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

Company: Teekay Tankers Ltd.

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Operator: Welcome to Teekay Tankers Limited Second 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 introductions, I would like to turn the call over to the company. Please go ahead.

Ryan: Before we begin, I'd like to direct all participants to our website at www.teekaytankers.com, where you'll find a copy of the second quarter of 2020 earnings presentation. Kevin and Stewart 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 second quarter of 2020 earnings press release and earnings presentation available on our website. I'll 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 Second Quarter 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, CFO, and Christian Waldegrave Director of Research. Before we review our results, I would like to say thank you again this quarter to all of our seafarers and shore-based staff for their continued extraordinary efforts in bringing energy to the world with Teekay spirit during the COVID-19 pandemic. The unprecedented impact of COVID-19 continues to be a major area of focus for us. Fortunately, we have thus far successfully navigated the evolving logistical and regulatorily challenges with minimal impact on our operations.

Moving to our recent highlights on slide three of the presentation, Teekay Tankers generated total adjusted EBITDA of approximately $124 million during the second quarter, an increase of $88 million from the same period of last year. Reported adjusted net income of approximately $81 million or $2.39 cents per share in the second quarter, up from an adjusted net loss of $12 million or $0.36 cents per share in the second quarter of 2019.

Teekay Tankers has experienced a strong first half of 2020 reporting total adjusted EBITDA of approximately $218 million, an increase of $180 million over the same period of last year, and adjusted net income of approximately $191 million or $5.66 cents per share compared to approximately $3 million or nil cent per share in the first half of 2019. Teekay Tankers first half of 2020 annualized adjusted earnings per share yield of 71.2% was among the highest in our industry, clearly demonstrating the earnings power of our business.

We have continued to strengthen our balance sheet this quarter with strong free cashflow from operations of $126 million, and the opportunistic sale of a non-core asset. This contributed to a net debt reduction of over $180 million or 25% to $549 million and increase to our liquidity position to $468 million as of June 30th. Our net debt to total capitalization declined to 31.5% at the end of June, compared to 40% at the end of Q1 this year. Further strengthening our balance sheet post-Q2, we received the final payment of $12.6 million in July from the previously announced $27.1 million sale of our STS support business, and recognized a gain on sale of $3.1 million in the second quarter. In addition, in August, the company secured a three-year $67 million term loan to refinance the debt facility secured by four Suezmaxes that was scheduled to mature in 2021 at an attractive rate of LIBOR plus

225 basis points. With the completion of this loan, the company does not have any debt maturities until 2023 further improving our financial stability.

The health and safety of our crew and shore staff remains paramount. Strict measures have been implemented on all of our ships to protect our seafarers and to date, we have had no cases of coronavirus reported on board our vessels. The maritime industry has experienced significant challenges with regards to its crew changes due to issues related to travel restrictions, flight availability, visa applications, and restrictions by many ports and allowing crews to disembark from vessels. Despite these challenges, I am pleased to report that we have safely changed out a large portion of our seafarers on our vessels. However, approximately 36% of our overdue crew members are yet to be relieved. We continue to work diligently with both industry and intergovernmental organizations to tackle this challenge, and relieve our remaining overdue colleagues as soon as possible.

I'm truly proud of how our seafarers and onshore colleagues have responded to ensure crew rotations are completed safely and seamlessly with no interruptions in the service we provide our customers. In the freight market, tanker spot rates for the second quarter remained firm, and the last three quarters average spot rates were the highest in the past 12 years. During the third quarter our booked-to-date spot rates have weakened, which I'll touch on in more detail in the next slides. The impact of this recent weakness in the spot market is mitigated somewhat, however, by our well-timed fixed rate contracts secured over the last few months, with very attractive rates, which have reduced the free cashflow breakeven for our spots vessels to approximately $12,700 per day through to mid-2021. We currently have 13 vessels on fixed rate charters at an average rate of $39,100 per day.

