29 Oct 2026 11:24:35 ET | 14 pages

Realtek (2379.TW)

Positive outlook on resilient specs migration demand

CITI'S TAKE

Realtek reported a solid 3Q26 result with net profit at NT$4,126m, which grew 8% QoQ and 20% YoY. It was better than our estimates and largely in line with Street's (Bloomberg) as GM/OPM has shown recovery to reach 47.4%/11.0% (vs. 47.0%/9.9% in 2Q26). The management expects 2Q26 to mark the margins trough; with its price hike initiative from 3Q, we expect more meaningful GM improvement in 4Q and GM should hold up well at c50% level for 2027. For revenues, the company is guiding for 0-5% QoQ growth in 4Q driven by strength in networking and automotive with upside potential if it can secure more upstream capacity. And early glance into next year suggest at least double digit sales growth supported by ongoing infrastructure upgrades and high-bandwidth. Given improving outlook and emerging AI angle, we reiterate our Buy rating and raise TP to NT$900.

Steady specs upgrade trend to drive margin and sales outlook— We are seeing continued specs upgrade for multi-gig, 10G PON and rising penetration of Wi-Fi 7, alongside continued ramping of managed switches to lead to Realtek's outperformance in the industry. Specifically managed switches continue to gain share across telecom/enterprise clients. Wi-Fi 7 penetration in PCs and routers would reach 30% in 2026 and would further rise to c40% in 2027 with new customer platform launches. Company also targets Wi-Fi 8 products to ramp by 2H27.

increasing AI exposure — Realtek has defined its AI exposure to include HPC (server application) and edge AI (autonomous vehicles, humanoid robotics and personal supercomputer application). Its AI sales now contribute HSD% of overall sales and the management is expecting it to grow to >30% contribution in the mid-to long-term. We believe the company is targeting this market through its offering in Ethernet switch, SmartNICs, PCIe Retimers/Redrivers, optical controllers, etc. to further expand its content value in the AI supply chain. Additionally, we also acknowledge its AI ASIC engagements are in early customer discussions leveraging its high-speed connectivity and interface IP.

Maintain Buy and raise TP to NT$900 — we raise our 2027/28E EPS by 15%/15% as we see more solid growth outlook and share gains potential in its networking segment. As we see its specs upgrade cycle to continue support its sales and margin outlook, we are raise our target PER to 20x (from17x), which is slightly higher than its 3-year PER average, and move forward our valuation base year to 2027. We reiterate Buy and raise TP to NT$900 (20x 2027 EPS).

Earnings Summary

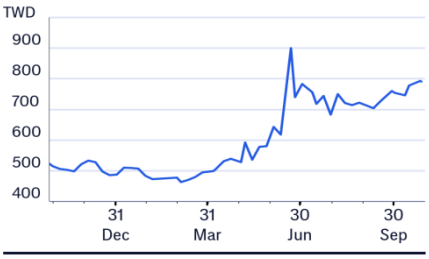
Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	15,291	29.82	67.1	26.6	7.7	32.1	2.0
2025A	14,753	28.77	-3.5	27.6	7.8	28.1	3.1
2026E	16,954	33.06	14.9	24.0	6.9	30.4	3.1
2027E	22,383	43.64	32.0	18.2	5.0	31.8	3.5
2028E	27,295	53.22	21.9	14.9	3.7	28.6	4.7

Source: Powered by dataCentral

Buy

Price (29 Oct 26 13:30)	NT$794.00
Target price	NT$900.00↑
from NT$630.00	
Expected share price return	13.4%
Expected dividend yield	3.1%
Expected total return	16.5%
Market Cap	NT$409,317M
	US$12,638M

Price Performance
(RIC: 2379.TW, BB: 2379 TT)



