

# FINANCIAL REVIEW

SE Companies and Markets  
HD **DP World in \$68m loss, new fight for ports**  
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Australia's largest ports operator, DP World, posted a larger bottom-line loss last year as rival Hutchison Ports prepares to bulk up its presence at key ports on the east coast.

The pressure will build on DP World and the other incumbent stevedore, Asciano's Patrick, as early as next month when a successful bidder for the third container terminal at the Port of Melbourne is expected to be announced.

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Hutchison is the leading contender among four bidders – including the Chris Corrigan-chaired Qube Holdings and a Macquarie-backed consortium – for the right to operate a new \$1.2 **billion** container terminal.

A win for **Hong Kong billionaire** Li Ka-shing's Hutchison will give it a presence at the country's three biggest ports, including Port Botany in Sydney and Fisherman Islands in Brisbane.

Accounts lodged with the corporate regulator show DP World Australia reported a \$68 **million** after-tax loss for the year to December, compared with \$22 **million** in the red in 2012.

Revenue from the Australian stevedoring business, which includes container terminals in Melbourne, Sydney, Brisbane and Fremantle, slid 4 per cent to \$567 **million**. The group's results in 2012 were buttressed by a \$47 **million** gain on the **sale** of a majority **stake** in Adelaide's container port operation to Flinders Ports.

DP World Australia chief financial officer Jason Varsamidis said the latest annual results were in line with expectations, emphasising that there had been little change in pre-tax earnings.

"They are in line with the returns that DP World is expecting from the asset," he said, adding that DP World had a larger market share than the ASX-listed Asciano for the last two years.

Mr Varsamidis said Hutchison's entry into the container-terminals market in Sydney and Brisbane last year did not impact on DP World's results. "Putting it politely, it is a soft start," he said of Hutchison.

Asciano and DP World have been racing to raise their competitiveness before the deep-pocketed Hutchison gains a larger presence on the east coast. They face a new competitor which has already been willing to undercut them by as much as 15 per cent, according to UBS estimates, in order to gain market share.

"There is a new entrant coming into the market and we are expecting an increased level of competitiveness. For us, it is all about preparing our business," Mr Varsamidis said. "It is reflected in the changes to the management team and the investment in the business."

DP World has overhauled its senior management team over the last eight months, installing former Aurizon executive Paul Scurrah as chief executive and replacing a number of senior managers. The

**company** has invested \$250 **million** in its terminal in Brisbane, which includes new container movers known as straddle carriers. The semi-automated terminal will be fully operational by next month.

Citi Infrastructure and a Canadian pension fund bought 75 per cent of DP World's Australian ports business in late 2010 for \$1.5 **billion**. The **sale** helped reduce the large debt of DP World's parent, Dubai World, following the collapse of the Middle Eastern city's property market in 2007.

UBS analysts said DP World was likely to experience weak volume growth, or even declines, this year due to the recent loss of a shipping contract to Hutchison in Sydney and another to Patrick in Freemantle. They warned that DP World might have to offer discounts to retain customers.

"Recent positive management changes and Brisbane automation savings are unlikely to be enough in 2014 to make up for contract losses and concessions offered on recent contract renewals," the analysts said.

Key points DP World reports a \$68 **million** after-tax loss for the year to December. Hutchison Ports looking to increase its activity at key east coast ports and is **lead** contender in Melbourne's new container terminal bid.

**CO** hutpor : Hutchison Port Holdings Limited | prasha : DP World Limited | dwcntr : Dubai World | hutwam : Hutchison Whampoa Limited

**IN** i5020017 : Harbor Construction | i502 : Heavy Construction | iconst : Construction | icre : Real Estate/Construction | i763 : Port/Harbor Operations | iship : Water Transport/Shipping | itsp : Transportation/Shipping

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