Star Bulk Carriers Corp.
First Quarter 2025 Financial Results Conference Call
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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

Q&A Participants
Omar Nokta - Jefferies
Chris Robertson - Deutsche Bank
Doug Smith - Everest

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers' Conference Call on the First Quarter 2025 Financial Results.

We have with us today, 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 wish to ask a question, please press "*" on your telephone keypad, followed by—"*", "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 one of your speakers for today, Mr. Spyrou. Thank you, sir. Please go ahead.

Christos Begleris
Thank you, Operator. I'm Christos Begleris, 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 first quarter of 2025.

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 first quarter highlight results, action taken to create value for our shareholders, cash evolution during the quarter, an update on the Eagle Bulk transaction, vessel operations, fleet update, the latest on the regulatory 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 first quarter 2025 highlights. For the first quarter of this year, the company reported the following; net income amounted to $0.5 million with adjusted net loss of $7.8 million, or $0.07 adjusted loss per share. Adjusted EBITDA was $49 million for the quarter.

During Q1, we repurchased 1.3 million shares for a total consideration of $19.6 million. For the first quarter, we declared a dividend per share of $0.05, payable on June 6, 2025. Despite the fact that no dividend will be due based on our existing dividend formula, our Board of Directors decided to continue prioritizing returns to shareholders, given the company's strong position.

Our pro forma total cash, today, stands at $437 million. Meanwhile, our pro forma total debt stands at $1.2 billion. Through an undrawn revolver facility, we have additional liquidity of $50 million, resulting to pro forma liquidity of almost $0.5 billion. Finally, we currently have 13 debt-free vessels with an aggregate market value of $270 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 $12,439 per vessel, per day. Our combined daily OpEx and net cash G&A expenses per vessel per day amounted to $6,217. Therefore, our TCE less OpEx, less cash G&A is around $6,220 per day, per vessel.

Since the Ecobank transaction was completed on April 9, 2024, until today, the synergies achieved from integration resulted to almost $40 million. Integration process has been completed across all departments.

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 intrinsic value of our shares and return capital to shareholders.

In total, since 2021, we have taken actions of $2.6 billion in dividends, share buybacks and debt repayments to create value for shareholders. At the same time, Star Bulk has been growing the platform at opportune times through consecutive fleet buyouts by issuing shares at or above net asset value.

On the bottom of the page, we show our net debt evolution per vessel. Since 2021, our average net debt per vessel has decreased from $11.6 million per vessel to $5.4 million per vessel, which corresponds to a reduction of more than 50%. As a result of this deleveraging process, our current net debt is covered by the fleet scrap value.

Slide 5 graphically illustrates the changes in the company's cash balance during the fourth quarter. We started the quarter with $441 million in cash. We generated positive cash flow from operating activities of $49 million. After including debt proceeds and repayments, CapEx payments for energy saving devices and ballast water treatment system installments, vessel sales proceeds, share buybacks and the fourth quarter dividend payment, we arrived at a cash balance of $437 million at the end of the quarter.

I will now pass the floor to our COO, Nicos Rescos, for an update on Eagle Bulk integration and our operational performance.

Nicos Rescos
Thank you, Christos. Slide 6 provides an update on the Eagle integration and synergies. We continue to realize savings this quarter on the operating expenses front, have completed consolidation of ship management practices across the ex-Eagle vessels and offices with the company's headquarters, finally reflecting our low general and administrative expenses.

Importantly, we expect to complete the phase out of third-party crew managers by Q3 this year, replacing this critical function with our in-house screen platform and hence, realizing further cost optimization. On completion of the last remaining crew changes, our dedicated crewing pool will comprise of more than 5,000 sea farers.

For Q1, operating expense and G&A savings for the Eagle fleet stand close to $2,140 per vessel, per day. In addition, due to our scale relationships with the shipyards and service providers, we have reduced significantly the dry dock costs of the former Eagle fleet, a saving of $8.6 million for the quarter.

Interest expense savings have accumulated, thanks to the refinancing of the former Eagle debt, which took place during the second quarter of 2024. Almost $40 million of cumulative cost synergies have been achieved since closing on the Eagle Bulk transaction in April 2024. Our cost synergies for Q1 stand at 18.4 million.

Please turn to Slide 7, where we provide an operational update. Operating expense for Q1 2025 stands at $4,898 per vessel, per day. Net cash and expenses were $1,319 per vessel per day for the same period. In addition, we continue to raise the top among our listed peers in terms of RightShip safety score.

