

Matson, Inc.  
Form 10-Q  
May 05, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2015

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 001-34187

**Matson, Inc.**

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**1411 Sand Island Parkway**  
**Honolulu, HI**  
(Address of principal executive offices)

**96819**  
(Zip Code)

**(808) 848-1211**

(Registrant's telephone number, including area code)

**Not Applicable**

(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 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. (Check one):

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

**Number of shares of common stock outstanding as of March 31, 2015: 43,454,400**



## PART I. FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

## MATSON, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Income and Comprehensive Income

(In millions, except per-share amounts) (Unaudited)

|  |    |        |          |
|--|----|--------|----------|
| <b>Operating Revenue:</b>  |    |        |          |
| Ocean Transportation   | \$ | 305.5  | \$ 294.6 |
| Logistics  |    | 92.7   | 97.9     |
| Total Operating Revenue  |    | 398.2  | 392.5    |
| <b>Costs and Expenses:</b>   |    |        |          |
| Operating costs  |    | 318.2  | 347.8    |
| Equity in income of terminal joint venture                               |    | (3.4)  | (0.2)    |
| Selling, general and administrative                                      |    | 38.5   | 35.0     |
| Total Costs and Expenses   |    | 353.3  | 382.6    |
| Operating Income   |    | 44.9   | 9.9      |
| Interest expense   |    | (4.3)  | (4.1)    |
| Income before Income Taxes   |    | 40.6   | 5.8      |
| Income tax expense   |    | (15.6) | (2.4)    |
| Net Income   | \$ | 25.0   | \$ 3.4   |
| <b>Other Comprehensive Income (Loss), Net of Income Taxes:</b>           |    |        |          |
| Net Income   | \$ | 25.0   | \$ 3.4   |
| <b>Other Comprehensive Income (Loss):</b>                                |    |        |          |
| Net loss in prior service cost   |    | (0.2)  |          |
| Amortization of prior service cost included in net periodic pension cost |    | (0.4)  | (0.3)    |
| Amortization of net loss included in net periodic pension cost           |    | 1.4    | 0.7      |
| Foreign currency translation adjustment                                  |    | 0.1    | (0.1)    |
| Total Other Comprehensive Income   |    | 0.9    | 0.3      |
| Comprehensive Income   | \$ | 25.9   | \$ 3.7   |
| <b>Basic Earnings Per Share:</b>   |    |        |          |
| Basic  | \$ | 0.58   | \$ 0.08  |
| <b>Diluted Earnings Per Share:</b>                                       |    |        |          |
| Diluted  | \$ | 0.57   | \$ 0.08  |
| <b>Weighted Average Number of Shares Outstanding:</b>                    |    |        |          |
| Basic  |    | 43.4   | 42.9     |
| Diluted  |    | 43.9   | 43.3     |
| Cash Dividends Per Share   | \$ | 0.17   | \$ 0.16  |

See Notes to Condensed Consolidated Financial Statements.



**MATSON, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(In millions) (Unaudited)

|   | <b>March 31<br/>2015</b> | <b>December 31<br/>2014</b> |
|---|--------------------------|-----------------------------|
| <b>ASSETS</b>                               |                          |                             |
| Current Assets:                             |                          |                             |
| Cash and cash equivalents                   | \$ 325.8                 | \$ 293.4                    |
| Accounts receivable, net                    | 201.8                    | 197.6                       |
| Deferred income taxes                       | 7.8                      | 8.0                         |
| Prepaid expenses and other assets           | 19.6                     | 20.5                        |
| Total current assets                        | 555.0                    | 519.5                       |
| Investment in terminal joint venture        | 67.8                     | 64.4                        |
| Property and equipment, net                 | 678.7                    | 691.2                       |
| Goodwill and intangible assets, net         | 29.8                     | 29.9                        |
| Capital Construction Fund deposits          | 27.5                     | 27.5                        |
| Other long-term assets                      | 68.1                     | 69.3                        |
| Total assets                                | \$ 1,426.9               | \$ 1,401.8                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                          |                             |
| Current Liabilities:                        |                          |                             |
| Current portion of debt                     | \$ 21.6                  | \$ 21.6                     |
| Accounts payable                            | 140.6                    | 133.2                       |
| Payroll and vacation benefits               | 15.9                     | 17.3                        |
| Uninsured liabilities                       | 25.0                     | 24.5                        |
| Accrued and other liabilities               | 20.7                     | 26.9                        |
| Total current liabilities                   | 223.8                    | 223.5                       |
| Long-term Liabilities:                      |                          |                             |
| Long-term debt                              | 349.6                    | 352.0                       |
| Deferred income taxes                       | 313.3                    | 308.4                       |
| Employee benefit plans                      | 119.2                    | 118.6                       |
| Uninsured and other liabilities             | 35.7                     | 35.5                        |
| Total long-term liabilities                 | 817.8                    | 814.5                       |
| Commitments and Contingencies (Note 7)      |                          |                             |
| Shareholders' Equity:                       |                          |                             |
| Capital stock                               | 32.4                     | 32.4                        |
| Additional paid in capital                  | 278.0                    | 274.9                       |
| Accumulated other comprehensive loss        | (52.4)                   | (53.3)                      |
| Retained earnings                           | 127.3                    | 109.8                       |
| Total shareholders' equity                  | 385.3                    | 363.8                       |
| Total liabilities and shareholders' equity  | \$ 1,426.9               | \$ 1,401.8                  |

See Notes to Condensed Consolidated Financial Statements.

