Star Bulk Carriers Corporation
Third Quarter 2023 Financial Results
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Presenters
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Q&A Participants
Christopher Robertson - Deutsche Bank
Omar Nokta - Jefferies
Ben Nolan - Stifel
Nathan Ho (ph) - Bank of America
Bendik Folden Nyttingnes - Clarksons Securities

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers Conference Call on the third quarter 2023 financial results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Simos Spyrou, Mr. Christos Begleris, Co-Chief Financial Officers; Mr. Nicos Rescos, Chief Operating Officer; and Mrs. Charis Plakantonaki, Chief Strategy 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 point if you wish to ask your 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.

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

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 for our financial results for the third quarter of 2023.

Before we begin, I kindly ask you to take a moment to read the safe harbor statement on slide number two of our presentation.

In today's presentation, we will go through our Q3 results, financings and share buybacks, an update on fleet and operations, the latest on the ESG front, and our views on industry fundamentals before opening up for questions.

Let us now turn to slide number three of the presentation for a summary of our third quarter 2023 highlights. Net income for the third quarter amounted to $44 million or $0.46 per share and adjusted net income of $33 million or $0.34 adjusted earnings per share. Adjusted EBITDA was $84 million for the quarter.

For the third quarter, as per our existing dividend policy, we declared a dividend per share of $0.22 with record date as of December 5, 2023. Since 2021, dividend distributions and share buybacks exceed $1 billion or $10.70 per share.

Our total cash today stands at $268 million pro forma for the delivery of our four remaining sold vessels and share buyback from Oaktree. Meanwhile, our total debt stands at approximately $1.26 billion.

On the top right of the page, you will see our daily figures per vessel for the quarter. Our time charter equivalent rate was $15,068 per vessel per day. Our combined daily operating expenses and net cash G&A expenses per vessel per day amounted to $4,851. Therefore, our TCE less OpEx, less G&A is approximately $9,200 per day per vessel.

Looking towards fleet renewal, we have agreed to sell five of our vessels with an average age of 15.6 years. During the nine months of 2023, we have sold 12 vessels and received insurance proceeds from one vessel, which had a combined average age of 12.4 years. Total gross proceeds from these sales were $272.5 million. This additional cash has been used for share buyback at a discount to NAV.

On October 2023, we entered into two firm and two optional shipbuilding contracts for the construction of up to four 82,000 deadweight ton Kamsarmax newbuilding vessels with delivery dates in Q4 2025 and Q2, Q3 2026.

Slide four illustrates a summary of the recently announced strategic repurchase that was agreed with Oaktree Capital. We believe we have utilized a variety of tools to drive shareholder value, and we expect these transactions to be accretive to NAV per share, EPS, and DPS.

As of today, we have agreed to repurchase 20 million shares at an average price of $19 per share from affiliates of Oaktree Capital. Given that the share repurchase have been mostly financed by vessel sales at attractive prices, we are creating significant shareholder value as the implied NAV from these historical sales is higher than current NAV.

During this quarter, we have issued and sold 678,282 common shares under our effective ATM offering program at an average price of $19.81 per share, resulting in gross proceeds of $13.43 million unlocking a favorable arbitrage. As of the date of this release, we have 93,861,792 shares outstanding or 83,861,792 as adjusted for the closing of the second block repurchased by Oaktree.

At the bottom of the page, you will see an illustration of our share repurchase and the sources of financing that allowed us to complete the buyback.

I will now pass the floor to our COO, Nicos Rescos, to talk about our operational performance and update us on our fleet renewal efforts.

Nicos Rescos
Thank you, Simos. Please turn to slide five, where we provide an operational update. Operating expenses, excluding nonrecurring expenses, was $4,851 for Q3 2023. Net cash G&A expenses were $1,024 per vessel per day for the same period. In addition, we continue to rate at the top amongst our listed peers in terms of Rightship safety score.

Slide six provides a fleet update and some guidance around our future dry dock and vessel efficiency operating expenses and the relevant total offhire days. Our expected dry bulk expense for the next quarter in 2024 is estimated at $39.7 million for the dry docking of 33 vessels, with another $8.6 million towards our vessel upgrade CapEx. In total, we expect to have approximately 1,000 offhire days for the same period.

In line with the EEXI and CII regulations, we will continue investing and upgrading our fleet with the latest operational technologies available, aimed in improving our fuel consumption and reducing our environmental footprint, further enhancing the commercial attractiveness of the Star Bulk fleet.

