

CMBT_Q2 2024 Earnings conference call

Alexander Saverys

Welcome to this Q2 2024 earnings release. I'm joined here today by our CFO, Ludovic Saverys. My name is Alexander Saverys, I'm the CEO of CMB.TECH.

The topic of today's call will be a financial highlight. First of all, of the quarter, also highlighting everything we have done during the quarter and then we will zoom in on all our marine divisions, division per division and give you a market outlook to finish off with a conclusion, and a Q&A. If you've seen the press release this morning, you have seen that the heading was 'transformation in full swing' and indeed our company is in full transformation.

We've had an incredibly busy second quarter ratifying the name change from Euronav to CMB.TECH. The ticker symbol has already changed. The real name change will take place on the 1st of October, but meanwhile doing a lot of business adding a contract backlog to our already large contract backlog, we have ordered the new vessels, we have sold older tankers, we have taken delivery of many, many ships and last but not least we have also concluded our partnership with Anglo-Eastern. So, a lot to talk about and I would like to hand over to Ludovic for the financials.

Ludovic Saverys

Thanks, Alexander.

Focusing on the Q2 figures, we are happy to announce that we had another strong quarter with a net profit of \$184 million. This brings the half year profit to close to \$680 million.

Taken the last 12 months, we will conclude this \$1.2 billion profit if we start from Q3 until today, adjusted for capital gains, there have been quite a lot of capital gains as you all know, the Q2 profits ends at roughly \$70 million.

Apart from these strong operational results, we were also happy to pay a dividend of \$4.57, and declare another dividend of \$1.15 in Q2 that was paid in early Q3 bringing the total dividends and distribution for the half year to \$5.72

We ended the month of June with \$420 million liquidity. The contract backlog that Alex has mentioned stands today at roughly \$2.1 billion of contracted revenue, forward revenue, whereas the outstanding CAPEX from end of Q2 stands at \$2.7 billion, it is roughly \$900 million every 12 months going forward and last but not least in the first half year, we concluded a share buyback program of 8,000,000 shares for roughly \$126 million.

Continuing on that, as Alexander mentioned, we had a delivery in Q2 and the last couple of weeks of 7 newbuilding vessels, that is a continuation of the large Newbuilding program we have.

We sold the CMA CGM Baikal, which is a container vessel, upon delivery.

We were able to successfully complete the sale of Euronav ship management to Anglo-Eastern that was concluded in Q2, bringing an extraordinary profit of \$20 million.

The successful completion of the three VLCCs that were announced earlier got concluded in Q2 as well, bringing a capital gain of \$79 million.

Alsace is another VLCC we sold, so the MOA has been signed, but the delivery will happen in Q1 2025 with a nice profit as well.

On the new business, we've added one more CSOV to our Elevation series, the future proof Elevation series, which is #6 in the series, and another two hydrogen powered CTV's.

Previously announced as well, we have a signed a collaboration agreement with Damen Shipyard for building 4 hydrogen-powered tugboats.

We take you to the next slide where we show, as previously in the Earnings calls, what fleet we have on the water today with 30 tankers, 6 newcastlemaxes, 4 container vessels actually now since yesterday, 54 workboats, 4 chemical tankers and 3 ferries and tugboats.

On the right side you can see that this will continue to grow, the total fleet on the water, to reach 117 vessels end of this year, 136 end of '25 to come close to 160 vessels end of '26.

Zooming in on the P&L figures as previously shown, we want to highlight here - without going into too much detail - that for Q2 we were profitable in every single segment and that the Q3 quarter to date results are still very positive.

Alex will continue to explain this segment by segment.

The contract backlog, as we've shown and discussed, we've added \$161 million of additional long-term contracts on Suezmax newbuilding, Suezmax on the water and another chemical tanker which forward delivery in Q1 26 is on 7-year charter to ULTRATANK.

This is our commitment that a lot of our clients like to work with our future-proof vessels and hopefully we can increase this contract backlog in the months to come.

This slide again is to show that while we are building a long-term contract backlog on some modern assets, we're still very much spot exposed. We still have 75% of open days for '24. This goes to 80% in '25 and as you can see in '26 we end the year with a total of 30,000 shipping days where the biggest spot exposure is in our dry bulk division and also our tanker division.

I'll pass on the word to Alexander, who can continue to go into the various segments.

Alexander Saverys

Yes.

Thanks Ludovic.

