Star Bulk Carriers
Third Quarter 2025 financial Results Conference Call
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<u>Presenters</u>
Petros Pappas, Chief Executive Officer
Hamish Norton, President
Simos Spyrou, Co-CFO
Christos Begleris, Co-CFO
Nicos Rescos, Chief Operating Officer
Charis Plakantonaki
Constantinos Simantiras

<u>Q&A Participants</u>
Chris Robertson - Deutsche Bank AG
Omar Nokta - Jefferies

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers Conference Call on the Third 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 and Mr. Constantinos Simantiras.

At this time, all participants are on 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.

I must advise you that this call is being recorded today. We will now pass the floor over to your speakers.

Mr. Spyrou. Please go ahead, sir.

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 third 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 third quarter company highlights, financial results, actions taken to create value for our shareholders, cash evolution during the quarter, vessel operations, our investments in our fleet, the latest on the regulatory front, entire views on industry fundamentals, before opening up for questions.

Let us now turn to Slide #3 of the presentation for a summary of our third quarter 2025 highlights.

The company reported the following: Net income amounted to $18.5 million with adjusted net income of $32.4 million, or $0.16 adjusted income per share. Adjusted EBITDA was $87 million for the quarter.

During the third quarter, we repurchased 250,000 shares for a total of $4.4 million, while from the beginning of the fourth quarter of year-to-date, we have bought back 360,000 shares for $6.7 million.

Our Board of Directors decided to continue prioritizing returns to shareholders, given the company's strong position, declaring a dividend per share of $0.11 for the quarter, payable on or December 18, 2025.

Our total cash day stands at $454 million. Meanwhile, our total debt stands at $1.028 billion. Through undrawn revolver facilities, we have additional liquidity of $115 million, resulting to pro forma liquidity of more than $570 million. We have approximately $91 million remaining from our recently renewed share repurchase program.

Finally, we currently have 15 debt-free vessels with an aggregate market value of $336 million.

On the top right of the page, you will see our daily figures per vessel for the quarter. Our time charter equivalent rates was 16,634 per vessel per day. Our combined daily OpEx and net cash, general and administrative expenses per vessel per day amounted to 6,421. Therefore, our TC less OpEx and cash G&A is approximately $10,213 per vessel, per day.

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 increase in value of our shares and return capital to our shareholders.

In total, since 2021, we have taken actions totaling $2.8 billion in dividends, share buybacks and debt repayments to create value for our 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 top right-hand corner, we illustrate how the company has used both dividends and buybacks, over time, to return capital. We have returned, in total, $13.2 per share in dividends since 2021. This corresponds to approximately 70% of our current share price.

On the bottom of the page, we saw our net debt evolution. Since 2021, our average net debt has reduced by 50%, reaching a level where it is covered by the fleet scrap value at a comfortable level.

Slide 5 graphically illustrates the changes in the company's cash balance during the third quarter. We started the quarter with $431 million in cash, we generated positive cash flow from operating activities of $92 million after including vessel sale proceeds, debt proceeds and repayments, CapEx payments for energy-saving devices and ballast water treatment systems, share buybacks and the dividend payment for the second quarter, we arrived at a cash balance of $457 million at the end of the quarter.

I will now pass the floor to our COO, Nicos Rescos, for an update on our operational performance and the investment we continue to make on our fleet.

Nicos Rescos
Thank you, Christos. Please turn to Slide 6, where we provide an operational update. Operating expenses for Q3, 2025, stand at $5,096 per vessel, per day. Net cash G&A expenses were at $1,325 per vessel per day for the same period. In addition, we continue to raise at the top amongst our listed peers in terms of rise in safety scores.

Slide 7 provides a fleet update and some guidance around our future dry dock and relevant total off-hire days. During October, we entered into three prompt recent innovation agreements with Hengli Shipbuilding for three 82,000 deadweight scrubber feet of Kamsarmax new buildings scheduled for delivery in Q3, 2026.

Our five new Kamsarmax newbuildings, under construction oat Qingdao Shipyard, are expected to be delivered during Q3 and Q4, 2026. We have secured $130 million in debt on the five Qingdao building Kamsarmax vessels, plus another $74 million expected against the three Hengli Kamsarmax vessels.

