April 23, 2026 03:57 PM GMT

MediaTek | Asia Pacific

Price target up again thanks to TPU; stay OW – now Top Pick

WHAT'S CHANGED		
MediaTek (2454.TW)	**From**	**To**
Price Target	NT$1,988.00	**NT$2,588.00**
Top Pick Added	2330.TW	**2454.TW**

Re-rating should continue with better visibility for MediaTek's 3nm and 2nm TPU production. AI agent phones may be a savior in 2027 for the weak Chinese smartphone business.

Google announced new TPU 8t, suggesting chip availability by year-end: At Google Cloud Next, Google (covered by Brian Nowak) introduced TPU v8 with two purpose-built architectures for training and inference: TPU 8t and TPU 8i. In our previous research, we mentioned that MediaTek's 3nm TPU v8 (ZebraFish) could target training. Our recent supply chain checks on reticle size confirmed that MediaTek's 3nm TPU 8 should be TPU 8t. According to Google's announcement, "*both chips will be generally available later this year, and can be used as part of Google's AI Hypercompute*," echoing MediaTek's guidance that AI ASIC can contribute revenue of more than US$1bn in 2026 (we assume 400k units at US$4,000 ASP). More importantly, this echoes our view that MediaTek's IP and design capability can enable a high-performance TPU (or v8p), dismissing some investors' concern about its SerDes IP performance and mass production schedule.

Weak 2Q26 revenue guidance should be already well expected: In China smartphone chip inventory correction begins (31 Mar 2026), we had indicated wafer order cuts for MediaTek's smartphone SoC. Based on 1Q26 preliminary revenue, our 2Q revenue forecast implies a 5% Q/Q decline, below Street consensus (see Exhibit 5). The April 30 earnings call could be a clear-out event for smartphone weakness.

Can AI agents on Android be a savior for the smartphone business in 2027? Google has actively rolled out AI agents on Android phones (starting with Galaxy S26/Pixel 10 in early 2026) that can perform multi-step tasks across apps. Token consumption and cost remain key issues for agentic AI; we think on-device computing on edge devices such as smartphones can help alleviate some cost burden for AI agent users. We hence see potential upside for MediaTek's smartphone SoC shipments into 2027 and 2028.

We are still bullish on TSMC but move our Top Pick to MediaTek: We have three reasons. 1) Our new price target of NT$2,588 for MediaTek suggests more upside; also, MediaTek is still not a consensus OW vs. TSMC. 2) We expect more catalysts for MediaTek in the coming months, in particular the May 19 Google I/O for Android agent strategy and Computex for MediaTek's keynote. 3) TPU chip volume confirmation from the supply chain. TSMC, during its earnings call, indicated that it would open the computing dies for Intel's EMIB, solidifying our 2nm TPU volume assumption for MediaTek.

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MediaTek (2454.TW, 2454 TT)
Top Pick

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$2,588.00
Up/downside to price target (%)	17
Shr price, close (Apr 23, 2026)	NT$2,215.00
52-Week Range	NT$2,335.00-1,130.00
Sh out, dil, curr (mn)	1,565
Mkt cap, curr (mn)	NT$3,466,884
EV, curr (mn)	NT$3,251,355
Avg daily trading value (mn)	NT$12,007

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	62.79	68.81	129.50	172.53
Prior EPS (NT$)**	-	58.70	117.44	131.63
EPS (NT$)§	66.05	63.24	99.75	138.55
Revenue, net (NT$ bn)	596.0	635.9	971.6	1,239.5
ModelWare net inc (NT$ bn)	99.9	109.5	206.2	274.7
ROE (%)	24.7	26.8	48.2	48.1
Div yld (%)	9.7	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

AI ASIC – Google's TPU could mean strong growth for MediaTek in 2027 and beyond

Strong TPU demand upside

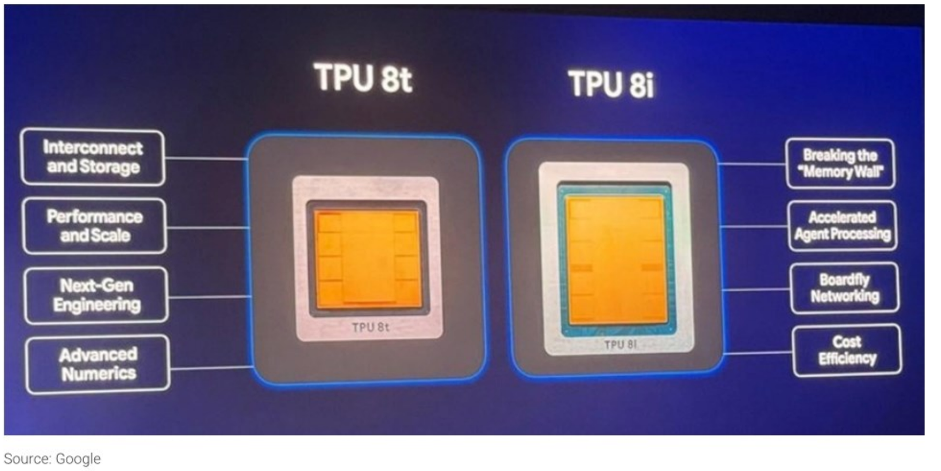
Back in June 2025 – Global Technology: AI Supply Chain: AI ASIC dynamics: Trainium and TPU (16 Jun 2025) – we mentioned that our checks suggested that MediaTek's 3nm Google TPU is designed for performance usage (e.g., training), and we think it should be the v8p, rather than the v7e as the market expects.

Yesterday, in discussing the generation TPUs: two chips for the agentic era, Google at Google Cloud Next introduced TPU v8 with two purpose-built architectures for training and inference: TPU 8t and TPU 8i. Our recent supply chain checks on reticle size confirmed that MediaTek's 3nm TPU 8 should be TPU 8t. It doesn't include SRAM in the computing die, so the reticle size is smaller than Broadcom's 3nm TPU SunFish. This echoes our view that MediaTek's TPU performance can be good enough for AI training.

