Transcript Q3 2024 Earnings conference call

Alexander Saverys

Good afternoon. Good morning, good evening, everyone. Welcome to the CMB.TECH third quarter earnings call. My name is Alexander Saverys. I'm the CEO of CMB.TECH.

I'm joined by Ludovic Saverys, the CFO of CMB.TECH, Joris Daman Head of Investor Relations and Enya Derkinderen, our brand manager in the Communications department.

We will discuss in this call our third quarter 2024 financials and some highlights. We will then zoom in to our 5 marine divisions and a market update and we will then have some concluding remarks and open the floor for questions and answers.

I would like to hand it over to our CFO. Ludovic.

Ludovic Saverys

Yes. Good afternoon, everybody.

If we go on the next slide, we just want to give a quick snapshot of the Q3 figures where we ended the third quarter 2024 with a net profit of 98.1 million adjusted for capital gains, this was around $37 million.

Our EBITDA figure ended $116 million for the quarter. If we look at the trading 12-month net income of the company, we are close to $1.2 billion.

Further down in the slides you can see we ended the quarter with a $326 million of liquidity in the company. Our contract backlog is still $2.06 billion.

Our outstanding CapEx end of Q3 is 2.5 billion and we end the quarter with an equity on total assets in financial covenants of 30.4%.

Next slide, zooming in on the highlights. As mentioned, our quarterly profit was 98.1 million. This brings the year-to-date profit of the company to $777.7 million.

It was a very active quarter and also quarter to date today in terms of new build deliveries, we took a delivery of eight newbuilding vessels.

At the same time, we sold two of our older tankers, the Sapphira and the Statia generating a capital gain of roughly $61 million. At the same time early September, the FSMA, the Belgian regulator, ordered CMB, our reference shareholder, to make a subsequent additional payment of $0.52 in the previous tender offer and reopen the mandatory bids on CMB.TECH at $12.66. The supervisory board of CMB.TECH has unanimously recommended that shareholders do not tender their shares in the reopening. At the same time we had our symbolical yet important name change from Euronav to CMB.TECH and the ticker symbol that already changed over the summer.

On the commercial side, we were happy to announce that we signed another seven-year contract on our last newbuilding chemical tanker. We inaugurated our hydrogen engine research and development center in TSUNEISHI in our partnership JPNH$_2$YDRO and as mentioned, we've added $57 million to our contract backlog, which stands at $2.06 billion today.

The fleet is growing and continues to grow. We will end the year 2024 with 115 vessels on the water. And expect to have 156 vessels by end of the last quarter 2026.

Zooming in on our P&L breakeven. In the next couple of slides, we give the information for people to make a good assessment on what the open days are, our P&L breakevens, our achieved time charter equivalent weighted for the various divisions and the contract backlog.

As you can see, in all our divisions we are profitable, particularly on the tanker side where we have a weighted average on the P&L breakeven of close to $25,900. The average earnings were $40,000 on the tankers, $31,000 on the growing fleet of Newcastlemaxes, which is quite promising. And on the containers and chemicals, most of the contracts are long term contracts but still quite profitable.

Looking at the contract backlog, it happens to be by luck that it's the same amount as the last quarter. Obviously one quarter has passed, so the contract backlog decreased, but we added $57 million on the chemical tanker.

On the previous slides, on the right of the slide, you can see that it's roughly between $1 billion of contract backlog in tankers, half a billion each on the chemical tankers and the container vessels.

This slide, we're not going to go into detail, but gives the investors and the audience a look into the open days, the total amount of days for 2024. The company has roughly 18,400 total days in the company that grows quite significantly with the deliveries of the many newbuilding vessels that come. It is 24,000 for 2025 and 30,000 total days for 2026.

And I'll give the floor back to Alex for zooming in on the various divisions.

Alexander Saverys
Yep. Thank you Ludovic. I would like to walk you through a couple of slides on the various divisions we have in the various markets they are active in.

Starting with an overview of what is happening in the wonderful world of shipping today, we have tried to highlight on this slide what we are seeing over the previous three months and the next three months as challenges and opportunities as bullish signals and bearish signals.

