Corporate Participants

Petros Pappas
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Hamish Norton
Star Bulk Carriers – President

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Star Bulk Carriers - Chief Operating Officer

Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers Conference Call on the Fourth Quarter 2018 Financial Results.

We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; Mr. Simos Spyrou; and Mr. Chris 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, 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 that this conference is being recorded today.
We now pass the floor to one of your speakers today, Mr. Begleris. Please go ahead, sir.

Christos Begleris

Thank you, operator. I'm Christos Begleris, Co-Chief Financial Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers conference call regarding our financial results for the fourth quarter and full year of 2018.

Before we begin, I kindly ask you to take a moment to read the safe harbor statement on Slide number 2 of our presentation. Let us now turn to Slide number 3 of the presentation for a summary of our fourth quarter 2018 financial highlights. In the 3 months ending December 31, 2018, TCE revenues amounted to $137.8 million, 53.1 percent higher than the $90 million for the same period in 2017.

Adjusted EBITDA for the fourth quarter 2018 was $82.4 million versus $55.7 million in the fourth quarter of 2017. Adjusted net income for the fourth quarter of 2018 amounted to $30.3 million or $0.33 gain per share versus $21.5 million or $0.34 gain per share in the fourth quarter of 2017. This is our fifth consecutive profitable quarter.

Our Time Charter Equivalent Rate during this quarter was $14,140 per day compared to $13,860 per day in the same quarter last year. During Q4 2018, our average daily operating expenses were at $3,938 per vessel per day. During this quarter, we concluded the refinancing of $248 million, reducing the average margin of these facilities by 120 basis points. We remain committed to refinancing debt at lower interest rates when such opportunities arise.

Following the share repurchase program announced last November, the company has purchased approximately 341,000 shares at an average price of $9.29 per share. We have also committed financing for the procurement and installation scrubbers of $140 million to be drawn during the rollout of our program in 2019. Slide 4 shows a summary of our 2018 financial highlights. Adjusted EBITDA for the full year 2018 was at $260.9 million versus $128 million in 2017.

Adjusted net income for 2018 amounted to $86.1 million or $1.12 gain per share versus $4.3 million adjusted net loss or $0.07 loss per share in 2017. Slide 5 graphically illustrates the changes in the company's cash balance during the fourth quarter. The fleet generated free cash flow of $29.7 million. After including debt proceeds and repayments from our refinancing activities, CapEx payments for our acquisition and scrubbing installments, final payment of our deferred debt amounts and share repurchase program, we arrive at a cash balance of $213.9 million at the end of the fourth quarter 2018.
Slide 6 highlights Star Bulk's strong liquidity position. On the left-hand side, we present our fleet-wide breakeven of $11,600 per vessel day, which enables us to deleverage our balance sheet and create value for our shareholders even at relatively low average charter rates. On the right-hand side, we provide a breakdown of the net debt position of Star Bulk, which is currently close to $1.27 billion, pro forma for the expected 60 percent LTV financing of 1 Ultramax vessel, which is currently unlevered. Star bulk has no remaining equity CapEx for the 3 Newcastlemax newbuilding vessels as there is committed financing in place for the remaining yard installments.

We expect to take delivery of these vessels during the first half of 2019. The graph on the bottom right-hand side shows the positive trend in our adjusted EBITDA and adjusted net income with 5 consecutive quarters of profitability. Please turn to Slide 7, where we summarize our operational performance. OpEx was at $3,938 per vessel per day for the quarter and $3,994 per vessel per day for 2018 as a whole. Net cash G&A expenses were at $969 per vessel per day for the quarter. And for 2018, G&A expenses were at $1,004 per vessel per day, a decrease of 8 percent year-over-year, primarily attributed to synergies from the increase in the size of our fleet.

The combination of our in-house management and the scale of the group enable us to provide our services at very competitive cost, complemented by excellent ship management capabilities with Star Bulk consistently ranked among the top 3 managers evaluated by Rightship. Slide 8 highlights that Star Bulk is one of the lowest-cost operators amongst U.S. listed dry bulk peers based on latest publicly available information.

Star Bulk's operating expenses are approximately 15 percent below the industry average. In addition, we're very focused on having the highest standards of vessel safety and maintenance to meet the requirements of our most demanding clients.

In Slide 9, we're providing an update on our scrubber program, which is proceeding as scheduled. Total expected CapEx as of February 2018 is at $130.5 million. The graph below illustrates the estimated breakdown of the payments by quarter based on current forward FX rates and expected milestones. It is important to note that we have secured approximately $140 million of debt financing for the program, which we will be drawing down gradually within 2019.