Let's start with tankers. Still today, our biggest division, we have put some numbers on there that you saw in the previous slide, but split between the VLCCs and the Suezmaxes, you will see that the second quarter we equaled roughly \$50,000 a day on the VLCC spot market, close to 50,000 as well on the Suezmax spot market and for Q3 to date we have fixed 61% of our VLCCs at 34,000 and about half of our Suezmaxes at 41,000, which - even with the seasonal slowdown that we are seeing this summer - are still very good rates.

On the activity, we've mentioned the two new charters that we have signed, one for a newbuilding Suezmax for five years, and one 2-year contract on the fraternity which is a 2009 Suezmax.

We have completed the sale of our three N-type VLCCs in the second quarter with a capital gain of \$79 million. We also signed an MOA on the sale of the VLCC Alsace, which we will deliver in Q1 next year.

And then obviously just maybe go back. One last point I wanted to mention is that recapping, we still have 5 new ammonia-powered ECO VLCCs on order and apart from the two Suezmaxes that are delivering this year, we have another two coming in 2026.

You can go to the next slide.

We have a snapshot here on where the market is. You can see that the earnings are definitely - compared to the last 10 years - above average and healthy rates.

A lot of green lights when we look at the demand indicators, but some red lights as well - it will come as no surprise to you that the oil supply from the OPEC is not positive, definitely not for the VLCCs.

We see that the China oil imports year on year are a little bit down, but all in all, if we combine some of the positive demand signals with the very low orderbook coming on stream, we are still in a very healthy supply demand environment.

Next slide.

Here we have basically tried to make a theoretical assumption: if we would scrap all vessels that are older than 25 years, how would the fleet evolve? And then put the expected growth - and the growth numbers that are coming from organisations like the IEA - and what that would give, and basically all the way up to 2028 if we would scrap ships that are 25 years and older. On the VLCCs, we would lose 10% of the fleet. On the Suezmaxes, it would be 2 to 2,5%. So, the fleet would be in decline, if again, all these ships would get scrapped.

What happens on the demand side is that you can see that peak oil is not there yet. We still see growth in demand and all the agencies are still forecasting some growth and demand. That means that we will need in the tanker industry for the next five years, more tankers and when we look at the order book, the order book is still relatively low. We have seen some new orders, but again according to this model, we would see that we are in structural shortage of ships, which should bode well for our markets going forward in the next years.

Next slide.

We go to the dry bulk division, which is a rapidly growing division. You have seen that we have taken delivery of new vessels. We have 6 newcastlemaxes on the water now. Still another four will come on stream this year and we have in total 28 newbuildings for the next couple of years coming on the water.

Our earnings were very good in the second quarter. You can see it there. We had \$36,000 earnings on our newcastlemaxes. The third quarter was a bit softer, but still earning more than \$30,000. It's active, as I said, on the delivery side, the growth is driven. I'll show you in a couple of slides by different dynamics in the market, but all in all, we can definitely not complain for Bocimar, our dry bulk division,
We go to the next slide.

Indicators on the demand side. You can see them on the screen. Positive indicators coming from China, definitely in the first half, but they're still year on year, July as well on Iron Ore imports, Coal imports. Brazil and Australia still exporting more.

There are, of course, some signals that are a little bit more worrisome. When we look at the steel production in China, the steel inventories and the Iron Ore inventories that are all up and should normally signal a rather weaker market. But compared to the growth in the fleet overall, the dry bulk markets are still very healthy. Demand is growing faster than the supply of the fleet.

Next slide

Two things I want to highlight today are the age of the Capesizes and then the new projects in Western Africa. Starting with the Capesizes, you see the age profile here of all the capes. If you fast forward to 2030, you will see that by then more than 800 Capesizes will have reached the age of 20 years. By that date, more than 2/3, even 3/4 of the fleet will have reached the age of 15 years. But I think we're focusing on this full special survey to 20 year deadline, 800 ships by 2030.

Look at the order book, which today is still relatively low. It's 125 Capesizes and Newcastlemaxes, this again from a supply point of view, an aging fleet, a low order book should definitely be supported for our markets going forward.

The next one

On the demand I wanted to highlight in this call, one specific new project which has been talked about for many years, but which is finally coming on stream. It's the Simandou project in Guinea. Which is basically 2 consortia that will start exporting iron ore, starting ramping up as from this year/next year and then all the way up to 2028 coming fully on stream going to 120 million tons per year of iron ore exports which are expected to go nearly all of it to China.

What does that mean in the bigger scheme of things? It means that by 2028 we might need only for the Simandou project an extra 170 vessels.

I just spoke about the order book. This demand signal should again be a very good and positive signal for the market. You can also see why: The distance is twice the distance, then for instance Australian iron ore.

