MARITRANS INC /DE/
Form 10-Q
May 08, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

 X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange
--- Act of 1934

For the Quarterly Period ended March 31, 2001

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 1-9063

MARITRANS INC.

(Exact name of registrant as specified in its charter)

DELAWARE	51-0343903
(State or other jurisdiction of incorporation or organization)	(Identification No. I.R.S. Employer)

TWO HARBOUR PLACE
302 KNIGHTS RUN AVENUE
SUITE 1200
TAMPA, FLORIDA 33602

(Address of principal executive offices)
(Zip Code)

(813) 209-0600

Registrant's telephone number, including area code

(Former name, former address and former fiscal year,
if changed since last report)

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 requirements for the past 90 days.

Yes X   No
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Common Stock $.01 par value, 10,503,143 shares outstanding as of May 3, 2001

MARITRANS INC.
INDEX

2

PART I: FINANCIAL INFORMATION

MARITRANS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
($000)

	March 31, 2001

	(Unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 46,197
Cash and cash equivalents - restricted	3,880
Trade accounts receivable	8,998
Other accounts receivable	4,643
Inventories	2,793
Deferred income tax benefit	9,176
Prepaid expenses	1,676
Total current assets	77,363
Vessels and equipment	290,462
Less accumulated depreciation	138,201
Net vessels and equipment	152,261
Note receivable	4,607
Other	3,958
Total assets	$ 238,189
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Debt due within one year	$ 7,884
Trade accounts payable	954
Accrued interest	2,104
Accrued shipyard costs	7,673
Accrued wages and benefits	3,192
Other accrued liabilities	5,500
Total current liabilities	27,307
Long-term debt	67,638
Deferred shipyard costs	11,509
Other liabilities	3,674
Deferred income taxes	38,997
Stockholders' equity	89,064
Total liabilities and stockholders' equity	$ 238,189

See notes to financial statements.

MARITRANS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

($000, except per share amounts)

	Three Months Ended Marc
	2001
Revenues	$ 31,567
Costs and expenses:	
Operation expense	16,641
Maintenance expense	3,708
General and administrative	1,890
Depreciation and amortization	4,431
Total operating expense	26,670
Operating income	4,897
Interest expense	(1,595)
Other income	989
Income (loss) before income taxes	4,291
Income tax provision	1,631
Net income (loss)	$ 2,660
Basic earnings (loss) per share	$ 0.26
Diluted earnings (loss) per share	$ 0.24
Dividends declared per share	$ 0.10

See notes to financial statements.

4

MARITRANS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
($000)

	Three Mon
	2001
Cash flows from operating activities:	
Net income (loss)	$ 2,660
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,431

Deferred income tax provision	-
Stock compensation	269
Changes in receivables, inventories and prepaid expenses	923
Changes in current liabilities, other than debt	(1,920)
Non-current changes, net	(837)
	2,866
Net cash provided by operating activities	5,526
Cash flows from investing activities:	
Release of cash and cash equivalents - restricted	9,620
Collections on notes receivable	117
Purchase of vessels and equipment	(1,015)
Net cash provided by (used in) investing activities	8,722
Cash flows from financing activities:	
Payment of long-term debt	(338)
Purchase of treasury stock	(3,238)
Proceeds from exercise of stock options	4
Dividends declared and paid	(1,077)
Net cash provided by (used in) financing activities	(4,649)
Net increase in cash and cash equivalents	9,599
Cash and cash equivalents at beginning of period	36,598
Cash and cash equivalents at end of period	$ 46,197

See notes to financial statements

MARITRANS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001

1. Basis of Presentation/Organization

Maritrans Inc. owns Maritrans Operating Partners L.P. ("the Operating Partnership"), Maritrans General Partner Inc., Maritrans Tankers Inc., Maritrans Barge Co., Maritrans Holdings Inc. and other Maritrans entities (collectively, the "Company"). These subsidiaries, directly and indirectly, own and operate oil tankers, tugboats and oceangoing petroleum tank barges principally used in the transportation of oil and related products, along the Gulf and Atlantic coasts.

