TEEKAY TANKERS LTD.'S FIRST QUARTER 2020 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay Tankers Ltd.

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Conference Time: 12:00 ET

Operator: Good day everyone. Welcome to today's Teekay Tankers Limited First Quarter 2020 Earnings Results Conference. 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 their question. For assistance during the call please press star zero. As a reminder, this call is being recorded. At this time, I'd like to turn things over to the company.

Ryan Hamilton: Before Kevin begins. I'd like to direct all participants to our website at www.teekay tankers.com where you'll find a copy of the first quarter of 2020 earnings presentation. Kevin will review this presentation during today's conference call. Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the first quarter of 2020 earnings release and earnings presentation available on our website. I will now turn the call over to Kevin Mackay, Teekay Tankers' President and CEO to begin.

Kevin Mackay: Thank you Ryan. Hello everyone. Thank you very much for joining us today for Teekay Tankers' first quarter of 2020 earnings conference call, and I hope that you and your families are all safe and healthy. Joining me on the call today are Stewart Andrade, Teekay Tankers' Chief Financial Officer and Christian Waldegrave, Director of Research for Teekay Tankers.

Before we review our results, I would like to say thank you all of our seafarers and shore-based staff for their extraordinary efforts and continuing to bring energy to the world with Teekay spirit. While COVID-19 is having an unprecedented impact on the world and is clearly a major focus for us, we are truly proud of how our seafarers and onshore colleagues responded to COVID-19, implementing new standards to 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.

Additionally, we are fortunate that the tanker market and our financial results have been strong so far. In 2020. We have had minimal impact on our operations related to COVID-19.

Moving to our recent highlights on slide three of the presentation, Teekay Tankers generated total adjusted EBITDA of approximately $155 million during the first quarter, an increase of 17% and 145% from the fourth quarter of 2019, and first quarter of 2019 respectively. We reported adjusted net income $110 million, or $3.27 per share in the first quarter, up from an adjusted net income of $83 million or $2.47 per share in the fourth quarter of 2019, and $15 million or $0.44 per share in the first quarter of 2018. Teekay Tankers' first quarter earnings per share is the highest in more than 10 years, resulting in industry-leading 20% earnings per share yield for the quarter based on our closing share price yesterday, and an annualized EPS yield of 80%, clearly demonstrating the earnings power of our business.

We have continued to strengthen our balance sheet with strong free cash flow from operations of $140 million and the completion of three vessels sales totaling $60 million during the first quarter. This allowed Teekay Tankers to reduce its net debt by $200 million, or over 20%, and increased our liquidity position to $368 million during the quarter. Our net debt total capitalization declined to 40% at the end of March compared to 48% at the end of the fourth quarter of 2019. It remains our intention to continue reducing this leverage and increasing our long-term financial flexibility and resilience.

Subsequent to the first quarter, we are continuing to generate significant free cash flow and also closed the $27 million sale of the non-US portion of our ship-to-ship transfer business. Approximately $14 million of the cash payment was received on closing with the balance due in August. Crude tanker spot rates were the highest for more than 10 years during the first quarter and second quarter rates are also expected to be very positive based on quarter to-day bookings. In addition, we have once again taken advantage of the robust tanker market; we fixed out nine additional vessels on time charter, which will generate significant forward fixed-rate revenue and lower our break-evens, which we'll touch on in more detail later in the presentation.

Turning to slide four, I want to provide an update on our current operations during this unprecedented global pandemic. The health and safety of our crew and shore staff is paramount for Teekay Tankers. We have implemented strict measures on all of our ships to protect our seafarers while the vast majority of our short staff are working remotely from home. Crew changes remain a major challenge for the industry as most countries have placed restrictions on travel, visa applications and crews disembarking ships. We are working hard with both industry and intergovernmental organizations to tackle this challenge. We remain in close continuous communication with our colleagues at sea, provide support during a challenging period in which they have truly stepped up to that challenge. I'm pleased to report that as a result of the team's dedication to health and safety and their professionalism during this time, there are no COVID cases on board any of our vessels. Further, our vessel availability remains unaffected with no impact on our vessel days.

