

ARDMORE SHIPPING CORPORATION (NYSE: ASC)

INVESTMENT ANALYSIS

Navigating Structural
Disadvantages in a
Geopolitical Super-Cycle.



MARKET CAP: ~\$550M | ASSET CLASS: PRODUCT & CHEMICAL TANKERS | STATUS: MID-CYCLE NORMALIZATION | FLEET: 26 VESSELS

EXECUTIVE SUMMARY: THE EFFICIENT OPERATOR IN A FLAWED MACHINE

THE MACRO BULL



Geopolitical friction (Red Sea/Ukraine) + Aging Fleet (15 yrs) = Sustained high rates despite flat consumption.

MANAGEMENT EXECUTION



Top-tier capital allocators. Fortress balance sheet (\$127M debt / \$788M assets). Counter-cyclical asset trading.

THE STRUCTURAL BEAR



Perfect competition. No pricing power. ASC lacks the scale of peers like TORM/Hafnia to drive unit costs down.

THE VERDICT

A trade on global chaos, not a compounder. Buy only if you believe disruption is structural.

THE CIRCULATORY SYSTEM OF ENERGY



MARKET REALITY

Market Type: Perfect Competition
Service: Fungible Commodity
Pricing Power: Zero (Price Taker)
Switching Costs: None