Slide 8 provides a fleet update and some guidance around our future dry dock and the relevant total of hire days. On the bottom of page, we provide our expected drydock expense schedule, which for the remaining of 2025, is estimated at $47 million for the dry docking of 38 vessels. In total, we expect to have approximately 1,210 of hire days for the same period.

We have arranged to frontload dry dock in first half of this year, in order to take advantage of the dry dock market seasonality during the second half of the year.

On the top right of the page, we have our CapEx schedule illustrating our newbuilding CapEx and vessel energy efficiency upgrade expenses. Based on our latest construction schedule, our five Kamsarmax newbuilding vessels constructed at Qingdao Shipyards are expected to be delivered, during the first half of 2026. For these vessels, we have secured $130 million of debt financing against the newbuilding installments.

In line with IMO carbon reduction regulations, we will continue investing in 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 carbon fleet.

Regarding our energy saving technologies retrofit program, we have so far completed 42 installations with another 21 planned for 2025.

Please turn to Slide 9 for an update on our fleet. On the vessel sales front, we'll continue disposing non-eco vessels, opportunistically, reducing our average fleet days and improving overall fleet efficiency.

During Q1, we agreed to sell some of our less efficient Supramax vessels, including Star Bittern, Star Omicron and Strange Attractor. Furthermore, during the second quarter, we have further agreed to sell Star Puffin, Star Canary and Star Petrel Supramax vessels at attractive levels.

We expect to receive an aggregate net sale proceeds of $38.6 million in the second and third quarter of 2025. Following the rollover of the Eagle Bulk existing chartering contracts, we now have a total of nine chartering vessels.

Considering the aforementioned changes in our fleet mix, we operate one of the largest lab of fleet amongst US and European listed peers with 150 vessels on a fully delivered basis and with an average age of 11.9 years.

I will now pass the floor to our CSO, Charis Plakantonaki, for an update on recent total environmental regulation development.

Charis Plakantonaki
Thank you, Nicos. Please turn to slide 10, where we highlight the major developments on global environmental regulations. The 83rd session of the IMO's Marine Environment Protection Committee introduced a new net zero framework marking a major regulatory milestones toward achieving climate neutrality in international seating, by 2050.

The new regulation introduces a greenhouse gas fuel intensity metric, which is a way to weigh greenhouse gas emissions for a unit of energy used on board the ship. This is similar to the fuel regulation, which came into force in January, 2025.

Each ship is required to report its fuel intensity, annually, to the IMO. Two tiers of requirements are set on the annual fuel intensity for a ship. And they target in a more stringent direct combined target which each ship is required to meet. A ship which generates compliance surplus can transfer surplus units to ships with the compliance deficits or it can bank the units for later use within two subsequent calendar years.

A ship with a compliance deficit can use surplus units from other ships or purchase remedial units from the IMO at $100 or $380 per ton CO2 equivalent deficit, depending on whether the ship's fuel intensity is between the base and direct targets or above the base target.

The process from the new regulation will go into the IMO net zero fund to be set up and managed by the IMO. Part of the revenues are intended to be circulated directly back to the industry as a reward for using near zero fuels or energy sources returning zero. This new framework is set for adoption in October, 2025, subject to final approval with the first reporting period starting on first January, 2028.

Star Bulk remains focused on researching and adopting optimal strategies to ensure timely and efficient compliance with the new global regulations.

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

Petros Pappas
Thank you, Charis. Please turn to Slide 11 for a brief update of supply. During the first four months of 2025, a total of 12.2 million deadweight was delivered and 1.1 million deadweight was sent to demolition for a net fleet growth of 11.1 million deadweight or 2.9%, year-on-year.

The newbuilding order book stands at a modest 10.3% of the existing fleet with new contracts during Q1 falling to an 8-year low of 2.8 million deadweight, limited shipyard capacity availability up to second half 2027, high shipbuilding costs and uncertainty over future grain propulsion have kept new orders under control.

At the same time, the fleet is aging and by the end of 2027, approximately 50% of the fleet will be over 15 years old. Moreover, the increasing number of vessels undergoing the third special survey is estimated to reduce effective capacity by approximately 0.5% per annum, between 2025 and 2027.

The average steaming speed of the fleet corrected to a new record low of 10.8 knots in February, driven by soft freight rates, inflated bunker costs and environmental regulations.

Although speeds have rebounded slightly on the back of improved earnings and lower oil prices, they remain below last year's levels. In the medium term, new regulations on carbon emissions introduced by the IMO can be expected to continue to incentivize slow stemming and moderate effective supply.

Finally, global port congestion fully normalized in the second half of 2024, after a two-year decline that inflated effective supply by about 6%. In Q1 2025, loading for congestion shares due to weather disruptions, while congestion and Chinese discharge ports fell to historic lows, driven by a sharp drop in import volumes.

