

Bulletin:

US\$60 Million Fine Ends Financial Uncertainty Over United Microelectronics' Litigation For Theft Of Trade Secrets

October 29, 2020

Taiwan Ratings Corp. said today that a US\$60 million fine levied by the Department of Justice of the United States (DoJ) on **United Microelectronics Corp.** (UMC; twAA-/Stable/twA-1+) will have no material financial harm for the semiconductor manufacturer. The resolution of the litigation brought by the DoJ also ends financial uncertainty over the potential extent of financial costs to UMC.

In November 2018, the DoJ indicted UMC for alleged theft of U.S.-based Micron Technology Inc.'s trade secrets. UMC pleaded guilty to the allegations of theft by its then employees and later agreed to pay the US\$60 million fine. The DoJ agreed to drop all other potential charges against UMC because the trade secrets were never used.

We believe that the settlement removes significant business uncertainty for UMC and will allow UMC's management to develop its core foundry businesses without further distraction from this event. In addition, the US\$60 million has a minimal financial impact to UMC's capital structure, in our view. UMC has a net cash position on an adjusted basis of more than New Taiwan dollars (NT\$) 100 billion cash and liquid short-term investments as of June 30, 2020. The company has also strengthened its free operating cash flow with improving revenues using 28 nanometer and other specialty processes. UMC generated about NT\$23 billion in free operating cash flow in the first half of 2020.

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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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