for the construction of new vessels, capitalized interest and owner's items. Changes in cash deposits into CCF and withdrawals from CCF primarily relate to the timing of when deposits are made into the CCF, and when the subsequent withdrawals are made out of the CCF for the purposes of vessel construction progress payments. Other capital expenditures payments were \$53.5 million for the nine months ended September 30, 2020, compared to \$62.7 million for the nine months ended September 30, 2019. The decrease in other capital expenditures is primarily due to the timing of certain capital project activities incurred during 2020 as compared to 2019. The increase in proceeds from disposal of property and equipment is 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, 2019.

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

Changes in net cash used in financing activities for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, 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	(175.8)
Borrowings under revolving credit facility, net	(311.1)
Payment of financing costs	(18.5)
Dividends paid	(1.4)
Change in other payments, net	(2.3)
Total	<u>\$ (183.6)</u>

During the nine months ended September 30, 2020, the Company received \$325.5 million of proceeds from two new Title XI debt issuances, and paid \$204.2 million in scheduled fixed debt payments and redeemed debt at par of \$169.5 million, compared to \$28.4 million in scheduled fixed debt payments during the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the Company decreased net borrowings under the revolving credit facility by \$256.1 million, compared to \$55.0 million increase during the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the Company paid \$18.5 million in financing costs related to the amendment of its revolving credit facility, private placement term loans and Title XI debt. No financing costs were paid during the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the Company paid \$29.1 million in dividends, compared to \$27.7 million during the nine months ended September 30, 2019. The increase in dividend payments resulted from an increase in dividends declared per share of common stock by the Company.

**Debt:** Total Debt as of September 30, 2020 and December 31, 2019 is as follows:

<u>(In millions)</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>Change</u>
Revolving credit facility	\$ 123.0	\$ 379.1	\$ (256.1)
Fixed interest debt	700.6	579.3	121.3
Total Debt	<u>\$ 823.6</u>	<u>\$ 958.4</u>	<u>\$ (134.8)</u>



Total Debt decreased by \$134.8 million during the nine months ended September 30, 2020. The decrease in the Company's outstanding revolving credit borrowings was primarily due to the increase in net cash provided by operating activities, proceeds from issuance of new fixed interest debt and lower capital expenditure. The increase in fixed interest debt was due to the issuance of new Title XI debt partially offset by the repayment of private placement term loans during the nine months ended September 30, 2020.

As of September 30, 2020, the Company had \$518.9 million of remaining borrowing availability under the revolving credit facility, with a maturity date of June 29, 2022. The Company's debt is described in Note 6 of Part I, Item 1 above.

**Working Capital:** The Company had a working capital deficiency of \$164.0 million and \$147.1 million at September 30, 2020 and December 31, 2019, respectively. The increase in working capital deficiency at September 30, 2020 is partially due to the timing of billings and collections associated with accounts receivable and other assets, and the timing of payments associated with accounts payable, accruals 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, 2019](#), 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, 2020 and in the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2020.

#### **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, 2019.

#### **OTHER MATTERS**

The Company's third quarter 2020 cash dividend of \$0.23 per share was paid on September 3, 2020. On October 29, 2020, the Company's Board of Directors declared a cash dividend of \$0.23 per share payable on December 3, 2020.

#### **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, 2019.

#### **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, 2020, 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, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

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

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

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

### **ITEM 1A. RISK FACTORS**

The Company's business faces the risks set forth below, which may adversely affect our business, financial condition and operating results. 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 any material changes to and supersede the risk factors previously described in Part II, Item 1A, "Risk Factors" of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

#### ***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.**

If the Jones Act was to be 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-flag and foreign-built vessels, 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 ever successful. If maritime cabotage services were included in the General Agreement on Trade in Services, the United States-Mexico-Canada Agreement, the U.S.-EU Trade 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-flag or foreign-built vessels or would have other adverse impacts.

#### **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. Although the Company is 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 as 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, which would have an adverse effect on the Company's financial condition and results of operation.

