D'Amico International Shipping Posted Its Best Quarterly Result Since Q2'15

in International Shipping News 31/07/2020

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 Company's the half-year and second quarter 2020 statutory and consolidated financial results.

MANAGEMENT COMMENTARY

Paolo d'Amico, Chairman and Chief Executive Officer of d'Amico International Shipping commented:

I am proud to report DIS' results for the first half of 2020, in which our Company made a Net profit of US$ 17.1 million vs. US$ (24.3) million Net loss recorded in the same period of last year. Excluding some non-recurring effects from both H1 2020 and H1 2019, DIS' Adjusted net result amounted to US$ 26.4 million for the first six months of 2020 compared with US$ (9.2) million in the same period of last year, an increase of US$ 35.6 million year-on-year. The second quarter of the year was characterized by a very strong product tanker market, leading DIS to post its most profitable quarter since Q2 2015, with a Net profit of US$ 15.6 million vs. US$ (18.8) million loss recorded in Q2 2019.

In H1 2020, DIS realized a daily spot rate of US$ 21,238 vs. US$ 13,326 in H1 2019 (i.e. +59.4% and +US$ 7,912/day) and in Q2 2020, our Company achieved a daily spot rate of US$ 25,118 vs. US$ 13,074 in Q2 2019 (i.e. +92.1% and +US$ 12,044/day). In particular, in the second quarter of the year we achieved our best quarterly spot result since Q3 2008. DIS had a high proportion of fixed-rate contract coverage in the first half of the year, equal to 63.7% of its total vessel days at an average daily rate of US$ 16,042. In addition, since we realised that the buoyant freight markets in April and May this year were not sustainable for long and that a correction beckoned, we decided to take a prudent approach further increasing in Q2 our time-charter coverage for the remainder of the year, at profitable levels. In fact, I can anticipate that in the usually weaker third quarter of the year DIS can count today on a timecharter coverage of approximately 62% of its vessel days at an average daily rate of US$ 16,314. Our realistic and conservative commercial strategy should reward us in Q3. DIS' total blended daily TCE (spot and time-charter) was of US$ 17,930 in H1 2020 vs. US$ 13,879 in H1 2019 and US$ 19,555 in Q2 2020 vs. US$ 13,710 in Q2 2019.

whose underlying fundamentals continue to be strong. The orderbook is at historical lows, mainly thanks to capital constraints and to uncertainties regarding technological development to meet the IMO 2030/2050 emission reductions targets. On the demand side, seaborne transportation of refined products is on a long-term upward path, as most planned refinery additions are in the Middle East and Asia, in countries which are already important net exporters of products.

<u>In this uncertain short-term outlook, I think DIS is very well positioned to adequately face any kind of market:</u>

– As we are often proud to highlight, in recent years we invested approximately US$ 755 million to order 22 newbuilding product tankers. Thanks to our investment plan, today our Company operates one of the most modern and efficient product tanker fleets in the world;

– Furthermore, in the last three years we have been focused on strengthening our financial structure and through asset disposals as well as equity and debt transactions, we have consistently improved our liquidity position while managing our financial gearing, with an objective of reducing it when possible. In this regard, we sold two of our oldest vessels (one controlled by our 50/50 JV with the Glencore Group) in Q2 2020, generating approximately US$ 18.0 million in net cash and we recently announced the sale of two further ships (built in 2005) which should generate approximately US$ 16.3 million in net cash at the vessels' delivery to their new owners, in the second half of the year.

– At the same time, also through investments in technology, we have managed to cut our costs whilst always ensuring a top-quality service both onboard and onshore. I believe today our Company is very competitive also in terms of breakeven.

