

Bulletin:

Taiwan High Speed Rail To Operate At Full Speed In 2023

February 23, 2023

This report does not constitute a rating action.

Taiwan Ratings Corp. today said that more relaxed border controls could boost **Taiwan High Speed Rail Corp.'s** (THSRC) revenue in 2023 and help maintain a sufficient rating buffer.

Passenger volume could return to the pre-pandemic level of about 65 million in 2023, given the easing of Taiwan's border controls for foreign travelers and a solid recovery in domestic traffic. THSRC's (twAAA/Stable/twA-1) passenger volume increased by 24.6% to 54 million in 2022. This was supported by robust growth in travelers during the second half of the year which outweighed a temporary drop during a COVID-19 outbreak in April-May of 2022. Moreover, the operator registered passenger volume of 6.09 million in January 2023--a 46.8% growth year-on-year.

This has led us to update our key assumptions for THSRC as follows:

	2021a	2022e*	2023e	2024e
Revenue (NT\$ mil.)	30,227.9	37,133.2	46,000-48,000	47,000-49,000
EBITDA (NT\$ mil.)	17,576.6	22,000-24,000	32,000-34,000	33,000-35,000
EBITDA margin (%)	58.1	62-64	69-71	69-71
Funders from operations to debt (%)	5	6-8	10-12	11-13

a--Actual. *Revenue in 2022 is actual while the other figures are Taiwan Ratings Corp. estimations (e).

We now expect THSRC's revenue to rise 26%-30% in 2023, although we see the EBITDA margin remaining at 69%-71% per our previous projection. This is due to the company's high fixed-cost structure. The ratio of funds from operations to debt could rebound to 10%-12% in 2023, which is well above our rating trigger of 6%, with a strong likelihood the ratio will improve to 11%-13% by the end of 2024.

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