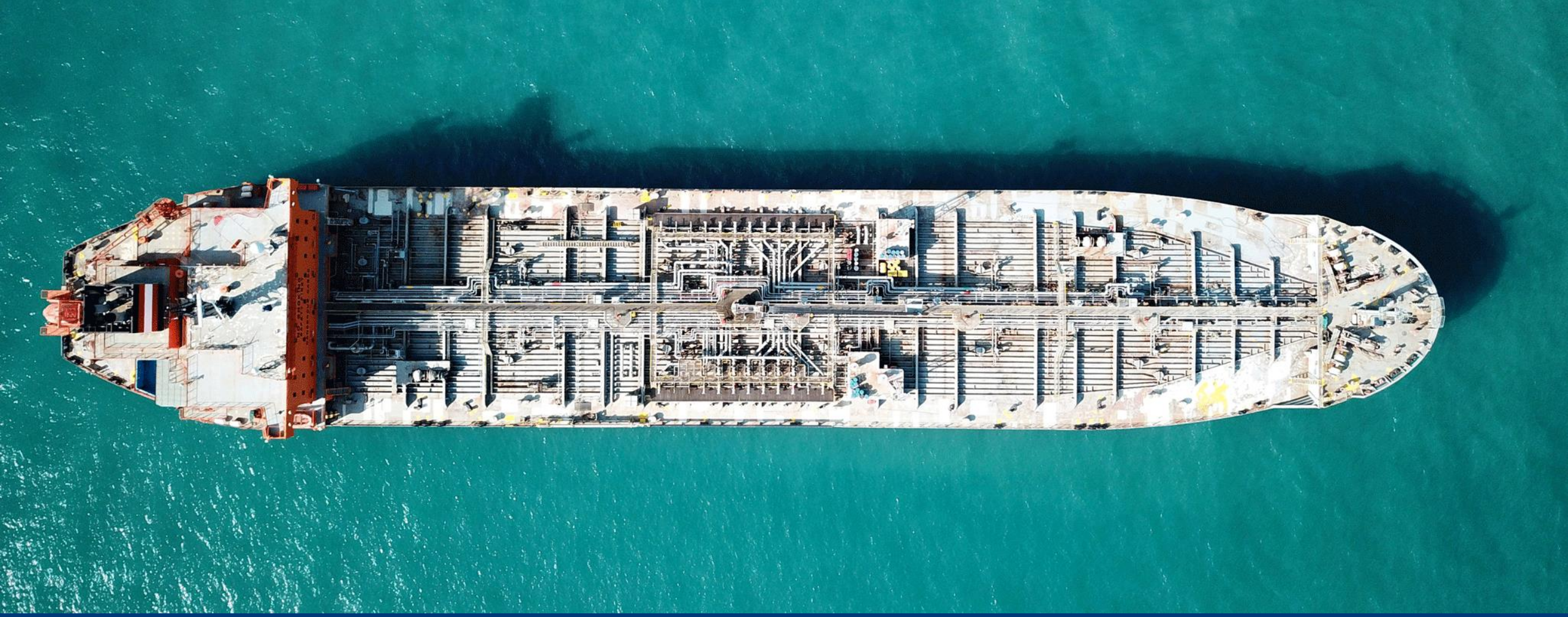


14 MAY 2020

Q1 2020 RESULTS TELECONFERENCE

TORM

SAFE HARBOR STATEMENT

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and statements other than statements of historical facts. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions generally identify forward-looking statements.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond our control, the Company cannot guarantee that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of the world economy and currencies, general market conditions, including fluctuations in charter hire rates and vessel values, the duration and severity of the COVID-19, including its impact on the demand for petroleum products and the seaborne transportation thereof, the operations of our customers and our business in general, changes in demand for "ton-miles" of oil carried by oil tankers and changes in demand for tanker vessel capacity, the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled dry-docking, changes in TORM's operating expenses, including bunker prices, dry-docking and insurance costs, changes in the regulation of shipping operations, including actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents, political events including "trade wars," or acts by terrorists. In light of these risks and uncertainties, you should not place undue reliance on forward-looking statements contained in this release because they are statements about events that are not certain to occur as described or at all. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, the Company undertakes no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.



TODAY'S PRESENTERS



Jacob Meldgaard

- Executive Director of TORM plc
- CEO of TORM A/S since April 2010
- Chairman of the Board of Danish Shipping and member of the Board of Danish Ship Finance
- Previously Executive Vice President of the Danish shipping company NORDEN, where he was in charge of the company's dry cargo division
- Prior to that, he held various positions with J. Lauritzen and A.P. Moller-Maersk
- More than 25 years of shipping experience



Kim Balle

- Chief Financial Officer of TORM A/S since December 2019
- Previously CFO of CASA A/S and DLG
- Prior to that, he held various positions with Danske Bank
- More than 25 years of finance experience

SAFETY FIRST



- Safety is the top priority for TORM and an integral part of the One TORM platform
- Safety is especially important during the COVID-19 pandemic
- To safeguard employees during the COVID-19 pandemic, several precautionary measures were used, e.g. having all office-based employees working from home at an early stage
- Having integrated a larger part of the value chain, the One TORM platform has secured safe operations of our vessels without major operational issues

HIGHLIGHTS

Q1 FINANCIAL HIGHLIGHTS

EBITDA of USD 102m

TCE Q1 2020 of USD/day 23,643

Profit before tax of USD 57m

MR TCE Q1 2020 of USD/day 22,461

RoIC of 15.4%

Q2 bookings of USD/day 29,188

Earnings per share of 76 US cents (5.1 DKK)

VESSEL INVESTMENTS

During Q1 2020, TORM took delivery of two LR1 newbuildings and one MR newbuilding

Ordered two LR2 newbuildings

After the quarter ended, TORM took delivery of one additional MR newbuilding

As of 14 May 2020, TORM has installed 37 scrubbers out of a total program of 49 scrubbers

REFINANCING

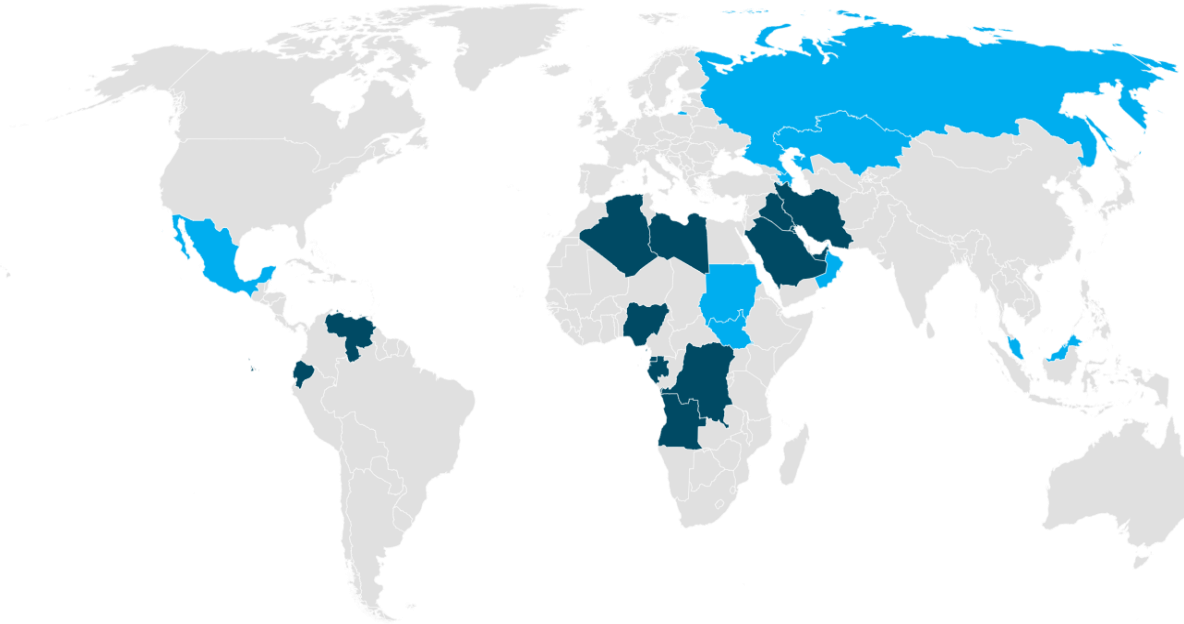
In early 2020, TORM refinanced USD 496m of existing debt, securing no major debt maturities until 2026

The refinancing supports our conservative finance structure and gives us financial flexibility

