



TEEKAY CORPORATION'S THIRD QUARTER 2021 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay Corporation

Date: Thursday, 4th November 2021

Conference Time: 11:00 ET

Operator: Good day and welcome to Teekay Corporation's Third-Quarter 2021 Earnings Results Conference Call.

During the call, all participants will be in a listen-only mode. 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 would like to direct all participants to our website at www.teekay.com where you'll find a copy of the third quarter of 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 third quarter of 2021 earnings release and presentation available on our website.

Please note that due to the pending merger between Teekay LNG, and Stonepeak, we are strictly limited in our ability to comment on the planned transaction and therefore we will not be holding a Q&A session after the call today. For additional information about the merger, please see Teekay LNG's proxy statement filed with the SEC on November 2nd, relating to the pending merger. With that, I'll now turn the call over to Vince to begin.

Vince Lok: Thanks, Ryan. Good morning, everyone and thank you for joining us today for Teekay Corporation's Third-Quarter 2021 Earnings Conference Call. Before I hand the call over to Kenneth, I will briefly review our financial results for the quarter, starting with our recent highlights on slide three of the presentation. In the third quarter, we reported a consolidated adjusted profit of \$95,000, up slightly from \$30,000 in the prior



quarter. We also generated total adjusted EBITDA of \$165 million down from \$172 million in the previous quarter. Stronger results from our Marine services business in Australia and lower vessel operating expenses offset weaker tanker rates and a heavy dry dock schedule in our tanker business during the quarter, while our gas business performed as expected.

Looking ahead and viewing the Teekay consolidated entity in its current configuration, we are expecting our fourth quarter results to be better than our third quarter mainly due to improving spot tanker rates and fewer dry docking days for both our gas and tanker fleets partially offset by higher vessel operating expenses due to timing of repairs and maintenance. For guidance on our fourth quarter results, please refer to the appendix of this presentation. As announced on October 4th, TGP and Stonepeak entered into a merger agreement whereby Stonepeak will acquire all the issued and outstanding common units and general partner units for \$17 per unit in cash, representing an enterprise value of \$6.2 billion and common unit equity value of \$1.5 billion. Teekay Parent will be selling its entire position in TGP, including our GP interests, for gross proceeds of approximately \$640 million.

In addition, as part of the transaction, Teekay will transfer the ownership of various management services companies that currently deliver the operations for TGP and certain of its joint ventures along with their various personnel, while maintaining the required industry leading capabilities for the remaining Teekay group. TGP's preferred units will remain outstanding after the merger. On October 27th, TGP held a bondholder meeting to approve certain amendments required to complete the merger and we are pleased to report that TGP received sufficient bondholder consent for both of its outstanding Norwegian bonds which mature in 2023 and 2025. The merger remains subject to certain other closing conditions including approval by the holders of the majority of TGP's outstanding common units.

A special meeting of common unitholders to vote on the transaction is scheduled for December 1st and the transaction is targeted to close on or soon after December 31st, 2021. Kenneth will discuss this transaction in more detail later in the presentation. Lastly, in September, Teekay Parent secured a contract with the Australian government department of defense to provide Marine services for five Australian government



vessels for a firm period of six years with options to extend for up to an additional ten years. Teekay has had a presence in Australia since 1997 and we are proud to be a partner with this strategic customer where we will now provide services for nine Australian government vessels which provides a solid foundation to further grow this business. With that, I will now turn the call over to Kenneth.

Kenneth Hvid: Thanks, Vince, and good morning, everyone. Turning to slide four, I'll comment on TGP's pending merger with Stonepeak and the key transaction highlights. Since TGP's IPO 16 years ago, we have built TGP into the world's third-largest independent LNG carrier owner and operator with one of the largest and most diversified portfolios of long-term contracts with leading players in the LNG industry. We leveraged Teekay's operating franchise and brand and reputation in the shipping industry to grow our market share considerably over the last 16 years, to the point where TGP is now only behind two Japanese LNG shipping companies in terms of size. TGP hasn't ordered a new vessel since 2014, and to modernize and potentially grow its fleet in an accretive manner, TGP is now at the stage where it requires a significant amount of competitively priced capital for both fleet renewal and potential for future growth.

Equity capital has not been available to the LNG shipping and MLP sectors on competitive terms through public equity markets for a number of years. We believe this is reflected in many of the privatizations that have taken place in recent times, including a number of TGP's peers. In this context, and as Vince mentioned earlier, Stonepeak has agreed to pay \$17 per unit or unit equivalent in cash plus the quarterly distribution of approximately \$0.29 per unit which will be paid on November 12th to unitholders on record on November 5th. Including this quarterly distribution, the price paid equates to a 10.2% premium to TGP's closing price on October 1st and 19.5% premium to the 180 days volume weighted average price. On a year-to-date basis, this represents a total unitholder return of over 60%. We believe this transaction represents a unique opportunity for us and other TGP common unitholders to monetize our existing investments in TGP at an attractive valuation which was achieved through a broad competitive process.