According to Google's announcement, "both chips will be generally available later this year, and can be used as part of Google's AI Hypercompute," echoing MediaTek's guidance that AI ASIC can contribute revenue of more than US$1bn in 2026 (we assume 400k units at US$4,000 ASP).

Also, our recent checks suggest that ASP for the next-generation 2nm Humufish TPU, supported by MediaTek, could be higher than we initially expected given the double number of main dies. For Humufish, our checks suggest that there could be two computing dies and two I/O dies within the chip, both double from Zebrafish. Combining with the Serdes upgrade and larger packaging size, we believe the ASP could be US$12-15K, higher than our previous expectation of US$8-10k.

Exhibit 1: MediaTek TPU could be used for training purposes (v8t) given smaller chip size compared to Broadcom's TPU



Source: Google

Exhibit 2: Our Asia Google TPU volume forecasts from CoWoS and Morgan Stanley Asia estimates (supply chain-based)

k Units	2023	2024	2025e	2026e	2027e	2028e
v5	500	2,400	250			
v6 (Trillium)			1,000			
v7 (Ironwood/Sunfish, by Broadcom)			500	2,800	3,500	3,500
v8 (Zebrafish; 3nm, by MediaTek)				400	2,500	2,500
v9 (Pumafish; 2nm, by Broadcom)						500
v10 (Humufish; 2nm, by MediaTek)						500
Total	**500**	**2,400**	**1,750**	**3,200**	**6,000**	**7,000**

Source: Morgan Stanley Research (e) estimates

Exhibit 3: Performance comparison between Ironwood and TPU 8t (likely MediaTek 3nm TPU)

	Ironwood (2025)	TPU 8t (2026)
Pod size	9,216	9,600
FP4 EFlops per pod	42.5	121
Bidirectional scale-up bandwidth (Tb/s per chip)	9.6	19.2
Scale-out networking bandwidth (Gb/s per chip)	100	400

Source: Google

Exhibit 4: Performance comparison between Ironwood and TPU 8i (likely the Sunfish chip)

	Ironwood (2025)	TPU 8i (2026)
Pod size	256	1,152
FP8 EFlops per pod	1.2	11.6
Total HBM capacity per pod (TB)	49.2	331.8
Bidirectional scale-up bandwidth (Tb/s per chip)	9.6	19.2

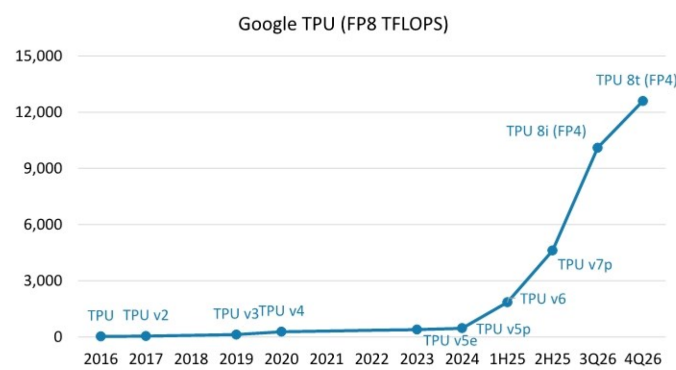
Source: Google

Exhibit 5: TPU 8t and TPU 8i at a glance

Feature	TPU 8t	TPU 8i
Primary Workload	Large-scale pre-training	Sampling, serving, and reasoning
Network Topology	3D torus	Boardfly
Specialized Chip Features	SparseCore (Embeddings) & LLM Decoder Engine	CAE (Collectives Acceleration Engine)
HBM Capacity	216 GB	288 GB
On-Chip SRAM (Vmem)	128 MB	384 MB
Peak FP4 PFLOPs	12.6	10.1
HBM Bandwidth	6,528 GB/s	8,601 GB/s (~1.3x of TPU 8t)
CPU Header	Arm Axion	Arm Axion

Source: Google

Exhibit 6: Performance of Google TPU by generation



Source: Google, Morgan Stanley Research; Note: TPU prior than TPU v7, performance is based on FP8

Better visibility for MediaTek's 2nm TPU Humufish in 2028 and 2029

For global AI semis, larger chip size (or higher die density) implies further performance breakthroughs. Whether TSMC should open its computing dies to competitors (e.g., Intel Foundry) for packaging may affect TSMC's foundry dominance, and also MediaTek's 2nm TPU production volume.

TSMC addressed competition from (or collaboration with) Intel's EMIB: During its 1Q26 earning call, we asked about competition from Intel (covered by Joseph Moore) in advanced packaging for AI chips via its EMIB technology. TSMC management said the company welcomes competition and is fine with opening the computing die to third-party foundries for packaging to enlarge the AI semi TAM. That said, TSMC does not intend to forgo value and will keep offering CoWoS-based solutions at commercially reasonable costs for large-reticle designs. Over the long term, its CoPoS, SoIC, and SoW portfolio will together address customers' larger-reticle designs.

