# Star Bulk 5th June 2008

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**Presenters**

- Akis Tsirigakis
- George Syllantavos

**Operator:** Thank you for standing by ladies and gentlemen and welcome to the Star Bulk conference call on the first quarter 2008 financial results. We have with us Mr Akis Tsirigakis (Chairman and Chief Executive Officer) and Mr George Syllantavos (Chief Financial Officer of the Company). At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. I must advise you that this conference is being recorded today, Thursday 5th June 2008. We now pass the floor to your speaker today Mr Akis Tsirigakis. Please go ahead sir.

**Akis Tsirigakis:** Thank you and good morning ladies and gentlemen, and welcome to the Star Bulk conference call. I'm Akis Tsirigakis the Chief Executive Officer of Star Bulk Carriers. And with me today is George Syllantavos our Chief Financial Officer. Please be advised that today's presentation has been posted on our website as well, www.starbulk.com where it is available to download as you so wish. As a reminder this conference is also being webcast and is user controlled. To access the webcast please refer to our earnings press release which was disseminated last evening, for the web address, which will direct you to the registration page. If you do not have a copy of the press release or presentation, you may contact Nicolas Bornozis of Capital Link at 2126617566 and he'll be happy to fax or e-mail a copy to you.

Now I kindly ask you to turn to slide two to view our safe harbor statement. This conference indeed contains certain forward looking statement within the safe harbor provisions of the Securities Litigation Reform of 1995. And investors are cautioned that such forward looking statements, involves certain risks uncertainties which may affect the Company's business prospects and the result of operation, as you know. Such risks are more fully discussed in the Company's filing with the Securities and Exchange Commission.

Now I'll pause for a second now just to allow you to read the safe harbor statement if you would like to do so. And then before entering into the presentation I would like to point out that we have elected practically to treat certain matters in a specific way that affects finances. And I want to mention here the most important ones, about the market goal we selected to change our drydocking policy to the expense method and this had $2.8 million effect on our net income. Moreover since we have an agreement to sell the vessel Star Iota, we are showing the vessel as 'held for sale', which in itself results in a $3.15 million decrease or a 1.6 million of that being the cost of the vessel's drybulk that affects finances of this quarter one, rather than quarter two of this year. We have decided to conduct also upgrades to all the vessels of the fleet, in the tune of almost 1 million which is part of the vessel operating expenses, as I will refer to in a little while. And in the general and administrative expenses half or about 1.3 million are related to the accounting treatment of incentive stock compensation. Now if you would please turn to slide number four to view our first quarter 2008 financial highlights.

As we noted in yesterdays press release, we commenced operation during the fourth quarter of 2007, specifically December 3rd 2007, and we therefore were unable to present a meaningful comparison of our first quarter of 2008 versus 2007 results. For the quarter ended March 31st 2008, net income was 17.8 million, representing 40 cents earnings per share. Calculated on 44,758,517 weighted average number of shares basic. And 36c earnings per share, calculated on 49,385,952 weighted average number of shares diluted. Our cash flow per share was 46c basic, and 42 cents diluted.

Our CFO George Syllantavos will provide more details on our first quarter earnings later on in this presentation. Now on April 16th, we declared a cash dividend on our common stock of 35 cents per share for the first quarter ending March 31st 2008. This was our second consecutive quarterly dividend, since the completion of the Redomiciliation Merger on November 30th 2007. The dividend was payable on May 26th 2008, to shareholders of record as of May 16th 2008. Now we expect to continue to pay a quarterly dividend of 35 cents per share for the remainder of 2008, which translates to $1.40 annually.

If you turn to slide five, it provides our fleet operating performance for the first quarter of 2008. Within the first quarter of 2008 we owned and operated an average of 8.1 vessels, earning an average time charter equivalent rate of $63,594 per day. Ownership days were 737 days. Voyage days were 647. Available days were 652, and our total drydocking days for both vessels that were drydocked were 75. Our fleet utilisation was all sold 88%, and by excluding the days associated with drydocking it was 98%.

