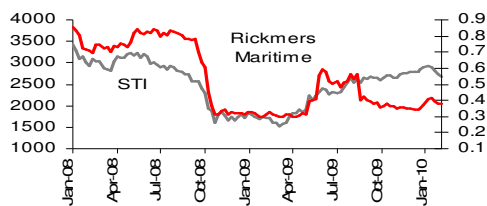


9 February 2010

Maintain

SELL

Previous Rating: SELL

Current Price: S\$0.37
Fair Value: S\$0.18


Rickmers Maritime

April loan maturity is the next test

DPU down 5% QoQ. Rickmers Maritime posted US\$38.1m in 4Q revenue, up 29% YoY driven by vessel acquisitions and flat QoQ. RMT will distribute 0.57 US cents per unit, down 75% YoY and down 5% QoQ. Note the sponsor Rickmers Group will not defer its right to its share of the distribution as it had in 2Q09 and 3Q09. Full-year distributable income was within 4% of our estimate. RMT said it could not give forward guidance for DPU because of ongoing discussions with lenders, dragging on since 1Q09. RMT is geared at 1.96x debt-to-equity as of 31 Dec.

April loan maturity is the next test. RMT has so far been able to stave off the most immediate crisis points: the last three newbuild deliveries have been warehoused by its sponsor and a loan-to-value covenant review is on hold while discussions with stakeholders including its sponsor and ten lending banks continue. The next test, in our view, is the US\$130m top up facility maturing this April, part of a total US\$139.8m in loans up for repayment this year. It remains to be seen if lenders HSH Nordbank, DBS Bank and Citibank are willing to re-finance the loan - tricky due to the steep fall in vessel values. We note that RMT has US\$110.7m in cash as of 31 Dec, but it is unclear if the other seven banks will be willing to let these funds be utilized to pay off the maturity due to competing interests. How RMT handles this loan maturity could be a good signal of the extent of both lender and sponsor support.

We have further refined our valuation methodology. In an effort to parse market expectations, we introduce a best case valuation of RMT under a scenario where the order book 'disappears' at no cost to the trust or unitholders and where RMT is easily able to re-finance the top-up facility maturing in two months. We believe existing investors who are playing the waiting game are in a sense betting on this scenario but the chances of it materializing, in our opinion, are slim. While it is quite possible that RMT manages to resolve its debt and order book concerns - we continue to believe such a resolution may come at the expense of unitholders' interests, for instance if RMT raises funds through a dilutive private placement. Maintain **SELL** with fair value revised up to S\$0.18 from S\$0.15 previously due to the methodology adjustments.

Reuters Code	RIMT.SI
ISIN Code	B1ZU
Bloomberg Code	RMTSP
Issued Capital (m)	424
Mkt Cap (S\$m/US\$m)	157 / 110
Major Shareholders	
Rickmers	33.1%
Free Float (%)	66.9%
Daily Vol 3-mth ('000)	839
52 Wk Range	0.320 - 0.690

(US\$ m)	FY08	FY09	FY10F	FY11F
Revenue	102.1	146.3	205.8	254.7
EBIT	56.0	77.0	109.8	136.6
DPU (US cents)	8.9	8.9	2.4	3.8
Distr yield (%)	33.6	33.6	9.1	14.5
P/NAV (x)	0.3	0.3	0.6	0.7

Note: P/NAV and Distribution Yield based on US-SGD exchange rate of 1.40

Note: Our earning estimates assume RMT raises US\$350m in FY10 and US\$200m in FY11 at US\$0.29 or S\$0.40.

Meenal Kumar
 (65) 6531 9112
 e-mail: MeenalK@ocbc-research.com

Valuation approach. We value Rickmers Maritime on a probability-weighted basis that adjusts our typical discounted FCFE approach for the likelihood and consequences of a distressed scenario. We believe this is a more realistic assessment of the trust's value today. Exhibit 1 shows our assumptions and approach, which now include a 'best case' scenario.

