TEEKAY TANKERS LTD.
Form 6-K
September 17, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2013

Commission file number 1-33867

TEEKAY TANKERS LTD.

(Exact name of Registrant as specified in its charter)

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

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes ¨ No x

TEEKAY TANKERS LTD.

REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

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TEEKAY TANKERS LTD.

UNAUDITED CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(in thousands of U.S. dollars, except share and per share amounts)

	Three Months Ended June 30, 2013 $	**Three Months Ended June 30, 2012 $** *(note1)*	**Six Months Ended June 30, 2013 $**	**Six Months Ended June 30, 2012 $** *(note1)*
REVENUES				
Time charter revenues *(note 8a)*	22,710	32,032	46,888	67,669
Net pool revenues from affiliates *(note 8a)*	15,493	16,136	31,591	32,449
Voyage charter revenue	2,433		4,283	
Interest income from investment in term loans	2,856	2,872	5,683	5,734
Total revenues	43,492	51,040	88,445	105,852
OPERATING EXPENSES				
Voyage expenses *(note 8a)*	2,449	107	5,362	1,429
Vessel operating expenses *(note 8a)*	24,832	23,002	47,886	46,223
Time-charter hire expense	1,951	644	3,937	2,305
Depreciation and amortization	11,921	18,047	23,785	36,038
General and administrative *(note 8a)*	3,362	2,322	6,923	3,660
Loss provision on investment in term loans *(note 2)*	4,511		4,511	
Loss on sale of vessel and equipment *(note 9)*			71	
Total operating expenses	49,026	44,122	92,475	89,655
(Loss) income from operations	(5,534)	6,918	(4,030)	16,197
OTHER ITEMS				
Interest expense	(2,604)	(6,654)	(5,115)	(14,215)
Interest income	20	11	24	21
Realized and unrealized gain (loss) on derivative instruments *(note 5)*	2,748	(3,895)	1,982	(4,974)
Other expenses	(354)	(703)	(538)	(979)
Total other items	(190)	(11,241)	(3,647)	(20,147)
Net loss	(5,724)	(4,323)	(7,677)	(3,950)
Add: Net loss attributable to the Dropdown Predecessor *(note 8c)*		5,398		9,163
	(5,724)	1,075	(7,677)	5,213

Net (loss) income attributable to common stockholders				
Per common share amounts *(note 10)*				
Basic (loss) earnings attributable to stockholders of Teekay Tankers	(0.07)	0.01	(0.09)	0.07
Diluted (loss) earnings attributable to stockholders of Teekay Tankers	(0.07)	0.01	(0.09)	0.07
Cash dividends declared	0.03	0.11	0.06	0.27
Weighted-average number of Class A and Class B common shares outstanding				
Basic	83,591,030	79,911,673	83,591,030	75,443,659
Diluted	83,591,030	79,911,673	83,591,030	75,443,659
Related party transactions *(note 8)*				

The accompanying notes are an integral part of the unaudited consolidated financial statements.

TEEKAY TANKERS LTD.

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

	As at June 30, 2013 $	As at December 31, 2012 $
ASSETS		
Current		
Cash and cash equivalents	37,708	26,341
Pool receivable from affiliates, net *(note 8b)*	7,481	9,101
Accounts receivable	7,633	4,523
Interest receivable on investment in term loans		
Vessel held for sale *(note 9)*		9,114
Due from affiliates *(note 8b)*	20,981	24,787
Prepaid expenses	8,077	9,714
Investment in term loans *(note 2)*	122,841	119,385
Total current assets	204,721	202,965
Vessels and equipment		
At cost, less accumulated depreciation of $227.4 million (2012 $203.6 million)	867,035	885,992
Loan to joint venture *(note 3)*	9,830	9,830
Investment in joint venture *(note 3)*	7,289	3,457
Other non-current assets	2,958	3,412
Total assets	1,091,833	1,105,656
LIABILITIES AND EQUITY		
Current		
Accounts payable	2,098	3,346
Accrued liabilities	14,543	17,882
Current portion of long-term debt *(note 4)*	25,246	25,246
Current portion of derivative instruments *(note 5)*	7,184	7,200
Deferred revenue	1,302	4,564
Due to affiliates *(note 8b)*	22,375	3,592
Total current liabilities	72,748	61,830
Long-term debt *(note 4)*	704,968	710,455
Derivative instruments *(note 5)*	19,540	26,431
Other long-term debt	4,902	4,757
Total liabilities	802,158	803,473

Commitments and contingencies *(note 3, 5 and 11)*		
Equity		
Common stock and additional paid-in capital (300 million shares authorized, 71.1 million class A and 12.5 million Class B shares issued and outstanding as of June 30, 2013 and December 31, 2012 *(note 7)*	672,744	672,560
Accumulated deficit	(383,069)	(370,377)
Total equity	289,675	302,183
Total liabilities and equity	1,091,833	1,105,656

The accompanying notes are an integral part of the unaudited financial statements.

