

Eagle Bulk Shipping Inc.
Form 10-Q
May 10, 2016

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 March 31, 2016

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**

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 **X** NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 **X** NO

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" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer ___ Accelerated Filer **X** Non-accelerated Filer ___ Smaller reporting company ___

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

YES ___ NO **X**

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

Common Stock, par value \$0.01 per share 45,713,023 shares outstanding as of May 10, 2016.

TABLE OF CONTENTS

	<u>Page</u>
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015	F-1
Condensed Consolidated Statements of Operations for the three months ended March 31, 2016 and 2015	F-2
Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2016 and 2015	F-3
Condensed Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2016	F-4
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015	F-5
Notes to Condensed Consolidated Financial Statements	F-6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1
Item 3. Quantitative and Qualitative Disclosures about Market Risks	12
Item 4. Controls and Procedures	13
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 1A. Risk Factors	13
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	13
Item 3. Defaults upon Senior Securities	13
Item 4. Mine Safety Disclosures	14
Item 5. Other Information	14
Item 6. Exhibits	14
Signatures	15

Part 1 : FINANCIAL INFORMATION**Item 1 : Financial Statements****EAGLE BULK SHIPPING INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015****(UNAUDITED)**

	March 31, 2016	December 31, 2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 16,768,574	\$ 24,896,161
Accounts receivable	7,096,206	7,076,528
Prepaid expenses	2,633,930	3,232,763
Inventories	5,596,345	5,574,406
Other assets	112,486	245,569
Total current assets	32,207,541	41,025,427
Noncurrent assets:		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$58,027,166 and \$49,148,080, respectively	719,026,871	733,960,731
Other fixed assets, net of accumulated amortization of \$183,670 and \$159,827, respectively	592,970	220,509
Restricted cash	141,161	141,161
Deferred drydock costs	11,928,415	11,146,009
Other assets	117,113	109,287
Total noncurrent assets	731,806,530	745,577,697
Total assets	\$764,014,071	\$786,603,124
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,411,500	\$ 8,216,473
Accrued interest	327,283	401,232
Other accrued liabilities	10,798,848	10,827,075
Fair value below contract value of time charters acquired	820,313	1,283,926
Unearned charter hire revenue	2,144,022	1,560,402
Current portion of long-term debt	-	15,625,000
Total current liabilities	25,501,966	37,914,108
Noncurrent liabilities:		
First Lien Facility, net of debt issuance costs	193,591,587	225,577,491
Second Lien Facility, net of debt issuance costs	59,795,481	-
Other liabilities	720,915	672,941
Fair value below contract value of time charters acquired	4,511,717	4,094,122
Total noncurrent liabilities	258,619,700	230,344,554
Total liabilities	284,121,666	268,258,662

Commitments and contingencies

Stockholders' equity:

Common stock, \$.01 par value, 150,000,000 shares authorized, 45,091,578 and 37,666,059 shares issued and outstanding, respectively	450,916	376,661
Additional paid-in capital	678,565,852	677,813,494
Accumulated deficit	(199,124,363)	(159,845,693)
Total stockholders' equity	479,892,405	518,344,462
Total liabilities and stockholders' equity	\$764,014,071	\$786,603,124

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

F-1

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and 2015****(UNAUDITED)**

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues, net	\$21,278,288	\$26,331,166
Voyage expenses	9,244,047	5,182,175
Vessel expenses	20,480,635	20,448,706
Charter hire expenses	1,488,518	1,215,964
Depreciation and amortization	9,396,701	10,557,171
General and administrative expenses	5,331,343	6,435,003
Refinancing expenses	5,634,260	-
Vessel impairment	6,167,262	-
Total operating expenses	57,742,766	43,839,019
Operating loss	(36,464,478)	(17,507,853)
Interest expense	2,817,646	3,162,166
Interest income	(3,454)	(2,955)
Total other expense, net	2,814,192	3,159,211
Net loss	\$(39,278,670)	\$(20,667,064)
Weighted average shares outstanding:		
Basic	37,829,257	37,527,010
Diluted	37,829,257	37,527,010
Per share amounts:		
Basic net loss	\$(1.04)	\$(0.55)
Diluted net loss	\$(1.04)	\$(0.55)

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net loss	\$(39,278,670)	\$(20,667,064)
Other comprehensive loss:		
Change in unrealized loss on investment	-	(359,552)
Total other comprehensive loss	-	(359,552)
Comprehensive loss	\$(39,278,670)	\$(21,026,616)

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES**Condensed Consolidated Statement of Stockholders' Equity****For the Three Months Ended March 31, 2016****(UNAUDITED)**

	Common Shares	Common Shares Amount	Additional paid-in Capital	Net Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2015	37,666,059	\$376,661	\$677,813,494		\$(159,845,693)	\$518,344,462
Net loss	—	—	—	\$(39,278,670)	(39,278,670)	(39,278,670)
Issuance of shares in connection with the entry into the Second Lien Loan Agreement	7,425,519	74,255	(74,255)		—	—
Non-cash compensation	—	—	826,613		—	826,613
Balance at March 31, 2016	45,091,578	\$450,916	\$678,565,852		\$(199,124,363)	\$479,892,405

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and 2015****(UNAUDITED)**

	Three Months Ended	
	March 31, 2016	March 31, 2015
Cash flows from operating activities:		
Net loss	\$(39,278,670)	\$(20,667,064)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation	8,902,929	10,271,775
Amortization of deferred drydocking costs	493,772	285,396
Amortization of debt issuance costs	308,504	724,425
Amortization of fair value below contract value of time charter acquired	(46,018)	(335,330)
Impairment of Vessels	6,167,262	-
Non-cash compensation expense	826,613	1,884,452
Drydocking expenditures	(1,276,178)	(3,060,384)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(19,678)	3,833,086
Other assets	125,257	947,830
Prepaid expenses	598,833	715,445
Inventories	(21,939)	(672,954)
Accounts payable	3,195,027	(3,860,279)
Accrued interest	(73,949)	34,882
Accrued expenses		