

# **Teekay Offshore**

## **Q2-19 Earnings Presentation**

**July 31, 2019**

## Forward Looking Statement

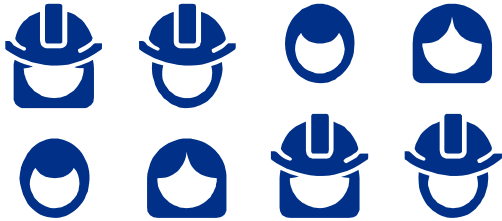
---

This release contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including, among others: opportunities for the Petrojarl Varg FPSO unit; Brookfield's proposal to acquire all issued and outstanding publicly held common units of the Partnership; and any potential resulting transactions; the anticipated financing for two newbuilds; the timing of shuttle tanker newbuilding deliveries and the commencement of related contracts. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact expected future growth, particularly in or related to North Sea, Brazil and East Coast of Canada offshore fields; shipyard delivery delays and cost overruns; delays in the commencement of charter contracts; the Partnership's ability to collect the amounts due under the settlement agreement with Petrobras; new opportunities for the Petrojarl Varg FPSO unit; and other factors discussed in Teekay Offshore's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2018. The Partnership expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Partnership's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

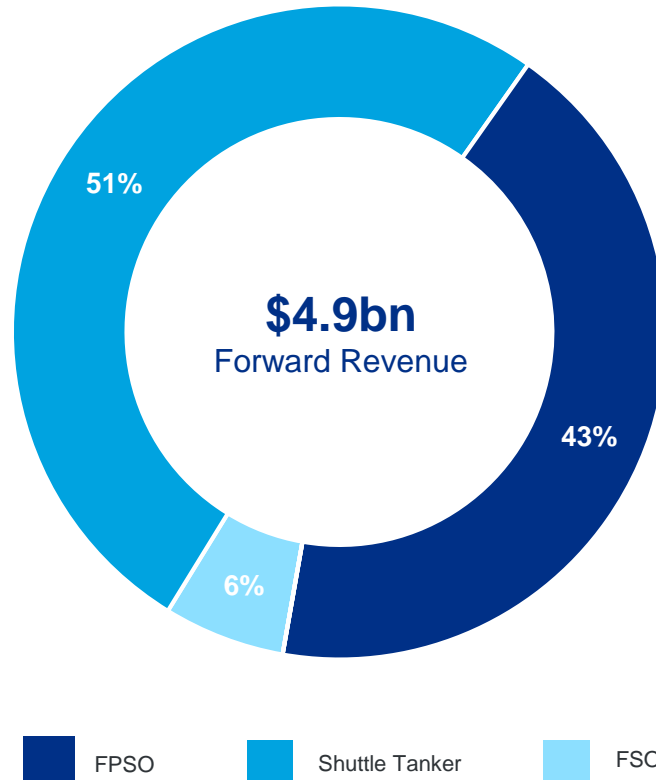
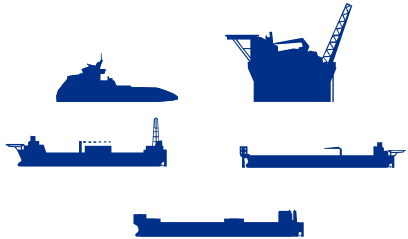


# Teekay Offshore

~2,000  
Employees



57  
Vessels



## Blue Chip Customers



## Highlights

---

---

### Q2-19 Results

Adjusted EBITDA of \$159 million in Q2-19, decreased by \$29 million from Q1-19, primarily due to non-cash items in the FPSO segment

---

### Brookfield Investment

In May, Brookfield purchased all of Teekay Corporation's interest in Teekay Offshore

In late-May, the Partnership received an unsolicited non-binding proposal from Brookfield to acquire all issued and outstanding common units

---

### Cheviot Agreement

We terminated the agreement for the Petrojarl Varg FPSO for the UK Cheviot field as a result of Alpha Petroleum being unable to satisfy certain conditions precedent

