TEEKAY LNG PARTNERS' FOURTH QUARTER 2018 EARNINGS RESULTS CONFERENCE CALL

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

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Conference Time: **11:00 ET**

Operator: Welcome to Teekay LNG Partners' Fourth Quarter and Fiscal 2018 Earnings Results Conference Call. During the call all participants will be in 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. Mark Kremin, Teekay Gas Group's President and Chief Executive Officer. Please go ahead sir.

Scott Gayton: Before Mr Kremin 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 of fiscal 2018 earnings presentation. We 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 2018 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 2018 Investor Conference Call for Teekay LNG Partners. I'm joined today by Scott Gayton, Teekay Gas Group's CFO.

Turning to slide 3 of the presentation, we will review some of Teekay LNG's recent highlights. This quarter's results were significantly stronger than last quarter. We generated total cash flow from vessel operations or CFVO of $150.1 million, which is up 13% over the last quarter. Adjusted net income of $32.6 million, up 68%. And adjusted EPU or earnings per unit of $0.32 per unit, up 100%.

Our fourth quarter results were primarily up due to the delivery of LNG carriers and the commencement of new shorter-term charters at higher rates for two of our LNG carriers. Since reporting earnings in November we have taken delivery of three LNG carrier new buildings, all are long-term charters. This includes the Yamal Spirit, [inaudible] LNG carrier, which was delivered on January 31st, soon after we completed our dedicated long-term financing.

We are pleased to report that we have now financed our entire order book, which at one point stood at over $3 billion. Importantly, we achieved this without issuing any common equity, thereby passing on the entire benefit of our growth program to our existing unit holders. We also added value for long-term unit holders through the repurchase of units at prices below our intrinsic value. We were able to take advantage of the volatility around yearend and into the new year with the repurchase of 1.1 million common units at an average of $11.38 per unit for a total cost of $13 million. And as announced last quarter, our distributions are slated to increase by 36% commencing this upcoming quarter, which we believe represents a substantial increase and allows our investors to directly benefit from the build-out of our LNG portfolio.

This quarter, as part of our ongoing efforts to improve transparency, we are also introducing forward earnings and cash flow guidance, which will allow investors to better predict our future earnings stream. With our fleet over 90% fixed for 2019 and 2020, we are confident in achieving these targets. We are excited as we progress to 2019, which will see all of our new buildings deliver onto the respective charter contracts, adding significant value for unit holders. We see earnings per unit are between $1.85 and $2.20 per unit up 143% to 190% in 2018. We see total cash flow from vessel operations, which includes our proportionate share of our joint ventures that Scott will detail later up between $635-660 million dollars, up 23% to 28% from 2018. And consolidated cash flow, including only those vessels consolidated in our financial statements, are between $420-440 million.

On a go-forward basis we intend to update market directionally on our progress relative to the guidance provided today.

Looking at slide 4, we have presented these charts before; however, we think this type of key information cannot be said too many times. Our forward revenue book stands at over $10 billion and for the first time, we are translating this into cash flow. Given the nature of our business with the cash flow margin that exceeds 70%, we also expect to generate some $7.5 billion of forward cash flows that we can use to execute on our capital plan. Namely to service our debt commitments, continue returning capital to unit holders and, depending on the relative value, of returning additional capital versus growth, servicing our customers for new products.

Our fleet is over 90% fixed for the next two years, and with an average contract length in excess of ten years, we expect our revenue in cash flow base will continue to provide us with stability and flexibility for many years into the future. Importantly, as Scott will detail, the substantial majority of this revenue in cash flow comes from our LNG segment, which makes up over 92% of our invested capital base. None of these stats would be relevant if it weren't for our high-quality customer base, as can be seen at the bottom of this slide, with investment grade customers and projects making up the lion share of our revenue backlog. In addition, as for our diversity, we lift LNG from countries all over the world, including United States, Qatar, Australia, Papua New Guinea and Angola to name a few.

