Corporate Participants

Petros Pappas
Star Bulk - Chairman

Spyros Capralos
Star Bulk - President & Chief Executive Officer

Simos Spyrou
Star Bulk - Chief Financial Officer

Presentation

Operator:
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers conference call. We have with us Mr. Petros Pappas, Chairman, Mr. Spyros Capralos, President and Chief Executive officer, and Mr. Simos Spyrou, 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 star one on your telephone keypad and wait for your name to be announced.

I must advise you that this conference is being recorded today, Monday, June 16th, 2014. We now pass the floor to one of your speakers today, Mr. Spyros Capralos. Please go ahead, sir.

Spyros Capralos:
Thank you, Operator. Before we begin, I kindly ask you to take a moment to read the forward looking statements and the additional information on slides two and three of our presentation. Also, we note to you that our business both before and after the merger is subject to certain risks. We refer you to the risk factors section of our Form 20-F, Final Report for 2013, for a discussion of those risks.

Ladies and gentlemen, we are very excited to announced our transformational merger with Oceanbulk, which we expect to result in Star Bulk becoming the largest U.S.-listed dry-bulk company, as measured by the cargo-carrying capacity of our vessels.

As you can see on slide four, through our acquisition of Oceanbulk, which is 90 percent owned by Oaktree and 10 percent owned by members of our chairman's family and their affiliates, and through the acquisition of other assets owned directly by members of Mr. Pappas' family and their affiliates, we expect to acquire a 41 ship fleet of which 15 on-the-water and 26 newbuildings that have a delivery schedule ranging from Q3 2014 and Q2 2016.

Total consideration for the transaction will be a (rations) of 54.1 million shares of Star Bulk common stock, based on Friday's closing price of $12.07 per share. The transaction implies a value of $653 million and, assuming the assumption of less debt and new building commitments, the total transaction value exceeds $1.7 billion.

The transaction was negotiated for us by a transaction committee made up of disinterested directors, and was predicated on broker appraisals adjusted by debt levels. The transaction committee was able to obtain a $35 million adjustment to these appraisals in favor of Star Bulk.

And now, I would like our Chairman, Mr. Petros Pappas, to give you an update on the benefits of this merger and our enhanced management team.

Petros Pappas:
Thank you, Spyros. Let us move to slide number five. One of the most exciting aspects of the transaction is the enhancement of our management team. Given the unification with the Oceanbulk and Star Bulk fleets, I have agreed to become the CEO and I am delighted that Spyros Capralos will remain with our company in the role of Chairman of the Board.

We will be adding well-known shipping industry professionals, Hamish Norton as President, and (Nikos Raskos) as COO, and increasing our finance staff with the addition of (Christos Bilaries). We believe this modified executive management team is best positioned to execute on additional acquisition opportunities and further growth.

Turning to slide six, we believe that the merger has significant benefits to Star Bulk. First, the merger creates the largest U.S.-listed dry-bulk company by dead weight. In total, on a fully delivered basis, Star Bulk will have 69 vessels, aggregating 8.7 million dead weight. As I mentioned, Star Bulk will also have the largest eco-fleet in the dry-bulk sector. Additionally, Star Bulk and Oceanbulk placed orders at similar times, at similar yards. The sister-ship effect to create both operational and technical advantages.

One of the primary goals of this transaction is to create a market leader that can continue to accretively acquire additional vessels and fleet. With our strong shareholder base and aligned structure, we fully expect to engage in further consolidation.

An additional benefit of the merger is the increase in market exposure to what we believe will be a rising rate environment. Pro forma for the transaction, Star Bulk will be one of the largest operators of Capesize and larger dry-bulk tonnage.

Last, we expect the transactions to increase Star Bulk's total market capitalization well in excess of $1 billion, which we believe will enhance our access to the capital markets and other financing sources. I will now pass the floor back to Spyros to drive us through the details of the transaction.

Spyros Capralos:
Thank you, Petros. Turning to slide seven, we have some details of the transaction. As we have mentioned in the press release this morning, the transaction is broken into three pieces. First, Star Bulk will be buying Oceanbulk's existing 12 on-the-water vessels and 25 newbuild contracts in exchange for 48.4 million shares.