Turning to slide four, we look at recent developments in spot tanker market. As mentioned, Q2 saw the third consecutive quarter with strong spot tanker rates. Rates were particularly firm in the early parts of the quarter as elevated crude trade volumes due to the short-lived oil price war between Saudi Arabia and Russia led to strong tanker demand. Floating storage also gave support to rates as a significant mismatch between elevated levels of global oil production and depressed oil demand resulted in the large surplus of both crude oil and refined products. Onshore storage filled rapidly, and with crude oil futures curve moving into steep contango, oil moved into floating storage, peaking at well over 10% of the trading fleet in mid-May.

The market landscape shifted midway through the second quarter and a weaker spot rate environment has emerged in recent weeks, driven by lower global oil production and the return of some ships from floating storage. OPEC and its partners implemented record oil production cuts of 9.7 million barrels per day, between May and July, with Saudi Arabia, UAE, and Kuwait adding further cuts with 1.2 million barrels per day during June. Compliance with these cuts have been relatively high and has led to a significant reduction in crude trade volumes. Oil production has also declined in non-OPEC countries due to the impact of weaker oil prices with total global oil production falling by close to 14 million barrels per day, between April and June. In addition, floating storage has come off from the record highs during May, which has released some ships back into the trading fleet. Taken together, a reduction in trade volumes coupled with ships returning to active trading, has put pressure on crude tanker spot rates during the latter part of the second quarter, and this weakness has continued into the early part of Q3.

Turning to slide five, I'll give a summary of our fixed rate charters and our spot fixtures in the third quarter of 2020 to date. Teekay Tankers has been proactive in managing the fleet, locking in attractive fixed rates charters during periods of significant strengths in the tanker market over the past few quarters. We currently have 23% of our fleet on fixed rate contracts, an average rate of $39,100 per day. Moving to our spot fleet, based on approximately 57% and 51% of sport revenue days booked, Teekay Tankers third quarter to date, Suezmax and Aframax bookings have averaged approximately $24,800 and $15,600 per day respectively. Although these rates have weakened from the last quarter, spot rates are higher in the third quarter of 2019, indicating stronger underlying supply and demand fundamentals. For our LR2 fleet, which are all currently trading dirty at present, based on approximately 42% of spot revenue days booked, third quarter-to-date bookings have average approximately $14,400 per day.

Combining our fixed rate charters with our spot fixtures so far in Q3, our Suezmax fleet has 73% of its Q3 revenue days fixed at $33,500 per day. Our Aframax fleet is 56% fixed at $17,600 per day. And our LR2 fleet is 48% fixed at $17,400 per day for the third quarter of 2020. We have intentionally scheduled the majority of our dry dockings in the third quarter, which has allowed us to capitalize on strong earnings environment in Q1 and Q2 of this year, while removing vessels for maintenance during the current week rate environment. Further details of our fixed rate charters and our docking schedule can be found in the appendix in the presentation.

Turning to slide six, we look at some of the opposing supply and demand factors, which will impact the tanker market over the next 12 to 18 months. After declining by over 20% year-on-year in the second quarter, global oil demand is projected to rebound during the second half of the year and to continue its recovery during 2021. According to the IEA, global oil demand is expected to increase by 14 million barrels per day, between Q2 and Q4 this year, and refinery throughput is expected to increase by 9 million barrels per day over the same period. This should be positive for tank of demand, though we must caveat this view by acknowledging the high degree of uncertainty associated with oil demand forecast in the current environment, with much depending on how various countries and regions manage to contain the spread of COVID-19 over the coming months.

Global oil production is also at a turning point, with production expected to increase during the second half of the year, as both OPEC and non-OPEC countries return supply to the market. The OPEC-plus group is set to return 2 million barrels per day of production from August onwards. Although this may not be fully translated into additional export volumes in the near term as Saudi Arabia has pledged to keep its extra production for domestic use during the summer months when local power demand is higher. Non-OPEC oil production could also start to rebound in the coming months, with global oil prices having stabilized around $40 per barrel.

