

### Teekay Tankers Ltd.

TNK | \$57.94

**Outperform | Target Price/Base Case: \$73.00 (from \$77.00)**

**Change in Earnings Forecast - Change in Price Target**

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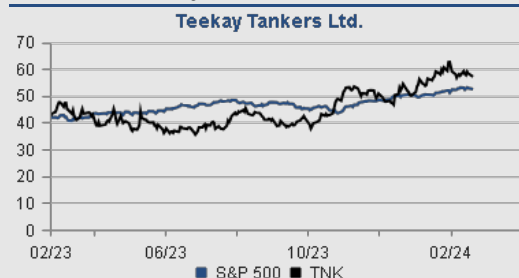
#### Company Statistics

Market Capitalization (M)	\$1,825
Shares Outstanding (M)	33.9
Debt/Total Capital	45.5%
Dividend/Distribution Yield	0.0%
Enterprise Value (M)	\$2,268
52-Week Range	\$35.00 - \$64.42
Fiscal Year End	Dec

#### Earnings Summary

		2023	2024E	2025E
EPS	Q1	\$5.10	\$3.66	\$3.70
	Q2	\$4.33	\$2.80	\$2.97
	Q3	\$2.22	\$2.54	\$2.65
	Q4	\$2.88	\$4.59	\$4.52
	FY	<b>\$14.52</b>	<b>\$13.59</b>	<b>\$13.84</b>
EBITDA (M)	Q1	\$207	\$150	\$145
	Q2	\$184	\$117	\$119
	Q3	\$106	\$107	\$107
	Q4	\$127	\$177	\$171
	FY	<b>\$624</b>	<b>\$551</b>	<b>\$542</b>

#### 1 Year Price History



## Reaction to Misleading "Miss" is an Opportunity, but Stagnant Capital Allocation Not Doing the Stock Any Favors

TNK posted diluted 4Q23 EPS of \$2.88 (excluding a one-time gain), coming in \$0.02 ahead of our forecast and in line with the average estimates of U.S.-based analysts, but the headlines point to a large miss relative to "consensus" owing to the inclusion of two incredibly stale (and, frankly, absurd) estimates in the Street average, which we believe is mainly behind the 7+% sell-off in the stock today. TNK continues to generate significant free cash flow in the strong tanker spot market, retaining maximum operating leverage in the sub-segments that have benefitted most directly and meaningfully from evolving trade routes and limited fleet growth, and the company is now finished with its multi-year de-leveraging path, as the repayment of the final 8 capital leases in 1Q24 (totaling 27 in the last 15 months) will render TNK debt free. Further, TNK is selling its oldest vessels to take advantage of elevated second-hand prices, boosting liquidity that now approximates one-third of the company's market cap. Yet, absent a special dividend for 1Q23 results, TNK has done little with its accelerating cash balance in the form of capital returns, with its fixed \$0.25/share quarterly payout marking a yield of less than 2%, a low for the peer group. TNK trades at a 35% discount to our pro forma yearend 2024 NAV estimate, and although we view the sell-off today as an opportunity to add exposure it is hard to envision a full narrowing of the valuation gap until there is a clearer path forward on how the board plans to utilize a massive cash buffer in the coming quarters. We retain our Outperform rating, with a 12-month price target of \$73 (from \$77).

