Equity Research

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广发证券(香港)经纪有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

MediaTek (2454 TT)

Triggerfish Implications & Contribution to be Significant

Maintained **Buy**
Target price NT$ 6,420

Raise TP to NT$6,420: Despite sell-side's raise for MTK's TP, the share price pulled back by 17% in the past one week due to broad market weakness, Qualcomm's entry into datacenter ASIC and speculated 2nm/Bladerunner project from Broadcom. In our view, Qualcomm's AI250 has little overlap with MTK, due to significant differences in client base and performance. Additionally, we believe the rumored Bladerunner hasn't been started as a project and still expect Broadcom to have only one new TPU SKU, Whalefish (or Sunfish x2), in 2028, suggesting a positioning disadvantage, vs. MTK's. On the other hand, we believe the Street underestimated MTK's Triggerfish's potential on much higher ASP/content and the large SRAM design, extending MTK's positioning from training (v8t) to inferencing which is Broadcom's market. Moreover, we reiterate our earlier report of *Likely SpaceX's Win on May 27* of MTK's 2nd datacenter ASIC in late-2028, adding momentum on top of TPU's Icefish at the same timeframe. As such, we raise the ASIC revenue to $2.5bn/$18bn/$73bn in 2026/27/28; accordingly revise our EPS estimates +0%/+3% in 2026E/2027E and lift TP from NT$5,520 to NT$6,420, now based on a 45x 2027E EPS or 19x 2028E EPS.

Triggerfish to boost ASPs and positioning in TPU: Despite the MTK Triggerfish's news come-out a week ago, the share price didn't react, yet, we expect upside to Triggerfish in: **1) ASPs of $18k**, vs. Humufish's $13k or Zebrafish's $5.5k; **2) Triggerfish's mix of v9** (incl. Humufish and Triggerfish) to ~50%; **3) MTK's content** of 4x companion compute core embedded large SRAM (~250MB x 4), one simulator based on 5nm, 4x I/O cores and backend; **4) MTK's positioning in TPU**, as the large SRAM and the simulator CPU, which manages workload between large-SRAM cores and performance cores, will help MTK extend from training (v8t) to inferencing.

Accelerated share gains in TPU: For v8, we expect MTK's v8t to be in mass volume at earlier timeframe, vs. v8i which could be in late-2026. For v9, we still believe MTK's Humufish is the only SKU in 2nm; that said, we see little chance for its competitor to come out 2nm at that time and believe the speculated Bladerunner (i.e., 2nm) hasn't been progressed as a project. Having said that, its competitor's new SKU, Whalefish (Sunfish x2), in 2028 could be a small volume SKU due to disadvantages in process node and HBM. Looking ahead, we believe MTK's Icefish for v10 is solid, while other projects of v10 aren't clear by now.

Risks: 1) AI demand slowdown; 2) consumer demand; 3) peer competition.

Profit forecast

	2024	2025	2026E	2027E	2028E
Revenue (m)	530,586	595,966	687,364	1,305,124	3,166,080
Revenue YoY (%)	22.4	12.3	15.3	89.9	142.6
Net profit (m)	106,387	105,319	106,488	227,075	527,268
Net profit YoY (%)	38.2	-1.0	1.1	113.2	132.2
EPS (NT$)	66.9	66.2	66.9	142.6	331.2
P/E	39.0	39.5	39.0	18.3	7.9
ROE (%)	26.3	25.7	26.5	55.7	168.6

Source: Company data, GF Securities (Hong Kong) Brokerage.

