MediaTek

TPU wins on track for steep ramp through '28 joined by further CSP/AI lab potential

Reiterate Rating: BUY | PO: 6,200 TWD | Price: 3,915 TWD

3Q26 beat on consumer builds; 4Q26 lifted by TPU ramp

3Q26 sales were +10% QoQ on its flagship mobile SoC launch and customers' pre-builds ahead of its chipset price hike on rising manufacturing cost. On higher sales and better mix, GM/OpM edged up to 46%/16%, taking 3Q26 EPS to NT$17.5 above BofAe/street. 4Q26 sales was guided +25-32% QoQ, in line with BofA preview, as steep TPUv8t ramp now tracking to US$2.5bn (vs. US$2bn guide before) partially balanced by soft demand elsewhere (-15-22% QoQ vs. 5-year seasonal +1%) following the early pull-in. Despite TPUv8t growing to ~35% of its sales at lower margins, GMs is guided resiliently at 45% in 4Q26, implying better margins for its merchant business at 47%. Fast sales scale-up and stable GMs should lift operating leverage with OpMs guided for 19% at midpoint.

ASIC pipeline spanning across CSPs and frontier AI labs

Mediatek sees TPUv8t ramping to US$16bn+ revenue in '27, lifting OpM to 20%+, with upside if it could secure more capacity. The follow on TPUv9 is tracking for a meaningful production potential in '28. Importantly, it confirmed a 2nd ASIC customer win in design now and production contribution set to kick off in '28. We believe this new project would require Mediatek's component sourcing and supply chain management at a much higher dollar content. This along with potential Bytedance win could add upside to our base case for its data center revenue of US$19bn/US$53bn in '27/'28 with xAI ASIC revenue joined from 2H28 to supplement Google TPU upgrades.

AI project diversification supports earnings and valuation

As ASIC business inflects, we lift our 2026 EPS to NT$74.13 and keep '27/28 EPS at NT$168.93/404.32. Keep our Buy rating and NT$6,200 PO on 24x 2H27-1H28E P/E (implied 30x ASIC EPS + 10x merchant EPS), backed by sales/EPS 90%/134% CAGR. Growing AI project wins should alleviate the concerns on customer concentration and TPU competition debate with share downside protected by 23x/10x '27/28 straight P/E.

Estimates (Dec) (NT$)	2024A	2025A	2026E	2027E	2028E
Net Income (Adjusted - mn)	106,387	105,319	118,053	269,139	644,170
EPS	66.84	66.17	74.13	168.93	404.32
EPS Change (YoY)	38.2%	-1.0%	12.0%	127.9%	139.3%
Consensus EPS (Visible Alpha)			69.25	142.78	289.21
Dividend / Share	53.00	53.00	59.00	135.00	323.00
Free Cash Flow / Share	89.53	92.84	82.16	168.72	306.48
Valuation (Dec)					
P/E	58.58x	59.17x	52.81x	23.18x	9.68x
Dividend Yield	1.35%	1.35%	1.51%	3.45%	8.25%
EV / EBITDA*	48.99x	47.79x	43.53x	19.02x	8.08x
Free Cash Flow Yield*	2.26%	2.35%	2.08%	4.28%	7.77%

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

30 October 2026

Equity

Key Changes

(NT$)	Previous	Current
2026E EPS	68.59	74.13
2027E EPS	164.47	168.93
2028E EPS	396.85	404.32
2026E EBITDA (m)	132,215.7	138,822.6
2027E EBITDA (m)	322,308.6	317,675.4
2028E EBITDA (m)	753,730.4	747,774.5

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Stock Data

Price	3,915 TWD
Price Objective	6,200 TWD
Date Established	24-Sep-2026
Investment Opinion	C-1-7
52-Week Range	1,130 TWD-5,480 TWD
Mrkt Val / Shares Out (mn)	192,837 USD / 1,605.0
Market Value (mn)	6,283,389 TWD
Average Daily Value (mn)	1,024 USD
Free Float	86.1%
BofA Ticker / Exchange	MDTKF / TAI
Bloomberg / Reuters	2454 TT / 2454.TW
ROE (2026E)	27.1%
Net Dbt to Eqty (Dec-2025A)	-59.4%

