

Seaspan CORP
Form 6-K
May 03, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 2nd Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Edgar Filing: Seaspan CORP - Form 6-K

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(1). Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101

(b)(7). Yes No

Edgar Filing: Seaspan CORP - Form 6-K

Item 1 — Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation's report on Form 6-K, or this Report, for the quarter ended March 31, 2019. This Report is hereby incorporated by reference into: the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission, (the "SEC"), on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the SEC on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the SEC on June 20, 2013 on Form S-8 (Registration No. 333-189493), the Registration Statement of Seaspan Corporation filed with the SEC on April 24, 2012 on Form F-3 (Registration No. 333-180895), as amended on March 22, 2013, the Registration Statement of Seaspan Corporation filed with the SEC on April 29, 2014 on Form F-3 (Registration No. 333-195571), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form F-3 (Registration No. 333-200639), as amended on March 3, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on November 28, 2014 on Form S-8 (Registration No. 333-200640), the Registration Statement of Seaspan Corporation filed with the SEC on March 12, 2015 on Form F-3D (Registration No. 333-202698), the Registration Statement of Seaspan Corporation filed with the SEC on May 23, 2016 on Form F-3 (Registration No. 333-211545), as amended on March 3, 2017, March 7, 2017 and April 19, 2017, the Registration Statement of Seaspan Corporation filed with the SEC on June 24, 2016 on Form S-8 (Registration No. 333-212230) and the Registration Statement of Seaspan Corporation filed with the SEC on April 13, 2018 on Form F-3D (Registration No. 333-224291), the Registration Statement of Seaspan Corporation filed with the SEC on May 3, 2018 on Form F-3/A (Registration No. 333-224288), as amended on May 7, 2018, the Registration Statement of Seaspan Corporation filed with the SEC on June 15, 2018 on Form F-4 (Registration No. 333-225681), the Registration Statement of Seaspan Corporation filed with the SEC on September 28, 2018 on Form F-3 (Registration No. 333-227597), the Registration Statement of Seaspan Corporation filed with the SEC on January 18, 2019 on Form F-3 (Registration No. 333-229312) and the Registration Statement of Seaspan Corporation filed with the SEC on March 27, 2019 on Form F-3 (Registration No. 333-230524).

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.

SEASPAN CORPORATION

Date: May 3, 2019 By: /s/ Ryan Courson
Ryan Courson
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT I

SEASPAN CORPORATION
REPORT ON FORM 6-K FOR THE QUARTER ENDED MARCH 31, 2019

INDEX

<u>PART I — FINANCIAL INFORMATION</u>	1
<u>Item 1 — Interim Consolidated Financial Statements (Unaudited)</u>	1
<u>Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3 — Quantitative and Qualitative Disclosures About Market Risk</u>	54
<u>PART II — OTHER INFORMATION</u>	56
<u>Item 1 — Legal Proceedings</u>	56
<u>Item 1A — Risk Factors</u>	56
<u>Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds</u>	56
<u>Item 3 — Defaults Upon Senior Securities</u>	56
<u>Item 4 — Mine Safety Disclosures</u>	56
<u>Item 5 — Other Information</u>	56
<u>Item 6 — Exhibits</u>	56

Unless we otherwise specify, when used in this Report, the terms “Seaspan”, the “Company”, “we”, “our” and “us” refer to Seaspan Corporation and its subsidiaries. References to our “Manager” are to Seaspan Management Services Limited and its wholly-owned subsidiaries which provide us with all of our technical, administrative and strategic services.

References to customers are as follows:

Customer	Reference
Arkas Line	Arkas
CMA CGM S.A.	CMA CGM
China COSCO Holdings Company Limited	COSCO
Hapag-Lloyd AG	Hapag-Lloyd
Hyundai Merchant Marine Co., Ltd., Seoul	HMM
Korea Marine Transport Co., Ltd.	KMTC
Maersk Line A/S ⁽²⁾	Maersk
MSC Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd. ⁽¹⁾	MOL
Ocean Network Express Pte. Ltd. ⁽¹⁾	ONE
Yang Ming Marine Transport Corp.	Yang Ming Marine

⁽¹⁾On April 1, 2018, MOL, K-Line and Nippon Yusen Kabushiki Kaisha integrated their container shipping businesses under a new joint venture company, Ocean Network Express Pte. Ltd.

⁽²⁾A subsidiary of A.P. Moller-Maersk A/S.

