Q4 2014 Earnings Call

Company Participants

- Petros Pappas, Chief Executive Officer
- Christos Begleris, Co-Chief Financial Officer
- Simos Spyrou, Co-Chief Financial Officer
- Hamish Norton, President

Other Participants

- Ben Nolan, Analyst
- Douglas Mavrinac, Analyst
- Amit Mehrotra, Analyst
- Spiro M Dounis, Analyst
- Fotis Giannakoulis, Analyst
- Salvatore Vitale, Analyst
- Omar Nokta, Analyst
- Charles Rupinski, Analyst

Presentation

Operator

Thank you for standing by ladies and gentlemen, and welcome to the Star Bulk Carriers Conference Call on the Fourth Quarter 2014 Financial Results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Simos Spyrou and Mr. Christos Begleris, co-Chief Financial Officers of the company.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions) I must advise you that this conference is being recorded today. We now pass the floor to one of your speakers today, Mr. Pappas. Please go ahead, sir.

Petros Pappas, Chief Executive Officer

Thank you, operator. I'm Petros Pappas, the Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers' conference call discussing our financial results for the fourth quarter and full year of 2014.

Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number two of our presentation. This past year has been a transformational one for the Company, after the merger with Oceanbulk and the acquisition of 34 vessels from Excel Maritime, making Star Bulk the largest US listed dry bulk company with a fleet of 98 vessels on a fully delivered basis.

Looking ahead to the challenge in 2015, we remain fully committed to take measures to protect our shareholder's equity value and enhance our ability to weather what has proved as one of the most challenging dry bulk margins in the last 40 years.

If you can now please turn to slide number three, I will walk you through the results of Q4 2014 full year 2014 and the current state of the company. Against the backdrop of weakening market conditions in the fourth quarter of 2014, the company recorded an adjusted net loss of $5.5 million, an adjusted EBITDA of $16.6 million and net revenues of $45.6 million. For the full year 2014, the company recorded an adjusted net loss of $3.2 million and adjusted EBITDA of $43.6 million and net revenues of $111.2 million.

Our fleet currently consists of 66 vessels on the water. We have taken delivery of 33 out of the total 34 vessels we acquired from Excel Maritime and expect to have the last vessel delivered to us by the end of this month. We continue mtaking delivery of our eco newbuilding vessels in the first quarter of 2015, having one 1 JMU Capesize and 2 NACKS Ultramax vessels to our fleet on the water with 32 vessels remaining to be delivered by September 2016. As part of our planned fleet renewal, we have also sold four 90's built Panamax and Handymax vessels and agreed the sale of one additional 1993 built Panamax.

On the chartering front, we have partnered with owners of Capesize Panamax [ph] to create Capesize Chartering Limited, an information sharing platform that will increase our visibility in the spot market and enable us to deploy our vessels in an increasingly effective manner. We have also been active in creating partnerships with owners of cargo like the agreement with a major miner announced in December 2014, through which three of our eco Newcastlemax vessels will be employed for a period of five years. This agreement will help us keep vessel utilization high and enable Star Bulk to retain the benefit of the eco vessels fuel savings as we're being paid on a dollar per ton basis.

Finally, our chartering performance remained strong for the fourth year in a row. With an average TCE in each vessel segment above the relevant Baltic Index on an adjusted basis.

We continue to be mindful of the importance of low operating cost and corporate overhead in difficult market environments structures to date [ph] and have managed to reduce our OpEx by 14% year-on-year to $4,750 per day.

This makes us one of the lowest cost operators in dry bulk space. Our increasing size has helped us build stronger relationships with key suppliers and service providers which in turn helps us to reduce our cost while we continue to grow. We're working to consistently provide our customers with high quality services at low cost and we feel confident that going forward we'll be able to achieve further synergies and economies of scale. Regarding financing, we have been busy converting negotiated term sheets into committed debt. In February 2015, we executed loan documentation for $156.5 million ECA financing with Deutsche Bank, HSBC and Sinosure for eight of our Ultramax vessels.

During March, we were able to secure financing of $31 million and $30.2 million from DVB and BNP respectively.

For two of our JMU Capesize vessels delivering in 2015. Finally, we also received commitments of $227.5 million from DNB, SEB and the Export-Import Bank of China for the financing seven of our new buildings built in China, five Newcastlemax and two Capesize vessels.

As of today, we have total debt commitments of 906 million for 30 out of the 33 new building vessels of our fleet, and are proceeding to convert $65 million of negotiated debt for the remaining two new building vessels in the firm commitments. An important update with respect to our newbuilding program is the agreement with our builders for the postponement of certain pre-deliver installments from 2015 into 2016, and similar shift of deliveries over the later dates.

Due to confidentiality restrictions, we cannot disclose anything more on this issue at this point, but this is a result of the close relationship we have with our shipbuilding partners which enabled us to find a mutually beneficial solution with respect to the scheduling of newbuilding vessel deliveries with no extra cost to the company.

Finally, another key development was the successful completion of a primary public offering of $245 million on January 9, 2015. Through this raise, we've fully fund our newbuilding CapEx program and strengthened our balance sheet with over a $100 million of excess cash. This transaction also demonstrates the commitment of the company's core shareholders who all participated to maintain their shareholding in the company. Our long-term goal remains to build a strong well-capitalized dry bulk shipping company that will continue to overcome market challenges and create long-term value for its shareholders.

I would like now to pass the floor to one of our Co-Chief Financial Officers, Christos Begleris to walk you through our fourth quarter and full year financial statements.

Christos Begleris, Co-Chief Financial Officer
Thank you, Petro. Let us now turn to slide number five of the presentation for a summary of our fourth quarter 2014 financial highlights in comparison to last years. In the three months ended December 31, 2014, net revenues amounted to 45.6 million more than doubled the 17.3 million for the same period in 2013. Net revenues represent our total revenues, adjusted for non-cash items less voyage expenses. The reason we referred to our net revenues because this figure nets out any difference in revenue recognition between voyage charter and time charters and therefore is directly comparable to other periods. This increase is mostly attributed to a significant increase of the average number of vessels to 50.8 in the fourth quarter of 2014 from 13.2 vessels in the fourth quarter of 2013.

