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CREDIT OPINION
10 May 2021

Update

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RATINGS

DP World Limited

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 Limited

Update to credit analysis

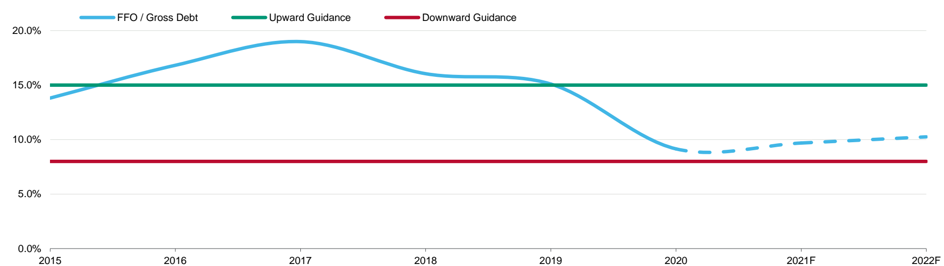
Summary

DP World Limited's (DP World) Baa3 issuer rating is supported by (1) the company's diversified global port operations in strategic locations with long term concessions; (2) the expected positive long term growth in international container traffic; and (3) solid profitability and liquidity through economic cycles. The company tends to focus on origin and destination (O&D) cargo, which are relatively less sensitive to cyclical downturns compared to transshipment ports.

The Group's credit rating also incorporates (1) the high Moody's adjusted debt/EBITDA ratio of 7.8x and our deleveraging expectation as management seek to restore net leverage within its financial policy target of 4x net debt/ EBITDA (pre IFRS 16) by 2022; (2) strong correlation to fluctuating global trade; (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

FFO/gross debt is expected to remain within Baa3 rating guidance, ignores any debt reduction from asset monetisations



[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 does not incorporate significant acquisitions and divestitures.
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 40% of the Group's EBITDA related to assets in Dubai
- Exposure to fluctuating global trade volumes

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 volatility in global trade. It further incorporates the expectation that DP World's FFO to debt will increase above 10% by 2022 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key indicators

DP World Limited

	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	12-18 months forward view
EBITDA Margin	54%	59%	59%	55%	42%	37%	35%-38%
(FFO + Interest Exp.) / Interest Exp.	3.8x	4.5x	5.3x	4.5x	4.3x	3.4x	3.5x-3.7x
FFO / Debt	14%	17%	19%	16%	15%	9%	9.5%-10.5%
RCF / Net Debt	14%	16%	16%	16%	15%	8%	10.4%-11.1%
Debt / EBITDA	5.3x	4.6x	4.3x	4.8x	5.3x	7.8x	6.7x-6.9x
Net Debt / EBITDA	4.7x	4.2x	3.8x	3.9x	4.4x	7.1x	5.9x-6.2x
RCF / Capex	0.9x	1.1x	1.3x	1.7x	1.6x	1.4x	1.4x - 1.7x

[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 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 around 150 business units in 60 countries across six continents, including its flagship facility at the Jebel Ali port in Dubai. DP World also owns Jebel Ali Free Zone FTZ (JAFZ), which operates the business logistic hub adjacent to the Jebel Ali port as well as logistics businesses across various regions.

The government of Dubai (not rated) indirectly owns 100% of DP World through Port and Free Zone World FZE (PFZW), a subsidiary of Dubai World. For the financial year ended 2020, DP World reported revenue of $8.5 billion and net income of about $850 million.

Exhibit 3
Revenue split by geography as of FY2020

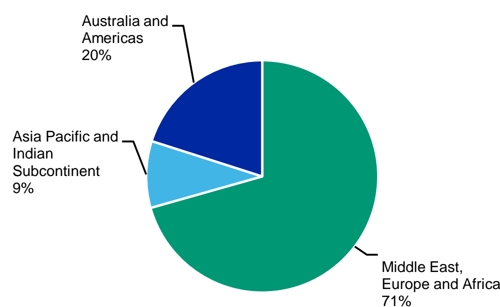
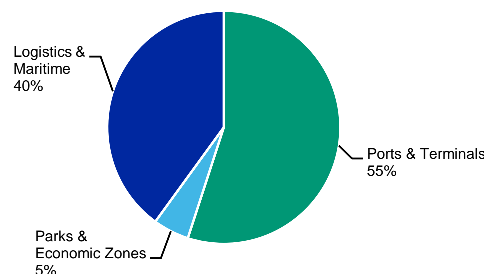


Exhibit 4
Revenue split by segment as of FY2020



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

Detailed credit considerations

Diversified port portfolio provides protection against volatile and evolving trade flows

DP World's ratings benefit from the Group's competitive position as the world's fourth-largest container terminal operator by throughput, equivalent to 71.2 million as measured by gross TEU for 2020. DP World's diversified port portfolio across six continents provides protection against changes in trade flows as well as higher operating risks in emerging markets.

