MediaTek (2454 TT)

Target price: **TWD5,500.00** (from TWD5,200.00)
Share price (30 Oct): **TWD3,915.00** | Up/downside: **+40.5%**

5 4 3 2 **1**

Buy (unchanged)

Firmly on track with AI ASIC transformer

- 3Q26 results and 4Q26 guidance all beat expectations
- Raise our forecasts on faster-than-expected AI ramps
- Reiterate Buy (1) rating with a higher 12M TP of TWD5,500

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What's new: MediaTek (MTK) disclosed on 30 October a strong set of quarterly results and guidance both beating market expectations, thanks to a faster-than-expected ramp in its first AI accelerator project. We walked away from today's call with a firmer view on its AI business - a faster ramp for the first project and a broadened customer base for a new project. We raise our forecasts and 12M TP, reiterate our Buy (1) call and suggest that investors take advantage of the recent stock pullbacks for bargain-hunting.

What's the impact: **Results and guidance all beat.** MTK released 3Q26 net profit of c.TWD28bn, beating our/consensus estimates by 11%/9% thanks to a better topline, lower opex ratio and higher non-operating gains (table on p.2). 3Q26 revenue finished 6%/4% above our/consensus estimates and topped guidance (TWD152-160bn), thanks to an earlier ramp of its first AI accelerators on some easing of the substrate supply constraint. Guidance calls for 4Q26 revenue of TWD216bn, at the midpoint of the range that beat our previous/consensus forecasts by 7%/3%, driven by the stronger ramp of the AI accelerator project which will more than offset muted consumer demand weakness associated with mobile phones. We raise our 2026-28E EPS by 1-6% and expect its AI revenue to reach USD16bn in 2027 and USD26bn in 2028, from USD2.7bn this year.

AI appears to be running ahead. At today's call, management centred elaboration on its AI business progress. 1) It raised this year's initial revenue contribution of the first AI accelerators to USD2.5bn for 4Q26, above its previous target of USD2bn. 2) While management keeps its AI accelerator (ex-HBM) addressable market unchanged at USD80bn for 2027, it now aims for a 20% market share (previous: 15-20%), meaning USD16bn revenue contribution, vs. our *previous forecast* of USD15bn. 3) It expects revenue contribution in 2028 from the second AI customer (not from China), which supports our view depicted in our *Global Tech report* issued on 27 August, where we lifted MTK's 2028 forecasts on the second customer ramp. 4) MTK aims to kick off 4Q26 with a new journey for its operating margin, expanding all the way into 2027 for more than 20% on average, echoing its previous comments that, although the AI accelerator business is gross-margin dilutive, it is operating-margin accretive.

What we recommend: Given our forecast revisions, we finetune our 12M TP for MTK to TWD5,500 (previous: TWD5,200), based on our unchanged 4-quarter forward PER of 36x. We reiterate our Buy (1) rating with key downside risk of any AI accelerator ramps below our expectation.

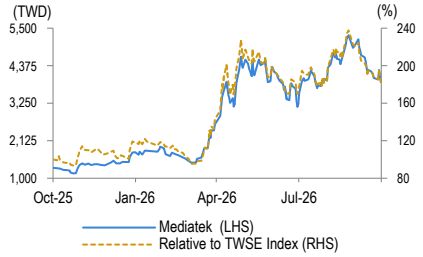
How we differ: Our 2026-27E EPS are 6-8% above the consensus forecasts as we believe the street has yet to factor in its better AI ramp.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	4.3	5.1	1.2
Net profit change	5.7	5.7	1.4
Core EPS (FD) change	5.7	5.7	1.4

Source: Daiwa forecasts

Share price performance



12-month range	1,145.00-5,285.00
Market cap (USDbn)	192.71
3m avg daily turnover (USDm)	1,141.55
Shares outstanding (m)	1,604
Major shareholder	Vanguard Group Inc (3.7%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	689,851	1,190,453	1,536,793
Operating profit (m)	118,802	270,012	328,953
Net profit (m)	119,263	244,568	299,885
Core EPS (fully-diluted)	74.358	152.483	186.972
EPS change (%)	13.2	105.1	22.6
Daiwa vs Cons. EPS (%)	7.7	6.0	(33.5)
PER (x)	52.7	25.7	20.9
Dividend yield (%)	1.4	1.5	2.6
DPS	54.0	60.0	100.0
PBR (x)	14.2	10.6	8.6
EV/EBITDA (x)	40.5	18.4	14.5
ROE (%)	28.3	47.4	45.3

