TEEKAY SHIPPING LTD.

Moderator: Peter Evensen
May 12, 2011
10:00 am CT

Operator: Welcome to Teekay Corporation's first-quarter 2011 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. Peter Evensen, Teekay's President and Chief Executive Officer. Please go ahead, sir.

Kent Alekson: Before Mr. Evensen begins; I would like to direct all participants to our Web site at www.Teekay.com, where you will find a copy of the first-quarter 2011 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 2011 earnings release and earnings presentation available on our Web site. I will now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you, Kent. Good morning, everyone, and thank you for joining us today for Teekay Corporation's first-quarter 2011 earnings call. I'm joined this morning by our CFO, Vince Lok, and for our Q&A session, we have our Group Controller, Brian Fortier.

Beginning on slide 3 of the presentation, I will briefly review some recent highlights for Teekay Corporation and our three daughter companies. For the first quarter of 2011, Teekay Corporation generated a consolidated $136.4 million of cash flow from vessel operations. We reported a consolidated adjusted net loss of $27.9 million, or 39 cents per share, in the first quarter on a consolidated basis, which represents a slight improvement over the fourth quarter adjusted net loss of $0.51 per share.

So far this year, we've seen strong business-development activity across all of our businesses, led by our offshore business, where we've seen a growing pace of project tendering and asset acquisition opportunities in our core markets. While most are ongoing, and in fact we've lost a few that we could have won if we had met the competition's low bid and not stuck to our hurdle rates, I'm pleased to report some successes. We recently entered into a joint venture agreement with Brazil-based Odebrecht to jointly pursue FPSO opportunities in the Brazilian market. And this week we also signed a conditional contract with Samsung to construct a new-building FPSO, subject to us finalizing a contract with a major oil-and-gas company for a new North Sea FPSO project.

We also continued to return capital to shareholders, which is far preferable to booking low-return business. Since our last earnings call on February 24, we have repurchased 1.1 million shares under our existing $200 million share repurchase authorization for a total cost of $38 million.

Since the current program began in November 2010, we've now bought back a total of 2.5 million shares at a total cost of $82 million.

Our three daughter companies, which are responsible for growing portion of Teekay Parent's cash flows, have also been active in 2011 to date. In March, Teekay LNG partners agreed to purchase Teekay Parent's 33% interest in four LNG carrier new-buildings that are going to go on 20-year contracts for the Angola LNG project when they deliver later this year through early 2012. In April, Teekay LNG completed $162 million follow-on equity offering. A portion of these proceeds will be used to fund the equity portion of the four Angola LNG carriers, which is expected to total approximately $75 million for all four vessels. Teekay LNG declared a first-quarter distribution of $0.63 per unit, in line with the previous quarter, when it was increased by 5%.

In March, Teekay Offshore partners acquired the remaining 49% interest, and Teekay Offshore Operating LP, or OPCO, from Teekay Parent for $390 million. This transaction reduced Teekay Parent's net debt and simplified our ownership structure of both Teekay Offshore and Teekay Parent. Teekay Offshore declared a first-quarter distribution of $0.50 per unit, which is a 5.3% increase from the previous quarter, reflecting the increase in the partnership's distributable cash flow resulting from recent acquisitions.

Despite the relatively weak spot tanker market, Teekay Tankers is performing much better than its publicly listed peers, and remains well positioned, with over 60% of its revenue days covered by fixed-rate contracts for the remainder of 2011, and approximately $300 million of liquidity available to pursue accretive growth opportunities. For the first quarter, Teekay Tankers declared a dividend of 25 cents per share, an increase of 22 cents per share in the fourth quarter, as a result of the slight improvement in average spot tanker rates in the first quarter.

Turning to slide 4 of the presentation, I will provide an update of each of Teekay's core business areas, starting with our FPSO business. The search for new sources of oil to satisfy growing global demand, coupled with high oil prices of over $100 a barrel, has led to an increase in onshore – excuse me, offshore exploration and production activity in recent months. As a result, we've seen an increase in the number of FPSO projects around the world, with 100 projects currently in the planning stage, compared to 78 projects in 2009.

