

International Seaways, Inc.

International Seaways, Inc.

First Quarter 2020
Earnings Presentation
May 7, 2020

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Disclaimer

Forward-Looking Statements

During the course of this presentation, the Company (International Seaways, Inc. (INSW)) may make forward-looking statements or provide forward-looking information. All statements other than statements of historical facts should be considered forward-looking statements. Some of these statements include words such as ‘‘outlook,’’ ‘‘believe,’’ ‘‘expect,’’ ‘‘potential,’’ ‘‘continue,’’ ‘‘may,’’ ‘‘will,’’ ‘‘should,’’ ‘‘could,’’ ‘‘seek,’’ ‘‘predict,’’ ‘‘intend,’’ ‘‘plan,’’ ‘‘estimate,’’ ‘‘anticipate,’’ ‘‘target,’’ ‘‘project,’’ ‘‘forecast,’’ ‘‘shall,’’ ‘‘contemplate’’ or the negative version of those words or other comparable words. Although they reflect INSW’s current expectations, these statements are not guarantees of future performance, but involve a number of risks, uncertainties, and assumptions which are difficult to predict. Some of the factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, the forward-looking statements include, but are not necessarily limited to, vessel acquisitions, general economic conditions, competitive pressures, the nature of the Company’s services and their price movements, and the ability to retain key employees. The Company does not undertake to update any forward-looking statements as a result of future developments, new information or otherwise.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures, including Time Charter Equivalent (“TCE”) revenue, EBITDA, Adjusted EBITDA, and total leverage ratios, designed to complement the financial information presented in accordance with generally accepted accounting principles in the United States of America because management believes such measures are useful to investors. TCE revenues, which represents shipping revenues less voyage expenses, is a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. EBITDA represents net (loss)/income before interest expense, income taxes and depreciation and amortization expense. Adjusted EBITDA consists of EBITDA adjusted for the impact of certain items that we do not consider indicative of our ongoing operating performance. Total leverage ratios are calculated as total debt divided by Adjusted EBITDA. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See Appendix for a reconciliation of certain non-GAAP measures to the comparable GAAP measures.

This presentation also contains estimates and other information concerning our industry that are based on industry publications, surveys and forecasts. This information involves a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of the information.

Additional Information

You should read the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and other documents the Company has filed with the SEC for additional information regarding the Company, its operations and the risks and uncertainties it faces. You may obtain these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov, or from the Company’s website at www.intlseas.com.



Business Review – Lois K. Zabrocky, President & CEO

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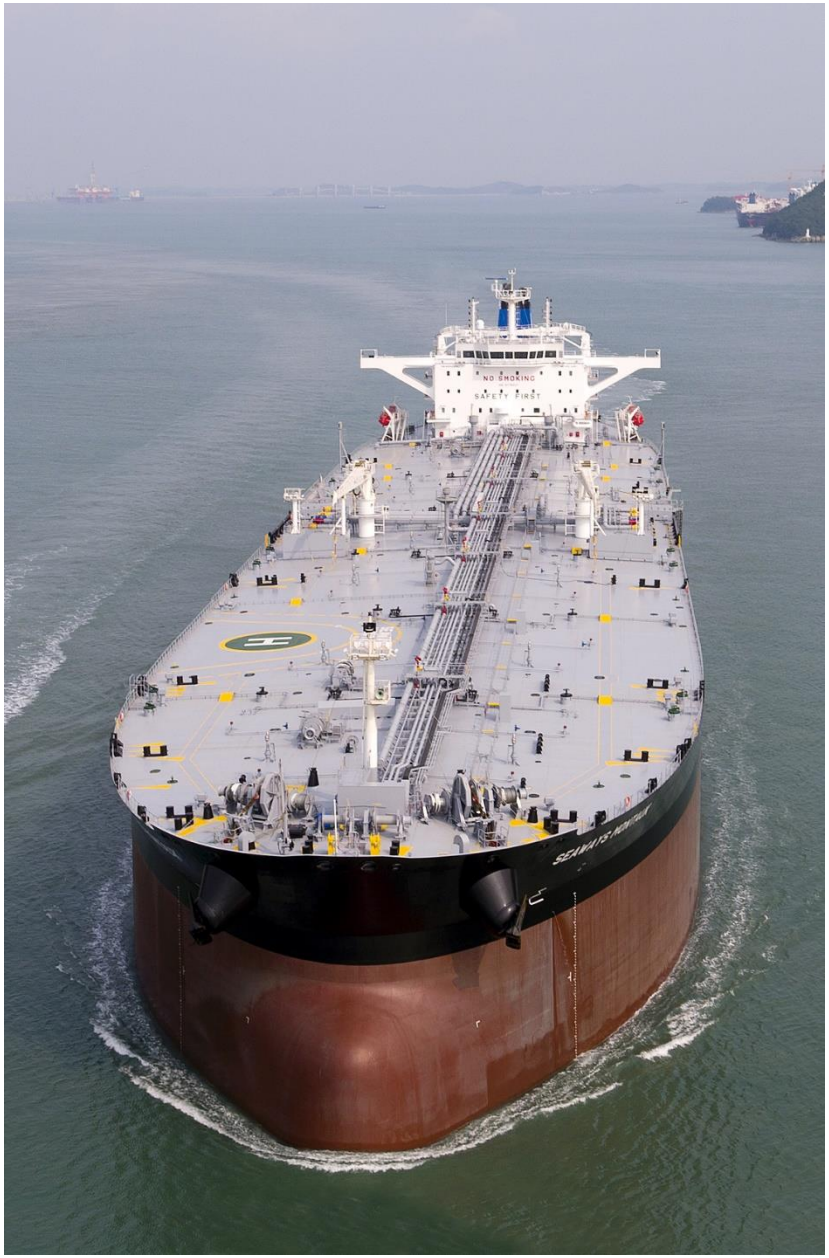
Coronavirus Update

