SHUAACAPITAL PSC

DP World (DPW.DI)

Equity Research

General Update

July 1st, 2009

Current Price	USD 0.364	**Country**	United Arab Emirates
Fair Value target	USD 0.55	**Sector**	Container ports
Recommendation	BUY	**Exchange**	NASDAQ Dubai

DPW's reported FY 08 net profits of USD 572.3 mn came inline with our estimates (8% higher). Growth came on the back of several factors: 1) an increase in volumes handled, 2) increased tariffs, 3) higher contribution of JV and associates, and 4) higher cost efficiencies. However, the world's economic outlook has changed in the past two quarters, and in light of these changes we revise our estimates. We expect net profits attributed to shareholders to drop by 65.3% in 2009 reaching USD 198.5 mn, before growing thereafter at a CAGR of 40.3% up to 2013.

The drop in our forecasts comes as a result of revised estimates on revenue / TEU, revised forecasts on throughput volumes, and higher operating costs per TEU.

We have revised our estimates for 2009 to reflect a drop in overall throughput for DPW of 8.7%. Our estimates are based on a 10.7% drop in DPW's throughput for the Middle East, Europe & Africa region, a 7.4% drop for Australia and America and a growth of 3.9% in throughput for Asia Pacific and Indian subcontinent. However, should we exclude inorganic growth, even Asia Pacific and the Indian subcontinent will suffer a drop in throughput, bringing the overall volume drop to c. 11%.

We maintain our BUY recommendation and update our fair value target to USD 0.55, implying a potential upside of 52% from the current levels of USD 0.364per share. Based on our estimate for Jebel Ali's contribution to our fair value target, the company's market price is equal to our Jebel Ali's valuation. Technically, this implies that those who buy the stock today are actually buying Jebel Ali port and getting the remaining 47 ports for almost free. It is on this premise that we believe that DPW is an attractive play that offers superior return opportunities.

	Net Profits (USD '000)	BV (USD '000)	EPS (USD)	BVPS (USD)	RoAE (%)	EV/EBITDA (x)	P/E (x)
Dec 11E	466,537	7,176,596	0.028	0.432	0.067	6.3	13.0
Dec 10E	264,100	6,803,367	0.016	0.410	0.039	7.6	22.9
Dec 09E	198,523	6,592,086	0.012	0.397	0.030	8.8	30.4
Dec 08A	572,277	6,433,268	0.034	0.388	0.081	6.5	10.6

Current stock price (USD)	0.364
52-week range (USD)	0.17 - 1.07
Number of shares	16,600,000
Free Float (%)	20%
Market Cap (USD '000)	6,042,400
P/E 2008	10.6
P/B	0.9
Dividend Yld. 2008 (%)	1.9%

Price as at 1 July 2009

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Investment thesis

We revise our forecast based on calibrated estimates for global and regional trade growth from the IMF, Drewry Consultants along with our own knowledge / estimates for the region. These calibrated estimates have yielded an organic drop of c. 11% in the overall consolidated container throughput.

Inorganic contributions will cushion the 11% drop in organic growth and would imply an overall drop in DPW's container total throughput of 8.7% and a corresponding consolidated throughput drop of around 7.5% in 2009.

Given the revised forecast, we update our fair value target to USD 0.55 and maintain our BUY recommendation, implying a potential upside of 52% from the current levels of USD 0.364 per share. Based on our estimate for Jebel Ali's contribution to our fair value target, the company's market price is equal to our Jebel Ali's valuation. Technically, this implies that those who buy the stock today are actually buying Jebel Ali port and getting the remaining 47 ports for almost free.

Revised forecast

DPW's reported FY 08 net profits of USD 572.3 mn came inline with our estimates (8% higher). Growth came on the back of several factors 1) an increase in volumes handled, 2) increased tariffs, 3) higher contribution of JV and associates, and 4) higher cost efficiencies.

Today the world has changed, trade have significantly dropped, and in light of these changes we revise our numbers. We expect net profits attributed to shareholders to drop by 65.3% in 2009 to reach USD 198.5 mn, before growing thereafter at a CAGR of 40.3% up to 2013. The drop in our forecasts comes as a result of revised estimates on revenue / TEU, revised forecasts on throughput volumes and higher operating costs per TEU.

As per the management guidance, DPW has no intention in increasing or decreasing its handling fees (lifting fees). However, ancillary charges, which constitute 20% of the tariff charge, will be revised. We anticipate a 50% drop in ancillary charges, which will translate to a 10% in overall tariffs.

Our revised forecast is based on calibrated estimates for global and regional trade growth from the IMF, Drewry Consultants along with our own knowledge / estimates for the region. These calibrated estimates have yielded an organic drop of c. 11% in the overall consolidated container throughput. However, new capacities will be introduced in 2009 from Doraleh Port in Djibouti, Ho Chi Min in Vietnam, Karachi in Pakistan and Djen Djen in Algeria, along with a full year contribution for the first time of Sokhna port in Egypt, Tarragona in Spain and Maputo in Mozambique.

These inorganic contributions will cushion the 11% drop in organic growth and would imply an overall drop in DPW's container total throughput of 8.7% and a corresponding consolidated throughput drop of around 7.5% in 2009.

The estimates for Jebel Ali volume drop were based on a 50% drop in construction related imports inthe UAE, as we are assuming that half of the construction projects in Dubai will either be delayed or cancelled, a 10% drop in the non real estate imports due to an expected UAE population drop in 2009, and a drop in transhipment volumes. These estimates translate into a c. 12.5% drop in Jebel Ali volumes. A further drop in volumes carried over into 2010 will likely occur; we expect that Jebel Ali volumes will drop by another 2.5% in 2010.