Half of these FPSO projects are located in Teekay's core regions of the North Sea and Brazil. In Brazil's state-owned oil company, Petrobras, and other international oil companies, continue to make large new finds, which will lead to continued demand for floating production systems in the coming years. In the North Sea, the high oil-price environment and steady depletion of existing fields are also encouraging new exploration, including the push into harsher weather environments, which is Teekay's area of expertise.

The majority of the FPSO projects, which are expected to come online over the next 5 years, have yet to be ordered, as shown by the green bars in the chart. We estimate that around 20% of future FPSO requirements will be met by the redeployment of existing units, with the remaining 80% being met by new-buildings and conversions.

Given the strong fundamentals in the FPSO space, I'm pleased with the activity level of business development so far in 2011, pursuing new FPSO projects in our core Brazil and North Sea markets that play to our strengths in harsh weather operations. In addition, bidding on new FPSO project tenders, Teekay is involved in multiple front-end engineering and design, or feed, studies for other potential FPSO projects, which provide us in a strong position to be awarded these contracts.

In Brazil, we recently entered into a strategic joint venture with Odebrecht to jointly pursue FPSO projects in Brazil, and this should increase our chances of winning new FPSO projects in that growing offshore market, especially where local content is an increasingly important factor. Odebrecht is a multinational Brazil-based company, with specializations in engineering and construction, oil and gas, and energy, with significant resources. We're already working with Odebrecht to review several new FPSO project opportunities as part of our strategic alliance, and we expect that Odebrecht will take a 50% interest in our Tiro Sidon FPSO project that we announced last fall, which is currently being constructed in Singapore.

We're also actively working on new FPSO project opportunities in the North Sea. For the past several months, we've been working on a feed study for a new North Sea FPSO project with a major oil-and-gas company. Conditional on signing a new long-term contract that we've been the finalizing with this customer, we recently placed an order with Samsung Heavy Industries to develop a new-building FPSO to service this project.

Slide 5 provides an overview of the current outlook in recent activities in our shuttle tanker business. Shuttle tanker demand is set to grow significantly in the future years, as new offshore production comes online, particularly in deeper waters. In the North Sea, we envision future demand will come increasingly from harsher-weather environments, such as the Bering Sea, where STOTT OIL recently announced a find of 500 million barrels of oil equivalent, the biggest North Sea oil find in a decade. In Brazil, we also see a large and growing future requirement for shuttle tankers, particularly as the giant deep-water subsalt oil fields start to come online in the next few years.

Petrobras is leading the charge with an estimated future requirement of more than 30 shuttle tankers to serve these offshore oil fields. However, shuttle tanker demand in Brazil is not limited to just Petrobras. International oil companies with equity stakes in these fields will also require shuttle tankers, and the requirement of these companies are expected to generate additional demand of upwards of ten shuttle tankers in the medium term.

In recent months, we've seen an increased tender activity for shuttle tankers in both the North Sea and Brazil, and Teekay is actively bidding on many of these tenders, although I must add that the competition is stiff. Our existing shuttle tanker new-building program is expected to wrap up on schedule this year, with the delivery of the third and fourth ice class shuttle new-buildings, the Peary Spirit and the Scott Spirit. As we've announced previously, the Peary Spirit will be acquired by Teekay Offshore upon its commencement of a time-charter contract with STOTT OIL in July. And we're in the process of finalizing employment for the Scott Spirit to coincide with its delivery later this year.

Turning to slide 6, we provided an overview of some key developments in our gas business. After a prolonged period of inactivity, we're now starting to see a pick-up in the level of tendering activity for both conventional LNG shipping, and floating re-gasification and storage, or FSRU project. We expect this trend to continue as more LNG liquefaction and floating re-gasification projects reach final investment decision through the course of 2011 and 2012.

There've also been a significant uptick in spot LNG shipping rates over the past 9 months, with rates currently at $90,000 per day, versus $30,000 per day last summer for conventional ships. This is partly due to a 40% increase in spot and short-term LNG spot trades during 2010, as a result of more attractive spot LNG prices versus long-term prices, coupled with a high availability of uncommitted supply from the Middle East. The market has strengthened further in the last 2 months as a result of the increased LNG demand from Japan due to nuclear power plant outages following the devastating earthquake on March 11.

