Morgan Stanley | RESEARCH

IDEA

June 23, 2026 01:35 PM GMT

MediaTek | Asia Pacific

Upside in both cloud and edge chip business; OW

WHAT'S CHANGED

MediaTek (2454.TW)	From	To
Price Target	NT$5,088.00	**NT$5,588.00**

We see better business development for AI ASICs. MediaTek's smartphone and WiFi chip price hikes should offset volume downside in smartphone and PC end markets.

MediaTek looks to be getting more sufficient ABF substrate supply for 3nm TPU: In our recent AI supply chain tracker, we noted that MediaTek's 180k CoWoS-S booking implies ~3.6mn units of TPU 8t (ZebraFish), above our original 2.5mn shipment assumption – we had assumed ABF substrate shortages. However, it appears that MediaTek can assist Google in sourcing more T-Glass by visiting the Japanese fiber material vendor to secure supply. Hence, we see upside to our shipment and revenue assumptions for 3nm ZebraFish TPU – we now forecast 3mn units in 2027. According to our hardware analyst, Howard Kao, Zhen Ding (4958.TW) should be MediaTek's key second source for 3nm TPU besides Unimicron (3037.TW).

2nm TPU TAM is also growing: In 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; thus, we raise our 2028 2nm TPU shipment forecast, to 3mn units. 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. But again, the EMIB-T substrate yield should be the key risk to volume. As for the second CSP customer, we think both Meta (MTIA V5) and SpaceX (XPU attach and LEO satellite WiFi router) could be engaging. We hope this will be confirmed in 2H26 – there is still competition from other Taiwanese peers.

Edge device business – volume downside offset by ASP upside: During Computex, MediaTek reiterated its "from edge to cloud" strategy and emphasized that edge devices (e.g., smartphones) remain its focus. We don't rule out the possibility that MediaTek could work with global AI LLM developers on further AI pin or AI smartphone projects. Our recent industry checks suggest that Chinese smartphone volume may drop 20% Y/Y (vs. our prior -15% projection) given memory cost impacts. However, MediaTek recently also informed customers that it may need to pass through rising chip costs (TSMC wafers, ASE packaging, KYEC testing, and substrate costs). Hence, we feel more comfortable with MediaTek's edge business.

Raise price target to NT$5,588: This implies P/Es 38x for 2027 and 18x for 2028e EPS, based on our increase estimates .We think that's still attractive vs. its 2025-28e revenue CAGR of >50%.

MORGAN STANLEY TAIWAN LIMITED+

Charlie Chan
Equity Analyst
Charlie.Chan@morganstanley.com +886 2 2730-1725

Daniel Yen, CFA
Equity Analyst
Daniel.Yen@morganstanley.com +886 2 2730-2863

MORGAN STANLEY ASIA LIMITED+

Daisy Dai, CFA
Equity Analyst
Daisy.Dai@morganstanley.com +852 2848-7310

MORGAN STANLEY TAIWAN LIMITED+

Tiffany Yeh
Equity Analyst
Tiffany.Yeh@morganstanley.com +886 2 7712-3032

Lucas Wang
Research Associate
Lucas.Wang@morganstanley.com +886 2 2730-2875

MediaTek (2454.TW, 2454 TT)

Top Pick

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$5,588.00
Up/downside to price target (%)	23
Shr price, close (Jun 23, 2026)	NT$4,535.00
52-Week Range	NT$4,970.00-1,130.00
Sh out, dil, curr (mn)	1,565
Mkt cap, curr (mn)	NT$7,098,113
EV, curr (mn)	NT$6,882,584
Avg daily trading value (mn)	NT$17,414

Fiscal Year Ending	**12/25**	**12/26e**	**12/27e**	**12/28e**
EPS (NT$)**	62.79	70.02	146.14	308.47
Prior EPS (NT$)**	-	-	133.72	280.59
EPS (NT$)§	66.05	65.89	119.29	217.82
Revenue, net (NT$ bn)	596.0	655.9	1,092.3	2,082.9
ModelWare net inc (NT$ bn)	99.9	111.5	232.7	491.3
ROE (%)	24.7	27.3	48.5	70.4
Div yld (%)	17.3	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

Strong AI ASIC upside in both 2027 and 2028

In our recent AI supply chain tracker, we noted that Google's TPU ASIC is the second-largest user of TSMC CoWoS. MediaTek's booking for 180k CoWoS-S implies ~3.6mn units of TPU v8t (ZebraFish), above our initial 2.5mn shipment assumption, in which we incorporated potential ABF substrate shortages. However, it appears that MediaTek can assist Google in sourcing more T-Glass by visiting the Japanese fiber material vender to secure supply. Hence, we see upside to our shipment and revenue assumptions for 3nm ZebraFish TPU – we now forecast 3mn units in 2027.

