



Wealthpin **Pro**

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Introduction

Man, things just can't stop popping off, can they? Ukraine, Israel, and now the Red Sea. The tiny sliver of ocean off the coast of Yemen is one of the most vital veins of global commerce in the world. Why? Because that's where the oil flow through!

But now that Houthi rebels are attacking vessels passing through the area, it's disrupting shipping on a global scale. However, shipping companies stand to gain from this disruption. It might seem counterintuitive at first, but trust me, I'll explain everything in this month's edition.

The pick for this month is Tsakos Energy Navigation Limited (YSE: TNP), a prominent player in the global shipping industry. Renowned for its expansive and diverse fleet, Tsakos specializes in transporting essential materials such as crude oil and petroleum products.

TRADE IDEA:

TSAKOS TANKERS (NYSE: TNP)



PRICE AT PUBLICATION: \$23.77

MARKET CAP AT PUBLICATION: \$701.3 MILLION

52-WEEK RANGE: \$15.00-\$24.78

Company Overview

Tsakos Energy Navigation Limited (NYSE: TNP), founded in 1993 by Captain Panagiotis Tsakos, has evolved into a leading force in the international shipping industry. Based in Athens, Greece, Tsakos specializes in the maritime transport of petroleum products and crude oil, playing a pivotal role in global energy supply chains. The company operates under the strategic vision of providing top-tier marine transportation services while prioritizing safety, environmental responsibility, and operational efficiency.



Tsakos's business model is centered around versatility and adaptability. The company boasts a fleet that includes a variety of vessel types, such as Aframax, Suezmax, and Panamax tankers, as well as LNG and LPG carriers. This diverse fleet enables Tsakos to cater to a wide range of customer needs and respond dynamically to changing market demands. The company serves a global client base, including state-owned entities, oil majors, and international traders.

A significant aspect of Tsakos's operations is its focus on long-term charters and strategic partnerships. This approach not only provides stable revenue streams but also mitigates the volatility typically associated with the shipping industry. By securing long-term contracts, Tsakos ensures consistent utilization of its fleet, optimizing earnings and reducing operational risks.



The company's commitment to technological advancement and fleet modernization is another key factor contributing to its competitive edge. By investing in newer, eco-friendly vessels, Tsakos not only aligns with global environmental standards but also achieves greater operational efficiency and cost-effectiveness.

Tsakos's leadership, under the guidance of Nikolas P. Tsakos, the founder's son and the current CEO, is marked by a blend of maritime tradition and modern business acumen. The management team's extensive experience in the shipping industry is instrumental in navigating the complex and ever-changing global maritime landscape.

