

# **Gaztransport & Technigaz SA (GZPZF) Q4 2023 Earnings Call Transcript**

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**Body**

Gaztransport & Technigaz SA (GZPZF)

Q4 2023 Results Conference Call

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Anouar Kiassi - Vice President, Digital and IT

Jean-Baptiste Choimet - Managing Director, ELOGEN

Thierry Hochoa - CFO

Conference Call Participants

Jean-Luc Romain - CIC Market Solutions

Richard Dawson - Berenberg

Daniel Thomson - BNP Paribas

Guillaume Delaby - Societe Generale

Jean-Francois Granjon - ODDO BHF

Presentation

Philippe Berterottière

Good morning, ladies and gentlemen. I'm very pleased to be with you today to present to you the 2023 results of GTT.

Before that, I would like to spend some seconds in watching a short movie on the past 10 years. As today, we are celebrating the 10th anniversary of the IPO of GTT. So let's watch that.

[Presentation]

Philippe Berterottière

Well, let's begin with some key highlights about the 2023 results of GTT. Our revenues have increased by 39%. Our EBITDA has increased by 46%, and our order book, which is €1.8 billion. In fact, for orders, it has been the second record year for GTT after year 2022.

Some other key highlights. We -- year 2023 has been a record year for new liquefaction facilities with 56 million tonnes decided.

We announced plenty of AIPs, plenty of new technologies validated by classification societies. Another key highlight, the turnover of Elogen has increased by 116%. So let's look at our strategic road map. Our -- we have three blades to the GTT popular. 3 blades, which are propelling GTT into the [future]. The first one, it's cryogenic technologies. We keep on improving these technologies on the existing technologies.

We keep on improving them. We are extending them with the new technologies such as the NO96 Super+ or the Next1 system. We are also extending that for LNG as a fuel or for transporting liquid hydrogen.

The second blade, it's services. We have core services for LNG carriers, and each year, our business there is increasing. And we have also digital services that we are expanding, and we are -- my colleagues from the EXCOM will present that to you later.

We're also working on the transformation. And thanks to new developments, developments on electrolysis with Elogen on carbon culture on ammonia storage and ammonia storage and ammonia transport on gas management technologies.

And we are also looking at new developments beyond that, thanks to our venture capital tool, GTT venture. And for example, recently, we invested into wind cell, a company named bound4blue.

So with these three blades, we can propel the company into what is our ambition, becoming a company providing key technology solutions, services, systems for a sustainable world.

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We have really the determination to become a very serious partner for our stakeholders on ESG. And we published our ESG road map in February. We've been ranked by Sustainalytics at 18.8, which is a very good mark, which says that we have a very low risk in terms of ESG.

CDP is rating us at B level.

So we are receiving some strong recognition from the agencies, ESG agencies. And this is at the core of our raison d'être, and we are very determined in that matter.

Now I would like to leave the floor to Jean-Baptiste Boutillier, GTT Innovation, who is going to talk about R&D and innovation.

Jean-Baptiste Boutillier

Thank you, Philippe. So for this focus on R&D and innovation, in addition to the 64 patents, which have been filed by GTT in 2023, I would like to present our road map and some achievements. First, on the core business. After the launch of Super+, we now have two vessels under construction with this technology an received an additional order for a very large LNG carrier with this technology this year. So after this, we are continuing our development of new containment system.

We are actively working on Next1. We concluded the test end of last year, and we are actively working towards the general approval from Classification Society.

After bringing added value to the market with innovative design of LNG carrier with three tanks, LNG carrier with a capacity of 174,000 cubic meter, we are continuing and developing a new innovative design of 200,000 cubic meter with slow steaming in order to reduce the CO2 footprint of the LNG which is transported by sea.

We are also working on active system, [Recycool]. And in parallel, we are continuously improving the performance of our containment system.

In order to support the diversification strategy of GTT, we are working on three strategical access, the first one is LNG as a fuel, the second one is the digital solution, and the third one is zero carbon solution.

For LNG as a fuel, we continue to work on Recycool. Recycool is an active system dedicated to LNG fuel ships. This system has been ordered on several vessels, and two ships has been delivered already. The ships are sailing with the system running.

For the LNG as a fuel, we are adapting the solution for core business for new vessel segment. Typically VLCC, very large crude carrier and PCTC, pure car and truck carriers.

