# Teekay Corporation

## Fourth Quarter and Annual 2020 Earnings Presentation

February 25, 2021

# Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements, among other things, regarding: the impact of COVID-19, market volatility and related global events on the Company's business and financial results, including the impact and timing of coronavirus vaccination programs; estimated fluctuations in global oil demand and supply levels, including anticipated future fluctuations in global oil inventories and the timing thereof; forecasts of worldwide tanker fleet growth or contraction and vessel scrapping; the future outlook of the tanker market; fixed charter coverage for Teekay LNG's fleet for 2021 and 2022; the timing and cost of the remediation of the Banff field's subsea infrastructure and the *Banff* FPSO unit's remaining operating and repositioning, decommissioning and recycling; the expected increase in Teekay LNG's common unit distribution commencing in the first quarter of 2021 (and the coverage of such increased distribution payments), as well as the effect thereof on Teekay Parent's free cash flows and on Teekay LNG's delevering plans and investor returns; the timing of the delivery of the Teekay Tankers' newbuilding subject to a new long-term in-charter agreement; Teekay Tankers' plans to potentially finance, and the timing of closing, the re-purchase of sale-leaseback vessels; the financial impact and timing of closing additional vessel sales; continued receipt of terminal use payments in respect of the Bahrain LNG regasification terminal; and the timing of commencement of new charter contracts.

The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: market or counterparty reaction to changes in exploration, production and storage of offshore oil and gas, either generally or in particular regions that would impact expected future growth; changes in the demand for oil, refined products, LNG or LPG; changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or less than anticipated levels of vessel newbuilding orders and deliveries and greater or less than anticipated rates of vessel scrapping; changes in global oil prices or tanker rates; OPEC+ and non-OPEC production and supply levels; the duration and extent of the COVID-19 pandemic and any resulting effects on the markets in which the Company operates; the impact of the pandemic on the Company's ability to maintain safe and efficient operations; the impact and timing of coronavirus vaccination programs; issues with vessel operations; higher than expected costs and expenses, off-hire days or dry-docking requirements (both scheduled and unscheduled); higher than expected costs and/or delays associated with the remediation of the Banff field or the decommission/recycling of the Banff FPSO unit; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations, including IMO 2030; the potential for early termination of long-term contracts of existing vessels; changes in borrowing costs or equity valuations; declaration by Teekay LNG's board of directors of common unit distributions; potential lack of cash flow for Teekay LNG to continue paying distributions on its common units and other securities; available cash to reduce financial leverage at Teekay Parent, Teekay LNG and Teekay Tankers; the impact of geopolitical tensions and changes in global economic conditions; the ability to partially recover severance costs from the termination of the contract for an FSO unit based in Australia; and other factors discussed in Teekay's filings from time to time with the SEC, including its Annual Report on Form 20-F for the fiscal year ended December 31, 2019. Teekay expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Teekay's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

# Q4-20 and 2020 Financial Highlights

5th consecutive quarterly consolidated adjusted profit

Teekay Parent and Teekay LNG reported stronger results in Q4-20, while Teekay Tankers experienced a weak tanker market as a result of lower oil demand due to the COVID-19 pandemic

## Quarterly Cash Flows and Earnings

- Total Adjusted EBITDA(1) of $201M in Q4-20, compared to $227M in Q3-20
- Consolidated Adjusted Net Income(1) of $3M, or $0.03 per share, in Q4-20, compared to $15M, or $0.15 per share, in Q3-20

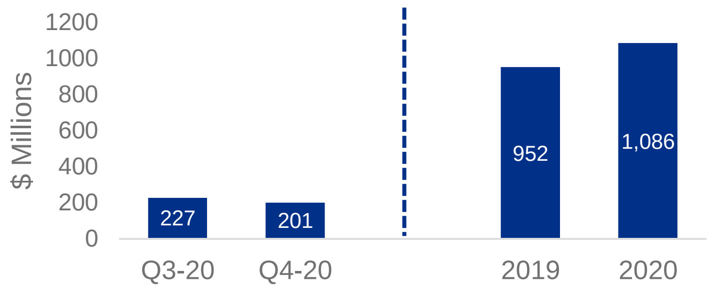
## Annual Cash Flows and Earnings

- Total Adjusted EBITDA(1) of $1,086M in 2020, compared to $952M in 2019, an increase of 14%
- Consolidated Adjusted Net Income(1) of $83M, or $0.82 per share, in 2020, compared to an adjusted net loss of ($19M), or ($0.19) per share, in 2019

