

Euronav

Fourth Quarter 2022 Earnings Conference Call

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CORPORATE PARTICIPANTS

Hugo De Stoop - *Chief Executive Officer*

Lieve Logghe - *Chief Financial Officer*

Brian Gallagher - *Head of Investor Relations*

PRESENTATION

Operator

Good day, and welcome to the Euronav fourth quarter 2022 earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your touchtone phone. To withdraw your question, please press star, then two. Please note this event is being recorded.

I'd now like to turn the conference over to Brian Gallagher, head of investor relations. Please go ahead.

Brian Gallagher

Thank you. Good morning and afternoon to everyone, and thanks for joining Euronav's Q4 2022 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 2nd of February 2023 and may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements reflect current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events, performance, underlying assumptions, and other statements, which are not statements of historical facts. All forward-looking statements attributable to the company or to persons acting on its behalf are expressly qualified in their entirety by reference to the risks, uncertainties, and other factors discussed in the company's filings with the SEC, which are available free of charge on SEC's website at www.sec.gov and on our own company's 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 that 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 two of this slide presentation.

With that, I will now pass over to chief executive, Hugo De Stoop, to start with the content slide on slide three. Hugo?

Hugo De Stoop

Thank you, Brian, and good morning or afternoon to wherever you are, and welcome to our call. I will run through the Q4 highlights before passing on to Lieve Logghe, our CFO, who will then highlight key factors over the quarter and important work the finance team have done in increasing, again, our liquidity through sustainable financing. After that, Brian will run you through some current market trends before I return to summarize our strategy and where we believe we are in the current cycle and outlook.

Q4 was the breakthrough quarter we've been pointing at in our last two calls. The strong demand for tankers reflected in higher freight rates was created by three factors: the seasonal pattern into the Northern Hemisphere winter, a sustainable supply of oil from OPEC and non-OPEC, and then finally, a repositioning of the world fleet ahead of the embargo on crude from Russia that was enacted on December the 5th.

TCE rates actually squeezed materially higher into November. And even though they have reset since, they remain at very profitable levels and well above the medium-term averages. Euronav benefited from this upswing and from the fleet rejuvenation we have done in the last 18 months in taking our new tonnage and reducing our older fleet of higher-consuming ships.

Given our current corporate situation in full respect to the combination agreement with Frontline, we are unable at this stage to release dividends beyond the preset minimum outlined in that agreement. However, to give some guidance and reassurance to our investors, we are indicating what level of returns could have been and this in line with our past commitments. Future developments will determine if, how, and when this can be returned to our shareholders.

I will now pass over to Lieve to run through the financials. Lieve, over to you.

Lieve Logghe

Thanks, Hugo. Q4 2022 was indeed a very busy quarter in terms of the financials. Our leverage has improved positively to 45 percent, boosted on one hand by incoming cash from the higher freight markets, and on the other hand, from sales proceeds of some older vessels.

The operational leverage is clear in our business during such period with net profit of nearly \$235 million generated in just one quarter. This figure was clearly boosted by \$62.6 million of asset sales, reflecting our continued fleet renewal program. Such capital gains are, in our view, correctly retained within the capital structure of our business and not for distribution. It is important, this capital is recycled into new and more energy-efficient fleet, which we have done and will continue to see with these seven vessels currently under construction.

I will now turn to an exciting and growing part of our funding sustainable financing on slide 8. Euronav is on a journey, and we made another significant step with some dedicated hard work from our finance team and our partners during Q4. Over half our financing now comes from sustainability-linked sources, making Euronav the leader in the sector and among shipping companies globally.

The new facility we agreed, totaling \$377 million, comes with some challenging ESG objectives, including social targets for the first time, but also with a higher incentive of (inaudible) when hitting such targets. This change in the incentive structure, we believe, has further proven as Euronav's motivation to increase the scale and penetration of our sustainable funding.

With that, I will now pass it back over to Brian Gallagher to give some thoughts on the current market cycle.

