Asia Semis Pulse

TSMC's US expansion, MediaTek debates, Testing initation, September sales

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TSMC further deepening its relevance within the U.S. ecosystem

Over the past 12-18 months, we have observed that TSMC has demonstrated greater ambition and flexibility in navigating geopolitical dynamics. Recent press reported TSMC is evaluating a new expansion in Texas, U.S., on top of its US$265bn investment in Arizona. Our initial view is it is possible if TSMC seeks to further accelerate manufacturing expansion in the U.S. to meet reshoring requirements. However, any new U.S. expansion would take time. TSMC's first Arizona fab took approximately 4.5 years from announcement to the start of mass production. While the timeline could potentially be shortened for Texas, meaningful output would likely not materialize until 2029-2030 at the earliest. It's also possible that ultimately TSMC simply focuses on the Arizona expansion with second piece of land acquisition this year for faster expansion. Overall, a higher level of commitment to U.S. manufacturing could further increase TSMC's capex, especially on the fab shell & infrastructure spending. In our Q326 earnings preview, we raised our 2027E/2028E capex forecasts to US$90/$105 billion, respectively, from an estimated US$63 billion in 2026, reflecting our expectation of a faster leading-edge expansion.

MediaTek debates

Several debates on MediaTek over the past two weeks: **1)** renewed concern about Broadcom competition, **2)** potential v10 content/margin risks if Google pursues more customer-owned tool (COT) for compute and adds new ASIC partners like GUC, **3)** TPUv9 tape-out and EMIB-T yield, **4)** a delayed v8t ramp. We like these debates and continue to see meaningful upside as MediaTek executes. MediaTek's v8t remains on track for >US$2bn sales in Q426 and UBSe of US$18bn in 2027. On v9, we believe the target for tape-out delivery by early Nov. is still on track. If Google decides to delay, we believe it needs to notify MediaTek/TSMC in next 2-3 weeks. Even if there's a push-out, we would reiterate our buy rating on any stock pull-back given its structural opportunity in TPU. MediaTek's overall TPU roadmap is clear with Google having already finalized v9 TPU specs (N2 + EMIB-T) in H225, reflecting its increasing commitment to the MediaTek partnership. EMIB-T execution is also better than feared. As we've been flagging, Ibiden's yield improvement is ahead of plan and have reached the ~50% target for mass production. For v10 ramping in H229, MediaTek should remain Google's major ASIC supplier and continue to grow TPU sales to >US$50-60bn in 2029-30. See our recent MTK update, TPU forecast in Figure 1, tech crowding scores in Figure 6 and Figure 7.

We launched coverage for Taiwan testing names HTSI, CHPT, and WinWay

Cloud AI trend towards more complicated die and package structure is lifting the importance and content of testing across wafer- and package-level. We initiate 3 Buys: 1) testing solution provider **Hermes Testing** (HTSI) for thermal control/CPO growth with the most attractive risk/reward in our new coverage; 2) test interface PCB supplier **Chunghwa Precision Test** (CHPT) for CPU/TPU programs and test board content gain; 3) semiconductor test socket leader WinWay for socket content growth and margin recovery. See Figure 3 for summary of investment thesis and our sector deep dive.

Sep sales: TSMC and MediaTek tracking ahead of Consensus

Q3 sales across our Taiwan semis coverage are broadly tracking ahead of expectations. GlobalWafers' sales were below expectation in Q3 but should pick up in Q4. See Figure 4 for more details.

This report has been prepared by UBS Securities Pte. Ltd., Taipei Branch. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 8.**

Figure 1: UBS forecasts for MediaTek's TPU business

	2026E	2027E	2028E	2029E	2030E
Google's TPU sales (US$mn)	**2,113**	**18,000**	**43,500**	**52,500**	**60,000**
Google's TPU sales (NT$mn)	67,200	576,000	1,392,000	1,680,000	1,920,000
% of total sales	*10%*	*46%*	*65%*	*68%*	*69%*
Gross profits (NT$mn)	**28,224**	**241,920**	**584,640**	**705,600**	**806,400**
Gross margin	*42%*	*42%*	*42%*	*42%*	*42%*
OPEX (NT$mn)	13,440	28,800	41,760	50,400	57,600
OPEX ratio	*20.0%*	*5.0%*	*3.0%*	*3.0%*	*3.0%*
Operating profits (NT$mn)	**14,784**	**213,120**	**542,880**	**655,200**	**748,800**
Operating margin	*22%*	*37%*	*39%*	*39%*	*39%*
Tax rate	*12.9%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*
Net profits (NT$mn)	**12,875**	**182,218**	**464,162**	**560,196**	**640,224**
EPS contribution (NT$)	**8.1**	**114.4**	**291.4**	**351.7**	**402.0**
Consolidated EPS (NT$)	**67.6**	**177.5**	**363.4**	**433.7**	**488.0**

