

A large cargo ship is shown from a low angle, sailing on a dark, choppy sea. The ship's hull is dark and shows signs of wear, with a large anchor visible. The sky is overcast with dark clouds. The text is overlaid on the left side of the image.

INTERNATIONAL SEAWAYS (INSW)

INVESTMENT COMMITTEE DEEP DIVE

Capturing the Geopolitical Premium in a Commoditized Market

DATE: FEBRUARY 2026
ANALYSIS: TACTICAL TRADE / STRUCTURAL HOLD

EXECUTIVE SUMMARY: THE CYCLICAL MIRAGE

THE THESIS (SURFACE)



- Record profitability driven by a "super-cycle" with **ROE peaking at 34.7%**.



- Shareholder Friendly: Committed to a strict **75% dividend payout ratio**.



- Fortress Balance Sheet: **Net LTV suppressed to 13%**.

THE ANTITHESIS (REALITY)



- Exogenous Success: Profits drive by **War (Russia) and Terrorism (Red Sea)**, not business moat.



- Supply Constraint: "Shadow Fleet" absorbs **~23% of VLCCs**, but orderbook **(14-17%)** is rising.



- No Pricing Power: Service is a **commodity**.

THE SYNTHESIS (VERDICT)



■ VERDICT: TACTICAL HOLD.



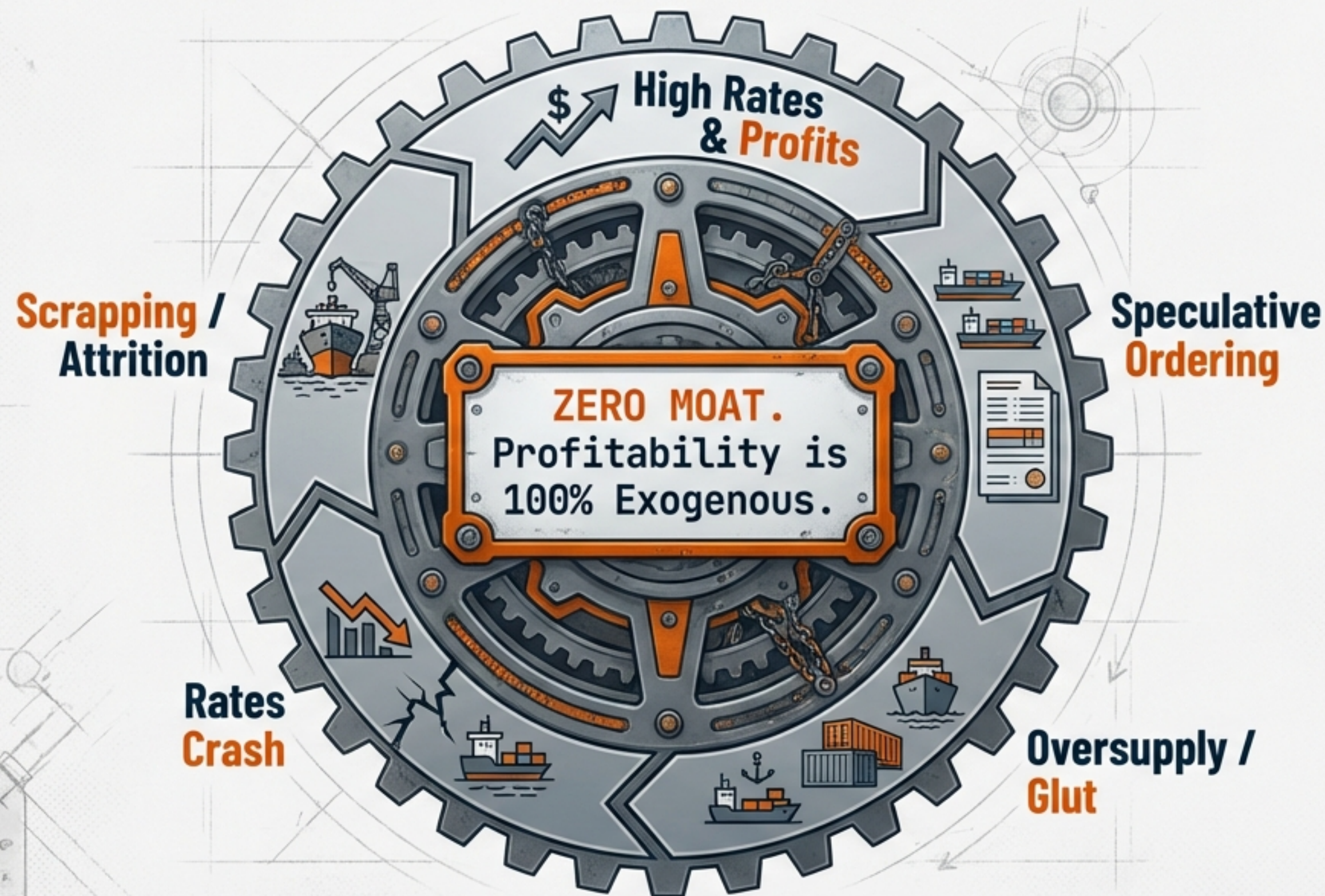
- Not a long-term compounder. Buy for the geopolitical yield, **exit before the supply glut**.