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2379.TW: Fiscal year end 31-Dec						Price: NT$794.00; TP: NT$900.00; Market Cap: NT$409,317m; Recomm: Buy					
Profit & Loss (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**Valuation ratios**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue	113,394	122,706	149,725	170,420	194,606	PE (x)	26.6	27.6	24.0	18.2	14.9
Cost of sales	-56,232	-61,333	-77,613	-85,836	-96,586	PB (x)	7.7	7.8	6.9	5.0	3.7
Gross profit	57,162	61,374	72,112	84,584	98,019	EV/EBITDA (x)	23.2	24.5	20.9	15.2	11.7
Gross Margin (%)	50.4	50.0	48.2	49.6	50.4	FCF yield (%)	5.3	2.7	4.4	5.2	5.7
EBITDA (Adj)	**16,846**	**15,896**	**18,547**	**24,377**	**29,886**	Dividend yield (%)	2.0	3.1	3.1	3.5	4.7
EBITDA Margin (Adj) (%)	14.9	13.0	12.4	14.3	15.4	Payout ratio (%)	52	85	74	64	70
Depreciation	-3,344	-1,536	-1,734	-1,756	-1,632	ROE (%)	32.1	28.1	30.4	31.8	28.6
Amortisation	0	0	0	0	0	**Cashflow (NT$m)**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBIT (Adj)	**13,502**	**14,360**	**16,813**	**22,620**	**28,254**	EBITDA	16,846	15,896	18,547	24,377	29,886
EBIT Margin (Adj) (%)	11.9	11.7	11.2	13.3	14.5	Working capital	5,299	-3,209	2,325	124	-2,264
Net interest	2,504	2,548	2,781	2,860	2,860	Other	1,790	393	141	-237	-958
Associates	79	127	84	-28	-28	**Operating cashflow**	**23,934**	**13,080**	**21,013**	**24,264**	**26,664**
Non-Op/Except/Other Adj	257	226	-199	216	216	Capex	-2,347	-2,089	-3,108	-3,263	-3,426
Pre-tax profit	**16,341**	**17,261**	**19,480**	**25,669**	**31,302**	Net acq/disposals	-3,907	-1,676	1,019	0	0
Tax	-1,050	-2,507	-2,526	-3,286	-4,007	Other	-3,453	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	**Investing cashflow**	**-9,707**	**-3,766**	**-2,089**	**-3,263**	**-3,426**
Reported net profit	**15,291**	**14,753**	**16,954**	**22,383**	**27,295**	Dividends paid	-7,949	-13,078	-12,618	-14,500	-19,143
Net Margin (%)	13.5	12.0	11.3	13.1	14.0	**Financing cashflow**	**-10,066**	**-9,952**	**-16,376**	**0**	**0**
Core NPAT	15,291	14,753	16,954	22,383	27,295	**Net change in cash**	**4,544**	**-637**	**2,548**	**21,001**	**23,237**
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**Free cashflow to s/holders**	**21,587**	**10,991**	**17,905**	**21,001**	**23,237**
Reported EPS ($)	29.82	28.77	33.06	43.64	53.22						
Core EPS ($)	29.82	28.77	33.06	43.64	53.22						
DPS ($)	15.50	24.48	24.48	28.13	37.13						
CFPS ($)	46.67	25.50	40.97	47.31	51.99						
FCFPS ($)	42.09	21.43	34.91	40.95	45.31						
BVPS ($)	103.24	101.79	115.53	159.17	212.40						
Wtd avg ord shares (m)	513	513	513	513	513						
Wtd avg diluted shares (m)	513	513	513	513	513						
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**						
Sales revenue (%)	19.1	8.2	22.0	13.8	14.2						
EBIT (Adj) (%)	102.9	6.4	17.1	34.5	24.9						
Core NPAT (%)	67.1	-3.5	14.9	32.0	21.9						
Core EPS (%)	67.1	-3.5	14.9	32.0	21.9						
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**						
Cash & cash equiv.	14,812	13,066	14,543	35,512	58,717						
Accounts receivables	14,946	15,011	22,922	22,648	24,179						
Inventory	13,506	19,561	23,654	23,339	24,469						
Net fixed & other tangibles	14,051	14,896	14,028	15,535	17,329						
Goodwill & intangibles	2,659	3,475	3,967	3,967	3,967						
Financial & other assets	53,922	63,894	74,494	73,790	77,726						
Total assets	**119,897**	**129,903**	**153,608**	**174,791**	**206,387**						
Accounts payable	9,584	11,738	16,735	16,508	17,321						
Short-term debt	4,500	10,090	3,273	3,273	3,273						
Long-term debt	0	0	0	0	0						
Provisions & other liab	46,856	55,863	74,339	73,365	76,852						
Total liabilities	**60,939**	**77,691**	**94,347**	**93,147**	**97,447**						
Shareholders' equity	52,948	52,202	59,252	81,635	108,930						
Minority interests	10	10	10	10	10						
Total equity	**52,957**	**52,212**	**59,261**	**81,644**	**108,940**						
Net debt (Adj)	**-10,312**	**-2,976**	**-11,269**	**-32,238**	**-55,443**						
Net debt to equity (Adj) (%)	-19.5	-5.7	-19.0	-39.5	-50.9						