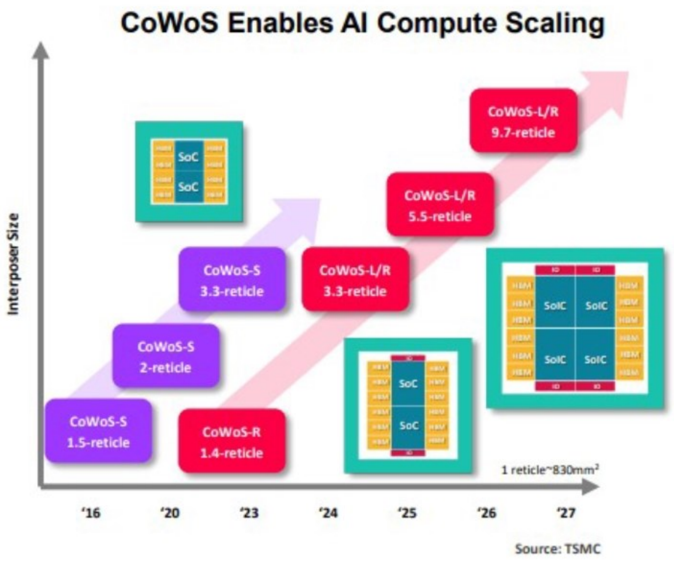
We expect the 2nm TPU to use dual sources – both TSMC CoWoS-L and Intel EMIB:

TSMC's CoWoS (Chip-on-Wafer-on-Substrate) is currently the industry's leading 2.5D packaging solution, especially for AI and HPC applications. Its biggest advantage is the use of a high-density interposer or RDL layer that enables extremely wide, low-latency connections between logic dies and HBM stacks. This makes it ideal for bandwidth-intensive workloads such as GPUs and AI accelerators.

However, these benefits come at a cost: CoWoS—particularly the silicon interposer/bridge—is expensive, capacity-constrained, and subject to yield challenges, with a potential warpage issue when it comes to larger chip sizes. Cost and manufacturing complexity remain key trade-offs. As a result, we now see TSMC's CoWoS roadmap supporting only up to 9.7x reticle size, which does not appear to be enough for future AI or HPC chip designs.

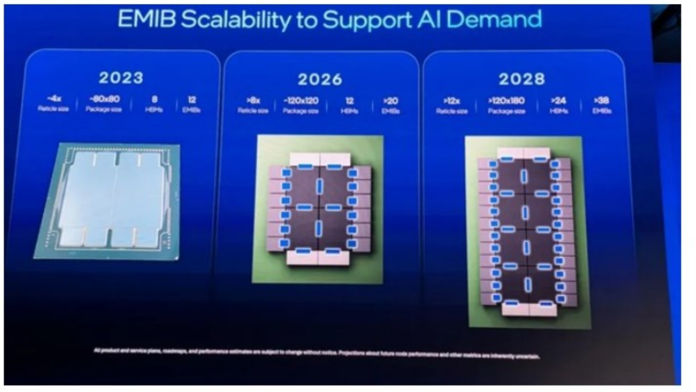
We expect MediaTek to secure a certain amount of CoWoS capacity for 2nm TPU to ensure the minimum volume production, but we think it could use Intel EMIB-T to save costs and boost volume in 2029 if executed well.

Exhibit 7: TSMC's roadmap for interposer size



Source: Winway, TSMC

Exhibit 8: Intel's EMIB can easily support larger chips with more reticles (>12) if its supply chain can execute well



Source: Intel

Smartphones: near-term weakness well-known; Android AI agent phones could be an interesting trend

A bleaker Android outlook: In Erik Woodring's recent AlphaWise Smartphone Survey report, our global team lowered its CY26 global smartphone shipment forecast to 1.1bn units, representing a 13% drop YoY, with Android shipments down 15% YoY. In our view, this points to weaker demand in China's smartphone market, driven by higher memory costs (as discussed in our Omnivision downgrade, Smartphone CIS De-spec and Pricing Pressure Given Memory Cost Hike) and the lack of a compelling new product cycle, as neither Edge AI nor AI smartphones appear to be gaining meaningful traction. We are also seeing similar order cuts at MediaTek's key chip testing vendors, including KYEC, and therefore we expect 2Q26 revenue to come in below our previous forecasts.

SoC vendors begin cutting 4nm wafer orders: Our foundry supply chain checks suggest that vendors of SoC for Chinese smartphones, including MediaTek and Qualcomm, have started cutting 4nm wafer orders at TSMC. 4nm produces MediaTek's Dimensity 7000/8000 series SoC, with chip ASP of US$30-60 and an end-product price band of Rmb2000-4000. That means not just the low-end but also the midrange to high-end segments are suffering from demand weakness. We estimate that total reductions could reach 20-30k wafers, implying a potential decline of 15-20mn units in chip shipments.

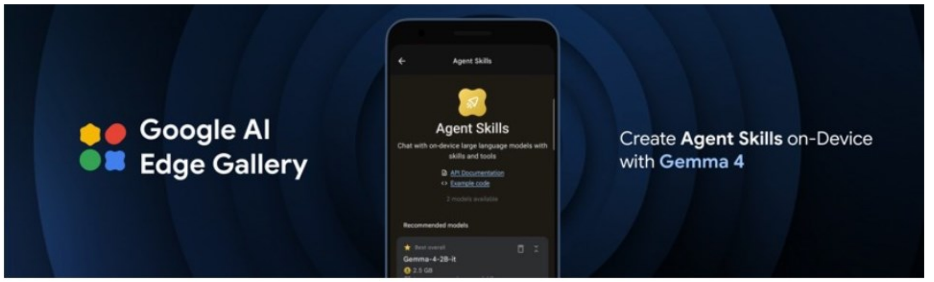
Android AI agent phones could be an interesting trend to watch: Google is actively rolling out AI agents on Android phones (starting with Galaxy S26/Pixel 10 in early 2026) that can perform multi-step tasks across apps, such as ordering food, organizing notes, or creating calendar events by interacting directly with the app UI. In the coming Google IO event on 5/19, there could be a wider adoption for the Android ecosystem. Token consumption and cost is currently a key issue for agentic AI; we expect on-device computing provided on edge devices such as smartphones can help to alleviate some cost burden for AI agent users. We hence also raise our 2027 and 2028 smartphone SoC shipment assumptions for MediaTek.

