

FY 2020 Earnings Call

Company Participants

- Brian Gallagher, Head of IR, Research & Communications and Member of the Management Board
- Hugo De Stoop, CEO & Member of the Management Board
- Lieve Logghe, CFO & Member of the Management Board

Other Participants

- Amit Mehrotra, Director and Senior Research Analyst
- Chris Tsung, Analyst
- Christian Wetherbee, MD & Lead Analyst
- Frank Galanti, Associate
- Gregory Lewis, MD and Energy & Shipping Analyst
- Jonathan Chappell, Senior MD
- Omar Nokta, Head of Shipping Research & Analyst
- Randall Giveans, VP, Senior Analyst & Group Head of Energy Maritime Shipping

Presentation

Operator

Good day. Welcome to the Euronav Q4 2020 Earnings Conference Call. (Operator Instructions)

Please note this event is being recorded.

I would now like to turn the conference over to Brian Gallagher.

Please go ahead.

Brian Gallagher {BIO 18733049 <GO>}

Thank you. Good morning, and afternoon to everyone. Thanks for joining Euronav's Q4 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 4th of February 2021, 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.

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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's website at www.sec.gov and on our own website, at www.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 those forward-looking statements.

Please take a moment to read our safe harbor statement on Page two of the slide presentation.

I will now pass on to Chief Executive, Hugo De Stoop, to start with the agenda slide.

Hugo, over to you.

Hugo De Stoop {BIO 4298483 <GO>}

Thank you, Brian. Welcome to our call today, wherever you are.

In terms of the agenda, I will first run through the Q4 highlights and some comments on our continued commitment to active capital allocation during the cycle before passing on to Lieve, our CFO, who will provide a full financial review of the net income statement and the balance sheet. Brian, our Head of Investor Relations, Research and Communication will look at the current themes in the tanker market, before I return to conclude our remarks and be ready to take your questions.

So turning to Slide four and the highlights page.

The last quarter of 2020 was undoubtedly a challenging one for the large crude tanker market. The major dislocation we saw in crude markets during Q3 and -- sorry, Q2 and Q3 which resulted in strong demand and requirements for tonnage dissipate as consumption of oil remained largely flat and supply of crude was artificially depressed by the OPEC+ production cost augmented with voluntary reductions.

These headwinds produced low freight rates below our P&L breakeven throughout the quarter, generating the loss on Slide 4.

While it's disappointing, we have to admit that this is the nature of the tanker market. The market is cyclical and volatile. On a more positive note, we have previously announced our FSO contract extension agreed in Q4, which further strengthened our business model with visible cash flow for the next 12 years.

The key news from our results, however, is management's confidence in our business, reflecting the commitment to repurchase another 50 million of our own shares, despite the current challenging freight markets and the likelihood that this market structure continues for much of 2021.

Why do we deploy capital now? Well, there are two reasons. Firstly, because we can as Lieve will show you, our balance sheet remains very strong, and our leverage is in the mid-30% compared to a target limit of 50%.

Secondly, we continue to be active in looking for the most attractive means to generate shareholder value. One of the most attractively priced assets available to us is our own equity.

Today, our share price indicates an equivalent newbuild VLCC at \$70 million. Share buyback are long-term investment as they have a permanent positive impact on earnings per share. But it doesn't mean that we will not be active in the S&P market itself.

Indeed, we believe that the lowest part of the cycle are also providing opportunities. Yesterday, we announced the acquisition of two eco-Suezmax which will be delivered in early 2022 in what we hope and believe will be a much stronger market.

This brings me to Slide five and the allocation -- the capital allocation at Euronav, which remains an important and key focus for the Board and management.

This slide may be becoming a bit repetitive, but the message behind it is critical. Euronav sees capital allocation in its entirety. Balance sheet strength means little unless it is deployed correctly and at best countercyclically. We have this potential and with the challenging market comes opportunities. Taking our leverage to 50% would provide \$700 million capability to expand.

The strength is there, even though we returned to our shareholders over \$350 million in cash dividends during 2020. The strength of the balance sheet enables us to do a number of things. It enables us to continue to pay a nominal dividend of \$0.12 per share in cash yearly, to continue to buy back our shares when we believe it is appropriate, and you will have noticed that we pivoted during 2020 toward more return of value via share buybacks.

The reason was simple. When we decide to engage in share buyback, we take our share price and translate it into a VLCC equivalent. We can directly see if that represents good value or not. This is about long-term investing, and Brian will cover this later in more detail.

Finally, our balance sheet means that we can look at fleet renewal or fleet expansion and more importantly, act swiftly on those opportunities, which, in shipping, is very important. Over the past two years, we have recycled around \$300 million in older vessel sales and deployed \$380 million in new VLCC capacity. And yet, our retained earnings have kept the balance sheet leverage very low.

Euronav can look to be opportunistic in growing, but we shall remain disciplined. With that, I will now pass over to Lieve Logghe, our CFO, for more details on the financials. Lieve, over to you.

Lieve Logghe {BIO 21321594 <GO>}

Thank you, Hugo. Moving to the operating results for the Fourth Quarter. EBITDA for Q4 2020 was \$36 million or \$0.18 per share. Net loss for the quarter to be reported is minus \$58.7 million. This result reflects the weak markets. Notwithstanding this negative results, Euronav was able to achieve a cash breakeven, thanks to significant efforts and further working capital reductions.

