

TEEKAY CORP
Form 20-F
April 30, 2010

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, 2009

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 1-12874

TEEKAY CORPORATION

(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

(Address of principal executive offices)

Roy Spires

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

Telephone: (441) 298-2530 Fax: (441) 292-3931

(Contact Information for 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

Common Stock, par value of \$0.001 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 of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

72,694,345 shares of Common Stock, par value of \$0.001 per share.

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

Yes ☐ No ☒

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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 whether 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 whether the registrant 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 ☐

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 ☒

**TEEKAY CORPORATION
INDEX TO REPORT ON FORM 20-F**

	Page
<u>PART I.</u>	
<u>Item 1. Identity of Directors, Senior Management and Advisors</u>	4
<u>Item 2. Offer Statistics and Expected Timetable</u>	4
<u>Item 3. Key Information</u>	4
<u>Item 4. Information on the Company</u>	16
<u>Item 4A. Unresolved Staff Comments</u>	29
<u>Item 5. Operating and Financial Review and Prospects</u>	29
<u>Item 6. Directors, Senior Management and Employees</u>	57
<u>Item 7. Major Shareholders and Certain Relationships and Related Party Transactions</u>	62
<u>Item 8. Financial Information</u>	66
<u>Item 9. The Offer and Listing</u>	66
<u>Item 10. Additional Information</u>	66
<u>Item 11. Quantitative and Qualitative Disclosures About Market Risk</u>	71
<u>Item 12. Description of Securities Other than Equity Securities</u>	73
<u>PART II.</u>	
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	73
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	73
<u>Item 15. Controls and Procedures</u>	73
<u>Item 16A. Audit Committee Financial Expert</u>	74
<u>Item 16B. Code of Ethics</u>	74
<u>Item 16C. Principal Accountant Fees and Services</u>	74
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	75
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	75

Item 16F. Change in Registrant's Certifying Accountant 75

Item 16G. Corporate Governance 75

PART III.

Item 17. Financial Statements 75

Item 18. Financial Statements 75

Item 19. Exhibits 75

Signature 78

Exhibit 8.1

Exhibit 12.1

Exhibit 12.2

Exhibit 13.1

Exhibit 13.2

Exhibit 23.1

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, we, us and our and similar terms refer to Teekay Corporation and 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 future revenues and expenses;
- tanker market conditions and fundamentals, including the balance of supply and demand in these markets and spot tanker charter rates and oil production;
- offshore, liquefied natural gas (or *LNG*) and liquefied petroleum gas (or *LPG*) market conditions and fundamentals, including the balance of supply and demand in these markets;
- our future growth prospects;
- our expected benefits of the OMI acquisition;
- the sufficiency of our working capital for short-term liquidity requirements;
- future capital expenditure commitments and the financing requirements for such commitments;
- estimated costs and timing of implementation of the EU Directive to burn only low sulphur fuel, and our ability to timely comply with this Directive;
- delivery dates of and financing for newbuildings, and the commencement of service of newbuildings under long-term time-charter contracts;
- potential newbuildings order cancellations;
- construction and delivery delays in the tanker industry generally;
- the future valuation of goodwill;
- the adequacy of restricted cash deposits to fund capital lease obligations;
- our compliance with covenants under our credit facilities;
- our ability to fulfill our debt obligations;
- compliance with financing agreements and the expected effect of restrictive covenants in such agreements;
- declining market values of our vessels and the effect on our liquidity;
- operating expenses, availability of crew and crewing costs, number of off-hire days, drydocking requirements and durations and the adequacy and cost of insurance;
- our ability to capture some of the value from the volatility of the spot tanker market and from market imbalances by utilizing forward freight agreements;
- the ability of the counterparties to our derivative contracts to fulfill their contractual obligations;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term contracts;
- the cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;
- the impact of future regulatory changes or environmental liabilities;
- taxation of our company and of distributions to our stockholders;
- the expected life-spans of our vessels;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

