MediaTek

Cloud ASIC ramp approaching a pivotal phase at compelling valuation

Reiterate Rating: BUY | PO: 5,230 TWD | Price: 3,555 TWD

31 July 2026

Equity

3Q26 sales and margins holding up on resilient smart edge

2Q26 sales was -1% QoQ, on strong smart edge +19% and power IC +14% balanced by continued weak smartphone demand. Despite better mix, rising component cost and similar scale kept GM/OpM stable QoQ at 46.2%/15.0%, taking 2Q26 EPS to NT$15.28. 3Q26 sales was guided +0-5% QoQ led by strong connectivity and auto projects ramp while smartphone remains muted with new flagship ramp dragged by broader market softness and its mix optimization. 3Q26 GM/OpM is guided in line at 46%/15% midpoint and we expect it to reach upper half on better mix and its effort to pass through cost.

’27 ASIC TAM & share lifted; further diversification in ‘28

In contrast to market concern on TPU design and production delay, Mediatek raised its data center ASIC revenue guide to US$2bn+ in ’26 and US$12-16bn in ’27 based on its upward revision of AI accelerator ex-HBM TAM to US$80bn (vs. US$75-80bn prior) as it sees stronger demand and TSMC’s capacity support. Notably, it highlighted the design of TPUv9t is on track for ramp in early ’28 and it is working with several customers on data center ASICs. Backed by its advanced technology portfolio including 448G SerDes, CPC (co-packaged copper) and 3.5D packaging and design flows suitable for large reticle size ASIC design, we believe Mediatek has started co-developing the AI accelerator ASIC with xAI set for tape out in 4Q27 along with optionality of other projects (e.g. Meta and Toyota/Denso ADAS ASICs), lifting its cloud ASIC business to US$45.8bn in 2028E.

Troughing '27-28 valuation provides attractive opportunity

With near term business and ASIC progress largely in line with our preview, we keep our ‘26/27/28 EPS at NT$68.61/NT$137.76/NT$347.25. Reiterate our Buy rating and PO at NT$5,230 on 23x 2H27-1H28E P/E. Following the recent pullback, the share is attractive at 25x/10x '27/'28E P/E (vs. its P/E range of 8-25x), backed by its solid sales/earnings outlook in '26-28E at 85%/130% CAGR as operating leverage could accelerate backed by cloud/auto ASIC projects ramp and potential in edge AI with strong smart edge solutions.

Estimates (Dec) (NT$)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Net Income (Adjusted - mn)	106,387	105,319	109,208	219,279	552,724
EPS	66.84	66.17	68.61	137.76	347.25
EPS Change (YoY)	38.2%	-1.0%	3.7%	100.8%	152.1%
Consensus EPS (Visible Alpha)			66.70	138.74	281.06
Dividend / Share	53.00	53.00	55.00	110.00	278.00
Free Cash Flow / Share	89.53	92.84	85.94	135.29	237.50
Valuation (Dec)					
P/E	53.19x	53.73x	51.81x	25.81x	10.24x
Dividend Yield	1.49%	1.49%	1.55%	3.09%	7.82%
EV / EBITDA*	44.42x	43.33x	41.43x	20.05x	8.24x
Free Cash Flow Yield*	2.50%	2.59%	2.40%	3.78%	6.63%

* For full definitions of *iQmethod*SM measures, see page 6.

Key Changes

(NT$)	**Previous**	**Current**
2026E EPS	67.67	68.61
2027E EPS	137.87	137.76
2028E EPS	346.11	347.25
2026E EBITDA (m)	133,709.9	132,249.6
2027E EBITDA (m)	264,244.2	273,250.5
2028E EBITDA (m)	644,155.1	664,630.4

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Stock Data

Price	3,555 TWD
Price Objective	5,230 TWD
Date Established	27-Jul-2026
Investment Opinion	C-1-7
52-Week Range	1,130 TWD-4,970 TWD
Mrkt Val / Shares Out (mn)	175,590 USD / 1,603.9
Market Value (mn)	5,701,848 TWD
Average Daily Value (mn)	1,227 USD
Free Float	86.2%
BofA Ticker / Exchange	MDTKF / TAI
Bloomberg / Reuters	2454 TT / 2454.TW
ROE (2026E)	26.1%
Net Dbt to Eqty (Dec-2025A)	-59.4%

