TEEKAY TANKERS LTD.
Form 20-F
April 24, 2018

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
ýANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
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 1-33867

TEEKAY TANKERS LTD.
(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
Telephone: (441) 298-2530
(Address and telephone number of principal executive offices)
Edith Robinson
4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda
Telephone: (441) 298-2530
Fax: (441) 292-3931
(Name, Telephone, E-mail and/or Facsimile number and Address of 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
Class A common stock, par value of $0.01 per share	New York Stock Exchange

1

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 issuer's classes of capital or common stock as of the close of the period covered by the annual report.
231,193,657 shares of Class A common stock, par value of $0.01 per share.
37,007,981 shares of Class B common stock, par value of $0.01 per share.
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ¨ No ý
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 ý
Indicate by check mark if 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 ý No ¨
Indicate by check mark if the registrant (1) 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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer ¨ Accelerated Filer ý Non-Accelerated Filer ¨ Emerging growth company ¨
If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ¨
† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ý	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 ý

TEEKAY TANKERS LTD.
INDEX TO REPORT ON FORM 20-F
INDEX

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 Tankers Ltd.", the "Company", "we”, "us" and "our" and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this Annual Report in connection with the common stock described herein, shall mean specifically Teekay Tankers Ltd. References in this Annual Report to "Teekay" or “Teekay Corporation” refer to Teekay Corporation and/or any one or more of 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, results of operations and future revenues, expenses and capital expenditures, and our expected financial flexibility and ability to fund capital expenditures and pursue acquisitions and other expansion opportunities;
- our dividend policy and ability to pay dividends on shares of our common stock;
- the crude oil and refined product tanker market fundamentals, including the balance of supply and demand in the tanker market, changes in the world tanker fleet, changes in global oil demand and crude oil tanker demand, the rate of global oil production, and changes in long-haul crude tanker movements, tanker fleet utilization and spot tanker rates;
- changes in the production of or demand for oil or refined products;
- changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or less than anticipated levels of tanker newbuilding orders and deliveries and greater or less than anticipated rates of tanker scrapping or use of tankers for floating storage;
- our compliance with, and the effect on our business and operating results of, covenants under our term loans and credit facilities;
- future oil prices, production and refinery capacity;
- the effect of lower global oil prices, including the potential impact on oil stockpiling, refinery throughput, bunker fuel prices, and oil futures markets;
- our expectations about the availability of vessels to purchase, the expected costs and time it may take to acquire vessels or construct and deliver newbuildings, or the useful lives of our vessels;
- planned capital expenditures and the ability to fund capital expenditures;
- the ability to leverage Teekay Corporation’s relationships and reputation in the shipping industry;
- the expected benefits of participation in vessel pooling arrangements, RSAs (as defined below) and purchasing alliances;
- the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risks, including our ability to take advantage of any tanker market recovery;
- the expected benefits of our acquisition in 2015 of the ship-to-ship transfer business, including the ability of the acquired business to provide stable cash flow to help us partially manage the cyclicality of the tanker market, and our ability to leverage this acquisition to grow our presence in, and take advantage of the expected increased volumes moving in and out of, the U.S. Gulf, and to increase our market share in the ship-to-ship global supports business;
- the expected benefits of our acquisitions of vessels or businesses, including the 2017 acquisitions of Teekay Tanker Operations Ltd. (or TTOL) and Tanker Investments Ltd. (or TIL);
- our expectation regarding the U.S. Gulf lightering trade and the impact on this trade from the lifted ban on U.S. crude oil exports;

- our expectation that our U.S. Gulf lightering business will complement our spot trading strategy in the Caribbean to the U.S. Gulf market, allowing us to better optimize the deployment of the fleet that we trade in this region through better scheduling flexibility and utilization;
- our ability to execute our ship-to-ship support services strategy by accessing opportunities created by oil market arbitrages and oil traders optimizing their USD ton/mile on cargoes;
- our ability to execute our lightering strategy by leveraging our existing fleet and acumen to provide a full service lightering business model to customers;
- the impact of alternative methods of delivering crude oil on our lightering business;
- the ability to maximize the use of vessels, including the redeployment of vessels no longer under time charters;
- our expectation regarding our vessels' ability to perform to specifications and maintain their hire rates;
- operating expenses, availability of crew, number of off-hire days, dry-docking requirements and insurance costs;
- the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business and to obtain any necessary permits, certificates, licenses or qualifications necessary to operate our business;

