UBS

Global Research
22 May 2026

Key Call: MediaTek Inc.

Even Stronger Google TPU ramp ahead; breakthrough in flagship SoCs

Key beneficiary of Google's fast expanding Cloud service & TPU development

We are lifting our sales forecasts for MediaTek's Cloud ASIC to US$16.0/30.5bn in 2027/28 from US$14.0/22.0bn. Our industry analysis continues to suggest a more rapid ramp of MediaTek's TPU v8t, which Google is set to use for training workloads from H226. We raise TPU v8t shipments in 2027E to 3.55m units from 3.1m units vs. 0.4-0.5m units in 2026E, based on Google's robust internal training demand and increasing TSMC capacity support. For v9, Google appears to be planing fast deployment of the MediaTek project, and we raise our chipset (4-die per package) volume forecast from c1.0m to 1.5m in 2028. We expect MediaTek's TPU die unit shipments grow 72% in 2028E. Importantly, the Cloud ASIC business is highly leveraged. We estimate TPU OPM to reach 37% in 2027 and drive the company's OPM to 25% and above in the coming years from 17.3% in 2024-26E. See Figure 1 for our TPU profit contribution analysis and our Google TPU report for more industry analysis.

Opportunities from other Cloud ASIC programs

While Google TPU remains the most important project with the strongest potential upside, we believe MediaTek is exploring other projects to capture growth from Cloud ASICs. 1) Meta may release a new MTIA program to ramp from late 2027/28E, and is closely engaged with MediaTek in the development. The main question is volume, as Meta uses multiple accelerators from Nvidia, AMD, Google TPU, and its own ASIC. The project may add a few US$bn to revenue in 2028E if mass production is achieved. 2) For other projects, we believe MediaTek could be bidding for Tesla's Dojo 2 and Microsoft's Maia 400, with vendors potentially to be finalised in the next few months.

Samsung flagship phone, OpenAI could lift sales and units in 2027

For smartphones, MediaTek's flagship 5G products have achieved a breakthrough and we expect volume to rise from 20m in 2026E to 26m in 2027E with upside risk. Flagship 5G sales could grow 43% in 2027E and support smartphone sales growth of 17%. After years of work, MediaTek may finally penetrate into Samsung's flagship phone in 2027E, starting with the fan edition S27 using the D9600 SoC. The opportunity is partly driven by tight Samsung Foundry capacity for producing the Exynos SoC. MediaTek also appears to be working with OpenAI on edge AI devices like wearables and IoT, which may use D9600 in 2027.

Valuation: reiterate Key Call Buy, raise PT from NT$3,700 to NT$5,500

We raise 2027E and beyond EPS 11-28% on stronger TPU and flagship smartphone growth. We increase L-T earnings CAGR from 25% to 28%. Our PT is based on 26x 2027-28E PE (25x 2027E PE previously), as we think investors are focused on MediaTek's TPU growth beyond 2027E.

Equities

Taiwan

Semiconductors

12-month rating	**Buy**
12m price target	**NT$5,500.00**
	Prior : NT$3,700
Price (21 May 2026)	**NT$3,550**
RIC: 2454.TW **BBG:** 2454 TT	

Trading data and key metrics

52-wk range	NT$3,880.00-1,145.00
Market cap.	NT$5,694b/US$180b
Shares o/s	1,604m (ORD)
Free float	88%
Avg. daily volume ('000)	11,509
Avg. daily value (m)	NT$25,933.9
Common s/h equity (12/26E)	NT$391b
P/BV (12/26E)	14.5x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (NT$)

	From	To	% ch	Cons.
12/26E	63.37	63.28	-0	65.62
12/27E	147.47	163.07	11	116.47
12/28E	203.66	258.82	27	190.03

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Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	433,446	530,586	595,966	652,014	1,156,814	1,691,719	1,918,183	2,105,249
EBIT (UBS)	71,800	102,412	103,470	100,197	289,167	465,723	548,926	608,138
Net earnings (UBS)	76,979	106,387	105,319	100,991	260,243	413,043	486,406	540,674
EPS (UBS, diluted) (NT$)	48.34	66.81	66.07	63.28	163.07	258.82	304.79	338.79
DPS (net) (NT$)	79.48	82.90	53.50	50.73	130.72	207.47	244.32	271.58
Net (debt) / cash	163,196	202,756	234,290	183,519	238,166	227,761	403,867	504,381
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	16.6	19.3	17.4	15.4	25.0	27.5	28.6	28.9
ROIC (EBIT) %	61.8	231.3	>500	440.6	381.8	242.6	224.6	264.0
EV/EBITDA (UBS core) x	10.2	12.7	14.6	42.9	17.0	10.8	9.1	8.0
P/E (UBS, diluted) x	15.8	17.9	20.8	56.1	21.8	13.7	11.6	10.5
Equity FCF (UBS) yield %	13.1	7.5	6.1	1.2	3.5	5.4	8.8	9.1
Dividend yield (net) %	10.4	6.9	3.9	1.4	3.7	5.8	6.9	7.7

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of NT$ 3,550.00 on 21-May-2026 20:57:21 CST

UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Can MediaTek's cloud ASIC project drive near- and long-term growth?
Yes. We believe MediaTek's ASIC business has a solid foundation due to its technological leadership from its SerDes IP, the strong relationship with TSMC, and advanced-node design capabilities. We believe its current TPU project should contribute meaningfully to both MediaTek's sales and EPS in the next two to three years, as Google ramps up TPU orders driven by internal and external demand. We forecast MediaTek's TPU sales at US$16bn in 2027 and US$30.5bn in 2028, up from US$2.0bn in 2026E.