For the remainder of 2025 and 2026, we expect congestion to have a neutral or slightly positive impact on the supply balance and to follow seasonal trends.

Let us now turn to Slide 12 for a brief update of demand. According to Clarksons, after two years of strong demand expansion, total dry bulk trade is projected to contract during 2025 by 1.2% in tons and 0.4% in ton-miles.

President Trump's aggressive tariff negotiations and policy shift since taking office have raised uncertainty in traditional forecasting models. Following Liberation Day, international agencies lowered their projections for global GDP growth and trade. The IMF revised its 2025 global economic growth forecast to 2.8%, down from 3.3% in January with the U.S. forecast reduced to 1.8% from 2.7%, and China to 4% from 4.6%. However, upward revisions could now be expected after the initial trade agreement between the U.S. and China took place, last weekend in Geneva.

During the first quarter of 2025, total dry dock volumes grew year-on-year, supported by strong bauxite and minor bulk shipments, while iron ore, coal, and grain volumes combined, declined by 3.5%, year-on-year.

Suez Canal crossings remained at 50% of pre-Houthi attacks levels and Red Sea passengers will probably be slow to start.

China's GDP exceeded expectations during Q1 and grew 5.4%, fueled by more aggressive stimulus measures as of September, 2024, and an increase in retail sales, industrial production, and exports.

Chinese dry bulk imports contracted by 8.3%, year-over-year during the first quarter, driven by elevated inventories and rising domestic production of iron ore, coal, and grains throughout 2024. Can you hear us, Operator?

Operator
Yes, we can hear you.

Petros Pappas
On the other hand, dry bulk imports from the rest of the world expanded by 4.5%, year-on-year, as lower commodity prices easing monetary policy and reactive stockpiling in anticipation of U.S. tariffs helped stimulate demand for raw materials. Growth has been driven mainly by developing Southeast Asian nations and the Middle East, while European imports have steadily increased, since mid-2024.

Iron ore trade is projected to contract by 1.3% in tons and by 0.6% in ton-miles during 2025. During Q1, China's steel production increased by 1.1%, year-on-year, supported by strong exports and lower input costs.

During the rest of the year, government efforts to reduce still overcapacity in growing protection measures by major steel importers make curve steel out. However, iron ore imports are expected to gain support as Chinese port stockpiles have declined in recent months and domestic iron ore production fell by 11.7% in Q1, 2025.

Iron ore ton-miles are projected to receive further support by late 2025, as new high-grade Atlantic iron ore mines begin operations, progressively replacing lower-quality Chinese domestic production and imports.

Coal trade is projected to contract by 3.2% in tons and by 3.6% in ton-miles, during 2025. Following record-high imports in 2024, Chinese and Indian coal imports sharply contracted in early 2025, driven by robust domestic coal production and year-on-year contraction of thermal electricity generation.

Rising renewable energy production in China and elevated coal inventories heightened downside risks for imports, while falling coal prices over the past six months have further compressed profit margins for international coal miners. Nevertheless, strong demand from Southeast Asian economies is expected to provide some support on full trade, over the next year.

Grain trade is projected to contract by 2.1% in tons but expand by 0.6% in ton-miles, during 2025. During Q1, total grain net exports declined by 5.6%, year-on-year, driven by a nearly 50% drop in Chinese imports.

The Brazilian soybean season was delayed, affecting long-haul shipments early in the year, and export sales over the past two months, driven by increased Chinese buying to build inventories ahead of the U.S. export decision.

In addition to that, the recent U.S.-China trade agreement may boost U.S. exports to China during Q4, mirroring the trade deal during President Trump's first term, but the 2025 grain rate outlook will also depend on the strength of China's harvest.

Minor bulk trade is projected to expand by 0.4% in tons and by 0.8% in ton-miles, during 2025. Minor bulk trade may counter challenges from heightened trade tensions due to its close ties to global GDP, but recent progress in U.S.-China trade relations could drive upward revisions to full-year projections.

Bauxite exports from West Africa continued the strong performance and expanded by 31% during Q1, generating strong ton-miles for the Capesize fleet.

As a final comment, we expect a volatile market in 2025, as the U.S. administration clearly states a wish to reshape the trade landscape.

We nevertheless remain cautiously optimistic about the medium-term outlook for the dry bulk market, given the favorable supply picture, stricter IMO environmental regulations, and accumulation of stimulus measures by the Chinese government and positive signals from the U.S.-China tariffs negotiation.

