



TEEKAY



# TEEKAY TANKERS Q2-2016 EARNINGS PRESENTATION

August 4, 2016

# Forward Looking Statements

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: crude oil and refined product tanker market fundamentals, including the balance of supply and demand in the tanker market, the amount of new orders for tankers, the estimated growth in the world tanker fleet, the amount of tanker scrapping, estimated growth in global oil demand and supply, crude oil tanker demand, and the potential return of oil production in the Atlantic basin; tanker fleet utilization and spot tanker rates, particularly in the third quarter of 2016 and the upcoming winter months; the effect of changes in oil prices and refinery throughput; the Company's future fixed-rate cover, including the impact on the Company's cash flow break-even level; the expected timeframe for commencement of a time charter-out contract; and the sale of the *Teesta Spirit* product tanker, including the impact on the Company's financial leverage. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: a delay in, or failure to complete, the sale of the *Teesta Spirit*; changes in the production of, or demand for, oil or refined products; changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or less than anticipated levels of tanker newbuilding orders and deliveries and greater or less than anticipated rates of tanker scrapping; changes in global oil prices; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the number of off-hire days relating to the Company's fleet; increased costs; and other factors discussed in Teekay Tankers' filings from time to time with the United States Securities and Exchange Commission, including its Report on Form 20-F for the fiscal year ended December 31, 2015. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.



# Recent Highlights

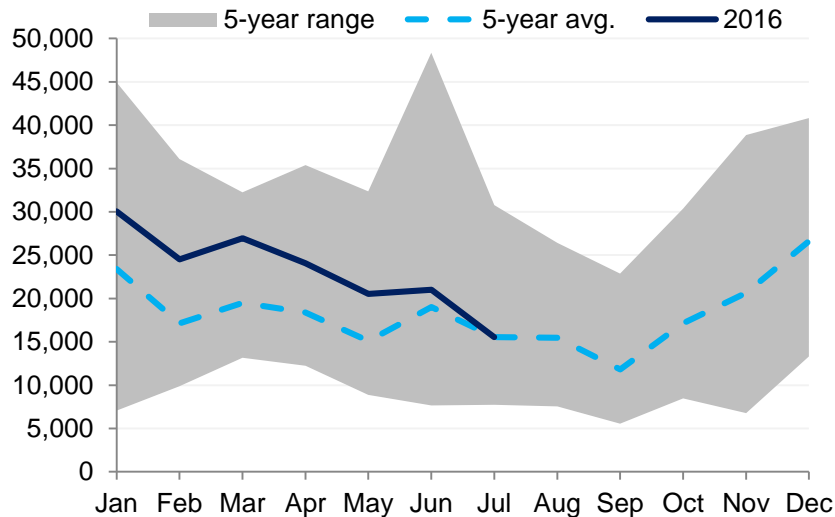
- Q2-16 Financial Results
  - Generated adjusted net income<sup>(1)</sup> of \$31.6 million, or \$0.20 per share, and free cash flow<sup>(1)</sup> of \$59.6 million
- Dividend of \$0.06 per share for Q2-16, representing 30% of adjusted net income
- Completed sale of non-core MR product tanker for proceeds of approximately \$14 million with expected delivery in mid-August
- Increased fixed-rate charter coverage to approximately 30% for 12 months ending June 30, 2017

(1) These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" and the Appendices of the earnings release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in the earnings release to the most directly comparable financial measures under United States generally accepted accounting principals (or GAAP).

