Media Release:

President Chain Store Corp. Assigned 'twAA+/twA-1+' Ratings; Outlook Stable

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Rating Action Overview

- President Chain Store Corp. (PCSC) is a Taiwan-based convenience store operator, with EBITDA of NT$40.6 billion in 2025.
- PCSC's entrenched position as the largest convenience store operator in Taiwan and the Philippines, coupled with PCSC's retail and beverage brands support its competitive edge and profitability, though geographic concentration in Taiwan tempers its overall credit strength.
- We see PCSC continuing to generate stable operating cash flows in 2026-2028, supported by sustainable EBITDA generation to support working capital and capex needs to expand store and logistics centers network.
- Taiwan Ratings Corp. today assigned its 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings to PCSC.
- The stable rating outlook reflects our expectation that PCSC's solid market position could generate sustainable profit and cashflow to sustain the ratio of debt to EBITDA below 3x over the next two years. That's despite growing capex and increasing operating lease payments.

Rating Action Rationale

PCSC's extensive convenience store network and effective strategy implementation could sustain its strong market position and increase expansion. PCSC has over 7,200 franchise branded 7-ELEVEN stores in Taiwan and 4,400 stores in the Philippines as of the end of 2025. This is around 1.6 times more stores than the second player in Taiwan. PCSC's convenience store network represents a 52% market share in Taiwan and over 80% in the Philippines at the end of 2025. We view this extensive network as the key factor sustaining PCSC's competitive edge. That's despite the lack of brand ownership for 7-ELEVEN could constrain potential development opportunities in other countries.

Per store per day (PSD) sales for Taiwan 7-ELEVEN stores are the highest among local peers, reflecting the stores' well-balanced product quality and prices. We assess PCSC has developed a strong merchandising strategy supporting a sustainable customers base for its operations. Although the company's PSD growth rate is slowing, such growth coupled with continuous store expansion and with service and product upgrades should provide strong and stable profitability to offset rising operating costs.

Revenue growth for Philippines-based 7-ELEVEN stores could be slightly stronger than that in Taiwan over the next two years, supported by faster store expansion. This is despite depreciation of the Philippine peso and the chain store's limited integration with logistics and fresh food production could dilute profit during the expansion stage over the next two years.

Leveraging its deep expertise in the retail sector, PCSC has built a good foundation for expansion into other retail segments in Taiwan, including drugstores through the COSMED brand and coffee shops through the Starbucks brand. The group's other retail brands are smaller, contributing 10%-15% of total revenue in 2025. Nonetheless, we believe these brands could strengthen the group's recognition to sustain PCSC's market position through hybrid stores, group membership programs, and marketing activities.

Stronger operating efficiency from its scale economies in marketing, procurement, and logistics. PCSC has established an integrated retail system for marketing, inventory procurement, fresh food making, and logistics, thanks to over 8,400 brand stores in Taiwan to meet demand. Along with growth in the company's operating scale, PCSC is expanding its advanced logistics centers to accommodate Uni-President Enterprises Corp. (UPE) group's rising logistics demand. PCSC's capital expenditure (capex) for these logistic centers could reach new Taiwan dollar (NT$) 24 billion-NT$26 from 2026-2029. The new logistics centers should help enhance PCSC's operating efficiency by reducing logistics processing time and labor requirements amid cost inflation over the past few years. We therefore forecast PCSC's EBITDA margin will stay above 11.7% in 2026-2028, compared to 11.6% in 2025.

Geographic and business concentration in Taiwan partly offsets PCSC's credit strengths. The company's businesses in Taiwan contribute over 80% of its annual EBITDA, which is much higher than peers whose footprints usually are across regions or global. For instance, Seven & i Holdings Co. Ltd., the parent company of 7-ELEVEN generates only half of its total EBITDA from its Japan-based convenience store chain and other domestic businesses, which reflects PCSC's relatively higher single market concentration risk.

