

GENCO SHIPPING & TRADING LTD

Form 10-Q

August 08, 2018

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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 June 30, 2018

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 001-33393

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GENCO SHIPPING & TRADING LIMITED

(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands      98-043-9758  
(State or other jurisdiction of      (I.R.S. Employer  
incorporation or organization)      Identification No.)

299 Park Avenue, 12th Floor, New York, New York 10171

(Address of principal executive offices) (Zip Code)

(646) 443-8550

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes    No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company

(Do not check if a smaller reporting company)      Emerging growth company

If emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares outstanding of each of the issuer's classes of common stock, as of August 8, 2018: Common stock, \$0.01 per share — 41,547,004 shares.

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Website Information

We intend to use our website, [www.GencoShipping.com](http://www.GencoShipping.com), as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included in our website's Investor section. Accordingly, investors should monitor the Investor portion of our website, in addition to following our press releases, SEC filings, public conference calls, and webcasts. To subscribe to our e-mail alert service, please submit your e-mail address at the Investor Relations Home page of the Investor section of our website. The information contained in, or that may be accessed through, our website is not incorporated by reference into or a part of this document or any other report or document we file with or furnish to the SEC, and any references to our website are intended to be inactive textual references only.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## Genco Shipping &amp; Trading Limited

Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017

(U.S. Dollars in thousands, except for share and per share data)

(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 269,996	\$ 174,479
Restricted cash	—	7,234
Due from charterers, net of a reserve of \$601 and \$246, respectively	14,408	12,855
Prepaid expenses and other current assets	7,371	7,338
Inventories	23,064	15,333
Vessels held for sale	7,443	—
Total current assets	322,282	217,239
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$213,771 and \$213,431, respectively	1,172,246	1,265,577
Deposits on vessels	885	—
Deferred drydock, net of accumulated amortization of \$11,196 and \$9,540 respectively	11,123	13,382
Fixed assets, net of accumulated depreciation and amortization of \$1,091 and \$1,003, respectively	1,247	1,014
Other noncurrent assets	—	514
Restricted cash	315	23,233
Total noncurrent assets	1,185,816	1,303,720
Total assets	\$ 1,508,098	\$ 1,520,959
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,392	\$ 23,230
Current portion of long-term debt	45,000	24,497
Deferred revenue	6,399	4,722

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Total current liabilities:	77,791	52,449
Noncurrent liabilities:		
Long-term lease obligations	3,127	2,588
Long-term debt, net of deferred financing costs of \$16,063 and \$9,032, respectively	398,937	490,895
Total noncurrent liabilities	402,064	493,483
Total liabilities	479,855	545,932
Commitments and contingencies		
Equity:		
Common stock, par value \$0.01; 500,000,000 shares authorized; 41,547,004 and 34,532,004 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	415	345
Additional paid-in capital	1,739,091	1,628,355
Retained deficit	(711,263)	(653,673)
Total equity	1,028,243	975,027
Total liabilities and equity	\$ 1,508,098	\$ 1,520,959

See accompanying notes to condensed consolidated financial statements.

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## Genco Shipping &amp; Trading Limited

## Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2018 and 2017

(U.S. Dollars in Thousands, Except for Earnings Per Share and Share Data)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Voyage revenues	\$ 86,157	\$ 45,370	\$ 163,073	\$ 83,619
Total revenues	86,157	45,370	163,073	83,619
Operating expenses:				
Voyage expenses	25,983	951	47,075	4,192
Vessel operating expenses	23,720	23,852	47,487	48,736
Charter hire expenses	509	—	509	—
General and administrative expenses (inclusive of nonvested stock amortization expense of \$638, \$1,570, \$1,131 and \$2,281, respectively)	6,510	5,752	11,727	10,661
Technical management fees	1,950	1,871	3,898	3,852
Depreciation and amortization	16,450	18,185	33,336	36,358
Impairment of vessel assets	184	3,339	56,586	3,339
Gain on sale of vessels	—	(1,343)	—	(7,712)
Total operating expenses	75,306	52,607	200,618	99,426
Operating income (loss)	10,851	(7,237)	(37,545)	(15,807)
Other (expense) income:				
Other income (expense)	144	(50)	59	(115)
Interest income	887	338	1,681	512
Interest expense	(8,469)	(7,564)	(16,593)	(14,702)
Loss on debt extinguishment	(4,533)	—	(4,533)	—
Other expense	(11,971)	(7,276)	(19,386)	(14,305)
Loss before income taxes	(1,120)	(14,513)	(56,931)	(30,112)
Income tax expense	—	—	—	—
Net loss	\$ (1,120)	\$ (14,513)	\$ (56,931)	\$ (30,112)



