

Media Release:

GlobalWafers Co. Ltd. 'twAA-/twA-1+' Ratings Affirmed; Liquidity Revised To Adequate From Strong; Outlook Stable

March 15, 2024

Rating Action Overview

- We believe **GlobalWafers Co. Ltd.'s** liquidity buffer has weakened due to the company's high capital expenditure (capex) plans for 2024-2025. We have therefore revised downward our liquidity assessment for the company to adequate from strong.
- We affirmed our 'twAA-/twA-1+' issuer credit ratings on GlobalWafers.
- The stable rating outlook reflects our view that GlobalWafers could maintain its strong profitability and cap its leverage below 1.5x over the next two years despite high capital expenditure.

Rating Action Rationale

GlobalWafers' liquidity buffer has weakened due to materially high capex in 2024. We anticipate the impact of GlobalWafers' planned high capex of new Taiwan dollar (NT\$) 57 billion in 2024 will significantly lower the company's liquidity buffer over the next year. Nonetheless, the company's ability to generate strong operating cash flow coupled with its high cash balance on hand and good access to capital markets should ensure adequate liquidity over the next 12 months. As such, we have revised downward our assessment on GlobalWafers' liquidity to adequate from strong. We forecast the firm's ratio of liquidity sources to uses will be 1.9x over the 12 months ending December 2024 without factoring in about NT\$50 billion in expansionary capex.

The ratings continue to reflect GlobalWafers' satisfactory market position with relatively low debt leverage over the next one to two years. In our view, the company will maintain its market position as the third largest silicon wafer manufacturer globally. We believe GlobalWafers' stable relationship with top-tier clients and aggressive capacity expansion focusing on advanced products will underpin improving profitability and an increasing operating scale. However, GlobalWafers' narrower product diversity and relatively smaller market share within advanced wafers compared to larger peers temper its credit strengths. We also forecast GlobalWafers could maintain its debt-to-EBITDA ratio at slightly below 1.5x over the next two years, underpinned by the company's cash on hand and stable operating cash flow that can fund most of its high capex needs.

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Principal liquidity sources:

- Cash and short-term investment of about NT\$56.6 billion at the end of 2023.
- Funds from operations of NT\$25 billion-NT\$30 billion up to December 2024.
- 3-year undrawn commercial paper credit facility of NT\$13 billion.
- The issuance of senior unsecured corporate bonds with total proceeds of around NT\$16.8 billion in the first quarter of 2024.

Principal liquidity uses:

- Long-term debt due in one year plus short-term debt of about NT\$40.2 billion at the end of December 2024.
- Maintenance capex of NT\$7 billion-NT\$8 billion up to December 2024.
- Cash dividend of NT\$9 billion-NT\$10 billion over the 12 months ending December 2024.

Related Criteria & Research

Related Criteria

- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- 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
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

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Ratings Score Snapshot

Issuer credit rating	twAA-/Stable/twA-1+
Business risk	Satisfactory
Country risk	Low risk
Industry risk	Moderately high risk
Competitive position	Satisfactory
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	twaa
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)

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Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	twaa-
Group credit profile:	twaa-
• Entity status within group:	Core (The ICR reflects the entity's SACP of 'twaa-')

Ratings List

Ratings Affirmed

GlobalWafers Co. Ltd.

Issuer Credit Rating	twAA-/Stable/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 for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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