



TEEKAY

# TEEKAY TANKERS Q2-2015 EARNINGS PRESENTATION

August 6, 2015

# Forward Looking Statements

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the pending acquisition of 12 Suezmax tankers, including completion of the vessel acquisitions, delivery dates for the vessels, aggregate purchase price, debt and equity financing for the acquisition, and the intended trading of the vessels; the impact of the acquisition on the Company's earnings, free cash flow, net asset value, cash flow breakeven, financial leverage, ability to further optimize fleet efficiencies, position in the mid-size tanker segment and service offering to new and existing customers, and dividend capacity; future tanker market fundamental and forecasted continued strength in spot tanker rates; increased demand for Suezmax tonnage; and the Company's ability to create long-term shareholder value. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in the production of, or demand for, oil or refined products; changes in trading patterns significantly affecting overall vessel tonnage requirements, including a discontinuation of the trend towards longer-haul movements from the Atlantic to the Pacific basins; greater or less than anticipated levels of tanker newbuilding orders and deliveries and greater or less than anticipated rates of tanker scrapping; changes in global oil prices; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; satisfaction of closing conditions to the vessel acquisitions; delays in or failure to take delivery of the 12 Suezmax tankers the Company has agreed to acquire; the ability of the Company to complete the debt and equity financings for the vessels; the ability of the Company to successfully integrate the vessels, continue productive employment of the acquired vessels and the ability of the Company to operate the acquired assets and business profitably; changes in interest rates and the financial markets; increased costs; and other factors discussed in Teekay Tankers' filings from time to time with the United States Securities and Exchange Commission, including its Report on Form 20-F for the fiscal year ended December 31, 2014. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.



# Recent Highlights

- Q2-2015 Financial Results
  - Generated adjusted net income<sup>1</sup> of \$41.3 million, or \$0.35 per share versus net loss of \$4.1 million or \$0.05 per share in Q2-2014
  - Generated free cash flow<sup>1</sup> of \$57.9 million, or \$0.50 per share versus \$9.2 million or \$0.11 per share in Q2-2014
- Strategic Acquisitions
  - Principal Maritime fleet of 12 modern Suezmaxes for \$662 million
  - Ship-to-ship transfer business for \$45.5 million
  - Both transactions fully financed and immediately accretive
- Counter-seasonally strong spot tanker rates in Q3-2015 to date



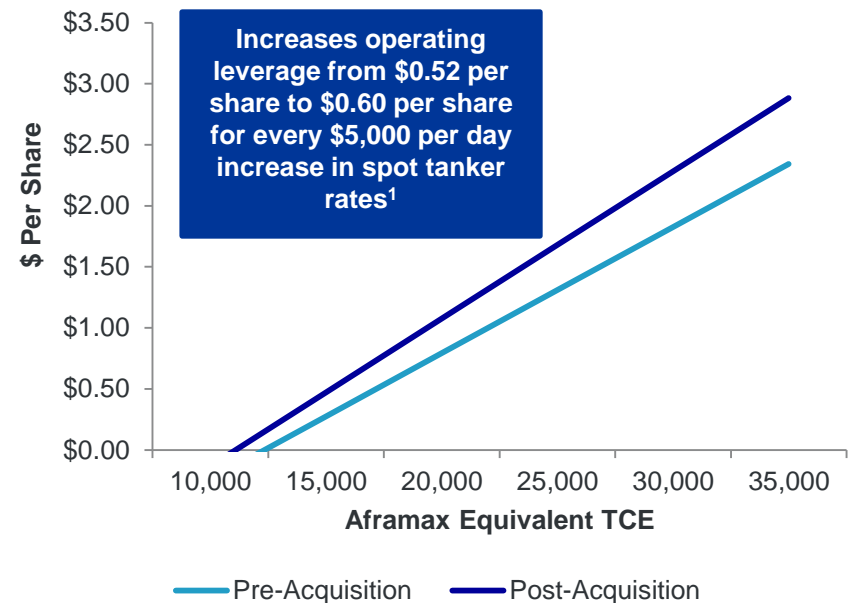
(1) See the Q2-15 earnings release for explanations and reconciliations of these non-GAAP measures to the most directly comparable financial measures under GAAP.



