

Renesas Electronics Announced Acquisition of U.S. Software Company—No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Renesas Electronics Corporation (security code: 6723)'s acquisition of Altium Limited (Altium).

- (1) On February 15, Renesas Electronics Corporation (the “Company”) announced that it had reached an agreement with Altium headquartered in California, U.S. to make it a wholly owned subsidiary of the Company. It plans to acquire all outstanding shares of Altium through procedures under the Australian Corporation Act, where Altium's shares are listed. The acquisition price is approximately A\$9.1 billion (approximately JPY 887.9 billion at an exchange rate of 97 yen per AUD), and the Company plans to finance the acquisition with new bank loans from its main banks and cash on hand. The Company plans to close the transaction in the second half of 2024, subject to approval by Altium shareholders, Australian court approval as well as regulatory approvals and other customary closing conditions.
- (2) If the acquisition is completed, financial indicators will inevitably deteriorate. In addition, goodwill is expected to increase further. On the other hand, the Company has indicated that it intends to reduce its Net debt/Non-GAAP EBITDA multiple to less than 1.0x within 3 years after the completion of the transaction, based on its assumption of the multiple of 2.1x after the acquisition. The Company's financial results for the fiscal year ended December 31, 2023 announced on February 8 are favorable, and the Company's current equity attributable to owners of parent and liquidity on hand are also strong. Considering these Company's current financial position, financial management policy, ability to generate cash flow, etc., JCR believes that there will be no immediate impact on the rating. JCR will pay attention to whether the Company can early improve its financial structure.

Hiroaki Sekiguchi, Takahiko Yamaguchi

<Reference>

Issuer: Renesas Electronics Corporation

Long-term Issuer Rating: A+ Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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