We were well prepared to manage any potential spares shortages, as the team identified critical items and made advanced purchases early in the outbreak, where given our experiences from the 2003 SARS epidemic, we anticipated challenges related to both manufacturing and logistics. In addition, the team has obtained class and flag extensions of these vessels that were due to dry dock in the second quarter, ensuring minimal interruption to our fleet operations. Overall, the fleet has performed exceptionally well in the first quarter and second quarter to-date and we expect this to continue.

Turning to slide five we look at recent developments in spot tanker market. Crude spot tanker market started the year on a relatively firm note. Strong supply and demand fundamentals in fourth quarter of

2019 carried over into the first quarter of this year. However, rates gradually softened during the course of January and February due to lower demand over the Chinese New Year period and as the COVID-19 outbreak began to impact Asian crude oil inventories. The tanker market improved quickly during March with the collapse of the OPEC+ agreement and short-lived oil price war in March between Saudi Arabia and Russia. By April, Saudi Arabia had pushed its oil production to a record high of just under 12 million barrels per day, creating significant additional tanker demand.

At the same time, global oil demand plummeted from March onwards as a large proportion of the world's population became subject to lockdown orders in an effort to slow the spread of COVID-19. According to the IEA, global oil demand declined by around 25 million barrels per day, year on year, in April, as demand for transportation fuel collapsed. This led to a huge mismatch between global oil supply and demand and a historic build in global oil inventories. The rapid build in inventories drove oil prices to multi-year lows and pushed the crude oil futures curve into a steep contango, which encouraged oil companies and traders to book ships for floating storage.

We've also seen a large number of ships idled due to delays at port, which is further tying up available fleet supply. As shown by the chart on the slide, around 100 crude tankers are currently being used for floating storage, which we define as being in storage for at least 30 days, with over 100 additional ships sitting in ports on demurrage for periods of between seven to 30 days. All told, around 10% of the crude tanker fleet currently being used for some form of floating storage, thereby reducing the number of ships available transporting cargo.

This tightening of available fleet supply, combined with healthy cargo supply, caused a significant increase in the tanker utilization during the first quarter. As a result, mid-size tanker spot rates during the first quarter were the highest in over 10 years. In the near term, we expect the ongoing storage demand and port delays will continue to tie up tonnage and provide support to crude tanker spot rates, even as cargo volume starts to decline due to oil supply cuts, albeit at lower rate levels than the exceptional rates we saw during March and April.

Turning to slide six, we give a summary of our spot fixtures in second quarter of 2019 to date. Based on approximately 69% and 64% of spot revenue days booked, Teekay Tankers' second quarter to-date Suezmax and Aframax bookings averaged approximately $52,100 and $33,200 per day respectively. For our LR2 segment, with approximately 58% spot revenue days booked, second quarter to-date bookings have averaged approximately $34,300 per day. As discussed in the previous slide, while the freight market is still relatively firm, rates have come off from the exceptional highs seen during April and we expect spot rates during the balance of Q2 to be at lower levels than those books in the quarter to date.

On slide seven, we outline our recent time chartering activity. Over the past eight months, Teekay Tankers has taken advantage of strong spot tankers market spikes and opportunistically secured fixed time charter coverage, 10 Suezmaxes and three Aframax-sized vessels at attractive rates. One Suezmax was chartered for six months, with the remaining nine Suezmaxes in charter for one year. The three Aframaxes were fixed out for periods of between one and two years. As can be seen on the chart, we timed these deals with spikes in the time charter market during October, December and more recently in March and April, in order to lock in rates and forward revenue well above the average spot market levels seen over the last several years. These deals have resulted in approximately $170 million of fix forward time charter revenue and account for approximately 20% total ship days over the next 12 months, significantly reducing our cash break-evens, which Stewart will cover later in the presentation.

Turning to slide eight, we discuss some of the factors which we anticipate will impact the tanker market over the medium term. Given the unprecedented impact of COVID-19 on the world economy, it is extremely difficult to predict with any certainty how oil fundamentals will develop in the medium term, and how exactly this will impact tanker demand in the coming months. While floating storage and port congestion will remain strong supportive elements in tanker demand, we acknowledge that at some point during the second half of this year, a period of oil inventory destocking is likely to occur, and this may weigh negatively on tanker demand for a period of time as has been the case in previous market cycles.

