TEEKAY TANKERS LTD.

Moderator: Emily Yee
February 19, 2015
12:00 pm CT

Operator: Welcome to Teekay Tankers Limited Fourth Quarter and Fiscal 2014 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 would like to turn the call over to Mr. Kevin Mackay, Teekay Tankers Limited, Chief Executive Officer. Please go ahead, sir.

(Scott): Before Mr. Mackay begins, I would like to direct all participants to our Web site at www.teekaytankers.com where you will find a copy of the Fourth Quarter and Fiscal Year 2014 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 to materially differ from those in the forward-looking statements is contained in the Fourth Quarter and Fiscal Year 2014 earnings release and earnings presentation available on our Web site.

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 is Vince Lok, Teekay Tankers Chief Financial Officer, and Brian Fortier, Group Controller of Teekay Corporation.

During today's call I will be taking you through Teekay Tankers' Fourth Quarter and Fiscal Year 2014 earnings results presentation which can be found on our Web site.

Beginning with our recent highlights on slide 3 of the presentation, Teekay Tankers reported adjusted net income of 21 cents per share in the fourth quarter, a significant increase from the third quarter adjusted net income of 3 cents per share.

For fiscal year 2014, Teekay Tankers earned adjusted net income of 39 cents per share compared to an adjusted net loss of 20 cents per share in fiscal year 2013.

The improved results were primarily due to stronger Suezmax, Aframax, and LR2 spot tanker rates earned in 2014, combined with our strategic initiatives to increase spot market exposure.

For the fourth quarter of 2014 the company declared and paid a quarterly dividend of 3 cents per share.

Since inception Teekay Tankers has declared dividends in 29 consecutive quarters, with dividends paid to date now totaling $7.42-1/2 per share. Teekay Tankers' dividend is currently fixed at an annual level of 12 cents per share, payable quarterly.

In December, as part of our strategy of increasing our exposure to a strengthening spot tanker market, Teekay Tankers agreed to acquire four LR2 product carriers and one Aframax tanker from third parties.

Two of these vessels were delivered into our fleet in mid-February, one delivered this morning, and two remaining vessels are expected to deliver by the end of the first quarter. Based on this delivery schedule and current spot rate, this transaction will be immediately accretive to net income.

Since our last earnings call in November, Teekay Tankers has continued to build its in-charter fleet, securing new in-charter contracts for two Aframax tankers and one LR2 product tanker at an average rate of $19,200 per day for the period - for periods ranging from 12 to 24 months with options to extend beyond that.

These three vessels add approximately 900 days to our overall spot tanker exposure in 2015, and increase our in-charter fleet to 11 ships.

In the first quarter of 2015 to date, spot tanker rates have continued to strengthen with rates booked to date significantly higher than rates realized in the fourth quarter of 2014.

Turning to slide 4, I'll provide further details about our recent vessel acquisitions.

The five modern secondhand midsized tankers that Teekay Tankers agreed to acquire in December will have a total aggregate purchase price of approximately $230 million.

These acquisitions will be funded with a combination of debt and equity, with the equity component funded with a portion of the proceeds from the $125 million equity offering completed by Teekay Tankers in December which includes a $20 million investment by our sponsor, Teekay Corporation.

In addition, we also completed a new $127 million debt facility in January of this year. These strategic acquisitions benefit Teekay Tankers in several ways.

First, below cash breakeven enables us to maximize earnings from the current robust spot tanker market.

Secondly, in the longer term, the four LR2s provide us the flexibility and optionality to trade the vessels in either the crude or refined product segments, depending on market conditions.

And finally, the young age of the acquired vessels, which increases our directly owned fleet to 33 ships, reduces the average fleet age by one year.

In summary, this transaction is consistent with our stated strategy to grow and renew our fleet which increasing our exposure to an improved spot tank market.

Turning to slide 5, I will provide an update on Teekay Tankers' fleet employment mix, and the very deliberate actions we have taken to actively increase the company's spot market exposure which we believe is benefitting, and will continue to benefit shareholders.

