TEEKAY SHIPPING CANADA LTD.

Moderator: Peter Evensen
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10:00 am CT

Operator: Welcome to Teekay Corporation's First Quarter 2015 Earnings Results conference call. During the call, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session.

At that time, if you have a question, participants will be asked to press star 1 to register for a question. For assistance during the call, please press star 0 on a touch-tone phone. As a reminder, this call is being record.

Now for opening remarks and introductions, I would like to turn the call over to Mr. Peter Evensen, Teekay's President and Chief Executive Officer. Please go ahead, sir.

Ryan Hamilton: Before Mr. Evensen begins, I'd like to direct all participants to our website at www.teekay.com, where you'll find a copy of the first quarter 2015 earnings presentation. Mr. Evensen and Mr. Lok will review this presentation during today's conference call.

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 first quarter 2015 earnings release and earnings presentation available on our website.

I'll now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you, Ryan. Good morning everyone and thank you for joining us today for Teekay Corporation's First Quarter 2015 Earnings call. I'm joined this morning by our CFO, Vince Lok; and for the Q&A session, we also have our Chief Strategy Officer Kenneth Hvid; and Group Controller, Brian Fortier.

During our call today, we will be taking you through the earnings presentation, which can be found on our website. Beginning on slide 3 of the presentation, I will briefly review some recent highlights for Teekay Corporation.

For the first quarter of 2015, Teekay Corporation generated $320.9 million of total consolidated cash flow from vessel operations or CFVO, an increase of 21% over the same period of the prior year.

Teekay Corporation reported consolidated adjusted net income of $15.7 million or 22 cents per share for the first quarter of 2015 compared to $3-1/2 million or 5 cents per share in the same period of the prior year.

Teekay Parent generated strong free cash flow of $31.5 million or 43 cents per share in the first quarter, an increase of 49% over the same period of the prioryear largely due to the expected step up in Banff FPSO contract rate effective January 1. And partial contribution from the Knarr FPSO, which achieved first oil and commenced its charter contract at a partial rate on March 9.

Looking ahead for the second quarter of 2015, we expect Teekay Parent's free cash flow to increase further, mainly due to a greater contribution from the Knarr FPSO.

Following first oil in March, the Knarr FPSO commenced its charter contract with BG Group at partial rate, while the unit completes certain operational testing in preparation for full production.

We currently expect to complete the sale of the Knarr FPSO to Teekay Offshore prior to the end of the second quarter, following the completion of operational testing, and an increase in its charter contract to full rate. I will provide additional details later in this presentation.

Importantly, we expect to implement the new Teekay Parent dividend policy effective in the second quarter of 2015, which is payable in July 2015. Primarily as a result of the cash flows from the Knarr FPSO, and its eventual dropdown sales to Teekay Offshore, we expect an initial increase to Teekay's dividend to be approximately 75% to 55 cents per share. Which equates to an annualized dividend of $2.20 per share with future increases linked to the growth of dividend cash flows we receive from our daughter entities.

With a robust pipeline of approximately $6.7 billion of known growth projects at our two MPLs, Teekay Parent's dividend is positioned to grow from this new higher base as our MLPs deliver on their respective growth projects and increase their distributions over the next few years.

Turning to slide 4, I will review some recent highlights from our three publicly traded daughter entities. For the first quarter, Teekay LNG Partners declared a cash distribution of 70 cents per unit, and reported 1.04 times coverage ratio. Based on our GP and LP ownership interest, the cash flows received by Teekay Parent from TGP totaled $26.3 million for the quarter.

In January, Teekay LNGs LPG joint venture with Exmar took delivery of the fourth of its 12 mid-sized LPG newbuildings, as part of the LPG joint venture's fleet renewal and growth strategy.

Before moving on to Teekay Offshore Partners, I want to highlight the picture at the top right-hand side of the slide, which shows the installation of an M-type electronically controlled gas injection or MEGI engine in the world's first MEGI LNG carrier. The Creole Spirit, which delivers in the first quarter of 2016.

The Creole Spirit is the first of nine MEGI LNG newbuildings, which will be delivered to TGP between 2016 and 2018. Following delivery, the Creole Spirit will commence a five-year charter contract with Cheniere Energy exporting LNG, primarily from Cheniere Sabine Pass LNG liquefaction facility.

Turning to our other MLP, Teekay Offshore Partners declared a cash distribution of 53.84 cents per unit and reported a relatively strong 1.10 times distribution coverage for the first quarter of 2015.

Based on our GP and LP ownership interest, the cash flows received from Teekay Parent from TOO totaled $18.1 million for the quarter. Teekay Offshore continue to make progress on several projects during the first quarter, which are expected to contribute to cash flow growth in future quarters.