Regarding our energy saving devices program, we have completed and tested retrofits on 26 vessels with seven more vessels to be retrofitted by the end of this year. The above numbers are based on current estimates around dry dock and retrofit planning, vessel employment, and yard capacity.

During the second quarter -- during the third quarter, we have progressed further with onboard testing of carbon capture technology with a capability to retain up to 30% in net CO_2 emissions. We will continue working on carbon capture technology with our industrial partners, aiming developing our cost-effective solution, which can be selectively retrofitted in the future on vessels of our fleet.

We are actively working on the demand, supply, and bunkering of carbon-neutral fuels together with safety consideration and vessel design developments.

Please turn to slide seven which has an update around the recent newbuilding order. We have decided to take further steps towards our Kamsarmax fleet renewal. Having designed and subsequently ordered two latest generation Eco Kamsarmax vessels will be delivered in Q4 2025 and Q2 2026, including options. The vessels are to be built in China to a high specification, fitted with the latest fuel-efficient engine coming into production in 2024, a shaft generator using energy requirement while at sea and now turns marine power provisions aimed at offering our charterers the optionality to connect to a land-based power grid to support the vessel's entire loading and discharging operations. The above measures ensure best-in-class fuel consumptions and emissions.

On the sales front, we continue disposing of vessels opportunistically, having agreed to sell five vessels at historically attractive prices, reduced our average fleet age, and improving overall fleet efficiency.

I will now pass the floor to our Chief Strategy Officer, Charis Plakantonaki, for an ESG update.

Charis Plakantonaki
Thank you, Nicos. Please turn to slide eight, where we highlight our continued leadership on the ESG front. For its fifth consecutive year, Star Bulk has published its annual ESG report, which provides a transparent and comprehensive account of the company's ESG performance, strategy, and objectives.

The report has been prepared in accordance with the latest 2021 GRI standards and has received limited external assurance from Ernst & Young on specific GRI disclosures and SASB indicators.

Among other key performance indicators, we report a reduction of 4.6% in total CO_2 equivalent emissions as well as an improved average fleet annual efficiency ratio compared to the previous year, as a result of operational and technical initiatives.

The report also discloses the company's Scope 3 emissions, a first among Greek-based dry bulk shipping companies. Having engaged the company's stakeholders we present an impact analysis towards environment, people, and economy, paving the way for double materiality to be implemented next year.

Following this development, Star Bulk has improved its Sustainalytics ESG risk smart score from 23.2 in 2022 to 21.3 today, achieving the highest score among our U.S.-listed peers. On the societal front, we have improved the company's employee retention rates following the implementation of well-being and engagement programs. And we have contributed to the Union of Greek Shipowners' efforts to support the local communities in Greece, which have suffered severe damages from floods. We continue our active involvement in the development of an Iron Ore Green Corridor between West Australia and East Asia.

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 nine for a brief update of supply. During the first 10 months of 2022, a total of 30.7 million deadweight was delivered, and 4.9 million deadweight was sent to demolition for a net fleet growth of 25.8 million deadweight or 2.8% year-to-date and 3% year-over-year.

The supply outlook continues to be close to the best we have seen in the recent history of dry bulk shipping with an order book of 8.1% of the fleet and 29.6 million deadweight firm orders year-to-date. Uncertainty on future propulsion, high shipbuilding costs, and limited CPR capacity until the end of 2026 have helped keep new orders under control.

Furthermore, vessels above 20 years of age stand at 8.2% of the fleet, while scrap prices have stabilized at elevated levels and should make demolition of overaged and fuel-inefficient tonnage an attractive option during seasonal downturns over the next years.

The average steaming speed of the dry bulk fleet decreased to a new low of 10.95 knots during Q3 as a result of higher bunker costs, lower freight rates, and new environmental regulations. We expect the EEXI, CII regulations to increasingly incentivize slow steaming and help moderate supply over the next years.

Global port congestion adjusted significantly lower during the last two years and inflated supply by approximately 5% with a negative effect on earnings throughout 2023.

Nevertheless, changes in trading patterns and inefficiencies related to the war in Ukraine have normalized congestion slightly above pre-COVID levels during the third quarter, and from now on, should follow seasonal patterns. As a result of the above trends, net fleet growth is unlikely to average above 2% per annum during 2024 and 2025.

