Star Bulk Carriers Corp.
Fourth Quarter 2023 Financial Results
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Presenters
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Hamish Norton, President
Simos Spyrou, Co-Chief Financial Officer
Christos Begleris, Co-Chief Financial Officer
Nicos Rescos, Chief Operating Officer
Charis Plakantonaki, Chief Strategy Officer

Q&A Participants
Amit Mehrotra - Deutsche Bank
Omar Nokta - Jefferies
Nathan Ho - Bank of America

Operator
Thank you for standing by, ladies and gentlemen, and welcome to Star Bulk Carriers Conference Call on the Fourth Quarter 2023 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; Mr. Nicos Rescos, Chief Operating Officer; and Mrs. Charis Plakantonaki, Chief Strategy Officer of the company.

At this time, all participants are in listen-only mode. There will be a presentation followed by a question and answer session, at which time, if you would--if you wish to ask a question, please press "*" "1" on your telephone keypad and wait for your name to be announced. I must advise you that this conference is being recorded today. We will now pass the floor over to 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 fourth 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'll go through our Q4 results, financings and share buybacks, a short update on the Eagle Bulk transaction, fleet development 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 fourth quarter 2023 highlights.

Net income for the fourth quarter amounted to approximately $40 million and adjusted net income of approximately $64 million. Adjusted EBITDA was $114 million for the quarter. For the

fourth quarter, after our existing dividend policy, we declared a dividend per share of $0.45 with record date as of March 12, 2024. Since June 2021, we have returned to shareholders $1.1 billion in dividend distributions and over $400 million in share buybacks.

Our total cash today stands at $312 million pro forma for the delivery of our four remaining sold vessels and the payment of their respective debt as well as the bridge facility. Meanwhile, our pro forma total debt stands at approximately $1.121 billion, translating in a pro forma net debt of approximately $800 million.

On the top right of the page, you will see our daily figures per vessel for the quarter. Our time charter equivalent rate was $18,296 per vessel per day. Our combined daily OpEx and net cash G&A expenses per vessel per day amounted to $6,081. Therefore, our TCE less OpEx and G&A is approximately $12,215 per day per vessel. Looking towards fleet renewal in the last 12 months, we have agreed to sell 17 vessels with an average age of 13.7 years and received insurance proceeds from one vessel, which was declared as a constructive total loss. Total gross proceeds from these vessels were $366 million.

During the fourth quarter, we completed a $380 million repurchase of 20 million shares from Oaktree Capital. The shares were repurchased and subsequently canceled. The Oaktree buyback was funded from vessel sale proceeds of $254 million, plus $76 million of new debt financing, $13 million of proceeds from the ATM, and $38 million cash released from the minimum cash threshold of $2.1 million per vessel for the 18 vessels that have been sold.

Slide four graphically illustrates the changes in the company's cash balance during the fourth quarter. We started the quarter with $302 million in cash and generated positive cash flow from operating activities of $88.6 million. After including debt proceeds and repayments, CapEx payments for ESD and ballast water treatment system installations, the third quarter dividend payment, the Oaktree sale repurchases and ATM issuances, we arrived at a cash and cash equivalent balance of $282 million at the end of the quarter. This figure includes a $20 million adjustment as this amount was released from the vessel sales and went against the financing of the Oaktree share buyback.

Slide five illustrates a summary of the recently announced Eagle Bulk transaction. We have been working closely with Eagle Bulk team and our lawyers to be able to complete the merger in early April 2024. This transaction will create a global leader in dry bulk shipping with a large, diversified and scrubber-fitted fleet of 167 vessels. This is a low stock transaction on NAV-to-NAV basis with a combined market cap of approximately $2.6 billion. Eagle shareholders will receive 2.6211 shares of Star Bulk per share of Eagle. Star Bulk shareholders, will own approximately 71% and Eagle shareholders will own approximately 29% of the combined entity.

Since the deal was announced, we filed with the SEC an F-4 registration statement with respect to the shares of Star Bulk common stock to be issued to Eagle shareholders pursuant to the Eagle Merger Agreement, which became effective on February 12, 2024. The Board of Directors of Eagle fixed February 12, 2024 as a record date for the determination of Eagle shareholders

entitled to receive notice of and vote at the Eagle Special Meeting. The Eagle Special Meeting will be held on April 5, 2024. Subject to Engle shareholder approval and customary closing conditions, we expect the Eagle Merger will close shortly thereafter. I will now pass the floor to our COO, Nicos Rescos, to talk about our operational performance and an update on our fleet renewal and CapEx update.