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In order to further reduce the CO2 emission of LNG fuel ships, we are also developing carbon capture on board.

The second axis to support the diversification strategy of GTT is the digital solution. Anouar will give you more detail on this in a few minutes, but the main achievements in 2023 has been the launch of our weather routing service.

We are also developing a solution to optimize the maintenance and the performance of the vessel. And we have also a project to measure the emission of the vessel.

The third axis to support GTT diversification strategy is zero carbon solution. On this axis, we are developing liquid hydrogen solution and ammonia solution. For liquid hydrogen, we see approval in principle from ClassNK, the Japanese classification society, and we received approval in principle from BV, and I will get in more detail on this in a few seconds. Here we are working on the containment system, but also on the vessel design. For ammonia, we have several projects for onshore storage but also for sea transportation.

In the next slide, I would like to have a focus on very large liquid hydrogen carrier concept. We worked in 2023, together with Total Energy with LNG Mara, a ship designer and Bureau Veritas classification society. And together, we reached a new milestone in liquified hydrogen transport by receiving two approval in principle from Bureau Veritas. The first one is on the containment system itself. And the second one, so this containment system is a membrane technology, of course.

And the second approval in principle is about the preliminary design of the very large liquid hydrogen carrier. The capacity of the vessel is 150,000 liter.

With these two approval, we are paving the way for safe maritime transport of hydrogen. And we are demonstrating the scalability and the benefit of the membrane containment system for liquid hydrogen.

I now leave the floor to Philippe for more detail on the strategy. Thank you.

Philippe Berterottière

Thank you, Jean-Baptiste. Let's go into more details on what is supporting our business and to begin with, the LNG market. There are three switches on the energy LNG market. The first one is a switch from coal to LNG. The -- from coal to gas.

In fact, coal is still representing 30% of the worldwide energy mix. It's a lot. And you know that burning coal generates twice more CO2 than burning gas. So if we want to reduce the CO2 footprint of the planet, we've got to reduce that as quickly as possible and an easy, a very pragmatic solution, an affordable solution is to switch to gas.

In fact, the later scope, COP28 has recognized gas as a part of the solution for reducing the CO2 emission.

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The second switch is a switch from gas to LNG. Now we know that gas points are not only [indiscernible] supplier and customer prisoners from each other, but also are very vulnerable to international tensions. So ships allow to have many providers of LNG and are much less vulnerable than static pipes.

The third switch is a switch from all ships to new ships. And now the pressure of regulations and emissions, owners will have to win your fleet with more modern ships, aiming a CO2 footprint twice smaller than the old ones.

So that is determining strong LNG growth over the years to come. We can see on this graph the expectations from BP or from Shell, but also from an independent analyst Wood Mackenzie.

For the remaining part of the decade, we expect an average growth between 4.9% and 5.7%. It's a lot. In the next decade, Wood Mackenzie is anticipating that we are going to need 100 million tonnes of LNG production in addition to what will have been decided by the end of this current decade.

And if we look at the contracts signed today, we can see that they are fully justifying the developments which are currently contemplated. In fact, 2023 has been an excellent year in terms of FID with 56 million tonne per annum, which have been decided. It's the second best year. And it comes after years -- all the other excellent years 2022 and 2021.

So numerous projects are in line for new FIDs in the near future. You will see on this graph these projects and also the quantity of LNG, which should be produced by these projects and how they are covered by contracts from customers.

We could add that yesterday, Qatar has announced that they are going to further extend their North Field pass with a new development, which is going to add 16 million tonne per annum. So already year 2024 is beginning with a very important FID with 60 million tonne per annum. That is determining requirements for LNG carriers. And in the current situation before the 16 million tonne per annum decided yesterday. We are considering that the market for this new project is needing 95 LNG carriers in order to satisfy the need for transporting these LNG quantities.

So another driver for the development of the LNG carrier requirements, it's the hedging fleet. We know that -- and we can see on the left-hand part of the slide that they are close to 60 ships which have been built in the 20th century. There are more than 230 ships which are still steam turbine, burning twice more fuel than more modern ships. And something like more than, in fact, 50%, close to 60% ships with boil-off, which are very significantly higher than those generated by new ships.

So under the pressure from regulations, these ships will have to be replaced in the years to come. We think that it will lead to an acceleration of the vessels scrapping in the years to come. For the time being, it has not really begun. Few ships have been scrapped, but we expect that it will significantly increase in the years to come.

