

TEEKAY TANKERS LTD.
Form 20-F
April 28, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 1-33867

TEEKAY TANKERS LTD.

(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda

Telephone: (441) 298-2530

(Address and telephone number of principal executive offices)

Edith Robinson

4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda

Telephone: (441) 298-2530

Fax: (441) 292-3931

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered, or to be registered, pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Class A common stock, par value of \$0.01 per share	New York Stock Exchange

Securities registered, or to be registered, pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each issuer's classes of capital or common stock as of the close of the period covered by the annual report.

95,343,091 shares of Class A common stock, par value of \$0.01 per share.

16,720,945 shares of Class B common stock, par value of \$0.01 per share.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued

by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Table of Contents

TEEKAY TANKERS LTD.

INDEX TO REPORT ON FORM 20-F

INDEX

PART I		PAGE
Item 1.	<u>Identity of Directors, Senior Management and Advisors</u>	4
Item 2.	<u>Offer Statistics and Expected Timetable</u>	4
Item 3.	<u>Key Information</u>	4
	<u>Selected Financial Data</u>	4
	<u>Risk Factors</u>	7
	<u>Tax Risks</u>	16
Item 4.	<u>Information on the Company</u>	17
	<u>A. History and Development of the Company</u>	17
	<u>B. Business Overview</u>	17
	<u>Our Fleet</u>	18
	<u>Business Strategies</u>	19
	<u>Our Charters and Participation in the Gemini Suezmax Pool, Teekay Aframax Pools and Taurus Tankers LR2 Pool and Norient Product Pool</u>	19
	<u>Industry and Competition</u>	20
	<u>Safety, Management of Ship Operations and Administration</u>	22
	<u>Risk of Loss, Insurance and Risk Management</u>	22
	<u>Flag, Classification, Audits and Inspections</u>	23
	<u>Regulations</u>	23
	<u>C. Organizational Structure</u>	27
	<u>D. Property, Plant and Equipment</u>	27
	<u>E. Taxation of the Company</u>	27
	<u>United States Taxation</u>	27
	<u>Marshall Islands Taxation</u>	28
Item 4A.	<u>Unresolved Staff Comments</u>	28
Item 5.	<u>Operating and Financial Review and Prospects</u>	28
	<u>General</u>	29
	<u>Significant Developments in 2014 and 2015</u>	29
	<u>Our Charters</u>	30
	<u>Important Financial and Operational Terms and Concepts</u>	30
	<u>Items You Should Consider When Evaluating Our Results</u>	31

	<u>Results of Operations</u>	32
	<u>Liquidity and Capital Resources</u>	37
	<u>Commitments and Contingencies</u>	40
	<u>Off-Balance Sheet Arrangements</u>	40
	<u>Critical Accounting Estimates</u>	40
Item 6.	<u>Directors, Senior Management and Employees</u>	43
	<u>Directors and Executive Officers of Teekay Tankers Ltd.</u>	43
	<u>Compensation of Directors and Senior Management</u>	44
	<u>Long-Term Incentive Program</u>	44

Table of Contents

	<u>Board Practices</u>	44
	<u>Crewing and Staff</u>	45
	<u>Share Ownership</u>	46
Item 7.	<u>Major Shareholders and Related Party Transactions</u>	46
	<u>A. Major Shareholders</u>	46
	<u>B. Related Party Transactions</u>	47
Item 8.	<u>Financial Information</u>	52
	<u>Consolidated Financial Statements and Notes</u>	52
	<u>Legal Proceedings</u>	52
	<u>Dividend Policy</u>	52
	<u>Significant Changes</u>	52
Item 9.	<u>The Offer and Listing</u>	52
Item 10.	<u>Additional Information</u>	53
	<u>Articles of Incorporation and Bylaws</u>	53
	<u>Material Contracts</u>	53
	<u>Exchange Controls and Other Limitations Affecting Security Holders</u>	53
	<u>Material U.S. Federal Income Tax Considerations</u>	53
	<u>Non-United States Tax Considerations</u>	57
	<u>Documents on Display</u>	57
Item 11.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	57
	<u>Foreign Currency Fluctuation Risk</u>	57
	<u>Interest Rate Risk</u>	58
	<u>Spot Tanker Market Rate Risk</u>	58
Item 12.	<u>Description of Securities Other than Equity Securities</u>	58
PART II.		
Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	58
Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	58
Item 15.	<u>Controls and Procedures</u>	59
	<u>Management's Report on Internal Control over Financial Reporting</u>	59
Item 16A.	<u>Audit Committee Financial Expert</u>	59
Item 16B.	<u>Code of Ethics</u>	59
Item 16C.	<u>Principal Accountant Fees and Services</u>	59
Item 16D.	<u>Exemptions from the Listing Standards for Audit Committees</u>	60
Item 16E.	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	60
Item 16F.	<u>Change in Registrant's Certifying Accountant</u>	60
Item 16G.	<u>Corporate Governance</u>	60