As of Q3, we have completed 51 EST installations with four vessels completed during the quarter and with nine remaining and planned for 2025.

On the top right of the page, we have our CapEx schedule illustrating our newbuilding CapEx and vessel energy efficiency upgrade expenses. On the bottom of the page, we provide our expected dry bulk expense schedule, which for the remaining of 2025 and '26 is estimated at 20 and 47 million, respectively.

In total, we expect to have approximately 580 and 1,140 off hire days for the same periods.

Please turn to Slide 8 for an update on our fleet. On the vessel sales front, we'll continue disposing non-eco vessels, opportunistically, reducing our average fleet age and improving our overall fleet efficiency. We'll continue to optimize our fleet through selective disposals and acquisitions.

During Q3, we sold and delivered six Kamsarmax and Supramax vessels, collecting total proceeds of $75.5 million, with another two Supramaxes, Star Runner and SASA Piper delivered in October, generating around $25 million in proceeds.

We maintain eight long-term chartering contracts, which provide flexibility and leverage across market cycles.

Considering the aforementioned changes in our fleet mix, we operate one of the largest dry bulk fleets amongst U.S. and European listed peers, with 145 vessels on a fully delivered basis and an average age of 11.9 years.

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

Charis Plakantonaki
Thank you, Nicos. Please turn to Slide 9, where we highlight the key milestones on the ESG front. For the seventh consecutive year, Star Bulk has published its annual environmental, social, and governance report, which provides a comprehensive overview of the company's sustainability strategy, performance, and future goals.

Through transparent and data-driven reporting, the publication highlights measurable progress towards our long-term ESG objectives, supported by detailed action plans and sustainability-focused key performance indicators. The report has been developed in accordance with the Global Reporting Initiative Standards, the Sustainability Accounting Standards Board for Marine Transportation, and aligns with the United Nations' Sustainable Development Goals.

In October, 2025, during the latest IMO Marine Environment Protection Committee, the IMO member states decided to postpone the adoption of the Net Zero Framework for one year. The framework had been previously approved during the April MEPC.

Despite these developments around global regulations, the company's decarbonization strategy remains focused on fleet renewal, energy efficiency, and research and development on green technologies.

We also continue to contribute to the work of the Maritime Emission Reduction Center, together with our partners, and have participated for one more year in the Carbon Disclosure Project on climate change and water security.

On the technology front, we have commenced assessing the application of artificial intelligence across the company, having completed a diagnostic, identified and prioritized use cases, and selected the first ones to be developed. We also continue our technology upgrades on board our vessels, including firewall installations and Starlink deployment. As part of our enhanced corporate responsibility program, during Q3, 2025, we delivered anti-harassment trainings to all employees across company offices in line with regulatory requirements.

I will now pass the floor to our Head of Market Analysis, Constantinos Simantiras, for a market update and closing remarks.

Nicos Rescos
Thank you, Charris. Please turn to Slide 10 for a brief update of supply. During the first ten months of 2025, a total of 31.2 million deadweight was delivered and 3.9 million deadweight was sent for demolition for a net fleet growth of 2.6%, year to date, and 2.9%, year over year.

The newbuilding order book remains modest at 10.9% of the existing fleet as contracting activity has been soft during 2025, falling to a five-year low of 22.1 million deadweight, year to date. Limited shipyard capacity availability up to late 2027, high shipbuilding costs, and uncertainty over future green port operation have kept new orders under control.

Furthermore, the IMO's decision to postpone the adoption of the Net Zero Framework for one year is likely to extend this ordering option, well into 2026.

At the same time, the fleet is aging, and by the end of 2027, roughly 50% of the existing 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 during 2026 and 2027.

Average steaming speeds have picked up slightly in recent months, supported by firmer freight rates and lower bunker prices, but remain close to historical lows. Furthermore, environmental regulations become stricter every year and are expected to continue to incentivize slow steaming and moderate effective supply.

Finally, global port congestion eased during Q3 and has returned to long-term averages. For the remainder of 2025 and 2026, congestion is expected to follow seasonal trends and to have a relatively neutral impact on effective supply growth.

