Euronav NV (NYSE:EURN) Q1 2019 Earnings Conference Call April 30, 2019 8:00 AM ET

Company Participants

Hugo De Stoop - Chief Financial Officer

Brian Gallagher - Head of Investor Relations

Conference Call Participants

Jon Chappell - Evercore

Greg Lewis - BTIG

Chris Snyder - Deutsche Bank

Michael Webber - Wells Fargo

Chris Wetherbee - Citi

Erik Helberg - Clarksons

Randy Giveans - Jefferies

Ben Nolan - Stifel

Fotis Giannakoulis - Morgan Stanley

Operator

Good morning and good evening, and welcome to the Euronav Q1 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note this event is being recorded.

I now would like to turn the conference over to Hugo De Stoop. Please go ahead, sir.

Hugo De Stoop

Thank you, good morning and afternoon to everyone and thanks for joining Euronav's Q1 2019 earnings call.

Before I start, I would like to say a few words. The information discussed on this call is based on information as of today, Tuesday, April 30, 2019, and may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements reflect current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events, performance, underlying assumptions and other statements, which are not statements of historical facts. All forward-looking statements attributable to the company or to persons acting on its behalf are expressly qualified in their entirety by reference to the risks, uncertainties and other factors discussed in the company's filings with the SEC, which are available free of charge on the SEC website at www.sec.gov and our own company's website at euronav.com.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement and the company undertakes no obligation to publicly update or revise any forward-looking statements. Actual results may differ materially from these forward-looking statements. Please take a moment to read our Safe Harbor statement on page 2 of the slide presentation.

I would like to start with the agenda slide on slide 3. I will run through the Q1 highlights and provide a full financial review of the income statement and balance sheet before looking at the current themes in the tanker market and Euronav's outlook before we take questions.

So turning to slide 4 and the highlights page. The graph on slide 4 illustrates the resilience and continued strength of the VLCC market in particular during Q1. At the same time, the Suezmax fleet traded the new P&L breakeven levels. This performance in our view reflects a better balanced VLCC market following last year's vessel supply adjustment through scrapping and strong growth in the US exports.

The US expansion not only attracts stronger rates, but as largely VLCC driven trade also absorbs a high level of capacity due to these cargoes, mostly traveling long haul to Asia. Delivery of freight rates in the $35,000 stability region, despite OPEC cuts and increased vessel supply, are something I will focus on in more details later.

Through most of Q1, capital markets took a different view to the freight market with our equity value trading at a substantial discount to our net asset value. Euronav took affirmative action throughout the quarter and bought back $20 million worth of stock as part of our approach of consistently looking to create longer term value of our shareholders. It is pleasing to report than since the quarter end, capital markets have recognized the disconnect between equity and asset values, but the Euronav Management and Board remain vigilant on this issue and will continue to act opportunistically should we believe value can be created with further buybacks.

In terms of current trading, there has been some expected seasonal weakness with VLCC rates fixed at $26,500 per day and Suezmax at $18,000 per day for around half of Q2 so far. This was anticipated given the very deep and sustained refinery maintenance programs being undertaken early so that refiners can prepare for IMO 2020. We believe that the current quarter may represent the seasonal low in freight rates for 2019 and not Q3 as traditionally seen in prior years.

Moving on to slide 5 and the income statement. Application of the new accounting standard, IFRS 16 has led an increase in our depreciation charge of $7.2 million per quarter. This relates to the 4 VLCCs, which were part of sale and lease back in December 2016. From an accounting perspective, these ships now return to the Euronav balance sheet. It is important to remember that Euronav is fully exposed to the tanker market during 2019 with just one drydock for one Suezmax during this year.

Moving on to slide 6 and the Euronav balance sheet. Our balance sheet remained strong with the benefit of positive cash flows adding to our liquidity position during Q1. Liquidity now stands at $785 million, up by over $100 million from $674 million at the end of December. As the freight market returns profitability, the leverage remains amongst the lowest in the tanker sector at 46% mark to market.

Turning now to slide 7, I would like to give the word to Brian Gallagher, our Head of Investor Relations. Thank you, Brian. Over to you.

Brian Gallagher

Thank you, Hugo. Slide 7: The continued growth of US crude exports has been a key driver of our market and especially the VLCC fleet. Year-to-date exports have been running at 2.7 million barrels per day on average, a 30% rise on last year and there have been several weeks of recording over 3.5 million barrels per day. So the capacity is there.

As the chart shows on slide 7, however, there is much further to go in our view. This is something we examine in greater detail, initiates special report in our annual report, which you can find on the website of Euronav. The chart indicates potentially nearly 8 million barrels per day of capacity by 2021. This is maybe 3 times the current level of export capacity. Analysis by operator brokers suggested this could require up to 180 additional VLCCs to manage this growth if this happens.