- the anticipated timing and impact on us and the shipping industry of regulatory changes or environmental liabilities;
- expenses under service agreements with other affiliates of Teekay Corporation;
- the anticipated taxation of our company and of dividends to our shareholders;
- our expectations as to the lifespan and any impairment of our vessels;
- construction and delivery delays in the tanker industry generally;
- customers' increasing emphasis on environmental and safety concerns;
- meeting our going concern requirements and our liquidity needs, including anticipated funds and sources of financing for liquidity and capital expenditure needs and the sufficiency of cash flows, and our estimation that we will have sufficient liquidity for at least a one-year period;
- our ability to refinance existing debt obligations, to raise additional debt and capital to fund capital expenditures and negotiate extensions or redeployments of existing assets;
- the future valuation or impairment of goodwill;
- our use of interest rate swaps to reduce interest rate exposure;
- our expectations and hedging activities relating to foreign exchange, interest rate and spot market risks;
- the ability of counterparties to our derivative contracts to fulfill their contractual obligations;
- the delivery timing of new charter-in vessels;
- our expectations regarding payments made on behalf of our co-obligors in connection with the loan arrangements in which certain other subsidiaries of Teekay Corporation are also borrowers;
- our position that we are not a passive foreign investment company;
- our business strategy and other plans and objectives for future operations; and
- continued material variations in the period-to-period fair value of our derivative instruments.

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 or furnish to the U.S. Securities and Exchange Commission (or the 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 Tankers Ltd. and its subsidiaries for fiscal years 2013 through 2017, which have been derived from our consolidated financial statements. The following table should be read together with, and is qualified in its entirety by reference to, Item 5 – Operating and Financial Review and Prospects included herein, and the historical financial statements and accompanying notes and the Report of Independent Registered Public Accounting Firm thereon (which is included herein), with respect to the fiscal years 2017, 2016 and 2015.

In December 2015, we purchased two vessels from Teekay Offshore Partners L.P. (or TOO), an entity which was controlled by Teekay at the time. This acquisition was deemed to be a business acquisition between entities under common control. Accordingly, we have accounted for this transaction in a manner similar to the pooling of interest method whereby our consolidated financial statements prior to the date these vessels were acquired by us are retroactively adjusted to include the results of these acquired vessels. The periods retroactively adjusted include all periods that we and the acquired vessels were both under the common control of Teekay and had begun operations.

In May 2017, we also acquired from Teekay Holdings Ltd., a wholly-owned subsidiary of Teekay, the remaining 50% interest in Teekay Tanker Operations Ltd. (or TTOL), a company which owns conventional tanker commercial management and technical management operations. This was deemed to be a business acquisition between entities under common control. As a result, our consolidated financial statements prior to the date we acquired the controlling interest in TTOL have been retroactively adjusted to eliminate the equity method of accounting previously used for the original 50% interest owned and to include 100% of the assets and liabilities and results of TTOL on a consolidated basis during the periods we and TTOL were under common control of Teekay and had begun operations. All intercorporate transactions between us and TTOL that occurred prior to the acquisition have been eliminated upon consolidation.

As a result, our consolidated statements of (loss) income for the years ended December 31, 2017, 2016, 2015, 2014, and 2013 reflect the results of operations of TTOL and the vessels acquired from TOO, referred to herein as the "Entities under Common Control," as if we had acquired them when TTOL and each respective vessel began operations under the ownership of Teekay. Please refer to Item 5 – Operating and Financial Review and Prospects: Items You Should Consider When Evaluating Our Results of Operations and Item 18 – Financial Statements: Note 3 – Acquisition of Entities under Common Control.

