TEEKAY LNG PARTNERS' FOURTH QUARTER AND FISCAL 2017

Company: **Teekay LNG Partners L.P.**

Moderator: **Emily Yee**

Date: **Thursday, 22 February 2018**

Conference Time: **11:00 ET**

Operator: Welcome to the Teekay LNG Partners 4th Quarter and Fiscal 2017 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, you'll 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 one to register for a question. For assistance during the call, please press star zero 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. Mark Kremin, Teekay LNG Partners President and Chief Executive Officer. Please go ahead, sir.

Scott: Before Mark begins, I would like to direct all participants to our website at www.teekaylng.com where you'll find a copy of the fourth quarter and annual 2017 earnings presentation. Mark Kremin and Brody Speers 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 as contained in the fourth quarter and annual 2017 earnings release and earnings presentation available on our website. I will now turn the call over to Mark to begin.

Mark Kremin: Thank you, Scott. Good morning, everyone, and thank you for joining us on the fourth quarter of 2017 investor call for Teekay LNG Partners. I'm joined today by Brody Speers, Teekay Gas Group CFO.

During our call today, I will take you through the earnings presentation which can be found on our website. Turning to Slide 3 of the presentation, I will review some of Teekay LNG's recent highlights. For the fourth quarter of 2017, the partnership demonstrated distributable cash flow, or DCF, of $52 million and total cash flow from vessel operations, or CFVO, of $127 million.

The partnership continued to generate stable cash flows from our long-term charter contracts in line with our expectations. Our results were positively impacted by a one-time item due to the recognition of $10.7 million and prepaid lease payments received from I.M. Skaugen in prior periods, which were previously deferred and amortized into revenue over the life of the charter contracts. As a result of the partnership terminating these charter contracts in the fourth quarter due to non-payment of hire from I.M. Skaugen, all of this deferred revenue was recognized in the current period.

During the quarter, the partnership generated DCF per limited partner common unit of $0.65 per unit, resulting in a strong distribution coverage ratio of 4.6 times. I'm pleased to report that since September 2017, the partnership has successfully taken delivery of six LNG carrier newbuildings that I will detail on the next slide. All of these vessels have commenced long-term charter contracts with Shell or Yamal LNG ranging from 6 and 28 years in duration and will immediately continue -- contribute to the partnership's earnings and cash flows.

We continue to execute on financing our newbuilding projects, and in December 2017, completed the long-term debt financing of all six of our 50% owned ARC7 LNG carrier newbuildings chartered to Yamal LNG. Our LNG carrier order book is now substantially financed with only one vessel remaining, which delivers in 2019 and is currently on track to be completed within the second quarter of 2018.

In January 2018, we divested our 50% interest in the steam ship Excelsior to a third party for net proceeds after debt repayment obligations of approximately $44 million. This opportunistic sale was at an attractive price and will contribute to strengthening and delevering the partnership's balance sheet.

Lastly, in February 2018, we refinanced a 2018 loan maturity with a new five-year $197 million long-term debt facility secured by two LNG carriers on long-term contracts. We have provided an update on both our 2018 refinancings and our newbuilding financings in the appendix to this presentation.

Turning to Slide 4, I will highlight the partnership's recent LNG vessel deliveries. It has been a very busy four months with the delivery of six LNG carriers, all of which immediately commenced long-term charter contracts. Tw of the vessels, the Pan Asia and pan Americas, are 30% owned by the partnership and commence 20-year time charters with Shell. Three wholly owned vessels, the Macoma, Murex, and Magdala, commence charter contracts between six and eight years, plus option periods, also to Shell. The remaining vessel is the partnership's fifth -- first 50% owned ARC7 LNG carrier newbuilding, which delivered on January 12th, two weeks ahead of schedule, and which represents a significant milestone for the partnership.

This vessel made history on its maiden voyage as it was the latest seasonal independent passage by a merchant ship in the history of the northern sea route. The vessel broke ice 1.8 meters thick along the way and has successfully discharged multiple cargos to Europe already. In total, these six vessels are expected to contribute approximately $85 million in annual run rate CFVO and represent the beginning of a period of significant cash flow growth for the partnership.

