

Bulletin:

TCC Group Holdings' Privatization Of NHOA Could Lift Cost Efficiency

June 14, 2024

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **TCC Group Holdings Co. Ltd.'s** plan to privatize its European subsidiary, NHOA S.A., is likely to improve TCC Group Holdings' cost efficiency without materially weakening debt leverage over the next one to two years.

On June 13, 2024, TCC Group Holdings (twA+/Stable/twA-1) announced its plan to privatize its 88.87%-owned European subsidiary, NHOA S.A., for approximately Euro 34 million. Upon completion of the transaction, NHOA S.A. will become TCC Group Holdings' fully owned subsidiary and will be delisted from Euronext Paris.

The privatization will lower TCC Group Holdings' operating expenses including costs associated with a publicly traded company, and lead to improved efficiency through stronger integration within the company's overall energy storage operations. However, we do not expect the move to have a material implication on TCC Group Holdings' overall business profile.

The transaction will have a limited effect on TCC Group Holdings' debt leverage, given its small size. We continue to forecast TCC Group Holdings will gradually lower its ratio of debt to EBITDA to about 2.5x in 2025-2026 with improving profitability.

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