Corporate Participants

Petros Pappas
Star Bulk - Chief Executive Officer

Hamish Norton
Star Bulk - President

Simos Spyrou
Star Bulk - Co-Chief Financial Officer

Christos Begleris
Star Bulk - Co-Chief Financial Officer

Presentation

Operator:
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk conference call on the second-quarter 2014 financial results. At this time all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session.

At which time, if you wish to ask a question, please press star one on your telephone keypad and wait for your name to be announced.

I must advise you the conference is being recorded today, Wednesday, August 20, 2014. We now pass the floor to Nicolas Bornozis, President of Capital Link, Investor Relations advisor to Star Bulk. Please go ahead.

Nicolas Bornozis:
Thank you very much, and welcome everyone to our conference call today. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, president; and Mr. Simos Spyrou and Mr. Christos Begleris, Co-Chief Financial Officers of the Company.

Before I turn the floor over to Mr. Pappas, I would like to mention that concurrently with the conference call, there is also a live webcast, which can be accessed at www.starbulk.com. And we strongly advise that you go to the webcast as well, as we have a slide presentation that we will follow during the conference call.

And with that I will turn the floor over to Mr. Petros Pappas. Please go ahead, sir.

Petros Pappas:
Thank you, Nico. I am Petros Pappas, the Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers's conference call discussing second-quarter

and first-half of 2014 financial results, as well as the recently announced 34 vessel fleet acquisition from Excel Maritime Carriers Ltd.

Before we begin, I kindly ask you to take a moment to read the safe Harbor statement on slide number 2 of our presentation.

Ladies and gentlemen, we are very excited to announce the agreement to acquire a fleet of 34 secondhand vessels from Excel Maritime Carriers Ltd. This transaction doubles our fleet on the water, offers great participation in the expected freights market's tightening, and cements Star Bulk's position as the largest U.S.-listed dry bulk Company as measured by the cargo-carrying capacity of our vessels.

Star Bulk took an opportunity to acquire a well-maintained, mostly Japanese-built fleet. As you can see on slide number 3, the total consideration of $634.9 million for the acquisition will be paid with a $231 million bridge loan provided by Oaktree and Angelo Gordon; $24.9 million of senior secured debt financing; $32.5 million of cash; $29.9 million of Star Bulk shares.

We believe this represents an attractive purchase price given, A, the recent decline in Panamax/Kamsarmax values, down 20 percent since April and 25 percent versus the historical average; and, B, since April the cost of acquiring this fleet of 34 vessels has also declined by 15 percent.

Post-acquisition, Star Bulk will have the largest in-the-water fleet by deadweight of all U.S.-listed dry bulk companies. The Company will almost double its carrying vessels in the water from 3.5 million deadweight to 6.6 million deadweight.

This enlarged fleet in the water will enable us to take advantage of the expected freight tightening in the last quarter of 2014 and 2015. Additionally, the transaction will enhance the liquidity of our stock due to a larger market capitalization and the increased free float available. Finally, our Company will also benefit from this enlarged fleet on the cost side through increased economies of scale, which will come about from managing a larger fleet with many sisterships.

Let me now past the floor to our President, Hamish Norton, who will drive you through the details of this transaction. Hamish, the floor is yours.

Hamish Norton:
Thank you, Petros. Please turn to slide number 4 for a brief review of the deal dynamics of this transaction. We've acquired the fleet from Excel Maritime Holding Company LLC, which is affiliated with Oaktree Capital Management and Angelo Gordon and Company.

The vessel purchase agreement was negotiated by our management together with the transaction committee consisting of disinterested Directors of Star Bulk. It has been approved by the transaction committee and the disinterested members of our Board of Directors.

And on slide 4, you can see a table with our new, increasingly diverse shareholder base after this transaction. You will notice that Oaktree Capital Management's ownership will be reduced from 61.3 percent to 57.3 percent. The Pappas Family and affiliates' ownership will be reduced from 12.6 percent to 9.3 percent, and Monarch Alternative Capital's shareholding as a percentage will call from 7.4 percent to 5.4 percent. And we would like to welcome Angelo Gordon & Co., who will become one of the largest shareholders, holding 7.8 percent of our shares.

Turning to slide number 5, this has some details on the acquired fleet. We are purchasing a diversified fleet, consisting of 6 Capesize ships; 14 Kamsarmax ships; 12 Panamax; and 2 Handymax vessels.

We are firm believers in the prospects of the Capesize market, through this transaction we are able to increase our exposure to the Capes. Three Capesize vessels have above-market time charters with a major European utility company, with an average duration of a year and an average net TCE rate of $26,070.

And the remaining three capes will trade in the spot market to take advantage of the continued favorable iron ore dynamics in 2015. The Capesize vessels represent approximately 32 percent of the purchase price for the fleet and have an average age of 10 years by December 2014.