Let's now turn to slide 10 for a brief update of demand. According to Clarksons, total dry bulk trade during 2023 is projected to expand by 4.6% in ton-miles. During the first three quarters of 2023, total dry bulk trade volumes increased by 3.1% year-over-year supported by record coal and minor bulk trade and a recovery of iron ore exports. Despite weak macro sentiment and a struggling property sector, China dry bulk imports have increased by 13.7% during the first nine months.

On the other hand, imports to the rest of the world have declined by 3.7% as demand was affected by the war in Ukraine, increased food and energy costs, and tightening monetary policy by Western economies in the effort to fight inflation.

During 2024, dry bulk demand is projected to increase by 1.8% in ton-miles with the IMF forecast for global GDP growth presently standing at 2.9%.

A series of government stimulus measures over the last year are expected to support Chinese demand for raw materials during 2024. Moreover, dry bulk demand from the rest of the world, and especially India and the Middle East, is experiencing a recovery.

Iron ore freight is expected to expand by 4.7% during 2023 and to marginally contract by 0.2% in 2024. China steel production increased by 2.4% year-over-year during the first three quarters, supported by infrastructure projects, manufacturing, and strong exports. At the same time, domestic iron ore output contracted by 5.5%, while stockpiles decreased to a three-year low.

Steel production from the rest of the world declined by 3.8% over the same period, affected by high energy costs and weak steel margins. But a noticeable rebound in output is taking place, supported by rising steel prices in the Atlantic.

Coal trade is expected to expand by 6.9% during 2023 and to contract by 0.9% in 2024. Global focus on energy security has inflated coal trade, while the reshuffling of European and Russian trades has benefited ton-miles.

Moreover, the unofficial ban by China on Australian coal has been lifted and is providing support to Capesize and Panamax vessels. During the first nine months of 2023, Chinese imports surged compared to last year as thermal electricity increased by 6.1% whilst hydropower contracted and domestic coal production growth was limited to 4.2%.

India is emerging as a leading coal importer as electricity demand is currently outpacing domestic oil production growth while stocks at power plants stand at very low levels. Grain and soybean trade is expected to expand by 3.4% during 2023 and 3.6% in 2024. During the first three quarters of the year, grain trade was affected by the decrease of exports from Argentina, the U.S., and Ukraine. Brazil experienced record soybean and corn seasons that have helped fill the gap of crop losses. Increasing constraints in Panama Canal crossings are likely to benefit ton-miles during the U.S. export season this year.

Grain supply in 2024 is projected to remain high, but the El Niño weather conditions might affect Latin American and Australian crops. Nevertheless, Chinese demand and increased global focus on food security is expected to inflate grain trade over the next years.

Minor bulk trade is expected to expand by 3.9% during 2023 and 3.8% in 2024. Minor bulk trade has the highest correlation to global GDP growth and is supported by improving global macroeconomic fundamentals. The war in Ukraine and the subsequent sanctions on Russian industries have disrupted the Atlantic fertilizer and steel industry and have created shortages to support backhaul trades. Moreover, expanding West Africa bauxite exports continue to generate strong ton-miles for Capesize vessels with exports up by approximately 30% year-to-date.

Finally, outlook for dry bulk market remains positive due to increasingly favorable supply dynamics, improving macro sentiment, and large global infrastructure investment needs for the world's green transition. Star Bulk is well positioned due to its scrubber-fitted and diverse fleet to take advantage of market opportunities and remains focused on actively managing its fleet and continuing to create value for its shareholders.

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

Operator
Thank you. Ladies and gentlemen, at this time, we'll be conducting a question and answer session. If you'd like to ask your question, you may press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Amit Mehrotra with Deutsche Bank. Please proceed with your question.

Christopher Robertson
Hey. Good morning. Good afternoon. This is Chris Robertson on for Amit. Thanks for taking our questions. Guys, just looking at the rates booked quarter-to-date, it looks so far to be sequentially stronger than 3Q. But just looking forward for the remainder of the quarter, do you think that we'll see a bit of a pullback on normal seasonality? Or are there any short-term factors like canal congestion or anything else going on that might keep the rates a little bit more robust than usual as we enter into the end of the year?

Petros Pappas
Hi, Chris. We think that this Q4 is going to be a normal Q4, better than the rest of the year as it always has -- almost always has been because the second part of the year usually carries about 54% of trade versus the first part. I don't think anything will change to that. Also, the holidays are coming. We believe that Q4 will be better than the rest of the quarters as usual.