iQprofile SM MediaTek

Key Income Statement Data (Dec)	2024A	2025A	2026E	2027E	2028E
(NT$ Millions)					
Sales	530,586	595,966	667,794	1,124,645	2,255,967
Gross Profit	263,386	283,080	303,921	494,230	951,942
Sell General & Admin Expense	(28,981)	(31,304)	(33,776)	(43,162)	(55,575)
Operating Profit	102,412	103,470	105,347	240,797	625,626
Net Interest & Other Income	16,590	20,633	21,467	15,296	20,468
Associates	517	785	266	0	0
Pretax Income	119,519	124,888	127,080	256,094	646,094
Tax (expense) / Benefit	(12,378)	(18,770)	(16,947)	(35,900)	(92,460)
Net Income (Adjusted)	106,387	105,319	109,208	219,279	552,724
Average Fully Diluted Shares Outstanding	1,592	1,592	1,592	1,592	1,592
Key Cash Flow Statement Data					
Net Income	106,387	105,319	109,208	219,279	552,724
Depreciation & Amortization	20,936	22,974	26,903	32,453	39,005
Change in Working Capital	(2,076)	(18,295)	176	(53,510)	(165,434)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	30,808	52,794	21,569	40,075	(23,174)
Cash Flow from Operations	156,055	162,793	157,855	238,296	403,120
Capital Expenditure	(13,771)	(15,009)	(20,986)	(22,820)	(24,853)
(Acquisition) / Disposal of Investments	(14,671)	(9,972)	3,770	(205)	(13)
Other Cash Inflow / (Outflow)	(7,486)	(12,773)	(32,224)	(46,870)	(57,272)
Cash Flow from Investing	(35,928)	(37,754)	(49,440)	(69,895)	(82,137)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(87,551)	(86,070)	(85,583)	(88,215)	(176,429)
Cash Flow from Financing	(90,119)	(87,675)	(71,347)	(90,187)	(178,388)
Free Cash Flow	142,284	147,784	136,869	215,476	378,268
Net Debt	(210,705)	(243,168)	(254,025)	(332,351)	(474,953)
Change in Net Debt	(39,560)	(31,534)	(22,796)	(78,215)	(142,595)
Key Balance Sheet Data					
Property, Plant & Equipment	56,917	60,427	69,112	75,390	82,205
Other Non-Current Assets	289,925	285,901	322,568	359,336	405,461
Trade Receivables	44,713	62,121	78,839	103,585	238,669
Cash & Equivalents	219,624	247,709	283,495	361,822	504,424
Other Current Assets	86,688	87,626	90,230	133,960	275,282
Total Assets	697,868	743,785	844,244	1,034,093	1,506,041
Long-Term Debt	0	60	120	120	120
Other Non-Current Liabilities	25,910	31,180	34,299	34,278	34,277
Short-Term Debt	8,919	4,481	29,351	29,351	29,351
Other Current Liabilities	257,983	298,869	335,982	351,613	367,229
Total Liabilities	292,812	334,590	399,752	415,362	430,977
Total Equity	405,055	409,195	444,492	618,731	1,075,064
Total Equity & Liabilities	697,868	743,785	844,244	1,034,093	1,506,041
iQ*method SM - Bus Performance					
Return On Capital Employed	23.9%	22.0%	21.2%	36.5%	60.5%
Return On Equity	27.8%	26.4%	26.1%	41.9%	65.9%
Operating Margin	19.3%	17.4%	15.8%	21.4%	27.7%
EBITDA Margin	23.2%	21.2%	19.8%	24.3%	29.5%
iQ*method SM - Quality of Earnings					
Cash Realization Ratio	1.5x	1.5x	1.4x	1.1x	0.7x
Asset Replacement Ratio	1.1x	1.1x	1.4x	1.4x	1.4x
Tax Rate (Reported)	10.4%	15.0%	13.3%	14.0%	14.3%
Net Debt-to-Equity Ratio	-52.0%	-59.4%	-57.1%	-53.7%	-44.2%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of *iQmethod* SM measures, see page 6.

Company Sector

Semiconductors

Company Description

MediaTek is a fabless IC design company supplying to wireless communications and digital consumer markets. Before taking leadership in mobile SoC area, it had built solid ground in the TV SoC and optical disk drive markets. The firm invests heavily in R&D to seek better positioning in the 5G cycle, and has a complete offering including ASIC, Wi-Fi, PMIC etc. to address applications beyond smartphone, such as IoT and auto.

Investment Rationale

We have Buy rating on MediaTek as we think MediaTek is ready and has the strength to brace for the upcoming proliferation of IoT devices and opportunities in growing markets like ASIC, ARM-based PC, auto, and etc., and we believe its solid balance sheet and cashflow could provide downside support to the share price. Meanwhile, we expect 5G smartphone penetration to be a multi-year theme for the company, with its better competitive landscape in duopoly 5G era and an improved margin profile.

