Media Release:

Walsin Lihwa Corp. Outlook Revised To Stable On Strengthening EBITDA; 'twA-/twA-2' Ratings Affirmed

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Rating Action Overview

- We believe a material recovery in stainless steel profitability, strong AI and power grid driven demand for wire & cables, and high cash dividends from equity investments will drive rapid EBITDA growth for **Walsin Lihwa Corp.** in 2026-2028. The stainless steel and wire and cable manufacturer reported EBITDA of new Taiwan dollar (NT$) 9.0 billion in 2025.
- We believe stronger EBITDA growth and the disposal of equity investments will support Walsin Lihwa to reduce debt and consequently the ratio of debt to EBITDA to close to 3x in 2027-2028.
- We have therefore revised our outlook on the long-term issuer credit rating on Walsin Lihwa to stable from negative to reflect our view that the company could keep its ratio of debt to EBITDA consistently below 4x over the next two years through improving EBITDA and the financial flexibility of its equity investments.
- At the same time, we affirmed our 'twA-' long-term and 'twA-2' short-term issuer credit ratings on the company.

Rating Action Rationale

The outlook revision reflects the likelihood that Walsin Lihwa will sustain its ratio of debt to EBITDA below 4x. We believe the company can achieve this through its strengthening core operations, high cash dividends from equity-method investments, and the disposal of some equity investments. We forecast Walsin Lihwa's adjusted EBITDA, including cash dividends from equity-method investments, will increase to NT$14 billion–NT$15 billion in 2026 and NT$19 billion–NT$20 billion annually in 2027-2028. This is supported by improving profitability at the company's stainless-steel business and sizable cash dividends from its equity method investments particularly in Taiwan-based memory chip maker Winbond Electronics Corp. The improved adjusted EBITDA should enable Walsin Lihwa to lower its debts gradually to below NT$70 billion in 2027 and further in 2028, enabling the company to improve the ratio of debt to EBITDA to close to 3x in 2027-2028 from about 4.7x in 2026 and 8.0x in 2025.

In our view, Walsin Lihwa's improving EBITDA generation and lower capital expenditure (capex) over the next few years can sustain improved leverage over the period. We forecast the company's capex will decline materially after the completion of the company's new submarine cable plant. Walsin Lihwa is likely to focus on enhancing the efficiency and profitability of its operations, including the new submarine cable plant, despite bolt-on investments and acquisitions to strengthen its business portfolio. In addition, we believe the company will utilize its valuable equity investments to manage its debt leverage, if needed.

Walsin Lihwa's stainless steel business to bottom out in 2026. We forecast the European Union's (EU) recent trade protection measures for the block's stainless-steel sector will significantly uplift the profitability of Walsin Lihwa's operations in Europe. The company's EU-based stainless-steel business reported increased losses in 2025 due to trade tariffs imposed by the U.S. administration. The EU administration-imposed tariffs of up to 50% on steel imports on July 1, 2026, in addition to carbon border adjustment taxes (CABM) effective from Jan. 1, 2026, to protect the block's steel makers.

Moreover, Walsin Lihwa has continuously improved its product mix to include cold finished bars and components for data center cooling systems and raised the operating efficiency of its units in China and Taiwan to cope with overcapacity in the region. These efforts, together with Walsin Lihwa's commissioning of new stainless-steel capacity in Indonesia, should materially strengthen the performance of the company's Asian operations. We forecast the company's stainless-steel business will remain profitable for the rest of 2026 since returning to profitability in the second quarter of the year.

AI-driven investments in new production capacity and the power grid in Taiwan will sustain the robust profitability of Walsin Lihwa's wire and cable business. We believe strong demand for AI infrastructure hardware will continue to stimulate strong GDP growth in Taiwan and subsequently strong investments by Taiwan's tech supply chain to materially increase their capacity over the next two years. In addition, Taiwan Power Co. has committed significant capex to enhance its power grid to meet faster growth in electricity demand and accommodate the growing use of unstable solar and wind power, which will in turn significantly increase cable demand.

Walsin Lihwa is in a good position to catch this demand as the largest domestic industrial cable supplier with a good brand name and efficient supply capability supported by highly automated operations. In addition, the company's established partnership with Swedish-based NKT HV Cables AB should strengthen Walsin Lihwa's competitiveness. We forecast the company could enhance its wire and cable revenue while sustaining robust margins over the next few years, despite high copper prices.

In addition, we forecast Walsin Lihwa's new submarine cable factory will begin contributing material EBITDA in 2028 after it commences production in late 2027. This is despite the fact that we anticipate the factory will not generate operating profits before 2029.

Operating profits to grow materially in 2026-2027 after bottoming out in 2025. We believe the improving profitability at Walsin Lihwa's stainless-steel and wire & cable businesses together with stable nickel operations will materially increase the company's operating profits in 2026-2027. The company's operating profits declined sharply to NT$292 million in 2025 from NT$2.49 billion in 2024 due to a widening operating loss at its stainless-steel business. We expect the Indonesian government's new nickel mining policy regarding nickel ore supply and mining taxes, which impact companies refining low-grade ores more, to have a limited impact on Walsin Lihwa's nickel refining operations. In addition, the tightening of nickel ore supply in Indonesia could prevent further deterioration in nickel oversupply and support a stable operating performance for the business over the next 12-18 months.

