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Star Bulk Carriers 3Q21 Earnings Call
November 17, 2021
11:00 a.m. ET

Operator: Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers conference call on the third quarter 2021 and 9 months financial results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Nicos Rescos, Chief Operating Officer; Mr. Simos Spyrou and Mr. Christos Begleris, co-Chief financial Officers of the company.

(Operator Instructions)

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

Simos Spyrou: Thank you, Operator. I'm Simos Spyrou, co-Chief Financial Officer of Star Bulk Carriers, and I would like to welcome you to our conference call regarding our financial results for the third quarter of 2021.

Before we begin, I kindly ask you to take a moment to read the safe harbor statement on Slide #2 of our presentation. In today's presentation, we will go through our Q3 results, cash evolution during the quarter, a walk-through of our dividend policy, an overview of our balance sheet and operational and ESG update and the latest industry fundamentals before opening up for questions.

Let us now turn to Slide #3 of the presentation for a summary of our third quarter 2021 highlights. The company reported a record performance this quarter. Net income for the third quarter amounted to $220.4 million and adjusted net income of $224.7 million or $2.20 earnings per share.

Adjusted EBITDA was at $277.8 million for the quarter. On the bottom of the page, you can see the evolution of our adjusted net income and adjusted EBITDA performance. For the third quarter, we declared a dividend per share of $1.25 payable on or about December 22, 2021.

During Q3 2021, our company prepaid in full the $50 million outstanding 8.3 percent senior notes, which were due in November 2022. In addition, as part of the authorized share buyback program, we repurchased 466,268 of our shares in open market transactions at an average price of $22.01 per share for aggregate consideration of $10.3 million.

In November 2021, we hedged 75,000 tons for Q1 2022 of the VLSFO - HSFO spread at an average price of $134.8 per ton. In November 2021, we released our third annual environmental, social and government report, which records our ongoing efforts to further strengthen the company's environmental stewardship, social contribution and corporate governance and provides a transparent account of our ESG strategy and performance.

On the top right of the page, you will see our daily figures per vessel for the quarter. Our TCE rate was $30,626 per vessel per day. Our combined daily OpEx and net cash G&A expenses per vessel per day amounted to $5,291 per day per vessel. Therefore, our TCE, less OpEx and G&A is at $25,335 per day per vessel. Finally, for the fourth quarter of 2021, we have covered 71 percent of our fleet's available days at a daily rate of $38,250 per vessel.

Slide #4 graphically illustrates the changes in the company's cash balance during the third quarter. We started the quarter with $242.8 million in cash and generated meaningful positive cash flow from operating activities of $251 million due to the strong freight market. After including debt proceeds and repayments, our notes prepayment, CapEx payments for ballast water treatment installation as well as the second quarter dividend payment, we arrived at a cash balance of $371.7 million at the end of the third quarter.

Slide 5 has a walk-through of our dividend policy with an example for the dividend calculation for third quarter 2021. As of September 30, 2021, we owned 128 vessels, and our total cash balance was at $371.7 million, with a minimum cash balance per vessel as of September 30 $1.90 million.

On November 16, 2021, pursuant to our dividend policy, our Board of Directors declared a quarterly dividend of $1.25 per share, payable on or about December 22, 2021, to all shareholders of record as of December 10, and the ex-dividend date is expected to be on December 9, 2021.

Please turn now to Slide #6, where we highlight the continued strength of our balance sheet. Our total cash today stands at $531.7 million, including a $30 million revolving facility, which is currently undrawn. Meanwhile, our total debt stands at approximately $1.6 billion.

Our working capital stands at approximately $80 million. We have completed 4 refinancings, which will raise $400 million in senior debt and result in interest savings of about $5 million per annum. Our annual amortization is $207 million per annum, and our pro forma average margin at approximately 2.4 percent. Finally, by the end of the year, we will have 5 unlevered vessels and no debt maturities until the third quarter of 2023.

In Slide #7, we demonstrate the inherent operating leverage and cash flow potential of the company and the illustrative free cash flow per share as well as the potential cash flow yield. For example, with approximately 46,700 fleet available days per year based on the current 2022 FFA curve, Starbulk would produce $3.8 of free cash flow and yield of approximately 20 percent. I will now pass the floor to our COO, Nicos Rescos, for an update on our operational performance.