As for non container cargo (mainly bulk), DPW guidance states a c. 30% drop in volumes. The bulk of this business is mainly generated in the Middle East, Europe and Africa region with the Middle East generating the lion's share of the total.

Valuation indicated a significant upside of 52% from current level

We maintain our BUY recommendation and update our fair value target to USD 0.55, implying a potential upside of 52% from the current levels of USD 0.364 per share. Fair value is based on a weighted average of DCF valuation (70% weight) and peer valuation (30% weight).

	Fair value estimate	weight	Weighted estimate
Peer valuation	0.50	30%	0.15
DCF	0.57	70%	0.40
Fair value estimate			0.55

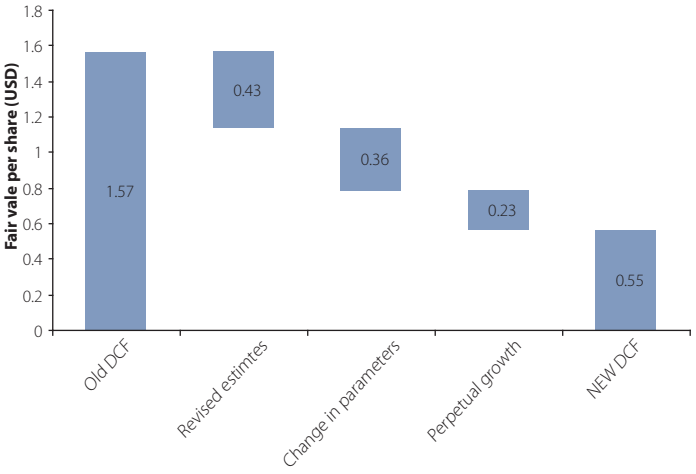
We have decided to adopt an EV / EVITDA multiple for our peer valuation as other earnings multiples might be distorted by non cash depreciation and amortization expenses. The peer valuation reveals that the industry is trading at a forward 2010 EV / EBITDA multiple of 10.7x, which implies an enterprise value per share of USD 0.74, and an equity value per share of USD 0.50 per share.

DCF valuations yielded an equity value of USD 0.57 per share. Our revised DCF reflects the change in our forecast as well as changes in our valuation parameters that reflect the current financial conditions. For example, the new DCF valuation is based on conservative parameters of a 2% perpetual growth and a Weighted Average Cost of Capital (WACC) of 9.38%.

Based on our revised number and DCF valuation, almost 80% is derived from terminal growth (assuming only 5 years of projections) compared to almost all value coming from terminal growth in our previous valuation, which assumed heavy CAPEX and negative FCF throughout most of the projected period.

Effect of change in forecasts and parameters

Old vs New DCF



Industry update:

World trade plunged in the second half of 2008 as demand dropped and production slowed. However, 2008's full year figures still managed to grow by 2% in volume YoY, a level significantly lower than the previous forecast of World Trade Organization (WTO) of 4.5% for 2008.

World trade growth in 2008 below WTO estimates

Data from a selection of countries in the Americas, Europe and Asia, revealed strong growth in imports and exports for the first half of 2008, with continued expansions but at a decreasing rate starting August. However a reversal of course caused the balances to fall into the red during the last few months of 2008 and first half of 2009.

Never witnessed a drop in container throughput BUT 2009 will be a mark of change

The global financial crisis has caused severe negative impacts on the fundamentals driving global trade. The drop in spending and consumption has seriously accelerated the drop in trade volume in the last two months of 2008 and the first half of 2009. Historically we have never seen negative growth in throughput of port operations because of the move towards containerization; however this year global trade is expected to drop by 11%.

Major ports around the world have witnessed a huge drop in container volumes in the first few months of 2009, Chinese ports witnessed an almost 31% drop in January 09 compared to last year, Hong Kong 23%, Singapore 19% and some ports in the US dropping almost 29%. Table below shows volume drops in some of the world's ports.

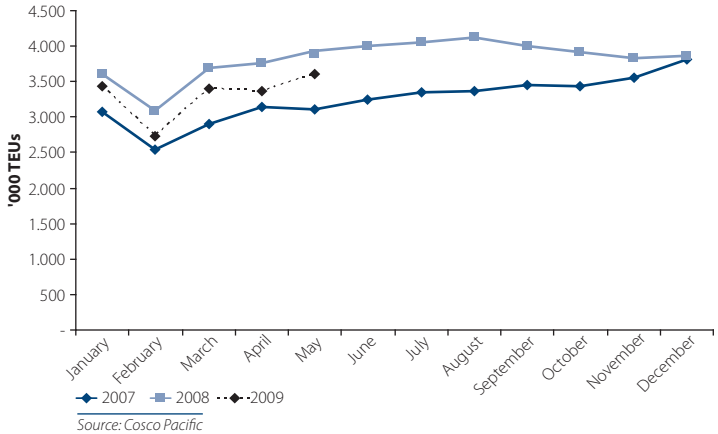
Port	May-09	May-08	% Change
Guangzhou	170	205	-17.11%
Kaohsiung	721	859	-16.03%
Long Beach	420	529	-20.69%
Hong Kong	1,792	2,038	-12.07%
Bremerhaven	363	472	-23.22%
Singapore	2,099	2,633	-20.29%
Shenzhen	1,307	1,740	-24.92%
Pusan	981	1,193	-17.78%
Shanghai	433	549	-21.22%
Los Angeles	532	605	-12.11%

Source: Lloyd's list

China's main partners who represent 70% of its export are in recession

The drop in volume in Chinese ports, as per the IMF, stems from the fact that its top six trading partners, who represent 70% of China's total exports, are now going through a severe economic recession. This reflects the ripple effect of the increased globalization of trade. Statistics show a 30.9% fall in throughput for January 2009 as compared to January 2008, a frightening trend that seems to be mimicked in ports all over the world.

