

Transcript Q1 2024 Earnings Conference Call

Alexander Saverys

Good afternoon and good morning, everyone.

Welcome to the earnings call of Euronav and CMB TECH. My name is Alexander Saverys. I'm the CEO of Euronav and CMB.TECH. and I'm joined by our CFO, Ludovic Saverys.

We have a couple of topics we would like to touch upon with you today. We will start with our first quarter financials and highlights. We'll then zoom in on the marine division and a market update per segment, our time charter performance and the market outlook. And then we'll close with a conclusion and have time for questions and answers.

I'd like to hand over to Ludovic.

Ludovic Saverys

Yes, good afternoon, everybody, and thanks for joining this earnings call. We are happy to share with you a strong result for Q1 within Euronav and CMB TECH. We did a net profit on the quarter of \$495.2 million.

There has been a significant uplift in profit thanks to the capital gains on some sale of vessels, more notably the second half of the deal with Frontline, which was widely discussed previously. If we take the capital gains out, we have a nice underlying profit of \$88 million for the quarter.

At the same time, we were able to end the quarter with a very strong liquidity of over \$1.2 billion. This is obviously even after the conclusion of the purchase of CMB TECH, which was a highlight we will mention later on. In our rewarding the shareholder strategy, there was already a distribution announced of \$4.57.

The board has concluded, based on the strong results of Q1, to propose to another special general meeting an additional \$1.15 distribution per share, which is again going to be a mix of dividends and distribution out of issue premium as mentioned in the press release. At the same time, the company has also started a share buyback programme within the latest months, where we have concluded about 8 million shares purchased at around \$15.5, which is another reward for our shareholders.

On the business side, we have continued to optimise our fleet. We have contracted 10 more newbuildings and sold another three older tankers, as well as launching the inauguration of our first hydrogen production refuelling station in Africa and an announcement of a first hydrogen powered vessel in Africa.

Next slide please.

Zooming in on the various marine divisions, as a repeat, we have Euronav in the tankers, Bocimar drybulk, Delphis with container vessels, Bochem on the chemical tankers and Windcat, which is our offshore wind division.

The company has about 47 ocean going vessels on the water with another 45 newbuildings on order, as shown on the slide with the various divisions. On top of that, we have about 53 CTVs, which are small passenger crafts bringing the engineers to the windmills, and 12 CTVs or CSOVs on order. On the bottom side of the slide, you can see the P&L break-even of the various divisions as a mix. You can see that on the Q1 time charter equivalent, we are well above all the P&L breakevens in all the divisions which obviously is an explanation for the very profitable quarter we had in Q1.

And in terms of guidance of Q2, we've also highlighted there, that on the tanker side we're still around \$46,000 on the booked days so far, and on the tanker side, \$37,000 on the nukes. I think this is one we would like to highlight. We have a big order book on Newcastlemax Super-Eco vessels coming on stream that Alex will touch upon. But we are happy to say that we have already booked \$37,000 on this fixed date in that quarter.

We have a current backlog on the contracts accumulated throughout the divisions of about \$2 billion, which is testimony I think to the diversification and decarbonisation strategy we're trying to implement.

Next slide.

This is a highlight again for everybody to see what the strength of the platform is in terms of available days and open days. For 2024/2025/2026, we will respectively have roughly 19,000 total days in 2024, 24,000 in 2025 and up to 30,000 total days in 2026. The blue bars obviously show what the contract backlog is.

This is the way to show that our platform is rightly positioned to enjoy, especially on the tankers and the dry bulk Newcastlemaxes the spot markets, whilst on the chemical tankers, containers and newbuildings that we try to expand our contract backlog.

That concludes the highlights of Q1, as we mentioned in the press release it has been a very, very busy quarter and even up to now, where after the very big profit we were happy to announce, we also want to repeat that we concluded the acquisition of CMB.TECH which was a transformatory step for Euronav & CMB.TECH. The mandatory bid has also closed. So, our reference shareholder CMB has opened and closed its mandatory bids.

We're happy to say that Euronav and Anglo-Eastern have joined forces on the ship management. We continue to optimise our fleet as mentioned before, sale of some older vessels, investment in newbuildings. We had the inauguration of our production and refuelling station in Africa, which is a pilot project, which is obviously the beginning of a longer story that we want to execute there and securing and producing low carbon molecules. And I think we have proposed a strong reward to shareholders with two dividends proposed in the last months and a share buyback initiated.

