

Key Financials

- **Market Cap** ~\$23.5M (nasdaq:PSHG) ¹ . **Revenue** ~\$84M (trailing 12mo) ² . **Gross Profit** ~\$59.9M on \$84M rev \Rightarrow ~71% gross margin ² .
- **Cash & Debt**: ~\$95.8M cash vs \$43.75M debt (net cash \approx \$52.0M, ~\$4.19/share) ³ . (Enterprise value = -\$28.5M ¹ , reflecting the cash cushion.)
- **Free Cashflow**: Positive (Q1 '25 op cash \$15.5M; H1 2025 op cash ~\$27M). Capital expenditures for newbuilds consume cash, but bond financing (\$100M raised Jul '25) bolsters liquidity ⁴ .
- **Shares Outstanding** ~12.43M ⁵ , float ~11.4M. **Valuation**: Trailing P/E ~1.21 ⁶ , P/S ~0.28, P/B ~0.08 ⁷ . (Stock trades at ~\$2 with \$1.56 EPS ² .)

Business Model & Competitive Position

PSHG owns/operates Aframax tankers (currently six vessels, 630,519 DWT total ⁸) that carry crude and refined petroleum. They earn revenue via short-term spot voyages, pools, and long-term time charters. The company recently sold an older tanker (P. Yanbu) and is executing a fleet renewal – three new 114K DWT LNG-ready LR2 Aframax tankers (P. Massport delivered Jul '25, P. Tokyo Sep '25, a third in early '26) and one LR1 product tanker (2027) ⁹ ¹⁰ . Crucially, all three LR2's have secured five-year charters with Gunvor's Clearlake (US\$31k/day gross rate) ⁹ ¹⁰ , and the 2010-built P. Aliki has a 12-month charter at US\$30k/day (mid-Sep '25) ¹¹ .

The tanker market is cyclical: crude tanker demand is roughly balanced (fleet supply +2.1% in 2025 vs. only +0.4% tonne-mile demand growth ¹² ¹³), while product tankers face faster supply growth. BIMCO forecasts the crude market in 2025-26 as "balanced" but notes product tankers will remain weaker ¹² . PSHG's strategy mitigates cyclicity: high-margin voyage ops and multi-year charters lock in cash flow. As of mid-2025 the firm reports ~\$240M in secured revenue backlog ⁴ , reflecting these long-term charters.

Price & Volume Behavior

Over the past 6–12 months PSHG's stock rallied from its lows (~\$1.31) up to a \$2.34 peak ¹⁴ (June–July 2025) following strong results and vessel deliveries, but has since pulled back to ~\$1.89 (Sept 5, 2025) ¹⁴ . Year-to-date the stock is roughly flat; 1-year range is \$1.305–\$2.340 ¹⁴ . The average daily volume is low (~38K shares ¹⁴), indicating thin liquidity. (Float is only ~11.4M shares ¹⁵ , with insiders holding ~8.3% ¹⁵ .) Technical volatility is muted ($\beta \sim -0.07$) ¹⁶ , but any news (e.g. results or charter announcements) can move the illiquid stock sharply.

Risks & Red Flags

- **Dilution**: Substantial convertible instruments exist. The Series C Preferred (1.423M shares outstanding) can convert at \$1.3576/sh ¹⁷ (currently in the money vs. \$1.89 market). Full conversion would add ~26M common shares, dramatically diluting. July/Aug 2022 warrants (3.16M at

\\$1.65) are likewise in the money, potentially issuing ~3.2M shares if exercised ¹⁸. Management ended a \\$30M ATM offering in early 2023 (only \\$1.2M sold) ¹⁹, suggesting no active large share issues now.

- **Insider Control:** Chairperson Aliko Paliou, via Mango Shipping, controls ~92% of voting power (via Series C) ²⁰ ²¹. She also owns Pure Brokerage, which contracts with PSHG at fixed fees ²². This concentrated control can override minority holders and may present conflicts of interest.
- **Liquidity/Market:** ~5.8% of float is sold short ²³, a relatively high short % that could exacerbate downside if things sour. The small float and wide spread make shares volatile.
- **Financial:** No immediate solvency issues (ample cash covers debt by ~2.4x ²⁴; no going-concern doubts were flagged ²⁵). However, heavy reliance on strong charter rates is a risk if tanker freight falls further. Also, interest rate risk on \\$100M bond financing exists (though bond secured in Jul '25 for expansion ⁴).

Upcoming Catalysts (next ≤6 months)

- **New Charters & Deliveries:**
 - *M/T P. Aliko* will commence a 12-month charter to PNSC around mid-Sep 2025 at \\$30k/day ¹¹, adding ~\\$10.5M of revenue to backlog ²⁶.
 - *Third LR2 Aframax* ("Hull H1597") is expected to deliver by Q4'25/early '26, joining the first two (Massport, Tokyo) in service. All three LR2's have 5-year time charters at \\$31k/day ⁹ ¹⁰, which will start contributing revenue upon delivery.
- **Earnings Releases:**
 - **Q3 2025 Results** (≈ Nov 2025) and **Q4 2025 Results** (≈ Feb/Mar 2026) – with the fleet renewal (vessel sales/deliveries) and expanded backlog, these could show sharply higher earnings vs. the prior year.
 - **Backlog Build & Deployments:** The \\$240M backlog (H1 '25) is being enhanced by new charters; updates on backlog or new contracts could surprise positively.
 - **Financing & M&A:** In Jul '25, PSHG issued \\$100M Nordic bonds (non-dilutive) to fund growth ⁴. Any use of this capital (e.g. secondhand vessel acquisitions, debt paydown, buybacks) would be material.
 - **Tanker Market Dynamics:** Geopolitical events (Red Sea trade routes, sanctions) or OPEC decisions may tighten shipping supply/demand. A pickup in tanker rates (from recent lows) would lift PSHG's spot/short-term earnings.

