

# ESEA Earnings Call Transcript

**Date: 2025-11-18**

**Quarter: 3**

Operator: Thank you for standing by, ladies and gentlemen, and welcome to Euroseas Conference Call on the Third Quarter 2025 Financial Results. We have with us today Mr. Aristides Pittas, Chairman and Chief Executive Officer, sir; and Mr. Anastasios Aslidis, Chief Financial Officer of the company. [Operator Instructions] I must advise you that this conference is being recorded today. Please be reminded that the company announced their results, the press release that has been publicly distributed. Before passing the floor over to Mr. Pittas, I would like to remind everyone that in today's presentation and conference call, Euroseas will be making forward-looking statements. These statements are within the meaning of the federal securities laws. Matters discussed may be forward-looking statements, which are based on current management expectations involve risks and uncertainties and may result in such expectations not being realized. I kindly draw your attention to Slide #2 of the webcast presentation, which has the full forward-looking statement. The same statement was also included in the press release. Please take a moment to go through the whole statement and read it. And now I would like to pass the floor over to Mr. Pittas. Please go ahead, sir.

Aristides Pittas: Good morning, ladies and gentlemen, and thank you for joining us today for our scheduled conference call. Together with me is Anastasios Aslidis, our Chief Financial Officer. The purpose of today's call is to discuss our financial results for the 3 and 9 months period ended September 30, 2025. Please turn to Slide 3 of the presentation for our quarterly financial results. For the first quarter of 2025, we reported total net revenues of \$56.9 million and the net income of \$29.7 million, or \$4.25 per diluted share. Adjusted net income for the quarter was \$29.6 million, or \$4.23 per diluted share. Adjusted EBITDA for the period was \$38.8 million. Please refer to the press release for a reconciliation of adjusted net income and adjusted EBITDA. Anastasios Aslidis will go over our financial highlights in more detail later on in the presentation. We are pleased to announce that our Board of Directors has declared another quarterly dividend of \$0.70 per share for the first quarter of 2025, payable on or about December 16 to shareholders of record as of December 9. Based on current price levels, the distribution reflects an annualized yield of approximately [indiscernible]. In addition, since launching our \$20 million share reverse plan in May 2022, we have repurchased 466,000 shares of our common stock in the open market for a total of approximately \$10.5 million. This plan was renewed in May 2025. We remain committed to utilizing this program thoughtfully and strategically deploying it well appropriately to support and enhance long-term shareholder value.

## Recent Developments & Fleet Status

Aristides Pittas: Now please turn to Slide 4 where we review our recent developments, including updates on our sales and per activity, chartering progress and operational highlights. During the third quarter, we completed the sale of motor vessel Marcos V for \$50 million. The vessel has delivered her new and affiliated donors on October 20, and we recorded an estimated gain of \$9.3 million on the transaction. On the employment front, we extended the charter for motor vessel Jonathan P for a minimum of 11 months and up to 12 months at a daily rate of \$25,000 per day. The earliest delivery under this contract in October 2026. Motor vessel Synergy Oakland was extended just yesterday for a further 36 months following the end of current charter at \$33,500 per day. Finally, also yesterday, our 4 new buildings, Motor vessels, Elena, Thylos, Nikitas G, Socrates Ch were chartered upon the

expected deliveries in second half '27 and first half '28 for the time period of 4 years at a daily rate of \$35,500 per day or a 5-year period at first \$2,500 per day at charterer's option, which is declarable by November 2026. Turning on to operations, the motor vessel Emmanuel P successfully completed its scheduled dry docking, resulting in an off-high period of approximately 39 days. As part of this repair, we installed energy saving devices that are expected to deliver fuel savings in excess of 20%. We experienced low rise or commercial of higher time during the Q3.

Aristides Pittas: Now please turn to Slide 5. Our current fleet on the water consists of 21 vessels of total carrying capacity of 61,000 TEU and an average age of about 12 years. This includes fixed intermediate vessels with a combined carrying capacity of 25,500 TEU and an average age of around 17 years as well as 15 feeder vessels with a combined carrying capacity of 35,600 TEUs and the other at the age of 8.4 years. In addition, we have 4 intermediate vessels under construction each with a capacity of 4,484 TEU. Two of these are expected to be delivered in the second half of 2027, while the remaining 2 in the first half of 2028, adding a further 17,000 TEU of capacity 12 fleets. On a fully delivered basis, our fleet will now grow to 25 vessels carrying capacity of approximately 78,300 TEU.