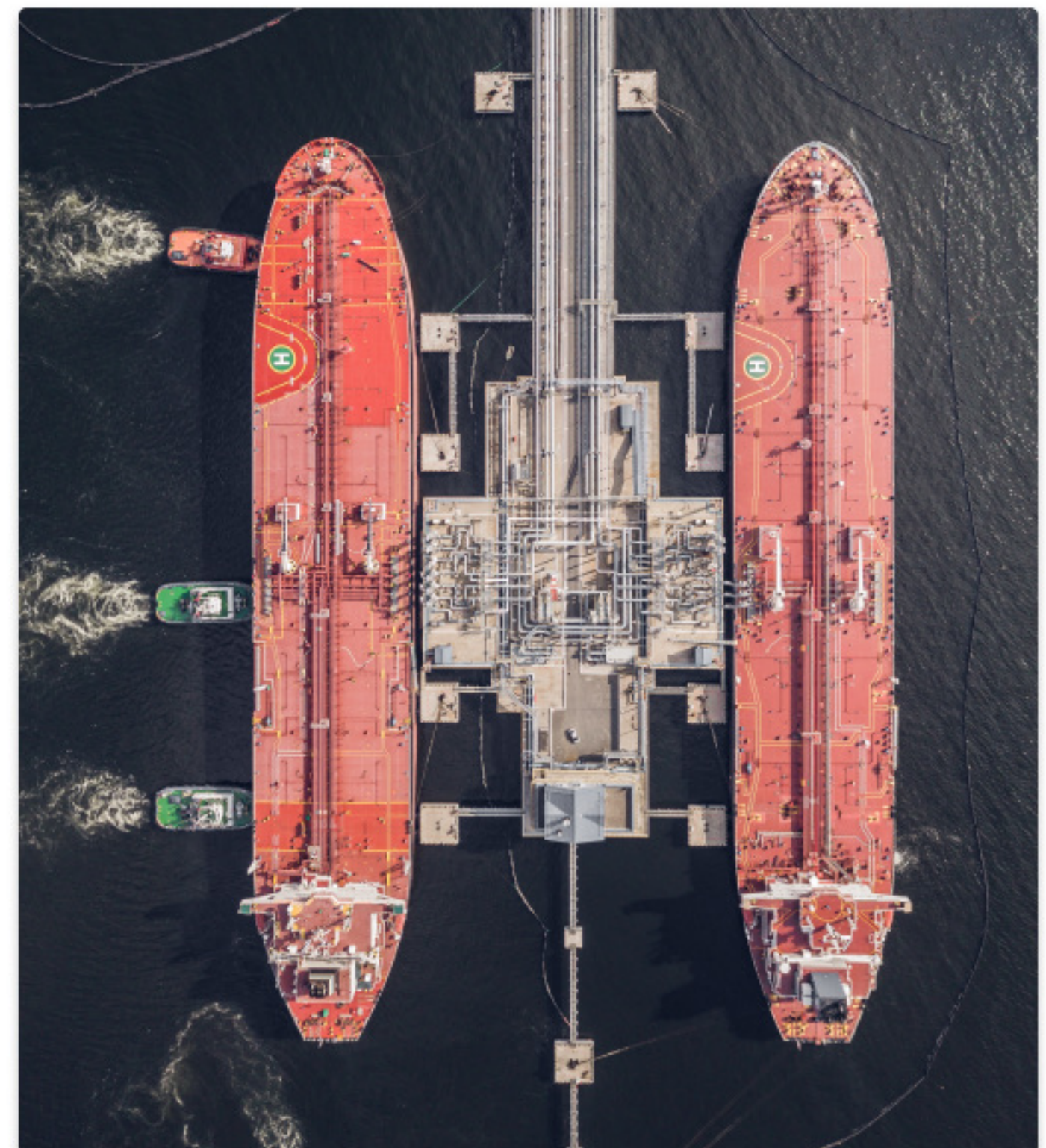


Dr Nikolas P. Tsakos

Fleet Analysis

Tsakos Energy Navigation Limited (NYSE: TNP) operates a sophisticated and diverse fleet, a cornerstone of its strategic operations and market resilience. The fleet's composition and management are key indicators of the company's commitment to operational excellence and its ability to navigate the dynamic maritime industry.

- **Diversity and Size of Fleet:** TNP's fleet is a balanced mix of various types of vessels, including crude oil tankers, product tankers, and LNG carriers. This diversity allows TNP to transport a wide range of materials, from crude oil to refined petroleum products, and liquefied natural gas, catering to different market needs. The size of the fleet, which includes both medium-range and larger vessels, ensures scalability and flexibility in operations, enabling TNP to efficiently manage cargo volumes based on market demand.
- **Age and Efficiency:** The age profile of TNP's fleet is a critical aspect of its operational strategy. By maintaining a relatively young fleet, the company benefits from enhanced efficiency and reduced maintenance costs. Newer vessels are typically more fuel-efficient and technologically advanced, resulting in lower operational expenses and a smaller environmental footprint. This focus on a younger fleet also aligns with stringent international maritime regulations, ensuring compliance and minimizing the risk of operational disruptions.



- **Technological Advancements:** TNP has consistently invested in state-of-the-art technology to enhance its fleet's operational capabilities. This includes advanced navigation systems, fuel-efficient engines, and emissions-reducing technologies. Such investments not only improve operational performance but also demonstrate TNP's commitment to environmental sustainability. By adopting cleaner technologies, the company positions itself favorably in a sector increasingly influenced by environmental considerations.
- **Maintenance and Safety:** A key component of fleet management is the emphasis on regular maintenance and adherence to international safety standards. TNP's proactive approach to vessel maintenance ensures high operational reliability and minimizes the risk of accidents or disruptions. This commitment to safety is not only crucial for protecting the environment and crew but also for maintaining the company's reputation and customer trust.