Turning to slide 5. We will now look at the LNG shipping market for 2019 and 2020. Although we are currently seeing softness in the market due to the approaching seasonal low period and higher-than-anticipated LNG stock levels in Asia, we expect 2019, to be strong overall. Ton mile demand is anticipated to increase by 10% this year due to the ramp-up in export projects that started in late 2018, such as [inaudible] as well the startup of new export projects in 2019, such as Cameron, Corpus Christi, Elba Island, Freeport, Sabine Pass Train 5. Overall, we expect demand growth for LNG vessels will exceed anticipated fleet supply growth of approximately 8% this year, leading to a further increase in fleet utilization and charter rates.

Looking ahead to 2020, we expect that fleet supply and demand growth will be roughly balanced, which should sustain the strong charter rates expected in second half 2019. Looking at our own fleet, we expect to take further advantage of the market strength as three of our conventional LNG carriers come off their existing charter contracts during this time.

Turning to slide 6. We turn our attention to the fundamentals for 2021 and beyond. Despite a strong 2019 and 2020, we expect the market could soften in 2021 due to fewer new export project start-ups and ongoing high level of new build deliveries. For example, after strong LNG export capacity growth of more than 20 million tons per annum per year between 2017 and 2020, we expect a slowdown in incremental export capacity in 2021, which overlaps with the final deliveries from the record level of new build ordering seen in 2018, including many uncommitted new build orders. However, we believe this weakness will be temporary and the strength of the market will return in the longer term, driven by new export projects that have recently made a positive financial investment decision or that are expected to do so this year. In fact, some analysts anticipate that 2019 could be the largest year ever for LNG project financial investment decisions.

With many of these projects targeting start-up in 2023 to 2024 timeframe, we expect this will lead to another strong growth phase for the global LNG industry. Furthermore, in the longer term, we remain encouraged by the strong outlook for global LNG trade. According to BP's recent energy outlook, LNG trade is forecasted to more than double by 2040, with exports driven by North America, the Middle East, Africa and Russia, whereas Asia is expected to remain a dominant driver of import growth.

In summary, we expect strong charter rates in the second half of this year with a temporary softening after 2020, due to recent record orders and a temporary slowdown in new LNG export growth. However, we maintain an overall positive outlook long term due to the increasing financial investment decision activity and the expected strong long-term growth in global LNG supply and demand.

I will now turn the call over to Scott who will review some of our financial information and new disclosures I mentioned at the start of our call.

Scott Gayton: Thank you Mark. Last quarter we introduced our balanced capital allocation plan and we have been successfully executing on it since our conference call last quarter. Looking at slide 7, as Mark mentioned previously, we took delivery of the Yamal Spirit on January 31st of this year and in advance, we completed a dedicated financing. With this final new-build financing now complete, we have successfully completed all of the financing necessary to take delivery of our remaining order book. This was no small feat and our finance team did a tremendous job during some challenging times.

As mentioned last quarter, delivering our balance sheet remains job number one. We took delivery of our new building book without issuing common equity which resulted in an elevated levered position for Teekay LNG. However, now that the majority of our vessels have delivered with a few still to deliver on 2019, our leverage will naturally decline into our targeted leverage range of 5-5.5 times on a net debt cash flow basis as the cash flows are fully reflected in our financial statements.

And this delivering benefits unit holders as the $185 million of annual amortization on a gaap basis, or approximately $300 million on proportionately consolidated basis, builds equity value for our investors. Looking at the second pillar, returning capital to unit holders, we are committed to returning capital and we will try to do so in a manner that creates the most value for our unit holders. As announced previously, we intend to increase our distribution in the first quarter of 2019 by 36% to $0.76 per unit on an annualized basis, commencing with the first quarter distribution payable in May, representing a 5.7% forward yield based on yesterday's closing unit price. And we announced the unit repurchase program late December and as Mark mentioned, we had made good headway with over $13 million in repurchases at an average price which is well below our current trading price.

The last pillar of our balanced capital allocation plan is growth and this is not entirely relevant for Teekay LNG at this time for two reasons. First, we have just come through a big build out of our fleet and as a result, our financial leverage is high but the average age of our fleet is very young. And second we do not believe the returns we can generate by ordering new vessels in today's market exceed that of [inaudible] our own fleet. This third pillar of our balanced capital allocation strategy requires us to be disciplined and analyse the relative return of growth, not just to grow for growth sake. This is a significant departure from our old strategy that focused more on growth, which was valued by MLP investors at the time and one that we think adds long-term value for our unit holders.