Brian Gallagher

Thank you, Lieve. I start with the slide from the last sector we gave in Q3, illustrating the very real step change that we've seen in the oil and the water and in transit. And the positive follow-through this has had on freight rates, especially over the last second half of 2022.

Historically, as one would expect, there's been a very positive correlation between time charter rates and volumes of cargoes on the water, but the Russian mid-dislocation starting last March and subsequent increase in ton miles across the tanker sector has given a structural boost to our markets. This provides a strong base going forward for the sector, along with the age of the world fleet, which is at a 22-year high, and the fact that order books were at a 40-year low, giving a very, very strong vessel supply signal.

The other key factor short term for investors is also to look at China, which we now look to analyze on slide nine. The tanker market recovery we've seen over the last six to nine months has all been delivered with very little input from China. COVID restrictions have continued to remain very severe and have restricted economic activity consequently. This does look to be starting to change, though. The cargo accounts for February and March, in particular in the VLCC sector, have been very, very encouraging and positive as China opens up and activity returns.

Slide seven shows an illustrative pathway of the recovery as we see it. And as I mentioned, we are starting to see the early signs of this. This, we believe, will further underpin freight markets well into the second half of 2023 as China only gets back to the level of consumption loss pre-pandemic.

We turn now to the other slide of the short-term factors that the investors are looking at and Russia related activity on slide 12. Much speculation centered in recent months for the positive factors that the Russian situation and dislocation brought would soon evaporate anticipate in the tanker market space. Whilst there was a lot of noise and clearly, there was a lot of dislocation itself within Russia with refinery shutdowns, production shutdowns, and maintenance programs, volumes are now back to levels that we saw pre-December 5 and the EU embargo (inaudible).

Production levels were also back to November run rate and also the nature of the crude and [indiscernible] trade is changing with more evidence of more ship-to-ship transfers occurring across Europe and in the Mediterranean on to larger vessels in particular, VLCCs, with (inaudible) now are doing more shuttle-type runs between those locations rather than the entire journey themselves to the far east.

So in summary, our short-term market views continue to remain very, very positive and our current trend is very supportive as we move into Q2. We do expect to see a sustained and strong winter period over the next few weeks and months.

I'll now pass over to our Chief Executive, Hugo De Stoop, to give some more medium-term thoughts about the cycle and concluding with our current traffic light outlook. Hugo, over to you.

Hugo De Stoop

Thank you, Brian. The recent firming in freight rates have been driven by shorter-term factors, and this will now give way to very solid longer-term drivers. The global fleet is all by historical standards, and yet the order book is at 40-year lows, but no one is ordering because of the high price, regulations, and time to delivery as shipyards are not able to deliver tankers until 2025, 2026. New operational regulation will also bring curves on all the tonnage. So, the vessel supply situation appears to be locked in.

On the demand side, we see China returning to normal levels of demand, a global economy bringing back even modest levels of demand growth, and all of that oil needed to be transported further distance than in the past. These factors should drive a sustained period of profitable freight rates. We at Euronav will continue to reward shareholders and invest in the energy transition. Indeed, Euronav delivered on its promise to be an energy transition leader in the past five years and accelerated that in the past 12 months, and we'll continue to do so.

Now on to the traffic lights, slide 15. This will surprise no one. We are again upgrading one of our traffic light to green. This time, demand is driven mainly by the prospects from China reopening. The sharp eye that (inaudible) will notice most of the light are now green or greenish. That is true,

but there still remains some upside in investment supplies and also in demand in our view. There is more oil in the tank.

With that, I would now like to pass it back to the operator, but with a final word. You will appreciate the sensitivity of our corporate situation. We have made public that the arbitration process will provide an initial decision next Tuesday. Given the sensitivities and regulations around that process, we will not be in a position to take questions on that.

Now, back to the operator to take the other questions. Thank you.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

In the interest of time, please limit yourself to one question and one follow-up. At this time, we'll pause momentarily to assemble our roster.

Our first question comes from Omar Nokta from Jefferies. Please go ahead.

