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D'Amico International Shipping 2019 Results Significantly Better Than In The Previous Year

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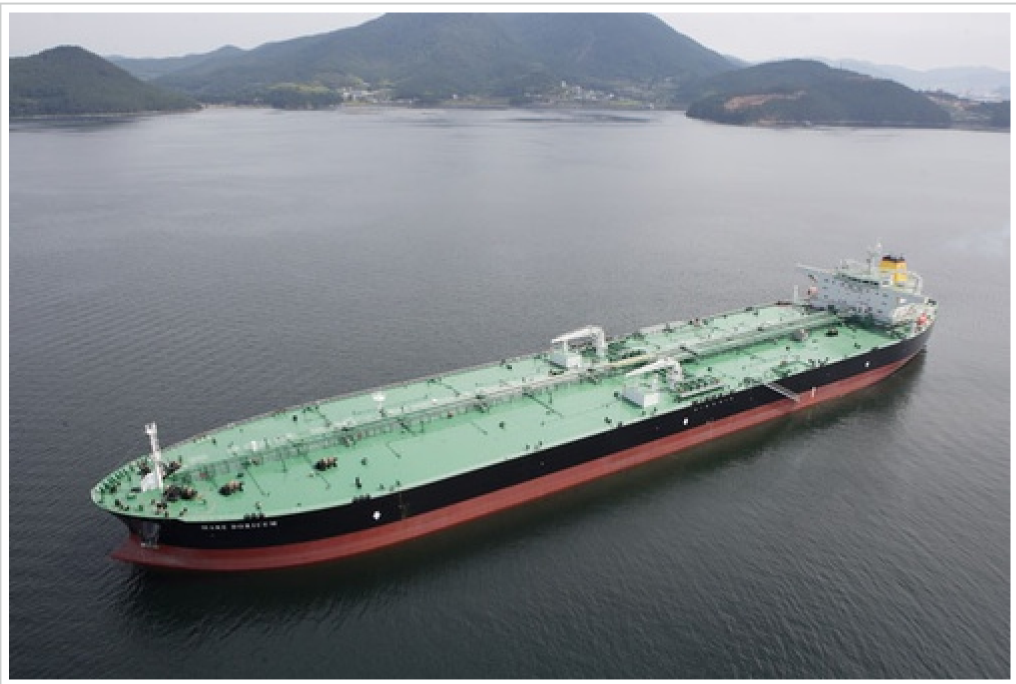
The Board of Directors of d'Amico International Shipping S.A., a leading international marine transportation company operating in the product tanker market, today examined and approved the Company's draft 2019 full year statutory and consolidated financial results.

MANAGEMENT COMMENTARY

Paolo d'Amico, Chairman and Chief Executive Officer of d'Amico International Shipping commented: 'In 2019, DIS posted a Net result of US$ (27.5) million vs. US$ (55.1) million recorded in 2018. Excluding non-recurring items from both years, and the effects of IFRS16 from 2019, DIS' Net result amounted to US$ (7.7) million in 2019 compared with US$ (57.4) million the prior year. DIS has returned to profitability in the fourth quarter of 2019, reporting a Net result of US$ 4.9 million and Adjusted net result of US$ 7.4 m (Q4'18: Net result of US$ (13.9) million and Adjusted net result of US$ (13.0) million). Such significant achievement is mainly attributable to the better market conditions and to cost efficiencies achieved in the course of 2019.

DIS realized a daily average spot rate of US$ 13,683 in 2019, which is US$ 2,885/day higher than the US$ 10,798 achieved in the previous year. In line with its long-term prudent commercial strategy, DIS had also a high level of coverage in the period, equal to 51.9% of its total days at an average daily rate of US$ 14,760. Therefore, our total blended daily TCE (spot and time-charter) was US$ 14,239 in 2019 vs. US$ 12,184 in 2018. As I mentioned, the last quarter of the year was particularly strong for our industry, and this allowed us to achieve a daily spot rate of US$ 17,242 vs. US$ 11,617 generated in the same quarter of 2018. This was partly due to the usual seasonal increase in demand and the introduction of the new IMO fuel regulations coming into effect in January 2020.

Apart from a brief correction associated with the peak of the Coronavirus (Covid-19) outbreak in China, the strong market has continued throughout the first quarter of 2020, having freight rates gradually trending upwards since mid-February. Period rates as well as asset values have continued moving upwards throughout 2019. Currently, the assessed one-year TC rate is of US$ 15,500/day for conventional MRs and US$ 16,750/day for Eco MRs, respectively.



We are of course concerned about Covid-19, both from a human and a business perspective. For the time being the impact on the product tanker industry has been limited. In fact, the steep decline in China's oil consumption has been partly compensated by more long-haul trade, as surplus Asian cargoes have been transported to the Atlantic. We have for example seen an increase in Asian surplus jet fuel shipped to the Western Hemisphere. The product tanker markets should also eventually benefit from the fiscal and monetary stimulus that should follow the Covid-19 outbreak. However, the economic impacts of the Coronavirus are still uncertain and we maintain a prudent approach going into the second quarter of the year.