Moving, the first quarter of 2008, we elected to change our method of accounting for the drydocking costs from the deferral method as I mentioned a little earlier, under which costs associated with drydocking a ship are deferred and charged to expense over the period until the ships next scheduled drydocking. So the direct expense method under which we will expense all drydocking costs as incurred. We view this as a preferable and more conservative method which eliminates the subjectivity and significant amount of time that we did. To determine which costs related to drydocking activities could be deferred and amortised over the future period. And is a method we expect more shipping companies will adopt.

During the first quarter of 2008, our total costs for all vessels drydocked, amounted to 2.79 million. We have not elected to change our policy and continue to defer drydocking costs. Net income for the first quarter of 2008 would have amounted to 20.63 million, representing 0.46 million per balance of earnings per share. Calculated on 44,748,517 weighted average number of shares basic and 42 cents earnings per share calculated on 49,385,952 weighted average number of shares diluted. That is a difference of about 6 cents per share.

Please turn to slide six and here we have an overview of our vessel sale and purchase activity, since the completion of the Redomiciliation Merger. We began taking delivery of our initial fleet of eight drybulk carriers on December 3rd 2007, which was immediately following the completion of the Redmociliation Merger on November 30th 2007. The aggregate purchase price of our initial fleet was 345.3 million, which was funded by cash, stock and debt. Since we commenced operations on December 3rd

2007 we have been very active with our fleet growth strategy. And in this context we are to have three Supramax and two Capesize vessels for an aggregate purchase price of 383.7 million. The total purchase price of our combined fleet of 13 vessels was 729 million, well below today's current charter free market value of our vessels, which is estimated to be in excess of 1 billion.

Please turn to slide seven. As I just mentioned, and as you can see on this slide. We so far have achieved 63% fleet growth since we commenced operations. Not only have we taken delivery of the initial vessels, we acquired an additional five vessels, which brings our current fleet to 13 vessels. We also agreed to sell our oldest vessel Star Iota, a Panamax vessel of 78,585 deadweight tons built in 1983 for 18.35 million which we consider to be an attractive price for a 25 year old vessel with a time charter substantially below current market levels. Through these acquisitions we reduced the average age of the fleet to approximately ten years and exceeded the 1 million deadweight tonnage mark, or have achieved 71% growth in terms of deadweight. In terms of our estimated 2008 EBITDA, the 63% fleet growth increases our EBITDA projections by approximately 85% from the original estimated 18 million to approximately 140 million. I would like to add that we still have the capacity and the capability and are very active in our search for further fleet growth.

I will speak about this later in this presentation, and if you would like to turn to slide eight. This slide provides our fleet employment chart. I will bother you with the details of it. However with the addition of the recently acquired Star Ypsilon and Star Cosmo. And the sale of our oldest vessel the Star Iota. Our contracted fleet operating days under time charter in 2008, 2009 and 2010 will be 100%, 88% and 69% respectively. And now we may please turn to slide nine.

Now you can see that our high degree of forward coverage allows for visible and stable cash flows that protect us from any market volatility that may arise. And is able to sustain our dividend policy and enhance our growth prospects. And I would like to add this that since we have time charter coverage 100% for 2008, under time charter all the fuel cost is passed to the customer, that is to the charterer.

Please turn to slide ten. This slide provides what we believe to be the solid fundamentals we offer for the value investor. As I previously mentioned the cost of our fleet of 13 vessels was 729 million, which is well below the current charter free market value of our vessels in excess of 1 billion. We have a significant potential for growth, due to our under level balance sheet, which we expect actually to be approximately 27% of our asset value.

In addition we have approximately 250 million in buying power for growth. As mentioned our contracted revenue for 2008, 2009 and 2010 is 100%, 88%, 69% respectively, which provides for a secured revenue stream and the ability to pay an attractive dividend of 35c quarterly or $1.40 per share annually. Our dividend payout is only 54% of our 2008 free cash flow, which allows for additional room for organic growth. I would like to add that at yesterday's closing price of our share at $14.30 our dividend yield is approximately 10%, which in itself is one of the highest in the drybulk sector. Based on annualised figures we expect to generate EBITDA in 2008 of approximately $140 million, which represents an EBITDA margin of approximately 75%. Although we don't yet have the longevity to provide to a proven track record, we believe that Star Bulk has one of the better fundamentals in the drybulk sector. And the ability to provide long term shareholder value. We believe our stock represents itself with strong upside potential.