#### ***Risks Related To Operations***

#### **Our results of operations have been adversely affected and could in the future be materially adversely impacted by the COVID-19 pandemic.**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Although the full scope and final duration of the COVID-19 pandemic remains uncertain, the pandemic has resulted in severe global macroeconomic disruptions and financial market volatility. In the United States and in many other countries worldwide,

public health officials and state and local governments have recommended and mandated precautions to mitigate the spread of COVID-19, including prohibitions on large or public gatherings, prohibited or restricted travel which have forced businesses to change practices or in some cases close, quarantining people who have travelled, requiring individuals to “shelter-in-place,” and instituting social distancing, except as needed for critical services or businesses. The outbreak of COVID-19 has harmed the U.S. and global economies, shut down many business operations and disrupted manufacturing, supply chains, travel, drayage of containers, and transportation of goods. Although the full impact of such economic disruptions on our business remains uncertain, we have experienced reductions in container volume resulting from lower demand or service disruptions which could adversely affect volumes and rates in our business. Spread of COVID-19 has severely reduced tourism, and is expected to continue to limit tourism, including to Hawaii, Guam and Alaska, and has led to reduced demand for freight that we would otherwise carry. Our operations may also be impacted adversely if our employees’ ability to travel continues to be restricted or they are otherwise unable to perform their duties, including mariners aboard our vessels, or if our terminals are temporarily closed due to a COVID-19 outbreak. Vessel dry-dockings and scrubber installations could also be delayed or become more expensive if Chinese shipyards are unable to accommodate demand or obtain parts or if necessary personnel are not allowed to travel to China. The financial difficulties or bankruptcies of Matson’s customers could also impact our revenue. In addition to operational disruptions related to public health measures, the global macroeconomic effects of the COVID-19 pandemic and related impacts on our customers’ business operations may persist for an indefinite period, even after the COVID-19 pandemic has subsided. Due to the continuing uncertainty around the duration, breadth and severity of the COVID-19 pandemic, the actions taken to contain the virus or treat its impact, and the impact of economic stimulus measures, the ultimate impact on our business, financial condition, operating results or cash flows cannot be reasonably estimated at this time.

During the first quarter of 2020, we amended our bank credit facility and private lender note agreements to enhance our liquidity position and access to borrowings our bank credit facility in response to uncertainty related to the COVID-19 pandemic. However, if our access to capital is restricted or our borrowing costs increase as a result of developments in financial markets relating to the pandemic, our operations and financial condition could be adversely impacted.

**Changes in U.S., global, regional economic conditions or governmental policies have resulted in a decrease in consumer confidence and market demand for the Company’s services and products in Hawaii and Alaska, the U.S. Mainland, Guam and the South Pacific and have adversely affected the Company’s financial position, results of operations, liquidity, or cash flows.**

A weakening of domestic and global economies has adversely impacted, and will continue to adversely impact (although the duration is not yet known), the level of freight volumes and freight rates. Within the U.S., a weakening of economic drivers in Hawaii and Alaska, which include tourism, military spending, construction starts, personal income growth and employment, the weakening of consumer confidence, market demand, and the economy in the U.S. Mainland, or the effect of a change in the strength of the U.S. dollar against other foreign currencies, have further reduced the demand for goods, adversely affecting inland and ocean transportation volumes or rates. For example, the uncertainties regarding the COVID-19 pandemic and “shelter-in-place” restrictions have severely decreased tourism, weakened consumer demand, impacted the financial markets and contributed to an economic downturn in the U.S., impacting freight volumes and revenues. The dramatic decline in the price of oil due to the oil trade wars and reduced demand from the significant decline in air or car travel in response to COVID-19 will further impact the Alaska economy which in turn could impact our business. In addition, overcapacity in the global or transpacific ocean transportation markets, a change in the cost of goods or currency exchange rates, imposition of tariffs and uncertainty of tariff rates, or a change in international trade policies have adversely affected freight volumes and rates in the Company’s China service.