Now, I'll pass on the word to Alex to talk about the various markets.

Alexander Saverys

Thank you, Ludovic. I would like to take you now through our various divisions and the various markets in which we operate, starting by our most important market, still today, which is crude oil and tankers at Euronav.

As you can see on the slide, we've highlighted a couple of things that have already been mentioned by Ludovic, but I'd like to take some points a bit more in detail. As a recap, after the sale of our three VLCC's we're left with a trading fleet of 14 VLCCs and 22 Suezmaxes on the water.

Our order book is a total of five ammonia powered VLCCs and 4 eco Suezmaxes. We still have our 2 FSOs, which have a long-term contract, which is contributing nicely to our bottom line, and we have time charter contracts on our Suezmaxes as well, including two-time charter contracts on our VLCCs.

When we look at our break-evens and the spot markets, you can see it split up here for VLCCs and Suezmaxes. The VLCC break-even is around \$26,500. What we achieved in Q1 is \$41,700 and on the Suezmaxes we're around \$20,800 with an achieved rate of \$58,000. On the time charters, you can also see the numbers at the bottom of the slide.

In general, on this market, we are still looking at a relatively low order book even though ordering has picked up. But definitely for 2024 and 2025, we are still seeing very, very few vessels in the order book. Obviously, we are very much influenced by geopolitical tensions and all the wars and so far, this is actually contributing positively to ton mile demand and to our results.

On this slide, we are basically monitoring the order book. As you can see, the order book has definitely picked up. There's been some good Suezmax ordering activity and some VLCC ordering activity. Historically, it is still quite low. I think for us, the most important years are 2024 and 2025, in the near term we will see very few vessels delivering. More in general, the fleet is ageing and that is true for many shipping segments. We are reaching historical highs and by 2026, 25% of the fleet will be older than 20 years, which should normally contribute to positive markets going forward because vessels should leave the fleet.

The supply and demand outlook and the earnings. That's two different graphs just to highlight the same elements that I just mentioned in the previous slide. But if you look at the historical numbers on the VLCC and Suezmaxes, we are definitely not at the top of the market right now, but the numbers are definitely very healthy.

I would like to continue on our dry bulk division, which will definitely become the second biggest division in the Euronav CMB.TECH Group. So far, we have 4 vessels on the water. Very soon we will take delivery of a 5th vessel and at the end of the year, there will be 10 ships in total on the water. This is our largest series of vessels on order. It's all being built in Qingdao Beihai in China and the deliveries are spread between 2023 and 2027.

We see in general a market growth, the growth numbers are not huge, but if you combine it with the relatively low order book, the supply-demand balance looks very nice. Specifically for our company, we also look at the specifics of our Newcastlemax design, and as you can see on the table to the right, we try to highlight a little bit what a normal 10 year old Newcastlemax is earning today and what the kind of premium is we are achieving with our Super-Eco vessels, which have slightly larger cargo intake but also a lower fuel consumption. And you can see that this is contributing very nicely.

On the asset side, the newbuilding side, we definitely are in the money on our whole order book. We are hearing rumours now of orders in China for 2028 delivery for Newcastlemaxes around the \$80 million mark. So that's again positive for the value of our company.

Order book to fleet, as I said, is, is low, is historically low, again zooming in on 2024 and 2025, very little ships coming on stream in general on the dry bulk side, but definitely on the Capesizes and Newcastlemaxes, which is a segment that is of interest to us. And the same thing as with tankers, we see that the average age of the fleet is going up. In five to six years from now, 1/3 of the fleet will be 20 years and older. Again, should be supportive for our results and the market going forward.

Here we try to map the supply demand outlook specifically for Newcastlemaxes and on the right, the current Capesize- and Newcastlemax earnings. Historically for the last couple of years, so the average between 1990 and 2019 and then the last couple of years, you can see we are above trends. We had a very strong first quarter of the year thanks to very good data, very good cargo flows coming out. Q1 is usually a weak quarter in the dry bulk markets. This year it was totally the opposite. We had some very, very good earnings against all expectations in Q1.