For definitions of the items in this table, please click here.

Figure 1. Realtek - 3Q26 Results Comparison

(NT$mn)	3Q26 Actual	2Q26 Actual	Q/Q	3Q25 Actual	Y/Y	3Q26 Citi	Diff.	3Q26 Cons.	Diff.
Revenue	37,732	37,553	0%	29,491	28%	36,353	4%	38,558	-2%
Gross profit	17,903	17,651	1%	14,652	22%	17,830	0%	18,413	-3%
Gross margin	47.4%	47.0%	+0.4 ppt	49.7%	-2.2 ppt	49.0%	-1.6 ppt	47.8%	-0.3 ppt
Op. profit	4,144	3,725	11%	3,113	33%	3,790	9%	4,106	1%
OP margin	11.0%	9.9%	+1.1 ppt	10.6%	+0.4 ppt	10.4%	+0.6 ppt	10.6%	+0.3 ppt
Net income	4,126	3,805	8%	3,429	20%	3,996	3%	4,135	0%
EPS (NT$)	8.05	7.42	8%	6.69	20%	7.79	3%	8.09	0%

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Source: Citi Research, Bloomberg

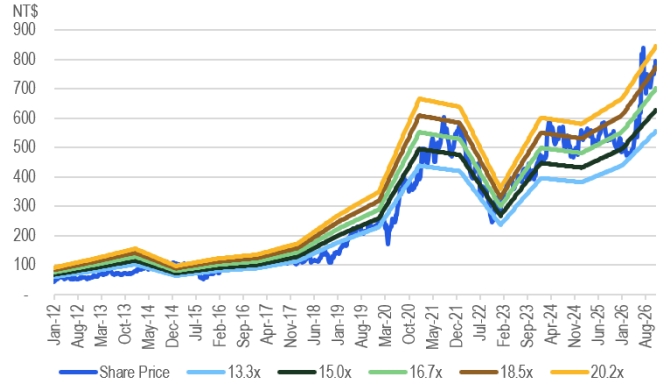
Figure 2. Realtek – Estimates Revisions

	2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	149,725	143,471	4%	170,420	152,915	11%	194,606	174,697	11%
YoY growth	22%	17%		14%	7%		14%	14%	
Gross profit	72,112	71,012	2%	84,584	76,612	10%	98,019	88,918	10%
Opex	-55,298	-54,129	2%	-61,963	-56,954	9%	-69,766	-64,199	9%
Operating profit	16,813	16,883	0%	22,620	19,658	15%	28,254	24,719	14%
Pre-tax profit	19,480	20,010	-3%	25,669	22,919	12%	31,302	27,979	12%
Net income	16,954	17,107	-1%	22,383	19,481	15%	27,295	23,782	15%
EPS (NT$)	33.06	33.36	-1%	43.64	37.99	15%	53.22	46.37	15%
Gross margin	48.2%	49.5%	-1.3 ppt	49.6%	50.1%	-0.5 ppt	50.4%	50.9%	-0.5 ppt
Opex ratio	-36.9%	-37.7%	+0.8 ppt	-36.4%	-37.2%	+0.9 ppt	-35.8%	-36.7%	+0.9 ppt
Operating margin	11.2%	11.8%	-0.5 ppt	13.3%	12.9%	+0.4 ppt	14.5%	14.1%	+0.4 ppt
Net margin	11.3%	11.9%	-0.6 ppt	13.1%	12.7%	+0.4 ppt	14.0%	13.6%	+0.4 ppt

