Company: Teekay Tankers Ltd.

Conference Title: Teekay Tankers Ltd.'s Fourth Quarter and Fiscal 2016 Earnings Results

Moderator: Kevin Mackay

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Operator: Welcome to Teekay Tankers Ltd.'s Fourth Quarter and Fiscal 2016 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 *1 to register for a question. For assistance during the call, please press *0 on your touchtone phone. As a reminder, this call is being recorded.

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

Scott: Before Mr. Mackay begins, I would like to direct all participants to our website at TeekayTankers.com where you'll find a copy of the Fourth Quarter 2016 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 projected by those forward-looking statements. Additional information concerning factors that could cause actual results [inaudible] in these forward-looking statements is contained in the Fourth Quarter 2016 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 Scott. Hello everyone and thank you very much for joining us today. With me here in Vancouver are Vince Lok, Teekay Tankers' Chief Financial Officer; and Christian Waldegrave, Head of Strategic Research at Teekay Corporation. During today's call, I will be taking you through Teekay Tankers' Fourth Quarter 2016 Earnings Results Presentation, which can be found on our website.

Beginning with our recent highlights on slide three of our presentation, Teekay Tankers reported adjusted net income of $5.1 million or $0.03 per share in the fourth quarter of 2016, compared to an adjusted net loss of $1.5 million or $0.01 per share in the third quarter of 2016. We generated free cash flow of $34.2 million during the quarter, compared with $26.6 million in the third quarter of 2016. Our fourth quarter results were positively impacted by the seasonal strength in the tanker market and increased oil exports from Nigeria, Libya and the Baltic Sea, which I will touch on in more detail later in the presentation. In accordance with our variable dividend policy, Teekay Tankers declared a dividend of $0.03 per share for the fourth quarter of 2016, representing the minimum quarterly dividend. The dividend will be paid on 10th March 2017 to all shareholders of record as of 6th March 2017.

As we have mentioned before, one of our priorities is to continue to strengthen our balance sheet, which creates shareholder value by increasing underlying net asset value. The combination of free cash flow generated during the quarter, recent vessel sales and other actions have allowed us to reduce our financial leverage to 47% on a net debt to book capitalisation basis.

Lastly, given our view of the softer 2017 tanker market, we secured three–term charters firm[?] periods of 12 months at an average rate of $20,800. These charters increase our fixed-rate cover to approximately 40% over the next 12 months.

Turning to slide four, we look at developments in the crude tanker spot market. As the charts on slide illustrate, mid-size crude tanker rates firmed in the fourth quarter from the lows seen in the summer months, and reached a seasonal high in December, due to a combination of changing supply dynamics and seasonal demand factors. Exports from Nigeria, Libya and the Baltic Black Sea ports increased by around 800,000 barrels per day through the quarter, which supported mid-sized tanker demand in the Atlantic. Further, Middle East OPEC production reached a record high of 25.6 million barrels per day by the end of the quarter, which further contributed to the overall cargoes available for export. Winter weather delays, as well as high refinery throughput and regional stock builds occurring towards the end of the quarter, provided strong upside support for mid-sized tanker rates. The strength in spot tanker rates continued into the early part of the first quarter of 2017, with OPEC production cuts showing a compliance of around 90%. The Brent-Dubai oil spread has narrowed, such that Atlantic barrels have become more economically attractive than Middle Eastern barrel volumes to Asian buyers.

Such arbitrage trading has the potential to introduce chartering volatility, which we view as positive for spot rates. We believe an increase in this arbitrage-driven long-haul trade will provide some underlying support for mid-size tankers through 2017. While there were some tailwinds for mid-size crude tanker demand at the start of the first quarter, some headwinds are developing, which will prevent challenges to tanker demand, including ongoing OPEC cuts, heavy refinery maintenance, and clearing–weather winter delays. As we note on the following slide, we believe these headwinds will, however, be short–term in nature.

