TEEKAY TANKERS LTD.'S THIRD QUARTER 2018 EARNINGS RESULTS CONFERENCE CALL

Company: **Teekay Tankers Ltd.**

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Conference Time: **14:00 ET**

Operator: Please stand by. Welcome to Teekay Tankers Limited's Third Quarter 2018 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 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 Kevin Mackay, Teekay Tankers Limited's Executive – Chief Executive Officer. Please go ahead, sir.

Ryan Hamilton: Before Kevin begins, I would like to direct all participants to our website at www.teekaytankers.com, where you will find a copy of the third quarter 2018 earnings presentation. Kevin 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 third quarter 2018 earnings release and earnings presentation available on our website.

I'll now turn the call over to Kevin to begin.

Kevin Mackay: Thank you, Ryan. Hello, everyone, and thank you very much for joining us today for Teekay Tankers' third quarter 2018 earnings conference call. With me here in Vancouver, I have Stewart Andrade, Teekay Tankers' Chief Financial Officer and Christian Waldegrave, Director of Research at Teekay Tankers.

Beginning with our recent highlights on Slide 3 of the presentation, Teekay Tankers generated total cash flow from vessel operations of $28 million during the quarter compared to $17 million in the previous quarter. We reported an adjusted net loss of $18 million or $0.07 per share in the third quarter compared to an adjusted net loss of $29 million or $0.11 per share in the second quarter.

Crude tanker rates strengthened counter-seasonally during the third quarter, which is normally the weakest quarter of the year and exceeded our results from last quarter. Importantly, rates continue to improve in the fourth quarter to-date, which I will touch on in more detail later in my presentation.

While the tanker market improves, we continued to work on various financing initiatives, including the recent completion of two sale-leaseback transactions and a loan to fund working capital in our revenue sharing agreement, RSA pooling operations, which totalled approximately $100 million of liquidity and extend our debt maturity profile. Two of these financings totalling approximately $40 million of liquidity were completed in the fourth quarter. Please see the appendices of this presentation for additional details on our pro forma debt repayment profile.

In addition to these completed financings, we continue to progress additional initiatives that if completed will further increase our liquidity position. We hope to announce progress on these additional initiatives in the coming months.

Turning to Slide 4, we look at recent developments in the tanker spot market where we are beginning to see signs of a more sustained tanker market recovery. Crude tankers spot rates improved counter-seasonally during the third quarter of the year as higher OPEC and Russian oil production coupled with strong crude oil exports from the US Gulf offset the impact of seasonally lower oil demand. In fact, crude tanker rates during the third quarter of 2018 averaged higher than rates in the second quarter for the first time since 2014.

Crude tanker market has continued to strengthen during the early part of the fourth quarter with rates in November, the highest in almost two years and in line with the five-year average. This is in keeping with our expectations of a tanker market inflection point during the latter part of 2018 as outlined in previous earnings calls.

With increased oil production from the United States, OPEC and Russia, strong refinery demand during the winter months and the onset of seasonal weather delays, we feel confident that fourth quarter rates will outperform recent quarters by a significant margin.

Turning to Slide 5, we look at recent developments in the oil market. Through 2017 and the first half of 2018, OPEC and Russian oil supply cuts coupled with production declines in Venezuela and Libya weighed heavily on tanker demand and contributed to the weak tanker rates during that period. However, since the second quarter of this year, OPEC has added a net one million barrels per day of crude oil production to the market as higher production from the Middle East and Libya has more than offset lower production from Venezuela and Iran. Russia has also added 400,000 barrels a day of oil production over the same timeframe, which has increased midsized tanker demand in the Baltic, Black Sea and Mediterranean.

In more recent developments, it is becoming apparent that Iranian crude oil exports are not falling as rapidly as previously expected. This is partly due to the US granting waivers to eight countries, which allows them to continue importing Iranian crude for the next six months. As a result, crude oil prices have recently fallen back below $70 a barrel for the first time since April. This is positive for tankers in the short-term as it is leading to lower bunker costs. However, it may also cause OPEC to revisit production levels in the coming months, which could create some unseasonal rate volatility in the early part of 2019.

