

# **Koninklijke Vopak N.V. (VOPKF) Q2 2024 Earnings Call Transcript**

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**Body**

Koninklijke Vopak N.V. (VOPKF)

Q2 2024 Earnings Call Transcript

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Company Participants

Fatjona Topciu – Head of Investor Relations

Dick Richelle - Chief Executive Officer

Michiel Gilsing - Chief Financial Officer

Conference Call Participants

David Kerstens - Jefferies

Jeremy Kincaid - Van Lanschot Kempen

Thijs Berkelder - ABN AMRO-ODDO

Andre Mulder - Kepler Cheuvreux

Quirijn Mulder - ING

Presentation

Operator

Hello and welcome to the Royal Vopak First Half 2024 Update. Throughout the call all participants will be in listen-only mode and afterward there will be a Q&A section. This call is being recorded.

I am pleased to present Fatjona Topciu, Head of Investor Relations. Please go ahead with your meeting.

Fatjona Topciu

Good morning everyone and welcome to our half year 2024 results analyst call. My name is Fatjona Topciu, Head of IR. Today, our CEO, Dick Richelle, and CFO, Michiel Gilsing, will guide you through our latest results. We will refer to first half 2024 analyst presentation, which you can follow on screen and download from our website. After the presentation, we will have the opportunity for the Q&A. A replay of the webcast will be made available on our website as well.

Before we start, I would like to refer to the disclaimer content on the forward-looking statements, which we are familiar with. I would like to remind you that we may make forward-looking statements during the presentation, which involves certain risks and uncertainties. Accordingly, this is applicable to the entire call, including the answers provided to questions during the Q&A part.

With that, I would like to hand over the call to Dick.

Dick Richelle

Thank you very much, Fatjona, and a very good morning to all of you. Thank you for joining us in this call. Let's move straight into the key highlights of the first half of this year.

Let's first start on improve. The demand for our services remained strong across the portfolio that resulted in a proportional occupancy of 92%. We continue to serve our customers well. At the same time, we reported improved financial results, growing our proportional EBITDA to 599 million, a 10% increase when you adjust that for the divestment impact. Also, our operating cash return improved from 14.6% last year to 16.7% at the end of this quarter, driven by a lower average capital employed due to the divestment and a positive contribution from growth projects. Our strong business performance led us to update our full year 2024 outlook for proportional EBITDA, reported EBITDA and growth CapEx, which Michiel will further explain later.

Let's take a look at growth because this quarter we took FID to construct a large scale LPG export facility in Prince Rupert, Western Canada together with our partner Altagas. This major investment will play a crucial role in LPG export from Canada to the growth markets in Asia. At the same time, we started market consultation in the Netherlands to explore a future LNG and new energies -- to explore a future for LNG and new energies such as CO2 or hydrogen in the EemsEnergy terminal in the Netherlands. In addition to gas, also in industrial terminals, we executed on our growth strategy. Today we announced two expansions in industrial complexes in Saudi Arabia and in China, of which I will provide some more details later.

Now then over to accelerate, during the first half of the year, we have taken next steps in the development for CO2next terminal in Rotterdam. Together with our partner, the engineering phase has started and we are working towards a final investment decision in 2025. Also in this quarter in Alemoa, Brazil, 15,000 capacity was commissioned for renewable feedstock. We're well positioned to be the market leader in the Brazilian renewable fuels and feedstock market, which is a key market for low carbon fuels and feedstocks such as ethanol and biodiesels. These developments in repurposing infrastructure for low carbon fuels and feedstocks fits very well in our accelerate strategy.

If we take a step back and look at the progress we made over the last two years, we actively managed our portfolio during this period and improved the financial performance. These actions led to a divestment proceeds of more than EUR500 million received and an operating cash return well above 12%. On the other hand, we invested almost EUR900 million in growth projects, mainly in industrial and gas terminals over the last two years, which leads to more stable and long-term earnings in our portfolio. And we made important steps in developing infrastructure for new energies by repurposing capacity for low carbon fuels and feedstocks and a strong commitment to the development of CO2 infrastructure, hydrogen and its derivatives, and electricity storage.

Move on to some of the dynamics of the key markets in which we operate and how they impact the demand for our infrastructure services. To start with the gas markets, we saw continued high utilization of our LNG infrastructure. Also, LPG demand is growing around the world, driven by petrochemical and residential demand in India, for example. These terminals have a stable financial performance, given the long term and take or pay nature of our contracts. The market for low carbon fuels like soft and renewable diesel is in a bit of oversupply, while the demand for these fuels and feedstock in the longer term continues to be robust. There's momentum for CO2 infrastructure and we see policy frameworks for low carbon hydrogen evolving as well. This translates into an attractive pipeline of opportunities of CO2 and low carbon hydrogen and its derivatives.

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Let's move over to the energy markets because the fundamentals in the energy markets remain healthy. Our oil hub terminals in Singapore, Fujairah, and Rotterdam continue to have a strong demand. At the same time, the need for local imports is driving stable performance in our oil distribution terminals. Lastly, the chemical markets, they continue to be oversupplied. However, the impact on our chemical distribution terminals remains limited. Industrial terminals connected to manufacturing clusters show solid throughput levels.