Exhibit 9: 1Q26 earnings and 2Q26 outlook preview

(NT$ bn)	1Q26				2Q26		
	Guidance	Preliminary	MS Est.	Consensus	Guidance	MS Est.	Consensus
Revenue	NT$141.2bn to NT150.2bn (flat to 6% Q/Q)	149.2	149.2	145.5		140.7	141.4
Q/Q				*-3.1%*			*-2.8%*
Y/Y				*-5.1%*			*-6.0%*
GM (%)	44.5% - 47.5%		46.0%	45.8%		45.9%	45.9%
OPEX ratio	29.0% - 33.0%		28.6%	30.9%		30.2%	31.0%
OPM			17.4%	15.0%		15.7%	14.9%
EPS (NT$)			**15.97**	**14.19**		**13.68**	**13.54**

Source: FactSet. Morgan Stanley Research

Exhibit 10: With Gemma 4, build agents and autonomous AI use cases running directly on-device are developed



Source: Google, Morgan Stanley Research

Earnings estimate revisions and quarterly financials

We raise our earnings estimates 17% for 2026, 10% for 2027, and 31% for 2028: Our increased estimates mostly reflect better-than-expected modem demand (share gain in Apple and Pixel products) in 2026, as well as next-generation 2nm TPU ASP upside, for which we now assume US$12k-15k.

Exhibit 11: MediaTek: Earnings estimate revisions

(NT$ mn)	Current New 2026e	Previous Old 2026e	*Diff. %*	Current New 2027e	Previous Old 2027e	*Diff. %*	Current New 2028e	Previous Old 2028e	*Diff. %*
Net sales	635,883	604,838	*5%*	971,588	930,647	*4%*	1,239,484	1,062,511	*17%*
Gross profit	287,597	267,756	*7%*	413,362	389,616	*6%*	520,829	441,754	*18%*
Operating profit	114,289	95,313	*20%*	228,973	206,250	*11%*	310,042	232,991	*33%*
Pretax income	129,289	110,313	*17%*	243,973	221,250	*10%*	325,042	247,991	*31%*
Reported net income	109,547	93,451	*17%*	206,157	186,956	*10%*	274,660	209,553	*31%*
Reported basic EPS	**68.81**	**58.70**	***17%***	**129.50**	**117.44**	***10%***	**172.53**	**131.63**	***31%***
Reported diluted EPS	**68.71**	**58.61**	***17%***	**129.30**	**117.25**	***10%***	**172.26**	**131.43**	***31%***
Margins									
Gross margin	45.2%	44.3%		42.5%	41.9%		42.0%	41.6%	
Operating margin	18.0%	15.8%		23.6%	22.2%		25.0%	21.9%	
Pretax margin	20.3%	18.2%		25.1%	23.8%		26.2%	23.3%	
Net margin	17.2%	15.5%		21.2%	20.1%		22.2%	19.7%	