During the past three months, Teekay Offshore's wholly-owned subsidiary, ALP Maritime, completed the acquisition of four of six of on thewater long distance towing and offshore installation vessels, it agreed to acquire last October. All six vessels were acquired for non-block price of approximately $220 million, and the remaining two vessels are expected to deliver in the second quarter.

We are pleased to report that these vessel acquisitions have gotten off to a strong start, with three vessels got delivered in the first quarter, recording a 100% utilization. ALP expects to build a strong contract backlog for these high quality vessels over time.

During the quarter, Teekay Offshore took delivery of the Arendal Spirit, its first unit for maintenance and safety or UMS, which arrived in Brazil on May 2, in preparation for the expected June 2015 startup of its three-year charter contract, not including a three-year extension option with Petrobras.

For the first quarter, Teekay Tankers declared a fixed dividend of 3 cents per share based on our total ownership of Class A and Class B shares. Teekay Parent received a cash dividend of about $900,000.

Reflecting continuing strength in the spot tanker market, Teekay Tankers experienced the strongest quarter in six years, during the first quarter of 2015 generating free cash flow of $53 million or 46 cents per share. This represents an increase of 31% from the fourth quarter of 2014.

Crude spot tanker rates have remained counter seasonally strong in for the second quarter of 2015, due to record high Saudi Arabian oil production, and relatively light refinery maintenance schedule, as refiners continue to take advantage of positive margins.

During the quarter, Teekay Tankers completed the acquisition of five modern tankers for approximately $230 million. This well timed acquisition delivers into the strongest tanker market in seven years, and further increases Teekay Tankers operating leverage to the strengthening tanker market.

Turning to slide 5, I'll take a moment to update you on the status of the remaining FPSO assets at Teekay Parent. As I touched upon earlier, in March, the Knarr FPSO achieved first oil and commenced its charter contract with BG Group at approximately 70% of its full charter rate, pending the completion of certain operational tests.

Since that time we've made steady progress on the commissioning process, including successfully producing and discharging the FPSOs first cargo to one of Teekay Offshore's shuttle tanker and we are now completing the final testing phase, which mainly relates to the startup of the gas export system.

We currently expect to complete the sale of the Knarr FPSO prior to the end of the second quarter, subject to completing the 72-hour interim performance test and commencement of the full charter rate.

Teekay Offshore's purchase price of the Knarr FPSO, which is based on a fully built-up cost of approximately $1.25 billion is expected to be financed through the assumption of an existing $780 million long-term debt facility. A combination of vendor financing from and new Teekay Offshore units expected to be issued to Teekay Parent, and a portion of the approximately $121 million of proceeds from Teekay Offshore's recent preferred unit public offering.

Turning to the Foinaven FPSO, the subsea issues, which are the responsibility of the charterer, have largely been resolved and the unit is now producing approximately 37,000 barrels of oil per day, up from an average of 21,700 of oil - barrels of oil per day in the fourth quarter of 2014.

We are currently working with BP to stabilize production at this higher level and obtain approval to transfer ownership from Teekay Parent to Teekay Offshore. With these changes, the Foinaven FPSO will become eligible for dropdown sales with Teekay Offshore.

Turning to slide 6, in January 2015 the Banff FPSO commenced the charter rate step-up under its existing multiyear contract, resulting in an increase in cash flow from vessel operations or CFVO, of approximately $9 million compared to fourth quarter of 2014.

With this rate step-up, the Banff FPSO becomes eligible for dropdown to Teekay Offshore, and we expect to offer the Banff for dropdown sometime during the second half of 2015.

Finally, the Hummingbird Spirit FPSO continues to operate under a firm contract with Centrica until March of 2016, with options under the current contract to run through March of 2017.

The existing charter is too short to qualify for dropdown under the omnibus agreement. However, we're currently in discussion to extend the existing contract, as well as also pursuing new contract opportunities for the Hummingbird Spirit, following the expiry of the current charter. Once we've secured a longer-term contract, the Hummingbird will also become eligible for dropdown.

With Teekay Corporation's new dividend policy linked to future growth of its daughter entities, the dropdown of these remaining Teekay Parent legacy FPSO assets will be an important contributor to future dividend growth at both Teekay Offshore and Teekay.

With that, I'll turn it - the call over to Vince, to discuss the company's financial results.

Vince Lok: Thanks, Peter. And good morning, everyone. Starting with slide 7, I will review of our consolidated results for the quarter, comparing the adjusted income statements for the first quarter of 2015 and the fourth quarter of 2014, both of which exclude the items listed in Appendix A to our earnings release.

