# TEEKAY CORPORATION'S FIRST QUARTER 2020 EARNINGS RESULTS CONFERENCE CALL

**Company: Teekay Corporation**

**Date: 21 May 2020**

**Conference Time: 11:00 ET**

Operator: Welcome to Teekay Corporation's First Quarter 2020 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 touch tone phone. As a reminder, this call is being recorded. Now, for opening remarks and introduction, I would like to turn the call over to the company. Please go ahead.

Ryan Hamilton: Before we begin, I'd like to direct all participants to our website at www.teekay.com where you'll find a copy of the first quarter 2020 earnings presentation. Kenneth and Vince 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 first quarter of 2020 earnings release and earnings presentation available on our website.

I'll now turn the call over to Kenneth Hvid, Teekay Corporation's, president and CEO to begin.

Kenneth Hvid: Thank you Ryan. Hello everyone and thank you very much for joining us today for Teekay Corporation's First quarter of 2020 Earnings Conference Call. I hope that you and your families are all safe and healthy. I'm joined by Vince Lok Teekay's group CFO. Before we review our results, I'd like to take a moment to thank all of our seafarers and shore based staff for their extraordinary dedication to

maintain business continuity, bringing energy to the world with Teekay spirit. While COVID-19 is having an unprecedented impact on the world and it's clearly a major focus for us, we're truly proud of how our seafarers and onshore colleagues have responded to COVID-19, implementing new standards which focus on the health and wellbeing of everyone involved in our organization, especially our colleagues at sea, while maintaining consistently safe and efficient operations for our customers. We're also fortunate to be in a position where our operational results are strong so far in 2020 and we have had minimal impacts on our operations due to the pandemic.

Moving to our recent highlights on slide three of the presentation, the first quarter of 2020 marked the second consecutive quarterly adjusted profit for Teekay, as we recorded a consolidated adjusted net income of $25 million, or 25 cents per share, compared to an adjusted net loss of $13 million,13 cents per share, in the same period last year. We also generated total adjusted EBITDA of $342 million, an increase of $128 million, or 59%, from the same period in the prior year. As a reminder, the Q1 2019 results included the contribution from the 14% ownership stake in Altera infrastructure, formally Teekay Offshore, which was sold in May 2019. It is also important to note that these figures only include $11 million of the $67 million upfront payment received for the Foinaven FPSO contract we entered into in late March. I will touch more on the accounting treatment for this in more detail in the presentation.

Our strong results in the first quarter can be attributed to higher earnings in our main businesses. Teekay Tankers experienced significantly stronger spot tanker rates reaching its highest first quarter levels in over a decade, which strengthened into the second quarter. Teekay LNG had robust earnings from a complete quarter contribution from its fully delivered LNG fleet. Teekay Parent generated positive adjusted EBITDA of $5 million which includes EBITDA from our directly owned assets and cash distributions from our publicly traded daughter entities. However, based on U.S. GAAP and our definition of the adjusted EBITDA, only $11 million of the $67 million upfront payment from the new Foinaven FPSO contract was included in our Q1 revenues. However, the remaining $56 million has been included in Teekay Parent’s free cash flow. As a result, Teekay Parent’s free cash flow increased to $53 million, a significant improvement from negative $14 million in the same period of the prior year.

The increase was also a result of lower interest expense due to bond repurchases over the past year and our bond refinancing completed in May 2019, a 32% increase in Teekay LNG's quarterly cash distribution and lower G&A expenses. For further details on our first quarter results, as well as our second quarter outlook, please refer to the slides in the appendices to this presentation. Overall, we are expecting another strong quarter in Q2 supported by our stable LNG cashflows and the strong crude spot tanker rates secured so far in the second quarter.

Since reporting back in February, we have been busy executing on our strategic priorities, which included the new Foinaven FPSO contract that covers the vessel all the way through to its eventual retirement and the monetization of our TGP incentive distribution rights, or IDRs, in exchange for 10.75 million newly issued TGP common units. I will touch on these two transactions in more detail later in the presentation.