42 percent of our purchase price has been invested in 14 Tsuneishi-built Kamsarmax vessels, which will increase our exposure in a dynamic segment that we like and that we are not heavily exposed to. The fact that this is a group of sisterships will also provide us with significant operational and technical benefits.

Finally, we are also acquiring 12 Panamax and two Handymax vessels, which represent the remaining 22 percent of the purchase price. We believe that older, 1990s-built Panamax vessels have an embedded optionality, since they can provide us with cash flow in a prompt market upturn, but they can also become potential sale candidates if we feel that it is an opportune time to sell them in the sale and purchase market.

Turning to slide six, the graph illustrates our pro forma fleet, which will be well balanced and diversified across all size segments. You can see how the acquired fleet complements our existing fleet in sizes where we had little exposure.

We believe that this will enable us to better service our customers' needs commercially. Excluding the 1990s-built Panamaxes, the average age of the fully delivered fleet in June 2016 will be 6.3 years. And it's worth mentioning that in terms of deadweight tons, over 60 percent of our fleet at that time will be Capesize and new Kamsarmax vessels, with 39 such vessels in operation on a fully delivered basis.

New Kamsarmax vessels, by the way, are slightly larger Capesize vessels which are optimized for carrying iron ore. Our new Kamsarmax vessels can carry between 208,000 and 209,000 tons of cargo.

In slide number 7 you can see our growth by number of ships and deadweight tons. In December 2014, when we expect to have taken delivery of all 34 vessels of the acquired fleet, Star Bulk will own 69 ships in the water, up from the 33 currently.

By fourth quarter 2015, when we will have taken delivery of almost all of our eco newbuild orders, we will own and operate 97 vessels; followed by our full fleet of 103 ships, which will be attained in the second quarter of 2016.

Turning to slide number 8 of the presentation, it highlights this last point. With an on-the-water fleet of 6.6 million deadweight tons as of December 2014 and a total owned fleet of 11.9 million deadweight tons on a fully delivered basis, we are by far the largest U.S.-listed dry bulk Company by deadweight tons.

From a strategic standpoint, we want to stress the countercyclical nature of this acquisition. As you can see on slide 9, the purchase of the Kamsarmax and Panamax vessels was made at historically low prices. This is a very attractive acquisition, based both on year-to-date prices as well as prices over the last 12 years, as you can see from the graphs.

Panamax prices are at their lowest level in 2014, with a 21 percent decrease from their April 2014 peak. And also, looking at the supply side, we are optimistic given that the Handymax and Kamsarmax vessels have the lowest order book of all major dry bulk vessel classes, currently standing at approximately 19 percent of the fleet in those size classes. Moreover, we see recent encouraging signs of increasing scrapping in the Panamax sector.

I'd like now to pass the floor to one of our Co-Chief Financial Officers, Christos Begleris, who will walk you through our second-quarter financial statements.

Christos Begleris:
Thank you, Hamish. Let us now turn to slide number 11 of the presentation for a preview of our second-quarter 2014 financial highlights in comparison to last year's.

In the three months ended June 30, 2014, net revenues amounted to $21.1 million versus $17.1 million during the same period of 2013. Net revenues represent our total revenues adjusted for non-cash items, less voyage expenses. The reason we refer to our net revenues is because this figure nets out any difference in revenue recognition between voyage charter and time charters and therefore is directly comparable to other periods.

About 75 percent of this increase is attributed to the increase of the average number of vessels to 17 in the second quarter of 2014 from 13.1 vessels in the second quarter of 2013. The remaining 25 percent increase is attributed to the increase in the revenues from the management of third-party vessels.

Note that the majority of the revenues from the management of third-party vessels was being generated from Oceanbulk's vessels, which as of July 11 became owned vessels, and thus we will not be getting management fees going forward.

Adjusted EBITDA for the second quarter of 2014 was at $9.6 million, increased by 14.2 percent versus last year's respective figure. Excluding non-cash items and one of the expenses related to the Star Bulk/Oceanbulk merger, our adjusted net income from the second quarter amounted to $2.8 million, increased by 9.8 percent versus last year's respective figure.

Our time charter equivalent rate during this quarter was $14,018 per day compared to $14,273 last year. Our average daily operating expenses were $5,208 per vessel compared to $5,664 during the same period last year, representing an 8 percent reduction. The adjusted net income of $2.8 million represents adjusted EPS of $0.10 per share.

Kindly turn now to slide number 12 for a review of our cash flow generation during the second quarter 2014. On March 31, 2014, our total cash balance, including restricted and pledged cash, stood at $53.5 million.