Q: Will the flagship smartphone SoC ramp up dilute MediaTek's GM in 2026?
Likely, but we think the impact is manageable. While the flagship 5G Dimensity 9500 GM is under near term cost pressure, MediaTek guided for full-year 2026 GM to be sustained at 46% via product mix optimisation. Given tight leading-edge foundry capacity, MediaTek should be able to pass on TSMC's price increases.

UBSVIEW

While we acknowledge uncertainty about consumer product and smartphone demand in 2026, we believe the cloud ASIC/TPU business will be more important for MediaTek over the next several years. MediaTek worked with Google on TPU 8t over 2024-25, and volume shipments should begin in H226E. We expect the opportunity to meaningfully transform MediaTek's operating margin and EPS growth. In recent months, visibility has continued to improve for the forthcoming ramp in MediaTek's TPU 8t (the original v8X/v7e) with an expanding unit opportunity. We forecast cloud ASIC sales from the Google TPU to reach US$2.0bn/16.0bn/30.5bn in 2026/27/28. We estimate OPM of the cloud ASIC business to be mid-30% in 2027 and beyond, contributing around NT$191 to EPS by 2028E. To justify our higher price target of NT$5,500, based on 26x 2027-28E PE (from 25x 2027E PE), we raise our long-term earnings CAGR forecast from 25% to 28% on our more constructive view of TPU TAM and MediaTek's opportunity.

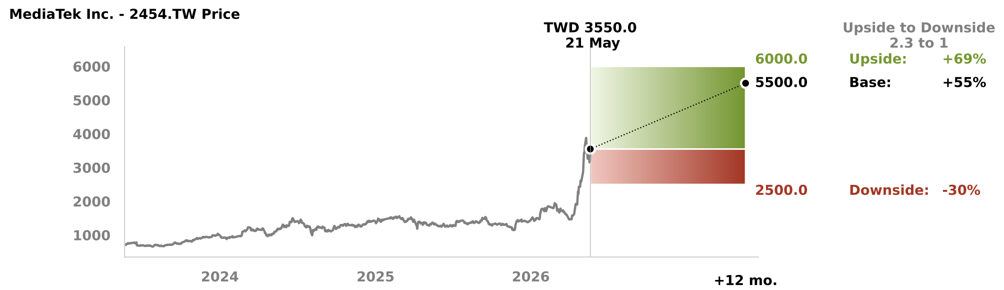
EVIDENCE

At the February 2026 earnings call, management raised cloud ASIC sales guidance to over US$1bn for 2026 and flagged a potential ramp of Cloud ASIC to over 20% of sales in 2027.

WHAT´S PRICED IN?

We think MediaTek's potential upside from cloud ASIC has not been fully priced in, as investors generally hold a more cautious view on MediaTek's cloud ASIC design capabilities and how the company would fare against IC design giants such as Broadcom with proven track records. In the near term, investors appear cautious about the risk from weaker demand for smartphone and consumer products, as tight supply in the memory market continues to drive cost inflation.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers (2027/28E)	Cloud ASIC sales	5G SoC sales growth	Gross margin	Operating margin
NT$6,000.00 upside	US$18.0/34.0bn	+60%/7%	44.5%/43.9%	25.6%/28.1%
NT$5,500.00 base	US$16.0/30.5bn	+43%/12%	44.6%/44.0%	25.0%/27.5%
NT$2,500.00 downside	US$8.0/12.0bn	+15%/9%	45.4%/45.1%	24.8%/26.8%

Source: UBS estimates

COMPANY DESCRIPTION

MediaTek is a leading integrated circuit (IC) design company in Taiwan, focusing on handset system-on-chip (SoC), Internet-of-Things (IoT) connectivity, power IC, as well as mature segments… more

Figure 1: UBS forecasts for MediaTek's TPU business

	2026E	2027E	2028E	2029E	2030E
Google's TPU sales (US$mn)	**2,028**	**16,000**	**30,450**	**36,000**	**40,000**
Google's TPU sales (NT$mn)	63,945	504,000	959,175	1,134,000	1,260,000
% of total sales	*10%*	*44%*	*57%*	*59%*	*60%*
Gross profits (NT$mn)	**26,857**	**211,680**	**402,854**	**476,280**	**529,200**
Gross margin	*42%*	*42%*	*42%*	*42%*	*42%*
OPEX (NT$mn)	12,789	27,720	47,959	51,030	56,700
OPEX ratio	*20.0%*	*5.5%*	*5.0%*	*4.5%*	*4.5%*
Operating profits (NT$mn)	**14,068**	**183,960**	**354,895**	**425,250**	**472,500**
Operating margin	*22%*	*37%*	*37%*	*38%*	*38%*
Tax rate	*13.4%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*
Net profits (NT$mn)	**12,181**	**157,286**	**303,435**	**363,589**	**403,988**
EPS contribution (NT$)	**7.6**	**98.8**	**190.5**	**228.3**	**253.7**
Consolidated EPS (NT$)	**63.4**	**163.4**	**259.3**	**305.4**	**339.5**