The Ton-Mile Multiplier: Dislocation Drives Demand

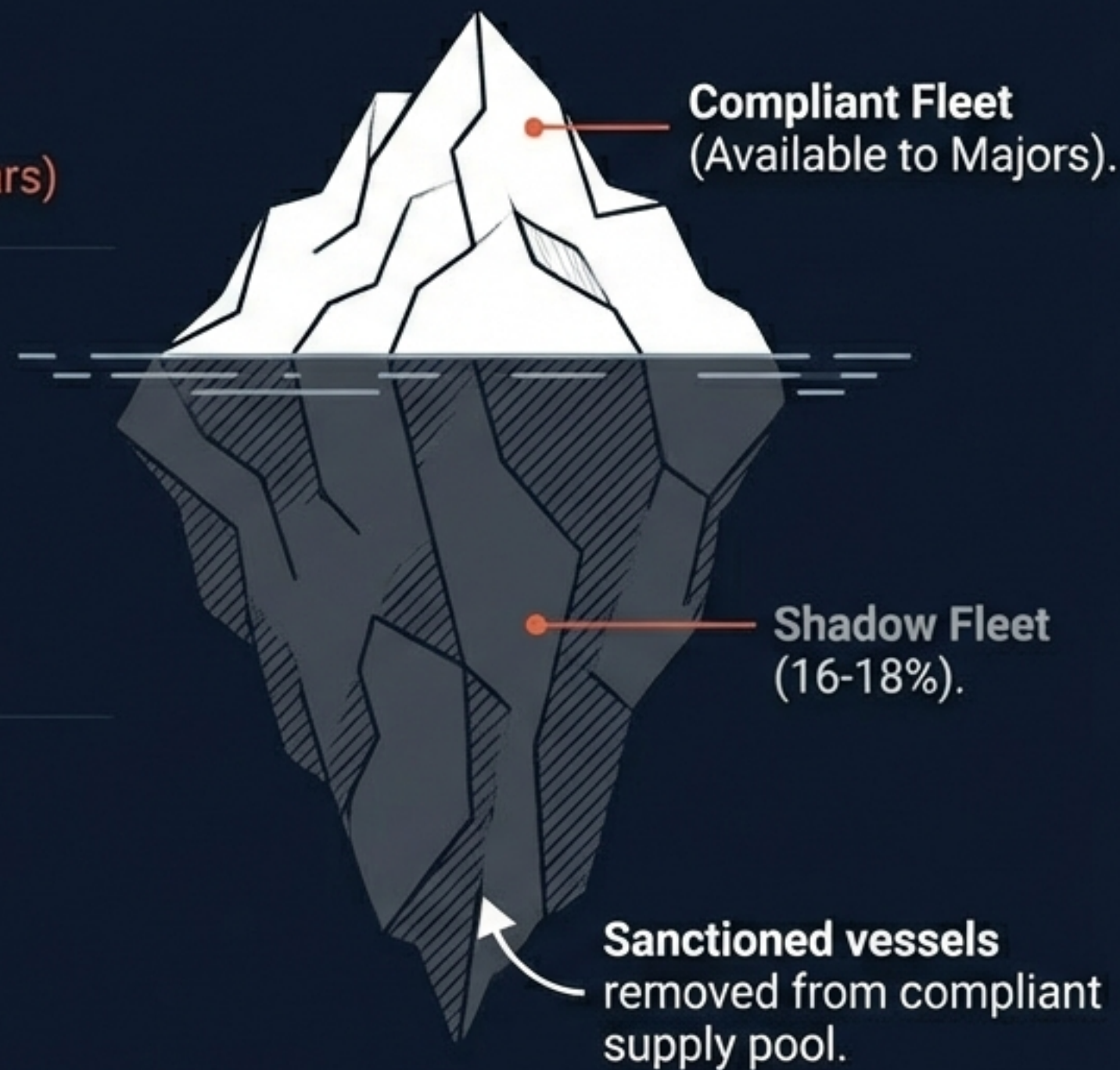
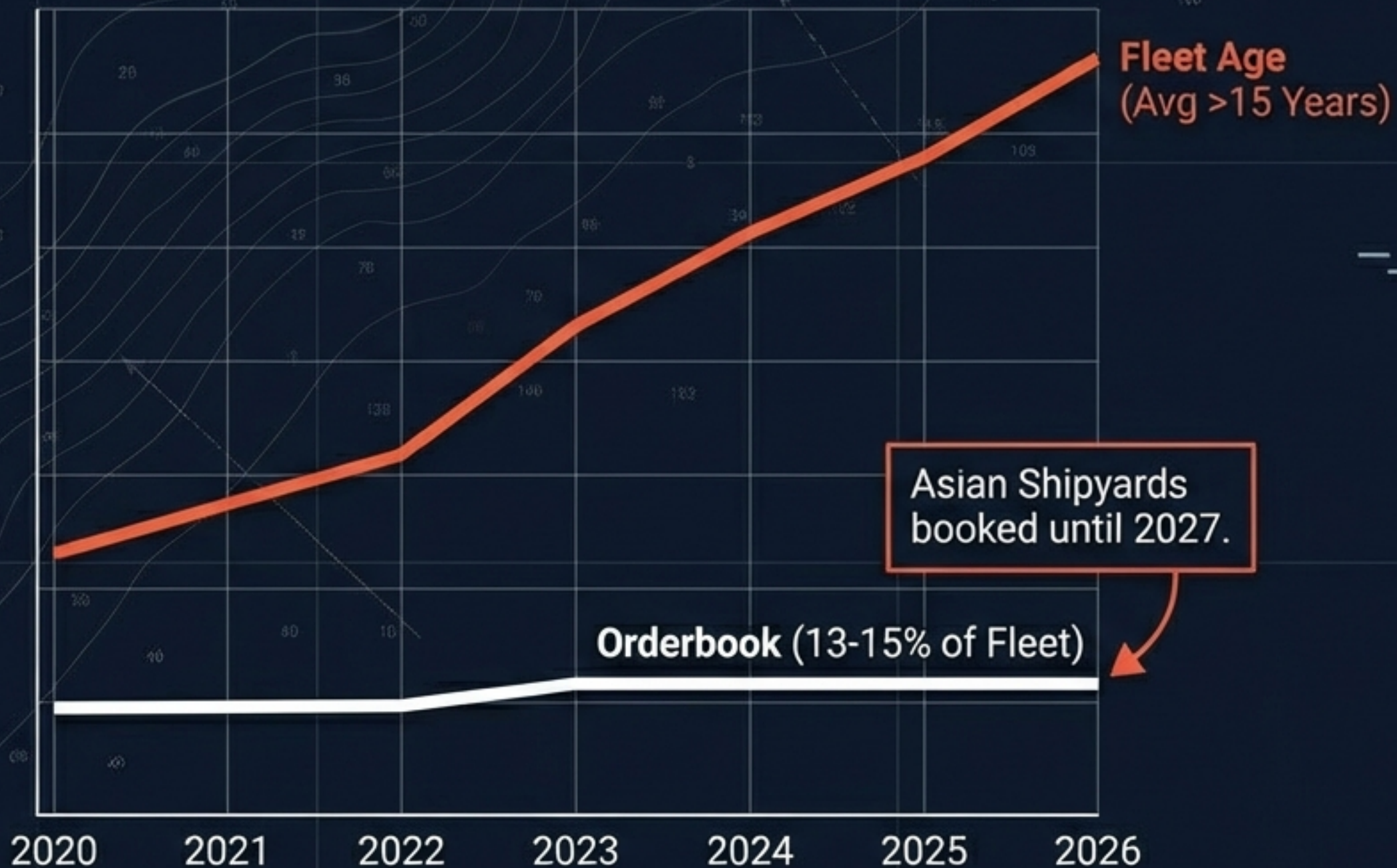


Red Sea disruptions force re-routing, tying up supply and tripling voyage distance.

