



TEEKAY GROUP FIRST QUARTER 2026 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay Group

Date: Thursday, 14th May 2026

Conference Time: 11:00 ET

Operator: Welcome to the Teekay Group First Quarter 2026 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, you'll 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'd like to turn the call over to the company. Please go ahead.

Edward Lee: 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 Teekay Group's First Quarter 2026 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 first quarter 2026 Teekay Group earnings presentation available on our website.

I will 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 and thank you very much for joining us today for the Teekay Group's first quarter 2026 earnings conference call. Joining me on the call today for the Q&A session is Brody Speers, Teekay Corporation's and Teekay Tankers' CFO. Ryan Hamilton, our VP of 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 \$154 million, or \$4.42 per share. And adjusted net income of \$128 million, or \$3.69 per share, in the first quarter, which are over \$30 million better than last quarter and two to three times the results posted in the same period of the prior year.

Spot Tanker rates during the first quarter were near record highs for first quarter, averaging approximately \$61,000 per day across our mid-sized tanker fleet. With our significant spot exposure and a low free cash flow break-even, we generated approximately \$143 million in free cash flow from operations, which has increased our cash position to just shy of \$1 billion with no debt as of quarter end. We continue to execute on our fleet renewal strategy, which includes acquiring modern vessels while selling our older vessels. I'm pleased to announce that we have entered into agreements to acquire two Korean resale Suezmax new buildings for a total of \$190 million, which I expect to be delivered in 2027. We also sold one 2009-built Suezmax for \$53.5 million, resulting in an expected gain on sale of \$32.5 million that will be recorded in Q2 2026.

In addition, we have completed the previously announced sales of two Suezmax tankers for total proceeds of \$73 million and recorded gains on sales of \$22.7 million in the first quarter. So far this year, we have acquired or agreed to acquire five modern vessels for a total commitment of \$332 million and have sold or agreed to sell four vessels for \$211 million.



We also took advantage of the strong spot market, as we opportunistically out chartered one Suezmax for \$80,000 per day for 10 to 12 months, and this past week we out chartered one Aframax vessel for \$60,000 per day for 12 months. Looking ahead to the second quarter, we expect even better results, with tanker rates reaching record levels. So far in the second quarter, we have secured spot rates of 141,800, 121,000, \$98,000 per day for VLCC, Suezmax and Aframax LR2 fleets, respectively, with approximately 71% of spot days booked for our VLCC and, on average, around 57% of spot days booked for Suezmax and Aframax LR2 fleets. Lastly, Teekay Tankers has declared its regular fixed quarterly dividend of \$0.25 per share, and in addition, we declared a special dividend of \$1 per share, which, like prior years, is based on the previous year's financial results.

Moving to slide four, we look at recent developments in the spot tanker market. Spot tanker rates in Q1 were close to record highs for first quarter, just behind rates seen in the first quarter of 2023. It is worth noting that spot rates were very firm even before the recent US-Iran conflict due to a combination of rising seaborne oil trade volumes, tightening of sanctions against Russia, Iran and Venezuela, and the impact of fleet consolidation in the VLCC sector. In particular, the removal of President Nicolas Maduro of Venezuela by the United States, and the subsequent freeing up of Venezuelan crude oil exports to move on compliant tonnage to destinations such as the US Gulf, Europe and India benefited mid-sized crude tanker demand in Q1.

Mid-sized spot tanker rates have continued to rise at the start of Q2 due to the impact of recent events in the Middle East, reaching record highs of over \$120,000 per day during April. I'll talk more about the reasons for these record-high rates in the next few slides.



Turning to slide five. We are experiencing an unprecedented oil supply disruption with the effective closure of the Strait of Hormuz. On February 28th, the United States and Israel launched a series of attacks against Iran targeting military and government sites. Iran subsequently responded by attacking a range of military and civilian assets across the Middle East region, including vessels transiting the Strait of Hormuz.

