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CREDIT OPINION
5 May 2020

Update

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RATINGS

DP World PLC

Domicile	DIFC, United Arab Emirates
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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DP World PLC

Update following the downgrade to Baa3, stable outlook

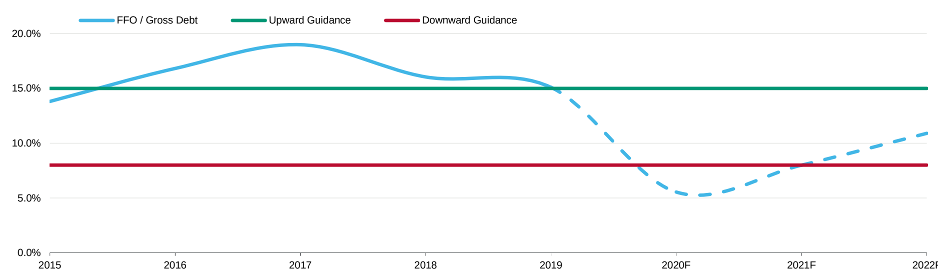
Summary

On 30 April, DP World PLC's (DP World or Group) ratings were downgraded by 2 notches to Baa3 from Baa1. This follows the announcement that DP World will guarantee $9 billion of debt, that its parent company Port and Free Zone World FZE (PFZW), raised to buy out the minority shareholders for $2.7 billion and pay a $5.15 billion dividend to Dubai World - expected to conclude in third quarter 2020. As a result, DP World's credit metrics will weaken substantially.

DP World's Baa3 issuer rating is supported by (1) the company's diversified global operations; (2) the expected positive long-term growth in international container traffic; (3) its solid profitability and liquidity; and (4) the company's flexibility in delaying capital spending to support the balance sheet, if needed. The company focused origin and destination (O&D) ports are relatively less sensitive to cyclical downturns compared to transshipment ports.

The Group's credit rating also incorporates (1) the weak leverage and interest cover ratio's and our expectation that these credit metrics will improve over the next 2 years as management seek to restore net leverage within its financial policy target of 4x net debt/ EBITDA (pre IFRS 16); (2) strong correlation to fluctuating global trade and sharp decline in trade volumes expected in 2020 as a result of coronavirus; (3) increased linkages to the credit quality of and operational exposure to the Emirate of Dubai; and (4) greater exposure to non-port-related businesses, which, in some cases, have weaker credit risk profiles than that of DP World's core port operations.

Exhibit 1
Leverage to weaken in 2020 but expected to recover from 2021



[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations unless mentioned otherwise.
Sources: Company financials, Moody's Investors Service

Credit strengths

» Strong management track record of growing the business while maintaining profitability and strong liquidity

» Captive O&D revenue, which is diversified to a degree and supported by long-term concessions

» Exposure to the infrastructure business, which has high barriers to entry and generates significant operating cash flow

Credit challenges

» High leverage position and execution risks related to the Group's deleveraging strategy

» A degree of concentration risk, with around 55% of the Group's EBITDA related to assets in Dubai

» Exposure to declining global trade volume with uncertainty over the path of recovery

Rating outlook

The stable outlook reflects DP World's broad geographic portfolio of well-located port assets, variable cost structure and a strong liquidity profile that gives DP World flexibility to weather the expected decline in global trade in 2020. It further incorporates the expectation that DP World's FFO to debt will increase toward 10% in 2021 and assumes management will balance the need for acquisitions against its commitment to reduce net leverage.

Factors that could lead to an upgrade

Upward rating pressure could result if DP World's financial profile strengthens beyond current expectations and the company establishes a track record of higher-than-expected cash generation or debt reduction that would sustainably result in adjusted cash interest coverage above 4.0x and adjusted FFO to debt trending towards 15%. An upgrade would also require a track record of DP World adhering to its financial policies and reduced risk of additional sizeable dividends to its shareholder.

Given DP World's sizeable operational exposure to Dubai, its rating position would also need to be considered in the context of the Government of Dubai's credit profile and the overall macroeconomic environment in Dubai.

Factors that could lead to a downgrade

The rating could be downgraded if global trade remains weak, asset monetisations are delayed or DP World undertakes higher-risk development projects or acquisitions that leads to a slower deleveraging path such that adjusted cash interest coverage is below 2.5x and adjusted FFO to debt is below 8%, both on a sustained basis. The rating would also come under pressure if DP World's (including PFZW debt obligations) liquidity profile deteriorates.

