

TEEKAY TANKERS (NYSE: TNK) THE COUNTER-CYCLICAL FORTRESS

Investment Analysis, Valuation, and Strategic Outlook 2026



A study in balance sheet weaponization and geopolitical arbitrage.

THE INDUSTRY REALITY

- ✗ **Commoditized Service**
Zero pricing power. Crude transport is a generic utility.
- ✗ **Perfect Competition**
No switching costs. No IP. Fragmented market.
- ✗ **Capital Intensive**
High burn rate. History of value destruction.

THE TNK EXECUTION

- ✓ **Anti-Fragility**
Zero debt structure eliminates bankruptcy risk.
- ✓ **Breakeven Dominance**
\$11,300/day breakeven vs. \$25,000 industry average.
- ✓ **Cash Harvesting**
93% Free Cash Flow conversion ratio.

THESIS: TNK is a risk-asymmetric vehicle designed to harvest the Geopolitical Super-Cycle while immunized against the inevitable bust.

GEOPOLITICAL FRICTION SYNTHESIZES ARTIFICIAL DEMAND



GLOBAL CAPACITY SHOCK

~6% of global fleet effective supply removed by diversions

TON-MILE DEMAND

At historical highs despite low oil demand growth (0.7M bpd).

MARKET DECOUPLING

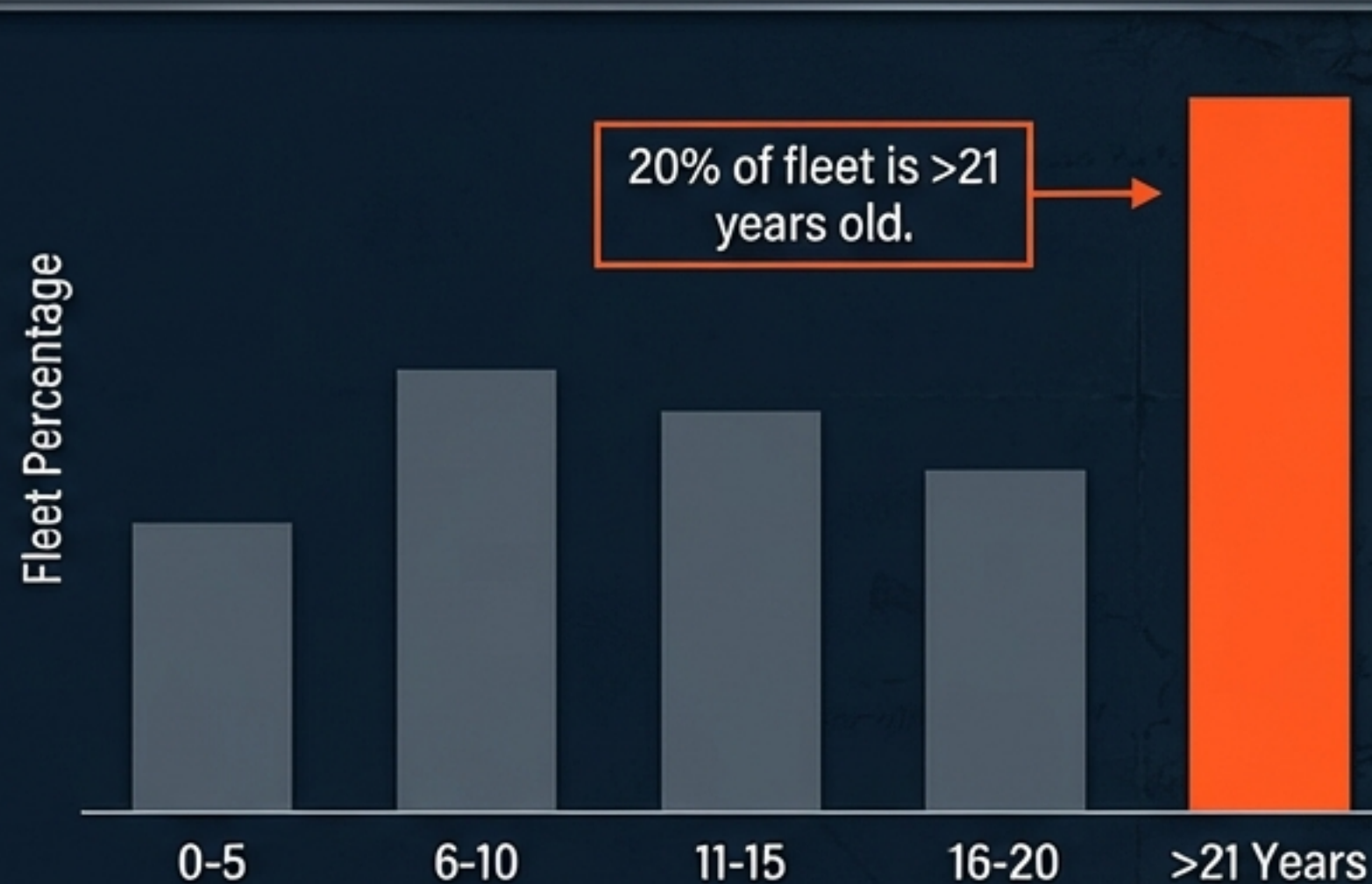
Suezmax/Aframax rates surging (~\$50k/day) while VLCCs face volatility.