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 create 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. The floor is now open for questions. If you would like to ask a question, please press "*", "1" on your telephone keypad, at this time. 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 the handset, before pressing the star keys. Again, that's "*", "1" to register a question at this time.

Today's first question is coming from Omar Nokta of Jefferies. Please go ahead.

Omar Nokta
Thank you. Thanks, operator. Hi, Petros. Hi, guys. Thanks for the update.

Petros Pappas
Hi, Omar.

Omar Nokta
Hi. Yeah, you mentioned, just at the end of your comments expecting a bit of a volatile year, just given everything that's going on. It does feel when we look at dry bulk that seems to be somewhat of a holding pattern in terms of where rates are. Rates aren't terrible. They're also

not exciting, which is sort of in this interesting period. We've also seen asset values hold up seemingly quite well, especially as confirmed by your latest sales.

I just want to get a sense from you, what do you think is ahead here for this market? I know it's probably a big picture question but just in general, when we think of where asset values are and then where the underlying rates are, something has to give at some point. Any kind of--any feeling you have for how this market starts to progress here in the coming quarters?

Petros Pappas
Thank you, Omar. Let me quote somebody first, Niels Bohr, the guy, the father of the Atomic Energy, said that prediction is very difficult, especially about the future. And that tells you that people do foresee. Anyway, we have views over here, so I'll talk for a few minutes about that.

There are pros and cons in this market. The pros are mostly geopolitical and macro. The cons are more micro, I would say. Let me start. On the pros, we have the bauxite from West Africa and the iron ore from West Africa and Brazil that are coming in the future, especially during--due to the environmental regulations, China and others will need higher content iron in the iron ore, and that will actually incentivize importing iron ore from longer distances.

So that is going to be a positive, especially when the new or iron ore segment do comes, for example, in starting to export their first tons toward the end of the year. So that's one thing.
The environmental regulations are going to help in general, and that is a very important thing, and it will start to bite, as years go by.

Then we have the potential of if the war in Ukraine stops, we have potential reconstruction over there, which will also lead to congestion and that could also happen in Gaza and Syria, if that war stops. And if there is an agreement in Iran, that would also incentivize trade. So these are potentialities that I think will come in the next months or very few years, and it would be very positive.

Then we have China boosting their economy because of what's happening and the way that the US President has treated them. And that's going to be a positive as well because on the cons, China is actually going to be reducing imports the way we see it.

Now oil prices, if oil prices go down, this is a good macro effect in the sense that it will help GDPs of various countries. And if the dollar goes down as is being forecasted, that is also a positive for trade because it reduces the cost of raw materials, it reduces the cost of freight in local currencies, and it also reduces the vessel prices in local currencies. So they would be willing, potentially, to pay more dollars for them. So these are generally the positives.

The negatives, one big negative is China itself on coal. They will be importing less coal going forward, but this is going to be a story in general about coal. I think coal will be traded less, every year. However, I think that the environmental regulations effect will counter the coal negative future.

Also, China is trying to increase their own grain production, and they're engaging in GM crops. So that could be a negative, as well. And if it is true that they will cut their crude steel production, then iron ore will reduce, as well. So, China is a potential negative.

Then Red Sea opening is going to be a negative. Fortunately, bulk carriers have been less affected than other types of vessels, but that's going to be a negative, anyway.

Then we see that there's not a lot of scrapping, and the order book is usually about 3%, 3.5% per annum and scrapping is 0.5%. So we actually need 3%--we have 3% increase in vessels. We need 3% increase in demand to negate that.

And as a final major point, if oil prices go down, as I said, it's a positive in the sense that it's good for the economies in the world, but the micro effect would be that vessels would speed up.

So having said pros and cons, my view is that we are probably going to be seeing a similar market with not too many ups and downs, following seasonal patterns, meaning that second half should be stronger than first half, but without amazing results. But if anything like Ukraine reconstruction or Iran opening and more all that happens, then I think that this is going to be an extra bonus for the market.

So summing up, I think we will be seeing a moderate year with potential upward potential, in case the war stops.

Omar Nokta
Thanks, Petros. Very obviously incredibly detailed. And I had a couple of follow-ups that you answered in those--in your response. I appreciate that. So I'll pass it over. That's it for me. Thank you.

Petros Pappas
Thank you.

Operator
Thank you. The next question is coming from Chris Robertson of Deutsche Bank. Please go ahead.

Chris Robertson
Hey, good morning, guys. Thank you for taking my questions. Just wanted to dial in here on the recent asset sales on how to think about timing for delivery and incoming cash over the next couple of quarters. And should we be thinking about those aggregate sales proceeds is basically

being kind of 50-50? Or are some the older assets kind of more weighted in the near term? And if you could talk about kind of the cadence of incoming cash.