Key indicators

Exhibit 2
DP World PLC

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12-18 months forward view
EBITDA Margin	55%	56%	54%	59%	59%	55%	42%	32%-34%
(FFO + Interest Exp.) / Interest Exp.	3.2x	3.7x	3.8x	4.5x	5.3x	4.5x	4.3x	2.1x-2.3x
FFO / Debt	14%	15%	14%	17%	19%	16%	15%	6%-8%
RCF / Net Debt	15%	21%	14%	16%	16%	16%	15%	6%-8%
Debt / EBITDA	5.2x	5.0x	5.3x	4.6x	4.3x	4.8x	5.3x	7.3x-9.4x
Net Debt / EBITDA	3.7x	3.1x	4.6x	4.1x	3.8x	3.9x	4.4x	6.8x-8.8x
RCF / Capex	0.8x	1.3x	0.9x	1.1x	1.3x	1.7x	1.4x	1.3x-1.8x

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations unless mentioned otherwise.
Projections represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Sources: Company financials, Moody's Investors Service

Profile

Headquartered in Dubai, United Arab Emirates (UAE), DP World is the world's fourth-largest container terminal operator by throughput, measured by equity twenty-foot equivalent unit (TEU). DP World is one of the most geographically diversified companies in the Emirate of Dubai, with over 150 operations in over 50 countries across six continents, including its flagship facility at the Jebel Ali port in Dubai. DP World also owns Jebel Ali Free Zone FTZ, which operates the business logistic hub adjacent to the Jebel Ali port.

DP World's shares are listed on the Nasdaq Dubai. The government of Dubai (not rated) indirectly owns 80.45% (100% post the close of the minority buy-out) of DP World through Port and Free Zone World FZE (PFZW), a subsidiary of Dubai World. For the financial year ended 2019, DP World reported revenue of $7.7 billion and a net income of about $1.3 billion.

Exhibit 3
Revenue split by geography as of FY2019

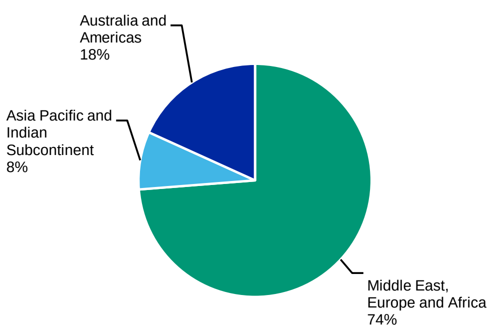
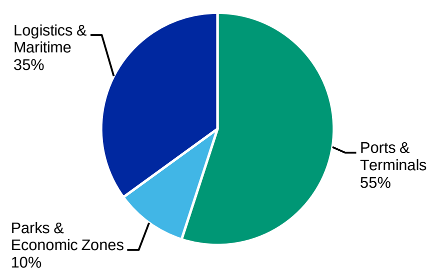


Exhibit 4
Revenue (approx.) split by segment as of FY2019



Sources: Company's financials and presentation, Moody's Investors Service

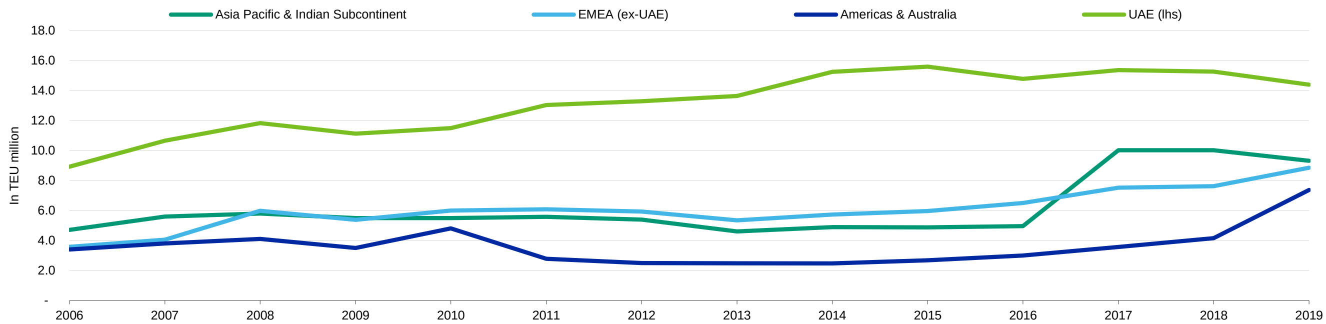
Detailed credit considerations

Diversified port portfolio provides some resilience to declining global cargo volumes for 2020