A key factor behind such an encouraging figure lies in the absorption capacity that the U.S. exports have on the VLCC fleets. This is something we look out on the following slide on slide 8. But I chose a snapshot from the middle of Q1 showing a dozen empty VLCCs that were moving to the US Gulf Coast empty. This is becoming a key feature of our market, with vessel servicing this growth by trimming their own powers. Don't forget VLCCs cannot use the Panama Canal, so this trade has to be executed by absorbing a high number of ton miles. But the first signal we are seeing from the market is that US exports, a positive. The second is a longer term one from asset prices, which we look at on slide 9.

The correlation between asset prices and share prices is much stronger in experience of Euronav than between freight rates and share prices. As slide 9 shows the correlation with equity values on newbuild prices is 84%

since Euronav started trading on Euronext in 2004. Asset prices have consistently been rising since 2008, since we announced our merger with Generate, but equity values have remained largely static.

Asset prices continue to remain firm and the outlook remains positive with consolidation in the key Korean shipbuilding markets, reducing supplies further. The disconnect between assets and equity values contradicts the longer term history shown on slide 9. This is something the management has been keen to address with our share buyback program during Q1, where we bought over $20 million worth of stock back.

Moving from a longer term signal, I would now like to move on to a more short term signal and the resilience of the market has shown in the freight market during Q1 on slide 10. Slide 10 shows a number of data points. The blue line shows the global oil supply from Q4 2008 through to the end of 2019. These numbers are from Citigroup. The scale of the OPEC cuts is clear into Q1. The dark blue bars show the deliveries of VLCCs that have come through during the same period with nearly 30 units being delivered in Q1 alone. But to put these figures into perspective during Q1, we saw a reduction of around about 3% in our demand coupled with a 3% rise in vessel supply.

Therefore, in this context, Q1 VLCC rates of $35,000 a day are very respectable. This resilience looking forward with oil supply should start to recover as the areas like the US and Brazil continue to expand production. On the fleet supply side, the pace of new deliveries of VLCC equivalents is forecast to slow during Q2, Q3 and Q4 and this will be supported by VLCC and Suezmaxes exiting the market on a temporary basis in order to retrofit scrubbers.

We estimate there are around about 180 VLCC equivalents earmarked to retrofit during the rest of this year. That's around 20% of fleet capacity implying each out of action for 60 days, a reduction on a net basis of 2% to 3% in overall fleet capacity.

We cover this in the light blue bars in Slide 10. Finally, there should be some scrapping over 2019, but also the removal of further VLCC tonnage from the Iranian fleet as sanction waivers expire next month. Already three out of the eight nations importing Iranian crude are already down to zero imports.

So, in conclusion, it is clear from Slide 10 that from Q2 onwards the headwinds our businesses faced or is facing should move towards tailwinds as demand in the form of oversupply recovers. And supply vessels is impacted by retrofitting activity, potential scrapping, and the reduced price of newbuilding deliveries.

This point is the key to being potentially the seasonal low in freight rates with 2019 and it is important to stress here that Euronav will be fully exposed to this potential improvement, but as Hugo said earlier, we only have one dry dock scheduled for 2019 and that's the Suezmax. So, all of our VLCC fleet will be available for 2019 and none will be in the shipyard being retrofitted.

To conclude, we look at our outlook slide on slide 11. Importantly, for us we are upgrading one of our traffic lights for vessel supply to amber today. There is still a very heavy delivery schedule in place for the rest of 2019 with around 48 VLCC equivalents due for delivery. However, the disruption anticipated from retrofitting possible increase in Iranian tonnage exiting the trading fleet and further prospects of scrapping should all offset this.

This is the first upgrade in our traffic lights since Q2 in August of last year. Elsewhere demand remains robust. DIA is retains at 1.4 million barrels a day forecast of oil demand growth for 2019 for the nine months now. And the supply will, despite the OPEC cuts, we anticipate will recover progressively during 2019.

With that, I conclude our prepared remarks and I pass you back to the operator. Thank you.

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And today's first question comes from Jon Chappell with Evercore.

Jon Chappell

Thank you. Good afternoon Hugo and Brian. Hugo I wanted both of my questions on strategy the transition to the CEO role. I know you said in the press release that there's no change to strategy but bear with me anyway. So, the first one, I feel like I ask Paddy this almost every conference call, but the liquidity continues to rise, the market continues to strength, asset values are also moving up as you pointed out. So, as you think about entering the next two-year period of hopefully continued depreciation in asset values, but liquidity that is approaching $800 million. How do you think about prioritizing that with liquidity as you position here and out to the next stage of the market?

Hugo De Stoop

Yes, thank you Jon, very good question. I think that history can tell you what we are going to do with excess liquidity especially when we are a positive freight environment, i.e. it is gas allocation. We've been very generous in dividends in the past. You know that we have a fixed dividend policy, but that is the minimum dividend that we intend to distribute. And so when we have excess cash, we will distribute more dividend.