Turning to slide five, we look at where we believe we are in the current tanker market cycle. As the graph illustrates, we believe we have moved beyond the peak of the current market cycle. 2017 will present the tanker market with some specific, yet short-term, challenges for tanker demand that will likely lead to a weakened freight rate environment. These challenges include fleet growth, which is expected to be about 5% for mid-size tankers, the significant portion of deliveries occurring in the first half of this year. OPEC production cuts reducing crude volumes for export, and higher bunker prices, will also play a part in challenging the freight markets. However, the relatively soft rates we anticipate for 2017 should be short-lived in nature, and not as severe or as prolonged as we saw in the period from 2011 to 2013, given the nature of current market pressures. As we cover on the following slide, we also believe that positive fleet development factors in 2018 are likely to result in a return to stronger markets.

Turning to slide six, we cover our outlook for the fleet fundamentals for 2018 and beyond. We believe that a lack of both ordering and scrapping in the recent years, along with ongoing rationalisation of shipyard capacity, will provide a strong foundation for 2018 through the end of the decade. Scrapping in 2015 and 2016 was at the lowest level in ten years, with 2.4 million and 2.6 million deadweight tons of scrapping respectively. As a result, the world fleet has continued to age, such that by 2020, one-third of the global mid-size fleet will be aged 15 years or older. With age discrimination a factor for traders and charterers, as well as pending regulatory changes, such as ballast water management coming into effect, owners will face increasing pressure to scrap older vessels.

In addition to record low scrapping, ordering in 2016 was at the lowest level since 1995 with only 9.2 million deadweight tons ordered. The lack of ordering is due to a variety of factors. Capital markets have been largely closed to owners looking for new build financing, while the spread between second–hand and new–build prices increased, such that it has become more attractive to source tonnage in the second-hand market than order a new vessel delivering into the future. As the lower chart on the slide illustrates, there's also been a steady decrease in shipyard capacity as ownership of the yard has consolidated, stemming the downward pressure on prices. In sum, our view is that fleet growth in 2018 and 2019 will remain constrained, and well below historical averages, as scrapping picks up and ordering remains low, due to financial restraints and lower available shipyard capacity.

Turning to slide seven, we look at the changing supply demand dynamics in the oil markets between 2016 and 2021. Global oil demand continues to grow an average of 1.2 million barrels per day annually, and the expectation is that this rate of growth will continue through to 2021. The real story of tanker demand, however, is the location of crude supply versus crude demand. Asia demand is expected to grow by 4.4 million barrels per day in the forecast period, while supply, particularly in China, is expected to contract. This translates into a need for around 5 million barrels per day of additional imports to satisfy both demand increases and supply declines. In the Americas, supply is expected to grow by 3 million barrels per day in the forecast period, while demand is expected to remain flat. The outcome could mean an additional 2.2 million barrels per day of crude available for export by the end of 2021. This trend of increasing exports from the region has already begun in a meaningful way as the U.S. has, in recent weeks, exported around one million barrels per day from the U.S. Gulf. This growth in exports is particularly positive for mid-size tanker demand, in terms of Aframax tonnage used for reverse lightering and Suezmax demand to transit volumes longer haul.

Depending on OPEC policies in the Middle East, which will need to contend with an increase of 2 million barrels per day of domestic demand, we view the majority of supply increases will likely come from the Atlantic basin, while the demand increases will largely come from Asia. This translates into longer-haul movements from the west to the east, which is supportive of crude tanker trade.

Turning to slide eight, we discuss how Teekay is well–positioned for the changing market conditions. Anticipating the headwinds in the tanker market in 2017, we have increased our fixed rate charter cover to approximately 40%, from approximately 15% a year ago. This fixed rate cover provides stable cash flows, decreasing our all-in cash breakeven level. We also strengthened our balance sheet by continuing to pay down debt, raising equity and selling older assets. With increasing U.S. exports, we significantly grew our ship-to-ship business in the U.S. Gulf by securing several key lightering contracts with oil majors, at rates well above today's spot rates. With OPEC cuts to production stemming mostly from the Middle East, we strengthened our mid-size tanker presence in the Atlantic basin, as Asian buyers have begun looking to replace missing Middle East OPEC barrels with increasing supply from the Atlantic. And with the softening in the clean product trade in 2016, our LR2 product tankers have all been moved into the Aframax crude trade, thereby maximising our earnings from the more lucrative crude markets.