A full reconciliation of adjusted net income to GAAP net income can be found in both Appendix A of our earnings release and the Appendix to this presentation.

Looking at the bottom line, consolidated adjusted net income was $15.7 million or 22 cents per share in the first quarter of 2015 compared to $30.7 million or 42 cents per share in the prior quarter.

The main factors contributing to the first quarter results include the commencement of the charter contract for the Knarr FPSO on March 9, with Q1 results for the unit included in Teekay Parent results, prior to the Knarr's expected dropdown sales to TOO later in Q2.

Stronger average spot tanker rates.; and an increase in TNK's owned and in-chartered spot tanker fleet; and lower repairs and maintenance costs for our FPSO fleet, some of which is due to timing of expenditures.

These positive factors were partially offset by the $20 million of incremental revenue recognized in the fourth quarter for the Foinaven FPSO related to its annual operational and oil price tariff revenue; the timing of certain G&A expenses; and lower income tax recoveries recognized in Q1 compared to Q4 primarily associated with rate taxes.

Overall, if we normalize the extra $20 million of Foinaven revenue recognized in Q4, the Q1 results were actually stronger than the previous quarter. Turning to slide 8, we have provided some guidance on our consolidated financial results for the second quarter of 2015.

Revenues for the fixed rate fleet are expected to increase as a result of a 30 million - $38 million increase from the Knarr FPSO, a $3 million increase from the long distance towing and offshore installation vessels, and a $2 million increase from the delivery of the Arendal Spirit UMS, assuming a mid-June contract startup.

These increases are expected to be partially offset by decreases in the shuttle tanker revenues, mainly due to the expiration of the Amundsen Spirit time-charter in early Q2, the sale of the Navion Svenita in late Q1.

The Randgrid leaving the COA fleet which will be converted to an FSO for the Gina Krog field; and unscheduled off-hire future required repairs for the Bossa Nova. Some of these reductions are expected to be offset in future quarters with the ramp-up of the shuttle tanker contract supporting the Knarr field, and the new EnQuest CoA contract as mentioned in our earnings release.

Spot rate revenues are expected to increase by 385 days in Q2 due to TNK vessel acquisition and additional in-charters. So far in Q2, we have fixed approximately 50% of our spot Aframax and Suezmax revenue days at average TCE rates of $32,600 per day and $36,500 per day respectively, compared to $30,700 per day and $39,900 per day respectively in Q1.

Vessel operating expenses, depreciation, and interest expense, are all expected to increase due to the Knarr FPSO, the TNK vessel acquisition, the ocean towing vessels, and the Arendal Spirit UMS.

Time-charter hire expense is expected to increase further in Q2 by approximately $1 million, reflecting the additional in chartered conventional tankers in TNK. We expect G&A to decline to approximately $34 million to $35 million in Q2 which is expected - which is our expected run rate.

Equity income is expected to decline by $8 million due to the scheduled expiration of the charter contract for the Methane Spirit LNG carrier in mid-March, and the off-hire dispute related to Magellan Spirit LNG carrier.

Income tax expense is expected to be approximately $2 million in Q2, and non-controlling interest expense is expected to decrease by $15 million to $17 million in Q2

relative to Q1, primarily as a result of lower expected earnings in Teekay Offshore and Teekay LNG.
Overall, we expect net income to be relatively consistent with the first quarter as a result of the positive contributions in the Knarr FPSO, which is partially offset by temporary revenue decreases in the shuttle tanker fleet.

Turning to slide 9, we have provided the comparative summary of Teekay Parent's free cash flow for Q1 2015 and Q4 2014. Our total free cash flow is separated into the OPCO cash flows of Teekay Parents legacy operating assets, and the GP cash flows comprised of the dividend payments from our daughter entities, which will provide the basis for future Teekay dividend payments under our new dividend policy.

In Q1, OPCO cash flows decreased to negative $6.9 million from positive $3.5 million in the priorquarter, primarily due to the $20 million of incremental revenues recognized in Q4 from the Foinaven FPSO contract. Partially offset by the contractual rate step-up on the balance FPSO which was effective January 1, and the commencement of the Knarr FPSO contract at partial rate on March 9.

GP cash flow from the daughter distributions was consistent with the prior quarter. And corporate G&A was higher in Q1 compared to the prior quarter, mainly due to the timing of recognition of certain short-term and long-term incentive compensation expenses, which are typically higher in the first quarter of each year. We expect to be in line with our annual run rate guidance of approximately $20 million per year.

As a result of the above, total Teekay Parent free cash flow per share was 43 cents per share in Q1 compared to 62 cents per share in Q4, which is above our current quarterly dividend of about 32 cents per share.

