

Ocean Intelligence

Chemoil posts full year losses despite 'strong' Q4 results February 11, 2011

Global marine fuel supplier Chemoil Energy Ltd. posted net loss of \$9.5 million for full year 2010 even as it reported the 'best quarterly operating result' for the year.

Losses were incurred even as full year revenues increased 27% to \$7.3 billion, it said on Friday.

In comparison, the company posted net profit of \$11.5 million against revenues of \$5.8 billion for full year 2009.

Chemoil attributed the full year net loss to losses incurred in the first quarter (Q1) of 2010 and the "slow pace of margin recovery" throughout the year.

For the fourth quarter (Q4) of 2010, the company reported profit before tax of \$3.7 million although a one-time write-offs resulted in net loss of \$1.8 million for the quarter.

It's gross contribution per metric tonne (GCMT) for the quarter, meanwhile, was higher at \$6.70 per metric tonne (pmt) compared to \$6.30 pmt in Q4 2009.

"In the fourth quarter of 2010, we produced our best quarterly operating results for the year as the fruits of our operational improvements and cost cutting efforts began to take shape," said executive chairman Mike Bandy.

"We have... decided to take prudent measures to strengthen our financial condition going forward"

"However, we also decided to take conservative actions by making one-time write-offs which will better position the Chemoil Group going forward financially as the marine fuel margins begin to recover."

During the quarter, Chemoil's sales volumes were 4.1 million metric tonnes (mt), up 3% from 4.0 million mt in the corresponding period a year ago.

Full year sales volumes also rose 3% to 15.6 million mt from 15.1 million mt in 2009 primarily due to increased retail sales in Americas and Asia.

Chemoil said its business continued to be exposed to weak wholesale-retail margin spreads.

"Since the time the group's performance was impacted by weak margins in 3Q2009 and 1Q2010, we have made significant improvements in our core operations," said Bandy.

"We have also taken a careful look at our assets and decided to take prudent measures to strengthen our financial condition going forward."

Bandy added that Chemoil's new CEO Tom Reilly will continue to "implement operational changes" and refine "cost cutting measures" while focusing on growing the Chemoil global franchise.

"The group can also focus on realizing profit generating opportunities in a margin environment that is now showing some signs of improvement," he said.

Reilly succeeded Bandy as director and CEO of Chemoil following the completion of Chemoil's acquisition of OceanConnect Holding's marine fuel group on January 3, 2011.