ADDING WHILE SUBTRACTING

INSTITUTIONAL DEBT DEAL OF THE YEAR

Transaction: *Teekay Corporation - $250 million 9.25% Senior Secured Notes*

Winners: *Citigroup, BofA ML, Crédit Agricole CIB, DNB Markets, Morgan Stanley, JP Morgan and Nordea*

Over the years, Teekay Corporation has demonstrated unique access to the capital markets. Many years ago, we characterized this capability as picking pockets of capital and there were few if any that they missed. Today, Teekay is highly levered and its goal is to build balance sheet strength, through deleveraging. Unfortunately, upcoming maturities made this a near zero-sum game. In particular, the company's $497.7 million of 8.5% Notes mature in 2020 needed to be refinanced. Fortunately, back in 2018, the proceeds from a successfully issued convertible bond and an equity raise, when the stock was at $11.00, were used to pay down some of the 2020 maturity, but it remained sizeable as the maturity date approached.

Finding a new pocket to pick, Teekay in May successfully issued $250 million of its 9.25% Senior Secured Notes due in November 2022, which are secured by first priority mortgages on two of Teekay's FPSOs and a pledge of its equity interests in Teekay LNG Partners and Teekay Tankers Class A shares. Rated B2 (Moody's)/B+ (S&P), the Notes represent a rare shipping high yield issuance.

Initially, the company planned on offering $300 million of five-year notes, which offering was almost fully subscribed before launch. With the announced agreement to sell its remaining interests in Teekay Offshore Partners to Brookfield Business Partners for $100 million in cash, the company found itself in a better bargaining position and restructured the bond terms to better suit its deleveraging strategy. With the cash, the company scaled back the original offering amount by $50 million, shortened the tenor from 5 years to 3.5 years and priced well within the initial guidance. While the shortened tenor had little impact on the interest rate due to the flat yield curve, it did allow the company to shorten the period for the exercise of the call options, making them cheaper. Earlier and cheaper make the execution of the deleveraging strategy even more viable. In addition, with the foreknowledge that the FPSOS are for sale the investors agreed to a mechanism for early prepayment of the Notes.

The chart below highlights the progress Teekay parent has made over the years and what it needs to accomplish going forward to become net debt free.