If I start on the left-hand side, we have some bearish signals coming out of China. We see a population decline. We see, specifically for the oil markets, a displacement of LNG trucks and electrical cars that lead to less consumption of oil.

The stimulus measures that China has taken so far seem to have underwhelmed and are not sufficient. Less domestic air travel, more railing, and of course, the housing crisis, which has been an overbearing theme in China for the last 2-3 years.

In the Middle East, we have some bearish signals coming from the geopolitical risks.

The obvious ones, everything which is happening in Israel around the Red Sea.

As well, we see that still a big portion of the grey and dark feet is absorbing exports is absorbing oil towards China.

That share has seemingly increased and hence has taken away market share from the legitimate and white fleet.

On the oil, we have seen some lowered forecasts from some agencies and of course we have seen a delay of the voluntary cut back from the OPEC plus members in terms of oil supply.

So of course, when there's negatives, there's positives as well. It is not a uniform picture. On the positive side, Iron ore and steel, we are very hopeful that this week in China, we will hear more about the policy support for the economy. So far it seemed to be less than expected.

We are hoping for some positive surprises this week and going forward. The Chinese property market that stabilizes should be a positive. Iron ore supplies, I will zoom in on that later in the following slides. For the next couple of years looks to increase by a very substantial amount. We have the bauxite story, which is still very much intact, so some positives around iron ore and steel.

Zooming in on oil, whereas China has not been as good as we expected, India definitely has been much more positive.

We are watching the OPEC+ very closely in the next couple of weeks and months to see whether there will be more supply coming from that area.

And of course, geopolitical risks are negative for our markets in certain circumstances. But of course, the disturbance it brings with it sometimes creates positives with extra ton miles.

You can see a picture of our brand-new newbuilding Suezmax delivery, the Helios, which was delivered a couple of weeks ago in October. And that is to introduce and zoom-in on the tanker market and on Euronav, our tanker division.

We have a trading fleet of 14 VLCCS and 21 Suezmaxes on the water, another 5 VLCCS will be delivered in 2026 and 2027, and we also have three further eco-Suezmaxes on order.

We already spoke about the oil markets in general from a geopolitical point of view, but when you look at the fundamentals on VLCCs and Suezmaxes, we still see some very positive signals on the supply side. The orderbook is very manageable, definitely in the short term. And on the demand side, we are seeing some positives. It is not what we were expecting yet, but we are very hopeful that in the following months that will increase and will bring better rates.

So far in the third quarter we realised a tick below $40,000 on our VLCCs. Quarter-to-date, we are around $36,700. On the Suezmaxes, the numbers are 37,000 in Q3 and quarter to date around $38,000.

Our fleet rejuvenation is in full swing. We have sold the Sapphira and the Statia as Ludovic already mentioned, and took delivery of one new Suezmax. You can see on the right side of the slide what our OpEx and P&L break even rates rates are for the quarter in the different segments we are in, and of course, we have also added our FSOs who are on fixed contracts.

The market on tankers for the last 20 years, you can see on this slide. You can see that very recently at the beginning of the fourth quarter, we saw a pickup in rates.

They could definitely be higher if you ask us, but nevertheless it is a pickup and it is better than the last 10 years' average, by a certain distance. On the indicators, we see some green lights, some red lights. For us, the biggest green light is the supply of tankers, the orderbook this year. The fleet is hardly growing, and we believe that will remain so in the next 18 to 24 months.

Global oil demand and supply:

We highlighted this slide to show that where we were relatively balanced in 2024, we are expecting if the analysts are to be believed in terms of forecast for next year, that there will be an oversupply in oil and that could mean lower prices, could mean contango, could mean further storage, which usually bodes well for tanker shipping markets.

