



Docket No. 2020-0084: Public Utilities
Commission Status Conference
Re: Young Brothers' Emergency Investigative
Proceeding

June 10, 2020

Agenda

- Overview of Services
- YB Request for Financial Assistance
- YB Finances
 - Immediate Need-Short Term Liquidity
 - Longer Term Finances Profitability
- Customer Service

Overview of Services

- Provides weekly “just in time” sailings statewide, including Molokai and Lanai.
- Current Lines of Service:
 - Containerized Freight
 - Automobiles/Roll-on Roll-off Cargo
 - Livestock
 - Less Than Container Load Cargo
 - Palletized Cargo
 - Mix/Loose Cargo



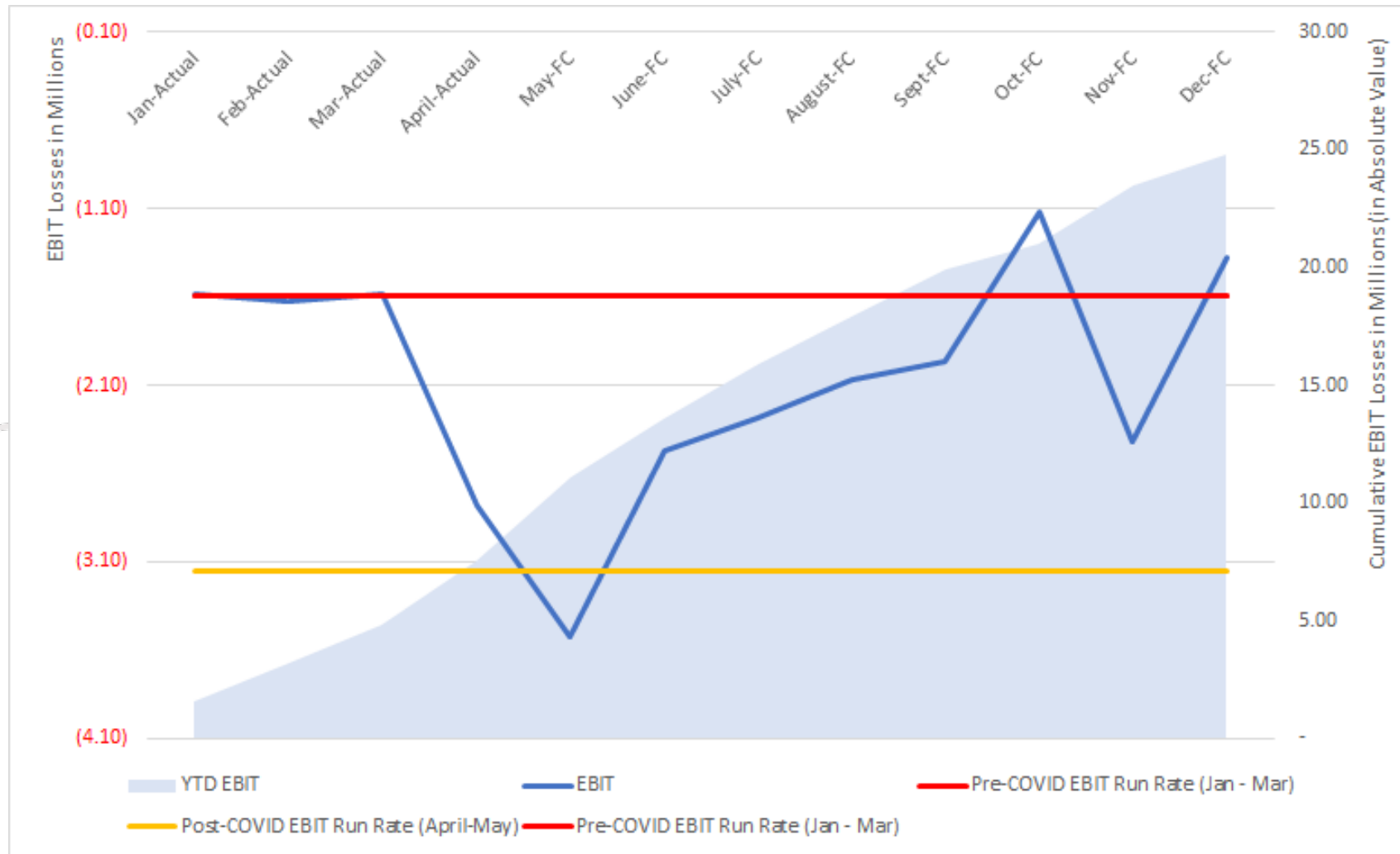
YB Request for Financial Assistance

- Financial Forecast
- Effects of COVID-19 Pandemic
- Cost Containment
- Efforts to Secure Financial Assistance
- Other