We use the term “twenty-foot equivalent unit”, or TEU, the international standard measure of containers, in describing the capacity of our containerships, which are also referred to as our “vessels”. We identify the classes of our vessels by the approximate average TEU capacity of the vessels in each class. However, the actual TEU capacity of a vessel may differ from the approximate average TEU capacity of the vessels in such vessel’s class.

The information and the unaudited interim consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 26, 2019, or our 2018 Annual Report. Unless otherwise indicated, all amounts in this Report are presented in U.S. dollars, or USD. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

SEASPAN CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEASPAN CORPORATION

Interim Consolidated Balance Sheets

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and par value amounts)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 626,187	\$ 357,327
Short-term investments	105	2,532
Accounts receivable (note 17)	239,140	13,001
Prepaid expenses and other	37,662	36,519
Gross investment in lease (note 4)	44,469	44,348
Fair value of financial instruments (note 20(c))	—	113
	947,563	453,840
Vessels (note 5)	5,869,520	5,926,274
Right-of-use assets (note 6)	1,040,755	—
Gross investment in lease (note 4)	806,574	817,631
Goodwill	75,321	75,321
Other assets (note 7)	183,683	204,931
	\$ 8,923,416	\$ 7,477,997
Liabilities, puttable preferred shares and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,124	\$ 70,211
Current portion of deferred revenue (note 8)	51,407	55,915
Current portion of long-term debt (note 9)	559,800	722,641
Current portion of operating lease liabilities (note 10)	160,010	—
Current portion of long-term obligations under other financing arrangements (note 11)	149,011	48,384
Current portion of other long-term liabilities (note 12)	8,234	32,243
	999,586	929,394
Deferred revenue (note 8)	368,502	376,884
Long-term debt (note 9)	2,801,129	2,764,900
Operating lease liabilities (note 10)	865,809	—
Long-term obligations under other financing arrangements (note 11)	478,657	591,372
Other long-term liabilities (note 12)	18,363	180,157
Fair value of financial instruments (note 20(c))	133,838	127,172
Total liabilities	5,665,884	4,969,879
Puttable preferred shares; \$0.01 par value; 1,983,585 issued and outstanding	48,517	48,139

(2018 - 1,986,449) (notes 2 and 13(b))

Shareholders' equity:

Share capital (note 13):

Preferred shares; \$0.01 par value; 150,000,000 shares authorized

(2018 - 150,000,000); 33,275,570 shares issued and outstanding (2018 – 33,272,706)

Class A common shares; \$0.01 par value; 400,000,000 shares authorized

(2018 - 400,000,000); 215,507,220 shares issued and outstanding (2018 – 176,835,837) 2,489 2,102

Treasury shares	(374)	(371)
Additional paid in capital	3,448,904	3,126,457
Deficit	(219,693)	(645,638)
Accumulated other comprehensive loss	(22,311)	(22,571)
	3,209,015	2,459,979
	\$8,923,416	\$ 7,477,997

Basis of presentation (note 1(a))

Commitments and contingencies (note 18)

Subsequent events (note 22)

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Operations

(Unaudited)

(Expressed in thousands of United States dollars, except per share amounts)

	Three months ended March 31,	
	2019	2018
Revenue	\$285,323	\$224,776
Operating expenses (income):		
Ship operating	57,709	49,549
Depreciation and amortization	62,497	53,925
General and administrative	8,799	7,273
Operating leases (note 10)	39,233	31,194
Income related to modification of time charters (note 17)	(227,000)	—
	(58,762)	141,941
Operating earnings	344,085	82,835
Other expenses (income):		
Interest expense and amortization of deferred financing fees	56,051	37,949
Amortization of debt discount (note 9)	4,034	1,032
Interest income	(3,150)	(1,270)
Acquisition related gain on contract settlement	—	(2,430)
Change in fair value of financial instruments (note 20(c))	1,144	(19,322)
Equity income on investment	—	(1,216)
Other expenses	691	376
	58,770	15,119
Net earnings	\$285,315	\$67,716
Earnings per share (note 14):		
Class A common share, basic	\$1.27	\$0.37
Class A common share, diluted	\$1.26	\$0.37

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended March 31,	
	2019	2018
Net earnings	\$285,315	\$67,716
Other comprehensive income:		
Amounts reclassified to net earnings during the period		
relating to cash flow hedging instruments (note 20(c))	260	300
Comprehensive income	\$285,575	\$68,016

