Star Bulk Carriers
Fourth Quarter 2024 Financial Results
February 19, 2025

Presenters
Petros Pappas, Chief Executive Officer
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 of the Company

Q&A Participants
Christopher Robertson - Deutsche Bank AG
Omar Nokta - Jefferies
Climent Molins - Value Investor's Edge

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers conference call on the Fourth Quarter 2024 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 Ms. Charis Plakantonaki, Chief Strategy Officer of the Company.

At this time, participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time, if you would like 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 to one of our speakers, 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 2024. 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 Q4 results, Star Bulk's investment proposition, actions taken to create value for our shareholders, cash evolution during the quarter, an update on the Eagle Bulk integration, vessel operations, fleet update, the latest on the ESG front, and our views on industry fundamentals before opening up for questions.

Let us now turn to Slide #3 of the presentation for a summary of our fourth quarter 2024 highlights. For the fourth quarter 2024, the company reported the following: Net income amounted to $42 million, with adjusted net income of $41 million or $0.35 adjusted earnings per share. Adjusted EBITDA was $104 million for the quarter.

On December 2024, we announced and amended our dividend policy alongside a new $100 million share repurchase program. Under this policy, the company may allocate up to 60% of excess cash flow towards dividends with the remainder reserved for opportunistic share buybacks, growth initiatives, and fleet renewal.

For the fourth quarter, the excess cash flow amounted to $17.6 million. And as per our new dividend policy, we declared a dividend per share of $0.09, payable on or about March 18, 2025. And we repurchased 500,000 Star Bulk shares for a total amount of $7.4 million on an average price of $14.83 per share.

Overall, since December 2024 that we renewed our share repurchase program, we have bought back and subsequently canceled 893,500 shares for a total cost of $13.5 million at an average price of $15.08. As of today, the number of shares outstanding is 117,127,531.

Our pro forma total cash today stands at $452 million. Meanwhile, our pro forma total debt stands at $1.3 billion. In February 2025, we received the credit committee approval for a senior secured revolving facility of an amount up to $50 million. Finally, we currently have 13 debt-free vessels with an aggregate market value of $250 million, and we will have raised additional cash of approximately $28 million to be used for fleet renewal and general corporate purposes.

On the top right of the page, you will see our daily figures per vessel for the quarter. Our time charter equivalent rate was $16,129 per vessel per day. Our combined daily OpEx and net cash G&A expenses per vessel per day amounted to $6,320. Therefore, RPC (sp) less OpEx and cash G&A is around $9,809 per vessel per day.

Since the Eagle Bulk transaction was completed on April 9, 2024 until today, the synergies achieved from the integration resulted to an amount approximately $22 million, and we have reached the threshold of $50 million in annualized synergies almost 12 months before our original schedule.

Slide 4 provides an overview of the company's capital allocation policy over the last three years and the various levers we have used to strengthen the company, increase the intrinsic value of our shares and return capital to shareholders. Star Bulk has been growing the platform through consecutive buyouts by issuing shares at or above NAV. In total, since 2021, we have taken actions of $2.6 billion to create value for our shareholders.

On the bottom of the page, we show our net debt evolution per vessel. Our average net debt per vessel has decreased from $12.9 million per vessel to $5.4 million per vessel, a reduction of more than 50%. As a result of this deleveraging process, our current net debt is covered by the fleet (inaudible) value.

Slide 5 graphically illustrates the changes in the company's cash balance during Q4. We started the quarter with $473 million in cash. We generated positive cash flow from operating activities of $76 million. After including debt profits and repayments, CapEx payments for ESD and ballast water treatment installations and the third quarter dividend payment, we arrived at a cash balance of $441 million at the end of the fourth quarter. And I will now pass the floor to our Chief Operating Officer, Nicos Rescos, for an update on the Eagle Bulk integration and our operational performance.

Nicos Rescos
Thank you, Simos. Slide 6 provides an update on the Eagle Bulk integration and synergies. We continue to realize savings on the operating expense front as we take in-house (inaudible) phasing our third-party managers and having centralized procurement on all stores, spare parts, bunkers, and lubricants.

