

## FITCH UPGRADES DP WORLD TO 'BBB'; OUTLOOK STABLE

Fitch Ratings-Milan/London-05 August 2016: Fitch Ratings has upgraded UAE-based port operator DP World Limited's (DP World) Long-Term Issuer Default Rating (IDR) to 'BBB' from 'BBB-' and Short-Term IDR to 'F2' from 'F3'. The Outlook is Stable. A full list of rating actions is at the end of this rating action commentary.

The upgrade reflects the group's solid and stable cash flow generation. In addition, we believe the flexibility embedded in the group's expansionary plan will allow DP World to maintain Fitch-adjusted leverage below 5x, which is commensurate with the higher rating.

DP World's credit profile is supported by the geographical diversification of its business, the high utilisation rate of its terminals, which supports the group's pricing power as well as the long-term maturity of its main concession (Jebel Ali; 89 years). This ensures long-term visibility of group cash flow generation. The lack of covenants and other creditor protective features in DP World's debt structure is a weakness. However, this is largely offset by its well-established access to the capital markets and solid liquidity position, which mitigates the refinancing risk. DP World is acquisitive and this reduces the long-term visibility of its capital structure.

The ratings reflect DP World's standalone credit profile and do not include support or constraint from its ultimate parent, the Dubai government.

### KEY RATING DRIVERS

#### Volume Risk - Stronger

DP World is one of the four largest container port operators globally based on volume. Its global market share was around 9% at end-December 2015. Approximately 55% of the group's consolidated volumes are generated by Dubai's Jebel Ali port. The asset is the ninth busiest port worldwide and is one of the largest container ports between the Far East and the western hemisphere serving as the key gateway to the Middle East and the growing markets of India and Africa. Its long concession tenor (89 years) ensures long-term visibility of the group's cash flow generation. The recent acquisition (2015) of Jebel Ali Free Zone (JAFZ) - a large logistic park adjacent to the port - will further strengthen Jebel Ali's competitive position as it is now able to offer integrated logistics solutions to its customers. The port has strong multimodal capabilities (rail, air and road infrastructures).

DP World has progressively expanded its operations to under-containerised markets that offer growth opportunities, leveraging on its well-established Dubai asset. At YE2015, the group generated around 60% of EBITDA in Dubai and the remaining 40% in Africa (14%), Asia/India (14%), American/Australia (9%). Europe accounts for a modest 3% of group EBITDA as some assets are still in a ramp up phase (London Gateway). This geographical diversification should mitigate negative performance during an economic downturn. The recent upgrade of most of the group's key ports to capture the latest generation of 18,000 TEUs capacity container ships helps preserve DP World's competitive position.

DP World is a global player and therefore is exposed to the cyclicity of global trade volumes. However, the group demonstrated resilience during the 2008-2009 economic downturn. Consolidated container volumes moderately contracted in 2009 (-8%) but quickly rebounded reaching the 2008 level one year after the drop (in 2010). Peak to trough was 8%, one of the lowest rates in our portfolio. Since 2007, DP World's container volumes have grown by 21% (Jebel Ali +45%), mainly driven by growing global demand for containerised cargos, increasing capacity at group terminals and external acquisitions.

Under Fitch's rating case, consolidated container throughput will remain flat (0%) in 2016 and moderately increase thereafter (+1.1% average in 2017-20) largely underpinned by additional capacity at group port terminals. The downside risk mainly stems from the limited visibility on the long-term evolution of global trade volumes and, ultimately, global economic activity.

#### Price Risk - Midrange

The group's traffic structure is supportive of its pricing power as the predominantly (70%) origin and destination cargo is more stable and less affected by competition than ports with transshipment. The group's volumes are driven by import/export flows dynamic rather than the decisions or strategy of shipping line companies. The group's flagship port, Dubai's Jebel Ali has strong market power as it is the key gateway to the Middle East and the growing markets of India and Africa. The high capacity utilisation rates (around 92%) further strengthen its contractual position with its clients. However, the lack of minimum guaranteed revenue or long take or pay contractual arrangements typical of landlord-tenant business model constrains the attribute to Midrange

#### Infrastructure Development & Renewal - Midrange

Over 2007-2015, DP World heavily invested (USD8.7bn) in terminal upgrades. This supported volume growth and brought the group's consolidated capacity to 40m TEU (28.4m in 2007). Additional investments are however needed as DP World gross (subs and associates) capacity utilisation is high (around 80%) and peak at 92% in Dubai's Jebel Ali port. Additional capacity for 1m TEU at Dubai's Jebel Ali Terminal 3 was recently added and a further 1.5m TEU should come on stream in 2017 taking the total capacity to 19.5m TEU. The group has also announced plan for a new container terminal (T4) which will add 3.1m TEUs by 2018. However, management states this investment is deferrable and dependent on market conditions. Additional expansionary capex is planned on major ports in Europe (UK), India and Turkey. This expenditure will bring consolidated capacity to 55m TEU (now 40m) and should support volume growth, but can be scaled back or deferred in case of an economic downturn.

We believe DP World is well-equipped to deliver its investment programme as it has extensive experience and expertise in delivering investment on its terminals. However, its acquisitive profile and the size of the capex plan to accommodate medium-term throughput growth constrain the attribute to midrange.

