Euronav N.V. (EURN) CEO Hugo De Stoop on Q3 2020 Results - Earnings Call Transcript

Earning Call Audio

Euronav N.V. (NYSE:EURN) Q3 2020 Earnings Conference Call November 5, 2020 8:00 AM ET

Company Participants

Brian Gallagher - IR

Hugo De Stoop - CEO

Lieve Logghe - CFO

Conference Call Participants

Chris Tsung - Webber Research & Advisory

Chadd Tribo - Jefferies LLC

Chris Wetherbee - Citigroup

Jon Chappell - Evercore

Kevin Uherek - Deutsche Bank

Ben Nolan - Stifel

Omar Nokta - Clarksons

Eirik Haavaldsen - Pareto Securities

Geoffrey Scott - Scott Asset Management

Quirijn Mulder - ING

Randy Giveans - Jefferies LLC

Operator

Hello and welcome to the Euronav Q3 2020 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to your host today, Brian Gallagher. Please go ahead.

Brian Gallagher

Thank you. Good morning and afternoon to everyone, and thanks for joining Euronav's Q3 2020 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, Thursday, the 5th of November 2020 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 are critical 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's website at www.sec.gov and on 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.

With that, I will now pass on to Chief Executive, Hugo De Stoop, to start with the agenda slide on Slide 3. Sir, over to you.

Hugo De Stoop

Thank you, Brian. Welcome to our call today, wherever you are. In terms of the agenda, I will firstly run through the Q2 highlights before passing on to Lieve, our CFO, who will provide a full financial review of the net income statement and the balance sheet. Then Brian, our Head of Investor Relations, Market Research and Communication, will look at the current market themes in the tanker market before I return to discuss the FSO contract and Euronav outlook before we take questions.

So let's turn to Slide 4 and the highlights page. The tanker market performance was mixed during Q3 to say the least. The first half of Q3, as we updated in early August, was robust with early freight rates driven by what had been at that point in time 2 positive factors: the strong recovery trajectory of oil demand and a positive disruption with bank capacity held out of the market via congestions or storage requirements.

Both of these factors have unwound over the past 3 months with freight rates under fairly constant pressure since late August. We stated in early August that there was far less visibility than usual, and this has proven to be the case and remain so as we entered Q4. The usual seasonal pattern of improving demand for oil into the key winter period has not gained traction as vessel supply remains elevated, cargoes are limited with low visibility on cargo programs and sentiment amongst owners remained weak when setting freight rates given this background.

Nevertheless, during this period, we returned to our shareholders 80% of our net income earned during Q2 totaling $200 million, split 50% in cash dividends and 50% via share buybacks. This brings me to Slide 5 and the capital allocation at Euronav, which remains an important and key focus for the Board and management. At Euronav, we always try to be balanced and consistent in our allocation. We do have some mandatory debt repayment as well as some revolving credit facility reductions, which are noncash. But given where our current leverage is, we do not need to repay more debt for the time being.

We remain committed to our return target that is 80% of net income to shareholders. For the third quarter, that is the equivalent of EUR 37 million that we will split again, 50% of the available as cash dividend of

$0.09 per share and 50% as a buyback that we intend to complete before the end of Q4. When repurchasing shares, we will always try to create long-term shareholder value rather than giving support to a share price, which has been anyway very volatile during the quarter.

There is one small change to be noted in our fleet renewal program. Given where the market is, we have pushed forward to 2021 1 of the 4 VLCC newbuilding acquired via resale of contract. This means that we will take delivery of all 4 VLCC in the first quarter of 2021.

I now turn it over to Lieve Logghe, our CFO, for more detail on the financials.

Lieve Logghe

Thank you, Hugo. EBITDA for the third quarter of 2020 amounts to $145 million or $0.71 per share. Net income equates to $46.2 million or $0.52 per share. Strong cost control remains the focus. Focus is set not only on shipping expenses but also on G&A negatively affected by a softer dollar. Furthermore, the financing expenses are lower, thanks to the reduced debt level and lower reference interest rate.

This brings me to the next slide being the Euronav balance sheet position as for September 30, 2020. The company remains in a solid position with a very strong financial balance sheet. The book leverage ratio is 35.8% and our liquidity position is in excess of $1.2 billion, of which $161 million is in cash, and the remainder is parked under revolving credit facilities in order not to burn our pockets.

Strong focus has been put to reduce working capital requirements by collecting outstanding receivables generated from the high Q2 market environment. This cash focus, combined with the operational results, supported Euronav to further reduce net financial debt by $62 million in Q3. But financing is indeed constantly evolving, and that has impacted Euronav already with a move to put a major portion of our lending some $730 million into a sustainability loan, which we cover in the next slide.

Whilst a busy slide, this shows how we took 2 existing facilities that would have matured in the next 18 months and have refinanced them into 1 larger sustainability facility. This is the first major financing of our fleet we have with specific emission requirements. The loan includes clear targets to reduce our green gas emissions over its entire duration. These targets start immediately with compliance over the first 12 months being rewarded with a reduced interest coupon of 5 basis points. This will be independently measured and verified.

The targets set are over and above what the prevailing principles are looking for. We believe this is in the shape of things to come, and we are delighted to be one of the early adopters of these models. I will now hand over to Brian Gallagher, our Head of Investor Relations, to run through some current market themes.

Brian Gallagher

Thank you, Lieve. There are 3 quick things we wanted to cover before handing back to Hugo and some concluding remarks. On Slide 9, we pick out those years since 1990 when VLCC rates have been below P&L breakeven rates over the calendar year and observed the level of recycling during that year. On average, 5% of a VLCC fleet has departed when rates have been in such a trough for several quarters, although recent experience has been slightly lower than that level. But the message is clear, lower rates historically has led to more recycling.

