MediaTek (2454.TW)

Stronger AI ASIC momentum to reshape earnings growth trajectory; reiterate Buy with TP up to NT$6,800

2454.TW	12m Price Target: **NT$6,800.00**	Price: **NT$4,335.00**	Upside: **56.9%**

Stronger AI ASIC ramp unlocks significant earnings upside

We are now seeing stronger AI ASIC momentum at MediaTek beginning in 2027, and we are raising our **AI ASIC revenue to US$20.3bn (vs. US$12.3bn previously), accounting for 49% of its total revenue in 2027E.** We note that our forecast is significantly higher than the company's high end guidance of US$12bn (AI ASIC TAM of US$70-80bn in 2027 with 10-15% of market share), as we see a stronger demand upward revision from key customers over the past 2 months. **For 2028, we also tweak up our AI ASIC revenue to US$52.5bn** (from US$48bn previously), **accounting for 69% of total revenue**, as we expect to see incremental shipment units from the current project, on top of the next-gen project.

Price hike to reflect elevated cost

We are also factoring in a 5% price hike for MediaTek starting 3Q26. The increase mainly reflects the rising cost along the supply chain, including higher wafer pricing, packaging and testing, and component costs, underscored by the recent step-up in memory and substrate pricing. As the adjustment is intended to cover cost inflation, we expect MediaTek's GM to remain largely steady at the current level post the price hike.

Raising TP to NT$6,800 from NT$5,000

In light of the stronger AI ASIC outlook and higher pricing, we revise up 2027-28E EPS by 38%/4%. Net net, we are now modeling **MediaTek's 2027-28E revenue to grow by 95%/83% YoY** (vs. 61%/111% previously) with **OpM expanding to 25%/33%** (vs. 15% in 2026E), and **EPS of NT$181.92/NT$422.17 in 2027/28E**. We **raise our 12m TP to NT$6,800 from NT$5,000** (still based on 25x 2H27-1H28E EPS). With 57% implied upside, we reiterate our Buy rating on MediaTek.

BUY

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Key Data

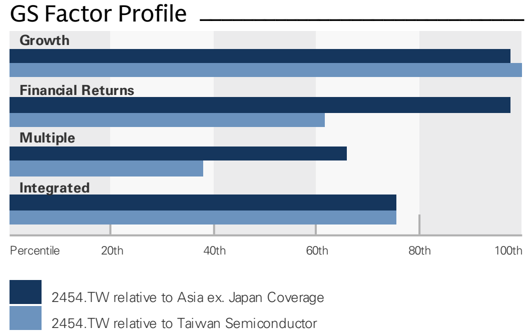
Market cap: NT$6.9tr / $216.4bn
Enterprise value: NT$6.7tr / $208.8bn
3m ADTV: NT$47.0bn / $1.5bn
Taiwan
Taiwan Semiconductor
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**595,965.7**	**670,819.0**	**1,306,508.8**	**2,394,232.4**
Revenue (NT$ mn) Old	595,965.7	673,339.8	1,084,001.9	2,288,915.5
EBITDA (NT$ mn)	126,444.1	124,348.0	352,371.5	805,993.7
EPS (NT$) New	**66.17**	**62.24**	**181.92**	**422.17**
EPS (NT$) Old	66.17	63.29	132.18	406.51
P/E (X)	20.7	69.7	23.8	10.3
P/B (X)	5.5	17.2	11.7	6.3
Dividend yield (%)	5.5	1.2	3.5	8.2
CROCI (%)	54.0	37.0	90.1	192.3

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	15.17	12.74	12.46	21.87

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

MediaTek (2454.TW)

