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PRESENTATION

Operator

Good morning and welcome to the Euronav Third Quarter 2019 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Hugo De Stoop and Mr. Brian Gallagher. Please go ahead.

Brian Gallagher - *Euronav NV - Head of IR & Communications*

Thank you. Good morning and afternoon to everyone and thanks for joining Euronav's Q3 2019 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, Tuesday, October 29, 2019, and may contain forward-looking statements that involve risks and uncertainties. The 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 the SEC's website at www.sec.gov and on our own company 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 statements, 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 2 of the slide presentation.

I will now pass on to Chief Executive, Hugo De Stoop, to start with the agenda slide on Slide 3. Hugo?

Hugo De Stoop - *Euronav NV - CEO*

Thank you, Brian. I will run through the Q3 highlights and provide a full financial review of the income statement and balance sheet before looking at the current themes in the tanker market and Euronav's outlook before we take questions.

Let's turn to Slide 4. Generally, the tanker markets for VLCCs and Suezmax was range bound and a little disappointing in a seasonally soft quarter for Q3. Refinery maintenance program continued to impact the market until August when freight rates enjoyed a counter seasonal rally, where with the exception of 2015, the market recorded the highest rates for August since 2008. This reflected the robust underlying fundamentals of the market.

The freight rates strengthened -- strength, sorry, has continued and even strengthened into Q4 with Euronav VLCC fleet delivering over $60,000 per day of earnings for 60% of our available days so far. Suezmax has fared less well with specific transactions in this category have been strong. The good news is that we have 90% of our trading fleet exposed to the spot market for the entire winter period. Finally, the company is looking to apply the new Belgian company code, meaning we shall have the capability to pay quarterly dividends for the first time starting next year, 2020. This will allow us to align our business more closely with our stakeholders.

Let's move to Slide 5. Q3 was very similar to Q2 in many ways with a pronounced period of reduced activity as the refiners deliberately kept out of the market to do their maintenance and preparation ahead of IMO 2020. We nevertheless enjoyed some strong pockets of freight rates of counter seasonal strength, which have illustrated the underlying foundations of market strength, which we'll come on to later.

The Euronav balance sheet remained robust as shown on Slide 6. This quarter, there is very little to report with only 1 asset sale, the VLCC VK Eddie, which we sold for conversion into an offshore project during Q3 for a very healthy premium. Leverage remains in the mid-40% range compared to our target of 50%.

That concludes the financial section of the earnings call, and I will now pass back to Brian. Thank you very much.

Brian Gallagher - *Euronav NV - Head of IR & Communications*

Thanks, Hugo. Turning now to Slide 7. I would now like to take a look at a number of key signals we are currently seeing from the tanker market. Firstly, a topic that many investors are looking for, consolidation. The tanker market is highly fragmented, and a complaint from many observers is a lack of consolidation. However, this process is already happening. It's only 16 months since we completed our merger with Gener8 Maritime. And during Q3, we saw further commercial consolidation with the announcement of 3 additional owners opting to place their VLCCs, some of them scrubber fitted into the tanker and international platform. This will see the TI structure have over 70 VLCCs under its umbrella when these vessels are all delivered. This low-risk and tangible form of consolidation should provide more discipline for the tanker tonnage as it faces the longer-term demand challenges and implementation of IMO regulations. Further development of the platform at TI is something we look forward to and to encourage.

Turning to the fundamental foundations of our sector on Slide 8. It illustrates the short-term role that have been played by short-term storage as a catalyst in our market. Slide 8 firstly shows the 1-year VLCC TCE since 2015. And this illustrates the challenging market, in particular, during 2018. However, this was helped with an adjustment in the global fleet of nearly 50 VLCC equivalents leaving the fleet during 2018. This rebalancing has helped underpin freight rates at better levels during this current calendar year with pockets of seasonal -- counter-seasonal strength, rather, in Q1 and lately in Q3.

If we move on to Slide 9, you can see that this market background has been augmented by IMO 2020 induced storage with the requirements of around about 30 VLCCs leaving the global fleet to store various grades of fuel oil. This short-term development has helped drive the freight market along with a better outlook and picture for second half demand for crude. The key point here that this has come on top of the foundations already set in place in the tanker market that Hugo spoke of earlier.

If we progress to the following slide, on Slide 10, the pockets of freight rate strength reflect a finely balanced market that the catalyst of storage restricting vessel supply has driven rates even further in Q4 into a positive trading with a positive trading. This has been further boosted by the longer-term fundamentals of limited fleet growth looking forward over the next 2 years. And with the order book below 20 -- below 10%, another 25-year low, and a fleet age profile not replicated since the mid-2000s, this is a positive background.

Every year for the next 7 years, there will be at least 25 VLCCs hitting 20 years of age, adding further pressure for the fleet to reduce in size, providing good candidates to be recycled and to rebalance the market in case of freight rate weakness. These fundamentals give Euronav the confidence that there are market conditions for sustained rally in freight rates over the coming quarters. However, this does require continued restraint in vessel ordering and demand for and supply of crude not being impacted by trade tensions or further production cuts.