## MATSON, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(In millions) (Unaudited)

|  | Three-Months Ended |          |
|--|--------------------|----------|
|  | 2015               | 2014     |
| <b>Cash Flows From Operating Activities:</b>                               |                    |          |
| Net income   | \$ 25.0            | \$ 3.4   |
| <b>Reconciling adjustments:</b>  |                    |          |
| Depreciation and amortization  | 16.8               | 17.5     |
| Deferred income taxes  | 4.5                | 0.7      |
| Share-based compensation expense   | 2.8                | 1.8      |
| Equity in income from terminal joint venture                               | (3.4)              | (0.2)    |
| Other  | 3.3                | (0.4)    |
| <b>Changes in assets and liabilities:</b>                                  |                    |          |
| Accounts receivable  | (4.2)              | 4.4      |
| Deferred dry-docking payments  | (5.1)              | (7.3)    |
| Deferred dry-docking amortization  | 5.5                | 5.3      |
| Prepaid expenses and other assets  | 0.7                | 0.8      |
| Accounts payable and accrued liabilities                                   | 7.4                | 4.7      |
| Other liabilities  | (7.0)              | (0.6)    |
| Net cash provided by operating activities                                  | 46.3               | 30.1     |
| <b>Cash Flows From Investing Activities:</b>                               |                    |          |
| Capital expenditures   | (3.3)              | (4.9)    |
| Proceeds from disposal of property and equipment                           | 0.3                | 0.4      |
| Deposits into Capital Construction Fund                                    | (2.2)              | (2.2)    |
| Withdrawals from Capital Construction Fund                                 | 2.2                | 2.2      |
| Net cash used in investing activities                                      | (3.0)              | (4.5)    |
| <b>Cash Flows From Financing Activities:</b>                               |                    |          |
| Proceeds from issuance of debt   |                    | 100.0    |
| Payments of debt   | (2.4)              | (2.5)    |
| Proceeds from issuance of capital stock                                    | 1.9                | 0.7      |
| Tax withholding related to net share settlements of restricted stock units | (2.9)              | (1.7)    |
| Dividends paid   | (7.5)              | (6.9)    |
| Net cash (used in) provided by financing activities                        | (10.9)             | 89.6     |
| Net increase in cash and cash equivalents                                  | 32.4               | 115.2    |
| Cash and cash equivalents, beginning of the period                         | 293.4              | 114.5    |
| Cash and cash equivalents, end of the period                               | \$ 325.8           | \$ 229.7 |
| <b>Supplemental Cash Flow Information:</b>                                 |                    |          |
| Interest paid  | \$ 3.9             | \$ 1.9   |
| Income tax paid (refunded)   | \$ 4.2             | \$ (0.9) |
| <b>Non-cash Information:</b>   |                    |          |
| Capital expenditures included in accounts payable and accrued liabilities  | \$ 1.0             | \$ 1.3   |

See Notes to Condensed Consolidated Financial Statements.





**1. DESCRIPTION OF THE BUSINESS**

Matson, Inc., a holding company incorporated in January 2012, in the State of Hawaii, and its subsidiaries ( Matson or the Company ), is a leading provider of ocean transportation and logistics services.

**Ocean Transportation:** Matson's ocean transportation business is conducted through Matson Navigation Company, Inc. ( MatNav ), a wholly-owned subsidiary of Matson, Inc. Founded in 1882, MatNav is an asset-based business that provides a vital lifeline of ocean freight transportation services to the island economies of Hawaii, Guam, Micronesia, and various islands in the South Pacific. MatNav also operates a premium, expedited service from China to Long Beach, California. In addition, a subsidiary of MatNav provides container stevedoring, container equipment maintenance and other terminal services for MatNav and other ocean carriers on the islands of Oahu, Hawaii, Maui and Kauai.

The Company has a 35 percent ownership interest in SSA Terminals, LLC ( SSAT ) through a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc. ( SSA ), a subsidiary of Carrix, Inc. (the Terminal Joint Venture ). SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the Pacific Coast of the United States of America ( U.S. ), including to MatNav at several of those facilities. Matson records its share of income (loss) in the joint venture in operating costs in the Condensed Consolidated Statements of Income and Comprehensive Income, and within the ocean transportation segment due to the nature of SSAT's operations.

**Logistics:** The Company's logistics business is conducted through Matson Logistics, Inc. ( Matson Logistics or Logistics ), a wholly-owned subsidiary of MatNav. Established in 1987, Matson Logistics is an asset-light business that provides multimodal transportation services, including domestic and international rail intermodal service ( Intermodal ); long-haul and regional highway brokerage, specialized hauling, flat-bed and project services, less-than-truckload services, and expedited freight services (collectively Highway ); and warehousing and distribution services.