The increase in LNG market activity has been positive for Teekay's business-development activities. The renewed global focus on LNG and the tightening supply of spot LNG carriers has provided an opportunity for Teekay to secure new short-term contracts for our two smaller LNG carriers, the Arctic Spirit and the Polar Spirit, at attractive rates. In April, the Arctic Spirit was contracted as an LNG lightering vessel in Argentina, alongside an FSRU. The contract term is initially for 6 months, with an opportunity for two 1-year extensions.

In addition, the contract for the Polar Spirit with ConocoPhillips and Marathon Oil, moving between Kenai, Alaska and Japan, will be extended for a period of 4 months beginning at the end of May. In addition, we've been actively bidding on new gas transportation projects and FSRU opportunities that have resulted from this increased tendering activity. Also, we continue to focus on supplementing our organic growth by seeking opportunities to acquire third-party gas carriers or FSRUs that come with long-term fixed-rate contracts.

Finally, turning to slide 7, we provide an updated outlook on our conventional tanker business. In spite a number of one-off events in Q1, which gave rise to some temporary sharp spikes, conventional tanker rates continued to be negatively affected by too much tanker fleet growth, relative to demand, and the absence of floating storage. The high cost of bunkers has also contributed to depressed time-charter rates.

In the Atlantic, geopolitical unrest in the Middle East and North Africa, and in particular, the loss of Libyan crude oil exports, led to trade disruptions and the movement of oil over longer distances. In the Pacific, the devastating earthquake in Japan gave rise to a short-term increase in fuel oil and crude oil imports for direct burn and power plants, but the overall impact on Japanese oil demand was negative.

These events led to short periods of rate volatility throughout the first quarter. However, rates have since pulled back to relatively low levels, as a result of vessel oversupply. We expect the market to remain challenged for the remainder of 2011, as tanker fleet growth is expected to match or outweigh demand growth.

Looking further ahead, we are starting to see the seeds of a tanker market recovery. During 2012 and onwards, based on a shrinking order book and an expected continuation of strong tanker demand growth. Over the past few months, there's been a sharp decrease in new tanker orders, with just 2.5 million deadweight of new orders placed since the start of the year. If this level of ordering continues for the rest of the year, it would be the lowest level of tanker ordering since the 1980s.

Provided the level of tanker orders remains low for the rest of the year, and tanker demand continues to grow strongly in tandem with global oil demand, we could see improved tanker fleet utilization and higher spot rates in 2012 and beyond. Based on the current near-term tanker market outlook, we continue to focus on reducing our spot market exposure at Teekay Parent level, primarily through the redelivery of our remaining above-market in-charters, which are the primary reason for our reported loss this quarter. When opportunities arise to time-charter out at attractive rates, we've also sought to take on additional coverage to further limit our spot tanker market downside.

But continuing on a path we began in late 2007, we are going to continue to pursue incremental tanker fleet growth through our tanker-focused daughter company, Teekay Tankers, which is reporting later today. I'll now turn the call over to Vince to discuss the Company's financial results for the quarter.

Vince Lok: Thanks, Peter, and good morning, everyone. Starting with slide 8, I will review our consolidated results for the quarter, comparing our adjusted Q1 income statements against our adjusted Q1 income statements, which excludes the items listed in Appendix A of our earnings release reallocates realized gains and losses from derivatives to the respective income-statement line items. Later on, I will also provide our outlook for the second quarter.

Net revenues decreased by approximately $8 million, primarily due to the recognition of an additional $17 million in Q4 relating to the annual revenue true-up for the Foinaven FPSO, partially offset by higher average spot tanker rates in Q1 compared to Q4, and fewer scheduled dry-docking and off-hire days, with 72 days in Q1 compared to 235 days in Q4. As a reminder, a portion of the revenue we earned on the Foinaven FPSO is dependent on various annual operational performance measures, oil production levels, and the average oil price for the year. As a result, for accounting purposes, this portion of revenue is recognized only in the fourth quarter of each year.