**The Company may face new or increased competition.**

The Company may face new competition by established or start-up shipping operators that enter the Company’s markets. 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 our volumes and rates. For example, in May 2020, the Company’s major competitor in the China service upsized its expedited service from China to the U.S. West Coast. As a result of this and other potential competitor actions, the Company could experience a reduction in profitability.

**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, large retailers and consumer goods and automobile manufacturers, as well as other larger customers. In 2019, the Company's Ocean Transportation segment's 10 largest customers accounted for approximately 23 percent of the business' revenue. In 2019, the Company's Logistics segment's 10 largest customers accounted for approximately 21 percent of the business' revenue.

The Company could also be adversely affected by any changes in the services, or changes to the costs of services, provided by agents. Relationships with railroads and shipping companies and agents are important in the Company's intermodal business as well as in the Guam, Micronesia, Japan 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 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, consolidated 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. 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 also may adversely affect its results of operations.

Effective January 1, 2020, the IMO has imposed a world-wide regulation that generally requires that all ships must burn compliant fuel oil with a maximum sulfur content of  $\leq 0.5$  percent. Currently, LSFO is priced significantly higher than HSFO due to the need to refine the oil and the lack of sufficient quantities of LSFO on a global basis. While the Company has entered into contracts to secure LSFO on the U.S. West Coast, there is no guarantee that sufficient quantities will be available at a reasonable cost. In addition, prolonged use of LSFO on some Matson vessels could degrade engine performance or lead to higher maintenance costs. While Matson has announced plans to install scrubbers on additional vessels, there may be delays or other unexpected complications. The Company's ability to recover the higher costs of IMO 2020 compliant fuel through fuel-related surcharges, the availability of LSFO, and the potential impact on vessel performance and maintenance costs may adversely affect the Company's operations, business and profit.

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

As of December 31, 2019, Matson and its subsidiaries had 1,988 employees, of which 794 employees were covered by collective bargaining agreements with shoreside unions. In addition, Matson's fleet of active vessels require 298 billets to operate these vessels. Matson's vessel management services also employed personnel in 28 billets to manage three vessels. Such employees are also subject to collective bargaining agreements. Furthermore, the Company relies on the services of third-parties including SSAT that 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The Company could be 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. Strikes and disruptions may occur as a result of the failure of Matson or other companies in its industry to negotiate collective bargaining agreements with such unions successfully.

In addition, any slow-downs, strikes, lock-outs or other disruptions, including limits to availability of labor through trade union hiring halls could have an adverse impact on Matson's or SSAT's operations.

**The Company is susceptible to weather, natural disasters and other operating risks.**

The Company's operations are vulnerable to disruption as a result of weather, natural disasters and other climate driven events, such as bad weather at sea, hurricanes, typhoons, tsunamis, floods and earthquakes. Such events will 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, loss or damage to containers, cargo and other equipment, and loss of life or physical injury to its employees, all of which could have an adverse effect on the Company's business. 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 or other property, or injury or death of people. If any of these events were to occur, the Company could be exposed 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 maintains casualty and liability insurance policies, which are generally subject to large retentions and deductibles. 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.

**We face risks related to actual or threatened health epidemics, pandemics or other major health crises, which could significantly disrupt our business.**

Our business could be impacted adversely by the effects of public health epidemics, pandemics or other major health crises (which we refer 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 our customers' business operations, reduced tourism in the markets we serve, 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 our 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 when they expire.**

The significant operating agreements and leases of the Company in its various businesses expire at various points in the future and may not be replaced or could be replaced on less favorable terms, thereby adversely affecting the Company's future financial position, results of operations and cash flows. For example, on November 26, 2018, a wholly-owned subsidiary of the Company entered into agreements whereby *Maunalei*, a U.S. flagged and Jones Act qualified vessel, was sold for \$106.0 million and leased back from the buyer under an operating lease agreement. While the agreements contain customary representations, warranties and covenants, there remain risks that (a) the lessor could lose its Jones Act status, (b) that the Company could not replace *Maunalei* in the event it is no longer Jones Act eligible, or (c) if the repurchase option is elected, that the Company would not be able to consummate the repurchase of *Maunalei* at the end of the lease term.