When looking at the financial performance. Let me take you through the different elements of our business performance in more detail. First, note the divestment impact of EUR43 million. The divestment impact was offset by the contribution of growth projects in mainly the Netherlands, the US and Canada. The oil markets remained favorable. High occupancy rates and contract renewals drove growth in EBITDA from the oil portfolio across the globe. Chemical markets continue to be characterized by oversupply of the end products, while the impact on demand for storage infrastructure is limited. Throughput levels in our industrial terminals remained solid and our terminal storing LNG and LPG saw increasing revenues mainly in SPEC in Colombia and other terminals in India. A one-off item related to the FID taken for reef positively impacted the proportional EBITDA by EUR7 million. All in all, this resulted in a proportional EBITDA of EUR599 million and when you adjust that for the divestment impact, this is a 10% increase compared to the first half of 2023.

Now, let's take a look at our sustainability performance. To start with safety; our personal safety performance was slightly below the one in the same period last year. On the other hand, we made good improvements on process safety. With regards to emissions, a 15% decrease in Scope 1 and 2 emissions was recorded year-on-year, mainly by purchasing green electricity and further electrifying our operations. We do that, for example, in Vlaardingen in the Netherlands, where we are investing around EUR5 million to install an E-boiler which will reduce the emissions of that terminal by 30%. The percentage of women in senior management remains unchanged. We continue to focus on diversity with our target of 25% of women in senior management by 2025.

Let's move over to the next strategic pillar of our strategy, growing our base in industrial and gas terminals. As said, we committed almost EUR900 million since June 2022 to gas and industrial terminals and we remain committed to capture growth opportunities in this segment, as we continue to see attractive projects beyond the EUR1 billion ambition. Gas terminals provide security of supply for energy and feedstocks and they play an important role in the energy transition. With the industrial terminals, we support our customers in key industrial clusters with long-term partnerships. Over the last 12 months, we invested in multiple gas terminals. We acquired 50% share in EemsEnergyTerminal and we started the construction of a fourth tank at the Gate Terminal, both in the Netherlands. At the same time, as I said, we took positive FID to build the REEF Terminal in Prince Rupert, Western Canada. In a strong partnership with Altagas, we're building 95,000 cubic meters of LPG storage capacity in a strategic location to serve the growing Asian demand markets. And Vopak is committed to invest EUR462 million to realize this.

Today we announced two expansion projects in industrial terminals. We will expand our Chemtank terminal in Saudi Arabia to further support our industrial customer there. And in China, in Qinzhou, we are investing in a brownfield expansion project by adding 96,000 cubic meters of pipeline connected storage capacity. These projects fit very well in our growth strategy, underpinned by long term contracts, and it will deliver attractive returns upon completion.

Now let's move to India, our joint venture with Aegis. It has a strong terminal footprint. As this map shows, we have terminals around the country where we store mainly liquid chemical products and LPG, supporting the economic growth and making alternative lower carbon fuels available throughout the country. In multiple locations, we're expanding with additional capacity for chemicals and mainly LPG. As announced before, Aegis Vopak Terminals, a Volpak joint venture with Aegis Logistics, is exploring options to fund future growth.

Over the last years, we've taken important actions to transition the portfolio towards assets that generate higher quality earnings. We reinvested the divestment proceeds of more than 500 million into mainly gas and industrial terminals. Therefore, the exposure to commodity markets, mainly in oil and chemicals, was reduced over the years with the decreased share of these terminals in our portfolio capital allocation from around 90% ten years ago to around 50% today. The majority of EUR900 million invested committed over the last years are allocated towards projects in industrial and gas terminals, and they're all backed by long-term contracts. So ultimately that's leading to an improved trend in the operating cash return.

With regards to our third strategic pillar, accelerate towards new energies and sustainable fuels and feedstock, we see good momentum around the world. We see opportunities in new energies and our presence in strategic locations helps us to capture these as well. In Rotterdam, we're taking next steps in the development of CO2 infrastructure. This open access CO2 terminal, called CO2next, may play a crucial role in further decarbonizing the industrial cluster of Rotterdam and beyond. After repurposing capacity in the US, the Netherlands and Singapore earlier, we commissioned this quarter repurposed capacity in Alemoa, Brazil for renewable feedstocks. All these developments fit well in our strategy to accelerate the investments for infrastructure in new energies and sustainable feedstocks.

To summarize, we continue to deliver another strong quarter and we are executing on our strategy to grow in industrial and gas terminals. We rationalized our portfolio over time and that has led to an improved cash flow profile of higher quality. We've invested almost EUR900 million in industrial and gas terminals since setting our strategic priorities. We continue to drive progress by focus on repurposing our current infrastructure for low carbon fuels and feedstocks and made the first investments in new energy projects.

With that, I want to hand it over to our CFO, Michiel, who will give you more insights on the financial aspects of the half of this year -- of the first half of this year.

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Michiel Gilsing

Thank you, Dick, and also from my side good morning to everyone in the call. First of all, let me take you through our financial results of the first half year in a bit more detail. I will first give some more insight in our financial performance in the first half year and Q2, then discuss our strong and long-term cash flow generating capabilities as well as our long-term fundamentals, including the updated full year 2024 outlook.

