TEEKAY SHIPPING (CANADA) LTD.

Moderator: Emily Yee
December 17, 2015
7:45 am CT

Operator: Good day and welcome to the Teekay Corporation conference call. During this call, all participants will be in a listen-only mode. Afterwards you will be invited to ask your questions. At this time, if you have any questions, participant will be asked to press star 1 to register for questions.

For assistance during the call please press star 0 on your touch-tone phone. As a reminder, this call is being recorded. Now for opening remarks and introductions, I would like to turn the call over to Mr. Peter Evensen, Teekay President and Chief Executive Officer. Please go ahead sir.

Cam: Before Mr. Evensen begins, I would like to direct all participants to our website at www.teekay.com where you will find copies of Teekay Offshore Partners, Teekay LNG Partners and Teekay Corporation's distribution and dividend press releases issued yesterday that we will discuss during today's conference call.

Please allow me to remind you that the press releases in our discussion today contain 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 press releases available on our website.

I will now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you Cam. Good morning everyone and thank you for joining us today. I'm joined this morning by Teekay Corporation's CFO, Vince Lok. We have not prepared slides to accompany this call and I refer you to the news releases issued by Teekay Corporation, Teekay LNG and Teekay Offshore yesterday, where you will find additional information.

I should note that we're going to end this call no later than the market open at 9:30 am Eastern Time. Yesterday evening we announced that the boards of Teekay Offshore Partners and Teekay LNG Partners made the decision to increase reserves for the proper conduct of their businesses, which had the impact of substantially reducing their respective distribution payouts.

As of close through dividend payer, Teekay Corporation also reduced its dividend payout commensurate with the decreases at our MLP. For the duration of this call and the Q&A portion, I will explain the background and rationale for this development.

To start, our offshore LNG and tanker businesses are performing well with our MLPs generating relatively stable and growing cash flows. On a consolidated basis, the Teekay group generates over $1.3 billion of consolidated cash flow from vessel operations or CFVO and our positive outlook for the fourth quarter and for fiscal 2016 remains in line with the views expressed on our third quarter of 2015 conference calls.

Teekay Offshore has a portfolio of $5.6 billion of forwards revenues related to its existing operations and an additional $2.6 billion of forward revenues related to new growth products that they're scheduled to deliver and commence their respective long-term contracts between 2016 and the first half of 2018 with strong counterparties.

Similarly, Teekay LNG has a portfolio of $5.8 billion of forward revenues related to its existing operations and an additional $6.8 billion of forward revenues related to new growth projects that are scheduled to deliver and commence their respective long-term contract between early 2016 and the first quarter of 2020 contracted with oil majors and utility company.

In addition, albeit at a more muted pace, our customers continue to want Teekay to bid on new offshore and LNG projects that we would own and operate. With the late example being the announcement we made two weeks ago about Teekay LNG's involvement in building and owning and operating a re-gas project in Bahrain against a 20-year contract with the government of the Kingdom of Bahrain.

So I want to stress that the underlying business and operating model of both of our two MLPs remain strong. This is in stark contrast to how our MLPs are currently being valued in the capital markets. Teekay Offshore and Teekay LNG require capital to fund their growth and there is currently a significant dislocation in the pricing of energy company securities in both the equity and bond capital markets.

We've see this dislocation on both an absolute basis as well as relative to the underlying stability of our operating businesses whose cash flows are not directly exposed to oil and gas prices. This dislocation is compounded by uncertainty as to how long it will take oil prices to normalize, as well as investors' perception of the energy industry as well as our businesses to improve.

As a result, Teekay Offshore closed yesterday at a 29% equity yield and Teekay LNG closed with a 15% equity yield. As both Teekay Offshore and Teekay LNG require capital to fund their existing growth commitments, the current weakness in their respective unit prices has raised the cost of issuing equity for our two MLPs to the point where issuing equity is no longer tenable or an attractive source of capital.

In fact, issuing equity or bonds at current levels or even at levels significantly above where we closed yesterday would be permanently dilutive to Teekay Offshore and Teekay LNG's current LP unit holders. Our goal is not to decrease distributable cash flow per unit at each MLP, it is to increase distributable cash flow per unit.

As a result, from the perspective of both issuance price and capacity, each of the respective boards came to the view that if it is in the best long-term interest of unit and shareholders to temporarily reduce our cash distributions and dividends and reallocate those funds to pay equity installments on committed growth projects and bond maturities.