During the second quarter 2014 we generated $8.9 million in cash from operations, while we had $0.65 million of cash outflow from investing activities. Our debt repayment requirements were $5.99 million for the second quarter 2014, thus leading to a free cash flow of $2.24 million on an adjusted recurring basis. So in this low freight environment our fleet has been cash flow positive in the second quarter 2014.

And now I will pass the floor to my co-Chief Financial Officer, Simos Spyrou, to continue with our balance sheet, our capital expenditure, and leverage profile.

Simos Spyrou:
Thank you, Christos. Let us now move to slide number 13 to discuss our balance sheet and leverage profile. Following the closure of the merger between Star Bulk and Oceanbulk, which was transformational for the Company, it does not make sense to present here Star Bulk's balance sheet data as of June 30.

Instead of that, we prefer to refer to the current figures pro forma for the merger with Oceanbulk. Currently our total debt starts at $491.1 million and our total cash position at $134.4 million. Consequently, our net debt is $356.7 million.

Furthermore, the market value of our 33 vessels fleet on the water stands currently at $911 million. In addition, our 36 newbuilding vessels are currently worth $1.76 billion, bringing our fully delivered fleet value close to $2.67 billion.

Going forward, as you can see from the bottom graph, our principal repayments so far this year stands at $19 million, while our remaining scheduled principal repayments for 2014 and 2015 stand at $19 million and $57 million, respectively.

I would like to provide now a brief Corporate update on our recent operational and financial activities, as presented on slide number 14. On July 22 we took delivery of our first eco Capesize vessel built in JMU, the Peloreus, which is currently employed in the spot market. Another Capesize, the Big Fish, is currently undergoing its scheduled periodic drydock.

On the financing side, we continue to obtain financing for our newbuildings. And within July we have signed committed term sheets for three vessels – two Ultramax and one Capesize vessels – at very competitive terms.

Overall, our cost of debt financing has been reduced by 50 to 75 basis points as a direct result of the improving financial market, as well as the increased size of the Company following the merger with Oceanbulk. Moving now to slide number 15, you conclude that our newbuildings' CapEx funding is mostly addressed.

The total contracted value for our 36 vessels on order stands at $1.56 billion. We have paid so far $224.5 million in the form of advance payments for these vessels.

We have committed debt financing of $562.7 million, while we are currently on the final stages of negotiating with lenders another $414.8 million of debt financing. Assuming 60 percent debt financing for the non-financed newbuilding vessels on their contracted value, we estimate another $95.6 million of debt financing.

Subtracting the debt financing from the contracted value of the newbuilding vessels leaves an equity CapEx figure of $258.6 million. Adjusting for our cash on hand and the working capital requirements leaves an equity CapEx gap slightly north of $140 million, which is a figure that we feel comfortable given the size, the visibility, and the shareholder base of this Company.

Let me now pass the floor back to Petros to give you an update on the market.

Petros Pappas:
Thank you, Simos. Let us now turn to slide 17 to summarize the dry bulk trade demand dynamics. As most of you know iron ore and coal are the two most important commodities for dry bulk shipping, accounting for more than half of the Seaborne dry bulk trade.

On the top right graph you can see how Chinese crude steel production and Chinese iron ore imports have evolved in the last nine years. During the first half of 2014, Chinese iron ore imports have increased by 19 percent on the back of strong steel production growth and increased domestic-to-imported iron ore substitution, which we believe will continue in the next years.

Chinese domestic iron ore is of very low quality compared to international commercial mining standards due to its low ferrous content. A large part of Chinese iron ore production is non-competitive, with high-cost breakevens above $100 per ton, due to small production scale, low quality of iron ore reserves, and long distance from Chinese steel mills.

On the other hand, the major international iron ore exporters, comprising mainly of Vale, Rio Tinto, BHP Billiton, and Fortescue, enjoy low breakeven price levels due to large-scale operations and high quality of iron ore reserves.

Furthermore, substantial additional mining capacity of minimum 400 million metric tons per annum is expected to come online until 2016, mainly by these companies. Vale alone has lined up an investment of 90 million metric tons per annum additional iron ore mining capacity to come online in early 2016, a truly significant amount for a single project.

So overall, it is apparent the international iron ore markets will see substantial additional supply coming in from the producers that have the ability of predatory pricing in order to capture more international market share.

This is expected to drive international iron ore price to lower levels at which the majority of small, private Chinese producers are not competitive. Therefore, we believe that the substitution of the expensive Chinese iron ore production with imported iron ore can provide a significant support to iron ore trade, even with zero steel production growth.

Regarding the coal trade, Chinese coal trade has evolved tremendously for the last eight years. China's increased energy needs have turned the country from a traditional coal exporter to the single-biggest coal importer in the world in PRK from significant coal trade capitalizers. Up until 2005, China had a coal trade deficit of around 300 million tons during 2013.