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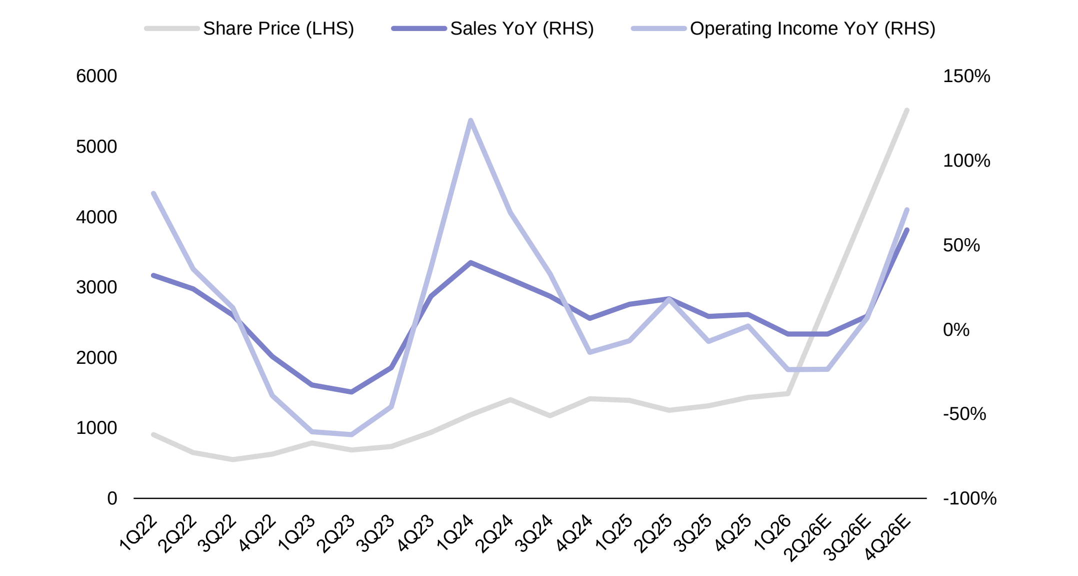
Earnings Forecast

Figure 1: MTK share price (NT$), vs. revenue YoY (%), OP YoY (%)



Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: Google TPU Roadmap

	TPU v5e	TPU v5p	TPU v6e	TPU v7 Ironwood	TPU 8i	TPU 8t	TPU v9x	TPU v9x	TPU v8.5	TPU v10ax	TPU v10x
Code name	Viperlite	Viperfish	Trillium / Ghostlite	Ghostfish	Sunfish	Zebrafish	Humufish	Triggerfish	Whalefish	Merope	Icefish
Time	2Q23	1Q24	4Q24	4Q25	4Q26	4Q26	4Q27	4Q27	1Q28	3Q28	4Q28
Design Service - compute	BRCM	BRCM	BRCM	BRCM	BRCM	GOOG	GOOG	GOOG	BRCM	BRCM or MRVL	GOOG
Design Service - I/O	BRCM	BRCM	BRCM	BRCM	BRCM	MTK	MTK	MTK	BRCM	BRCM Or MRVL	MTK
Design Service - back-end	BRCM	BRCM	BRCM	BRCM	BRCM	MTK	MTK	MTK	BRCM	BRCM or MRVL	MTK
Compute	1*N5	1*N5	1*N5P	2*N3E	2*N3P	1*N3P	(4*N2)*2	(4*N2)*2	2x Sunfish	SF2	N2P*8+N2P *16
I/O				1*N5	2*N3P	1*N3P	(2*N3)*2	(2*N3)*2		SF2	N2P*6
On-chip SRAM					384MB	128MB		4*250MB			
Memory	2*HBM2e 4hi	6*HBM2e 4hi	6*HBM3 8hi	8*HBM3e 12hi	8*HBM3e 8hi	6*HBM3e 8hi	(6*HBM4e 8Hi)*2	(6*HBM4e 8Hi)*2			16*HBM5 12hi
Memory Spec	16GB	95GB	32GB	192GB	288GB	216GB	288GB	288GB			
Memory BW (TB/s)	0.82	2.77	1.64	7.4	8.6	6.5					
Back-end	300	550	390	980							
Back-end	CoWoS-S	CoWoS-S	CoWoS-S	CoWoS-S	CoWoS-L	CoWoS-S	EMIB-T	EMIB-T		CoWoS-S/SOIC	EMIB-T or CoWoS
Pod	256	8960	256	9216	1152	9600					