Finally, on this section on Slide 11, we showed a short-term picture, and in particular, the VLCC freight rates and how quickly they rose to a very high level as a number of short-term temporary factors all combined in a short period of time to produce a perfect set of conditions to push freight rates to unsustainable levels. These factors all remain in place to a varying degree and may return over the coming winter period and beyond. However, it would be incorrect to look at these very elevated levels, which have persisted for a short period as the real focus. The key focus in our view is the fact that freight rates have been boosted to profitable levels based on solid foundations. These fundamentals have credentials to remain in place for sustained period, albeit tanker markets will always remain open to seasonal trading patterns given the way crude has moved around the world during the year.

Now no quarterly results call will be complete without a slide on IMO 2020, and we provide ours on Slide 12. A number of commentators have cleared our decision to purchase in high volume, low sulfur compliant fuel ahead of January 2020. We very carefully undertook this decision in order to reduce the risk to our business and in order to provide a safe, secure source of supply of tested fuel during what we would believe will be a very volatile period as IMO 2020 is finally implemented. As our seminar on September 5 made clear, this compliant fuel has been purchased at very competitive price, around $100 below the current retail price in Singapore where our ULCC, the Oceania, is storing the fuel. We have already begun to deploy this fuel on to our fleet and in preparation of January 2020, and we've been able to benefit from this cheap feedstock to be consumed when IMO is finally implemented from Q1 onwards. This means that for our vessels performing long voyages, the fuel needs to be purchased today and stored in separate bunker tanks in order to be ready for switching on or just before 1st of January 2020.

To sum up, we'll now move on to the outlook slide on Slide 13 and an upgrade to our traffic light system. We maintain on Slide 13 our constructive start on the tanker cycle into 2020 and reflect this by upgrading our vessel supply sector to amber strobe green as highlighted on Slide 13. The rationale for this stems from a view that some of the vessels storing fuel oil will not return in full to the trading fleet and that retrofits are now likely to persist longer into 2020 as owners avoid retrofitting during an anticipated strong winter freight rate season. The other fundamentals of demand, oil supply, ton miles and our own current balance sheet remain as they were.

With that, I conclude our prepared remarks and pass back to the operator. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Jon Chappell with Evercore.

Jonathan B. Chappell - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Hugo, the first question is around the new dividend policy and just some clarification around that. So when you say you can start paying the quarterly dividend in 2020, should we expect that to mean the dividend off the 4Q results and will that be based strictly on 4Q? Or will that still be the aggregation of 3Q and 4Q? And then also, there is no kind of payout ratio or update. I know in the last cycle, you were at 1.80% payout ratio, I think you were down to 60 at one point. What's the target distribution ratio as you think about entering next year?

Hugo De Stoop - *Euronav NV - CEO*

Yes. Thank you for those two questions. The first one is a little bit mechanic. And so the law in Belgium is only changing in 2020. So we're talking about quarterly dividends in 2020. So Q3 and Q4 will still be consolidated in that regard. The second one is we have a dividend policy out there. In the last cycle, we had a dividend policy distributing 80% of our earnings, and then we changed it to make sure that we could still distribute some sort of dividend even when we were in loss-making territory, which we did. And that was $0.12, that's the minimum dividend. Above that, any extraordinary dividend can be distributed. And you have seen that we have done a little bit more share buyback than what we have done in the history of the company. And the choice will always be there between dividends and share buybacks. So it really depends on where the share price is. But nevertheless, a big chunk of the earnings will be distributed as dividends. And we know it is very important for our shareholders.

We don't want to set a percentage because we still want to have the flexibility between those 2. And as of a total payout, we'll be generous. I mean if you look at our history of 15 years, the history of a public company, we have always been very generous. And obviously, when you look at the balance sheet and when you look at the -- at our current leverage, there's no reason to use any of those earnings to decrease the leverage as we -- as it is slowing off into a certain extent and maybe too low.

Jonathan B. Chappell - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. No, that's -- I understand that. The second one is on a little bit of the timing of the of the IMO strategy. And Brian said you've already started to deploy some of your inventory. So I think in the September 5 update, you had said that roughly half of your bunk requirements for next year would be met by the inventory that you've already built up. Is that still the case? I mean should we think kind of through the first 2 months of next year? Or is that maybe a little less since you started to deploy already?

And then another Part B, sorry. Do you anticipate building more inventory either in that ULCC or another? Or do you feel that you've already kind of taken advantage of the price arbitrage and now you're just going to run down what you've already aggregated?