One story of the last 6-9 months in terms of newbuilding orders have been Suezmaxes. We have seen a lot of new Suezmax orders coming in, bringing the orderbook from 3 to 16%. We have made this slide here to show how that relates to the older fleet and how the fleet will age in the coming years and how that new order book could be absorbed. In essence, our conclusion is that even though the order book to fleet and Suezmaxes has gone up quite substantially, we think this should be manageable going forward. Definitely in the short term, because most of the ships will only deliver in 2026, 2027 and 2028, but even when they deliver, you can see that by 2030 we will have a 37% of the Suezmax fleet, 20 years and older. More than 244 units that will be potential scrap candidates and with an order book of 108 ships, we think that is definitely manageable. One more ship will be delivered in 2024. When we look at what we have earned in Q3 and in Q4, the rates have been around $31,000, which definitely with a break even, which is around $22,000, is very positive.

On dry bulk on the supply of ships, the oderbook is relatively low and definitely manageable.

On the demand side, it goes up and down in the short term. We've seen rates come off very recently, but we are seeing a pickup this week and hopefully going forward that trend will continue.

On supply-demand and dry bulk, we are positive, and I can highlight that with a couple of more slides. Here you can see the rates evolution of the last 20 years. The rates of the Newcastlemaxes today are around the $35,000 mark, which is definitely healthy and most of the indicators in dry bulk are green.

The one very important is, of course, the supply of ships. How many new vessels come to the market, but also when we look at the demand side of things: On coal, on iron ore we see some very positives year on year. Steel inventories are down, which should hopefully kickstart another restocking cycle and that should be positive for iron ore and so forth dry bulk.

Same slide as on the Suezmaxes. I wanted to show a little bit how this order book to fleet of 7.3% in Capesizes, 145 new ships relates to the older tonnage. By 2030 40% of the Capesize fleet will be 20 years or older, that's more than 800 ships. So from a supply side of view, we are very bullish on dry bulk.

I then wanted to highlight the theme we touched upon in our last quarterly earnings call, and that is where is the supply of new iron ore going to come from worldwide, if you add up everything that has been announced by iron ore companies worldwide by 2027, we could see more than 200 million tons of extra iron ore coming to the market. Now, of course, it remains to be seen if all these projects will materialise, but even a fraction of that volume would bode very well for our markets, definitely for the Capesizes and Newcastlemaxes.

Here you can see a picture of yet another newbuilding that was delivered in October. The CMA CGM Dolomites, the last 6000TEU vessel delivered to our fleet, to our container division Delphis. We now have 4 ships on the water, all ships are fixed under a 10-year charter contract to CMA CGM and we have one more vessel of which you can see the render at the bottom left of the slide, 1400TEU on order which will be delivered in 2026. This has been fixed for 15 years to our friends in Norway.

Container markets as such have been much more positive than anticipated in 2024. This can definitely be related to what has happened in the Red Sea. So, the ton mile demand for container vessels has shot up quite tremendously, but in the recent months, we are seeing some corrections on the freight rates. We think this could trickle down to the time charters as well, because we shouldn't forget that there are a lot of new container vessels on order. The huge new orderbook which is going to come on stream, together with maybe a solution of the issues at the Red Sea, could add a lot of capacity to container markets and could bring rates down.

Between 2023 and end of 2025, the fleet will have grown by 25%. Usually that brings down the pressure to the container market. So on the container markets, we are definitely much more cautious than on the other markets, because of this huge supply of ships and because of what is happening in the Red Sea, which could be turned back. On the right side, you can see all our ships have been fixed at very good rates. Our spot exposure on container markets is 0.

Here you see some rates and again some indicators like we like to do. The biggest red indicator for us is the supply of ships. There are some positives, but going forward we would remain cautious on container markets.

On the chemical tanker side, Bochem Brisbane was delivered. So 1 ship of every kind was delivered in October, except from the wind side. Bochem Brisbane, our chemical tanker, is the 6th one in the series.The New Orleans was delivered in August, Bochem Brisbane in October, so that makes it 6 ships, four of them fixed on long term charters. Two of them operated in a pool.We have another 2 coming next year in Q4. Both of them have been fixed on long term charters, one of them very recently.

When we look at the chemical tanker markets, the markets are healthy. We had a bit of a quieter summer, but things have rebounded nicely and we are operating in a spot market for our ships above $25,000, which is definitely positive and profitable, as you can see on the right side of the slide.

