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(Article translated from Italian)

The Sea is my Friend

The Italian group, one of the world's **top ten shipowners**, anticipates a recovery in charter rates and ship **prices**. And when the shipping business picks up, it means that the **economy** is recovering | **Alberto Vita**

"THE SHIPPING INDUSTRY is cyclical. You can gain or lose a lot, which is why it is important to keep in time with the rhythm of the markets." **Giovanni Barberis**, the new Chief Financial Officer of **d'Amico Società di Navigazione**, is passionate about the sea, electric guitars and Carlos Santana and likes to use musical metaphors. He uses them to describe a trade secret that is well known to many businessmen, but one which is very difficult to execute: buy low, sell high and then wait for a low tide and favourable winds before reinvesting.

"It's a question of rhythm, of course, and also of knowledge, which is rare in Italy because the shipping market is not well known here and the international market revolves around Oslo and New York," insists Barberis, who joined the company only a few months ago after a long career as Head of finance at two leading food companies, Cremonini and Arena, and at the multi-utility companies Acea and Hera, all of which are listed on the stock market. "In the world of shipping, there are well-defined cycles ranging from three to five years: it is crucial for management and shipowners to be able to navigate through these cycles and buy ships at the right time." Indeed, one mistake could prove very costly for the company. Just imagine: a new 50,000 tonne cargo ship that cost 60 million US dollars just five years ago is today worth only 30 million. The same applies for chartering: rates have fallen from over 450,000 US dollars per day before the crisis to 12,000 US dollars up until a few months ago.

"A ship that is purchased at a price agreed and paid to the shipyard at time of order is delivered after about two years: if the economic cycle following the purchase is downward-moving, resulting in lower revenues, you may end up having overpaid for an investment which will subsequently not guarantee a sufficient return." In that case, continues Barberis, "you are obliged to finance a loss. Countless shipowners have been forced to close because they got these calculations wrong." The key, once again, is timing. "We have just signed a five-year lease agreement with one of the *Seven Sisters* at a much higher rate than was recognized by the market up until two years ago. And since the oil companies do not give anything away for free, this means that they consider that the increase is justified by the recovery in the economy. We can also see the same trend in the value of the vessels: one of our ships which was recently estimated at 10 million USD, sold for 12 million USD two months later."

Giovanni Barberis, Chief Financial Officer of the shipping company, d'Amico. Below, the **Cielo di Milano**, one of the tankers of the Rome-based group

D'Amico International Shipping – which specializes in the transport of refined petroleum products and vegetable oils – is part of the shipping group d'Amico, founded in 1936 in Salerno, Italy and now headed up by **Cesare** and **Paolo d'Amico**. The subsidiary is publicly traded and has just completed a capital increase of around 100 million euros. The shares are currently valued at around 30 euro cents, which the Group's

management expect to double in a short period of time. "A fleet is like a cheque, you can use it whenever you want.

Key figures (2011)

Revenue: 710 million euros

Profit: 22 million euros

Assets: 928 million

Employees: 980 maritime 583 ground staff

Investments: over the next three years 350 million euros

Fleet: approximately 100 vessels carrying both dry and liquid cargo

The value of the d'Amico International Shipping fleet, net of debt, is 150 million US dollars which, divided by the number of shares – 150 million as it happens – gives exactly one dollar, or 70-80 euro cents. "Therefore, this is the best time to invest. As proof of this, in addition to Management, the shareholders have fully subscribed the capital increase, despite the crisis. "We need it to finance the company's growth: we have already ordered six next-generation product tankers for delivery in 2014 and 2015. However, the contract was signed at current prices, which are already increasing." These investments are made possible by the financial strength of a group with one billion euros in assets, a debt of only 200 million euros and a fleet valued at around 700 million euros.

The market, meanwhile, is changing rapidly and many companies risk being left behind. The Chinese, Koreans and Japanese have long demonstrated that they are able to move swiftly along the road to efficiency. All over the world, we are turning towards new tankers capable of saving up to 3,000 US dollars per day in fuel. In addition, increasingly stringent international standards are in place, limiting the operation of more polluting vessels. "We comply with all of these requirements, our fleet is young, only six years old, and we have just ordered 6 new state-of-the-art ships." Then, we also need to consider the fact that the era of super tankers is coming to an end: more and more oil will be refined where it is produced rather than where it is consumed. Therefore, the requirement will be to transport the finished product. "For this reason, smaller, more modern and flexible ships are required that can travel fast and ensure speedy loading and unloading. Furthermore, when your clients are the world's largest oil companies, the guarantees required are very high." Even in the shipping business, reputation is paramount. "However it also comes at a price. Which, for all these reasons, and fortunately for us, is increasing."

The crisis is over for everyone, according to the Italian shipowner

When things go well for the shipping industry, the general economy also usually experiences calmer waters. From its privileged vantage point, d'Amico has already glimpsed signs of recovery on the horizon. Indeed, it is not alone: the positive sentiment is shared by many. The number of charters is growing, as are the prices that oil companies and large food producers are willing to pay to move their cargo. This phenomenon has also been confirmed by Platou, one of the world's largest ship brokering companies. The wind of recovery has picked up again and, within a year, recovery should reach a cruising speed that has not been seen for some time. This, at least, is according to the calculations of those who, like D'Amico, for at least 60 years have been able to interpret the cyclical trend of the market. Recovery is upon us.