DP World's ratings benefit from the Group's competitive position as the world's fourth-largest container terminal operator by throughput, as measured by equity TEU. Throughput and, ultimately, revenue generation are highly correlated to global growth and global trade volume. For example, DP World's consolidated volume, on a like-for-like basis, dropped 10% in 2009, but recovered to the 2008 levels as of year-end 2010, which is similar to the trend seen in global growth and trade during that period. The company benefits from its diversified portfolio to a degree, as demonstrated in its 2019 throughput results. DP World's Asia-Pacific and Indian

Subcontinent portfolios grew strongly with growth of 5.7% and offset the declines of 1.9% in the Middle East, Europe and Africa and 3.7% in Australia and the Americas.

Exhibit 5
Diversified port operations help cushion against more adversely affected trade routes
Consolidated volume by region



Sources: Company data, Moody's Investors Service

The rapid and widening spread of the coronavirus outbreak, the deteriorating global economic outlook, falling oil prices and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The port sector is affected by the shock given its exposure to declining cargo volumes stemming from weakening global trading levels and softer macroeconomic conditions. We regard the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

The outbreak of coronanvirus is expected to lower global consumption for 2020. We expect volumes to decline sharply in the second and third quarter of 2020 as lower global demand materialises. While the environment is difficult to predict, our central scenario assumes DP World's consolidated throughput to decline by around 10% in 2020 and to recover in 2021 and 2022 as global trade rebounds, although the pace of recovery remains uncertain.

Credit metrics will weaken in 2020, flexible deleveraging strategy but with execution risks

With the expected increase in DP World's net debt by $8 billion to $21.9 billion (pro forma 2019) and negative revenue impact from coronavirus, DP World's credit metrics will weaken significantly in 2020. Under our central scenario, funds from operation (FFO) to debt will fall toward 6% in 2020 from 15.1% in 2019 and cash interest cover, measured as (FFO + interest expense) to interest expense, will reduce toward 2.1x in 2020 from 4.3x in 2019, levels consistent with a 'Ba' subfactor score under Moody's Privately Managed Port Industry methodology.

As global trade recovers in 2021 and management actively pursue strategies to reduce debt, FFO to debt is expected to increase to around 10% in 2021 and further improve in 2022, levels more appropriate for its Baa3 rating. The deleveraging trajectory will be driven by a combination of cost optimisations, reduction of expansionary capital spending, asset monetisations and a planned issuance of a hybrid instrument with equity-like characteristics. We consider DP World to have sufficient flexibility to achieve its deleveraging target of 4x net debt to EBITDA (pre IFRS 16) by 2022, but recognise there is execution risk in the context of the current uncertain economic environment.

O&D cargo and long-term concessions provide captive revenues

In 2019, containerised revenue grew by around 3% and accounted for about 45% of the total revenue, while the Group's consolidated capacity utilisation remained between 70% and 75%. The company is focused on O&D cargo in emerging markets, with about 70% of throughput derived from O&D and 75% of the container volume driven by emerging markets. The Group's high exposure to origination and destination cargo makes it less sensitive to changing trade flows while the macroeconomic environment for emerging markets over the long term remains supportive of DP World's activities.

The company has a long average terminal concession life of around 36 years across the Group's portfolio and that underscores the visibility and predictability of the Group's cash flow and the sustainability of the business model. Meanwhile, both the Jebel Ali port and JAFZ have concessions that run until 2105 and remain among the most profitable and cash-generative assets for DP World.

Dubai assets underpin the credit profile

While DP World operates over 150 operations in over 50 countries, the company has material exposure to Dubai, with more than half of the Group's EBITDA in 2019 generated from its Dubai assets — mainly from the Jebel Ali port and JAFZ. Out of the total 39.9 million TEU of consolidated volume in 2019, Jebel Ali port handled 14.1 million TEU, representing around 35% with a utilisation rate of 73%. The concentration risks imply that economic developments in the Emirate of Dubai and the broader Middle East and Africa (MENA) region will have a greater impact on the Group's financial performance.

Moody's expects the coronavirus outbreak will aggravate the structural slowdown in real GDP growth for the Emirate of Dubai, contributing to lower consumption demand. Notwithstanding this, a large portion of throughput volumes in Jebel Ali are related to re-exportation activity and are therefore not entirely correlated to the Dubai economy.