Although oil market fundamentals are improving, we expect the coming months will be challenging ones in the tanker market as vessels return to active trading from floating storage. As shown by the chart on the right, over 150 tankers of Aframax size and above remain in floating storage. Although this is a decline from the peak in mid-May, it still represents approximately 7% to 8% of the fleet. The contango in crude oil prices no longer supports floating storage and an emerging global oil supply deficit is expected to lead to a drawdown of storage volumes from Q3 onwards, As such, we expect a significant portion of the floating storage vessels to return to the trading fleet by the end of the year, which will add to fleet supply.

Overall, we expect a weaker tanker market during the second half of 2020, especially in comparison to the strong first half we have enjoyed. There is however the potential for some volatility to occur during the fourth quarter, as seasonal weather disruptions in choke points such as the Bosporus Canal provide logistical constraints in certain regions.

Turning to slide seven, we look at the positive fleet supply fundamentals. New tanker ordering remains very low due to a more restrictive financial landscape than in the past and uncertainty over the impact upcoming environmental regulations will have on the choice of future vessel propulsion systems. This lack of contracting has led to shrinking order book, which currently stands at a 24 year low of just over 7% of the existing world fleet. To put this into context, during the past two markets cycle peaks in 2008 and 2015, the order books stood at 50% and 20% of the fleet respectively.

Further to that tanker the fleet is also aging as shown by the chart on the right of the slide. There are currently 115 midsize tankers, which are age 20 years old, or are due to turn 20 over the next two years. This compares to an order book of 140 vessels, which we're expected to deliver over the same timeframe. Given that most tankers leave the international trading fleet at age 20, we'd anticipate minimal net fleet growth in Suezmax and Aframax fleets over the next two years. The same chart shows there are 255 vessels in the 15 to 17-year age bracket, which we'll need to go through their 17-and-a-half-year intermediate survey over the next couple of years. With the additional Capex that will be needed for the installation of ballast water treatment systems, we may see some additional vessels in this age group also being scrapped in anything but a strong market, further offsetting the limited number of vessels delivering into the fleet.

We must note that so far this year, scrapping activity has been low due to a combination of stronger freight rates in recent quarters, low scrap prices, and the shutdown of many scrapyards due to COVID-19. However, we are starting to see shipyard activity returning, which in combination with a weaker freight environment could lead to increasing levels of tanker scrapping, as we close out 2020 and get into 2021.

In sum, the tanker market looks set for a more challenging period in the coming months, following a very strong first half of the year. However, we remain encouraged by the tanker fleet supply fundamentals, which are far more favorable than we've seen in previous market cycles. I will now turn the call over to Stewart to cover our financial slide.

Stewart Andrade: Thanks, Kevin. Turning to slide eight, we highlight the strengthening of our balance sheet. Over the last 12 months, Teekay Tankers generated $381 million of free cash flow from operations and received $109 million in proceeds from asset sales, which has transformed our balance sheet, creating a strong financial platform for the company. I'm pleased to report that net debt has decreased by $445 million or 45% to $540 million, and our net debt to total cap has reduced by nearly 20% to 31.5%. Further, our liquidity position has improved by $348 million to a total of $468 million at the end of June. As mentioned previously, we currently have 23% of our fleet on fixed rate charters, whereas only 2% of our fleet was on fixed rate charters in the second quarter of 2019. This increase in fixed rate contracts at levels well above the current spot market, combined with our debt reduction, has lowered the free cashflow break-even of our spot fleet through the end of Q2 2021 to approximately $12,700 per day.

