MediaTek Inc.

Broader ASIC pipeline; stronger execution; stay OW with PT of NT$5600

Overweight

2454.TW, 2454 TT
Price (30 Oct 26):NT$3,915.00
Price Target (Jun-27):NT$5,600.00

Mediatek's messages in its 3Q26 earnings call were consistent with our expectations, confirming faster ramp for TPUv8t, on-time ramp with better substrate/EMIB-T outlook for TPUv9 and addition of a new ASIC customer (we believe this is likely to be SpaceX). In addition, the company also underlined the strong OP leverage that is likely to kick in as Datacenter ASIC revenues start ramping up in 2027. We believe that street estimates are likely to keep moving up as (1) More confidence emerges on EMIB-T yields and substrate execution into 2028, (2) TPUv10 project award gets finalized in the next few months, (3) More clarity emerges on the second ASIC customer, and revenue contribution potential in 2028/29 and (4) Further new customer engagements come through from Mediatek's partnership with NVDA on NVlink Fusion and increased engagement with Chinese ASIC customers (Bytedance and Alibaba most likely, in our view). We keep our EPS estimates largely unchanged and stay OW with a Jun-27 PT of 5600.

- **Faster ramp for TPUv8t, likely upside to 2027 guidance:** MediaTek confirmed a faster ramp for TPUv8t (with $2.5bn revenues in 4Q26 in the first quarter of ramp) and reiterated the high-end of prior guidance range for 2027 ($16bn). We believe that 2027 estimates are still limited by substrate supply and could eventually see upside towards our estimate of $18+bn, as Mediatek brings on more substrate suppliers. We believe that the downstream ramp for TPUv8t seems largely on track and should see healthy growth through 1H27.
- **Dispelling TPUv9 concerns regarding tapeout delays and EMIB-T yields:** Mediatek management confirmed that several chiplets within the TPUv9 package have already been taped out (we believe that the I/O dies and memory controller dies that are handled by Mediatek have already been taped out), while certain other dies are likely to enter tapeout in the next few weeks (compute dies that are designed by Google are likely to enter tapeout in Nov-Dec, based on our checks). Overall, we believe that TPUv9 design appears to be on track for entering mass production in 2028 and revenue contribution likely in 1H28. Mediatek also indicated that solutions for the ABF substrate yield issues regarding EMIB-T appear to have been identified and seemed confident on strong ramp in yield rates in the next few quarters, ahead of entering mass production. Our checks continue to suggest that EMIB-T remains the only packaging option for TPUv9 (plan B on CoWoS appears to have been abandoned by the customer), and that substrate yields and overall capacity seem to be improving, with the ability to support up to 3.5M units of TPUv9 shipments in 2028.
- **Market share in 2028 for TPUs appears to be skewed towards Mediatek:** Mediatek management has indicated that competing TPU programs in 2028 are likely to be significantly inferior in performance per watt and TCO, to Mediatek's ASIC (TPUv9 Humufish). This is consistent with our channel checks, with MediaTek working on TPUv9 (4 N2 compute dies, 12 stacks of HBM4, 336G Serdes), while the competitive offering is likely to be Sunfish Ultra (4 N3 compute dies, still running 224G Serdes and likely using a MCM approach, which limits bandwidth). We believe that chip costs remain ~40+%

Technology and Telecoms

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (NT$)	70.80	74.33	5.0%
Adj. EBIT - 26E (NT$ mn)	110,896	115,172	3.9%

Quarterly Forecasts (FYE Dec)

Adj. EPS (NT$)

	2025A	2026E	2027E
Q1	18.31	15.07A	30.73
Q2	17.39	15.21A	34.39
Q3	15.72	17.37A	42.08
Q4	14.29	26.66	49.38
FY	65.71	74.33	156.58

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	51	47	21	11	23
Growth	32	52	43	48	20
Momentum	23	41	66	35	40
Quality	35	35	13	37	51
Low Vol	64	50	49	62	69
ESGQ	91	15	17	9	4

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	173.8%	-20.4%	21.0%	198.8%
Rel	117.7%	-14.7%	7.8%	139.0%

Company Data

Shares O/S (mn)	1,599
52-week range (NT$)	5,480.00-1,130.00
Market cap ($ mn)	192,020
Exchange rate	32.60
Free float (%)	86.1%
3M ADV (mn)	8.85
3M ADV ($ mn)	1,168.7
Volatility (90 Day)	66
Index	TAIEX
BBG ANR (Buy | Hold | Sell)	32|1|0

Key Metrics (FYE Dec)