Source: Morgan Stanley Research (e) estimates

Exhibit 12: MediaTek: Quarterly financials

(NT$ mn)	1Q26e	2Q26e	3Q26e	4Q26e	1Q27e	2Q27e	3Q27e	4Q27e	2024	2025	2026e	2027e	2028e
Total revenues	**149,151**	**140,701**	**146,427**	**199,604**	**211,125**	**224,030**	**258,946**	**277,487**	**530,586**	**595,966**	**635,883**	**971,588**	**1,239,484**
Q/Q Change	*-0.7%*	*-5.7%*	*4.1%*	*36.3%*	*5.8%*	*6.1%*	*15.6%*	*7.2%*					
Y/Y Change	*-2.7%*	*-6.4%*	*3.0%*	*32.9%*	*41.6%*	*59.2%*	*76.8%*	*39.0%*	*22.4%*	*12.3%*	*6.7%*	*52.8%*	*27.6%*
Cost of Sales	**80,501**	**76,104**	**79,954**	**111,727**	**120,137**	**128,404**	**149,451**	**160,234**	**267,200**	**312,886**	**348,286**	**558,225**	**718,655**
Percent of Revenues	*54.0%*	*54.1%*	*54.6%*	*56.0%*	*56.9%*	*57.3%*	*57.7%*	*57.7%*	*50.4%*	*52.5%*	*54.8%*	*57.5%*	*58.0%*
Gross Profit	**68,649**	**64,597**	**66,473**	**87,878**	**90,988**	**95,626**	**109,495**	**117,253**	**263,386**	**283,080**	**287,597**	**413,362**	**520,829**
Gross Margin	***46.0%***	***45.9%***	***45.4%***	***44.0%***	***43.1%***	***42.7%***	***42.3%***	***42.3%***	***49.6%***	***47.5%***	***45.2%***	***42.5%***	***42.0%***
Incremental Margin	*NM*	*NM*	*33%*	*40%*	*27%*	*36%*	*40%*	*42%*	*58%*	*30%*	*11%*	*37%*	*40%*
Total Opex	**42,625**	**42,540**	**43,054**	**45,089**	**44,728**	**45,351**	**46,724**	**47,587**	**160,974**	**179,610**	**173,308**	**184,390**	**210,787**
Percent of Revenues	*28.6%*	*30.2%*	*29.4%*	*22.6%*	*21.2%*	*20.2%*	*18.0%*	*17.1%*	*30.3%*	*30.1%*	*27.3%*	*19.0%*	*17.0%*
R&D	35,500	35,700	35,900	36,300	36,550	36,750	36,950	37,150	131,993	148,306	143,400	147,400	165,900
Percent of Revenues	*23.8%*	*25.4%*	*24.5%*	*18.2%*	*17.3%*	*16.4%*	*14.3%*	*13.4%*	*24.9%*	*24.9%*	*22.6%*	*15.2%*	*13.4%*
General & Adm Exp.	2,800	2,900	3,200	3,400	2,900	3,000	3,300	3,500	11,891	10,856	12,300	12,700	13,900
Percent of Revenues	*1.9%*	*2.1%*	*2.2%*	*1.7%*	*1.4%*	*1.3%*	*1.3%*	*1.3%*	*2.2%*	*1.8%*	*1.9%*	*1.3%*	*1.1%*
Selling Expenses	4,325	3,940	3,954	5,389	5,278	5,601	6,474	6,937	17,090	20,448	17,608	24,290	30,987
Percent of Revenues	2.9%	2.8%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	*3.2%*	*3.4%*	*2.8%*	*2.5%*	*2.5%*
Operating Income	**26,024**	**22,057**	**23,420**	**42,788**	**46,260**	**50,276**	**62,771**	**69,666**	**102,412**	**103,470**	**114,289**	**228,973**	**310,042**
Operating Margin	*17.4%*	*15.7%*	*16.0%*	*21.4%*	*21.9%*	*22.4%*	*24.2%*	*25.1%*	*19.3%*	*17.4%*	*18.0%*	*23.6%*	*25.0%*
Total Non-operating Income (loss)	**3,750**	**3,750**	**3,750**	**3,750**	**3,750**	**3,750**	**3,750**	**3,750**	**17,107**	**16,047**	**15,000**	**15,000**	**15,000**
Profit Before Taxes	**29,774**	**25,807**	**27,170**	**46,538**	**50,010**	**54,026**	**66,521**	**73,416**	**119,519**	**119,517**	**129,289**	**243,973**	**325,042**
Percent of Revenues	*20.0%*	*18.3%*	*18.6%*	*23.3%*	*23.7%*	*24.1%*	*25.7%*	*26.5%*	*22.5%*	*20.1%*	*20.3%*	*25.1%*	*26.2%*
Change vs Year Ago	*-14%*	*-22%*	*4%*	*81%*	*68%*	*109%*	*145%*	*58%*	*37.7%*	*0.0%*	*8.2%*	*88.7%*	*33.2%*
Taxes	**4,317**	**4,000**	**4,211**	**7,213**	**7,752**	**8,374**	**10,311**	**11,380**	**12,378**	**18,770**	**19,742**	**37,816**	**50,381**
Tax Rate	14.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	10.4%	15.7%	15.3%	15.5%	15.5%
Minor interest	0	0	0	0	0	0	0	0	754	798	0	0	0
Total Net Income to Parent	**25,457**	**21,807**	**22,959**	**39,325**	**42,258**	**45,652**	**56,210**	**62,037**	**106,387**	**99,948**	**109,547**	**206,157**	**274,660**
Percent of Revenues	*17.1%*	*15.5%*	*15.7%*	*19.7%*	*20.0%*	*20.4%*	*21.7%*	*22.4%*	*20.1%*	*16.8%*	*17.2%*	*21.2%*	*22.2%*
Change vs Year Ago	*-13.2%*	*-21.7%*	*7.8%*	*83.1%*	*66.0%*	*109.3%*	*144.8%*	*57.8%*	*38.2%*	*-6.1%*	*9.6%*	*88.2%*	*33.2%*
Reported Basic EPS (NT$, TW GAAP)	**15.99**	**13.70**	**14.42**	**24.70**	**26.55**	**28.68**	**35.31**	**38.97**	**66.93**	**62.79**	**68.81**	**129.50**	**172.53**
Reported Diluted EPS (NT$, TW GAAP)	**15.97**	**13.68**	**14.40**	**24.66**	**26.50**	**28.63**	**35.25**	**38.91**	**66.81**	**62.70**	**68.71**	**129.30**	**172.26**

Source: Company data, Morgan Stanley Research (e) estimates

Raise price target from NT$1,988 to NT$2,588

We continue to derive our price target (our base case scenario value) from a residual income model. The price target change reflects our EPS estimate revisions. All of our key valuation assumptions remain the same: cost of equity of 9.2% (beta of 1.2, risk-free rate of 2%, and risk premium of 6%), intermediate growth rate of 9%, and terminal growth rate of 3.0%.

Our bull and bear case scenario values also rise from NT$2,730 and NT$1,015 to NT$3,550 and NT$1,320, respectively.

Exhibit 13: MediaTek: Residual income model

(NT$ mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**427,610**	**570,770**	**705,979**	**846,927**	**1,000,560**	**1,168,021**	**1,350,553**	**1,549,512**	**1,766,378**	**2,002,762**	**2,260,421**	**2,541,269**
Net Profit	**109,547**	**206,157**	**274,660**	**299,380**	**326,324**	**355,693**	**387,706**	**422,599**	**460,633**	**502,090**	**547,278**	**596,533**
ROAE	**26.2%**	**41.3%**	**43.0%**	**38.6%**	**35.3%**	**32.8%**	**30.8%**	**29.1%**	**27.8%**	**26.6%**	**25.7%**	**24.8%**
Residual Income	69,490	137,256	193,063	207,257	221,270	236,175	252,149	269,356	287,952	308,094	329,948	353,684
Spread	**17.0%**	**32.1%**	**33.8%**	**29.4%**	**26.1%**	**23.6%**	**21.6%**	**19.9%**	**18.6%**	**17.4%**	**16.5%**	**15.6%**
Ending Equity Capital	427,610											
PV of Forecast Period	1,467,418											
PV of Continuing Value	2,231,574											
Equity Value	**4,126,602**											
No. of Shares	1,594											
Projected Price (NT$)	**2,588**											

Source: Company data, Morgan Stanley Research (e) estimates

Relative valuation

We view P/E as relatively attractive – it's below the historical average since 2006 – in view of strong AI demand. Although MediaTek will face a smartphone headwind in 2026, we think it's time to look beyond 2026: this margin pressure has been fully priced in, but the TPU upside is not. We believe the stock should now trade closer to +1SD from its historical average because of strong TPU demand. Our new price target of US$2,588 implies 20x 2027e EPS.