Aggregate Throughput for the Chinese Region



Source: Cosco Pacific

45% of container vessels scheduled to be delivered in 2010 have been delayed or cancelled

Due to a booming global economy throughout the last few years, shipping companies had lined up orders for new container ships with ever growing capacities to cater to the assumed ever growing demand. But now that demand has practically reversed its course with around 45% of new build containership capacity that were scheduled for delivery in 2010 will be delayed or cancelled in an attempt to minimize capital expenditures, thus affecting 30%-45% of orders over the next three years.

11% of the global container ships are unemployed today

Almost 80% of contracts placed in 2008, were for container ships with a capacity of more than 4,000 TEU. Additionally, plummeting demand caused 434 vessels of the worldwide fleet to become idle as trade dwindled on major shipping routes from Asia to Europe and the US. This number represents almost 11% of the global container ship fleet. Since March 2nd, an additional 31 ships have been placed in lay-up.

Under such circumstances, port operators are forecasting a perfect storm for the months to come, with an expected 11% drop in trade for 2009, and the average annual throughput growth rates recovering to the 7% levels no sooner than 2013..

	Ten year average		Revised projections				
World Trade	1991 - 2000	2001 - 2010	2006	2007	2008	2009	2010
World trade volume (goods and services)	7.1	3.5	9.2	7.2	3.3	(11.0)	0.6
Imports							
Advanced economies	7.0	2.2	7.6	4.7	0.4	(12.1)	0.4
Emerging and developing economies	7.3	7.5	13.2	14.0	10.9	(8.8)	0.6
Exports							
Advanced economies	6.9	2.2	8.5	6.1	1.8	(13.5)	0.5
Emerging and developing economies	8.4	6.5	10.9	9.5	6.0	(6.4)	1.2

Source: IMF

Some port expansion plans have already been committed, however most expansion plans are being revised

Despite the credit, several ports have already engaged in development and expansion plans to cater to the assumed growing demand. Some of these expansions are well in place, while others will be finalized in later years; in both cases, most return on investment will not be made in the short term as current utilization rates are low due to slower throughput growth and excess capacity.

IMF expects a 10% drop in exports of developed countries and a 2% - 3% for developing countries

We do however remain more bullish (relatively speaking) on certain regions than others. Our preference leans towards emerging markets and untapped regions, therefore we are remain more biased towards certain operators who have the presence and capabilities to tap and cater to these regions. For example, IMF expects a fall of 12.8%on average in trade for developed countries and7.6% for developing countries, bringing the world average to an 11% contraction for 2009.

Furthermore, we still believe that the industry will continue to evolve, where smaller players are more likely to fall given that the big operators can influence traffic direction to destinations they can service.

Overall effect on DPW

Container volume in Jebel Ali drops by 5% in Jan & Feb 2009

Even in the Middle East, trade volumes have suffered. Container volumes have already dropped by 5% in the first few months of the year and are expected to drop further.

Our revised forecast is based on calibrated estimates for global and regional trade growth from the IMF, Drewry Consultants along with our own knowledge / estimates for the region. These calibrated estimates have yielded an organic drop of c. 11% in the overall consolidated container throughput. However, new capacities will be introduced in 2009 from Doraleh Port in Djibouti, Ho Chi Min in Vietnam, Karachi in Pakistan and Djen Djen in Algeria, along with a full year contribution for the first time of Sokhna port in Egypt, Tarragona in Spain and Maputo in Mozambique.

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As for non container cargo (mainly bulk), DPW guidance states a c. 30% drop in volumes. The bulk of this business is mainly generated in the Middle East, Europe and Africa region with the Middle East generating the lion's share of the total.

Inorganic contributions will cushion the 11% drop in organic growth and would imply an overall drop in DPW's container total throughput of 8.7% and a corresponding consolidated throughput drop of around 7.5% in 2009.

Financial analysis and forecasts

Revenues and gross profit

M.E., Europe & Africa contributed to 61.2% of total revenues

Despite the global crisis and slowdown towards the end of 2008, DPW managed to record a 5.5% YoY growth in revenues to reach USD 3.28 bn of which 61.2% was the contribution of the Middle East, Europe & Africa (56.8% in 2007 pro forma), 23.1% the contribution of Australia & Americas (25.4% in 2007 pro forma) and 15.7% the contribution of Asia Pacific & Indian Subcontinent (17.8% in 2007 pro forma). Specifically, the revenue contribution of DPW's largest market, Middle East, Europe & Africa, grew on the back of faster increase in consolidated throughput and higher growth in tariffs.

We estimate Jebel Ali contributed to 45.3% of total revenue

In the Middle East, Europe and Africa, we estimate that the contribution of Jebel Ali alone was 73.9%. Furthermore, Jebel Ali's contribution represents 45.3% of DPW's total revenues (including bulk) thereby validating our initial view that Jebel Ali has the highest contribution to EBITDA and net profits, where DPW enjoys more favourable term in its home port.

In 2009 however, we expect Jebel Ali's contribution to the region to decrease to 72.5%, while noting that the other ports, in the same region, are expected to suffer less under the current economic conditions. In 2010, we expect the contribution of Jebel Ali to drop from 72.5% to 72% on the back of a 2.5% expected decrease in volume. However, this level is expected to stabilize over the following four years, with ports in other regions probably experiencing a faster recovery.

Revenues expected to drop by 18.2% in 2009

Having said that, the total revenues in 2009 are expected to record a substantial drop of 18.2%, driven by overall lower organic volumes as well as lower tariff charges , mainly on ancillary, which we believe will drop by 10% from the current levels.