We are currently completing the installation of scrubbers on 15 of our larger vessels and are continuing with preparatory work in numerous vessels in order to reduce off-hire time. We expect to have the entire fleet scrubber fitted by the end of 2019, and we estimate about 5 percent off-hires across our fleet for 2019 for scrubber installations. Slide 10 illustrates Star Bulk's employment coverage for the first quarter of 2019. We have fixed employment for approximately 70 percent of the days in the first quarter of 2019 at average TCE rate of $12,954 per vessel day.

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

Petros Pappas:

Thank you, Christos.

Please turn to Slide 11 for brief update of supply. During 2018, a total of 28.2 million deadweight were delivered and 4.4 million deadweight were sent to demolition, was the lowest in the decade for a 23.7 million deadweight net inflow of vessels or 2.9 percent. A total of 32.7 million deadweight were reported by Clarksons as firm orders and up to an additional 8 million deadweight were identified as LOIs or options during the year.

The order book currently stands between 11 percent and 12 percent of the fleet depending on how many LOIs and options will be exercised. It is worth noting that the geared order book stands at just 6.6 percent of the fleet. The average steaming speed of the dry bulk fleet was approximately 11.6 knots for the year. During 2019 and 2020, the fleet is projected to expand at a similar pace to that of 2018.

However, due to projected scrubber installations and tanks cleaning off-hires during 2019 and slow steaming increased scrapping during 2020, effective supply is unlikely to expand by more than 1.5 percent per annum. Let's now turn to Slide 12 for a brief update of demand. According to Clarksons, the 2018 dry bulk trade is estimated to have grown by 2.4 percent in tons and 2.8 percent in ton-miles.

This represented downward revision to our last earnings call and is mainly caused by a weaker iron ore and grain trade activity during the fourth quarter. Strong steel prices and profit margins during the first 3 quarters of 2018 supported a 6.4 percent increase in global steel production during 2018. This was led by China, which registered growth of 9.8 percent during the year. China's environmental restrictions have also led to a 4 percent year-on-year decline in domestic iron ore production. Despite a combination of strong steel production and lower domestic iron ore production, China imports of iron ore experienced a decrease of 1 percent in 2018 as a result of increased use of scrap and destocking of iron ore stockpiles.

Brazil iron ore exports expanded by only 1.7 percent during 2018 due to poor weather conditions, political unrest and the Anglo-American pipe leakage incident in the first half of the year. Australian iron ore exports are estimated to have increased by 1.6 percent in 2018 with the Q4 estimated to have contracted by 2.6 percent year-on-year. According to Clarksons, iron ore trade decreased by 0.1 percent in tons and 0.5 percent in ton-miles during 2018.China coal imports increased by 3.6 percent during 2018, with Q4 seeing a contraction of more than 20 percent due to import restrictions placed.

Thermal coal imports during 2018 received support from a 7.4 percent increase in electricity generation, weak hydropower generation and relatively flat domestic coal production. At the same time, Indian coal imports are estimated to have increased by 17.7 percent during 2018. According to Clarksons, thermal and coking coal trade increased by 3.8 percent in tons and 5 percent in ton-miles during 2018. The U.S.-China trade dispute and the imposition of 25 percent tariffs on U.S. imports by China has taken its toll on soybean trade this year.

Brazil soybean exports increased by 23 percent, partly picking up the slack ahead of the U.S. export season, which has underperformed heavily during the last months. Chinese imports of soybeans ended down 7.8 percent year-on-year in 2018. According to Clarksons, grain trade, including soybeans increased by 0.6 percent in tons and contracted by 0.6 percent in ton-miles during 2018. During 2019, total dry bulk trade in ton-miles is projected to expand at a slightly higher pace to that of 2018, mainly on the back of a rebound in grains trade.

Unfortunately, the Brazilian mine accident in January 2019 implies further iron ore disruptions, the extent of which are still too early to quantify. Furthermore, the IMO sulfur regulation is now less than 11 months away, and we expect it will lead to a decrease in overall supply of vessels through slow steaming and accelerated scrapping, affecting markets positively.

I will now pass the floor over to the operator to answer any questions you may have.

Operator:

Your first question comes from the line of Amit Mehrotra from Deutsche Bank.

Christopher M. Snyder:
This is Chris Snyder from Deutsche Bank. So, first question is around Q1 bookings. They came in a bit better than expectations given the recent weakness, especially on -- as for the larger segments. Was this due to timing or vessel locations, are you guys seeing a firmer day-rate environment than maybe what the ship brokers are quoting?