Our checks also suggest that the new 2nm TPU – codename: TriggerFish – is the inferencing-focused version of HumuFish, in line with our previous understanding that all TPUs are capable of both training and inferencing. We believe TriggerFish may also support TPU leasing services. We therefore also raise our assumption of MediaTek's 2nm TPU volume to 3mn units in 2028e.

In addition, our recent checks suggest that ASP for the next-generation 2nm Humufish/Triggerfish TPU, supported by MediaTek, could exceed our prior expectations, driven by an increased number of main dies. For Humufish/Triggerfish, checks across multiple sources indicate the number of main dies per chip will significantly exceed Zebrafish (one computing die with one I/O die). Combined with a SerDes upgrade and larger packaging size, we estimate ASP at US$12–20k (we now model US$13k).

At the gross margin level, management indicated that margins vary by project, which may also reflect potential full-rack system support. We model 2nm TPU gross margin at c. 35% (vs. c. 40% for 3nm TPU) given larger revenue scale. We still expect operating margin at ~20–25%, above the smartphone BU's 15–20%.

Exhibit 1: Our new supply chain-based Asia Google TPU volume forecasts

k Units	2023	2024	2025e	2026e	2027e	2028e
v5	500	2,400	250			
v6 (Trillium)			1,000			
v7 (Ironwood, by Broadcom)			500	2,300	500	
v8i (Sunfish; 3nm, by Broadcom)				900	3,000	2,500
v8t (Zebrafish; 3nm, by MediaTek)				500	3,000	1,000
v9 (Humufish; 2nm, by MediaTek)					150	3,000
v9a (Merope; 2nm, by US design service)						unknown
v10 (Icefish; 1.4nm, by MediaTek)						unknown
Total	**500**	**2,400**	**1,750**	**3,700**	**6,650**	**>6500**

Source: Morgan Stanley Research (e) estimates

The 2nm TPU will adopt dual sourcing – both TSMC CoWoS-L and Intel EMIB

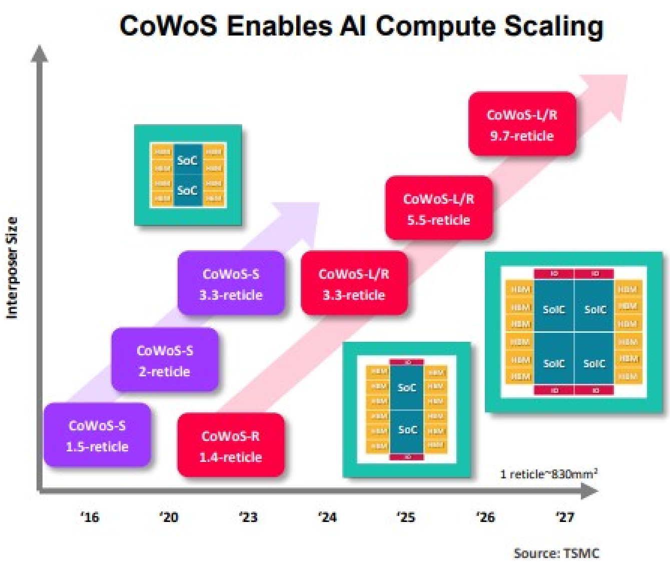
TSMC's CoWoS (Chip-on-Wafer-on-Substrate) is the industry's leading 2.5D packaging solution, particularly for AI and HPC applications. Its key advantage lies in the use of a high-density interposer or RDL layer, which enables extremely wide, low-latency connections between logic dies and HBM stacks. This makes it well suited for bandwidth-intensive workloads such as GPUs and AI accelerators.

However, these benefits come at a cost: CoWoS – particularly the silicon interposer/bridge – is expensive, capacity-constrained, and subject to yield challenges, including potential warpage issues at larger chip sizes. Cost and manufacturing complexity remain key trade-offs.

As a result, we see TSMC's CoWoS roadmap supporting only up to ~9.7x reticle size, which does not appear sufficient for future AI or HPC chip designs.

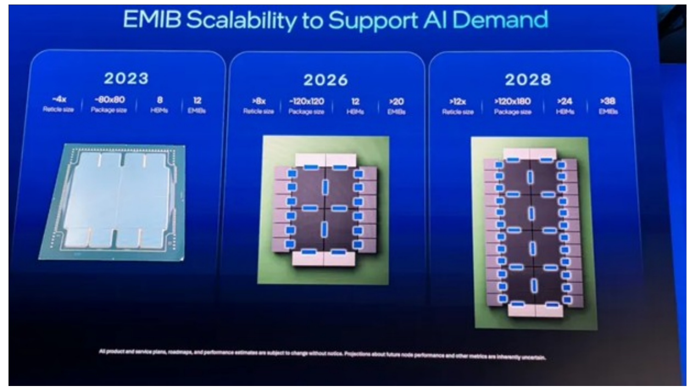
We expect MediaTek to secure a portion of CoWoS capacity for 2nm TPU to ensure minimum volume production, but we believe it will use EMIB-T from Intel (covered by Joseph Moore) as the primary solution to reduce costs and scale volume in 2028, if execution proceeds well.