Going to our chemical tankers. Chemical tanker fleet profile is three ships on the water today. We're going to take delivery of another 3 during the next couple of months and

then we have two vessels delivering at the end of 2025. We have a part of our ships that are trading in a chemical tanker pool. You can see that the earnings that we achieved in Q1 were very healthy, \$25,500. The rest of our ships are fixed out long term around the \$19,000 mark. As you can see on this slide, we see healthy growth numbers. The chemical tanker fleet is very much influenced by the swing factor of MR tankers entering the market or not. MR tankers have very good earnings right now and so don't see a need to come in and cannibalise the chemical tanker market which again means chemical tanker rates are much better. So very good supply-demand dynamics on the chemical tanker markets and earnings likewise are very favourable.

Moving to the containers, they're on the market. I think we can say that we are not positive. There is the disruption of the Red Sea right now, which is supporting rates somehow. But as soon as that situation is resolved, we believe that rates will go down again. There are too many vessels. You can see in the middle of the slide the supply and trade numbers for 2024. There's a big disconnect with the amount of ships that are being delivered and the demand growth that we see.

It is countered a little bit by of course the larger ton miles for ships that are avoiding the Red Sea. But, we are afraid that once that is resolved, we will see that the market will go down again. It doesn't really affect Euronav and CMB.TECH because all our container vessels that we own are on long-term charters at very good rates. You can see that we have two ships on the water today. There's another 2 coming in the summer and our 1,400 TEU dual fuel ammonia ship is delivering in the middle of 2026. All these ships are on 10-year charters and the last one on 15-year charters. But on the market, I'm afraid that we are not very positive for ships that would be spot.

Ending with our offshore wind division Windcat. What does Windcat do? It brings engineers, electricians, maintenance people to and from the offshore wind parks that are being constructed or are already in operation. We have two asset types, our crew transfer vessels which are small boats, and you can see also the earnings are in relation to the size of the ship, earning good rates actually compared to our break-evens. And then we have a second asset which is our CSOV, our commissioning service operating vessels, first vessel delivering next year. Then we have a series that runs into 2026. Nothing has been fixed on the CSOVs yet, but we did indicate what our break-even is on our CSOV and what the current spot market is expected to be and to generate on the ship. So, the market definitely today is very supportive for our CSOV's. There were a couple of milestones in Windcat. We took delivery of a few ships, so we have 53 CTVs on the water now. We had a long-term charter to Eneco that was concluded. We delivered the first hydrogen powered and dual fuel ship in Germany to our joint-venture partners FRS and we are seeing in general that the market is still relatively strong, and we have good work for all our ships.

That brings me to the conclusion.

There are basically three things we wanted to touch upon. One, highlighting our return to shareholders, as was already discussed by Ludovic. After the \$4.57 per share of dividend that we will approve next week at the AGM, the Board has proposed an additional dividend of \$1.15, which will be put to a vote at a special general meeting in July. So the return to shareholders is a big topic for the first half of this year, based on the very good results we have achieved.

Our portfolio. When you look at our delivery schedule, we're probably taking delivery of 1 ship per month, which is a very big programme, and keeps our technical teams very busy. But so, for 24/25/26 and even in the first half of 27, we will take delivery of many newbuildings. And as we highlighted, some of them have already been fixed on good long-term time charters.

On the decarbonisation:

All our ships that are on order today bar a few exceptions are ready to be operated by dual fuel engines or fitted with dual fuel engines. So, that remains a very key topic in our strategy to decarbonisation and important for us in our portfolio approach is to increase our contract backlog. We have \$2 billion contract backlog today. We would like by the end of the year to bring that to \$ 3 billion, but it's important for us that we show this cash flow and that we have cash flow visibility going forward.

Our outlook for 24 and beyond, if you listen to what I just said about the markets, it's difficult to be negative apart on the containers. I think all the segments we are operating in are in good markets. There are always potential headwinds that nobody can see coming. But I would say supply-demand wise in all the major markets we are operating in, it looks very strong and not only for 24, but also for 2025. We repeat, and this might be a question, that some of you will ask us later on, that we want to stay listed on Euronext and NYSE and keep these two listings in the short- to medium-term.

That ends our presentation, and we will now open the floor for questions. Just raise your hand or flag if you have a question.

Yes, Luuk Van Beek, you can now ask your question. First also unmute.

Luuk Van Beek

Yes. Good afternoon. I got a few questions.

Questions. First, on your dividend policy, in combination with your leverage. So, I understand this is discretionary, but do you have some general indications of your main considerations whether to pay a dividend for a future quarter or not?