To start off with the financial performance for the first half of this year compared to the same period last year; the proportional EBITDA grew, adjusted for divestments with EUR43 million, a 10% increase compared to last year. The increase was driven by contributions from growth projects and a certain one-off item of total EUR7 million related to an unconditional success fee in Canada. On a consolidated basis, EBITDA increased by 8% when adjusted for divestments, driven by a favorable market demand and one-off items of EUR17 million. Next to the success fee, a deferred income tax release in our joint venture in Pakistan of EUR10 million contributed positively to the consolidated EBITDA. As you can see, the proportional occupancy increased by 1 percentage point compared to the first half of last year. An occupancy of 92% reflects a solid demand for our business. Looking at the proportional operating cash return, we achieved an OCR of 16.7%, a 2.1 percentage point increase compared to last year's first half and this was driven by a lower average capital employed due to the divestments we made and contribution of growth projects on the other hand.

If we then zoom in on the second quarter compared to the first quarter of this year, we see a slightly decreasing proportional occupancy rate of 92%, a 1 percent point decrease compared to Q1 of this year. This decrease is related to lower occupancy levels in China and some out of service capacity in the Netherlands. Revenues were EUR326 million and remained stable compared to last quarter. With regards to the operating expenses, we see an increase compared to the previous quarter driven by higher personnel and insurance costs. Proportional EBITDA of EUR302 million this quarter was slightly higher, mainly related to the one-off positive item of EUR7 million as a result of the positive FID, Final Investment Decision, in Canada.

If we take a closer look at the performance of the business units then it shows a continuing trend of improvement across the regions. The negative divestment impact of EUR43 million was fully offset by contributions from growth projects in the first half of this year. A stable performance in the Asia business unit was driven by the good performance in our oil and gas terminals. The Netherlands saw improved performance especially in Rotterdam and, as mentioned, a EUR 7 million success fee due to the final investment decision taken for reef in west of Canada contributed to the result. The proportional EBITDA margin improved to 59%, up from 57% in the first half of last year. All in all, we experienced a robust demand for our services driven by an increased demand for energy and a continued rebalancing of trade flows around the world.

In this slide we are giving some more detail on the proportional EBITDA performance of the different terminal types which we operate. Gas terminals showed firm throughput levels and the growth in proportional EBITDA is driven mainly by our newly added EemsEnergyTerminal in the Netherlands. Industrial terminals, which are characterized by long-term contracts, often 20 years or longer, had solid throughput levels. Chemicals performance increased when adjusted for the divestments we did last year. Vegetable oils and biofuels, not being a segment on their own, are mainly in this segment as well. Also for oil terminals, proportional EBITDA increased primarily driven by a continued growth in oil demand around the globe and rerouting of trade flows. All in all, this has led to an increased proportional EBITDA which was 10% higher than the same period last year when adjusted for divestments.

Moving on to the cash flow generation, our cash flow generation continued to be strong this first half year compared to the same period last year. We generated EUR 517 million of gross cash flows generated by the group companies and strong dividend upstreaming from our joint ventures. Cash inflows from dividends were significantly higher year-to-date compared to the same period last year. After tax payments, derivatives impact and other cash flow from investing and financing activities, we had EUR 394 million cash flow from operations. This is the available cash flow that we can allocate towards operating CapEx which is our license to operate, growth CapEx, and shareholder returns. Operating and growth CapEx amounted to around EUR281 million year-to-date. And as you can see, this quarter, annual dividends to our shareholders were paid as well as the share buyback program, which was launched in February and is still progressing, accounting for a total cash out of EUR395 million in total. Strong cash flow generation to be able to fund operating CapEx growth projects and to distribute value to shareholders remains our key priority.

The strong focus on cash flow is well reflected on the per share metrics. We increased earnings per share by 80% compared to the same period two years ago and also proportional free operating cash flow per share improved significantly to EUR3.63 per share, which is a 32% improvement compared to two years ago. The share buyback program, of which we completed around 75% until now, further supports the value creation per share. This is just another example that portfolio transformation, clear cash focus and the reduction of debt is creating significant value for our shareholders over the last two years.

Total net debt-to-EBITDA went up to 2.28 times this quarter compared to end of 2023 when it was 1.99, while still below our management range of 2.5 to 3 times total net debt-to-EBITDA. The increase in debt was mainly driven by shareholder distributions in the form of dividend and the mentioned share buyback program. Proportional leverage, which reflects the economic share of the joint venture debt, slightly increased to 2.67 times compared to the end of 2023 when it was 2.45 times. Funding joint venture growth prospects is a focus area for us and we continuously explore different funding options for our joint ventures. We recently extended a EUR1 billion sustainability linked revolving credit facility by one year. This credit facility will expire in 2029 and further support us in executing our strategy.

Then on to the capital allocation strategy; our disciplined capital allocation strategy remains unchanged. Our first priority is a robust balance sheet with a healthy leverage ratio between 2.5 and 3 times net debt-to-EBITDA. We are returning meaningful value to shareholders by the annual dividend, in line with our stable to progressive dividend policy, as well as executing a share buyback program of up to EUR300 million. This is underpinned by our commitment to create and return value to shareholders. And last but not least, we see good opportunities to invest in attractive and accretive growth projects with an EBITDA multiple between 4 and 8 times.