Nicos Rescos
Thank you, Simos. Let's turn to slide six, where we provide an operational update. Operating expense, excluding nonrecurring expenses, was $4,977 for Q4 2023. Net cash G&A expenses were $1,104 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.

Please turn to Slide seven for an update on our fleet sales and our recent newbuilding orders. In December, we entered into an additional three firm building contracts with Qingdao Shipyard with the construction of 82,000 Kamsarmax newbuilding vessels at competitive price levels, having increased the size of our order from two to five vessels.

The vessels are being built in China to a high specification fitted with the latest fuel-efficient engine coming into production in 2024, a shaft generator reducing energy requirements whilst at sea, and now take (sp) Marine Power provisions. The above measures ensure best-in-class fuel consumptions and emissions. On the vessel sales front, we'll continue disposing of vessels opportunistically at historically attractive levels, having agreed during Q4 to sell seven vessels for total gross proceeds of $122 million, reducing our average fleet age and improving overall fleet efficiency. During Q1, we agreed to sell another two Capesize vessels, the Big Bang and the Pantagruel, for total gross proceeds of $36.3 million.

Furthermore, we took delivery of two out of the six long-term Charter-in Eco vessels that will be delivered to us throughout 2024 and specifically, Tsuneishi-Zhousan Kamsarmax and a Tsuneishi-Cebu Ultramax. Considering the aforementioned changes in our fleet mix, we operate one of the largest global fleets amongst U.S. and European listed peers with 122 vessels on a fully delivered basis with an average age of 10.5 years.

Slide eight provides a fleet update and some guidance around our future dry docks and a relevant total of hired days. On the top right of the page we provide a CapEx schedule illustrating our newbuilding CapEx and vessel Energy Efficiency upgrade expenses with 100% of our fleet now being ballast water treatment system fitted. Our expected dry dock expense for 2024 is estimated at $30.5 million for the dry docking of 40 vessels.

In total, we expect to have approximately 950 off-hire days for the same period. Based on our latest construction schedule, our newbuilding business vessels are expected to be delivered in Q4 2025, Q2, and Q3 2026. In line with EEXI, CII regulations, we will continue investing and upgrading our fleet with the latest operational technologies available and 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 of 31 vessels with 16 more to follow for retrofit by the end of 2024. The above numbers are based on current estimates around dry dock and retrofit planning, vessel employment, and yard capacity. Finally, we're working together with Eagle management towards a seamless integration of the ship management platforms from April 2024 onwards, should the merger receive shareholder approval. I will now pass the floor to our Chief Strategy Officer, Charis Plakantonaki, for a ESG update.

Charis Plakantonaki
Thank you, Nicos. Please turn to Slide nine, where we highlight our continued leadership on the ESG front. Star Bulk along with four other leading shipowners in Greece have joined the Lloyd's Register Foundation in establishing the Maritime Emissions Reduction Center, an Athens-based non-profit organization. The center will support the development and adoption of new and existing solutions to reduce greenhouse gas emissions of the global fleet while fostering the collaboration among Maritime value chain stakeholders to safely navigate to net zero.

For a third year in a row, Star Bulk has participated in the Carbon Disclosure Project, maintaining its score of B, which indicate a maturity of Management Level for taking coordination action on climate issues. This score places Star Bulk above the industry average of B minus and also above the global average of C, which indicates Awareness Level. On the regulatory front, Star Bulk has taken all necessary measures to prepare for and ensure compliance with the inclusion of shipping in the EU Emissions Trading Scheme, which came into force on the 1st of January 2024.

We have also prepared to timely align our ESG reporting with the EU's Corporate Sustainability Reporting Directive, which will apply for the first time in the 2024 financial year for reports published in 2025. During Q4 2023, we continued enhancing our employee engagement and wellbeing programs, increasing the retention rates of our shore employees.

With regards to regulations, Star Bulk is continuing to invest in new systems, technologies, policies, and training to strengthen its communications and cybersecurity, including the deployment of high bandwidth Internet and next-generation firewalls on board its vessels. In December 2023, Star Bulk was granted the Sustainability Award as the Annual Lloyd's List Greek Shipping Awards. 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 10 for a brief update of supply. During 2023, a total of 35.3 million deadweight was delivered and 5.4 million deadweight was sent to demolition for a net fleet growth of 29.9 million deadweight or 3.1% year-over-year. Firm orders of 42.8 million deadweight were placed during the year, with the newbuilding order book presently standing at a still low level of 8.5% of the fleet. Limited CPR capacity until late 2026, high shipbuilding costs, and future green propulsion uncertainty are keeping new orders under relative control.

