

Scorpio Tankers (STNG): A Fortress Built on Shifting Sands

Investment Analysis & Structural Outlook 2026



Independent Research | February 2026

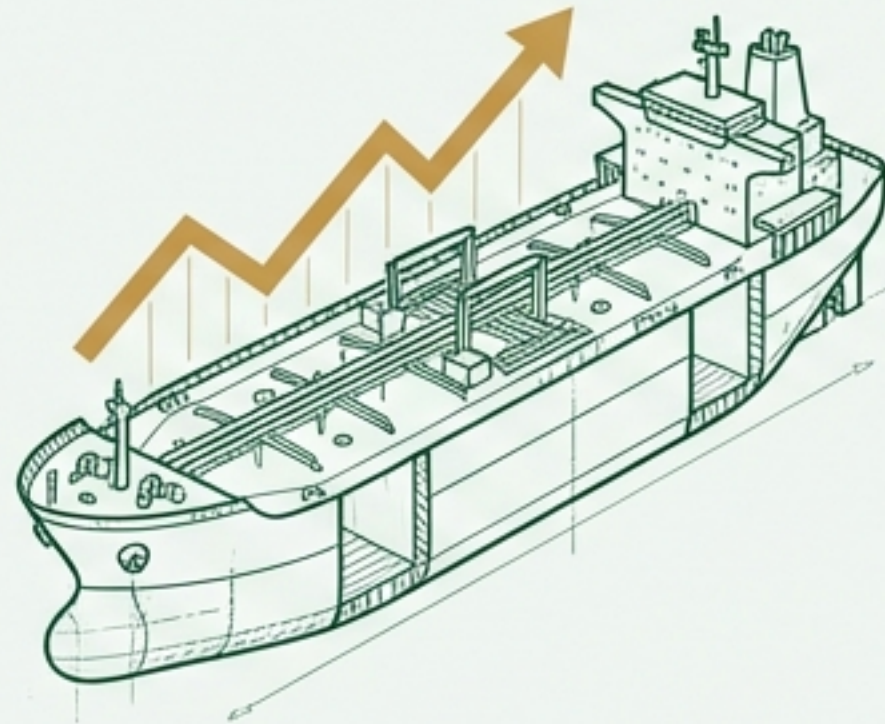
A Bulletproof Balance Sheet in a Fragile Market



THE FORTRESS (Bull Case)

- Net Cash Position: **\$308.9M**
(Pro Forma Feb 2026)

- Breakeven: **~\$11,000/day**
(Historically Low)
- Liquidity: **\$1.7B**
Available



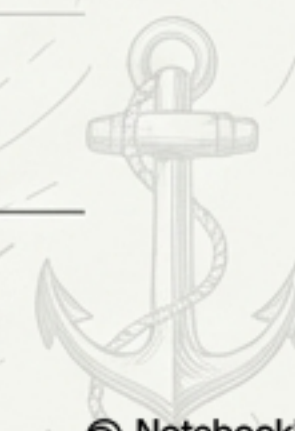
THE SAND (Bear Reality)

- Supply Shock: **5.5%**
Fleet Growth (2026/27)

