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D'Amico optimistic amid product tanker downturn and vaccine hopes

The product tanker company suffered losses in the third quarter but still improved its position compared to last year

12 Nov 2020 | **NEWS**

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D'Amico felt the financial and trade impacts of the coronavirus backdrop in the third quarter. The company believes it is in a strong enough position to get through the near term headwinds



D'AMICO: LOCKDOWN RESTRICTIONS BEING IMPOSED BY GOVERNMENTS IN EUROPE ARE PRESENTING FURTHER HEADWINDS FOR THE PRODUCT TANKER MARKET.

PRODUCT tanker owner d'Amico International Shipping believes it is well equipped with ongoing market downturn as the coronavirus hinders its prospects.

New lockdown restrictions being imposed by governments in Europe are presenting further headwinds for the product tanker market in the near term, said chief executive Paolo d'Amico.

“These developments will negatively affect oil demand and are likely to postpone the freight market recovery and the decrease in inventories (both on land and floating), required for a sustainable market recovery,” he said

in the company's third quarter report.

"I am truly hopeful a vaccine against coronavirus will be available in the coming months, solving once and for all this terrible health crises and putting the world economy as a whole and our industry back on track."

The company had a \$1.73m net loss for the three months, compared with an \$8.16m net loss in the year-earlier period, despite earning almost \$18m less in revenues this year.

It said that spot tanker earnings fell to a two-year low in September following the oil supply cuts agreed by the Organisation of Petroleum Exporting countries and their partners beginning in May.

"European gasoline exports recovered in September - thanks to a rebound in shipments to the US, but they remain sharply below year-ago levels," it said.

While US exports saw some recovery after declining in the second quarter, several hurricanes led to refinery outages and disrupted supply, culminating in a build-up of tonnage, which "curtailed any chance of freight rates improving".

"Asian refiners, with the exception of China, are continuing to curb runs due to poor demand and weak margins. But with demand rising in some countries at a faster pace than their domestic output, product flows are moving between regions," the company said.

Singapore saw strong draws in late September and thus, if demand continues, product markets may have a supportive fourth quarter there.

The very strong first six months of this year mean that DIS posted a \$15.4m net profit for the first nine months of 2020, reversing the \$32.5m net loss recorded in the first nine months of 2019.

Despite the advent of the new coronavirus restrictions, Mr D'amico remains optimistic that his company will get through it, backed by a young fleet, an improved liquidity position and already achieved cost cuts.

The company "is very competitive also in terms of breakeven relative to most of our peers. In addition, our well-balanced commercial strategy and a high level of time charter coverage at profitable rates will help us to overcome any potential market volatility," he said.