Based on the average oil price and the actual oil production in the Foinaven in Q1, there is approximately $9 million of unrecognized revenue in Q1, which will be recognized in the fourth quarter of 2011, provided our operational performance for the year is similar to the performance in the first quarter. SO operating expenses have decreased by $6 million, mainly due to a reduction in repair and maintenance activities during Q1. Depreciation and amortization decreased by $7 million, primarily due to the impact of Q4 and Q1 asset write-downs in vessel sales, as well as an increase to the estimated residual value of our vessels due to higher steel prices.

Excluding the one-time items in Q1, G&A expenses were consistent with Q4, at about $52 million. Net interest expense decreased by $6 million, primarily due to the impact of resetting a portion of our interest-rate swaps, higher capitalized interest on new-building installments and from lower average net debt levels in the quarter. Non-controlling interest expense increased by $2 million, primarily due to the sale of our 49% interest in OPCO to Teekay Offshore, and the recent equity offering completed in Teekay Tankers.

Looking at the bottom line, adjusted net loss per share narrowed to 39 cents in the first quarter, compared to an adjusted net loss of 51 cents in the fourth quarter. Again, the bulk of the losses can be attributed to the weak spot tanker rates.

Now, turning to slide 9, we have provided some guidance on our expected financial results for the second quarter of 2011. Excluding the impact of changes in spot tanker rates, net revenues in Q2 are expected to decrease by about $10 million from Q1, as a result of lower revenues from the offshore fleet due to seasonal maintenance and the sale of the Karratha Spirit FSO in March, our reduction in revenue days due to a heavier dry-docking schedule in Q2, and the redelivery of chartered in-vessels, as well as (invoice) costs associated with the delivery of the new-building shuttle tanker, the Peary Spirit. These decreases will partially be offset by a new charter contract for the Arctic Spirit, which commenced in late April.

In terms of spot tanker rates, so far in Q2, we have fixed approximately 50% of our Q2 spot revenue days at an average rate of $18,000 per day for Aframaxes and $21,000 for Suezmaxes. Although these rates are higher than the Q1, current spot tanker rates are below the averages for the first half of Q2. As a rough rule of thumb, for each $1000 per day change in spot tanker rates, it results in a $2.5 million change in consolidated revenues per quarter.

Overall vessel operating expenses in Q2 are estimated to increase by about $4 million to $6 million, compared to Q1, primarily as a result of the start of the summer's maintenance season in the North Sea, affecting our FPSO fleet, as well as an increase in scheduled dry-docking activities in Q2. Time-charter hire expense is expected to decrease in Q2 by approximately $6 million to $7 million, reflecting the redelivery of vessels during Q1 and Q2, as well as less spot in-chartering activity in our tanker fleet.

Depreciation and amortization is expected to remain consistent with Q1. We expect G&A to be in the range of $50 million to $52 million, roughly in line with Q1. Net interest expense is expected to decrease by about $1 million to $2 million, reflecting the full-quarter effect of the interest-rate resets that occurred in Q1. Income tax recovery run rate is expected to be approximately $2 million in Q2. Non-controlling interest expense is expected to increase to approximately $32 million to $34 million in Q2, reflecting the full-quarter impact of the OPCO sales to Teekay Offshore and the Q1 Teekay Tankers equity offering, as well as the Q2 equity offering in Teekay LNG partners.

Turning to slide 10, we have provided a forward-looking profile of Teekay Parent's existing in-charter fleet as measured in terms of in-charter days per quarter. In anticipation of the weak spot tanker market that we're seeing right now, we have significantly reduced our Teekay Parent spot market exposure over the past 2 years, largely through the redelivery of out-of-the-money in-charter conventional tankers.

As you can see from the chart, over the next 18 months, we are expecting a significant reduction in the number of in-charter vessels per quarter. Since many of these vessels were in-chartered at rates above what they currently earned in the spot tanker market, as these vessels redeliver to their owners, Teekay Parent's cash flow break-even rates will fall, enabling the profitability of remaining conventional fleet to improve over the near term, even if rates remain relatively weak.

On slide 11, we have provided an update to our sum-of-the-parts calculation, which indicates Teekay's underlining value of approximately $46 per share, compared to our current trading price of below $35 per share. During the past year, we have made a significant progress towards our goal of reducing Teekay's trading discounts to its sum-of-the-parts value. Through accretive asset sales to our daughter companies, and using the proceeds to reduce debt at Teekay Parent, and repurchasing shares at prices below our sum-of-the-parts value, we have been able to reduce our sum of the parts discount by approximately 50% – from approximately 50% in September 2010 to about 25% today.