Turning to slide four, I want to provide an update on our current operations across the group during this unprecedented global pandemic. The health and safety of our crew and shore staff is paramount for the Teekay Group. We've implemented strict measures on all of our assets to protect our seafarers, while the vast majority of our shore staff are working remotely from home. Crew changes on our gas and tanker fleets remains a major challenge for the industry as most countries have placed restrictions on travel, visa applications and crews disembarking from vessels. We are working with industry and governmental organizations to tackle this challenge, while remaining in close, continuous contact and supporting our colleagues at sea through this period. I'm pleased to report that the team's dedication to health and safety and their professionalism during this time has resulted in no COVID cases onboard our gas and tanker vessels and no negative impact on available vessel days.

However, on the FPSO side, we unfortunately did experience two COVID cases on the Hummingbird FPSO. But after a deep clean and a full crew change, we were able to fully restart operations and have had uninterrupted operations since. We were well-prepared to manage potential spare parts shortages

as the teams identified critical items and made advanced purchases early in the outbreak in anticipation of delivery challenges with respect to both manufacturing and logistics. In addition, the teams have also been able to obtain class and flag extensions for our vessels, which were due to dry dock in the first half of this year. Overall, our assets have performed well in the first quarter and second quarter to date, and we expect this to continue, though we will of course, remain vigilant in ensuring that we are taking all actions and precautions in line with prevailing best practices.

Turning to slide five, at our Investor Day in November last year we highlighted two themes for Teekay Corporation that would not be themes at our next Investor Day. These included the elimination of TGPs IDRs and the divestment and reduction of our exposure to the offshore business to further simplify and focus the group. Starting with the IDRs, we eliminated the TGP IDRs in exchange for 10.75 million newly issued TGP common units, which we believe is beneficial to both parties. This important transaction creates greater alignment between Teekay Parent and the rest of TGPs unit holders, simplifies the corporate structure and we believe that it removes one of the primary uncertainties for investors in TK and TGP. The transaction also increases our economic interest in TGP from 34% to approximately 42%, including our GP stake, and increases Teekay Parent’s free cash flows by almost $11 million per annum, based on the current TGP distribution level.

On the offshore side of things, we are significantly reducing our exposure to the segment with the new Foinaven contract and the upcoming decommissioning of the Banff FPSO and eventual green recycling of this unit starting in June. In late March, we secured a new up to 10-year bareboat contract on the Foinaven FPSO that effectively covers the remaining life and the eventual green recycling of the unit. The new contract includes an upfront payment of $67 million, which was received in early April, a nominal per day fee for the contract life that effectively covers any ancillary costs and a lump sum payment at the end of the contract term that is expected to cover any clean up and green recycling costs of the unit. Importantly, this new contract eliminates our operational exposure to the previous loss-making contract. Lastly, the hummingbird FPSO continues to operate on its fixed rate contract and is

currently producing between 7,500 and 8,500 barrels per day. Production on the unit has increased recently following a successful drilling campaign on the field by our customer.

These transactions have also further strengthened our balance sheet and improves our profitability going forward.

Over the next two slides, I'll briefly touch on the results and highlights of our Daughter companies. I would encourage you to listen to their respective earnings conference calls for more details following this call.

On slide six, we have summarized Teekay LNG's recent results and highlights. Teekay LNG Partners reported record high adjusted net income during the quarter, generating total adjusted EBITDA of $188 million and adjusted net income of $52 million, or 58 cents per unit, up significantly compared to the same period of the prior year as a result of a complete quarter contribution in Q1 from its fully delivered LNG fleet. TGP has also reaffirmed its 2020 adjusted EBITDA and adjusted net income guidance with adjusted net income expected to increase by 36 to 60% in 2020 versus 2019.

Since reporting in February, TGP has secured new time charter contracts on three 52% owned LNG carriers and is now 100% fixed in 2020 and 94% fixed in 2021, and TGP has also repaid it's NOK Bond this week using existing cash. TGP now has no remaining debt maturities in 2020.

Additionally, TGP continues to execute on its balanced capital allocation strategy, which includes prioritizing balance sheet delevering for now alongside a second consecutive year of over 30% increase in quarterly cash distributions with a 32% increase in May 2020. As highlighted on the graph on this slide, TGP continues to delever its balance sheet and has also opportunistically bought back approximately $44 million of stock since the program was announced in December 2018 at an average price of $12.16 cents per unit.

