

GENCO SHIPPING & TRADING LTD

Form 10-Q

November 07, 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 September 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

GENCO SHIPPING & TRADING LIMITED

(Exact name of registrant as specified in its charter)

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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 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, 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 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 November 7, 2018: Common stock, \$0.01 per share — 41,644,470 shares.

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Website Information

We intend to use our website, 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 & Trading Limited

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

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

(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 165,724	\$ 174,479
Restricted cash	—	7,234
Due from charterers, net of a reserve of \$515 and \$246, respectively	18,536	12,855
Prepaid expenses and other current assets	10,072	7,338
Inventories	29,980	15,333
Vessels held for sale	12,996	—
Total current assets	237,308	217,239
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$229,559 and \$213,431, respectively	1,382,428	1,265,577
Deferred drydock, net of accumulated amortization of \$12,366 and \$9,540 respectively	10,728	13,382
Fixed assets, net of accumulated depreciation and amortization of \$1,177 and \$1,003, respectively	1,495	1,014
Other noncurrent assets	—	514
Restricted cash	315	23,233
Total noncurrent assets	1,394,966	1,303,720
Total assets	\$ 1,632,274	\$ 1,520,959
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 33,084	\$ 23,230
Current portion of long-term debt	66,320	24,497
Deferred revenue	10,231	4,722
Total current liabilities:	109,635	52,449

Noncurrent liabilities:		
Long-term lease obligations	3,576	2,588
Long-term debt, net of deferred financing costs of \$17,200 and \$9,032, respectively	484,480	490,895
Total noncurrent liabilities	488,056	493,483
Total liabilities	597,691	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 September 30, 2018 and December 31, 2017, respectively	415	345
Additional paid-in capital	1,739,724	1,628,355
Retained deficit	(705,556)	(653,673)
Total equity	1,034,583	975,027
Total liabilities and equity	\$ 1,632,274	\$ 1,520,959

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017

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

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Voyage revenues	\$ 92,263	\$ 51,161	\$ 255,336	\$ 134,780
Total revenues	92,263	51,161	255,336	134,780
Operating expenses:				
Voyage expenses	31,475	5,550	78,551	9,743
Vessel operating expenses	25,155	25,131	72,642	73,867
Charter hire expenses	723	—	1,231	—
General and administrative expenses (inclusive of nonvested stock amortization expense of \$644, \$1,255, \$1,776 and \$3,536, respectively)	5,033	5,889	16,761	16,550
Technical management fees	2,028	1,883	5,926	5,735
Depreciation and amortization	17,269	17,836	50,605	54,194
Impairment of vessel assets	—	18,654	56,586	21,993
Gain on sale of vessels	(1,509)	—	(1,509)	(7,712)
Total operating expenses	80,174	74,943	280,793	174,370
Operating income (loss)	12,089	(23,782)	(25,457)	(39,590)
Other (expense) income:				
Other income (expense)	213	(37)	272	(152)
Interest income	1,062	494	2,743	1,006
Interest expense	(7,656)	(7,857)	(24,249)	(22,559)
Loss on debt extinguishment	—	—	(4,533)	—
Other expense	(6,381)	(7,400)	(25,767)	(21,705)
Income (loss) before income taxes	5,708	(31,182)	(51,224)	(61,295)
Income tax expense	—	—	—	—
Net income (loss)	\$ 5,708	\$ (31,182)	\$ (51,224)	\$ (61,295)

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Net earnings (loss) per share-basic	\$ 0.14	\$ (0.90)	\$ (1.37)	\$ (1.80)
Net earnings (loss) per share-diluted	\$ 0.14	\$ (0.90)	\$ (1.37)	\$ (1.80)
Weighted average common shares outstanding-basic	41,618,187	34,469,998	37,263,200	34,135,736
Weighted average common shares outstanding-diluted	41,821,008	34,469,998	37,263,200	34,135,736

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the Three and Nine Months Ended September 30, 2018 and 2017

(U.S. Dollars in Thousands)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 5,708	\$ (31,182)	\$ (51,224)	\$ (61,295)
Other comprehensive income	—	—	—	—
Comprehensive income (loss)	\$ 5,708	\$ (31,182)	\$ (51,224)	\$ (61,295)

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Equity

For the Nine Months Ended September 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				(51,224)	(51,224)
Issuance of 7,015,000 shares of common stock		70	109,593		109,663
Nonvested stock amortization			1,776		1,776
Balance — September 30, 2018	\$ —	\$ 415	\$ 1,739,724	\$ (705,556)	\$ 1,034,583

	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				(61,295)	(61,295)
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			3,536		3,536
Balance — September 30, 2017	\$ —	\$ 344	\$ 1,627,839	\$ (656,243)	\$ 971,940

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017

(U.S. Dollars in Thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (51,224)	\$ (61,295)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	50,605	54,194
Amortization of deferred financing costs	2,110	1,739
PIK interest, net	—	4,575
Payment of PIK interest	(5,341)	—
Amortization of nonvested stock compensation expense	1,776	3,536
Impairment of vessel assets	56,586	21,993
Gain on sale of vessels	(1,509)	(7,712)
Loss on debt extinguishment	4,533	—
Insurance proceeds for protection and indemnity claims	268	478
Insurance proceeds for loss of hire claims	58	1,781
Change in assets and liabilities:		
Increase in due from charterers	(6,329)	(495)
Increase in prepaid expenses and other current assets	(5,966)	(8,001)
Increase in inventories	(14,647)	(1,837)
Decrease in other noncurrent assets	514	—
Increase in accounts payable and accrued expenses	8,169	766
Increase in deferred revenue	5,017	1,144
Increase in lease obligations	988	540
Deferred drydock costs incurred	(2,233)	(7,685)
Net cash provided by operating activities	43,375	3,721
Cash flows from investing activities:		
Purchase of vessels, including deposits	(239,695)	(252)
Purchase of other fixed assets	(888)	(198)
Net proceeds from sale of vessels	10,626	15,513
Insurance proceeds for hull and machinery claims	3,466	718
Net cash (used in) provided by investing activities	(226,491)	15,781
Cash flows from financing activities:		
Proceeds from the \$108 Million Credit Facility	108,000	—
Proceeds from the \$460 Million Credit Facility	460,000	—
Repayments on the \$400 Million Credit Facility	(399,600)	(300)

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Repayments on the \$98 Million Credit Facility	(93,939)	—
Repayments on the 2014 Term Loan Facilities	(25,544)	(2,062)
Payment of debt extinguishment costs	(2,962)	—
Proceeds from issuance of common stock	110,249	—
Payment of common stock issuance costs	(496)	—
Payment of Series A Preferred Stock issuance costs	—	(1,103)
Payment of deferred financing costs	(11,499)	—
Net cash provided by (used in) financing activities	144,209	(3,465)
Net (decrease) increase in cash, cash equivalents and restricted cash	(38,907)	16,037
Cash, cash equivalents and restricted cash at beginning of period	204,946	