In the opinion of management, the accompanying condensed consolidated financial statements of Maritrans Inc., which are unaudited (except for the Condensed Consolidated Balance Sheet as of December 31, 2000, which is derived from audited financial statements), include all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial statements of the consolidated entities.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the unaudited condensed consolidated financial statements do not include all of the information and notes normally included with annual financial statements prepared in accordance with generally accepted accounting principles. These financial statements should be read in conjunction with the consolidated historical financial statements and notes thereto included in the Company's Form 10-K for the period ended December 31, 2000.

6

2. Earnings per Common Share

The following data shows the amounts used in computing basic and diluted earnings per share ("EPS"):

	Three Months Ended March 31, 2001	2000
	(000's)	
Income (loss) available to common stockholders used in basic EPS	$ 2,660	$ (67)
Weighted average number of common shares used in basic EPS	10,328	11,308
Effect of dilutive securities: Stock options and restricted shares	660	0
Weighted number of common shares and dilutive potential common stock used in diluted EPS	10,988	11,308

3. Income Taxes

The Company's effective tax rate differs from the federal statutory rate due primarily to state income taxes and certain nondeductible items.

4. Share Buyback Program

On February 9, 1999, the Board of Directors authorized a share buyback program for the acquisition of up to one million shares of the Company's common stock. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the program are three million. As of March 31, 2001, 1,966,700 shares have been repurchased under the plan and have been financed from internally generated funds.

5. Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001, and the effect of the adoption was not material to the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Information

Some of the statements in this Form 10-Q (this "10-Q") constitute forward-looking statements under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements made with respect to present or anticipated utilization, future revenues and customer relationships, capital expenditures, future financings, and other statements regarding matters that are not historical facts, and involve predictions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, growth, performance, earnings per share or achievements to be materially different from any future results, levels of activity, growth, performance, earnings per share or achievements expressed in or implied by such forward-looking statements.

The forward-looking statements included in this 10-Q relate to future events or the Company's future financial performance. In some cases, the reader can identify forward-looking statements by terminology such as "may," "believe," "future," "potential," "estimate," "expect," "intend," "plan," "through," "provide," "meet," "allow," "represent," "result," "seek," "increase," "work," "perform," "make," "continue," "will," "include," or the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans or assessments that are believed to be reasonable as of the date of this 10-Q. Factors that may cause actual results, goals, targets or objectives to differ materially from those contemplated, projected, forecast, estimated, anticipated, planned or budgeted in such forward-looking statements include, among others, the factors outlined in this 10-Q and general financial, economic, environmental and regulatory conditions affecting the oil and marine transportation industry in general. These factors may cause the Company's actual results to differ materially from any forward-looking statement. Given such uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

Although the Company believes that the expectations in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, growth, earnings per share or achievements. However, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements. The Company is under no duty to update any of the forward-looking statements after the date of this 10-Q to conform such statements to actual results.

The following discussion should be read in conjunction with the unaudited financial statements and notes thereto included in Part I Item 1 of this Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2000 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Results of Operations

Three Month Comparison

Revenues of $31.6 million in the first quarter of 2001 increased compared to $30.7 million in the first quarter of 2000, an increase of $0.9 million or 3 percent. Vessel utilization, as measured by revenue days divided by calendar days available, decreased from 91.2 percent in the first quarter of 2000 to 87.9 percent in the first quarter of 2001. The majority of the decrease in utilization resulted from vessels being out of service for scheduled maintenance. Although vessel utilization decreased, the average daily rate increased over the same period in 2000. This increase is the result of higher market rates, which began late in 2000 and continued into 2001. Rates increased primarily due to the amount of capacity already under contract to customers and to low distillate inventories in the United States. Barrels of cargo transported decreased from 48.5 million in the first quarter of 2000 to 46.2 million in the first quarter of 2001. Looking forward to the remainder of 2001, the Company expects the market rates to continue at levels greater than those in 2000. We believe this to be the result of low gasoline inventories in the United States, high distillate demand and the continuation of the amount of capacity under contract to customers. The OCEAN CITIES will be going out of service late in the second quarter for its double hull rebuild. In addition, other vessels will be in the shipyard for scheduled maintenance. This out of service time will decrease the Company's utilization and could cause a reduction of revenues in 2001.

