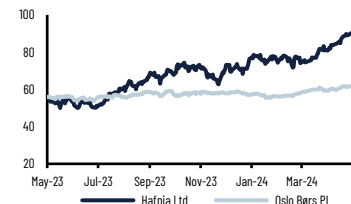


Share information



Ytd: 24.6% 1 year: 56.8%
 1 month: 8.2% 3 year: 373.0%

Note: *We apply the closing price from 22 May 2024
 Index rebased to 23.05.2023. Source: Refinitiv

Financials

(USDm)	2022	2023	2024E*
TCE Income	1,346.7	1,366.6	1,545
TCE growth	234%	1.5%	13%
EBITDA	1,006.9	1,012.9	1,079
EBITDA margin	74.8%	74.1%	70%
Net income	751.6	793.3	831
Net income margin	55.8%	58.0%	57%
Cash	174.4	222.5	N/A
Interest-bearing debt	1,775.3	1,292.4	N/A

Note: *Consensus analyst estimates from Refinitiv. Margins calculated against TCE Income.

Valuation multiples

	2022	2023	2024E*
P/S (x)	1.4	1.3	2.8
EV/Sales (x)	2.3	1.7	3.5
EV/EBITDA (x)	4.2	4.5	5.0
EV/EBIT (x)	5.3	5.7	6.1
P/E (x)	3.3	4.4	5.2
P/NAV (x)**	0.8	0.9	N/A
Div yield (%)	15.6	14.5	14.1

Note: Multiples for 2022 and 2023 are based on historical numbers. *Multiples in 2024 are based on year-end 2024 market prices and consensus estimates from Refinitiv. **P/NAV based on Hafnia's self-reported NAV

Company description

Hafnia is one of the largest owners and operators of product and chemical tankers globally. Hafnia is listed in Norway, and the NYSE, as of 09.04.2023. It provides global freight services in the product tanker market, transporting oil products and easy chemicals. It manages seven commercial shipping pools, bringing together self-owned and externally-owned vessels, and leveraging economies of scale while reducing risk for pool participants by aggregating earnings across all vessels based on a points system.

Investment case

Product tanker rates have remained strong since the war in Ukraine disrupted trade flows, elevating industry ton miles leading to very high vessel utilisation. Hafnia realised a record result in 2023, with analysts expecting a similarly strong earnings level for 2024, as the market remains strong with attractive fundamentals.

Hafnia trades in the spot market, periodically taking longer-term cover contracts. Hafnia retains its positive market outlook driven by growing oil supply and demand forecasts, and with increasing ton-miles as Eastern refineries service more Western customers. Additionally, low on-land inventories, and an orderbook that remains low on net, despite increasing recently (13% orderbook projected to be largely offset by scrapping due to an aging fleet).

Hafnia has returned sizeable dividends since 2022 (around USD 1.1bn) and can continue to do so as markets remain strong and a declining LTV supports a greater payout ratio, which will increase from 80% to 90% if LTV falls below 20%, as per Hafnia's dividend policy. Analysts currently forecast dividend yields of 14% and 13% for 2024E and 2025E, respectively, paid on a quarterly basis. 2023 dividends totalled USD 497m, yielding 15%, with a 64% payout ratio.

Looking at the peer group below, Hafnia trades at a slightly lower P/E, than its peer group average, with among the highest dividend yield forecasts for 2024E and 2025E.

Key investment reasons

Hafnia has generated large cash flows in recent years as strong market conditions have supported earnings and, in turn, strong dividends. Future shareholder returns can be supported by continued market strength, and a low and further declining loan-to-value (LTV), supporting a high dividend payout ratio (80%+).

Product tanker rates remain significantly above historical levels, and while rates will likely remain volatile due to high utilisation, they are supported by growing oil demand, increased ton-miles, low inventories, and the Red Sea and Panama Canal impacts.

Product tanker owners face favourable vessel supply conditions, with a low net orderbook as a moderate orderbook (c. 13%), which is constrained until 2027/28 by limited yard capacity, and is largely offset by forecast scrapping due to an aging fleet. New supply is also disincentivised because of future green fuel availability uncertainty.

