

Media Release:

Unimicron Technology Corp. Outlook Revised To Positive On Improving Profitability; 'twA+/twA-1' Ratings Affirmed

May 19, 2026

Rating Action Overview

- Increasing contributions from advanced ABF carriers and HDI boards used in AI and high-performance computing (HPC) could underpin stronger EBITDA and margins for **Unimicron Technology Corp.** over the next two years.
- We believe this improved EBITDA will enable Unimicron to sustain a strong capital structure and very low debt leverage in 2026-2027, despite the company's elevated capital expenditure (capex) over the period. As one of the world's largest printed circuit board (PCB) and IC carrier manufacturers, Unimicron generated EBITDA of new Taiwan dollar (NT\$) 25.7 billion in 2025.
- We have therefore revised the outlook on our 'twA+' long-term issuer credit rating on Unimicron to positive from stable. This reflects our view that an improving revenue contribution from advanced applications could significantly enhance Unimicron's EBITDA and return on capital over the next two years.
- At the same time, we affirmed our 'twA+' long-term and 'twA-1' short-term issuer credit ratings on Unimicron.

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Rating Action Rationale

The outlook revision to positive reflects our expectation that Unimicron will strengthen its EBITDA generation over the next two years. Aggressive investments by hyper-scalers will likely sustain robust demand for AI servers and data centers in 2026-2027. As a leading supplier of advanced Ajinomoto Build-up Film (ABF) substrate, mostly used in AI-related chips, Unimicron's significant capacity expansion in this product will likely boost revenue over the same period. Meanwhile, the company's high-density interconnect (HDI) board product transition to high performance computing use should also underpin strong revenue growth. We therefore forecast the company's revenue contributions from AI-related applications will rise to over 60% in 2026 from 40%-50% in 2025.

Meanwhile, the higher technical barriers and heavy investment requirements for advanced IC substrates have limited competition from new entrants. In addition, tight supply of upstream raw materials and increasing manufacturing complexity have constrained supply growth. These factors, together with Unimicron's improving production yield for AI chip substrates, should strengthen the company's margins over the next two years amid rapid demand growth.

Accordingly, we project Unimicron's EBITDA will expand to NT\$30 billion-NT\$40 billion in 2026 and to NT\$40 billion-NT\$50 billion in 2027-2028, compared with NT\$25.7 billion in 2025.

Still weak, albeit improving profitability at Unimicron's PCB and HDI businesses. Unimicron has invested in shifting the application of its PCB/HDI products toward advanced and emerging fields such as AI, and away from highly competitive consumer electronics applications, such as smartphones. We forecast this move will gradually improve the operating performance of its non-substrate business along with the company's gradual product transition. Nonetheless, we do not forecast rapid improvement in the profitability of the non-substrate business unit. That's because of still-intense competition from Taiwanese and Chinese competitors with comparable technological and manufacturing capability. In addition, Unimicron's remaining exposure to consumer electronics will continue to pressure the profitability of the company's related products.

Strengthened operating cash flow should support low debt leverage, despite elevated capex.

We forecast Unimicron's expanding EBITDA and prepayments from key customers will support the generation of strong operating cash flows of NT\$40 billion-NT\$50 billion annually in 2026 and 2027. This should be sufficient to meet Unimicron's elevated annual capex needs of NT\$30 billion-NT\$35 billion over the period. Unimicron will mostly use this capex to fund the expansion of its advanced ABF substrate capacity. In addition, we forecast stable cash dividend payouts which should enable Unimicron to maintain very low debt leverage of below 0.5x over the next two years.

Rising business concentration in advanced IC substrates exposes Unimicron's profitability to rapid technological evolution and AI investment cyclicality. Unimicron's profitability could face pressure from the need to keep pace with the rapid product transitions of key customers. This risk was clear in 2024-2025, when Unimicron reported low yield rates for the initial production of its advanced ABF carrier and HDI boards due to the longer learning curve associated with the increasing technological complexity. Failure to keep up with competitors in developing next-generation products could also result in a significant revenue loss for Unimicron, given its high customer concentration. In addition, if key clients slow their capital investments in AI data centers, particularly if monetization from these data centers lags, then Unimicron's profitability could come under pressure due to its rising dependence on revenues from advanced IC substrates. We project Unimicron's IC carrier segment generating 60%-65% of the company's total revenue in 2026-2028.

