



OPERATIONAL ALPHA AT THE EDGE OF THE CYCLE

An investment analysis of TORM plc (TRMD)—the product tanker market's most disciplined operator facing a structural supply cliff.

CASH FLOW & DIVIDENDS

STRONG FREE CASH FLOW | HIGH YIELD DIVIDENDS

+\$0.5%

+\$1.20%

+\$2.6%

+\$3.40/M

SUPPLY GLUT & DEBT RISK

DECREASING NEWBUILD ORDERS | LOW DEBT LEVERAGE

STRUCTURAL SUPPLY CLIFF: Q3 2025 ONWARDS

THE EXECUTIVE SUMMARY: ASYMMETRIC RISK

THE BULL CASE: INTERNAL FORTRESS

24.3%

ROIC (2024 Peak)

- **Operational Moat:** "One TORM" platform drives industry-leading efficiency.
- **Breakeven Leadership:** ~\$8,800/day cash breakeven.
- **Capital Return:** 78% Dividend Payout Ratio.

THE BEAR CASE: MACRO STORM

5.5%

Annual Supply Growth (2026-27)

- **The Supply Cliff:** Orderbook deliveries collide with 1.0% demand growth.
- **Synthetic Demand:** Profits currently driven by fragile geopolitical friction.
- **Earnings Erosion:** Forecast to decline ~20% annually.

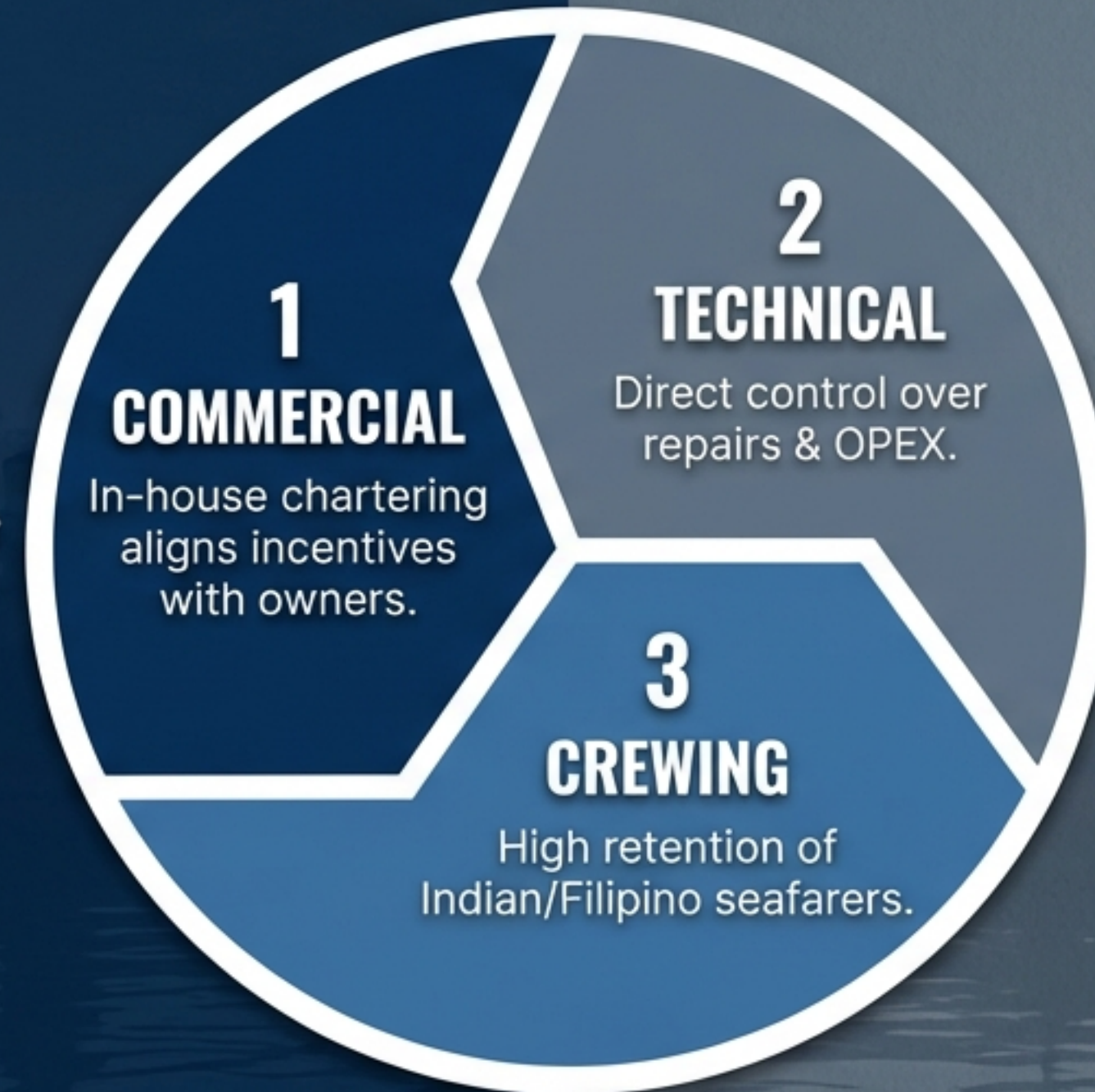
THE VERDICT:
The Best House in a Bad Neighborhood.