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

We routinely engage shipyards to dry-dock our 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. We also operate a number of older active and reserve vessels that may require more frequent and extensive maintenance. The cost of repairs are difficult to predict with certainty and can be substantial. Large dry-docking and other repair expenses could adversely affect the Company's results of operations and cash flows. 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.

**If we are not able to use our information technology and communications systems effectively, our ability to conduct business might be negatively impacted.**

The Company is highly dependent on the proper functioning of our information technology systems to enable operations and compete effectively. We regularly update our information technology systems or implement new systems which could cause substantial business interruption. There is no assurance that the systems upgrades or new systems will meet our current or future business needs, or that they will operate as designed. Our 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. We have no control over the operations of these third-party service providers. In response to the COVID-19 pandemic and in compliance with guidance from public health officials and state and local governments, many of our employees are working from home or remotely, increasing our dependence on our information technology systems and third-party providers. If our information technology and communications systems experience reliability issues, integration or compatibility concerns or if our 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 our information technology and communications systems, which could lead to business disruption or inefficiencies, reputational harm or loss of customers that could have an adverse effect on our business.

**Our 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 Company relies extensively on its information technology systems and third-party service providers 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 our continuous efforts to make investments in our information technology systems and system-wide data security program, the implementation of security measures to protect our data and infrastructure against breaches and other cyber threats, and our use of internal processes and controls designed to protect the security and availability of our systems, we have in the past experienced and may in the future experience cybersecurity risks such as computer viruses, hacking, malware, denial of service attacks, cyber terrorism, 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 or third-party systems could result in the loss of confidential, sensitive or proprietary information, interruptions in its service or production or otherwise impact our ability to conduct business operations, and could result in potential reductions in revenue and profits, damage to its reputation or liability.

**Loss of the Company's key personnel could adversely affect its business.**

The Company's future success will depend, in significant part, upon the continued services of its key personnel, including its senior management and skilled employees. 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 and knowledge of the Company's business and customer relationships. If key employees depart or are unable to work, the Company may incur significant costs to replace them. Additionally, the Company's ability to execute its business model could be impaired if it cannot replace them in a timely manner. The Company does not maintain key person insurance on any of its key personnel.

**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, SSAT (and through SSAT, other joint ventures at U.S. West Coast terminals), and may initiate future joint venture projects. A joint venture involves certain risks such as:

- The Company may not have voting control over the joint venture;
- The Company may not be able to maintain good relationships with its joint venture partner;
- A joint venture partner at any time may have economic or business interests that are inconsistent with the Company's;
- A joint venture partner may fail to fund its share of capital for operations or to fulfill its other commitments, including providing accurate and timely accounting and financial information to the Company;
- The joint venture may experience operating difficulties and financial losses, which may lead to asset write-downs or impairment charges that could negatively impact the operating results of the joint venture and the Company;
- The joint venture or venture partner could lose key personnel;
- A joint venture partner could become bankrupt requiring the Company to assume all risks and capital requirements related to the joint venture project, and the related bankruptcy proceedings could have an adverse impact on the operation of the partnership or joint venture; and
- Actions of the joint venture may result in reputational harm to the Company.

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, 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 doing business and developing relationships with foreign companies;
- Challenges in working with and maintaining good relationships with business associates in our foreign operations;
- Difficulties in staffing and managing foreign operations;
- Our ability to be in compliance with U.S. and foreign legal and regulatory restrictions, including compliance with the Foreign Corrupt Practices Act and foreign laws that prohibit corrupt payments to government officials;
- Global or transpacific vessel overcapacity that may lead to decreases in volumes and shipping rates;
- Changes in the capacity of transpacific air freight markets, which could reduce demand for our transpacific expedited ocean services;
- Impact from COVID-19 or other epidemics or pandemics;
- Not having continued access to existing port facilities;
- Competition with established and new carriers;

- Changes in vessel deployment by competitors that impact the Company's services;
- Changes in the cost of goods or currency exchange rate fluctuations and our ability to manage these fluctuations;
- Political and economic instability;
- Dynamics involving U.S. trade relations with other countries, including measures such as the imposition of tariffs at varying levels, uncertainty of tariff rates, or other governmental actions, all of which may affect the Company's operations; and
- Challenges caused by cultural differences.

