

Tanker carriers heading for new record: "Strongest market we've seen in a long time"

Five carriers in the tanker segment are on track to set a record for the second year in a row. The war in Ukraine continues to drive up prices. One carrier stands out, analysis shows.



The CEO of Torm, Jacob Meldgaard, Mikal Skov, CEO of Hafnia and Robert Bugbee, CEO of Scorpio Tankers. | Photo: Collage: Torm/pr / Hafnia/pr / Marinemoney/pr

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**BY KIT LINDHARDT**

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Five of the world's largest tanker shipping companies have struck a gold vein that looks likely to continue to generate cash flows for the companies and their owners.

This is what the CEOs of Hafnia, Torm, D'Amico, Scorpio Tankers and Ardmore Shipping can conclude after a first half of the year that has bolstered both the top and bottom lines.

“The tanker market will continue to be strong for at least the next three years due to improved ton-mile demand and limited supply,” says Robert Bugbee, CEO of Scorpio Tankers.

This is because Russia's invasion of Ukraine in February 2022 has created a highly profitable business for tankers over the past year and a half.

The war led to turmoil in the energy markets and raised the prices of shipping refined oil

# The tanker market will continue to be strong for at least three years

Robert Bugbee, Scorpio Tankers CEO

such as gasoline, heating oil and other types of fuel.

But now the upturn has reached a new level, according to shipping executives.

"The first half of 2022 was significantly different from this year, where we now have a number of sanctions on, among other things, Russian oil products, which were not present in the first quarter of 2022," says Jacob Meldgaard, CEO of Torm.

"This has fundamentally changed the market conditions, which, combined with high oil demand and longer journeys, has resulted in the strongest market we have seen in a long time," he says.

## Way beyond last year's results

After the first six months of 2023, the five leading shipping companies are well on their way to surpassing last year's record earnings, according to ShippingWatch's analysis of the half-year financial statements.

Revenue for the five shipping companies has skyrocketed by 39% to 3bn - just over DKK 20bn - compared to the same half of 2022.

Net profit has almost tripled to USD 1.3 billion or almost DKK 9 billion compared to the same period last year.

This means that the five shipping companies have already realized earnings equivalent to 60% of last year's total record result of USD 2.2bn, according to the figures.

The current problems with low water in the Panama Canal, which are causing delays for, among others, tankers wanting to use the waterway between the Pacific and the Atlantic, are also pulling up because there will be less capacity available.

"We are convinced that the tanker market will remain strong for the foreseeable future, at least until 2026, after which the analysis will contain too many assumptions," writes Mikael Skov, CEO of Hafnia, in an email to ShippingWatch.

The main reason for the increase is the market turmoil in the wake of Putin's and Russia's invasion of Ukraine.

After the Russian invasion in February 2022, Russia's oil exports were subsequently hit by a series of Western sanctions, which caused wild fluctuations, while freight rates skyrocketed, as did ton-mile demand.

## Tighter sanctions against Russia

In February this year, EU countries further tightened sanctions against Russia.

An import ban on Russian crude oil from December 2022 was topped in February 2023 with a price cap and a ban on shipping refined oil products from Russia to European ports.

As a result, Russian oil suddenly had to be transported further away to Asia, while Europeans have had to source oil products from new suppliers in the Middle East and elsewhere.

"The first half of this year is a big improvement compared to the same period last year. The first quarter of 2023 was much stronger than the first quarter of 2022. If we look at the comparison, the first quarter of this year reflects a 215% increase in TCE (time charter earnings) compared to the previous year," says Mikael Skov.

With a wholly-owned fleet of 118 tankers, Hafnia is the largest tanker carrier among the five rivals. It is slightly larger than the Monaco-New York-based Scorpio Tankers, which has a fleet of 113 vessels.

Even after the record year of 2022, Hafnia, which has Singapore-based BW Group as its dominant shareholder, has been able to add to both the top and bottom line in the first six months of this year.

Hafnia's revenue has skyrocketed by 47% to USD 1.1 billion and the bottom line has more than doubled to USD 470m compared to the same period last year.

However, Hafnia is beaten by several ship lengths by Italian D'Amico, which completely outperforms its four competitors in the first half of the year in terms of growth rates.

Revenue in the Milan-listed product tanker company grew 75% to USD 206m, while the bottom line increased fivefold to approximately 100 million dollars - a growth of 419% - compared to the first half of 2022.

However, this does not cause Paolo D'Amico, chairman and CEO of the tanker company, to make gestures in the half-year report.

"I am pleased to report strong financial results in the first half of this year," he says in the management report.

However, D'Amico falls short when it comes to squeezing earnings out of the assets, its ships, on which shipping companies build their businesses.

That is, how large is the operating profit (EBIT) measured in relation to the capital invested in the shipping company?

Here, Torm is in the forefront with a return on assets (ROA) of 12.7%, while Hafnia comes in a close second with D'Amico in third place.

"When we once again show such strong results, it is partly due to a targeted effort with the purchase and sale of vessels, where we have added a number of vessels to the fleet at attractive prices, which contributes to giving our shareholders the high return," says Jacob Meldgaard.

Torm has more than 80 tankers in its fleet.

*(Translated with DeepL with assistance from Kit Lindhardt)*