**Figure 1. TNK Income Statement**

In millions except EPS data	2019	2020	Mar'21	Jun'21	2021	2022	2023	Mar'24E	Jun'24E	Sep'24E	Dec'24E	2024E	2025E
Voyage Revenue	877.4	869.4	140.5	121.1	532.1	1,054.0	1,352.6	335.0	302.2	287.5	354.4	1,279.1	1,252.3
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Voyage Expenses (Brokerage Commissions)	(380.6)	(297.2)	(69.0)	(71.8)	(315.1)	(495.6)	(474.4)	(120.0)	(120.0)	(120.0)	(120.0)	(480.0)	(480.0)
Net Voyage Revenue	540.4	589.2	73.7	51.6	227.2	567.5	890.1	218.2	185.4	170.7	237.7	812.1	785.4
% Change	37%	9%	(67%)	(72%)	(61%)	150%	57%	(19%)	(27%)	(1%)	22%	(9%)	(3%)
Direct Vessel Expense	(251.8)	(220.6)	(46.7)	(45.3)	(179.2)	(177.8)	(219.8)	(56.1)	(55.6)	(52.4)	(49.3)	(213.4)	(194.8)
General and Administrative	(36.4)	(39.0)	(11.5)	(12.2)	(43.7)	(41.8)	(45.9)	(12.6)	(12.5)	(11.0)	(11.2)	(47.3)	(48.7)
Depreciation and Amortization	(124.0)	(117.2)	(26.7)	(26.9)	(106.1)	(99.0)	(97.6)	(23.6)	(23.6)	(23.6)	(23.6)	(94.5)	(94.5)
Total Operating Expenses	(412.2)	(376.8)	(84.8)	(84.4)	(329.0)	(318.6)	(363.3)	(92.3)	(91.7)	(87.1)	(84.1)	(355.2)	(338.0)
% Change	7%	(9%)	(15%)	(11%)	(13%)	(3%)	14%	6%	(1%)	(4%)	(8%)	(2%)	(5%)
Operating Income	128.2	212.4	(11.1)	(32.7)	(101.7)	248.9	526.8	125.9	93.8	83.7	153.6	456.9	447.4
% Change	1458%	66%	(109%)	(136%)	(148%)	345%	112%	(31%)	(41%)	3%	50%	(13%)	(2%)
Operating Margin	24%	36%	(15%)	(63%)	(45%)	44%	59%	58%	51%	49%	65%	56%	57%
Point change	21.6	12.3	(70.4)	(112.1)	(80.8)	88.6	15.3	(10.0)	(12.6)	1.7	11.9	(2.9)	0.7
Interest and finance costs	(65.4)	(51.5)	(10.1)	(9.3)	(35.0)	(35.7)	(27.7)	(2.9)	(1.4)	(1.3)	(1.3)	(6.9)	(4.7)
Interest income	0.9	1.2	0.0	0.0	0.1	1.3	10.2	5.5	6.5	7.5	8.5	28.0	44.0
Other	0.6	0.9	(0.8)	0.5	(2.0)	3.0	(7.5)	(1.9)	(1.9)	(1.9)	(1.9)	(7.7)	(7.7)
Net Income - Continuing Operations	64.3	162.9	(22.0)	(41.5)	(138.6)	217.5	501.8	126.6	97.0	87.9	158.9	470.3	479.0
% Change	218%	153%	(120%)	(151%)	(185%)	257%	131%	(28%)	(35%)	15%	60%	(6%)	2%
Non-recurring items	(23.0)	(75.6)	0.6	(87.7)	(103.8)	11.6	11.9	0.0	0.0	0.0	0.0	0.0	0.0
Net Income - GAAP	41.4	87.3	(21.4)	(129.1)	(242.4)	229.1	513.7	126.6	97.0	87.9	158.9	470.3	479.0
TK Class A	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TK Class B	28.9	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Public Class A	181.2	29.1	29.0	29.0	29.1	29.5	29.8	29.9	29.9	29.9	29.9	29.9	29.9
Average Shares Outstanding (MM)	210.1	33.9	33.7	33.8	33.8	34.2	34.6	34.6	34.6	34.6	34.6	34.6	34.6
<b>EPS - Continuing Operations</b>	<b>\$ 2.37</b>	<b>\$ 4.79</b>	<b>\$ (0.65)</b>	<b>\$ (1.23)</b>	<b>\$ (4.10)</b>	<b>\$ 6.31</b>	<b>\$ 14.52</b>	<b>\$ 3.66</b>	<b>\$ 2.80</b>	<b>\$ 2.54</b>	<b>\$ 4.59</b>	<b>\$ 13.59</b>	<b>\$ 13.84</b>
% Change	1270%	102%	(120%)	(152%)	(185%)	254%	130%	(28%)	(35%)	15%	60%	(6%)	2%
EPS - GAAP	\$ 1.78	\$ 2.55	\$ (0.63)	\$ (3.83)	\$ (7.17)	\$ 6.65	\$ 14.87	\$ 3.66	\$ 2.80	\$ 2.54	\$ 4.59	\$ 13.59	\$ 13.84
<b>EBITDA</b>	<b>252.2</b>	<b>329.6</b>	<b>15.6</b>	<b>(5.9)</b>	<b>4.4</b>	<b>347.9</b>	<b>624.3</b>	<b>149.5</b>	<b>117.4</b>	<b>107.3</b>	<b>177.2</b>	<b>551.4</b>	<b>541.9</b>
% Change	99%	31%	(90%)	(105%)	(99%)	7885%	79%	(28%)	(36%)	1%	39%	(12%)	(2%)

