

Media Release:

E Ink Holdings Inc. Ratings Affirmed At 'twA-/twA-2'; Liquidity Revised To Adequate From Strong; Outlook Stable

May 27, 2024

Rating Action Overview

- We have revised downward our liquidity assessment for the company to adequate from strong to reflect high capex could somewhat narrow **E Ink Holdings Inc.**'s liquidity buffer.
- We have affirmed our 'twA-/twA-2' issuer credit ratings on E Ink.
- The stable rating outlook reflects our view that E Ink could maintain its market position as the largest electronic paper material manufacturer globally, thanks to the company's effective patent barrier and increasing market penetration rate. Meanwhile, we believe E Ink will maintain a relatively low debt leverage over the next two years.

Rating Action Rationale

E Ink's liquidity buffer has weakened due to materially high capex in 2024. In our view, E Ink's capital expenditure (capex) will likely exceed new Taiwan dollar (NT\$) 6 billion in 2024 to support its capacity expansion plan. We believe this could materially reduce the company's liquidity buffer, despite relatively stable operating cash flow over the same period. However, we expect E Ink's ratio of liquidity sources to uses to be around 1.4x over the next 12 months ending March 2025.

The ratings continue to reflect E Ink's good market position with relatively low debt leverage over the next one to two years. In our view, the company will maintain its global market position as the largest electronic paper material manufacturer. We believe E Ink's comprehensive intellectual properties and improving product performance, along with capacity expansion that focuses on large-sized color products will support its improved profitability and expands operating scale. However, E Ink's limited business scale, narrower product diversity relative to mainstream display peers and an uncertain pace of the adoption of electronic paper in new applications somewhat offset its credit strengths. We forecast E Ink to maintain the debt-to-EBITDA ratio at below 1.5x over the next two years, underpinned by the company's cash on hand and stable operating cash flow.

Principal liquidity sources:

- Cash and short-term investment of about NT\$23.2 billion at the end of March 2024.
- Funds from operations of NT\$8 billion-NT\$9 billion over the next 12 months.

Principal liquidity uses:

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- Long-term debt due in one year plus short-term debt of about NT\$11.5 billion over the next 12 months.
- Capex of NT\$6 billion-NT\$7 billion up to March 2025.
- Cash dividend of NT\$5 billion-NT\$6 billion in 2024.
- Potential acquisition or strategic investment of NT\$1 billion in 2024.

Ratings Score Snapshot

E Ink Holdings Inc	To	From
Issuer Credit Rating	twA-/Stable/twA-2	twA-/Stable/twA-2
Business risk	fair	fair
Country risk	Low	Low
Industry risk	Moderately high	Moderately high
Competitive position	Fair	Fair
Financial risk	Modest	Modest
Cash flow/Leverage	Modest	Modest
Anchor	twA	twA
Modifiers		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Neutral (no impact)	Neutral (no impact)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Adequate (no impact)	Strong (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Negative (-1 notch)	Negative (-1 notch)
Stand-alone credit profile (SACP)	twA-	twA-
Note: The descriptors are on a global scale.		

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - April 04, 2024
- 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: 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' Definitions -Nov.11, 2022

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Ratings List

Ratings Affirmed

E Ink Holding Inc.

Issuer Credit Rating	twA-/Stable/twA-2
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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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