Revenue USD '000	2008	2009	2010	2011	2012	2013
Middle East, Europe and Africa	2,009,347	1,564,988	1,694,067	1,874,742	2,076,877	2,228,516
Asia Pacific and Indian Subcontinent	516,963	482,872	559,024	622,967	704,670	777,987
Australia and Americas	756,810	636,284	651,096	823,240	900,401	956,325

Source: DPW, SHUAA Capital

Total consolidated volumes are expected to drop by 7.5% in 2009

As for consolidated volumes, we estimate a drop of 7.5% due to an anticipated volume decrease of 10.7% in the largest market, namely, Middle East, Europe and Africa. In fact, the only market in which we expect to witness positive growth is Asia pacific and Indian subcontinent which is expected to benefit from the inorganic growth coming from Vietnam and Pakistan.

Consolidated Throughput '000 TEU	2008	2009	2010	2011	2012	2013
Middle East, Europe and Africa	17,800	15,899	15,759	16,932	18,256	19,713
Asia Pacific and Indian Subcontinent	5,804	6,028	6,776	7,331	8,051	8,888
Australia and Americas	4,136	3,829	3,804	4,670	4,959	5,267

Source: DPW, SHUAA Capital

This brings us to the overall volume which takes into account both consolidated and non consolidated ports and which we expect to witness an 8.7% drop, as detailed below.

Total Throughput '000 TEU	2008	2009	2010	2011	2012	2013
Middle East, Europe & Africa	14.7%	-8.3%	1.9%	8.8%	7.9%	12.1%
Asia Pacific & Indian Subcontinent	7.6%	-9.0%	4.7%	6.5%	8.9%	9.2%
Australia & America	18.1%	-8.7%	-0.5%	18.9%	5.8%	5.8%
Total	12.0%	-8.7%	2.8%	8.9%	8.1%	10.2%

Source: DPW, SHUAA Capital

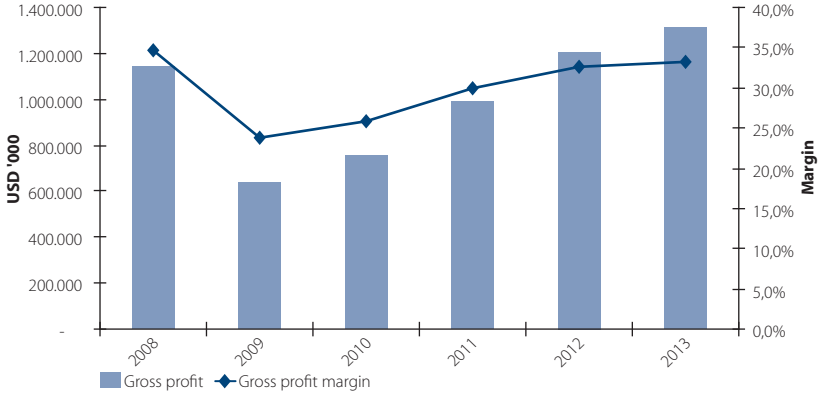
Gross profits expected to drop by 43.8% in 2009

On the profitability side, 2008 gross profits registered an increase of 27.6% to reach 1.1 bn - a faster growth than that of revenues. 2009 however is expected to see gross profits drop by 43.8%. Beyond that, gross profits are expected to gradually increase while outpacing the levels of 2008 by the year 2012. The growth in gross profit however is not expected to outpace that of revenues until2013.

Gross margins to reach 23.8% in 2009 before recovering back to 33.0% in 2013

The company managed to improve its gross margins to 34.7% in 2008 from 32.7% in 2007, mainly on the back of increased throughput and lower cost / TEU, on average. With fixed costs constituting around 40% of the total costs, a drop in volume will cause an increase in the implied cost / TEU pulling margins lower. Accordingly, we do not think that the 2008 margins are sustainable and expect them to decrease to 23.8% in 2009, while gradually improving after that and reaching 33.0% by 2013.

Gross profit and gross profit margin



Source: DPW, SHUAA Capital

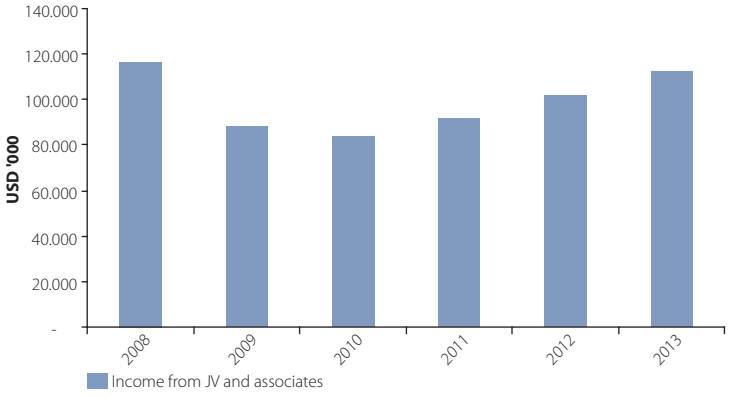
Contribution of JV and Associates

Contribution of JV and associates expected to drop by 23.9% in 2009, there after will grow at a CAGR of 6.2% till 2013

The company's investments in joint ventures and associates amounted to almost USD 3.1 bn, in the form of minority stake in operations of other ports. This investment contributed almost USD 116.2 mn to 2008 profits, implying a YoY growth of close to 8%. Given the global reach of these operations, their contribution to DPW's profitability is expected to drop by 23.9% in 2009 to almost USD 88.3 mn as a result of the current global crisis.

