Star Bulk Carriers
Third Quarter 2024 Financial Results
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Presenters
Petros Pappas - Chief Executive Officer
Hamish Norton - President
Simos Spyrou - Co-Chief Financial Officer
Christos Begleris - Co-Chief Financial Officer
Nicos Rescos - Chief Operating Officer
Charis Plakantonaki - Chief Strategy Officer

Q&A Participants
Omar Nokta - Jefferies
Ben Nolan - Stifel Nicolaus
Christopher Robertson - Deutsche Bank
Bendik Folden Nyttingnes - Clarkson Securities
Clement Mullins - Value Investors Edge

Operator
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers' Conference Call on the Third Quarter 2024 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, Mr. Nicos Rescos, Chief Operating Officer, and Mrs. Charis Plakantonaki, Chief Strategy Officer of the company.

At this time, all participants are in 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 call is being recorded today.

We will now pass the floor on to one of your speakers today, Mr. Begleris. Please go ahead, sir.

Christos Begleris
Thank you, Operator. I am Christos Begleris, Co-Chief Financial Officer at Star Bulk Carriers, and I would like to welcome you to our conference call regarding our financial results for the third quarter of 2024.

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

In today's presentation, we will go through our third quarter results, Star Bulk's investment proposition, actions taken to create value for our shareholders, cash evolution during the quarter, an update on the Eagle Bulk integration, vessel operations, fleet update, the latest on the ESG front, and our views on the industry fundamentals before opening up for questions.

Let us now turn to slide number three of the presentation for a summary of our third quarter 2024 highlights. For the third quarter 2024, the company reported the following - net income amounted to $81 million with adjusted net income of $83 million or $0.71 adjusted earnings per share. Adjusted EBITDA was $143.4 million for the quarter. For the third quarter, as per our existing dividend policy, we declared a dividend per share of $0.60 payable on or about December 18, 2024. Our total liquidity to date stands strong at $433 million. Meanwhile, our total debt stands at $1.3 billion.

On the top-right of the page, you will see our daily figures per vessel for the quarter. Our time charter equivalent rate was $18,843 per vessel per day. Our combined daily OpEx and net cash G&A expenses per vessel per day amounted to $6,376. Therefore, our TCE less OpEx and cash G&A is $12,647.

Since the Eagle Bulk transaction was completed on April 9 this year, until the third quarter of 2024, the synergies achieved from integration resulted to more than $9 million. Integration process is advancing smoothly across all departments -- significant potential for further savings in OpEx and dry dock costs in 2025 and the remaining of 2024.

Continuing to our fleet update for the quarter, during the third quarter, we have sold four vessels. Three of these vessels, namely Star Hydrus, Imperial Eagle, and Diva, are expected to be delivered during the fourth quarter to their new owners for total gross proceeds of $50 million.

Please turn to slide four for a summary of Star Bulk's compelling value proposition. Why Star Bulk? Star Bulk is the largest U.S.-listed public company and second worldwide in terms of deadweight tons, specialized in dry dock shipping with the highest trading liquidity. We operate a fleet of 156 vessels across all segments with an average age of 11.9 years. We operate a fleet of 80 Eco vessels, and have 98% of our fleet scrubber fitted, which provides a significant competitive advantage.

Star Bulk has proven to be a consolidator in the dry bulk industry. Starting in 2018, through nine mergers, we have grown our fleet by 75% in number of vessels. Furthermore, we operate a fully integrated management platform that makes us the most efficient and consistently amongst the lowest OpEx and G&A operators while maintaining the highest Rightship ranking.

Since 2020, we have reduced our net debt per vessel by more than 50%, having reached the level where the scrap value of our fleet comfortably covers our current net debt. Since 2021, through 15 consecutive dividend payments, we have declared quarterly dividends of over US $1.33 billion. We have taken advantage of historically elevated S&P values to sell some of our older and less efficient vessels using the equity proceeds to buy back our shares at prices significantly below the net asset value. Since 2021, we have bought back $443 million worth of Star Bulk shares.

Throughout the years, we have built solid corporate governance, which is shareholder friendly by having primarily independent board members, including financial investors and other shipowners who have merged in their fleet for shares. It is important for our investors that management incentives are aligned with shareholders.