As Dick mentioned already, we are updating our full year 2024 outlook and I want to give some more detail on the drivers behind this. We see strong market indicators and favorable demand for our storage infrastructure. Together with a solid business performance, we continue to focus on improving our results. And thirdly, growth projects will contribute to our results in the quarters to come. Our strong performance and strategy execution coupled with favorable market conditions positions as well to update our outlook for full year 2024 upwards. We increased the proportional EBITDA outlook to a range of EUR1150 million to EUR1180 million for the full year and the consolidated EBITDA range has increased to EUR 920 million to EUR 950 million for the full year 2024.

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Finally, the consolidated growth CapEx increased to around EUR350 million, mainly due to timing effect of CapEx spend. Looking at the overall outlook, other elements remain unchanged. Consolidated operating CapEx is still expected to be around EUR230 million and, on the longer term, our proportional operating cash return to be above 12%, which we believe is a healthy return for our type of business in both favorable and unfavorable markets. Our commitment to invest EUR1 billion in industrial and gas terminals and EUR1 billion to accelerate towards new energies and sustainable feedstocks toward 2030 remains unchanged. We are committed to capture growth opportunities, as we continue to see attractive projects beyond the EUR1 billion ambition. Our leverage ratio remains 2.5 to 3 times, as a management range and our dividend policy remains unchanged.

Bringing it all together in this slide, we delivered, first of all, on our financial performance. Despite divestments, proportional EBITDA grew year-on-year. Operating cash return increased to 16.7% at the end of the half year. With our well diversified portfolio in terms of the products we store and the different geographies we operate, we are able to create connections. And we are driving progress via our capabilities to capture new opportunities and growth investments. These factors combined create value to our shareholders.

And this concludes my remarks in the presentation and I would like to hand it back to Dick for the Q&A.

Dick Richelle

Thank you, Michiel. And with that, I'd like to ask the operator to please open the line for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] We will now take our first question from David Kerstens of Jefferies. Your line is open. Please go ahead.

David Kerstens

Hi. Good morning gentlemen. Well done on the 10% proportionate EBITDA growth. I had a couple of questions, happy to take them one by one. Maybe first on the solid market demand that you discussed in the presentation. It sounds increasingly positive across all market segments. Maybe going -- looking forward, where do you see the main risk to this favorable momentum that you're currently experiencing in the first half of this year? Previously I think you highlighted chemical storage in India, but maybe you have some other examples.

Dick Richelle

Okay. You want to go one by one indeed, David, or you want to first get all your questions in?

David Kerstens

Yeah, no, let's do it one by one.

Dick Richelle

Okay, sounds good. Good morning. Hope everything well, and thanks for joining in the call. So indeed, solid demand, if you take a look on the gas side. So LNG, LPG, fairly stable, some variability always related to our situation in SPEC in Colombia, because we're quite weather dependent there, so we've seen a first, a good half of the year, but there's some variability on the LNG side there. I think if you look at oil, indeed increasingly strong or still continue to be strong. So where you see the developments on the oil side, as we indicated on the hub locations, positive, high occupancy, high activity levels; limited, but still a little bit of room to further increase rates when contracts open up. But obviously, the bigger jump that we've seen over the past periods is that that opportunity is less going forward, but we're still seeing positive momentum and continued positive momentum going forward on the oil side. If I then move to chemicals, I think what you heard us say before was always a bit of uncertainty on the chemical side. That uncertainty we've now said, actually what is expected is that we expect it to be relatively stable to where we sit today. That doesn't mean that things are definitely improving on the chemical side, but it's stable from where we sit today. I think the main market to then focus on for us is Singapore and the distribution chemical terminals that we are operating in Singapore. It's Belgium and it's Deer Park. Deer Park is performing well. Belgium and Singapore may be a bit more subject to some of these developments that are negative in the chemical markets, but as I said, relatively stable in the outlook. Then you obviously going to ask me, what about China, because you see some of the occupancy that is dropping in China and that indeed is happening, but as a really significant impact on the overall, it's relatively limited, I would say. So I hope that gives you a bit of insight, a bit of flavor on where the market stands, what are some of the big and a main risks that would happen. Yes, there's always, I think, some variability on the chemical side, because even when contracts open up, we see opportunities to get some pressure from our customers, both from a rate perspective as well as from a capacity perspective. And I would say that the longer-term outlook on the oil side is maybe a bit of a question, but not the near-term outlook. So I think that gives you a bit of an insight.

David Kerstens

Thank you very much. That's great. Maybe the second question on the Aegis capital in India. With the REEF investment, and you now almost at the 1 billion budget that you had earmarked for 2030, is that the main reason why you're looking at potentially external funding for the expansion of your joint venture with Aegis, or can you also exceed that 1 billion budget, which is on an IFRS basis, right?

Michiel Gilsing

Yeah. Thanks, David. Now, it's not linked to our ambition, but it is more looking at what is the best way of funding our growth trajectory in India. So we approved seven investment proposals last year. So we're building quite a bit at the moment. If you look at the potential pipeline which is still there in India, it is still significant in terms of potential expansions. And so what we're presently doing is we're exploring all the options of how to fund the growth going forward into India. What is the best and most efficient and effective way of doing that? So no decision has been taken yet, but one of the options is to indeed list on the local Indian stock exchange, that could be one of the options, and as soon as we have taken a decision on that, we will definitely inform the market. But there is no link to the 1 billion or a way of looking differently at the ambition we have as a company.