Rating since Feb 5, 2026

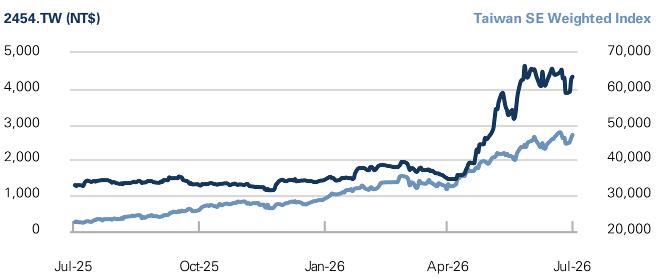
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	20.7	69.7	23.8	10.3
P/B (X)	5.5	17.2	11.7	6.3
FCF yield (%)	6.7	1.8	4.4	9.6
EV/EBITDAR (X)	15.5	53.6	18.3	7.4
EV/EBITDA (excl. leases) (X)	15.5	53.6	18.3	7.4
CROCI (%)	54.0	37.0	90.1	192.3
ROE (%)	26.4	24.6	58.1	79.5
Net debt/equity (%)	(57.3)	(60.8)	(75.3)	(86.0)
Net debt/equity (excl. leases) (%)	(57.3)	(60.8)	(75.3)	(86.0)
Interest cover (X)	173.3	287.1	778.4	1,946.4
Days inventory outst, sales	38.5	47.5	39.7	41.3
Receivable days	36.9	54.8	48.6	49.4
Days payable outstanding	179.5	209.2	168.0	167.7
DuPont ROE (%)	25.7	24.0	48.1	60.6
Turnover (X)	0.8	0.8	1.1	1.1
Leverage (X)	1.8	2.1	2.0	1.9
Gross cash invested (ex cash) (NT$)	324,106.7	333,811.3	342,884.7	370,832.3
Average capital employed (NT$)	188,602.2	168,578.0	155,488.8	152,101.9
BVPS (NT$)	249.76	252.55	369.40	685.58

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	12.3	12.6	94.8	83.3
EBITDA growth	2.5	(1.7)	183.4	128.7
EPS growth	(1.2)	(5.9)	192.3	132.1
DPS growth	39.7	(30.0)	192.3	132.1
EBIT margin	17.4	14.9	25.2	32.8
EBITDA margin	21.2	18.5	27.0	33.7
Net income margin	17.7	14.8	22.2	28.1

Price Performance



	3m	6m	12m
Absolute	195.9%	203.1%	240.0%
Rel. to the Taiwan SE Weighted Index	108.8%	86.7%	63.1%

Source: FactSet. Price as of 1 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	595,965.7	670,819.0	1,306,508.8	2,394,232.4
Cost of goods sold	(312,885.7)	(363,403.5)	(723,403.4)	(1,301,908.1)
SG&A	(31,303.9)	(34,872.0)	(40,373.1)	(46,311.7)
R&D	(148,306.4)	(172,260.4)	(212,958.3)	(261,216.1)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**126,444.1**	**124,348.0**	**352,371.5**	**805,993.7**
Depreciation & amortization	(22,974.4)	(24,064.9)	(22,597.6)	(21,197.2)
EBIT	**103,469.7**	**100,283.1**	**329,774.0**	**784,796.5**
Net interest inc./(exp.)	10,222.3	9,719.8	9,784.8	9,795.8
Income/(loss) from associates	785.0	266.3	–	–
Pre-tax profit	**124,887.8**	**116,299.7**	**345,558.8**	**800,592.4**
Provision for taxes	(18,770.2)	(16,360.2)	(55,025.2)	(127,411.9)
Minority interest	(798.3)	(817.3)	(794.7)	(795.8)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**105,319.3**	**99,122.2**	**289,739.0**	**672,384.7**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**105,319.3**	**99,122.2**	**289,739.0**	**672,384.7**
EPS (basic, pre-except) (NT$)	**66.17**	**62.24**	**181.92**	**422.17**
EPS (diluted, pre-except) (NT$)	**66.17**	**62.24**	**181.92**	**422.17**
EPS (basic, post-except) (NT$)	**66.17**	**62.24**	**181.92**	**422.17**
EPS (diluted, post-except) (NT$)	**66.17**	**62.24**	**181.92**	**422.17**
DPS (NT$)	75.05	52.53	153.55	356.33
Div. payout ratio (%)	113.4	84.4	84.4	84.4

