Media Release:

Far Eastern New Century And Yuan Ding Investment Upgraded To 'twA+/twA-1' On Lower Debt Leverage; Outlook Stable

August 24, 2026

PRIMARY CREDIT ANALYST

Anne Kuo, CFA
Taipei
+886-2-7724-6574
anne.kuo@spglobal.com
anne.kuo@taiwanratings.com.tw

SECONDARY CONTACT

Irene Lai
Taipei
+886-2-7724-6590
irene.lai@spglobal.com
irene.lai@taiwanratings.com.tw

Rating Action Overview

- We believe **Far Eastern New Century Corp.** (FENC) will continue deleveraging over the next two years, supported by improving profitability in its production business, steady earnings growth from its telecom unit, prudent capex and cash proceeds from asset and investment disposals. This should enable the company to sustain its ratio of debt to EBITDA to below 4x over 2026-2027.
- Yuan Ding Investment Corp. is FENC's investment holding company with core group status. FENC generated EBITDA of new Taiwan dollar (NT$) 52.3 billion in 2025.
- We have therefore raised our long-term issuer credit rating on FENC and Yuan Ding to 'twA+' from 'twA' and affirmed the 'twA-1' short-term issuer credit rating on the two companies.
- The stable rating outlook reflects our expectation that FENC' will sustain its improved profitability over the next two years through an improving product mix and prudent financial management.

Rating Action Rationale

The upgrade action reflects our view that FENC's improving EBITDA and cash flow generation should support stronger credit metrics over the next two years. We project FENC's ratio of debt to EBITDA will fall to below 4x in 2026-2027, compared with about 4.2x in 2024 and 4.1x in 2025. A recovery in the company's production businesses, resilient earnings from its telecom business, disciplined capital spending, and the potential disposal of non-core assets should underpin this improvement.

We believe FENC's diversified earnings base, improving cash flow generation, and financial flexibility from sizable investment and property assets will help absorb moderate operating volatility and better sustain its improved credit metrics in 2026-2027. This is despite our view that FENC will remain exposed to volatility in commodity chemical spreads and demand softness in polyester and textile products, particularly those with limited product differentiation. Accordingly, we have revised upward our assessment of FENC's financial risk profile to significant from aggressive.

A war-related boost and the recovery from a fire incident in 2025 will turn around FENC's production business in 2026. FENC's earnings from its polyester and textile operations could improve over the next two years. This follows its production business turning loss-making in 2025 due to weak commodity chemical spreads, soft demand, tariff-related headwinds and intense market competition in China, in addition to operational disruption due to a fire incident at one of its polyester plants. The normalization of operations following the fire incident, together with stronger purified terephthalic acid (PTA) and polyethylene terephthalate (PET) spreads in 2026, should support a recovery in operating profits.

The improvement in the first half of 2026 was partly supported by wider spreads across PTA and PET amid Middle East supply disruption. FENC has maintained stable supply through diversified sourcing and inventory management, which helped support production utilization and product delivery during the period. We forecast FENC's EBITDA will grow to new Taiwan dollar (NT$) 53.5 billion-NT$55 billion in 2026 and 2027, from NT$52.3 billion in 2025.

Increasing sales of differentiated products and geographical diversity could offset persistent weakness in commodity polyester products in Asia and sustain margins. We forecast sales of the company's differentiated products including recycled PET and functional fabrics will continue to grow. This will be supported by FENC's advanced plastic and fiber recycling technology and long-term relationships with global brands. These companies generally have strong commitments to adopt green materials and are more selective in choosing reputable suppliers. Green products accounted for 41% of FENC's production business revenue in 2025, up from 33% in 2024.

FENC's advantage in the supply of PET in North America, where product spreads are persistently stronger, also supports its operating performance. We believe the rising sales of these products should support FENC's revenue growth, margins and order visibility, while reducing its sensitivity to cyclicality in the commodity chemical market.

Meanwhile, FENC's retirement of aged production lines and tighter cost control should also support improvement in operating efficiency over the next one to two years. These measures should reduce losses from uncompetitive production facilities and allow the company to allocate more resources toward higher-value products. However, we believe the profitability of commodity chemicals will remain under pressure due to structural overcapacity in Asia.

Stable telecom earnings will remain a key pillar of FENC's profitability. We forecast earnings from FENC's telecom subsidiary, Far EasTone Telecommunications Co. Ltd., will remain resilient over the next two years. Its telecom business should continue to benefit from rising fifth generation (5G) penetration, moderate growth in average revenue per user (ARPU), disciplined competition, and cost savings from Far EasTone's integration of Asia Pacific Telecom Co. Ltd.