**Horizon Acquisition:** On November 11, 2014, Matson and Horizon Lines, Inc. ( Horizon ) announced that MatNav and Horizon entered into a definitive merger agreement pursuant to which Horizon will be merged with a subsidiary of MatNav. As a result, Matson will acquire Horizon's Alaska operations and assume all of Horizon's non-Hawaii assets and liabilities (the Horizon Transaction ). Separately, on the same day, Horizon announced that it agreed to sell its Hawaii operations to The Pasha Group ( Pasha ), (the Pasha Transaction ), and shut-down all of its operations in Puerto Rico.

The total value for the Horizon Transaction is approximately \$456 million (before transaction costs), based on Horizon's net debt outstanding as of March 22, 2015, less the anticipated proceeds from the Pasha Transaction. The Horizon Transaction is conditioned on the Pasha Transaction closing and other customary closing conditions. The Company expects to fund the Horizon Transaction from cash on hand and available borrowings under its revolving credit facility. The Pasha Transaction is also subject to customary closing conditions. The Company expects to close the Horizon Transaction by the end of the second quarter.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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*Basis of Presentation:* The condensed consolidated financial statements are unaudited. Due to the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year. These condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim periods, and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.

*Fiscal Period:* The period end for Matson, Inc. is March 31. The period end for MatNav occurred on the last Friday in March, except for Matson Logistics Warehousing for which the period closed on March 31.

*Significant Accounting Policies:* The Company's significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.

### 3. CAPITAL CONSTRUCTION FUND

At March 31, 2015 and December 31, 2014, the Company had the following amounts of assigned eligible accounts receivable, and on deposit to the Capital Construction Fund ( CCF ) (in millions):

|  | <b>March 31<br/>2015</b> | <b>December 31<br/>2014</b> |
|--|--------------------------|-----------------------------|
| CCF on deposit                               | \$ 27.5                  | \$ 27.5                     |
| Eligible accounts receivable assigned to CCF | 150.9                    | 150.7                       |
| <b>Total</b>                                 | <b>\$ 178.4</b>          | <b>\$ 178.2</b>             |

Due to the nature of the assignment of eligible accounts receivables into the CCF, such assigned amounts are classified as part of accounts receivable in the condensed consolidated balance sheets. The Company's CCF on deposit of \$27.5 million at March 31, 2015 and December 31, 2014, was invested in a money market fund, and is classified as a long-term asset in the Company's condensed consolidated balance sheet.

The Company's CCF is described in Note 6 to the consolidated financial statements included in Item 8 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.

### 4. DEBT

At March 31, 2015 and December 31, 2014, the Company's debt consisted of the following (in millions):

|                             | <b>March 31<br/>2015</b> | <b>December 31<br/>2014</b> |
|-----------------------------|--------------------------|-----------------------------|
| <b>Term Loans:</b>          |                          |                             |
| 5.79%, payable through 2020 | \$ 38.5                  | \$ 38.5                     |
| 3.66%, payable through 2023 | 77.5                     | 77.5                        |
| 4.16%, payable through 2027 | 55.0                     | 55.0                        |
| 4.31%, payable through 2032 | 37.5                     | 37.5                        |
| 4.35%, payable through 2044 | 100.0                    | 100.0                       |
| <b>Title XI Bonds:</b>      |                          |                             |
| 5.34%, payable through 2028 | 29.7                     | 30.8                        |
| 5.27%, payable through 2029 | 31.9                     | 33.0                        |
| Capital leases              | 1.1                      | 1.3                         |
| <b>Total Debt</b>           | <b>371.2</b>             | <b>373.6</b>                |
| Less current portion        | (21.6)                   | (21.6)                      |
| <b>Total Long-term Debt</b> | <b>\$ 349.6</b>          | <b>\$ 352.0</b>             |

The Company's Debt is described in Note 7 to the consolidated financial statements included in Item 8 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.



## 5. PENSION AND POST-RETIREMENT PLANS

The Company sponsors qualified defined-benefit pension and post-retirement plans (collectively, the Plans). The following table provides the components of net periodic benefit cost for the Plans for the three-months periods ended March 31, 2015 and 2014 (in millions):

|                                    | Pension Benefits |          |          |        | Post-retirement Benefits |      |          |      |
|------------------------------------|------------------|----------|----------|--------|--------------------------|------|----------|------|
|                                    | March 31         |          | March 31 |        | March 31                 |      | March 31 |      |
|                                    | 2015             | 2014     | 2015     | 2014   | 2015                     | 2014 | 2015     | 2014 |
| Service cost                       | \$ 0.9           | \$ 0.8   | \$ 0.4   | \$ 0.3 |                          |      |          |      |
| Interest cost                      | 2.4              | 2.4      | 0.6      | 0.6    |                          |      |          |      |
| Expected return on plan assets     | (3.5)            | (3.5)    |          |        |                          |      |          |      |
| Amortization of net loss           | 1.6              | 0.8      | 0.6      | 0.1    |                          |      |          |      |
| Amortization of prior service cost | (0.6)            | (0.6)    |          |        |                          |      |          |      |
| Net Periodic Cost (Benefit)        | \$ 0.8           | \$ (0.1) | \$ 1.6   | \$ 1.0 |                          |      |          |      |

On April 10, 2015, the Company paid an initial contribution of \$1.6 million to its defined benefit pension plans, of total expected contributions of \$6.2 million to be made for 2015.