Creating shareholder value through increased net asset value has been, and continues to be a strategic priority. Our focus on directing cash flow generation and proceeds from asset sales to debt reduction, combined with a time charter portfolio that is well in the money, has increased our net asset value by

$10 per share to our current estimate of $28 per share. With our low free cashflow breakeven, we are well positioned to continue creating shareholder value throughout a wide range of possible near-term market conditions. In addition, Teekay Tankers has secured a new three-year $67 million loan to refinance four vessels an attractive rate of LIBOR plus 225 basis points. With the completion of this loan, we do not have any debt maturities until 2023 further improving our financial resilience during these uncertain times. Further details of our scheduled debt repayments and maturities are in the appendix of this presentation. With that, I will now turn the call over to Kevin to conclude.

Kevin Mackay: Thanks Stewart. In closing, I am proud of our team for continuing to execute despite the unprecedented global events we're currently experiencing. Commercially, we have generated significant cash flow from our spot fleet, while also capitalizing on a strong market by securing fixed rate income over the next several quarters for 13 vessels at near peak time charter rates. Operationally, we have successfully focused on the safety and wellbeing of our seafarers and performing crew changes for the nearest practical opportunities, all the while, continuing to deliver Teekay's high quality of service to our customers.

Financially, we have transformed our balance sheet over the last 12 months and built a resilient financial position while creating significant shareholder value. With a strong financial foundation, a low free cashflow breakeven, and our midsize fleet profile, we believe that Teekay Tankers is well positioned to continue creating value, even in these unprecedented and uncertain times. With that, Operator, we are now available to take questions.

Operator: Certainly. Our first question comes from John Chappelle from Evercore ISI. Please go ahead. Thank you.

John Chappelle: Good morning or good afternoon guys. Kevin, first question for you. On slide seven, you have 370 vessels that are 15 to 20 years of age. By my math, you have 3.5% of those yourselves. So, as you continue to work away and accelerate the debt pay down, what's your appetite and really what's the appetite of the market to dispose of those 2003 to 2006 built ships to help you get to your target faster.

Kevin Mackay: Yeah, I think it's a good question. Some of our fleet is at the latter end of their life, although we are confident and we would likely, in a given market, continue to trade those ships out to their forth special before probably scrapping. I think as we look at it today, the asset market has obviously been a lot quieter over the last month or two than what we saw earlier in the year when we executed on the four older Suezmaxes. So, as we look forward, I think as we get more visibility on COVID and how long that's going to be with us, as oil demand returns to something closer to normalcy, I think you'll see the second-hand market start to pick up. And in the meantime, we will continue to look for opportunities and if we can get the right kind of number for those assets relative to trading them in the spot market, if it continues to be weak, then we'll look to sell those. But I think it will take some time before the attraction in the second-hand market is really there for assets given the weakness that we're seeing in the spot market.

John Chappelle: Alright. That makes sense. And then when you think about the cashflow that you are still generating helped by the time charters, if I look at your debt repayment schedule now with the balloons pushed back to 2023, it looks like you have a lot, $170 million of non-balloon payments due over the next three and a half years. Is that the target that cashflow from operation you would like to whittle away before there's any thoughts of other uses of cash, or could you even pull some of the balloon payments forward. I guess some of your peers have even acknowledged a possible zero net debt situation. Is that an optimal balance sheet for you? Or how do you think about the cadence of those pay down?

Stewart Andrade: Hi, John it's Stewart here. So, we - I guess we have the opportunity to pay down more on the main corporate revolver and we can prepay those amounts so we can accelerate those payments schedules. As you may recall, we also have a sale lease back purchase options, which there's a more expensive debt, which we want to exercise to reduce our cost of debt. So that's another area that we can make those payments prior to the maturities. So, we do have places that we can put our money aside from these scheduled repayments.

John Chappelle: And if I can just follow up to these Stewart, just my last one then, with those expensive lease payments, you guys have accomplished so much in the first six months of this year, and you're in a much better position now, however, was obviously left at the peak part of they know the market and there's a bit of uncertainty. What's your ability as you sit here today with basically five months left in the year to actually exercise some of those lease repayments.