Exhibit 1: Valuation methodology

VALUATION METHODOLOGY - RICKMERS MARITIME			
BASE CASE - US\$550m equity raised to finance order book			
Key assumptions			Comments
Discount rate	%	10%	<i>Unchanged</i>
Equity amt raised	US\$m	550	<i>Est requirement to part-finance order book</i>
Equity issue price	US\$/S\$	0.29 / 0.40	<i>Prev: 0.37 / 0.53</i>
Discounted FCFE Value	US cents	30.8	
<i>Discount</i>	%	30%	<i>Unchanged; matches PST</i>
Fair value US cents	US cents	22	
<i>US to Sing</i>	\$	1.40	<i>Unchanged</i>
Fair value S cents	S cents	30	<i>Prev: 37 S cents</i>
BEST CASE - order book 'disappears'; 130\$m loan refinanced			
Key assumptions			Comments
Discount rate	%	13%	<i>Matches sector</i>
Equity amt raised	US\$m	0	<i>Assume order book 'disappears'</i>
Equity issue price	US\$/S\$	0	<i>Assume standstill</i>
Discounted FCFE Value	US cents	95.0	
<i>Discount</i>	%	30%	<i>Unchanged; matches PST</i>
Fair value US cents	US cents	66	
<i>US to Sing</i>	\$	1.40	<i>Unchanged</i>
Fair value S cents	S cents	93	<i>New</i>
DISTRESS SALE			
Key assumptions			Comments
Asset value @ 31-Dec	US\$m	1097.503	<i>As reported by RMT</i>
<i>Value achievable at liquidation</i>	%	50%	<i>Our estimate. Considers attached charters.</i>
Distress sale proceeds	US\$m	548.8	
Add: Cash @ 31-Dec	US\$m	110.7	<i>As reported by RMT</i>
Less: Debt @ 31-Dec	US\$m	773.8	<i>As reported by RMT</i>
Net proceeds	US\$m	-114.3	<i>Negative equity, in our view</i>
Equity value	US\$m	0.0	<i>Limited liability</i>
Units outstanding @ 31-Dec	m	423.7	
Fair value US cents	US cents	0	
<i>US to Sing</i>	\$	1.40	
Fair value S cents	S cents	0	<i>Unchanged</i>
WEIGHTED VALUATION			
Key assumptions			Comments
Fair value (base case)	S cents	30	
<i>Probability (base case)</i>	%	30%	<i>OIR estimate; prev: 40%</i>
Fair value (best case)	S cents	93	
<i>Probability (best case)</i>	%	10%	<i>OIR estimate; prev: 0%</i>
Fair value (distress sale)	S cents	0	
<i>Probability (distress sale)</i>	%	60%	<i>OIR estimate; prev: 60%</i>
Weighted valuation	S cents	18	<i>Prev: 15 S cents</i>
Current unit price	S cents	37.0	
<i>Upside / (Downside)</i>	%	-50%	

Source: OIR estimates

We will review our valuation approach if RMT is able to stave off some of its most immediate challenges including loan-to-value covenant concerns.

Exhibit 2: Outstanding committed acquisitions

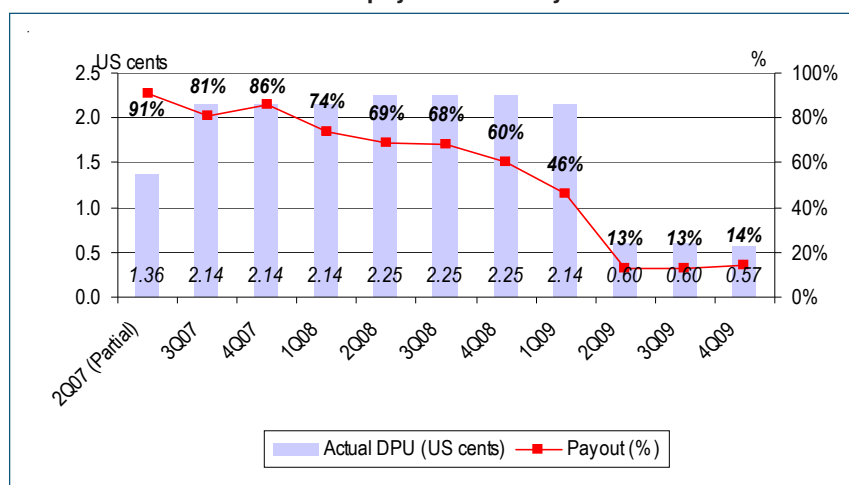
Vessel	Delivery (est.)	Capacity (TEUs)	Charterer	Cost (US\$m)	Funding arranged
<i>Hanjin Milano</i>	Sep-09 -- WAREHOUSED	4,250	Hanjin	69.0	Debt*
<i>Hanjin Dusseldorf</i>	Dec-09 -- WAREHOUSED	4,250	Hanjin	69.0	Debt*
<i>Hanjin Montevideo</i>	Jan-10 -- WAREHOUSED	4,250	Hanjin	69.0	Debt*
Total Hanjin				207.0	<i>*US\$32.8m gap</i>
<i>Maersk Edinburgh</i>	Jul-10	13,100	AP Moller - Maersk	177.5	None
<i>Maersk Emden</i>	Jul-10	13,100	AP Moller - Maersk	177.5	None
<i>Maersk Eindhoven</i>	Aug-10	13,100	AP Moller - Maersk	178.3	None
<i>Maersk Essen</i>	Sep-10	13,100	AP Moller - Maersk	178.3	None
Total Maersk				711.6	
Total Committed Acquisitions Outstanding				918.6	

Source: RMT, OIR

The manager says vessel deliveries will continue be warehoused with the sponsor until discussions with key stakeholders conclude. This includes the Hanjin vessels even though debt financing is ostensibly in place (possibly due to LTV restrictions on access to the facility).