Secondly, we will be buying one 2014-built tech-efficient Kamsarmax, and a newbuilding of a Capesize vessel for members of our chairman's family and their affiliates, in exchange for 3.6 million shares.

Finally, we'll also be buying two 2006-built Kamsarmaxes from an Oceanbulk-affiliated joint venture in exchange for 2.1 million shares.

Pro forma for transactions, Star Bulk will have 83.6 million shares outstanding. Oaktree will own 61 percent, members of the Pappas family would own almost 13 percent, and other existing Star Bulk shareholders would own about 26 percent. Also, Star Bulk will enter into shareholder agreements with Oaktree and Pappas family members regarding key governance provisions including, but not limited to, board representation, voting restrictions, stantive provisions, and limitations on ownership.

Moving to slide eight, as noted in our press release, the merger agreement and all of the other agreements were approved by Star Bulk's board of directors upon the recommendation of the transaction committee. While not required, the transaction committee felt it was important for the merger to be conditioned upon the affirmative vote of the holders of a majority of Star Bulk's shares, excluding Oaktree, certain members of the Pappas family, and their respective affiliates.

In addition, we note that our largest current shareholder, Monarch Alternative Capital, has agreed to vote its shares in favor of the transaction. We currently expect the transaction to close in July, subject to completion of the shareholder vote, among other conditions precedent.

Slide nine provides more detail on the ships being acquired. It is a diversified and modern fleet with the new buildorders concentrated in larger Capesize vessels and new Kamsarmaxes and Ultramaxes. I would like to point out that once fully delivered, the average fleet age would be 3.6 years in 2016.

Slide 10 shows the pro forma combined fleet. Over 70 percent of the fleet, by deadweight tons, will be (gauged) four new Kamsarmaxes, but in general the fleet will be diversified across several segments, allowing us to better service our customers' needs commercially.

Slide 11 shows our growth by number of ships and deadweight tons. At the closing of the transaction, Star Bulk will own 32 ships on-the-water and by the end of the year we should have three more Capes. As you can see, the majority of our new buildorders are scheduled for delivery from now through Q4 2015. In Q4 2015, we expect to have 61 ships on-the-water, followed by our full fleet of 69 ships in Q2 2016.

Slide 12 shows the after the closing of the transaction, Star Bulk will become the largest U.S.-listed drybulk owner by deadweight ton, and a leading new Kamsarmax and Capesize player with 33 vessels.

And now, I would like to throw back to Petros for a discussion of our strategy going forward.

Petros Pappas:
Thank you, Spyros.

On slide 13, we outline Star Bulk's business strategy of expanding and renewing the fleet, and optimizing cash flows through spot exposure and vessel diversity. We have been actively searching for additional assets to acquire, and we will continue to engage in discussions with respect to such acquisitions. And we may enter into transactions at any time, either with third parties or with affiliates.

Going forward with our spot employment strategy, we're well-positioned to capitalize on increases in demand for drybulk shipping. We intend to charter our vessels in an active and sophisticated manner, to get full benefit of our fuel-efficient fleet. We're focusing on further fleet expansion, and we will continue to opportunistically acquire high-quality tonnage at attractive price.

Through our management's operational experience and relationships, we will be able to further expand the fleet, optimize our cost of capital, and maximize shareholder value. Our cost-containment efforts will continue and, through the transaction, we expect that our operating expenses per vessel to be among the lowest in the industry, due to our focus on building the most sophisticated technical, commercial, and procurement management.

We expect synergies and cost efficiencies due to the increased number of sister-ships in our fleet. Our remote vessel monitoring system will allow us to constantly monitor vessel parameters, including consumption of fuel and lubricant, to minimize costs.

Finally, pro forma for the transaction will maintain a strong balance sheet through moderate use of leverage, to retain greater flexibility than more leveraged competitors.

Slide 14 outlines our differentiated operating approach of our drybulk fleet. Through our real-time remote monitoring system, we measure more than 200 operating functions on board the vessels. Sophisticated software and experience personnel ashore are receiving and analyzing the data, locating operational inefficiencies. We focus particularly on fuel-consumption metrics, lubricants, and operational parameters of critical equipment.

Among the benefits of the remote monitoring system are the reduced fuel and lubricant costs, the speed of optimization in relation to vessels' draft and prevailing weather during sea passage, and the better maintenance of the vessel.