Petros Pappas:
Chris, can you please repeat the question? I didn't hear the beginning.

Christopher M. Snyder:
So Q1 bookings came in better than expectations given the recent weakness, especially for the larger segments. Was this due to timing or just vessel locations, are you guys seeing a firmer day-rate environment maybe than what the ship brokers are quoting?

Petros Pappas:
Well, firmer bookings, you mean, the fixtures that we have already done for Q1?

Christopher Snyder:
Yes.

Petros Pappas:
Yes. Well, as we do every year, after August of every year until November, we basically try to fix certain periods that goes through Q1 and part of Q2. It's a strategy we follow every year. Because most of the time, seasonally Q1 and part of Q2 are relatively slow. So, despite the fact that we were potentially expecting a cease of the trade war, we thought that fixing at levels of

around $13,000 was a decent level, and therefore we went ahead and fixed. I mean, had are not fixed, today we're facing levels of between $5,000 and $7,000.

Christopher Snyder:
OK. And then next, so a few courts have announced open-loop scrubber bans in their territorial waters or inland waterways. Can you just talk about how this changed your scrubber utilization? I think it would be helpful if you could talk about just how this changes the number of scrubber operating days for Capes and Panamax vessels as we all try to think about returns.

Petros Pappas:
Chris, when we did our calculations on scrubbers, we did not take into account port time at all. We were only taking into account sea days. And therefore, it does not make a difference in the competition we have done that these bans don't make a difference at all in our calculation. It's actually -- it's going to potentially be even better because they're going to be many ports that have no ban on open-loop scrubbers and there we will be able to use them. And also, please keep in mind that in ports, the consumption is like 2.5 tons per vessel, where at sea it can be anywhere between 25 and 50 tons, and therefore this consumption is very, very minor.

Christopher Snyder:
OK. And then just a follow-up on the scrubbers. Has there been any demand or outreach from charters looking to lock in scrubber-fitted vessels on term contracts? Obviously, you guys would be giving up some upside, locking some of these ships away, but it also allows you to demonstrate the positive economics of the scrubber investment. Is there any outreach on that front?

Petros Pappas:
There's been a number of charters that have approached us. But our strategy is different. We're intending to go towards voyage business, meaning that we will source the cargoes ourselves, and therefore we will attempt to keep most of the benefit for ourselves.

Christopher Snyder:
And could you provide any color on just kind of the premium if you were to lock up scrubber-fitted vessels on to a time charter? What kind of premium you will be looking at just relative to kind of the broader market?

Petros Pappas:
Well, we've seen charters offer...

Hamish Norton:
Yes, are you looking at the premium we expect or the premium that charters are currently offering?

Christopher Snyder:
The premium that charters are currently offering. I know it's obviously below what you guys expect, but I would just be interested to see what they're offering.

Petros Pappas:
Yes. Well, it's -- charters are asking between 30 percent and 50 percent of the premium, but they're offering all kind of deals. Like, they will offer to install the scrubber and make the profits themselves for up to 5 years without giving up any further premium. Other offers we've seen is to install the scrubber and pay $1,000 or $2,000 more. And then there is others that are saying, "OK, you install the scrubber, and you can get between 50 percent and 70 percent of the benefit." And then there is others that say, "We will install the scrubber, we will get the initial benefit until we repay the scrubber and then we can split 50-50 or 70-30 or whatever." There is all kinds -- they are all over the place.

Christopher Snyder:
OK. Appreciate all the color. That's it for me. Thanks for the time, guys.

Petros Pappas:
Thank you, Chris.

Operator:
We will now take our next question.

Randall Giveans:
Hey, guys. Randy Giveans from Jefferies. How are you all? (All right).
You repurchased $3.1 million of SBLK shares during 4Q '18, still I think $47 million-or-so in remaining authorization. With the shares trading at a steep discount to NAV, about 10 percent below that average price that you repurchased shares in 4Q, are additional share repurchases the number 1 use of cash going forward other than the scrubber financing?

Hamish Norton:
Certainly, other than the scrubber acquisition, share repurchases are the only use of cash that we currently are contemplating other than, of course, normal repayment of debt.

Petros Pappas:
Just to add to that, in general, we are conservative in that we want to make sure that we always have a high cash balance to make sure that we are able to survive any dry bulk market, especially until we reach 2020.