Last but not least, Star Bulk is an ESG pioneer in shipping, being a leader in the industry's efforts to decarbonize. There is total transparency with investors, timely and efficient compliance with environmental regulations and commitment to social responsibility.

Slide five provides an overview of the company's capital allocation policy over the last three years and the various levers we have used to strengthen the company, increasing value of our shares and returning capital to our shareholders. Star Bulk has been growing the platform through consecutive fleet buyouts by issuing shares at or above NAV. In total, since 2021, we have taken actions of $2.5 billion to create value for our shareholders.

On the bottom of the page, we show our net debt evolution. Our average net debt per vessel has decreased from 12.3 million per vessel to 5.7 million per vessel, a reduction of more than 50%. As a result of this deleveraging process, our current net debt is covered by the feed scrap value.

Finally, we currently have six debt free vessels with an aggregate market value of more than $100 million.

Slide six graphically illustrates the changes in the company's cash balance during the third quarter. We started the quarter with $486 million in cash. We generated positive cash flow from operating activities of $138 million. After including debt process and repayments, CapEx payments and energy saving devices and ballast water treatment system installments and the second quarter dividend payment, we arrived at a cash balance to date of $473 million.

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

Nicos Rescos
Thank you, Christos. Slide seven illustrates a summary of Eagle Bulk's transaction integration. The technical and commercial management of the ex-Eagle fleet has been established across Star Bulk offices in Athens, Singapore and Stanford, leveraging the combined global presence.

The commercial teams for the Supramax and Ultramax vessels in the three continents have completed their integration successfully, managing the second largest Supramax and Ultramax fleet globally, operating both on voyage and time charter basis.

Crane management is gradually taken in house, phasing out third-party managers, while technical maintenance and marine safety quality standards, processes and policies have been applied uniformly across the combined fleet. Procurement of solar spare parts, bunkers and lubricants have been centralized for the combined fleet. These measures are expected to produce significant operating cost efficiencies.

On the bottom of the page, you saw illustration of the synergies from Eagle Bulk integration. Through OpEx, G&A and interest expense as well as savings on dry dockings, we have achieved more than $9 million in cost savings.

Please turn to slide eight, where we provide an operational update. OpEx was at $5,114 for Q3 2024. Net cash G&A expenses were $1,262 per vessel per day for the same period. In addition, we continue to rate at the top amongst our listed peers in terms of RightShip's Safety Score.

Slide nine provides a fleet update and some guidance around our future dry dock and the relevant total offhire days. On the bottom of the page, we provide our expected dry dock expense schedule, which for the remaining of 2024 is estimated at $18.3 million for the dry docking of 15 vessels. In total, we expect to have approximately 420 offhire days for the same period.

In 2025, we expect to dry dock 47 vessels for 1,200 offhire days at an expected cost of $53.8 million. On the top right of the page, we have our CapEx schedule, illustrating our newbuilding CapEx and vessel energy efficiency upgrade expenses with 100% of our fleet now being fast water equipment fitted. Based on our latest construction schedule, our newbuilding vessels are expected to be delivered in Q4 '25 and '26.

In line with EEXI and CII regulations, we will continue investing in upgrading our fleet with the latest operational technologies aimed in improving our fuel consumption and reducing our environmental footprint, further enhancing the commercial attractiveness of the Star Bulk fleet.

Regarding our energy-saving devices retrofit program, we have completed 41 installations with three more remaining for retrofit by the end of 2024. We plan to retrofit 126 vessels with ESDs within next year. The above numbers are based on current estimates around dry bulk and retrofit planning, vessel employment (sp) and yard capacity.

Please turn to slide 10 for an update on our fleet sales. On the vessel sales front, we continue disposing of vessels opportunistically at historically attractive levels. In 2024, we have sold 13 vessels for total gross proceeds of $233 million, reducing our average age and improving overall fleet efficiency.

Following the rollout of the Eagle Bulk existing chartering contracts, we now have a total of 10 chartering vessels. As mentioned earlier, we have five firm shipbuilding contracts with Qingdao Shipyard with a construction of five Kamsarmax newbuilding vessels and delivering Q4 and first-half 2026.