We move now onto Slide 10. You can see that this is a purposely very busy slide but with some important illustrative examples attached to it. What we want to do here is highlight and promote the rate about the challenge that older tonnage faces. For the purposes of this slide, we define 3 tanker categories: one, a 15-year-old or older VLCC; secondly, a VLCC which is in so-called market, which is in the midrange and mid age; and finally, an eco ship. It's a well-known fact that older tonnage consumed more, and we have found that investors often dismiss this.

However, as Lieve expertly covered during her earlier remarks on emissions and the new financing regime that we're finding ourselves in, additional emissions coming from additional consumption is now gaining attention with shipping banks and other investors and this will add further pressure to this older tonnage. As I said, the illustrative example of the 3 VLCC tankers in front of you shows key variables that we are focusing on, which are reduced utilization that an older vessel will have. Put very simply, any vessel over 15 years of age will find it very difficult to be taken on time charter by oil majors or traders, which combined with higher costs not just from increased consumption in older engines, but also incorporating all costs, including dry dockings, which, of course, get more costly the older a vessel gets. So we can see that this will add further pressure and lead to a lower TCE.

This lower return is magnified when the market conditions that have lower freight rates as we currently have, that we will see this pressure seeing rates below OpEx costs. And that's the reason we want to focus on this is that this is not a sustainable period of trading for any tanker operator when you're having TCEs below your OpEx costs.

I'll now move over on to Slide 11, and this is why this counts because you can see on Slide 11, there are around 80 VLCCs or 10% of the global fleet, which is already aged over 17.5 years or older, which will have to go through a special survey and almost certainly have to add a ballast water treatment system as part of that survey over the next 12 months or so, which coupled with the fact that on a wider basis, 25% of the world fleet of both VLCCs and Suezmaxes are already aged 15 years of age.

You can see that there are some significant challenges ahead for the owners of that older tonnage. And should freight rates remain under pressure for a sustained period that could begin being driving some profound change in terms of the vessel supply picture.

With that, I'll now pass over to the final couple of slides and some summary remarks from Hugo. Hugo, over to you.

Hugo De Stoop

Thank you, Brian. Yesterday, we were delighted to announce we have agreed a 10-year contract extension for the 2 FSOs we operate in the

Qatar oilfield called Al Shaim, and we own those units jointly with our partner, International Seaways. This vindicates the high-quality service and operation we have had so far with 0 downtime since the start of the contract 10 years ago.

This extension will mean that the 2 units will continue to operate on the same field until 2032. This provides Euronav with additional long-term visible cash flows. Indeed, these new contracts will generate for Euronav only more than $322 million, and the contract will start when those units are debt-free.

Just as a reminder, these FSOs are not simply storage vessels. They are sophisticated units that convert platform fluids into marketable high-quality crude oil. This also demonstrates the capacity of Euronav to create value outside the traditional crude transportation segment.

Moving on to Slide 14 and to conclude, there is no change to our traffic lights. Demand recovery remains muted, especially with the increased recent COVID restrictions, and oil supply is tight because of the agreed OPEC+ cuts. But the lack of sustained ordering is a bright note as is the U.S. crude export picture, where over the past 10 years -- or 10 weeks, sorry, exports have averaged just below 3 million barrels per day, in line with levels seen this time last year.

The contract extension won this week on our FSO joint venture further strengthened our financial position with visible cash flows until 2032. Our balance sheet is something we can control, unlike many other elements with our macro market. Our strong financial position is constructed to withstand a sustained period of challenging freight rates. And to a certain extent, we understand at Euronav that these challenging periods are helpful to clean up the market with excess capacity.

At the same time, we hope that this period will provide us with opportunities to continue to develop our platform. With that, I will pass it back to the operator to receive your questions. Thank you for your attention.

Question-and-Answer Session

Operator

[Operator Instructions] And the first question comes from Chris Tsung with Webber Research & Advisory.

Chris Tsung

I wanted to just kind of ask about the 2 Suezmaxes that you targeted in for 2 years. In the press release, you guys said that it was to enhance strategic relationships. Can you perhaps expand on that a little bit? And also, are you able to share the rates of the time charter and if there's any profit sharing?

Hugo De Stoop

Yes, very good question. We took the ships from Trafigura. And I think that, as you know, the traders are very important players in our market. So we are happy to continue to deal with them, and obviously, it goes in both directions. We have chartered our VLCC to them in the past, and we will continue to explore further opportunities. So it doesn't go in one direction.

They're obviously sitting on quite large volumes of crude oil. And in the challenging market, it's very important to have access to your cargoes because, in fact, you can waste a lot of money by sitting idle and not finding cargoes in those situations. And I think that at Euronav and certainly at the pool level, we are trying to minimize those things.

As far as the rate is concerned, I think it was reported in the market. So I can tell you, it's 25,000. And in fact, it's 2 years plus 1-year option. There is no -- sorry, there's no profit sharing element on top of that.

Chris Tsung

Okay. All right. And I just want to switch over to the Oceania. I think you guys mentioned last quarter that you guys were purchasing about 20% above consumption to average down the cost of the fuel. Are you guys still employing -- that was like Phase 3 of your plan and to kind of purchase volume discounts. Is that still going on? And what are the plans for the Oceana?

Hugo De Stoop

Yes, absolutely. I mean you know the story. So we bought it in '19 when the price was much higher. We benefit until roughly the end of February of having a cheap stock to feed our vessels. Then the oil price collapse and took all the petroleum products price down with it. And at the time, we completely stopped using it until we saw the first life of recovery. And then we decide to do sort of a blending, which is purchasing LSFO from the market, but also taking it from our vessel at a rate which help us minimizing the negative mark-to-market.