---

### Financing

Concluded three major financing initiatives in Q2-19; a new \$414 million long-term debt facility to finance four LNG-fueled Suezmax DP2 shuttle tanker newbuilds, a \$100 million refinancing of three FPSOs and a \$450 million refinancing of a shuttle tanker revolving credit facility

## Solid Operational Performance in Q2-19

Adjusted EBITDA of \$159 million, decreased by \$29 million from Q1-19, primarily due to FPSO related non-cash items and lower Towage contribution

### FPSO

Adjusted EBITDA decreased by \$22 million to \$72 million in Q2-19 primarily from absence of \$15 million of Piranema in-process revenue, that became fully amortized in Q1-19, and \$7 million lower contribution from Petrojarl Cidade de Rio das Ostras that reached end of contract in March 2019

### Shuttle Tanker

Adjusted EBITDA increased by \$1 million to \$68 million in Q2-19

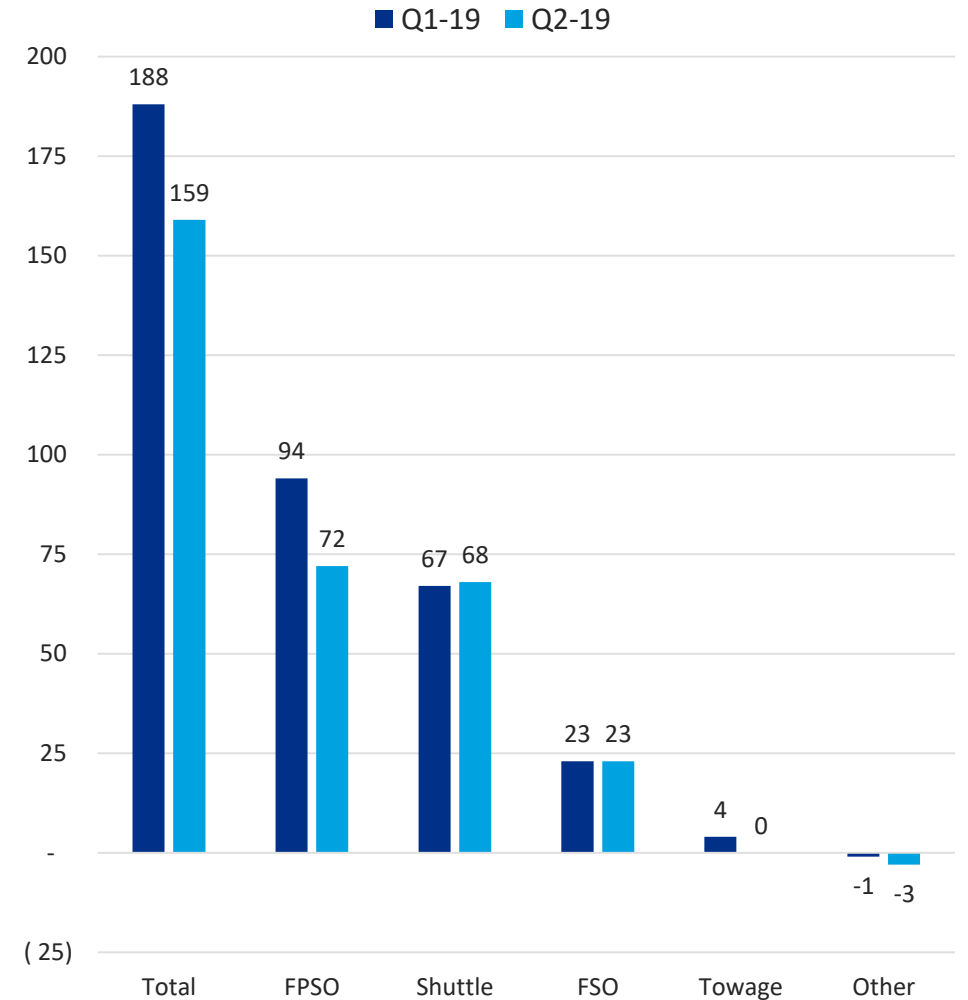
### FSO

Adjusted EBITDA of \$23 million in Q2-19, in line with Q1-19

### Towage

Adjusted EBITDA decreased from \$4 million to zero in Q2-19 due to a decrease in the fleet utilization