Acting on the recommendation from TGP's Conflicts Committee, comprised solely of independent board members, the TGP board of directors unanimously approved the transaction and recommend that all



unitholders vote in favor of the merger, with both the TGP Conflicts Committee and the TGP board of directors, having received fairness opinions from their respective financial advisors. The Teekay Corporation board of directors also unanimously approved the transaction and we have signed a voting and support agreement with Stonepeak to vote our 41% common unit position in TGP in favor of the merger. This transaction also allows both Teekay and TGP common unitholders to realize an attractive return with Teekay earning a total shareholder return of 203% and an annual IRR of 12.5% since TGP's IPO in 2005. Lastly, this transaction transforms Teekay's balance sheet and gives us the financial flexibility and dry powder to pursue future opportunities, which I will touch on in more detail later in this presentation. For more information about the transaction, I would direct you to the proxy statement which is available on TGP's website.

Turning to slide five, we provide our sum of the parts value at the end of 2020 which was when we decided to formally launch a potential sale process relating to our stake in TGP compared to the current sum of the parts value proforma for the pending TGP - Stonepeak transaction. Since the beginning of the year, our sum of the parts value has increased from \$208 million, or \$2.06 per share, to \$464 million, or \$4.57 per share, post-merger, which is an increase of \$256 million, or \$2.51 per share, representing a 122% increase. The increase is mainly due to the pending TGP - Stonepeak merger which post-transaction and after giving effect to our anticipated use of merger proceeds to repay debts that will result in Teekay Parent being completely debt free with a cash position of about \$325 million. The 122% increase also reflects the elimination of our \$33 million asset retirement obligation, or ARO, associated with the Banff FPSO and its field in the second quarter, and TNK's year-to-date stock appreciation.

And we continue to have a positive outlook for our tanker business with attractive supply and demand fundamentals going forward, which TNK's President and CEO, Kevin MacKay, will discuss in more detail during TNK's earnings conference call following this call. Based on post-merger sum of the parts, we are currently trading at an 18% discount as of yesterday's closing share price of \$3.74 per share.

Turning to slide six, Teekay was founded nearly 50 years ago by our late founder, Torben Karlshoej. Over this time, we have built a strong brand and reputation in the shipping sector with a focus on operational



excellence and we have a track record for growing and scaling businesses, customer relationships and partnerships, along with various other capabilities. Upon completion of the pending merger and subsequent debt-repayment, we'll have significantly greater financial flexibility with approximately \$325 million in estimated cash balances. This puts us in a position where we again can leverage our operating franchise and industry-leading capabilities to pursue attractive investment opportunities to create long-term shareholder value.

As we survey the landscape, we could potentially pursue such opportunities alongside our daughter company, TNK, directly at the Teekay Corporation level, or through partnering with others on a public or private basis as we've done in the past. As part of being successful in shipping, we truly believe that it is important to buy assets at the right time, and in order to do that, we need to have a strong balance sheet and prompt access to capital in order to take advantage of attractive investment opportunities, and at times act counter-cyclically. Such future investment opportunities may be in the shipping sector. We already have a meaningful position in tankers through our controlling interest in TNK where tanker supply and demand fundamentals continue to trend in a positive direction. Based on our operational capabilities, we could also potentially invest in other shipping sectors some of which we have had experience with in the past. And we also have a long history of expanding into new shipping sectors, bringing substantial value to an existing platform through Teekay's financial strength, long-standing industry relationships, and core competency of scaling and optimizing businesses.

We also recognize that the world is changing. And while we believe that oil will remain an important component of the world's energy mix for many decades, we also see that the increasing focus on greater energy diversification and low emissions will bring other interesting opportunities where Teekay's unique capabilities and profile could be a meaningful competitive advantage. This could include new vessel technologies as the shipping sector pushes to decarbonize over time where we have a track record of embracing new technologies. For instance, we were the first to order LNG-fueled shuttle tankers and the MEGI LNG carriers. Just as we did when we first entered the LNG business almost 20 years ago, we expect to maintain an active role in meeting our customers involve - evolving needs through the energy transition. It



may take time for these opportunities to fully come to fruition but we believe that we have the necessary capabilities to play an important role in this exciting and highly dynamic environment.

With an existing operational franchise, industry-leading capabilities, and greater financial flexibility following completion of the pending TGP transaction, we believe that we will be well-positioned to take advantage of future opportunities to create long-term shareholder value.

With that, I want to thank everyone for listening and for your continued interest in Teekay. We certainly appreciate it and we look forward to speaking to you next quarter.

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