



Deutsche Bank analyst Amit Mehrotra speaks at a Capital Link conference in 2019. Photo: Capital Link

CMB attempt to force Euronav merger ‘corporate governance misstep’

Deutsche Bank analyst blasts attempt to use ‘other people’s money’ on ‘speculative’ investment

14 April 2022 16:20 GMT *UPDATED 15 April 2022 6:32 GMT*

By [Joe Brady](#)  in [Stamford](#)

Equity researcher Amit Mehrotra is rarely shy about taking a strong stance on the shipping stocks he covers, and on Thursday he made his opinion quite clear on the prospective merger between tanker owners Frontline and Euronav.

Euronav plus Frontline is good.

Euronav plus a decarbonisation arm of Belgian owner CMB? Not so much.

“The shipping industry has a history of failed attempts at using other people’s money to make long-duration and speculative investments. In this context, it appears CMB is attempting to use its relatively small \$370m investment to exert control over [Euronav’s] many billions in assets,” Mehrotra told clients in a research note.

Long string of missteps

“This could well add to a long string of shipping’s corporate governance missteps that, unfortunately, the industry is notorious for.”

Mehrotra’s stinging critique of the Saverys family’s attempt to block the tanker combination stood in contrast to his warm embrace of the proposed deal, which has been agreed on a term sheet but needs work on contact details.

“We have always placed a premium on companies with good corporate governance and capital allocation. And [Euronav] has been an industry leader in this regard. In this context, we believe the choice is simple,” Mehrotra said.

The Deutsche researcher reminded that he has long been a fan of Euronav management, saying in a client note about two years ago that the Belgian owner had carried out “a master class in capital allocation”.

At the same time, he had lamented public investors’ failure to value the New York-listed owner at even its net asset value, suggesting at one point that Euronav go private.

“In our judgement, the biggest hurdle [Euronav] has faced in this regard is financial scale,” he wrote on Thursday.

“The merger with [Frontline] would fully address this issue, in our view — and make [Euronav] big enough with respect to market capitalisation to attract larger institutional investors for the first time since its creation. And it would do so while preserving its strong balance sheet.”

Growing chorus

With his note, Mehrotra joined the growing chorus of analyst voices backing the proposed merger, which would see the surviving company take the Frontline name under the leadership of Euronav chief executive Hugo De Stoop and majority control by Euronav directors.

CMB chief executive Alexander Saverys is trying to convince Euronav shareholders to reject the merger and instead combine the company with CMB.Tech, the Belgian group's shipping decarbonisation outfit.

The company also wants to change the Euronav board at its shareholders' meeting in May.

[Tankers](#) [Euronav](#) [Frontline](#) [Deutsche Bank](#)

TRENDING TODAY

Business Focus

Sembcorp
Marine's 'green'
revolution starts
to pay dividends

Containerships

K Shipbuilding
set to land debut
container ship
newbuilding deal

Regulation

Singapore names
Glencore as
source of
contaminated
bunker fuel



TradeWinds is part of NHST Media group. To read more about NHST Media Group, [click here](#)