Sizeable cash dividends from and the disposal of equity investments will aid debt reductions. We anticipate Walsin Lihwa's equity-method investees, particularly Winbond, will benefit from strong AI infrastructure investments, enabling the investees to generate strong profits in 2026-2027 and pay out high cash dividends in 2026-2028. We also forecast Walsin Lihwa's equity-method investments will share in the investees' rising profits to the tune of NT$23 billion–NT$25 billion annually in 2026-2027, with an additional NT$3.5 billion in cash dividends from the investees in 2026, NT$7.3 billion in 2027, and NT$6.2 billion in 2028.

In addition, we believe that Walsin Lihwa will dispose of additional equity investments to manage its debt leverage after generating about NT$4.6 billion from investment disposals in the first half of 2026. Moreover, significant appreciation in the market value of the company's equity investments will provide additional financial flexibility for the company when needed. Nonetheless, our base does not factor in additional disposals in our projection period. As of the end of June 30, 2026, the company's listed equity investments have a market value of about NT$283 billion.

Outlook

The stable rating outlook reflects our forecast that Walsin Lihwa's ratio of debt to EBITDA could decline materially below 4.0x through 2027 and 2028 from about 4.7x in 2026. This improvement will be supported by improving profitability at its stainless-steel business and sizeable cash dividends from its tech-related equity investments. The disposal of part of those investments should also enable the company to reduce debt, despite ongoing uncertainties regarding government policies to protect trade and constrain supply.

Additionally, we forecast Walsin Lihwa's capex will decline after completing its new submarine cable plant. We also believe the company will actively manage its debt leverage likely through the disposal of some of its valuable investment portfolio.

Downward scenario

We may lower the rating on Walsin Lihwa if the ratio of debt to EBITDA stays close to 4x for an extended period. The likely scenarios for this are:

- More aggressive capex or investment plans than under our current forecast, without the company taking appropriate measures such as the disposal of equity investments to manage debt;
- A prolonged industry downturn with contraction in demand and intensifying competition in the stainless steel and wire & cable businesses;
- Lower return on capex and investment than we forecast, such as the result of an unsuccessful technology upgrade or development delay for its high value-added products; or
- Cash dividends from equity investments fall materially behind our forecast.

Upward scenario.

We may raise the rating on Walsin Lihwa if

- The company can sustainably strengthen its profitability through stronger product mixes at its stainless steel and wire & cable businesses that increase the proportion of high value-added products. Evidence of such an achievement could be an improved EBITDA margin to consistently above 12%; or
- Walsin Lihwa maintains the ratio of debt to EBITDA consistently below 2.5x. It might achieve this through stronger EBITDA, prudent capex and investments, or significant debt reduction through equity funding or disposals of investments.

Company Description

Walsin Lihwa's businesses include copper and aluminum conductor cables, construction-purpose steel wire, cables and wires, nickel resource, stainless steel, and real estate development. The business divisions include metals--production of copper wire, stainless-steel, nickel pig iron, and nickel matte; capital goods--industrial cables for ship, heavy machinery, wind turbine, solar tech; and property--rental income from commercial property, including office and department stores, in China and Taiwan. Stainless steel contributed about 52% of the company's revenue, nickel 18%, wire & cable 27%, and others 3% in 2025.

Our Base Case Scenario

- S&P Global's forecast for Taiwan's GDP to grow 8.2% in 2026, 2.2% in 2027, and 2.4% in 2028, for China's GDP drop slightly to 4.4% in 2026 and maintain 4.4% in 2027 and 2028, and for Eurozone's GDP to drop to 0.5% in 2026, 1.0% in 2027, and 1.3% in 2028.
- Our assumption for the copper price of US$12,000-US$13,000/ton throughout 2026-2028, and the nickel price at US$18,000-US$19,000/ton throughout 2026-2028.
- Walsin Lihwa's revenue could increase by 11%-13% annually throughout 2026-2028, supported by significant growth at its stainless-steel and wire & cable businesses.
- Revenue from stainless steel to rise by 10%-25% during 2026-2028 because of higher nickel prices, the safeguard measures and CBAM implementation in the EU, product mix improvements, and rising demand such as liquidity cooling components associated with the AI infrastructure buildout.
- Revenue from nickel resource business to increase by 2%-9% during 2026-2028, reflecting a higher nickel price driven by restricted supply from Indonesia.
- Revenue from wires and cables to increase by 3%-15% during 2026-2028 mainly due to sustainable domestic demand for infrastructure construction amid booming AI-related investments, and the ramping up of the new submarine cable plant.
- Gross margins are likely to be stable at 11%-12% throughout 2026-2028, compared to 11.4% in 2025, reflecting better average sales price offsetting the higher material cost of nickel in stainless-steel sectors.
- Ratio of selling, general and administrative expenses is likely to be stable at around 5% throughout 2026-2028.
- Cash dividends received from equity method investments to increase to NT$3.5 billion in 2026 and further to NT$6 billion-NT$ 7 billion annually in 2027-2028, particularly driven by Winbond's strong earnings growth.
- Capex of NT$10.9 billion in 2026 dropping to NT$6 billion-NT$7 billion in 2027 and 2028, mainly due to the completion of construction of its submarine power cable plant in Taiwan and rolling stainless steel mill in Indonesia.
- Working capital outflow of NT$3.5 billion–NT$5 billion annually in 2026-2028 for rising revenues.
- Investments and acquisition of NT$2 billion–NT$3 billion annually in 2026-2027.
- Cash proceeds of about NT$4.6 billion in 2026 for the disposal of equity investments.
- Cash dividends of NT$2 billion-NT$3 billion annually in 2026-2027 and about NT$6 billion in 2028.
- Surplus cash haircut of 8.6% for 2025 and annually thereafter.

