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## Euronav \$185m New York IPO shows 'timing is everything'


 By [Barry Parker](#) from New York

As widely anticipated, Euronav has come to market with its offering on the New York Stock Exchange (NYSE) hoping to raise as much as

\$201.6m (\$185m net) figuring an overallotment allowance granted to the underwriters. Financial pundits say that “timing is everything” and sometimes, it pays to wait as Euronav’s original NYSE filings, in early September 2014 had the company raising a far smaller \$100m; at the time.

The offering was scrubbed as the equity markets swooned. Fast forward four months now, to a booming tanker market and a still strong equity market, albeit slightly rattled by falling oil prices, and potential demand for the shares has doubled. Anticipated pricing, estimated in the latest filing to be just under US \$12 per share, is tied to the value of shares trading on Euronext Brussels, where Euronav has been listed since 2004. In conjunction with the NYSE offering, shares outstanding in Belgium will be exchanged with the newly issued shares. After the dust settles, and assuming that the underwriters take the additional shares, the Livanos family will own 12% of outstanding shares, with the Saverys family owning a 10.7% stake.

One of the heavyweights in the business, Euronav controls 52 vessels with an overall capacity of roughly 13m dwt, consisting of 27 VLCC/ULCCs, 23 suezmaxes and two FSOs - both jointly owned with OSG, and on charter to Maersk Oil. Two additional vessels, part of the quartet purchased from Maersk last summer following up on a 15 ship deal done earlier in 2014, will be delivered into the fleet in the first half of 2015.

In its latest filing, Euronav suggests that proceeds might be used towards acquiring additional vessels, or alternatively for repaying debt. Euronav prides itself on its excellent access to financial markets, citing \$3.8bn raised since 2008. Last Autumn, the company entered into a \$340m senior secured credit facility (seven-year term, LIBOR plus 2.25%) to partially finance the purchase price of the Maersk VLCCs, and to repay a credit facility dating back to 2009.

In his public appearances, company CEO Paddy Rodgers has been a major proponent of measures to reduce fragmentation in the large tanker sector, an ongoing trend where owners are attempting to shift market power in their direction.

The prospectus details VLCC Chartering Inc, the recently announced alliance between the Tankers International pool (dominated by Euronav's VLCCs) and Frontline Management. The prospectus offers a glimpse deep into management's spot market strategy, saying: "Our strategy is to maximize our exposure to the spot market, which has historically been volatile, but which we believe has delivered the highest returns on average, while securing stable cash flow in anticipation of decreasing markets by chartering some of our vessels on fixed-rate time charter," adding that: "we seek to leverage our participation in the TI Pool to benefit from the economies of scale and greater vessel utilisation that the TI Pool can generate. We believe that the revenues that our vessels achieve in the TI Pool will exceed the rate we would otherwise achieve by operating these vessels outside of the TI Pool." TCE's for Euronav's VLCCs were just over \$25,000/day for the first nine months of 2014.

The prospectus also provides a number of other insights into Euronav's business, for example its vital services provides to oil major Total- with a refinery in Quebec. As North America's energy landscape shifts, exports of crude oil (and products) from Canada are likely to increase.

One interesting hint of future activities concerns oil storage- a major driver of the market for large tankers in recent weeks. The company notes that: "We currently deploy our two FSOs as floating storage units under service contracts with Maersk Oil in the offshore services sector. As our tanker vessels age, we may seek to extend their useful lives by employing such vessels on long-term offshore projects at rates higher than may otherwise be achieved in the time charter market."

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