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- Product tankers - a volatile market that could rip straight upwards



## Product tankers - a volatile market that could rip straight upwards



By [Barry Parker](#) from New York

**Springtime in New York coincides with earnings season, with listed companies now reporting their financial results for Q1 2016 covering the first**

**three months of the year. In the product tanker sector, the news was all good.**

The companies are throwing off enough cash to pay dividends, repay outstanding debt, and in some cases, even buy up their own shares- which they perceive as underpriced. Robert Bugbee, the president of NYSE quoted Scorpio Tankers captured the optimism of the sector, explaining – on the company’s investor call, that “as we go forward....you have a balanced market...so, any input into the demand is going to rip that market straight up”.

Marco Fiori, ceo of Italian-listed d’Amico International Shipping (DIS) told his investors, “I maintained my view that the product tanker market will have a certain degree of volatility during the current year but I also believe 2016 will be overall a good and profitable year for our industry. “

Scorpio Tankers reported Q1 earnings of \$28m, which works back to \$0.17 per share on a fully diluted basis and a quarterly dividend of \$0.125 per share. It reported that MRs in the Scorpio Pool had earned an average of \$18,573 per day in Q1 and that vessels fixed already in Q2 (which began April 1) were seeing TCEs of approximately \$18,000 per rday.

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Scorpio Tankers has 11 newbuilds on order, consisting of eight MRs and three LR2s with slightly over \$300m of installments still to be made out through Q4 of 2017. Lauro alluded to a tightened lending market but said that he was confident that company's newbuildings could be financed, saying "we keep on having encouraging conversations with our lenders." On the call, Robert Bugbee suggested that further expansion is likely not in the cards, describing a full built out platform.

Ardmore Shipping, also NYSE listed, by contrast with Scorpio Tankers, has completed its newbuild programme, and has refinanced nearly all of its outstanding debt- extending its term and reducing quarterly interest payments. Like its much larger peer, Ardmore is also opportunistically using its ample cash flows to re-purchase shares - based on a valuation, in the marketplace, below the estimated "Net Asset Value"/share.

On its call detailing Q1 results, its chairman, Tony Gurnee, reported that Q1 earnings on its vessels, which are Handies and MR2s able to take products and chemicals, as being close to \$19,000 per day. Net income came in at \$6.7m, or \$0.26 per share - with a dividend of 60% of net income - or \$0.16 per share. In line with Scorpio Tankers, Ardmore's spot MR's are earning approximately \$18,000 per day, so far in Q2.

DIS, -also a dividend payer, in the midst of a 22 ship newbuild program worth \$750m, showed that finance is indeed available. It secured \$250 m, from a group of nine banks- part of which will go towards refinance with the balance going toward newbuild finance.

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