Compared to the current capital markets, our internally generated cash flows are currently our lowest cost and most reliable source of equity capital. In addition, we are aware that even a small reduction in an MLP's distribution can impair all future equity issuance. So in determining the amount of the required reduction in each MLP distribution, the board to both MLPs wanted assurance that each MLP would not have to issue new equity for their foreseeable future.

Going forward, we also intend to maintain higher capital reserves across the Teekay group, which would result in greater cash distribution coverage and lower financial leverage. Qualities that we know investors will want to compensate them for the higher implied volatility. By reducing our distributions now, we will be able to rebuild those case buffers, which will enhance the stability of our partnership over the longer term.

Taking this action now will allow each of Teekay Offshore, Teekay LNG and Teekay Corporation to ultimately restore a higher level of distribution and dividend payout when energy macro and capital market conditions improve, as we are certain they ultimately will.

As a flow through dividend payer, Teekay Corporation is directly affected by the distribution decisions at the MLP level. Although going forward we will be receiving a lower amount of the LP and GP cash flows compared to previously, we firmly believe that by foregoing the majority of these cash flows in the near term the value of our GP interest will benefit over the longer term. As our two MLPs will be on a better financial footing than if they had issued equity at current market levels.

We believe that temporarily reducing our cash distributions and dividends is in the best interest of all the unit and shareholder and our reasoning can be summed up in the following five points.

First, the preservation of internally generated cash flow provides us with the ability to self-fund the equity portion of the groups committed growth Capex and bond maturities without requiring the further issuance of equity or bond at current levels.

Under the new annual distribution payout levels, Teekay Offshore and Teekay LNG will retain over $225 million and $210 million respectively, which will be allocated toward existing equity capital commitments and debt reduction.

Second, by foregoing issuing new equity or bond securities at current levels, Teekay Offshore and Teekay LNG will avoid potential permanent dilution of unit holders, which would negatively impact our goal of increasing DCF per LP unit.

Third, in light of currently uncertain and volatile equity and oil markets, yesterday’s announcements provide greater marketplace certainty, especially in a lower for longer oil price scenario and removes and equity overhand that may have existed.

While our underlying offshore and LNG transportation business and fixed rate contracts are not directly tied to commodity energy prices, there has been a very high correlation between oil prices and MLP and GP equity valuations over the past year.

Should oil prices remain at their depressed levels for a while, our MLP prices may stay similarly depressed and continue to restrict our access to equity markets. Fourth, preserving capital strengthens the long-term financial health of Teekay Offshore and Teekay LNG by enabling each to reduce financial leverage over time and increase their distributable cash flows per unit and related coverage ratios.

In turn, this should lover their respective overall cost to capital to the extent this action would be viewed favorably by credit and bank markets. And fifth and lastly, the decision to reduce cash distribution and dividend payments today creates greater capacity to Teekay Offshore, Teekay LNG and Teekay Corporation to increase distributions in the future once the energy and capital markets recover.

I will also stress that we will continue to focus our capital raising efforts on whatever source of capital is the most cost efficient. Should the equity and debt capital markets revert to more normalized pricing basis we expect to refocus our capital raising efforts on access these markets as our primary source of growth capital in the future.

While the dividend and distribution reductions are painful in the short term, management and the respective board of each of Teekay Offshore, Teekay LNG and Teekay Corporation consider this course of action to be the least disruptive of available options explored.

And we’re fully intending for the announced payout reductions to be temporary. As an illustration of our commitment, a few years ago we made the similar difficult decision to reduce the dividend at our other daughter entity, Teekay Tankers.

And I’m pleased to report that earlier this week Teekay Tankers reinstated a flow through type dividend policy to the benefit of its shareholders based on a more stable financial platform. In summary, the decisions announced yesterday were not taken lightly and were made after reviewing all the alternatives and were made in the best interest of all of our long-term shareholders.

This decision is not a reflection on our underlying business. Our operating business model is intact with rising cash flows in the future as our projects deliver onto contracts. But instead, this decision is about finding the most reliable and economic way to fund our possible growth projects and further strengthen our financial position in the longer run.

We firmly believe that Teekay will emerge stronger and better positioned for long-term shareholder and unit holder value creation. Operator, we're now available to take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question please press star 1 on your touch-tone phone. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

Ladies and gentlemen, please press star 1 on your touch-tone phone. Okay. We'll now take the first question from Michael Webber from Wells Fargo and Securities. Please go ahead.

