

## EURONAV – Q4 KNOCKOUT

Investors chasing the scrubberites FRO, DHT, HUNT may have underestimated the initial IMO 2020 effect. As a slew of vessels are pushed out of service to have scrubbers installed the remaining ships on the water will capture the initial superprofit as utilisation soars on the fleet that is still in service.

Fixing the 2012-built *Ingrid* today at \$285k/d for a 50d journey to Japan highlights the benefit of Euronav's strategy; making sure their vessels are on the water when everybody else are preparing for next year in drydocks, while hedging the possible LSFO/HSFO spread widening through a 482k mt purchase of LSFO a few weeks ago. That is an almost unbelievable \$13m profit on one journey..., or 3x the cost of a retrofit. On top of that, the company is in position to lock in any LSFO/HSFO spread superprofit come q1 next year.

Discussing the use of cash with the new CEO Hugo de Stoop during dinner in Oslo this week, I believe investors can prepare themselves for a hefty quarterly payout from q1 next year. Assuming rates «soften» to \$100k/d for the upcoming 6 «transition» months into the new IMO regulations, he should be able to pay out a quarterly dividend of around \$2/shr or \$8/shr annualized. With 44 VLCC's he should approach \$300m just here, with the 25 Suezmaxes making up the balance. With the stock equal to NAV at \$10, compared to e.g Frontline at 2x NAV, the stock offers an attractive upside.



Source: Bloomberg

Maybe the scrubberites will see some benefit next year from lower fuel costs. Maybe. What is certain is that Euronav is the winner in the IMO 2020 game changer so far. With the stock up 60pc this year vs 120pc for Frontline and 85pc for DHT, it is finally Euronav's time to shine.

For those worrying about the implicit net short position on LSFO for 2020; own Vistin as a hedge on the fuel spread. In less than 6 weeks, the ship owners will start ordering their 2020 compliant fuel. Both legs ought to be profitable.

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