Key metrics

Walsin Lihwa Corp.--Taiwan Ratings Corp. Forecast Summary

Industry sector: Metal and mining

(Mil. NT$)	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	189,840	179,318	174,243	195,000	221,967	248,010
EBITDA (reported)	14,449	11,819	8,709	11,905	13,228	14,368
Plus/(less): Other	1,375	318	274	3,468	7,324	6,201
EBITDA	15,824	12,137	8,983	15,373	20,553	20,569
Less: Cash interest paid	(1,926)	(2,237)	(2,325)	(2,395)	(2,100)	(1,792)
Less: Cash taxes paid	(1,690)	(5,642)	(2,040)	--	(462)	(754)
Funds from operations (FFO)	12,208	4,258	4,618	12,978	17,992	18,022
Cash flow from operations (CFO)	22,755	725	4,676	11,740	14,103	13,872
Capital expenditure (capex)	16,512	10,436	11,835	10,937	6,233	6,568
Free operating cash flow (FOCF)	6,242	(9,710)	(7,159)	803	7,870	7,304
Debt (reported)	64,168	81,576	84,711	82,490	77,622	75,888
Plus: Lease liabilities debt	3,023	3,943	4,082	4,082	4,082	4,082
Plus: Pension and other postretirement debt	349	1,122	1,102	1,102	1,102	1,102
Less: Accessible cash and liquid Investments	(16,456)	(15,169)	(17,935)	(16,452)	(16,452)	(16,452)
Plus/(less): Other	144	99	317	317	317	317
Debt	51,229	71,571	72,278	71,540	66,672	64,938
Cash and short-term investments (reported)	18,203	15,736	19,622	18,000	18,000	18,000
Adjusted ratios						
Debt/EBITDA (x)	3.2	5.9	8.0	4.7	3.2	3.2
FFO/debt (%)	23.8	5.9	6.4	18.1	27.0	27.8
Annual revenue growth (%)	5.2	(5.5)	(2.8)	11.9	13.8	11.7
EBITDA margin (%)	8.3	6.8	5.2	7.9	9.3	8.3

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: Adequate

The short-term issuer credit rating is 'twA-2'. We believe the company has adequate liquidity, which reflects a ratio of liquidity sources to liquidity uses of about 1.2x for the 12 months ending March 2027. We also believe the company will have positive liquidity sources minus uses, even if its EBITDA declined by 15%.

In addition, Walsin Lihwa has a solid relationship with banks in our view, as indicated by the low interest rate on its bank loans. This view is also supported by the company's satisfactory standing in the credit markets, given its good market position. Moreover, we believe the company has generally prudent risk management to ensure continued adequate liquidity. In addition, Walsin Lihwa's sufficient undrawn bank credit lines and flexibility to increase bank facilities support this view. The company's bank loans carry some financial covenants, but we believe Walsin Lihwa could meet these with sufficient headroom over the next one to two years.

Principal liquidity sources:

- Cash and short-term investments of NT$19.1 billion at the end of March 2026.
- Funds from operations of NT$12 billion-NT$18 billion up to March 2027.
- Committed mid-term bank lines of NT$15 billion–NT$20 billion up to March 2027.
- Disposal of equity investments of NT$4 billion-NT$5 billion up to June 2027.

Principal liquidity uses:

- Long-term debt amortization plus short-term debt maturity of NT$29.1 billion up to March 2027.
- Working capital outflow of NT$3 billion-NT$5 billion up to March 2027.
- Capex of NT$8 billion-NT$12 billion up to March 2027.
- Cash dividend of NT$2.2 billion up to March 2027.

Rating Component Scores

Walsin Lihwa Corp.		
	To	**From**
Issuer Credit Rating	twA-/Stable/twA-2	twA-/Negative/twA-2
Business risk	Fair	Fair
Country risk	Intermediate	Intermediate
Industry risk	Moderately high	Moderately high
Competitive position	Fair	Fair
Financial risk	Significant	Significant
Cash flow/Leverage	Significant	Significant
Anchor	twbbb+	twbbb+
Modifiers		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Positive (+1 notch)	Positive (+1 notch)
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	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

- 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

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

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Walsin Lihwa Corp.		
Issuer Credit Rating	twA-/Stable/twA-2	twA-/Negative/twA-2