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Net loss per share-basic	\$ (0.03)	\$ (0.42)	\$ (1.62)	\$ (0.89)
Net loss per share-diluted	\$ (0.03)	\$ (0.42)	\$ (1.62)	\$ (0.89)
Weighted average common shares outstanding-basic	35,516,058	34,430,766	35,049,615	33,965,835
Weighted average common shares outstanding-diluted	35,516,058	34,430,766	35,049,615	33,965,835

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Comprehensive Loss

For the Three and Six Months Ended June 30, 2018 and 2017

(U.S. Dollars in Thousands)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (1,120)	\$ (14,513)	\$ (56,931)	\$ (30,112)
Other comprehensive income	—	—	—	—
Comprehensive loss	\$ (1,120)	\$ (14,513)	\$ (56,931)	\$ (30,112)

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping &amp; Trading Limited

Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2018 and 2017

(U.S. Dollars in Thousands)

(Unaudited)

	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Deficit	Total Equity
Balance — January 1, 2018	\$ —	\$ 345	\$ 1,628,355	\$ (654,332)	\$ 974,368
Net loss				(56,931)	(56,931)
Issuance of 7,015,000 shares of common stock		70	109,605		109,675
Nonvested stock amortization			1,131		1,131
Balance — June 30, 2018	\$ —	\$ 415	\$ 1,739,091	\$ (711,263)	\$ 1,028,243

	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Deficit	Total Equity
Balance — January 1, 2017	\$ 120,789	\$ 74	\$ 1,503,784	\$ (594,948)	\$ 1,029,699
Net loss				(30,112)	(30,112)
Conversion of 27,061,856 shares of Series A Preferred Stock	(120,789)	270	120,519		—
Issuance of 18,234 shares of vested RSUs		—	—		—
Nonvested stock amortization			2,281		2,281
Balance — June 30, 2017	\$ —	\$ 344	\$ 1,626,584	\$ (625,060)	\$ 1,001,868

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping &amp; Trading Limited

Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017

(U.S. Dollars in Thousands)

(Unaudited)

	For the Six Months Ended	
	June 30,	2017
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (56,931)	\$ (30,112)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	33,336	36,358
Amortization of deferred financing costs	1,239	1,153
PIK interest, net	—	3,028
Payment of PIK interest	(5,341)	—
Amortization of nonvested stock compensation expense	1,131	2,281
Impairment of vessel assets	56,586	3,339
Gain on sale of vessels	—	(7,712)
Loss on debt extinguishment	4,533	—
Insurance proceeds for protection and indemnity claims	187	269
Insurance proceeds for loss of hire claims	58	21
Change in assets and liabilities:		
(Increase) decrease in due from charterers	(2,201)	3,940
Increase in prepaid expenses and other current assets	(2,910)	(7,762)
(Increase) decrease in inventories	(7,731)	205
Decrease in other noncurrent assets	514	—
Increase (decrease) in accounts payable and accrued expenses	2,284	(1,406)
Increase in deferred revenue	1,185	160
Increase in lease obligations	539	360
Deferred drydock costs incurred	(1,459)	(5,291)
Net cash provided by (used in) operating activities	25,019	(1,169)
Cash flows from investing activities:		
Purchase of vessels, including deposits	(747)	(252)
Purchase of other fixed assets	(491)	(65)
Net proceeds from sale of vessels	—	15,513
Insurance proceeds for hull and machinery claims	3,107	584
Net cash provided by investing activities	1,869	15,780
Cash flows from financing activities:		
Proceeds from the \$460 Million Credit Facility	460,000	—
Repayments on the \$400 Million Credit Facility	(399,600)	(200)

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Repayments on the \$98 Million Credit Facility	(93,939)	—
Repayments on the 2014 Term Loan Facilities	(25,544)	(1,381)
Payment of debt extinguishment costs	(2,962)	—
Proceeds from issuance of common stock	110,249	—
Payment of common stock issuance costs	(48)	—
Payment of Series A Preferred Stock issuance costs	—	(1,103)
Payment of deferred financing costs	(9,679)	—
Net cash provided by (used in) financing activities	38,477	(2,684)
Net increase in cash, cash equivalents and restricted cash	65,365	11,927
Cash, cash equivalents and restricted cash at beginning of period	204,946	169,068
Cash, cash equivalents and restricted cash at end of period	\$ 270,311	\$ 180,995

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

(U.S. Dollars in Thousands, Except Per Share and Share Data)

Notes to Condensed Consolidated Financial Statements (unaudited)

1 - GENERAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Genco Shipping & Trading Limited (“GS&T”) and its direct and indirect wholly-owned subsidiaries (collectively, the “Company”). The Company is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels. GS&T is incorporated under the laws of the Marshall Islands, and as of June 30, 2018, is the direct or indirect owner of all of the outstanding shares or limited liability company interests of the following subsidiaries: Genco Ship Management LLC; Genco Investments LLC; Genco RE Investments LLC; Genco Shipping Pte. Ltd.; Genco Shipping A/S; Baltic Trading Limited; and the ship-owning subsidiaries as set forth below under “Other General Information.” As of June 30, 2018, Genco Ship Management LLC is the sole owner of all of the outstanding limited liability company interests of Genco Management (USA) LLC (“Genco (USA)”).

