

MARITRANS INC /DE/
Form 10-Q
August 08, 2006

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

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period ended June 30, 2006**

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date

Common Stock \$.01 par value, 12,029,048 shares outstanding as of August 7, 2006.

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MARITRANS INC.
CONSOLIDATED BALANCE SHEETS
(\$000)

	June 30, 2006	December 31, 2005
	(Unaudited)	As Adjusted (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,875	\$ 58,794
Trade accounts receivable	11,894	20,144
Claims and other receivables	8,467	2,527
Inventories	5,987	5,114
Prepaid expenses	1,023	1,737
Total current assets	86,246	88,316
Vessels and equipment	478,348	455,767
Less accumulated depreciation	229,476	222,126
Net vessels and equipment	248,872	233,641
Deferred costs, net	15,389	21,405
Goodwill	2,863	2,863
Other	206	211
Total assets	\$ 353,576	\$ 346,436
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Debt due within one year	\$ 4,086	\$ 3,973
Trade accounts payable	4,927	9,323
Accrued wages and benefits	4,305	5,007
Accrued insurance costs	6,449	2,385
Current income taxes	3,664	2,488
Other accrued liabilities	5,715	2,108
Total current liabilities	29,146	25,284
Long-term debt	53,329	55,400
Long-term tax payable	5,714	5,714
Other liabilities	4,216	3,721
Deferred income taxes	41,253	42,321
Stockholders' equity		
Common stock	176	176
Capital in excess of par value	174,265	174,595
Retained earnings	99,088	93,487
Unearned compensation		(1,027)

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Less: Cost of shares held in treasury	(53,611)	(53,235)
Total stockholders' equity	219,918	213,996
Total liabilities and stockholders' equity	\$ 353,576	\$ 346,436

See notes to financial statements.

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MARITRANS INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(\$000, except per share amounts)

	Three Months Ended June 30,	
	2006	2005 As Adjusted (Note 2)
Revenues	\$ 43,903	\$ 46,330
Costs and expenses:		
Operations expense	27,094	25,242
Maintenance expense	1,649	1,426
General and administrative	2,287	2,423
Depreciation and amortization	8,056	9,271
Total operating expense	39,086	38,362
Operating income	4,817	7,968
Interest expense (net of capitalized interest of \$785 and \$217, respectively)	(108)	(733)
Interest income	761	115
Other income, net	63	4,037
Income before income taxes	5,533	11,387
Income tax provision	1,928	4,156
Net income	\$ 3,605	\$ 7,231
Basic earnings per share	\$ 0.30	\$ 0.86
Diluted earnings per share	\$ 0.30	\$ 0.84
Dividends declared per share	\$ 0.11	\$ 0.11
<i>See notes to financial statements</i>		

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MARITRANS INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(\$000, except per share amounts)

	Six Months Ended June 30,	
	2006	2005
		As Adjusted (Note 2)
Revenues	\$ 91,287	\$ 89,870
Costs and expenses:		
Operations expense	56,070	47,285
Maintenance expense	3,823	2,819
General and administrative	4,592	7,809
Depreciation and amortization	17,059	18,216
Gain on involuntary conversion of assets	(2,868)	
Gain on sale of assets		(647)
 Total operating expense	 78,676	 75,482
Operating income	12,611	14,388
Interest expense (net of capitalized interest of \$1,419 and \$518 respectively)	(381)	(1,421)
Interest income	1,439	167
Other income, net	139	4,092
 Income before income taxes	 13,808	 17,226
Income tax provision	4,849	6,287
 Net income	 \$ 8,959	 \$ 10,939
 Basic earnings per share	 \$ 0.75	 \$ 1.31
Diluted earnings per share	\$ 0.74	\$ 1.28
Dividends declared per share	\$ 0.22	\$ 0.22
<i>See notes to financial statements.</i>		