# Acquisition of Principal Maritime Suezmax Fleet Provides Strategic Benefits

- Acquisition at the right point in the cycle increases operating leverage and enables TNK to take advantage of the strong spot tanker market
- Accretive to earnings, free cash flow and net asset value per share
- Enhances scale benefits
  - Doubles Suezmax fleet and solidifies TNK as a top-3 Suezmax owner
  - Expands Suezmax capacity to meet growing long-haul global crude trade from Atlantic to Pacific basins as well as developing intra-regional trades
  - Increases customer base in regions around the world
- Reduces average age of owned fleet by 1.2 years

**FCF<sup>1</sup> Per Share Spot Rate Sensitivity Pre and Post-Acquisition**



(1) Based on pro-forma 12 months ended June 30, 2016 assuming Principal Maritime and ship-to-ship business were acquired as of July 1, 2015.

# The Changing Dynamics of Suezmax Trade

Increasing diversity of supply sources expected to further stretch fleet

## Suezmax Trade Development 2012-15

 Trade Growth       Trade Decline

Significant decline in WAF-US volumes due to rise in US shale oil production

European refiners taking more crude from W. Africa

Increase in Suezmax loadings ex-MEG

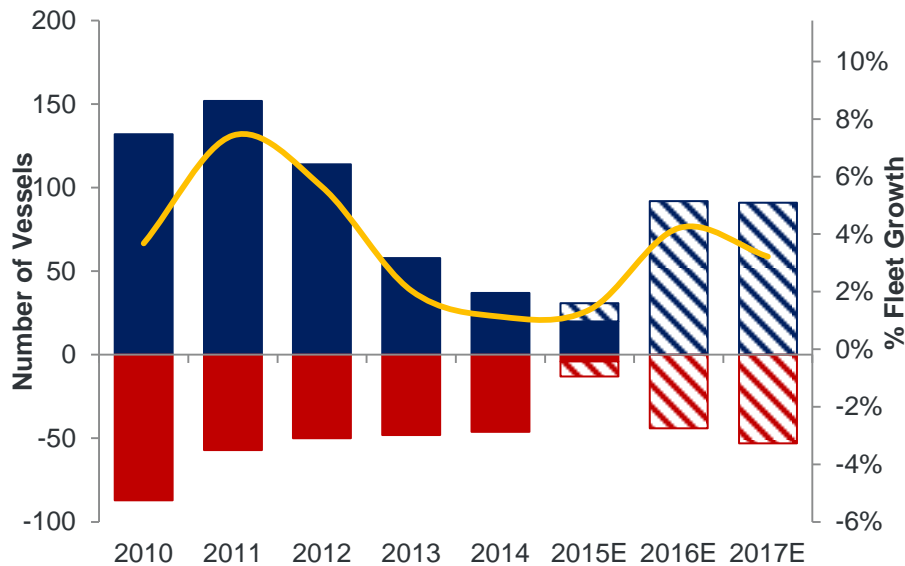
China and India sourcing more crude from S. America

More Suezmaxes trading long-haul from WAF-Asia

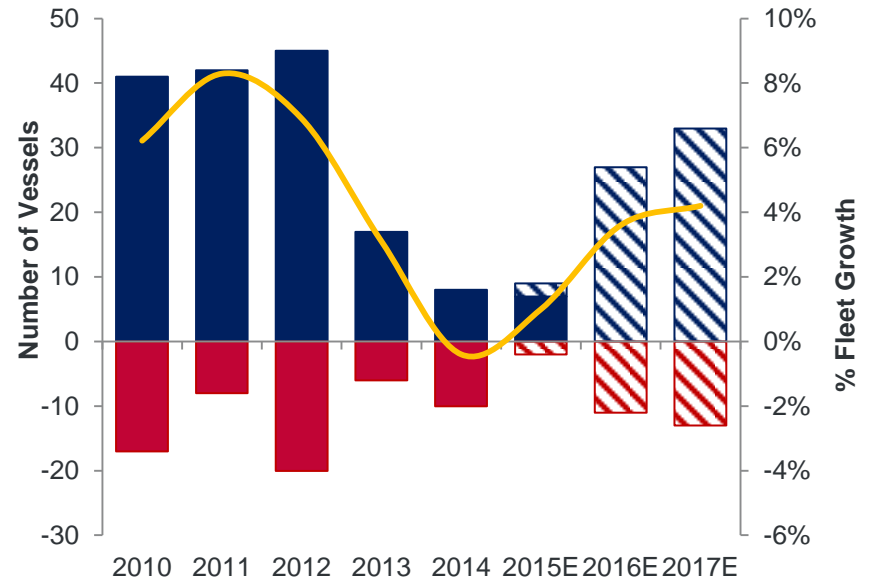
# Moderate Fleet Growth into 2017

Fleet growth in 2016 / 17 manageable despite recent orders

## Crude Tanker Fleet Growth



## Suezmax Fleet Growth



Source: Clarksons / Internal estimates

     Removal Forecast   
      Removals   
      Delivery Forecast   
      Deliveries   
      Fleet Growth