Omar Nokta

Good afternoon, Hugo. First off, I commend you -- you and the team for being able to continue really executing on the business here, given all the distractions. I can't imagine it's that easy to focus on the business while dealing with all the noise. I appreciate the comments you made, Hugo, just before we started the Q&A session, especially regarding arbitration ruling. And I just maybe will float out this question.

I know the -- February 7th is the expected ruling. It seems a little sooner than I guess I would have assumed. But maybe just -- are you able to give us maybe a sense of what the different outcomes could be when a ruling is made? Is there a certain series of parameters that's being evaluated? Or any color you can give there? Or is it you prefer not to?

Hugo De Stoop

No, I think it's a very good question. It's difficult to clarify in writing. I mean, summary proceedings are dealing with aspects that require urgency in a judgment. So, I may take an example, which is, unfortunately, a couple divorce, the husband has the title on the house. He doesn't know what the judge will decide, whether his wife can stay in the house, have the house, or whatever. And if he sells the house, then there is nothing left, say, in the estate, maybe his money, but he can spend it.

So an emergency judgment will say, you cannot sell the house until we have decided the outcome of the divorce and who gets what. And that's what we are trying to have here. So it's not on the merits, it's not on whether or not there were some damages created, whether or not there was the right terminate, et cetera, et cetera. It's really to see what should be sort of frozen until -- or for a certain period of time and probably until there is a judgment on the fundamental aspects, which are called the merits. I hope this is helpful.

Omar Nokta

That is. Thank you. Thanks, Hugo. I appreciate that. That lays it out nicely.

And then maybe just as a follow-up. I know there's a lot of sensitivities with what's happening. And just wanted to maybe check with you if there's been any discussions that you've had with CMB and you're regarding kind of the -- have they tipped their hat to you about the strategy that they're looking to take moving forward if they were to be successful with the board?

Hugo De Stoop

I can really not comment on that. And I think that it is for them to express what they would do if the outcome is favorable to them. I can only repeat what we have said in the press release, which is that we at Euronav continue to be constructive and try to find solutions to all the problems. And obviously, there are three parties around the table.

And so our attitude is -- continues to be very constructive. We're not the type of people who say, well, we are all enemies, and let's go to war. I think that we always have to look forward into the future. And I think that every problem has a solution.

And as long as the three parties have the same attitude, I'm sure that we will find a very positive outcome that will be beneficial for all the shareholders, which also means that probably nobody will have the perfect solution that they want for themselves, but it will be a compromise and we very much hope that that will be the case. When, I don't know. How, I don't know. You first need to have that attitude.

Omar Nokta

Yeah. Well, thank you. Obviously, a very complicated situation, but one that can be resolved. So, I appreciate the time, Hugo, and I'll pass it over.

Hugo De Stoop

Thank you. And thank you for the comments earlier on. Very much appreciate it.

Operator

Our next question comes from Frode Morkedal from Clarksons Securities. Please go ahead.

Frode Morkedal

Yeah, thank you. I'll skip all the question on the arbitrage and go to the market. You mentioned both in the report and now in the presentation on China, I guess you're seeing less U.S. crude exports to Asia being one of the main reasons for the -- in the VLCC rates. Maybe you could expand on that argument. And maybe what you're looking for in order for this to change for the better.

Hugo De Stoop

It's -- well, the facts are correct. Everything that you said is correct. The question is, how will that be developed going forward? And that's always very difficult because it depends on the levels of the volume that people want to export.

Let's not forget that when we are talking the U.S., it's very important for ton-mile, but in fact, we're talking about the West Coast of the Atlantic Basin. So, it's the U.S., but it's also Brazil. In the next -- well, starting now, but in the next two or three years, it's also going to be Guyana. So there's a lot of expansion in the production of oil coming from what we call long distance, very positive ton light.

The second aspect is that there was a lot of export from the U.S., but they were mostly going to Europe. And we see now that some of those cargoes are going to China. So, in fact, if you say two cargoes going to -- or three cargoes are going to Europe, it's the equivalent ton miles on one cargo going to China. So it is complex, and we are a little bit -- we have the same visibility that the new guys have. And as I said, I mean, it depends on how many barrels, how many cargoes are being released from the different places and that has always been difficult in all markets to forecast that.

