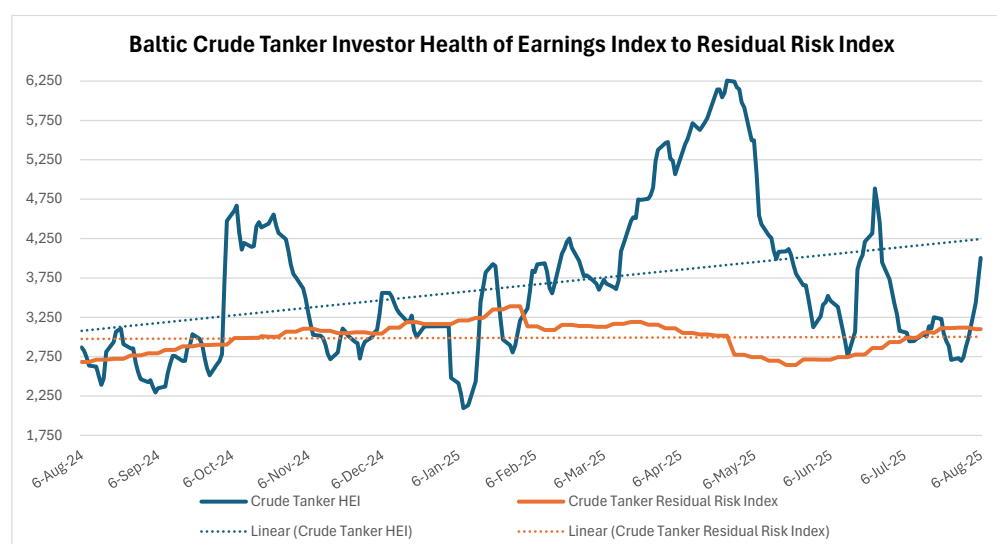


Baltic Tanker Investor Indices 2Q25

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Some Upside on Crude Tanker Values, with Caveats

In our May quarterly, we anticipated stagnant crude tanker asset values over 2025: Uncertainty from US tariffs, possible global recession/Chinese deflation, oil demand growing slower than in past years, and the “Dark Fleet”, all presented variables. Recently, however, good demand and freight rates, combined with an attractive supply-side, appear supportive of 2H25 asset values.



Over the last year, the Baltic Tanker Health of Earnings Index has had a positive trend while the Baltic Tanker Residual Risk Index has been flat.¹ While 5-year-old VLCC asset values are up 3.5% year-on-year, Suezmax 5-year-olds are down (7.5)% and Aframax 5-year-olds are down (13.1%). We understand that there are myriad variables to each vessel type, and we are taking a broad-brush analysis. However, average trailing one-month, three-month, and twelve-month freight rates are quite supportive of current 5-year-old crude tanker values. Further, the current orderbook indicates that the crude tanker fleet should stagnate and/or reduce in size over 2025-2029. 48% of the global fleet will be over twenty years of age over the next four years while the orderbook (which takes 3-4 years to deliver) is currently 15% of total capacity.²

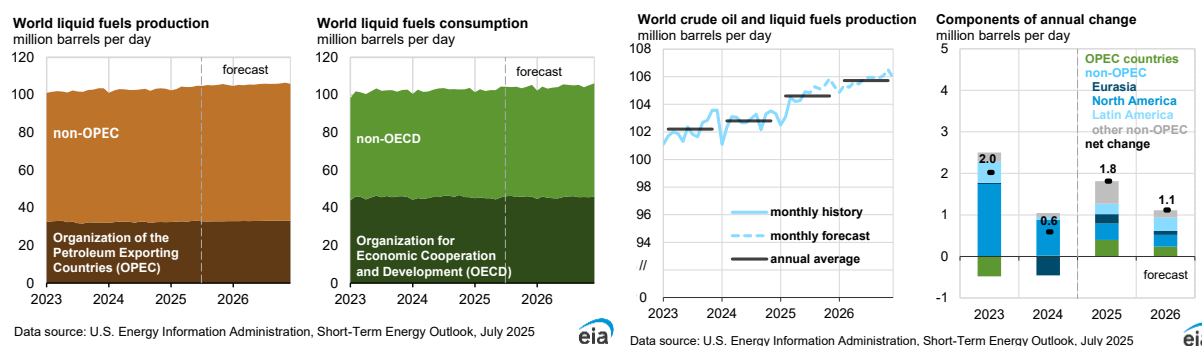
¹ The average health of earnings of VLCC (VTHEI), Suezmax (STHEI) and Aframax (ATHEI) utilized, does not include MR clean tankers. Health of earnings is an index representing the ratio of earnings against running cost. A negative number indicates that earnings are below operating costs.