However, on the positive side, it's important to highlight that unlike past cycles, the order book this time around is very small and owners have for the most part held off from ordering despite quite strong earnings in recent quarters. The current tanker order book, when measured as a proportion of the existing fleet, is the lowest we have seen it in 23 years, at just under 8%. This is significantly lower than the almost 50% of the fleet size in 2008 and 20% seen in 2015, proportions which meaningfully weighed on the ability of the tanker market to recover as demand return.

It's also important to keep in mind the main reasons for lower ordering during the current cycle have been a lack of available finance and uncertainty over which propulsion and fuel systems to order given new technology development and upcoming environmental legislation, neither of which is currently anticipated to be resolved in the near term. Given this, we expect contracting for new tankers to remain low in the months ahead.

In addition to a small order book, given the world tanker fleet age profile, a large number of ships face the likelihood of scrapping in the coming years. Looking at the midsize tanker fleet specifically, around 370 vessels are aged between 15 and 20 years old compared to a current order book of just 140 ships. As such, we anticipate very low fleet growth for at least the next two years, particularly during periods of weaker tanker rates, as this may provide impetus for owners to scrap these older vessels.

In summary, the tanker market faces uncertainty over the second half of the year, but a positive tanker supply outlook may lead to a faster rebalancing than in previous market cycles. For Teekay Tankers, I'm confident that our focus on debt reduction and strengthening of our balance sheet puts us in a strong position to weather any periods of market softness while looking for opportunities to further increased long-term shareholder value.

I'll now turn the call over to Stewart to cover the next couple of finance slides.

Stewart Andrade: Thanks Kevin. Turning to slide nine, we highlight our continued focus on increasing financial strength. Since the end of Q3 2019, utilizing very strong cash flows from operations and proceeds from asset sales, we have transformed our balance sheet, reducing net debt by approximately $270 million or 27% and increasing our liquidity position by almost four times to $368 million. In fact, in Q1 alone, we reduced our debt by approximately $200 million, or over 20%, and more than doubled our liquidity position. I'm pleased to report that the strong cash flows achieved in April further reduced our net debt by approximately $60 million and increased our liquidity position to $420 million. In addition, the 13 fixed rate contracts that Kevin touched on earlier have lowered our cash break-evens by over $4,000 per day for the next 12 months, further increasing our resilience to potential medium-term market weakness. With the reduction in net debt, our strong liquidity position and no significant debt maturities until 2024, as shown on slide 13 in the appendix to the presentation, we continue to increase our financial strength and flexibility.

Turning to slide 10, we discuss how Teekay Tankers continues to create value for shareholders by generating significant free cash flow. Starting with the graph on the left side of the page, TNK's free cash flow increased from a very high $102 million in Q4 2019 to $141 million in the first quarter of 2020, a total of over $240 million in just two quarters. To put Teekay's free cash flow during the first quarter into perspective, on an annualized basis, it equates to a free cash flow yield of approximately 100% based on our closing share price yesterday of $16.05. Referring to the graph on the right side, TNK continues to maintain significant operating leverage with approximately 80% spot exposure over the next 12 months, while reducing its free cash flow breakeven by locking in time charters at significantly higher rates. TNK is expected to generate strong free cash flow in the second quarter and generate positive free cash flow at average midsize tanker spot rates above approximately $10,500 per day. Therefore, we expect to continue creating shareholder value through positive free cash flow in almost any tanker market.

With that. I will now turn the call over to Kevin to conclude.

Kevin Mackay: Turning to slide 11, this is a familiar slide which summarizes our strategic priorities for 2020 that we laid out at our Investor Day last November. I'm proud of our team for continuing to execute on these priorities despite the unprecedented global events we are currently experiencing, to capitalize on the strong market with the majority of our fleet trading spot, while opportunistically fixing out 13 vessels on time charter at the peaks of the time charter market. Financially we have bolstered our balance sheet with significant delevering and building a robust liquidity position. Despite the majority of our employees working from home and facing logistical challenges related to crew changes, we were able to complete three vessels sales and the sale of non-US ship-to-ship transfer business. Lastly, we believe Teekay Tankers made the right choice in switching to low-sulfur fuels which was a seamless, low-cost transition compared to others who invested in scrubbers or speculated on fuel spreads, incurring additional CAPEX, debt or losses.