Overall, we see that there are more restrictions than in the past due to the Russian situation. And overall, we see that these cargoes at least have to complete much further distance than in the past, and that's positive.

About China, in particular. Obviously, China is now reopening. I think that the government has made it very clear that they want to reboot the economy. The first step is reopening. The second step is to cope with COVID. Let's not forget that we have had our waves, but they are having their first real wave now. And so, you need to cope with that for a couple of months. And once that is over, we are very optimistic about the fact that the economy will grow massively compared to the previous quarter, which was -- which were hampered by this situation.

Where are the cargo coming from? Well, we will see. But chances are we will definitely need more cargo coming from the Atlantic.

Frode Morkedal

Perfect. That's great. That's it for me.

Hugo De Stoop

Thank you very much, Frode.

Operator

Our next question comes from Jon Chappell from Evercore ISI. Please go ahead.

Jon Chappell

Thank you. Good afternoon. Hugo, I think the illustrative example in the press release of the capital allocation policy is very helpful. A lot of uncertainty on your ability to distribute capital maybe to the same extent as the prior cycle.

So super quick two-parter to my first question. First, I just want to be clear, in the last cycle, it was an 80 percent payout ratio, and of course, mixed with dividends and buybacks, and that's what you're ideally hoping for in this cycle. And the second part of that is, I do understand that February 7th is only five days away. But from your divorce example, it sounds like that's only making a determination on whether the house can be sold or not. When is the second arbitration roughly completed, so we can start to think about distribution of the proceeds from the house sale?

Hugo De Stoop

Yeah. So, on the first part, you're absolutely right. We will continue to have a balanced strategy between dividends and share buyback when it comes to return to shareholders. And obviously, the share price will be a very important factor that we take into account as much as the outlook and to a certain extent, capital allocation, but that's no different than what we did in the past.

On the second part, it's -- well, it's very complicated. But I -- we certainly do not believe that we will need to wait until a judgment on the merits to be able to distribute capital. I mean, that's --

there are many intermediary steps that can be taken. And what will happen next week will be very important in terms of which closes of the combination agreement needs to remain in place for that duration.

So, until next Tuesday, it's difficult to give you an exact or precise date, especially because even on the merits, we don't know how long it will be, but quite frankly, we're all business men. So, we focus on the business first. I mean, this is a very important transaction, as you can imagine. But not being able to return any capital to shareholders for a prolonged period of time would not be ideal for the business. So again, that is a problem, we will find a solution.

Jon Chappell

All right. That's very helpful. My second one kind of goes along the lines of how you defended that answer, focusing on the business, but being businessmen. I understand the sensitivities here again, but I'm just trying to understand, like, what's the ideal outcome here for you? Two 25 percent shareholders. If the arbitration goes 100 percent in your favor, I would think the next step would be a shareholder vote, but a shareholder vote would be on the merger.

We have two 25 percent shareholders who apparently don't want it. So it seems like it's almost impossible. So to the extent that you can say, in your ideal world, once a solution is arrived at, how do you move forward from there?

Hugo De Stoop

I'm not going to be able to answer that because it's too sensitive. I appreciate that there is a lot of systems and we're all very impatient. It's only a couple of days away, and I really don't want to risk anything by commenting on something I would regret. So, I'm not going to be about to answer that.

Jon Chappell

Completely fair. Thank you, Hugo, for taking the questions.

Hugo De Stoop

No, thank you very much, Jon.

Operator

The next question comes from Thijs Berkelder from ABN AMRO. Please go ahead.

Thijs Berkelder

Yeah, thank you. Thijs Berkelder with ABN AMRO (inaudible). The first question is operationally. I've seen that your reported breakeven -- the breakeven for the P&L has gone quite a lot. Can you maybe explain what can be expected there looking at 2023? Also given the strong rise in inflation and in wages.

And the second question, yeah, is on corporate governance. Had you agreed with the future marriage with Frontline and now certainly your husband/wife no longer wants to marry without giving any reason at all and really stabbing you and your team in the back, why would you, as your now managing board/supervisory board still seek a marriage if the partner has proven so unreliable?