THE INTERNAL ENGINE: ELIMINATING LEAKAGE

THE ONE TORM PLATFORM

VS. OUTSOURCING

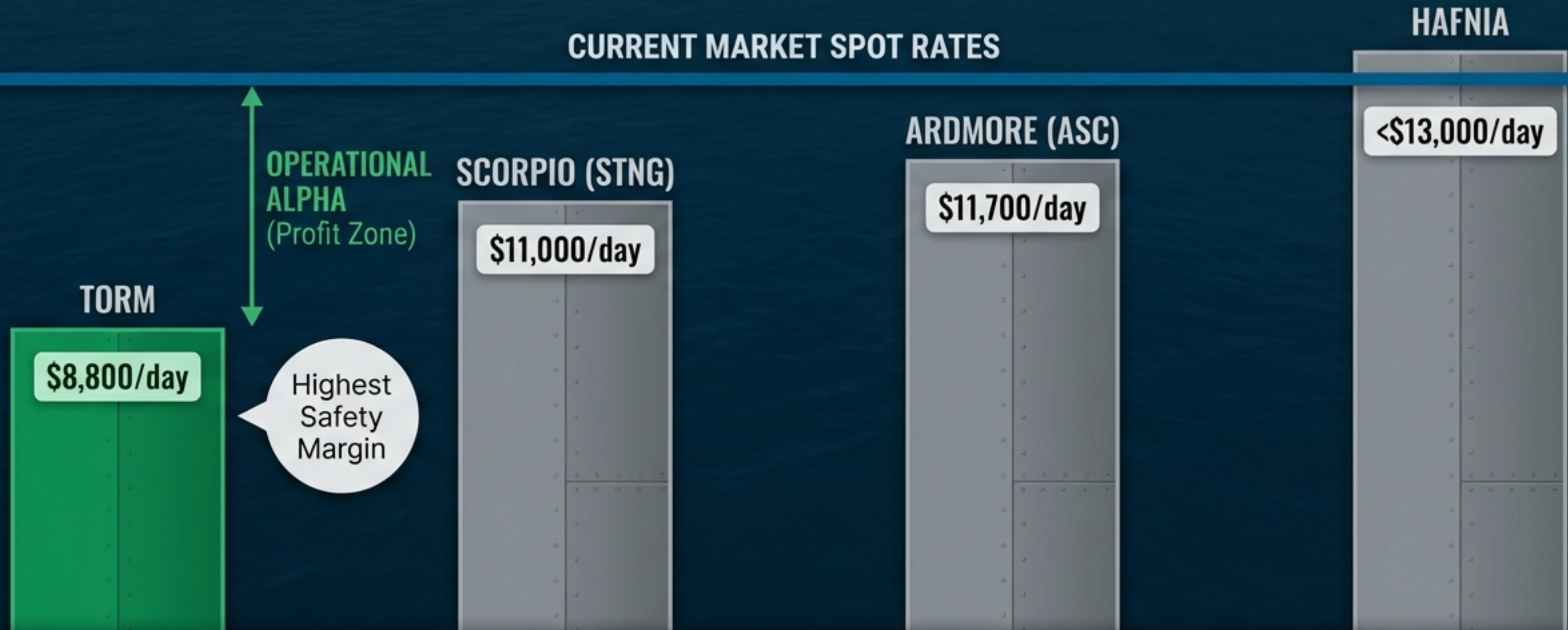
Competitors pay fees to 3rd party managers (e.g., V.Ships). TORM captures margin at every step.