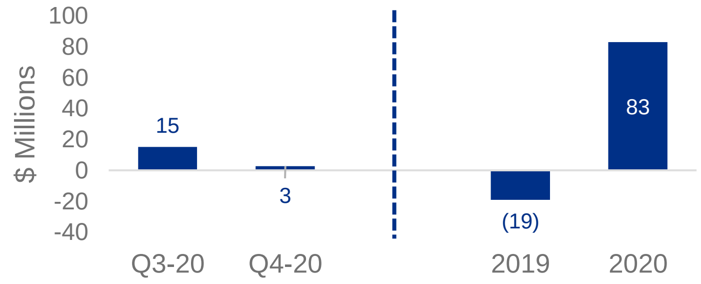
## Stronger Financial Foundation

- Reduced Teekay Group proportionate net debt(2) by over $1.0B, or 16%, since Q4-19
- Increased total consolidated liquidity from $0.7B to $1.0B over the past year

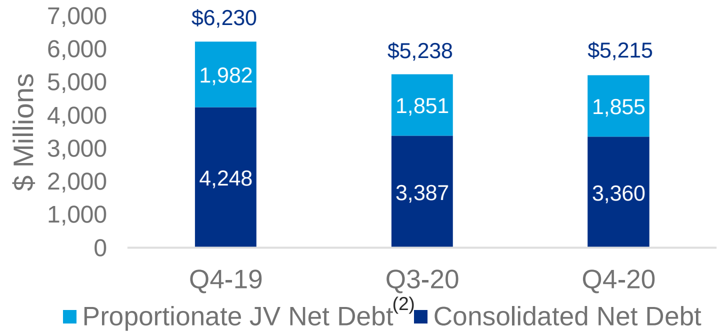
Teekay Group Total Adjusted EBITDA(1)




Adjusted Net Income (1)




Teekay Group Net Debt(1)




(1) These are non-GAAP financial measures. Please see Teekay Corporation,Q4-20 and Q3-20 earnings releases for definitions and reconciliations to the comparable GAAP measures.
(2) Includes proportionate net debt from our Teekay LNG and Teekay Tankers joint ventures.

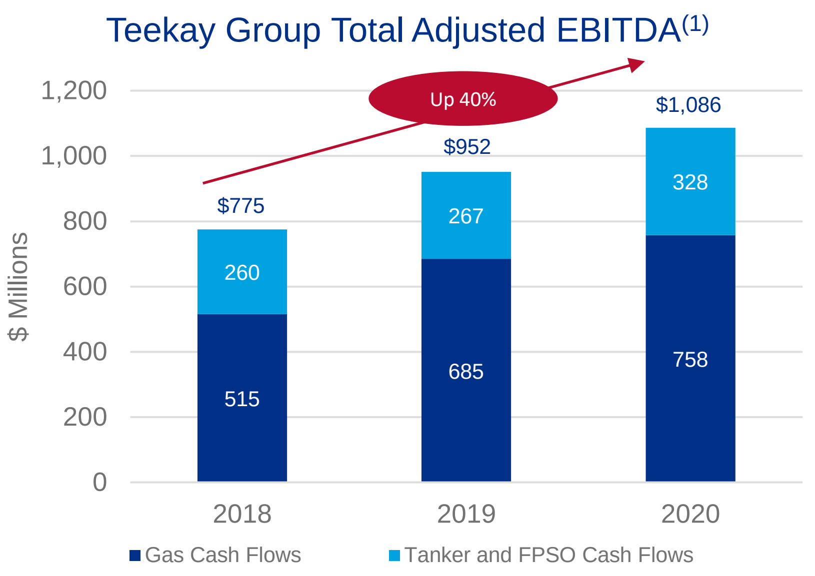
# Teekay Group's Multi-Year Plan Towards Building a Strong Financial Foundation

