MOODY'S
INVESTORS SERVICE

Credit Opinion: DP World Limited

Global Credit Research - 30 Jan 2014

DIFC - Dubai, United Arab Emirates

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
DP World Sukuk Limited	
Outlook	Stable
Senior Unsecured	Baa3

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Key Indicators

DP World Limited[1]

Financial Year Ending	LTM 30-Jun-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08
EBITDA Margin	56.0%	54.8%	56.3%	48.4%	46.7%	42.2%
Cash Interest Coverage	3.5x	3.4x	3.4x	3.2x	3.0x	2.8x
FFO / Debt	14.4%	14.5%	10.9%	9.9%	8.5%	9.5%
Debt / EBITDA	5.2x	5.2x	6.8x	7.6x	8.0x	6.0x
Net Debt / EBITDA	3.8x	4.1x	4.4x	6.0x	5.9x	5.1x
RCF / Capex	0.9x	1.1x	1.4x	0.8x	0.7x	0.4x

[1] All ratios are calculated using Moody's Standard Adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Corporate Profile

DP World Limited, rated Baa3 with a stable outlook, ranks amongst the world's four largest container terminal operators by capacity and throughput. DP World is one of the most geographically diversified companies in the Emirate of Dubai (not rated), currently operating approximately 65 terminals across six continents, including its flagship facility at Jebel Ali port in Dubai, United Arab Emirates (UAE).

DP World's shares are listed on Nasdaq Dubai and London Stock Exchange. The government of Dubai indirectly owns 80.5% of DP World through Port & Free Zone World, a subsidiary of Dubai World (not rated). For the 12-month period ended June 2013, DP World reported revenue of $3.1 billion and EBITDA (before separately

disclosed items) of $1.8 billion.

Rating Rationale

Moody's views DP World as a government-related issuer (GRI) in view of its 80.5% indirect ownership by the government of Dubai. The final Baa3 ratings is on par with DP World's baseline credit assessment (BCA) of baa3, which is sustained by the group's diversified global operations, the expected growth in international container traffic as well as its solid profitability and liquidity profile. The Baa3 ratings are also driven by the company's expected adherence to leverage targets, as well as its flexibility with future growth spending to preserve improvements to the capital structure.

The ratings reflect the inherent volatility of the industry and risks linked to its strong correlation to global trade volumes. Event risk is also a constraint, although Moody's expects DP World to refrain from large-scale acquisitions in the near future given the absence of market opportunities while taking into account internal leverage targets and the current capital expenditure programme. Moreover, we assume an absence of negative interference by DP World's main shareholder but also low support from the government in the event of the group facing financial distress, which does not provide any uplift to the final rating.

DETAILED RATING CONSIDERATIONS

DP WORLD'S GLOBAL FOOTPRINT SUPPORTS THE RATINGS AND IMPLIES EXPOSURE TO GLOBAL TRADE VOLUMES

DP World's ratings benefit from the group's competitive position as one of the world's four largest port operators based on gross throughput numbers. Conversely, gross throughput and ultimately revenue generation are highly correlated to global trade volumes, which constrain ratings for port operators globally. The group has demonstrated strong resilience through the recent full cycle, with consolidated volumes dropping 8% in 2009 but recovering to 2008 levels as at year-end 2010, and growing a further 9% in 2011 and 1% in 2012 on a like for like basis.

The macroeconomic environment for emerging markets remains supportive to DP World's activities. Geopolitical risk in the Middle East is a concern but is mitigated by the group's diversified revenue base and exposure to global trade flows.

CAPTIVE ORIGIN AND DESTINATION (O&D) REVENUES AS WELL AS LONG-TERM CONCESSIONS SUPPORT RATINGS

In 2012, containerised revenues grew by 2% over the previous year and accounted for 77.0% of total revenues while the group's gross capacity utilisation rate stood at approximately 80.0%. Moody's expects DP World to be well positioned to benefit from strong growth in emerging markets, with 75.0% of volumes likely to be driven by emerging markets. An average terminal concession of approximately 40 years across the group's portfolio (Jebel Ali and Port Rashid's concessions run until 2105) underscores the visibility and predictability of the group's cash flows and the sustainability of the business model. The UAE - including Jebel Ali port - represented a substantial 49.0% of consolidated throughput for 2012 and remains one of the most profitable and cash-generative areas for DP World.

FINANCIAL PROFILE COMMITTED TO CLEAR GUIDELINES, MAINTENANCE OF RECENT IMPROVEMENTS IN FINANCIAL PROFILE IS PARAMOUNT TO INVESTMENT-GRADE RATING

DP World's current capital expenditure plans would result in negative to weak free cash flow generation over the next 12-18 months if spent in line with the budgeted $3.7 billion capex guidance over the 2012-2014 period. For the investment grade rating, we expect the group to (1) continue to manage cash flows that are earmarked for growth in line with set financial policies and targets; and (2) manage future spending accordingly as large components of the considered investments are scalable and would allow for re-phasing if needed to maintain a balanced capital structure.

Moody's believes the two main pipeline projects - Jebel Ali port extension and London Gateway - are sustained by strong investment underpinnings overall. It is worth noting that the capacity growth at Jebel Ali increases the group's exposure to a global and regional downturn in trade volumes, while London Gateway's focus on replacing older and less efficient regional capacity may be less sensitive to this. In 2012, UAE volumes grew by 2% to 13.3 million twenty-foot equivalent units (TEU) implying a capacity utilisation rate of 93% based on its 14.0 million TEU capacity. At Jebel Ali port, an additional 1.0 million TEU became operational in 2013 and an additional 4.0 million TEU capacity addition is expected in 2014. London Gateway also became operational at the end of 2013 and is

expected to handle 3.5 million TEU once fully developed.

