



TEEKAY GROUP'S 2019 INVESTOR DAY

Company: Teekay Corporation
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Ryan Hamilton: Good morning, everyone. Thank you and welcome to our Teekay -- 2019 Teekay Group Investor Day presentation. If you'd like a soft copy of the presentation it is available on our website. My name is Ryan Hamilton. I'm a Director of Finance here at the Teekay Group.

Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the Teekay Group Investor Day presentation available on our website.

Before we begin, I'd just like to go through a quick agenda here. First, we'll start off with opening remarks from our Chairman, David Schellenberg; next Kenneth Hvid and Vince Lok, Teekay Corporation's CEO and CFO will cover Teekay Corp. and the parent. Next Mark Kremin; and Scott Gayton, LNG's CEO and CFO, will cover Teekay LNG Partners. And lastly Kevin Mackay and Stewart Andrade Teekay, Tankers CEO and CFO will cover Teekay Tankers. At the end of the day, we'll have a formal Q&A session.

With that, I will pass it over to David for his opening remarks.

David Schellenberg: Good morning everybody. Hopefully you've all had a chance to grab a coffee and a little bit of breakfast. And I just want to say also a big welcome to all of you to Teekay's 2019 Investor Day. So my name is David Schellenberg, I'm the recently elected Chair of the Teekay Corporation Board. And with me today is the entire senior management team of both our parent and daughter businesses.



We're excited to present our companies to you and we plan to give you a very clear update on the current status of each of the businesses and what our plans and objectives are for the future.

I'd also like to point out we have one of our esteemed directors here Rich Moulin is here with all of a 32 minute commute this morning. And so Rich welcome, Rich has been on our Teekay Tankers Board for about (inaudible) . Thank you.

So for those of you who have been with us since our last Investor Day in 2014, it's not been an easy ride. The energy shipping business has been hit hard and so has Teekay. But we're here to tell you today that Teekay has adjusted its course and is well-positioned to continue successfully into the future. Teekay is a special company with a unique culture and values. We have a strong safety record, which remains our ultimate number one priority.

The relationship with our seafarers, who are at the heart of our business, is excellent. Our daughter businesses are operationally healthy and we're pleased with their progress. So the team has asked me to give you just a little bit of my background as I'm relatively new to the shipping sector.

I do feel though that I've kind of lived Teekay like vicariously for a lot of years through Bjorn Moller, who was Teekay's CEO from 1998 to 2011, and who together with Shande [ph] led the team that built Teekay into a trusted brand and global leader in shipping.

So Bjorn's been my friend and business colleague for almost 20 years and he's the individual that asked me to join the Board a couple of years ago. So I've spent about a dozen years as an operating CEO of two companies in the aviation and aerospace world, where we grew these businesses into significant industry leaders before a successful exit.



But probably more relevant to Teekay, I also spent a decade working earlier on in a senior financial capacity for Canadian billionaire named Jim Pattison. He's not as well-known in these parts, but in Western Canada, he goes by his first name, Jimmy. He's often referred to as Canada's, Warren Buffett. And in fact here in the U.S., he's the recipient of the Horatio Alger Award, given to those who achieve great success in the face of adversity. Incidentally, could have prepared them well for an investment in shipping. Now the Jim Pattison Group is a collection of large private companies, but it also has significant investments in a number of public companies. And what I learned with Jimmy is the importance of always taking the long view in business, looking 25 years ahead and always making decisions in that context. And from him I learned that cash is king and that a strong balance sheet is the ultimate key to capital allocation flexibility. So these Jimmy principles translate well into what we continue to need to do at Teekay.

You're going to hear from our team today that we are absolutely committed to growing our cash flows and our profitability. Not just our revenue and not just the number of ships. You'll see that we are well on our way to strengthening our balance sheets, which will in turn provide us with future capital allocation flexibility. And finally, you're going to hear that we're making good progress and drastically streamlining and simplifying the company, reducing G&A, and focusing on our core businesses. Bottom line -- we care deeply about our equity holders and we are 100% committed to creating long-term shareholder (inaudible)

Now an important lesson I've learned in my business career is the importance of alignment. The Karlshoej family, our long-term significant shareholder, which has backed the company for many decades through its charitable trust is completely aligned with the principles I've just mentioned around long-term decision making, cash flow generation and healthy balance sheets. They are also aligned with our Board of Directors and the direction in which we are taking the company. And our Boards, which we've recently strengthened and simplified, are aligned with our highly experienced and long-serving management team that you see here today in whom we've got a lot of confidence.

Together, our group is aligned with all equity holders. And as a reminder Teekay parent is the single largest equity holder in each of the daughters. In short, we are fortunate to have such an aligned, healthy dynamic inside



our company. So I'm really excited about the future of our business and I'm confident in our prospects for next year. Industry fundamentals are improving. We've de-risked each of the businesses by paying down debt and we'll continue to do so. Our daughter companies have taken significant measures to enhance their future profitability. And our capital allocation decisions will be geared individually to each of the three entities, based on what's in their best interest and what unlocks the most long-term shareholder value. Every day we're working hard to build our credibility in order to become the most trusted name in shipping. We are here for the long run and we're going to make our decisions absolutely in that context.

With that, I'd like to really thank you again for being here today and I'll turn the meeting over to our Group CEO, Kenneth Hvid. Thank you.

Kenneth Hvid: Thank you, David. So this was the executive summary if anybody wants to leave now would be a good time before I start. Thanks. Good morning, everyone and it's a real pleasure to be here. It's been a long time coming. On the right slide here-- in 2014, (inaudible) happened yesterday, at our last Investor Day, Teekay Corporation had four investment highlights and they were the transformation into a pure-play general partner, Teekay's new dividend policy at the time, the strong industry fundamentals that underlie our two largest businesses at the time, which were deepwater offshore and LNG, and the multiple ways that the Teekay Corporation has to grow our customers. Today, we humbly admit that we underestimated the impact that the 2014 energy price collapse had on our business. As a consequence, we spent the past five years executing on our growth that we have committed to and at de-risking the group. We have learned that Teekay Corporation is the largest investor in each of our daughter companies cannot command dividends when our daughter companies have more need for the cash themselves. So we have learned that having pure-play asset owning companies has many advantages. But we continue to believe that we -- there is value in operating as a group in terms of how we maximize scale, economies, how we manage strategic relationships, how we allocate capital for new growth, make divestment decisions, and set our financial policies and focus on initiatives that we believe are all competitive advantages for each of our companies in the Teekay Group. In other words, Teekay Corporation's long-



term success will largely mirror the success of our existing daughter entities and any future investments that we may make.

Following a focus and simplification of our business, we are optimistic about the outlook for each of our companies in the group and we'll center this part of the presentation around five investment highlights, albeit from lower starting point than in 2014, we actually believe they represent the more compelling investment case. In 2020, based on TGP's earnings guidance and using analyst forecasts of spot tanker rates, the Teekay Group could generate approximately \$1.2 billion of total adjusted EBITDA. This is an improvement of 30% over last year. We have a clear path to further delever the balance sheets of each of our companies, which is a prerequisite for value-adding capital allocation going forward. And we have the flexibility to focus on this as we have no unfinanced growth that we have committed to in the group, and this is, of course, vastly different from where we were five years ago.

With our divestment of Teekay Offshore, we are now focusing our business on gas and tankers and we are simplifying our organizational structure, where our daughter companies are focused on the front line, which is the chartering and operations across the group, we're pooling activities like capital allocation, strategic development, financing, HR and IT. And we believe that this gives us the agility and strategic horsepower, which we believe, also gives us the most competitive advantages as well as lower costs. Strong LNG fundamentals and the beginning of a tanker market recovery and changing industry dynamics, driven by the environmental agenda, all play into Teekay's strengths and competitive position in the industry. And you'll hear much more about that in our presentation here today.

Finally, we know that many of you also want to hear about our three remaining FPSOs, IDRs and why we continue to have three companies. As much as we're able to, we'll share our latest thoughts on the FPSOs and the IDRs, but we also show that based on our estimated current and projected intrinsic values of TP and CNK that Teekay's current share price doesn't fully reflect the value of our portfolio of assets.



But for those of you who are less familiar with Teekay, let me go a few years back. Teekay lost its founder in 1992, then was sold in CASA, which is also where the Teekay name comes from. 1992 was also the beginning of an industry downturn and Teekay was in the thick of it at the time with a large spot tanker newbuilding order book, all financed in appreciating Japanese yen. Torben's brother Axel, a group of trustees and a dedicated management team together navigated through what was the company's first significant financial challenge united and driven by Torben's ambition to build the best shipping company in the world. This is a mission that has attracted talented employees at sea and ashore for almost five decades now. This is the true fabric of the organization that enabled us to pull together through difficult times and come out stronger in the 1990s and this is the same fabric that enabled us to work through the time in the penalty box over the past five years. But now we're back.

The spirit lives on. Last year TGP took delivery of the 173,000 cubic meter LNG carrier Torben Spirit. Spirit represents our brand promise to our customers and it's also the acronym of our core values. When Torben launched Teekay in 1973, there was no plan to be public. And when TK IPO-ed took in 1995, the charitable trust established by Torben maintained the last controlling shareholding in the company. When we a decade later launched our daughter companies, we followed the same principle and maintain large controlling shareholdings in each of our daughter companies. We currently have no intention of changing the structure and we follow the same principles as we've established them as when we established Teekay.

Teekay's senior team is roughly the same size as when we were a single company. Our team here today is Kevin, who runs our tanker business. It's Mark, who runs our gas business. It Vince, our group CFO, myself Alfonso and Gulhong [ph] not here, (inaudible) is our General Counsel and Will heads up strategic development. So that's our senior leadership team.

With over 150 vessels, representing \$12 billion of assets under management by our 5,700 employees, we have relevant scale, and we are an essential part of our customers' value chain. We move around 8% of the world's seaborne LNG and 5% of the world's seaborne crude oil. Following our divestment of our offshore



assets, the Teekay Group remains an essential part of the energy value chain with investments in LNG, crude oil and to a smaller extent product, tankers and LPG carriers. 70% of our capital is in LNG, where we have a strong and diversified portfolio with close to \$10 billion of forward fixed fee revenues and average remaining contract duration of almost 11 years. Just over 20% of our capital is invested in tankers. And this is where we believe we're entering into an interesting period, which Kevin will speak to in his presentation.

I often hear people refer to Teekay Corporation as a holding company and, therefore, they rightfully ask, what is the role of Teekay Corporation? As a reminder, virtually all our management and employees are at the Teekay Corporation level whereas our vessels are at the daughter company level. Put differently, the software resides at the parent and the hardware resides in the daughters. Daughters were created to gain access to capital to grow our businesses and they enable our investors to co-invest with Teekay in our gas and tankers and previously offshore businesses. That concept hasn't changed. As a result, a large part of Teekay Corporation's current strategic vision is the sum of the strategies of TGP and TNK, businesses that we've been in for 15 and 45 years respectively, both on secular core businesses with the long-term stable cash flows coming from our gas business and most of our spot exposure coming from our tanker business. Interestingly this was our originally -- original ambition before we moved into gas and offshore and wanted to balance our spot tanker exposure with long-term cash flows almost two decades ago. Excluding our cash flows from TOO in 2017, we can more than double our total estimated adjusted EBITDA in 2020 over the same period. And behind these numbers is the transformation of the group, compared to when we came here in 2014. In cash flow terms, we're roughly the same. We're close to \$1 billion in total adjusted EBITDA and between 140 and 150 vessels. The main difference is that we don't have any unfunded CapEx, compared to \$3.7 billion in 2014. And the only exposure we now have to the offshore segment is three FPSOs, which we are in the process of divesting. And we believe that this derisking of the group represents a significant turning point for us.

As I mentioned in my opening remarks, Teekay has had turning points at a number of times in our 46-year history.

For sure our industry has gone through a challenging period since the energy downturn in 2014. And from

time to time, it is important to step back and assess which season that you're in, and how we need to adjust our sales, pun intended, to get through or make the most of that season. We refer to it as eras. It is important to understand what external factors and internal decisions that led to success or failure and learn from it. The many themes of this era, which we refer to as the value era and we'll touch on them during this morning's presentation, but some of these shifts, are moving from globalization to protectionism, moving from growth stocks, with easy access to financing, to value stocks with stronger balance sheets. And then we have the big shift, which is around energy mix, the business that we're in.