Exhibit 2: TSMC's roadmap for interposer size



Source: Winway, TSMC

Exhibit 3: Intel's EMIB can easily support larger chips with more reticles (>12x) if its supply chain execution proceeds well



Source: Intel

Margin trend and full-rack system support: In response to our question on providing full-rack support during its earnings call (referencing recent Broadcom-Google collaboration), MediaTek indicated that it is in discussions with the customer. Management expects any full-rack system design support to materialize after 2027.

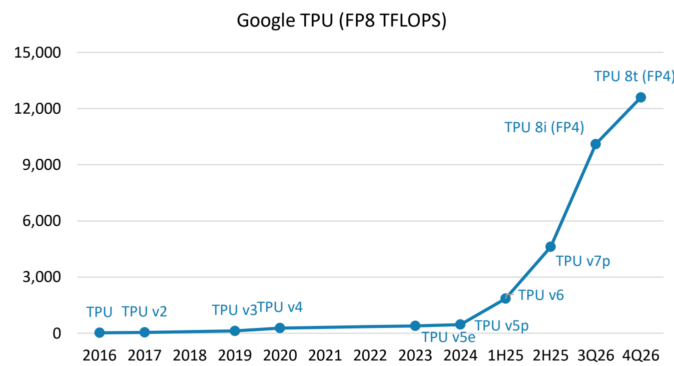
On margin trends, management highlighted continued value addition to the customer across both silicon and packaging design. As a result, ASIC should remain accretive to operating margins.

Exhibit 4: TPU 8t and TPU 8i at a glance

Feature	TPU 8t	TPU 8i
Primary Workload	Large-scale pre-training	Sampling, serving, and reasoning
Network Topology	3D torus	Boardfly
Specialized Chip Features	SparseCore (Embeddings) & LLM Decoder Engine	CAE (Collectives Acceleration Engine)
HBM Capacity	216 GB	288 GB
On-Chip SRAM (Vmem)	128 MB	384 MB
Peak FP4 PFLOPs	12.6	10.1
HBM Bandwidth	6,528 GB/s	8,601 GB/s (~1.3x of TPU 8t)
CPU Header	Arm Axion	Arm Axion

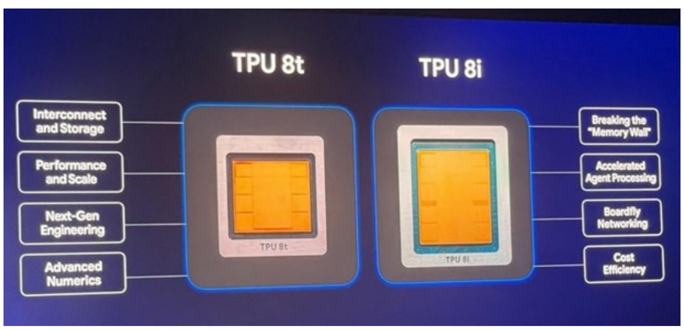
Source: Google

Exhibit 5: Performance of Google TPU by generation



Source: Google, Morgan Stanley Research; Note: TPU prior than TPU v7, performance is based on FP8

Exhibit 6: MediaTek TPU could be used for training purposes (v8t) given its smaller chip size vs. Broadcom TPU



Source: Google

Android AI agent phones as an emerging trend from Google I/O

Android AI agent phones – a trend to watch: Google is actively rolling out AI agents on Android phones, starting with Galaxy S26 and Pixel 10 in early 2026. These agents can perform multi-step tasks across apps – for example, ordering food, organizing notes, or creating calendar events through direct interaction with app UIs. Over time, we expect broader adoption across the Android ecosystem. Token consumption and cost remain key constraints for agentic AI, and we believe on-device computing on edge devices such as smartphones will help alleviate part of this cost burden.

Google I/O 2026 – Gemini evolves into an Agentic platform: At Google I/O 2026, Google repositioned Gemini from a chatbot to a proactive AI “personal agent” capable of autonomously handling tasks across apps and services. Google introduced several new technologies, including:

- Gemini Spark – a persistent assistant operating in the background across Workspace tools;
- Gemini 3.5 Flash for faster real-time interaction, and
- Gemini Omni for advanced multimodal capabilities spanning text, audio, images, and video.