Adjusted EBITDA for the fourth quarter 2014 was 16.6 million, an increase of 124% versus last year's figure of 7.4 million. Net loss for the fourth quarter 2014 was 8.1 or $0.083 per basic and diluted share versus 0.054 [ph] million net income or $0.002 per basic and diluted share in the respective period of 2013. Excluding non-cash items and one-off expenses, our adjusted net loss for the fourth quarter amounted to 5.5 million or $0.06 loss per basic and diluted share versus 2.1 million of adjusted net income or $0.07 gain per basic and diluted share during the respective period of 2013.

Our time charter equivalent rate during this quarter was 11,384 per day compared to 14,467 last year. This is an illustration of the weaker than expected fourth quarter compared to last year's rally during the same period. Our average daily OpEx were 4,704 per vessel compared to 5,392 during the same period last year, representing a reduction of 12.8%. You can clearly see the positive effect of our economies of scale on operating cost. Continuing in slide number six of the presentation and to review our full year 2014 financial highlights in comparison to 2013. In 2014, net revenues amounted to 111.2 million, almost 62% higher than 2013s net revenue of 68.7. This rise is attributed to the increase of the average number of vessels from 13.3 in 2013 to 28.9 this year. Adjusted EBITDA for the year came in at 43.6 million, 34.7% higher than the 32.3 million last year. 2014 ended with a net loss of 11.7 million or $0.20 loss per basic and diluted share versus a net income of 1.1 million or $0.13 gain per basic and diluted share in 2013.

Excluding non-cash item and one-off expenses, our adjusted net loss for the fourth quarter amounted to 3.2 million or $0.05 loss per basic and diluted share versus 9.7 million adjusted net income or $0.69 gain per basic and diluted sharein 2013.

Our time charter equivalent rate during 2014 was 12,161 per day compared to 14,427 last year. Our average daily OPEX were $5,037 per day per vessel compared to 5,564 during the same period last year, representing a 9.5% nreduction. This reduction is even bigger if we exclude approximately 3 million or $286 per day pre-joining and npre-delivery expenses related to the acquisition of the Excel fleet and the deliveries of our new building vessels. Taking these adjustments into account, average daily OpEx would have been 4,750, a reduction of 14% compared to 2013 similarly adjusted figure of 5,523. As you can see, our continued efforts to contain cost through increased synergies and economies of scale across the fleet have begun to bear fruit.

Kindly turn now to slide seven for a review of our balance sheet as of December 31, 2014. As you can see from looking at the figures, Star Bulk is a completely different company compared to 2013. Total cash balance including restricted and pledged cash stood at 100 million. Please note that a few days later in January 2015, we significantly strengthened our balance sheet with 245 million equity raise, that's fully funded our newbuilding program and increased our cash balance. Other current assets stood at 45 million, increase from 8.3 million in the previous year. Net fixed assets stood at 1.4 billion versus 326 million in 2013. The 2014 figure includes a 62 vessels on the water as of 31 December.

Advances for vessels under construction stood at 455 million, comprise of 302 million cash paid for newbuilding installments for our 35 remaining newbuilding as of December 31 and 13.5 million of capitalized borrowings in supervision costs. As we have noted previously as well, I would like to note that in the process of consolidation with Oceanbulk as per US GAAP provisions for business combinations, a fair value adjustments of 138 million was recorded in this account on top of the cash newbuilding installments paid.

On the liability side, total debt as of December 31, 2014, stood at 853.6 [ph] million versus 190.3 million for the same period last year. The former includes 50 million of our baby bond, as well as 66.1 million of the bridge loan facility provided by Oaktree and Angelo, Gordon which was repaid in its entirety in January 2016.

Total shareholders' equity as of December 31, 2014, stood at 1.15 billion versus 266 million for 2013. Based on the above, our net debt was 753.6 million as of December 31, 2014, implying a net debt to capitalization ratio of 37.5%, clearly a healthy level.

And now, I will pass the floor to my Co-Chief Financial Officer Simos Spyrou to continue with an update on our newbuilding debt commitments and OpEx performance.

Simos Spyrou, Co-Chief Financial Officer
Thank you, Christo. Moving now to slide nine, we are happy to report that we have now committed financing in place for 30 out of the 32 remaining newbuilding vessels of which we are scheduled to take delivery by the third quarter of 2016. This illustrates the excellent relationship we have with both existing and new financial institutions and our ability to source debt financing even in this difficult market environment. We have committed financing for 30 out of the 32 newbuilding vessels. We have used by bilateral loans, club deals and ECA backed financing to top value sources of credit with European and Asian financial institutions.

Note that the Export-Import Bank of China has provided total commitments of close to 200 million against Chinese newbuildings. We continue to see that banks prefer financing large and established companies that have accessed to various sources of financing and can respond the market turbulence over smaller entities that might face increased headwinds during the downturn. We are currently in negotiations with two major financial institutions to finalize 65 million of financing for our remaining two newbuilding vessels and fully financed the debt portion of the newbuilding fleet. We expect these negotiations to turn into committed financing in the next one or two months.

Regarding the underwater vessels during the fourth quarter of 2014 and the first quarter of 2015, we were able to finalize and drawn on facilities with DNB and Citigroup was a combined of 212 million that helped us to refinance the Oaktree and Angelo, Gordon bridge loan facility that was provided for the acquisition of the Excel vessels. As of today, this Bridge Facility has been repaid in its entirety.

We are currently also have three 2004 built Panamaxes from the Excel fleet which have no leverage. We have received the commitment to finance one of these vessels and are in discussions with financial institutions to finance the remaining two as well. Overall, we are in constant contact with all major lenders in CIT financing and continue to see a desire to support our growth, notwithstanding the dire strait of the dry bulk market.