Looking ahead, we expect our OPCO cash flows to increase in Q2 from the further contributions of the Knarr FPSO to our OPCO cash flows. And we expect our GP cash flows to increase shortly after the dropdown of the Knarr FPSO to TOO.

Based on the expected increase in Teekay Parent's cash flows, and significant delivering of the Teekay current balance sheet as a result of the Knarr FPSO dropdown, we remain committed to the new Teekay Corporation dividend policy announced last September.

As Peter mentioned earlier, commencing with the Q2 dividend payout in July 2015, we are targeting an initial stepped up quarterly dividend of 55 cents per share or $2.20 per share annualized which represents an increase of 75% in the current dividend.

As previously announced, future Teekay Corporation's dividend increases will be linked to increase in distribution and dividend cash flows received from our daughter entities.

With that, I'll turn the call back Peter to conclude.

Peter Evensen: Thank you, Vince. Wrapping up today's call on slide 10, we will - we have provided an update on our visible growth pipeline which is currently comprised of approximately $6.7 billion of accretive projects.

With most of our GPs in the 50% incentive distribution rights here, this growth is going to be a key driver of future distribution increases at Teekay Corporation upon implementation of Teekay Parent's new dividend policy as Vince just noted.

Many of our investors that I met recently asked me about the effect of the lower oil price on our future growth, and I tell them that we're encouraged by the level of tendering activity that we see for new transportation and production requirements at both of our MLP. It is lower as you would expect, but still significant and enough to satisfy our growth requirement.

In addition, and is somewhat of a surprise, we're seeing more opportunities for the acquisition of quality on the water assets with fixed rate contract, which all three of our daughter companies have executed on in the past.

Finally, our ability to find good reemployment for conversion of our existing offshore assets is enhanced in a low oil price environment, as we work with our customers to lower offshore deal production cost by using those existing assets rather than building new unit.

When you combine those factors with Teekay's reputation for operating efficiently and project execution, I remain confident we'll find enough growth for our daughter entities which is the future driver of future dividend growth for Teekay Corporation.

Thank you for joining us on the call today. And operator, we're now ready to take questions.

Operator: Thank you. Ladies and gentlemen, if you'd like to ask a question, please press star 1 on your touch-tone phone. If you are using a speakerphone, please pick up the handset before pressing any keys. One again, if you would like to ask a question, please press star 1.

And our first question comes from the line of Sunil Sabal of Global Hunter Securities. Please go ahead.

Sunil Sibal: Congrats on a good solid quarter.

Peter Evensen: Thank you.

Sunil Sibal: Couple of questions for me. On the lower R&M that you guys achieved during Q1, I think in your comments you indicated that some of it falls specific to Q1. I was kind of wondering if you could break it out and, you know, how should we think about that going forward in the current environment?

Vince Lok: Yes. As we indicated on slide 8, we are expecting the Q2 OpEx to come back up a little bit. But of course some of that is due to vessel acquisitions and deliveries, including the Knarr for full quarter.

So in terms of the timing of FPSO maintenance, it does vary from quarter-to-quarter depending on maintenance plans. We do expect - so that $4 million increase in Q2 reflects part of that timing difference I mentioned earlier.

Sunil Sibal: Okay. That's helpful. And then on the financing for Knarr dropdown seems like in addition to that $850 million debt that will come in the vessel, the rest is - will be broken down between vendor financing and TOO units that Teekay will take. Any kind of clarity on how that distribution between those two buckets will look like?

Peter Evensen: Yes. I guess the first point is that the Knarr is already fully financed as you mentioned. The debt facility associated with the Knarr is $780 million now. There was a reduction during the first quarter.

And the rest of it, with the vendor financing provided by the Parent, including the fact that the Parent has indicated that we'll take back up to $200 million - at least $200 million of common units. We have a lot of flexibility in terms of what the permanent financing is for the vendor financing.

In addition, we - as you know, we - TOO issued $125 million of a preferred equity in April and TOO has many other sources of capital. So we have a lot of flexibility going forward in terms of the long-term financing.

Vince Lok: And I would just add that given where TOO's share prices we don't anticipate doing a public offering and that's where the sponsor, Teekay Corporation, is stepping up and assisting our daughter company.

Sunil Sibal: Okay, thanks. That's good color. And then, I think then you guys mentioned on the water asset acquisition facilities - opportunities, is this more on the LNG side of things or more on the crude side of things, that you're seeing opportunities?

Peter Evensen: It's actually both on the offshore and the LNG side. We think that there's going to be a good opportunity which we hadn't foreseen in this lower oil price environment to buy good infrastructure assets particularly from our charterers rather than necessarily buying them from our competitors.