Based on our view this spot tanker rates would on average, exceed tank charter out rates. We have continued to increase the company's spot market exposure through a combination of the recent fleet acquisitions, securing additional in-charter vessels, and transitioning some of our owned vessels from fixed rate employment to spot rate employment as their existing time-charter contracts expire.

With the eleven in-charter vessels currently in our fleet, we have increased Teekay Tankers' spot exposure by approximately 3900 revenue days for fiscal 2015.

On a fleet basis, our spot market exposure for the next 12 months now totals 37 vessels or 85% of revenue days.

Based on our expectation, the spot tanker market will remain firm. The increase in our spot exposure should translate into increased earnings and free cash flow.

The blue line in the chart on the right shows that for every $5000 increase in average spot tanker rates, for the 12 month period ending December 31, 2015, free cash flow per share is expected to increase by 51 cents per share compared to 35 cents per share for the 12 month period that ended December 31, 2014.

This increase in earnings power highlights Teekay Tankers' strong operating leverage to the firming spot tanker market.

At current Aframax rates, approximately $30,000 per day, our free cash flow yield is over 30%, based on our current share price.

Turning to slide 6, we take a look at recent developments in the crude tanker spot market. As indicated by the chart on the left, Teekay Tankers' fourth quarter earnings outperformed earnings for the fourth quarter of 2013 by approximately $10,500 per day for Aframax's and $11,200 per day for Suezmax's, and were our highest fourth quarter earnings since 2008.

The strong rates were primarily driven by a combination of winter weather delays, low oil prices prompting stockpiling for both strategic and commercial reserves, and high refinery throughput which drove increased demand.

The chart on the right shows the globally midsized tanker rates have averaged close to $9000 per day higher over the last 12 months compared to the 12 months period.

While rates at the start of 2014 dropped off in the dramatic winter space, rates in the first weeks of 2015 have only marginally softened as we enter a period of seasonal refinery maintenance.

In addition to lower oil prices encouraging the filling of both strategic and commercial reserves, particularly in China where the government continues to fill the second tranche of its strategic petroleum reserve, positive fleet fundamentals and changing trading patterns are providing the foundation for sustained positive rate environment.

We expect that the ongoing positive demand, resulting from lower global oil prices will continue to support midsized tanker rates in the near-term.

Turning to slide 7, I'll provide further commentary on the positive role that lower oil prices are having on tanker demand in the near-term.

Lower oil prices are having a positive impact on the tanker market in a number of ways.

Firstly, owners trading their vessel spot are enjoying increased earnings as a result of lower operating costs. For every $10 per barrel drop in the price of oil, we enjoy the equivalent of around $2400 per day in bunker fuel savings.

Secondly, low oil prices are positively boosting refining margins which leads to greater crude throughput and therefore stronger tanker demand.

And lastly, we see there is potential for significant levels of floating storage to emerge during 2015 should the contango price structure steepen.

As the chart at the bottom of the slide indicates, the price of oil is currently in contango. Although the current structure first developed in August of 2013, the economics that encourage the use of floating storage did not develop until January of this year, at which point more than 30 VLCCs were contracted on period charter with storage options.

While these vessels currently continue to trade in the spot market, and have not yet been idled for actual storage, we believe that sure inventories continue to decline through 2015.

The storage options on these vessels will ultimately be exercised, effectively removing around 5% of the VLCC fleet from the market.

Floating storage on this scale will have a positive knock on impact from the Suezmax sector, as the removal of the larger tankers from the spot trading fleet reduces competition for Suezmax's uncertain main trade routes.

At a more macro level, changing trade patterns for stretching out the global tanker fleet as shown on slide 8, and surplus Atlantic Basin crudes have found new and growing markets in Asia, there has been a sustained annual increase in long-haul movements from West to East.

Specifically, cargoes from West Africa to the U.S. Gulf, traditionally a staple Suezmax trade route has declined by close to 70% due to the surge in U.S. shale production, displacing demand for Norwegian - for Nigerian light-sweet crude.

In contrast, trade on Suezmax between West Africa and Asia have increased b6y close to 75%, and trade from West Africa to Europe have also increased 70% over the last four years.