Hugo De Stoop - *Euronav NV - CEO*

Yes. On the first question, we have started bunkering some vessels that are currently passing by Singapore. As you know, the Oceania is located not very far from Singapore. And it's an ideal location, very safe where we can do those operations. The first time that we're doing that on our own and for our own fleet, we have a dedicated barge to do that, to make sure that there is no contamination. We will continue to do that until the end of the year and then obviously next year. It's not because we're starting the bunkering now that it will limit the amount of bunkers we use in time. So when we say 6 months, because we're not going to start using those bunkers ahead of the deadline, maybe a little bit ahead of deadline, you want to make sure that you run all out of HFO and switch to LSFO as close as possible to 31st of December. But that does not change the amount that we will consume over the first 6 months. And then last but not least, it could be a little bit more than 6 months because obviously not all the ships -- our fleets are passing by Singapore over time, but we will try to maximize it. We believe that it's really the initial few months, probably Q1, Q2, maybe Q3, that are the most at risk in terms of price volatility and also price quality because there's an issue. So that's really what we wanted to be protected against.

Now going on to your second question, we have learned a lot about bunker procurement, to be honest. We want to complete the circle, i.e., we bought it in 1 place, we transport it in another place. We're now bunkering the fleet. We want to make sure that everything is working fine before potentially moving to a more stable operation, which will probably mean that we are using that ship or maybe more on a permanent basis because there is certainly 1 advantage in doing what we have done, and that advantage is volume discount. So we will probably continue to do that, but let's make sure that we complete the circle, the first, well, cycle, and that everything runs smoothly. The focus point is still there for the moment.

Operator

The next question is from the line of Mike Webber with Webber Research.

Michael Webber;Webber Research;Analyst

So let me pay you back some market questions following Jon's stuff on the dividend. Your slide on VLCC storage is interesting and kind of helping to set the table for pretty tight dynamic into Q4. I'm just curious, Hugo, with 30 VLCCs in storage now, I guess how and when do you think that ultimately peaks? I know that's a difficult question to answer on the back end. But is that a number in terms of kind of baseline storage to handle that fuel transition? Do you think that number peaks in Q1 of next year? Or do you think it's going to extend further out?

Hugo De Stoop - *Euronav NV - CEO*

Well, to a certain extent, it's linked to a previous question. And it's about LSFO or HSFO price stability, and to a certain extent, price stability. I think people will use tonnage, and the bigger the better, i.e. VLCCs or maybe Suezmax, to store LSFO ahead of the deadline and then right after that HSFO because it's quite difficult for a refinery to plan and be completely accurate on the demand that they are going to receive and especially on the location of that demand.

So I think that it's very much linked to where we're going with the fuel. And there is another dimension, of course, now that the market is doing so well, there's some people, if not a lot of people certainly in our segment that have postponed the retrofits of scrubbers, which means that you have a part of the HSFO demand that has been eliminated and more LSFO demand that has been added on. So we'll -- the -- it's an equation with many unknowns. And again, I can only repeat myself. The reason why we've done this, and we have accumulated at least 6 months of fuel is not to be trapped in a very volatile market and knowing exactly what we have purchased in terms of quality and at what price, of course. Then you will need to look at the oil market because your market is also from time to time requiring storage. And God knows where the price of the oil is going next year, and it's going to go next year. So unfortunately, I cannot be more accurate than that.

Historically, there's always been some ships being taken on storage. But let's not forget that the first candidate to perform that service are the older part of the fleet, which is good news because once you have performed a storage contract, especially if it's over several months, it's more difficult to bring your ship back into the trading fleet because you have no vetting, and so your ship is usually not easily acceptable. And having a ship that is standstill is not particularly good for that ship either.

Michael Webber;Webber Research;Analyst

Got you. Okay. That's helpful. Well, the follow-up, I guess, maybe one bit more in the weeds, but you had made point to call out TI as kind of de facto consolidation on Slide 7. And earlier -- late last night or I guess earlier this morning, there's some news out around another competing pool that's kind of leading in tonnage. So I guess my question as at it pertains to TI and IMO 2020, I think the last time we spoke about this, it's still a bit up in the air. But in terms of differentiation, I guess maybe what I would ask is, is there a standardization among major pools around how they are treating pool points for scrubber equipped and non-equipped vessels? And is there an opportunity to differentiate TI from a flexibility standpoint in terms of attracting new tonnage over the next year, 1.5 years because of maybe kind of a well-thought-out flexible point system to accommodate kind of multiple classes of vessels?

Hugo De Stoop - *Euronav NV - CEO*

Well, I'm not entirely familiar with the -- what they are doing in all pools. I can only speak about TI. And at TI, the decisions that we have made was to split the accounting side of the pool, so we are not attributing pool points to vessel we struggle, we're simply saying, okay, it's 1 pool, 1 manager; but split in 2 different sub pool, 1 for scrubber-fit vessels and 1 for non-scrubber-fit vessels. It's very important that all those vessels are under the same hat. And that's the reason why we have pushed the pool to attract new members, even though those new members had a scrubber. Last year, I think that Euronav was more portrayed as a non-scrubber and, therefore, the pool was portrait non-scrubber only. So that's a big change, and -- but it's not very difficult. And consolidation is important. And if you can't do it on the M&A front, it's very important that you do it on the commercial front.