What is even more impressive is that coal imported represents only around 7.5 of total Chinese coal consumption. Recent measures against pollution are expected to affect the domestic coal production and poor quality imports.

Despite the recent slowdown in imports growth during the first-half 2014, we remain confident that imports will produce strong tonnage growth during the medium-term due to substitution of poor-quality short-distance imports towards higher-quality long-hauls, and move away from Indonesia and towards Australia and the Atlantic.

Another major importer of coal is India, which lacks material reserves to satisfy its huge consumption needs. As you can see from the bottom left graph, India coal inventories have decreased from about 20 million tons during March 2014 to 9.5 million tons during the first week of August.

At the same time, thermal power generation non-held growth in India has accelerated about 12 percent during the last quarter. Going forward, according to Clarkson's, India is expected to reach 195 million tons per annum in coal imports in 2014, an increase of about 10 percent versus 2013 levels.

Moving to slide 18, we will provide an update on the grain trade. Grain trade is expected to improve during the following months due to increased U.S. and Canada crop yields and exports, which should provide an uplift in Panamax and Supramax freight rates.

Grain is a commodity that is carried mostly by Panamax and Supramax vessels. And according to Clarkson's, world grain exports are expected to increase by 3 percent this crop season versus 2013 levels.

During the second half of 2014, we might expect a combination of healthy U.S. exports, delayed South American exports; and possibly we will be planning routes and exports ahead of a potential political tension escalation. If such a scenario plays out, the Panamax and Supramax will enjoy free grain markets during the same period, which will significantly boost vessel demand.

Please move to slide 19 for an update on the supply side. Total dry bulk vessel deliveries decreased significantly in 2013. As you see on the top right-hand graph, deliveries in the period 2008 to 2012 compared to the scheduled order book had an average slippage rate of around 30 percent. The expected figure for 2013 was close to 40 percent, and we expect some level of slippage to continue to exist going forward, even though at reduced levels.

Overall, as you can see from the top right graph, looking at forward scheduled deliveries in the historical context clearly demonstrates that the worst has passed for the dry bulk industry. The normal order book stands at approximately 21 percent of the fleet, substantially lower from the peak of 80 percent in 2008.

On the bottom right-hand graph we also provide the order book for the remainder of 2014, 2015, 2016, and 2017, broken down in vessel classes. At this point in time we can safely say that the order book for 2015 is fixed, but for 2016, capacity in the first-year yards is becoming more and more limited.

We see limited risks in orders being placed in second- and third-tier Chinese yards due to the current tight pricing environment as well as the scarcity for bank financing for such low-quality vessels.

Finally, what is important and encouraging is the fact that bulk carrier demolition, following a brief pause during first-half 2014, has showed some initial signs of revival. 2013 scrapping activity of 22.2 million deadweight tons was very close to the second-highest all-time level of 23.2 million deadweight tons in 2011.

Going forward, and given the firming of the freight market we expect this scrapping activity to be reduced but still be present, since 9 percent of the fleet is above 20 years of age. During the first 7 1/2 months of 2014, scrapping activity reached 10.1 million deadweight tons, pointing towards about 15 million tons of scrapping this year, or about 2 percent of the existing fleet.

Therefore, a member of – we see a number of positive converging factors. We see second-half 2014 an increased iron ore trade. We see strong U.S. grain crops and falling prices, which will encourage freights. Hydropower generation in China falls as of September, and therefore there will be a higher need for coal imports from longer distances.

We see record low Indian coal stockpiles. We see bulkside reserves in China depleting. And we see a slowing dry bulk growth. All these factors we expect will lead to a much stronger second half of 2014.

Having said that, I will now pass the floor back to a Hamish for an update on our Company.

Hamish Norton:
Thank you, Petros. So turning to slide 21, I should say that although the acquired fleet in this transaction does not consist of eco vessels, we want to take this opportunity to convey our continued eco focus in the Company and our belief in the advantages of next-generation vessels.

As you can see from slide 21, more than 57 percent of the value of the combined fleet is accounted for by fuel-efficient eco vessels. Now, eco ship fuel savings are relatively more important for larger ships.

For a Capesize eco ship at laden speeds of 12.5 knots, the bunker fuel savings can be up to 25 percent compared to a non-eco ship of similar size. This savings percentage gradually decreases as we move to smaller-sized ships, for which it is somewhat less important.

Now, an important parameter for this fleet acquisition was the purchase price of these non-eco vessels compared to the alternative of ordering eco newbuildings at quality yards. The average cost per vessel for the acquisition comes at approximately $18.6 million per ship versus current prices of $33 million and $62 million for new Japanese-built eco Kamsarmax and Capesize vessels, respectively.