So that is determining the estimates we have for the next 10 years. And for LNG carriers, in fact, we were between 400 and 450 ships. Now we are beyond 450 ships. You know that we are always a little bit careful on our estimates, but we consider that we are well above that level.

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In terms of FLNG, we were at up to 5 units in the next 10 years. We are now up to 10 units for the next 10 years. We did not modify our other estimates.

On LNG as a fuel, we are still saying that the only solution available today for reducing the emissions from ships, it's LNG. LNG is available. LNG is affordable. And when we look at the solutions that people are talking of -- these solutions like methanol or ammonia, green methanol, green ammonia are not available and are significantly more expensive, may cost 4x or 5x more than LNG.

We think once more that with this pragmatic approach, the shipping industry [has got] to reduce its CO2 footprint and a good manner to do it right now is to switch to LNG.

Well, before leaving the floor to Anouar, I would like to have a short word on our services. I would like to remind you of the strategic importance of the set of services we developed over the years. Now we have a full range of these services, which is really targeting at answering to the needs of shipowners, wherever they are. LNG carriers, shipowners, owners of LNG carriers, owners of containerships, owner of LNG-fueled ships. And that allows to work ahead of a decision.

That allows us to accompany the owners in the inception of their tonnage, and in the maintenance of their tonnage. Anouar?

Anouar Kiassi

Thank you, Philippe. Good morning, everyone. So first, what is smart shipping is all about? It's about reducing the operational costs, reducing emissions, monitoring emissions and improving the safety of ships. It is a market that is driven by many strong drivers like the costs reduction of costs.

And the costs keep increasing because of the cost of energy and the cost of carbon. Environmental regulations are more and more stringent requiring more tools to monitor that, to report that, and the need of transparency between the stakeholders. Because what's at stake is a high cost between the charter, for example, and the ship owner. And we need tools, reliable systems to report on that and to act like GTT or Ascenz Marorka, as a third party of confidence between these parties.

We have -- it's a market that is growing strongly from -- at least from 2023 to 2033, by an average of 7.5% every year. Our aim, our objective in this field is to become a reference player. We are actually already a reference player, but the idea is really to be one of the top players in this market, have a large share, develop synergies, of course, with the core activities of the group, namely from the expertise when it comes to GTT expertise in LNG, and participate into this long-term move to decarbonize the maritime industry.

Our strategy to achieve that is to keep improving our products, increase our commercial footprint and also benefits from this fragmented market to do targeted acquisitions, and we'll come back to that later on.

So it is a very promising market, as I was saying, and we target three segments, deep-sea ships, commercial or merchant ships that cross the seas, container vessels, bulkers, tankers, offshore ships. That's a work on the oil and gas fields, and the LNG ships, which actually are deep-sea ships, but they are specific, of course, to GTT because of our history in LNG.

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In 2023, we kept improving our KPIs. So we installed systems onboard 117 vessels, which is a significant increase compared with last year. And our subscribed, meaning recurrent revenue from ships are coming from 481 ships.

The addressable market in terms of numbers are -- is huge. We're talking about 60,000 vessels to be addressed. And this year, we are talking about large ships. The regulation keeps moving, and there will be probably up to 90,000 vessels that can be, potentially involved or concerned by the type of solutions that we provide. Because the IMO deploys regulations based on the size of ships, and these regulations are deployed year after year.

This domain is in a deep need of decarbonization and that's why we suggest -- offer these solutions to increase the performance of ships and to report on the environmental regulations.

And to have a better position in this domain, we invest a lot in innovation. In 2023, we introduced new solutions like the weather routing, actually it's more of a voyage optimization solution and predictive maintenance for the LNG tank for LNG carriers and FSRUs in general, or LNG vessels in general.

A few highlights about 2023. So we launched our new brand, Ascenz Marorka, which is the merger of the companies that we acquired before and to kind of put all our efforts in terms of communication, investment in R&D under one umbrella, Ascenz Marorka.

We signed important contracts. Keep in mind that we don't communicate on all the contracts because some customers are not always willing to communicate, but we communicate on a few contracts last year like GasLog and Technomar, which are very important contracts for us. GasLog is one of the major LNG ship owners in a Greek shipowner. And Technomar is the second largest container vessel shipowner in Greece as well.