Oversight of technical management of the former Eagle fleet has been consolidating the company's headquarters in Athens, along with the implementation of uniform maintenance protocols and marine safety standards, reflected in our low general and administrative expenses. For Q4, OpEx and G&A savings for the Eagle fleet stood at $1,685 per vessel per day. In addition, due to our scale and relations with the yards and service providers, we have reduced significantly the (inaudible) cost on the former Eagle fleet saving $4.4 million for the quarter.

Interest expense savings have accumulated, thanks to the refinancing of the former Eagle debt which took place in Q2 of 2024. Cumulative cost synergies since closing stands at $22 million. Our Q4 2024 synergies stand at $4.6 million, implying a run rate of $50 million in annualized synergies that Simos mentioned before.

Please turn to Slide 7 where we will provide an operational update. OpEx for the fourth quarter stood at $5,056 and $5,123 for the full year 2024. Net cash G&A expenses were $1,264 per day and $1,284 per day for the same period, respectively. In addition, we continue to rate at the top among our listed peers in terms of Rightship safety score.

Slide 8 provides a fleet update and some guidance around the future dry dock and the relevant total offhire days. On the bottom of the page, we provide our expected dry dock expense schedule which for 2025 is estimated at $68 million with drydocking of 53 vessels. In total, we expect to have approximately 1,345 days for the same period. In order to take advantage of the current slower market, we have arranged the front load dry docks during Q1 2025.

On the top right of the page, we have our CapEx schedule illustrating our new CapEx and vessel energy efficiency upgrades. Based on our latest construction schedule, our new breed of vessels are expected to be delivered in Q4 2025 and the first half of 2026. For these vessels, we have secured $130 million worth of debt refinancing against the (inaudible).

In line with EXI and CII regulations, we continue investing in upgrading our fleet with related operational technologies available aimed at improving our fuel consumption and reducing our environmental footprint, further enhancing the commercial attractiveness of the Star Bulk fleet. Regarding energy saving devices retrofit program, we have completed 42 installations by the end of 2024. We would like to retrofit another 23 vessels with ESDs during 2025.

Please turn to Slide 9 for an update of our fleet. On the vessel sales front, we'll continue disposing low (inaudible). In 2024, we sold 13 vessels for total gross profit of $233 million, reducing our average fleet age and improving overall fleet efficiency.

During Q1, we are going to sell (inaudible) vessel Bittern, that is expected to be delivered to their new owners in Q2 2025. Following the rollover of Eagle Bulk existing charter-in contracts, we now have a total of 10 charter-in vessels. We have five front shipbuilding contracts within our shipyards for the construction of five (inaudible) new buildings.

Considering the aforementioned changes in our fleet mix, we operate one of the largest dry bulk fleet among U.S. and European peers with 155 vessels on a (inaudible) basis at an average age of 11.8 years. 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 10 where we highlight our continued leadership on the ESG front. In 2024, Star Bulk sustained its B score in the Carbon Disclosure Project, indicating effective environmental management. We also attained a B score on water management, a new requirement under the CDP submitted for the first time.

Star Bulk has achieved a Sapphire tier in the Protecting Blue Whales and Blue Skies Vessel Speed Reduction program in Southern California and the San Francisco region, reaching the highest requirement of over 85% of distance traveled at less than 10 knots.

During Q4, the Star Bulk fleet retained its average C+ score in the Greenhouse Gas Rating from Rightship. We further improved the company's Sustainalytics ESG Risk Smart Score to 18.4, indicating low risk, and maintaining Star Bulk's top position amongst U.S. listed peers.

Star Bulk was recognized with the Automated Mutual Assistance Vessel Rescue Award by the U.S. Coast Guard for its rescue operations that saved 17 people in total. During Q4 '24, we actively engaged with our stakeholders to closely monitor the IMO development regarding global market-based measures for the reduction of greenhouse gas emission. We also explored optimal compliance strategies for the FuelEU Martin regulation which came into force on January 1, '25.

We continue our employee wellbeing and engagement programs, have an increased retention rate of our shore employees, as well as our corporate social responsibility initiatives. On the technology front, we are progressing with the upgrade of digital infrastructure and cybersecurity systems onboard the Star Bulk fleet. In December '24, the company received the Deal of the Year

Award at the (inaudible) Awards for accomplishing the merger with Eagle Bulk. 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 2024, a total of 33.8 million deadweight was delivered and 3.8 million deadweight was sent to demolition for a net fleet growth of 30 million deadweight or 3% year-on-year. The new building order book increased over the last two years but still stands at a relatively low level of 10.5% of the fleet.