2020 Financial Forecast

Revenue	2020 Budget	Non-COVID-19 Impact	Fav / (UnFav) vs. Budget	COVID-19 Impacts	Fav / (UnFav) vs. Budget	Operational Changes	Fav / (UnFav) vs. Budget	May 26 Forecast
Intrastate General Freight	\$ 76,094,011	\$ (1,196,104)	(1.6%)	\$ (12,017,122)	(15.8%)	\$ -	0.0%	\$ 62,880,785
Interstate General Freight	\$ 34,404,178	\$ (481,397)	(1.4%)	\$ (4,000,476)	(11.6%)	\$ -	0.0%	\$ 29,922,305
Charter Revenue	\$ 3,399,970	\$ (491,497)	(14.5%)	\$ (2,353,820)	(69.2%)	\$ -	0.0%	\$ 554,653
Other Revenue	\$ 6,533,452	\$ 554,867	8.5%	\$ (856,212)	(13.1%)	\$ -	0.0%	\$ 6,232,107
Total Revenue	\$ 120,431,611	\$ (1,614,131)	(1.3%)	\$ (19,227,629)	(16.0%)	\$ -	0.0%	\$ 99,589,850
Operating Expense								
Cargo Handling	\$ 57,755,594	\$ 565,989	(1.0%)	\$ (255,418)	0.4%	\$ (4,485,408)	7.8%	\$ 53,580,757
Voyage	\$ 31,857,618	\$ (130,599)	0.4%	\$ (345,657)	1.1%	\$ (1,264,049)	4.0%	\$ 30,117,312
Maintenance	\$ 16,126,624	\$ (753,304)	4.7%	\$ -	0.0%	\$ (575,403)	3.6%	\$ 14,797,917
Total Operating Expense	\$ 105,739,836	\$ (317,914)	0.3%	\$ (601,075)	0.6%	\$ (6,324,861)	6.0%	\$ 98,495,986
Contribution Margin	\$ 14,691,774	\$ (1,296,217)	(8.8%)	\$ (18,626,555)	(126.8%)	\$ 6,324,861	43.1%	\$ 1,093,864
Contribution Margin %	12.2%							1.1%
G&A Expense	\$ 19,973,013	\$ (1,014,905)	5.1%	\$ (413,577)	2.1%	\$ (175,414)	0.9%	\$ 18,369,118
Non-Op Income (Expense)	\$ 46,560	\$ 3,199	(6.9%)	\$ 321,717	(691.0%)	\$ 163,955	(352.1%)	\$ 535,432
EBITDA	\$ (5,327,799)	\$ (284,512)	(5.3%)	\$ (18,534,695)	(347.9%)	\$ 6,336,319	118.9%	\$ (17,810,686)
Depreciation & Amortization	\$ 7,005,725	\$ 0	(0.0%)	\$ -	0.0%	\$ -	0.0%	\$ 7,005,725
EBIT	\$ (12,333,524)	\$ (284,512)	(2.3%)	\$ (18,534,695)	(150.3%)	\$ 6,336,319	51.4%	\$ (24,816,411)
Interest income	\$ -	\$ -		\$ -		\$ -		\$ -
Income tax expense	\$ -	\$ -		\$ -		\$ -		\$ -
NET PROFIT (LOSS)	\$ (12,333,524)	\$ (284,512)	(2.3%)	\$ (18,534,695)	(150.3%)	\$ 6,336,319	51.4%	\$ (24,816,411)
NET PROFIT (LOSS) %	-10.2%							-24.9%

Breakdown of the \$25 Million Request



Effect of the COVID-19 on YB Cargo Volumes (March 23 – May 30)