NT$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	595,966	690,695	1,161,027	2,126,628
Adj. EBIT	103,470	115,172	265,866	566,222
Adj. EBITDA	116,806	129,607	281,901	583,620
Adj. net income	105,319	119,251	251,317	510,352
Adj. EPS	65.71	74.33	156.58	317.98
BBG EPS	66.45	70.44	146.87	288.15
Cashflow from operations	141,195	(36,918)	204,903	308,378
FCFF	115,710	(61,416)	185,182	285,582
Margins and Growth				
Revenue Growth Y/Y (%)	12.3%	15.9%	68.1%	83.2%
EBIT margin	17.4%	16.7%	22.9%	26.6%
EBIT Growth Y/Y (%)	1.0%	11.3%	130.8%	113.0%
EBITDA margin	19.6%	18.8%	24.3%	27.4%
EBITDA Growth Y/Y (%)	1.6%	11.0%	117.5%	107.0%
Net margin	17.7%	17.3%	21.6%	24.0%
Adj. EPS growth	(1.1%)	13.1%	110.7%	103.1%
Ratios				
Adj. tax rate	15.0%	11.9%	12.3%	12.9%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	26.4%	26.2%	42.9%	62.5%
Valuation				
FCFF yield	1.8%	(1.0%)	2.9%	4.5%
Dividend yield	1.4%	1.4%	1.5%	3.2%
EV/Revenue	10.4	8.8	5.2	2.8
EV/EBITDA	52.9	47.0	21.5	10.3
Adj. P/E	59.6	52.7	25.0	12.3

Summary Investment Thesis and Valuation

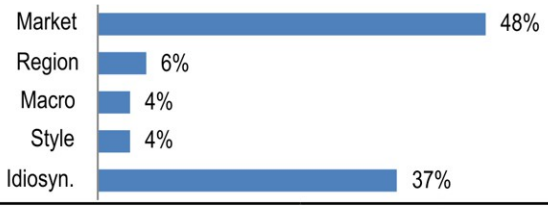
Investment Thesis

We are OW on MediaTek, given its TPU opportunity to continue to grow over the next 4-5 years and we believe it has the ability to reach $80-100bn annual run-rate by 2030E. We believe that MediaTek is likely to have majority unit share within TPUv8 (in 2027), be the primary ASIC vendor for TPUv9 with a sharp jump in ASPs, and is in pole position to emerge as the primary ASIC partner for TPUv10 with rising ASP per chip. In addition, we believe the strong OP leverage is likely to kick in as Datacenter ASIC revenues start ramping up in 2027. We believe that street estimates are likely to keep moving up as (1) More confidence emerges on EMIB-T yields and substrate execution into 2028, (2) TPUv10 project award gets finalized, (3) More clarity emerges on the second ASIC customer and (4) Further new customer engagements come through from Mediatek's partnership with NVDA on NVlink Fusion and increased engagement with Chinese ASIC customers.

Valuation

Our Jun-27 PT of NT$5600 is based on a 24x P/E multiple (moving back to a straight PE from SoTP, given ASICs are now the dominant earnings driver), which is higher than the past 10-year average, reflecting stronger growth for future TPU opportunity.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.75	0.69
Region: Taiwan	0.41	0.35
Macro:		
Markit EM Composite PMI SA	0.32	0.27
JP Morgan EMBI Global Spread	0.06	0.17
JP Morgan GBI-EM Global Div	-0.21	-0.17
Quant Styles:		
Size	0.22	0.17
Growth	0.17	0.09
Momentum	0.18	0.06

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

lower using the Semi-CoT approach, as compared to a full-design approach (see Table 2).

- **TPUv10 project award likely the next catalyst, management appears quite confident on project win:** We believe that Mediatek is likely to be awarded the TPUv10 project in the next few months (likely before 1Q27), with the project being in the final stage of definition. We expect MediaTek's role to be largely similar to TPUv9 (in charge of Serdes, interconnect IP, I/O dies, memory controller, along with package design and overall integration), while compute dies may be handled by the design service vendors such as Alchip/GUC on a Turnkey 3 basis. Overall, we continue to expect MediaTek's ASPs for TPUv10 to rise at least 20% vs. TPUv9, and expect this project to represent the vast majority in the TPUv10 family.
- **New customer win confirmed; this is likely SPCX:** Mediatek management confirmed a second non-China customer for Datacenter ASICs, with revenue expected to ramp in 2028, demonstrating the company's growing prowess in custom ASICs. We believe this customer is likely SpaceX, while details of the partnership likely to come through in the next few quarters. In addition to SpaceX, we believe that Mediatek is also in discussions with Meta, Bytedance and Alibaba, with Bytedance's ASIC likely very close to tapeout in 4Q26 (likely a share gain vs. QCOM, based on our checks).
- **IP offering strengthening with 448G Serdes tape-out and NVLink Fusion partnership:** Mediatek confirmed that it has already taped out its PAM6-based 448G Serdes test-chip, which is a bit ahead of market expectations. This gives a clearer indication of interconnect roadmap using Copper into 2029-30, given the perception that Mediatek is behind competitors on Optical/CPO. A key handicap for Mediatek in our view has been its ability to enable a larger scale-up domain, as the unit of Compute is moving to the rack (from ASIC), and this is an area where the key competitor has a strong networking presence. We believe that the NVLink fusion partnership with NVDA should help Mediatek's customers overcome this limitation, since it enables ASIC customers to utilize NVDA's NVlink Switch and scale-up architecture to easily build rack-level ecosystems, while also retaining their own ASICs for AI compute. We expect to see more design wins for Mediatek based on this partnership in the next 12 months.
- **Expecting smartphone and Consumer IoT momentum to remain muted in 2027, given rising memory prices:** We expect smartphone and IoT demand to weaken in 4Q26, reflecting smartphone demand pulled forward into 3Q ahead of price hikes and the traditional low season for IoT. Looking into 2027, we expect both segments to remain muted amid rising memory prices. Overall, we expect smartphone revenue to decline 10% in 2027.