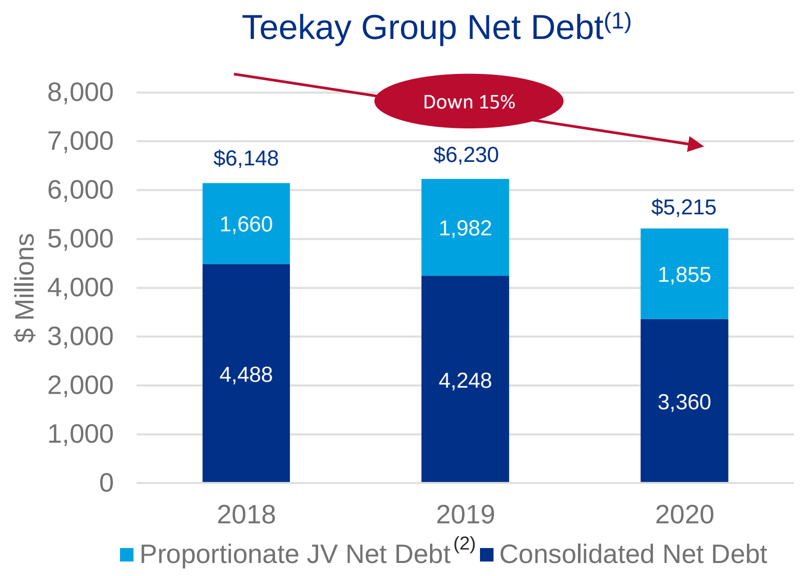
Significant growth in EBITDA / profitability and rapid delevering with the completion of LNG newbuilding program in early-2020 and very strong tanker markets in Q4-19 and 1H-20

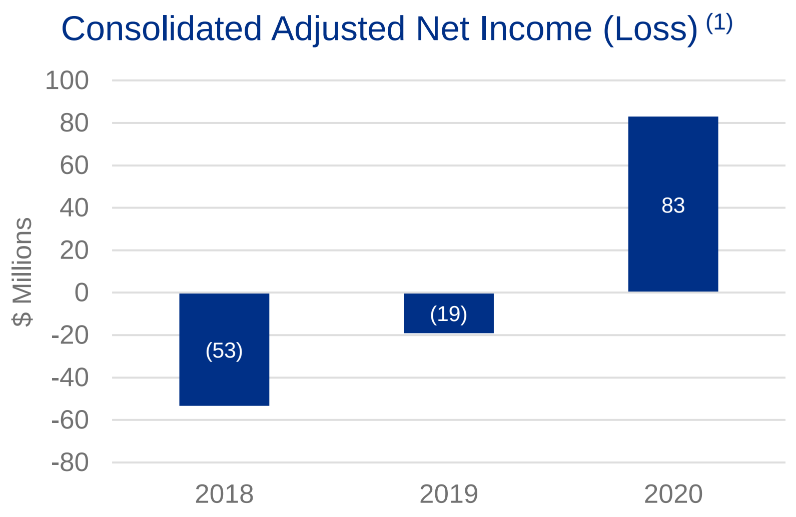
Strong consolidated liquidity position of $1.0 billion at Dec 31, 2020

