Daiwa Capital Markets Hong Kong Limited

earnings

29 October 2026

MEMO

Realtek Semiconductor (2379 TT)

Share price (29 Oct): **TWD794.00** 12-mth rating: **Outperform (2)** **Information Technology: Taiwan**

Downbeat 3Q26 results yet resilient 2027 guidance

Rick Hsu
(886) 2 8758 6261
rick.hsu@daiwacm-cathay.com.tw

Sam Weng
(886) 2 8758 6255
sam.weng@daiwacm-cathay.com.tw

Summary: On 29 October, Realtek reported 3Q26 results that missed our estimates but were in line with the consensus. This was mainly due to weaker-than-expected revenue likely on a deeper demand rebalancing despite pricing power on supply-chain cost passthrough. While 4Q26 outlook looks intact, management expects steady topline growth into 2027, supported by a multi-year bandwidth upgrade cycle, continued pricing resilience and emerging AI opportunities from cloud to edge to physical AI, despite likely still subdued PC and consumer electronics demand. We rate the stock Outperform (2) premised upon our key thesis of a multi-year/multi-G (gigabits per second) bandwidth upgrade cycle across wireline and wireless to benefit Realtek, which is further echoed by management's 2027 outlook.

Highlight

- **3Q26 results miss on lower topline.** Realtek reported 3Q26 net profit of TWD4.1bn, missing our estimate by 7% while in line with the consensus. With financial metrics such as margins broadly in line, the miss was mainly due to lower-than-expected topline which came in 8% below our estimate at TWD37bn. We believe the weak revenue was driven by a deeper demand rebalancing after customer restocking and pre-stocking in 1H26 on seasonality and supply-chain uncertainties, flagged in our note, *Downgrading: pricing to bridge rebalancing but …*, 4 August. Although Realtek raised prices to pass on cost inflation to the supply chain, it failed to offset such rebalancing. As usual, management gave no quantitative guidance for 4Q26 but expressing "prudent and steady" revenue run rates, in line with our expectations. We will be reviewing our model in due course.

- **Key takeaways.** At today's results call, management further expected a steady topline growth heading into 2027, driven by: 1) multiple-G bandwidth upgrade cycles across wireline and wireless networking, including Wi-Fi 7 and 8, multi-G Ethernet, PON and switch, to enhance product mix with market-share gains adding to upside; 2) likely sustained pricing power with the company continuing to pass on inflated costs to the supply chain; and 3) despite likely still subdued demand from PC and consumer electronics markets, the ongoing development of AI, from cloud to edge AI to physical AI applications, is creating growth opportunities and tallying with our investment thesis of the multi-year/multi-G bandwidth upgrade cycle to structurally benefit Realtek.

Recommendation

We rate Realtek Outperform (2). The stock price has generally consolidated around TWD670-790 over the past 3 months due to lack of catalysts amid its demand rebalancing, suggesting patience for investors. Key downside risk to our call would be any commodity price hikes leading to worse-than-expected demand rebalancing.

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Realtek: 3Q26 results review and 4Q26 outlook

			3Q26		Variance		Growth		4Q26E
TWDm	Actual	Daiwa	Consensus	Daiwa	Consensus	QoQ	YoY	Guidance	Daiwa
Revenue	37,732	40,847	38,558	-8%	-2%	0%	28%	na	c.TWD38.6bn, up 2% QoQ
Gross profit	17,903	19,313	18,413	-7%	-3%	1%	22%		
Opex	-13,758	-14,868	-14,307	-7%	-4%	-1%	19%		
Operating profit	4,145	4,445	4,106	-7%	1%	11%	33%		
Pretax profit	4,751	5,175	4,706	-8%	1%	9%	17%		
Net profit	4,127	4,425	4,135	-7%	0%	8%	20%		
FD EPS (TWD)	7.91	8.48	7.93	-7%	0%	8%	19%		
Margin									
Gross	47.4%	47.3%	47.8%	0.2%	-0.3%				
Operating	11.0%	10.9%	10.6%	0.1%	0.3%				
Net	10.9%	10.8%	10.7%	0.1%	0.2%				

Source: Company, Bloomberg, Daiwa estimates and forecasts

In the interests of timeliness, this document has not been edited.

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Rating	Percentage of total
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Hold**	19.58%
Sell***	6.46%

Source: Daiwa

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