And of course you've seen that we were very active in share buyback. Of course share buyback is another kind of tool and that's a tool that we use when we feel that the share price is significantly depressed compared to a net asset value.

So, it's going to be a mix of both and we will make the analysis every time we ask ourselves the question of whether we pay a dividend or whether we should do more share buyback.

Jon Chappell

Okay you feel the leverage is appropriate then?

Hugo De Stoop

Yes around 50% it's a definitely appropriate Jon.

Jon Chappell

Okay. And the second strategy question then. It's around the IMO 2020 preparation. Now, I assume that you're still not moving forward with the scrubber path, but if that's changed, please let me know.

But more curious about the storage strategy that you put in place. I mean we've read about the one VLCC that story and I just wanted to be clear. Are you using the storage strategy for your own book your own VLCCs and Suezmaxes? Are you looking to take advantage of an Arbor third-party operators? And there's bunker inventory approaching $42 million in the first quarter balance sheet. Is that the type of number we should be looking at from a working capital perspective? Or is that just kind of the beginning stages and has ability to move up significantly?

Hugo De Stoop

Well, our strategy on IMO 2020 and certainly retrofitting scrubbers hasn't changed, i.e. we never said that we were against scrubbers, but we were against placing such a big amount of CapEx before knowing what the spread is going to be. So obviously, we are going to monitor what's happening towards the last quarter of this year, and then of course, over the course of 2020, if we need to change our strategy we will do that. So we feel that's a much better way of playing the IMO 2020 new regulations than any other way like first spending the capital and then hoping to get a return.

As far as the -- well, what you're seeing in the press, I think was a lot of speculation. We’ve taken a number of initiatives around the new regulation and first and foremost, it is about the safety and the quality of the product that we intend to use. Whenever you have to use a new fuel, there are some risks and uncertainties around using them on board your ships.

Last year we've seen a number of bunker problem. We certainly don't want to go back to those issues when we are shifting fuel from HFO to a compliant fuel. And so we've done a number of things from an operational perspective. And it’s true that we have bought certain what we could call compliant fuel, but that was we need to test them.

We have accumulated certain quantities in the ship that we've placed in Malta, and that's just for logistical reasons. And we continue to elaborate on a strategy, but unfortunately it's a little bit too early to tell you exactly what we're doing, because we'd like first to complete that and then announce to the market what we've done.

Jon Chappell

Okay. So just to be clear then that $42 million of bunker inventory in the balance sheet that's essentially you testing different blends of fuels and your preparations running your own ships/

Hugo De Stoop

Yes. There’s a lot of different products there indeed.

Jon Chappell

Okay. All right. Well, thank you for the very detailed answers Hugo.

Operator

Thank you. The next question comes from Greg Lewis with BTIG.

Greg Lewis

Yes. Thank you and good afternoon.

Hugo De Stoop

Hi Greg.

Greg Lewis

Hugo, could you talk a little bit more about what you're seeing in the asset price market? Clearly, you're signaling that the market is strengthening. Just why do we think that is? Is it a lack of buyers? Is it a -- I'm sorry, is it increased buying interest to the lack of sellers? And piggybacking on that, how should we think about Euronav managing the fleet as we look at some of -- maybe some of the older vessels in your fleet into a rising asset price market?

Hugo De Stoop

Yes, of course. Well, I think every time the market is looking good and that's definitely it is now, you bring more interest in market beat from the existing participants or potentially new participants. And so you build some sort of pressure on pricing, and obviously, you see the value is going up and that it assessed by the brokers and it's on the back of some transaction but not too many.

I think that another very important element is what the newbuilding price is at the moment and as you've seen the yards are asking more and more for a newbuilding VLCC beat with or without a scrubber. So all of that put pressure on the value and pressure, I mean, positive pressure of course, and what we've tried to demonstrate in the deck is that there's a high correlation between asset values and the share price.

And that's something that maybe the investor community has not paid attention enough to us, what we hear and what we read as comments from the analysts is mostly related to the earnings. So we believe that it will continue to go up as it does in every cycle.

And as far as Euronav is concerned we always try to take advantage of high values to dispose some of our older vessels, but that's not the only strategy, as you know, most of the VLCCs that we have sold in the past were sold for conversion project. Those projects have an additional advantage that the vessel is leading the fleet, so we will continue to look at those opportunities, but of course, if we see interesting prices for our older ladies then, of course, we'll definitely take a look and have an interest in disposing of them.

Greg Lewis

Okay, great. And then just on Iran. As we think about trade flows and the Iranian fleet. I mean, I guess like how should we be thinking about that? I mean, is that a double positive in that maybe we get some ton miles in those Iranian vessels simply go idle? I mean, in your experience in the past, what happens to those vessels when Iranian volumes are curtailed?