Additionally, Euronav sees the opportunity to schedule around 27 dry dockings to take place in the Fourth Quarter of 2020 and during 2021, of which a majority during this winter season.

Moving to the balance sheet. The company remains in a solid position with a very strong balance sheet. The book leverage ratio is 37.3%. This strong balance sheet was achieved, thanks to an exceptional level of cash flow generated in 2020, allowing Euronav also to further execute in a consistent way, the capital allocation priority by returning cash to shareholders.

In line with our policy and especially considering these uncertain economic times, Euronav continues to have low leverage amongst the lowest in our sector. I will now hand over to Brian Gallagher, our Head of Investor Relations, to run through some current market themes.

Brian Gallagher {BIO 18733049 <GO>}

Thank you, Lieve. Hugo spoke earlier on capital allocation and how central it is to our strategy at Euronav. Slide eight tries to illustrate this best with evidence of us doing what we say we will do. The blue line shows the newbuild VLCC price with the green line converting the Euronav share price into an implied new build price equivalent so in effect, the two lines should be equal, but they have not traded as such.

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This has given us the opportunity to repurchase shares, in particular during the Q3 and Q4 period of 2020, but also earlier in 2019. Buybacks are reflected in dots on Slide 8. We view this as a longer-term investment in the tanker cycle. What is also interesting is that the recent movement in both asset prices and the availability of those assets is upward moving, indicating that we might be seeing the early signs from asset prices about the direction of the tanker cycle.

An important part of the cycle is the recycling of older tonnage, and this is now covered on the following slide on Slide 9. Conditions for recycling are currently strong. Whilst this is a very busy slide, if we look back to previous periods when we had, 1, recycling values of a VLCC at \$80 million or better; 2, freight rates were low and with a challenging outlook, we got affirmative action in terms of fleet size reduction.

2018, in particular, saw 42 VLCC equivalents exit the fleet. And looking forward, there is also a catalyst or decision point for tanker owners in that 62 VLCCs aged over 17.5 years or more will have to go through special surveys during 2021. How the fleet size will reshape is always very difficult to predict, but conditions are favorable, with some resizing, with future funding and compliance on incoming emission standards, also part of the puzzle for owners of older tonnage.

But we do need consumption of crude to return to more normalized levels, (inaudible) front continues to disappoint, as Slide 10 now looks at.

On Slide 10, as I'm sure we have all experienced over 2020, a return to more normal activity in our lives has been constantly deferred. Slide 10 shows this in the form of the IEA and EIA global demand forecast from last summer and also January's recent updates and trajectory.

It looks like consumption will only return to the 2019 peak levels that we saw in 2022 at the earliest. And this assumes, of course, the most elements in this consumption return to normal. There is no way to sugarcoat this as especially lockdowns have recently become more -- less aggressive. However, as Hugo demonstrated earlier, that is why we have always structured Euronav with a very strong balance sheet at our center. This provides us with the opportunity to be opportunistic in fleet renewal, the capability to look and act on potential expansion as we have done with the Suezmax acquisitions, and longer term, invest in attractive assets such as our own stock when it is priced at a discount. But more importantly, we're in a position to navigate the cycle even if this were to be driven by a prolonged period of low rates for multiple quarters. Our balance sheet allows us to do this.

With that, I'll now pass it back to some concluding remarks with Hugo De Stoop, our Chief Executive. Hugo, back to you.

Hugo De Stoop {BIO 4298483 <GO>}

Thank you, Brian. So to conclude, there is a small change to our traffic lights. The restriction in oil supply mean that we downgrade and take our ton mine light from green

amber to full amber, reflecting a challenging market, which will most likely continue into the second half of 2021, at least.

At first sight, our traffic light summary may look a little negative. But at Euronav, we prefer to have our glass half full. The challenging freight market was difficult to manage is a feature our team are used to navigating and our balance sheet strength will support us during such periods.

There are, however, two overriding factors driving our optimism for the medium term. Firstly, a difficult freight market brings laser focus on fleet age. Globally, the tanker market fleet age is the oldest it has been since 2002, and yet, the order book is at a 25-year low. Regulatory and financing pressure is also increasing on all the tonnage and is here to stay.

Lower freight rates will be a key catalyst in resizing and reshaping the global fleet size. Secondly, challenging periods in freight markets provide the opportunity to act countercyclically. Our balance sheet provides us with optionality to act, but only in a disciplined way. 2021 promised to bring further test, but Euronav is in a robust health and looking forward to navigating such challenges.

With that, I will pass it back to the operator to receive your questions. Thank you, very much for your attention.

Questions And Answers

Operator

(Operator Instructions) Our first question today will come from Christian Wetherbee with Citi.

Q - Christian Wetherbee {BIO 15241632 <GO>}

I guess, maybe going to the capital allocation discussion, I think, is probably the best place to start. So you've made some moves here in the last few days. And so kind of getting curious about your perspective on opportunities in the market. So have we seen -- how attractive, I guess, are assets at this point? How much capital do you think you could deploy through what hopefully is sort of the current trough of the market before we potentially see a rebound?

