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'DIS FY'20 Results Substantially Improved Relative To The Prior Year

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The Board of Directors of d'Amico International Shipping S.A., a leading international marine transportation company operating in the product tanker market, yesterday examined and approved the Company's draft 2020 full year statutory and consolidated financial results.

MANAGEMENT COMMENTARY

Paolo d'Amico, Chairman and Chief Executive Officer of d'Amico International Shipping commented: 'In 2020, we experienced an extremely volatile product tanker market. During the first half of the year, freight rates rose to record highs as the drop in oil demand caused by COVID-19, coupled with the increase in oil production especially from Saudi Arabia and Russia, moved the oil curve into a steep contango, providing a significant 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, sharply reducing the effective supply of vessels, thus generating a spike in product tanker freight rates. However, after the deep oil output cuts by OPEC+ came into effect from the beginning of May, spot tanker earnings went through a steep correction, as the market absorbed the excess product stocks, with floating storage gradually unwinding.

In this very volatile market, I am proud to report a profitable full-year result for DIS. In fact, our company generated a Net profit of US$ 16.6 million in 2020 vs. a Net loss of US$ (27.5) million in 2019. Excluding some non-recurring effects from both periods, our Adjusted net result would have amounted to US$ 22.5 million in 2020 vs. US$ (7.7) million of last year, corresponding to an increase of US$ 30.2 million year-on-year.

DIS achieved a daily spot rate of US$ 16,771 in 2020 vs. US$ 13,683 achieved in 2019 (i.e. +22.6% and +US$ 3,088/day). In the second half of this year, our long-term commercial strategy of maintaining a high proportion of fixed-rate contract coverage, proved to be extremely successful. In fact, in Q2 2020 since we realized that the very strong freight market was unsustainable, we decided to take a realistic approach by increasing our time-charter coverage, at profitable levels. In detail, 61.9% of DIS' total employment days in 2020 were covered through 'time-charter' contracts at an average daily rate of US$ 16,429 (2019: 51.6% coverage at an average daily rate of US$ 14,760). Thus, we managed to achieve a total blended daily TCE (spot and time-charter) of US$ 16,560 in 2020 compared with US$ 14,239 achieved in the previous year (+16.3% year-on-year).

According to Clarksons, global oil demand is estimated to have fallen by 8.8% year-on-year in 2020 to 91.4m b/d. In 2021, the IEA expects oil demand to rebound by 6.0% year-on-year, driven by the easing of COVID-19 restrictions as vaccines are rolled out across the world. However, the emergence of several new more contagious strains of the disease pose a significant risk to the oil demand recovery in 2021. Although floating storage has been mostly reabsorbed, we expect it will take a while longer still for the markets to fully recover, and a stronger rebound in demand is a prerequisite, which will stimulate the required increase in oil supply and refinery throughput. Therefore, we remain cautious about the first part of 2021.

Longer term, we remain very positive since the fundamentals of our industry continue to be strong. The expected global recovery in the post-pandemic world, fuelled by large fiscal stimulus by the top worldeconomies, should increase oil demand and benefit the product tanker market. Also, COVID-19 put unprecedented pressure on refineries by significantly squeezing their margins. This accelerated the closure of the older and less competitive refineries, located mainly in Europe, in the US, in Australia and in New Zealand. As of today, there are approximately 1.9 million bpd of confirmed capacity closures/conversions announced since the onset of the pandemic, of which circa 60% is expected to occur in FY'21, with an additional circa 0.6 million bpd of capacity closures currently under assessment. The lost output from these refineries, will be replaced by the new more efficient units mainly in Asia and the Middle East, leading to an increase in ton-mile demand for product tankers. According to the IEA, global refinery crude distillation capacity should rise by 6.1m b/d in the '20-24 period and 76% of the planned additions are in Asia and the Middle East. According to the IEA, over the next few years, Europe and all the regions of the southern hemisphere are expected to remain reliant on product imports from the United States, Russia, the Middle East and China.

On the supply side, growth is expected to be extremely constrained. In fact, the newbuilding orderbook is at historical lows, mainly thanks to capital constraints and to significant uncertainties regardingtechnological developments to meet the IMO 2030/2050 emission reductions targets. New environmental regulations and technological advances should also lead to an increase in demolitions of older tonnage, which have been minimal this year since demolition yards were closed most of the time. This should contribute to an even slower fleet growth over the next two years.