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	235,290.1	268,133.2	469,878.3	971,042.3
Accounts receivable	68,597.0	132,843.1	214,749.0	433,760.7
Inventory	67,234.6	107,529.4	176,552.2	365,833.8
Other current assets	26,334.6	23,001.8	23,001.8	23,001.8
Total current assets	**397,456.2**	**531,507.5**	**884,181.2**	**1,793,638.6**
Net PP&E	60,427.4	56,490.5	49,179.1	43,268.0
Net intangibles	80,261.7	79,115.2	67,829.1	56,543.0
Total investments	168,911.6	172,264.8	172,264.8	172,264.8
Other long-term assets	36,727.9	37,656.1	37,656.1	37,656.1
Total assets	**743,784.8**	**877,034.1**	**1,211,110.3**	**2,103,370.5**
Accounts payable	156,525.1	260,120.8	405,976.1	790,321.9
Short-term debt	940.0	16,440.0	16,440.0	16,440.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	145,884.7	156,127.3	156,127.3	156,127.3
Total current liabilities	**303,349.8**	**432,688.2**	**578,543.5**	**962,889.2**
Long-term debt	60.0	120.0	120.0	120.0
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	31,180.0	30,401.8	30,401.8	30,401.8
Total long-term liabilities	**31,240.0**	**30,521.8**	**30,521.8**	**30,521.8**
Total liabilities	**334,589.8**	**463,210.0**	**609,065.3**	**993,411.0**
Preferred shares	–	–	–	–
Total common equity	400,601.0	405,062.5	592,488.7	1,099,607.3
Minority interest	**8,594.0**	**8,761.7**	**9,556.4**	**10,352.2**
Total liabilities & equity	**743,784.8**	**877,034.1**	**1,211,110.3**	**2,103,370.5**
Net debt, adjusted	(234,290.1)	(251,573.2)	(453,318.3)	(954,482.3)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	105,319.3	99,122.2	289,739.0	672,384.7
D&A add-back	22,974.4	24,064.9	22,597.6	21,197.2
Minority interest add-back	798.3	817.3	794.7	795.8
Net (inc)/dec working capital	(20,302.7)	(945.3)	(5,073.3)	(23,947.6)
Other operating cash flow	54,003.6	6,088.6	–	–
Cash flow from operations	**162,792.9**	**129,147.7**	**308,057.9**	**670,430.0**
Capital expenditures	(15,059.1)	(7,260.2)	(4,000.0)	(4,000.0)
Acquisitions	(1,141.7)	(206.8)	–	–
Divestitures	–	–	–	–
Others	(21,553.1)	376.3	–	–
Cash flow from investing	**(37,754.0)**	**(7,090.7)**	**(4,000.0)**	**(4,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(86,069.6)	(106,473.2)	(102,312.8)	(165,266.0)
Inc/(dec) in debt	60.0	15,560.0	–	–
Other financing cash flows	(7,435.1)	1,699.3	0.0	0.0
Cash flow from financing	**(93,444.7)**	**(89,213.9)**	**(102,312.8)**	**(165,266.0)**
Total cash flow	**31,594.2**	**32,843.1**	**201,745.1**	**501,164.0**
Free cash flow	147,733.8	121,887.5	304,057.9	666,430.0

Source: Company data, Goldman Sachs Research estimates.

AI ASIC ramp to outweigh smartphone cyclically

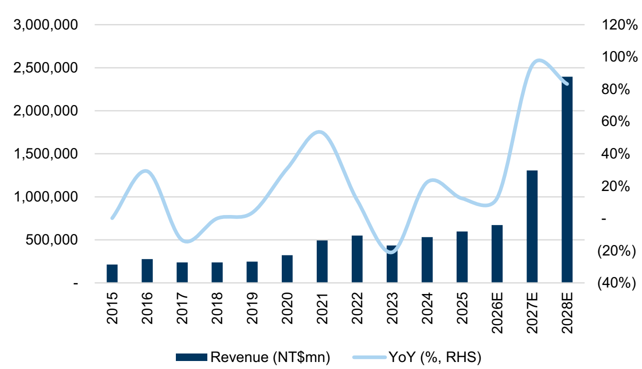
We note that there have been recent investor concerns over the smartphone business given rising memory prices that would further impact the overall shipment. However, we reiterate our thesis that MediaTek is well-positioned to transition from a traditional smartphone application provider to an AI-focused vendor. We forecast that in 2027, its smartphone business would only account for 24% of its total revenue (vs. 44% in 2026E), declining to 14% in 2028E.