Item 16H. <u>Mine Safety Disclosure</u>	60
PART III.	
Item 17. <u>Financial Statements</u>	60
Item 18. <u>Financial Statements</u>	60
Item 19. <u>Exhibits</u>	61
<u>Signature</u>	63

Table of Contents

PART I

This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

Unless otherwise indicated, references in this Annual Report to Teekay Tankers Ltd., we, us and our and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this Annual Report in connection with the common stock described herein, shall mean specifically Teekay Tankers Ltd. References in this Annual Report to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries.

In addition to historical information, this Annual Report contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements relate to future events and our operations, objectives, expectations, performance, financial condition and intentions. When used in this Annual Report, the words expect, intend, plan, believe, anticipate, estimate and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this Annual Report include, in particular, statements regarding:

our future financial condition or results of operations and our future revenues and expenses;

the crude oil and refined product tanker market fundamentals, including the balance of supply and demand in the tanker market, estimated growth in the world tanker fleet, estimated growth in global oil demand and crude oil tanker demand, changes in long-haul crude tanker movements, tanker fleet utilization and spot tanker rates and potential for floating storage;

changes in the production of or demand for oil or refined products;

changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or less than anticipated levels of tanker newbuilding orders and deliveries and greater or less than anticipated rates of tanker scrapping or use of tankers for storage;

our compliance with, and the effect on our business and operating results of, covenants under our term loans and credit facilities and our ability to refinance our credit facility due in 2017;

future oil prices, production and refinery capacity;

the effect of lower global oil prices, including the potential impact on oil stockpiling, refinery throughput, bunker fuel prices, and oil futures markets;

our future financial position and ability to take advantage of growth opportunities in the global conventional tanker market;

tanker market conditions and fundamentals, including the balance of supply and demand in these markets and spot tanker charter rates and oil production;

the ability of Tanker Investments Ltd. (or TIL) to benefit from the cyclical tanker market;

our expectations about the availability of vessels to purchase, the expected costs and time it may take to construct and deliver newbuildings, or the useful lives of our vessels;

planned capital expenditures and the ability to fund capital expenditures;

the ability to leverage Teekay Corporation's relationships and reputation in the shipping industry;

the expected benefits of participation in vessel pooling arrangements;

the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risks, including our ability to take advantage of the tanker market recovery;

the ability to maximize the use of vessels, including the redeployment of vessels no longer under time charters;

our expectation regarding our vessels' ability to perform to specifications and maintain their hire rates;

operating expenses, availability of crew, number of off-hire days, dry-docking requirements and insurance costs;

the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;

the anticipated impact and timing of future regulatory changes or environmental liabilities;

expenses under service agreements with other affiliates of Teekay Corporation;

the anticipated taxation of our company and of distributions to our stockholders;

our expectations as to any impairment of our vessels;

construction and delivery delays in the tanker industry generally;

customers increasing emphasis on environmental and safety concerns;

Table of Contents

anticipated funds for liquidity needs and the sufficiency of cash flows;

our use of interest rate swaps to reduce interest rate exposure;

the expected effect of off-balance sheet arrangements;

our hedging activities relating to foreign exchange, interest rate and spot market risks;

the ability of counterparties to our derivative contracts to fulfill their contractual obligations;

the delivery timing of new charter-in vessels;

changes in or additions to applicable industry laws and regulations, including Regulation (EU) No 1257/2013, which imposes rules regarding ship recycling and management of hazardous materials on vessels; and the timing of implementation of new laws and regulations;

our expectations regarding payments made on behalf of our co-obligors in connection with the loan arrangements in which certain other subsidiaries of Teekay Corporation are also borrowers;

our position that we are not a passive foreign investment company;

our business strategy and other plans and objectives for future operations;

our ability to pay dividends on our common stock; and

continued material variations in the period-to-period fair value of our derivative instruments.