On a fully delivered basis and excluding the bareboat financing schemes, we have agreed with certain yards. We will have secured financing from more than 14 financial institutions. This broad pool of financial institutions create a strong base from which the company can continue to grow.

Please turn now to slide 10 where we summarize our operational performance over the last six years. We are pleased to see that our persistent efforts to contain costs are continuing to bear fruit. In 2014, we have started to see in practice the effect of our economies of scale as the number of managed vessels increased to 62 as of December 31st of 2014. In this difficult market environment, low break-even rates are vital and we aim to continue being one of the lowest cost dry bulk operators going forward without compromising our high quality and operational standards.

On the bottom left graph, you can see the evolution of our average daily operating expenses over the past six years.

Since 2009, our daily operating expenses have been reduced from $6,900 to $4,750 in 2014, a 31% cumulative reduction. It is also important to note that the reduction in average daily operating expenses is taking place without any compromise in the quality of maintenance of our fleet. Almost 85% of the vessels managed by Star Bulk have a five star RightShip rating, the highest level possible. The overall condition of our fleet is at excellent levels with all our vessels ranked with either four or five stars by RightShip.

On the bottom right graph, you can see the evolution of our average daily met cash G&A expenses per vessel compared to the growth of personnel.

Overall, while we have grown our headcount to accommodate for the increased number of managed vessels over the years, we have been lowering our core overhead cost per vessel. Given the transformational nature of 2014, the average number of employees increased by 83% to 110% for the year. Our average daily net cash G&A expenses per vessel has remained almost stable to 2013 levels at $1,440 per vessel per day due to our hiring of the necessary people to manage our fully delivered fleet of approximately 100 vessels ahead of time. We expect that as we continue taking delivery of our newbuilding vessels, we will have increased synergies across our fleet that will enable us to further reduce our operating expenses and G&A.

We are building a platform that we hope that will be one of the highest quality, lowest cost providers in the industry and we are dedicating time and resources to make it as sufficient as possible.

Let me now pass the floor to our President, Mr. Hamish Norton who will drive you through a discussion of our chartering performance and strategy as well as an overview of our current fleet and its growth plan. Hamish, the floor is yours.

Hamish Norton, President
Thank you, Simos. So 2014 has been another challenging year on the chartering side that we've managed to outperform the relevant Baltic Indices for the fourth year in a row on an adjusted basis.

Turning to slide 11, you can see that for 2014 the vessels in our fleet were able to achieve 127% of the adjusted Baltic Capesize Index, 144% of the adjusted Baltic Panamax Index and 110% of the adjusted Baltic Supramax index. On the graph on the bottom of the slide, you can see that we have managed to beat these indices consistently over the years, as we continue to perform well in the volatile dry bulk market.

Moving on to slide 12. We discussed our current chartering strategy where we remain flexible and are exploring all available options as we go through the seasonally low part of the year. As you can see from the graph on this slide, the one-year time charter rates for Capesize and Panamax vessels are at historically low levels at the moment.

From a commercial standpoint, we're exploring opportunities for direct long-term cooperation's with dry bulk managers [ph] which we hope will provide us with steady flows of cargos in business. An example of such cooperation was the announced strategic partnership with a leading mining company for the employment of three of our Newcastlemax vessels for a period of five years. This agreement allows us to ensure constant employment for those vessels for a long period, while also being paid on prevailing spot dollars per ton rate which will enable us to keep the benefit of all the fuel savings from this latest technology eco vessel.

Moreover, as you already know, Star Bulk in cooperation with fourth of the largest Capesize vessel owners has found a Capesize Chartering Limited, an information sharing platform that will improve the efficiency of our Capesize vessels trading on the stock market. We're seeking to create similar arrangements with another other vessel categories as well in order to be able to provide competitive bids to a wider customer audience. We continued to explore all available options to better employ our vessels.

Now in slide number 13, you can see how our fleet will evolve over the next year and a half by number of ships and by dead-weight tons. On December 31, 2014, our fleet was comprised of 62 vessels, well currently we have 66 vessels on the water and one more vessel from Excel expected to be delivered by the end of the month. By the fourth quarter of 2015, when we will have taken delivery of the majority of our eco newbuild orders, we will own and operate 90 vessels followed by our fully delivered fleet of 98 ships which will be attained in September of 2016.

Having said that, let me now pass the floor back to Petros Pappas for a market update and his closing remarks.

Petros Pappas, Chief Executive Officer
Thank you, Hamish. Following a disappointing fourth quarter in terms of ton-mile generation and freight rate behavior, it was anticipated that we would experience a difficult first quarter during 2015. The first quarter is the seasonally high point of the year in terms of vessel supply, due to high January vessel deliveries and the low point in terms of demand on cargo availability as a result of poor weather conditions in the Northern Hemisphere.

The Chinese New Year and maintenance taking place in major ports and steel remains. The first quarter of 2015 has become even more challenging in terms of supply and demand fundamentals as the continuing fall of commodity prices affected buying activity.
Let's now turn to slide 15 for a brief update of supply. Ship-owners have been very proactive in responding to a negative demand developments. This year we are experiencing an encouraging strongly response that has come in the form of vessel scrapping, converting, canceling and curtailing of ordering. During the first two and half months of 2015, we have identified almost 10 million deadweight that has already been scrapped and are committed for demolitions. This compares with 16.2 million deadweight demolished throughout 2014 and 3 million deadweight demolished during the first quarter of 2014. Even more importantly, reported the new dry bulk orders for 2015 year-to-date currently stand at around 600,000 deadweight. These marched 20 year historical low for dry bulk orders.

Placing of new orders is the most important future indicator, enormous discipline during the next year will be key for a sustainable recovery to take place. An important development that we are experiencing during 2015 is that of newbuilding conversions. A significant number of Capesize vessels is reported during the first months of 2015 that have been converted to crude and product tankers. The bulk supply related developments have led us to revise downwards of 2015 and 2016 dry bulk fleet growth forecast.