#### Debt Structure - Midrange

DP World's consolidated debt comprises bonds and loans raised at the parent company level (65%) and several bank loans raised at the subsidiary level (35%). Debt is 90% fixed rate (post swap), largely USD-denominated and is largely made up of capital market instruments (bonds, sukuk and convertible bonds). DP World has a USD5bn GMTN programme and a USD3bn sukuk programme whose ratings are aligned with the IDR.

The bullet structure of DP World's debt and lack of material structural protection are weaknesses. However, this is adequately mitigated by demonstrated access to capital markets, proactive and prudent debt management and a solid liquidity position, which reduces refinancing risk. In Fitch's rating case, cash and committed credit lines cover debt maturities until 2018, even when we prudentially assume that the put embedded in the convertible bond due in 2024 will be exercised in 2018.

#### Debt Service

Fitch-adjusted net debt/EBITDAR was 3.8x at YE2015. Under Fitch's rating case, which incorporates conservative assumptions on traffic, revenue per TEU and acquisitions, Fitch-adjusted leverage increases to around 4.3x in 2016-17. It progressively decreases thereafter due to lower capex and higher revenue and cash flow generated by the new capacity at group terminals.

Given the group's acquisitive stance, the rating case also factors in around USD3.4bn of external acquisitions over 2016-2020.

#### Peers

DP World is around five times bigger than ABP (A-/Stable), geographically more diversified and has lower leverage. However, ABP has a landlord-tenant business model with long-term take or pay contractual arrangements that ensure revenue stability. Its co-investment policy aligns landlord-tenant interests and supports a stronger assessment of the infrastructure renewal attribute (Mid-Range for DP World). DP World's debt structure is weaker than ABP's, which includes extensive financial covenants, securities and other creditor protective features.

Compared with DP World, Turkey-based Mersin (BBB-/Stable) is a small port operator with a credit profile weighed down by a single bullet debt structure, which entails refinancing risk. It is less leveraged (maximum 2.7x) than DP World (maximum 4.3x) but DP World's higher rating is supported by its bigger size, its more geographically diversified cargo as well as stronger pricing/market power and well established access to bank and capital markets, which broadly mitigate refinancing risk

#### RATING SENSITIVITIES

From this year, Fitch also applies the rating criteria for Ports to rate DP World.

Future developments that could lead to negative rating action include:

- Fitch-adjusted net debt on EBITDAR approaching 5x under Fitch's rating case.
- Extraordinary distributions or cash upstream affecting DP World's leverage profile.
- Adverse policy decisions, a structural decline in international trade or geopolitical event affecting DP World or the port sector.
- Expansion into higher-risk business areas.
- Higher than expected debt funded acquisitions.

Future developments that could lead to positive rating action include:

- Fitch-adjusted net debt on EBITDAR sustainably below 4x under Fitch's rating case.
- Inclusion of creditor-protective features in DP World's debt structure.

#### SUMMARY OF CREDIT

DP World is the fourth-largest container port operator in the world with a global market share of 9% at December 2015. It operates, directly or via JVs, a portfolio of 77 terminals across six continents, with new developments underway in Asia, Africa and the Americas. The group's portfolio has an average concession life of approximately 39 years.

The rating actions are as follows:

##### DP World Limited

Long-Term IDR upgraded to 'BBB' from 'BBB-'; Outlook Stable

Short-Term IDR upgraded to 'F2' from 'F3'

Medium-term note programme and senior unsecured notes ratings: upgraded to 'BBB' from 'BBB-'; Outlook Stable

##### DP World Sukuk Limited

Senior unsecured rating upgraded to 'BBB' from 'BBB-'; Outlook Stable

##### DP World Crescent Limited (DPWCL)

USD3bn global sukuk trust certificate issuance programme upgraded to 'BBB' from 'BBB-' ; Stable Outlook

Contact:

Primary Analyst  
Danilo Quattromani  
Senior Director  
+39 02 87 90 87 275  
Fitch Italia - Societa Italiana per il Rating S.p.A.  
Via Morigi, 6  
Ingresso via Privata Maria Teresa, 8  
2013 Milan

Secondary Analyst  
Yeshvir Singh  
Associate Director  
+44 20 3530 1810

Committee Chairperson  
Ian Dixon  
Managing Director  
+44 20 3530 1815

Media Relations: Françoise Alos, Paris, Tel: +33 1 44 29 91 22, Email:  
francoise.alos@fitchratings.com; Rose Millburn, London, Tel: +44 203 530 1741, Email:  
rose.millburn@fitchratings.com.

#### Summary of Financial Statement Adjustments

Lease-adjusted debt; Fitch capitalises 100% of the fixed and 50% of the variable, volume related concession payments using a multiple of 8x, resulting in a blended multiple of 6x of total concession payments. The lease-debt adjustment is based on corporate rating methodology referenced at the end of this rating action commentary.

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

#### Applicable Criteria

Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 17 Aug 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=869362](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869362)

Rating Criteria for Infrastructure and Project Finance (pub. 08 Jul 2016)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=882594](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=882594)

Rating Criteria for Ports (pub. 20 Oct 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=872725](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=872725)

Rating Sukuk (pub. 18 Aug 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=869792](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869792)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD

## ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2016 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001