



TEEKAY GROUP SECOND QUARTER 2025 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay Group

Date: Thursday, 31st July 2025

Conference Time: 11:00 ET

Operator: Welcome to the Teekay Group Second Quarter 2025 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 touchtone phone. As a reminder, this call is being recorded. Now for opening remarks and introductions. I would like to turn it over to the company. Please go ahead.

Ed: Before we begin, I would like to direct all participants to our website at www.teekay.com. Where you will find a copy of the Teekay Group's second quarter 2025 earnings presentation. Kenneth 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 2025 Teekay Group earnings presentation available on our website. I'll now turn the call over to Kenneth Hvid, Teekay Corporation, and Teekay Tankers President and CEO to begin.



Kenneth Hvid: Thank you, Ed. Hello, everyone. Thank you very much for joining us today for the Teekay Group's second quarter 2025 earnings conference call. Joining me on the call today for the Q&A session is Brody Speers, Teekay Corporation's and Teekay Tanker CFO. Ryan Hamilton, our VP Finance and Corporate Development, and Christian Waldegrave, our Director of Research.

Starting on slide three of the presentation, we will cover Teekay Tankers' recent highlights.

Teekay Tankers reported GAAP net income of \$62.6 million, or \$1.81 per share, and adjusted net income of \$48.7 million, or \$1.41 per share, in the second quarter.

Second quarter spot rates were counter-seasonally strong, with rates outperforming the last two quarters and above long-term averages for second quarter. Further, with spot rates well above our free cash flow breakeven levels, the company generated approximately \$62.8 million in free cash flow from operations and at the end of the quarter had a cash and short-term investment position of \$712 million and no debt.

With strong free cash flow generation and cash position, Teekay Tankers is well-positioned to continue actively executing on our fleet renewal strategy. This includes reducing our exposure to 18 to 19-year-old vessels as well as opportunistically selling some 2009-built Suezmaxes in today's historically higher asset price environment, as well as making incremental purchases of modern vessels. In July, we acquired one modern Suezmax, and we agreed to acquire the remaining 50% ownership interest in the Hong Kong Spirit VLCC from our joint venture partner. This VLCC acquisition was opportunistic, based on relative market values and our belief in the near-term strength of the tanker market. In addition, the company agreed to sell four Suezmax and one LR2, which will be delivered to their new owners in the third and fourth quarters, for a combined total of \$158.5 million, which we expect to result in an estimated book gain on sale of approximately \$46 million.



So far in 2025, we have sold or agreed to sell 11 vessels for total gross proceeds of \$340 million and estimated book gains on sale of approximately \$100 million. Although our sales have outpaced our purchases so far this year, the plan is to gradually change the pace of buying as we remain focused on renewing and growing our fleet in an aggressive manner to future earnings.

Looking at our third quarter to-date rates, we have secured spot rates of \$31,400 per day and \$28,200 per day for Suezmax and Aframax / LR2 fleets, respectively, with approximately 43% of our spot days booked. We believe there are potential tailwinds for the tanker markets towards the end of the year, and that the fundamentals for the medium term remain balanced, but with more uncertainty due to the complex geopolitical landscape. We'll discuss the drivers of the market in the next few slides.

Lastly, Teekay Tankers has declared its regular quarterly fixed dividend of \$0.25 per share.

Moving to slide four, we look at recent developments in the spot market. Spot tanker rates improved during the second quarter compared to the last two quarters, and rates were above long-term average levels for a second quarter. The strength in tanker rates was primarily due to longer average voyage distances during April, though rates subsequently softened during the remainder of the quarter in line with normal seasonal trends. The market saw a brief period of volatility in the middle of June, following the escalation of hostilities between Israel and Iran. However, there was no material disruption to regional oil production, exports, or tanker movements, with several spot charters, failing subjects, and rates quickly reverting to prior levels once a ceasefire was announced.

Turning to slide five, we look at near-term oil fundamentals, which we believe could give support to tanker rates during the second half of the year. Global oil production is expected to increase sharply in the coming months, due to the unwinding of OPEC+ supply cuts and higher production



from South America. The OPEC+ group has accelerated the unwind, and at the current pace, will have fully unwound the 2.2 million barrels per day of voluntary supply cuts by September 2025, a full year ahead of schedule. This should translate into increased tankers tonne-mile demand, particularly from September onwards, as reduced domestic demand will allow Middle Eastern producers, led by Saudi Arabia, to increase seaborne exports. New offshore oil production coming online in Brazil and Guyana should also increase volumes and support crude tankers on mild demand during the second half of the year.