Randall Giveans:
Yes, that's fair. And now can you discuss some of the equity incentive program, how that was decided on? So specifically, how was the $120 million to $300 million outperformance in the 4 million shares kind of determined? Based on our math, it looks like the outperformance would to be about $3,000 to $7,000 per day per vessel to get to those kinds of aforementioned numbers.

With that, scrubbers could easily attain that kind of $3,000 to $7,000 a day premium, yet your press release stated the company takes the view that the current likelihood of vesting these RSUs does not meet a "more likely than not standards." With all that, what do you expect the outperformance to be for those scrubbers? And then, again, if you can kind of touch on how you decided on those outperformance metrics.

Hamish Norton:
OK. So Randy, that's a very complex question. So, first of all, let me make it clear that the incentive program was not an initiative of management, it was an initiative of the compensation committee and it was put together over a substantial period of time through discussions with management. And because our compensation committees aggregate IQ is so high, complexity was no obstacle to our compensation committee. And the complexity of this plan blossoms without much limit.

The answer is that it started out as a 4-year plan with higher limits and was reduced to a 2-year plan with the limits you see. And the answer is we have great expectations for the performance of the scrubbers, but in terms of meeting a more likely than not standard for the financial statements, I think, everybody agreed and in consultation with our auditors. Our auditors agreed that the outperformance caused for by the plan did not meet the appropriate accounting standard. And this is an accounting issue solely.

And I'm sure you have seen other instances where the accounting didn't necessarily track everything that you might have expected of the business. Then that's basically why we included enough information so that you can make your own model based on your own assumptions. We'll see what the outperformance is when we get to it.

Randall Giveans:
Excellent. Yes, I was not telling you IQ of the compensation committee, but for my low IQ, thank you for explaining that. Quick follow-up on the scrubbers. What spread in dollars per ton

are you using kind of to determine that payback period of 1 to 2 years, maybe 2.5 years? And then secondly, for the scrubber strategy, is that driven more by economics or more by operational decisions for fuel compatibility or fuel availability issues that you maybe foresee?

Hamish Norton:
OK. So, first of all, there is a forward market in heavy fuel oil and marine gas oil. There is about to be or maybe has just developed a forward market for 0.5 percent fuel. There are forward prices for these fuels that can be used to calculate payback periods depending on your assumption about fuel availability, engine consumption and how much of that premium the shipowner will get versus how much of that premium the charter will get, if any. But, I mean, we pay a lot of attention to the forward market. And then our thinking was largely driven by economics. Because frankly in a free market the likelihood of there being a significant shortage of either low sulfur or high sulfur fuel oil is not very high.

Petros Pappas:

Randy, I'd like -- Randy, this is Petros. I'd like to add couple of things here.
First of all, operationally continuing with heavy fuel oil will not present any issues for us, and that's extremely important. We don't need to clean our tanks, we don't need to try new fuels, we don't need to use blends which may be incompatible with each other. Operationally, it's going to be exactly the same way as it was for us, also legally.

Because there's going to be a number of claims on any charters that transcend the 1st of January 2020. What kind of bunkers do the charters deliver, the diesel or fuel? What prices? It's going to be extremely difficult legally. For us, it doesn't change. We do with heavy fuel oil. The second thing I want to talk about was that when we say financially, yes, we would like to make a profit.

I personally think that if the price differential, let's say, is between $250 and $300, we maybe able to repay the scrubbers within a year or so. But the main financial consideration we have had in taking this decision was that we are hedging our future. Imagine, if in January 2020, the market is not good, we think it's going to be good, because we think there's going to be slow steaming, scrapping and stuff like that.

However -- and off-hires -- however, imagine a case where the market remains exactly the same as it is today in dollars per ton terms. In dollars per ton terms, it would mean that the guys that don't have scrubbers will actually have a higher cost. And if they were making, let's say, $13,000 a day on Kamsarmax, they may go down to $5,000 or $6,000 exactly because they will be paying higher bunker costs.

And this come out of those dollars per ton. Where the people that have scrubbers may be lucky enough to face even lower heavy fuel oil prices. And that means that even under bad market circumstances, we may be able to make more than $13,000 a day. So, a major driver and consideration for this decision of ours was to be able to hedge and not only survive but do very well in a potentially slow market. If the market is strong, which we think it will be, then we'll just make a lot of money and we'll be all happy, and maybe we'll get some promote. But if it is slow, then we are securing the future of our company.

Operator:
Our next question is now open.

Hamish Norton:
Does that mean there are no more questions?

Operator:
There are currently 2 more questions in the queue.