Our focus on debt reduction creates shareholder value directly through increased net asset value and also increases financial flexibility and resilience, which is important in all tanker markets. With a low free cash flow breakeven, a strong liquidity position, lower balance sheet leverage, no significant debt maturities until 2024 and our mid-sized fleet profile, we believe that Teekay Tankers continues to be one of the best-positioned companies in our sector to continue creating shareholder value over the long term.

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

Operator: Thank you. At this time, if you do have a question, that will be star one. Once again, star one for questions. Your first today from Jon Chappell with Evercore.

Jon Chappell: Thank you. Good morning Kevin, Stewart, Ryan. Pretty clear presentation. We wanted to focus on the capital structure. Obviously, the net debt is coming down pretty significantly, net debt is always debt and cash. So, can you talk about the ability to repay debt quicker than the amortization schedule, and especially as it relates to leases. I think you gave at the in the Investor Day back in November, there was some timeframe when you could start to prepay the leases, they're obviously the most expensive debt. When can we start to see some of that cash flow trimming away the most expensive debt in the capital structure?

Stewart Andrade: Hi Jon. Thanks for the question. So, as you can see on the balance sheet, we have approximately $200 million in cash equivalents at the moment, which is more than we typically have on the balance sheet. Our first purchase option on the more expensive leases came up in Q1 of this year. And those came up right at the beginning or the outset of the COVID pandemic and we decided to be a bit more conservative and not exercise those initial options just to see how things played out. Those options do come up annually on the first set. And we have another set of options which come up in Q4 this year. So, if the market stabilizes and things are looking a little more certain, we would expect to exercise those purchase options toward the end of the year as we additionally planned, and then also look to exercise further options into next year.

So, just for order of magnitude, the options coming up in Q4 that we can exercise have a balance of approximately $60 million and the ones into next year have about $140 million. So, that's significant amount of more expensive debt that we can pay down.

Jon Chappell: Okay. And then just in the meantime then, understanding of that's six months away, likely at the earliest, could you pay down bank debt or do you just keep the cash on the balance sheet given the uncertainty in the market save your firepower for when the high single-digit debt comes through?

Stewart Andrade: With how things have gone over the last couple of months and how the bank market's looking, we anticipate that we will reduce those cash balances and pay down some of our revolver debt in the meantime. So, I would expect to see those balances come down by the end of Q2.

Jon Chappell: Okay. That's really all I had. Good job executing on the strategy. Thank you.

Stewart Andrade: Great. Thank you.

Kevin Mackay: Thank Jon.

Operator: And our next question is from Ken Hoexter with Bank of America.

Ken Hoexter: Hey, good afternoon, Kevin, Stewart, Ryan. Can you maybe just go through – I know you talked a bit about it at the Analyst Day, but what gets you to lock in more or do you want to stay spot in this kind of market where you get some of these extreme moves on pricing? Do you want to be playing those bounces or do you say – I know you did the 13, but you would you look to lock in more if we got another tightening in the market?

Kevin Mackay: Yeah, I think I've described this as you said at Investor Day. It is opportunistic. And it's also a balance between where we think the forward revenue is going to look like versus locking in an opportunity as we see it. So, if we do get another spike, which is possible over the next few weeks and months, yeah, if the right opportunity comes along at rates that we believe are worth locking in for six months, one year, two years, you may see us execute on some more certainly. We don't have a fixed percentage in terms of what we want to do and the spot market. It's something that we evaluate on a continuous basis as the world evolves, and especially during this time when from week to week, the picture can be materially different.

Ken Hoexter: Thanks. And given how rates have started to decline, and rapidly so the last few weeks, what are your thoughts here? Obviously given the oversupply and the pullback in just general demand from COVID. So, now as the world starts to open up again, how do you look at – what's your thoughts as we move forward here on the demand side of the equation? Maybe chewing up some of that excess capacity that's out there now, and then relating to your thoughts on rates?

Kevin Mackay: Well, I think overall, as I said in my prepared remarks, it is a very highly uncertain environment we're trying to operate in at this point in time. And although we have seen some weakness coming to the market, it is off unprecedented highs. We're sitting here in late May and my Aframaxes in Asia are still making over $30,000 a day, which relative to most Mays is a pretty healthy market. But I think going forward, as we said, we do anticipate a period of destocking, but at the same time we also have the question around floating storage as I think on our slide we show there the previous periods of floating storage. It's not necessarily something that's going to unwind overnight. And if it does take longer to unwind, that is something that could be very supportive to the tanker demand.