I want to finish with the offshore wind. This picture was also taken in October, but was not a ship delivery. It's a launch of our CSOV, our first one in the series of 6, which will be delivered next year in Q2, which has been launched in Vietnam in Ha Long Bay.

Now we are going to look at Windcat, our offshore wind division and the offshore wind and also the oil and gas markets. What we see is that our CTVs achieved a good time charter equivalent of above $3000. It's a little bit less for the fourth quarter, which is traditionally a quieter quarter.

On the CSOVs we haven't fixed anything yet, but the rates for CSOVs are very healthy, you can see it on the next slide.

We are seeing very good rates for ships that are being fixed on the spot market. Now that is being underpinned by a lot of CapEx investment in the offshore wind industry.

We are seeing a lot of investments this year, but also expecting a lot of investments next year in Europe and Asia mainly, a lot of vessels are fully utilised. Added to this is that the offshore oil and gas supply vessel market is very strong as well, which is again pulling the rates up for the offshore wind vessels.

All in all, supply demand and the markets in offshore wind and oil and gas are very very healthy.

You can see on the right side of the slides what our expected break-even rates will be on our CSOVs next year, what the spot market is today and what the break-even and spot market is for our CTVs as well.

We've tried to track the CSOV market quarter by quarter at the top side of this slide, you can see that rates were very high 6 to 9 months ago. They've come off a bit, but we're still sitting at very healthy rates again, as I just said, underpinned by good offshore wind supply and demand dynamics, but also the oil and gas markets are eating into that market and giving more support to the rates and the same goes for the CTVs, so of course a less volatile market but you can see that the trend over the last 12 months is up. We are seeing very nice rates which are 20% higher than what they have been over the last five years.

That wraps up the overview of all our divisions and the market, and then we try to summarise it on this slide. Supply demand on tankers is positive. The same goes for dry bulk, the same goes for chemical tankers and offshore wind. We are turning cautious on the container markets and then you can see where our exposure sits. Our main spot exposure is still the tanker market and the dry bulk market in our other divisions. We have more coverage.

We've added a new building delivery fleet list, which I think definitely for our friends in the analyst community is useful if you want to map out what is coming, but you can see it's a very diversified fleet coming to us and roughly 1 ship every month will be delivered until 2027.

Concluding: The profit we made. Ludovic highlighted that for this quarter it’s again a good profit, a good result of close to 100 million. Our year-to-date profit sits just below 800 million.

Our dividend policy does not change, it’s discretionary. We remain listed on Euronext and NYC, this might be a question that you will ask us later on. We are still very much committed to these listings. We have a mandatory tender offer which is running and which will close on the 21st of November. Looking at our portfolio, we're investing in long-term earnings growth. You know that our strategy is centered around having a diversified fleet, future-proof new buildings that we want to fix on long-term charters. And it's very important to highlight as well that the decarbonisation optionality is key to our strategy. It gives us potential upside on earnings, but it also gives a lot of flexibility to our customers who want to comply with low carbon regulations.

Alexander Saverys: Looking forward, as I said, we are basically very positive on all our markets across the board with one exception on the container shipping side. But as you know, we are very well covered on that side.

With all of this being said, I would like to hand it over to Enya to speak a bit about how we will answer your questions.

Enya Derkinderen

Thank you, Alexander. If you would like to ask a question, please raise your hands. Once I appoint you, you can introduce yourself and make sure to unmute before asking your question. If it's not possible to unmute, please use the Q&A section to ask your question and we will read it out loud. For telephone participants, please type asterisk 5 to raise your hand and asterisk 6 to unmute.

Enya Derkinderen: Should you still have any follow-up questions or questions that can't be answered right now, please send an E-mail to Joris Daman, our colleague from Investor Relations.

I will now open the floor to questions.

Kristof Samoy, you may now unmute and ask your question please.