And to that extent, we welcome other pools because if there are other pools, it means further consolidation, it' good for the market, it's good for us. We believe that TI is the best pool. And that's the reason why we put our ships in it. We don't own the pool. We don't get any earnings from the pool. And that's one of the biggest benefits of the pool. It's owner's pool, i.e., it's a cost center. So you're not adding a layer of brokerage fees to your earnings. And for us, it's very important.

Operator

The next is from the line of Randy Giveans with Jefferies.

Randall Giveans - *Jefferies LLC, Research Division - VP,Senior Analyst & Group Head of Energy Maritime Shipping*

All right. So on Slide 8, you show the 1-year time charter kind of rates. We're also hearing of 1-year time charter rates of higher than kind of these charts of $50,000, maybe even $60,000 for some eco VLCCs without scrubbers. So I guess have you gotten any bids for some of your vessels at the $50,000-plus range for 1-year time charter? And then if so, will you look to lock away some of your vessels on those time charters, either for 1 year or maybe 3 years?

Hugo De Stoop - *Euronav NV - CEO*

We have not seen that. I think that there was 1 ship being done at $46,000, and that was for 3 years, and the one that has been rumored to be done, above $50,000, to my knowledge, has not been confirmed. Maybe it has, maybe it has not. There are very, very few of those available. I think if it's for 1 year, we are a little bit more optimistic than that. So the answer is no. If it's for 3 years, above $50,000, yes, we would definitely consider it. I mean we have sent some vessels. And if we were not considering locking some of those under such a good rate, then we would be too greedy. And unfortunately, greediness very often leads to a wall -- a brick wall. So yes, but we haven't seen it in more than 1 year.

Randall Giveans - *Jefferies LLC, Research Division - VP,Senior Analyst & Group Head of Energy Maritime Shipping*

More than 1 year. Okay. That's fair. And then I guess on your specific fleet, following the sale of the Eddie, you still have I guess 1 VLCC built in 2005, maybe 5 Suezmaxes over 15 years of age, at the same time, you mentioned kind of ongoing consolidation. So do you plan on selling some of these remaining older vessels in the coming quarters and replacing them with more modern tonnage? Or kind of where do you see your fleet over the next year, maybe current levels, smaller, larger?

Hugo De Stoop - *Euronav NV - CEO*

Everything, as you said, is true as far as the vintage of our fleet is concerned. But they are not that old, either. Certainly, the TI Hellas, which is a 2005 build, is not yet 15 years. She will become 15 years next year. And I guess that all those vessels that you mentioned, and we have a few Suezmax, which are slightly over 15 years, are candidates to be sold. We are never desperate. And when the market is that good, it either commands a better price as a sales candidate or we'd keep it and we enjoy the markets.

Randall Giveans - *Jefferies LLC, Research Division - VP,Senior Analyst & Group Head of Energy Maritime Shipping*

Sure. And then in terms of -- okay. So the fleet should go up and go down...

Hugo De Stoop - *Euronav NV - CEO*

That -- yes. That -- that's on the sales side. I think that on the acquisition side, I mean you know how opportunistic we are if you're talking about the fleet. And if it's an acquisition, we think that the values are getting a little bit too high for our appetite. If it's a merger, it all depends on where your share price is, I suppose.

Randall Giveans - *Jefferies LLC, Research Division - VP,Senior Analyst & Group Head of Energy Maritime Shipping*

Sure. Congrats on a solid quarter.

Hugo De Stoop - *Euronav NV - CEO*

Thank you.

Operator

The next question is from the line of Amit Mehrotra with Deutsche Bank.

Christopher M. Snyder - *Deutsche Bank AG, Research Division - Research Associate*

This is Chris on for Amit. So the first question is on the physical market. Earlier this month, Sinopec, the China's largest refinery, announced it was going to reduce operations in response to higher freight rates. The recent data shows that Chinese crude imports were actually moving higher throughout the month and coming in at near record high levels. Can you maybe just talk about what you're seeing here because there appears to be a disconnect?

Hugo De Stoop - *Euronav NV - CEO*

We are seeing exactly the way you described it, which means that we live in a world where you can make some declaration and not follow it through. But I have to admit that they made the declaration when the market was supposed to be at $250,000 or even $300,000 a day. All those features were failed in the end. And I guess that their common scheme came up at that right -- at that moment in time.

Today, the market is probably more between $80,000 and $120,000, depending on where you trade your ships. And that might be the reason why they have reengaged in the market and indeed booked a lot of vessels and having brought a lot of volume.

Christopher M. Snyder - *Deutsche Bank AG, Research Division - Research Associate*

Yes. Makes sense. And then just next question, can you maybe talk a little bit about the impact of IMO, just as it relates to global crude oil demand? I mean it feels like there could have been a headwind to 2019 demand as we've just seen your elevated global refinery maintenance. And then for 2020, potentially a tailwind with more waste in the refining process. Can you provide any context to this? Or how you guys think about this shaking out?