We believe that the significant share of the existing order book currently standing at 20% of the current fleet will never be delivered. After adjusting for delivery slippage and cancellations in the second and third tier Chinese shipyards, we expect dry bulk fleet growth to remain below 4% and could even decrease below 3%. Furthermore, there is an increase in number of vessels that have been laid up during the last few months and this development will bring the net growth figure of our available from vessels to lower levels than last year.

Let's now turn to slide 16 for a brief update of demand. We believe that the first quarter of 2015 will be recorded as the lowest quarter in the recent history dry bulk industry. During 2014, a number of medium term negative dry bulk fundamental developments took place such as the Indonesian bauxite and nickel ore export ban. China's coal imports regulations and strong hydropower contribution to energy generation. Reduced grain congestion in Brazil and iron ore congestion in China. Acceleration of iron ore imports from Australia displacing long haul iron ore from Brazil and reducing ton-miles.

The combination of all these factors led to a previously unanticipated freight rate correction across all vessel sizes that began in early December and painted a negative picture for the short term and a collapse in sentiment which in our opinion should not be extrapolated. We view the reason, destocking [ph] with Chinese steel, iron, ore and coal to be unsustainable as winter high consumption season and a number of positive indicators are slowly emerging that could lead to a better dry bulk market from the second half of 2015.

For example, Chinese officials during the early March annual parliamentary session, announced that the government will invest in infrastructure projects and would support housing demand. And other key indicators that both iron ore and coal domestic production are on a downward trend and point towards higher due to substitution with impulse. The fall of commodity prices including oil and a persistent low interest rate environment have the potential to stimulate growth around the globe leading to upwards revisions of dry bulk trade during the second half of 2015 onwards.

According to Clarksons, during 2015, dry bulk trade is estimated to growth at approximately 3.5%, with an acceleration ton-miles over the second half of the year. This is approximately in line with our supply growth estimate for full 2015.

Iron ore trade is projected to grow at approximately 6.5%, with Australia and Brazil leading export growth. Coal is projected to grow at approximately 2.5%, with India leading growth and offsetting any further decrease in Chinese Coal imports.

Chinese Coal imports are expected to slowly stabilize towards the second half of the year and could even experience a rebound subject to hydro power performance. Grain trades are projected to remain flat year-over-year, while the rebound in minor bulk is expected take place as the market recovers from the bauxite and nickel ore ban that affected trade during 2014.

Before we close this presentation and pass the floor back to you for any questions that you might have. Let me walk you through our plan of action to tackle the current challenging market situation as presented on slide 17.

On the revenue side, we had been active and we have formed the Capesize Chartering Information sharing platform with four other partners to increase the efficiency of our Capesize vessels trading on the spot market. We continue to look out for profitable partnerships and remain alert for possible changes in the spot and period market to be able to opportunistically employ our vessels with the best possible terms available. We intend to employ our fleet in an inactive and sophisticated manner tailed to the fuel efficiency and other specific attributes of each vessel.

We want to be well positioned to capitalize on changes in the sentiment of the dry bulk market in the short-term or medium-term. Once we see the market sentiment improving, we'll start fixing some of the vessels on longer term charters.

On the OpEx front, we will continue to focus our efforts on improving the efficiency of our platform and be one of the lowest cost operators in the dry bulk space. As we continue taking the leader of our newbuilding fleet, we'll reduce our operating expenses in corporate overheads further. For 2014, we managed to decrease our OpEx by 14% year-on-year, while maintaining high levels of safety and quality, and in quality with 85% of our vessels maintaining a five star rating by RightShip. Investments like the one we're making for our vessel performance, monitoring department will help us have real time feedback on the various vital vessel parameters including consumption of fuel in order to be as efficient as possible, and minimize the daily operating cost of our fleet. We continue our previously announced strategy of disposing of all the tonnage that does not hit our commercial profile over the past three months. We've sold four Panamax vessels and one Handymax vessels of average age of 21 years.

On the financing side, we've committed debt in place for three out of 32 of our newbuilding vessels worth amount of $900 million. We expect to finalize the debt commitments of $65 million for the remaining two vessels within the next two months. Throughout distributors' period, we've found great support from new and existing lenders, leading to a banking group which will count at least 14 banks when all our vessels are delivered. We have been discussing with the CPR in which we're building our vessels and managed to agree on delays in payments on vessel deliveries for where the dry bulk market will have hopefully improve from its current lows.

Last but not least, we proactively raised $245 million of equity in January 2015 to fully fund the equity portion of our newbuilding program. Through this transaction, we were also able to strengthen our balance sheet as we raise more than $100 billion of funds in addition to our CapEx needs to support the company through in its low point of the cycle.

Our core set of institutional shareholders Oaktree, Monarch, Angelo, Gordon as well as my family and associates, all invest in this equity raise as they all believe in the value of the platform and the prospects of Star Bulk. Overall, having the aforementioned plan of action in mind, we will all work tirelessly through this volatile markets to ensure Star Bulk's long-term success.

In closing, I would like to take this opportunity to thank our shareholders for their ongoing support and we assure them that we will continue our efforts to enhance long-term shareholder value. On the supply side, the right moves are being made by ship owners. Scrapping, converting, cancelling and (inaudible).

Without taking any more of your time, I will now pass the floor over to the operator to answer any questions you might have.

Questions And Answers

Operator
Let me thank you. Your first question comes from the line of Ben Nolan of Stifel. Your line is now open.

Ben Nolan, Analyst
Great. Thank you and I have several questions. The first has to do with the financing. Obviously, you guys have been very active lately in terms of lining up in your financing. And it looks like just sort of doing my back beyond little math, that it was a really good loan-to-value ratios anywhere from 60% to 70%, which seems like based on current asset prices and especially given this market is pretty good. First of all, I mean is that right, is my math right? And then secondly, is that the market or do you think, you guys have some sort of an enhanced ability to line up that sort of financing?