The shift to lower carbon emissions is happening, but it's hard as we are facing a global population growing to 8.5 billion people by 2030 and energy demand growing by 10% over the same period. Oil remains an essential part of energy demand and gas is an increasingly important transition fuel or fuel replacing coal. All told, oil and gas is expected to still make up more than 50% of the total energy mix in 2030. The need for oil - as for transportation of oil and gas is as you know based on where it is produced and where it is consumed. Over the next decade, the need for global LNG transport is expected to increase by 70% and although oil is expected to lose relative market share, it is expected to remain as the largest energy source for the next 15 years, with surplus in the Atlantic and a deficit in Asia, which means higher transportation requirements.

Some of the key themes that are shaping this era are detailed on this slide. The shifting geopolitics impact our business, for good and bad. And we recently experienced this close up with the Cosco sanctions. The environmental agenda is top of the list on pretty much any industry conference at the moment. Realities of dealing with new regulations are here today and how we transition to a much lower footprint are critically important in an industry where our investments should have 20 to 30 years life and where transformational technology and fuel changes are required. Technology will disrupt our existing business models.

As an industry we're trying to find the answers to the big conundrums. As the Pope said when he summoned the senior oil company executives last year, civilization needs energy but energy cannot destroy civilization. On one hand, we have the yellow vests that demonstrate against fuel taxes in France, and on the other



hand, we have Greta and her followers demonstrating against the use of energy that those very fuel taxes might help reduce and in business there is the tension behind maximizing profits and lifting the standards for how we do business in a sustainable fashion, as we've illustrated here with this picture of a scrap yard or recycling yard in Alang, India.

Our value era framework, which we use to guide us -- to guide our activities throughout the group. Our business remains the same bringing energy to the world with Teekay Spirit. A couple of years ago we added our new Compass or vision which is to be the most trusted shipping company. Our BHAG used to be undisputed world leaders in the shipping industry. But we believe that being most trusted is arguably a more humble approach to a vision, as we fully acknowledge that we are not there today. This is something we need to earn and it will always be in the eyes of all our stakeholders, employees, customers, you, our shareholders, our business partners such as banks, suppliers, and joint venture partners and society at large that expect increasingly more from us.

A lot of work is required on future technologies. But it is worth noting that the consumption of a modern LNG carrier is 50% more efficient than the vessels we took delivery of when we entered this business in 2003. We have been leading the industry on changes-- technology changes in LNG. And in some ways you can say we started the transition towards minimizing sulfur as we have taken delivery of our LNG fleet over the past one and a half decades. Low sulfur oil is the new standard for the shipping industry starting 1st of January, 2020. We have promoted responsible ship recycling, as we believe that we as an industry must follow the same safety standards that we do when we build the ship as when we recycle a ship. And we recognized by our employees, peers, and customers for the work we do. For example we felt truly proud when seafare is earlier this year chose Teekay as the employer of the year. Also being trusted by ExxonMobil to lift cargoes in Alaska is a testament to being most trusted.

The other box in our framework are our business strategies, which will be covered later in the TGP and tank sections by Mark and Kevin and our four group-wide initiatives, which Vince and I will cover. With the divestment of Teekay Offshore we thought that it was a good opportunity to take a step back and review



our organizational structure and our core processes across the remaining gas and tanker business. With the aim to focus and simplify to drive further synergies and efficiencies, we're simplifying our organizational structure putting frontline decisions out in the businesses, and driving synergies across a number of functions where it makes sense such as procurement, insurance, finance and accounting, and IT, to name a few. You can say we are getting the best of both worlds a direct accountability but also scale economies. When our remaining FPSOs are sold, we expect to have reduced our total onshore personnel by approximately 50% compared to when we owned and operated Teekay Offshore.

Digital transformation is another major initiative as evidenced by our gray here. Most of us started our careers when we're using Telex as the means of communication with our ships and our communication with shore in paper. Today, our vessels are outfitted with sensors and shore and sea staff have the same data access management is done via dashboard and exception reporting very different from those days. We created a digital strategy for the group and have found that a framework like the one we have here gives us the ability to categorize and prioritize our initiatives, ranging from simplifying our operations to changing the way we interact with our customers.

This is a listing of some of the key initiatives we have. We communicate with our Singapore partners via an app on a phone. We are monitoring our rest work hours on board our ships through facial recognition. We're optimizing our voyage planning and fuel consumption with AIS and weather data. Digital is also transforming our business and how we work. And we believe that this is only the beginning of it. But more importantly, digital is making our business safer better and improves our bottom-line.

We have always considered our people and our culture as our most important competitive factor. We pride is also not being Canadian, Danish, American, Australian, Indian, Russian, or any other national companies.

Solving steam was to build a transnational company with equal opportunities for everyone. This is why people join Teekay, this is why I joined Teekay.



So, as we approach the initiatives group-wide, let me talk about the role of Teekay Corporation. We have three key roles. Firstly, we are the operator of our fleets which ensures we are both the Teekay brand of operational excellence. That is one of our key competitive advantages which opens doors to new opportunities.

Secondly, we are the project developer to the group. We are excited about the outlook for LNG and tankers over the next two to three years. And looking further ahead believe that the technology transition that this segment will have to go through is something that plays well to our strength, as we partner with industry and government in this transition.

Lastly we are the portfolio manager of the group both at the Teekay level, but also at the daughter level which involves active hands-on management of the group's strategic sessions which includes investing or divesting of assets financing and capital structure dividend policies and share repurchases and our corporate structure of course. The Teekay franchise is celebrating its 46th anniversary this year. The franchise has always been about our people and our ships, which combined with our service delivery to our customers. As an operating group we have the opportunity to dial up or dial down the software and hardware content in our strategy as we have done many times in the past. When we entered the gas business, it was because we recognized by our customers for our great software, operational excellence, and tankers. So, you can see our software opened the door to invest in hardware in this case \$8.5 billion of assets.

This slide illustrates the capital allocation approach we take for the Teekay Group which we apply to each of our entities based on their specific circumstances. The left column are the various sources of capital that we have and are assessing in our strategic planning and we're growing free cash flows we are primarily focused on reducing our leverage through debt pay-down.



That doesn't mean that the second priorities are not considered but simply a strong belief that strengthening of our balance sheets will first of all build equity value will reduce our cost of capital hopefully closes the valuation gap and over time enables us to return capital and/or make attractive investments.

As an investor in Teekay Corporation, you are investing side-by-side with the Teekay Trust, whose mission is very long-term. We believe that our daughter companies should be paying dividends when there is capacity and they should raise capital for new accretive growth. We also acknowledge that ultimately the best investments are often made when there are market dislocations and when-- and we believe that we'll have a real group advantage if we can develop Teekay Corporation into a company with a strong balance sheet and capacity to grow opportunistically and counter-cyclically to when our daughters are growing, or simply accumulate daughter assets when the market is valuing our expensive lower than what we consider their intrinsic value.

Vince will talk more about how we apply this capital allocation framework to each of our entities, which we know may not be popular in the short-term to some, but we strongly believe that this disciplined approach will ultimately enable us to deliver higher and more sustainable total shareholder returns.

Before I hand over to Vince, I wanted to touch on two themes that I hope will not be themes at our next Investor Day. As we've communicated in the past, Teekay is looking to divest its remaining interest in the offshore space, as represented by our three FPSOs. Following the extension of Hummingbird out to 2023, we are now hopeful that we can divest this asset in the very near future. Due to low gas prices that we're seeing at the moment, there is a possibility that the (inaudible) FPSO will not be extended beyond this contract, which ends later in 2020. And therefore, we'll be looking for a buyer on that basis. We've had constructive discussions with BP over the last several months on the Foinaven FPSO and now hopeful that we'll be able to announce a new structure for this contract by the end of the year. Meanwhile, all three have all three units have returned to operations following the planned, maintenance shutdowns that we had during the third quarter, as reflected in the higher cash flows that we expect in the fourth quarter of this year.



However, yesterday we announced an accounting impairment of two of the three units, which mainly reflects that we are nearing an exit of this sector, which is no longer a core business for Teekay.

The second theme is our incentive distribution rights or IDRs, relating to TGP. Our IDRs is an inherent structure of being an MLP with a GP, since December 2015, Teekay has not benefited from this structure as we're focused TGP on taking delivery of its \$3.5 billion new building program, which is now nearing completion.

So, with greater cash flow visibility and a clear deleveraging path for TGP, we are in a better position to assess the benefits to both Teekay and TGP, if we were to monetize the IDRs. It's a complex matter, and we've been spending time with a number of investors, advisers and of course our boards to discuss how to approach such, knowing that we ultimately have to agree on terms acceptable to both Teekay and TGP. Based on feedback and quite diverse views, we believe that time will illuminate the value of the IDRs and the benefits to both companies. Meanwhile, the value is preserved in the current structure.

As a final slide, before I hand over to Vince, Teekay's other main investment consists of its ownership in TGP and TNK. And we've spent the past five years to set the companies up for what we expect to be several years of real value creation opportunities, and as we create value in each of our Daughter's and this hopefully is reflected in our share prices Teekay will also become more valuable as illustrated in this table. Thank you. With that, I'll hand over to Vince.

Vince Lok: Thanks, Kenneth, and good morning everyone. Now Kenneth talked about three out of the four Teekay Group initiatives, now I'll spend the bulk of my presentation on the fourth which is finance. I'll provide an overview of the Teekay Group from the Teekay Group perspective and Scott Gayton and Stewart Andrade will talk more specifically about TGP and TNK later on the day.

I wanted to start off with a look back at the financial progress that we've made over the last five years. In 2014 that was sort of the recent energy market peak. And at that time, the Teekay Group, along with a lot of other MLPs, was committed to a large growth program. And with that, we were faced with a large



unfinanced CapEx program. At the same time, Teekay offshore was also facing some cost overruns on some other projects. And we were facing some significant near-term debt maturities. Subsequently, the energy downturn occurred and we entered into a cyclically low point in the tanker market. But since that time, we've overcome these challenges. And that's reflected in a lot of these numbers that you see on this slide in terms of financings and refinancings that we've completed, in terms of the projects that we've delivered, and asset sales. Included in the new equity issued number, includes two important transactions that we completed in 2017, one of which is bringing in Brookfield as a strategic partner into Teekay Offshore, which we subsequently sold the rest of our TOO shares to. And secondly, was the merger that TNK did with TIL, Tanker Investments Limited. Both transactions were very important not only financially, but also strategically to the Teekay Group. So needless to say, it's been a very busy but productive five years for us. And with all of this behind us now, we believe that the Teekay Group is at a significant turning point, which I'll talk more about in the next several slides.

So I'm going to spend the rest of the presentation on these three areas. These are three financial focus areas that we've been focusing on in the last few years, as well as going forward. And they are how we've de-risked the Teekay Group. It's how we're building balance sheet strength; and third, how we're improving the profitability of the Teekay Group.

So I'll start-off with talking about how we de-risk the Teekay Group, talking about our project deliveries, as well as the re-financings and financings that we've completed. So this is a listing of all the projects that we've delivered since 2014 in TGP and TOO. A total of 45 assets, \$7 billion in total asset value, and there are two remaining LNG projects to deliver, which are scheduled to be completed by the end of this year, both of which are fully financed already. Now the most complex projects relate to TOOs, FPSOs and FSOs, versus TGP's projects, which virtually all of them have delivered on time on budget and in some cases, ahead of schedule. So our decision to divest that of offshore actually means that our project execution risk going forward will also be significantly lower. So what-- now with these projects delivered, what was once a risk is now really a benefit. If you look at TGP, it really is transitioning from a period of heavy project execution to a period of cash flow generation. So these new projects that TGP delivered and delivering



will generate an additional \$300 million of EBITDA growth under long-term contracts. And as a reminder, TGP did not issue any common units to fund this growth program.

So a lot of this and virtually all this cash flow growth is very accretive to common unitholders.

So another way to look at our risk profile is to look at our contractual obligations historically. As you can see from the bar charts near the bottom of the bar charts are bank debt maturities and bond maturities over the next three years at the end of each of those periods. And the dark blue represents the unfinanced CapEx and the red is the total obligations of TOO, which we separated out for comparison purposes given that TOO was deconsolidated in September, 2017, as a result of the Brookfield transaction.