On slide 15, we will try to demonstrate the commercial benefits of new Kamsarmax vessels. We expect that new Kamsarmax designs will offer significant benefits for charters and major exporters, due to port operations efficiencies, and due to significant reductions of dollar per ton costs on major routes during a high (bondure) environment.

As an example, to achieve a time charter equivalent of $31,000 per day, the new Kamsarmax would require, on the Brazil turnaround volume, approximately $23.50 per ton, versus $27.80 per ton for the new Baltic Capesize. That same $23.50 per ton actually equates $20,500 on a time charter equivalent versus the $31,000 that the new Kamsarmax can achieve, for a difference of $10,500 per day.

And now, I will pass the floor back to Spyros to drive us through the operating leverage of the merged company and the balance sheet profile. Spyros, the stage is yours.

Spyros Capralos:
Thank you, Petros.

On slide 16, we present Star Bulk's fleet employment profile pro forma for the transaction. As you can see, we maintain flexibility by keeping our fleet spot to take advantage of rate recovery and full economic benefits of fuel efficient newbuild designs, with a fleet coverage of 26 percent for the remainder of 2014, 17 percent for 2015, and 7 percent for 2016.

On slide 17, we present Star Bulk's significant operating leverage after the merger. Clearly, the transaction provides Star Bulk with significant earnings and cash flow upside in what we believe to be an improving market environment. Star Bulk is expected to have a large fleet with spot exposure providing for significant upside as that market rises, a highly efficient cost structure and eco-friendly vessels that help mitigate downside cash flow and residual risk in all market conditions.

On a fully delivered basis, we expect to have over 25,000 spot days in 2017. As you can imagine, each dollar swing in spot rates has a material impact on our cash flow. For example, a $1,000 per day increase in (cape) rates, and a $400 per day increase in Panamax Supramax rates could translate into a change in EBITDA of approximately $17 million in 2017.

Turning now to slide 18, we expect Star Bulk to continue to maintain a strong balance sheet and a stable leverage profile. Pro forma for the transaction, and as of March 31, 2014, we would have $141 million in cash and $496 million in debt outstanding. Our remaining newbuild program would require a capital outlay of approximately $1.3 billion, and we have already paid $230 million in deposits.

The merged entity has $530 million in committed debt financing. Assuming a conservative estimate of 60 percent debt financing, at vessel acquisition costs, and cash of $140.9 million, pro forma combined Star Bulk would have a funding gap of only $166 million excluding working capital, or $203 million including working capital requirements.

The gap would need to get funded as our newbuilds get delivered in the future. We would anticipate meeting this funding requirement through both internally generated cash flow, raising debt capital, and by opportunistically assessing the debt equity and debt capital markets.

Before we close this presentation, we have on slide 19 an expected time table of the transaction. In connection with our stockholder meeting scheduled for July 11th, 2014, we remind you that this presentation is for informational purposes and not a solicitation in connection with that meeting. We intend to furnish relevant materials, including a proxy statement, with the Securities and Exchange Commission on Form 6-K.

Investors and security holders of Star Bulk are urged to read the proxy statement and other relevant materials when they become available, because they will contain important information about Star Bulk, Oceanbulk, the merger, and the proposed transaction. The proxy statement and other relevant materials, when they become available, and any other documents filed by Star Bulk with the SEC may be obtained free of charge at the SEC's Website, at Star's Website, or by sending a written request to Star.

Thank you, ladies and gentlemen. This concludes our presentation and, operator, you may now open the call for questions.

Questions and Answers

Operator:
Thank you. We will now begin the question-and-answer session.

If you wish to ask a question, please press star one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the hash key.

And our first question comes from Ben Nolan from Stifel. Please go ahead.

Ben Nolan:
Yeah. Thank you, operator. And congratulations, guys, on the transaction. I think it's obvious from the reaction of the stock that it seems like a very logical and beneficial move for the company.

I was – my first question is – could you maybe just, as this is sort of the first time that, looking at a presentation here, I'm able to see the economics behind the Oceanbulk side of it. Could you maybe just walk me through the stand-alone Oceanbulk – what has already been paid in terms of the newbuildings? If there is any debt associated with it – or, I assume there is some debt associated with the assets. Basically the balance sheet, I suppose, and remaining funding requirements for the Oceanbulk side of the business on a stand-alone basis.