Please if you would like to turn to slide 11. This slide provides you with an update share and warrant outstanding count. Since November 30th 2007 about 61% of the warrant have already been converted to common shares. And another 7% approximately have been bought back through our share and warrant repurchase programme announced on January 24th 2008, thereby reducing our warrant outstanding from 20 million to 6.46 million which has significantly reduced the [unclear].

At the time of the completion of the Redomiciliation Merger on November 30th 2007, we had 41,563, 569 shares of common stock and 20 million warrants outstanding. Since then 12,177,927 warrants have been converted to shares of common stock. And consequently we received to date proceeds of 97,423,415. So we plan to use these proceeds to pay down our debt and further fleet growth. Under the share and warrant repurchase programme announced in January 24th 2008 we repurchased 52,000 of common stock for $586,706. At an average price of $11.28 per share, and 1,362,500 warrants for $5,474,363 at an average price of $4.02 per warrant. We paid a grand total of $6,061,069 for the repurchased securities, leaving about $43,938,971 of repurchasing capacity in Star Bulk's $50 million shares and warrant buyback programme.

Our plan to enter into the repurchase programme and retire a portion of our common stock and warrants only reaffirms our pockets in the long term value of Star Bulk and the testimony of our commitment to seek ways to increase shareholder value. Are current shareholding structure is 57% owned by the public , almost 19% by Star Bulk Officers and Directors and 24.4% by TMT which includes 803,481 shares of additional stock. This is the first of two tranches we agreed to issue to TMT. The first and by the end of 2008 and the second in 2009. I will now pass the floor over to our CFO George Syllantavos to discuss our financials, George.

**George Syllantavos:** Thank you Akis. Good morning to everyone. We take a look at slide 12. This slide provides an overview of our ability to fund future growth. Our low leverage providers with an ability to continue to grow our fleet without a need to issue additional equity. Since we will have about 27% leverage on the value of assets for about 25% debt-to-cap at 14.20 a share. There will be approximately $250 million in buying power, which means we would have the ability to acquire approximately three Capesize vessels, three or four Panamaxes and five Supramaxes for a combination of these above asset categories depending on the age profile. Even if we wanted to break down this $250 million of buy power, we would say that approximately 150 million would be our additional debt capability and about another 100 million will be attributed to warrant conversions and 50 million being the actual warrant conversion proceeds as equity and 50 million being the additional debt on that amount, on a 50/50 type of split.

Going onto slide 13, we take a brief look at the balance sheet. As of March 31st of this year, our fixed assets amounted to 562.1 million and total assets amounted to 633.3 million. Our non-current liabilities amounted to 203.3 million, our stockholders equity was up at 422 million. And total liabilities stockholders equity totalled 633.3 million.

Moving onto slide 14, taking a snapshot at the income statement. As of March 31st 2008, once again we commenced operations during the fourth quarter of 2007. And therefore we are unable to present a meaningful comparison of our results between first quarter of '07 and first quarter of

’08, since ’07 we were still a sole company [Pan Maritime]. For the quarter ended March 31st 2008 voyage revenues amounted to 42.49 million and operating income amounted 18.81 million. Net income for first quarter was 17.84 million, representing 40 cents on the Dollar earnings per share calculated on 44,748,517 weighted average number of shares basic. And 36 cents based on the 49,385,952 weighted average number of shares diluted. The debt to income figure includes vessel impairment loss of 3.14 million in connection with the sale of the vessel Star Iota and the amortisation of fair value of above or below market acquired time charters of just over $18 million.

Going onto slide 15 and looking at operating margins for expected in 2008. We’re planning to talk about here Star Bulk’s financials from a daily basis and annualised figures later. Based on our estimated daily breakeven analysis our fleet wide average net time charter equivalent rate is expected to be over $49,975 per day. We’ll be able to achieve high net income and free cash flow margins based on very low cash outflows which in our case are unfortunately at the 35% level of net revenues. Looking at Star Bulk from the cash flow breakeven analysis, we expect to generate approximately $7,527 per day of costs, based on the estimated TCE rate of $49,975 mentioned earlier. And our cash flow margin will be approximately 55% or $32,450.