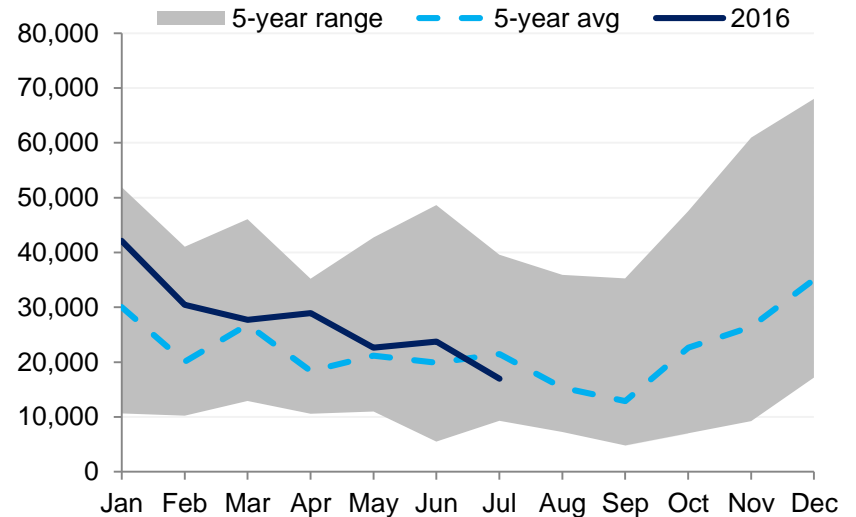


# Counteracting a Lower Rate Environment

## 2016 Aframax Rates



## 2016 Suezmax Rates

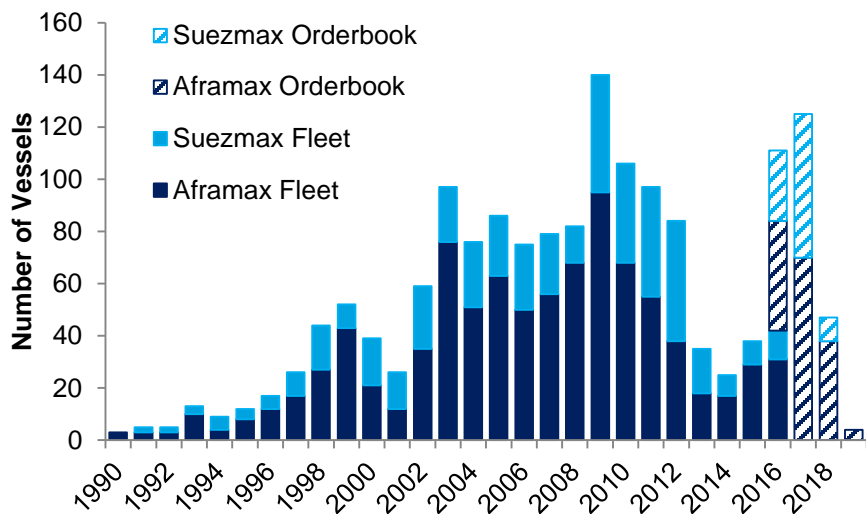


- Rates currently being impacted by Atlantic supply outages and lower refinery throughput
  - ~20 fewer WAF Suezmax cargos and ~20 fewer Caribs / US Gulf Aframax cargos during July
  - Stronger rates expected in Q4 due to seasonal demand and weather delays
- Fixed-rate charter coverage for next 12 months increased to 30%
  - Concluded four fixed-rate contracts in Q2-16 at attractive rates
  - Increased fixed-rate lightering coverage