THE RESULT

Daily OPEX: ~\$7,268 (Q3 '25)
Net Profit Margin: ~18.6%

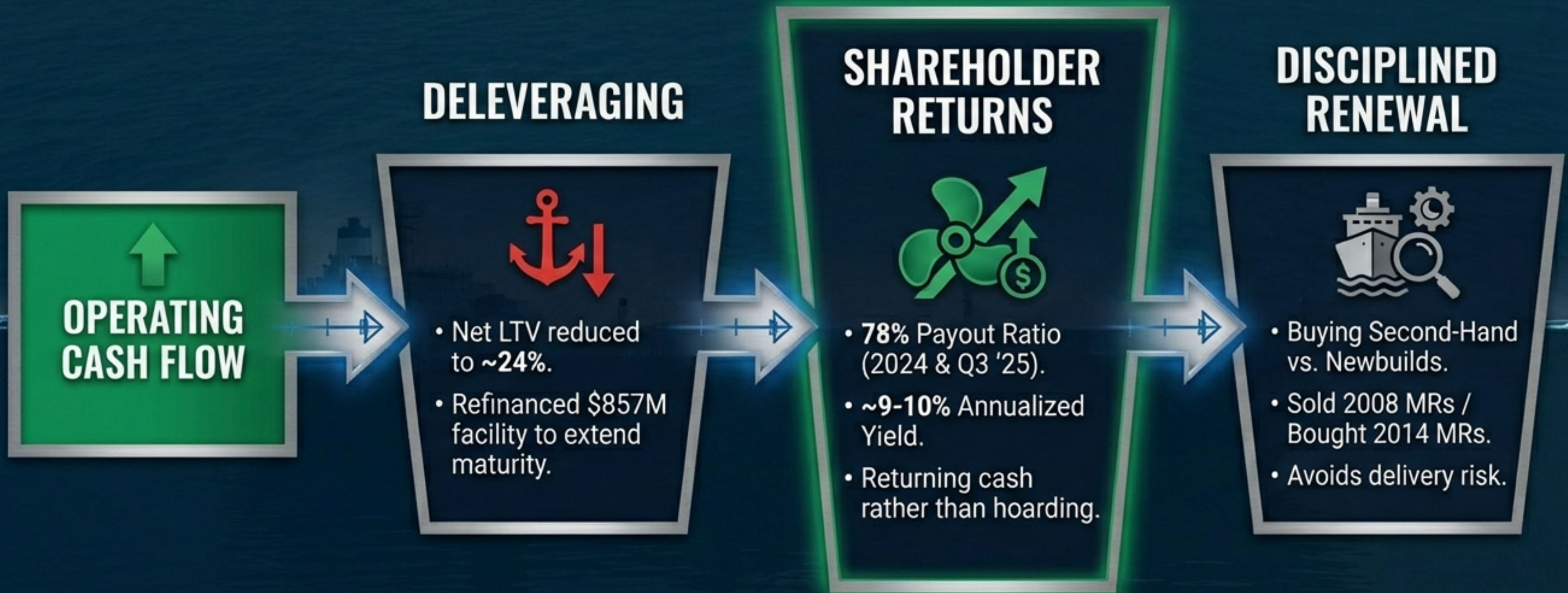
THE BREAK EVEN MOAT: SURVIVAL POWER



Waterline Chart

Lower costs mean TORM survives the trough while others drown.