We deployed our first LNG tank predictive maintenance solutions on three units that we communicated. And we also started the weather routing service, coupled with what we call the fleet center, which is a team of experienced mariner that help the masters onboard operates better and safely their ships.

And today, we announced -- we are very happy to announce the acquisition of a new company in the digital domain, smart shipping in particular. It's a Danish company called VPS that is specialized in the vessel performance optimization. This company complements very well our current portfolio in terms of products. So the company is based in Copenhagen with an office in Greece. It's a team of 12 people, highly talented, architecture and data scientists and that will increase our current subscribed fleet by 1,200 ships, which is a significant increase and will pave the way to deploying more synergies between Ascenz Marorka and VPS.

Talking about synergies. So the idea is really to deploy the mutual solutions on each other's fleet. This company is also working with other weather routing solutions to increase the accuracy of their models, and we will benefit from that. And this large customer, premium customer base actually is very important to, as I was saying, deploy the synergies of existing products.

In terms of content of the solutions the VPS portfolio of solutions helped the shipowners and the charters improve their performance. This is the main objective of the smart shipping. And also what is very interesting is that these solutions are hardware-agnostic, which will help us deploy very easily this type of solution on any kind of ship without the need of adding hardware onboard, which actually requires a higher lead time. And so that will speed up our capacity to deploy new ships, thanks to this technology.

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Thank you. I'll leave the floor to Jean-Baptiste to talk about our hydrogen activities.

Jean-Baptiste Choimet

Thank you, Anouar. I will now share with you the key highlights of Elogen for 2023. Like our peers, we observe that some final investment decisions are being delayed, which leads to a shift in the takeoff of the market. However, we remain convinced of the huge potential of green hydrogen, and there are positive signals for that.

First of all, public fundings keep becoming real, as evidenced by the recent launch of a new IPCEI wave in Europe, this time focused on infrastructure.

Second, when we talk to them, we understand that many energy companies are now focusing on more reasonably sized projects that are easier to develop. That being said, even if we look at the step scenario of the international energy agency, which is more bearish than any BP scenario, for instance, it is roughly 55 gigawatt of electrolysis capacity that will be required by 2030.

Meanwhile, we continue the development of our product offering. So today, we commercialize turnkey containerized electrolyzers, in particular, thanks to our 5-megawatt unitary brick that can then be multiplied to reach larger sizes.

We continue preparing the solutions of tomorrow, with large-scale electrolyzers partnership with EPC companies. In this respect, we recently started marketing an indoor design that is triggering significant interest from key energy companies.

Last but not the least, like GTT, we are committed to our customers throughout the lifetime of our electrolyzers. So this is why we started in 2023, the commercialization of our maintenance offer in parallel with the creation of a team dedicated to aftersales services.

In 2023, we announced several major contracts. Our largest order so far, 10 megawatts with Enertrag in Germany, the first Dutch offshore project, 2.5 electrolyzer with CrossWind, a joint venture between Shell and Eneco, which opens the way for a promising field for PEM technology.

And we opened twice the Korean market with our partner, Valmax, with two 2.5 megawatt orders. Doing so, we remain consistent with our principle of selectively choosing our prospects in order to ambitiously and reasonably develop Elogen.

To do so, we grow our pipeline in a diversified manner in terms of end markets, clients and geographies. And in the short term, we target reasonably sized projects, leveraging our 2.5- and 5-megawatt unitary solutions. In parallel, we start marketing our large-scale solutions in partnership with EPC companies.

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So let me remind the three pillars of our development. First one is be efficient. As we believe that technology is the cornerstone of the green hydrogen revolution. So this is why we put strong efforts in research and development within Elogen and with partners.

The second one is be reliable, as we believe that quality will be the basis for the development of a strong market. So we are rigorous in the way we deliver our solutions, and we build proximity with our clients throughout the lifetime of their products, thanks to our aftersales services.

The last one is be ready. Be ready for massification, thanks to building our portfolio and references. And be ready for the large-scale production of stacks, thanks to our upcoming Giga factory.

Speaking of stacks production. As you know, today, we produce our stacks in Les Ulis near Paris, next to our R&D facilities. Tomorrow, Les Ulis will become our Center of Excellence for industrialization while it will remain, of course, our R&D center.

