TEEKAY TANKERS LTD

Moderator: Emily Yee
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12:00 pm CT

Operator: Welcome to Teekay Tankers Limited, Third 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 your touch-tone phone. As a reminder, this call is being recorded.

Now for opening remarks and introductions, I'd like to turn the call over to Mr. (Kevin Mackay), Teekay Tankers Limited, Chief Executive Officer. Please go ahead sir.

(Cameron): Before (Mr. Tackay) begins, I would like to direct all participants to our website at www.teekay.com where you will find a copy of the Third Quarter 2015 Earnings presentation. (Mr. Mackay) 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 projects 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 third quarter 2015 earnings release and earnings presentation, available on our website. I will now turn the call over to (Mr. Mackay) to begin.

(Kevin Mackay): Thank you (Cameron). Hello everyone and thank you very much for joining us today. With me here in Vancouver is (Vince Locke) -- Teekay Tanker's Chief Financial Officer -- and (Brian Fortier) -- Group Controller of Teekay Corporation.

During today's call, I will be taking your through Teekay Tanker's third quarter of 2015 earnings results presentation, which can be found on our website. Beginning with our recent highlights on slide three of the presentation, Teekay Tankers reported adjusted net income of 30 cents per share in the third quarter. A substantial increase from the third quarter of 2014, adjusted net income of just 3 cents per share.

Improved results were primarily due to stronger Tankers spot rates combined with an increase in our spot Tanker fleet as a result of the acquisition and delivery of Modern Vessels during the first nine months of the year and an increase in our in charter portfolio.

We generated free cash flow of $59.4 million, or 44 cents per share during the quarter, up from $16.2 million or 19 cents per share in the third quarter of 2014. In early August we had managed a strategic acquisition of 12 modern Suezmax tankers for total cost of $662 million and completed the delivery of all 12 vessels in just under nine weeks with the last vessel delivering into our fleet on October 15th.

In addition, we also completed the acquisition of a leading, global, ship-to-ship, transfer business - SPT - for $45.5 million. I'll provide an update on the integration of this acquisition later in the presentation.

With the well timed acquisitions of the 12 Suezmax Tankers - which will increase our Suezmax operating days - we expect to generate significant free cash flow in what we anticipate to be a strong winter tanker market.

Turn to slide four, I will discuss the execution of our two strategic acquisitions. Teekay Tankers emerged as a successful bidder of the principal maritime Suezmax Fleet at an attractive on block price of $662 million. Our track record for seamlessly completing large scale SMP transaction was key to our winning bid.

Following the transaction announcement, we assimilated all 12 vessels into Teekays' platform over a span of only nine weeks. This, in itself, was no easy feat given there were 12 individual purchase transactions, registry filings and other delivery protocols, which were required before the vessels could be fully assimilated into our fleet. Successful delivery of these vessels, in such a short time frame, speaks to the exceptional, cross functional expertise helped within Teekay Tankers.

In addition to the three Suezmax tankers that required scheduled dry docking this year, in order to maximize longer term earnings, we accelerated the dry dock of five additional Suezmax tankers, thus negating potentially expensive (Boise) water treatment modification expenditures until 2019. As well as undertaking some eco-modifications to improve the vessels fuel efficiency.

I would like to point out that our third quarter results were negatively impacted by this heavier than normal docking schedule. As well as the timing difference related to the issuance of new common shares -- early in the third quarter -- in connection with the principal maritime and SPT acquisitions. All told, these timing differences reduced our third quarter earnings by approximately 5 cents per share.

In the table on the right hand side, we have detailed the number of ships -- as well as ship equivalence in the third quarter and fourth quarter of 2015 and the first quarter of 2016 -- to show the impact of these dry docks and to highlight that the majority of these vessels will be out of dry dock and operating for the bulk of the anticipated strong winter tanker market. For a detailed schedule of Teekay's dockings through 2016, I refer you to appendix on page 11 of this presentation.

Significant increase in our fleets and 17 vessels we have acquired in the past year will allow us to gain further economy to scale and reductions in our GNA going forward.

Moving on to our other acquisition; we have commenced integration of our ship to ship transfer business acquired in July. We have realized cost synergies associated with combining certain functions and are in the process of re-branding SBT into TK marine solutions.

This acquisition is expected to contribute future revenue synergies as we integrate the acquisition into Teekay's well established platform. Both of these strategic acquisitions will be accretive to earnings and cash flow per share and we are excited for Teekay to begin realizing the full benefits of these transactions in the coming quarters.