## 6. SHARE-BASED COMPENSATION

During the three-months period ended March 31, 2015, the Company granted approximately 226,000 in total of time-based and performance-based shares to certain of its employees at a weighted-average grant date fair value of \$35.28. The number of performance shares awarded represents the maximum that can be earned, and will ultimately depend on the Company's performance.

Total stock-based compensation cost recognized in the Condensed Consolidated Financial Statements of Income and Comprehensive Income as a component of selling, general and administrative costs was \$2.8 million and \$1.8 million for the three-months periods ended March 31, 2015 and 2014, respectively. Total unrecognized compensation cost related to unvested share-based compensation arrangements was \$14.8 million at March 31, 2015, and is expected to be recognized over a weighted-average period of 2.2 years. Total unrecognized compensation cost may be adjusted for any unearned performance shares or forfeited shares.

## 7. CONTINGENCIES

*Employee Matters:* Matson and SSAT are members of the Pacific Maritime Association (PMA), which on behalf of its members negotiates collective bargaining agreements with the International Longshore and Warehouse Union (ILWU) on the U.S. West Coast. The PMA/ILWU collective bargaining agreements that cover substantially all U.S. West Coast longshore labor expired on July 1, 2014. On February 20, 2015, the PMA and the ILWU announced a tentative agreement on a new five-year contract covering longshore workers at all 29 U.S. West Coast ports. The tentative agreement is subject to ratification by both the PMA and ILWU, and no assurance can be given that the tentative agreement will be ratified by both parties. If the tentative agreement is not ratified, Matson and SSAT could be subject to future slow-downs, strikes, lock-outs or other disruptions that may adversely impact Matson's or SSAT's operations.

Matson also has collective bargaining agreements with ILWU labor in Hawaii, and ILWU office clerical workers in Oakland, each of which expired on June 30, 2014. Workers under these agreements are operating under extensions with the unions. With a tentative agreement reached between the PMA and the ILWU, negotiations with the ILWU labor in Hawaii have resumed, and negotiations with the ILWU office clerical workers in Oakland are expected to commence; however no assurance can be given that agreements will be reached without slow-downs, strikes, lock-outs or other disruptions that may adversely impact Matson's operations.

*Environmental Matter:* Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in September 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the incident. On September 20, 2013, the Hawaii Department of Health ( DOH ) and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena seeking documents in connection with a criminal investigation into the release of molasses into Honolulu Harbor. In addition, in April 2014, the Company received two subpoenas from the Hawaii Attorney General and written requests for information regarding the release from the following governmental agencies: (i) the DOH; (ii) the State of Hawaii Office of Hawaiian Affairs; and (iii) the U.S. Environmental Protection Agency (the EPA ) (Region IX).

On January 29, 2015, the Company resolved the federal criminal investigation with the U.S. Attorney for the District of Hawaii by pleading guilty to two misdemeanor violations of the Rivers and Harbors Act of 1899 arising from the molasses release and paying \$1.0 million, comprised of a \$0.4 million fine and restitution payments of \$0.6 million to community organizations involved in the protection of Hawaii's shoreline and ocean resources. In addition, on February 24, 2015, the EPA informed the Company that it will not seek to debar MTI and its affiliates from obtaining future U.S. government contracts.

The Company has not yet resolved any potential civil claims by other governmental agencies arising out of the molasses release. However, except with respect to the matters discussed above, government agencies have not initiated any legal actions in connection with the release of molasses. Therefore, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material. The Company continues to respond to governmental requests for information, and is engaging in dialogue with governmental agencies in order to reasonably resolve these matters.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

The Company and its subsidiaries are parties to, or may be contingently liable in connection with other legal actions arising in the normal course of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on the Company's financial condition, results of operations, or cash flows.

## 8. EARNINGS PER SHARE

The number of shares used to compute basic and diluted earnings per share for the three-months periods ended March 31, 2015 and 2014, is as follows (in millions, except per share data):

|                               | Three-Months Ended March 31, 2015 |   |                                  | Three-Months Ended March 31, 2014 |   |                                  |
|-------------------------------|-----------------------------------|---|----------------------------------|-----------------------------------|---|----------------------------------|
|                               | Net<br>Income                     | Weighted<br>Average<br>Common<br>Shares | Per<br>Common<br>Share<br>Amount | Net<br>Income                     | Weighted<br>Average<br>Common<br>Shares | Per<br>Common<br>Share<br>Amount |
| Basic:                        | \$ 25.0                           | 43.4                                    | \$ 0.58                          | \$ 3.4                            | 42.9                                    | \$ 0.08                          |
| Effect of dilutive securities |                                   | 0.5                                     | (0.1)                            |                                   | 0.4                                     |                                  |
| Diluted:                      | \$ 25.0                           | 43.9                                    | \$ 0.57                          | \$ 3.4                            | 43.3                                    | \$ 0.08                          |

Basic earnings per share are determined by dividing net income by the weighted-average common shares outstanding during the period. The calculation of diluted earnings per share includes the dilutive effect of unexercised non-qualified stock options and non-vested restricted stock units.