Hugo De Stoop - *Euronav NV - CEO*

Well, yes. We're not a refinery, so we can only tell you what we heard in the markets, and -- but God knows that we have visited a lot of refineries and they pretty much all told us the same. They anticipate that they will do additional runs to produce all the material that is required in the market, including LSFO. And the best estimate that we have seen range between an additional 400,000 on the low side to 700,000 barrels additional today on the high side. And I suppose the truth will be a little bit in the middle and will also depends on the oil price itself. We don't believe that there's going to be a lot of material strength. Obviously, there's going to be a period during which prices need to be adjusted according to the demand. But as I explained on the first question, it's a moving target because as people have postponed their -- postponed the retrofit, it means that we'll have probably a little bit more demand on the LSFO initially and certainly more than anticipated. But very quickly, it will catch up with what was planned. And so it will provide opportunities for ships to be used as storage, but I don't think that it will mean that the demand for oil by those refineries will go down.

Christopher M. Snyder - *Deutsche Bank AG, Research Division - Research Associate*

And have you guys seen anything in 2019? Obviously, like oil demand in 2019 has been pretty soft. There's a lot of kind of factors at play. But just has this elevated global refinery maintenance year-to-date had any impact from what you guys are seeing?

Hugo De Stoop - *Euronav NV - CEO*

Yes...

Brian Gallagher - *Euronav NV - Head of IR & Communications*

Maybe, Chris, if I could jump in that. Brian Gallagher here. I was going to mention, I think we've seen that in Q2 and Q3. And I think that's the point we wanted to try and make in our prepared remarks, and we did have a pretty respectable market in Q1 and Q4 of last year, $35,000 a day. And as we went into September and early October, again, we had a good market and a good setup for the winter program. I think it's been that refinery maintenance program which has been very, very prolonged and also more assertive and more aggressive than what we were all anticipating. And that's been almost certainly the key driver where we've had reasonably challenging markets in Q2 and Q3. I say challenging, we were still, well, slightly loss-making, as we reported today. The fact that underlying that, the market has that some sort of a reasonable balance between demand and supply. So our view would be is that Q2 and Q3, as what you saw, was very much driven by the refiners and now they're back in play and now ready for IMO 2020.

Operator

The next question is from the line of Ben Nolan with Stifel.

Benjamin Joel Nolan - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

So I have -- well, my first question, you touched, Hugo, on this a little bit I think on Randy's question. But there's been clearly some noise in the market about owners who have placed new buildings who were looking to sell those assets. Curious, and it sounds like their -- the ask price is a bit too high for you. But how do you think about that more broadly as some of these speculative newbuilds look to be sold? Is that something that you would be interested in doing at some point?

Hugo De Stoop - *Euronav NV - CEO*

It's very difficult to be accurate. Yes, there's a number of VLCCs, particularly the VLCCs, which have been built speculatively. Those vessels were earmarked for sale. Some of them have been sold. But you have to recognize that most of those, well, speculative units have been or are starting to be operating in proper companies. The pool is welcoming 2 of those in the name of Hunter and Hartree. And that's because they have equipped themselves with the necessary, well, people, management systems in order to operate them. So I don't think that they are desperate. And who knows, maybe they want to become shipowners themselves. So it's quite difficult to read who wants what. It's true that one's a vessel -- and I think there was a rumor in the market today that one of those had been sold at way above 105 -- $105 million. It's true that for us, it's probably on a very expensive side. If it's a fleet, you can deal with the shares. Your share price is potentially trading at a premium to NAV, then it's something different.

I mean, as you all know, we always look or we always take care of our shareholders, our existing shareholders. We want to make sure that whatever we do, we create values. But there is always a limit to the price that we are willing to pay.

Benjamin Joel Nolan - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay. No, that's helpful. Certainly, that discipline is something that you've shown in the past. My next question shifts a little bit, and it sort of ties in with the quarterly dividends, which, I think, at least in the U.S., many people will appreciate. But in the past, you guys have in periods of strength done a special dividend, that sort of thing. It looks like 4Q, based on the rates that you've locked in thus far and where the market is now, it should be one of those periods of time when things are pretty good. You mentioned earlier that the balance sheet is appropriately or maybe even under-levered. If there is a windfall quarter or a couple of quarters, is special dividends sort of on the table? Or how are you thinking about the use of your capital beyond just the normal quarterly dividends?

Hugo De Stoop - *Euronav NV - CEO*

Yes. Of course. I mean whether you call them special dividends or extraordinary dividends, we're going to look at them on a quarterly basis going forward. As I mentioned earlier in this call, this is true for 2020 because the law is only changing the 1st of January. So as far as Q3, that obviously remain the laws, and Q4 are concerned, that will be the way we've done it in the past.

Operator

The next question is from the line of Omar Nokta with Clarksons.