Source: UBS estimates

Figure 2: MediaTek's key growth drivers

Base case (NT$m)	2025	2026E	2027E	2028E
5G flagship	**110,921**	**107,181**	**159,929**	**174,779**
% of sales	19%	16%	13%	8%
Units (m)	21.5	19.0	26.5	28.0
ASP (US$)	165.3	177.4	188.6	195.1
5G non-flagship	**166,745**	**124,168**	**117,948**	**135,831**
% of sales	28%	18%	9%	6%
Units (m)	189.0	145.0	140.0	160.0
ASP (US$)	28.3	26.9	26.3	26.5
PC CPUs		**4,744**	**9,217**	**15,190**
% of sales		1%	1%	1%
Units (m)		3.7	7.2	11.9
- Total NB units (m)		*186*	*192*	*198*
- WOA penetration in PC market		*10%*	*15%*	*20%*
- NVIDIA/MediaTek's share		*20%*	*25%*	*30%*
Royalty fee (US$ per chip)		40.0	40.0	40.0
Cloud ASICs		**67,200**	**576,000**	**1,392,000**
% of sales		10%	46%	65%
Edge AI ASICs			**16,000**	**32,000**
% of sales			1%	1%
Automotive	**11,233**	**15,139**	**20,480**	**56,000**
% of sales	2%	2%	2%	3%
TAM for cockpit, connectivity (US$bn)	24	28	32	35
MediaTek's share	2%	2%	2%	5%
Wi-Fi 7	**4,487**	**7,735**	**12,096**	**16,769**
% of sales	1%	1%	1%	1%
Units (m)	17.8	33.4	54.6	79.6
ASP (US$)	8.1	7.3	6.9	6.6
Revenue from new growth drivers (NT$m)	**293,386**	**326,167**	**911,670**	**1,822,569**
% of sales	49%	48%	73%	85%
Total MediaTek sales (NT$m)	**595,966**	**673,973**	**1,248,996**	**2,139,567**
YoY growth	*12%*	*13%*	*85%*	*71%*

Source: Company data, UBS estimates

Figure 3: Investment thesis summary for our new testing coverage

Company	Value Chain Positioning	Primary Product Focus	Investment Thesis	Price Target	Upside
Hermes Testing Solutions (HTSI)	Wafer-level Test	Semiconductor testing related installation and services, customized equipment (e.g. thermal control modules for probers), engineering services (CPO test equipment), probe cards.	A key semiconductor testing solution provider and a shift-left beneficiary, with thermal management capabilities that positions the company in the center of AI/HPC chip probing. Uniquely positioned with CPO exposure through its engineering expertise and partnership with ficonTEC.	**NT$8,880**	
Chunghwa Precision Test (CHPT)	Wafer-level Test, Final Test, System-level Test, Burn-in Test	Semiconductor test PCB, final test load board (interface board), probe cards, burn-in board.	A key semiconductor test PCB maker with unique vertical integration capabilities for fast product cadence to enable design-wins. Probe card business is benefiting from the shift-left trend, driving robust growth with design-wins from projects such as CPU and AI ASICs.	**NT$5,000**	
WinWay Technology	Wafer-level Test, Final Test, System-level Test, Burn-in Test	Final test sockets, system-level test sockets, probe cards.	Leading semiconductor test socket provider, beneficiary of final test and mission-level test content expansion with advanced packaging and chiplet proliferation. With its partnership with Technoprobe, WinWay's probe card strength is adding another leg of growth.	**NT$8,900**	

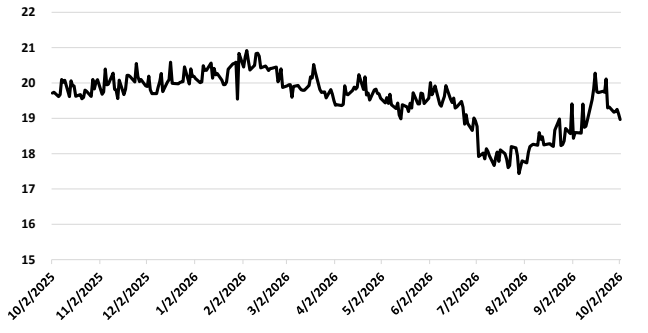
Source: UBS estimates

Figure 4: Taiwan Semis - September 2026 sales

Sector	Company	Analyst	Actual vs. Cons.	Monthly sales (NT$mn)			Comparison		% Diff.		UBSe - QoQ change		
				September	MoM (%)	YoY (%)	% of UBSe	% of Cons.	vs UBSe	vs Cons.	Q226	Q326	Q426
Foundry	TSMC	Sunny Lin	Ahead	511,857	-0.6%	52.4%	102.2%	102.9%	2.2%	2.9%	12.0%	15.1%	10.0%
	UMC	Sunny Lin	In-line	25,350	1.2%	32.3%	95.8%	98.8%	-4.2%	-1.2%	12.6%	12.8%	3.2%
	PSMC	Sunny Lin	Ahead	7,665	9.4%	92.7%	96.4%	108.4%	-3.6%	8.4%	27.4%	28.1%	15.0%
	Vanguard	Sunny Lin	In-line	5,904	15.9%	62.9%	101.6%	101.6%	1.6%	1.6%	13.7%	8.5%	2.8%
	WIN Semi	Jerry Su	In-line	2,030	4.8%	36.8%	99.6%	100.0%	-0.4%	0.0%	14.5%	11.9%	0.8%
OSAT	KYEC	Sunny Lin	In-line	4,071	-0.2%	31.3%	100.5%	100.8%	0.5%	0.8%	9.3%	8.4%	17.9%
	Chipbond	Jerry Su	Ahead	2,439	-6.9%	33.7%	106.7%	106.7%	6.7%	6.7%	15.2%	7.2%	-5.4%
	ChipMOS	Jerry Su	Ahead	2,792	0.2%	33.6%	103.6%	103.5%	3.6%	3.5%	6.5%	9.9%	-1.3%
	Powertech	Jerry Su	Ahead	8,507	-0.6%	23.7%	104.6%	103.6%	4.6%	3.6%	8.5%	4.8%	1.6%
Fabless	Global Unichip	Jerry Su	Ahead	7,145	22.3%	158.2%	110.6%	115.7%	10.6%	15.7%	21.4%	22.1%	41.2%
	Faraday	Jerry Su	Ahead	1,418	19.8%	55.6%	118.9%	115.5%	18.9%	15.5%	28.0%	-7.0%	11.7%
	MediaTek	Sunny Lin	Ahead	55,399	-13.7%	24.4%	106.7%	106.6%	6.7%	6.6%	2.0%	3.5%	36.6%
	Silergy	Sunny Lin	Ahead	2,511	3.9%	58.5%	110.4%	109.5%	10.4%	9.5%	23.5%	9.9%	1.6%
	Realtek	Sunny Lin	In-line	12,378	-0.7%	27.2%	92.1%	98.1%	-7.9%	-1.9%	3.1%	9.0%	-7.4%
	Novatek	Jerry Su	In-line	10,347	0.2%	26.6%	100.0%	100.8%	0.0%	0.8%	23.8%	8.0%	-5.8%
	ASPEED	Sunny Lin	Ahead	1,636	0.6%	119.8%	106.7%	103.1%	6.7%	3.1%	23.0%	15.9%	16.4%
	Parade	Jerry Su	Behind	1,503	13.3%	13.6%	98.3%	89.9%	-1.7%	-10.1%	6.5%	0.2%	-0.7%
	Elan	Jerry Su	Behind	602	-18.7%	-48.6%	91.3%	73.9%	-8.7%	-26.1%	-0.6%	-24.1%	4.4%
	ASMedia	Jerry Su	Behind	995	12.8%	-23.9%	111.5%	95.3%	11.5%	-4.7%	-22.2%	-12.4%	7.8%
Wafer	GlobalWafers	Sunny Lin	Behind	5,129	7.6%	15.8%	100.8%	92.6%	0.8%	-7.4%	8.8%	-3.1%	10.2%
Equipment	GPTC	Sunny Lin	Behind	747	9.7%	57.2%	97.3%	94.7%	-2.7%	-5.3%	8.2%	32.2%	8.0%
	Chroma	Jerry Su	Ahead	6,860	21.8%	212.1%	125.2%	123.3%	25.2%	23.3%	14.1%	5.8%	1.3%
	Gudeng	Sunny Lin	Ahead	994	18.4%	77.6%	107.5%	104.6%	7.5%	4.6%	24.1%	8.7%	11.0%
	Hon Precision	Sunny Lin	Ahead	5,729	9.8%	110.3%	104.6%	109.7%	4.6%	9.7%	28.6%	12.2%	18.5%
	All Ring	Sunny Lin	Ahead	1,160	4.6%	112.5%	109.4%	112.9%	9.4%	12.9%	66.8%	29.1%	-15.1%

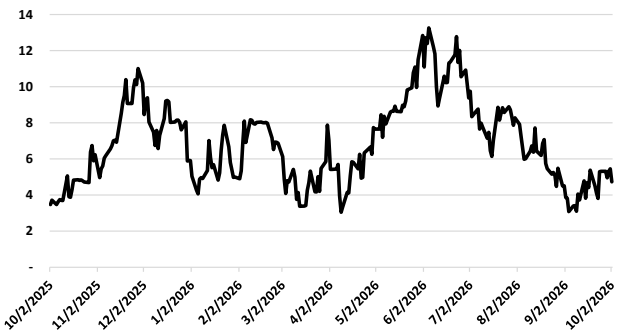
Source: TEJ, LSEG, UBS estimates.

Figure 5: TSMC crowding score



Source: UBS Quant research

Figure 6: MediaTek crowding score



Source: UBS Quant research

Figure 7: Coverage crowding scores as of October 2, 2026

Company	Score
TSMC	19.0
ASMPT	7.1
ASE	6.0
MediaTek	4.7
ASPEED	4.5
UMC	3.8
Silergy	1.6
Vanguard	-1.3
PSMC	-1.8
Hon. Precision	-2.7
All Ring	-3.2
Realtek	-5.9
KYEC	-5.9
GlobalWafers	-12.4

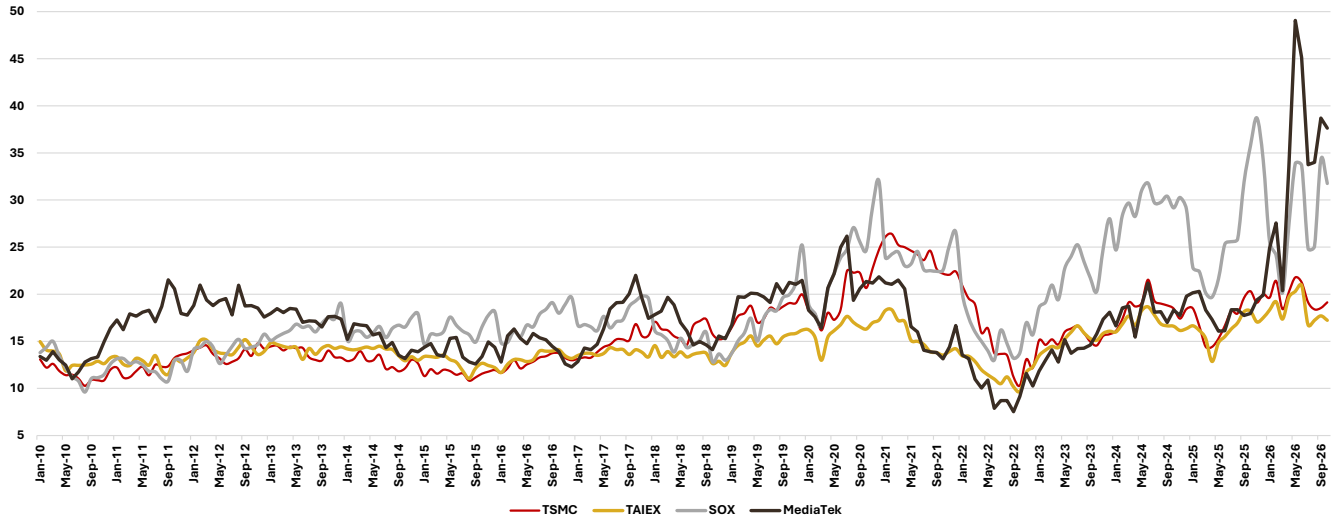
Source: UBS Quant research. Note: The crowding factors are standardized using z-scores and combined into a single daily factor, typically ranging from approximately +30 to -30 for each stock, with stocks ranked from the most heavily longed to the most heavily shorted.

Figure 8: Recent key publications

10/8/2026	Testing sector deep-dive: "AI put to the test: the new era of chip testing"
10/7/2026	Aspeed: "Marvell's new AI management silicon is more complement than competitor"
9/28/2026	Asia Semis Pulse: "TSMC's A14 faster ramp; MediaTek's new ASICs; silicon..."
9/28/2026	TSMC preview: "Raising 2027-28 capex for next phase of AI growth"
9/28/2026	Foundry: "Much larger N2 TAM and faster A14 expansion; mature foundry upcycle underway"
9/23/2026	MediaTek: "Multiple catalysts ahead on TPU; quantifying upside in new ASIC projects"
9/22/2026	CoWoS: "ASICs and CPUs move to center stage, driving the next wave of CoWoS expansion"
9/18/2026	Wafer S/D: "UBS Global I/O Silicon Wafers "Silicon wafers: Meaningful price hikes..."
9/16/2026	UBS TW Summit:"Takeaways from UBS Taiwan Summit 2026 – Days 2..."
9/15/2026	UBS TW Summit: "2026 UBS Taiwan Summit Takeaways – Day 1"
9/14/2026	Asia Semis Pulse: MediaTek catalysts, Aug sales, TSMC & ASML collaboration, UMC silicon photonics
9/07/2026	2026 SEMICON Taiwan:5 key takeaways for advanced packaging, advanced logic, CPO & test
8/31/2026	MediaTek: Expanding partnership with Nvidia and Google for AI computing platforms
7/27/2026	CoPoS vs. EMIB: "Can Intel challenge TSMC's advanced packaging leadership?"
7/27/2026	All Ring Initiation: "Share gainer in expanding advanced packaging TAM"

Source: UBS

Figure 9: Valuation: Consensus forward P/E of TSMC, MediaTek, SOX, and TAIEX



Source: LSEG, UBS estimates

Figure 10: APAC Semiconductors Valuation: Foundry & Fabless

Company name	Ticker	Rating	Analyst	Market cap (US$m)	Price target (LC)	Share price (LC)	EPS growth (%)		P/E (x)		P/BV (x)		ROE (%)		Dividend yield (%)	
							2027E	2028E	2027E	2028E	2027E	2028E	2027E	2028E	2027E	2028E
Foundry																
Hua Hong	1347.HK	Neutral	Jimmy Yu	21,234	148	96	44.1	39.3	85	61	2.6	2.5	3.2	4.3	0.1	0.1
PSMC	6770.TW	Buy	Sunny Lin	9,555	100.0	72	33.6	16.7	7	6	2.2	1.8	33.7	31.4	3.5	4.7
SMIC	0981.HK	Buy	Jimmy Yu	58,256	102	57	49.6	34.6	31	23	2.0	1.9	6.7	8.4	0.0	0.0
TSMC	2330.TW	Buy	Sunny Lin	2,071,937	3,650	2,550	36.6	35.9	17	13	6.3	4.6	42.7	42.1	1.2	1.6
UMC	2303.TW	Buy	Sunny Lin	58,176	230	148	2.8	50.8	19	12	3.6	3.1	19.9	26.9	3.7	3.8
Vanguard	5347.TWO	Neutral	Sunny Lin	10,910	168	187	32.4	36.1	22	16	3.5	3.1	16.3	20.1	2.4	2.4
WIN Semi	3105.TWO	Buy	Jerry Su	7,717	725	581	71.9	30.9	42	32	5.1	4.6	12.5	15.1	0.7	1.2
Average									**31.9**	**23.4**	**3.6**	**3.1**				
Fabless																
Alchip	3661.TW	Buy	Jerry Su	11,073	6,600	4,345	38.3	25.2	20	16	4.6	3.9	25.3	26.9	0.8	1.8
ASMedia	5269.TW	Buy	Jerry Su	3,491	1,700	1,490	10.0	20.9	13	11	2.3	2.1	18.8	20.5	3.8	4.2
Aspeed	5274.TWO	Buy	Sunny Lin	20,710	22,000	17,485	73.9	42.9	53	37	36.1	24.7	84.3	78.7	0.8	1.4
Faraday	3035.TW	Neutral	Jerry Su	1,649	190	202	151.9	61.8	23	14	3.3	2.9	15.2	21.7	0.9	0.9
GUC	3443.TW	Buy	Jerry Su	35,087	8,660	8,360	138.9	39.7	60	43	33.6	20.2	72.5	58.7	0.2	0.3
MediaTek	2454.TW	Buy	Sunny Lin	235,692	7,300	4,690	162.5	104.7	26	13	13.0	9.0	55.4	82.3	1.2	3.0
Novatek	3034.TW	Neutral	Jerry Su	10,124	540	531	(1.9)	(3.8)	15	16	4.7	4.5	30.9	28.7	4.3	5.6
Parade	4966.TWO	Neutral	Jerry Su	1,380	565	558	33.9	47.1	14	9	1.8	1.6	13.4	18.0	2.8	3.7
Realtek	2379.TW	Neutral	Sunny Lin	12,036	690	749	19.6	7.2	19	17	7.3	6.6	42.0	40.2	3.7	4.4
Silergy	6415.TW	Buy	Sunny Lin	5,632	700	463	64.7	56.9	24	15	3.9	3.2	17.2	23.2	1.0	2.2
Average									**26.7**	**19.2**	**11.1**	**7.9**				
Average (ex-Design service/IP)									**23.4**	**17.0**	**9.9**	**7.4**				

Source: TEJ, UBS estimates. Note: Priced as of 8 Oct 2026; DPS paid in 2028/2027 based on 2027/2026 earnings, respectively.

Figure 11: APAC Semiconductors Valuation: Semi-backend & Silicon wafers

Company name	Ticker	Rating	Analyst	Market cap (US$m)	Price target (LC)	Share price (LC)	EPS growth (%)		P/E (x)		P/BV (x)		ROE (%)		Dividend yield (%)	
							2027E	2028E	2027E	2028E	2027E	2028E	2027E	2028E	2027E	2028E
Semi-backend																
All Ring	6187.TWO	Buy	Sunny Lin	4,660	1,700	1,525	57.4	64.0	32	19	12.5	9.1	43.9	54.2	1.4	2.2
Amkor	AMKR.O	Buy	Randy Abrams	12,839	80	52	7.9	32.0	19	14	2.3	2.0	13.1	15.3	0.6	0.8
ASE	3711.TW	Buy	Sunny Lin	103,688	835	744	63.8	25.2	24	19	6.3	5.4	28.5	30.4	1.7	2.7
ASMPT	0522.HK	Buy	Sunny Lin	8,620	200	163	47.7	24.4	22	18	3.4	2.8	16.0	17.3	1.6	2.4
Chipbond	6147.TWO	Buy	Jerry Su	5,273	290	226	45.9	34.0	27	20	3.2	3.0	12.1	15.2	1.2	1.7
Chroma ATE	2360.TW	Buy	Jerry Su	31,060	2,960	2,330	37.5	22.1	37	31	20.7	16.0	64.0	59.0	0.8	1.4
Gudeng	3680.TWO	Buy	Sunny Lin	1,718	710	571	34.5	35.0	29	21	3.9	3.7	14.2	18.0	1.9	2.5
GPTC	3131.TWO	Buy	Sunny Lin	2,256	4,300	2,465	66.7	65.4	25	15	16.2	10.0	79.6	81.7	1.7	2.8
Hon Precision	7769.TW	Buy	Sunny Lin	33,403	10,000	5,925	85.5	49.9	24	16	10.6	7.9	50.1	55.4	1.5	2.9
KYEC	2449.TW	Buy	Sunny Lin	11,666	325	305	61.9	24.0	21	17	5.1	4.5	26.9	28.7	2.0	1.9
Powertech	6239.TW	Neutral	Jerry Su	7,326	260	308	21.1	16.9	20	17	3.3	3.0	17.1	18.1	1.5	2.0
Average									**25.0**	**18.7**	**7.5**	**5.6**				
Silicon wafer																
GlobalWafers	6488.TWO	Buy	Sunny Lin	16,928	1,750	1,130	113.5	94.1	29.2	15.1	4.8	4.0	17.7	28.9	0.6	1.4

Source: TEJ, UBS estimates. Note: Priced as of 8 Oct 2026; DPS paid in 2028/2027 based on 2027/2026 earnings, respectively.