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

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except share, per share, and fleet data)				
Income Statement Data:					
Revenues	$431,178	$550,543	$534,681	$276,193	$217,809
Voyage expenses [(1)]	(77,368)	(53,604)	(18,727)	(9,968)	(7,735)
Vessel operating expenses [(2)]	(175,389)	(182,598)	(137,164)	(98,403)	(91,667)
Time-charter hire expense [(3)]	(30,661)	(59,647)	(74,898)	(32,706)	(54,457)
Depreciation and amortization	(100,481)	(104,149)	(73,760)	(53,292)	(50,973)
General and administrative expenses	(32,879)	(33,199)	(30,403)	(25,130)	(29,560)
(Loss) gain on sale of vessels	(12,984)	(20,594)	771	9,955	(71)
Restructuring charges	—	—	(6,795)	(812)	—
Income (loss) from operations	1,416	96,752	193,705	65,837	(16,654)
Interest expense	(31,294)	(29,784)	(17,389)	(8,874)	(9,815)
Interest income	907	117	122	445	1,001
Realized and unrealized gain (loss) on derivative instruments	1,319	(964)	(1,597)	5,229	(6,588)
Equity (loss) income	(25,370)	7,680	11,528	4,951	2,340
Other (expense) income	(5,001)	(5,978)	(2,743)	1,318	4,681
Net (loss) income	($58,023)	$67,823	$183,626	$68,906	($25,035)
(Loss) earnings per share [(4)]					
- Basic	($0.31)	$0.40	$1.26	$0.66	($0.31)
- Diluted	($0.31)	$0.40	$1.25	$0.65	($0.31)
Cash dividends declared	$0.12	$0.18	$0.24	$0.12	$0.12
Balance Sheet Data (at end of year):					
Cash and cash equivalents	71,439	94,157	156,520	187,757	48,870
Investment in term loans and interest receivable on term loans	—	—	—	—	136,061
Vessels and equipment [(5)]	1,737,792	1,605,372	1,767,925	897,237	931,374
Vessels related to capital leases [(5)]	227,722	—	—	—	—

Total assets	2,197,348	1,964,370	2,214,803	1,288,844	1,523,510
Total debt [6]	1,120,927	969,315	1,204,485	732,764	870,525
Common stock and additional paid in capital	1,294,998	1,103,304	1,094,874	802,650	673,217
Total equity	1,006,601	932,740	899,479	496,684	524,725
Cash Flow Data:					
Cash and cash equivalents provided by (used in):					
Operating cash flows	79,640	206,666	201,966	16,437	22,500
Financing cash flows	(181,138)	(290,853)	647,678	6,150	(9,648)
Investing cash flows	78,780	21,824	(880,881)	116,300	(5,800)

Number of outstanding shares of common stock at the end of the year	268,201,638	159,304,136	156,030,618	112,064,036	83,591,030
Other Financial Data:					
Net revenues (7)	353,810	496,939	515,954	266,225	210,074
EBITDA (8)	72,845	201,639	274,653	130,627	34,752
Adjusted EBITDA (8)	120,413	234,100	283,711	119,567	41,866
Capital expenditures					
Expenditures for vessels and equipment (9)	(4,732)	(9,226)	(848,229)	(2,084)	(1,904)
Expenditures for dry docking	(16,239)	(9,340)	(39,617)	(17,072)	(19,245)
Fleet Data:					
Average number of tankers (10)					
Suezmax	21.1	22.0	13.4	10.0	10.0
Aframax	17.3	21.8	22.0	15.4	14.6
Product	7.5	9.2	12.2	7.6	6.0
VLCC	0.5	0.5	0.5	0.8	0.5

(1) Voyage expenses 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. Voyage expenses also include certain costs associated with full service lightering activities, which include: short-term in-charter expenses, bunker fuel expenses and other port expenses.

(2) Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils, and communication expenses among others.