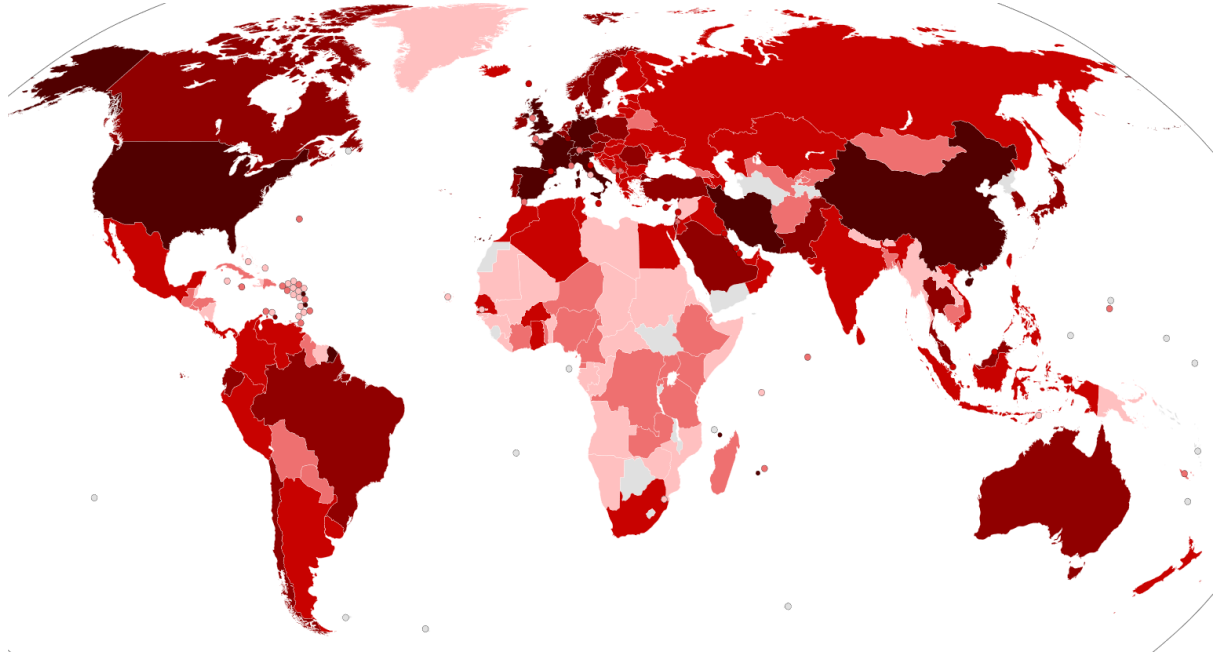
OPERATING IN A DYNAMIC ENVIRONMENT

TORM

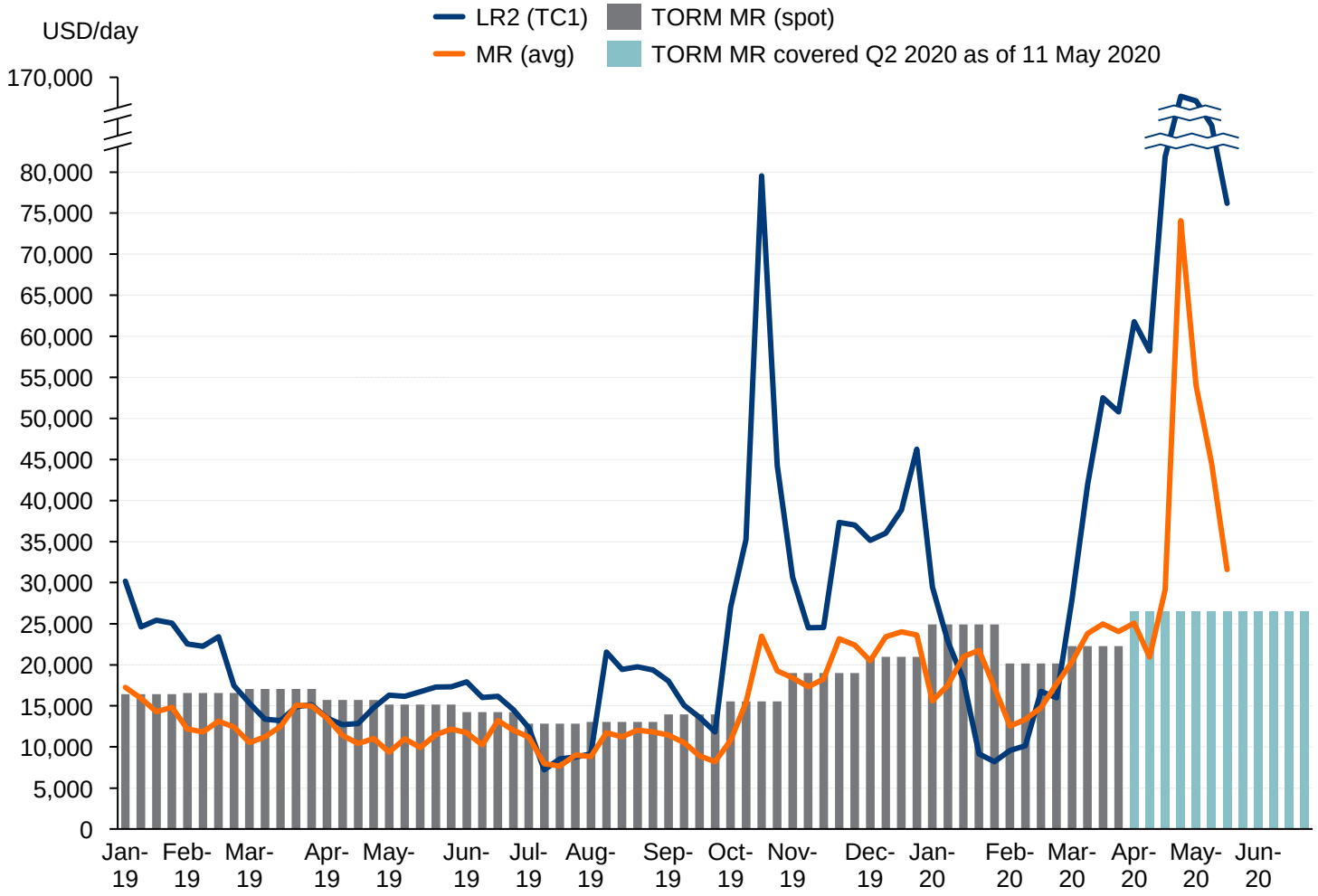
OPEC+
RUSSIA & SAUDI ARABIA



COVID-19
CHANGING DAILY



NUMEROUS MAJOR EVENTS DRIVING PRODUCT TANKER FREIGHT RATES TO AN ALL-TIME HIGH



Q1 2020

- Panama Canal delays
- Maintenance at Middle East export-oriented refineries
- High product exports from China amid lower demand due to COVID-19
- OPEC+ price war increasing oil supply
- Over 50% of LR2s in dirty trade

Q2 2020-to date

- Unprecedented declines in local oil demand leading to regional dislocations
- Floating storage of 14% of tonnage primarily from ullage issues at terminals
- Cargo discharge disabilities leading to inefficient trading patterns as charters are searching for new buyers
- OPEC cut not sufficient to avoid record high inventory build-up supporting crude market
- Some LR2 switch back to clean trade

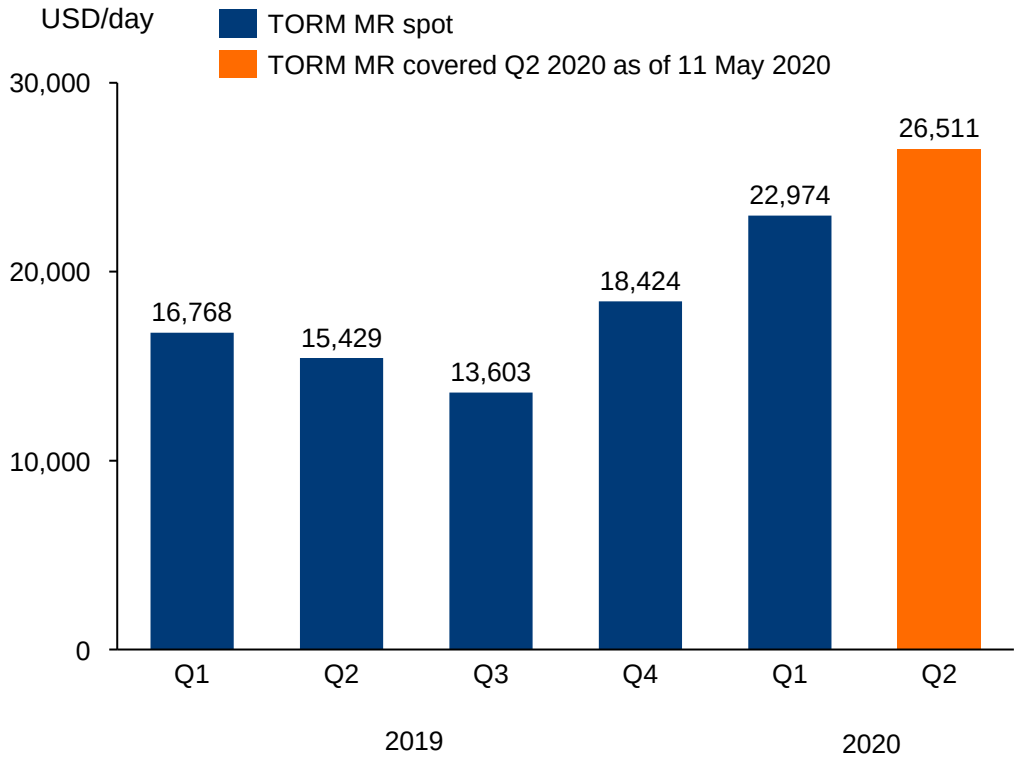
Source: TORM, Clarksons. Spot earnings: LR2: TC1 Ras Tanura-> Chiba, MR: average basket of Rotterdam->NY, Bombay->Chiba, Mina Al Ahmadi->Rotterdam, Amsterdam->Lome, Houston->Rio de Janeiro, Singapore->Sydney.