Max Perri Yaras:
This is Max Yaras from Morgan Stanley. Can you guys here me?

Hamish Norton:
Yes.

Max Perri Yaras:
You guys did a really good job of covering -- wrapping up 2018. I was wondering if you can give an update on year-to-date trades, where there may be coal trade bounce back post year-end or how you see the Vale instinct kind of already affecting flows?

Petros Pappas:
The question is about what Vale is going to be doing and what will happen with coal trade?

Max Perri Yaras:
Yes, exactly. What you're seeing so far this year?

Petros Alexandros Pappas:
I think we are seeing exactly what you're seeing. I think we're seeing a couple of -- seeing a major catastrophe in a dam, which also cost lives. And we're seeing potential disruptions in other

mines, not because there was an accident, but because they want to go through testing those -- the stability of those mines. And obviously, this has a negative effect on the market.

This, we hope, and we expect is going to be a short-term effect on the market, but -- and the -- but even if it isn't, and even if Brazil or Narvik in Norway, or Septëles in Canada cannot actually cover for those lost tons. And I'm using these 3 places because the ton-miles are longer. And one has to -- and China has to import those cargoes, let's say, from Australia, which is the closest place to China for iron ore.

That I did actually the calculation and I said, OK, let's say, that we have 30 million tons that needs to be imported from closer places, what will the effect on the market be? I did this calculation. I said, OK, 30 million tons means 150 vessels and the differential in sailing is 50 days per trip, so that 7,500 days, if you divide that by 360 days of a year, it means 21 vessels. 21 vessels less needed because 30 million tons of iron ore will not be exported by Brazil but may be exported by Australia. This, the effect of that on demand is 1.25 percent. We're talking about 1.25 percent.

The psychological effect, of course, it's higher. And also, the fact that this happened during the slowest quarter of the year and as it is seasonally, and that it happened within one quarter, it has a bigger effect. It could be also potentially positive for the next quarters like, if Brazil -- if Vale manages to recover from this problem, we could see more exports towards the second half of the year.

Or for example, if other countries compensated for those 30 million tons or whatever it's going to be, because Brazil's iron content in iron ore is higher than from other countries, it could be -- it could mean that more tons are needed to be imported from other countries to compensate. And therefore, that might, to an extent, compensate for the loss of the ton-miles.
Now, regarding coal, I -- we see that 2 things.

First of all, we see some bad weather in Australia, which has reduced the exports. And the -- of course, on the other hand, this bad weather keeps vessels in port. But the effect -- the negative effect on exports, I think, is probably higher. And we see something else which is very interesting. We see China delaying, there is no ban right now, but there's a delay in some ports of coking coal.

And a vessel may arrive at the port and delay for, like, 50 days to get the license to discharge, and I was wondering this afternoon why this may be happening. And I thought maybe if the China -- the U.S.-China war is over, China will have to import stuff from the U.S. And therefore, it is possible that the Chinese are delaying coke imports from Australia in order to be able to compensate from the U.S. in case there is some agreement coming forth in the next few weeks. If that happens, then we would see a much stronger market obviously because their ton-miles are going to be much higher. These are my answers on the 2 questions you posed.

Max Perri Yaras:
Yes, it's very interesting. I really appreciate the color. I heard you answer, I believe, it was Randy's question, that your current scrubber fitting program and repurchases are maybe top priorities or the only priorities. But just given your confidence in returns in the program, just wondering if you're thinking about maybe acquiring more vessels or spreading that program out to other vessels that you don't even own. How can you capture those returns above and beyond your current fleet? Does that make sense?

Hamish Norton:
Look, we have no current plans to acquire any vessels for cash.

As we've done in the past, if we see fleets that are available for sale for cash and shares, where we can use our shares so as to require these fleets without increasing our leverage at all and without decreasing our cash balance per vessel, we would consider that. But we haven't seen anything recently. And I don't think the probability of that sort of thing occurring soon is very high.

Max Perri Yaras:
Sure. But what do you think about installing scrubbers maybe on other companies' vessels and some kind of profit share? Any way to kind of capture that high return potential?

Hamish Norton:
Sure. Sure. We're in the market to do deals with other companies where we can install a scrubber on the ship and profit from that. Again, there are lots of deals that would make sense from our point of view. I don't know how likely those are going to end up being.

Petros Pappas:
Yes, of course, if you think that we're going to be installing 110 scrubbers on our vessels within the year, which is a major task. If we were to charter in more vessels, we would need to do -- to install more. It would make it even more difficult plus the cash flow expense. Because I don't think we can get loans on chartered in vessels we can -- as we did with our own fleets.