We view this as an attractive trade-off of price versus the fuel savings. Furthermore, even though the eco ships provide downside protection during a low freight market, we believe that the acquired non-eco-vessels will provide greater operating leverage in a rising freight market compared to the somewhat more expensive eco fleet.

Importantly, the vast majority of the acquired fleet has been eco-modified for reduced fuel and lubricant consumption. They are also capable of super-slow steaming due to the engine slide valves they have been equipped with. These enhancements, together with other modifications we will be making in the future to all of our non-eco vessels, will help us to improve efficiency as much as possible.

On slide 22 we have an overview of our fleet employment. Currently, including the acquisition of the new fleet, we have secured approximately 20 percent of our remaining available days in 2014. And note that this depends somewhat on the exact dates at which the acquired vessels come into our fleet, so it really is an estimate.

In 2015 we have secured about 8 percent of the remaining available days – and that's somewhat more certain – and 2 percent in 2016. Overall, as of today, our total contracted revenue amounts to approximately $83.3 million.

As we have stated before, our commercial strategy mostly focuses on short-term time charter employment, maintaining exposure to a long-term recovery in freight rates. This allows us to retain our upside potential in a firming freight market, as we expect to achieve higher recharter rates for our vessels as we move toward the last quarter of this year.

On slide 23 we present Star Bulk's operating leverage after the acquisition of the 34-vessel fleet, which provides Star Bulk with significant earnings and cash flow upside in what we believe to be an improving market environment. Star Bulk has a large fleet, with spot exposure providing for significant upside as the market rises; a highly efficient cost structure; and eco-friendly vessels that improve cash flow in all market conditions.

On a fully delivered basis, assuming the charters in place today, we have about 37,000 spot days per year. As you can imagine, each $1 swing in spot rates has a material impact on our cash flow. For example, a $1,000 a day increase in Cape rates combined with a $400 a day increase in Panamax and Supramax rates would translate into an increase in EBITDA of approximately $23 million in 2017, assuming no further long-term charters.

On slide 24 we try to evaluate our operational performance of the last five years. As a general comment, our cost-cutting efforts in our operating and G&A expenses has played an important role in our financial and operating performance in this challenging market environment.

This, of course, has been achieved without compromising our high quality and operational standards. In the top right graph you can see the evolution of our average daily operating expenses. Since 2009 our daily operating expenses have been reduced from $6,903 day to $5,208 in the second quarter of 2014, a 24.5 percent cumulative reduction.

On the bottom graph you can see a projection of our G&A expenses with the evolution of our fleet. We expect that following the acquisition of Oceanbulk and this new fleet, our daily cash G&A expenses per vessel will move below $1,000 per vessel per day for a full operational year.

This is one area where we clearly expect to benefit from economies of scale and the projected cost synergies, with our cash G&A expenses developing from $1,402 per ship per day for a fleet of 17 vessels to approximately $980 per ship per day for a fleet of 67 vessels.

Moving forward, we expect the expanded size of our operating fleet on a fully delivered basis to leave Star with among the most overhead per ship among our peer group.

Let's now turn to slide number 25 for a presentation of our superior commercial performance. As you can see from the slide, we have consistently outperformed the relevant indices for our Capesize and Supramax vessels, respectively.

And now let me pass the floor back to Petros for his closing remarks.

Petros Pappas:
Thank you, Hamish. Before we close this presentation and pass the floor back to our audience for any questions that they might have, let me let me walk you through a summary of our strategy going forward as presented on slide 26.

On the chartering side we will continue the spot employment of our fleet, as we expect the freight market to improve in the months to come. We are presently well positioned to capitalize on increases in demand for dry bulk shipping.

We intend to employ our vessels in an active and sophisticated manner tailored to the fuel efficiency of each vessel. In particular, our eco newbuilding vessels are ideal for employment on a voyage basis, while our older vessels may be more appropriate for short- or medium-term charters.

As we see the market sentiment improving, we aim to start fixing some of these vessels on medium- to long-term charters. Furthermore, as we have already demonstrated, we will keep on monitoring the market for further acquisition opportunities and further consolidate the industry. And we intend to continue to opportunistically acquire high-quality fleets and vessels at attractive prices.

We aim at maintaining a young average age for our fleet going forward and may opportunistically dispose some of our older assets, depending on the market conditions and overall commercial prospects. We will also continue to improve the performance of our fleet through modifications and enhancements that increase efficiency.

The above will be facilitated by the combined 120 years of shipping industry experience that we have as a management team. Our relationships with charters, shipyards, ship brokers, back-end suppliers, et cetera, have developed across several shipping cycles. And we believe they give us a significant advantage.