Christopher Robertson

Okay. Yeah. Got that. Just looking at the dividend policy moving forward here, is the minimum liquidity threshold going to be -- continue to be calculated off the 128 vessels? Or will that be adjusted at some point to reflect the recently concluded and announced vessel sales?

Simos Spyrou

Chris, we have announced today that we have released the 2.1 million for the 13 vessels that have been sold or are committed to be sold. So in reality, the threshold is now 115 remaining vessels times 2.1 million.

Christopher Robertson

Got it. That's helpful. Okay. And last question for me, just on the newbuilding vessels, looks like they'll be built with conventional but very efficient engines. Are there any design aspects to it that would enable future retrofitting of different technologies? And can you explain a little bit more what AMP is?

Nicos Rescos

Hi, Chris, this is Nicos. Thank you for the question. Well, first of all, the ships have been upgraded with the latest engine from MAN B&W that is coming out next year. And these are some of the first ships that are ordered with this engine, which automatically brings the consumption down compared to other vessels currently built by about two to three tons a day. So that's pretty significant.

AMP is a piece of equipment which allows you to use a real basically import and connect to ports that do have a power grid on dock so that you can shut off generators. You can actually operate the entire vessel using shore power, basically a plug-in facility. We believe that apart from the U.S., which is already available in certain ports, this is going to be adopted worldwide in the next few years, and we'd prefer to offer this option to charterers.

Christopher Robertson

Got it. Yes. It sounds good. (inaudible)

Nicos Rescos

Well, we have made the study for methanol, geofuel methanol. We will wait to see developments on the supply side of green methanol before we make any firm decision to upgrade the vessels.

Christopher Robertson

Any idea on the CapEx that might be required on that in the future?

Nicos Rescos

You mean the methanol?

Christopher Robertson
Yeah.

Nicos Rescos
That's estimated on accounts, so roughly around 5 million.

Christopher Robertson
Okay, got it. That's helpful. All right, guys. I'll turn it over. Thanks for taking the questions.

Nicos Rescos
Thank you.

Operator
Our next question comes from the line of Omar Nokta with Jefferies. Please proceed with your question.

Omar Nokta
Hey, guys. Good afternoon. Hi, yeah, just first question I have is maybe kind of following up on Petros talking about the market a bit in the 4Q or fourth quarter being the strongest of the year. Obviously, we've seen rates improve and strengthen thus far into the quarter, on average they're at their best across the board.

I guess in terms of this improvement, is this basically just -- would you characterize this as purely seasonal? Or are there other sort of demand factors or fundamental factors in the background that have caused us to improve accordingly?

Petros Pappas
Well, during the second part of the year, there is more iron ore trades. There's more production from Brazil, which also improves ton-miles. I think this time around coal imports in India will also be strong because India has very low stocks. And the rest of the trade, bauxite and grains, will continue as usual. So I think iron ore ton-miles and coal imports in India will be the major reasons why this market is going to be stronger during Q4.

Omar Nokta
Okay. Yes. Just kind of wondering if you -- by seeing this market, gets, "strength," not necessarily saying it's strong, but it's definitely much better than it has been. Has that maybe given you a bit more conviction on perhaps next year or the medium-term outlook being better? Or do you not look at this as a shift? And that you maybe characterize this as just much more of a seasonal thing, and so let's not get too excited. Just wanted to get maybe kind of how Star Bulk in general is viewing this market strength we've seen over the past couple of months?

Petros Pappas

Well, my personal opinion is that 2024 is going to be similar to 2023 unless if there are any geopolitical developments that are difficult to foresee. I think that iron ore, for example, will be about the same mainly because the rest of the world is going to start improving their economies and also because China has very low stocks.

On the coal front, I think that we may see lesser trade actually to a certain degree mainly because of the El Niño effect. And of course, the world is trying to reduce coal consumption. I think bauxite to China will improve and will -- as every year. And I think that grains are going to be doing better. The El Niño is actually positive for grains. So overall, I would say a similar market, perhaps a bit better.

Omar Nokta

Okay. Thank you. Thanks for that market color, Petros. And then maybe just kind of a follow-up perhaps with the newbuilding. As Chris was asking, you've obviously disposed of the 13 ships this year. You raised a good amount of capital doing so. You used it to buy the big chunk of the Oaktree position. I guess in terms of where Star Bulk is today, in your market footprint, you're down to 115 ships, still a substantial critical mass.