PCSC continues to expand into different brands and businesses, including coffee shops, drugstores, delivery and logistics, and gas stations in Taiwan. However, these non-convenience-store businesses remain much smaller revenue contributors than its franchised 7-ELEVEN business and contributed a combined 20%-25% of PCSC's revenue and EBITDA in 2025. Nonetheless, they still provide moderate diversity in terms of products, channels, and service range for the company. We believe the EBITDA margin for PCSC's non-convenience store businesses is generally 2-5 percentage points higher than for its convenience store business.

Rising debt leverage due to higher capex and operating lease liabilities in 2026-2028. PCSC is likely to spend over NT$10 billion capex per year to expand stores of its retail brands and maintain growth momentum in its retail business, mostly in the Philippines. Meanwhile, new logistics centers could cost NT$6 billion-NT$8 billion annually in 2026-2028. These will result in growth in lease liabilities of 2.5%-5.5% annually in 2026-2028. In addition, PCSC needs to fulfill its cash outflow of NT$15.5 billion for operating leases and cash dividend payments of over NT$10 billion annually.

Accordingly, PCSC's adjusted debt could rise to over NT$130 billion by the end of 2028, up from NT$96.8 billion at the end of 2025. As a result, the company's ratio of debt to EBITDA is likely to increase to 2.9x from 2.4x over the same period. However, we expect the ratio to gradually decline after 2028 when PCSC completes its large capex outlay for logistic centers.

PCSC is partly insulated from UPE group but remains a core member of the group's long-term business strategy. We view the company as a core subsidiary of UPE group, and we do not expect the parent company to fully divest PCSC. That's because of the convenience store operator's 50% contribution to the group's EBITDA and its importance as the group's sales channel for its food and beverage business. PCSC is also linked to the group through brand reputation and name association.

However, we view PCSC as an insulated subsidiary of UPE group, which owns 45.8% of PCSC's shares, and our issuer credit rating on PCSC is capped at one notch above our assessment of the UPE group credit profile on S&P Global Ratings' global rating scale. We believe that as a listed company with three independent directors out of nine, PCSC is independent in its business operations and financial performance, and does not comingle its funds, other assets, or cash flow with UPE. PCSC is also subject to additional external oversight from regulators and investors as a listed company.

We assess PCSC's credit profile as slightly better than UPE's. Thus, our issuer credit rating on PCSC is not capped by UPE's credit profile which is mainly constrained by higher competition pressure and market volatility in China.

Outlook

The stable rating outlook reflects our view that PCSC's strong market position in Taiwan's and the Philippines' convenience store market could sustain the company's strong and stable profitability over the next two years. The outlook also reflects our view that PCSC's debt-to-EBITDA ratio could stay below 3x over the same period. This is despite the ratio could slightly increase due to still-high capex needs for store expansion and the construction of logistics centers in 2026-2028.

Downward scenario

We may lower the long-term rating if PCSC's ratio of debt to EBITDA deteriorates to close to 3.5x for an extended period. This could result from:

- Larger debt funding capex, investments, and acquisitions than we forecast, or higher operating leases due to more aggressive expansion than we expected;
- Material deterioration in profitability. This could result from intensifying competition in the retail markets that limits PCSC's ability to pass through rising inventory, utilities, and labor costs, or a significant loss of market share or weakening brand equity for its retail businesses.

In addition, we may lower the rating if we lower our rating on UPE.

Upside scenario

We could raise the long-term rating on PCSC if we upgrade UPE and revise upward our assessment of PCSC's stand-alone credit profile (SACP).

Improvement in the SACP could result from the adoption of a more prudent approach to acquisition targets and financial management, which enables PCSC to generate strong discretionary cash inflow to lower its debt leverage. The ratio of debt to EBITDA ratio comfortably below 2x for an extended period could indicate such improvement.

Company Description

Uni-President introduced 7-ELEVEN to Taiwan in 1978. The number of 7-ELEVEN stores in Taiwan reached about 7,300 by the end of March 2026. Meanwhile, PCSC obtained a shareholding in the Philippines 7-ELEVEN chain in 2000 and was granted 7-ELEVEN franchise rights for Shanghai in 2009. Its market share of convenience store as of 2025 was 52% in Taiwan and 87% in the Philippines.