Beyond 2009, we expect the contribution of JV and associates to increase at a CAGR of 6.2% reaching USD 112.6 mn by 2013. Such increase will be primarily driven by the new port developments including Doraleh in Djibouti which is expected to reduce the impact of the decrease in non consolidated volume of the Middle East, Europe and Africa region to a mere 1.2%. At the same time, the volumes of the ports in Asia Pacific & Indian Sub continent and Australia & Americas are expected to decrease in 2009 by 14.1% and 13.6% respectively.

Income from JV and associates



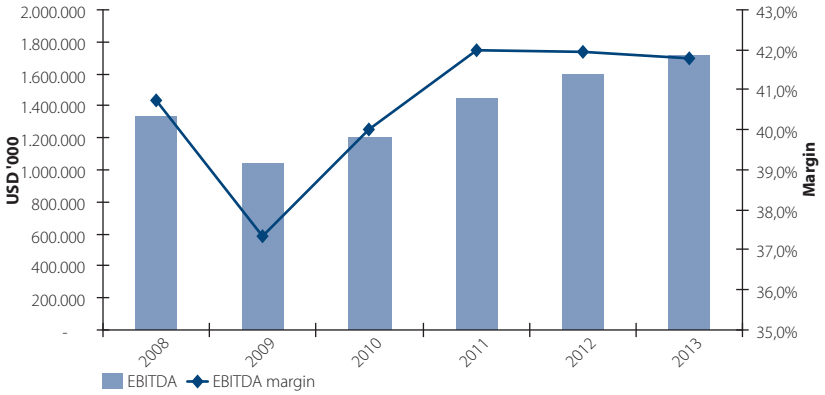
Source: DPW, SHUAA Capital

Adjusted EBITDA

EBITDA to drop to USD 1.0 bn in 2009, margins of 37.1% and CAGR between 2010 and 2013 is 13.3%

The company achieved an Adjusted EBITDA (including income from JV and associates) of USD 1.33 bn, in 2008, resulting in a growth of 13.0% over the USD 1.18 bn in 2007 and an adjusted EBITDA margin of 40.8%. In 2009, we expect adjusted EBITDA to drop to USD 1.00 bn and EBITDA margins to drop to 37.1%, before recovering slightly in 2010 to reach USD 1.150 bn and 39.5%, respectively. Adjusted EBITDA growth between 2010 and 2013 is expected to be around 13.3% with relatively stable margins of 41.5%.

EBITDA and EBITDA margin



Source: DPW, SHUAA Capital

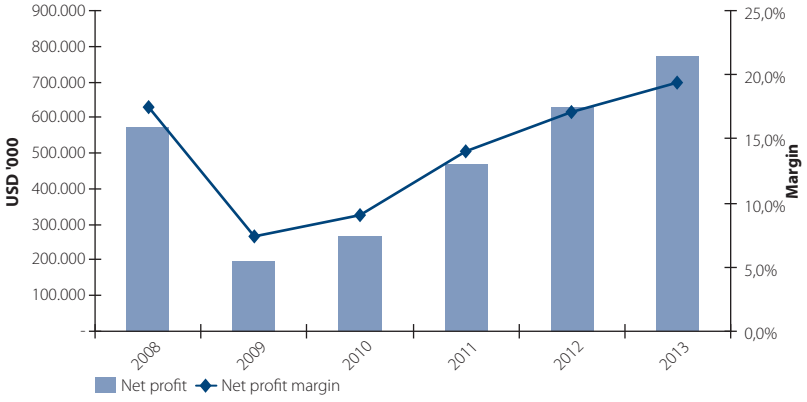
Net profit and net profit margin

The company reported FY 2008 net profits of USD 572.3 mn compared to USD 439.8 mn in 2007 (including a one off item of 65 mn from discontinued operations) implying a growth of 30.1% YoY and a net profit margin of 17.3% compared to 16.1% a year before. This growth came on the back of increased volume, higher tariff charges, and improved cost efficiency. The achieved growth came slightly above our expectations of USD 528 mn.

We expect a huge drop in net profits by 65.2% in 2009 and margins dropping to 7.4%

In 2009, net profits attributed to shareholders are expected to drop by 65.3% to reach USD 198.5 mn, and implying a net profit margin of 7.4%. Beyond that and up until 2013, we are expecting a CAGR of 40.3% implying profits of USD 770.1 mn by 2013. Net margins are expected to recover in 2010 to reach 9.1% while gradually increasing thereafter to reach 19.4% by 2013.

Net profit and net profit margin



Source: DPW, SHUAA Capital

CAPEX

CAPEX of USD 0.8 bn & USD 0.7 bn in 2009 and 2010 adding additional 3m & 1.4 mn TEUs of capacity

As we mentioned in our note dated 25th March 2009, CAPEX for the FY 2008 was initially planned at USD 1.8 bn of which only USD 1.4 bn was incurred with the rest being carried over to 2009. That said, expected CAPEX in 2009 is set at USD 800 which includes the 400 mn carried over from 2008 along with the maintenance CAPEX and other expansion plans such as those for Doraleh in Djibouti, Sokhna in Egypt, Algeria and Vietnam. These expansion plans are expected to add another 3 mn TEUs of capacity in 2009. As per management guidance, another USD 700 mn is expected to be spent in CAPEX in 2010 adding 1.4 mn TEU additional capacities in Peru and Vallarpadam.