Furthermore, vessels above 20 and 15 years of age stands at 8.5% and 20.6% of the fleet, respectively, while scrap prices have stabilized at elevated levels and should make demolition of overage and energy inefficient tonnage a more attractive option during seasonal downturns over the next years. During the second half of the year, the average steaming speed of the dry bulk fleet decreased to a new low of 10.95 knots, due to downward pressures from inflated bunker costs and new environmental regulations. We expect the EEXI, CII regulations to increasingly incentivize slow steaming retrofits and to help moderate supply over the next several years.

Global port congestion adjusted lower over the last two years, and we expect that it will follow seasonal patterns from now on. In the short term, the combination of drought in Panama and Red Sea tensions has led to a major decrease of Canal transits and is causing inefficiencies that can be mitigated by the seasonal market weakness. As a result of the above trends, nominal fleet growth is unlikely to exceed 2.5% per annum over the next few years.

Let's now turn to slide 11 for a brief update of demand. According to Clarksons, total dry bulk trade during 2023 is estimated to have expanded by 4.4% in ton-miles. Trade volumes during the fourth quarter increased by 6.2% year-over-year, supported by a record coal and iron ore exports and a recovery of minor bulk trade while stronger Atlantic exports and inefficiencies have benefited ton-miles. China dry bulk imports increased by 12.2%, despite weak macro sentiment and a struggling property sector. Gradual stimulus measures over the last year, heavy investment on infrastructure and manufacturing, and higher exports have provided support for raw materials demand.

On the other hand, dry bulk imports from the rest of the world declined by 2% as demand during the first half of 2023 was affected by high energy and food costs related to the war in Ukraine and tightening monetary policy by Western economies in the effort to fight inflation. During 2024, dry bulk demand is projected to increase by 1% in tons, with the IMF upgrading its global GDP growth forecast to 3.1%.

The Chinese economic recovery from the Zero COVID Policy is still at early stages and is expected to accelerate once the property market stabilizes and consumer confidence returns. Demand from the rest of the world is experiencing a strong recovery since September, supported by a decline in energy, food, and borrowing costs. Meanwhile, the year started with ton-miles receiving strong support by geopolitical and canal inefficiencies.

Iron ore trade expanded by 6.2% during 2023 and is projected to contract by 0.4% during 2024. China crude steel production increased by 0.9% during 2023 after two consecutive years of contraction, supported by inflated steel product exports. Domestic iron ore output and stockpiles are moving higher, but still stand well below last year's levels. Crude steel production from the rest of the world declined by 1.2% during 2023 as the first half was affected by high energy costs and weak margins.

Having said that, steel production ex-China experienced a strong recovery during the fourth quarter and is expected to remain strong throughout 2024. Coal trade expanded by 6.9% during 2023 and is projected to contract by 1.4% during 2024. Global focus on energy security has inflated coal trade, while the reshuffling of Russian exports has benefited ton-miles.

Chinese imports surged by an impressive 61% compared to 2022, thermal electricity increased by 6.4%, hydropower contracted by 4.9%, and domestic coal production growth was limited to 4.3%. India is emerging as a leading coal importer with electricity demand currently outpacing domestic coal production growth and stockpiles at relatively low levels. Grains trade contracted by 0.6% during 2023 and is projected to rebound by 2.9% during 2024. Grain trade was affected by the decrease of exports from Argentina, the U.S., and Ukraine, while Brazil experienced record soybean and corn seasons that helped fill the gap.

Falling prices of agricultural commodities, better crop yields in North and South America, the recovery of Ukrainian volumes and increased demand from emerging economies are expected to inflate gain trade over the next years. Moreover, Panama Canal constraints this year will inflate ton-miles as historically 25% of U.S. exports are moving through the Canal.

Minor bulk trade expanded by 3.7% during 2023 and is projected to expand by 3.9% during 2024. Minor bulk trade has the highest correlation to global GDP growth and is supported by improving global macroeconomic fundamentals. Atlantic steel shortages continue to incentivize specific exports and inflate backhaul trades. Furthermore, expanding West Africa bauxite exports generate strong ton-miles for Capesize vessels with Guinea exports up 24% during 2023.

