

Media Release:

Taipei Financial Center Corp. Ratings Affirmed At 'twAA/twA-1+'; Outlook Stable

October 8, 2025

Rating Action Overview

- **Taipei Financial Center Corp.** faces higher liquidity needs in 2026 due to the maturity of its short-term debt. However, we believe the company can generate sufficient operating cash flow of NT\$1.3 billion in 2026 to reduce its debt and improve the ratio of debt to EBITDA to 2.9x over the period.
- We therefore lowered our liquidity assessment for Taipei Financial Center to adequate from strong to reflect the upcoming debt maturities in 2026.
- We lowered our assessment of the company's capital structure to negative from neutral, and our comparable ratings analysis for the company to positive from neutral. There is no rating impact. We affirmed our 'twAA' long-term issuer and 'twA-1+' short-term issuer credit ratings on Taipei Financial Center.
- The stable rating outlook reflects our view that the company's sophisticated management team, prestigious property status, and superior property location among other factors will support steady performance over the next few years.

Rating Action Rationale

The rating affirmation reflects our view that the revised assessments for modifiers and liquidity have no rating impact. All of Taipei Financial Center's debt will mature within the next year, including the company's new Taiwan dollar (NT\$) 6.0 billion corporate bond that accounts over 80% of its total borrowing. We therefore lowered our assessment of the company's capital structure to negative from neutral to reflect the negative impact on the company's capital structure of its weighted average debt maturity at under two years.

At the same time, we revised our assessment of the company's comparable ratings analysis to positive from neutral. This is because we believe Taipei Financial Center has limited refinancing risk, given the company's comprehensive refinancing plan, solid banking relationships, and its strong standing in credit markets. Ample liquidity in Taiwan's financial markets, a competitive banking environment, and the company's track record of refinancing prior debt also support our view.

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Meanwhile, we revised our assessment of Taipei Financial Center's liquidity to adequate from strong. This reflects our expectation that the company's liquidity needs are likely to rise over the next 12 months due to its short-term debt that matured in the first half of 2026. The revisions to our rating modifiers, however, carry no overall rating impact.

Outlook

The stable rating outlook reflects our view that Taipei Financial Center's sophisticated management team, prestigious property status, and superior property location among other factors will support steady performance over the next few years. We believe the revenue stream from Taipei 101 observation deck will play a critical role underpinning the company's overall performance as tourist numbers continue to recover.

We expect the shopping mall and office assets to deliver steady performance in 2025 and 2026 by building on their robust operating foundation with limited room for growth due to a high base effect, waning pent-up demand, a rise in outbound tourism and rising competition in the office sector. These factors, along with Taipei Financial Center's conservative financial policy, underpin our forecast for sufficient operating cash flow over the next one to two years to reduce debt by NT\$1.3 billion in 2026 while at the same time improving the ratio of debt to EBITDA to 2.9x.

Downside scenario

We could lower the rating on Taipei Financial Center if:

- The company's cash flow generation deteriorates and pushes the ratio of debt to EBITDA above 4.5x for an extended period. This could be due to a substantial weakening in the domestic economy that hampers consumer spending and office space demand or from a prolonged recovery in tourism, leading to volatile performance of the observation deck; or
- The company adopts shareholder-friendly action such as increasing its dividend payout ratio which would push up debt and weaken the ratio of debt to EBITDA to 4.5x or above.

Upside scenario

We could raise the rating on Taipei Financial Center if:

- The company could reduce debt materially, leading to sustainable improvement in the ratio of debt to EBITDA to below 2.5x, possibly through more conservative cash dividend payouts or better earning ability; or
- The company expands its asset scale with enhanced asset and geographic diversification, while maintaining good asset quality and stable profitability, with the ratio of debt to EBITDA below 4.5x.

Our Base-Case Scenario

- Taiwan's real GDP growth of 5.5% in 2025 and 1.6% in 2026.
- Total revenue will likely continue to grow in 2025 and 2026, building on the strong foundation of the three core business lines. However, the combined growth momentum could slow over the next few years compared with the last few years.
- The office tower will likely see a moderate rental growth rate of approximately 1.7% during 2025-2026, despite a likely increase in office supply in Taipei City. The occupancy rate could remain at 96% or higher over the same period, supported by the property's strategic location, prestigious status, strong cluster effect, and the company's sophisticated management.

