

## Cheng UEI Precision Industry Co (d/b/a Foxlink)



CCC

1 year PD

9.02% to 14.87%

- Cheng UEI is a profitable, large multinational entity with stable growth, global integration, and a diversified manufacturing base.
- High leverage and weak capital returns pose credit concerns amid elevated CAPEX driving debt and negative OCF & FCF in FY-24. Customer concentration concerns (e.g. Apple) and maturity wall in 26/27 - yet increased commitments to Foxlink US.

Strengths

- Liquidity Position:** With a quick ratio of 1.6x (vs. peer's 1.4x) and cash reserves of \$580mn as of FY-24, the company exhibits solid short-term solvency and above-average liquid asset coverage.
- Manufacturing Redundancy:** The firm has a global footprint including Taiwan, India, China, and a new US facility in Arizona, enhancing operational resilience and mitigating single-point failure risk. The latter might prove very beneficial in light of ongoing considerations of trade conflicts vs manufacturing in the US (e.g. Apple).
- Strategic Customer Access:** Foxlink’s position as a Tier-1 supplier to Apple for key components like USB-C cables reflects strong qualification standards and strategic client relationships.

Challenges

- Leverage Deterioration:** Total debt grew from \$1.0bn to \$1.75bn in FY-24, and roughly doubled since FY-22, pushing Net Debt/EBITDA to 4.5x, far above the peer median of 1.12x, creating significant pressure on debt servicing.
- Capital Inefficiency:** Despite \$393mn in FY-24 CAPEX (88% in Machinery and Equipment), fixed asset turnover declined to 3.1x, while ROCE fell to 4.0% vs. peer's 11.3%, indicating underutilized investment - or just a lag between investment and positive impact.
- Customer Concentration Risk:** Seemingly heavy reliance on Apple creates revenue vulnerability; a shift or reduction in orders from a key customer could materially disrupt financial performance.

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership	Public			
	Company Stage	Stabilized			
	Financials	Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	3.4	Liquidity	15%	5.7
			Leverage	40%	2.6
			Profitability	45%	3.3
Business	25%	5.2	Industry Risk	20%	5.3
			Competitive Position	50%	5.1
			Mgmt / Governance	30%	5.3
			Sponsor / Parent		
Modifiers	0.0		Revenue Segment		0.6
			Trend Analysis		0.25
			Fixed Cost Coverage Risk		(0.50)

### Company Overview

Headquarters

Type

Employees

Year Founded

Website

Business

Revenues

New Taipei City, TWN

Public

~75,000

1986

https://www.foxlink.com/

Electronic components and modules manufacturer.

\$3,207.8M

- Company Overview:** Cheng UEI Precision Industry Co., Ltd. (Foxlink) is a publicly listed Taiwanese manufacturer of electronic components and provider of EMS (Electronic Manufacturing Services) for global consumer and industrial electronics clients.
- Product:** Foxlink produces connectors, cable assemblies, battery packs, audio components, and power modules used in or with smartphones, laptops, game consoles, and networking devices.
- Customers:** Foxlink supplies global OEMs, with major exposure to U.S.-based tech giants like Apple (Tier 1 supplier). It is integrated into client supply chains via tailored EMS and component manufacturing.
- Ownership:** Listed on the Taiwan Stock Exchange (TPE:2392). Major shareholders include Xinhong International Investment (21.7%) and FIT Holding (10.7%).
- Debt Structure:** The vast majority of their debt is LT (~\$1.3bn), with a \$521mn R/C-line (40% utilized). Significant maturity wall in 2026/27 with >50% of LT-debt (including R/C-lines UPB) maturing. Profit and/or losses from changes in 1% of interest rates would accumulate to \$14.1mn (FY-24), and \$8.1mn (FY-23).
- Basis for Assessment:** Translated and audited financials (FY-22 - FY24), with '24 being most relevant for this assessment. All figures were converted with 1:0.0326 to USD (per 12/31/24), removing FX-volatility from the equation.
- Single Event Risks:** The loss of a key customer (e.g. Apple), refi risk yet mitigated by size of operation and access to capital markets. Execution failure on recent capex projects (\$393mn), or critical facility/trade disruptions may impair deliveries and liquidity in the absence of (known) robust contingency measures.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:

54

Industry Median

Company Metric

Percentile Rank

Liquidity	Current Ratio	2.28	1.90	<div></div> 44%
	Quick Ratio	1.41	1.61	<div></div> 60%
Leverage	Net Debt / EBITDA	1.12	4.54	<div></div> 16%
	Debt to Assets	25.4%	41.2%	<div></div> 22%
Profitability	EBITDA Margin	11.3%	8.1%	<div></div> 36%
	ROCE %	11.3%	4.0%	<div></div> 18%
	Revenue	\$892M	\$3,208M	

Industry Benchmarks - Primary: Electronic Components | Secondary: Electronic Manufacturing Services

Debt Maturities

\$0.0

\$593,400.0

\$328,300.0

\$0.0

\$321,100.0

\$0.0

\$75,500.0

2025

2026

2027

2028

2029

2030

Be...

### Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	3,067,745	2,951,955	3,207,757		8.7%
Gross Profit	394,271	381,222	407,274		6.8%
Adjusted EBITDA	229,741	222,137	258,307		16.3%
Gross Profit Margin	12.9%	12.9%	12.7%		(22) bps
Net Income	68,287	68,519	82,230		20.0%
Balance Sheet					
Cash And Cash Equivalents	366,634	483,940	580,495		20.0%
Total Current Assets	1,991,645	2,217,125	2,605,633		17.5%
Total Assets	3,204,515	3,447,827	4,254,679		23.4%
Total Current Liabilities	1,185,270	1,344,953	1,373,136		2.1%
Total Debt	869,077	1,023,350	1,753,073		71.3%
Total Equity	1,182,014	1,200,397	1,313,881		9.5%
Key Ratios					
Current Ratio	1.68	1.65	1.90		15.1%
Quick Ratio	1.19	1.30	1.61		23.9%
Net Debt / EBITDA	2.19	2.43	4.54		86.9%
Debt to Assets	27.1%	29.7%	41.2%		+1152 bps
EBITDA Margin	7.5%	7.5%	8.1%		+53 bps
ROCE %	5.7%	4.5%	4.0%		(52) bps

- Revenue recovered to \$3.2bn in FY-24, up from \$2.95bn in FY-23, reversing a prior year decline.
- Total debt surged by 71% YoY, and Debt-to-Assets rose to 41.2% in FY-24 (from 29.7% in FY-23), driven by CAPEX-heavy expansion (increased 2.5x from \$111mn to \$393mn)
- Operating Cash Flow turned negative (-\$100mn) in FY-24 (vs \$162mn in FY-23) mainly driven by prepaid project and expansion costs tied to CAPEX.

### Business Risk Highlights

- Industry:** The electronic manufacturing services industry is cyclical, with margins dependent on global tech hardware demand. Peer average EBITDA margins (11.3%) exceed Foxlink’s 8.1% The North American EMS market is projected to grow from \$177.3bn in 2025 to \$229.5bn by 2030, exhibiting a CAGR of 5.3%
- Competitive Position:** Foxlink benefits from longstanding relationships with high-profile OEMs and a diversified product mix, but profitability and return metrics lag industry norms.
- Management:** Dividend payments continued (\$33.4mn in FY-24) despite negative free cash flow (almost -\$0.5bn, driven by substantial CAPEX) and rising debt, raising concerns about financial discipline and risk appetite. The entity has an experienced management team, including sophisticated Risk Management (e.g. Identify, measure, monitor, report and remediate various risks).
- Operational Incidents:** A '23 factory fire at an Indian facility disrupted Apple component deliveries, highlighting the need for robust disaster preparedness and redundancy protocols. The damage in equipment and inventorise (only) was about \$18mn, of which about 95% is considered recoverable from the insurance company (Other Gains and Losses).