

Media Release:

Formosa Plastics Companies Upgraded To 'twAA' On Lower Leverage; Liquidity Revised To Exceptional; Outlook Stable

October 19, 2026

Rating Action Overview

We use our Principles of Credit Ratings criteria to assess and assign a proxy group credit profile (GCP). We continue to base our assessment of the credit quality of **Formosa Plastics Corp., Nan Ya Plastics Corp., Formosa Chemicals & Fibre Corp., and Formosa Petrochemical Corp.** on the proxy GCP, based on the pro forma consolidated financials of their audited consolidated statements.

- The four Formosa companies' strategic shift toward advanced electronic materials and other specialized products could sustain their improved profitability as the temporary benefits from high oil prices fade.
- Stronger operating cash flow, proceeds from equity stake disposals, and the increased fair value of short-term investments should keep the group's debt leverage low and strengthen its financial flexibility over the next two years.
- We have therefore raised our long-term issue credit ratings on the four companies to 'twAA' from 'twAA-'. We also raised the issue credit rating on the companies' various bond issuances to 'twAA' from 'twAA-'. At the same time, we affirmed the 'twA-1+' short term issuer credit rating on the four companies.
- The stable rating outlook reflects our expectation that the group will maintain a debt-to-EBITDA ratio below 0.5x over the next one to two years, providing a sufficient buffer against volatility in its commodity business.

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Rating Action Rationale

The upgrade action reflects significant improvement in the group's financial strengths and earnings resilience. The recovery in the group's operating performance, together with its investment disposals and higher short-term investment values, could accelerate deleveraging and strengthen the group's financial flexibility. Meanwhile, the growing contribution from electronic materials and components should support a more diversified earnings base. We forecast electronic materials and components could contribute 40%-50% of the group's consolidated EBITDA in 2027-2028, up from less than 30% in 2024-2025. We expect these improvements to sustain the group's credit strengths as the temporary benefits from high oil prices during the Middle East conflict begin to fade. We believe the group's stronger balance sheet should provide greater capacity to absorb earnings volatility over the next two years despite commodity chemical oversupply remains a key risk.

Refining margins to sustain, while chemical spreads could moderate once uplift from the Middle East conflict fades. Several factors led to tightened supply and widened product spreads and refining margins in the first half of 2026. These include disruptions to crude shipments, reduced regional refinery runs, and petrochemical plant shutdowns amid feedstock shortages or facility damage. We expect chemical spreads to ease once selling prices normalize, trade flows stabilize, and low-cost inventory are depleted. However, we forecast refining margins will be more resilient, supported by prolonged outages at damaged Middle East facilities, some of which may not resume full operations until 2027, alongside scheduled maintenance and limited new refining capacity. Formosa Petrochemical's large-scale complex refinery also provides flexibility to process a broad range of crude grades, supporting its competitiveness as regional trade flows normalize.

Growth in high-value electronic materials should improve earnings diversification and resilience. The accelerating demand for AI servers, high-performance computing, and high-speed networking should support robust growth for Nan Ya Plastics' electronic materials, including glass fiber fabrics, copper foil, and copper-clad laminates, and for its subsidiary, Nan Ya Printed Circuit Board Corp.'s (Nan Ya PCB), IC substrates and printed circuit boards. Product upgrades and customer qualifications should further shift the sales mix toward applications with more demanding performance requirements. The group's integration across upstream materials and downstream boards supports supply reliability and product joint development, positioning it to capture these opportunities over the next two years. Although these businesses remain sensitive to global AI investment cycles, their growing earnings contribution should reduce the group's reliance on commodity chemicals.

Significant revenue exposure to commodity chemicals could underpin continued earnings volatility. Continuing capacity additions in China, competition from gas-based producers, and soft downstream demand are likely to constrain utilization and product spreads across Asia. Therefore, we do not expect a broad-based recovery in commodity chemical margins over the next two years. Persistent oversupply of a variety of the group's key commodity chemical products should keep this segment loss-making over the next one to two years. The group's shift toward differentiated polymers, specialty chemicals, and semiconductor-grade materials should strengthen long-term competitiveness, if executed successfully, but a material earnings contribution from these initiatives will take time.