We take a long-term view on TGP's business and prospects. With a strengthening financial foundation and deleveraging that is expected to provide financial flexibility, market leading positions, and a very compelling valuation at four times P/E ratio based on the midpoint of its 2020 financial guidance, we believe TGP has significant long-term value potential, which benefits Teekay given our full alignment of interests and position as the largest common unit holder. For every $1 per unit increase in TGPs unit price TK's equity interest would increase by 37 cents per share, or 12%, based on yesterday's closing price of $3.11 cents per share.

Turning to slide seven, Teekay Tankers has reported the highest quarterly adjusted profit, generating total adjusted EBITDA of $155 million, up from $63 million in the same period of the prior year and adjusted net income of $110 million, or $3.27 per share, in the first quarter, an improvement from $15 million, or 44 cents per share, in the same period of the prior year. TNK's results were driven by stronger spot tanker rates with rates reaching the highest Q1 levels in the past decade. We also expect TNK's Q2 results to be strong based on the spot rates secured so far in Q2 with 69% of Q2 Suezmax days fixed at $52,100 per day and 62% of Q2 Aframax-sized vessels days fixed at $33,600 per day, compared to $49,100 per day and $34,500 per day in the first quarter, respectively.

During the quarter, TNK continued to bolster its balance sheet from its strong operating cash flows and proceeds from asset sales. TNK reduced its net debt by approximately $200 million, or over 20%, since the beginning of the year and increased its total liquidity to $368 million, and have subsequently continued to make meaningful progress on both fronts.

TNK also took advantage of the market strength and fixed out another nine vessels on fixed rate contracts, ranging between six months and two years, but most of which are for one year, at very attractive rates. In total, TNK has now fixed out 13 vessels on fixed rate contracts totaling approximately $170 million of forward fixed rate revenues. These new contracts also reduced TNK's free cash flow break even to approximately $10,500 per day, which is expected to enable TNK to create shareholder value in almost any tanker market.

Looking ahead, while TNK has lowered its breakeven through its time chatter coverage, it continues to maintain meaningful operating leverage as highlighted in the graph on the bottom right hand side of the slide.

We also take a long-term view on TNK's business and prospects. TNK has significantly grown its net asset value, earning over $240 million of free cash flow in just two quarters, which is compelling relative to its market cap of $540 million, and its net debt balance of $730 million, and it has an industry leading 20% EPS yield in Q1 2020 based on its closing share price yesterday, or 80%, on an annualized basis. For every $1 per share increase in TNK's share price, TK's equity interest would increase by 10 cents per share, or 3%, based on yesterday's closing price of $3.11 per share.

In summary, for every $1 increase in TGP and TNKs share prices, TK's equity interest would increase by 47 cents per share, or 15%, based on yesterday's closing price of $3.11 cents per share. I'll now turn the call over to Vince.

Vincent Lok: Thanks Kenneth. Turning to slide eight, over the past several years, we have focused on de-risking our businesses and strengthening our foundation across the group. This included: divesting and reducing our offshore exposure with the sale of our remaining interest in Teekay Offshore last year and the new bareboat contract structure for the Foinaven FPSO, which Kenneth touched on earlier, and completing key refinancings, including Teekay Parent's bond last year, and more recently, Teekay LNG's unsecured revolver and a majority of Teekay Tankers debt facilities at attractive all in pricing.

Looking at the graphs on the slide, Teekay Corporation has reduced its pro forma consolidated net debt by $830 million, or 19%, since the beginning of 2019 and reduced its pro forma net debt to EBITDA from a peak of nine times to four and a half times, while increasing our pro forma consolidated liquidity to over $900 million.

We have also reduced Teekay Parent's pro forma net debt by approximately $100 million, or 25%, since the beginning of 2019 and reduced our daughter debt guarantees to approximately $90 million as of March 31st, which we expect will be completely eliminated by the end of 2020, while also holding a healthy proforma liquidity position of $150 million.

In short, we have made great progress in reducing our debt, eliminating near-term maturities, strictly reducing our remaining exposure to the offshore segment and significantly improving our financial position all around.

With that, I will now turn the call back to Kenneth for his closing remarks.