On the operational side we view that the new enlarged Star Bulk will serve as a highly efficient platform which will strive for the lowest operating expenses and corporate overhead amongst our peer group in the years to come.

We are investing in a sophisticated vessel monitoring department that will help us have real-time feedback on the performance of vessels' parameters, including consumption of fuel and lubricants, in order to be as efficient as possible and minimize the daily operating costs of our vessels. Finally, we plan to maintain a healthy balance sheet through the moderate use of leverage while we will enjoy reduced cost of financing through our greater access to equity and debt capital markets.

Overall, we believe Star Bulk has a set of characteristics that place us among the most promising companies in the dry bulk industry. And with delivery of our newbuilding vessels, we aim to become the lowest-cost operator in the peer group without compromising our already-existing quality standards.

Closing, I would like to thank our shareholders for the ongoing support and loyalty and reassure them that we will continue our efforts to ensure the Company's long-term success and enhance shareholder value.

Without taking any more of your time, I will now pass the floor over to the operator. In case you have any questions, we would be happy to answer them.

Questions and Answers

Operator:
As a reminder, to ask a question please press star one on your telephone keypad and wait for your name to be announced. Your first question from Stifel comes from the line of Ben Nolan

Ben Nolan:
Thanks a lot. You guys certainly know how to keep us busy during the summer. Incidentally, I thought August was supposed to be vacation time in Greece, but I guess not this year for you guys.

My first question has to do, I guess, with how to think about the employment for these vessels away from – as it relates to the Excel vessels – away from the three that were mentioned, that are operating on longer-term contracts. Is it fair to assume that the balance are all short-term or in the spot market?

Petros Pappas:
Yes, that's true. They are in the spot market. They will continue being in the spot market, because we are looking at a market environment that's going to the going up in the next few months. Therefore, for now we will stay spot in case the market improves substantially.

And as our analysis department tells us that usually, second halves of years are stronger than the first halves, because there is more trade in deadweight tons. We will wait for such time to come.

And depending, we will probably fix part of the fleet for short-term periods. We are positive about the future.

So what we aim to do is to look into seasonality as well. So the way we will be fixing will probably be at the time that the market is strong and for periods until the market will be strong once again. So we think 2014 – second-half 2014, fairly strong. Maybe the second-half 2015 will be even stronger. And we will have a charting strategy that will follow our analysis of the market condition.

Ben Nolan:
OK. Great. That's very helpful. And then sort of staying on the acquisition for a moment, I was just curious: are any of the shareholders – the selling shareholders here, or I guess the acquiring shareholders, Oaktree and Angelo Gordon, specifically; and, then, even going a little bit further back to the previous transaction, is there a lockout at all on their ability to be able to dispose of any of their shares?

Hamish Norton:
It's Hamish Norton. There is no specific lock-up agreements for the shareholders that we are taking on. But as a practical matter there are pretty strong limits on how much selling can take place quickly.

First of all, Oaktree will remain an affiliate of the Company and will be bound by affiliate volume limitations. Second, the shares are not being given out to Excel in a lump. We are buying the vessels one by one as the vessels reach discharge ports, where it is convenient to buy the vessels. And the shares are being issued to Excel as we buy vessels.

So as a practical matter, the shares will be flowing out to Excel more or less evenly through the end of the year. And it's going to be a while before Excel can distribute any of those shares to its shareholders, which would then allow for their sale.

Ben Nolan:
OK. That's helpful. And sort of along with that, I guess that from a modeling perspective, we sort of assume that the vessels will be coming online over the course of the remainder of the year rather than sort of a single drop-dead date. Is that correct?

Hamish Norton:
I think you can assume for practical purposes that we'll take on 2 to 3 vessels a week. Possibly more than that in exceptional weeks, but we will almost certainly have all the vessels by the end of the year.

Ben Nolan:
OK. That's helpful. And then stepping away from that for a moment to the CapEx program, obviously – and you laid out there pretty nicely about $142 million of remaining CapEx.

How are you guys thinking about funding that? Is that something that you feel like you can handle organically through the cash flows of the Company? Or would you possibly be looking to the equity markets or some other form of capital markets to bridge that gap?

Christos Begleris:
Sure. This is Christos. First of all, we should mention that, effectively, the Excel transaction helps us in this funding gap in that we have taken very low leverage, which we will refinance the portion of the bridge facility we are taking from Oaktree and Angelo Gordon with conservative leverage, but which will give us extra cash which will go towards this funding gap.

This gives us time – the luxury of time – in order for us to figure out what is the best strategy to tap either debt or equity capital markets in order to fund the remaining gap together with operational cash flow.

Ben Nolan:
OK. So just sort of looking at those numbers, when thinking about the target debt, does that include the refinancing of the bridge loan? Or is that separate?