A - Hugo De Stoop {BIO 4298483 <GO>}

Chris, thank you for your question. I think we indicated what we are prepared to do now. And I think it depends on the opportunities. But if you look at how much potential we have, knowing that the target maximum leverage is around 50%, that should equate to \$700 million that we could deploy without breaching that sort of self-imposed target.

But again, we need to remain extremely disciplined about what we do. I think that we have demonstrated that in the past. And to a certain extent, we will deploy that either in

share buyback or in opportunities that we see in the market. And as recently demonstrated yesterday, we can do both.

We can buy assets that are attractively priced, and we can also deploy further capital into share buybacks to the extent that the share price does not represent the value that we believe it should be at.

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Q - Christian Wetherbee {BIO 15241632 <GO>}

OK. OK. No, that's helpful. That \$700 million is a good number to kind of think about. And then I guess, kind of curious about trying to be optimistic in thinking about the potential for recoveries here. When you think from a macro perspective about a potential recovery, maybe it's in the back half of 2021, how quickly do you think sort of the demand dynamic can respond to that?

Do you think it's sort of a one-for-one relatively concurrent type of dynamic? Or has there been a shift at all in terms of better utilization from an energy perspective? I just kind of get curious how you think the tanker market could track a potential economic recovery?

A - Hugo De Stoop {BIO 4298483 <GO>}

Well, it's always very hard to predict the future, especially in a market that is influenced by so many factors such as the tanker market. There are geopolitical events influencing it. We know for sure that we have lost a couple of million -- well, a few million barrels, 6 or 7 million barrels of demand and that is very much due to COVID. How much will we recover this year or potentially next year is a question mark, so that's the first part of the equation.

I think once we are there and provided that the inventory levels are -- or have returned to the five-year average, I think that the cuts will be lifted and people will start to produce again as they were before. That will provide a number of additional cargoes into the market. And those cargoes will be picked up by the then available fleet. And when I say the then available fleet, simply because we expect the fleet to shrink between now and that time.

If I was the owner of an old vessel, and I was looking at a special survey, 17.5 or 20-year-old survey, that's a lot of capital that you need to inject into a vessel that for -- for which the utilization will be questionable. And as opposed to that, you can receive \$18 million, \$19 million for recycling your ship in a recycling yard. So we do hope that there will be a shrinkage of the fleet before we arrive to the point where the demand is back to where it should be.

But you can see that there are many pieces of the equation. And so as we have said in press release, we believe that '21 is going to be challenging. Of course, there is winter. When will the winter start this year? Will it be October, November, December? And at that point of time, how will the world fleet look like? It's difficult to predict. So we can only assume that a certain number of ship would have disappeared, that a number of cargoes would have come back and then return to equilibrium before seeing a much better prospect to our market.

Operator

Our next question will come from Jon Chappell who is with Evercore.

Q - Jonathan Chappell {BIO 3518567 <GO>}

Hugo, back to the capital allocation and then tying it into the announcement that you made yesterday, if your shares are trading at such a huge discount to the equivalent VLCC, I understand you need to keep modernizing the fleet and take advantage of opportunities, but it seems like that gap is still pretty wide.

So understanding the \$50 million buyback, why are you still buying ships today? Was there anything special about that specific transaction? And should we expect more towards capital return than asset purchases in these next six months during peak uncertainty?

A - Hugo De Stoop {BIO 4298483 <GO>}

That's a very good question. It's a question that we ask ourselves every time we have to make those decisions. And I think that the key word here is balancing our act. I think we are an operator for the long term. And so fleet rejuvenation is very important.

At this point, fleet rejuvenation comes with a cherry on the cake because the vessels that we are buying are far more economical than the vessels we sold last year. And so we're trying to balance what we saw last year with what we're buying and what we bought last year and what we're buying currently.

And that would be part of sort of one side of the equation, whereas the other side of the equation is purely looking at share price and seeing a disconnect. So I don't think that we can stop rejuvenating our fleet simply because the equity represents better value that will shrink the business over time to a point where we may have to buy assets to renew the fleet when they are priced at a much higher price.

And remember, only last year, I mean, Suezmax were exchanged for 67, -- well, \$67 million. So here, we're buying at \$57.5 million, which is a significant discount to what we have seen only recently. So we do believe that both are needed. And then let's hope that the share price recovers to territory where we don't need to act on those and then completely concentrate on buying for rejuvenation or even buying for growing the platform, which is our ultimate ambition, of course.

Q - Jonathan Chappell {BIO 3518567 <GO>}

Yes. That makes sense. And then for my follow-up, we read about the Suezmaxes yesterday as being LNG capable, but also potentially ammonia capable. So as we think about that latter part, could you talk about the capital investment that may need to participate in shifting those to ammonia?

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Bloomberg Transcript

And would you need to have a charter associated with that to have the charter potentially invest alongside of that new propulsion technology?

A - Hugo De Stoop {BIO 4298483 <GO>}

It's a very good question, but it's a difficult one to answer, you will agree with me because all those technologies are evolving and making very fast progress. And the more people are looking at them, the cheaper it becomes.