- **Crewing**
  - Strict measures are in effect on all of our ships for the health and safety of our seafarers
  - Global travel restrictions are making crew changes exceptionally difficult, resulting in longer stays on board the vessels and at home
- **Shoreside**
  - Advance planning enabled us to ensure business continuity
  - All New York and Houston Lightering office employees working remotely since March 16
  - Full staff capabilities maintained
  - No delays in closing books nor SEC filings
- **Operations**
  - There have been no material cost increases as of now due to the Coronavirus
  - SIRE and other inspections are, however, becoming increasingly difficult to arrange
  - Transport of spare parts taking longer
  - Drydockings and scrubber installations taking longer
  - Notwisthstanding the above challenges, all key operations are working smoothly.
- **Overall**
  - Our priorities are a safe environment for our employees ashore and at sea, and the continued safe, reliable service to our energy customers

COVID - 19 RESPONSE

First Quarter 2020 Highlights and Recent Developments

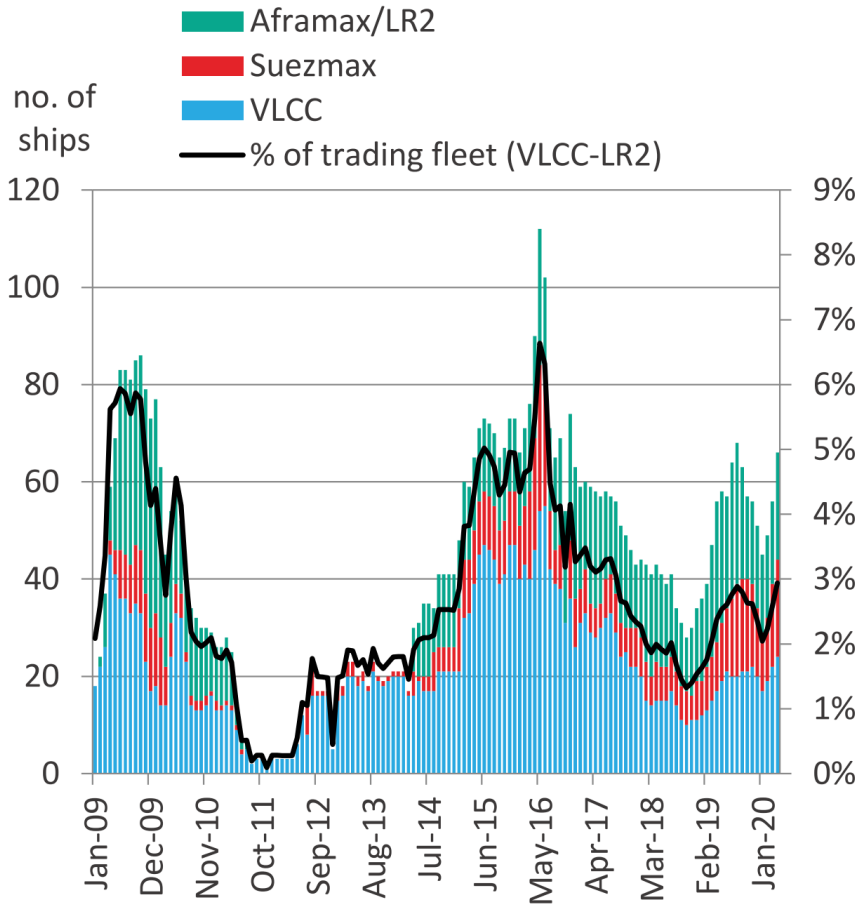
- **Executing on Capital Allocation Strategy**
  - Completed refinancing, saving $25 million in annual interest
  - Instituted $0.06/share quarterly dividend
  - Share repurchases totaling $10 million made during quarter
  - Revolver fully repaid. $40 million available
  - Purchased Seaways Guayaquil, an LR1
  - Sold two older Aframaxes, one of which delivered in Q1
- **Capitalizing on Current Strong Market**
  - 3 year VLCC time charter executed for a modern VLCC, Seaways Kilimanjaro for $45,000 per day with delivery in April
  - 1 year VLCC time charter executed for 2002-built VLCC, Seaways Tanabe for $53,000 per day with delivery in April
  - Two 7 month VLCC time charters executed at an average rate of $100,000 per day. Delivery scheduled for May
  - Together with our JV income, reduces fleetwide breakeven on our spot revenue days to $16,000 per day over the next 12 months
- **Strongest Quarter Since Inception**
  - 2020 Q1 net income $33.0 million; $43.7 million ($1.49/share) when excluding items related to asset sales and debt refinancing
  - 2020 Q1 Adjusted EBITDA $74.2 million, an increase of $2.0 million from 2019 Q4 and $26.9 million from 2019 Q1
  - $110 million in cash and $150 million in liquidity at March 31