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The computation of weighted average dilutive shares outstanding excludes certain non-qualified stock options to purchase shares of common stock where the options' exercise prices were greater than the average market price of the Company's common stock for the periods presented and, therefore, the effect would be anti-dilutive.

### **9. FAIR VALUE MEASUREMENTS**

The Company values its financial instruments based on the fair value hierarchy of valuation techniques for fair value measurements. Level 1 inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability. If the technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy, the lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Company uses Level 1 inputs for the fair values of its cash equivalents and Level 2 inputs for its long-term debt. The fair values of cash and cash equivalents, receivables and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The fair value of the Company's debt is calculated based upon interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.



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The carrying value and fair value of the Company's financial instruments as of March 31, 2015 and December 31, 2014 are as follows (in millions):

|                           | Carrying Value at<br>March 31, 2015 | Quoted Prices in<br>Active Markets<br>(Level 1) | Significant<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
|---------------------------|-------------------------------------|---|---|---|
|                           |                                     | Fair Value Measurements at March 31, 2015       |   |   |
| Cash and cash equivalents | \$ 325.8                            | \$ 325.8  |   | \$  |
| Accounts receivable, net  | 201.8                               |   | 201.8   |   |
| Fixed rate debt           | 371.2                               |   | 397.3   |   |

|                           | Carrying Value at<br>December 31, 2014 | Fair Value Measurements at December 31, 2014 |       |    |
|---------------------------|--|--|-------|----|
| Cash and cash equivalents | \$ 293.4                               | \$ 293.4                                     |       | \$ |
| Accounts receivable, net  | 197.6                                  |  | 197.6 |    |
| Fixed rate debt           | 373.6                                  |  | 395.7 |    |

**10. REPORTABLE SEGMENTS**

The Company consists of two segments, ocean transportation and logistics, which are further described in Note 1. Reportable segments are measured based on operating income, exclusive of interest expense and income taxes. In arrangements where the customer purchases ocean transportation and logistics services, the revenues are allocated to each reportable segment based upon the contractual amounts for each type of service.

Segment results for the three-months periods ended March 31, 2015 and 2014 were as follows (in millions):

|                            | Three-Months Ended<br>March 31 |          |
|----------------------------|--------------------------------|----------|
|                            | 2015                           | 2014     |
| Revenue:                   |                                |          |
| Ocean Transportation       | \$ 305.5                       | \$ 294.6 |
| Logistics                  | 92.7                           | 97.9     |
| Total Revenue              | \$ 398.2                       | \$ 392.5 |
| Operating Income:          |                                |          |
| Ocean Transportation       | \$ 43.9                        | \$ 9.4   |
| Logistics                  | 1.0                            | 0.5      |
| Total Operating Income     | 44.9                           | 9.9      |
| Interest expense, net      | (4.3)                          | (4.1)    |
| Income before Income Taxes | 40.6                           | 5.8      |
| Income taxes               | (15.6)                         | (2.4)    |
| Net Income                 | \$ 25.0                        | \$ 3.4   |

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes, and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q.

**FORWARD-LOOKING STATEMENTS**

Except for historical information, the statements made in this Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the safe-harbor provisions of the Private Security Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, SEC filings, such as the Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company.

This report, and other statements that the Company may make, may contain forward-looking statements with respect to the Company's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as trend, potential, opportunity, pipeline, believe, comfortable, expect, anticipate, current, intention, estimate, position, a remain, maintain, sustain, seek, achieve, and similar expressions, or future or conditional verbs such as will, would, should, could similar expressions.

The Company cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time, including, but not limited to, the factors that are described in Part I, Item 1A under the caption of "Risk Factors" of Matson's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities Exchange Commission (SEC) on February 27, 2015. Forward-looking statements speak only as of the date they are made, and the Company assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

**OVERVIEW**

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a discussion of the Company's financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company's financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company's financial statements. MD&A is provided as a supplement to the Condensed Consolidated Financial Statements and notes herein, and should be read in conjunction with the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014, and the Company's reports filed on Forms 10-Q and 8-K, and other publicly available information.

**BUSINESS OUTLOOK**

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The Company expects to close the pending transaction with Horizon Lines, Inc. by the end of the second quarter. However, the closing remains dependent upon a number of conditions, including the closing of Pasha's acquisition of Horizon's Hawaii business. The Company's 2015 outlook continues to exclude any future effects of the pending transaction. Assuming the pending transaction closes by the end of the second quarter, the Company expects to update its outlook for the effects of the acquisition during its second quarter 2015 earnings conference call, currently scheduled for early August 2015.

*Ocean Transportation:* The Company believes that the Hawaii economy is in a multi-year recovery and is anticipating modest market growth in the trade in 2015. However, containership capacity is projected to increase in the second quarter of 2015 as a competitor has announced plans to launch an additional new vessel into the trade in May. As a result, the Company expects its 2015 Hawaii container volume to approximate the 2014 level.