In other words, we are buying NFFO in the market in volume. So it's not 1,500, 2,000 tonnes at a time as we would do otherwise. We're buying 35,000 or 40,000 tons in one go. We benefit from a relatively big discount, and that discount is applied to minimize the mark-to-market. And you can see the evolution that, at the worst point, we were at minus $55 million. We didn't take an impairment because we said that we can manage the situation. And so through this program as well as an improvement of the LFFO pricing, we are now down to $15 million. And as a matter of fact, if I look at it today, it's only $9 million.

So we are very hopeful that between now and the end of the year, whatever we have on board the vessel will be at market price. And obviously, then the volume can dramatically go down if we are at market price. And if not, then we will continue to operate under the current program that I just explained.

Operator

And the next question comes from Randy Giveans with Jefferies LLC.

Chadd Tribo

This is Chadd on for Randy. So you guys reported much better-than-expected quarter-to-date rates, well above the benchmark rates. Can you talk about what out drove that performance? And what rates are you currently booking on a VLCC and a Suezmax kind of this week?

Hugo De Stoop

To answer the first part of the question, I really believe that it's a matter of number of days where you're busy, i.e. your utilization. And as you know, we don't report utilization separately. So it's really blended into the TCE rate that we are publishing today.

I cannot explain that by any other difference from the market. As far as the VLCC market is concerned, it is quite spread depending on what you're doing. If you go from the cars you go to China, it's going to be about above 20s. If you're doing AG China or AG Europe, it's more going to be like between $12,000 and $15,000 a day. So obviously, we're trying to do more of the lucrative voyage, but you cannot always do or you cannot only do those type of voyages. So on average, the market must be between $15,000 and $20,000 for the time being. As far as the Suezmaxes are concerned, I'm afraid it's longer than that. So it's more between $8,000 and $12,000, so on average $10,000. And yes, it's very similar to what we said we have booked so far.

We are a little bit hopeful about the winter. So certainly, another normal winter season. But obviously, there will be more activity. That will also depend on the COVID restrictions. You've seen that most of European countries went back to lockdown. This was almost not the case in Asia. So from what we see from Asia, it's relatively positive news because there's no decrease in consumption. And we need to see what -- how it's going to play out in the States.

But if we were to have a normal winter where volumes will increase, then we believe that we would see a marginal increase into the rates. We're not upbeat and we don't believe that it's going to be extraordinary. But simply, by seasonal effect, it should improve from where it is today.

Chadd Tribo

Perfect. Moving on, congrats on the FSO contract extension. Kind of based on our math, the new EBITDA contribution for your 50% is more than about $20 million per year for the 10 years. Now since that's clearly a noncore assets, do you have any thoughts on selling your portion of the JV or kind of the opposite and buying the other 50% from INSW?

Hugo De Stoop

I think that this contract gives us options, and it's certainly something that we will think about. It is noncore, but nevertheless, I think that our client is very happy with the survey that we provide. So I think if you were looking at selling a part of it or selling the entire unit together with the International Seaways, I think we would have to remain the operator, which is not a bad place to be.

It's -- there's a lot of options on the table, but there is definitely no plan to do anything at this point in time. And let's not forget that it's 10 years in continuation to the current contract, which is not finished because it's only going to be finished in '22. So we have a little bit of time to think about it and make sure that we sell at the point in the market where we can get the best value for buck. And if we don't get the value, then we better off keeping it.

Operator

And the next question comes from Chris Wetherbee with Citigroup.

Chris Wetherbee

I wanted to touch on the ESG loan. I think it's kind of interesting in terms of the direction financing in the industry is moving. So maybe can you talk a little bit more in detail about sort of the targets that you guys can commit to going forward from an emission standards perspective? And then maybe a broader question about sort of how you see financing for the tanker industry moving over time. This is kind of a niche situation as it stands right now. How much more mainstream does this become? Sort of what does it do to sort of fleet growth for the industry over time? Do you think that has an impact?

Hugo De Stoop

Yes. It's very much a strategic question because we were one of the supporters. In other words, we helped drafting the clause for the precedent principle. And that's, well, the base or the starting point of the conversation. The precedent principles have taken what they believe will be what the IMO will impose as a trajectory between now and 2030.

Unfortunately, the IMO will only lay that egg probably '22 or '23. So they had to take a guesstimate and they have designed the trajectory starting 2008 and calculating 40% reduction in CO2 on a ship-by-ship basis or on a fleet basis. So that's the trajectory that all the banks who are signatories and you know that this -- there is a big number of banks, and that number is growing. It's European banks, it's U.S. banks. It's also Asian banks, and we certainly hope to get more Asian banks on board.

So the -- that answers already a little bit part of the second part of your question, which is how will it affect the industry? I think that the more banks sign this -- those principles or are part of that club, the more it will be applicable for everyone in shipping. And let's not forget that the idea is to be transparent, to calculate so that you know what sort of emission you do. And then for the banks to select the clients who are the best in class because they, in turn, have committed to publish the emissions of their entire portfolio, not on a name-by-name basis.

But so they want to look good about the kind of assets that they finance. So it's relatively interesting. It's definitely a starting point. I'm sure that the principles will evolve all the time. But at the moment, it's more a question of reporting and then looking good for the investors of the banks themselves.

And there is no way around it. I mean if there is one bank who is involved in a financing, most financing and shipping other than as club deals or syndicate, then there will be a clause forcing you to publish that. As far as we are concerned, because we have a relatively young fleet and because we have invested in a number of initiatives, and that includes digital tools to help decrease the consumption and therefore, the emissions. It is about a big program of using the most efficient silicon paint when we go to dry dock and these kind of initiatives. We thought that we should be a little bit more ambitious.

And so the trajectory that we have agreed with the banks is more ambitious than the one on the precedent principles. And according to our calculation, we're going to get there. I wouldn't say it's easy, but we're definitely going to get there.