Nicos Rescos: Thank you, Simos. Please turn to Slide 8, where we provide an operational update. Operating expenses, excluding nonrecurring expenses, was $4,288 per day per vessel for the 9 months ending in 2021. Net cash G&A expenses were $1,053 per vessel per day for the same period.

Despite continued adverse COVID related restrictions, which have a direct impact on operating expenses, the combination of our in-house management and the scale of the group enable us to maintain very competitive costs being the lowest operator, lowest cost operating amongst our peers and continuing to rate as #1 among our peers in terms of (inaudible).

Slide #9 provides a sleek snapshot and some guidance around our future dry bulk and ballast water and system installation expenses for the next 15 months and the (inaudible). Star Bulk operates one of the largest driver of fleets with 128 vessels, geared towards larger sizes. Our expected dry bulk expense for the next 15 months is estimated at $32.9 million with a dry docking of 31 vessels with $126.3 million towards our ballast water installation CapEx.

In total, we expect approximately (950) offhire days for the full 15-month period. We anticipate that 97 percent of our fleet will be fitted with ballast water systems by the end of 2022. The above numbers are based on current estimates around dry dock retrofit planning, vessel employment and yard capacity. These figures incorporate our current understanding of present and future shipyard congestion.

On the traffic front, high price fuel spreads have recently been increasing due to an upward momentum on fuel prices, a pickup in jet fuel demand and increased production of HSFO. With an estimated annualized consumption of 800,000 (inaudible) fleet, we expect having start the investment by the end of Q2 2022. Given that 94 percent of our vessels are fitted with scrubbers, a continued increase in half-life spread can have a significant value generation for our company.

I will now ask our Chief Strategy Officer, Charis Plakantonaki to provide an update on the latest ESG development.

Charis Plakantonaki: Thank you, Nico. Please turn to Slide 10, where we provide an update on Star Bulk ESG activities. The third annual Star Bulk Environmental Social and Governance report has been published and is available on the company's website. The report has been developed following rigorous global reporting standards, the disclosures of which have been assured by wide climate exchange and sustainability services.

During Q3 2021, Star Bulk joined the Maritime Anti-Corruption Network, a global business network with more than 160 companies, which works with governments, NGOs and civil Society to eliminate maritime corruption.

On the decarbonization front, we have participated actively and sponsored the Next Wave: Green Corridors report presented at COP26 last week, a multi-stakeholder project, which analyzes the feasibility of specific trade routes between major board hubs where zero-emission solutions could be demonstrated.

We have participated in the development of the Poseidon Principles for Marine Insurance, an initiative by the Global Maritime Forum, which serve as a framework to better align Hull & Machinery portfolios with responsible environmental impacts.

Star Bulk has become a signatory to the Call to Action for Shipping Decarbonization, an initiative by the Getting to Zero Coalition, which publicly calls on governments and international regulators to take action in support of shipping carbonization. Within the scope of the call, Star Bulk has made specific climate commitments on greenhouse gas transparency, on international collaboration and on pilot and demonstration R&D projects on green energy.

I will now pass the floor to our CEO, Petros Pappas, for a market update and his closing remarks.

Petros Pappas: Thank you, Charis. Please turn to Slide 11 for a brief update of supply. During the first 10 months of 2021, a total of 32.9 million deadweight was delivered and 4.9 million deadweight was sent to demolition for a net fleet growth of 28 million deadweight or 3.1 percent since the beginning of the year. Despite the 31.4 million deadweight thermal orders reported year-to-date compared to $15.8 million deadweight of the corresponding period of 2020.

The order book still stands at the historical low level of 6.8 percent of the fleet, including options that have been declared. The strong increase in container shipped orders during the last year has filled up shipyard capacity until the end of 2023. Uncertainty on future propulsion as a result of upcoming environmental regulations, combined with increased shipbuilding costs has helped keep new orders under relative control.

Furthermore, the surge of global steel prices has pushed scrap prices to record levels and may make demolition of overage tonnage and attractive option during seasonal downturns. Average steaming speed of the dry bulk fleet currently stands at 11.9 knots. And despite the improved freight rate environment, it has only increased by 2.5 percent year-over-year.

Quarantines related to COVID-19 pushed port congestion to record levels during the third quarter and helped rates to hit 14-year highs. Congestion at Pacific Ports is corrected during the last month, but still remains at inflated levels and combined with political tensions between China and Australia played strong inefficiencies for trade with a positive effect on vessel utilization. As a result of the above trends, net fleet growth is projected to end up at approximately 10.5 percent during 2021 and average out at 2 percent per annum during 2022 and 2023.