(3) Time-charter hire expense includes vessel operating lease expense incurred to charter-in vessels.

(4) (Loss) earnings per share is determined by dividing (a) net (loss) income after (deducting) adding the amount of net income (loss) attributable to the Entities under Common Control which were purchased solely with cash by (b) the weighted-average number of shares outstanding during the applicable period and the equivalent shares outstanding that are attributable to the Entities under Common Control. The calculation of weighted-average number of shares includes the total Class A and total Class B shares outstanding during the applicable period. The computation of diluted earnings per share assumes the exercise of all dilutive stock options and restricted stock units using the treasury stock method. The computation of diluted loss per share does not assume such exercises.

(5) Vessels and equipment and vessels related to capital leases consists of vessels, at cost less accumulated depreciation.

(6) Total debt includes the current and long-term portion of debt, current and long-term portion of obligations related to capital leases and amounts due to affiliates.

(7) Net revenues is a non-GAAP financial measure. 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, whereas under voyage charters, 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 to them. As a result, although revenues from different types of contracts may vary, the net revenues are comparable across the different types of contracts. We principally use net revenues 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:

	Years Ended December 31,				
	2017	2016	2015	2014	2013

Revenues	$431,178	$550,543	$534,681	$267,075	$210,132
Interest income from investment in term loans	—	—	—	9,118	7,677
Voyage expenses	(77,368)	(53,604)	(18,727)	(9,968)	(7,735)
Net revenues	$353,810	$496,939	$515,954	$266,225	$210,074

9

(8) EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before (loss) gain on sale of vessels, realized losses on interest rate swaps, unrealized gains on derivative instruments, dilution gain on share issuance by the equity accounted investment, fair value adjustment of the equity accounted investment and share of the above items in non-consolidated equity accounted investments. Both measures 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 investors 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 financial and operating measures benefits investors 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 shares of our Class A common stock.
- 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 dry-docking expenditures, working capital changes and foreign currency exchange gains and losses, EBITDA and Adjusted EBITDA provide consistent measures 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 investors to assess the fundamental ability of our business to generate cash sufficient to meet cash needs, including dividends on shares of our Class A and Class B common stock.

Neither EBITDA nor Adjusted EBITDA should be considered an alternative to net (loss) 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 in this Annual Report may not be comparable to similarly titled measures of other companies.

The following table reconciles our historical consolidated EBITDA and Adjusted EBITDA to net (loss) income, the most directly comparable GAAP financial measure, and our historical consolidated Adjusted EBITDA to net operating cash flow, the most directly comparable GAAP financial measure.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Reconciliation of “Adjusted EBITDA” to “Net (loss) income”					
Net (loss) income	$(58,023)	$67,823	$183,626	$68,906	$(25,035)
Depreciation and amortization	100,481	104,149	73,760	53,292	50,973
Interest expense, net of interest income	30,387	29,667	17,267	8,429	8,814
EBITDA	$72,845	$201,639	$274,653	$130,627	$34,752
Loss (gain) on sale of vessels	12,984	20,594	(771)	(9,955)	71
Realized loss on interest rate swaps	994	12,797	9,790	9,993	9,887
Unrealized gain on derivative instruments	(937)	(9,679)	(8,193)	(11,676)	(4,774)
Fair value on initial recognition of stock purchase warrant	—	—	—	(3,420)	—
Dilution gain on equity accounted investment	—	—	—	(2,054)	—

Fair value adjustment of TIL	26,733	—	—	—	—
Adjustments related to equity accounted investments (i)	7,794	8,749	8,232	6,052	1,930
Adjusted EBITDA	$120,413	$234,100	$283,711	$119,567	$41,866