Source: FactSet, Daiwa forecasts

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

Flash

MTK: quarterly P&L estimates and forecasts

TWDm	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Total revenue	149,151	152,183	168,058	220,460	226,268	247,313	296,765	420,107	595,966	689,851	1,190,453	1,536,793
Total revenue (USDm)	**4,721**	**4,811**	**5,252**	**6,889**	**7,071**	**7,729**	**9,274**	**13,128**	**19,102**	**21,697**	**37,202**	**48,025**
COGS	-80,095	-81,875	-90,210	-118,743	-122,487	-134,456	-162,109	-229,840	-312,886	-370,923	-648,892	-855,064
Gross profit	69,055	70,308	77,848	101,717	103,781	112,857	134,657	190,267	283,080	318,928	541,561	681,730
Opex	-46,165	-47,439	-50,746	-55,776	-57,246	-62,323	-67,959	-84,021	-179,610	-200,127	-271,549	-352,776
Operating profit	22,891	22,868	27,102	45,941	46,535	50,534	66,697	106,246	103,470	118,802	270,012	328,953
EBITDA	28,892	29,709	34,319	55,440	56,334	61,290	79,666	124,633	126,444	148,359	321,923	397,359
Non-op gain/loss	4,129	5,094	6,471	4,938	4,680	4,890	5,040	5,150	21,418	20,632	19,760	26,360
Pretax profit	27,019	27,962	33,573	50,879	51,215	55,424	71,737	111,396	124,888	139,433	289,772	355,313
Income taxes & MI	-2,865	-3,627	-5,690	-7,988	-7,990	-8,646	-11,191	-17,378	-19,569	-20,171	-45,204	-55,429
Net profit	24,154	24,335	27,882	42,891	43,225	46,778	60,546	94,018	105,319	119,263	244,568	299,885
FD O/S (m)	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604
FD EPS (TWD)	**15.06**	**15.17**	**17.38**	**26.74**	**26.95**	**29.16**	**37.75**	**58.62**	**65.66**	**74.36**	**152.48**	**186.97**
Margin												
Gross	46%	46%	46%	46%	46%	46%	45%	45%	47%	46%	45%	44%
Operating	15%	15%	16%	21%	21%	20%	22%	25%	17%	17%	23%	21%
EBITDA	19%	20%	20%	25%	25%	25%	27%	30%	21%	22%	27%	26%
Net	16%	16%	17%	19%	19%	19%	20%	22%	18%	17%	21%	20%
Revenue mix												
Mobile phone	50%	42%	37%	29%	27%	27%	26%	17%	55%	38%	23%	20%
Smart edge	45%	53%	57%	67%	68%	68%	70%	80%	40%	56%	73%	77%
Power IC	5%	6%	6%	5%	4%	4%	4%	3%	5%	5%	4%	4%
Growth (QoQ)												
Total revenue	-1%	2%	10%	31%	3%	9%	20%	42%				
Gross profit	0%	2%	11%	31%	2%	9%	19%	41%				
Operating profit	5%	0%	19%	70%	1%	9%	32%	59%				
Net profit	5%	1%	15%	54%	1%	8%	29%	55%				
FD EPS	5%	1%	15%	54%	1%	8%	29%	55%				
Growth (YoY)												
Total revenue	-3%	1%	18%	47%	52%	63%	77%	91%	12%	16%	73%	29%
Gross profit	-6%	-5%	18%	47%	50%	61%	73%	87%	7%	13%	70%	26%
Operating profit	-24%	-22%	22%	110%	103%	121%	146%	131%	1%	15%	127%	22%
EBITDA	-19%	-15%	23%	100%	95%	106%	132%	125%	3%	17%	117%	23%
Net profit	-18%	-13%	11%	87%	79%	92%	117%	119%	-1%	13%	105%	23%
FD EPS	-18%	-13%	11%	87%	79%	92%	117%	119%	-1%	13%	105%	23%

