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Announcement: Moody's: DP World's 2011 YE results in line with expectations; focus on medium-term capital spending

Global Credit Research - 02 Apr 2012

London, 02 April 2012 -- Moody's Investors Service said today that the recently announced YE 2011 results for DP World Limited (DP World, the group) are consistent with the parameters for its Baseline Credit Assessment (BCA) and final rating of Baa3. DP World's solid operational and financial results show the importance of the emerging markets to the top line and profitability of the group and will continue underpinning its credit profile.

In spite of lower group revenues following the deconsolidation of the Australian operations sold last year, DP World reported a significant increase in EBITDA generation (EBITDA margin of 56.3% as adjusted by Moody's per FYE 2011). The EMEA region represented around two thirds of the group's reported EBITDA, outlining the importance of the Jebel Ali port. Other operating regions also improved operating margins over 2011, while consolidated volumes increased by 9% on a like-for like basis and group's utilisation rates stood at around 82% for 2011. These factors combined with an increase in underlying container revenue per twenty-foot equivalent unit (TEU) of 5% over the previous year translated into higher cash from operations pre-working capital.

With $4.2 billion of cash on hand at December-end 2011 and around $1.2 billion of operating cash anticipated for the full 2012, the group is in a solid position to cover short term debt maturities ($3.2 billion) and the proposed $0.2 billion dividend.

However, DP World's current capital expenditure plans have been front-loaded contrary to previous expectations and would result in negative free cash flow generation for 2012 and 2013 if spent per the budgeted $3.7 billion to end of 2014. The group also announced it is in the final stages of securing a 5-year $1.0 billion revolving facility post prepayment of the $3.0 billion facility maturing October 2012 in order to support investments in the portfolio. Under current plans, Moody's notes that DP World has consumed a large portion of the financial flexibility it enjoys for the Baa3 stable positioning.

More positively, Moody's expects the group (i) to continue to manage cash flows earmarked to growth in line with set financial policies and targets and (ii) to manage future spending accordingly as large components of the considered investments are scalable and would allow delays/rephrasing if needed to maintain a balanced capital structure. Lastly, Moody's believes the two main pipeline projects -- London Gateway and the Jebel Ali port's extension - are sustained by strong investment underpinnings overall, though the ensuing substantial increase in capacity upon delivery exposes the group even more to a global downturn in trade volumes. The UAE region volume growth of 12% over 2011 to 13.0 million TEU has benefited from the momentum steadily gained over recent quarters and was a key driver in the shifting pace of capital spending.

In terms of rated peers, DP World compares with PSA International Pte Ltd (PSAI, A3 BCA, Aa1 stable final rating) that also enjoys significant presence globally while retaining a strong domestic position (Singapore for PSAI, Jebel Ali for DP World). DP World's key credit metrics will weaken from current levels, but the group is expected to maintain adjusted Funds From Operations interest cover constantly above 3.0x (3.4x per FYE 2011, 5.7x for PSAI per FYE 2010) and Retained Cash Flows to Net Debt in the low teens (%) in the medium term (14.4% per FYE 2011, 20.8% for PSAI per FYE 2010). Both companies have EBITDA margins as adjusted by Moody's well in excess of 50% per most recent reported figures. PSAI's ratings reflect to a large extent 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, which continue to include low assumptions of government support and no uplift to the final rating as a result. We continue to assume the absence of negative shareholder's interference.

DP World is incorporated in the Dubai International Financial Centre (DIFC) in the United Arab Emirates (UAE). The group ranks amongst the world's four largest container terminal operators by capacity and throughput.

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