Aristides Pittas: Please turn to Slide 6 for a further update on our fleet employment. We continue to benefit from strong forward coverage, as you can see. For the first quarter of 2025, the 100% of our available days have already been secured and at an average rate of approximately 30,345 per day. Looking ahead in 2026, we have already covered 75% of our volume to date at an average rate of around \$1,300 per day. In 2027, Discovery stands at an even higher average rate of around \$33,500 per day. And even in 2028, it stands at 30% at an average rate of around \$35,000 per day. Our disciplined strategy provides us with high visibility of future cash flows, and will support the profitability within the next couple of years, if we -- even if the market was to correct certainly.

#### Market & Industry Overview

Aristides Pittas: Moving on to Slide 8, let's review the market highlights for the third quarter of 2025. Around the third quarter, 1-year time charters remained firm at elevated levels supported by tight vessel supply and limited availability. This environment encourages charters to secure for [indiscernible] cover early in the season. However, towards the end of the quarter, the freight market softened as concerns over ample supply and increased competition among carriers began to weigh on sentiment. By late September, the Sungai container freight index has declined to its lowest level in nearly 2 years. However, during October and early November, we witnessed the stabilization and even a strong uptick by 20%. The average secondhand price index rose by about 4.4% in the third quarter versus the second quarter supported by limited vessel availability, geopolitical tensions and strong buyer interest. Meanwhile, newbuilding prices remained stable quarter-over-quarter. With [indiscernible] gradual increase in prices relative to Chinese yards. Idle capacity continued to be practically nonexistent. Also recycling activity remains subdued with only 11 vessels totaling 6,000 TEUs scrapped year-to-date. [indiscernible] prices have dropped slightly to around \$425 per lightweight ton. Overall, the global fleet has expanded by a significant 6% year-to-date.

Aristides Pittas: Please turn to Slide 9 for our broader market overview, focusing on the development of 6- to 12-month time charter rates over the past 10 years. The slide illustrates the charter rates across all major containership segments remain significantly elevated compared to the 10-year medium levels. This [indiscernible] and more subacute elsewhere. U.S. growth is projected at 2% in 2025 and 2.1% in 2026, and modest the revision from model forecast reflecting smaller-than-expected effects from tariffs and more favorable financial conditions. In late October, the Federal Reserve reduced the market range for the [indiscernible] funds rate by 25 basis points, bringing it to 3.75% up to 4%. [indiscernible] has not loved out an additional rate cut [indiscernible] remain on hold as inflation remains too high, while the market schooling. It continues to show mixed signals. The broader outlook remains fragile with downside risks stemming from persistent uncertainty, potential protectionist measures and the ongoing labor market constraints. Among emerging markets, India is forecast to expand by 6.6% in 2025 and 6.2% in 2026, supported by strong domestic investment, resilient apiculture allow and the vibrant services sector. The ASEAN economy were also expected to post solid growth of around 4.2%

in 2025 and 4.1% in 2026, underpinned by healthy regional demand and continued industrial activity. [indiscernible] economic outlook is expected to remain positive but at a decelerating pace. [indiscernible] include a widening gap between industrial supply and weak domestic demand as well as ongoing trade tensions with the United States, including new tariffs and groups, export confirms and restrictions on high-tech goods. As a result, China's growth is projected to moderate to 4.8% in 2025 and 4.4% in 2026, reflecting a gradual slowdown following the front-loaded exports and remaining fiscal support. Despite these domestic headwinds, the Chinese economy is still being supported by strong excellent performance to regions such as Southeast Asia and India, along with a still resilient manufacturing sector. We analyze global growth data carefully as it affects directly trade volumes as a whole. Specific factors affecting trade, create slight fluctuations around GDP growth. On containerized trade, estimates demand growth for 2025 to expand by 3.2%, signaling a strong correlation with expected GDP growth. Parent forecasts though point to a dip to 0.7% growth in 2026, and a further decline of 6% in container trade growth in 2027. These expected decline largely reflects the writing of extraordinary routing patterns and temporary distances that boosted volumes in prior year. The influx of capacity recently order will probably, at some point, outpaced demand growth especially in geopolitical disruptions were to suddenly resolved that allows its turn to short-term more efficient groups.

