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IDEA

September 27, 2026 09:43 PM GMT

MediaTek | Asia Pacific

TSMC CoWoS support eases MediaTek's 2028 TPU production concerns; OW

WHAT'S CHANGED

MediaTek (2454.TW)	From	To
Price Target	NT$5,588.00	**NT$6,188.00**

Thesis largely unchanged, but we raise our price target to NT $6,188 to bake in: 1) more secured TPU production in 2028, and 2) a second cloud AI ASIC revenue contribution.

Current debate: Can MediaTek meet Street 2028 forecasts given Intel EMIB-T supply issue? Intel's EMIB-T substrate supply has been a potential bottleneck for future TPU v9 ("Humufish") shipments in 2028, making some investors reluctant to own MediaTek. The issue stems from a supply-demand mismatch. We forecast 3mn TPU v9 units, as demand from Google (covered by Brian Nowak) remains strong. However, as discussed in our AI Supply Chain Tracker, we expect only 2mn EMIB-T substrates, i.e. 40–45k wafer-equivalent EMIB-T capacity in 2028. This aligns with Digitimes' report that Google is considering CoWoS as a backup for its 2027 TPU on lagging EMIB-T substrate yields. For TSMC, supporting CoWoS could also help regain market share from EMIB-T. Our checks indicate that both MediaTek and TSMC are engaging to meet customer (Google) demand.

TSMC's willingness to support production increases confidence in our aggressive 2028 EPS forecast: Assuming TSMC CoWoS-L can support 0.5mn TPU v9 units and EMIB-T can support 2.5mn units, our 3mn-unit target for 2028 appears highly achievable, with a higher ASP from the CoWoS version. CoWoS-L carries a structurally higher cost, and the RDL (redistribution layer) interposer connection requires tape-out of three additional photomask layers. However, our checks also suggest that Google is willing to pay these incremental costs to secure dual sourcing, which should help MediaTek sustain its gross margin.

New debate: Who could be the second CSP customer? Investors have asked whether MediaTek could win Tesla's AI6 edge AI chip program. We believe AI6 is better suited to GUC, given its 10%–25% margin profile. Considering the higher tech content of MediaTek's design services, incl. IP + design capabilities, we believe MediaTek targets a 30%–35% margin profile. Instead, we see a growing probability that MediaTek wins a cloud AI ASIC project from an AI-focused CSP and/or AI lab customer through its Nvidia / NVLink Fusion partnership. In previous notes, we highlighted interest from both SpaceX and an AI lab customer. The customer's decision could come in 4Q26 and serve as a significant catalyst for MediaTek. With TPU upside and a potential new project, we expect MediaTek AI ASIC-related revenue of US$13.5bn and US$54bn in 2027 and 2028, resp., representing c.38% and 72% of total revenue. Reiterate Top Pick.

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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$6,188.00
Up/downside to price target (%)	17
Shr price, close (Sep 24, 2026)	NT$5,285.00
52-Week Range	NT$5,480.00-1,130.00
Sh out, dil, curr (mn)	1,565
Mkt cap, curr (mn)	NT$8,272,001
EV, curr (mn)	NT$8,056,472
Avg daily trading value (mn)	NT$26,540

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	66.17	73.35	146.97	342.37
Prior EPS (NT$)**	62.79	73.22	-	308.25
EPS (NT$)§	66.05	68.41	146.83	270.53
Revenue, net (NT$ bn)	596.0	671.9	1,095.6	2,315.2
ModelWare net inc (NT $ bn)	105.3	116.8	233.8	545.3
ROE (%)	26.0	28.5	48.8	78.6
Div yld (%)	19.2	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

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TSMC CoWoS capacity support eases concerns regarding MediaTek 2028 TPU production

Smartphone market still lukewarm into 2027, but can serve as a long-term option value: At our recent China Best Conference, meetings involving China smartphone OEM and NAND module makers appeared to indicate China's smartphone demand may not recover in 2027, as mobile DRAM prices may not be falling anytime soon. We expect MediaTek's 3Q26 revenue to be ahead of guidance because of customer pull-in to avoid the SoC price hike rather than due to demand improvement.

That said, once AI smartphones become a killer application, MediaTek should rank among the best-positioned semiconductor companies to provide the edge computing capabilities required in handsets. We also believe 2028 should be a strong year for MediaTek's smartphone SoC business.

1. Google TPU supply chain update

TSMC CoWoS may support both 3nm (Zebrafish) and 2nm (Humufish) MediaTek TPU in 2028: In our earlier report, MediaTek: 2Q26 results preview: Smartphone weak, but Cloud AI taking off; OW (26 Jul 2026), we noted that MediaTek may secure a portion of CoWoS capacity for 2nm TPU to ensure minimum volume production. But, we believe it will use EMIB-T from Intel (covered by Joseph Moore) as the primary solution to reduce costs and scale volume in 2028, if execution proceeds well. Our recent industry checks suggest TSMC CoWoS would continue to support both 3nm (Zebrafish) and 2nm (Humufish) MediaTek TPU in 2028. We now assume around 500k units of 2nm TPU going through CoWoS production as a second source. The 3nm TPU in 2028 of around 2mn units is higher than our initial expectation of 1mn units. We therefore raise our MediaTek 2028 TPU revenue assumption to US$51.5bn.

2nm TPU TAM is supported by different SKU: At our AI Summit, MediaTek management stated that its design service is capable of both training and inference design. Recently, investors have been asking whether MediaTek is involved in the design of 2nm TriggerFish TPU, intended for AI inference. Our supply chain checks suggest this could be true. The TriggerFish chip has more features (I/O die upgrade, one more simulation die, and change of HBM controller to HBM4e), so we think MediaTek's 2nm TPU blended ASP could go higher. We estimate ASP at US$12-20k (we now model US$13k). But again, the EMIB-T substrate yield should be the key risk to volume.

CoWoS constraint eased, but ABF substrate supply still the gating factor for TPU bull case: In our recent AI supply chain tracker, we noted that MediaTek's 180k CoWoS-S booking implies ~3.6mn units of TPU 8t (ZebraFish) in 2027, above our original 3mn shipment assumption. However, we continue to bake in some conservatism as we had assumed ABF substrate shortages. So, we still forecast 3mn units in 2027.

Exhibit 1: MediaTek's Google TPU volume forecasts (v8t, v9, and v10) based on our Asia supply chain checks

k Units	2023	2024	2025e	2026e	2027e	2028e
v5	500	2,400	250			
v6 (Trillium)			1,200			
v8t (Zebrafish; 3nm, by MediaTek)				500	3,000	2,000
v9 (Humufish; 2nm EMIB-T, by MediaTek)						2,500
v9 (Humufish; 2nm CoWoS, by MediaTek)						500
v10 (Icefish; 1.4nm, by MediaTek)						unknown
Total	**500**	**2,400**	**1,750**	**3,300**	**7,500**	**>9000**

Source: Morgan Stanley Research estimates

2. Who could be the second and third customer for MediaTek in AI ASICs?

NVLink Fusion partnership should be the key catalyst for MediaTek to win new projects:

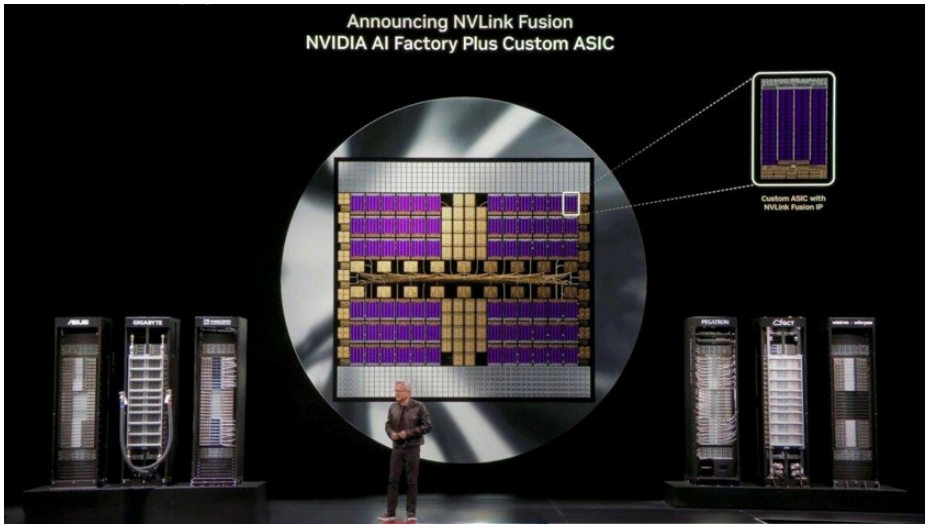
Through the NVLink Fusion platform, MediaTek's XPU customers can leverage NVIDIA's scale-up and scale-out networking technologies to build AI server systems.

In our report, MediaTek: NVIDIA and Alphabet Invest in MediaTek's CB for Extensive Partnership in ASIC; Stay OW, Top Pick (31 Aug 2026), we shared that MediaTek had maintained its 2027 ASIC TAM and market share guidance despite the broader partnership, noting that commercialization would take time. However, we believe the partnership materially increases MediaTek's chances of winning a second CSP customer.

Overall, we see upside to our 2028 ASIC revenue assumptions, driven by: 1) a higher probability of winning a second or even third CSP customer; 2) greater revenue from material preparation; and 3) a strengthened partnership with Alphabet on TPU programs.

In today's research, we incorporate potential revenue contributions from new customers.

Exhibit 2: NVLink Fusion to support connection with custom ASIC



Source: Nvidia

MediaTek's second CSP customer could begin contributing revenue from subsystem builds in 2028: We believe the subsystem would include procurement of key components such as HBM and ABF substrates, as well as wafer foundry capacity prepayments.

Our checks suggest MediaTek may target subsystem builds for a second CSP customer rather than supplying the XPU itself. We now expect an initial revenue contribution in 2028, based on approximately 100k subsystem units at an ASP of US$25k.

We therefore assume a US$2.5bn revenue contribution in 2028, based on 100k units and an ASP of US$25k, including HBM chip consignment, known-good dies (KGDs) for compute chips, and chiplets.

On margin trends, management highlighted continued value creation for customers across both silicon and packaging design. As a result, we expect ASICs to remain accretive to operating margins. At the gross margin level, management indicated that margins vary by project, potentially reflecting support for full-rack systems. We model 2nm TPU gross margins at c.35% (vs. c.40% for 3nm TPUs) given the larger revenue scale. We continue to expect operating margins of ~20–25%, above the smartphone business unit's 15–20%.

Exhibit 3: MediaTek AI ASIC/subsystem revenue projection

		2027e	2028e	2029e
Volume (mn)	TPU v8t (Zebrafish)	3	2	
	TPU v9 (Humufish; EMIB-T)		2.5	4
	TPU v9 (Humufish; CoWoS)		0.5	
	TPU v10 (Icefish)			1
	2nd Customer Subsystem		0.1	0.5
Chip ASP Recognized by MediaTek (US$k)	TPU v8t	4.5	4.5	
	TPU v9; EMIB-T		13	13
	TPU v9; CoWoS		20	
	TPU v10			18
	2nd Customer Subsystem		25	25
Revenue (US$bn)	TPU v8t	13.5	9	
	TPU v9; EMIB-T		32.5	52
	TPU v9; CoWoS		10	
	TPU v10			18
	Total TPU Revenue	13.5	51.5	70
	2nd Customer Subsystem		2.5	12.5
Total MediaTek Revenue (US$bn)		35	75	NA
AI ASIC Revenue %		38%	72%	NA

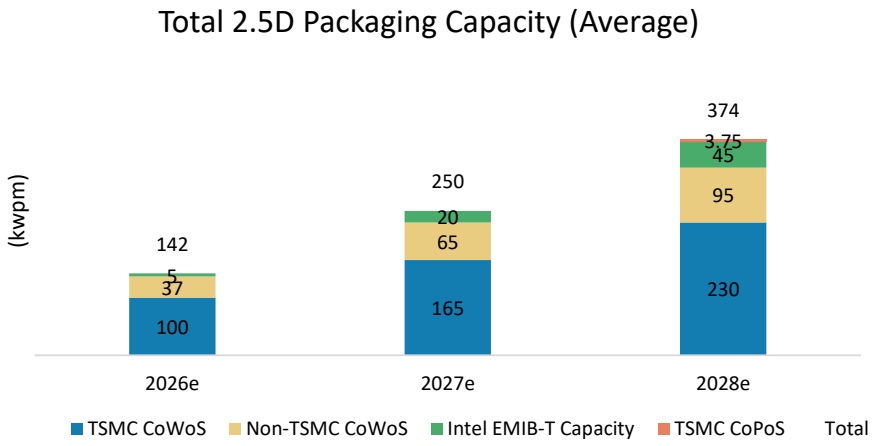
Source: Morgan Stanley Research estimates

3. Why TSMC is motivated to support MediaTek and Google?

TSMC's CoWoS-L solution carries a structurally higher cost due to its larger reticle size, as we discussed in The Foundry Floorplan: TSMC preview update; CoWoS vs. EMIB competition (14 Apr 2026). We believe TSMC also wants to address growing competition from Intel's EMIB-T, which we estimate will reach 40-45k wafer equivalent capacity 2028, implying a 10-15% share of the 2.5D packaging market.

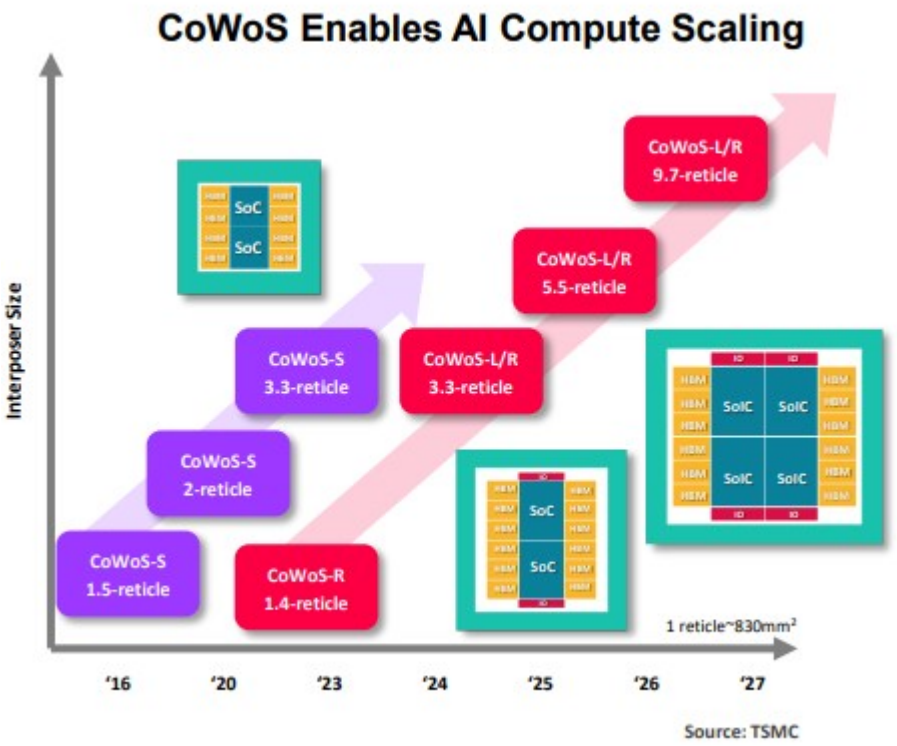
For MediaTek to adopt TSMC's CoWoS-L as a second source alongside EMIB-T, the RDL (redistribution layer) connection to the interposer requires tape-out of three additional photomask layers. However, our checks suggest that Google is willing to absorb the incremental costs associated with dual sourcing, which should allow MediaTek to sustain its gross margin.

Exhibit 4: Total 2.5D packaging capacity from 2026-2028 (excluding EMIB-M which is mainly for CPU production)



Source: Morgan Stanley Research estimates

Exhibit 5: TSMC's roadmap for interposer size



Source: Winway, TSMC

Intel EMIB-T can support 2.5mn units of our 2028 TPUv9 shipment in 2028

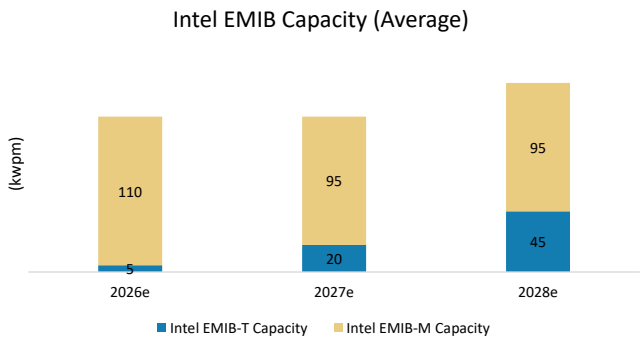
Average EMIB-T capacity is around 5kwpm in 2026, which we expect to further scale to 15-20kwpm in 2027 and 40-45kwpm in 2028. All of the capacity mentioned above is converted for 12-inch wafer equivalent, which we believe would be much easier to

communicate with customers compared with TSMC CoWoS capacity.

Although some small projects are ongoing, we still see MediaTek/Google Humufish consuming most of the capacities during 2027-28. We now expect Intel EMIB-T could produce close to 2.5mn units of Humufish from late 2027-2028, by assuming 4-5 chips per wafer of EMIB-T, while TSMC CoWoS could support around 500k units.

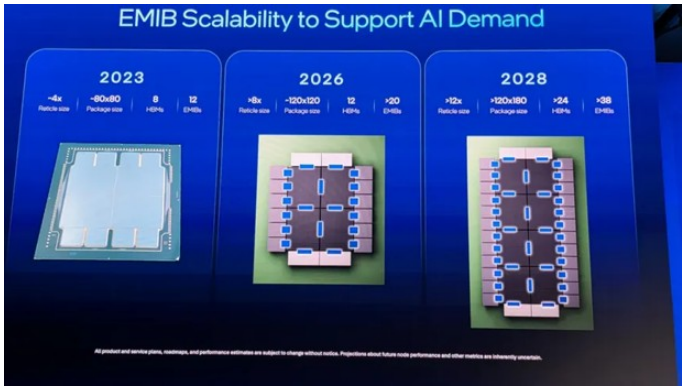
We see current average EMIB-M capacity being 110kwpm, which would slightly decrease to 95kwpm in 2027 as Intel is converting some capacities toward EMIB-T.

Exhibit 6: We expect Intel's EMIB-T capacity to reach 20kwpm in 2027 and 45kwpm in 2028; EMIB-M capacity is currently at 110kwpm, which would be down to 95kwpm due to conversion



Source: Morgan Stanley Research estimates

Exhibit 7: Intel's EMIB can easily support larger chips with more reticles (>12x) if its supply chain execution proceeds well



Source: Intel

Earnings estimate revisions and quarterly financials

We raise 2028 earnings estimates by 11%, while 2026/27 numbers are largely unchanged: Our higher 2028 estimates mostly reflect stronger TPU shipment and subsystem build for a second CSP customer.

Exhibit 8: 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	671,881	671,881	0%	1,095,554	1,095,554	0%	2,315,233	2,083,124	11%
Gross profit	305,311	305,312	0%	461,508	461,508	0%	882,302	801,064	10%
Operating profit	116,528	116,531	0%	262,019	262,019	0%	630,311	566,006	11%
Pretax income	135,851	135,662	0%	277,019	277,019	0%	645,311	581,006	11%
Reported net income	116,823	116,620	0%	233,811	233,811	0%	545,288	490,950	11%
Reported basic EPS	**73.35**	**73.22**	**0%**	**146.97**	**146.97**	**0%**	**342.37**	**308.25**	**11%**
Reported diluted EPS	**73.27**	**73.14**	**0%**	**146.81**	**146.81**	**0%**	**341.99**	**307.91**	**11%**
Margins									
Gross margin	45.4%	45.4%		42.1%	42.1%		38.1%	38.5%	
Operating margin	17.3%	17.3%		23.9%	23.9%		27.2%	27.2%	
Pretax margin	20.2%	20.2%		25.3%	25.3%		27.9%	27.9%	
Net margin	17.4%	17.4%		21.3%	21.3%		23.6%	23.6%	

Source: Morgan Stanley Research estimates

Exhibit 9: MediaTek: Quarterly financials

(NT$ mn)	1Q26	2Q26	3Q26e	4Q26e	1Q27e	2Q27e	3Q27e	4Q27e	2024	2025	2026e	2027e	2028e
Total revenues	**149,151**	**152,183**	**154,613**	**215,935**	**221,504**	**242,352**	**292,895**	**338,804**	**530,586**	**595,966**	**671,881**	**1,095,554**	**2,315,233**
Q/Q Change	*-0.7%*	*2.0%*	*1.6%*	*39.7%*	*2.6%*	*9.4%*	*20.9%*	*15.7%*					
Y/Y Change	*-2.7%*	*1.2%*	*8.8%*	*43.8%*	*48.5%*	*59.3%*	*89.4%*	*56.9%*	*22.4%*	*12.3%*	*12.7%*	*63.1%*	*111.3%*
Cost of Sales	**80,095**	**81,875**	**83,500**	**121,100**	**126,907**	**139,384**	**170,328**	**197,427**	**267,200**	**312,886**	**366,570**	**634,046**	**1,432,931**
Percent of Revenues	*53.7%*	*53.8%*	*54.0%*	*56.1%*	*57.3%*	*57.5%*	*58.2%*	*58.3%*	*50.4%*	*52.5%*	*54.6%*	*57.9%*	*61.9%*
Gross Profit	**69,055**	**70,308**	**71,113**	**94,835**	**94,596**	**102,968**	**122,566**	**141,378**	**263,386**	**283,080**	**305,311**	**461,508**	**882,302**
Gross Margin	***46.3%***	***46.2%***	***46.0%***	***43.9%***	***42.7%***	***42.5%***	***41.8%***	***41.7%***	***49.6%***	***47.5%***	***45.4%***	***42.1%***	***38.1%***
Incremental Margin	*NM*	*41%*	*33%*	*39%*	*-4%*	*40%*	*39%*	*41%*	*58%*	*30%*	*29%*	*37%*	*35%*
Total Opex	**46,165**	**47,440**	**46,723**	**48,456**	**47,988**	**48,809**	**50,572**	**52,120**	**160,974**	**179,610**	**188,783**	**199,489**	**251,991**
Percent of Revenues	*31.0%*	*31.2%*	*30.2%*	*22.4%*	*21.7%*	*20.1%*	*17.3%*	*15.4%*	*30.3%*	*30.1%*	*28.1%*	*18.2%*	*10.9%*
R&D	38,345	39,361	39,411	39,511	39,550	39,750	39,950	40,150	131,993	148,306	156,627	159,400	178,210
Percent of Revenues	*25.7%*	*25.9%*	*25.5%*	*18.3%*	*17.9%*	*16.4%*	*13.6%*	*11.9%*	*24.9%*	*24.9%*	*23.3%*	*14.5%*	*7.7%*
General & Adm Exp.	2,805	3,397	3,447	3,547	2,900	3,000	3,300	3,500	11,891	10,856	13,195	12,700	15,900
Percent of Revenues	*1.9%*	*2.2%*	*2.2%*	*1.6%*	*1.3%*	*1.2%*	*1.1%*	*1.0%*	*2.2%*	*1.8%*	*2.0%*	*1.2%*	*0.7%*
Selling Expenses	5,015	4,682	3,865	5,398	5,538	6,059	7,322	8,470	17,090	20,448	18,961	27,389	57,881
Percent of Revenues	3.4%	3.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	*3.2%*	*3.4%*	*2.8%*	*2.5%*	*2.5%*
Operating Income	**22,891**	**22,868**	**24,390**	**46,379**	**46,609**	**54,159**	**71,994**	**89,257**	**102,412**	**103,470**	**116,528**	**262,019**	**630,311**
Operating Margin	*15.3%*	*15.0%*	*15.8%*	*21.5%*	*21.0%*	*22.3%*	*24.6%*	*26.3%*	*19.3%*	*17.4%*	*17.3%*	*23.9%*	*27.2%*
Total Non-operating Income (loss)	**4,129**	**5,094**	**5,050**	**5,050**	**3,750**	**3,750**	**3,750**	**3,750**	**17,107**	**21,418**	**19,322**	**15,000**	**15,000**
Profit Before Taxes	**27,019**	**27,962**	**29,440**	**51,429**	**50,359**	**57,909**	**75,744**	**93,007**	**119,519**	**124,888**	**135,851**	**277,019**	**645,311**
Percent of Revenues	*18.1%*	*18.4%*	*19.0%*	*23.8%*	*22.7%*	*23.9%*	*25.9%*	*27.5%*	*22.5%*	*21.0%*	*20.2%*	*25.3%*	*27.9%*
Change vs Year Ago	*-22%*	*-16%*	*-2%*	*89%*	*86%*	*107%*	*157%*	*81%*	*37.7%*	*4.5%*	*8.8%*	*103.9%*	*132.9%*
Taxes	**2,643**	**3,357**	**4,563**	**7,972**	**7,806**	**8,976**	**11,740**	**14,416**	**12,378**	**18,770**	**18,534**	**42,938**	**100,023**
Tax Rate	9.8%	12.0%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	10.4%	15.0%	13.6%	15.5%	15.5%
Minor interest	222	270	0	0	0	0	0	0	754	798	493	270	0
Total Net Income to Parent	**24,154**	**24,335**	**24,877**	**43,458**	**42,553**	**48,933**	**64,004**	**78,591**	**106,387**	**105,319**	**116,823**	**233,811**	**545,288**
Percent of Revenues	*16.2%*	*16.0%*	*16.1%*	*20.1%*	*19.2%*	*20.2%*	*21.9%*	*23.2%*	*20.1%*	*17.7%*	*17.4%*	*21.3%*	*23.6%*
Change vs Year Ago	*-17.6%*	*-12.6%*	*-1.4%*	*89.6%*	*76.2%*	*101.1%*	*157.3%*	*80.8%*	*38.2%*	*-1.0%*	*10.9%*	*100.1%*	*133.2%*
Reported Basic EPS (NT$, TW GAAP)	**15.17**	**15.28**	**15.62**	**27.29**	**26.72**	**30.72**	**40.19**	**49.34**	**66.93**	**66.17**	**73.35**	**146.97**	**342.37**
Reported Diluted EPS (NT$, TW GAAP)	**15.15**	**15.26**	**15.60**	**27.26**	**26.69**	**30.69**	**40.14**	**49.29**	**66.81**	**66.07**	**73.27**	**146.81**	**341.99**

Source: Company data, Morgan Stanley Research estimates

Raise price target from NT$5,588 to NT$6,188

We continue to derive our price target (our base-case scenario value) from a residual income model. The price target change mostly reflects our earnings estimate changes. All of our key valuation assumptions remain unchanged: cost of equity at 9.2% (beta of 1.2, risk-free rate of 2%, and risk premium of 6%), intermediate growth rate of 12%, and terminal growth rate of 3.0%.

Our bull- and bear-case scenario values rise from NT$7,675 to NT$8,500 and NT$2,845 to NT$3,150, respectively.

Exhibit 10: MediaTek: Residual income model

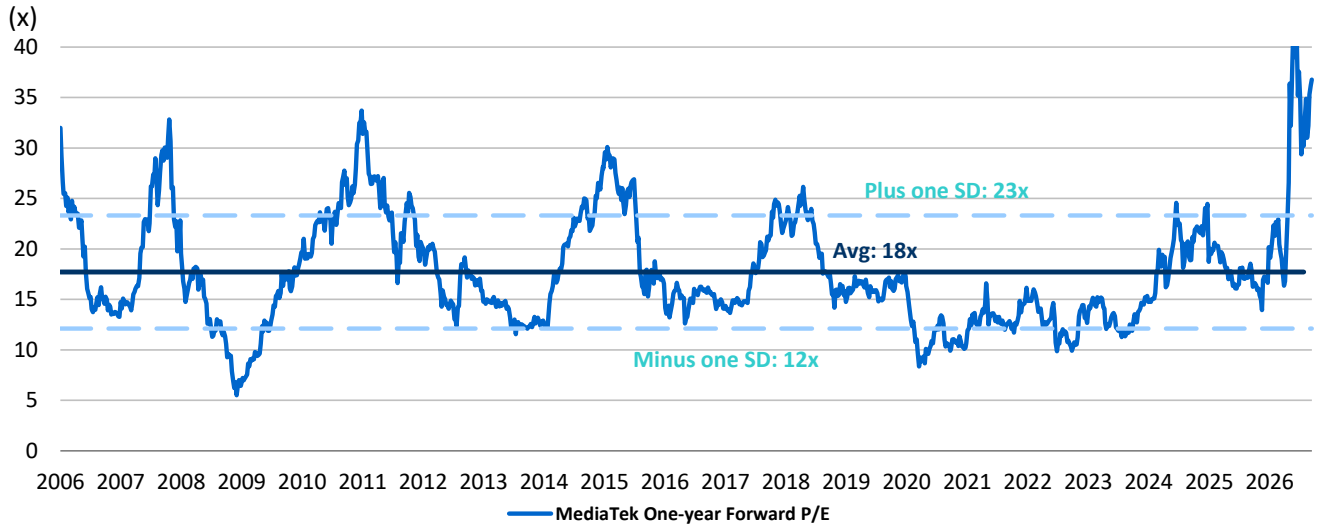
(NT$ mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**478,709**	**693,702**	**1,127,416**	**1,414,944**	**1,736,975**	**2,097,651**	**2,501,607**	**2,954,038**	**3,460,761**	**4,028,290**	**4,663,923**	**5,375,832**
Net Profit	**116,823**	**233,811**	**545,288**	**610,722**	**684,009**	**766,090**	**858,021**	**960,984**	**1,076,302**	**1,205,458**	**1,350,113**	**1,512,126**
ROAE	**26.3%**	**39.9%**	**59.9%**	**48.0%**	**43.4%**	**40.0%**	**37.3%**	**35.2%**	**33.6%**	**32.2%**	**31.1%**	**30.1%**
Residual Income	70,031	146,894	351,603	437,931	483,949	534,232	589,677	651,142	719,510	795,717	880,781	975,822
Spread	**17.1%**	**30.7%**	**50.7%**	**38.8%**	**34.2%**	**30.8%**	**28.1%**	**26.0%**	**24.4%**	**23.0%**	**21.9%**	**20.9%**
Ending Equity Capital	478,709											
PV of Forecast Period	3,230,987											
PV of Continuing Value	6,156,971											
Equity Value	**9,866,666**											
No. of Shares	1,594											
Projected Price (NT$)	**6,188**											

Source: Company data, Morgan Stanley Research estimates

Relative valuation

We view the P/E as relatively attractive – even after the share price rally – given strong AI demand. Although MediaTek faces smartphone headwinds in 2026, we believe it is time to look beyond 2026. We think this margin pressure is fully priced in, while TPU upside is not. We believe the stock should trade more than +1SD above its historical average, supported by strong TPU demand. Our price target of NT$6,188 implies 42x 2027 EPS, on our estimates.

Exhibit 11: MediaTek: One-year forward P/E trend



Source: Company data, FactSet, Morgan Stanley Research

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Risk Reward – MediaTek (2454.TW) Top Pick

AI ASIC demand likely to offset smartphone headwind; Top Pick

PRICE TARGET NT$6,188.00

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

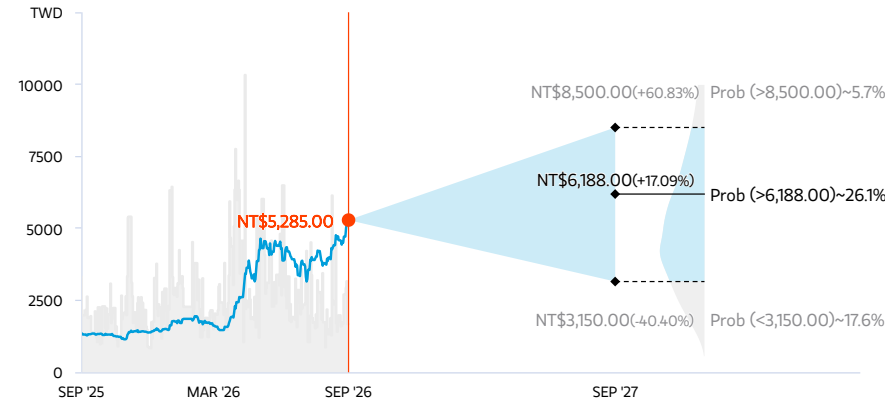
Consensus Price Target Distribution NT$1,751.00 NT$5,534.27 NT$10,369.00

MS PT

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



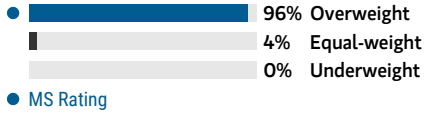
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 24 Sep 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- We expect MediaTek's gross margin to decline in both 2026 and 2027 as a result of smartphone headwinds and TPU margin dilution, but strong demand from TPU should drive earnings growth.
- Overall AI ASIC demand looks very strong, especially from Google's TPU, which should benefit MediaTek in the coming 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 could re-rate to 42x 2027e P/E, more than double 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$8,500.00

58x 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$6,188.00

42x 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 >50% 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$3,150.00

21x 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 a breakthrough in 5G technologies or foundry supply and start to take more market share in mid-range 5G smartphone SoCs. Slow new business development in ASIC, IoT and automotive, edge AI projects and AI ASIC business.

Risk Reward – MediaTek (2454.TW)

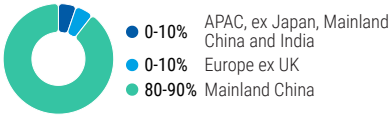
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue from 5G Products (NT$, mn)	291,637	281,035	301,505	341,338
Revenue from Mid-low-end 4G Products (NT$, mn)	4,854	1,198	1,137	1,186
Revenue from Growing Products (NT$, mn)	195,335	310,767	715,665	1,891,823
Revenue from Mature Products (NT$, mn)	34,922	32,983	32,857	32,682

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



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.

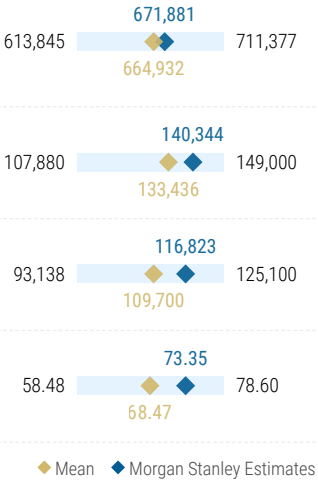
OWNERSHIP POSITIONING

Inst. Owners, % Active 71.3%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

MediaTek: Financial Summary

Income Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Net sales	**530,586**	**595,966**	**671,881**	**1,095,554**	**2,315,233**
COGS	(267,200)	(312,886)	(366,570)	(634,046)	(1,432,931)
Gross profit	263,386	283,080	305,311	461,508	882,302
Operating expenses	(160,974)	(179,610)	(188,783)	(199,489)	(251,991)
Operating income	**102,412**	**103,470**	**116,528**	**262,019**	**630,311**
Non-operating income	17,107	21,418	19,322	15,000	15,000
Pre-tax income	119,519	124,888	135,851	277,019	645,311
Income tax	(12,378)	(18,770)	(18,534)	(42,938)	(100,023)
Net income (excl. emp. bonus)	**133,925**	**132,647**	**146,645**	**292,602**	**681,610**
Employee Bonus Expense	26,785	26,529	29,329	58,520	136,322
Net income (incl. emp. bonus)	**106,387**	**105,319**	**116,823**	**233,811**	**545,288**
Adj.wtd.avg.shrs(m)	1,589	1,592	1,593	1,591	1,593
Reported EPS (NT$)	**66.93**	**66.17**	**73.35**	**146.97**	**342.37**
Diluted EPS (NT$)	**66.81**	**66.07**	**73.27**	**146.81**	**341.99**
EPS for Consensus (NT$)	**66.81**	**66.07**	**73.27**	**146.81**	**341.99**

Cash Flow Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash flow from Operations	**156,055**	**162,793**	**39,626**	**185,821**	**379,538**
Net profits	106,385	105,319	116,823	233,811	545,288
Depreciation	20,936	22,974	23,808	24,641	25,474
Equity investment losses (income)	(517)	(785)	0	0	0
Other adjustments	29,251	35,284	(101,005)	(72,631)	(191,224)
Cash flow from Investing	**(35,928)**	**(37,754)**	**(74,260)**	**(122,445)**	**(343,102)**
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)	(69,260)	(117,445)	(338,102)
Cash flow from financing	**(90,119)**	**(87,675)**	**(71,117)**	**(43,459)**	**(137,049)**
Increase in L/T debt	0	60	50,000	50,000	50,000
Increase in S/T debt	(1,260)	0	0	0	0
Cash Dividend Paid	(87,551)	(86,070)	(121,117)	(93,459)	(187,049)
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**	**-105,751**	**19,918**	**-100,613**

Balance Sheet

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash	203,696	235,290	129,539	149,457	48,844
Mkt Securities	15,928	12,419	12,419	12,419	12,419
AR/NR	44,713	62,121	79,877	130,246	275,248
Inventory	58,414	67,235	93,266	161,319	364,577
Other	28,274	20,392	13,849	22,582	47,723
Current Assets	**351,025**	**397,456**	**328,950**	**476,023**	**748,812**
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	186,250	303,694	641,796
Total Assets	**697,868**	**743,785**	**749,539**	**1,019,056**	**1,634,947**
S/T borrowings	940	940	940	940	940
AP/NP	40,777	48,710	60,911	105,356	238,103
Other ST liabilities	225,186	253,700	177,739	187,818	237,248
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**	**270,830**	**325,354**	**507,531**
Common shares	16,017	16,039	16,039	16,039	16,039
Retained earning	331,543	354,139	470,962	704,773	1,250,061
Other shareholders' equity	57,495	39,017	(8,292)	(27,110)	(138,684)
Total Equity	**405,055**	**409,195**	**478,709**	**693,702**	**1,127,416**
Total Liab. & Shrhldr's Equity	**697,868**	**743,785**	**749,539**	**1,019,056**	**1,634,947**

Financial Ratios

	2024	2025	2026e	2027e	2028e
Growth(%)					
Turnover	22.4	12.3	12.7	63.1	111.3
Operating profits	42.6	1.0	12.6	124.9	140.6
Pretax profits	37.7	4.5	8.8	103.9	132.9
Net profits	38.8	-1.0	10.6	99.5	132.9
EPS	38.1	-1.1	10.9	100.4	132.9
Margins (%)					
Gross Margin	49.6	47.5	45.4	42.1	38.1
Operating Margin	19.3	17.4	17.3	23.9	27.2
Pretax Margin	22.5	21.0	20.2	25.3	27.9
Net Profit	20.1	17.7	17.4	21.3	23.6
Return (%)					
ROAA	16.0	14.6	15.6	26.4	41.1
ROAE	27.3	25.9	26.3	39.9	59.9
Gearing (%)					
Net Debt/Equity	(50.1)	(57.3)	(26.9)	(21.4)	(4.2)
Liabilities/Equity	72.3	81.8	56.6	46.9	45.0
Ratios (X)					
Current ratio	1.3	1.3	1.4	1.6	1.6
Quick ratio	0.9	1.0	0.9	1.0	0.7
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

e = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

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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Global Stock Ratings Distribution

(as of August 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	1555	42%	450	48%	29%	767	44%
Equal-weight/Hold	1577	43%	395	42%	25%	770	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

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.

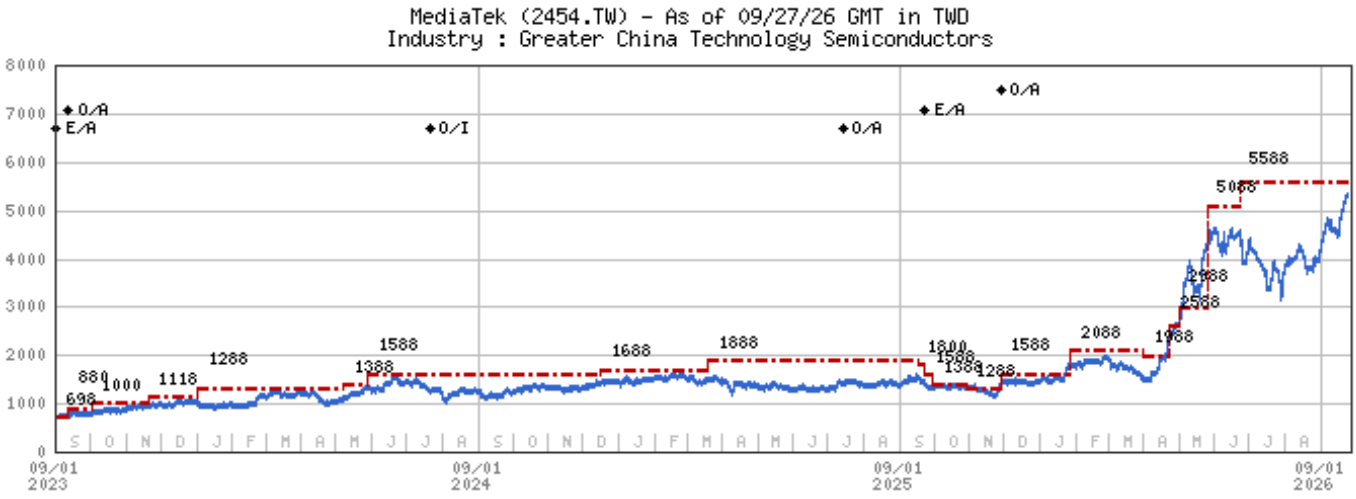
Analyst Stock Ratings

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.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to 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.
Underweight (U). The stock's total return is expected to be below 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.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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



Stock Rating History: 9/1/21 : 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: 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; 4/23/26 : 2588; 5/1/26 : 2988; 5/26/26 : 5088; 6/23/26 : 5588

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.

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/24/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$110.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,770.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$699.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,091.48
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb56.20
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$8,525.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$948.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$542.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$110.40
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$123.10
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$311.00
MediaTek (2454.TW)	O (11/28/2025)	NT$5,285.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb556.86
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$503.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb81.40
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,125.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb120.55
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$425.50
SMIC (0981.HK)	O (10/21/2025)	HK$63.35
TSMC (2330.TW)	O (02/07/2022)	NT$2,475.00
UMC (2303.TW)	O (05/19/2026)	NT$154.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$170.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$502.00

Daisy Dai, CFA

ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$164.20
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb59.17
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb87.56
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb32.72
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb248.30
Innoscience (2577.HK)	E (10/13/2025)	HK$39.42
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb68.78
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$26.54
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb110.35
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb128.02
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb85.95
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb60.60
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb25.45
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb88.13
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$993.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,480.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$19,835.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$99.70
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$137.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$3,230.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb118.64
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb383.77
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$117.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$300.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb214.50
Novatek (3034.TW)	U (02/04/2026)	NT$543.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$136.00
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$572.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$72.00
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$749.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb54.40
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$171.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$117.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$207.00
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb118.73
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb331.77
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$77.30
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb339.30
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb75.78
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb653.06
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,195.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$652.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$14.44
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,670.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,415.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$276.23
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$5,850.00

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