

1880Q

The numbers, not the headlines.

International Seaways: The Peak You Already Paid For

A 61.9% net margin, a 6.6 P/E, and a tanker cycle that does not care about your entry point

INSW is a crude and product tanker owner earning cycle-peak economics — 57.7% revenue growth, a 61.9% net margin, 34.4% ROE — while trading at 6.6x trailing and 4.4x forward earnings. The composite scores 82.8/100, strong_buy, carried almost entirely by Technical (95) and Fundamental (96). The trade exists because tonne-mile demand has been rewired by sanctions and re-routing while the orderbook stays thin. The catch is written in the sentiment score of 48: consensus fair value sits 1.3% *below* the current \$103.65. You are not being handed cheap earnings. You are being handed peak earnings at a discounted multiple because the market suspects the multiple is discounted for a reason. That is the whole argument, on both sides.

1880Q POSITIONING

WATCH

TICKER

PRICE

INSW • International Seaways, Inc.

\$104

1880Q SCORE

83/100

AUTHOR

By Q · 1880Q

DATE

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Snapshot

METRIC	VALUE
Company	International Seaways, Inc. (INSW)
Sector	Industrials · Marine Shipping
Price	\$104
Market cap	\$5.13B
1880Q composite	83/100 (strong buy)
Positioning	WATCH

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Executive Summary

International Seaways prints numbers that look like a software company and trades like a company nobody trusts. Trailing twelve months show 57.7% revenue growth, a 66% gross margin, a 61.9% net margin, and a 34.4% return on equity. The stock changes hands at \$103.65, a 6.6 trailing P/E and a 4.4 forward P/E, an EV/EBITDA of 4.2, and a PEG the model pins at 0.03. On paper this is the cheapest fast-growing high-margin business you will screen this quarter.

The composite lands at 82.8/100 — strong_buy. It is built on two heavily weighted pillars pulling together: Technical at 95 (40% weight) and Fundamental at 96 (20% weight). Demand adds ballast at 89. The drag is Sentiment at 48 and Macro at 50. The Analyzer reads the regime as Accumulate-Strong, high conviction, up across short, intermediate and long frames, with a Hurst exponent of 0.63 — trending, not mean-reverting.

Here is the 10th Man View you should read before the bull case seduces you: this is a tanker company, and tanker companies earn 61.9% net margins at exactly one point in the cycle — the top. The market appears to know this. The 13 analysts covering the name carry an average target of \$102.33 against a \$103.65 price. That is negative upside. The behavioral fair-value band runs \$81.36 to \$101.77 with a midpoint of \$91 — meaning the model thinks fair value is roughly 12% below the tape. You are not buying a mispriced compounder. You may be buying the last quarter of a great earnings cycle at the price the market has finished paying for it.

The resolution is not a coin flip either way. The balance sheet — \$409.4M cash, \$243.4M net debt, 0.29 debt-to-equity — means the downside is a de-rating and a dividend cut, not a solvency event. That is why this is a WATCH you can size into, not an AVOID. But size it as a cyclical at peak earnings, and know precisely how the trade breaks.

The Setup

Strip the jargon. International Seaways owns ships — crude oil tankers and refined-product tankers — and rents them out to whoever needs to move oil across an ocean. That is the entire business. When there is more oil moving longer distances than there are ships to move it, day rates spike and INSW mints cash. When ships are plentiful or oil demand softens, rates collapse and the same fleet bleeds. The fleet does not change quickly. The rates change violently. That asymmetry is the whole game.

The mechanical read on the checks: INSW's revenue is spot and time-charter income on vessels. Look at the quarterly progression and the cycle jumps off the page. Q4 FY24 earned \$0.72 with a 23.1% operating margin. By Q2 FY26 the company printed \$5.91 EPS on \$469.7M revenue at a 64.2% operating margin, with \$294.9M of net income in a single quarter. That is an eight-fold EPS swing in six quarters. Q1 FY26 was \$5.75 on \$325.5M. The last two quarters alone earned roughly \$11.66 in EPS — against a \$103.65 stock. This is not a company that grows into its multiple. It is a company whose multiple is low precisely because the earnings are not believed to last.

Who writes the checks matters here, and it is the softest part of the story. INSW's counterparties are oil majors, national oil companies, refiners, and trading houses chartering vessels. In a hot market they pay premium day rates and pay them promptly. The credit risk is not the majors — it is the marginal charterer in a rolling-over market, and the risk that signed spot fixtures at \$60,000/day give way to fixtures at \$18,000/day when tonnage frees up. Signed paper is not collected cash across a cycle turn. The Q2 FY26 net income is real and banked. The forward earnings the 4.4 P/E implies are a forecast against a spot market that reprices weekly.

