Eagle Bulk Shipping Inc.
Form 10-K
March 12, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2017

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 001-33831

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.)

300 First Stamford Place, 5th Floor	
Stamford, Connecticut	06902
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 276–8100

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share
(Title of Class)

The Common Stock is registered on the Nasdaq Stock Market LLC
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer
Non-Accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provide pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2017, the last business day of the registrant's most recently completed second quarter, was approximately $178,082,636 based on the closing price of $4.73 per share on The Nasdaq Global Select Market on that date. (For this purpose, all outstanding shares of common stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain shareholders of the registrant holding above 10% of the outstanding shares of common stock; without conceding that any of the excluded parties are "affiliates" of the registrant for purposes of the federal securities laws.)

As of March 9, 2018, 73,090,233 shares of the registrant's common stock were outstanding.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2018 annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2017, are incorporated by reference into Part III of this Annual Report on Form 10-K for the registrant's fiscal for the year ended December 31, 2017.

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References in this Annual Report on Form 10-K (this “Form 10-K” or “Annual Report”) to “we,” “us,” “our,” “Eagle Bulk,” th “Company” and similar terms all refer to Eagle Bulk Shipping Inc. and its subsidiaries, unless otherwise stated or the context otherwise requires. References to "Predecessor" refer to the Company between period January 1, 2014 and October 15, 2014 and prior. References to "Successor" refer to the Company on or after October 16, 2014,

A glossary of shipping terms (the “Glossary”) that should be used as a reference when reading this Annual Report can be found immediately prior to Item 1A. Capitalized terms that are used in this Annual Report are either defined when they are first used or in the Glossary.

All dollar amounts are stated in U.S. dollars unless otherwise stated.

Effective as of the opening of trading on August 5, 2016, the Company completed a 1 for 20 reverse stock split (the “Reverse Stock Split”) of its issued and outstanding shares of common stock, par value $0.01 per share, as previously approved by the Board of Directors and shareholders. Proportional adjustments were made to the Company’s issued and outstanding common stock and to its common stock underlying stock options and other common stock-based equity grants outstanding immediately prior to the effectiveness of the Reverse Stock Split as well as the applicable exercise price. In addition, proportional adjustments were made to the number of shares of common stock issuable upon exercise of outstanding warrants and to the exercise price of such warrants, pursuant to the terms thereof. No fractional shares were issued in connection with the Reverse Stock Split, and shareholders who would have received a fractional share of common stock in connection with the Reverse Stock Split instead received a cash payment in lieu of such fractional share. All references to common stock and all per share data for the Successor contained in this 10-K have been retrospectively adjusted to reflect the Reverse Stock Split unless explicitly stated otherwise. Please see “Note 1 to the consolidated financial statements”.

Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as “believe,” “estimate,” “project,” “intend,” “expect,” “plan,” “anticipate,” and similar expressions in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements reflect management's current expectations and observations with respect to future events and financial performance.

Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. The principal factors that affect our financial position, results of operations and cash flows include, charter market rates, which have declined significantly from historic highs, periods of charter hire, vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars, depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives, and financing costs related to our indebtedness. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel newbuilding orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union (the “EU”) or by individual countries; (iv) actions taken by regulatory authorities including without limitation the U.S. Treasury

Department’s Office of Foreign Assets Control (“OFAC”); (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry docking costs); (x) significant deteriorations in charter hire rates from current levels or the inability of the Company to achieve its cost-cutting measures; and (xi) the outcome of legal proceeding in which we are involved; and other factors listed from time to time in our filings with the Securities and Exchange Commission (the “SEC”). This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of this data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this Annual Report. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I
ITEM 1. BUSINESS

Overview and Recent Developments

We are Eagle Bulk Shipping Inc., a Marshall Islands corporation incorporated on March 23, 2005 and headquartered in Stamford, Connecticut. We own one of the largest fleets of Supramax/Ultramax dry bulk vessels in the world. Supramax/Ultramax dry bulk vessels are equipped with cargo-handling cranes and grabs and range in size from approximately 50,000 to 65,000 dwt. Supramax/Ultramax ships are considered a sub-category of the Handymax carriers; typically defined vessels between 40,000 and 65,000 dwt in size. We transport a broad range of major and minor bulk cargoes, including but not limited to coal, grain, ore, petcoke, cement and fertilizer, along worldwide shipping routes. As of December 31, 2017, we owned a modern fleet of 47 Supramax/Ultramax dry bulk vessels and had one vessel on long term time charter with approximately four years remaining. In addition, the Company charters-in third-party vessels on a short to medium term basis.

We are focused on maintaining a high quality fleet that is concentrated primarily in Supramax/Ultramax dry bulk vessels. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 72,000 to 83,000 dwt and rely on port facilities to load and discharge their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax/Ultramax class vessels make them attractive to cargo interests and vessel charterers. The 47 vessels in our operating fleet, with an aggregate carrying capacity of 2,683,751 dwt, have an average age of 8.2 years as of December 31, 2017.