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 3: Meta's ASIC Roadmap

	MTIA 200	MTIA 300	MTIA 400	MTIA 450	MTIA 500	MTIA 600
Code name	**Artemis**	**Athena**	**Iris Plus**	**ARKE**	**Astrid**	**Apollo**
Time	4Q24	2Q26	4Q26	1Q27	3Q27	2Q28
Design Service - compute	BRCM	BRCM	BRCM	BRCM	TBD	TBD
Design Service - I/O	BRCM	BRCM	BRCM	BRCM	TBD	TBD
Design Service - back-end	BRCM	BRCM	BRCM	BRCM	TBD	TBD
Compute	N5	1*N3E	2*N3E	1*N2	N2	N2P
I/O		2*N4	2*N4 (+1 SoC)	1*N3	N3	N3
Memory	LPDDR5	6*HBM3e 12Hi	8*HBM3e 12Hi	8*HBM3e 12Hi	8*HBM4e 12Hi	TBD
Memory Spec	128GB	216GB	288GB	288GB	384GB	TBD
Memory BW (TB/s)	0.2	6.1	9.2	18.4	27.6	TBD
TDP (W)	90	800	1200	1400	1700	TBD
Back-end	FC	CoWoS-S	CoWoS-L	CoWoS-L	CoWoS-L	CoWoS-L

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 4: MTK's TPU earnings assumptions

	2026	2027	2028
Revenue analysis (Units in m, USD)			
TPU v8x (A5921/Zebrafish)	0.5	3.4	0.1
TPU v8e (Humufish)		0.0	2.4
TPU v9x (Triggerfish)		0.0	2.4
TPU v8x - USD	5500	5418	5125
TPU v8e - USD		13000	12806
TPU v9x - USD			17732
Revenue (USD bn)	2.5	18.4	73.4
Revenue (NTD bn)	78	579	2313
%	11%	44%	73%
Net margin	18%	19%	18%
Net earnings (NTD bn)	14	110	405
%	13%	48%	77%
EPS (DC ASIC, NTD)	9	69	254

Sources: Company data, GF Securities (Hong Kong) Brokerage

Earnings revision

We estimate the ASIC revenue to be $2.5bn/$18bn/$73bn in 2026/27/28, from earlier $2.2bn/18bn/$48bn, to factor in Triggerfish's mix and higher ASPs. Hence, we revise our EPS estimates +0%/+3% in 2026E/2027E and expect a strong earnings growth in 2028E.

Figure 5: Earnings revision

NTD m	2025	2026E		2027E		Change (%)	
		Old	New	Old	New	2026E	2027E
Net sales	595,966	680,816	687,364	1,307,612	1,305,124	1%	0%
Gross profit	283,080	309,840	312,192	570,592	565,298	1%	-1%
EBIT	103,470	106,582	106,332	236,425	245,173	0%	4%
Pre-tax Income	124,888	123,096	122,846	254,074	262,742	0%	3%
Net profit	105,319	106,708	106,488	219,673	227,075	0%	3%
EPS (NT$)	66.2	67.0	66.9	138.0	142.6	0%	3%
Key ratios (%)							
Gross margin	47.5%	45.5%	45.4%	43.6%	43.3%		
Operating margin	17.4%	15.7%	15.5%	18.1%	18.8%		
Pre-tax margin	21.0%	18.1%	17.9%	19.4%	20.1%		
Net profit margin	17.7%	15.7%	15.5%	16.8%	17.4%		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 6: MTK's P&L forecast

(NTD m)	2025	1Q26	2Q26E	3Q26E	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E
Sales	**595,966**	149,151	146,166	153,711	238,336	**687,364**	268,733	326,745	360,212	349,433	**1,305,124**
COGS	**312,886**	80,096	78,432	82,393	134,251	**375,172**	151,406	184,451	204,831	199,138	**739,826**
Gross profit	**283,080**	69,055	67,734	71,318	104,085	**312,192**	117,327	142,295	155,381	150,295	**565,298**
Opex	**179,611**	46,164	45,311	47,650	66,734	**205,860**	69,871	81,686	86,451	82,117	**320,125**
Operating profit	**103,469**	22,891	22,423	23,668	37,351	**106,332**	47,456	60,609	68,931	68,178	**245,173**
Non-op profit	**21,419**	4,129	4,129	4,129	4,129	**16,514**	4,392	4,392	4,392	4,392	**17,569**
Pre-tax profit	**124,888**	27,019	26,551	27,796	41,479	**122,846**	51,849	65,001	73,323	72,570	**262,742**
Tax & Minority	**19,569**	2,865	4,736	3,558	5,200	**16,358**	6,444	11,272	9,021	8,930	**35,667**
Net Income	**105,320**	24,154	21,815	24,239	36,280	**106,488**	45,405	53,729	64,302	63,640	**227,075**
EPS (NTD)	**66.2**	15.2	13.7	15.2	22.8	**66.9**	28.5	33.8	40.4	40.0	**142.6**
Outstanding shares	**1,592**	1,592	1,592	1,592	1,592	**1,592**	1,592	1,592	1,592	1,592	**1,592**
Margin analysis											
Gross margin	**47.5%**	46.3%	46.3%	46.4%	43.7%	**45.4%**	43.7%	43.5%	43.1%	43.0%	**43.3%**
Operating margin	**17.4%**	15.3%	15.3%	15.4%	15.7%	**15.5%**	17.7%	18.5%	19.1%	19.5%	**18.8%**
Pre-tax margin	**21.0%**	18.1%	18.2%	18.1%	17.4%	**17.9%**	19.3%	19.9%	20.4%	20.8%	**20.1%**
Effective tax rate	**15.7%**	10.6%	17.8%	12.8%	12.5%	**13.3%**	12.4%	17.3%	12.3%	12.3%	**13.6%**
Growth (YoY%)											
Sales	**12%**	-3%	-3%	8%	59%	**15%**	80%	124%	134%	47%	**90%**
Operating profit	**1%**	-24%	-24%	7%	71%	**3%**	107%	170%	191%	83%	**131%**
Net income	**-1%**	-18%	-22%	-4%	58%	**1%**	88%	146%	165%	75%	**113%**
EPS	**-1%**	-18%	-22%	-4%	58%	**1%**	88%	146%	165%	75%	**113%**
Product mix (%)											
Mobile	**55%**	49%	43%	41%	30%	**39%**	28%	23%	24%	28%	**26%**
Smart edge	**40%**	46%	52%	53%	66%	**56%**	69%	74%	73%	69%	**71%**
PMIC	**5%**	5%	6%	6%	4%	**5%**	3%	3%	3%	3%	**3%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