Stock Data

Price to Book Value	13.1x

Focus charts and tables

Exhibit 1: Mediatek business analysis

TPU could contribute around NT$62/NT$214 to 2027/28 EPS; xAI AI accelerator to also modestly contribute in '28

Mediatek business analysis	TPUv8t	Merchant	Mediatek '26	TPUv8t	Merchant	Mediatek '27	TPUv9t	xAI	Merchant	Mediatek '28
Sales (US$bn)	$2.1	$19.1	$21.2	$14.6	$21.1	$35.7	$39.5	$8.5	$23.7	$71.6
Gross profit	$0.9	$8.8	$9.6	$6.2	$9.5	$15.7	$16.2	$3.7	$10.4	$30.2
GMs	42%	46%	46%	42%	45%	44%	41%	43%	44%	42%
Opex	$0.8	$5.5	$6.3	$2.5	$5.6	$8.0	$3.6	$0.9	$5.9	$10.4
Opex/sales	39%	29%	30%	17%	26%	23%	9%	11%	25%	14%
Operating profit	$0.1	$3.3	$3.3	$3.7	$4.0	$7.6	$12.6	$2.7	$4.5	$19.9
OpMs	3%	17%	16%	25%	19%	21%	32%	32%	19%	28%
Tax rate	13%	13%	13%	14%	14%	14%	14%	14%	14%	14%
Net profit (US$bn)	$0.1	$2.8	$3.5	$3.1	$3.4	$7.0	$10.8	$2.3	$3.9	$17.6
EPS (NT$)	$1.1	$56.2	$69.1	$62.3	$67.7	$138.3	$214.0	$46.1	$76.7	$347.6

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: Mediatek's 2Q26-3Q26 and 2026-27 estimates BofAe vs. street

Our EPS estimates for '26/27 is now NT$68.61/137.76

	2Q26E			3Q26E			2026E			2027E		
	Actual	Old	Street	BofAe	Old	Street	BofAe	Old	Street	BofAe	Old	Street
Sales (NT$mn)	$152,183	$152,183	$145,821	$156,165	$142,583	$151,092	$667,794	$651,552	$651,622	$1,124,645	$1,066,233	$1,061,185
Sales QoQ / YoY (%)	2.0%	2.0%	-2.2%	2.6%	-6.3%	3.6%	12.1%	9.3%	9.3%	68.4%	63.6%	62.9%
Gross profit (NT$mn)	$70,308	$70,590	$67,285	$71,791	$65,934	$69,578	$303,921	$297,229	$298,345	$494,230	$471,591	$471,134
GMs (%)	46.2%	46.4%	46.1%	46.0%	46.2%	46.1%	45.5%	45.6%	45.8%	43.9%	44.2%	44.4%
Operating profit (NT$mn)	$22,868	$25,065	$21,663	$23,640	$21,926	$22,914	$105,347	$109,603	$104,214	$240,797	$239,970	$223,045
OpMs (%)	15.0%	16.5%	14.9%	15.1%	15.4%	15.2%	15.8%	16.8%	16.0%	21.4%	22.5%	21.0%
Pretax profit (NT$mn)	$27,962	$29,075	$26,044	$28,955	$25,225	$27,792	$127,080	$126,156	$121,682	$256,094	$256,511	$242,267
Pretax margins (%)	18.4%	19.1%	17.9%	18.5%	17.7%	18.4%	19.0%	19.4%	18.7%	22.8%	24.1%	22.8%
Tax expense (NT$mn)	-$3,627	-$4,536	-$3,843	-$4,604	-$4,023	-$4,155	-$17,872	-$18,436	-$16,582	-$36,815	-$37,056	-$36,921
Tax rate (%)	13.0%	15.6%	14.8%	15.9%	15.9%	14.9%	14.1%	14.6%	13.6%	14.4%	14.4%	15.2%
Net profit (NT$mn)	$24,335	$24,539	$22,201	$24,351	$21,202	$23,637	$109,208	$107,720	$105,101	$219,279	$219,455	$205,346
Net margins (%)	16.0%	16.1%	15.2%	15.6%	14.9%	15.6%	16.4%	16.5%	16.1%	19.5%	20.6%	19.4%
EPS (NT$)	$15.29	$15.42	$13.89	$15.30	$13.32	$14.75	$68.61	$67.67	$66.29	$137.76	$137.87	$130.35

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 3: Terms and definitions

Glossary of abbreviations/acronyms

Term	Definition
AI	Artificial Intelligence
TAM	Total Addressable Market
ASIC	Application Specific Integrated Circuit
TPU	Tensor Processing Unit
HBM	High Bandwidth Memory
ADAS	Advanced Driver Assistance Systems

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

MediaTek (MDTKF)

Our PO of NT$5,230 is based on 23x 2H27-1H28 P/E. as we are constructive on its broadening ASIC pipeline to drive earnings upgrade cycle and re-rating as it locks in more supply.