Source: Company, Daiwa estimates and forecasts

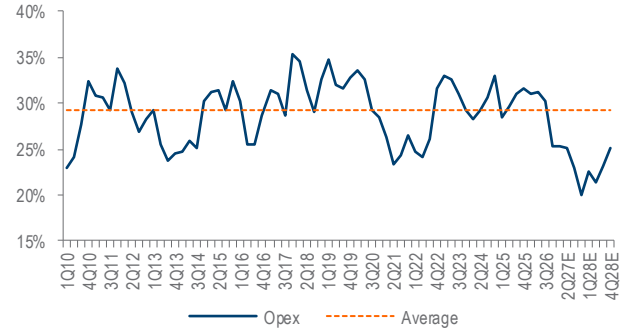
MTK: 3Q26 results and 4Q26 guidance check

			3Q26	Growth			4Q26E
TWDm	Actual	Daiwa	Variance	QoQ	YoY	Guidance	Daiwa (previous)
Revenue	168,058	158,928	6%	10%	18%	Sales = TWD210.1-221.8bn at FX of TWD31.7/USD	TWD201bn
Gross profit	77,848	73,511	6%	11%	18%	GM = 45% +/- 1.5pp	46.3%
Operating profit	27,102	24,720	10%	19%	22%	Opex = 26% +/- 2pp	25.6%
Pretax profit	33,573	29,620	13%	20%	12%		
Income tax & MI	5,691	4,591	24%	70%	26%		
Net profit	27,882	25,029	11%	15%	11%		
Adjusted EPS (TWD)	17.38	15.61	11%	15%	11%		
Margin							
Gross	46.3%	46.3%	0.1%				
Operating	16.1%	15.6%	0.6%				
Tax rate	17.0%	15.5%	1.5%				
Net	16.6%	15.7%	0.8%				
Revenue mix*							
Mobile phone	37%	40%	below				
Smart edge	58%	54%	above				
Power IC	5%	6%	in line				

Source: Company, Daiwa estimates and forecasts

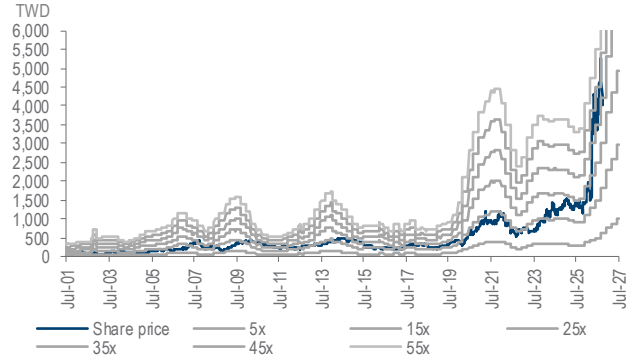
Note: Mobile phone includes smartphone and tablet; Smart edge includes IoT, computing & ASIC, digital TV, monitor & optical storage; Power IC includes PMIC and power discrete that support mobile phone and smart edge products

MTK: opex ratio trend



Source: Company, Daiwa estimates and forecasts

MTK: 4-quarter forward PER band



Source: Company, TEJ, Daiwa estimates and forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Smartphone chipset ASP (US$)	13.91	16.39	15.99	16.66	18.29	18.18	18.05	17.11
Smartphone chipset shipment ('000)	647	588	439	545	555	438	463	530
Total handset market share (%)	50.8	50.2	41.4	49.9	50.1	39.1	40.5	44.5