In a nutshell, those vessels are ready to be equipped with tanks that can hold the LNG. And what we are looking at is to make the structural arrangement on those vessels so that they can have additional tanks to hold ammonia simply because the ammonia is taking more space per sort of a kilowatt equivalent for the engine.

So that's very much the focus, is to make sure that if we arrive to a point where it makes sense to retrofit them, we can do that without changing the structure of the ship, which is the most difficult part to change.

The rest of the retrofit, I would say, will be what it will be, but it's a question of piping, and it's a question of adapting the engine for this new type of fuel, but we're still talking about an internal combustion engine. So we're not looking at changing the engine itself. It's really retrofitting the engine.

So once you understand what needs to be done, you can put some sort of a number on it. But it's probably the wrong number at this point in time. I mean you can talk about maybe \$12 million to \$15 million for a retrofit. And I think it will be the same number, whether it is for LNG or ammonia, but chances are that by the time you take the decision to do that, the market would have shifted and those costs would have shrunk to a point where it may not be necessary to attach it to a contract.

If it stays in the numbers that I mentioned, then I would strongly prefer to have a contract attached to it. Otherwise, we -- you may not recover your retrofit costs.

Operator

Our next question will come from Amit Mehrotra with Deutsche Bank.

Q - Amit Mehrotra {BIO 15408970 <GO>}

I guess, my first question is just an observation in the industry. Euronav is in a very unique position. You're the largest crude tanker, you have enormous scale, you've got a great balance sheet, you got low cash breakeven cost. There's one other company like that in a different vertical, and that company is Star Bulk in the dry bulk space. It has very similar kind of financial characteristics. And more recently, they've done several ships for share deals that explicitly valued their equity contribution at a 20%, 25% premium to what the public equity market is prescribing to them.

And that, of course, makes sense because the seller is prescribing a value to the liquidity that they receive in the market as a result of equity participation in the company. So your \$700 million, if I'm understanding it correctly, is just basically marking the balance sheet, it's really debt capacity or incremental debt capacity, if I understand it, But why not -- are there opportunities like what Star Bulk is doing for ship for share deals that explicitly or implicitly value your -- mark your equity higher than what the public market is doing. And you can actually grow quite a bit more if you pursue that path?

A - Hugo De Stoop {BIO 4298483 <GO>}

It's a very good analysis. And I have to admit that I don't spend too much time on what other shipping companies are doing, but I'm sure they're doing the right thing for their own company. As far as Euronav is concerned, if we could acquire ships for shares, and we would be able to price our share at NAV or potentially at a slight premium to NAV like we did in the past, I think that we would accelerate the consolidation, we would accelerate the growth of this company without a doubt.

The fact that the share price has not been performing very well, probably in the last sort of 18 months or certainly not at the level where we want the share price to be, has somehow prevented us from, I would say, continue what we have started 15 years ago.

You may remember that 15 years ago, we were a fleet of eight vessels. And today, we stand at 75. And we have used, from time to time, the equity, I mean, certainly on three occasions to buy much bigger fleet. So I don't think that we need to create a confusion between the \$700 million that we can deploy, that could be for fleet acquisition, that could be for a buyback, that could be for many other things and the capacity to grow the platform using the equity. As far as we are concerned, we make very much a distinction between using debt to acquire ships and using equity. And I guess that has to do with the size of the deal.

So if tomorrow, you or your colleagues at Deutsche Bank come with a fleet that is of substantial size and very good quality, modern ships, and say that the seller would like to exchange these ships against Euronav equity priced at NAV and hopefully at NAV plus a small premium, we would be the first one to look at the tile and engage in conversation with you and the people that you represent.

Q - Amit Mehrotra {BIO 15408970 <GO>}

Yes. And well, that's great to hear. And I know those deals are few and far between, but we have three, four examples of this happening. For the first time, a real platform within a certain vertical is actually getting credit for that platform in the form of being able to do a deal at NAV relative to public equity markets.

So just -- it's encouraging that, obviously, you're open to that, but maybe that's something where stars have to align and the seller has to feel the need to do it. Just one last question for me, if I could? The spread between the high and low sulfur fuel has bounced pretty nicely off the bottom. I think late September, early October is when it kind of reached its bottom.

How does that impact the TCE dynamics for the company? Obviously, I know you're adding some vessels with (inaudible) systems. But one, I just want to understand, you made a big buy in VLSFO this time last year. Obviously, I think that was just protection against disruption in supply, which may be not be an issue right now.

But just talk to us as that spread continues to expand, what are the TCE dynamics that we should consider for Euronav?

A - Hugo De Stoop {BIO 4298483 <GO>}

It's a very good question. And so I will take maybe two minutes to answer it. First of all, I think that the current spread is there to justify a scrubber on a new building, which is far less expensive than a retrofit. And when you look at the retrofit, it continues to be, to our minds, too expensive compared to the potential return you can extract from that spread, which is anywhere between 90 and maybe 110 when you look at the forward curve for the next two or three years. So that's the first part of the equation.

The second part is when you translate TCE, you can translate that very superficially, and very superficially means that you will take into account a VLCC consuming maybe 55 or 60 tonnes per day and then you multiply by that spread, and you say, OK, I'm at 5,000 or 6,000 difference in TCE.