The last one that I want to mention, you heard Lieve saying, if you don't move the target, it's only 5 basis points. So it's honestly not much. It's very little, but you need to start somewhere. And if you wait for all those principles or all those regulations to be perfect, then you don't do anything and you drag your feet, which is definitely not the case at Euronav. So we prefer to start with this kind of initiative or with this kind of, I would say, minor incentive and nevertheless, demonstrate that we are ambitious. And then hopefully, moving forward, it will be more generous for what I would like to call the good guys or at least in terms of the environment, the good guys, and it will be more of a penalty for the bad guys, a combination of maybe loans that will be priced higher as well as not finding banks to finance your assets because they are outside those trajectories that I just discussed.

Chris Wetherbee

Sure. Okay. That's helpful. And I guess that sort of ties into the outlook for fleet growth for, I think, yourself as well as the industry. I guess there's an argument to be made if the financing is not as readily available for older tonnage over time, it could either choke off that and potentially drive capacity out of the market that way. Could also potentially incentivize people to look for newer tonnage or potentially new build tonnage because of the sort of eco standards of new vessels relative to secondhand vessels.

So how do you think about sort of the -- there's probably a couple of different angles that this could go. Are there unintended consequences of sort of moving in this direction where you could theoretically stimulate more new build orders than you might necessarily want for the industry to maintain some form of balance going forward? Or is that reading too much into it, and you should just assume that it just ultimately begins to sort of starve out capital for older, less efficient tonnage?

Hugo De Stoop

It's definitely a complex -- a very complex situation because if you buy a conventional ship today, you know for sure that if you don't retrofit, or if you don't change anything to the vessel, 20 years down the road, it's probably going to be the wrong asset. And maybe it's going to be the wrong assets 10 years down the road.

So what people have been looking into is dual fuel LNG. But unfortunately, they cost a lot more. They cost probably 15% more than the conventional vessels. And there is a second question behind that because LNG is a fossil fuel. Yes, it emits less CO2, but there is methane leakage, both on both vessels, but also in the supply chain. And the methane is far more decremental for the environment than the CO2. And so if you combine that, there's a number of studies that are saying it's marginally better, it is worse, it's a lot better. So there's a lot of confusion.

I think that as long as there is that sort of confusion out there, people are going to be reluctant to dip their toes into one direction, which is okay, we can continue buying conventional vessels, hoping that we will be able to retrofit them at a later stage or we need to move to a sort of a long transition because if it's short, then it's not worth it into dual fuel LNG vessels.

And you can clearly see that this is a debate that probably every single tanker ship owner is having at the moment, maybe in other segments as well because the order book is very thin. And I think that will continue to be the case despite the fact that the cost of them has dropped dramatically, and we're back to -- almost back to the levels that we showed in the previous cycle. So normally, it should attract a number of people.

There are people sniffing around. But when you look at the firm order or the real order you can believe in, it's still very thin. And obviously, that's very good. I think that we may see a few more orders, and we will see if they are double -- dual fuel, sorry, or if there are still conventional vessels once you see vessels being scrapped. Okay, people are going to be very reluctant to order ships in this current market if we don't see any signs of scrapping because the market is oversupplied today.

And despite the age profile of your fleet, you need to have the proof in the pudding before eating.

Operator

And the next question comes from Jon Chappell with Evercore.

Jon Chappell

Hugo, I wanted to ask about the FSOs a different way, not selling them. But debt-free by July '22. First of all, how much debt is left on there? And what's the pace of the cash outflows as you repay that and get to debt free?

And then second of all, with the 10-year contract with a good counterparty, what are your plans and availability to draw down existing -- additional financing on the FSO to maybe help you with the core business expansion?

Hugo De Stoop

So as I -- I will answer the second part of your question. In the meantime, I'm sure that Lieve can dig for the numbers of where we are in terms of debt today and what is the repayment. So the second part is -- well, I will answer in exactly the same way. I mean we literally signed this contract the day before yesterday over the weekend, in fact, because they are open on Sunday. And even though we've been working on this renewal for a long time, we were expecting it to come a little bit later because after all, we are still 2 years ahead of the maturity of the contract.

So we will explore all and every kind of options, and we have put them on table. I mean there's -- we can sell our share to INSW if they so wish. We can buy them if we find price attractive. We can both sell to another party. We can refinance and keep the assets and part of the cash flows. So there's a number of options. What is important for you to know is that indeed, the ship will be debt-free at the end of the current contract, so in July 2022 for both units. So it will be free cash flow, and there will be possibilities to refinance it. Let's see where we are at that point in time or maybe there's an opportunity that will arise before them.

But I think that when we are at sort of a crossroad like we are in our sector, where to think about what is the right ship of the future. We need to write about -- to think about what is the right fuel of the future. Maybe we want to be part of the consortium that is looking into the production of those fuels or these kind of things. The fact that we have visible cash flows, and you will admit with me, it's not very frequent that we have this amount of cash flow and this visibility is certainly an asset that we will be able to use in the future.

Lieve Logghe

And indeed, let me add, Jon, the level of debt we have on the 2 FSOs currently on Euronav is for each FSO, we have about, now end of Q3, $50 million outstanding. And as mentioned by Hugo, we will be debt-free Q3 2022. So we will further reduce each year a level of $25 million, more or less in order of magnitude.

Jon Chappell

Great. And then, Hugo, I think we talk about this every quarter, but things have become a bit more maybe uncertain in the world but attractive in the asset values. These charter ins are your typical method of adding leverage, especially given your liquidity. So how are you balancing this drop in asset values and the potential opportunity that Euronav has done in prior downturns versus maybe some of the uncertainty out there, you do it a little bit more of a charter-in method?

Hugo De Stoop

It's a very good question. It's one that we are asking ourselves almost every day. And despite the depth of the market, the fact that there are more than 800 VLCCs and over close to 600 Suezmax, we don't find deals as easily as you wish. And on top of that, as you know, our share price is not doing very well, and we have never issued one share that was destroying shareholder value. And so at this point in time, we're more buyers of that share, than user of the shares to do a deal.

