

GENCO SHIPPING & TRADING LTD

Form 10-Q

November 09, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2012

OR

**o 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 000-51442

GENCO SHIPPING & TRADING LIMITED

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(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands

(State or other jurisdiction of
incorporation or organization)

98-043-9758

(I.R.S. Employer
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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of each of the issuer's classes of common stock, as of November 9, 2012: Common stock, \$0.01 per share 43,823,598 shares.

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Table of Contents**PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**Genco Shipping & Trading Limited**

Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011

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

(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 87,778	\$ 227,968
Due from charterers, net of a reserve of \$495 and \$906, respectively	8,616	13,688
Prepaid expenses and other current assets	17,020	17,709
Total current assets	113,414	259,365
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$563,749 and \$464,518, respectively	2,695,638	2,794,860
Deferred drydock, net of accumulated amortization of \$6,675 and \$11,111, respectively	13,723	6,934
Other assets, net of accumulated amortization of \$11,304 and \$7,749, respectively	31,907	17,795
Fixed assets, net of accumulated depreciation and amortization of \$3,077 and \$2,422, respectively	5,402	5,591
Other noncurrent assets	514	514
Restricted cash	10,150	9,750
Investments	23,825	24,468
Total noncurrent assets	2,781,159	2,859,912
Total assets	\$ 2,894,573	\$ 3,119,277
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,150	\$ 30,712
Current portion of long-term debt		185,077
Deferred revenue	1,876	4,227
Current portion of lease obligations	642	
Fair value of derivative instruments	609	1,686
Total current liabilities	28,277	221,702
Noncurrent liabilities:		
Long-term lease obligations	2,056	1,823
Time charters acquired	606	1,164
Fair value of derivative instruments	18,261	23,654
Convertible senior note payable	109,726	106,381

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Long-term interest payable	13,199	
Long-term debt	1,413,439	1,402,935
Total noncurrent liabilities	1,557,287	1,535,957
 Total liabilities	 1,585,564	 1,757,659
Commitments and contingencies		
Equity:		
Genco Shipping & Trading Limited shareholders' equity:		
Common stock, par value \$0.01; 100,000,000 shares authorized; issued and outstanding 43,821,098 and 36,307,598 shares at September 30, 2012 and December 31, 2011, respectively	438	363
Additional paid-in capital	862,488	809,443
Accumulated other comprehensive loss	(11,798)	(17,549)
Retained earnings	260,031	359,349
Total Genco Shipping & Trading Limited shareholders' equity	1,111,159	1,151,606
Noncontrolling interest	197,850	210,012
Total equity	1,309,009	1,361,618
 Total liabilities and equity	 \$ 2,894,573	 \$ 3,119,277

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, 2012 and 2011

(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,	
	2012	2011	2012	2011
Revenues:				
Voyage revenues	\$ 53,603	\$ 93,484	\$ 174,740	\$ 292,614
Service revenues	828	828	2,466	2,457
Total revenues	54,431	94,312	177,206	295,071
Operating expenses:				
Voyage expenses	2,693	1,702	5,099	2,595
Vessel operating expenses	28,272	26,133	85,622	76,394
General, administrative, and management fees	8,622	8,759	25,680	25,908
Depreciation and amortization	35,038	34,378	103,954	101,484
Total operating expenses	74,625	70,972	220,355	206,381
Operating (loss) income	(20,194)	23,340	(43,149)	88,690
Other (expense) income:				
Other (expense) income	(43)	31	(40)	(80)
Interest income	49	167	352	503
Interest expense	(21,546)	(21,793)	(65,160)	(64,654)
Other expense	(21,540)	(21,595)	(64,848)	(64,231)
(Loss) income before income taxes	(41,734)	1,745	(107,997)	24,459
Income tax expense	(303)	(328)	(918)	(1,041)
Net (loss) income	(42,037)	1,417	(108,915)	23,418
Less: Net loss attributable to noncontrolling interest	(3,588)	(145)	(9,626)	(1,662)
Net (loss) income attributable to Genco Shipping & Trading Limited	\$ (38,449)	\$ 1,562	\$ (99,289)	\$ 25,080
Net (loss) income per share-basic	\$ (0.90)	\$ 0.04	\$ (2.40)	\$ 0.71
Net (loss) income per share-diluted	\$ (0.90)	\$ 0.04	\$ (2.40)	\$ 0.71
Weighted average common shares outstanding-basic	42,885,810	35,157,110	41,290,719	35,149,912
Weighted average common shares outstanding-diluted	42,885,810	35,212,840	41,290,719	35,212,041
Dividends declared per share	\$	\$	\$	\$

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Comprehensive (Loss) Income

For the Three and Nine Months Ended September 30, 2012 and 2011

(U.S. Dollars in Thousands)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Net (loss) income	\$ (42,037)	\$ 1,417	\$ (108,915)	\$ 23,418
Change in unrealized gain on investments	(3,561)	(14,602)	(643)	(26,866)
Unrealized gain on cash flow hedges, net	1,525	2,417	6,394	10,333
Other comprehensive (loss) income	(2,036)	(12,185)	5,751	(16,533)
Comprehensive (loss) income	(44,073)	(10,768)	(103,164)	6,885
Less: Comprehensive loss attributable to noncontrolling interest	(3,588)	(145)	(9,626)	(1,662)
Comprehensive (loss) income attributable to Genco Shipping & Trading Limited	\$ (40,485)	\$ (10,623)	\$ (93,538)	\$ 8,547

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, 2012 and 2011

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

(Unaudited)

		Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Genco Shipping & Trading Limited Shareholders Equity	Noncontrolling Interest	Total Equity
Balance	January 1, 2012	\$ 363	\$ 809,443	\$ (17,549)	\$ 359,349	\$ 1,151,606	\$ 210,012	\$ 1,361,618
Net loss					(99,289)	(99,289)	(9,626)	(108,915)
Change in unrealized gain on investments				(643)		(643)		(643)
Unrealized gain on cash flow hedges, net				6,394		6,394		6,394
Issuance of 7,500,000 shares of common stock		75	49,799			49,874		49,874
Issuance of 15,000 shares of nonvested stock, less forfeitures of 1,500 shares								
Nonvested stock amortization			3,214			3,214	1,377	4,591
Cash dividends paid by Baltic Trading Limited					(29)	(29)	(3,881)	(3,910)
Vesting of restricted shares issued by Baltic Trading Limited			32			32	(32)	
Balance	September 30, 2012	\$ 438	\$ 862,488	\$ (11,798)	\$ 260,031	\$ 1,111,159	\$ 197,850	\$ 1,309,009

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		Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Genco Shipping & Trading Limited Shareholders Equity	Noncontrolling Interest	Total Equity	
Balance	January 1, 2011	\$ 359	\$ 803,778	\$ (5,210)	\$ 334,022	\$ 1,132,949	\$ 215,204	\$ 1,348,153	
Net income (loss)					25,080	25,080	(1,662)	23,418	
Change in unrealized gain on investments				(26,866)		(26,866)		(26,866)	
Unrealized gain on cash flow hedges, net				10,333		10,333		10,333	
Issuance of 15,000 shares of nonvested stock, less forfeitures of 1,100 shares									
Nonvested stock amortization			4,443			4,443	2,174	6,617	
Cash dividends paid by Baltic Trading Limited					(45)	(45)	(5,530)	(5,575)	
Vesting of restricted shares issued by Baltic Trading Limited			37			37	(37)		
Balance	September 30, 2011	\$ 359	\$ 808,258	\$ (21,743)	\$ 359,057	\$ 1,145,931	\$ 210,149	\$ 1,356,080	

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, 2012 and 2011

(U.S. Dollars in Thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net (loss) income	\$ (108,915)	\$ 23,418
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	103,954	101,484
Amortization of deferred financing costs	3,555	2,368
Amortization of time charters acquired	(558)	(1,432)
Amortization of discount on Convertible Senior Notes	3,345	2,999
Unrealized gain on derivative instruments	(76)	(38)
Amortization of nonvested stock compensation expense	4,591	6,617
Change in assets and liabilities:		
Decrease (increase) in due from charterers	5,072	(2,275)
Decrease (increase) in prepaid expenses and other current assets	689	(2,073)
Increase in other noncurrent assets		(514)
Decrease in accounts payable and accrued expenses	(3,751)	(2,143)
Decrease in deferred revenue	(2,351)	(5,359)
Increase in lease obligations	875	953
Deferred drydock costs incurred	(10,442)	(2,669)
Net cash (used in) provided by operating activities	(4,012)	121,336
Cash flows from investing activities:		
Purchase of vessels	(894)	(98,860)
Deposits on vessels		(87)
Purchase of other fixed assets	(1,948)	(692)
Changes in deposits of restricted cash	(400)	(750)
Net cash used in investing activities	(3,242)	(100,389)
Cash flows from financing activities:		
Repayments on the 2007 Credit Facility	(118,588)	(37,500)
Proceeds from the \$100 Million Term Loan Facility		40,000
Repayments on the \$100 Million Term Loan Facility	(15,385)	(3,243)
Proceeds from the \$253 Million Term Loan Facility		21,500
Repayments on the \$253 Million Term Loan Facility	(40,600)	(14,841)
Proceeds from issuance of common stock	50,721	
Payment of common stock issuance costs	(847)	
Payment of Convertible Senior Notes issuance costs		(51)
Payment of dividend by subsidiary	(3,910)	(5,576)
Payment of deferred financing costs	(4,327)	(328)
Net cash used in financing activities	(132,936)	(39)
Net (decrease) increase in cash and cash equivalents	(140,190)	20,908

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Cash and cash equivalents at beginning of period		227,968		270,877
Cash and cash equivalents at end of period	\$	87,778	\$	291,785

See accompanying notes to condensed consolidated financial statements.

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(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), its wholly-owned subsidiaries, and its subsidiary, Baltic Trading Limited (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 September 30, 2012, is the sole owner of all of the outstanding shares of the following subsidiaries: Genco Ship Management LLC; Genco Investments LLC; Genco Management (USA) Limited; and the ship-owning subsidiaries set forth below.

Below is the list of GS&T's wholly owned ship-owning subsidiaries as of September 30, 2012:

Wholly Owned Subsidiaries	Vessels Acquired	Dwt	Delivery Date	Year Built
Genco Reliance Limited	Genco Reliance	29,952	12/6/04	1999
Genco Vigour Limited	Genco Vigour	73,941	12/15/04	1999
Genco Explorer Limited	Genco Explorer	29,952	12/17/04	1999
Genco Carrier Limited	Genco Carrier	47,180	12/28/04	1998
Genco Sugar Limited	Genco Sugar	29,952	12/30/04	1998
Genco Pioneer Limited	Genco Pioneer	29,952	1/4/05	1999
Genco Progress Limited	Genco Progress	29,952	1/12/05	1999
Genco Wisdom Limited	Genco Wisdom	47,180	1/13/05	1997
Genco Success Limited	Genco Success	47,186	1/31/05	1997