Outlook

The positive rating outlook reflects our view that Unimicron will report improving EBITDA over the next 12-24 months and a better return on capital ratio at 15%-20% in 2026 and 20%-25% in 2027, compared with 9% in 2025. This improvement will be primarily driven by increasing contributions from advanced IC carriers and HDI boards. Robust demand from AI and high performance computing applications, Unimicron's position as a leading supplier of advanced ABF substrates, and the company's substantial capacity additions over the next few years support this profit improvement.

Meanwhile, we believe strong operating cash flow generation over the next two years will enable Unimicron to maintain very low debt leverage. That's despite the company's increasing capex outlay for advanced products over the period.

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Upward scenario

We could raise the long-term issuer credit rating on Unimicron if:

- The company could materially enhance its EBITDA scale and keep the return on capital ratio well above 12%. This could be supported by enhancement in Unimicron's technological competitiveness and increasing market shares in advanced end applications, including AI-related products. Meanwhile, the company would need to maintain customer and product diversity, such that it could generate stable profitability; and
- Maintain a prudent financial policy and keep the debt-to-EBITDA ratio below 1.5x over the same period.

Downward scenario

We could revise the outlook back to stable if:

- Unimicron fails to meaningfully expand its EBITDA scale and sustain the return on capital ratio well above 12%. Potential factors resulting in such a downside scenario include 1) a sustained and material deceleration in demand, especially for AI or high performance computing related applications; 2) a low production yield rate or utilization rate of the company's advanced ABF and HDI production sites; or 3) heightened pricing pressure from its top customers amid intensifying competition; or
- Unimicron's debt-to-EBITDA ratio deteriorates to above 1.5x without signs of deleveraging. Such an increase in debt leverage could result from more aggressive debt-funded capex beyond our base case without measures such as prepayments and long-term contracts from clients to mitigate the impact on cash flow. This could also result from weaker operating cash flow than we forecast, possibly led by prolonged weak end-market demand or a relatively low return on new investments.

Unimicron Technology Corp.--Taiwan Ratings Forecast Summary

Industry sector: Technology-hardware & semiconductors

(Mil. NT\$)	2024a	2025a	2026f	2027f	2028f
Revenue	115,373	131,241	162,705	190,412	214,238
EBITDA (reported)	22,347	25,447	36,908	46,414	54,836
Plus/(less): Other	97	283	728	300	300
EBITDA	22,445	25,730	37,635	46,714	55,136
Less: Cash interest paid	(838)	(1,109)	(1,769)	(1,373)	(1,050)
Less: Cash taxes paid	(3,051)	(2,274)	(2,436)	(3,710)	(4,814)
Funds from operations (FFO)	18,556	22,347	33,430	41,632	49,271
Cash flow from operations (CFO)	10,243	14,895	43,712	47,555	40,783
Capital expenditure (capex)	26,077	25,545	33,928	29,928	29,928
Free operating cash flow (FOCF)	(15,834)	(10,650)	9,784	17,627	10,856
Discretionary cash flow (DCF)	(20,409)	(12,945)	3,545	10,425	(114)
Debt (reported)	43,776	57,129	45,768	33,091	26,196
Plus: Lease liabilities debt	2,873	4,582	4,582	4,582	4,582
Plus: Pension and other postretirement debt	340	272	272	272	272
Less: Accessible cash and liquid Investments	(41,949)	(53,398)	(47,106)	(44,922)	(38,123)
Debt	5,040	8,585	3,516	--	--
Cash and short-term investments (reported)	43,972	55,049	48,563	46,311	39,302

Unimicron Technology Corp.--Forecast Summary (cont'd)

	2024a	2025a	2026f	2027f	2028f
Adjusted ratios					
Debt/EBITDA (x)	0.2	0.3	0.1	--	--
Annual revenue growth (%)	10.9	13.8	24.0	17.0	12.5
EBITDA margin (%)	19.5	19.6	23.1	24.5	25.7
Return on capital (%)	8.1	9.0	15.8	21.5	24.5

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. f--Forecast. NT\$--new Taiwan dollar. N.M.--Not meaningful.