We expect AI ASIC to remain the key focus of the 2Q26 analyst meeting

We expect the company to host its 2Q26 analyst meeting at the end of July. We believe investors key questions will be around MediaTek's view on: **1)** latest progress on current/next generation AI ASIC and the mass production timeline, **2)** next-generation AI ASIC dollar content value gain and GM upside, **3)** potential updated guidance on AI ASIC TAM, and **4)** any potential ASIC projects beyond the current US CSP customer.

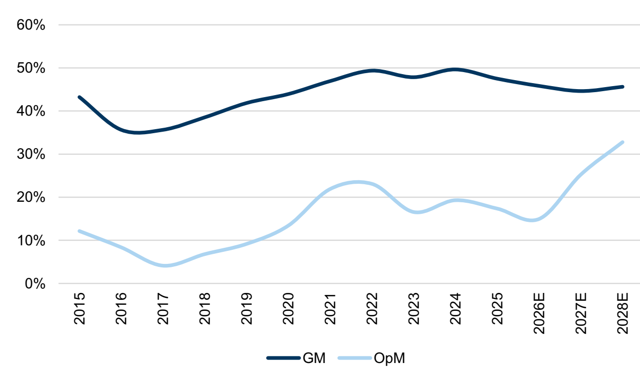
For 3Q26E, we are now expecting revenue to grow by 6.7% QoQ, with GM/OpM at 46.1%/12.9% (vs 46.1% /13.9% in 2Q26E), and EPS of NT$12.46. We expect revenue to improve QoQ into 2H26, driven by the introduction of new N2 smartphone SoC by end of 3Q26 and strong ramp of AI ASIC in 4Q26. However, we believe the smartphone weakness is largely reflected in the current stock price. Overall, we remain optimistic in MediaTek's 2026 revenue growth with both ASIC and smart edge momentum offsetting the smartphone weakness, and we now expect MediaTek's revenue to grow 13% YoY with GM/OpM reaching 45.8%/14.9%.

Exhibit 1: MediaTek's revenue growth trends



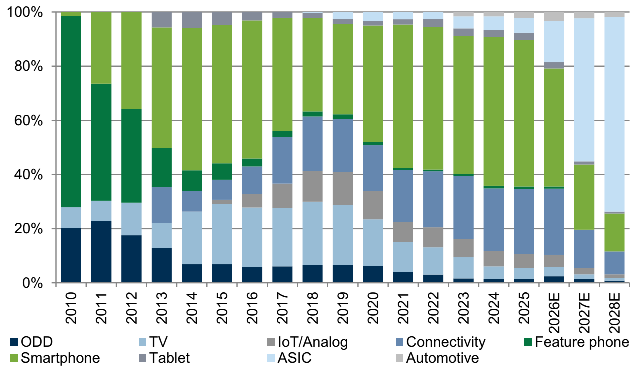
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: MediaTek's margin trends



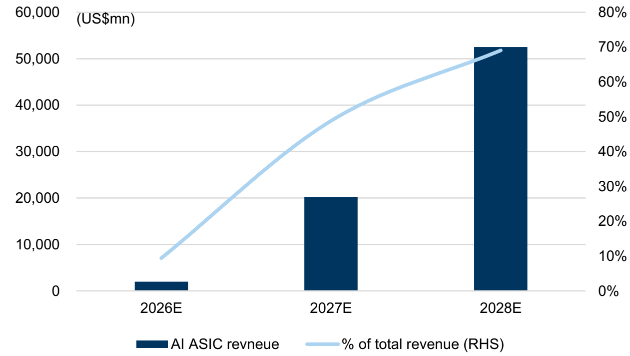
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: MediaTek's revenue mix by segment



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: MediaTek's AI ASIC business revenue and revenue contribution



Source: Goldman Sachs Global Investment Research

Earnings changes, valuation and risks

Forecast changes

We have revised our 2026/27/28E earnings by -2%/+38%/+4% to reflect 1) much stronger TPUv8 shipment in 2027, 2) longer TPUv8 lifetime into 2028, 3) price hike among all product lines, and 4) weaker near-term smartphone demand.