TEEKAY TANKERS LTD.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Six Months Ended June 30, 2013 $	Six Months Ended June 30, 2012 $
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net loss	(7,677)	(3,950)
Non-cash items:		
Loss provision on investment in term loans	4,511	
Depreciation and amortization	23,785	36,038
Unrealized (gain) loss on derivative instruments	(6,907)	259
Other	973	592
Change in operating assets and liabilities	6,969	(24,539)
Expenditures for dry docking	(3,696)	
Net operating cash flow	17,958	8,400
FINANCING ACTIVITIES		
Proceeds from long-term debt	27,136	5,000
Repayments of long-term debt	(12,623)	(900)
Prepayment of long-term debt	(20,000)	(55,000)
Proceeds from long-term debt of Dropdown Predecessor		2,312
Repayments of long-term debt of Dropdown Predecessor		(10,372)
Prepayment of long-term debt of Dropdown Predecessor		(15,000)
Acquisition of 13 vessels from Teekay Corporation		(1,078)
Net advances from affiliates		16,913
Contribution of capital from Teekay Corporation		9,728
Proceeds from issuance of Class A common stock		69,000
Share issuance costs		(3,217)
Cash dividends paid	(5,015)	(21,364)
Net financing cash flow	(10,502)	(3,978)
INVESTING ACTIVITIES		
Proceeds from sale of vessel and equipment	9,119	
Expenditures for vessels and equipment	(1,208)	(1,399)
Investment in joint venture	(4,000)	(3,035)
Net investing cash flow	3,911	(4,434)

Increase (decrease) in cash and cash equivalents	11,367	(12)
Cash and cash equivalents, beginning of the period	26,341	18,566
Cash and cash equivalents, end of the period	37,708	18,554

The accompanying notes are an integral part of the consolidated financial statements.

TEEKAY TANKERS LTD.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars, except share amounts)

	STOCKHOLDERS EQUITY				
	Common Stock and Additional Paid-in Capital				
	Thousands of Common Shares #	Class A $	Class B $	Accumulated Deficit $	Total $
Balance as at December 31, 2012	83,591	672,435	125	(370,377)	302,183
Net loss				(7,677)	(7,677)
Dividends declared				(5,015)	(5,015)
Equity-based compensation *(note 7)*		184			184
Balance as at June 30, 2013	83,591	672,619	125	(383,069)	289,675

The accompanying notes are an integral part of the consolidated financial statements.

TEEKAY TANKERS LTD.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

1. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (or *GAAP*). These financial statements include the accounts of Teekay Tankers Ltd. and its wholly-owned subsidiaries (collectively the *Company*). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain information and footnote disclosures required by GAAP for complete annual financial statements have been omitted and, therefore, these interim financial statements should be read in conjunction with the Company s audited consolidated financial statements filed on Form 20-F for the year ended December 31, 2012. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments, consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Company s consolidated financial position, results of operations, and cash flows for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of those for a full fiscal year. Significant intercompany balances and transactions have been eliminated upon consolidation.

In order to more closely align the Company s presentation to that of many of its peers, the cost of ship management activities of $1.4 million and $2.9 million for the three and six months ended June 30, 2013 have been presented in vessel operating expenses. Prior to 2013, the Company included these amounts in general and administrative expenses. All such costs incurred in comparative periods have been reclassified from general and administrative expenses to vessel operating expenses to conform to the presentation adopted in the current period. The amounts reclassified were $2.1 million and $4.2 million for the three and six months ended June 30, 2012.

The acquisition of 13 conventional oil tankers from Teekay Corporation (or *Teekay*) in June 2012 (or the *2012 Acquired Business*), has been accounted for as an acquisition of interests in vessels from Teekay as a transfer of the business between entities under common control. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the Company at Teekay s historical cost is accounted for as an equity distribution to Teekay. In addition, transfers of net assets between entities under common control are accounted for as if the transfer occurred from the date that the Company and the acquired vessels were both under the common control of Teekay and had begun operations. As a result, the Company s financial statements prior to the date the interests in these vessels were actually acquired by the Company are retroactively adjusted to include the results of these vessels and their related operations and cash flows (referred to herein collectively as the *Dropdown Predecessor*) during the periods they were under common control of Teekay and had begun operations.

The acquisition of the 2012 Acquired Business was accounted for as reorganization between entities under common control. As a result, the Company s consolidated financial statements for the three and six months ended June 30, 2012, reflect the 2012 Acquired Business as if the Company had acquired the 2012 Acquired Business when the 13 vessels began their respective operations under the ownership of Teekay. For more information about this acquisition, please refer to the Company s audited consolidated financial statements filed on Form 20-F for the year ended December 31, 2012.

2. Investment in Term Loans

In July 2010, the Company invested in two term loans with a total principal amount outstanding of $115.0 million for a total cost of $115.6 million (the *Loans*) which matured in July 2013. The loans are secured by first priority mortgages registered on two 2010-built Very Large Crude Carriers (or *VLCCs*). The Loans had an annual interest rate of 9% per annum and include a repayment premium feature that provided a total investment yield of approximately 10% per annum. As at June 30, 2013 and December 31, 2012, $6.6 million and $1.6 million, respectively, were recorded as accrued interest income from the investment in these term loans, and have been reclassified from interest receivable to investment in term loans on the consolidated balance sheets as at June 30, 2013 and December 31, 2012. The 9% interest income was payable in quarterly installments. The principal amount of the Loans and repayment premium were payable in full at maturity in July 2013. As at June 30, 2013 and December 31, 2012, the repayment premium included in the investment in term loans balance was $3.3 million and $2.7 million, respectively. Interest income in respect of the Loans is included in revenues in the consolidated statements of (loss) income.

The borrowers under the Loans have been in default on their interest payment obligations since January 2013 and subsequently, in default on the repayment of the loan principal as the loans matured in July 2013. In May 2013, the Company took over management of the vessels. Currently, one of the vessels is trading in the spot tanker market under the Company s management while the other vessel remains under detention by authorities in Egypt due to an incident that occurred prior to the transition of vessel management to the Company. The vessel s insurers are in the process of negotiating the release of the vessel, after which it is expected the vessel will commence trading in the spot tanker market under the Company s management. The Company recorded a $4.5 million loss provision in respect of the investment in terms loans inclusive of $6.6 million of accrued but unpaid interest as at June 30, 2013, to reflect the estimated loss that could be incurred based on