Stronger earnings and lower debt leverage should keep debt-to-EBITDA below 0.5x over the next two years. We forecast the four companies' EBITDA will increase materially to new Taiwan dollar (NT\$) 190 billion-NT\$210 billion in 2026 from NT\$65.5 billion in 2025. Stronger operating cash flow and proceeds from partial disposals of stakes in Nanya Technology Corp. and Nan Ya PCB should support continued debt reduction. Substantial fair value gains on short-term investments, primarily the groups shareholdings in Nanya Technology, should also help reduce adjusted debt and provide sufficient headroom to navigate potential volatility in commodity cycles and refining spreads.

A strengthened liquidity buffer supports our revision of the liquidity assessment to exceptional from adequate. This revision mainly reflects our projection that the material increase in value of short-term investment holdings and stronger operating cash flow should enable the group to sustain its ratio of liquidity sources to liquidity uses above 2x over the next 24 months.

Outlook

The stable rating outlook reflects our view that the four companies will sustain their lower debt leverage over the next one to two years. An improving product mix and growing contribution from electronic materials and components should strengthen cash flow generation and keep the group's ratio of debt to EBITDA below 0.5x. This is despite our view that the group's substantial exposure to commodity chemicals will continue to make earnings vulnerable to capacity additions, intensifying competition, and slower economic growth, particularly in China.

The outlook also reflects our view that the four companies' capital expenditure (capex) will remain manageable in 2026-2027, focusing on specialty chemicals, electronic materials, and decarbonization investments without undertaking other large-scale commodity chemical projects. The group's sizable investment holdings could also provide additional financial flexibility to manage its debt leverage, in our view.

Downward scenario

We could lower the long-term rating on the four companies if the consolidated ratio of debt to EBITDA rises to above 2x for an extended period without signs of improvement. Scenarios that could lead to this include:

- A further deterioration in profitability for the group's commodity chemical business, possibly due to sustained overcapacity that continues to suppress product prices and spreads, or if the four companies fail to maintain their cost advantages;
- A slowdown in the group's electronic materials and component businesses due to softer demand for higher-end applications, slower qualifications or ramp-up of new products, low production yields or intensifying competition, leading to weaker earnings and cash flow than we expected; or
- The four companies make more aggressive cash dividend payouts, capex, or other investments that are substantially above our base case.

Upward scenario

We may raise the rating if:

- The group continues to enhance product diversity, business scale, and integration, particularly through a stronger mix of high-margin electronic components and specialty products, which should support more stable and resilient profitability; while at the same time,
- The group improves its financial metrics to sustain a net cash buffer throughout the business cycle, enhancing its resilience to industry volatility, particularly that stemming from commodity cyclicity.

Company Description

The four Formosa Plastics group companies--Formosa Plastics Corp., Nan Ya Plastics Corp., Formosa Chemicals & Fibre Corp., and Formosa Petrochemical Corp.--constitute one of Taiwan's largest private-sector industrial conglomerates in terms of assets. The four companies generated about NT\$1.06 trillion in revenue and NT\$65.5 billion in EBITDA in 2025.

The four companies have significant integration in manufacturing facilities with products ranging from oil refining and naphtha cracking to plastics and polyesters. This is particularly reflected in the companies' highly integrated Mai-Liao complex, which provides a stable supply of base chemical feedstock for their production of downstream chemicals.