As I just mentioned, building a new vessel is out of the question because we don't know yet what the technology will emerge. And so we had this opportunity of chartering 2 super modern vessels. They were built less than a year ago. They are super eco type, they have scrubbers if you want to use them. And so we thought it was a very good deal. It was very important for us to have some sort of longevity. So that's a 2-year plus 1-year option. And we think that they will create value for Euronav.

And that's probably outside, I would say, the natural way of where you find Euronav, but I think that we are living through exceptional times. We continue to be frustrated with the share, and that explains why we have decided to take them on time charter in rather than trying to buy something given where we are today.

Operator

And the next question comes from Amit Mehrotra of Deutsche Bank.

Kevin Uherek

This is Kevin on for Amit. I had a question on the U.S. election and the implications on the crude tanker market. It's increasingly looking like a Biden win, a Republican Senate. But I guess we'll see. Obviously, there's like no real tax implications, but with respect to implications for U.S. production exports, is there anything notable you would call out?

Hugo De Stoop

I was afraid you would ask the political questions, the one that I hate the most, to be honest with you. I think very few people have a clue, and I think we have to be patient until you guys have a president, but admittedly, it's almost like it has an impact for the rest of the world.

The way we see it is if Biden was going to win the election and if you would have a majority in the Senate and in the chamber, I think that it will try to be a little bit more forceful on the path to decarbonization. I think that the blue wave that was predicted is not really the one that we are seeing. Even if he has a majority, it's going to be a very, very thin majority. And given that fact, I think that we're not going to have a revolution. I think we're going to have an evolution. I think that we will be very mindful of not hitting the economy. That would be his first priority.

I mean, quite frankly, when you look around the world, this COVID crisis has impacted pretty much everyone, including the U.S. And so we are not expecting something radical in terms of a clean energy program. It's certainly not something as big as what he announced when he was a candidate. I think the reality is going to hit if he is the one to become the new president. So we're not too worried about it because if it's evolutionary rather than revolutionary, I think that we are always in a good place to adapt to that.

The second aspect, which seems to be a little bit clearer if he wins is the Iranian situation and how soon will we want to reenter the deal because that may have an impact on obviously Iranian oil production. And to a certain extent, I would say a lesser extent, the Iranian fleet. But that's not a fleet that is in very good condition. So we are not too mindful about it.

Kevin Uherek

Got you. Got you. And then kind of switching focus. On the share buyback, what is the total prospective number of shares you can buy? I think you've bought back around 5%. I'm just trying to understand what more you can buy and if, in fact, you plan to continue doing so if the equity value remains persistently low.

Hugo De Stoop

Yes. So one thing at a time, I would say. So we have announced what we plan to do next and then we will reevaluate and see if we need to do more. For the time being, the question was only how do we split 80% of our earnings that we have committed to return to the investors, and we have decided to go 50-50 like we did the last quarter. We were very happy about what we did the last quarter, by the way.

The -- we can buy up to 10% of our capital, but that is only until the next AGM, which is May. If we want to do more before that, we can call an AGM, so next annual general meeting. And usually, if you do that, you get the necessary votes to go on with such a program. So I would not be too focused on the authorization that we have today because if we are more ambitious than this authorization then we offer more. As I said, to my recollection, we have never received negative answer on that.

Operator

And the next question comes from Ben Nolan with Stifel.

Ben Nolan

I wanted to dig back into the Suezmax deal, the charter ins a little bit, Hugo. I'm curious how you would categorize this in terms of is this something where you really think of it from a strategic relationship kind of a thing? Or were you intentionally sort of looking to go out and take advantage of the current weakness in the markets, a 2-year deal, we think, over time, this is going to be better and we'll just find somebody who maybe is a good strategic fit, but is -- we want to be long Suezmaxes effectively, and that was the primary motivation.

Hugo De Stoop

Well, it's a combination, but I would say that if we were not convinced that it was a good deal from an economic perspective, then we can forget about the strategy because our strategy is to make money, first and foremost. So that was the priority. I think that when we look at those vessels and to a certain extent, if you take the slide in the slide deck, if you take the Slide 10, that we've used for a completely different purpose, which was we explained how people are looking at scrapping, not scrapping.

But you can see the difference between a Mako VLCC and obviously, the same applies for a Mako Suezmax. compared to the market or compared to an older vessel. And you can see that even though we are paying 25 and the market is definitely not there, you need the market at probably 17 or 18 in order to have those ships already breakeven. And that's simply by the fact that they are consuming far less than whatever is represented in the market. So they are very, very good vessels.

The strategic part, I would say, is twofold. First, we have sold a number of Suezmaxes. And so we have decreased our exposure to that market. It's a market that we like. And in fact, normally or in previous cycles, the Suezmax market is outperforming the VLCC on a relative basis, of course, in the downturn. So you want to keep exposure -- a certain degree of exposure to that.

And then the second part of the sort of strategic point of view is that we want to develop as many relationships with people who have access to the cargoes as possible. And obviously, it's an easier dialogue to have when you have to speak to them on a regular basis because you're doing business with them. So it's not rocket science. But it definitely played a role into whether we're going to charter those ships from that owner or some other ships from maybe owners who are not cargo owners.

Ben Nolan

Okay. That's helpful. And then the other thing that was mentioned in the release was that you guys had pulled, I think, 9 dry-dockings forward. Can you maybe talk through what that -- what maybe now your profile is for dry docks in 2021 with those having been taken out?

Hugo De Stoop

Yes. So you usually have a 6-month window to perform your dry dock and then you receive a certificate for 5 years and 2.5 years. And obviously, if you do them a little bit early, you are likely to receive extension. So you're not really losing -- the fact that you're losing them a little bit early does not mean that you're losing the 6 months on the back end because the real cutoff date is more the anniversary of the ship.