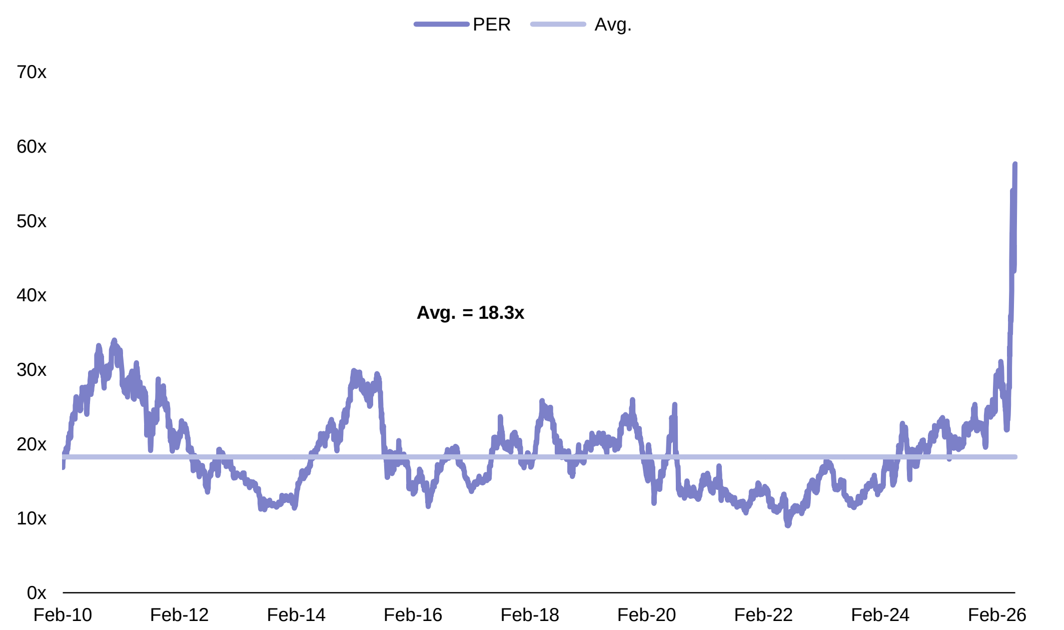
Maintain Buy with TP of $6,420

We rate MTK (2454 TT) Buy and set our TP at NT$6,420 which is based on 45x our 2027E EPS estimate or 19x 2028E EPS. We raise our 2027 multiple to reflect higher earnings growth in 2027/2028, but it suggests an undemanding valuation for 2028. MTK's P/E traded at an average of 18x since 2021 but was up to an average of 22x since 1Q24 when the company starts to see the AI opportunity. Our target multiple for 2027 is much higher than the mid-cycle level given Google TPU momentum and our bullish estimate of its 2027E/2028E earnings growth.

We adopt 2027 and/or 2028 as valuation basis to capture its datacenter ASIC potential which is the key market focus and expect the business to take off starting 2027. We adopt P/E methodology as we believe the market now mainly focuses on the company's earnings outlook, and we usually apply P/E method to downstream firms.

Fundamentally, we are positive on MTK, as it is well-positioned to expand its value position in smartphone SoCs amid the edge-AI trend, as well as the expansion into datacenter/enterprise ASICs and smart automotive solutions. The datacenter ASIC business is the key for upside, in our view, and we expect TPU to provide a volume boost for MTK, while the market will continue to monitor for its execution.

Figure 7: MTK's 12-month forward P/E



Sources: Company data, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowdown; 2) consumer demand; 3) peer competition.

Balance Sheet

NTD mn

	2024	2025	2026E	2027E	2028E
Current assets	**351,025**	**397,456**	**431,623**	**740,792**	**1,595,866**
Cash and cash equivalents	208,967	237,128	226,917	291,344	406,695
Inventory	44,713	62,121	84,743	196,663	520,451
Accounts Receivable	58,414	67,235	84,239	184,957	504,175
Other current assets	38,931	30,973	35,723	67,828	164,544
Non-current assets	**346,842**	**346,329**	**352,651**	**357,824**	**361,889**
Long-term equity investment	169,970	168,912	173,912	178,912	183,912
Fixed assets	56,917	60,427	61,750	61,922	60,987
Other long-term assets	119,955	116,990	116,990	116,990	116,990
Total assets	**697,868**	**743,785**	**784,273**	**1,098,615**	**1,957,754**
Current liabilities	**266,902**	**303,350**	**351,301**	**664,537**	**1,619,847**
Accounts Payable	40,777	48,710	58,407	115,176	290,412
Short-term borrowings	8,919	4,481	4,371	1,530	459
Other current liabilities	217,207	250,159	288,524	547,831	1,328,975
Non-current liabilities	**25,910**	**31,240**	**31,073**	**26,765**	**25,141**
Long-term Debt	-	6,795	6,629	2,320	696
Other non-current liabilities	25,910	24,444	24,444	24,444	24,444
Total liabilities	**292,812**	**334,590**	**382,375**	**691,302**	**1,644,987**
Total Equity	**405,055**	**409,195**	**401,899**	**407,314**	**312,767**
Share Capital	16,017	16,039	16,039	16,039	16,039
Additional Paid-in Capital	80,703	65,023	45,023	5,023	-194,977
Retained earnings	299,907	319,539	332,243	377,658	483,111
Minority interests	8,428	8,594	8,594	8,594	8,594
Total Liabilities & Equity	**697,868**	**743,785**	**784,273**	**1,098,615**	**1,957,754**

Income Statement

NTD mn

	2024	2025	2026E	2027E	2028E
Revenue	**530,586**	**595,966**	**687,364**	**1,305,124**	**3,166,080**
Cost of sales	267,200	312,886	375,172	739,826	1,865,449
Gross profit	**263,386**	**283,080**	**312,192**	**565,298**	**1,300,631**
Operating Expense	160,974	179,610	205,860	320,125	713,500
Operating profit	**102,412**	**103,470**	**106,332**	**245,173**	**587,131**
Interest Income	11,150	10,819	6,961	7,774	10,471
Interest Expense	453	652	724	483	163
Net other Non-op. Income/(Loss)	6,410	11,251	10,277	10,277	10,277
Pre-tax profit	**119,519**	**124,888**	**122,846**	**262,742**	**607,716**
Income tax	12,378	18,770	15,470	34,779	79,560
Profit for the year	**107,141**	**106,118**	**107,376**	**227,963**	**528,156**
Minority interest	754	798	888	888	888
Net profit to ord. equity	**106,387**	**105,319**	**106,488**	**227,075**	**527,268**
EPS (NT$)	**66.9**	**66.2**	**66.9**	**142.6**	**331.2**

Cash Flow Statement

NTD mn

	2024	2025	2026E	2027E	2028E
Operating cash flow	**141,801**	**155,333**	**133,898**	**323,285**	**769,908**
Profit for the year	106,387	105,319	106,488	227,075	527,268
Depreciation & amortization	20,936	22,974	23,325	24,475	25,583
Change in working capital	11,573	22,616	3,684	71,335	216,658
Others	2,905	4,424	400	400	400
Investing cash flow	**-26,534**	**-26,885**	**-30,048**	**-30,048**	**-30,048**
Capex	-16,186	-16,846	-15,009	-15,009	-15,009
Change in investment	12,522	-6,674	-9,639	-9,639	-9,639
Others	-22,870	-3,365	-5,400	-5,400	-5,400
Free cash flow	**115,268**	**128,449**	**103,850**	**293,237**	**739,861**
Financing cash flow	**-77,368**	**-100,288**	**-114,061**	**-228,810**	**-624,509**
Change in Capital	-75,537	-101,180	-113,785	-221,660	-621,814
Net Change in Debt	1,093	2,357	-276	-7,150	-2,695
Others	-2,924	-1,465	-	-	-
Exchange influence	8,292	-5,770	-	-	-
Net increase in cash	**37,900**	**28,161**	**-10,211**	**64,427**	**115,351**

Key Financial Ratios

	2024	2025	2026E	2027E	2028E
Growth					
Revenue growth	22.4	12.3	15.3	89.9	142.6
Operating profit growth	27.0	7.5	10.3	81.1	130.1
Net profit growth	38.2	-1.0	1.1	113.2	132.2
Profitability					
Gross profit margin	49.6	47.5	.45.4	43.3	41.1
Operating Profit Margin	19.3	17.4	15.5	18.8	18.5
Net profit margin	20.1	17.7	15.5	17.4	16.7
Key Ratio					
ROA	15.2	14.2	13.6	20.7	26.9
ROE	26.3	25.7	26.5	55.7	168.6
Stability					
Gross debt/equity	0.0	0.0	0.0	0.0	0.0
Interest Coverage	226	159	147	508	3,610
Current Ratio	1.3	1.3	1.2	1.1	1.0
Quick Ratio	1.1	1.1	1.0	0.8	0.7
Net debt/equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings

Buy	Stock expected to outperform benchmark by more than 10%
Hold	Expected stock relative performance ranges between -10% and 10%
Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings

Positive	Sector expected to outperform benchmark by more than 10%
Neutral	Expected sector relative performance ranges between -10% and 10%
Cautious	Sector expected to underperform benchmark by more than 10%

Hong Kong

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