Our Base-Case Scenario

Assumptions

- Taiwan's GDP to increase by 10.9% in 2026 and 3.8% in 2027. China's economy to grow 4.3% in 2026 and 2027. Asia-Pacific GDP to grow 4.6% in 2026 and 4.4% in 2027.
- Brent oil price of US\$95 per barrel for the rest of 2026, and US\$80 for 2027.
- Refining margins could remain robust through the second half of 2026 before moderating in 2027. While geopolitical conflict may cause temporary supply disruptions, the time required for equipment repairs and limited new capacity additions should support refining margins at levels higher than those seen in 2025.
- We anticipate chemical product spreads will moderate in the second half of 2026 as the initial benefits from the conflict subside. However, improved market discipline among chemical producers is expected to sustain or slightly improve spreads, despite potential volatility in ASPs particularly given the capacity expansion in China. Base chemicals and general plastics are likely to yield spreads below mid-cycle levels throughout 2026-2027, weighed down by continued low utilization rates.
- We project combined revenue for the four companies will grow by 15%-18% in 2026, bolstered by higher crude oil and chemical product prices amid supply disruptions in the first half of 2026. Conversely, revenue could decline by 3%-8% in 2027 due to a high base effect and the gradual normalization of prices and spreads. Notably, Nan Ya Plastics' electronic materials segment is poised for accelerated growth, driven by rising demand from AI and Internet of Things applications.
- We project Formosa Petrochemical's refining units will operate at 75%-80% capacity in 2026, rising to 80%-85% in 2027. Olefin utilization could dip to around 45% in 2026 due to feedstock constraints and weak downstream demand, before recovering to 51%-56% in 2027. This recovery reflects a slowdown in capacity additions and strategic product adjustments by the group, which should bolster demand for base chemicals.
- The four companies' consolidated gross margin before depreciation and amortization to rise to 20%-22% in 2026 and 13%-16% in 2027 from 11.3% in 2025, amid higher product spreads and a growing contribution from electronic materials for advanced applications.
- The four companies' consolidated ratio of expenses will stay flat at around 5% in 2026-2027 for cost saving measures.
- The four companies' capex plus investments to stay within NT\$55 billion-NT\$60 billion in 2026-2027 for electronic materials, IC substrates and PCBs, specialty products, as well as decarbonization initiatives.

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- Cash dividends received from equity investments at NT\$3.0 billion-NT\$3.5 billion in 2026 and NT\$12 billion-NT\$15 billion in 2027 for higher dividend received from Nanya Technology Corp.
- About 35% haircut on cash and cash equivalent.
- The four companies will not provide new debt guarantee to Formosa Group (Cayman) after its US\$1 billion guaranteed bonds matured in April 2025.
- Average tax rate to remain at 15%-20% in 2026-2027.
- Cash dividend payment for 2026 at about the 2025 level, and about 70% of the previous year's net income in 2027.

Key Metrics

Four Formosa companies – Taiwan Ratings Corp. forecast summary

Industry sector: Commodity chemicals

(Bil. NT\$)	2022a	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	1,467	1,201	1,183	1,060	1,228	1,177	1,150
EBITDA (reported)	123	75	54	64	199	121	134
Plus/(less): Other	8	5	7	1	3	14	15
EBITDA	131	80	61	66	203	135	149
Less: Cash interest paid	(5)	(10)	(12)	(11)	(11)	(10)	(9)
Less: Cash taxes paid	(41)	(18)	(8)	(6)	(35)	(21)	(26)
Funds from operations (FFO)	84	52	41	49	158	104	115
Cash flow from operations (CFO)	132	100	46	81	102	90	105
Capital expenditure (capex)	76	66	50	46	48	52	78
Free operating cash flow (FOCF)	56	34	(4)	36	54	38	27
Debt (reported)	447	479	501	447	420	385	346
Plus: Lease liabilities debt	7	7	7	7	7	7	7
Plus: Pension and other postretirement debt	27	23	20	17	17	17	17
Less: Accessible cash and liquid Investments	(212)	(211)	(157)	(225)	(445)	(387)	(343)
Debt	300	330	404	246	--	22	26
Cash and short-term investments (reported)	247	246	184	299	686	595	528
Adjusted ratios							
Debt/EBITDA (x)	2.3	4.1	6.6	3.8	--	0.2	0.2
FFO/debt (%)	28.0	15.9	10.2	20.0	N.M.	473.3	435.2
Annual revenue growth (%)	9.9	(18.1)	(1.5)	(10.4)	15.9	(4.2)	(2.3)
EBITDA margin (%)	8.9	6.7	5.1	6.2	16.5	11.5	13.0

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.