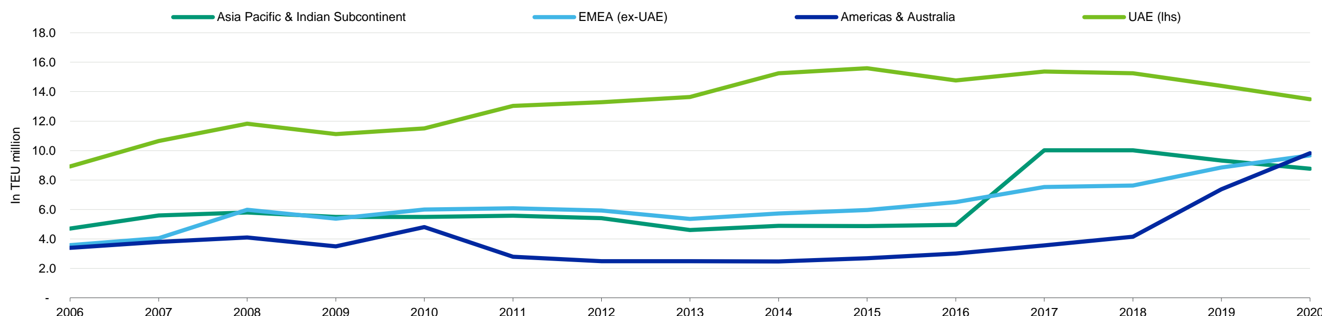
Throughput and, ultimately, revenue generation are highly correlated to global growth and global trade volume. For example, DP World's consolidated volume, on a like-for-like basis, dropped 11.2% in second quarter 2020, during the peak of the COVID-19

pandemic but recovered in H2 2020, which is similar to the trend seen in global growth and trade during that period. During 2020, DP World's geographically diversified ports in strategic locations enabled the company outperform the market, reporting flat throughput volumes compared to the industry which reported a 1.1% decline in global container throughput volumes (Drewry, Container Forecaster Quarter 1 2021).

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 recovery in trade has continued into 2021, with DP World reporting a 8.2% growth in consolidated throughput in first quarter. This is consistent with the industry expectation of a 8.7% growth in throughput for 2021, per Drewry forecasts. While we expect volumes to revert towards pre-pandemic levels in 2021, the global recovery remains vulnerable to further coronanvirus induced disruptions.

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

In 2020, containerised revenue increased by 9.7% and accounted for about 45% of the total revenue, in part helped by port acquisitions in 2019 and relatively stable consolidated port capacity utilisation of between 70% and 75%. The company is focused on origination and destination (O&D) cargo in emerging markets, with about 70% of throughput derived from O&D and 75% of the container volume derived from emerging markets. The Group's high exposure to O&D 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 weighted average terminal concession life of around 35 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.

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

Since the beginning of 2018, DP World has been acquiring 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 40% to 2020 revenues and is expected to increase towards 45% 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 37.2% as of December 2020 from 54.5% in 2018, is expected to trend toward 35% as the lower-margin logistics acquisitions are fully integrated. Over a medium to longer term, we expect margins to improve as operational efficiencies are extracted out of the vertically integrated business model.

Credit metrics to strengthen, flexible deleveraging strategy but with execution risks

DP World remains committed and in our view has sufficient flexibility to achieve its net leverage target by 2022, having already issued a $1.5 billion hybrid instrument with equity-like characteristics in June 2020. The pace of deleveraging will however be

counter balanced by management ongoing pursuit to grow the business through investments and acquisitions. For 2021 we expect management to deploy around 70% of the $1.2 billion planned capex to increasing existing capacity in regions experiencing higher customer demand, funded by internally generated cash flow.

The deleveraging trajectory will be driven by a combination of revenue growth, cost optimisations and positive free cash flow generation but will be reliant on asset monetisations to achieve its stated guidance target of 4x net debt / EBITDA (pre-IFRS 16) by 2022. Despite the better than expected performance for 2020, leverage remains elevated with Moody's adjusted net debt to EBITDA of 7.1x and FFO to debt of 9.1%. While there has been no progress on asset monetisations in 2020, we expect the improving economic environment will make it more conductive to monetise assets over the next 12 to 18 months. With the expectation that the proceeds from asset monetisations will be used to reduce debt, we expect leverage and interest coverage metrics to improve to levels comfortable for its Baa3 rating.