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David Kerstens

Understood. And then that 1 billion budget, is that set in stone or does it mean we will not see many new investments in gas going forward now that you're already at 900 million or how should we look at that?

Dick Richelle

No, we continue to see good opportunities and we won't stop when we pass the 1 billion as long as our position allows for that. That looks positive and promising, so we see good opportunities, we'll continue to pursue them, David, and we'll, at the right time, probably beginning of 2025, make sure that we give proper guidance to the market on where we see that bucket of 1 billion on industrial and gas, where our ambition sits for that amount going forward. But in the meantime, we continue to be very focused on and there's some good and interesting opportunities.

David Kerstens

Maybe a final question on the CapEx guidance that you provided. That's on IFRS basis. I was wondering, the operating CapEx you keep stable at 230 million, what is the comparable number for the joint ventures? Is that more or less similar? How should we look at that? And also the increased growth investments of 300 million, what would that be on a proportionate basis?

Michiel Gilsing

Yeah, good question, David. So I don't have the numbers by top of my head, but indeed these are all consolidated figures. Maybe what we are doing at the moment is what we're sort of bit in transition, to be honest, so we have always reported on a consolidated basis. And you see that we're moving more towards proportional. From an EBITDA point of view, that journey will continue because also the market is now asking much more on proportional information. So over time, we will also definitely change from consolidated CapEx numbers to proportional CapEx numbers. This analyst presentation, I think for the first time we also included the proportional net debt-to-EBITDA because that gives you an impression of the leverage of the full portfolio, which is creating value for the shareholders. But definitely, if you look at proportional growth CapEx and proportional operating CapEx, they are higher than the consolidated. I think on the proportional operating CapEx, it should be around 270 million and on the proportional growth CapEx, I need to look it up, I don't know, by top of my head.

David Kerstens

Okay. I can take that offline. Thank you very much.

Michiel Gilsing

You have a bit of an indication, David, if you look at the table, because the table shows 900 million in terms of consolidated, which is then 1.2 billion in proportional indication on the difference between consolidated and proportional.

David Kerstens

Yeah, exactly. That's great. Thank you.

Operator

Thank you. And we'll now take our next question from Jeremy Kincaid of Van Lanschot Kempen. Your line is open. Please go ahead.

Jeremy Kincaid

Good morning, all. I've got three questions. I'll read them all out in one go. The first one is just on the guidance. Obviously, I appreciate you've increased it a little bit. But when I look at proportional EBITDA and I times the first half by two and make some adjustments for some one-offs, I still get to a full year number, which is above the top end of the range for proportional EBITDA. So I was just hoping if you could share some of your assumptions that obviously are in your full year guidance to help understand what you're assuming there.

And then secondly, on market dynamics, I appreciate what you just said around solid demand but clearly there's been an increase in shipping rates recently to very elevated levels. We saw similar levels post COVID and this was a bit of a catalyst, in my opinion, for some pretty strong storage rates, but it sounds like we're not seeing that quite to the same degree as what we're seeing in the shipping rate market. I was just hoping for some comments around that.

And then finally, on India, I understand you can't share too much around potential funding options. And clearly in that news report by CNBC, there was a discussion that maybe September could be a timing date for a draft IPO. If you go down that path, is that timing consistent with your thinking? Thank you.

Michiel Gilsing

Yeah, maybe on the first question, on the guidance, and I can also understand the question because I think the proportional EBITDA indeed, in the first half year, close to 600 million. So what we disclose to the markets is effectively the major one-off items, so that I think has been very transparent. What we tend to do in the company is we really look at the underlying business results, so sometimes you also have smaller one-offs in your results. So we look at the underlying business results, the run rate of that, effectively we look at, well, we have a divestment done and we look at the growth projections for the second half, but the net of it will be relatively limited for the results. So then we effectively look at underlying business performance. We know that costs are slightly creeping up because labor rate increases are kicking in 1st of April, so you saw that the second quarter is a bit higher than the first quarter. And then we effectively add back, let's say, the realized one-offs, and then we come to our range and then. Well, it is in our range, but if you do the math, then you probably will not get into that range. But yeah, we can't give you all the details on that because that would be too detailed, but that is how we do it.

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Dick Richelle

Maybe then, Jeremy, to the other two questions, so maybe first one on the comparison and dynamics between storage rates and shipping rates, we haven't seen that so much in the past. I would say shipping rates are much more cyclical than we typically tend to see on the storage side. Obviously shipping rate is going up and when we talk shipping rates, I mean, there's a wide variety in shipping rates. Generally speaking, we haven't seen a large correlation between what happens on shipping the commodities that we store, since a lot of the contracts that are being closed on the storage side are really long term and the supply chains still have to continue to move rather than whether the shipping rate is high or low. So actually we don't see big volume impacts and we also don't see big rate impacts directly correlated to shipping rates. I think that's the first part, or the answer to your second question, I should say.