Simos Spyrou:
Ben, thank you. This is Simos. Oceanbulk has a total vessel cost for the newbuildings of $1.1 billion, and we estimate a total debt that the fleet will be getting of $750 million. They have already committed out of this about $440 million, so the remaining non-committed debt is approximately $310 million.

The total equity required is $360 million and the installments that have already been paid are about $150 million. So the remaining equity CapEx from Oceanbulk's side is approximately $210 million.

Ben Nolan:
That is fantastic. Thank your for that. It was very thorough.

My next question is, maybe, even a little bit more granular, but I know that with respect to some of the Newcastlemaxes, those were done – or there was a note that those were done on sale and leaseback transactions.

I assume that that is similar – well, is it fair to assume that the terms are similar to the two sale-leasebacks with eventual purchase options that you guys already have on two of the Newcastlemax newbuildings that you'd done at Star Bulk, and are those accounted for as effectively as, say, finance leases?

Simos Spyrou:
That is correct, Ben. They have exactly the same terms of the Star Bulk Newcastlemaxes, similar conditions, same yards. So everything's the same.

Ben Nolan:
OK. And so they are also included in the CapEx schedule and everything else, as though they were owned asset, correct

Simos Spyrou:
Yes, they are.

Ben Nolan:
OK. Perfect. OK, well, those were my only two questions, and I don't want to monopolize the time, but, again, I think this one has been obvious to me for a while, and I'm glad that you guys were finally able to get the two sides to come together.

Simos Spyrou:
Thank you, Ben.

Operator:
Thank you. Our next question comes from Fotis Giannakoulis from Morgan Stanley. Please go ahead.

Fotis Giannakoulis:
Yes. Hey, guys, thank you and congratulations for this transaction.

Can, Peter – can you give us a little bit more background on what led you and your partners to this decision? That was actually a transaction that had been speculated for a long time, but there were also thoughts of a potential separate IPO over Oceanbulk. What led you to this decision of merging with Star Bulk?

Petros Pappas:
Well, I think that was – thank you for this. But I think that was the natural way to go, to begin with. Then both of us together were creating a very big company, over $1 billion. And we think that is going to be good for the public markets, and it's going to be also positive for our loans, and for chartering purposes, et cetera.

Then, after that, Star Bulk was already managing our fleet. So this is an easy merger. It's an easy play for the two companies. We don't need to change too much to do it. That's basically the reason that led us to proceed with this transaction.

Fotis Giannakoulis:
Thank you, Peter. Can you also tell us how is it going to be, the new structure, expense structure of the combined entity? What is the G&A expense that you are expecting when the vessels will be delivered, and how this G&A is going to be ramping up?

Petros Pappas:
We'll have an increased number of vessels. And that's – and we consider there's going to be all kinds of synergies and efficiencies going with scale, et cetera. And therefore we should be doing better on that front going forward.

Fotis Giannakoulis:
Is there a G&A number that you can guide us, when the vessels will be delivered?

Petros Pappas:
No, not at this moment.

Fotis Giannakoulis:
OK. Thank you very much for your answer.

Petros Pappas:
Thank you, Buddy.

Operator:
Our next question comes from Noah Parquette from Canaccord. Please go ahead.

Noah Parquette:
Hi. Thank you. I just was curious. You know, you talked about how this is – you're going to be looking at further consolidation in the sector. Obviously, Oaktree has other dry-bulk investments. How wide do you plan on casting that net, in terms of what types of ships you're going to focus on, in terms of being particular with different age and types.

Simos Spyrou:
Right now, we'll be having one of the youngest fleets and one of the most efficient fleets in the market, we said, by the year 2016. The average age of our fleet will be less than four years old, and so these vessels will be highly efficient with – regarding their consumption in lubricants, in the tankers, and therefore we will still be looking to acquire attractive transactions, to seek attractive transactions, because we think that Star Bulk can be a natural consolidator in this fragmented market.

But those assets will have to be according to the other assets and the vessels that our company already possesses.

Noah Parquette:
OK. And then, just as a follow-up, obviously with your scale you probably will have access to other types of financing. Do you think you'll stick with traditional bank financing, or would you be open to other things?