TNK is taking action to reduce the impact of softer spot rate environment

# Positive Long-Term Supply Outlook

## Fleet Profile and Orderbook



## Orderbook vs 15+ Year Fleet



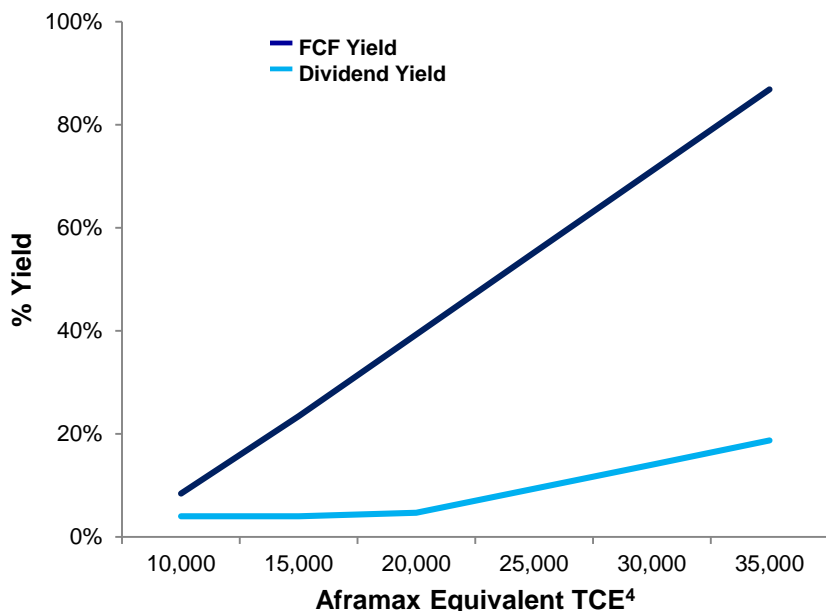
- Lack of access to capital is limiting new tanker orders for 2018 / 19 delivery
  - 5.5 mdwt ordered in 2016 YTD (on track for lowest ordering since mid-1990s)
- Lack of scrapping in recent years leading to a build-up of potential scrap candidates
  - High cost of 3<sup>rd</sup> and 4<sup>th</sup> special survey exacerbated by additional ballast water CAPEX

Tanker market facing near-term headwinds, but long-term fundamentals are positive

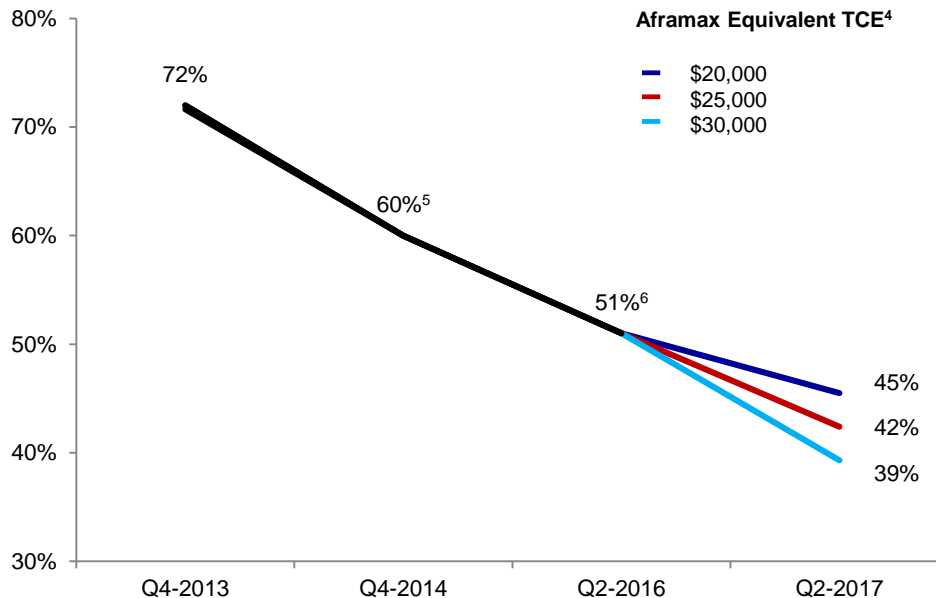
# Focus on Total Shareholder Return

- Continued balance sheet delevering through reduction of net debt in Q2-16
- Rewarding shareholders through variable cash dividend
  - Q2-16 dividend of \$0.06 per share, representing 30% of adjusted net income