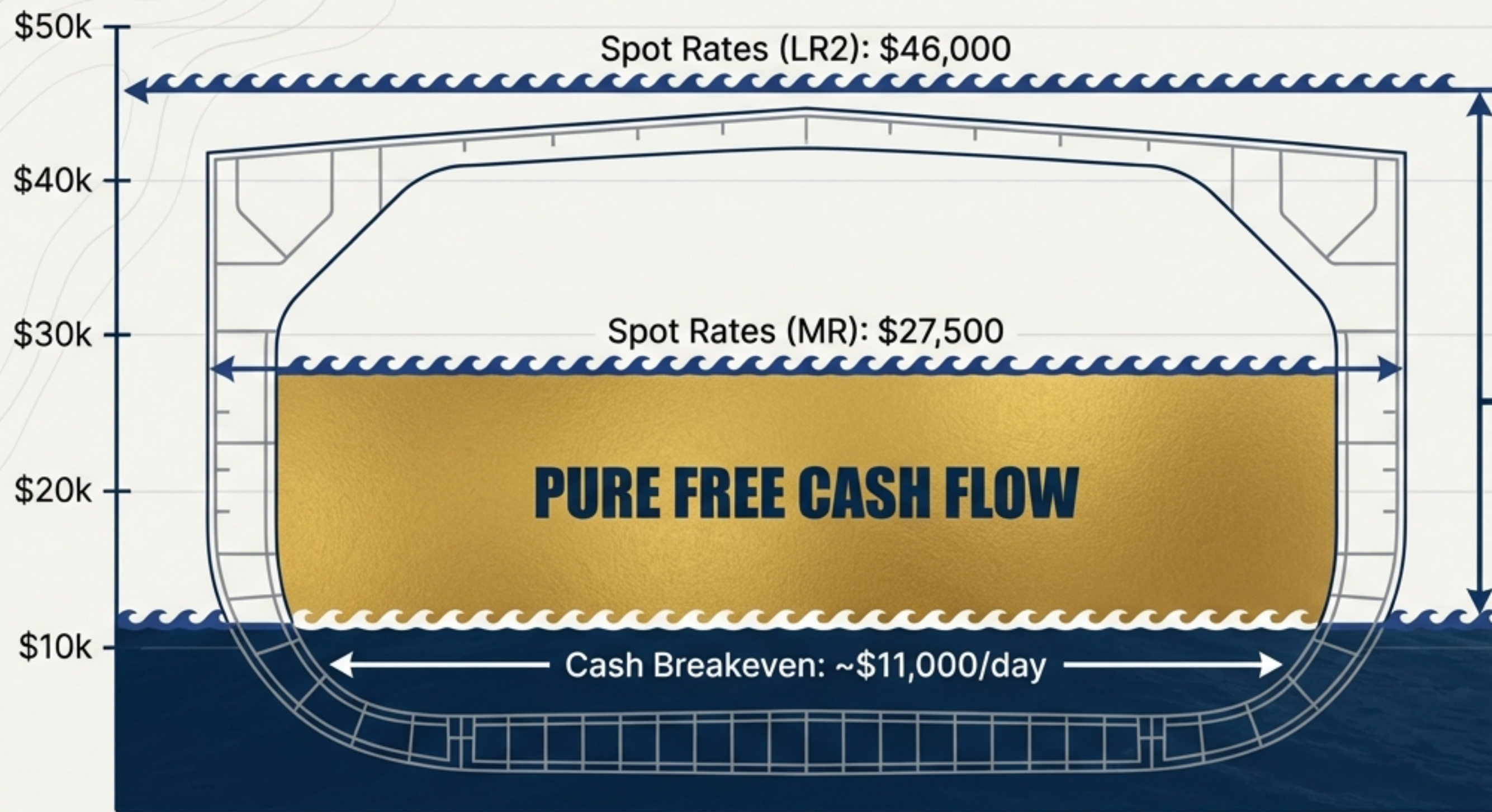
- Governance Tax: **1.25%**
Revenue Commission
- No Moat: **Price-taker** in
commoditized market



VERDICT: STNG is a highly efficient trading vehicle for a cycle that has already peaked. It is not a secular compounder.



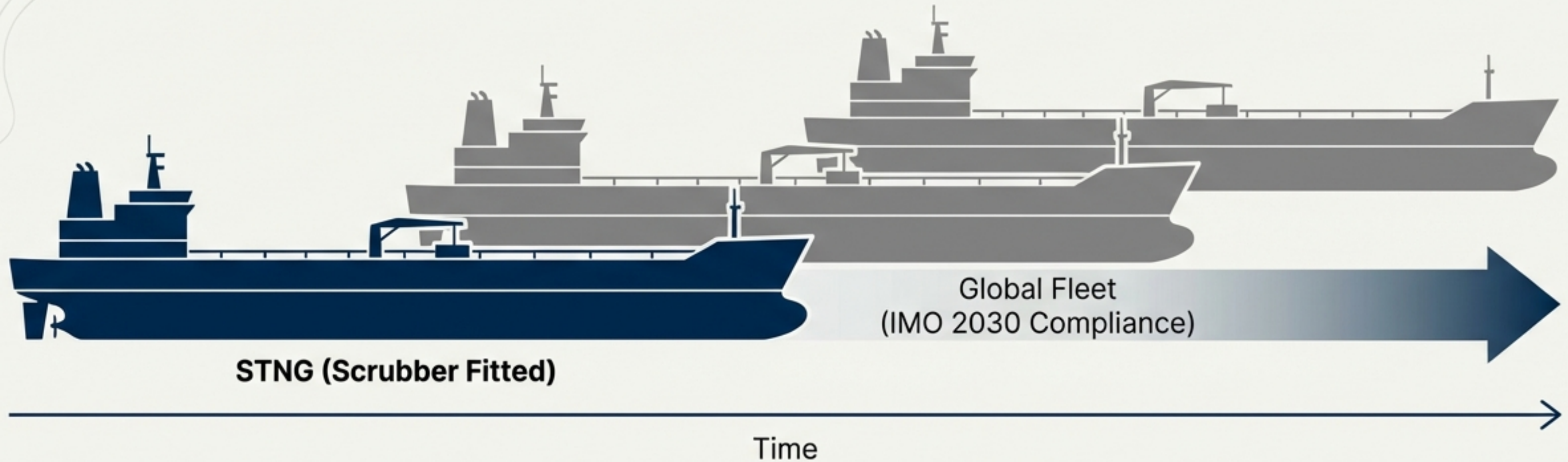
Massive Operating Leverage at the Cycle Peak