- Analyst Note: Insider selling in Jan/Feb 2026 suggests the internal view is that **the cycle is peaking**.

INDUSTRY DYNAMICS: THE BOOM-AND-BUST ENGINE

Inter: Pricing power is non-existent in this commoditized market.



CURRENT STATE DATA:

- Avg Fleet Age: **14.1 Years** (Historic High)
- Orderbook: **14-17%** (Rising)
- Delivery Lag: **3 Years** (vs 18mo historic)

THE GEOPOLITICAL 'SUGAR HIGH'

Global trade rewiring creates artificial demand via tonne-mile expansion.



THE SHADOW FLEET: A TEMPORARY SUPPLY TOURNIQUET

Inter: ~23% of global VLCC capacity is removed from the compliant market.



COMPOSITION

- ~**100** Sanctioned VLCCs
- ~**100** Illicit Trade VLCCs



IMPACT

- Removes vintage tonnage (15-20y) from competitor pool.
- Tightens supply for INSW.



RISK FACTOR

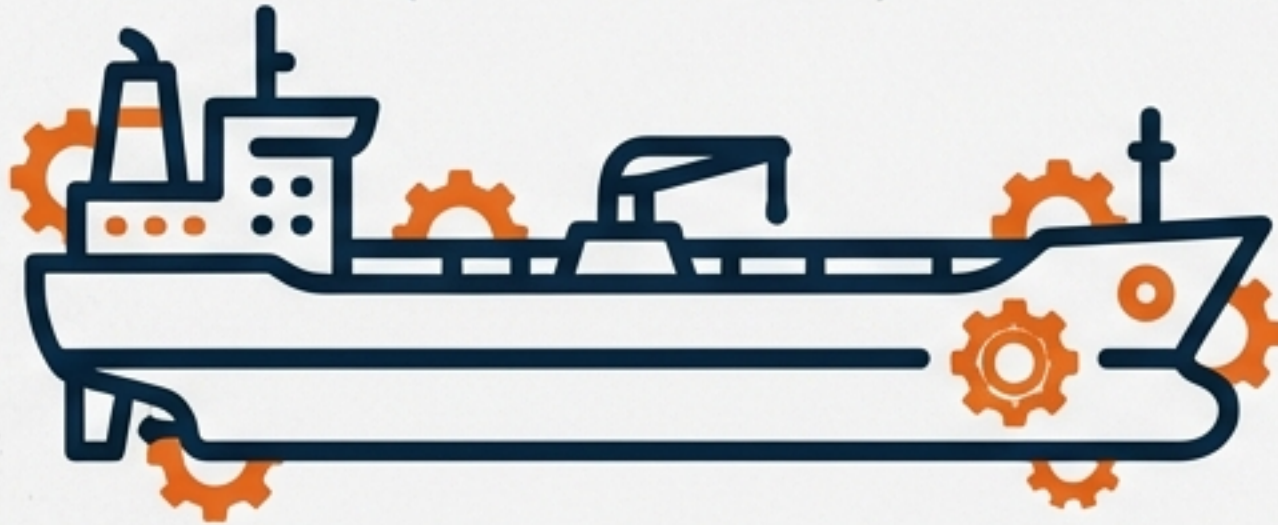
- If sanctions lift, 'Ghost Capacity' returns.
- **Jan 2026:** Shadow oversupply noted due to Venezuelan flux.



