

Research Update:

# Yulon Motor Co. Ltd. 'twA-/twA-2' Ratings Affirmed; Outlook Stable

September 22, 2025

## Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Yulon Motor Co. Ltd.** The outlook on the long-term rating is stable.

The ratings on Yulon Motor reflects its weak market position in Taiwan's auto market, due to declining sales of Nissan-branded cars and limited market share of Luxgen-branded cars. Meanwhile, the continuous loss of market share for Nissan-branded cars in China has led to a material contraction of cash dividends from Yulon Nissan Motor Co. Ltd., which will likely lower Yulon Motor's EBITDA generation over the next one to two years. The ratings also reflect Yulon Motor's still-high debt leverage in 2025-2026.

Counterbalancing the above rating weaknesses is Yulon Motor's improving core auto manufacturing profitability, which should help support the company's EBITDA generation over the next one to two years. In addition, stable cash dividends from Yulon Finance Corp. could help limit any rise in Yulon Motor's debts. The company's large cashable investment properties on hand also provides good financial flexibility, in our view.

## Outlook

The stable rating outlook reflects our view that Yulon Motor could maintain the ratio of debt to EBITDA at 2.5x-3.0x in 2025-2026. The company will likely generate negative discretionary cash flow over the next one to two years; however, we believe that stable cash dividends from Yulon Finance should help limit debt growth. Meanwhile, the improving profitability of Yulon Motor's core manufacturing business will partly underpin its overall EBITDA generation, despite declining cash dividends from Yulon Nissan Motor Co. Ltd.

### Downside scenario

We may lower the long-term rating on Yulon Motor if:

- The company records a prolonged revenue drop without signs of recovery. This could be due to a continuous decline in sales for Nissan-branded domestic cars or Luxgen branded cars due to a lack of new model introductions or major facelifts. This would need to be accompanied with a failure by Yulon Motor to implement its multi-brands auto original equipment manufacturer strategy, including the cooperation with Foxtron Vehicle Technology Co. Ltd. in overseas markets, to make up the production volume loss in the Taiwan market;

### PRIMARY CREDIT ANALYST

**Susan Chen**  
Taipei  
+886-2-2175-6817  
susan.chen  
@spglobal.com  
susan.chen  
@taiwanratings.com.tw

### SECONDARY CONTACT

**James Hung, CFA**  
Taipei  
+886-2-2175-6839  
james.hung  
@spglobal.com  
james.hung  
@taiwanratings.com.tw

- The EBITDA margin of Yulon Motor's core car manufacturing business deteriorates to below 4% without signs of recovery. This could happen if Yulon Motor fails to maintain its car manufacturing utilization rate, possibly led by a significant reduction in production volume; or
- The company's debt-to-EBITDA ratio weakens to above 4.0x on a sustainable basis. This could result from weaker profitability of Yulon Motor's core business or an unexpectedly large loss from its Luxgen-related business. This might also happen if Yulon Motor assumes a more aggressive property development program that incurs persistently large cash outflow.

### Upside scenario

We may raise the long-term rating if Yulon Motor further reduces and maintains its debt-to-EBITDA ratio comfortably and sustainably below 2x. The likely scenarios for this include:

- Profitability improvement in the company's core auto manufacturing business driven by enhanced plant capacity utilization, or increasing car sales that supports a meaningful revenue and profit contribution from the Luxgen business;
- Yulon Nissan's performance recovers to a stronger and sustainable level which increases its cash dividends to Yulon Motor; or
- Yulon Motor continues to reduce debt through the disposal of investment assets.

## Related Criteria & Research

### Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- 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
- 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

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed

#### Yulon Motor Co. Ltd.

Issuer Credit Rating	twA-/Stable/twA-2
----------------------	-------------------

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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

Copyright © 2025 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.