Media Release:

CTCI Corp. Outlook Revised To Stable On Lower Debt Leverage; 'twA/twA-1' Ratings Affirmed

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Rating Action Overview

- **CTCI Corp.'s** stronger EBITDA and limited working capital outflows over the next two years could help limit debt growth and cap the ratio of debt to EBITDA below 1.5x, despite high capex needs over the period.
- We forecast no further impairment losses and cash outflows for CTCI's U.S.-based CVRF project, given it has already commenced commercial operations at full capacity.
- We have therefore revised the outlook on our 'twA' long-term issuer credit rating on CTCI to stable from negative. This reflects the company's strong EBITDA growth and buffer against working capital volatility, project execution, and EPC credit risks.
- At the same time, we affirmed the 'twA' long-term and 'twA-1' short-term issuer credit ratings on CTCI.

Rating Action Rationale

The outlook revision reflects our view that strong EBITDA expansion could limit CTCI's debt growth and support rising capital expenditure (capex) needs, capping debt-to-EBITDA below 1.5x in 2026-2027. Strong demand from Taiwan's energy sector and better cost passthrough could allow CTCI to enhance its EBITDA from engineering, procurement and construction (EPC) projects in 2026-2027, compared with the level in 2024. We believe that several factors support the company's ability to significantly increase its domestic backlog with higher margins amid Taiwan's cleaner energy transition. These include CTCI's good position in the domestic energy sector's engineering and construction (E&C) segment and good project execution track record. These projects typically embed a cost inflation adjustment mechanism which lowers CTCI's execution risk. We therefore forecast the company can sustain its EBITDA margin at 7.0%-7.3% in 2026-2027, up from about 6.1% in 2025 and 4.8% in 2024.

In addition, we anticipate a lower risk of additional credit losses and cash outflows for CTCI's Central Valley Renewable Fuels, LLC. (CVRF) project in the U.S. The plant has a daily bio-diesel output of 8.5-9.0 thousand barrels. With the project facility officially operating at its design capacity, CTCI believes there will be no need to recognize additional impairment losses. However, our base case scenario does not forecast the company will receive any repayments of its receivables tied to this project over the next three years.

Stronger operating cash flows through stronger EBITDA generation and relatively stable working capital could cap CTCI's debt growth in 2026-2027. That's despite high capex needs to support its environmental services projects over the same period. We believe CTCI will spend heavily on build-operate-transfer (BOT) projects for waste incinerators, water treatment plants, and new environmental service projects over the next one to two years, with capex reaching a peak during the period. These projects could bring in relatively strong and stable EBITDA and cash flow backed by long-term contracts but will elevate CTCI's debt over the next two to three years.

CTCI returned to a net cash position at the end of 2025, which was significantly stronger than our previous forecast for the year. This is because of stronger EBITDA and significant working capital inflows generated from downpayments for the company's domestic projects. However, we forecast CTCI's debt-to-EBITDA ratio could rise moderately to 1.0x-1.5x in 2026-2027 due to high capex.

Sound capital structure provides a significant buffer against unexpected execution risks and high working capital volatility. We believe CTCI's debt leverage provides a significant financial buffer for the ratings against still-material execution risks, in our view. These include rising material costs, counterpart credit risk, and significant working capital volatility.

EPC projects will likely continue to face significant execution and counterparty risk, especially for overseas projects. This was particularly clear in CTCI's lapse in credit risk control and cost overruns associated with the CVRF project. The company has since significantly tightened its project approval process and counterparty credit risk control to lower such execution risk. Nonetheless, poor project execution could still lead to significant operating losses and increase volatility in CTCI's profitability and EBITDA generation.

CTCI's increasing concentration in domestic projects could slightly lower the company's execution risk, given domestic projects accounted for over 90% of its backlog at the end of 2025. We believe CTCI has a strong project execution record in Taiwan based on the company's good expertise in gas and electricity projects. In addition, we assess counterparty risk to be low based on project owners' strong creditworthiness, which includes Taiwan Power Co. and CPC Corp., Taiwan.

