

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

INTERNATIONAL SHIPHOLDING CORP

CIK: **278041** | IRS No.: **362989662** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-10852** | Film No.: **94528043**
SIC: **4412** Deep sea foreign transportation of freight

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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, 1994

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 2-63322

INTERNATIONAL SHIPHOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 36-2989662
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

650 Poydras Street New Orleans, Louisiana 70130
(Address of principal executive offices) (Zip Code)

(504) 529-5461
(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 X 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 \$ 1 Par Value 5,346,611 shares (March 31, 1994)

PART I - FINANCIAL INFORMATION

INTERNATIONAL SHIPHOLDING CORPORATION
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (Dollars in Thousands)
 (Unaudited)

<TABLE>

<CAPTION>

	March 31, 1994	December 31, 1993
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$38,274	\$32,770
Accounts Receivable, Net	42,851	46,134
Net Investment in Direct Financing Leases	2,240	2,257
Current Deferred Income Taxes	1,501	1,955
Other Current Assets	3,354	6,666
Material and Supplies Inventory, At Cost	8,324	7,853
Total Current Assets	96,544	97,635
Investments In and Advances to Unconsolidated Entities	29,894	30,367
Net Investment in Direct Financing Leases	28,222	28,775
Vessels, Property and Other Equipment, At Cost:		
Vessels and Barges	461,661	432,429
Other Marine Equipment	3,857	3,842
Terminal Facilities	17,874	17,521
Land	2,317	2,317
Furniture and Equipment	10,093	9,676
	495,802	465,785
Less - Accumulated Depreciation	(196,307)	(189,924)
	299,495	275,861
Other Assets:		
Deferred Charges in Process of Amortization	38,605	41,992
Acquired Contract Costs, Net of		

Accumulated Amortization	26,023	26,781
Due from Related Parties, Net of Allowance for Doubtful Accounts	4,115	4,360
Other	11,170	12,929
	<u>79,913</u>	<u>86,062</u>
	<u>\$534,068</u>	<u>\$518,700</u>
	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

</TABLE>

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INTERNATIONAL SHIPHOLDING CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

<TABLE>

<CAPTION>

	March 31, 1994	December 31, 1993
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
<S>	<C>	<C>
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 26,392	\$ 25,879
Current Maturities of Capital Lease Obligations	5,127	5,000
Accounts Payable and Accrued Liabilities	46,659	49,447
Current Liabilities to be Refinanced	(246)	(340)
Total Current Liabilities	<u>77,932</u>	<u>79,986</u>
Current Liabilities to be Refinanced	<u>246</u>	<u>340</u>
Billings in Excess of Income Earned and Expenses Incurred	<u>5,283</u>	<u>4,133</u>
Long-Term Capital Lease Obligations, Less Current Maturities	<u>25,942</u>	<u>27,020</u>

Long-Term Debt,		
Less Current Maturities	229,324	213,112
	<hr/>	<hr/>
Reserves and Deferred Credits:		
Deferred Income Taxes	34,587	35,613
Claims and Other	24,078	23,999
	<hr/>	<hr/>
	58,665	59,612
	<hr/>	<hr/>
Stockholders' Investment:		
Common Stock	5,405	5,405
Additional Paid-in Capital	54,450	54,450
Retained Earnings	77,954	75,775
Less - Shares of Common Stock in Treasury, at Cost	(1,133)	(1,133)
	<hr/>	<hr/>
	136,676	134,497
	<hr/>	<hr/>
	\$534,068	\$518,700
	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in Thousands Except Per Share Data)
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended	
	March 31,	
	1994	1993
	<hr/>	<hr/>
<S>	<C>	<C>
Revenues	\$78,443	\$79,398
Operating Differential Subsidy	4,918	4,599
	<hr/>	<hr/>
	83,361	83,997
	<hr/>	<hr/>
Operating Expenses:		
Voyage Expenses	62,188	62,470
Vessel and Barge Depreciation	6,107	5,796
	<hr/>	<hr/>
Gross Voyage Profit	15,066	15,731

Administrative and General Expenses	6,620	6,330
Gain on Sale of Assets	7	10
Operating Income	8,453	9,411
Interest:		
Interest Expense	5,339	4,934
Investment Income	(456)	(198)
	4,883	4,736
Unconsolidated Entities (Net of Applicable Taxes):		
Equity in Net Income (Loss) of Unconsolidated Entities	142	(1,969)
Income Before Provision for Income Taxes	3,712	2,706
Provision for Income Taxes:		
Current	1,819	1,185
Deferred	(572)	424
State	18	41
	1,265	1,650
Net Income	\$ 2,447	\$ 1,056
Less:		
Preferred Stock Dividends	--	355
Accretion of Discount on Preferred Stock	--	63
Net Income Applicable to Common and Common Equivalent Shares	\$ 2,447	\$ 638
Earnings Per Share:		
Net Income	\$ 0.46	\$ 0.12
Common and Common Equivalent Shares	5,346,611	5,135,572

<FN>

The accompanying notes are an integral part of these statements.