Looking ahead with the expectation of improving market conditions in 2018 and 2019, we are well-positioned to re-engage our strategic levers, which I have talked about previously, including actively pursuing in–charters, utilising Teekay Tankers' operating platform to pursue consolidation and investment opportunities, and increasing fee revenues from our industry-leading services platform.

Turning to slide nine, I will wrap up with an update on spot tanker rates for the first quarter of 2017 to date. Based on approximately 62% and 55% of spot revenue days booked, Teekay Tankers' first quarter to date Suezmax and Aframax bookings have averaged approximately $26,200 and $20,100 per day respectively. For our LR2 segment, with approximately 49% of spot revenue days booked, first quarter to date bookings have averaged approximately $19,200 per day. Although spot tanker rates are expected to be relatively strong in the first quarter of 2017, we do expect 2017 overall will be a challenging year for the tanker market. However, with approximately 40% of our fleet booked on fixed-rate time charters and strong support from our lightering and other fee–based businesses, we believe Teekay Tankers has a strong base of cash flow to help weather future tanker market volatility.

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

Operator: Thank you. If you would like to pose a question, please signal by pressing *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. Again, press *1 to pose a question. We'll pause a moment to allow everyone an opportunity to signal for questions. We'll go to Jon Chappelle of Evercore ISI.

Jon Chappelle: Thank you. Good morning guys.

Kevin Mackay: Good morning Jon.

Jon Chappelle: Kevin, you had mentioned on slide eight that you had already spoken a little bit about re-engaging strategic levers, but I just wanted to dig a little deeper on that. It seems that what you've done with the Suezmax and the MR vessel sales was smart, from a strategic perspective. Obviously, the MRs didn't fit in the fleet kind of longer term, and the Suezmaxes are your two oldest ships of that vintage. As you look across the rest of the fleet, three 1990 built – 1999 built Aframaxes, a couple other 2002 and 2003, I know it's difficult to kind of sell at the trough part of the market, or at least when sentiments at a trough. But is there a two-tiered market developing for those ships? And how do you kind of think about longevity in your fleet right now?

Kevin Mackay: Yeah, I think – you know, the fleet portfolio makeup is something that we constantly monitor at all points in the cycle. And as you saw, we did feel that the MRs didn't belong in our program. And the older Suezmaxes, it was at a point in their lifecycle where we thought the cost benefit of maintaining those weren't worth it. Yeah, if you look at our current fleet, we do have some older Aframaxes that we continue to look at. But two of those are actually trading in the U.S. Gulf at the moment, where there really isn't a two-tier market for older versus newer. And we can utilise those ships very well in our lightering program. And, as you know, we're getting above average rates for those contracts and that utilisation.

In the Far East, I think you do have slightly discrimination on some of the older units, and it is harder to keep positioning those. So, really when we look at what we're going to do going forward, it's a function of where we think the regional markets are going to be, where we think we're best positioned, based on our contract volume, and in areas where we might be able to take advantage of an older unit. But if we see that the upcoming costs for things like third special surveys or intermediate survey dockings, ballast water treatment implementations, those will factor into our decision whether we keep those older assets in the program or not.

Jon Chappelle: Alright, that makes sense. And then you really had a pretty compelling kind of multi-year view here of this year being challenged by headwinds, next year really setting up well for recovery. How do you kind of look beyond the next 12 months? It seems that chartering out at this point may be at the low part of the cycle and chartering in may provide a significant opportunity. However, given the 2017 disparity in the outlook, that could be very detrimental to near–term earnings. So are you kind of looking beyond a 12-month timeframe when you're thinking about the other operational levers?

Kevin Mackay: I think that what you've seen us do in the spot or the fixed–rate charter cover, we've gone for period of 12 to 18 months, which really we see is the sweet spot, starting from last summer, in terms of where to find that cover to get us through the weaker period. We haven't gone long on TC cover for longer term because that would take us out of what we thing would be a recovering market in 2018 and certainly 2019. So I think, as we look at the program going forward, you know, those 12–18 months

TCs are still available – less so on the 18-month side. But again, I don't think we want to be putting our fixed rate cover that far out, where we'd miss the upside in the market.