Market Update – Oil Supply, Demand and Market Implications

- **Oil Demand**
  - The Coronavirus (COVID-19) has negatively impacted oil demand. IEA forecasts reduced demand of 29 million b/d for April and 9.3 million b/d for 2020
- **Oil Supply**
  - In March, OPEC and Russia failed to agree on production cuts and Saudi Arabia announced an increase in production
  - In April, OPEC+ reached agreement to curb production by in effect 10.7 million b/d
  - Oil prices have since floundered, putting pressure on higher cost producers
  - Storage of excess production is increasingly becoming an issue
- **Tanker Market Implications**
  - The effects of overproduction, shortage of storage, and low oil prices are twofold:
  - First, we are seeing a large number of delays at discharge ports due to inadequate storage space to accept discharging cargoes. Ship delays at discharge ports create a ship supply shortage at load ports, pushing rates up
  - Second, there is a strong oil contango which makes it profitable to store oil, creating a demand for time chartered ships for storage, further reducing ship supply and increasing rates
  - Estimates of 160 million barrels being stored on ships currently

Contango Causing Demand for Storage Vessels



Source: Braemar ACM
Includes trading fleet only, and storage over 30 days

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Market Update – Ship Supply

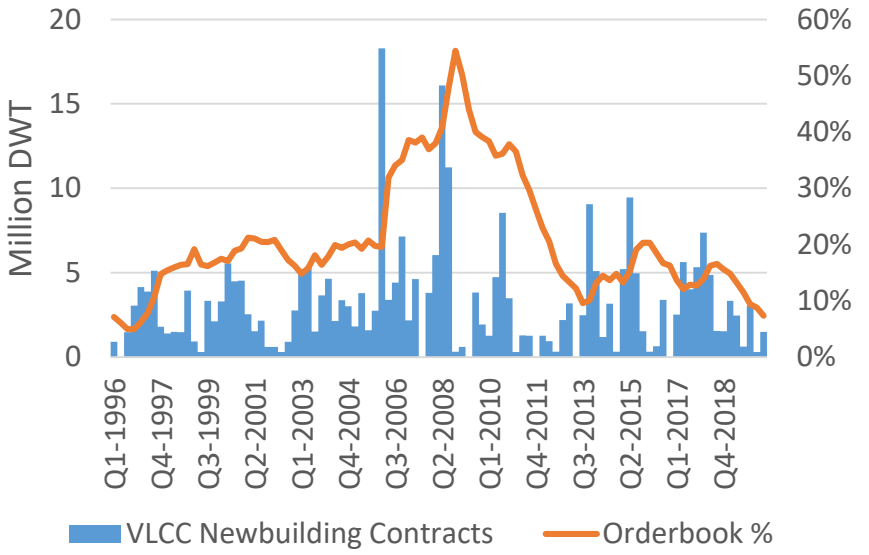
Orderbook Update

- Orderbook remains historically low:
  - VLCC 7.3%
  - Suezmax 11.0%
  - Aframax/LR2 8.4%
  - Panamax/LR1 4.3%
  - MR 6.9%
- 31 VLCCs ordered in 2019; YTD 2020 only six thus far
- Ordering tempered by uncertainty surrounding markets, decarbonization, and suitable propulsion systems
- Scrubber installations extended as yards understaffed
- Chinese newbuilding deliveries facing delays

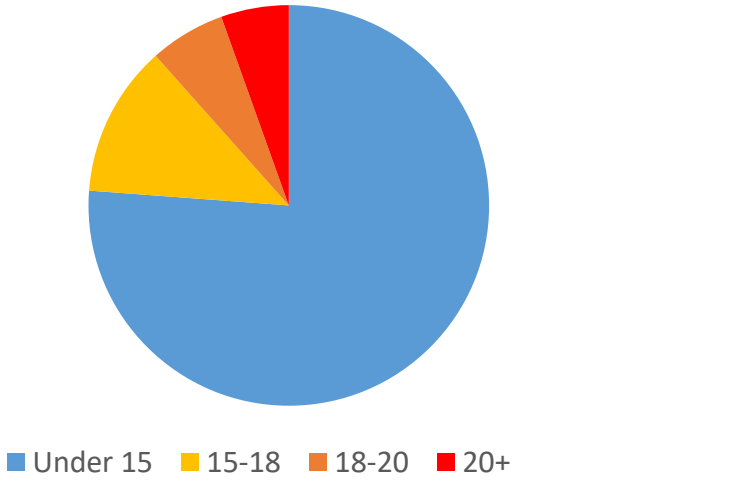
Scrapping potential

- The VLCC fleet is aging – nearly 200 ships out of a fleet of 822 are over 15 years old
- At age 15 and every 2.5 years thereafter significant investment required to continue to trade
- As ships reach ballast water treatment deadlines, even greater capital expenditure is required to keep trading
- After a record 31 scrappings in 2018, only four VLCCs were scrapped in 2019 and none YTD 2020. If rates moderate, we expect to see scrappings increase