Kenneth Hvid: Thanks, Vince. As you have heard, it was a very busy quarter with record TGP and TNK earnings, and executing on our strategic priorities, which included completing various assets sales, securing new charter contracts across the group, and eliminating TGP IDRs in exchange for new TGP common units.

In addition, in mid-April, we also published, our 2019 sustainability report, which is our 10th consecutive annual sustainability report. As a leading oil and gas transportation company, Teekay cannot separate ourselves from the longer term challenges that the world is facing. We have built our company on a deep commitment to responsible safety and environmental practices. Over the past decade, we have worked with industry to pioneer and invest in increasingly more energy efficient vessels. For instance, our latest LNG carrier newbuildings produce about 50% less CO2 emissions per cubic meter of LNG transported. As our industry has set itself the challenge of progressively becoming carbon neutral by 2050, we have an enormous task ahead of us. We are embarking on new industry partnerships to drive necessary technological developments and we will in 2020 reassess our reporting framework so that we have the best possible foundation for the important work ahead of us.

In closing, with our balance sheets continuing to strengthen, total pro forma liquidity of over $900 million for the Teekay Group, extensive contracted revenue from Teekay LNG and higher contracted revenue and strong spot rates to date at Teekay Tankers, and no committed growth capex or significant upcoming debt maturities, we believe that the Teekay Group is financially well positioned for both any potential market volatility in the near term and the longer-term future of Marine energy transportation.

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

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone key pad. If you're using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to let everyone an opportunity to signal for questions. We will now take our first question from Michael Webber of Webber research. Please go ahead.

Michael Webber: Hey, good morning guys. How are you? I would love to touch base on the IDR takeout. I'm just curious, maybe out of the gate, can you give us some color on how you came up with the valuation? Considering that they were so far out of the money. Just curious, what kind of methodology you guys would use to come up with a valuation and whether you're able to find a comp of a similar of other MLP, IDRs taken out when they were that far out of the money.

Kenneth Hvid: Just for everybody's benefit who hasn't been following this transaction as close to this as you have. The perspective we came in with is that over the past several years, there's been a lot of focus on companies to address IDRs across the MLP space. Many of our investors relayed to us that the TGP was basically uninvestible until the IDRs were removed. We talked about that at our investor day as you know, as one of our strategic priorities was to consider an IDR elimination and remove what we've received feedback from investors was the biggest overhang impacting Teekay LNG unit price.

The evaluation was determined by a thorough and robust process where we followed the TGP conflicts committee process, which is comprised of independent board members. They reviewed and negotiated the transaction on behalf of TGP. The TGP conflicts committee appointed their own independent financial and legal advisors to assist them with the process. That was a process that took several months and we were not part of that process from Teekay management side. The Teekay board did have a special committee to review the transaction. But that was pretty much the extent of the work that was done on the financials there. Did you want to add anything on that Vince?

Mike: I know that the conflicts committee was involved, right. I'm less curious about the procedural process and more curious around, how you arrived at that number for effectively an option that's still that far out of the money? Right. I understand the fact that it was on the conflicts committee and everyone has distance from it. But ultimately, no. There was a transition of $123 million from LP to GP and just how did you arrive at that? Or how did whoever came up with that number? How did they arrive at it?

Vincent Lok: Yeah, Mike. Obviously in TGP case, it's unique in that we weren't currently in the high splits. So, it is unique in that situation. However, TGP's cash flows are very predictable, given its long-term cash flows. I think one of the factors that enabled the two advisors and the special committees to look at the valuation of the IDRs, they clearly have value there given the stability of the cash flows. And the fact that TGP has continued to deliver its balance sheet and increase its distribution capacity over time. That's pretty much all we can really share with you, in terms of the details of the evaluation.

Mike: I guess around the stability of the cash flows, right? This cash flows have been there for quite a while yet you're still below the MQD and below the distribution. If I go back, for people that remember the 2015 timeframe, right? Same business, same cash flows, haven't gotten back to that level. Just the stability of the cashflows, coming to this a different way, what kind of guidance has TGP given you in terms of the distribution that would makes foregone conclusion that they would get back into the high splits? I don't believe they've given any public guidance. It was suggested that's an inevitability.