Recent months have also seen elevated levels of US crude oil exports, which have averaged over $2 million per day – sorry – two million barrels per day since May. This has been positive for midsized tanker demand both through direct exports to Europe on Aframaxes and Suezmaxes and through reverse lightering demand in the US Gulf. We believe this positive trend will continue in 2019 particularly during the second half of the year when new pipeline capacity is expected to come online allowing US crude exports to reach an estimated 3.5 million to at times 4 million barrels per day.

Turning to Slide 6, we look at tanker fleet supply, which is expected to ease in the coming two years. One of the key drivers behind the recent strengthening in crude tanker rates has been the very low level of fleet growth in 2018. As shown by the chart on the slide, high levels of scrapping have largely offset new tanker deliveries resulting in less than 1% net tanker fleet growth through the first ten months of the year. Looking ahead, we project the tanker fleet growth will remain relatively low through 2019 and 2020 as the order book rolls off and as scrapping remains elevated over recent year levels due to both an aging fleet profile and the impact of upcoming environmental regulations.

The major shipyards are largely at full capacity for 2019 and ‘20, which means the order book for the next two years is largely set. The lack of midsized tanker ordering in recent months has resulted in a relatively small forward order book for both Aframaxes and Suezmaxes, which when coupled with a realistic view of likely scrapping sets up, in our view, an environment of very low fleet growth in the midsized segment over the next two years.

In sum, we are very encouraged by the recent strength in crude tanker rates and believe that the tanker market has now reached a positive inflection point. The fundamentals for the winter look positive, but we do expect some spot rate volatility in the coming months due to a dynamic oil supply environment. However, with oil demand set to grow by well over a million barrels per day next year, additional long-haul exports coming online from the United States, low tanker fleet growth and the positive impact of IMO 2020 on tanker demand, we believe that the fundamentals point towards a strengthening market during 2019 and into 2020.

Turning to Slide 7, the continued strength in the tanker market is already reflected in spot revenue days booked for the fourth quarter of 2018 to-date compared to the third quarter. Based on approximately 59% and 54% of spot revenue days booked, Teekay Tankers' fourth quarter to-date Suezmax and Aframax bookings have averaged approximately $19,000 and $19,900 per day respectively. For our LR2 segment with approximately 42% spot revenue days booked, fourth quarter to-date bookings have averaged approximately $17,000 per day.

Turning to Slide 8, with significant operating leverage and our position as the world's largest publicly listed midsized tanker company, we believe we are well-positioned to benefit from the tanker market recovery. If spot rates stayed at fourth quarter to-date levels, our estimated annual free cash flow per share would be approximately $0.35 over the next 12 months. And at current market rates, our estimated annual free cash flow would increase to more than $1 per share, which is extremely attractive relative to our last closing price of $1.06. We believe that while volatility inherent in the tanker sector will result in freight rate fluctuations month-to-month and quarter-to-quarter, the fundamentals of tanker supply and demand remain supportive for improved year-on-year tanker earnings from 2019 through 2020.

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

Operator: Thank you, and as a reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one to ask a question.

Our first question comes from Michael Webber with Wells Fargo.

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

Kevin Mackay: Good morning, Mike.

Michael Webber: Sort of to just start off with just kind of just more broadly around IMO something that comes up on just every call now and in trade press quite a bit. I am just – if you could maybe give a bit more colour around how you are actually seeing early stage prep around maybe either inventory turnover if you see any of that even in your lightering business, but did any early stage impact you are seeing on your business?

And then maybe more specifically, Kevin, around maybe some of the quality issues we could see arise from blended fuel oils, if there is anything you guys have done or looked at to try to get ahead of kind of maintaining quality for your fleet?

Kevin Mackay: Okay. Well, let me start off with your second part of your question first and then I will come back for the first part. I think it's important to say that Teekay is supportive of the industry transition, moving to burning cleaner fuels. And I think as we look at that change, 80-85% of the tanker fleet in our estimate is going to have to make that change to lower sulfur fuels as opposed to moving to scrubbers.

In our case, there are concerns that we have around the use of scrubbers, obviously, transferring sulfur pollution, from the air into the ocean isn't in our view something that is viable long-term for the industry. But there is also operational constraints and one of those is around the fuel quality issue.