So, now when you look at the right-hand side at September 30, we have no unfinanced CapEx compared to about \$3.7 billion at the end of 2014, when you include TOO's portion. Again, if you look at the right-hand side in terms of our debt maturities and bond maturities over the next three years, this is very manageable, especially when you consider that our TGP fleet and our TNK fleet is larger than it was five years ago. So in other words, the cash flow and the asset base is much larger to support these maturities. For example, about half of the bank debt maturities that you see as of September 30th relates to TNK and we are already in progress in refinancing these debt maturities, which we expect to complete by the end of this year. So Scott and Stewart will talk more about the debt maturities of TGP and TNK, but both are well in hand. So in summary, our liability side of our balance sheet is significantly de-risked.

So secondly, let's talk about building financial strength and I'll talk about our plans of de-levering our balance sheets as well as our approach to capital allocation. Kenneth already went through this slide, so I won't go through it in detail. But really just want to use this as a reference for how we're applying this framework to each of our entities. So one of the main underlying principles of this is the importance of having a strong balance sheet. And as an equity investor, we believe that this will create the highest and most sustainable total shareholder returns for the reasons that we've listed on the left-hand side of this slide. So let's start and talk about balance sheet delevering.



First of all, let's look at TGP and TNK. Now we've mapped the current leverage as well as our leverage targets relative to the risks of each business. And the biggest risk driver is really the nature of the cash flows of each of those businesses. So if you look at the right-hand side of the chart, as you can see, TNK and TGP, their current leverage is higher than optimal, for different reasons. In the case of TNK, TNK is just coming out of several years of a market trough in the tanker market. And in the case of TGP, it's delivering and financing the \$3.5 billion of growth that I talked about earlier, without raising any common equity. But in both cases, this high financial leverage is a benefit to earnings right now. But over the long term, we believe it's prudent to delever both balance sheets.

So looking at TNK, the target leverage, because of the cyclical nature of that business, we believe that we should be targeting towards the lower end of the leverage range. Whereas for TGP, which has more stable cash flows, we're targeting a more moderate range for leverage. Now one thing for TNK, it may look like TNK has a longer distance to go, to get to its target. But the pace and velocity of that delevering is very much dependent on the strength of the spot tanker market going forward. As well, TNK will look to opportunistically sell assets, which may accelerate the pace of delevering. So even though the distance looks longer, the pace they actually be quicker. In the case of TGP, I think, that delevering is very predictable, natural delevering, given the nature of the stable cash flows that we have, TGP.

So this slide is to look at the capital allocation approach of TGP versus TNK. I won't go in through a lot of details, which Scott and Stewart will go through literally later on, but we're really applying the same framework to each of the entities, it's just that the decisions that we may make at any point in time will depend on the circumstances those entities are facing. So, again, in the case on the left-hand side with TGP, given the stable nature of that business and the clear delevering path that we have, we are taking a more balanced approach, where delevering is still the primary objective, but at the same time we're able to increase distributions as you've seen yesterday, as well as then buying back stock, common units, on an opportunistic basis. And TGP is considering growth, but that growth won't come in until the latter part of 2023. Whereas on the right-hand side, given the cyclical nature of TNK's business, as well as the



delevering towards the lower end; in addition, we have higher cost sale leasebacks that TNK entered into during the market trough. We believe it's the most accretive for TNK to hold back on distributions and dividends in the near-term, focusing on delevering the balance sheet, building asset value, and reducing our cost of capital.

And Teekay Corporation, as the largest shareholder in TGP and TNK, we are aligned with daughter shareholders as well. As a parent, we also want dividends. We understand that dividends are important part of total shareholder return, but there's a right time for that. And our focus is really making the decisions that will maximize long-term value. So in the case of TGP, we think it's appropriate to increase the distributions at this time, versus for TNK, we think it's prudent to hold back at this time. And that's how we look at it.

Now turning to Teekay parent's balance sheet, we've significantly delevered the Parent's balance sheet as well as reduce the daughter debt guarantees. In 2014, these totaled \$2.5 billion, whereas now it's about \$560 million. And based on the current asset mix of the Parent, which comprises mainly of the two daughters, the FPSOs and IDRs, we believe it's prudent to target the Parent's leverage towards becoming net debt-free over time. And as we do that, that will lower our cost of capital. And once we've delevered the parent's balance sheet, that creates the financial flexibility, allow us to allocate capital to different uses in our framework.

In terms of sources delivering for the parent, you can see those listed on the top right box which includes our free cash flow, selling the remaining FPSOs, potentially monetizing our IDRs, as well as eliminating daughter debt guarantees, which we actually expect to do over the next year.

To sum up on balance sheet delevering, we have-- for all three companies; we have a clear strategy to get there. And I think if there's one thing that we learned over the last five years, is the importance of having a strong balance sheet. And that really is in the best interest of all stakeholders.



So in addition to delevering, as well as reducing our cost of capital, another focus is to ensure that we continue to diversify our sources of capital. That's really been one of our key strengths, having raised over \$27 billion of capital from various sources over the last 10 years, as you can see from the pie chart. Now we're very fortunate to have strong support from a large group of banks and other capital providers, many of which are based on very long-term relationships, but we must continue to adapt our financing strategies over time to the changing landscape, such as how we've moved into the Chinese and access the Chinese lessors recently to finance TGP's growth program. And we have to make sure that we ensure that we have many financing options available to us at any point in time.

Let's move on to improving profitability through the profitable growth, as well as stronger performance from our existing fleet and as well as reducing G&A. Now we've taken certain steps over the years to improve our profitability, but these are -- there are certain steps that we still need to take going forward. So first of all, looking at the revenues of our core business, we've really positioned TNK's operating leverage to benefit from the tanker market recovery. You'll start to see that in the fourth quarter results that we report next quarter. For TGP it's about completing the new building program, as well as the rechartering existing vessels at higher rates. And if you look at the third quarter results for TGP that we just released, Q3 EPU was about over 50% higher than the second quarter. And you can see more of that going forward. Kenneth talked about recontracting the FPSOs already.

And secondly, reducing debt service costs; that's something that will happen as we delever the balance sheets. And we've seen that with the Teekay parent reducing a bond from \$600 million recently to \$250 million. And as we continue to delever the Teekay Group that will also reduce our cost of capital, as we start to eliminate the more expensive debt that still remains within the Teekay Group.

Lastly, divesting and monetizing certain assets can also have a positive impact on our earnings, as we've seen in the case of Sevan and Teekay offshore. And going forward, the divestment of our three FPSOs at the Parent could also have a positive impact on our earnings.



Now, Kenneth talked about simplifying and focusing our business. And one of the goals of that is to reduce our G&A, and this chart shows the steady decline in both the consolidated G&A, as well as the G&A at the parent level. But we're continuing with these efforts to simplify our business to right-size our organization to reflect the divestment of offshore, as well as lower expected growth going forward, and to seek the synergies that we can see across the Teekay group. This remains the focus area for us.

So what does this all translate into? So we're look -- this is chart. This is a chart that looks at the Teekay Corporation consolidated adjusted net earnings. As you can see, there's been a dramatic improvement over the last three years in terms of cutting the net losses, but we believe that we're at a significant turning point in 2020, we're expecting a net profit, but the size of the profit will partly depend on spot tanker rates. Now we don't guide on spot tanker rates. So what we've done here for 2020 is provide you with an illustrative net income. This is based on TGP's 2020 midpoint guidance for earnings and we've used for spot tanker rates the average rate forecast of six analysts and brokers, which is in the TNK appendices of your presentation. Those rates are 37,500 a day for Suezmaxes and \$28,000 a day for Aframax. And we've shown you a sensitivity analysis that for every \$1,000 per day change, given the operating leverage we have in TNK, that translates into about a \$5.5 million change in consolidated net income, given that we own 29% of TNK. And I think you'll start to see some positive results not only in 2020, but even in fourth quarter when we report our results for all three entities.

So just to sum up, the key Teekay Corporation section, we believe that the Teekay group has reached the positive inflection point, given our growing cash flows and are improving profitability, the strengthening balance sheet, our focus on the core gas and tanker businesses, where this industry fundamentals are strong. And lastly, we believe that the value of the assets in all three of our entities is not fully reflected in our share prices.

So with that, I will turn the podium over to Mark Kremin and Scott Gayton, they'll make a presentation on Teekay LNG partners. As Mark comes up, I will show a short time-lapse video of one of our ARC7 Icebreaking LNG carriers transiting through the Northern Sea route. Thank you very much, everyone.



[video played]

Mark Kremin: Well, greetings, everyone, that was clearly Yamal. We have the Yamal slide later. So I'll steal some time to talk about myself. I joined Teekay almost 20 years ago, when our only ships were Aframax oil tankers. Although long tenure is common at Teekay, surely Kenneth was alluding to migrate here when he -- despite Vince being here longer than any of us. It's amazing how little Vince ages, it's unbelievable. But enough about us, here are some fun facts about Teekay or I should say TGP last year. We delivered 50 million tons of LNG. And our flagship, the Torben Spirit, sailed over half the distance to the moon. She was not extraordinary. Our LNG fleet sailed over three million miles last year. What distinguishes TGP is not the value of our steel. It's our long-term growth -- sorry it's our long-term charters. These charters give greater assurance to our earnings, cash flow growth and delevering plan. This was the first year that we ever gave guidance. We guided that you should see strong EBITDA and income from us having completed our financing, largely executed our projects, and term chartered out our entire LNG fleet. In short, we will end this year at the high-end of our range and our 2020 guidance looks even better.

We felt guidance was needed, in part to illuminate the value of our JVs, especially since we will continue to leverage JVs to grow on the back of strong fundamentals for liquefied gas carriers. Well growth is not -- its just one part of our new balanced approach to capital allocation. For instance, while keeping in mind that our first priority is to delever, we announced overnight that we will also increase our annual distribution next year to \$1. The 32% increase is more than modest and our common unit buyback plan is in the money. In short, we haven't just bought back, we fought back.

When we IPO-ed in 2005, we were the first shipping MLP. Similarly, when we cut our distribution by 80% in 2015, we were the first. At that time, we faced a wall of unfunded CapEx and the MLP equity markets had stopped working; they still aren't. By reinvesting our retained earnings instead of paying out and by raising around \$2 billion worth of debt, mostly from Chinese lessors, we were able to fund all of our growth without issuing a single common unit. It was hard work to finance the world's largest LNG order book in that way,



even though it was all on long-term time charter. But in hindsight, we're glad to now have the cash flows, along with leverage.

Since 2014, we've taken delivery of 17 LNG carriers. Our Exmar LPG order book fully delivered last year, just before the uptick in LPG spot shipping rates that continues today. And, by the end of this year, if not this month, our JVs will take delivery of our last ARC7 LNG Icebreaker and the Bahrain LNG import terminal. In short, we've derisked.

Some investors take project execution and operations for granted. That's a mistake. While the sector becomes more liquid each year, it is still largely influenced by long-term LNG sale purchase agreements and the buyers and sellers to those SPA agreements are often vigilant as to how and whom entrust their cargo. For instance, over 25% of our OpEx is passed through to the charterer, so that they can ensure good maintenance. Similarly, we estimate that our annual fuel cost, which the Charters pay is over \$500 million. You can imagine how keen charters are for owners to operate optimally.

Rankings vary by how one measures. If by accounting, we may overlook equity accounting JV ships such as our 50% owned ARC7 Icebreaker fleet. If by absolute ship numbers, one may overlook how Japanese fleets are heavy on smaller steamships or how our ARC7 Icebreakers cost almost twice as much as conventional carriers. But no matter how one measures it, our fleet is big, which helps not only economies of scale, but also diversity in our case.

Our hallmark is our extraordinarily long LNG charters. Conveniently, these long-term LNG charters allow us to take spot exposure to LPG without risking our strategic priorities. Having sold our last tanker, we are a pure-play on liquefied gas carriers. It is noted in the left-hand column that steamships comprise only about 10% of our fleet. More importantly, our first steamship, of which we own only 50% will not roll off its current charter until 2022.



How extraordinary our LNG charters are, can be seen by comparisons to the averages. Please note our customer concentration graph at the bottom right. We have a policy that no one customer should account for more than 20% of our revenues. Our biggest customers are Shell, credit worthy, but tough, Yamal, profitable charters, but we're relatively risky before their train started up, Qatar Gas, which is investment-grade and Cheniere, a key exporter and trader.

A top list consolidated LNG fleet are, our two ships on charter to Luca [ph]. For years, Luca has been a drag on our earnings and a big unknown. They are on track to pay back our higher deferrals in full with interest and to honor their original purchase obligations within the next few months. All is well that ends well.