Since Week 13 (Governor Ige's Stay-at-Home/Work-from-Home Proclamation), YB has experienced a nearly 30% decrease in cargo volumes when compared to the prior comparable period in 2019:

Total Tonnage						Share of Total
Row Labels	Sum of 2019	Sum of 2020	Variance	Variance %	Variance	
⊕ Intrastate *	739,070	494,671	(244,399)	-33.1%	54.0%	
Automobile	70,577	22,478	(48,099)	-68.2%	10.6%	
Container	510,041	361,797	(148,245)	-29.1%	32.8%	
Dry General Cargo	78,613	60,883	(17,731)	-22.6%	3.9%	
Racks (straight load)	33,320	23,570	(9,750)	-29.3%	2.2%	
Reefer General Cargo	6,253	5,142	(1,111)	-17.8%	0.2%	
RoRo	40,266	20,802	(19,464)	-48.3%	4.3%	
⊕ Interstate *	847,160	639,224	(207,936)	-24.5%	46.0%	
Automobile	13,605	2,112	(11,494)	-84.5%	2.5%	
Container	782,690	602,083	(180,607)	-23.1%	39.9%	
Dry General Cargo	4,107	3,286	(820)	-20.0%	0.2%	
Racks (straight load)	41,681	29,530	(12,151)	-29.2%	2.7%	
RoRo	5,077	2,213	(2,865)	-56.4%	0.6%	
Grand Total *	1,586,230	1,133,895	(452,335)	-28.5%	100.0%	

Effect of COVID-19 on YB Revenues (March 23 – May 30)

Since Week 13 (Governor Ige's Stay-at-Home/Work-from-Home Proclamation), YB has experienced a nearly 40% decrease in revenues when compared to the prior comparable period in 2019:

Total Freight						Share of Total
Row Labels		Sum of 2019	Sum of 2020	Variance	Variance %	Variance
⊕ Intrastate *		\$14,387,711	\$9,435,949	(4,951,762)	-34.4%	56.5%
Automobile		\$1,650,619	\$534,909	(1,115,710)	-67.6%	12.7%
Container		\$6,677,260	\$4,641,679	(2,035,581)	-30.5%	23.2%
Dry General Cargo		\$2,882,692	\$2,120,952	(761,741)	-26.4%	8.7%
Racks (straight load)		\$894,277	\$625,292	(268,985)	-30.1%	3.1%
Reefer General Cargo		\$1,091,223	\$865,303	(225,921)	-20.7%	2.6%
RoRo		\$1,191,639	\$647,815	(543,824)	-45.6%	6.2%
⊕ Interstate *		\$8,635,040	\$4,823,906	(3,811,134)	-44.1%	43.5%
Automobile		\$320,979	\$41,252	(279,727)	-87.1%	3.2%
Container		\$7,342,081	\$4,164,947	(3,177,134)	-43.3%	36.3%
Dry General Cargo		\$50,295	\$39,672	(10,623)	-21.1%	0.1%
Racks (straight load)		\$749,908	\$519,646	(230,262)	-30.7%	2.6%
RoRo		\$171,776	\$58,389	(113,387)	-66.0%	1.3%
Grand Total *		\$23,022,750	\$14,259,855	(8,762,896)	-38.1%	100.0%

Cost Containment Initiatives

- Expense Reductions
 - Administrative Initiatives
 - Termination of Business Travel – including travel associated with labor loans
 - Tug Crew Temporary Furloughs
 - Gate Hour Modification
 - Eliminated weekly *Kaholo* (Roll-on/Roll-off) sailings
- Transmittal 20-0003
 - Temporary sailing schedules modifications the Ports of Hilo, Kaunakakai, Kaunapali, and Kahului

	Forecasted Savings
Administrative Initiatives	\$ 175,414
Labor Loan Travel Expense	497,437
Tug Crew Furloughs	1,174,921
Gate Hours Modification	962,172
Sailing Schedule Modification	3,690,332
<u>Subtotal:</u>	<u>\$ 6,500,275</u>
Increase Allowance for Bad Debt	(163,955)
<u>Total Operational Changes:</u>	<u>\$ 6,336,319</u>
Non-COVID-19 G&A Initiatives	1,014,905
<u>Total Cost Initiatives</u>	<u>\$ 7,351,224</u>

