D'Amico profit dips on expected volatility

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D'Amico achieved an average daily spot rate of $18,076 in the first quarter of this year, versus $18,503 in the first quarter of 2015.

Milan-listed product tanker company forecasts a good 2016 for profits despite dip from 2015, with new trade dynamics helping

D'AMICO International Shipping saw first-quarter net profit decline to $7.2m from $11.4m in the same period last year, largely due to expected volatility in the tanker freight market and the anticipated slowdown from last year's stellar performance.

Milan-listed d'Amico achieved an average daily spot rate of $18,076 in the first quarter of this year, slightly down from $18,503 in the first quarter of 2015.

Chief executive Marco Fiori told Lloyd's List he expected 2016 would be a good year for earnings but not quite as good as 2015.

"I maintain my view that the product tanker market will have a certain degree of volatility during the current year, but I believe 2016 will be overall a good and profitable year for our industry."

A big plus is the increasing growth in tonne-mile demand driven mainly by refineries in Asia and the Middle East.

In addition, longhaul voyages out of Houston are occurring, boosting shipping demand. “It’s good for our business because there are lots of different trips,” said Mr Fiori, speaking to Lloyd's List from Italy.

Moreover, there is a relatively limited supply of new ships expected to come onto the market between 2016 and 2018.

In March, the company secured a multi-tranche $250m facility with a pool of nine leading financial institutions. The first tranche of this facility refinanced seven of d’Amico’s existing vessels, while the second tranche will complete the financing of its newbuilding plan.

The company runs a fleet of around 50 product tankers, one of the largest such fleets in the world.

Intriguing market dynamics for the d'Amico fleet include the Asian market. Despite refinery maintenance, China is expected to continue to export high levels of gasoil as stocks remain high.

India is expected to continue importing significant volumes of gasoil as product demand rose to a record of 4.3m barrels per day in March. This was driven by gasoline, even though diesel demand was also strong.

Thailand, another typical net exporter, is also likely to continue importing gasoil as low oil prices have boosted demand, offering employment opportunies for the fleet.

However, gasoil import demand from the Middle East has yet to materialise, Mr Fiori observed.

The US Gulf to Europe diesel trade, known as the TC14 on the Baltic Exchange, has started to ease as stocks in northwest Europe have risen to near-record levels, which is causing delays outside the major trading hub of Amsterdam-Rotterdam-Antwerp.

However, despite the narrower arbitrage, US refiners are still keen to continue exporting diesel across the Atlantic as runs have picked up.

The gasoline market from Europe has had a slight revival, he noted. Imports into West Africa have picked up recently on the back of supply issues. Exports to the US east coast, known as the TC2 trade, have also improved due to a significant stock draw.

Tanker companies’ share prices, however, continue to underperform in general.

“There are a lower number of banks involved in financing secondhand ships,” explained Mr Fiori.

In addition, lots of smaller owners are obliged to sell tankers to provide liquidity for their company struggling with a dry bulk operation, he said.

Meanwhile, d’Amico has renewed its share-buyback programme for a period of five years, with the aim of buying back up to 10% of its shares.

“This is an important part of our strategy for sure,” said Mr Fiori.