Aristides Pittas: Turning on Slide 11, where you consider total fleet age container support book. The top left chart, the picture containership fleet is relatively young with most vessels under 15 years old and only 12% of the fleet over 20 years old. The top right chart shows the new deliveries as a percentage of the existing fleet, which are projected at 6.9% for 2025, 5.1% for 2026 and 8.3% for 2027, with actual fleet growth expected to be slightly lower due to slippage and future demolition activity. The bottom chart further, the order book continues to increase rapidly, reaching approximately 32% of the fleet as of November 2025.

Aristides Pittas: Turning on to Slide 12, we go over the fleet age profile and order book only for 6 in the 1,000 to 3,000 TEU range, which is quite different from the overall picture. As of November 2025, the order book for vessels below 3,000 TEU stands at a modest 8.1% of the fleet. According to Clarksons, deliveries in this size range remain limited with newbuilding additions projected returning 2.1% of the fleet in 2025, followed by 2% in 2026, 3.4% in 2027 and 2.7% in 2028 beyond. About half of the fleet is over 15 years old making them likely candidates for scrapping when the market corrects.

Aristides Pittas: Let's move to Slide 13 now to see the supply outlook for the 3,000 to 8,000 TEU segment, the other sector in which we currently operate. As of November 2025, the order book stands at 12% of the fleet, a modest level compared to the larger main classes. Meanwhile, the age profile of this segment is notably advanced with 27% of vessels over 20 years old and another 38% between 15 and 19 years. With a limited new building pipeline, net fleet growth in this segment is expected to remain contained if not become negative over the next few years.

Aristides Pittas: Moving on to Slide 14. This chart places those dynamics and perspectives across the entire containership sector. What stands out is the concentration of new building activity in the larger vessel classes. New Panamax and Post-Panamax vessels saw order books representing 40% to nearly 80% of their existing fleet, reflecting the significant capacity being [indiscernible] for the main lane play. By contrast, the feeder and intermediate segments have significantly smaller orders ranging from just 4% to 12%, depending on size even though a substantial portion of these fleets between 20% and 40% or already more than 20 years old. This widening gap between newbuilding activity in the large vessel segment and the limited replacement in smaller segment highlights why our core fleet remains structurally well positioned with minimal risk of oversupply.

Aristides Pittas: Now please turn to Slide 15. Turning to the container sector outlook. Conditions across the container shipping sector remain mix. [indiscernible] continue to hold firm supported in part by Red Sea rerouting, even if the [indiscernible] container ship rate index has steadily declined. Overall, charter rates remain [indiscernible] due to limited near-term supply and steady demand across most societies. In 2026, U.S. trade policy and broader geopolitical developments will be key drivers of trade volumes and route patterns. Recent tariff agreements raising from 10% to 50% have provided some short-term

stability with uncertainty around U.S.-China relations persists. Through 2025 was an epitome of this uncertainty. The U.S. port reason Chinese own control of big ships only for China to reciprocate and then within days, both these fees were put on ice following discussions between Mr. Trump and Mr. [indiscernible] at the end of October. Additionally, the recent ceasefire between Israel and [indiscernible] Hamas suggest potential easing of disruptions with the Red Sea. The shipping companies are adopting a cautious wait-and-see stance with no immediate [indiscernible] yet. In 2027, and on the back of the increased container ship ordering even for smaller vessels, if demand in terms of a mile doesn't surprise on the upside, the market may enter into a more challenging phase. Regarding energy transition, while it continues to be an important factor in the balance of container trade, the recent nonapproval of the IMO's net 0 framework has inevitably slowed the process substantially. Arguably, the compulsion was overambitious as technical targets and economic curves were [indiscernible] anyway and surmounted. Nevertheless, the process of transitioning to new more environmentally friendly fuels will continue, but hopefully in a more disciplined and realistic manner.