Historically Low Orderbook



VLCC Fleet is Ageing



Source: Clarksons, INSW

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Financial Review – Jeffrey D. Pribor, SVP & CFO

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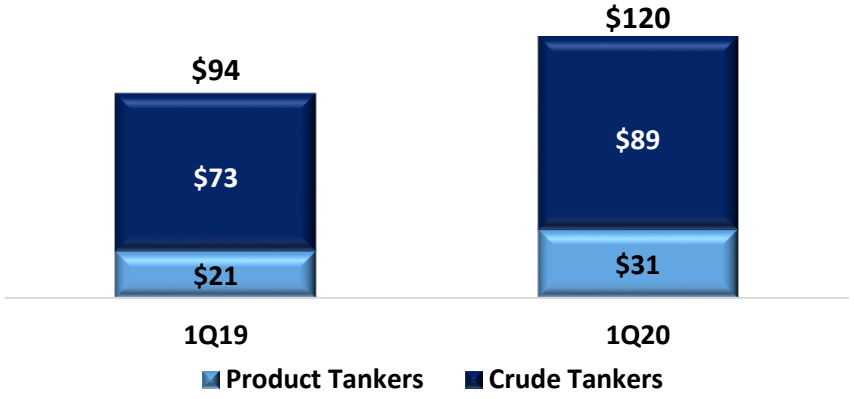
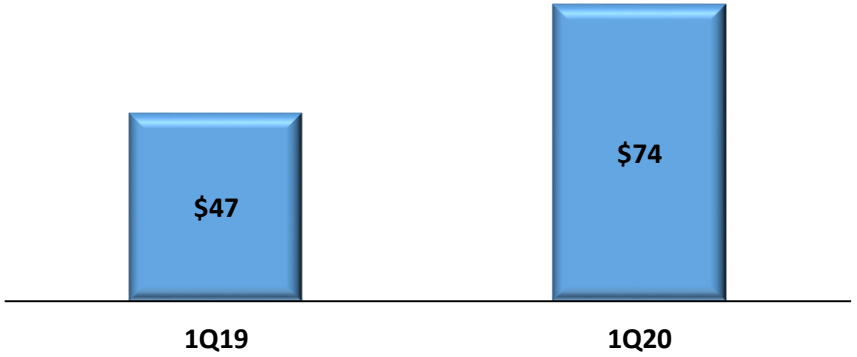
Financial Summary – TCE Revenue & Adjusted EBITDA [1]
($ millions)