I would like to take this opportunity to point out to all of you on this call that last year, despite the fact that the spread was maybe a little bit lower than what it is today, it was for the First Quarter, well in excess of \$100; for the Second Quarter and the Third Quarter maybe at around \$40 or \$50; and then in the last quarter and currently, it bounced back to around \$100. So it represents, on average, about the same spread for the year.

Despite that, and at that time, Euronav did not have one scrubber put on any of its vessels. We had very similar, if not superior, TCE to the competition that has put a scrubber in place. It tells you one thing, and that thing is, there is the way you operate your vessel is equally important to the equipment you have on your vessels.

So if you find ways to decrease your consumption because you have very good people on board and very good people assure sending instruction to the vessels, you may outperform people who have installed kits but maybe care less about the quantity that they consume. And let's not forget that we are entering to a world where the consumption is directly linked to the emissions, and so we should all pay more attention to whatever we consume, be it HSFO or LSFO. Sorry to have taken a little bit more time to answer a simple question.

Operator

Our next question will come from Omar Nokta with Clarksons.

Q - Omar Nokta {BIO 7528692 <GO>}

I just wanted to circle back on the LNG ammonia, future capabilities potentially on the two Suezmaxes. And I just want to make sure I understand in response to -- when you were talking with Jon in response to his question, I wanted to understand if you were to go down the path of retrofitting the ship, say, with LNG after delivery, does that effectively still make a dual fuel as if it were a new building constructed that way or is it different?

A - Hugo De Stoop {BIO 4298483 <GO>}

No, that's correct. That's correct, but it could be a choice. You could retrofit into a dual fuel, which would certainly be our preference because you would then be more flexible, I would say. But you can also retrofit into a single fuel. The cost will be very similar, and therefore, I prefer to remain flat to withhold the flexibility and reconvert into a dual fuel.

Q - Omar Nokta {BIO 7528692 <GO>}

OK. Got it. Yes. And do you think sort of that this will kind of become an industry standard across all ship owners as they look to place orders in the future that maybe the technology isn't there or the long-term contracts aren't there for, say, the LNG component? Do you think the industry standard is going to be ordering a ship, but with component potential or compartment potential for LNG and ammonia?

A - Hugo De Stoop {BIO 4298483 <GO>}

I wouldn't be surprised that they do it. We have seen a number of ships being so-called LNG-ready being produced and already for some years. I think that the price to retrofit dual ships is still relatively expensive. And as I mentioned, absent of a contract, I don't see people doing that on a voluntary basis.

As far as the two technologies are concerned, today, you can build already new dual fuel, conventional fuel plus LNG vessel. So some people may choose that option, and you've seen that there was an order placed for two VLCCs last year, and there is rumor in the market that another 10 VLCC will be ordered with that technology, the dual fuel, conventional fuel oil and LNG.

As far as the ammonia is concerned, we don't believe that will be possible before '23, potentially '24. So don't expect to see that hitting the water before that time. And so in the meantime, people will continue to scratch their head and have to make a decision between, OK, do I order a conventional ship with the possibility to retrofit later, but today, it is clearly more expensive than doing it immediately at the yard and ordering a dual fuel vessel.

Do I wait for the dual fuel capability to be dual fuel with the ammonia kit? And you have seen that hydrogen and ammonia have gained some traction, certainly in 2020. So there is still a lot of unanswered questions out there. And we feel -- and we're certainly in that camp as well, we feel that from that point of view, the order book will continue to be restrained as long as a technology has not clearly been selected by a sector such as the tanker sector.

Q - Omar Nokta {BIO 7528692 <GO>}

That's helpful. And maybe just one quick follow-up, hopefully, quick. Brian touched on this a bit when it came to the discussion on asset value and just wanted to see from maybe your perspective as a tanker owner -- a leading tanker, owner who's been active in buying and selling ships over the past several months and throughout history. Maybe just could you give us a sense from right now how you see the sale and purchase market via your eyes relative to, say, how it had been, say, three months ago or six months ago?

A - Hugo De Stoop {BIO 4298483 <GO>}

Much more active when we participate to -- I mean, it was not really a tender, but we had to bid for those two vessels. I think we had six or seven contenders, which if you look at a similar event three months ago, we may have seen two to three. So I think that people are really believing in the turn of the market into a positive market for some time into '22. And it seems that all the fundamentals are there to demonstrate that it should be the case.

So it's a much more active market. Now that doesn't mean that it's going to be more difficult for us because when you see the price that we, in the end, paid for it, it is still very attractive from a historical point of view for vessels that are of that quality.

Q - Omar Nokta {BIO 7528692 <GO>}

And sorry to just ask one more on that. You mentioned six participants in this tender versus, say, two to three on a similar deal three months ago. When you did the four VLCCs, just for context a year ago, can you recall how that one looked?

A - Hugo De Stoop {BIO 4298483 <GO>}

We did three and then one. On the three VLCCs we had two contenders, and they were not shipowners for one or the other reason. So there were funds or a special purpose vehicle set up by investors. And that was the critical element that made us win the deal.

And then on the fourth one, it was a private transaction between two shipowners. So there was literally no one involved. And so we could grab them in a very short period of time, and that's a little bit what we're trying to express also in this presentation that the fact that you have a strong balance sheet and a good reputation and certainly a good reputation to execute on a deal very fast is an advantage in this market. We're certainly not uniquely placed there, but it's not a very crowded scene either.