Exhibit 5: Earnings revisions

	2026E			2027E			2028E		
(NT$mn)	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	673,340	670,819	-0.4%	1,084,002	1,306,509	20.5%	2,288,915	2,394,232	4.6%
Gross profit	308,979	307,416	-0.5%	490,358	583,105	18.9%	1,064,726	1,092,324	2.6%
Op. income	101,847	100,283	-1.5%	234,853	329,774	40.4%	754,480	784,797	4.0%
Net income	100,757	99,122	-1.6%	210,420	289,739	37.7%	647,145	672,385	3.9%
EPS (NT$)	63.29	62.24	-1.7%	132.18	181.92	37.6%	406.51	422.17	3.9%
GM	45.9%	45.8%	-0.1%	45.2%	44.6%	-0.6%	46.5%	45.6%	-0.9%
OpM	15.1%	14.9%	-0.2%	21.7%	25.2%	3.6%	33.0%	32.8%	-0.2%
NM	15.0%	14.8%	-0.2%	19.4%	22.2%	2.8%	28.3%	28.1%	-0.2%

	3Q26E			4Q26E			1Q27E		
(NT$mn)	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	153,175	153,854	0.4%	222,912	223,664	0.3%	243,448	246,552	1.3%
Gross profit	70,822	70,990	0.2%	100,729	100,914	0.2%	109,701	110,717	0.9%
Op. income	19,637	19,804	0.9%	37,341	37,526	0.5%	47,546	48,910	2.9%
Net income	19,803	19,847	0.2%	34,806	34,833	0.1%	43,406	44,459	2.4%
EPS (NT$)	12.44	12.46	0.2%	21.86	21.87	0.0%	27.27	27.91	2.4%
GM	46.2%	46.1%	-0.1%	45.2%	45.1%	-0.1%	45.1%	44.9%	-0.2%
OpM	12.8%	12.9%	0.1%	16.8%	16.8%	0.0%	19.5%	19.8%	0.3%
NM	12.9%	12.9%	0.0%	15.6%	15.6%	0.0%	17.8%	18.0%	0.2%

Source: Company data, Goldman Sachs Global Investment Research

Reiterate Buy, raise TP to NT$6,800 from NT$5,000

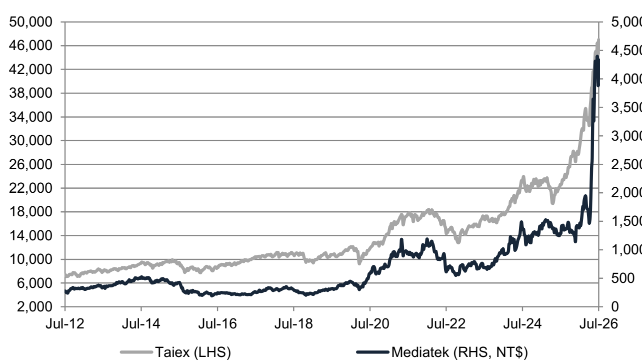
We increase our 12m TP to NT$6,800 from NT$5,000 previously, following our upward earnings revisions. Our TP is based on a target P/E multiple of 25x (unchanged; +1.8 stdv above 5 yr avg. fwd P/E) applied to our FY2H27E-1H28E EPS (unchanged). Overall, our 12m TP implies 57% upside; we reiterate our Buy rating on MediaTek.