1Q 2019 vs 1Q 2020

Quarterly TCE Revenue

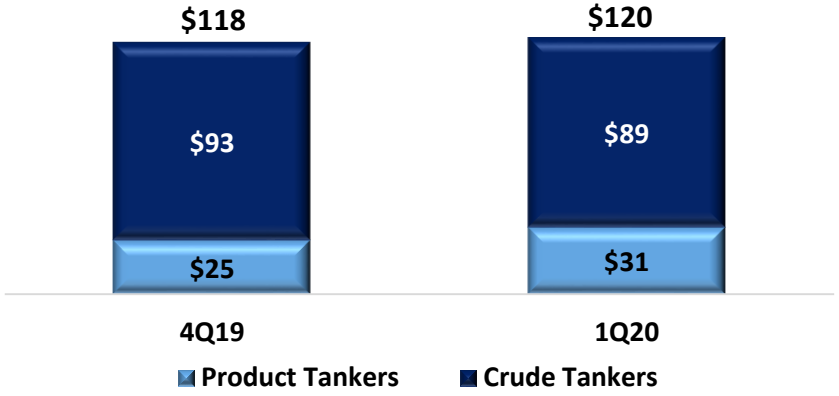


Quarterly Adjusted EBITDA

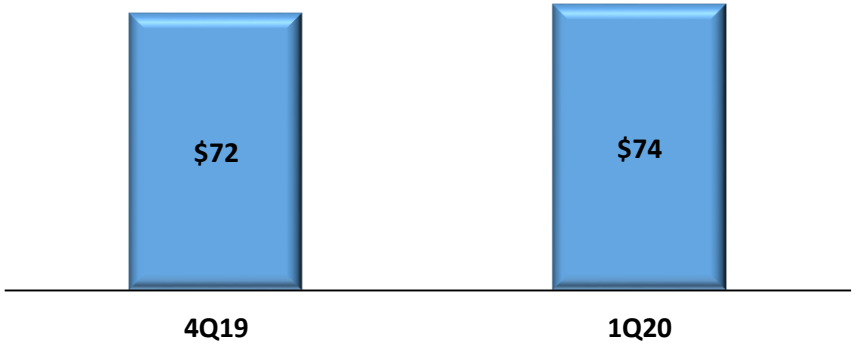


4Q 2019 vs 1Q 2020

Quarterly TCE Revenue



Quarterly Adjusted EBITDA



[1] *See Appendix for TCE Revenue and EBITDA reconciliation.*

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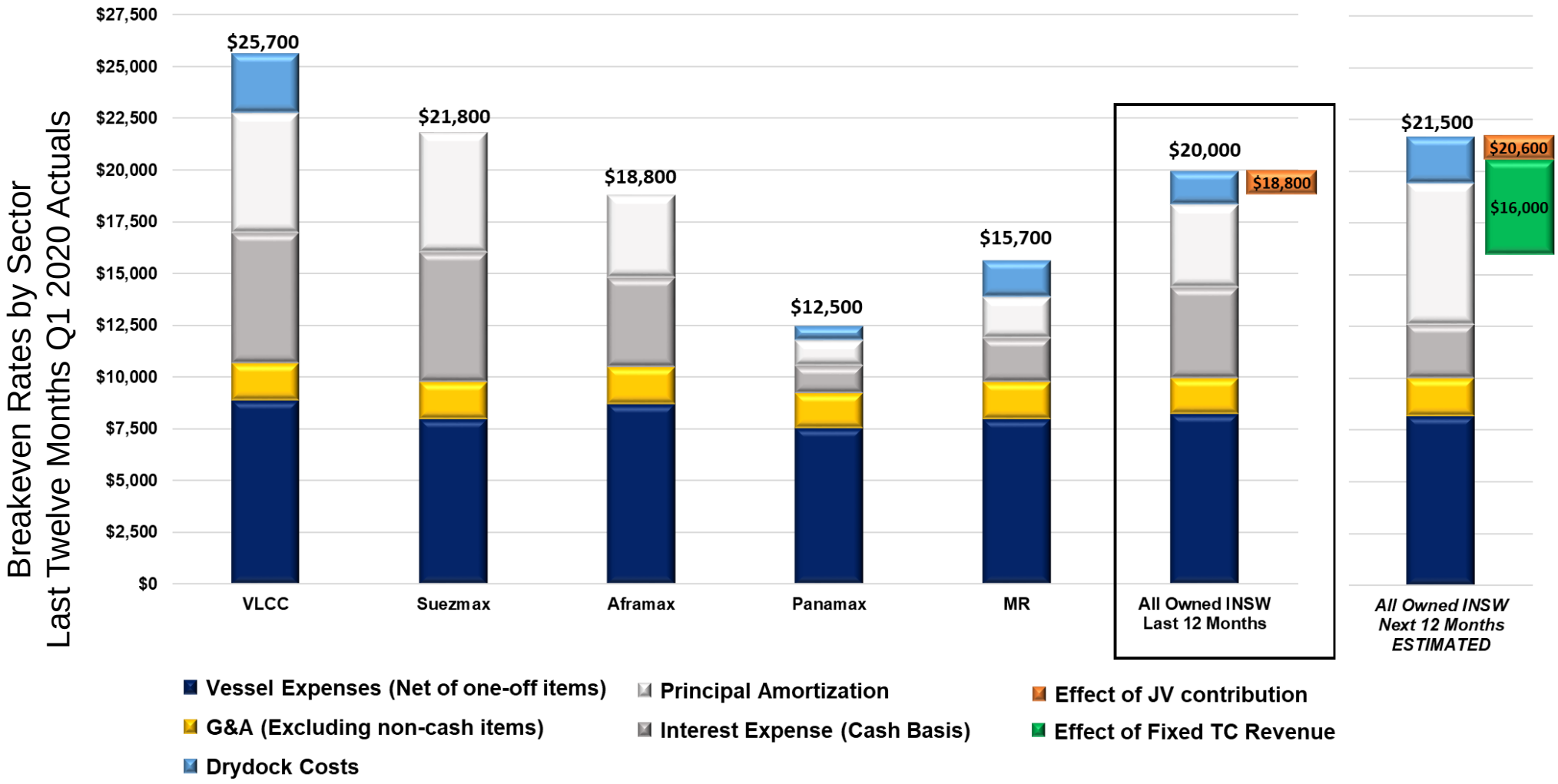
Financial Summary – Q1 & Q2 Earnings Update

	1st Quarter 2020		2nd Quarter 2020[1]			
	Spot	Overall	**Spot**	% Fixed	Overall	% Fixed
VLCC[2]	**$63,800**	$63,800	**$87,900**	71%	$79,700	80%
Modern VLCC			**$90,600**	73%	$85,400	79%
15+ VLCC			**$68,800**	62%	$56,000	83%
Suezmax	**$42,800**	$42,800	**$63,100**	58%	$63,100	58%
Aframax/LR2	**$31,100**	$31,100	**$40,600**	63%	$40,600	63%
Panamax/LR1[3]	**$39,200**	$27,900	**$34,000**	51%	$23,300	68%
MR	**$20,700**	$20,700	**$20,000**	42%	$20,000	42%

1 As of May 6, 2020
2 Overall 2020 Q1 TCE has zero time charter days. Overall 2020 Q2 TCE includes 264 time charter days booked at approximately $64,700/day
3 Overall 2020 Q1 TCE includes 539 time charter days at $15,900/day. Overall 2020 Q2 TCE includes 543 time charter days booked at approximately $16,200/day
Rates exclude average pool fees of approximately $678/day

Lean and Scalable Model – Cash Breakevens –Last 12 Months

TCE breakeven levels allow INSW to navigate low points in the tanker cycle while providing significant operating leverage in rising markets



