DP WORLD

Recovery on Track

25 MARCH 2010

UAE | INDUSTRIALS

Current Price* : USD 0.48 **Rating: Buy**
Fair Value (FV): USD 0.56

• **FY2009 Numbers in Line, Dividend Ahead, Reiterate Buy:** DP World's (DPW) FY2009 revenue, EBITDA and normalised net income results were exactly in line with our forecasts. Revenue fell 14% Y-o-Y to USD2,821 million, leading to a 20% Y-o-Y drop in EBITDA (USD1,072 million), while normalised net income (post minorities and excluding one-off items) slipped 48% Y-o-Y to USD295 million. There was a positive surprise on the dividend, which increased by 19% to 0.82 of a US cent against our forecast of 0.36 of a US cent. The payout ratio was 46%, versus our expectations of 20%.

• **Outlook Remains Positive:** Although DPW stated that volumes grew by 4% in the first two months of 2010, on a like-for-like basis growth was actually closer to 7%. We believe volumes in the UAE were flat over the same period, which is encouraging given the tough Y-o-Y comparable base. Europe still remains difficult, with throughput continuing to lag. Overall however, DPW is cautiously optimistic about the outlook for 2010.

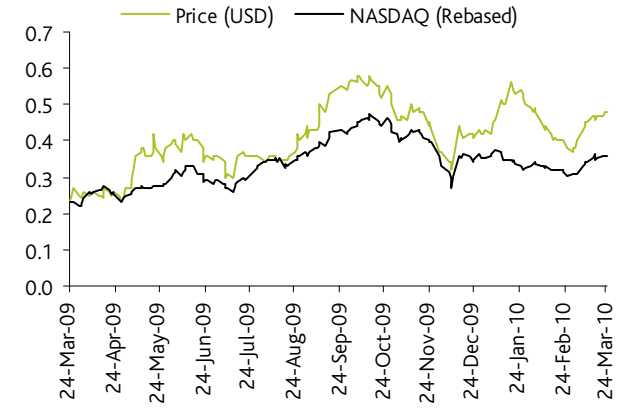
• **De-Leveraging is a Priority:** DPW's net debt/EBITDA ratio has risen to 4.7x. Although this is manageable as interest cover is still close to 4x, the group is keen to de-leverage as it needs to rollover cUSD3 billion of debt in 2012. The group's priority is to grow its EBITDA, but DPW could decide to cut back on its substantial capex programme and/or IPO some of its assets if necessary. That said, management has ruled out a rights issue at this stage.

• **London Listing on Track:** The group aims to proceed with its London listing, which should be in place by mid-2010. In addition, DPW is considering changing its listing currency in Dubai to Dirham from USD in order to boost liquidity. No new shares will be offered by DPW at the London listing.

• **Dubai World Clarity to Boost Shares:** Dubai World has announced its restructuring plan, which has been taken positively by the market. This should boost the shares further as it removes significant uncertainty about the group's parent company.

• **We Remain Positive, with USD0.56 Target Price:** Overall, DPW has delivered a solid set of results and we believe its recovery is on track. We are not changing our numbers at this stage, but we believe risks to our forecasts weigh on the upside. Going forwards, we believe further clarity on Dubai World and the London listing could act as an additional positive catalysts. We remain positive on the stock and reiterate our Buy recommendation and USD0.56 target price.

FLASH NOTE



*Prices as at 24 March 2010

	2010e	2011e	2012e
EPS (in cents)	2.13	2.62	3.05
PER (x)	22.6	18.3	15.8
DPS (in cents)	0.43	0.52	0.61
Div Yield	0.9%	1.1%	1.3%
CFPS	0.06	0.07	0.07
P/CF	8.2	7.2	6.6
EV / EBITDA (x)	11.5	10.2	9.4
ROE	4.9%	5.7%	6.2%