Source: UBS estimates

Figure 2: MediaTek's key growth drivers

Base case (NT$m)	**2025**	**2026E**	**2027E**	**2028E**
5G flagship	**110,921**	**109,819**	**157,353**	**175,391**
% of sales	19%	17%	14%	10%
Units (m)	21.5	19.7	26.0	28.0
ASP (US$)	165.3	176.8	192.1	198.9
5G non-flagship	**166,745**	**134,258**	**135,510**	**157,806**
% of sales	28%	21%	12%	9%
Units (m)	189.0	156.0	160.0	185.0
ASP (US$)	28.3	27.3	26.9	27.1
PC CPUs		**4,703**	**9,073**	**14,952**
% of sales		1%	1%	1%
Units (m)		3.7	7.2	11.9
- Total NB units (m)		*186*	*192*	*198*
- WOA penetration in PC market		*10%*	*15%*	*20%*
- NVIDIA/MediaTek's share		*20%*	*25%*	*30%*
Royalty fee (US$ per chip)		40.0	40.0	40.0
Cloud ASICs		**63,945**	**504,000**	**959,175**
% of sales		10%	44%	57%
Edge AI ASICs			**15,750**	**31,500**
% of sales			1%	2%
Automotive	**11,233**	**15,008**	**20,160**	**55,125**
% of sales	2%	2%	2%	3%
TAM for cockpit, connectivity (US$bn)	24	28	32	35
MediaTek's share	2%	2%	2%	5%
Wi-Fi 7	**4,487**	**7,668**	**11,907**	**16,507**
% of sales	1%	1%	1%	1%
Units (m)	17.8	33.4	54.6	79.6
ASP (US$)	8.1	7.3	6.9	6.6
Revenue from new growth drivers (NT$m)	**293,386**	**335,401**	**853,753**	**1,410,456**
% of sales	49%	51%	74%	83%
Total MediaTek sales (NT$m)	**595,966**	**652,014**	**1,156,814**	**1,691,719**
YoY growth	*12%*	*9%*	*77%*	*46%*

