


M31 Technology (6643 TT)

 Target price: **TWD750.00** (from TWD600.00)

 Share price (6 May): **TWD650.00** | Up/downside: **+15.4%**

 5 4 3 2 **1**

Buy
 (unchanged)

Structural turnaround round the corner

- Downbeat 1Q26 results for still bumpy operations but ...
- ... strong earnings turnaround still on track to kick off from 2Q26
- Reaffirming our Buy (1) rating with a higher 12M TP of TWD750

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What's new: M31 reported downbeat 1Q26 results for still bumpy quarterly operations due to delayed license projects. That said, we expect the delayed projects to catch up, evidenced by its improved April revenue, which management expects to set a good stage for growing revenue run-rates into 2H26. Its goal of royalty outgrowing license revenue and the role it plays in the AI cycle reinforce our positive stance on M31's strong earnings turnaround from 2Q26, and our Buy (1) rating on the stock.

What's the impact: Results bumpy and downbeat but ... M31 released a 1Q26 net loss of TWD49m, missing our/consensus estimates of TWD53m/TWD35m net profit due to lower revenue on delayed license recognition resulting in insufficient economies of scale to cover the higher opex associated with R&D, despite being partially offset by higher non-operating gains (table on p.2). Management offered no numeric guidance for 2Q26, yet expects just released April revenue (TWD169m, +40% MoM, +31% YoY) to set a good stage for monthly revenue run-rates into May-June, aiming for growth to continue into 2H26 with the bottom line turning positive. It further set a "cautiously confident" tone for M31's 2026 outlook, reaffirming its goal for royalty revenue to outgrow license for a 20% revenue contribution this year, driven by advanced-node (N3-16) ramps for ASP accretion. All these support our view calling for M31 to structurally turn around its earnings growth from 2Q26, despite its bumpy quarterly operations over the past 4 quarters [post its transition effect](#).

... structural turnaround still in sight. Management at today's call reaffirmed its rich pipeline of license projects accumulated over the years that cover a broad scope of foundation and interface IP from specialty to advanced nodes (N40/28/22 to N5/4/3/2) ready to convert into royalty revenue stream for growth. It further outlined how M31 plays a role in AI by leveraging its IP offerings of SRAM compilers and interfaces (SerDes, PCIe, USB, etc.) for cloud AI, and SRAM compilers, sensors, and interfaces (USB, MIPI, UFS, and display ports) for edge AI. All these reinforce our positive stance on its structural business and AI positioning.

What we recommend: Despite our forecast revisions, we raise our 12M TP for M31 to TWD750 (previous: TWD600), based on a higher 4-quarter PER target of 45x (previous: 40x) to discount its 2026-28E EPS CAGR of 56% with a 0.8x PEG, as we introduce our 2028 forecasts. We reaffirm our Buy (1) rating with key downside risk of any geopolitical overhang (war, FX, tariff) weighing on end-demand and delaying M31's royalty ramp.

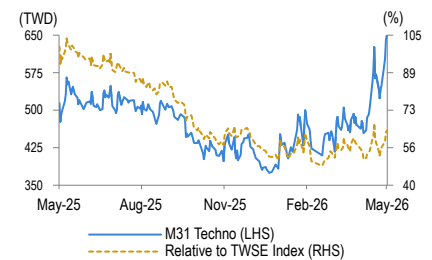
How we differ: Our 2026-27E EPS are 35-47% above the consensus forecasts, likely due to our more positive view on M31's royalty ramps.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(3.1)	2.4	n.a.
Net profit change	(18.9)	1.8	n.a.
Core EPS (FD) change	(18.9)	1.8	n.a.