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

	Six Months	
	Ended June 30,	
	2006	2005
		As Adjusted (Note 2)
Cash flows from operating activities:		
Net income	\$ 8,959	\$ 10,939
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,202	11,215
Amortization of major maintenance costs	6,857	7,001
Expenditures for major maintenance costs	(1,914)	(7,391)
Deferred income taxes	(1,068)	(2,135)
Tax benefit on stock compensation		736
Stock compensation expense	419	112
Changes in receivables, inventories and prepaid expenses	2,515	(186)
Changes in current liabilities, other than debt	3,401	7,617
Changes in non-current assets and liabilities	496	2,274
Gain on involuntary conversion of assets	(2,868)	
Gain on sale of assets		(647)
Total adjustments to net income	18,040	18,596
Net cash provided by operating activities	26,999	29,535
Cash flows from investing activities:		
Proceeds from sale of marine vessels and equipment		647
Proceeds from involuntary conversion	4,000	
Purchase of marine vessels and equipment	(26,564)	(14,004)
Net cash used in investing activities	(22,564)	(13,357)
Cash flows from financing activities:		
Payment of long-term debt	(1,958)	(1,852)
Dividends declared and paid	(2,645)	(1,876)
Proceeds from exercise of stock option	45	34
Tax benefit on stock compensation	381	
Fees related to the issuance of stock	(177)	
Net cash used in financing activities	(4,354)	(3,694)
Net increase in cash and cash equivalents	81	12,484
Cash and cash equivalents at beginning of period	58,794	6,347
Cash and cash equivalents at end of period	\$ 58,875	\$ 18,831

See notes to financial statements

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MARITRANS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006

1. Basis of Presentation/Organization

Maritrans Inc. owns Maritrans Operating Company L.P. (the Operating Company), 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 oceangoing petroleum tank barges, tugboats, and tankers used to provide marine transportation services, primarily along the Gulf and Atlantic Coasts of the United States.

In the opinion of management, the accompanying consolidated financial statements of Maritrans Inc., which are unaudited (except for the Consolidated Balance Sheet as of December 31, 2005, 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. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) 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.

Certain amounts from prior period financial statements have been reclassified to conform to their current year presentation. See Note 2, Accounting Change for Planned Major Maintenance Activities, for a detailed explanation of the change and the effect on the Company's financial statements.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the unaudited consolidated financial statements do not include all of the information and notes normally included with annual financial statements prepared in accordance with GAAP. 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, 2005.

2. Accounting Change for Planned Major Maintenance Activities

As of April 1, 2006, the Company changed its method of accounting for planned major maintenance activities from the accrual method to the deferral method. Previously, the Company made provisions for the cost of upcoming major periodic overhauls of vessels and equipment in advance of performing the related maintenance and repairs. The costs expected to be paid in the upcoming year were included in accrued shipyard costs as a current liability with the remainder classified as a long-term liability. Under the deferral method, costs actually incurred are amortized on a straight-line basis over the period beginning at the completion of the maintenance event and ending at the commencement of the next scheduled regulatory drydocking. Management believes the deferral method is the preferable method for accounting for planned major maintenance activities because (i) it better matches the expenses incurred with the revenues generated, (ii) the deferral method improves comparability with the Company's industry since the majority of the Company's competitors use this method and (iii) the deferral method best fits the Company's business circumstances because the Company has a small fleet of vessels, the expenditures for planned major maintenance activities are not continuous and the expenditures are not consistent across periods due to the timing of regulatory drydockings.

The Company recorded this change in accounting principle in accordance with SFAS No. 154, *Accounting Changes and Error Corrections*, which provides guidance on the accounting for and the reporting of

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accounting changes, including changes in accounting principles. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. This statement requires retrospective application of accounting changes which is defined as the application of a different accounting principle to prior accounting periods as if that principle had always been used.

Pursuant to SFAS No. 154, the Company is required to apply the new accounting principle to all prior periods that the Company will report upon in the Annual Report on Form 10-K for the year ended December 31, 2006. Therefore, this accounting principle was retrospectively applied to the period of January 1, 2004 and to each period thereafter. The cumulative effect of the retrospective change to this accounting principle as of January 1, 2004 was a \$17.9 million increase in total assets, a \$2.7 million decrease in total liabilities and a \$20.6 million increase in retained earnings.