Let's now turn to Slide 12 for a brief update of demand. According to Clarksons, total dry bulk trade during 2021 is projected to expand by 4.8 percent in ton miles. During the first 3 quarters of the year, dry bulk volumes have experienced a strong recovery following the synchronized global economic stimulus and the gradual reopening of economies supported by vaccination programs against COVID-19.

Record high commodity prices during 2021 have provided a strong incentive to major producers of dry bulk cargoes, expand output and exports during 2022. Having said that, China has experienced a strong slowdown during the third quarter of 2021 in a response to high energy and raw material costs and stricter lending requirements affecting the real estate market.

We're still at the early stages of the global recovery from COVID-19 with the IMF projecting global GDP growth of 4.9 percent in 2022. According to Clarkson, dry bulk trade is projected to expand 2.4 percent during 2022, while increased Atlantic exports and political tensions between China and Australia are expected to support ton mile growth and vessel requirements over the next years.

Iron ore trade is expected to expand by 2.2 percent during 2021 and 1.5 percent in 2022. During the first half of 2021, Chinese steel production expanded by 11.5 percent. But since July, the government imposed strict production curves, resulting in 13.2 percent year-on-year decline during the third quarter.

The Chinese restrictions should help ease energy shortages and are expected to last until the end of the Winter Olympics. On the other hand, steel makers from the rest of the world have increased production by 16.6 percent year-to-date and are still unable to meet regional demand. Brazil iron ore exports are slowly recovering from the 2019 disaster and have increased by 7 percent year-on-year.

Coal trade is expected to expand by 7.8 percent during 2021 and 2 percent in 2022. During the first 3 quarters of 2021, China and India thermal electricity output increased at a higher pace than domestic coal production and the combination created a shortage of supply that put stocks lower and prices to recover to record high during the third quarter. China and India have increased domestic production during the last months in an effort to increase stocks ahead of this winter.

Nevertheless, due to the La Nina phenomenon, a colder than average winter is expected to boost power demand from households and to affect domestic production of coal. Moreover, the Chinese ban on Australian coal has forced power utilities and steel makers to diversify and seek coal cargoes from longer distance sources such as South Africa, Colombia, the US and Canada, but also increased inputs from Indonesia that experienced long delays due to quarantine measures.

Grain trade is expected to expand by 2.9 percent during 2021 and 3 percent in 2022. China's demand for grains is projected to remain strong due to the 5-year plan focusing on food security. US corn exports have experienced a record high season, while sales for the current marketing year stand at elevated levels.

The US soybean export season started with delays but is catching up and is projected to remain strong over the next months in the wake of the Phase 1 trade deal. Looking into the next marketing year, Brazil coarse grain and soybean exports are projected to experience record high shipments and generate significant ton-miles for smaller-sized vessels. Minor bulk trade is expected to expand by 6.4 percent during 2021 and 3.1 percent in 2022.

Minor bulk trade has the strongest correlation to global GDP growth and smaller geared vessels will continue to benefit significantly from resigned consumption recovery, shortages of steel products and positive price arbitrage should continue to incentivize Pacific exports to the Atlantic, while the container sector strength has had a positive spillover effect for dry bulk. Moreover, West Africa bauxite exports are projected to generate strong term miles for capesize vessels during the next years.

Finally, our outlook for the market during 2022 and 2023 remains positive. The very low order book, combined with the lack of yard space and certainty on future vessel propulsion and increasing efficiencies create a favorable supply side picture for our industry and support our optimistic view on the future prospects of the dry bulk markets. Back to you, Operator.

Operator: (Operator Instructions)

Your first question today comes from the line of Ben Nolan from Stifel.

Ben Nolan: First of all, I guess, just the easy one. Could you maybe – is it possible to break down the 71 percent of days fixed by segment at all?

Petros Pappas: We have covered 62.5 percent of our Cape charters at $46,600, 74 percent of our Panamax at $35,100 and 77 percent of our Supramax at $35,000. (Inaudible).

Ben Nolan: My next question was related to just a few things that were a little different than I expected. First of all, the dry docking days for the fourth quarter were a lot higher than they looked like that they were in the – are projected to be in when you reported last quarter. I was curious where that stands. And also, the G&A was a little bit higher too. And I know that in the release, you called out stock-based comp. But how should we think – what's the right run rate for G&A going forward?