Exhibit 14: MediaTek: One-year forward P/E trend

Source: Company data, FactSet, Morgan Stanley Research

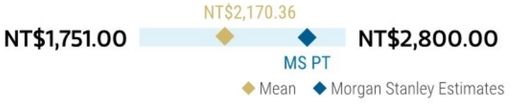
Risk Reward – MediaTek (2454.TW) Top Pick

AI ASIC demand likely to offset smartphone headwind; Top Pick

PRICE TARGET NT$2,588.00

Base case, residual income model. Key assumptions: cost of equity 9.2%, intermediate growth rate 9.0%, terminal growth rate 3.0%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

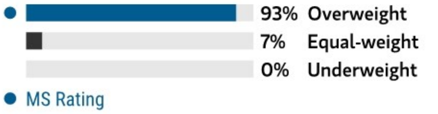
RISK REWARD CHART

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We think MediaTek's gross margin will decline in both 2026 and 2027 as a result of smartphone headwinds and TPU margin dilution, but the strong demand from TPU should be able to drive earnings growth.
- Overall AI ASIC demand looks very strong, especially from Google's TPU, which should benefit MediaTek in the following years.
- The AI smartphone replacement cycle is the key wild card. AI smartphone replacement could be too mild to pass through additional costs in Chinese smartphones.
- Risk-reward is attractive at the current level given strong TPU demand. We believe the stock deserves to re-rate to 20x 2027e P/E, closer to +1SD from its 18x historical average since 2006.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$3,550.00

27x 2027e EPS

MediaTek receives US licenses for shipments to all Chinese smartphone brands. Emerging market demand recovers to trend-line growth. MediaTek reaches 90% of an enlarged addressable market for 5G Android smartphones in 2027, including share gains in premium smartphone models. Blended ASP rises in 2027. Better business development in IoT, autos, enterprise networking chips, edge AI projects and AI ASIC business, especially on Google TPU demand.

BASE CASE NT$2,588.00

20x 2027e EPS

MediaTek maintains around 35-40% overall share in the Chinese smartphone market, with a share of 30-40% in 5G SoC for 2025 (ex-Apple). Besides smartphones, AI ASIC should be the largest focus for the company now. We expect a 25-30% revenue CAGR during 2025-28. Non-smartphone business development stays on track, including IoT, autos, enterprise networking chips, edge AI projects and AI ASIC business.

BEAR CASE NT$1,320.00

10x 2027e EPS

Competitive pressures are worse than expected, with some market share loss, which hurts gross margin. Emerging market smartphone growth stalls. Chinese smartphone chipset vendors show breakthrough in 5G technologies or foundry supply and start to take more market share in midrange 5G smartphone SoCs. Slow new business development in ASIC, IoT and automotive, edge AI projects and AI ASIC business.

Risk Reward – MediaTek (2454.TW)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Revenue from 5G Products (NT$, mn)	291,637	270,507	296,642	335,833
Revenue from Mid-low-end 4G Products (NT$, mn)	4,854	1,165	1,119	1,167
Revenue from Growing Products (NT$, mn)	195,335	287,506	598,648	823,770
Revenue from Mature Products (NT$, mn)	34,922	32,269	32,423	32,247

INVESTMENT DRIVERS

- Market share in major smartphone brands
- Overall demand from non-smartphone businesses, such as TVs and set-top boxes
- Introduction of new products, such as SoC, smartphones, and tablets

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 80-90% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Edge AI proliferates smartphone replacement cycle.
- Smartphone demand rises in China and other EMs.
- New products attract high demand, resulting in market share gains.
- Google's TPU spurs demand.

RISKS TO DOWNSIDE

- Smartphone demand deteriorates in China and other EMs.
- Competition heats up, resulting in pricing competition.
- New products attract low demand, causing market share loss.
- Margin dilution is more severe.

OWNERSHIP POSITIONING

Inst. Owners, % Active 72.7%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (NT$, mn)	569,770	635,883	626,498	689,506
EBITDA (NT$, mn)	103,379	138,097	123,162	155,331
Net income (NT$, mn)	81,798	109,547	100,886	125,009
EPS (NT$)	51.39	68.81	63.24	77.94

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

MediaTek: Financial Summary

Income Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Net sales	**530,586**	**595,966**	**635,883**	**971,588**	**1,239,484**
COGS	(267,200)	(312,886)	(348,286)	(558,225)	(718,655)
Gross profit	263,386	283,080	287,597	413,362	520,829
Operating expenses	(160,974)	(179,610)	(173,308)	(184,390)	(210,787)
Operating income	**102,412**	**103,470**	**114,289**	**228,973**	**310,042**
Non-operating income	17,107	16,047	15,000	15,000	15,000
Pre-tax income	119,519	119,517	129,289	243,973	325,042
Income tax	(12,378)	(18,770)	(19,742)	(37,816)	(50,381)
Net income (excl. emp. bonus)	**133,925**	**125,933**	**136,934**	**257,696**	**343,326**
Employee Bonus Expense	26,785	25,187	27,387	51,539	68,665
Net income (incl. emp. bonus)	**106,387**	**99,948**	**109,547**	**206,157**	**274,660**
Adj.wtd.avg.shrs(m)	1,589	1,592	1,592	1,592	1,592
Reported EPS (NT$)	**66.93**	**62.79**	**68.81**	**129.50**	**172.53**
Diluted EPS (NT$)	**66.81**	**62.70**	**68.71**	**129.30**	**172.26**
Modelware EPS (NT$)	**66.81**	**62.70**	**68.71**	**129.30**	**172.26**

