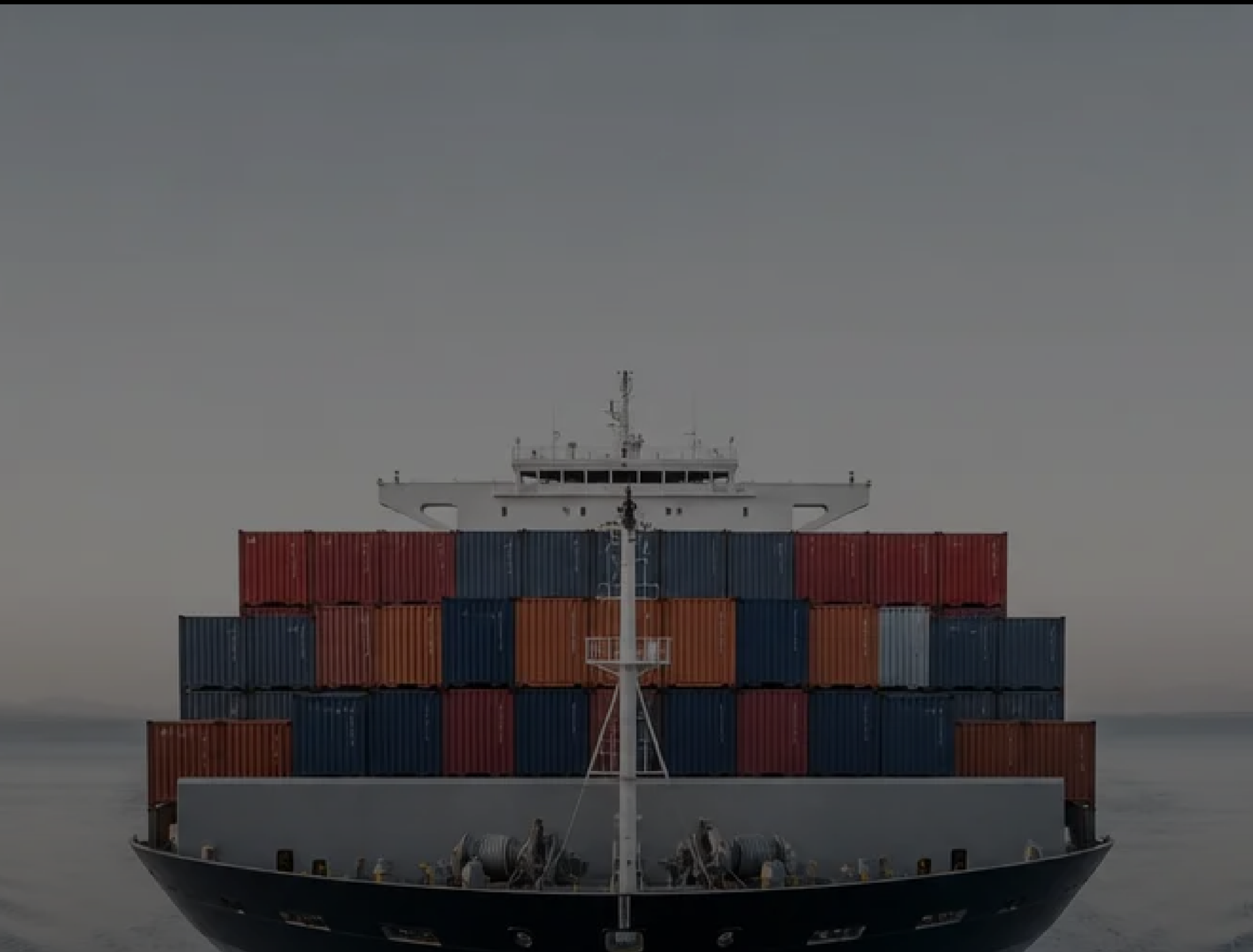

CRUDE TANKER EQUITIES: THE CASE FOR A TACTICAL LONG

One voyage, *one-seventh* of the ship.

Baltic VLCC freight hit an all-time high on 11 September. We see a tactical opportunity in crude tanker equities, expressed with disciplined trailing stops.