And of course, we are highlighting as well that there is a very nice little bunkering station that will be ready to supply ammonia in Namibia, which sits on that trade route. So very interesting for CMB.TECH and for our Bocimar division to watch this Simandou project.

Next slide.

A couple of words on the chemical tanker business, the chemical tanker business like the product tanker business and the crude tanker business is doing well.

There's healthy demand that we are seeing in the market; the supply of vessels is limited. It is, of course, a less volatile market than the crude oil markets.

Our exposure in Bochem, which is our chemical tanker division, has been fixed.

The one that we announced in our press release is this new charter for seven years to Ultratank for one of our newbuildings delivering beginning 2026.

The sister vessel will go in the Ultratanker pool, which will bring our fleet of 10 vessels to 7 ships fixed and three spot. Of course, in Bochem, we also have our two product Bitumen tankers as well.

You can see the breakeven rates which are giving us very good returns on the spot market and a decent return for our charters.

Next slide.

The container markets, it is one of our smaller divisions. As Ludovic said, we took delivery of the 4th container vessel in our fleet. We still have one newbuilding on order in July 2026.

All our vessels fixed at very good rates and will contribute very helpfully to our net profit. But if you look at the market in general, there's some very negative indicators, I would say definitely the container fleet orderbook is huge, which usually doesn't bode well for our markets. The demand indicators are a mixed bag. There's some good, some bad, but the big game changer in the container market is obviously what is happening in the Red Sea.

As you can see at the bottom of this slide on the right containership, Suez Canal transits numbers in TEU have gone down by more than 90% year on year. So, you can see that the disturbance there is huge and is having a massive impact on ton mile demand growth.

You can see year on year we are 16% higher in ton miles than last year in July. Nobody knows how long it will last. What is sure is that it's lasted for a lot longer than people expected and I don't think we see an end in sight in the coming months unfortunately.

I want to finish off with offshore wind. That's our little CTVs. We have 6 CSOVs on order. A 6th CSOV was added in the second quarter to our orderbook. Our CSOVs are not fixed yet, but the CTVs are running on a mixture of spot and time charter business.

You can see the breakeven rates and what we have earned in the second quarter, and that the offshore wind market is doing very nicely in the third quarter. We are seeing some good demand indicators again this year. New projects coming on stream more demand for offshore wind supply vessels.

I'm summing this up in these last slides.

We have decided that this would be a recurring slide that we would show you every quarter. Our assessment on where we are in the traffic lights, and you can see that all the lights are green.

I did tell you why we believe that. It is basically the balance between demand and supply and in every sector where we are active as CMB.TECH, we see a good supply and demand balance which is generating good results.

At the bottom you can see our exposure. You see on the tanker side, the Euronav division we have about 1/4 of our vessels which are fixed on time charter, the rest is trading spot.

The dry bulk: Everything so far is spot.

Containers: Everything is chartered.

Chemical tankers are 70% chartered, 30% on the spot market

Offshore wind: Apart from our CTVs, the 6 CSOVs we have are still spot, they have not been fixed, but the first one is only delivering next year in Q2.

Let's go to the next slide, an overview of our fleet list, which you can read at your leisure. The presentation is on our website with the detailed delivery dates of the order book.

The next slide.

Moving to the conclusion and then opening the floor to you for some questions.

All shareholders, I think, should be happy. We have paid a very nice dividend over the first half, thanks to the exceptional profits that we made after the sale of our VLCCs to Frontline, we still made a very nice profit in the second quarter of \$184 million.

You know that we are committed to remain listed on the Brussels Stock Exchange and in New York.

We recently changed our ticker symbol to CMBT. The name change of the company will take place on the 1st of October, so Euronav will become CMB.TECH and then Euronav name will be our tanker division.

The portfolio we discussed at length.

One thing I should highlight as apart from everything you see on the water, delivering the good cash flows, we also have a very strong decarbonisation optionality value built in, in our fleet as and when the new legislation will start to accelerate as from next year. Fuel EU maritime directive et cetera.

So, we do see a lot of upsides in our future-proof fleet. The outlook for all our markets is probably exceptional. We should cherish it.

It's been a long time since all shipping markets were actually in a positive supply

demand balance and so we are definitely enjoying the ride. With this being said, I would like to conclude.

Thank you for listening to us and I'm opening the floor for questions.

Kristof Samoy

Hello, good afternoon and congratulations with the good results. A few questions if I may.

You mentioned the Namibian bunker facility, which is well located in Namibia. So, how far along are you with the timeline? I recall that the FID would be taken in the fourth quarter. Maybe you can elaborate a little bit more on timing there.