Inefficiency is the profit engine.

Supply Constraints: The Bullish Wedge

Diverging Lines



The Competitive Reality: No Economic Moat

COMPETITIVE ANALYSIS AUDIT

- ☒ **High Switching Costs?**
No. Driven by price/availability.
- ☒ **Pricing Power?**
No. Spot market taker.
- ☒ **Network Effects?**
No.
- ☒ **Proprietary Tech?**
No. Eco-design is industry standard.

"Profitability is entirely dictated by the spread between the daily spot rate and vessel operating costs."

The Scale Disadvantage: Competing Against Giants



ASC lacks the purchasing power and G&A dilution of mega-fleets. This cost spread is an existential threat in a downturn.

Operating Leverage: The Double-Edged Sword

+\$10,000

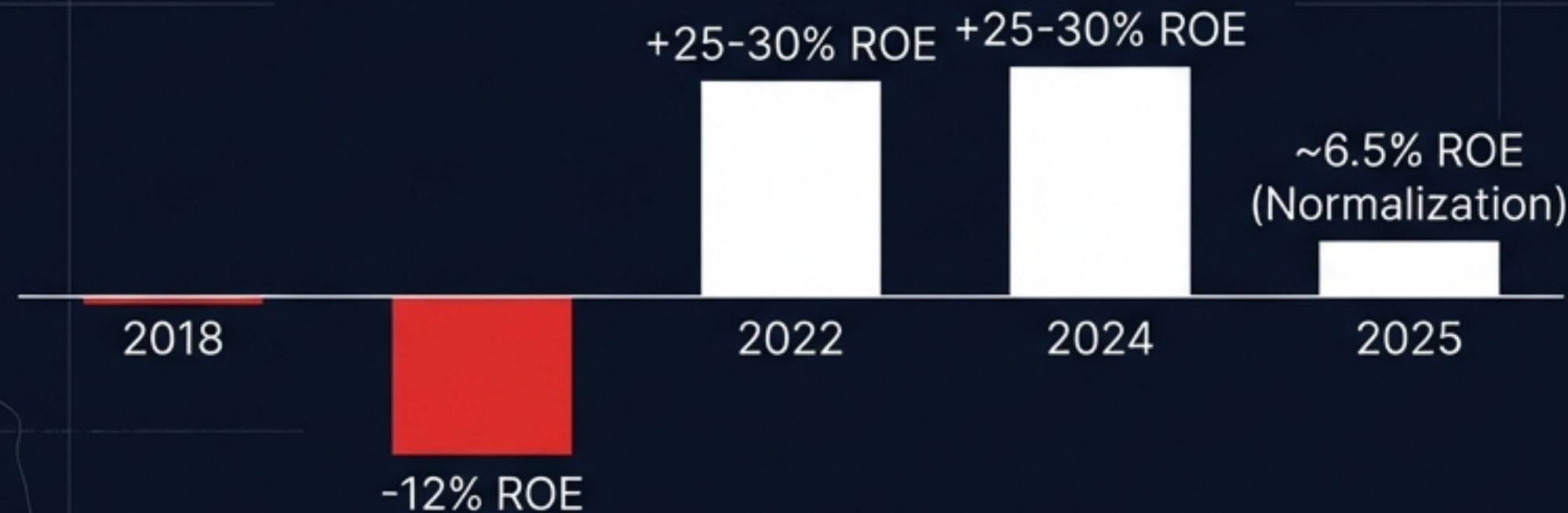
TCE Rate



+\$2.00

Annual EPS

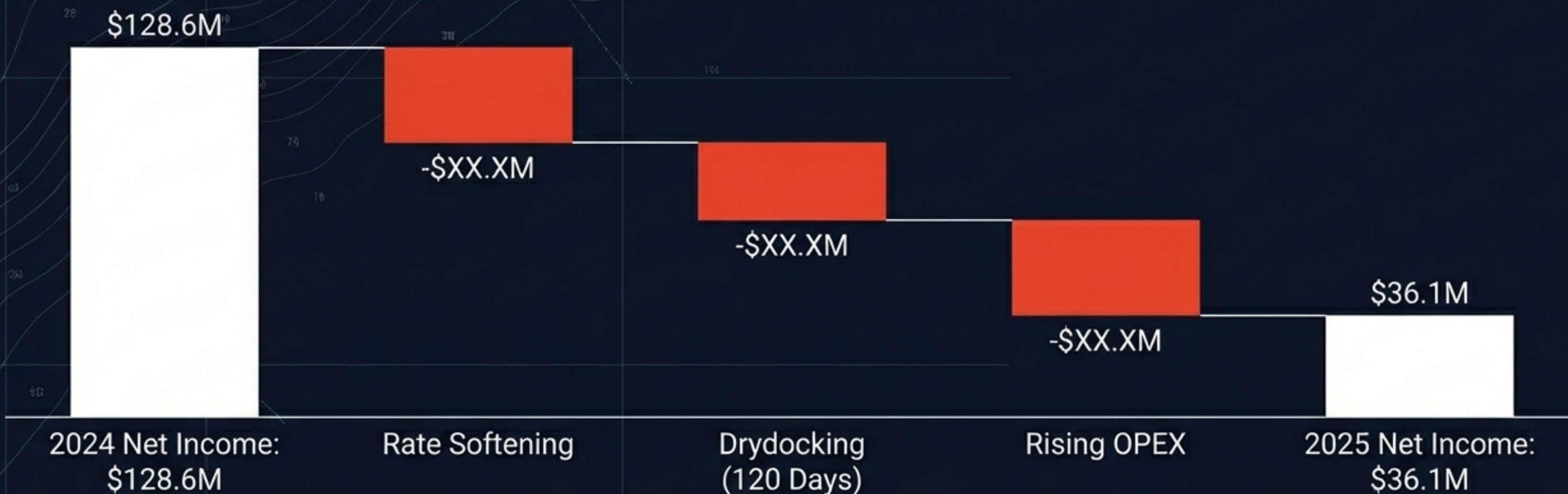
ROE Volatility (2018-2025)



Small changes in rates drive massive swings in cash flow.

Financial Normalization: The Descent from the Peak

Net Income Bridge (2024-2025)



A 67% decline in earnings marks a margin reset, not a cyclical trough.

Strategic Alpha: Counter-Cyclical Discipline

2022-2024 Boom

**Aggressive
Deleveraging**

Debt reduced to 20% /
Refinanced to SOFR + 1.80%.

Q4 2024

**Share
Repurchase**

Bought 4% of float at
discount to NAV.

Q3 2025 Dip

**Asset
Acquisition**

Bought 3 MRs for
\$103.9M.