Alpha Thesis

PSHG appears **deeply undervalued** with strong upside catalysts. Its **net cash alone** (~\\$52M or \\$4.19/sh ³) far exceeds the \\$23.5M market cap, implying the equity is effectively trading **well below liquidation value**. At the same time, the company has locked in high-margin revenues: a \\$240M+ backlog ⁴ and long charters (e.g. \\$31k/day for 5 years on new Aframaxes ⁹ ¹⁰, plus recent deals like P. Aliko at \\$30k/day ¹¹). This combination of a massive cash war chest and near-term contracted income creates **asymmetric upside** – the stock's P/E (~1.2) and P/S (~0.28) ⁷ are extremely low.

In effect, investors are paying <\\$2/share for what looks like >\\$4/sh of net asset value plus growing revenues. If markets re-rate PSHG to even modest multiples, or if geopolitical shocks shorten shipping distances (boosting tonne-miles), the equity could jump sharply. The 1–6 month horizon is compelling: upcoming earnings and vessel deliveries should bridge some of the valuation gap.

What could go wrong? The thesis fails if tanker rates collapse much further (driving charters below breakeven) or if major dilution occurs (e.g. massive warrant exercise or Series C conversion without value). A breakdown in the newbuilding program or an unexpected corporate governance event could also undermine value. But no such near-certain threats are apparent now, given the robust balance sheet and contract cover.

Final Recommendation: [Buy]

Top Reasons:

- **Large Cash/Asset Cushion:** Market cap is only ~\$23M yet the company holds ~\$95.8M cash against \$43.8M debt ³ (net \$52M), so equity trades well below its cash value. This provides a substantial margin of safety.
- **Secure Revenue Backlog & Charters:** The firm has a massive \$240M+ revenue backlog ⁴ and newly delivered vessels (P. Massport, P. Tokyo) plus charters at \$31k/day ⁹ ¹⁰. These contracts ensure strong earnings in coming quarters, providing upward momentum.
- **Extremely Low Valuation:** At ~\$2/share the stock's P/E (~1.2) and P/S (~0.28) ⁷ are far below peers and the broader market, despite recent earnings strength (EPS \$1.56 TTM ²). In other words, upside to fair value is significant if even a portion of its hidden value is recognized.

¹ ² ³ ⁵ ⁶ ⁷ ¹⁵ ¹⁶ ²³ Performance Shipping (PSHG) Statistics & Valuation

<https://stockanalysis.com/stocks/pshg/statistics/>

⁴ Performance Shipping Inc. Reports Financial Results for the Second Quarter and Six Months Ended June 30, 2025 | Performance Shipping Inc

<https://www.pshipping.com/news/news-performance-shipping-inc-reports-financial-results-the-second-quarter-and-six-months-ended-june-30-3>

⁸ ¹⁴ Performance Shipping (PSHG) Stock Price & Overview

<https://stockanalysis.com/stocks/pshg/>

⁹ Performance Shipping Inc. Announces Naming and Delivery of

<https://www.globenewswire.com/news-release/2025/07/31/3125096/14069/en/Performance-Shipping-Inc-Announces-Naming-and-Delivery-of-M-T-P-Massport-First-of-Four-Newbuild-Tankers-on-Order.html>

¹⁰ Performance Shipping Inc. Announces Naming and Delivery of

<https://www.globenewswire.com/news-release/2025/09/02/3142799/0/en/Performance-Shipping-Inc-Announces-Naming-and-Delivery-of-M-T-P-Tokyo-the-Second-Vessel-in-Its-Newbuilding-Program.html>

¹¹ ²⁶ Performance Shipping Inc. Secures Time Charter Contract for

<https://www.globenewswire.com/news-release/2025/08/18/3135080/0/en/Performance-Shipping-Inc-Secures-Time-Charter-Contract-for-M-T-P-Aliki-at-US-30-000-Per-Day.html>

¹² Tanker Vessel Market Bends Under Supply And Demand

<https://www.marinelink.com/news/tanker-vessel-market-bends-supply-demand-529401>

¹³ ¹⁸ ²⁴ pshipping.com

https://pshipping.com/sites/default/files/2025-05/PSHG%20Earnings%20Release%2031.03.2025%20-%20final_0.pdf

17 19 20 21 22 25 pshipping.com

<https://pshipping.com/sites/default/files/2025-04/AS%20FILED%20-%20PERFORMANCE%20SHIPPING%20INC.%20-%2020F%20-2024.pdf>