Turning to Slide 5, we have provided an overview of the partnership's industry-leading portfolio of newbuilding LNG vessels, all of which will commence charter contracts with an overall weighted average duration of 18 years upon their delivery between now and 2020.

Including the first six of these vessels, which was recently delivered, the partnership has a total of 11 LNG vessels delivered or delivering by the end of 2018 and 18 by 2020, plus a 30% interest in the Bahrain regassification terminal. This multiyear built-in growth is now substantially financed with the final LNG carrier newbuilding expected to obtain debt financing during the second quarter of this year. In total, the remaining 12 vessels plus our 30% ownership in the Bahrain regassification terminal, are expected to contribute an additional $225 million in annual run rate CFVO on top of the 85 million expected from our recent six vessel deliveries.

Turning to Slide 6, we look at developments in the LNG shipping market. After several years of low LNG trade growth, the start of new liquefaction projects in 2016 and 2017 has led to a significant increase in new LNG supply. As a result, global LNG imports have increased by approximately 46 million tons per annum over the past two years, which is almost a 20% increase in total imports.

The growth of LNG demand in China has been a major factor. In the past two years, China has doubled its annual LNG imports and has been responsible for roughly 40% of the total net growth in global LNG imports during this time. As a result, this past year, China surpassed South Korea to become the world's second largest LNG importer behind Japan. This growth in LNG imports was particularly evident in the second half of 2017, partly due to a rapid increase in LNG demand in China as the country shifted millions of homes and businesses across Northern China from coal to gas-fired heating boilers.

This helped drive LNG spot prices in Northeast Asia to the highest levels in over three years and has resulted in an increase in arbitrage trading between the Atlantic and the Far East, which drives LNG carrier ton mile demand. This combination of higher imports and more long-haul arbitrage helped lift LNG fleet utilization resulting in broker-assessed spot charter rates peaking at over $80,000 per day in December 2017 which were the highest rates in almost four years and an 80% increase over rates seen a year earlier.

Short-term rates have since started to ease as the market entered its seasonal low. However, rates remain significantly higher than the same time last year, which demonstrates a tighter LNG balance which we expect will continue to support charter rates in 2018.

Turning to Slide 7, we take a look at the longer-term market fundamentals that we expect will continue to support LNG shipping demand. We continue to see attractive long-term growth in the LNG market. New liquefaction trains are currently in construction at 12 separate LNG export projects. In total, we expect approximately 80 million tons per annum of new export capacity to come online between the start of 2018 and the end of 2000 -- of 2020. Most of this new growth will come from the ramp up in LNG production in Russia, Australia, and the United States.

In addition, we expect that the growth of global LNG exports will be particularly strong this year. Three new LNG export trains with the combined capacity of approximately 15 million tons per annum start up in the second half of 2017 including the first train at the Yamal LNG project in Northern Russia for which Teekay delivered its first 50% owned ARC7 LNG carrier newbuilding.

These new export trains will be joined by another 25 to 30 million tons per annum of new export capacity that is scheduled to come online in 2018. In total, we expect that global LNG export growth in 2018 could be the strongest since 2010, which back then was driven by the ramp up in exports from Qatar's mega trains.

In the longer term, we are encouraged by the recovery in energy prices. The drop in oil prices in 2014 led many LNG export projects to delay their final investment decisions, or FIDs. However, several projects have continued to progress towards FID with several new long-term sale and purchase agreements, or SPAs, recently being announced. Since the start of the year, Cheniere has signed new SPAs with CMPC and Traffic Europe, which Cheniere has said will support the development of a third train at their Corpus Christi LNG project in the U.S. Gulf, which is currently in construction.

In addition, this past week, Anadarko signed a 15-year SPA with EDF from their proposed LNG export project in Mozambique. However, we expect stronger energy prices may support -- sorry, overall, we expect stronger energy prices may support an increase in FID activity this year, which would be a positive sign for the long-term growth of LNG trade and shipping demand.