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Baltic VLCC freight from the Gulf of Oman to China printed roughly USD 11.50 per barrel on 11 September, an all-time high for that index. On a 2.0-million-barrel cargo, a single laden voyage now generates an estimated USD 17–20 million of vessel EBITDA against a secondhand asset value of USD 104–151 million: between 12 and 17 per cent of the ship's cost recovered in fifty days at sea. Our base case is that the Middle East remains at status quo. On that basis we see a tactical opportunity in crude tanker equities, expressed with disciplined trailing stops.

TD3C TCE	FREIGHT, GOO–CHINA	ONE VOYAGE	RUN-RATE YIELD
$862,150	$11.50	12–17%	19–20%
per day, MEG–China, 10 Sep. Long-run norm ≈ $45,000	per barrel, ≈ WS450. All-time index high	of vessel value recovered as EBITDA per trip	FRO and INSW, latest quarterly dividend annualised

SUMMARY AND HOUSE VIEW

Our base case is that the disruption around the Strait of Hormuz persists. We do not expect a durable resolution over our tactical horizon, and that is the foundation of this call.

The evidence supports persistence rather than a spike. A memorandum of understanding signed on 17 June and the subsequent lifting of the naval blockade did not restore normal transit conditions; the workaround architecture — Middle East Gulf shuttle tankers, ship-to-ship transfer in the Gulf of Oman, and the Yanbu to Sidi Kerir Red Sea detour — has now been operating long enough to be embedded in trade patterns rather than temporary. War-risk premiums on Gulf transits have repriced from a fraction of one per cent of hull value to several per cent. Crude exports from inside the strait remain down approximately 82 per cent. Most telling, one-year time-charter rates have firmed alongside spot: charterers are paying up for term cover, which is the market pricing duration, not panic.

These equities have already performed strongly, crude tanker names are up approximately 120 per cent year to date. We think they can go higher from here, for a specific and mechanical reason: **the equities are priced off realised bookings, and the bookings have not yet caught up to the freight market.** Frontline has 86 per cent of its third-quarter VLCC days booked at USD 156,900 per day against a spot benchmark of USD 862,150. The fourth-quarter and first-quarter booking cycles have yet to reprice. If the status quo holds, the earnings revision cycle, not multiple expansion, carries the shares. Consensus is already moving: International Seaways is forecast to earn USD 15.90 per share next year against USD 6.27 last year, and trades on roughly 6x 2026 earnings.

How we would express it

We view this as a tactical position with a defined horizon, not a core allocation. Given that the thesis rests on a geopolitical condition that can change quickly, we favour **upward trailing stop-losses**, a stop set at a fixed percentage below the running high, ratcheting up as the position appreciates and never downward. A trailing band in the region of 5 to 7 per cent is wide enough to accommodate the sector's normal daily volatility while ensuring that accumulated gains are protected if the geopolitical premium unwinds. The mechanism matters more than the level: the objective is to stay long while the trend and the disruption persist, and to exit systematically rather than discretionarily if they do not.

Two caveats on execution. In a fast de-escalation these shares can gap through a stop level overnight, so fills may be materially below the trigger. And the position should be reviewed against the transit and booking indicators set out at the end of this note rather than on price alone.

1 — UNIT ECONOMICS OF A SINGLE VLCC VOYAGE

The cleanest way to see the dislocation is to price one ship, one cargo, one voyage — and compare the cash it throws off to what the ship costs to buy.

A Very Large Crude Carrier lifts approximately 2.0 million barrels. At the 11 September Baltic assessment of USD 11.50 per barrel for the Gulf of Oman to China route, gross freight on one laden voyage is roughly USD 23 million. Gross freight is not, however, the line that reaches the owner. Bunkers, port and terminal charges, ship-to-ship transfer costs, war-risk premium, crew bonuses and security all sit above the time-charter-equivalent line.

