Corporate Participants

Petros Pappas
Star Bulk Carriers - Chief Executive Officer

Hamish Norton
Star Bulk Carriers – President

Simos Spyrou
Star Bulk Carriers – co- Chief Financial Officer

Christos Begleris
Star Bulk Carriers - co-Chief Financial Officers

Presentation

Operator:
Thank you for standing by, ladies and gentlemen. Welcome to the Star Bulk Carriers conference call fourth quarter and year ended December 31, 2016, financial results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Simos Spyrou and Mr. Christos Begleris, co-Chief Financial Officers of the Company.

At this time all participants are in a listen only mode. There'll be a presentation followed by a question and answer session, at which time if you wish to ask a question, you can press star, one on your keypad and wait for your name to be announced. I must advise you that this conference is being recorded today.

We now pass the floor to one of your speakers today, Mr. Pappas. Please go ahead, sir.

Petros Pappas:
Thank you, Operator. I'm Petros Pappas, Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers conference call regarding our financial results for the fourth quarter and full year 2016.

Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number 2 of our presentation.

Let us now turn to slide number 3 of the presentation for a summary of our fourth quarter 2016 financial highlights in comparison to the same period last year. In the three months ending December 31, 2016, net revenues, adjusted for non-cash items less voyage expenses, amounted to $50.9 million, 15.5 percent more than the $44.1 million for the same period in 2015.

Adjusted EBITDA for the fourth quarter 2016 was $15.6 million versus $6.6 million in the fourth quarter 2015, a significant increase of 135.6 percent.

Adjusted net loss for the fourth quarter amounted to $16.2 million, or $0.29 loss per share, versus $24.5 million adjusted net loss, or $0.56 loss per share, in Q4 2015.

Our time charter equivalent rate during this quarter was $8,202 per day, compared to $6,897 per day in the same quarter last year. These time charter rates are on the basis of 98 percent and 97.7 percent utilization, respectively. Starting from this quarter, we have changed the calculation method so as to be in line with the reporting of the majority of our peers.

Our average daily operating expenses were $4,047 per vessel per day, a decrease of 1.4 percent compared to the fourth quarter 2015 figure of $4,104 per day per vessel.

I will now pass the floor to our co-CFO, Christos Begleris, for an update on our operational performance for the quarter.

Christos Begleris:

Thank you, Petros.

Slide 4 summarizes Star Bulk's strong liquidity position. Following the restructuring of our debt facilities agreed in September, our all-in cash breakeven -- which includes OpEx, corporate overhead, interest, lease payments, and dry-dock provision -- has been reduced significantly, to approximately $7,400 per day per vessel.

This reduction of 31.5 percent has decreased cash burn and enables the Company to have positive cash flow when rates are stronger. Latest one-year TCE rates from Clarkson's are at levels above our breakeven. During Q4 2016, we had a positive cash flow of $6.1 million.

On the right-hand side, we provide recent balance sheet information on our cash and debt positions. As of February 21, our total cash balance stood at $249.2 million. Total debt as of the same date stood at $960.9 million.

The remaining CapEx on the five Newcastlemax vessels that we are due to take delivery of is at $187 million: $112.7 million is due in 2017 when we take delivery of three vessels, and $74.3 million is due in early 2018 when we take delivery of the final two vessels.

Three of the five vessels have variable financing, with fixed debt amounts and no LTV test at drawdown. We are in negotiation for 60 percent loan-to-value financing on the remaining two vessels that, on the basis of today's valuation, would leave around $10 million to $15 million of equity required in order to take delivery of the vessels.

In slide 5, we want to update you on our fleet employment. We have fixed 23 vessels, for an average rate of $8,440 per vessel per day, for periods ranging from a couple of months up to 15 months forward. For 2017, we have covered approximately 26 percent of our available days at rates close to or above our breakeven.

Please turn to slide number 6, where we summarize our operational performance for the full year 2016. We believe that the combination of our in-house management capabilities and the scale of the Group provide us significant advantages in terms of cost and quality.

We have improved our OpEx to $3,801 per vessel per day for 2016, from $4,233 per vessel per day in 2015, a reduction of 10.2 percent.

In the middle of the page, you can see that Star Bulk is ranked in the top three amongst managers evaluated by Rightship. We are very focused on having the highest standards of vessel safety and maintenance to meet the requirements of our strictest and most demanding clients.

On the right-hand side, you can see the evolution of our average daily net cash G&A expenses per vessel. Our expenses per vessel per day are 21.1 percent lower than the fourth quarter of 2015, at $1,005 per vessel per day for the fourth quarter of 2016. This is four percent lower for the full year of 2016, at $1,089 per day.

The reduction of both our daily OpEx and our daily G&A expenses result from economies of scale of a larger fleet, as well as the discipline and dedication our employees have shown with respect to cost control.