Figures in USD, unless otherwise stated

Stock Data	
Last Dividend Date	USD0.0082 on 30 Mar 10
Mkt. Cap./ Shares (mn)	USD7,968 / 16,600
Av. Monthly Liqd. (mn)	USD90.8
52-Week High / Low	USD0.58 / 0.23
Bloomberg / Reuters	DPW DU / DPW.DI
Est. Free Float	22%

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SUMMARY OF FY2009 RESULTS

Figure 1: DPW FY2009 Results vs. Expectations
In USD million, unless othewise stated

	2008a	1H2009a	2H2009a	H-o-H	FY2009a	Y-o-Y	2H2009e	Vs. Forecast	2009e	Vs. Forecast
Europe, Middle East and Africa	2,009	867	881	-17%	1,748	-13%	903	-2%	1,770	-1%
Average Rev per TEU (mn)	113	110	102	-13%	106	-6%	105	-2%	107	-1%
Australia and Amercias	757	268	328	-11%	596	-21%	276	19%	544	10%
Average Rev per TEU (mn)	185	168	173	3%	170	-8%	145	19%	155	10%
Asia Pacific, Indian subcontinent	517	249	228	-8%	477	-8%	260	-12%	509	-6%
Average Rev per TEU (mn)	89	92	81	-8%	87	-3%	93	-12%	93	-6%
Total Revenue	3,283	1,384	1,437	-15%	2,821	-14%	1,439	0%	2,823	0%
Average Rev per TEU (mn)	118.5	113.4	110.6	-7%	110.6	-7%	108.2	2%	110.7	0%
% Change	**20%**	**-13%**	**-15%**		**-14%**		**-15%**		**-14%**	
EBITDA Inc JV and Associates										
Europe, Middle East and Africa	922	391	374	-22%	765	-17%	406	-8%	797	-4%
Margin	46.8%	45.1%	42.5%		43.8%		45.0%		45.0%	
Australia and Amercias	241	59	79	-35%	138	-43%	49	61%	108	28%
Margin	31.0%	22.0%	24.1%		23.2%		18.0%		19.9%	
Asia Pacific, Indian subcontinent	272	127	121	-12%	248	-9%	125	-3%	252	-2%
Margin	50.4%	51.0%	53.1%		52.0%		48.0%		49%	
Head Office Costs	(95)	(41)	(38)	-26%	(79)	-17%	(44)	-15%	(86)	-8%
Total EBITDA	1,340	536	536	-22%	1,072	-20%	536.0	0%	1,072	0%
Margin	40.8%	38.7%	37.4%		38.0%		37.3%		38.0%	
Depreciation and Amortisation	(372)	(188)	(214)	13%	(402)	8%	(198)	8%	(386)	4%
Net Finance Costs	(267)	(131)	(153)	10%	(284)	6%	(157)	-3%	(288)	-1%
Profit before Taxation	701	216	171	-52%	387	-45%	181	-6%	398	-3%
Other Items (Exceptional Items)	(90)	0	37	-148%	37	-141%	0		0	
Income Tax	(80)	(29)	(26)	2%	(54)	-32%	(34)	-25%	(63)	-14%
Effective Tax Rate	11.5%	13.3%	19.0%		14.1%		19.0%		15.9%	
Profit after Tax (Headline)	621	188	145	-57%	333	-46%	147	-1%	335	-1%
Profit after Tax (Reported)	531	188	182	-29%	370	-30%	147	24%	335	11%
Minority Interest	(48)	(12)	(25)	-34%	(37)	-23%	(27)	-8%	(39)	-6%
Net Income (Reported)	482	175	158	-28%	333	-31%	120	31%	295	13%
Underlying Earnings	572	175	120	-59%	295	-48%	120	0%	295	0%
Underlying EPS (in cents)	3.4	1.1	0.7	0%	1.8	-48%	0.7	0%	1.8	0%
DPS (in cents)	0.7	-			0.82	19%	-		0.36	131%
Payout ratio	20%				46%				20%	

Source: DP World, EFG Hermes estimates

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