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Optical Storage Revenue	12,670	13,662	14,172	15,201	15,132	15,519	15,715	15,784
Digital Home Revenue	38,270	39,307	40,345	44,076	47,508	51,118	52,473	53,294
Other Revenue	442,475	495,827	378,929	471,309	533,326	623,214	1,122,265	1,467,716
Total Revenue	**493,415**	**548,796**	**433,446**	**530,586**	**595,966**	**689,851**	**1,190,453**	**1,536,793**
Other income	0	0	0	0	0	0	0	0
COGS	(261,810)	(277,892)	(226,079)	(267,200)	(312,886)	(370,923)	(648,892)	(855,064)
SG&A	(27,484)	(27,242)	(24,182)	(28,980)	(31,289)	(33,887)	(46,394)	(63,402)
Other op.expenses	(96,081)	(116,874)	(111,385)	(131,993)	(148,321)	(166,239)	(225,155)	(289,374)
Operating profit	**108,040**	**126,788**	**71,800**	**102,412**	**103,470**	**118,802**	**270,012**	**328,953**
Net-interest inc./(exp.)	1,458	2,847	6,908	10,696	10,167	10,600	13,760	19,860
Assoc/forex/extraord./others	17,354	5,925	8,074	6,410	11,251	10,032	6,000	6,500
Pre-tax profit	**126,852**	**135,561**	**86,783**	**119,519**	**124,888**	**139,433**	**289,772**	**355,313**
Tax	(14,980)	(16,936)	(9,591)	(12,378)	(18,770)	(19,006)	(43,466)	(53,297)
Min. int./pref. div./others	(451)	(484)	(212)	(754)	(799)	(1,165)	(1,739)	(2,132)
Net profit (reported)	**111,421**	**118,141**	**76,979**	**106,387**	**105,319**	**119,263**	**244,568**	**299,885**
Net profit (adjusted)	**111,421**	**118,141**	**76,979**	**106,387**	**105,319**	**119,263**	**244,568**	**299,885**
EPS (reported)(TWD)	**70.561**	**74.593**	**48.509**	**66.924**	**66.157**	**74.358**	**152.483**	**186.972**
EPS (adjusted)(TWD)	**70.561**	**74.593**	**48.509**	**66.924**	**66.157**	**74.358**	**152.483**	**186.972**
EPS (adjusted fully-diluted)(TWD)	**69.687**	**73.864**	**48.122**	**66.422**	**65.664**	**74.358**	**152.483**	**186.972**
DPS (TWD)	**37.101**	**73.330**	**76.238**	**55.075**	**54.066**	**54.000**	**60.000**	**100.000**
EBIT	**108,040**	**126,788**	**71,800**	**102,412**	**103,470**	**118,802**	**270,012**	**328,953**
EBITDA	**118,661**	**141,768**	**90,000**	**123,348**	**126,444**	**148,359**	**321,923**	**397,359**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	126,852	135,561	86,783	119,519	124,888	139,433	289,772	355,313
Depreciation and amortisation	10,621	14,980	18,200	20,936	22,974	29,557	51,911	68,405
Tax paid	(14,980)	(16,936)	(9,591)	(12,378)	(18,770)	(19,006)	(43,466)	(53,297)
Change in working capital	(53,649)	164	30,356	(1,001)	(19,508)	(4,500)	(95,000)	12,000
Other operational CF items	(21,750)	10,814	40,344	28,979	53,209	(1,165)	(1,739)	(2,132)
Cash flow from operations	**47,095**	**144,583**	**166,091**	**156,055**	**162,793**	**144,320**	**201,479**	**380,290**
Capex	(16,985)	(13,622)	(9,325)	(13,787)	(15,059)	(17,246)	(29,761)	(38,420)
Net (acquisitions)/disposals	2,170	(19,666)	(12,042)	(14,671)	(10,649)	0	0	0
Other investing CF items	(14,109)	(4,247)	(7,379)	(7,471)	(12,046)	0	0	0
Cash flow from investing	**(28,924)**	**(37,535)**	**(28,746)**	**(35,928)**	**(37,754)**	**(17,246)**	**(29,761)**	**(38,420)**
Change in debt	31,335	(48,575)	(2,328)	(1,260)	60	(3,368)	(1,684)	(842)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(58,585)	(116,141)	(120,981)	(87,551)	(86,070)	(86,611)	(96,234)	(160,390)
Other financing CF items	(701)	8,435	4,740	(1,309)	(1,665)	0	0	0
Cash flow from financing	**(27,951)**	**(156,280)**	**(118,569)**	**(90,119)**	**(87,675)**	**(89,978)**	**(97,918)**	**(161,232)**
Forex effect/others	(3,094)	13,030	(883)	8,292	(5,770)	0	0	0
Change in cash	**(12,875)**	**(36,202)**	**17,894**	**38,300**	**31,594**	**37,095**	**73,800**	**180,638**
Free cash flow	30,109	130,961	156,767	142,268	147,734	127,074	171,718	341,870