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Table 1: MediaTek: DC ASIC Key Assumptions

	2026E	2027E	2028E
TPU v8 Zebrafish			
Units (mn)	0.6	4.1	1.3
ASP (US$)	4,488	4,500	4,250
Revenue (US$mn)	2,693	18,225	5,525
TPU v9 Humufish			
Units (mn)			3.3
ASP(US$)			12,939
Revenue (US$mn)			42,700
TPU v10 Icefish			
Units (mn)			0.0
ASP(US$)			15,527
Revenue (US$mn)			0
Other Enterprise ASIC			
Revenue (US$mn)	114	136	150
ASIC Revenue (USUS$mnn)	**2,805**	**18,361**	**48,375**
Total TPU shipments	0.6	4.1	4.6

J.P. Morgan estimates.

Table 2: Cost savings: Mediatek Semi CoT vs. Broadcom

Mediatek Semi CoT vs Broadcom - cost savings analysis		**Comments**
Cost structure for TPUv8t		
ASP for Mediatek ($)	4,500	
GP per Chip ($)	1,890	Assuming 42% GM
Gross profit per chip -adjusting for Complexity ($)	3,024	60% more ASP and similar margin to
Cost Structure for TPUv8i		
ASP for Broadcom ($)	18,000	estimated all-in ASP for Broadcom
GP per Chip ($)	10,800	Assume 60% all in GMs
Savings per Chip for Google ($)	7,776	
Savings per Generation (10M units)	77,760	$M
% savings with semi-CoT model with Mediatek	43%	

Source: J.P. Morgan estimates, Company data.

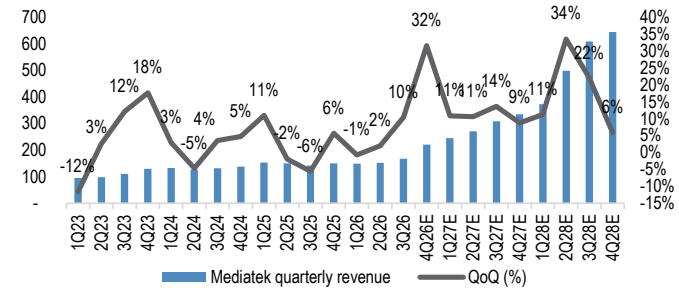
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Key charts

Figure 1: MediaTek – Quarterly revenue and qoq

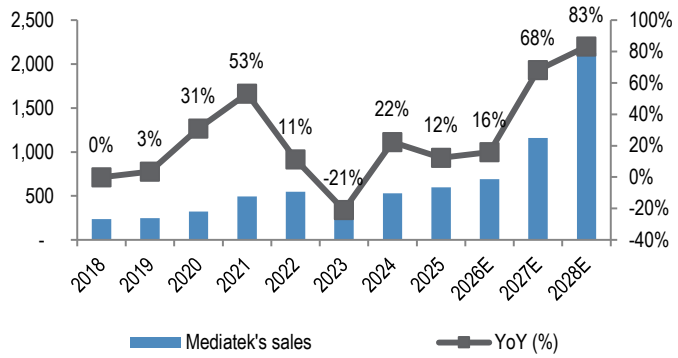
NT$ in billions, %



Source: Company data, J.P. Morgan estimates.

Figure 2: MediaTek – Annual revenue and yoy

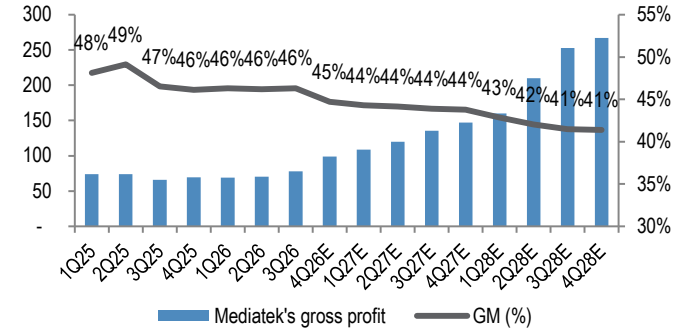
NT$ in billions, %



Source: Company data, J.P. Morgan estimates.

Figure 3: MediaTek – Gross profit and GM (quarterly)

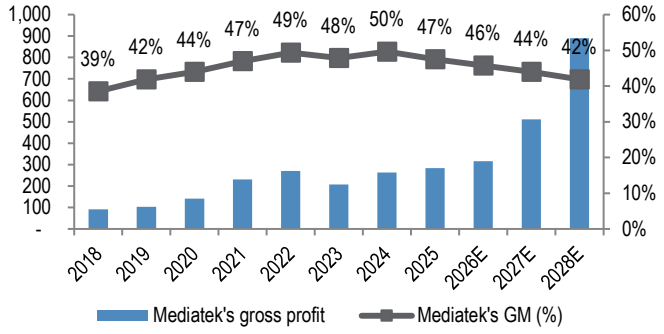
NT$ in billions, %



Source: Company data, J.P. Morgan estimates.