About a month ago, we opened the construction site of our Gigafactory project in Vendôme in France. We estimate the CapEx of this facility to be between €90 million and €110 million, bearing in mind that it is funded at an equivalent 80%, thanks to the support of the IPCEI program. We target to start production in this facility during the fourth quarter of 2025.

Now looking back at the key figures of 2023, we booked a revenue of €10.1 million, which is 117% up compared to 2022.

As we consistently implement our strategy to build a good and an efficient company before making it big, we control the EBITDA loss at minus €19.7 million in the context of increasing workforce.

Our order book remains strong at €16.5 million, thanks to the flagship orders I mentioned earlier.

Thank you for your attention, and I will now hand over the mic to Thierry Hochoa, who will present GTT's financial.

Thierry Hochoa

Thank you, Jean-Baptiste. Good morning, everyone. Now we are going to focus on the key financial figures. And let's start with 2023 order book.

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We can say that strong commercial momentum continues with 76 new orders in 2023, for the core business with 15 new orders as well booked in 2023 for LNG as fuel, including the [Yangming] orders which is the first Chinese ship owner to up for LNG propulsion technology.

In total, the order book, which a record level at the end of 2023 with 311 units for -- called the core business and 76 units for LNG as fuel. What does it mean, these 311 units for the order book or in the core business? In terms of consumptions and flows for the years to come in terms of revenue. First, this means €1.8 billion were in good news already secured, as mentioned in the graph at the bottom left.

Secondly, this means an exceptional year in 2025 with €628 million in revenues from the core business alone, as mentioned in the graph at the bottom right.

And lastly, this means visibility, strong visibility for LNG and for GTT in the years to come.

Now let's have a look on the main aggregates of the P&L. Total revenue. Total revenues amount to €438 million in 2023, up 39% compared to 2022, driven by new builds and higher number of LNG carriers under construction, generating additional revenues driven by electrolyzers, which double Elogen's revenue to €10 million in 2023 compared to €4.7 million in 2022, driven by services, which increased by 22%, thanks to development of digital activities and services to vessels in operations.

Let's continue with the other main aggregates of the P&L and in particularly with the EBITDA and the EBIT. You can see the impressive increase by plus 46% compared to 2022. This is mainly explained first by the increase in revenue from GTT's main activity. This is explained by the absence of significant delays in ship construction schedules. And this is explained by a good cost management -- cost control management.

As a consequence, the EBITDA margin amounts to 55% in 2023 compared to 52% in 2022. As a result, the net income increased significantly by 57% compared to 2022.

But just one more comment regarding this statement regarding the -- our free cash flow at €219 million which significantly increased by 53% compared to 2022.

So thanks to our strong activity, thanks to our robust financial figures, the dividend distributed will represent 80% of the consolidated net income as announced last year for our guidance. This still represents 89% of cash flow generated by GTT in 2023. This represents €4.36 per share, up 41% compared to last year.

Here is Philippe. I think that we can say that 2023 is an excellent year for GTT Group.

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Philippe Berterottière

Indeed, Thierry. So this is the moment to talk about our outlook. And for the revenue, we estimate that our revenue for 2024 should be between €600 million and €640 million.

For EBITDA, we estimate that our EBITDA should be between €345 million and €385 million. And our dividend we would like to have a payout of at least 80% of our consolidated net income.

Well, as we celebrate today the 10th anniversary of the initial public offering of GTT, I would like to recall the performance of the share price since February 27, 2014. In fact, since the IPO, the share price have increased by 185%. And in total return, it represents 383%. And if we compare the performance of the stock with the stock 600 oil and gas or with the SBF 120, we can see that the GTT share price is well above these indexes.

So now we are ready to answer to your questions.

Question-and-Answer Session

Operator

[Operator Instructions]

Jean-Luc Romain

Jean-Luc Romain, CIC Market Solutions. I have two different questions. One about the replacement of older vessel. The question is what determines shipowner to scrap a vessel? And what is the kind of day rate for LNG carriers, which would trigger more scrapping or lower the rate?

Second is on technology and your carbon capture technology. How close are you to start commercializing it?

Philippe Berterottière

Okay. Thank you very much, Jean-Luc. On replacement, what is determining the replacement of ships, what triggers that I think I feel? That's definitely the business shipowners can make with the ships which are much smaller than current ships. They are in the 120,000s, 130,000 cubic meter.