Hugo De Stoop

Well, I'm not sure that you can really compare the current sanctions with the previous sanctions. I think that the excuse is very different and as you've seen the waivers will be limited in time, which means that the Iranian fleet is unlikely to be used for transport and to a very limited extent.

I think the last time we had the sanction that was well, under the previous President, the fleet was composed of 40 vessels, about half of them were used as storage and the other half was still used to transport crude oil. I think that this time around, we are looking at a fleet of 38 vessels. About half of them already being used storage currently. And we anticipate that the other half, at least part of it will be used as storage because the transportation would be very limited.

So I think it is indeed potentially a double positive. First of all, because the vessels are not trading, i.e. not transporting oil and leading to trading fleet, and then obviously that oil has to be replaced by some other sources. And when we look at the potential source that could replace it obviously there is a large part that can be replaced by OPEC countries located in the same region, but there's also a big potential coming from the Atlantic. And that's where the ton miles are increasing.

Greg Lewis

Okay, perfect. Hey, thank you very much for the time, gentlemen.

Hugo De Stoop

Thank you, Greg.

Operator

Thank you. And the next question comes from Amit Mehrotra with Deutsche Bank.

Chris Snyder

This is Chris Snyder for Amit. Following up on the capital allocation conversation, you guys sold a couple older vessels during the quarter. You're putting out a balance sheet pretty under levered and you obviously have a strong liquidity position. I know secondhand prices have been rising, but should we expect you guys will still be players in the S&P market over the next 12 or 24 months?

Hugo De Stoop

Well, we never exclude anything and we certainly can do a small transaction as we did in the past. I think as far as the biggest transaction are concerned and certainly if it was an acquisition as opposed to a merger, we believe that now the pricing will probably be too elevated for that.

I think the last two big transactions that we did were at the bottom of the cycle, their respective cycles. There was a merge transaction in 2014 and more recently last year, January transaction. And so we intend to follow that strategy. I think it’s a very good strategy to buy cheap and then enjoy the assets when the markets are rising.

But if it comes to a couple of ships here or there, obviously, that depends on the circumstance at that point in time, but it also depends on where our share price is and then, of course, where the liquidity position is.

Chris Snyder

Okay, fair enough. And then kind of turning over to IMO. It feels like IMO 2020 will need higher crude throughput to offset potential waste in the refining process? How are you guys thinking about this in terms of how it relates to crude tanker demand? And maybe how much additional refinery throughput we need?

Hugo De Stoop

Well, I mean, first it’s really difficult to estimate exactly how much more throughputs there will be. But we read several studies among, which the [indiscernible] would suggests that it could be anywhere between 200,000 and 600,000 barrels additional throughput. So that’s, obviously, a big positive for us now. We need to see where it's coming from, where it's going to. But anyway it seems that the potential is upward and not downward.

Chris Snyder

Yeah, thank you for that and just quickly following up. I mean, IMO will also probably bring new crude trade flows to the market. Are there any routes in particular you guys are particularly bullish on? And can you just maybe talk about what vessels would see the biggest benefit from that?

Hugo De Stoop

I'll tell you that everybody's pretty bullish about the potential export other than U.S. I mean, it has been rising over the last couple of years. We understand that there's a lot of infrastructure being put in place, so that the all the oil, which is very light quality can be brought to the Gulf Coast and then can be exported to the international market. It seems that a lot of it will go to the Far East. So that's very long distance, long haul and that should bring additional ton lines.

That's definitely a region where everybody is looking at. But I think that it's very hard for any participant in the market to forecast what the trade changes are going to be and it seems logical that the older refineries are going to be in need of more light oil because it has a lower sulfur content whereas the more sophisticated, more modern refineries, certainly the ones in the US, or the more recent ones building in the Middle East or in the Far East, particularly in China, can crack anything.

But so I think something that we will look at when it happens because there are a number refineries around the world that have not yet announced what their policy will be. When we speak to refiners they certainly tell us that the feedstock mix is going to change because of IMO 2020.

Chris Snyder

I appreciate the time, guys. Thank you.

Hugo De Stoop

Thank you.

Operator

Thank you. And the next question comes from Michael Webber with Wells Fargo.

Michael Webber

Hey, good morning, guys. How are you?

Hugo De Stoop

Hi, Mike. Well, you?

Michael Webber

Good. Hugo, just want to move back and clarify just a follow-up on two variants of earlier. First to Jon's question on your storage play. I know you can't get the details now but in terms of what you're working on, do you envision that potentially pulling additional tonnage out of your fleet?

Hugo De Stoop

Why not, I mean everything is possible but we also are expecting some third party to be interested in some of the vessels that we have in our fleet. Obviously we have the TI Europe, which is also clear bio capacity vessel that is available for storage. You have to note that since 2008 both of the unit – of those units be it in our hands or in the hands of INSW until we acquired it from them were used as storage.