The geopolitical risks in the region, specifically involving Iran, pose a risk to DP World's Dubai operations. While there has not been any impact on trade flows into and out of the Arabian Gulf, should tensions escalate, the closure of the Strait of Hormuz (the only shipping gateway into and out of the Arabian Gulf) would have a material impact on all ports in the Arabian Gulf, including DP World's Jebel Ali port. DP World's operating assets outside of the Middle East, as well as a strong liquidity profile, provide flexibility to absorb a temporary disruption.

Increased exposure to non-port-related businesses increases credit risk and reduces leverage tolerance

Since the beginning of 2018, DP World acquired a number of logistics and maritime services businesses, which on aggregate represented a change to the company's business profile toward an integrated supply chain provider instead of the pure port operator. Logistics and maritime operations' contributed 35% to 2019 revenues and is expected to increase toward 45% over the next 12 months, as these businesses fully contribute to the Group.

While DP World's business profile will benefit from the business diversification and be able to provide a deeper integrated supply chain solution to clients, it also increases DP World's exposure to non-port-related businesses. Some of the non-port-related businesses have higher credit risks and cannot support the same leverage as that of a pure port operator, which benefits from predictable cash flow, driven by high barriers to entry and long-term concessions. Furthermore, Moody's-adjusted EBITDA margin, which has fallen to 41.6% as of December 2019 from 54.5% as of 2018, is expected to trend toward 35% as the lower-margin logistics acquisitions are fully integrated.

Environmental, Social and Governance Considerations

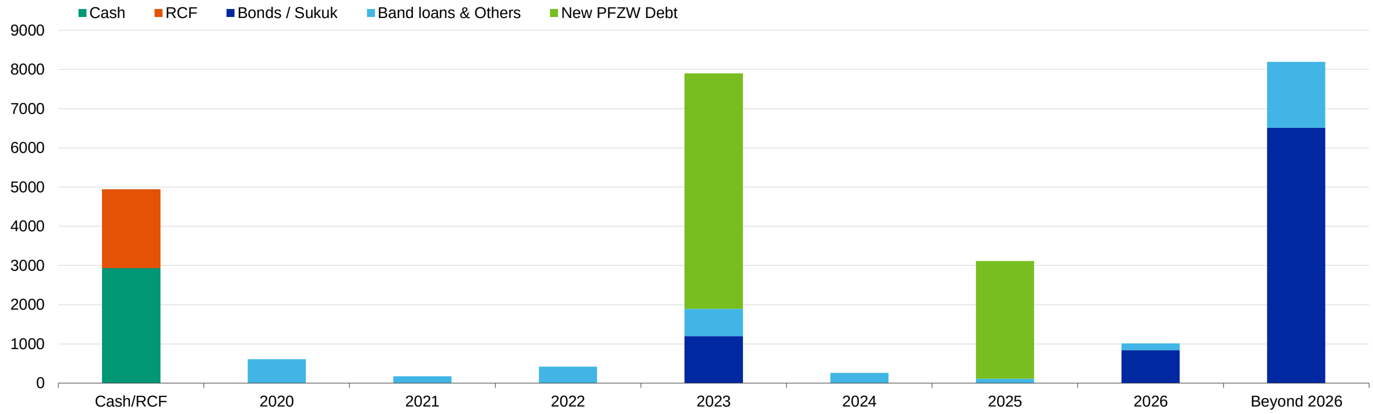
Post the minority buy-out the emirate of Dubai's ownership will increase to 100% from 80.45%. This creates growing linkages between the credit quality of DP World and that of the Emirate of Dubai. However, because of the indirect ownership structure we do not classify DP World as a government related issuer (GRI).

The $5.15 billion expected payment to Dubai World, 100% owned by the government of Dubai, reflects the negative interference from the Dubai government which is effectively leveraging DP World's balance sheet to repay debt of Dubai World. To limit future cash flow interference we note that the new PFZW's financing arrangements include a covenant that restricts PFZW from paying dividends to Dubai World until such time that DP World is in compliance with its net leverage target of below 4.0x (on a pre-IFRS 16 basis and excluding non-recourse subsidiary debt). Including the non-recourse subsidiary debt this covenant would be equivalent to around 5.0x net debt to EBITDA.