Dubai assets underpin the credit profile

While DP World operates around 150 business units in 60 countries, the company has material exposure to Dubai, with around 40% of the Group's EBITDA in 2020 generated from its Dubai assets — mainly from the Jebel Ali port and JAFZ. Out of the total 41.7 million TEU of consolidated volume in 2020, Jebel Ali port handled 13.5 million TEU, representing around 32% of total volumes with a port utilisation rate of 70%. 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.

The coronavirus outbreak has lead to 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.

ESG considerations

The emirate of Dubai's indirect ownership of 100% of DP World creates strong 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).

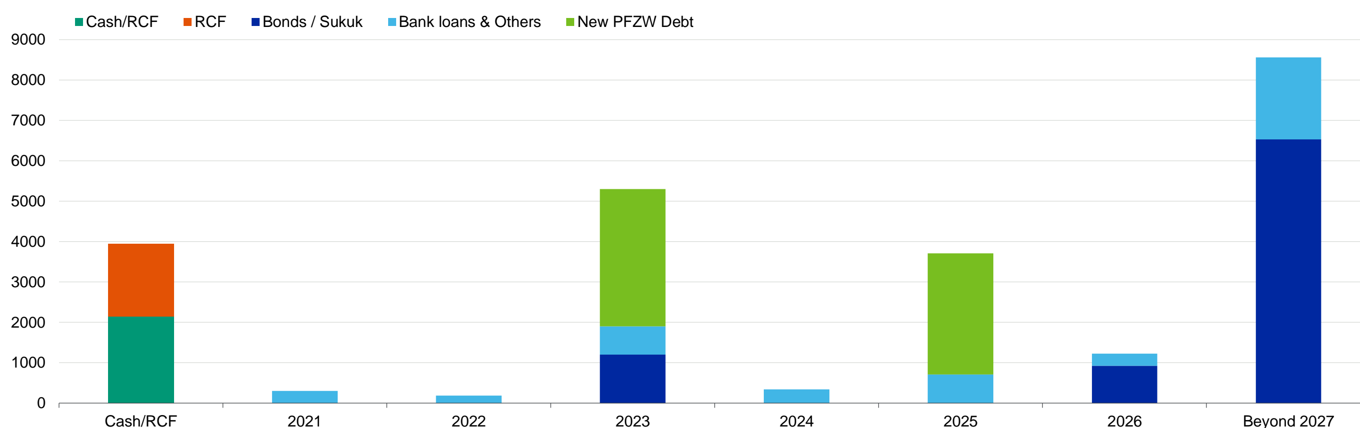
The $5.15 billion payment to Dubai World (100% owned by the government of Dubai) in May 2020, reflects the negative interference from the Dubai government which materially increased DP World's leverage to repay debt of Dubai World and fund the DP World minority buy-out. To limit future cash flow interference the 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 which we consider less onerous). Including the non-recourse subsidiary debt this covenant would be equivalent to around 5.0x net debt to EBITDA.

The spread of the coronavirus outbreak has created a severe and extensive credit shock across many sectors, regions and markets. The port sector has been affected by the shock given its exposure to declining cargo volumes stemming from weakening global trading levels and softer macroeconomic conditions. While global trade is recovering the implications of coronavirus remains fragile and we regard the pandemic as a social risk under our ESG framework, given the substantial implications for public health and safety.

Liquidity analysis

The rating incorporates our view that DP World's liquidity is strong, underpinned by limited debt maturities until 2023 and sizeable cash balances of $2.1 billion as of 31 December 2020 combined with an undrawn revolving credit facility of $1.8 billion with good covenant headroom. With capital spending of around $1.2 billion budgeted for 2021, we expect DP World to be free cash flow positive, which will help reduce debt and leverage.

Exhibit 6
DP World has low refinancing risk over the next 3 years
as of 31 December 2020



Sources: Company data, Moody's Investors Service

Other considerations

Subordinated perpetual sukuk certificates (hybrid instrument) — The Ba2 rating assigned to the $1.5 billion subordinated perpetual sukuk certificates issued by DP World Salaam is two notches below DP World's Baa3 senior unsecured and issuer rating, because they will be deeply subordinated to the senior unsecured obligations of DP World and its subsidiaries and rank senior only to ordinary shares. In addition, the hybrid instruments will be perpetual and DP World has the option to defer coupon payments on a cumulative and compounding basis. The hybrid sukuk certificates qualify for the “basket C” and a 50% equity treatment of the borrowing for the calculation of the credit ratios by Moody's.