So this is something that comes and goes and we are definitely open for businesses. Now when it comes to conventional VLCCs or conventional Suezmax that would be a decision we will take in due course and when we see the rate or time charter rates that are being offered. I mean it is function of the oil being in contango backwardation as well the few laws being in contango backwardation.

I think that we can anticipate a lot of storage maybe in the second half of the year, ahead of IMO 2020 just to make sure that in a logistical perspective the product is available to the entire shipping industry on time and on location but once you go over January 2020, you may have request store HFO if the production is in excess of the demand at that time.

Q – Michael Webber

Yes, now that’s why it is always interesting and a little bit differentiated so just trying to get some more context there. And then just to follow-up quickly I had a great question on Iran. In terms of that NIT fleet getting pulled out and more of it put on the storage. That's something you think we would likely see shelves in the typical market in the backend into Q2, or do you think that actually gets mostly in Q3?

Hugo De Stoop

As we said, I think half of the fleet is already standstill there and you can monitor that. As far as the rest the fleet, well, the waivers are expiring in May. So you should see the impact of that probably in, say, end of Q2 and then definitely in Q3.

Q – Michael Webber

Okay. All right and then one of my own, if you don't mind, just within your deck I think slide 9, it's going -- I think you referenced it before just kind of asset values and equities and the best chart always tend to be the simplest. So just spotting out those the newbuild prices and equities is kind of interesting to review.

If you look at that chart, there's clearly kind of pre 2009 period where you saw the ramp in China during the WTO and then you kind of post 2009 on market with some firmer periods in 2010 and 2013 and 2014. So, I guess, quite simply do you -- when you look at IMO 2020 and what that can do to the potential earnings power of your assets and those asset values, do you think that’s more akin to some of the peaks we have seen post 2010, or do you think that more akin to what we saw kind of pre-2010 in and around the super cycle?

Hugo De Stoop

Well, as you know, and it's not because I'm going to become the CEO that we going to change that. We all have a crystal ball and we are amble enough not to forecast what the TCA rates will be. We're very hopeful that it could be as big as 2008 was, but I think we have to be realistic and when I say realistic we should be very happy, if we hit the rates that we had in 2015/2016. However, I do believe that IMO 2020 is a big change for our market, so there will be a lot of volatility in 2020 and normally volatility brings higher earnings.

Michael Webber

Yeah. Okay. Yeah. So you go back to 2004 kind of -- that 2009 period just kind of smack in the face when you look at those charts so just trying to get some context there, but I appreciate. Thanks Hugo.

Hugo De Stoop

Yeah. Thank you.

Operator

Thank you. And the next question comes from Chris Wetherbee with Citi.

Chris Wetherbee

Yeah. Thanks for taking the question. I want to follow-up I guess, on that relationship between the steel prices and the equity price. I guess, you made some progress with the buyback. Just want to make sure I understand your comments earlier in the call about how you're thinking about capital allocation as we move forward. Why wouldn't it make sense to be somewhat aggressive on the buyback here in the relatively near term when you see this sort of gap blowing out? Just want to get a sense to make sure I understand from what you were saying before about how you're going to be treating the buyback in 2Q and 3Q and beyond this year?

Hugo De Stoop

Yeah. I mean, the decision we took, I believe, was at end of December around 2017 or 2018 was a very easy one, because the gap was more than 20% between our calculated NAV and what we saw on the screen share price. I think that we have recovered from the steep down that we had. It doesn't mean that we are satisfied with the share price at the moment far from it. But in the meantime, we've had a very aggressive program in $20 million spend in -- I would say one go almost. It is the most aggressive program we have had in the history of the company.

What are we going to do going forward? Well, depends on the circumstances. We also have to see that we went through a number of close periods. So it can explain also why we were not more active as we saw the share price recovering. I wish we could have been more active. We certainly had the capacity to buyback more share. We had the liquidity and we had the authorization. But, again, that would depend on the circumstances at the time of taking the decision.

Chris Wetherbee

Okay. But we still see a gap even at $9.45 you still see a gap between where the steel prices are and where the equity value is.

Hugo De Stoop

I agree with that comment.

Chris Wetherbee

Okay. Got it. It’s helpful. And then when we think about the availability of new fuels, I guess, I want to get a sense of how do you think about that, when should we see some of the transition to IMO compliant fuels. Is that going to be 3Q? Certainly doesn't feel like you have to wait all the way till 4Q. When does that start to show up I guess in scale at ports?