In summary, we are encouraged by the strong recovery in LNG shipping rates seen in 2017, and we look forward to a firmer shipping market in 2018 as well as the ongoing rapid growth of global LNG exports in the coming years.

Turning to Slide 8, we'll turn our attention to the LPG shipping market and the partnership's recent activities in this segment. Starting with the fully refrigerated sector, in 2018, the partnership's 50/50 joint venture with Exmar expects to take delivery of our final three midsize LPG carrier newbuildings, which marks the end of our current fleet growth and renewal program. Our JV's 13 vessel newbuilding program will have modernized our JV's fleet and further strengthened our leading market position in the midsize LPG carrier segment, allowing our JV to better service our customers.

Turning to the semi refrigerated sector, in 2017, late 2017, the partnership launched the Teekay Multigas Pool with seven wholly-owned vessels, including six that were previously chartered to I.M. Skaugen, plus one that was previously managed by the Norgas (ph) Pool. We believe that this was an appropriate time to bring commercial management of our seven ethylene capable LPG carriers in house, and we are exploring ways of expanding this pool to include third party partner vessels.

We believe that these recent and upcoming deliveries into our Exmar joint venture and the establishment of the Teekay Multigas Pool positions us for a recovery in the LPG shipping market. Although charter rates remain lower on average, we have seen an increase in rates in the latter months of 2017 and into the start of 2018. We believe this provides an early sign that the LPG shipping market may be starting a gradual recovery from the bottom of the cycle in 2018. After several years in which the LPG fleet grew faster than ton -- ton mile demand, the reverse is expected to occur in 2018, which we expect will result in the first year of increasing fleet utilization on average since 2014. In addition, our expectation is that the charter rates will continue to improve through 2019 and 2020 as lower LPG growth contributes to rebalancing and a gradual increase in fleet utilization.

In summary, we see that the LPG shipping market is at a low point in the cycle, and we have positioned ourselves in readiness for the potential market upturn. Finally, turning to Slide 9, we believe that the partnership is at a positive inflection point and is entering a period of high cash flow growth after years of focusing on execution.

First, we have been executing on our financing plan and strengthening our balance sheet -- or strengthening our balance sheet. We have secured approximately $2.2 billion of long-term financing for our growth projects in the past 18 months and have now substantially financed the world's largest LNG order book, all of which is committed on long-term charters. In addition, our 2018 loan refinancings are progressing well, and we are targeting to have these completed within the third quarter of this year.

Over the past years, we have -- few years I should say, we have also taken steps to strengthen the partnership's balance sheet through the issuance of preferred units, retaining cash flow from operations to partially fund the equity portion of our newbuilding vessels, and more recently, selling our 50% owned ownership -- our 50% ownership interest in the Excelsior. Further, we expect our newbuilding vessels to contribute to naturally delevering the partnership's balance sheet as they deliver and commence their long-term contracts. We believe a strong balance sheet is an important part of building long-term unit holder value, both for the partnership stability and to take advantage of new opportunities when they arise.

Second, the partnership has now entered a high-growth period, having taken delivery of six vessels in the past four months. Looking ahead, we have multiyear built-in growth with the delivery of a further 12 vessels and a regassification terminal through 2020. In total, we expect these 19 assets will contribute approximately $310 million in annual run rate CFVO to the partnership. This growth combined with our existing portfolio of vessels, forms a combined amount of approximately $11 billion of forward fixed rate revenues with a weighed average contract duration of 13 years.

Next, we are operating in a firming LNG shipping market in the near term and in which the long-term, long -- long-term fundamentals remain strong. Approximately 12% of the partnership's available LNG shipping days are open in 2018 and 16% in 2019, which we expect will benefit from a tightening LNG shipping market.

Finally, as we have discussed in the past, we remain focused on achieving key financing milestones and will ensure that future distribution increases are sustainable and create long-term value for our limited partners. We believe a sustainable distribution policy will ensure that Teekay LNG continues to prosper in the future and that our existing and new investors will benefit from Teekay LNG's growing CFVO and DCF per unit, both of which are expected to increase materially as we continue to take delivery of our LNG carrier newbuildings. We expect to provide more guidance on distributions during the second half of 2018. And in the meantime, we will continue to focus on completing our remaining newbuilding financing, 2018 refinancings and executing on our newbuilding growth projects.