Also, part of our financial strategy for the next couple of years is to enhance our public disclosure so that all stakeholders can fully appreciate the various facets of our business. The first part of this enhanced disclosure, as can be seen on slide 8, is the 2019 financial guidance we are providing today. Last quarter, we introduced our target leverage range of 5-5.5 times on net debt to capital basis. And this quarter we are also providing earnings and cash flow guidance, both of which are projected increase materially over 2018, as can be seen on these charts. With one of the youngest fleets in the industry, world-class operations, our blue-chip customer base and over ten years of fixed rate contracts remaining – and over 90% of our business fixed for the next two years – we believe Teekay LNG makes the compelling investment for new investors, trading at about 6.6 times 2019 earnings and about 9.5 times 2019 cash flow.

The second layer of added disclosure we made this quarter is the further segmentation of our businesses, as can be seen on slide 9. Our LNG fleet has been growing materially over the past number of quarters. However, because it was previously reported together with our LPG fleet, which has been significantly weaker over the past year, it was difficult for investors to actually see the strength of our LNG business. Consistent with the manner in which our internal reporting has evolved in 2018, we are hopeful that with this added segment disclosure, investors will be able to fully appreciate the strength of our LNG fleet, which ,as can be seen on these charts, makes up the vast majority of our cash flow. In addition, this chart also shows the potential for upside as LPG rates revert to longer-term norms in the future.

And before I hand it back to Mark to conclude, on slide 10 we have detail of significant portion of our business that, due to accounting rules, only shows up as a single line item of equity income and equity investment in our financial statements. Our equity account and joint ventures are substantial and by the time all of the vessels are delivered later this year, these JVs will make up over 40% of our total business. I will won't walk through the detailed data on this slide; however, I would like a make a few key points.

First, our largest joint venture investment we have alongside our Japanese partner, Marubeni Corporation, our 52% ownership in six fairly modern vessels is set to provide increased earnings to us as the two Yemen vessels will soon roll off their current below market charters into the spot market while currently extending the charters with Yemen. And the Yamal Spirit continues to be employed our own charter in excess of $100,000 per day before going into dr0ive off next month.

Second, our next largest joint venture investment is our 50% investment in six ice-breaking purpose-built vessel servicing in the Yamal LNG project, which is fully operational and delivering earlier than expected. Importantly, due to the ice breaking technology of these vessels, they are an integral part of the logistics chain and therefore crucial for the continued success of the project.

And the last JV I would like to point out is our sizeable investment alongside the Government of Qatar and Exxon. As a reminder, our 40% investment in RG3, which runs four LNG carriers, is balance sheet, whereas our 70% investment in three LNG carriers in Qatar is on balance sheet.

The Qataris were one of the first to embrace foreign partnerships to help with their LNG shipping needs, and has been widely publicized that they are looking for another round of joint partnerships as they continue with their massive build-out of LNG projects. When totaled together, the book value of our joint venture investments represents over $1.1 billion of equity value, making our JV book larger than the market cap of many of our publically traded peers. And with better diversification, a high quality customer base, contract cover of over $5.9 billion, and a favorable debt maturity profile with our next maturity still a couple of years away, this fleet, which is only about 50% of TGPs entire operations, alone represents over $14 per TGP common unit.

With that I will now turn the call back to Mark to conclude.

Mark Kremin: Thank you, Scott. Looking forward, we will continue to progress on our business strategy. This includes executing on the delivery of our fully finance order book including our four remaining Yamal new buildings and the Bahrain re-gasification facility, all of which are set to deliver through 2019. Our strategy also includes providing flawless operations for our customers while optimizing our existing asset portfolio, as evidenced by the sale of our remaining conventional oil tankers to become a pure play on liquefied gas carriers. Delivering on these initiatives will allow Teekay LNG to significantly strengthen its balance sheet while simultaneously returning capital to unit holders.

Operator, we are now available to take questions.

Operator: Well, thank you. If you would like to signal with question, please press star one on your touchtone telephone. If you are joining today using a speakerphone, please make sure the mute function is turned off to allow your signal to reach our equipment. And again, that will be star one for questions please. Our first question will come from Michael Webber with Wells Fargo Securities.