One structural fact anchors everything: the earnings quality note flags 'Adequate — monitor cash conversion vs. reported earnings,' and FCF yield sits at 5.2% against a 61.9% net margin. That gap — enormous accrual margins, modest free cash yield — is normal for a capital-intensive shipowner, but it is the tell. Depreciation on vessels flatters and reported earnings; the cash you actually keep after maintaining and replacing steel is a fraction of the headline. Watch the cash, not the print.

Demand Side

The trade exists because the demand for moving oil across oceans has been structurally rewired, and the numbers behind INSW's Demand score of 89.06 are not sentiment — they are tonne-miles. Three forces do the work.

First, sanctions-driven re-routing has inflated tonne-miles without inflating barrels. When Russian crude is redirected from short European hauls to long Asian ones, and replacement barrels flow from the Atlantic basin to Europe, the same volume of oil consumes far more ship-days. A barrel that used to sail three days now sails twenty. INSW does not need more oil demand to earn more — it needs the existing oil to travel farther, and it is. This shows up directly in the earnings: the operating margin ran from 23.1% in Q4 FY24 to 64.2% in Q2 FY26 on a fleet that did not materially change size. That is tonne-mile inflation converting to margin.

Second, the orderbook is thin against an aging fleet. Tanker newbuild ordering has been suppressed for years by yard capacity competing for containerships and LNG carriers, by uncertain propulsion economics under decarbonization rules, and by owners' reluctance to order 25-year assets into an energy transition. The result is a supply side that cannot respond quickly to the demand rewiring above. When demand for tonnage spikes and no new steel arrives for two-to-three years, day rates do what they did to drive INSW's Q2 FY26 print of \$469.7M revenue and \$294.9M net income — they run. This is the classic shipping asymmetry: demand can move in weeks, supply cannot move for years.

Third, the product tanker leg benefits from refinery dislocation. Refining capacity has migrated — closures in the Atlantic basin, additions in the Middle East and Asia — which lengthens the average haul for refined products just as sanctions lengthened the crude haul. INSW's dual exposure to both crude and product tankers means it captures both dislocations at once. The Demand score of 89 reflects a demand base that is structurally longer-haul than it was three years ago. The honest caveat, carried in the 10th Man: a meaningful share of this is policy-dependent re-routing, and policy can reverse faster than a fleet can be rebuilt. The demand is real. Its durability is the open question.

Total Addressable Market

Bottom-up — what is signed today

Signed and earned today is what matters, and INSW's realized cash is exceptional right now. The last two reported quarters — Q2 FY26 at \$469.7M revenue, \$294.9M net income, and Q1 FY26 at \$325.5M revenue, \$286.1M net income — represent roughly \$795M of revenue and \$581M of net income banked in six months. That is collected cash, not forecast: spot fixtures earned and settled. Trailing net margin of 61.9% on that base is the realized economics. But be precise about what is signed versus what recurs: tanker spot income is re-fixed continuously, so unlike a subscription book there is almost no contracted forward revenue. The 'signed paper' here is short-dated. What INSW has banked is durable; what it will earn next quarter is a fresh bet on the spot market every single week.

Top-down — what the macro supports

The macro read supports the demand but caps the ceiling. Global seaborne crude and product trade is the addressable pool, and the tonne-mile expansion described in the demand section is the growth vector. But the macro pillar sits at exactly 50 — late-cycle expansion, restrictive Fed at 3.63% easing, oil demand growth decelerating into the late cycle. Top-down, the tonne-mile boom is amplifying a flat-to-slowly-growing barrel base, not riding a demand surge. That distinction matters: the upside is a re-routing and supply-constraint story, which is finite, not an oil-demand-growth story, which would be open-ended. The macro supports the current level of earnings. It does not underwrite their expansion.

What matters for position sizing

The one number that actually matters is -1.3% — the analyst-implied upside, the gap between the \$102.33 consensus target and the \$103.65 price. Everything else in this file is a reason to own it; that number is the reason to size it as a cyclical, not a core holding. It says the informed crowd has finished paying up. Set against the \$91 behavioral midpoint and the \$90.34 point-of-control, it defines the trade: your reward for the 6.6 P/E is real, but the market has already extracted most of the re-rating, and your downside cushion is the \$409.4M cash and 0.29 debt-to-equity, not a valuation floor. Size to survive a snap back to \$90 — a 13% drawdown — without conviction loss, because that is the base-case downside if the cycle turns. This is a 2-4% position for a diversified investor, not a 10% conviction bet.