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Reconciliation of “Adjusted EBITDA” to “Net operating cash flow”					
Net operating cash flow	$79,640	$206,666	$201,966	$16,437	$22,500
Interest expense, net of interest income	30,387	29,667	17,267	8,429	8,814
Expenditures for dry docking	14,069	8,608	39,617	17,072	19,245
Realized loss on interest rate swaps	994	12,797	9,790	9,993	9,887
Change in working capital	(5,741)	(30,004)	(1,655)	60,847	(26,635)
Equity (loss) income	(25,370)	7,680	11,528	4,951	2,340
Other cash flows, net	(8,093)	(10,063)	(3,034)	1,260	3,785
Fair value on initial recognition of stock purchase warrant	—	—	—	(3,420)	—
Dilution gain on equity accounted investment	—	—	—	(2,054)	—
Fair value adjustment in TIL	26,733	—	—	—	—
Adjustments related to equity accounted investments (i)	7,794	8,749	8,232	6,052	1,930
Adjusted EBITDA	$120,413	$234,100	$283,711	$119,567	$41,866

(i) The following table reflects certain non-GAAP adjustments to the results of our equity accounted investments. The adjusted results should not be considered as an alternative to any measure of financial performance or liquidity presented in accordance with GAAP. Adjustments to equity investments include some, but not all, items that affect equity income and these measures and adjustments may vary among other companies, and may not be comparable to adjustments to similarly titled measures of other companies. When using Adjusted EBITDA as a measure of liquidity it should be noted that this measure includes the Adjusted EBITDA from our equity accounted for investments. We do not have control over the operations, nor do we have any legal claim to the revenue and expenses of our equity accounted for investments. Consequently, the cash flow generated by our equity accounted for investments may not be available for use by us in the period generated.

Adjustments relating to equity income from our equity accounted investments are as follows:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Depreciation and amortization	5,250	5,866	4,517	2,979	1,166
Interest expense, net of interest income	2,562	2,868	2,763	1,446	448
Income tax (recovery) expense	(1)	(107)	602	1,359	12
Realized and unrealized (gain) loss on derivative instruments	(14)	115	344	416	341
Foreign exchange (gain) loss	(3)	7	6	3	—
Other	—	—	—	(151)	(37)
Adjustments related to equity accounted investments	$7,794	$8,749	$8,232	$6,052	$1,930

(9) Excludes vessels purchased in connection with our acquisition of Tanker Investments Ltd. (or TIL). Please read Item 18. Financial Statements: Note 22 - Acquisition of Tanker Investments Ltd.

(10) Average number of tankers consists of the average number of vessels that were in our possession during a period, including time-chartered in vessels, the vessel owned by our High-Q Investment Ltd. (or High-Q) joint venture with Wah Kwong Maritime Transport Holdings Ltd. and vessels of the Entities under Common Control.

Risk Factors

Some of the following risks relate principally to the industries in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common stock. The occurrence of any of the events described in this section could materially and adversely affect our business, financial condition, operating results and ability to pay dividends on, and the trading price of our common stock.

Our ability to repay or refinance debt obligations and to fund our capital expenditures will depend on certain financial, business and other factors, many of which are beyond our control. To the extent we are able to finance these obligations and expenditures with cash from operations or by issuing debt or common shares, our ability to pay cash dividends may be diminished or our financial leverage may increase or our shareholders may be diluted. Our business may be adversely affected if we need to access other sources of funding.

To fund our existing and future debt obligations and capital expenditures, we may be required to use our existing liquidity or cash from operations, incur borrowings, raise capital through the sale of assets or ownership interests in certain assets or joint venture entity, debt or additional equity securities and/or seek to access other financing sources. Our access to potential funding sources and our future financial and operating performance will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control.

If we are unable to access additional financing arrangements and generate sufficient cash flow to meet our debt, capital expenditure and other business requirements, we may be forced to take actions such as:

- restructuring our debt;
- seeking additional debt or equity capital;
- selling additional assets or equity interest in certain assets or joint venture;
- further reducing cash dividends;
- reducing, delaying or cancelling business activities, acquisitions, investments or capital expenditures; or
- seeking bankruptcy protection.

Such measures might not be successful, and additional debt or equity capital may not be available on acceptable terms or enable us to meet our debt, capital expenditure and other obligations. Some of such measures may adversely affect our business and reputation. In addition, credit agreements may restrict our ability to implement some of these measures.