So, our view on where the spot market goes, to be honest, today is uncertain. We're watching a lot of different variables in a very confusing market, ranging from what the floating storage situation is, which economies around the world are coming back and how strongly. I think at a 50,000 foot level, if we look towards China and see how quickly their demand has ramped back up in transportation fuels and just general oil demand, I think if the rest of the world can follow that pattern, it bodes quite well for the future. But we'll have to see, and we'll take it day by a day.

Ken Hoexter: Great. One more I guess on the process in asset sales, given you were able to get that done in the quarter. Was that something you've seen a lot of activity or interest in acquiring vessels? Was that more just storage and a significant demand need? Maybe you could just walk us through that process to understand how quickly the market's developed for acquisitions. Or was that just looking to capitalize on an opportunity?

Kevin Mackay: No, I think the S&P market has really been sort of two tiered over the last six to nine months. I think as we entered the fourth quarter last year, fundamentals across the tanker space were improving quite rapidly. And that was being reflected an uptick in the spot market, which was helped by the COSCO situation. So, I think the demand on the S&P side for assets early in this recent cycle has been driven basically on strong supply/demand fundamentals for tankers generally. I think as we've moved into the COVID era, I call it from February onwards, the demand for assets has really been around taking advantage of the current spot market and potentially the time charter market.

Where we stand today, I think it has gone relatively quieter in some segments and some age classes, but we're still getting inquiry for some of our older units. And it's something that we will continue to look at in relation to where we see the market moving or whether the pricing that we're being offered is worth taking that asset off the table.

Ken Hoexter: Wonderful. And if I can just throw one more in, Kevin, in your past experience, how long does the storage take to unwind? You threw out before that it depends on this, if it's not going to unwind overnight, but it might take longer, that's supportive. Is it just based on whatever those individuals were signing, whether it was six months, nine months, a year? Or is there a trend that you've seen based on your past experience?

Kevin Mackay: No, I think every market is different, every trader is different, and every deal a trader has done is different. It's important to understand though that while today's contango doesn't support floating storage over the long-term, a lot of the deals that were done early in this process, when oil prices were far cheaper than where they are today, are well in the money. And how long that takes to unwind will depend on how far a particular trader may want to hold that position. So, I think that's why it's important to understand that because today's contango is no longer supportive, it doesn't mean that floating storage is going to go away overnight. I think the point to take away is that we don't know and we'll have to see how it plays out, but we wouldn't be surprised if it were to linger for a while and possibly return if oil prices do come off and we get contango back again.

Ken Hoexter: It is surprising how quick they've jumped up. I appreciate that. Thank you.

Kevin Mackay: Thanks Ken.

Operator: We'll hear next from Omar Nokta from Clarksons Platou Security.

Omar Nokta: Hi guys. Thank you. Kevin, you addressed this already in response to Ken's questions, but I wanted to follow up on the idea of further ship sales. Last year, you outlined the strategy of focusing on deleveraging and a big piece of that was going to be also selling older assets. Am I gleaning from your comments that, especially with the liquidity position as it is, the cash position, that asset sales right now are more of an option, but it's not something you're focusing on going forward?

Kevin Mackay: We've always said we're going to look at asset sales opportunistically. And I think selling assets into a stronger market, sometimes it makes a lot of sense if you're getting the right price and sometimes it doesn't. We felt that taking some of the older units off when we did was the prudent decision. Going forward, we don't have a set plan that we've got to get rid of five more or three more. It's a lot about what we can see being offered in the market and comparing that against what we think the asset will earn over the remaining life that we have with that ship in the company. So, I think our liquidity position and our strength on our balance sheet is extremely nice to have and it has transformed the company and will help in the way we look at things. But I think our S&P strategy will continue to be opportunistic and depends on pricing.

Omar Nokta: Yeah, that makes sense. I guess when we think of the fleet age, it's not old, it's not young. It's in that middle period. Are you concerned with the age generally? Thinking about the opportunistic selling of the vessel, what are the thoughts of selling ships and replacing with older ones? So, maintaining – sorry, buying newer ones. You're basically maintaining your critical mass and not necessarily changing the size of the fleet, but just going up in age. Is that something that you can see yourself doing here once the sale and purchase market falls a bit?