Considering the aforementioned changes in our fleet mix, we operate one of the largest dry bulk fleet among U.S. and European listed tiers with 156 vessels on a fully delivered basis and an average age of 11.9 years.

I will now pass the floor to our Chief Strategy Officer, Charis Plakantonaki, for an ESG update.

Charis Plakantonaki
Thank you, Nicos. Please turn to slide 10, where we highlight our continued leadership on the ESG front. The sixth annual Star Bulk ESG report has been published in accordance with the latest Global Reporting Initiative requirements.

Developed with PwC's guidance, the report has received limited assurance from EY and has been reviewed by the company's ESG committee. Among its key milestones, the report highlights the impact materiality assessment conducted with input from internal and external stakeholders and includes a comprehensive list of ESG-related key performance indicators benchmarking the company's performance against previous years.

Through the implementation of technical and operational measures to improve fleet energy efficiency, the company achieved a 4% reduction in scope 1 greenhouse gas emissions compared to the previous year, a 5.8 improvement in fleet-wide CII, and a 9.5 reduction in scope 3 emissions.

For the fourth consecutive year, Star Bulk has successfully submitted the 2023 Carbon Disclosure Project Questionnaire. This year's submission expanded to include data on water management alongside climate change reporting. Preparations are underway for the FuelEU Maritime Regulation coming into effect in January 2025, focusing on compliance strategies such as biofuel adoption and leveraging the pooling and banking mechanisms outlined in the regulation.

On the global regulations front, we actively engage with regulators and industry organizations providing input and expertise to support the development of mid-term greenhouse gas reduction measures expected to be adopted by the IMO in 2025. We continue to enhance well-being programs for our people and strengthen our contributions to society, including the sponsoring of athletes who qualified for the Paris 2024 Olympic Games.

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

Petros Pappas
Thank you, Charis. Please turn to slide 11 for a brief update of supply. During the first 10 months of 2024, a total of 29.4 million deadweight was delivered, and 2.9 million deadweight was sent to demolition for a net flip growth of 26.5 million deadweight, or 2.6% year-to-date and 3% year-over-year. Uncertainty on future green propulsion, high shipbuilding costs, and limited shipyard

capacity until late-2026 due to increased competition from other vessel types has helped keep new orders under control.

The order book experienced a small increase and presently stands at 10.3%, while vessels above 20 and 15 years of age stand at 9.5% and 23.5% of the fleet, respectively. The average steaming speed of the dry bulk fleet has stabilized at lower levels of approximately 11 knots during the last six months due to inflated bunker (sp) costs and environmental regulations, including EEXI and CII that increasingly incentivize low steaming. However, as of 2024, an increasing number of vessels delivered during the 2009-2013 shipbuilding boom will be going through their third special survey, moderating supply growth as a consequence.

Global port congestion has fully normalized following a strong reduction that lasted two years and gradually inflated available supply by approximately 6%. Congestion is now expected to follow seasonal trends, and the negative effect on the supply and demand balance will fade and could gradually reverse as of 2025.

Moreover, rising tensions in the Red Sea since late 2023 and the rerouting away from the Suez continue to cause strong inefficiencies for trade, while crossings through the Panama Canal are expected to fully recover by the end of this year. As a result of the above trends, fleet growth is unlikely to exceed 3% per annum over the next couple of years, even under the assumption that demolition activity remains at current low levels.

Let us now turn to slide 12 for a brief update of demand. According to Clarkson's, total dry bulk trade during 2024 is projected to expand by 5.2% in ton miles. During the first three quarters of 2024, total dry bulk trade volumes increased by 5.4% year-over-year due to record iron ore, coal, and minor bulk exports, while ton miles have received extra support from canal inefficiencies and strong long-haul Atlantic exports. Despite the weak economic performance and a struggling property sector, Chinese dry bulk imports have increased by 6.4% year-to-date, supported by strengthened infrastructure, manufacturing, and hand product exports.

Imports to the rest of the world are experiencing a strong recovery over the last year as lower commodity prices and easing monetary policy is boosting raw materials demand. During 2025, dry bulk demand is projected to increase by 1.3% in ton miles while the IMF forecast for global GDP growth standing at 3.2%, the same as in 2024, while Chinese GDP is projected to slow down to 4.5% from 4.8% this year.