Aristides Pittas: Let's turn to the last slide of this section, Slide 16. The left-hand graph shows the cycle of the 1-year time charter rate for 2,500 TEU container ships over the past 10 years. As of November 14, 2025, the 1-year time charter rate stands at \$25,750 per day well above both historical leverages and medium. This robust rate environment is made in asset values as well. New building vessels are now valued at \$45 million compared with a 10-year \$35 million and an average of roughly \$36 million. Likewise, 10 year round second hand versus the currently valued at [indiscernible] million significantly higher than the 10-year median or \$14 million at the average of about \$20 million. In this environment, owners like us are generally reluctant to buy vessels at today prices, unless this can be combined with charters, which would bring the residual values down to more normalized prices. It is proving though that quite a few charters fearing the potential loss of market share and consequently, market relevance are providing such charters to smaller newbuilding vessels even with 2028 deliveries. Unfortunately, until this stops, we will continue to see the order book swelling, which obviously will eventually result in a lot of capacitating the market. And with that, I will pass the floor to our CFO, Anastasios Aslidis, to go over our financial highlights in further detail. Financial Review (Anastasios Aslidis)

Anastasios Aslidis: Thank you very much, Aristides retires. Good morning from me as well, ladies and gentlemen. Over the next 5 slides, I will give you my usual overview of our financial highlights for the quarter and the 9-month period of 2025 and compare them to the same periods of last year.

Anastasios Aslidis: For that, let's turn to Slide 18. For the third quarter of 2025, the company reported total net revenues of \$56.9 million, representing a 5.1% increase over total net revenues of \$54.1 million during the third quarter of last year. On a per vessel per day basis, our vessels earned a 10.7% higher average charter rate in the third quarter of this year compared to last year. We reported a net income for the period of \$29.7 million as compared to a net income of \$27.6 million for the third quarter of 2024. Total interest and other financing costs for the third quarter of 2025 amounted to \$3.7 million compared to \$4.2 million for the previous year, a figure of the previous year that does not include imputed interest income of about \$0.9 million, which is related to the self-financing of our predelivery payments for our new billing program. The decrease is due to the lower interest rate we paid in the third quarter of this year compared to last for our debt. Adjusted EBITDA for the third quarter of 2025 increased to \$38.8 million compared to \$36.1 million achieved during the third quarter of 2024, again, primarily due to the increase in revenue. Basic and diluted earnings per share for the third quarter of 2025 were \$4.27 and \$4.25, respectively, calculated on about \$7 million basic diluted weighted average number of shares outstanding compared to \$3.97 and \$3.95 basically diluted, respectively, for the same period of last year. The adjusted earnings per share for the quarter -- for the 3-month period ended September 30, 2025, which has been \$4.26 and \$4.23 basically diluted, respectively, adjusted for unrealized gains on derivatives compared to adjusted earnings of \$3.94 basic and \$3.92 diluted for the same period of last year.

Anastasios Aslidis: Let's now look at the numbers for the corresponding 9-month period ended September 30 and convert them. For the first 9 months of 2025, we reported total net revenues of \$170.5 million representing a 6.8% increase over total net revenues of \$159.6 million that we earned

during the first 9 months of last year mainly as a result of the higher number of vessels we owned and operated and higher average earnings that we had. We reported a net income for the period of \$96.5 million as compared to a net income of \$88.4 million for the first 9 months of last year. Total interest and other financing costs for the first 9 months of 2025 amounted to \$11.7 million, not including \$0.1 million of imputed interest income compared to \$10.7 million for last year, again, not including in that case, \$3.6 million of reported interest income. This increase is due to the increased amount of debt that we held on average during the respective 9-month period of this year compared to last, partly offset by the lower interest rates we paid. Adjusted EBITDA for the first 9 months of 2025 was \$115.2 million, compared to \$102.9 million for the first 9 months of last year, a 12% increase. Basic diluted earnings per share for the first 9 months of this year were \$13.90 and \$13.84, respectively, calculated again on approximately \$7 million, basically diluted weighted average number of shares outstanding compared to basic diluted earnings per share of \$12.75 and \$12.66 for the first 9 months of 2024, calculated again on approximately the same number of shares, about \$7 million. The adjusted earnings per share for the 9-month period ending September 30 of this year would be \$12.25 basic and \$12.19 diluted compared to \$11.57 basic and \$11.49 diluted for the same period of 2024.