Refinancing

On December 8, 2017, the Company, through certain of its wholly-owned subsidiaries, completed a refinancing of approximately $265,000,000 under (i) that certain Amended and Restated First Lien Loan Agreement, dated as of March 30, 2016, made by, among others, Eagle Shipping LLC (“Eagle Shipping”), a wholly-owned subsidiary of the Company, as borrower, the banks and financial institutions party thereto and ABN AMRO Capital USA LLC, as security trustee and facility agent (the “First Lien Facility”) and (ii) that certain Second Lien Credit Agreement, dated as of March 30, 2016, made by, among others, Eagle Shipping, as borrower, the individuals and financial institutions party thereto and Wilmington Savings Fund Society, FSB as second lien agent (the “Second Lien Facility”), through (a) a new credit facility of $65,000,000 (the “New First Lien Facility”), by and among Eagle Shipping, as borrower, certain wholly-owned vessel-owning subsidiaries of Eagle Shipping, as guarantors (the “Guarantors”), the lenders thereunder (the “Lenders”), the swap banks party thereto, ABN AMRO Capital USA LLC, as facility agent and security trustee for the Lenders, ABN AMRO Capital USA LLC, Credit Agricole Corporate and Investment Bank and Skandinaviska Enskilda Banken AB (publ), as mandated lead arrangers, and ABN AMRO Capital USA LLC, as arranger and bookrunner, and (b) the issuance by Eagle Bulk Shipco LLC (“Shipco”), a company existing under the laws of the Republic of the Marshall Islands and a wholly-owned subsidiary of the Company, of $200,000,000 in aggregate principal amount of 8.250% Senior Secured Bonds 2017/2022 (the “Norwegian Bond Debt”), pursuant to those certain Bond Terms, dated as of November 22, 2017, by and between Shipco, as issuer, and Nordic Trustee AS, a company existing under the laws of Norway (the “Bond Trustee”). In addition, Shipco entered into a $15,000,000 Super Senior Revolving Facility Agreement (the “Super Senior Facility”), by and among Shipco, as borrower, and ABN AMRO Capital USA LLC, as original lender, mandated lead arranger and agent.

Corporate Reorganization

In connection with the refinancing transactions, the Company consummated an internal reorganization. As part of the internal reorganization, Eagle Shipping transferred ownership of certain wholly-owned vessel-owning subsidiaries to

Shipco, such that Shipco became the parent to twenty eight vessel-owning subsidiaries and Eagle Shipping became the parent to nine vessel-owning subsidiaries. The Norwegian Bond Debt is secured by twenty eight Shipco Vessels and the New First Lien Facility is secured by nine Eagle Shipping Vessels. Additionally, as a result of the internal reorganization, all management and technical services are now conducted by Eagle Bulk Management LLC, a limited liability company existing under the laws of the Republic of the Marshall Islands and a direct, wholly-owned subsidiary of the Company, and its subsidiaries, which maintains its principal executive office in Stamford, Connecticut.

Vessel Acquisitions

On February 28, 2017, Eagle Bulk Ultraco LLC ("Ultraco"), a wholly-owned subsidiary of the Company, entered into a framework agreement with Greenship Bulk Manager Pte. Ltd., as Trustee-Manager of Greenship Bulk Trust, a Norwegian OTC-listed entity (the "Greenship Sellers"), for the purchase of nine modern sister vessels (the "Greenship Vessels") built

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between 2012 and 2015(the "Greenship Purchase Agreement"). The aggregate purchase price for the nine Greenship Vessels was $153.0 million. The allocated purchase price for each Greenship Vessel was $17.0 million. The Company took delivery of all nine Greenship Vessels prior to December 31, 2017.

On December 19, 2017, the Company signed a memorandum of agreement to purchase a 2015 built Ultramax vessel for $21.275 million. As of December 31, 2017, the Company paid a deposit of $2.2 million for that vessel which was delivered in the first quarter of 2018.

Ultraco Debt Facility

On June 28, 2017, Ultraco entered into a credit agreement (the “Ultraco Debt Facility”), by and among Ultraco, as borrower, certain wholly-owned vessel-owning subsidiaries of Ultraco, as guarantors (the “Ultraco Guarantors”), the lenders thereunder (the “Ultraco Lenders”), the swap banks party thereto, ABN AMRO Capital USA LLC, as facility agent and security trustee for the Ultraco Lenders, ABN AMRO Capital USA LLC, DVB Bank SE and Skandinaviska Enskilda Banken AB (publ), as mandated lead arrangers, and ABN AMRO Capital USA LLC, as arranger and bookrunner. The Ultraco Debt Facility provides for a multi-draw senior secured term loan facility in an aggregate principal amount of up to the lesser of (i) $61,200,000 and (ii) 40% of the lesser of (1) the purchase price of the nine Greenship Vessels to be acquired by Ultraco and the Ultraco Guarantors pursuant to a previously disclosed framework agreement, dated as of February 28, 2017, with Greenship Bulk Manager Pte. Ltd., as Trustee-Manager of Greenship Bulk Trust, and (2) the fair market value of the Greenship Vessels. The proceeds of the Ultraco Debt Facility were used for the purpose of financing, refinancing or reimbursing a part of the acquisition cost of the Greenship Vessels.