In addition, in the second quarter of 2020, the Company introduced a chartered vessel service ("CLX+") to supplement our CLX service. Increases in vessel charter rates or fuel costs, inability to recharter vessels, strains on moving cargo through our terminals, or limitations on the availability of adequate equipment, may adversely affect the Company's profitability, volumes and rates in the China service. While the westbound seafood back-haul volume from the Alaska-Asia Express service call in Dutch Harbor, Alaska is expected to help the long-term economics of CLX+, there is no guarantee that the CLX+ service will become permanent or profitable.

Any of these risks has the potential to adversely affect the Company's operating results.

**The Company is subject to risks related to an accident or spill event.**

The Company's vessel and terminal operations could be faced with a maritime accident, oil or other spill, or other environmental mishap. Such event may lead to personal injury, loss of life, damage of property, pollution and suspension of operations. As a result, such event could have an adverse effect on the Company's business.

**The Company's Shipbuilding Agreement with NASSCO is subject to risks.**

On August 25, 2016, MatNav and NASSCO entered into a definitive agreement pursuant to which NASSCO will construct two new 3,500-TEU sized Kanaloa Class dual-fuel capable container and roll-on/roll-off vessels. The first vessel, *Lurline*, was delivered on December 26, 2019. The second vessel, *Matsonia*, is expected to be delivered in the fourth quarter of 2020. Failure of any party to the shipbuilding agreement to fulfill its obligations under the agreement 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 which prevent one or more significant subcontractors from performing, or (iv) the refusal or inability of NASSCO or any of its subcontractors to perform for any reason.

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

We are investing approximately \$60 million, including the installation of three new gantry cranes and upgrade of three existing cranes, as part of the first phase of a broader project to expand and improve the Company's Sand Island terminal in Honolulu Harbor. We have also begun 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 our 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, 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, future terrorist attacks could increase volatility in the U.S. and worldwide financial markets. Acts of war or terrorism may 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 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 and could adversely affect the Company's business and results of operations.



**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. Acquisitions 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, adversely affecting the Company's financial condition and results of operations.

**The Horizon and Span Alaska acquisitions may expose us to unknown liabilities.**

We 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. Similarly, in August 2016, we acquired Span Alaska subject to all of its liabilities and obligations. 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.

**We may continue to be exposed to risks and liabilities related to Horizon's former Hawaii business.**

Pasha acquired Horizon's former Hawaii business immediately before we 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.

**We may be required to record a significant charge to earnings if recorded intangible assets associated with the Horizon and Span Alaska acquisitions become impaired.**

We recorded significant intangible assets related to goodwill, customer relationships and trade name arising from the Horizon and Span Alaska acquisitions. We are required to test goodwill for impairment annually, or whenever events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Factors that could lead to an impairment of goodwill or intangible customer relationships include any significant adverse changes affecting the reporting unit's financial condition, results of operations, and future cash flows.

***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 was the case in connection with the U.S. Federal Reserve's interest rate increases in 2018, which would adversely affect the Company's cash flow and results of operations. In addition, as the floating rate on certain borrowings under our revolving credit facility is tied to LIBOR, the uncertainty regarding the future of LIBOR as well as 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 the COVID-19 pandemic or other macroeconomic 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 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; and acquisitions and changes in the Company's corporate structure. These factors may result in periodic revisions to our 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2019). 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 a multi-employer plan fails to satisfy the minimum funding requirements, the Internal Revenue Service will impose certain penalties and taxes.