Anastasios Aslidis: Let's now turn to Slide 19 to review our fleet performance. I will not go through the utilization rate figures as I did in the previous calls, and they are near 100%, but I will move [indiscernible] discuss the rest of the table. On others, in the third quarter of this year, 22 vessels were owned and operated, earning another time charter equivalent rate of \$29,284 per day compared to 23 vessels that we operated in the third quarter of 2024, earning an average of \$26,446 per day. Our total daily operating expenses including management fees, G&A; expenses, but excluding dry docking costs, were \*\*\$ 7,246 per vessel per day\*\* during the third quarter of this year compared to \$7,247 per vessel per day for the same period of 2024. If we move further down on this table, we can see the cash flow breakeven levels which take into account in addition to the above expenses, the drydocking expenses, interest expenses and loaner payments. Thus, for the third quarter of 2025, our daily cash flow breakeven level was \$13,073 per vessel per day compared to \$13,629 per vessel per day for the same period of last year. Below the breakeven line, you can see our dividend distribution expressed in dollars per vessel per day basis. And for the third quarter of this year, it amounted to \$2,410 compared to \$2,013 for the same period of 2024. Let's move now to discuss similar figures for the 9-month period, keeping again the discussion on the utilization rates. We can report that we own and operated an average of 22.6 vessels, during the first 9 months of 2025, earning an average time charter equivalent rate of \$28,735 per day, compared to 21.3 vessels that we own and operated in the same period of 2024 earning an average, \$28,624 per vessel per day. Our operating expenses, again, including management fees and G&A; expenses, averaged \$7,386 during the first 9 months of 2025, compared to \$7,452 per vessel per day for the same period of last year. Again, at the bottom of this table, you can see the breakeven level, the cash flow breakeven level, which includes, as we said, interest expenses, dry docking expenses and loan repayments, excluding Baluch, and that was \$13,833 per vessel per day compared to \$14,743 for the same period of last year.

Anastasios Aslidis: And finally, I will not go through the dividend that we paid in the 9 months expressed in dollar per day basis. Let's now turn to Slide 20. We reduced this slide this time around to provide a better perspective of the depth of our contract coverage especially in light of the recent forward charters concluded that Aristides mentioned in the beginning of the presentation. The table zone present the development of our fleet ownership days over the period -- over the next 2 years to 2026 to 2028 at an estimated breakdown of how many days are available for hire and how many days are already contracted. It incorporates assumptions about delivering dates for vessels under construction, scrapping days for older ships, estimate dry docking timing and duration, utilization rate, assumption going forward, we used a quite conservative one of 98% and estimates for contracted dates and average contractor grade. Please note that the data in this table is only estimates that we use for our modeling purposes for future time charter equivalent revenues and the actual figures will be different. But still, I hope this can provide some appreciation of our revenue and earnings visibility. As Aristides mentioned earlier, our contract coverage currently stands for 75% for 2026, 52% for 2027 and 29% for

2028. Average contracted rates are, respectively, 31,300, 33,500, and 35,500 for each of the 3 years. Here, if one makes an assumption about the average rate that are uncontracted days will learn, one can easily come up with an estimate of our overall revenues for the respective year. I hope this helps our investors and analysts that cover us in their own analysis of our future profitability.

Anastasios Aslidis: Let's now move to Slide 21 to review our debt profile. As of September 30, 2025, our total outstanding bank debt stood at about \$224 million with an average interest rate margin of about 2% which based on a 3-month off rate of 3.87% results in the cost of our debt of about 5.9% which is well within the prevailing gains for our segment and peers. For the fourth quarter of 2025, we expect loan repayments of approximately \$5.4 million with no balloon payments during the remainder of the year, which accordingly, we reduce our year-end balance. In 2026, scheduled loan repayments amount to approximately \$19.5 million, again with no volume payments during the year. In 2027, we expect [indiscernible] of about \$16.8 million, together with a \$20 million balloon payment making total scheduled repayments for 2027 to approximately \$36.8 million. Similarly, we can see in the chart, the scheduled payments for the period 2028 to 2030. At the end of 2030, the remaining outstanding debt, assuming no [indiscernible] financing of our current debt would be about \$76 million. This calculation here does not include debt we expect to draw to finance the construction of our 4 new buildings, debt which we estimate to be in the range of \$140 million to \$150 million. At the bottom of this slide, as always, we show our cash flow breakeven estimate for the next 12 months, broken down by its key components. On this basis, our total cash flow breakeven level for the next 12 months stands at approximately \$12,000 per vessel per day, a level well below the ends of our fleet. In making the comparison, we are the ends of our fleet, one can really appreciate the cash flow generation potential that our vessels provide.