And then on India and the timeline in September that you indicate, we cannot comment on that. So we will make the announcement or an announcement when we have clarity and when a decision is taken or not on this topic going forward. For now, we just stick to what we said in the earlier press release and also stick to what Michiel said earlier. It's an option to investigate. We're looking at alternatives and when we have reached a conclusion, we will make sure we communicate that well and so keep stay posted.

Jeremy Kincaid

Understood.

Dick Richelle

Yeah.

Jeremy Kincaid

Thanks very much.

Operator

Thank you. And we'll now take our next question from Thijs Berkelder of ABN AMRO-ODDO. Your line is open. Please go ahead. Thijs, you might want to check on your mute button, please.

Thijs Berkelder

Yes, now, I'm in, probably.

Dick Richelle

Yeah, now we can hear you.

Thijs Berkelder

Sorry for that. Congrats with the strong results. A couple of questions. Can you explain why corporate costs in Q2 were so much higher than in Q1 and can you maybe give guidance on the following quarters on corporate costs? Second question is on the open season on EemsEnergy, I think it ends on July 31. Maybe can you give an indication on how that open season is developing so far? Then results USA in Q2 were clearly stronger than in Q1, while normally they're a bit weaker. Can you maybe give an explanation there? And for now, finally, maybe can you explain what kind of impact there is from the current weakness in the biofuel market?

Michiel Gilsing

Okay, let me start then with your first question, and then I hand it over to Dick for the open season question. Yeah, on the corporate cost, indeed it was higher in the second quarter, but that had to do with some insurance cost, Thijs. I would not -- you never know on the insurance side, of course, but what happened -- but if, let's say, a business runs smoothly, then you would expect that the corporate cost should come down in the second half of the year versus the first half of the year. So that's the quick explanation of the shift between Q2 and Q1.

Dick Richelle

I think the next one on the open season in Eems, have too early to comment. We haven't heard anything back from the results. We need to compile them when we get it all in and then study and see what the next steps are going to be. So we'll keep you informed when there's something to share. And then maybe on the USA, while that improved, it's mainly Deer Park. Deer Park actually did quite well and we had a one-off settlement with our neighbor related to an incident of a few years back that helped us. But also first contribution from the project -- the growth project that we started -- was it a year, year and a half ago. So actually the US and Deer Park specifically is performing quite well. I heard only the start of your fourth question, so maybe you can repeat, it has something to do with bio. Can you say that again, please, Thijs?

Thijs Berkelder

Yeah. What kind of impact you see of the weakness in the biofuel market right now?

Dick Richelle

Yeah, so the way we look at it, Thijs, and it's obviously, we're following it closely. I think there's a few ways to look at, on the feedstock side in countries of origin, talking about India, Brazil, to a certain extent, also Singapore, sometimes Malaysia, we see actually positive development, or still continued healthy development, I would say. You see on the production capacity of some of the biofuels, so the renewable diesels and sustainable aviation fuel, that there's quite a bit of pressure on the capacity that is in the market and the economics medium term, a short term, are not looking that great. Longer term, when the demand mandates are falling more in line with the supply that has already been put into place, we expect a longer term outlook, as I said in the presentation as well, still to be very, very positive. But this remains a bit of a period where that supply of production, basically with the demand is adjusting. And again, in the feedstock markets, we're quite comfortable. In the end markets, we have mainly quite a bit of long-term contracts in place that serve as well, and we keep on monitoring that. But there's no reason to be concerned, in our view, at least, for what we see now.

Thijs Berkelder

But, for instance, looking at Shell's decision to delay the further build out of the biorefinery in Rotterdam maybe does not have impact for you, let's say, this year, but potentially maybe, yes, for next year?

Dick Richelle

Not expected, Thijs, at this moment. We have no indications that it would have any impact on where we sit. And we're still serving that market from the capacity that we constructed and took into operation in flarning. That is contributing well this year and there's no indication that we see any change over there. And if we see that, we will let you know.

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Thijs Berkelder

Oh, yeah. And maybe one additional question on potential sanctions on Russian LNG coming to Europe. Can you maybe indicate what percentage of your incoming LNG flows is, let's say, labeled Russian?

Dick Richelle

No. Well, directly to that part of your question, we cannot. The sanctions, if they come in or when they come in the middle of 2025, it has to do with resale, so redistribution from Russian flows that would come into European, northwest European LNG terminals, but that flow is hard to see that that would materialize at any of our terminals, I think that's one. And I think the pure import of Russian LNG into infrastructure that is connected to the main pipeline grid in Europe is not subject to any sanctions as we see it now. And our two terminals, both Eems as well as Gate are connected to the main central pipeline gas grid in Europe and therefore continue to be an integral part for the gas supply into Europe. And then followed by that is obviously a generic statement, is we continue to follow this very closely, and if there is a moment that we need to make a change in the type of products that we can accept, we will do that according to the rules and regulations of these sanctions policy that are continuously evolving.

Thijs Berkelder

Okay, thank you. It is clear.

Dick Richelle

Okay, you're welcome.

Operator

Thank you. And we'll now move on to our next question from Andre Mulder of Kepler Cheuvreux. Your line is open. Please go ahead.

Andre Mulder

Yeah. Good morning. Two questions remaining. The first one, comparing the market dynamics that you displayed in Q1 and Q2, could not detect much of a change, maybe, except for energy, which seems a bit more muted. Can you spend a few words on that?