THE SUPPLY STRAITJACKET: HISTORIC CONSTRAINTS THROUGH 2028

Global Orderbook as % of Fleet

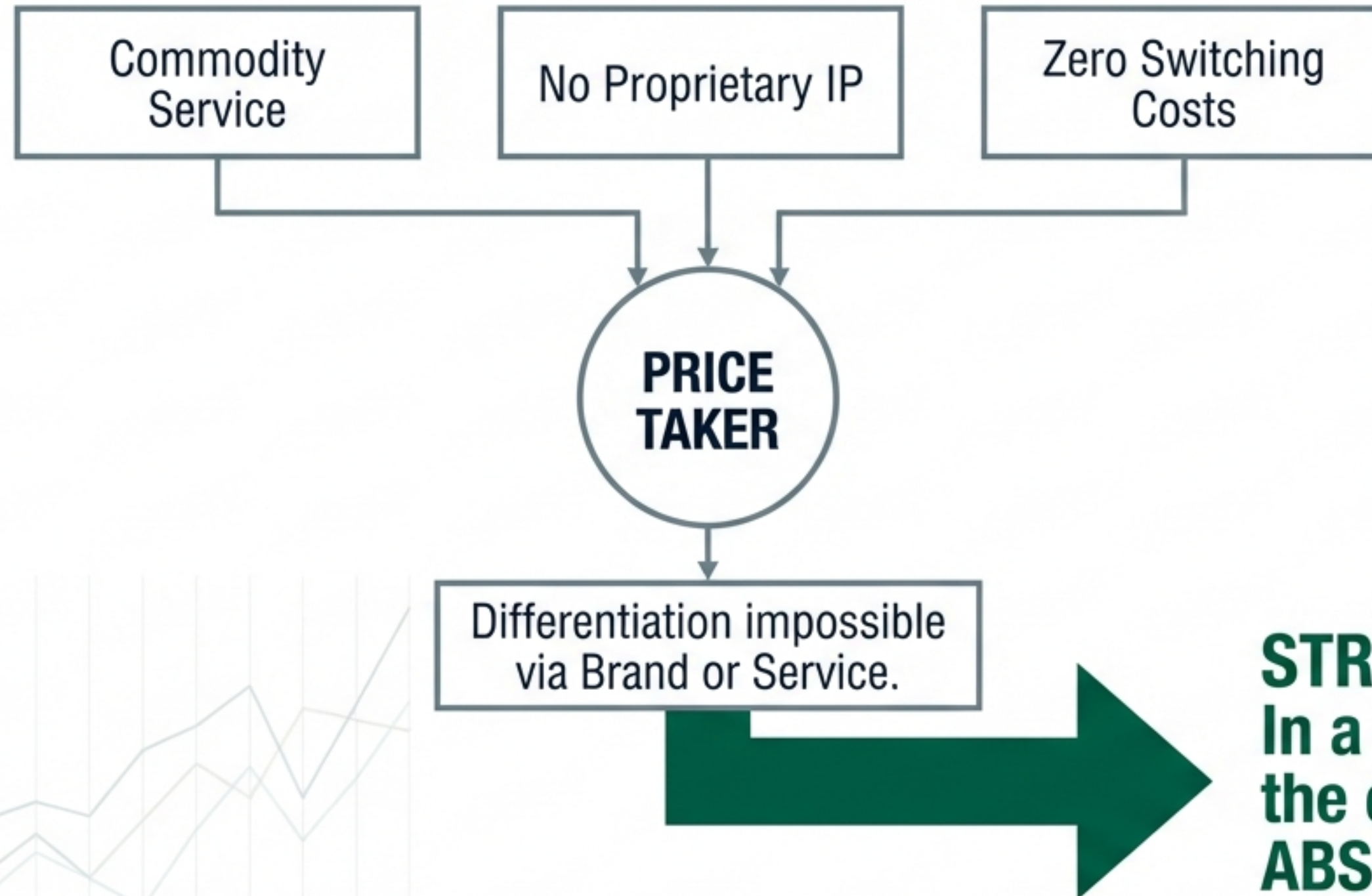


The Demographic Cliff (Fleet Age)



INELASTIC SUPPLY: New vessels take 24-36 months to deliver. With fleet utilization >90%, the supply curve is vertical—small demand spikes cause exponential rate surges.