Source: Company data, Evercore ISI Research

**Figure 2. TNK Balance Sheet**

In millions	2019	2020	Mar'21	Jun'21	2021	2022	2023	Mar'24E	Jun'24E	Sep'24E	Dec'24E	2024E	2025E
Cash and Cash Equivalents	88.8	97.2	87.6	60.5	50.6	180.5	365.3	387.4	464.8	567.7	741.5	741.5	1245.8
Other current assets	337.9	140.2	128.6	130.5	192.6	275.3	247.6	247.6	247.6	247.6	247.6	247.6	247.6
Restricted cash (current & non-current)	6.5	11.2	5.9	5.9	5.4	6.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<b>Total Current Assets</b>	<b>433.2</b>	<b>248.5</b>	<b>222.1</b>	<b>196.9</b>	<b>248.5</b>	<b>462.6</b>	<b>613.5</b>	<b>635.7</b>	<b>713.0</b>	<b>815.9</b>	<b>989.8</b>	<b>989.8</b>	<b>1494.0</b>
Vessels and equipment	1223.1	1104.7	1085.3	1056.7	925.2	430.0	929.2	882.7	859.1	835.5	811.8	811.8	717.3
Advances on newbuilding contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in direct financing leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	546.6	453.1	445.5	368.7	426.0	866.3	305.3	305.3	305.3	305.3	305.3	305.3	305.3
Advances in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity investment in subsidiaries	28.1	28.6	28.2	25.9	13.0	16.2	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Intangibles and goodwill	6.9	5.3	6.5	6.1	6.0	8.6	9.7	9.7	9.7	9.7	9.7	9.7	9.7
<b>Total Assets</b>	<b>2,238.1</b>	<b>1,840.2</b>	<b>1,787.7</b>	<b>1,654.2</b>	<b>1,618.7</b>	<b>1,783.7</b>	<b>1,873.5</b>	<b>1,849.2</b>	<b>1,902.9</b>	<b>1,982.1</b>	<b>2,132.4</b>	<b>2,132.4</b>	<b>2,542.1</b>
<b>Current Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Accounts payable and accrued liabilities	139.3	86.1	70.0	68.0	67.4	89.8	73.6	73.6	73.6	73.6	73.6	73.6	73.6
Other current liabilities	8.7	4.6	2.6	0.8	1.7	2.5	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Advances from affiliates	2.1	3.1	4.7	10.2	10.9	1.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Current portion of long-term debt	138.2	103.3	231.3	162.3	77.0	76.7	56.4	0.0	0.0	0.0	0.0	0.0	39.4
<b>Total Current Liabilities</b>	<b>288.3</b>	<b>197.1</b>	<b>308.7</b>	<b>241.3</b>	<b>157.1</b>	<b>170.2</b>	<b>139.3</b>	<b>82.9</b>	<b>82.9</b>	<b>82.9</b>	<b>82.9</b>	<b>82.9</b>	<b>122.3</b>
Long-term debt	908.8	563.6	421.0	483.5	623.2	543.5	159.5	73.7	73.7	73.7	73.7	73.7	34.3
Derivative liabilities	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In-process revenue contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	51.0	0.0	0.0	0.0	0.0	0.0	48.9	48.9	48.9	48.9	48.9	48.9	48.9
<b>Total Liabilities</b>	<b>1248.1</b>	<b>761.3</b>	<b>729.8</b>	<b>724.8</b>	<b>780.3</b>	<b>713.6</b>	<b>347.7</b>	<b>205.5</b>	<b>205.5</b>	<b>205.5</b>	<b>205.5</b>	<b>205.5</b>	<b>205.5</b>
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity attributable to stockholders/unitholders of publicly-listed entity	989.9	1078.9	1057.9	929.4	838.4	1070.0	1525.8	1643.7	1697.4	1776.7	1926.9	1926.9	2336.7
<b>Total Shareholders' Equity</b>	<b>989.9</b>	<b>1078.9</b>	<b>1057.9</b>	<b>929.4</b>	<b>838.4</b>	<b>1070.0</b>	<b>1525.8</b>	<b>1643.7</b>	<b>1697.4</b>	<b>1776.7</b>	<b>1926.9</b>	<b>1926.9</b>	<b>2336.7</b>
<b>Total Liabilities and Equity</b>	<b>2,238.1</b>	<b>1,840.2</b>	<b>1,787.7</b>	<b>1,654.2</b>	<b>1,618.7</b>	<b>1,783.7</b>	<b>1,873.5</b>	<b>1,849.2</b>	<b>1,902.9</b>	<b>1,982.1</b>	<b>2,132.4</b>	<b>2,132.4</b>	<b>2,542.1</b>