Source: Company data, UBS estimates

Figure 3: MediaTek's operating metrics

Mobile Metrics	Q126	Q226E	Q326E	Q426E	Q127E	Q227E	Q327E	Q427E	2022	2023	2024	2025	2026E	2027E
4G Units (m)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	370.0	228.0	251.0	207.0	160.0	160.0
4G ASPs (US$)	7.38	7.38	7.38	7.38	7.24	7.24	7.24	7.24	10.38	8.31	8.49	7.79	7.38	7.24
4G Sales (NT$m)	**9,340**	**9,304**	**9,304**	**9,304**	**9,118**	**9,118**	**9,118**	**9,118**	**114,454**	**59,049**	**68,141**	**50,302**	**37,252**	**36,472**
5G Units (m)	42.5	44.7	44.5	44.0	46.5	46.5	46.0	47.0	166.0	152.5	198.9	210.5	175.7	186.0
5G ASPs (US$)	47.43	42.63	41.55	44.77	49.46	49.46	47.93	53.04	36.39	35.14	36.91	42.27	44.06	49.99
5G Sales (NT$m)	**63,744**	**60,028**	**58,247**	**62,058**	**72,441**	**72,441**	**69,455**	**78,526**	**180,025**	**166,960**	**234,620**	**277,667**	**244,077**	**292,863**
Smartphone Units (m)	82.5	84.7	84.5	84.0	86.5	86.5	86.0	87.0	536.0	380.5	449.9	417.5	335.7	346.0
Smartphone ASPs (US$)	28.02	25.99	25.38	26.97	29.93	29.93	29.00	31.98	18.43	19.07	21.06	25.18	26.58	30.22
Smartphone Sales (NT$m)	**73,084**	**69,332**	**67,552**	**71,362**	**81,559**	**81,559**	**78,573**	**87,644**	**294,479**	**226,009**	**302,761**	**327,969**	**281,329**	**329,336**
QoQ / YoY Change	-18%	-5%	-3%	6%	14%	0%	-4%	12%	9%	-23%	34%	8%	-14%	17%
% of Sales	49%	47%	46%	34%	31%	28%	27%	28%	54%	52%	57%	55%	43%	28%
Non Mobile Metrics	**Q126**	**Q226E**	**Q326E**	**Q426E**	**Q127E**	**Q227E**	**Q327E**	**Q427E**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
IoT, Compute, ASIC Sales (NT$m)	**41,016**	**42,247**	**42,347**	**99,231**	**144,669**	**167,303**	**175,564**	**186,559**	**145,357**	**107,721**	**116,056**	**137,459**	**224,840**	**674,095**
QoQ / YoY Change	23%	3%	0%	134%	46%	16%	5%	6%	26%	-26%	8%	18%	64%	200%
% of Sales	27%	29%	29%	48%	56%	58%	59%	59%	26%	25%	22%	23%	34%	58%
Smart Home Sales (NT$m)	**27,593**	**28,421**	**29,842**	**28,350**	**25,515**	**29,342**	**32,570**	**30,941**	**68,975**	**70,671**	**81,269**	**102,241**	**114,206**	**118,368**
QoQ / YoY Change	24%	3%	5%	-5%	-10%	15%	11%	-5%	-5%	2%	15%	26%	12%	4%
% of Sales	19%	19%	20%	14%	10%	10%	11%	10%	13%	16%	15%	17%	18%	10%
Power IC Sales (NT$m)	**7,458**	**7,458**	**8,576**	**8,147**	**7,740**	**8,514**	**9,621**	**9,140**	**39,985**	**29,046**	**30,501**	**28,296**	**31,639**	**35,015**
QoQ / YoY Change	24%	0%	15%	-5%	-5%	10%	13%	-5%	15%	-27%	5%	-7%	12%	11%
% of Sales	5%	5%	6%	4%	3%	3%	3%	3%	7%	7%	6%	5%	5%	3%
Mediatek Totals	**Q126**	**Q226E**	**Q326E**	**Q426E**	**Q127E**	**Q227E**	**Q327E**	**Q427E**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
Total Sales (NT$m)	**149,151**	**147,457**	**148,316**	**207,090**	**259,484**	**286,719**	**296,328**	**314,284**	**548,796**	**433,446**	**530,586**	**595,966**	**652,014**	**1,156,814**
QoQ / YoY Change	-1%	-1%	1%	40%	25%	10%	3%	6%	11%	-21%	22%	12%	9%	77%
GM %	46.3%	46.0%	46.1%	45.8%	44.7%	44.6%	44.7%	44.6%	49.4%	47.8%	49.6%	47.5%	46.0%	44.6%
OpM %	15.3%	14.9%	15.1%	15.9%	23.4%	25.4%	25.5%	25.5%	23.1%	16.6%	19.3%	17.4%	15.4%	25.0%
Pro Forma EPS (NT$)	**15.17**	**13.84**	**14.39**	**20.01**	**34.65**	**41.00**	**42.66**	**45.09**	**74.59**	**48.51**	**66.94**	**66.17**	**63.41**	**163.40**
Dividend Per Share (NT$)	0.0	23.2	0.0	27.5	0.0	60.5	0.0	70.2	76.2	55.0	54.0	53.5	50.7	130.7

Source: Company data, UBS estimates

Figure 4: Revisions to UBS earnings estimates

	New			Old			Change		
(NT$m)	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	**652,014**	**1,156,814**	**1,691,719**	**652,016**	**1,069,929**	**1,412,824**	**0%**	**8%**	**20%**
- YoY chg (%)	9%	77%	46%	9%	64%	32%			
Gross profit	**300,118**	**516,410**	**744,856**	**300,119**	**478,963**	**627,212**	**0%**	**8%**	**19%**
- Gross margin	46.0%	44.6%	44.0%	46.0%	44.8%	44.4%			
Operating profit	**100,197**	**289,167**	**465,723**	**100,196**	**259,230**	**361,601**	**0%**	**12%**	**29%**
- Operating margin	15.4%	25.0%	27.5%	15.4%	24.2%	25.6%			
Pre-tax profit	**116,887**	**304,377**	**483,091**	**116,937**	**275,017**	**379,789**	**0%**	**11%**	**27%**
Reported net profit	**100,991**	**260,243**	**413,043**	**101,034**	**235,140**	**324,720**	**0%**	**11%**	**27%**
- Net margin	15.5%	22.5%	24.4%	15.5%	22.0%	23.0%			
Reported EPS (NT$)	**63.41**	**163.40**	**259.34**	**63.47**	**147.71**	**203.98**	**0%**	**11%**	**27%**
- YoY chg (%)	-4%	158%	59%	-4%	133%	38%			
UBS EPS (NT$)	**63.41**	**163.40**	**259.34**	**63.47**	**147.71**	**203.98**	**0%**	**11%**	**27%**
- YoY chg (%)	-4%	158%	59%	-4%	133%	38%	-	-	-

Source: UBS estimates. Note: Our EPS estimates here are based on basic EPS, and may differ from the table on the cover page.

