

Bulletin:

Unimicron's Business Diversity To Improve Slightly Following Subtron Technology Merger

February 24, 2022

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **Unimicron Technology Corp.'s** (twA/Stable/twA-1) planned merger with Subtron Technology Co. Ltd. could somewhat enhance Unimicron's product diversity without weakening its financial risk profile.

On Feb. 22, 2022, Unimicron announced its merger with Taiwan-based Subtron through an equity swap. The merger has a tentative date for completion of Oct. 1, 2022. Unimicron had revenue of new Taiwan dollar (NT\$) 104.5 billion in 2021, which was 27 times that of Subtron in the same year. In addition, Subtron's reported debt of NT\$2.2 billion is unlikely to materially weaken Unimicron's ratio of debt to EBITDA, given Unimicron EBITDA of NT\$14.6 billion for the first three quarters of 2021 and over NT\$20 billion cash on hand. Subtron is mainly involved in BT (Bismaleimide Triazine) substrate manufacturing and packaging although the company's business strength in product lines such as 5G SiP (System-in-Packing) could slightly increase Unimicron's product diversity and vertical integration.

In our view, Unimicron has sufficient buffer to maintain its credit metrics consistent with its current rating even after consolidating Subtron's debt. This is despite Unimicron's decision to raise its capital expenditure order budget to NT\$40.5 billion, which it will likely spend in 2022-2023, followed by a further NT\$12.4 billion for 2023-2024. However, we believe that the spreading out of this capex over two to three years with limit negative impact on Unimicron's debt leverage. Unimicron's profitability has significantly increased and is likely to remain strong over the next several quarters.

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