Operator

Our next question will come from Greg Lewis with BTIG.

Q - Gregory Lewis {BIO 7351123 <GO>}

Hugo, so I just wanted to ask, I guess, like last week or in the last two weeks, there was talk about carbon-neutral VLCC that moved from, I guess, it was at Oxy Cargo from the Gulf of Mexico to India. Just as realizing that there's a lot of offsets and et cetera, is that something that Euronav and the companies like yourselves are -- are those discussions

now picking up where we're talking to existing oil suppliers about trying to figure out ways to deliver these -- start to deliver carbon-neutral cargoes?

And really, I guess what I'm wondering is whether -- I guess, is this something that is happening? Or was this something that was really just done at the oil major level? I'm just trying to figure out if there's any way you got the company -- the industry can get involved in kind of delivering those types of cargoes?

A - Hugo De Stoop {BIO 4298483 <GO>}

Yes. We are seeing the beginning of this kind of conversation. It is very discrete and very unique at the moment. We believe and we hope, to a certain extent, that it will be more popular going forward. We are studying that specific case that you're mentioning, which I found very interesting. We had been proposed in the past by Occidental to transport cargo in some sort of a neutral way because Occidental, you may have seen the CEO very recently claiming that Occidental was doing more good to the planet than Tesla because of the carbon capture system that they have.

I'm not going to comment on that, but it was an interesting declaration, I would say. Occidental is relatively unique because they are using the carbon that they're capturing to reinject into the oilfield in order to maximize pressure and extract more oil. So there is obviously a debate around the purpose of capturing carbon and then using it to produce even more fossil fuel. I'm not going to enter into that debate. I will just say that whatever carbon you capture and you reinject, and it's not going to the atmosphere, for me, is a good thing.

So if we have the possibility to service customers who are interested in that and join forces to try to minimize the emissions, I think that we will definitely be interested in doing so. And at the end of the day, it will always be a question of economics, which I believe will go down over time because there is a lot of technologies that are being studied out there.

And I suppose that some of them will be very successful. And I really hope that some of them will be very successful. So it will be part of the equation going forward.

Q - Gregory Lewis {BIO 7351123 <GO>}

And then realizing that the cargo hasn't been around -- I mean it's only been like a week or two, was there any way for you to understand or have you been able to track -- do we have any sense for whether the vessel maybe was going a little bit slower to be more fuel-efficient? Or we don't have that type of granular detail on the cargo?

A - Hugo De Stoop {BIO 4298483 <GO>}

I don't have -- and we don't have that type of granular detail around the cargo, but we enjoy a very good relationship with both Occidental at which we have one ship on TC and have done numerous spot voyages for them.

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We also have a very good relationship with Equinor. So we will certainly take the time to analyze in a little bit more detail. As I said in my previous comment and earlier comments, you can decrease the amount of emissions, therefore, the amount of consumption that you may if you really pay attention to what you're doing in terms of operating the ship. And that goes from slowing down to investing across the fleet into some weather routing systems, current systems, even systems using some sort of artificial intelligence. And we very much invest into those systems in the last two, three years, and they are paying off at the moment. And the best example that I can share with you is what I said earlier, which is that despite the fact that we didn't have scrubbers, and we had some sort of a handicap compared to the guys using scrubbers, we have achieved very similar, if not superior TCE. So very happy about that.

The race is a long race. We're certainly not finished with our efforts to operate the ships the best we can. And I think the next step is going to be about collaborating with our clients and with the terminals because too often do we see that the ship is arriving into a terminal way too early and has to spend days at the anchorage still with some hopes that the engine is running, but more importantly, having accelerated or having had a speed that did not correspond to the real-time at which the vessel was needed or the cargo was needed.

So I think that the industry has so many opportunities to decrease the consumption and the emissions, that I really would like to see an effort, but it has to be a collaborative efforts between all the parties involved in a voyage.

Operator

Our next question will come from Randy Giveans with Jefferies.

A - Hugo De Stoop {BIO 4298483 <GO>}

How is the last ticker going?

Q - Randall Giveans

Great. The recent new build is performing well above expectations. So doing great.

A - Hugo De Stoop {BIO 4298483 <GO>}

We say behaving, not performing in your case then.

Q - Randall Giveans

Behaving. There you go. Exactly. That's been good. So last year, around this time, obviously, the focus was on VLCC expansion, those four VLs that you're getting this month -- next month. Now the recent focus has been on Suezmaxes with the two time charter-ins and the two resale acquisitions. So is that solely to better balance the fleet? Or is there a reason you're more bullish on Suezmaxes as of late?

A - Hugo De Stoop {BIO 4298483 <GO>}

No. Very clearly, it's a question of opportunities. A week before we did the Suezmax, we were bidding on two VLCCs. We had bid the price that we thought was creating the most value. We didn't get those. They went to someone else at a price that we were not prepared to pay. So it demonstrates that it is not a question of which size, it's more a question of what makes more sense in terms of a return.

Q - Randall Giveans

Sure. OK. And then I guess one other question. Looking at your FSO, that extension there, the EBITDA contribution, kind of the return on that. Again, not necessarily a core asset for you nor for INSW, so any thoughts or updated thoughts there on either selling that portion of the JV or the opposite, like, buying it from INSW?