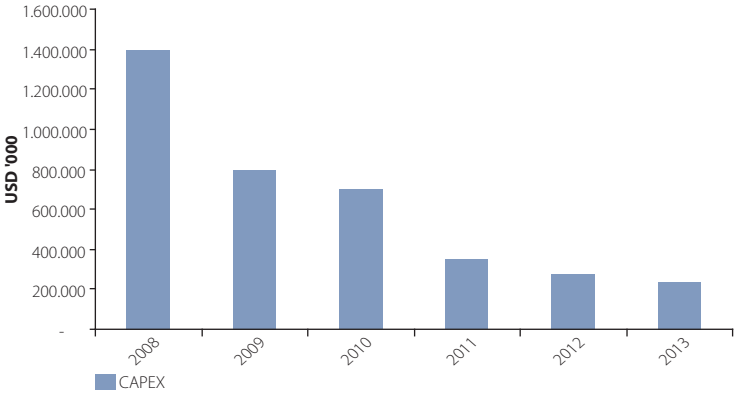
London Gateway expansion plans on hold

Beyond 2010, we have cancelled all expansion projects that were initially planned to account for the recent development in the industry as we feel that the decreasing utilization rates removes the urgent need of additional capacity. London Gateway (the only freehold port DPW owns) expansion plans have been stopped for the time being with DPW still in negotiations with the UK government for support. As a result, we have assumed that the planned expansion plans will no longer take place.

Minimum maintenance & expansion CAPEX beyond 2010

For the period starting in2011, we estimate that Indian ports will likely exceed 100% utilization rates resulting in some expansion and maintenance CAPEX for these ports. Total CAPEX of USD 348.3 mn, USD 278.3 mn, and USD 238.3 mn have been assumed for 2011, 2012, and 2013 respectively.

CAPEX



Source: DPW, SHUAA Capital

DEBT

In order to finance its expansion plans, DPW built up a debt position of USD 5.2 bn , out of which USD 3.2 bn is in long term bonds maturing in 2017 and 2037, with the rest in bank loans. It is worth mentioning that the company has also an unutilized revolver of close to USD 2 bn which they can tap into as and when needed.

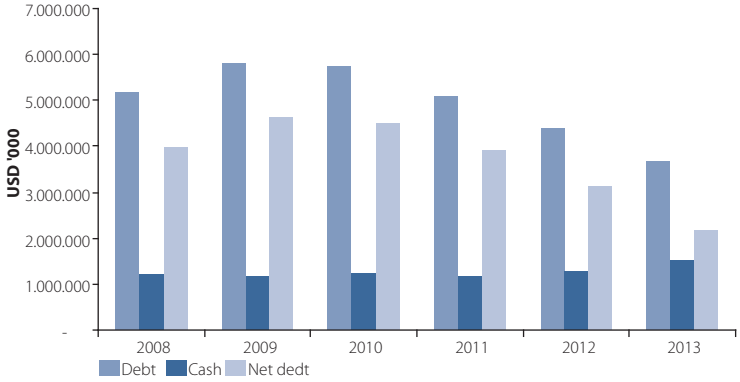
DPW will need to tap into USD 1.5 bn of available USD 2 bn revolver in 200 and 2010.

In our assumptions, we expect the company to utilize USD 1.5 bn of the available financing in 2009 and 2010 in order to fund its CAPEX plan. DPW's debt position is expected to reach USD 5.8 bn and 5.7 bn in 2009 and 2010 respectively, after that, bank facilities (excluding the long term bonds) are paid off gradually over a time frame ranging between 3 to 7 years.

Long term financing; USD 3.2 mn in bonds maturing in 2017 & 2037

Currently, the net debt position stands at USD 4.0 bn. It is expected to reach USD 4.6 bn in 2009 and USD 4.5 bn in 2010, before decreasing gradually thereafter to reach USD 2.1 bn by 2013. The company currently generates above USD 1 bn in EBITDA and has a debt to asset ratio of more than 35%, a debt to equity ratio of 80%, and an interest coverage of 2.7 times for 2008, and 1.4 in 2009. Since the majority of the debt is maturing in 8 and 18 years, the company's debt position and its financing needs do not present a serious threat at this point.

Net debt



Source: DPW, SHUAA Capital

Recently and especially during the peak of the speculation and concerns over 'Dubai's debt', there were worries over the "cross default, cross acceleration" clause on existing bonds issued by a sister company and speculation on what impact a default will have on DPW's outstanding bonds. However, the company confirmed and assured that a clause of this sort does not exist while noting that there will not be precautions extending to DPW if any of the sister companies do not meet their obligations.

Valuation

We update with a BUY recommendation and a fair value target of USD 0.55 per share

We revise our forecasts and fair value target while maintaining our BUY recommendation with a fair value estimate of USD 0.55 per share, implying a 52% upside potential from the current market price of USD 0.364 per share. The basis of our valuation is based on the standard SHUAA Capital's practice for valuation, based on a 70% weight for the Discounted Cash Flow (DCF) method and a 30% weight for peer valuation.

	Fair value estimate	weight	Weighted estimate
Peer valuation	0.50	30%	0.15
DCF	0.57	70%	0.40
Fair value estimate			0.55

We resorted in our peer valuation to EV / EBITDA multiples, which present a better medium of comparison in this case, in order to avoid distortion presented from large depreciation and amortization expenses. Again we re-emphasize that our picks of peers are single port operators, as none of the global operators are listed. And while we believe that DPW deserves a premium over single operators, we decided not to apply any premium taking into account the global drop in trade and the negative sentiment towards the port industry in general.

Industry trades at 2010 EV/EBITDA multiple of 10.7x implying a fair value target of USD 0.50 per share

We estimate that the industry is trading at a forward 2010 EV / EBITDA multiple of 10.7x, which implies an enterprise value per share of USD 0.74 and an equity value of USD 0.50. Although 2009 multiples offer a more conservative equity value of USD 0.47, we decided to apply 2010 multiples as we think it would be a better reflection of the industry. A sample of peers and their multiples are presented in the table below.