Additional Cost Containment Initiatives Under Evaluation

Expense Reductions

- Evaluate Head count
- Negotiating Vendor Rate Reductions (including affiliate transactions)
- Further Reductions to Non-Compensatory Lines of Service

YB Request for Financial Assistance

- Efforts to Secure Federal Assistance and Other Sources of Financing
 - PPP
 - Federal Reserve Main Street Lending Program
 - Third-party bank financing
- Emergency Rate Relief

Other Sources of Revenue

Secured temporary common carrier agreement with Matson to increase revenues over the next 90-days

Pursuing multiple Charter Service opportunities

What Do We Need to Sustain Services?

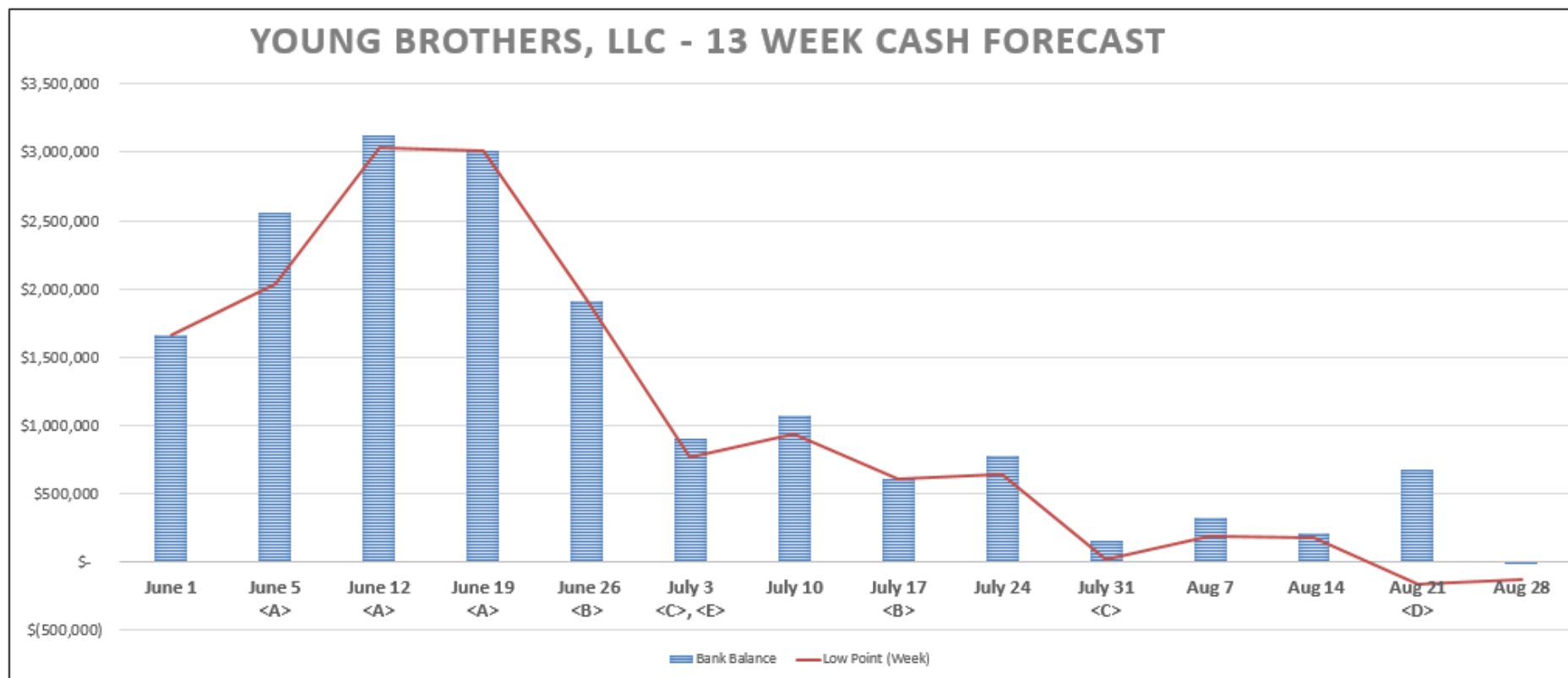
Funding to sustain operations through 2020

- \$25 million request for CARES grant – If received, YB will be able to continue operations at the currently approved temporary sailing schedule modifications to the ports of Hilo, Kahului, and Kaunakakai through 2020 and first quarter of 2021.
- Young Brothers will no longer seek temporary suspension of less than containerload cargo.

