Teekay LNG Partners L.P.
Form 6-K
November 03, 2016

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

Date of Report: November 3, 2016

Commission file number 1-32479

TEEKAY LNG PARTNERS L.P.
(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 office)

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 ý 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 ý
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 ý

Item 1 — Information Contained in this Form 6-K Report

Attached as Exhibit 1 is a copy of an announcement of Teekay LNG Partners L.P. dated November 3, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	TEEKAY LNG PARTNERS L.P.	
Date: November 3, 2016	By:	/s/ Peter Evensen
		Peter Evensen Chief Executive Officer and Chief Financial Officer (Principal Financial and Accounting Officer)

TEEKAY LNG PARTNERS REPORTS THIRD QUARTER 2016 RESULTS

Highlights

- Reported GAAP net income attributable to the partners of $50.1 million and adjusted net income attributable to the partners of $32.1 million (excluding items listed in Appendix A to this release) in the third quarter of 2016.
- Generated distributable cash flow of $54.3 million, or $0.68 per common unit, in the third quarter of 2016.
- Secured short and long-term charter contracts for two remaining unchartered MEGI LNG carrier newbuildings; all of the Partnership's LNG newbuildings have now secured charter contracts.
- Continued to make significant progress on securing long-term debt financing for committed growth projects delivering through 2020.
- As of September 30, 2016, the Partnership had total liquidity of approximately $490 million after giving pro forma effect to the $125 million preferred unit issuance and NOK 900 million bond issuance (net of associated NOK 292 million bond repurchase) completed in October 2016.

Hamilton, Bermuda, November 3, 2016 - Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (Teekay LNG or the Partnership) (NYSE: TGP), today reported the Partnership's results for the quarter ended September 30, 2016.

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
(in thousands of U.S. Dollars)	(unaudited)	(unaudited)	(unaudited)
GAAP FINANCIAL COMPARISON			
Voyage revenues	100,658	99,241	98,415
Income from vessel operations	50,634	47,554	42,197
Equity income	13,514	29,567	13,523
Net income attributable to the partners	50,107	43,071	7,498
NON-GAAP FINANCIAL COMPARISON			
Total cash flow from vessel operations (CFVO) (1)	115,973	135,127	114,196
Distributable cash flow (DCF) (1)	54,325	76,067	61,098
Adjusted net income attributable to the partners (1)	32,093	53,780	37,121

(1) These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" and the Appendices to this release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in this release to the most directly comparable financial measures under United States generally accepted accounting principles (GAAP).

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CEO Commentary

"Following the Partnership's strong cash flows generated in the second quarter of 2016, which were supplemented by a favorable charter dispute settlement, the Partnership continued to generate strong cash flows in the third quarter of 2016 with the delivery of the Oak Spirit MEGI LNG carrier newbuilding which commenced its five-year charter contract with Cheniere Energy in early-August 2016," commented Peter Evensen, Chief Executive Officer of Teekay GP LLC.

"We are pleased to report that our commercial team has now successfully secured charter contracts for all of our LNG carrier newbuildings," Mr. Evensen continued. "We have now secured a short-term charter contract with a major energy company and a new 15-year charter contract with the fully-financed Yamal LNG project for our two previously unchartered MEGI LNG carrier newbuildings delivering in early-2017 and early-2019, respectively."

"Securing long-term financing for our growth projects that deliver through early-2020 is a major focus," commented Mr. Evensen. "We continued to make significant progress and anticipate completing approximately $1.3 billion[(1)] in long-term financings for various growth projects over the next few months. In addition, the Partnership has again demonstrated its access to capital markets and has bolstered its liquidity position through the recent issuance of $125 million in preferred equity and $110 million of five-year Norwegian Kroner-denominated unsecured bonds in an over-subscribed offering."

Mr. Evensen added, "As announced last week, I have decided to retire after 11 years with the Partnership and I am confident that Mark Kremin is the right person going forward as the President and CEO of Teekay Gas Group Ltd. Mark is a highly experienced leader in the gas industry and has led the business and project development aspects of many of Teekay LNG's largest and most successful investments and, since December 2015, has headed up the teams responsible for the commercial and technical operations as well. We are well-positioned with a market-leading position, strong operations, a pipeline of built-in growth projects which are expected to provide significant cash flow growth, and a great team now led by Mark, while Teekay's existing corporate finance team continues to be responsible for our financings."

Summary of Recent Events

Secured Charter Contracts for Previously Uncommitted Newbuildings

In September 2016, the Partnership entered into a 15-year charter contract with the Yamal LNG project, sponsored by Novatek OAO, Total SA, China National Petroleum Corporation and Silk Road Fund (the Yamal LNG Project), to provide the Yamal LNG Project with conventional LNG transportation services. The Yamal LNG Project, which is now fully-financed, is currently scheduled to start production in late-2017. The charter contract will be serviced by one of the Partnership's previously unchartered 174,000 cubic meter (cbm) LNG carrier newbuildings that is scheduled for delivery in early-2019.