In addition, Far EasTone's enterprise information and communication technology (ICT) business could support further revenue growth, driven by demand for emerging businesses such as cloud, internet of things, and cybersecurity. While such projects may generally carry lower margins than traditional mobile services, we expect stable cash flow from Far EasTone's mobile service and cost synergies to largely offset this margin dilution. Overall, we believe the telecom unit will provide stable EBITDA and operating cash flow for the parent group, despite slowing growth in ARPU amid saturation in Taiwan's 5G adoption rate.

Prudent capital spending and asset monetization should support continued deleveraging. We forecast FENC will maintain a measured approach toward capital expenditure (capex) in 2026-2027, with annual capex of NT$16 billion-NT$18 billion. We believe the group's capital spending will mainly focus on debottlenecking of differentiated polyester products and increasing the use of green raw materials, and telecom network infrastructure and base station upgrades at Far EasTone.

Meanwhile, we anticipate FENC's sizable portfolio of listed investments and non-core land assets will continue to provide considerable financial flexibility for the company. FENC recognized NT$2.5 billion of cash inflow from land disposals in 2025 and NT$2.8 billion in the first quarter of 2026. We believe FENC will continue monetizing property assets or investments when market conditions are favorable. Such proceeds, together with improving EBITDA, should support further deleveraging over the next two years.

Outlook

The stable rating outlook reflects our expectation that FENC could improve its ratio of debt to EBITDA to below 4x over the next 12-24 months. We forecast the company will maintain improved profitability for its production business, given the recovery from a fire incident in 2025 and an improving product mix. This is despite likely pressure on product spreads over the next few quarters after a rebound in the first half of 2026.

We also expect earnings from FENC's telecom business to remain steady over the next two years, supported by increasing 5G penetration and growing ICT business. These factors, along with prudent capex and the group's considerable financial flexibility from its valuable equity investments and land assets, should support positive discretionary cash flow and further deleveraging over the same period.

Downside scenario

We could lower the ratings on FENC if the company's ratio of debt to EBITDA rises to above 4x without prospects of improvement, possibly because:

- FENC's profitability weakens materially over the next one to two years due to a prolonged industry downturn in the polyester product chain or worsening oversupply in the polyester product chain including PTA and PET that weakens the company's profit margin; or
- FENC incurs considerably higher capex and investment for its major businesses than we originally assumed without taking measures such as asset disposal to contain debt growth.

Upside scenario

We may raise the rating on FENC if the ratio of debt to EBTIDA lowers to materially below 3x on a sustainable basis. This could result from:

- Sustainable and material improvement in the profitability of FENC's chemical business, possibly due to product mix enhancement with high-margin products; and
- FENC pursues a more conservative financial policy regarding capital spending and cash dividend payouts, or investment asset disposals, such that it reduces its debt substantially.

Our Base Case Scenario

- Taiwan's real GDP to grow 8.2% in 2026 and 2.2% in 2027, China's real GDP to grow 4.4% in both 2026 and 2027, and Asia Pacific's real GDP to increase by 4.4% in both 2026 and 2027.
- Our base-case assumption for brent oil price to be US$110 per barrel for the rest of 2026 and US$80 for 2027.
- FENC's revenue to grow by 2%-4% in 2026 and 0%-2% in 2027. The stronger growth in 2026 is mainly supported by a recovery in production business, in addition to steady growth from its telecom business. We expect revenue growth to moderate in 2027 due to a higher production segment base in the previous year.
- Revenue from its polyester and textile business could increase by 4%-6% in 2026 and be largely flat in 2027, mainly supported by strong petrochemical product prices in the first half amid supply disruption.
- Revenue from the telecom segment could increase by 5%-7% in 2026 and 2%-4% in 2027 supported by moderate ARPU growth, and robust growth from ICT business.
- Stable revenue from FENC's property development business at NT$10 billion-NT$11 billion in 2026-2027, similar to that in 2025, given the absence of revenue recognition from the delivery of the company's residential project.
- EBITDA margin is likely to remain at 20%-22% in 2026 and 2027, supported by the recovery of production operations, wider chemical product spreads in the first half of 2026 and the company's continued product portfolio upgrade.
- Working capital outflow of NT$3 billion-NT$6 billion per year in 2026-2027 to support operating needs and property development.
- Cash dividends received from equity-method investments could remain flat in 2026-2027, at NT$3.5 billion-NT$4 billion.
- Capex of NT$16 billion-NT$18 billion in 2026-2027 to support debottlenecking of its production business and telecommunication network infrastructure.
- Cash inflow from land disposals of NT$2.78 billion in 2026.
- Cash outflow of about NT$6 billion in 2026 mainly to acquire shares in Asia Cement.
- Cash dividend payout ratio of 90%-95% in 2026 and 2027, which is similar to 2025.
- We apply a surplus cash haircut of 0.4% to mainly reflect the discount on equity investments.