Contracting decreased to 47.3 million deadweight during 2024 due to limited available shipyard capacity up to 2027, high shipbuilding costs, and future grade propulsion uncertainty. Vessels above 20 and 15 years of age stand at 9.8% and 24.9% of the fleet, while scrap prices have stabilized at relatively elevated levels and, along with high dry dock costs, should induce demolition of overaged and energy-inefficient tunnels during seasonal downturns.

Moreover, an increasing number of vessels delivered during the 2009-2011 shipbuilding boom will go through their third special survey during 2025 and 2026 and help trim effective capacity by approximately 0.5% per annum. The average steaming speed of the fleet has decreased to a new low of 10.8 knots as reduced earnings, high bunker costs, and stricter environmental regulations provide a strong incentive to slow steam. Global port congestion has fully normalized during the second half of 2024 following a strong reduction that gradually inflated supply by approximately 6% over the last two years. Congestion presently stands slightly above last year's levels and is expected to follow seasonal trends.

Focusing on canal inefficiencies, Panama transit of dry bulk vessels have almost fully recovered, whilst recovery of Red Sea crossings is expected to take time as the ceasefire agreement looks fragile and will mainly affect smaller vessel sizes. As a result of the above trends, fleet capacity growth will not exceed 3% per annum during 2025 and 2026, while effective supply growth might drop below 2% per annum after adjusting for changes in speed, congestion, and dry dock bulk hires.

Let me now turn to Slide 12 for a brief update of demand. According to Clarksons, during 2024, total dry bulk trade expanded by 3.3% in tons and 5% in ton miles, supported by record high coal, iron ore and minor bulk exports. Canal inefficiencies and favorable weather conditions for Atlantic exporters during the first half of the year inflated ton mile growth, but the strong correction in grain trade since July and weaker iron ore trade gradually reversed the positive effect and led to a weaker fourth quarter.

Despite weak economic performance and a struggling property sector, China's total dry bulk imports increased by 19.5% over the last two years, supported by post-COVID recovery and strength in infrastructure, manufacturing, and exports. Imports to the rest of the world experienced a strong recovery during the last five quarters as lower commodity prices and easing monetary policy helped boost demand for raw materials.

During 2025, dry bulk trade is projected to increase by 0.4% in tons and 0.9% in ton-miles, with the IMF forecasting global GDP growth at 3.3%. China's GDP is projected to slow down to 4.6% from 4.8% in 2024, while India's GDP should remain stable at 6.5%. Trump administration’s pro-tariff policy is expected to create headwinds for global trade, but the direct impact on dry bulk is relatively small and difficult to forecast.

Chinese dry bulk imports are expected to slow down during 2025 as domestic production of iron ore, coal, and grains increased throughout 2024 while stocks stand at high levels. Having said that, Chinese authorities announced strong stimulus measures in September with a target to boost private consumption, help stabilize the property market, and minimize the negative effect of a potential trade war.

Iron ore trade expanded by 5.3% during 2024 and is projected to expand by 1% during 2025. Crude steel production in China declined by 1.9% during 2024, but during the fourth quarter showed signs of stabilization and increased by 6.1% year-over-year. Crude steel production in the rest of the world increased 2.1% during 2024 driven by strong growth in India and Turkey.

Iron ore trade will most likely underperform during the first half of as the La Nina weather conditions will lead to a return of seasonal disruptions for exports at the time that Chinese stockpiles and domestic production have increased. Nevertheless, new iron ore Atlantic mines of high quality will come online towards the end of 2025, gradually substituting low-quality Chinese domestic production, and Indian exports positively impacting Capesize ton miles.

Coal trade expanded by 6.5% during 2024 and is projected to contract by 2.7% during 2025. Global focus on energy security during the last years inflated coal trade volumes, but growth has come primarily from Salt Haul (sp) Indonesian exports. Chinese coal imports increased by 14.5% in 2024 following higher thermal electricity production and the country's strategic decision to leave stockpiles.

Indian coal imports were stable during most of 2024, but suffered a strong pullback during the fourth quarter. Domestic production of coal in China and India grew at a higher pace than consumption during the second half, being a negative indicator for coal imports during the first half of 2025. Having said that, increasingly competitive international coal prices may incentivize Chinese and Indian coal imports during the next few years, while strong demand from Southeast Asian economies will continue to provide support.