Source: Company data, Evercore ISI Research

**Figure 3. TNK Cash Flow Statement**

In millions	2019	2020	Mar'21	Jun'21	2021	2022	2023	Mar'24E	Jun'24E	Sep'24E	Dec'24E	2024E	2025E
Net operating cash flow	117.7	347.9	(27.4)	(18.3)	(109.4)	193.3	626.1	150.2	120.6	111.5	182.5	564.8	573.5
Proceeds (repayments) on long-term debt	(122.6)	(361.4)	(7.8)	57.2	230.2	(61.4)	0.0	(142.3)	0.0	0.0	0.0	(142.3)	0.0
Debt issuance costs	0.0	0.0	0.0	0.0	0.0	0.0	(4.5)	0.0	0.0	0.0	0.0	0.0	0.0
Repayments of capital lease obligations	(24.2)	(25.1)	(6.1)	(61.2)	(205.9)	(50.6)	(398.3)	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from long-term debt of Dropdown Predecessor	57.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepayment of long-term debt of Dropdown Predecessor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease (increase) in restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net advances to affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net proceeds from sale of Class A common shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contributed Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of Common Stock upon exercise of stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	(59.5)	(8.7)	(43.3)	(8.7)	(8.7)	(69.2)	(69.2)
Other financing activities	0.0	(29.6)	(0.0)	(0.1)	(0.2)	(1.0)	(2.4)	0.0	0.0	0.0	0.0	0.0	0.0
Net financing cash flow	(89.8)	(416.1)	(13.9)	(4.1)	24.1	(113.0)	(464.8)	(150.9)	(43.3)	(8.7)	(8.7)	(211.5)	(69.2)
Expenditures for vessels and equipment	(11.6)	(16.0)	(0.9)	(6.3)	(21.4)	(15.4)	(10.2)	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of vessels and equipment	20.0	85.9	32.7	0.0	58.1	69.6	23.6	22.9	0.0	0.0	0.0	22.9	0.0
Purchases of marketable securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of marketable securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of interest in Swift Product Tanker Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of OMI Corporation, net of cash acquired of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of Petrojarl ASA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in joint ventures	0.0	4.7	0.0	1.5	1.5	(3.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Collections from (loans to) joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in direct financing lease assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct financing lease payments received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investing activities	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Net investing cash flow	8.4	74.5	31.8	(4.8)	38.1	51.2	17.3	22.9	0.0	0.0	0.0	22.9	0.0
Increase in cash and cash equivalents	36.3	6.4	(9.6)	(27.1)	(47.2)	131.4	178.6	22.2	77.3	102.9	173.9	376.3	504.3
Cash and cash equivalents, beginning of the period	60.5	96.8	103.1	93.5	103.1	55.9	187.4	365.9	388.1	465.5	568.3	365.9	742.2
Cash and cash equivalents, end of the period	96.8	103.1	93.5	66.4	55.9	187.4	365.9	388.1	465.5	568.3	742.2	742.2	1246.5

Source: Company data, Evercore ISI Research