

Research Update

Ratings On Chi Mei Corp. Affirmed At 'twAA- /twA-1+', Liquidity Revised To Exceptional; Outlook Stable

May 27, 2021

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Chi Mei Corp.** The outlook on the long-term rating is stable. The ratings on Chi Mei reflect the company's leading market position and cost structure as the world's largest ABS (acrylonitrile butadiene styrene) resin producer and the company's low debt leverage.

We forecast Chi Mei to maintain a net cash position in 2021-2022, despite its higher capital expenditure to support capacity expansion in China over the same period. We also believe that economic recovery in China and the U.S. will underpin strong demand for downstream commodity chemicals and their product margins. Chi Mei's high concentration in the ABS resin business, moderately high industry risk in the commodity chemical sector and associated high volatility in the company's profitability constrain the ratings.

Liquidity

We have revised Chi Mei's liquidity assessment to exceptional from strong based on our projection that Chi Mei's ratio of liquidity sources to liquidity uses will be 2.0x-2.5x in 2021-2022. We also believe Chi Mei will have sufficient liquidity sources to cover liquidity uses, even if forecasted EBITDA declines by 50%. Furthermore, the company has well-established banking relationships and a high credit standing in the capital market, as evidenced by the low interest rate on its bank loans and five-year green bond issued in September 2018. We also believe Chi Mei can absorb low probability high impact events with limited need for refinancing, underpinned by its high cash balance and low debt usage.

Principle liquidity sources

- Cash and short-term investment: About NT\$43.0 billion as of the end of 2020.
- Funds from operations: NT\$20 billion-NT\$25 billion in 2021 and NT\$15 billion-NT\$20 billion in 2022.

Principal liquidity uses

- Short-term debt maturity: about NT\$1.2 billion in 2021 and no debt maturity in 2022.
- Working capital outflow: NT\$2.5 billion-NT\$4.0 billion in 2021 and 2022.
- Capital expenditure: NT\$11 billion-NT\$16 billion in 2021 and 2022.
- Cash dividend payout: NT\$7.2 billion in 2021 and NT\$8.0 billion-NT\$9.0 billion in 2022.

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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: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- 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

Chi Mei Corp.

Issuer Credit Rating	twAA-/Stable/twA-1+
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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