As shown by the chart on the left of the slide, global oil supply is expected to exceed demand in the coming quarters, leading to an expected build in global oil inventories. The chart on the right shows that oil inventories outside of China are currently below average levels, therefore we expect that the market will be able to absorb the additional supply that is due to come online. Periods of oil inventory builds have historically been positive for tanker rates, and we believe this could be another tailwind for rates as we move into the seasonally stronger winter months.

Turning to slide six. We review the key drivers of the medium-term outlook, but also some of the uncertainties which add a layer of complexity. Global oil demand is projected to increase by 0.7 million barrels per day in both 2025 and 2026, as per the IEA. While this is lower than projections made at the start of the year, it still represents healthy growth and would push total oil demand to a record high of almost 105 million barrels per day. As mentioned on the previous slide, growing oil supply from both OPEC+ and non-OPEC+ sources will help meet this demand growth and provide positive tanker on mild demand growth, particularly as we anticipate that a growing portion of new oil supply coming online in the Atlantic basin will be moved long haul to meet growing demand in Asia.



Turning to global fleet supply, the pace of new tanker orders has slowed significantly since the start of the year, with 11 million deadweight of new orders placed in the first six months, compared to 42 million deadweight in the same period of 2024. The orderbook, when measured as a percentage of the global tanker fleet, has stabilized in recent months at approximately 15%. Meanwhile, a lack of tanker scrapping means that the fleet continues to age, with the average age of the global tanker fleet at 25-year high of 14 years. Should the tanker market conditions worsen, there could be increased pressure on the large and growing pool of spread candidates to leave the market, providing a mechanism to rebalance the global fleet. We believe the combination of the current orderbook, an ageing tanker fleet, and constraints on available yard space, points towards a balanced fleet supply outlook and should result in continued low levels of tanker fleet growth over the medium term.

While underlying tanker market fundamentals look positive, a number of geopolitical factors add complexity to the outlook and will likely influence the direction of spot tanker rates. I'll not go into each point in detail, but I note that in September alone, we expect that the OPEC+ group will complete the unwinding of their 2.2 million barrels per day of voluntary supply cuts, the EU will introduce a new price cap of \$47.60 per barrel on Russian crude oil exports, President Trump's 50-day ultimatum to Russia is set to expire, though this timeline could be moved up given Trump's recent comments, and as we saw yesterday, the US just announced sanctions on additional 50 vessels moving Iranian crude oil. As such, we anticipate that the market will continue to exhibit volatility going forward, both in the short and medium term.

Turning to slide seven, we highlight how Teekay Tankers continues to build value while remaining patient for future fleet renewal. With our operating leverage and low free cash flow breakeven of \$13,000 per day, Teekay Tankers generated \$128 million in free cash flow in the first half of the year. With no debt on our balance sheet, the company continues to build its financial strength and flexibility.



Looking ahead, the company is well-positioned to continue generating free cash flows. To emphasize, for every \$5,000 increase in spot rates above our breakeven producers, \$1.89 per share of annual free cash flow, or over 4% on a free cash flow yield basis.

In summary, Teekay Tankers is an operating company in a cyclical capital-intensive business. We remain disciplined in our capital allocation as our financial strength positions the Company well for future fleet renewal, while enabling us to continue to build value in a complex tanker market outlook. In the near-term, with a low cash flow breakeven, we expect to continue generating strong cash flows and taking incremental steps on fleet renewal while returning capital to shareholders.

With that operator, we're now available to take questions.

Operator: Thank you. If you are dialed in via the telephone and would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach the equipment. Again, press star one to ask a question. If you are in the event via web interface and would like to ask a question, simply type your question in the Ask a Question box and click Send. Our first question is going to come from Omar Nokta from Jefferies. Please go ahead.