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

Mark Kremin: Hi Mike.

Michael Webber: Hey, I wanted to touch on rates first. Your exposure to the spot market, all things considered, is relatively limited. But it probably worked against you in the back half of last year to a degree, but it seems a bit better today, just given the weakness we have seen to start the year. And it certainly paints that three year charter you guys did at $100,000 in Q4 in a particularly positive light. Can you talk about – first and foremost, where do you think that rate would be today relative to where you signed it?

Mark Kremin: Well, just turning back to Q4, I think we actually did have some – although the ships are fixed, we had some unexpected exposure. What happened in Q4 was a lot of the charters that we had fixed long started to deliver earlier because charters need those. And we ended up, for instance on the Sean Spirit, making a rate well in advance for our long-term charter prior to going on to BP.

In terms of – it was certainly much better than, as you say Mike, as you know, we reported. We fixed that over $100,000 for three years. That's certainly not where the levels are today. I am not sure but let's split them into two: what are the spot rate today and what is the three year rate today? I think the three-year rate is down a little bit, but the spot rate certainly is down. We have seen in the 50s or so in Q1, for better or for worse. We don't have any ships available basically in Q1. But in Q2, we will have to see but the spot rate is going to remain lower. I think that the long-term rate is for the three years is probably somewhere under 100 now, based on where we are today if that is your question.

Michael Webber: Yeah, I was hoping maybe just a bit – I know it is tough but maybe a bit more specific around – if you guys are looking to resign a vessel today for three years, would 80 get it done? Would it be somewhere in the 90s considering there is still a bulk of a pretty firm window baked into that three year rate. Trying to get a sense of where do you think the three year rate is today basically.

Mark Kremin: I would the range that you just mentioned, if you had to do a deal today for three years prompt, it is somewhere between that 80 to 100 is my guess, is for a three year charter.

Michael Webber: Okay, that is all right, I appreciate that. Yeah, you mentioned 2021 and if every FID and construction process happens on time then we could see a bit of a lull in new capacity, but obviously that rarely happens. But you guys are the first ship owner to talk about watching 2021 closely and anticipating maybe that is when we see maybe more material easing of the spot market. When you think about reloading your business now, resigning these vessels, are you actively trying to avoid that period. The three year rate you signed in Q4 does deliver into 2021 so I am just thinking, as you are looking into new business, are you trying to look at five and longer, and whether that is available?

Mark Kremin: Yeah, we want to take in a contrary[?] view[?] on the market. Mike, you are right, we see I guess the second half of 2020, or more so 2021, as being lean until the products to start up in 2023 and 2024. As you know, products tend to get delayed. So I guess from our perspective to the extent we can see cover for those years, we will be interested in taking it. The issue is it is still far off, we are looking at two years from now almost. And the extent of the cover that is available now for that period of time, we are not seeing too much.

In terms of the medium-term charters, that might cover that and they tend to come out later, to seven years or so. The returns on those are not great as we see them today. But yeah if there was a coverage available for that period of time, at the end of 2020 and 2021, at a decent rate, it is something we would consider.

Michael Webber: Right, so just taking what the market can give you at this point still.

Mark Kremin: Yeah, that is right.

Michael Webber: One more from me. To focus on the Artic for a second and your Arc 7 exposure. When you think about – you got Arctic 2 that seems like it is progressing. Do you think about your exposure there? Do you think about it in the context of trying to maintain your market share within the Arctic trade? And I guess the reason I am asking is it seems like they are moving the trans-shipment point from Norwegian waters into Russian waters, which is going to bring some Kaventach[?] laws into play. And it seems like it is a little unclear to what degree international owners will be able to participate in that. It is really, really early but one, I am just curious, do you guys have any insight into that? And two, is that something you even necessarily would think about in the context of maintaining share to a particular region like that?

Mark Kremin: We think about it a lot. So one of the parts that we try to advertise and promote about TGP is our diversity and that’s customers and with the countries that we work in. So when you talk about Russia, we typically try to keep a threshold of about 20% of our total revenues. And in some cases we might have just exceeded that, for instance, Shell which is investment grade, but it is something we look at. And when we look at the Arctic 2 project or we look at the Yamal, Yamal has been great, it is come off on – I think it exceeded everyone’s expectations. And it is very different obviously from Arctic 2 in that we were able to order ships from Korea and it is pretty – the financing from China was available and it is probably a different scenario from Arctic 2.

