

Media Release:

CTCI And ECOVE Environment 'twA/twA-1' Ratings Affirmed And Removed From CreditWatch Negative; Outlook Negative

October 21, 2025

Rating Action Overview

- We believe that CTCI could generate stronger EBITDA over the next one to two years and reduce leverage as demonstrated by the ratio of debt to EBITDA dropping to slightly below 3.0x in 2026-2027, from a height of about 3.6x in 2025.
- Our base case assumes no further impairment losses and cash outflows for the CVRF project in the U.S. (formerly known as the BKRF project) because now the project has completed restructuring and began commercial operations.
- We have affirmed our 'twA' long-term and 'twA-1' short-term issuer credit ratings on both **CTCI Corp.** and its core subsidiary, **ECOVE Environment Corp.** At the same time, we removed the ratings from CreditWatch where we placed them with negative implications on April 22, 2025.
- The rating outlook is negative to reflect our view of the companies' reduced financial buffer to absorb additional impairments on receivables related to the CVRF project, high capital capex needs, or working capital volatility.

Rating Action Rationale

The ratings affirmation reflects our view that CTCI could sustain enhanced cash flow generation to limit the impact of the company's inability to timely collect large receivables from Grapevine Energy Holdings, LLC (GEH). We believe that GCEH's (formerly known as Global Clean Energy Holdings, Inc.) earlier default and CTCI's inability to quickly recovery its receivables will not significantly affect CTCI's overall business operations or its ability to secure new projects. This is demonstrated by CTCI group's recent project wins after the disclosure of GEH's default on the Central Valley Renewable Fuels, LLC. (CVRF) project, formerly known as Bakersfield Renewable Fuels (BKRF). In our view, better cost passthrough could allow CTCI to slightly enhance its EBITDA from engineering, procurement and construction (EPC) and environmental services businesses over 2026-2027 compared with 2024. This should in turn limit CTCI's debt growth to support rising capital expenditure (capex) needs for its environmental services projects over the period, even in the absence of repayments from CVRF.

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As of June 30, 2025, CTCI has approximately new Taiwan dollar (NT\$) 17 billion in accounts receivable associated with CVRF. The restructuring plan for CVRF by its parent GEH, became effective Aug. 11, 2025. Under the restructuring deal, GEH will repay the receivables owed to CTCI in annual installments through cash flow and profits generated by the CVRF project. However, CTCI forecasts it will receive payments from CVRF after 2028, based on limited initial available cash flow from the project.

Assuming no further credit losses associated with the CVRF project, we forecast CTCI's ratio of debt to EBITDA will remain at 2.6x-2.8x in 2026-2027 after rising sharply to 3.6x in 2025 for credit losses associated with GEH. This is despite CTCI's high capex needs for its environmental service projects over the next one to two years, including land fill and incinerator build-operate-transfer (BOT) projects.

Uncertain recovery prospects for receivables from GEH and higher execution risk on foreign projects could test CTCI's thin financial buffer for the ratings. While the CVRF project commenced commercial production in August with daily bio-diesel output of 8,500-9,000 barrels, recovery prospects for the project remain highly uncertain without sufficient clarity on the project's cash flow generation. In addition, it remains unclear if the project needs more capital to maintain its operations after CTCI spent an additional US\$75 million to facilitate the project and GEH's restructuring under the plan in August 2025. Additional cash outflows or impairment losses could increase CTCI's debt and weaken EBITDA generation, thereby pressuring the debt-to-EBITDA ratio.

Furthermore, overseas projects are likely to continue to face higher execution risk and counterparty risk. These risks could lead to significant operating losses, further pressuring CTCI's profitability and EBITDA generation. The company has implemented policy changes, including strengthening contract review and client credit controls. However, it remains unclear if those measures are sufficient to materially lower execution risk and enhance CTCI's operating stability.

Working capital volatility and high capex could further pressure CTCI's credit metrics. High fluctuations in working capital needs for EPC projects that typically have a multi-year construction timeframe could also significantly weaken CTCI's debt leverage. This is despite our expectation that higher downpayments from new contracts could moderate its working capital outflow in 2025. CTCI's more stringent working capital management, including requiring higher downpayments and payment security from clients, could also slightly reduce its working capital volatility. However, we view CTCI has a limited financial buffer to manage volatility in working capital or market conditions with little rating headroom over the next one to two years.