**FCF and Dividend Yield<sup>1,2,3</sup>**



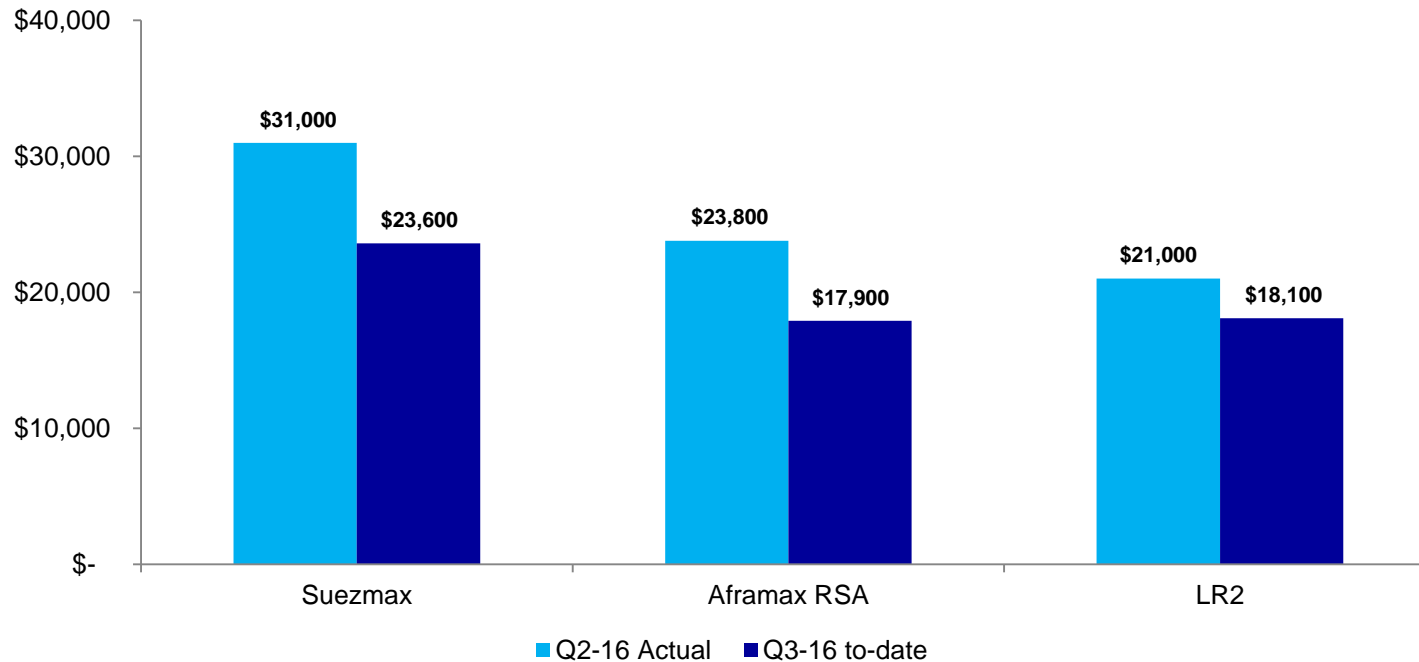
**Financial Leverage<sup>2,3</sup>**



(1) Based on estimated results for 12 months ending June 30, 2017 assuming share price of \$3.00 per share  
 (2) Assumed sale of Hugli Spirit in Q4-16  
 (3) Based on an assumed dividend payout of 30% of adjusted net income  
 (4) Aframax equivalent TCE: Suezmax = 1.30x, LR2 = 1.00x, MR = 0.70x  
 (5) Pro-forma to include Q1-15 vessel acquisitions that were committed for in Q4-14  
 (6) Pro-forma to include sale of Teesta Spirit which is expected to deliver in August 2016



# Q3-16 Spot Earnings Update



	Suezmax	Aframax	LR2
Q3-16 spot ship days available	1,767	857	687
Q3-16 % booked to-date	45%	39%	40%