TABLE A — ONE LADEN VLCC VOYAGE AT TODAY'S FREIGHT

LINE ITEM	VALUE	BASIS
Cargo intake	2,000,000 bbl	Standard VLCC parcel, 270,000 dwt class
Freight rate	$11.50 / bbl	Baltic, GoO–China, 11 Sep 2026 (≈ WS450)
Gross freight	**$23.0m**	Cargo × rate
Less: bunkers	($3.5m)	Lighthouse Canton estimate, laden + ballast legs
Less: port, canal, STS handling	($0.5m)	Lighthouse Canton estimate
Less: war risk, security, crew bonus	($1.0m)	Lighthouse Canton estimate
TCE revenue	**$18.0m**	Gross freight less voyage expense
Round-voyage duration	≈ 50 days	Incl. STS waiting; idling days per VLCC +23%
Implied TCE	≈ $360,000 / day	TCE revenue ÷ voyage days
Less: vessel opex	($0.46m)	$9,200/day incl. drydock (Frontline Q2 2026 actual)
Vessel EBITDA, one voyage	**≈ $17.5m**	Lighthouse Canton estimate

Voyage-expense lines are Lighthouse Canton estimates; the freight rate, opex figure and idling statistic are reported. Market participants independently place current Gulf of Oman to Far East fixtures at approximately USD 420,000 per day and the resulting vessel EBITDA above USD 20 million per fixture — roughly 15 per cent of a ten-year-old vessel's value in a single trip, corroborating and slightly exceeding the estimate above.

Against what the ship costs

The denominator has itself repriced, and the age curve has inverted. A five-year-old VLCC is now assessed at about USD 151 million against USD 130 million for a newbuilding contract, while prompt resale tonnage commands roughly USD 178 million. Buyers are paying for immediacy, not steel: a vessel ordered today may not deliver until 2028 or 2029.

TABLE B — ONE VOYAGE AS A PERCENTAGE OF ASSET VALUE

VESSEL VINTAGE	ASSET VALUE	ONE-VOYAGE EBITDA	% OF ASSET RECOVERED	VOYAGES TO FULL PAYBACK
Prompt resale	$178m	$17.5m	9.8%	10.2
Five-year-old	$151m	$17.5m	11.6%	8.6
Newbuild contract	$130m	$17.5m	13.5%	7.4
Ten-year-old	$104m	$17.5m	16.8%	5.9
Twenty-year-old	$71.1m	$17.5m	24.6%	4.1

Asset values per Signal Ocean and Breakwave Advisors assessments, benchmark values through end-August 2026 and first-half 2026 respectively. The ten-year-old figure is a March 2026 assessment and is therefore conservative: VLCC values are up approximately 42 per cent year-on-year at ten years, 61 per cent at fifteen and 90 per cent at twenty.

Annualising, carefully

A fifty-day round voyage implies roughly seven rotations a year on paper and five to six in practice once drydocking, positioning and off-hire are deducted. On six voyages, one VLCC generates approximately USD 138 million of gross freight and USD 105 million of vessel EBITDA annually — which is close to, or above, the entire purchase price of the vessel in a single year.

2 — PAYBACK ARITHMETIC AND THE SENSITIVITY THAT MATTERS

Shipping is transacted in dollars per day. Frontline guides average cash breakeven for its VLCC fleet at approximately USD 23,800 per day over the next twelve months, including drydock for seven vessels, with fleet operating expenses of USD 8,700 per day excluding drydock. Every dollar of realised TCE above that breakeven is cash margin. The table below holds the asset at USD 133 million — approximately a ten-to-thirteen-year-old hull at current assessments — and solves for full payback.

TABLE C — DAYS TO RECOVER FULL ASSET VALUE AT VARYING REALISED TCE

REALISED TCE SCENARIO	TCE / DAY	CASH MARGIN / DAY	DAYS TO PAYBACK	YEARS
Spot TD3C, 10 Sep 2026	$862,150	$838,350	159	0.4
Baltic VLCC composite TCE	$490,950	$467,150	285	0.8
GoO–Far East provisional fixtures	$420,000	$396,200	336	0.9
Frontline Q3 2026 booked (86% of days)	$156,900	$133,100	999	2.7
Frontline Q2 2026 realised	$152,700	$128,900	1,032	2.8
INSW Q2 2026 realised, VLCC	$118,883	$95,083	1,399	3.8
Long-run historical norm (Kpler)	$45,000	$21,200	6,274	17.2
Frontline VLCC cash breakeven	$23,800	$0	never	—

Cash margin is realised TCE less USD 23,800 per day cash breakeven; payback is USD 133 million divided by daily cash margin. Excludes taxation and residual value. Clarksons Securities independently calculate that just 130 earning days at current pricing would match the entire asset value of an average ten-year-old supertanker — consistent with the 159-day figure above, which nets out breakeven.

