

## Research Update

# United Microelectronics Corp. 'twAA-/twA-1+' Ratings Affirmed On Improved Liquidity; Outlook Stable

September 25, 2018

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **United Microelectronics Corp.** (UMC). The outlook on the long-term rating is stable. At the same time, we affirmed our 'twAA-' issue rating on the companies' unsecured corporate bonds.

The ratings on UMC reflect the company's satisfactory market position in the global foundry business and low debt leverage. Several factors partly offset these strengths. These include UMC's weaker technology capability compared to that of global leading peers, the higher cyclicity and intensive capital nature of the semiconductor foundry industry, and rapid technological changes that could erode UMC's market position rapidly if the company fails to keep up with technology advancement.

We have revised our assessment of UMC's liquidity to strong from adequate, which has no impact on the ratings. Given a material decline in the company's capital expenditures and debt maturities, we expect UMC's ratio of liquidity sources to liquidity uses to be 2.0x-2.5x in the next 12 months and 1.5x-2.0x in the subsequent 12 months.

We also believe that the company can absorb high-impact, low-probability events without refinancing, given its stable operating cash flow, high cash balance, and lower capital expenditures. We expect UMC's liquidity sources will still exceed liquidity uses even if its EBITDA declines by 30%. We also believe the company has good banking relationships, underpinned by its stable performance and satisfactory market position. In addition, UMC has large headroom for loose financial covenants carried in a small portion of its borrowings.

## Related Criteria

- Understanding Taiwan Ratings' Rating Definitions, [www.taiwanratings.com](http://www.taiwanratings.com) - June 26, 2018
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013

### PRIMARY CREDIT ANALYST

**Raymond Hsu, CFA**  
Taipei  
+886-2-8722-5827  
[raymond.hsu@taiwanratings.com.tw](mailto:raymond.hsu@taiwanratings.com.tw)  
[raymond.hsu@spglobal.com](mailto:raymond.hsu@spglobal.com)

### SECONDARY CREDIT ANALYST

**Anne Kuo, CFA**  
Taipei  
+886-2-8722-5829  
[anne.kuo@taiwanratings.com.tw](mailto:anne.kuo@taiwanratings.com.tw)  
[anne.kuo@spglobal.com](mailto:anne.kuo@spglobal.com)

- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria - Corporates - General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

(Unless otherwise stated, these articles are published on [www.standardandpoors.com](http://www.standardandpoors.com), access to which requires a registered account)

## Ratings List

Ratings Affirmed

### **United Microelectronics Corp.**

Issuer Credit Ratings	twAA-/Stable/twA-1+
Unsecured Corporate Bond Issue Rating	twAA-

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2018 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.