- Fleet growth remains low in 2015 despite deferrals in scrapping due to historically strong spot market
- Impact of increased deliveries in 2016 and 2017 could be offset by deferred scrapping from 2015, and remains at moderate levels



# Acquisition of Ship-to-ship Transfer Business

- In late-July 2015, TNK acquired 100% interest in SPT Inc. for a purchase price of \$45.5 million
  - Establishes TNK as a global player in the ship-to-ship transfer business
  - Increases overall fleet utilization through improved scheduling efficiencies
  - Enhances customer interaction through broadened service offering
  - Expected to generate \$10-\$12 million in EBITDA per year



• Areas in which SPT conducts ship-to-ship operations



# Acquisition Financing and Accretion

- Aggregate purchase price of ~\$708 million for Principal Maritime fleet and SPT Inc. fully financed by:
  - ~\$400 million new debt facility to be completed in August 2015
  - \$223 million of new equity, including a combined \$125.5 million to the sellers and Teekay Corporation, and \$37.3 million through TNK's continuous offering program during Q2-2015
  - Existing liquidity of ~\$85 million (TNK liquidity as of June 30, 2015: \$230 million<sup>1</sup>)
- Acquisitions accretive to key financial metrics including free cash flow and net income
- Financial leverage maintained at current level (net debt to book capitalization) and expected to decrease due to strong anticipated earnings
- Transactions increase TNK's dividend capacity and are expected to provide long-term value for shareholders

Key Financial Metrics	12 months ended June 30, 2015 <sup>2</sup>	12 months pro-forma ended June 30, 2015 <sup>2</sup>	Change
Adjusted Net Income	\$101.4M	\$162.2M	60%
Adjusted Net Income per share	\$1.00	\$1.22	22%
Free Cash Flow	\$158.8M	\$251.6M	58%
Free Cash Flow per share	\$1.56	\$1.90	22%
Net Debt to Book Capitalization	54%	56%	2%

(1) Includes proceeds of \$37.3 million from continuous offering program

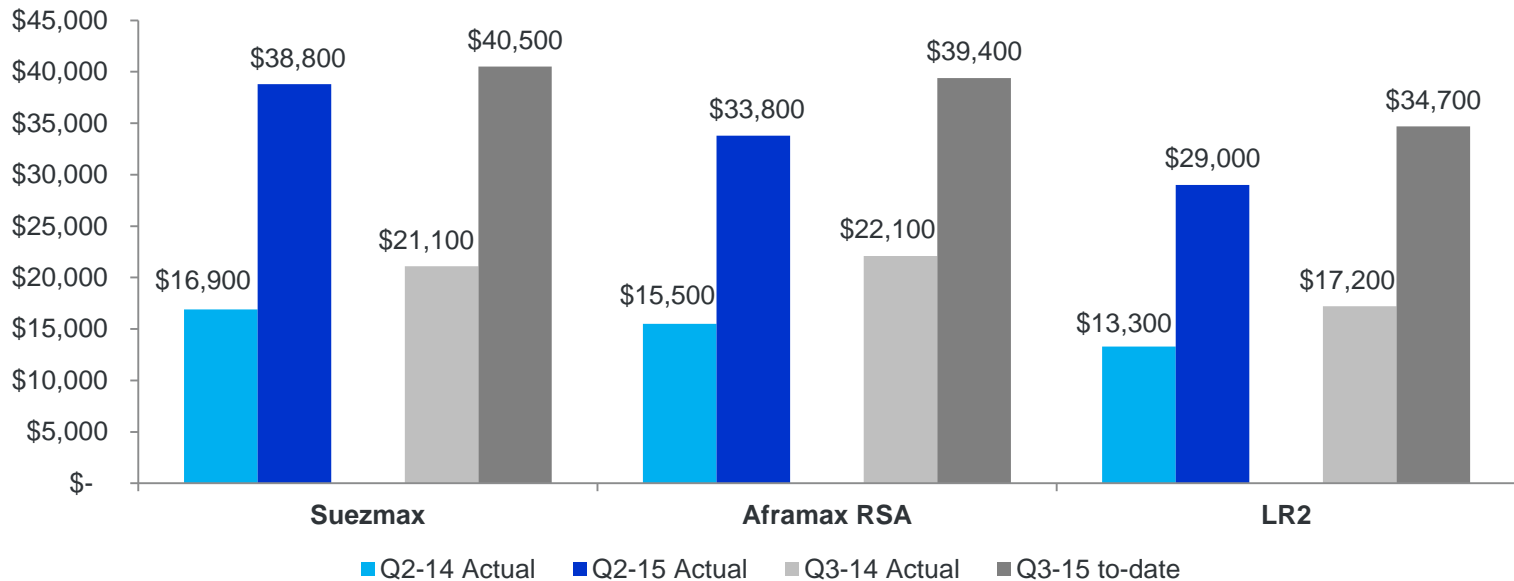
(2) Pro-forma financial metrics assume that the Principal Maritime and SPT Inc. acquisitions were completed and delivered on July 1, 2014, with all acquired vessels trading spot and earning the same spot rates which TNK's existing Suezmaxes earned in the same period. The \$37.3 million of proceeds from the continuous offering program during Q2-2015 have been allocated towards the financing of the Principal Maritime acquisition and as such, are excluded from the actual June 30, 2015 net debt to book capitalization and only included in the pro-forma column. Three vessels from the Principal Maritime fleet are assumed to be dry-docked; ship-to-ship business assumed to generate \$12 million in cash flow; acquisition financing is as shown above.