My second question is about your CapEx. You gave a useful breakdown of the CapEx for the next couple of years, which is around 900-950 per year. Is that a run rate which we intend to maintain for the coming, for the near future in view of the stress this already puts on your organisation or do you intend to accelerate further and add further construction plans to your planning?

Ludovic Saverys

Great Luuk, thanks. It's Ludovic here. So on the first question it is tough to give a definitive answer on percentage of profit or other. I think we have a fully discretionary policy because we have a big CapEx programme and we have to tailor the dividend policy towards the strength of our balance sheets. Now markets are good today. So, we can and continue to invest and continue to pay dividends. I think this is the point we have right now. Should markets obviously shift or turn, then we will have to adapt that policy. But as from now on, we're very happy to reward our shareholders in the way we do.

And towards your second question on the CapEx as obviously we have about 2.9 billion of outstanding CapEx, which is a run rate of 900 million per year. We don't have a policy of keeping that run rate. We need to have good projects. As Alex mentions on the tanker newbuilding speculatively ordering. We think the market has topped out, in terms of timing of deliveries but also the price, which is becoming quite expensive. On the dry bulk side, prices are still interesting but the slots available are quite difficult to justify a large expansion of the newbuildings and so per segment we will look at that. So no, it is not that we have a fixed target for a CapEx programme. But yes, we will jump on opportunities should we see negative ordering at attractive prices or contracts being written before we going to do newbuilding orders.

That obviously is something. After that decision, obviously we will tailor the balance sheets towards it. I think the policy of financing 65% of newbuilding prices remains, should we see attractive opportunities and go further, obviously we can still start selling some of the older assets, what we call the optimisation part of the strategy.

Luuk Van Beek

OK, that's clear. That's all for now. Thank you.

Thank you.

Kristof Samoy would like to ask a question. So, you can now unmute and ask your question please.

Kristof Samoy

Yeah, I was still muted. Good afternoon. First question on the MEPC meeting last March. Did anything happen there that you evaluate the likelihoods or the magnitude for a, you know, global greenhouse gas levy? Has it changed there? Has your view changed? And this is the first question, then on Namibia. Could you inform us on the final investment decisions on the bunker facility and the production infrastructure plans you have there? And then as a follow up, the port of Antwerp has also announced an investment in Namibia, in the Port of Namibia. Will you be co-investing with them in Namibia? And then finally, could you shed some light on potential long-term contracts for your dry bulk newbuild programme that you're taking on. Thank you.

Alexander Saverys

Yeah, Thanks, Kristof. So on MEPC, as always with the IMO, it goes very, very slowly. We regard the outcome of the last MEPC meeting as positive, but not dramatically changing anything in the very short term. It's more about the deadlines that are being put forward. There's at least a plan to come to a conclusion to come to this famous carbon levy and then also decide on what they're going to do with the money. We, as you know, are very vocal about the fact that we want things to go faster.

We think shipping should be regulated on a global level. All these regional initiatives like in Europe are making our business a bit more complicated even though we are happy with what has happened in Europe so far. So MEPC positive, but not really a game changer yet. So, let's watch the next meetings that are coming.

On Namibia and the bunkering facility. So just to recap what our plans are in Namibia. We have taken an FID and actually have nearly finished the construction on our first production and refuelling plant, which is about 30 million euros investment of which we have €10 million invested. And then the rest is our partner and we get some support from the federal government of Germany. The next phase would be the ammonia bunkering facility. We are in the midst of the feed and we are going to take FID towards the end of this year, but that's probably a topic we want to touch upon in in next calls. So FID definitely has not been taken yet. We're still in the feed phase.

Looking at your question on the port of Antwerp and what they have announced, let us be clear what the port of Antwerp has announced, it's a phased approach to develop a New Port to the north of Walvis Bay. So, we are already active in the in the port. What they will do first is a study. Once the study is finished, they will then decide whether they take the investments to the next level. And then of course we will discuss with them. I mean logically they are our neighbours and partners here in Antwerp. We will discuss whether it would make sense for our bunkering facility and or different projects to invest in certain parts of the New Port that they will build.

And then on the coverage on the dry-bulker vessels, everything is spot right now. We see a lot of interest from our end users and customers to charter our ships, but we have not concluded anything yet.

Kristof Samoy

OK, that's all for now. Thank you.

Thank you.