The following presents the effect of the retrospective application of this change in accounting principle on the Company's income statement and balance sheet as of and for the respective periods.

	Three Months Ended June 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Three Months Ended June 30, 2006 as Reported
Revenues	\$ 43,903		\$ 43,903
Costs and expenses:			
Operation expense	27,094		27,094
Maintenance expense	4,931	(3,282)	1,649
General and administrative	2,287		2,287
Depreciation and amortization	4,958	3,098	8,056
Total operating expenses	39,270	(184)	39,086
Operating income	4,633	184	4,817
Interest expense	(108)		(108)
Interest income	761		761
Other income, net	63		63
Income before income taxes	5,349	184	5,533
Income tax provision	1,862	66	1,928
Net income	\$ 3,487	\$ 118	\$ 3,605
Basic earnings per share	\$ 0.29	\$ 0.01	\$ 0.30
Diluted earnings per share	\$ 0.29	\$ 0.01	\$ 0.30

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	Three Months Ended March 31, 2006 as Reported	Effect of Change in Accounting Principle	Three Months Ended March 31, 2006 as Adjusted
Revenues	\$ 47,384		\$ 47,384
Costs and expenses:			
Operation expense	28,976		28,976
Maintenance expense	5,277	(3,103)	2,174
General and administrative	2,305		2,305
Depreciation and amortization	5,244	3,759	9,003
Gain on involuntary conversion of assets	(2,868)		(2,868)
Total operating expenses	38,934	656	39,590
Operating income	8,450	(656)	7,794
Interest expense	(273)		(273)
Interest income	678		678
Other income, net	76		76
Income before income taxes	8,931	(656)	8,275
Income tax provision	3,157	(236)	2,921
Net income	\$ 5,774	\$ (420)	\$ 5,354
Basic earnings per share	\$ 0.49	\$ (0.04)	\$ 0.45
Diluted earnings per share	\$ 0.48	\$ (0.03)	\$ 0.45

	Three Months Ended June 30, 2005 as Reported	Effect of Change in Accounting Principle	Three Months Ended June 30, 2005 as Adjusted
Revenues	\$ 46,330		\$ 46,330
Costs and expenses:			
Operation expense	25,242		25,242
Maintenance expense	5,166	(3,740)	1,426
General and administrative	2,423		2,423
Depreciation and amortization	5,719	3,552	9,271
Total operating expenses	38,550	(188)	38,362
Operating income	7,780	188	7,968
Interest expense	(733)		(733)
Interest income	115		115
Other income, net	4,037		4,037
Income before income taxes	11,199	188	11,387
Income tax provision	4,088	68	4,156

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Net income	\$	7,111	\$	120	\$	7,231
Basic earnings per share	\$	0.85	\$	0.01	\$	0.86
Diluted earnings per share	\$	0.83	\$	0.01	\$	0.84

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	Six Months Ended June 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Six Months Ended June 30, 2006 as Reported
Revenues	\$ 91,287		\$ 91,287
Costs and expenses:			
Operation expense	56,070		56,070
Maintenance expense	10,208	(6,385)	3,823
General and administrative	4,592		4,592
Depreciation and amortization	10,202	6,857	17,059
Gain on involuntary conversion of assets	(2,868)		(2,868)
Total operating expenses	78,204	472	78,676
Operating income	13,083	(472)	12,611
Interest expense	(381)		(381)
Interest income	1,439		1,439
Other income, net	139		139
Income before income taxes	14,280	(472)	13,808
Income tax provision	5,019	(170)	4,849
Net income	\$ 9,261	\$ (302)	\$ 8,959
Basic earnings per share	\$ 0.78	\$ (0.03)	\$ 0.75
Diluted earnings per share	\$ 0.77	\$ (