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and per share amounts)

Three months ended March 31, 2019 and 2018

	Series D puttable preferred shares Shares	Amount	Number of common shares	Number of non-puttable preferred shares	Common shares	Non-puttable preferred shares	Treasury Shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, December 31, 2017, carried forward	—	\$—	131,664,101	32,872,706	\$1,317	\$329	\$(377)	\$2,752,988	\$(781,137)	\$(23,688)	\$1,949,400
Earnings	—	—	—	—	—	—	—	—	67,716	—	67,716
Other comprehensive income	—	—	—	—	—	—	—	—	—	300	300
Class A common shares issued	—	—	2,514,996	—	25	—	—	13,883	—	—	13,908
Preferred shares issued	1,986,449	46,677	—	—	—	—	—	—	—	—	—
Warrants issued	—	—	—	—	—	—	—	77,562	—	—	77,562
Expenses in connection with the issuance of common and preferred shares	—	—	—	—	—	—	—	(30)	—	—	(30)
Dividends on Class A common	—	—	—	—	—	—	—	—	(16,490)	—	(16,490)

Shares (\$0.13 per share)											
Dividends on Preferred Shares (Series A - \$0.50 per share; Series E - \$0.52 per share; Series F - \$0.51 per share; Series G - \$0.51 per share; Series H - \$0.49 per share)	—	—	—	—	—	—	—	—	(16,566)	—	(16,566)
Retention of Preferred Shares with											
Holder put on	—	143	—	—	—	—	—	—	(143)	—	(143)
Shares issued through dividend											
Investment program	—	—	1,002,772	—	10	—	—	7,154	—	—	7,164
Share-based compensation expense:											
Restricted Class A Common Shares, phantom shares, stock appreciation rights issued											
and restricted stock units	—	—	137,522	—	1	—	—	572	—	—	573

er												
re-based												
compensation	—	—	680,458	—	7	—	—	620	(139)	—	488
treasury shares	—	—	(506)	—	—	6	—	—	—	—	6
Balance, March												
2018	1,986,449	\$46,820	135,999,343	32,872,706	\$1,360	\$329	\$(371)	\$2,852,749	\$(746,759)	\$(23,388)	\$2,083,9	

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Puttable Preferred Shares and Shareholders' Equity (Continued)

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and per share amounts)

Three months ended March 31, 2019 and 2018

	Series D puttable preferred shares		Number of common shares	Number of non-puttable preferred shares	Common shares	Non-puttable preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amount	shares	shares	shares	shares	shares	capital	Deficit	loss	equity
Balance, December 31, 2018,											
Carried forward	1,986,449	\$48,139	176,835,837	33,272,706	\$1,769	\$333	\$(371)	\$3,126,457	\$(645,638)	\$(22,571)	\$2,459,9
Effect of accounting policy change											
Note 1(b)	—	—	—	—	—	—	—	—	181,053	—	181,053
Adjusted balance, December 31, 2018	1,986,449	\$48,139	176,835,837	33,272,706	\$1,769	\$333	\$(371)	\$3,126,457	\$(464,585)	\$(22,571)	\$2,641,0
Earnings	—	—	—	—	—	—	—	—	285,315	—	285,315
Other comprehensive income	—	—	—	—	—	—	—	—	—	260	260
Warrants exercised (note 2)	—	—	—	—	—	—	—	71,560	—	—	71,560
Exercise of warrants (note 2)	—	—	38,461,539	—	385	—	—	249,615	—	—	250,000
Stock options and warrants in connection with issuance of common shares in 2019											
Warrants	—	—	—	—	—	—	—	(245)	—	—	(245)
	—	—	—	—	—	—	—	—	(22,122)	—	(22,122)

Dividends on Class A Common Shares (\$0.13 per share)												
Dividends on Preferred Shares (Series A - \$0.50 per share; Series B - \$0.52 per share; Series C - \$0.51; Series D - \$0.49 per share; Series E - \$0.50 per share)	—	—	—	—	—	—	—	—	(17,719)	—	(17,719)	
Expiration of Warrants on Preferred Shares with Accelerated Redemption	—	449	—	—	—	—	—	—	(449)	—	(449)	
Expiration of Warrants on Puttable Preferred Shares	(2,864)	(72)	—	2,864	—	—	—	72	—	—	72	
Expiration of Warrants on Puttable Preferred Shares (Note 13(b))	—	1	—	—	—	—	—	—	(1)	—	(1)	