The company also announced AI-driven changes to Google Search and deeper Gemini integration across Android, YouTube, shopping, and future XR devices – signaling a broader push to embed AI as a continuously available assistant that manages workflows and automates user tasks.

We believe the agentic AI replacement cycle could start in 2027 from high-end Android phones – another source of "option value" for MediaTek.

Exhibit 7: Gemini transforms into "agentic" platform

Source: Google

Earnings estimate revisions and quarterly financials

Our earnings estimate for 2026 is unchanged, but we raise our 2027 estimate 9% and our 2028 estimate 10%: Our increased estimates mostly reflect potential better-than-expected 2/3nm TPU supply in both 2027 and 2028.

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	655,906	655,906	*0%*	1,092,253	1,026,353	*6%*	2,082,893	1,920,744	*8%*
Gross profit	296,244	296,244	*0%*	459,848	434,806	*6%*	800,627	743,875	*8%*
Operating profit	114,462	114,462	*0%*	260,441	237,047	*10%*	566,415	513,867	*10%*
Pretax income	130,461	130,461	*0%*	275,441	252,047	*9%*	581,415	528,867	*10%*
Reported net income	111,518	111,518	*0%*	232,748	212,980	*9%*	491,296	446,892	*10%*
Reported basic EPS	**70.02**	**70.02**	***0%***	**146.14**	**133.72**	***9%***	**308.47**	**280.59**	***10%***
Reported diluted EPS	**69.94**	**69.94**	***0%***	**145.97**	**133.58**	***9%***	**308.13**	**280.28**	***10%***
Margins									
Gross margin	45.2%	45.2%		42.1%	42.4%		38.4%	38.7%	
Operating margin	17.5%	17.5%		23.8%	23.1%		27.2%	26.8%	
Pretax margin	19.9%	19.9%		25.2%	24.6%		27.9%	27.5%	
Net margin	17.0%	17.0%		21.3%	20.8%		23.6%	23.3%	

