

Eagle Bulk Shipping Inc.
Form 10-Q
November 09, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended September 30, 2007
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission File Number 000-51366

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Republic of

the Marshall Islands 98-0453513 (State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)
477 Madison Avenue
New York, New York 10022
Address of Principal Executive Offices

Registrant's telephone number, including area code: (212) 785-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common Stock, par value \$0.01 per share 46,727,153 shares outstanding as of November 9, 2007.

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Part 1: FINANCIAL INFORMATION

Item 1: Financial Statements

EAGLE BULK SHIPPING INC.
CONSOLIDATED BALANCE SHEETS

September 30, 2007	December 31, 2006	(Unaudited)	ASSETS:	Current Assets:	Cash	\$
154,947,136	\$ 22,275,491	Accounts Receivable	2,033,860	616,205	Prepaid Charter Revenue	500,000
3,740,000	Prepaid Expenses	1,618,699	1,020,821	Total Current Assets	159,099,695	27,652,517
Vessels and Vessel Improvements, net	611,870,650	502,141,951	Advances for Vessel Construction			
290,399,551	25,190,941	Restricted Cash	7,324,616	6,524,616	Deferred Drydock Costs, net	3,838,826
1,937,299	Deferred Financing Costs, net	2,509,504	2,406,839	Other Assets	—	2,936,804
\$ 1,075,042,842	\$ 568,790,967	LIABILITIES & STOCKHOLDERS' EQUITY		Current Liabilities:		
Accounts Payable	\$ 4,129,487	\$ 1,650,159	Accrued Interest	2,993,138	800,683	Other Accrued
Liabilities	1,796,334	1,717,124	Unearned Charter Hire Revenue	4,671,174	2,713,060	Total Current
Liabilities	13,590,133	6,881,026	Long-term Debt	527,839,099	239,974,820	Other Liabilities
3,151,969	359,180	Total Liabilities	544,581,201	247,215,026	Stockholders' Equity:	Preferred
Stock, \$.01 par value, 25,000,000 shares authorized, none issued	—	—	Common shares, \$.01 par value,			
100,000,000 shares authorized, 46,727,153 shares issued and outstanding as of September 30, 2007 and 35,900,001 shares issued and outstanding as of December 31, 2006, respectively	467,271	359,000	Additional Paid-In			
Capital	601,938,926	364,574,877	Retained Earnings (net of cumulative dividends declared of \$145,161,905 at September 30, 2007 and \$86,390,500 at December 31, 2006)	(68,792,587)	(45,935,560)	Accumulated Other
Comprehensive(Loss)/Income	(3,151,969)	2,577,624	Total Stockholders' Equity	530,461,641		
321,575,941	Total Liabilities and Stockholders' Equity	\$ 1,075,042,842	\$ 568,790,967			

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended	Nine Months Ended	September 30,				
	2007	2007	2007	2007	September 30,	September 30,	
	September 30,	September 30,	September 30,	September 30,	2006	2007	
2006 Revenues, net of Commissions	\$ 33,955,704	\$ 28,358,830	\$ 89,202,283	\$ 76,254,265	Vessel		
Expenses	6,647,223	6,118,038	19,749,702	15,742,457	Depreciation and Amortization	7,241,927	
5,980,747	19,079,511	15,737,990	General and Administrative Expenses	1,570,980	1,266,905		
4,787,974	3,366,408	Non-cash Compensation Expense	120,614	3,076,699	3,504,193	5,768,355	
Gain on Sale of Vessel	—	—	(872,568)	—	Total Operating Expenses	15,580,744	
46,248,812	40,615,210	Operating Income	18,374,960	11,916,441	42,953,471	35,639,055	
Interest Expense	3,476,977	3,180,336	9,789,541	7,364,009	Interest Income	(603,912)	
(2,750,448)	(1,009,928)	Net Interest Expense	2,873,065	2,815,704	7,039,093	6,354,081	
Income	\$ 15,501,895	\$ 9,100,737	\$ 35,914,378	\$ 29,284,974	Weighted Average Shares Outstanding :		
	Basic	42,209,617	35,900,000	40,493,753	34,086,813	Diluted	
35,900,678	40,590,796	34,086,848	Per Share Amounts:			Basic Net Income	
0.25	\$ 0.89	\$ 0.86	Diluted Net Income	\$ 0.37	\$ 0.25	\$ 0.88	\$ 0.86
Paid	\$ 0.47	\$ 0.50	\$ 1.48	\$ 1.57			Cash Dividends Declared and