So with that said we are probably – when we look at where we are with Russia in our current exposure, Arctic 2 is not the highest on our list. I think it is going to happen, I think that Russia did a great job with Yamal 2 and Novatek and I think they are going to do a great job with

Yamal and I think they are going to repeat that on Arctic 2. But for us in terms of the diversity of our portfolio, I think we have hopefully got the better project in the first time around.

Michael Webber: Okay, that is fair. I will stop there and turn over. Thanks for your time guys.

Operator: And our next question will come from Noah Parquette with JP Morgan.

Noah Parquette: Thanks. I just wanted to ask about the unit purchases. I mean, you guys have been very clear and upfront about deleveraging and the dividend policy. I mean, when we think about unit purchases that were done Q4, was that more of a one-time thing because of the dipping of price? Is that going to be a regular part of returning[?] capital or is the deleveraging still an absolute priority? Thanks.

Scott Gayton: Yeah, thanks Noah. I think you are right that the delevering is still going to be our number one priority and I would say that if we look at our stock buybacks, we are well positioned at the end of the year. Obviously, there is a lot of volatility and we are able to take advantage of that through some repurchases at what now look like very attractive levels. And so I think going forward, you can maybe look at this as being more opportunistic in our repurchases.

Noah Parquette: Okay, Thanks.

Operator: And our next question comes from Randy Giveans with Jefferies.

Chris Robertson: Hey, good morning, this Chris Robertson on for Randy, thanks for taking our call. With regards to the distribution, do you have any color around how are you thinking about the timing and scale of the next increase and what the catalyst would be to make that decision?

Scott Gayton: Yeah, hey, Chris. So we do have a fairly sizeable increase coming with the first quarter's distribution, as we talked about in today's call, and as obviously we talked about in the last year. And I think when asked this on the last quarter's call, Mark talked about modest increases. I think that we are just going to have to look at a number of different things: where our units are trading, what is our leverage, what is the opportunity set, that we have between those things. And then what is the sustainable distribution that sort of comes out of that map. I think that continuing with these types of increases that we have this quarter is not to be expected because if we do that then, sticking to our first priority which is delevering ourselves to give us that flexibility would not be achievable. Ao I think I will echo Mark's comments from the last quarter that we will look at it very holistically, but I would expect them to be modest.

Chris Robertson: Makes sense, thanks. Now that you sold the Suezmax vessel, are there any immediate plans regarding the MR?

Mark Kremin: The ship comes off charter from its timed charter in September of this year. So that would be a time that we would consider the sale of that last MR.

Chris Robertson: Okay, and then in terms of the four remaining vessels in 2019, can you talk about the cadence of delivery for the scheduled delivery that you expect?

Scott Gayton: Sure, give me half a second here. I am just going to find that out. Why don't we just turn to the next question and then I will answer as soon as I can find the exact dates here.

Chris Robertson: No problem. And my last question is just regarding the LPG carriers in terms of your strategy this year for timed charter coverage versus spot and what are seeing in the segment with regards to timed charter opportunities.

Scott Gayton: Sure, maybe before we pass on, I found it here. So, the next Yamal is June 4th, August 9th, October 11th and November 25th.

Randy Giveans All right, thanks for that.

Mark Kremin: On the [inaudible] question – I'm sorry, go ahead.

Operator: I am sorry, go ahead sir.

Mark Kremin: If I could clarify on the LPG question, we have two fairly distinct LPG businesses: one is the EXMAR JV, which is the fully refrigerated mid-size sector: and the other is the Ethleen carriers that we took back from the previous charter. Which one are you referring to?

Chris Robertson: Ethleen carriers.

Mark Kremin: The Ethleen carriers, so the Ethleen carriers we really don't consider core business, so we were always looking at something what we might do with them next. In terms of the timed charter possibilities, we have begun to see some good opportunities. We have been taking gas for the last year or so and we now see some opportunities to take some chemicals. We are seeing finally some LNG opportunities that might arise this year that are termed charters, so things seem to be improving slightly. But again this is a fairly small part of our business and so we will be considering what to do with it in terms of commercial management over the coming quarters or so, I would say.