Emergency Rate Relief

- Potential 25% percent increase/\$18-20M in revenue requirement
- Timing of rate relief would be dependent on CARES

13 Week Cash Forecast – June 10 Update



<A> Assumes no Accounts Payable runs the week of June 5, June 12 and June 19, but one large run in week of June 26th. No run on the first week of July 3 either to cover <E>

 Hawaii GET remittance due 20th of each month plus large Accounts Payable run in 4th week of June.

<C> Prepayment of monthly health and welfare for the upcoming month.

<D> Includes \$700,000 related to the completed sale of the Hokuani (Docket No 2019-0344).

<E> Includes \$1.4M pension contribution

*** Forecast assumes minimal CAPITAL expenditures; savings due to postponement of approximately \$2M/month of certain payments to the State of Hawaii; and excludes any intercompany payments to Foss or Saltchuk for shared services.

2020 Monthly Free Cash Flow Analysis - Current

\$25 million would sustain Young Brothers, LLC into 2021Q2...

YB FCF Analysis \$ in 000's	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Forecast May	Forecast Jun	Forecast Jul	Forecast Aug	Forecast Sep	Forecast Oct	Forecast Nov	Forecast Dec	Forecast 2020
EBITDA	(791.4)	(830.5)	(798.9)	(1,968.7)	(2,944.9)	(1,891.5)	(1,702.2)	(1,488.8)	(1,378.3)	(539.2)	(1,838.5)	(1,637.9)	(17,810.7)
Less: Change in NWC	(1,404.6)	(90.9)	523.0	(790.6)	2,856.5	(578.9)	(818.1)	110.5	36.6	(1,346.2)	1,481.7	(224.0)	(244.9)
Less: Capex	(6.1)	(155.8)	(185.0)	(281.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(628.4)
Free Cash Flow	(\$2,202.0)	(\$1,077.3)	(\$460.8)	(\$3,040.7)	(\$88.4)	(\$2,470.4)	(\$2,520.3)	(\$1,378.3)	(\$1,341.7)	(\$1,885.4)	(\$356.8)	(\$1,861.8)	(\$18,684.0)

July - December 2020 FCF	(\$9,344.3)
December 2020 - MRC Pension Contribution	(\$5,600.0)
Total 2020	(\$14,944.3)
2021 per Quarter FCF***	(\$5,585.5)
*** December 2020 X3	

Long-Term Profitability

- Operational Flexibility/Restructuring
 - Sailing Schedule Adjustments based on Demand/Capacity
 - Adjustment/Reduction of Lines of Service that are non-compensatory
- State subsidy for servicing routes that are non-compensatory, including Kaunakakai, Kaumalapau, and Hilo
- Rate Mechanisms: Annual Freight Rate Adjustment (AFRA)/Zone of Reasonableness
- Continued Cost Containment

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Future of YB – Long-Term Profitability