Operating expenses decreased from $30.0 million in the first quarter of 2000 to $26.7 million in the first quarter of 2001, a decrease of $3.3 million or 11 percent. In the first quarter of 2001, one of the Company's tankers was under a contract that passes through fuel and other voyage costs directly to the customer. The tanker was not under the same form of contract in the comparable period of 2000. As a result of this contract, fuel costs and port charges decreased during the quarter. Port charges also decreased as a result of the decrease in utilization discussed above. Maintenance expense decreased as a result of the rebuilding of the single-hulled barges to double-hulled barges, which allows certain procedures to be performed while the vessel is in the shipyard for its double-hulling.

Operating income increased as a result of the aforementioned changes in revenue and expenses.

Net income for the first quarter of 2001 increased compared to the first quarter of 2000 due to the aforementioned changes in revenue and expenses.

Liquidity and Capital Resources

For the three months ended March 31, 2001, funds provided by operating activities were sufficient to meet debt service obligations and loan agreement restrictions, to make capital acquisitions and improvements, to allow Maritrans Inc. to pay a dividend of $0.10 per common share in the current quarter and to make share repurchases. While dividends have been made quarterly in each of the last three years, there can be no assurance that the dividend will continue. The ratio of total debt to capitalization is .46:1 at March 31, 2001.

Management believes that in 2001, funds provided by operating activities, augmented by financing and investing transactions, will be sufficient to finance operations, anticipated capital expenditures, lease payments and required debt repayments.

On February 9, 1999, the Board of Directors authorized a share buyback program for the acquisition of up to one million shares of the Company's common stock. This amount represented approximately 8 percent of the 12.1 million shares outstanding at that time. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the buyback program are three million. As of March 31, 2001, 1,966,700 shares have been repurchased under the plan and have been financed from internally generated funds. The Company intends to hold the majority of the shares as treasury stock, although some shares will be used for employee compensation plans and others may be used for acquisition currency and/or other corporate purposes.

On August 17, 2000, the Company awarded a contract to rebuild a third large single hull barge, the OCEAN CITIES, to a double hull configuration, which is expected to have a total cost of approximately $15.5 million. As of March 31, 2001, the Company has advanced $4.8 million on this project to the shipyard contractor for prefabrication and other design work. The vessel is scheduled to enter the shipyard in the second quarter of 2001 and is expected to return to service in the fourth quarter of 2001. The Company has and expects to continue the financing of this project from internally generated funds.

Debt Obligations and Borrowing Facility

At March 31, 2001, the Company had $75.5 million in total outstanding debt, secured by mortgages on most of the fixed assets of the Company. The current portion of this debt at March 31, 2001 was $7.9 million.

In 1997, Maritrans entered into a multi-year revolving credit facility for amounts up to $33 million with Mellon Bank, N.A. This facility is collateralized by mortgages on the tankers. In 2000, this facility was extended to October 30, 2002. At March 31, 2001, $22 million was outstanding under this facility.

Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001, and the effect of the adoption was not material to the Company.

Part II: OTHER INFORMATION

ITEM 1. Legal Proceedings

In Maritrans Inc., et al v. United States, Maritrans sued the United States in 1996 alleging that the double hull requirement of the Oil Pollution Act of 1990 ("OPA") which requires retirement of Maritrans' fleet of single-hulled barges, is a "taking" under the fifth amendment to the U.S. Constitution. Maritrans is seeking a total of approximately $200 million in compensation for this taking. A trial was held in July 1997 on the preliminary issue of whether Maritrans had a cognizable property interest that could be subject to taking. The Court ruled in favor of Maritrans.

In April 1999, the United States Court of Federal Claims ("the Court") ruled that the case was "ripe" only with respect to vessels that OPA had forced out of service, which would include vessels that Maritrans had sold, scrapped, or rebuilt. A trial was held in January 2001, with respect to eight of the Company's barges that are "ripe". Maritrans alleges that the value of these assets, for which compensation is currently due, is approximately $73 million. The trial concluded on February 13, 2001. A decision is expected from the Court within the next few months. If Maritrans prevails, claims for other of the Company's barges will be the subject of future legal proceedings as the vessels are forced from service by OPA.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K
No reports on Form 8-K were filed in the quarter ended March 31, 2001.

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.

MARITRANS INC.
(Registrant)

By: /s/ H. William Brown Dated: May 8, 2001

H. William Brown
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Walter T. Bromfield Dated: May 8, 2001

Walter T. Bromfield
Treasurer and Controller
(Principal Accounting Officer)

13