The incoming Trump administration is expected to follow a pro-tariff policy that may create headwinds for global trade amid possible retaliation acts, but will in our view have a moderate direct impact on dry bulk trade.

During the last few months, the Chinese authorities have announced a string of pro-growth measures that should help improve the economic outlook. The main goals of the various stimulus packages are to provide support on property prices, to reduce the huge inventory of unsold houses, to address local government debt through the issuance of 10 trillion yuan special bonds, and to boost private consumption. Moreover, should the Trump administration impose heavy tariffs on Chinese products, we expect additional measures to support domestic consumption and alleviate potential weakness in exports.

Iron ore trade is expected to expand by 5.8% in ton miles in 2024 and 1% in 2025. During the first three quarters, Chinese steel production declined by 4.1% year-over-year, as the property market continued to face challenges, while strength from manufacturing and steel exports have helped provide partial support. On the other hand, steel production from the rest of the world has experienced a recovery throughout the year and year-to-date have increased by 3.3%, driven by strong demand from India and a gradual recovery in the Atlantic region.

Preference for higher quality iron ore to meet environmental targets is expected to gradually inflate ton miles as new mine capacity of higher quality iron ore will come online in the Atlantic over the next years and should gradually substitute Chinese domestic production and imports over inferior quality.

Coal trade is expected to expand by 5% during 2024 and contract by 2% in 2025. Global focus on energy security during the last years has inflated coal trade volumes, but growth has come primarily from short-haul Indonesian exports. Chinese coal imports presently stand at record levels and year-to-date has increased by 13.5%. A thermal electricity generation grew at a faster-paced and domestic coal production during the first three quarters, and stocks -- and coal stocks increased ahead of peak winter demand.

Moreover, the Indian economy has expanded at a faster pace among G20 members that has led to a strong increase in energy demand, and along with inland infrastructure constraints on domestic production, is inflating coal import requirements.

Grain trade is expected to expand by 6.6% during 2024 and by 2.4% in 2025. During the first three quarters, grain trade increased by 3.5%, but during the third quarter, it declined by 0.5%, driven by a correction of Brazilian corn exports, weak Black Sea volumes, and better than expected Chinese production. U.S. grain sales have experienced a strong increase and is expected to inflate grain volumes during Q4, while an increase of grain production worldwide should continue to put pressure on grain prices and support grain trade in the medium term.

Minor bulk trade has the highest correlation to global GDP growth and is expected to expand by 4.4% during 2024 and 2.6% in 2025. The positive regional steel price arbitrage and the potential rush to build up inventories before the implementation of tariffs continues to incentivize Chinese exports and backhaul trades while bauxite exports out of West Africa continue to expand at a strong pace that generates strong miles for the Capesize sector.

As a final comment, we expect a relative Q1 market slowdown but remain optimistic about the medium-term prospects of the dry bulk market, given the favorable supply picture, stricter environmental regulations, and recent steps by the Chinese government to stimulate the economy. In a period of increased geopolitical uncertainties, we remain focused on actively managing our diverse scrubber fleet to take advantage of emerging market opportunities and continue creating value for our shareholders.

Over to you, Operator.

Operator
Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. And for participant using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Omar Nokta with Jefferies. Please proceed.

Omar Nokta
Thank you. Thanks, Operator. Hey, guys. Good afternoon. I have a couple of questions. And maybe just first off, on the synergies you're realizing following the merger with Eagle, you've got $9 million so far through the third quarter. Can you talk a little bit about where you think this starts to evolve from here? I know the initial target had been -- or maybe the existing target continues to be $50 million achievable within 12 to 18 months. Do you feel that you're on pace for that, does it happen sooner, and is there any more than can be extracted, do you think?

Nicos Rescos
Thank you, Omar. This is Nicos. Focusing on Q3, where you see the $6.5 million of synergies just for the quarter gives a pretty good idea of what should be falling on the consecutive quarters and throughout 2025. Expectation is that this threshold per quarter should improve, especially as we're kicking on with efficiencies on crew changes, which has been an expense (inaudible) we need to correct, and dry docks have much more efficient expense. So, I think we're on target. And hopefully, we'll be reporting better numbers, as well, on Q4.