Assets appreciated
+15% by 2026.

Policy: Variable Dividend (1/3 of Earnings).

The Fortress Balance Sheet



CASH BREAK-EVEN: \$11,700 / DAY

Survival priority. Low breakeven provides a safety net against volatility.



Carbon Capture Ready Scrubbers

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Enabled cheaper HSF0
fuel use.
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The Valuation Paradox: P/E Trap vs. NAV Floor

THE EARNINGS TRAP

16x P/E

Appears Expensive.
Earnings trending down.

Market is
discounting
the steel in
anticipation
of rate crash.

THE ASSET OPPORTUNITY

0.8x P/NAV

Appears Cheap.
Fleet Value (\$750-800M) >
Market Cap (\$550M).

Stress Testing Mid-Cycle Earnings Power

Normalized Rate:	\$18,000 / day
(Minus) Breakeven:	-\$11,700 / day

Net Spread:	\$6,300 / day
Annual Net Income:	\$15M – \$25M
IMPLIED P/E:	22x – 36x

Risk: If geopolitics resolve, the stock is fundamentally expensive on earnings.

Investment Conclusion: A Play on Friction

THE GOOD

- Fortress Balance Sheet
- #1 Governance Score
- Tight Vessel Supply

THE BAD

- Sub-scale (26 ships)
- No Moat
- Decelerating Earnings

THE VERDICT

Buy only if you believe Red Sea/Ukraine disruption is structural.

“Ardmore is a well-managed house in a dangerous neighborhood. Invest only if you believe the neighborhood stays dangerous.”