Analyst Comment

March 25, 2010

DP WORLD (DPW.DI)

12-Month Fair Value: USD 0.55
Last Close (24 March, 2010): USD 0.48
Recommendation: Accumulate - Risk Level: 4

- DP World announced its financial result for FY2009 which was in line with our forecast at the operating level.
- Total revenue for the group declined by 14% reaching USD 2.8 billion–in line with our forecast for the year. This decline in revenue comes as a result of an 8% decline in throughput and a 29% decline in non-container revenue.
- On the operating level, including the share of income of JV's and associates, EBITDA declined by 20% to USD 1,072 million. This result was 2% lower than our EBITDA forecast of USD 1,096 million. The EBITDA margin declined from 40.8% in FY2008 to 38% in FY2009. Though DP World was successful in reducing fixed costs by 7% and improving overall terminal efficiency, the decline in non-container revenue masked all this improvement.
- Net profit (before separately disclosed items) reached USD 295.5 million in FY2009, a 48% year-on-year decline. This result was 11% lower than our forecast of USD 330.9 million. The main reason for this difference was higher depreciation and minority interest expenses.
- On the regional level, the revenue for Europe, Middle East and Africa region (EMEA) declined to USD 1.75 billion (13% decrease year-on-year) and was 3.5% higher than our forecast of USD 1.68 billion. The EMEA region had an EBITDA of USD 765 million, which was 4.4% lower than our forecast of USD 800. The Australia and Americas region was very much in line with our forecast, delivering USD 596 million in revenue (our forecast was USD 597 million) and USD 138 million in EBITDA (our forecast was USD 126 million), which represent a year-on-year decline of 21% and 43% respectively. The Asia Pacific and Indian Subcontinent region achieved USD 477 million in revenue (our forecast was USD 517) and USD 248 million in EBITDA (our forecast was USD 257 million), also showing year-on-year declines of 8% and 9%, respectively.
- Total capital expenditure for the year reached USD 1 billion of which 68% was spent on new facilities.
- DP world's net debt increased from USD 4.2 billion by end of 2008 to USD 5.1 billion by the end of 2009 due to investments made in the terminals. Interest coverage ratio (EBITDA divided by net interest expense) stands at 3.8 times, and there are no major refinancing requirements before 2012.
- Net cash from operating activities declined by 46% to USD 572 million, due to a negative working capital impact.
- The Board of Directors recommended a dividend of 0.82 cents per share (Dividend yield of 1.75% and a payout ratio of 46%).
- DP World's management said that the first two months in 2010 saw a 4% increase in throughput volumes (7% upon excluding the effect of the deconsolidation of the Manila Port), but refrained from providing guidance on 2010.
- Our current 12-month fair value for DP World, USD 0.55, is now 15% over the closing price of 24 March 2010 (USD 0.48); hence, our current recommendation on the stock is "Accumulate".

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Related Research

- DP World Analyst Comment - 26 January 2010
- DP World Analyst Comment - 01 December 2009
- DP World Analyst Comment - 28 October 2009
- DP World Update - 06 October 2009

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION	UPSIDE (DOWNSIDE) POTENTIAL
BUY	MORE THAN 20%
ACCUMULATE	BETWEEN 5% AND 20%
HOLD	BETWEEN -10% AND 5%
REDUCE	BETWEEN -25% AND -10%
SELL	LESS THAN -25%

RISK LEVEL				
LOW RISK				HIGH RISK
1	2	3	4	5

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