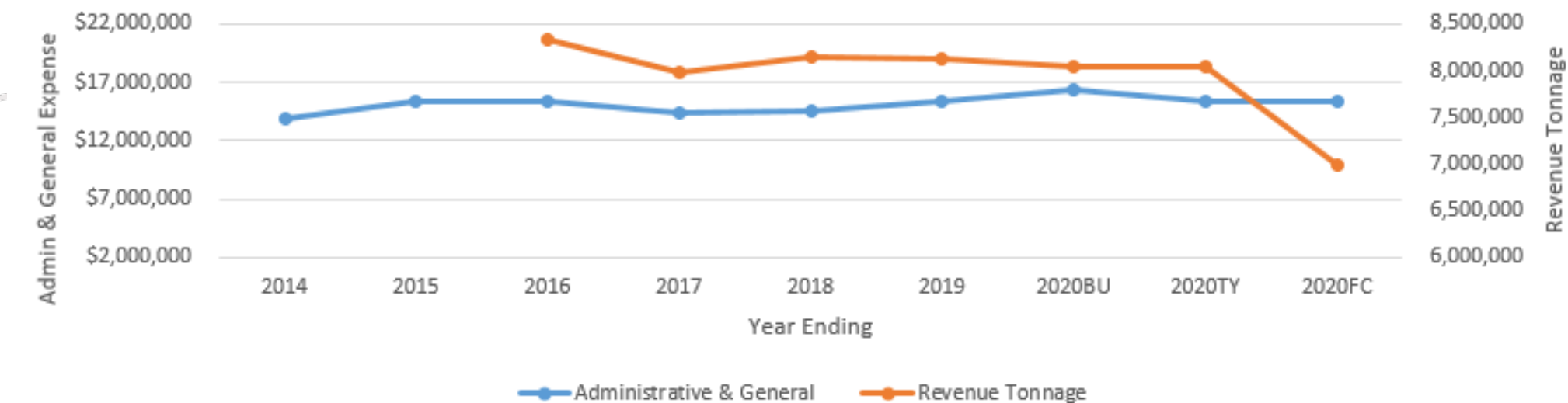
Continued Cost Containment – Operating Expense

	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Test Year 2020	Forecast [A] 2020
Total Revenue	\$ 119,871,532	\$ 115,691,547	\$ 114,001,724	\$ 119,455,380	\$ 121,080,030	\$ 120,431,611	\$ 117,387,929	\$ 99,589,850
% YoY		-3%	-1%	5%	1%	-1%	-3%	-18%
Operating Expense								
Cargo Handling	45,457,376	52,048,133	54,315,375	63,758,167	65,169,188	67,817,241	67,207,974	63,411,036
% YoY		14%	4%	17%	2%	4%	3%	-3%
Maintenance Department	(79,950)	(87,586)	(66,799)	(26,844)	(58,413)	(36,289)	(37,439)	(772,916)
Voyage	31,913,909	34,541,845	34,774,149	39,944,981	37,214,022	37,958,884	37,571,727	35,857,866
Administrative & General	15,381,449	15,327,427	14,379,579	14,541,033	15,338,365	16,431,432	15,408,135	15,335,935
% YoY		0%	-6%	1%	5%	7%	0%	0%
Taxes Other than Income	3,547,111	3,344,319	3,206,898	3,318,239	3,391,127	3,541,582	3,541,582	3,033,183
Depreciation	8,805,490	8,393,372	7,553,262	7,706,913	9,369,639	7,005,723	7,005,723	7,005,725
Total Operating Expense	\$ 105,025,386	\$ 113,567,511	\$ 114,162,462	\$ 129,242,489	\$ 130,423,929	\$ 132,718,572	\$ 130,697,702	\$ 123,870,841
Other Income (Expense)	483,381	479,063	714,806	(1,592,659)	(841,579)	46,560	46,560	(535,432)
Net Income (Loss)	\$ 15,329,528	\$ 2,603,099	\$ 554,068	\$ (11,379,767)	\$ (10,185,479)	\$ (12,240,402)	\$ (13,263,213)	\$ (24,816,423)

Future of YB – Long-Term Profitability

Continued Cost Containment – Administrative and General

	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020	Test Year 2020	Forecast [A] 2020
Administrative & General	15,381,449	15,327,427	14,379,579	14,541,033	15,338,365	16,431,432	15,408,135	15,335,935
% YoY		0%	-6%	1%	5%	7%	0%	0%



Customer Impact

- Communication Outreach on Changes
 - Account Holders receive email notifications
 - Account representatives contact large container shippers impacted
 - Website updates and front line employees handling out notices
- Sailing Schedule Impact
- Contingency Plan Phase I Deferral

Cost to ship a Front Load Washing Machine
(21.25 cubes)

Transportation Mode	Cost	Cost per cube
Young Brothers	\$63	\$2.96
Ocean Freight Forwarder	\$72 - \$165	\$3.38 - \$7.76
Air Freight Forwarder	\$120 - \$150	\$5.50 - \$7.05

Recap

- Immediate cash funding
- Immediate rate relief
- Operational flexibility





Mahalo

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