In addition, the last of a natural backhoe cargo from West Africa to the Asia trade has led to growing inefficiency in the fleet as ships discharging in the East face longer ballast voyages back to the Atlantic load ports.

As a result, many owners are choosing instead to load in the Middle East rather than ballast back to the Atlantic which leads to further displacement of vessels in the Atlantic Basin as tonnage supply remains east of Suez.

Such changes to traditional trade patterns has stretched the midsized tanker fleet, reducing supply of available tonnage and increasing both the occurrence and periods of volatility in spot rates.

Turning to slide 9 I will provide an update on spot earning in the first quarter of 2015 to date.

First quarter Suezmax, Aframax, and LR2 rates so far have been significantly higher than average realized rates for the third and fourth quarters of 2014.

Based on approximately 60% spot revenue days booked, Teekay Tankers' first quarter to-date Suezmax bookings have averaged approximately $39,000 per day, up significantly from $26,600 per day in the fourth quarter of 2014.

And our first quarter to-date Aframax bookings have averaged approximately $30,000 per day, up from $25,700 per day in the fourth quarter of last year.

For the LR2 segment, with 80% of our spot revenue days booked, our first quarter to-date LR2 bookings have also trended higher, with returns on average increasing approximately $26,000 per day compared to $21,900 per day in the fourth quarter of 2014.

As we approach mid-quarter, the fundamental tightness in vessel supply, as well as the ongoing impact of low oil prices, continues to support firm crude tanker rates with high levels of NAFTA moving into Asia providing ongoing support for robust LR2 product tanker rates.

With the current high rate environment anticipated to continue in the near-term, we believe that Teekay Tankers' strong operating leverage and increased spot exposure positions us very well to benefit from the expected fundamental strength in the global tanker market.

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

Operator: Thank you. If you would like to ask a question please signal by pressing the star key followed by the digit 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment.

If you have signaled for a question prior to hearing these instructions on today's call, please repeat the process now by pressing star 1 again to ensure our equipment has captured your signal.

Our first question comes from the line of Michael Webber at Wells Fargo Securities. Please go ahead.

Michael Webber: Hey, good morning guys, how are you?

Kevin Mackay: Good, thanks Mike.

Michael Webber: I just want to start off with a question around your dividend policy. Obviously you know, the cash flow dynamics of the business have significantly improved the rates of run. It certainly seems like we're going to be in that kind of a scenario for at least the bulk of the first half of the year.

I'm just curious as to what you would need to see in order to flex your dividend policy away from something fixed, towards a variable payout structure that would allow investors to kind of capture more of that volatility?

Whether that's something that's in the table and if so, what would you look at to get comfortable with that?

Kevin Mackay: Let me kick off the answer and then hand that over to Vince. But Mike I think we've stated at lot, our strategy going forward is to grow the fleet. And as such we need a strong balance sheet.

And our view is that as the cash flows come in and we reduce our leverage that will provide us the opportunities to expand and give the shareholder a reward through larger increases in our spot market exposure. Vince?

Vincent Lok: Yes, I would reiterate what Kevin said. It's we want to use this operating cash flow I guess first and foremost, to delever the balance sheet. And I think we recognize we still do have quite a bit of leverage on the balance sheets. And it's actually - it's a good time to have the leverage in a rising market.

But we need to use some of this cash flow to delever the balance sheet and we can redeploy that in an accretive manner in this market.

So I think we would have to see the balance sheet delever quite a bit further from these levels to consider sort of a full payout or an increase in the dividend.

Michael Webber: Right. And in terms of thinking about ranking those sources of capital to delever, I mean equity would be one way to do that. So in terms of the way you would prioritize those sources of capital to repay debt, organic cash flow is still at the top of that list in terms of efficiency?

Vincent Lok: Yes, that's clearly got to be one of the top sources, yes.

Michael Webber: Okay. Vince I'll just stick with you for a second. In the last - in the pro related to the last equity raise there's some language around major M&A which was exclusive of the most recent deal and anything related to a related party like TIL.