During the first quarter 2015, the Company continued to realize significantly higher freight rates in its China trade, reflecting the high demand for its expedited transpacific service, which was amplified by cargo availability delays experienced by other ocean carriers associated with port congestion on the U.S. West Coast. International vessel overcapacity is expected to continue in 2015 with vessel deliveries outpacing demand growth. The Company expects strong demand for its expedited service to continue in 2015 resulting in high vessel utilization levels and premium freight rates. In 2015, the Company expects market growth in Guam to result in flat to modestly higher container volume compared to 2014, assuming no new competitors enter the market.

Notwithstanding the productivity challenges resulting from the port congestion on the U.S. West Coast, the Company expects modest profit at the Company's terminal joint venture, SSAT, for 2015.

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For the full year 2015, Ocean Transportation operating income is expected to be moderately higher than 2014.

The Company's outlook for 2015 also excludes any future effects from the September 2013 molasses incident.

*Logistics:* The Company expects full year 2015 operating income to exceed the 2014 level of \$8.9 million, driven by volume growth, expense control and improvements in warehouse operations.

*Interest Expense:* The Company expects its interest expense in 2015 to decrease slightly from the 2014 amount of \$17.3 million.

*Income Tax Expense:* The Company expects its 2015 effective tax rate to be approximately 38.5 percent.

*Other:* The Company expects maintenance capital expenditures for 2015 to be approximately \$40.0 million and, in addition, has scheduled contract payments of \$33.4 million in 2015 relating to its two vessels under construction. The Company also expects to make additional contributions to its CCF in 2015, which are expected to exceed the \$65.5 million net contribution made in 2014.

### CONSOLIDATED RESULTS OF OPERATIONS

#### *Consolidated Results: Three-months Period ended March 31, 2015 compared with 2014:*

| (dollars in millions, except per share amounts) | Three-Months Ended March 31 |          |         | Change |
|---|-----------------------------|----------|---------|--------|
|   | 2015                        | 2014     | 2014    |        |
| Operating revenue                               | \$ 398.2                    | \$ 392.5 | \$ 5.7  | 1.5%   |
| Operating costs and expenses                    | 353.3                       | 382.6    | (29.3)  | -7.7%  |
| Operating income                                | 44.9                        | 9.9      | 35.0    | 353.5% |
| Interest expense                                | (4.3)                       | (4.1)    | (0.2)   | 4.9%   |
| Income before income taxes                      | 40.6                        | 5.8      | 34.8    | 600.0% |
| Income tax expense                              | (15.6)                      | (2.4)    | (13.2)  | 550.0% |
| Net income                                      | \$ 25.0                     | \$ 3.4   | \$ 21.6 | 635.3% |
| Basic earnings per share                        | \$ 0.58                     | \$ 0.08  | \$ 0.50 | 625.0% |
| Diluted earnings per share                      | \$ 0.57                     | \$ 0.08  | \$ 0.49 | 612.5% |

Consolidated operating revenue for the first quarter 2015 increased \$5.7 million, or 1.5 percent, compared to 2014. This increase was due to \$10.9 million higher revenue from ocean transportation, offset by \$5.2 million lower revenue from logistics services, respectively.

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Operating costs and expenses for the first quarter 2015 decreased \$29.3 million, or 7.7 percent, compared to 2014. The decrease was due to a \$23.6 million and \$5.7 million decrease in operating costs and expenses from ocean transportation and logistics segments, respectively. Changes in operating revenue and expense are described below in the Analysis of Operating Revenue and Income by Segment, as part of the discussion of trends in operating revenues and operating costs and expenses.

Interest expense increased \$0.2 million to \$4.3 million for the first quarter of 2015 compared to \$4.1 million in 2014, due to increased borrowings during the first quarter 2015 compared to 2014.

Income tax expense was \$15.6 million, or 38.4 percent of income before income taxes, for the first quarter 2015, compared to \$2.4 million, or 41.4 percent of income before income taxes, in 2014. The decrease in the income tax rate was due to impact of uncertainties in income tax liabilities that increased the income tax rate for the first quarter 2014; offset by the impact of non-deductible charges related to the acquisition that increased the income tax rate for the first quarter 2015.

## ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT

*Ocean Transportation Operating Results: Three-months Period ended March 31, 2015 compared with 2014:*

| (dollars in millions)               | Three-Months Ended March 31 |          | Change  |
|-------------------------------------|-----------------------------|----------|---------|
|                                     | 2015                        | 2014     |         |
| Ocean Transportation revenue        | \$ 305.5                    | \$ 294.6 | 3.7%    |
| Operating costs and expenses        | 261.6                       | 285.2    | (8.3)%  |
| Operating income                    | \$ 43.9                     | \$ 9.4   | 367.0%  |
| Operating income margin             | 14.4%                       | 3.2%     |         |
| Volume (Units) (1)                  |                             |          |         |
| Hawaii containers                   | 33,400                      | 33,300   | 0.3%    |
| Hawaii automobiles                  | 15,900                      | 23,200   | (31.5)% |
| China containers                    | 14,400                      | 13,700   | 5.1%    |
| Guam containers                     | 5,700                       | 6,000    | (5.0)%  |
| Micronesia/South Pacific containers | 2,600                       | 3,200    | (18.8)% |

(1) Approximate container volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages that straddle the beginning or end of each reporting period.