Additionally, in November 2016, the Partnership entered into a 10-month plus one-year option charter contract with a major energy company. The charter contract will be serviced by the Partnership's previously unchartered 173,400 cbm LNG carrier newbuilding that is scheduled for delivery in late-February 2017. Prior to the conclusion of this charter, the Partnership will seek to secure a long-term contract for this vessel.

[(1)] Based on Teekay LNG's proportionate ownership interests in the projects.

Operating Results

The following table highlights certain financial information for Teekay LNG's two segments: the Liquefied Gas Segment and the Conventional Tanker Segment (please refer to the "Teekay LNG's Fleet" section of this release below and Appendices C through E for further details).

(in thousands of U.S. Dollars)	Three Months Ended September 30, 2016 (unaudited)			September 30, 2015 (unaudited)		
	Liquefied Gas Segment	Conventional Tanker Segment	Total	Liquefied Gas Segment	Conventional Tanker Segment	Total
GAAP FINANCIAL COMPARISON						
Voyage revenues	87,260	13,398	100,658	75,142	23,273	98,415
Income from vessel operations	48,009	2,625	50,634	37,698	4,499	42,197
Equity income	13,514	—	13,514	13,523	—	13,523
NON-GAAP FINANCIAL COMPARISON						
CFVO from consolidated vessels(i)	72,446	7,061	79,507	58,821	10,261	69,082
CFVO from equity accounted vessels(i)	36,466	—	36,466	45,114	—	45,114
Total CFVO(i)	108,912	7,061	115,973	103,935	10,261	114,196

(i) These are non-GAAP financial measures. Please refer to "Definitions and Non-GAAP Financial Measures" and the Appendices to this release for definitions of these terms and reconciliations of these non-GAAP financial measures as used in this release to the most directly comparable financial measures under GAAP.

Liquefied Gas Segment

Income from vessel operations and cash flow from vessel operations from consolidated vessels increased primarily due to the deliveries of the Creole Spirit and Oak Spirit MEGI LNG carrier newbuildings, which commenced their five-year charter contracts with Cheniere Energy in late-February 2016 and early-August 2016, respectively.

Equity income and cash flow from vessel operations from equity accounted vessels decreased primarily due to the impact of lower mid-sized LPG carrier spot rates, unscheduled off-hire related to certain of the LPG carriers and the redelivery of an older in-chartered LPG carrier (net of the additions of three LPG carrier newbuildings delivered from September 2015 to June 2016) in the Partnership's 50 percent-owned joint venture with Exmar (or the Exmar LPG Joint Venture) and temporary deferral of a portion of the charter payments for the Marib Spirit and Arwa Spirit, effective January 2016, in the Partnership's 52 percent-owned LNG joint venture with Marubeni Corporation (or the MALT Joint Venture) as the charterer temporarily closed its LNG operations in 2015. Equity income was also impacted by unrealized gains on derivative instruments during the three months ended September 30, 2016, compared to unrealized losses in the same period of the prior year.

Conventional Tanker Segment

Income from vessel operations and cash flow from vessel operations decreased primarily due to the sales of the Bermuda Spirit and Hamilton Spirit in April and May 2016, respectively, and lower charter rates upon the charterer exercising its one-year extension options between September 2015 to January 2016 for the European Spirit, African Spirit and Asian Spirit.

Teekay LNG's Fleet

The following table summarizes the Partnership’s fleet as of November 1, 2016:

	Number of Vessels			
	Owned Vessels(i)	In-Chartered Vessels	Newbuildings	Total
LNG Carrier Fleet	31(ii)	—	19(ii)	50
LPG/Multigas Carrier Fleet	22(iii)	2(iv)	5(iv)	29
Conventional Tanker Fleet	6	—	—	6
Total	59	2	24	85

(i) Owned vessels includes vessels accounted for under capital leases.
(ii) The Partnership’s ownership interests in these vessels range from 20 percent to 100 percent.
(iii) The Partnership’s ownership interests in these vessels range from 50 percent to 99 percent.
(iv) The Partnership’s interest in these vessels is 50 percent.

Liquidity

In October 2016, the Partnership completed a public offering of $125 million of its 9.0% Series A Cumulative Redeemable Perpetual Preferred Units, raising net proceeds of $120.7 million. The net proceeds will be used for general partnership purposes, which may include debt repayments or funding installment payments on future newbuilding deliveries.