Supply Side & Unit Economics

What INSW actually owns is a fleet of crude and product tankers — VLCCs, Suezmaxes, Aframaxes/LR2s, and MR product carriers. That is the asset base, and it is heavy, depreciating steel. The business is deceptively simple: buy or hold ships, crew and maintain them, charter them out on spot or time contracts, and capture the spread between day rates and daily operating cost. Everything flattering in the fundamentals — the 66% gross margin, the 58.7% operating margin — is that spread at boom-market width. The fleet is the moat and the millstone simultaneously: it cannot be scaled up fast enough to kill the upside, and it cannot be scaled down fast enough to escape the downside.

The real cost structure is more fixed than the margins suggest. Crew, insurance, drydocking, maintenance, and management run largely regardless of where day rates sit. Fuel (bunkers) is charterer-borne on spot voyages via the freight rate but is a real variable on the P&L depending on charter structure. The crucial line is depreciation on the vessels, which is why the earnings-quality note flags cash conversion and why FCF yield is only 5.2% against a 61.9% net margin. In a boom, revenue explodes against a largely fixed cost base and margins go vertical — exactly the 23.1% to 64.2% operating-margin path we saw. In a bust, revenue collapses against that same fixed base and margins invert with equal violence. The operating leverage cuts both ways with no mercy.

The margin math, plainly: at Q2 FY26, INSW converted \$469.7M of revenue into \$294.9M of net income, a 62.8% net margin on the quarter, at a 64.2% operating margin. That is not a normal steady-state — a mid-cycle tanker earns operating margins in the 25-40% range, which is where Q4 FY24 (23.1%) and Q2 FY25 (29.8%) actually printed. The current margins are the top of the distribution. The balance sheet, however, is genuinely strong: \$409.4M cash, \$652.8M total debt, \$243.4M net debt, a 5.9 current ratio, \$651.5M working capital, 0.29 debt-to-equity. This is a company that can service its fleet and its dividend through a downturn without distress. The steel is levered; the balance sheet is not.

Counterparty credit is the quiet risk that can break the trade, and it is a cycle-dependent risk rather than a today risk. INSW's charterers are oil majors, national oil companies, refiners, and trading houses. In a boom market those counterparties are flush and pay promptly at premium rates — collected cash is clean, as the two banked quarters show. The exposure appears at the cycle turn: when tonnage frees up and rates fall, the marginal charterer weakens, spot fixtures that were struck at boom day rates give way to fixtures at a third of the price, and the risk shifts from non-payment to re-pricing. The credit that breaks this trade is not a defaulting major — it is the disappearance of the \$60,000/day fixture and its replacement by an \$18,000/day fixture on the same vessel. That is the mechanism by which signed paper stops equaling collected cash, and it is the reason the 6.6 P/E is not the free lunch it appears to be. The company owns excellent assets, runs a clean balance sheet, and earns extraordinary economics — at a point in the cycle where extraordinary economics are, by definition, temporary.

The 1880Q Scorecard



15% WEIGHT

Sentiment

10% WEIGHT

48

Macro

15% WEIGHT

50

Composite

83

The composite is 82.8/100 and the weighting explains it entirely. Technical carries 40% of the score and reads 95 — price sits 38.1% above its 200-day moving average, an unambiguous uptrend. Fundamental carries 20% and reads 95.5, and there is nothing to argue with: 61.9% net margin, 34.4% ROE, 57.7% revenue growth, 6.6 P/E, Rule of 40 at 63. Together these two pillars are 60% of the weight and both are near-maxed. That is the machine's whole conviction.

Demand scores 89.06 at 15% weight — genuine ballast, and the demand-side section below explains why the tonne-mile structure supports it. This is not a soft 89; it is the most defensible non-technical pillar in the file.

The drag is real and honest. Sentiment reads 48.4 at 10% weight. The reason is arithmetic: the consensus target of \$102.33 is below the \$103.65 price, so analyst-implied upside is -1.3%. The crowd believes the move is spent. Macro reads exactly 50 at 15% weight — a neutral late-cycle expansion with a restrictive-but-easing Fed at 3.63%, VIX contained at 17.8, OECD CLI at 99.9, yield curve normal with a 0.33 spread. Nothing in the macro helps or hurts; it is a wash.

The Analyzer frames the regime as Accumulate-Strong with high conviction, mood up across all three horizons. The Hurst exponent of 0.63 (fractal dimension 1.37) says this series trends rather than mean-reverts — momentum has memory here. The stated trading range runs support \$82.40 to resistance \$102.14, and the current price has punched through that resistance. Read that precisely: the technicals are strong *and* the price is now above the range the model marked as resistance, which is where trends either extend or exhaust. This is a momentum name at the top of its own range.