Liquidity analysis

The rating incorporates our view that DP World's liquidity is sufficient to withstand the difficult operating conditions under its central scenario, underpinned by $2.9 billion of cash balances as of 31 December 2019 combined with an undrawn revolving credit facility of $2 billion with good covenant headroom. Due to lower expected capital spending of around $800 million per year, DP World will be free cash flow positive over the next few years. Moody's expects free cash flow and proceeds from asset monetisations to be used to repay debt.

Exhibit 6
DP World has low refinancing risk over the next 3 years
Pro-forma as of 31 December 2019



Pro forma debt maturity profile assumes $474 million bond due in 2020 and $254 million convertible bond are repaid from the $9 billion debt proceeds raised at PFZW. Bank debt maturity schedule incorporates Moody's estimates.
Sources: Company data, Moody's Investors Service

Other considerations

IFRS 16 adoption — For the financial year ended 31 December 2019, DP World adopted IFRS 16 lease accounting, under which its operating leases were capitalised. As a result, Moody's will no longer adjust for operating leases. Relative to Moody's previous adjustment approach the adoption of IFRS 16 has lead to some improvement in DP World's credit metrics but our assessment of DP World's credit quality remains unaffected.

Structural subordination — The Group relies on dividends, interest payments and other income from its subsidiaries, associates and affiliates to pay for debt servicing and expenses at the head office level. Of the $13.4 billion of gross debt reported by DP World (excluding leases) as of 31 December 2019, we estimate that about 69% of the Group's debt is issued at DP World's head office, while the remaining has been raised in foreign operations.

We have not notched down the bond/sukuk ratings as a result of subordination risk because we believe that the company has full access to the cash flow of its Dubai assets, which we estimate to constitute more than 50% of the Group's EBITDA. In addition, a significant portion of the Group's cash balances, as well as the committed $2.0 billion revolving credit facility, is at the head office level, which mitigates the risk of DP World relying on its foreign operations to service debt at the head office level.

Lack of control over certain assets — DP World has a number of non-controlling investments in port assets and therefore does not have full control over their financial contributions. However, we understand that the company does not act as a passive investor and has management/operational control over almost all of its port investments.

Rating methodology and scorecard factors

We have used the Privately Managed Port Companies industry rating methodology to assess the rating of DP World. Moody's 12-18 month forward consolidated credit metrics incorporates the $9 billion of guaranteed debt raised at PFZW. We anticipate credit metrics to weaken in 2020 before improving over 2021 and 2022 resulting in the overall indicted rating outcome initially moving to Ba1 before reverting to Baa3 by the end of 2021.

Exhibit 7

Rating Factors				
DP World PLC				
Privately Managed Port Industry Grid [1][2]	Current FY 12/31/2019		Moody's 12-18 Month Forward View As of 4/28/2020 [3]	
Factor 1 : Market Position (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Port Size / No. of Ports Owned	Aa	Aa	Aa	Aa
b) Quality of Service Area and Connections	Aa	Aa	Aa	Aa
c) Operational Restrictions	A	A	A	A
Factor 2 : Diversity of Customer Base (10%)				
a) Exposure to volume variation	Baa	Baa	Baa	Baa
b) Dominance of Customers	A	A	A	A
Factor 3 : Capital Programme, Stability of Business Model and Financial Profile (15%)				
a) Scale and Scope of Capital Expenditure Programme	Baa	Baa	Baa	Baa
b) Management attitude to financial risk	Baa	Baa	Ba	Ba
c) Proportion of Revenues from Non-Core Activities	B	B	B	B
Factor 4 : Nature of Asset Ownership (10%)				
a) Ownership and Control of Assets	Baa	Baa	Baa	Baa
Factor 5 : Key Credit Metrics (40%)				
a) Cash Interest Coverage	4.3x	Baa	2.1x - 2.3x	B
b) FFO / Debt	15.1%	A	5.5% - 8%	Ba
c) Moody's Debt Service Coverage Ratio	5.0x	A	2.6x - 3.5x	Baa
d) RCF / Capex	1.4x	Baa	1.3x - 1.8x	A
Rating Lift:				
a) Debt Structure & Liquidity Protection				
b) Control Afforded To Creditors				
Rating:				
Indicated Rating from Grid Factors 1-5		Baa1		Ba1
Rating Lift				
a) Indicated Rating from Grid		Baa1		Ba1
b) Actual Rating Assigned				Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2019.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
[4] EBITDA-weighted average concession life used for DSCR calculation.
Source: Moody's Investors Service