The average residual risk of VLCC (VTRRI), Panamax (PDRRI), Suezmax (SRRRI) and Aframax(ATRRI) vessels. Residual risk is ratio of the residual value of the vessel against the recycling value. If the Residual value is lower than the recycling value the index will be negative, indicating a lower risk of the investment.

² International Seaways (NYSE: INSW) 2Q25 earnings presentation, 6th August 2025.

On the demand side, the US Energy Information Administration (EIA) and the International Energy Agency (IEA) both forecast crude demand to increase over 2026, though neither see high demand growth. With the COVID years excepted, the IEA anticipates 2025 growth to be the lowest since 2009 (aftermath of the financial crisis).³ Over the next decades, we believe that the energy transition will slow the *per capita* growth in crude oil consumption, but we think it is a good wager that global population and economic development will grow in the coming decades. Goldman Sachs believes that global peak oil consumption will not occur until 2035⁴ while the OPEC believes it will be 2045 and the US EIA 2050.

In the nearer term, OECD inventories are low. Also, the US Strategic Petroleum Reserve (SPR) is at 40% of capacity (currently at ~275M bbls, known capacity is ~725M bbls in 4 major natural salt domes in the US) after being utilised during the Biden Administration as part of COVID stimulus. While the current US budget has limited allocation for its replenishment,⁵ President Trump has indicated that it is important to replenish the SPR in the future. We speculate such US SPR replenishment towards a historical average of 500M bbls could occur over the next 24 months.



Current Market and Forward Outlook Both Supportive of Current Values

Trailing twelve-month freight rates have averaged levels that are supportive of current 5-year-old crude tanker asset values. As an example, currently the Baltic Exchange has a 5-year-old VLCC valued at \$114M. At this value we estimate that first year cash generation required is \$36,200/day.⁶ The trailing twelve-month VLCC time charter equivalent rate has been a cash flow positive \$39,400.

It is also anticipated that SOFR may fall over the next year as the US potentially lowers interest rates⁷ to stave off recession. Such may make a floating interest rate investment today possibly more attractive (see sensitivity below), especially as the loan is amortising into declining interest rates. With the slow rate of fleet growth and the forecast growth in oil demand, an investment in a 5-year-old VLCC makes sense today and should move higher.⁸

³ IEA Oil Market Report July 2025

⁴ Goldman Sachs, "Peak Oil Demand is Still a Decade Away", June 17 2024

⁵ Reuters: "Trump's flip-flop on emergency oil reserves has its merits" Ron Busso, 10th July 2025

⁶ For first year cash breakeven we assume a 5-year-old VLCC at \$114M, non-recourse, no cross default, 65% leverage, 17 year amortization profile, interest of 3% margin over SOFR of 4.33%, OPEX per the published Baltic OPEX Assessment (inclusive of drydock provision) and other G&A of \$500/day.

⁷ Federal Open Market Committee: "Summary of Economic Projections", June 18 2025 – Indicates the Fed Funds rate will be closer to 3.5% in 2026 from 4.5% today.

