

Seaspan CORP
Form 20-F
March 06, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE
ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

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

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

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-32591

SEASPAN CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Republic of the Marshall Islands

(Jurisdiction of Incorporation or Organization)

Unit 2, 2nd Floor, Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of Principal Executive Offices)

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Class A Common Shares, par value of \$0.01 per share	New York Stock Exchange
Series D Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
Series E Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
Series G Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
Series H Preferred Shares, par value of \$0.01 per share	New York Stock Exchange
6.375% Senior Unsecured Notes due 2019	New York Stock Exchange
7.125% Senior Unsecured Notes due 2027	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

131,693,049 Class A Common Shares, par value of \$0.01 per share

5,030,864 Series D Preferred Shares, par value of \$0.01 per share

5,415,937 Series E Preferred Shares, par value of \$0.01 per share

5,600,000 Series F Preferred Shares, par value of \$0.01 per share

7,800,800 Series G Preferred Shares, par value of \$0.01 per share

9,025,105 Series H Preferred Shares, par value of \$0.01 per share

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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 an emerging growth company. See definition of "large accelerated filer" "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as Issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

SEASPAN CORPORATION

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PART I

Our disclosure and analysis in this Annual Report concerning our operations, cash flows, and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “continue,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” “projects,” “forecasts,” “will,” “may,” “potential,” “should” and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully in this Annual Report in the section titled “Risk Factors.”

These forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this Annual Report. These statements include, among others:

- future operating or financial results;
- future growth prospects;
- our business strategy and other plans and objectives for future operations;
- our primary sources of funds for our short, medium and long-term liquidity needs;
- our expectations as to impairments of our vessels, including the timing and amount of potential impairments;
- the future valuation of our vessels and goodwill;
- potential acquisitions, vessel financing arrangements and other investments, and our expected benefits from such transactions;
- future time charters and vessel deliveries, including replacement charters and future long-term charters for certain existing vessels;
- estimated future capital expenditures needed to preserve our capital base, and comply with regulatory standards, our expectations regarding future dry-docking and operating expenses, including ship operating expense and general and administrative expenses;
- our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, the delivery dates of new vessels, the commencement of service of new vessels under time charter contracts and the useful lives of our vessels;
- availability of crew, number of off-hire days and dry-docking requirements;
- general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;
- our financial condition and liquidity, including our ability to borrow funds under our credit facilities, our ability to obtain waivers or secure acceptable replacement charters under certain of our credit facilities, our ability to refinance our existing facilities and notes and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our continued ability to maintain, enter into or renew primarily long-term, fixed-rate time charters with our existing customers or new customers;
- the potential for early termination of long-term contracts and our potential inability to enter into, renew or replace long-term contracts;

• conditions in the public equity market and the price of our shares;
• our ability to leverage to our advantage our relationships and reputation in the containership industry;
• changes in governmental rules and regulations or actions taken by regulatory authorities, and the effect of governmental regulations on our business;
• the financial condition of our customers, lenders, refund guarantors and other counterparties and their ability to perform their obligations under their agreements with us;
• our continued ability to meet specified restrictive covenants in our financing and lease arrangements, our Notes and our preferred shares;
• any economic downturn in the global financial markets and potential negative effects of any recurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;
• the values of our vessels and other factors or events trigger impairment assessments or results;
• taxation of our company and of distributions to our shareholders;
• our exemption from tax on our U.S. source international transportation income;
• potential liability from future litigation; and
• other factors detailed in this Report and from time to time in our periodic reports.

Forward-looking statements in this Annual Report are estimates and assumptions reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including, but not limited to, those set forth in "Item 3. Key Information—D. Risk Factors."

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. We expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations, or otherwise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the Securities and Exchange Commission, or the SEC, that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

Unless we otherwise specify, when used in this Annual Report, the terms "Seaspan," the "Company," "we," "our" and "us" refer to Seaspan Corporation and its subsidiaries.