Figure 4: MediaTek – Gross profit and GM (annual)

NT$ in billions, %



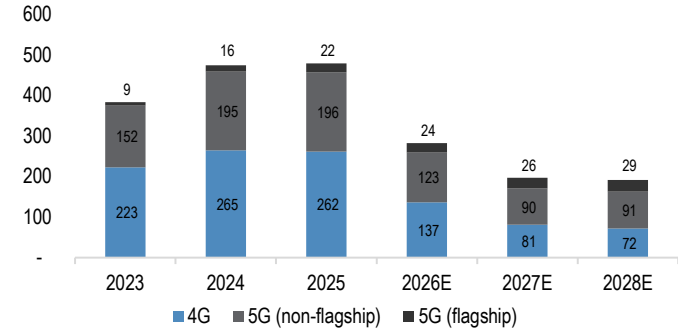
Source: Company data, J.P. Morgan estimates.

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Figure 5: MediaTek – Smartphone shipment breakdown

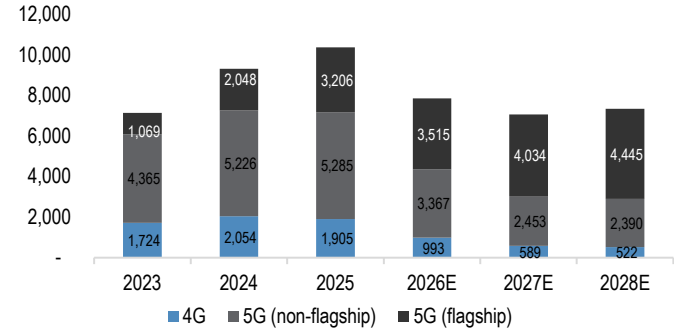
Units in millions



Source: Company data, J.P. Morgan estimates.

Figure 6: MediaTek – Smartphone revenue breakdown

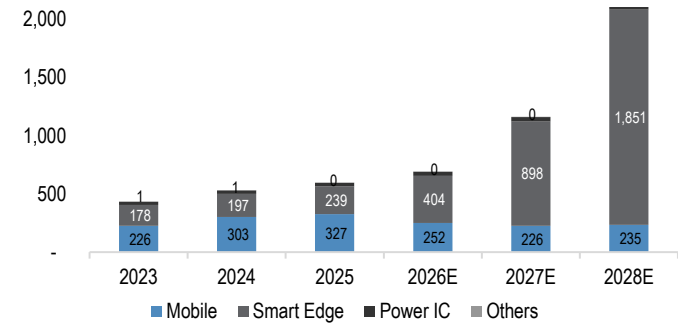
US$ in millions



Source: Company data, J.P. Morgan estimates.

Figure 7: MediaTek – Revenue by segment

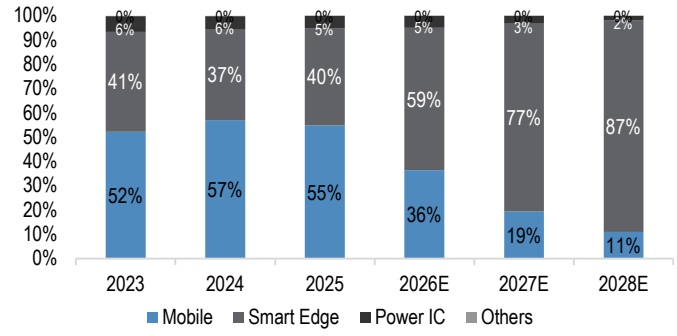
NT$ in billions



Source: Company data, J.P. Morgan estimates.

Figure 8: MediaTek – Revenue mix by segment

%



Source: Company data, J.P. Morgan estimates.

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Earnings review

Table 3: Mediatek – 3Q26 earnings review

	3Q26			Variance		Growth	
NT$ million	Actual	JPMe	BBG est.	vs. JPMe	vs. Consensus	Q/Q	Y/Y
Revenues	**168,058**	**168,057**	**161,798**	**0%**	**4%**	**10%**	**18%**
Gross profit	77,848	77,300	74,810	1%	4%	11%	18%
GM (%)	*46.3%*	*46.0%*	*46.2%*	*33 bps*	*9 bps*	*12 bps*	*-20 bps*
Operating profit	27,102	25,535	25,329	6%	7%	19%	22%
OPM (%)	*16.1%*	*15.2%*	*15.7%*	*93 bps*	*47 bps*	*110 bps*	*51 bps*
Pre-tax Profit	33,573	29,341	29,839	14%	13%	20%	12%
Pre-tax Margin (%)	*20.0%*	*17.5%*	*18.4%*	*252 bps*	*153 bps*	*160 bps*	*-111 bps*
Net profit	28,199	25,820	25,480	9%	11%	16%	12%
Net Margin (%)	*16.8%*	*15.4%*	*15.7%*	*142 bps*	*103 bps*	*75 bps*	*-97 bps*
EPS (NT$)	**17.58**	**16.10**	**15.89**	**9%**	**11%**	**16%**	**12%**

Source: J.P. Morgan estimates.Bloomberg Finance L.P.