Adjusted EBITDA (US\$ millions)



## FPSO Segment

### Cheviot Agreement

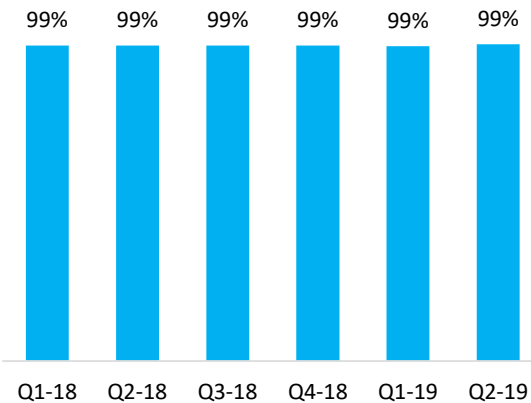
We terminated the agreement for the Petrojarl Varg FPSO for the UK Cheviot field as a result of Alpha Petroleum being unable to satisfy certain conditions precedent

### Operations

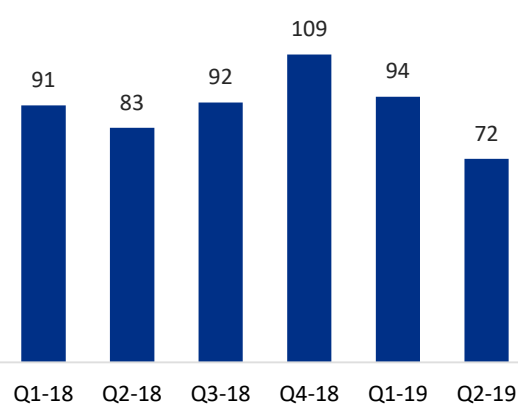
Consistently high commercial uptime and safe operations



### Commercial Uptime



### Adjusted EBITDA (US\$ millions)



# Shuttle Tanker Segment

## Newbuildings

The six shuttle tanker newbuilds are being delivered in late-2019 through early-2021

Second newbuild, Rainbow Spirit, launched in May 2019

## Capex

Total newbuilding program capex of approximately \$800 million, excluding capitalized interest

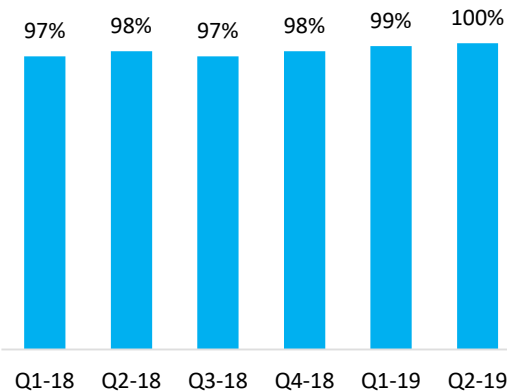
Remaining capex of \$615 million as of Q2-19

## Contract Extensions

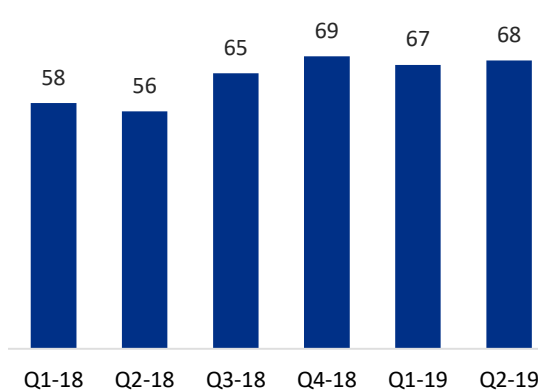
Signed two-year extension of the CoA contract with BP for the Glen Lyon field

Signed a one-year extension of the bareboat contract of Navion Stavanger with Transpetro