I'm just curious - I know you probably can't get into the specifics, but maybe if you can kind of talk about what that environment is like right now relative to what it was like in December, and whether or not the bump in rates and asset values has pushed those kind of deals off the table, or whether you see people that are looking to maybe top tick and sell out at these levels.

Kevin Mackay: No, I think our - as I've said Mike, we're always looking at opportunities to, if our strategy is to grow the organization we need to be talking to third parties about opportunities. And I don't think that has materially changed from December until now.

It's still something that we continue to look at. It's still something that we continue to have conversations with a variety of parties out there, some of which as you said, may be looking to get out at this point in the cycle.

Michael Webber: Okay. All right, fair enough. Just one more for me and I'll turn it over. You did provide a lot of color in the deck and you run through the charter-ins, a number of which three have options - extension options within this quarter and next. I believe two Afra's and an LR.

It's safe to say those would be extended? And then if I think about how much additional net charter-in exposure you add to the remainder of the year, how should I think about that?

Kevin Mackay: Well definitely those options are clearly in the money relative to today's and our forecasted rate environment going forward. So we will be exercising those options.

And I think we have a vessel on subject actually today to add to that portfolio. And we continue to look for other opportunities. And their numbers have gone up from some of the early charters that we did earlier, but we still see, based on our forecast that there is margin to be had there. And we're still looking to increase our exposure to this market that we believe has some legs to it, through 2015.

Michael Webber: Great. And is that Aframax subject?

Kevin Mackay: Yes, it is.

Michael Webber: Great. I'll stop there and turn it over. Thanks you guys.

Kevin Mackay: Thanks Mike.

Operator: Our next question comes from the line of Fortis Giannakoulis at Morgan Stanley. Please go ahead.

Fortis Giannakoulis: Yes, hi. I would like to ask you about the floating storage that you mentioned earlier. And if you can give us an estimate of how much is the capacity of the vessels that they can be used for floating storage.

You mentioned that around 35 or 40 vessels they have been chartered so far. But how many you think VLCCs are available? And what is your view about the oversupply of crude? And how quickly do you think that the land based storage facilities the can fill up?

Kevin Mackay: Okay, I think with regard to the VLCCs there's been a variety of numbers put out. Some people are calling it 30; some people are calling it closer to 40. So it's sort of middle of that range, about 35 ships. And they've been taking on charters for a period of between 12 and 24 months, primarily as time charters with storage options.

So at the moment we haven't seen a lot of those vessels actually laid up and idled in storage positions. So they continue to trade in the spot market.

Now whether there is an appetite from VLCC owners, should the contango structure return positive, whether those owners would be willing to put more vessels away on similar deals, I can't speak to them.

We will continue to look at the impact that that has on the Aframax and the Suezmax segments which I think, certainly for Suezmax as more ships and more VLCCs go into storage, the more beneficial it is for TNK with our Suezmax trading in the spot market.

In terms of at what point the inventory levels on shore top out and there is a move to greater floating storage on tankers, I read the same figures you do. And the estimates are that globally we're running thin on capacity. And in the U.S., between Cushing and the U.S. Gulf, we've got maybe 50 million, 60 million barrels of capacity left.

And at current production levels of a million barrels a day, exceeding what refinery demand is in the U.S., you can forecast that out to come at some point in the second quarter.

We anticipate at the current run rate that floating storage becomes a necessity rather than a luxury.

Fortis Giannakoulis: Do you have any view about the storage capacity outside of the U.S? For example there are discussions about China and India. And if you could also comment about Europe.

Kevin Mackay: No more detail on countries outside of the U.S. I think I've read commentary that the strategic petroleum reserves in China still have a ways to fill. In Europe the analysis seems to suggest that they are fairly close to full. But I think the real spare capacity still lies in the U.S.

Fortis Giannakoulis: And can you also give us your view of how different the market is compared to 2009 and 2010, both in terms of the contango trade and also about the supply demand fundamentals?

And the reason I'm asking you is that the contango is - it's steep. It might get even steeper, but at some point it might go away.

How do you view the market after the contango goes away? And if you have a view of when this might happen?

