

Bulletin:

YAGEO's Investment In uPI Semiconductor Facilitates Yageo's Effort In Broadening Its Product Mix

May 28, 2024

Taiwan Ratings Corp. said today that **YAGEO Corp.**'s acquisition of 20.23% of uPI Semiconductor Corp. could facilitate Yageo Corp.'s strategy to broaden its product offering. uPI is a Taiwan-based power management chip designer.

On May 24, 2024, YAGEO (twA+/Stable/twA-1) announced its participation in uPI's upcoming private placement. The investment is consistent with Yageo's strategy to expand its product offerings.

While we do not expect the acquisition to alter the financial risk profile of Yageo, we also believe it will not materially improve the company's competitive position. This is given Yageo's limited ownership and uPI's small operational scale.

In addition, it remains unclear how YAGEO can leverage uPI's integrated chips for power management to strengthen its client relationships. Taiwan-based YAGEO mainly specializes in passive components and is new to active components. The company may need significant investments to build a material presence in the highly competitive market for active components.

The strategic investment will not increase YAGEO's debt leverage, in our view. The total consideration of about new Taiwan dollar (NT\$) 5.31 billion will be manageable, compared with the company's EBITDA of NT\$29.4 billion in 2023.

Furthermore, our base case already incorporates small to medium acquisitions for YAGEO to enhance its portfolio over the next two to three years. Our current forecast of a debt-to-EBITDA ratio of 2.0x-2.3x for the next one to two years is commensurate with our ratings on the company.

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