31 Aug 2026 12:15:41 ET | 11 pages

Mediatek (2454.TW)

Nvidia 's strategic investment for AI alliance

CITI'S TAKE

On August 31, NVIDIA and MediaTek announced a major expansion of their existing partnership across AI data-center infrastructure, local AI/PC computing and automotive, accompanied by **NVIDIA investing US$3.5bn in MediaTek convertible bonds**. Note that Mediatek has been Nvidia's NVLink Fusion technology, allowing customers to design custom XPUs/ASICs through MediaTek that can plug directly into NVIDIA's NVLink-connected rack-scale architecture. The companies are also extending their collaboration beyond the existing GB10/DGX Spark relationship into multiple generations of RTX Spark/DGX Spark PC chips and future automotive platforms. With the investment announcement, NVIDIA is not merely funding MediaTek—it is pulling MediaTek deeper into its architecture from edge to PC , automotive and cloud AI factories, while MediaTek becomes one of the custom-silicon routes through which non-NVIDIA XPUs can participate in NVIDIA's rack-scale ecosystem.

Buy	
Short-Term View: Upside, expires 30-OCT-26	
Price (31 Aug 26 13:30)	NT$3,925.00
Target price	NT$6,800.00
Expected share price return	73.2%
Expected dividend yield	1.4%
Expected total return	74.6%
Market Cap	NT$6,295,289M US$198,941M

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- **MediaTek becomes a much more credible AI ASIC contender .** MediaTek already expects its first major AI accelerator ASIC to enter production in 4Q26, has guided to >$2bn of data-center revenue in 2026, estimates a roughly US$80bn 2027 addressable/serviceable market, and has raised its target share to 15–20%. The NVIDIA relationship therefore potentially expands MediaTek's opportunity beyond its existing hyperscaler programs: NVLink Fusion can become a customer-acquisition platform for future second customer's ASIC wins as NVLink Fusion changes the competitive proposition: instead of MediaTek selling customers only an independently designed ASIC, it can potentially offer a custom XPU already engineered to coexist with NVIDIA GPUs, CPUs, networking and rack-scale NVLink infrastructure. According to NVIDIA, the cooperation will be deepening including : **NVIDIA NVLink Fusion chiplet**, connecting XPUs to the NVIDIA NVLink scale-up fabric using NVIDIA photonics or electrical interconnects; **NVIDIA NVLink-C2C,** providing high-bandwidth, energy-efficient connectivity between XPUs, NVIDIA Rosa CPUs and other compatible processors. **NVIDIA NVHBM**, integrating customized memory capabilities to increase bandwidth and energy efficiency while dedicating more silicon area to compute.

- **MediaTek is evolving from a smartphone SoC company into an AI compute-platform** . MediaTek and NVIDIA announced the GB10 platform last year, where MediaTek contributed Arm CPU/SoC and power-efficiency expertise to the Grace Blackwell-based DGX Spark platform. That relationship has already expanded into RTX Spark for Windows AI PCs, and today's announcement explicitly says the two companies intend to

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collaborate across multiple generations of both RTX Spark and DGX Spark products. MediaTek therefore gains three separate AI growth vectors: (1) hyperscaler custom AI ASICs, (2) NVIDIA-based AI PCs/local AI systems, and (3) automotive/physical AI. Strategically, this is important because MediaTek can reuse the same core capabilities—leading-edge CPU/SoC design, SerDes/interconnect, advanced packaging, connectivity and power optimization—across all three markets. The result should be a progressively higher mix of large, advanced-node chips with much greater dollar content than traditional smartphone SoCs, reducing MediaTek's dependence on handset cycles.

- We view today's announcement as structurally positive for MediaTek. The US$3.5bn investment validates the partnership financially, it potentially moves MediaTek from being a supplier that happens to have a few large AI ASIC wins toward becoming one of the principal custom-silicon design platforms inside the broader NVIDIA AI-factory ecosystem. That could materially increase both the number and longevity of MediaTek's AI ASIC opportunities in the longer term.

Mediatek

Valuation

Our NT$6,800 target price (rounded) for MediaTek is based on 35x P/E to 2027/2028 EPS, which is 1.5-std above its five-year average forward P/E given the promising outlook from its AI ASIC business starting from 2H26. We believe our target PE is also justified by Mediatek's global and regional peers' trading at an average of 36x PER. AI ASIC development with CSPs should provide more upside from 2027 onwards. We also see Mediatek well prepared for 6G and 6G+NTN Satellite communication. Despite lukewarm smartphone overall deamand, we expect Mediatek to benefit from 5G migration in emerging markets and its Dimensity series should also gain shares in flagship models. Non-smartphone business is also seeing stabilizing TV and IoT demand with Mediatek outgrowing the overall market on its better technology in WiFi 7 and connectivity.

Risks

Key downside risks that could prevent the shares from reaching our target price include: 1) weaker-than-expected growth from AI ASIC business; 2) more severe competition in the smartphone segment; 3) slower overall demand related to macroeconomic risks, especially for smartphone demand; and 4) further price hikes from foundries.