On December 29, 2017, Ultraco, a wholly-owned subsidiary of the Company entered into a First Amendment (the “First Amendment”) to the Ultraco Debt Facility to increase the commitments for the purpose of financing the acquisition of an additional vessel by New London Eagle LLC, a wholly-owned subsidiary of Ultraco and additional guarantor under the Ultraco Debt Facility. The increase in the commitments was $8,600,000. Ultraco took delivery of the vessel in January 2018 and drew down $8.6 million.

As of December 31, 2017, the Company has drawn $61.2 million under the Ultraco Debt Facility.

Equity Offering

On December 13, 2016, the Company entered into a Stock Purchase Agreement with certain investors (the “Investors”), pursuant to which the Company agreed to issue to the Investors in a private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act (the “December Private Placement”) approximately 22.2 million shares of the Company’s common stock, par value $0.01 per share, at a purchase price of $4.50 per share, for aggregate gross proceeds of $100.0 million. On January 20, 2017, the Company closed the December Private Placement for aggregate net proceeds of $96.0 million. The Company principally used the proceeds to acquire eleven Ultramax vessels during 2017.

Management of Our Fleet

Eagle Bulk, through wholly-owned subsidiaries performs commercial, technical, operational and strategic management of our fleet in-house.

Our Competitive Strengths and our Business Strategy

We believe that we have a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry, including:

- A large and homogeneous fleet of Supramax/Ultramax dry bulk vessels. We own and operate one of the largest Supramax/Ultramax fleets in the world. As of December 31, 2017, our owned-fleet totaled 47 vessels, supplemented by chartered-in vessels. We view the Supramax/Ultramax segment, as being the most attractive within the dry bulk shipping industry due to their:

  Increased operating flexibility;
  Optimal size and hence ability to access more ports; and
  Ability to carry a more diverse range of cargoes.
  Low order book.

- A modern, high quality fleet. The 47 Supramax/Ultramax vessels in our operating fleet as of December 31, 2017 had an average age of approximately 8.2 years. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing employment for our vessels. Our fleet was built to high standards at leading Japanese and Chinese shipyards.

- A fleet of sister and similar ships allows us to maintain low cost and highly efficient operations. Our current owned fleet of 47 vessels includes five identical sister ships built at the Mitsui shipyard based on the same design specifications, two sets of three and 17 identical sister ships built at Dayang shipyard, five identical sister ships built at IHI Marine United shipyard, and three similar ships built at the Oshima shipyard that use many of the same parts and equipment. Furthermore, the nine vessels we purchased from Greenship and the New London Eagle which we purchased in December, 2017 are all of the Crown-63 design with similar or identical specification, all built by Sinopacific Shipbuilding Group at the Dayang Shipyard, and Zhejiang Shipyards. Operating sister and similar ships provides us with economies of scale, operational and scheduling flexibility, efficiencies in employee retention and training and lower inventory and maintenance expenses. We believe that this should allow us to increase revenue and lower operating costs. We intend to actively monitor and control vessel operating expenses while maintaining the high quality of our fleet through regular inspection and maintenance programs.

- Balanced charter program. Under the new management team, the Company transitioned to an active operating model where it strategically enters into a higher percentage of voyage charters and developing contractual relationships directly with cargo interests. In 2017, 39% of the charters were on a voyage basis, as compared to 35% in 2016 and 6% in 2015. Voyage charters and contracts of affreightment and the relationships with actual users (shippers, receivers and traders) have what we believe to be the dual benefit of providing greater operational efficiencies and can act as a balance to the Company’s naturally long position to the market. Notwithstanding the focus on voyage chartering, the Company consistently monitors the dry bulk shipping market and, based on market conditions, will consider entering into long-term time charters at when appropriate.

- Expand our fleet through selective acquisitions of dry bulk vessels. Depending on market conditions, we intend to acquire additional modern, high quality vessels through timely and selective acquisitions in a manner that is accretive to our cash flows. We expect to focus primarily in the Supramax and Ultramax segment. While not a priority, we may also consider acquisitions of other sizes of dry bulk vessels.

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Our Fleet

Our operating fleet of 47 vessels is fitted with cargo cranes and cargo grabs that permit our vessels to load and unload cargo in ports that do not have shore-side cargo handling infrastructure in place. Our vessels are flagged in the Marshall Islands. Our vessels are all employed on time and voyage charters. Our operating fleet as of December 31, 2017 included the following vessels:

Vessel	Class	Dwt	Year Built
Avocet	Supramax	53,462	2010
Bittern	Supramax	57,809	2009
Canary	Supramax	57,809	2009
Cardinal	Supramax	55,362	2004
Condor	Supramax	50,296	2001
Crane	Supramax	57,809	2010
Crested Eagle	Supramax	55,989	2009
Crowned Eagle	Supramax	55,940	2008
Egret Bulker	Supramax	57,809	2010
Fairfield Eagle	Ultramax	63,301	2013
Gannet Bulker	Supramax	57,809	2010
Greenwich Eagle			