Table of Contents

anticipated funds for liquidity needs and the sufficiency of cash flows;
 our hedging activities relating to foreign exchange, interest rate, spot market and bunker fuel risks;
 the effectiveness of our risk management policies and procedures;
 the growth of global oil demand;
 the recent economic downturn and financial crisis in the global market, including disruptions in the global credit and stock markets and potential negative effects of any reoccurrence of such disruptions on our customers' ability to charter our vessels and pay for our services;
 our exemption from tax on our U.S. source international transportation income;
 the potential benefits to us of renegotiated contract for the *Foinaven* floating production, storage and offloading (or *FPSO*) unit;
 our ability to competitively pursue new FPSO projects;
 our competitive positions in our markets;
 our business strategy and other plans and objectives for future operations; and
 our ability to pay dividends on our common stock.

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 the U.S. Securities and Exchange Commission (or *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 for fiscal years 2009, 2008, 2007, 2006, and 2005, which have been derived from our consolidated financial statements. The data below should be read in conjunction with the consolidated financial statements and the notes thereto and the Report of Independent Registered Public Accounting Firm therein with respect to fiscal years 2009, 2008, and 2007 (which are included herein) and Item 5. Operating and Financial Review and Prospects.

Table of Contents

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

	2005	2006	2007	2008	2009
	(in thousands, except share and per common share data and ratios)				
Income Statement Data:					
Revenues	\$ 1,958,479	\$ 2,015,871	\$ 2,387,625	\$ 3,229,443	\$ 2,172,049
Total operating expenses ⁽¹⁾	(1,319,937)	(1,601,528)	(2,028,595)	(2,969,324)	(2,002,261)
Income from vessel operations	638,542	414,343	359,030	260,119	169,788
Interest expense	(111,189)	(173,672)	(294,848)	(290,933)	(141,448)
Interest income	33,943	58,835	101,199	97,111	19,999
Realized and unrealized (loss) gain on non-designated derivative instruments	(38,470)	55,646	(45,322)	(567,074)	140,046
Foreign exchange gain (loss)	61,635	(46,423)	(61,571)	24,727	(20,922)
Equity income (loss) from joint ventures	11,897	6,099	(12,404)	(36,085)	52,242
Other (loss) income	(19,054)	3,566	23,170	(3,935)	12,961
Income tax recovery (expense)	2,787	(8,811)	3,192	56,176	(22,889)
Net income (loss)	580,091	309,583	72,446	(459,894)	209,777
Less: Net income attributable to non-controlling interests	(13,475)	(6,759)	(8,903)	(9,561)	(81,365)
Net income (loss) attributable to stockholders of Teekay Corp. ⁽²⁾	566,616	302,824	63,543	(469,455)	128,412
Per Common Share Data:					
Net earnings (loss) basic	\$ 7.25	\$ 4.14	\$ 0.87	\$ (6.48)	\$ 1.77
Net income (loss) diluted	6.78	4.03	0.85	(6.48)	1.76
Cash dividends declared	0.6200	0.8600	0.9875	1.1413	1.2650
Balance Sheet Data (at end of year):					
Cash and cash equivalents	\$ 236,984	\$ 343,914	\$ 442,673	\$ 814,165	\$ 422,510
Restricted cash	311,084	679,992	686,196	650,556	615,311
Vessels and equipment	3,721,674	5,603,316	6,846,875	7,267,094	6,835,597
Net investments in direct financing leases	121,236	108,396	101,176	79,508	512,412
Total assets	5,287,030	8,110,329	10,418,541	10,215,001	9,510,916
Total debt (including capital lease obligations)	2,432,978	4,106,062	6,120,864	5,770,133	5,203,441
Capital stock and additional paid-in capital	471,784	596,712	628,786	642,911	656,193
Non-controlling interest	287,432	461,887	544,339	583,938	855,580
Total equity	2,526,250	2,981,034	3,200,293	2,652,405	3,095,670
Number of outstanding shares of common stock	71,375,593	72,831,923	72,772,529	72,512,291	72,694,345