Turning to slide five, I will discuss how Teekay Tankers continues to execute on its strategy while delivering shareholder value. As shown in the graph on the left, we have been increasing Teekay Tankers net asset value by delivering our balance sheet. Our financial leverage has significantly decreased over the past two years from a high of 72% in the third quarter of 2013 to 53% as of September 30th of this year.

Looking at the chart on the right, our vessel acquisitions and in charter vessels have translated into a significantly more favorable operating leverage. For every $5,000 per day increase in spot rates, Teekay Tankers' free cash flow increases by approximately 57 cents per share. With the delivery of our newly acquired Suezmax tankers into the spot market, and strong rates going into 2016, we expect to continue earning significant free cash flow which will help further reduce our balance sheet leverage to a more appropriate level.

With our continued success in delivering the balance sheet, we plan to review Teekay Tanker's dividend policy with our Board of Directors in December 2015. Turning to slide 6, we look at developments in the crude tanker spot market. Crude tanker spot rates softened slightly in the third quarter, which is consistent with the seasonal weakness we traditional see at this time of year, as refineries have entered a period of scheduled maintenance.

However, rates remained strong on a historical basis as illustrated by the chart on the left, which shows average third quarter spot rates over the past six years. Suezmax's rates averaged over $12,000 per day higher than the same period in 2014 while third quarter (Affermax's) rates averaged $7,000 per day higher. These higher rates reflected the strong industry fundamentals which continue to underpin the tanker market. Namely low free growth, low oil prices, strong refining margins and strategic and commercial stock piling.

Looking at the chart on the right, tanker rates began to strengthen again towards the end of the third quarter, led by the VLCC sector, which saw rates exceeding $100,000 per day in late September and early October. The high VLCC rates stemmed from an increase in Chinese demand for Middle Eastern, West African and North Sea barrels, along with weather and port delays in Asia and a significant increase in crude loadings from South Iraq.

Although earnings in the mid-sized sector initially lagged in the VLCC's, we have now started to see an increase in both Suezmax and (Affermax's) earnings, with rates climbing in the past couple of weeks to the highest levels seen since July.

Turning to slide seven, we look at our expectations for the upcoming winter market, which we believe will be strong due to both fundamental and seasonal factors. Looking first at the fundamentals, the IEA forecast global oil demand to increase by about 250,000 barrels per day during the fourth quarter -- as shown by the graph on the left. The increase in demand is largely due to the combination of colder weather in the Northern Hemisphere and the conclusion of refinery maintenance.

While Chinese all demand softened slightly in the third quarter, imports remain steady at about 6.7 million barrels per day. This suggests that stock piling programs are providing underlying support to the Asian tanker market as the Chinese government looks to take advantage of low oil prices by adding to its strategic petroleum reserves or SPRs.

In addition, the relaxation of import restrictions for Chinese independent -- or so called teapot refineries -- could increase crude imports into China and lead to a diversification of supply sources for Chinese crude imports. That diversification may be a positive driver for both (Affermax)'s and Suezmax's demands specifically, as these new mark entrants look to source smaller parcel sizes directly from regional producers.

Looking at the chart on the right, we see that the strongest months for crude tanker rates are typically December and January and we therefore anticipate that the best is still ahead of us in terms of tanker earnings. Seasonal factors such as winter weather and transit delays typically build during the fourth quarter. Particularly as daylight hours shorten and we see more fog in major tanker thoroughfares, such as the Bosphorus Straits and the Houston Ship Channel.

In addition, we're already seeing port delays in areas such as Northwest Europe and China due to intermittent discharge and (olage) issues, which is further helping to tighten tonnage supply and provide increased volatility to rates.

Putting together the combined impact of seasonal factors with continued low oil prices driving stronger oil demand and limited fleet growth, we expect a firm winter tanker market through the remainder of the fourth quarter and into the early part of 2016, marked by periods of high rate volatility.

Turn to slide eight, I'll provide an update on spot tanker rates for the fourth quarter to date. Compared to average realized rates for the third quarter of 2015, Suezmax, (Affermax) and LR2 rates for the fourth quarter of 2015 to date have been lower. However, most recently mid-sized crude tanker rates have strengthened and have remained firm into the November fixing window. The darker gray bars on the graph illustrate fourth quarter rates to date across all three segments are already higher in 2015 when compared to the fourth quarter of 2014 actual results.

