Realtek Semiconductor (2379 TT)

Target price: **TWD798.00** (from TWD750.00)

Share price (3 Nov): **TWD756.00** | Up/downside: **+5.6%**

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Outperform (unchanged)

Back on track after rebalancing

- Fine-tuning our forecasts on demand rebalancing after pre-stocking
- Likely back on seasonal track after this year's hiccups
- Reaffirming Outperform (2) call with a higher 12-month TP of TWD798

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What's new: Following our *results memo*, we fine-tune our forecasts for Realtek. We believe its near-term demand-rebalancing hiccups have come to an end, thanks to its pricing power and its ability to pass on supply-chain cost inflation. Given our interpretation of management's tone that 4Q26 is likely to be sequentially flat, we expect Realtek's business to return to its seasonal track from 1Q27. We expect it to continue capitalising on its structure growth driver of multi-year/multi-G (gigabits per second) connectivity bandwidth upgrade cycle, with any AI penetration adding to upside. We reaffirm Outperform (2) call with a higher 12M TP of TWD798.

What's the impact: **Forecast revisions.** We fine-tune our 2026-28E EPS given that fundamentals are broadly intact heading into 2027. Recall management's commentary at its results call (29 October) of expecting 4Q26 to be a "prudent and steady" quarter. We interpret this as likely a sequentially flat revenue, counter-seasonal after its 3Q26 miss on deeper demand rebalancing. Without quantifying its 2027 business outlook, management expects the year to be one of steady growth. We forecast Realtek's 2027 revenue to grow by 18% YoY, assuming its business returns to seasonal track after 2 years of demand rebalancing hiccups caused by customers' unusual restocking and pre-stocking activities.

Back on track after recent hiccups. After 2 years of anti-seasonal performance on customer pre-stocking amid uncertainty over Trump's reciprocal tariffs, followed by component price hikes and supply-chain uncertainty related to AI cannibalisation, we expect Realtek's business to return to its seasonal track from 1Q27. We believe it should continue to capitalise on its secular driver of multi-year/multi-G bandwidth upgrade cycle from both wireline and wireless connectivity, including 2.5G/5G/10G Ethernet, 10GPON, managed switches and WiFi 7/8. Its penetration into AI, from cloud AI companion chips to edge AI to physical AI, should add to growth upside, although any meaningful contribution may take time, evidenced by its new product offering/development such as SSD, Ethernet hub, optical cable, i3C security and SerDes controllers, to name a few. According to management, AI will contribute a high single-digit % revenue this year, ramping to over 30% contribution by 2030.

What we recommend: Following forecast revisions, we raise our 12M TP for Realtek to TWD798 (previous: TWD750), on the same 4-quarter forward PER target of 20x. We reaffirm our Outperform (2) rating with key downside risk of any component price hikes leading to worse-than-expected demand.

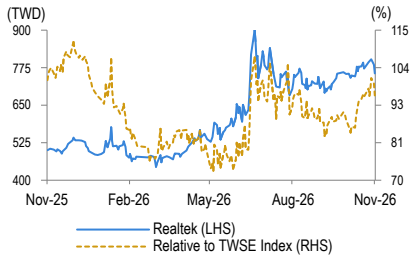
How we differ: Our 2026-28E EPS are broadly in line with consensus, ranging from -3% to +2%.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(2.4)	(2.3)	(2.8)
Net profit change	(2.2)	(0.4)	(2.0)
Core EPS (FD) change	(2.2)	(0.4)	(2.0)

Source: Daiwa forecasts

Share price performance



12-month range	445.00-900.00
Market cap (USDbn)	11.87
3m avg daily turnover (USDm)	62.52
Shares outstanding (m)	513
Major shareholder	JPMorgan Chase & Co (5.2%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	149,703	176,162	210,509
Operating profit (m)	16,278	20,957	25,315
Net profit (m)	16,379	20,338	24,149
Core EPS (fully-diluted)	31.393	38.981	46.287
EPS change (%)	11.9	24.2	18.7
Daiwa vs Cons. EPS (%)	(0.3)	1.7	(3.2)
PER (x)	24.1	19.4	16.3
Dividend yield (%)	3.3	3.6	4.2
DPS	25.0	27.0	32.0
PBR (x)	7.0	6.1	5.4
EV/EBITDA (x)	15.9	12.5	10.3
ROE (%)	30.3	34.2	35.7