Other Financial Data:

Net revenues ⁽³⁾	\$ 1,537,721	\$ 1,493,816	\$ 1,856,552	\$ 2,471,055	\$ 1,877,958
EBITDA ⁽⁴⁾	860,079	657,196	592,016	96,554	791,291
Adjusted EBITDA ⁽⁴⁾	707,882	630,408	660,485	892,616	563,217
Total debt to total capitalization ^{(5) (6)}	49.1%	57.9%	65.7%	68.5%	62.7%
Net debt to total net capitalization ⁽⁶⁾					
⁽⁷⁾	42.7%	50.8%	60.9%	61.9%	57.4%
Capital expenditures:					
Vessel and equipment purchases ⁽⁸⁾	\$ 555,142	\$ 442,470	\$ 910,304	\$ 716,765	\$ 495,214

(1) Total operating expenses include the following:

	2005	2006	2007	2008	2009
			(in thousands)		
Gain (loss) on sale of vessels and equipment, net of write-downs	\$ 139,184	\$ 1,341	\$ 16,531	\$ 50,267	\$ (12,629)
Unrealized (losses) gains on derivative instruments			(143)	(8,325)	14,915
Restructuring charges	(2,882)	(8,929)		(15,629)	(14,444)
Goodwill impairment charge				(334,165)	
	\$ 136,302	\$ (7,588)	\$ 16,388	\$ (307,852)	\$ (12,158)

Table of Contents

- (2) In January 2009, we adopted an amendment to Financial Accounting Standards Board (or *FASB*) Accounting Standards Codification (or *ASC*) 810, *Consolidations*, which requires us to change the portion of net income (loss) that is attributable to the non-controlling interest. This change was not applied retroactively, please read Item 18 Financial Statements: Note 1 Adoption of New Accounting Pronouncements to see the pro forma net income attributable to the stockholders of Teekay Corporation had we not adopted FASB ASC 810.
- (3) Consistent with general practice in the shipping industry, we use net revenues (defined as revenues less

voyage expenses) as a measure of equating revenues generated from voyage charters to revenues generated from time-charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Under time-charters the charterer pays the voyage expenses, which are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, whereas under voyage-charter contracts the ship-owner pays these expenses. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the ship-owner, pay the voyage expenses, we

typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract or billing the expenses to them. As a result, although revenues from different types of contracts may vary, the net revenues after subtracting voyage expenses, which we call net revenues, are comparable across the different types of contracts. We principally use net revenues, a non-GAAP financial measure, because it provides more meaningful information to us than revenues, the most directly comparable GAAP financial measure. Net revenues are also widely used by investors and analysts in the shipping industry for comparing financial performance between companies and to industry averages. The following table

reconciles net
revenues with
revenues.

	2005	2006	2007 (in thousands)	2008	2009
Revenues	\$ 1,958,479	\$ 2,015,871	\$ 2,387,625	\$ 3,229,443	\$ 2,172,049
Voyage expenses	(420,758)	(522,055)	(531,073)	(758,388)	(294,091)
Net revenues	\$ 1,537,721	\$ 1,493,816	\$ 1,856,552	\$ 2,471,055	\$ 1,877,958

(4) EBITDA
represents
earnings before
interest, taxes,
depreciation and
amortization.
Adjusted
EBITDA
represents
EBITDA before
restructuring
charges,
unrealized
foreign exchange
loss (gain), loss
(gain) on sale of
vessels and
equipment net of
write-downs,
goodwill
impairment
charge,
amortization of
in-process
revenue
contracts,
unrealized
(gains) losses on
derivative
instruments,
realized losses
(gains) on interest
rate swaps and
share of realized
and unrealized
(gains) losses on
interest rate
swaps in
non-consolidated

joint ventures.
EBITDA and
Adjusted
EBITDA are used
as supplemental
financial
measures by
management and
by external users
of our financial
statements, such
as investors, as
discussed below.