Appendix

Exhibit 8
Peer comparison

	DP World PLC Baa3 Stable			PSA International Pte. Ltd. Aa1 Stable (a3 BCA)			Hutchison Port Holdings Trust Baa1 Stable			China Merchants Port Holdings Baa1 Stable		
(in US millions)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-17	FYE Dec-18	LTM Sep-19	FYE Dec-17	FYE Dec-18	LTM Jun-19
Revenues	$4,729	$5,646	$7,686	$2,875	$3,030	$2,989	$1,482	$1,465	$1,462	$1,115	$1,296	$1,156
Operating Profit	$1,805	$1,957	$2,046	$934	$901	$847	$463	$456	$458	$319	$350	$302
EBITDA	$2,775	$3,087	$3,198	$1,637	$1,751	$1,706	$870	$861	$863	$812	$950	$880
Total Debt	$11,959	$14,721	$16,978	$4,621	$4,462	$5,211	$4,219	$4,078	$3,916	$3,896	$5,162	$5,007
Cash & Cash Equivalents	$1,468	$2,576	$2,880	$2,779	$2,975	$2,371	$860	$833	$787	$1,183	$916	$867
Cash Interest Coverage	5.3x	4.5x	4.3x	12.1x	9.5x	8.0x	6.9x	5.8x	5.5x	4.3x	3.1x	2.3x
FFO / Debt	19.0%	16.0%	15.1%	31.3%	31.5%	26.2%	15.6%	15.5%	16.1%	14.6%	10.2%	6.7%
RCF / Capex	1.3x	1.7x	1.4x	0.7x	1.3x	0.9x	2.1x	2.5x	3.8x	0.2x	0.5x	-0.1x
Debt / EBITDA	4.3x	4.8x	5.3x	2.7x	2.6x	3.0x	4.9x	4.7x	4.5x	4.8x	5.4x	5.7x

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. All figures converted into US Dollars for comparison purposes. FYE = Financial year-end and LTM = last twelve months. RUR DNG = Ratings under Review for downgrade.
[2] The ratings of PSA International and China Merchants Port Holdings incorporate an assessment of credit metrics under proportionate consolidation of equity-accounted entities. The pro rata based ratios are slightly weaker for PSA International and stronger for China Merchants Port Holdings compared to what is shown in the table above.
[3] The Baseline Credit Assessment (BCA) is a measure of standalone credit quality. PSAI's final rating incorporates uplift because of Singapore government ownership.
[4] China Merchants Port Holdings' standalone credit rating is Ba1 and it includes a three-notch uplift based on our expectation of extraordinary support from its parent, China Merchants Group Limited (CMG).
Source: Moody's Investors Service

Exhibit 9
Moody's-adjusted debt breakdown

(in US Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19
As Reported Debt	**5,855**	**7,670**	**7,618**	**7,739**	**10,553**	**16,483**
Pensions	220	190	322	195	164	454
Operating Leases	3,638	3,757	3,644	4,000	3,961	0
Non-Standard Adjustments	28	52	25	26	43	41
Moody's-Adjusted Debt	**9,741**	**11,671**	**11,609**	**11,959**	**14,721**	**16,978**

[1] All figures are calculated using Moody's standard adjustments.
[2] DP World implemented IFRS 16 in January 2019 and an operating lease liability has been recognised in the balance sheet. Therefore, we have removed our adjustment from 2019 onwards.
Source: Moody's Investors Service

Exhibit 10
Moody's-adjusted EBITDA breakdown

(in US Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19
As Reported EBITDA	**1,646**	**1,932**	**2,202**	**2,389**	**2,893**	**3,255**
Pensions	3	-3	-2	-2	28	-1
Operating Leases	364	376	364	400	411	0
Unusual	10	-26	80	117	-98	54
Non-Standard Adjustments	-76	-76	-146	-128	-155	-111
Moody's-Adjusted EBITDA	**1,947**	**2,203**	**2,498**	**2,775**	**3,077**	**3,198**

[1] All figures are calculated using Moody's standard adjustments.
[2] DP World implemented IFRS 16 in January 2019 and an operating lease liability has been recognised in the balance sheet. Therefore, we have removed our adjustment from 2019 onwards.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
DP WORLD PLC	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
DP WORLD CRESCENT LIMITED	
Outlook	Stable
Senior Unsecured	Baa3

Source: Moody's Investors Service

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