INSW AT A GLANCE: THE HYBRID MODEL

Diversified exposure to crude and product cycles to dampen volatility.

CRUDE TRANSPORT (Raw Material)



- 11 VLCCs
- 13 Suezmaxes

Volatile, driven by China/India demand.

PRODUCT TRANSPORT (Refined)



- 35 MRs
- 11 LR1s
- 5 Aframax/LR2

Regional, driven by refinery dislocation.

STRATEGIC UPDATE (JAN 2026):

Acquired sole ownership of Tankers International (VLCC Pool) to internalize commercial management.

THE CORE CRITIQUE: NO STRUCTURAL MOAT

INSW lacks the cost leadership of DHT or the modern fleet of Scorpio.

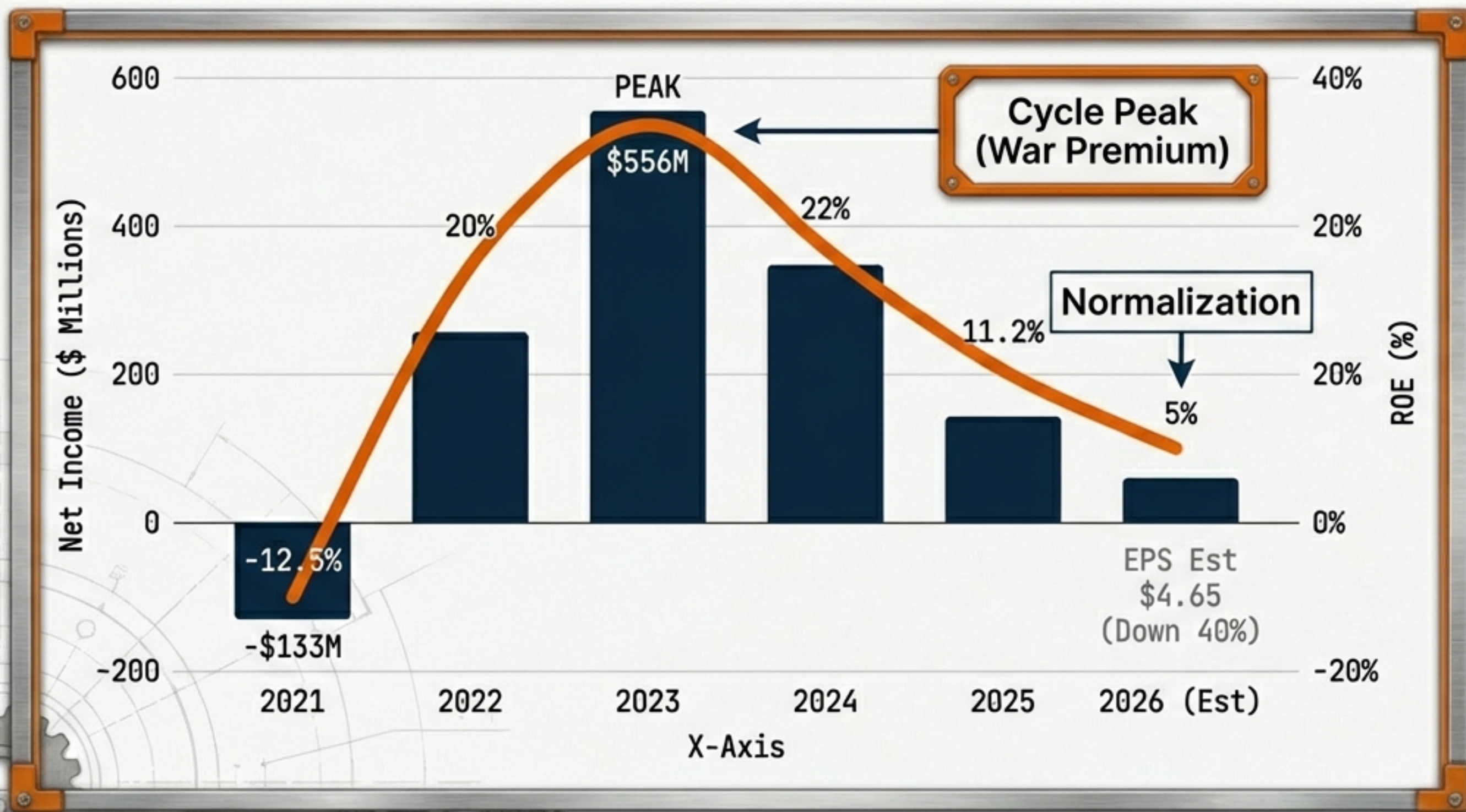
COMPARISON MATRIX			
METRIC	DHT (THE SPECIALIST)	SCORPIO (THE MODERNIST)	INSW (THE GENERALIST)
Strategy	100% VLCC / Low Cost	Product / Eco-Modern	Hybrid / Age Arbitrage
Cash Breakeven	~\$18.3k (VLCC)	N/A	~\$15k (Skewed by small MRs)
Return on Equity (TTM)	17-19%	High	11.2% (Trending Down)
Competitive Advantage	Cost Leadership	Fuel Efficiency	NONE (Price Taker)