You have -- you may have difficulties to find parts, not for the tanks. The tanks are very well built and they don't need parts. But for the equipment, for the engines, for the deck, you may have a cruise, which are more numerous. And finally, they burn a lot.

And what is really triggering that is that the economics of these ships in not-so-buoyant market are not really balanced, are not really convincing. So owners are keeping them, expecting that there are going to be a tense situation where they could chart these vessels at a very high price. But -- well, it may not be the case, especially when deliveries are numerous, then the case for keeping all ships is less and less compelling.

On carbon capture, we developed a very innovative system that we expect to have operational by 2025 or 2026. Once it's working, once it has demonstrated its accuracy it needs, its performances. We intend to market it. We are already talking to it to several shipowners who are interested. But before adopting a more active marketing approach, we would like to demonstrate its performances.

Another question?

Operator

The first question from the call phone is from Richard Dawson of Berenberg.

Richard Dawson

And firstly, just on Elogen, would you be able to give us an indication of when you expect to make CapEx payments from the new Gigafactory versus when you will start to receive the grant funding from the IPCEI [indiscernible] ?

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And then secondly, in your core business, some of the recent announced orders have been for significantly larger LNG carriers, which we're presuming with Qatar. Are you starting to see a trend with customers towards these larger vessels? And how does that impact your longer-term functions for the number of vessels required for each additional 1 million tonnes per annum of new LNG supply?

Philippe Berterottière

So I would like to apologize because I had some difficulties to perfectly understand your questions, but I'm going to try to answer to what I guess has been your question. I think the first one is about CapEx of Elogen. And with regards to the subsidies we are receiving. In a very courageous manner, I will leave the floor to Jean-Baptiste.

Jean-Baptiste Choimet

Yes. So to answer this question, like I said during the presentation, the CapEx for the Gigafactory in Vendôme, which is our main one is between, will be between €90 million and €110 million. And now regarding the IPCEI, we secured an envelope of €86 million that will be released by the French public bank, BP France as we progress along the corresponding project. So it will be released in subsequent installments.

Philippe Berterottière

Thank you. The second question is about the size of the Qatari vessels. For the time being, we expect that there should be something like probably 18 [indiscernible] ordered by Qatar. These vessels are adding 100,000 cubic meters compared to the standard vessels. We are [indiscernible] designing for Qatar or for other owners, which is a significant increase, but 18 vessels is not significantly affecting our long-term expectations of number of vessels.

Still, it has been taken into consideration as we see these vessels coming. Some have been already ordered, and some others should be ordered. But once more, it's not a major change if it's limited to 18 vessels.

What we are taking into consideration is that, in fact, there should be more 200,000 cubic meter vessels in the years to come, which is a good way of reducing the CO2 footprint of ship transportation together with the slowdown of the speed of these vessels. Any other questions?

Richard Dawson

No, that's great. And apologies if my line is a bit unclear. Just going back to Elogen, is there a timing issue in terms of when you receive the grant money from the IPCEI grant? Will you spend the CapEx and then it's delayed in terms of when you get that reimbursed?

Jean-Baptiste Choimet

Practically speaking, as we progress with the project, we have to report what we've achieved to BP France in parallel with the corresponding eligible costs that have been committing, committed during the period. And then only we receive a certain portion of the subsidy. And this is done several times until the maximum of €86 million can be reached.

Operator

The next question is from Daniel Thomson of BNP Paribas.

Daniel Thomson

I had two, please. So firstly, in the presentation, you showed a growth rate of 7.5% per annum in the digital solutions market over the next 10 years, but you're also clearly targeting gains in market share. You outlined the targeted contribution from services over the medium to longer term as a percentage of group revenue perhaps. And where do you think annual subscriptions could get to in relation to that 60,000 or 90,000 vessel markets in the medium to longer term?

The second question is on LNG fuel. We had 15 units audited in 2023, in the third, second half, but that's still below the level seen in 2022 and 2021 even with lower LNG prices. So I was wondering, I mean, do you think customers are likely to order ammonia ready LNG fuel vessels only [indiscernible] -- or could you give us any indication of your order expectations for LNG fuel over the next 12 months?

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Philippe Berterottière

Well, on the digital matters, we expect a strong growth our digital business in the next decade. There is no secret about that. We are investing there. We are developing new solutions. We're performing M&A operations as you have seen this morning.