Valuation & Peer Comps

TICKER	P/E	REV GTH	OP MGN
INSW	6.6	57.7%	58.7%
SPCX	—	0.0%	-12.4%
CAT	34.9	18.4%	17.5%
GE	38.2	21.8%	20.8%
RTX	34.4	11.8%	11.2%

On every static multiple, INSW is cheap. 6.6x trailing earnings. 4.4x forward. 4.1x sales. 2.3x book. 4.2x EV/EBITDA. A 5.2% free cash flow yield. Set against 57.7% revenue growth, the PEG computes to 0.03 — a number that only appears when a market refuses to capitalize growth it does not believe will persist. That refusal is the entire valuation thesis.

The peer table is nearly useless for direct comparison — CAT at 34.9x, GE at 38.2x, RTX at 34.4x are industrial compounders, not cyclical shipowners — but it makes the point by contrast. The market pays 35x for durable industrial earnings and 6.6x for INSW's identical-headline earnings because it grades the latter as transient. That is not a mispricing to arbitrage. It is a considered judgment you must either accept or refute.

What is priced in: the behavioral fair-value band runs \$81.36 to \$101.77, midpoint \$91, VWAP \$91.65, point-of-control \$90.34. Every one of those markers sits below the \$103.65 tape. The model reads no convergence, implied volatility at 41.3% — high, as tankers always are — and max pain at \$105 with a gamma flip at \$105 and a call/put ratio of 1.73. Translation: the options market is positioned bullishly (call-heavy) into a \$105 pin, but the volume-weighted behavioral centre of gravity is roughly \$90–\$91. The price is trading a full 12–14% above where accumulated volume actually changed hands.

The honest read: at a 6.6 P/E with 34.4% ROE and net debt of only \$243.4M against \$409.4M cash, you are not paying a rich price for peak earnings — you are paying a fair-to-slightly-full price given where in the cycle those earnings sit. If day rates hold two more quarters, the 4.4x forward looks absurdly cheap and the stock re-rates toward \$120+. If rates roll, the trailing multiple was a mirage and fair value snaps back to the \$90 behavioral midpoint. The valuation is a call on the cycle, not on the company.

Risk-Adjusted Entry Zones

TIER	RANGE	NOTE
Strong Buy	under \$81.4	Below the fair-value floor.
Accumulate	\$81.4 - \$91.0	Lower half of the band; scale in.
Hold	\$91.0 - \$102	Upper half; hold, don't chase.
Trim	over \$102	Above the band; harvest strength.

The 10th Man View

The bull case here is so clean it should make you nervous. A 96 fundamental score, a 6.6 P/E, a fortress balance sheet, a trending chart. When you cannot easily articulate how you lose, you do not understand the position. So here is exactly how you lose money owning INSW at \$103.65 — with equal weight to the case above.

1. You are buying peak-cycle earnings at the top of the cycle

The 61.9% net margin and 64.2% Q2 FY26 operating margin are not a franchise — they are a tanker market at boom rates. Look at the company's own recent history: Q4 FY24 operating margin was 23.1% and EPS was \$0.72. That is the same fleet, 18 months earlier. If day rates revert toward mid-cycle, EPS does not fall 20% — it can fall 60–70%. A 4.4x forward P/E on a number that halves is a 9x forward P/E on the real number, and the stock does not stay at \$103.

2. The market has already stopped paying up

13 analysts, average target \$102.33, against a \$103.65 price. That is -1.3% implied upside. The sentiment pillar reads 48. The behavioral fair-value band tops at \$101.77 with a \$91 midpoint. Every non-technical, non-fundamental signal says the informed crowd sees fair value at or below here. You would be buying strength that the people closest to the name have declined to chase.

3. Price is 12–14% above its own volume centre of gravity

VWAP \$91.65, point-of-control \$90.34, POC/VWAP well below the \$103.65 tape. The stock is above its stated resistance of \$102.14 and its max-pain/gamma-flip level of \$105. Call/put is 1.73 — crowded long. When call-heavy positioning into a gamma flip unwinds, the move down is fast, and there is an air pocket back to \$90 with little transacted volume to cushion it.

4. Cash conversion lags the reported margin

The earnings-quality note says 'monitor cash conversion vs. reported earnings,' and FCF yield is 5.2% against a 61.9% net margin. That gap is depreciation on an aging steel fleet. When rates soften, the reported margin compresses first, but the sustaining capex to keep vessels compliant and chartered does not. Free cash can fall faster than earnings, and the dividend — a core part of why 'DiviDogs' rate it a buy — is the first thing management protects, then cuts.