So how do you think about the fleet footprint as it is as we kind of think about where you're going into next year? You have the Kamsarmax newbuilding that you just announced. Should we be thinking of Star Bulk continuing to be a seller in this market of older tonnage and then perhaps replacing them over time with more of these newbuildings?

Hamish Norton

I think we'll do the right commercial thing. Obviously, our fleet is getting older every year, and it can't get old indefinitely. So we will look at the right opportunities to sell ships that are not going to have a long life and get ships that will have a long life. And as always, we also continue to look at merger possibilities, and we're seeing opportunities all the time. As we've said in the past, these are always hard to close.

Christos Begleris

And just to add, Omar, this is Christos. We also have the seven charter-in vessels, which effectively are all young vessels and further renew the fleet.

Hamish Norton

Yeah. And of course, those vessels give us a lot of optionality.

Petros Pappas

Yes, and they are all delivering this year, right? Yes.

Omar Nokta
Yeah. Got it. Okay. Well, thank you. That's it for me. Thanks, guys.

Hamish Norton
Thanks, Omar.

Operator
Our next question comes from the line of Ben Nolan with Stifel. Please proceed with your question.

Benjamin Nolan
Thanks. I'm a little bit curious on the newbuilds. Obviously, you're selling assets. They're historically a little bit higher priced. And I appreciate the need to replenish the fleet and so forth. The newbuilds are a bit more expensive than they normally would be too. Do you view this as just sort of a necessary evil in terms of paying a little bit of a higher price in order to make sure that your fleet is new? Or do you think maybe we're in a new paradigm where just asset prices are higher and the price that you're paying for the newbuilds is reasonable on that basis?

Petros Pappas
Well, Ben, first of all, we're buying these -- these vessels are actually -- their speed and consumption is actually similar to that of the best Japanese vessels. And we made sure that this would be the case, otherwise we wouldn't have gone forward. And Japanese vessels -- similar Japanese vessels are being sold like $6 million or $7 million more expensive than these ones. So we do not consider them that expensive.

Secondly, vessels like that, that burn like seven, eight tons less fuel than the other Kamsarmaxes actually save you almost $4,000 a day -- a sailing day. So you recoup the differential very, very quickly. And at the end of the day, we do not think that newbuilding prices are going to go down. There's very little availability right now. And if one so wanted, I'm pretty sure the closer to the day, the delivery dates, one could sell these vessels even more expensive.

Hamish Norton
And also since the beginning of the COVID pandemic, U.S. dollar inflation has not been small. It's over 10% change in prices. So you have to expect that nominal dollar prices of newbuildings will go up.

Petros Pappas
Plus we are seeing that decarbonization will probably take longer than what we initially thought it would. And that will mean that best-in-class vessels will have the chance to trade for a lifetime.

Benjamin Nolan
Got it. That all makes sense. And then my next question was around the buyback and then also the ATM activity. And I appreciate that you're buying at a lower price than you're selling with respect to the share price. Although again, at least according to my math, the shares are still trading below NAV any way that you slice it. Just curious this thinking may be behind not just selling a few extra ships in order to help fund the share repurchase versus being active on the ATM below NAV.

Hamish Norton
Ben, basically, if you have a shareholder coming to you and saying, I'm afraid that when Oaktree sells, the overhang is keeping your share price down. When Oaktree sells, the price is going to collapse. Can you do something about it? And then we sell shares at $0.81 above where we buy them in, obviously, the shareholder is better off.

It would have been even better if we could sell more ships at a very high price. But what we did basically was we wanted to buy 20 million shares. And we funded that with debt, equity, and proceeds from ship sales, and we did what we could do in each of those areas. And in each case, we think it was beneficial for the shareholders.

Petros Pappas
Plus, the ATM was like 3.5% of the buyback.

Hamish Norton
Yes. But basically, we sold the ships we could sell. We issued the equity that we could issue at prices that we knew would be profitable. And we try to limit the borrowings to the extent we could, but all of it was good for the shareholders, we think.

Benjamin Nolan
Right. Okay. I appreciate the color there.

Operator
As a reminder, it is star one to ask a question.

Our next question comes from the line of Nathan Ho (ph) with Bank of America. Please proceed with your question.