Increased seasonal demand as well as ongoing stock piling programs should continue to support a strengthening in spot rates, ultimately improving our fourth quarter earnings in the (Affermax)'s and Suezmax's segments. To illustrate this, we highlight the red dotted areas on the graph, which represent projected fourth quarter earnings when our bookings to date are combined with current estimated forward rates for our unfixed, fourth quarter vessel days.

With the assimilation of our strategic acquisitions well underway and Teekay Tanker's strong operating leverage and increased port exposure, we are confident in the continued strengthening spot rates will translate into a significant increase in our earnings and cash flow through this winter rally.

With that Operator, we are now available to take questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing the Star key followed by the digit 1 on your telephone keypad.

If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. If you have signaled for a question prior to hearing these instructions on today's call, please repeat the process now by pressing Star 1 again, to ensure our equipment has captured your signal.

We'll pause for just a moment to allow everyone the opportunity to signal for questions.

The first question comes from (John Chapel) from Evercore ISI, please go ahead.

(John Chapel): Thank you. Good morning (Kevin).

(Kevin Mackay): Good morning (John).

(John Chapel): Good to see the comments about the dividend - kind of looking at it again - in December also the thing that stood out the most by your leverage down at 53% is by taking down twelve ships in the last quarter. So you're really close to I think what's the perceived target of about 50%. Just wanted to hear your thoughts and also (Vince's) thoughts - because you've been there different periods of time, Kevin you're still somewhat relatively new, been there during the growth days, (Vince) has been there since the beginning - on how you think about fixed dividends versus what Teekay was first set up as - with the floating percentage dividend.

(Kevin): Want to take that?

(Vince Locke): Hi (John). Yes, as you know, Teekay started out - when it IPO'd in 2007 - with a floating dividend. At that time, it was a full payout, and as we indicated we more than likely return to a full payout dividend. But in terms of a fixed versus variable, you know, for a company like Teekay, which is right now predominately trading spot, probably a floating dividend makes more sense for Teekay.

But as (Kevin) mentioned that's something we need to discuss with the board at the board meeting next month and we'll report back after that.

(John Chapel): Sounds good. Two other follow ups; noticed, kind of tucked away in the press release, you sold one of the MR tankers, clearly you have some older ships in the fleet still, some late 1990s built, maybe on the crude side, hold on to those given the strength of the market right now, but when you think about fleet replacement - maybe the MRs don't necessarily fit with the structure right now - would you look to monetize those, kind of in the near future like you did with this last one? And then also, you know, the 90s built ships, do you hold on, kind of try the top take the cycle or do you try to replace those sooner rather than later?

(Kevin Mackay): It's really an overall portfolio question that you're asking John and the MRS are no different to the way we look at the rest of the fleet. Obviously they're not core, but they've been earning some good returns in the pulls that we've had them in so we're harvesting the cash out of those while the - provided that sort of positive return.

You know, we have sold one, we are looking at the other two and seeing what opportunities are there to take value out of them. And as far as the rest of the fleet goes, you know, at this point in time we're looking to harvest the cash that we can generate from the crude space. In the back of our minds and as we go through our management and evaluations on this topic, we're always looking at, you know, our fleet age, rebuilding and renewing the fleet and how we go about that. When do we take older assets off the table at the right point.

So it's something that's always on the table on a monthly and a quarterly management conversation.

(John Chapel): Okay, understood. Final thing for (Vince), noticed the short term debt jumped pretty significantly, assuming that there's some expiration or even bullet payment due. It's not the big bullet payment I don't think is still not until late 17 so that wouldn't show up there. What's behind the big jump in the short term debt and is that something that can be refinanced away or do we have a big capital off flow coming up?

(Vince Locke): Yes, that's relating to the bridge loan facilities, relating to both the 12 Suezmax's from Principal as well as the five ships we acquired earlier this year. Those two bridge facilities expire at the end of January and so we're actually in the market right now to refinance those and that's going quite well.

(John Chapel): Right. All right Thanks (Vince.) Thanks (Kevin.)

(Kevin Mackay): Thanks (John).

Operator: Thank you. The next question comes from (Mike Webber) of Wells Fargo. Please go ahead.

(Mike Webber): Hey good morning guys, how are you?

(Kevin Mackay): Good, thanks (Mike).

(Mike Webber): Good I just wanted to follow up on a, I guess, with a couple questions. First around - actually the leverage but also just around, I guess, the way you guys think about growth from here. I know it's a bit early because you're still digesting the Apollo fleet but you can make the case that asset values are probably under the previous context, probably more corrective here than even a couple months ago.