Grains trade expanded by 2.9% during 2024 and is projected to expand by 2.2% during 2025. Grain exports contracted by 2.5% during the second half of 2024 driven by a strong reduction of Brazil corn exports to China and a weakness in Australian and Russian wheat exports with a strong negative effect on ton-miles of smaller sizes during the fourth quarter. U.S. exports recovered during the last quarter, while the Brazilian soybean season is projected to be strong due to rising uncertainty on U.S.-China geopolitics, creating an incentive between ports from Latin America during the second quarter of 2025. Furthermore, a potential resolution of the war in Ukraine is viewed as a tailwind for grains trade inflating Black Sea demand for middle-sized vessels.

Minor bulk trade expanded by 4.7% during 2024 and is projected to expand by 2% during 2025. Minor bulk trade has the highest correlation to global GDP growth and is supported by improving local macroeconomic fundamentals. China steel exports reached record-high levels during 2024 and are expected to pull back due to rising protectionist measures by importing nations, while bauxite exports out of West Africa increased by 13% during 2024 and should continue to generate strong ton miles for Capesize vessels.

As a final comment, we expect the volatile market in 2025 as the aggressive approach of the new U.S. administration implies changes in international trade patterns amid the imposition of tariffs and subsequent retaliation acts. We nevertheless remain cautiously optimistic about the medium-term outlook for the dry bulk market given the favorable supply picture, stricter environmental regulations and the recent steps by the Chinese government to stimulate the economy.

In a period of increased geopolitical uncertainty, we remain focused on actively managing our diverse scrubber-fitted fleet to take advantage of emerging market opportunities and to continue creating value for our 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. We will now be conducting a question and answer session. 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” 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 “*” keys. One moment, please, while we poll for questions. Thank you. Our first question is from Chris Robertson with Deutsche Bank. Please proceed with your question.

Christopher Robertson
Hey. Good morning, everybody, and thank you for taking my questions. This might be a question for Nikos. Just going back to the cost synergies and savings from the Eagle Bulk merger, you guys mentioned you were able to pull forward some of the savings ahead of schedule. So I'm just wondering here how much runway you think we have left in terms of future savings. Have we reached kind of a floor for OpEx per day from your perspective? And are there any inflationary counter-forces that might be a counterbalance to that?

Nicos Rescos
Thank you, Chris. I think we have more margin for improvement here, whether it is on crew wages, we're still aligning crew wages. I think we have a good way to improve these margins further. I will reserve any comments to what we expect, but we think it can be significant. And we're still aligning operating expenses as we are restructuring the entire way things were done in the past. So I think we are not there yet to realizing the full scale of the efficiencies.

Hamish Norton
And Chris, it's Hamish Norton. The cost savings are easy to prove, but there are probably also some revenue synergies which are very hard to prove out, but we think they're there.

Petros Pappas
Yes, especially on the Supramax side.

Hamish Norton
Yeah.

Christopher Robertson
I guess turning to the market for a moment, you guys talked a little bit about the potential trade war and how it could impact the grain trade here. But can you remind us what is the ton-mile advantage, let's say, Brazilian soybeans versus U.S., and what kind of impact that would have if the Chinese diversify and go more heavily into Brazilian crop?

Petros Pappas
I do not know off hand, but I would--I would suppose it's about 10% to 15% longer ton miles, plus the fact that I think that South American ports are probably not as efficient as U.S. ports, so that might create more congestion.

Christopher Robertson
Okay. Got it. And the last question for me, just as it relates to the fleet renewal program, and you guys mentioned divesting the non-ECO vessels over time. There's quite a number of Kamsarmax vessels that kind of fit that age profile. So just any comments around how the S&P market, the appetite for some of those types of vessels is in the current market?

Petros Pappas
Well, prices have fallen, especially more on older vessels than younger vessels. We expect that the market will improve in the next several months, and that it will give us an opportunity to continue to sell older and perhaps less efficient vessels as time goes by.

Christopher Robertson
All right. Great. Thank you for taking my questions. I'll turn it over.

Nicos Rescos
Thank you.