Thank you all for joining us on the call today. Operator, we are now available to take questions.

Operator: Thank you. If you would like to ask a question at this time, please press star one on your touchtone phone. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. And once again, that is star one.

And we'll go first to Michael Webber with Wells Fargo.

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

Mark Kremin: Good morning.

Michael Webber: Hey, Mark, just a -- a couple questions on, I guess starting with the -- the -- the uptick in -- in contracts we've seen to start the year and your commentary around, yeah, we could start seeing some -- some longer-term tenors (ph), longer-term contracts stemming from some of these projects in the Gulf that could emerge. When you look at something like say the CNPC contract with Cheniere, I mean, do you -- is that something where you would expect there to be local content required? And I ask because you guys have -- you obviously have some Chinese build carriers, or you have a small percentage of an entity that's doing that. So you're kind of in a unique position to -- to kind of do either. I'm just curious, do you think that's going to play a role in some of these contracts that could shake loose in the new -- the new liquefaction plants, and do you think you'll -- you'll end up having more local Chinese content in your fleet say in five years?

Mark Kremin: It's possible, Mike. If -- if we look at the existing order book that we have in China being a CNPC example at Hudong, first of all, the quest -- the quality of -- of the ships is -- is excellent. Really -- really good. However, it is limited births that Hudong has for LNG. So I think they can play a key -- a key part. But other not -- other yards in China in terms of local content will need to come up to the level of Hudong. And the same thing would occur on other areas, whether it's India whoever -- or whoever else has an interest in building their own ships. So I think probably that there'll be local content pressures, but they might be limited by the birth space that these countries have, so I think that continue and Korea, and to a lesser extent, Japan will continue to take some of these contracts that have end users in -- in places like China or India or elsewhere.

Michael Webber: Okay. That's helpful. With regards to, I guess, how you think about managing some of the rollover risk in the next handful of years, you know, I guess it might -- two questions around that. One, you know, do you think about potentially spinning out or tranching out to kind of any sort of, you know, maybe, you know, a baseline of more merchant exposure in the LNG space, kind of, you know, any spot exposure you can't get put out on a long-term basis? Do you think about kind of carving that out?

And then maybe -- and kind of related to that, you know, would be lease accounting changes that are coming down the pike in 2020 -- and this is probably a question for Brody -- you know, do -- you've got some pretty large public counter parties in your counterparty roster that are probably not going to -- going to want to take all those operating leases on their books. Have you guys engaged in any sort of dialogue with them around some sort of structure that would kind of allow them to maintain their -- their LNG capacity without actually having to mark that operating lease on their balance sheets? And are those two topics kind of related? Does it -- could that actually drive a -- some sort of -- some sort of JV/COA agreement or something with your counterparties?

Mark Kremin: On the roll off, we're -- for better, for worse, we have relatively less roll off than most of our peers, so --

Michael Webber: Sure.

Mark Kremin: -- we don't start to -- we do have some -- the mult ship is currently in the spot market, get some spot exposure in addition to Torbin Spirit (ph) we have trading essentially short term. But we have relatively limited roll off we're seeing until around 20 -- 2022, so -- and that -- obviously we've reduced it a bit with the sale of the -- of the exposure -- of the Excelsior. I guess one of the things that's naturally going to happen for us, Mike, is that as we take on more and more of this term business that we're growing with and that means Shell and also Yamal, the roll off that we have is becoming a -- a relatively smaller part of our portfolio compared to all the contract business that we're growing on. So I think we can afford to have a little bit more spot exposure, and as a result, I don't necessarily see us putting it into another entity. The -- I guess that's -- that's where -- that's where I see it. It's not necessarily -- it's something we can tolerate, and it's probably something we have to tolerate.