Kevin Mackay: I think there's been an awful lot of interest and media buzz around contango, but fundamentally I draw people's attention to the fact that the fundamentals in the midsized tanker space are strong.

And we've been saying this for close to a year now, that the supplier ships is low and will continue to remain low over the coming year or couple of years. And demand - oil demand, unlike 2009, oil demand is continuing to increase.

So contango aside, in the fundamentals ((inaudible)) tanker space are very positive and we'll continue to see that.

You know contango is sort of the icing on the cake if it happens in a deeper way. But we're not looking at contango as the save-all because the fundamentals are just so strong.

Fortis Giannakoulis: And in terms of growing your fleet, is the intention to stay on Aframax's and Suezmax's or are there also discussions that potentially expand your fleet on the VLCC front?

And how do you view the market going forward between the crude and products? You recently bought an Aframax fleet which is primarily focused on product trade rather than the crude trade.

And also if you can comment about any potential discussions that you might have had with private equity companies that they have tried in the past to go public. And if there are any possibilities to see some major transactions will you absorb a larger fleet?

Kevin Mackay: Okay, let me take each of those in turn. I think with regards to our immediate fleet growth and area of the market that we'll be concentrating on. Teekay Tankers' core business is Suezmax's and Aframax's in that midsize tanker space.

And as such, acquisitions will be in our fleets or organizations with strength in those areas. So at this point in time Fortis, I think it's important that we bolster up our core business before looking to expand into anything else if we were able to do that.

I think the acquisitions, to your second point, yes the four out of the ships we bought were LR2s. We did that for a deliberate reason.

Specifically in terms of the longer term view of running the organization, the LR2 does us flexibility to trade both clean and dirty, depending on what our forward view of those respective markets are. So that's the primacy behind looking at those assets. And we believe that fundamentally both of those trades have a good run to go in 2015.

I think with regards to your last question regarding conversations with any private equity companies, as I've said, we're talking to various counterparties about what their desires are to sell fleets, and we'll continue to have those conversations.

Fortis Giannakoulis: Thank you very much for your answers.

Kevin Mackay: Thanks Fortis.

Operator: Our next question comes from the line of Spiro Dounis at UBS. Please go ahead.

Spiro Dounis: Yes, good afternoon guys. Just two quick ones for me. First question is on potential impact I guess, of U.S. production cuts. It looks like a lot of cuts have been announced so far.

I was just wondering specifically, does condensate export trade still as big an opportunity. And I guess two, could we see a rekindling of Suezmax's moving back towards the U.S. from West Africa to make up any shortfalls?

Kevin Mackay: I think in the immediate term yes, production growth is tailing off, but production is still increasing.

And I think as I said earlier, you've got about a million barrels a day of excess production relative to refining capacity. So our view for this year is certainly that with the relaxation in the government's view on crude or slightly altered crude condensate exports, that remains definitely a viable cargo source for Aframax as well as Suezmax through the second half of this year.

Spiro Dounis: Fair enough. And then just second question is on the NAFTA trade to Asia, I guess some of that is a bit seasonal in nature. I guess I was just wondering if you can give us a sense or maybe how much room there is to run this trade.

I guess as long as crude prices are low, do you see NAFTA really competing with LPG for a good portion of the year?

Kevin Mackay: Yes, I think you're correct in saying it's somewhat seasonal. So I think fundamentally the price of oil dropping has made NAFTA a decent competitor to LPG for the chemical ((inaudible)) into Asia.

So you're seeing a lot of Middle Eastern and European NAFTA as well, as far up as the UK continent moving across, which is really increasing the voyage lengths of the LR2s. And as long as oil price stays low, we fundamentally see that continuing.

If you tie that with, you know, the 1.2 million barrels of additional capacity coming out of the Middle East with their new refineries coming on stream, that's really why we're also positive on the LR2 sector.

Spiro Dounis: Yes, it makes sense. Nice job on the quarter guys. Thanks.

Kevin Mackay: Thank you.

Operator: Our next question comes from the line of Jon Chappell at Evercore ISI. Please go ahead.

Jon Chappell: Thanks, good morning guys.