Earlier this year, we saw roughly about 150 ships contaminated with bad bunkers and that's in an environment when heavy fuel oil is the main fuel for the industry. Our concern is that as we move to 2020 and as the market for high sulfur fuels diminishes to that 15% of the ships on the water, the quality of the fuel may come into question and certainly the availability of it, outside of the major trading and bunkering hubs of Singapore and Rotterdam and places like that. So, that is one of the reasons why our stance on scrubbers or use of high sulfur fuel is that we haven't taken any decisions or any moves to install scrubbers. And the quality issues has been one concern around that, not to mention the issue of maintaining additional equipment, etc., on the use of scrubbers.

The first part of your question in terms of are we seeing some transition. Physically, I can't say we have. What we have had is a lot more inquiry from refiners and oil traders in terms of voyages and economics around voyages that we currently don't undertake today. So, moving oil from places that traditionally export to main refining centers, they are now looking at – asking us questions in terms of vessel availability and our economics around moving in a different direction. So, I think it's starting, but we haven't physically fixed any of those cargoes, it's more on an inquiry basis at this point.

Michael Webber: Okay, that's helpful. I appreciate it. Just maybe specifically with regards to your fleet, it looks like – I think about your exposure to what's been an improving market here, it looks like on a charter-in perspective you went from typically kind of two charter-in, it looks like you had one and maybe you rolled off in Q3 and you brought one in midway through the fourth quarter, so you are going to back up 180 kind of – 180 charter-in days on the AFRA side for the next few quarters. Is there any thought to ramping that a bit more as kind of a lower cost basis way to kind of gain some more exposure to a market that's improving?

Kevin Mackay: Yes, it's something I have talked about on previous calls. It's definitely one of the levers that we look at that given our breadth of expertise in the midsized tanker space, I think we have been very good at historically. In 2014, we took on 12 ships quite successfully. And I think you will probably see us look to do something in the in-charter space over the coming strengthening in the market. The ship that we took in the early part of the fourth quarter we've taken in at fairly low levels relative to today's spot market.

Michael Webber: Yeah.

Kevin Mackay: So, that has immediately become accretive and we will look to do more of that. But as I remarked in my commentary, the situation around Iran and inventories still begs us to be a little bit cautious in terms of what the forward couple of months might look like.

Michael Webber: Right.

Kevin Mackay: So, I don't think you will see us rush out and take another 12 ships immediately, but it's definitely something that we will look to do to increase our exposure to this market that we think over the next couple of years will definitely strengthen from what we've seen.

Michael Webber: Yes, it looks like you are actually able to bring down your average in-charter rate, which is nice. If in terms of scale and what's realistic, I know you guys are still focused on de-leveraging, I guess you had 12 at one point, is that a realistic bogie when we think about, okay, Teekay is going to gain some more in-charter exposure to the market or something in the mid to high single-digits or more likely a target for ramping that exposure in terms of ships, not days?

Kevin Mackay: Yes. I don't think we are really focused on what the actual number should be or will be. We are focused on can we bring in ships at levels and for durations with options where it gives us a good chance to really drive our earnings. So, it's not whether we can do that with five ships or do that with 15 ships, we'll have to see what the opportunities present.

Michael Webber: Okay. Just one more and I think it's just a bit more nuanced, but it looks like say relative to last year, you guys kind of entered the back end of the fourth quarter, you are entering now with about anywhere from 5% to 10% more of your fleet fixed than maybe this time last year. Is that just a function of kind of just – how the roll-off and the re-lets happen to fall or is that something where there is a specific and kind of deliberate idea to get a bit more long a bit earlier in the quarter?

Kevin Mackay: I think at the moment if you include our lighterage business, we're roughly about 18%, 19% covered. So, probably what you are seeing is that growth in our full service lighterage operation.

Michael Webber: No, those are ex-lighterage, those are just Suez and the Afras here.

Kevin Mackay: No, we haven't increased our covers then from last year.

Michael Webber: Okay.

Kevin Mackay: In fact, we are significantly down on that front. Our strategy has been as the market has moved to better fundamentals and we feel it strengthened, we have deliberately tried not to extend or to seek additional cover, because the time charter rates that we were seeing in the recent past haven't been worth locking in relative to where we think they will be going forward. So, we have deliberately reduced our TC out exposure. As I said, we have increased our lighterage coverage, because we see merit in doing that, but I think for the time being, we want to be as market exposed as possible.