- *INSW Daily OPEX excludes DDK deviation bunkers, insurance claims and one-off expenses*
- *G&A for the Lightering segment is excluded*
- *Vessels that have been sold are excluded*
- *Only includes owned vessels. Two bareboat-in Aframaxes vessels have charter hire and OPEX expenses of approx. $17,700 per day*
- *Breakevens are basis Revenue Days*

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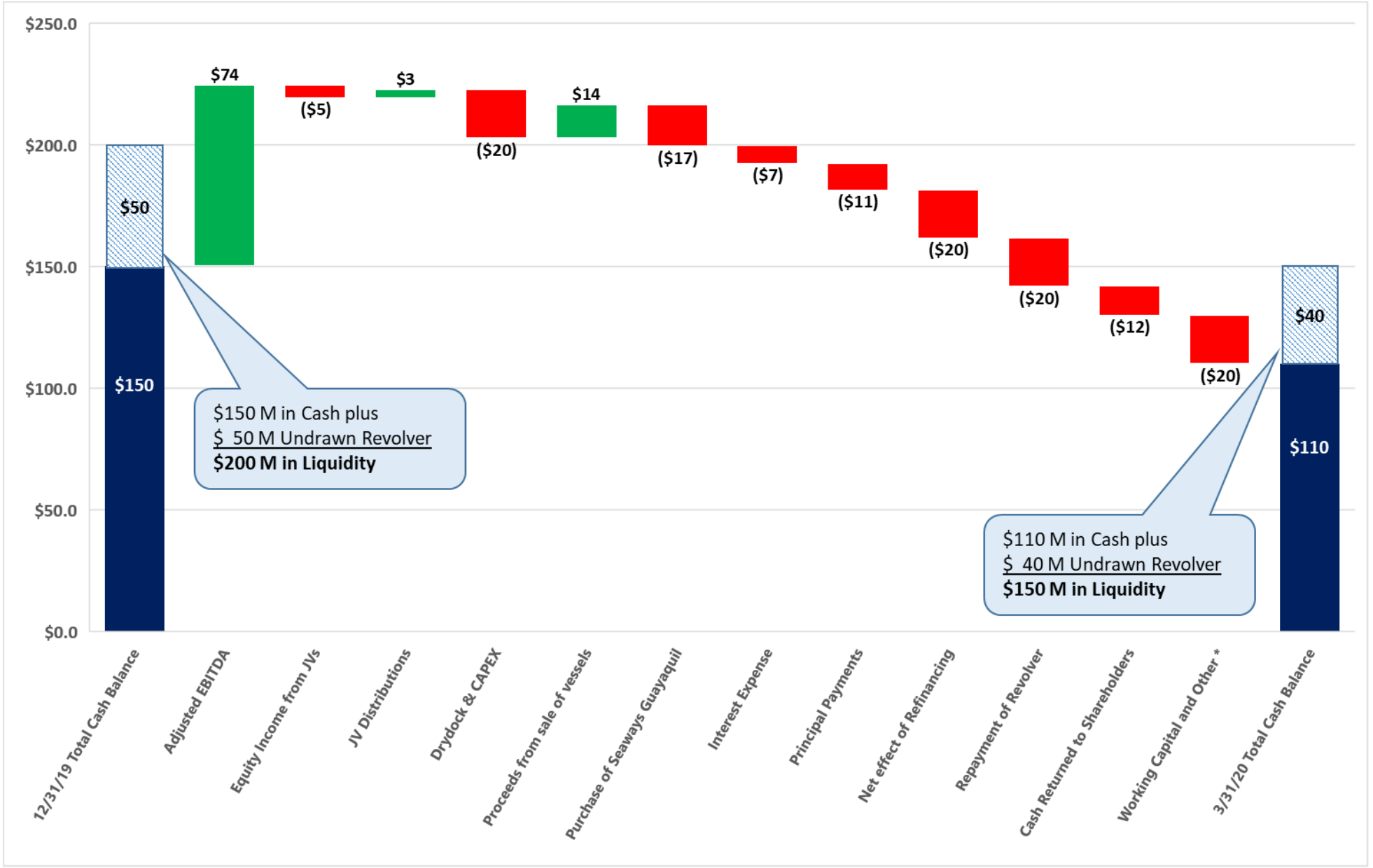
Financial Summary – Change in Cash Balance
($ millions)



** Reflects an increase in Trade Receivables*

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Strong Financial Position – Balance Sheet

Strong balance sheet protects INSW during low portions of tanker cycle

March 31, 2020 ($ M)			
Assets		**Liabilities**	
Cash and Equivalents	$93	Current Liabilities (including $81M current portion of long term debt and $11M current portion of lease liabilities)	$133
Other Current Assets	$122	Long Term Debt	$543
		Long Term Portion of Lease Liabilities	$18
		Other Long Term Liabilities	$17
Total Current Assets	**$216**	**Total Liabilities**	**$711**
Restricted Cash	$17		
Vessels	$1,324		
Right of Use Assets	$29	**Equity**	
Other Long Term Assets	$155	Total Equity	$1,030
Total Assets	**$1,741**	**Total Liabilities and Equity**	**$1,741**

INSW Book Value of FSO JV as of March 31, 2020: $138 million

- Net Debt to Total Capitalization: 33%
- Net Loan to Asset Value [1]: 43%
- Portion of debt which is fixed or hedged: 85%