Since then, the US has also implemented a blockade aimed at preventing ships from entering or leaving Iranian ports. The net result has been a significant drop in vessel traffic through the Strait of Hormuz, which in turn has led to a sharp decline in Middle East oil production and exports. While Saudi Arabia and the UAE have been able to divert some of their export volumes to ports outside of the Middle East Gulf, namely Yanbu in the Red Sea and Fujairah in the Gulf of Oman. Total crude oil exports from the region have fallen approximately 10 million barrels per day compared to pre-war levels.

Partially offsetting the supply loss has been a corresponding increase in crude oil exports from the Atlantic Basin and the West Coast of the Americas, where exports have increased by approximately 4.5 million barrels per day since the start of the war. This has been most evident in the US Gulf, where crude oil exports reached a record high of 5 million barrels per day in April 2026, boosted by the release of oil from the US Strategic Petroleum Reserve. While the increase in supply from the Atlantic is nowhere near enough to offset the loss of exports from the Middle East Gulf. The resultant increase in voyage distances and associated trading inefficiencies have combined to boost spot tanker rates, as detailed on the next slide.



Turning to slide six, we review the trade inefficiencies which have supported tanker rates. First, a number of vessels are trapped and unable to exit the Middle East Gulf via the Strait of Hormuz, which has reduced effective fleet supply. At the time of writing, we count a total of 100 tankers of Aframax size or larger, which are trapped west of Hormuz, of which 59 are VLCCs. Accounting for around 8% of the non-sanctioned fleet. In addition, there are further 86 vessels of Aframax size or larger, which are currently empty and sitting idle just outside the Strait of Hormuz or off the West Coast of India, in anticipation of a potential reopening, of which over 50 are VLCCs.

Secondly, the rush to find replacement barrels, particularly by Asian refiners, which have been most impacted by the loss of Middle East oil, has led to an increase in vessels ballasting long haul from the Pacific Basin to the Atlantic in order to secure cargoes. A large proportion of these vessels are then sailing back to Asia once loaded in order to meet Asian refinery demand.

Finally, the increase in vessels loading in the Atlantic and sailing long haul to Asia has not been limited to the VLCC sector, as we have also seen a significant lengthening in laden voyage distances for Aframax and Suezmaxes. As shown by this chart, average Aframax voyage distances for vessels loading in the US Gulf have increased by 30% year on year, while a record 69 Suezmaxes loaded from the US Gulf during April, many of which are fixed to Asian destinations.

We've even seen five Suezmax cargoes load from the US Gulf and transit to Asia via the Panama Canal, which is a very unusual trade and highlights the lengths to which refiners in Asia are willing to go in order to make up for the shortfall in Middle East oil supply.



Turning to slide seven, we look at the medium-term tanker supply and demand outlook. Given the ongoing conflict in the Middle East and the high degree of unpredictability regarding when and how the conflict may be resolved. It is very difficult to assess what will happen to tanker tonne-mile demand should the Strait of Hormuz reopen, as it will depend on how quickly vessel transits resume and the pace at which Middle East oil producers can resume exports. What we do know is that global oil inventories are being depleted across both commercial and strategic stockpiles. This could create additional tanker demand once the conflict is resolved, as these inventories will have to be replenished.

In addition, a push for energy security could lead to some countries building or expanding their strategic reserves in order to safeguard any future disruption. Some countries may also look to diversify their sources of crude oil imports, which could lead to longer voyage distances and therefore higher tonne-mile demand in the medium term. On the fleet supply side, the tanker order book continues to expand due to the relatively high pace of new vessel ordering in the recent months.

However, a lack of scrapping means that tanker fleet is rapidly ageing, with the average age of the global tanker fleet currently the highest in over 30 years. As such, the tanker order book is largely offset by the number of compliant tankers reaching age 20. Over the same time frame in which the order book will deliver. Not to mention the large dark fleet of tankers, which already has an average age of well over 20 years. In short, while the tanker order book appears large on the surface, these vessels are needed to replace the older fleet of tankers, which are approaching the end of their trading lives in the coming years. Though the timing of when vessels will exit the fleet is uncertain.



