

VISTIN – TANKERS TURNING AT YARDS

I know, Vistin is a micro cap flying below everybody’s radar screen. Still, the 2nd derivative consequences of the red-hot tanker market may warrant a look after all.

With rates for VLCCs surpassing previous highs 12 years ago at just below \$300k/d, the large shipowners must be questioning their own strategy of first sending the capesizes in for retrofits during the summer lull and after the Vale accident, while waiting until the bottleneck Q4 with the VLCCs. With the VLs now turning in double-digit millions of dollars on a single journey, thus paying back a 10-year old vessel in 2-3 journeys incl scrap value, tankers are reportedly turning at drydocks, foregoing their slots to get back into the red-hot tanker market as the implicit cost of retrofitting through lost earnings is now easily 3x the initial estimated cost of a scrubber. Data from Clarksons show that while approx 3pc of the 780 VL fleet was expected to be at yards at this time (25-30 vessel runrate), only 1pc seems to be in at the moment, thus delaying the retrofit period into Q1 and probably Q2 2020.

What does this have to do with a metformin factory, then, you may ask? Through its 150k mt LSFO/HSFO spread contract, Vistin holds one of the most exciting exposures to the current superprofit in the tanker market and the resultant retrofit delays, here <https://harpooncapital.no/vistin-pharma.php> . As tankers are pushing retrofits into 1H next year, they will need to start ordering LSFO in 4-6 weeks time if they want to continue enjoying the tanker superprofit. Thus, the probability for a large widening in the spread is moving up in tandem with tanker rates. Surprisingly, judging by the last 4 weeks 35pc jump in the FRO/VISTIN spread, Mr Market seems to have completely overlooked this link between tanker rates, fuel spreads and Vistin.



Source Bloomberg

The Harpoon Report

Hunting for value

The explanation, if you will, is probably found in the fact that the physical spread hasn't moved much so far. Neither has the Brent/WTI spread, indicating refineries have still not been pulling relatively more of the diesel-heavy Brent into refineries, and is worthwhile watching for signals.



Source Bloomberg

By ultimo November orders from the shipowners are in. The effect per \$100 in spread widening is NOK 4/shr in Vistin. Enjoy.

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