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iQprofile℠ MediaTek

Key Income Statement Data (Dec)	2024A	2025A	2026E	2027E	2028E
(NT$ Millions)					
Sales	530,586	595,966	687,867	1,289,495	2,477,884
Gross Profit	263,386	283,080	314,371	562,246	1,044,204
Sell General & Admin Expense	(28,981)	(31,304)	(34,193)	(46,528)	(56,327)
Operating Profit	102,412	103,470	111,663	284,760	708,284
Net Interest & Other Income	16,590	20,633	25,338	30,471	46,469
Associates	517	785	993	0	0
Pretax Income	119,519	124,888	137,993	315,232	754,753
Tax (expense) / Benefit	(12,378)	(18,770)	(18,892)	(45,024)	(109,514)
Net Income (Adjusted)	106,387	105,319	118,053	269,139	644,170
Average Fully Diluted Shares Outstanding	1,592	1,592	1,592	1,593	1,593
Key Cash Flow Statement Data					
Net Income	106,387	105,319	118,053	269,139	644,170
Depreciation & Amortization	20,936	22,974	27,160	32,915	39,491
Change in Working Capital	(2,076)	(18,295)	(2,944)	(70,878)	(150,160)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	30,808	52,794	15,760	60,348	(20,493)
Cash Flow from Operations	156,055	162,793	158,028	291,524	513,007
Capital Expenditure	(13,771)	(15,009)	(27,158)	(22,715)	(24,731)
(Acquisition) / Disposal of Investments	(14,671)	(9,972)	5,411	697	44
Other Cash Inflow / (Outflow)	(7,486)	(12,773)	(44,319)	(64,190)	(74,568)
Cash Flow from Investing	(35,928)	(37,754)	(66,066)	(86,208)	(99,255)
Shares Issue / (Repurchase)	0	0	11	0	0
Cost of Dividends Paid	(87,551)	(86,070)	(85,392)	(94,630)	(216,526)
Cash Flow from Financing	(90,119)	(87,675)	106,730	93,364	(22,972)
Free Cash Flow	142,284	147,784	130,871	268,809	488,276
Net Debt	(210,705)	(243,168)	(388,778)	(687,437)	(1,078,215)
Change in Net Debt	(39,560)	(31,534)	(159,597)	(298,680)	(390,780)
Key Balance Sheet Data					
Property, Plant & Equipment	56,917	60,427	69,113	75,364	82,151
Other Non-Current Assets	289,925	285,901	333,789	371,138	416,412
Trade Receivables	44,713	62,121	81,906	119,277	242,908
Cash & Equivalents	219,624	247,709	445,290	743,949	1,134,727
Other Current Assets	86,688	87,626	94,844	154,567	281,069
Total Assets	697,868	743,785	1,024,942	1,464,296	2,157,267
Long-Term Debt	0	60	120	120	120
Other Non-Current Liabilities	25,910	31,180	151,149	151,089	151,085
Short-Term Debt	8,919	4,481	56,392	56,392	56,392
Other Current Liabilities	257,983	298,869	338,093	385,096	372,988
Total Liabilities	292,812	334,590	545,754	592,697	580,586
Total Equity	405,055	409,195	479,188	871,598	1,576,681
Total Equity & Liabilities	697,868	743,785	1,024,942	1,464,296	2,157,267
iQmethod℠ **- Bus Performance***					
Return On Capital Employed	23.9%	22.0%	19.0%	30.2%	44.8%
Return On Equity	27.8%	26.4%	27.1%	40.4%	53.0%
Operating Margin	19.3%	17.4%	16.2%	22.1%	28.6%
EBITDA Margin	23.2%	21.2%	20.2%	24.6%	30.2%
iQmethod℠ **- Quality of Earnings***					
Cash Realization Ratio	1.5x	1.5x	1.3x	1.1x	0.8x
Asset Replacement Ratio	1.1x	1.1x	1.9x	1.4x	1.4x
Tax Rate (Reported)	10.4%	15.0%	13.7%	14.3%	14.5%
Net Debt-to-Equity Ratio	-52.0%	-59.4%	-81.1%	-78.9%	-68.4%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of *iQmethod*℠ 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	13.3x

Focus tables

Exhibit 1: Mediatek's 3Q26-4Q26 and 2026-27 estimates BofAe vs. street
Our EPS estimates for '26/27 are now NT$74.13/168.93