Source: FactSet, Daiwa forecasts

See important disclosures, including any required research certifications, beginning on page 6

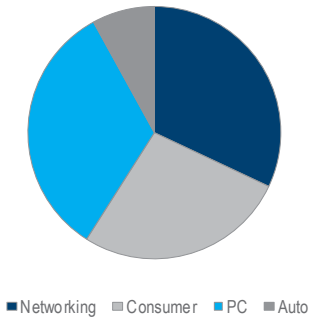
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Realtek: quarterly P&L forecasts

TWDm	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Revenue	36,423	37,553	37,732	37,995	39,565	44,569	47,708	44,320	122,706	149,703	176,162	210,509
COGS	-18,336	-19,902	-19,829	-19,861	-20,565	-23,001	-24,425	-22,665	-61,333	-77,927	-90,656	-107,719
Gross profit	18,087	17,651	17,903	18,135	19,000	21,567	23,283	21,655	61,374	71,776	85,506	102,791
Opex	-13,755	-13,926	-13,758	-14,058	-14,520	-16,357	-17,318	-16,354	-47,014	-55,497	-64,549	-77,476
SG&A	-3,784	-3,711	-3,676	-3,610	-3,759	-4,189	-4,055	-4,077	-11,841	-14,781	-16,081	-19,110
R&D	-9,971	-10,215	-10,082	-10,449	-10,762	-12,167	-13,263	-12,277	-35,172	-40,717	-48,468	-58,366
Operating profit	4,332	3,725	4,145	4,076	4,480	5,211	5,965	5,301	14,360	16,278	20,957	25,315
Pre-tax profit	4,977	4,370	4,751	4,816	5,165	5,896	6,695	6,031	17,261	18,915	23,787	28,245
Income taxes	-648	-565	-625	-698	-749	-855	-971	-874	-2,507	-2,536	-3,449	-4,095
Net profit	4,330	3,805	4,126	4,118	4,416	5,041	5,724	5,156	14,753	16,379	20,338	24,149
O/S (M, fully diluted)	522	522	522	522	522	522	522	522	526	522	522	522
FD EPS (TWD)	**8.30**	**7.29**	**7.91**	**7.89**	**8.46**	**9.66**	**10.97**	**9.88**	**28.06**	**31.39**	**38.98**	**46.29**
As a % of revenue												
Gross profit	49.7%	47.0%	47.4%	47.7%	48.0%	48.4%	48.8%	48.9%	50.0%	47.9%	48.5%	48.8%
Opex	-37.8%	-37.1%	-36.5%	-37.0%	-36.7%	-36.7%	-36.3%	-36.9%	-38.3%	-37.1%	-36.6%	-36.8%
SG&A	-10.4%	-9.9%	-9.7%	-9.5%	-9.5%	-9.4%	-8.5%	-9.2%	-9.7%	-9.9%	-9.1%	-9.1%
R&D	-27.4%	-27.2%	-26.7%	-27.5%	-27.2%	-27.3%	-27.8%	-27.7%	-28.7%	-27.2%	-27.5%	-27.7%
Operating profit	11.9%	9.9%	11.0%	10.7%	11.3%	11.7%	12.5%	12.0%	11.7%	10.9%	11.9%	12.0%
Net profit	11.9%	10.1%	10.9%	10.8%	11.2%	11.3%	12.0%	11.6%	12.0%	10.9%	11.5%	11.5%
Growth (QoQ)												
Revenue	**39%**	**3%**	**0%**	**1%**	**4%**	**13%**	**7%**	**-7%**				
Gross profit	43%	-2%	1%	1%	5%	14%	8%	-7%				
Operating profit	86%	-14%	11%	-2%	10%	16%	14%	-11%				
Net profit	63%	-12%	8%	0%	7%	14%	14%	-10%				
FD EPS	64%	-12%	8%	0%	7%	14%	14%	-10%				
Growth (YoY)												
Revenue	4%	18%	28%	45%	9%	19%	26%	17%	8%	22%	18%	19%
Gross profit	0%	10%	22%	44%	5%	22%	30%	19%	7%	17%	19%	20%
Operating profit	-12%	-7%	33%	75%	3%	40%	44%	30%	6%	13%	29%	21%
Net profit	-9%	-3%	20%	55%	2%	32%	39%	25%	-4%	11%	24%	19%
FD EPS	-9%	-4%	18%	56%	2%	32%	39%	25%	-5%	12%	24%	19%