In addition we estimate our breakeven the net income basis to be $19,977 and net income margin then would be approximately almost $30,000 or 60%. In both instances there is sufficient cash flow to support the quarterly dividend and the growth potential of the Company. Overall let me mention that based on annualised figures, we expect to generate an EBITDA of approximately 140 million, which represents a margin of approximately 75%. Additionally we expect that our net income and cash flow margins would be approximately 55% and 64% respectively. Roughly there would be about 150 million of free cash flow, we expect to generate on an annualised basis that would provide ample room for dividends. As indicated we will retain approximately $52, $53 million of cash to grow the Company, with the remaining 62 million being left as dividend payout. This represents 54% of cash flow slated for dividends.

I would now like to pass the floor back to Akis for the conclusion of the presentation.

**Akis Tsirigakis:** Thanks George and thanks to everybody for participating on this call. George and I would like to answer and will be glad to answer any questions that you may have. You may have noticed we have not included a market overview on the presentation. But we would not mind taking questions on that issue as well. Go ahead.

**Operator:** At this time ladies and gentlemen if you would like to ask a question, please press * and 1 on your telephone and wait for your name to be announced. Again that's *1 on your telephone to ask a question. Your first question comes from Kevin Sterling at Stephens Inc.

**Kevin Sterling:** Good morning Akis and George a couple of housekeeping questions here. Let me start with the mark-up of below market charters. How shall we think about those going forward? Will the mark-up be similar to what we saw in Q1 '08?

**George Syllantavos:** No, let me explain how that works. At the time we acquired the fleet from TMT as you all know; most of the vessels have time charters attached to them, which at the time were market valued. But as time went along and the time charter market that all you guys follow has improved, these seem not to be under market charters. Now in US GAAP, you know, titles bids by calculating what amount of potential revenue, visa vie what the market rates would have been today do these under market charters represent. So the analysis is made by subtracting the actual charter that the vessel had from the market value of that vessel when it was delivered to us, multiplied by the number of days that are remaining to the life of this charter. Now this value is just over $18 million, which you will see in our financials as we go forward to be depreciated until the end of these still existing charters takes place. In our financials, out of this 18 million, 1.8 million of the depreciation is attributed to the depreciation of the quarter, vis-à-vis these 18 million adjustments and fair value of the charter.

**Kevin Sterling:** Okay thanks George that was a good explanation. What do your drydocking expenses look like going forward? For the rest of this year, how many vessels are scheduled to be in drydock for the rest of '08? And maybe you could share a little colour for 2009 and possibly 2010? If you have it that far out.

**George Syllantavos:** Okay lets go and see how the, giving an overall picture. So I mean everybody's on the same page. As you know from our release we already have two vessels that went into the yard, the Star Beta initially went into the yard.

As you know the Star Beta was starting $106,000 a day charter and instead of taking it to the yard at the end of February, we elected to take it to the yard as soon as we got delivery of it, just to take out of the way this drydocking, so we can start earning this attractive rate. Thereafter without any break in between. So the Beta went in initially, then the Iota went in with a cost of about 1.6 million, which I may say that the cost of drydocking of the Iota, even though like 95% of it took place in the second quarter, it's already accounted for in the first quarter numbers in the interim value on the asset that we show in the financials. Therefore this 1.6 million instead of being shown on Q2 is hitting Q1 because of the handling of the time charter and the sale of the Iota shown in this quarter.

Now going forward, you will see that we're going to have some visits to the yard of our Supramaxes, starting with the Theta which is currently in the yard. It's expected to end, its visit in next week. Then we have the Delta going into the yard in August '08. Then have the Zeta going into the yard in November '08. And that's about the picture for '08. Now if you wanted me to mention what is the picture for '09 so everybody has a view of things. At least with the fleet we have in our hands right now, '09 is a very light drydocking year. It just so happens that the periods fall like that. We're only going to have two Supramax visits for drydock next year. One being the Kappa in September and one being the recently acquired the Ypsilon which is a Cape which is going to have a visit in late August. So that's the 2008 view and 2009 picture.