Cash Flow Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash flow from Operations	**156,055**	**162,793**	**24,415**	**175,872**	**273,457**
Net profits	106,385	99,948	109,547	206,157	274,660
Depreciation	20,936	22,974	23,808	24,641	25,474
Equity investment losses (income)	(517)	(785)	0	0	0
Other adjustments	29,251	40,655	(108,940)	(54,927)	(26,678)
Cash flow from Investing	**(35,928)**	**(37,754)**	**(64,281)**	**(98,059)**	**(79,262)**
Capex	(13,787)	(15,059)	(5,000)	(5,000)	(5,000)
Change of LT Investment	(14,226)	(9,851)	0	0	0
Change of ST Investment	283	(69)	0	0	0
Other adjustments	(8,198)	(12,775)	(59,281)	(93,059)	(74,262)
Cash flow from financing	**(90,119)**	**(87,675)**	**(114,940)**	**(87,638)**	**(164,926)**
Increase in L/T debt	0	60	0	0	0
Increase in S/T debt	(1,260)	0	0	0	0
Cash Dividend Paid	(87,551)	(86,070)	(114,940)	(87,638)	(164,926)
Dir& Emp Bonus Paid	0	0	0	0	0
Issuance of stock	0	0	0	0	0
Other adjustments	(1,309)	(1,665)	0	0	0
Exchange rate adjustment	0	0	0	0	0
Net change in cash	**30,008**	**37,364**	**-154,806**	**-9,825**	**29,269**

Balance Sheet

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash	203,696	235,290	80,484	70,659	99,928
Mkt Securities	15,928	12,419	12,419	12,419	12,419
AR/NR	44,713	62,121	75,597	115,508	147,357
Inventory	58,414	67,235	88,614	142,028	182,846
Other	28,274	20,392	13,107	20,027	25,549
Current Assets	**351,025**	**397,456**	**270,221**	**360,641**	**468,098**
Long-term investments	169,970	168,912	168,912	168,912	168,912
Fixed assets	56,917	60,427	65,427	70,427	75,427
Other assets	119,955	116,990	176,271	269,330	343,592
Total Assets	**697,868**	**743,785**	**680,831**	**869,309**	**1,056,029**
S/T borrowings	940	940	940	940	940
AP/NP	40,777	48,710	57,873	92,758	119,415
Other ST liabilities	225,186	253,700	163,169	173,602	198,455
LT debt	2,681	6,795	6,795	6,795	6,795
Other LT liabilities	23,228	24,444	24,444	24,444	24,444
Total Liabilities	**292,812**	**334,590**	**253,222**	**298,540**	**350,050**
Common shares	16,017	16,039	16,039	16,039	16,039
Retained earning	331,543	354,139	463,686	669,843	944,503
Other shareholders' equity	57,495	39,017	(52,115)	(115,112)	(254,563)
Total Equity	**405,055**	**409,195**	**427,610**	**570,770**	**705,979**
Total Liab. & Shrhldr's Equity	**697,868**	**743,785**	**680,831**	**869,309**	**1,056,029**

e = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

Financial Ratios

	2024	2025	2026e	2027e	2028e
Growth(%)					
Turnover	22.4	12.3	6.7	52.8	27.6
Operating profits	42.6	1.0	10.5	100.3	35.4
Pretax profits	37.7	0.0	8.2	88.7	33.2
Net profits	38.8	-6.0	8.7	88.2	33.2
EPS	38.1	-6.1	9.6	88.2	33.2
Margins (%)					
Gross Margin	49.6	47.5	45.2	42.5	42.0
Operating Margin	19.3	17.4	18.0	23.6	25.0
Pretax Margin	22.5	20.1	20.3	25.1	26.2
Net Profit	20.1	16.8	17.2	21.2	22.2
Return (%)					
ROAA	16.0	13.9	15.4	26.6	28.5
ROAE	27.3	24.5	26.2	41.3	43.0
Gearing (%)					
Net Debt/Equity	(50.1)	(57.3)	(18.6)	(12.2)	(14.0)
Liabilities/Equity	72.3	81.8	59.2	52.3	49.6
Ratios (X)					
Current ratio	1.3	1.3	1.2	1.3	1.5
Quick ratio	0.9	1.0	0.7	0.7	0.8
Others					
AR/NR Turnover (days)	43	43	43	43	43
Inventory Turnover (days)	92	92	92	92	92
AP Turnover (days)	60	60	60	60	60
Cash Conversion (days)	75	75	75	75	75

Valuation Methodology and Risks

TSMC (2330.TW)

Base case, residual income model. Key assumptions: a cost of equity of 9.2% (beta of 1.2, risk-free rate of 2.0% and risk premium of 6.0%), an intermediate growth rate of 10.5%, and a terminal growth rate of 4.0%.

Risks to Upside

- TSMC charges large customers more to keep its gross margin above 56% in the long term.
- AI semi demand grows more significantly than expected, while TSMC maintains high market share in leading-edge foundry business.
- Outsourcing from Intel CPU increases in 2025-27.

Risks to Downside

- Inventory correction occurs in 2026.
- Demand for leading edge technologies weakens.
- Costs of overseas fabs grow significantly.

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of March 31, 2026)
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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1534	42%	461	50%	30%	698	43%
Equal-weight/Hold	1573	43%	372	40%	24%	716	44%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	568	15%	89	10%	16%	209	13%
Total	3,679		923			1624	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Stock Price, Price Target and Rating History (See Rating Definitions)

MediaTek (2454.TW) - As of 04/23/26 GMT in TWD
Industry : Greater China Technology Semiconductors