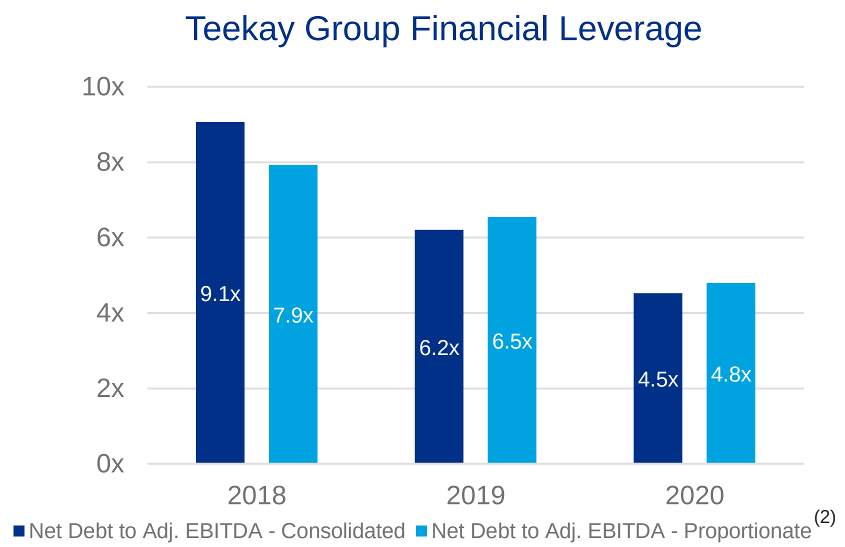
No significant debt maturities in 2021

No committed growth projects




(1) These are non-GAAP financial measures. Please see Teekay Corporation, Q4-20, Q4-19, Q4-18 and Q4-17 earnings releases for definitions and reconciliations to the comparable GAAP measures.
(2) Includes proportionate net debt from Teekay LNG's and Teekay Tankers' equity-accounted joint ventures.

# Continue to Wind-Down FPSO Segment

## Foinaven ✓

In late-March 2020, received upfront payment of $67M and commenced operating under bareboat charter contract of up to 10 years at nominal day rate

Eliminated previous loss-making contract

## Banff

Successfully completed Phase I of decommissioning project below budget

Recorded net <u>positive</u> EBITDA of $2M in Q4-20, which came in $7M ahead of our expectations of net negative EBITDA of $5M

Expect to incur approximately $3M-5M of costs in Q1-21 in preparation for green recycling of FPSO in the coming months

Working with customer on most optimal remediation plan for the subsea infrastructure (Phase II); and received a one-year extension to June 2023 to complete Phase II

## Hummingbird

Continues to produce on Chestnut field under its existing fixed-rate contract

Steady oil production in Q4-20, averaging 5,000 barrels per day

## Teekay LNG ("TGP")

Record-high adjusted results in 2020

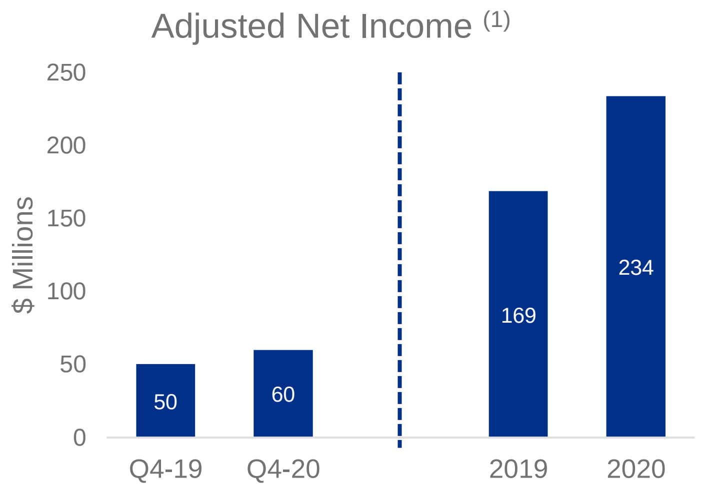
LNG fleet is 97% fixed in 2021 and currently 89% fixed in 2022

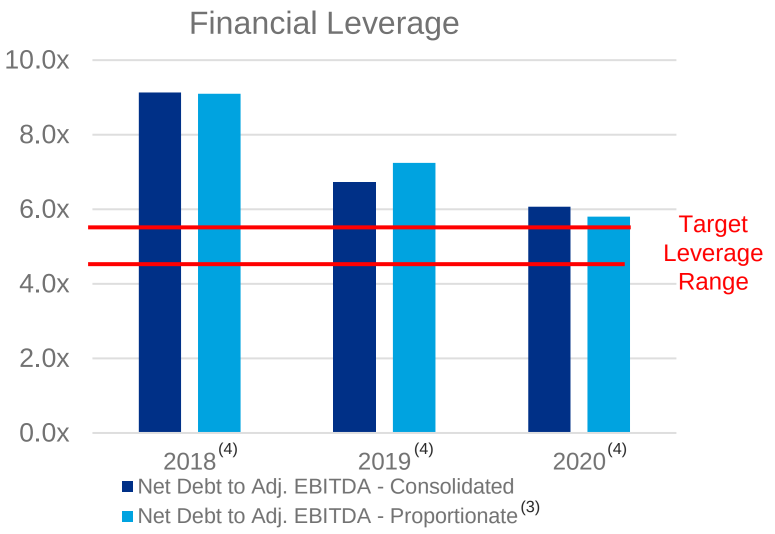
Intend to increase common unit distributions by 15% to $1.15 per unit per annum, commencing with the Q1-21 distribution payable in May 2021