As already disclosed in our previous quarterly reports, DIS has been gradually taking advantage of the growing interest from oil-majors and leading trading houses to fix some of its vessels at profitable levels. On Friday March 6th, the OPEC+ (the coalition of OPEC and other countries including Russia) did not reach an agreement which could have entailed an additional 1.5 million bpd in production cuts. This led to a reversal of previous cuts and to a sharp decline in oil prices and consequently in bunker prices. The oil price forward curve has moved into "contango", which could steepen further, triggering a build-up in inventories and potentially an increase in vessels used for floating storage.

While crude tankers should be the main beneficiaries, the improvements in that sector should rapidly spill-over to product tankers, with a positive effect on our market, at least in the short-term. The positive effects on tanker earnings of the lower bunker prices and additional crude flows, were already apparent on the day following the breakdown of the OPEC+ negotiations. Despite these near-term concerns, we maintain a very positive outlook for the product tanker industry, whose underlying fundamentals continue to be very strong. In fact, the product tanker orderbook is at historical lows, mainly thanks to capital constraints and to regulatory uncertainties around IMO 2030/2050 emission reductions and propulsion systems. On the demand side, we expect a growth in seaborne transportation of refined products, mainly due to growing regional imbalances of products and refining capacity expansions moving further away from the consumer.

In addition, the new IMO regulations, which limit the sulphur content in bunker fuels to 0.5% from January 2020, should further stimulate refining activity and demand for our vessel. I believe we can look at the future with a certain level of optimism and DIS' long term investment plan of US$ 755 million concluded in October 2019 positions our Company favourably to benefit from this improving market, with one of the youngest and most modern product tanker fleets in the world. At the same time, we plan to continue pursuing a prudent commercial strategy and to further strengthen our financial structure.'

Carlos Balestra di Mottola, Chief Financial Officer of d'Amico International Shipping commented: 'We are proud to report the first profitable quarter for DIS since Q1'17, with a Net profit of US$ 4.9 million or US$ 7.4 million, excluding IFRS16 and non-recurring effects (Q4'18: US$ (13.9) million or US$ (13.0) million, excluding non-recurring effects). The improvement relative to 2018, was very significant even on a full-year basis, with DIS achieving a Net result of US$ (27.5) million in FY'19 (US$ (55.1) million in FY'18) and an Adjusted net result of US$ (7.7) million in FY'19 (US$ (57.4) million in FY'18).

Thanks to a more efficient cost structure and to improving freight markets, DIS' EBITDA was of US$ 104.2 million in FY'19 vs. US$ 17.5 million in 2018. Even excluding the effects arising from the application of IFRS 16, DIS' FY'19 EBITDA was more than four times higher than the level achieved in the previous year. This substantial improvement was clearly reflected also in our Operating cash flow which was of US$ 59.3 million in FY'19 compared with US$ 7.6 million in FY'18. During the year, we achieved the strategic goal of strengthening DIS' balance sheet and liquidity position. In addition to the share capital increase of € 44 million we have successfully concluded in April, DIS raised around US$ 41.2 million of additional liquidity through some sale and sale-and-lease-back deals. In the fourth quarter of the year, DIS took delivery of its last newbuilding, a scrubber fitted LR1, thus finalizing its substantial investment plan of US$ 755 million launched back in 2012.

Currently, our future Capex plan is related only to vessel maintenance and will therefore be substantially lower than in the recent past. At the same time, our total annual bank debt repayments have decreased markedly from 2020, lowering our cash breakeven. In particular, at the end of 2019 we reimbursed the last instalment due on a LTRO facility granted to d'Amico Tankers in 2014, which entailed a semi-annual amortization of US$ 7.5 million. The lower bank debt repayments and Capex commitments, will both contribute to DIS' free-cash-flow generation for its shareholders.

A more favourable product tanker market led also to rising vessel values during the year, contributing to an increase in DIS' net asset value, and a reduction in its net debt to fleet market value ratio, which stood at 64% at the end of December 2019, compared with 65.1% at the of September 2019, with 66.3% as at the end of June 2019 and with 72.9% as at the end of 2018.

Since the second quarter of 2016 we have confronted a very difficult freight market. Although the market weakness experienced was not expected and to some extent caught us by surprise, we reacted to the adverse conditions through a series of initiatives, some of which I briefly mentioned above, which have strengthened our Company and positioned us favourably to benefit from the ongoing market recovery. Despite some headwinds such as the Coronavirus, our market can count on many tailwinds, including the very limited orderbook and the likely strong increase in oil supply following the breakdown of the OPEC+ production cuts. I am confident the positives will prevail in the short to medium-term, allowing DIS to generate substantial value for its Shareholders'.

Full Report

Source: d'Amico International Tankers

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