

Research Update:

United Microelectronics Corp. Ratings Affirmed At 'twAA-/twA-1+'; Outlook Stable

September 22, 2020

Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **United Microelectronics Corp.** (UMC). The outlook on the long-term rating is stable. The ratings on UMC reflect the company's satisfactory market position in the global foundry business and minimal debt leverage. The strengths are partly offset by UMC's weaker technology capability compared to that of global leading peers, the high cyclical nature and intensive capital nature of the semiconductor foundry industry, and rapid technological changes that could rapidly erode UMC's market position if the company fails to keep up with technology advancement.

We have upwardly revised our assessment of UMC's liquidity to exceptional from strong, which has no impact on the ratings. The exceptional assessment mainly reflects UMC's decreasing debt and rising cash balance with improving profitability and prudent capital spending. We expect the company's ratio of liquidity sources to liquidity uses to stay slightly above 2.5x over the next 24 months ending June 30, 2022.

We believe that UMC can absorb low probability, high impact event with limited need for refinancing, underpinned by its prudent risk management characterized by a high cash balance and low debt usage. We also believe that UMC generally has solid relationships with banks, as evidenced by its low funding cost. In addition, the company has large headroom for loose financial covenants carried in a small portion of its borrowings.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- 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

PRIMARY CREDIT ANALYST

Raymond Hsu, CFA
Taipei
+886-2-8722-5827
raymond.hsu
@spglobal.com
raymond.hsu
@taiwanratings.com.tw

SECONDARY CONTACT

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

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- 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

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

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

Ratings List

Ratings Affirmed

United Microelectronics Corp.

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