THE 'NO MOAT' REALITY: SURVIVING PERFECT COMPETITION



STRATEGIC IMPERATIVE:
In a commodity market,
the only winning strategy is
ABSOLUTE COST LEADERSHIP.

WEAPONIZING THE BALANCE SHEET: THE \$11,300 ADVANTAGE

Current Spot Rates: ~\$50,000 - \$56,000/day



HIGH-QUALITY EARNINGS: 93% CASH CONVERSION

GAAP NET INCOME (Q4 2025)
\$120.5M

Non-Cash
Adjustments

FREE CASH FLOW
\$112M



93%
Cash Conversion Ratio

Earnings are real, liquid, and unburdened by aggressive capitalization.
\$309M FCF generated in full-year 2025.

EFFICIENCY KING: SUPERIOR RETURNS WITHOUT THE LEVERAGE

	Teekay Tankers (TNK)	Frontline (FRO)	DHT Holdings (DHT)	Scorpio (STNG)
ROE (Return on Equity)	17%	9.4%	19.4%	15.7%
Leverage (Debt-to-Equity)	0.02x	1.39x	0.38x	N/A
Op Margin	30%	45%	53%	N/A

TNK generates top-tier equity returns (17%) on an unlevered base.
Peers require massive debt loads to achieve similar metrics.

CAPITAL ALLOCATION: HARVESTING VALUE, NOT 'GROWING' EMPIRE

DIVESTITURE



2025

Sold 14 older vessels (\$500M proceeds) + VLCC Exit (\$84.5M). Refusing to buy steel at peak prices.

INTERNALIZATION



Acquired Teekay Australia (\$65M). Eliminates fee leakage to parent.

RETURN



2026

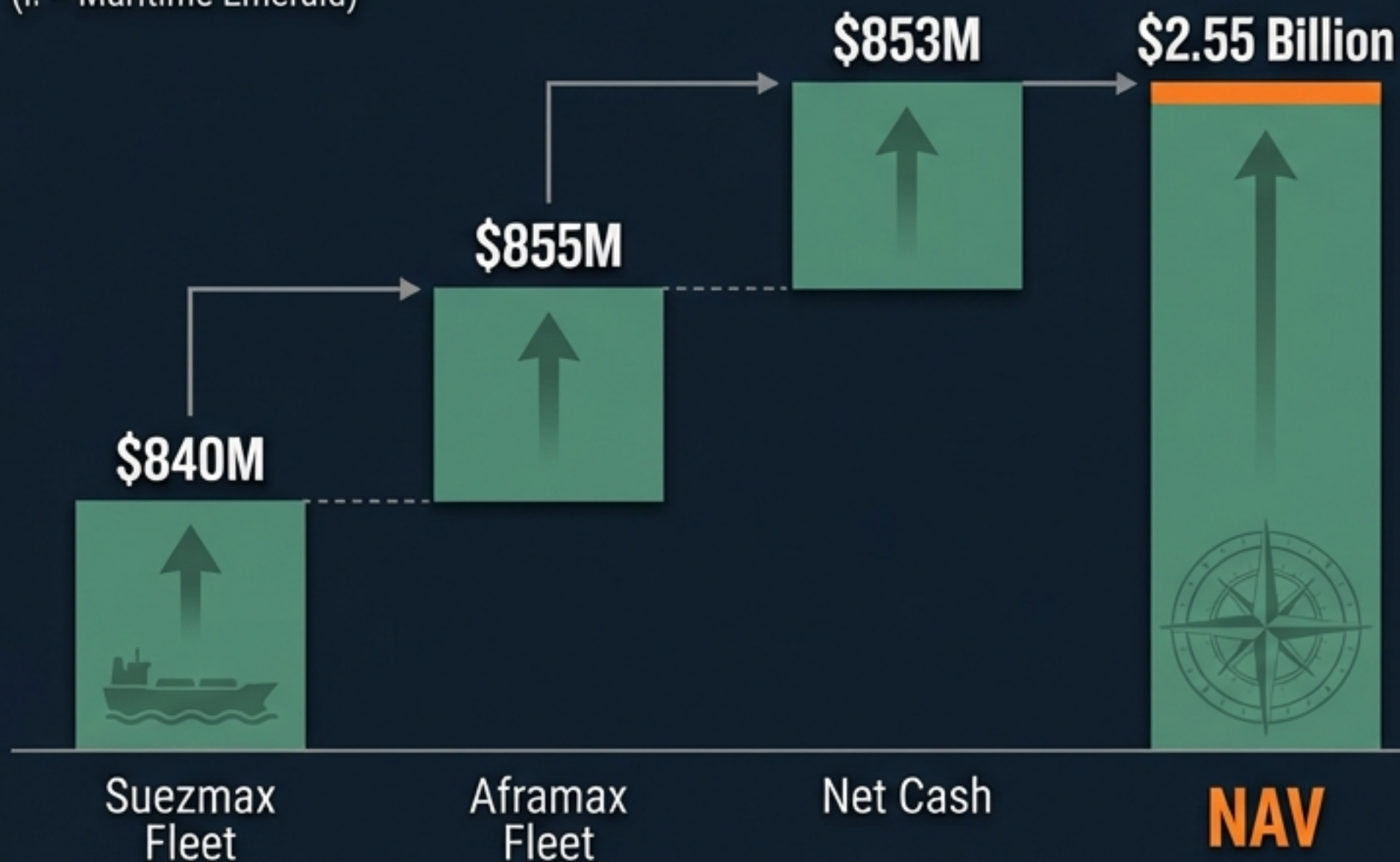
Hybrid Dividend Model. \$0.25 Fixed Quarterly + \$1.00 Special Dividend (Q1 2025).