Our Base-Case Scenario

Assumptions

- S&P Global's forecast for world GDP growth of 3.2% in 2026, 3.3% in 2027, and 3.2% in 2028.
- We project Unimicron's overall revenue to grow robustly by 20%-25% in 2026 and 10%-15% in 2027-2028, following 13.8% increase in 2025. Key assumptions for this are: (1) revenue from IC carriers increasing by 25%-30% in 2026 and 15%-20% in 2027-2028, mainly driven by the booming demand for AI and high performance computing applications, the uplift in average selling price due to the undersupply of high-end ABF carriers, and Unimicron's aggressive capacity expansion; (2) revenue from PCBs to report a relatively mild increase, with 5%-10% growth in 2026-2028, primarily supported by demand from traditional memory modules, game consoles and smartphones, and the commencement of volume production at Unimicron's Thailand site in 2027; and (3) the HDI segment reports 10%-20% revenue growth in 2026-2028, following the rising adoption in graphics processing unit modules used in AI servers, and Unimicron's debottlenecking and new capacity additions.
- Gross margin to improve meaningfully to 30%-35% in 2026-2028 from 28.2% in 2025. We attribute this to rising sales of advanced substrates and HDI products, and the company's improving yield rates and utilization rates for these products.
- We assume there will be working capital inflow in 2026-2027, partly reflecting prepayments received from clients.
- Capex to increase to NT\$30 billion-NT\$35 billion in 2026-2027 from NT\$25.5 billion in 2025. The majority will support capacity expansion for advanced ABF carriers.
- Dividend payout at 40%-50% in 2026-2028.

Liquidity

The short-term rating on Unimicron is 'twA-1'. We believe the company has exceptional liquidity which reflects a ratio of liquidity sources to liquidity uses at 2.1x for the 12 months ending March 2027 and 2x for the subsequent 12 months. We also believe Unimicron will have positive liquidity sources minus uses, even if forecast EBITDA declined by 50%.

In our view, Unimicron has sufficient headroom without breaching covenant limits due to relatively lower interest rates in Taiwan. The company is also likely to absorb high-impact and low-probability events without refinancing, considering its high cash balance and sustainable operating cash flow generation. Furthermore, we believe Unimicron has sound banking relationships supported by its generally satisfactory standing in credit markets.

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Principal liquidity sources:

- Cash and short-term investments of nearly NT\$60.3 billion as of March 31, 2026.
- Funds from operations of NT\$35 billion-NT\$45 billion annually in 2026-2027.
- Working capital inflow of NT\$5 billion-NT\$10 billion in 2026-2027, partly due to prepayments received from clients.
- Cash inflow from asset sales of NT\$1.5 billion in 2026.

Principal liquidity uses:

- Debt maturity of NT\$10 billion- NT\$12 billion annually in 2026-2027.
- Capex of NT\$30 billion-NT\$35 billion annually in 2026-2027.
- Cash dividend payout ratio at 40%-50% of net income for the previous year in 2026-2027.

Rating Component Scores

Unimicron Technology Corp.	To	From
Issuer Credit Rating	twA+/Positive/twA-1	twA+/Stable/twA-1
Business risk	Fair	Fair
Country risk	Intermediate	Intermediate
Industry risk	Moderately high	Moderately high
Competitive position	Fair	Fair
Financial risk	Modest	Modest
Cash flow/Leverage	Modest	Modest
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	Exceptional (no impact)	Exceptional (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: All scores above are in comparison with global obligors.		

Related Criteria & Research

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- 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

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- 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 Revision

	To	From
Unimicron Technology Corp.		
Issuer Credit Rating	twA+/Positive/twA-1	twA+/Stable/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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