Figure 5: UBS vs consensus earnings estimates

	UBS			Consensus			Difference		
(NT$m)	**2026E**	**2027E**	**2028E**	**2026F**	**2027F**	**2028F**	**2026E**	**2027E**	**2028E**
Revenue	**652,014**	**1,156,814**	**1,691,719**	**645,147**	**981,965**	**1,439,097**	**1%**	**18%**	**18%**
- YoY chg (%)	9%	77%	46%	8%	52%	47%			
Gross profit	**300,118**	**516,410**	**744,856**	**295,306**	**436,752**	**634,974**	**2%**	**18%**	**17%**
- Gross margin	46.0%	44.6%	44.0%	45.8%	44.5%	44.1%			
Operating profit	**100,197**	**289,167**	**465,723**	**104,075**	**203,581**	**350,658**	**-4%**	**42%**	**33%**
- Operating margin	15.4%	25.0%	27.5%	16.1%	20.7%	24.4%			
Net profit	**100,991**	**260,243**	**413,043**	**105,070**	**190,851**	**315,459**	**-4%**	**36%**	**31%**
- Net margin	15.5%	22.5%	24.4%	16.3%	19.4%	21.9%			
Basic EPS (NT$)	**63.41**	**163.40**	**259.34**	**66.23**	**119.48**	**197.63**	**-4%**	**37%**	**31%**
- YoY chg (%)	-4%	158%	59%	0%	80%	65%			

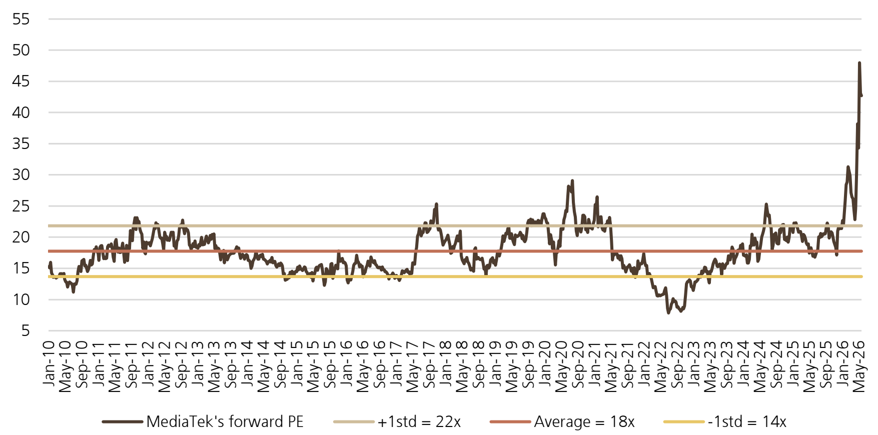
Source: Visible Alpha, UBS estimates. Note: Our EPS estimates are based on basic EPS and may differ from the table on the cover page

Figure 6: UBS earnings forecasts

(NT$m)	2025	Q126	Q226E	Q326E	Q426E	2026E	Q127E	Q227E	Q327E	Q427E	2027E	2028E	2029E	2030E
Revenue	**595,966**	**149,151**	**147,457**	**148,316**	**207,090**	**652,014**	**259,484**	**286,719**	**296,328**	**314,284**	**1,156,814**	**1,691,719**	**1,918,183**	**2,105,249**
- YoY chg (%)	12%	-3%	-2%	4%	38%	9%	74%	94%	100%	52%	77%	46%	13%	10%
- QoQ chg (%)	-	-1%	-1%	1%	40%	-	25%	10%	3%	6%	-	-	-	-
Revenue (US$ mn)	**19,100**	**4,717**	**4,681**	**4,708**	**6,574**	**20,679**	**8,238**	**9,102**	**9,407**	**9,977**	**36,724**	**53,705**	**60,895**	**66,833**
- YoY chg (%)	15%	1%	-4%	-1%	36%	8%	75%	94%	100%	52%	78%	46%	13%	10%
- QoQ chg (%)	-	-2%	-1%	1%	40%	-	25%	10%	3%	6%	-	-	-	-
Gross profit	**283,080**	**69,055**	**67,864**	**68,323**	**94,876**	**300,118**	**115,879**	**127,934**	**132,532**	**140,065**	**516,410**	**744,856**	**842,408**	**923,925**
- Gross margin	47.5%	46.3%	46.0%	46.1%	45.8%	46.0%	44.7%	44.6%	44.7%	44.6%	44.6%	44.0%	43.9%	43.9%
Operating profit	**103,470**	**22,891**	**22,005**	**22,345**	**32,956**	**100,197**	**60,609**	**72,884**	**75,637**	**80,037**	**289,167**	**465,723**	**548,926**	**608,138**
- Operating margin	17.4%	15.3%	14.9%	15.1%	15.9%	15.4%	23.4%	25.4%	25.5%	25.5%	25.0%	27.5%	28.6%	28.9%
Non-op profit	21,418	4,129	3,780	4,467	4,315	16,690	3,935	3,487	3,823	3,965	15,211	17,368	19,970	24,230
Pre-tax profit	124,888	27,019	25,784	26,812	37,271	116,887	64,544	76,371	79,460	84,002	304,377	483,091	568,896	632,368
Net profit	**105,319**	**24,154**	**22,046**	**22,925**	**31,867**	**100,991**	**55,185**	**65,297**	**67,939**	**71,822**	**260,243**	**413,043**	**486,406**	**540,674**
- YoY chg (%)	-1%	-18%	-21%	-9%	39%	-4%	128%	196%	196%	125%	158%	59%	18%	11%
- QoQ chg (%)	-	5%	-9%	4%	39%	-	73%	18%	4%	6%	-	-	-	-
Basic EPS (NT$)	**66.17**	**15.17**	**13.84**	**14.39**	**20.01**	**63.41**	**34.65**	**41.00**	**42.66**	**45.09**	**163.40**	**259.34**	**305.40**	**339.47**
- YoY chg (%)	-1%	-18%	-21%	-9%	39%	-4%	128%	196%	196%	125%	158%	59%	18%	11%
- QoQ chg (%)	-	5%	-9%	4%	39%	-	73%	18%	4%	6%	-	-	-	-
UBS EPS (NT$)	**66.17**	**15.17**	**13.84**	**14.39**	**20.01**	**63.41**	**34.65**	**41.00**	**42.66**	**45.09**	**163.40**	**259.34**	**305.40**	**339.47**
- YoY chg (%)	-1%	-17%	-20%	-9%	40%	-4%	128%	196%	196%	125%	158%	59%	18%	11%
- QoQ chg (%)	-	6%	-9%	4%	39%	-	73%	18%	4%	6%	-	-	-	-