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Appendix A-1

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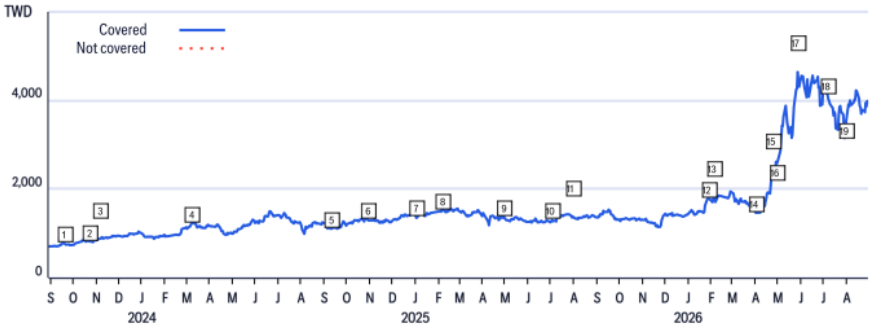
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IMPORTANT DISCLOSURES

Mediatek (2454.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Laura (Chia Yi) Chen



	Date	Rating	Target Price	Closing Price
1	20-Sep-23 14:57:20	2	*735.00	759.00
2	24-Oct-23 12:02:27	*1	*935.00	816.00
3	06-Nov-23 16:50:42	1	*1,030.00	882.00
4	10-Mar-24 16:15:26	1	*1,420.00	1,230.00
5	11-Sep-24 10:08:27	1	*1,250.00	1,110.00
6	30-Oct-24 10:35:19	1	*1,420.00	1,290.00
7	02-Jan-25 08:42:43	1	*1,580.00	1,350.00

	Date	Rating	Target Price	Closing Price
8	07-Feb-25 11:57:14	1	*1,800.00	1,525.00
9	30-Apr-25 10:15:39	1	*1,600.00	1,350.00
10	02-Jul-25 10:54:37	1	*1,450.00	1,295.00
11	30-Jul-25 08:56:32	1	*1,540.00	1,380.00
12	28-Jan-26 07:35:51	1	*2,200.00	1,780.00
13	04-Feb-26 07:24:16	1	*2,350.00	1,800.00
14	01-Apr-26 13:20:42	1	*2,125.00	1,465.00

	Date	Rating	Target Price	Closing Price
15	26-Apr-26 21:10:44	1	*2,800.00	2,435.00
16	30-Apr-26 11:24:47	1	*3,100.00	2,610.00
17	27-May-26 09:26:19	1	*5,950.00	4,640.00
18	06-Jul-26 11:37:18	1	*6,055.00	4,125.00
19	31-Jul-26 10:08:41	1	*6,800.00	3,555.00

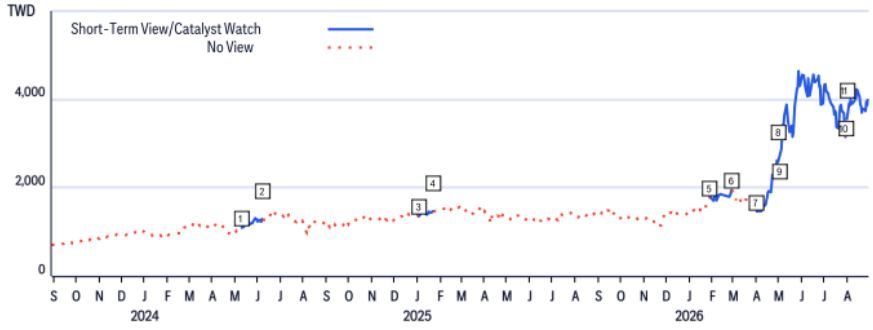
*Indicates Change

Rating/target price changes above reflect Eastern Time

Mediatek (2454.TW)

Short-Term View/Catalyst Watch Research

Analyst: Laura (Chia Yi) Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	10-May-24 03:08:23	Add CW	Upside	30 Days	1,095.00
2	07-Jun-24 12:03:57	Remove CW	Upside	30 Days	1,275.00
3	02-Jan-25 03:42:43	Add CW	Upside	30 Days	1,350.00
4	31-Jan-25 12:14:36	Remove CW	Upside	30 Days	1,465.00

	Date	Action	Expected Direction	Duration	Closing Price
5	28-Jan-26 02:35:51	Add STV	Upside	30 Days	1,780.00
6	27-Feb-26 12:27:51	Remove STV	Upside	30 Days	1,945.00
7	01-Apr-26 09:20:42	Add STV	Upside	90 Days	1,465.00
8	30-Apr-26 07:24:47	Remove STV	Upside	90 Days	2,610.00

	Date	Action	Expected Direction	Duration	Closing Price
9	30-Apr-26 07:24:47	Add CW	Upside	90 Days	2,610.00
10	29-Jul-26 21:35:45	Remove CW	Upside	90 Days	3,150.00
11	31-Jul-26 06:08:41	Add STV	Upside	90 Days	3,555.00

CW - Catalyst Watch , STV - Short-Term View

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	12 Month Rating			Catalyst Watch		
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% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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