Kevin Mackay: Well, I think first of all, I would categorically state, there is nothing wrong with an older asset. Generally, the debt's being paid down and in markets that we've seen over the last eight months, they are cash cows that any owner would be proud to have. So, in terms of our fleet age profile, I'm more than happy with where we sit today. I certainly wouldn't want to be sitting in a brand-new fleet with high capital costs. As we move forward, we stated in our Investor Day presentation in November that we would not be looking at asset purchases during this cycle and we stick by that. Whether we further prune the fleet, again, will be opportunistic, but yeah, eventually over time we'll have to replace ships. But that's not on our radar today. And as I said in our presentation, our focus will remain generating the cash flows we get from the market and putting all of that capital to work, reducing our debt.

Omar Nokta: Yeah, that's fair. I get it. And then maybe just one more question and it's just on clean versus dirty. Obviously if I recall, most of your LR2s, if not all, are trading dirty, and that obviously proved very fruitful over the past couple of quarters. This quarter, obviously, the clean market went berserk. Just want to ask, is there any inclination on your part to want to try to bring some of those into the clean trade? Are you happy and comfortable sticking with crude?

Kevin Mackay: No, again, I think I've said this on previous calls, the beauty of LR2 too is flexibility. So, if we can find an opportunity to clean ships up where the returns are maintained and still good, then certainly we've got no barrier to doing that. Obviously you can't flip overnight, and you have to find the right cargo and the right position. So, it does take a little bit of time, but we've got no objection to flipping those ships back into the clean trade if the clean market can hold up.

I think we've seen in the last couple of days that that market has started to soften as well. And returns are now fairly comparable with what we're getting today certainly in Asia on the dirty side. So, it's something that we just watch on a weekly basis and make determinations based on ship availabilities and when the next open positions are.

Omar Nokta: Okay. Thank you for that. That's helpful. I appreciate it.

Kevin Mackay: No worries. Thanks Omar.

Operator: We'll move onto Value Investors Edge, J Mintzmyer.

J Mintzmyer: Hey, good morning gentlemen. Congrats on an excellent quarter.

Stewart Andrade: Thanks Jay.

Kevin Mackay: Thank you Jay.

J Mintzmyer: Yes, it's pretty phenomenal to look at your slide there and see the transformation you guys have done in seven months. Pretty impressive going from very risky to arguably quite stable. With that said, what is the forward goal for leverage? I know we've been talking around it a little bit with getting safer, looking into 2021, no dividends and so on. But is there a target leverage specifically, say, 30% or something that we can nail down?

Kevin Mackay: No, there isn't a specific number that we will put out there. We ended last year by building a strategy that had us laser focused on retaining the earnings and paying down our debt. And I think regardless of what the market had given us in the first half, the goal is to stick to the plan, go through 2020 and maintain that delevering. And at the end of the year we'll take a look at where we land and what we've been able to accomplish and working with our board, we will then look at our capital allocation strategy for 2021. But at this point in time, it's not on our mission critical list. We're much more focused on how we're handling COVID-19 and what we do with the course of the second half of this year.

J Mintzmyer: Definitely reasonable. Hopefully the trajectory will stay reasonable on the leverage coming down. I had some good discussions earlier with Omar about asset sales. I know you haven't identified stuff specifically. It's tough to sell in this environment. I've noted you have eight ships that are over 15 years. Are those considered – I know they're profitable now, but are those considered not specifically for sale but are those non-cores or do you consider those longer term?

Kevin Mackay: Every ship is core when it's making money. As I said, the older ones have paid down a fair bit of the debt. So, we don't assign specific ships to specific targets. We'll look at it based on what we get offered in the market. Right now, though in the S&P market, there doesn't seem to be any appetite for anything younger than 12 years old. So, it may be that we get offers on the older ships more than the younger ship.

J Mintzmyer: It definitely makes sense. I know it's been a good spring and so far, a decent summer. Looking at your valuations, you traded a large discount to NAV and that's even using quarter one financials. If we use quarter two financials, it's even worse. It's like a 40% discount. I know you said dividends are off the table until 2021. I think that's prudent. Is the same thing true for repurchases? Is this something we just need to wait until maybe say January 2021 and wake up or is there a potential for some sort of program that way to close the gap?