⁸ International Seaways, in their 2025 earnings presentation on 6th August announced the acquisition of a scrubber-fitted 2020 built VLCC for \$119M. In no way are we making any positive or negative comment on the price, this is simply a data point.

| VLCC 5 Yr Old, 65% Leverage, 1st Year Cash Generation \$M | | | | | | |
|---|------------------------------------|--------|----------------|--------|--------|--------|
| SOFR | VLCC Time Charter Equivalent/\$Day | | | | | |
| | 32,500 | 37,500 | TTM Avg 39,391 | 42,500 | 45,000 | 47,500 |
| | 4.50% | (1.44) | 0.36 | 1.04 | 2.16 | 3.06 |
| | 4.33% | (1.32) | 0.48 | 1.16 | 2.28 | 3.18 |
| | 4.00% | (1.09) | 0.71 | 1.39 | 2.51 | 3.41 |
| | 3.75% | (0.91) | 0.89 | 1.57 | 2.69 | 3.59 |
| | 3.50% | (0.73) | 1.07 | 1.75 | 2.87 | 3.77 |
| | 3.25% | (0.56) | 1.24 | 1.92 | 3.04 | 3.94 |

Using the same broad assumptions, Suezmax and Aframax values also appear attractive today.

| Suezmax 5 Yr Old, 65% Leverage, 1st Year Cash Generation \$M | | | | | | |
|--|---------------------------------------|--------|--------|----------------|--------|--------|
| SOFR | Suezmax Time Charter Equivalent/\$Day | | | | | |
| | 25,000 | 30,000 | 35,000 | TTM Avg 38,996 | 40,000 | 42,500 |
| | 4.50% | (0.67) | 1.13 | 2.93 | 4.37 | 5.63 |
| | 4.33% | (0.59) | 1.21 | 3.01 | 4.45 | 5.71 |
| | 4.00% | (0.43) | 1.37 | 3.17 | 4.61 | 5.87 |
| | 3.75% | (0.31) | 1.49 | 3.29 | 4.73 | 5.99 |
| | 3.50% | (0.19) | 1.61 | 3.41 | 4.85 | 6.11 |
| | 3.25% | (0.07) | 1.73 | 3.53 | 4.97 | 6.23 |

| Aframax 5 Yr Old, 65% Leverage, 1st Year Cash Generation \$M | | | | | | |
|--|---------------------------------------|--------|--------|----------------|--------|--------|
| SOFR | Aframax Time Charter Equivalent/\$Day | | | | | |
| | 20,000 | 25,000 | 30,000 | TTM Avg 32,128 | 37,500 | 40,000 |
| | 4.50% | (1.14) | 0.66 | 2.46 | 3.22 | 5.16 |
| | 4.33% | (1.08) | 0.72 | 2.52 | 3.29 | 5.22 |
| | 4.00% | (0.95) | 0.85 | 2.65 | 3.42 | 5.35 |
| | 3.75% | (0.85) | 0.95 | 2.75 | 3.52 | 5.45 |
| | 3.50% | (0.75) | 1.05 | 2.85 | 3.62 | 5.55 |
| | 3.25% | (0.65) | 1.15 | 2.95 | 3.72 | 5.65 |

Positive Outlook With A Caution on Variables

An empirical concern is that up to 30% of certain classes of crude tankers are operating in the “dark fleet” and the US has been saber-rattling over cracking-down on sanctioned oil trades.⁹ Frontline (Oslo: FRO) indicates that, should sanctions be lifted, it may lead to a large expansion of crude liftings on non-sanctioned ships and this would be very beneficial for freight rates.¹⁰ This may well be true and we hope for such, yet we question whether the entire Dark Fleet will become obsolete and scrapped in one fell-swoop. According to DHT Holdings there are 140 VLCCs in what they call the “Shadow Fleet”.¹¹ In our view, simply from the circumstance of the size of the Dark Fleet, its fate is a considerable variable to ponder.

On top of the above, macro-economics and geopolitics are centre-stage: Whether it be possible global recession, Ukraine, Russia, Iran, China deflation or Taiwan. The outlook for freight rates, oil demand and asset values can change swiftly. These concerns aside, crude tanker asset values have support over 2H25, in our view.

⁹ Windward: “Dark and Gray Fleets”, www.windward.ai/glossary

¹⁰ Frontline: www.frontline.cy 1Q25 earnings presentation, slide 11

¹¹ DHT Holdings: www.dhttankers.com 1Q25 earnings presentation, slide 13