To your point of off balance sheet, and not just off balance sheet, but SPAs getting a bit shorter, the -- the contracts that we're going to see probably will -- and most of the new opportunities we're seeing are not 20 years, or sometimes not even 10. So naturally I think we're going to -- to have some shorter contracts in our -- in our portfolio. In terms of dealing specifically with charters on off balance sheet and the treatment of that, we haven't had a lot of discussion yet. We see obviously some of their charters are getting shorter, but I don't know if it's necessarily tied to that or the fact they're taking shorter SPAs.

As you've probably seen from the recent article from Poten (ph), their SPA length of the sale purchase on the LNG has come real -- come down significantly over even the last few years. Brody, I don't know if you have anything more to say on the off balance sheet treatment.

Brody Speers: Yeah, no, I agree. We -- it's -- it's I guess somewhat early stages on that, and -- and we've had limited dialogue with -- with a few customers, but --

Michael Webber: Okay.

Brody Speers: -- nothing's really come of it -- come of it yet.

Michael Webber: Awesome. Yes. Thank you, and sorry for the -- the multifaceted question there. There was a lot of different stuff to sling at. So I will -- I'll turn it over and let someone else ask you guys about the dividend stuff. Thanks, guys.

Mark Kremin: Thanks, Mike.

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

Noah Parquette: Hey. Good morning. Thanks. I wanted to ask about the refinancings that are happening this year. When you look ahead of that, obviously you had the bond. Are there anything that you want to just take out with liquidity, or is -- you know, how are you thinking about some of those other things?

Brody Speers: Yeah, hi, Noah. Yeah, when we look at the refinancings this year, we've -- now that we've completed one of them, we've got three more secured loans to refinance this year. And our plan is to --

to refinance all three of those. And we're targeting, you know, on an overall basis to refinance roughly the -- the balloons outstanding. So we don't see any, at this stage, real equity need on any of those on an overall basis. Bu when we look at the NOK bond, for example, we did raise the -- we did do the preferred equity issuance in Q4 of last year, and so that -- that has put us in a pretty strong position from a liquidity standpoint. So that is something that we -- we will look at doing potentially is -- is possibly taking out that bond. But I think we'll continue to examine that as we go forward here in -- in -- and be opportunistic, especially if there's favourable terms being offered. So we're still kind of looking at that one.

Noah Parquette: Okay. And just one on the -- on the market in general. You know, we've seen a number of new orders. For the first time in a while, a lot of them are speculative. Just what your thoughts on, you know, what that means. And is this just simply guys ordering early and so in recovery and taking that bet, or are we -- you know, can we expect to see more ordering like this as LNG becomes more short term in nature?

Mark Kremin: I think we can expect to see more of this partly because the newbuilding prices are still low. They're somewhere in the -- probably the 180s for a two-stroke ship, which is, I think, what everyone's mostly interested in at this point, so either XDF or MEGI. And that's a relatively low price for a newbuilding cycle.

On the other hand, on the demand side, it does look good. We probably forecast more conservatively than others. I -- and that includes Morgan Stanley and Poten (ph) and others are still projecting 20 ships or more than need to be ordered within 2020 -- for delivery within 2020. So there is demand. And perhaps they're getting -- folks are getting a little bit ahead of that because the newbuilding prices I think are -- are about as low as they're going to go and might go up from here. So I think that's -- it's both supply and demand forces that will cause a bit more ordering in this year for LNG carriers that might be speculative.

Noah Parquette: Okay. Great. That's -- that's all I have. Thank you.

Operator: We'll take our next question from Spiro Dounis with UBS.

Spiro Dounis: Hey. Good morning, guys. Thanks for taking the question. Just want to come back to the growth opportunities available to you. And just wondering if you can give us a sense for -- for how many tenders you may be looking at now and, I mean, what you've seen in the keynotes (ph), maybe a change in the landscape since last summer. And on the 80 million tons per annum of the liquefaction capacity coming by 2020, sounds like you maybe just answered it. Sounds like 20 million tons of that or so or it sounds like it's going to require another 20 carriers to fulfil the -- the remaining demands. Do you have a sense on geographically where a lot of that new -- new carrier demand is going to sit?

Mark Kremin: Yeah. Just in terms of the -- the -- what was the first question? Sorry. I -- I missed the first question. I was thinking about something.