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	204,764	164,810	180,673	219,624	247,709	284,804	358,604	539,242
Inventory	73,271	70,703	43,220	58,414	67,235	77,235	157,235	152,235
Accounts receivable	58,660	40,842	55,834	44,713	62,121	63,621	148,621	130,621
Other current assets	10,171	21,298	11,161	28,275	20,391	15,000	15,000	15,000
Total current assets	**346,865**	**297,654**	**290,889**	**351,025**	**397,456**	**440,660**	**679,460**	**837,098**
Fixed assets	49,111	53,862	53,291	56,917	60,427	49,063	37,295	20,991
Goodwill & intangibles	73,526	73,455	81,245	82,257	80,262	77,000	75,000	72,000
Other non-current assets	191,375	183,430	209,614	207,668	205,640	201,912	201,912	201,912
Total assets	**660,877**	**608,399**	**635,038**	**697,868**	**743,785**	**768,634**	**993,666**	**1,132,000**
Short-term debt	51,267	3,700	2,200	940	940	940	940	940
Accounts payable	96,748	74,028	130,541	151,181	156,525	165,710	235,710	224,710
Other current liabilities	63,091	63,843	99,258	114,782	145,885	123,368	126,684	130,842
Total current liabilities	**211,106**	**141,570**	**231,999**	**266,902**	**303,350**	**290,018**	**363,334**	**356,492**
Long-term debt	1,684	863	4,605	2,681	6,735	3,368	1,684	842
Other non-current liabilities	14,439	22,907	24,229	23,228	24,504	24,500	26,000	27,000
Total liabilities	**227,229**	**165,341**	**260,833**	**292,812**	**334,590**	**317,885**	**391,018**	**384,334**
Share capital	15,988	15,994	15,996	16,017	16,039	16,039	16,039	16,039
Reserves/R.E./others	416,027	424,115	352,209	380,610	384,562	424,951	575,112	717,998
Shareholders' equity	**432,015**	**440,109**	**368,206**	**396,627**	**400,601**	**440,990**	**591,151**	**734,037**
Minority interests	1,633	2,949	6,000	8,428	8,594	9,759	11,498	13,629
Total equity & liabilities	**660,877**	**608,399**	**635,038**	**697,868**	**743,785**	**768,634**	**993,666**	**1,132,000**
EV	6,129,088	6,121,971	6,111,400	6,071,694	6,047,829	6,008,531	5,934,786	5,755,438
Net debt/(cash)	**(151,813)**	**(160,246)**	**(173,868)**	**(216,002)**	**(240,034)**	**(280,497)**	**(355,980)**	**(537,460)**
BVPS (TWD)	**273.588**	**277.882**	**232.031**	**249.503**	**251.642**	**274.949**	**368.571**	**457.657**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	53.2	11.2	(21.0)	22.4	12.3	15.8	72.6	29.1
EBITDA (YoY)	123.4	19.5	(36.5)	37.1	2.5	17.3	117.0	23.4
Operating profit (YoY)	150.0	17.4	(43.4)	42.6	1.0	14.8	127.3	21.8
Net profit (YoY)	172.3	6.0	(34.8)	38.2	(1.0)	13.2	105.1	22.6
Core EPS (fully-diluted) (YoY)	170.8	6.0	(34.8)	38.0	(1.1)	13.2	105.1	22.6
Gross-profit margin	46.9	49.4	47.8	49.6	47.5	46.2	45.5	44.4
EBITDA margin	24.0	25.8	20.8	23.2	21.2	21.5	27.0	25.9
Operating-profit margin	21.9	23.1	16.6	19.3	17.4	17.2	22.7	21.4
Net profit margin	22.6	21.5	17.8	20.1	17.7	17.3	20.5	19.5
ROAE	27.7	27.1	19.0	27.8	26.4	28.3	47.4	45.3
ROAA	18.7	18.6	12.4	16.0	14.6	15.8	27.8	28.2
ROCE	24.4	27.1	17.3	25.9	25.1	27.3	50.9	48.6
ROIC	40.4	39.3	26.4	47.2	49.1	60.5	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	11.8	12.5	11.1	10.4	15.0	13.6	15.0	15.0
Accounts receivable (days)	34.0	33.1	40.7	34.6	32.7	33.3	32.5	33.2
Current ratio (x)	1.6	2.1	1.3	1.3	1.3	1.5	1.9	2.3
Net interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	142.8	103.8	102.1	125.6	80.8	82.2	80.7	65.6
Free cash flow yield	0.5	2.1	2.5	2.3	2.4	2.0	2.7	5.4