INSW Debt at 3/31/20

	Principal Balance ($M)	Maturity	Rate	Quarterly Amortization
Core Facility	$300.0	1/23/2025	LIBOR +260 bps[2]	$9.5M
Transition Facility	$45.0	6/30/2022	LIBOR +350 bps	$5.0M
Sinosure Credit Facility	$263.8	2027-2028	LIBOR +200 bps	$5.9M
8.5% Senior Notes	$25.0	6/30/2023	8.50%	0
Total Debt Balance	**$633.8**			
Undrawn Revolver	$40.0		LIBOR +260 bps[2]	

1. *Conventional tanker fleet only; excludes value of FSO joint venture*
2. *The margin on the Core Facilities may adjust by 0.20%, based on whether the Company meets certain leverage ratios. The Company currently anticipates the margin on the Core Facilities will decrease to 2.40% by the third quarter of 2020*

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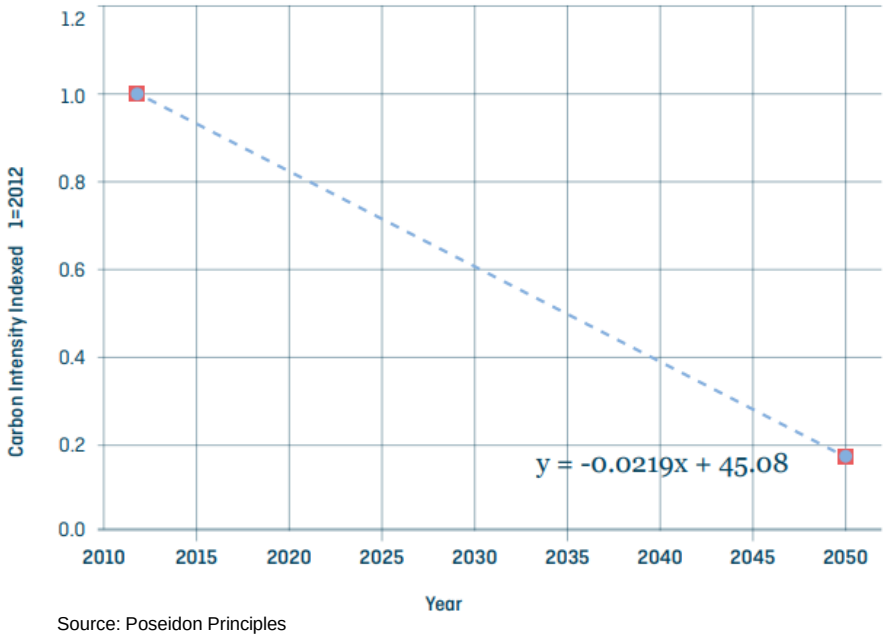
First Public Company Sustainability-linked Loan

- INSW's new loan facility has a sustainability-linked pricing mechanism
- This is a first of its kind for public shipping companies
- Targeted emissions reductions follow the trajectory outlined in Poseidon Principles
- INSW's 2020 fleet performance will be used as a baseline index
- Factors affecting the index are ship type, fuel type, fuel consumption and distances traveled
- If targets met in future years we will receive a modest discount; if not margin will increase by a like amount

Emissions Reduction Trajectory



Source: Poseidon Principles

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Summary – Lois K. Zabrocky, President & CEO

International Seaways, Inc.

Summary

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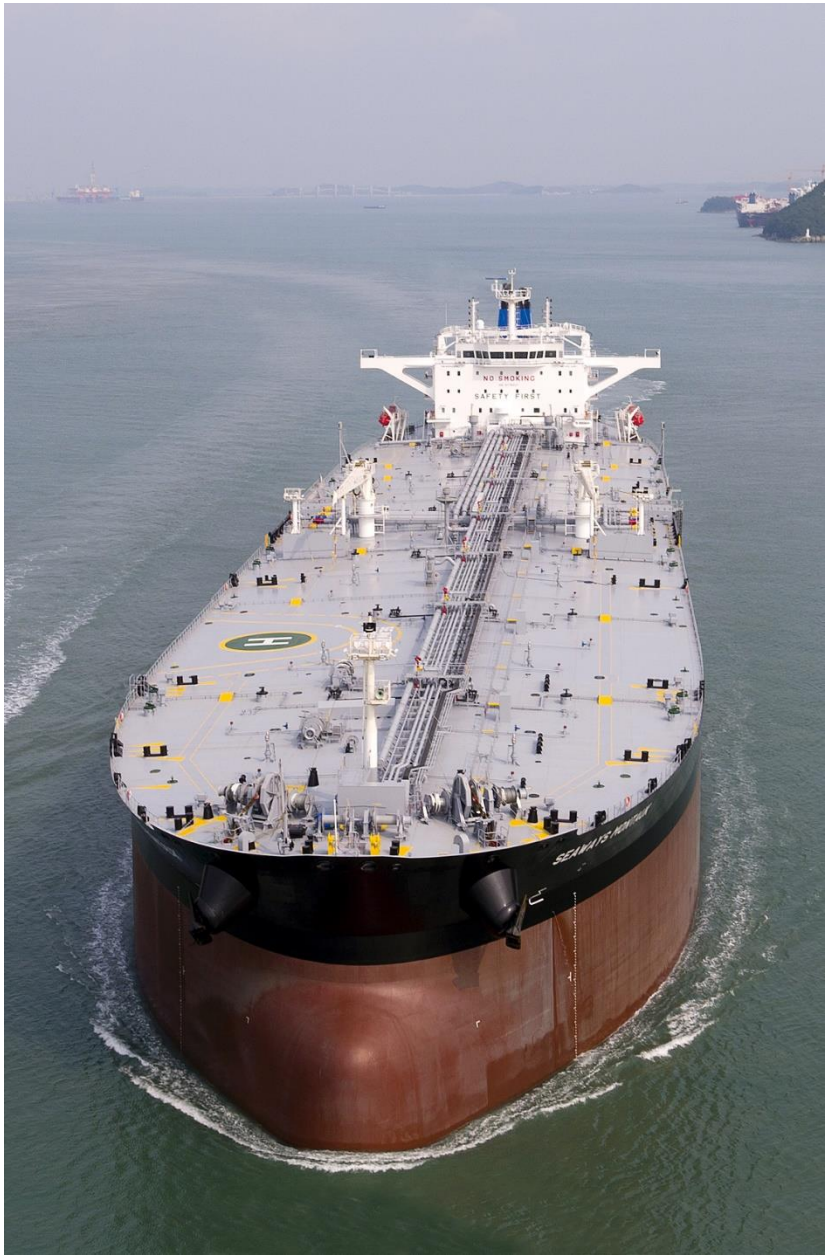



