



TEEKAY CORPORATION'S FOURTH QUARTER 2021 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay Corporation

Date: Thursday, 24th February 2022

Conference Time: 11:00 ET

Operator: Welcome to Teekay Corporation's Fourth Quarter and Fiscal 2021 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 touchdown 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 Hamilton: Before we begin I'd like to direct all participants to our website at www.teekay.com, where you'll find a copy of the fourth quarter and fiscal year 2021 earnings presentation. Teekay's President and CEO, Kenneth Hvid and Teekay's CFO, Vince Lok 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 fourth quarter and fiscal year 2021 earnings release and presentation available on our website. With that, I will now turn over the call to Vince to begin.

Vincent Lok: Thanks Ryan. Good morning everyone and thank you for joining us today for Teekay Corporation's Fourth Quarter and Fiscal 2021 Earnings Results Conference Call. Before I hand the call over to Kenneth, I will briefly review our financial results. Starting with the recent highlights on slide three of the presentation, in the fourth quarter, we reported a consolidated adjusted profit of \$8 million or \$0.08 per share, up from



\$95,000 in the prior quarter. We also generated total adjusted EBITDA of \$182 million, up from \$165 million in the previous quarter. Our Q4 results were stronger mainly due to a modest improvement in spot tanker rates.

In fiscal year of 2021, we reported a consolidated adjusted net profit of \$20 million or \$0.19 per share, compared to \$83 million or \$0.82 per share in the prior year, and generated total adjusted EBITDA of \$721 million, compared to \$1.1 billion in the prior year. This decrease primarily reflects the exceptionally strong tanker market in the first half of 2020. Please note that our consolidated net income and total adjusted EBITDA results for Q4, and fiscal 2021 include Teekay LNG, even though Teekay LNG's results are presented as discontinued operations in our financial statements. On January 13th of this year, we successfully completed the sale of all of our interests in Teekay LNG to Stonepeak, bringing in gross cash proceeds of approximately \$641 million to Teekay Parent.

Upon closing the sale, we expeditiously eliminated approximately \$330 million of high-cost debt, ranging between 5% and 9.25%. Teekay parent is now largely debt free, with a net cash position of over \$300 million. Looking ahead to Q1, we expect our consolidated results to be lower as a result of the sale of our interest in Teekay LNG in mid-January 2022, partially offset by significantly lower interest expense due to Teekay Parent now being largely debt free. For guidance on our first quarter results, please refer to the appendix of this presentation. With that, I will now turn the call over to Kenneth.

Kenneth Hvid: Thanks, Vince, and good morning, everyone. Turning to slide four, I will comment on the steps we have taken over the past year to position Teekay for the future. We expanded our asset lite marine services business in Australia through a new strategic long-term contract with the Australian government Department of Defence in September last year. We've had a presence in Australia since 1997, and we are now providing services for nine Australian government vessels, which provides a solid and profitable foundation to further grow the business.

We continue to wind down our FPSO business. Starting with the Banff. The decommissioning of the unit is now completed, and we are nearing completion of the recycling of the unit in Europe.



We're now planning for the decommissioning of our remaining two FPSOs. We received the formal notifications from our customers and expect the contracts to end on the hummingbird and Foinaven in May and August of 2022, respectively. Hummingbird's decommissioning process is well advanced and relatively straightforward. The Foinaven decommissioning and recycling cost is expected to be largely covered by contractual payment from the customer.

As Vince mentioned earlier, we completed the sale of all our interests in Teekay LNG to Stonepeak, with Teekay Parent realizing total shareholder return of 203% and an annual IRR of 12.5% since TGP's IPO in 2005. Since announcing the TGP / Stonepeak merger in early October last year, the team has been working very hard on separating TGP from the rest of the Teekay Group and setting up both companies for future success.

We've now transitioned all the gas employees to TGP, which is being rebranded as Seapeak, and we expect the remaining restructuring and transition activities to be completed throughout 2022. Lastly, we've now transformed our balance sheet and are now largely debt free with a net cash position of over \$300 million.

Turning to slide five, we look at Teekay's current portfolio. As mentioned on the previous slide, we have a number of transition activities that will continue throughout 2022, as we are evolving both our organization structure and our business mix. We're excited about the opportunities to create shareholder value with a lean organizational structure and stronger balance sheet.

Starting with our position in our publicly traded daughter subsidiary, Teekay Tankers, which is a well-established platform that provides significant and diversified exposure to a tanker market of recovery. We have recently opportunistically invested \$10 million of our cash balance to further build our position in Teekay Tankers, acquiring shares in the open market at an average price of \$11.03 per share. With these purchases, we now have an economic ownership of over 31%, and voting control of over 55% in Teekay Tankers. Based



on Teekay Tankers' closing price yesterday, our current position is valued at \$125 million, or \$1.23 per Teekay Corp common share.

Next is our Marine services for the Australian government, which is a specialized asset-lite niche business with a strong counterparty. This long-term contract business currently contributes a stable annual profit of \$5 million to \$6 million with potential for future growth. And this is one example where we are able to leverage our operating platform to enhance our profitability with minimal invested capital.

Lastly, as mentioned earlier, our net cash position is over \$300 million, equal to over \$3 per Teekay Corp common share, and we can't stress enough the importance of having financial strength and flexibility as a critical ingredient to achieving higher returns and allowing us to be opportunistic and countercyclical.

Looking ahead, we stand to benefit from the strong operating franchise and capabilities developed over our nearly 50-year history, combined with our renewed financial flexibility. As the world pushes for greater energy diversification and a lower environmental footprint, we expect to see investment opportunities in both the broader shipping sector, and potentially new and adjacent markets. We believe that Teekay is well positioned to patiently and selectively pursue a range of attractive future investment alternatives that leverage our core competencies, relationships, and institutional knowledge to create long-term shareholder value. Please refer back to our earnings conference call last quarter, where we provided some comments on future opportunities, including the broader shipping sector and participation in the global energy transition.

Before we conclude this call, with a completion of the sale of Teekay LNG to Stonepeak, in the near term, most of our consolidated earnings will closely mirror that of Teekay Tankers. On a quarterly basis, Teekay Tankers provides an outlook on the tanker market, along with various operational and financial updates. At this time, we believe it will be duplicative for Teekay Corp to also have quarterly earnings calls. Starting next quarter, Teekay Corp will continue to provide quarterly earnings releases. However, our investor conference calls won't be on a scheduled quarterly basis, but instead it will be more event driven as we enter into new investments in the future. Although our investor conference calls will be more ad hoc going forward, we fully



intend to maintain transparency and want to continue to have frequent dialog with investors. So, please reach out to our investor relations group. With that, operator, we are now available to take questions.

Operator: And if you'd like to ask a question, press star, one on your keypad. And there are no questions in the queue at this time.

Kenneth Hvid: Thank you for listening today, and please tune in Teekay Tankers' earnings conference call following this call with Teekay's CEO and CFO. Thank you.

Operator: And this does conclude today's call. We do thank you again for your participation, and you may now disconnect.