Operator:

We will now take our next question.

Noah Robert Parquette:
It's Noah Parquette at JPMorgan. I want to ask -- you guys saw that report last week, I think, from the European Commission to the IMO and talking about environmental effects, scrubbers. There's been some growing movement towards that. I wanted to get your thoughts on potential implications maybe out of that meeting in May or if there's any change to kind of the life cycle of scrubbers in your view, just -- I think that's coming out in more conversations now as a risk. I just would love to hear your thoughts.

Hamish Norton:
Sure. So, first of all, the scientific evidence is being really ignored in a lot of the popular and even the industry debate. And the scientific evidence is basically that if you use a scrubber, the wash water largely meets. In most cases, it meets European Union standards for drinking water. In every case, it meets European Union standards for surface waters. And if you burn compliance fuel without a scrubber, you're putting these heavy metals and these polycyclic aromatic hydrocarbons into the air, which then fall into the water. I mean, it's not as though you're not contributing to polycyclic aromatic hydrocarbons and heavy metals if you don't use the scrubber, just the contrary.

You're putting them into the air first before they go into the water. But obviously, we're concerned about the public relations aspect of this and it's taken some time. But the clean shipping alliance 2020 is finally getting up to speed; we're members. There are a large number of other shipping companies who are members. And we'll be doing our utmost to get the facts across and make sure that they are heard.

That being said, the current initiatives by certain ports to ban operation of open-loop scrubbers import, as Petros said, is not a major economic hit. We were not counting on being able to use the scrubbers in any port when we did our analysis. But we obviously would start to be concerned if the initiatives went beyond that, and that's hopefully what the Clean Shipping Alliance 2020 will be addressing.

Noah Robert Parquette:
OK. Great. And just one question. Obviously, everybody is looking at the demand impacts from Vale. Is there anything on the supply side that were maybe missing in terms of Valemax utilization or any other things that could be part of the follow-up?

Petros Pappas:
On the supply side, well -- on the supply side, you mean vessels or iron ore from Vale?

Noah Robert Parquette:
Yes, I mean, will some of the Valemax's utilization be impacted by this? I mean, it's hard for them to find other very specialized rates. So just kind of love to hear your thoughts.

Petros Pappas:
There is a few tens of older vessels that, we believe, will be impacted by the fact that there was a company that is being accused of tampering with the vessels condition. And I think that this will actually turn into having to scrap, like, 40 to 50 of those vessels that still in the season. They are, like, 25 to 30-year old. And I mean, loading 50,000 or 100,000 tons of iron ore -- actually loading 30,000 tons per hour on iron ore Capes is very stressful on those vessels.

And if they are not in tip-top condition, you can have more accidents occurring like the one that happened a couple of years ago. We believe that these vessels will be retired from circulation within the next 24 months at the most. I see already 6 vessels; 6 Capes having been scrapped in the first 40 days of this year. If this continue, it would mean 45 for a year. It won't continue like that, obviously. But 6 vessels of older vintage have been scrapped. We think that this is very important. One other thing that I want to say is that with the slow market that we're seeing today, there are benefits, because nobody is ordering, and scrapping is more incentivized. There's nothing bad without some good as the ancient Greeks used to say.

Operator:
We'll now take our next question.

Magnus Sven Fyhr:
This is Magnus Fyhr, Seaport Global. I just had one question to clarify on the Vale delivery schedule -- Valemax delivery schedule. You mentioned that it's likely that these older VLOC conversions to be phased out in the next 24 months. Well, it might not just be replaced by the large number of Valemax's on order that delivering over the next 2 years or has anything changed there? Do you think these VLOC conversions will be scrapped ahead of the deliveries?

Petros Pappas:
Well, of course, there is VLOCs that are coming between now and 2022, and that is something that possibly will not change unless if some of the options that have been declared are not -- that have not been declared yet are never declared. Otherwise, yes, we expect that these vessels will come in operation during the next 3 years or so.

Magnus Sven Fyhr:
OK. Great. Thanks for clarifying that.

Petros Pappas:
Thank you.

Operator:
Thank you.

As a reminder, if you wish to ask a question, please press "star" and "one" on your phone. That is "star" and "one" to ask a question. There have been no further questions entered at this time. Please continue.

Petros Pappas:
Nothing more to add, operator. Thank you, all, very much.

Operator:
Thank you, ladies and gentlemen. That does conclude our conference for today. Thank you for participating. You all may now disconnect.

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