

Research Update:

# Taiwan Water Corp. Ratings Affirmed At 'twAAA/twA-1+'; Outlook Stable

March 17, 2025

## Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on **Taiwan Water Corp.** The outlook on the long-term rating is stable.

The ratings on Taiwan Water reflect our view of the almost certain provision of timely and sufficient extraordinary financial support to the company by the Taiwan government, should Taiwan Water face financial distress. This is because of the company's critical role to supply sufficient and reliable water to support Taiwan's highly industrialized economy and general household needs. In addition, we believe the government will maintain its ownership and tight control over Taiwan Water over the next two to three years.

Meanwhile, weakening profitability and rising debt leverage could continue to weigh on Taiwan Water's stand-alone credit profile over the next 12 months, if there is no timely and sufficient water tariff uplift over the period. This is due to a prolonged freeze on water rates and the company's rising cost structure and high capital expenditure. These factors could weaken its financial strength, despite the company's strong refinancing capability.

## Outlook: Stable

The stable rating outlook reflects our view that Taiwan Water's critical role and integral link to the Taiwan government will not change over the next two to three years. That's because of the company's critical mission to provide a stable water supply at affordable rates. We believe the government has minimal tolerance on water supply risk because the country's technology rich economy relies heavily on a reliable water supply.

In addition, Taiwan Water's stand-alone credit profile could face pressure if there is no timely and sufficient water tariff adjustment to maintain the company's funds-from-operations interest coverage ratio above 4x within the next 12 months.

### Downside scenario

We could lower the rating on Taiwan Water if:

- S&P Global Ratings lowers its unsolicited issuer credit ratings on the government of Taiwan by more than four notches; or
- We believe Taiwan Water's importance to, or relationship with, the government has weakened materially. Such a scenario could reflect aggressive market liberalization that breaks Taiwan Water's monopoly position or a significant reduction in government ownership.

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## Related Criteria & Research

### Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology - April 04, 2024
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- 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
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

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## Ratings List

### Ratings Affirmed

#### Taiwan Water Corp.

Issuer Credit Rating	twAAA/Stable/twA-1+
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