THE COVID-19 PANDEMIC HAS TIGHTENED TONNAGE SUPPLY AND LED TO MARKET INEFFICIENCIES

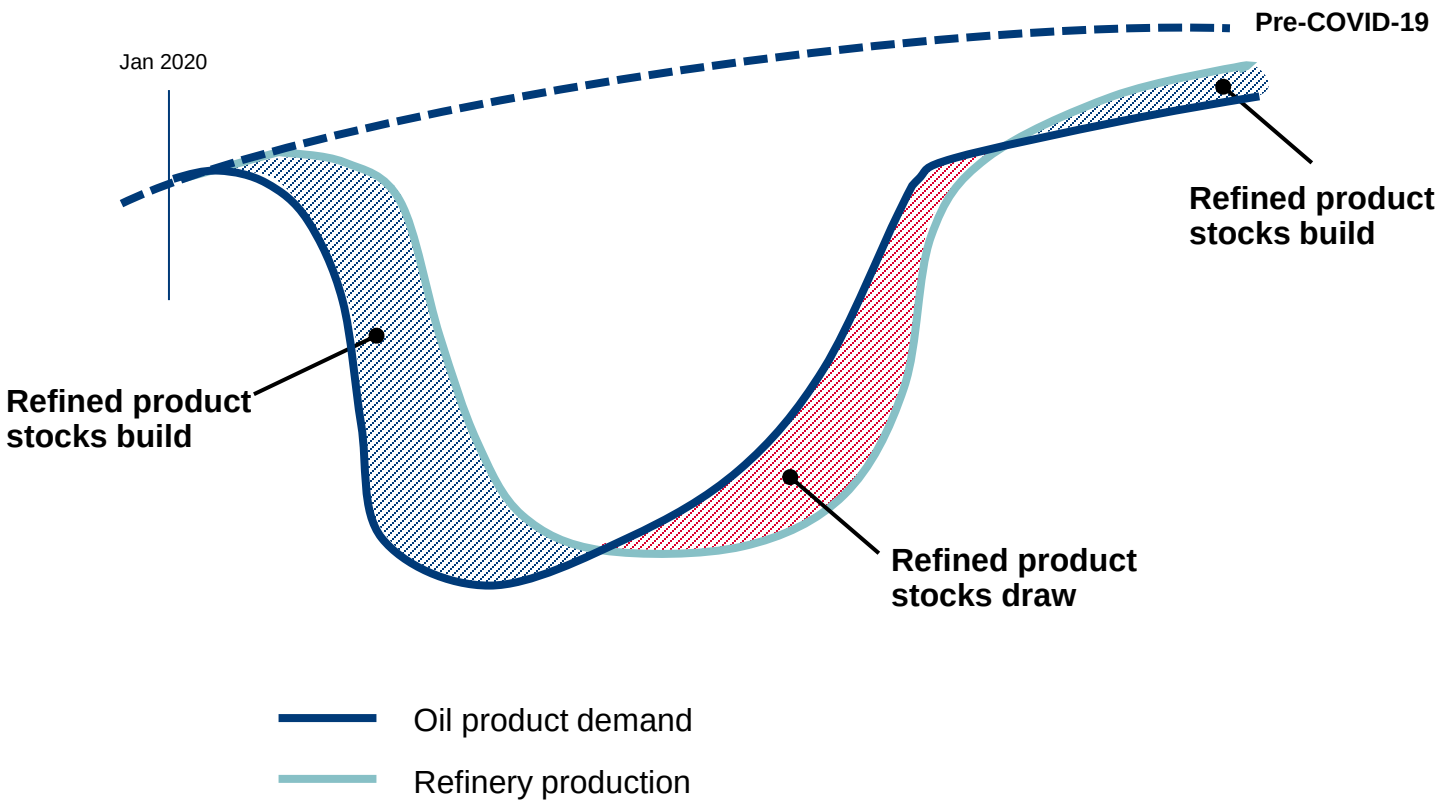
Fundamental effects on demand and supply from the COVID-19

	Short-term	Medium-term
Tonnage demand	➕ Increased product exports in initial phases of demand weakness ➗ As oil demand is negatively affected around the world, some trade flows will decline	➕ Potential economic stimulus in China and other countries will restore usual demand and trading patterns ➗ Once oil demand improves again, product will be released from storage and thereby likely negatively affecting trade flows
Tonnage supply	➕ Discharge delays as unprecedented product oversupply is resulting in full storage tanks at terminals (“logistical floating storage”) ➕ Full onshore storage capacity necessitating floating storage, removing tonnage from the market ➕ Delays with scrubber installations might temporarily reduce effective tonnage supply	➗ Release of vessels from floating storage once oil demand starts to recover ➕ Newbuilding delivery delays from the Chinese shipyards and lower ordering interest lead to lower fleet growth in the medium and long term, at a time when the order book is already historically low

MR rates have been strong despite COVID-19



COVID-19 INDUCED DEMAND DESTRUCTION HAS LED TO AN UNPRECEDENTED OVERSUPPLY OF OIL PRODUCTS



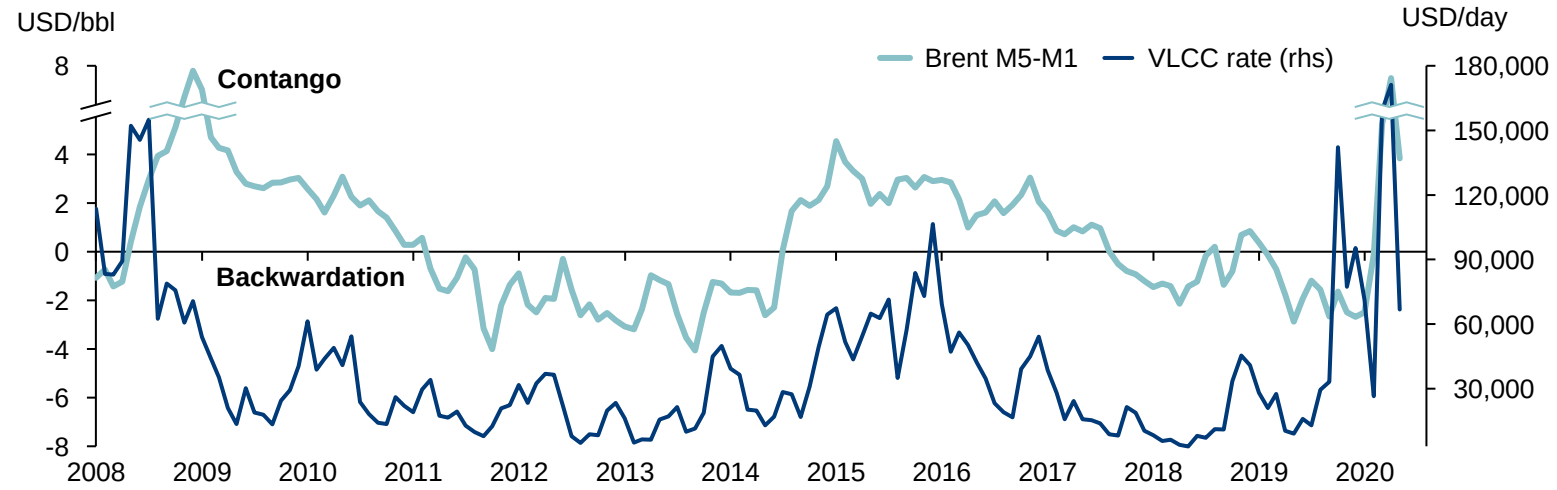
- The COVID-19 pandemic has led to an unprecedented oil demand destruction
- Refinery runs have been lagging declines in demand, leading to unprecedented inventory builds bringing the onshore spare storage capacity to its limits
- Inventory draws once demand starts to recover, however, the timing and speed remain uncertain

Sources: TORM.