Sunil Sibal: Okay. And then the last one from me is any impact that you're seeing from the Shell BG merger announcement, kind of your read of that merger in terms of impact on the business?

Peter Evensen: No, I think it's good for us. We have a lot of business with BG and of course we just in the fourth quarter agreed to charter five of our new MEGI LNGs to Shell. So I think we've met with both Shell and BG and we think that's on the whole good for Teekay.

Sunil Sibal: All right guys. Very helpful . That's all I had. Thanks.

Peter Evensen: Thank you.

Operator: And your next question will come from the line of TJ Schultz of RBC Capital. Please go ahead.

TJ Schultz: Hey. Peter thanks for the comments. I guess just following up on the financing for Knarr I think you're pretty clear not wanting to do public equity at TOO at these levels, but just trying to think about the longer-term financing plan.

Is it something where you think you just kind of let TOO play out and as kind of distribution increases in there you wait for better valuation or are you looking at kind of alternative financing options within TOO?

Peter Evensen: No, we're - we actually think, speaking for Teekay Corporation that an investment in Teekay Offshore is today a good investment. And so that's why Teekay Corporation is more than willing to take back units as part of that deal.

But we're also - want to make sure it's an accretive deal. And I think people in the current market, when they see that the distribution will go up that we continue to execute on our operating plan, then I think as we've seen in past times, people will come back to Teekay Offshore given it's big portfolio of stable contracts.

And having been out and met with investors, there was a lot of; I would call it uncertainty about deepwater and offshore oil production. People were looking at what the costs were on new projects and associating that with costs on older projects, and a lot of our fields have a very low marginal cost.

And I think people's idea that you're going to see this, all these contracts go way wasn't the reality. The reality is that there is low marginal cost you're starting to see that with oil companies talking about how they've been able to lower the cost, because if the oil price comes down, the tax expense also drops.

And so we're actually quite pleased with that and that's why we think it's a good investment to take back units at these levels. And that's as much I'll say on it.

TJ Schultz: Okay. The number you said is at least $200 million, is that, you know, is there a range? Is that the ballpark number that we're thinking about that Teekay would take back or is there upside there?

Peter Evensen: Yes, we could take back more. It's a combination of seller's credit and units. And we're in the - and so we think it's a good investment we could move that up. We're trying to do the right thing to maximize out the accretion, as well as the general partner cash flow, which is what you would expect from sponsor.

TJ Schultz: That makes perfect sense. And then just beyond the Knarr sounds like the Banff would be second half of 2015. And then, sorry if I missed this, what are the latest thoughts on the Foinaven as far as timing?

Peter Evensen: Yes. Well, as I said in the prepared remarks, we're working with the charterer on that one in order to get the contract in a better position in order to drop it down

We don't, as we stand, have permission but a big part of getting into the contract was to fix with technical issues. And now that we fixed the technical issues, then I would say that people are now willing to focus in on that.

But probably given the Arendal Spirit, given the ALP maritime, given the Banff, I would expect a point even just from a dropdown schedule to be in 2016.

TJ Schultz: Okay. Thanks Peter.

Peter Evensen: Thank you.

Operator: And your next question will come from the line of Michael Webber of Wells Fargo. Please go ahead.

Michael Webber: Hey, good morning guys. How are you?

Peter Evensen: We're good, thank you.

Michael Webber: Hey, I wanted to zero in on the dividend again, it's worth revisiting. So, the dropdown ((inaudible)), it seems like you guys had a little bit of flexibility in terms of kind of tweaking the equation a bit to bump the distribution to the Teekay level. And in July or later, and I'm sure it's appreciated.

When we think about the cash flows associated with the Knarr and the fact that you guys kind of came in at 220. As we think about the rest of the year and that asset goes on full contract, how should we think about that cash flow flowing through the Teekay Parent dividend?

I guess should we think of it in terms of there being potentially upside at 220 or do you think that that growth beyond the 220 level is primarily going to stem from additional assets?

Peter Evensen: I will say a few words and then Vince will follow in. When you actually look at owning the Knarr upstairs it actually generates more cash flow than what we received from owning 25% of it on the OP basis on the GP side. So it actually - when we set the 220 that was on a more sustainable path assuming that its dropdown with the buffers that we outlined as part of our dividend policy.

And I would say that we're not giving guidance on how much that will grow right now because we don't have a firm schedule of that but we're still, you can give a greater guidance on the ranges on that, Vince.

Vince Lok: Yes, I would just reiterate what Peter indicated. The Knarr is of course generating a lot of cash flow for the Parent at this point in time. I think going forward we’re still targeting double digit growth in the dividend asset initial step-up, say we got $2.20.