Kevin Mackay: Good morning, Jon.

Jon Chappell: Just a couple of like company specific questions. First, how do you plan on trading the new LR2s? It seems that the crude market is stronger than the coated right now. I'm just wondering how you took delivery of them? Were they already trading clean or were they trading dirty and you're just going to continue to trade to the dirty markets?

Kevin Mackay: The vessels have been trading clean in our ((inaudible)) pool. And going forward what we have - our strategy around that is on a ship by ship, voyage by voyage basis.

The Luzon Spirit which delivered earlier in the month, went straight into dirty because she's in an advantageous position to do so.

The vessel that is - that has delivered this morning is already fixed for a follow-on clean voyage because the returns were in the low $30,000 range which relative to the crude voyages in that position, was better.

So we're - at this point in time as we assemble ships into the fleet we're going to look at it on a case by case, voyage by voyage basis.

Jon Chappell: Okay, and were there any vetting that you had to give for these ships? They were already in your pool, or should we just assume that they were - that they're generating revenue from the day that you take delivery of them.

Kevin Mackay: They are generating revenue immediately on delivery.

Jon Chappell: Okay. And then one last thing on the acquisition, of that $127 million of debt, is that all a first quarter event or was any of that in the fourth quarter? It looks like the middle debt number inched up a little bit sequentially in 4Q.

Vincent Lok: No, that's a first quarter event that will be tied to the individual ship deliveries. So we're drawing on that as the ships deliver.

Jon Chappell: Okay. Just two more quick ones. The 2017 debt facility, we've been talking about that for years. You've already covered the priorities of the uses of cash.

Is it too early to think about refinancing that facility? Will the banks be willing to have that conversation to potentially free up some capital in this upturn, you know, whether it's for changing the dividend policy or more assets?

Vincent Lok: Well first of all it's a very attractive facility for TNK. So we don't have any plans to refinance that unless we were to, you know, unless there was a big acquisition or something like that that we would sort of roll it in to, or something like that.

So in terms of the 2017, we're not in a huge rush to do anything on that. And given where we are in terms of our delevering plan and the amount of cash flow that we're generating, we feel very comfortable in that with the 2017 refinancing or whenever that occurs.

Jon Chappell: Okay, one last thing. I noticed in your appendix there's one fixed rate tanker that's undergoing a dry dock with 134 off-hire days. I seem to recall something with an incident with one of the ships late last year.

Can you just remind, is there insurance on the costs associated with that off-hire time? And also, is there insurance associated with the loss of revenue?

Kevin Mackay: Yes, that was the Australian Spirit is undergoing repairs in ((inaudible)). The insurance is fully covered with a minor deductible of I think, $225,000. Everything else is fully insured and covered.

On the loss of hire, we don't carry loss of insurance, so that will be a loss of revenue to the organization in the first quarter and early into the second quarter.

Jon Chappell: Okay, so just to be clear on the accounting side, it would be the normal OpEx associated with that ship for the entirety of this quarter and the first half of next, but almost - but no revenue contribution over that same time period?

Kevin Mackay: We are taking steps to reduce our OpEx by taking off some of the manning while the ship is in dry dock for that extended time.

Jon Chappell: Okay, thank Kevin. Thanks Vince.

Kevin Mackay: Thanks Jon. Appreciate it.

Operator: Our next question comes from the line of Amit Mehrotra at Deutsche Bank. Please go ahead.

Amit Mehrotra: Yes, thanks. I guess most of my questions have been answered here, but maybe I can just sort of follow up on one of your comments regarding, you know, the fundamentals being so strong.

You know just given the free cash flow yield that you highlighted in the prepared remarks, it's sort of clear to me at least, that the market has questions around the sustainability of the strong environment.

And I guess that makes sense because obviously past cycles have shown that good times don't really last a very long time.

So you know, are there any factors that sort of makes this up cycle different? Or you know, what are the risks you think, aside from just ordering of vessels?

I mean for example, into the potential sort of conversion of more dry bulk vessels in the order book and to product tankers are potentially, you know, crude tankers concern you at all, vis-à-vis the sort of strong fundamentals?