Christos Begleris, Co-Chief Financial Officer
Hi Ben. This is Christos. Your math is correct, basically the latest facility that we've closed with China CEXIM, DNB and SEB was 60%. The other big facility that we closed and we have already drawn down part of it, we saw Sinosure, Deutsche Bank and HSBC at a 68% fair market value clause.

Ben Nolan, Analyst
Yeah, that's pretty good. So and I guess just associated with that, when I look at little over $900 million of committed financing that you guys have in place. Is that -- should I think of that as real dollars or is there a certain degree of flexibility in that as it relates to fair value of the assets, I mean, could it potentially go lower -- potentially go higher depending on where the market is with the asset?

Hamish Norton, President
You know that's financing for the most part has fair market value clauses, and based on today's broker valuations, we would anticipate getting basically the full amount that you see in our slides. Obviously if values drop then it might be a lower dollar amount but at the moment.

Simos Spyrou, Co-Chief Financial Officer
Just to add. The good thing with this debt figures is that the 11 out of the effectively 32 vessels are variable tires, which means that financing is fixed, because in the percentage of the contract cost. So for the remaining 21 as Hamish said based on today's value we will probably draw the whole amount and in fact we are drawing the whole amount for a vessel that's delivering in the next few weeks.

Ben Nolan, Analyst
Okay. That's very helpful. And to extent that number is accurate as of today, it's hard to imagine that asset value is going to go whole (inaudible) than they already have gone down. Switching gears a bit, yes, the OpEx, good reduction

in OpEx was pretty substantial and certainly relative to what I was thinking but just even sort of on a year-on-year basis, a pretty meaningful reduction in daily OpEx. How much of that can you attribute to just the economies of scale having a larger fleet versus, you know, if this -- something that's a little bit more proactive and over and above economies of scale and kind of along with that the levels that you guys been able to attain, is that a pretty good run rate or should we -- was it exceptionally low this particular quarter?

Petros Pappas, Chief Executive Officer
Ben, a lot of it has to do with the size and we can see that in our latest discussion with suppliers who get major concessions from them and of course, you know, I mean it's normal. When the market is tougher then we get tougher as well suffer as well, plus, I think that in a way the euro going down helps as well. So you know we're getting assistances from everywhere, and we think we will do much better this year as well.

Ben Nolan, Analyst
Okay. That's helpful. And then, I would ask about sort of where the CapEx program falls on a timeframe basis, but I know that you guys sort of rebound by some (inaudible) agreements so. My last question, I guess relates to the turn in the market, the potential turn in the market which we've seen in the last few weeks certainly for the smaller assets, and then, but in last week or so in the Capesize vessel. It seems though may be rates have found a floor and are starting to slowly creep back up, is that a correct read on my part from your perspective or are we just sort of coasting along the bottom here without really a clear sign of an improvement rates?

Christos Begleris, Co-Chief Financial Officer
Well, usually there is a two periods that where the market is stronger. One is between mid-March and end of May, and the other one is between mid-October and mid-December. This part of the year, usually the market gets stronger because people are back from vacation and there is also the grain trade that increases. And therefore, I don't think we're coasting down the bottom. I think we might see a more meaningful upturn, but I think it's going to be sickle [ph] go, potentially the summer will be a bit challenging again.

Ben Nolan, Analyst
Okay. That's very helpful. Thanks a lot. That does it for my questions.

Operator
Thank you. Your next question comes from the line of Doug Mavrinac of Jefferies. Your line is now open.

Douglas Mavrinac, Analyst
Great. Thank you, operator. Good afternoon, guys. I just had a handful of follow-ups as well. And my first question is related to the market, and Petros I know that you guys are very involved because your size, your scale on relationships with some of the industry end users of some of these ships.

So when you're have a conversations with those guys, can you relate us maybe their tone, their move, their expectations of the market, because as you said in your prepared comments, because of how bad the market is right now, the order book is really getting decimated and ships are getting scrap (inaudible) and so the outlook just doesn't seem that bad not as bad as the current environment is, but is that maybe our shipping market views and it is shared with some of the industrial end-user, so can you share to us -- with us kind of what their views of the market might be?

Petros Pappas, Chief Executive Officer

Well, one thing I've found out in my 37-year career is that you cannot really foresee the market a lot of the time, and that doesn't happen to us for ship owners, it also happens for charters.

Douglas Mavrinac, Analyst
Right.

Petros Pappas, Chief Executive Officer
I think however, that as of late and due to the supply side forces on the one hand and on the other hand, on the macroeconomic things that are happening worldwide like you know cheaper raw materials, oil and interest rates. There is more hope, but also I think there is a realization that to be able to get there we need to act, and looking at 600,000 deadweight ordering for the first three months of this year is amazing, I have not seen this since 1990 happening.

So it shows that, this is a very important development, and on the other hand, I and -- I think most players in the market think that demand will continue to be okay. For this year, 3.5% is not great, but we believe it's going to be potentially even a bit above supply, and don't forget that it will probably come from now on because the first three months of this year were very challenging and we haven't been able to calculate what the demand increase was, but it might have been zero or even less than zero.

Douglas Mavrinac, Analyst
Right, because it seems as though, obviously the latter part of last year, you know that you correctly pointed out, couple of one-off events that have occurred and then you had this normal seasonality and so the people are extrapolating this is going to be the demand environment forever, but would this actually may be good, because it is having a positive effect on the order book, this is getting worked through.

So whenever we look at maybe asset values, some of the brokers of mark down assets 10%, 20% year-to-date, my question is how deep is that market right here, I mean our assets really come off that much or is that there is a handful of assets that are being done at these levels?

Petros Pappas, Chief Executive Officer
Well, there is a point where the dip in asset for applied prices is theoretical.

Douglas Mavrinac, Analyst
Right.