Christos Begleris:
It does. It definitely – the refinancing of the bridge loan. And we expect to be overall at very conservative debt levels.

Ben Nolan:
OK. All right, well, that is helpful. I'm sure there's other people who would like to ask questions, so I will turn it over to them. But congratulations. Obviously, the market thinks this is a good acquisition, as do I.

Operator:
Now from Evercore your next question comes from the line of Jon Chappell.

Jon Chappell:
I wanted to ask about the maintenance of the ships. Obviously, these are coming from a company that was in Chapter 11. What kind of inspections did you do on the vessels?

When you think about being delivered to the ideal ports that Hamish mentioned, do you foresee being able to employ them immediately? Or is there some kind of modifications or updated maintenance that would need to take place?

Nicos Rescos:
Yes. This is Nicos Rescos. We have done a sample inspection of about a third of the fleet as part of our due diligence, and we have completed class records review for every single vessel. And we feel reasonably confident on the condition of every vessel across the fleet.

We believe we are going to be taking delivery of the vessels, as Hamish mentioned earlier, within this quarter at either discharge ports or during the ballasting of the vessels between locations.

And there will be close coordination between the sellers and buyers of the vessels to make things move along as swiftly as possible, giving us enough notice to plan the next deployment. We believe having about two weeks of a notice for our delivery of a vessel gives us ample time to fix the next employment.

Jon Chappell:
OK. And then you have acquired 11 1990s-built ships in addition to the two that Star Bulk already had, the mid-1990s built, I think, Capes. Obviously, that doesn't line up with the eco strategy. I understand the leverage that they provide to the upside once and if the upside occurs.

How are you thinking about the timing of maybe disposing those? The way I understand it, they are relatively debt-free, so those could also help funding the equity gap that you have for the newbuilding commitments?

Hamish Norton:
Jonathan, it's Hamish Norton. Indeed, we are thinking about those vessels, as you say, possibly as a way to help pay for our newbuildings, if we see an opportunistic time to dispose of them. The vessels obviously give us a lot of operating leverage on the upside.

And, of course, the best time to dispose of such vessels is when they have their highest cash flow. So it's a tricky decision, but we are certainly thinking about it along the lines you have suggested.

Jon Chappell:
OK. And then the last one: obviously, you have a very senior management team in place. What's the infrastructure in kind of the next level, whether it's technical or chartering, to take on this 100-plus vessel fleet? And then, also, you mentioned you are still looking for more acquisitions or consolidation.

Would you have to add considerably more personnel to add more ships above and beyond the 103?

Petros Pappas:
Yes, definitely. We will need more personnel. But Star was already – we follow a strategy where we have the capacity to always take in some extra vessels. So up to a certain number of vessels we could have done immediately without needing any additional support, but we have been sourcing people from the market.

And we have been very proactive on this. We are able to take delivery of vessels within the four-month period ahead of us without facing any personnel or space problem.

Hamish Norton:
Just to add to that, I think it's fair to say that Star is just about the most dynamic Company at this point – the most dynamic shipping Company based in Athens. We get resumes from a lot of very good people, and it appears that we have our pick of the best people.

Jon Chappell:
That's great. Thanks, Hamish. Thanks, Petros.

Operator:
Now from Morgan Stanley your next question comes from the line of Fotis Giannakoulis.

Fotis Giannakoulis:
Yes. Hello, guys, and congratulations for this major expansion. I would like to ask how did this deal came? What was the rationale behind Oaktree's and Angelo Gordon's decision to roll over their fleet into Star Bulk?

The reason I am asking is that as far as I know that Oaktree has a major stake in more shipping companies, other sorts for further expansion and further consolidation of previously traveled dry bulk companies?

Hamish Norton:
In terms of other Oaktree-affiliated shipping companies, we have no intention of pursuing any acquisition of any other Oaktree-affiliated shipping companies. And I don't think that that situation is likely to change.

Fotis Giannakoulis:
That was very clear. Are you happy with the size of this fleet? Do you think that the 100 vessels, or around 100 vessels, is your ultimate target? Or the view is to further expand and make an even larger company than it was year over year?

Petros Pappas:
We are here to expand when we see the opportunity for accretive acquisitions. It is not the number of the vessels; it is the organization of the Company. And I think we can handle more vessels if need be. But only if it's going to be good deals.

I think we are in a continuous search for deals, and for many years we have had a commercial department both on chartering and SNP that is extremely experienced and has been, as I say, in the market forever. Also, because we are becoming bigger in size, people come to us for deals first; then they would go to anybody else.

So that gives us the opportunity to have a firsthand view about deals. Therefore, when the opportunity arises we will go for it.