Going forward, we will continue to focus on further narrowing this discount and growing our sum-of-the-parts value on an absolute basis, through a combination of organic growth and accretive acquisitions in our core business areas, as well as further share repurchases, while maintaining a strong balance sheet. With the modest level of net debt at Teekay Parent, a large portion of which is related to warehouse assets that will ultimately be dropped down to the daughter companies, and over $1 billion of its own liquidity, Teekay Parent, as well as our daughter companies, are financially strong and well positioned to pursue future growth opportunities. With that, I'll turn the call back to Peter to conclude.

Peter Evensen: Thanks, Vince. To conclude, the first quarter and second quarter of 2011 to date have been very active for Teekay from a business development standpoint. Although we reported a net loss for the quarter, which we're not satisfied with, we believe the steps we're taking to further build upon our fixed-rate business and reduce our exposure to the current weak spot tanker market at Teekay Parent, are already yielding results and we will continue to focus on positioning the Company for an even stronger result going forward in the future. Operator, we're now ready to take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, press star 1 on your touch-tone phone. To withdraw your question, press the pound sign. If you use a speakerphone, lift your hand set before entering your request. Please stand by for your first question. Your first question comes from Michael Webber. Please go ahead.

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

Male: All right, Mike, how are you?

Michael Webber: Good, good. Couple questions for you. I guess to start off with the new FPSO unit for the North Sea. I know it's still a bit early, but can you guys give a little color in terms of a potential delivery window, and then speak to potential EBITDA contribution, a range there?

Peter Evensen: Well, you're absolutely right. It is a bit early. Our policy is to announce these contracts when they are completed, and at that time, we give financial information about it. We haven't put everything in place, but there was a release out from Samsung that looked at the signing that I made earlier this week out in Seoul. So at that time, we'll give you more information about it.

Michael Webber: Fair enough. And then, coming at it a different way, is it fair to assume that your target return hurdles for the FPSO market haven't changed at all within the last 3 to 4 months?

Peter Evensen: That is correct.

Michael Webber: Okay.

Peter Evensen: We're still looking at low- to mid-teen digit returns on our FPSOs. And if you did construct an FPSO, you wouldn't get it until, earliest, second half of 2013.

Michael Webber: Okay, great. That's very helpful. I mean, just looking at the pure size of the order, is this something that we should expect you to find a JV partner on, or is this something you could potentially take it down on your own?

Peter Evensen: We could certainly take it down on our own. Sometimes we find joint venture partners, as we did with the Tiro-Sidon project, but that has more to do with the local content side of it. But at this point, we would own 100% of it.

Michael Webber: Okay, all right. Fair enough. Switching gears – to talk about the buybacks a little bit. You all made some progress over the last 2.5 months. Can you give us a little bit of guidance about how we should think about the pace of those buybacks from this point forward?

Peter Evensen: Well, the first is our principles. We've announced a lot of buybacks in the past from 2004 to 2006. We bought back about 25% of our shares.

When we announce share buybacks, we intend to complete those programs. We put in place programs that we intend to complete. We're just systematically executing on that program, and so I think the level of purchases that you see now is consistent with what will probably happen going forward.

Michael Webber: Fair enough. So if I were to extrapolate the pace out from here, we're probably looking into 2011, early 2012. Is that an accurate assumption at this point?

Peter Evensen: Yes, that sounds about right.

Michael Webber: Okay, all right. Great. Finally, before turning it over – a couple months ago, you guys mentioned, when you were talking about the crude tanker market, that Teekay was not a seller at current levels, which precluded any sort of drop-downs at TNK. The asset markets really haven't moved since those conversations, maybe a touch lower.

Is that still the case? Or are you guys still not a seller at this point? How do you think about asset values here? If you're not a seller, how much more downside do you think there might be toward that (advice)?

Peter Evensen: Well, Bruce Chan, Teekay Tankers' CEO, is going to give more color on the Tanker space in about an hour when he commences the call. But let me talk from Teekay Parent's point of view, where we have conventional tankers. We can see that the upside is coming in the future, as I said in my prepared remarks.

