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03/04/2023 | at 10:43 **TANKER**

Russia's war prompts five tanker carriers to break all records

Hafnia, Torm, D'Amico, Scorpio Tankers, and Ardmore Shipping have never earned so well as in 2022, and record earnings are likely to continue. One of the carriers surpasses the others.



CEO of Torm Jacob Meldgaard (left), CEO of Hafnia Mikael Skov, and CEO of Scorpio Tankers (right) Robert Bugbee. | Photo: Collage: Torm/pr / Hafnia/pr / Marinemoney/pr

BY DAG HOLMSTAD, JENS BOJSEN RUSKOV

The cold, hard fact is that a destructive war can easily become good business.

This is a fact that the chief executives of five of the world's largest tanker carriers must come to terms with, following a trailblazing 2022.

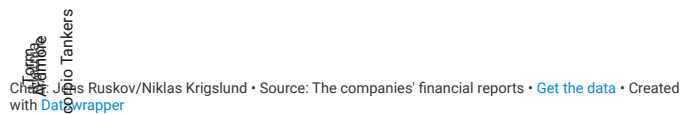
For Hafnia, Torm, D'Amico, Scorpio Tankers, and Ardmore Shipping, 2022 brought with it record-breaking earnings that are likely to continue here in 2023.

Stratospheric freight rates, growing demand, and longer voyages with stocked tankers made USD billions gush into the five carriers.

Revenue likewise soared by 239 percent when compared to 2021, resulting in roughly USD 5.7bn.

Revenue in 2022

Figures are in USD millions.



The bottom line was thus painted black, following a miserable 2021. Here, the same tanker carriers all lost USD millions.

ShippingWatch's financial analysis of the five carriers shows that they had a compiled net profit of approximately USD 2.2bn for 2022.

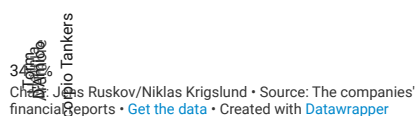
"The results last year were outstanding. We were pleased to finally deliver to our shareholders. [...] the results were largely on the back of improving fundamentals, as opposed to Russia," CEO of Scorpio Tankers Robert Bugbee, writes to ShippingWatch.

New York-and-Monaco-based Scorpio Tankers currently command a fleet of 113 product tankers. In 2022, it surpassed the remaining four of the greatest earners in turning revenue into profit.

For every dollar that Scorpio Tankers accrued in 2022, 51 cents of it went towards the bottom line, shows the profit margin.

Profit Margins 2022

The profit margins are calculated on a basis of non-adjusted EBIT.



Both good and bad results have multifarious explanations, but last year's tanker market boom really has just one:

When President Vladimir Putin's Russian tanks rolled over the border to the neighboring Ukraine in February 2022, the attack war caused instantaneous chaos on energy markets.

Since then, Western sanctions have rained down on Russia, its companies, and its leading figures. The sanctions were capped off with an EU embargo on importing Russian crude as well as refined oil products.

The tanker market hasn't looked back since.

While the final effects of the Covid pandemic were still lingering in early 2022, the world economy had begun to pick up pace, especially as it pertained to oil consumption and demand.

After Russia's invasion of Ukraine on Feb. 24, 2022, many things changed; not the least on the tanker market where customers – the oil-thirsty, modern societies of industry – had to get used to getting oil from further away.

Russian oil was a no-go. First, multiple countries, including the US and UK, and several tanker carriers declined to import and transport Russian oil.

At the end of 2022, the EU banned seaborne imports of Russian oil.

Ukraine war has split the tanker fleet

The sanctions against Russia and its oils have had colossal consequences, estimates Bugbee.

For instance, the global tanker fleet is, in effect, divided into two.

There's a so-called shadow fleet of tankers that transports Russian oil but is unable to deliver it to sanctioning countries.

Then, there is the other fleet – of which Scorpio Tankers belongs, says Bugbee – that does not trade in Russian oil.