Our top list JV LNG fleet are Marubeni JVs two ships on charter to Yemen. For years, Yemen has been a drag on our MALT JV earnings and a big unknown. But our JV is now earning strong hire from Cheniere until such time as Yemen may restart. We don't yet know how this ends.

I will now hand over to our CFO, Scott Gayton to present some financial slides.

Scott Gayton: Thanks, Mark. Looking at slide 65. As Mark and earlier Kenneth mentioned, we see that Teekay LNG is at a real turning point with nearly all of our new buildings having now delivered and we are generating significantly higher earnings and cash flow, which provides financial flexibility for our partnership and which obviously benefits our current and future investors.

Starting at the top of this slide, our newbuild order book has shrunk over the past few years with deliveries. And now with only one Arc7 Ice-breaking LNG carrier and the Bahrain we got terminal to go both of which are expected to start their contracts before the end of the year our CapEx commitments have reduced with these deliveries. And as Vince mentioned, we have significantly derisked our financial position to the point where we now have no unfunded CapEx. Continuing to focus on the balance sheet for a moment and looking at the rows in the middle of this chart, we expect our balance sheet to continue strengthening, as indicated by our reducing leverage which declines quickly and into our range of 4.5 to 5.5 times, while our



equity base continues to grow. Importantly, the majority of this delevering results from growing earnings and cash flow which I'll detail on the next slide.

Looking at Slide 66, based on higher fixed rates earned by many of our vessels and recent newbuild deliveries yesterday, we not only announced record quarterly earnings but we also tightened our 2019 guidance range higher, leading to nearly 95% expected year-over-year earnings growth. And this trend is expected to continue. Yesterday, we also released 2020 guidance, which will see earnings increase by an additional \$47 million -- 47% to \$250 million based on the midpoint. This results in TGP trading at an earnings multiple of only five times 2020 earnings. As the call-out box at the bottom highlights, if we were to trade to the average earnings multiple of our peers, which is 9.7 times our unit price would be \$25 to \$30. Our proportionately consolidated cash flow or total adjusted EBITDA is similarly expected to grow in 2019 and 2020, reaching over \$765 million, resulting in a trading multiple of only 8.2 times. We believe this multiple is low given our \$10 billion of forward revenues and 11-year average duration. And we think that much of the reason for our relatively low EV-to-EBITDA multiple can be explained by the amount of business we carry on in our off-balance sheet joint ventures.

In the appendix of this presentation on Slide 87, we have provided two cash flow based valuation methods. One, including our JVs on a proportionately consolidated basis, resulting in a multiple of 8.2 times. And the other using just our GAAP consolidated statements. If we extrapolate the 10.6 times EV-to-EBITDA multiple which is calculated including just our on-balance sheet capital, to our entire business this would translate into a TGP unit price of \$38. For this reason, we continue to work on illuminating the value of our joint ventures as I will attempt to do in a moment.

I won't spend too much time on slide 67 except to point out the increases in the red dotted boxes. Our 2019 earnings guidance has been increased by 10% to 11% and cash flow has also been revised higher, albeit off of a larger base. And we expect this growth to continue as can be seen in the bottom box with earnings expected to increase by over 45% to nearly 60% and total adjusted EBITDA is expected to surpass \$765 million in 2020. The slight decline in our consolidated adjusted EBITDA relates to the expected sale of



our two Awilco vessels in the coming months. However, as I will detail later, this sale is expected to result in over \$100 million of additional liquidity Peak LNG providing us with added flexibility in the near term.

I won't walk through all of Slide 68 which we have been providing for the past few quarters apart from the following three key points. First, based on the current book value which approximates the charter-free, independent broker assessed net asset value, we see that the value of our joint ventures is basically equal to just the current value of our public units or approximately \$14. This means the asset value, earnings and cash flow from our entire joint venture book is largely ignored, which is tough to swallow, given the remaining contract book of over 15 years and nearly \$6 billion of forward revenues from these businesses. Second, at \$345 million, our joint ventures are expected to account for nearly half of our 2020 cash flow. And lastly, our joint ventures have dividend capacity to Teekay LNG after all debt servicing within the joint ventures of nearly \$100 million per year, representing a yield on our book value of over 9%.

Before handing it back to Mark, on Slide 69, we thought it might be interesting for you to see the size of our joint venture businesses compared to many of our public LNG shipping peers. In appendix E of our quarterly earnings releases we provide you with Column C, which details the combined quarterly results of our joint ventures. Column B is what guests reported on our official SEC statements. And, after a few elimination entries we arrive at Column D, which for those of you who studied accounting when I did a long time ago represents our proportionately consolidated results. The revenues, adjusted net income, adjusted EBITDA and total assets of our joint venture businesses are bigger and more substantial than the likes of GasLog, Gaslog MLP, Golar, Golar MLP, Dynagas or the hold companies, while many of these companies have market caps that range from \$500 million to over \$1 billion. We continue to believe our joint ventures represent hidden value and we are committed to working with our analysts and investors to enable everyone to properly understand and value these businesses and have them appropriately reflected in our unit price. I will now hand it back to Mark.

Mark Kremin: Thank you, Scott. We've postponed this Investor Day so it's not to have to dance around an elephant in the room, the United States sanctions against Costco. We can now say that we did not lose



\$1 or any other currency of revenue due to the sanctions, which no longer apply to our JV partner, China LNG, or us.

In fact, the project needs exceeding expectations in all respects including early deliveries and operational ease.

For example, our first Arc7 Ice breaker, the Edward Toll, was our busiest ship last year, discharging 17 cargoes mainly by ship to ship transfers in Europe over the winter. Our ice breakers transit the Northern Sea route in the summer and shoulder seasons but not the winter, when the ice is thicker. Despite how good you may have been for us however we passed last year on Arctic LNG two to avoid taking on too much concentration risk. Like Tmall LNG, Bahrain LNG is one of the higher risk reward products in our portfolio. Our 30% stake in the terminal, which we will operate, is equivalent to our 100% stake in the LNG carrier, we chartered to the project for 20-plus years.

The LNG carrier remodified during construction to be the floating storage unit was ordered speculatively prior to FID. As a result, she delivered early and has been on full hire since last year even though the terminal was never expected to start-up until this year. The terminal construction is complete and commissioning is well underway.

The terminal has already sent out gas to the grid but the ramp-up test expected to start has been delayed by a downstream issue, we hope to be resolved any day now in shallow.

As the U.S. President once said, it's amazing how much you can accomplish if you do not care who gets the credit. Although one may not know from the Red E on the funnels we own 50% of Exmar's fully refrigerated LPG franchise. The pride that they take in it has made it a great investment for us. We are bullish on our spot market exposure to midsize LPG and as the sector with the lowest percentage of ships on order, only about 5%, we are bullish that this will continue for years. Moreover, when it comes time for fleet renewal, our Exmar LPG JV expects to be at the forefront of greener propulsion fuels, such as LPG ammonia coupled with larger capacity.



As for our ethylene fleet, it is no longer the drag it was under Skaugen, but it is still non-core and we will aim to sell at the right time. In 2020, each \$5,000 per day change in LPG and/or ethylene rates will have a sensitivity of \$12 million to \$13 million of EBITDA to TGP.

We question the argument that it helps to stay relevant to spot charters even if one loses money. In the first half of this year before the U.S.-China trade war escalated, we time chartered out all of our spot LNG carriers until May 2020 earliest at around \$80,000 per day. Ours are diesel electrics, so you should compare them to the lower dark blue line, but broker reports like this tend to ignore non-utilization, which peer results have shown to be significant. Utilization is critical for LNG carriers. Unlike tankers, LNG carriers boil-off gas known as heat to no benefit when idle, often to the point of the owner having to spend several hundred thousand dollars to cool the ship down again for the next bought charter. You won't see that cost in broker reports. Time will tell as to whether we made the right call to opt for full utilization, but so far so good.

Despite market uncertainty, we share the positive outlook through 2020. But we are bullish-- 76, yes. Sorry? How do I go back? Let's see. There we go. But are bearish on LNG's spot shipping rates through 2021 and 2022. We are predominantly fixed through that period and glad not to have speculative ships delivering then.

As many such orders get committed to charters along the lines of seven years firm at 7% returns, we wonder what financial capacity such owners will have for the next round of projects tendering for new orders delivering starting second half 2023. By then, we will have delevered to a defensible position and we will likely be on offense.

In addition to bidding during this downturn, there may be a chance to cherry pick existing modern LNG carriers or FSRUs on truly long-term charters to investment-grade credits. However, there are not many cherries in the hands of others.



Over the past decade two on foreseeable game changes occurred. United States reversed from LNG imports to exports, and China became a leading LNG importer, because of their choice to go green. These game changers will help drive strong and LNG fundamentals for decades to come. As stated earlier, we passed on Arctic LNG 2, but other projects listed here interest us. If new projects except existing ships than our MEGIs being our newest and most state-of-the-art ships, which roll off charter around then will be competitive, especially if the new charters are shorter-term. But most new projects leave existing ships and orders to traders, like Cheniere and Shell.

Having broached growth, let's take a step back and reiterate that our priorities number one and two are to delever and return capital. In parallel, however, we can build funding capacity for selective growth delivering later as we will explain. Our leverage may be our biggest overhang on our unit price today. Our leverage increased not due to EBITDA weakness, but because we ordered directly, with no GP warehousing or dropdowns, and we funded and we funded all these orders without raising any equity. Now that our order book is almost fully deep-- delivered, into long-term charters we are delevering rapidly and predictably to our target range of 4.5 to 5.5 net debt to EBITDA. Even after opportunistic unit buybacks and a \$1 distribution, we will hit our target range around end 2020. If we order more-- sorry, 2022. If we order more new builds for the next round of build-to-suit projects starting second half 2023, most of the funding would come not due until delivery, by which time we would have delevered, which is not to say that we will ever again want unfunded CapEx to the extent we had it when we cut our distribution. Disciplined growth means limits on unfunded CapEx, no ordering against short-term charters et cetera, et cetera.

I will now hand back to Scott to present the next few slides.

Scott Gayton: Thank you, Mark. Flipping to slide 80. Teekay LNG is in a great financial position with a strong liquidity balance and a very manageable debt maturity schedule. Adjusting for completion of the Awilco transaction, which will see near-term debt reduced by \$157 million and liquidity increased by over \$100 million, we only have two maturities next year, both of them unsecured, and in 2021 another three facilities,



two of which are backed by strong contracts or businesses. And similarly, these maturities are not concerning to us.

Looking specifically at our Norwegian bonds on slide 81. Teekay LNG's bonds currently trade well inside the levels of all of our gas shipping peers. I believe that these credit investors appreciate our current focus on delevering and our strong contract backlog & young fleet. Importantly, our enhanced creditworthiness results in a lower borrowing costs, thereby reducing our overall cost of capital. We are currently evaluating our May 2020 bond maturity and we may look to renew it, however, most likely at a smaller size.

I will finish my prepared remarks on slide 82. As Mark mentioned previously, we have returned significant capital to unitholders and we are positioned to continue executing on this key pillar of our balanced capital allocation plan. Including the 32% increase announced today, we will have increased distributions by nearly 80% in two years and we have repurchased nearly \$30 million of units opportunistically over the past year at an average unit price of \$12.78. If we combine the capital returned in the form of distributions and unit repurchases executed, Teekay LNG is currently trading at a 9.7% and total return yield. And importantly we are doing this from a position of strength and flexibility with an LTM coverage ratio of 3.8 times. We do believe the markets are starting to recognize the turning point of the Teekay LNG is at, with our units having outperformed our peers by approximately 50% year-to-date and we are committed to doing our best to continue this outperform into the future.

I will now turn it back to Mark to conclude.

Mark Kremin: Thanks again, Scott. I will close the TGP presentation with just a few slides. There are many advantages listed here, so I'll just focus on one, strategic partnerships. We strive to be the partner of choice not just for customers, but also for our JV partners Arab, Chinese, European, Japanese and others. Nurturing partnerships is not easy. But gaining the trust of partnerships can open doors to new customers, sources of capital, and other opportunities generally.



Having already highlighted, our priorities to delever, to return capital as shown by our distribution, increased news, to consider disciplined growth and to optimize our fleet redeployments, we will briefly speak to the potential for an IDR elimination and/or conversion to a C-Corp. Like Ken said, this could indeed be a logical next step in our evolution, assuming the parties can agree to a mutually beneficial structure.