5. The demand rewiring can reverse faster than the fleet

The demand thesis rests on sanctions-driven re-routing and long-haul tonne-mile inflation. Those are policy-dependent, not structural. A Russia-Ukraine settlement, an easing of sanctions enforcement, or a normalization of Red Sea transit would collapse the tonne-mile premium overnight while INSW's fleet is exactly as large as it was. Demand scored 89, but a meaningful slice of that 89 is geopolitical, and geopolitics does not depreciate on a schedule.

6. Macro is neutral, not supportive

Macro reads 50 in a late-cycle expansion. Global oil demand growth is the fundamental driver, and late-cycle is where demand growth stalls. A restrictive Fed at 3.63% with an easing bias is fine for financing but says nothing good about the trajectory of industrial oil consumption. If the cycle rolls to contraction, tanker demand contracts with it — and you own the most operationally levered expression of that in the file.

HOW WE WOULD LOSE MONEY ON THIS TRADE

Here is the narrated way this trade goes wrong. You buy at \$103.65 on the 6.6 P/E and the 96 fundamental score, seduced by numbers that look free. For a quarter, spot rates hold and the stock pins near \$105 into gamma. Then the tape turns: a Red Sea de-escalation or a Russian-crude re-routing normalization pulls 5–10% out of tonne-miles. VLCC and product day rates soften from boom levels toward mid-cycle — not a crash, just a normalization. Q3 FY26 comes in below whisper. The operating margin slides from 64% back toward the 30s, the way it did through FY24 and FY25. EPS that was \$5.91 prints \$2.20. Suddenly the 4.4x forward was 9x, the dividend gets trimmed to protect the balance sheet, and the call-heavy positioning unwinds. The stock does not find a bid until it reaches its volume centre of gravity — the \$90 point-of-control — a 13% drawdown, and it can overshoot to the \$81 band bottom in the panic, down 22%. You are not wiped out; the 0.29 debt-to-equity and \$409M cash mean the company survives easily. But you bought peak earnings at the price the crowd had already finished paying, and the market's

-1.3% implied upside told you so on the day you bought. You lose money not because the company failed, but because you paid a cyclical top for cyclical-top earnings and mistook a low multiple for a margin of safety.

1880Q Positioning

WATCH. The fundamental and technical case is nearly unarguable — 34.4% ROE, 0.29 debt-to-equity, a 5.9 current ratio, EV/EBITDA of 4.2, and price 38.1% above the 200-day. But WATCH, not CORE HOLD, because this is a cyclical earning at the top of its cycle, and the market knows it: analyst upside is negative (-1.3%), the sentiment pillar is 48, macro is 50, and the behavioral fair-value band tops out at \$101.77 — below the last print. A CORE HOLD implies you are compounding a durable franchise. You are not. You are renting a peak-cash-flow tanker company at a fair-to-slightly-rich price on the cycle, with an excellent balance sheet as your downside insurance. Own it with a cyclical's discipline, not a compounder's patience.

Conclusion

International Seaways is a genuinely excellent business at a genuinely inconvenient moment. The 82.8 composite is honest: 95 technical, 96 fundamental, 89 demand, carried by two pillars pulling hard the same direction. The 34.4% ROE, the 0.29 debt-to-equity, the \$409.4M cash, the 4.2x EV/EBITDA — none of it is fabricated and none of it is fragile in a solvency sense. This is a well-run, well-capitalized shipowner at the top of a powerful cycle.

But the number that actually matters is the one the sentiment pillar of 48 encodes: -1.3% analyst-implied upside, a \$91 behavioral midpoint, a \$101.77 fair-value ceiling — all below the \$103.65 tape. The market is not mispricing INSW. It is pricing a cyclical at peak earnings exactly as a cyclical at peak earnings should be priced, and rewarding you with a 6.6 multiple as compensation for the risk that the earnings do not persist. The low P/E is not the opportunity. It is the warning label.

WATCH, not CORE HOLD, not AVOID. If you own it, own it as a cyclical: size it small, treat the dividend as gravy not thesis, and set your stop below the \$90 point-of-control where the volume actually lives. If day rates hold two more quarters the forward multiple re-rates and you look brilliant. If they roll, the balance sheet saves the company but not the stock, and you revisit near \$90 with a cleaner entry. Either way, buy the cycle with your eyes open — not the print with your eyes closed.

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Disclaimer

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