Hamish Norton
Yeah, and just to add, the synergies are at $26 million annual run rate already, and where we've got four quarters before we expect it to hit the final run rate. So, I think we'll be there, and we'll probably beat it.

Omar Nokta
All right, so thanks, Hamish. And just to make sure I hear correctly, the synergies that are to be realized from here in that sort of a bigger ratio or bigger amount are on the operating costs, like the vessel OpEx and on the dry dockings?

Hamish Norton
(Inaudible) dry dockings is, yes.

Petros Pappas
The $26 million run rate is only OpEx and G&A. On top of this, you should add the dry docks that Nicos made reference during his presentation. We did not have any dry docks on the Eagle Bulk fleet during the third quarter. So the figure that you see there of $6.5 million includes only OpEx, G&A, and indirect expense savings for this specific quarter.

Omar Nokta
Okay, I see. Thank you. And then I guess -- it's still early days; it's just one quarter officially post merger. But what do you think -- and this is a modeling question, but what should we be modeling for G&A on an ongoing basis?

Simos Spyrou
Sure. Omar, this is Simos. The figure that we have actually -- the split that we have in the -- for the third quarter for the Eagle Bulk, X-Eagle Bulk office G&A is $13,700 (ph) per day per vessel. So, we have managed to bring it significantly lower than the figure that Eagle had during the last quarter of operation. We expect that, as we move ahead, we will be in a position to further reduce the office expenses and headcount expenses of Stamford and Singapore, and bring it closer to the figure that Athens, the Athens office had up to last quarter.

Omar Nokta
Okay, great. Thanks, Simos. And just a final one on my end, more market color -- and Petros, you discussed this a little bit. But just wanted to get maybe a bit more flavor or feel for how you've been seeing this market develop recently. Clearly, Capes have been the outperformer really all year. And even recently, even though there's been some volatility, Capes have definitely been firmer. But the sub-Capes seem to be a bit stuck. And just wanted to see if you could maybe give a sense of what's driving that divergence?

Petros Pappas
Hi, Omar. Yeah, well, actually, the Capes have been doing okay for the quarter. They haven't been doing that great because the average for Q4 has been $20,800, and it was, last week and a couple of days ago, that -- actually, last week, it did extremely well. But the average has been $20,800, so not that huge. And also, it's not the smaller sizes; the Supramax average has been about $14,500. So, it is actually -- the problem is actually with the Panamaxes.

And it's a bit surprising, because if you look at the Panamax, at the quantities that had been carried during 2024, they have been 9.3% in tons higher than the equivalent last year. So actually, I was wondering, and I had a discussion with our analysis department, and the reasons of the fall on the Panamaxes are as follows - first of all, the supply is 3.4%, which is on the relatively high side, 3.4% already. Then a big problem has been the reduction of congestion. On the Panamax side, most of the reduction in congestion has been on those vessels.

Then a third problem has been the fact that 42% of the additional tons this year have been Indonesian coal to China. And this -- as you know, this is very short distance. Thereafter, Brazil decreased their corn exports by 7 million tons compared to last year, and that's long distance. Although Argentina actually increased theirs, they do a lot of that on Supra vessels, where Brazil exports mostly on Panamaxes. Therefore, the decrease affected the Panamaxes.

Then of course, the opening up of the Panama Canal didn't help a lot. Russia exported less grains from the Black Sea and there was a number of Panamax tonnage released from the reduction in the Chinese coastal trade. So all that actually conspired in reducing actual demand in ton miles for the Panamax sector.

Omar Nokta
Got it. Petros, thank you, very clear and very helpful. Thanks, guys. That's it.

Petros Pappas
Thank you, Omar.

Operator
Our next question is from Ben Nolan with Stifel. Please proceed.

Ben Nolan
Appreciate it. Thank you. And by the way, that was a very comprehensive answer there, Petros, so appreciate that. It's helpful to me. I did have a couple of questions, though. First, sort of following up with the market trends and so forth, I was curious if you have -- and appreciating that you talked a little bit about sort of the impact of the election and change in administration in the United States, but have you seen any change in customer activity yet? Is there any sort of front running of potential tariffs or anything of that sort? And maybe is that something you would expect or probably not?