</TABLE>

INTERNATIONAL SHIPHOLDING CORPORATION
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'
 INVESTMENT
 (Dollars in Thousands)
 (Unaudited)

<TABLE>

<CAPTION>

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1992	\$ 4,978	\$ 48,216	\$ 71,943	\$ (1,133)	\$ 124,004
Net Income for Year Ended December 31, 1993			5,929		5,929
Preferred Stock Dividends			(868)		(868)
Accretion of Discount on Preferred Stock			(202)		(202)
Cash Dividends			(1,027)		(1,027)
Issuance of Stock, 427,500 Shares Pursuant to Exercise of Warrants	427	6,234			6,661
Balance at December 31, 1993	\$ 5,405	\$ 54,450	\$ 75,775	\$ (1,133)	\$ 134,497
Net Income for Three Months Ended March 31, 1994			2,447		2,447
Cash Dividends			(268)		(268)
Balance at March 31, 1994	\$ 5,405	\$ 54,450	\$ 77,954	\$ (1,133)	\$ 136,676
	=====	=	=====	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net Income	\$ 2,447	\$ 1,056
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	6,392	6,003
Amortization of Deferred Charges and Other Assets	4,114	4,697
(Benefit) Provision for Deferred Income Taxes	(572)	424
Equity in Unconsolidated Entities	(142)	1,969
Gain on Sale of Vessels and Other Property	(7)	(10)
Changes in:		
Reserve for Claims and Other Deferred Credits	79	(4,784)
Net Investment in Direct Financing Leases	570	580
Unearned Income	1,150	(3,837)
Other Assets	2,315	503
Accounts Receivable	3,283	3,301
Inventories and Other Current Assets	2,841	480
Accounts Payable and Accrued Liabilities	(1,085)	8,091
Net Cash Provided by Operating Activities	21,385	18,473
Cash Flows from Investing Activities:		
Purchase of Vessels and Other Property	(29,348)	(3,511)
Additions to Deferred Charges	(2,663)	(3,460)
Proceeds from Sale of Vessels and Other Property	9	599
Investment in and Advances to		

Unconsolidated Entities	615	(3,756)
	<hr/>	<hr/>
Net Cash Used by Investing Activities	(31,387)	(10,128)
	<hr/>	<hr/>
Cash Flows from Financing Activities:		
Proceeds from Issuance of Debt and Capital Lease Obligations	21,109	22,132
Reduction of Debt and Capital Lease Obligations	(5,335)	(25,177)
Preferred and Common Stock Dividends Paid	(268)	(601)
	<hr/>	<hr/>
Net Cash Provided (Used) by Financing Activities	15,506	(3,646)
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	5,504	4,699
Cash and Cash Equivalents at Beginning of Period	32,770	30,879
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Period	\$38,274	\$35,578
	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

</TABLE>

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INTERNATIONAL SHIPHOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
MARCH 31, 1994
(Unaudited)

Note 1. Basis of Preparation

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures required by generally accepted accounting principles for complete financial statements have been omitted. It is suggested that these interim statements be read in conjunction with the financial statements and notes thereto included in the Form 10-K of International Shipholding Corporation for the year ended December 31,

1993.

Interim statements are subject to possible adjustments in connection with the annual audit of the Company's accounts for the full year 1994; in the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information shown have been included.

The foregoing 1994 interim results are not necessarily indicative of the results of operations for the full year 1994.

The Company's policy is to consolidate all subsidiaries in which it holds a greater than 50% voting interest. All significant intercompany accounts and transactions have been eliminated.

The Company uses the cost method to account for investments in entities in which it holds less than a 20% voting interest and in which the Company cannot exercise significant influence over operating and financial activities. The Company uses the equity method to account for investments in entities in which it holds a 20% to 50% voting interest.

Certain investments previously accounted for under the equity method are currently accounted for under the cost method as a result of a sale of partial interests as further discussed in the "Results of Operations".

