

Research Update:

# Uni-President Enterprises Corp. Ratings Affirmed At 'twAA/twA-1+'; Outlook Stable

June 30, 2020

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on **Uni-President Enterprises Corp. (UPE)**. The outlook on the long-term rating is stable. The ratings on UPE reflect the company's good business diversity with strong, leading market positions in Taiwan's food and beverage (F&B) and convenience store sectors, as well as improving profitability of UPE's China-based subsidiary, Uni-President China Holdings Ltd.

The ratings on UPE also reflect our view that the company is likely to maintain its improved cash flow protection measures over the coming two years, given its stable operating cash flow and modest capital expenditure. This should enable UPE to maintain its ratio of debt to EBITDA at 1.1x-1.4x over the next two years, despite slightly weakening performance on its Southeast Asia retailing and China F&B business in 2020. Our projection also incorporates a likely cash outflow of New Taiwan dollar (NT\$) 15 billion-NT\$20 billion for potential mergers and acquisitions over the next two years. Counterbalancing the rating strengths is the higher industry risk in China's F&B market due to intense competition and volatile material costs and weaker performance on its other smaller business such as F&B packaging.

### PRIMARY CREDIT ANALYST

**Anne Kuo, CFA**  
Taipei  
+886-2-8722-5829  
anne.kuo  
@spglobal.com  
anne.kuo  
@taiwanratings.com.tw

### SECONDARY CONTACT

**David Hsu**  
Taipei  
+886-2-8722-5828  
david.hsu  
@spglobal.com  
david.hsu  
@taiwanratings.com.tw

## Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Understanding Taiwan Ratings' Rating Definitions - June 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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## Ratings List

### Ratings Affirmed

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#### Uni-President Enterprises Corp.

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Issuer Credit Rating

twAA/Stable/twA-1+

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