So you're not losing a lot by doing that. But obviously, we are always very mindful of what type of market there is out there when we perform dry dock because when you are in dry dock, you are not earning any money. It's a little bit the story of those guys installing or retrofitting scrubbers in a market that was absolutely fantastic. Well, here, it's exactly the opposite. Market is [indiscernible], sorry for my French. So we take advantage to take as many ships as possible in the docks because, quite frankly, none of us, none of the operators is good at predicting the rate. So you could have certainly for an event that you have not foreseen a market that is ripping in 2 months down the road.

So you want to do that -- when you know that the market is not very good, you want to do as many ships as possible. But I wouldn't say it's moving the needle from your perspective as an analyst saying, okay, that ship is 5 years old, that ship is 10 years old, and so I need to forecast that amount of money in those number of days. It's just moving by a few months.

We had to take a few ships before year-end. We had to take a few ships after the year-end. We have decided to take them all as quickly as possible simply because now there is one certainty, it's a good moment from a market perspective not to be out there in the market.

Ben Nolan

Okay. So the impact should be maybe shifting from first quarter to fourth quarter rather than over the course of the rest of the next…

Hugo De Stoop

That's correct. I mean maybe there were 1 or 2 ships due for dry dock in the second quarter. As I said, it's a 6-month window. So if you take the ship that will go and dry dock in December, for instance, maybe some of them were scheduled for May that we've decided to take them in December.

Operator

And the next question comes from Omar Nokta with Clarksons.

Omar Nokta

I just wanted to talk about maybe just strategy from like a big picture perspective. Earlier in your comments, you mentioned the shipping industry overall is at a crossroads, and I know that was in relation to propulsion. You got the $1.2 billion of liquidity. And as you said in the past, you're not in a rush and are happy to sit back, evaluate things and jump on any opportunities as they arise.

When we think of these opportunities, from my perspective, the world is wide open, I'd say, and you've got the flexibility to pick and choose what to do. As you think of Euronav, can you maybe give some color on what maybe you would be interested in investing in? You mentioned the FSO contract highlighting Euronav's ability to generate cash flow outside of crude transportation. And Euronav, over its history, has been acquisitive, all generally within large crude tankers.

So when we think about, say, the next step, when we think about the next acquisition, is that still in crude tankers?

Hugo De Stoop

Yes. I think that we're not going to deviate from our core business. So if you're talking about a big deal, it will definitely be on the crude side and on the large tanker side. So at the moment, we continue to believe that this is going to be a great market. It's going to continue to be cyclical. But it's going to be a great market for the foreseeable future.

And as I mentioned, I believe it was last call, we're not afraid of peak oil. As a matter of fact, we may even be quite excited about peak oil because I think that the market will further consolidate, we hope that we will be part of that consolidation. And as a leader in a market that is declining very gradually, very smooth, I mean, all the predictions in the world are telling you that we're going to continue using oil even 50 years down the road, obviously, not at the same rate as what we are doing today.

I think that we are quite excited about being a leading player in that declining market. And when you look at other industries who have had a smooth decline, the champions of those industries are usually making it big time.

So big acquisitions, definitely the same core business as we have today. But there may be other opportunities that we see, and that is mainly what we would call planting seed. So we believe that technology is going to play a big role. At the moment, we are investing quite a bit of money internally and we are developing software. But it's an open platform where you can plug a number of different software, whether it's a prediction about port congestion or better weather forecast, better way of running the engines. We installed sensors on board the vessels.

So all of that is very interesting and I think will play a major role in the future, but you're not talking about acquiring a software company or something like that, you're talking about making the right investment so that you remain ahead of the curve. And always, those investments should pay off by reduction of the fuel that you consume or something equivalent to that. And as an effect, we'll reduce our emissions, which is where people are focusing at the moment it seems.

Omar Nokta

Yes. That's helpful. I just wanted to -- maybe just a follow-up, touching back on the FSOs. It's a bit -- it was a bit of a surprise, I guess, for us to see this contract renewal or extension. And was there maybe a mechanism or a timing clause that caused these charters to get negotiated now? Or -- and that's why the -- you've announced it? Or is this simply in discussions with Northern Oil, now it was time to start really thinking about the next 10 years and you came to an agreement with it?

So just simply asking was it on sort of an extension date?

Hugo De Stoop

Well, for us, I would say that the later it would have been potentially the better. But obviously, we have very professional clients that we are happy to serve. I would say that Total is the real operator in the field. It's a joint venture with QP. But the guys on the ground are Total, and they know very well that if they need to find an alternative solution to the 2 FSO that they need to think about it 2 or 3 years before the end of the current contract.

Otherwise, they would be held hostage to a situation that is not going to be pleasant. And I think that's the main trigger. The main trigger was the client desire to tackle an issue so that they would still have opportunities to look at other alternative solutions. We are very pleased that they found that our solution at the price that we negotiate was the best alternative. And it's quite fascinating because those ships were deployed -- the contract was signed in 2008 and we had a conversion in 2 years. They were deployed in 2010. And now we have a contract until 2032. So that's 22 years of undisrupted services or hopefully undisrupted services, but there's certainly no CapEx.

In other words, no dry dock plan. And I think we can be very proud of that because it had required, at the time of the conversion, a little bit of vision of spending maybe more money that some other players would have spent, but that is paying off right now. You don't need to reinvest any money and you can continue to operate this vessel very safely in the same field with all the equipment in a working function.

Omar Nokta

That's great. So and just to confirm, you're saying there's no basically no off-hire, there's no CapEx in between this contract and the new one, it just goes straight into the next...