Chris Robertson: Got you. All right, thanks for the time.

Operator: And the next question will come from Chris Snyder with Deutsche Bank.

Chris Snyder Hey, good morning guys. So the JVs are ramping EBITDA pretty aggressively over the next couple of years. Obviously you guys are amortizing debt, both consolidated and the JV debt pretty quickly. Can you just maybe talk about how much capital from the JVs could actually be returned to TGP in 2019-2020?

Mark Kremin: Yeah, you are right, there is a lot of amortization happening. But also with a lot of the joint ventures, as the ships are so new and so young, you've got not only heavy amortization, but you have also got heavy interest expense upfront. So the distributions that will be spilling out of the joint ventures is going to be net-net probably lower in the beginning and that that will ramp up over time. But I think if you look over the next couple of years, you are probably in that $65-75 million range.

Chris Snyder Okay, thank you for that. Then just kind of staying on the topic of debt amortization, clearly you guys are really focused on deleveraging. I think that consolidated amortization is about $185 million a year. You guys potentially given all the new builds or finance and what not, have capacity to kind of potentially even accelerate that. Is that something you would be interested in, if the cash flow is kind of even, maybe [inaudible] at the upside, could we see some of these debt obligation brought forward?

Mark Kremin: Not really, I think that the existing facilities that we have, have all got their own stated amortization on them. And so I don't think that you would look to prepaying those, unless there is some massive windfall that I just can't predict right now. Where I think you could see us potentially playing around with the leverage a bit is on the bond maturities that we have. So if you go back to August of last year, we had a $150 million bond maturing in early September and we refinanced that in August for a £100 million. We have also got a bond about $135 million that matures next year. And what you might see us do is to dial that up or dial that down, depending on both our leverage and then also what are use of proceeds for, that capital maybe. So you could see us repaying some of that, maybe bring that down into the $75 million range or if we see a good use of proceeds, we could probably increase that to $150 million. So I think that is where you would see some movement on the leverage side.

Chris Snyder Okay, fair enough, thanks for that. And next question is on the spot market. I know you guys have only just minimum spot market exposure but I do think it kind of drives a lot of sentiment in the space. It seems like the spot market now is kind of paying through Q4 strength when the Asian buyers were raising inventory levels. How should we think about current inventory levels in Asia? I know that data seems to be pretty hard to come by. Have you seen these inventories come down to normalized level? Or is destocking going to be a headwind over the next few months?

Mark Kremin: We certainly saw the storage – we had ourselves the couple of ships doing storage in Asia for quite some time and we are no longer doing that storage. So that in itself might be an indicator that we – or seen even storage opportunities – that the stock levels are coming down. We don't have good information on the stock levels unfortunately. You are probably better off getting that elsewhere.

Chris Snyder But you said that you are seeing some storage opportunities?

Mark Kremin: No, the opposite. We were seeing and we were taking part in and we were earning good money from storage actually on a couple of our ships. But we are no longer seeing the opportunity, so that might be an indicator that as a ship owner, as a ship operator, that we have, we are no longer seeing the storage opportunities. But again I would point you elsewhere to what the current stock pile in Asia; we don't have a good answer for it.

Chris Snyder Okay, fair enough, I appreciate that. And then just kind of last, quickly, on the guidance, you do have obviously high contract coverage but you do have some LNG spot exposure. And then a lot of the consolidated LPG vessels have spot exposure. Can you just kind of talk about the underlying assumptions you guys are using on, whether it be repricing for the LNG or just kind of the trend in the smaller LPG vessels as we move throughout the year that you kind of use to formulate your EPS guidance?

Mark Kremin: Sure, yeah, if you look at one of the footnotes that we have on the bottom of slide 3, what we did was we did provide some sensitivity to current rates. And so we were using the TFDE, which is roughly $60,000 today, and that was used to develop the EBITDA and the EPU guidance that you see. And then we have given a sensitivity there of plus or minus $0.05 roughly per unit for a 10% change in that $60,000 number. So as rates continue throughout the year, everybody in the analyst community should be able to move those guidance numbers, as they need to, based on the spot market.