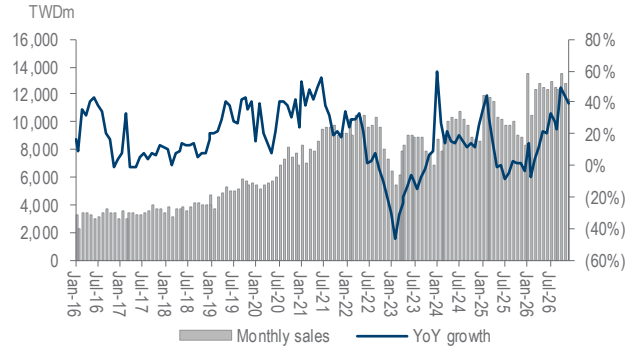
Source: Company, Daiwa forecasts

Realtek: revenue mix by application



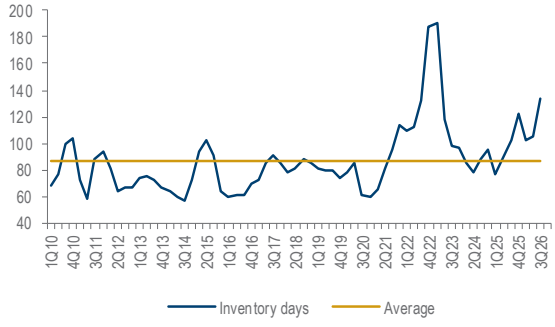
Source: Daiwa estimates

Realtek: monthly revenue run-rate



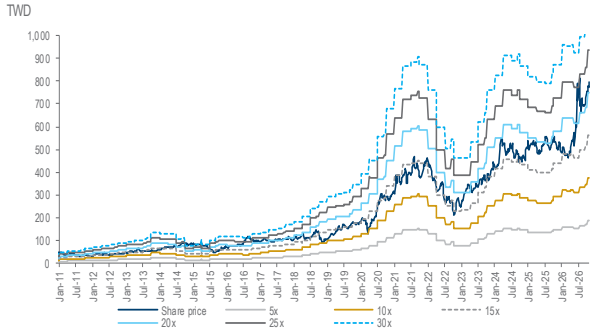
Source: Company, Daiwa forecasts (for October-December 2026)

Realtek: quarterly inventory trend



Source: Company, Daiwa estimates

Realtek: 4-quarter forward PER band



Source: Company, TEJ, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Networking & communication (%)	71	76	77	77	77	81	82	83
Computer & peripheral (%)	14	12	10	11	10	8	8	8
Multimedia & consumer (%)	15	13	13	13	13	11	10	9

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Networking & communication revenue	75,067	84,710	73,133	86,991	94,382	121,593	144,985	175,422
Computer & peripheral revenue	14,542	12,871	9,464	12,180	12,379	11,590	14,020	16,414
Other Revenue	15,896	14,209	12,582	14,223	15,945	16,520	17,156	18,674
Total Revenue	**105,504**	**111,790**	**95,179**	**113,394**	**122,706**	**149,703**	**176,162**	**210,509**
Other income	0	0	0	0	0	0	0	0
COGS	(52,316)	(57,155)	(54,431)	(56,232)	(61,333)	(77,927)	(90,656)	(107,719)
SG&A	(7,910)	(8,863)	(7,633)	(10,073)	(11,841)	(14,781)	(16,081)	(19,110)
Other op.expenses	(27,953)	(30,048)	(26,460)	(33,544)	(35,172)	(40,717)	(48,468)	(58,366)
Operating profit	**17,325**	**15,724**	**6,655**	**13,545**	**14,360**	**16,278**	**20,957**	**25,315**
Net-interest inc./(exp.)	220	733	2,335	2,504	2,548	2,624	2,830	2,930
Assoc/forex/extraord./others	30	465	555	336	353	13	0	0
Pre-tax profit	**17,575**	**16,922**	**9,545**	**16,384**	**17,261**	**18,915**	**23,787**	**28,245**
Tax	(722)	(718)	(392)	(1,050)	(2,507)	(2,536)	(3,449)	(4,095)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**16,853**	**16,204**	**9,153**	**15,335**	**14,753**	**16,379**	**20,338**	**24,149**
Net profit (adjusted)	**16,853**	**16,204**	**9,153**	**15,335**	**14,753**	**16,379**	**20,338**	**24,149**
EPS (reported)(TWD)	**33.000**	**31.623**	**17.847**	**29.900**	**28.619**	**31.936**	**39.655**	**47.087**
EPS (adjusted)(TWD)	**33.000**	**31.623**	**17.847**	**29.900**	**28.619**	**31.936**	**39.655**	**47.087**
EPS (adjusted fully-diluted)(TWD)	**32.384**	**30.483**	**17.587**	**29.742**	**28.064**	**31.393**	**38.981**	**46.287**
DPS (TWD)	**14.000**	**27.023**	**27.000**	**15.499**	**25.369**	**25.000**	**27.000**	**32.000**
EBIT	**17,325**	**15,724**	**6,655**	**13,545**	**14,360**	**16,278**	**20,957**	**25,315**
EBITDA	**19,626**	**18,528**	**9,680**	**16,889**	**18,079**	**20,890**	**26,396**	**31,778**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	17,575	16,922	9,545	16,384	17,261	18,915	23,787	28,245
Depreciation and amortisation	2,301	2,804	3,025	3,344	3,719	4,612	5,439	6,463
Tax paid	(722)	(718)	(392)	(1,050)	(2,507)	(2,536)	(3,449)	(4,095)
Change in working capital	(9,811)	(5,938)	9,803	1,875	8,115	2,350	(4,953)	(3,984)
Other operational CF items	9,009	5,987	(4,084)	3,424	(3,573)	0	0	0
Cash flow from operations	**18,352**	**19,058**	**17,896**	**23,978**	**23,015**	**23,340**	**20,824**	**26,628**
Capex	(2,510)	(2,451)	(2,167)	(2,347)	(2,089)	(2,994)	(3,523)	(4,210)
Net (acquisitions)/disposals	(45)	(370)	0	(2,240)	0	0	0	0
Other investing CF items	(11,478)	2,456	3,251	(5,121)	(14,291)	(2,246)	(2,642)	(3,158)
Cash flow from investing	**(14,033)**	**(366)**	**1,084**	**(9,707)**	**(16,380)**	**(5,240)**	**(6,166)**	**(7,368)**
Change in debt	2,903	1,107	(8,977)	250	5,590	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(7,150)	(13,847)	(13,847)	(7,949)	(13,078)	(12,822)	(13,847)	(16,412)
Other financing CF items	(90)	(98)	(115)	(2,367)	(128)	0	0	0
Cash flow from financing	**(4,337)**	**(12,838)**	**(22,939)**	**(10,066)**	**(7,616)**	**(12,822)**	**(13,847)**	**(16,412)**
Forex effect/others	(81)	703	472	383	(766)	0	0	0
Change in cash	**(99)**	**6,557**	**(3,486)**	**4,588**	**(1,747)**	**5,279**	**811**	**2,849**
Free cash flow	15,842	16,607	15,730	21,631	20,926	20,346	17,301	22,418

Source: FactSet, Daiwa forecasts

Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	52,891	56,913	43,590	55,099	61,376	66,655	67,466	70,315
Inventory	16,549	25,553	11,757	13,506	19,561	14,599	20,173	21,144
Accounts receivable	15,989	12,013	12,757	12,305	15,011	21,902	21,535	30,371
Other current assets	817	1,013	1,183	3,747	1,409	1,409	1,409	1,409
Total current assets	**86,245**	**95,492**	**69,288**	**84,658**	**97,357**	**104,565**	**110,584**	**123,239**
Fixed assets	6,303	5,210	7,068	8,441	10,100	11,572	13,300	15,378
Goodwill & intangibles	2,232	2,413	2,625	2,659	3,475	2,630	2,553	2,479
Other non-current assets	6,452	10,586	14,836	18,138	18,972	18,972	18,972	18,972
Total assets	**101,232**	**113,701**	**93,815**	**113,897**	**129,903**	**137,739**	**145,409**	**160,068**
Short-term debt	13,342	13,738	4,250	4,500	10,090	10,090	10,090	10,090
Accounts payable	11,443	10,496	7,273	9,584	11,738	16,017	16,272	22,094
Other current liabilities	34,036	38,310	34,723	43,877	52,928	52,928	52,928	52,928
Total current liabilities	**58,821**	**62,545**	**46,246**	**57,961**	**74,756**	**79,035**	**79,289**	**85,112**
Long-term debt	1,003	1,713	2,227	0	0	0	0	0
Other non-current liabilities	2,456	2,680	3,104	2,978	2,935	2,935	2,935	2,935
Total liabilities	**62,280**	**66,938**	**51,577**	**60,939**	**77,691**	**81,970**	**82,225**	**88,047**
Share capital	5,107	5,129	5,129	5,129	5,155	5,155	5,155	5,155
Reserves/R.E./others	33,836	41,625	37,100	47,819	47,047	50,604	58,019	66,856
Shareholders' equity	**38,943**	**46,753**	**42,228**	**52,948**	**52,202**	**55,759**	**63,174**	**72,011**
Minority interests	10	10	10	10	10	10	10	10
Total equity & liabilities	**101,232**	**113,701**	**93,815**	**113,897**	**129,903**	**137,739**	**145,409**	**160,068**
EV	349,188	346,272	350,621	337,135	336,449	331,169	330,358	327,509
Net debt/(cash)	**(38,546)**	**(41,462)**	**(37,113)**	**(50,599)**	**(51,286)**	**(56,565)**	**(57,376)**	**(60,225)**
BVPS (TWD)	**76.256**	**91.242**	**82.339**	**103.240**	**101.263**	**108.722**	**123.180**	**140.409**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	35.7	6.0	(14.9)	19.1	8.2	22.0	17.7	19.5
EBITDA (YoY)	84.7	(5.6)	(47.8)	74.5	7.0	15.5	26.4	20.4
Operating profit (YoY)	100.5	(9.2)	(57.7)	103.5	6.0	13.4	28.7	20.8
Net profit (YoY)	91.7	(3.8)	(43.5)	67.5	(3.8)	11.0	24.2	18.7
Core EPS (fully-diluted) (YoY)	91.3	(5.9)	(42.3)	69.1	(5.6)	11.9	24.2	18.7
Gross-profit margin	50.4	48.9	42.8	50.4	50.0	47.9	48.5	48.8
EBITDA margin	18.6	16.6	10.2	14.9	14.7	14.0	15.0	15.1
Operating-profit margin	16.4	14.1	7.0	11.9	11.7	10.9	11.9	12.0
Net profit margin	16.0	14.5	9.6	13.5	12.0	10.9	11.5	11.5
ROAE	49.3	37.8	20.6	32.2	28.1	30.3	34.2	35.7
ROAA	18.8	15.1	8.8	14.8	12.1	12.2	14.4	15.8
ROCE	36.8	27.2	12.0	25.5	24.0	25.4	30.1	32.6
ROIC	n.a.	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	4.1	4.2	4.1	6.4	14.5	13.4	14.5	14.5
Accounts receivable (days)	51.3	45.7	47.5	40.3	40.6	45.0	45.0	45.0
Current ratio (x)	1.5	1.5	1.5	1.5	1.3	1.3	1.4	1.4
Net interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	81.3	82.1	85.5	86.9	87.7	86.9	84.5	80.7
Free cash flow yield	4.1	4.3	4.1	5.6	5.4	5.2	4.5	5.8

Source: FactSet, Daiwa forecasts

Company profile

Realtek focuses on research, design, development and distribution of integrated circuits (ICs) for applications across networking & communication (NC), computer & peripheral (CP) and multimedia & consumer (MM). The majority of its revenue comes from NC products, including WiFi, Bluetooth, Ethernet and switch controllers. It also provides diversified CP products such as audio codec, IP cam, and solid-state drive (SSD) controllers as well as MM products like TV SoC and monitor controllers.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	Realtek's Board of Directors consists of nine members whose expertise spans industry, academia, finance, accounting, and management, providing the company with a broad and diverse range of professional perspectives. Three of these directors are independent, representing 33 percent of the board and exceeding the regulatory minimum requirement of 20 percent for independent directors. This higher proportion of independent directors enhances oversight, helps safeguard shareholder interests, and supports more objective decision-making. However, an important governance risk remains in the area of board diversity. The board currently includes only one female director out of nine members, which represents 11 percent of the total. This limited female representation may constrain the breadth of viewpoints and experiences reflected in board discussions and could be perceived as misaligned with evolving stakeholder expectations and best practices on gender diversity in corporate governance.
	Capital management	1	In the past 8 years, Realtek's dividend payout ratios were above 80%. As a fabless company, it does not need high capital expenditure for manufacturing sites. Realtek's business has shown stable earnings growth over its 30-year history. Thus, we see its dividend policy with a high payout ratio as appropriate.
	Related party & transaction	2	Realtek's related-party transactions are primarily with G.M.I. Technology Inc. and Greatek Electronics Inc. Realtek pays certain processing costs to related parties. These payments are made under standard commercial terms and conditions. Overall, we do not observe any significant impact on Realtek's business arising from these related-party transactions.
S	Supply chain management	2	Realtek has formulated a set of supplier management regulations in accordance with Realtek's Supplier Sustainability Management Policy. It requires suppliers to obtain ISO9001 quality management system certification to ensure that all of its suppliers possess a high level of environment awareness.
E	Water & wastewater management	1	As a fabless company without manufacturing plants, Realtek does not produce much wastewater compared to manufacturing companies, and thus has a relatively limited impact on the environment. Realtek has implemented a water conservation plan to increase water efficiency, such as the reuse of rainwater, re-circulating water in its cooling tower and installing water-saving devices. Its water saving rate (=reduced water consumption/total water withdrawn) increased gradually.
E	Waste & hazardous materials management	1	The company reports to the Executive Yuan's Environmental Protection Administration waste and reporting management system every month on the quantity of waste and its method of disposal. In 2024, it produced 26.10 tonnes of industrial waste, maintaining over a 90% recycling rate for hazardous industrial waste.
E	GHG emissions	1	Realtek has independently conducted GHG emission inventory and management at its Hsinchu Headquarters since 2019. In 2022, Realtek implemented a comprehensive ISO 14064-1:2018 GHG inventory and passed third-party verification. As of 2024, the company has completed GHG emission inventory and third-party verification for all sites within the Realtek Group.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 29 Jan 2026

Source: Daiwa, Company

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Source: Daiwa

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