# Counter-Seasonally Strong Spot Rates

- Spot rates averaged significantly higher year-on-year in Q2-2015
- Counter-seasonal strength driven by high oil supply, positive fleet fundamentals, changing trade patterns, and ongoing storage programs will continue to Q3-2015



Q3-15 %  
booked to-  
date

**39%**

**46%**

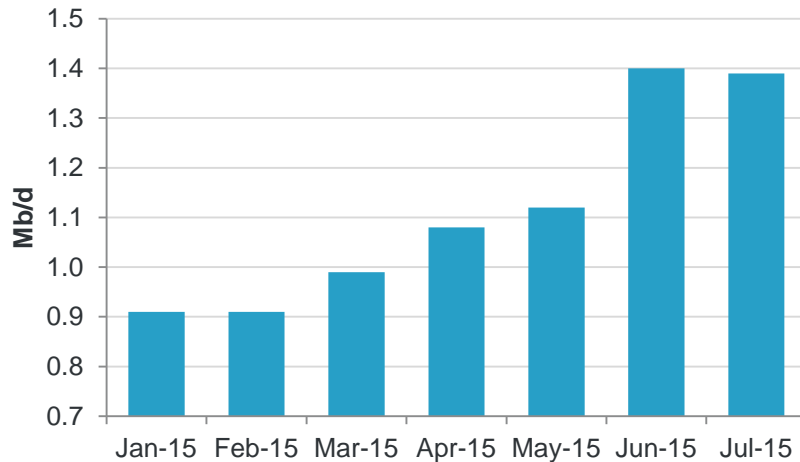
**68%**



# Freight Market to Remain Strong in 2H-2015

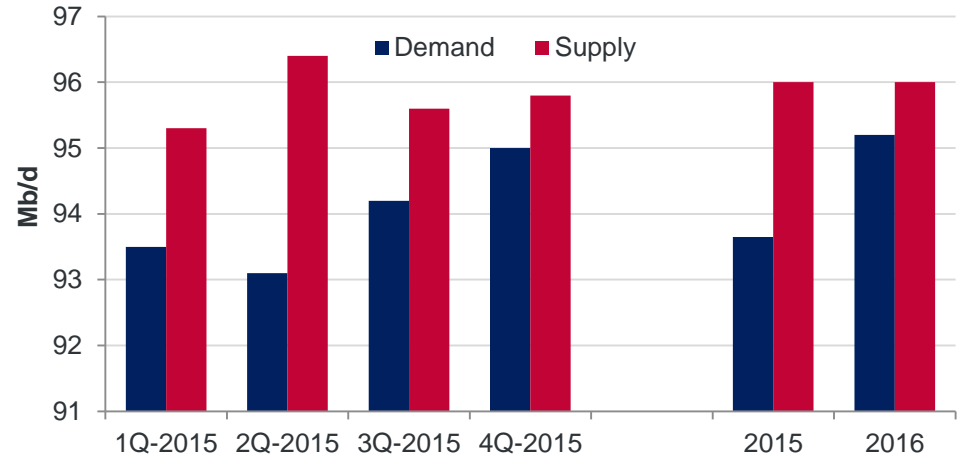
Low oil prices, high oil production and rising demand supporting tanker rates

