James Van Varick | March 18, 2025 | Ticker: GSL | Price: $23.18 (as of market close 3/18/2025)

Global Ship Lease, Inc.

Sector: Industrial Services
Industry: Water Transportation

Summary: Global Ship Lease is a holding company which owns and charters out containerships under long & short term, fixed rate contracts.

Key Stock Statistics

52 Week Range:	$19.22-30.32	**Market Cap:**	$817mn	**TTM EPS:**	$9.74
3M Avg Volume:	7.24mn	**Enterprise Value:**	$1,389mn	**TTM P/E:**	2.40
5yr Adj Beta:	1.05	**Institutional Ownership:**	54.9%	**2025E EPS:**	$9.59

3-Year Stock Performance

Risk Assessment

Global Ship Lease faces risks tied to the cyclicality of the shipping industry. Despite mitigating these risks with strong contract cover and impressive capital allocation, the Company's stock may still face volatility due to general market skepticism of shipping companies.

Highlights

Robust Contract Cover

- $1.9bn in contracted revenues (2.3 year average cover).
- 50 charters added ($855mn) in 2024 & 2025.

Strategic Fleet Composition

- Focus on mid-sized and post-Panamax vessels in fast-growing non-Mainlane trades.
- Four ECO-9,000 TEU vessels added at 30% discount to market value.

Impressive Capital Allocation

- Debt reduced from $950M (2022) to $691M (2024), targeting $389M by 2026.
- Cost of debt lowered to 3.85% with 4.2-year maturity.
- Dividend increased to $2.10 per share annualized.

Strong Financial Position

- Breakeven rate of $9,200 per vessel/day vs. spot rates of $22,500-$47,000.
- Fleet valued at $1.9B; equity cushion supports ~$41 book value per share.

High Implied Share Price -- DDM

- $68.41 base case.
- $58.36 conservative case.
- $82.01 optimistic case.
- Significantly above market price.

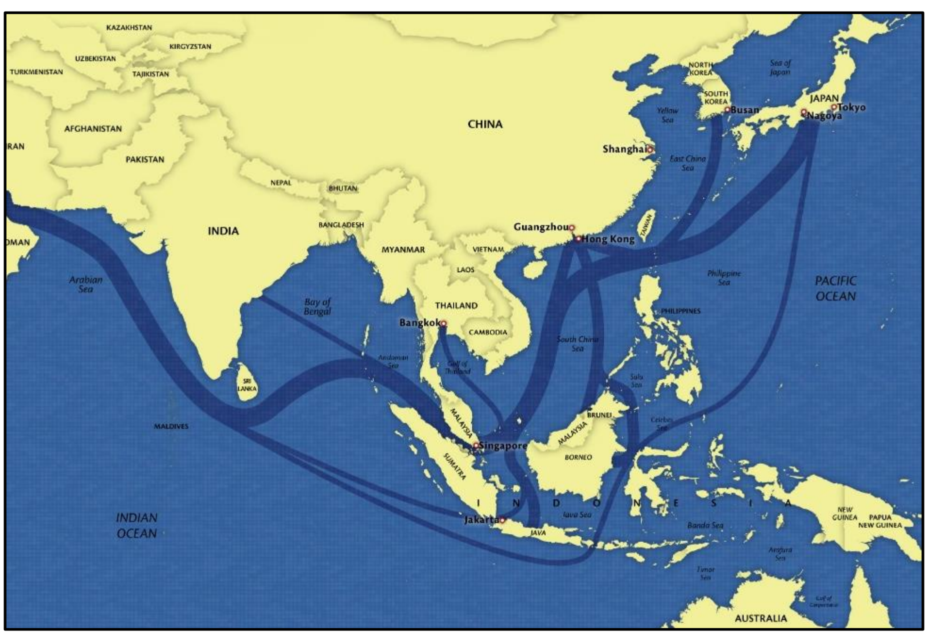
Business Overview

Global Ship Lease is a containership leasing company incorporated in the Marshall Islands with a fleet of 71 vessels and capacities ranging from 2,207 to 11,040 TEU (twenty-foot equivalent units). Formed in 2007 and listed on the NYSE in 2008, the Company has grown its fleet from a mere 17 vessels through major acquisitions in 2018, 2021, and 2023. Its vessels now have an aggregate capacity of 375,406 TEU with an average age weighted by TEU capacity of 17.6 years. The lifespan of these vessels typically falls between 20 and 30 years.