	3Q26E			4Q26E			2026E			2027E		
	Actual	Old	Street	BofAe	Old	Street	BofAe	Old	Street	BofAe	Old	Street
Sales (NT$mn)	$168,058	$156,165	$161,392	$218,476	$210,226	$210,676	$687,867	$667,725	$670,436	$1,289,495	$1,287,745	$1,170,447
Sales QoQ / YoY (%)	10.4%	2.6%	6.1%	30.0%	34.6%	30.5%	15.4%	12.0%	12.5%	87.5%	92.9%	74.6%
Gross profit (NT$mn)	$77,849	$71,791	$74,626	$97,159	$92,733	$94,369	$314,371	$303,888	$306,919	$562,246	$560,024	$516,019
GMs (%)	46.3%	46.0%	46.2%	44.5%	44.1%	44.8%	45.7%	45.5%	45.8%	43.6%	43.5%	44.1%
Operating profit (NT$mn)	$27,103	$23,640	$25,331	$38,801	$35,914	$37,733	$111,663	$105,313	$108,774	$284,760	$289,855	$251,126
OpMs (%)	16.1%	15.1%	15.7%	17.8%	17.1%	17.9%	16.2%	15.8%	16.2%	22.1%	22.5%	21.5%
Pretax profit (NT$mn)	$33,573	$28,955	$29,718	$49,439	$43,110	$41,955	$137,993	$127,046	$126,965	$315,232	$305,619	$268,537
Pretax margins (%)	20.0%	18.5%	18.4%	22.6%	20.5%	19.9%	20.1%	19.0%	18.9%	24.4%	23.7%	22.9%
Tax expense (NT$mn)	-$5,691	-$4,604	-$4,367	-$7,758	-$6,770	-$5,430	-$19,941	-$17,867	-$16,531	-$46,093	-$43,834	-$37,899
Tax rate (%)	17.0%	15.9%	14.7%	15.7%	15.7%	12.9%	14.5%	14.1%	13.0%	14.6%	14.3%	14.1%
Net profit (NT$mn)	$27,882	$24,351	$25,351	$41,682	$36,340	$36,525	$118,053	$109,179	$110,434	$269,139	$261,785	$230,638
Net margins (%)	16.6%	15.6%	15.7%	19.1%	17.3%	17.3%	17.2%	16.4%	16.5%	20.9%	20.3%	19.7%
EPS (NT$)	$17.50	$15.30	$15.88	$26.16	$22.83	$22.91	$74.13	$68.59	$69.32	$168.93	$164.47	$143.83

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 2: Mediatek P&L analysis from 2026-28
We estimate Mediatek's ASIC business including TPUs and xAI's accelerator project to be the key growth driver in 2028

Mediatek business analysis	TPUv8t	Merchant	Mediatek '26	TPUv8t	Merchant	Mediatek '27	TPUv8t	TPUv9t	xAI	Merchant	Mediatek '28
ASIC demand (mn units)	0.5			4.2			1.9	3.1	0.9		
ASIC ASP (US$000)	$4.6			$4.6			$4.6	$11.5	$9.0		
Sales (US$bn)	$2.5	$19.3	$21.8	$19.2	$21.8	$40.9	$8.7	$36.2	$8.5	$25.3	$78.7
Gross profit	$1.1	$8.9	$10.0	$8.1	$9.8	$17.8	$3.7	$14.8	$3.7	$11.0	$33.1
GMs	42%	46%	46%	42%	45%	44%	42%	41%	43%	44%	42%
Opex	$1.0	$5.5	$6.4	$3.3	$5.6	$8.8	$0.3	$3.3	$0.9	$6.2	$10.7
Opex/sales	39%	28%	29%	17%	25%	22%	3%	9%	11%	25%	14%
Operating profit	$0.1	$3.5	$3.5	$4.8	$4.2	$9.0	$3.4	$11.6	$2.7	$4.8	$22.5
OpMs	3%	18%	16%	25%	20%	22%	39%	32%	32%	19%	29%
Tax rate	14%	14%	14%	14%	14%	14%	14%	15%	15%	14%	15%
Net profit (US$bn)	$0.1	$3.0	$3.8	$4.1	$3.6	$8.6	$2.9	$9.9	$2.3	$4.1	$20.5
EPS (NT$)	$1.3	$59.2	$74.1	$81.2	$72.0	$168.9	$57.5	$195.6	$46.0	$81.3	$404.3

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 3: Terms and definitions
Glossary of abbreviations/acronyms

Term	Definition
AI	Artificial Intelligence
ASIC	Application Specific Integrated Circuit
BoD	Board of Directors
ECB	Euro-Convertible Bond
EMIB	Embedded Multi-die Interconnect Bridge
HBM	High Bandwidth Memory
HPC	High-Performance Computing
IC	Integrated Circuit
TPU	Tensor Processing Unit

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

MediaTek (MDTKF)
Our PO of NT$6,200 is based on 24x 2H27-1H28 P/E. which is towards the higher end of its historical P/E range of 8-25x, as we believe the company's broadening ASIC pipeline could drive an earnings upgrade cycle.

