

Media Release:

# Taiwan Cement Corp. Ratings Affirmed At 'twA+/twA-1'; Liquidity Revised To Strong; Outlook Remains Negative

April 25, 2023

## Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on **Taiwan Cement Corp.** The outlook on the long-term rating remains negative.

The ratings reflect Taiwan Cement's position as the leading cement producer in Taiwan and satisfactory market position in focused provinces in southern China. The ratings also reflect the company's efforts to diversify into non-cement businesses and expand its footprint including independent power plants, waste recycling and renewable energy, as well as good financial flexibility underpinned by valuable land and investment properties. In addition, the ratings reflect our view of Taiwan Cement's improving profitability and debt management actions, including equity issuance and lower cash dividends that aim to cap debt growth and lower the ratio of debt to EBITDA to around 3.5x in 2024, despite high capital expenditure (capex) in 2023-2024. Taiwan Cement's still-high business concentration in China's highly cyclical cement market in addition to its currently high leverage constrain the ratings. This is despite the likelihood that the company's dependence will gradually decrease.

The negative rating outlook reflects a one third chance that Taiwan Cement could fail to lower its ratio of debt to EBITDA to below 3.5x over the next 12-24 months due to high capex or a weaker recovery in the company's cement business in China than under our current forecast. The outlook also reflects the likelihood that Taiwan Cement may not take sufficient measures, including equity funding or lower cash dividend payments, to cap its debt growth, or that it may take longer than we forecast for the company's aggressive investments in green projects, particularly its expansion in lithium-ion battery production, to generate a meaningful contribution to EBITDA.

At the same time, we have revised our assessment of Taiwan Cement's liquidity to strong from adequate, which has no impact on the ratings. The revision mainly reflects Taiwan Cement's high cash balance and liquidity investments at the end of 2022, lower debt maturity, and our expectation of lower cash dividend payments in 2023-2024. This is despite the company's capex will remain high during the period.

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## Related Criteria & Research

### Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### Ratings Affirmed

#### Taiwan Cement Corp.

Issuer Credit Rating	twA+/Negative/twA-1
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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