Exhibit 6: MediaTek P&L summary

	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2026E	2027E	2028E
P&L (NT$mn)											
Revenue	149,151	144,150	153,854	223,664	246,552	315,137	366,338	378,483	670,819	1,306,509	2,394,232
Gross profit	69,055	66,456	70,990	100,914	110,717	140,422	163,091	168,875	307,416	583,105	1,092,324
Operating profit	22,891	20,061	19,804	37,526	48,910	77,311	99,159	104,394	100,283	329,774	784,797
Net income	24,154	20,288	19,847	34,833	44,459	68,060	86,399	90,821	99,122	289,739	672,385
EPS (NT$)	15.17	12.74	12.46	21.87	27.91	42.73	54.25	57.02	62.24	181.92	422.17
Margins (%)											
Gross margin	46.3%	46.1%	46.1%	45.1%	44.9%	44.6%	44.5%	44.6%	45.8%	44.6%	45.6%
Operating profit margin	15.3%	13.9%	12.9%	16.8%	19.8%	24.5%	27.1%	27.6%	14.9%	25.2%	32.8%
Net margin	16.2%	14.1%	12.9%	15.6%	18.0%	21.6%	23.6%	24.0%	14.8%	22.2%	28.1%
YoY (%)											
Revenue	-2.7%	-4.1%	8.3%	48.9%	65.3%	118.6%	138.1%	69.2%	12.6%	94.8%	83.3%
Gross profit	-6.4%	-10.0%	7.4%	45.7%	60.3%	111.3%	129.7%	67.3%	8.6%	89.7%	87.3%
Operating profit	-23.8%	-31.7%	-10.7%	71.7%	113.7%	285.4%	400.7%	178.2%	-3.1%	228.8%	138.0%
Net income	-17.6%	-27.1%	-21.3%	51.9%	84.1%	235.5%	335.3%	160.7%	-5.9%	192.3%	132.1%
EPS	-17.7%	-27.2%	-21.3%	51.9%	84.0%	235.5%	335.3%	160.7%	-5.9%	192.3%	132.1%
QoQ (%)											
Revenue	-0.7%	-3.4%	6.7%	45.4%	10.2%	27.8%	16.2%	3.3%			
Gross profit	-0.3%	-3.8%	6.8%	42.2%	9.7%	26.8%	16.1%	3.5%			
Operating profit	4.8%	-12.4%	-1.3%	89.5%	30.3%	58.1%	28.3%	5.3%			
Net income	5.4%	-16.0%	-2.2%	75.5%	27.6%	53.1%	26.9%	5.1%			
EPS	5.3%	-16.0%	-2.2%	75.5%	27.6%	53.1%	26.9%	5.1%			

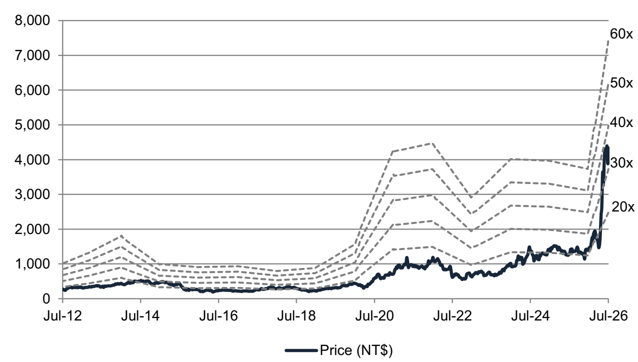
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: Taiex vs. MediaTek