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 $21.1 billion of gross debt reported by DP World (excluding leases and including the hybrid instrument and guaranteed PFZW debt) as of 31 December 2020, we estimate that about 79% is issued at DP World's head office and PFZW, 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 and debt-free subsidiaries, which we estimate to constitute around 66% of the Group's EBITDA. In addition, a significant portion of the Group's cash balances, as well as the available $1.8 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 and Moody's consolidated credit metrics incorporates the $6.4 billion debt at PFZW, which is guaranteed by DP World. We anticipate credit metrics to improve over the next 18 months resulting in the overall scorecard-indicted outcome moving to Baa2.

Exhibit 7

Scorecard Factors				
DP World Limited				
Privately Managed Port Industry [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 5/3/2021 [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	Ba	Ba	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	3.4x	Baa	3.5x - 3.7x	Baa
b) FFO / Debt	9.1%	Ba	9.5% - 10.5%	Baa
c) Moody's Debt Service Coverage Ratio	3.4x	Baa	3.5x - 4x	Baa
d) RCF / Capex	1.4x	Baa	1.4x - 1.7x	A
Notch Lift:				
a) Debt Structure & Liquidity Protection				
b) Control Afforded To Creditors				
Rating:				
Scorecard-Indicated Outcome before Notch Lift Factor		Baa3		Baa2
Notch Lift				
a) Scorecard-Indicated Outcome		Baa3		Baa2
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 12/31/2020.
[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

Ratings

Exhibit 8

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

Outlook	Stable
Senior Unsecured	Baa3
DP WORLD SALAAM	
Outlook	Stable
Jr Subordinate	Ba2

Source: Moody's Investors Service

Appendix

Exhibit 9

Peer comparison

	DP World Limited			PSA International Pte. Ltd.			Hutchison Port Holdings Trust			China Merchants Port Holdings		
	Baa3 Stable			Aa1 Stable (a3 BCA)			Baa1 Stable			Baa1 Stable		
(in US millions)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	LTM Jun-20
Revenues	$5,646	$7,686	$8,533	$2,875	$3,030	$2,989	$1,465	$1,419	$1,380	$1,296	$1,136	$1,092
Operating Profit	$1,948	$2,046	$1,762	$934	$901	$847	$456	$439	$452	$350	$308	$269
EBITDA	$3,077	$3,197	$3,175	$1,637	$1,751	$1,706	$861	$845	$845	$950	$843	$807
Total Debt	$14,721	$16,978	$24,701	$4,621	$4,462	$5,211	$4,078	$3,952	$3,804	$5,162	$5,087	$5,774
Cash & Cash Equivalents	$2,576	$2,880	$2,092	$2,779	$2,975	$2,371	$833	$898	$1,002	$916	$1,001	$855
Cash Interest Coverage	4.5x	4.3x	3.4x	12.1x	9.5x	8.0x	5.8x	5.3x	7.3x	3.1x	2.5x	3.1x
FFO / Debt	16.0%	15.1%	9.1%	31.3%	31.5%	26.2%	15.5%	15.2%	16.4%	10.2%	7.7%	9.0%
RCF / Capex	1.7x	1.6x	1.4x	0.7x	1.3x	0.9x	2.5x	3.4x	5.4x	0.5x	0.4x	0.9x
Debt / EBITDA	4.8x	5.3x	7.8x	2.7x	2.6x	3.0x	4.7x	4.6x	4.5x	5.4x	6.0x	7.1x

[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 10

Moody's-adjusted debt breakdown

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Debt	**7,670**	**7,618**	**7,739**	**10,553**	**16,483**	**17,091**
Pensions	190	322	195	164	454	472
Operating Leases	3,757	3,644	4,000	3,961	0	0
Hybrid Securities	0	0	0	0	0	738
Non-Standard Adjustments	52	25	26	43	41	6,400
Moody's-Adjusted Debt	**11,671**	**11,609**	**11,959**	**14,721**	**16,978**	**24,701**

[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 11

Moody's-adjusted EBITDA breakdown

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	**1,932**	**2,202**	**2,389**	**2,893**	**3,255**	**3,284**
Pensions	-3	-2	-2	28	-1	7
Operating Leases	376	364	400	411	0	0
Unusual	-26	80	117	-98	53	-115
Non-Standard Adjustments	-76	-146	-128	-155	-111	0
Moody's-Adjusted EBITDA	**2,203**	**2,498**	**2,775**	**3,077**	**3,197**	**3,175**

[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

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