If anyone else would still like to ask a question, please raise your hand. Kristof, did you still have another question because you raised your hand again?

Kristof Samoy

Yes. If nobody else is raising questions, then I might squeeze in a few more if I may. Just in terms of future vessel disposals of older vessels, can we expect a certain segment to be more likely to witness disposals. For instance with you would there be a reason to assume that the disposal would be rather in VLCCs than Suezmaxes and secondly could you shed some light on the CII metrics of your VLCC fleet and Suezmax fleet please?

Alexander Saverys

OK. So , on the disposals, we have been very clear that if we see good prices for older tonnage, we will probably look at selling them and then recycling the cash and invest in more modern ships. What we just did with the three VLCC's what we call our N-types that we recently disposed of that is clearly recycling of money. I mean this is something we can reinvest in further newbuildings.

Is there a specific asset class where we will focus on? No, but you just take the age profile of the current Euronav CMB.TECH fleet. The obvious candidates are more in the Euronav tanker division than in other divisions. But whether it's going to be a VLCC or a Suezmax will depend on the price, the buyer and the opportunity that presents itself.

On the CII, Kristof. I would suggest you ask me this question in an e-mail that I can refer to my technical people on the profile of our fleet. I'm sure we have that data, but I don't have it at hand right now. So, apologies I can't give you an answer in this call.

OK, thank you. And then maybe another question if I may, I mean we read a lot from different sources that oil majors are loosening age constraints for vessels they charter. Can you confirm this from practicing from your chartering desk?

Well, I cannot speak for specific old majors, but in general I would say you are right, that is correct. It is typical of strong markets. When markets are very high, you know, our customers loosen their self-imposed regulations on age because they just don't want the prices to go too high for modern vessels.

Kristof Samoy

OK. Thank you. That's all for me.

Thank you.

Climent Molins, you can now unmute and ask your question please. Climent you're still on mute.

Climent Molins

Can you hear me?

Alexander Saverys

Yes, we can hear you.

Climent Molins

Sorry about that. I wanted to start by asking about the FSOs. How do those feed in your overall portfolio approach? They're still contracted for a few years, but given their nature do you view them as non-core?

Alexander Saverys

It's a very good question. Well, first and foremost, these are assets that we've had in our portfolio for a very long time and are very satisfied with the quality of the assets and the contract coverage. Going forward, we don't know what will happen to these assets. We have not made up our mind, but we are definitely not against these assets per se. We will just see what happens when the contract comes to expiry and what we can find as new business. So, to answer your question simply, it is not that we are gung-ho at selling them per se or holding on to them per se. We will just look at the opportunities that present themselves. It's true of course the assets are slightly older, but as you know they have been totally reconverted. So, reconvergence can happen and then extend the life of these assets.

Climent Molins

That's helpful. Thank you. I also wanted to ask about the CSOVs. You mentioned they are still open and I was wondering what kind of term contracts are available. I mean the current market conditions?

Alexander Saverys

That's a very good question. There are two types of contracts that you can find for CSOVs: either very short term contract during the construction phase of offshore wind parks, so say three months, six months, maybe nine months or much longer term contracts 5 even to 10 years for either very large construction works that last much longer or for the maintenance of the parks. We are looking at both. Our inclination so far is that the long-term contracts are very low margin, is usually with big majors that do these tenders. So, our preference would be right now to more go for some shorter-term contracts unless we see a very good rate that gives us a good return.

Climent Molins

Thank you. That's very helpful. That's all from me.

Alexander Saverys

Thank you.

Luuk has another question.

Luuk you may unmute please.

Luuk Van Beek

Yes, two follow-ups. On your disclosure, would it be possible to give a breakdown in the future of the revenues and EBIT because they're such different markets? And also to give a bit more disclosure about the order backlog that you talked about of 2 billion. So, in which segments, what's the duration and so on?

Alexander Saverys

Luuk, I suggest I'll give you the answer that we give to other people that are asking this from the analyst community. Reach out to Joris Daman and my brother Ludovic and they will be able to answer that question.

Luuk Van Beek

OK. Thank you.

Alexander Saverys

Unless anybody else has a question, Clement, you still have a question or no?
OK, then I would like to thank you for taking the time and joining us in this earnings call. Thank you for your questions and looking forward to seeing you in the very short future and speaking to you soon. Thank you very much. Bye bye.