In October 2016, the Partnership issued NOK 900 million in senior unsecured bonds that mature in October 2021 in an oversubscribed offering in the Norwegian bond market. The Partnership entered into U.S. Dollar swap agreements relating to the new bond issuance, resulting in gross proceeds to the Partnership of approximately $110 million and a U.S. Dollar fixed-rate coupon of 7.72%. In connection with the new bond issuance, the Partnership agreed to repurchase NOK 292 million of the Partnership’s Norwegian senior unsecured bonds maturing in May 2017 at a price of 101.50 of the principal amount of the repurchased bonds. The remaining proceeds will be used for general partnership purposes, which may include funding of newbuilding installments. Teekay LNG will apply for listing of the new bonds on the Oslo Stock Exchange.

As of September 30, 2016, the Partnership had total liquidity of $315.8 million (comprised of $268.4 million in cash and cash equivalents and $47.4 million in undrawn credit facilities). Giving pro-forma effect to the $125 million preferred unit issuance and NOK 900 million bond issuance (net of associated NOK 292 million bond repurchase) in October 2016, the Partnership’s total liquidity as at September 30, 2016 would have been approximately $490 million.

Conference Call

The Partnership plans to host a conference call on Thursday, November 3, 2016 at 11:00 a.m. (ET) to discuss the results for the third quarter of 2016. All unitholders and interested parties are invited to listen to the live conference call by choosing from the following options:

By dialing (800) 505-9587 or (416) 204-9524, if outside North America, and quoting conference ID code 7989662.

By accessing the webcast, which will be available on Teekay LNG’s website at www.teekay.com (the archive will remain on the web site for a period of 30 days).

An accompanying Third Quarter Earnings Presentation will also be available at www.teekay.com in advance of the conference call start time.

The conference call will be recorded and made available until Thursday, November 17, 2016. This recording can be accessed following the live call by dialing (888) 203-1112 or (647) 436-0148, if outside North America, and entering access code 7989662.

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About Teekay LNG Partners L.P.

Teekay LNG Partners is one of the world's largest independent owners and operators of LNG carriers, providing LNG, LPG and crude oil marine transportation services primarily under long-term, fee-based charter contracts through its interests in 50 LNG carriers (including 19 newbuildings), 29 LPG/Multigas carriers (including five newbuildings) and six conventional tankers. The Partnership's interests in these vessels range from 20 to 100 percent. Teekay LNG Partners L.P. is a publicly-traded master limited partnership (MLP) formed by Teekay Corporation (NYSE: TK) as part of its strategy to expand its operations in the LNG and LPG shipping sectors.

Teekay LNG Partners' common units trade on the New York Stock Exchange under the symbol "TGP".

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Definitions and Non-GAAP Financial Measures

This release includes various financial measures that are non-GAAP financial measures as defined under the rules of the U.S. Securities and Exchange Commission. These non-GAAP financial measures, which include Cash Flow from Vessel Operations, Adjusted Net Income, and Distributable Cash Flow, are intended to provide additional information and should not be considered a substitute for measures of performance prepared in accordance with GAAP. In addition, these measures do not have standardized meanings, and may not be comparable to similar measures presented by other companies. The Partnership believes that certain investors use this information to evaluate the Partnership's financial performance.

Cash Flow from Vessel Operations

Cash flow from vessel operations (CFVO) represents income from vessel operations before depreciation and amortization expense, amortization of in-process revenue contracts, vessel write-downs, gains or losses on the sale of vessels and adjustments for direct financing leases to a cash basis, but includes realized gains or losses on the settlement of foreign currency forward contracts and a derivative charter contract. CFVO from Consolidated Vessels represents CFVO from vessels that are consolidated on the Partnership's financial statements. CFVO from Equity Accounted Vessels represents the Partnership's proportionate share of CFVO from its equity-accounted vessels. CFVO is a non-GAAP financial measure used by certain investors to measure the operational financial performance of companies. Please refer to Appendices D and E of this release for reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures reflected in the Partnership's consolidated financial statements.

Adjusted Net Income

Adjusted net income excludes from net income items of income or loss that are typically excluded by securities analysts in their published estimates of the Partnership's financial results. The Partnership believes that certain investors use this information to evaluate the Partnership's financial performance. Please refer to Appendix A of this release for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure reflected in the Partnership's consolidated financial statements.

Distributable Cash Flow

Distributable cash flow (DCF) represents net income adjusted for depreciation and amortization expense, deferred income tax and other non-cash items, estimated maintenance capital expenditures, unrealized gains and losses from non-designated derivative instruments, ineffectiveness for derivative instruments designated as hedges for accounting purposes, distributions relating to equity financing of newbuilding installments, adjustments for direct financing leases to a cash basis and foreign exchange related items, including the Partnership's proportionate share of such items in equity accounted for investments. Maintenance capital expenditures represent those capital expenditures required to

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maintain over the long-term the operating capacity of, or the revenue generated by, the Partnership's capital assets. Distributable cash flow is a quantitative standard used in the publicly-traded partnership investment community to assist in evaluating financial performance. Please refer to Appendix B of this release for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure reflected in the Partnership’s consolidated financial statements.