Kristof Samoy

Hello. Good afternoon everybody. A few questions, if I may. First of all, on the backlog, we've seen sequentially roughly flat backlog for long-term contracts. Previously you voiced the ambition to go to a contract backlog of around 3 billion by year end. The reason of the flattish evolution over the third quarter, is that a plain timing element cut-off date or do you also see changes in the pipeline for these long-term contracts? That’s the first one, and then secondly, on India and crude oil demand, do you have any idea how much of the oil demand in India is being fulfilled via the compliance fleet versus the Gray fleet? And as a last question though, decarbonisation in the shipping industry. What was your take on the last MEPC meeting? The outcome if it? And then secondly, do you see any risks that the US elections might have an impact on the decarbonisation strategy of the IMO?

Thank you.

Alexander Saverys

Thank you, Kristof. A lot of questions.

Let me start with the backlog. It is still very much our ambition to add contract backlog to our fleet. The reason we've not added a lot can be centered around 1) some delay in project confirmations, projects we've been working on and 2) the market has been relatively quiet. It's still our ambition, and we’re still confident that we will increase our backlog in the next couple of weeks and months and as soon as we can say something about it, we will of course do so.

You asked a question about MEPC. I don't know what your second question was, Kristof.

Ludovic Saverys

About India, about the crude oil dispute.

Alexander Saverys

Yes. Sorry. On the grey fleet, the dark fleet and the portion of what is going to India, it's impossible to tell. It is very clear that the two biggest markets today that are using the grey fleet and the dark fleet are India and China.

But it's impossible to tell if the portion of oil barrels imported in India is gray versus dark. Maybe some analysts in this call are tracking this more closely. But it's very difficult to tell. One thing we are feeling, and you know we can only analyse data with hindsight, and we can't predict anything, is that the portion of incremental oil going to certain destinations is probably disproportionately more being moved on grey and dark vessels than on white vessels. That's, I think, undeniable.

MEPC, if I can say something about that. We think that it was actually a good meeting even though not a lot of decisions were taken. But there were two main takeaways from the MEPC meeting. 1) Is that in April next year, they want to agree on this carbon levy to implement it in firm legislation on the meeting thereafter in October, November of 2025.

Every person I've spoken to that came back from MEPC, and you know, this is not always the case, I can tell you, was very, very positive that this time something would change.

But then I'd like to tie in with your last question of the effect of the US elections. You of course never know. It is a very political debate, this low carbon levy at the IMO level. It's impossible for us to predict what the Trump election will have as long-term effects on the shipping markets. You can, you know, we can talk about this for hours and hours and hours, but right now there's not a lot of sensible things we can say, but of course there is always a risk that certain elements of the shipping industry and for instance on decarbonisation might be turned backwards. There's always an opportunity that certain things might go in the right direction. I would say it's too early to say and so I'll have to disappoint you that I can't say anything more about what we think that the effect of the Trump election will be on shipping markets.

Ludovic Saverys

But maybe just to jump in as well. Regulation is one thing. Customer willingness to engage with CMB.TECH to have dual fuel optionality, for instance on the new buildings or new projects obviously is the biggest driver eventually for our business model and our bottom line. And there, what we can say throughout the feeling in the market on US election, MEPC, we are seeing more and more clients.

Ludovic Saverys: That's due to self-imposed regulation or upcoming regulations in their jurisdiction are coming to us, and that ties back into your first question on the backlog. I think these are larger projects, these are long-term contracts which take more time. Now it's a short one or three-year fixture. And there we can be quite optimistic that in the coming months and years, our business model is gaining traction.

Kristof Samoy

OK, thank you.

Enya Derkinderen

Then moving on to the next person, Frode, you may now unmute and ask your question please.

Frode Mørkedal

Good. Hi guys.

Just one question on CII compliance. I was looking at some of our Clarkson’s data. At least estimated the compliance this year seems to be worsening so more and more of the fleet pare to get the D&E rating. I'm not sure if you're seeing the same.

And secondly, what do you think could be the outcome of that? I mean. I'm thinking about slow steaming. Is it possible to see some extra effect from that next year?

Alexander Saverys

Yeah. Thanks for that. You talk about our fleet specifically or the fleet in general.