- Sales of luxury products in the department store remain steady, supported by effective management of high-net-worth domestic customers and the store's leading market position. However, sales momentum could stabilize over the next one to two years, reflecting the impact of a high base effect, waning pent-up demand, and increased outbound tourism driven by appreciation in the NT\$.
- Rising inbound tourist numbers remain below the pre-pandemic high in 2019. This, and an increase in domestic visitors could support a strong performance recovery for the observation deck over the next one to two years. However, we believe a rebound to the historical peak of approximately 2.4 million annual visitors is unlikely over the period.
- The company's planned expansion into Taichung in partnership with Cathay Life Insurance Co. Ltd, where Taipei Financial Center will act as a tenant to run a new multistory development will not affect the company's overall financial performance over the next few years. That's because the property complex will not reach completion until September 2029.
- Gross margin for 2025 and 2026 is slightly higher than in 2024 with operating expenses generally moving in tandem with revenue growth. Capital expenditure (capex) of NT\$261 million in 2025 and NT\$358 million in 2026.
- Dividend payout of 90% of the previous year's net income.
- We deduct 100% of the company's cash balance in arriving at the adjusted debt level.

Note: GDP growth forecasts are from the latest Credit Conditions Committee. S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly.

Taipei Financial Center – Taiwan Ratings Corp. Forecast Summary

(Mil. NT\$)	2023a	2024a	2025e	2026f	2027f
Revenue	5,791	6,280	6,656	6,836	7,064
EBITDA (reported)	4,199	4,632	4,940	5,082	5,271
EBITDA	4,199	4,632	4,940	5,082	5,271
Less: Cash interest paid	(301)	(275)	(345)	(318)	(334)
Less: Cash taxes paid	(390)	(841)	(687)	(713)	(740)
Funds from operations (FFO)	3,507	3,517	3,908	4,051	4,197
Cash flow from operations (CFO)	4,469	2,910	3,926	4,067	4,212
Capital expenditure (capex)	190	150	261	358	78
Free operating cash flow (FOCF)	4,280	2,759	3,665	3,709	4,134
Debt (reported)	9,996	7,998	7,998	4,627	4,627
Plus: Lease liabilities debt	10,270	10,594	10,700	10,807	10,915
Less: Accessible cash and liquid Investments	(2,231)	(856)	(2,423)	(500)	(2,281)
Debt	18,035	17,737	16,276	14,934	13,261
Cash and short-term investments (reported)	2,231	856	2,423	500	2,281

	2023a	2024a	2025e	2026f	2027f
Adjusted ratios					
Debt/EBITDA (x)	4.3	3.8	3.3	2.9	2.5
FFO/debt (%)	19.4	19.8	24.0	27.1	31.6
Annual revenue growth (%)	25.8	8.4	6.0	2.7	3.3
EBITDA margin (%)	72.5	73.8	74.2	74.4	74.6

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

The short-term rating on Taipei Financial Center is 'twA-1+', reflecting the long-term issuer credit rating and our assessment of the trust's adequate liquidity. The adequate assessment reflects our estimate that the REIT's ratio of liquidity sources to liquidity uses will be 3.7x for the next 12 months ending June 30, 2026. We also believe the company will have positive liquidity sources less uses, even if EBITDA declined by 10%.

We consider the principal liquidity uses, such as debt repayment, mainly within the six-month time horizon and principal liquidity sources beyond the next six months for the liquidity assessment. This is because the company has a relatively high anchor and has a sound relationship with banks, as indicated by the low interest rate on its bank loans. In addition, we believe Taipei Financial Center has a high standing in the credit markets, as shown by the low coupon on the company's five-year NT\$8 billion corporate bond issued in 2018 and three-year NT\$6 billion corporate bond issued in 2023. Moreover, we assess the company has prudent risk management, as indicated by the substantial reduction in debt over the past few years. The company's debt does not carry any financial covenant.

Principal liquidity sources

- Existing cash of about NT\$831.6 million at the end of June 2025.
- Undrawn commercial paper lines (maturing beyond December 2025) of NT\$5 billion.
- Cash funds from operations of NT\$4.2 billion for the 12 months ending June 2026.

Principal liquidity uses

- Capex of around NT\$309.6 million for the 12 months ending June 2026.
- Cash dividend of NT\$2.4 billion in 2025.

Rating Component Scores

Taipei Financial Center Corp.	To	From
Issuer Credit Rating	twAA/Stable/twA-1+	twAA/Stable/twA-1+
Business risk	Satisfactory	Satisfactory
Country risk	Intermediate	Intermediate
Industry risk	Low	Low
Competitive position	Satisfactory	Satisfactory
Financial risk	Modest	Modest
Cash flow/Leverage	Modest	Modest
Anchor	twaa	twaa
Modifiers		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Negative (-1 notch)	Neutral (no impact)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Adequate (no impact)	Strong (no impact)
Management and governance	Positive (no impact)	Positive (no impact)
Comparable ratings analysis	Positive (+1 notch)	Neutral (no impact)
Stand-alone credit profile (SACP)	twaa	twaa
Note: All scores above are in comparison with global obligors.		

Related Criteria & Research

Related Criteria

- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry – February 26, 2018
- General Criteria: National And Regional Scale Credit Ratings Methodology – June 08, 2023
- 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: 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 – November 11, 2021

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

Ratings List

Ratings Affirmed

Taipei Financial Center Corp.

Issuer Credit Rating	twAA/Stable/twA-1+
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