Working capital volatility to stay. High working capital fluctuation associated with CTCI's EPC projects, which typically have a multi-year construction timeframe, could cause significant volatility in the company's cash flow and debt leverage. Its customers' increasing adoption of milestone payment schemes could lead to material mismatch between cash inflows and outflows during project construction. Uncertain timing of project acquisitions and associated downpayments from project owners also limit the predictability of CTCI's working capital movements, in our view.

Outlook

The stable rating outlook reflects our view that CTCI's revenue growth and enhanced margins could limit debt growth and sustain low leverage with a sufficient financial buffer for the ratings in 2026-2028. This is despite CTCI's materially higher capex needs over the next two years, mostly for environmental services projects such water recycling and solid waste management. Our base case anticipates the ratio of debt to EBITDA rising to 1.0x-1.5x in 2026-2028, from a net cash position in 2025. This assumes no further impairment recognition for the CVRF project.

Downward scenario

We could lower the long-term rating if the debt-to-EBITDA ratio remains above 3.0x without the prospect of a recovery. This could happen if:

- CTCI's debt burden materially rises due to either (1) significant capital investments in projects such as the rebuilding or revamping of incinerators or renewable energy projects, or debt-heavy BOT projects, or (2) increasing working capital needs lead to persistent working capital outflows; or
- CTCI's EBITDA declines significantly due to poor project execution and risk management, or intensive competition that results in material deterioration in its revenue and profit margin.

Upside scenario

We could upgrade CTCI if the company consistently maintains the debt-to-EBITDA ratio at close to or below 1.5x, backed by significantly improved stability in its EBITDA and debt leverage. Conditions leading to such an outcome include:

- CTCI materially reduces its debt and leverage volatility beyond our expectation through capital injections, enhanced working capital and risk management, or prudent capital spending with countermeasures to manage debts if necessary; or
- The company generates stronger and more stable revenue and profit, likely through a growing project backlog with more diversified projects at its EPC business, or increased contributions from more stable and higher-margin environmental services.

Our Base-Case Scenario

- S&P Global forecasts Taiwan's real GDP to expand by 6.3% in 2026 and 2.0% in 2027; China's GDP by 4.4% in 2026 and 4.3% in 2027; and APAC's GDP by 4.5% in 2026 and 4.3% in 2027.
- We expect construction activity in the domestic market to increase in 2026, driven by steady demand from environment, power, and liquid natural gas segments, which are mostly policy driven. However, revenue from overseas projects could post a decline, given that CTCI signed fewer new contracts in 2025.
- We estimate CTCI's total revenue will increase between 8.5%-11.0% in 2026 and 2027. This is based on our expectation that revenue recognition for contracts from power and hydrocarbon sectors will increase significantly in the second half of 2026.
- We expect CTCI's backlog to remain high in 2026 and 2027, assuming steady acquisitions of environmental services and power projects along with a similarly steady flow of new project offerings from the power and gas sectors in Taiwan.
- CTCI's gross margin is likely to remain above 9.5% in 2026-2027, mainly reflecting significant margin improvement in the EPC segment.
- We forecast working capital outflow of NT$4.0 billion-NT$4.5 billion in 2026, followed by an inflow of NT$0.8 billion-NT$1.0 billion in 2027.
- We expect capex to increase to NT$8.0 billion-NT$8.5 billion in 2026, and NT$7.5 billion-NT$8.0 billion in 2027, primarily for the construction of environmental BOT and renewable energy projects.
- We believe CTCI will lower its dividend payout ratio to 49% in 2026 with the ratio at around 60% in 2027 for high planned capex, which are both below the historical level of about 80%.
- We expect CTCI's debt guarantee to remain at about NT$1.6 billion in 2026-2027 for BOT projects before they can generate positive operating cash flow to repay debt.