Frode Mørkedal

Oh, it's the world fleet. Yeah, I don't know. At least going around Africa or something like that appears to have worse than the CII metrics, so.

Alexander Saverys

Indeed, no, I think it's a very interesting one. One we have not looked at very much in detail from a global fleet point of view, but I agree with you, it could only have a positive impact on supply if certain ships need to either be rerouted or need to take some corrective measure. Have you looked at specific segments of the fleet or just everything in general?

Frode Mørkedal

I think look at tankers. We are looking at 35% of the fleet now at D&E rating last year. I think it was 25% so and similar increases for dry bulk and even container has been very poor apparently so. I'm thinking maybe slow steaming, but you never know if they're given the strong markets.

Alexander Saverys.

Exactly. And it will also very much depend on how our customers react to it. But everything that puts a lid on the supply of shipping capacity, we will encourage and there can only be a positive, but I can't really gauge what the exact effect is going to be.

Frode Mørkedal

Fair enough. On dry bulk, your coverage. Can you talk a bit about that?

You seem to be positive to the market. And some, but are you looking at maybe taking more coverage either time charter or maybe FFA hedging or something like that?

Alexander Saverys

So no, no FFA hedging. We can be clear about that.Definitely not in the short term. In terms of time charter coverage, we are constantly looking at that, engaging with our customers, lot of our ships are now being operated on trades. You know for the first time where we deploy this new tonnage

We're seeing the effects as well. Using that data to engage with our custom.To talk about longer term charters. To talk about longer term. Still, our ambition definitely, but we have not concluded anything yet. Otherwise, we would have announced it. Underlying, we think that little weakness that we saw the past couple of weeks should be temporary. We're actually quite bullish going into 2025.

Joris Daman

Maybe to jumping in. Also from my side on the CII, just a bit more vessel specific for CMB.TECH fleet. So for the Euronav division, both the VLCCs and the Suezmax fleet, even though that our average age profile has increased since the transaction quarter-to-date or year-to-date, now you're either CII B level or A level. So I think it's important to note that from a CMB.TECH position the oldest fleet is still the Euronav fleet. There we are either A or B and of course for all the other divisions those are new build ships. Just hitting the water with EEDI levels 20% better than the required. So also there after one year of operation it will be translated in CII levels of A or B. So from let's say our own trajectory perspective, we see that actually this is a competitive advantage to us because, we have a young fleet. We have a lot of ships being added where there have been investments made that those ships are according to the best standards and can sail full power- According to, let's say the prospects of the market.

Frode Mørkedal

Perfect that's good to hear. Great. Thank you.

Alexander Saverys

Thank you.

Enya Derkinderen

Next up is Climent. You may please unmute and ask your question.

Climent Molins

Good morning. Thank you for taking my questions. Some of them have already been covered, but I also wanted to start by asking about your debt. Could you talk a bit about what portion of your indepthness is floating and whether you expect the ratio to remain more or less stable as you take delivery of your new build program?

Ludovic Saverys

You mean floating that is not hedged.

Climent Molins

Exactly, yeah.

Ludovic Saverys

Yeah, today only a very small portion of our interest bearing depth is fixed. Almost everything is floating. So, we constantly look at it. We try to match our hedging with long term contracts on the back because obviously we are an operating platform, a trading platform when opportunities arise where we could sell vessels, it has proven in the past quite challenging sometimes to unwind hedges. So, for now, our strategy on hedging is to remain floating.

Climent Molins

That's helpful. Thank you. And I also wanted to ask about your exposure to the wind offshore sector. I was wondering what's the reasoning for focusing on the support vessels while avoiding the larger wind turbine installation vessels. Is it because of the larger Capex or were there other considerations as well?

Alexander Saverys

Large Capex is the liquidity in the market. Very large wind turbine installation vessels. It's a different market. It means less commodity shipping like we like to do. So that's why we stay away from it. And when it would change the risk profile of our company to have one asset at a very high value. So we'd rather have a lot of ships that we can trade very liquidly on the market.