Taiwan 7-ELEVEN is the major EBITDA contributor, contributing around 64% of EBITDA, followed by the Philippines 7-ELEVEN at 13%. PCSC also owns restaurant, retail, and logistic businesses, including Uni-Wonder, President Drugstore, and President Transnet. These typically contribute 5%-6% of EBITDA each.

Uni-President Enterprise, the largest shareholder of PCSC, held a 45.4% shareholding as of the end of 2025. UPE has maintained around a 45% shareholding since 2000, following PCSC's listing on the Taiwan Stock Exchange in 1997. No other shareholder has more than a 5% holding.

Our Base Case Scenario

- S&P Global's projection for Taiwan's GDP growth at 8.2% in 2026, 2.2% in 2027 and 2.4% in 2028, and for the Philippines' GDP growth of 4.1% in 2026, 5.8% in 2027 and 6.2% in 2028.
- Revenue growth for President Chain Store of 3%-5% annually in 2026-2028 based on organic sales growth primarily driven by convenience store business in Taiwan.
- Revenue growth of subsidiaries could be 3%-5% in 2026-2028. Convenience store business in the Philippines could grow slightly stronger with annual rate at 4%-6% given lower store numbers base. Meanwhile, we expect revenue for drugstore, coffee shop, and logistics businesses to grow by 2%-5% through store expansion and growing demand for package delivery from e-commerce.
- PCSC's EBITDA margin to remain at 11.7%-12.3% 2026-2028, compared to 11.6% in 2025. We believe the company will maintain timely product mix and service adjustments, effective product upgrades, and larger economies of scale to boost profit generation. This is despite volatility in exchange rates, especially for the Philippines peso against the NT$, and inflation in inventory, human resource, and utilities costs could stress margins at the same time.
- Capex of NT$24 billion-NT$26 billion annually in 2026-2028, mainly for store expansion and construction of logistic parks.
- Potential investment of NT$2.1 billion in 2026 to join the Taiwan operations of Japanese discount supermarket chain LOPIA.
- Annual potential acquisitions of up to NT$2 billion in 2027 and 2028.
- Cash dividend payment of about NT$10 billion in 2026 with the cash payout ratio remaining at 75%-80% in 2027-2028.
- Growth in lease liabilities of 2.5%-5.5% annually in 2026-2028.
- We apply an 11.4% hair cut on cash and short-term investments.

Key metrics

President Chain Store Corp. – Taiwan Ratings Corp. Forecast Summary

Industry sector: Miscellaneous retailers

(Mil. NT$)	2024a	2025a	2026e	2027f	2028f
Revenue	337,932	350,735	365,276	381,121	394,423
EBITDA (reported)	38,795	40,396	42,362	44,692	47,047
Plus: Other	105	209	209	209	209
EBITDA	38,900	40,606	42,571	44,902	47,256
Less: Cash interest paid	(1,647)	(2,208)	(2,334)	(2,501)	(2,630)
Less: Cash taxes paid	(4,623)	(3,970)	(3,582)	(3,705)	(3,860)
Funds from operations (FFO)	32,631	34,428	36,656	38,695	40,765
Cash flow from operations (CFO)	37,331	35,993	39,190	41,696	43,047
Capital expenditure (capex)	19,726	21,229	24,073	24,773	25,573
Free operating cash flow (FOCF)	17,605	14,764	15,117	16,924	17,474
Discretionary cash flow (DCF)	5,539	4,092	4,762	6,652	6,848
Debt (reported)	23,481	35,565	44,655	53,816	63,225
Plus: Lease liabilities debt	95,657	104,877	110,284	114,751	117,658
Plus: Pension and other postretirement debt	2,740	2,552	2,552	2,552	2,552
Less: Accessible cash and liquid Investments	(52,163)	(46,150)	(44,300)	(44,300)	(44,300)
Debt	69,715	96,844	113,191	126,819	139,135
Cash and short-term investments (reported)	53,227	52,089	50,000	50,000	50,000
Adjusted ratios					
Debt/EBITDA (x)	1.8	2.4	2.7	2.8	2.9
FFO/debt (%)	46.8	35.5	32.4	30.5	29.3
DCF/debt (%)	7.9	4.2	4.2	5.2	4.9
Annual revenue growth (%)	6.6	3.8	4.1	4.3	3.5
EBITDA margin (%)	11.5	11.6	11.7	11.8	12.0