THE MODELLING DISCIPLINE THAT MATTERS

Benchmark TCE must not be flowed straight into earnings estimates. The spread between the index and what owners actually book is large and persistent — TD3C at USD 862,150 per day against Frontline's Q3 bookings at USD 156,900. Three mechanisms drive the wedge: term charter and contract-of-affreightment cover fixed before the spike, the lag between fixture and voyage completion, and the allocation of war-risk premium, security costs and demurrage on waiting time. Frontline has time-chartered close to a third of VLCC days for the coming year. This wedge is also the opportunity: it is why the earnings revision cycle still has room to run if the freight environment holds.

3 — WHY THIS IS A TONNAGE-SUPPLY EVENT

Crude volumes have fallen while freight has gone vertical. The reconciliation is fleet efficiency, and it is the load-bearing element of the thesis. Hormuz exports are down approximately 82 per cent and Chinese crude imports down 35 per cent, yet idling days per VLCC have risen 23 per cent. The fleet is doing measurably less useful work per vessel-day, which is exactly why the price of a vessel-day has risen.

- **The workarounds are structurally inefficient.** Ship-to-ship transfer in the Gulf of Oman cannot function as a port does, because volume through the strait is erratic — some days ten million barrels, other days effectively none. Vessels wait, and waiting tonnage is absent tonnage. Queues outside Oman and down the Indian coast have been lengthening.
- **The repricing is global, not route-specific.** West Africa–China reached USD 410,759 per day, up 280 per cent month-on-month; US Gulf–China reached USD 269,680 per day, up 130 per cent. An October laycan from the US Gulf to the East was fixed at USD 34 million. Simultaneous strength across three basins indicates a repricing of effective global VLCC supply.
- **Asset markets have ratified the earnings.** Five-year-old VLCC values now exceed newbuilding benchmarks. Corporate buyers are validating with cash: ADNOC is acquiring at least six secondhand VLCCs, and a thirteen-year-old VLCC transacted at USD 120 million.

4 — WHERE THE EXPOSURE SITS

Frontline and International Seaways are our two primary expressions. Frontline offers the highest VLCC count in the listed universe — 40 VLCCs on completion of deliveries, against 19 Suezmax and 18 Aframax/LR2 — with a 6.6-year average fleet age, 100 per cent eco vessels and the lowest disclosed cash breakeven in the peer group. It reported record Q2 net profit of USD 659.2 million and adjusted EPS of USD 2.96 against USD 2.66 consensus. International Seaways offers the strongest balance sheet at 6 per cent net loan-to-value, record Q2 adjusted net income of USD 295 million, adjusted EBITDA of USD 345 million and free cash flow of USD 261 million, with EPS of USD 5.91 against USD 4.93 consensus. Frontline is the higher-beta expression; International Seaways the more defensively financed one.

TABLE D — WIDER CRUDE TANKER UNIVERSE

NAME	TICKER	CHARACTERISATION
DHT Holdings	DHT	The cleanest VLCC pure-play, with no product or Suezmax mix to obscure the signal. 100 per cent net income payout policy and 64 consecutive quarterly dividends. Consensus 2026 revenue raised from USD 514m to USD 603m, EPS from USD 2.30 to USD 2.86.
Okeanis Eco Tankers	ECO	Youngest, most scrubber-dense VLCC/Suezmax fleet in the group. Also the most expensive crude name at roughly 1.6x price-to-NAV — the quality is understood and priced.
Teekay Tankers	TNK	The value end: approximately 0.9x price-to-NAV against a 1.2x sector average, 2.2x EV/forward EBITDA. Midsize Suezmax and Aframax rather than VLCC, which has been an advantage where midsize rates have at points exceeded VLCC.
Tsakos Energy Navigation	TEN	Deepest discount in the sector at roughly 0.38x price-to-NAV. A re-rating candidate rather than a rate play.
CMB.TECH	CMBT	Euronav successor. Substantial VLCC tonnage alongside dry bulk, chemical and gas; the diversification mutes the crude signal materially.
ADNOC L&S	ADNOCLS AE	Regionally relevant. Structurally different, however: ADNOC is a buyer of tonnage rather than a seller of freight, so exposure to the theme is operational rather than a leveraged rate play.