I am confident DIS is today well positioned to confront a near-term soft patch in the market and we can look at a bright future ahead. In fact, DIS can count on a very modern and efficient product tanker fleet (the average age of DIS' owned and bareboat vessels is of 6.4 years, compared to an average in the product tankers industry of 12.0 years for MRs and of 11.6 years for LR1s, according to Clarksons) and a solidfinancial structure. In 2019, we completed our US$ 755 million investment plan in eco newbuildings and 3today we have no further capital commitments (excluding maintenance Capex). Also, in the last three years we 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 the objective of reducing it when possible; through investments in technology and improvements inour processes, we have managed to cut our costs whilst always ensuring a top-quality service both onboard and onshore. Thanks to this strategy, we have today a very competitive cost structure and a low breakeven relative to most of our peers.

As we look forward to a positive future for our industry and our company, I would like to thank once again all our stakeholders for their continued support and trust.

' Carlos Balestra di Mottola, Chief Financial Officer of d'Amico International Shipping commented:

'In 2020, DIS posted a Net profit of US$ 16.6 million vs. a Net result of US$ (27.5) million recorded in 2019 and an adjusted Net profit (excluding IFRS 16 and some non-recurring effects) of US$ 22.5 million in 2020 vs. a Net result of US$ (7.7) million recorded last year. We achieved a daily spot rate of US$ 16,771 in 2020 vs. US$ 13,683 in the previous year, thanks to the better market conditions experienced in the first part of the year. Thanks to our prudent commercial strategy, we reached a time-charter coverage of 61.9% in 2020 at an average daily rate of US$ 16,429, which helped us navigate through the challenging market of the second half of the year, achieving a total daily average rate (which includes both spot and time-charter contracts) of US$ 16,560 in 2020 compared with US$ 14,239 in 2019 (16.3% increase year-on-year).

DIS' EBITDA amounted to US$ 127.3 million 2020 vs. US$ 104.2 million achieved in the prior year. This was clearly reflected also in the very strong generation of Operating cash flow of US$ 84.1 million in 2020 compared with US$ 59.3 million in 2019.

During the year, we continued to pursue our goal of strengthening our financial structure, as we firmly believe this will allow us to create long-term value for our shareholders, by enabling our company to act counter-cyclically and opportunistically in the market. At the end of 2020, the ratio between DIS' Net financial position (excluding IFRS 16) and its fleet market value was of 65.9% and we could count on Cash and cash equivalents of US$ 62.1 million vs. US$ 33.6 million at the end of 2019. In 2020, DIS generated approximately US$ 43.4 million in net cash from the sale of some of its oldest vessels. As well as improving our cash balance, the sale of our oldest tonnage allows us today to operate a primarily 'Eco' fleet, which is amongst the most modern in the market.

Thanks to the sound financial and liquidity position we have today, in February 2021 we announced the exercise of a purchase option on a '05-built MR vessel, which had been sold and leased back by d'AmicoTankers in 2017, for a 5-year period, with purchase options starting from the 2nd anniversary and a purchase obligation at the end of the 5th year. This transaction is fully in line with our strategy ofdeleveraging DIS' balance sheet and reducing our financial break-even, as the previous lease was substituted with a bank-loan financing at a much lower leverage and at a substantially lower cost of debt.

Today, we are still facing a challenging market and we have a cautious approach to 2021 and to the first half of the year especially. However, the longer-term fundamentals of our industry are still extremelyfavourable both on the demand and the supply side and we therefore maintain a very positive outlook for the future, as a rebound in economic activity, propelled also by the strong fiscal and monetary stimulus in the leading world economies, will drive a strong upswing in oil consumption, which will eventually lead to a sustainable recovery in freight rates.

DIS is now a financially solid company, operating one of the most modern fleets of product tankers, at a relatively low breakeven, and thanks also to a proven commercial strategy, we can count on good front-end contract coverage to confront the probable near-term soft patch, while retaining significant market exposure to the longer-term anticipated recovery in freight rates. We look forward to generating substantial value for our shareholders in the future.'

Full Report

Source: d'Amico International Shipping S.A.

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