- **Fleet Expansion and Modernization:** TNP's strategic decisions regarding fleet expansion and modernization reflect its forward-thinking approach. The company continuously evaluates market conditions to make informed decisions about acquiring new vessels or phasing out older ones. This adaptive strategy ensures that TNP's fleet remains competitive, both in terms of size and technological sophistication.

Financial Performance

The company reported a strong financial performance in the third quarter of 2023, underpinned by a vibrant tanker market. For the third quarter, TNP reported a net income of \$31.23 million, down from \$51.35 million in the previous year. The basic and diluted earnings per share from continuing operations were \$0.83, compared to \$1.48 a year ago. However, for the nine-month period, the net income significantly increased to \$268.42 million, compared to \$103.1 million in the previous year, with basic and diluted earnings per share from continuing operations at \$8.19, up from \$2.77 a year ago.

STATEMENT OF OPERATIONS DATA	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2023	2022	2023	2022
Voyage revenues	\$ 186,659	\$ 223,742	\$ 669,325	\$ 590,145
Voyage expenses	34,260	52,813	119,050	163,753
Charter hire expense	6,079	8,806	18,601	26,132
Vessel operating expenses	50,670	50,430	145,613	140,236
Depreciation and amortization	36,298	35,894	106,701	103,411
General and administrative expenses	6,344	8,060	25,838	22,237
(Gain) Loss on sale of vessels	-	739	(81,198)	440
Total expenses	133,651	156,742	334,605	456,209
Operating income	53,008	67,000	334,720	133,936
Interest and finance costs, net	(24,044)	(15,069)	(72,893)	(29,361)
Interest income	3,221	429	10,109	845
Other, net	154	(13)	(26)	169
Total other expenses, net	(20,669)	(14,653)	(62,810)	(28,347)
Net income	32,339	52,347	271,910	105,589
Less: Net income attributable to the noncontrolling interest	(1,110)	(993)	(3,490)	(2,492)
Net income attributable to Tsakos Energy Navigation Limited	\$ 31,229	\$ 51,354	\$ 268,420	\$ 103,097
Effect of preferred dividends	(6,750)	(8,673)	(23,434)	(26,050)
Undistributed income to Series G participants	-	(343)	-	(728)
Deemed dividend on Series D preferred shares	-	-	(3,256)	-
Net income attributable to common stockholders of Tsakos Energy Navigation Limited	\$ 24,479	\$ 42,338	\$ 241,730	\$ 76,319

Key factors contributing to these results include buoyant tanker market conditions, with spot market rates for vessels ranging between \$60,000 and \$80,000 per day.

Approximately 50% of Tsakos's fleet operates on the spot market, and the remaining 50% on high fixed employment. The company is optimistic about continued positive market conditions, driven by factors such as a low tanker order book, an aging fleet, and geopolitical disruptions. Moreover, TNP's strategic positioning, including the delivery of its first two dual-fuel Aframax tankers and an ongoing new building program of eight tankers, further strengthens its market standing.

Tsakos has also focused on financial management strategies, such as redeeming preferred shares to save \$18 million per year in coupon payments. The company's increased EBITDA of \$370 million for the nine-month period reflects strong operational performance. Tsakos's management has expressed confidence in achieving a record year for 2023 and plans to continue dividend distributions, indicating robust financial health and an optimistic outlook for the future.



Overall, TNP's financial results demonstrate its resilience and strategic adaptability in a dynamic market environment, underlined by strong earnings, strategic fleet management, and an optimistic outlook for continued growth and profitability.

Geopolitical Opportunities and Risks

Especially now, operating a company at the center of global geopolitics is a risky endeavor. There's a few ways that Tsakos could be affected.

- **Impact of Geopolitical Shifts:** The shipping industry is highly sensitive to geopolitical events which can significantly impact trade routes, supply chains, and energy prices. TNP, with its global operations, must constantly adapt to these shifts. Political unrest in key oil-producing regions, for instance, can disrupt supply chains, while trade