Source: Company data, UBS estimates. Note: Our EPS estimates are based on basic EPS and may differ from the table on the cover page

Figure 7: MediaTek's 12-month forward PE (x)



Source: Company data, LSEG, UBS

MediaTek Inc. (2454.TW)

Income Statement (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**433,446**	**530,586**	**595,966**	**652,014**	*9.4*	**1,156,814**	*77.4*	**1,691,719**	**1,918,183**	**2,105,249**
Gross profit	207,367	263,386	283,080	300,118	*6.0*	516,410	*72.1*	744,856	842,408	923,925
EBITDA (UBS)	**90,000**	**123,348**	**126,444**	**124,073**	*-1.9*	**313,078**	*152.3*	**491,320**	**576,062**	**636,905**
Depreciation & amortisation	(18,200)	(20,936)	(22,974)	(23,876)	*-3.9*	(23,911)	*-0.1*	(25,597)	(27,136)	(28,767)
EBIT (UBS)	**71,800**	**102,412**	**103,470**	**100,197**	*-3.2*	**289,167**	*188.6*	**465,723**	**548,926**	**608,138**
Associates & investment income	278	517	785	266	*-66.1*	0	-	0	0	0
Other non-operating income	7,726	5,903	10,411	7,831	*-24.8*	8,400	*7.3*	9,200	9,200	9,200
Net interest	6,979	10,687	10,222	8,594	*-15.9*	6,811	*-20.7*	8,168	10,770	15,030
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**86,782**	**119,519**	**124,888**	**116,887**	*-6.4*	**304,377**	*160.4*	**483,091**	**568,896**	**632,368**
Tax	(9,591)	(12,378)	(18,770)	(15,674)	*16.5*	(44,135)	*-181.6*	(70,048)	(82,490)	(91,693)
Profit after tax	**77,191**	**107,141**	**106,118**	**101,213**	*-4.6*	**260,243**	*157.1*	**413,043**	**486,406**	**540,674**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(212)	(754)	(798)	(222)	*72.1*	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**76,979**	**106,387**	**105,319**	**100,991**	*-4.1*	**260,243**	*157.7*	**413,043**	**486,406**	**540,674**
Net earnings (UBS)	**76,979**	**106,387**	**105,319**	**100,991**	*-4.1*	**260,243**	*157.7*	**413,043**	**486,406**	**540,674**
Tax rate (%)	11.1	10.4	15.0	13.4	*-10.8*	14.5	*8.1*	14.5	14.5	14.5

Per Share (NT$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	48.34	66.81	66.07	63.28	*-4.2*	163.07	*157.7*	258.82	304.79	338.79
EPS (local GAAP, diluted)	48.34	66.81	66.07	63.28	*-4.2*	163.07	*157.7*	258.82	304.79	338.79
EPS (UBS, basic)	48.51	66.94	66.17	63.41	*-4.2*	163.40	*157.7*	259.34	305.40	339.47
DPS (net) (NT$)	79.48	82.90	53.50	50.73	*-5.2*	130.72	*157.7*	207.47	244.32	271.58
Cash EPS (UBS, diluted) [1]	59.77	79.95	80.48	78.24	*-2.8*	178.05	*127.6*	274.86	321.79	356.82
Book value per share	230.18	247.95	249.76	245.41	*-1.7*	320.77	*30.7*	416.69	488.12	570.32
Average shares (diluted)	1,592	1,592	1,594	1,596	*0.1*	1,596	*0.0*	1,596	1,596	1,596