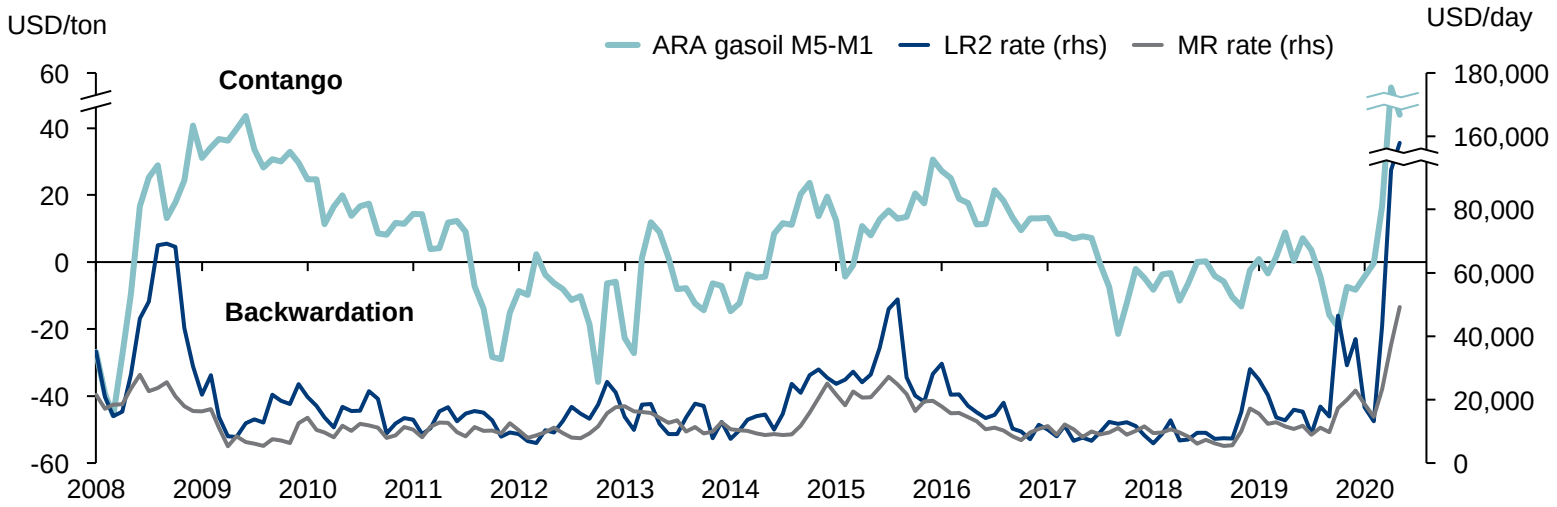
CONTANGO IN OIL PRICES SUPPORT FLOATING STORAGE IN THE MEDIUM TERM

TORM

Brent forward spreads and VLCC rates



ARA gasoil forward spreads and LR2/MR rates



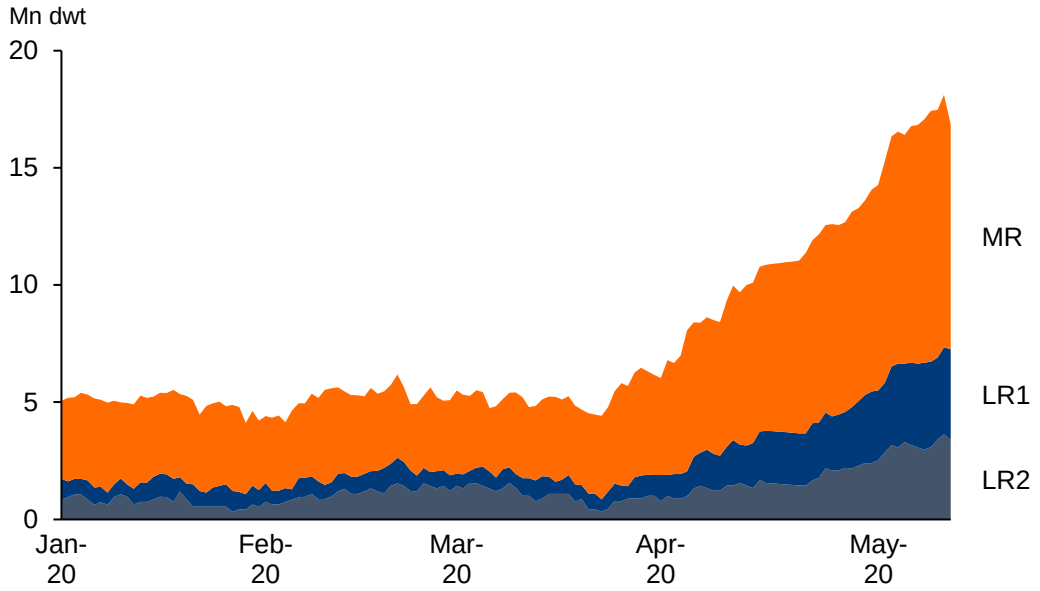
- "Too little, too late": the unprecedented OPEC+ output cuts due from May will not be enough to avoid onshore inventories hitting tank tops
- In some regions, this can happen earlier than global storage capacity reaches its limits (e.g. products in Europe)
- This has sent some of the crude benchmarks to all-time lows and resulted in "super contango" last seen in 2008
- Contango is supporting floating storage of both crude and products over the coming months, but this effect is likely unwinding once demand recovers

Source: Clarksons, Reuters, TORM.

14% OF PRODUCT TANKER TONNAGE CLASSIFIED AS FLOATING STORAGE FOLLOWING A RECENT RAMP-UP

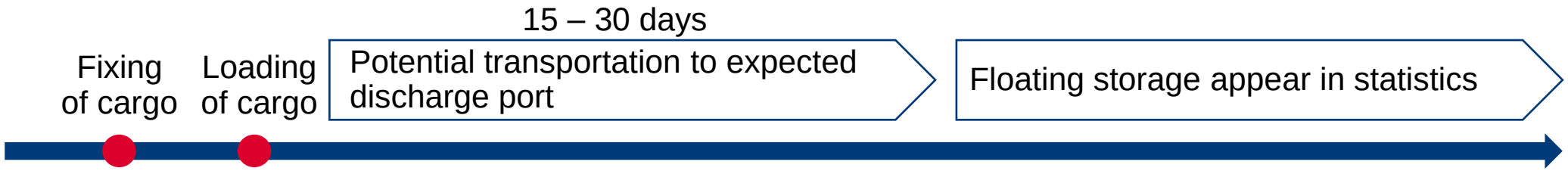
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Vessels in floating storage



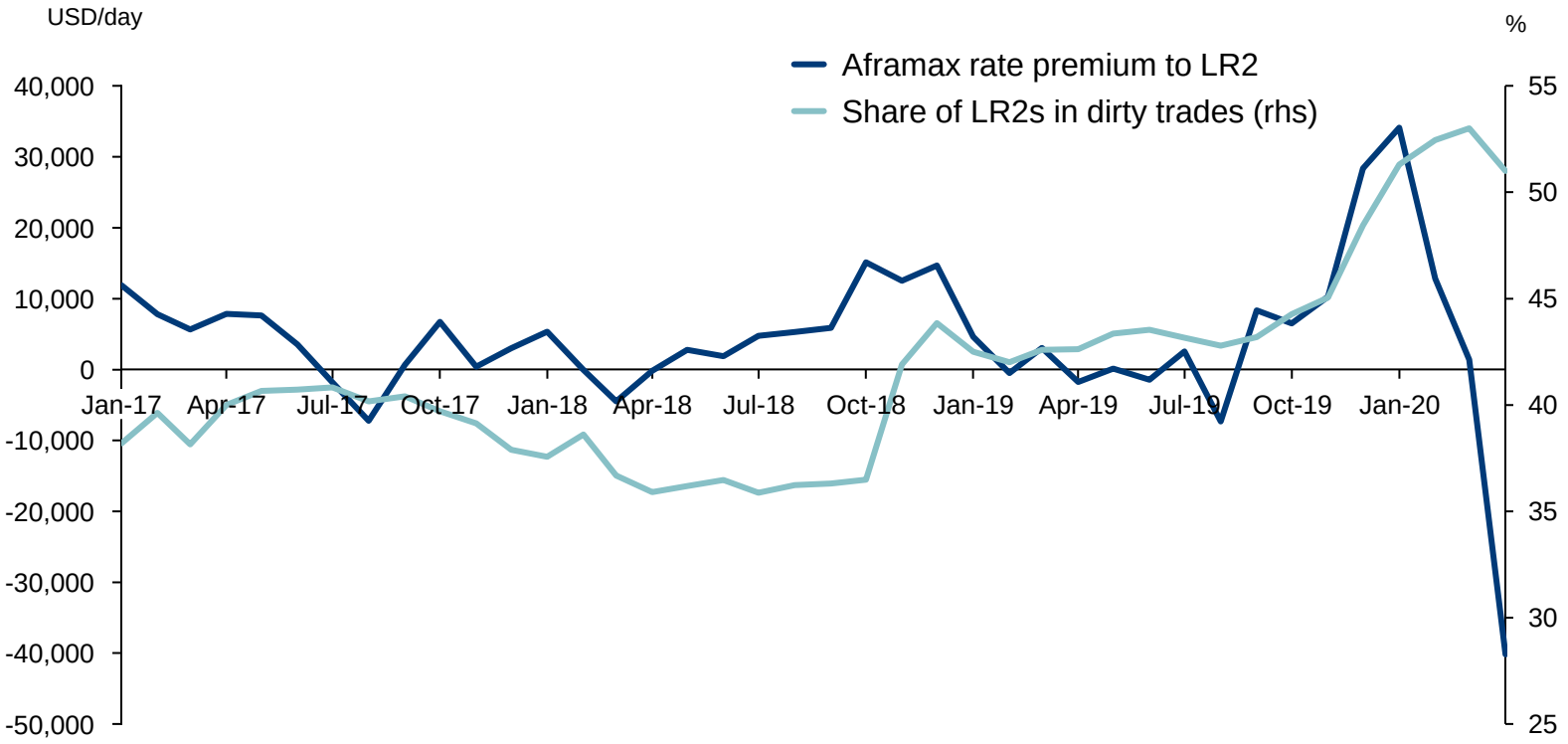
- The unprecedented decline in oil product demand has resulted in ullage issues at terminals and refineries, resulting in a spate of logistical floating storage
- Given the time lag between fixture date and when a vessel enters storage service, the number of vessels engaged in the longer-term floating storage is set to increase in the near future
- Currently, 14% of the clean-trading tonnage (16% of LR2, 21% LR1 and 11% of the MR fleet) is in floating storage, 90-95% of this is tied up in logistical floating storage