Far Eastern New Century Corp. --Taiwan Ratings Corp. forecast summary.

Industry sector: chemical cos

(Mil. NT$)	2022a	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	263,945	257,204	270,955	254,057	262,379	264,422	265,770
EBITDA (reported)	42,075	43,103	48,707	48,866	50,944	50,605	50,723
Plus/(less): Other	5,186	3,940	4,014	3,441	3,600	3,600	3,600
EBITDA	47,261	47,042	52,721	52,307	54,544	54,205	54,323
Less: Cash interest paid	(3,497)	(5,048)	(4,637)	(4,622)	(4,870)	(4,692)	(4,593)
Less: Cash taxes paid	(3,689)	(3,759)	(3,730)	(4,721)	(4,630)	(4,549)	(4,562)
Funds from operations (FFO)	40,074	38,236	44,354	42,964	45,044	44,964	45,168
Cash flow from operations (CFO)	38,133	45,409	45,598	42,076	40,004	42,364	42,568
Capital expenditure (capex)	22,978	21,698	15,060	13,486	17,212	17,612	17,612
Free operating cash flow (FOCF)	15,156	23,710	30,538	28,590	22,793	24,753	24,957
Discretionary cash flow (DCF)	372	9,404	15,009	10,910	6,899	9,136	9,616
Debt (reported)	288,339	265,339	261,146	250,326	234,042	224,906	215,290
Plus: Lease liabilities debt	9,706	12,019	13,271	13,549	13,549	13,549	13,549
Plus: Pension and other postretirement debt	532	782	597	281	281	281	281
Less: Accessible cash and liquid Investments	(56,079)	(40,505)	(51,597)	(51,840)	(39,840)	(39,840)	(39,840)
Debt	242,498	237,635	223,417	212,316	208,032	198,896	189,280
Cash and short-term investments (reported)	56,192	40,668	51,805	52,048	40,000	40,000	40,000
Adjusted ratios							
Debt/EBITDA (x)	5.1	5.1	4.2	4.1	3.8	3.7	3.5
FFO/debt (%)	16.5	16.1	19.9	20.2	21.7	22.6	23.9
Annual revenue growth (%)	10.5	(2.6)	5.3	(6.2)	3.3	0.8	0.5
EBITDA margin (%)	17.9	18.3	19.5	20.6	20.8	20.5	20.4

All figures are adjusted by Taiwan Ratings Corp., unless stated as reported. Figures for the forecast period are based on Taiwan Ratings Corp.'s base-case scenario. a--Actual. e--Estimate. f--Forecast. NT$--new Taiwan dollar.

Liquidity

The short-term rating on FENC is 'twA-1'. We believe the company has adequate liquidity reflecting a ratio of liquidity sources to liquidity uses of 1.4x-1.5x over the next 12 months. We also believe the company will have positive liquidity sources minus uses, even if its EBITDA declined by 15%.

We believe FENC has a sound relationship with banks as demonstrated by the low interest rate on its bank loans. In addition, we believe FENC has a high standing in the credit markets, which is demonstrated by the company's NT$2.5 billion 3 year, NT$4.9 billion 5 year, and NT$2.75 billion 5 year corporate bonds at fixed rates of 2.3%, 2.35% and 2.3% respectively, issued in August 2026.

FENC has generally prudent risk management to ensure continued adequate liquidity, in our view. The company's sufficient undrawn bank credit lines and flexibility to increase bank facilities support this view. FENC does not have any financial covenants on its loans.

Principal Liquidity Sources

- Cash and short-term investments of about NT$55.8 billion at the end of June 2026.
- Funds from operations of NT$44 billion-NT$46 billion over the 12 months ending June 2027.
- Bond issuance of NT$10.2 billion in August 2026.
- Undrawn mid-to-long term bank lines of NT$ 37.5 billion maturing beyond June 2027.

Principal Liquidity Uses

- Debt maturity of NT$62.6 billion over the 12 months ending June 2027.
- Working capital outflow of NT$3 billion-NT$5 billion over the 12 months ending June 2027.
- Capex of NT$17.5 billion-NT$18.5 billion over the 12 months ending June 2027.
- Total dividend payment of about NT$16 billion over the 12 months ending June 2027.

Rating Score Snapshot

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

Note: All scores below are in comparison with global obligors.

Business risk: Satisfactory

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

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: twa

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Positive (+1 notch)
- 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: twa+

Related Criteria

- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019

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

Ratings List

Upgraded

	To	From
Far Eastern New Century Corp.		
Yuan Ding Investment Corp.		
Issuer Credit Rating	twA+/Stable/twA-1	twA/Positive/twA-1