Anastasios Aslidis: To sum up my presentation here, let's move to Slide 22 to review some highlights from our balance sheet. As of September 30, 2025, cash and other cash -- other current assets in our balance sheet totaled approximately \$126.4 million. We have already made \$35.9 million of advances for our newbuilding program. And we had also on our asset side, the book value of our vessels including Marcos B, which as [indiscernible] was held for sale, which stood at about \$512.5 million, for a total book value of our assets of about \$675 million. On the liability side, as I mentioned in the previous slide, we had debt amounting to \$224 million. Other liabilities for about \$24 million, resulting in book shareholders' equity of roughly \$427 million. However, the market value of our fleet, it's charter -- adjusted market value for our vessels, is significantly higher than their book value. According to our latest estimates, our fleet is valued approximately \$680 million, which translates into a net asset value for our company of about \$595 million or roughly almost \$85 per share. With our last closing price and the recent trading rates of around \$60 per share, our stock trades is at almost a 30% discount to its charter adjusted net asset value.

Aristides Pittas: And with that, let me pass the floor back to Aristides to continue our call.

Aristides Pittas: Thank you, Anastasios. Let me open up the floor for any questions we may have. .

Operator: [Operator Instructions] Our first question is from Mark Reichman with NOBLE Capital Partners.

Mark La Reichman: There's just really 2 areas I wanted to focus on. The first is -- what are your expectations for the scheduled off-hire days for the fourth quarter and the remainder of 2026. I mean if I look at your slide deck, it seems like that you're anticipating very light dry-docking schedule, at least over the next 12 months. So just a little clarity there would be appreciated.

Anastasios Aslidis: I think this is correct. We have not many dry dockings over the next 12 months. And the -- our -- likely of high for Q4 as in the previous quarter, almost 0. And for modeling purposes, what I saw on this new slide 20, we use a 2% [indiscernible] in of hire just to model it. But typically, we run our fleet north of 99% utilization rate. .

Mark La Reichman: Okay. So if they were 39 days in the third quarter, do you think that the fourth quarter would be lower than that? If you've got 0 in terms of order.

Anastasios Aslidis: In terms of scheduled dry docks, I think we don't have any scheduled dry docks in the fourth quarter to the best of my top of my head. We have all signing water surveys. .

Mark La Reichman: Okay. And so surveys. I mean, I think in the third quarter, the number of days came maybe in a little higher than what we were expecting. But we might have just had a special survey built in. But I mean, do you think it would be greater than 5 or 10 days for the fourth quarter?

Anastasios Aslidis: It's hard to, I would say -- yes. Not even. But in the third quarter, we had a mine that underwent dry docking. We have no scheduled dry docks in the fourth and the next scheduled dry dock will be in the third quarter of next year to the best of my understanding. .

Mark La Reichman: Okay. Tasos. And the second area is so if containership ordering has accelerated even in the smaller sector, which could increase supply, you've mentioned that you think that could pressure rates from 2027 on you're pretty well covered in 2027 with 52% locked in. But I mean if we look at your Slide 9 where you're showing kind of the rates and you can kind of see that the rates are above the average. And then if you take into consideration that the rerouting, if that kind of settles back that you're kind of expecting maybe a the potential for rates to decline into 2027, 2028. But I was just kind of curious, I wanted to focus on that Slide 9, if I could, because I see the averages and the medians, it seems to me median is pretty severe. I mean I would probably look at it by taking the standard deviation of the rates and maybe putting a plus 1, minus 1 standard deviation around the average. But I mean, you're also looking at a couple kind of a time series here. And so if we're looking at different regime ships. If you were to plant a flag and say 2020, what differences do you see in the market, pre-2020 and maybe the last 10 years versus the next 10 years. I mean, I think you're looking at an aging fleet. You're looking at increasing environmental standards. So obviously, the fleet is going to get replenished. Rates could probably go up based on the newer vessels, efficiencies could go down -- or could go up as you've got more fuel-efficient vessels. So you're -- your costs could come down. But I was just kind of just kind of flesh that out a little bit in terms of your expectations? And are there differences in the overall market? I mean, is it too simplistic to kind of look at this slide from 2015 to 2025 and draw conclusion? Or are there some other factors that may have a bearing on rates going forward.