Nathan Ho
Hey. Great. Thank you, team. I would just want to continue a little bit on Ben's train of thought there. And I guess I'll just ask this question a little differently. I mean you spoke a little bit about buying back shares from Oaktree, at a discount to -- a significant discount to NAV and right with

the share issuance. And now I think like with the disposal vessels, that all seems to align with the same framework. But now with this newbuild, I'm just kind of curious on how the team is thinking about capital strategy in context of where you're currently seeing your net asset value. Like how are you deciding what to do with your cash, given where your asset value is relative to your share price?

Hamish Norton
Well, thanks for the question, Nathan. I think we looked at these newbuildings, frankly, as being a chance, an opportunity that we would not have the chance to duplicate. We think these are -- this was an exceptional situation where the shipyard wanted us specifically as a client and offered us slots that were not going to be available anywhere else for a ship that has a quality that we couldn't get, frankly, in other shipyards.

They worked with us to put an engine on that isn't available yet generally and to put a shaft generator on and generally tweak their design to our needs. So we're not planning to go out and replace our fleet with newbuildings if that's sort of the point of the question. This we thought was, frankly, an opportunity that was too good to let go.

Nathan Ho
Got it. Just to follow up on that. For a like-for-like vessel, what would the lead times look like in, say, a Japanese or Korean yard?

Hamish Norton
Lead times.

Petros Pappas
For Korean yards.

Hamish Norton
For Korean or Japanese.

Petros Pappas
Well, basically, we are about a year later. I mean Japan is presently offering mid-2027. For vessels in Korea doesn't build bulk carriers because they're occupied with LNG and container and tanker vessels.

Nicos Rescos
And I guess China, there are no slots offered for 2025. You can only find slots for 2026. And those are very few.

Hamish Norton

And not this quality.

Petros Pappas
And I think second half not ‘26, actually not -- yes, as you said, very few.

Nathan Ho
Okay. That's helpful. And Hamish, I think you brought up earlier about the possibility of potentially using mergers as another way of renewing the fleet. Maybe if you wouldn't mind just expanding a little bit about that, what kind of opportunities you're seeing and how you're seeing the market currently?

Hamish Norton
Well, we always see opportunities to buy fleets and much of the time we see the opportunity to use our shares. We only do these transactions if we can use our shares at or above NAV. And frankly, we're not looking to increase our leverage by any significant amount if we can avoid it. So we're a bit picky. The sellers have been until recently a bit picky. And it's been hard to get these things done since the COVID pandemic. Although before COVID, we did about eight of them, I think. The market seems to be turning around a little bit and maybe making it easier to close these transactions. So I'm hopeful.

Nathan Ho
Great. Thank you so much. That's really helpful.

Hamish Norton
Thank you.

Operator
Our next question comes from the line of Bendik Folden Nyttingnes with Clarksons Securities. Please proceed with your question.

Bendik Nyttingnes
Yeah. Thank you. I think I just wanted to touch return the market and touch upon some of the ESG aspects. Do you see any impact from factors such as the carbon intensity indicator or the EU ETS system? Do you see that affecting the dry bulk market going into 2024 and beyond with regards to stuff like slow steaming?

Petros Pappas
Well, we think that vessels will probably among the means to have a better CII. I think that vessels will probably also reduce their speed. So I think that this is going to be beneficial because there's going to be basically less supply of vessels. So we consider in this company the environmental regulations as only positive for the shipping industry.

Bendik Nyttingnes
Okay. Thank you. And just a little technical detail at the end there, the price point for the options, are those the same as for the firm vessels? And also can you elaborate some on what you would expect the financing to look like if you decide to (inaudible) those?

Nicos Rescos
The option price is exactly the same as the firm vessels. That's the first part. And we don't have a lot of cash to pay for the near term. It's like $7 million for the two firm vessels, and it would be $7 million for the two optional vessels, and that holds us for a while. So we're -- we can finance it, frankly, with debt to begin with. It's not a big deal, and then closer to delivery, we'll figure out the best way to finance it from the shareholders' point of view.

Simos Spyrou
Just to clarify, this plus $7 million will not affect our cash balance for the distributable cash for dividends.

Hamish Norton
Yeah, exactly. We're not planning to finance these out of operating cash flow.

Operator
There are no further questions in the queue. I'd like to hand the call back to management for closing remarks.

Petros Pappas
No further remarks, operator. Thank you very much.

Operator
Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.

Petros Pappas
You, too. Thank you very much.