Christos Begleris, Co-Chief Financial Officer
Like you might have a vessel that you would be willing to sell, let's say 15 million, and somebody comes and offers you 10 million, you're not selling and he is not buying. So actually, that's not the market. We are -- it's in between, but what I see mostly is that that owners of vessels actually are speaking to some to their prices except if there is somebody who has lost on a whole or he is going bankrupt I don't know, I haven't seen much of that yet. And also I've seen that, the newbuildings actually have lost less value then the second hand vessel, at least since last year and we are in the relatively fortunate position to have ordered hence 2012. Therefore the fall out is very small comparatively I would say.

Douglas Mavrinac, Analyst
Got it, perfect. And then to final question before turning it over. If you have the ability to say you know if this one thing happens then this market is going to turn on a dime or start getting better, you know all the things that we know could be -- it could help the market improve. In your view, what's the most important factor that -- if it takes place then we should be in for better days (inaudible) future?

Petros Pappas, Chief Executive Officer
I think clearly it's on the supply side not ordering and scrapping, I think that's the most important parts. And I've the second choice would be that China actually does some infrastructure work which we are looking at and therefore it needs iron ore and we are expecting that there's going to be more iron ore from Brazil. So China not slowing down on the iron ore front and taking part of it from Brazil.

Douglas Mavrinac, Analyst
Okay. And did they prefer real Brazilian iron ore?

Christos Begleris, Co-Chief Financial Officer
Brazilian iron ore is a good thing.

Douglas Mavrinac, Analyst
That's it. All right. Great. Thank you so much.

Christos Begleris, Co-Chief Financial Officer
Thank you.

Operator
Your next question comes from the line of Amit Mehrotra of Deutsche Bank. Your line is now open.

Amit Mehrotra, Analyst
Yeah. Thank you. Good afternoon, Petros, Hamish, Christos and Simos. My first question is with respect to the comments on delays of deliveries. I mean, I understand what you consider is limited, but if I'm not mistaken, you know the original plan was to take delivery of 25 newbuildings this year. And slide 13, sort of imply that the company is still taking delivery of most if not all of that by year-end. So could you just reconcile those two or maybe correctly if I'm mistaken?

Christos Begleris, Co-Chief Financial Officer
Amit, we have unfortunately some confidentiality restrictions with the yards that we are discussing, and we cannot give any information on the deferrals. So basically what we've done is that, we've moved some vessel deliveries from 2015 into the second and third quarter of 2016. But in these days, we cannot give any more information on that. Include -- off course the payment of relative CapEx.

Amit Mehrotra, Analyst

So slide 13, when you have that pro forma number of ships at different time that is not updated for the core deliveries?

Christos Begleris, Co-Chief Financial Officer

Correct. It's not updated, it's the original deliveries.

Amit Mehrotra, Analyst
Okay. Great, that's helpful. And then with respect to just the delay of CapEx payments, listen, I completely understand the limitations, but maybe you can just confirm what the original payment plan was -- if I'm correct, I think it was like somewhere around $950 million of newbuilding CapEx this year? And I assume that number will be reduced as a result of the push out to 16. Can you overall just help us what the magnitude of that reduction? I mean are we talking about $50 million or something, maybe more meaningful? Just so we get a understanding when the company already has a very good cash cushion, I'm just try to get understanding of how much more that may be enhanced as a result of some of the proactive moves that you guys have done?

Christos Begleris, Co-Chief Financial Officer
Amit unfortunately the number is meaningful, but we cannot give any further information on that. We will try going forward at some stage, you know if we get the agreement by the yards to give some guidance during the first quarter results or even later, but at this stage we cannot give anything more on that.

Amit Mehrotra, Analyst
Okay, I understand. I just thought I'd ask anyways. Let me just ask one more follow-up if I may on scrap hedge, because clearly everyone is sort of speaking about this, maybe a potential pre-allude to recovery in the market and I totally agree that it's a good thing, but Petros or Hamish, I'd love to get sort of your thoughts on what level of scrappage

do you think we need to see to sort of drive a meaningful impact because you know historically if you look scrappage peak in 1986 had 6.3% of the fleet, it peaked again in 2012 on a tonnage basis at 33 million tonnes. But at the same time, we're also sort of had this you know historical increase in supply from 2008 to 2012.

So where do you think you know scrappage needs to be and how long does that take to get to the system, because I assume that there's some level of scrappage capacity as well on the system, so maybe some thoughts on that would be helpful?

Petros Pappas, Chief Executive Officer
Amit, let me reverse this a little bit and do a quick calculation for you. What's on order for this year is about 75 million tons, what is expected to be -- what is the expected slippage which has been the same for the last three years is about 30%, 30% of 75 is 22.5. So we have, let's say we will remain at the same slippage although I think we'll have bigger slippage this year for obvious reasons. Let's say we will stay at 22 million that leaves us with 53 million for this year.

Now we have 10 million tons of scrap for the first quarter that would indicate 40 million for the year, we don't calculate that, we calculate around 25 to 35. Let's take the 25, the low end, 53 less 25 is 28 million tons, which is about 3.7% of the existing fleet. So with conservative estimates of previous year's slippage and scrapping on the low end, because 25 million would remain there's going to be 15 million only for the next three quarters. We still get only 3.7%. We have a secret hope that we will go even below 3% on supply, but for now we are calculating around 3.5% following the calculation I just went through with you.

Amit Mehrotra, Analyst
Okay. That's great. And then the one last housekeeping question, Chirstos or Simos, can you just provide me with the share count at the end of the year.

Christos Begleris, Co-Chief Financial Officer
So, Amit the share count with the delivery of the latest Excel vessel later this month is going to be 162.6 million shares.

Amit Mehrotra, Analyst
Okay great. Okay, thank you all so much. Have a great weekend. Thank you.

Petros Pappas, Chief Executive Officer
Thank you, Amit.
Christos Begleris, Co-Chief Financial Officer
Thank you.
Operator
Thank you. Your next question comes from the line of Spiro Dounis of UBS. Your line is now open.