So I'm just curious, you know, whether you think we're still in an attractive environment to acquire assets. You got one of the only tanker currencies that trades at a premium to NAS and can use it. So I guess within that context, if there are attractive opportunities out there would the strength of the currency basically make any dividend decision, kind of, independent of any future growth?

(Kevin Mackay): I think, you know, as a tanker man obviously there is some opportunities out there and we evaluate all of them as they come across our attention. But as you pointed out quite rightly (Mike), we just digested or are digesting a fairly sizable transaction and trying to make sure that we maximize the value out of that transaction so our immediate focus is really on integrating those 12 ships and getting them out into the market earning good rates.

You know, in terms of where the market's at, I think there's still upside to the second hand market. It's lagged a little bit relative to where rates are, where time charter rates are and you know, I think there's interest in the market there but it's a question of narrowing that bid at spread. I think owners are looking maybe a little too bullishly and they can be patient because they're earning good income while they hold on to the ships.

But I think there's - we're still below the 10 year average. I think we've got some room to move up but our focus immediately is to make sure these 12 ships and the SPT transaction get fully integrated and start returning value to the organization, to shareholders.

(Mike Webber): And then - and (Vince) I think (Kevin) effectively answered this but just to be clear, you know, December's - the board meetings are way off, I just kind of think that dividend increase is independent of anything that could happen between now and then for all intents and purposes.

(Vince Locke): Yes. And maybe just to elaborate a little bit more on the dividend questions. As (Kevin) showed, we've had progress in terms of delivering our balance sheet at the end of September, we're at 53% so we still have more delivering to do on the balance sheet but given the significant amount of free cash flow that we're generating right now and just looking at the third quarter of 44 cents a share, free cash flow. And that's going to increase more in the fourth quarter compared to our current dividend of 3 cents.

We think we can do both in terms of increasing the current dividend as well as continuing to deliver the balance sheet. So striking that right balance between prudent management of the balance sheet as well rewarding shareholders with the higher dividend.

(Mike Webber): Okay. That's fair. (Kevin) I wanted to touch on the - it's relatively new - but the shutdown, the strike shut down in Brazil around the Petrobra production. Just curious, what your take on that is, whether that ends up eroding some long haul, ton miles simply because it's tougher to kind of transition now on export grades into that business and whether that would be the headwind for crude or maybe a positive for product tankers or whether their, kind of, frictions around that that maybe makes it tougher to tow.

(Kevin Mackay): I think it depends on whether the strike is a long term issue or a short term issue. I think if it's a long term thing it could have an impact more so on VLCCs than on Suezmax's. You know of the 500,000 barrels a day that they export out of Brazil, I think only 30% or thereabouts, 35% is on Suezmax sized ships and (Affermax)'s.

So that's more of a VLCC impact. Personally I don't think it will be a long term outage. Oil company don't like striking workers, reducing oil production. So I think there's an incentive for management to work with the unions and come out with a solution. I can't speak to directly to Petrobras but they have a lot of other issues on their table, they don't need to add to this by dragging out a labor strike.

(Mike Webber): That's fair for sure. (Kevin) just one more and I'll turn it over. You know, just generally, just kind of given the mixed (sweep) and when you look at your long term utilization projections for both crude and product, I'm curious how you think about the, kind of a dirty trading, (Affer) and (Panemax's) and when do you think we can so those transition back towards product? Specifically, when you guys think about that market is there a time frame in mind when you think you could see some of that incremental supply kind of move from the dirty to the clean trade.

(Kevin Mackay): Right now I don't see it happening. Obviously the LR2 has enjoyed a third quarter. I think they spiked about $50,000 a day which could have been incentivized some people to transition over. But I think longer term, certainly through 2016, I see the crude space being the stronger of the two markets.

You've also, you've got to look at the new building program. It's mainly LR2s on the smaller ships that are coming out. You know, the crude (Affermax)'s is nonexistent, so I think those ships will have to be assimilated and we'll obviously try and look to go clean as they enter the market. Initially. They don't want to dirty up straight out of the yard. So I think there's a bit more pressure on the clean side than there is the crude in the near term.

Certainly our desire is to keep our ships more on the crude end than on the clean.

(Mike Webber): Okay, that's helpful. Thanks for your time guys, appreciate it.

(Kevin Mackay): Thanks (Mike).

Operator: Thank you. The next question comes from (Spiro Dounis) of UBS. Please go ahead.