Key investment risks

Hafnia operates in volatile markets with spot rates prone to significant fluctuations. While structural market factors can support spot rates, a global recession that reduces oil product demand, could see rates fall significantly.

The product tanker market is affected by geopolitics, including the sanctions on Russia and conflict in the Red Sea subject to unpredictable developments. In addition, recent attacks on Russian refineries may reduce clean petroleum product supply, however, effects on mainstream trading markets may be limited, instead primarily affecting the "dark fleet".

There is a risk that a rush of new vessel orders reduces the longer-term market outlook, especially given recent increases to the orderbook. In addition, scrapping may develop slower than expected if rates remain strong, increasing the net vessel supply outlook.

Peer group

Company	Price (local)	Total return Ytd	Market cap (USDm)	Latest net debt (USDm)	Net debt/EBITDA 2023E	2024E	EV/EBITDA 2023E	2024E	P/E 2023E	2024E	Dividend yield 2024E	2025E
Scorpio Tankers Inc	USD 81.3	35%	4,319	1,498	0.4x	0.2x	5.3x	6.1x	6x	7.5x	2.8%	3.0%
Torm PLC	DKK 255.6	36%	3,512	762	0.7x	0.8x	4.5x	5.5x	4.8x	6.4x	15.3%	10.0%
Ardmore Shipping Corp	USD 23.0	65%	959	18	-0.4x	-1.3x	5.2x	6.9x	6.3x	8.6x	5.1%	3.6%
d'Amico International Shipping SA	EUR 6.9	26%	928	221	0.5x	0.3x	4.2x	6.1x	5.5x	9.1x	4.2%	2.5%
International Seaways Inc	USD 64.0	44%	3,160	477	0.6x	0.5x	5x	5.3x	6x	6.6x	11.1%	10.3%
Average		40%	2,430	625	0.3x	0.1x	4.9x	6x	5.7x	7.6x	7.7%	5.9%
Hafnia	NOK 87.5	34%	4,169	979	0.7x	0.7x	4.8x	5.8x	5.1x	6.5x	14.1%	12.9%

Premium (+) / Discount (-) to peers

Note: Data from 23/05/24

Source: Refinitiv

Appendix

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates (Mean estimates) from Refinitiv. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

Selected product tanker peers overview:

Peer group overview: Hafnia's peer group consists of peers engaged in the ownership and operation of product tankers. The selected peers operate at a similar scale to Hafnia, with Torm also listed in the Nordics.

Scorpio Tankers: Scorpio Tankers is an international owner and operator of product tankers, carrying refined oil products and chemicals worldwide. Scorpio Tankers' owns a combination of LR2, MR and Handymax tankers, with a greater share of its vessels fixed with or plans to be fitted with scrubbers. Scorpio Tanker operates its vessels through commercial pools, together with other shipowners, to benefit from greater vessel utilisation. Activities are primarily positioned towards the spot market.

Torm: is an international owner and operator of product tankers, carrying refined oil products and chemicals worldwide. Torm is listed in Copenhagen and on the US Nasdaq, with a focus on the LR2, LR1, and MR vessel segments.

International Seaways Inc: is an international owner and operator of crude tanker and product tanker vessels, transporting dirty and clean petroleum products globally. The company owns or operates a fleet of over 70 vessels across crude tanker and product vessel segments, including, crude tankers: VLCC, Suezmax, Aframax, product tankers: LR2, LR1, and MR. International Seaways is listed on the New York Stock Exchange (NYSE).

Ardmore Shipping Corp: is an international owner and operator of product tankers, carrying refined oil products and chemicals worldwide. Ardmore Shipping is listed on the New York Stock Exchange (NYSE) and focuses on the MR vessel segment, also operating its vessels in commercial shipping pools.

d'Amico International Shipping SA: is an international owner and operator of product tanker vessels, transporting refined crude products globally. The company is listed on the Milan Stock Exchange and owns and charters vessels, operating over 30 vessels, across product tanker vessel segments, including LR1, MR, and Handysize.