On June 19, 2018, the Company closed an equity offering of 7,015,000 shares of common stock at an offering price of \$16.50 per share. The Company received net proceeds of \$109,675 after deducting underwriters’ discounts and commissions and other expenses.

On November 15, 2016, the Company entered into stock purchase agreements (the “Purchase Agreements”) effective as of October 4, 2016 with funds or related entities managed Centerbridge Partners, L.P. or its affiliates (“Centerbridge”), Strategic Value Partners, LLC (“SVP”) and Apollo Global Management, LLC (“Apollo”). Pursuant to the Purchase Agreements, the Company completed the private placement of 27,061,856 shares of Series A Convertible Preferred Stock (“Series A Preferred Stock”) which included 25,773,196 shares at a price per share of \$4.85 and an additional 1,288,660 shares issued as a commitment fee on a pro rata basis. The Company received net proceeds of \$120,789 after deducting placement agents’ fees and expenses. On January 4, 2017, the Company’s shareholders approved at a Special Meeting of Shareholders the issuance of up to 27,061,856 shares of common stock of the Company upon the conversion of shares of the Series A Preferred Stock, par value \$0.01 per share, which were purchased by certain investors in a private placement (the “Conversion Proposal”). As a result of shareholder approval of the Conversion Proposal, all outstanding 27,061,856 shares of Series A Preferred Stock were automatically and mandatorily converted into 27,061,856 shares of common stock of the Company on January 4, 2017.

Other General Information

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Below is the list of the Company's wholly owned ship-owning subsidiaries as of June 30, 2018, together with the subsidiaries we subsequently formed to own the vessels we have agreed to purchase as disclosed in Note 4 — Vessel Acquisitions and Dispositions and Note 16 — Subsequent Events:

Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Genco Vigour Limited	Genco Vigour	73,941	12/15/04	1999
Genco Explorer Limited	Genco Explorer	29,952	12/17/04	1999
Genco Progress Limited	Genco Progress	29,952	1/12/05	1999
Genco Beauty Limited	Genco Beauty	73,941	2/7/05	1999
Genco Knight Limited	Genco Knight	73,941	2/16/05	1999
Genco Muse Limited	Genco Muse	48,913	10/14/05	2001
Genco Surprise Limited	Genco Surprise	72,495	11/17/06	(4) 1998
Genco Augustus Limited	Genco Augustus	180,151	8/17/07	2007
Genco Tiberius Limited	Genco Tiberius	175,874	8/28/07	2007
Genco London Limited	Genco London	177,833	9/28/07	2007
Genco Titus Limited	Genco Titus	177,729	11/15/07	2007
Genco Challenger Limited	Genco Challenger	28,428	12/14/07	2003
Genco Charger Limited	Genco Charger	28,398	12/14/07	2005
Genco Warrior Limited	Genco Warrior	55,435	12/17/07	2005
Genco Predator Limited	Genco Predator	55,407	12/20/07	2005
Genco Hunter Limited	Genco Hunter	58,729	12/20/07	2007
Genco Champion Limited	Genco Champion	28,445	1/2/08	2006
Genco Constantine Limited	Genco Constantine	180,183	2/21/08	2008
Genco Raptor LLC	Genco Raptor	76,499	6/23/08	2007



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Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Genco Cavalier LLC	Genco Cavalier	53,617	7/17/08	2007
Genco Thunder LLC	Genco Thunder	76,588	9/25/08	2007
Genco Hadrian Limited	Genco Hadrian	169,025	12/29/08	2008
Genco Commodus Limited	Genco Commodus	169,098	7/22/09	2009
Genco Maximus Limited	Genco Maximus	169,025	9/18/09	2009
Genco Claudius Limited	Genco Claudius	169,001	12/30/09	2010
Genco Bay Limited	Genco Bay	34,296	8/24/10	2010
Genco Ocean Limited	Genco Ocean	34,409	7/26/10	2010
Genco Avra Limited	Genco Avra	34,391	5/12/11	2011
Genco Mare Limited	Genco Mare	34,428	7/20/11	2011
Genco Spirit Limited	Genco Spirit	34,432	11/10/11	2011
Genco Aquitaine Limited	Genco Aquitaine	57,981	8/18/10	2009
Genco Ardennes Limited	Genco Ardennes	58,018	8/31/10	2009
Genco Auvergne Limited	Genco Auvergne	58,020	8/16/10	2009
Genco Bourgogne Limited	Genco Bourgogne	58,018	8/24/10	2010
Genco Brittany Limited	Genco Brittany	58,018	9/23/10	2010
Genco Languedoc Limited	Genco Languedoc	58,018	9/29/10	2010
Genco Loire Limited	Genco Loire	53,430	8/4/10	2009
Genco Lorraine Limited	Genco Lorraine	53,417	7/29/10	2009
Genco Normandy Limited	Genco Normandy	53,596	8/10/10	2007
Genco Picardy Limited	Genco Picardy	55,257	8/16/10	2005
Genco Provence Limited	Genco Provence	55,317	8/23/10	2004
Genco Pyrenees Limited	Genco Pyrenees	58,018	8/10/10	2010
Genco Rhone Limited	Genco Rhone	58,018	3/29/11	2011
Genco Weatherly Limited	Genco Weatherly	61,556	7/26/18	2014
Genco Columbia Limited	Genco Columbia	60,000	Q3 2018	(3) 2016
Genco Endeavour Limited	Genco Endeavour	180,000	Q3 2018	(3) 2015
Genco Resolute Limited	Genco Resolute	180,000	Q3 2018	(3) 2015
Genco Defender Limited	Genco Defender	180,000	Q3 2018	(3) 2016
Genco Liberty Limited	Genco Liberty	180,000	Q3 2018	(3) 2016
Baltic Lion Limited	Baltic Lion	179,185	4/8/15	(1) 2012
Baltic Tiger Limited	Genco Tiger	179,185	4/8/15	(1) 2011
Baltic Leopard Limited	Baltic Leopard	53,446	4/8/10	(2) 2009
Baltic Panther Limited	Baltic Panther	53,350	4/29/10	(2) 2009
Baltic Cougar Limited	Baltic Cougar	53,432	5/28/10	(2) 2009
Baltic Jaguar Limited	Baltic Jaguar	53,473	5/14/10	(2) 2009
Baltic Bear Limited	Baltic Bear	177,717	5/14/10	(2) 2010
Baltic Wolf Limited	Baltic Wolf	177,752	10/14/10	(2) 2010
Baltic Wind Limited	Baltic Wind	34,408	8/4/10	(2) 2009
Baltic Cove Limited	Baltic Cove	34,403	8/23/10	(2) 2010
Baltic Breeze Limited	Baltic Breeze	34,386	10/12/10	(2) 2010
Baltic Fox Limited	Baltic Fox	31,883	9/6/13	(2) 2010
Baltic Hare Limited	Baltic Hare	31,887	9/5/13	(2) 2009
Baltic Hornet Limited	Baltic Hornet	63,574	10/29/14	(2) 2014
Baltic Wasp Limited	Baltic Wasp	63,389	1/2/15	(2) 2015

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Baltic Scorpion Limited	Baltic Scorpion	63,462	8/6/15	2015
Baltic Mantis Limited	Baltic Mantis	63,470	10/9/15	2015

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- (1) The delivery date for these vessels represents the date that the vessel was purchased from Baltic Trading Limited (“Baltic Trading”).
- (2) The delivery date for these vessels represents the date that the vessel was delivered to Baltic Trading.
- (3) Built dates and dates for vessel being delivered in the future are estimates based on guidance received from the respective sellers.
- (4) The Genco Surprise was sold on August 7, 2018. Refer to Note 16 — Subsequent Events.

## 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which includes the accounts of GS&T and its direct and indirect wholly-owned subsidiaries, including Baltic Trading. All intercompany accounts and transactions have been eliminated in consolidation.

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### Basis of presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management of the Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and operating results have been included in the statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2017 (the “2017 10-K”). The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the operating results to be expected for the year ending December 31, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include vessel valuations, the valuation of amounts due from charterers, performance claims, residual value of vessels, useful life of vessels and the fair value of derivative instruments, if any. Actual results could differ from those estimates.

### Segment reporting

The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers, i.e., spot or time charters. Each of the Company’s vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Company has determined that it operates in one reportable segment which is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels.

### Restricted cash

Current and non-current restricted cash includes cash that is restricted pursuant to our credit facilities. Refer to Note 7 — Debt. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same amounts shown in the Condensed Consolidated Statements of Cash Flows:

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	June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 269,996	\$ 174,479	\$ 147,153	\$ 133,400
Restricted cash - current	—	7,234	8,335	8,242
Restricted cash - noncurrent	315	23,233	25,507	27,426
Cash, cash equivalents and restricted cash	\$ 270,311	\$ 204,946	\$ 180,995	\$