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INTERNATIONAL SHIPHOLDING CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's vessels are operated under a variety of charters and contracts. The nature of these arrangements is such that, without a material variation in gross voyage profits (total revenues less voyage expenses and vessel and barge depreciation), the revenues and expenses attributable to a vessel deployed under one type of charter or contract can differ substantially from those attributable to the same vessel if deployed under a different type of charter or contract. Accordingly, depending on the mix of charters or contracts in place during a particular accounting period, the Company's revenues and expenses can fluctuate substantially from one period to another even though the number of vessels deployed, the number of voyages completed, the amount of cargo carried and the

gross voyage profit derived from the vessels remain relatively constant. As a result, fluctuations in voyage revenues and expenses are not necessarily indicative of trends in profitability, and management believes that gross voyage profit is a more appropriate measure of performance than revenues. Accordingly, the discussion below addresses variations in gross voyage profits rather than variations in revenues.

Gross Voyage Profit. Gross voyage profit decreased slightly by 4.2% to \$15.1 million in the first quarter of 1994 as compared to \$15.7 million for the first quarter of 1993. Gross profit for the Company's LASH vessels which are employed in a liner service between ports on the U.S. Gulf/U.S. Atlantic Coast and South Asia (Trade Routes 18 and 17) decreased during the first quarter of 1994 as compared to the comparable period in 1993. This was primarily the result of a decline in freight rates and lost voyage days resulting from weather delays and a casualty involving one of the Company's FLASH units employed in this service. The vessel has been repaired and is now back in service. Results for the vessels chartered to the Military Sealift Command ("MSC") decreased in the first quarter of 1994 as compared to the first quarter of 1993 due to scheduled reductions in charterhire rates. Gross profit was favorably affected by improved charterhire rates and increased volume of westbound cargo in the Company's foreign flag LASH liner service during the first quarter of 1994 as compared to the comparable period in 1993.

Vessel and barge depreciation expense increased by 5.3% to \$6.1 million during the first quarter of 1994 as compared to \$5.8 million for the first quarter of 1993 due to costs associated with the Company's barge refurbishment program, costs associated with

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vessel upgrade work done on the Amazon and the acquisition in June, 1993 of the remaining 50% ownership interest in a company which operates a LASH barge intermodal terminal located in Memphis, Tennessee. This increased the Company's interest from 50% to 100%.

Other Income and Expense. Administrative and general expense increased slightly from \$6.3 million for the first quarter of 1993 to \$6.6 million for the first quarter of 1994 in large part due to the aforementioned acquisition of a LASH barge intermodal terminal facility whose results have been included in the

Company's consolidated statements since June 1, 1993.

Interest expense increased to \$5.3 million in the first quarter of 1994 as compared to \$4.9 million in the first quarter of 1993, primarily due to interest incurred on the \$100 million, 9% Senior Unsecured Notes issued in July, 1993. Partially offsetting this increase were lower interest payments on other company debt as the result of the prepayment of approximately \$63.8 million of debt during 1993 from the aforementioned bond issue.

The Company's share of earnings from unconsolidated entities increased from a net loss of \$1,969,000 in the first quarter of 1993 to net income of \$142,000 in the first quarter of 1994. The loss in the first quarter of 1993 resulted primarily from the Company's investment in A/S Havtor and A/S Havtor Management, Norwegian companies in which the Company has an interest. During the first quarter of 1993 the Company sold an 18.5% direct interest in A/S Havtor for \$7.6 million, of which \$2.8 million was received in cash and \$4.8 million was received in the form of a promissory note. The transaction reduced the Company's direct interest in A/S Havtor to 14.8% and resulted in a gain before taxes of approximately \$ 1.4 million. A provision for doubtful accounts equal to the pre-tax gain was recorded which will have the effect of deferring recognition of the gain until receipt of the proceeds from the promissory note, which matures in mid-1996. Since the Company has no substantive control regarding their operations and holds direct and indirect ownership interests in each that are less than 20%, the investments have been accounted for since April 1, 1993 under the cost method of accounting, which permits recognition of income only upon the distribution of dividends. The Company has been advised that A/S Havtor and A/S Havtor Management are planning a restructuring, the objective of which is the development of a large integrated shipowning company whose shares are publicly traded in international markets. In exchange for shares held in A/S Havtor and A/S Havtor Management, the Company would receive in the restructuring shares representing a smaller interest in a

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larger consolidated company. Other unrelated companies are also expected to acquire similar equity interests.

Also contributing to the improved results for the non-consolidated entities in 1994 was an additional 11%

interest acquired in the first quarter of 1993 in two PROBO vessels increasing the Company's interest to 50%. Increased charterhire rates on these two PROBO vessels as compared to the same period in 1993 also contributed to the improvement.

Income Taxes. In the first quarter of 1994, the Company provided \$1.3 million for federal income taxes at the statutory rate of 35% as compared to a provision of \$1.6 million at the statutory rate of 34% in the first quarter of 1993. Income of non-consolidated entities is shown net of applicable taxes.

