

D'Amico optimistic after 2016 loss

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Experiencing an weak product tanker market and historically low freight rates, Italian d'Amico International Shipping has posted a net loss for the year 2016. CEO Marco Fiori bets on emerging new long-haul trades and a demand-supply rebalancing.

Mainly due to the weak product tanker market in Q3 and at the beginning of Q4, d'Amico International Shipping's (DIS) 2016 net result was negative for \$ (12.8) million compared with a \$ 54.5 million net profit in 2015.

DIS' daily spot rate was \$ 13,302 in the full-year 2016 vs. \$ 18,814 achieved in the prior year. DIS' total daily average rate (which includes both spot and time charter contracts) was \$ 14,534 in 2016 compared with \$ 17,159 achieved in the previous year.

In comparison with the previous year, 2016 results were also negatively impacted by a \$ 6.6 million impairment booked in 2016 on three vessels, currently under advanced sale negotiations; a \$ 5.8 million positive result on disposal achieved in 2015, following the sale of one of DIS' owned vessels, a \$ 7.5 million extraordinary positive result generated in 2015 from the Company's treasury and risk management.

DIS was able to achieve a FY 2016 EBITDA of \$ 55.0 million and an EBITDA Margin on TCE Earnings of 21%, despite the weak spot market characterizing a significant part of the second-half of the year (full-year 2015: \$ 97.1 million and EBITDA margin of 31.3%). Such level of EBITDA together with an efficient management of the working capital, led DIS to generate a positive operating cash flow of \$ 55.7 million in FY 2016 (\$ 68.5 million in FY 2015).

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In 2016, DIS had \$ 151.2 million in capital expenditures, mainly in relation to its new-building plan. Since 2012, DIS has ordered a total of 22 »Eco design« product tankers 1 (10 MR, 6 Handy-size and 6 LR1 vessels), of which 15 vessels have been already delivered as at the end of the year. This corresponds to an overall investment plan of approximately \$ 755.0 million and is in line with the Company's strategy to modernize its fleet through new-buildings with an eco-design. The remaining investment plan amounts to \$ 223.4 million and 74% will be financed with bank debt, already fully secured as of today. In addition, DIS has already fixed 14 of its new-building vessels on long-term time-charter contracts with three oil-majors and a leading refining company, »all at profitable level,« it was said.

CEO Marco Fiori commented: »Such negative result was due to the soft market scenario we experienced in the second half of the year, when rates hit historically low levels. The substantial level of inventories built up in the previous months and in 2015 together with a relatively high influx of newbuildings coming into the market in 2016, put downward pressure on freight rates. However, DIS maintains a very positive view on the product tanker market in the medium-term.«

He added: »On the demand side, we are expecting a good level of growth on the back of the trend of refineries moving away from main consuming regions, which will increase ton-mile demand. On the supply side, we have a historically low fleet growth expected over the next two years, with the current MRs orderbook close to its 20 years' low and very limited ordering activity at the moment. At the same time, the new environmental rules, which are gradually coming in place, will lead to a further reduction on the supply side, benefitting owners of very young fleets like ourselves.«

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