Stewart Andrade: Yeah. So, the more expensive leases, the next option declaration date on the more expensive leases comes up toward the end of this year, and that would be for purchases that we would make in May, 2021. So, we'll have a lot more visibility - in terms of how the second half of the year has gone in our outlook for 2021. But given our current financial position and those first options being about 60 million to exercise, I think there's a pretty good chance that we'll be in a position to exercise those. And of course, we do have the option to either exercise them fully for cash or to refinance them with a traditional bank debt as well to bring down the cost. So, we have a couple of different ways we can go about doing that.

John Chappelle: Okay, great. Thanks Stewart. Thanks Kevin.

Stewart Andrade: Thank you.

Operator: We'll take the next question from Ken Hoexter from Bank of America.

Ken Hoexter: Hey, great. Good afternoon. Kevin or Stewart. Can you talk about your thoughts on the impact of the storage returning, maybe your thoughts on the impact to market rates? Given the - you mentioned most of that should come off by the end of the year, is there a way to scale your thoughts on how that's going to impact spot rates.

Kevin Mackay: Obviously, there's a lot of factors that come into play as to where spot rates will go and what will impact them. I think if, as I said in my prepared remarks, the current fleet of above Aframax size or Aframax and above is about 7% to 8% of the fleet is tied up in storage. You know, as that comes off, if they were all to come off today, for example, it would make a horrible market even worse. But as I look towards the back half of this year, the IEA is projecting increased oil demand. We might start to see some more movement through refineries and increase utilization rates. So, as we start to bleed these ships out of storage and back into the fleet, it'll be a push and pull effect between those coming back in and what kind of increase in demand that we get to see. But that's the million-dollar question, that sitting here in August, we can't speculate on whether that is going to have a huge impact or a minimal impact.

Ken Hoexter: Okay. Thanks, Kevin. And then if we flip to the crew costs side, maybe just talk about you had a big decrease in your voyage costs and just want to see maybe was is structural or is all of that kind of lack of crew travel costs and the impact there. So maybe talk about what percent of that is related - that reduction is related solely to the crew - lack of crew changing. And then secondly, just in the same vein, are there any limitations on the crew given you haven't been able to switch them out? Is there any constraint that you have because you kept them, or is there any overtime or any adjustment that needs to be considered going forward?

Stewart Andrade: Hi, Ken, I just want to make sure I got your question right. You are asking about OpEx expenses during, during Q2 being down.

Ken Hoexter: Yeah, yeah. It does, I mean, obviously you had a huge reduction in voyage costs, right? So, I just want understand whatever that is. Is that just the lack of crew movement? Is there something else that led - maybe there was a focus on cost reduction that you did internally? Just trying to understand.

Stewart Andrade: The voyage expenses are - so the OpEx - the crew costs go through OpEx and we've had a reduction in OpEx this quarter, partially as a result of selling the STS business, which we sold in April. So, we didn't have the full quarter of OpEx cost related to that sale of that business. On the voyage expense side, it's been a balance of the cost of fuel, and then also that we've time chartered out a number of vessels. And when you time charter out vessels, you don't you don't incur those operating expenses, pardon me, you don't have the voyage expenses related to bunkers and other things when you time charter vessels out. So, we have a smaller spot fleet.

Ken Hoexter: Lastly, thanks for that. And then just to follow up on John's question. You know, as you look at your assets, are you saying the market is pretty much closed in terms of that ability to get rid of some additional assets? Or would you look in this, you know, if you start to see rates start to scale up, are you looking to unload assets further to reduce debt, or do you like where the fleet is at this point.

Kevin Mackay: I mean the S&P market has been quiet. There has been one or two sales reported. Some of these, a couple of Aframaxes. One of the challenges that anybody is facing or everybody is facing right now with a sale candidate is actually trying to hand over a vessel, given the restrictions on crew changes in big parts of the world. So that is having a limiting effect. Just general uncertainty. I think a lot of owners or potential buyers are trying to read the tea leaves like everybody else, and to try and time a purchase. So, I think you've got a lot of people sitting, watching, and waiting. So, the activity levels have subsequently been low. As I said, I think if you move towards the fourth quarter when we get hopefully better visibility on a return of demand, if we do get some winter spikes, I think the opportunities will increase just through people's confidence and you'll start to see people coming back and looking for assets. And if we can see those between now and then, and if the market does pick up, if we do get approached for our assets, we'll definitely look to do what we did late last year and early this year, offload maybe some of the older units.