e--Estimate. f--Forecast. NT$--new Taiwan dollar. N.M.--Not meaningful.

Liquidity

The short-term rating on PCSC is 'twA-1+'. We believe the company has adequate liquidity, reflecting a ratio of liquidity sources to liquidity uses of 1.48x over the 12 months ending March 2027. We also believe the company will have positive liquidity sources minus uses, even if its EBITDA declined by 15%.

In our view, PCSC has well-established and solid relationships with banks, as demonstrated by the abundant bank lines available to it. This view is also supported by the company's high standing in credit markets, given its leadership in local convenience store markets. We view PCSC's risk management to be generally prudent and capable of ensuring continued adequate liquidity. PCSC's sufficient undrawn bank credit lines and flexibility to increase bank facilities support this view. We also believe it has sufficient headroom without breaching covenant limits due to low interest rates in Taiwan even if its EBITDA were to drop by 15%.

Principal liquidity sources:

- Cash and short-term investment of NT$51.8 billion as the end of March 2026.
- Fund from operations of NT$23 billion-NT$28 billion up to March 2027.
- Working capital inflow of NT$1 billion-NT$2 billion up to March 2027.

Principal liquidity uses:

- Long-term debt due in one year plus short-term debt of nearly NT$15.7 billion in the 12-months ending March 2027.
- Capex of NT$20 billion-NT$25 billion up to March 2027.
- Potential acquisitions of NT$2.1 billion up to March 2027.
- Cash dividend of NT$10.4 billion up to March 2027.

Environmental, Social, And Governance

ESG credit factors have an overall neutral influence on our credit rating analysis of PCSC. Environmental risks are typically a neutral consideration in our credit analysis of retailers. While emissions are significant across the value chain, retailers are most directly exposed to energy transition risk via transportation- and distribution-related emissions. PCSC is spending heavily on the construction of new logistics centers, and we expect these centers to provide more efficient transportation services that will reduce emissions. In addition, PCSC aims to reduce 25% of carbon emissions of scope 1 and 2 by the end of 2030, compared to the base year of 2020. PSCS has established four dedicated task forces to reduce carbon emissions, plastic usage, food waste, and sustainable procurement, despite challenges from its expanding business scale.

Social risks in terms of health and safety are important to retailers which are subject to regulation and safety standards to protect the health and well-being of employees and customers. Meanwhile, an increasing political and social focus on raising minimum living wages to reduce the impact of inflation could lead to higher labor costs and make it more difficult to retain franchisees and workers. Nonetheless, we believe PCSC has been working to mitigate this rising cost through its product mix and service upgrades, and store expansion.

We also view governance as neutral to our credit analysis of PCSC.

Rating Component Scores

Issuer Credit Rating: twAA+/Stable/twA-1+

Note: All scores below are in comparison with global obligors

Business risk: Strong

- Country risk: Intermediate
- Industry risk: Intermediate
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: twaa+

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: twaa+

Group credit profile: twaa

- Entity status within group: Core (The ICR reflects the entity's SACP of 'twaa+' and is currently not capped by GCP)
- We assess PCSC as an insulated and core subsidiary of the UPE group. The issuer credit rating on PCSC can be one notch above the UPE GCP on S&P Global Ratings' global rating scale if its SACP is one or more notches higher than the GCP.

Related Criteria

- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

New Ratings

President Chain Store Corp.	
Issuer Credit Ratings	twAA+/Stable/twA-1+