			P/ E multiples			EV / EBITDA multiples		
	Country	Mkt Cap (USD)	Trailing	2009	2010	Trailing	2009	2010
DP WORLD LTD	UAE	5,976,000,000	12.39	18.95	17.14	9.99	10.40	9.84
CHINA MERCHANTS HLDGS PAC LT	SINGAPORE	205,038,075	5.95	1.24	1.38		2.80	2.62
COSCO PACIFIC LIMITED	HONG KONG	2,528,285,190	9.20	97.00	87.30	16.16	15.15	13.76
DALIAN PORT (PDA) CO LTD-H	CHINA	1,185,205,560	10.49	15.70	14.74	12.67	10.43	9.73
HAMBURGER HAFEN UND LOGISTIK	GERMANY	3,010,564,479	15.02	22.78	19.55	5.35	7.25	6.55
LOG-IN LOGISTICA INTERMODAL	BRAZIL	398,815,157	12.93	15.46	14.01	9.45	8.36	6.21
LYTTELTON PORT COMPANY LTD	NEW ZEALAND	152,458,711	21.40	21.39	19.74	9.56	9.27	8.74
MACQUARIE AIRPORTS	AUSTRALIA	3,048,651,746	1.83		30.56	2.45	13.83	13.20
MACQUARIE INFRASTRUCTURE GRP	AUSTRALIA	2,553,088,478			14.58	4.58		10.87
MUNDRA PORT AND SEZ LIMITED	INDIA	5,101,734,560	56.89	40.93	27.64	33.96	24.32	18.47
NOVOROSSIYSK-GDR REG S	RUSSIA	2,465,256,000		14.33	9.90			
PORT OF TAURANGA LIMITED	NEW ZEALAND	525,957,242	18.42	18.54	17.88	15.12	12.01	11.63
SANTOS BRASIL PARTICIPACOES	BRAZIL	738,955,038	140.88	18.30	15.28	6.06	6.62	5.74
SHANGHAI INTERNATIONAL POR-A	CHINA	17,577,867,360	25.99	29.79	28.46	15.27	17.10	15.31
SHENZHEN CHIWAN WHARF HLDG-B	CHINA	1,224,479,094	10.39	17.80	16.21	8.58	10.01	8.98
TIANJIN PORT CO LTD-A	CHINA	2,993,723,352	21.42	21.12	19.02	13.86	12.03	10.91
TIANJIN PORT DVLP HLDS LTD	HONG KONG	781,516,701	46.44	38.09	36.85	21.83	23.44	22.17
VOPAK	NETHERLANDS	3,223,832,859	11.42	10.48	10.29	8.55	8.02	7.77
XIAMEN INTERNATIONAL PORT-H	CHINA	531,036,498	9.63	13.73	14.25	7.08	7.24	7.10

Financials

Consolidated balance Sheet (USD '000)

Year to December	Dec 08 A	Dec 09 E	Dec 10 E	Dec 11 E	Dec 12 E	Dec 13 E
Bank balances and cash	1,204,074	1,171,107	1,226,728	1,170,137	1,274,323	1,500,294
Inventories	57,476	58,831	63,653	72,788	80,700	86,857
Accounts receivable and prepayments	741,289	735,382	676,317	773,372	857,440	922,851
Assets classified as held for sale	10,100	10,100	10,100	10,100	10,100	10,100
Total current assets	**2,012,939**	**1,975,419**	**1,976,799**	**2,026,397**	**2,222,563**	**2,520,101**
Property plant & equipment	4,252,683	4,767,600	5,126,214	5,119,175	5,031,005	4,893,304
Intangible assets	3,840,527	3,689,620	3,538,713	3,387,806	3,236,899	3,085,992
Goodwill	2,154,165	2,154,165	2,154,165	2,154,165	2,154,165	2,154,165
Investments in joint ventures and associates	3,109,276	3,109,276	3,109,276	3,109,276	3,109,276	3,109,276
Deferred tax assets	30,186	-	-	-	-	-
Other non-current assets	51,041	51,041	51,041	51,041	51,041	51,041
Accounts receivables and prepayments	48,035	122,131	131,973	150,723	167,166	179,944
Total non-current assets	**13,485,913**	**13,889,363**	**14,106,716**	**13,967,039**	**13,743,787**	**13,467,491**
Total assets	**15,498,852**	**15,864,782**	**16,083,515**	**15,993,435**	**15,966,349**	**15,987,592**
Accounts payable and accruals	1,008,137	882,459	954,801	1,091,819	1,210,503	1,302,848
Bank overdrafts	49,929	20,440	21,513	23,271	24,786	26,471
Interest bearing loans and borrowings	172,451	-	-	-	-	-
Pension and post employment benefits	41,700	38,719	39,594	43,493	47,000	50,912
Provisions	40,300	61,320	64,538	69,812	74,358	79,412
Income tax liability	121,724	121,724	121,724	121,724	121,724	121,724
Total Current liability	**1,434,241**	**1,124,662**	**1,202,170**	**1,350,118**	**1,478,372**	**1,581,367**
Interest bearing loans and borrowings	1,966,650	2,561,910	2,497,815	1,850,435	1,160,102	427,578
Account payable and accruals	378,057	392,001	383,102	414,409	441,394	471,398
Pension and post employment benefits	104,500	-	-	-	-	-
Other non-current liability	43,114	56,000	58,939	63,755	67,907	72,523
Bond payable	3,230,244	3,230,244	3,230,244	3,230,244	3,230,244	3,230,244
Deferred tax liabilities	1,167,884	1,167,884	1,167,884	1,167,884	1,167,884	1,167,884
Provisions	900	-	-	-	-	-
Total non-current liability	**6,891,349**	**7,418,308**	**7,347,997**	**6,737,701**	**6,079,782**	**5,383,222**
Total liability	**8,325,590**	**8,580,320**	**8,589,089**	**8,130,681**	**7,606,080**	**7,016,456**
Paid up capital	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000	1,660,000
Share premium	2,472,655	2,472,655	2,472,655	2,472,655	2,472,655	2,472,655
Actuarial reserve	(264,475)	(264,475)	(264,475)	(264,475)	(264,475)	(264,475)
Translation Reserve	(801,394)	(801,394)	(801,394)	(801,394)	(801,394)	(801,394)
Shareholders Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	1,366,482	1,525,300	1,736,581	2,109,810	2,613,666	3,229,818
Total Shareholders' Equity	**6,433,268**	**6,592,086**	**6,803,367**	**7,176,596**	**7,680,452**	**8,296,604**
Minority Interest	739,994	739,994	739,994	739,994	739,994	739,994
Total liability and shareholders equity	**15,498,852**	**15,864,782**	**16,083,515**	**15,993,435**	**15,966,349**	**15,987,592**