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Source: Citi Research

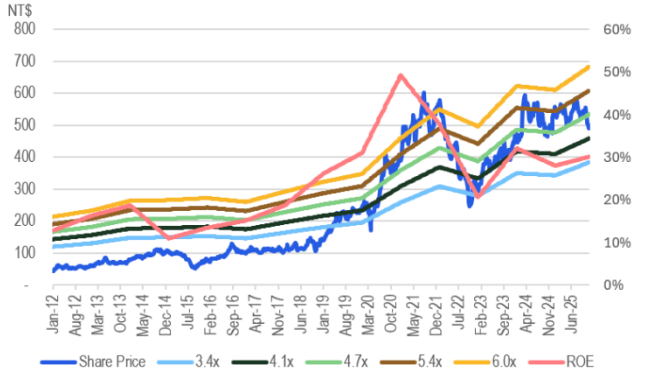
Figure 3. Realtek – Forward P/E band



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Source: Citi Research, company data

Figure 4. Realtek – Forward P/B band & ROE



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Source: Citi Research, company data

Figure 5. Realtek – Forecast Summary

Realtek	2025				2026							
(NT$ in mn)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	2025	2026E	2027E	2028E
Revenue	35,022	31,914	29,491	26,278	36,423	37,553	37,732	38,018	122,706	149,725	170,420	194,606
COGS	-16,965	-15,885	-14,839	-13,643	-18,336	-19,902	-19,829	-19,547	-61,333	-77,613	-85,836	-96,586
Gross Profit	18,057	16,029	14,652	12,635	18,087	17,651	17,903	18,471	61,374	72,112	84,584	98,019
Operating Expense	-13,153	-12,021	-11,538	-10,301	-13,755	-13,926	-13,759	-13,858	-47,014	-55,298	-61,963	-69,766
SG&A expenses	-3,374	-2,972	-2,889	-2,625	-3,749	-3,696	-3,207	-3,231	-11,860	-13,883	-15,231	-16,875
R&D expenses	-9,732	-9,054	-8,644	-7,694	-9,971	-10,215	-10,572	-10,645	-35,125	-41,403	-46,721	-52,879
EBIT	4,904	4,008	3,113	2,335	4,332	3,725	4,144	4,612	14,360	16,813	22,620	28,254
Net Interest Income	634	653	639	622	574	622	864	722	2,548	2,781	2,860	2,860
Net Other Income	68	-36	292	30	72	23	-258	48	353	-115	188	188
Pre-Tax Profit	5,605	4,624	4,045	2,986	4,977	4,370	4,750	5,382	17,261	19,480	25,669	31,302
Tax	-844	-715	-616	-332	-648	-565	-624	-689	-2,507	-2,526	-3,286	-4,007
Net Profit	4,762	3,909	3,429	2,654	4,330	3,805	4,126	4,693	14,753	16,954	22,383	27,295
EPS (NT$)	9.28	7.62	6.69	5.17	8.44	7.42	8.05	9.15	28.77	33.06	43.64	53.22
Margins (%)												
Gross Margin	51.6%	50.2%	49.7%	48.1%	49.7%	47.0%	47.4%	48.6%	50.0%	48.2%	49.6%	50.4%
Operating Margin	14.0%	12.6%	10.6%	8.9%	11.9%	9.9%	11.0%	12.1%	11.7%	11.2%	13.3%	14.5%
Net Margin	13.6%	12.2%	11.6%	10.1%	11.9%	10.1%	10.9%	12.3%	12.0%	11.3%	13.1%	14.0%
Sequential Growth (%)												
Revenue	33%	-9%	-8%	-11%	39%	3%	0%	1%	8%	22%	14%	14%
Gross Profit	42%	-11%	-9%	-14%	43%	-2%	1%	3%	7%	17%	17%	16%
EBIT	70%	-18%	-22%	-25%	86%	-14%	11%	11%	6%	17%	35%	25%
Net Profit	40%	-18%	-12%	-23%	63%	-12%	8%	14%	-4%	15%	32%	22%
EPS	40%	-18%	-12%	-23%	63%	-12%	8%	14%	-4%	15%	32%	22%