Omar Nokta: Hi, guys. Good morning. Thanks for the update. I just wanted to ask quickly, maybe if you wouldn't mind just expanding on the comments you made earlier in the presentation. You were referencing the purchasing of the latest ship and then some of the sales you did, and you mentioned that you would be looking to change the pace, given the need to renew. And so, just wanted a bit more clarity, are you talking about accelerating the pace of acquisitions, or maybe right-sizing the ratio between purchasing and selling?



Kenneth Hvid: Yeah. Morning, Omar. Thanks for that question. I think what we wanted to point out, as everybody can see, we've been fairly active in selling some of our older ships in the first half of this year. We've sold a total of 11 ships. Then at the same time, we've started picking up a couple of younger ships, which last year we picked up a couple of Aframax, we did a Suezmax now and then we simplified the ownership structure around the VLCC that we owned 50% of. The point that we're making here is that, I think we've said this, the selling is largely done for now. What we're looking to do is we are going to recycle a lot of the capital that we will be collecting from those sales and gradually start adding newer ships to the fleet again.

Omar Nokta: Okay. Thank you. You mentioned the opportunistic transaction to take the full ownership of the VLCC. You've also got, I guess, the opportunistic stake in Ardmore, given you exposure to MRs. You have your bread and butter, Suezmax and Aframax. How are you thinking about further capital deployment as you renew the fleet? Are you looking within the same, your main asset class, or do you look towards a larger or perhaps a smaller segment?

Kenneth Hvid: Yeah, I would say our number one priority is finding good purchase candidates within our core segments of Aframax and Suezmax. We, of course, are looking at where we are and trying to square making sense of selling at what we think are quite strong prices for the older assets and then recycling the capital into younger assets where we can find good value. There are some relative price movements there. We think that there are the other opportunities that allows us to kind of create a positive arbitrage on that.

In the near term, I think that you will see us finding single vessels in our core segments of Aframax and Suezmax, and over the medium term, we might be going in a little bit bigger



with newbuildings, if you think that's the right time, or we may be looking at other asset classes. But the priority right now in the near term, here is just reloading on our core asset classes.

Omar Nokta: Okay. Very good and very clear. Thanks, Kenneth. I'll pass it back.

Kenneth Hvid: Appreciate it. Thanks, Omar.

Operator: Our next question is going to come from Ken Hoexter from Bank of America. Please go ahead. Ken, are you there? Do you perhaps have your mute button on?

Tim Chang: Hi, this is Tim Chang on for Ken Hoexter with the BofA. You mentioned OPEC+ unwinding production cuts in September, an increase in non-OPEC production in the Atlantic basin is favorable for demand uplift later in the year. Do you see this lifting rates mainly in 4Q, just given that rate softening due to seasonality in the third quarter?

Christian Waldegrave: Hi. It's Christian here. We definitely see more oil volumes coming on the market later in the year with OPEC+. It's not just the production increase, but the fact that the Middle Eastern countries have been keeping more oil domestically during the summer months for power generation. As we get through the summer and probably into September, we should see more Middle East volumes hitting the water. Then we do expect more oil coming from Guyana and Brazil in the second half as well. We still have the normal seasonality in tanker rates, the summer months, as we've seen in the last couple of months here, tend to be a bit flatter, and the winter does tend to be seasonally stronger months. With more export volumes coming online in



the second half, and also some of the geopolitical complexities as well that Kenneth touched on in terms of more sanctions on Russia and Iran, which just makes trade in general less efficient, we certainly think that there will be some more volatility and stronger rates as we go into the latter part of the year.

Tim Chang: Got it. Thank you. Then secondly, other revenue stepped up materially to \$42 million from around \$33 million last quarter, how should we think about run rate going forward there?

Brody Speers: Hi, this is Brody. The other revenues were a bit higher this quarter because we had a one-time restructuring charge in our Australian business that was funded by one of our customers for an FPSO, that the contract had expired on. It's about \$6 million higher this quarter than it otherwise would be because of that. That was a flow-through cost to Teekay.

Tim Chang: Got it. Very clear. Thank you for taking my question.

Operator: There are no other questions in the queue at this moment. I'll turn the conference back over to the company for any additional or closing remarks.

Kenneth Hvid: Well, thank you very much for tuning in to our call this morning, and we look forward to reporting back to you next quarter. Have a great day.

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