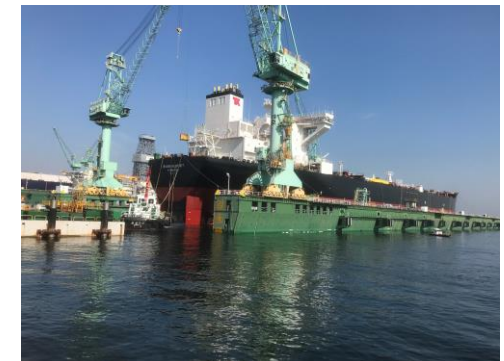
## On-hire



## Adjusted EBITDA (US\$ millions)



\*Q4-18 figures excludes impact of Petrobras settlement



## FSO Segment

---

### Operations

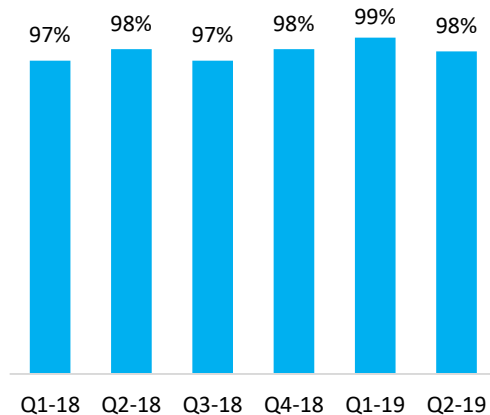
98% on-hire reflecting three days of unplanned downtime on the Randgrid FSO

### FSO Vessel Sale

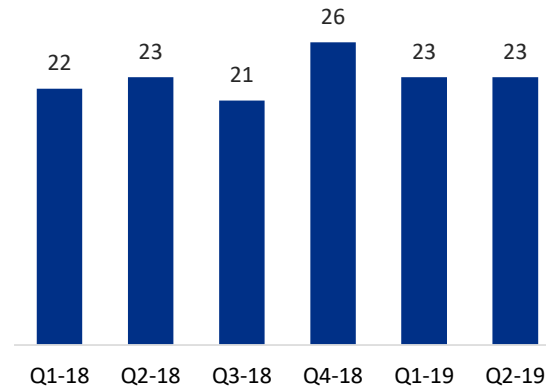
Pattani Spirit sold in April 2019 for \$16 million, resulting in a book gain of \$11 million



### On-hire



### Adjusted EBITDA (US\$ millions)





# Towage Segment

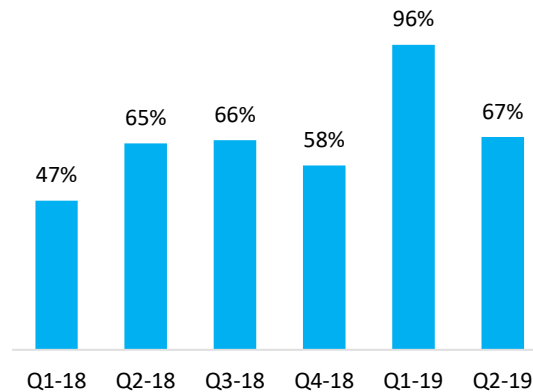
## Operations

Reactivation of the ALP Forward in Q2-19

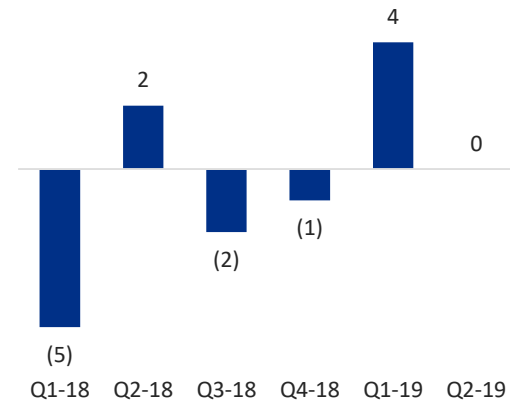
Fleet utilization decreased to 67% in Q2-19 following completion of the Cambo Sul project in April



## On-hire



## Adjusted EBITDA (US\$ millions)



## Financing Update

---

Executed three major financing initiatives in the quarter

---

### Shuttle Newbuilds 1-4

\$414 million senior secured financing closed in April 2019 with Canadian and Norwegian export credit agencies and commercial banks