Spiro Dounis: Yeah.

Mark Kremin: Can you repeat that, please?

Spiro Dounis: Sorry, I threw a lot at you, too. No, I just wanted to get a sense for -- for how many tenders you're kind of looking at now --

Mark Kremin: Yeah.

Spiro Dounis: -- and just in terms of activity, what you've seen since the last summer in terms of pickup.

Mark Kremin: Okay. Sorry about that. Yeah. We're actually seeing at this point relatively limited tendering, I would say. There have been some recent seven-year tenders that -- that have already been awarded. The tendering we're seeing right now is relatively short-term. I -- I wouldn't call it long-term at this point.

There's -- there's a sort of a -- a tension between buyers and sellers of LNG as far as we can see at this point that's preventing them from entering into long-term contracts. Neither is quite sure how to do it and when to do it, and I think that's delaying the long-term tendering to some extent.

However, I -- in my opinion, I -- I think we will start to see big tenders come out relatively soon. When we look at, for instance, Mozambique, that will require a lot of shipping. And I do set -- see that being tendered. And there are others like it. So to your question about where -- where these things are -- are going to come from, where the tender is going to come from, that's one. Golden Pass could be another. Qatar has -- we lifted a moratorium a while ago. They can probably bottleneck another 10 million tons. Perhaps Qatar might order some more ships or use some more shipping at least. And then obviously there's -- there's the -- the Russia project. Arctic 2 (ph) is -- is somewhere in the future. The Amult (ph) project has gone extremely well, I think, in terms of coming in on time and on budget, and that gives some folks confidence for Arctic 2 eventually and that will require Arctic ships similar to the ARC7s that we own. So those are some of the places I think we can see tendering come forward from in the future.

Spiro Dounis: Got it. I appreciate the colour there. And then just switching gears a bit to the LPG market, agree with you on the supply side. It seems like it's really starting to look a lot better as you get towards the end of this year and the ship support rates. But I guess the one tricky part of it that we always struggle with, at least in the VLGC space, is how arbitrage driven the rates are. So just curious maybe what you're seeing along -- along those lines, give you confidence that we can see those arbs open up again and maybe support the -- the rate.

Mark Kremin: I'm not sure that our sectors have seen as much -- as much arbitrage. We deal in the -- the mid and smaller sectors. So on the Exmar AV (ph) side, we have -- we rely on a lot of term and COA business. For this year, we're over 40% covered, and it's -- I don't know if it's as arb driven as, for instance, the VLGC side. And that also goes particularly for the semi ref sector that we're not commercially operating. I don't know if it's the arb necessarily that's driving that as -- as much as fundamentals and (inaudible) and -- and GEPs.

Spiro Dounis: Got it. Appreciate the time. Thanks, guys.

Operator: We'll take our next question from Ben Nolan with Stifel.

Ben Nolan: Yeah, hi. Thanks, guys. I -- just a handful of questions, and none related to the distribution, either, actually, but on the -- on the sale of the Excelsior, that -- we don't see much in the way of sale and purchase activity for second-hand vessels in -- in the LNG market. It seems like a pretty good rate for a, you know, 13-year-old ship if you kind of back up the full unit economics. Is it -- was that, you know, a -- indicative of kind of what the market is, or is that, you know, a function of the cash flows or breakdown, or how should we think about that transaction?

Mark Kremin: As you say, the LNG S&P market is illiquid. I don't know if you can use this as necessarily a benchmark for all S&P. It was a part of a larger sale effectively that Exmar did with Accelerate (ph). And so I'm not sure. I think it was an attractive price, but I'm not sure it's -- it's going to create a benchmark for other steam ships in the near future.

Ben Nolan: Okay. And it's sort of what I was assuming, but -- and then the next question for me is you guys now have taken the liberty of a handful of the (inaudible) vessels, which is obviously somewhat of a new design. But at the same time, most of the incremental ordering that we've seen have been on the XDF design. I'm curious how you're -- how you're seeing those perform thus far and how -- where your thinking stands as it relates to the Maggie (ph) versus perhaps the XDF.