The negative outlook on ECOVE reflects our view of the company's core subsidiary status within CTCI group. We continue to assess ECOVE as a core member of CTCI group and we equalize the ratings on ECOVE with our assessment of the CTCI group credit profile at 'twA'. ECOVE has accounted for on average 40% of the group's operating income over for the past few years. We believe that ECOVE's stable performance in environmental services plays an important role supporting CTCI's performance stability. This is because the parent's project-based EPC business carries relatively high volatility and counterparty risk, as shown by this bankruptcy related event.

Outlook

The negative rating outlook reflects material financial risk associated with additional impairment losses on receivables from the CVRF project and elevated leverage for CTCI without sufficient clarity on the project's cash flow generation and recognition over next one to two years. We believe that CTCI now has less financial headroom to absorb additional impairment losses or volatility in the company's profitability and working capital movements.

This is despite our base case for CTCI is for improving margins and EBITDA generation to lower the company's ratio of debt to EBITDA to slightly below 3.0x in 2026-2027, assuming no further impairments, even with rising capex needs for some of its environmental projects over the period.

Downward scenario

We could lower the long-term ratings if CTCI is unable to lower and sustain the ratio of debt to EBITDA below 3.0x over the next 12-24 months. This could happen if:

- CTCI's debt burden materially rises due to either (1) significant capital investments for projects such as the rebuilding or revamping of incinerators or renewable energy projects, or the consolidation of debt-heavy BOT projects operated by its subsidiaries, or (2) sustained high working capital requirement leading to persistent working capital outflows; or
- CTCI's EBITDA declines significantly due to poor project execution, significant and frequent credit losses due to weak risk management, or intensive competition that results in material deterioration in its profit margin.

Upside scenario

We could revise the rating outlook to stable if CTCI can sustain the ratio of debt to EBITDA below 3.0x, possibly by controlled debt growth through prudent capex and working capital management, or if CTCI improves its EBITDA generation through rising contributions from environmental services, efficient EPC project execution, and strengthened project risk management.

Our Base-Case Scenario

- S&P Global forecasts Taiwan's real GDP to grow 5.5% in 2025 and 1.6% in 2026; China's by 4.6% in 2025 and 4.0% in 2026; and APAC's real GDP to expand 4.4% in 2025 and 4.0% in 2026.
- We expect construction activity in Taiwan to increase in 2025, possibly driven by steady demand from environment, power, and liquid natural gas segments, which are mostly policy-driven. This could offset decreased revenue from CTCI's overseas projects.
- We forecast CTCI's revenue to decline by 15%-17% in 2025 before rebounding in 2026-2027 when significant revenue from new power and hydrocarbon projects accelerates.
- We expect CTCI's contract backlog to remain high in 2025 and 2026 because of likely acquisitions of new domestic power and hydrocarbon projects and long construction periods for environmental services and electricity projects.
- CTCI's EBITDA margin could decline to 3.5%-4.0% in 2025, due to credit losses of NT\$3.1 billion. We project the EBITDA margin could materially improve to 6.5% in 2026 from 4.9% in 2024, mainly driven by a significant margin improvement in its EPC segment. This is partly offset by lower margins from incinerator construction and electrical and mechanical services.
- Working capital outflow of NT\$2.5 billion-NT\$3.0 billion in 2025, followed by an outflow of NT\$4 billion-NT\$4.5 billion in 2026, mostly for the execution of its EPC projects.
- Capex to rise to NT\$5 billion-NT\$6 billion annually in 2025-2026, primarily for the construction of environmental BOT projects and renewable energy.

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- CTCI's dividend payout ratio to drop to 42.6% of the previous year's net income in 2025 on losses associated with the CVRF project but return to about 80% in 2026-2027.
- CTCI's debt guarantee to remain at about NT\$1.8 billion in 2025-2026 for BOT projects.

Note: GDP growth forecasts are from the latest Credit Conditions Committee. S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly.