Example of floating storage scenario



Source: TORM. Vessels idle for at least seven days with cargo on board. Latest data as per 13 May 2020.

PRODUCT TANKER MARKET STRENGTH HAS RECENTLY TRIGGERED SOME LR2 VESSELS TO SWITCH BACK TO CLEAN

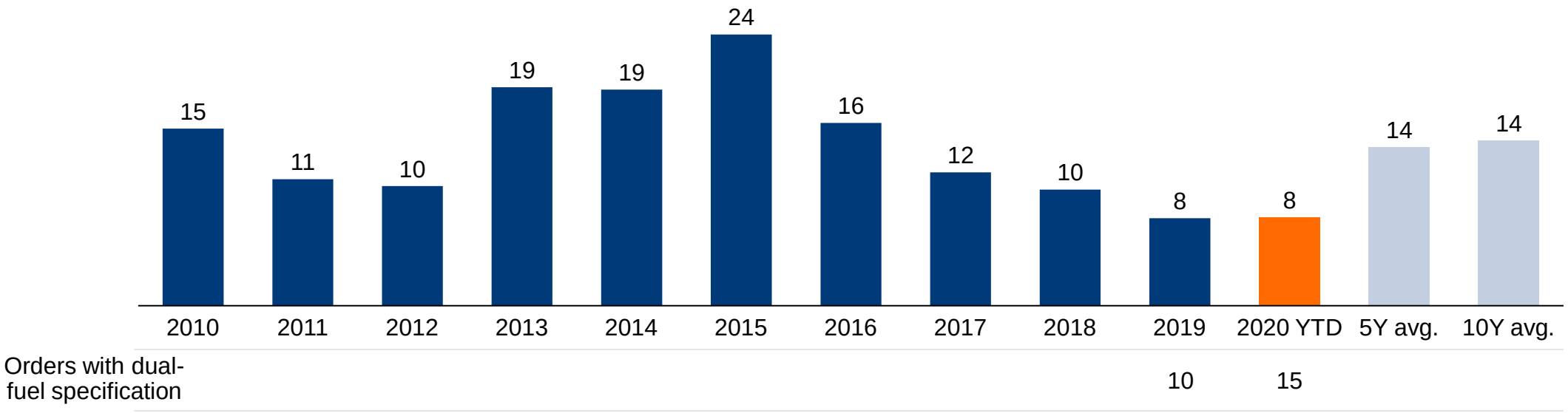


- Over the past six months, the product tanker market has been supported by around 40 LR2s switching to dirty trades, resulting in more than 50% of the LR2 fleet trading in dirty
- With the clean tanker rates presently at all-time high, and LR2 benchmark rates on par with or even exceeding VLCC earnings, a few LR2s have recently switched back to clean, and this number is likely to increase should the current market conditions hold
- This is nevertheless from a multi-year low number of LR2s in the clean trade, last seen in mid-2015

Source: Industry sources, Clarksons, TORM.

PRODUCT TANKER ORDER BOOK REMAINS AT HISTORICAL LOW LEVEL

Product tanker order book as percentage of the fleet (%)



- The product tanker order book to fleet ratio is currently at 8% (9% for MRs, 1% for LR1s and 12% for LR2s)
- In Q1 2020, the product tanker fleet capacity grew by 0.9%, with newbuilding deliveries 15% below expectations at the beginning of the year
- TORM estimates that the product tanker fleet will grow by an average of ~3% p.a. in the period 2020-2022, excluding any potential acceleration of scrapping in response to new regulations*

* These calculations are based on the known order book and TORM's estimates for additional ordering and scrapping in line with historical average activity.
Source: TORM.

COVID-19 LEADING TO MEDIUM-TERM MARKET VOLATILITY

Key medium- to long-term market drivers

- The unprecedented oversupply of crude and oil products, due to the COVID-19 induced demand destruction, has led to onshore storage filling up fast and keeping increasing number of vessels tied up in floating storage
- Economic stimulus supporting recovery in oil demand in H2 2020, and restoring some of the trades distorted by the COVID-19 once the initial stock draw is over
- Product tanker order book to fleet ratio at historically low level, and ordering activity expected to remain limited
- Refinery capacity addition in the Middle East potentially increasing sailing distances
- IMO 2020 fuel shift adding support to the product tanker demand

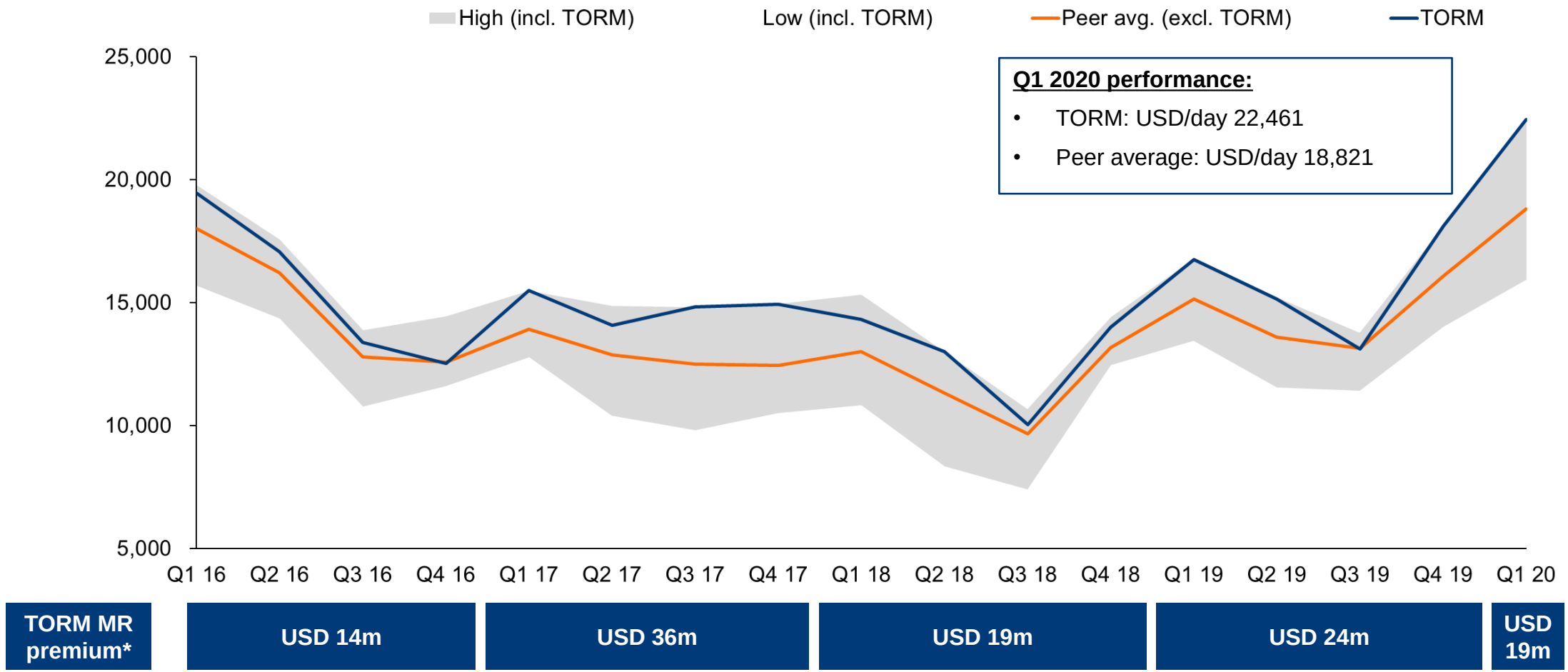
- Macroeconomic uncertainty related to the fall out of the COVID-19
- LR2s have recently started to switch to clean, although from a multi-year low base
- The release of floating storage once the global oil demand recovers and inventories start to draw down
- Geopolitical situation in the Middle East
- Potential new climate-related regulations

Source: TORM.