Jon Chappelle: Right, okay. That makes sense. Final one – and it's two parts, but hopefully it's still quick. The proceeds from the Suezmax sales that completed in the first quarter – that will complete in the first quarter – how much of that is slated for debt repayment? And then part two, I think there's still somewhat of a misperception about pretty significant debt amortisation in 2017, which I know that you've since remedied. But like I said, there might be a misconception about it. Can you just kind of work through the debt amortisation schedule for the next 12 to 24 months?

Vince Lok: Sure. Hi, Jon. As a reminder, these vessels that we just sold recently, the Ganges and Yamuna, they were part of the old 2017 revolver that was in place. So all of the proceeds from those two vessel sales will go towards retiring that remaining facility that matures in November 2017. So that will take care of the remaining amount of that facility. And in terms of the new facility that we put in place January 2016, our average sort of debt repayment is about $120 a year. That's sort of the run rate for 2017. It goes down a little bit in 2018 to about $110 million. And that facility as well as other smaller facilities, so that's an aggregate for Teekay.

Jon Chappelle: Perfect. Okay, great. Thanks Vince. Thanks Kevin.

Kevin Mackay: Thanks Jon.

Operator: If you find that your question has been addressed, you may remove yourself from the queue by pressing *2. We'll go next to Gregory Lewis of Credit Suisse.

Gregory Lewis: Yes, thank you and good morning gentlemen.

Kevin Mackay: Morning.

Vince Lok: Morning.

Gregory Lewis: Kevin, in some of your prepared comments you talked about, you know, yes, OPEC's cutting, but, you know, your fleet seems to be – just given the size of your vessels, maybe a little bit more insulated. You know, as we've seen the OPEC's cut start to filter into the market, has that driven any dislocations or increased volumes from other basins sort of mitigating the lower volumes from the Middle East?

Kevin Mackay: Yeah, I think primarily – I think Christian can clarify for me – but I think the vast majority of the production cuts that OPEC announced are coming from three Middle Eastern countries. So that is having a dampening effect on the larger class of vessels, sort of AG East. Those barrels are obviously being replaced by longer haul out of West Africa and Brazil, and also the U.S. Gulf now. We're seeing a lot more production coming out of the U.S. Gulf. The first cargo I think just recently got fixed from the U.S. Gulf to India. So I think Asian buyers are looking to diversity their sources, given the cuts that are primarily coming out of the AG.

Gregory Lewis: Okay, and then just if we sort of look back at history when OPEC, you know, decided to change their production volumes, i.e. take down their volumes, what sort of impact does that usually have? Or does it have any impact on the product tanker markets? And I guess what I'm wondering is, you know, if we're seeing less crude oil flow out of the Middle East, could we see the potential over the next six to twelve months, that we'll see more products flow out of the Middle East, since that's a higher margin barrel for the producers?

Kevin Mackay: I think from a TNK perspective, our long view on our LR2 program, we felt that we didn't have a lot of confidence in the near–term prospects for the product tanker trade. So that's why we've gone for the higher margin crude business and used the flexibility of that tonnage to transition over to pure

Aframax trading on the crude side. But I think as a general commentary on the market, maybe Christian would be able to add to that.

Christian Waldegrave: Yeah. I think what you're seeing on the product side, as well, is you've obviously got very high inventory levels in different parts of the world because, over the past couple of years, refineries have obviously been making very good margins with the low crude oil price. Now that the crude price has come up and, you know, that's affecting refining margins. And so I actually think the product market is actually going to be sort of negatively impacted by that in the next 12 months, which again, as Kevin explained, is why we have moved those ships over to the dirty market and see more opportunities on the crude side, rather than the products, where I think you will see, you know, people drawing down on inventory through the course of 2017, rather than taking in lots of crude and refining it, because those margins are a bit narrower.

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

Kevin Mackay: Thanks Gregory.

Operator: We'll go next to Spiro Dounis of UBS Securities.

Spiro Dounis: Hey Kevin, hey Vince. Thanks for taking the question. Kevin, I just wanted to go back to something you mentioned earlier, just [inaudible] the different way you can capitalise on an improving market. And I guess one of the things that maybe wasn't mentioned was just around vessel acquisitions or placing new build orders. Are those levers that you'd pull, and where do they stack up relative to the other options you mentioned?

Kevin Mackay: Yeah, I think certainly we take a portfolio approach to how we manage the fleet. So whether it's second–hand purchases, vessel acquisitions, new builds, we're constantly watching those markets on an ongoing basis. You know, currently, there's a fairly wide spread price between the new build price and second–hand values which have come off quite sharply, but that will obviously change over time. But I think our long view is that the – both in the Suezmax and the Aframax/LR2 fleets, there is a need for fleet replenishment. And there's about a third of the fleet is going to be turning 15 years, or beyond that, by 2020. So certainly we're going to have to look to the new building market at some point. It's just a question of the pricing differentials versus buying on–the–water assets.

Spiro Dounis: Got it. That's helpful. And second one just around you know the ship-to-ship transfer business. It sounds like the activity there is really starting to pick up in the U.S. Gulf. And you mentioned that Western Canadian select cargo that I guess is now on its way to India, which is pretty shocking. I mean, what's actually stopping you from deploying more Aframaxes into that trade to capture that premium rate? Is any sort of vetting requirement that needs to happen? Or could you really put a lot more of your fleet in there right now?

Kevin Mackay: Well I think, first of all, I'd just like to iterate that I'm really pleased with the way that acquisition has gone. I think we have timed it well and it's provided a great alternative outlet to seek fixed–rate cover for our Aframax fleet. And it's also – it's allowed Teekay Tankers to really re-establish itself in the Atlantic, and specifically in the U.S. Caribbean region, you know, at a point and time when U.S. exports were expected to grow. So I'm really pleased with the way we've integrated that business. I think we're getting benefits from that and will continue to get the benefits as we go forward.

The vetting regime for the U.S. Gulf is the same as it is anywhere else in the world. But it's the specialised knowledge of how to put the ships together is where I think we have an advantage over others. It's not a market that people can break into easily. But in terms of moving our fleets from one region to another, we certainly look at it in terms of maximising our revenue potential, but we also look at it again on a portfolio basis. And we have long-term customers that we've had relationships for close to half a century now, where we need to keep a presence in the Asian market. And those customers support us with the contracts they give us. So it will be a balance of meeting our long-term customer objectives, as well as maximising revenue in any given spot market.

Spiro Dounis: Okay, and just to clarify, I guess I'd be right in assuming that in the event that the ship-to-ship transfer market did actually pick up or heat up from here, where the relative attractiveness was that much better, you could, in pretty quick fashion, move those vessels in? Or am I reading that right?

Kevin Mackay: Well, we have vessels all over the Atlantic, so we have a presence in the North Sea, which, if we feel that the market over the near–term will be less than the U.S. Gulf, or demand increases as such that we'd need to move them, we'd certainly be able to do that in short order.

Spiro Dounis: Appreciate the colour. Thanks Kevin.

Kevin Mackay: Thanks.

Operator: We'll go next to Noah Parquette of JP Morgan.

Noah Parquette: Thanks. I wanted to ask, how do you guys think about the risks of new orders here pushing back a recovery? I mean, you've seen more talk from some of your competitors putting in orders for new[?] ships. And like you said, the ratio of second–hand ships to new prices is below the long-term average, but it's nothing like dry bulk. And plus the new build ship has, you know, advantages that you would avoid this market weakness. So, what do you think of the risk of new–build orders in 2018 and 2019 derailing this idea that the recovery will be shallow?

Kevin Mackay: I think, Noah, if you refer to our slide – I think it was on page six – that we've listed a few factors there, which we believe will contribute to the dampening order book. You know, new build capacity is a big item when we consider the long-term prospects for the order book, and it's already come off 30% from it's sort of earlier decade highs. And we anticipate where the consolidation is going on in that market, we'll probably see another possibly 10-15% of capacity being reduced in the near–term. So that is a big factor.

There's also other fleets that have order books that they may look to replenish, projects coming online that will also eat[?] into that smaller available capacity. I think also conjoined to that is the lack of availability of capital financing. Obviously, for the public companies, the capital markets have been relatively closed. But also the rationalisation in the bank market is making it harder and harder to secure debt for everyone other than the top tier players. And I don't think you'll see the large players in the market going out and over–ordering to the extent where it kills the future market.

Noah Parquette: Okay. And I wanted to just get your thoughts on the idea that – and we're all used to sort of mid-cycle or normalised historical rates for the different vessel classes, but with the fall in new–build prices so far, do you think that pulls that number down over the next few years?

Kevin Mackay: I don't think so. I don't think it has what the new–build price does to spot rates. I don't think there's a direct correlation there. I think it's much more fundamentally about the demand for oil and the number of ships out there, not how they were priced.

Noah Parquette: Okay. And then, a follow-up on Jonathan's question about scrapping. On slide six, you guys talk about, you know, the fleet getting older by 2020 and that's interesting, the abstract. But you know, specifically, you guys have about a third of your ships turning 15 years older by that timeframe. How do you think about your CAPEX requirements and how do you think about your scrapping needs? And maybe how is that different than other owners out there?

Kevin Mackay: I think every owner is independent and will look at their fleets in respect to what their company objectives are. For Teekay Tankers, you know, ships get older every year and so we continually have to look at what we do with the older asset, where we can redeploy them, and when we go into the market to replenish. So I think, as I've said earlier, we have some older Aframax units that, in some parts of the world, we think we can squeeze out some good revenue. But I think also the benefit that we have is the ability to contract our own fleet, but not remove our presence from the market, and not lose that connection with our customers, and not lose the contracts that we've built over the years, because we have pools, we have the ability to in charter. We have our technical and commercial management, which allows us to bareboat in. So we have an awful lot of levers that we can pull at different points in the cycle to make sure that we manage this portfolio, you know, as it ages.

Noah Parquette: Alright, thanks.

Operator: We'll go next to John Humphreys of Bank of America.

John Humphreys: Hi, good morning Kevin. I just wanted to touch on the strategy around fixed coverage. You mentioned you're up at 40% and were at 15% last year. If you could just sort of talk through where you see that going over 2017 to 2018, with your expectations for a strengthening market – if we should sort of see that ease back down if it's going to be, sort of in a linear fashion, or if it's going to be a little bit lumpier.

Kevin Mackay: Yeah, I think we've been really focused over the course of the end of 2016 in ensuring that we update our projections of where we think 2017 was going to go. And that's why you saw us start to take a lot more cover in the third, fourth quarters of last year. I think we're at a sweet spot. Forty percent is a comfortable number to be at. Certainly a lot more comfortable than we were 12 months ago. I think going forward, it's a function of really where the time charter market and where the time charter rates lie, versus our forward view of the market. And I think you might see us slowing down a little bit in terms of seeking additional cover. We're also bearing in mind that the expectation that U.S. Gulf volumes pick up. And our lightering business is a lucrative addition to the portfolio that we can move more assets into that program. So it's weighing up where we see the benefit of the time charter cover, versus helping grow our franchise in the U.S. Gulf, versus where we see the spot market further our into 2018. So I think we'll – sort of to sum all that up, it'll be very opportunistic from here on out.

John Humphreys: [Inaudible] so the option[?] is you're not expecting it to not sort of creep up from here, that you'd expect it to just sort of be a peak and drift downward?

Kevin Mackay: Well, I'd never say never. I think, you know, if somebody offers us a good rate that we think is worth locking in that fixed rate income at well above market levels, then certainly we might add a few. But if those opportunities don't arise, or if we feel that the numbers being offered aren't worth the comparative spot market exposure, then you would see us tail off.

John Humphreys: Great. And then just one more, you've touched on it with vessels moving from the clean into the dirty trade that you had done yourself. If you could give me sort of relative terms, I mean, how much – I mean, is this being done to a scale where it's really moving rates and that supply increase could negatively impact the rates you're able to achieve? Or is it on a much smaller scale where it's not really moving market rates?

Kevin Mackay: Well, for Teekay Tankers, we've got seven LR2 vessels in our program, two of which are on time charter cover. So the five that were in the spot market, they were the ones that we've moved over. So, in terms of market impact, I don't think us alone would have a significant impact on either crude or product rates with such a small number of ships moving over.

John Humphreys: Right, but, I mean, looking at peers and others doing this, is this sort of a trend that we need to be watching, that this could move, if more people in the global fleet do what Teekay did?

Christian Waldegrave: I think in 2016, we probably did see somewhere between 20 and 30 ships move over from the clean trade to the dirty trade on a global basis. And yet the Aframax – the crude Aframax still outperforms the LR2s. And so, I think it's been – you know, the move has been justified. Going forward, I'm not sure there are many more owners that will dirty–up, just given that there are a lot of owners that are dedicated to those clean trades and want to keep those ships clean. And so I'm not sure the impact. I'm not sure we'll see a large number of ships continue to dirty–up through the course of 2017. And so, I don't see it as a being a huge factor going forward.

John Humphreys: Great. Appreciate the detail. That's it. Thank you.

Kevin Mackay: Thanks John.

Operator: We'll go next to Magnus Fyhr of Seaport Global.

Magnus Fyhr: Thank you. Just a question on the lightering business, with U.S. exports picking up, can you provide any – can you quantify the results for the fourth quarter? How much was attributed to the lightering business?

Vince Lok: Hi, Magnus. Yeah, we were able to – if you compare it to the fourth quarter of last year, we essentially doubled our full–service lightering volumes. So there's roughly over four ship equivalents equal to about 390 ship days in full–service lightering. And that might increase a little bit more during the course of 2017, as we ramp up some of the recent contracts that we secured. So, from a sort of EBITDA perspective for full-service lightering for the fourth quarter, it was about $2.5 million. In the support services side, I think our overall target for the year for EBITDA is probably in the area of about $4-5 million. We had probably a weaker than expected result in the fourth quarter, due to some shorter-term factors, and we hope that that will start picking up some time in the second quarter.

Magnus Fyhr: Okay. So, I mean, the guidance that you gave, $65-70 million on an annual basis, I guess, revenues, is that – are you on track to do that? Or would the lightering support a little bit off? That's kind of a $15–16 million per quarter. Are you on track on that now? Or is that you know something you'll reach in first quarter, second quarter next year?

Vince Lok: I think, if you look at it on an EBITDA basis, if you look on a full-year basis, we're still sort of on track to generate over $10 million of EBITDA, which is sort of more or less in line with what we had expected. I think on balance, the full-service lightering is probably performing better than we expected, whereas the support lightering services is still ramping up. So, hopefully that will – the support lightering side will catch up. But, as Kevin said, I think we're very pleased overall with the acquisition. It was well–timed and is contributing to, you know, more fixed rate revenue for TNK at a time when the spot market is weaker.

Magnus Fyhr: So just to let me clarify, the EBITDA for fourth quarter was around $7 million; $2.5 million from the full-service lightering and $4.5 million from the support, so that's $7 million. You say the full year is $10 million, or is that per quarter?

Vince Lok: Sorry, just to clarify, the full-service lightering was about $2.5 million for the fourth quarter and the support services I mentioned for a full year is about $4-5 million, so roughly call it a million [inaudible] on a full-year basis. Yeah, so that's in total about $3.5 million.

Magnus Fyhr: And then for 2017, you're looking at $10 million for the combined?

Vince Lok: I think, for full 2017, we're targeting something probably in the region of $10–15 million on a combined basis.

Magnus Fyhr: Okay. Thank you. Also the – I mean, you talked about moving – or you moved ships into the dirty trade. I mean, if the LR2 market picks up, what's the cost and kind of timing to get one ship back into the clean trade?

Kevin Mackay: Well, that depends on where you find your vessel trading in the region. If you're in an area where you can get access to some good condensate cargos, it could be a relatively short transition over, and fairly reasonable on the cost side. If you have to position the vessel out of a region, it can take you several months. So it's not a hard and fast rule.

Magnus Fyhr: Okay. Fair enough, alright, thank you. That's it for me.

Christian Waldegrave: Thanks.

Operator: With no further questions at this time. Mr. Mackay, I'd like to turn the conference back to you for any additional or closing remarks, sir.

Kevin Mackay: Okay, thanks very much for joining us today, and talk to you next quarter. Goodbye.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.