Turning to slide eight, we highlight our capability to create long-term shareholder value. This includes, first, our ability to generate significant free cash flow with a low free cash flow break-even. In the last four quarters, we have generated \$386 million, or \$11.14 per share, in free cash flow, or nearly a 30% free cash flow yield. Based on the closing share price at the end of Q1 2025. With our new out charters and no debt, our current free cash flow break-even has decreased to approximately \$8,200 per day for the next 12 months, which allows us to generate significant cash flows in almost any tanker market.

To emphasize the impact, every \$5,000 per day increase in spot tanker rates above our three-hour low free cash flow break-even is expected to produce about \$53 million, or \$1.53 per share of annual free cash flow. Second, we are progressing our fleet renewal by selling older assets in today's high asset price environment and recycling that capital to acquire more modern vessels in a disciplined manner. This recalibration reduces our average age while maintaining significant operating leverage to the strong spot market.

Looking back 12 months, we have sold or agreed to sell 11 vessels for \$432 million, with combined gains of \$139 million and acquired or agreed to acquire eight vessels for \$490 million. Going forward, we expect to maintain our earnings capacity through this approach of trading in older assets for more modern vessels.

Third, we have significant investment capacity, which allows us to incrementally progress our fleet renewal requirements while being patient for larger transactions in the future at more attractive entry points. The tanker shipping industry is capital-intensive and cyclical, and we believe having significant investment capacity allows us to act quickly when the timing is right.



As we look ahead, Teekay has significant operating leverage in this strong market environment and a strong financial footing, which positions the company well to continue renewing our fleet, earning cash flow, building intrinsic value and returning capital to shareholders. With that operator, we are now available to take questions.

Operator: Thank you. We will take our first question from Jon Chappell with Evercore ISI. Please go ahead.

Jonathan Chappell: Thank you. Good morning. Kenneth, let's start with that last part. It's something that we've spoken about in several calls. But now that the market's taken this next level higher spot time, charter, and asset values, it seems like the investment decision becomes even more complex because there's so many geopolitical factors involved. You bought those two 2027 Suezmaxes, but does it feel in this period of kind of uncertainty, and maybe elevated everything that we just need to wait a little bit longer before some of the significant investment capacity is implemented?

Kenneth Hvid: Jon, good morning. Yeah, I think you hit the nail on its head here. I think that's what every operator, every owner is looking at the moment. I think as we, I think finish last year, we were probably more of a mindset that we could enter into a softer year this year or more flat year. Then we had some new events that certainly, as we've seen, bring us to record rates in Q1 and into Q2 here. That has had an impact, as always, on where asset prices are trading. The effect we've seen is, as you know, is that we've seen very high second-hand values for front delivery. We're trying to capture that. And there's always this balancing of how much is in the price of the second-hand asset.



We sold one of our oldest vessels and captured a record rate on that. Then we saw an opportunity to redeploy into what we think is a fairly near-term, good opportunity of a quality asset on a ship that we're happy to own for the next 20 years in our fleet. I think it's a little bit of that blocking and tackling at a higher watermark than what we expected we would probably have seen. But I would say it's probably, it's at a higher watermark as opposed to a lower watermark. In terms of our position at Teekay, we knew we had to get on with our fleet renewal. That's what we're starting to do. But as I said in my prepared remarks, we're probably going slower on the buying side than we would have hoped to do.

Jonathan Chappell: Yeah, that makes sense. Just my follow-up. I'm trying to understand the operational impact you have on the trade inefficiencies. Although I don't think anybody would be upset with \$98,000 a day, a quarter to date for Aframaxes, when you look at your slide four and see that parabolic move higher and midsize tanker rates, it feels like maybe higher based on some of the headline rates that we've seen in that particular asset class. Is that a function of timing, where maybe some of the quarter-to-date was booked before rates took that next step higher? Is there a lot of excess ballast? Any situation or issues? Any reason why maybe the absorption of the headline rates isn't as high for that particular asset class, given some of the inefficiencies that you've spoken to?

