HELLENIC SHIPPING NEWS WORLDWIDE
Online Daily Newspaper on Hellenic and International Shipping

DIS Recorded A Net Profit Of Us$ 7.2 Million In The First Three Months Of The Year, With A Strong EBITDA Margin Of 29%

in International Shipping News 05/05/2016

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 first quarter 2016 financial results. MANAGEMENT COMMENTARY Marco Fiori, Chief Executive Officer of d'Amico International Shipping S.A. commented: 'I am pleased to report DIS' Q1'16 results, which saw our Company posting a Net Profit of US$ 7.2 million, an EBITDA margin of 28.8% and generating positive operating cash flow of US$ 25.5 million.

After three very strong quarters last year, product tanker spot rates eased in Q4 mainly due to seasonality and refinery maintenance in the US Gulf. However the market started firming up again in December and confirmed a good level of strength in the first three months of 2016. In fact, DIS managed to achieve a daily TCE spot rate of US$ 18,076 in Q1'16, marking a 15% increase compared to the previous quarter (Q4 2015: US$ 15,673). As mentioned before, I maintained my view that the product tanker market will have a certain degree of volatility during the current year but I also believe 2016 will be overall a good and profitable year for our industry.

At the same time, the medium term perspectives of the product tanker market look very favourable today, with an increasing growth in the Ton-Mile demand driven mainly by refineries dislocation and with a relatively limited supply of new ships expected to come into the market between 2016 and 2018. We kept implementing our ambitious investment plan, with US$ 38.6 million capital expenditures in Q1 2016 alone, out of a total investment of US$ 755 million begun in 2012 for the ordering and the construction of 22 newbuilding product tankers. In light of this, during the month of March we secured a multi-tranche US$ 250 million facility with a Pool of nine leading financial institutions.

The first tranche of this facility refinanced 7 of our existing vessels, whilst the second tranche will complete the financing of our newbuilding plan. I am absolutely convinced that DIS, with its efficient operating platform and its proven commercial strategy, is very well positioned today to maximise returns in such favourable market scenario.'

SUMMARY OF THE RESULTS IN THE FIRST QUARTER 2016
IMF recently reported in their World Economic Outlook update (WEO): Global growth is currently estimated at 3.2% in 2016, and it is projected at 3.5% in 2017. This is represents a downgrade by 0.2% and 0.1% respectively from their January outlook. They have stated that 'Global growth continues, but at a sluggish pace that leaves the world economy more exposed to risks'. Growth in advanced economies is projected to remain modest and flat at 2.4% in the United States. Emerging and developing economies will still account for the biggest share of the growth. The International Energy Agency (IEA) recently reported that growth in global oil demand will ease to around 1.2 million b/d in 2016, below 2015 1.8 million b/d expansion, as notable decelerations take hold across China, the US and much of Europe.

Preliminary Q1 2016 data reveal this is already occurring, with year-on-year growth down to 1.2 million b/d, after gains of 1.4 million b/d in Q4 2015 and 2.3 million b/d in Q3 2015. Crude oil prices rallied to a four-month high approaching US$ 45 per barrel in mid-April but declined again after the talks between producers in Doha ran into difficulties. In Q1 there was a very mixed picture for the Product tanker market. The Oil price declined markedly up to 11 February and then rose during the rest of the quarter. The decrease in average crude oil prices improved refinery margins. This resulted in trade picking up even without a healthy increase in demand. Stocks build unseasonably and by the end of the quarter were 12% high year on year. Throughout the quarter, United States exports averaged around 4 million b/d and imports volumes were around 1.7 million b/d. The volatility in Oil and Product prices led to arbitrage windows opening but also closing just as quickly. This did create some opportunities for the Market rates to improve from time to time. Refinery maintenance had little or no effect as stocks were high enough to meet any demand.

The supply of tonnage was almost entirely kept in check by logistical problems with storage being full and ships not being able to turn around quickly enough. Positive demand for Naphtha and mixed aromatics supported long haul trades into the Far East. The one year perceived Time charter rate is always the best indicator of spot market expectations. In Q1 2016 the one year rate for an MR remained flat at $17,000 / $17,500 per day.

On the back of a favourable product tanker market, DIS recorded a Net Profit of US$ 7.2 million in Q1 2016 vs. US$ 11.4 million posted in the same period last year. The variance compared to the first quarter of 2015 is almost entirely due to the positive impact arising from the Company's risk management activity (mainly on Foreign Exchange, Bunker Costs and Interest Rates) which benefitted last year result. Excluding such 'non-recurring' result, Q1 2016 result is substantially in line with the previous year. After three very strong quarters last year, product tanker spot rates eased in Q4 mainly due to seasonality and refinery maintenance in the US Gulf. However the market started firming up again in the last part of Q4 and going into 2016. In this scenario, DIS daily spot rate was US$ 18,076 in Q1 2016, a level which is slightly lower (-2.3%) than the same period last year (US$ 18,503) but 15% (or US$ 2,404/day) higher compared to the previous quarter (Q4 2015: US$ 15,673). At the same time, 46.7% of DIS total employment days in Q1 2016, were covered through 'time charter' contracts at an average daily rate of US$ 15,706, improved both in terms of percentage and average rate compared to the same quarter last year (Q1 2015: 44.8% coverage at an average rate of US$ 15,010).

Therefore, DIS' Q1 2016 total Daily Average Rate (which includes both the spot and the time charter activity) was US$ 16,970 and in line with the same quarter of 2015 (US$ 16,939). Thanks to the positive TCE performance and to a cost efficient operating platform, DIS achieved an EBITDA of US$ 21.6 million in Q1 2016 and an 'EBITDA margin' of 28.8%, which are both in line with the levels achieved in Q1 2015. Such strong level of EBITDA together with a good trend in working capital led to a positive operating cash flow of US$ 25.5 million in Q1 2016, more than two times higher than the US$ 11.1 million generated in the same period last year. In Q1 2016, DIS had US$ 38.6 million 'capital expenditures', mainly in relation to its newbuilding plan.

Since 2012, DIS has ordered a total of 22 'Eco design' product tankers (10 MR, 6 Handysize and 6 LR1 vessels), of which 112 vessels have been already delivered as at the end of March 2016. This corresponds to an overall investment plan of approximately US$ 755.0 million and it is in line with the Company's strategy to modernize its fleet through newbuildings with eco-innovative design. Further, DIS has already fixed 14 of its newbuilding vessels on long-term Time Charter contracts with three Oilmajors and a leading refining company, all at profitable levels.

OPERATING PERFORMANCE

Time charter equivalent earnings were US$ 75.1 million in Q1 2016 vs. US$ 77.0 million in the same period last year. The variance compared to the first quarter of last year is entirely due to the lower number of vessels operated in Q1 2016. In fact, DIS' Daily Average TCE in Q1 2016 is very much in line with the previous year. In particular, DIS realized a Daily Average Spot Rate of US$ 18,076 in Q1 2016 compared with US$ 18,503 achieved in the same quarter of 2015, and US$ 15,673 per day in the fourth quarter of last year, representing an improvement of 15.3% or US$ 2,404/day. At the same time and according to its strategy, DIS maintained a high level of 'coverage' (fixed contracts) throughout the quarter, securing an average of 46.7% (Q1 2015: 44.8%) of its revenue at a Daily Average Fixed Rate of US$ 15,706 (Q1 2015: US$ 15,010). Other than securing revenue and supporting the operating cash flow generation, these contracts pursue the objective of strengthening DIS' historical relationships with the main oil majors, which is one the pillars of its commercial strategy.

Full Report

Source: d'Amico International Shipping