(Spiro Dounis): Hey guys, sorry one more on the dividends and it sure won't be the last question on the call. Just, in terms of sizing it up - and I realize you can't fully comment it - but just as we're thinking of the factors that will allow you to scale a dividend up and how high it can go. You know, you obviously don't have a big Capex program riding in front of you, looks like you're getting close to your leverage target in terms of debt repayment. You know, it sounds like that's going to get refinanced in terms of the bullets so, for me, it seems like those are a lot of factors that would allow you to really scale up the size in a big way that dividend

But just wondering what are the factors that may be keeping you down closer to earth.

(Vince Locke): Yes, I can't comment on specifics of course, but I would just reiterate, as I've said we're generating a lot more free cash flow than our current dividend of 3 cents so there is capacity to increase the dividend as well as continue to deliver the balance sheet.

I'd say our leverage metrics at 53%, we still have more delivering to do, so we're not where we would like to be. But given the amount of free cash flow we're generating -- and expected -- to generate over the next several quarters, you're right, we will probably deliver the balance sheet quickly.

But at the same time have room for a dividend increase. So I can't comment on the specifics.

(Spiro Dounis): Okay. No worries. I tried. And then just, I guess we saw the 1 billion dollar framework lone facility that TK signed back in September and it looks like the funds would be available to you as well as the other daughter companies but specifically for vessels, I guess constructed or converted in the Chinese ship yards.

So new buildings has not been something that normally comes up with you guys. Just wondering, you know, if we could see you tap into that facility at any point, if that's something you've even considered.

(Kevin Mackay): No, it's not a conversation that I've had with our sponsor to date.

(Spiro Dounis): Okay, fair enough. Last one just on the continuous offering program. Seemed like a really great tool to have and I guess you come to the end of that life, just wondering if this plans to maybe initiate another one and if we could see it, maybe, get sized up.

(Kevin Mackey): You know, it is a great tool, gives us a lot of flexibility. We typically, as you know, have these continuous offering programs in place for each of our daughter companies and will likely continue to have that in place. It doesn't necessarily mean we use it every single quarter. It really depends on whether we have good use of proceeds and also the trading levels of the stocks so you'll likely - that's probably going to be, you know, a pretty permanent part of our financing strategy for all three daughters.

(Spiro Dounis): Great. That's it for me. Thanks guys.

Operator: Thank you. The next question comes from (Fotis Ginnakoulis) of Morgan Stanley. Please go ahead.

(Fotis Ginnakoulis): Yes hi guys and just want to ask my questions have been answered. Just want to ask what did your shore count right now? Just a (modeling) question.

(Kevin Mackay): Yes, for the fourth quarter the wave average shore count is going to be a little bit over 150,000 million shares.

(Fotis Ginnakoulis): And the total number of shares outstanding at the end of the quarter.

(Vince Locke): At the end of September are you referring to?

(Fotis Ginnakoulis): Yes.

(Vince Locke): I don't have the exact number but of course, it's going to be pretty close to that 150 I would say. We issued some more share in the fourth quarter relating to a few of the principal shifts because we're issuing them on a ship by ship basis. So I wouldn't expect it to be - it wouldn't vary that much from the 150 I mentioned.

(Fotis Ginnakoulis): Okay, thank you very much.

Operator: Thank you. The next question comes from (Amit Mehrotra) of Deutsche Bank. Please go ahead.

(Amit Mehrotra): Yes, thanks so much. Good morning guys or afternoon rather. Looking at the fourth quarter update for the off hire days, you provided some nice stats on the Q4 with respect to the bookings but if we just look at, sort of the gross headwind from the extra ordinary costs related to those dry dockings, you know, and plus, I guess the (end of shore) costs associated with the financing, are we talking about, sort of, the same 5 cent hit in the fourth quarter and so earning kind of look - given that the revenue looks a little bit better in the fourth quarter, will, sort of, 4Q be looking more like the second quarter and so we'll see a sequential uptake as we move to the end of the year?

(Vince Locke): Well if you're referring to the principal shifts, the best guidance there is on slide 4, where we only have 33 revenue dates relating to those 12 shifts in Q3. And that's increasing to close to 900 ship days or almost 10 ship equivalence. So that's probably a good guide in terms of, you know, the additional contribution both in revenues and costs, all the way down to PNL.

The share count, most of the shares were issued during the third quarter related to principals. So that's, there shouldn't be additional share count increase materially in the fourth quarter, so that's a benefit for the fourth quarter. The other thing was we'll get another month of contribution from the SPT acquisition in the fourth quarter. So there's a number of factors in addition to stronger spot rates that should contribute to a stronger fourth quarter.