Primarily again it’d be linked to growth in the GP cash flow, the GPCO cash flows and which is primarily dependent on vessel deliveries and project deliveries and acquisitions. We do obviously have to look at the total free cash flow as well.

And if we were to say take back more units on the Knarr dropdown that might shift some of the cash flows between the OPCO and GPCO a little bit and so that's - that not need to be take into consideration. But in terms of growth after the 220 we’re still targeting double-digit growth.

Michael Webber: Okay. No, that’s very helpful. And Peter, I wanted to zero in on that growth and specifically maybe not the next two to three years which is more of a kind of already laid out in terms of the kind of the I guess 20% CAGR I guess on the original rate, it's more or less already set aid in terms of CAPEX spend.

But couple of years beyond that and given the changes we're seeing within the energy complex, I'm curious is it, you know, do you look at that, you know, how you fill those buckets differently now than say you did a year ago specifically around may be organic projects versus M&A?

And is there a heavier M&A component to it when you think about it now? Obviously ((inaudible)) specific and maybe, you know, including the opportunities you referenced earlier in terms of sourcing assets from your clients?

Is there a heavier M&A component to how you think about kind of 2019, 2020 now? And then, and if so, when do you think we start to see that market pick up whether it would be ‘16, ‘17 or even later in this year?

Peter Evensen: Well there is a switch. On slide 10, we talk about our visible pipeline, but those are known projects. We don't show you the pipeline of all the deals that we're working on.

But I would say what we have seen is that a lot of those projects where we're doing studies or zeroing in on, they have shifted to the right, meaning that they're delayed.

And when I talk to our customers they say, Peter, we're going to delay it because all of our inputs will be cheaper next year than they are this year. And that makes sense. For our own part, we think we'll probably be able to convert and fabricate cheaper with lower steel prices, you'll see the full flow through higher dollar compared to some of the countries that we're doing that work in.

So, what you're seeing across the whole energy complex is people going back, redesigning for lower costs and that was what I was trying to say that we're seeing a lot of requests for our existing units because that actually gives us - gives our customers a chance to have lower cost.

So what I'm pleased with is that we're seeing a lot more work with our customers on individual fields and they are committed to growing. Now, does the timeline shift a little? Yes, and that's where I think you're now going to see more oil companies be willing to sell their infrastructure assets.

So when - and that's - I can't predict that on a timing basis that lumpiness that actually could come a little earlier than 2018, 2019. But, from what we can see now we're really pleased how much business we booked last year and what I like is how many different ways we can grow our two MLPs.

And Kenneth, you spent a lot of time on the offshore, how would you say the split was between all our different verticals there?

Kenneth Hvid: Probably - I should say, Peter, it's probably 50-50. I'd say we have some organic projects that we worked on which is part of the niche segments that where we sit on strong positions both on the shuttle and the FPSO side. And we are seeing interest in those segments for exactly the services we're offering there.

And at the same time, as Peter said, we see more interest of - and change in ships in the ownership of some of the medium-sized fields that - and that's triggering definitely new discussions that we're having with those players. So...

Peter Evensen: Yes, that's an important component as asset sales take place, which have been announced by several oil companies. Then the buyers come to companies like Teekay and see how can we work with them to optimize out the purchase. So that plays to our wheel house, our skill sets.

Michael Webber: Okay, yes, I think that's helpful. And I guess may be, I don't want to belabor the point and we can move on but just around maybe M&A related to either competitors or maybe brought to that that you are not already tied to.

You guys have a pretty strong track record within the States of growing specifically by that form of M&A, and again its relatively lumpy depending on where asset values are and where we are in the cycle.

Given that that five-year growth trajectory is still in place and the components of organic versus M&A are probably a bit more spread out, when you look at the opportunity to buy other competitors or non-affiliated assets, do you think that window opens in 2016 or in 2017? Where do you think the sweet spot is to really step in and do that?

Peter Evensen: I think the window is open now with our customers. I think the market with the competitors is going to open later and I think the quality type of assets we're going to get later on in this process is far superior to the kinds of things we're seeing from competitors or their creditors now. So that is in the kind of deals that we want to do.

I just want to point out, since you're asking, that Teekay has a great track record of doing outsourcing deals with companies. That's how we got into the shuttle tanker market and that's how we got into Australia. So we have a wealth of transactions of working with our customers. And on the whole, we would prefer to buy from our customers than to buy from our competitors.

Michael Webber: Got you. All right. That makes sense. I appreciate your time guys. Thank you.

Peter Evensen: Thank you.

Operator: And your next question will come from the line of Amit Mehrotra of Deutsche Bank. Please go ahead.