Consolidated income statement (USD '000)

Year to December	Dec 08 A	Dec 09 E	Dec 10 E	Dec 11 E	Dec 12 E	Dec 13 E
Total revenues	3,283,120	2,684,145	2,904,187	3,320,949	3,681,948	3,962,829
Total cost of sales	2,143,326	2,044,006	2,151,266	2,327,064	2,478,600	2,647,083
Gross Profit	**1,139,794**	**640,139**	**752,920**	**993,885**	**1,203,348**	**1,315,746**
General & administration expenses	(306,081)	(166,488)	(177,983)	(207,419)	(286,706)	(307,871)
Other income	18,291	-	-	-	-	-
Interest income	76,146	74,061	77,579	74,000	80,589	94,879
Finance cost	(343,245)	(373,210)	(393,309)	(369,842)	(325,102)	(277,454)
Share of (loss) profit of joint ventures & associates	116,194	88,382	84,144	91,797	101,589	112,554
Profit before tax from continuing operations	**701,099**	**262,884**	**343,352**	**582,421**	**773,718**	**937,854**
Income tax	(80,332)	(28,917)	(41,202)	(69,890)	(92,846)	(112,542)
Profit for the year	**620,767**	**233,967**	**302,149**	**512,530**	**680,871**	**825,312**
Attributed to :						
Equity holders of the parent	572,277	198,523	264,100	466,537	629,819	770,191
Minority interests	48,490	35,444	38,049	45,993	51,052	55,121
Adjusted EBITDA (inc JV & A)	1,337,942	995,570	1,148,436	1,381,549	1,532,648	1,644,377
Adjusted EBITDA Margin	41%	37%	40%	42%	42%	42%

Key ratios

Year to December	Dec 08 A	Dec 09 E	Dec 10 E	Dec 11 E	Dec 12 E	Dec 13 E
Valuation						
EBITDA ('000)	1,337,942	995,570	1,148,436	1,381,549	1,532,648	1,644,377
EBITDA Margin	40.8%	37.1%	39.5%	41.6%	41.6%	41.5%
Number of shares ('000)	16,600,000	16,600,000	16,600,000	16,600,000	16,600,000	16,600,000
EPS (USD)	0.034	0.012	0.016	0.028	0.038	0.046
BVPS (USD)	0.388	0.397	0.410	0.432	0.463	0.500
EV / EBITDA	6.5	8.8	7.6	6.3	5.7	5.3
P/E (x)	10.67	30.4	22.9	13.0	9.6	7.8
P/B	0.9	0.9	0.9	0.8	0.8	0.7
Growth						
Revenues %	20.2%	-18.2%	8.2%	14.4%	10.9%	7.6%
Gross profit	27.6%	-43.8%	17.6%	32.0%	21.1%	9.3%
EBITDA	13.0%	-25.6%	15.4%	20.3%	10.9%	7.3%
Profit before minority interests	28.1%	-62.3%	29.1%	69.6%	32.8%	21.2%
Net profit attributed to SH	30.1%	-65.3%	33.0%	76.7%	35.0%	22.3%
Total assets %	-9.8%	2.4%	1.4%	-0.6%	-0.2%	0.1%
Shareholders' equity	-16.6%	2.5%	3.2%	5.5%	7.0%	8.0%
Margins						
Gross margins	34.7%	23.8%	25.9%	29.9%	32.7%	33.2%
EBITDA margins	40.8%	37.1%	39.5%	41.6%	41.6%	41.5%
Net profit margins	17.4%	7.4%	9.1%	14.0%	17.1%	19.4%
Returns						
RoAE	8.1%	3.0%	3.9%	6.7%	8.5%	9.6%
RoAA	3.5%	1.3%	1.7%	2.9%	3.9%	4.8%
Leverage						
Total Debt/Total Assets (%)	33.5%	36.5%	35.6%	31.8%	27.5%	22.9%
Total Debt/ Equity (%)	80.8%	87.9%	84.2%	70.8%	57.2%	44.1%
Net Debt/Equity (%)	64.6%	72.1%	68.3%	56.8%	43.0%	28.4%
Interest Coverage Ratio	2.7	1.4	1.6	2.3	3.0	3.8
Liquidity						
Inventory Turnover	38.4	35.1	35.1	34.1	32.3	31.6
Current Ratio	1.4	1.8	1.6	1.5	1.5	1.6
Quick ratio	1.4	1.7	1.6	1.4	1.4	1.5

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