- Allows TGP to continue delevering its balance sheet, while providing an attractive return to unitholders (yield of 8.4%[5])
- Teekay Parent to receive $43 million per year based on new distribution level
- Strong LNG demand outlook as LNG is expected to play a key part of the energy transition

## Recent Highlights

- Q4-20 total adjusted EBITDA[1] of $190M and adjusted net income[1] of $60M, or $0.61 per unit, up 3%, 19% and 9% from Q4-19, respectively
- 2020 total adjusted EBITDA[1] of $758M and adjusted net income[1] of $234M, or $2.45 per unit, up 11%, 39% and 37% from 2019, respectively
- Extended charter contract on 52%-owned LNG carrier by 2 years to early-2023
- Strong liquidity position of approx. $462 million as of Dec. 31, 2020
- During 2020, reduced proportionate net debt[2][3] by nearly $560 million, or over 10%




(1) These are non-GAAP financial measures. Please see Teekay LNG's Q4-20 earnings release for definitions and reconciliations to the comparable GAAP measures.
(2) Net debt is equal to current and long-term debt, including capital lease obligations, less cash and cash equivalents and restricted cash.
(3) Includes Teekay LNG's proportionate share of net debt in its equity-accounted joint ventures.
(4) Based on Adj.EBITDA for the full year 2018, 2019 and 2020.
(5) Based on Teekay LNG's 2021 distribution increase to $1.15 per common unit per annum and its closing price on February 24, 2021.

# Teekay Tankers ("TNK")

Transformed balance sheet and built a resilient financial position in 2020

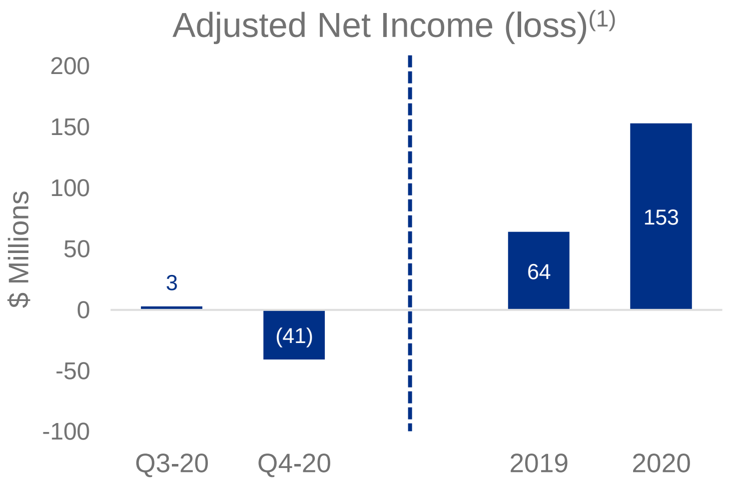
- Record annual free cash flows[1] of $277M
- Completed asset sales of $86M

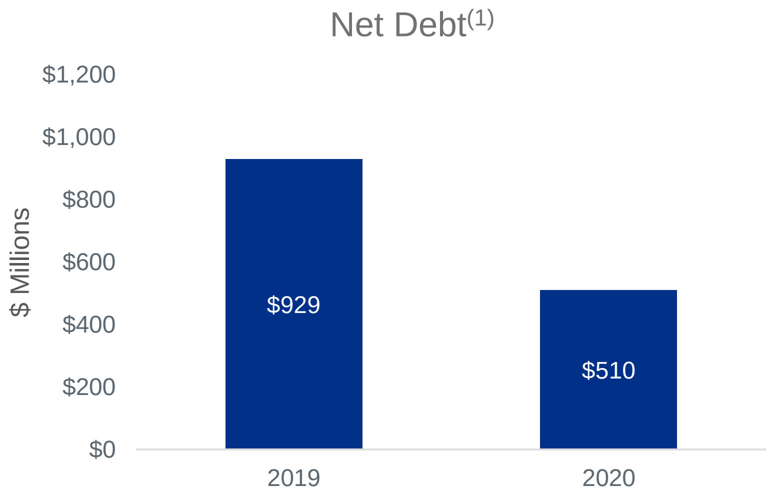
Tanker market continues to be under pressure, however:

- 18% of 1H-2021 vessels days under fixed-rate contracts at attractive levels, which has significantly reduced free cash flow break-even
- Positive medium-term tanker supply fundamentals

## Recent Highlights

- Q4-20 adjusted net income[1] results came under pressure from a weaker tanker market related to lower oil demand from COVID-19
- 2020 adjusted net income[1] was one of the best annual results on record
- Reduced net debt[1] by approx. $419M, or 45%, in 2020
- Strong total liquidity position of $373 million as of Dec 31/20
  - Exercised purchase options on two vessels under sale-leaseback financings for $57M to be funded by existing liquidity and potentially a new long-term debt facility – for redelivery in May 2021
    - Reduces cost of capital and interest expense
- Opportunistically agreed to sell two older unencumbered Aframax tankers for $32M for delivery in March 2021
- Entered into a 7-year in-charter agreement for an eco-Aframax newbuilding delivering in late-2022 at an attractive rate of $18,700/day
  - Delivering into an expected strong tanker market and allows TNK to renew fleet in a less capital-intensive manner




(1) These are non-GAAP financial measures. Please see Teekay Tankers' Q4-19 and Q4-20 earnings releases for definitions and reconciliations to the comparable GAAP measures.

## Closing Remarks

2020 Teekay Group Sustainability report to be released in April 2021

# Appendix

# Consolidated Adjusted Net Income Reconciliation[1]

## Q4-20 vs. Q3-20

| (Thousands of U.S. Dollars except per share amounts) | Q4-2020 (unaudited) | Q3-2020 (unaudited) | Variance | Comments |
|---|---|---|---|---|
| Revenues | 357,806 | 392,867 | (35,061) | |
| Voyage expenses | (64,437) | (61,736) | (2,701) | |
| Net revenues | 293,369 | 331,131 | (37,762) | Teekay Parent - $3m increase primarily as a result of higher third-party management revenues in Q4-20 compared to the prior quarter.<br>Teekay LNG - $3m increase due to fewer scheduled dry dockings during Q4-20 compared to Q3-20.<br>Teekay Tankers - $44m decrease primarily due to lower overall spot TCE rates in Q4-20, as well as more scheduled dry dockings and off-hire days in Q4-20. |
| Vessel operating expenses | (141,821) | (141,053) | (768) | Teekay Parent - $5M increase primarily related to an increase in third party management service expenses in Q4-20 compared to the prior quarter.<br>Teekay Tankers - $5M decrease primarily due to certain Q3-20 crewing related costs, which were higher as a result of the COVID-19 global pandemic and the timing of planned maintenance activities. |
| Time-charter hire expenses | (16,717) | (18,796) | 2,079 | Teekay Parent - $1m decrease due the completion of a bunker barge contract.<br>Teekay Tankers - $1m decrease primarily due to the impairment of four in-chartered vessels during Q2-20 and Q3-20. |
| Depreciation and amortization | (60,926) | (64,352) | 3,426 | Teekay Parent - $2m decrease due to the write-down of the *Hummingbird* FPSO unit in Q3-20.<br>Teekay Tankers - $2m decrease primarily due to the write-down of five vessels as well as the timing of vessel dry docks and the resulting accelerated amortization of previous dry dock balances, both recorded in Q3-20. |
| General and administrative expenses | (19,209) | (18,073) | (1,136) | |
| **Income from vessel operations** | **54,696** | **88,857** | **(34,161)** | |
| Interest expense - net | (56,488) | (57,929) | 1,441 | Teekay Tankers - Decrease primarily due to non-capitalized loan costs related to the term loan refinancing completed in Q3-20 and the repurchase of two vessels from their lessor in Q4-20. |
| Equity income | 30,391 | 29,978 | 413 | |
| Income tax expense | (14,180) | (3,102) | (11,078) | Teekay Tankers - $9m increase due to a non-recurring freight tax accrual adjustment in Q4-20.<br>Teekay LNG - $1m increase due to a non-recurring freight tax accrual adjustment in Q4-20. |
| Other - net | (357) | - | (357) | |
| **Adjusted net income** | **14,062** | **57,804** | **(43,742)** | |
| Adjusted net income attributable to non-controlling interests | (11,213) | (42,575) | 31,362 | Decrease primarily due to decrease in Teekay Tankers' net income in Q4-20. |
| **Adjusted net income attributable to shareholders of Teekay Corporation** | **2,849** | **15,229** | **(12,380)** | |
| **Adjusted basic earnings per share** | **0.03** | **0.15** | **(0.12)** | |