Hugo De Stoop

I think, that will depend on every company and the positioning of the vessels, because you need to switch fuel on the 1st of January. So, obviously, you need to burn whatever you had left from HFO and then you need to make that calculation on a ship-by-ship basis. You also need to prepare the ship for the transition to the compliant fuel, but it means that you will have to carry compliant fuel certainly in the last quarter and depending on the length of the voyage that could start a late Q3. But most of it should be done in Q4 whether it is for Euronav or for the rest of the market, because it is a cliff deadline on 1st of January. So you have to go carry both fuels.

Chris Wetherbee

Okay.

Hugo De Stoop

You know, 1st of January 2020.

Chris Wetherbee

Okay. Okay. That makes sense. And then I want to touch base on slide 10 where you show dry-docking for scrubbers getting an advance of IMO 2020. If you would extend this chart out into 2020, how would those green bars look I guess in the first half? How much spillover do you expect from a dry-docking sort of outage of the fleet in the first half of next year?

Brian Gallagher

Chris, this is Brian Gallagher here. Yeah. It's a very difficult number to give any sort of accuracy on. If anything, I think our view would be you're going to see, as you correctly say, some spillover, because all of the noises we're hearing from those that are fitting scrubbers are that -- are they getting pushed back or they're going to – people are going to err on the side of caution, because there dry docking dates in order to get the scrubbers retrofitted are very, very firm and they have been – they must make those particular windows. So we would expect this to certainly overspill into Q1 and into Q2 as well probably to a similar magnitude to the number you see there for Q4.

But again, as you'll understand, this is – there is not a lot of data points here and there is a lot of sensitivity around it. But one view, we've always had as well is that we would expect the retrofits and the repositioning to probably more likely increase in length, so this impact could actually be understated from the numbers we got here. But this is going to be a very dynamic set of circumstances. I don't see what we're also trying to show on slide 10 is the fact that we've delivered – we think it's a very respectable number in Q1 certainly for our VLCC fleet, as the year progresses a lot of those headwinds got one mind to become tailwinds, of which the IMO retrofitting and taking capacity out of market is one.

Chris Wetherbee

Yeah. Okay. That's super helpful. If you just permit maybe one more. You guys want to make sure I understood a comment also earlier relative to scrubbers. I feel like there might have been a bit of a nuance in the way you answered Jon's question about sort of your strategy. I think it was for CapEx spending and fully understand what the relationship between the fuels might be, as we get closer to sort of maybe understanding what the relationship and the spreads between the fuels might be. Is there a potential that your sort of approach to scrubbers might change? I just want to make sure, I understood that there was nuance for the comment that you're making there.

Brian Gallagher

Well, I don't think there is any nuance compared to what we said in the past, be it competitive, be it in different presentation we have had. The reason why we were reluctant to retrofit all vessels, because we had to spend the capital without having any clue of what the returns will be and that's what we have said I think for more than 18 months now. So, obviously once you go over the hump in January 2020, you see where the spread is, you see where it will stabilize, because I don't believe for a second that in the first couple of months or maybe a couple of quarters it will be stable. I think it will be relatively healthy. Once it stabilizes, you see what the spread level is and from there you can take an educated decision. And I think that from a risk perspective playing with capital is much more reasonable to do that than spending the capital upfront. What we've also mentioned is that, if we see that there is a significant drop in HFO then we could very well store it and benefit from the low price of HFO, and then retrofit the vessels which gives you an additional assurance on your return of capital.

Chris Wetherbee

Okay. Okay. That's helpful clarification. I appreciate the time. Thank you.

Brian Gallagher

Thank you.

Operator

Thank you. And the next question comes from Erik Helberg with Clarksons.

Erik Helberg

So, regarding the right thing secondhand values in terms of the freight rates rate, what is your input's from the charters and are you seeing more upward pressure in the current market? And do you believe the charters are beginning to pay for longer durations? When do you expect the charters to begin to pay for longer duration?

Hugo De Stoop

Well, we we've certainly seen more inquiries in the market, but they continue to be for a very short period of time. So one, two years from time to time three years, but that's more into what I would call projects i.e. people ordering ships and fitting them in a contract that was signed in advance like what we did last year with those Suezmax, but yes as far as the rates are concerned it is going up, and I would say that's totally normal. It's normally correlated to the spot market, especially you anticipate to have a couple or more good years ahead of you, but it's nothing extraordinary and it's certainly nothing that for the period of time that is proposed would be very attractive to us.

Certainly, not on a big scale, so we would like to see where are the spot markets going? How it impacts the time charter market and then more importantly over which period of time the charter are prepared to sign a contract. But we also missing the fact that the industry is somewhat changed i.e. most of the oil majors out there are becoming short-term and that's because they have made some decisions in terms of what were the priorities for those companies. Are you shifting from a more E&P perspective to a more trading perspective? And then obviously, if you have more of a trader mentality then you focus on the short term not on long-term. So we don't know if it's going to happen.

Okay. Thanks. That's all for me.

Operator

Thank you. And the next question comes from Randy Giveans of Jefferies.