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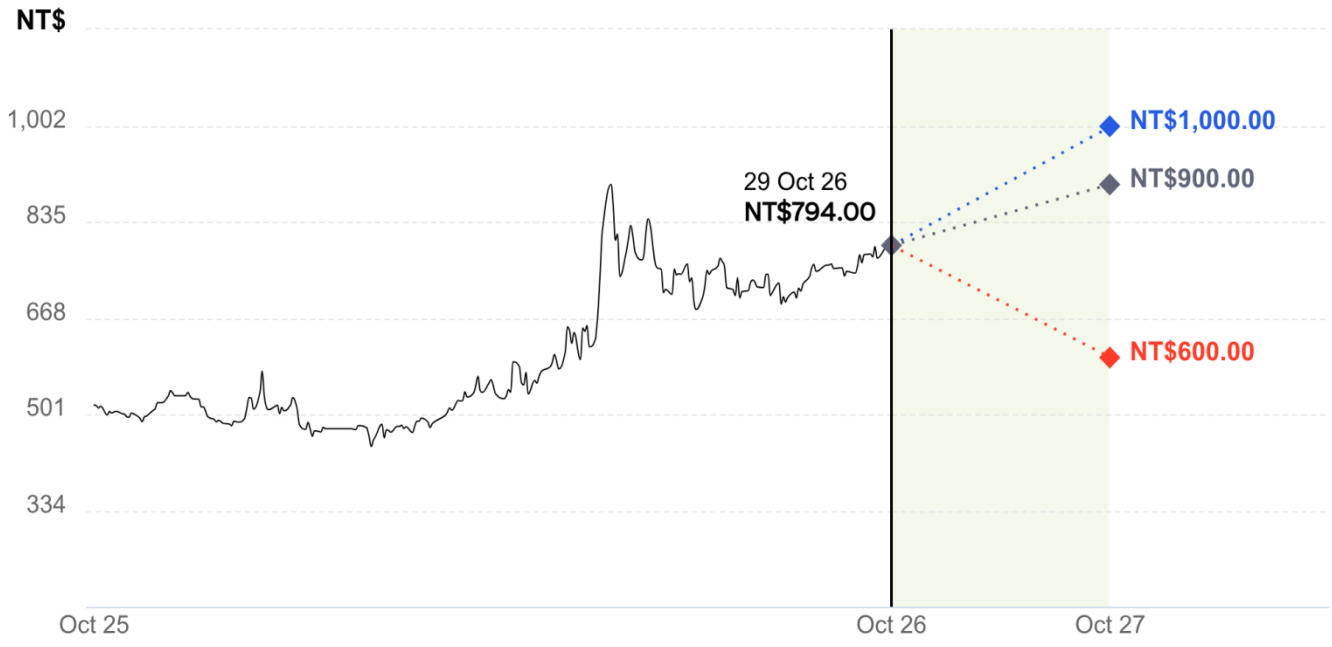
Source: Citi Research, company data

Bull/Bear: Realtek (2379.TW)

NT$ 1,000.00 ▲26% Upside

NT$ 900.00 ▲13% Upside

NT$ 600.00 ▼24% Downside



Spread 50pp
Current Price and expected returns (upside/downside) as of 29 Oct 2026

BULL Assumptions

- Stronger-than-expected growth momentum for automotive Ethernet sales
- Better-than-expected PC/NB and consumer electronic demand

BASE Assumptions

- 2027E GM to sustain at around 50%
- Our base case TP is based on our target PER of 20x to our 2027 average EPS estimates

BEAR Assumptions

- Weaker-than-expected growth momentum for automotive Ethernet sales
- Worse-than-expected PC/NB and consumer electronic demand
- Slower-than-expected GM expansion due to pricing competition from peers

Realtek

Company description

Founded in 1987, Realtek is a leading fabless semiconductor with headquarters in Hsinchu, Taiwan. It has an extensive global footprint with operational offices in China, Japan, Korea, Singapore, and the US. Realtek's product portfolio is well-diversified; generally, it can be categorized into three business groups: Communications Network (Wi-Fi, Bluetooth, automotive Ethernet, PC Ethernet, switch, etc.), Computer Peripherals (audio codec, clock IC, card reader, IP cam SoC, USB hub controller, Type-C controller, SSD controller) and Multimedia (TV SoC, LCD controller, STB SoC, etc.).

Investment strategy

We rate the shares Buy. We believe Realtek is well-positioned to ride on continued specs upgrade demand for WiFi, switch and 10G PON as well as the strong advancements in the automotive and IoT sectors. In the long term, we believe Realtek's cost-effective, high-performance, and comprehensive wired and wireless solutions should become more critical with the growing connectivity requirement at the edge.

Valuation

Our target price for Realtek is set at NT$900 based on our target PE multiple of 20x to our 2027 EPS. We believe our PER of 20x, higher than its 3-year forward PER average, is justified by its solid growth opportunity in automotive and switch/PON business. We also believe its continued efforts in products mix optimization should help to support its margins expansion. At our target price, the shares would trade at a 2026/27E P/B of 8x/6x.

Risks

Key downside risks to our target price include: 1) Slowdown in technology migration for its networking business; 2) Weaker-than-expected growth momentum for automotive Ethernet sales; 3) Worse-than-expected PC/NB and consumer electronic demand; 4) Slower-than-expected GM expansion due to pricing competition from peers; and 5) Higher-than-expected memory cost burden to dampen the order outlook from its networking and PC/NB clients.

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Appendix A-1

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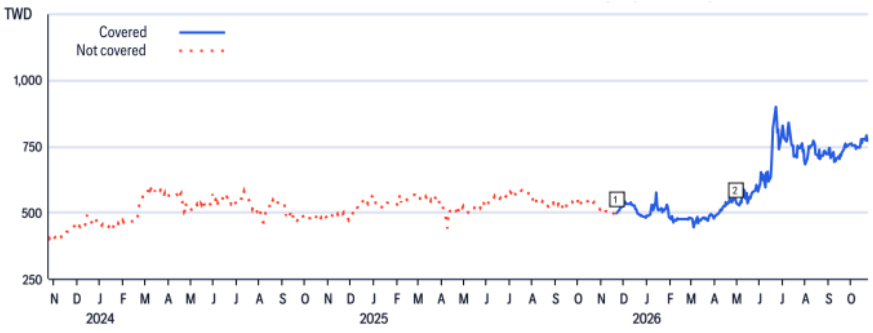
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IMPORTANT DISCLOSURES

Realtek (2379.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Nicholas Lai



	Date	Rating	Target Price	Closing Price
1	23-Nov-25 16:00:14	*1	*650.00	498.00
2	30-Apr-26 11:42:38	1	*630.00	537.00

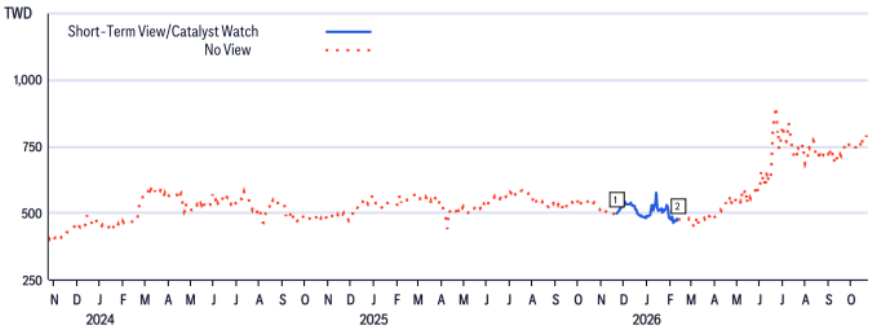
*Indicates Change

Rating/target price changes above reflect Eastern Time

Realtek (2379.TW)

Short-Term View/Catalyst Watch Research

Analyst: Nicholas Lai



	Date	Action	Expected Direction	Duration	Closing Price
1	23-Nov-25 11:00:14	Add STV	Upside	90 Days	498.00
2	20-Feb-26 12:01:43	Remove STV	Upside	90 Days	476.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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