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

Omar Nokta

Thank you. Hey, guys. Good afternoon. Good morning. Just a couple of questions for me, more just so on sort of the capital allocation or the updated policy on that. Maybe just first since it's very simple, what would you say is kind of for us the best way to calculate or reconcile definition of excess cash? Should we just assume it's basically operating cash flow less your debt payments and scheduled dry docks? Is it as simple as that?

Christos Begleris
Hi, Omar. This is Christos. That's actually pretty accurate. So it's operating cash flow less our debt principal repayments, less dry dock expenses for a specific quarter, of course subject to $2.1 million cash threshold that we have for each vessel that we have in our fleet. So that should essentially generate what is available for dividends as well as the 40% that we have announced that is for other general corporate purposes.

Omar Nokta
Okay. Thank you. And then just maybe kind of following up on that part, you mentioned the 40%. So clearly, the $0.09 dividend seems to be that 60% of excess cash. Share buybacks look like they, in January, lined up with that 40% remainder. I guess maybe the first question on that is, is that by design?

And then the other question is sort of, in the past, you had earmarked dividends kind of with 100% of your excess cash. Now we've shifted to 60%. Back prior to the latest update to the policy, ship sales funded buybacks if the valuation makes sense, kind of when you think about it going forward, is the plan to keep the buybacks contained within that 40% or up to 100% presumably of ongoing cash? Or do vessel sales continue to be a source of buyback if that opportunity makes sense?

Hamish Norton
Well, the answer is we may use 40% or even more of cash to buy back shares, but we also may use sales of ships to buy back shares. We're retaining the flexibility, frankly, to use the cash for the best use from the shareholders' point of view. We sometimes will be share buybacks and sometimes may be keeping the cash on hand for possible better opportunities later. Basically, what we're saying is that we're not going to pay out more than 60% of cash flow as a dividend.

Simos Spyrou
And Omar, just to give you an example, the excess cash that we announced for the fourth quarter was $17.6 million. The 60%, which is the maximum distribution available for dividend, corresponds to the $0.09 per share dividend that we announced. The remaining--this is about $10.2 million. The remaining $7.4 million has been already used to buy within January the 500,000 Star Bulk shares out of these excess cash that we said, at $14.93 per share.

But in the meanwhile, since we announced the new share repurchase program, we have also bought, in addition to that, an additional 393,000 shares, which were financed by the vessel sales. So it's a combination of the excess cash flow that we described in the dividend formula and vessel sale proceeds.

Omar Nokta
Okay. Thank you. That's clear. So we have definitely the capital returns are not contained with the net excess cash and vessel sales can fund it. Well, good. Well, that’s it for me. I’ll turn it over.

Operator
As a reminder, if you would like to ask a question, please press “*” “1” on your telephone keypad. Our next question is from Climent Molins with Value Investors. Please proceed with your question.

Climent Molins
Good afternoon. Thank you for taking my questions. Most has already been covered, but I wanted to ask about the 7 vessels in Chart 13 under long-term agreements. Could you confirm whether those seven contracts are at fixed rate? And secondly, could you talk a bit about what portion of the $26 million in charter-in expenses for the quarter were attributable to those vessels?

Petros Pappas
The first part of the question, I can answer. Yes, they're fixed levels. They're chartered in at fixed levels for the initial seven-year duration, and there are a couple of optional years. But the fixed duration is at the same levels, yes.

Simos Spyrou
And on the second part of your question, this is not only the charter in expense for these seven vessels. We have, in addition, charter-in in the normal course of business a few vessels during the quarter. We have three remaining legacy charter-in vessels from the Eagle Bulk as a company that are redelivered by the end of June, these three vessels. So this charter-in expense that you have in the P&L includes both the long-term charter-in vessels that we have, and you've mentioned the seven vessels, plus the additional shorter durations.

Climent Molins
Makes sense. And could you provide some color on what portion of the $26 million was actually attributable to the long-term charter?

Simos Spyrou
About 50%.

Climent Molins
All right. That’s very helpful. I’ll turn it over. Thank you for taking my questions.

Simos Spyrou
Thank you.

Operator

Thank you. There are no further questions at this time. I'd like to hand the floor back over to Mr. Pappas for any further remarks.

Petros Pappas
Thank you, operator. No further closing remarks. Thank you for listening in.

Operator
This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.