Amit Mehrotra: Yes, thanks. Good morning. First question is on the Knarr, obviously, the timing of the dropdown has been a moving target and that's completely understandable obviously given things that are out of your control. But can you just sort of talk about the risk profile at this phase of the IPT and what your confidence level that in fact the dropdown will occur say in the next 35 to 45 days?

Peter Evensen: I think we have a high confidence level. Obviously, the - it has taken more time. I think that's products of the fact that BG is being careful about this is the first unit where they're the operator, but it's also a reflection that both Teekay and BG are concerned about making sure that we have the right processes and put safety first.

And that isn't to say other people don't do that but there is a real high - we see this asset and this operation as really being a poster child for our activities. And if we do this right, I think, Teekay will show itself to other customers and it will get us more business, and the same thing says for BG.

This is the first unit where they're the operator, and so we're just being, I guess I would say more careful. And so we're happy with, I mean, I understand from an investor point of view, people understand why is this one month late, two month late.

I would just point out the contract is the contract, and all we're doing is shifting it by one or two months. We're not shortening it up. And so that's - but on the whole when you look at it, things are proceeding okay. But perhaps we weren't as realistic in our timeline with investors.

Amit Mehrotra: Sure and maybe just one follow-up for Vince. In terms of the initial hike you're pointed to the low end of the initial dividend versus say the mid-to-high end. Just wanted to maybe get a little bit more color on that.

And then in terms of the growth from that point onwards, you said double-digits. I just want to just confirm that you still mean 20% a year for three years beyond that or has that changed at all?

Vince Lok: Yes, we did guide on the lower end, which is the $2.20, and I think we want to make sure that there is adequate coverage at the parent and it's a sustainable dividend.

And I think it's partly of course reflects the lower deal unit price, which has affected the accretion of the Knarr. So that's the main contributing factor towards the lower end of that range.

In terms of the growth, I don't think - as I mentioned double-digit growth, of course there is a lot of moving parts. We already have the committed growth of $6.7 billion of forward CAPEX which gives us the confidence of reaching double-digit growth targets.

In addition, as many people mentioned on the call, we are also looking at on the water acquisition opportunities. So I don't know if we can really give you a specific number but we're definitely aiming.

Amit Mehrotra: Okay. Maybe just one last question just following up on that comment with respect to - sort of on the water acquisition opportunities. I mean, following the dropdown you certainly will have a good amount of capacity to be aggressive if you guys choose to do that.

So, you know, the on the water sort of contracted acquisitions was meant to sort of be a little bit to fill the whole if oil prices were sort of prolonged weakness. Oil prices has come up a little bit but it's clearly out, your projects are being pushed to the right and you have the capacity to be aggressive.

So could you just give us some color on what the sort of magnitude of on the water acquisitions could be that you may pursue given some of the how your projects are being pushed to the right?

Peter Evensen: No, I don’t think we can do that. As we - I mean for a lot of different reasons, but the fact is with organic projects you are in control M&A, you’re not in control of everything that goes on. So you just have to wait and see, but Teekay has a pretty good track record.

Amit Mehrotra: Okay. Thanks very much.

Peter Evensen: Thank you.

Operator: And your next question comes from the line of Fotis Giannakoulis of Morgan Stanley. Please go ahead.

Fotis Giannakoulis: Yes, hello guys. Thank you for the opportunity. I want to ask, Peter, you mentioned earlier that your growth plant remains pretty much intact; there might be some question about the timing.

If you can be a little bit more specific on how the oil prices has impacted your business with sectors they have weakened, if you see - if you can give us some percent of numbers of where do you think the revenues for the shuttle tankers or the offshore sector have changed versus your September estimate? And how the dividend growth plan has changed given the different price of Teekay offer?

Peter Evensen: Okay, well, that was a lot of questions there, but maybe when you see the transcript we'll have answered some of them, But, first of all, I take issue when you state pretty much intact on the pipeline. I think our pipeline growth is intact.

And so, I take issue with that. I actually think there is a lot of yin and yang that is coming out of it. If you see the higher dollar, for example, we're getting a lot of benefits because we've dollar revenues and we have Norwegian Krone cost, we have other costs that are non-dollar. So as our hedges roll off that's a benefit for us.

Likewise, as I said, in lower oil prices our existing assets become worth more as people pivot to using existing assets in their bid to get lower cost solutions. So we can see those benefits.

And yes, do we get headwinds? Yes, I would say, in particularly on the LNG side, you're seeing that the low oil price is causing LNG to be lower - the LNG price to be lower. And so what we've seen is that there isn't going to probably be as many liquefaction plants put in place out to 2019, 2020, particularly those evergreen plants.