Male: Operator, I guess he'll get back in the queue.

Operator: Perfect. Thank you. Okay, his line is open.

Michael Webber: Oh, sorry. Yes, sorry Peter. Yes, so, the timing on these kinds of long-term strategy shifts kind of inherently come out of the blue I think in terms of you guys being able to make this kind of a decision.

I'm just curious if you could - can you walk us through over the past kind of three to six months exactly how you guys kind of arrived at one the timing and then two the decision to reverse course on the distribution?

Obviously it's a long term decision but kind of any incremental color Peter around your thought process and what key metrics you looked at aside from the simply the equity yield that made you think this is going to be something that's going to be a long term issue and not something that's measured in quarters.

Peter Evensen: Sure. Well, we looked at the general macro environment and we looked at the fact that it looks like OPEC will continue to overproduce. And we looked at the fact that markets are tending to overshoot on the down side, as well as the fact that we saw the US dollar continues to increase, which has a negative view on commodities.

And then we looked at what the opportunity set was when we go out and look at the MLP market. And the MLP market looks like the investor base has changed there. And so we see that what is happening now is going to take longer to repair than it did in 2008, 2009.

And that was what went into the decision making. Obviously, we have some bond maturities in both TOO and in Teekay coming up and we also have good growth Capex. And the reality of that was that we saw that we were going to require capital and that capital would be expensive.

And as I said in my prepared remarks, if we raise that capital, it would be at a great cost and ultimately dilute it. So, we then looked around and said what should we do. And if we think this is going to last longer than we really would like that retain cash flow rather than pay it out.

On the other hand, if things come back earlier we can reverse course. As we said, we believe this is a temporary arrangement.

Michael Webber: Okay. And maybe this is - better question for Vince but when you guys kind of look out over the next two to three years with your models and then Peter you mentioned some of the maturities that the daughters of TOO and TGP, what leverage levels do you guys see the daughters going to as you look out specifically into 2018? And where are you the most comfortable aside from just simply kind of paying down whatever you can?

Or in your models what are you guys kind of tracking?

Peter Evensen: Well, we have bond maturities and right now our view is that our bond maturities will continue to be replaced with internally generated funds and therefore will have lower leverage going forward.

And so I don't have the exact metrics that we're running toward in terms of the debt to EBITDA. But we believe that we will lower ourselves by half to one turn from where we are today.

Michael Webber: Half to one turn, that's helpful. Just one more for me Peter and I'll turn it over but there is an issue regarding ((inaudible)) around that contract and I'm curious when you guys specifically around I guess when you look at your forward leverage metrics and when you think about your forward cash flow profiles. How are you treating that asset specifically within your forward projects?

Peter Evensen: So, this was something we discussed in Teekay Offshore's filing that we're in negotiations with the customer who charters the ((inaudible)) FPSO, and those charters are ongoing. So I really don't want to comment on them but that was already part of our thinking. And that was not, I would say, material in our thinking.

Michael Webber: Okay. That's helpful. I will - I'll turn it over and get back in the queue. Thanks guys.

Peter Evensen: Thank you.

Operator: Okay and we'll now the following question from Spiro Dounis from UBS. Please go ahead.

Spiro Dounis: Hey, Peter, Vince, thanks for doing the call this morning, really helpful. Just first question wanted to kind of touch on your point Peter, you know, as far as Teekay Tankers went and sort of reinstated the dividend there and being on stronger footing.

Just around the resumption of a dividend with these two names just trying to think about timing and maybe what that means in terms of how it would look. So, I guess, should we expect, you know, a step change at a certain point or could we see a phase in over time?

And just on that topic, I guess you made it clear that this is largely or entirely capital market issue and now an operational issue. So, I guess with the opening of the capital markets be maybe a leading indicator too to resuming.

Peter Evensen: Sure. So I hate to invoke that... Excuse me. I hate to invoke that ((inaudible)) that we will be data dependent. But I believe when we come back we'll off by growing up the new distribution level and we will start off with an increase and the increases will then be dependent on the financial strength of the MLPs and more importantly the cost of equity capital in the public markets.

And that's why I say it'll be more data dependent.

Spiro Dounis: Okay, that's a fair answer. And then when you assess all the available options just wondering if you can give us some color around why the best option was this rip the Band-Aid off approach instead of maybe taking an all of the above approach and doing some JVs and future growth projects or selling some noncore assets and then only trimming the distribution.

Peter Evensen: So, we have in earlier earnings calls talked about the minimum equity component of our committed Capex. And we realize that we can fully fund that using the cash flow retained as a result of these distribution decreases at the MLPs.

But, I would like to emphasize that we're going to continue to seek additional sources of financing. And that may be when the bond market in the US or Norway or anywhere else opens up. And we intend to seek to obtain a US credit rating for both Teekay Offshore and Teekay LNG. And we think that could provide them greater access to the US bond markets.

We're also looking at deferring Capex and we may be able to negotiate with shipyards to defer payments or deliveries of certain units. And we're looking at predelivery financing and lease financing. And so we think we could secure additional construction facilities to fund projects.

For example, we just put in place a $360 million lease financing for the two Cheniere LNG carriers that are being delivered in 2016. So that gives us a higher amount of capital and reduces the equity need. And then of course you've seen in the past we've employed joint ventures and we sold interest primarily minority interests. And we intend to continue to evaluate this auction on a case by case basis.

So, I could easily see that on some of our infrastructure assets you could see us selling part of them. And so those are areas we're going to continue to explore because our goal is to seek the lowest cost to capital. And right now the public MLP markets are giving us our highest cost to capital.

Spiro Dounis: Okay. And that actually segues into my last question. So, I don't have to tell you that MLPs are not the flavor of the month anymore. And I guess at some point in the process I was just wondering if it was ever considered to just kind of take both of these companies back onto the Teekay Corp umbrella and just sort of leave the MLP space behind.

Peter Evensen: Yes, we looked at a number of alternatives, including buying back or collapsing one or both MLPs into Teekay. And while there would be distribution savings on the spread differential, we don't think that alternative would address the go forward where equity needs.

If you look at Teekay Corp today, its yield is around 11 or 12%. And so those same issues that we talked about in the MLP in the prepared remarks would also be there. And we - and so those things we looked at as well as selling existing assets as part of it.

Spiro Dounis: Got it. Really appreciate the color. Thanks guys, have a great holiday.

Peter Evensen: Thank you.

Operator: Okay. We're going to take the next question from Gregory Lewis from Credit Suisse. Please go ahead.

Gregory Lewis: Peter I guess you mentioned selling potential assets a couple of times already on the call. I mean, I guess my question would be how far in the process did Teekay move in potentially or actually looking to sell assets? And in just thinking about that, was part of the issue that there simply just weren't any buyers for these assets in this market?

Peter Evensen: Well, (Greg), first of all it depends on which assets you're talking about. For example, we are already selling what we call non-core assets. Teekay Offshores in the process of selling its four remaining conventional tankers. And given the strength in the tanker market we thought it was a good opportunity to sell assets to strong asset values.

And so, Teekay Offshore will then apply the sales proceeds to its cash needs. And I think across the group you're going to look at us try to sell other non-core assets from time to time.

But...

Gregory Lewis: Okay, so it would...

Peter Evensen: ...all of this takes a fair amount of time. And so the discussion that we start today don't manifest themselves for several months.

Gregory Lewis: Okay, so it wasn't about selling core LNG or offshore assets it was more just on the conventional tankers that were embedded inside these companies?

Peter Evensen: Well - mentioned we just sold and leased back our first two MEGI LNG carriers with a Chinese leasing company. And so, in a way that's a sell, i.e. you're freeing up the need for equity capital. and so I could see us doing more of those or bringing in joint venture partners as we've done in the past when we bought LNG assets or as ((inaudible)) with FPSOs.

So, I think that's going to become a greater staple of what's going on because the private market is valuing our contracts higher than the public market.

Gregory Lewis: Okay, great. And then just, I mean, it sound like in your prepared remarks, you know, you highlighted or in the press releases that both markets remain strong. So, I mean, borrowing, you know, I guess what was in the Kay a while ago. I mean, at this point there're not really any conversations about providing discounts on, you know, I'm more focused on the offshore at this point.

There's not any conversations about providing discounts for, you know, to customers on the existing contract or is that something that has started to happen?

Peter Evensen: Well we've already told people in the past, so this is not news that customers are coming in asking us for reductions and other things. But as I always say, I don't recall that we got more money when oil price was $100.

So, what I'm seeing - so that's a normal part of what's going on. And on a case by case basis we'll consider it but I don't see that that's material to our operating model.

Gregory Lewis: Okay guys. Hey, thank you very much for the time.

Peter Evensen: In fact, as I said, a lot of our offshore assets are actually in demand now, in greater demand at a lower oil price because new build assets don't work. So if they want to bring fields into production at a lower cash break even they need our existing FPSOs and shuttle tankers.

Operator, we can take the next question.

Operator: Thank you. We'll now take the following question from (Matthew Phillips) from ((inaudible)). Please go ahead.

(Matthew Phillip): Thanks guys. Looking out to '18 the three FPSOs you have rolling off, did - you know, worries over those contracts rolling over play into this decision at all or is there a scope to extend these contracts now to, you know, maybe provide a bit more security to the cash flow stream?

Peter Jensen: I won't be drawing on each individual but what I will say is that with our FPSOs that we have there are options to extend them beyond where we have and we're in discussions with people. Not about the '18 ones, that'll really depend on what the oil price is in 2018.

But in general, we're not - that isn't something - as I just said, we're comfortable with the reemployment risk of our FPSO assets should they come off the fields.

(Matthew Phillip): Got you. And then a question about the IDRs, you know, the new distributions are well below MTD level. You know, you're clearly well out of the subordination period. I mean, are there any arrearages that would build before you could resume GP payments or are there no arrearages anymore?

Peter Evensen: No, there are not.

(Matthew Phillip): Okay, thank you. That's all.

Operator: Okay we'll now take the following question from Ben Brownlow from Raymond James. Please go ahead.

Ben Brownlow: Hi, good morning Peter.

Peter Evensen: Good morning.

Ben Brownlow: I believe you stated that you don't have the specifics on the debt schedule for 2016 and 2017 for the daughter MLPs in front of you. But has the decision been made in terms of dollar, capital allocation, you know, to pay down debt between those two daughters?

I'm just trying to get a sense in terms of priority of cash flow. Obviously it's capital expenditures then then - you know, just trying to get a sense between what happens next between debt pay down, possibly how you're thinking about buybacks and, you know, what you're seeing maybe actually in M&A as well.

Vince Lok: Yes, this is Vince here. You know, most of the - if you look at the dividend savings for each of the MLPS it's about 430 million for TGP and about 450 million for TO just illustratively for the next couple years. And I would say most of that would go towards financing the equity requirements for our growth projects and for TGP over the next couple years, it's about 250 million or so.

TGP also has a Norwegian bond that's expiring in 2017 for about 125 million. And when I look at Teekay Offshore the Capex requirements on the equity side is about 220 million and then over the next couple of years we have about 190 million in Norwegian bonds that are expiring.

So, I would say most of the dividend savings over that period would go to those two sources mainly.

Ben Brownlow: Okay, great. That's helpful. Thank you.

Operator: Okay, we'll now take the following question from (Cindy Burns) from Steelfill. Please go ahead.

Male: Hi, good morning.

Peter Evensen: Good morning.

Male: Maybe you kind of touched upon this a little bit but maybe you could just give us general views on what's happening in the bank market. And maybe in specifically for Teekay Offshore the status of the Libra FPSO refinancing that you were looking to complete this month end December.

Vince Lok: Yes, this is Vince again. We continue to receive very strong support from our bank group, which continues to grow. And the Libra financing it's $800 million financing. Incidentally, that one actually we are going to be drawing on that long-term facility today which will replace our bridge facility in that facility.

So, that one is already in place. And in fact if you look at the Teekay Offshore portfolio of existing projects, pretty much all of our existing projects have debt financing in place other than East Coast Canada, which is delivering later on. And that will be in place in due course.

The Gina Krog FSO project, that's another recent financing we did. That one was oversubscribed. And then on the LNG side, as Peter mentioned, we just entered into a sale lease back with a Chinese leasing company and we're moving towards financing the remaining MEGI LNGs.

So we continue to get very strong support from our bank group.

Male: Okay and just, I mean, I imagine some, you know, the newer financing probably may have lower LPVs and higher rates and such. But, maybe just for some of the bank facilities you put in place earlier this year like for the petrojarl.

Does the lower energy environment create any covenant issues or, I mean, certainly cutting the dividend is a positive but I don't know if there's anything else that's kind of changed since those loans were put in place earlier this year that the company may need to address with those loan groups.