A - Hugo De Stoop {BIO 4298483 <GO>}

It's certainly something that we're studying, and we're studying jointly with our partner. It's obviously a very good extension given 12 years of visibility. We recently signed it, and we had two years to go into the old contract before moving to the new contract.

So those things need our attention, needs us to analyze the market, analyze what is possible, whether it's a refinancing, whether it's a buyout of our partner, whether it's a partner buying us out, or whether it's a sale, all of that is being analyzed at the moment.

And I do not believe that there's an imminent answer to it because we want to be careful into what we are doing. And I guess that every option has its pros and cons, and that's what we need to make sure. We have analyzed in depth, and there will be some arbitrage in the market as well between the different type of instrument certainly for the financing side.

So we will report in due course, but we're not in a hurry to take the wrong decision. We're certainly patient to make sure that we take the right decision.

Q - Randall Giveans

Perfect. Good deal. Well, yes, that's it for me. Obviously, great job on the buybacks, pulling forward the drydockings, so keep up the prudent work.

A - Hugo De Stoop {BIO 4298483 <GO>}

Yes. Thank you, very much for pointing out the drydockings. No one has asked that question, but if you realize that we have pushed back a lot of drydocks and then brought early some drydocks. And if you believe that last year, the TCE average was 54,000 and today, we are around 15,000. That's a difference of 40,000 x 27 vessels x probably 25 days in drydock. That's what, \$27 million that we are saving. So that should not go unnoticed. Thank you.

Operator

Our next question will come from Ben Nolan with Stifel.

Q - Frank Galanti

This is Frank Galanti on for Ben. I wanted to follow-up on the Suezmax's new buildings -- new builds in general. I appreciate this is somewhat in the future. But with useful life over 20 years, new build, it's effectively splitting the useful life before and after IMO 2030. How do you think about the risk of premature obsolescence on that vessel? Or I guess another way of asking that, how do you think about having to make an investment and only have a portion of its life of the asset to amortize that investment?

A - Hugo De Stoop {BIO 4298483 <GO>}

It's a good question. But to a certain extent, we were hoping to have partially answered it by the fact that we're preparing the ship for retrofit. So when you think about that possibility, and I've mentioned how much it would cost today, and so you can very well imagine that tomorrow or at the time where it may become obsolete, it will cost far less.

I think that it's not completely correct to say that we have purchased a vessel that will become obsolete at sort of mid-life point. So that's the first part of the answer.

The second part of the answer is that there will be a transition. So when you look at 2030, you're not looking at individual ships, you're looking at fleet. And so your fleet needs to have on average, a decrease of emissions of 40% compared to 2008.

Now if you compare 2008 and what we bought already for some period of time because all the eco ships were already a big -- well, big progress in terms of emissions, we are already at probably 30% to 35%. When I started at Euronav, a VLCC would easily consume 80 to 90 tonnes a day. And today, our most economical VLCCs would consume 52, 53 tonnes a day. So you can clearly see that there is progress.

On top of that, we are investing in technology, most of it is digital technologies that will enable the ships to consume even less. When I compare -- when we compare the vessels that we are buying today and we can see that will retrofit which is not engine retrofits, but simply looking at the looking at the rudder, looking at the propeller, looking at the type of paint we put on the vessels that are going to drydock, there is a significant decrease of the consumption.

And I believe that we will not stop progress, and Euronav is prepared to even participate to those progress in the research and development of some of those things that can decrease the consumption. So if you look at it today, of course, you may see it as a static world. But the fact is, it's -- we live in a dynamic world, we live in a world where human beings are capable of reinventing themselves, they're capable of looking at different solutions. And then the price of them will depend on how many people adopt it. But if there are enough people adopting it, chances are the cost will not be too expensive. And we have seen that happening many times in shipping, where the retrofit was being used in order not to let ships becoming obsolescent.

So that's a little bit philosophy that we have at Euronav. We will certainly participate in the new technologies. As I said, there are vessels, which today can be using two sort of fuels

and that is LNG and LSFO. Tomorrow, in a couple of years, it will be fuel oil and ammonia and between now and then, the market may have shifted towards one or the other fuel technologies, but we will always be there to try to have assets that are as flexible and as future-proof as possible.

Q - Frank Galanti

That's really helpful. And kind of, I guess, following up on that last part you made -- last point you made, specifically on ammonia, how did -- how was the decision made to try and add that as a future-proofing fuel technology? Can you kind of go more into that decision? Were you looking at any other options outside of the LNG? And then secondary to that, and this is -- I understand this is a hard question to answer, but looking for more of a range. For the cost of ammonia relative to fuel today, how much more expensive is that? Is it like a 2x or 5x? What are you anticipating from a fuel cost increase if you switch to ammonia?

A - Hugo De Stoop {BIO 4298483 <GO>}

So first of all, I mean, there was many questions in one question. So how is our decision-making going about it? I think this is -- this has entirely to do with future-proof. Today, clearly, there are only two technologies available to us for the future, and that is either LNG and usually combined as a dual fuel, of course, either LNG or ammonia. LNG is ready today. Ammonia is being developed as for the new build as much as for retrofit. And most of the yards that are capable of building the type of vessels that we operate as well as the two only engine manufacturers have declared that they will be ready probably by '24 or '25 maximum.

