MARITRANS INC /DE/
Form 10-Q
November 04, 2004

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 September 30, 2004

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 ___

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes _X_ No ___

Common Stock $.01 par value, 8,470,808 shares outstanding as of November 3, 2004

Back to Contents

MARITRANS INC.
INDEX

Back to Contents

PART I: FINANCIAL INFORMATION

MARITRANS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
($000)

	September 30, 2004	December 31, 2003
	(Unaudited)	(Note 1)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,133	$ 3,614
Trade accounts receivable	10,881	6,139
Other accounts receivable	2,495	3,140
Inventories	3,852	2,854
Deferred income tax benefit	8,994	9,074
Prepaid expenses	3,671	3,210
Total current assets	41,026	28,031
Vessels and equipment	388,890	364,134
Less accumulated depreciation	199,727	183,406
Net vessels and equipment	189,163	180,728
Note receivable	—	7,815
Goodwill	2,863	2,863
Other	513	1,092
Total Assets	$ 233,565	$ 220,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt due within one year	$ 3,703	$ 2,533
Trade accounts payable	3,188	5,649
Accrued shipyard costs	6,320	4,315
Accrued wages and benefits	4,444	3,191
Other accrued liabilities	6,094	5,257
Total current liabilities	23,749	20,945
Long-term debt	60,332	57,560
Accrued shipyard costs	9,480	6,473
Other liabilities	3,226	3,229
Deferred income taxes	45,510	47,148

Stockholders’ equity:		
Common stock	140	136
Capital in excess of par value	87,780	82,527
Retained earnings	56,839	51,205
Unearned compensation	(1,575)	(614)
Less: Cost of shares held in treasury	(51,916)	(48,080)
Total stockholders’ equity	91,268	85,174
Total liabilities and stockholders’ equity	$ 233,565	$ 220,529

See notes to financial statements.

Back to Contents

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

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Revenues	$ 38,285	$ 33,684
Costs and expenses:		
Operations expense	20,935	18,250
Maintenance expense	5,185	6,094
General and administrative	2,907	2,079
Depreciation and amortization	5,852	5,216
Total operating expense	34,879	31,639
Operating income	3,406	2,045
Interest expense	(791)	(809)
Other income	84	197
Income before income tax benefit	2,699	1,433
Income tax benefit	(793)	(7,170)
Net income	$ 3,492	$ 8,603
Basic earnings per share	$ 0.42	$ 1.08
Diluted earnings per share	$ 0.41	$ 1.02
Dividends declared per share	$ 0.11	$ 0.11

See notes to financial statements.

Back to Contents

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

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues	$ 109,693	$ 105,825
Costs and expenses:		
Operations expense	57,689	55,207
Maintenance expense	15,670	16,105
General and administrative	8,444	6,364
Depreciation and amortization	16,321	15,495
Total operating expense	98,124	93,171
Gain on sale of assets	—	1,099
Operating income	11,569	13,753
Interest expense	(1,544)	(1,906)
Other income	512	591
Income before income tax provision (benefit)	10,537	12,438
Income tax provision (benefit)	2,146	(3,098)
Net income	$ 8,391	$ 15,536
Basic earnings per share	$ 1.03	$ 1.95
Diluted earnings per share	$ 1.00	$ 1.84
Dividends declared per share	$ 0.33	$ 0.33

See notes to financial statements.

Back to Contents

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

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Cash flows from operating activities:		
Net income	$ 8,391	$ 15,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,321	15,495
Deferred tax benefit	(1,558)	(8,677)
Changes in receivable, inventories and prepaid expenses	(5,556)	1,147
Changes in current liabilities, other than debt	1,634	6,587
Non-current changes, net	4,396	500
Gain on sale of assets	—	(1,099)
Total adjustments to net income	15,237	13,953
Net cash provided by operating activities	23,628	29,489
Cash flows from investing activities:		
Collections on notes receivable	7,374	336
Proceeds from sale of assets	—	1,849
Purchase of vessels and equipment	(24,756)	(14,880)
Net cash used in investing activities	(17,382)	(12,695)
Cash flows from financing activities:		
Borrowings under long-term debt	29,500	36,790
Payment of long-term debt	(2,058)	(41,250)
Net repayments under credit facilities	(23,500)	(7,500)
Purchase of treasury stock	—	(150)
Proceeds from exercise of stock options	86	158
Dividends declared and paid	(2,755)	(2,694)
Net cash provided by (used in) financing activities	1,273	(14,646)
Net increase in cash and cash equivalents	7,519	2,148
Cash and cash equivalents at beginning of period	3,614	239
Cash and cash equivalents at end of period	$ 11,133	$ 2,387

See notes to financial statements.

6

Back to Contents

MARITRANS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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 oil tankers 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, 2003, 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 (“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.

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 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, 2003.