Ken Hoexter: Understood. Thanks, Kevin. Thanks, Stewart.

Kevin Mackay: Thanks, Ken.

Operator: We will take the next question for Omar Nokta from Clarksons Platou securities. Please go ahead.

Omar: Hi there. Hey guys. Yeah, you've obviously outlined the - either you - you guys have just outlined a pretty remarkable change in the balance sheet here over the past year, you know, with the debt getting cut substantially, you got a lot of cash, a lot of liquidity. You've talked with John and Ken about potentially selling assets as the S&P market opens up. But taking that a step further, how do you think about things right now where Teekay is at this point in its life cycle. Where we are in a tanker business, we're in a soft patch, how do you think about, one, as you sell those ships one replacing them with newer ones. And then two, how do you feel about sort of outright fleet expansion from where Teekay's perspective is today?

Kevin Mackay: That's a good question, Omar. You know, I think even if we were to sell a few more assets, we still have a rather large fleet and certainly have critical mass in the markets that we want to trade in. So, I don't necessarily believe you have to be a lot bigger than where we are or where we have been. It all comes down to what is the best use of your capital, when do you deploy it, which is the most important part - any what areas. So, I think as we look at the company today, we're obviously in a much, much better position than where we were 12 months ago. And we've done a lot of good work to build up the strength in our balance sheet. Unfortunately, we're in an environment which is extremely uncertain. So, I think to look today at fleet expansions or growth or things like that, I think is entirely premature.

We need to get better clarity on what the future looks like. And then start to look at what the best use of our capital is. So, I think the - those conversations, you know, we've said to the market, we're not buyers of ships. I think that remains very much true and will be that case for 2020, definitely. But I think we've in terms of where we go from here, we're in a good position. We've got, you know, we don't have a brand- new fleet with high costs. We've got a good fleet, large, capable in the markets we want to play and with critical mass. I think we've got the luxury of time now with our balance sheet strengths, we can really sit and try and pick opportunities in terms of what we do with capital allocation when we need to. So, I think for the moment we'll just continue to read the tea leaves and keep our powder dry and ensure that the company remains strong and healthy and flexible, which is really where you want to be in a tanker company.

Omar: Thank you. That's very clear and appreciate that overview. You mentioned the critical mass and the luxury of being able to take a step back and prune some of the older vessels and that still have the - your footprints. You - I know it's probably early and with all the COVID - the uncertainty and the OPEC-plus cuts and all that, when - how are you thinking about this or the board in conjunction when you think about that use of capital or use of cash this point? Are you leaning when the dust settles to - is it - what's first, you think shareholder rewards or fleet renewal slash - are you able to answer that?

Kevin Mackay: What I can answer, Omar, is that we sat down with the board back in late last year and came up with our capital allocation strategy for 2020. And that was clearly to focus our free cash flow into repaying debt and delivering the company and building a stronger balance sheet. So, those conversation - that conversation is being had for 2020. And obviously we'll have to wait until the end of the year to revisit a conversation with the board about what we do with the capital allocation going forward for next year.

Omar: Got it. Understood. All, thank you so much.

Kevin Mackay: Thanks. Omar.

Operator: The question comes from Randy Giveans from Jefferies. Please go ahead.

Randy Giveans: Hi, gentlemen. How's the going?

Kevin Mackay: Hi, Randy.

Randy Giveans: Good, good. So, I just wanted to touch on your quarter-to-date rates, you know, decent levels obviously above some of the benchmarks we've been seeing, but also somewhat below your peers. Now, is this due to an older fleet age or something else going on behind that. And then with that, how have the kind of time charter rates responded to the current rate weakness?

