Analyst Comment

January 26, 2010

DP WORLD (DPW.DI)

- DP World hosted a highly attended analyst day on January 25, 2009, following the announcement of the company's trading results for 2009. During the event, we got confirmation that the depth of management and the commitment to transparency and disclosure is still as high as the time of the IPO.

- Management outlined the strategy that should enable DP World to meet future challenges. The focus of the company is on improving efficiencies to better serve customers. DP World has taken several initiatives that led to reductions in costs, such as: converting some oil-powered cranes to electricity, striking agreements with labor unions to shorten length of shifts and overtime, and the global reduction of the inventory of spare parts. Moreover, management explained that they have been leveraging the national networks in countries, such as Australia, to improve market share.

- Management also discussed the consolidated capacity pipeline that is currently set for DP World. Two projects are expected to come online in 2010: Callao, Peru and Vallarpadam, India. Though the London Gateway project is scheduled for a post 2013 completion, we felt that management is currently more in favor of pursuing this project. London Gateway, which is designed to be a logistics city, is a freehold project and not a concession. Thus, London Gateway is expected to have a higher EBITDA margin than its European competitors, due to the absence of concession fees; however, the construction cost of the project is high (approximately USD 1.5 billion). Moreover, we were appeased by the delay of the construction of terminal 3 in Jebel Ali, as this reduces the likelihood of an increase in capital expenditure in the short term.

- DP World plans to spend USD 2.5 billion on capital expenditure over a three-year period from 2010 to 2012. Capex is expected to be split as follows: 10% maintenance, 20% investment in operational terminals, and 70% on new projects. This plan is 25% higher than the USD 2 billion we have budgeted in our model. The divergence relates to London Gateway, which we did not include in our model (as the progress of the project was in doubt).

- As for the trading performance in 2009, DP World saw an 8% drop in consolidated throughput to 25.6 million TEU in 2009. Excluding new terminals that joined during 2009, total consolidated throughput declined by 10%. This performance comes in line with our 2009 forecasts. DP World's entire portfolio, which includes 50 consolidated and unconsolidated ports, saw a decline in volumes of 6% to 43.4 million TEU in 2009.

- Consolidated terminals within Europe, Africa and the Middle East region experienced a decline of 7% in throughput to 16.5 million TEU–matching our forecast. The Asia Pacific and Indian Subcontinent region was least impacted, whereby volumes dropped by 5% to 5.5 million TEU– 4% below our forecast. The largest hit was the Americas and Australia region, which saw a decline in throughput of 15% to 3.5 million TEU–3% higher than our forecast.

- The only individual port figures that have been made available by DP World relate to the combined performance of the UAE region which saw a decline of 6% to 11.1 million TEU in 2009. The capacity utilization rate for the UAE region was approximately 75% in 2009. Management revealed that the level of transshipment in Jebel Ali increased to 55% due to shipping lines using larger vessels to reduce costs. The non-container cargo declined mostly due to a drop in construction material; however, we do not have explicit numbers for this segment.

- According to DP World's management, consolidated container volumes across all three reporting regions were better in 2H2009 than 1H2009. In our opinion, this is further evidence of a bottoming process for the decline in throughput levels, which we have referred to in our last update on DP World.

- Despite the decline in DP World's throughput, the company was able to outperform the global industry, which experienced a decline of 12% in container volumes. Management attributes this outperformance to DP World's focus on emerging markets, which have been more resilient to the downturn in 2009.

- We believe that DP World's trading performance falls in line with our expectations and do not see any material change that will lead us to amend our 2009 forecasts. We expect DP World to achieve an EBITDA and a net income of USD 1.1 billion and USD 331 million in 2009, respectively. We maintain our fair value estimate of USD 0.55 per share (2% upside potential compared with the share's closing price on 25 January 2010); hence, our current recommendation on the stock is a "Hold."

Samir Murad, CFA

T. +965 259 5145
E. samir.murad@nbkcapital.com

Related Research

- Update - 06 October 2009
- Update - 14 April 2009

NBK CAPITAL

Kuwait

Head Office
17th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research
19th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq,
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage
8th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O. Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates

NBK Capital Limited
Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506, Dubai,
UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey

NBK Capital
Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

DISCLAIMER:

The information, opinions, tools, and materials contained in this report (the "Content") are not addressed to, or intended for publication, distribution to, or use by, any individual or legal entity who is a citizen or resident of or domiciled in any jurisdiction where such distribution, publication, availability, or use would constitute a breach of the laws or regulations of such jurisdiction or that would require Watani Investment Company KSCC ("NBK Capital") or its subsidiaries or its affiliates to obtain licenses, approvals, or permissions from the regulatory bodies or authorities of such jurisdiction. The Content, unless expressly mentioned otherwise, is under copyright to NBK Capital. Neither the Content nor any copy of it may be in any way reproduced, amended, transmitted to, copied, or distributed to any other party without the prior express written consent of NBK Capital. All trademarks, service marks, and logos used in this report are trademarks or service marks or registered trademarks or registered service marks of NBK Capital.

The Content is provided to you for information purposes only and is not to be used, construed, or considered as an offer or the solicitation of an offer to sell or to buy or to subscribe for any investment (including but not limited to securities or other financial instruments). No representation or warranty, express or implied, is given by NBK Capital or any of its respective directors, partners, officers, affiliates, employees, advisors, or representatives that the investment referred to in this report is suitable for you or for any particular investor. Receiving this report shall not mean or be interpreted that NBK Capital will treat you as its customer. If you are in doubt about such investment, we recommend that you consult an independent investment advisor since the investment contained or referred to in this report may not be suitable for you and NBK Capital makes no representation or warranty in this respect.

The Content shall not be considered investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable or appropriate for your individual circumstances or otherwise constitutes a personal recommendation to you. NBK Capital does not offer advice on the tax consequences of investments, and you are advised to contact an independent tax adviser.

The information and opinions contained in this report have been obtained or derived from sources that NBK Capital believes are reliable without being independently verified as to their accuracy or completeness. NBK Capital believes the information and opinions expressed in this report are accurate and complete; however, NBK Capital gives no representations or warranty, express or implied, as to the accuracy or completeness of the Content. Additional information may be available upon request. NBK Capital accepts no liability for any direct, indirect, or consequential loss arising from the use of the Content. This report is not to be relied upon as a substitution for the exercise of independent judgment. In addition, NBK Capital may have issued, and may in the future issue, other reports that are inconsistent with and reach different conclusions from the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared the reports, and NBK Capital is under no obligation to ensure that such other reports are brought to your attention. NBK Capital may be involved in many businesses that relate to companies mentioned in this report and may engage with them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions, and estimates contained in this report reflect a judgment at the report's original date of publication by NBK Capital and are subject to change without notice.

The value of any investment or income may fall as well as rise, and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price, or income of that investment. In the case of investments for which there is no recognized market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

NBK Capital has not reviewed the addresses of, the hyperlinks to, or the websites referred to in the report and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to NBK Capital's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such websites or following such links through this report or NBK Capital's website shall be at your own risk.

© COPYRIGHT NOTICE

This is a publication of NBK Capital. No part of this publication may be reproduced or duplicated without the prior consent of NBK Capital.