Kenneth Hvid: No. As we know, it's always a timing. I think the way we report these numbers is always I think we look at the positioning voyage back to the next cargo again. I feel we are definitely not overpromising on the rates that we're doing. But I think that they're reflective of the market that we've seen. We're globally positioned, and I think we've captured our fair share of the fixtures that



have been out there when you operate on average. But I do agree that there's a huge variation on the rates that you're seeing in the different regions.

Some of it is timing, and over a short period, you know how that can turn out. Overall, I think we've actually secured our fair share of also some of the very strong fixtures. But there is a fairly big range when the market is as volatile. As you know, you're dealing with big variations in rates on the day, but also in the different areas that you're in.

Jonathan Chappell: Okay. Thanks, Kenneth.

Kenneth Hvid: Thanks. Appreciate it.

Operator: We move next to the line of Omar Nokta with Clarkson Securities.

Omar Nokta: Thank you. Hi, Kenneth. Good morning. I just have a couple of questions, and maybe just a first one. Following up on Jon's first question and your response in terms of fleet rejuvenation. I guess kind of the thought is from here, given just how expensive things are and the uncertainty that the market sort of has, is the plan still to pair up acquisitions with sales, as you've done here over the past several quarters? It sounds like definitely not outpacing that in terms of making more acquisitions and sales. But I just want to get a sense, is it still a plan to kind of pair them up, or would you be more of a net seller as you had been in prior years?

Kenneth Hvid: I would say there's not a plan to be a net seller. I think we're balancing a number of objectives. First of all, we are very keen on preserving scale relevance and earnings capacity. We think the level we're at now is probably close to the very minimum of exposure we want to have.



Still, as we say, it gives us a lot of very meaningful upside, given that over 80% of the fleet is in the spot market. We like having that level of exposure given the size of the balance sheet. No appetite to reduce that.

Of course, in a market that's running as hot as it is right now. It's very hard to find the sensibly priced second-hand values for long-term holders and operators like ourselves. I think that's why we went in and took these, which are newbuildings, but one year out. But the market is very dynamic. I'm sure when we speak a year from now, there will have been a number of opportunities, and we'll be looking at some very different fundamentals and opportunities.

I think we'll continue to do what we've been doing over the past three years. We are trying to be opportunistic, do the best deals we can as we see them. But at the moment, I think we're balancing continuing to create shareholder value capture as much of this strong market as we can. Of course, keeping our eye on positioning the company for the long term and making sure that we set the company up in a way where we continue to create long-term shareholder value.

Omar Nokta: Thank you. Certainly, that's quite helpful. Thanks for the detail in that. Then maybe just one follow-up. Just in terms of the fleet deployment here in the second quarter, in terms of safe, just I guess, in terms of the VLCC, that's going to be sold or delivered to the buyers in June, how many days do you expect to have for operating? I guess, during the second quarter, before she's sold? Then I guess, in terms of the guidance you've given, the remaining, say, 29% of the period where she isn't fixed, are those regular operating days or will they be more non-earning days related to delivery to the buyers?

Brody Speers: Hi, Omar, it's Brody. Yeah. In the second quarter, we expect to have 75 operating days for the VLCC. Then the remaining days will just be unavailable days. We'll have delivered the ship by that time. That's the expectation.

Omar Nokta: Okay. Thank you. And so, the 71% and 29% that you referenced, that's 75 days.

Brody Speers: Yeah. The 71 is based on 90 days. It's actually more like 80%, 82% of the 75 days has been fixed at that rate level.

Omar Nokta: Got it. Understood. Okay. Thanks, Brody. And thanks, Kenneth. I'll pass it back.

Kenneth Hvid: Thank you.

