

Research Update:

Taiwan Optical Platform Co. Ltd. 'twBBB+/twA-2' Ratings Affirmed; Outlook Stable

October 29, 2021

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on **Taiwan Optical Platform Co. Ltd.** The outlook on the long-term rating is stable. The ratings on Taiwan Optical Platform reflect the company's dominant position in its cable franchise areas with limited competition, the relatively stable domestic market structure, and the company's satisfactory profitability and stable operating cash flow generation. However, the cable TV operator's elevated debt leverage following the acquisition of two system operators, weaker market position in the broadband segment, and the risk of gradually declining domestic cable subscribers partly offset these strengths.

Outlook

The stable rating outlook reflects our view that Taiwan Optical Platform will maintain a good position in its key franchise areas and continue to generate stable profitability and cash flow over the next one to two years. In addition, we believe the company will likely gradually pay down its debt through its stable operating cash flow. This would likely result in the company maintaining its debt to EBITDA at 3x-4x in 2021-2023.

Upside Scenario

We could raise the long-term rating on the company if:

- The company consistently pays down its debt through its stable operating performance and cash flow generation and demonstrates its prudent debt management which lowers its debt to EBITDA ratio comfortably below 3.5x; or
- The company improves its competitive position further with a significant market share gain or material improvement in its diversification, such as by expanding its broadband services and line and equipment rental businesses, while maintaining its ratio of debt to EBITDA below 4x.

Downside scenario

We could lower the rating if the company's debt to EBITDA stays constantly above 4x. This may happen if:

- The company's operating performance weakens materially due to a change in regulation, technology evolution, or rising competition risks;

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- The company engages in unexpected large debt-funded acquisitions that lift its financial leverage; or
- The company assumes aggressive shareholder-friendly action such as a much higher cash dividend payout or a share buyback plan.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- 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

Taiwan Optical Platform Co. Ltd.

Issuer Credit Ratings	twBBB+/Stable/twA-2
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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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