## 2015 IEA Oil Demand Forecast



Source: IEA

## Global Crude Oil Supply and Demand



Source: IEA

- IEA has revised its 2015 global oil demand forecast up from ~0.9 mb/d in Jan'15 to 1.4 mb/d in June / July
- Global oil supply to outpace demand through 2015, adding to intermittent ullage delays in Singapore, Europe, and the US Gulf
- Low oil prices will continue to encourage stockpiling

# Delivering Shareholder Value

Executing company strategy using variety of levers

## Strategy Levers

- Actively pursue in-charters while managing out-charter portfolio
- Utilize TNK's operating platform to pursue consolidation and investment opportunities
- Increase fee revenues
- Building financial strength by de-levering balance sheet



## Execution

- Established a portfolio of 12 in-charters which contributed to increase in spot exposure to 85%
- Accretive acquisitions of 17 modern mid-size tankers
- Acquired Ship-to-ship transfer service provider SPT Inc.
- Acquired 50% interest in Teekay Corporation's commercial and technical management operations
- Reduced financial leverage from 72%<sup>1</sup> to 56%<sup>2</sup>



(1) Net debt to book capitalization as of December 31, 2013

(2) Net debt to book capitalization based on pro-forma 12 months ended June 30, 2015 assuming Principal Maritime and SPT Inc. were acquired as of July 1, 2014.