Operator: Our next question comes from the line of Ken Hoexter with Bank of America.

Ken Hoexter: Hey, great. Good morning, Kenneth and team. Just interesting commentary on inventories, not just the rebuild of what you would expect, but maybe some newer areas. Have you put I don't know, maybe pen to paper on how meaningful or how long that could go out and would you expect that rebuild cycle maybe not to start? Once we see reopening that traders would allow, I don't know, pricing to maybe come back to normal, and so that would be maybe a long tail leg as opposed to kind of an immediate move. Maybe just thoughts on that inventory side.



Kenneth Hvid: Thanks for that question. I think I'll have Christian give a bit more color on it.

Christian Waldegrave: I think our view on this, Ken, coming out once the Straits reopen, there definitely will be a need to replenish inventories. The pace of which that is done, I think, will be dependent on market conditions. To your point, if oil prices are still over \$100 a barrel, it may not be an urgency to refill the inventories. But as and when Middle East production gets back to normal, and we get back to a more normal situation, and the oil prices come down, I think there will be a need that will probably kick-start the restocking process. I think there will be a need to rebuild the inventories that have been drawn down.

But I think some countries that don't have strategic reserves will be looking at this in terms of energy security. There may be a need to build some strategic reserves over and above where they were pre-crisis levels. I think also some countries will look at this, especially in Asia and think that there possibly have been over-relying on the Middle East Gulf region for their oil imports in the past. I think that fear is going to be there going forward. What if this happens again? I think you'll see more diversification of trade as well, which, from a tanker market perspective, could lead to a longer voyage distances as well.

So yeah, I think there will be a tailwind from this in terms of a boost to tanker demand. I think to your point, though, the pace of which will happen will depend a little bit on the market conditions and the oil prices, but it might be a bit more of a longer-term rebuild rather than a sudden, quick rebuild once the Straits reopen.



Ken Hoexter: You don't think trading patterns go back to normal just to cut the length of haul over time? You think this structurally changes trading patterns?

Christian Waldegrave: It might. I think that remains to be seen. But I think it's a bit like what's happened with Russia. If you think that if the Russia situation went back to normal, would Europe want to be so reliant on Russian energy? I think this energy security issue has become is going to be a big driving force once this resolves itself. In the first instance, I think Asian countries will want to take a lot of oil from the Middle East Gulf. Because it's the shortest distance. But I think over a longer time period, I think every country is looking at these choke points now and looking at ways to mitigate that risk going forward, which could lead to changing trade patterns.

Ken Hoexter: Great. Thanks for that. Then just thoughts on the dividend. You've declared the special dividend thoughts on, I don't know, maybe increased frequency if the market is not accommodative to buying. Maybe your thoughts on capital allocation in the near term, or how large do you want that cash board to start building?

Kenneth Hvid: Yeah. I think we've been pretty consistent over the past three years in terms of how we deal with the dividend. I think the question that's of course interesting is when do we have enough cash? As I said in my prepared remarks here, this industry is capital-intensive. We know sometimes opportunities come suddenly, and of course, you can do a lot more with \$1 billion than you can do with \$0.5 billion. But I think we're probably at the point where we can see our cash position grow quite meaningfully over the next quarter as well. That gives us a lot of capacity. But I think it's a discussion that we'll have next year again, in terms of any other sweeps we may want to do on that cash. Meanwhile, the market is so dynamic that I think we all feel very good about



the strong position we're in and the incredibly strong balance sheet that we've managed to build over the past four years.

Ken Hoexter: Great. Thanks a lot for the thoughts and time. Appreciate it.

Kenneth Hvid: Thank you.

Operator: At this time, there are no further questions. I'd like to turn the floor back to the company for any additional or closing remarks.

Kenneth Hvid: Thank you very much for listening in today. We look forward to reporting back to you for the next quarter later in the year. Have a great day.

Operator: This concludes today's conference. We thank you for your participation. You may disconnect at this time.