



Finding Efficient Frontiers



INVEST/STAY CONNECTED

INITIAL REPORT JANUARY 26, 2025

LAST UPDATED JANUARY 26, 2025

\$19.16/Recommendation: REDUCE, target \$16.00

TORM PLC

We are continuing our coverage of shipping companies with this report on Torm PLC. Our analyses of lessor Danaos and LNG shipper Cool Co are also available in our [library](#). Shares of shipping companies have declined across various shipping categories due to falling rates. Further downside for rates is likely if the Gaza conflict and the Ukraine war come to an end. Larger tanker rates have recently spiked, while smaller tanker rates have declined. This spike was driven by recent U.S. Treasury Department sanctions against 180 vessels, primarily larger tankers, involved in shipping Russian oil.

Torm's fleet consists of smaller-sized tankers ranging from 45,000 to 115,000 DWT (deadweight tons), which are typically less than half the size of supertankers. The company currently operates 96 vessels, and "the main fleet is comprised of [LR1, LR2 and MR vessels](#)." Smaller tankers are primarily used to transport refined petroleum products such as diesel fuel and gasoline. The fleet is mainly operated in the spot market. In 2022, the company experienced a significant increase in revenue and profitability due to disruptions caused by the Ukraine war. Revenues rose by over 150%, and profits surged to \$7.48 per share in 2023, compared to \$2.24 in 2019. Since Torm uses a fixed ratio of approximately 89% of net income to determine its dividend, the dividend per share also rose sharply to around \$7 in 2023.

At this point, it appears likely that the Gaza and Ukraine wars—key drivers of higher tanker rates—may come to an end. As a result, we anticipate the company will experience a 40–60% decline in revenues from the mid-2024 highs through 2027. Torm has a strong balance sheet, which we expect to continue improving through 2027. We are forecasting growth in cash and cash equivalents to \$948 million by 2027, before accounting for projected capital expenditures of \$150–250 million, which may include drydocking or purchasing new tankers. During the Third Quarter conference call, management stated: "We have no major Capex commitments at the moment."

Overall, Torm has a solid balance sheet, and there is a possibility that rates could remain higher than our current predictions. Investors should wait for more stability in tanker rates and possibly the resolution of both conflicts before initiating a position. Torm is well-managed, with a strong book value per share of \$21. The forecasted cash buildup is substantial. Potential investors are advised to monitor the shares and tanker rates for an opportune entry point.

Company Stats & Estimates \$

Shares Outstanding	94
Equity Market Cap	1,809
EBITDA 2025 est.	433
EV EBITDA Multiple 2026	8.93
2025 EPS	2.19
2026 EPS	0.73
2025 Cash Flow Yield	20.85%
2026 Dividend Coverage %	392%
2026 Current Cash Flow Yield	13.25%
Enterprise Value	2,638
Long-Term Debt	1,227
Book Value / Share	\$21.63
2025 Dividend Yield	10.14%

[TORM plc INVESTOR RELATIONS](#)

Stock Chart TRMD



BROXTON CAPITAL ADVISORS TRMD as of 9/30/2024

Sunday, January 26, 2025

share price \$19.16

PROJECTIONS IN MM fiscal yr 2025 2026 2027

Income Statement			
Revenue	1,140	992	992
Operating Expenses	878	867	871
Operating Income	263	125	121
Operating Income %	23.04%	12.63%	12.19%

Net Income	207	70	65
Net Income / Share GAAP	2.19	0.73	0.69
EBITDA	433	295	291
Cash Flow	377	240	235
EV EBITDA multiple	6.10	8.93	9.07
Per Share dividend	1.94	0.64	0.60
Projected Gross Dividend	183	61	57
Projected Dividend Coverage %	206%	392%	411%
Cash Flow Yield	20.8%	13.3%	13.0%

Valuations			
Available Dist. Earnings Yield	20.8%	13.3%	13.0%
Projected Dividend Yield	10.1%	3.4%	3.1%
PE ratio	8.7	26.1	27.8
Enterprise Value	2,638	2,638	2,638
Equity Market Cap	1,809	1,809	1,809

Capital Structure			
Shares outstanding mm	94		
Long-Term Debt	1,227		
Cash + cash Build (pre capex)	592	770	948

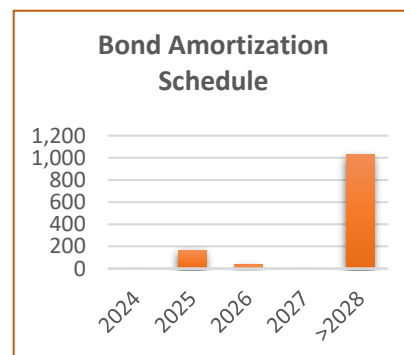
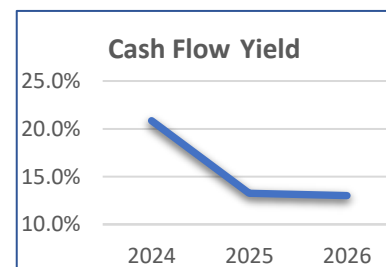
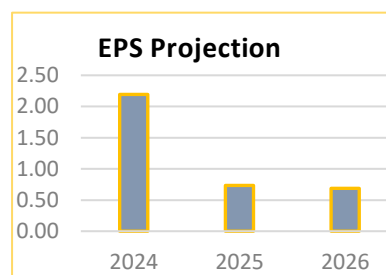
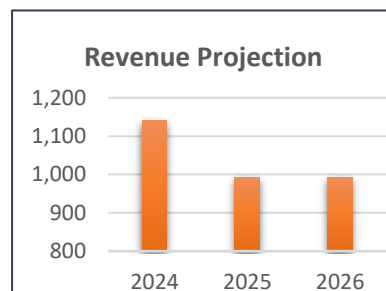
Liquidity as of 9/30/24			
Cash	398		
Borrowing Availability est.	150 +		
Total Current Assets	694		
Current Liabilities	280		

Current Ratio 248%

Book Value	
Equity Net	\$2,042
Book Value / Share	\$21.63

NOTES:

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