ANALYST CALLOUT BOX

HARD TRUTH: INSW is a well-managed participant in a fundamentally bad business. It has no IP and no network effects.

FINANCIAL PERFORMANCE: RIDING THE WAVE

Earnings are a derivative of the macro cycle, not organic growth.



Quality
Check:
Cash
Conversion
is 1.31x.

Earnings
are
cyclical
but real.

OPERATIONAL ALPHA: THE 'AGE ARBITRAGE' STRATEGY

Management trades steel assets to avoid obsolescence.

STEP 1: SELL OLD

Selling 15-18 year old vessels to Shadow buyers.

\$185M sale of 5 vessels (Jan 2026).
\$65M Gain on Sale

DEFENSIVE BRILLIANCE.
Treating ships as currency,
not permanent assets.

STEP 2: RECYCLE CAPITAL

Reinvest proceeds into young, eco-tonnage.

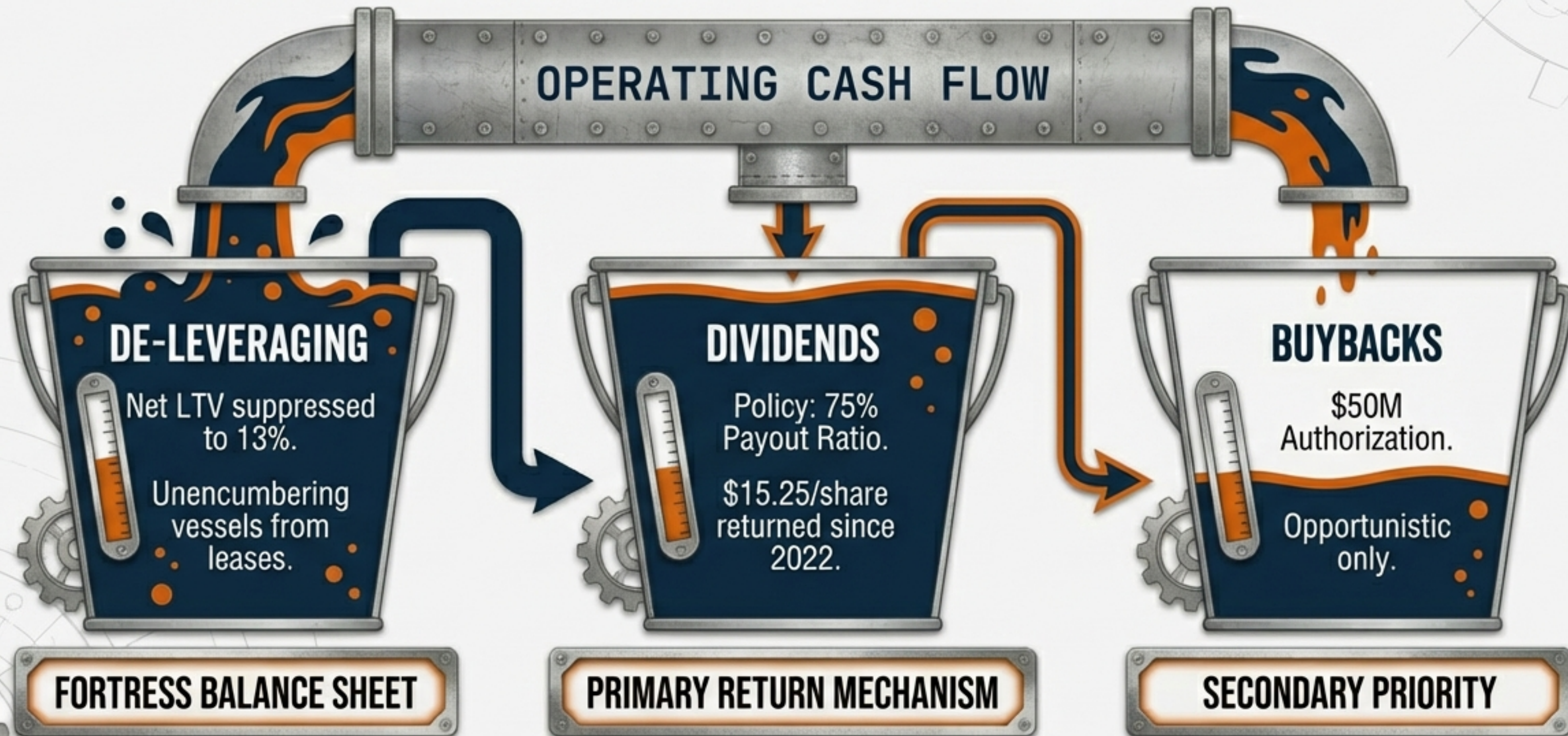
Buying 6 Dual-Fuel LR1s (\$359M).

STEP 3: OPERATE & DEPRECIATE

Run vessels during prime earning years (0-15 years).

CAPITAL ALLOCATION: RETURNING THE WINDFALL

Prioritizing shareholder returns over empire building.



MANAGEMENT ALIGNMENT & INSIDER SENTIMENT

Incentives reward “Beta” while insiders sell the peak.

COMPENSATION STRUCTURE

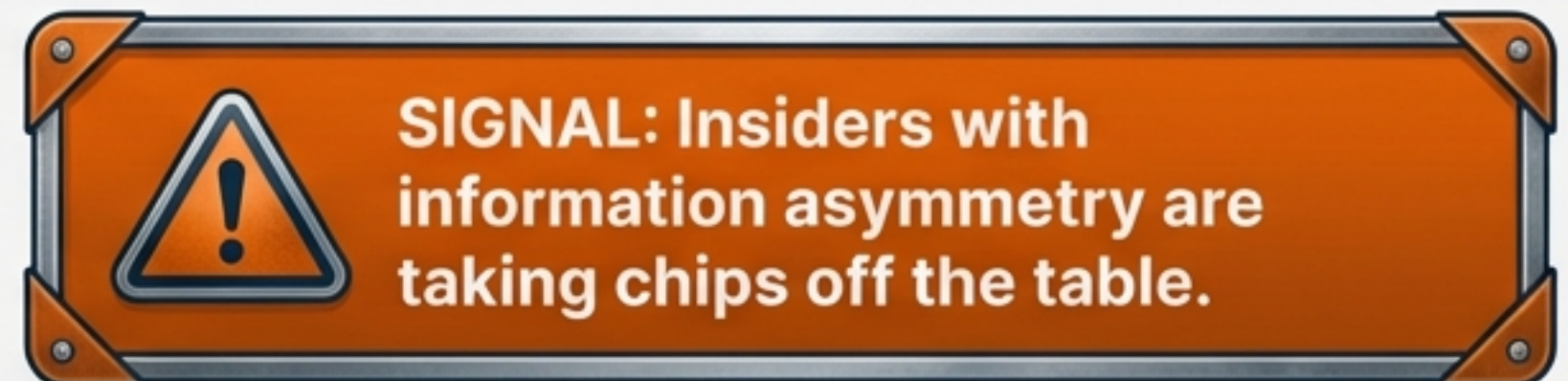


Pay is tied to **absolute earnings**, not **Relative Efficiency (ROIC)**. Executives get paid simply for the market going up.