Q & A

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Appendix

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Estimated Drydock and CAPEX costs and Out-of-Service Days

	Out-of-Service Days				
	Q1 (A)	Q2	Q3	Q4	FY 2020
VLCC	390	160	56	30	**636**
Suezmax	0	0	10	0	**10**
Aframax / LR2	8	0	0	0	**8**
Panamax / LR1	16	0	168	224	**408**
MR	43	0	35	0	**78**
	456	**160**	**269**	**254**	**1,139**

	Drydock Costs				
	Q1 (A)	Q2	Q3	Q4	FY 2020
VLCC	$6.4	$3.1	$3.8	$0.0	**$13.3**
Suezmax	$0.0	$0.0	$0.2	$0.0	**$0.2**
Aframax / LR2	$0.8	$0.0	$0.0	$0.0	**$0.8**
Panamax / LR1	$0.1	$0.0	$6.9	$6.7	**$13.7**
MR	$0.3	$0.6	$1.3	$0.0	**$2.1**
	$7.6	**$3.7**	**$12.1**	**$6.7**	$30.0

	CAPEX Costs *				
	Q1 (A)	Q2	Q3	Q4	FY 2020
VLCC	$11.2	$9.1	$2.2	$0.1	**$22.6**
Suezmax	$0.0	$0.0	$0.0	$0.0	**$0.0**
Aframax / LR2	$0.0	$0.0	$0.0	$0.0	**$0.0**
Panamax / LR1	$0.4	$1.8	$8.5	$1.3	**$12.1**
MR	$0.4	$0.0	$0.7	$0.3	**$1.4**
	$12.0	**$10.9**	**$11.4**	**$1.7**	$36.1

* *Principally relates to Scrubber and BWTS costs*

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TCE Revenue Reconciliation
($ thousands)

	1Q19	1Q20	4Q19
Time charter equivalent revenues	94,029	119,731	117,595
Add: Voyage expenses	7,845	5,606	6,427
Shipping revenues	**101,874**	**125,337**	**124,022**

Adjusted EBITDA Reconciliation
($ thousands)

All INSW	1Q19	1Q20	4Q19
Net income	10,897	33,019	15,891
Income tax provision / (benefit)	0	0	1
Interest expense	17,533	12,009	14,281
Depreciation and amortization	18,929	18,267	18,945
EBITDA	**47,359**	**63,295**	**49,118**
Third-party debt modification fees	30	232	(0)
(Gain) / Loss on disposal of vessels, net of impairments	(48)	(2,804)	280
Gain on sale of investment in affiliated companies	-	-	(3,033)
Release of other comprehensive loss upon sale of investment in affiliated company	-	-	21,615
Write-off of deferred financing costs	-	12,501	3,215
Loss on extinguishment of debt	-	992	1,000
Adjusted EBITDA	**47,341**	**74,216**	**72,195**

Chartered In Fleet

Charter-In Hire Details

- **Time Charter-Ins:**
  - 1 MR vessel - firm period end in June 2020 – Charter Hire expenses for rest of 2020: $1.0 million. Excludes optional periods
  - 1 MR vessel at 25% - redelivers March 2021 - Charter Hire expense for rest of 2020: $1.1 million
  - 1 LR1 vessel that redelivers in August 2021 – Charter Hire expense for rest of 2020: $3.8 million
- **Bareboat-Ins:**
  - 2 Aframax vessels that redeliver in 2024 – Charter Hire expenses for rest of 2020: $4.7 million
- **Lightering:**
  - 6 workboats that redeliver between June 2020 and October 2021 – Charter Hire expenses for rest of 2020: $6.9 million