Global Ship Lease's primary business involves leasing out its vessels to leading liner companies under time charters. Its largest customers are CMA CGM, Maersk, and Hapag-Lloyd, which contribute to 20%, 28%, and 29% of total contracted revenue as of EoY 2024, respectively. The majority of the Company's fleet is specialized to operate in non-Mainlane and intra-regional trades, a market that makes up ~74% of global containerized trade volume and is faster growing than the Mainlane trades. The time charters are for a predetermined period of time and at a specified daily rate during which the Company provides crew, maintenance, and other related operational services while the charterer is responsible for fuel costs, canal fees, port expenses, add-on insurance, and whatever else may be incurred during the voyage. During periods when a vessel is unavailable for service due to drydocking for repairs, failure of the crew, etc., the vessel is considered off-hire, and the charterer is not required to pay.

Global Ship Lease is contracted with Technomar Shipping, Inc., a third-party ship manager, to handle the technical management of the Company's fleet as well as other supplementary services to minimize fixed costs. These include finance and accounting, charter hire collection, insurance, and legal support for which Technomar gets paid a daily management fee based on vessels under management. Technomar is part-owned by George Youroukos, Global Ship Lease's Executive Chairman, but the contractual agreement is on arm's length, commercial terms in line with industry standards.

Similar to their relationship with Technomar, Global Ship Lease has an arm's length brokerage agreement with ConChart Commercial, Inc., another company of which George Youroukos is a part-owner. ConChart handles the negotiation of new charter terms and extensions, negotiation of sale and purchase transactions, and marketing of vessels for charter. It gets paid commission on monies earned under each charter fixture and any sale or purchase of vessels.