Let us now turn to Slide 11 for a brief update of demand.

According to Clarksons, total dry bulk trade during 2025 is projected to expand by 1.4% in ton miles. Total dry bulk trade volumes underperformed during the first half but experienced a strong recovery during the third quarter. Trade volumes increased by 5.1%, year over year during Q3, supported by strong iron ore, grain, and minor bulk exports and a recovery of coal volumes.

Ton miles have received extra support from stronger Atlantic exports, longer Pacific trade distances, and war-related inefficiencies. The recent ceasefire agreement in the Middle East has intensified the discussion for the return of Red Sea crossings, and we should expect a gradual normalization during 2026.

Chinese dry bulk imports recovered and increased 4.4% year over year during the third quarter, after having contracted by 4.2%, during the first half.

Imports to the rest of the world increased 4.6%, year over year, to a new record high and remain on a strong upward trend over the past two years, as lower commodity prices and a weaker U.S. dollar help stimulate demand for raw materials.

During 2026, dry bulk demand is projected to increase by 2.1% in ton miles. The IMF forecast for global GDP growth stands at 3.1%, slightly below 2025 levels, while Chinese GDP is projected to slow down to 4.2% from 4.8%, this year.

U.S. agreements with trade partners and the one-year truce with China should help reduce uncertainty and support trade activity, over the next year.

Iron ore trade is expected to expand by 0.8% in 2025 and by 2.8% in 2026. During the first three quarters, Chinese steel production declined by 2.5% year over year, driven by output cuts that began in May with a target to reduce overcapacity, while output in the rest of the world increased by 0.5% year over year.

China's property sector remains under pressure, but record-high steel exports have helped mitigate the weakness in domestic consumption. Iron ore imports increased to all-time highs during Q3, assisted by lower domestic production in the first half and seasonal restocking.

As of 2026, ton miles are expected to benefit from new high-quality iron ore mines in Guinea that should gradually replace lower-quality Chinese production and imports from shorter distances.

Coal trade is expected to contract by 6.2% in 2025 and by 1.1% in 2026. Volumes experienced a strong recovery during Q3 after a strong pullback during the first half of 2025, due to weaker demand in China and India. Chinese coal fundamentals have recently improved as domestic output is contracting, thermal electricity generation has recovered, and domestic coal prices are moving higher, due to the expectations of a colder winter.

India, new thermal energy capacity, strong demand from Southeast Asian economies and global focus on energy security are expected to support coal trade, over the coming years.

Grain trade is expected to expand by 2% during 2025 and by 5.3% in 2026. During the third quarter, total grain volumes surged by 11%, year over year, driven by record harvests in Brazil and the U.S. and strong exports from Argentina, following the temporary export tax suspension. Grain exports from other sources have recently increased, but Black Sea volumes remain weak due to war-related disruptions. It is worth highlighting that China has not purchased any soybean cargoes before the October trade truce.

Since then, buying activity has resumed and is expected to intensify over the coming months, as China agreed to buy 12 million tons in 2025 and 25 million tons per annum, through 2028.

Minor bulk trade is expected to expand by 5% during 2025 and by 2.1% in 2026. Minor bulk trade has the highest correlation with global GDP growth and continues to benefit from healthy outlooks across major economies.

White price differentials continue to fuel Chinese steel exports and backhaul trades, despite rising protectionist measures. Furthermore, bauxite exports from West Africa continued their strong performance and helped inflate ton miles for the Capesize fleet.

As a final comment, despite geopolitical uncertainties, we remain optimistic about the medium to long-term outlook for the dry bulk market, supported by a favorable supply outlook, stricter environmental regulations, and easing trade tensions.

We remain focused on actively managing our diverse scrubber-fitted fleet to capitalize on market opportunities and deliver value to 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. At this time, we'll be conducting a question-and-answer session. If you'd 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'd 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 keys.

One moment, please, while we poll for questions. Our first question comes from Chris Robertson with Deutsche Bank. Please proceed with your question.