Randy Giveans

Hey thanks and congrats again on the promotion to Hugo.

Hugo De Stoop

Thank you, Randy.

Randy Giveans

So a quick question on slide 11. You upgraded your vessel supply outlook. So now what is your I guess updated fleet growth assumptions for 2020 and can you give a detailed breakdown on slide 10 for 2019 which is kind of looking forward next year? And then also, if you ordered a new building today will you still be able to get that by the end of 2020?

Brian Gallagher

Hi, Randy. It is Brian Gallagher again. Our fleet of growth assumptions for 2020 would be we expect to see it someone the 2% to 3% range. Obviously we've got a very heavy delivery schedule this year although this is going to be offset by some temporary IMO retrofits and then obviously as Hugo said earlier some of the Iranian tonnage coming off. So we think that that's manageable in terms of the context of 2020. And the reason we're changing the vessel supply albeit still to a amber, it's not -- it's only came from a mix of red and amber to amber. But to flag it is that obviously we feel other drivers of temporary supply being taken out of the market place for retrofitting the Iranian situation and also mostly we would expect ships maybe not beginning to scrap. We would expect to see quite an active element of the older part of the fleet going into storage, so therefore leaving the active trading fleet. All of those are very positive and quite meaningful in terms of pushing back on that vessel supply. That's the reason for the change.

Randy Giveans

Got it. All right. And then if you can just the kind of clarify the remaining authorization on the current share repurchase program?

Hugo De Stoop

Yes, so we have an authorization to repurchase up to 20% of our capital and we have used I believe now 1.3% or 1.4%. So there is ample capacity. Obviously, don't expect us to buyback 20%. But it is just to say that from an authorization perspective, we have everything that we need for that.

Randy Giveans

And that's 20% of your market cap.

Hugo De Stoop

Well that is 20% of the issued capital so it's the same yes.

Randy Giveans

Okay. Got it. All right. Well thanks again.

Hugo De Stoop

Thank you.

Operator

Thank you. And the next question comes from Ben Nolan with Stifel.

Ben Nolan

Thanks. My first question relates to something actually I saw this morning that you guys were part of a group that is pushing the IMO to set the maximum speed or in effect require shipping companies slow steam. Could you maybe talk through that a little bit and just whether or not that's something you think is realistic in the more immediate term? Or that's just kind of a longer term solution?

Hugo De Stoop

Indeed, I mean we were I think one out of 110 shipping companies to sign this letter for the IMO 2020. Discussion will take place in May. You may recall that around IMO 2020, we already mentioned that we were a little bit worried about IMO 2020 simply because it meant that ships were going to emit more CO2 at a time where the IMO had signed the Paris agreement, which basically means that by 2030 you need to reduce your CO2 emissions by 50% -- no sorry by 30% -- no sorry by 50% and then by 2050 by 70%. So it is a huge challenge for the shipping industry altogether.

I think as far as the slow steaming is concerned that's a relatively quick way of reducing already dramatically the CO2 emission, because as you know those emissions like the consumption of the fuel is exponentially correlated to the speed. So if there was some sort of speed limit and certainly speed reduction, you would have already seen the CO2 emissions will reduced dramatically. Is it a long-term solution? Absolutely not, because this is not enough. So as far as the long-term solution is concerned, you absolutely need to look at the type of fuels that you will consume. A lot of people are talking about LNG which again is a fossil fuel so it maybe harmful as a transition. But ultimately if you want to go down to 70% reduction, you are going to need to find alternatives. And our team as -- Euronav as one of the leader of our industry, we want to make sure that the IMO and the shipping industry all together can participate in the CO2 reduction and so that's the reason why we have signed the letter i.e. committing ourselves to participate to whatever research and development exists out there and that we find interesting in order to meet those requirements.

Now, of course, if you think about the slow speed, I guess that everybody can understand that it will reduce the supply. And so the market needs to adapt in both ways and make sure that the supply that remains after adapting the speed is enough for the demand that there is -- out there in the market. But overall, it's obviously very positive for the environment and for the business.

Ben Nolan

Okay. But is it something that you think could happen -- I don't know in the next 12 months or is this proposal a little bit longer dated, I guess was the question?

Hugo De Stoop

Well, it's a very good question. I think that it will be discussed at the May meeting. But if you look at the deadlines and there are intermediary deadlines in 2030. It may seem like in 11 years from now, but quite frankly, you need to do something almost already -- maybe we needed to do something yesterday in order to meet the requirements of 2030. So, I don't believe that we have the luxury of waiting and I think that's why you are seeing this idea of slowing down the ships gaining momentum. You understand how the IMO works. There's a lot of voices in those meetings and obviously a number of countries have already voiced their favor for slowing down the speed. So it could be that some decisions are taken already in May as far as from when they are applicable, I think will take more time because it's one thing to take decision, it's another one to apply then to see how we are going to monitor in the market and make sure that everybody can adapt the new regulation, speed regulation.