Slide number 7 shows that Star Bulk is one of the lowest-cost operators amongst US-listed dry bulk peers, based on latest publicly available information. Star Bulk is one of the leaders in cost efficiencies among the industry, with OpEx approximately 20 percent below the industry average.

Notwithstanding the above, we always continue paying a lot of attention on the condition of our vessels in order to remain at the top of the list of our commercial partners.

I will now pass the floor back to Petros for a market update and his closing remarks.

Petros Pappas:
Thank you, Christos. Please turn to slide 8 for a brief update of supply.

During 2016, the dry bulk fleet has grown by 2.2 percent, versus 2.4 percent in 2015. A total of 47.2 million deadweight was delivered, and 29.1 million deadweight was sent for demolition.

Dry bulk contracting has been minimal, at a total of 1.4 million deadweight if we exclude the 30 Valemaxes ordered during the first quarter of 2016.

Limited ordering, cancellations, and conversions have helped trim the dry bulk order book to approximately 10 percent by the end of 2016, from 17 percent (sic - see slide 8, "16 percent") in 2015. For as long as scrapping remains higher than ordering, this is a positive development, which, along with further slippage and potential cancellations, will support the dearth of supply of vessels during 2018 and 2019.

As the dry markets have recently substantially improved and scrapping has slowed down to now annual rate of around 17 million tons deadweight, we expect full-year net fleet growth to increase from 2.2 percent during 2016 to around 3.5 percent during 2017, but then below one percent during 2018.

Let's now turn to slide 9 for a brief update of demand. After more than two years of strong declines, commodity prices reached a bottom during the first half of 2016 and have experienced a strong recovery through the beginning of 2017.

We believe that the monetary and fiscal stimulus in China during 2015 and the first half of 2016 has resulted in a recovery of steel consumption, as well as electricity requirements.

Infrastructure and residential fixed asset investment has been key to this rebound. Home prices in China have continued to increase, while global steel production and profitability have also recovered since last year.

Furthermore, the increase in new property starts and growing infrastructure spending in China and Southeast Asia is expected to support positive steel demand growth also in 2017.

During 2016, iron ore and coal production in China declined by 5.7 percent and 7.8 percent, respectively. This has partly been the result of government regulation, such as a 276-workday restriction on coal mining that came into effect during the second quarter of 2016. As a result, coal imports rebounded 25 percent during 2016, while coal stocks continued to stand at relatively low levels, suggesting that imports should remain strong during 2017.

According to Clarkson's, total dry bulk trade growth in 2017 is projected to recover, above 2 percent, with ton-miles growing at a faster rate. From the middle of 2017, we expect ton-miles to increase due to Brazilian iron ore and West Africa bauxite exports and healthy grain demand from the Pacific.

The first half of 2016 will go on record as the most challenging period, in my living memory at least. Despite the latest improvement in rates, 2017 will see an influx of about 50 million tons of deadweight, and whoever becomes too optimistic may be met with disappointment.

We, therefore, highlight once again that the most important factor for market balance is owners' supply discipline. Absence of ordering and continued demolition will ultimately put a cap on fleet growth for 2018 onwards and will lay the foundation for a sustainable recovery to take place sometime thereafter. If, however, substantial money is invested in new buildings, a potential shipping (spree) will never take place.

Without taking any more of your time, I will now pass the floor over to the Operator to answer any questions you may have.

Operator:
Thank you and we will now begin the question and answer session. Once again, if you wish to ask a question, press star, one on your keypad and wait for your name to be announced. And your first question comes from the line of Noah Parquette, J.P. Morgan. Your line's now open, sir.

Noah Parquette:
I just wanted to first talk a little bit about the rationale for the share offering in January. Can you talk a little bit about what the strategy was? Was this just a way to get an additional buffer as an insurance? Or, do you plan on expanding at these asset values? Some color would be helpful.

Hamish Norton:
It's Hamish Norton. So, when we saw the stock price performance in January, we thought while it's always painful to issue equity, especially since management are large investors in the Company, at least

relative to our former net worths, we thought it wise to add a buffer to the balance sheet. And we have no present intentions of issuing any more.

Noah Parquette:
Okay. All right. That's really helpful. And then, I just wanted to ask about the charters that you've done in the last three or four months. Can you talk a little bit, is this just trying to take some risk off the table over the next six to 12 months? Or, do you have kind of a focused employment strategy, like a mix between spot and time charter that you want to have on a more normalized basis?

Petros Pappas:
It's Petros. What we've done up to now is last quarter we fixed some vessels through to the end of Q2, because we wanted to protect a potential Q1 downturn, which basically did not materialize but the rates we fixed at were similar to what the market is today.

I think what we will be doing -- because nobody knows where this market is going, although we are relatively positive for -- getting positive for this year, especially because of demand, which was not as expected as it is turning out. But on the other hand, we should not forget that we have about 45 million to 50 million tons deadweight coming in this year.