But it's hard to say how it's going to represent what it's going to represent in the years to come. As our other business will continue to increase the LNG carrier business will increase, we can see that on the offshore solutions we are expecting also an increase. We can see that on electrolyzers business, we are quite optimistic. So hard to say what our digital solutions are going to represent in the years to come.

On LNG as a fuel, we've been the very first, in fact, to introduce what we call an ammonia-ready solution, where you can have the perspective of using LNG tank designed by GTT for embarking ammonia. And we are keeping on working on that. We may have our ideas about the time it's going to take to produce green ammonia as you need green hydrogen, a market that we follow quite well.

But still, we are working on that. We are working on the transportation of ammonia, transport in large quantities, storage, onshore storage of and ammonia as a fuel. It's very true that last year or the year before, a lot of people were talking about methanol. And all of a sudden, most people realized that green methanol is not going to be available before the end of the next decade, people are switching to ammonia. Still, we think that for even ammonia as a fuel, there are issues which got to be addressed and in order to add that decided.

And we are not yet fully there, which is not preventing us from keeping on working.

I have to apologize once more because it's still a little bit difficult to guess what was exactly your question.

Daniel Thomson

I was just wondering if you had any indication of order expectations for purely LNG fuel vessels over the next 12 months as the LNG pricing has become much more competitive.

Philippe Berterottière

Well, as you say, LNG price are very compelling. It's -- they are now at a very reasonable price. And finally, what we experienced in 2022 has been a very unique moment in a long-term history of LNG prices, which are very reasonable. And that's what is really wondering the case of LNG as a fuel very attractive because it's a solution which is cleaner than what is existing and a very affordable solution. So we don't give estimates or guidance about what should be the orders we should receive in the next 10 years, which, of course, is not preventing us from working hard.

Next question? Yes Mr. Delaby.

Guillaume Delaby

Yes. Two questions, if I may. First, regarding services, I understand that you do not communicate the margin made by services, but I understand it is not very big. So when could we expect, I would say, a ramp-up in services margin? And going forward, what could be the main drivers of this ramp-up?

Would it be new technologies? Would it be mainly, I don't know, market share or consolidating the smart shipping market? So would be in there is [indiscernible] to have your view, what could be the margin, let's say, 2030?

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And my second question is even going further, let's say, in 2040. You made a very important announcement, I think, 2 weeks ago regarding the approval in principle for liquefied adjacent carriers. I think a big part of GTT's seminal value comes from your future ability basically to replicate what we have been doing with LNG areas with hydrogen carrier. So what could be, I would say, the next steps, the key requirements for you to be able to become the world leader in hydrogen, liquefied hydrogen, liquefied hydrogen carriers over the next 10 to 15 years.

Philippe Berterottière

Thank you, Guillaume. On margin, what I could say is that the key element for generating significant margins on services, it's the number of ships adopting our solutions. So at the beginning, as you follow us very carefully, you saw that we developed solutions for LNG carriers. We were talking of hundreds of ships. It was perfectly logic because it was our core business at that time, and it was helping the users of our technology to maintain their tonnage.

As time passed by, we are now addressing with our digital solutions, other type of ships. And there, we are paying on totally different numbers. We are talking of thousands of ships, and you need to have a very high rate of adoption in order to generate significant margins. So that's the key element. And you've got to be able to amortize the development courses on a large number of ships.

What we can say, what Anouar told you a moment ago, is that in 2023 we encountered a very large success on the market, especially for our latest solution. And if there is one thing to share with you, to hint is that we have the degree of confidence in -- not falling into [arrogance] in the kind of setup we've developed in terms of capabilities in developing smart solutions in shipping. We've been touched by the reactions that we received from the early owners of our latest solutions. So all that is requiring our investment, is requiring confidence in the future, confidence in our solutions. But it's hard work for developing that.

But you got come with the very performing solutions distinctive in order to be able to move ships from what they've selected today to our new solutions. So it's going to come. It's going to take a bit of time, but it will come.

About the second question about liquid hydrogen carrier. Well, liquid hydrogen carrier, it's for transporting hydrogen produced in places where electricity is going to be very affordable, to places where hydrogen is going to be consumed.