Ben Nolan

Right. Okay. And then I guess, my second question relates around buybacks. Obviously, that's been a topic of the call. But I notice that I believe all of the buybacks that you have done so far have been on the -- euro listed shares. Any reason for that? Or how are you thinking about sort of U.S. listed versus euro listed flow? And what you're doing there?

Brian Gallagher

So, hi, Ben. It's Brian Gallagher again. There is no great science on it, so we obviously have shares which are fully tangible between the two exchanges. We have a bit less volume in the European line and we are just trying to sort of rebalance and refocus some of that. So we have the option and we have the opportunity to buy in both lines. It's just we would take that opportunity we've been trying to rebalance a little bit from the European line. Nothing more than that.

Ben Nolan

Okay. Perfect. And then if I can sneak one in. The Suezmax rates are a little less than I thought and then kind of looks like they tailed off from what you'd had booked at the beginning of the first quarter. Any color about just the Suezmax market, or anything that might be happening there? Or how you are positioned within it?

Brian Gallagher

I think it is a bit too early to see if there is a more permanent disconnect between VLCC and Suezmax. I mean, history shows that the two segments are heavily correlated and we believe that in the future they will also be correlated. I think that there is a maybe a time lag between the two, but it's too early to come to conclusion.

Ben Nolan

Okay. All right. Thanks, guys.

Operator

Thank you. And the next question comes from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis

Yeah. Hi, gentlemen. Thank you. Hugo, you mentioned about the possibility of buying and storing fuel, if price of fuel oil collapses. I'm just trying to understand how much capital are you planning to devote into that? Is this going to be fuel oil through plan that you potentially going to buy for your own use, assuming that you install a scrubber sort of which is going to be also for trading purposes buying low, entirely high at a later stage?

Hugo De Stoop

Fotis, that is a very good question. I think that the answer will be when we do it. We said it was possibility and we said that it was possibility that we would install scrubbers if we see that the spread or the trend on the spread remains wide on the permanent diesel or at least for the foreseeable future. I think if the spread remains wide then we will install scrubbers and obviously we will use what we've stored for that purpose.

I think that trading is another business. It's certainly not our core business, but it is something we may take upon another -- an interest in, but that would require more sophisticated platform in terms of making sure that we are a solid participant in the trading market or that we join forces with someone else. Aside the capital that we could allocate there would entirely depends on the amount of HFO that we want to buy and store. And, of course, it depends on the price of the HFO at that point in time.

Fotis Giannakoulis

Thank you, Hugo. And can you remind us right now based on what you're hearing in the market, how many VLCCs or what percentage of the VLCCs fleet will have scrubbers installed? Then how long would it take if you would order a scrubber today until the installation is completed?

Hugo De Stoop

Yeah. We believe -- I mean, the numbers that we have seen in the market that was pulled from ENV and from Clarksons that by the end of 2020, there would be 230 vessels with scrubbers installed and that is a mix of new buildings and retrofit, but that's by the year 2020. I think that the market is a little bit uncertain about the number of ships that will have scrubber fully installed and fully functional for the 1st of January 2020. And the reason why the market is uncertain is because a lot of those companies have announced programs to retrofit, but they have not announced over which schedule, over which period they tend to install them. So the statistics is more coming from the order book from the scrubber manufacturer.

In terms of the second part, Fotis, on in terms of -- if you wanted to fit scrubbers now, I think obviously, very difficult in this calendar year given the capacity, but clearly there's been a huge increase in the amount of capacity, but it would also be a question of quality. A lot of those new entrants are very unproven, but certainly I think obviously that from 2020 onwards that the opportunity to retrofit is a different proposition than it is today. It is certainly a proposition where you can take expense of the others and use it for your own account. You can see what is working -- what is not working.

There are some big difference in pricing according to each manufacturer and as far as the timeline is concerned, as Brian said I mean, obviously, we are not looking installing scrubbers before January 2020 and that fits perfectly with the fact that today it would be almost impossible because everybody's rushed yards to make sure that they were ready around that date.

Once you pass the 1st of January 2020 deadline and if you consider my earlier comments on saying we first need to see where it stabilized and that's not going to be the first couple of weeks or a couple of months. It seems that the yard capacity in the manufacturer's order book is going to be somewhat lighter and therefore the lead time would be much shorter. So, we feel that there's a lot of attempt choosing waiting.

Fotis Giannakoulis

Thank you very much, Hugo. Appreciate your time.

Hugo De Stoop

Thank you.

Operator

Thank you. And as there are no more questions at the present time, I would like to return the floor to management for any closing comments.

Hugo De Stoop

Well, thank you very much all. Thank you for participating in our earnings call.

Operator

Thank you so much. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.