CTCI Corp. – Taiwan Ratings Corp. Forecast summary

Industry sector: Engineering & Construction

(Mil. NT$)	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	103,527	119,925	91,848	100,055	110,941	113,499
EBITDA (reported)	4,496	5,631	5,319	7,228	7,927	8,556
Plus/(less): Other	232	183	264	264	264	264
EBITDA	4,728	5,814	5,583	7,491	8,190	8,820
Less: Cash interest paid	(657)	(1,056)	(1,056)	(934)	(863)	(805)
Less: Cash taxes paid	(829)	(2,082)	(1,542)	(1,354)	(1,501)	(1,666)
Funds from operations (FFO)	3,242	2,675	2,985	5,204	5,826	6,349
Cash flow from operations (CFO)	1,626	(3,730)	11,170	1,472	7,089	6,877
Capital expenditure (capex)	579	499	2,270	8,002	7,499	3,787
Free operating cash flow (FOCF)	1,047	(4,229)	8,900	(6,531)	(410)	3,090
Debt (reported)	27,790	38,936	39,545	35,921	33,146	32,028
Plus: Lease liabilities debt	906	747	713	680	649	620
Plus: Pension and other postretirement debt	644	393	288	288	288	288
Less: Accessible cash and liquid Investments	(30,222)	(34,519)	(42,260)	(30,852)	(25,705)	(25,199)
Plus/(less): Other	1,575	1,793	1,584	1,584	1,584	1,584
Debt	693	7,350	--	7,621	9,963	9,320
Cash and short-term investments (reported)	32,082	36,070	44,531	32,510	27,086	26,554
Adjusted ratios						
Debt/EBITDA (x)	0.1	1.3	--	1.0	1.2	1.1
FFO/debt (%)	467.7	36.4	N.M.	68.3	58.5	68.1
Annual revenue growth (%)	8.9	15.8	(23.4)	8.9	10.9	2.3
EBITDA margin (%)	4.6	4.8	6.1	7.5	7.4	7.8

All figures are adjusted by Taiwan Ratings Corp., unless stated as reported. Figures for the 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 2.5x for the 12 months ending December 2026, and 2.0x-2.5x for the subsequent 12 months. We also believe the company will have positive liquidity sources less uses, even if its EBITDA were to decline by 30%.

In our view, CTCI has a well-established and solid relationship with banks as demonstrated by the low interest rate on its bank loans and large unused long-term committed bank lines even after its disclosure of potential credit loss associated with the CVRF project. The company's high standing in the local credit market because of its domestic leadership also supports this view. CTCI does not carry any financial covenants on its debts.

Principal liquidity sources

- Cash and short-term investments of about NT$44.5 billion as of the end of December 2026.
- Funds from operations of NT$5.5 billion-NT$6.5 billion in 2026 and 2027.
- Undrawn long-term bank facilities of about NT$12.5 billion for the 12-months ending December 2026.
- Working capital inflow of NT$0.5 billion-NT$1.0 billion in 2027.

Principal liquidity uses

- Debt maturities of about NT$11.5 billion for the 12 months ending December 2026.
- Capex of NT$7.5 billion-NT$8.5 billion annually in 2026 and 2027.
- Cash dividend of NT$1.0 billion-NT$2.5 billion annually in 2026 and 2027.
- Working capital outflow of NT$4.0 billion-NT$4.5 billion for the 12-months ending December 2026.

Rating Component Scores

CTCI Corp.		
	To	**From**
Issuer Credit Rating	twA/Stable/twA-1	twA/Negative/twA-1
Business risk	Fair	Fair
Country risk	Intermediate	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.		

Related Criteria & Research

Related Criteria

- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed; Outlook Action

	To	From
CTCI Corp.		
Issuer Credit Rating	twA/Stable/twA-1	twA/Negative/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.