As a final comment, the outlook for dry bulk market remains positive due to favorable supply dynamics, geopolitically-driven inefficiencies in trade, and a recovery of demand supported by large global infrastructure investment needs for the world's green transition. Star Bulk expects to take advantage of the recent strength in the dry bulk market, having mostly maintained its diverse scrubber-fitted fleet in the spot market and will thus continue to create value for its shareholders. 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. If you would like to ask a question, please press “*” “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*” “2” to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up your headset before pressing the “*” keys. Our first question is from Amit Mehrotra with Deutsche Bank. Please proceed.

Amit Mehrotra
Thanks, Operator. Hi, everybody. Good to talk to you all. I want to maybe start with the dividend expectations for the first quarter. There's obviously a lot of moving parts in terms of, you know, year-to-date bookings and asset sales, asset acquisitions. You've been helpful in the past and kind of helping us calibrate, you know, directionally, at least. Wondering if you can kind of help us

synthesize all those moving parts and what our expectations should be able to have a dividend for the first quarter.

Petros Pappas
Hamish?

Hamish Norton
I was actually thinking that might be a CFO question, but I mean, obviously, we don't give guidance on dividends. The first quarter is not looking at that.

Simos Spyrou
And we have provided a figure pro forma cash as of today, Hamish, including the remaining deliveries for the four vessel sales, so it's $112 million pro forma as of today. Amit, you should be only keeping us meaning liquidity, the $2.1 million per vessel that we have on the water right now. So it's pro forma for the last four deliveries, it's 110 vessels. Then you should add a figure of approximately $38 million, which is the dividend that we have just declared to be paid during the following days for Q4. So roughly, you can see how--what is the remaining excess cash as of today and make your projections for the remaining of the quarter.

Amit Mehrotra
Got it. Okay.

Hamish Norton
Yeah, and working capital, Simos, do we expect working capital to be a source or a sink?

Simos Spyrou
More or less, it should be slightly negative.

Amit Mehrotra
Okay. Okay. That's helpful. If I could follow up on maybe more precise numbers later on. I guess the second question for me, obviously, there's a lot of disruption in the Red Sea. I think there were some reports that maybe a few of your vessels have been kind of under threat in that region. I mean, Hamish and Petros, what do you guys think is going to happen now? Obviously, we've seen container ship rates move higher. We've seen tanker rates move higher. Is there a synthetic reduction in capacity is occurring as you go--dry bulk vessels go on the Cape of Good Hope? What are you seeing in terms of the latest for the dry bulk market in terms of what's happening in the Red Sea?

Petros Pappas
Hi Amit. Okay. First of all, let me explain the situation about our company. We had two cases of period charters where we asked our charters not to go through the Suez Canal, but legally, we could not do that because, until that time, we did not know about the attacks to the Eagle Bulk and Janko (sp) vessels. And therefore, we got advised that we had to follow the charter party and send the vessels through Suez.

So the first vessel passed and was attacked three times. Fortunately, it was not hurt, nobody on board nor the vessel. But while that was happening, the second vessel was already passing Suez, so we couldn't divert it. And that has continued and it was attacked again.

Going forward, we will not be passing Suez Canal anymore because we are obviously a target of the Houthis being a public company registered in the U.S. So that's--that was--I wanted to clarify this so that people know. Now, let me give you a few examples. If you had a vessel in the U.S. Gulf and you wanted to go to Qingdao in China, it would be a distance of like 10,000 miles. But the Panama Canal doesn't work for bulk carriers as it doesn't right now, you would have to go through Suez Canal.

And that would be 14,100 miles, therefore, 41% longer distance. And when--and if you cannot do Suez Canal, then you have to go through the Cape, which is 15,400 miles. And therefore, it's 54% longer than it would be through the Panama Canal. And then again, if you're in Rotterdam and you want to go to Qingdao, if you go through Suez Canal, it would be 11,000 miles and through the Cape would be 14,300 miles, therefore, 30% longer.

So if, in theory, no vessel passed through Suez or Panama Canal and the voyage started in the U.S. Gulf or the continent, that would be like a 35% increase in miles, which basically is about between 10 and 15 days longer. So on trips that are 50 days long, they would become 60 or 65 days longer. So this is the worst possible situation. If you start from Brazil, it would--you don't have a problem. You just go through the Cape. Or if you start more to the south, same thing. If you're in the Mediterranean and you don't go through Suez Canal, it's even worse because you have to go to Gibraltar and all the way around.