Spiro M Dounis, Analyst
Good morning gentlemen and congrats on that getting all that financing locked up some -- certainly some positive developments today. I just wonder if you can give us a sense, it's kind of following up on Ben's questions, what potential color and issues might pop up on maybe some of the existing vessels if there is any sort of coverage ratios we need to be thinking about, it sounds like that the market kind of hit a bottom here, so maybe I think you should get better, but just want to know if there should be anything on our radar?

Petros Pappas, Chief Executive Officer
Thank you, Spiro. On the basis of today's values, we don't have any breaches on the covenants, given that the majority of our vessels were basically acquired in the last two years and were financed conservatively, because high leverage financing was just non-existent. Therefore, we don't expect any major issues we saw LTV covenants in our facilities which range from 70% to 82.5% loan to value basis.

Spiro M Dounis, Analyst
Perfect. And then with respect to the Capesize Charter Incorp [ph] that you formed with the other owners, have you seen any clear benefits so far from the structure and maybe could you give us a few examples of other tools at your disposal that might give you an edge in this market?

Petros Pappas, Chief Executive Officer
Well, this has only been a three week arrangements, and we haven't seen any tangible benefits right now except from the fact that we have much more information then we used to have in the past. But going forward the things that this cooperation will strengthen and in reality where is going to assist a lot is when there is more demands of iron ore cargoes. When there is very few cargoes, obviously there's not very much you can do about it. But the minute if there is a few more cargoes, we will be able to perceive it much quicker than if we were on our own, and that is extremely important.

As this is actually not a pool, it's a very loose relationship. Now what else can we do, I think size is important in charters waiting to talk to you instead of talking to a ship owner with a very few vessels, because he can probably get what he needs from just one source. And if we are considered to be good operators which I think we are, then a charter would be very happy to just not have to shop around but basically deal with one company.

Spiro M Dounis, Analyst
Got it that makes sense. And then just one follow-up on Capesize Chartering as well, it sounds like that's something, so even at a good market you would be open to the kind of keeping that cooperation going. Would you be owing to new members at one point or expanding at even further?

Petros Pappas, Chief Executive Officer
Yes, this is a decision that has been taken by the corporation.

Spiro M Dounis, Analyst
Great. Appreciate that. Thank you.

Petros Pappas, Chief Executive Officer
Thank you.

Operator
Thank you. Next question comes from the line of Fotis Giannakoulis of Morgan Stanley.

Fotis Giannakoulis, Analyst
Hi, guys. Most of my questions have been answered, but something very quick. If you can give us what is your estimate for your breakeven during 2015, and what is going to be your cash breakeven after the vessels have been delivered, and if there is any flexibility with your banks these breakeven at least for the near term to be reduced even further?

Christos Begleris, Co-Chief Financial Officer
Foti, we are estimating the breakeven for the 57 vessels that are spot today to be a little bit above 10,000 -- 10.3000 per day. This is including a figure that of the revenues that you have for the nine vessels that are already long-term time chartered. Now going forward, with -- this includes operating expenses, G&A expenses, principals, debt principal and debt industry payment. And going forward with the delivery of the newbuilding vessels of our fleet, and basically with our projections and estimation that we are going to achieve further synergies and economies of scale for managing a larger fleet, we believe that we will be able to reduce this figure even further. Now on your final point about discussion and flexibility from the bank side to reduce this figure right now, obviously, we do not have any discussions yet on the issues with the banks, but we believe that in case needed in the future we have the track record, then the flexibility to discuss this and bring it even further down.

Fotis Giannakoulis, Analyst
Thank you, Christos and one last question to Petros, Petro you have been in this industry for quite a long time and if I'm not mistaken, actually you started through a very similar crises back in the '80s. What are the differences and what are the similarities between these two different periods and what are the lessons that you learn through the 80's that can be useful for investors right now?

Petros Pappas, Chief Executive Officer
First of all there is a point where I should start hiding my age. Okay, similarities oversupply what happened in 1981, 1982 was that there a big congestion in Nigeria and that congestion actually was skipping hundreds of vessels at their routes for months. And that was a miss perceived as and the market went up as a consequence, and that was perceived a strong demand, it was a strong demand that was just a lot of congestion and therefore, people ordered, people ordered again two years ago, we ordered along with them, I mean I'm not going to deny that.

So, the main, usually the main problem in situations like that is oversupplied because most of the time it hasn't been, let demand was the culprit except for example, in 2008 where we had other issues the second part of 2008. Now the solution to that is, first of all, you have to have a low cost structure and that's what we did then and that's basically what we're doing now and you have to be decisive when the time comes.

So when there are things you have to do, you have to do them, I'm not going to get into detail about that, but with (inaudible) and at that time it was like two other fellowship owners went bankrupt. And we're doing now, and of course one thing that happens then is not going to happen again, I think is that banks panic and they started selling vessels without regards to price, and that actually made prices of vessels go down, down the drain. This however is never happened again, after 1985. The banks always kept them cool, and this is what's happening now as well. So I think that being frugal and looking forward and doing things early enough, I mean we saw the problem in -- on the first week of January and we raised 245 million, that was a good move and we did it first. That's it.

Fotis Giannakoulis, Analyst
Thank you very much Petros. Appreciate your answers.

Petros Pappas, Chief Executive Officer

Thank you.

Operator
Thank you. Your next question comes from the line of Sal Vitale of Sterne Agee. Your line is open.

Salvatore Vitale, Analyst
Hi, good afternoon gentlemen. Thank you for taking my question. Christos or Spyrou said, I remember which of you have provided some of the detail earlier. Can you give a sense for how much you can borrow on your unencumbered vessels at this point? I think you mentioned that earlier.

Christos Begleris, Co-Chief Financial Officer
Hi Sal. We have three vessels effectively that are debt free in our fleet, and these are three 2004 built two [ph] Panamaxes, that potentially on these vessels is in the region of 20 million.