***Risks Related to Legal and Legislative Matters***

**Compliance with safety and environmental protection and other governmental requirements may adversely affect our operations.**

The shipping industry in general, our business and the operation of our vessels and terminals in particular are affected by extensive and changing safety, environmental protection and other international, national, State and local governmental laws and regulations, including the following: laws pertaining to air emissions; wastewater discharges; 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; and health, safety and the protection of the environment and natural resources. For example, our 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, and must be periodically inspected by, or on behalf of, the United States Coast Guard. We are subject to IMO regulations, including the new IMO 2020 regulations limiting the sulfur content of fuel oil. Federal environmental laws and certain State laws also require us, as a vessel operator, to comply with numerous environmental regulations and to obtain certificates of financial responsibility and to adopt procedures for oil and hazardous substance spill prevention, response and clean up.

In complying with these laws, we have incurred expenses and may incur future expenses for vessel modifications, changes in operating procedures and undergoing additional oversight inspections. Changes in enforcement policies for existing requirements and additional laws and regulations adopted in the future could limit our ability to do business or further increase the cost of our doing business. Our vessels' operating certificates and licenses are renewed periodically during the required annual surveys of the vessels. However, there can be no assurance that such certificates and licenses will be renewed, even though Matson maintains extensive programs and policies to ensure such renewal. Also, in the future, we may have to alter existing equipment, add new equipment, or change operating procedures for our vessels to comply with changes in governmental regulations, safety or other equipment standards to meet our customers' changing needs. If any such costs are material, they could adversely affect our financial condition.

**We are subject to regulation and liability under environmental laws that could result in substantial fines and penalties that may have a material adverse effect on our results of operations.**

The U.S. Act to Prevent Pollution from vessels, which implements the International Maritime Pollution (MARPOL) treaty, and the Oil Pollution Act of 1990, among many other laws, treaties and regulations, provides for severe civil and criminal penalties related to vessel-generated pollution for incidents in U.S. waters within three nautical miles and in some cases within the 200-mile exclusive economic zone. The EPA requires vessels to obtain coverage under a general permit and to comply with inspection, monitoring, discharge, recordkeeping and reporting requirements. Matson's vessels operate within emission control areas. If our vessels are not operated in accordance with these requirements, including waivers, permits or recordkeeping and other reporting requirements, such violations could result in substantial fines or penalties that could have a material adverse effect on our results of operations and our business.

**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 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, all of which could have an adverse effect on the Company's future operating results, including profitability, cash flows and financial condition.

**Non-compliance with, or changes to, federal, state or local law or regulations, including passage of climate change legislation or regulation, may adversely affect the Company's business.**

The Company is subject to federal, state and local laws and regulations, including cabotage laws, government rate regulations, and environmental regulations including those relating to air quality initiatives at port locations, including but not limited to, the Oil Pollution Act of 1990, the Comprehensive Environmental Response Compensation & Liability Act of 1980, the Rivers and Harbors Act of 1899, the Clean Water Act, the Invasive Species Act and the Clean Air Act. Continued compliance with these laws and regulations may result in additional costs and changes in operating procedures that may adversely affect the Company's business. Non-compliance with, or changes to, the laws and regulations governing the Company's business could impose significant additional costs on the Company and adversely affect the Company's financial condition and results of operations. In addition, changes in environmental laws impacting the business, including passage of climate change legislation or other regulatory initiatives that restrict emissions of greenhouse gasses such as a "cap and trade" system of allowances and credits, if enacted, may require costly vessel modifications, the use of higher-priced fuel and changes in operating practices that may not be recoverable through increased payments from customers. Further changes to these laws and regulations could adversely affect the Company.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

- 10.1\* [Amendment No. 1 to Matson, Inc. Deferred Compensation Plan](#)
  - 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.