Balance Sheet (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	165,396	203,696	235,290	200,079	*-15.0*	254,726	*27.3*	244,321	420,427	520,941
Other current assets	125,493	147,330	162,166	213,422	*31.6*	321,715	*50.7*	503,242	492,464	539,043
Total current assets	**290,889**	**351,025**	**397,456**	**413,500**	*4.0*	**576,442**	*39.4*	**747,563**	**912,891**	**1,059,984**
Net tangible fixed assets	53,291	56,917	60,427	57,480	*-4.9*	51,730	*-10.0*	46,110	40,949	36,354
Net intangible fixed assets	138,631	117,400	114,400	170,209	*48.8*	258,312	*51.8*	406,530	397,902	436,253
Investments / other assets	152,228	172,525	171,501	173,435	*1.1*	171,465	*-1.1*	169,495	167,526	165,556
Total assets	**635,038**	**697,868**	**743,785**	**814,624**	*9.5*	**1,057,949**	*29.9*	**1,369,697**	**1,519,268**	**1,698,147**
Trade payables & other ST liabilities	229,799	265,962	302,410	356,824	*18.0*	458,275	*28.4*	580,491	618,436	656,880
Short term debt	2,200	940	940	16,440	*NM*	16,440	*0.0*	16,440	16,440	16,440
Total current liabilities	**231,999**	**266,902**	**303,350**	**373,264**	*23.0*	**474,715**	*27.2*	**596,931**	**634,876**	**673,320**
Long term debt	0	0	60	120	*100.0*	120	*0.0*	120	120	120
Other long term liabilities	28,834	25,910	31,180	42,212	*35.4*	64,061	*51.8*	100,819	98,680	108,191
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**260,833**	**292,812**	**334,590**	**415,596**	*24.2*	**538,897**	*29.7*	**697,870**	**733,676**	**781,631**
Common s/h equity	**368,206**	**396,627**	**400,601**	**390,862**	*-2.4*	**510,885**	*30.7*	**663,661**	**777,426**	**908,349**
Minority interests	6,000	8,428	8,594	8,167	*-5.0*	8,167	*0.0*	8,167	8,167	8,167
Total liabilities & equity	**635,038**	**697,868**	**743,785**	**814,624**	*9.5*	**1,057,949**	*29.9*	**1,369,697**	**1,519,268**	**1,698,147**

Cash Flow (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	76,979	106,387	105,319	100,991	*-4.1*	260,243	*157.7*	413,043	486,406	540,674
Depreciation & amortisation	18,200	20,936	22,974	23,876	*3.9*	23,911	*0.1*	25,597	27,136	28,767
Net change in working capital	30,356	(1,001)	(19,508)	(20,140)	*-3.2*	(52,838)	*-162.3*	(88,789)	5,200	(22,914)
Other operating	43,759	30,981	40,016	(22,493)	-	(11,461)	*49.0*	(20,625)	3,285	(3,876)
Operating cash flow	**169,294**	**157,303**	**148,801**	**82,233**	*-44.7*	**219,855**	*167.4*	**329,225**	**522,027**	**542,651**
Tangible capital expenditure	(9,317)	(13,771)	(15,009)	(16,510)	*-10.0*	(18,161)	*-10.0*	(19,977)	(21,975)	(24,172)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(19,429)	(22,157)	(22,745)	(47,467)	*-108.7*	(88,103)	*-85.6*	(148,217)	8,627	(38,350)
Investing cash flow	**(28,746)**	**(35,928)**	**(37,754)**	**(63,977)**	*-69.5*	**(106,264)**	*-66.1*	**(168,195)**	**(13,348)**	**(62,523)**
Equity dividends paid	(120,981)	(87,551)	(86,070)	(85,583)	*0.6*	(80,793)	*5.6*	(208,194)	(330,434)	(389,125)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	4,740	(1,309)	(1,665)	11,400	-	21,850	*91.7*	36,758	(2,140)	9,511
Change in debt & pref shares	0	0	0	0	-	0	-	0	0	0
Financing cash flow	**(116,241)**	**(88,859)**	**(87,735)**	**(74,183)**	*15.4*	**(58,943)**	*20.5*	**(171,436)**	**(332,574)**	**(379,614)**
Cash flow inc/(dec) in cash	**24,307**	**32,516**	**23,312**	**(55,927)**	-	**54,648**	-	**(10,405)**	**176,106**	**100,514**
FX / non cash items	(6,413)	5,784	8,282	20,715	*150.1*	0	-	0	0	0
Balance sheet inc/(dec) in cash	**17,894**	**38,300**	**31,594**	**(35,211)**	-	**54,648**	-	**(10,405)**	**176,106**	**100,514**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

MediaTek Inc. (2454.TW)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	15.8	17.9	20.8	56.1	21.8	13.7	11.6	10.5
P/E (UBS, diluted)	15.8	17.9	20.8	56.1	21.8	13.7	11.6	10.5
P/CEPS	12.7	15.0	17.0	45.3	19.9	12.9	11.0	9.9
Equity FCF (UBS) yield %	13.1	7.5	6.1	1.2	3.5	5.4	8.8	9.1
Dividend yield (net) %	10.4	6.9	3.9	1.4	3.7	5.8	6.9	7.7
P/BV	3.3	4.8	5.5	14.5	11.1	8.5	7.3	6.2
EV/revenues (core)	2.1	3.0	3.1	8.2	4.6	3.1	2.7	2.4
EV/EBITDA (UBS core)	10.2	12.7	14.6	42.9	17.0	10.8	9.1	8.0
EV/EBIT (core)	12.8	15.3	17.9	53.1	18.4	11.4	9.5	8.4
EV/OpFCF (core)	10.2	12.7	14.6	42.7	17.0	10.8	9.1	8.0
EV/op. invested capital	7.9	35.4	>100	>100	70.2	27.6	21.4	22.1