**Kevin Sterling:** Okay thanks George that was very good colour and looks like your drydocking are going down as we progress along. Let me turn to your G&A [line]. How should we think about G&A going forward? Will you continue to have the non-cash expense from stock based compensation? And I think you said it was 1.3 million in Q1 '08, is that correct?

**George Syllantavos:** I'll break it down for you. As you know G&A is shown as about 2.78 million. Out of that 1.43 million is the total stock based compensation, which equals to roughly 33.5c in net income. So that's what it looks like. And then there are some extraordinary costs there of about a couple of hundred thousand and the rest is regular G&A costs. Now this means that the regular G&A costs are about 1.1 million or so.

You should expect that on a quarterly basis it should be a little bit over that just because we kept on adding some stuff during Q2. So you'll see it there. As you know we were a staff that started operations with virtually no employees, just Akis and myself and once the transaction closed on December 3, we started ramping up operations. So we kept on adding and still we'd probable add a couple of people, two or three people to go still to be fully staffed. But that's how the picture looks like.

**Kevin Sterling:** Okay will we have the non-cash expense for stock based compensation going forward?

**George Syllantavos:** Yes because as you know there were some stock based compensation that is related to an award to Akis and myself which is from the proceeds from the [unclear] years, it's from the transaction years. And there is some additional compensation awarded to one of our Board members Mr Espig. Akis and my compensation is vesting through a three year period, the Espig compensation vesting a two year period.

**Akis Tsirigakis:** They will be amortised over the period.

**George Syllantavos:** It will be over that period three year period yes.

**Kevin Sterling:** Okay thanks. Let me kind of switch gears here and kind of talk about your acquisition strategy. Your most recent Capesize vessel acquisition, it's an older vessel. What's your thought process behind buying older tonnage like this?

**Akis Tsirigakis:** Well it is not completely by luck that we are having the Capesizes, it was in the '91, '93 time built period. We kind of feel this is probably the optimal purchase price with a revenue earning potential as well as the expense side. If you take everything into account, I would say that the optimal age for a Cape is anywhere between nine and 14 years old. So that is one of the reasons we have been doing that. But you have to understand that these vessels that we bought, the contract that is being put on the vessel is paying for the vessel to zero. Not only just down to scrap within the period of the contract. So the contract exceeds the purchase price, so it was a no-brainer to us that this was an excellent acquisition with life remaining of course after the end of the contract. It is not easy to find acquisitions like that. In fact I would say they are more of a rarity to be able to have a vessel of any age and put a contract on it, and the contract to have such a value, visa vie the purchase price. Even for newer vessels or whatever.

**Kevin Sterling:** Okay thanks. And kind of one last general question Akis. You said could I ask about the fundamentals of the drybulk industry. So let me ask a question really in that. I'd like to get your thoughts on demand, what you're seeing out there and demand. We've all seen iron ore inventory levels at the Chinese ports are at pretty high levels. I'd like to get your thoughts maybe, what we might not be able to see is the levels at the Chinese steel mills given the infrastructure issues in China. So I'd like to kind of get your thoughts on demand, but also maybe a little bit on supply in particular the new build order broke or hearing everyday, anecdotes regarding cancellations. Particularly at some of the Green Field yards. I'd love to have an update on the kind of demand and supply situation.

**Akis Tsirigakis:** Okay let me start from the easier part, which is the supply. I mean we have a very low supply in 2008. That was a known thing from the very beginning. And not only is it low in 2008, but the first quarter of 2008 has seen a slippage of deliveries. Now the official numbers have not come out yet. We have heard numbers that are definitely well above 15%. We have heard numbers that approach 30%. We will need the official numbers to really take a view. But this is what we see on the supply in the immediate future and which is pretty low for 2008. It picks up on the second half of 2009 onwards.