(1) Amounts are after adjusting Q4-20 and Q3-20 for items included in Appendix A to our Fourth Quarter and Annual 2020 Results Earnings Release and realized gains and losses on derivatives (see slide 12 to this presentation for the Consolidated Adjusted Statement of Net Income (Loss) Reconciliation for Q4-20 and Q3-20)

# Q1-2021 Outlook – Teekay Consolidated

<table>
<tr><th>Income Statement Item</th><th>Q4-20 in millions adjusted basis</th><th>Q1 2021 Adjusted Net Income Outlook (expected changes from Q4-20) (1)</th></tr>
<tr><td>Net Revenues</td><td>294</td><td><u>Teekay LNG</u><br>• $3M decrease due to scheduled drydocking and repositioning of the Creole Spirit upon charter contract ending in Q1-21.<br><br><u>Teekay Tankers</u><br>• Increase of approximately 20 net revenue days, primarily due to fewer dry dockings in Q1-21 compared to Q4-20, partially offset by the redelivery of three in-chartered vessels in Q4-20 and early Q1-21 as well as fewer calendar days in Q1-21.
<table>
<tr><td>Vessel type – Spot Tanker Days (% fixed) at Day Rate in $</td><td>Suezmax</td><td>Aframax(2)</td><td>LR2(3)</td></tr>
<tr><td>Q1 To-Date (fixed days quarter-to-date)</td><td>1,288 days (69%) at $9,600</td><td>867 days (67%) at $7,700</td><td>467 days (65%) at $10,000</td></tr>
<tr><td>Q4 Actual</td><td>1,541 days at $9,300</td><td>1,367 days at $7,400</td><td>808 days at $8,500</td></tr>
</table></td></tr>
<tr><td>Vessel Operating Expenses (OPEX)</td><td>(142)</td><td>• Teekay LNG - $1m increase primarily due to timing of repairs, maintenance, spares and consumables.<br>• Teekay Tankers - $4m increase primarily due to the timing of repair and maintenance activities as well as certain crewing related costs.</td></tr>
<tr><td>Time-Charter Hire Expense</td><td>(17)</td><td>• Teekay Tankers - $4m decrease due to the redelivery of three in-chartered vessels during Q4-20 and early Q1-21.</td></tr>
<tr><td>Depreciation and Amortization</td><td>(61)</td><td>• Teekay Tankers - $1m decrease primarily due to the write-down of vessels and the classification of two vessels as held for sale, both recorded in Q4-20.</td></tr>
<tr><td>General & Administrative</td><td>(19)</td><td>• Expected to be higher, ranging from $21m - $23m on a consolidated basis primarily due to the timing of expenditures.</td></tr>
<tr><td>Net Interest Expense</td><td>(56)</td><td>• Teekay LNG - $1m decrease due to lower forecasted LIBOR rate in Q1-21 vs Q4-20 and the forecasted reduction of debt.</td></tr>
<tr><td>Equity Income</td><td>30</td><td>• Expected be generally consistent with Q4-20</td></tr>
<tr><td>Tax expense</td><td>(14)</td><td>• Teekay Tankers - $10m decrease primarily due to a non-recurring freight tax accrual adjustment in Q4-20.</td></tr>
<tr><td>Adjusted Net Income Attributable to Non-controlling Interests</td><td>(11)</td><td>• Expected to range from ($18m) to ($20m) primarily due to expected higher adjusted net income in Teekay Tankers</td></tr>
</table>

