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D'Amico chief eyes deleveraging company

Italian product tanker owner d'Amico looks to pay back debt amid an uncertain market. It will sell off the last of its ageing vessels between now and sometime next year

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Depending on market conditions going forward, it may look to exercise purchase options on previous leaseback deals, chief executive says



D'AMICO: "WE FIRMLY INTEND TO BE FINANCIALLY CONSERVATIVE AND CONTINUE DELEVERAGING OUR BALANCE SHEET."

THE strategy of d'Amico International Shipping, an Italian owner of product tankers, is to deleverage the company by paying off debt.

One of the ways to achieve this is by continuing to sell off older tonnage, the company's chief executive Paolo d'Amico said, targeting a disposal of up to four vessels over the age of 15 years between now and some time next year.

"We firmly intend to be financially conservative and continue deleveraging our balance sheet, as we strongly believe that having a sound financial structure will increase our strategic and operational flexibility going forward," he added.

By the end of June, the company had \$50.4m in cash, having fully reimbursed a shareholder loan, up from the \$33.6m it had at the end of 2019. The company expects its financial position will improve after the negative effects on demand of the coronavirus are reversed and spot freight rates return to healthier levels.

“We achieved such an improvement in liquidity and gearing ratios through a combination of sale-leaseback transactions, straight sales of older vessels, and equity capital increases in both 2017 and 2019, while always benefiting from the strong support of our controlling shareholder,” Mr d’Amico said.

The company reported net profit of \$15.6m in the second quarter of this year, versus a loss of \$18.8m in the same period a year earlier. That is its best quarter since the corresponding period in 2015.

It had a high proportion of fixed-rate contract coverage in the first half of the year at higher rates than the period a year ago. Port congestion meant that some ships have taken 20 days to discharge cargo.

The outlook for the rest of the year is uncertain though, and highly dependent on whether airline travel picks up.

“As we all know, predicting the near-term demand for the seaborne transportation of refined products is currently an arduous task, also because of the risk of a second wave of Covid-19 contagion followed by the possibility of further partial lockdowns worldwide,” said Mr d’Amico.

He believes a second wave is likely, although with more preparedness, the situation will be better managed.

“Longer-term, we maintain a very positive outlook for the product tanker industry, whose underlying fundamentals continue to be strong,” he said. That is based on an historical low orderbook, mainly due to capital constraints and uncertainties related to technology to meet emissions-reduction targets. On the demand side, trade in oil products is on an upward trend as refineries in the Middle East and Asia will be net exporters.

Depending on market conditions, the company might exercise purchase options on previously concluded leaseback deals, the executive said.

The company has managed to repatriate 600 seafarers during the pandemic, with 300 remaining on its vessels.