Simos Spyrou:
I think the size of the company permits the company to look into all kinds of different finance – types of financing. And I'm sure that we'll sit down and try to find the best ways in order to reduce our costs and make a nine financing structure.

Noah Parquette:
Great. Thank you.
Operator:
Our next question comes from Natasha Boyden from MLV Company. Please go ahead.

Natasha Boyden:
Thanks operator. I actually just wanted to follow up on Noah's question about additional transactions.

You know, this, as you said, was a pretty transformational transaction for the company. You know, I just really want to know how long you think it's going to take you to sort of digest this one, and how much more can you actually do? And what is your capacity right now – do you think – do you still have in order to go out and further consolidate the market?

Spyros Capralos:
Thank you, Natasha, for the question.

As you know, Star Bulk is poised for growth. We are a company that has been transformed in the last couple of years, and I think that there is still room for growth. We'll be evaluating all transactions in the market, so I think that first transaction is quite easy because, as Petros said, the fleet of Oceanbulk was already technically and operationally managed by Star. And I think that we will be evaluating every transaction. But at this point we do not want to speculate any more.

Natasha Boyden:
OK. And I understand that, but would you really only want to transform your fleet in terms of acquiring other fleets, or would you be open to sort of buying vessels in terms of ones or twos at a time? Or would it just have to be a fleet?

Spyros Capralos:
Obviously, Natasha, we are open to both. We'll be looking for accretive transactions in acquiring vessels on-the-water, but if there are also fleets that are for sale that will not – we'll be evaluating each transaction separately.

Natasha Boyden:
All right. OK, great. Thank you very much.

Operator:
Our next question comes from Eric Swergold from Firestone Capital. Please go ahead.

Eric Swergold:
Hi. Good evening. A couple of questions. First of all, with just 20 percent to 25 percent of the shares in the public hands, could you talk about, maybe, the rationale for not taking the whole company private at part of this transaction?

Secondly, most of the shipping companies have some sort of dividend stream. You guys do now. Given the $200 million capital requirements, I presume we should wait a little longer for the resumption of dividends.

And then, lastly, with regards to the fleet age, when does a newbuild enter the calculation of fleet age? Once it's in the water, or at the end of construction, or exactly how is that calculated? Thank you.

Simos Spyrou:
OK. Three quick questions, and three quick answers.

Liquidity – I think that over time, (you can trading) increase will improve. And we have a very significant growth in front of us, and at the opportune time we will seek to do a transaction in the capital market which I think will increase our public flow.

Regarding dividends, right now it's not time to pay dividends as we're in a growth mode.

And the third question was – oh, fleet age. We consider the fleet age according to the vessels, when they come only on-the-water.

Eric Swergold:
Great. Thank you very much.

Simos Spyrou:
You're welcome.

Operator:
Our next question comes from Harsha Gowda from BlueShore. Please go ahead.

Harsha Gowda:
Gentlemen, congratulations on this transformative transaction, especially as it continues everything you've done over the past year or two years.

Most of my questions have been answered, but one question I have is, generally in these presentations you give an idea of the market value of the newbuilds. Could you – I don't know if you've mentioned that, but could you give us an idea of what the market value is?

Simos Spyrou:
Even though it's very difficult to say how much is the value of the newbuild vessels, but according to estimations, the vessels of Oceanbulk have increased in value of a little bit over $200 million, and the vessels of Star at around $100 million.

Harsha Gowda:
OK. So the market value roughly is about $300 million over the total costs.

Simos Spyrou:
The contracted values, yes.

Harsha Gowda:
Yes, yes. OK. Great. Thank you, and congratulations again.

Petros Pappas:
Thank you, Harsha.

Operator:
Thank you. Once again, if you wish to ask a question, please press star one on your telephone keypad.

And there are no further questions at this time. Please continue.

Spyros Capralos:
Thank you very much for attending this presentation that we had. I think that this transaction, again, transforms Star Bulk in one of the leading U.S. dry-bulk companies. And we thank you for your attention and we'll be there for more news in the future.

Thank you very much for being with us.

Operator:
Thank you very much. That does conclude our conference for today. Thank you for participating. You may all disconnect.