Upside risks to our PO are: (1) better than expected smartphone demand, especially in China, (2) a better pricing in mobile communication segment thanks to alleviated competition and rising exposure to high-end/flagship market, and (3) an even more superior investment return on non-op side to uplift its net cash position. (4) Unexpected collaboration with global technology leaders leads to higher than expected margins/profits

Downside risks to our PO are: (1) weaker-than-expected end-market situation in consumer-related smartphone/TV space, (2) macro challenges including inflation/policy-related pressures, (3) rising competition from existing players and/or newcomers in smartphone/TV SoC (system on chip) space, and (4) ASP/margin pressure caused by each or all of the above and/or rising foundry costs. (4) Bidding process for Meta Inference ASIC is slower than expected.

Analyst Certification

I, Haas Liu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alchip	ALCPF	3661 TT	Haas Liu

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	All Ring	XNQNF	6187 TT	Haas Liu
	AMEC	XRTOF	688012 CH	Dai Shen
	ASE Technology Holding	XSRIF	3711 TT	Haas Liu
	ASE Technology Holding -ADR	ASX	ASX US	Haas Liu
	ASMPT	ASMVF	522 HK	Simon Woo, CFA
	Aspeed	XLKMF	5274 TT	Mike Yang
	Chroma ATE	CRMJF	2360 TT	Haas Liu
	eMemory	XYLWF	3529 TT	Mike Yang
	GigaDevice	XGXIF	603986 CH	Daley Li, CFA
	Global Unichip Corp.	GBUHF	3443 TT	Haas Liu
	Grand Process Technology Corp	XZOWF	3131 TT	Haas Liu
	Hanmi Semiconductor	HNSIF	042700 KS	Simon Woo, CFA
	Hon Precision	XXPIF	7769 TT	Haas Liu
	Horizon Robotics	HRZRF	9660 HK	Daley Li, CFA
	Iluvatar CoreX	XSIBF	9903 HK	Daley Li, CFA
	Ingenic	XISCF	300223 CH	Dai Shen
	InnoScience Technology	XSCHF	2577 HK	Daley Li, CFA
	JCET Group Co Ltd	XJIEF	600584 CH	Dai Shen
	King Yuan Electronics Corp.	KYUFF	2449 TT	Haas Liu
	Kinik	KIKCF	1560 TT	Haas Liu
	MediaTek	MDTKF	2454 TT	Haas Liu
	Montage Technology	XRDFF	688008 CH	Daley Li, CFA
	MPI Corporation	XMJCF	6223 TT	Mike Yang
	Nanya Technology	NNYAF	2408 TT	Simon Woo, CFA
	NCE Power	XVFFF	605111 CH	Daley Li, CFA
	OmniVision	XXHQF	603501 CH	Dai Shen
	Phison Electronics	PISNF	8299 TT	Simon Woo, CFA
	Powerchip Semiconductor Manufacturing Co	XCHPF	6770 TT	Haas Liu
	Powertech Technology	PWOGF	6239 TT	Simon Woo, CFA
	Rockchip	XRPXF	603893 CH	Daley Li, CFA
	Samsung C&T	XCDTF	028260 KS	Simon Woo, CFA
	Samsung Elec -G	SSNHZ	SMSN LI	Simon Woo, CFA
	Samsung Electronics	SSNLF	005930 KS	Simon Woo, CFA
	Samsung Electronics Preferred	SSNNF	005935 KS	Simon Woo, CFA
	Silergy Corp.	SLEGF	6415 TT	Mike Yang
	Silicon Motion	SIMO	SIMO US	Simon Woo, CFA
	SK Square	SKSQF	402340 KS	Simon Woo, CFA
	Taiwan Semiconductor Manufacturing Co.	TSM	TSM US	Haas Liu
	Taiwan Semiconductor Manufacturing Co.	TSMWF	2330 TT	Haas Liu
	Vanguard International Semiconductor Co	VGILF	5347 TT	Haas Liu
	Winbond Electronics	WBEKF	2344 TT	Dai Shen
	WinWay Technology	XWCLF	6515 TT	Mike Yang
	WT Microelectronics	XZOPF	3036 TT	Mike Yang
NEUTRAL				
	ASMedia Technology Inc.	XZSFF	5269 TT	Mike Yang
	Black Sesame Intl Holding	BSIHF	2533 HK	Daley Li, CFA
	Hangzhou Silan Microelectronics	XDFRF	600460 CH	Daley Li, CFA
	Lion Electronics	XDHFF	605358 CH	Dai Shen
	MetaX	XMEZF	688802 CH	Daley Li, CFA
	Novatek	NVKMF	3034 TT	Mike Yang
	Realtek	RLTKF	2379 TT	Mike Yang
	Shenzhen Goodix	XQPLF	603160 CH	Daley Li, CFA
UNDERPERFORM				
	Crystal Clear	XPPTF	300655 CH	Dai Shen
	Faraday	FDYTF	3035 TT	Haas Liu
	GlobalWafers	XWLFF	6488 TT	Mike Yang
	Hua Hong Semi	HHUSF	1347 HK	Dai Shen
	LX Semicon	XLXSF	108320 KS	Simon Woo, CFA
	M31 Technology	XMTZF	6643 TT	Mike Yang
	Macronix International	MXICF	2337 TT	Dai Shen
	Maxscend	XMXSF	300782 CH	Daley Li, CFA
	Parade	PRDWF	4966 TT	Mike Yang
	Soulbrain	XSBOF	357780 KS	Simon Woo, CFA
	United Microelectronics Corp.	XUMIF	2303 TT	Haas Liu