Mark Kremin: Well, we're still very happy with the -- the Maggie. I still believe two strokes in general are the -- are the way of the future and the present. The issue, to some extent, is that DSME is -- has a huge order book of -- of Maggies, and I think folks have turned to other yards as much as -- as propulsion systems. So we're seeing a little bit more coming from or orders that HHI and Samsun versus any type of propulsion. I think both propulsions are -- have their pros and cons. But I think they're both step up from the TFDE and certainly the steam ship that we just sold. So I -- I'm not going to pick one or the other, other than say I think they're both good step changes for the industry.

Ben Nolan: Okay. But -- but so far so good, no teething issues or anything that --

Mark Kremin: I think every ship will have teething issues. So every ship we've ever seen, whether it's slow speed diesel, steam ships, TFDEs (ph), we're hearing about some teething on the XDFs, and we've seen a little bit on MEGIs. I think that's a natural thing that -- that ships have, and you work it out. And we have. So the -- every ship that we deliver on the Maggie is -- is better than the previous one, and a lot of the teething, if not all of it, we've been getting a good handle on. So --

Ben Nolan: Okay.

Mark Kremin: -- unfortunately, when we order that -- that new propulsion system, whatever it is, we'll deal -- we'll have to deal with the same in due course.

Ben Nolan: True. And then -- and then lastly, just curious if you could give a little bit more colour on -- or update maybe on -- on the progress of the regas facility in Bahrain and curious if, you know, there is -- one's been in the works for a little while. Are there -- are there other sort of similar regas opportunities that you're investigating at all?

Mark Kremin: The project's about 70 some -- 70% complete. If you're interested, I refer you to the website. It's bahrainlng.com. You can see photos and progress reports on that. But it's going fine. It -- it's expected to start up in the first half of -- of 2000 -- next year, as intended. Things are -- things are well underway. If we can repeat it, and I hope we can, we -- we'd like to. It's a decent return. It's a 20-year project with no residual on the terminal, so it's a build, own, operate, and transfer. And as we've just discussed, it's hard to get 20-year contracts in LNG.

Unfortunately, we're not seeing a lot of similar projects in the regas space right now. The -- the regas -- the floating regas space has about eight or so uncommitted orders in my -- as far as I know. And so I'm not sure those are going to be taking up long-term contracts. But if we can see long-term contracts in the regas terminaling space, we'll take a good look at them and hope to be a part of them.

Ben Nolan: Okay. Sounds good. Appreciate it. Thanks.

Operator: And we'll take our next question from Fotis Giannoakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes. Hi, there. Thank you. I want to ask you about the -- the refinancing of the -- the two Spanish vessels, if you can give us a little bit more colour about the -- the balloon of this refinancing. And how do you view for the remaining refinancings the debt repayments versus the existing facilities?

Brody Speers: Sure. Hi, Fotis. So for the -- the facility we just completed on -- on the Hispania Galicia Spirit, it's a five-year tenor (ph) loan, and it's got a balloon of -- of about $80 million on it at the end of that. When we look at the -- the remaining refinancings secured by vessels this year, as I said they're, you know, on an overall basis we're expecting to refi approximately the amount of the balloon, so we're not expecting any material equity injections at all through those.

In terms of the -- the tenors and -- and profiles on those, they're -- they're mainly driven by, you know, the -- the charter structures that are in place, so for the -- the one Spanish LNG ship, it's got a -- a charter -- front charter up to 2024, so we expect to push the debt out to that time frame as well.

The Arctic and Polar Spirit, we -- we're looking at kind of a four to five-year facility for -- for that loan, mainly just driven by age of the ships. And then lastly, the LPG ships, we're looking at about a six-year tenor on that refinancing right now.

Fotis Giannakoulis: Okay. That's very helpful. And you have two conventional time cures (ph) held for sale that the contracts just recently expired. And there are two more that they will -- that their contracts will expire next -- this year. Are these -- is there plan to sell these vessels as well?

Mark Kremin: Yes. We are -- we have not held the other two ships for sale, as you know. But the intention over time is to probably exit the tanker business. It's not our core business. And so it is a -- it is a short matter of time before we probably sell all our four tankers.