Financial and operating performance. EBITDA and Adjusted EBITDA assist our management and security holders by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA or Adjusted EBITDA-based information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization (or other items in determining Adjusted EBITDA), which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA and Adjusted EBITDA as a financial and operating measure benefits security holders in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in assessing whether to continue to hold our equity, or debt securities, as applicable.

Liquidity. EBITDA and Adjusted EBITDA allow us to assess the ability of assets to generate cash sufficient to service debt, pay dividends and undertake capital expenditures. By eliminating the cash flow effect resulting from our existing capitalization and other items such as drydocking expenditures, working capital changes and foreign currency exchange gains and losses (which may vary significantly from period to period), EBITDA and Adjusted EBITDA provide a consistent measure of our ability to generate cash over the long term. Management uses this information as a significant factor in determining (a) our proper capitalization (including assessing how much debt to incur and whether changes to the capitalization should be made) and (b) whether to undertake material capital expenditures and how to finance them, all in light of our dividend policy. Use of EBITDA and Adjusted EBITDA as liquidity measures also permits security holders to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including dividends on shares of our common stock and repayments under debt instruments.

Neither EBITDA nor Adjusted EBITDA should be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

Table of Contents

The following table reconciles our historical consolidated EBITDA and Adjusted EBITDA to net income, and our historical consolidated Adjusted EBITDA to net operating cash flow.

	2005	2006	2007 (in thousands)	2008	2009
Income statement data:					
Reconciliation of EBITDA and Adjusted EBITDA to Net income					
Net income (loss)	\$ 580,091	\$ 309,583	\$ 72,446	\$ (459,894)	\$ 209,777
Income tax (recovery) expense	(2,787)	8,811	(3,192)	(56,176)	22,889
Depreciation and amortization	205,529	223,965	329,113	418,802	437,176
Interest expense, net of interest income	77,246	114,837	193,649	193,822	121,449
EBITDA	860,079	657,196	592,016	96,554	791,291
Restructuring charge	2,882	8,929		15,629	14,444
Foreign exchange (gain) loss	(61,635)	46,423	61,571	(24,727)	20,922
(Gain) loss on sale of vessels and equipment net of write-downs	(139,184)	(1,341)	(16,531)	(50,267)	12,629
Goodwill impairment charge				334,165	
Amortization of in-process revenue contracts		(22,404)	(70,979)	(74,425)	(75,977)
Unrealized losses (gains) on derivative instruments	33,203	(57,246)	99,055	530,283	(293,174)
Realized losses (gains) on interest rate swaps and foreign exchange contracts	12,537	(1,149)	(4,647)	32,445	127,936
Unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures				32,959	(34,854)
Adjusted EBITDA	707,882	630,408	660,485	892,616	563,217
Reconciliation of Adjusted EBITDA to net operating cash flow					
Net operating cash flow	609,042	545,716	304,429	523,641	368,251
Expenditures for drydocking	20,668	31,120	85,403	101,511	78,005
Interest expense, net of interest income	77,246	114,837	193,649	193,822	121,449
Change in operating assets and liabilities	8,644	(50,360)	43,871	28,816	(148,655)
Gain on sale of marketable securities		1,422	9,577	4,576	
				(20,157)	

Write-down of marketable securities					
Loss on repurchase of bonds	(13,255)	(375)	(947)	(1,310)	(566)
Equity income (net of dividends received)	2,670	(486)	(11,419)	(30,352)	49,299
Other net	(12,552)	(9,949)	50,245	25,153	(837)
Employee stock option compensation		(9,297)	(9,676)	(14,117)	(11,255)
Restructuring charge	2,882	8,929		15,629	14,444
Realized losses (gains) on interest rate swaps and foreign exchange contracts	12,537	(1,149)	(4,647)	32,445	127,936
Unrealized losses (gains) on interest rate swaps in non-consolidated joint ventures				32,959	(34,854)