So, you won't see us do a lot of out-charter business in the foreseeable future. We may do some to keep relationships with some strategic customers, because I think that's important that we don't forget customers as the market moves, but obviously if we do though, they will be done at fairly decent rates relative to what we've seen in the past.

Michael Webber: Yes, okay. Yes, I was referencing to the remainder of the quarter as opposed to kind of the overall tailwind of your charter-outs, which is definitely down. Okay, I will turn it over. I appreciate the time, guys. Thanks.

Kevin Mackay: Thanks, Mike.

Operator: Our next question comes from Melvin Shieh with Bank of America Merrill Lynch.

Melvin Shieh: Hi, good afternoon, guys. Kevin, I just wanted to touch on comments you made regarding the recent collapse in oil prices, talks of a potential OPEC plus Russia production cut, so I guess, a sense of how you view this risk, the probability of this risk and more broadly, how sustainable this rally is in the worst-case scenario?

Kevin Mackay: Well, I think as I said in my remarks in the presentation, I think that the fundamentals are lining up and we've been saying that they're going to start lining up favourably for improved earnings over the next few years. We're entering a period of low fleet growth and oil demand while being revised marginally down is still healthy at, was it, 1.4 million barrels a day of growth for next year. So, the fundamentals are there for the improved market.

I think what we're seeing and why we put the cautionary remarks around Iran in our release is that there is commentary from the Saudis that currently there is a concern around inventory build and potential oversupply. The Russians have been much more moderated in their commentary on that. So, I think that speaks to the lack of real clarity of what the situation is.

So, our view is that it's – while we believe in the fundamentals going forward, it's good to be cautious and to keep an eye on what is going around in the oil market around us, and to be able to adjust accordingly.

But I think the sanctions on Iran or the waivers that the US provided to countries at the last minute, I think, was taken as a surprise to the market. But at the end of the day, if you look at it, there's still – if we move towards where the Americans would like the sanctions to impact, the Iranians still have to reduce oil exports by 800,000 barrels a day over what they were exporting in October. So, there should still be significant cuts coming from them. I think that will still play into their need to use some of their national tanker fleet for storage, and that bodes well for fleet supply

So, I think our view is it's choppy at the moment. It might take some weeks or a month or two to play out where we understand what the real numbers are, both on inventory levels and the need for supply, so we're just being cautious and keeping an eye on it.

Melvin Shieh: Got you. So, if I'm reading that correctly, you're saying that even in the case of a production cut, market tightness will – should still continue?

Kevin Mackay: I think the fundamentals are there to keep vessels employed and as we move further through the year, the increase in US exports as these pipeline projects come online will add further to long-haul supply, which is good for tanker demand. So, I think, obviously, production cuts do impact our market, but the fundamental supply from other regions will bolster the market, so generally, our view is positive.

Melvin Shieh: Great. Thanks. That's helpful. And then just lastly, do you guys have a target for net leverage or what's your view of a long-term net leverage level that's sustainable for business?

Kevin Mackay: I think, in general, definitely lower than where we are today, significantly lower than where we are today. But, no, I think we have a range in mind and we've spoken on past calls of trying to aim to bring it down to the 30% level, thereabouts. A lot at the end of the day will depend on where we see the forward market, and we'll adjust that range based on where we think the market fundamentals will be going forward.

Melvin Shieh: Great. Thank you. I will turn it over.

Kevin Mackay: Thanks, Melvin.

Operator: We will take our next question from Randy Giveans with Jefferies.

Christopher Robertson: Hi, guys, this is Chris Robertson on for Randy. Thanks for taking my call. With Aframax crude tanker rates on the rise, are there any of your LR2 vessels operating in the crude trade versus clean?

Kevin Mackay: Yeah, at last count, I think we had 8 of 9 LR2s trading in the crude trade.

Christopher Robertson: Alright, and then regarding IMO 2020, how much is the heavy fuel oil trade part of your cargo mix and what kind of impacts do you think IMO will have on the demand side of that trade?

Kevin Mackay: It's not a large percentage of our overall fleet carriage, we don't tend to do a lot of it on our Aframaxes. It's predominantly our Suezmax fleet coming out of Europe. But I think that it's an interesting question that you've raised in terms of where does the trade patterns change as IMO 2020 kicks in. And that's something that we and I think the whole industry has been trying to study as a means to understand the full impact.

