Analyst Comment

August 19, 2010

DP WORLD (DPW.DI)

12-Month Fair Value: USD 0.57
Last Close (19 August 2010): USD 0.52
Recommendation: Hold - Risk Level: 4

- DP World posted financial results for 1H2010, which mark an improvement over 1H2009 and are in line with our forecasts on the operational level. Total revenue in 1H2010 reached USD 1.5 billion, 5% above 1H2009 and 3.5% lower than our forecasts. DP World benefited from a 7% growth in consolidated throughput and a marginal improvement in container revenue per TEU (excluding ancillary revenue), but was negatively impacted by a 4% drop in non-container revenue.

- On a regional level, Australia and Americas reported a 45% year on year increase in revenue—the only region that posted revenue growth in 1H2010. The other two regions displayed weaker results, as Europe, Middle East and Africa showed a 2% drop in revenue year on year—mostly due to a 6% decline in non-container revenues and weaker ancillary revenue. Revenue for the Asia Pacific and Indian Subcontinent region dropped 15% in 1H2010 as a result of the removal of ATI Manila terminal from consolidated reporting. Excluding the impact of ATI Manila, revenue for the Asia Pacific and Indian Subcontinent region would have increased by 11%.

- EBITDA reached USD 580 million in 1H2010, improving by 8% compared to 1H2009 but was 2.5% below our forecast. The growth in revenue coupled with the stronger performance from joint ventures and associates helped push EBITDA margins up to 39.9% in 1H2010—a 120 basis points increase over 1H2009. With cost cutting initiatives to reduce fixed costs, we expect to see some more improvement in the EBITDA margin in 2H2010.

- Net profit (before separately disclosed items) of USD 163.9 million for 1H2010 came in 7% lower than 1H2009. This dip in profitability was mainly due to a jump in minority interest expense from USD 12 million in 1H2009 to USD 43 million in 1H2010. This highlights an improved performance in ports that are not fully-owned by DP World, namely Southampton and Buenos Aries.

- According to 1H2010 financials, DP World has USD 2.7 billion held as cash, with total loans amounting to USD 8 billion (which puts net debt at USD 5.4 billion compared to USD 5.1 in FY2009). The debt maturity schedule is well-dispersed over a period of 27 years, with the first major payment of USD 3 billion occurring in 2012. DP World's leverage remains below 1x at 0.8x at the end of 1H2010.

- These results fall broadly in line with our expectations and we maintain our 12-month fair value for DP World at USD 0.57 per share. This is 9% over DP World's closing price as of 19 August 2010; hence, our current recommendation for the stock is a "Hold."

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Related Research

- DP World Analyst Comment - 27 July 2010
- DP World Update - 28 April 2010

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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