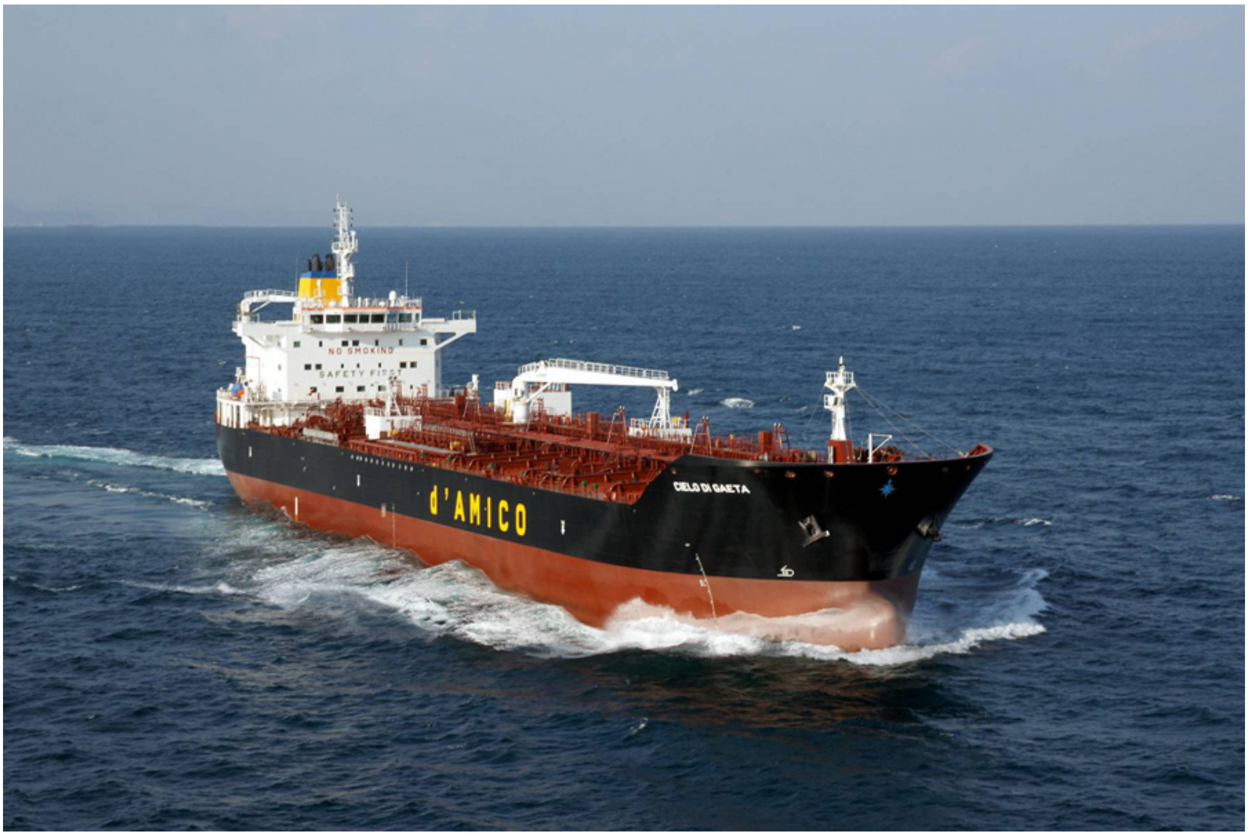
– In addition, thanks to our well-balanced commercial strategy we have been able to secure a high level of TC coverage at profitable rates for the second part of the year, which should help us navigate any potential market volatility.

I do believe all these key elements will definitely allow our Company to weather near-term headwinds while generating in the long-term attractive positive returns for our Shareholders.'

> *Carlos Balestra di Mottola, Chief Financial Officer of d'Amico International Shipping commented:*
> *'I am very pleased of the results achieved by DIS in the first half of the year. Our Company posted a Net profit of US$ 17.1 million in H1 2020 vs. a Net loss US$ (24.3) million in H1 2019 and an Adjusted net profit (excluding IFRS 16 and some non-recurring effects) of US$ 26.4 million in H1 2020 vs. US$ (9.2) million in H1 2019.*

The second quarter of the year was particularly strong, leading to a Net profit of US$ 15.6 million vs. US$ (18.8) million loss recorded in Q2 2019 and an Adjusted net profit (excluding IFRS 16 and some non-recurring effects) of US$ 20.1 million vs. US$ (4.8) million in Q2 2019. DIS' EBITDA amounted to US$ 79.5 million in the first half of the year, representing an increase of 66% relative to the same period of last year. This was clearly reflected also in the very strong generation of Operating cash flow in the period, equal to US$ 59.1 million compared with US$ 20.0 million in H1 2019 and with US$ 59.3 million generated in the entire FY 2019.