Corporate Info

Headquarters

9 Irodou Attikou Street, Kifisia
Athens, Attica 14561 Greece

Telephone

+30.210.623.3670

Email

info@globalshiplease.com

Website

www.globalshiplease.com

Officers

Chairman: George Youroukos

CEO: Thomas A. Lister

CFO: Tassos Psaropoulos

CCO: George Giannopoulos

Board Members

George Youroukos

Michael S. Gross

Michael Chalkias

Ulrike Helfer

Yoram (Rami) Neugeborn

Alain Pitner

Menno van Lacum

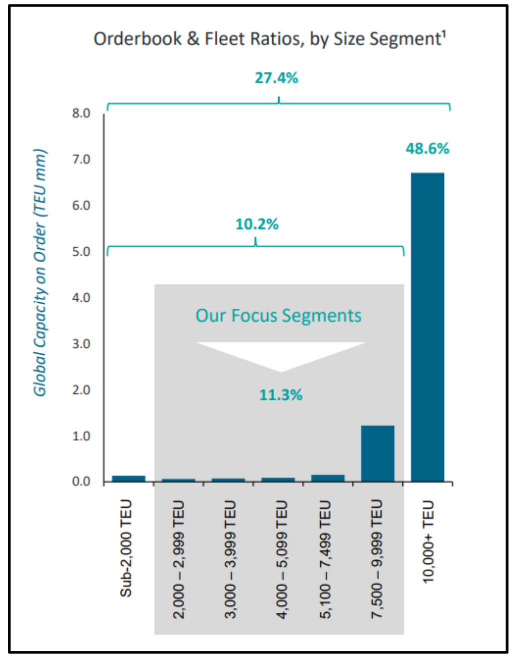
Ian J. Webber

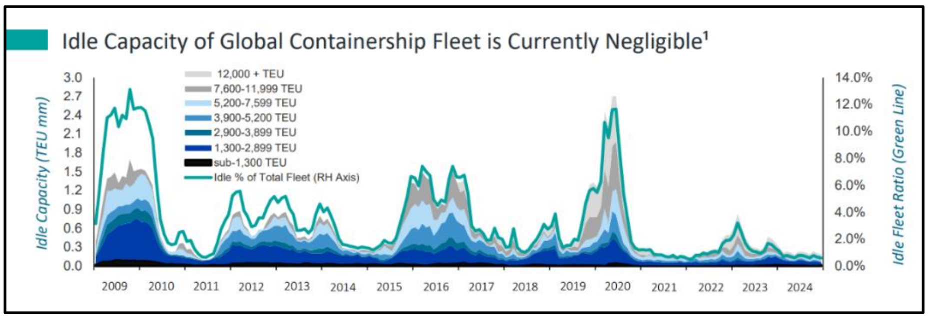
Alain Wils

Industry Synopsis

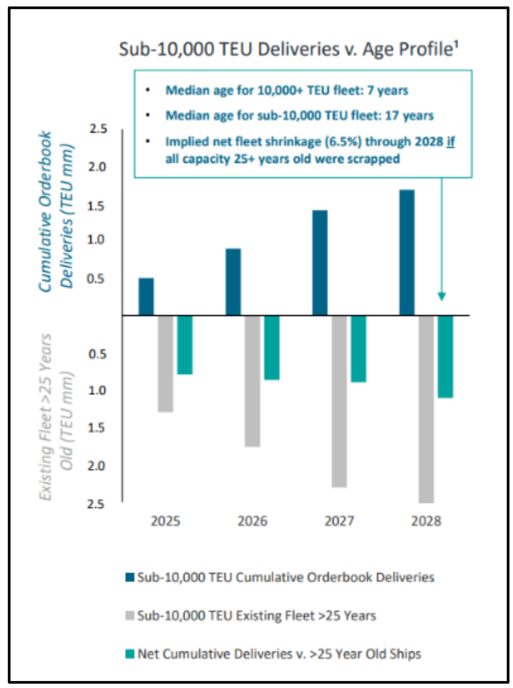
The maritime shipping industry is currently being driven by a couple complex issues including geopolitical tensions and shifting trade patterns. Despite uncertainties, the underlying effects aren't necessarily negative, and there are key structural trends present which will favor companies with the right fleet composition and financial flexibility throughout 2025.

An overarching trend of the industry has been persistent fleet tightness. With idle capacity virtually non-existent (supply for vessels is being maximized), charter rates have been well supported. A big reason for these conditions is the Houthi attacks in the Red Sea which first occurred in Q4 of 2023 and led to liners rerouting around the Cape of Good Hope in South Africa instead of going through the Suez Canal in Egypt. Such circumstances have added thousands of nautical miles to voyages between Europe and Asia and are absorbing global fleet capacity. These attacks are ongoing and it's uncertain when they will subside.





Moreover, the mid-size and smaller vessel segments haven't experienced the same number of new orders as the large vessels segment, so there aren't enough new builds to meaningfully elevate the idle capacity. This is exemplified by the order book to fleet ratio for sub-10,000 TEU vessels which is just 10.2%. There are multiple explanations for this, one of which being that shipyards are backlogged with new orders from the post-pandemic shipping craze of 2021 for larger vessels, leaving fewer slots available for mid-size and smaller vessels. Larger vessels are replaced more often because their lifespans are significantly shorter. Other explanations include inflated shipbuilding costs, higher rates and, thus, more expensive financing, and hesitancy from companies to place new orders out of fear that supply will blow open at any moment if Red Sea tensions ease.



Lastly, the Trump administration's tariff and trade policy has sparked wild uncertainty in the industry which on the surface may seem like a headwind. However, reflecting on Trump's first escalation of a trade war with China in 2018, there is reason to be optimistic. Despite a decrease in flows directly from China to the US during that period, the export-oriented manufacturers sought diversification of their supply chains across South and Southeast Asia. Demand for large vessels decreased because they make up the largest trades yet demand actually increased on aggregate. Displaced China-US volume transitioned into more complex and diffuse regional supply chains, sometimes involving multiple voyages and resulting in Asia-manufactured products for final sale in the US spending much more time at sea than they had previously. Overall, the lesson is that inefficiency can be highly supportive of earnings, and it's very possible that such an environment is where the industry will continue to head in 2025.

Key Investment Ideas

Robust Contract Cover: Since GSL's contracts are mostly fixed rate and long-term, cash flow is generally predictable, and there's a good amount of downside protection, yet the Company also exposes itself to select short-term contracts with high upside earnings potential if market conditions are good. As of December 31, 2024, GSL had $1.9bn in contract cover averaging 2.3 years (TEU-weighted), $714mn of which was added that year. An additional $171mn has been added so far in 2025. Overall, this comes from 50 charters secured over the past 15 months at a point when the spot rate has been significantly elevated largely due to conflict surrounding the Suez Canal. As a result, net income increased 16.7% YoY to $344mn and profit margin ticked up nearly five percentage points to 48.4%.

Strategic Fleet Composition: GSL's strategic focus on mid-sized and post-Panamax vessels positions the Company well amidst continued uncertainty in the industry. As mentioned earlier, these vessel types are crucial for servicing non-Mainline and intra-regional routes which make up a majority of global containerized volumes and could see even more growth as a result of the Trump administration's trade policies. This would build on a market that's already been experiencing significant fleet tightness due to the rerouting of vessels around South Africa. GSL is proving that it wants to take full advantage of the opportunity ahead with its purchase of four new vessels at a 30% discount to market value over the past 4 months.

Impressive Capital Allocation: With the Company churning consistent cash flow, management's course of action has been to pay off its debts, reduce the cost of such debts, buy back stock, and pay out a dividend. Between EoY 2022 and EoY 2024, GSL reduced their outstanding debt from $950mn to $691mn and are projecting further deleveraging down to $389mn by EoY 2026. Furthermore, the Company has lowered its cost of debt over the past five years from 7.59% to 3.85% on a blended basis and pushed out the average maturity to 4.2 years. Not only has it been actively deleveraging, the Company has also consistently bought back stock. It repurchased stock worth $10mn in 2021, $20mn in 2022, $22mn in 2023, and $5mn in 2024 and has authorization for further $33mn investment. Lastly, GSL returned significant capital to shareholders in 2024 with an annualized dividend of $1.58 per share. It also recently announced the sizing up of its dividend from $0.45 per share per quarter to $0.525. This represents an annualized yield of roughly 9%.

