24/11/2023 | at 09:22 **TANKER**

D'Amico beats four major tanker rivals on bottom line growth

Five leading tanker operators are headed toward record profits. Italian d'Amico's bottom line has grown the most, and this is due to strong contracts, says chief executive.

"The higher averages achieved on the spot market this year are mostly linked to the much weaker first quarter last year, since the inefficiencies generated by the war in Ukraine only started positively impacting the market from the end of Q1 2022," says Carlos Balestra di Mottola, CFO at d'Amico International Shipping. | Photo: Pr-foto

AF DAG HOLMSTAD, JENS RUSKOV

The Italian company name signals friendliness, but d'Amico International Shipping (DIS) has so far this year dealt financial blows to its much larger product tanker rivals.

Hafnia, Torm, Scorpio Tankers and Ardmore Shipping have all been overtaken by d'Amico when it comes to increasing the bottom line.

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Several factors contributed to DIS' remarkable performance in the first nine months of 2023

Carlos Balestra di Mottola, CFO, d'Amico International Shipping

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”Several factors contributed to DIS' remarkable performance in the first nine months of 2023,” says Carlos Balestra di Mottola, chief financial officer at d'Amico International Shipping, in a written interview with ShippingWatch.

”The main factor was the renewal of our fixed-rate period contracts at significantly higher rates. Our vessels operating on the spot market also performed very well in 2023.”

The Italian product tanker operator, which is listed in Milan and is part of the d'Amico Group, has posted a profit after tax of USD 149m after three quarters of this year - or almost two and a half times more than for the same nine months last year.

Torm has achieved the second largest growth in earnings this year with an increase of 39% to USD 463m after tax. D'Amico has also beaten the much larger shipping companies Hafnia and Torm when it comes to revenue growth. The growth here is 31%.

One carrier has achieved the largest bottom line growth by far

D'Amico's profit after tax has grown 137% in the first three quarters compared to last year.

	Q1-3 2022	Q1-3 2023	Growth
D'Amico	63	149	137
Torm	334	463	39
Hafnia	488	617	26
Scorpio Tankers	373	426	14
Ardmore Shipping	85	90	6
I ALT	1,342	1,745	30

Figures in USD millions and growth in percentage.

Chart: Kit Lindhardt • Get the data • Created with Datawrapper

The analysis at d'Amico is that overall, 2023 has offered a much more stable and strong product tanker market than the previous year, when Russia's invasion of neighboring Ukraine caused turmoil in global energy markets.

The war in Ukraine led to a flurry of Western sanctions against Russia and the country's oil exports, but also drove up prices of refined oil cargoes such as gasoline, In February this year, imports of refined Russian oil products into the EU were banned and at the same time, leading OECD countries imposed a price cap on Russian oil.

The price must not exceed USD 60 per barrel in order for tankers to be insured and legally carry Russian oil to China or other third countries.

Russian oil sailed at longer distances

This has led to a surge in Russian oil exports to China, India, Turkey, the Middle East, Latin America and Africa, but also a less efficient market.

This is partly due to the so-called shadow fleet, which consists of a growing number of tankers that hide their location to sail incognito with sanctioned cargoes from Russia.

”This rerouting of Russian oil to more distant destinations, which had already started in 2022, gained impetus in 2023, resulting in increased sailing times and heightened demand for product tankers,” says Balestra di Mottola.

D’Amico’s fleet consists of 36 tankers, 26 of which are owned by the company itself.

According to the company, d’Amico’s tankers do not carry Russian oil themselves, but benefit from the fact that others do.

At the same time, EU countries are forced to source oil from further afield, such as the Middle East, rather than Russia, to cover their oil consumption. All of this increases the demand for ton-miles from tanker operators.

Revenue in the first nine months

D'Amico, Hafnia and Torm all made progress in the first three quarters compared to last year. Scorpio Tankers and Ardmore Shipping do not report gross revenue and are therefore not included in the calculation.

