

Bulletin:

# Uni-President Can Sustain Debt Leverage After E-commerce Investment

October 25, 2024

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **Uni-President Enterprises Corp.'s** plan to acquire 30% shareholding in an online retailer could create positive implications for Uni-President's retail network in Taiwan without a material impact on the company's debt leverage.

On Oct. 23, 2024, Uni-President (twAA/Stable/twA-1+) announced it has reached an agreement to acquire a 30% shareholding in online retailer, PChome Online Inc. We do not expect the proposed investment to materially enhance Uni-President's business risk profile. That's because the 30% shareholding and representation on two seats of the board of PChome suggests Uni-President is unlikely to consolidate PChome after it completes the investment transaction. Although Uni-President's future investment strategy remains unclear for PChome, we believe the company is increasingly proactive in e-commerce deployment. The recent acquisition of Yahoo Taiwan in July 2024 and the proposed stake in PChome supports our view.

We believe that with its already extensive presence in Taiwan's physical retail channels, Uni-President could reap the benefits of integrating online and offline retail channels over the long term. This is despite potentially slightly higher operating costs due to uncertainty surrounding the integration of e-commerce platforms with Uni-President's existing retail operations over the next two to three years.

The amount of the transaction is subject to the board of PChome which is scheduled to meet in December 2024. However, we anticipate the transaction cost will not have a material negative effect on Uni-President's financial strength, given our forecast for its sustainable discretionary cash inflow of around new Taiwan dollar (NT\$) 12 billion in 2024 and around NT\$20 billion in 2025. The transaction could be in line with our base case assumptions that Uni-President will take on some small-to-midsize investments or acquisitions to enhance its service portfolio and geographic footprint. We still forecast Uni-President's ratio of debt to EBITDA will remain at about 2.3x in 2024 and 2.1x in 2025.

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