2. Earnings per Common Share

The following data show the amounts used in computing basic and diluted earnings per share (“EPS”):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
	(000’s)		(000’s)	
Income available to common stockholders used in basic EPS	$ 3,492	$ 8,603	$ 8,391	$ 15,536
Weighted average number of common shares used in basic EPS	8,280	7,999	8,171	7,951
Effect of dilutive stock options and restricted shares	168	409	254	476
Weighted number of common shares and dilutive potential common stock used in diluted EPS	8,448	8,408	8,425	8,427

3. Stock-Based Compensation

Maritrans Inc. has a stock incentive plan (the Plan), whereby non-employee directors, officers and other key employees may be granted stock, stock options and, in certain cases, receive cash under the Plan. In May 1999, the Company adopted an additional plan, the Maritrans Inc. 1999 Directors’ and Key Employees Equity Compensation Plan, which provides non-employee directors, officers and other key employees with certain rights to acquire common stock and stock options. Any outstanding options granted under either Plan are exercisable at a price not less than market value of the shares on the date of grant. During the third quarter of 2004, 20,644 shares were issued as a result of the exercise of options. The exercise price of these options ranged from $5.75 to $11.45.

Back to Contents

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "*Accounting for Stock-Based Compensation Transition and Disclosure*" ("SFAS 148"). SFAS 148 amends Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" ("SFAS 123"), to provide three alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 also amends the disclosure provisions of SFAS 123 and Accounting Principles Board ("APB") Opinion No. 28, "*Interim Financial Reporting*". SFAS 148 was effective for fiscal years ending after December 15, 2002, with certain disclosure requirements effective for interim periods beginning after December 15, 2002. The Company adopted the transition provision of SFAS 148 using the prospective method beginning January 1, 2003. The prospective method requires the Company to apply the fair value based method to all stock awards granted, modified or settled in its consolidated statements of income beginning on the date of adoption.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The Company's pro forma information was as follows:

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
	($000, except per share data)			
Net income as reported	$ 3,492	$ 8,603	$ 8,391	$ 15,536
Add: Stock based compensation included in net income, net of tax	12	11	39	32
Deduct: Total stock based compensation determined under the fair value based method, net of tax	16	35	54	100
Pro forma net income	$ 3,488	$ 8,579	$ 8,376	$ 15,468
Basic earnings per share as reported	$ 0.42	$ 1.08	$ 1.03	$ 1.95
Pro forma basic earnings per share	$ 0.42	$ 1.07	$ 1.03	$ 1.95
Diluted earnings per share as reported	$ 0.41	$ 1.02	$ 1.00	$ 1.84
Pro forma diluted earnings per share	$ 0.41	$ 1.02	$ 0.99	$ 1.84

4. Income Taxes

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

The Company records reserves for income taxes based on the estimated amounts that it would likely have to pay based on its taxable net income. The Company periodically reviews its position based on the best available information and adjusts its income tax reserve accordingly. In the quarter ended September 30, 2004, the Company reduced its income tax reserve by $1.7 million. Most of the decrease resulted from the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

5. Share Buyback Program

On February 9, 1999, the Board of Directors authorized a share buyback program (the "Program") for the repurchase 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 repurchase of an additional one million shares in the Program. The total authorized shares under the Program is three million. As of September 30, 2004, 2,485,442 shares had been repurchased.

Back to Contents

6. Impact of Recent Accounting Pronouncements

In September 2001, the rule making body of the AICPA issued an Exposure Draft on a Statement of Position, *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment* (the SOP). This group, referred to as AcSEC, approved the SOP in September 2003. The SOP was presented at a clearance meeting with the Financial Accounting Standards Board (“FASB”) in April 2004. At that time, the FASB voted unanimously not to clear the SOP. The FASB will reconsider the SOP during the 2005-2006 time frame.

If the existing SOP is issued, it would require the Company to modify its accounting policy for maintenance and repairs. Such costs would no longer be accrued in advance of performing the related maintenance and repairs; rather, the SOP requires these costs to be expensed as incurred, unless they meet the capitalization provisions of the SOP, in which case the costs will be depreciated over their estimated useful life. The Company has not yet quantified the impact of adopting the SOP on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would decrease the shipyard accrual and increase stockholders equity of the Company.

7. Retirement Plans

Net periodic pension cost included the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	($000s)		($000s)	
Service cost of current period	$ 157	$ 129	$ 471	$ 389
Interest cost on projected benefit obligation	463	458	1,389	1,376
Expected return on plan assets	(478)	(416)	(1,430)	(1,248)
Amortization of prior service cost	34	35	104	103
Net periodic pension cost	$ 176	$ 206	$ 534	$ 620

8. Note Receivable

In December 1999, the Company sold vessels to K-Sea Transportation LLC for total consideration of $34 million, which consisted of $29 million in cash and a $4.5 million subordinated note receivable maturing in December 2007. On January 14, 2004, the Company received payment of the $4.5 million note from K-Sea Transportation LLC.

In December 1999, the Company sold vessels to Vane Line Bunkering, Inc. for total consideration of $14 million, which consisted of $10 million in cash and a $4 million promissory note maturing in December 2009. On April 2, 2004, Vane repaid the remaining $2.7 million under the note.

9. Debt

In June 2004, the Company entered into a $29.5 million credit facility with a 9.5-year amortization and a 55 percent balloon payment at the end of the term. The new facility accrues interest at a fixed rate of 6.28 percent. A portion of the proceeds of the new debt were used to pay down existing borrowings under the Company’s revolving credit facility. Principal payments are required on a monthly basis beginning in August 2004. The Company has granted first preferred ship mortgages and a first security interest in the M 214 and Honour to secure the debt.

Back to Contents

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-