Moody's takes further comfort from DP World's self-assigned maximum leverage of four times. Management's guidance is particularly relevant in the context of selected new developments up until 2020, which would raise the broader group's gross capacity to 102.6 million TEU, up from the reported 69.7 million TEU at year-end 2012.

RATING ASSUMES NO NEGATIVE INTERFERENCE FROM DUBAI WORLD, DP WORLD'S ULTIMATE PARENT

Dubai World signed a debt restructuring agreement in March 2011 that sealed the group-wide restructuring. In Moody's view, there is a low probability of negative interference risk from Dubai World as DP World was never financially or operationally affected throughout the restructuring process and more recently the economic fundamentals of Dubai have improved. Ratings continue to include low assumptions of government support and no uplift to the final rating as a result of the financial weakness of the company's ultimate parent.

PEER COMPARISON

DP World compares with PSA International Pte Ltd (PSAI, a3 BCA, Aa1 stable final rating), which also enjoys a significant presence globally while retaining a strong domestic position (Singapore in the case of PSAI, Jebel Ali for DP World). We expect the company to maintain adjusted Funds From Operations (FFO) interest cover constantly above 3.0x (3.5x per LTM June 2013, 7.9x for PSAI per FYE 2012) and Retained Cash Flows to Net Debt in the low teens (%) in the medium term (15.8% per LTM June 2013, 46.2% for PSAI per FYE 2012). Both companies have EBITDA margins (as adjusted by Moody's) that are well in excess of 50%, according to the most recent reported figures. To a large extent, PSAI's ratings reflect the rating uplift stemming from the very high level of support that Moody's believes the government of Singapore through Temasek (both rated Aaa/stable) would provide in the event that extraordinary financial support is required. In contrast, the financial weakness of DP World's ultimate parent remains a constraint on the ratings.

Liquidity

With $2.4 billion of cash on hand at the end of June 2013 and over $1.3 billion of operating cash anticipated for full-year 2014, the group is in a solid position to cover current debt maturities and pay regular dividends. Furthermore, the company has a five year $1.0 billion revolving facility in order to support investments in its portfolio. The next significant debt maturity is the $1.5 billion sukuk due in 2017.

Rating Outlook

The stable outlook is based on Moody's expectations that DP World will maintain its global position as a leading port operator, preserve operating margins at historical levels with an unchanged share of captive O&D volumes, and prudently manage and use its currently solid liquidity position. In addition, Moody's expects DP World to remain within the boundaries of its leverage target by not embarking on large acquisitions. We anticipate that the company will gradually improve cash generation from 2015 onwards as substantial infrastructure investments would have been made in Jebel Ali and London Gateway under the current $3.7 billion capex plan. In our opinion, this would translate into FFO interest cover constantly above 3.0x and Retained Cash Flows to Net Debt in the low teens (%) in the medium term. Lastly, Moody's assumes an absence of negative interference from DP World's parent or the government of Dubai as ultimate owner.

What Could Change the Rating - Up

Upward pressure on the group's rating or outlook over the near term is not expected given the substantial capital expenditures plan. Nevertheless, the rating or outlook could be upgraded if DP World's financial profile strengthens beyond current expectations and establishes a track record of higher-than-expected cash generation that would result in FFO interest cover above 3.5x and Retained Cash Flows to Net Debt in the mid teens (%).

What Could Change the Rating - Down

Negative pressure on the rating or outlook could result from weaker liquidity management, a departure from the expected gradual return to breakeven free cash flow generation post-2013, or from persistently higher leverage, with FFO interest cover below 3.0x and Retained Cash Flows to Net Debt trending to below 10%. Furthermore, the rating or outlook could be negatively affected if DP World shifts any financial policy guidelines that are currently in place, or assumes higher-risk development projects, or higher-than-anticipated M&A activity.

Rating Factors

DP World Limited

Privately Managed Port Industry [1][2]	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Caa**
Factor 1 : Market Position (25%)							
a) Port Size / No. of Ports Owned		x					
b) Quality of Service Area and Connections		x					
c) Operational Restrictions			x				
Factor 2 : Diversity of Customer Base (10%)							
a) Exposure to volume variation				x			
b) Dominance of Customers			x				
Factor 3 : Capital Programme, Stability of Business Model and Financial Profile (15%)							
a) Scale and Scope of Capital Expenditure Programme						x	
b) Management attitude to financial risk				x			
c) Proportion of Revenues from Non-Core Activities	x						
Factor 4 : Nature of Asset Ownership (10%)							
a) Ownership and Control of Assets				x			
Factor 5 : Key Credit Metrics (40%)							
a) Cash Interest Coverage				3.5x			
b) FFO / Debt				14.4%			
c) Debt Service Coverage Ratio				3.5x			
d) RCF / Capex					0.9x		
Rating:							
a) Indicated Rating from Grid				Baa2			
b) Actual Rating Assigned				Baa3			

Government-Related Issuer	**Factor**
a) Baseline Credit Assessment	baa3
b) Government Local Currency Rating	Aa2
c) Default Dependence	High
d) Support	Low

[1] All ratios are calculated using Moody's standard accounting adjustments. [2] As of 6/30/2013(L); Source: Moody's Financial Metrics

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