The Company's effective tax rate decreased from 61% in the first quarter of 1993 to 34% in the first quarter of 1994. The decrease was attributable primarily to the fact that \$2.0 million in losses from unconsolidated entities in the first quarter of 1993 were recorded net of applicable taxes.

Liquidity and Capital Resources

The Company's working capital increased from \$17.6 million at December 31, 1993 to \$18.6 million at March 31, 1994, after provision for current maturities of long-term debt of \$26.4 million and capital lease obligations of \$5.1 million. Cash and cash equivalents increased during the first quarter of 1994 by \$5.5 million to a total of \$38.3 million at March 31, 1994. Accounts payable and accrued expenses decreased by \$2.8 million or 5.6% during the first quarter of 1994 primarily due to interest payments made in January, 1994 which had been accrued at December 31, 1993.

Positive cash flows were achieved from operating activities in the first quarter of 1994 in the amount of \$21.4 million. The major source of cash from operations was net income, adjusted for non-cash provisions such as depreciation and amortization.

Net cash used for investing activities amounted to \$31.4 million during the first quarter of 1994. Capital investments included \$26.9 million for construction costs of a molten sulphur carrier, \$1.0 million for the refurbishment of barges and \$1.4 million in other miscellaneous items. Also, the Company added \$2.7 million of deferred charge items, primarily drydocking and vessel survey expenditures.

Net cash provided by financing activities during the first quarter of 1994 was \$15.5 million. Included in this amount were proceeds in the amount of \$21.1 million drawn under an interim financing agreement for the construction of a sulphur carrier vessel.

These proceeds were offset by regularly scheduled principal payments of \$5.3 million for debt and lease obligations. Additionally, \$268,000 was used to meet common stock dividend requirements.

The Company's molten sulphur carrier is scheduled for delivery at the end of July, 1994. Upon delivery she will be named "SULPHUR ENTERPRISE" and will enter a long-term contract with Freeport-McMoRan Resource Partners ("FRP") carrying molten sulphur between Louisiana and Westcoast Florida, in support of FRP production of agricultural fertilizers. As of March 31, 1994, the Company had paid \$41.7 million of the estimated cost of approximately \$58 million. Of these costs, \$26.9 million was paid during the first quarter of 1994 and the balance was paid during 1993 and 1992. Capitalized interest related to this construction totalled \$140,000 for the first quarter of 1994. Interim construction financing has been arranged through a pool of commercial banks and is expected to be repaid with permanent financing after construction is completed. At the Company's option, the construction loan can be converted to a three-year term loan with the same banks when the vessel commences operation. Draws on the interim loan currently total \$29.8 million. As an alternative to the aforementioned term loan, the Company has received a commitment for a Title XI guarantee to cover the permanent financing of 75% of the cost of the vessel.

The Company has entered into a long-term transportation contract with P.T. Freeport Indonesia Company (an affiliate of Freeport-McMoRan Copper and Gold Inc.) for the movement of various supply cargoes between Singapore, Australia and Indonesia. The Company will have built two multi-purpose vessels and will have built or acquire one containership in order to fulfill the requirements of the contract which is expected to commence in the fourth quarter of 1995. The Company anticipates financing a major portion of the cost of the vessel acquisitions through medium- to long-term loans with commercial banks.

Two of the U.S. Flag LASH vessels operating in the Company's LASH liner service, "ROBERT E. LEE" and "STONEWALL JACKSON", have been operating under leases since their delivery from the builders in 1974. These leases provide the Company with the option to purchase the vessels at the termination of the leases in October, 1994. The Company has notified the lessor of its intent to exercise the option to purchase these vessels at the fair market value to be determined by an

appraisal panel organized under the terms of the lease. The Company feels that long-term financing can be arranged for the purchase. In the interim, amounts available under the Company's undrawn lines of credit may be utilized.

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The Financial Accounting Standards Board issued Statement No. 112, "Employers' Accounting for Postemployment Benefits", during 1992. This statement will be adopted in 1994 and is not expected to have a material effect on the Company's financial position or results of operations.

To meet short-term requirements when fluctuations occur in working capital, the Company has available three lines of credit totalling \$15 million. At March 31, 1994, these lines were undrawn.

The Company has not been notified that it is a potentially responsible party in connection with any environmental matters.

At a regular meeting held April 20, 1994, the Board of Directors declared a quarterly dividend of five cents per share of common stock to be paid on June 16, 1994 to its stockholders of record as of June 2, 1994.

PART II. - OTHER INFORMATION

Item 6.

Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K have been filed for the three months ended March 31, 1994.

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.

INTERNATIONAL SHIPHOLDING CORPORATION

/s/ Gary L. Ferguson
Gary L. Ferguson

Vice President and Chief Financial Officer

May 13, 1994

Date