

Bulletin:

Elevated Debt Leverage Continues To Pressure CTCI And ECOVE Ratings

July 21, 2025

This report does not constitute a rating action.

We continue to see significant downside risk for our ratings on **CTCI Corp.** and its subsidiary, **ECOVE Environment Corp.** This stems from uncertainty around the collection of receivables from a U.S. client, and measures taken by CTCI to alleviate the impact on its leverage following the client's default. These factors led us to place the ratings on CTCI and ECOVE (both rated twA/WatchNeg/twA-1) on CreditWatch with negative implications on April 22, 2025.

As of mid-July 2025, Global Clean Energy Holdings Inc.'s (GCEH) restructuring plan remains under the review of U.S. courts with a final restructuring decision possibly announced in August 2025. Under the proposed restructuring deal, GCEH will repay the receivables owed to CTCI in annual installments through cash flow generated by its Bakersfield Renewable Fuels (BKRF) project. We believe CTCI could spend an additional US\$75 million to facilitate the BKRF project and GCEH's restructuring under the plan. This could increase CTCI's debt leverage. Our base case does not factor in cash flows from the BKRF project due to the uncertain outcome of the ongoing court procedures and the project's untested profitability.

In addition, it remains unclear if and when CTCI will complete its planned private equity placement projects. We also project the company's capital expenditure to increase to new Taiwan dollar (NT\$) 5 billion-NT\$6 billion in 2025 and NT\$6 billion-NT\$7 billion in 2026 from around NT\$0.5 billion in 2024, mainly for the construction of environmental build-operate-transfer projects. Excluding potential equity injections and other actions to limit debt growth, we forecast CTCI's ratio of debt to EBITDA will decline to 3.7x-4.2x in 2026-2027 after rising sharply to 6.7x in 2025 for credit losses associated with GCEH.

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