CAPITAL ALLOCATION: OWNERS, NOT EMPIRE BUILDERS



"Management acts like owners. No empire building at the top of the cycle."

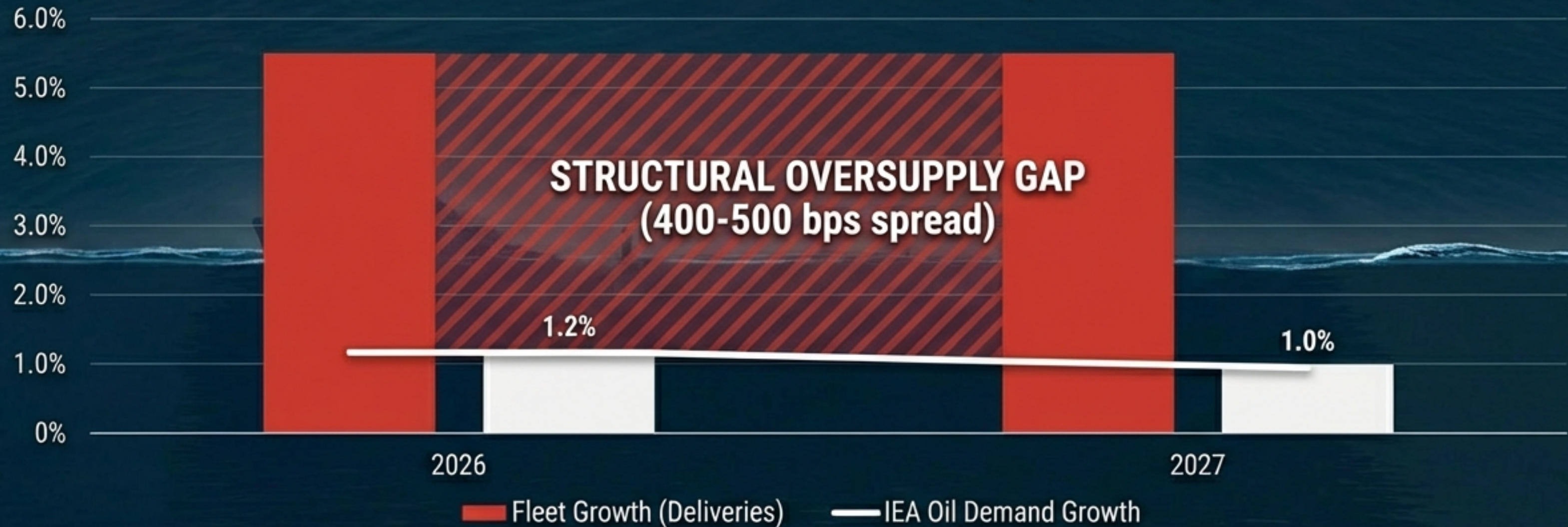
THE GEOPOLITICAL WINDFALL: MONETIZING FRICTION



THE SUPPLY CLIFF: THE 2026 ORDERBOOK

The Orderbook is destiny. A 4% oversupply can collapse spot rates by >50%.

FLEET GROWTH VS. DEMAND GROWTH (2026-2027)



2026 Fleet Growth: 5.5% | IEA Demand Growth: 1.2%

2027 Fleet Growth: 5.5% | IEA Demand Growth: 1.0%

THE MITIGATION: SCRAPPING & THE SHADOW FLEET

THE OBSOLESCENCE CLIFF

- **Data:** Massive portion of global fleet is >20 years old.
- **Trigger:** Oil majors reject vessels >15 years.