As you know and as you'll hear me talk about tomorrow on the Teekay LNG call, we've been conservative on the LNG space. And I think basically what we're saying has come true.

Having said that, well people are gravitating to our MEGI engine, and so the steam, the DFDE probably won't be - well, I can say definitively are not preferred compared to the MEGI engine.

So, you have to see that within a market that may have structural downturn, you still see people saying, I want MEGI engines as part of a new tender. And that hasn't gone away. So, we can still see a lot of requests for MEGIs coming out on existing liquefaction projects.

So what people don't always realize is that projects are already going ahead, they haven't bid the transportation or other aspects of it. So we can still see a runway of one, two years. And that's why, as I said in my prepared remarks, we're not - we are pleased with the level of tendering activity.

Now, what happens beyond 2020, that's a different matter, but you know what, that's a high class problem. And if all that comes to be, then, Teekay, with its qualitative operations and financial standing, will be in a position to supplement back with on-the-water acquisitions. We saw that with Teekay LNG several years ago and I can see a repeat of that setting up right now.

Fotis Giannakoulis: Thank you, Peter. Just a couple of more specific questions. First of all, has there been any impact on the profitability of the shuttle tankers or this is also going to be in the next two, three years of your cash flows have not been impacted?

And also, you mentioned about some of the LNG Greenfield project that might delay or never be done, which is going to impact the 2020 and onwards. But do you have any update on the Yamal project? Is the timing still intact? You already have contracts for this vessel. Shall we assume that even if the project delays your contracts your revenue do not change because you have firm contracts?

Kenneth Hvid: Hi, Fotis, this is Kenneth. Maybe I can start with the shuttle tankers. And I think as you know, it's a niche segment and, therefore, also a misunderstood segment by many people. We describe it as offshore, because it is one of our offshore business. But when you look at, it's really a function of a number of things.

First of all, the oil companies are, as you know, very focused on maintaining and increasing production and keeping that growing. As long as that oil is flowing as a niche segment, we are basically the lifting exactly that oil and we are in a 2-1/2 player market on that.

And what we are seeing, that's coming out at the moment, are tenders for time-charters in a number of markets, and we are bidding on that and we are seeing normalized hurdle rates, which are close to historic levels.

At the same time, on the CoA business, we are in a very good position, as you know, in the North Sea, and we're seeing a lot of requirements for 1/2, 1-1/2, 1.2 vessels which we are in a strong position to bid on. And we're seeing rates there that are same or higher as we've seen historically.

And then the last factor, which people have missed on the shuttle tanker, is that, of course, it's only utilization matter when you're running specialized tankers. And for the past five years, our fall back on the shuttle tankers have been the tanker market which has been non-existent, as you know.

But of course, in a strong tanker market our fall back is suddenly a very strong conventional market. So when you look at it, our utilization, as shuttle tankers become less important, because we can use that free time that we may have in the conventional tanker market.

And that's actually supporting your earnings on the shuttle segment. So I would say that the shuttle segment is stronger than it's been in the past five years.

Fotis Giannakoulis: Okay. That's very interesting. Thank you. And then regarding the Yamal project?

Peter Evensen: Yes. The ships are still - our ships come later in the project, I would just point that out to everyone that we're not at the beginning of it, so any delays we will sit and see that.

But when we look at what Novatech is saying in their recent update, and you can go look at their earnings call. They say their financing is progressing. And more importantly, on an operational and their building side they are on time there. So I would reference what Novatech is saying on their earnings call.

Fotis Giannakoulis: Can you clarify regarding the contract, is there a specific start for you or are you going to be paid even if the vessel is not operating in case of a much longer delay?

Peter Evensen: Yes.

Fotis Giannakoulis: Okay. That's very clear. And I want to ask also about the accommodation unit. Could you give us some sense of profitability of these vessels? You have one contract already. And if you can also discuss about any discussion that you might have for the remaining two units.

Peter Evensen: Yes, that’s a highly competitive market and our competitors read our calls and so for competitor reasons, we're not breaking that out right now. Because we are bidding on units 2 and 3, and we don't want it get drawn on where unit 1 is, because that would give too much information out competitor-wise.

Fotis Giannakoulis: Okay, I fully respect that. Thank you very much, Peter.

Operator: Ladies and gentlemen if you have any additional questions at this time please press star 1 on your touch-tone phone. We have no further questions at this time. I'd like to hand it back over to Mr. Evensen for closing remarks.

Peter Evensen: Well, thank you all for that great Q&A session. That was really great. We liked the questions and we look forward to reporting to you on our progress next quarter. Thank you.

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.

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