Valuation Method and Risk Statement

We value Hermes Testing based on PE methodology.
Risks for the semis industry:
- Geopolitical uncertainties: Geopolitical uncertainties including tariffs and more export control could negatively impact semis cycle, and a downturn would lead to slower demand in the overall market and moderating capacity expansion.
- Meaningful deceleration of new technology development: Slower demand and less investment are expected If there is meaningful deceleration of new technology development such as Cloud AI, autonomous driving, etc.
- Rising utility cost: Larger-than-expected utility cost increases would further pressure profitability. Rising utility costs in Taiwan have negatively impacted margins for Taiwan tech companies.
Company risks:
- Faster- or slower-than-expected front-end/CoWoS capacity expansion: This could result in Hermes Testing gaining/losing equipment orders from major foundries and OSATs.
- Competitors achieving technological advancement: Potential risk of competition (from either local or foreign companies) achieving technological advancements could result in Hermes Testing losing market share from major foundries and OSATs.
- Better- or worse-than-expected AI growth: Better- or worse-than-expected AI growth could lead to a ramp-up or a slowdown of equipment orders from major foundries and OSATs to Hermes Testing, affecting long-term revenue growth potential.
- Slowdown or delay of new technological advancement: A potential slowdown or delay of the rollout for technological advancements for technologies such as SoIC, CoPoS, and CPO, would limit future equipment orders.
- Increase of raw material costs: Rising raw material costs may directly impact Hermes Testing's margins for equipment shipments.
We value WinWay based on PE methodology.
Risks for the semis industry:
- Geopolitical uncertainties: Geopolitical uncertainties including tariffs and more export control could negatively impact semis cycle, and a downturn would lead to slower demand in the overall market and moderating capacity expansion.
- Meaningful deceleration of new technology development: Slower demand and less investment are expected If there is meaningful deceleration of new technology development such as Cloud AI, autonomous driving, etc.
- Rising utility cost: Larger-than-expected utility cost increases would further pressure profitability. Rising utility costs in Taiwan have negatively impacted margins for Taiwan tech companies.
Company risks:
- Faster- or slower-than-expected CoWoS capacity expansion: This could result in WinWay gaining/losing socket/probe card orders from major end customers, foundries, and OSATs.
- Competitors achieving technological advancement: Potential risk of competition (from either local or foreign companies) achieving technological advancements could result in WinWay losing market share from major end customers, foundries and OSATs.
- Better- or worse-than-expected AI growth: Better- or worse-than-expected AI growth could lead to a ramp-up or a slowdown of equipment orders from major foundries and OSATs to WinWay, affecting long-term revenue growth potential.
- Slowdown or delay of new technological advancement: A potential slowdown or delay of the rollout for technological advancements for technologies such as SoIC, CoPoS, and CPO, would limit future socket/probe card orders.
- Increase of raw material costs: Rising raw material costs may directly impact WinWay's margins for socket/probe card shipments.
We value Chunghwa Precision Test (CHPT) based on PE methodology.
Risks for the semis industry:
- Geopolitical uncertainties: Geopolitical uncertainties including tariffs and more export control could negatively impact semis cycle, and a downturn would lead to slower demand in the overall market and moderating capacity expansion.
- Meaningful deceleration of new technology development: Slower demand and less investment are expected If there is meaningful deceleration of new technology development such as Cloud AI, autonomous driving, etc.
- Rising utility cost: Larger-than-expected utility cost increases would further pressure profitability. Rising utility costs in Taiwan have negatively impacted margins for Taiwan tech companies.
Company risks:
- Faster- or slower-than-expected front-end/CoWoS capacity expansion: This could result in CHPT gaining/losing probe card/board orders from major foundries and OSATs.
- Competitors achieving technological advancement: Potential risk of competition (from either local or foreign companies) achieving technological advancements could result in CHPT losing market share from end customers, major foundries, and OSATs.

- Better- or worse-than-expected AI growth: Better- or worse-than-expected AI growth could lead to a ramp-up or a slowdown of probe card/board orders from customers, major foundries, and OSATs to CHPT, affecting long-term revenue growth potential.
- Slowdown or delay of new technological advancement: A potential slowdown or delay of the rollout for technological advancements for technologies such as SoIC, CoPoS, and even CPO, would limit future growth potential.
- Increase of raw material costs: Rising raw material costs may directly impact CHPT's margins for equipment shipments.

We base our price target for TSMC on a PE multiple.

We think TSMC faces a variety of risks, including rapidly changing technology, intense competition, high capital investment and cyclical demand. TSMC also has a history of paying stock options to its employees, which could dilute earnings.

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.