INSIDER ACTIVITY (JAN/FEB 2026)



CEO (Zabrocky) & CFO (Pribor) selling shares.



VALUATION: THE NAV TRAP

Why "Cheap" multiples are a cyclical mirage.

P/E Ratio
~14x

LOOKS LIKE VALUE

P/NAV
0.68x - 0.85x

CYCLICAL RISK

NAV is based on
inflated steel prices.

If rates drop, vessel
values drop.

Discount disappears
as NAV collapses.

MARKET PRICING:

2025 EPS Est:
\$7.77

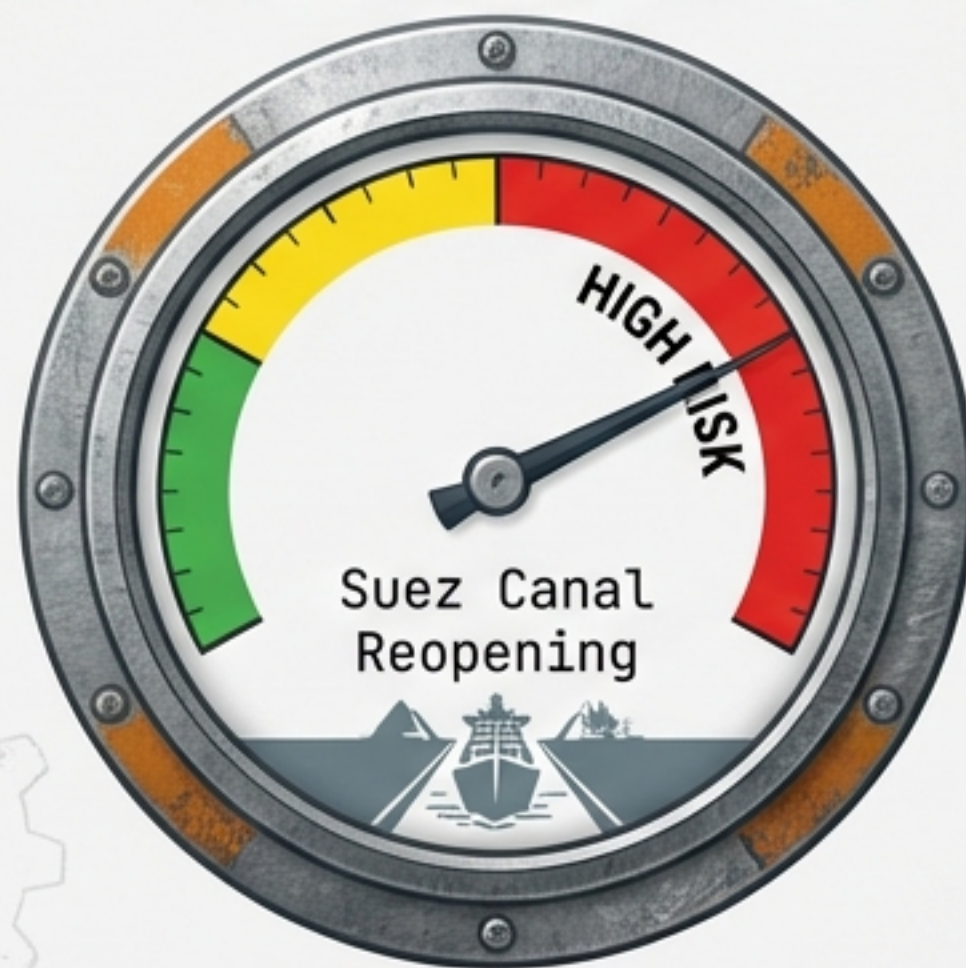
2026 EPS Est:
\$4.65

Market is already
pricing in the decline.

BEAR CASE: WHAT BREAKS THE THESIS?