(Amit Mehorata): Okay, great. And then just one follow up or a couple follow ups. One is on the dividend (Kevin), I just want to understand the move on the dividends sort of, what that implies - potential move on the dividend - you know, what that implies in terms of what stage are on, sort of, your growth and I just want to ask, specifically, you know, of the surplus cash so that you guys are generating and it's significant. You know, how much conceptually are you looking to sort of retain 4D leveraging and/or acquisitions?

So I'm not asking for a specific dividend or whatever, because I know you guys can't provide that but if you could just provide some insight in terms of how much of that surplus cash flow do you guys think you want to retain given where you are and sort of your life cycle. Thanks.

(Kevin Mackay): Okay. I think, you know, we've said - we've tried to make our messages as consistent as possible. Going back to when I first joined, we talked about growing the organization, we talked about the runway that we had in tanker market. And I think we've executed on that strategy to grow the organization.

We've also said that we have now moved into a focus on deleveraging and returning value to shareholders from that growth. So really the question is you know, are we going to stick to that strategy and I think (Vince) and my comments in the release are fairly consistent of what we've said. We're going to focus on using the extra cash to deleverage rapidly as possible. But also we recognize we've got to return some additional values through a re-look at our dividend policy and we hope to have that conversation with our board at our quarterly December meeting.

(Amit Mehorata): Okay. Yes, that sounds really good. Thanks. Last question for me, I guess, no call on a crew tank companies finish with that, sort of, a discussion about supply. And you know, the supplier at least on the Suezmax has been sort of creeping up over the last several months. And you know, last week and this week, we've seen, sort of, some additional ordering. The (Affermax) looks pretty good next year, I mean, just can you give us, sort of, your updated thoughts on from three months ago versus three months, sort of, are you getting a little bit more concerned at the back half of next year, specifically on the larger vessels or are you still sort of confident on, sort of the demand side being able to absorb that.

(Kevin Mackay): Yes, I don't think three months has changed our view materially. There is - we've always recognized that the back end is 16, there was going to be ships coming from, then 317. So I think -- on the demand side -- we're confident that, you know, we don't forecast an opaque cut and production. And on that basis, lower oil prices remaining low should be good for bolstering demand going forward. So I think our view hasn't changed in the summer. We still think we've got a runway to run here but our focus is, right now, making sure that the ships that we are taking care of -- and that we're assimilating into the program -- get into this winter market that we think is going to be pretty strong.

(Amit Mehorata): Right. Okay, very good. Thanks guys. Good quarter. Appreciate it.

(Kevin Mackay): Thanks (Amit).

Operator: Thank you. The next question comes from (Shawn Collins) of Bank of America. Please go ahead.

(Shawn Collins): Great. Hi (Kevin), (Vince) and (Ryan), good afternoon.

(Kevin Mackay): Afternoon (Shawn).

(Shawn Collins): So I wanted to ask about the ship to ship transfer business. Two questions; one, I just wanted to ask, ball park, how much annual fee based revenue that you are roughly expecting in third quarter and fourth quarter? And then second, I wanted to ask how active you've been with the business so far as I know you're just integrating it and how would we think about it as in, how many ship cargos we have transferred or how many customers you have worked with, or just any color there to get a better sense of how the business operates, thank you.

(Kevin Mackay): I'll take the commercial end of that and you can talk about the finance. Yes, I think the integration has gone really well. I think the, you know, the purchase of the organization was received very well by the staff and immediately we recognized synergies - not just from a cost perspective or revenue but also just integrating our communication flows on commercial desks.

The business has really got three focus areas. One is U.S. gulf sort of integration with our (Affermax) portfolio. Second piece is more of a global support service that we offer and the third piece is a consulting and a (lightering) business in the LNG space. So we've, you know, some of that we weren't too familiar with, we're very familiar with the (Affermax) and the global support service piece. And we've identified some synergies with customers that we already have in house that we think we can grow our business, both on the U.S. gulf side as well as the global supports.

But we've also identified customers in other parts of the world that we haven't penetrated on the tanker side. So I think I don't have the specific revenue numbers at hand, (Vince) can give you that but it's been positive around the conversations we've had with their management and the integration is going very well.

(Vince Locke): Yes in terms of the financial contribution of SPT in the third quarter. It was pretty much in line with what we expected. We will provide more segmented information in our 6-K filings so you can look at the results specifically for the (lightering) business. But essentially the EBITDA for the two months in the third quarter, if you exclude the restructuring charges of about 300,000 in that quarter, our EBITDA was about 1.8 million.