Simos Spyrou: This is Simos. The increase of the G&A – of the cash G&A expenses for the third quarter versus the third quarter of 2020 was entirely due to the euro USD effect. So basically, on an absolute number, we should expect that basically the change and the strengthening of the dollar in the fourth quarter is going to assist. But you have to subtract basically the noncash item, which was on the third quarter, the share-based compensation, which is nonrecurring. On the guide of days, I will pass it to Nikos.

Nicos Rescos: Hi Ben. For Q3, (inaudible) ballast water installations, which take a bit longer. And of course, we have the additional costs. So that's where you see the difference in the base and cautious.

Ben Nolan: OK. So those were pushed back from the third quarter or something? Is that what happened?

Nicos Rescos: These are the ones that took place during the third quarter.

Ben Nolan: Well, it was in the last release, you had said that you expected 46 days in the fourth quarter, and now it's 194.

Nicos Rescos: Well, that's basically, we have 6 ships in Q4. We have also the ballast water installations. So that's why you see more days than previously expected that were supposed to happen earlier in the year. (Inaudible).

Ben Nolan: You've seen a little noise about you guys putting vessels on a handful of vessels on time charter. Just curious where that stands in terms of how much maybe of the fleet is contracted for next year as well and how you're thinking about the combination of spot versus contract?

Petros Pappas: Well, our coverage for Q1 basically is around 17 percent. Basically, we have 3 Capes worth 9 Panamax worth and 9 Supramax worth covered for Q1 at just below $32,000.

Operator: And your next question comes from the line of Amit Mehrotra from Deutsche Bank.

Amit Mehrotra: I wanted to – had a couple of questions. First, maybe just a market-related question. We've obviously seen a pretty significant step down in spot rates. I think Petros, you mentioned the congestion. I was wondering if you could give us a little bit of an overview of what you're seeing on end market demand growth in China. I mean, obviously, there's some emission mandates.

There's the Olympics coming up. What are you seeing in terms of risks associated with demand there? And then also, just talk about how the psychology of the market is changing, whether (inaudible) charter perspective because clearly, we're very high market earlier this year. Things have cooled down. I wonder if there's any psychological impact that may be driving it or could drive it even further. If you just talk about that as well?

Petros Pappas: Thank you, Amit. It may take me a little bit longer to answer your question. First of all, the market is down for 3 reasons. These are China, China and China. And to explain further on that, we had a strong steelmaking reduction to the tune of 20 percent almost in the last couple of months, which is obviously negative for imports.

And of course, it also affects congestion, it reduces congestion. We saw China increase the local coal production because – and capping prices. So therefore, less imports actually, imported coal is more expensive than local coal. We saw – before that, higher commodity prices basically led to a certain demand distraction, at least in the short term, and China, basically wanted clear skies for the Olympic Games.

So I mean, it's a combination of clear skies and reduction of commodity prices from China. That's what their goal was. But let me make a side comment here, which I think is important. I was going through the imports of China earlier today. And I realized that in 2022, China – sorry, 2021, in the last – in the 10 months of 2021, China actually imported 2 million tons less than last year.

And you remember what we all used to say that they've – if China sneezes, we will catch pneumonia – the market will get pneumonia. Well, China sneezed, and we didn't catch exactly pneumonia. So I think that happened because the rest of the world came up and were – when we're talking about 4 percent increase in import in trade in 2021, actually, that's about 180 million tons of additional trade.

All of it came from countries other than China. I consider this as extremely important and especially for the future. Now talking about the future, we are very positive, actually. We remain very positive. We think there's going to be a slowdown during the Q1 for the reasons already explained. We think that the market will start moving after the winter Olympics. We foresee very strong grain trade coming from Brazil and to a lesser degree from Argentina.

We think that coal prospects are pretty good, especially from India, but China will also – China having achieved their goal will probably turn to more imports. As I said before, international prices are cheaper. Iron ore, China imported 38 million tons less of iron ore this year in total. We think that will change going forward. And we think that most – a lot of it is going to come from Brazil. So we expect more ton miles, which is going to be positive, very positive. Actually, ton miles are more important than tons. Then China, we're positive about China.

We think that after February March, it will have to start a new leasing cycle and will stimulate the economy and infrastructure. Let's also not forget supply. I mean, supply in next year, we have 28 million tons of orders. If we have 8 million scrap, that's 2.2 percent increase in supply. And 2023, we have 20 million tons orders.