I think at this point, our view is, really, we won't know with certainty where the flows will go. A lot will depend on the grade and the arb between the refining centres around the world. But certainly, you're going to have Russian barrels that need to move to places like the US or to the Middle East or to Far East, where there's refining capacity to break it down further. So, I think it's going to be a space that is going to add a new dimension to our market. It's just understanding exactly which single trade route it'll impact or which multiple trade routes the impact will be. We'll have to wait and see.

Christopher Robertson: Alright. And then, concerning the spot versus time charter market, so, you know, obviously, there's a bullish sentiment out there from the US pipeline capacity build outs, the robust demand in coming years, etc. How much has the time charter market responded to the surge in spot rates, are some of your peers eager to lock in some of those one to three-year time charters or are most people just trying to play this increasing spot market?

Kevin Mackay: No, I think the industry is a mix of owners with different strategies around how to play the markets. Certainly, the time charter market has increased quite a bit from when we did our deal earlier at the end of Q3 and delivered in Q4, it has moved up quite significantly. And owners have different views. Some owners would – are willing to lock-in at 3-year periods, some owners do not want to give a one year with a one-year option, some owners don't want to offer at all and play the spot market. So, there isn't a trend. You have to pick each owner and work with them and understand what their strategic view is of how to run a tanker business. But there are opportunities there we feel for Teekay to bring in ships. We have got good relationships with owners who are somewhat more conservative in their approach. So, I think as I said to Mike on the call, I think you'll see us engage in more of the in-charter activity.

Christopher Robertson: Okay. And thanks for the colour on that and thanks for taking my questions.

Kevin Mackay: Thanks, Chris.

Operator: We'll take our next question from Magnus Fyhr with Seaport Global.

Magnus Fyhr: Yes, thank you. Good afternoon. Just a follow-up question on the ships you have trading dirty now. Would you look to strategically move them out of the dirty trade into the clean trade ahead of the IMO 2020, or would you just have to see the rates justify that move if so?

Kevin Mackay: Yeah, that's one of the things that we really do like about our LR2 fleet is the fact that they are able to transition from one market to the next. At the end of the day, Magnus, it will all depend on where we see rates going. At the moment, the crude space on aframax is definitely outperforming and that's why we've got the vast majority of that LR2 fleet trading dirty. We are keeping an eye on when the move around diesel movements and MGO starts to pickup. We haven't seen it yet in LR2 space, but as that market starts to move, you might see us transition not all the ships initially but certainly some of the ships and then we'll have to see what the differential is whether the LR2s outperform the aframaxs or vice-versa. And we pretty much play that very close to what we're seeing in the day-to-day market as opposed to try and pre-empt and take a guess on what the forward differential might be.

Magnus Fyhr: Right. And just to refresh my memory about the process of – and the cost of moving your LR2s out of dirty into the clean trade and the vetting, the time it would take to get the vetting from the oil majors.

Kevin Mackay: Vetting doesn't actually come into it, it's more around the condition of your tanks on inspection at the time of fixing. It usually takes three voyages for you to progressively clean the tanks and in terms of cost, depending on your capability and your – the cargos you're carrying, it can range anywhere from a couple of 100,000 to 500,000.

Magnus Fyhr: Okay. And just one last question on the balance sheet. I guess with current bookings for fourth quarter, you're generating cash flow to fund your debt amortisation, but if you see higher rates here, I guess, you could start to generate some significant free cash flow. Is that the key focus is just to get the debt down going forward or if rates improve here is there also room maybe to take a look at that dividend policy that you had in place?

Stewart Andrade: So, definitely our focus will be on reducing leverage and some of the projects that we've done on sale leasebacks have increased liquidity, but we've taken on some additional debt to do that. So, our focus will certainly be on deleveraging, I would say, through 2019 and 2020. As you know, we do have a current dividend policy in place and that's something that we will we discuss with the board each quarter. So, depending on how the market is looking, that will be something that we discuss with the board and then make a call on what the appropriate capital allocation is.

Magnus Fyhr: Okay, very good. Thank you.

Stewart Andrade: Thanks.

Operator: We will take our next question from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes, hi. Thank you. I would like to ask you also about the IMO 2020 and if you can give us a little bit more details about which vessels do you expect that they will carry the new fuel? Can crude tankers transport the new low sulfur fuel oil or this will have to go to product tankers, and if you can talk a little bit about sizes and potential major routes?