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	United Microelectronics Corp.	UMC	UMC US	Haas Liu
	VeriSilicon	XMLZF	688521 CH	Daley Li, CFA
	Win Semiconductors	WSMIF	3105 TT	Haas Liu
	Wonik IPS	XRHQF	240810 KS	Simon Woo, CFA
RSTR				
	SK Hynix	HXSCF	000660 KS	Simon Woo, CFA

*iQ*method℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 − Tax Rate) + Goodwill Amortization	Total Assets − Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations − Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt − Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations − Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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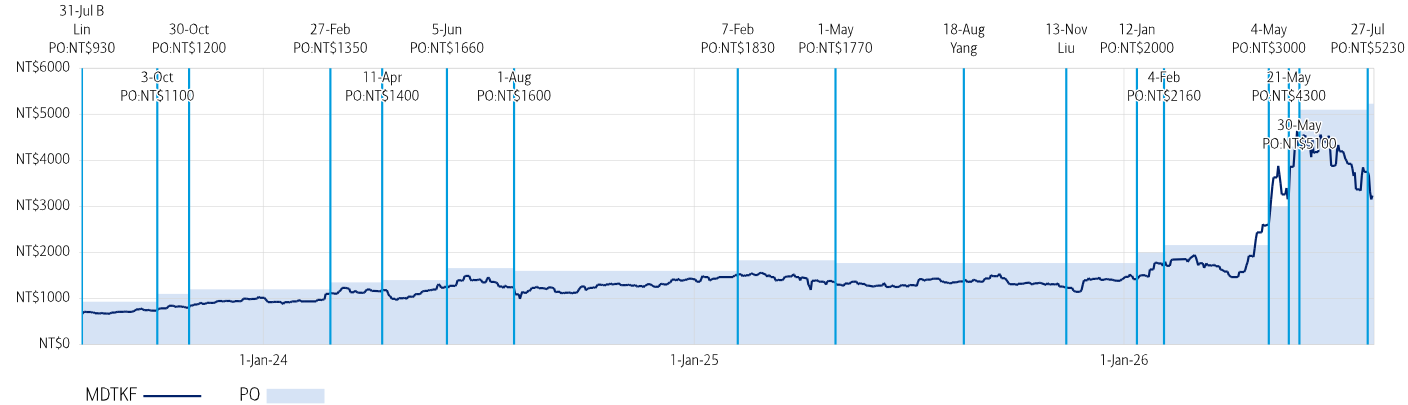
Disclosures

Important Disclosures

MediaTek (MDTKF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 30 Jun 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	243	60.60%	Buy	123	50.62%
Hold	87	21.70%	Hold	45	51.72%
Sell	71	17.71%	Sell	21	29.58%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1987	56.11%	Buy	1190	59.89%
Hold	797	22.51%	Hold	496	62.23%
Sell	757	21.38%	Sell	391	51.65%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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