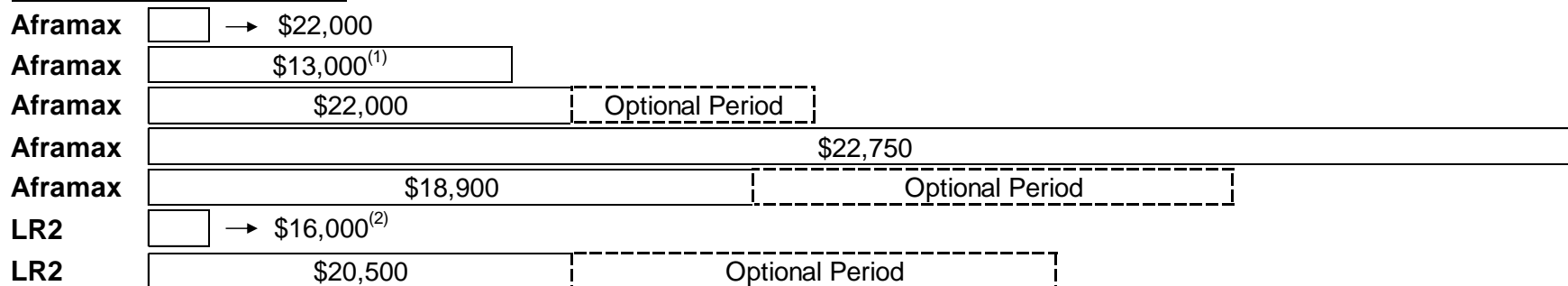
# APPENDIX



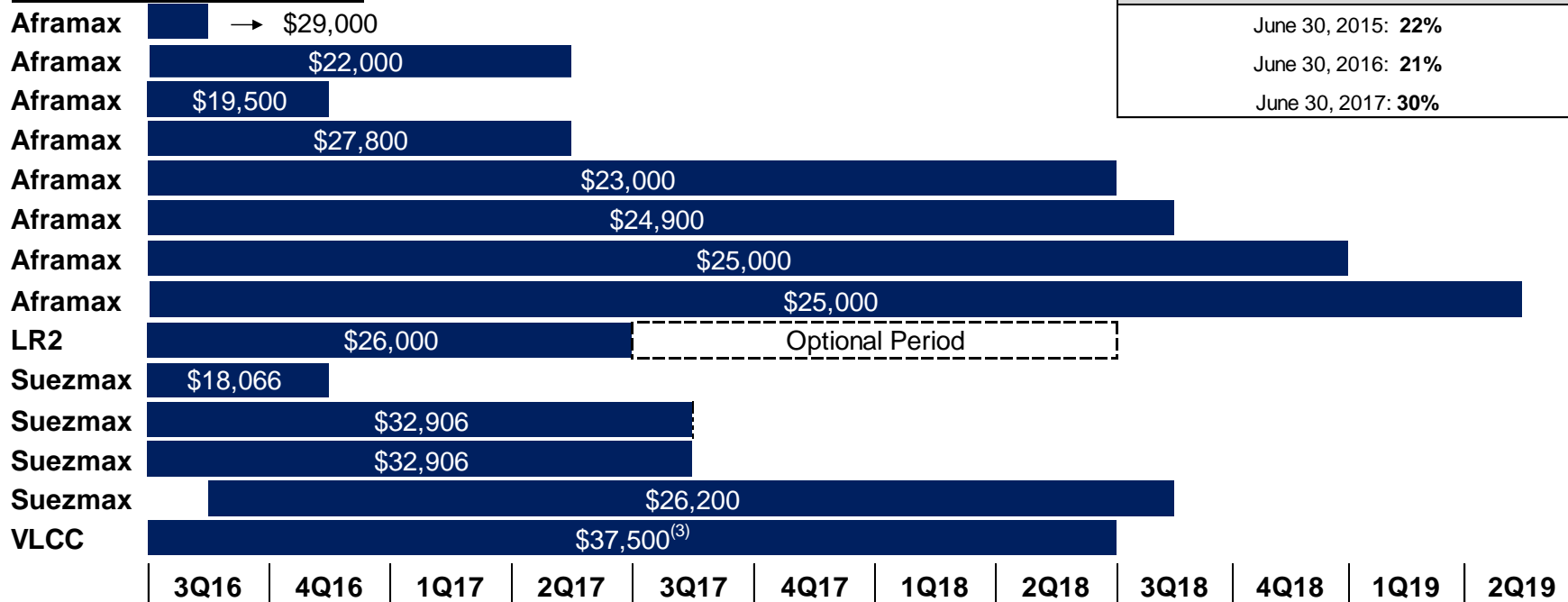


# Fleet Employment Profile

## In-Charter Portfolio



## Out-Charter Portfolio



(1) 50/50 profit share if earnings are above \$13,000/day

(2) 50/50 profit share if earnings are between \$16,000 and \$24,000 /day plus 75/25 profit share in TNK's favor if earnings are above \$24,001/day

(3) The Company's ownership interest in this vessel is 50%. 50/50 profit share if earnings are above \$40,500/day



# Q3-16 Outlook

Income Statement Item	Q3-16 Outlook (expected changes from Q2-16)
Revenues <sup>(1)</sup>	<p>Decrease of approximately 380 net spot revenue days in TNK, mainly due to redeliveries of three net in-chartered vessels in Q3-16.</p> <p>Approximately 42% of Q3-16 spot revenue days for Aframax and Suezmaxes fixed at \$17,900/day and \$23,600/day, respectively, compared to \$23,800/day and \$31,000/day, respectively, in Q2-16.</p>
Vessel operating expenses	Expected to be consistent with Q2-16.
Time charter hire expense	Approximately \$5 million decrease from the redelivery of various in-chartered vessels.
Depreciation and amortization	Expected to be consistent with Q2-16.
General and administrative expenses	Expected to be consistent with Q2-16.
Net interest expense and realized loss on derivative instruments <sup>(1)</sup>	Expected to be consistent with Q2-16.
Equity income <sup>(1)</sup>	Approximately \$4 million decrease due to the profit-sharing component that was recognized in Q2-16 from TNK's investment in the High-Q JV and the impact of lower forecasted average spot TCE rates on the income from TNK's conventional tanker franchise and from TIL.