Estimate revisions

Table 4: MediaTek – Quarterly estimate revisions

	Revised			Prior			Change (%)		
NT$ million	4Q26E	1Q27E	2Q27E	4Q26E	1Q27E	2Q27E	4Q26E	1Q27E	2Q27E
Revenues	**221,304**	**245,380**	**271,429**	**209,889**	**249,281**	**275,937**	**5%**	**-2%**	**-2%**
Gross profit	98,970	108,679	119,853	93,611	110,367	121,814	6%	-2%	-2%
GM (%)	*44.7%*	*44.3%*	*44.2%*	*44.6%*	*44.3%*	*44.1%*	*12bps*	*2bps*	*1bps*
Operating profit	42,312	51,754	60,424	39,602	54,081	61,202	7%	-4%	-1%
OPM (%)	*19.1%*	*21.1%*	*22.3%*	*18.9%*	*21.7%*	*22.2%*	*25bps*	*-60bps*	*8bps*
Net profit	42,795	49,323	55,202	39,163	50,061	54,973	9%	-1%	0%
EPS (NT$)	**26.66**	**30.73**	**34.39**	**24.42**	**31.21**	**34.27**	**9%**	**-2%**	**0%**
EPS ex one off disposals (NT$)	**26.66**	**30.73**	**34.39**	**24.42**	**31.21**	**34.27**	**9%**	**-2%**	**0%**
Smartphone Shipment (mn units)	50	49	49	59	56	56	-15%	-13%	-13%
4G	22	21	20	26	25	24	-16%	-16%	-16%
5G	28	28	29	33	31	32	-15%	-10%	-10%
Smartphone ASP (US$)	33.9	34.4	34.7	32.2	32.1	32.3	5%	7%	7%
Mobile revenue	53,860	53,403	54,208	60,829	57,578	58,416	-11%	-7%	-7%
Smart Edge revenue	158,263	183,251	208,142	139,889	182,982	208,446	13%	0%	0%
Power IC revenue	9,126	8,670	9,021	9,015	8,564	8,910	1%	1%	1%

Source: J.P. Morgan estimates.

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Table 5: MediaTek – Annual estimate revisions

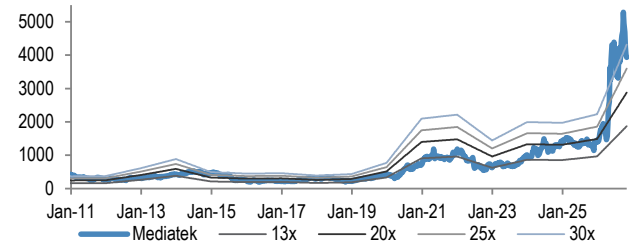
	Revised			Prior			Change (%)		
NT$ million	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenues	**690,695**	**1,161,027**	**2,126,628**	**679,280**	**1,177,920**	**2,136,604**	**2%**	**-1%**	**-0%**
Gross profit	316,181	510,895	889,403	310,274	518,153	893,406	2%	-1%	-0%
GM (%)	*45.8%*	*44.0%*	*41.8%*	*45.7%*	*44.0%*	*41.8%*	*10bps*	*1bps*	*1bps*
Operating profit	115,172	265,866	566,222	110,896	270,335	567,506	4%	-2%	-0%
OPM (%)	*16.7%*	*22.9%*	*26.6%*	*16.3%*	*23.0%*	*26.6%*	*35bps*	*-5bps*	*6bps*
Net profit	119,251	251,317	510,352	113,557	249,882	511,742	5%	1%	-0%
EPS (NT$)	**74.33**	**156.58**	**317.98**	**70.80**	**155.80**	**319.06**	**5%**	**1%**	**-0%**
EPS ex one off disposals (NT$)	**74.33**	**156.58**	**317.98**	**70.80**	**155.80**	**319.06**	**5%**	**1%**	**-0%**
Smartphone Shipment (mn units)	283	197	192	303	225	217	-7%	-12%	-11%
4G	137	81	72	146	96	86	-7%	-16%	-16%
5G	146	116	120	157	128	131	-7%	-10%	-8%
Smartphone ASP (US$)	27.8	35.9	38.3	27.3	33.5	35.7	2%	7%	7%
Mobile revenue	251,802	225,906	234,643	265,325	242,309	249,010	-5%	-7%	-6%
Smart Edge revenue	404,449	897,705	1,850,912	379,503	898,219	1,846,545	7%	0%	0%
Power IC revenue	33,979	37,180	40,813	33,762	36,725	40,313	1%	1%	1%

Source: J.P. Morgan estimates.

P/E and P/BV charts

Figure 9: MediaTek – 12-month forward P/E

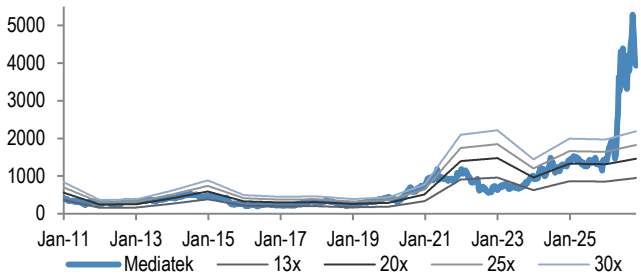
NT$, x



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 10: MediaTek – 12-month trailing P/E