So that's the first part. So if today, you are -- you have a chance to buy a contract because let's not forget that this is also very important for us not to add more tonnage unnecessarily to the market. So we bought into an existing contract, those ships were going to be built.

And so we looked at it and said, OK, we are ready for the LNG. Ready for the LNG means ready to retrofit. And so we have -- we are vertically integrated. We have the chance and the luxury of having many engineers working in the company because we have our own ship management, that's what I mean by vertically integrated.

And so those people are constantly thinking about improvement, but also the future of tanker shipping. So we have been studying the ammonia capability for quite some time now. And so it was a natural reflex to go to yard and say, "OK, we have had a conversation in the past, now what can we do to best prepare the ship for that potential option in the future?" And that's what we're doing. So it's not very complicated. I don't think it will cost a lot of money at this point. So it's definitely an option that we want to take.

As far as the price of the fuel is concerned, it's a little bit too early to decide because on the LNG, today, it seems to be slightly cheaper than LSFO. The infrastructure is being put in place. But obviously, we are talking about a fossil fuel type of fuel. And so it doesn't solve the entire equation of zero emission.

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There might be carbon capture system in the future solving or reducing further, and we can net it off. But quite frankly, it's still being called the fossil fuel, and so I think that you have a lot of people praising it and a lot of people criticizing it. And that's why it's not clear whether it's going to be the winning technology or not, but we continue to be interested in looking at it.

As far as ammonia is concerned, today, if you want green ammonia because if you're talking about brown ammonia, then it's a zero-sum game or it's even worse than what we have today. You're talking about probably 3x the price of LSFO today. Now that's today, first of all, and that's because producing ammonia today is fairly expensive -- green ammonia, as the price of electrolyzers, for instance, are very expensive, especially when you're talking about huge electrolyzers and to a certain extent, electrolyzers that have not yet been produced.

Again, the more, the cheaper it will be. So if suddenly, you have the industry that decides that's the right type of fuel, then there will be a number of infrastructure projects that will be put in place to produce green ammonia, and we can expect that the price of electrolyzers will go down.

Then if it's green, the electricity has to come from renewable sources, and that's another part of the equation, which means that the price of it today is 3x.

Now there's been a lot of talks around a carbon levy, and the carbon levy is supposed to compensate for this excess price. So today, it doesn't exist, and it's simply 3x as expensive, and I don't anticipate many of our clients willing to pay 3x more for the fuel.

Tomorrow, it may be exactly the same if there is a carbon levy. And God knows that it's something that has been discussed in the industry for a long time. It's something that the European may put in place in one way, shape or form, but it's also a discussion that is being held at the IMO, which would cover the entire world, which is, for us, much better than just talking around the European continent.

Operator

Our next question will come from Chris Tsung with Webber Research & Advisory.

Q - Chris Tsung {BIO 3492164 <GO>}

Hello?

Operator

Yes. We can hear you, Chris.

Q - Chris Tsung {BIO 3492164 <GO>}

It's been a long call, and most of the good questions have been already asked around capital allocation, fleet composition. I guess I just wanted to throw in a quick one regarding the spread that you touched on earlier. With the amount of fuel that you guys have stored up in the Oceania, with the spread widening a bit, has the strategy changed? Is there like a target spread that you guys are looking in order to kind of draw down more or is business as usual?

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A - Hugo De Stoop {BIO 4298483 <GO>}

I think that from this point onwards, it's going to be business as usual with a touch of Euronav, I would say, strategy or trying to always improve things. What I mean by that is, we have learned a lot of lessons. And certainly, one of the lessons that we have learned is that buying in bulk, lots of 40,000 or 50,000 tonnes instead of 1,500 here and there to just refuel a ship here or a ship there, has a great advantage in terms of pricing but also in terms of quality control.

So you can expect us not to report any more on it. That project is now closed, and as we said in the press release, has been overall profitable. And I'm very proud of the team that did that because a year ago, when we were reporting Q4 and more particularly Q1, we were at minus \$55 million mark-to-market, and so overall, the project has been profitable with no impairment whatsoever. And I think that's very much the Euronav style.

But going forward, you cannot expect us to report on it because it will be integrated into the procurement of the fuel, in general. But we do hope to continue to benefit from what we have learned, which is very much a discount to what the market is pricing.

Q - Chris Tsung {BIO 3492164 <GO>}

Fantastic. Yes. That's great perhaps to the team, congratulations on that. And just one quick follow-up on modeling-type question. You guys said that there's 27 drydockings for Q4, Q1.

How many have already -- how many vessels have you already drydocked in Q4 and how many more for Q1?

A - Lieve Logghe {BIO 21321594 <GO>}

So indeed, we had six completed in Q4, of which two started and to be completed in Q1. And then we have eight which are shoved for Q1 2021. Then the rest are for dual.

Operator

This concludes our question-and-answer session, and the conference has now concluded.

Thank you for attending today's presentation.

You may now disconnect.

A - Hugo De Stoop {BIO 4298483 <GO>}

Thank you, all.

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