Ludovic Saverys

And I think case in point there as well, we look at our CSOVs as Alex highlighted before they are built for long term demand on the offshore wind side. They can perfectly jump into a tight market on supply demand on the oil and gas. Obviously once you have a WTIV is larger assets it's close to impossible to switch them from 1 market to another, so we'd rather keep that flexibility.

Climent Molins

Yeah, your assets are definitely more flexible. All right. That's all from me. Thank you for taking my questions.

Enya Derkinderen

Then the next one is Askri Hasan you may please unmute and ask your question.

Askri Hasan

Hello. Hello guys.

I noticed that there has been a significant decrease in the company's cash balance this quarter could you please elaborate on whether this is primarily a short term impact due to investments in new builds or depth or repayment. Additionally, could you please share the current status of your undrawn revolving credit facilities? Thank you.

Ludovic Saverys

I think Askri, so it's purely a balance sheet management where instead of leaving the cash hard cash on the balance sheet, we just repay our revolving credit facilities. We always like to have those type of facilities to, to manage our cash so it's not much more than that. So right now, the undrawn parts I have to excuse myself to do exactly how much. But that's definitely something I can come back to it. And we have a liquidity which is first cash and cash equivalents at the end of the quarter of 320 million something, from which most of it is undrawn capacity. We try to pay back as much depth, so we can reduce interest costs and rather replace it with a much lower commitment fee that we have with the banks.

Askri Hasan

That sounds reasonable. Thank you.

Enya Derkinderen

And the next one is Quirijn Mulder. You may please unmute and ask your question.

Quirijn Mulder

Yeah. Good afternoon, everyone. I have two questions. The first question is on the CSOV market. So, you have seen that the price has gone down quite seriously.

So, what can you tell me about your break-even levels and what is the level you think it's sustainable for this market in your view? And the second question is related to, let me say 2027 for example: How does your ideal fleet look like?

How is your breakdown between the different sort of vessels you have in mind? Because yeah, you have invested heavily in containers, in chemical tankers etcetera. So how does the picture look like? It's maybe little bit difficult question, but I think it's important for investors.

Alexander Saverys

Thank you, Quirijn. On the CSOVs, our break-even is around $32,000- $33,000 a day. Rates today are still very well above that, whether it's for oil and gas business or for the offshore wind business.

So even though rates have come off from a top and mind you, this is all spot market related, there's different dynamics going on for long term business. We still think we are well above the breakeven rates that we have.

On our feet composition, ideally in 2027 we only have profitable ships. That's the ideal composition. So, we're not going to be pinpointed on what do we want: dry bulk or containers or tankers. I think we want to have a modern fleet by 2027. I think that's part of our strategy. That eventually we want to sell our older vessels and we want to have a very modern fleet.

We want to preferably have a fleet which has dual fuel capability across the board. Definitely an ambition we have as well. But then what the exact mix is going to be between the different segments will depend on the opportunities that we see, the price at which we can buy vessels, sometimes sell vessels, charter vessels, but as I said, we want to be modern and low carbon.

Quirijn Mulder

Does that in practice mean that you're going to half your tanker fleet?

Alexander Saverys

In practice, look at the fleet composition of our tanker fleet around a third, I would qualify as older ships. So, there are obviously sales candidates as we've always said, we don't want to sell them at any price at any time, but it is clear that our existing tanker fleet will normally go down in the next couple of years because we will sell all the older ships.

This being said, you have seen that we've already ordered 5 new VLCCs, we've ordered 2 new Suezmaxes since we came back in Euronav/CMB.TECH, so we might also order further newbuildings if the price, the design and the delivery make sense.

Quirijn Mulder

OK, thank you.

Enya Derkinderen

And then Scott, can you please unmute and ask your question please?

Scott Stousland – Nordea Credit Research

Just wanted to quickly get back to the balance sheet and ask about your equity ratio and the headroom to bond covenant currently sitting at 30%.

Also, if you also have some communications regarding committed leverage target going forward.

Ludovic Saverys

Thanks for the question.