Source: Daiwa forecasts

Share price performance



12-month range	374.00-650.00
Market cap (USDbn)	0.86
3m avg daily turnover (USDm)	21.77
Shares outstanding (m)	42
Major shareholder	Huey-Ling Chen (21.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	2,283	3,157	3,803
Operating profit (m)	480	955	1,211
Net profit (m)	435	835	1,054
Core EPS (fully-diluted)	10.401	19.969	25.219
EPS change (%)	515.9	92.0	26.3
Daiwa vs Cons. EPS (%)	34.6	46.7	n.a.
PER (x)	62.5	32.6	25.8
Dividend yield (%)	0.2	1.5	2.3
DPS	1.2	10.0	15.0
PBR (x)	11.9	10.1	8.7
EV/EBITDA (x)	47.6	25.0	19.5
ROE (%)	20.8	33.5	36.2

Source: FactSet, Daiwa forecasts

M31: quarterly P&L forecasts

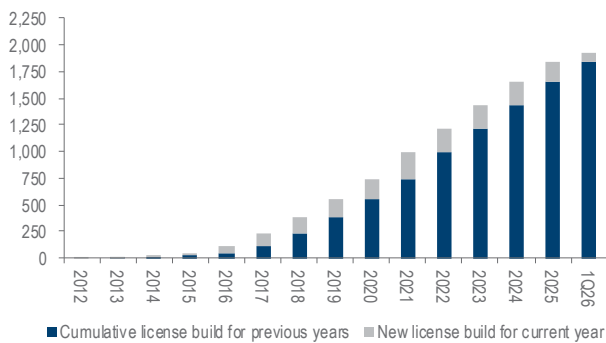
TWDM	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Revenue	435	449	355	544	395	528	624	736	1,782	2,283	3,157	3,803
License	352	404	277	484	323	434	512	599	1,517	1,869	2,496	2,973
Royalty	83	45	78	60	71	94	112	137	265	414	660	830
COGS	0	0	0	0	0	0	0	0	0	0	0	0
Gross profit	435	449	355	544	395	528	624	736	1,782	2,283	3,157	3,803
Opex	-427	-410	-403	-450	-461	-425	-446	-471	-1,689	-1,803	-2,201	-2,592
Operating profit	8	39	-48	95	-66	103	178	265	93	480	955	1,211
Non-op gain (loss)	15	-87	46	26	19	5	6	6	1	36	27	37
Pretax profit	23	-47	-2	120	-47	108	184	271	94	516	982	1,247
Income taxes	-3	7	-6	-21	-2	-15	-26	-38	-23	-81	-147	-193
Net profit	20	-41	-7	99	-49	93	158	233	71	435	835	1,054
EPS (TWD, basic)	0.47	-0.98	-0.18	2.38	-1.18	2.22	3.78	5.58	1.69	10.40	19.97	25.22
EPS (TWD, fully diluted)	0.47	-0.98	-0.18	2.38	-1.18	2.22	3.78	5.58	1.69	10.40	19.97	25.22
Revenue mix												
License	81%	90%	78%	89%	82%	82%	82%	81%	85%	82%	79%	78%
Royalty	19%	10%	22%	11%	18%	18%	18%	19%	15%	18%	21%	22%
Margin												
Gross profit	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Opex	98%	91%	114%	83%	117%	81%	72%	64%	95%	79%	70%	68%
Operating profit	2%	9%	-14%	17%	-17%	20%	29%	36%	5%	21%	30%	32%
Net profit	5%	-9%	-2%	18%	-12%	18%	25%	32%	4%	19%	26%	28%
Growth (QoQ)												
Revenue	33%	3%	-21%	53%	-27%	34%	18%	18%				
Gross profit	33%	3%	-21%	53%	-27%	34%	18%	18%				
Operating profit	nm	413%	-223%	nm	-170%	-256%	73%	49%				
Net profit	nm	-308%	nm	nm	-150%	nm	70%	47%				
EPS (basic)	nm	-308%	nm	nm	-150%	nm	70%	47%				
EPS (FD)	nm	-309%	nm	nm	-150%	nm	70%	47%				
Growth (YoY)												
Revenue	27%	5%	-7%	66%	-9%	18%	76%	35%	20%	28%	38%	20%
Gross profit	27%	5%	-7%	66%	-9%	18%	76%	35%	20%	28%	38%	20%
Operating profit	182%	-63%	-208%	nm	nm	163%	nm	180%	75%	415%	99%	27%
Net profit	-54%	-137%	-127%	nm	-351%	nm	135%	-44%	-44%	516%	92%	26%
EPS (basic)	-54%	-137%	-127%	nm	-351%	nm	135%	-45%	-45%	515%	92%	26%
EPS (FD)	-54%	-137%	-127%	nm	-351%	nm	135%	-44%	-44%	516%	92%	26%

