

July 27, 2010

## DP WORLD (DPW.DI)

**12-Month Fair Value: USD 0.57**

**Last Close (26 July, 2010): USD 0.45**

**Recommendation: Buy - Risk Level: 4**

- DP World posted a 7% increase in consolidated volumes to 13.2 million TEU in 1H2010, benefitting from a higher growth rate of 8% in 2Q2010 compared to 6% in 1Q2010. Overall, we think this performance is close to our expectation for the year, for which we forecast a 6% growth in consolidated volumes. Growth in consolidated volumes in 1H2010 was buoyed by the weak base of 1H2009; however, this will not be the case in 2H2010. Accordingly, though we expect to see better numbers in 2H2010 than in 1H2010, we do not expect to see the same level of growth that we saw in 1H2010.
- Performance on a regional basis was not equally spread, with the Americas and Australia posting a large increase in consolidated volumes of 31% (Americas and Australia account for 16% of consolidated throughput), while the Asia Pacific and Indian Subcontinent had a flat performance in terms of consolidated volumes.
- Europe, Middle East and Africa witnessed a 6.3% growth in consolidated throughput, as it benefited from a strong performance in the UAE in the second quarter and a recovery in European volumes. The UAE posted a 5% increase in volumes in 2Q2010 (compared to 1% in 1Q2010), and closed the half with a 3% increase in throughput. Growth rates conceal the strength in the UAE performance, as the country's performance in 1H2009 was strong. In 1H2010 the UAE benefited from a slight increase in transshipment activity as the major shipping lines realigned some of their global networks, which according to management did not have any adverse impact on prices.
- The 16% growth in gross volumes in 1H2010 was impressive and indicates that the performance of the joint ventures and associates will be better than expected. Most of the growth in gross volumes was driven by a bounce in the performance of Asian ports.
- Overall, we find this performance by DP World to be in line with our expectations. Full financials will be released on August 18, 2010, for which we expect the company to post revenues of USD 1,507 million and an EBITDA of USD 595.4 million. Accordingly, we re-iterate our fair value for DP World of USD 0.57 (last close USD 0.45) and our recommendation for the stock is a "Buy."

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## Related Research

- 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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