Shares issued through dividend												
Investment program	—	—	33,799	—	—	—	—	303	—	—	—	303
Share-based compensation expense												
(Note 15):												
Restricted Class A common shares, phantom share units, restricted stock awards and stock options	—	—	176,828	—	2	—	—	1,142	(132)	—	—	1,012
Treasury shares	—	—	(783)	—	—	—	(3)	—	—	—	—	(3)
Balance, March 31, 2019	1,983,585	\$48,517	215,507,220	33,275,570	\$2,156	\$333	\$(374)	\$3,448,904	\$(219,693)	\$(22,311)		\$3,209,000

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended March 31,	
	2019	2018
Cash from (used in):		
Operating activities:		
Net earnings	\$285,315	\$67,716
Items not involving cash:		
Depreciation and amortization	62,497	53,925
Amortization of right-of-use asset (note 6)	27,517	—
Share-based compensation (note 15)	1,144	627
Amortization of deferred financing fees, debt discount and fair value of long term debt	7,116	4,079
Amounts reclassified from other comprehensive loss		
to interest expense (note 20(c))	75	88
Unrealized change in fair value of financial instruments	(6,511)	(30,599)
Acquisition related gain on contract settlement	—	(2,430)
Equity income on investment	—	(1,216)
Deferred gain on sale-leasebacks (note 12)	—	(6,111)
Amortization of acquired revenue contracts	2,047	1,109
Other	(348)	(333)
Changes in assets and liabilities:		
Accounts receivable	(226,139)	4,005
Lease receivable	10,936	10,862
Prepaid expenses and other	(1,358)	973
Deferred dry-dock	(32)	(7,708)
Accounts payable and accrued liabilities	856	(2,299)
Deferred revenue	(12,890)	(23,128)
Operating lease liabilities	(27,628)	—
Cash from operating activities	122,597	69,560
Financing activities:		
Repayment of credit facilities	(288,352)	(63,579)
Draws on credit facilities	—	100,000
Fairfax notes and warrants issued	250,000	250,000

Edgar Filing: Seaspan CORP - Form 6-K

Draw on long-term obligations under other financing arrangements	—	42,700
Repayment of long-term obligations under other financing arrangements	(12,551)	(6,779)
Senior unsecured notes repurchased, including related expenses	(8,998)	—
Proceeds from exercise of warrants	250,000	—
Financing fees	(1,065)	(5,132)
Dividends on common shares	(21,819)	(9,326)
Dividends on preferred shares	(17,719)	(16,566)
Cash from financing activities	149,496	291,318
Investing activities:		
Expenditures for vessels	(1,541)	(19,906)
Short-term investments	2,426	104
Other assets	(4,115)	2,791
Loans to affiliate	—	(427)
Acquisition of GCI (note 2)	—	(333,581)
Cash acquired from GCI acquisition (note 2)	—	70,121
Cash used in investing activities	(3,230)	(280,898)
Increase in cash and cash equivalents	268,863	79,980
Cash and cash equivalents and restricted cash, beginning of period	371,396	267,236
Cash and cash equivalents and restricted cash, end of period	\$640,259	\$347,216

Supplemental cash flow information (note 1(b) and 16)

See accompanying notes to interim consolidated financial statements.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

1. Significant accounting policies:

(a) Basis of presentation:

Except for the changes described in note 1(b), the accompanying interim financial information of Seaspan Corporation (the “Company”) has been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), on a basis consistent with those followed in the December 31, 2018 audited annual consolidated financial statements. The accompanying interim financial information is unaudited and reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The unaudited interim consolidated financial statements do not include all the disclosures required under U.S. GAAP for annual financial statements and should be read in conjunction with the December 31, 2018 annual consolidated financial statements filed with the U.S. Securities and Exchange Commission in the Company’s 2018 Annual Report on Form 20-F.

(b) Recently adopted accounting pronouncements:

Effective January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “Leases”, using the modified retrospective method, whereby a cumulative effect adjustment was made as of the date of initial application. The Company elected the practical expedient to use the effective date of adoption as the date of initial application. Accordingly, financial information and disclosures in the comparative period were not restated. The Company also elected to apply the package of practical expedients such that for any expired or existing leases, it did not reassess lease classification, initial direct costs or whether the relevant contracts are or contain leases. The Company did not use hindsight to reassess lease term or for the determination of impairment of right-of-use assets.