

Bulletin:

Uni-President To Maintain Debt Leverage Following Acquisition Of Carrefour Taiwan

July 20, 2022

This report does not constitute a rating action.

Uni-President Enterprises Corp. has strong cash flow generation and a high cash balance to fund the acquisition of a controlling interest in Carrefour's Taiwan hyper-market business. These funding sources should help Uni-President acquire the outstanding 60% shares in Carrefour Taiwan it does not currently own without materially lifting debt leverage. The increased retail network penetration and diversification achieved through the acquisition will also support Uni-President group's profitability, in our view.

On July 19, 2022, Uni-President (twAA/Stable/twA-1+) announced it has reached an agreement to acquire the remaining 60% outstanding shares in Carrefour Taiwan for new Taiwan dollar (NT\$) 29 billion. Uni-President group already has a 40% stake in the hypermarket chain. The transaction is subject to the regulator's final approval. Taiwan Ratings Corp. does not expect the proposed investment to impair Uni-President's financial strength, given the group's strengthened discretionary cash flow of NT\$23 billion in the 12 months up to March 2022. Accordingly, we believe Uni-President's ratio of debt to EBITDA will remain at 1.5x-2.0x in 2022-2023, including the potential NT\$29 billion cash outflow for the acquisition.

We see Uni-President maintaining its operating performance over the next one to two years. We base this view on the company's good business diversity with strong, leading market positions in Taiwan's food and beverage business and convenience store sector, as well as the improving profitability of China's food and beverage business.

PRIMARY CREDIT ANALYST

Beatrice Chen

Taipei

+886-2-2175-6829

beatrice.chen

@spglobal.com

beatrice.chen

@taiwanratings.com.tw

SECONDARY CONTACT

David Hsu

Taipei

+886-2-2175-6828

david.hsu

@spglobal.com

david.hsu

@taiwanratings.com.tw

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