A \$10,000/day increase in rates = ~\$361M incremental annualized cash flow.

At current rates, STNG prints cash. The danger lies in how fast this spread can compress.

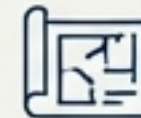
The Illusion of a Moat in Perfect Competition



Commodity Service: A barrel of diesel commands the same freight rate whether shipped by STNG or a private operator.

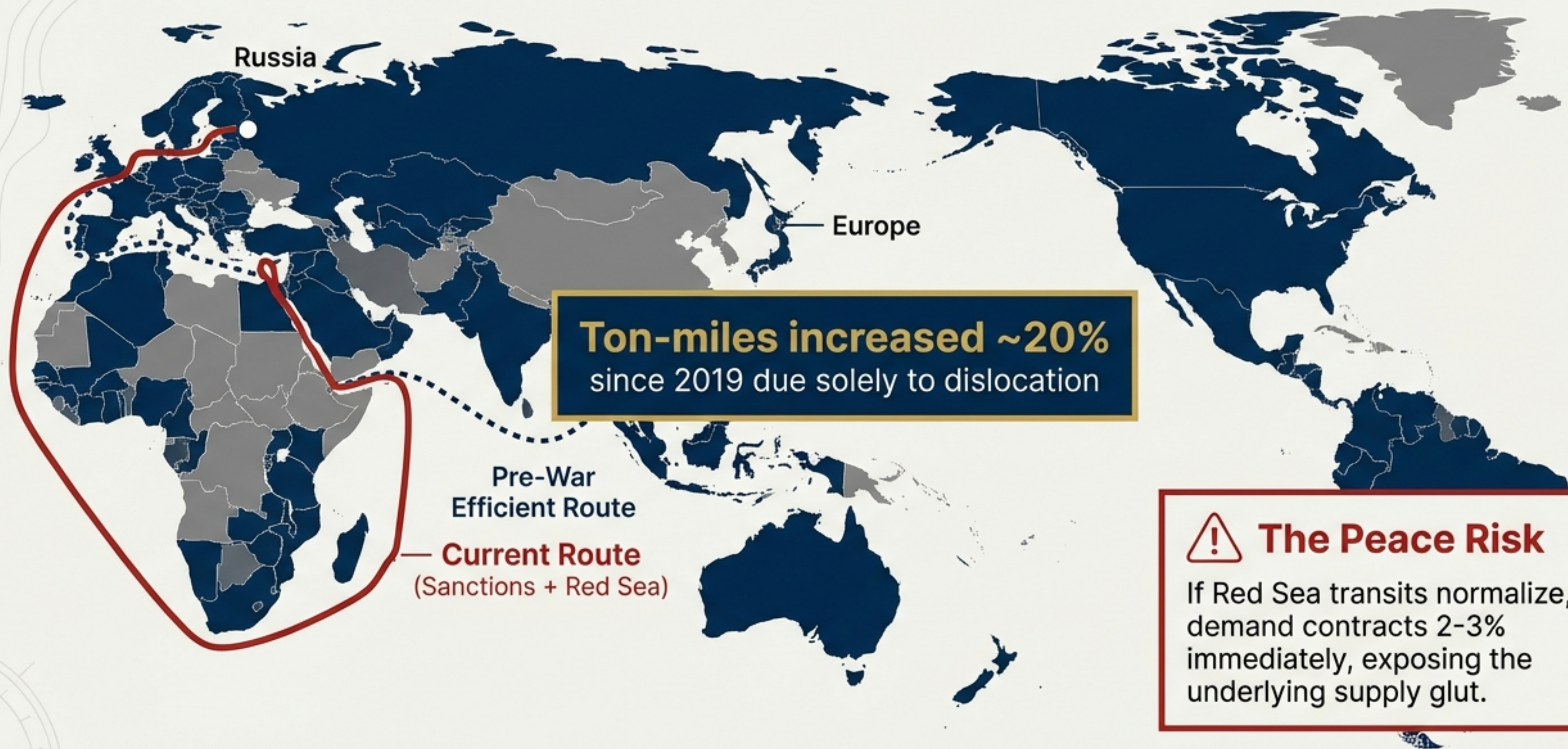