(1) Changes described are after adjusting Q4-20 for items included in Appendix A to our fourth Quarter 2020 Results Earnings Release and realized gains and losses on derivatives (see slide 12 to this presentation for the Consolidated Adjusted Statement of Net Income (Loss) Reconciliation for Q4-20)

(2) Days and percentage booked to-date include Aframax RSA, full service lightering (FSL) and non-pool voyage charters for all Aframax vessels

(3) Days and percentage booked to-date include Aframax RSA, FSL and non-pool voyage charters for all LR2 vessels, whether trading in the clean or dirty spot market

# Consolidated Adjusted Statement of Net Income (Loss) Reconciliation

## Q4-20 vs. Q3-20

| (in thousands of US dollars, except per share amounts) | Three Months Ended December 31, 2020 | | | | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | As Reported | Appendix A Items (1) | Reclass for Realized Gains/ Losses on Derivatives (2) | As Adjusted | As Reported | Appendix A Items (1) | Reclass for Realized Gains/ Losses on Derivatives (2) | As Adjusted |
| Revenues | 362,295 | (3,679) | (810) | 357,806 | 396,517 | (3,467) | (183) | 392,867 |
| Voyage expenses | (64,437) | - | - | (64,437) | (61,736) | - | - | (61,736) |
| Net revenues | 297,858 | (3,679) | (810) | 293,369 | 334,781 | (3,467) | (183) | 331,131 |
| Vessel operating expenses | (144,950) | 3,129 | - | (141,821) | (153,765) | 12,333 | 379 | (141,053) |
| Time charter hire expenses | (16,717) | - | - | (16,717) | (18,796) | - | - | (18,796) |
| Depreciation and amortization | (60,926) | - | - | (60,926) | (64,352) | - | - | (64,352) |
| General and administrative expenses | (19,209) | - | - | (19,209) | (18,073) | - | - | (18,073) |
| Asset impairments and write-downs | (28,689) | 28,689 | - | - | (66,273) | 66,273 | - | - |
| Gain on commencement of sales-type lease | - | - | - | - | - | - | - | - |
| Restructuring charges | (1,571) | 1,571 | - | - | (2,139) | 2,139 | - | - |
| **Income from vessel operations** | **25,796** | **29,710** | **(810)** | **54,696** | **11,383** | **77,279** | **196** | **88,857** |
| Interest expense | (50,707) | - | (7,251) | (57,958) | (53,175) | 509 | (7,017) | (59,683) |
| Interest income | 1,470 | - | - | 1,470 | 1,754 | - | - | 1,754 |
| Realized and unrealized losses derivative instruments | (3,453) | (2,935) | 6,388 | - | (1,471) | (3,682) | 5,153 | - |
| Equity income | 15,285 | 15,106 | - | 30,391 | 24,392 | 5,586 | - | 29,978 |
| Income tax expense | (18,670) | 4,490 | - | (14,180) | (3,701) | 599 | - | (3,102) |
| Foreign exchange loss | (12,499) | 10,826 | 1,673 | - | (5,943) | 4,275 | 1,668 | - |
| Other - net | (2,354) | 1,997 | - | (357) | (14,626) | 14,626 | - | - |
| **Net income (loss)** | **(45,132)** | **59,194** | **-** | **14,062** | **(41,387)** | **99,192** | **-** | **57,804** |
| **Net income attributable to non-controlling interests** | 25,688 | (36,901) | - | (11,213) | 5,981 | (48,556) | - | (42,575) |
| **NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF TEEKAY CORP.** | **(19,444)** | **22,293** | **-** | **2,849** | **(35,406)** | **50,636** | **-** | **15,229** |
| **Basic earnings (loss) per share** | **(0.19)** | | | **0.03** | **(0.35)** | | | **0.15** |

***The above provides a Normalized Income Statement by adjusting for the following:***

*(1) removal of Appendix A items as documented in the Earnings Release*

*(2) putting the realized gains/losses to their respective line as if hedge accounting had applied*