Chris Robertson
Thank you, Operator. Good morning. Good afternoon, Team Star. Thank you for taking my questions. Assuming you guys can hear me. My first question is, looking at the new financings, you secured up to $204 million on the eight newbuilding assets being delivered in 2026. Taking these financings into account and then the regularly scheduled amortization or planned repayments during the year, what is your expectation around the total net change in debt in 2026, as a whole?

Nicos Rescos

Just a clarification, please. We have secured financing for the first five at $130 million, and we are in discussions about the financing of the last three that we have confirmed this month. So, the final numbers and figures for those vessels will be actually disclosed during the next disclosure month.

Chris Robertson
Okay. Got it. I guess just related then to planned amortization during 2026, could you comment around that?

Nicos Rescos
Our amortization will remain around the $50 million mark per quarter. What is happening is that some older facilities are getting refinanced, and then the new facilities for the newbuildings have an amortization profile of 17 years, thus, not impacting in any major way the amortization profile of Star 1. Our amortization profile will remain around $50-$52 million per quarter for 2026.

Chris Robertson
That's helpful. Thank you. As a follow-up to that, just as it relates to the dividend policy on the minimum cash balance per owned vessel, is that being calculated based on the pro forma size of the fleet after the new build deliveries, or should we think about that as an average number per quarter as the deliveries are taking, or is it being calculated right now at pro forma?

Hamish Norton
Okay. Our dividend policy is perhaps slightly confusing, but the 2.1, were you referring to the $2.1 million per ship that we have to keep on our balance sheet before we want to pay a dividend?

Chris Robertson
Yes, Hamish. Yep.

Hamish Norton
Okay. Basically, there has been no change to that, and we're so far above that level in terms of our cash balance that it's not been an obstacle to any dividend payments in the last few years. I mean, we have something on the order of $450 million of cash, and we have 142 vessels growing by the number of newbuildings.

Nicos Rescos
To Chris's question, though, I mean, the amount of equity CapEx required for the newbuildings has already been covered by profits of past vessel sales. So essentially, funds that we have been using from operation to pay dividends are not impacted from these already generated gross.

Hamish Norton

I think I understand the question. I think I was misunderstanding the question. We don't have to allocate cash to specific accounts. We just take the number of vessels and multiply it by 2.1, and our aggregate cash has to be greater than that.

Chris Robertson
Right. My question was related on the number of vessels specifically, Hamish, the 2.1 times the certain number. Now, is that number being, is that number pro forma the new build deliverings, or in 4Q, for example, is that as the fleet stands today, or are you already taking into account the number of new buildings?

Hamish Norton
I mean, it's as the fleet stands today, but we're so far above that level that it's not impacting our ability to pay dividends. It's not even close.

Chris Robertson
Right. Right. Okay. All right. Last question for me, just turning to rates. Looking at the strong rate performance right now in the sub-cape segments, do you attribute that to a waterfall impact from the stronger cape-sized rates, or is that a function of just stronger demand fundamentals in the sub-cape segment?

Petros Pappas
There is a spillover effect from the bigger vessels, but let's not forget that grain trade improved by 11% during Q3 and that coal did very well as well during the third quarter. So, that helped a lot the Kamsarmax vessels. And on the Supramax vessels, minor trade was doing well as well. And I think also, perhaps there was an urgency in ordering more cargoes whilst we did not know whether there was going to be major tariffs, and that also helped out.

Chris Robertson
Thank you, Petros. I'll turn it over. Thank you, guys.

Petros Pappas
Thank you, Chris.

Operator
As a reminder, if you'd like to ask a question, please press "*", "1" on your telephone keypad. One moment, please, while we poll for questions. Our next question comes from Omar Nokta with Jefferies. Please proceed with your question.

Omar Nokta
Thank you. Hi, guys. Good afternoon. Just wanted to ask maybe just a follow-up to the newbuildings, and I guess maybe in general about fleet composition. You've acquired these three Kamsarmaxes that'll deliver next year. You've got the other five Kamsarmax newbuildings, and if I recall, that chartered in maybe long-term last year was at five other

Kamsarmaxes. So, you've been very active on the Kamsarmax front, at least with respect to, say, bringing in newbuildings there. Just wanted maybe to kind of get a refresh as to what's behind that. What is it maybe specifically about that class that keeps you coming back to it, say, versus the Ultras/the Capes?