If there is 6 million scrap, that's going to be 1.5 percent supply. So the supply situation is very positive. We also believe that the strong Chinese currency is going to help imports and will make freight cheaper for them. We think that inefficiencies will continue to exist. We don't think that China will change their COVID-19 rules for a long while.

And finally, we also think that oil prices will remain strong and that will be disincentive towards increasing speed, not to mention environmental regulations that will kick in later on in time, and they will help as well. So I try to make a general comment.

Let me just say very quickly that on specific vessels, we think the Supras will do very well next year as well because we think container market is going to be good, and there will be an overflow of cargoes from the containers to the bulk side. And we also believe that there's going to be a strong minor bulk market.

On the Panamax side, we think grains are going to be very strong. And never forget that grains are long distance cargoes. And coal will be relatively strong as well as I previously said. And Capes, we see weak during Q1. But then we count on Brazil imports and West African bauxite imports to increase, and we think that the market is going to improve after Q1. So I hope I didn't tire you but I tried to...

Amit Mehrotra: If I could, my follow-up question is less macro and more micro focused. Star Bulk has a breakeven of a little bit under $11,000 per day, which means given that you guys are at your cash threshold levels, anything above even that level will translate into dividend. Year-to-date, we've had about $23,000 per day average time charter equivalent, which is not a wonderful number.

It's an OK number. It's kind of a mid-cycle number, and you've still been able to pay out over $2 per dividend – per share in dividends for the first 9 months of the year, which I think speaks to the micro aspects of the capital structure in the model.

My question is, after that big preamble, my question is, is that, I assume you guys are just incredibly frustrated by the way, the equity value of the company has reacted to these payments, which is something like 15 percent yield, maybe annually, which is just really – the outcome so far, at least, is not clearly the intended outcome of the strategy.

And the question I have is that, how committed are you to this strategy in the context of how the market is taking it now. Now keep in mind with that 10 years of a bad market, so it might take more than 9 months of a good market to change people's minds. But talk about how patient you guys are because I got to imagine the level of frustration is pretty high at the moment.

Petros Pappas: First of all, I will turn part of the question to Hamish. But let me say that we don't get easily frustrated to begin with. Let me also say the following. I was doing another calculation earlier today. I like math. And I was looking at FFA rates, and average FFA rates were around $17,500.

And if you calculate that $17,500, less our less than $11,000 costs, as you mentioned, that would actually give us a 15 percent yield over next year. And every $1,000 above $11,000 would give us about 2.4 percent yields. Like if we made $12,000, it would be 2.4 percent. We made $13,000 would be 4.8 percent, et cetera, which I consider actually pretty good in view of our very low cost. But I'll turn the rest to Hamish.

Hamish Norton: So Amit, basically, it gives us a warm and fuzzy feeling to distribute cash to needy shareholders around Christmas, and our dividend policy remains in effect.

Amit Mehrotra: But that's not really the answer to my question, Hamish. The question was really around – you have many options for distributing excess cash. You certainly have share buybacks, which I have been very much against, but there are a lot of other people that are not against that. And certainly, on paper, it makes sense.

There's vessel acquisitions, which certainly don't make sense with the equity for sure, but may make sense with cash. But just talk about at what point do you guys say that, listen, this strategy is not giving us the intended consequence or the intended outcome and so you pivot to something else? I mean, are you close to that point? Do you want to give it another year? Where is your collective thinking on that?

Hamish Norton: We – Amit, our – have no other thoughts in our head at this point. We're not planning on buying ships in the near term. We are planning on finishing up the authorized number – amount of share buybacks probably financed by selling a couple of vessels as long as we can do that without too much disruption in the market, and we would hope to finish that up in the next quarter or so. But we're continuing on this path.

Operator: Your next question comes from the line of Randy Giveans from Jefferies.

Randy Giveans: Great to see the dividend, obviously, above expectations at $1.25, clearly making some steps with the accretive share purchases there. You kind of answered the question a little bit there, Hamish, in terms of the remaining $40 million. So I guess, glad to hear that's going to be finished here in the next few months.

I guess just looking at the dividend, obviously, the 4Q quarter-to-date rate guidance is very strong. You already have some bookings into the first quarter. So just kind of sequentially from here, obviously, there's changes in working capital and others. But how should we think about the 4Q dividend compared to the $1.25 announced for 3Q?

Hamish Norton: Well, I mean, your – as I've told you in the past, Randy, you're the securities analyst. We just run the shipping company. We don't try to make forecasts about the future, especially not in public. So I'm sure you will be pretty accurate.