Omar Mostafa Nokta - *Clarksons Platou Securities, Inc., Research Division - Head of Shipping Research & Analyst*

I just wanted to maybe revisit the ULCC being used for storage of low sulfur fuel. You've discussed, I'd say, extensively on the call and in the September 5 announcement as well that during the next 2, 3 quarters or at least the first 2 to 3 quarters of 2020, there's a lot of uncertainty of supply. Generally, over the past few weeks, there's been some reports that the concern over availability of the low sulfur fuel is maybe overblown and that the market may be okay. That's obviously in stark contrast to where things were 6 months ago. Of course, we're not going to really know ultimately until we get into January and have a better sense. But as we kind of think about it from Euronav's perspective, you've got an embedded gain in that bunker fuel to be -- you've got a lot of working capital tied up with that. Does it makes sense at all if we get to the January time frame and sure enough there is a good amount of supply available of the low sulfur fuel? Does it make sense to accelerate that discharge or sell as much as possible that fuel and maybe bring that ULCC back into the trading market?

Hugo De Stoop - *Euronav NV - CEO*

Yes. So in fact, there are two questions there. The first one is clearly not. I mean we are not traders, and we did not do that to speculate. We did that primarily because we were worried about quality. And yes, there seems to have a certain quantities of benefit for that being stockpiled, either on land or on the -- on ships. But that doesn't tell us anything about the quality. So again, the first few months are going to be about the availability, the quality, but also the pricing. At the moment, we are sitting in a project that is definitely in the money. We are happy about that. That was not the primary goal. I don't know where the pricing will go, and I don't know in which location it may go up or down. I mean obviously, we are in only 1 location, but we can always swap projects if we see that pricing are going all over the place in another region.

As far as the vessel is concerned, it's a very good question. I'm very happy that you asked because we have had it in the past, and we have not been able to explain it thoroughly to the market. We're talking here about ULCCs. ULCC can carry 3 million barrel. They were built in 2002. We acquired them in 2004, and we trade them or we used them as trading ships until 2008. After 2008, 2 were converted into a vessel and the other 2 were only used as storage units. So they have not been part of the trading fleet. And the reason is that the market structure is not made for 3 million barrel lots. So we are not missing out on those vessels of the goods markets that we're seeing on the VLCCs on the Suezmax. But the top that we have earned on those 2 units -- well, in fact, 1, because we only bought the other 1 last year. In the last 10 years, so since 2008, must be in the low 30s. So our cost of -- sorry, lost opportunity is very minimal. And we have calculated that when we were thinking about using those vessels. And that's maybe also one of the reason why we're not using all VLCCs and all the Suezmax.

Omar Mostafa Nokta - *Clarksons Platou Securities, Inc., Research Division - Head of Shipping Research & Analyst*

Okay. That makes sense. And I didn't realize actually that the ULCC hadn't traded in the VL market since '08, but thanks for that. I do have just a follow-up on the guidance for the fourth quarter. Obviously, VLCCs looked, generally, I'd say, firm, especially relative to what we've seen in the past and how the market's averaged. So when we think about the Suezmaxes at $27,300, how do you feel about that? It seems a bit lighter than what we would've expected. I know we're somewhat in uncharted territory here. The past several weeks where rates that we've seen reported don't actually end up coming into fruition. But how do you think about the $27,000? Is that really what you would say as reflective of where the market average has been? Or do you think there's something else?

Hugo De Stoop - *Euronav NV - CEO*

Well, I think that we would tend to agree with you that we're a little bit disappointed on Suezmax front. But you are also correct to say that in the last few weeks, the Suezmax market has rebounded and has caught up with the VLCCs relatively speaking, of course.

So I think it's too early to draw a conclusion. Let's not forget that the market, we see a lot more new building deliveries last year, did not recycle as many ships than what we have recycled on the VLCC. But conversely, the order book is so much smaller than the VLCC, which is already at historically low levels, around 9%, as we've -- on the slide. So it's true that we have not given you those data points, but I'm sure you have them. The order book on Suezmax is even more attractive than on the VLCCs. So if there was a disconnect with the VLCC market, I believe that you have to look at it over more than a few weeks and potentially more than a quarter because it's a market that can come back into a certain extent, as I mentioned, has come back already.

Operator

The next question is from the line of Eirik Haavaldsen with Pareto Securities.

Eirik Haavaldsen - *Pareto Securities, Research Division - Head of Research*

I just wanted to follow up a little bit on the capital allocation because I think that's sort of the key theme in 2020. So you have the most conservative depreciation profile which in a way punishes a little bit your net profit. So is there any reason not to expect you to pay out more than your full earnings next year? Because you say you're not going to pay down debt, you're not going to buy ships, then where will sort of the cash go?

Hugo De Stoop - *Euronav NV - CEO*

It's a very good question but you will have to wait until we cross those quarters and tell you how much we're going to pay. I think that it's for a purpose that we have not limited ourselves to a certain percentage and that we are a little bit more flexible than in the past between share buyback and dividends.