Strategic actions prioritize real value creation through disciplined asset management and shareholder returns, avoiding empire-building traps.

VALUATION: PRICED FOR LIQUIDATION, PERFORMING FOR GROWTH

NAV Calculation (Sum of Parts)

(i. = Maritime Emerald)



0.95x

Price-to-NAV

Trading at fair value
of steel + cash.

5.3x

EV/EBITDA

Discounted relative to
mid-cycle norms.

ASYMMETRIC UPSIDE: THE 'HEADS I WIN, TAILS I DON'T LOSE' SCENARIO

BEAR CASE

\$15k Rates

TNK Cash Positive
(Breakeven \$11.3k).
Peers bleed cash.



BASE CASE

\$25k Rates

10% FCF Yield.
~\$163M Annual FCF.



BULL CASE

\$50k Rates (Current)

Massive Cash
Generation.
~\$460M Annualized FCF.



Even if rates crash, TNK uses its \$853M war chest to
buy distressed assets from failing competitors.

THE BEAR CASE: RISKS & THE CAPEX WALL

GEOPOLITICAL PEACE

Red Sea reopening
releases 6% capacity.
Rates could crash
by ~30%.

THE SHADOW FLEET

Re-entry of illicit
vessels could
cannibalize
demand.

THE CAPEX WALL

Fleet renewal required by 2030.
Replacement cost est. \$1.4B.

THE MITIGANT

The \$853M cash pile is
not just for dividends—it
is a survival buffer for
the inevitable fleet
renewal cycle.

RECENT STRATEGIC DEVELOPMENTS (2025 - EARLY 2026)



VLCC EXIT COMPLETE

Sold final 2013-built VLCC (Feb 2026) for \$84.5M. Focus now purely on flexible mid-size segment.



GOVERNANCE STREAMLINED

Redomiciliation to Bermuda (Jan 2025) & Management Internalization complete.



SHAREHOLDER RETURNS

\$1.00 Special Dividend declared Q1 2025.



FLEET RENEWAL

Acquired three 2016-built Aframaxes (\$141.5M) to maintain operational leverage.

THE VERDICT: HOLD FOR FRICTION, EXIT BEFORE OBSOLESCENCE

Positives: Fortress Balance Sheet (Zero Debt), Geopolitical Tailwinds, NAV Parity.



Negatives: Bad Industry Structure, Aging Fleet (CapEx Wall 2030).

RECOMMENDATION: BUY/HOLD

Strategy: Harvest cash flow while global supply chains remain fractured. Execute exit strategy before the 2030 fleet demographic cliff.

APPENDIX: FLEET COMPOSITION PROFILE

SUEZMAX (16 Vessels)



AFRAMAX / LR2 (18 Vessels)



TOTAL: 35 OWNED VESSELS (Post-VLCC Exit)

50-60% of fleet is aged >15 years, necessitating the current cash hoarding strategy.