Dick Richelle

I don't think it's that much muted. Andre, good morning. I think we're already at a relatively healthy and high levels, so if there's anything that you interpret as being muted, it's maybe the quarter-on-quarter comparison. So the Q2 improvement versus Q1 is limited versus maybe Q1 and what we've seen in 2023. If that's the nuance, then that's rightfully picked up, but it has more to do with the limited potential to further improve rather than that there's something fundamentally that we're seeing happening. I think at that high level, at the same time, of occupancy and rates, you become naturally also a little bit dependent on the actual ancillary services that we always have in any market segment. And if you're already at a relatively healthy level, then maybe a slight variation on these ancillary revenues in the places like Singapore and Fujairah and Rotterdam that might have some impact. But by and large, for what we see, we're still quite positive and optimistic on the outlook for energy and oil markets.

Andre Mulder

Okay, second question is on CO2next. Can you give any indication of what kind of CapEx we should think about? You mentioned the capacity, but any amount that you can share with us.

Dick Richelle

I don't think we've shared an amount up until now. And although we may like to do that, especially also with respect to the partnership that we operate in, Andre, I hope you appreciate that we cannot do that at this time. When we make further announcement closer to the investment decision in 2025, we hope to be able to give you proper guidance over there. The project that we're working on is liquid CO2 receiving insulation in Rotterdam in, I would say, the greater complex, if that makes sense, where [Indiscerrnible] and Aramis is going to be hosting their equipment on the Maasvlakte. So very close, actually adjacent to the gate and MOT side, it's in that area, receiving liquid CO2, storing it, and from there, connecting it through booster pumps and compressors to the offshore infrastructure where it's going to be stored. So we're excited about that as an opportunity. Excited to work with TotalEnergies and Shell, as well as Gasunie in that consortium, and even more excited for the experience that we will build up if this move moves ahead because it allows us to play an important role also in these type of solutions in other parts of the world and in other parts of our network. So by and large, it's a positive development. Happy to move into feed. But unfortunately the direct number of investment is at this point not possible to share with you. But I hope with what I just explained on the type of infrastructure that we're building, that it might give you at least a little bit of an indication where this is heading to, so.

Andre Mulder

Okay, thanks.

Dick Richelle

Yeah, you're welcome.

Operator

And we will now take our last question from Quirijn Mulder of ING. Your line is open. Please go ahead.

Quirijn Mulder

Thank you. A couple of questions from my side. So first of all about Zhangjiagang. It looks like that the pressure continues on this utilization. In my view, it is something like 70% or even lower. So when are you going to take measures from Zhangjiagang after a couple of years of underperformance? That's my first question.

My second question is about the growth contributions, 42 million in the first half year. How important so Vlaardingen and Los Angeles and the, let me say, Eemshaven? How important is Eemshaven in that total? Because according to my models, it should be in the range of more than half of that total 42 million.

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And my third question with regard to ammonia. I missed that word. So I would like to be updated with regard to ammonia, with regard to the use and chips channel, let me say, the project there and the project -- the gas players and the ammonia storage there. And also maybe to be updated on what's happening with regard to the plans for ammonia import on the Maasvlakte in Rotterdam. That were my questions for this moment.

Michiel Gilsing

Okay. Good morning Quirijn. Let me start with the second question and then Dick will tackle questions one and question three on Zhangjiagang and Ammonia. So yeah, on the growth contributions, how important is Eems? Is it more than half? Yeah, it is more than half of that number. So that's what I can confirm.

Dick Richelle

Maybe on Zhangjiagang, indeed, occupancy in Zhangjiagang is hovering around that 70% to 75% of occupancy. We still have good confidence that the longer term outlook for a terminal with that capacity and footprint is attractive for us to continue to own and operate in China. We're continuously looking at optimizing the performance and the results by looking at the cash flow profile of the company and anything that we can influence, whether it's top line cost or operating CapEx, but we're comfortable in the position that we are today. And again, for China, and an asset of this size and at this location long term, we have no reason to doubt the future. So I think that's on Zhangjiagang.

If you then want to talk about or hear something about ammonia; indeed, a lot that is happening in ammonia, if I would put it on a bit of a high level, I would almost say we're moving from hype to realism in the low carbon hydrogen space and therefore low carbon ammonia as a carrier for that. What I mean with it is maybe the noise and the general sentiment might be a bit subdued because some of the projects are being pushed out longer term, or maybe even postponed. I think if you look on the ground to the attractiveness of some of the supply chains that are going to be building, and the realism that is being put in, I'm actually quite encouraged by what I see in that sense. And I base that on what I see happening in places like Japan, Korea, what I see happening in terms of demand development for low carbon ammonia in a place like Singapore, that needs to be fed – sorry, and the third one is ARA, so both Antwerp and Rotterdam, where you definitely see the willingness to start committing to ammonia imports in the period between now and 2030 is quite real and realistic, and it needs to be supplied by middle eastern and US materials. So that's the overarching comment.