Obviously, we didn't put by accident the 30.4% equity on total assets ratio there.

We want to show it to the people that it is there, we intend to fully comply with our covenants every quarter like always. So again, we can solve it by selling assets. By having a profitable quarter in Q4 and the quarters to come. But so, we definitely intend to comply with that.

On your target level, we have indicated in previous communication officially that we're targeting 65% leverage on acquisition or construction costs. So, this is, I would say throughout our new building program, this is what we target on acquisition. Obviously depending on how many long-term charters we have on a market adjusted value. If there are less long term contracts we would rather go to 50% leverage on a market adjusted level if obviously we are increasing the contract backlog tremendously with strong counterparts that have good ratings, we dare to increase that again on a margin level to 65%, maybe up to 70% on specific projects. But I would say on a going rate 50% market adjusted is a fair assumption to take.

Stousland, Scott

Very good. Thank you.

Enya Derkinderen

I don’t see any more hands. We have received two additional questions in the Q&A:

Will the Court's decision lead to a massive sale of shares? And if CMB.TECH is still planning to pay a dividend this year?

Alexander Saverys

If that will lead to a massive sale of shares? No, it will not lead to a massive sale of shares. I mean, the Court's decision, the first consequence was that we agreed to pay $0.52 per share. The shareholders that have tendered their shares back in March.

And the second decision or consequence was that we were asked by the FSMA to reopen the bid at $12.66 to allow people that didn't sell in March to sell at that price. I think these are the two really consequences of the Court's decision.

And going forward the second question was?

Enya Derkinderen

If CMB.TECH is planning to pay a dividend this year still?

Alexander Saverys

Well, we haven't paid the dividends over the quarter and any dividend decision will be discussed in the board and remains to be seen. I think we may say that the criteria for paying dividends, even though it says discretionary, the three things we always look at is 1: What is the profitability of the company? 2: how does our balance sheet look like? 3: what are the investments going forward?

So based on these three elements, our board and the management will decide whether to pay dividends or not.

Enya Derkinderen

Okay and then I see that Kristof raised his hand again. Kristof would you like to ask something? You can now unmute.

Kristof Samoy

Two more questions, if I may.

Vopak recently started with market consultation for the Vopak Energy Park in Antwerp for ammonia storage. Is it correct to presume that CMB.TECH will not take up any role in this project in Antwerp? And then regarding the outstanding CapEx commitments, could you give rough insight on what the amount of secured financing for the outstanding CapEx commitments today is and what the amount is which is not yet secured?

Alexander Saverys

So, on Vopak and their ammonia plant plans in Antwerp: as it stands today we are not involved, but we are very much interested and positive about that development because as you know, part of our strategy is to power our ships with ammonia, and part of our strategy eventually will also be to transport ammonia. So, any initiative that creates storage of ammonia, production of ammonia and distribution of ammonia, we will always be very positive, encourage it and if these companies would reach out to us, we will definitely engage with them to see what could be done together.

Ludovic Saverys

On the second question of the CapEx. So, currently the CapEx stands at about $2.5 billion. Rule of thumb is about 900 million per year that we have going forward. Out of debt CapEx, I think there's about, trying to say the right thing, 950 million worth of ships, so 5 VLCCs, 4 Newcastlemaxes, 2 bitumen tankers where the financing has not been signed. Credit committee approval has been obtained, but we're basically going through the loan documentation with all the teams here, so it's fair to say that the newbuilding program from the debt side is fully agreed with the banks, just waiting for a documentation and drawing when ships come. So that's a positive. The remaining delta, being the equity contribution from CMB.TECH is roughly $300 million. That's the unfunded CapEx from the full $2.5 billion. But there we have a couple of vessel sales for delivery 2025. And also the excess cash flow from now until 2027 on all the existing long term contracts which take care of the 300 million of the unfunded equity.

Kristof Samoy

OK Thank you.

Enya Derkinderen

That are all the questions for now.

Alexander Saverys

Then I'd like to thank everyone for joining the call. And as we said before, if you have any questions, please reach out to us and we will gladly give you more information. Thank you very much.