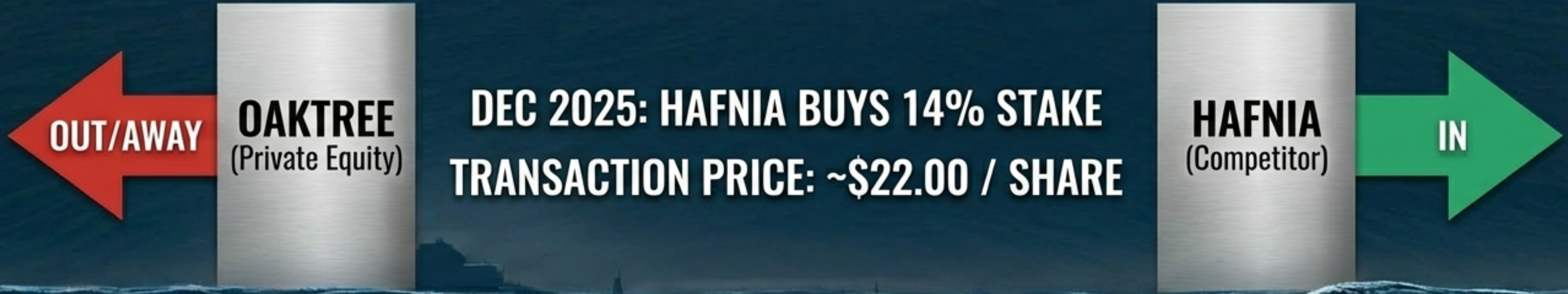


REGULATORY PRESSURE

- CII & EU ETS taxes make non-eco ships unprofitable.
- **TORM Advantage:** In-house scrubber fitting (ME Production ownership) keeps fleet compliant.

Key Insight: Can the **scrapping** of old ships **absorb** the **5.5%** new supply? This is the only path to a **soft landing**.

THE GAME CHANGER: HAFNIA ENTERS



THE FLOOR

Smart money validates value at \$22. Hafnia sees deep asset value.

GOVERNANCE

Oaktree loses Board control (<33%). New Independent Chair appointed.

MERGER UPSIDE

Potential NAV-for-NAV merger. Combined fleet: 200+ vessels (\$6B NAV).

VALUATION: PRICED FOR PERFECTION



THE PREMIUM RISK

- Shipping stocks typically trade at a discount to NAV.
- Current premium reflects dividend yield & merger speculation.
- **WARNING:** If spot rates drop, asset values drop. NAV is not static.
- P/E of 9.8x is a '**Value Trap**' if earnings fall 20% next year.

SCENARIO PLANNING: RISK vs. REWARD

BEAR CASE (Cycle Crash)

- **Triggers:** Red Sea opens + Supply glut hits + Scrapping delays.
- **Outcome:** Stock -> \$15 (Deep discount to NAV).

BASE CASE (The Grind)

- **Triggers:** Geopolitics drag on. Supply hits but softened by scrapping.
- **Outcome:** Stock -> \$22-25 (Hafnia Floor Support).

BULL CASE (Consolidation)

- **Triggers:** Hafnia Merger + Accelerated Scrapping.
- **Outcome:** Stock -> \$30+ (Scale Premium).

EXCELLENCE IN A STORM WARNING

ELITE OPERATOR

TORM is the most efficient machine in the sector (\$8,800 breakeven). The operational alpha is real.

HOSTILE MACRO

The 2026 supply wave is a mathematical certainty. The cycle has peaked.

THE VERDICT: HOLD

Investment Rating: HOLD

Action: Collect the dividend. Do not compound capital here.

Watch Level: The Hafnia Floor at \$22.00.