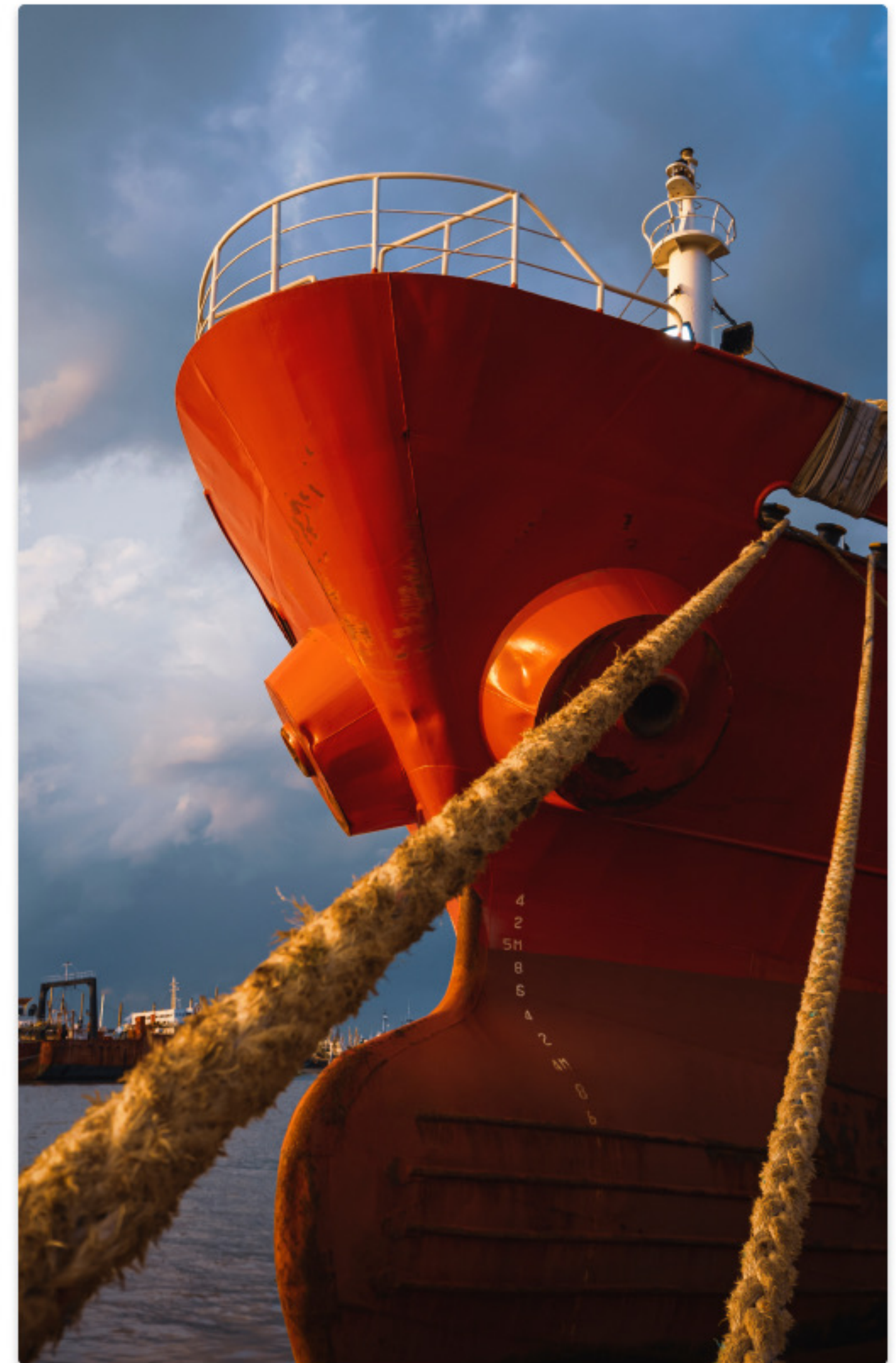
agreements or sanctions can open up or restrict markets. TEN's ability to quickly respond to these changes is crucial for maintaining its operational efficiency and profitability.

- **Opportunities from Geopolitical Developments:** Geopolitical shifts can also present opportunities for TEN. Changes in global energy policies or new trade agreements can lead to increased demand for maritime transport. For example, shifts in oil production patterns or the opening of new oil fields can create new trade routes that TEN can capitalize on. The company's diverse fleet allows it to quickly adapt to changing cargo types and routes, positioning it to take advantage of emerging markets.
- **Risks and Mitigation Strategies:** Geopolitical risks, such as regional conflicts, trade wars, and piracy, pose significant challenges to maritime operations. TEN mitigates these risks through strategic route planning, comprehensive insurance coverage, and adherence to international safety standards. The company's experienced management team plays a key role in risk assessment and decision-making, ensuring that potential geopolitical disruptions are effectively managed.
- **Regulatory Compliance:** Global shipping is subject to international regulations, which can be influenced by geopolitical factors. Compliance with these regulations, especially those related to environmental protection and safety, is critical for TEN. The company's commitment to regulatory compliance not only safeguards its operations but also enhances its reputation in the global market.



