

## DESK NOTE

19.02.2025

### **Star Bulk Carriers (SBLK US) – *Buy the Dip: Solid Cash Flows Amid Weak Freight Rates Support Recovery***

**Conclusive Summary:** We recommend buying SBLK at current levels, as we believe the recent selloff following its 4Q24 brings the stock to appealing valuations.

While the company missed EPS estimates for the fourth consecutive quarter, **the decline appears driven more by downside momentum and the announcement of a new capital allocation policy**, which now allocates 60% of excess cash flow to dividends and share buybacks. Despite near-term margin pressure from weak market conditions and higher operating costs related to the Eagle Bulk acquisition, **we see downside protection from SBLK's strong cash flows and a healthy balance sheet (Net Debt/EBITDA of 2.75), which could support increased capital returns.** Although analysts have cut FY25 revenue and EPS estimates, the stock remains well-positioned for medium-term upside, supported by a historically low orderbook and an aging global fleet.

**Competitive Position:** operates in the fragmented and cyclical dry bulk shipping industry, competing with public peers like Golden Ocean (GOGL), Diana Shipping (DSX), and Genco Shipping (GNK), as well as private operators and commodity traders. Its large, diversified, and scrubber-fitted fleet provides cost advantages, while a flexible chartering strategy helps optimize earnings. Financial strength supports fleet expansion, further enhanced by synergies from the Eagle Bulk (EGLE) merger. However, SBLK faces risks from freight rate volatility, regulatory costs, competition from commodity traders, and geopolitical uncertainties. Despite these challenges, its scale, flexibility, and capital access position it competitively in the industry.

**Valuation:** Using a combination of multiple and DCF valuation, **we reach a blended target price (TP) of \$26, +58% above current levels.** We expect SBLK to trade at multiples above industry peers due to its superior cash flows and financial position. The stock is trading at the 1 standard deviation below its 5-year EV/Rev and P/BV multiples and mid and upper end of its 5-year multiple averages and 3 standard deviations above its 5-year P/FCF multiples, but still below industry averages. **We recommend adding SBLK at current prices.**

Ticker: SBLK US

Previous day close price: \$16.39

Price range (52w.): \$14.30 - \$27.47

Reason for note: 4Q24 Earnings

Target price: \$26 (+58% upside)

Recommendation: ***Buy@Current***

**Description:** Star Bulk Carriers Corp. (NASDAQ: SBLK) is a leading global dry bulk shipping company engaged in the transportation of major commodities such as iron ore, coal, and grain. Headquartered in Greece, the company operates one of the largest and most diversified U.S.-listed dry bulk fleets, consisting of Newcastlemax, Capesize, Post-Panamax, Kamsarmax, Panamax, Ultramax, and Supramax vessels. SBLK generates revenue through multiple channels:

- **Voyage Charters** – Earns a fixed fee per ton of cargo while incurring voyage-related expenses such as fuel, port charges, and canal fees.
- **Time Charters** – Leases vessels at a fixed daily rate, with voyage expenses covered by the charterer while SBLK handles vessel operating costs.
- **Contracts of Affreightment (COAs)** – Long-term agreements with cargo owners for multiple shipments over a defined period.
- **Capesize Vessel Pooling (CCL Pool)** – Participation in a vessel pool to optimize scheduling, enhance efficiency, and maximize earnings.
- **Chartering-In Vessels** – Expands operational capacity by leasing third-party vessels through its Singapore subsidiary.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	3.0	973.7	2,921	1,037	1,884	84	\$22.42
P/FCF	10.0	350.4				84	\$29.36
P/BV	0.9	19.8				84	\$19.76
Avg. Multiple Price							\$23.85
Avg. DCF Price							\$28.07
Avg. Multiple & DCF Price							<b>\$25.96</b>

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### Earnings Preview:

SBLK	Expected Report Date		Next FY End	Preview Date
STAR BULK CARRIERS CORP	5/22/2025	?	12/31/2025	2/19/2025
Targets	DPRG	26.00	Street	22.42
Current Price/ Upside	16.39	58.3%		36.8%
<b>Quarterly Preview</b>		Last Q Report		
Last Close	Estimate	2/12/2024		
16.39	Q1	2024 Q4		Year Ago
		% Surprise		
Sales, \$ mil.	157	309	29.41%	263
growth	qoq	-49.2%	yoy	-40.4%
EBITDA, \$ mil.	35	97	-2.93%	103
growth	qoq	-64.3%	yoy	-66.4%
Net Income, \$ mil.	-37	34	-3.64%	52
growth	qoq	-210.6%	yoy	-171.7%
EPS, \$	-0.27	0.28	-2.86%	0.59
growth	qoq	-195.6%	yoy	-146.4%
EPS GAAP, \$	-0.30	0.36	-11.55%	0.45
growth	qoq	-183.3%	yoy	-166.7%
<b>Valuation</b>	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	2.85	2.82	3.22	3.62
EV to Forward 12M EBITDA	5.52	4.73	5.21	5.69
Price to Forward 12M EPS	7.64	5.02	5.64	6.27
EV/Sales	Slightly Underpriced			
EV/EBITDA	Slightly Overpriced			
PE	Overpriced			
<b>Total Rating on Valuation</b>	Slightly Overpriced			

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