

Bulletin:

Delta Electronics To Keep Net Cash Position After Acquisition Of HY&T Investments Holding B.V.

June 16, 2023

Taiwan Ratings Corp. said today it expects **Delta Electronics Inc.** to maintain a net cash position if completes a proposed cash acquisition of HY&T Investments Holding B.V.

Delta (twAA/Stable/twA-1+) recently announced its plan to acquire the German-based auto part manufacturer for new Taiwan dollar (NT\$) 4.6 billion. We forecast the acquisition plan, if successful, will still leave Delta in a net cash position, given the company's high cash and liquid investments and good free operating cash flow. As of March 31, 2023, Delta has NT\$71 billion in cash and liquidity investments, versus NT\$49.5 billion in debt. In addition, the company generated strong free operating cash flow of NT\$31.4 billion in the 12 months ended March 31, 2023. We believe that the acquisition of HY&T could facilitate Delta's strategy to strengthen the supply chain and product mix of its electric vehicles business. This is despite the acquisition is unlikely to materially strengthen Delta's competitive position due to HY&T's limited business scale. We expect Delta to take on additional bolt-on acquisitions without impairing its financial strength over the next one to two years.

This report does not constitute a rating action.

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