Fotis Giannakoulis:
Thank you, Petros. Regarding this latest acquisition, the first look that I had was that the price was quite attractive. You mentioned earlier that the asset values the last three months have declined, but I want to ask: how did you make the valuation? And how did you agree on this particular price?

Was that a brokered valuation? Did that include any discount of the market value, or it was what the brokers gave?

Hamish Norton:
It's Hamish Norton. It was basically – we used three brokers and took the average of their appraisals on both sides. It was pretty much that simple.

Fotis Giannakoulis:
OK. Thank you. My last question is about the debt financing. You mentioned that you have a gap of around $140 million. What is the ultimate goal of leverage? And particularly, where do

you see your breakeven developing – both your EPS breakeven and also the cash flow breakeven, including the repayments of your debt?

Simos Spyrou:
We are trying to be conservative on our leverage. As you can see right now, we are in the low 50s in terms of asset capital ratio for our on-the-water fleet.

Even with the 60 percent financing that we are targeting for the newbuildings on the contracted values, this is about – will bring that contracted fee – the on-the-water fleet around 50 percent of loan to value on a fully delivered basis. In the future we aim to reduce further the leverage of the fleet to reduce the breakeven point of the Company, but this is our goal going forward.

Fotis Giannakoulis:
The reason I am asking is I'm trying to understand if the equity that you are planning to raise is going to match your funding gap, or the goal is to have additional equity that will make the amortization of the debt lower.

And in relation to that, if you can answer in terms of the next couple of years' goals, is the intention to become a dividend playing company when you have all your newbuildings, or your focus is going to continue to be growth?

Hamish Norton:
OK, so, look – in terms of the long-term focus, when the newbuildings' schedule and the markets permit, we would intend to pay a dividend. We think that that's an appropriate thing to do when we are not investing all of our cash in the newbuilding program. We will manage our leverage consistent with being able to pay a dividend.

Fotis Giannakoulis:
OK. In terms of how much equity you are planning to raise, is this going to be just a funding gap? Or you think more might be also an alternative?

Simos Spyrou:
Well you know as we have said during the presentation, Fotis, the funding gap that we have relative to the size of the Company and our shareholders backing the Company is relatively small. We feel comfortable.

Now, on the amount of equity that we might be raising in the future, we cannot comment on that. It really depends on the cash flow generation of the fleet and on the market.

So, basically, if we see the significant market upturn in the fourth quarter of the year, and the cash flow generation permits – you know is healthy, this will reduce further the funding gap and our equity needs. We will evaluate that on that time.

But you have to take into account that the Excel fleet acquisition actually gives us the luxury of time before tapping the debt or equity capital markets.

Fotis Giannakoulis:
That's clear. Thank you very much.

Operator:
Now from Pareto Securities your next question comes from the line of Jonas Kraft.

Jonas Kraft:
One last question for me. Most of my questions have already been answered. But on a relative basis, you now have increased your exposure to medium-sized vessels, especially carrying coal.

Would you say you are more positive on the fundamentals of these vessels compared to iron ore trading Capes? Or is this more of an asset bet?

Petros Pappas:
Jonas, we are positive about both. They are different stories. We said the story about the iron ore, and you are not asking for that.

Regarding the coal, you also have to look into the supply situation. Coal-carrying vessels up to now – in the last year and a half the supply has been pretty high, but if you look at the statistics going forward, it's much lower than before.

So on the supply side and because we feel we bought at the absolute bottom of the present market, we feel good about that.

Now, on the demand side, we see a strong India coming forth. And there will definitely be major needs for coal imports there, which will also lead to congestion.

Now, regarding China: China is a more difficult equation to solve, because on the one hand, they are trying to cut down on coal consumption; but on the other hand, they are closing down a big part of all the small and inefficient coal mines. Also, they are going towards importing higher-quality coal.

That doesn't exist in Indonesia. They would have to source it from elsewhere. So on the one hand, we will see an effort to rely less on coal consumption. On the other hand, however, it will be more ton miles because of sourcing higher-quality coal; and it will also be substitution of local production. So, overall, we believe that we still be seeing an increase in coal demand.

Of course, there is also grain. We expect to see – we see very low prices in grains, and therefore we will see extra trade, we believe. So the combination of buying these coal and grain vessels cheap and the prospects we see, we think they are going to be doing well going forward.

Jonas Kraft:
Thank you very much. That definitely answers my question.

Operator:
As there are no further questions, we now pass the floor back for closing remarks.

Petros Pappas:
Thank you very much for attending our presentation. We will strive to do better and better going forward and to support the beliefs of our investors in our Company. You will see the results going forward. Thank you very much.

Operator:
With many thanks to all our speakers today, that does conclude our conference. Thank you for participating. You may now all disconnect. Thank you, gentlemen.