- **Energy Market Dynamics:** As a transporter of oil and petroleum products, TNP is directly impacted by the dynamics of the global energy market. Fluctuations in oil demand and supply, driven by geopolitical events, directly influence the shipping industry. TNP's strategy involves closely monitoring these trends to anticipate shifts in transportation demand and adjust its operations accordingly.
- **Adaptability to Global Economic Trends:** The interplay between geopolitics and the global economy can have far-reaching effects on the shipping industry. Economic sanctions, trade agreements, and regional economic integrations can reshape trade patterns. TNP's ability to adapt to these economic trends is a testament to its strategic flexibility and foresight.

Recent events in the Red Sea, particularly attacks by Iran-backed Houthi rebels, have significantly impacted maritime trade, including companies like Tsakos. . These attacks have targeted merchant shipping, including vessels believed to be affiliated with Israel. The Red Sea is a crucial route to the Suez Canal, which is a major global trade artery, handling a substantial portion of global container traffic. The security concerns raised by these attacks could affect Tsakos in several ways, such as disruptions in shipping routes, these attacks could affect Tsakos in several ways, such as disruptions in shipping routes, potential delays, increased operational costs due to rerouting, and heightened security measures. Additionally, these events could lead to increased insurance premiums and the need for more robust risk mitigation strategies.



However, there is a silver lining. This silver lining is one of the main reasons I'm so bullish about Tsakos. What is it?

Rising shipping rates.

Rising shipping rates can benefit shipping companies. In scenarios where geopolitical tensions, such as those in the Red Sea, lead to disruptions in shipping routes or increased security concerns, shipping rates often rise due to the heightened risk and reduced supply of available shipping capacity. For shipping companies that can navigate these challenges effectively, these higher rates can translate into increased revenues.

Leadership and Management Team

Tsakos is guided by a seasoned leadership and management team, whose expertise and strategic vision have been pivotal in steering the company through the dynamic and often challenging terrain of the global shipping industry.

Executive Leadership: At the helm of TNP's operations is Dr. Nikolas P. Tsakos, the President and CEO. A member of a traditional maritime family, Dr. Tsakos has been instrumental in shaping the company's growth and strategic direction. Under his leadership, TNP has expanded its fleet and market presence, maintaining a reputation for operational excellence and financial resilience.



Management Philosophy: The management philosophy at TNP is rooted in a blend of traditional maritime values and modern business acumen. This approach emphasizes operational efficiency, customer service, and strategic growth, all underpinned by a strong commitment to safety and environmental stewardship.

Experience and Expertise: The management team at TNP boasts extensive experience in maritime operations, finance, and global trade. This diverse expertise allows the company to effectively navigate market complexities, identify growth opportunities, and make informed decisions that balance short-term challenges with long-term objectives.

Innovative Strategies: Under its current leadership, TNP has been proactive in adopting innovative strategies. This includes investing in technologically advanced and eco-efficient vessels, exploring new markets, and embracing digital transformation to enhance operational efficiency and competitiveness.

Stakeholder Engagement: TNP's leadership is known for its active engagement with stakeholders, including investors, customers, and regulatory bodies. This engagement is crucial for understanding market needs, shaping company policies, and fostering long-term relationships that support business growth.

Commitment to Corporate Governance: The company places a high emphasis on strong corporate governance, with transparent practices and a focus on shareholder value. This commitment is evident in TNP's adherence to regulatory requirements, ethical business practices, and its approach to risk management.

Navigating Challenges: The ability of TNP's leadership to navigate industry challenges – from fluctuating markets to regulatory changes – has been a key factor in the company's stability and success. The management team's strategic foresight and adaptability have been critical in maintaining the company's position as a leading player in the energy transportation sector.



Industry Outlook and Future Prospects

The maritime industry, including companies like Tsakos, is navigating through a transformative phase marked by several key trends and challenges as we head into 2023 and beyond:

1 Growth Projections: The maritime trade is expected to grow by 2.4% in 2023 and continue growing at a rate of more than 2% annually between 2024 and 2028. This growth trajectory highlights the resilience of the shipping industry despite challenges like the war in Ukraine and the ongoing global economic shifts.



