

Bulletin

Formosa Taffeta Co. Ltd. Ratings Unaffected by Its Investment Plan In Switzerland

October 21, 2019

Taiwan Ratings Corp. today said that its ratings and outlook on **Formosa Taffeta Co. Ltd.** (twA+/Stable/twA-1) are not affected by the company's plan to take an investment stake in a Swiss textile company in 2020. The total investment amount is capped at \$40 million Swiss Franc (about NT\$1.2 billion) for a 50% shareholding in Schoeller Textiles AG. We believe Formosa Taffeta's cash on hand along with its cash dividend from fellow group unit **Formosa Petrochemical Corp.** are sufficient to meet its funding needs for this investment plan. We also expect Formosa Taffeta's financial strength, in terms of the key credit ratio of debt to EBITDA, will remain consistent with the current rating following completion of the investment.

Although the transaction is not yet finalized and the exact details remain uncertain, we believe the investment is unlikely to bring in significant dividend income over the next two to three years, given the much smaller scale in terms of revenue and net income of Schoeller Textiles AG compared with Formosa Taffeta. However, the Swiss textile firm could enhance Formosa Taffeta's product development capabilities through the sharing of specific fabric product types with Formosa Taffeta, which could in turn improve the Taiwanese company's competitive advantage and product diversification.

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