Source: Company, Daiwa estimates and forecasts

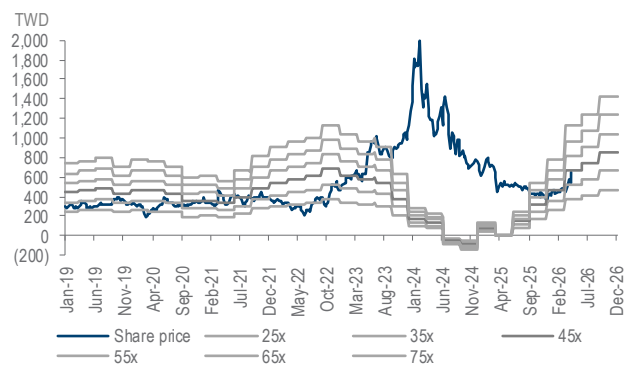
M31: 1Q26 results review and 2Q26 outlook

TWDm	1Q26		Variance		Growth		Guidance	2Q26E	
	Actual	Daiwa	Consensus	Daiwa	Consensus	QoQ			YoY
Revenue	395	470	456	-16%	-13%	-27%	-9%	na	revenue up 12% QoQ
License	323	389	na	-17%	na	-33%	-8%		
Royalty	71	81	na	-11%	na	19%	-13%		
Gross profit	395	470	456	-16%	-13%	-27%	-9%		
Opex	-461	-413	-432	11%	7%	3%	8%	na	opex up 3% QoQ
Operating profit	-66	56	24	-218%	-378%	-170%	nm		
Pretax profit	-47	61	44	-177%	-208%	-139%	-307%		
Net profit	-49	53	35	-193%	-241%	-150%	-351%		
FD EPS (TWD)	-1.18	1.26	0.84	-193%	-241%	-150%	-351%		
Margin									
Gross	100.0%	100.0%	100.0%	0.0%	0.0%				
Operating	-16.8%	12.0%	5.2%	-28.8%	-22.0%				
Net	-12.5%	11.2%	7.7%	-23.7%	-20.2%				

Source: Company, Daiwa estimates and forecasts

M31: numbers of license project build


Source: Company

M31: 4-quarter forward PER bands


Source: Company, TEJ, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Licensing growth (%)	(1.0)	24.4	26.0	(7.8)	22.2	23.2	33.5	19.1
Royalty growth (%)	35.0	90.5	(8.9)	(9.7)	10.7	56.0	59.5	25.7