Now I would like to spend a little time on the demand side, which is a little bit interesting, as you probably have seen. Inventories have been stockpiling in China. And a great number of those stockpiles are owned by traders by the way, not only just steel mills. Those inventories which are not more than a couple of months inventories actually, less than two months inventories, are going to be probably run down or depleted to a great extent over the summer period. Because both of the Olympics and the slow down, due to the Olympics, which was I understand more or less centrally planned. And the earthquake effect that has devastated a lot of infrastructure, moving those stockpiles in land and so forth. As soon as this is over they will have to be build up those stockpiles again, both because they will have been depleted but they will need especially iron ore and cement and all these kind of things to rebuild the country and the infrastructure destroyed by the earthquake. Combined with the northern hemisphere grain season, we expect an extremely strong fourth quarter. I'm not sure how much stronger it will be from this quarter but my view right now it is going to be stronger.

So all in all we are going to see a softer summer, because of the stockpile how it is being played. And I would like you to add an additional factor, that some of you may have noticed. We just got word today that the Chinese have agreed with BHP and Rio Tinto on a 71% price hike. That way so that we have, it hasn't been cross checked, and really this is today's info. This is a little bit below our expectations, or anybody's expectations that this is also something that might affect the sales rate. And anyway to sum it up, we expect a flat summer. I wouldn't say necessarily softened but it may even soften. Nobody should worry about that, I think we're going to see an extremely strong fourth quarter.

**Kevin Sterling:** Okay well, really appreciate that over view. Both to Akis and George, thanks so much for your time today, that's all I have.

**Operator:** Your next question comes from the line of Charles Rupinski at Maxim Group.

**Charles Rupinski:** Well hello. All my questions were asked and answered thank you.

**Akis Tsirigakis:** Oh okay, I'm glad for that.

**Operator:** Your next question comes from the line of Karthik Srinivasan of Giovin Capital.

**Karthik Srinivasan:** Morning gentlemen.

**Akis Tsirigakis:** Hi Karthik how are you?

**Karthik Srinivasan:** I'm doing well how are you?

**Akis Tsirigakis:** Okay.

**Karthik Srinivasan:** I had a couple of questions just in terms of your fleet growth and kind of chartering strategy going forward. I guess first in terms of the…

**Akis Tsirigakis:** Karthik I think we are losing you, you're breaking up can you repeat please?

**Karthik Srinivasan:** Alright can you hear me now?

**Akis Tsirigakis:** Yes much better.

**Karthik Srinivasan:** Alright sorry about that. I had a couple of questions just in terms of the fleet growth and kind of chartering strategy going forward, are you guys thinking about that? First on the fleet growth, in terms of the vessel class that you're interested in. Lately you've seen kind of a divergence in rates.

**Akis Tsirigakis:** We cannot hear you; you are breaking up very much. We can only hear maybe every third word. Can you please repeat?

**Karthik Srinivasan:** Sorry about that, is this better?

**Akis Tsirigakis:** Yes.

**Karthik Srinivasan:** Why don't I take this offline, sorry about that.

**Akis Tsirigakis:** Hello?

**Karthik Srinivasan:** I'll just take this offline since you're having trouble hearing me, so thank you.

**Operator:** Thank you. Again ladies and gentlemen, *1 on your telephone if you would like to ask a question. There are no further questions sir, back to you.

**Akis Tsirigakis:** Thank you very much. Should we wait no longer for Karthik, I did not understand maybe she wanted to have another question. Is he calling back, or should we close it? And if he wants he can give us a call and we'll respond anytime.

**Operator:** He said he would take his question offline with you sir.

**Akis Tsirigakis:** Okay but he was breaking up and I could not really make out what he was saying. So I would like to thank everybody for participating on the call. We believe we are well positioned to create further value to our shareholders with the aid of a strong balance sheet, and our [unclear] debt level. And of course we look to forward our second quarter 2008 earnings which will be released sometime in August 2008. Thank you and have a good day.

**Operator:** That does conclude your conference. For those of you wishing to review this conference, the replay facility may be accessed by dialling UK +44 1452 5500 and entering the encore number 3128607 followed by the # or pound key. Thank you for participating, you may all disconnect.