Source: Morgan Stanley Research (e) estimates

Exhibit 9: MediaTek: Quarterly financials

(NT$ mn)	1Q26	2Q26e	3Q26e	4Q26e	1Q27e	2Q27e	3Q27e	4Q27e	2024	2025	2026e	2027e	2028e
Total revenues	**149,151**	**142,588**	**148,427**	**215,741**	**221,228**	**240,348**	**292,082**	**338,595**	**530,586**	**595,966**	**655,906**	**1,092,253**	**2,082,893**
Q/Q Change	*-0.7%*	*-4.4%*	*4.1%*	*45.4%*	*2.5%*	*8.6%*	*21.5%*	*15.9%*					
Y/Y Change	*-2.7%*	*-5.2%*	*4.5%*	*43.6%*	*48.3%*	*68.6%*	*96.8%*	*56.9%*	*22.4%*	*12.3%*	*10.1%*	*66.5%*	*90.7%*
Cost of Sales	**80,095**	**77,309**	**81,242**	**121,016**	**126,764**	**138,416**	**169,884**	**197,340**	**267,200**	**312,886**	**359,662**	**632,405**	**1,282,265**
Percent of Revenues	*53.7%*	*54.2%*	*54.7%*	*56.1%*	*57.3%*	*57.6%*	*58.2%*	*58.3%*	*50.4%*	*52.5%*	*54.8%*	*57.9%*	*61.6%*
Gross Profit	**69,055**	**65,279**	**67,185**	**94,724**	**94,464**	**101,932**	**122,198**	**141,254**	**263,386**	**283,080**	**296,244**	**459,848**	**800,627**
Gross Margin	***46.3%***	***45.8%***	***45.3%***	***43.9%***	***42.7%***	***42.4%***	***41.8%***	***41.7%***	***49.6%***	***47.5%***	***45.2%***	***42.1%***	***38.4%***
Incremental Margin	*NM*	*NM*	*33%*	*41%*	*-5%*	*39%*	*39%*	*41%*	*58%*	*30%*	*22%*	*37%*	*34%*
Total Opex	**46,165**	**44,414**	**44,660**	**46,543**	**47,981**	**48,759**	**50,552**	**52,115**	**160,974**	**179,610**	**181,783**	**199,406**	**234,212**
Percent of Revenues	*31.0%*	*31.1%*	*30.1%*	*21.6%*	*21.7%*	*20.3%*	*17.3%*	*15.4%*	*30.3%*	*30.1%*	*27.7%*	*18.3%*	*11.2%*
R&D	38,345	38,195	38,245	38,345	39,550	39,750	39,950	40,150	131,993	148,306	153,130	159,400	168,240
Percent of Revenues	*25.7%*	*26.8%*	*25.8%*	*17.8%*	*17.9%*	*16.5%*	*13.7%*	*11.9%*	*24.9%*	*24.9%*	*23.3%*	*14.6%*	*8.1%*
General & Adm Exp.	2,805	2,655	2,705	2,805	2,900	3,000	3,300	3,500	11,891	10,856	10,969	12,700	13,900
Percent of Revenues	*1.9%*	*1.9%*	*1.8%*	*1.3%*	*1.3%*	*1.2%*	*1.1%*	*1.0%*	*2.2%*	*1.8%*	*1.7%*	*1.2%*	*0.7%*
Selling Expenses	5,015	3,565	3,711	5,394	5,531	6,009	7,302	8,465	17,090	20,448	17,684	27,306	52,072
Percent of Revenues	3.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	3.2%	3.4%	2.7%	2.5%	2.5%
Operating Income	**22,891**	**20,865**	**22,525**	**48,181**	**46,483**	**53,173**	**71,646**	**89,139**	**102,412**	**103,470**	**114,462**	**260,441**	**566,415**
Operating Margin	*15.3%*	*14.6%*	*15.2%*	*22.3%*	*21.0%*	*22.1%*	*24.5%*	*26.3%*	*19.3%*	*17.4%*	*17.5%*	*23.8%*	*27.2%*
Total Non-operating Income (loss)	**3,849**	**4,050**	**4,050**	**4,050**	**3,750**	**3,750**	**3,750**	**3,750**	**17,107**	**16,047**	**15,999**	**15,000**	**15,000**
Profit Before Taxes	**26,740**	**24,915**	**26,575**	**52,231**	**50,233**	**56,923**	**75,396**	**92,889**	**119,519**	**119,517**	**130,461**	**275,441**	**581,415**
Percent of Revenues	*17.9%*	*17.5%*	*17.9%*	*24.2%*	*22.7%*	*23.7%*	*25.8%*	*27.4%*	*22.5%*	*20.1%*	*19.9%*	*25.2%*	*27.9%*
Change vs Year Ago	*-23%*	*-25%*	*2%*	*103%*	*88%*	*128%*	*184%*	*78%*	*37.7%*	*0.0%*	*9.2%*	*111.1%*	*111.1%*
Taxes	**2,643**	**3,862**	**4,119**	**8,096**	**7,786**	**8,823**	**11,686**	**14,398**	**12,378**	**18,770**	**18,720**	**42,693**	**90,119**
Tax Rate	9.9%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	10.4%	15.7%	14.3%	15.5%	15.5%
Minor interest	222	0	0	0	0	0	0	0	754	798	222	0	0
Total Net Income to Parent	**23,874**	**21,053**	**22,456**	**44,135**	**42,447**	**48,100**	**63,709**	**78,491**	**106,387**	**99,948**	**111,518**	**232,748**	**491,296**
Percent of Revenues	*16.0%*	*14.8%*	*15.1%*	*20.5%*	*19.2%*	*20.0%*	*21.8%*	*23.2%*	*20.1%*	*16.8%*	*17.0%*	*21.3%*	*23.6%*
Change vs Year Ago	*-18.6%*	*-24.4%*	*5.4%*	*105.5%*	*77.8%*	*128.5%*	*183.7%*	*77.8%*	*38.2%*	*-6.1%*	*11.6%*	*108.7%*	*111.1%*
Reported Basic EPS (NT$, TW GAAP)	**14.99**	**13.22**	**14.10**	**27.71**	**26.65**	**30.20**	**40.00**	**49.28**	**66.93**	**62.79**	**70.02**	**146.14**	**308.47**
Reported Diluted EPS (NT$, TW GAAP)	**14.97**	**13.20**	**14.08**	**27.68**	**26.62**	**30.17**	**39.96**	**49.23**	**66.81**	**62.70**	**69.94**	**145.97**	**308.13**

Source: Company data, Morgan Stanley Research (e) estimates

Raising price target from NT$5,088 to NT$5,588

We continue to derive our price target (our base case scenario value) from a residual income model. The price target change reflects our EPS estimate revisions. 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 also rise from NT$6,988 and NT$2,588 to NT $7,675 and NT$2,845, respectively.

Exhibit 10: MediaTek: Residual income model

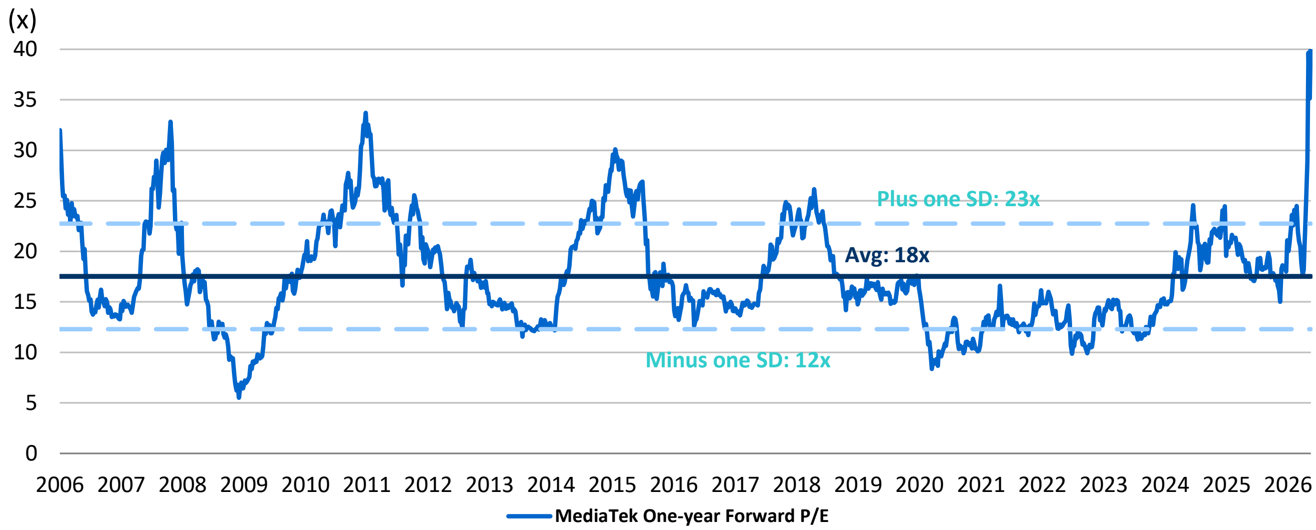
(NT$ mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**479,581**	**697,755**	**1,078,327**	**1,337,385**	**1,627,530**	**1,952,493**	**2,316,451**	**2,724,084**	**3,180,633**	**3,691,968**	**4,264,663**	**4,906,082**
Net Profit	**111,518**	**232,748**	**491,296**	**550,251**	**616,281**	**690,235**	**773,063**	**865,831**	**969,730**	**1,086,098**	**1,216,430**	**1,362,401**
ROAE	**25.1%**	**39.5%**	**55.3%**	**45.6%**	**41.6%**	**38.6%**	**36.2%**	**34.4%**	**32.8%**	**31.6%**	**30.6%**	**29.7%**
Residual Income	65,041	145,496	321,829	392,037	432,933	477,849	527,525	582,697	644,136	712,672	789,214	874,764
Spread	**15.9%**	**30.3%**	**46.1%**	**36.4%**	**32.4%**	**29.4%**	**27.0%**	**25.2%**	**23.6%**	**22.4%**	**21.4%**	**20.5%**
Ending Equity Capital	479,581											
PV of Forecast Period	2,910,824											
PV of Continuing Value	5,519,341											
Equity Value	**8,909,746**											
No. of Shares	1,594											
Projected Price (NT$)	**5,588**											

Source: Company data, Morgan Stanley Research (e) 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 new price target of NT$5,588 implies 38x 2027e EPS.

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



Source: Company data, FactSet, Morgan Stanley Research

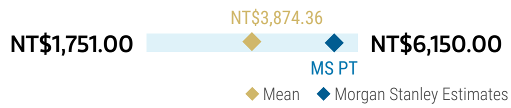
Risk Reward – MediaTek (2454.TW) Top Pick

AI ASIC demand likely to offset smartphone headwind; Top Pick

PRICE TARGET NT$5,588.00

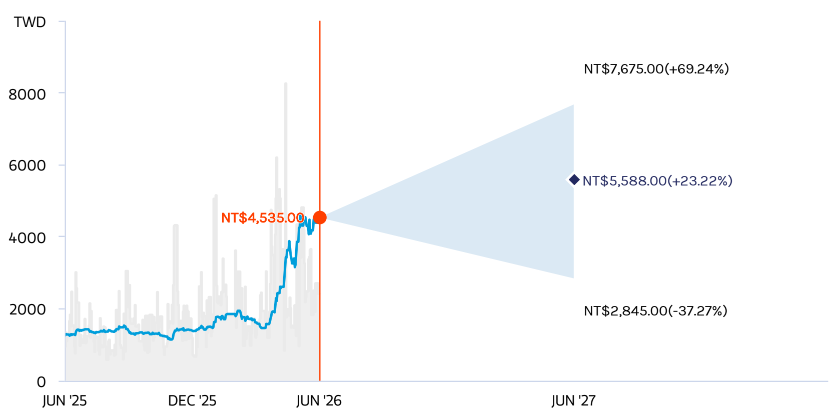
Base case, residual income model. Key assumptions: cost of equity 9.2%, intermediate growth rate 12.0%, terminal growth rate 3.0%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