Fotis Giannakoulis: Thank you. And one last question regarding your capital allocation. As you mentioned, there is some more activity on the offtake with more offtakes and potential FIDs that they are under development. I'm wondering given your -- what would be your preference between growing your dividend and deploying additional capital to -- to some of these new projects that they might appear in the next year?

Mark Kremin: It -- it's really to be determined. We have to take a look at what those projects offer in terms of risk and reward. And it'd have to be case by case. We're -- we can't -- we can't say at this point.

Fotis Giannakoulis: Okay. Thank you. I appreciate.

Operator: And we'll take our next question from Jerry Shue (ph) with Citi.

Jerry Shue: Hey. Good morning, guys. Just picking back off a -- off a previous question in terms of the regas market, first of all, what -- what are you guys kind of seeing in terms of rates in that specific segment? And then secondly, you know, what are you guys expecting in terms of rates for your own sort of project in the Middle East at this point?

Mark Kremin: We're not seeing too much. We don't have any spectral that (inaudible) use. We're not part of the uncommitted order book in that regard, so we're not getting the close view with the rates on the SSRUs right now. On the -- the -- the Bahrain project, how would you describe the return, Brody?

Brody Speers: Yeah, it's more a project finance structure. As Mark said, it's kind of a 20-year full pay out, so it's -- it's just, you know, typical infrastructure type returns, I would say, on that.

Jerry Shue: Got it. All right. And then secondly, just in terms of kind of equity needed this year, are you guys planning to have -- do you guys still have an appetite for that in terms of any potential, I guess, plans in place for now, or is that just going to be kind of an open thing that would kind of come on later if need be?

Brody Speers: Sorry, was your question about raising additional equity?

Jerry Shue: Yeah, if there's any sort of plan potential equity needs coming into this year.

Mark Kremin: No.

Brody Speers: No, I'd say at -- I'd say at this point, you know, we've substantially financed our -- our entire order book. We did the preferred offering in October of last year, and -- and we're sitting in a -- in a pretty strong liquidity position. So in the -- in the near-term, we don't see any needs there.

Jerry Shue: All right. Got it. That's all I have. Thanks, guys.

Operator: And we'll go next to Randy Giveans with Jefferies.

Randy Giveans: Hey, thanks. Just two quick questions. Looking at 2019, what is the -- if you can remind us -- kind of the debt and more to a maturity schedule there?

Brody Speers: Yeah, 2019's a bit of a lighter year for us on -- on debt maturities. We've got one facility that's -- that's backed by basically the two conventional tankers that are held for sale right now. So I -- I expect that will actually get prepaid before then. And then another one is secured by one of our 50% owned LNG ships with Exmar, the Excalibur, and -- and that balloon, it's about 30 million now. It was recent -- recently reduced from the sale of the Excelsior that we just completed.

And then we have one, a bit larger facility, which is our -- our 52% owned four malt (ph) ships, which are trading in the short-term market currently. So that -- that's a fairly low levered facility as well. So overall, we see 2019's debt maturity as -- as quite manageable.

Randy Giveans: Okay. And then lastly for drydocking for that, I know you've given the 2018 guidance. Is 2019 a little higher? I know you have a lot more of the, I guess, 2014, 2009 build.

Brody Speers: Yeah. We -- we don't see anything out of the ordinary in 2019 from a drydocking standpoint. I think it -- it's, you know, going to approximate what -- what we've seen in the last year or two.

Randy Giveans: Okay. All right. All my other questions are already answered. So thanks, again.

Operator: And that concludes our question-and-answer session. I'd like to turn the conference back over to Mark Kremin for any closing remarks.

Mark Kremin: Well, I'd like to take this opportunity to thank Brody and his team for financing our order book, and hopefully you'll all agree we've made a lot of progress on all fronts last year and that the outlook for Teekay LNG for this year and beyond is good. With that said, thank you for your support and -- and have a good day. Thank you.

Operator: Thank you, everyone. That does conclude today's conference. We thank you for your participation. You may now disconnect.