Chris Snyder Thank you, that is it from me, I appreciate the time guys.

Operator: And the next question comes from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis Yes, [inaudible] thank you. You mentioned earlier about Qatar, your strong relationship with Qatar and the potential of new business with them from the new wave of new building orders that they are planning place. Can you give us a little bit more color, how many ships do you think that they will be looking to order? Are they going to serve the new needs for tonnage only from new buildings or they are thinking of employing existing vessels that they are not contracted? And also how do you view the financing of this potential deals if they arrive and your capital allocation between delevering returning capital to shareholders and funding this potential growth?

Mark Kremin: Well, let's start way back. So we have seven ships now with – that are JV with Qatar and the first ones we did were 70% ownership on our part and then went down to 40%. And after it went down to 40%, we thought oh, jeez, we will probably never do a joint venture again. And we had that idea for some time. And it has just recently come up that they are interested in joint ventures. Obviously, with the boycott, they might have better usage of capital than spending it all on their own ships. I am not sure why, but there does seem to be an openness on the part of Qatar.

In terms of how many ships they will need, you have seen 60, I cannot add to that. That is what was said by the minister and it has been confirmed a couple of times and so that is what our understanding is that they are in discussions with the yard for – I should say yards. And so in terms of what the projects are going to be used for, you have obviously seen the FID Golden Pass, but the ramp-up is going to be unbelievable, if you see that. The ramp-up to 100 million tons, including there is another 10 million or so of the de-bottlenecking, could be easily used for their ships. So I think that at least both of those initiatives, both Qatar and Golden Pass, could be uses although we are not sure. And the other thing that we are seeing in Qatar is they have ideas for what they will do with their existing vessels so we will be interested in how they might modify their existing fleet. It is another idea, but certainly they look to be building a lot of ships and they seem to be open to partnerships again.

Fotis Giannakoulis And can you give us a comment about how many vessels do you think that your balance sheet allows, or your willingness to deploy capital on new buildings with Qatar or other potential long-term charterers? Are we talking about a couple of ships or there might be significantly larger growth potential for TGP? I am trying to see how you are planning to balance between increasing your dividend in the future and funding additional growth as there are going to be many opportunities from what you said?

Mark Kremin: Sorry, I meant to ask your question – answer your question, but in terms of the Qatari ordinate and our ability to take part in it, the interesting thing about this project, like most, is it probably won't start up until 2023, 2024. The de-bottlenecking is probably first, the Qatari ramp-up on the due course, but these projects are happening a little later. And so even if the Qataris end up ordering a big slug of ships from Korea or elsewhere, that doesn't necessarily mean that the joint venture partners is going to, if they invite them, come immediately either. So it is going to be a while before the instalments are made and certainly before the main instalment on delivery are happening here.

So the other thing I would mention about is when we first went into business with Qatar, they were a huge part of our book. And we have since grown and diversified our portfolio a lot and they have become investment grade since we've first done this. so in terms of what I said to Mike earlier, diversity is important to us, but now that we have grown so much in Russia, in the United States and elsewhere, we have opened up more portfolio basis for Qatari ships again, on an overall basis.

So I hope that answered your question. I think we are going to have capacity for them, both on a diversity basis, on a cash basis because they are little bit further out and hope that answered your question. Scott, do you have anything to add to that?

Scott Gayton: Yeah, I think for us maybe just tying together a few of the themes that we have talked about. If you look at slide 15, where we provided what we think is our delevering profile. By the time we get into that 2021, 2022 timeframe that Mark has talked about, when we actually would have to go out and put capital to work in order to service these contracts that would start up in 2023, 2024, we definitely will and predict to be within our targeted leverage range. And then I think what we would do at that point is revert back to the balance capital allocation plan that I spoke about earlier in the presentation. And we would look at really those last two pillars and say, is it an attractive growth, what are the returns that we have versus other opportunities to us available at that time. And so we are going to try and be fairly formulaic, if you will, and really look at ourselves on evaluation basis, not just on a growth-for-a-growth-sake basis.