Attractive Dividend & Strong Financial Position: Expanding more on the point above, GSL's ability to continue paying a high dividend is a key factor in my thesis for the Company. In my dividend discount model pictured and described on the next page, I came to an implied base case price per share of $68.40, multiples beyond the stock's current trading range. Even in the conservative case, GSL's implied share price is over $50, so even if the model lacks the most reliable estimates and assumptions, there is a wide margin of safety. To provide even further support in valuation, because of the Company's terrific job driving down their cost of debt, its breakeven rate sits at only $9,200 per vessel per day, while current spot rates range between $22,500-$47,000 per day, and its own secured rates range between $13,250-$65,000. Therefore, the Company has fantastic margins and even if there's a dramatic downturn in spot rates, its margins will remain solid. Additionally, the Company's fleet is worth nearly $1.9bn with total assets equal to $2.4bn and total liabilities equal to $910mn, therefore resulting in a sizeable equity cushion and placing book value per share around $41.

Valuation

In my model I used management's 2025 guidance to assume that dividends would grow 28.6% in all three cases. For 2026 in the base case, I used the average dividend growth rate between 2023-2025, leaving out the 2022 figure because it was abnormally high. Sticking with the base case, I assumed the growth rate would decrease 20% per year over the next ten years, at which point it would reach 2.4%, right in line with my chosen base case TGR. For the conservative case, between 2026-2033, I estimated dividends to grow at a rate 15% below the base case. I estimated exactly the inverse for the optimistic case. I found the cost of equity using the CAPM and increased/decreased it by 0.5% for the optimistic/conservative cases respectively. Similarly, I chose the base case TGR to be 2.5% and gave/took 0.5%. Ultimately, the implied base case price per share turned out to be $68.41, which obviously is high. The optimistic case of course is more extreme at $82.01, and even the conservative case is unrealistic at $58.36. However, because of this implied price range, I think there is reason to believe that Global Ship Lease should at least be trading closer to book value, if not above, especially considering the fundamental downside protection the Company has and the outlook of the industry.

Global Ship Lease DDM

Ticker	GSL	Implied Price Per Share	68.41
Date	3/18/2025	Current Share Price	23.18
EOY	12/31/2025	Implied Upside / (Downside)	195%

Assumptions

Switches		Conservative			Base			Optimistic		
Assumptions		**Assumptions**	**Year**	**Metric**	**Assumptions**	**Year**	**Metric**	**Assumptions**	**Year**	**Metric**
Dividends	2	Dividends	2026-2029	(15.0%)	Dividends	2027-2029	(20.0%)	Dividends	2026-2029	15.0%
Cost of Equity	2									
TGR	2									
Valuation										
Cost of Equity	8.6%	Cost of Equity		9.1%	Cost of Equity		8.6%	Cost of Equity		8.1%
TGR	2.5%	TGR		2.0%	TGR		2.5%	TGR		3.0%

Discount Rate	
Cost of Equity	8.63%
Risk Free Rate	4.305%
Beta	1.05
ERP	4.12%

	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2032E	2033E
Dividends per Share	0.75	1.38	1.50	1.58	2.03	2.31								
% Growth		*83.3%*	*9.1%*	*5.0%*	*28.6%*	14.2%								

	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2032E	2033E
Dividends per Share	0.75	1.38	1.50	1.58	2.03	2.31	2.58	2.81	3.02	3.19	3.34	3.46	3.57	3.65
% Growth		*83.3%*	*9.1%*	*5.0%*	*28.6%*	*14.2%*	*11.4%*	*9.1%*	*7.3%*	*5.8%*	*4.7%*	*3.7%*	*3.0%*	*2.4%*
Conservative Case					*28.6%*	*12.1%*	*9.7%*	*7.7%*	*6.2%*	*5.0%*	*4.0%*	*3.2%*	*2.5%*	*2.0%*
Base Case					*28.6%*	*14.2%*	*11.4%*	*9.1%*	*7.3%*	*5.8%*	*4.7%*	*3.7%*	*3.0%*	*2.4%*
Optimistic Case					*28.6%*	*16.4%*	*13.1%*	*10.5%*	*8.4%*	*6.7%*	*5.4%*	*4.3%*	*3.4%*	*2.7%*
PV of Dividends					**1.96**	**2.08**	**2.13**	**2.14**	**2.11**	**2.06**	**1.98**	**1.90**	**1.80**	**1.69**
Period					0.7861111									
Discount Period					0.3930556	1.2861	2.29	3.29	4.29	5.29	6.29	7.29	8.29	9.29
Terminal Value														61.06
PV of Terminal Value														48.55
Implied Price Per Share														**68.41**