Kenneth Hvid: You follow the company for a long time. You know exactly why the distributions were reduced back in 2015 and that was because we had $3.5 billion dollars ahead of us in terms of newbuildings and our MLP market that wasn't working. We did what was prudent at the time. We reduced our distribution to retain the cash flows, so that we could fund the newbuilding program without issuing equity. Last point. Number one, if we look at the cash flows we have today, you absolutely right. The DCF in MLP terms is very strong. At TGP, we have about 97 cents or $3.88 cents annualized in DCF, which is opposed as well about the displace that we were talking about. If you look at the coverage, we have about four times coverage of the distribution that we're paying out.

Mike: I understand. But again, I think that there's a reference to 2015, 2016 is that there is an option, there's a variability to that, I don't think anyone in that timeframe would have predicted that the distribution would be cut in the first place and then you would then several years, well below the MQD. It goes back to the evaluation and looking at it as an inevitability or afford to start annuity, as opposed to looking at it as an option, and the question as to how if we're not getting that forward visibility out of TGP from a common unit all the perspective, to then to think about it as an inevitability when taking out the IDR. So there's a bit of a disconnect there. I'm just curious as to how, again, from a methodology perspective, how did you arrive at the $123 million?

Kenneth Hvid: Yeah, no worries. As you correctly point out, we have, as analysts and as management, the ways to be surprised by major events in the world in the same way that nobody could see the oil price collapse we saw end of 2014, and the prudent changes we needed to make back then. But again, as we look at what we have been diligently executing on at TGP and in the last couple of years, we now have a business where all our assets are at delivered the cashflow. They are generating strong cash flows. We're giving out guidance in terms of what those cash flows will be. We also have a clear path on deleveraging the balance sheet. We think that visibility was clearly taken into account, by the financial advisors that the conflicts committee used. But that has been said is really all we know. We are not privy to that work that they did, but they clearly got comfortable with the valuation that the transaction was conducted at.

Mike: They didn't need to share the valuation methodology with you at all?

Mike: You literally have no idea what they did?

Vincent Lok: Well, the conflicts committee had their own advisors and they did their own work.

Speaker: Is there a presentation there or an email? But you have no idea what valuation undefended?

Vincent Lok: No, it's an independent process to protect the independent so that's not shared with management. It's only shared with the conflicts committee, so no idea whatsoever. They don't share with the board.

Kenneth Hvid: I mean, as you will understand, they clearly look at the outlook for the business and the cash flows and what this business can do. That's obviously what goes into their evaluation. But as we have said a couple of times now, the conflicts committee does not share their work with management.

Mike: The best analogy I can come up with is if, say you have a golfer, right? And he's standing on the 18th tee and Canadian guy, nice enough, normal golfer, a little annoying, but fine. Get us through the first round. The front line, lots of pars. Gets to the back nine, the wheels start falling off, right? So double bogey, triple bogey. Really kind of scrambling. And then the last 15 and 16, 17 he pulls it together. He's still all over the place, but somehow he's saving par. It gets to the 18th tee box, if I actually hole this out, I can actually get to the number I need to get to. I can win.

And then he decided to take a gimme on the tee box. He doesn't ever actually put up the distribution growth. It's actually needed to get to the score. Just assumes he's going to get it and then they get a big check because the parent takes those in his car, drives away. The question is why not actually deliver on the distribution growth if it's that inevitable before taking out the idea. I know that in the system,

there's a morphous survey of the investors to say this is the biggest overhang or what have you. The overhang is really the will they or won't they? It's not an actual issue or so far out of the money. Coming out a different way, if I look at your deck and I look at the rationale as to the three data points, there's no quantitative data in there. There's nothing that points to an accretion or a quantitative benefit from at the donor level from this. I think the first point is that it helps the alignment between the parent and the LP. How does it actually do that? Because the only implication I can think of is that the GP would have force the LP to do something that wasn't in his best interest to get to put them in IDRs in the money because otherwise, I don't know how this actually helps see alignment.

Mike: The first data point of rationale on the IDR take out. If you could just expand on how it actually helps the alignment and in common unit holders.