2 Decarbonization and Environmental Challenges: The industry faces the daunting task of decarbonization to address the rising concerns of greenhouse gas emissions. The transition to cleaner fuels is in its early stages, with a significant portion of the fleet still reliant on fossil fuels. However, there's a noticeable shift with 21% of vessels on order slated to operate on cleaner alternatives like LNG, methanol, and hybrid technologies. This shift is a key factor for companies like TNP, as it involves substantial investments and operational adjustments.

3 Digitalization and Efficiency: Advancements in digital solutions, including AI and blockchain, are being increasingly adopted to improve efficiency and sustainability. This technological shift is crucial for companies to stay competitive and meet the environmental goals set by regulatory bodies.

4 Collaboration and Data-Driven Insights: Increased collaboration across the industry is expected, especially in driving the green transition and addressing logistical challenges. Embracing unified data platforms will enhance industry collaboration, providing shared insights for ship owners, operators, and charterers.

5 Market Fundamentals and Tonnage Scenario: The overall outstanding orderbook for shipping is subdued, with no sector exceeding five percent of the corresponding existing fleet, indicating a balanced tonnage supply for the near future. This balance suggests that tonnage supply is unlikely to overwhelm demand, at least for 2023 and early 2024.

6 Polycrisis and Geopolitical Factors: The concept of 'polycrisis' is increasingly relevant, considering the multiple layers of uncertainty affecting the global

economic landscape. Geopolitical events, the recovery from the pandemic, and shifting consumer patterns are influencing market dynamics in profound ways. These external factors, though not strictly maritime, have the potential to significantly impact maritime markets.

For Tsakos navigating these trends and challenges will require strategic agility, investment in green technologies, and an adaptable operational approach. The company's future prospects will be closely tied to its ability to adapt to these evolving market conditions, regulatory requirements, and technological advancements.

Conclusion

Tsakos Energy Navigation Limited presents an intriguing case for investment, especially when considering its latest financial performance and market dynamics. Here's an analysis based on the most recent data:

- **Strong Financial Performance:** Tsakos reported a robust financial outcome for Q3 2023, with a net income of \$31.23 million, and for the nine-month period, a significant increase to \$268.42 million compared to the previous year. This performance, particularly the substantial year-over-year growth in net income, signals the company's operational efficiency and market strength.
- **Earnings Per Share:** The basic and diluted earnings per share from continuing operations were \$0.83 for Q3 2023, and \$8.19 for the nine-month period, up from \$2.77 in the previous year. These figures reflect the company's profitability and are a key indicator for investors assessing the company's value.
- **Market Conditions:** The favorable tanker market conditions, with spot market rates for vessels between \$60,000 and \$80,000 per day, have significantly contributed to TNP's financial success. The balanced tonnage supply and demand scenario for 2023 and early 2024 further supports a stable market outlook for the company.



- **Dividend Policy:** TNP's history of distributing dividends demonstrates its commitment to shareholder returns. The consistency and size of these dividends, coupled with the company's strong financial performance, are attractive to investors looking for steady income streams.
- **Fleet Strategy and Positioning:** The strategic positioning of approximately 50% of TNP's fleet in the spot market and 50% in high fixed employment provides a balance of stability and flexibility, enhancing its ability to capitalize on market opportunities.
- **Debt Management and Capital Allocation:** TNP's approach to financial management, including redeeming preferred shares to save \$18 million annually in coupon payments, indicates prudent capital allocation and debt management strategies.
- **Future Outlook:** The company's management has expressed optimism about the market environment for the remainder of the year and into 2024, anticipating a record year for 2023. This outlook, combined with plans for continued dividend distributions, suggests confidence in sustained profitability.
- **Risk Factors:** While the financials are strong, potential investors should also consider the risks associated with the volatile nature of the shipping industry, geopolitical tensions, and the ongoing transition to greener energy sources.

In conclusion, TNP's latest financial results, combined with its strategic market positioning, robust dividend policy, and favorable market conditions, present a compelling case for investment. Which is why we're adding Tsakos to the model portfolio.



To your wealth,
Alex Reid
Founder, Wealthpin Pro

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