Petros Pappas
Well, actually -- hi, Ben. Actually, we have not seen much yet, but we do expect to see some short term boost in trade because of what people are afraid is coming. And we have a view about what the Trump effect is going to be. If you want, I can talk about that.

Ben Nolan
Sure.

Petros Pappas
Okay. So U.S. trade -- U.S. Bulk trade actually is not huge. U.S. trades about -- on bulk is about 5% on exports and 2% on imports. So there is going to be a relatively small direct effect. But what is going with the actual effects -- let's take tariffs to begin with. So if there are big tariffs on China, what will happen is that China will import less from the U.S. and will import more from South America. So, that is going to create longer distances and will probably -- more important, will

create more congestion because the South American ports are perhaps less efficient than the U.S. ports, and also there is going to be more demand from the same ports. So I think that -- I would consider that that would be a positive effect.

Also, such tariffs I believe will stimulate China to boost their economy. And I think -- as a countermeasure, so I think that may also become a positive result of such tariffs. A third point of tariffs would be that -- a negative point would be that it is probable that it will create -- will have a negative effect on the world economy. We cannot evaluate that right now. But we believe there's going to be less trade overall at the end of the day. Specifically, we believe that tariffs will influence containerships more than anything else because there is more substrate to the U.S. from China. And if that happens and there is a reduction in trade on container ships, that will then affect Supramax vessels, because when container ships are doing very well, there is cannibalization of commodities from container ships to Supramax vessels.

Now, another effect of the Trump policies could be that the Ukraine war stops, and that had created inefficiencies up to now. But we think here that Europe will not give up their sanctions right away. So that will probably continue. And hopefully, there is going to be reconstruction in Ukraine, which would be a very positive thing because that would create also major congestion. And we think there's going to be more exports from -- both from Russia and Ukraine from the Black Sea. So we consider that as a positive, as well.

Now what could be a big negative would be the fact that -- I mean, you saw I think -- or at least I saw that Iran is kind of redacting on their nuclear plants as far as creating nuclear weapons is concerned. And I think that this probably has to do with a certain fear of what Mr. Trump might do. But a side effect of that could be that the Iranians might stop supporting the Houthis. And if that happens, it's a potential that the Red Sea will open. And if the Red Sea opens, that is not going to be a positive for shipping. We all know that a big percentage of vessels actually go through the Cape of Good Hope, and therefore, ton miles increase.

And a final point - I think that Trump administration would probably affect the dollar, would probably strengthen the dollar, which is not good for commodity trade and might reduce oil prices, which is not good for vessel speeds. So, overall, there are positives and negatives. We actually see more positives in it, except if it leads to an opening up of the Red Sea. That could actually balance towards a negative.

Ben Nolan
Yeah, that was a lot more than I was counting on. Very helpful; I appreciate it.

Petros Pappas
I knew you would ask the question, so I was prepared.

Ben Nolan

Yeah, you always are. So changing gears, just for my second question, you guys have been implementing and spending money on the energy saving devices. I'm curious, now that that you've had them -- or there's quite a number of them that are in the fleet and you've been using them. Have you done any post mortem at all in terms of figuring out what your actual return on the investment has been and what your excess cash flow is relative to vessels that don't have that equipment?

Nicos Rescos
Hi, Ben. This is Nicos. We are trying to figure out what is the answer to the question before we install them. So it's pretty much doing a model testing before we install anything. And importantly, we do see trials on every ship that is fitted. So we have actual numbers that we count on, and we make our forecast on that basis. The short answer is repayment period is anything between two to three years depending on the measure, which ranges from docks (sp) all the way to change in propellers. And the efficiency we get as tested is anything between 6% to 10% depending on the combination of technologies you use.

Ben Nolan
Okay. And there haven't been any variance relative to sort of what you had modeled and tested, it's coming as expected?

Nicos Rescos
It is coming as expected because we do not install anything unless we've run the calculations, the mathematical calculations behind it. The effect beyond, of course, getting better consumptions and burning less fuel. So we know that the repayment is quite specific and that the CII rating of the vessel improves once you fit the devices. So we follow a very careful approach of when and what to install. Some ships we will just leave out. But vessels that require an upgrade to remain competitive -- until we have much more clear picture on the CII reduction rate post 2026 or fuels or retrofits, we prefer to keep everything upgraded to remain competitive. And it seems to be working. That's why you see us continuing with the plan.

