



SFL Corporation Ltd (SFL)

Updated February 12th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.62	5 Year CAGR Estimate:	11.9%	Market Cap:	\$1.42 B
Fair Value Price:	\$11.00	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/12/25
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.7%	Dividend Payment Date:	03/28/25
Dividend Yield:	10.2%	5 Year Price Target	\$12.75	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Ship Finance International Ltd is an international shipping and chartering company. The company's primary businesses include transporting crude oil and oil products, dry bulk and containerized cargos, as well as offshore drilling activities. It owns 18 oil tankers, 15 dry bulk carriers, 38 container vessels, 7 car carriers, and 2 ultra-deep water drilling units. Ship Finance International operates primarily in Bermuda, Cyprus, Malta, Liberia, Norway, the United Kingdom, and the Marshall Islands. The \$1.42 billion company was founded in 2003 and is based in Hamilton, Bermuda.

On February 12th, 2025, SFL reported its Q4 and full-year results for the period ending December 31st, 2024. SFL achieved total revenues of \$229.1 million during the quarter, down 10.3% compared to the previous quarter. This figure is lower than the cash received as it excludes approximately \$9.9 million of charter hire, which is not identified as operating revenues pursuant to U.S. GAAP. Net income came in at \$20.2 million, or \$0.15 per share, compared to \$44.5 million, or \$0.34 per share, in the previous quarter. No shares were repurchased during the quarter. About \$90 million remains under SFL's share repurchase plan.

As of December 31st, 2024, and adjusted for subsequent transactions, the estimated fixed-rate charter backlog from the company's fleet of 80 vessels and new buildings under construction was approximately \$4.3 billion. The vessels feature a weighted remaining charter term of 6.7 years. For FY2024, EPS was \$1.01. We FY2025, we expect EPS of \$1.10.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.88	\$1.50	\$1.03	\$0.69	\$1.01	\$0.98	\$1.35	\$1.60	\$0.67	\$1.01	\$1.10	\$1.28
DPS	\$1.77	\$1.80	\$1.50	\$1.40	\$1.40	\$0.80	\$0.68	\$0.92	\$0.99	\$1.08	\$1.08	\$1.25
Shares¹	119	108	103	108	108	109	122	127	126	129	134	140

As a shipping firm with exposure to spot rates, contracts that are locked in at various rates based on the condition of the underlying economy/industry, earnings can be volatile for SFL. Overall, though, the company has a sizable exposure to time charters which provide more stable cash flows. EPS has been quite volatile historically; however, this is most of the time attributable to SFL's high depreciation and amortization, as well one-off impairments and asset sales. While dividends seem uncovered for some of the years, they are, in fact, covered, excluding these non-cash items. The past dividend cuts are mostly the result of the company financing its fleet growth further, which is common in the industry. SFL successfully committed close to \$850 million towards accretive investments in 2021, whose benefits already appear in the bottom line. Moving forward, the company's earnings are also likely to benefit from growing demand for oil rigs, as the recent energy crisis triggered by Russia's invasion of Ukraine has revitalized the global interest in fossil fuels. Shipping rates are particularly high these days as well, as the Suez Canal has effectively closed due to Houthi attacks.

We are forecasting an EPS growth rate of 3%, also applied to the dividend. In regards to the dividend, the 2020 cut was a prudent move that saved the company enough cash to allow for greater financial flexibility. We have already seen a strong earnings recovery since, along with several hikes, confirming our expectations of resumption in dividend growth.

¹ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	7.6	10.9	14.5	22.5	13.9	7.9	5.9	5.6	14	11.7	9.7	10.0
Avg. Yld.	12.2%	11.0%	10.7%	9.0%	10.7%	9.2%	8.5%	10.3%	10.6%	9.2%	10.2%	9.8%

SFL's 10-year average price-to-earnings multiple is 11.4, reflecting the risks associated with the shipping industry's cyclical nature while accounting for the company's long-term fixed revenues. Based on our FY2025 estimate, SFL's P/E currently stands at 9.7. We believe shares are fairly valued at their current levels. The 10.2% dividend yielding is substantial and should comprise the bulk of SFL's total return prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