CTCI Corp. – Taiwan Ratings Corp. Forecast summary

Industry sector: Engineering & Construction

(Mil. NT\$)	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	95,101	103,527	119,925	101,147	106,297	111,743
EBITDA (reported)	4,707	4,496	5,631	3,471	6,671	6,915
Plus/(less): Other	217	232	241	241	241	241
EBITDA	4,923	4,728	5,872	3,712	6,912	7,156
Less: Cash interest paid	(265)	(657)	(1,056)	(991)	(839)	(923)
Less: Cash taxes paid	(814)	(829)	(2,082)	(361)	(1,198)	(1,221)
Funds from operations (FFO)	3,844	3,242	2,733	2,359	4,875	5,013
Cash flow from operations (CFO)	(74)	1,626	(3,730)	7	978	3,018
Capital expenditure (capex)	1,976	579	499	5,702	5,146	2,586
Free operating cash flow (FOCF)	(2,050)	1,047	(4,229)	(5,694)	(4,167)	432
Debt (reported)	21,164	28,434	39,329	35,348	39,615	42,058
Plus: Lease liabilities debt	616	906	747	747	747	747
Less: Accessible cash and liquid Investments	(22,903)	(30,222)	(34,519)	(24,659)	(23,925)	(23,925)
Plus/(less): Other	1,347	1,575	1,793	1,793	1,793	1,793
Debt	223	693	7,350	13,228	18,229	20,673
Cash and short-term investments (reported)	25,879	32,082	36,070	25,767	25,000	25,000
Adjusted ratios						
Debt/EBITDA (x)	0.0	0.1	1.3	3.6	2.6	2.9
FFO/debt (%)	1,720.8	467.7	37.2	17.8	26.7	24.2
Annual revenue growth (%)	34.8	8.9	15.8	(15.7)	5.1	5.1
EBITDA margin (%)	6.9	6.4	6.6	8.2	8.3	8.2

All figures are adjusted by Taiwan Ratings Corp., unless stated as reported. Figures of forecast period are based on Taiwan Ratings Corp.'s base-case scenario. a--Actual. e--Estimate. f--Forecast. NT\$-- new Taiwan dollar. N.M.--Not meaningful.

Liquidity

The short-term issuer credit rating is 'twA-1'. We believe CTCI has strong liquidity which reflects a ratio of liquidity sources to uses of around 2.7x over the 12-months ending June 30, 2026, and around 1.9x for the subsequent 12 months. We also believe the company will have positive liquidity sources minus uses even if its EBITDA were to decline by 30%. CTCI has sustained large unused long-term committed bank lines even after its disclosure of potential credit losses associated with the CVRF project, indicating the company's good relationship with its major banks. CTCI does not carry any financial covenants on its debts.

Principal liquidity sources

- Cash and short-term investments of about NT\$8.2 billion as of June 30, 2025.
- Funds from operations of NT\$3.5 billion-NT\$5.5 billion in 2025 and 2026.
- Undrawn credit facilities maturing after June 2027 of NT\$15.5 billion.

Principal liquidity uses

- Debt maturities of about NT\$11.8 billion for the 12-months ending June 30, 2026.
- Capex of NT\$3.5 billion-NT\$5.5 billion annually in 2025 and 2026.
- Cash dividend of NT\$1 billion-NT\$2 billion annually in 2025 and 2026.
- Working capital outflow of NT\$3.0 billion-NT\$3.5 billion annually in 2025 and 2026.

Rating Score Snapshot

CTCI Corp.		
	To	From
Issuer Credit Rating	twA/Negative/twA-1	twA/WatchNeg/twA-1
Business risk	Fair	Fair
Country risk	Moderately high	Moderately high
Industry risk	Intermediate	Intermediate
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	Strong (no impact)	Strong (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Neutral (no impact)	Neutral (no impact)
Stand-alone credit profile (SACP)	twA	twA
Note: The above descriptors are in comparison with global obligors.		

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ECOVE Environment Corp.	To	From
Issuer Credit Rating	twA/Negative/twA-1	twA/WatchNeg/twA-1
Business risk	Fair	Fair
Country risk	Intermediate	Intermediate
Industry risk	Intermediate	Intermediate
Competitive position	Fair	Fair
Financial risk	Aggressive	Aggressive
Cash flow/Leverage	Aggressive	Aggressive
Anchor	twbbb	twbbb
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	Adequate (no impact)	Adequate (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
Entity status within group	Core (equalizes rating with the group credit profile)	Core (equalizes rating with the group credit profile)
Note: The above descriptors are in comparison with global obligors.		

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology – June 08, 2023
- Criteria | Corporates | General: Sector-Specific Corporate Methodology – July 07, 2025
- 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: 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 – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed; CreditWatch Action

	To	From
CTCI Corp.		
Issuer Credit Rating	twA/Negative/twA-1	twA/WatchNeg/twA-1
ECOVE Environment Corp.		
Issuer Credit Rating	twA/Negative/twA-1	twA/WatchNeg/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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