"This split means product fleet supply is more inefficient," Bugbee posits. Furthermore, this enables a continuing of a tight product tanker market with high freight rates, he adds.

Other factors include increasing demand for aviation fuel, increase in Chinese oil demands, and the continuing sanctions against Russia. These factors pressured ton-mile demand upwards and then caused the division of the tanker fleet.

"So we would expect 2023 to be a better year than 2022," says Scorpio Tankers' CEO, referring to the downward trajectory of e.g. spot and time charter rates.

Spot rates have been higher in Q1 of this year compared to last year's Q1.

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We expect 2023 to be even better and [...] that the product tanker market will remain strong for years to come

Mikael Skov, CEO of Hafnia

At Hafnia – the best top and bottom line performer among the five tanker carriers by far – CEO Mikael Skov is optimistic for 2023 and coming years.

Hafnia saw revenue for 2022 at just shy of USD 1.9bn. This amounts to a year-on-year growth of 226 percent and a net result of USD 752m. In 2021, it saw a deficit of USD 55m.

"We expect 2023 to be even better and that the fundamental balance between supply and demand will mean that the product tanker market will remain strong for years to come," Skov replies via email to ShippingWatch.

Hafnia commands a fleet of 220 tankers. These are either owned by Hafnia, operated via tanker pools, or chartered, but Skov predicts that the coming years will see surplus demand compared to tanker supply.

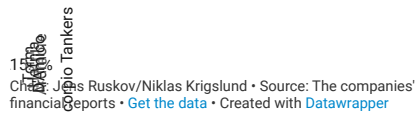
"There will be a lack of ships due to underinvestment in newbuilds in the past couple of years. Uncertainty around timing and availability of green fuels have kept carriers

from contracting newbuilds, all while oil demand has surpassed the pre-pandemic levels of 2019," he adds.

At Torm, chief executive Jacob Meldgaard is similarly thrilled after a great 2022 that beat all previous records at the Hellerup-based carrier.

Return on Assets in 2022

The return on assets is calculated on a basis of non-adjusted EBIT.



"2022 was a strong year. A historically strong market combined with our disciplined efforts on our platform have ensured maximum value from our work," he writes to ShippingWatch.

"This is crystal-clear from our yield and our relative performance."

The CEO aims for Torm being the best-earning carrier for the second year in a row by pressuring earnings from the company's assets, the vessels on which Torm bases its business.

Its fleet counted 85 tankers at year-end, and in March, Torm purchased three more ships.

The return on assets (ROA) concluded at 23 percent – an improvement from 2021 where the weaker tanker market meant ROA of just 0.1 percent. This was still above that of the four competitors.

Normally, Torm does not put numbers to its expectations for results. This year, it has.

Meldgaard holds, like his competitors in Scorpio Tankers' Bugbee and Hafnia's Skov, that 2023 will be even better than 2022.

Earnings before interests, taxes, depreciation, and amortization (EBITDA) will be along a spectrum of USD 750-1,100m. In 2022, Torm's EBITDA totaled USD 743m.

English edit: Christian Radich Hoffman

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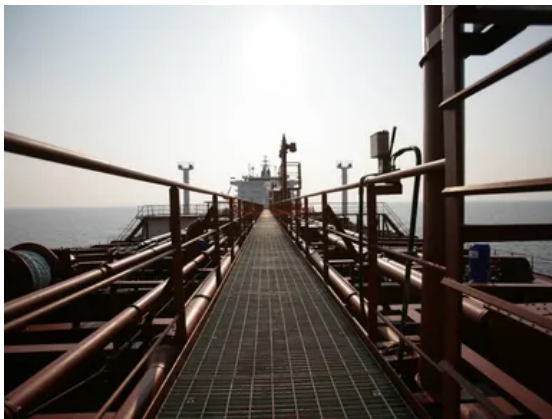
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