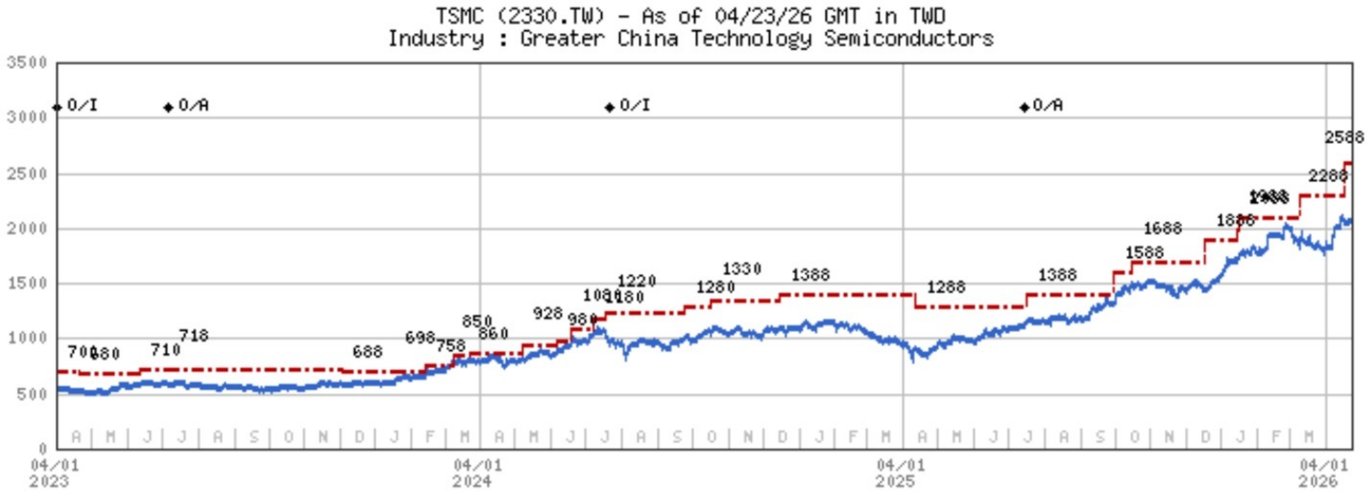
Stock Rating History: 4/1/21 : O/I; 10/12/21 : O/C; 10/4/22 : O/A; 12/16/22 : E/A; 2/22/23 : E/I; 4/18/23 : U/I; 7/7/23 : U/A; 8/29/23 : E/A; 9/12/23 : O/A; 7/21/24 : O/I; 7/14/25 : O/A; 9/23/25 : E/A; 11/28/25 : O/A

Price Target History: 3/25/21 : 1130; 4/23/21 : 1230; 4/29/21 : 1380; 5/20/21 : 1280; 10/26/21 : 1320; 1/27/22 : 1380; 3/28/22 : 1280; 7/12/22 : 880; 9/23/22 : 800; 12/16/22 : 698; 12/28/22 : 649; 4/6/23 : 645; 4/18/23 : 618; 8/29/23 : 698; 9/12/23 : 880; 10/2/23 : 1000; 11/20/23 : 1118; 1/2/24 : 1288; 5/8/24 : 1388; 5/28/24 : 1588; 12/16/24 : 1688; 3/19/25 : 1888; 9/17/25 : 1800; 9/23/25 : 1588; 9/30/25 : 1388; 10/29/25 : 1288; 11/28/25 : 1588; 1/27/26 : 2088; 4/1/26 : 1988

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



Stock Rating History: 4/1/21 : O/I; 6/18/21 : E/I; 10/12/21 : E/C; 2/7/22 : O/C; 10/4/22 : O/A; 2/22/23 : O/I; 7/7/23 : O/A; 7/21/24 : O/I; 7/14/25 : O/A

Price Target History: 3/25/21 : 668; 4/15/21 : 680; 5/20/21 : 655; 6/18/21 : 580; 1/3/22 : 618; 1/13/22 : 648; 2/7/22 : 780; 9/23/22 : 720; 12/14/22 : 700; 4/20/23 : 680; 6/12/23 : 710; 7/7/23 : 718; 12/4/23 : 688; 1/18/24 : 698; 2/14/24 : 758; 3/8/24 : 850; 3/22/24 : 860; 5/8/24 : 928; 6/6/24 : 980; 6/18/24 : 1080; 7/8/24 : 1180; 7/18/24 : 1220; 9/24/24 : 1280; 10/17/24 : 1330; 12/16/24 : 1388; 4/11/25 : 1288; 7/17/25 : 1388; 9/30/25 : 1588; 10/16/25 : 1688; 12/18/25 : 1888; 1/14/26 : 1988; 1/16/26 : 2088; 3/9/26 : 2288; 4/17/26 : 2588

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target -·   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) —   Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (04/23/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$54.53
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb315.05
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$135.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,980.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$464.50
Global Unichip Corp (3443.TW)	O (07/27/2024)	NT$3,910.00
GlobalWafers Co Ltd (6488.TWO)	O (09/19/2025)	NT$572.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$468.50
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$93.85
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$277.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb104.78
MediaTek (2454.TW)	O (11/28/2025)	NT$2,215.00
Nanya Technology Corp. (2408.TW)	E (03/20/2026)	NT$208.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb475.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb92.44
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,705.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb86.99
Silergy Corp. (6415.TW)	E (04/21/2026)	NT$415.50
SMIC (0981.HK)	O (10/21/2025)	HK$58.45
TSMC (2330.TW)	O (02/07/2022)	NT$2,080.00
UMC (2303.TW)	E (04/20/2026)	NT$73.60
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$136.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$560.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$154.50

China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb52.69
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$136.00
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb86.78
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb27.36
Innoscience (2577.HK)	E (10/13/2025)	HK$65.00
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb44.41
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$44.48
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb107.41
StarPower Semiconductor Ltd (603290.SS)	O (03/01/2022)	Rmb106.00
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb71.36
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb41.30
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb82.16
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$785.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,275.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,670.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$129.50
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb165.00
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb304.80
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$126.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$229.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb159.70
Novatek (3034.TW)	U (02/04/2026)	NT$406.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$147.00
Parade Technologies Ltd (4966.TWO)	E (01/30/2026)	NT$600.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$52.90
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$542.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb70.74
Winbond Electronics Corp (2344.TW)	E (03/20/2026)	NT$87.80
WPG Holdings (3702.TW)	O (03/16/2026)	NT$96.20
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$206.00
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb116.65
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb358.19
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,255.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$911.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$11.55
Hon Precision (7769.TW)	O (04/17/2026)	NT$4,810.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$4,790.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$141.95
Winway Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$10,730.00

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.