

Bulletin:

YAGEO Corp. To Slightly Boost Its Product Portfolio Via German Acquisition

October 13, 2022

Taiwan Ratings Corp. said today that **YAGEO Corp.** could marginally enhance its business diversity without weakening its financial risk profile if it succeeds in acquiring market-leading temperature sensor manufacturer, Heraeus Nexensos GmbH.

On October 11, 2022, YAGEO (twA+/Stable/twA-1) announced its intention to acquire Germany-based Heraeus Nexensos through an all-cash transaction. YAGEO expects to complete the acquisition by the first half of 2023. We see a limited effect from the transaction on YAGEO's debt leverage, given how the total consideration of Euro 79.4 million (approx. new Taiwan dollar NT\$2.48 billion) for the transaction compares to YAGEO's EBITDA of NT\$19.2 billion and over NT\$50 billion cash on hand as of June 30, 2022.

We do not expect the acquisition to materially improve YAGEO's competitive position, given Heraeus Nexensos' small operating scale with a comparative revenue of less than 3% of YAGEO's. However, we believe that Heraeus Nexensos' specialization in manufacturing premium platinum thin-film temperature sensors could diversify YAGEO's sensor portfolio for automotive and industrial applications. In addition, our base case forecasts that YAGEO will likely continue to take on small to medium size acquisitions to enhance its portfolio of specialty products without significantly weakening its debt leverage over the next two to three years.

This report does not constitute a rating action.

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