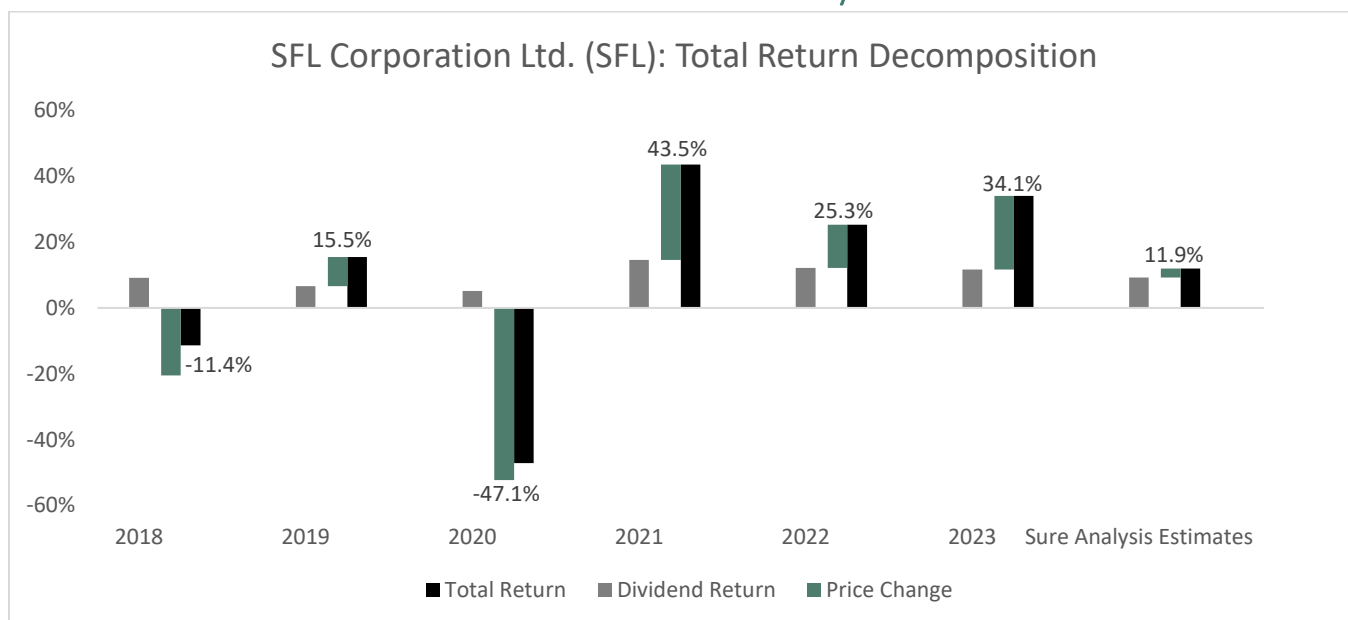
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	96%	66%	118%	132%	93%	120%	155%	203%	149%	61%	98%	98%

SFL lacks any meaningful competitive advantage and is a fairly volatile and risky investment. However, management has successfully increased exposure to long-term contracts in order to de-risk cash flows, thus facilitating dividend growth. The payout is relatively comfortable currently, which could make for a great opportunity for SFL to deleverage. Its long-term debt/equity currently stands close to 200%. On the one hand, debt/equity has been declining over the past couple of years amid frequent debt repayments. On the other hand, creditors continue to be very demanding of the company. In April of 2021, SFL placed \$150 million in senior unsecured sustainability-linked bonds due 2026. The bond pays a coupon of 7.25% per annum, reflecting the industry's expensive financing standards. The company remains one of the highest quality names in the industry, nonetheless, with an experienced management team and an extended backlog. We expect revenues to remain stable under a recession due to their contractual nature.

Final Thoughts & Recommendation

SFL's dividend yield is very attractive. We expect a stable and potentially further improving performance going forward, powered by contractually-locked revenues and revived interest in oil rigs. We forecast annualized returns of 11.9% going forward, powered mainly by the stock's hefty dividend yield. Accordingly, shares earn a buy rating. Still, we note that the shipping industry carries risks, and investors with a cautious approach to dividend growth may wish to look elsewhere.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	323	405	410	379	417	459	471	513	670	752
Gross Profit	136	206	180	159	184	208	204	218	277	244
Gross Margin	42.2%	50.9%	43.9%	42.0%	44.2%	45.3%	43.3%	42.5%	41.3%	32.4%
SG&A Exp.	8	7	9	7	9	10	11	13	15	16
D&A Exp.	67	78	94	88	104	130	127	152	188	214
Operating Profit	133	201	174	154	177	198	193	205	263	229
Operating Margin	41.2%	49.7%	42.3%	40.5%	42.4%	43.1%	40.9%	40.0%	39.3%	30.5%
Net Profit	123	201	146	101	74	89	(224)	164	203	84
Net Margin	38.0%	49.6%	35.7%	26.7%	17.7%	19.4%	-47.6%	32.0%	30.3%	11.2%
Free Cash Flow	(263)	(238)	42	96	(937)	(1)	156	(288)	(247)	79

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,042	3,033	2,937	3,012	3,878	3,885	3,093	3,459	3,861	3,731
Cash & Equivalents	51	70	62	153	211	200	215	146	188	165
Accounts Receivable	3	2	4	13	3	5	---	11	20	41
Inventories	7	5	5	5	9	8	---	10	16	12
Total Liabilities	1,888	1,791	1,803	1,817	2,698	2,779	2,298	2,477	2,770	2,682
Accounts Payable	2	1	1	0	2	3	---	2	8	30
Long-Term Debt	1,732	1,634	1,553	1,504	1,437	1,608	1,649	1,889	2,201	2,147
Shareholder's Equity	1,153	1,242	1,134	1,195	1,180	1,106	796	982	1,091	1,039
LTD/E Ratio	1.50	1.32	1.37	1.26	1.22	1.45	2.07	1.92	2.02	2.07

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.0%	6.6%	4.9%	3.4%	2.1%	2.3%	-6.4%	5.0%	5.5%	2.2%
Return on Equity	10.5%	16.8%	12.3%	8.7%	6.2%	7.8%	-23.6%	18.5%	19.6%	7.9%
ROIC	4.2%	7.0%	5.3%	3.8%	2.8%	3.3%	-8.7%	6.2%	6.6%	2.6%
Shares Out.	117	119	108	103	108	108	108	127	137	127
Revenue/Share	2.77	3.40	3.80	3.68	3.87	4.26	4.32	4.05	4.88	5.94
FCF/Share	(2.25)	(2.00)	0.39	0.93	(8.71)	(0.01)	1.44	(2.27)	(1.80)	0.62

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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