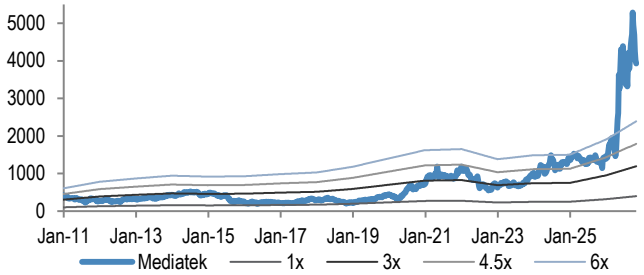
NT$, x



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 11: MediaTek – 12-month forward P/BV

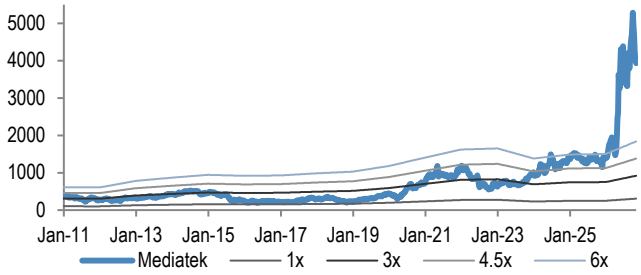
NT$, x



Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 12: MediaTek – 12-month trailing P/BV

NT$, x



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Table 6: MediaTek – Financials

NT$ millions, year-end Dec.	2025				2026E				2027E				2028E							
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2025	2026E	2027E	2028E
Revenue	153,312	150,369	142,097	150,188	149,151	152,183	168,057	221,304	245,380	271,429	308,513	335,705	373,576	499,121	609,009	644,922	595,966	690,695	1,161,027	2,126,628
COGS	79,503	76,491	75,985	80,907	80,095	81,875	90,209	122,334	136,701	151,576	173,090	188,764	213,479	289,376	356,356	378,014	312,886	374,514	650,131	1,237,225
Gross profit	73,809	73,878	66,112	69,281	69,055	70,308	77,848	98,970	108,679	119,853	135,423	146,941	160,097	209,745	252,653	266,908	283,080	316,181	510,895	889,403
R&D expenses	35,782	36,923	36,353	39,248	38,345	39,361	42,237	47,158	47,379	49,464	53,289	53,811	56,810	65,309	72,516	74,354	148,306	167,101	203,943	268,991
Operating income	30,053	29,379	22,188	21,850	22,891	22,868	27,102	42,312	51,754	60,424	71,398	82,290	91,842	131,278	165,528	177,574	103,470	115,172	265,866	566,222
Pre-tax profit	34,553	33,228	29,960	27,147	27,019	27,962	33,573	47,550	56,693	64,943	76,749	88,059	96,699	135,463	169,882	183,618	124,888	136,104	286,444	585,663
Net profit (Reported)	29,325	27,848	25,221	22,925	24,172	24,401	27,882	42,795	49,323	55,202	67,539	79,253	84,128	115,144	149,496	161,584	105,319	119,251	251,317	510,352
New Taiwan GAAP EPS (NT$)	18.3	17.4	15.7	14.3	15.1	15.2	17.4	26.7	30.7	34.4	42.1	49.4	52.4	71.7	93.1	100.7	65.7	74.3	156.6	318.0
Shipment units (millions)																				
Feature Phone	18	17	16	16	15	13	12	11	11	10	10	10	9	9	9	9	66	51	41	36
Smartphone	129	121	113	117	94	75	64	50	49	49	50	49	47	47	50	48	480	283	197	192
4G	71	66	62	62	49	37	29	22	21	20	20	20	19	18	18	18	262	137	81	72
5G	58	55	51	55	46	38	35	28	28	29	30	30	28	29	32	31	218	146	116	120
Total Handset	147	138	129	132	109	88	76	61	59	59	60	59	56	57	59	57	546	334	238	228
Chromebook/Tablet	15	17	16	15	17	16	16	14	12	12	13	13	12	12	13	13	63	63	50	49
ASP (US$)																				
Feature Phone	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Smartphone	20.0	20.7	21.9	24.2	24.4	26.3	29.9	33.9	34.4	34.7	36.0	38.6	37.6	37.4	38.6	39.6	21.7	27.8	35.9	38.3
4G	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.2	7.2	7.2	7.3	7.3	7.3	7.2
5G	35.8	37.0	39.9	43.2	42.7	44.7	48.9	54.9	54.7	54.3	55.2	59.4	57.9	56.5	56.3	58.0	38.9	47.0	55.9	57.2
Total Handset	17.8	18.3	19.3	21.5	21.2	22.5	25.4	28.1	28.5	28.8	30.1	32.5	31.4	31.5	32.9	33.8	19.2	23.8	30.0	32.4
Chromebook/Tablet	8.1	8.1	8.1	8.1	9.0	9.0	10.0	10.1	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	8.1	9.5	11.0	11.0
Revenue Breakdown (%)																				
Mobile	56%	52%	53%	59%	49%	41%	37%	24%	22%	20%	19%	18%	15%	11%	10%	9%	0%	0%	0%	0%
Smart Edge	39%	43%	42%	37%	46%	53%	58%	72%	75%	77%	78%	79%	82%	87%	88%	89%	0%	0%	0%	0%
PMIC	5%	6%	5%	4%	5%	6%	5%	4%	4%	3%	3%	3%	3%	2%	2%	2%	0%	0%	0%	0%
Others	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Margins (%)																				
Gross margin	48.1	49.1	46.5	46.1	46.3	46.2	46.3	44.7	44.3	44.2	43.9	43.8	42.9	42.0	41.5	41.4	47.5	45.8	44.0	41.8
Operating margin	19.6	19.5	15.6	14.5	15.3	15.0	16.1	19.1	21.1	22.3	23.1	24.5	24.6	26.3	27.2	27.5	17.4	16.7	22.9	26.6
Pre-tax margin	22.5	22.1	21.1	18.1	18.1	18.4	20.0	21.5	23.1	23.9	24.9	26.2	25.9	27.1	27.9	28.5	21.0	19.7	24.7	27.5
New Taiwan GAAP net margin	19.1	18.5	17.7	15.3	16.2	16.0	16.6	19.3	20.1	20.3	21.9	23.6	22.5	23.1	24.5	25.1	17.7	17.3	21.6	24.0
Sequential Growth (%)																				
Revenue	11	-2	-6	6	-1	2	10	32	11	11	14	9	11	34	22	6	12	16	68	83
Gross profit	10	0	-11	5	0	2	11	27	10	10	13	9	9	31	20	6	7	12	62	74
Operating income	40	-2	-24	-2	5	0	19	56	22	17	18	15	12	43	26	7	1	11	131	113
Net profit	23	-5	-9	-9	5	1	14	53	15	12	22	17	6	37	30	8	-1	13	111	103
New Taiwan GAAP EPS	23	-5	-10	-9	5	1	14	53	15	12	22	17	6	37	30	8	-1	13	111	103

Source: Company data, J.P. Morgan estimates.



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Investment Thesis, Valuation and Risks

MediaTek Inc. *(Overweight; Price Target: NT$5,600.00)*

Investment Thesis

We are OW on MediaTek, given its TPU opportunity to continue to grow over the next 4-5 years and we believe it has the ability to reach $80-100bn annual run-rate by 2030E. We believe that MediaTek is likely to have majority unit share within TPUv8 (in 2027), be the primary ASIC vendor for TPUv9 with a sharp jump in ASPs, and is in pole position to emerge as the primary ASIC partner for TPUv10 with rising ASP per chip. In addition, we believe the strong OP leverage is likely to kick in as Datacenter ASIC revenues start ramping up in 2027. We believe that street estimates are likely to keep moving up as (1) More confidence emerges on EMIB-T yields and substrate execution into 2028, (2) TPUv10 project award gets finalized, (3) More clarity emerges on the second ASIC customer and (4) Further new customer engagements come through from Mediatek's partnership with NVDA on NVlink Fusion and increased engagement with Chinese ASIC customers.

Valuation

Our Jun-27 PT of NT$5600 is based on a 24x P/E multiple (moving back to a straight PE from SoTP, given ASICs are now the dominant earnings driver), which is higher than the past 10-year average, reflecting stronger growth for future TPU opportunity.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) further pressure on Smartphone SoC GMs due to cost escalations and increased competition; and 2) slower progress on the NVDA partnership, given NVDA's expanded engagement with Intel and other chip makers.

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MediaTek Inc.: Summary of Financials

Income Statement - Annual	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	**433,446**	**530,586**	**595,966**	**690,695**	**1,161,027**
COGS	(226,079)	(267,200)	(312,886)	(374,514)	(650,131)
Gross profit	**207,367**	**263,386**	**283,080**	**316,181**	**510,895**
SG&A	(24,183)	(28,981)	(31,304)	(33,908)	(41,086)
Adj. EBITDA	**82,801**	**114,972**	**116,806**	**129,607**	**281,901**
D&A	(11,001)	(12,560)	(13,336)	(14,435)	(16,035)
Adj. EBIT	**71,800**	**102,412**	**103,470**	**115,172**	**265,866**
Net Interest	6,908	10,696	10,167	9,441	10,578
Adj. PBT	**86,782**	**119,519**	**124,888**	**136,104**	**286,444**
Tax	(9,591)	(12,378)	(18,770)	(16,129)	(35,127)
Minority Interest	(212)	(754)	(798)	(724)	0
Adj. Net Income	**76,979**	**106,386**	**105,319**	**119,251**	**251,317**
Reported EPS	48.12	66.47	65.71	74.33	156.58
Adj. EPS	**48.12**	**66.47**	**65.71**	**74.33**	**156.58**
DPS	**76.00**	**54.97**	**53.96**	**53.48**	**60.18**
Payout ratio	102.9%	114.2%	81.2%	81.4%	81.0%
Shares outstanding	1,600	1,601	1,603	1,604	1,605