You know that in industrial countries, where you have steel plants or [refineries], you need a lot of hydrogen. And this hydrogen may be produced locally with electricity and electrolyzers. But electricity generally in industrial countries is expensive. So you've got to move that to this product into countries where the electricity is very affordable and to demonstrate that your ship, transporting liquid hydrogen is going to be affordable. It has -- it's not going to waste liquid hydrogen through boil-off during the voyage and is going something which is going to make sense in this chain to Elogen.

That's what we are working on, what we are sharing with major players of the industry in order for them to assess whether this new chain green hydrogen produced in very favorable places is making sense. And we know the factors basically that the economics. Of course, the technology, people will look at whether the technology is reliable, is safe, is easy to build.

But finally, it will come at $1 and some cents whether your entire chain is going to make sense. So we've got to begin with a ship which is going to be affordable, reliable, and that's -- we are working on.

We are keeping on working very hard on this matter, and we are confident that we are on the right way. Another question. Jean-Francois.

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Jean-Francois Granjon

Jean-Francois ODDO BHF. With Elogen, could you come back but what do you expect for the earnings? We saw nearly €20 million losses in EBITDA this year versus €15 million previously. What do you expect for the coming years? Do you expect the stabilization or more than that? And when you expect the breakeven point?

And on the CapEx, we saw some increase at €44 million CapEx this year, strong growth compared to last year. What do we expect for this year and both?

Jean-Baptiste Boutillier

Good, thank you for your question. So indeed, we expect to improve gradually the EBITDA margin. We expect to reach breakeven from mid-decade at this stage. We do not provide any guidance coming forward in more details. But what I can tell is that the commercial strategy we are implementing at this stage is to selectively choose our prospects.

While in terms of what we do inside the company, we are careful to closely monitor our costs because, like I said, we do not accelerate too early. We first make sure we build a beautiful and efficient company.

Jean-Baptiste Choimet

Yes, when was we I'm not sure that it works. Okay, fine. When we're -- regarding the CapEx, you're right, we have an increase in our CapEx. You need to understand one point or two points. The first one that before receiving the subsidized for Elogen, you need to spend cash first.

So that's why today you have a balanced position regarding our CapEx. First, because we are going to spend money for the CapEx of Elogen and to receive this subsidized only in '25, '26. That's the first element.

The second element that we spent cash as well in CapEx for the renovation of our headquarters in the [Saint-Rémy-lès-Chevreuse] because we would like to reduce our CO2 emissions. So that's why we are in a program of renovation of our buildings in [Saint-Rémy-lès-Chevreuse]. That's the main CapEx and the main explanation regarding the increase by -- at around €144 million in our cash flow.

And for this year for '24, we will have the same scheme because we are going to spend cash for Elogen. They started the construction last month. And before receiving the cash and the subsidy, we need to spend money as well. We will have the same trend, I guess.

Unidentified Analyst

Yes, Pierre [indiscernible]. In the press release, there is a statement on the corporate governance. Can you comment the process of -- on the selection of the new CEO, and maybe on the Chairman?

Philippe Berterottière

Well, the process is ongoing, and we expect that it will lead to an announcement fairly shortly both for the CEO and for the Chairman, as we committed 2 years ago to split the two functions in 2024. Another question?

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Yes, Jean-Luc?

Jean-Luc Romain

Maybe one on competition following KFTC ruling last year, which allows the -- or should allow your customers to split a part of contract between service and the intellectual propriety. Have you had any query regarding the split? Or have your customers still willing to have a bundled package?

Philippe Berterottière

I'm not say all, I will say, and we did not have any requests from any shipyards. I will say that the concern for the time being in shipyards is to produce and to be able to address the very strong demand for LNG carriers and to find the most appropriate production processes, engineering processes in order to address this very important market. Meanwhile, I would say that the dense relationship we developed over the years with shipowners and with the industry at large, the LNG industry at large is not leading to this kind of split. They do appreciate we are around. We exist.

We help the entire industry; shipyards, shipowners, charters, insurance, classification of ITs. We help them with our experience, our knowledge, our expertise and that's what we do.

So this industry is working with this current structure. This industry is developing. This industry has the ambition to help the world to reduce its CO2 footprint, in reducing the reliance on coal. And I would say that at this moment, it's probably not so appropriate to look at a different structure for this industry. Other questions?

Well, if there are no other questions. I would like to thank you very much to have participated to this conference which is particularly touching for the -- all the GTT people as we celebrate this anniversary of our introduction on the stock market. Thank you very much. Have a good day.

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