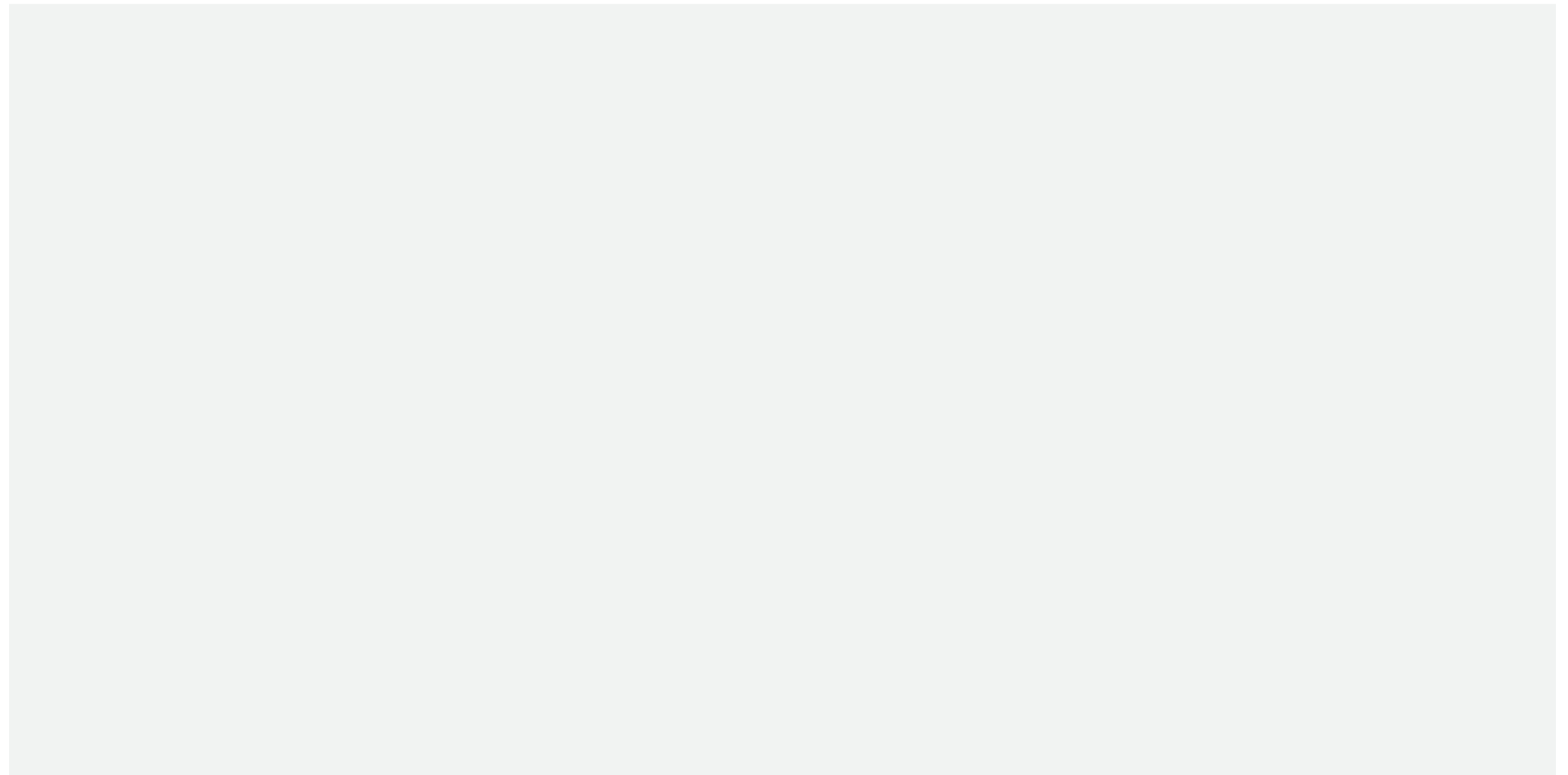


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Paolo d'Amico, chief executive of d'Amico International Shipping Photo: Thomas Lovejoy

D'Amico pays down debt as MR period deals hit 10-year high

Italian product tanker owner says 2020 has seen a "buoyant market" and company is well placed to capitalise.