This slide repeats our -- is a repeat of our opening slide, so I won't repeat our opening remarks. In closing, thank you very much for your time and support. As we progress from project execution to cash flow generation, we will keep doing our very best for you. It is now my honor to hand over to Kevin Mackay and Stewart Andrade to present Teekay Tankers.

Kevin Mackay: Thank you. We're going to show you a video with our digital experiences (inaudible) Good morning ladies and gentlemen, as a proud CEO of the Tanker- oh, there you go.

[Video Presentation]

Kevin Mackay: Just in case any of you are wondering, that is a small snippet of our STS full-service leverage business (inaudible) which I will speak to in more detail later in my presentation. But just in case anybody's worried, those black things that you saw between the ships are not land mines. They are fenders that stop the ships rubbing steel to steel.

Good morning, everybody. My name is Kevin Mackay. I joined Teekay Group, Teekay Tankers specifically, just before our last Investor Day conference five years ago, five-and-a-half years ago. And I am the CEO of Teekay Tankers, and I'm glad that today or this morning we saved the best for last.

Looking at Teekay Tankers, it is our belief that it presents a compelling opportunity for investors to participate directly in the midsized tanker space, where we are the largest publicly traded tanker company in our sector, built on a brand 45 years, 46 years in the making based on industry-leading operational excellence and strong customer service. We are at the early stages of what we believe to be a strong tanker market



recovery, where the fundamentals of both tonnage supply and tonnage demand are pointing to a robust freight environment the year ahead. We have positioned Teekay tankers specifically to capture significant value through our attractive operating leverage, where today 90% of our fleet is exposed to that improving tanker market. And having weathered the downturn over the last few years by completing several financing initiatives over the last 18 months, we're now focused on increasing our net asset value and closing the gap on what we believe is our undervalued equity pricing.

Those of you who may not be that familiar with Teekay Tankers, let me just highlight some of the key elements of our organization. We own and operate a fleet of 65 midsized tankers, half of which are Suezmax's, capable of carrying one million barrels of crude oil. The other half of the fleet is a mix of crude-carrying Aframaxes, product-carrying LR2s. We also have one joint venture VLCC with Hong Kong-based Wah Kwong Shipping. An important differentiator of TNK versus a lot of our tanker peers is the roughly 2,000, or over 2,000 seafarers, that we employed directly within our in-house ship management org. And it's through their professionalism and their capability that we safely transported over 650 million barrels of oil around the world last year, safely, without incident or harm to the environment.

In addition to our core business of chartering, we've also built ancillary businesses that are somewhat unique to TNK, the first being our full-service lighterage business in the U.S. Gulf, where we currently have about a 30% market share of that very niche business. And our commercial pooling business, which allows us to grow scale on our commercial side, where we now operate 82 vessels without the need for further capital investment.

You may ask why focus on the midsized tankers? In a word, it's about flexibility. We're not tied to the standard two or three trade routes that VLCC's typically trade on. Our vessels, the midsize tankers, trade both intra regionally and cross continentally. If you look at the Aframax specifically, we trade in regional hubs in the Caribbean, U.S. Gulf, North and South Europe and Intra Asia. If you look at the VLCCs, they enjoy trading patterns within those intra-regional areas, but also the capability to go much longer haul into VLCCs.



Both of these segments allow us triangulate multiple voyages in combination, increasing our utilization and boosting our fleet's revenue-generating laden days. In comparison to a VLCC, which typically is laden 50% of the time and carries water the other 50%, our Suezmaxes typically have 60% laden days and our Aframax stretch our revenue-generating days up to 75%, which impact directly to our maximization of the asset and our bottom line.

Lastly our investment in LR2 provides us additional flexibility to move between both the clean product tanker market and the crude market, depending on which freight environment is providing us the best returns.

As you're all probably more than familiar with, the growth in U.S. exports is significant. And today we stand average about 3.5 million barrels a day of exports to Europe and to Asia. TNK is actively participating in this growth of exports in a way that is unique in most typical tanker companies. Not only do we enjoy access to the over 875,000 barrels a day that get exported directly to Europe on Aframaxes and Suezmaxes specifically, but we've also dedicated six Aframaxes to our full-service lighterage business in the U.S. Gulf. Transshipping oil from shallow draft ports in and around the U.S. Gulf, with larger VLCC and Suezmax vessels for the eventual long-haul transportation to Asia. As the graph on the bottom of the slide indicates, we're able to secure contracts for these SDS operations that give us a premium to the prevailing spot market tanker rates, enabling us to drive significant financial benefit from a fairly small business. And for mid-2015, when we started in this market until the end of Q3, the small business has delivered additional value to the tune of \$26 million.

Another aspect of our commercial operations that isn't often highlighted, is our capability to optimize our portfolio given changing market conditions. Knowing when to fix your ships out on long-term fixed rate contracts or knowing when to pull those off and expose your fleet more to a spot market, our management capabilities that are key to driving TNK's financial performance. Also, the willingness to take in additional spot exposure through in-chartering, which you saw us do quite dramatically in 2014 when we took in 12 ships. Over the last five years, this ability to arbitrage between in-chartering and out-chartering has increased our earnings by approximately \$105 million. And as the graph illustrates, as we look towards



the market in 2020, we've rolled off our previous fixed rate charters that helped us weather through the downturn in the market, represented by the dark blue line, and we're now focusing more of our fleet on the spot market. In addition, the red line represents the additional five ships that we've taken on, on top of the one ship we -- one long-term in-chartering that we've taken, to increase that exposure.

Underpinning our commercial capability is our operating excellence. And I've always said this, when I was a competitor of Teekay's and a customer of Teekay's, this is the hallmark of the Teekay brand. And as the top two graphs illustrate, we've had ongoing year-on-year efforts to improve the quality of that operating excellence and the quality of our ships as measured by both our customers and by port state regulatory inspection regimes. And the graphs tell the story of how just industry-leading we are compared to the average.

Recognition of this quality impacts our bottom line directly. There is financial benefit to focusing on running good tankers. In 2016, when the oil majors were looking to expand markets for Alaskan crude oil into Asia, they called one company perform those voyages into that sensitive area. That company was Teekay Tankers, based on the trust they had in our operating capability. And over the last three-and-a-half years, until just very recently, we were the only tanker company in the world that was allowed to carry those cargoes, giving us the benefit, when our vessels ended up in the U.S. West Coast without having to bounce back to Asia or to the Middle East empty, we were getting revenue-generating voyages out of Alaska back into the load areas in the Far East and Middle East.

While we've been focusing on quality and improving our quality, we've also been focused on cost efficiency. And as the bottom chart illustrates clearly, we've had year-on-year success reducing our OpEx and maintaining a below-average cost of operation for our fleet.

Sticking with technical for another slide. As you're all aware, January 1, 2020, we moved to a new fuel standard at 0.5% sulfur. Teekay, as a group, fully supports the industry move to burning lower sulfur fuels. It speaks directly to one of our core values of sustainability. We're also very familiar with burning low sulfur fuels.



We've been doing it since 2015. Our ships trading in the U.S. gulf and the Caribbean, as well as the Baltic and the North Sea, have given us experience in handling low-sulfur fuels and their characteristics, as well as the operational challenges of burning different grades of fuel from different sources. We did look at scrubber technology and the potential for it. Our analyses showed that on average in any given year we bunker in 74 different ports around the world, raising the concern around future heavy fuel oil availability, as well as the quality of heavy fuel oil as that market diminishes significantly over the next year.

From an economic standpoint, even at conservative spreads, we felt the payback was too long, especially for Aframax. So as we prepare for-- in addition to our economic analysis and the spreads that we used, we also highlight one item that is not often reflected in analysis when people look at commodity and pricing.

It's the logistics delivery of that bunker fuel to a vessel. And as the bottom graph clearly illustrates, in recent times, we've seen tremendous volatility in the logistics premiums that barge companies are willing to tack on to a barrel of heavy fuel oil, because they have an advantage of being the only barge operator in particular area. This could well lead into margins that, just looking at commodity pricing, doesn't take account of.

In terms of moving to the new fuel standard come January 1, it's been a three-year journey for us of planning preparation and in some cases vessel modification. But six weeks to go and already having loaded several low sulfur fuel stems around the world, we are confident that come January 1, Teekay Tankers will have a smooth transition to burning lower sulfur fuels.

So as we look to 2020, our key strategic priorities are intended to focus on maximizing value from what we believe will be a strengthening tanker market. In order to maximize our operating leverage, as I mentioned earlier, we've positioned the fleet to be predominantly spot focused, rolling off our time charter cover, adding in charter vessels, and while the spot market delivers volatility over the next few months in the year, you will also see us from time to time taking positions on short-term fixed-rate charters, as we did during the recent Cosco spike and we were able to put away three of our Suezmaxes at very strong fixed rate levels.



In the area of finance, we've executed on several financing initiatives over the last 18 months to better manage through the weaker tanker market. We believe now it is important to focus on reducing our debt levels, as well as our cost of capital, and to concentrate on increasing our net asset value. We therefore announced yesterday that we have eliminated the formulaic earnings-based dividend policy that we had, and we will drive free cash flow towards aggressively delevering our balance sheet in 2020.

On the asset side, having done our vessel acquisitions at the bottom of the asset cycle back in 2017, when we purchased 18 vessels from the TIL transaction, as the freight market now improves and asset values continue to increase, you will see us from time to time monetize some of that value by selling some of the ships and retiring some of that debt. We don't have any plans to buy or add vessels during this part of the up cycle. Operationally, we'll be focused on our implementation plans for IMO. And as I said we expect a smooth transition to that new fuel standard on January 1.

Turning now to our outlook on the freight market and why we believe 2020 presents a rate environment that will be robust. Looking at the top two charts, where we show the average monthly spot rates for both Suezmax and Aframaxes, rates in the early part of 2019 trended higher than they did in 2018, based on improving fundamentals that began in the fourth quarter of last year. Rates did however lag the five-year average and that was a function of the heavier refining maintenance we saw this year, as refiners prepared for IMO 2020, as well as a continued onslaught of new buildings during the first half of the year. Rates did however start to improve in September, as refining increased -- refineries' throughput increased, as well as a sharp drop off in the high delivery rates of new buildings, especially in the mid-sized tanker sector. We were gifted in October with U.S. sanctions on Cosco Shipping, which led to a dramatic spike in rates to unprecedented levels, and also possibly unsustainable levels and now we've returned more to a normalized level of freight environment, with fourth quarter-to-date earnings averaging around \$38,000 per day thus far on a Suezmax and \$30,000 a day on an Aframax. This dramatic spike that we saw happening during the Cosco outage would not have happened without the fundamentals underpinning our market being so positive. And as we move into 2020, we believe that that strength in the fundamentals



will allow us to take advantage of volatility created by things like weather delays, logistics outages in terminals and port congestion, as well as the potential for future sanctions coming from the Trump administration.

The bottom two charts show tanker asset values and tanker time charter values, both have strengthened through the early part of 2019, which is an indication of growing positive sentiment towards the tanker market, as witnessed by both tanker owners on the asset side and customers on the time charter side, as they pay more to secure tonnage going into an improving market.

Looking now at oil and tanker demand. As you can see from the chart on the right, global oil demand did lag in 2019, at 900,000 barrels a day of growth. It is however important to note, tanker demand is driven less by end-user demand and more directly by refining throughput. There's the chart on the left-hand side this slide shows global refining throughput is set to grow significantly from the fourth quarter of this year through 2020, although we do anticipate that there will be normal seasonal variations. The increase in refining throughput next year is driven by four main factors -- growing end-user demand. Oil demand is expected to grow by 1.2 million barrels a day in 2020 and 1.3 million barrels a day in 2021. There will also be an increase in new refineries coming online in Asia, which is a positive for not only increased volumes but also increased tonne-mile demand as the Asian refiners source their barrels from the Atlantic Basin. We expect a less pronounced refinery turnaround season next year compared to this year and an additional roughly 1 million barrels a day of increased throughput as the refiners increase production to meet the new demand for diesel, marine gas oil, and low-sulfur fuels to meet the new fuel standard. It's also worth noting that 2020 should be a positive year for non-OPEC supply growth, as new streams come online in the North Sea, increased production in Brazil, and the U.S., drives longer tonne-mile demand from the West, the East, and the Asian refining centers.

