

Media Release:

Unimicron Technology Corp. Ratings Affirmed At 'twA+/twA-1'; Liquidity Revised To Exceptional From Strong; Outlook Stable

May 29, 2024

Rating Action Overview

- We believe **Unimicron Technology Corp.'s** liquidity buffer has strengthened given its abundant cash on hand, sustainable operating cash flow generation and moderating capital expenditure (capex) over the next two years. As a result, we revised our liquidity assessment for Unimicron to exceptional from strong.
- On May 29, 2024, we affirmed our 'twA+/twA-1' issuer credit ratings on Unimicron.
- The stable rating outlook reflects our view that Unimicron's high cash balance and positive discretionary cash flow could enable the company to maintain a net cash position in 2024-2025. This is based on our expectation of the company's improving profitability.

Rating Action Rationale

Unimicron's liquidity buffer has increased thanks to moderating capex and improving profitability. We forecast the company's capex to slow down over the next one to two years, to new Taiwan dollar (NT\$)20 billion-NT\$25 billion in 2024 and NT\$15 billion-NT\$20 billion in 2025. This together with the company's recovering profitability could increase its liquidity buffer over the next two years. We estimate Unimicron's ratio of liquidity sources to liquidity uses to be about 2.5x in 2024 and 2.2x in 2025.

The ratings continue to reflect Unimicron's good business position in the global printed circuit board (PCB) market and minimal debt leverage. This is supported by the company's good technology capability and well-established relationships with large global clients. In addition, the company's position as one of the top global IC carrier and PCB suppliers, including high density interconnect products also underpin this view.

In addition, we anticipate Unimicron to maintain a net cash position over the next two years, underpinned by the company's EBITDA expansion and moderating capex. However, these strengths are somewhat offset by increasing industry competition, cyclical demand in the consumer electronics and personal computer markets, as well as margin pressure from aggressive industry capacity additions and strong buyer power.

Principal liquidity sources:

- Cash and short-term investments of about NT\$55 billion as of March 31, 2024.
- Funds from operations of NT\$25 billion-NT\$30 billion per year in 2024-2025.

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Principal liquidity uses:

- Debt maturity of NT\$6 billion -NT\$7 billion over the next 12 months and NT\$8 billion-NT\$9 billion over the subsequent 12 months ending March. 31, 2026.
- Capex of NT\$20 billion-NT\$25 billion in 2024 and NT\$15 billion-NT\$20 billion in 2025.
- Cash dividend payout ratio at around 40% of net income of previous year in 2024-2025.

Ratings Score Snapshot

Unimicron Technology Corp.	To	From
Issuer Credit Rating	twA+/Stable/twA-1	twA+/Stable/twA-1
Business risk	Fair	Fair
Country risk	Intermediate	Intermediate
Industry risk	Moderately high	Moderately high
Competitive position	Fair	Fair
Financial risk	Intermediate	Intermediate
Cash flow/Leverage	Intermediate	Intermediate
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	Exceptional (no impact)	Strong (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Positive (+1 notch)	Positive (+1 notch)
Stand-alone credit profile (SACP)	twA+	twA+

Note: The descriptors are on a global scale.

Related Criteria & Research

Related Criteria

- 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: 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 List

Ratings Affirmed

Unimicron Technology Corp.

Issuer Credit Rating

twA+/Stable/twA-1

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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