Kenneth Hvid: Well, first of all, as you know, this team has been focused on putting this business on a strong footing. And the outlook for TGP is very strong. There is a lot of dividend capacity in the company and that's obviously the starting point for any company. The outlook here is very strong and then it becomes a debate of which would you honor. It's about whether it's distributed or whether it's distributable cash flow and that can be discussion, but the starting point in any of these companies is obviously whether we have the underlying cash flows or not. That's essentially what this management team has been focused on. They've been focusing on strengthening the underlying business and de-risking the company so that we have that cash flow certainty.

That's clearly what's gone into the evaluation of the conflicts committee here. In terms of the alignment, we've, made a couple changes since we started out in TGP. We've become a 1099, filer as you know. This reason alignment in removing the IDRs, we firmly believe that that allows the TGP to fully explore how they can create the most shareholder value to all parties without having an IDR consideration sitting in the mix of their capital allocation decisions. Fundamentally, I believe both. That is the most flexible ways that we can allocate capital as we move this company forward.

Mike: Well, I guess the question is because that's so far out of the mix, right? In terms of being an actual quantitative player within any kind of decision. I guess how does it actually help that alignment? I understand that you think it does, but how?

Kenneth Hvid: Well, I don't know where you have the disconnect. We talked about the cash flows which are clearly there. Ramp up the distribution, so obviously that's gone into the consideration. If we had a business which was failing and that wasn't delivering and that weren't increasing their cash flows and the distribution capacity, then clearly your points are relevant. But you have to agree that this is a business that that has one of the strongest outlooks in the LNG space.

Mike: I guess that's a separate topic, but maybe kind of coming at it from different angles. What aspect of the alignment was insufficient before? What aspect of the alignment is this all for?

Kenneth Hvid: Well, I think you should maybe continue your questions, which I assume you're going to be on the next call as well, and you can get the Marks views also and his perspective on this as well. But we believe, and a number of our investors believe, that this drives alignment. We accept that obviously you have the right to have a different view.

Mike: I would just love to hear how. I mean it's in the deck. I believe that you guys believe it, I just don't know how. But I can ask TGP if they know how.

Vince Lok: Naturally when you have GPs, the GP IDRs and then the LPs, there's two different classes of securities there. We've converted that into LP units, 42% of the equity interest and we're aligned with the rest of the LP units to maximize the value of those LP units going forward as opposed to the two different sets of securities.

Mike: And so that gives the implication is that otherwise you'd be looking to maximize the value of the IDR, as opposed to the LP units?

Vince Lok: When the IDRs were in place, there are different scenarios where the IDRs would create value and it would have been a cost to the LP and holders. Now, that's been eliminated.

Mike: Right, but the 160% from now, right? Back at the 70 cent per quarter distribution level. Not where you guys are now.

Speaker: Sure.

Mike: Okay. I'll hop off. I'll get on the TGP call and see if I can get some more color on that call. But I appreciate the time guys. Thanks.

Operator: Thank you. We'll move to our next question from J Mintzmyer from Value Investors Edge, please go ahead.

J Mintzmyer: Good morning, gentlemen. I'll stay out of the GP IDR mess. I think that was well litigated. We'll see how the TGP call goes. A little bit of housekeeping for you guys. Looking at the Banff FPSO, we know we have some green recycling coming up. That's pretty quite the bill. What sort of liabilities should be guiding for on that? I know previously it was mentioned that it might be more in excess of the current reserve. Is that still the case and is there some sort of benchmark for that?

Vince Lok: Hi Jay. Yeah, just as you might know, the Banff contract is quite unique from other FPSO contracts, where we are responsible for some of the abandonment costs associated with parts of the sub sea infrastructure. So that's unique. This is something we've been accuring for during the life of the contract. We have increased our, what's called the ARO, Asset Retirement Obligation accrual, which is now just $40 million net based on most recent estimates. This costs roughly half of that will be incurred during this year, which is phase one, and the remaining amount will be incurred next year, which is phase two. This $40 million that's been accrued, these are costs that won't hit our P&L going forward,

obviously, since they're accrued. Other than some additional operating expenses that will be incurred during the decommissioning period later this year. So that's the status on that.

J Mintzmyer: All right, thank you. Is that $40 million estimated to be about enough or is there a risk that it could be higher than that?

Vince Lok: I think we have a pretty good handle on the phase one because it's starting this June. The phase two costs, I think we've been fairly conservative in our accrual and estimates here, but that's subject to further evaluation later this year. But we feel we've been fairly conservative.