Interest rate of LIBOR + 2.25%, tenor up to 12 years and average profile of 18 years

### Shuttle Newbuilds 5-6

Sale and leaseback transaction progressing with closing planned in Q3-19

---

### FPSO Fleet Refinancing

\$100 million Revolving Credit Facility (RCF) for Piranema, Voyageur and Varg closed in April 2019 with commercial banks

Interest rate of LIBOR + 3.00%, three-year tenor and profile of five years

---

### Shuttle RCF Refinancing

\$450 million RCF closed in May 2019 with commercial banks, financing 16 shuttle tankers

Interest rate of LIBOR + 2.50%, tenor of 5 years and 8.4 year profile, in line with average remaining vessel lifetime

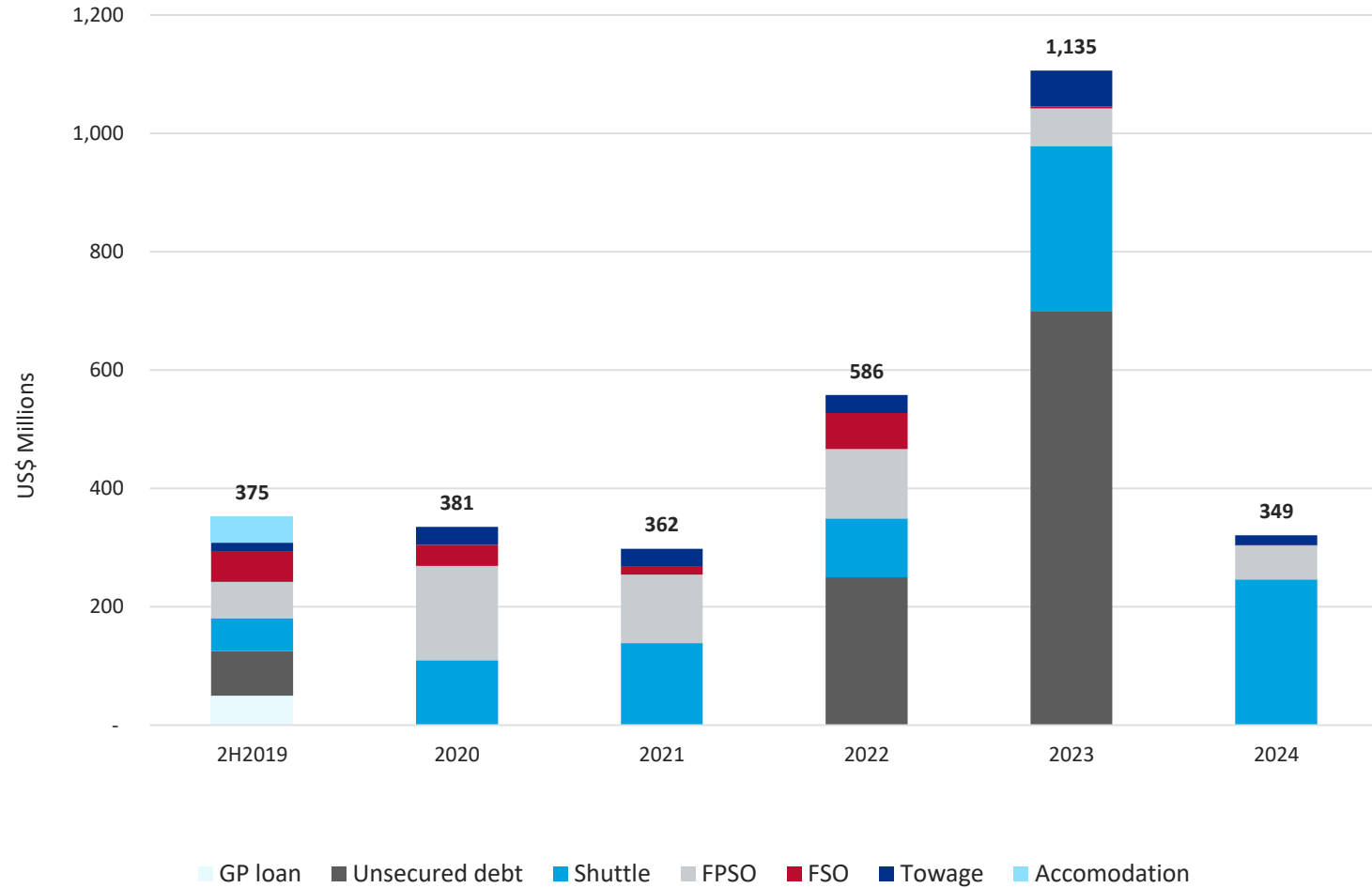
## Debt Maturity Schedule

Including scheduled debt drawdowns on Shuttle Newbuilds 1-4

Excluding FPSO JV debt

The balance of \$75 million on the US 6% senior unsecured bonds (“Baby Bond”) repaid on July 30, 2019

The available \$75 million under the \$125 million GP RCF from Brookfield fully drawn to finance the bond repayment



## 2019 Priorities

---

- Maintain safety standards and operational excellence
- Secure FPSO charter extensions and redeployments
- Increase profitability in existing business
- Execute contemplated financing initiatives
- Strengthen balance sheet through de-levering



# Appendix



# Q3 2019 Outlook – Teekay Offshore Partners

Adjusted EBITDA (in USD millions)	Q2 2019	Q3 2019 Outlook (compared to Q2 2019)
Net revenues	\$287m	<ul style="list-style-type: none"> <li>• \$13m decrease related to the termination of the Alpha Petroleum agreement in Q2-19, as project deferred revenue was recognized in the P/L in Q2</li> <li>• \$5 to \$7m decrease in the shuttle segment due to Stena Sirita reaching end of trading life end-July 2019 and fewer CoA days, partially offset by the dry dockings of Nordic Rio and Peary Spirit in Q2-19</li> <li>• \$3 to \$5m increase in the FPSO segment</li> </ul>