Looking at the opposite side of the equation, fleet supply. We believe we're entering a period of low fleet growth over the next one to two years. The tanker order book is relatively small as a result of modest ordering in 2018 and 2019. The order book for mid-sized tankers specifically is set at a very low 9% of the existing

fleet, leading to an expectation of lower tanker deliveries over the next two years. The tanker fleet is also aging; there's more than 200 Aframaxs and close to 110 Suezmaxs that are over 15 years old, which will face scrapping decisions in the coming years. Now, we do acknowledge that if we have a stronger freight environment, there is a propensity to delay scrapping decisions. But we still believe that a portion of this group of ships will find that the cost/benefit of additional steel work and implement -- installation of ballast water treatment systems just isn't worth the long-term investment and scrapping will happen. So, we expect tanker fleet growth come in at a low level of around 1% to 2% over the next two years versus a long-term average of between 4% to 5% per annum. In addition, we expect in the first half of 2020, the ships will continue to be taken out of service the retrofit scrubbers which will also -- which will further impact tonnage supply in the near-term. Anecdotally, we are being advised by both [class societies] and brokers that those ships that were retrofitted in the early part of 2019 were averaging around 25 days of downtime, and by the end of 2019 similar vessel installations are taking on average 40 days and longer which bodes well for that short-term impingement on the supply next year.

So, to sum-up, the supply and demand drivers, generally our view is a positive one, both on the demand side and on the supply side. The important takeaways are on the demand side and we expect an increasing global refining throughput and more west-to-east voyages, which will drive tonne-mile demand higher and support tanker demand generally. On the supply side, the next one or two years we'll see a period of low fleet growth due to a small order book and an aging fleet profile coupled with some short-term outages for scrubber retrofits, floating storage due to IMO 2020, as well as the potential for further U.S. sanctions. We do acknowledge that there are uncertainties on the demand side chiefly around the health of the global economy outside of the United States and future OPEC supply policy. But on the whole we believe that tanker demand will outstrip tanker supply growth in the year ahead and beyond and lead to a stronger tanker market, certainly in 2020.

So, how does this impact tanker fleet utilization? Our belief is that as anchor demand outstrips supply, we will see a meaningful rise in tanker utilization rates up towards the 90% level. Tanker fleet utilization is highly correlated with spot tanker rates. And as we've seen in the spikes of 2015 and the super cycle that ended



in 2008, utilization rates approaching the 90% level have driven robust freight rates and strong tanker earnings for tanker owners.

So, in sum, we're excited about the outlook for tankers in 2020 and beyond. And we believe that we will see a healthy tanker freight environment will help drive TNK's financial performance over the coming year.

We believe we've positioned TNK well to drive value during this period and I look forward to reporting back to you on a quarterly basis on how we're doing with that robust tanker environment.

With that, ladies and gentlemen, I'll hand you over to my more-than-capable CFO to do a little dive into our financial picture. So, thank you for your kind attention this morning and I'll speak to you in the quarters ahead.

Stewart Andrade: Thank you, Kevin and good morning everyone. My name is Stewart Andrade and I'm the CFO of Teekay Tankers. Like my colleagues who have presented this morning I've also been with the group for a long time, 18 years in my case. Kevin has presented details of our view of the current tanker market through 2020. I will provide a financial overview of what that strong tanker market means to TNK and our investors.

I will now outline the value that could be created for TNK investors. I'll start-- Given our view of the tanker market and TNK's significant operating leverage with about 90% of our 60-plus tanker fleet trading in the spot market, we are very well-positioned to benefit from the continuing tanker market recovery. As previously mentioned, for every \$5,000 increase in spot tanker rates, TNK will generate approximately \$95 million or \$0.35 per share in free cash flow in 2020. The average analyst and broker forecast for 2020 Aframax and Suezmax rates are represented by the vertical blue line in the chart. At these average analyst spot tanker rates, we forecast TNK would generate approximately \$320 million of free cash flow or \$1.19 per share in 2020. \$1.92 in 2020 is a huge amount of free cash flow relative to our current share price of approximately \$2.



I will now outline the value that could be created for TNK investors at these spot market levels. The chart in the middle of the slide illustrates the significant potential upside TNK has in the expected strong 2020 market. First, the gray bar on the left shows TNK's closing share price on November 6th of a \$1.95. I'm happy to say that it's a little bit higher as we stand and sit here today. The middle bar showing \$2.92 per share is TNK's illustrative NAV at the end of 2019. You can see our NAV calculation on Page 112 in the slide deck which is part of the appendix to the TNK presentation. The calculation is based on current net -- current asset values and net debt forecast to the end of Q4 on the assumption that we continue to fix our vessels at our booked-to-date rates disclosed in our Q3 earnings release. There are a few other small items in that calculation which you'll see if you refer to Page 112. With almost a \$1 difference between the NAV and our current share price, there is a large valuation gap that if closed represents a significant value to our shareholders. I will highlight measures we are taking to close that gap in the following slides.

The bar on the right side shows TNK's illustrative end of 2020 NAV of \$4.18. We arrived at this by adding the \$320 million in free cash flow or \$1.19 per share mentioned on the previous slide to the \$2.92 end of 2019 illustrative NAV, plus an additional \$0.07 for an assumed modest 10% in asset values through the end of 2020 in the projected strong tanker market. With the potential for more than \$2 or 100% upside upon TNK's current share price, we believe TNK is a compelling investment opportunity. The table on the right provides the sensitivity for our 2020 NAV, based on various spot tanker rates and asset value scenarios. You can see from the table how sensitive our NAV is to the improving tanker market.

As discussed earlier in the presentation, our capital allocation focus in 2020 will be on reducing debt. We believe this is the best use of capital, as it will increase shareholder returns in three ways. First, all debt repayments will increase our equity value or NAV and we believe this increase will be reflected in our share price. Second, focusing on debt repayments will better position TNK to exercise purchase options on higher cost sale leaseback debt, thereby reducing our cost of capital and increasing future profitability. Third, by reducing financial leverage we will de-risk the company, which we believe will help close the \$1 valuation gap that I mentioned on the previous slide.



As the chart shows, TNK has the opportunity to significantly delever during 2020. In the spot rate environment, forecasted by analysts and brokers, allocating all cash flow to debt repayments could reduce net debt to approximately \$600 million by the end of 2020 versus the approximate \$1 billion of net debt at the end of Q3 2019. Importantly, as shown in the declining size of the dark blue area in the chart, we would also be in a position to exercise purchase options on several vessels that are under more expensive lease financing, reducing our cost of capital. Our first opportunity to exercise these purchase options will be in September 2020. As mentioned, we will also consider opportunistic asset sales into the strength of the market to further accelerate our deleveraging. In keeping with the capital allocation priorities for the group that Vince presented earlier, as TNK's balance sheet delevers, we will ultimately build the financial flexibility to allocate capital to other uses, including returning capital to shareholders and making disciplined well-timed investments in tankers. However to be clear, we do not intend to make any tanker investments during the up cycle, with asset values having already increased substantially from the lows in 2017.

I would now like to touch on TNK's debt repayment profile. We plan to refinance 36 vessels in a new five-year, \$595 million revolving debt facility that will replace three facilities with the current combined borrowing limit of \$510 million. The new facility has very strong support from anchor banks. It was launched on Friday and is almost fully subscribed, with good participation from our existing bank group. We expect it to close in December. As shown in the chart, when completed, this refinancing will reduce our 2021 balloon maturities from approximately \$400 million to approximately \$70 million and we will not have any further balloon maturities until late 2024. We think this will position us well as we move through the tanker cycle.

Briefly returning to Teekay Tankers' investment highlights, the compelling case for an investment in TNK, the tanker market recovery, and the value that is expected to be created by TNK during that recovery. To reiterate, based on average broker and analyst forecasts for 2020, TNK could generate \$1.19 per share of free cash flow next year and have a net asset value of over \$4. This is significant, compared to the current share price of \$2.



Finally, to help close the valuation gap highlighted previously not only will TNK focus on reducing debt to derisk the company, we will also increase the price of TNK's equity through a one for eight reverse split that is expected to take effect on November 25. We expect the higher price will improve the marketability of TNK shares to a broader base of potential investors, thereby benefiting all shareholders.

With that, I would like to reintroduce Kenneth for some final remarks. Thank you very much.

Kenneth Hvid: Thanks Stewart. I want to give you a big thank you to you for listening to us for the past three hours. Before we open up for questions, I wanted to leave you with a few closing remarks. As you've heard this morning, we are confident in the Teekay Group prospects as we head into 2020. There are particularly three takeaways I would like you to leave with. First one is that we have derisked the group significantly over the past couple of years. Second one is that we've taken steps to enhance the profit potential on strengthening market fundamentals. And the third one is that Teekay, as the largest shareholder in both TNK and TGP, is absolutely committed to unlocking value over the long-term. And we're excited about the outlook for each of our gas and tanker businesses.

So with that, I think we can open up for questions. And I think we have some good time left there. And maybe as we go, maybe we can just state the name and association, so everybody in the room knows who's asking the questions Jonathan -- Jon? You first.

Jon Chappell: Yeah. Jon Chappell from Evercore ISI. Three questions. First one for Kenneth or Vince. I think divesting the FPSOs makes a ton of sense as you're trying to derisk Teekay Corporation. But for someone who sits in our seat, it is a pretty illiquid market and those are assets that were built for specific fields. Is there any way to give a broad range of charter-free asset value from those three FPSOs?

Vince Lok: I think the short answer to that is hard. It's -- as we've stated many times since we made our initial divestment to Brookfield or Brookfield Business as a main investor in Teekay Offshore. It's no secret and



I think we mentioned this in our earlier comments that at the same time we try to include our three FPSOs. We couldn't come to an agreement on pricing. And part of that was because of the mature fields that each of those three FPSOs were on. At the time we stated that we would re-contract them. And if we couldn't agree on the price, we would extract the cash flows we could, given that we thought there was a bit more feel life left. We did, and as you probably recall last year that was actually a significant contribution to Teekay's earnings. This year, we've seen more drag up to now. And now we're entering into the final period where I think we're getting close. We worked on it. But of course, the impairment that we announced yesterday after market close, reflects where we think roughly values are going to be for the total of the asset sale.

Jon Chappell: Yeah. Thank you. Second one for Kevin. Non-core assets, it's probably difficult to identify on a ship by ship basis on what you may look to divest in the upturn. But you will have 14 ships that will be 15 years or older starting in 2020. And based on your fair market value, that's about \$253 million. Is age kind of the deciding factor? Is it customer maintenance costs? How do you think about monetizing those 14 ships potentially to really accelerate the debt pay down that Stewart already laid out?

Kevin Mackay: Hi, Jon. That's a very good question actually. And just to state categorically, there is nothing wrong with an old ship. The ships in this kind of market are actually your most profitable. I appreciate the asset, strong rate environment. There's the money you generate a straight to your bottom line. So the challenge around older ships is where you trade them. And the quality of that vessel as it gets older, because you don't want to be running into operational challenges that put your brand at risk and deoptimize the vessel. So it's really on a case-by-case basis. It comes down to what we think we'll be spending on that ship in terms of maintaining its quality and its credibility as well as, which markets we think will be able to pay for that asset if the market comes off.

It also will depend on what asset prices are doing for that age range of ship, if we think it's the right time to execute, we will go ahead and pull the trigger. But I don't think there's a steady formula that we follow to transact on whether it should be a 2003 built or should be at 2004.

Interestingly in this kind of market, it's also very important where the ship is actually trading at the point-of-sale, because the buyer of that vessel does not have a long lead time for the ship's remaining life. And therefore they're looking at the economics of can I take the ship in an advantageous position to start generating lucrative earnings from day one. So that's where you tend to get price differentials and spreads between some of the older units.

Jon Chappell: Thank you. And then final question also for you Kevin. When you laid out kind of your track record of the past cycle that you increased out charters in anticipation of a weaker spot market. Just did three new time charters in the last month or so, which is pretty contrary to your market outlook for the next two years as a strong market. So, were those opportunistic kind of one-off charters? Or if we think about the next six to nine months, do you want to maintain the 90% spot market exposure? Would you look to lock in more fixed cost on coverage?

Kevin Mackay: Good question. No, they were purely opportunistic, whether it's 90% or 85% or 82%, I'm less interested in the actual number that we've got. We have a lot of exposure to an improving tanker market. Those transactions that we did in October was really taking advantage of a spike that was, like I said, was really unsustainable. And some of the oil traders in the market were willing to pay a premium just to get their hands on a ship to enjoy that spike. So we took advantage of their desire for the ships and we lock them in.

As I said in my remarks if the market spikes again and we get those opportunities you will see us lock in some of this fixed rate revenue because it's at rates that are well above where we thought we were going to be for 2020.