Enterprise value (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	1,223,015	1,917,245	2,194,728	5,693,888	5,693,888	5,693,888	5,693,888	5,693,888
Net debt (cash)	(153,499)	(182,976)	(182,976)	(208,904)	(210,842)	(232,964)	(315,814)	(454,124)
Buy out of minorities	4,474	7,214	8,511	8,380	8,167	8,167	8,167	8,167
Pension provisions/other	61	61	61	61	61	61	61	61
Total enterprise value	**1,074,051**	**1,741,544**	**2,020,324**	**5,493,425**	**5,491,274**	**5,469,153**	**5,386,302**	**5,247,992**
Non core assets	(152,228)	(172,525)	(171,501)	(173,435)	(171,465)	(169,495)	(167,526)	(165,556)
Core enterprise value	**921,823**	**1,569,020**	**1,848,823**	**5,319,990**	**5,319,808**	**5,299,657**	**5,218,777**	**5,082,436**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(21.0)	22.4	12.3	9.4	77.4	46.2	13.4	9.8
EBITDA (UBS)	(36.5)	37.1	2.5	(1.9)	152.3	56.9	17.2	10.6
EBIT (UBS)	(43.4)	42.6	1.0	(3.2)	188.6	61.1	17.9	10.8
EPS (UBS, diluted)	(35.0)	38.2	(1.1)	(4.2)	157.7	58.7	17.8	11.2
Net DPS	4.3	4.3	(35.5)	(5.2)	157.7	58.7	17.8	11.2

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	47.8	49.6	47.5	46.0	44.6	44.0	43.9	43.9
EBITDA margin	20.8	23.2	21.2	19.0	27.1	29.0	30.0	30.3
EBIT (UBS) margin	16.6	19.3	17.4	15.4	25.0	27.5	28.6	28.9
Net earnings (UBS) margin	17.8	20.1	17.7	15.5	22.5	24.4	25.4	25.7
ROIC (EBIT)	61.8	NM	NM	NM	NM	NM	NM	NM
ROIC post tax	54.9	NM	NM	NM	NM	NM	NM	NM
ROE (UBS)	19.0	27.8	26.4	25.5	57.7	70.3	67.5	64.1

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	(1.8)	(1.6)	(1.9)	(1.5)	(0.8)	(0.5)	(0.7)	(0.8)
Net debt / total equity %	(43.6)	(50.1)	(57.3)	(46.0)	(45.9)	(33.9)	(51.4)	(55.0)
Net debt / (net debt + total equity) %	(77.3)	NM	NM	(85.2)	(84.8)	(51.3)	NM	NM
Net debt/EV %	(14.3)	(10.5)	(10.8)	(3.8)	(3.8)	(4.3)	(5.9)	(8.7)
Capex / depreciation %	51.2	65.8	65.3	69.1	76.0	78.0	81.0	84.0
Capex / revenue %	2.1	2.6	2.5	2.5	1.6	1.2	1.1	1.1
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	0.6	0.8	1.2	1.3	1.3	1.3	1.3	1.3
Div. payout ratio (UBS) %	163.8	123.8	80.9	80.0	80.0	80.0	80.0	80.0

Revenues by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	433,446	530,586	595,966	652,014	1,156,814	1,691,719	1,918,183	2,105,249
Total	**433,446**	**530,586**	**595,966**	**652,014**	**1,156,814**	**1,691,719**	**1,918,183**	**2,105,249**

EBIT (UBS) by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Core	71,800	102,412	103,470	100,197	289,167	465,723	548,926	608,138
Others	0	0	0	0	0	0	0	0
Total	**71,800**	**102,412**	**103,470**	**100,197**	**289,167**	**465,723**	**548,926**	**608,138**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	54.9%
Forecast dividend yield	1.4%
Forecast stock return	56.4%
Market return assumption	6.2%
Forecast excess return	50.1%

Company Description

MediaTek is a leading integrated circuit (IC) design company in Taiwan, focusing on solutions from the edge to the cloud, applications for its product offerings range from smartphones, smart homes and AI PCs to high-performance computing, automotive, and AI data centers.

Valuation Method and Risk Statement

Our price target for MediaTek is based on a target PE methodology.
Fabless integrated circuit (IC) design houses face a variety of uncertainties, including rapidly changing technology, end-market demand, competition, employee turnover and foundry wafer costs. They are also vulnerable to legal disputes over intellectual property rights. In addition, MediaTek is exposed to potential price competition in handset SoC, TV SoC, etc. Downside risks include slower-than-expected market share gains and a weaker-than-expected demand recovery.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

MediaTek Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	