Petros Pappas
Hi, Omar. First of all, we ordered Kamsarmaxes because our existing Kamsarmax fleet is getting older, so we need to do some renewal on that level. Second, our S&P Department managed to get very early deliveries during 2026, which we expect to be a good year. The prices were low. The vessels had scrubbers, so they're eco vessels, so we're happy with how they're doing, how they will be doing.

Then think about this. Two Kamsarmaxes at $35 million equals $70 million, which basically is the cost of a Capesize. It's difficult to find Capesize vessels to order for anywhere close to 2025. I mean, I think that if we were going to order, it would probably be end 2027 or 2028. Who knows what will happen in three years from now.

But if you calculate that Kamsarmaxes may, let's say, two Kamsarmaxes will do $16,500 per day, meaning $33,000 per day for two vessels minus $10,000 for the OPEX, that actually ends up at $23,000. So, we get EBITDA of $23,000 on two vessels, which actually would equal a charter rate equivalent of $29,000 for a cape.

Therefore, as long as we cannot order capes and we found the opportunity to order Kamsarmaxes delivering very early comparatively, and as we think that the investment will bring the same results with a cape, we went ahead and bought Kamsars.

Omar Nokta
Wow. Okay, Petros, thank you. That's actually very, very interesting and clear, the methodology there. I guess as you kind of think about that, because I know in the past, and I know, Hamish, we've talked about this, post the Eagle transaction, you've been a bit maybe bottom-heavy in terms of the Ultras, Supras, and hoping to maybe naturally get into capes to kind of even things out. What do you think you can do there then?

Obviously, Petros, you just mentioned the arbitrage perhaps of acquiring Kamsars versus capes, but is there a means to maybe bolster the cape presence? It seems like, obviously, you said newbuildings were far off. How about in the sale and purchase market?

Petros Pappas
The Supras actually, there is an equivalent calculation for the Supras, as well. There, also, we have engaged in a trade which we call the pendulum trade. We return, especially the Supras, you can return to the Atlantic with steel cargoes and other cargoes, which is not as easy for the Kamsarmaxes. You can do that at low teens right now, but then on the front haul, you can do $23,000-$25,000. Therefore, if you add the two and divide by two, you get an average of

around $17,000, which makes Supras, Ultras equivalent to Kamsarmaxes, and therefore, according to the calculation I gave you earlier, equivalent to capes. Actually, Supras are cheaper. Supra newbuildings are cheaper than Kamsarmaxes.

Hamish Norton
I think he also wanted to know what we could do around Capes.

Petros Pappas
Okay. Around capes. Right now, everybody keeps the capes close to his chest, and they are expensive. And everybody, whoever sells capes, likes to sell the worst performers that they have. And therefore, to find an opportunity is not as easy, or you have to pay a very high price, and not for newbuildings, for secondhand. I mean, there are cases where secondhand vessels are prices are equal to those of newbuildings.

When we took over Eagle Bulk, we had a big number of Supras under our ownership. So, during the last year and a half or two years, we have disposed of about 28 Supras and therefore, we are bringing the balance of capes, Capes and Supras more on an equal foot basis.

Omar Nokta
Thank you, Petros.

Petros Pappas
Sorry, Omar. We're keeping basically our Ultramaxes. We have sold the Supras, which are older, not eco, and we're keeping the better vessels.

Omar Nokta
Yep. Yeah. No, certainly. Very detailed response, as usual, Petros, but obviously very logical. Very helpful to understand that. It looks like the value really is perhaps now, even though the outlook may be more exciting as we think about it just sort of conceptually, that the outlook may be more exciting for capes. You have them, great, but if you want to deploy capital, it sounds like the sub-capes is where it's at. Thanks, guys. I'll turn it over.

Petros Pappas
Thank you, Omar.

Operator
We have reached the end of the question and answer session. I'd now like to turn the call back over to Mr. Pappas for closing comments.

Petros Pappas
No further comments, Operator. Thank you very much for listening in, and good night.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.