We just have to get, as I like to say, the pig through the python. And we're nearing the end of that. What's good is that what's really just been missing is the floating storage part. The floating storage was really essential in taking out incremental supply; and now, of course, we have negative sentiment across the whole tanker market. So it isn't just a question of demand and supply. It also has to do with the sentiment of owners.

Teekay, with our pools and our leading positions – I think we're in a great position. We've moved most of our tankers into places where they've been outperforming the averages, and I think that's a good reflection on our chartering guides. So, when I look at the asset values, we're seeing a lot of – or many more – ships getting repossessed by lenders, and I think that's what's holding down the asset-value side. On the positive side, new-building prices in Korea are going up. Korea got about 85% of all the orders to date in the first quarter. So a lot of those were specialized vessels. But they got more than their fair share. So, I think that going forward, you'll see asset values range around here.

However, if we see more owners running into trouble with their banks, I could see that you could get a further downside on the marginal basis. But really, you got to look at the volume of transactions. There hasn't been that many S&P sales of existing tonnage in the newer categories. People have been selling older ships, but that's really a 2-tier type of market going forward. So, we've been surprised at the level of prices that have been paid at some of the auctions, (exit) some vessels. So we're looking out there, but right now, we see prices that have been higher than what we think is reflective of the markets right now. But that just shows investor enthusiasm for the future.

Michael Webber: Got you, great. That's all I have. Thanks for the time, guys.

Peter Evensen: Thank you.

Operator: Thank you. Your next question comes from Gregory Lewis. Please go ahead.

Gregory Lewis: Yes, thank you, and good morning. Peter, in your FPSO slide, you touched on the FEED studies that Teekay is running at the moment. Could you talk a little more about it, and provide some color on what are the expenses involved with those? And how are those expenses realized? Is that something where, if the FEED study is successful and it ends up on a contract, that's just rolled into the final cost of the contract? In other words, is that a drag on costs in the short-term?

Peter Evensen: We really have 2 kinds of FEED studies. Mostly on our FPSO, we are compensated by the customer for our FEED studies, because that's something that we're working with the customer on the design side of it. So it's a partnership; we're getting compensated by the customer.

On some of our floating storage bids, we're having to come out-of-pocket as part of the bid side of things. And also some of the design we do on some of our shuttle tanker bids. But on the big ones, on the FPSOs, we're generally compensated by our customers.

Gregory Lewis: Okay, and then just thinking about the floating storage FEED studies – could you quantify how much of an initial cost outlay that is?

Peter Evensen: I would say, if I had to ballpark it, it's about $500,000.

Gregory Lewis: Okay, great. And then quickly touching on the LNG segment. Clearly, the LNG spot market has really been quite strong. I mean, how should we think about the decision by Teekay to charter the 2, the Arctic and the Polar Spirit? On shorter-term charters, when it seems like in the current market, there's actually demand for more multi-year contracts? Is that something where Teekay wants to maintain flexibility with those assets?

Peter Evensen: Well, actually, there isn't demand for multi-year contracts right now. What's happened in the LNG market is, you have a very high short-term rate, and then you have a back (gradation) coming down. So although you see short-term rates at $90,000 right now on a standard-size LNG, people wouldn't pay that in the longer term. Ours are a little smaller, and we're really happy that we're able to charter them out.

The big news, I think, is the fact that we had 2 ships available to be chartered in this market. The hardest part has to be for owners that have 1-year or 2-year contracts, so they can see the near-term market, but they aren't able to charter them. People who have ships coming off in 2012, and later this year – I haven't seen that they've been able to fix those on a forward basis. The market is enthusiastic in the short term, but the enthusiasm hasn't put itself to the place where they can fix out already today, for ships that are coming off charter in 2012.

So I would say the market has not determined the length of when LNG spot charter rates will go up. And that's natural, because if we only go back 1 year ago, rates were below $30,000 a day. And now they jump up to $90,000. So we should expect to see more volatility there. So for us, who are working up against projects, as we did with our Argentina fixture, we're really happy with that. We've been working with that for a long time. And the fact that we are then able to secure that contract, I think, is pretty reflective of the good work that our project guys did.