Jon Chappell: Thanks, Kevin.

Kevin Mackay: Thanks, Jon.



Kenneth Hvid: We have the next question.

Mike Webber: It's Mike Webber from Weber Research. I've got a couple of questions as well. So mostly on the LNG side. First, I guess just probably Vince or kind of a Scott but on the IDRs, I know you're rightly reluctant to give a time frame on how and when you would do that. Is it correct to think you would need to be at or near the money on those IDRs before you could reasonably think about trying to take them out?

Vince Lok: I think it's a good question Mike. And as you know I'm looking at the book ends in the room here and which is also some of the variance that we're seeing in the outlook. And I think the way we look at it is that as we started the discussion last year, obviously looking at the other IP transactions that other companies are doing, it is something in the structure that I think we're following the big trend here. I think we see a benefit, we absolutely believe that there is value in the ideas. We also acknowledge that having come out of a season where we cut our dividend to fund the growth, we need to do a clear path of the earnings sustainability that we have and therefore the dividend capacity that we have in the group. And we acknowledge that that's something that's a function of time and discussion. It's not because we haven't spent time and we've certainly solicited a lot of use of it. I think as we look at the universe also out there, it's not every IDR monetization that's successful and it's not a given that you trade-off when you do that. And that's of course creating a little bit of pausing on our side as well. That being said, it is there. It's an asset. And as you heard in our prepared remarks, it's something that both our board and our collective management team starting with our advisers.

Mike Webber: As it pertains to the value disconnect for TGP. I don't believe, I could have missed it. I don't believe you have an illustrative NAV for TGP lighter TNK in the deck. But we recently saw INSW sell some older LNG carriers back to knock a lot at a price point is a little bit surprising to us. You don't get a lot of comps at that end of the age curve and you guys have some vessels in the legacy fleet that are pretty similar.



Did that comp -- where was that comp relative to where you guys are carrying those vessels? And how would that impact the way you think about where your NAV is?

Kenneth Hvid: I'll let Mark answer that.

Mark Kremin: Sure. I was just trying to make sure the mic on. It's pretty close to our same values Mike. It's obviously the almost sister ships it's a bit different. It's certainly non-core business for them to have those last four carriers go. I'm not sure that deal is necessarily available to everyone as well. (inaudible) did that for whatever reason. And -- but I wouldn't rule out -- if we can -- if there are divestments where we can divert proceeds for better uses that's something we can consider. It's not something typically MLPs have considered. But obviously we're doing some things that MLPs don't often consider. And so that's -- that particular transaction is not as a ballpark of something we can consider.

Mike Webber: One more for me just on -- actually on growth at TGP and you're pretty measured and talking about capital discipline and kind of a limit to unfunded CapEx. So I'm curious one, where is that limit in terms of what you would entertain now and then you mentioned passing on Arctic 2? I'm curious is that because of the fact that you're delevering, or is that from a local content perspective that you're passing on there?

Mark Kremin: Well, I just want to start something that's been bothering me since I gave you prepared remarks. I think it was Slide 79. I said that we would be delevering by the end of 2020, which is true. And then I corrected myself to say 2022. 2022 were actually at -- where we're starting to go out of the bottom range. So I was right initially. The point of this is that we will have delevered within that range by the end of 2020, certainly 2021. And our capacity really pertains to what's going to happen after that 2023 for instance, at the end of 2023. I think right now we have retained earnings, if we just wanted to work on retained earnings, we could probably do a couple of ships or so every year starting that -- from 2023 taking 2023 deliveries.



Mike Webber: Conventional ships.

Mark Kremin: Yes the conventional ship, say \$200 million ship, if the stock keeps going like it's going today and we have the ability to issue equity again at some point, obviously, that could become more perhaps. But certainly as I said in the prepared remarks, we're not going to be back on the train we were previously, whether it's retained earnings or even if we're able to issue equity and we're not going to have a lot of unfunded equity or other funding out there. It probably won't be the amount of ships, won't be the world's largest order book anytime soon is my guess.

Mike Webber: And on Arctic 2?

Mark Kremin: Arctic 2, good question Mike. So it's not delevering. If we needed to scale down a project. We take partners. We take a lot of partners as Scott has shown on the slide. And we do have the NAV to that. But that was more as I say geopolitical risk and it's not geopolitical risk in a sense. It's Russia, could be - it could be anything. It could be sale [ph] for that matter. We do have the discipline to try to keep our revenues down to 20% max. And that's roughly where we are for your mall. I think frankly we got the better project. We got I hope the higher return project. We've got the ships that were built in Russia. We've got the ones where the Chinese financing was certainly still available obviously. But it was more so not leverage but how much of this do you want? And that's what government does.

Kenneth Hvid: I'll make you make the run and then maybe we are over here.

Richard Diamond: Richard Diamond, Castlewood Capital Partners. The MLP market seems to be dying in the United States. And I just want to know from your perspective, what are the advantages to remaining to the MLP market despite capital that seems to be flowing out?

Mark Kremin: Yes that's -- I think that's a great question. I think it's a question that we're all pondering. And as we're trying to figure out the answer certainly the way we've gone about it in Teekay is that we've gone



back to finance 101, which is basically looking at your leverage, looking at your cost of capital, you're looking at ultimately driving profitability, irrespective of what structure you have. We have an industry issue and that is that we actually don't have a lot of great comps, whether the MLPs or C corps out there that have a winning recipe for how you get the social contract back on or whatever you decide to call it here. So I would say, as we're clearly focused on what is the right structure for especially TGP going forward, and moving out of the MLP space and into the C-Corp space is definitely one of the options we're considering. I would say, it's not that, there is a really compelling structure out there that in the same way as we move into the MLP space back in 2003 was a clear incentive to come in and it works for as long as it did. But now it doesn't anymore. And we fully acknowledge that. The problem we have is that in our space, there's not actually a great comp on C-Corp either. So whilst we're trying to figure it out, we're focusing on the finance 101 and getting our debt down and running the company. And then the answer will hopefully be there one day, but that's the best answer we can offer you right now.

Ken Hoexter: Ken Hoexter from Bank of America Merrill Lynch. Kevin, just given your overview of the crude market as well as the post IMO on the refined market going on right now. What are your thoughts on Aframax / LR2 I guess going into the clean or staying in the dirty markets?

Kevin Mackay: It will depend on which market gives us the highest return. Now, at the moment we haven't really seen the drive from IMO on the clean side, I think it will come at some point as you get dislocations of diesel demand and where diesel supply is coming from. But right now, I think the better market is crude, and that's certainly where we are focused our fleet for the time being with most of our LR2s, except the two I believe trading dirty.

Ken Hoexter: Just (inaudible) you said, you're still not seeing any bounce from the IMO on increased demand?

Kevin Mackay: Now we saw an initial spike in late September, October tied to Costco the general market across most sectors picked up I think except DMRs. On the LR2s there was definitely a bit of a balance, but it wasn't as pronounced as the crude side. I think it might be more as we move beyond December. I think



there is a buildup of storage, certainly in Singapore, where I actually sit. I can look at my office window and look at 25 VLCCs that have got low sulfur fuel loaded to the gunnels. I think the markets have been well prepared for the initial demand on slot from owners. Where I think you'll see the impact-- I'm sorry that storage has been built gradually over many months. I think where you'll see the real impact on the clean market is once that storage gets used up and you then have the typical clean trade, which is dislocations of longs and shorts, and then we'll start to see the volumes increase in a given month.

Ken Hoexter: Helpful. And then I guess Kevin or Stewart, on selling assets just to dig into that a bit on Jon's question. Are you looking to do more sell-leasebacks on load capacity kind of what percent of the fleet are you thinking of addressing is it just the older vessels you mentioned? Or is it just really a capital game in terms of deleverage?

Kevin Mackay: I think it's opportunistic. I don't think we should limit ourselves to just saying, its older ships. If we get the right price for a modern vessel, and we feel that, it's worth taking that modern unit out of the market in an early stage. It will all come down to pricing.

Ken Hoexter: Thank you.

Stewart Andrade: And then maybe just to the second question on the sale leasebacks, so there's absolutely no plans of entering into cost sale-leaseback, in fact we're looking at doing the opposite of actually using the capital gains to unwind some of our sales.

J. Mintzmyer: All right. J. Mintzmyer, Value Investor's Edge. I will start granularly with TNK Tankers. Looking at you guys as far as not doing dividends next year, focusing on de-levering. Is that just an internal choice by the company? Or is that part of a covenant for that new refinancing?

Stewart Andrade: That's a choice by the company based on where we think deployment capital is best, no not related to alter the refinancing.



J. Mintzmyer: Excellent. And then looking at your forward NAV, I think you mentioned 2.90 by end of the year as what we project and then going forward into the end of 2020. You had a range anywhere from basically \$4 to up to \$6 based on that. If you continue to see just a huge disconnect between that NAV and your actual share trading price. Is there any room for some sort of repurchase? I know you said, your priority was on de-levering but you also mentioned asset divestitures to some sort of asset sale. Would you be open to doing a repurchase?

Stewart Andrade: Yeah. So I guess our top focus, if you look at it from 50,000 feet is trying to deliver the most value for shareholders, and if situation exists where we've deleveraged the balance sheet a lot. We've sold some assets and there's a significant disconnect between our- what we see the value of the firm to be, and how it's being valued, then we would look at that in terms of potential for shareholder return and we may decide to allocate some to buybacks, if the situation warrants.

J. Mintzmyer: Excellent, Stewart. Thank you. And final question for TNK. Looking at your charter book you picked up three charters I think it was in the high 30s almost maybe one of them was for 40,000. Those three charters for one-year were above the average of what all analysts are expecting. Is it fair to say that you guys maybe don't think you're smarter than the average of analysts per se like none of us are, right? So if you see one-year charters that are above that average right which is \$35,000, \$36,000, \$37,000 for 2020 that you'd be open to more charters?

Stewart Andrade: Yeah. I think like I said earlier, we've looked at things opportunistically. And we still want to be highly levered to spot market, but that kind of rates is worth putting money in the bank. We may see rates that are higher. At one point, during the Cosco spike, we were actually midway through negotiation for a much higher rate than the ones we did. Unfortunately, the market cooled pretty quick and the customer never pulled the trigger eventually. No, I think it's depending on where pricing goes. And depending at that point where we see the market then going, because the markets are very dynamic, as you've seen. And even although, we expect 2020 to be stronger rate environment, I think you'll still see a



lot of volatility. Dynamics of the market will change month-to-month. So whether it's how we look at our balance sheet or how we look at the fleet and how we position it, it's an ongoing analysis of what we think our forward view is that changes --.

J. Mintzmyer: Excellent. Thank you, Kevin. Thank you, Stewart. Yeah, if you fixed half your fleet at those values. And the analysts are correct on the average you already had 1.12 lower numbers. So looking very good.

Shifting over to Teekay LNG, you've disclosed the NAV for your joint ventures I think it was in the 14s, I know you didn't disclose a direct NAV for the parent level assets. Is there a sort of structural way of looking at that that you maybe give us analysts and investors some sort of general broad guidance?

Kevin Mackay: Yeah, I think maybe one way to look at it is the cash flow generating power that comes out of the on venture book, which is about half of our target for next year and-- so then that means that the other half has to be coming from the consolidated book, if you will. So I think if you basically add those two together then probably getting at a fairly decent NAV. And again, the 12 to 14 that we gave out is on a charter-free basis. It's just simply based on independent brokers. So we obviously think that the cash flow generative power of those assets is we're far more than just--

J. Mintzmyer: Yeah, absolutely. So if I'm hearing you correctly 14 for the joint ventures. If you think about that as half your cash flow you're definitely into the mid-20s. You mentioned earnings comps appears being about \$25 to \$30. You mentioned EV EBITDA it appears being about \$38 per unit. Look- I mean, the units trade I haven't seen the latest quote they're up today but I think there's 16 something so significantly under even the lowest end right the lowest end is \$25. How do you think about repurchases and balancing that with your current liquidity? I understand, you have about a \$100 million coming in within the next two to three months.

Scott Gayton: Yeah. We've got the Awilco transaction when not complete in the next few months and we do expect to have roughly high \$100 million higher liquidity. I think that we have shown in the past, over the



last year we have been retiring stock and we will continue to do so. We also raised the distribution day for next year. So we're really trying to pick that balance plan and apply it across all of our various avenues for using our cash flow. But a lot of the disconnect that we see in the stock price really has to do with the debt that we think, to NAV that is just too high and it doesn't screen very well, if you put us against most of our peers just in a Bloomberg terminal or something that we actually screen extremely high. So focusing on that is still our number one goal. But we have shown that we've been able to get into the market on a tactical basis, and be opportunistic to pick up shares. And I think that our past year is probably a good a way to look at us going forward.