And how is it possible you in the preliminary agreement did not have a clause defining a penalty payment for breaking the agreement for this kind of events? And then maybe finally, what kind of

financial compensation should we be looking for? Is it purely legal costs? Or can we assume a more financial compensation to come in?

Hugo De Stoop

That's a lot of question. So, you're very smart because you're allowed to ask one question. In one sentence, you asked three or four. Congratulations for that.

I think the first one, I'm going to give the word to Lieve about OpEx inflation, if I understand well, knowing that it has come down year after year, certainly, in the last four or five years, and that was due to an exercise in trying to use economies of scale, and that does take time. But it is, as you've seen, paying off very, very well. And we are very proud of the work that we have done. Obviously, now we are inflationary. So, I give the word to Lieve.

Lieve Logghe

Yes, Hugo, indeed. Thijs, good afternoon. So indeed, we have to take into consideration, and we have budgeted for an inflation increase between 4 and 5 percent. And the main topics there are indeed accruing costs. because there, indeed, we still can optimize it because as Hugo mentioned, we did a step down over the two or three last years.

But now this -- because of inflation everywhere popping up, it's a topic which will hit negatively but to a smaller amount of our OpEx. And then combined with the fact that also for technical and fuel loop oils, we will have a bit of a negative impact or inflation kicking in also in the environment of 4 to 5 percent. So globally, looking to our budget, we are speaking here for 4 to 5 percent.

Thijs Berkelder

Okay. Clear.

Hugo De Stoop

Good. The second part of your question, it's a complex one, and I'm not sure it's the appropriate forum, but maybe I can explain in theory. So, in some contracts, you have termination close and then each party has a termination that can be, well, financially compensated or nothing here. The termination clause is pretty clear, but Tuesday, we will see whether there was any right to terminate or not. And let's wait until Tuesday to see indeed if the reason for which Frontline is terminated were valid or not. I'm not a judge, so I could not help you there.

On the financial side, I think that we first need to see what comes out on Tuesday, even though that's not on the merits and the merits is very much leading to the financial part, but that's also a relatively complicated calculation that is being done as we speak. And I think that you'll agree with me that in this kind of transaction where you're not simply buying something that is valued in the market, but where you're exchanging shares and the calculation becomes a little bit more complicated and each side will have to make its own.

And then again, someone else called an arbitrator that will decide what is the right or wrong financial compensation.

The fundamental question that you've asked is a very interesting one, and it's almost a philosophical one. If the person that you want to marry certainly doesn't want to marry, does that mean that you should start a relationship? Does that mean that you should dislike or even profoundly dislike this person. And I've seen in many occasions where a marriage -- a wedding is canceled, and 3 months later, people get married anyhow. Maybe there was a misunderstanding. Maybe there was something that they were not ready for.

And again, we are always talking about, there is a problem, let's identify the problem and let's see if we can find a solution to the problem. Maybe the solution is that we don't marry, maybe the solution is that we marry, maybe we change the place of the wedding. Maybe we change the orchestra, maybe we don't invite the mother-in-law.

But this idea that because you no longer want to marry at a certain point in time, it's forever and that this person that you were in love with becomes an enemy is something that is not part of our philosophy at Euronav.

Thijs Berkelder

Yeah. Maybe one short follow-up. Let's say, looking at trading of -- within your shares by your Norwegian shareholders, Is there also any reason to investigate there whether there's any reason to look at market manipulation or something like that from a legal standpoint?

Hugo De Stoop

Well, that's not our job. At Euronav, we transport crude oil. I think that there is enough authorities and regulators and many people looking at that. And honestly, I only have 24 hours in a day. So I'm not even going to opine on it. I have so many better things to focus on.

Thijs Berkelder

Got you. That means that you are not having indications that such investigation is ongoing.

Hugo De Stoop

Sorry. In case you didn't hear me, I don't have any comment on that specific question.

Operator

Our next question comes from Amit Mehrotra from Deutsche Bank. Please go ahead.