Christos Begleris
Chris, all vessels that we have announced, the three vessels that we have announced that been committed to be sold, are basically being delivered to their buyers in the second and early third quarter of this year. Therefore, the total proceeds that we have announced of USD 38.5 million are basically fully received the delivery of each vessel during this quarter and the beginning of next.

Chris Robertson
Got it. Okay. Thank you. And could you--just as a follow-up to that, how are you guys thinking about the use of these sales proceeds here? Are you reserving that cash on the balance sheet for potential reinvestment opportunities or are you looking at kind of further share repurchases here as shares continue to trade at a meaningful discount to NAV?

Christos Begleris
Chris, as long as our shares trade at a meaningful discount to NAV, today's levels essentially, the opportunity to buy back shares at a significant discount to net asset value by using proceeds from vessels sold at net asset value essentially locks a very nice arbitrage for us. Therefore, we think that the first priority is essentially on buybacks.

Chris Robertson
Got it. That's very clear. Thank you for that. I'll turn it over.

Christos Begleris
Thank you, Chris.

Operator
Thank you. Again, that's "*", "1" if you have a question. The next question is coming from Doug Smith of Everest. Please go ahead.

Doug Smith
Thank you. As you show in your slides, the order book over the last five years has been relatively controlled. But this demolition has been negligible and as you mentioned, about 0.5% a year. So as result, the net fleet growth over the last five years has significantly exceeded the underlying growth in ton miles. What is your view of what demolition is likely to do over the next few years? And what can you attribute as the causality of the low demolition rate over the last five years?

Petros Pappas
Yeah, well, to be able to cover that gap of 3%, I think that the environmental regulations will play a big role. I think that the exports from West Africa and the increased exports from Brazil

in the future of high-quality iron ore will also be able to increase ton miles. Increasing ton miles is much more important than increasing tons. I think these things will definitely cover part of that 3%. Then if we have any reconstruction in the places that I mentioned earlier, that will create congestion, and that's going to be important, as well.

Now you will see that in the last quarter, the order book was just 2.9 million tons deadweight. And I think this could be a result of not being able to foresee what is going to happen.

Lately, the geopolitical regulations have been affecting us a lot. We do not know where this is going. So people actually do not order, plus the vessels are pretty expensive. So if that trend continues and then it is possible that the order book will actually drop. I think it has dropped already, to a certain degree. And I believe that this will continue.

And if the market remains medium, I think people will just not order, plus, let's not forget that we do not know which will be the engines of the future, which is going to be the fuel of the future. So all of that creates a very hazy future that discourages ordering, and that is actually going to be good for the market.

Doug Smith
Yes, as you sell a number of your older ships, can you provide any color on how the buyer is going to use them? These ships do not seem to be leaving the fleet as a ship's aged and get over 20 years. What's their use? Why are they not being retired? Does your customers have any--are they willing to pay a premium for a more efficient or modern ship, or is there no premium that you can recognize in the market?

Petros Pappas
Well, first of all, for as long as the vessels are not making a loss, people do not scrap. That's one thing. Secondly, the buyers are Chinese. Now, I'm not sure what they are seeing. What we are seeing is that the return on investment on these vessels is not good enough for us. And we have very low operating expenses and web scrubbers. We actually have probably among the lowest operating expenses. And still, the return is not good enough. And therefore, we get rid of them.

Now there's--what they are thinking and what kind of IRR they can survive with it's, I suppose, their own matter, unless they know something about China that we don't.

Doug Smith
Do you see the environmental regulations as being a catalyst that's going to actually cause ships to be scrapped? Or is that unlikely to happen for the foreseeable future?

Petros Pappas
It will definitely slow down speed. It will take longer time to install ESPs in the shipyards and to keep the vessels in better conditions so that they consume less and to clean their hull more

often, so that they don't burn more fuel, which will be a punishment for high consumers. Now I think there may be a few number of older, heavier consumer--consuming Chinese vessels that may not be as competitive as others. And the results of those will be that they won't be making any profit. So I think that there will be a percentage that is cut because of these reasons. And perhaps we won't get to vessels that--we won't keep vessels over 20 years of age at some point. But I think the effect is going to be on speed and delays in dry docks. And then scrapping will follow.

Doug Smith
Okay. Thank you.

Petros Pappas
Thank you, Doug.

Operator
Thank you. At this time, I'd like to turn the floor back over to management for any additional or closing comments.

Petros Pappas
No further comments, Operator. Thank you very much.

Operator
Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines to walk off the webcast at this time, and enjoy the rest of your day.