Kevin Mackay: I think if you look at it from the demand side, oil growth continues to move forward. And the source of oil is stretching out the vessel voyages, thereby ergo, increasing demand.

But on the supply side, really fundamentally over the next at least two years, fleet supply is minimal, and that will continue to be a tailwind for the - both crude and product LR2 fleets over the course of the next couple of years.

Even with the rumored conversions which I think there's been a fair amount of hype and confusion and misreporting of conversions into various ((inaudible)) of ships.

The analysis that we've done shows that fleet growth is, across both the Suezmax and the Afra LR2 segments is still very low and very manageable given the continued demand.

Amit Mehrotra: Okay, and just one follow-up for Vince on the leverage. I mean it makes complete sense you know, a lot of that deleveraging should ultimately accrue to the equity value of the company.

But do you have sort of some target in mind in terms of where you think you can get the net leverage, you know, relative to total capital of the company over the next you know, call it 12 months or 18 months? Do you have something in mind that maybe can give us a level of magnitude in terms of how much deleveraging we can expect?

Vincent Lok: I guess if you look at it on a net debt to capitalization, looking at the book capitalization, we're on a pro forma basis, father this five ship acquisition, we'll be in the sort of the low 60s.

And given the level of cash flow we're generating, if you look at the fourth quarter we generated over $30 million, and the first quarter is looking to be even stronger than that.

So if rates hold up, the ((inaudible)) price move into the 50s by the end of 2015; sort of below 50s. So it's pretty like I say, quick fix delevering of the balance sheet.

So obviously that's dependent on the rates staying firm which we believe it will. But it also depends on what we do in terms of some of - any vessel acquisitions that Kevin referred to earlier.

Amit Mehrotra: Right. That's great. Thanks guys. Congrats on a great quarter.

Kevin Mackay: Thanks Amit.

Operator: Our next question comes from the line of (Ari Rosa) at Bank of America. Please go ahead.

(Ari Rosa): Hey guys congratulations on a solid quarter there. Just had two quick questions. First I was wondering, is there a level of oil prices that you think would cause market conditions to change? And how does that - I think - how does that impact your thinking around the potential for locking in rates.

And also kind of how quickly could you pivot if that were to be the case? If you were thinking on change around that.

Kevin Mackay: Well I can't speak for the Saudis, at what price point they would feel that a change to their current strategy would be mandated.

But in terms of what Teekay Tankers can do, one of the strengths of Teekay Tankers as an organization is our fully integrated approach to running a shipping organization and what that means for our customer base.

So while the spot market is strong and robust, those relationships that we have with customers, as you saw us do in 2009, we were able to on a dime, really turn the fleet exposure from spot to tank charter very rapidly.

And we maintain those relationships and are actually growing them with new customers in order to give us that nimbleness that if we do see signals in the market that things will change, we will look to cover with some of those longstanding relationship that we have with a global variety of customers.

(Ari Rosa): Are there any kind of -- I don't know if I want to say leading indicators I guess -- but what would you look at other than just direct rates? What would you look at that would kind of suggest a changing in the environment?

Kevin Mackay: Mainly look at the fundamentals. What's happening to oil demand and on the fleet supply side, what's happening with the order book.

(Ari Rosa): Okay, that makes sense. And then just in terms of financing plans for 2015, obviously free cash flow is pretty strong right now. But just to confirm, you guys don't have any - or anticipate any raising of capital in 2015 or any additional raising of capital? Is that fair to say?

Vincent Lok: Well on the debt financing side there's nothing other than, you know, a small debt facility coming up for renewal which we're already working on.

If you're referring to equity financing, it would only be tied to a large acquisition. Otherwise we're generating a lot of free cash flow as you mentioned.

(Ari Rosa): Yes okay, that makes sense. Thank you.

Operator: Ladies and gentlemen as a reminder, if you would like to ask a question, please press star 1 on your touch-tone phone. There are no further questions at this time. Please continue.

Kevin Mackay: Okay, thanks very much everybody. Bye-bye.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line. Have a great day.

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