Ocean transportation revenue increased \$10.9 million, or 3.7 percent, during the first quarter 2015 compared with the first quarter 2014. This increase was due primarily to higher freight rates in the Company's expedited China service and container yield improvements in Hawaii and Guam, partially offset by lower fuel surcharge revenue and lower automobile volume.

On a year over year basis, Hawaii container volume was essentially flat as modest westbound market growth was largely offset by lower eastbound backhaul freight; China volume increased 5.1 percent, reflecting continued strong demand for the Company's premium expedited service; and Guam volume decreased 5.0 percent due to the timing of select shipments. Hawaii automobile volume decreased 31.5 percent primarily due to certain customer losses.

Ocean transportation operating income increased \$34.5 million during the first quarter 2015 compared with the first quarter 2014. The increase was primarily due to the timing of fuel surcharge collections and higher freight rates in China, and container yield improvements in Hawaii and Guam, partially offset by higher general and administrative expenses and higher outside transportation and terminal handling expenses. In addition, the Company incurred \$0.2 million in legal and other expenses related to the molasses released into Honolulu Harbor in September 2013.

The Company's SSAT terminal joint venture investment contributed \$3.4 million during the first quarter 2015, compared to a \$0.2 million contribution in the first quarter 2014. The increase was partially attributable to increased lift volume.

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*Logistics Operating Results: Three-months Period ended March 31, 2015 compared with 2014:*

| (dollars in millions)        | Three-Months Ended March 31 |      |      |      | Change |
|------------------------------|-----------------------------|------|------|------|--------|
|                              | 2015                        |      | 2014 |      |        |
| Intermodal revenue           | \$                          | 49.6 | \$   | 54.6 | (9.2)% |
| Highway revenue              |                             | 43.1 |      | 43.3 | (0.5)% |
| Total Logistics revenue      |                             | 92.7 |      | 97.9 | (5.3)% |
| Operating costs and expenses |                             | 91.7 |      | 97.4 | (5.9)% |
| Operating income             | \$                          | 1.0  | \$   | 0.5  | 100.0% |
| Operating income margin      |                             | 1.1% |      | 0.5% |        |

Logistics revenue decreased \$5.2 million, or 5.3 percent, during the first quarter 2015 compared with the first quarter 2014. This decrease was primarily the result of lower international intermodal volume related to port congestion on the U.S. West Coast and lower fuel surcharge revenue, partially offset by changes in customer and business mix.

Logistics operating income increased by \$0.5 million, during the first quarter 2015 compared with the first quarter 2014, primarily due to warehouse operating improvements and yield improvements in highway and intermodal services.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview:

Cash flows provided by operating activities are generally the Company's primary source of liquidity. Additional sources of liquidity are available from the Company's cash and cash equivalent, accounts receivable balances, deposits in the CCF, and borrowings from the Company's term loans and revolving credit facility. The Company's term loans and revolving credit facilities are described in Note 7 to the consolidated financial statements included in Item 8 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.

### Cash Flows:

Cash flows provided by operating activities were \$46.3 million for the first quarter 2015, compared with \$30.1 million for 2014. The increase in cash flows provided by operating activities was primarily due to an increase in net income, an increase in accounts payable and accrued liabilities, and a reduction in deferred dry-docking payments; offset by an increase in accounts receivable, and a decrease in other liabilities.

Cash flows used in investing activities were \$3.0 million for the first quarter 2015, compared with \$4.5 million for 2014. The decrease in cash flows used in investing activities was primarily due to a decrease in capital expenditures. Capital expenditures were \$3.3 million for the first quarter 2015, compared to \$4.9 million for 2014, and primarily related to the ocean transportation segment.

Cash flows used in financing activities was \$10.9 million for the first quarter 2015, compared with cash flows provided by financing activities of \$89.6 million for 2014. The change was primarily due to increased proceeds from issuance of long-term debt net of repayments of \$91.4 million in 2014.

### Other Sources of Liquidity:

Other sources of liquidity totaled \$527.6 million at March 31, 2015, consisting of cash and cash equivalents, and accounts receivable, an increase of \$36.6 million compared to December 31, 2014. The increase was due primarily to a \$32.4 million and \$4.2 million increase in cash and cash equivalents, and accounts receivable, respectively.

The Company had working capital of \$331.2 million at March 31, 2015, compared to \$296.0 million at December 31, 2014. The Company also had \$27.5 million of deposits in the CCF as of March 31, 2015 and December 31, 2014.

Total debt was \$371.2 million at March 31, 2015, compared with \$373.6 million at December 31, 2014. The decrease in debt is primarily due to debt repayments.



**CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS**

There were no material changes during this quarter to the Company's contractual obligations and commitments that are described in Item 7 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014. The Company does not have any off-balance sheet arrangements.

A description of contingencies at March 31, 2015, is included in Note 7 to the condensed consolidated financial statements of Item 1 in this Form 10-Q, which is incorporated herein by reference.