Forward-looking statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to, those factors discussed below in Item 3 Key Information: Risk Factors and other factors detailed from time to time in other reports we file with or furnish to the U.S. Securities and Exchange Commission (or the *SEC*).

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

Set forth below is selected consolidated financial and other data of Teekay Tankers Ltd. and its subsidiaries for fiscal years 2010 through 2014, which have been derived from our consolidated financial statements. The following table should be read together with, and is qualified in its entirety by reference to, Item 5 Operating and Financial Review and Prospects included herein, and the historical financial statements and accompanying notes and the Report of Independent Registered Public Accounting Firm thereon (which is included herein), with respect to the fiscal years 2014, 2013 and 2012.

From time to time we have purchased vessels from Teekay Corporation. During fiscal years 2010 through 2014, we acquired from Teekay Corporation a total of 18 conventional oil and product tankers of varying size. These acquisitions were deemed to be business acquisitions between entities under common control. Accordingly, we have accounted for these transactions in a manner similar to the pooling of interest method whereby our financial statements prior to the date these vessels were acquired by us are retroactively adjusted to include the results of these acquired vessels. The periods retroactively adjusted include all periods that we and the acquired vessels were both under the common control of Teekay Corporation and had begun operations. As a result, our consolidated statements of loss for the years ended December 31, 2012, 2011 and 2010 reflect the results of operations of these vessels, referred to herein as the Dropdown Predecessor, as if we had acquired them when each respective vessel began operations under the ownership of Teekay Corporation. Please refer to Item 5 Operating and Financial Review and Prospects: Items You Should Consider When Evaluating Our Results of Operations and Item 18 Financial Statements: Note 1 Summary of Significant Accounting Policies.

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (or *GAAP*).

Table of Contents

	Years Ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except share, per share, and fleet data)				
Income Statement Data:					
Revenues	\$ 240,350	\$ 215,072	\$ 197,429	\$ 170,087	\$ 235,593
Voyage expenses ⁽¹⁾	(5,301)	(3,449)	(4,618)	(8,337)	(9,984)
Vessel operating expenses ⁽²⁾	(89,083)	(92,543)	(96,160)	(91,667)	(93,022)
Time-charter hire expense ⁽³⁾		(4,046)	(3,950)	(6,174)	(22,160)
Depreciation and amortization	(77,317)	(74,482)	(72,365)	(47,833)	(50,152)
General and administrative ⁽²⁾	(9,187)	(7,671)	(7,985)	(12,594)	(11,959)
Vessel impairment and net (loss) gain on sale of vessels	(1,864)	(58,034)	(352,546)	(71)	9,955
Goodwill impairment charge		(19,294)			
Income (loss) from operations	57,598	(44,447)	(340,195)	3,411	58,271
Interest expense	(51,140)	(40,539)	(20,009)	(10,023)	(8,741)
Interest income	100	71	50	158	287
Realized and unrealized loss on derivative instruments	(28,684)	(27,783)	(7,963)	(1,524)	(1,712)
Equity (loss) income			(1)	854	5,228
Other (expenses) income	(1,016)	(377)	(2,063)	(1,014)	3,809
Net (loss) income	\$ (23,142)	\$ (113,075)	\$ (370,181)	\$ (8,138)	\$ 57,142
Earnings (loss) per share ⁽⁴⁾					
- Basic	\$ 0.37	\$ (0.15)	\$ (4.54)	\$ (0.10)	\$ 0.67
- Diluted	\$ 0.37	\$ (0.15)	\$ (4.54)	\$ (0.10)	\$ 0.66
Balance Sheet Data (at end of year):					
Cash and cash equivalents	14,889	18,566	26,341	25,646	162,797
Investment in term loans and interest receivable on term loans	117,825	118,598	119,385	136,061	
Vessels and equipment ⁽⁵⁾	1,435,478	1,310,496	885,992	859,308	828,291
Total assets	1,678,423	1,641,469	1,105,656	1,097,529	1,165,359
Total debt ⁽⁶⁾	1,158,801	999,930	739,293	755,957	666,458
Common stock and additional paid in capital	481,336	588,441	672,560	673,217	802,650
Total equity	440,791	578,164	302,183	284,672	455,723
Cash Flow Data:					
Cash and cash equivalents provided by (used in):					
Operating cash flow	58,402	24,020	27,542	6,202	13,603
Financing cash flow	48,051	(16,006)	(13,905)	(1,097)	13,721
Investing cash flow	(101,996)	(4,337)			