Ben Nolan
Got it. Okay, very helpful. I appreciate it. Thank you.

Nicos Rescos
Thank you, Ben.

Operator
Our next question is from Chris Robertson with Deutsche Bank. Please proceed.

Christopher Robertson
Hey, good afternoon, everyone. And shout out to Omar and Ben for taking most of the good questions there. Wanted to follow up, though, on Ben's questions related to the energy saving devices, but I noticed you mentioned in the slide here around the use of biofuels. Wondering if

you could speak specifically on that, if that's biodiesel, if that's for use in the secondary tanks in certain areas, I guess just in Europe, kind of the economics around biofuel and the availability in terms of where you could pick that up as a bunker.

Charis Plakantonaki
Hi, Chris, this is Charis. So while we are looking to biofuels within the scope of fuel maritime regulation, which basically requires that we reduce the carbon intensity of the fuel that we burn and it is -- there is a pulling mechanism in this regulation, which basically enables us to use biofuels on a few vessels, and this will generate credits for the remaining of the vessels, which trade in and out of Europe. The regulation is relevant only for our trades in and out of European ports.

Now we are currently in discussions with banker suppliers. At the moment, the biofuel we're looking into is B30, which is the most available and the most tested to burn in our engine rooms. There is availability for the quantities that we expect we will need in order to comply with the regulation for 2025. Now what may change the last step here is the global regulations that are expected to be decided within 2025 to come into effect in 2027, which at that point in time will refer to the entire globe.

So, once we see relevant measures at the global level -- so for us, this means that we'll have to reduce carbon (inaudible) burn in our global trade. This will require additional quantities of biofuels. So this is the talent. The talent will be from 2027 onwards. For 2025, we do not expect to have difficulty in sourcing the biofuel that we need to comply with the regulation.

Christopher Robertson
Okay. That's helpful. And just as a follow-up to that, I guess as it relates to your fleet, but potentially the broader fleet, are there any tweaks or upgrades to your engines or just engines in general across the fleet that would need to be done in order to burn the biofuel?

Charis Plakantonaki
No, no, biofuels are already tested, and we can burn them in our engine rooms without any further modification.

Hamish Norton
Yes, the B30 is basically 70% fuel oil, right, and 30% biodiesel, and that makes work.

Christopher Robertson
Hamish, is there any additional maintenance required in burning that type of fuel? Does it create any issues down the road where it would increase costs anywhere?

Hamish Norton

Well, you have to use the right lubricating oil, and Nicos may be more familiar with that than I am, but I think that is -- I think, basically, as long as you burn it relatively quickly after you buy it, it works well. I think it can go bad if you leave it a long time.

Nicos Rescos
Can I please -- this is Nicos. Hamish is correct. It's the life time (sp) of the fuel wall to keep it on board. However, this is intended for the European trade, as Charis mentioned. We've done our work in terms of the frequency of calls in Europe, and we have a pretty good idea of what tons we will require to comply with (inaudible) especially after the Eagle merger, where we have a low cost Supramax, and these are the ships that are calling heavily into Europe. But we don't expect any difference on operating expense, maintenance or any sort of damages to be done with fuels, it's pretty safe to use, and we've tested it, so we're good.

Hamish Norton
And Chris, just a follow-up for your modeling purposes, these are costs that through our charter parties we are able to pass on to our charters, so this wouldn't be extra costs for Star Bulk.

Christopher Robertson
That's good to hear. Okay, yeah, I appreciate the answers. Thank you very much.

Operator
Our next question is from Bendik Folden Nyttingnes with Clarkson Securities. Please proceed.

Bendik Folden Nyttingnes
Thank you. So, at least from our numbers, the global market seems to be pricing in quite a discount to second-hand values, your stock included. So I would love to hear your thoughts on the current situation in the S&P market.

Petros Pappas
You mean what we think, where we think prices will move?

Bendik Folden Nyttingnes
Yes.

