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UPDATE

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MediaTek | Asia Pacific

NVIDIA and Alphabet Invest in MediaTek's CB for Extensive Partnership in ASIC ; Stay OW, Top Pick

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Key Takeaways

- MediaTek announced successful pricing of a US$3.9bn Overseas Convertible Bond, attracting participation from key AI infrastructure ecosystem partners.
- Partners include NVIDIA and Alphabet and leading global institutional investors. NVIDIA also invested US$3.5bn in convertible bonds issued by MediaTek
- NVIDIA and MediaTek deepen long-standing partnership to build AI Edge to Cloud Computing Platforms.
- Both companies expand collaboration across multigenerational Cloud AI Factories, local AI computing and Automotive.
- MediaTek will adopt new NVIDIA NVLink Fusion Platform, helping customers take Custom XPUs to NVIDIA NVLink-connected, rack-scale AI factories.

Our thoughts

- In the Bloomberg interview (link), NVIDIA (covered by Joe Moore) and MediaTek CEOs together answered questions about the rationale of the partnership and the strategic investment. Essentially, through the NVLink Fusion platform, MediaTek's XPU customers can use NVIDIA's scale-up and scale-out networking technology to build an AI server system.
- Although MediaTek did not change its 2027 ASIC TAM and market share guidance given this extensive partnership and said it would take time, we do think it will increase the chance for MediaTek to win a second CSP customer (see our report MediaTek: Smartphone weak, but Cloud AI taking off). MediaTek during the interview on August 31, indicated it is indeed engaging with some customers.
- MediaTek indicated the proceeds of the CB will be use for the chip supply chain, which we believe should include some key components (e.g., HBM and ABF substrate) procurement and wafer foundry capacity prepayment.
- All in all, we see upside to our 2028 ASIC revenue assumption, given: 1) higher chance to win a second or even third CSP customers; 2) higher revenue from material preparation; 3) solidified partnership with Alphabet in TPU (see our report AI Supply Chain: Google ASIC, who gets what for design services?). Our PT of NT$5,588 implies 42% upside.

MediaTek (2454.TW, 2454 TT)
Top Pick

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$5,588.00
Up/downside to price target (%)	42
Shr price, close (Aug 31, 2026)	NT$3,925.00
52-Week Range	NT$4,970.00-1,130.00
Sh out, dil, curr (mn)	1,565
Mkt cap, curr (mn)	NT$6,143,350
EV, curr (mn)	NT$5,927,821
Avg daily trading value (mn)	NT$23,660

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	62.79	73.22	146.97	308.25
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	66.05	68.54	138.29	265.67
Revenue, net (NT$ bn)	596.0	671.9	1,095.6	2,083.1
ModelWare net inc (NT $ bn)	99.9	116.6	233.8	490.9
ROE (%)	24.7	28.5	48.2	70.2
Div yld (%)	17.3	0.0	0.0	0.0

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

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framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates

Valuation Methodology and Risks

MediaTek (2454.TW)

Base case, residual income model. Key assumptions: cost of equity 9.2%, intermediate growth rate 12.0%, terminal growth rate 3.0%.

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.