(1) Changes described are after adjusting Q2-16 for items included in Appendix A of Teekay Tankers Q2-16 Earnings Release and realized gains and losses on derivatives (see slide 11 to this presentation for the Consolidated Adjusted Line Items for Q2-16).

# Consolidated Adjusted Line Items

Q2-16

(in thousands of U.S. dollars)

Income Statement Item	As Reported	Appendix A Items <sup>(1)</sup>	Reclass for Realized Gain/ Loss on Derivatives	As Adjusted
Revenues	129,863	-	126	129,989
Asset impairment	(6,420)	6,420	-	-
Interest expense	(7,341)	-	(1,276)	(8,617)
Realized and unrealized loss on derivative instruments	(3,750)	2,600	1,150	-
Equity income	4,740	17	-	4,757
Other - net	(1,940)	77	-	(1,863)



(1) Please refer to Appendix A in Teekay Tankers Q2-16 Earnings Release for a description of Appendix A items.

# Drydock & Offhire Schedule

Teekay Tankers Segment	March 31, 2016 (A)		June 30, 2016 (A)		September 30, 2016 (E)		December 31, 2016 (E)		Total 2016	
	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days
Spot Tanker	-	50	1	34	-	-	1	28	2	112
Fixed-Rate Tanker	1	95	-	95	-	-	-	-	1	190
	1	145	1	129	-	-	1	28	3	302

**Note:**

- (1) In the case that a vessel drydock & offhire straddles between quarters, the drydock & offhire has been allocated to the quarter in which majority of drydock days occur.  
(2) Only owned vessels were accounted for in this schedule.

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