

Media Release:

# Fortune Motors Co. Ltd. Ratings Affirmed At 'twA/twA-1'; Outlook Stable

December 28, 2022

## Overview

- We have affirmed the 'twA' long-term and 'twA-1' short-term issuer credit ratings on **Fortune Motors Co. Ltd.**
- The stable rating outlook reflects the company's strategically important group status to its parent China Motor Corp., and our view that Fortune Motors will maintain its very strong capitalization.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term issuer credit ratings on Fortune Motors Co. Ltd.. The ratings reflect the company's very strong capitalization, as well as the benefits from its association with the China Motor group in terms of new car sales and financing business. Fortune Motors' more relaxed underwriting standard compared with that in Taiwan's banking industry, and the company's high reliance on market-sensitive wholesale funding temper these strengths.

In addition, we view the loss the company reported on its equity method investment in 2022 remains absorbable and the company's capitalization remains very strong. Fortune Motors' slower business growth in 2022 has reduced its capital consumption and provided an additional capital buffer for this unexpected loss.

## Outlook

The stable rating outlook on Fortune Motors reflects our view that the company will remain a strategically important subsidiary to its parent China Motor group over the next two years. We view the credit profile of Fortune Motors as linked to the China Motor group credit profile, given that the business from the group channel contributes a significant portion of Fortune Motors' overall revenue.

The outlook also reflects our view China Motor will likely maintain its overall market position over the next two years, because the group's newly introduced MG branded vehicles could neutralize the negative impact of competition from Toyota Town Ace on China Motor's commercial vehicle market position. Meanwhile, we believe that China Motor's low financial leverage will continue to support its financial strength. This is despite significant market competition, especially in

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commercial car segment and from imported cars, as well as industry volatility over the next two years.

#### Downward scenario

We may lower the rating on Fortune Motors if:

- China Motor's market position in Taiwan's auto market deteriorates substantially, possibly due to a materially weakened position in the commercial vehicle market;
- China Motors' cost competitiveness weakens; or
- China Motors' cash dividend received from its equity method investment weakens due to rising competition in China's commercial auto market.

We may also lower the rating if China Motor's cooperative relationship with Mitsubishi Motors Corp. weakens significantly, although we see a low likelihood of this over the next two to three years.

#### Upward scenario

Conversely, we may raise the rating on Fortune Motors if the company and its parent's credit strength improves. This could happen if China Motor makes substantial business progress in China or acquires a considerable market share from its competitors. At the same time, Fortune Motors' business stability would need to improve materially to be comparable with that of the top industry leaders in Taiwan. Nonetheless, we see a limited likelihood that all these developments would materialize over the next one to two years.

## Related Criteria & Research

### Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### Ratings Affirmed

#### Fortune Motors Corp.

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Issuer Credit Rating

twA/Stable/twA-1

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