Exogenous risks that could crash freight rates.

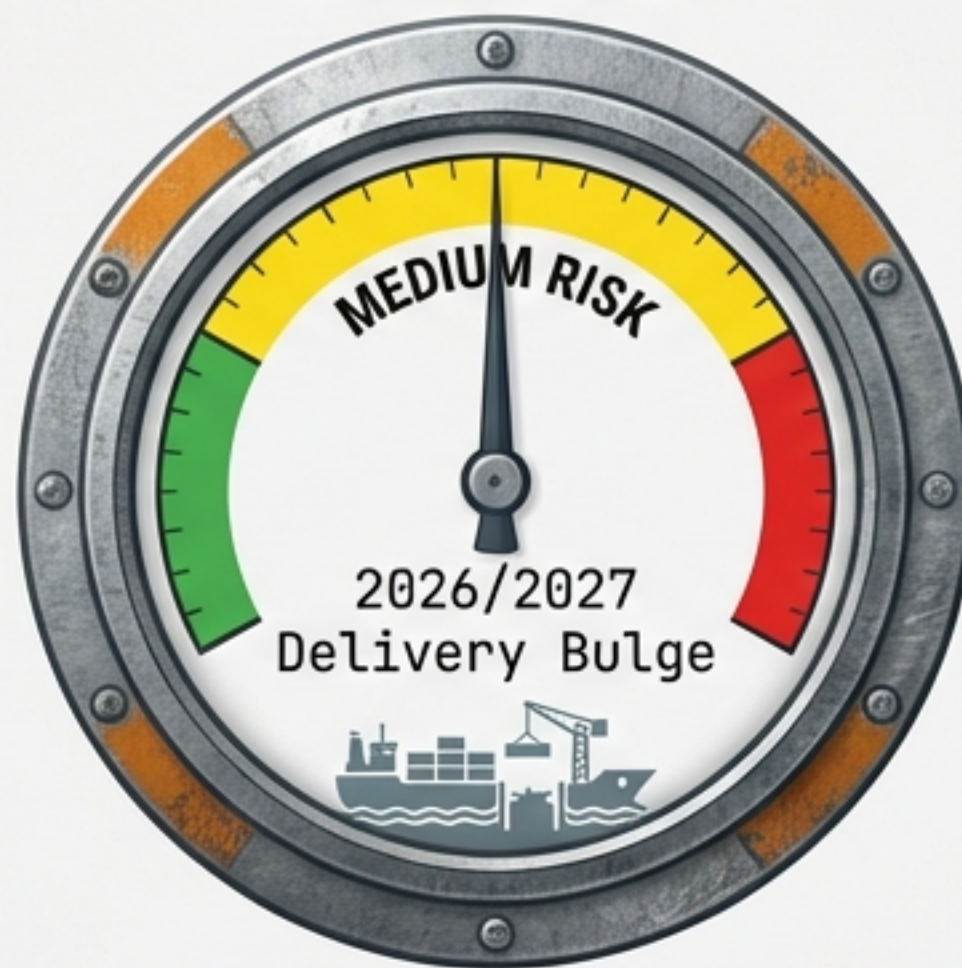
GEOPOLITICAL PEACE



Inter

Voyage times shorten, massive capacity released. Rates crash.

SUPPLY GLUT



Inter

49M dwt delivering. Can demand absorb this?

DECARBONIZATION



Inter

Capex drain. Spending cash just to stand still.

FINAL VERDICT: TACTICAL TRADE, NOT A MARRIAGE

Scorecard		
BUSINESS QUALITY Barlow Condensed	 LOW	Commodity product. Price taker.
MACRO ENVIRONMENT Barlow Condensed	HIGH / FRAGILE	Dependent on conflict and inefficiency.
MANAGEMENT Barlow Condensed	HIGH	Disciplined capital allocation. 13% LTV.

RECOMMENDATION: TACTICAL HOLD.

- Buy for the 75% dividend payout and balance sheet safety.
- **EXIT IF:** Orderbook swells or Red Sea conflict resolves.

CLOSING THOUGHT: A mediocre business, in a fantastic cycle, run by an excellent team.