中華信用評等
Taiwan Ratings
An S&P Global Company

Bulletin:

Asia Cement's Privatization Of China Investment Could Delay Deleveraging

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This report does not constitute a rating action.

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Taiwan Ratings Corp. said today that **Asia Cement Corp.'s** plan to privatize its China subsidiary, will improve Asia Cement's cost efficiency but keep debt leverage elevated over the next one to two years.

On June 5, 2024, Asia Cement (twAA-/Negative/twA-1+) announced its plan to privatize its 67.73%-owned China subsidiary, Asia Cement (China) Holdings Corp., for approximately new Taiwan dollar (NT$) 6.7 billion. Upon completion of the transaction, Asia Cement (China) Holdings will become Asia Cement's fully owned subsidiary and will be delisted from the Hong Kong stock exchange.

The privatization will lower Asia Cement's operating expenses including costs associated with a publicly traded company, and lead to improved efficiency through stronger integration with its China operations. However, we do not expect the move to have a material effect on Asia Cement's overall business profile.

Asia Cement's debts have has declined beyond our forecast for 2023 through higher working capital inflows and lower capital expenditure than we previously assumed. Debt fell further by the end of the first quarter of 2024 amid tightened working capital management, despite still-weak profitability. However, debt will grow as a result of the privatization plan, while a slow recovery in Asia Cement's profitability could raise the ratio of debt to EBITDA to slightly above 2.5x in 2024 from 2.2x in 2023. That's assuming the transaction can be finalized this year. We forecast the ratio will improve gradually to about 2x in 2026, based on our expectation of Asia Cement's recovering profitability and prudent capital spending.