But when it comes to depreciation, it's a funny game because yes, we are maybe a little bit more conservative than the others. But when we sell the assets, obviously, we've depreciated them more than the others. So we are catching all of those profits back at the time of selling those assets, and you will recognize hopefully, that we're not that bad at selling. And usually, the profit that comes with the sales is pretty healthy.

So I don't think it's a real point. When you have a fleet of 70 vessels, you are probably selling a few -- a couple of them, or a few of them every year. And when you do, you're catching back on your depreciation policy. We are discussing the depreciation policy with the Board and we feel very, very comfortable about it. So we will continue and maintain the depreciation policy.

Eirik Haavaldsen - *Pareto Securities, Research Division - Head of Research*

Yes. But if it's -- you're completely obviously had -- I understand aware of the difference between cash loan and net profit, obviously. And I think the investors should be as well. But just also one on Slide 12, you have current HSFO price in Singapore at $545 a ton. I just wonder, ...

Hugo De Stoop - *Euronav NV - CEO*

LSFO.

Eirik Haavaldsen - *Pareto Securities, Research Division - Head of Research*

Okay, that was LSFO. Because it says HSFO but then it's...

Hugo De Stoop - *Euronav NV - CEO*

Apologies for this mistake. Absolutely. It's LSFO and it's -- well it's the price that people are paying when they want to bunker their ships in Singapore. And many, many people are doing that at the moment. So the demand is picking up because on the large vessels, and that's maybe something that people don't understand, for the large vessels, if you want to have an LSFO onboard, and obviously you have to have LSFO onboard for the end of the year. If you're starting to perform a long voyage, you get a broker now.

Operator

The next question is from the line of Gregory Lewis with BTIG.

Gregory Robert Lewis - *BTIG, LLC, Research Division - MD and Energy & Shipping Analyst*

I was hoping to talk a little bit more about the Suezmax market. I remember going back to your -- the webinar presentation. You talked about potential new roots developing for Suezmaxes around IMO 2020. Is that something that where -- you've seen at all or is that something that kind of -- it's still more of a wait and see?

Hugo De Stoop - *Euronav NV - CEO*

We have seen some of them. There's not been a long trade, certainly not as much as the VLCCs going out of the Gulf and going to the Far East. There's a lot of demand coming from Europe for whatever is exported from the U.S. and we anticipate that, that will continue because the European refineries are not very sophisticated, i.e., they will probably demand more light oil than what they have done in the past. It's in addition to what we have 2, 3 years ago, we had no export from the U.S. There other trading routes that we anticipate will level up. It's probably a little bit too soon. But again, I think that we are drawing conclusion a little bit too fast here. As I mentioned, the market has [cooled down]. There is a strong correlation with the VLCC market and the strong correlations coming from the fact that 2 Suezmax is 1 VLCC. So if the VLCC market is too high, then you split your cargo and you use 2 Suezmax. So there's always a correlation between the 2 markets. And thankfully, we have seen that it's the Suezmax who has come up rather than the VLCC being taken down by the Suezmax. And that's very positive.

Operator

The next question is from the line of Chris Wetherbee with Citi.

Unidentified Analyst

It's [James] on for Chris. I wanted to follow up on that speculative newbuild question and ask about the current vessel technology. Are you confident that eventually your vessel today will meet regulations and might come down a line in like -- in about -- over the next decade? Or is that the risk that you think might continue to curtail the order book?

Hugo De Stoop - *Euronav NV - CEO*

It's a very good question. I mean as far as we're concerned, and I suppose everybody has the same topic on their mind, the short answer is we don't know. Everybody believes today that LNG will be at least a transition and that the yards are telling us that as of 2022, it will only start LNG uses fuel VLCC. And then we'll have to wait what the next technology is about.

Today, the biggest problem that we all have is that it comes at a premium and that premium is $15 million. So if you set a new building, a conventional -- a new building at $90 million or $92 million, you have to add $14 million or $15 million if you want that ship to be able to use LNG. And it's a significant premium.

So in order to justify it, either you need to make sure that the fuel you're going to use -- in other words, the LNG price is going to come at a big discount to the LSFO or you sign a time charter, which recognize that your ship is capable of using LNG as a fuel. And in other words, it's time charter that comes at a premium over a conventional vessel.

As long as it stays at such a big premium, it should refrain a lot of people. It should refrain a lot of people from ordering conventional vessels because they have no idea whether that vessel, when it gets delivered and there only a few slots in '21, so we are already contemplating the early slots of '22.

So when those vessels deliver, whether it's still going to be the technology that is accepted for a new building. And on the other side, the guys that want to jump on the board of the LNG fuel VLCC vessels are a bit reluctant to pay that premium.

So we will see how the market evolves. But we are pretty confident that it will indeed restrain a lot of people until either one of those gets more currency or cheaper.

Operator

The next question is from the line of George Burmann with Cabot Lodge Securities.

George Hans Burmann;Cabot Lodge Securities;Analyst

Glad you clarified Slide 12. The -- it's not the high sulfur but the low sulfur fuel oil, rating at the $545 right now and your procurement apparently was around $445. So you're up about $100 a ton there.

