D’Amico: Product tanker market’s troubles nearly over

2018 was a bad year for D’Amico International Shipping, which reported a $55m net loss amidst weak charter rates. But, with an eye on improving fundamentals in the product tanker market, chief executive Paolo D’Amico expects the second half of this year to look much better

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The company expects to complete a $60m capital increase in the first half, reinforcing its balance sheet just in time for an anticipated market recovery later in the year

D'AMICO EXPECTS TO HAVE 97% OFITS FLEET ON THE SPOT MARKET BY 2021.

PAOLO D’Amico has an optimistic vision of the product tanker market this year.

Mr D’Amico was elected chairman of tanker shipping association Intertanko and appointed chief executive of tanker owner D’Amico International Shipping in November.

DIS’ annual report showed net loss widened to $55m amid a very depressed tanker market in 2018 from $38m the year before, but a number of positive trends will lead the product tanker market to an upturn later this year, Mr D’Amico believes.

“The fundamentals are there for the second half of the year,” he told Lloyd’s List.

Product tanker charter rates and asset values are well below historical averages, providing a very attractive potential upside, a company presentation said.

With 3.7% compounded annual growth rates in the seaborne refined products trade, and refined product’s share of that trade growing from 25% in 2000 to 35% today, demand is healthy.

Refinery growth is hitting records. Global capacity is expected to increase by 3.1m barrels per day this year.

Asia and Middle East-focused growth, as European refinery capacity trends downward, will also mean an increase in average tonne-miles as well as volumes transported.

Mr D'Amico expects that upturn to be further supported by the International Maritime Organization's 2020 sulphur cap, a regulation he expects to be extremely beneficial to product tankers.

Vessel supply will be lowered both by an increase in slow steaming and as more vessels switch over to the dirty trade.

To take advantage of an improved market, DIS will dramatically increase its exposure to the spot market over the next two years.

From 62% of its fleet in 2019, by 2021 the company will have 97% of its fleet exposed to the spot market.

The company is also strengthening its cash position this quarter.

A $60m capital increase will be completed in the first half of 2019, with controlling shareholder D'Amico International SA committing to pick up any shares not subscribed to during the private placement.

That new cash will mean the company will not be inking any new sale and leasebacks in the foreseeable future, said Mr D'Amico.

Consolidating to take advantage of an improving market is also not in DIS' plans.

"We are not looking at it," he said. "We are looking at what is going to happen in the next six or 12 months."