Hugo De Stoop

That's right, absolutely, it's in direct continuation. We don't need to take the ship to dry docks. There will be obviously regular surveys and underwater surveys and all the rest of it. But it's not going to be interrupting the service and the service has been exceptional. I mean, if you look at the offshore industry, generally speaking, nobody gets 100% uptime. And so far, the could, knock on wood, that's what we have had, and we plan to continue having that.

Operator

And the next question comes from Eirik Haavaldsen with Pareto Securities.

Eirik Haavaldsen

I just wanted to -- you touched upon in your remarks that the vintage asset values have held up rather well. And we've been a little bit surprised to see that. Can you maybe explain a little bit why that is?

And second, you have a number of particularly Suezmaxes in that 15- to 20-year-old bracket. Would it be too late to start selling them now or continue selling them? Is that -- or is that something still high on your agenda?

Hugo De Stoop

Yes. So thank you for your question and thank you for being on the call. The -- there are maybe one explanation and don't know that we don't know maybe the true answer that we don't know, but we suspect that people are looking at those old assets, thinking they are taking less risk than buying a 10-year-old vessel. The reason why they may be taking less risk is simply because the natural end of life of those vessels is going to be in 2, 3, maybe 4 years down the road. And as you look at the regulatory framework and certainly the pressure that we are having on carbon emissions, those ships will end their life at a point where commercially is going to be very difficult to market.

If you take a 10-year-old or maybe an 8-year old, which is not negotiated, so it is still burning quite a lot of fuel and you're sort of stuck with it until its end of life or natural end of life, you may find yourself on the wrong side of your bets at a later stage. And so that is, as far as we are concerned, it's one of the explanations that they'll be fine, and we wish those investors good luck. But it might not be a bad bet.

Obviously, you need to market those units to the right people, to the people who can take vessels that are more than 15 years of age, and you know that the market structure is not -- the majority of the people don't like those vessels. But if you're a niche player, then you may enjoy it.

The second part of your question relates to Suezmax. And I have a big smile on my face because I have the impression people always want more, they want more, they want more. I mean we sold 4 Suezmax since the beginning of the year. We sold 1 very recently, admittedly 1 that we had in joint venture, but nevertheless, we sold 1. And we will continue to explore the market for opportunities.

If we think that it's the right price for an asset that we are happy to be rid of, then we'll definitely execute on it. And if not, we'll be patient. So the focus is not so much to have a policy on those things. The focus is always to try to create value for the company and obviously, for its shareholders.

Eirik Haavaldsen

Yes. No, I agree. But just -- and then one follow-up, if I may. On -- I mean when you then look at opportunities that are coming across over the next, say, 6 to 12 months. With your share price, where it is right now, do you think -- is that keeping you or refraining from potentially investing? Do you think that is -- well, yes, as simple as that.

Hugo De Stoop

No, I'm not sure it's refraining us from investing because investment is too full at Euronav. There is investment which has reached renewal. And when you're selling a number of ships, then obviously, you need to reinvest that capital. We did so at the beginning of the year and I'd say we could do more especially because values right now are attractive. So that's one side where you don't involve the equity or you don't involve it too much.

The other side is if you are offering us a generic deal and people are not accepting our share at LNG. So they are only accepting the price as what they see on the screen, that's going to be a lot more difficult for us. You will remember that when we did generate, we were trading slightly above NAV. Those guys were trading at 40% or 50% discount to NAV. That's possible. So we can trade at a discount to NAV. And if the company we acquire trade at a further discount to NAV, you're still creating value for your shareholders.

But if you ask us to pay with our shares at the screen price for an asset at what I would call NAV, I don't think that's going to be very popular within Euronav.

Eirik Haavaldsen

All right. And I'm always going to be on your call.

Hugo De Stoop

Very good. And hopefully asking questions.

Operator

And the next question comes from Geoffrey Scott with Scott Asset Management.

Geoffrey Scott

Given the COVID disruptions, has there been any flexibility from the classification societies on the timing of special surveys?

Hugo De Stoop

That's an excellent question. Thank you so much for asking it. And the reason why it's an excellent question is because the answer is yes. And it may explain why we have not yet seen a big volume of ships being taken to the recycling yards or to the scrap yards as some people call them.

So yes, definitely, there was a big shutdown and then major delays in mostly the Chinese yards, who -- some of them specialize in providing a dry dock survey service. And so yes, there was definitely flexibility simply because otherwise, people would have had to stop their ships. That flexibility is not given blindly. So the classification society will be very careful before they extend certificate. And we would certainly want to inspect a number of things on board the ships even remotely.

But definitely -- and we were in that can. That's also maybe why we have concentrated so many ships in such a short period. So we did benefit from expansion from classification societies. And hopefully, that explains why we haven't seen yet a flurry of ships being taken to the recycling yard because they received the allowance to continue trading.

Geoffrey Scott

You put out an excellent chart on the potential catalyst for -- from 186 surveys next 2 years, and it's broken down by quarter. It was on, I guess, Page 25 of your September presentation. In Q2, you list 20 ships that were over 20 years. And in Q3, you list 5 additional ships that were over 20 years. How many of those 7 and how many of those 5 actually went in for special surveys since they didn't go for demolition?

Brian Gallagher

Let me to jump in, Hugo, on this.

Hugo De Stoop

Yes, go ahead.

Brian Gallagher

This is Brian Gallagher, Head of IR. And we haven't -- I don't have the direct numbers there, but we -- that I think, with the exception of 2 of those ships, they're in storage contracts. So they're not part of the world trading fleet. So they have to go through their own particular survey to make sure they still can engage in that sort of activity.

So I know it sometimes looks a bit strange to have vessels of this sort of age. But they're not so shipped to we encounter in terms of that trading because obviously, when you're a trading ship, you have to have regular vetting and regular inspections, which means these are obviously ships where they're doing storage contracts are not involved in. So I'm not aware of the exact detail of how many of those have gone through their own specific survey. But our view would be and certainly from the trading platforms like Titan International, as we're expecting maybe a swap out to start occurring soon of some of this storage tonnage being replaced with some of the slightly younger vintages leaving the world trading fleet.