Source: FactSet, Daiwa forecasts

Company profile

Ranked No.5 in the world by 2023 fabless semiconductor revenue, MediaTek (MTK) offers diverse products across optical storage, digital home, smartphone, PC, ASIC, automotive and other IoT applications. MTK has successfully captured the industry demand cycles from optical disk drives to feature phones to smartphones, and now positions itself well as a platform provider to capitalise on the next demand cycle of the BigData/AI to help facilitate digital transformation in human lives.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	MTK's Board of Directors (BoD) has 8 members with diverse backgrounds in foundry, IC design and electronics. Among its BoD, 4 members are independent directors, representing 50% of total directors. Its Chairman and CEO are not the same person, but its CEO is also one of the directors. MTK conducts internal annual performance evaluation of the BoD, individual directors and functional committees. The board currently includes only one female director out of eight members, which represents 12.5% of the total. The company recognizes this gender imbalance and is actively working toward a more inclusive and balanced board composition
	Capital management	2	MTK's dividend payout ratios in the past 5 years were above 60% with increasing cash dividend in the past 3 years in dollar amount. In addition, MTK is committed to paying a special dividend of TWD16/share over 2021-24 on top of its regular annual dividend. MTK is one of the leading fabless chipmakers in the world with continued efforts in new product development for diversified applications; therefore, it will continue to invest in its research & development. We see its dividend payout as appropriate.
	Related party & transaction	1	MTK's revenue from related parties was less than 1% of its total revenue in 2024 and transaction terms were not abnormal compared to other customers. It also had related-party transactions with King Yuan Electronics Co., Ltd. and King Long Tech (Suzhou) Ltd for IC testing, experimental services, and manufacturing technology services in 2021. The purchase amount from related parties was less than 7% of its total cost of goods sold/purchases in 2024. Thus, we do not see meaningful impact on its business operation.
S	Supply chain management	2	MTK has established its "Supplier Code of Conduct", which covers areas such as labour and human rights, health and safety, environmental protection, code of ethics, and management. It requires all suppliers to sign a guarantee to comply with this code of conduct. MTK implements an annual review to continuously track the actual compliance of suppliers. We believe these measures can help MTK reduce supply chain risk.
E	Water & wastewater management	1	As a fabless without manufacturing plants, MTK does not produce much wastewater compared to manufacturing companies, and thus has relatively limited impact on the environment. MTK has initiated water conservation methods, including efficient enhancement of using water-saving apparatuses, installing rainwater recycling tanks and using recycled water in cooling towers.
E	Waste & hazardous materials management	1	MTK prioritises waste reduction, classification for reuse, adherence to recycling, and reutilisation to manage waste efficiently and maximise the benefits of recycling. Also, it chooses only qualified partners for waste disposal and recycling, and also audits the waste processes regularly to ensure legal disposal of its waste and to fulfil its responsibility in waste management supervision.
E	GHG emissions	1	The main source for MTK's GHG emissions is externally purchased electricity, which accounts for over 90% of its total emissions. To enhance energy efficiency and reduce emissions, the company implemented several measures, including ongoing improvements to data center efficiency, full adoption of LED lighting in offices, and optimized operation of chiller units. MediaTek continued advancing its renewable energy strategy and alignment with global climate initiatives such as SBT and RE100. In early 2025, the Company passed the SBTi review and set targets based on a 2020 baseline, including a 40% reduction in Scope 1 and 2 emissions by 2030, net zero by 2050, and achieving 100% renewable energy use across global offices (excluding data centers) by 2030.

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: 4 Feb 2026

Source: Daiwa, Company

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