21 January 2020 14:30 GMT *UPDATED 21 January 2020 14:30 GMT*
By Gary Dixon

Italy's d'Amico International Shipping (DIS) is entering a buoyant 2020 market with reduced debt costs and vessels on better term deals.

CEO Paolo d'Amico told shareholders that the company has paid off a \$75m medium-term financing facility with Banca Intesa, involving \$15m payments for each of five years.



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He called the loan a "significant drag" on its cash over the last few years.

"From 2020, DIS' capacity to generate cash will therefore benefit from sharp decreases in both debt repayments and investments," d'Amico added.

Debt repayments are expected to drop to \$36m in 2020 from \$52.8m in 2019, excluding balloons on facilities that it expects to refinance or on vessels that it expects to sell.

Finance costs have also been eased through two rights offerings last year worth a total of €79m (\$80m), backed by the parent d'Amico Group.

In the end, the issues were almost fully subscribed, so controlling shareholder, d'Amico International, did not have to make good on its pledge to fully subscribe for the shares.

Green shoots in product tanker sphere

DIS has seen the "first tangible signs" of a recovery become apparent in 2020. In particular, asset values and period rates rose throughout last year.

The value of a five-year old MR2 was by 9.1% higher at \$30m. And the one-year time-charter rate for a conventional MR2 increased 15.1% in 2019, to \$16,000 per day.

DIS started 2019 with a very low time-charter coverage of around 15% for 2020, but managed to increase the ratio to around 51.9%, averaging \$16,000 per day.



"More importantly, almost each new fixture throughout 2019 for similar type vessels and periods has been closed at an improving rate," d'Amico said.

BDI (Points): **689**VLCC Spot (\$/day): **61,400**LNG (\$/day): **95,000**SING (\$/mt): **663.5**See more at [Tradewinds Markets](#)

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"These results have been achieved despite a subdued refining activity throughout 2019, mostly due to the extended refinery maintenance programmes in preparation for IMO 2020," d'Amico added.

A tough few years

The CEO admitted the last few years have been unexpectedly challenging for its industry, with DIS having recorded losses every quarter since the second three months of 2017.

"Thanks to our strong banking relationships, our good reputation and long-term relationships in Japan, a proactive approach to raising debt and equity capital and a constant attention to financial planning and risk management, we weathered the storm and emerged as a stronger company, which is well positioned to benefit from the ongoing market recovery," he said.

One of the main sources of capital for DIS since 2017 has been the sale and leaseback market.

Before 2017, DIS had never closed any such transaction, but since then it has raised around \$139m in net cash

through 15 deals.

Leaseback deals paying off

All except one were with Japanese investors, and all but one are now "in the money", if the depreciated market values are compared to the price of DIS' first options to buy the tankers back.



d'Amico eyes sales of older MRs after narrowing third-quarter losses

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"DIS is not in a hurry to exercise these options, but if debt-to-values ratios for these vessels were to continue declining, making them consistent with bank debt refinancings, without additional equity investments by DIS, and at a lower financial cost, DIS is likely to attempt to benefit from this," d'Amico said.

The company turned to leasebacks because straight sales of older vessels, as in the past, would have meant accepting "very depressed values."

D'Amico said: "Throughout the difficult markets of the last few years DIS never breached any financial covenant, with only a minor loan to value breach for one vessel, which was immediately cured by depositing in an escrow account the required cash, which was subsequently released to us, following an increase in vessel values."

Last year, the company then switched back to prioritising straight vessel sales, taking advantage of the renewed interest of buyers for older ships, which were worth more. It offloaded four tankers.

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