References to shipbuilders are as follows:

Shipbuilder	Reference
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

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References to customers are as follows:

Customer	Reference
ANL Singapore Pte. Ltd. ⁽¹⁾	ANL
APL Singapore Pte. Ltd. ⁽¹⁾	APL
CMA CGM S.A.	CMA CGM
Cheng Lie Navigation Co., Ltd. ⁽¹⁾	CNC
China Shipping Container Lines (Asia) Co., Ltd. ⁽²⁾⁽³⁾	CSCL Asia
COSCO Shipping Lines Co., Ltd. ⁽³⁾⁽⁴⁾	COSCON
COSCO (Cayman) Mercury Co., Ltd. ⁽⁵⁾	COSCO Mercury
COSCO Shipping Lines (Europe) GmbH. ⁽⁵⁾	COSCO Europe
New Golden Sea Pte. Ltd. ⁽⁵⁾	COSCO New Golden Sea
Hapag-Lloyd AG	Hapag-Lloyd
Kawasaki Kisen Kaisha Ltd. ⁽⁶⁾	K-Line
Maersk Line A/S ⁽⁷⁾	Maersk
MCC Transport Singapore Pte. Ltd. ⁽⁸⁾	MCC
MSC Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd. ⁽⁶⁾	MOL
Yang Ming Marine Transport Corp.	Yang Ming Marine

⁽¹⁾A subsidiary of CMA CGM.

⁽²⁾A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL.

⁽³⁾While we continue to charter our vessels to CSCL Asia and COSCON, CSCL Asia and COSCON merged their container shipping businesses in March 2016.

⁽⁴⁾A subsidiary of China COSCO Holdings Company Limited.

⁽⁵⁾A subsidiary of COSCON.

⁽⁶⁾On October 31, 2016, MOL, K-Line and Nippon Yusen Kabushiki Kaisha announced they will integrate their container shipping businesses under a new joint venture company. This is expected to be effective in April 2018.

⁽⁷⁾A subsidiary of A.P. Moeller Maersk A/S.

⁽⁸⁾A subsidiary of Maersk.

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.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Statements of operations data					
(in thousands of USD):					
Revenue	\$831,324	\$877,905	\$819,024	\$717,170	\$677,090
Operating expenses:					
Ship operating	183,916	192,327	193,836	166,097	150,105
Cost of services, supervision fees	1,300	7,390	1,950	—	—
Depreciation and amortization	199,938	216,098	204,862	181,527	172,459
General and administrative	40,091	32,118	27,338	30,462	34,783
Operating leases	115,544	85,910	40,270	9,544	4,388
Loss (gain) on disposals	(13,604)	31,876	—	—	—
Expenses related to customer					
bankruptcy	1,013	19,732	—	—	—
Vessel impairments	—	285,195	—	—	—
Operating earnings	303,126	7,259	350,768	329,540	315,355
Other expenses (income):					
Interest expense and amortization					
of deferred financing fees	116,389	119,882	108,693	98,501	69,973
Interest income	(4,558)	(8,455)	(11,026)	(10,653)	(2,045)
Undrawn credit facility fee	2,173	2,673	3,100	3,109	2,725
Refinancing expenses	—	1,962	5,770	70	4,038
Change in fair value of financial					
instruments ⁽¹⁾	12,631	29,118	54,576	105,694	(60,504)
Equity (income) loss on investment	(5,835)	(188)	(5,107)	(256)	670
Other expense (income)	7,089	1,306	(4,629)	1,828	1,470
Net earnings (loss)	\$175,237	\$(139,039)	\$199,391	\$131,247	\$299,028
Common shares outstanding:	131,664,101	105,722,646	98,622,160	96,662,928	69,208,888
Per share data (in USD):					
Basic earnings (loss) per Class A					
common share	\$0.94	\$(1.89)	\$1.46	\$0.80	\$3.36
Diluted earnings (loss) per Class A					
common share	0.94	(1.89)	1.46	0.79	2.93
Dividends paid per Class A common					
share	0.75	1.50	1.47	1.35	1.19
Statement of cash flows data					

(in thousands of USD):

Cash flows provided by (used in):

Operating activities	\$323,219	\$311,087	\$335,872	\$342,959
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