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EAGLE BULK SHIPPING INC.
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	Retained Earnings	Common					
Shares Common							
Shares							
Amount Additional							
Paid-In							
Capital Net Income Cash							
Dividends Accumulated							
Deficit Other							
Comprehensive							
Income Total							
Stockholders'							
Equity Balance at December 31, 2006	35,900,001	\$ 359,000	\$ 364,574,877	\$ 40,454,940	\$		
(86,390,500)	\$ (45,935,560)	\$ 2,577,624	\$ 321,575,941	Comprehensive Income:			
Net Income	— — — 35,914,378	— 35,914,378	— 35,914,378	Net Unrealized losses on			
change in derivatives	— — — — — — (5,729,593)	(5,729,593)	Comprehensive Income	— — —			
— — — — 30,184,785	Issuance of Common Shares, net of issuance costs	10,827,152	108,271				
233,859,856	— — — — 233,968,127	Cash Dividends	— — — — (58,771,405)	(58,771,405)			
— (58,771,405)	Non-cash Compensation	— — 3,504,193	— — — — 3,504,193	Balance at			
September 30, 2007	46,727,153	\$ 467,271	\$ 601,938,926	\$ 76,369,318	\$ (145,161,905)	\$	
(68,792,587)	\$ (3,151,969)	\$ 530,461,641					

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Nine Months Ended September 30,

2007 September 30,

2006 Cash Flows from Operating Activities:	Net Income	\$ 35,914,378	\$ 29,284,974	Adjustments to
Reconcile Net Income to Net Cash provided by Operating Activities:	Items included in net income not			affecting cash flows:
Depreciation	18,008,485	15,222,940	Amortization of Deferred Drydocking	
Costs	1,071,026	515,050	Amortization of Deferred Financing Costs	180,070 117,491
Amortization of Prepaid and Deferred Charter Revenue	3,240,000	2,435,500	Non-cash Compensation Expense	3,504,193
Gain on Sale of Vessel	(872,568)	—	Changes in Operating Assets and Liabilities:	
Accounts Receivable	(1,417,655)	(117,058)	Prepaid Expenses	(597,878) (1,086,031)
Payable	2,300,317	713,068	Accrued Interest	2,192,455 136,810
Drydocking Expenditures	(2,972,553)	(2,269,422)	Unearned Charter Hire Revenue	1,958,114
Net Cash Provided by Operating Activities	62,587,594	52,123,412	Cash Flows from Investing	
Advances for Vessel Construction	(265,089,166)	—	Purchase of Vessels and Improvements	
Proceeds from Sale of Vessel	12,011,482	—	Net Cash Used in Investing	
Cash Flows from Financing Activities:	Issuance of			
Common Stock	239,848,266	33,000,000	Equity Issuance Costs	(5,701,127) (1,784,436)
Borrowings	300,304,279	74,800,000	Repayment of Bank Debt	(12,440,000) —
Deferred Financing Costs	(402,180)	(1,018,807)	Cash Dividends	(58,771,405) (53,420,500)
Net Cash Provided by Financing Activities	462,037,833	51,676,257	Net	
Increase/(Decrease) in Cash	132,671,645	(1,312,940)	Cash at Beginning of Period	22,275,491
Cash at End of Period	\$ 154,947,136	\$ 23,213,588	Supplemental Cash Flow Information:	
Cash paid during the period for Interest (including Capitalized interest of \$2,296,435 in 2007 and Commitment Fees)	\$ 11,843,726	\$ 7,110,772		

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

The accompanying consolidated financial statements include the accounts of Eagle Bulk Shipping Inc. and its wholly-owned subsidiaries (collectively, the “Company”). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership and operation of dry bulk vessels. The Company’s fleet is comprised of Handymax bulk carriers and the Company operates its business in one business segment.

The Company is a holding company incorporated in 2005, under the laws of the Republic of the Marshall Islands and is the sole owner of all of the outstanding shares of the Republic of the Marshall Island incorporated wholly owned subsidiaries. The primary activity of each of the subsidiaries is the ownership of a vessel. The operations of the vessels are managed by a wholly-owned subsidiary of the Company, Eagle Shipping International (USA) LLC, a Republic of the Marshall Islands limited liability company.

The following table represents certain information about the Company’s revenue earning charters, as of September 30, 2007:

Vessel	Year	Built	Dwt	Delivered to	Charterer	Time Charter	Expiration(1)	Daily Time Charter
Hire Rate Cardinal	2004	55,408	June 21, 2007	May 2008 to August 2008	\$28,000	Condor(2)	2001	50,296
March 19, 2007	May 2009 to August 2009	\$20,500	Falcon(3)	2001	50,296	April 22, 2005	February 2008 to June 2008	\$20,950
Griffon	1995	46,635	March 18, 2007	March 2009 to June 2009	\$20,075	Harrier(4)	2001	50,296
June 21, 2007	June 2009 to September 2009	\$24,000	Hawk I	2001	50,296	April 1, 2007	April 2009 to June 2009	\$22,000
Heron (5)	2001	52,827	December 11, 2005	December 2007 to February 2008	\$24,000	Jaeger(6)	2004	52,248
July 12, 2007	July 2008 to September 2008	\$27,500	Kestrel I(7)	2004	50,326	July 1, 2006	December 2007 to April 2008	\$18,750
Kite	1997	47,195	August 11, 2007	September 2009 to January 2010	\$21,000	Merlin(8)	2001	50,296
October 26, 2005	October 2007 to December 2007	\$24,000	Osprey I(9)	2002	50,206	September 1, 2005	July 2008 to November 2008	\$21,000
Peregrine	2001	50,913	December 16, 2006	December 2008 to March 2009	\$20,500	Sparrow(10)	2000	48,225
January 27, 2007	December 2007 to March 2008	\$24,000	Tern (11)	2003	50,200	July 3, 2006	December 2007 to April 2008	\$19,000
Shrike (12)	2003	53,343	April 24, 2007	April 2009 to August 2009	\$24,600	Skua(13)	2003	53,350
June 20, 2007	May 2009 to August 2009	\$24,200	Kittiwake(14)	2002	53,146	June 27, 2007	May 2008 to August 2008	\$30,400

(1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter. (2) The charterer of the CONDOR has exercised its option to extend the charter period by 11 to 13 months at a time charter rate of \$22,000 per day. (3) Upon conclusion of the current charter, the FALCON commences a new time charter with a rate of \$39,500 per day for 21 to 23 months. The charterer has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$41,000. (4) The daily rate for the HARRIER is \$27,000 for the first year and \$21,000 for the second year. Revenue recognition is based on an average

daily rate of \$24,000.

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As of September 30, 2007, the Company has contracted for 31 vessels to be constructed. The following table represents certain information about the Company's newbuilding vessels and their employment upon delivery:

Vessel	Dwt	Year Built- Expected Delivery(1)	Time Charter Employment Expiration(2)	Daily Time Charter Hire Rate(3)	Profit Share	Crowned Eagle	56,000	Nov 2008	Charter Free	—	Crested Eagle	56,000	Feb 2009
				Charter Free	—	Stellar Eagle	56,000	Apr 2009	Charter Free	—	Golden Eagle	56,000	Jan 2010
				Charter Free	—	Imperial Eagle	56,000	Feb 2010	Charter Free	—	Wren	53,100	Aug 2008
				Charter Free	—			Feb 2012 to Dec 2018/Apr 2019	\$24,750				Feb 2012
					—				\$18,000	—			
													50% over \$22,000

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Vessel Dwt Year Built-
Expected

Delivery(1) Time Charter
Employment

Expiration(2) Daily Time
Charter Hire

Rate(3) Profit Share Woodstar 53,100 Oct 2008 Jan 2014

Jan 2014 to Dec 2018/Apr 2019 \$18,300
\$18,000 —

50% over \$22,000 Thrush 53,100 Sep 2009 Charter Free — Thrasher 53,100 Nov 2009 Feb 2016
\$18,400 — Feb 2016 to Dec 2018/Apr 2019 \$18,000 50% over \$22,000 Avocet 53,100 Dec 2009
Mar 2016 \$18,400 — Mar 2016 to Dec 2018/Apr 2019 \$18,000 50% over \$22,000 Bittern 58,000 Sep
2009 Dec 2014 \$18,850 — Dec 2014 to Dec 2018/Apr 2019 \$18,000 50% over \$22,000 Canary
58,000 Oct 2009 Jan 2015 \$18,850 — Jan 2015 to Dec 2018/Apr 2019 \$18,000 50% over \$22,000
Crane 58,000 Nov 2009 Feb 2015 \$18,850 — Feb 2015 to Dec 2018/apr 2019 \$18,000 50% over
\$22,000 Egret(4) 58,000 Dec 2009 Sep 2012 to Jan 2013 \$17,650 50% over \$20,000 Gannet(4) 58,000 Jan
2010 Oct 2012 to Feb 2013 \$17,650 50% over \$20,000 Grebe(4) 58,000 Feb 2010 Nov 2012 to Mar 2013
\$17,650 50% over \$20,000 Ibis(4) 58,000 Mar 2010 Dec 2012 to Apr 2013 \$17,650 50% over \$20,000 Jay
58,000 Apr 2010 Sep 2015 \$18,500 50% over \$21,500 Sep 2015 to Dec 2018/Apr 2019 \$18,000
50% over \$22,000 Kingfisher 58,000 May 2010 Oct 2015 \$18,500 50% over \$21,500 Oct 2015 to
Dec 2018/Apr 2019