TORM COMMERCIALLY OUTPERFORMS PEERS IN ITS KEY MR SEGMENT CORRESPONDING TO USD 19M IN Q1 2020

TORM

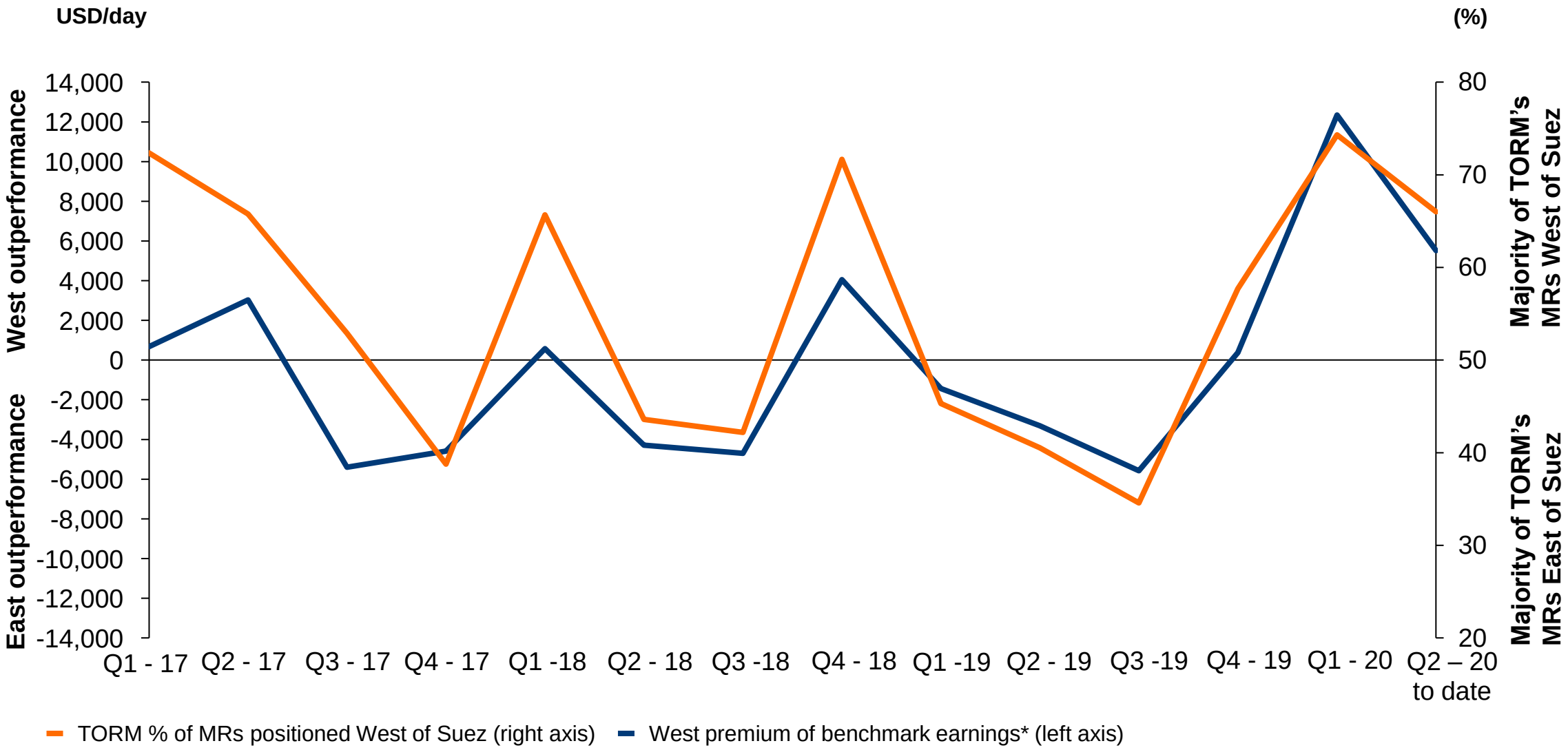
MR reported TCE, USD/day



TORM MR premium*	USD 14m	USD 36m	USD 19m	USD 24m	USD 19m

Note: Peer group is based on Ardmore, d'Amico (composite of LR1, MR and Handy), Diamond S, Frontline 2012, Hafnia Tankers, NORDEN, Maersk Tankers, Teekay Tankers, Scorpio and International Seaways.
For Q1 2020, the peer group only consists of Ardmore, d'Amico, Diamond S, NORDEN, Scorpio and International Seaways. Earning releases from other peers are pending.
* TORM premium calculation is based on the individual quarters with those vessels in TORM's MR fleet earning TORM's TCE rate compared to the peer average.

TORM'S COMMERCIAL CAPABILITIES ARE FOCUSED ON OPTIMIZING GEOGRAPHICAL POSITIONING



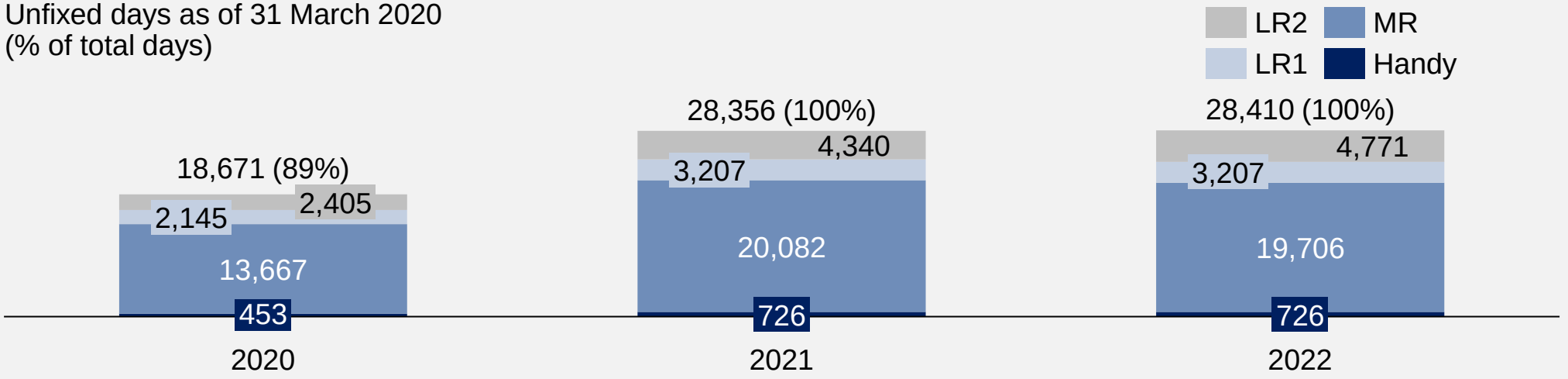
* West premium calculated as spread between Atlantic triangulation (TC2 & TC14) and Transpacific voyage (TC10).
Source: Clarksons, TORM.

SPOT-ORIENTATION PROVIDES SIGNIFICANT OPERATING LEVERAGE WITH HIGH NEAR-TERM COVERAGE

TORM

Significant operational leverage

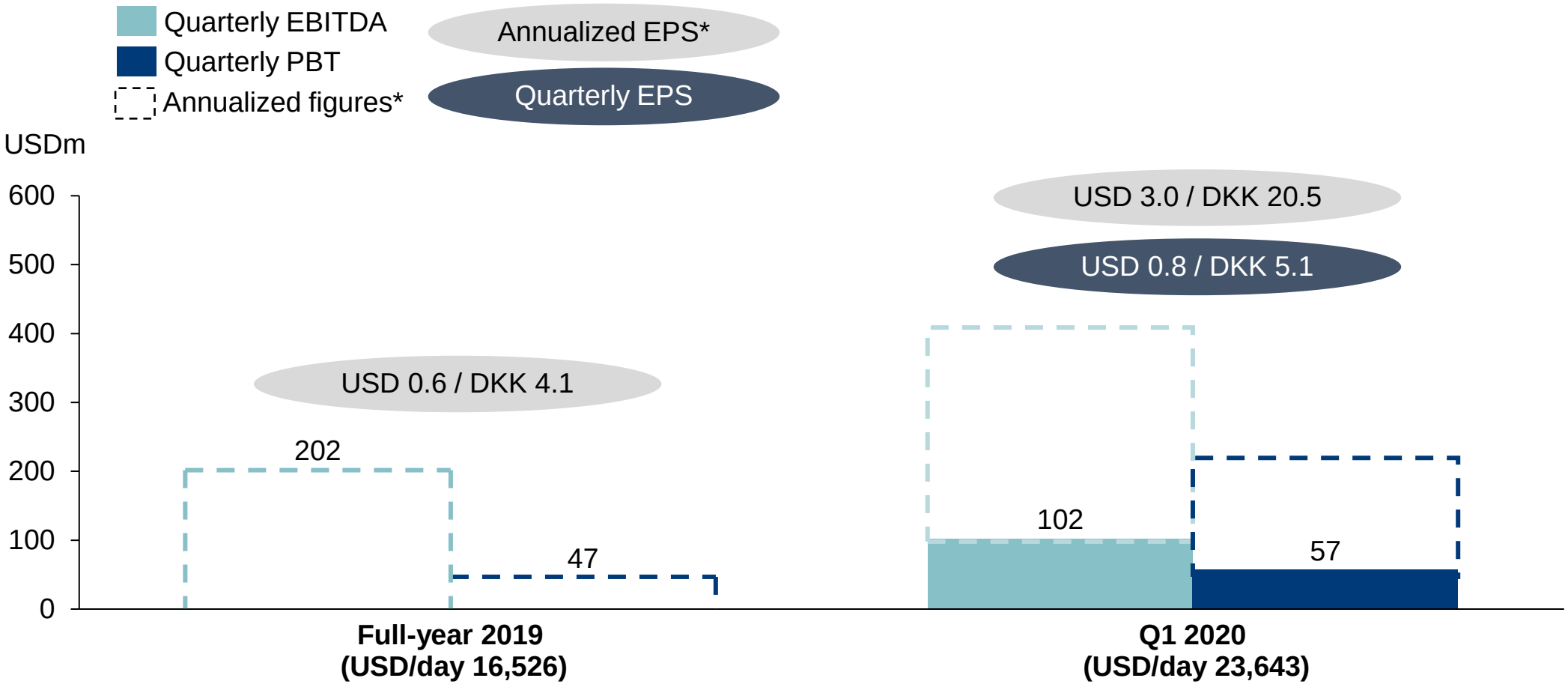
Unfixed days as of 31 March 2020
(% of total days)



Q2 2020 coverage above Q1 realized freight rates (USD/day)

	Q1 2020 TCE per day	Q2 2020 cover as of 11 May 2020	
		% of total days	TCE per day
LR2	29,108	89%	35,639
LR1	24,329	65%	36,068
MR	22,461	65%	26,511
Handy	20,649	58%	19,145
Total	**23,643**	**69%**	**29,188**

TORM'S EARNINGS ARE VERY SENSITIVE TO REALIZATION OF FREIGHT RATES



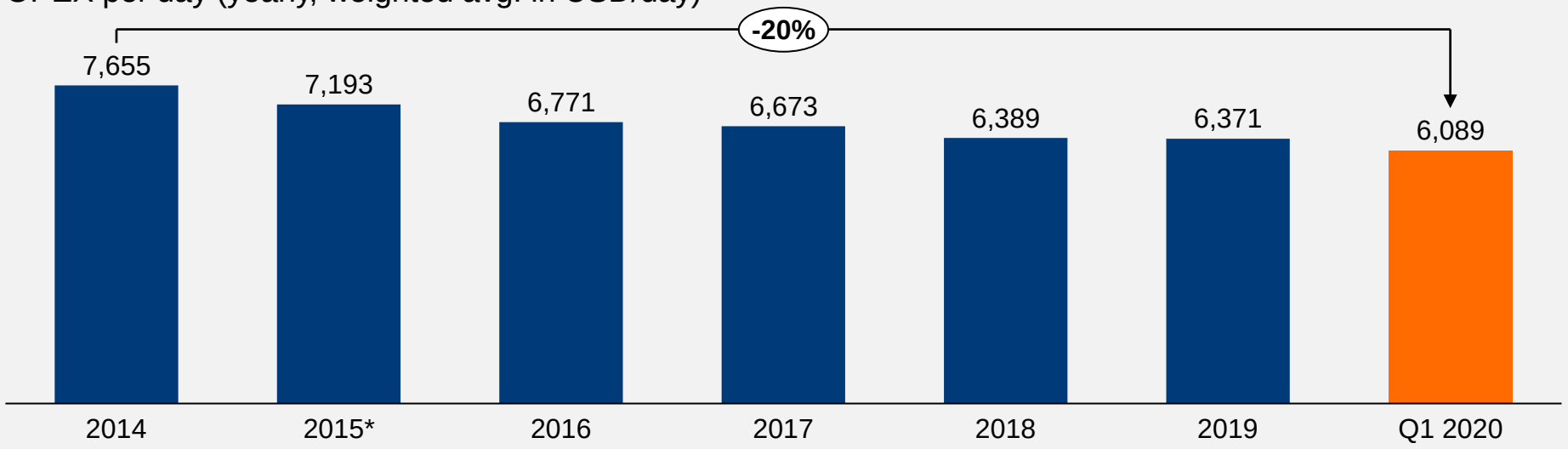
* Annualized EBITDA, PBT and EPS for Q1 2020 realized is calculated by multiplying the results by four.

FULLY INTEGRATED BUSINESS MODEL WITH COMPETITIVE COST STRUCTURE

TORM

Significant reduction in OPEX

OPEX per day (yearly, weighted avg. in USD/day)



Compared to the full year of 2014, TORM has reduced the OPEX cost base of approx. USD 44m on an annualized basis by an OPEX/day reduction of USD/day 1,566.

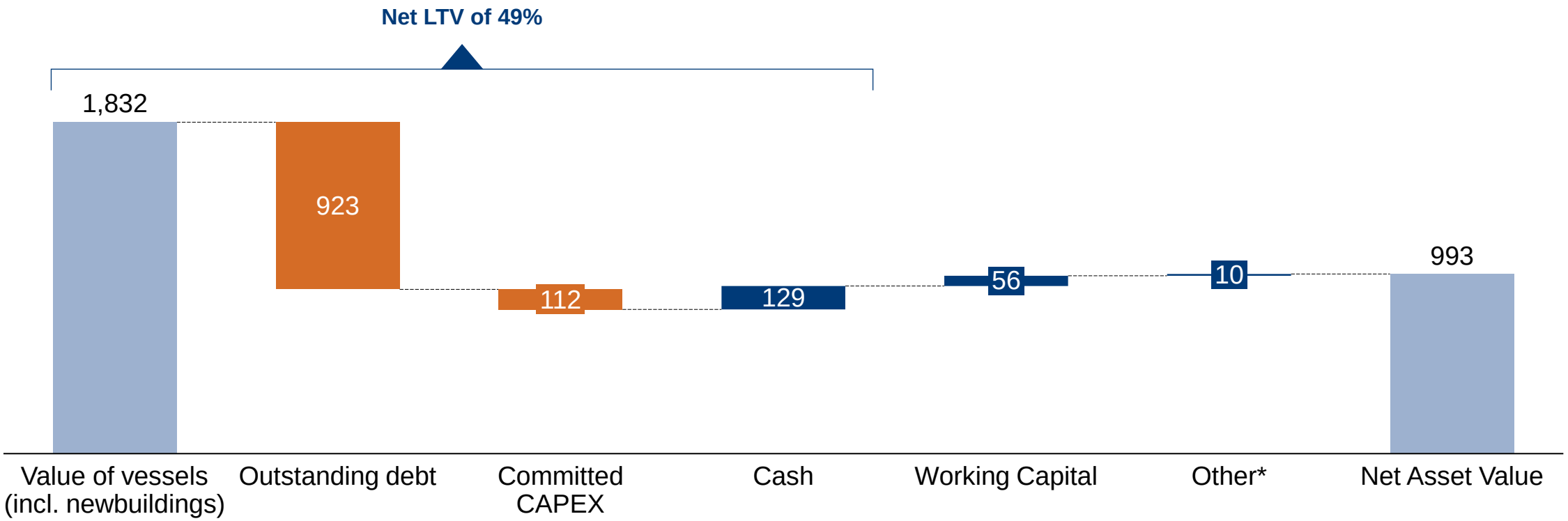
TORM maintains a low cost base with an EBITDA break-even rate in Q1 2020 USD/day 8,800

TORM operates a fully integrated commercial and technical platform

- TORM's operational platform handles commercial and technical operations in-house
- The integrated One TORM business model provides TORM with the highest possible trading flexibility and earning power while maintaining a low cost structure

NET ASSET VALUE ESTIMATED AT USD 993M

31 March 2020 figures, USDm



- Net Loan-to-Value was 49% ensuring a strong capital structure
- Net Asset Value (NAV) was estimated at USD 993m (USD 13.3/DKK 90.5 per share)
- Market cap as of 31 March 2020 was USD 630m, or DKK 57.8 per share**
- Market cap as of 11 May 2020 was USD 620m, or DKK 57.6 per share***

* Other includes Other plant and operating equipment and total financial assets.
** Calculated based on 74,267,282 shares and USD/DKK FX rate of 6.82.
*** Calculated based on 74,267,282 shares and USD/DKK FX rate of 6.90.

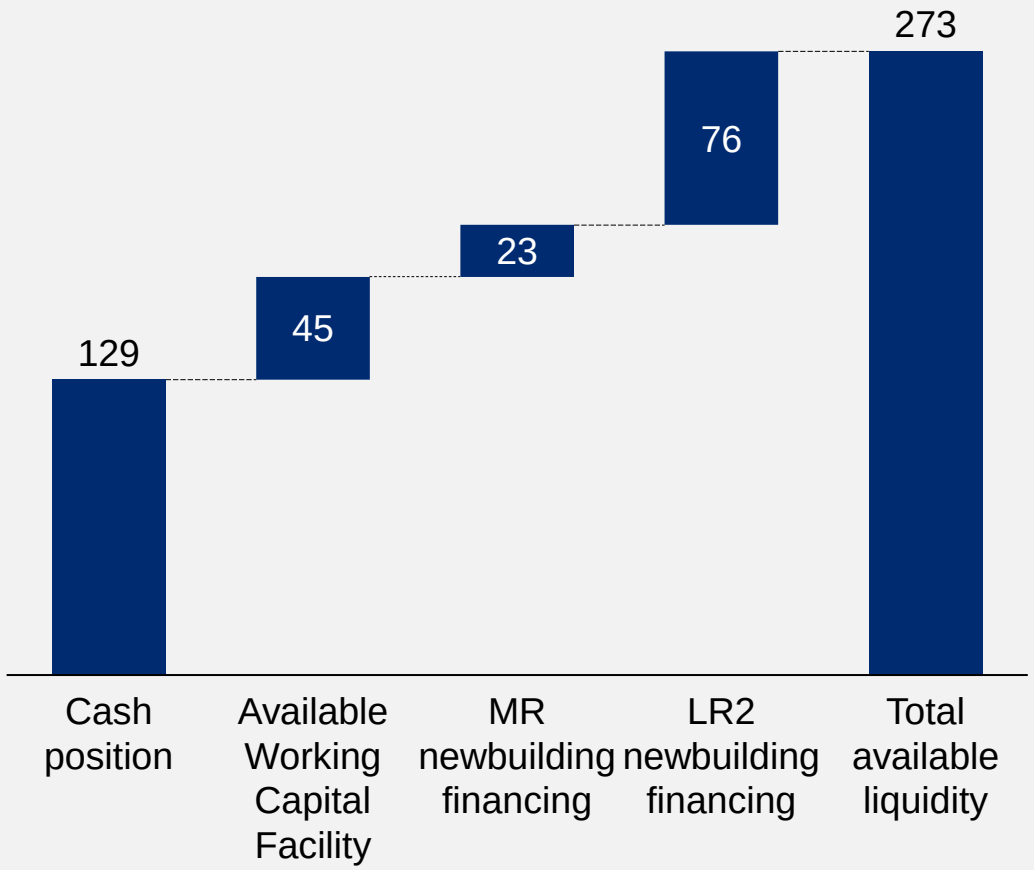
WELL-POSITIONED TO SERVICE FUTURE CAPEX COMMITMENTS

TORM

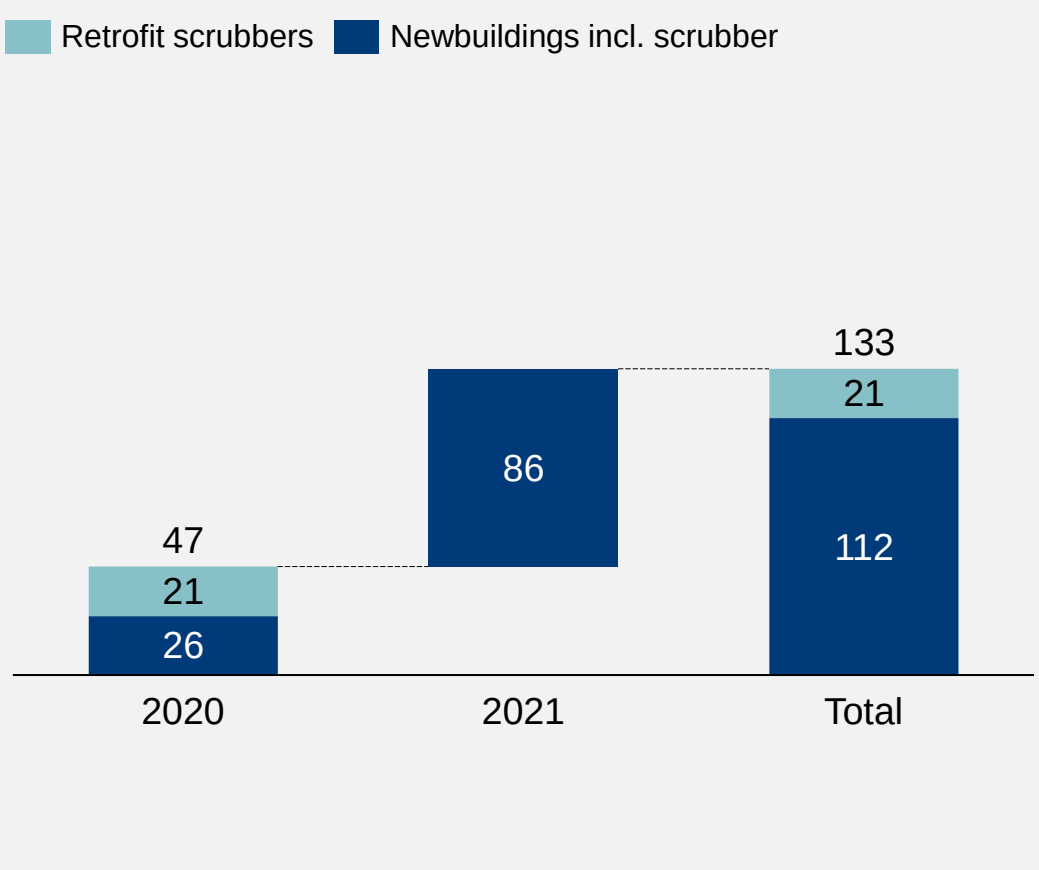
Liquidity and CAPEX as of 31 March 2020

USDm

Available liquidity



CAPEX commitments

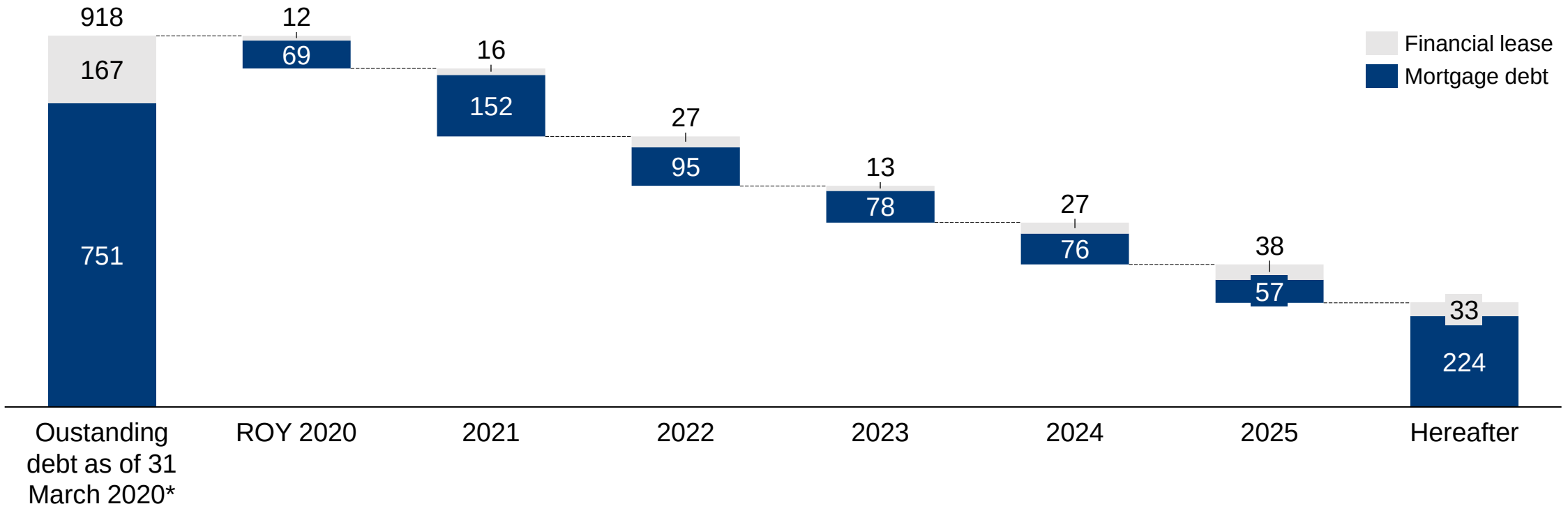


FAVOURABLE FINANCING PROFILE WITH NO MAJOR NEAR-TERM MATURITIES

TORM

Scheduled debt repayments as of 31 March 2020

USDm



Ample headroom under our attractive covenant package:

- Minimum liquidity: USD 45m**
- Minimum book equity ratio: 25% (adjusted for market value of vessels)

* Financial lease excludes non-vessel related IFRS16 liabilities of USD 9.0m and is adjusted for loan receivables of USD 4.6m.
** Subject to final approval



TORM