Zero Switching Costs: Charterers are price-sensitive and brand-agnostic.



The Reality: Scrubbers are replicable Capex, not proprietary IP.

Synthetic Demand: Profits Driven by Inefficiency



The Supply Cliff Arrives in 2026



The industry is building ships 4x faster than the world needs new oil transport. **Rate compression** is a mathematical certainty.

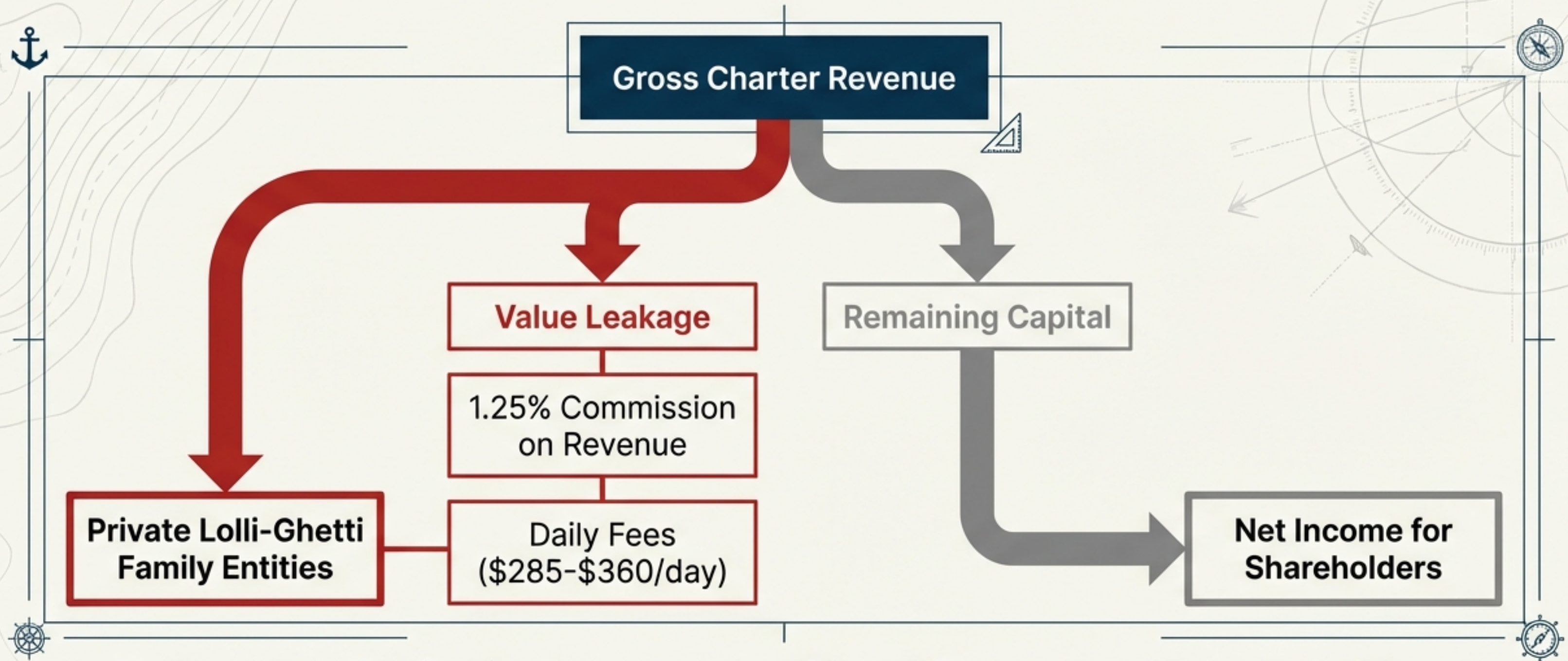
The Efficiency Paradox: Asset Heavy vs. Capital Light