J Mintzmyer: All right, fair enough. Looking at the rest of the FPSO, the Foinaven deal was good. I'm glad you got that one out of the way. It was like the bath is out the door, it's going to be expensive, but you've reserved for that. Let's talk about the Hummingbird. Is that considered non-core? Is that still up for sale or is that going to be a core asset going forward?

Kenneth Hvid: Yeah, it's clearly no longer a core asset. As we say, it's available to be purchased and there is a contract value. There's obviously a price where we would be sellers and there's a price where it makes more sense to keep the unit. I would say with the oil price collapse in the last couple of months, obviously there hasn't been a lot of activity in this space. Let's see what we can get. We look at it in terms of the flows, the contract is as you know, fixed out for a couple of years, and we're currently producing around 8,000 barrels. I think a lot of the future of the unit is probably changing on oil price going forward, and the appetite for people to call in to look at the assets. It's 13 years old, so it's still has a lot of life left in it. If you look at the depreciated replacement costs, that's obviously quite significant, but you still need a buyer in order to be able to offload it.

J Mintzmyer: It certainly makes sense. With the hummingbird not being really a core asset, just holding onto that, waiting to sell it, and it looks like Teekay only has really two main assets, right? You have the Teekay units that you have now, into a 40% range of TGP. You have the high ownership of TGP,

Teekay Tankers. And you have a management structure. A two-part question. Part one, just for modeling purposes and valuation purposes. What is the expected run rate? Annualized G&A expense going forward? It's just the corporate overhead that's not getting reimbursed, right? Because I understand the Teekay Tankers and the Teekay LNG will reimburse you some of that. What's the non-reimbursable part of G&A, so we can model that. And in part two, what is the future of Teekay here? Does Teekay have a future? Is it just a holding company? Are you doing project development? What vision does Teekay have?

Vince Lok: Jay, first of all, to answer your question on the parent G&A. If you look at our free cashflow statement in appendix D of the release, in the first quarter, our net G&A actually was zero. When you take into account some of the fees and other income that we generate from our managing other businesses. The G&A was about $2 million and the income was about $2 million net. The second quarter we'll have some lumpy costs. The G&A will go up a little bit because of some of the fees we incurred on the IDR transaction as well as the timing of the recognition of equity comp. But that's not a run rate figure from the second quarter. But going forward, I think we're going to try to look at that almost on a run rate basis, to be a very fairly small net G&A figure going forward.

Kenneth Hvid: The second part, I think we talked about this at our investor day, but just to share a bit more on the perspective that we have. As you know, Teekay was founded actually last month 47 years ago and we've always run this group in an integrative manner and we believe that that serves all longterm shareholders best on that includes our largest shareholder, the Teekay foundation. All structure may change from reflect the public and financial markets that's facing us. But we see that actually as being quite separate from our business strategy and capital allocation decisions. Over the past few years, we have, as a group been very focused on streamlining our business around our core tanker and gas segments. And selling off our offshore segment, as well as execution of a very large order book.

We've been strengthening the financial foundation of the group. This work has put the group in a very positive, very value creation path. We talked about that in November also. And we think it represents a

turning point. As we've said all along, the prerequisite for having strategic discussions is that, we have the financial flexibility to do so. We're building that rapidly now, and we were excited about starting that strategic discussion for the group and to look at how we as a group, allocate capital and where we want to invest in next. But in terms of how the group is run, we continue to run it on a very integrated basis and, and they'll get it at all businesses.

J Mintzmyer: Yeah. Thanks for addressing the question. It sounds like the G&A is pretty negligible going forward, which is good to hear. We'll have to circle back later, on the future of Teekay. I think that's probably a whole other can of worms, so we'll have to let the bus open. We'll let the IDR ruminate a little bit first. Thanks for taking my questions and I'll hop on the other calls.

Operator: It appears there are no further questions at this time. Mr Kenneth Hvid, I'd like to turn the conference back to you for any additional or closing remarks.

Kenneth Hvid: Well, as we mentioned earlier, we have two more Teekay earnings calls coming over the next two hours, so please stay tuned for that. I look forward to reporting back to next quarter, and meanwhile, we hope that you and your families will continue to stay safe. Thank you for listening in today.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.