Gregory Lewis: Okay, great. And I know you mentioned the 2 vessels that were fixed out are a little bit smaller than that standard LNG vessel that's getting $90,000. Can you give some rate guidance into what type of rates those vessels are being chartered out at?

Peter Evensen: Yes, those rates are sort of in the mid- $50 thousands, towards $60,000 a day roughly.

Gregory Lewis: Okay, perfect. Thank you very much for the time, gentlemen.

Peter Evensen: Thanks, Greg.

Operator: Thank you. Your next question comes from Sal Vitale. Please go ahead.

Sal Vitale: Good morning, gentlemen. Just a quick question on the capital structure side. I guess use of capital and returning cash to shareholders. At what point do you consider raising the dividend, given that there've been increases in distributions from your MLPs? At what point do you decide to slow down the share buybacks and switch to increasing dividends?

Peter Evensen: Thanks. I think that we aren't happy with the fact that we've been reporting losses on an EPS basis. So while our cash flow is moving up steadily, we think it's important, from a dividend policy, that we return to profitability before we look at any change in the dividend policy.

Sal Vitale: Okay. That makes sense. And then just a question on the structure of the parent versus the daughters. Given the redeliveries that you've laid out in the presentation of spot vessels at the parent level, and any sales that you are foreseeing for some of the older vessels; and I guess excluding any new-buildings – what is the number of vessels that you foresee at the parent level, say, at the end of 2012? Not an exact number, just ballpark, just to get a view of the breakout going forward.

Peter Evensen: Right now, we're planning not to increase the level of conventional vessels at Teekay Parent. Teekay Tankers has grown nicely, and we think the future acquisitions will take place down at Teekay Tankers. They've raised money, and as I've said, they have $300 million going forward. So unless we saw some magnificent opportunity to in-charter at some great rates, I don't think you'll see Teekay Parent expanding its conventional tanker activity.

And the reason for that is that Teekay Parent has other, better things it can do with its money. So the great part of our corporate structure is we can decide where to allocate capital. Right now, given the good opportunities we see in the offshore side, you should see that the capital up at Teekay Corporation will be dedicated more to the fixed-rate business rather than to the conventional side. And, as I said on earlier questions, we don't see compelling values right now in the conventional tanker side.

Sal Vitale: Okay. And then, lastly, just a clarification on a comment you made earlier on the call, where you indicated that – I think you said on the offshore side, that you walked away from some projects that you found to not be attractively priced. Can you comment a little bit about the return parameters you're looking for on the offshore side; and more specifically, whether you're seeing more competitive pressure in terms of bidding, in the bidding process?

Peter Evensen: Yes. I think what I was really talking to more there was the competitive pressures you're finding, mostly on our shuttle tanker side of things.

Sal Vitale: Okay.

Peter Evensen: There were some long-term contracts, and I'm talking 15-year contracts. And we found a lot of conventional owners who had never been in shuttle tankers before; they were bidding for these without perhaps having all of the expertise that was required. And so what we found was, with the low rates on the conventional side, they decided that they should go after some of this long-term business, because that was good.

And so we saw rates that were below our hurdle rates, and I think they'll find that out as well as they go forward. But that's the benefit of being in multiple franchises or industries – that we can move our capital to where it will make the most money. And I think that's the lesson that we've had over the last 3 years, as we've come through this downturn, and we now see more of an upturn – is that we have to be better with our capital. And that's why the share buyback is a great reminder. Because if we can't find the returns that we want, we are able to buy back our shares; which for us is an investment just like an investment in contracts going forward. So, while we would like to have the capital for both, we're being very prudent and disciplined.

Sal Vitale: Okay, thank you.

Peter Evensen: Thank you.

Operator: Thank you. Your next question comes from Justine Fisher. Please go ahead.

Justine Fisher: Good morning.

Male: Hey, Justine.

Justine Fisher: I have a couple of questions on broader industry trends related to bank lending. The first is, in discussion with your banks, you're obviously not currently looking at refinancing any of your bank debt. But just generally, do the banks lease-adjust your debt when they are looking at a loan-to-value, for example? Do they take into consideration your in-charters, or do they not lease-adjust your debt?