Valuation multiples are from third-party research dated July 2026 and are indicative of relative positioning within the group rather than current marks.

Breakwave Tanker Shipping ETF (BWET) — the purest and most volatile expression

BWET holds near-dated crude-tanker forward freight agreements. It does not own ships. Because it tracks the freight price directly rather than the earnings of a partially-hedged operator, it has captured the dislocation almost without attenuation: up more than 1,000 per cent since late February and more than 3,700 per cent in 2026. That is the arithmetic consequence of holding the index while operators book at a fifth of it.

The corollary is that BWET has no asset floor, no dividend, and no net-asset-value support. An operator has a USD 104–178 million hull beneath the equity; BWET has a futures position. Returns also depend on the shape of the forward curve, not only its level, and near-dated FFA liquidity is thin. Its own sponsor has publicly characterised a meaningful portion of current pricing as fear-driven. A vehicle capable of a 3,700 per cent move is capable of retracing most of it in weeks. Any exposure belongs sized as a small, convex geopolitical hedge — not as a shipping allocation, and not as a substitute for the operators.

5 — RISKS TO THE VIEW

> **THIS IS A TACTICAL, HIGH-VOLATILITY POSITION**
>
> Tanker freight is among the most volatile prices in global commerce and has fallen more than 80 per cent within a single quarter on multiple prior occasions. The thesis rests on a geopolitical condition, and a change in that condition would reverse the arithmetic in this note quickly. Position sizing should reflect that.

— **Resolution risk — the principal risk to our base case.** If the Hormuz queues clear and the ship-to-ship system is retired, effective fleet supply is restored in weeks, not years. The 17 June memorandum of understanding and subsequent blockade lift demonstrated how quickly transit conditions can change, with transits reaching a two-month high in a single session before deteriorating again.

— **Volumes are already down; only the inefficiency is up.** If the inefficiency resolves faster than volumes recover, the most likely sequencing in a de-escalation is both legs of the trade falling together.

— **The 2028–29 orderbook.** 279 crude tankers were ordered in 2026, including 217 VLCCs. Deliveries rise from 48 vessels in 2026 to 69 in 2027 and peak at 70 in 2028, exceeding 20 per cent of the existing fleet from 2027 onward. Near-term cash flows are protected; the medium-term cycle is being ordered away now. This reinforces our view that the opportunity is tactical rather than structural.

— **Valuation.** The sector trades near 1.2x price-to-NAV — above the replacement cost of the ships. Our case requires the disruption to persist longer than consensus assumes, not merely to persist.

— **Operational peril.** Two ADNOC-operated VLCCs were attacked while transiting the Strait of Hormuz on 14 July. The risk to vessels and crews is physical, not only financial.

What we are monitoring

- **Hormuz transit count per session** — the highest-frequency indicator. A sustained return toward normal volumes retires the thesis faster than any rate print.
- **Idling days per VLCC and the length of the Oman queue** — the mechanical source of the tightness.
- **One-year time-charter rates** — where persistence is priced. If term rates soften while spot holds, the market is calling the spike.
- **Quarterly booked coverage and realised TCE** — the wedge between the index and company bookings is the real earnings variable, and currently the source of upside.

Sources. *Baltic Exchange (TD3C and Gulf of Oman, West Africa and US Gulf to China assessments, 8–11 September 2026); Lloyd's List and Lloyd's List Intelligence; Clarksons Securities; Poten & Partners; Signal Ocean / The Signal Group weekly tanker market monitors (weeks 08 and 35, 2026); Allied QuantumSea Research via Breakwave Advisors; Kpler; Braemar; company reports and earnings calls — Frontline plc Q1 and Q2 2026, International Seaways Inc. Q2 2026, DHT Holdings Inc.; Reuters; CNBC; Riviera Maritime Media; Splash247; Seatrade Maritime; MEES. Voyage-expense estimates in Table A and payback calculations in Tables B and C are Lighthouse Canton workings and are identified as such.*

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