So if you annualize that it's a little bit over ten million, which is in line with the guidance we gave last quarter of 10 to 12 million. Taking into account that, you know, this further revenue synergies to be achieved. Especially on the full service lightering side of the business.

So the SBT business does impact various line items and the income statements so we'll provide more details in our 6-K filing.

(Shawn Collins): Great, that's helpful. Thank you (Vincent) and (Kevin). A second question, I wanted to ask about Chinese and India strategic oil storage. A few weeks back there was some press citing crude tankers sitting off shore in China, waiting to go to port and that they had to wait due to Chinese storage tanks being reasonably full up.

On the other hand, you know, some other industry folks cited that it was more a weather issue as opposed to Chinese storage being full up. I just wanted to ask you guys for some color on this, and kind of what you thought of the delays and what it looks like right now. If you could. Thank you.

(Kevin Macklay): I think it was a combination of both to be honest. There was weather that caused some delays in and out of berths. There was also obviously a surge of imports coming in over that period that caused some backlog.

And the difficulty with China is understanding what is strategic and what is commercial in terms of their reserves and their stock piling. What we may have seen is some commercial storage tanks being filled rather rapidly and taking times deplete but I think ongoing, the story around China is that they're not finished with their stock piling program on a strategic level and I think in 2016, we're going to see about 250, 260,000 barrels a day, pushing through phase two for that storage.

So I think we're always going to get -- whether delays in winter, coming into the winter season now, I think those delays could be exacerbated in all parts of the world, which is going to tighten our vessel supply.

I think the story around China is the underlying strategic build is going to be on going in our view.

(Shawn Collins): Okay great. That's helpful, very helpful. Good, that's all for me. Thank you for the time and the insight.

(Kevin Mackay): Thanks (Shawn).

Operator: Thank you. The next question comes from (Chris Dumas) of DCMI Research. Please go ahead.

(Chris Dumas): Yes, good afternoon. I'm an energy analyst and I've just recently started following this sector so if my questions are basic, I apologize in advance. Do you have a normalize utilization rate for the same store sales kind of tanker number without the 12 - the new Princemar vessels for the Q3? I know we have to back out about 1100 revenue days.

Hello? You're shocked at my question.

(Kevin Mackay): I guess we're just trying to understand the question. Are you referring to a number of revenue days?

(Chris Dumas): Well the utilization rate, you had 49 vessels in the spot fleet showing seven of those were the new Princemar vessels. You say only 33 revenue days, do you have it off hand? I'm doing the calculation, if I adjust the number for seven new vessels in Q3 is 644 days. We're looking at about 3900 revenue days from the existing fleet before the Princemar acquisition.

And there was about - I had it here - 36, 3700 days? So do you have, you know, did you have any dry docks? Another way of looking at it, do you have any dry docks or off higher with the existing fleet in Q3 on the spot fleet.

(Kevin Mackay): Yes, I think I'd point you to our appendix on our dry docking schedules. It always gives you the number of off hire days related to docking. Obviously of the seven ships that came in, I think four of them went straight into dry dock and obviously can't be counted so.

(Chris Dumas): Well if you add up the spot revenue days, at 3,044 days of revenue days on the spot fleet for Q3 and I believe the number of available days would have been 3900 so.

(Vince Locke): I think we can help you off line maybe but just to keep it short...

(Chris Dumas): Okay.

(Vince Locke): On slide 11, if you assume - if you take the whole fleet and then you deduct 381 of off hire days for dry docking, that would get you your net revenue days for the fourth quarter.

(Chris Dumas): Well we'll take that offline. Second question, how do you handle balance runs in these revenue day numbers? Let's say it's 33,000 a day for an (Affermax) and there's a (ballast) run. Is that averaging over the (ballast) run?

(Vince Locke): Yes, I think...

(Chris Dumas): I know that's a basic question.

(Kevin Mackay): Our utilization number are based on ship available days. So any days with the vessel is not idle due to unscheduled maintenance. Everything is included, whether they're waiting on loading, whether they're on (ballast), or on any - it all gets rolled in.

(Chris Dumas): Right, right. So if there was a (ballast) run the actual payment per day for a front to front leg would be way more than 33,000.

(Kevin Mackay): Yes, but typically we look at voyages on a round trip basis.

(Chris Dumas): Yes. Yes. I'm just saying a lot of triangulation is occurring so it's good to know what we're paying for. Second thing, Tokyo Spirit, apparently went aground of Portugal. Was there any significant damage on that?