As we stated numerous times, we firmly intend to be financially conservative and continue deleveraging our balance sheet, as we strongly believe that having a sound financial structure



The first quarter of the year was characterized by the outbreak of COVID-19, resulting in countries adopting various containment and lockdown measures in the attempt to control the spread of the pandemic. This had a very negative effect on oil demand and refining activity. At the beginning of the year, product tanker rates softened considerably reaching a bottom around mid-February. In early March, however, OPEC+ members failed to reach an agreement on production cuts to offset falling oil prices caused by the outbreak of the virus. This led to an all-out price war between Russia and Saudi Arabia, with oil-producing countries no longer bound by any output quota, and to a sharp drop in the oil price which went from US$ 60 per barrel in mid-February to US$ 20 per barrel in March. The increase in oil production, combined with a steep decline in oil demand, moved the oil curve into a steep contango, providing a strong incentive to increase oil stocks worldwide. Land-based storage facilities quickly reached almost their full capacity and pushed large quantities of crude and petroleum products into tankers as floating storage (close to 15 million deadweight of product tankers was being used for storage by mid-May). This increase in floating storage and the increase in port congestion resulting from the lack of onshore storage space, sharply reduced the effective supply of vessels, resulting in a spike in product tanker freight rates around the end of April, hitting record levels in several routes and geographical areas.

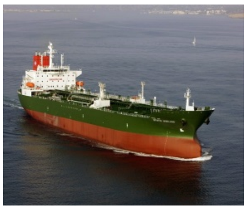
In April, OPEC and other world oil producers agreed to reduce crude oil supply by almost 14 million b/d on average from April to June.. The oil price recovered from the US$ 20 per barrel in April to close to US$ 40 per barrel by the end of June. This together with the gradual unwinding of the lock-down measures, led to a partial rebound in oil demand with oil prices rising and the forward oil price curve flattening. The resulting decrease in floating storage, with vessels slowly returning to the market, coupled with the strong oil supply curtailment, led to a sharp fall in almost all tanker sectors in June, with low freight rates persisting on most routes throughout July. As we all know, predicting the near-term demand for the seaborne transportation of refined products is currently an arduous task, also because of the risk of a second wave of Covid-19 contagion followed by the possibility of further partial lockdowns worldwide. Longer-term we maintain a very positive outlook for the product tanker industry, will increase our strategic and operational flexibility going forward, very valuable assets in the highly cyclical business we operate in. In this context, I am particularly proud of seeing the ratio between DIS' Net financial position (excluding IFRS 16) and its Fleet market value improving quarter after quarter, reaching 62.0% at the end of June 2020 vs. 63.3% as at the end of March 2020, 64.0% as at the end of 2019 and 72.9% as at the end of 2018. At the end of 2019, DIS had Cash and cash equivalents of US$ 33.6 million (including a US$ 5 million loan received from DIS' parent company), while at the end of June 2020 this amount had increased to US$ 50.4 million (having also fully reimbursed the aforementioned shareholder loan). We achieved such an improvement in liquidity and gearing ratios through a combination of sale-leaseback transactions, straight sales of older vessels, and equity capital increases in both 2017 and 2019, while always benefitting from the strong support of our controlling shareholder I expect our financial position will improve further, in particular after the market has digested some of the effects of Covid-19 and spot freight rates return to healthier levels, driven by our market's strong long-term fundamentals. In fact, we have very limited capital commitments, which only related to vessel maintenance expenses, and our cash breakeven is significantly lower relative to previous years, thanks to lower bank-debt amortizations and to cost efficiencies achieved in recent years. Our Company operates a modern, efficient and flexible product tanker fleet, can count on a solid financial position, a competitive cost structure, strong industry relationships, and a well-balanced commercial strategy. These are all key ingredients that should ensure our Company is successful, generously rewarding DIS' shareholders in the long-term.'

Source: d'Amico International Shipping

Previous:
CAMBIASO RISSO Group and FENDER S.A. have entered into a strategic partnership: by joining forces they are setting off on a dynamic course in marine insurance industry

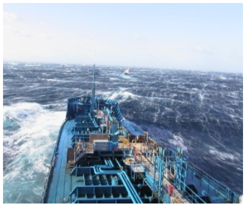
Next:
Hyundai Heavy Industries Holdings Q2 net dips on COVID-19

RELATED NEWS



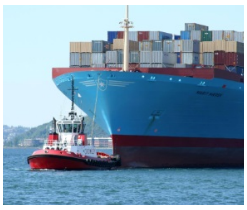
Tankers Are Looking at More Uncertainty Moving Forward

31/07/2020



Short-Term Impact On The Chemical Shipping Market If The India-China Dispute Escalates

31/07/2020



Container shipping demolition reaches 41-month high in July

31/07/2020

RECENT VIDEOS