And as we're seeing that scrapping is slowing down -- so, I foresee scrapping this year below 20 million, probably more like 15 million to 17 million. And that would mean an influx of about 30 million tons of net deadweight in the market.

Now, you multiply that by seven, its 210 million tons of new cargo that needs to be carried. Therefore, you need about 3.5 percent to 3.8 percent demand increase to cater for the new deadweight coming in.

Of course, ton-miles have a lot to do with demand, and if there are more exports -- for example, grains, which we foresee there might be 30-plus million tons of extra grain cargo this year, which is coming from the Americas, and there's going to be a few tens of millions of additional iron ore coming from Brazil -- this adds ton-miles.

So, even if demand is going to be in tons 2 percent increase, in ton-miles could be 3 percent or 3.5 percent. As I said, we think that supply is going to be 3.5 percent, as well. So, we're seeing a strong first half of this year and much stronger than last year.

But it's possible that the second half of this year is not as strong comparatively to last year. Therefore, we'll probably wait for a little while and then fix a percentage of our fleet forward for a year, or so, probably trying to cover Q1 next year as well. So, basically, that's what our plan is.

Noah Parquette:
Okay. That's very helpful. That's all I had.

Petros Pappas:
Thank you.

Operator:
Your next question comes from the line of Ben Nolan from Stifel. Your line is now open.

Steven Tittsworth:
This is Steven Tittsworth, on for Ben Nolan. My first question really deals with the recent equity offering that you completed. You've been successful raising a good amount of cash. Do you feel you're in a position to focus a little less on balance sheet strength and potentially be more aggressive towards one or two vessel acquisitions over the next coming months?

Hamish Norton:
Steven, its Hamish Norton. I think we raised the money as general corporate purposes, and we'll look out for vessel acquisition opportunities that make sense. Either way, we think it's good for the Company and, ultimately, good for investors. But in terms of focusing on balance sheet strength, I do think we've largely put that behind us.

Steven Tittsworth:
Okay. Perfect. And then, my last question just deals with the new environmental regulations that are coming up in 2020, with lower sulfur emissions. Given that you've had a moderately young fleet, but still some older vessels, what are your plans? Are you focusing more on scrubber technology? Or, potentially just purchasing lower-sulfur fuel?

Hamish Norton:
It's a great question, and I think most people in the industry have really not been focusing very hard on this yet. But we think that the environmental regulations are probably very bullish for shipping, generally. Because when you have to pay more for fuel, your fleet slows down. And when the fleet slows down, the carrying capacity is reduced and the supply, demand balance moves in favor of the ship owner.

And so, we think that people who burn low-sulfur fuel will do well, and we think that people who have working scrubbers will probably do somewhat better. And as to the question of whether it's worth the money to get a scrubber and how well they work, we're at the early stages of that exploration. But we're looking at it very seriously.

Petros Pappas:
And it's also important what other people are going to be doing and what their plans are. So, we are definitely, as Hamish said, monitoring the market. We're actually monitoring the market even before those regulations on sulfur came out. But definitely, we think it's a positive for the market as of the 1st of January 2020 and perhaps even earlier than that.

Steven Tittsworth:
All right. That does it for me.

Operator:
And as a reminder, you can press star, one if you do wish to ask a question. Your next question comes from the line of Amit Mehrotra from Deutsche Bank.

Amit Mehrotra:
Morning, afternoon everybody. Thanks for taking the question. Hamish, I just wanted to follow up on your buffer comment, I guess to Noah's question regarding the private placement. I'm sorry. I don't quite follow that reasoning. The stock price going up was, arguably, responding to some recovery in

asset values, which obviously by itself provides you with some natural equity buffer, at least on a mark-to-market basis.

So, it seems to me like the equity offering in February, this month, kind of on the heels of what you guys did in September, was done more from a position of strength. And I was just hoping if you can provide some more color around the specific uses of that cash, other than general corporate purposes? Because according to our math, it doesn't seem like you need it from a cash flow perspective, given the September raise and then the push-out of the amortizations until the middle of 2018.

Hamish Norton:
By the way, we read your report and we completely agree that charter rates are sort of weak on an absolute basis, although we think on a relative basis we actually did pretty well, given the market. But we wish these absolute rates were higher.

But as to your question, you're probably right that we would be fine without that $50 million that we raised in January, but at the time it seemed like it was insurance that was probably worth buying. And we don't think it was a mistake, at all. But that doesn't mean we need it; it's just a matter of the pluses and minuses of buying insurance. You always hope you don't need insurance.

Amit Mehrotra:
Okay.

Hamish Norton:
And in terms of use of that cash, whether it sits on the balance sheet or whether it buys ships, it acts as a buffer to the balance sheet. And we'll see what we do with that, if anything, shortly.