Aristides Pittas: The main reason why years 2015 to 2020, the markets were very low, as you can see, if we're looking at this decade is that there was a huge order book nearly 100% back in 2007 and 2008 that got delivered. So we had a fee oversupply of vessels which was the reason why charter rates for between 2015 and 2020 were extremely low. And then of course, we had the pandemic with the consequent significant increase in tonne miles for vessels, which resulted in this huge boom that we witnessed during the pandemic. And then the market started to correct after the pandemic and rates dropped again to a much more reasonable level. And then we had the war between Palestine and Israel, which closed the Suez Canal and resulted in the increase in the market that we have seen. These are the 3 main factors. Of course, there's so many other things that play around that. But these are the 3 main factors where we are -- where we are I don't think that we can see rates again as low as what we see -- we saw between '15 and '20, but we are shipping. But I don't think you can see that also for one additional reason that there has been quite significant inflation resulting in prices of newbuilding ships increasing substantially over the last 5 to 6 years. So if new building ships cannot become much cheaper because the shipyards will be losing money. They place kind of a floor for secondhand values as well. So it's a very difficult equation and it's extremely difficult to predict. That's why ....

Mark La Reichman: But it's not unreasonable to expect that the rates would -- could be higher than, say, your average this average going forward, never told day in the shipping market. So there's probably going to be some volatility. But looking ahead and your breakeven rate is actually pretty -- you have a pretty good cost structure. So I don't know. I just -- just extending this back to 2015 and anyway, that's very helpful. It gives -- it provides a little perspective on the forward numbers.

Aristides Pittas: It gives us a bit of color on what has happened, but to predict what will happen is so much more difficult. Yes.

Anastasios Aslidis: Another indication Mark of what the market thinks is the charters we just concluded. Obviously, in these were levels we've seen in the market the market believes that the \$35,000 per day roughly that we booked our ships for the 4,400 TEU plus is a level that would be okay to lock yourself in for 4 years, 2 years out from now. So that might be an indication that the 54 might be -- I mean, this is a market opinion. I guess, the counterpart opinion willing buyer, willing seller type of thing that might provide some other insights, I guess. .

Operator: Our next question is from Tate Sullivan with Maxim Group.

Tate Sullivan: I mean you gave a lot of good descriptions on why you're willing to book your newbuilds well forward. I mean at a longer time line to delivery than most -- almost all your other newbuilds, I think. But can you talk the charters willingness to book the ships that far forward. Have you -- I mean is it to avoid sudden spikes in the market like they had post-COVID? I would love to hear your thoughts on that, please? .

Aristides Pittas: As we said, the fleet of the below 6,000 TEU is a very old fleet, right? 25% is older than 20 years is older than 15 years. We are seeing this aging fleet in the smaller sizes. And the charterers are competing amongst them to have those ships because they know that these ships are needed to trade is increasing continuously. The big ships get full. But then field. But then you need the smaller ships to do the regional trade. So I think we are seeing this potential lack of sales and racing to secure tonnage.

Tate Sullivan: Or do you get any market indications if they're willing to book such long-term contracts that they have dormant vessels that are sitting in ports waiting for voyages at all in the current market?

Aristides Pittas: No, because the current market is a market of full employment, okay? There might be some delays and some waiting times, small waiting times, occasionally due to the various reroutings that are happening. But no, the market is full.

Tate Sullivan: Okay. I mean your news and commentary echoes some recent news in the sector to Tassos remaining newbuild commitments for the new ships, 4 new ships. I think you of your -- what you have already funded. So is your remaining commitment about \$200 million -- is that fair?

Anastasios Aslidis: Yes, correct. I think the contracted prices in total are approximately \$240 million. And as I mentioned, we have made payments amounting to about \$36 million or so. So roughly \$200 million are remaining to be paid.

Tate Sullivan: And then maybe one installment payments every -- one installment payment every year or 2 every year .

Anastasios Aslidis: I think the next payment is when there is the steel cutting which should be about 12 months roughly before the delivery of the ship. So in middle of next year, we'll start making additional 10% payments. So there would be, I think, there will be 3 more 10% payments before the final payment. .

Operator: Our next question is from Clement Molins with Value Investor's Edge.

Clement Molins: Most has already been covered, but I wanted to delve a bit into your fleet positioning. You have a clearly dated fleet between legacy and modern tonnage. -- considering you recently fixed for new Wilson order at solid rates. Is there any appetite towards the additional tonnage alongside long-term contracts? Or are you comfortable with your current positioning?

Aristides Pittas: So there is always a possibility to order something. We are looking at various possibilities. I don't know if something will develop or not. But obviously, having secured these last 4

vessels gives us significant safety and comfort to look at potentially doing something more. .

Climent Molins: Makes sense. And final question from me. Pro forma for the sale of the Marcus 5 and even when including the CapEx on the new builds, you're sitting in a solid financial position. Is there a medium-term leverage target you plan to meet going forward? Or is it, let's say, a moving target?

Aristides Pittas: [indiscernible]. But generally, our strategy is to have leverage around 50%. And we moved 10%, 15% above or 10% 15% below depending on certain stances and timing in the market. We believe that a decent leverage in a business that is making more than 6%, which is our cost of capital of that, so. it makes sense to have some leverage, if you can earn more than 6%, which is what we believe that historically we do. . On the other hand, we never want to be too exposed because we know what happens in a bad market, and we've lived through bad markets through our careers. So we don't want to overleverage. So I think that gives you guidance about our general leverage strategy.

Operator: Our final question is from Poe Fratt with Alliance Global Partners.

Unknown Analyst: Just do math on the delivery payments I'm calculating in the second half of 2027, you're going to owe about \$65 million on the first 2 newbuilds. And then in the first half of '28, you're going to owe about or have to pay about \$65 million in -- for the last 2 newbuilds. Is that correct?

Anastasios Aslidis: That's probably right. I think you should you should think of something like 55% of the contract price to be paid in the year of the delivery in the half year of the delivery. So something like \$65 million for the first pair and \$ 65 million for the second pair sounds right. .

Unknown Analyst: Yes. That's what I was guessing. And then just a nitpicky one. How did you decide to offer the charter the 1-year option after the fourth year, if you look at the way that the time charters are structured on the 4 new builds, 4 years at 35.5% and then years at 32.5%. It seems like you're giving up a lot on that last year of extra coverage. Can you just talk about that?

Anastasios Aslidis: I think they were -- we were discussing with charter various options of triclinal ships from 3 years to 5 years, and there were different combinations of rates and durations. And we ended up [indiscernible] that will focus on the 4-year duration of \$35, 500, but they ask to have the option to extend or the other -- the 5-year deal. So they have a year to decide about that. That implies a rate of around -- of low 20s for the fifth year if you compare 4 years 35, and 5 years, 22.5%, the implied rate for the fifth year, if you keep the first 4 years and 35.5%, it's around in the low 20s. So we felt that was an appropriate trade-off to make. .

Unknown Analyst: Yes. I had calculated \$20,500. And then on your Slide 20, it seems like you're implying that the fleet will -- even with the new builds coming into the fleet will decline in '26 and '27 and '28. Can you just talk about your strategy on selling some of the older assets, mainly the feeders that don't have as much contract cover?

Anastasios Aslidis: So let me take that. We are taking a very conservative approach that the market may decline significantly. And. We will need to -- instead of passing the special survey of our 2 older vessels, we will decide to scrap them This, of course, is the lowest possible value, but we are being very conservative in our projections. .

Unknown Analyst: And just to get granular, it looks like the and the Jonathan P would be the 2 scrapping candidates if the market does do what you think it is going to do?

Anastasios Aslidis: One vessels [indiscernible] in our fleet. .

Operator: With no further questions, I would like to turn the conference back over to management for closing remarks.

Aristides Pittas: Thank you very much, everybody, for listening in. We will be back to you at the beginning of the year with the full year results. Thank you.

Anastasios Aslidis: Thank you. This will conclude today's conference. You may disconnect at this time, and thank you for your participation.