Change to payout assumptions for FY10. We had previously assumed no distributions are declared for FY10. While we continue to believe investors should constrain their distribution expectations, RMT seems willing to pay out a token distribution (we assume 0.6 US cents per quarter in FY10) to investors while discussions with stakeholders continue. Nevertheless, our earnings and distribution assumptions are subject to significant change as we await a clearer picture of RMT's ability and strategy to meet ongoing challenges.

Exhibit 3: DPU and distribution payout since May 2007 IPO



Source: RMT, OIR

Rickmers Maritime Key Financial Data

Rickmers Maritime Results		US\$3.5m provision for vessel impairment			
Year to 31 Dec (US\$m)	4Q09	4Q08	% YoY	3Q09	% QoQ
Revenue	38.1	29.6	29%	38.1	0%
Other income	8.3	2.3	257%	2.4	251%
Other gains - net	-2.1	-0.1	1392%	-3.2	-34%
Depreciation and impairment	-9.5	-10.6	-11%	-9.5	0%
Amortisation of charter contracts	-0.1	-0.1	3%	-0.1	0%
Vessel operating expenses	-7.5	-6.1	24%	-7.6	-1%
Trustee-manager fee	-0.7	-0.7	12%	-0.7	0%
Other trust expenses	-1.6	-0.2	916%	-0.7	142%
Transaction fees	0.0	0.0	-100%	0.0	-
Finance expenses	-9.6	-7.0	38%	-9.3	3%
Profit before income tax	15.3	7.2	112%	9.2	65%
Income tax expense	0.0	0.0	-	0.0	-
Net profit after tax	15.3	7.2	112%	9.2	65%
DPU paid out (US cents)	0.57	2.25	-75%	0.60	-5%

Rickmers Maritime's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F
Charter income	102.1	146.3	205.8	254.7	Cash and bank balances	10.7	110.7	133.2	33.2
Other income	9.4	10.6	10.3	10.6	Other current assets	2.6	4.6	4.6	4.6
Depreciation, other non-cash	(30.1)	(44.8)	(54.7)	(69.0)	Vessels	928.5	1097.5	1961.4	1892.4
Management fees	(2.5)	(2.9)	(3.5)	(4.0)	Total assets	995.8	1264.6	2150.9	1981.9
Other expenses	(0.8)	(2.6)	(1.6)	(2.0)	Current liabilities ex debt	3.2	147.5	7.6	7.6
Vessel operating expenses	(21.1)	(29.5)	(44.5)	(51.8)	Debt	517.1	773.8	1316.5	980.6
Transaction fees	(1.0)	-	(1.9)	(1.9)	Total liabilities	647.8	870.0	1412.7	1076.8
EBIT	56.0	77.0	109.8	136.6	Units in issue	431.4	431.4	781.4	981.4
Finance expenses	(21.6)	(36.2)	(68.2)	(70.9)	Total equity	348.0	394.6	738.2	905.1
Net profit	34.4	40.7	41.5	65.8	Total equity and liabilities	995.8	1264.6	2150.9	1981.9

CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Net cash from operations	78.0	112.1	156.1	196.9	Units outstanding (m)	423.7	423.7	1648.7	2348.7
Capex	-293.3	-213.0	-918.6	0.0	DPU (US cents)	8.9	8.9	2.4	3.8
Net cash from investing	-293.4	-213.1	-918.6	0.0	NAV per unit (US\$)	0.8	0.9	0.4	0.4
Proceeds from issuance of units*	0.0	0.0	350.0	200.0	CFPU (US cents)	18.4	26.5	9.5	8.4
Proceeds from debt	276.4	267.4	748.6	0.0	Vessel opex (%)	20.7	20.2	21.6	20.3
Loan repayment	0.0	-9.8	-205.9	-335.9	EBIT margin (%)	54.9	52.6	53.3	53.6
Net cash from financing	213.2	201.0	784.9	-296.9	Price/NAV (x)	0.3	0.3	0.6	0.7
Net cash flow	-2.2	100.0	22.4	-100.0	P/CF (x)	1.4	1.0	2.8	3.2
Cash at beginning of year	13.2	10.7	110.7	133.2	Distr yield (%)	33.6	33.6	9.1	14.5
Cash at end of year	10.7	110.7	133.2	33.2	Total Debt/Equity (x)	1.5	2.0	1.8	1.1

Note: Our earning estimates assume RMT raises US\$350m in FY10 and US\$200m in FY11 at US\$0.29 or S\$0.40.

Note: P/NAV and Distribution Yield based on US-SGD exchange rate of 1.40

Source: Company data, OIR estimates

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Carmen Lee
Head of Research

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