Chris Robertson

Thanks, everyone. This is Chris Robertson on for Amit. Thanks for taking our questions.

Hugo De Stoop

Hey, Chris.

Chris Robertson

So given the structurally higher rate environment that we kind of expect here, given the regulatory uncertainty around future fuel technologies, et cetera, it seems like owners will have a pretty big incentive to hang on to older tonnage for as long as possible over the next few years. So, this seems to me like it'll create a real need for fleet renewal as we get further along towards 2030, not only in the tanker segment, but also other segments as well.

So, if you could think about what do you think the response by the shipbuilding industry might be to absorb a large number of orders as we get further along here? Is there enough space at the yards to take on what looks to be a real renewal need?

Hugo De Stoop

That's a very good question. I like it because you're looking at the long term of this industry. And often, we are focused on the short term.

As you know, there are different technologies which fuels basically green fuels that are being investigated. Some people believe that LNG is already better and will be transforming to a green fuel when it can be produced synthetically. Some people believe that methanol is a very good fuel as long as you can obviously produce the hydrogen in a green way and capture the CO₂.

And then some people believe that ammonia will be better because there is no CO₂ emission, but this technology does not exist today. It's being worked on. And we have the promise from the shipyards and the engine manufacturer that it will be done before the end of the decade. Obviously, starting with smaller engine and because of the size of our ships, we have the biggest engine, and we have been told that this would be developed at a later stage.

On the shipyard themselves, I think that it's true that there is some sort of a set capacity at the moment, which is spread between three countries. We can identify it relatively precisely. There are some efficiency -- sorry, gains that can be done simply going from two shift to three shifts, which they used to do within the same space could increase marginally the capacities, but marginally in every yard means a few more ships.

When you say everybody in the shipping industry will have the same (inaudible) at the same time, I tend to slightly disagree, if you allow me, with you because we have seen that the guy carrying gas, but obviously, they are using gas to -- as a fuel, and they will probably bet that green metal -- sorry, green methane will be produced.

When you look at the container guys, I think at the more we see -- we've seen a lot of orders also dual fuel LNG. So, they are making the same bet. But now, more recently, we're seeing a lot of people betting on methanol. So that's certainly a fuel that has now a future because you have seen enough orders so that the infrastructure will be developed. And then maybe in the future, there will be also orders on ammonia and we're certainly a party that is interested in that development.

So, part of the industry, the gas carrier, the container guys, even some dry bulkers and some tankers have met already on some technologies and those technology will exist. The only problem is to produce the green fuels. So I'm not sure there's going to be a huge rush at some point.

As far as our industry is concerned, the reason why we have such a thin order book is because we didn't have the market allowing people to go to the shipyards with the cash that they had earned in the market. Now the picture is a little bit different, but the yards have been populated with many orders coming from many segments. And therefore, we see that for the next two, three years, the capacity is constrained.

So overall, I think that as I want to say, as always, I think that the industry, in general, the shipyard industry compared to the orders will find a way to produce enough ships when they are required. But it is true that what we are thinking of at Euronav is whether or not there is an advantage to be a leader, i.e., a first-time owner of a particular type of ships in our category. I mean, it could be a methanol dual fuel. You know that the last order that we placed for Suezmax, they are both methanol and ammonia ready, and we are continuously working with the yard, and we have a joint development program with HHI in particular to add on to those ships as much technology as we can upon their delivery.

So they're not completely dual fuel ready but converting them is very likely in the future. But I think that's very prudent. And at this point, we don't want to make a bet on a specific fuel because if you look at the last 18 months -- well, 12 months ago, everybody was saying it's LNG is not going

to be anything else. Then suddenly, the wind shifted a bit and now you see more order in dual fuel methanol. And I bet with you that in the future, maybe two or three years down the road, it's going to be able to do dual fuel ammonia.

But putting all your eggs in the same basket is not very prudent. And that's exactly what we're not doing at Euronav.