Peter Evensen: I think it varies by bank. I think typically they don't, which is what the rating agencies do. So I think generally they don't. And of course our in-charter fleet is rapidly declining, so it's becoming less material.

Justine Fisher: Are the banks – are you – I mean in any conversations you may be having, are they starting to say, oh, we may start to lease-adjust it, even though your entire fleet is coming down?

It's obviously money-losing for you and other larger players. Are the banks starting to say maybe that they will change to that accounting method, or are they just still looking at overall debt levels?

Peter Evensen: I haven't heard that, Justine, so …

Justine Fisher: Okay. And also, when banks are lending against vessels, will they lend against a vessel and a time charter attached to that vessel; or are they still lending against, like on a loan-to-value basis, against the steel value of the vessel?

Peter Evensen: Well, what we have found is that bankers have a preference for Teekay's model, which is to have fixed employment attached to vessels, or to be part of a pool going forward. So I think there is a bias by banks against lending against spot vessels. And that clearly reflects what's happened in the spot tanker markets, both on the bulk, as well as the tank – that spot rates, in some cases, only cover your operating costs.

So, bankers are just being smart from that point of view. And what we've seen going forward is that banks are foreclosing when people can't make their interest payments, because then the loan goes on nonaccrual. And so banks are just acting the way they normally would. It's easy for banks to extend the principal payments out, but when something goes on nonaccrual, they get a regulatory side of it.

Justine Fisher: Okay, so …

Peter Evensen: Teekay, I'm very pleased to say, has benefited from its financial strength. So we have more bankers coming to see us these days rather than less.

Justine Fisher: And so they have a distinct preference for lending against vessels that are out on time charter. But I guess when they are deciding how much to lend against a particular vessel, do they value that vessel based on the steel plus the time charter, or just the steel, even though they'd prefer to see a time charter?

Peter Evensen: Yes. They take the employment into account as part of what they're doing.

Vince Lok: We can usually get a higher advance ratio on vessels that have the time charter.

Justine Fisher: Okay, okay. And then, Peter, earlier you had said that we were nearing the end of the pig getting through the python, I think it was. So did that imply that you think we're sort of near the bottom of the market, that it may turn up soon? I didn't quite understand what sort of timeframe that implied about the rate environment now, versus picking up?

Peter Evensen: We think 2011 will continue to be a weak year. And then we have a better opportunity in 2012. And if you just look on slide 7, you can see that there's a lot of conventional vessels that are going to be delivered this year. We don't have the scrapping that we had last year, with the end of 2010, so the net fleet growth is much higher this year than it was last year. And so this is irrespective of whether some vessels are delayed in the yards or not. There's just more ships coming out.

The good news is that the tanker demand growth is keeping up. You saw Chinese oil demand in April set a record. And so, I think that everything is still go on the demand side. We just have to wait for supply to catch up. But supply will catch back up to demand, and then we'll get the rates coming up. But we don't see that happening this year, other than these short-term factors I talked about.

Justine Fisher: Okay, and then one last question. I think that ever since people saw the loan that you guys did – I think it was in February – where you lent money to an Asian shipping company to finance a couple of VLCCs. And I think people looked at the rate you guys got on that loan and said; where else can we find opportunities like this? They've also seen second-lien deals that have been done on the market at interesting levels, too. Have you guys seen more opportunities to do loans like that, or are those still few and far between?

Peter Evensen: Well, I have retired as being a banker. But I was – because I got a better job. But I was pleasantly surprised to hear all the reverse inquiry that came in to Teekay asking us if we would do further opportunities. So, who knows? That's an interesting business. Right now, we think that was a good deal. We like the owner, and we're getting all of our payments, as per the contract.

Justine Fisher: Okay, excellent. Thanks so much for the color. I appreciate it.

Peter Evensen: Thank you.

Operator: Thank you. Ladies and gentlemen, if there are any additional questions, please press star 1 at this time. Gentlemen, there are no further questions at this time. I'll turn the conference back to you.

Peter Evensen: Good. Thank you very much. We look forward to executing on all our business development activities and reporting back our progress next quarter. Thank you.

Operator: Ladies and gentlemen, this does conclude the conference call for today.

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