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Licensing	859	1,069	1,347	1,241	1,517	1,869	2,496	2,973
Royalty	153	291	265	240	265	414	660	830
Other Revenue	0	0	0	0	0	0	0	0
Total Revenue	1,012	1,360	1,612	1,481	1,782	2,283	3,157	3,803
Other income	0	0	0	0	0	0	0	0
COGS	0	0	0	0	0	0	0	0
SG&A	(153)	(178)	(225)	(280)	(337)	(379)	(421)	(501)
Other op. expenses	(546)	(814)	(940)	(1,148)	(1,352)	(1,425)	(1,781)	(2,091)
Operating profit	313	368	446	53	93	480	955	1,211
Net-interest inc./(exp.)	(1)	10	29	28	18	22	27	37
Assoc/forex/extraord./others	(19)	65	37	69	(17)	14	0	0
Pre-tax profit	294	443	513	150	94	516	982	1,247
Tax	(41)	(64)	(78)	(23)	(23)	(81)	(147)	(193)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	253	379	435	127	71	435	835	1,054
Net profit (adjusted)	253	379	435	127	71	435	835	1,054
EPS (reported)(TWD)	6.096	9.173	10.401	3.047	1.690	10.401	19.969	25.219
EPS (adjusted)(TWD)	6.096	9.173	10.401	3.047	1.690	10.401	19.969	25.219
EPS (adjusted fully-diluted)(TWD)	6.096	9.032	10.401	3.036	1.689	10.401	19.969	25.219
DPS (TWD)	8.000	4.784	6.061	6.693	2.001	1.200	10.000	15.000
EBIT	313	368	446	53	93	480	955	1,211
EBITDA	353	415	496	117	168	553	1,044	1,315

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	294	443	513	150	94	516	982	1,247
Depreciation and amortisation	40	47	49	63	75	73	89	105
Tax paid	(41)	(64)	(78)	(23)	(23)	(81)	(147)	(193)
Change in working capital	(65)	(11)	(54)	(100)	(76)	(65)	(201)	(5)
Other operational CF items	(4)	236	(189)	(43)	(43)	0	0	0
Cash flow from operations	225	652	241	47	26	443	723	1,154
Capex	(533)	(31)	(34)	(80)	(48)	(68)	(95)	(114)
Net (acquisitions)/disposals	0	0	142	0	0	0	0	0
Other investing CF items	219	(154)	225	(13)	94	(5)	(5)	(5)
Cash flow from investing	(314)	(186)	332	(93)	46	(73)	(100)	(119)
Change in debt	89	(89)	0	0	0	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(332)	(198)	(254)	(279)	(84)	(50)	(418)	(627)
Other financing CF items	108	56	(5)	(10)	(15)	0	0	0
Cash flow from financing	(134)	(232)	(259)	(289)	(98)	(50)	(418)	(627)
Forex effect/others	3	5	(12)	15	(5)	0	0	0
Change in cash	(220)	239	302	(320)	(31)	319	205	408
Free cash flow	(308)	620	207	(34)	(22)	374	628	1,040

Source: FactSet, Daiwa forecasts

Financial summary continued ...

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	724	1,114	1,148	682	558	877	1,082	1,490
Inventory	0	0	0	0	0	0	0	0
Accounts receivable	319	325	374	263	336	416	616	626
Other current assets	89	220	133	260	346	346	346	346
Total current assets	1,132	1,659	1,654	1,205	1,240	1,639	2,044	2,461
Fixed assets	683	571	562	592	605	607	619	637
Goodwill & intangibles	8	11	12	18	29	29	26	23
Other non-current assets	114	126	169	345	289	289	289	289
Total assets	1,937	2,367	2,397	2,159	2,163	2,563	2,978	3,410
Short-term debt	0	0	0	0	0	0	0	0
Accounts payable	6	2	5	2	2	17	16	21
Other current liabilities	264	503	321	215	247	247	247	247
Total current liabilities	270	505	326	217	249	264	263	268
Long-term debt	83	0	0	0	0	0	0	0
Other non-current liabilities	0	5	8	23	14	14	14	14
Total liabilities	353	510	334	240	263	278	277	282
Share capital	316	317	348	418	418	418	418	418
Reserves/R.E./others	1,268	1,540	1,715	1,501	1,482	1,867	2,284	2,711
Shareholders' equity	1,584	1,857	2,063	1,919	1,900	2,285	2,702	3,129
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	1,937	2,367	2,397	2,159	2,163	2,563	2,978	3,410
EV	26,528	26,054	26,021	26,486	26,611	26,292	26,087	25,679
Net debt/(cash)	(641)	(1,114)	(1,148)	(682)	(558)	(877)	(1,082)	(1,490)
BVPS (TWD)	38.211	44.927	49.307	46.084	45.496	54.669	64.638	74.857