Chris Robertson

Yeah. Thanks for that really thorough and thoughtful response, Hugo. As a follow-up, I just wanted to focus on a few of the new building vessels that you have taken delivery of. Can you talk about the fuel efficiency compared to maybe the first gen of the eco vessels and kind of what rate premiums you'd expect to see on the recent new builds versus maybe a 2015 or 2016 vessel?

Hugo De Stoop

Yeah. Depending on where you build your vessels, it's, I would say, a minimum of 5 tons up to 12 tons improvement. And obviously, because in our industry, we talk about TCE, and the TCE takes into account the consumption. The improvement in the TCE is just a multiplier of the number of tons that you save per day times the price of the fuel at that time.

So, at the moment, I would say 5 tons, it's -- we're at probably 600, I suppose, 600. So, it's \$3,000. If it's 10 tons and obviously, it's a lot more if it's 12 tons then -- you make the math yourself.

Then there is -- in addition to that, on the modern vessel and certainly the modern vessels that we'll take at Euronav, we have also invested quite a lot on the digitalization platform that allows us to improve the voyage, I would say, the voyage optimization, which takes into account a number of big data, such as the weather, the current, the temperature of the sea. I mean, all those little aspects have an impact on the consumption. And in the past, we could not take all of them into account because we didn't have the technology.

Now we have it, and we continue to develop it. So that's an addition. The good news is when it works on the super modern ships, then we can also apply that same technology on the older ships, so we can also improve the consumption of all the ships, thanks to that and maybe other hardware equipment that we are constantly testing.

Chris Robertson

Got it. Super helpful. Thank you very much. I'll turn it over.

Hugo De Stoop

Thank you.

Operator

Our next question comes from Chris Tsung from Webber Research & Advisory. Please go ahead.

Chris Tsung

Hey. Good afternoon, Hugo. How are you?

Hugo De Stoop

Very well. Thank you for asking.

Chris Tsung

Thank you for sharing the analogy about American wedding. It was very helpful. I just wanted to make sure I fully understood it. With regards to the (inaudible) arbitration, that's just solely on Frontline's ability to terminate this combination agreement, is that the marriage that you're using as an analogy?

Hugo De Stoop

I don't know if it's that. I think that you look at the contract and you look at what close should continue to exist for the time being, as I've said, until there is a judgment on the fundamental right or wrong of terminating the contract and the damages that come with them. So it's really, as I said, the guy cannot sell the house because if the judge would award the house to the wife a year later, the house is no longer there, there is a new owner in it. So, it's very -- so he says don't sell the house until you have that outcome.

Chris Tsung

I see. Maybe better kind of take that offline. All right. Just moving on past the arbitration. On your traffic lights, I was just -- kind of twist on the question that was previously asked, but on your vessel supply, like what would it take for the light to turn from greenish yellow to fully green?

Hugo De Stoop

Well, the supply is the new buildings, but also the recycling. And in order to turn it green, we would see a lot more recycling because when you look at the age profile, we should have seen a lot more recycling. Now we all know why that is -- that did not happen.

First of all, the rate environment has improved. So obviously, now maybe less than last year. Should we expect it? Secondly, and that was a reason pointed out earlier in this call, if everybody watch the order book and sees that very few orders will be placed for the reasons that we already explained, then it's likely that the ship will stay longer in operation. Otherwise, you're really going to have a squeeze.

And last, but not least, there was for a pretty -- well, a long period of time, there was a little bit of a cash squeeze into the cash buyers who are the recyclers of those vessels. And obviously, when you have a VLCC, I mean, it's a lot of money that you need to pay sort of in advance of recycling it and selling the scrap metal. So, there was an additional barrier that we have seen. But the traffic line will continue to be green, amber as long as we don't see more recycling.

Chris Tsung

Understood. All right. Thank you for the color. That's it for me. I'll turn it over. Take care.

Hugo De Stoop

Thank you. You, too.

Operator

Again, if you have a question, please press star then one. Our next question comes from Matthew Hortopan from Citigroup. Please go ahead.

Chris Wetherbee

Yeah. Hey, guys. It's Chris Wetherbee. Thanks for taking the question.