Salvatore Vitale, Analyst
20 million per ship. Right?

Petros Pappas, Chief Executive Officer
No for all three.

Salvatore Vitale, Analyst
In aggregate.

Petros Pappas, Chief Executive Officer
In all ways [ph].

Christos Begleris, Co-Chief Financial Officer
All ways.

Salvatore Vitale, Analyst
All right. There are four vessels got it. Okay so that's $20 million of potential liquidity you can get there. And then the liquidity covenant you have, I think its $500,000 per vessel, is that correct?

Christos Begleris, Co-Chief Financial Officer
That's correct.

Salvatore Vitale, Analyst
That's for per underwater vessel. Correct?

Petros Pappas, Chief Executive Officer
Correct.

Salvatore Vitale, Analyst
And then the last question really is, I think in the past you provided a real-time cash balance that on payment you've made on your newbuildings. Is that something you can provide today?

Christos Begleris, Co-Chief Financial Officer
Basically we haven't put it in the slide deck. And I think, given that it's not in the slide deck we probably, don't want to be talking about it.

Salvatore Vitale, Analyst
That's fair. I just wanted to ask. That's fine.

Petros Pappas, Chief Executive Officer
Yeah.

Salvatore Vitale, Analyst
And the last question really and I think you answered this and I understand you can't be specific in terms of what deferrals you're expecting on your newbuildings? But can you give a sense like in aggregate, how many of you know maybe how many month deferral you expect on average for the 15 vessels that, will now be delivered in 16?

Petros Pappas, Chief Executive Officer
So, Sal, let me, add a point to your previous question, we're going to try to update our presentation and maybe include some of those numbers you want it on the Web perhaps next week.

Salvatore Vitale, Analyst
That'll be great.

Petros Pappas, Chief Executive Officer
And in terms of the deferrals at the yards unfortunately, we've really kind of gone to the edge of what we're able to say given the confidentiality agreements we have, we'd love to be able to say more and we'll try to get permission to say more, but.

Salvatore Vitale, Analyst
Okay. That's fine. Maybe just a last question is so you've talked about maybe borrowing some capital on the unencumbered vessels, what else are you looking at in terms of options that you've recently done a share offering.

Would you consider doing any sale leasebacks, I think you said in the past that, that's one -- one of your preferred options. What else are you looking at in terms of liquidity, enhancing, measures in the event that you don't see any significant recovery in the market near term?

Petros Pappas, Chief Executive Officer
Well, we're looking at pretty much, every reasonable measure that I'm sure you're aware of and I think it's probably not appropriate to discuss what we're actually doing, but you'll see, as we take steps that we're taking aggressive steps to make sure we're in good shape.

Salvatore Vitale, Analyst
Okay. Thank you. I'll look forward to the additional data next week. Thank you for your time.

Operator
Thank you. The next question comes from the line of Omar Nokta of Clarksons Capital. Your line is now open.

Omar Nokta, Analyst
Hi guys, actually, my questions have pretty much all have been answered, I forgot to press star two. Thanks guys.

Petros Pappas, Chief Executive Officer
Okay. Thanks, Omar.

Operator
Thank you. The next question comes from the line of Charles Rupinski of Global Hunter. Your line is now open.

Charles Rupinski, Analyst
Hi, good afternoon everyone and thank you for the really good insights on the industry. Appreciate it. I just have one question most of my questions have been answered, but I just, I think you take on the issue of layups recently we've heard of someone layups and some fleets being idle, and also some potentially cold layups. Can you tell me what you're thinking about how that might affect the dynamic near term and if we see a rate increase, how quickly vessels might come back in the market or how are you take on to the fact that some of them might not come back in the market anything on that be great, thanks.

Petros Pappas, Chief Executive Officer
Hi, Charles.

Charles Rupinski, Analyst
Hello.

Simos Spyrou, Co-Chief Financial Officer
Well first of all to layup, you need laying up cost at $1,500 per day, let's say you laid up for a year, would cost you $1,500 per day to the layup, the cost during layup and then starting the vessel again. So what that means is that if your

OpEx, for example, is $5,000, you should start considering layup at $3,500. So to layup for a year from now, you would need to think that you will be making $3,500 per day for the next 12 months.

Christos Begleris, Co-Chief Financial Officer
Yeah. Now, I think your question also referred to how quickly some of these ships that are in warm layup.

Charles Rupinski, Analyst
Yes, I'm just curious how quickly they might come back into the marketplace onwards.

Petros Pappas, Chief Executive Officer
Warm layup is 10 to 15 days. Cold layup would be after a month perhaps, because when you are in cold layup and for a year, you're -- the bottom of the vessel gets very dirty and you would probably need to do a dry-dock.

Simos Spyrou, Co-Chief Financial Officer
And warm layup is going to cost you more because you have to keep a certain number of (inaudible) on the ship.

Charles Rupinski, Analyst
Right. So the 1,500 you mentioned that's for cold layup is that correct?

Petros Pappas, Chief Executive Officer
Yeah.

Charles Rupinski, Analyst
Okay. And so warm layup would be that plus the crew?

Petros Pappas, Chief Executive Officer

Charles Rupinski, Analyst
Okay. That's very helpful. Thank you very much.

Petros Pappas, Chief Executive Officer
Thank you.

Operator
Thank you. As there are no more questions, we now pass the floor back to Mr. Pappas for closing remarks.

Petros Pappas, Chief Executive Officer
Thank you, operator. Just three very quick ones. On the supply sides, I think that ship owners are making the right moves by scrapping, converting, canceling and not ordering and that's very important. On the demand side, I think that low material or low oil and raw material prices and interest rates will boost the world economy as a whole and demand in consequence. And on the Star Bulk side, we're making sure, we're extending our runway to be able to enjoy the good days that will follow these ultimately followed this present tough times. Thank you very much.

Operator
That does conclude our conference for today. Thank you for participating. You may all disconnect.