# APPENDIX

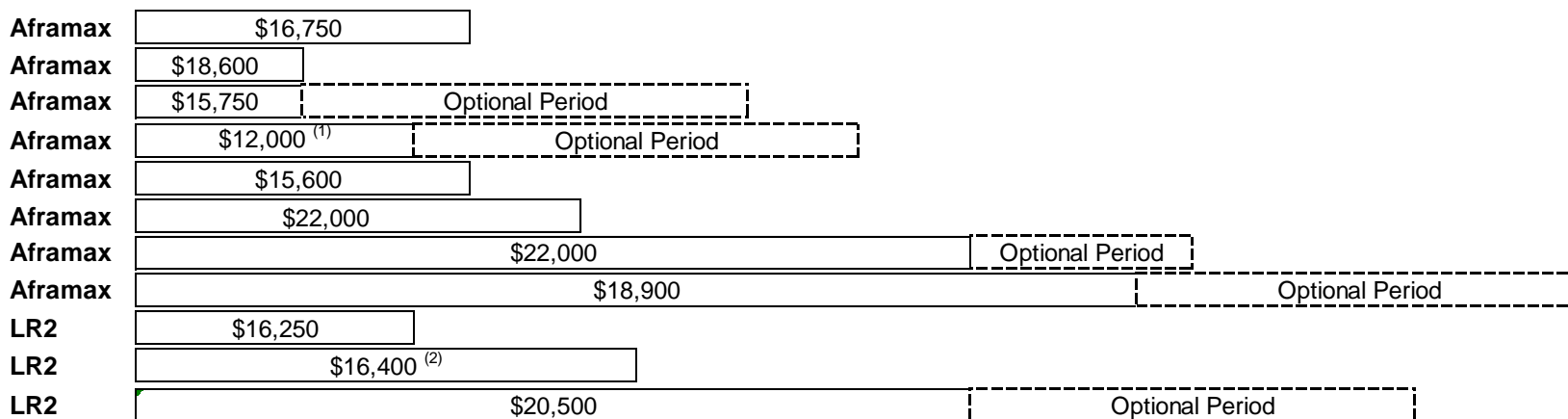


# Suezmax Vessels to be Acquired by TNK

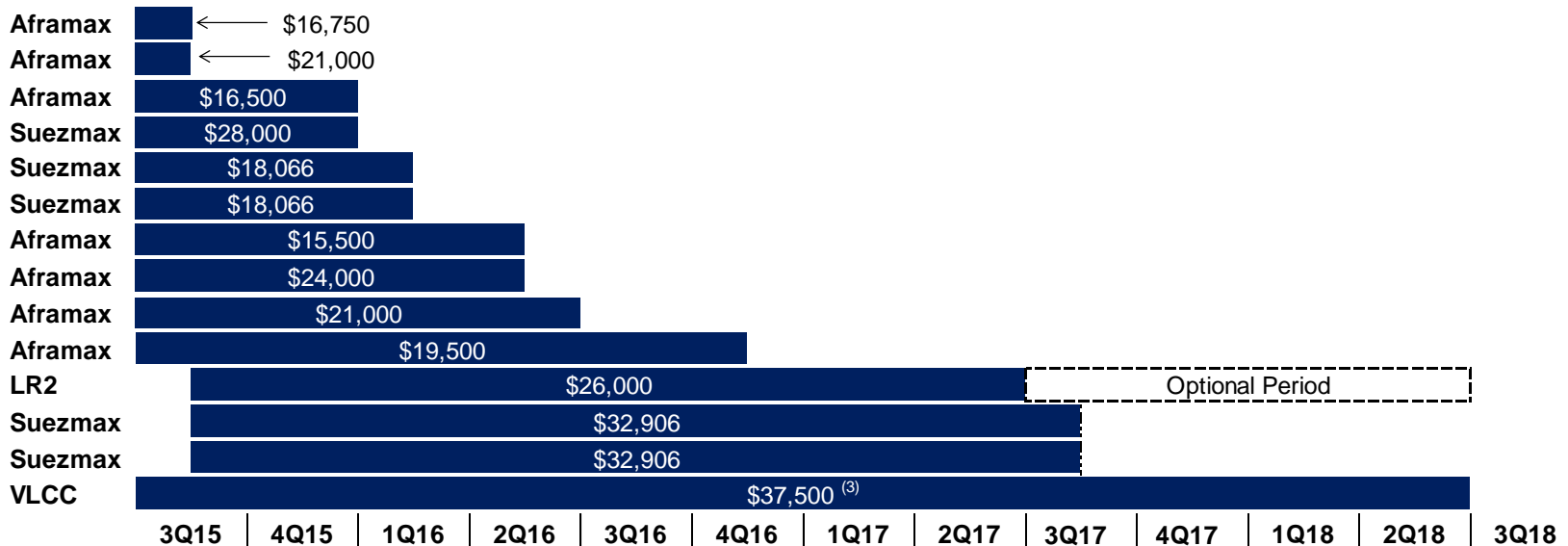
No.	Vessel Name	Charter-out Expiry	Yard	DWT	Year Built	Current Age
1	Princimar Courage		Samsung	158,000	2013	2
2	Princimar Pride	Dec-15	Samsung	158,000	2012	3
3	Princimar Integrity		Samsung	158,000	2012	3
4	Princimar Grace		Samsung	158,000	2011	4
5	Princimar Hope		Samsung	158,000	2011	4
6	Princimar Promise		Samsung	158,000	2011	4
7	Princimar Joy		Rongsheng	156,000	2010	5
8	Princimar Strength		Rongsheng	156,000	2010	5
9	Princimar Truth		Hyundai	159,000	2007	8
10	Princimar Confidence	Jan-16	Universal	150,000	2006	9
11	Princimar Loyalty	Feb-16	Universal	150,000	2006	9
12	Princimar Faith		Daewoo	158,000	2005	10
				1,877,000		5.5 years

# Fleet Employment Profile

## In-Charter Portfolio



## Out-Charter Portfolio



(1) 50/50 profit share if earnings are above \$12,000/day

(2) 50/50 profit share if earnings are between \$16,400 and \$24,400 /day plus 75/25 profit share in TNK's favor if earnings are above \$24,401/day

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



# TNK 2015 Drydock & Offhire Schedule

Teekay Tankers Segment	March 31, 2015 (A)		June 30, 2015 (A)		September 30, 2015 (E)		December 31, 2015 (E)		Total 2015		Total 2016	
	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days	Vessels	Total Off-hire Days
Spot Tanker	1	27	1	24	6	150	2	50	10	251	-	-
Fixed-Rate Tanker	1	90	2	103	-	-	-	-	3	193	-	-
Principal Tankers	-	-	-	-	4	100	4	100	8	200	-	-
	2	117	3	127	-	10	250	-	6	644	-	-

Notes:

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