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(Registrant)

Date: November 2, 2020

/s/ Joel M. Wine

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Joel M. Wine  
Senior Vice President and  
Chief Financial Officer

Date: November 2, 2020

/s/ Kevin L. Stuck

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

**MATSON, INC. DEFERRED COMPENSATION PLAN****AMENDMENT NO. 1**

WHEREAS, Matson, Inc. (the "Company") desires to amend the Matson, Inc. Deferred Compensation Plan, as amended and restated effective February 28, 2013, as described below;

WHEREAS, the Board of Directors has the authority to amend the Plan pursuant to Article XIII of the Plan;

WHEREAS, the Company desires to amend the Plan to limit participation in the Deferred Compensation Plan to those employees employed at grade level 38 or higher who are selected to participate in the Matson, Inc. Cash Incentive Plan; and

WHEREAS, the Company also desires to amend the definition of "Fair Market Value" and the valuation method for deferred cash amounts.

NOW, THEREFORE, the Plan is amended, effective as of January 1, 2020, as follows:

1. Article I of the Plan is hereby amended and restated to read as follows:

**I. PURPOSE.** Pursuant to a corporate reorganization in 2012 by which, in relevant part, Matson, Inc. (the "Company" and also referred to herein as "Holdings") distributed its ownership of its subsidiary, A&B II, Inc., renamed Alexander & Baldwin, Inc. ("New A&B") to the Company's stockholders (the "New A&B Distribution"), the Company adopted the amended, renamed and restated Matson, Inc. Deferred Compensation Plan effective as of the Distribution Date to provide a select group of management or highly compensated employees with the opportunity to defer payment of awards under the Bonus Plan for a period extending until retirement or other termination of employment or until the expiration of the specific term (at least one full year in duration) elected by the participant. The Company hereby amends and restates the Plan effective as of February 28, 2013 (the "Effective Date") and hereby clarifies that participation in the Plan is limited to participants in the Company's Bonus Plan who are employed at grade level 38 (or equivalent) or higher.

The Plan is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA as a plan that is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

2. The definition of "Fair Market Value" in Article II of the Plan is hereby amended and restated to read as follows:

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Fair Market Value shall, with respect to the per share valuation of Common Stock on any relevant date, be the closing selling price per share of Common Stock at the close of regular hours of trading (i.e., before after hours trading begins) on the date in question on the Stock Exchange serving as the primary market for the Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Common Stock is then primarily traded. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists. In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Plan Administrator in good faith and in a manner that complies with Sections 409A and 422 of the Code.

3. The first paragraph of Article IV of the Plan is hereby amended and restated to read as follows:

**IV. DEFERRAL ELECTION.** An individual selected for participation in the Bonus Plan who is employed at grade level 38 (or equivalent) or higher may elect to defer, for the period of time described below ("Deferral Period"), all or part of his/her award(s) under the Bonus Plan. Any such election ("Deferral Election") must be made in accordance with the following provisions:

4. Paragraph 1 of Article VI of the Plan is hereby amended and restated to read as follows:

1. Cash Balance. The deferred portion of any award valued in cash shall be credited with interest, compound annually, for each calendar year falling in whole or in part within the Deferral Period. To the extent a participant elects to be paid out in installments, following the Deferral Period, the unpaid portion of the deferred award shall continue to be credited with interest, compound annually, for each calendar year falling in whole or in part within the installment period. Interest shall be at a per annum rate equal to the New York Reserve Bank discount rate in effect as of January 15 of each calendar year within the Deferral Period plus 1%.

IN WITNESS WHEREOF, Matson, Inc. has caused this Amendment No. 1 to be executed on its behalf by a duly authorized officer effective as of January 1, 2020.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**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 2, 2020

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

I, Joel M. Wine, certify that:

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

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

Date: November 2, 2020

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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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew J. Cox, as Chairman and Chief Executive Officer of the Company, and Joel M. Wine, as Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that to their knowledge:

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

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

/s/ Matthew J. Cox

Name: Matthew J. Cox

Title: Chairman and Chief Executive Officer

Date: November 2, 2020

/s/ Joel M. Wine

Name: Joel M. Wine

Title: Senior Vice President and Chief Financial Officer

Date: November 2, 2020

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