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	3.1	34.4	18.5	(8.2)	20.3	28.1	38.3	20.5
EBITDA (YoY)	(23.3)	17.6	19.3	(76.5)	43.9	229.2	88.9	26.0
Operating profit (YoY)	(25.2)	17.6	21.3	(88.1)	75.0	415.0	99.1	26.7
Net profit (YoY)	(21.6)	50.1	14.7	(70.8)	(44.4)	515.9	92.0	26.3
Core EPS (fully-diluted) (YoY)	(22.3)	48.2	15.2	(70.8)	(44.4)	515.9	92.0	26.3
Gross-profit margin	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBITDA margin	34.9	30.5	30.7	7.9	9.4	24.2	33.1	34.6
Operating-profit margin	30.9	27.1	27.7	3.6	5.2	21.0	30.3	31.8
Net profit margin	25.0	27.9	27.0	8.6	4.0	19.0	26.4	27.7
ROAE	16.3	22.0	22.2	6.4	3.7	20.8	33.5	36.2
ROAA	13.7	17.6	18.3	5.6	3.3	18.4	30.1	33.0
ROCE	19.7	20.9	22.8	2.7	4.9	22.9	38.3	41.5
ROIC	43.0	37.4	45.7	4.2	5.4	n.a.	n.a.	n.a.
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	13.9	14.4	15.2	15.6	24.8	15.7	15.0	15.5
Accounts receivable (days)	103.5	86.4	79.1	78.5	61.3	60.0	59.6	59.6
Current ratio (x)	4.2	3.3	5.1	5.5	5.0	6.2	7.8	9.2
Net interest cover (x)	593.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	102.9	103.1	88.3	76.6	65.8	71.1	96.1	75.1
Free cash flow yield	n.a.	2.3	0.8	n.a.	n.a.	1.4	2.3	3.8

Source: FactSet, Daiwa forecasts

Company profile

Founded in 2011, M31 is an independent semiconductor IP provider in Taiwan, offering both foundation IP for specialty technology nodes and functional IP such as high-speed interface and analogue IP.

ESG analysis

ESG risks

Risks	Management	Analyst comments	
G	Executive/board quality	2	M31's board of directors (BoD) has 7 members, including 3 independent directors, who represent 43% of total directors, higher than the regulatory requirement of at least 20%. Its Chairman and President are not the same person, but its President is one of the directors. M31 has the Audit Committee, Compensation Committee and Risk Control Committee under the BoD.
	Capital management	1	Although M31 is a young company (founded in 2011 and listed in 2019), its dividend payout ratio has been over the 75% level for the past 5 years. M31 is a semiconductor IP provider without onsite production activities, which would require high capex to do so. As such, we view its high dividend payout ratio to be appropriate.
	Related party & transaction	1	We do not see any meaningful impact from related-party transactions.
S	Supply chain management	2	M31's suppliers are required to comply with the Supplier Management Standards, which was set by M31 in 2013. In addition, M31 has periodical evaluations for its suppliers and onsite audits to ensure the quality and implementation of Corporate Social Responsibility (CSR), as well as Environmental Protection and Safety and Integrity Policies.
E	Water & wastewater management	1	M31 is a semiconductor IP provider without physical products, and thus no production activity to affect the environment.
E	Waste & hazardous materials management	1	The company is a semiconductor IP provider without physical products, and thus no production activity to affect the environment. It still adopts some measures to reduce waste from its operations, such as recycling and using electronic files to replace paper documents as much as possible to reduce the use of paper.
E	GHG emissions	1	M31 is a semiconductor IP provider without physical products, and thus no production activity to affect the environment.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 11 Mar 2026

Source: Daiwa, Company

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Disclosure of investment ratings

Rating	Percentage of total
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Hold**	19.39%
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Source: Daiwa

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