Balance Sheet & Cash Flow Statement	FY23A	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	180,673	219,624	247,709	269,267	361,137
Accounts receivable	60,641	51,770	68,597	123,688	187,627
Inventories	43,220	58,414	67,235	158,291	198,819
Other current assets	6,354	21,217	13,916	34,594	34,594
Current assets	**290,889**	**351,025**	**397,456**	**585,841**	**782,177**
PP&E	53,291	56,917	60,427	62,168	56,572
LT investments	152,228	172,525	171,501	183,616	189,616
Other non current assets	138,631	117,400	114,400	173,502	173,502
Total assets	**635,038**	**697,868**	**743,785**	**1,005,127**	**1,201,867**
Short term borrowings	7,826	8,919	4,481	41,950	41,950
Payables	38,779	40,777	48,710	75,357	117,374
Other short term liabilities	185,394	217,207	250,159	219,735	219,735
Current liabilities	**231,999**	**266,902**	**303,350**	**337,042**	**379,059**
Long-term debt	4,605	2,681	6,795	8,815	8,815
Other long term liabilities	24,229	23,228	24,444	142,263	142,263
Total liabilities	**260,833**	**292,812**	**334,590**	**488,120**	**530,137**
Shareholders' equity	368,206	396,627	400,601	508,222	662,946
Minority interests	6,000	8,428	8,594	8,785	8,785
Total liabilities & equity	**635,038**	**697,868**	**743,785**	**1,005,127**	**1,201,867**
BVPS	**230.18**	**247.95**	**250.12**	**316.87**	**413.05**
y/y Growth	*(16.3%)*	*7.7%*	*0.9%*	*26.7%*	*30.4%*
Net debt/(cash)	(168,242)	(208,023)	(236,433)	(218,503)	(310,373)
Cash flow from operating activities	**199,780**	**131,571**	**141,195**	**(36,918)**	**204,903**
o/w Depreciation & amortization	11,001	12,560	13,336	14,435	16,035
o/w Changes in working capital	111,800	12,624	22,540	(170,603)	(62,450)
Cash flow from investing activities	**(44,405)**	**(15,253)**	**(12,822)**	**(87,392)**	**(16,439)**
o/w Capital expenditure	(10,431)	(16,186)	(16,846)	(16,176)	(10,439)
as % of sales	*2.4%*	*3.1%*	*2.8%*	*2.3%*	*0.9%*
Cash flow from financing activities	**(139,511)**	**(77,368)**	**(100,288)**	**145,868**	**(96,593)**
o/w Dividends paid	(121,574)	(87,979)	(86,491)	(89,128)	(96,593)
o/w Net debt issued/(repaid)	6,321	(1,831)	892	157,307	-
Net change in cash	**15,864**	**38,951**	**28,085**	**21,558**	**91,870**
Adj. Free cash flow to firm	**183,204**	**105,796**	**115,710**	**(61,416)**	**185,182**
y/y Growth	*85.0%*	*(42.3%)*	*9.4%*	*(153.1%)*	*(401.5%)*

Income Statement - Quarterly	1Q26A	2Q26A	3Q26A	4Q26E
Revenue	**149,151**	**152,183**	**168,057**	**221,304**
COGS	(80,095)	(81,875)	(90,209)	(122,334)
Gross profit	**69,055**	**70,308**	**77,848**	**98,970**
SG&A	(7,819)	(8,079)	(8,509)	(9,500)
Adj. EBITDA	**26,239**	**26,437**	**30,842**	**46,089**
D&A	(3,349)	(3,569)	(3,740)	(3,777)
Adj. EBIT	**22,891**	**22,868**	**27,102**	**42,312**
Net Interest	2,311	2,461	1,931	2,738
Adj. PBT	**27,019**	**27,962**	**33,573**	**47,550**
Tax	(2,643)	(3,357)	(5,374)	(4,755)
Minority Interest	(204)	(204)	(316)	0
Adj. Net Income	**24,172**	**24,401**	**27,882**	**42,795**
Reported EPS	15.07	15.21	17.37	26.66
Adj. EPS	**15.07**	**15.21**	**17.37**	**26.66**
Shares outstanding	1,604	1,604	1,605	1,605

Ratio Analysis	FY23A	FY24A	FY25A	FY26E	FY27E
Gross margin	47.8%	49.6%	47.5%	45.8%	44.0%
EBITDA margin	19.1%	21.7%	19.6%	18.8%	24.3%
EBIT margin	16.6%	19.3%	17.4%	16.7%	22.9%
Net profit margin	17.8%	20.1%	17.7%	17.3%	21.6%
ROE	19.0%	27.8%	26.4%	26.2%	42.9%
ROA	12.4%	16.0%	14.6%	13.6%	22.8%
ROCE	15.4%	23.3%	21.4%	20.9%	36.7%
SG&A/Sales	5.6%	5.5%	5.3%	4.9%	3.5%
Net debt/equity	NM	NM	NM	NM	NM
P/E (x)	81.4	58.9	59.6	52.7	25.0
P/BV (x)	17.0	15.8	15.7	12.4	9.5
EV/EBITDA (x)	74.0	53.5	52.9	47.0	21.5
Dividend Yield	1.9%	1.4%	1.4%	1.4%	1.5%
Sales/Assets (x)	0.7	0.8	0.8	0.8	1.1
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	206.3%	190.2%	8.4%	71.2%	192.1%
Revenue y/y Growth	(21.0%)	22.4%	12.3%	15.9%	68.1%
EBITDA y/y Growth	(39.1%)	38.9%	1.6%	11.0%	117.5%
Tax rate	11.1%	10.4%	15.0%	11.9%	12.3%
Adj. Net Income y/y Growth	(34.8%)	38.2%	(1.0%)	13.2%	110.7%
EPS y/y Growth	(34.9%)	38.1%	(1.1%)	13.1%	110.7%
DPS y/y Growth	4.1%	(27.7%)	(1.8%)	(0.9%)	12.5%

Source: Company reports and J.P. Morgan estimates.
Note: NT$ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which