Q1-3 2022 Q1-3 2023 Growth

	Q1-3 2022	Q1-3 2023	Growth
D'Amico	312	408	31
Hafnia	1,257	1,507	20
Torm	996	1,133	14
Total	2,565	3,047	19

Figures in USD millions and growth in percentage.
Chart: Kit Lindhardt • Get the data • Created with Datawrapper

This year, an increase in jet fuel consumption and the reopening of China’s economy have been the main drivers in the product tanker segment after a very long period of pandemic restrictions, according to Balestra di Mottola.

”The higher averages achieved on the spot market this year are mostly linked to the much weaker first quarter last year, since the inefficiencies generated by the war in Ukraine only started positively impacting the market from the end of Q1 2022,” says d’Amico’s CFO.

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It has also allowed us to recently report our best nine-month results ever

Jacob Meldgaard, CEO, Torm

”The first nine months of 2023 have been characterized by a market with sustained high demand, while at the same time we have a number of sanctions on Russian oil products. This has resulted in a strong market for the year so far, which is significantly above last year,” says Jacob Meldgaard, CEO of Torm, in an email to ShippingWatch.

Torm has a fleet of 86 vessels, but has recently purchased eight older tankers for USD 400m.

”It has also allowed us to recently report our best nine-month results ever, with TCE earnings 26% higher than last year.”

At New York-Monaco-based Scorpio Tankers, which has a fleet of 112 product tankers, CEO Robert Bugbee believes the changes in the tanker market are significant.

”Overall, all of the product tankers entered 2023 with stronger balance sheets. To have one extraordinary year is one thing but to go back to back is really creating positive change,” says Bugbee in an email to ShippingWatch.

On track to break records

There are many indications that tanker shipping companies are well on their way to breaking last year’s records.

Revenue for Hafnia, Torm and d’Amico, for example, has shot up 19% to just over USD 3bn after the first nine months.

And for the five tanker companies, the bottom line has swelled by 30% to almost USD 1.8bn after three quarters compared to the corresponding period in the record year 2022.

Increasing revenue is one thing. It’s another to squeeze as much revenue as possible out of each revenue dollar. This is where the two majors Torm and Hafnia duel when analyzing the companies’ so-called operating margin (EBIT).

The share of shipping companies revenue that ends up as earnings has grown compared to 2022. Ardmore and Scorpio do not report gross revenue and are therefore not shown here.

	Q1-3 2022	Q1-3 2023
Hafnia	43.1	45
Torm	37.1	44.4
D'Amico	28.2	40.9

Figures in percentage

Chart: Kit Lindhardt • Get the data • Created with Datawrapper

Hafnia's CEO Mikael Skov emphasizes that the company prioritizes buying up and expanding the business when market conditions are favorable.

In early 2022, Hafnia bought 12 LR1 tankers from Scorpio Tankers, and in 2021, the company acquired Chemical Tankers Inc. and added 32 product and chemical tankers to its fleet.

Older vessels have since been sold off, so Hafnia now has 128 tankers.

"The outcomes of our earlier transactions [...] have been fully realized in the initial nine months of 2023. This has all played a substantial role in enhancing the overall performance and progress of our business," says Skov in an email to ShippingWatch.

Return on assets for the first nine months

The return on assets (ROA) has increased compared to 2022 for all five tanker operators.

	Q1-3 2022	Q1-3 2023
Torm	14.5	17.9
Hafnia	13.7	17.7
D'Amico	8.8	16.5
Ardmore Shipping	13.9	14.5
Scorpio Tankers	10.5	12.6

Figures in percentage

Chart: Kit Lindhardt • Get the data • Created with Datawrapper

One of the reasons why Hafnia has the highest operating margin is the company's focus on keeping operating and administrative costs down, according to Skov.

"When comparing operational expenses (OPEX) and Selling, General and Administrative Expenses (SG&A) to those of our industry peers, we continue to demonstrate the most competitive cost structure by a considerable margin."

However, Hafnia is distanced when it comes to the company's ability to wring earnings out of assets, the ships, on which the shipping companies build their business. Measured by the so-called return on assets, competitor Torm is the best.

(Translated using DeepL with additional editing by Kristoffer Grønbæk)

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