

GENCO SHIPPING & TRADING LTD

Form 10-Q

July 26, 2011

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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 June 30, 2011

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, 20th 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 ☐

Smaller reporting company ☐

(Do not check if a 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 July 26, 2011: Common stock, \$0.01 per share 35,966,198 shares.

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Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010

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

(Unaudited)

	June 30, 2011	December 31, 2010
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 286,230	\$ 270,877
Due from charterers, net of a reserve of \$996 and \$592, respectively	8,860	8,794
Prepaid expenses and other current assets	16,179	14,010
Total current assets	311,269	293,681
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$398,190 and \$334,502, respectively	2,792,033	2,783,810
Deposits on vessels	6,885	13,718
Deferred drydock, net of accumulated amortization of \$9,850 and \$9,044, respectively	7,199	8,538
Other assets, net of accumulated amortization of \$6,133 and \$4,561, respectively	15,490	16,937
Fixed assets, net of accumulated depreciation and amortization of \$2,163 and \$2,041, respectively	2,330	2,310
Other noncurrent assets	514	
Restricted cash	9,750	9,000
Investments	42,450	54,714
Total noncurrent assets	2,876,651	2,889,027
Total assets	\$ 3,187,920	\$ 3,182,708
<u>Liabilities and Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,152	\$ 31,790
Current portion of long-term debt	110,610	71,841
Deferred revenue	3,959	9,974
Fair value of derivative instruments	9,770	4,417
Total current liabilities	150,491	118,022
Noncurrent liabilities:		
Deferred revenue		392
Deferred rent credit	1,233	657
Time charters acquired	1,601	2,197
Fair value of derivative instruments	25,592	38,880
Convertible senior note payable	104,262	102,309
Long-term debt	1,538,300	1,572,098

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Total noncurrent liabilities	1,670,988	1,716,533
Total liabilities	1,821,479	1,834,555
Commitments and contingencies		
Equity:		
Genco Shipping & Trading Limited shareholders' equity:		
Common stock, par value \$0.01; 100,000,000 shares authorized; issued and outstanding 35,966,198 and 35,951,198 shares at June 30, 2011 and December 31, 2010, respectively	359	359
Additional paid-in capital	806,787	803,778
Accumulated other comprehensive loss	(9,558)	(5,210)
Retained earnings	357,505	334,022
Total Genco Shipping & Trading Limited shareholders' equity	1,155,093	1,132,949
Noncontrolling interest	211,348	215,204
Total equity	1,366,441	1,348,153
Total liabilities and equity	\$ 3,187,920	\$ 3,182,708

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 Six Months Ended June 30, 2011 and 2010

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

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Voyage revenues	\$ 98,511	\$ 105,337	199,130	\$ 200,018
Service revenues	819		1,629	
Total revenues	99,330	105,337	\$ 200,759	\$ 200,018
Operating expenses:				
Voyage expenses	(74)	1,018	894	1,755
Vessel operating expenses	25,465	16,160	50,260	31,047
General, administrative, and management fees	8,298	7,164	17,149	12,960
Depreciation and amortization	34,025	26,259	67,106	51,094
Other operating income		(206)		(206)
Total operating expenses	67,714	50,395	135,409	96,650
Operating income	31,616	54,942	65,350	103,368
Other (expense) income:				
Other (expense) income	(56)	(3)	(111)	25
Interest income	163	248	335	324
Interest expense	(21,540)	(15,810)	(42,861)	(31,241)
Other expense	(21,433)	(15,565)	(42,637)	(30,892)
Income before income taxes	10,183	39,377	22,713	72,476
Income tax expense	(355)	(719)	(714)	(719)
Net income	9,828	38,658	21,999	71,757
Less: Net (loss) income attributable to noncontrolling interest	(262)	1,899	(1,517)	1,550
Net income attributable to Genco Shipping & Trading Limited	\$ 10,090	\$ 36,759	\$ 23,516	\$ 70,207
Earnings per share-basic	\$ 0.29	\$ 1.17	\$ 0.67	\$ 2.24
Earnings per share-diluted	\$ 0.29	\$ 1.16	\$ 0.67	\$ 2.23
Weighted average common shares outstanding-basic	35,150,352	31,413,874	35,146,254	31,409,858
Weighted average common shares outstanding-diluted	35,204,649	31,562,879	35,211,636	31,553,226
Dividends declared per share	\$	\$	\$	\$

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2011 and 2010

(U.S. Dollars in Thousands)

(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, 2011	\$ 359	\$ 803,778	\$ (5,210)	\$ 334,022	\$ 1,132,949	\$ 215,204	\$ 1,348,153
Net income (loss)					23,516	23,516	(1,517)	21,999
Change in unrealized gain on investments				(12,264)		(12,264)		(12,264)
Unrealized gain on cash flow hedges, net				7,916		7,916		7,916
Issuance of 15,000 shares of nonvested stock, less forfeitures of 1,100 shares								
Nonvested stock amortization			2,972			2,972	1,551	4,523
Cash dividends paid by Baltic Trading Limited					(33)	(33)	(3,853)	(3,886)
Vesting of restricted shares issued by Baltic Trading Limited			37			37	(37)	
Balance	June 30, 2011	\$ 359	\$ 806,787	\$ (9,558)	\$ 357,505	\$ 1,155,093	\$ 211,348	\$ 1,366,441

		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, 2010	\$ 318	\$ 722,198	\$ 13,589	\$ 192,820	\$ 928,925	\$	\$ 928,925
Net income					70,207	70,207	1,550	71,757
Change in unrealized gain on investments				(18,901)		(18,901)		(18,901)
Unrealized loss on cash flow hedges, net				(8,789)		(8,789)		(8,789)

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Issuance of 90,000 shares of nonvested stock															
Nonvested stock amortization		2,190			2,190			1,093			3,283				
Issuance of common stock of Baltic Trading Limited		(1,054)			(1,054)			211,449			210,395				
Balance	June 30, 2010	\$	319	\$	723,333	\$	(14,101)	\$	263,027	\$	972,578	\$	214,092	\$	1,186,670

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 Six Months Ended June 30, 2011 and 2010

(U.S. Dollars in Thousands)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 9,828	\$ 38,658	\$ 21,999	\$ 71,757
Change in unrealized gain on investments	(12,694)	(23,144)	(12,264)	(18,901)
Unrealized gain (loss) on cash flow hedges, net	712	(5,088)	7,916	(8,789)
Comprehensive (loss) income	(2,154)	10,426	17,651	44,067
Less: Comprehensive (loss) income att				