Kevin Mackay: Yeah. Good questions, Randy. You know, I think what you'll find is when all the dust settles and all the reporting is done, there'll be some outliers in terms of how they performed during the quarter. And I don't intend to concern too much with what we do quarter-on-quarter, it's more over a period of time to try and understand trends. But I think in Q2, one of the factors that we have seen ourselves in terms of our expectations of what Q2 would be and where we came in at, these are a function of the fact that when the market was booming in May and April, we made the conscious decision to take vessels out of the spot market to secure the long-term fixed income that we thought we need when the party was over.

And I'm glad that we did it. You know, we've locked in $170 million of forward fixed revenue, but that comes at a little bit of a price. And some of that is we took ships out. Instead of doing a sport voyage at $60,000 or $70,000 a day we secured that time charter and locked in $40,000 to $45,000 a day for the next 12 months. So, I think that has factored in to our Q2 numbers. But I think really is in terms of peer comparisons, like I said, when the dust settles, there will be some outliers who had a good quarter, perhaps because they had a larger majority of their fleet open when the market spiked over to the highest points to date. And others will lag slightly behind because you know, more of their ships where we're tied up from - in storage or were tied up on demurrage not being able to access those higher numbers.

Randy Giveans: Okay. That's fair.

Kevin Mackay: In terms of second part of your question, in terms of how the current market is affecting time charter rates, they're actually - there hasn't been a lot of time chartering in recent weeks. We're seeing interest pick up significantly from both the traders and the oil majors to look at - for a short-term sort of winter coverage, and then some bottom feeding, if you will, to try and lock in lower time charter rates over longer periods, but nothing material has been concluded. So, in terms of judging where the time charter markets is today, obviously it's going to be a lot less than the 13 ships that we put away already, but we're yet to conclude a deal in this current environment.

Randy Giveans: Okay. Alright. And then this last question. You know, it kind of was answered a little bit in previous questions, but on slide eight, your balance sheet liquidity rapidly improving, you mentioned you have no plans on asset purchases or even dividends, right, for this year at least, which is understandable. But also, on slide eight, you see here that your NAV is $28, right, and your share price is $15. So, do you have any plans or authorization to repurchase shares now that your leverage is so low?

Stewart Andrade: Hi Randy. So, we do have a buyback program that we had put in place. I think it expires in 2022. But for this year, we are continuing to focus on using our cashflow generation for paying down debt. We do firmly believe the best way to create long-term shareholder value is to do it from a position of balance sheet strength. And I think what we've seen this year and in the expected headwinds in the second half of the year, have just kind of further underlined our view that we really need to be operating the company from a position of that kind of strength. So, our intention for the remainder of the year is to continue doing what we had originally announced in November last year, which is focusing on strengthening the balance sheet and creating value for our shareholders through the equity value in the company, which is increasing the NAV.

Randy Giveans: Got it. Alright. Well, that's it for me. Thanks.

Kevin Mackay: Okay, great. Thanks, Randy.

Operator: Our next question comes from J Mintzmyer from Value Investors Edge. Please go ahead.

J Mintzmyer: Hi, good morning, gentlemen. Congrats on a fantastic quarter and transformation over the past year.

Stewart Andrade: Thank you.

Kevin Mackay: Thank you, J.

J Mintzmyer: So, first question, following a lot of your shipping peers. We've been seeing a lot of fixed to floating swaps coming into play at very low - the lowest rates I've ever seen. 0.3%, 0.4%, 0.5% fixed for several years. Your latest filing, I've seen, it looks like I saw $50 million as a swap that you did earlier this year. Can you confirm if you've done anything since then and if there's potential to swap even more of that debt into low cost fixed instruments.