Vince Lok: No, there's been no changes really to LTVs. I mean, the LTVs are for gas and offshore projects are mainly based on future cash flows. And as we mentioned before the margins, if you compare it to a couple years ago margins are actually, you know, lower than a couple years ago.

So, we don't have any covenant concerns. Our main covenant for the MLPs is really maintaining a certain minimum liquidity level on a corporate basis. And I would also stress as Peter mentioned that the dividend distribution cuts here should be a positive in a view of the credit markets and the banks.

I mean, as a group we're going to be reducing our distribution to third parties by over $400 million a year. And I think that helps us not only deliver the balance sheet but it gives a lot of certainty in our ability to deliver the balance sheet.

So I think it's overall it's a positive from a credit standpoint.

Male: Right. Great. Thank you. Good luck.

Male: Thank you.

Operator: Okay we'll take the following question from Wayne Cooperman from Cobalt Capital. Please go ahead.

Wayne Cooperman: I'm a little surprised you guys are moving forward more on asset sales given the existing assets are worth so much higher ((inaudible)). Can you instead of just giving us dividend guidance can you give us some, you know, operating guidance for '16 as far as, you know, operating cash flow or EBITDA and Capex for some of the daughters so we can just see.

You know, value these as real companies and not just on a dividend.

Peter Evensen: Hi Wayne. It hasn't been our practice to give 20 - guidance going forward. So, I'm going to...

(Crosstalk)

Wayne Cooperman: Well it hasn't been your practice to discuss dividends ((inaudible)) either so maybe we should try.

Peter Evensen: Well, we'll take that under consideration.

Wayne Cooperman: Well I just don't understand how much cash you're going to generate, you know, based on your new dividend payout.

Peter Evensen: Well, as Vince said, we're going to save over $450 million in distributions over two years in TOO if it stays that long and at TGP we'll save over $424 million. So you can - over two years - so you can add that to the projects that analysts have on how much free cash flow we'll have.\

Wayne Cooperman: Right, I'm just maybe if you guys could give a little bit more guidance on the actual earnings that would be helpful.

Peter Evensen: Okay, we'll think about that.

Wayne Cooperman: Okay.

Vince Lok: Yes, I think maybe just it's - you have a pretty good idea of what the new projects are delivering over the next say three years. When I look at just in rough terms for TGP our distributable cash flow is probably increasing roughly about 10% per annum on average.

And for Teekay Offshore given that we have a lot of near term growth, that's probably - we estimate that to increase roughly about 25% per annum on average. So that's some rough parameters over the next three years.

Wayne Cooperman: So other than the cutting the dividend, I mean, based on everything you guys have said over the - in the past, has anything changed on the earnings and cash flow of the daughters or you're just deciding to retain more capital because it's too expensive to pay it out?

Peter Evensen: No, nothing material has change don our operating model. It's really a question of the financing model becoming more expensive.

Wayne Cooperman: Right, right. So if we just valued it as a real company and not on a dividend yield then nothing really would've changed?

Peter Evensen: That's correct. And in fact as Vince just said, if you want to measure it in EBITDA or cash flow from both operations that'll continue to increase.

Wayne Cooperman: Right. And so any guidance on those metrics going forward instead of just on dividend I think would be a lot more helpful.

Peter Evensen: Okay, as I said, we'll give that serious consideration.

Wayne Cooperman: Thank you.

Operator: Okay. We'll now take the last question from (Mark Cherokee), private investor. Please go ahead.

(Mark Cherokee): Hi Peter. Given the disconnect as you're saying between the equity price and your underlying businesses, why would you use some of your internal cash flow to buy back shares particularly at Teekay Offshore?

And given where share values are today it seems that the return on the shares states any new midstream investment and that's a comment that broadly applies to the sector and you've seen some people tentatively step up share buybacks but it's mostly been at the sponsor level.

Peter Evensen: I think that's something that we could consider if it is protracted. Right now we are focused on closing the need to fund our growth Capex but as - but if we're able to find alternative sources of capital. Then I think we could redirect the - some of the internally generated cash flow to buy back stock because we think we are trading below our intrinsic value if you want to value us on a cash flow basis. So yes, I think it is compelling.

Operator: Okay, there are no further questions. Please continue.

Peter Evensen: All right. Thank you all for listening today. And as I said, it's painful in the short term but we believe we are creating long-term value for everyone. Thank you very much and have a happy holidays.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.

END