Use of cash from operations for capital purposes will reduce cash available for dividends to shareholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions in general. Even if we are successful in obtaining necessary funds, the terms of such financings could limit our ability to pay cash dividends to shareholders or operate our business as currently conducted. In addition, incurring additional debt may significantly increase interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder dilution and would increase the aggregate amount of cash required to maintain quarterly dividends. The sale of certain assets would reduce cash from operations and the cash available for shareholders.

Our primary liquidity needs in the next few years are to refinance loans as they mature and to make scheduled repayments of debt, in addition to paying debt service costs, quarterly dividends on equity, operating expenses and dry-docking expenditures and funding general working capital requirements. We anticipate that our primary sources of funds in the next few years will be existing liquidity, cash flows from operations, equity issuances and bank debt or other sources of financing.

The cyclical nature of the tanker industry may lead to volatile changes in charter rates, and significant fluctuations in the utilization of our vessels, which may adversely affect our earnings.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of and demand for tanker capacity and changes in the supply of and demand for oil and oil products. The cyclical nature of the tanker industry may cause significant increases or decreases in the revenues we earn from our vessels and may also cause significant increases or decreases in the value of our vessels. If the tanker market is depressed, our earnings may decrease. Our exposure to industry business cycles is more acute because of our exposure to the spot tanker market, which is more volatile than the tanker industry generally. Our ability to operate profitably in the spot market and to recharter our other vessels upon the expiration or termination of their charters will depend upon, among other factors, economic conditions in the tanker market.

The factors affecting the supply of and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Key factors that influence the supply of tanker capacity include:

- environmental concerns and regulations;
- the number of newbuilding deliveries;

- the scrapping rate of older vessels;
- conversion of tankers to other uses; and
- the number of vessels that are out of service.

Key factors that influence demand for tanker capacity include:

- supply of oil and oil products;
- demand for oil and oil products;
- regional availability of refining capacity;

- global and regional economic and political conditions;
- the distance oil and oil products are to be moved by sea; and
- changes in seaborne and other transportation patterns.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price and the supply of, and demand for, tanker capacity. Changes in demand for transportation of oil over longer distances and in the supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows.
A significant decline in oil prices may adversely affect our growth prospects and results of operations.
Global crude oil prices have declined since mid-2014. A continuation of lower oil prices or a further decline in oil prices may adversely affect our business, results of operations and financial condition and our ability to pay dividends, as a result of, among other things:

- a reduction in exploration for or development of new oil fields or energy projects, or the delay or cancellation of existing projects as energy companies lower their capital expenditures budgets, which may reduce our growth opportunities;
- potential lower demand for tankers, which may reduce available charter rates and revenue to us upon chartering or rechartering of our vessels;
- customers failing to extend or renew contracts upon expiration;
- the inability or refusal of customers to make charter payments to us due to financial constraints or otherwise; or
- declines in vessel values, which may result in losses to us upon vessel sales or impairment charges against our earnings.

A significant increase in crude oil prices could negatively impact tanker freight rates.
Crude oil prices have declined since mid-2014, which has generally benefited the tanker market as it has led to higher oil demand, stronger refining margins, additional import demand for stockpiling purposes and lower bunker costs. A significant increase in crude oil prices compared to current levels could reverse many of these positive drivers and negatively impact tanker freight rates.
Changes in the oil markets could result in decreased demand for our vessels and services.
Demand for our vessels and services in transporting oil depends upon world and regional oil markets. Any decrease in shipments of crude oil in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, including competition from alternative energy sources. Past slowdowns of the U.S. and world economies have resulted in reduced consumption of oil products and decreased demand for our vessels and services, which reduced vessel earnings. Additional slowdowns could have similar effects on our operating results and may limit our ability to expand our fleet.
Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.
During 2017 and 2016, we derived approximately 51.0% and 71.9%, respectively, of our net revenues from vessels operating in the spot tanker market, either directly or by means of participation in pooling agreements (which includes vessels operating under full service lightering contracts and charters with an initial term of less than one year). Due to our involvement in the spot-charter market, declining spot rates in a given period generally will result in corresponding declines in our operating results for that period.

