



Fitch Places DP World Plc on Rating Watch Negative

Fitch Ratings - London - 17 February 2020:

Fitch Ratings has placed UAE-headquartered ports and logistics operator DP World PLC's Long-Term Issuer Default Rating (IDR) of 'BBB+' and Short Term IDR of 'F1' on Rating Watch Negative (RWN). A full list of rating actions is at the end of this rating action commentary.

The rating action follows the recent announcement that DP World's parent company, Port and Freezone World FZE (together with DP World, the group,) plans to buy back the 19.55% minority shareholding in DP World, take the company private and re-leverage the group. This debt-funded transaction is likely to significantly increase Fitch-adjusted net debt to EBITDAR in 2020.

The group is strongly committed to bringing pre-IFRS net debt to adjusted EBITDA down to below 4x in the next two to three years. In our view, DP World has extensive balance sheet flexibility to deleverage and we expect it to maintain its investment grade ratings. However, we note that there is still limited visibility and execution risk on its deleveraging plan.

Fitch will resolve the RWN when the transaction is concluded and we will have more visibility on the group's deleveraging plan and medium-term capital structure.

KEY RATING DRIVERS

Part of the transaction proceeds will be used to pay a one-time dividend of around USD5.2 billion to Port and Freezone World FZE's parent, Dubai World, in order to maintain the group's commercial ringfencing and independence from Dubai World following the delisting. Further, Dubai World has clarified that it does not expect dividends from the group until the group's pre-IFRS net debt to EBITDA returns to below management's target of 4x.

If/when the transaction closes, we will look at the group's consolidated credit profile to rate DP World. This is because DP World's cash flow generation and asset disposals will be the primary source to service any debt at the parent company. We continue to assess the group on a standalone basis, separated from Dubai World.

We expect DP World's leverage to peak in 2020 following the transaction and deleverage over the next three years. The deleveraging path could include tools such as monetisation of minority stakes, use of subordinated instruments including hybrids and the reduction/deferral of capex and M&A activities.

For an overview of DP World's credit profile, including key rating drivers, see the rating action commentary 'Fitch Affirms DP World at 'BBB+'. Upgrades Short-Term IDR to 'F1' dated 17 July 2019 at www.fitchratings.com.

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Negative Rating Action:

- Group consolidated Fitch-adjusted net debt on EBITDAR sustainably above 4.5x under Fitch's rating case
- The short-term ratings may be negatively impacted if the issuer fails to maintain adequate committed undrawn liquidity or balance sheet cash reserves



Developments That May, Individually or Collectively, Lead to Positive Rating Action:

-Fitch will resolve the RWN once the transaction is concluded and we have more visibility on the group's deleveraging plan and medium term capital structure.

TRANSACTION SUMMARY

DP World is the fifth-largest container port operator in the world by gross throughput. It operates, directly or via JVs, a portfolio of over 150 operations in more than 45 countries, with new developments underway in Asia, Africa, the Americas and Europe.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
DP World PLC	LT IDR BBB+  Rating Watch On	BBB+ 
	ST IDR F1  Rating Watch On	F1
DP World PLC/Debt/1 LT	LT BBB+  Rating Watch On	BBB+ 
DP World Crescent Limited		
DP World PLC/Debt/1 LT	LT BBB+  Rating Watch On	BBB+ 

Additional information is available on www.fitchratings.com

FITCH RATINGS ANALYSTS

Primary Rating Analyst
Shyamali Rajivan
Director
+44 20 3530 1733
Fitch Ratings Ltd
30 North Colonnade, Canary Wharf
London E14 5GN

Secondary Rating Analyst

Danilo Quattromani
Senior Director
+39 02 879087 275

Committee Chairperson
Seth Lehman
Senior Director
+1 212 908 0755

MEDIA CONTACTS

Athos Larkou
London
+44 20 3530 1549
athos.larkou@thefitchgroup.com

Applicable Criteria

Ports Rating Criteria— Effective Feb. 23, 2018–March 24, 2020 (pub. 23 Feb 2018)

Rating Criteria for Infrastructure and Project Finance — Effective July 27, 2018–Mar. 24, 2020 (pub. 27 Jul 2018)

Short-Term Ratings Criteria - Effective from 2 May 2019 to 6 March 2020 (pub. 02 May 2019)

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