(Kevin Mackay): There was damage. The vessel was ran aground on the way to dry docking. Thankfully, there was no oil on board, no pollution. And more significantly no one was hurt.

Yes, there was damage sustained to the shelf play at the bottom of the ship. She's sitting in off Portugal right now. She's actually in dry dock today being assessed for repairs.

(Chris Dumas): Okay. Okay. Thank you very much.

(Kevin Mackay): Thanks (Dennis).

(Vince Locke): (Chris).

(Chris Dumas): That's okay.

Operator: Thank you. The next question comes from (Richard Diamond) of Strait Lane Capital. Please go ahead.

(Richard Diamond): Hi, gentlemen. Given the earnings power of Teekay right now. The stock is trading as if we're in the 9th of a ballgame due to the challenges of the order book. If Teekay were a baseball game, what inning do you think we're in and how should we dimension the order book, thank you.

(Kevin Mackay): I beg to differ on the challenges of the order book. I don't think it is increasing but I think if you look at it global tanker fleet growth is just over 5% is in line with historical averages. So it's not an anomalous growth number that we're concerned about having to integrate into the global fleet.

I certainly wouldn't characterize Q4 2015 as the bottom of the ninth. As we've tried to articulate that we see on the demand side, you know, 2016 will be strong in terms of oil supply and oil demands which drives tanker demand. So I think there's room to move here.

(Richard Diamond): I actually agree with you but recently in the last couple of days there's been a panic about the order book and people's expectations for 16 and 17, so I'm glad we're in agreement. Thank you.

(Kevin Mackay): No problem. Thanks (Richard).

Operator: Thank you. The next question comes from (Noah Parkett) of JP Morgan. Please go ahead.

(Noah Parkett): Okay. My question has mostly been answered, I just had a quick modeling one. So two for the principal ships were delivered after the quarter end right and so the cash flow - how is that going to show up in the cash flow statement. Is the Capex for that going to be in Q4?

(Vince Locke): That's correct, yes. Those two ships will show up in the Q4 cash flow statement.

(Noah Parkett): Can you guide to what that number will be?

(Vince Locke): Well, it's 2 out of the 12, so each ship is roughly 40, 50 million each.

(Noah Parkett): All right. Okay, thanks.

(Vince Locke): Most of that is drawing on the debt facility. Is that your question?

(Noah Parkett): Yes, it's the last thing.

(Vince Locke): Okay.

(Kevin Mackay): Thanks.

Operator: Thank you. The next question comes from (Omar Naca) of Clarks and Plateaus Securities. Please go ahead.

(Omar Naca): Hi guys. You know just a quick question, sort of, you know, regarding your earlier comment about the continuous offering program. You know, I understand it seems to be, you know, a good tool to have. I'm just wondering now, with the way cash flows are and how they're on the rise. Do you think perhaps that you don't necessarily need that type of program? Especially with, you know, the cash flow coming in really starting to accelerate the equity build up.

(Vince Locke): You're right. We don't need to use it. I wouldn't expect us to use it in any material way over the next little while.

(Omar Naca): Okay, all right. Thank you. That's it for me.

Operator: Thank you. Ladies and gentlemen if there are additional questions, please press Star 1 at this time. The next question comes from (Magnus Fyhr) of GMP Securities. Please go ahead.

(Magnus Fyhr): Yes, hey guys. Just had a question on the principal fleet. Tanker investment has some issues with the integration due to delayed vetting of pools. Oh the 900 days for the fourth quarter, should we expect, you know, all of those being revenue generating or is there some repositioning there where we should be a little more conservative?

(Kevin Mackay) No, I think you can expect those to assimilate well into the spot market. Obviously the ships coming out of dry dock are going to have to position to load ports. But in terms of vetting issues, we don't anticipate anything based on the other ships we've taken have gone straight into load port. That was one of the successes of this transaction was our ability to take in the ships and not take that commercial hit.

The hit that we did take was around the decision to dry dock the ships that now gives us, sort of, a five year runway to maximize the earnings on them.

(Magnus Fyhr): Okay great. Thanks for clarifying.

(Kevin Macklay): Thanks (Magnus).

Operator: Thank you. There are no further questions at this time. Please continue.

(Kevin Macklay): Okay, thank you very much operator. Thanks everyone.

Operator: Thank you. Ladies and gentlemen, this does conclude the conference call for today. You may now disconnect your line and have a great day.

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