Liquidity

The short-term rating is 'twA-1+'. We believe the four companies have exceptional liquidity to meet their needs over the 24 months ending June 2028. We expect the consolidated ratio of liquidity sources to liquidity uses to be 2.4x-2.7x over the 12 months ending June 2027, and 2.9x-3.1x over the subsequent 12 months. We also estimate the group will likely have positive liquidity sources minus uses, even if forecast EBITDA declines by 50%.

The four companies have sound banking relationships and a generally high credit standing to support their financial flexibility, as reflected in their low interest rates. This includes a 1.9% rate on Formosa Chemical & Fiber's five-year and 2.03% ten-year NT\$-denominated bonds that the company issued in October 2025. The group is capable of absorbing high impact low probability events without refinancing, in our view, given its sizable cash position. We also do not believe the group will have any difficulty to renew its short-term debts or establishing new bank loan facilities. In addition, we believe the four companies can easily meet the requirements of loose financial covenants on their current ratios, ratios of liability to equity, interest coverage, and net worth for debt at their subsidiaries.

Principal liquidity sources:

- Cash and short-term investments of NT\$731.5 billion at the end of June 2026.
- Funds from operations of NT\$130 billion-NT\$150 billion for the 12 months ending June 30, 2027, and NT\$100 billion-NT\$120 billion for the subsequent 12 months.

Principal liquidity uses:

- Debt maturity plus short-term debt repayment of about NT\$237 billion for the 12 months ending June 30, 2027, and NT\$35 billion-NT\$40 billion for the subsequent 12 months.
- Working capital outflow of NT\$38 billion-NT\$43 billion for the 12 months ending June 30, 2027, and NT\$10 billion-NT\$20 billion for the subsequent 12 months.
- Capex of about NT\$50 billion-NT\$55 billion for the 12 months ending June 30, 2027, and NT\$63 billion-NT\$68 billion for the subsequent 12 months.
- Cash dividend payout of about NT\$15.8 billion for the 12 months ending June 30, 2027, and NT\$80 billion-NT\$90 billion for the following 12 months.

Rating Component Scores

Formosa Plastics Corp., Formosa Chemicals & Fibre Corp. Formosa Petrochemical Corp., Nan Ya Plastics Corp.		
	To	From
Issuer Credit Rating	twAA/Stable/twA-1+	twAA-/Negative/twA-1+
Business risk	Satisfactory	Satisfactory
Country risk	Intermediate	Intermediate
Industry risk	Moderately high	Moderately high
Competitive position	Satisfactory	Satisfactory
Financial risk	Modest	Significant
Cash flow/Leverage	Modest	Significant
Anchor	twaa	twaa+
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	Exceptional (no impact)	Adequate (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Neutral (no impact)	Positive (+1 notch)
Group stand-alone credit profile*	twaa+	twaa
Group credit profile	twaa+	twaa
Entity status within group	Highly Strategic	Highly Strategic
*The four companies have not been assigned an SACP. All scores above are in comparison with global obligors. All scores are for the proxy group credit profile of the four companies.		

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
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- 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

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Ratings List

Upgraded

	To	From
Formosa Plastics Corp.		
Formosa Chemicals & Fibre Corp.		
Formosa Petrochemical Corp.		
Nan Ya Plastics Corp.		
Issuer Credit Ratings	twAA/Stable/twA-1+	twAA-/Negative/twA-1+
Issue Credit Ratings	twAA	twAA-

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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