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

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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
	CXMT	XCXMF	688825 CH	Dai Shen
	Doosan Corp	DOSAF	000150 KS	Simon Woo, CFA
	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
	Macronix International	MXICF	2337 TT	Dai Shen
	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 Hynix	HXSCF	000660 KS	Simon Woo, CFA
	SK Hynix ADR	SKHY	SKHY 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	Haas Liu
	Shenzhen Goodix	XQPLF	603160 CH	Daley Li, CFA
	Soulbrain	XSBOF	357780 KS	Simon Woo, CFA
	VeriSilicon	XMLZF	688521 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 Grace	HHUSF	1347 HK	Dai Shen



APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	LX Semicon	XLXSF	108320 KS	Simon Woo, CFA
	M31 Technology	XMTZF	6643 TT	Mike Yang
	Maxscend	XMXSF	300782 CH	Daley Li, CFA
	Parade	PRDWF	4966 TT	Mike Yang
	United Microelectronics Corp.	XUMIF	2303 TT	Haas Liu
	United Microelectronics Corp.	UMC	UMC US	Haas Liu
	Win Semiconductors	WSMIF	3105 TT	Haas Liu
	Wonik IPS	XRHQF	240810 KS	Simon Woo, CFA

iQmethod℠ 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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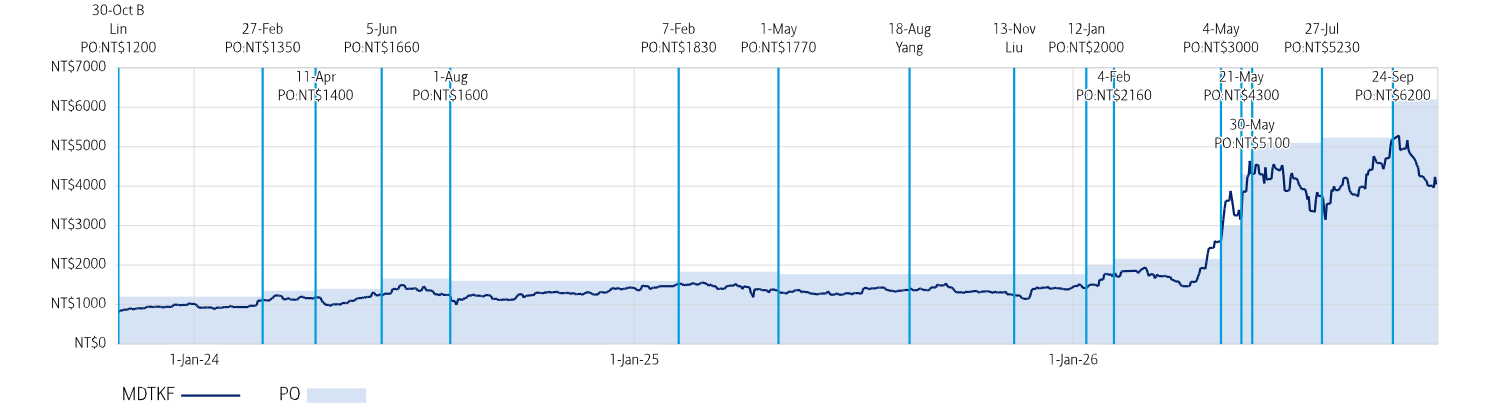
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MediaTek (MDTKF) Price Chart



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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	255	62.04%	Buy	157	61.57%
Hold	82	19.95%	Hold	46	56.10%
Sell	74	18.00%	Sell	31	41.89%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	2057	57.03%	Buy	1386	67.38%
Hold	806	22.35%	Hold	563	69.85%
Sell	744	20.63%	Sell	446	59.95%

[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]
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Underperform	N/A	≥ 20%

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