Petros Pappas
Well, prices react to chartering rates; so therefore, on the smaller vessels, we'll probably see a downside for as long as they're not doing as well, especially on Panamax -- on the Supra, as well, probably, because they follow Panamaxes to a degree. On the Capes, the picture is much better in the sense that the order book is like 7.4%, which is very low, and then there's expectation that there's going to be longer routes of trade going forward, more iron ore from Brazil and more bauxite from West Africa and later on more iron ore from West Africa, and therefore more tons-miles. So I think that on the Capes, the pricing will be more resilient. And let's not forget that there's not too much availability for newbuildings, so people will necessarily turn to second-hand,

and that will probably underpin prices to a degree. So, overall bigger vessels, not a huge issue, probably more of a problem with Panamax for as long as they are weak.

Bendik Folden Nyttingnes
And I guess a slight follow-up on that one - you did mention the softness in Panamax relative to the other segments. Do you see that as more of a structural thing or do you expect it to be temporary?

Petros Pappas
Yeah, well, what do Panamaxes carry? Panamaxes carry grains and coal. So it will depend on what happens with these two cargos. We think that on the grain side, there's going to be more trade going forward.

On the coal side, the long term, in the long term, it's going to be less coal trade, but I think that in the shorter term, especially with the Trump transition, that might not happen. So -- and of course, as we said, because of the need to use higher quality ingredients in steelmaking, which is iron ore and coal, and those are mostly situated in the Atlantic, we think that long haul will remain. So long haul is more important than tons themselves.

So, I think that it will revert to a better market going forward. Of course, let's not forget that the Panamax order book is the highest, at around, I think, 14.1%, and that is not going to help a lot. So overall, on the trade side, we are positive for the medium longer term, on the Panamaxes, but as I said before, we're more positive on the Capes and the Supras, depending on what happens with the Red Sea and with container ships.

Bendik Folden Nyttingnes
Perfect. Thank you, guys.

Petros Pappas
Thank you.

Operator
Our next question is from Clement Mullins with Value Investors Edge. Please proceed.

Clement Mullins
Hi. Good afternoon. Thank you for taking my questions. Most has already been covered, but I wanted to ask a bit about your fleet strategy going forward. You now have 10 vessels, 10 chartering and their long-term agreements. Could you talk a bit about how you think on the trade of between time chartering versus (inaudible) when you think about (inaudible) fleet, especially considering there's some (inaudible) values you were talking about before, on the mid-size segment?

Hamish Norton

Can you please repeat that - time charter versus what?

Hamish Norton
Time charter (inaudible) purchasing, yeah, purchasing (inaudible). I think I'll let Petros Pappas take care of the size, differences and so on, but I think one thing to be clear about is that with our share trading below net liquidation value of current assets. We are intending to buy big fleets of vessels for cash or to place large building orders for cash. You know, we understand that with the share trading, basically below the net liquidation value, shareholders are looking for us, you know, if we're going to make an investment in ships, it should be basically buying our shares. So, that's for the near term. I think for the longer term, obviously, we'll have to renew the fleet and, Petros, maybe you want to talk to that subject?

Petros Pappas
Yeah, yeah. On the -- on purchasing of vessels as Hamish said, exactly. On chartering in vessels, it will depend on pricing. I mean, we, -- the vessels that we have chartered in, actually we did them in extremely good levels for us. After that, when the market improved, they went up much further -- hey were up like $2,000 or $3,000 per day, and therefore, we stopped doing -- chartering in. If the market slows down and ideas fall to previous levels, then we will do more of that. We have a very good relationship with Japanese owners, and I'm sure that they appreciate the strength of our company and the good cooperation that we always had on chartering deals, and I think that we'll do more of them, but at prices that make sense, at charter level--

Clement Mullins
--That's very helpful.

Petros Pappas
Thank you.

Clement Mullins
Yes, that's very helpful. Thank you. Thank you for taking my questions.

Petros Pappas
Thank you.

Clement Mullins
And congratulations for the quarter.

Petros Pappas
Thanks a lot.

Clement Mullins
Thank you.

Operator
We have reached the end of our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

Petros Pappas
No further remarks, operator. Thank you very much.

Operator
Thank you. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation.