MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades DP World's ratings to Baa3, outlook stable

30 Apr 2020

Paris, April 30, 2020 -- Moody's Investors Service, ("Moody's") has today downgraded DP World PLC's ("DP World" or "Group") long term issuer ratings to Baa3 from Baa1. At the same time, the senior unsecured ratings assigned to both DP World Crescent Limited and DP World PLC Medium-Term Note (MTN) Programs were downgraded to (P)Baa3 from (P)Baa1. The rating outlook is stable.

A complete list of rating actions can be found at the end of this press release.

This action concludes the rating review process initiated on the 17 February 2020, following the announcement by DP World on 23 April that 95% of DP World's minority shareholders have accepted Port and Free Zone World FZE's (PFZW) offer to acquire the remaining 19.55% of shares for $2.7 billion. The transaction will give PFZW full ownership of DP World which will then be delisted. PFZW has raised 3 and 5 year bank facilities totaling $9.0 billion to (1) fund the minority buy-out, (2) pay a dividend of $5.15 billion to Dubai World, the sole shareholder of PFZW and (3) refinance some upcoming debt maturities as well as DP World's outstanding convertible bonds. The $9.0 billion debt will be guaranteed by DP World, as co-borrower, with the intention to refinance a portion of the facilities in the debt capital markets at a later stage.

The transaction is subject to the approval of the Australian Competition and Consumer regulator which is expected in May. Moody's has assumed the approval will be given and that the transaction will be finalised by the 3rd quarter of 2020.

RATINGS RATIONALE

The two notches downgrade to Baa3 reflects a material increase in net debt of around $8 billion which will lead to a significant deterioration in DP World's credit metrics. It also reflects the negative interference from the Dubai government which is effectively leveraging DP World's balance sheet to repay debt of Dubai World, another government related issuer. This creates growing linkages between the credit quality of DP World and that of the Emirate of Dubai. Moody's expects the coronavirus outbreak will aggravate the structural slowdown in real GDP growth for the Emirate of Dubai, contributing to the further deterioration of fiscal strength of the government via increasing debt levels. For further information on Moody's sovereign view, please refer to Moody's research published on 27 April 2020: http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1201243

Under Moody's base assumptions, 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 Companies methodology. However, the Baa3 rating incorporates Moody's expectation that FFO to debt will reach around 10% in 2021 and further improve in 2022. The deleveraging trajectory will be accelerated 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. Moody's believes that DP World has sufficient flexibility to achieve its deleveraging target of 4x net debt to EBITDA (pre IFRS 16) by 2022, but recognizes the growing execution risk in the context of the current uncertain economic environment.

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. Moody´s regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

DP World's consolidated throughput volumes were flat for the first quarter of 2020 on a like-for-like basis but is likely to decline sharply in the second and third quarter as lower global demand materialises. While the environment is difficult to predict, Moody's 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, albeit the pace of recovery remains uncertain. Moody's believes DP World will continue to benefit from its geographically diversified portfolio of ports and related assets that will help mitigate its exposure to trade routes more adversely affected by coronavirus, such as the Asia-Europe and Asia-USA trade routes. In addition, the Group's high exposure to origination and destination cargo makes it less sensitive to changing trade flows.

Despite the increase of the emirate of Dubai's ownership to 100% from 80.45%, because of the indirect ownership structure Moody's does not classify DP World as a government related issuer (GRI). In spite of the growing linkages between the credit quality of DP World and the Emirate of Dubai, Moody's 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

The rating incorporates Moody's 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 capex of around $800 million per year, DP World will be free cash flow positive over the next few years. Moody's expects free cash flows and proceeds from asset monetisations to be used to repay debt.

STABLE 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 towards 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 OR DOWNGRADE OF THE RATINGS

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.

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.

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.

LIST OF AFFECTED RATINGS

Downgrades:

..Issuer: DP World PLC

....Issuer Rating, Downgraded to Baa3 from Baa1

....Senior Unsecured Conv./Exch. Bond/Debenture, Downgraded to Baa3 from Baa1

....Senior Unsecured MTN Program, Downgraded to (P)Baa3 from (P)Baa1

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa1

..Issuer: DP World Crescent Limited

....Senior Unsecured MTN Program, Downgraded to (P)Baa3 from (P)Baa1

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa1

....BACKED Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa1

Outlook Actions:

..Issuer: DP World PLC

....Outlook, Changed To Stable From Rating Under Review

..Issuer: DP World Crescent Limited

....Outlook, Changed To Stable From Rating Under Review

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Privately Managed Port Companies published in September 2016 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1040210. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The local market analyst for this rating is Dion Bate, +971 (423) 795-04.

Headquartered in Dubai, United Arab Emirates (UAE), DP World PLC 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. Following the completion of the acquisition of Economic Zones World FZE (EZW) in March 2015, DP World also owns Jebel Ali Free Zone FZE, 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 indirectly owns 80.45% (100% post the close of the minority buyout) of DP World through Port and Free Zone World FZE, a subsidiary of Dubai World. As of financial year end to 31 December 2019, DP World reported revenue of $7.7 billion and a net income of about $1.3 billion.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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