Mark Kremin: Just I want to add one more thing, Fotis. I don't want to focus too much on Qatar because just one of the opportunities, just like we are going to have a capital allocation program where we look at different opportunities. So we will look at different projects. So it might be Mozambique, it might be Papua New Guinea, it might be any number of projects. And Qatar is just one possibility and we're not saying that we're necessarily going to be invited or do that. But it is one of the ones that we are going to certainly look at, hopefully.

Fotis Giannakoulis Thank you. That was extremely helpful. And one more clarification and thank you for providing us more information about your JVs, this is extremely helpful for us as analyst and for investors. You mentioned earlier about $65-70 million can be returned to TGP in the next couple of years. Is this number the anticipated dividend that you are going to pay or this number is the free cash flow? I am just trying to understand how much cash you can distribute because obviously there is going to be some cash that it will stay at the JV level. And how shall we see forward this number, is it relatively stable or we should see it as an increasing number as the interest payment of this debt on the JV level is decreasing?

Mark Kremin: Sure, no, the numbers that I spoke of earlier is strictly the dividend that we expect to be paid out of our joint ventures. And so those are after obviously all of the OPEX and financing commitments, both amortization and interest within the joint ventures. So that is essentially free cash flow to TGP that we would then flow through our overall cash flow in order to figure what capacity we have for dividends, buybacks, growth, what have you, based out of our free cash flow calculation. And how does it ramp going forward, I think I said sort of in that $65-75 million range is probably a decent number for at least the forecast period that we can see.

Fotis Giannakoulis Okay, thank you. That was very helpful. Thank you.

Operator: And our next question comes from Ben Nolan with Stifel.

Ben Nolan: There we go, thanks guys, so I had a couple of questions. Number one is there has been a little bit of noise in the market lately that Yemen is hoping to restart their local [inaudible] facility this year. I am just curious, if that were to happen, can you maybe walk through what that might mean in terms of – whether it would have much of or any impact on your cash flows?

Mark Kremin: I think we should take it with a slight grain of salt, Ben. We have recently met with the shareholders of Yemen and there is still some concerns about when the project might start up. So I know there has been some statements from the government about the potential project restart this year, but we are being much more cautious than that and I think the shareholders are too.

What is going to happen in the meantime, however, for us is that we will – he ships that we would have been on time chartered to Yemen, will hopefully begin to enjoy a better spot market rate. We are very close to finalizing an agreement with Yemen whereby we will keep the cash flows of whatever we are going to earn on the spot market until the project restarts. And hopefully as we have mentioned today, those are going to be good cash flows for at least the end of 2019 and 2020. And so if the project could start in 2021, instead of now, we would be just as happy.

Ben Nolan: Okay, that is helpful. And then shifting gears a little bit. I know earlier you talked a little to the LPG fleet and maybe deemphasizing it a little bit or calling it a little noncore. I suspect now is maybe not the right time for this, but given that framework, should the LPG market improve, is that a business that you might think about exiting entirely, going forward?

Mark Kremin: We would. And again, I just want to clarify, we are talking about the Ethleen Fleet we have, seven ships, not the franchise we have with EXMAR which is cyclical and we are very happy with. On the Ethleen fleet, it is seven ships that are relatively low value and it is something where we would consider exiting. At this point we tend to agree with you; from what we can see, it is a relatively illiquid S&P[?] market. But from the offers that are being made, the values that seem to be getting done at, it is not something that we need to do, so we don't need to exit this point. However, from a commercial management standpoint, it is something we should consider. For us to manage seven ships, I am not sure that we have the scale and consolidation that we might be able to get by putting the commercial management elsewhere, but we are not in any rush to sell. Hopefully, that answers your question and hopefully we will have more say about that within, I said, the coming quarters. But actually I think we would like to say something about that within the coming months, so hopefully we could do that.

Ben Nolan: Okay, no, that is very helpful and I appreciate that. That is foe me. Thanks guys.

Operator: And that does conclude the question and answer session. I will now turn the conference back over to Mark Kremin for any additional or closing remarks.

Mark Kremin: Well, once again, I would like thank everyone for their support this quarter and with that said, goodbye and have a great day.

Operator: Well, thank you. That does conclude today's conference. We do thank you for your participation. Have a wonderful day.