Metric	Scorpio Tankers (STNG)	Hafnia (Peer)
Asset Turnover	0.24x 	0.60x 
Leverage (Debt/Equity)	19%  (Under-levered)	~40%  (Optimized)

Competitors like Hafnia use commercial pools and trading to drive turnover. STNG relies on owning expensive steel, resulting in inferior Return on Invested Capital (ROIC) over the full cycle.

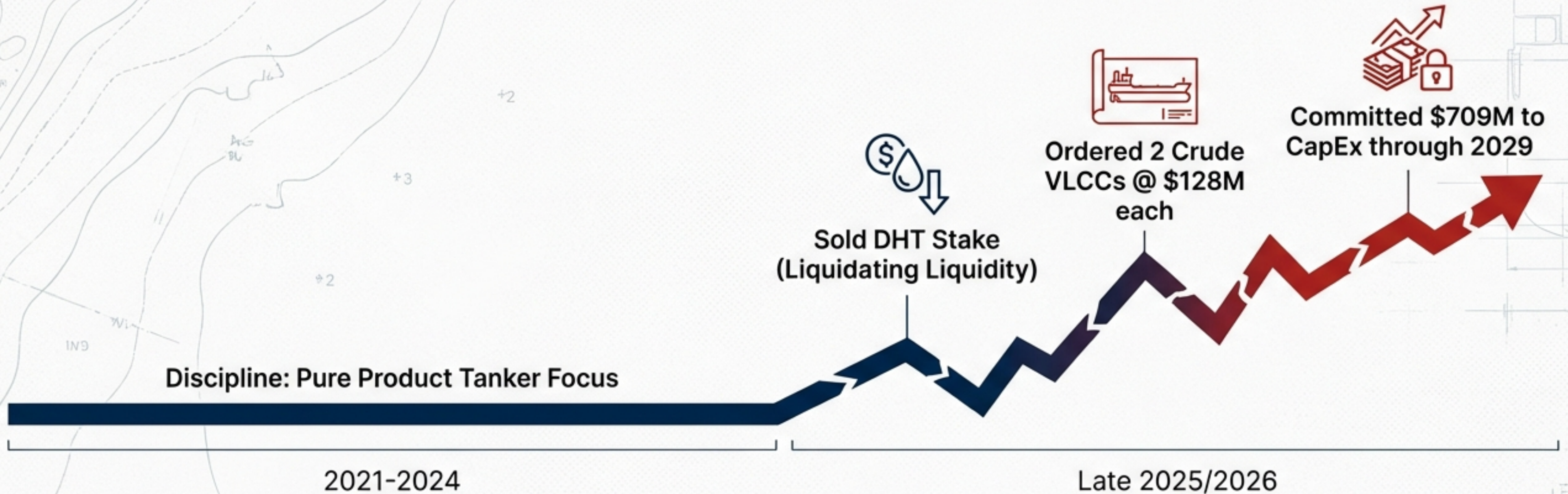


The Governance Tax: A Structural Leak



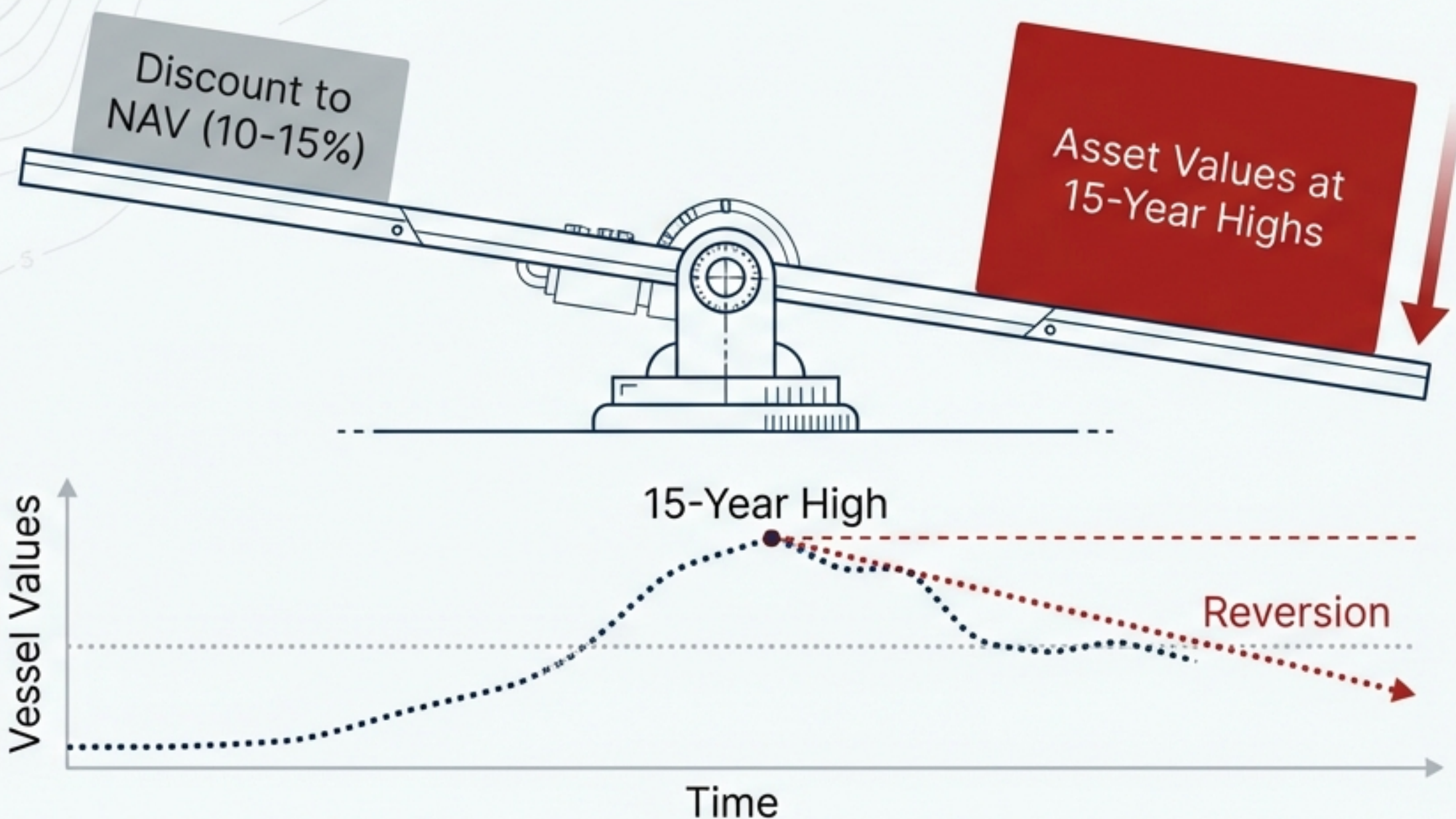
A structural principal-agent conflict. Management gets paid on volume and fleet size, regardless of shareholder profitability.

Strategic Drift: Gambling on Crude at the Top



Instead of returning excess capital, management is diversifying into volatile Crude VLCCs at peak shipyard pricing. This is empire building, not value creation.

The Valuation Trap: Why 'Cheap' is Expensive



A reversion of vessel values to the 10-year mean would collapse NAV below the current share price (\$70).

⚓ Buying STNG now is a bet that 15-year-high asset prices will persist forever.

The Perfect Storm is Passing



The balance sheet is fortified, but the siege is ending. Capital should be reallocated before the cycle turns.

Sources & Methodology

Data Sources

- BIMCO Tanker Market Outlook 2026
- IEA Oil Market Reports
- Scorpio Tankers SEC Filings (20-F, 6-K)
- Q4 2025 Earnings Call Transcript

Valuation & Peers

- Clarksons Research (Vessel Values)
- Peer Financials (Hafnia, TORM, Ardmore)

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