**CRITICAL ACCOUNTING ESTIMATES**

There have been no changes during this quarter to the Company's critical accounting estimates as discussed in Item 7 of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2014.

**OTHER MATTERS**

The Company's fourth quarter 2014 dividend of \$0.17 per share was paid on March 5, 2015 to shareholders of record as of February 12, 2015. On April 23, 2015, the Company's Board of Directors declared a cash dividend of \$0.17 per share payable on June 4, 2015 to shareholders of record as of the close of business on May 7, 2015.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the Company's market risk position from the information provided under Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our 2014 Annual Report filed on Form 10-K for the year ended December 31, 2014.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures.**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2015, the Company's disclosure controls and procedures are effective.

**Changes in Internal Control Over Financial Reporting.**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three-months period ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

*Employee Matters:* Matson and SSAT are members of the Pacific Maritime Association (PMA), which on behalf of its members negotiates collective bargaining agreements with the International Longshore and Warehouse Union (ILWU) on the U.S. West Coast. The PMA/ILWU collective bargaining agreements that cover substantially all U.S. West Coast longshore labor expired on July 1, 2014. On February 20, 2015, the PMA and the ILWU announced a tentative agreement on a new five-year contract covering longshore workers at all 29 U.S. West Coast ports. The tentative agreement is subject to ratification by both the PMA and ILWU, and no assurance can be given that the tentative agreement will be ratified by both parties. If the tentative agreement is not ratified, Matson and SSAT could be subject to future slow-downs, strikes, lock-outs or other disruptions that may adversely impact Matson's or SSAT's operations.

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Matson also has collective bargaining agreements with ILWU labor in Hawaii, and ILWU office clerical workers in Oakland, each of which expired on June 30, 2014. Workers under these agreements are operating under extensions with the unions. With a tentative agreement reached between the PMA and the ILWU, negotiations with the ILWU labor in Hawaii have resumed, and negotiations with the ILWU office clerical workers in Oakland are expected to commence; however no assurance can be given that agreements will be reached without slow-downs, strikes, lock-outs or other disruptions that may adversely impact Matson's operations.

*Environmental Matter:* Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in September 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the incident. On September 20, 2013, the Hawaii Department of Health ( DOH ) and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena seeking documents in connection with a criminal investigation into the release of molasses into Honolulu Harbor. In addition, in April 2014, the Company received two subpoenas from the Hawaii Attorney General and written requests for information regarding the release from the following governmental agencies: (i) the DOH; (ii) the State of Hawaii Office of Hawaiian Affairs; and (iii) the U.S. Environmental Protection Agency (the EPA ) (Region IX).

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On January 29, 2015, the Company resolved the federal criminal investigation with the U.S. Attorney for the District of Hawaii by pleading guilty to two misdemeanor violations of the Rivers and Harbors Act of 1899 arising from the molasses release and paying \$1.0 million, comprised of a \$0.4 million fine and restitution payments of \$0.6 million to community organizations involved in the protection of Hawaii's shoreline and ocean resources. In addition, on February 24, 2015, the EPA informed the Company that it will not seek to debar MTI and its affiliates from obtaining future U.S. government contracts.

The Company has not yet resolved any potential civil claims by other governmental agencies arising out of the molasses release. However, except with respect to the matters discussed above, government agencies have not initiated any legal actions in connection with the release of molasses. Therefore, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material. The Company continues to respond to governmental requests for information, and is engaging in dialogue with governmental agencies in order to reasonably resolve these matters.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

The Company and its subsidiaries are parties to, or may be contingently liable in connection with other legal actions arising in the normal course of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on the Company's financial condition, results of operations, or cash flows.

### **ITEM 1A. Risk Factors**

There were no material changes to the Company's risk factors that are disclosed in its Form 10-K for the year ended December 31, 2014 filed with the SEC on February 27, 2015.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

#### Issuer Purchases of Equity Securities

| Period                | Total Number of<br>Shares<br>Purchased | Average Price<br>Paid per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Number of<br>Shares that May Yet Be<br>Purchased Under the<br>Plans or Programs |
|-----------------------|--|---------------------------------|---|---|
| January 1 - 31, 2015  |  |                                 |   |   |
| February 1 - 28, 2015 |  |                                 |   |   |
| March 1 - 31, 2015    |  |                                 |   |   |

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### **ITEM 6. EXHIBITS**

- 2.1 Amendment No. 1 to Agreement and Plan of Merger, dated as of February 13, 2015, by and among Matson Navigation Company, Inc., Hogan Acquisition Inc. and Horizon Lines, Inc. (incorporated by reference to Exhibit 2.1 of Matson's Form 8-K dated February 13, 2015).
- 10.1 Matson, Inc. 2007 Incentive Compensation Plan, amended and restated, effective January 29, 2015 (incorporated by reference to Exhibit 10.13 of Matson's Form 10-K for the year ended December 31, 2014).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

**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.

MATSON, INC.  
(Registrant)

Date: May 5, 2015

/s/ Joel M. Wine  
Joel M. Wine  
Senior Vice President and  
Chief Financial Officer

Date: May 5, 2015

/s/ Dale B. Hendler  
Dale B. Hendler  
Vice President and Controller,  
(principal accounting officer)