Christian Waldegrave: Yes. Hi, Fotis. In terms of the new fuel and oil trade, we've seen that's probably likely to be more on the clean side. Well, I guess, when we go to 2020, it's going to be a mix of the 0.5% gasoil or the low sulfur gasoil, which would definitely be a product trade and would likely to be carried on MRs obviously if it's an inter-regional play. But there could be some scope for some increased LR2 demand on the back of that as well, particularly if it's coming out of, say, the Middle East and going long haul into Asia or into the European markets and there could be some LR2 demand there as well.

And then in terms of the low sulfur fuel oil that's coming out, I think that's probably likely to also be a clean product trade as well, and again with the same kind of mix of MR and LR2 demand off the back of that.

Fotis Giannakoulis: Thank you. Do you have a view about the different – the pricing across the different regions, and if there's going to be an efficient distribution around the world, and whether as a ship owner, you would have to go and fuel your vessels at a specific port that might increase delays across the global fleet? It seems that certain part of the world, they will not have low sulfur and will have to be transport it and I was wondering if that could be an additional benefit for the tanker demand.

Kevin Mackay: Yes, I think that's one of the aspects of what we looked at in terms of should we consider scrubbers or not. At the moment, Fotis, a large portion of our Aframax fleet already trades and has been trading for years in ecozones in Europe and the US. So, we don't see any change there and we're quite comfortable with the availability of distillate fuels that we burn MGO and the like.

I think there is generally in the industry a concern on two aspects. One is availability of low sulfur in non-major ports. And I think Latin America and Africa have been identified as areas where owners need to be careful, they might find that delays are incurred or supply of the low-sulfur fuels are constrained, which does open up the opportunity for trade patterns into those regions.

I think also on the flipside of that, there's more commentators concerned about the availability of heavy fuel oil for those who have scrubbers, and if you're outside of the major bunkering ports of Rotterdam, Singapore, Fujairah, you may get caught with lack of availability or certainly lack of quality. And I think that's when we look at our Suezmax fleet, as potential scrubber candidates, that's one of the concerns that we have if we do get caught trading those ships outside of the major trade areas or trade ports, what kind of fuel would you be putting on board and is it safe to do that. And at this point, our assessment has been to go with the low-sulfur fuel. And we're increasingly seeing more suppliers come out with announcements that the low-sulfur fuels will be made more readily available in the places where we traditionally have traded.

Fotis Giannakoulis: Would it be fair to say that you would put scrubbers, if these scrubbers are financed by a time charter, or you will still consider adding scrubbers on your own for a portion of your fleet?

Kevin Mackay: No, I think fundamentally, we don't believe in taking on additional debt or issuing equity to fund the capital to – for us to invest in scrubbers based on a forward bet of the spread on fuel oil prices. We don't think for us that's a prudent use of funds.

If there is a way to fund the scrubber where Teekay Tankers isn't paying for it, we may look at those opportunities as a means to test out the technology and see it, but certainly at this point, we don't feel that it's something that we would put our capital behind.

Fotis Giannakoulis: Thank you. And one last question about your liquidity. Can you give us an update of what is the available liquidity after latest sale-leaseback and what are the capital commitments, meaning ballast water and debt repayments for the next year?

Stewart Andrade: Sure, Fotis. So, our liquidity at the end of Q3 as you saw was 89 million, and we completed a couple of initiatives after the end of the quarter, a sale-leaseback and the working capital facilitie, so combined we've – that will add approximately $40 million.

In terms of capital commitments going into next year into 2019, we have 16 drydocks where we're expecting to spend approximately 35 million. No ballast water treatment installations next year, so no CapEx related to that.

In terms of debt repayments, we have about $32 million per quarter in debt repayments through next year.

Fotis Giannakoulis: Thank you very much.

Kevin Mackay: Thanks, Fotis.

Operator: And that concludes today's question-and-answer session. At this time, I would like to turn the conference back to Mr Kevin Mackay for any additional or closing remarks.

Kevin Mackay: I'd like to thank you all for joining us today and we look forward to speaking to you next quarter. Thank you.

Operator: And that does conclude today's conference. We thank you for your participation. You may now disconnect.