Hugo De Stoop - *Euronav NV - CEO*

Yes. That's correct. Again, apologies for the typo.

George Hans Burmann;Cabot Lodge Securities;Analyst

The unexpectedly low procurement rate for your Suezmaxes here into the fourth quarter, is that partially due to most of your fleet having been on voyages when rates exploded higher here last couple of weeks?

Hugo De Stoop - *Euronav NV - CEO*

Well, we will need to see what the others are doing on the Suezmax to answer your question. Yes, a lot of them were performing voyages as they should because we like to utilize and to maximize the utilization of our ships. But it's also true that a lot of fixtures which were done at very high rates were canceled. So the first market that picked up was the VLCC. Then the Suezmax caught up. But with the delay and what we see happening in the VLCC market and a lot of those fixtures between 250 and 300 being failed, as we call it, we had the same thing phenomena happening on the Suezmax. And so I think it's a question of starting later and then being caught in the window of canceling those fixtures rather than not being able to pick up any of those good rates.

George Hans Burmann;Cabot Lodge Securities;Analyst

Okay. Has the continued export strength from the United States, Houston, Corpus Christi continued into the third and fourth quarter? Or have you seen a slowdown there due to lower Chinese imports?

Hugo De Stoop - *Euronav NV - CEO*

No, we have not seen...

Brian Gallagher - *Euronav NV - Head of IR & Communications*

I'll take that one, Hugo. No, George, I mean we saw -- I think it was last week, we saw a new 3.7 million mark. So we still anticipate we'll have a 4 million mark some time in this quarter. So we continue to see growth with the recent panels. [With them] appearing onwards to suggest that Corpus Christi is really driving that growth.

George Hans Burmann;Cabot Lodge Securities;Analyst

Okay, and...

Hugo De Stoop - *Euronav NV - CEO*

I think the reason -- sorry, just to add 1 element. I mean the reason why you are asking the question is because we have seen, in some reports or in some press articles that the growth rate was diminishing. But that's very different than the nominal growth, of course. If you have a growth rate of 10% or 15% year-on-year and suddenly instead of 15% you only have 10%, you nevertheless continue to see a growth pattern. And that's what we're seeing.

George Hans Burmann;Cabot Lodge Securities;Analyst

Okay. And your Suezmaxes, are they individually managed by yourself? Or are they in a pool as well?

Hugo De Stoop - *Euronav NV - CEO*

No. They are individually managed by our Suezmax desk, which is an in-house operation indeed.

George Hans Burmann;Cabot Lodge Securities;Analyst

Okay. And Suezes are the primary source of export from the U.S. since they can only -- I think, 1 port can only accommodate VLCCs, right? Everything else has to be ship-to-ship transferred offshore?

Hugo De Stoop - *Euronav NV - CEO*

Yes, which does not seem to be a problem. I think that when the distance is long enough, then it's still more economical to do light ring. Light ring means that you're bringing the oil to the VLCC with another smaller ship, be it an Aframax or Suezmax. And that's the reason why there are a lot of VLCCs leaving the U.S. Gulf Coast and going to the Far East. When it goes to Europe, it's true that it is more of a Suezmax trade, and therefore, Suezmax have been used and the Suezmax don't need to be lightened, so it's a less complicated operation.

George Hans Burmann;Cabot Lodge Securities;Analyst

Yes. And maybe one final one -- comment on the export capacities and volumes out of Brazil, currently. Recently, Petrobras, their big oil company announced strong oil volumes. Have you seen any pickup there in exports into the world?

Hugo De Stoop - *Euronav NV - CEO*

Yes, definitely. As a matter of fact, when we talk about the export from the Atlantic, most of the time we talk about the Americas. And the Americas -- and we call it carried because that's an old jargon. It's usually called carried Far East. But carried means oil stretching from Brazil up to the East Coast of the U.S., be it Gulf or be it really on the East Coast. So that captures all of it.

And it's true that the Brazilian had announced an increase in production. Most of that production is offshore so it's something that is planned many, many years in advance, and it requires a pretty heavy investment. And it came online a little bit delayed compared to what they told the market. But nevertheless, it's a very -- it's a growing market, and a very interesting market to lift out from.

George Hans Burmann;Cabot Lodge Securities;Analyst

Okay. And the carry trade as you call it from the Americas to the East, remind me that's -- generally takes between 60 and 90 days, huh?

Hugo De Stoop - *Euronav NV - CEO*

Yes -- well, it depends where you are leaving from. Most of it, if not all of it, is going around Africa at Suezmax canal, is limited to a Suezmax size. And yes, it could be between 70 and 90 days indeed.

Operator

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

Hugo De Stoop - *Euronav NV - CEO*

I just would like to thank everyone that was on the call and for all the good questions, and looking forward to the next one, which hopefully will bring even more good news.

Thank you. Bye-bye.

Operator

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