J. Mintzmyer: Thanks, Scott. So Mark an operational question for you. I think you fixed three spot time charters in the last year. I think they were in kind of the lower 80s and I know there's a range of one to three years on those. When most of your peer comps when they report there's spot fixtures, their utilization usually comes in at like 70% and well, well, below the broker rates, and I think we saw that, kind of, surprise, it shouldn't have been surprised but we saw that surprised with one of your comp -- peer comps' GasLog this past week. Can you confirm on those charters? Or are there going to be like 100% utilization at those 80s?

Mark Kremin: Yeah, definitely as I said in our remarks, the utilization is extremely important to us. Those have been fully utilized since May when the market was actually pretty low. And some will end in May, but actually one of them is three years and we mentioned that softer period that we envision and that will take us through there. That's the charter to Petrobras and that's actually above \$80,000 a day. So to Kevin's point, sometimes it's better to take a little off the table and that's what we've done on our three ships.

J. Mintzmyer: Fantastic. Thank you, Mark. Last question, apologies for a little bit of lag in time here. Kevin for you, looking at the GP/IDR, I know it's kind of a controversial topic. We're dancing around it. You talked about bookends of valuations. Is it fair to say that there's a valuation potential for the GP side of things? If you decided to switch TGP to a C Corp. and that would maybe be one part, and then the IDR might be a separate valuation in there?



Kevin Mackay: If you want to take it Vince?

Vince Lok: Yeah, I guess you can bifurcate the valuation between the IDR cash flows goal with premium related to the GP and into those two components. I think that's something we'll have to look at with the Boards. But I think our bigger focus would be more on the IDR cash flow side of it. I think as Kevin said one of our principles is that, we want to stay heavily invested in our businesses that results and that's wanting to control businesses that's important to us. So I think it's more of the IDR cash flow part focusing on.

Ryan Hamilton: Excellent. Thank you, Vince. All right. Well, thanks a lot. Once again, we've got a question or two coming in online. You could ask those.

Okay. I guess the first ones are directed towards TGP. First one being, how did you arrive at the \$1 per unit cash distribution amount? And how do you think about that in context of the unit repurchases and/or deleveraging.

Kevin Mackay: Sure. I think the dollar if you look at it that's roughly 30% up over last year, which was also up over 30%. I think the dollar is, obviously, a nice round number, which I think all of us generally like. And really we have to look at the underlying cash flow that we see coming in, in 2020, which is also going to be up significantly. So I really wanted to focus investors on that growing cash flow part of the -- through the spend increase. I think maybe stepping back a little bit, because everybody always wants us to try and give some guidance or some way of looking at. I think what I would say is that we understand that we are an MLP, therefore, we do have an obligation. They'll distribute all of our cash flow. Next year we see DCF being in the mid range. But at this time, we're not prepared to provide guidance beyond 2020. We're really looking at taking a conservative approach to our overall capital allocation policies prioritizing debt paydown. And as Mark showed earlier that we do expect to be within our range later this year and towards the lower end of our range over the next couple of years. And really what this does is, it provides



us with capacity -- allocating capital to -- I think at that point the question was also raised, is it buybacks and I think that what we'll be looking at is really -- what is the best return on allocating that capital is buybacks, continued debt pay down, or is it growth. So I think really we want to continue to look at all avenues for us, but in the primary next couple of years (inaudible) delevering.

Ryan Hamilton: I guess I should have stated at the outset that these questions came from Randy Gibbons at Jefferies. I guess the next question on this list is, if we can provide any further information on the arm's length ownership restructuring of the Cosco transaction or the sanctions? And also I guess what was the process for them being classified and declassified.

Kevin Mackay: Yeah, We'll refer to the -- what we said publicly, which is that Dalian essentially -- Dalian was the owner of our partner China LNG, which makes our joint venture a blocked entity. Dalian sold their interest to another Cosco entity, Cosco Shipping Energy. And OFAC affirmed that, I don't not sure that OFAC has the ability to actually make a judgment on it. But certainly it was done with the consultation with OFAC. And as a result, our entity is no longer a blocked person as I said. And as a result as I said, we lost not \$1 of revenue as a result.

There will be some costs. We had some legal costs. We had some travel costs and some management costs. These are immaterial in the grand scheme of things. And -- but it's essentially entirely behind us.

Ryan Hamilton: Okay. And maybe just switching to one from -- on the tanker side. Just curious about updated thoughts on scrubbers. And if ordering or not ordering, I guess timing for installation that you're seeing out there? And if not then what were the main reasons for non-selling?

Stewart Andrade: I think I covered most of that in my prepared remarks, just to repeat some of it, scrubbers work for some ships. Certainly there's an argument to make for VLCCs or Capesize bulkers or container ships. But for TNK we stand in bunkers in 74 different places. And I think the biggest risk factor that we looked at was the quality of supply of heavy fuel oil on an ongoing basis. Fuel demand is going to drop by



three million barrels a day. Shipping industry moves to low sulfur fuel and 80% to 85% of the world's ships are going to use low sulfur fuel not high sulfur fuel. So as you call these places in and around Panama, South America, places in Europe even in Asia, there is a concern around the quality of that remaining fuel supply as the majors pull out and secondary commodity players start blending different grades of heavy fuel. In 2018, there was 150 ships around the world were operationally disabled, some of them in extremely sensitive places and waterways because of bad quality fuel. So that -- we factored in not only the economic portion of the argument, but also the risk factors that we could be facing. Quality of supply was a big issue for us and that's why we chose to go (inaudible) principles more aligned with our core values as I mentioned and we look to earn most of for fuels in our ships as well 85% of the rest of the market as well.

Unidentified Analyst: Mike Mazie [ph], I'm a private investor who was a victim of the MLP market and -- today. So congratulations on the performance.

Kevin Mackay: Thank you.

Unidentified Analyst: My question is regarding the resolution around the IDR monetization. Two factors and I'd like to know how big they are in line versus each other and the other issues. One factor is, how are you waiting to achieve the higher EPU performance at TGP, where that gets more maximized in terms of time horizon? And/or, are you waiting really for TGP's price to recover to 25, 30, 38 levels, where if a monetization were to occur and there was a stock payment for that, that would be less dilutive than if you did something today?

Unidentified Participant: I won't tempt to transfer that. I think the broad answer is on the second question whether we're giving consideration to where GDP is trading today relative to where we think they could trade in the future. We're not giving that any consideration as again both I said both in my prepared remarks and the previous question as Vince also said this is purely around a timing thing where we acknowledge the point we came from. We also acknowledge that we need to do more communication, education of the --



and show how we're actually getting new earnings into TGP. We think today's guidance on 2020 is certainly providing a trajectory of where things are going. And I think that was a piece that we didn't have in place, obviously, when we started some of these discussions over the summer where other people were active.

But the short is really that, because, we came in relatively higher leverage than some of the other MLPs that have monetized their IDRs because of our growth and the benefits that we talked about this morning in terms of how that's actually benefiting all common unit holders, this is more of a timing thing to really illustrate how that flows back in terms of value to the LP unit holders. And as we illuminate that, which we will, in very short order, which I think is illustrated in our projections today, then we hope that we can get on the fairway where there is a bid/ask, where you can actually transact. But it is fair to say that we had -- the fairway was -- but we couldn't even establish how wide it was when we started. And then, you really don't want to go into a question like that. So, I think that's where hopefully we're getting, but some of you are in the room today and hopefully you will still agree with us that we are establishing a fair way.

Craig Gilbert: Hi, Craig Gilbert, Linden Advisors. Thanks for taking my question. One, just a clarification from Scott, did you mention that you are going to generate \$300 million of DCF in 2020. Did I hear that right?

Scott Gayton: Yes, I think you said mid \$300 millions.

Craig Gilbert: Can you give me the breakdown of that? So if you start at EBITDA, I think it's the midpoint of what is it, \$765 million, how much is cash interest amortization? Amortization is \$300 million. And then cash taxes if there is any and then CapEx?

Scott Gayton: Yes. I think the adjustment really is coming out of our -- the consolidated EBITDA number. It's about an \$80 million difference between the consolidated EBITDA number getting down to your DCF number. But I don't have the exact breakdown right now, but happy to go through that with you over next week.



Craig Gilbert: And that doesn't capture any earnings from Awilco, does it?

Scott Gayton: That's correct.

Craig Gilbert: Okay. And then one question on TNK, it seems like the consensus is that 2020 is going to be very strong. But can you talk about maybe 2021 and some of the outer years, how long you think this cycle could last? Does it have legs, or do we kind of see what we always see where the order book starts to pick up once rates strengthen?

Stewart Andrade: Yes. I would never want to be quoted for predicting what the spot market is going to do two years from now. But I will point out some of the stuff that was in my slide presentation, I think give us the idea that came out with their 2021 forecast of oil demand growth of 1.3 million barrels which even if it comes off from that should still be a fairly robust number which is positive.

On the supply side, we are -- we have got a lot more visibility on that. And looking at shipyard capacity, we're fairly confident that given the orders of container ships, LNG vessels, the consolidation in the shipyard industry reducing capacity, we're fairly confident that the order book is fairly full for the second half of 2021. So we've definitely got a runway on the supply side, where we should see low fleet growth, which typically is the item that destroys a tanker market. So we're optimistic, but at this point in time I wouldn't want to predict whether 2021 is going to be better than 2020 or if it's going to be the same, or I think we'll get more visibility on that more on the demand side is more information now.

Craig Gilbert: Thank you.

Mike Webber: It's Mike Webber from Webber Research -- World Wrestling Federation. I just want to clean up some of the questions around NAV just to be clear. So, the figure on Slide 68 is a book value for equity for the JV, so it's not an NAV. And I guess the disconnect comes from the fact that we're trying to figure

out the NAV of the legacy fleet simply equating the earnings power of the JV fleet to the earnings of the legacy fleet doesn't account for their ages or lessens risk or what the actual residual value is. And I know that legacy fleet is kind of a black box and you're limited in what you can disclose. So, in terms of the disconnect-- the value disconnect there, like any color or value-add you can give us on the residual value of that legacy fleet I think would help kind of close the gap in terms of where people come out in terms of NAV and a baseline valuation? So anything you can disclose would be helpful?

Kenneth Hvid: Yes. I think what I said was that the \$14.15 is our book value, which approximates to the value of that fleet. So, those are pretty closely linked. And again, that's all just simply based on independent broker provisions. And as for the rest of the fleet, we've only got less than 10% is our fleet within the [other] consolidated group, it seem. And so I think that we would just look at what other vessel transactions are happening for those vessels and to calculate what the NAV would be as well. But again, I think, we don't want to get lost on an NAV discussion because I think what we've shown here today, it's really the earnings power of this company as well as a growing cash flows. And I think we should focus on in NAV, it's just simply a marker that some people use, but a stock price.

Ari Friedman: Ari Friedman from Cobalt Capital. On TGP, can you explain the decision to raise the dividend when you were above the 5.5x leverage target?

Kenneth Hvid: Yes, I think the way I would look at that is that the raising of the distribution, even though we are above our target. We are amortizing debt around \$300 million per year, and given the stability of the business and the way that we do amortize debt, we are very confident that we will be able to delever into our range that we did show on one of the slides here very quickly and we'll continue through that delevering path. So, I think that, if we didn't have that necessarily visibility on the ability for us to generate cash flow and delever, then we may have been a little more cautious with the distribution. But given our stability I think we feel pretty confident that we can really do both.



David Schellenberg: Really just to add to that, it's really about the stability of the cash flows and the predictability of that delevering cost. And if you think about the distribution increase to TGP just to put it in context the next \$19 million a year whereas TGP is still paying down about \$300 million a year that -- just to put that into perspective.

Ari Friedman: Okay. And I also noticed \$50 million of short-term debt on the balance sheet that's not allocated to any of the entities. What is that?

Kenneth Hvid: That's working capital -- sorry. It's a working capital financing facility at TNK that we use in our commercial operations business.

Vince Lok: Well, thank you very much for coming out listening to our story. We have laid out a journey and we look forward to calling back to you on how we're doing on our progress on that. Thanks a lot for coming out.