From our perspective, the effect is the same, you're getting the world trading fleet actually reducing in size. But I can maybe take this offline and I'll come back to you at later date with some more specifics when we get details on that specific question.

Operator

And the next question comes from Quirijn Mulder with ING.

Quirijn Mulder

Quirijn Mulder from ING. Can you tell me something about the situation with regard to the offshore store? Do you have still the contracts in, let me say, in the coming months? Or is that all gone?

Second question is about your -- you speak about the medium-term improvement. What do you expect is that maybe second half 2021 when you see some improvement is, let me say, assuming that the OPEC+, let me say, moves forward to September 2021. And then -- yes, and I will pose my question -- final question later on.

Hugo De Stoop

So that's good. You know the rules. It's only 2 questions, but we'll make an exception. So the first one is storage. So as far as Euronav is concerned, we still have 2 VLCCs that need to finish performing a 6-month contract. And I think that's a little bit the case for the rest in the industry where we are very, very far off the peak. Brian can help me, but I think there is maybe another 20 VLCCs which need to finish their storage contract -- temporary storage contract. And of those, a number of older ladies that we would definitely not expect to see coming back to the market. But Brian can give you more specific numbers in a minute.

As far as the -- our prediction about when the market will come back, well, you know us very well, and you know that we are no fools. So we will say we don't know. It depends very much on what the second wave of COVID impact will have and how long it could last. And it will also, and maybe more importantly depend on how many ships are being struck during this downturn in the market. So if you give me those 2 elements, then I will give you a perfect answer.

Brian Gallagher

In terms of the Hugo's answers, I mean, yes, we think there's about maybe 30 VLCCs that have got to come out of storage, and that's been very stubborn over the last 2 or 3 months. But we think the number on Aframax and Suezmax has fallen a long way from the peak we saw in May and June, where we saw 70 and 80 of those vessels being taken up for storage. That's down to about 15 or 20 now, we think, which is going to come back. So still a bit more to go. It's more of an overhang which is -- than anything else in the floating storage element.

Quirijn Mulder

Okay. And my final question is about Iranian ships. So let me say, the political question here is if Joe Biden wins, then you might expect some extra flows of oil from that country and that will not take a little fine in my view. But so what's the situation with regard to the Iranian ships? Are they still, let me say, used for storage or let me say, legal saying to Egypt and other areas to put some oil there? Is that -- and how many vessels are in your view, idle and cannot be used anyway?

Hugo De Stoop

I -- well, I think that the start of the answer should be when would we expect if Joe Biden is elected, when would be expecting him to reenter the deal with the arenas. And I think that we have to be realistic here.

If we were him, and God knows that we're not going to give him any advice, it would not -- it would probably not be the top of our agenda, so is not going to be a top priority. Secondly, we know that by leaving the deal, the Iranians have continued to do the research on nuclear programs. And so they will need themselves to agree to reenter the deal and to disclose everything that they have done in the meantime.

So I don't think that you're looking at a situation where Joe Biden gets confirmed tomorrow or maybe today and next Monday or maybe on the 1st of January when he's sworn in he's saying, well, my top priority is to deal is -- to find a deal with the Iranians because that's not possible, which is, in a way, very good, maybe not for the Iranians, but as far as our market is concerned, because it's likely to take several months, if not a year or two. And at that time, the situation that we are going through today certainly with the current restriction having impact on oil demand is going to be completely different.

As far as the fleet is concerned, I didn't -- yes. Sorry, Brian?

Brian Gallagher

No, carry on.

Hugo De Stoop

Yes. So as far as the fleet is concerned, I have the impression it's maybe the Groundhog Day, this movie where every morning, you wake up and it's the same day that starts again. We were in exactly the same situation when the Obama administration lifted the sanctions or struck a deal with the 6 nations and everybody was worried about that. And in fact, it's a fleet that has aged, that's the first point. It's the fleet that has shrunk, so it's no longer 40 VLCC. I think they are down to 32 or something like that. It is a fleet that part of it will continue to be used as storage and the other ones will necessitate a very heavy dry dock because when you keep a ship stand still, believe me, you're deteriorating your assets at a very, very fast speed.

So all in all, we're not too worried about those ships coming back and putting pressure because it's additional supply, it's not going to happen overnight. And quite frankly, we don't believe that there will be a deal very, very soon after if Mr. Biden -- Vice President Biden becomes the new president.

Brian Gallagher

One final point, which I think is often overlooked is that this isn't a one-way trade either. If the Iranian -- there isn't just Iranian ships, if there's a wider transaction that's agreed we'll come back into the marketplace and start stealing cargoes. If there's a wider deal to be done, then there'll be Iranian barrels on the marketplace as well. And historically, it's been Iranian ships that have taken those Iranian barrels.

So whilst there may be some squeezing out, I think this is often an overplayed situation that it's focused on. That's also important to remember, I think.

Operator

And the next question is a follow-up from Chadd on for Randy Giveans at Jefferies LLC.

Randy Giveans

It's Randy Giveans back on. Yes. Just 1 quick follow-up. Any updated status on the TI Europe? I think the last time we talked, that was still on a relatively short-term storage contract, but I think that was expiring here in October. So any updates around that?

Hugo De Stoop

Yes, very good point. Maybe we should have mentioned it in the press release that those are considered small deals that we do here and there. We have also chartered out 2 Suezmax. But that ship got extended for another 6 months at the same rate. So we are very pleased about it. And yes, we do also small stuff here and there on the sort of time charter market. We may not be as vocal as the others, but we keep an eye on that. And when we find good deals, we execute on them.

Operator

And that concludes the question-and-answer session as well as today's call. Thank you so much for attending today's presentation. You may now disconnect your lines.