If I then zoom in specifically on your question on VH, on the user ship channel, there I think the supply chain that we are looking after is still in development; depends on also the details of the IRA credits that our potential customers are going to be able to obtain in Houston. It's still, from our point of view, from a location, an experience, and a consortium point of view, an attractive project which is continued to be worked on and developed. I expect a little bit more clarity on that also, after the US elections in the second part of this year. That's on Houston. On Europe, so both Antwerp and Rotterdam, so the VPAP [Phonetic] piece of land in Antwerp as well as the opportunities that we're developing together with Gasunie in the port of Rotterdam, there's a lot of interest. There's a lot of interest from parties that want to actually supply the ammonia and maybe crack it, even from ammonia straight into low carbon hydrogen, to the local industrial users in the industrial cluster in Rotterdam and in Antwerp. And we are very active and actively developing our proposition over there. So, yeah, I think that's the best that I can say for now, without going into all the exact details, which there are many, as you can imagine.

Quirijn Mulder

Thank you. And my final question on flatting [Phonetic], maybe, so if that whole project in Shell, Pernis is not going forward and being canceled, do you have alternative clients on the list you can approach to, let me say, to fill your storage?

Dick Richelle

Yeah, we feel we have. But for now, we have a customer, and obviously that's also the customer that we are discussing how to deal with this. But as I said to Thijs question earlier, we don't expect the impact in the medium to long -- the shorter to medium term, and need to also find out what the final decision is going to be of the Shell project in Pernis, which currently is postponed. We don't know if it's permanently postponed. What will happen in between the demand, I think that's the most important thing Quirijn, demand for the end products is definitely expected to be there and maybe slightly delayed, and maybe the economics, not as attractive to produce, but the demand for the end product is going to be there. The infrastructure is state of the art, so we're actually confident that that will continue to play its role in those biofuels markets.

Quirijn Mulder

Okay, thank you.

Dick Richelle

Yeah, you're welcome, Quirijn.

Operator

Thank you. And we've got a final follow up question from Thijs Berkelder. Your line is open. Please go ahead.

Thijs Berkelder

Yeah, Thijs Berkelder again, ABN AMRO. A follow up question on potential new projects still in the pipeline. Can you maybe give us sort of update timeline for your potentially new LNG import facility in South Africa, similar for Australia on the potential timing of the terminal plans in Japan, and when we can expect, let's say, an update on Antwerp.

Dick Richelle

Okay. Not sure if I can give you a specific to all, but maybe start in South Africa. We're working together in the consortium with DPL [Phonetic], our partner over there, which is the equivalent, I would say, of the [Indiscerrnible], the owner and operator of the pipeline grid, the gas pipeline grid. We're ending sort of equivalent of open season, and we have to go through different stages of the open season to gauge market interest and define also the scope of the project that we plan to do, while at the same time we are preparing with that scope and the engineering that needs to be done, the permit application, and making sure that we get the license to actually start the potential import for LNG into Richards Bay. Too early to comment on the exact timeline when the investment decision is going to be taken, but I expect towards the end of this year and beginning of 2025 definitely some more news around the next bigger phase of the project. So far things are looking positive in terms of the overall logic and sentiment around creating an opportunity for energy imports into South Africa. I think that's the first one.

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The second one is Australia. That's Victoria LNG. Also there, from a conceptual point of view, makes a lot of sense to look into the opportunity to develop LNG import through FSRU in that particular area of Australia. And we are working and are in the process of defining the next steps in that project. Happy to keep you informed next call or where we are on this. But still from a market attractiveness, we find that an interesting opportunity, yet at the same time, not the easiest to execute, since it will take quite a bit of time and effort, develop the opportunity and get the permits for it. I think that's the second thing.

Is it something on Japan? I would say a little bit more early stage. We opened the office in Japan. We are definitely, I would say, present in that market in Japan. That helps us quite a bit by creating the connections between the Japanese parties looking overseas, as well as the ones that are actually developing and have a need to develop infrastructure in Japan. So that combination helps us quite a bit. And we now get the first traction also on maybe early stage -- early, early stage, some of the opportunities in Japan itself, but too early, so already indicated that this location potentially, and it's creating some substance. But from where we were 12 months ago, we're definitely seeing, first of all, it's a good idea to have a presence over there and, second, that the story of Vopak in Japan being the one that is willing and capable of developing shared infrastructure, creating economies of scale, repurposing existing assets into creating that shared infrastructure, is a story that is well received and resonates with a lot of people. So we continue to push hard on the opportunities.

And last but not least, Vopak at Antwerp. The project is developing well in terms of the execution and the demolition of all the equipment, the tanks and the old refinery that was on the site. So the site looks completely different. You may have seen some of the video footage of the big towers that were brought down in the past month. That's quite impressive to see. And you physically see that it's taking shape and it's a virgin plot of land. Developments for a wide variety of solutions going forward are in full force and we hope to be able to get more news when it's there. But it centers around potential production for people that want to produce on the land and we would then do the off sites for it, so the storage off sites to a role on the new energy side and that is on the ammonia and derivatives of it on the side as well. So we're looking at all the opportunities and are really, really very excited that we have such a big plot of land at a prime location in the port of Antwerp, so stay tuned.

Thijs Berkelder

Okay. Thank you very much.

Dick Richelle

You're welcome.

Operator

Thank you. There are no further questions in queue. This concludes today's call. Thank you for your participation. You may now disconnect.

Dick Richelle

Thank you. Bye-bye.

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