Teekay LNG Partners L.P.
Consolidated Statements of Income
(in thousands of U.S. Dollars, except units outstanding)

	Three Months Ended			Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Voyage revenues	100,658	99,241	98,415	295,670	294,349
Voyage expenses	(355)	(542)	(240)	(1,354)	(931)
Vessel operating expenses	(22,055)	(22,412)	(24,319)	(66,320)	(70,055)
Depreciation and amortization	(24,041)	(22,869)	(22,473)	(70,521)	(69,251)
General and administrative expenses	(3,573)	(5,864)	(5,676)	(14,865)	(19,452)
Loss on sale of vessels[1]	—	—	—	(27,439)	—
Restructuring charges	—	—	(3,510)	—	(3,510)
Income from vessel operations	50,634	47,554	42,197	115,171	131,150
Equity income[2]	13,514	29,567	13,523	52,579	60,583
Interest expense[3]	(15,644)	(13,269)	(11,175)	(42,910)	(32,432)
Interest income	653	545	617	1,800	1,962
Realized and unrealized gain (loss) on non-designated derivative instruments[4]	5,004	(17,321)	(26,835)	(50,406)	(29,979)
Foreign currency exchange gain (loss)[5]	504	(525)	(8,153)	(10,139)	8,231
Other income	397	407	393	1,223	1,171
Net income before tax expense	55,062	46,958	10,567	67,318	140,686
Income tax expense	(209)	(252)	(258)	(722)	(291)
Net income	54,853	46,706	10,309	66,596	140,395
Non-controlling interest in net income	4,746	3,635	2,811	10,556	11,736
General Partner's interest in net income	1,002	862	7,622	1,121	24,832
Limited partners' interest in net income	49,105	42,209	(124)	54,919	103,827
Weighted-average number of common units outstanding:					
• Basic	79,571,820	79,571,820	78,941,689	79,567,188	78,679,813
• Diluted	79,697,417	79,695,804	79,009,078	79,659,822	78,741,533
Total number of common units outstanding at end of period	79,571,820	79,571,820	79,513,914	79,571,820	79,513,914

(1) Loss on sale of vessels relates to to Centrofin Management Inc. (or Centrofin) exercising its purchase options, under the 12-year charter contracts, to acquire the Bermuda Spirit and Hamilton Spirit Suezmax tankers during the nine months ended September 30, 2016. The Bermuda Spirit was sold to Centrofin on April 15, 2016 and the Hamilton Spirit was sold to Centrofin on May 17, 2016 for gross proceeds of $94 million. The Partnership received a total of $50 million from Centrofin prior to the commencement of the two charters and thus, the purchase option prices were lower than they would have been otherwise. Such amounts received from Centrofin were accounted for under GAAP as deferred revenue (prepayment of future charter payments) and not as a reduction in the purchase price of the vessels, and was amortized to revenues over the 12-year charter periods on a straight-line basis. Approximately $28 million of the $50 million had been recognized to revenues since the inception of the charters, which approximates the $27 million loss on sale recognized in the first quarter of 2016.

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(2) Equity income includes unrealized gains/losses on non-designated derivative instruments and any ineffectiveness for derivative instruments designated as hedges for accounting purposes:

	Three Months Ended			Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Equity income	13,514	29,567	13,523	52,579	60,583
Proportionate share of unrealized (gain) loss on non-designated derivative instruments	(4,604)	1,741	2,809	1,115	(4,147)
Proportionate share of ineffective portion of hedge accounted interest rate swaps	(682)	514	1,122	(8)	1,122
Equity income excluding unrealized gains/losses on designated and non-designated derivative instruments	8,228	31,822	17,454	53,686	57,558

(3) Included in interest expense is ineffectiveness for derivative instruments designated as hedges for accounting purposes, as detailed in the table below (excludes any interest rate swap agreements designated and qualifying cash flow hedges in the Partnership's equity accounted joint ventures):

	Three Months Ended			Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Ineffective portion on qualifying cash flow hedging instruments	(130)	484	—	(1,044)	—

(4) The realized gains (losses) on non-designated derivative instruments relate to the amounts the Partnership actually paid or received to settle non-designated derivative instruments and the unrealized gains (losses) on non-designated derivative instruments relate to the change in fair value of such non-designated derivative instruments, as detailed in the table below:

	Three Months Ended			Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Realized (losses) gains relating to:					
Interest rate swap agreements	(6,494)	(6,613)	(7,232)	(19,750)	(21,856)
	(10)	—	326	620	(244)

Toledo Spirit time-charter derivative contract	(6,504)	(6,613)	(6,906)	(19,130