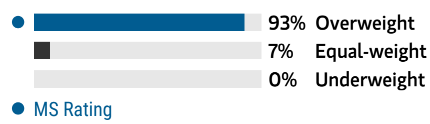
Key: Historical Stock Performance, Current Stock Price, Price Target

Source: Refinitiv, Morgan Stanley Research

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 38x 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$7,675.00

52x 20698827e 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$5,588.00

38x 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$2,845.00

19x 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)

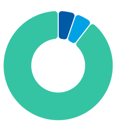
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue from 5G Products (NT$, mn)	291,637	276,362	301,505	341,338
Revenue from Mid-low-end 4G Products (NT$, mn)	4,854	1,189	1,137	1,186
Revenue from Growing Products (NT$, mn)	195,335	300,325	713,465	1,660,641
Revenue from Mature Products (NT$, mn)	34,922	32,845	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



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 80-90% Mainland China

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 74.6%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (NT$, mn)	601,300	655,906	646,477	673,340
EBITDA (NT$, mn)	114,800	138,272	128,066	142,387
Net income (NT$, mn)	94,800	111,518	105,407	115,467
EPS (NT$)	59.10	70.02	65.89	71.99

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

MediaTek: Financial Summary

Income Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Net sales	**530,586**	**595,966**	**655,906**	**1,092,253**	**2,082,893**
COGS	(267,200)	(312,886)	(359,662)	(632,405)	(1,282,265)
Gross profit	263,386	283,080	296,244	459,848	800,627
Operating expenses	(160,974)	(179,610)	(181,783)	(199,406)	(234,212)
Operating income	**102,412**	**103,470**	**114,462**	**260,441**	**566,415**
Non-operating income	17,107	16,047	15,999	15,000	15,000
Pre-tax income	119,519	119,517	130,461	275,441	581,415
Income tax	(12,378)	(18,770)	(18,720)	(42,693)	(90,119)
Net income (excl. emp. bonus)	**133,925**	**125,933**	**139,676**	**290,935**	**614,120**
Employee Bonus Expense	26,785	25,187	27,935	58,187	122,824
Net income (incl. emp. bonus)	**106,387**	**99,948**	**111,518**	**232,748**	**491,296**
Adj.wtd.avg.shrs(m)	1,589	1,592	1,593	1,593	1,593
Reported EPS (NT$)	**66.93**	**62.79**	**70.02**	**146.14**	**308.47**
Diluted EPS (NT$)	**66.81**	**62.70**	**69.94**	**145.97**	**308.13**
EPS for Consensus (NT$)	**66.81**	**62.70**	**69.94**	**145.97**	**308.13**

Cash Flow Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash flow from Operations	**156,055**	**162,793**	**30,569**	**189,039**	**353,989**
Net profits	106,385	99,948	111,518	232,748	491,296
Depreciation	20,936	22,974	23,808	24,641	25,474
Equity investment losses (income)	(517)	(785)	0	0	0
Other adjustments	29,251	40,655	(104,758)	(68,350)	(162,781)
Cash flow from Investing	**(35,928)**	**(37,754)**	**(69,831)**	**(125,958)**	**(279,611)**
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)	(64,831)	(120,958)	(274,611)
Cash flow from financing	**(90,119)**	**(87,675)**	**(64,940)**	**(39,215)**	**(136,198)**
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)	(114,940)	(89,215)	(186,198)
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**	**-104,203**	**23,866**	**-61,821**

Balance Sheet

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash	203,696	235,290	131,087	154,953	93,132
Mkt Securities	15,928	12,419	12,419	12,419	12,419
AR/NR	44,713	62,121	77,978	129,853	247,626
Inventory	58,414	67,235	91,508	160,901	326,244
Other	28,274	20,392	13,520	22,514	42,934
Current Assets	**351,025**	**397,456**	**326,512**	**480,641**	**722,355**
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	181,821	302,779	577,390
Total Assets	**697,868**	**743,785**	**742,672**	**1,022,759**	**1,544,084**
S/T borrowings	940	940	940	940	940
AP/NP	40,777	48,710	59,763	105,084	213,068
Other ST liabilities	225,186	253,700	171,148	187,740	220,510
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**	**263,091**	**325,004**	**465,758**
Common shares	16,017	16,039	16,039	16,039	16,039
Retained earning	331,543	354,139	465,657	698,405	1,189,701
Other shareholders' equity	57,495	39,017	(2,115)	(16,689)	(127,413)
Total Equity	**405,055**	**409,195**	**479,581**	**697,755**	**1,078,327**
Total Liab. & Shrhldr's Equity	**697,868**	**743,785**	**742,672**	**1,022,759**	**1,544,084**

e = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

Financial Ratios

	2024	2025	2026e	2027e	2028e
Growth(%)					
Turnover	22.4	12.3	10.1	66.5	90.7
Operating profits	42.6	1.0	10.6	127.5	117.5
Pretax profits	37.7	0.0	9.2	111.1	111.1
Net profits	38.8	-6.0	10.9	108.3	111.1
EPS	38.1	-6.1	11.5	108.7	111.1
Margins (%)					
Gross Margin	49.6	47.5	45.2	42.1	38.4
Operating Margin	19.3	17.4	17.5	23.8	27.2
Pretax Margin	22.5	20.1	19.9	25.2	27.9
Net Profit	20.1	16.8	17.0	21.3	23.6
Return (%)					
ROAA	16.0	13.9	15.0	26.4	38.3
ROAE	27.3	24.5	25.1	39.5	55.3
Gearing (%)					
Net Debt/Equity	(50.1)	(57.3)	(27.1)	(22.1)	(8.5)
Liabilities/Equity	72.3	81.8	54.9	46.6	43.2
Ratios (X)					
Current ratio	1.3	1.3	1.4	1.6	1.7
Quick ratio	0.9	1.0	0.9	1.0	0.8
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

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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(as of May 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	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

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.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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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.

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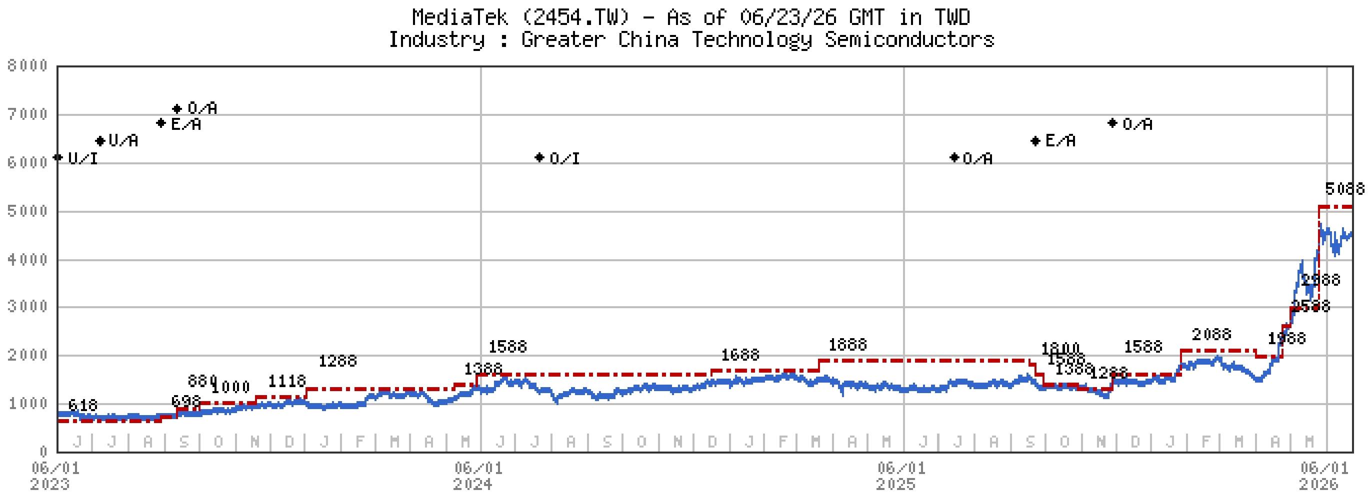
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 6/1/21 : 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

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)

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/23/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$103.17
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb371.72
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$159.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$4,375.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$662.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,413.00
Global Unichip Corp (3443.TW)	E (05/28/2026)	NT$4,725.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$1,010.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$537.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$166.30
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$735.50
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$329.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb113.92
MediaTek (2454.TW)	O (11/28/2025)	NT$4,535.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb768.98
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$454.50
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb747.49
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb87.70
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,430.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb137.16
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$645.00
SMIC (0981.HK)	O (10/21/2025)	HK$77.85
TSMC (2330.TW)	O (02/07/2022)	NT$2,490.00
UMC (2303.TW)	O (05/19/2026)	NT$170.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$186.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$522.00

Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$194.70
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb80.80
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$166.00
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb101.30
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb47.04
Innoscience (2577.HK)	E (10/13/2025)	HK$72.10
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb86.09
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$27.88
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb163.37
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb138.80
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb81.91
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb35.38
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb132.96
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$1,050.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,425.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$18,505.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$122.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb122.50
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb640.99
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$172.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$408.20
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb258.00
Novatek (3034.TW)	U (02/04/2026)	NT$544.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$194.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$661.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$78.60
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$863.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb59.06
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$211.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$108.00
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$220.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb161.79
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb596.01
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,170.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$685.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$18.54
Hon Precision (7769.TW)	O (04/17/2026)	NT$6,810.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$6,680.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$336.90
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$9,450.00

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