Media Release:

Far EasTone Telecommunications Upgraded To 'twAA-/twA-1+' On Parent's Accelerated Deleveraging; Outlook Stable

August 25, 2026

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Rating Action Overview

- **Far EasTone Telecommunications Co. Ltd.** is one of the three leading operators in Taiwan's wireless telecommunications market and is a member of one of Taiwan's largest industrial conglomerates, Far Eastern New Century Corp. (FENC) group. Far EasTone generated EBITDA of new Taiwan dollar (NT$) 38.8 billion in 2025.
- We view Far EasTone as an insulated and strategically important subsidiary of FENC. The ratings on Far EasTone are capped at one notch above the FENC group credit profile and the ratings and outlook on Far EasTone move in tandem with the direction of the group credit profile.
- We recently upgraded FENC to reflect the likelihood that the parent could sustain strong credit metrics over the next one to two years, supported by improving EBITDA and cash flow generation. As a result, we raised our issuer credit ratings on Far EasTone to 'twAA-/twA-1+' from 'twA+/twA-1'.
- The outlook is stable to reflect our expectation that FENC could improve its ratio of debt to EBITDA to below 4x over the next 12-24 months.

Rating Action Rationale

The upgrade action follows our similar action on FENC. We raised our ratings on FET to reflect our view that FENC's improving EBITDA and cash flow generation should support stronger credit metrics for the parent over the next one to two years. We project FENC's ratio of debt to EBITDA will decline to below 4x in 2026-2027, from 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 potential disposals of non-core assets will support this improvement. Accordingly, we have revised upward our assessment of FENC's financial risk profile.

We believe FENC will remain exposed to volatility in commodity chemical spreads and demand softness for polyester and textile products, particularly those with limited product differentiation. However, we believe the company's diversified earnings base, improving cash flow generation, and financial flexibility from sizable investment and property assets should help absorb moderate operating volatility without materially weakening its credit metrics.

FENC group's consolidated credit profile caps the rating on Far EasTone. We expect to maintain our long-term issuer credit rating on Far EasTone at one notch above the parent FENC group credit profile on S&P Global Ratings' global rating scale, given Far EasTone's insulated role within the group. The rating on Far EasTone reflects our assessment that the company is a separate entity within the overall group structure. We believe Far EasTone will maintain its independence from the parent group in respect of its financial and funding prospects, and we view the parent has strong incentives to preserve its financial strength.

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 FENC 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 fifth generation (5G) penetration and growing information and communication technology business. These factors, along with prudent capital expenditure (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 Far EasTone if FENC's adjusted ratio of debt to EBITDA rises to above 4x without prospects of improvement, possibly due to:

- 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 for this product chain including purified terephthalic acid and polyethylene terephthalate that weakens the company's profit margin; or
- FENC incurs considerably higher capex and investments 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 and resultantly the rating on Far EasTone, if FENC's 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.

Rating Score Snapshot

	To	From
Issuer Credit Rating	twAA-/Stable/twA-1+	twA+/Positive/twA-1
Business risk	Satisfactory	Satisfactory
Country risk	Intermediate	Intermediate
Industry risk	Intermediate	Intermediate
Competitive risk	Satisfactory	Satisfactory
Financial risk	Minimal	Minimal
Cash flow/Leverage	Minimal	Minimal
Anchor	twaa+	twaa+
Modifiers		
Diversification/portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Neutral (no impact)	Neutral (no impact)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Adequate (no impact)	Adequate (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Neutral (no impact)	Neutral (no impact)
Stand-alone credit profile	twaa+	twaa+
Group credit profile	twa+	twa
Entity status within group	Strategically important	Strategically important
Note: We assess Far EasTone as an insulated and strategically important subsidiary of the Far Eastern New Century group. The issuer credit rating on Far EasTone is subject to a cap of one notch above the group credit profile. The descriptors above are in comparison with global obligors.		

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 EasTone Telecommunications Co. Ltd.		
Issuer Credit Rating	twAA-/Stable/twA-1+	twA+/Positive/twA-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.