And then secondly, the new Newcastlemaxes that are on the water now are they also part

of the Fortescue consecutive voyage charter pool?

Thank you.

Alexander Saverys

Thank you, Kristof.

Let me answer first on Namibia.

In Namibia, there's three projects we are working on. One is the hydrogen refuelling and production station, which we hope will be operational by the end of this year.

That's a relatively small-scale project for local demand, so hydrogen for local applications.

The second what you are alluding to is the tank terminal for ammonia. Indeed, expecting FID fourth quarter, maybe first quarter next year and the timing if we take FID on that time, will probably somewhere deliver in 2028.

So that is the time horizon we are looking for on that tank terminal, which we can use indeed as a bunkering point.

And then the third project where we are still working on the feasibility and pre feed, is the ammonia factory, locally in Namibia, based on solar power, water and electrolyzer park is something for next year. So, no FID in the very short term on that project.

Then going on to the FMG CVC pool that you mentioned. Our relationship with FMG is a good relationship like with a lot of other iron ore mining companies. We do quite a few spot business with them and indeed we have some vessels on short term CVCs, but these are short term. We are talking maximum one year; these are not long term, and it's not the full 6 vessels we have today. It's a couple of these ships.

Kristof Samoy

OK. Thank you.

And then maybe as a follow up to this question. We have seen the announcement that Fortescue is teaming up with Cosco on the construction and deployment of green ammonia proposed vessels, but Fortescue is a longtime customer journey partner of yours. How should we read into this? Does this mean CMB.TECH is out of the picture there for Fortescue? Can you elaborate a little bit on how you see this or interpret this?

Alexander Saverys

Well Kristof, so first and foremost, you should ask Fortescue and Cosco what the deal entails. I'm reading the same papers as you.

Obviously, we are talking both to Costco and to Fortescue.

What we understand, it's a collaboration agreement about a topic, which is very close to our heart, and we see this development as a very good development, that other people are following suit and are also committing now time, efforts, and I hope money, to deploy more ammonia powered vessels, but also the whole ammonia supply chain, to green our industry.

I think this market is huge. If Fortescue does a deal with Cosco, I don't think that means they would not do deals with us.

If Cosco does a deal with Fortescue, that doesn't mean that Cosco would not do a deal with us. So, I think we're all dealing together.

The most important element from that announcement for us is that the more people start investing real money in the ammonia supply chain, and in decarbonising shipping, the better it will be and eventually also for CMB.TECH.

We need this pie to become bigger.

Kristof Samoy

OK.

Thank you.

No further questions for me now.

Enya

OK.

The next one is Climent Molin. You can now unmute and ask your question please.

Then we will move on to Guy Brits, you may unmute and ask your question.

Then we will move to Alexander Jost. You can unmute and ask your question please.

Alexander Saverys

Alex can you hear us?

Alexander Jost

Hello. Ah there you are. Can you hear me? I can't hear you.

Alexander Saverys

Yeah, go ahead.

Alexander Jost

If you can hear me, I was just wondering, in Tradewinds recently, we could read that you were linked to a 20-ship chemical tanker deal. I was wondering if you have any comments on that supposed transaction?

Alexander Saverys

Yeah, I can confirm that there are discussions ongoing with Exxon, but it's not about 20 ships, it's about 7 ships. But nothing has been signed firmly yet, so the information in Tradewinds is not really correct, but I can confirm there's been discussions with Exxon about a chemical tanker project, but it's about 7 ships, not 20.

Alexander Jost

Exciting stuff! Can you say anything about the size of those vessels?

Alexander Saverys

No, not yet.

But as soon as we have news on that, and that contracts would be signed, and I stress contracts have not been signed yet, we will definitely give you more information.

Alexander Jost

OK.

Thank you. Those were all my questions.

Alexander Saverys

Thanks.

Enya

Climent, I see you raised your hand again. Can you please unmute and ask your question please?

We're moving on, the number ending in 8703. You may unmute and ask your question please.

Ludovic Saverys

Maybe for the ones who are trying to get a voice over. If you want to post a message just in the meeting chat and then we'll try to respond. And now, if that still doesn't work, obviously we'd be happy to answer or email all your questions.

Alexander Saverys

OK.

Very good.

Thank you very much for joining this call.

Thank you for your questions.

As Ludovic said, if you have any other questions, Joris on the Investor Relations, Ludovic and myself are there to assist you and answer any question you might have.

Hope to speak to you soon.

Enjoy the sunny weather if you're in a sunny place.

Thank you.

Bye bye.