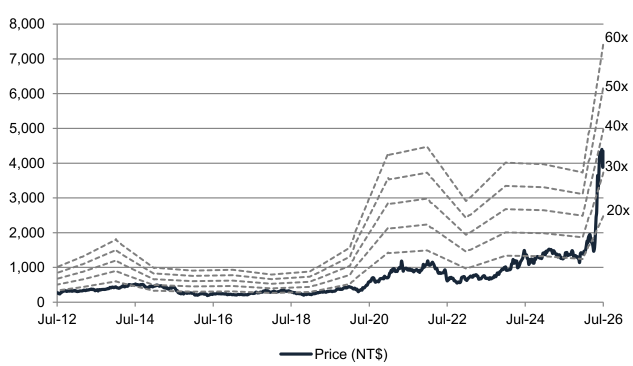
Source: Bloomberg

Exhibit 8: MediaTek Forward P/E



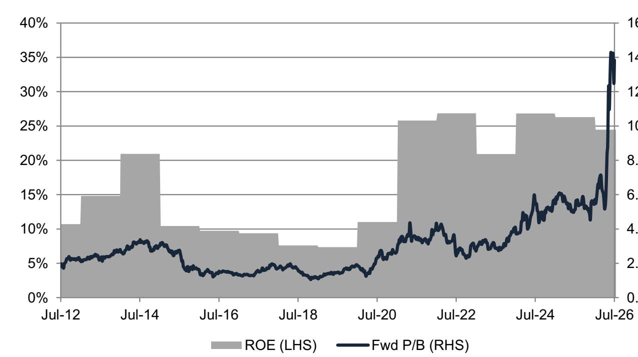
Source: Bloomberg

Exhibit 9: MediaTek Forward P/B



Source: Bloomberg

Exhibit 10: MediaTek P/B vs. ROE



Source: Bloomberg

Investment Thesis, Price Target Risks and Methodology

Investment Thesis - Mediatek
MediaTek is a leading global IC design house specializing in smartphone AP (application processor). We have a positive stance on MediaTek, viewing it as well-positioned to transition from a traditional smartphone application provider to an AI-focused vendor, beginning with AI smartphones and extending to enterprise ASICs and smart automotive solutions (in partnership with NVIDIA) in 2025 and beyond. We expect MediaTek to achieve solid multi-year growth, where we expect revenue and earnings to increase by 42%/59% CAGRs, respectively, in 2025-28E. This growth will be primarily driven by: 1) market share gains, particularly in the premium segment (specifically high-end 5G flagship SoCs), 2) strong ramp in AI ASIC business, and 3) new TAM in the automotive/computing sectors.

Price Target Risks and Methodology - MediaTek (2454.TW)
Valuation: Our 12m TP of NT$6,800 is based on a target P/E multiple of 25x (1.8 stdv above its 5-year trading average) applied to our 2H27E-1H28E EPS.

Key risks to our views: (1) Weaker-than-expected end demand especially with smartphones, (2) Higher foundry cost impacting its margin outlook, (3) Intensifying competition that would result in reduced profitability, and (4) Slower ramp in ASIC would result in changes in operating leverage

Disclosure Appendix

Reg AC

We, Evelyn Yu, James Schneider, Ph.D. and Ryan Huang, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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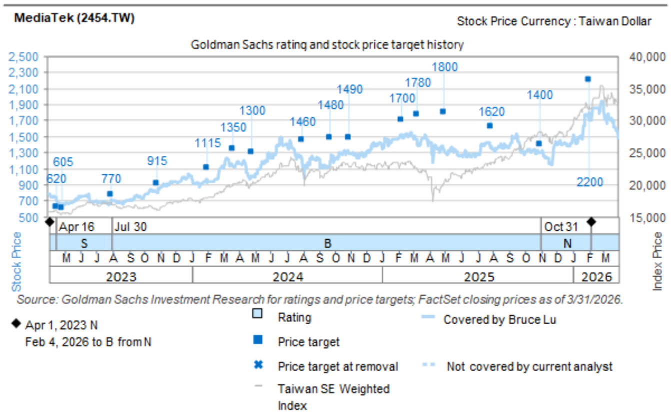
Price target and rating history chart(s)



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Target price history table(s)

MediaTek (2454.TW)

Date of report	Target price (NT$)	Closing price (NT$)
30-Apr-26	5,000.00	2,610.00
16-Apr-26	2,454.00	1,895.00
04-Feb-26	2,200.00	1,800.00
31-Oct-25	1,400.00	1,310.00
30-Jul-25	1,620.00	1,380.00
30-Apr-25	1,800.00	1,350.00
10-Mar-25	1,780.00	1,395.00
07-Feb-25	1,700.00	1,525.00
30-Oct-24	1,490.00	1,290.00
24-Sep-24	1,480.00	1,195.00
31-Jul-24	1,460.00	1,220.00
26-Apr-24	1,300.00	1,005.00
21-Mar-24	1,350.00	1,140.00
31-Jan-24	1,115.00	966.00
27-Oct-23	915.00	801.00
30-Jul-23	770.00	658.00

Price targets shown in table(s) are unadjusted for corporate actions.

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