Vessel operating expenses	(\$120m)	<ul style="list-style-type: none"> <li>• \$15m decrease related to the termination of the Alpha Petroleum agreement as project deferred costs were recognized in the P/L in Q2</li> <li>• \$4 to \$7m increase in the shuttle segment due to timing of repairs and maintenance</li> <li>• \$2 to \$3m increase in the FSO segment mainly due to timing of repairs and maintenance</li> </ul>
Time-charter hire expenses	(\$11m)	<ul style="list-style-type: none"> <li>• Expected to be in line with Q2-19</li> </ul>
General and administrative expenses	(\$17m)	<ul style="list-style-type: none"> <li>• Expected to be in line with Q2-19</li> </ul>
Adjusted EBITDA from equity-accounted vessels	\$23m	<ul style="list-style-type: none"> <li>• Expected to be in line with Q2-19</li> </ul>
Adjusted EBITDA attributable to non-controlling interests	(\$3m)	<ul style="list-style-type: none"> <li>• Expected to be in line with Q2-19</li> </ul>
<b>Adjusted EBITDA</b>	<b>\$159m</b>	

## FPSO Charter Summary

Unit	Location	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Libra	Brazil	Petrobras												
Knarr	Norway	Shell								Options				
Petrojarl I	Brazil	Enauta					Available							
Piranema	Brazil	Petrobras				Available								
Itajai	Brazil	Petrobras				Options						Available		
Voyageur	UK	Premier Oil	Available											
Varg	Norway	Available												
Ostras	Namibia	Available												

Note: Please refer to 20F for contract details

Firm
  Options
  Available

## FSO Charter Summary

Unit	Location	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Falcon Spirit	Qatar	Qatar Petroleum				Available							
Suksan Salamander	Thailand	Teekay Corporation						Available					
Dampier Spirit	Australia	Jadestone						Available					
Apollo Spirit	UK	TK	Available										
Randgrid	Norway	Equinor			Options								

Note: Please refer to 20F for contract details

Firm
  Options
  Available