Therefore--and because fronthauls or backhauls are less than Inter-Atlantic, the Inter-Pacific or the Inter-Indian oceans trades, I would say that if both canals were totally closed, that would mean an increase in--a decrease in supply of vessels of about 8%. This is not happening exactly. Of course, through Panama Canal, we're not going, but there's a lot of vessels that are going through Suez Canal. So I would venture to say that the effect right now of the supply is about, for both canals, would be about 3%, 4%. Sorry about the long explanation.

Amit Mehrotra
Okay. That's very helpful. Thank you Petros. I guess my last question, and then I'll hand it over. I wanted to ask this to Hamish because obviously, Hamish, you have a very deep corporate finance background. I guess I've just been amazed, if I look at over the last five years, the way you guys have grown. I think you've added 55, 60 vessels through ship-for-share deals that were actually struck below the public equity value of the company, which is remarkable. And obviously, now you're adding this Eagle transaction.

So the promise of this Star Bulk becoming a platform through this low debt structure is coming to fruition. And I guess the only question I had is, is there a certain amount of size where you guys just become too big to manage or can this thing continue depending on the opportunities

that present themselves? So Hamish, I was wondering if you could answer that question. And then, also, kind of are you seeing greater interest because it becomes a little bit of the snowball effect where more and more of these come--get done, more and more of these deals get done, maybe more and more come to you as well to--if you could talk about that.

Hamish Norton
Yeah. Well, I mean, first of all, from your lips to God's ears. This is how we would love to have everything work out. First of all, let's get the Eagle deal done first before worrying about what to do next. There's a little bit of not wanting to bite off more than we can chew. And we do need to integrate Eagle properly and make sure we keep the best of both companies before we start looking for follow-on deals.

But look, I don't think there is a specific level at which the company is too big to manage. We are a pretty small company compared to, say, a large airline or a large container line. And those companies are quite well managed. And I think Nicos Rescos may have something to say about our ability to manage a fleet of two or four times the size, but if a container line or an airline can do it, I think we can do it. And we haven't seen an increase in interest yet, but I think it's reasonable to think we might once the Eagle deal is closed.

Amit Mehrotra
Okay. All right. Thank you. Congrats on all your success, everybody. Appreciate it.

Petros Pappas
Thanks, Amit.

Operator
Our next question is from Omar Nokta with Jefferies. Please proceed.

Omar Nokta
Thank you. Hey, guys. Good morning. Or, sorry, good afternoon. Yeah, just wanted to touch on a couple of Amit's questions in the back and forth you had and then also Petros from some of your opening comments just discussing the market. Clearly, 4Q was a bit stronger than a lot of us were thinking going into the quarter. And then so far, 1Q is averaging quite a bit better, definitely than last year, but also your bookings to-date are higher here in 1Q versus 4Q.

So just wanted to ask, you mentioned that the disruptions that are going on in the Red Sea and the Panama Canal have maybe smoothed out a bit of the 1Q decline that we normally would see. Obviously, that seems like it's a main--or it's a big piece of what's happening, but is there also something else happening? Is there a demand story that's driving this as well or do you attribute what we're seeing in the market here really just due to the disruption?

Petros Pappas
Hi, Omar. First of all, I should also add the effect that the Ukraine war is having in the market because Russia cannot--does not export any more to closer destinations in Europe, but they have to export towards China and India. And therefore, that also has an effect. So all this, along with the Panama Canal and the Red Sea, these three inefficiencies are creating a major positive for shipping and they are affecting the market during the quarter that would otherwise be slower.

But overall, I would say that, first of all, I think that these inefficiencies will continue to exist. I don't see them going away very soon. It will have to be several months or even years before we go back to normality. So I think they will continue to support the market for a while. Apart from that, we see a strong U.S. economy, a strong Indian economy. We believe that China will support its economy going forward, and this is very important because during 2023, it was China single handedly that supported the trade.

I think that they increased their imports by about 280 million tons, where the rest of the world was actually negative. So we think China will continue because they have not yet accomplished their goals. Along with U.S. and Indian economies, we think that the rest of the world starts to recover as well. And don't forget the environmental regulations. These are going to affect supply. There's no question about that. And on top of that, we have a relatively low order book at 8.5%. You will be seeing influx of vessels of about 3% to 3.5% every year.

We think up to now, there hasn't been much scrapping because the markets are decent. But in the future, they will have to scrap more. So 3%, 3.5% influx and scrapping about 1%, 1.5%. We may be seeing 2% to 2.5% need for demand. And already, just inefficiencies cover that and go even further than that. So personally, I see, for these reasons, I see a strong market during '24 and most probably '25 as well.

