DIS positive going forward despite posting loss

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d'Amico International Shipping (DIS) net result was a negative $12.8 mill for 2016, mainly due to the weak product tanker market experienced in the third quarter and at the beginning of the fourth quarter.

This result compares with a $54.5 mill net profit posted in 2015. The variance compared with the previous year is largely due to a much weaker freight market in 2016. DIS' daily average spot rate was $13,302 in 2016 versus. $18,814 achieved in 2015.

At the same time, 45.9% of DIS' total employment days in 2016, were covered through timecharter contracts at an average daily rate of $15,989, which represents about the same percentage as the previous year but at a higher average rate (full-year 2015: 46% coverage at an average daily rate of $15,214).

Such high level of timecharter coverage is one of the pillars of DIS' commercial strategy and allows it to mitigate the effects of spot market volatility, securing a certain level of earnings and cash generation, the company explained. DIS' total daily average rate (which includes both spot and time charter contracts) was $14,534 in 2016, compared with $17,159 achieved in 2015.

In comparison with the previous year, 2016 results were also negatively impacted by: i) $6.6 mill impairment booked in 2016 on three vessels, which are currently under advanced sale negotiations. Based on IFRS 5 these three vessels were classified as 'assets held for sale' and the difference between their appraised market value and their book value was charged to the current year profit and loss; ii) $5.8 mill positive result on disposal achieved in 2015, following the sale of one of DIS' owned vessels last year; iii) $7.5 mill extraordinary positive result generated in 2015 from the company's treasury and risk management.

DIS was able to achieve a 2016 EBITDA of $55 mill and an 'EBITDA Margin on TCE Earnings' of 21%, despite the weak spot market characterising a significant part of the second-half of the year (2015: $97.1 mill and EBITDA margin of 31.3%).

Such level of EBITDA together with an efficient management of the working capital, led DIS to generate a positive operating cash flow of $55.7 mill last year ($68.5 mill in 2015).

In 2016, DIS had $151.2 mill in capital expenditures, mainly in relation to its newbuilding plan. Since 2012, DIS has ordered 22 'Eco design' product tankers (10 MRs, six Handysize and six LR1s), of which 15 vessels have been already delivered as at the end of last year. This corresponds to an overall investment of around $755 mill and is in line with the company's strategy to modernise its fleet through newbuildings with an eco-design, DIS explained.

The remaining investment plan amounts to $223.4 mill and 74% will be financed with already secured bank debt. In addition, DIS has already fixed 14 of its newbuildings on longterm timecharters with three oil-majors and a leading refining company, all at profitable levels.

TECE earnings were $261.4 mill in 2016 versus. $310.7 mill in 2015. The drop was due to the softer product tanker market of 2016.

DIS CEO, Marco Fiori, commented: "DIS' net result was negative for $12.8 mill in the full-year 2016, including $6.6 mill impairment on 'assets held for sale'. Such negative result was due to the soft market scenario we experienced in the second half of the year, when rates hit historically low levels. The substantial level of inventories built up in the previous months and in 2015 together with a relatively high influx of newbuildings coming into the market in 2016, put downward pressure on freight rates.

"However, DIS maintains a very positive view on the product tanker market in the medium-term. I am a strong believer that our industry has very strong underlying fundamentals, which will benefit us in the years to come. On the demand side, we are expecting a good level of growth on the back of the trend of refineries moving away from main consuming regions, which will increase tonne/mile demand. On the supply side, we have a historically low fleet growth expected over the next two years, with the current MR orderbook close to its 20 years' low and very limited ordering activity at the moment. At the same time, the new environmental rules, which are gradually coming in place, will lead to a further reduction on the supply side, benefiting owners of very young fleets like ourselves.

"I am rather satisfied about the way DIS managed to minimise the negative impacts of this market correction. On the one hand, we benefited from our traditional high level of 'time charter-out' coverage (46% of its available vessel days at a daily average fixed rate of $15,214) which provided a good hedge against the spot market volatility; on the other hand, we gradually shrank our short-term 'time charter-in' fleet during the year, reducing our market exposure. I think this proves DIS has been implementing a successful chartering strategy and has a flexible cost platform, which we can quickly adapt to changes in market conditions.

"In addition to the above, we are very active on the sale market. We recently announced the disposal of two of our oldest ships and we are currently working on other similar deals. In most cases, we will charter back for a few years the vessels we intend to sell, positioning ourselves to keep our tonnage capacity in an expected strengthening market whilst increasing at the same time our liquidity and financial flexibility.

As at the end of 2016, our company had a net asset value (NAV) of $222 mill, which translates into a NAV per share of €0.49, which is almost 50% lower than the current stock price," he concluded.

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