

Research Update:

USI Corp. Ratings Affirmed At 'twA-/twA-2'; Outlook Stable

November 24, 2020

Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **USI Corp.** The outlook on the long-term rating is stable. The ratings reflect USI's satisfactory and improving business diversity and persistent positive free operating cash flow. USI's improving profitability and smaller capital injection into the company's China-based Gulei project could also help USI to keep its ratio of debt to EBITDA at around 2x in 2020-2021, thus enhancing the rating headroom. These strengths are tempered by the company's volatile performance due to a lack of meaningful integration and USI's sensitivity to volatile commodity chemical cycles.

We have upwardly revised our liquidity assessment on USI to strong from adequate, which has no impact on the ratings. The strong assessment mainly reflects our view of USI's improving operating cash flow, extended debt maturity and lower capital spending with a smaller final capital injection into the Gulei project in 2020-2021. We expect USI's ratio of liquidity sources to liquidity uses to stay in 1.5x-2.0x over the next 24 months ending September 30, 2022.

In our assessment, USI can absorb high-impact, low-probability events with limited need for refinancing, given its high cash balance compared with lower short-term debt usage. We also believe the company has sound and long-standing relationships with major local banks, as evidenced by the low interest rate on its bank loans. This view is also supported by the company's generally satisfactory standing in the credit markets with regular access to the domestic bond market. In our opinion, USI has generally prudent risk management with a consistent record of ensuring adequate liquidity. The company's flexibility to increase bank facilities supports this view. We also believe USI has sufficient headroom without breaching covenant limits due to low interest rates in Taiwan even if its EBITDA dropped by 30%.

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Related Criteria & Research

Related Criteria

- 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
- 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: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

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

Ratings List

Ratings Affirmed

USI Corp.

Issuer Credit Rating	twA-/Stable/twA-2
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