Hugo, I think you've been really helpful kind of laying out your view here. I guess maybe what I don't know that we've heard this morning, though, is sort of Euronav's management's view on

what the future of the business should be. I understand we have the ruling coming up next week about damages and how things might ultimately play out.

I don't know that that necessarily -- I guess maybe the question is, what do you guys want to do with the business sort of thinking bigger picture? Maybe taking a step back from this potential ruling and thinking about the direction of Euronav from an M&A perspective. Is that still something that is attractive to you, understanding that maybe the deal that we've been talking about maybe can't get done?

I just want to get a better sense of sort of where the heads are from management as opposed to some of the technicalities about rulings and various things about this past transaction -- or pending transaction.

Hugo De Stoop

That question is extremely refreshing, Chris. Thank you very much for asking. At Euronav, we -- well, first of all, we continue to operate the business. I'm very, very thankful for the remark that was done in the first question that when you look at the performance, we didn't forget to manage the business. And as a matter of fact, we have split a little bit the management team and some people are entirely focused on the business because that's what matters. And we want to continue to deliver as good results as we can. So yes, continue to be focused on the current operation.

Do we believe in consolidation? Absolutely. Do we believe in growth? Absolutely. We do believe that going forward, the market deserves to be consolidated, can be consolidated. There's a number of advantage to consolidate the market. And to a certain extent, we've been successful there. I mean, not only because of what we have done in the past, but also more recently because the pool has grown in numbers. And it's probably something that you guys do not monitor in much detail.

But when you look at the evolution of the pool, we have had many owners with many vessels and those same owners has the capacity to add even more vessels. So there is definitely a mandate for the pool to go out and get those fleets or even ships one at a time to put them into a pool because we believe that that's fundamental for the business.

And then as far as Euronav is concerned, we definitely continue to believe that bigger is better. We do believe that there are economies here that can come with it. We do believe that the way we can service our clients who themselves are becoming bigger and bigger, will be better. If one day, you can have a one-stop shop for your needs of transportation that would be best and that's a little bit what we're trying to do together with the pool, continuing to be a big member there.

So yes, in short, if you were to ask the management of this company and the current board because let's not forget that the board is setting the strategy together with management, the idea is, continue to grow, find alternative. This one cannot -- if you cannot marry this beautiful lady, then let's find someone else, and let's make it a happy family.

Chris Wetherbee

Got it. That's helpful. I appreciate your perspective. Thank you, Hugo.

Hugo De Stoop

Thank you.

Operator

The next question is a follow-up from Thijs Berkelder from ABN AMRO. Please go ahead.

Thijs Berkelder

Yeah. Coming back and let's say, maybe in a repeat, but I also want to thank for a great execution in Q4, of course. And it really is busy, you cannot distribute more dividends right now.

Coming back on your statements on the arbitration from a Euronav perspective, I would say the main focus is on getting the assets within Frontline frozen for you? Or is the main focus in getting frozen on your dividend payments? Or is basically a combination of the two?

Hugo De Stoop

It's a combination of many things, Thijs, to be honest. And that's why we cannot here on this call in a public platform say much more about it. And I apologize for it because I wish I could answer. We need to be a little bit patient. It seems that some people are looking at this cycle like Netflix. And from time to time, you need to wait until the next step is all this produced to be able to watch it.

Thijs Berkelder

Now, fully agree, but you started to mention the marriage, et cetera. And the only cases where I know that the husband and the wife came together again when they certainly found out that there already was a baby created. So, then the next question is, well, has there already been a baby being created, but probably not.

Hugo De Stoop

I don't know what you mean by a baby, but I think we will stop short with those analogies. Otherwise, people would get lost in translation. I was trying to use a simple example. I understand that maybe it was not such a good idea.

Thijs Berkelder

Okay. Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Hugo De Stoop for any closing remarks.

CONCLUSION

Hugo De Stoop

Well, I just wanted to thank everyone for attending our earnings call. And yeah, hopefully, we will speak soon together. And certainly, next few days, an important day. So, stay tuned. Thank you very much.

Operator

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