Amit Mehrotra:
Okay. That's helpful. And then, just a couple of questions on the market, in general, not from a supply/demand standpoint but from an interest in dry bulk assets. And so, Petros or Hamish or anyone else, it just seems like we're hearing there's just significantly more bids out there for dry bulk assets and, in some instances, for secondhand tonnage.

In some instances, there are even -- not bidding wars, but people sort of trying to outbid each other, a little bit at least, which is obviously a huge difference from where we came from this time last year, where there were absolutely zero bids for dry bulk assets.

And so, the question I have is that, are you hearing that in terms of are you seeing that in the market?

And then, the second question, just a follow-up related to that, is that you guys have done pretty significant ship-for-share deals in the past. And I'm just trying to think, are there potential sellers out there that may be willing to roll their equity into Star Bulk and allow you guys to further grow at maybe the right point in the cycle and also participate in the upside via the (shared) capital in Star Bulk? Is there any interest there, from that standpoint?

Hamish Norton:
Petros, do you want to talk…?

Petros Pappas:

Take the second question, and I'll do the first one.

Hamish Norton:
Okay. So, let me take your second question. In principle, we would be open to a ships-for-shares deal, which is effectively a share-for-share merger with a private or a public company. We're very focused on shareholder value, and we as a regular matter look at what all the opportunities might be.

That being said, these deals are always very challenging to do, and I don't think we see anything imminent. And it's particularly difficult, given the upside we've got in Star Bulk in a recovering market. And duplicating that upside in a ships-for-shares deal, there are very few situations that preserve both the relatively high leverage of Star Bulk and the very long runway due to our cash balance.

Amit Mehrotra:
Okay. And then, just related to that question, could you just comment on what you're seeing right now on the ground -- on the water, rather -- with respect to just the secondhand market for dry bulk assets?

Petros Pappas:
Well, you know we are a wild bunch in dry shipping. (laughter) So, it's a quick draw, like the Far West. The minute that you see positive things happening, people want to go ahead and purchase assets.

So, what we're seeing right now is between 10 and 20 inspectors on every vessel that is for sale. Therefore, there's a lot of demand and a lot of interest, mostly on lower-value vessels. I would say more like Supermax and especially Kamsarmax and Capes that are below $25 million per vessel.

This is because I think there's not many loans available right now. It's not easy for everyone to get finance. And therefore, a lot of these deals are either being done on a cash basis or with very low finance.

And that's why we've seen prices go up, like, 30 percent or 40 percent in such types of vessels in the last 12 months and, especially, in the last four or five months; less so on the Cape market, because that market didn't saw as much upside on the charter rates. But I think this will be catching up soon.

So, yes, there's much more competition and a lot of interest. And right now, it's becoming very quickly a buyers' market.

Now, let's not lose focus, because the vessels that are being bought today are about half the value of what they were being bought two and a half years ago. So, prices at some point went down 60 percent or 70 percent from what they were two years ago, two and a half years ago, and now they're, like, 50 percent or 45 percent below. So, yes, we've seen the prices going up, but we're still at the low level comparatively.

Amit Mehrotra:
Great. Great. I guess, what a difference a year can make. All right, Petros, Hamish, everybody, thank you so much for answering my questions. Have a good day.

Petros Pappas:
Thank you, Hamish.

Operator:
And as a final reminder, if you do wish to ask a question at this time, you can press star, one on your keypad and wait for your name to be announced. You've got a question in the queue from the line of Magnus Fyhr, Global – nope, Seaport Global. Your line's open.

Magnus Fyhr:
Just one question, on the CapEx. The $83.5 million on page 4, is that total CapEx for 1Q? Or, is it as of February 21?

Christos Begleris:
This is Christos. This is total CapEx for the first quarter of 2017. We are actually taking delivery of two new Castlemaxes this quarter. So, this corresponds to, effectively, delivery and one pre-delivery installment for those two new Castlemaxes.

Hamish Norton:
And the cash outlay for that CapEx?

Christos Begleris:
Is zero, because those are the variable financings; hence, with finance.

Magnus Fyhr:
Okay. So, all the $83.5 million was spent before Feb 21?

Hamish Norton:
No, no.

Christos Begleris:
Well, what we spend by Q1 2017.

Hamish Norton:
So, Magnus, all of that CapEx is funded by capital lease proceeds. In other words, those ships are legally owned by CSSC Leasing. And we've paid what we need to pay out of our pockets long ago. And so, there's no money out of our pocket for that CapEx. That capital lease shows up on our balance sheet as debt, but it's technically a lease.

Magnus Fyhr:
All right. Thanks for clarifying.

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

Petros Pappas:
Thank you, everybody. No more comments on our side. Thank you very much for listening to us.

Hamish Norton:
Thanks.

Operator:

That concludes your conference today. Thank you for participating. You may all disconnect.

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