The spot-charter market is highly volatile and fluctuates based upon tanker and oil supply and demand. The successful operation of our vessels in the spot-charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to load cargo. Future spot rates may not be sufficient to enable our vessels trading in the spot tanker market to operate profitably or to provide sufficient cash flow to service our debt obligations.
The operation of a significant number of our tankers in revenue sharing arrangements could limit our earnings.

As of December 31, 2017, 20 of our owned and four of our leased Suezmax tankers, seven of our owned Aframax tankers, and six of our owned Long Range 2 (or LR2) product tankers operated in, and generated revenues to us through participation in, a Suezmax tanker revenue sharing arrangement (the Teekay Suezmax RSA), an Aframax tanker revenue sharing arrangement (the Teekay Aframax RSA), and an LR2 product tanker revenue sharing arrangement (the Taurus Tankers LR2 RSA), respectively. The Teekay Suezmax RSA, Teekay Aframax RSA and Taurus Tankers LR2 RSA are each managed by Teekay Tanker Operations Ltd. (or TTOL), our wholly-owned subsidiary, in which we acquired the remaining 50% interest from Teekay Corporation in May 2017. The initial 50% interest was acquired from Teekay Corporation in August 2014. Revenue sharing arrangements (or RSA) are designed to spread the costs and risks associated with commercial management of vessels and to share the net revenues earned by all of the vessels in the RSA. Although the net revenues are apportioned based on the actual earning days each vessel is available and the relative performance capabilities of each vessel, an RSA may include vessels that do not perform as well in actual operation as our vessels. As a result, our share of the net pool revenues may be less than what we could earn operating our vessels independently.

The removal of vessels from the revenue sharing arrangements in which we participate may adversely affect our operating results.

Participants in the Teekay Suezmax RSA, including third parties, have each agreed to include in the RSA certain qualifying Suezmax-class crude tankers of the RSA participants and their respective affiliates, including us, that operate in the spot market or pursuant to time charters of less than one year. We have committed to include in the Teekay Aframax RSA certain qualifying Aframax-class crude tankers that are employed in the spot market or operate pursuant to time charters of less than 90 days. Participants in the Taurus Tankers LR2 RSA, including third parties, have each agreed to include in the RSA certain qualifying LR2 product tankers of the participants and their respective affiliates, including us, that operate in the spot market or pursuant to time charters of less than one year. If we or any participant remove vessels from any pooling arrangement in which we participate to operate under longer-term time charters, the benefits to us of the pooling arrangements could diminish.

Our failure to renew or replace fixed-rate charters could cause us to trade the related vessels in the spot market, which could adversely affect our operating results and make them more volatile.

As of December 31, 2017, a total of 16 of our tankers and one jointly-owned vessel operated under fixed-rate time-charter contracts, 16 of which are scheduled to expire in 2018 (including the jointly-owned vessel time-charter contract) and one in 2019. If upon their scheduled expiration or any early termination we are unable to renew or replace fixed-rate charters on favorable terms, if at all, or if we choose not to renew or replace these fixed-rate charters, we may employ the vessels in the volatile spot market. Increasing our exposure to the spot market, particularly during periods of unfavorable market conditions, could harm our results of operations and make them more volatile.

Our vessels operate in the highly competitive international tanker market.

The operation of oil tankers and transportation of crude oil and refined petroleum products are extremely competitive businesses. Competition arises primarily from other tanker owners, including major oil companies and independent tanker companies, some of which have substantially greater financial strength and capital than do we or Teekay Corporation. Competition for the transportation of oil and oil products can be intense and depends on price and the location, size, age, condition of the tanker and the acceptability of the tanker and its operators to the charterers. Our competitive position may erode over time.

Our operating results are subject to seasonal fluctuations.

Our tankers operate in markets that have historically exhibite