Kevin Mackay: No, I think the share buyback is the same as dividend. It's not on the table for now. We're focused on delevering and that's what we came into this year focused on doing and that's what we're going to end the year doing. We'll reevaluate and take a look at next year when we need to and arrive at that point.

J Mintzmyer: Understandable. Final question from me. One of the biggest inquiries I get from a lot of fellow investors and folks interested in the company is everybody is terrified that shipping companies like yourselves are going to delever, build up all this cash, right, do a good job, but then take all of that cash and blow all of it on new builds while the stock is trading at these huge discounts to NAV. Can you offer some sort pledge or guarantee that you are not going to spend money on new builds or asset acquisitions if your sock still trades at a discount to NAV?

Kevin Mackay: No. We're not in the game of empire building, we're in the game of making money and we'll evaluate what we do with our capital allocation, whether it's new buildings or share buybacks or dividends, at a point when we feel that other than delevering we can add value to shareholders. I've never been a big proponent for going into to shipyards and ordering a slew of 50 ships. But we look at the secondhand market, we look at the new-build market, we look at our share price valuation. And we have a lot of detailed discussions with our board about all those aspects in terms of what we do with our capital allocation. And hopefully other owners are doing the same thing and keep their money in their pockets.

Personally, I don't think we'll see a lot of ordering. I think the access to finance and the, the questions around future regulatory requirements and fuel technologies is going to keep people on the sidelines, the majority, for quite some time. There will be ordering, it will happen. But I don't think we'll see it the same quantum, in the same mass that maybe we saw in past cycles for those reasons I've laid out.

J Mintzmyer: I understand. Well, thanks for taking my questions and great job for the last few quarters.

Kevin Mackay: Thank you, Jay. I appreciate it.

Operator: We'll next from Randy Giveans from Jefferies.

Randy Giveans: Hi gentlemen, how are you doing?

Stewart Andrade: Doing well, thanks.

Kevin Mackay: Good Randy.

Randy Giveans: I'm sorry I dropped off the line a couple of times there, but glad I'm back. So, your quarter to-date rates, pretty solid. You're recent time charter fixtures, obviously pretty prudent here now. In recent weeks, rates have fallen from the remarkable levels to pretty good levels. Right? Can you quantify the recent reduction in rates in terms of the level of spot rates that you've booked maybe this week? And then with that, how has the time charter rates responded? For example, what's the current one-year time charter for a Suezmax or an Aframax today?

Kevin Mackay: Yeah, I think on the spot side it's a varied bucket. As I said earlier, Aframaxes are still fairly healthy in the far East at or above $30,000 a day. Suezmaxes likewise in the same sort of rate region. As you move over towards the Med, that is a little bit softer. We are seeing a reduction of Black Sea exports. The Med market has softened a lot further, but it's a moving target, something that moves every day constantly. It goes up and down.

In terms of the time charter market, it is quieter this week than we've seen in recent weeks. There is a couple of inquiries still out there. But I think the rate levels that I would call the market at, is uncertain because obviously with the spot market softening a little bit, I think owners' ideas may have come off a little bit. So, we'll have to see what the sentiment actually does when somebody puts a ship on subjects and we'll take the market from there.

Randy Giveans: Got it. Okay. And then in terms of your balance sheet, liquidity, obviously improving rapidly, congrats on that front. Now looking at your fleet, in terms of possible asset growth, is there a preference for Suezmax versus Aframax? I know you just lump them in together as the midsize assets, but can you differentiate those two for us?

Kevin Mackay: Two points I'd make in answering your question on that, Randy. First, we're a midsize tanker company. That is our core, that is our specialty and I don't think you'll see us deviate from that into other segments. So, Aframax, Suezmax, LR2s. We'll take a look at what our fleet profile looks like, and when we do arrive at a time when we think fleet renewal is a worthy use of capital, we'll allocate it between those three segments.

The second point I'd make is as we said in November, we're not in the market to renew our fleet at this point in time, and that remains so, very much for the rest of this year.

Randy Giveans: Right. That's it for me. Thanks again for the time.

Kevin Mackay: Thanks Randy.

Operator: And at this time, I'd like to turn things back to Mr. Mackay for any closing remarks.

Kevin Mackay: Okay. Thank you for joining us today and please, I hope you and all of your families stay safe and healthy.

Operator: And that will conclude today's conference. Again, thank you all for joining us.