Stewart Andrade: Thanks, J. Yeah. Good question. So, we have just the one swap in place for $50 million, as you said, but it's important to keep in mind that we do have out of our total debt, we do have over $400 million in lease obligations and those are all fixed rate. So in aggregate across the company, we are about two-thirds fixed rate debt, and the remaining one-third are of course, is some of the debt that we hope to be able to pay down through the cashflow we're generating. So overall we think we're quite comfortable. If we add much more fixed rate debt, we're actually probably in danger of being over hedged at some point in the coming quarters.

J Mintzmyer: Okay. That makes sense. So, the plan would be to attack your lease facilities, but like the higher cost debt and maybe in early 2021 when that option comes available, and at that point you would swap it into traditional bank debt. Am I understanding that correctly?

Stewart Andrade: Well, we will take a look at what we have. Either we'll just exercise them for cash, if we are in a position to do that, or we may refinance them with traditional debt with bank debt. And if we do refinance them with bank debt, then we will at that point do an analysis and take a look at whether we think we should lock that in with a swap or whether we would let it float. Just depending on how the rest of the - how much debt we've been able to pay down in the interim and where we see the market going forward.

J Mintzmyer: Certainly, certainly, understandable. Yeah. When we look at slide eight, I think it's just phenomenal to see how you just transformed this company yea-over-year. And we look at your leverage, right? And the leverage has gotten to a point where I think last year you were like 80% debt to assets and this year, you're very close, now, Q2 close to 40% and you have liquidity of nearly $350 million. I know you said earlier, just a previous question that you don't want to repurchase shares this year, or pay a dividend. You're just continuing this focus. You're going to get the company even cleaner by the end of 2020. But let's just talk conceptually, what sort of leverage would you be comfortable with for the fleet? Is it some sort of band between like 30%, 40%, 50% or where do you see yourself for a longer term?

Stewart Andrade: I think it's very much dependent on - led by the strategy of the company. And when we think that would be the right opportunity to reinvest how we think that we would look at reinvesting versus looking at buying shares back or starting to pay dividends. So, it's not really a number it’s something that needs to be considered in light of our market outlook. Our needs or desires for fleet renewal is as was asked earlier or rewarding shareholders on rather short-term basis with dividends. So, all those things need to be balanced up and it's - so it's not really easy to give a quick soundbite answer. I think it's something that we need to have an in-depth discussion with our board. And then as Kevin indicated that's something that we'll be doing toward the end of 2020 as we look forward to 2021. But certainly, we appreciate the math on buying back shares at a discount to our NAV and we're aware of that and the impact that can have. So, we need to balance all those things up and decide what's in the best interest of creating that long-term shareholder value.

J Mintzmyer: Certainly, certainly makes sense. And then with your shares trading where they are it's to the point where it's nearly $0.50 cents on the dollar. So, as you go into 2021 and you have that option, are you looking at that NAV, right, and at that discount level before considering taking those funds and investing in growth. Because I know a lot of times analysts on the call will say, do you want to grow the company, or do you want to reward shareholders. But you agree that you can also grow the company on a per share basis, more accretively through repurchases.

Stewart Andrade: Yeah, I mean, I do think an important - one of the important considerations is to look at the company on a per share basis for everything. You know, if you're increasing the shareholders ownership through buybacks, I think that is an avenue to increasing their shareholders ownership. I don't know that I would agree that you're growing the company, but you're certainly increasing the ownership of the shareholders. And I do think that's an important consideration. So that is definitely one of the things that gets weighed up as we consider how to allocate capital.

J Mintzmyer: Certainly, makes sense. Congrats, again, on a great quarter and looking forward to the next one.

Stewart Andrade: Great, thank you.

Operator: It appears that there are no further questions and that ends our question and answer session for today. And I'd like to turn the conference back over to the company for any closing remarks.

Kevin: Thank you for joining us today. Please stay safe during this global pandemic, and we hope - we look forward to speaking to you next quarter. Take care.

Operator: That concluded today's conference. Thank you for your participation, you may now disconnect.