Randy Giveans: Was just seeing if there is any nuanced changes to working capital or debt repayments that we need to factor in for the fourth quarter that maybe weren't there in the third quarter. But that's – I'll ask you offline for that. And then I guess, looking into the first quarter, for the hedge of the fuel, 75,000 metric tons, is the quarterly fuel burn about 250,000 tons still? So how meaningful is that hedge for the first quarter?

Christos Begleris: This is Christos, hi Randy. Essentially, we have around 200,000 tons approximately per quarter, and we have hedged 75,000, so 38 percent. If we see the spread jumping, it's not unreasonable to assume that we may increase the hedge. But so far, the hedge has proven to be profitable.

Randy Giveans: And then just following up on that, what does that translate to on a Capesize, for example, in a dollar per day?

Christos Begleris: Sorry, can you repeat the question?

Randy Giveans: (Inaudible) $30 a ton spread, what is the savings or premium, however, whatever term you want to use for Capesize?

Christos Begleris: For a Capesize vessel, at levels of around ($135), it's approximately $3,500 per day, the savings that we will generate $3,500 to $4,000 a day.

Operator: Your next question comes from the line of Omar Nokta from Clarkson Security.

Omar Nokta: You've addressed pretty much most of the questions I had, but I did want to ask, Hamish, you brought it up, the way you're kind of viewing the secondhand market today in terms of valuations, this is probably, I would say, perhaps a good test to gauge the overall resilience of vessel values since they've shot up so much this year with all the volatility we're seeing in the spot market now.

Just wanted to ask kind of how you, from your perspective, are seeing the secondhand market shaping up here. Has there been any indication that values are softening as a result of what we're seeing? Or are things still fairly firm?

Petros Pappas: Hi Omar, it's Petros. We think that secondhand values have gone down by about 10 percent, perhaps. That's our estimate at this point in time.

Omar Nokta: OK. And that would be, I guess, Petros, for typical 5 to 10-year-old secondhand ships?

Petros Pappas: Yes.

Omar Nokta: OK. And I know it's probably sensitive to an extent. But in terms of, as you said, financing the buyback with some vessel sales. Any particular sort of part of the fleet you would look to monetize in this environment today?

Hamish Norton: I think we'll basically look at what we get good value for what's easy to sell without disturbing the market. I mean, I think it will change from day-to-day, and we'll be very careful about it.

Omar Nokta: We wouldn't put the bucket down. That's what Hamish means, I think.

Operator: Your next question comes from the line of Magnus Fyhr from H.C. Wainwright.

Magnus Fyhr: Just one question to follow-up on bookings for first quarter. I know you were talking a few months ago about securing more days for the first half as there was some uncertainty there with China slowing down. Would rates – booking very attractive rates for 17 percent of the fleet, do you – would you book at a lower rate as well? Or do you think you kind of stay spot for the rest of this weakness?

Petros Pappas: First of all, we actually didn't expect the market to go down that fast to be honest, between mid-October because this is hedging we did 2, 3 weeks ago. It was up 2, 3 weeks ago. We didn't expect to go down that quickly. We are expecting a rebound somewhere in the next 2 weeks or so. If that happens, then we will increase our coverage for Q1.

Magnus Fyhr: I like your example there of 15 percent yield at turn FFA rates. Is that something that you guys are thinking about just to kind of provide some visibility of the dividend?

Hamish Norton: Sorry, Magnus. I'm not sure I completely understood the question.

Magnus Fyhr: There's a lot of talks about sustainability and visibility of dividend. Would you consider booking more ships at these lower rates? I mean, since the returns would be very attractive or would you just say spot?

Petros Pappas: Well, actually, we're positive about next year. It is only Q1 and mainly on Capes that we are – we think it's going to be slower. So if we fix, we would fix for Q1 mostly, and that's it.

Operator: Thank you. I will now hand the call back for closing remarks.

Petros Pappas: Thank you, Operator. Just 2 quick reminders. The 15 percent yield at present FFA at a low market and that this market rate that we've seen during 2021 has been without China being in the picture.

And that, in our view, means that once China reenters, at some point next year, it will show a much stronger market. So thank you very much, and hope you have a Merry Christmas and Happy New Year, and we'll talk to you – and we'll talk to you again in February.

Operator: Thank you. That does conclude today's conference. Thank you for participating. You may all disconnect.

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