Omar Nokta
Great. Thank you, Petros, for that detail. And then maybe just wanted to switch gears just on the other topic or one of the topics being the dividend and there's--and I think Amit was mentioning and clearly that's been happening, which is that you become a bit more dynamic in terms of managing the fleet.

It was much easier for me or for us when you had those 128 ships, and it was fairly static and so it was very easy for us to model the dividend. Given the buybacks, I guess, just in general, with you being a bit more active on the fleet front, you're seemingly perhaps more transaction oriented. Any sort of thoughts on squeaking the dividend policy to a percentage of earnings payout or do you like, say, the strategic honesty or clarity of just the ending cash balance approach?

Hamish Norton
Yeah. I think we value the fact that you can't get it wrong if it ends up depending on cash on your balance sheet that you have. A percentage of any other quantity could somehow, due to some unanticipated events, not match up with cash that you actually have. So I think you do like this formulation. I feel your pain as far as forecasting it.

Simos Spyrou
But Omar, which is Simos. Just to reiterate again what I said before to Amit, we gave a figure of our cash balance pro forma today as of the delivery of the last four vessels to be delivered within the following months. This is $312 million. On purpose, we said that we are releasing the $2.1 million for minimum cash threshold for the 18 vessels that have been sold. So you may assume that after the delivery of the last vessel, all the proceeds of the sales are used for the financing of the two blocks that we have acquired during the fourth quarter and the repayment of the bridge facility.

So the $312 million cash pro forma that we have as of today is the net cash, net of any sale proceeds, and it includes only the $2.1 million threshold for the remaining 110 vessels, the $38 million of cash that we will distribute as a dividend for the fourth quarter, and any cash above this is potentially the dividend free cash for the first quarter. So you may start modeling out of this balance the dividend for the first quarter.

Omar Nokta
Okay, got it. Yeah. Thanks, Rescos, for that color. We'll do that and also thank you, Hamish as well, and Petros. That's it for me.

Simos Spyrou
You’re very welcome.

Hamish Norton
Thanks, Omar.

Operator
Our final question is from Nathan Ho with Bank of America. Please proceed.

Ma Ho
Hey. Good afternoon, team. I think I'd like to just maybe follow up a little bit more on the fleet strategy, especially post acquisition, how we should be thinking about your fleet size over 2024 and 2025. Obviously, a pretty significant expansion, but still like I think nearly 30% of your current fleet, approximately 15 years and older. How much of a focus is it to source additional vessel sale opportunities from here?

Hamish Norton
Well, I think we are going to be focused on growth as well as fleet renewal. So I think that the fleet is probably going to be quite dynamic for a while, basically because we do need to make sure that we sell older vessels at the appropriate time and that we buy newer vessels at the appropriate time and that we enter into business combinations that are attractive to our shareholders. So I don't see us sort of sitting back and relaxing. We do, as I said, have to make sure we do a good job integrating Eagle. But hopefully, that will not take all of 2024.

Ma Ho
Got it. Got it. Okay. That's helpful. And maybe just a follow up on both Omar and Amit's questions regarding the Red Sea. How has your conversations with some of the P&I clubs (sp) and insurers been threading ensuring charters through the Suez Canal now? Has that been--do you see that as like a significant capacity restraint moving forward for, say, other carriers from an economic standpoint to transit across? Thanks.

Petros Pappas
Up to a couple of weeks ago, the cost had not gone up that much. Right now, it's gone up a little bit. We are very well-covered at relatively low rates. But as I said, we won't be going through Red Sea so doesn't apply anymore. For whoever it does, I suppose that the more vessels that are shipped, the higher the insurance rates that will be asked by the insurers. But overall, the cargo has to go to its destination, and it's a matter of calculation.

So let's say, a guy starts from the continent with a charter which has chartered the vessel. He will have to calculate whether it pays off to go through the Cape or through the Suez Canal. As far as--and with the Suez Canal, he will also have to take into account the potential risks. But just looking at the cost, it's going to be, let's say, 11 days longer through the Cape. So he will have to pay higher and bankers (sp) for 11 days. But through Suez Canal, he will have to pay for the cost of the canal plus the insurance. So as the insurance increases, it's possible at the end of the day, it won't make much difference whether it goes through the Cape or through Suez.

Ma Ho
Got it. Perfect. Thanks again. That’s really helpful.

Petros Pappas
Thank you.

Operator
We have reached the end of our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

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

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation.