Morgan Stanley | RESEARCH

UPDATE

*October 30, 2026 11:29 AM GMT*

## MediaTek | Asia Pacific

# Positive news on AI ASIC execution and project win; reiterate OW

**AlphaSignals Earnings Reaction**

| Strengthens our thesis | — In-line | — Largely unchanged |
|---|---|---|
| Impact to our thesis | Financial results versus consensus | Direction of next 12-month consensus EPS |

Source: Company data, Morgan Stanley Research

We expect the stock to react positively to the AI ASIC developments; OW: 1) TPU v9 on schedule, 2) confidence in Intel EMIB-T substrate yield improvement, and 3) second customer win. We maintain our PT of NT$6,188 and Top Pick.

**What's new? MediaTek confirms second customer win:** In our preview note, we had expected some discussion on a potential second customer. Today, management confirmed the win, and indicated it is not a China CSP customer, hence, we think it could be a US CSP customer. We are modeling US$2.5bn revenue from the second customer in 2028, but management thinks the demand should be higher than that.

**Status of major TPU projects - on track:** TPU v8 expected to contribute US$2.5bn revenue in 4Q26 (vs. prior guidance of >US$2bn). Major AI ASIC customer's TPU v9 is expected to tape out on time and starts mass production in 1Q28, dismissing recent delay concerns. While TPU v9 volume highly depends on Intel EMIB-T substrate supply, management has confidence in EMIB-T yield improvement. The company is also working closely with the customer on the third generation (TPUv10) and will disclose more details at the appropriate time.

**Our key question to management: Will both major CSP customers prioritize GPU or ASIC, if/when we see cloud capex budget shrinkage?** Management responded that, while not every ASIC in the industry can compete with GPU, the ASICs they help to design (TPUv8 and v9) enjoy very competitive TCO (total cost of ownership). Thus, we believe MediaTek's AI ASIC revenue can track our forecast, if the substrate supply is sufficient.

**4Q26 revenue to grow 25-32% Q/Q, with operating margin improvement thanks to AI ASIC:** Gross margin guidance of 45% is slightly better than our 44%-45%, given some price hikes for smartphone and smart-edge products. After deducting the US$2.5bn revenue contribution from the AI ASIC in the quarter, the non-AI business should be down 17% Q/Q.

**We think the implied AI ASIC operating margin could be 25%-30% at scale:** This assumes AI ASIC is 35% of 4Q26 revenue and the company improves its 4Q26 operating margin to 19% (up from 16.1% in 3Q26),


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**MediaTek (2454.TW, 2454 TT)**

**Top Pick**

Greater China Technology Semiconductors | Taiwan

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **Attractive** |
| Price target | NT$6,188.00 |
| Up/downside to price target (%) | 58 |
| Shr price, close (Oct 30, 2026) | NT$3,915.00 |
| 52-Week Range | NT$5,480.00-1,130.00 |
| Sh out, dil, curr (mn) | 1,565 |
| Mkt cap, curr (mn) | NT$6,127,698 |
| EV, curr (mn) | NT$5,912,169 |
| Avg daily trading value (mn) | NT$29,908 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS (NT$)** | 66.17 | 73.35 | 146.97 | 342.37 |
| Prior EPS (NT$)** | - | - | - | - |
| EPS (NT$)§ | 66.05 | 69.48 | 148.42 | 283.61 |
| Revenue, net (NT$ bn) | 596.0 | 671.9 | 1,095.6 | 2,315.2 |
| ModelWare net inc (NT $ bn) | 105.3 | 116.8 | 233.8 | 545.3 |


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| | | | | |
|---|---|---|---|---|
| ROE (%) | 26.0 | 28.5 | 48.8 | 78.6 |
| Div yld (%) | 5.3 | 1.5 | 3.0 | 7.0 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

# 3Q26 Earnings and 4Q26 Guidance Review

**Exhibit 1:** MediaTek: 3Q26 Earnings Review

| (NT$ mn) | 3Q26 | | | | |
|---|---|---|---|---|---|
| | Actual | Q/Q | Y/Y | MS Est. | Consensus |
| **Financials** | | | | | |
| Revenue | 168,058 | 10.4% | 11.8% | 154,613 | 163,476 |
| Opex | (50,746) | 7.0% | 14.0% | (46,723) | (49,468) |
| Basic EPS (NT$) | 17.50 | 14.5% | 0.0% | 15.62 | 16.15 |
| **Ratios** | | | | | |
| GM (%) | 46.3% | 12bps | -281bps | 46.0% | 46.1% |
| Opex (%) | 30.2% | -98bps | 60bps | 30.2% | 30.3% |
| OPM (%) | 16.1% | 110bps | -341bps | 15.8% | 15.9% |

Source: Company Data, Visible Alpha, Morgan Stanley Research estimates

**Exhibit 2:** MediaTek: 4Q26 Guidance Review

| (NT$ mn) | 4Q26 | | | | |
|---|---|---|---|---|---|
| | Guidance | MS Est. | Q/Q | Y/Y | Consensus |
| **Financials** | | | | | |
| Revenue | NT$210.1n to NT221.8bn (up 25-32% Q/Q) | 215,935 | 28.5% | 43.8% | 209,411 |
| Opex | | (48,456) | -4.5% | 2.2% | (56,395) |
| Basic EPS (NT$) | | 27.29 | 55.9% | 102.3% | 23.08 |
| **Ratios** | | | | | |
| GM (%) | 43.5% to 46.5% | 43.9% | -240bps | -221bps | 45.2% |
| Opex (%) | 24% to 28% | 22.4% | -776bps | -914bps | 26.9% |
| OPM (%) | | 21.5% | 535bps | 693bps | 18.3% |

Source: Company Data, Visible Alpha, Morgan Stanley Research estimates

# Valuation Methodology and Risks

**MediaTek (2454.TW)**

Base case, residual income model. Key assumptions: cost of equity 9.2%, intermediate growth rate 12.0%, terminal growth rate 3.0%.

**Risks to Upside**

- Edge AI proliferates smartphone replacement cycle.
- Smartphone demand rises in China and other EMs.
- New products attract high demand, resulting in market share gains.
- Google's TPU spurs demand.

**Risks to Downside**

- Smartphone demand deteriorates in China and other EMs.
- Competition heats up, resulting in pricing competition.
- New products attract low demand, causing market share loss.
- Margin dilution is more severe.

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|---|---|---|---|---|---|---|---|
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| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
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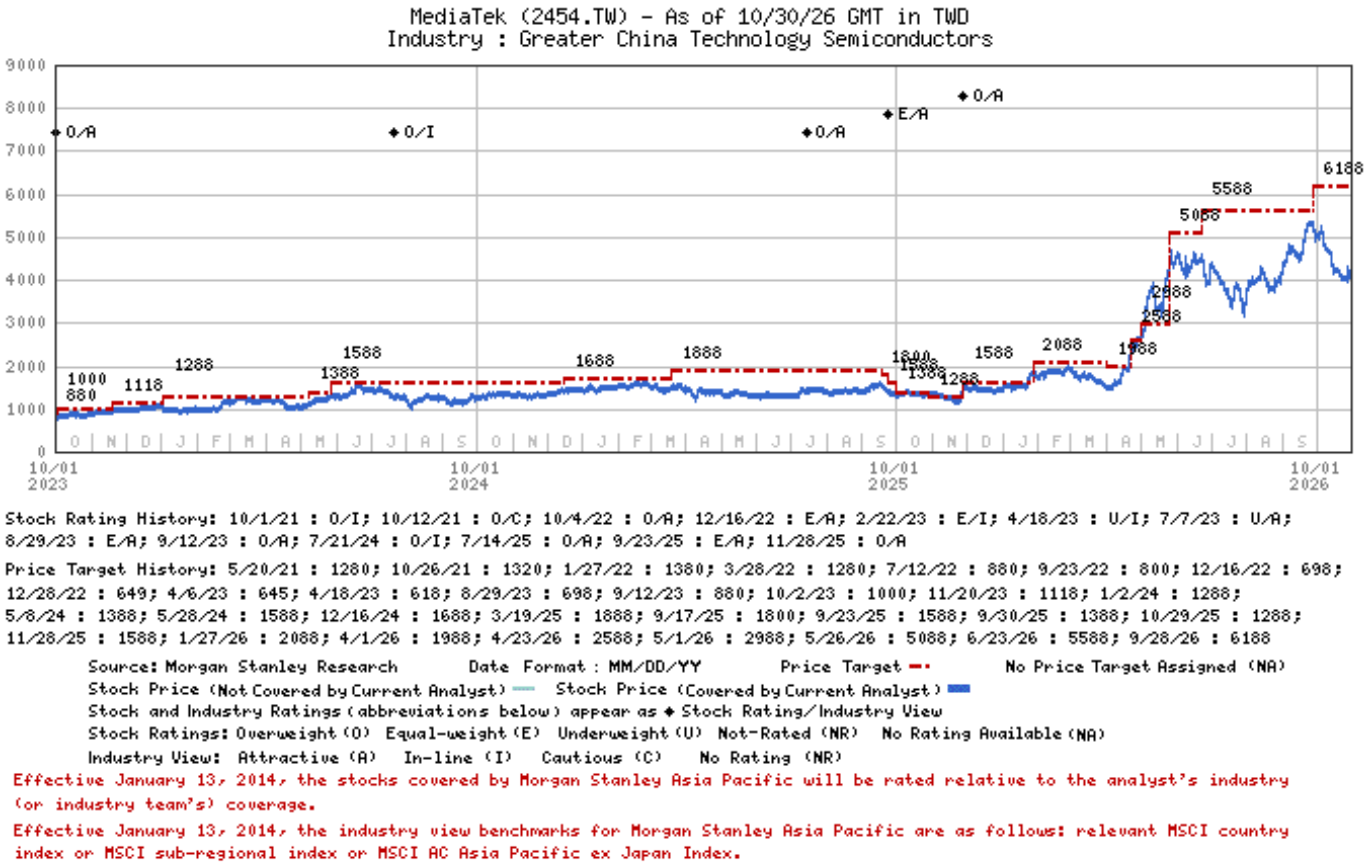
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## INDUSTRY COVERAGE: Greater China Technology Semiconductors

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/30/2026) |
|---|---|---|
| **Charlie Chan** | | |
| Advanced Wireless Semiconductor Co (8086.TWO) | U (07/14/2025) | NT$114.00 |
| Alchip Technologies Ltd (3661.TW) | O (05/14/2021) | NT$3,425.00 |
| ASE Technology Holding Co. Ltd. (3711.TW) | O (09/15/2024) | NT$668.00 |
| Cambricon Technology Corporation (688256.SS) | O (04/27/2026) | Rmb880.00 |
| CXMT Corp (688825.SS) | O (08/26/2026) | Rmb41.80 |
| Global Unichip Corp (3443.TW) | O (06/24/2026) | NT$7,635.00 |
| GlobalWafers Co Ltd (6488.TWO) | E (05/19/2026) | NT$756.00 |
| Gudeng Precision (3680.TWO) | O (11/25/2025) | NT$492.50 |
| Hua Hong Semiconductor Ltd (1347.HK) | E (03/12/2026) | HK$60.70 |
| Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK) | O (04/27/2026) | HK$61.50 |
| MediaTek (2454.TW) | O (11/28/2025) | NT$3,915.00 |
| MetaX Integrated Circuits (688802.SS) | E (04/27/2026) | Rmb450.00 |
| Nanya Technology Corp. (2408.TW) | O (05/28/2026) | NT$454.50 |
| Phison Electronics Corp (8299.TWO) | E (02/25/2026) | NT$1,930.00 |
| SG Micro Corp. (300661.SZ) | E (11/03/2025) | Rmb81.43 |
| Silergy Corp. (6415.TW) | U (05/19/2026) | NT$502.00 |
| SMIC (0981.HK) | O (10/21/2025) | HK$42.98 |
| TSMC (2330.TW) | O (02/07/2022) | NT$2,370.00 |
| UMC (2303.TW) | O (05/19/2026) | NT$111.50 |
| Vanguard International Semiconductor (5347.TWO) | U (10/30/2026) | NT$144.00 |
| WIN Semiconductors Corp (3105.TWO) | O (10/29/2026) | NT$578.00 |
| **Daisy Dai, CFA** | | |
| ASMPT Ltd (0522.HK) | O (07/24/2025) | HK$105.00 |

| | | |
|---|---|---|
| China Resources Microelectronics Limited (688396.SS) | U (03/02/2026) | Rmb45.12 |
| Empyrean Technology Co Ltd (301269.SZ) | E (01/17/2025) | Rmb86.17 |
| Hangzhou Silan Microelectronics Co. Ltd. (600460.SS) | U (08/25/2025) | Rmb22.88 |
| Hygon Information Technology Co., Ltd. (688041.SS) | O (07/03/2026) | Rmb170.20 |
| Innoscience (2577.HK) | E (10/13/2025) | HK$27.40 |
| JCET Group Co Ltd (600584.SS) | O (09/16/2026) | Rmb49.00 |
| Shanghai Fudan Microelectronics (1385.HK) | O (03/07/2025) | HK$21.62 |
| SICC Co Ltd (688234.SS) | O (03/20/2026) | Rmb70.42 |
| SJ Semiconductor Corp (688820.SS) | E (09/16/2026) | Rmb74.40 |
| StarPower Semiconductor Ltd (603290.SS) | E (05/14/2026) | Rmb65.05 |
| Unigroup Guoxin Microelectronics Co Ltd (002049.SZ) | U (01/10/2023) | Rmb47.39 |
| Universal Scientific Ind. (Shanghai) (601231.SS) | O (11/05/2025) | Rmb17.84 |
| Yangjie Technology (300373.SZ) | O (06/10/2022) | Rmb70.41 |
| **Daniel Yen, CFA** | | |
| AP Memory Technology Corp (6531.TW) | O (07/11/2025) | NT$776.00 |
| ASMedia Technology Inc (5269.TW) | U (10/03/2025) | NT$1,465.00 |
| Aspeed Technology (5274.TWO) | O (06/09/2025) | NT$15,970.00 |
| Egis Technology Inc (6462.TWO) | E (01/28/2026) | NT$95.70 |
| Elan Microelectronics Corp (2458.TW) | O (10/03/2025) | NT$125.00 |
| eMemory Technology Inc (3529.TWO) | O (08/18/2026) | NT$2,490.00 |
| Espressif Systems (688018.SS) | O (05/15/2023) | Rmb131.60 |
| GigaDevice Semiconductor Beijing Inc (603986.SS) | O (05/15/2025) | Rmb257.80 |
| Himax Technologies Inc (HIMX.O) | E (02/04/2026) | US$11.69 |
| Macronix International Co Ltd (2337.TW) | O (09/18/2025) | NT$95.40 |
| Montage Technology Co Ltd (6809.HK) | O (03/18/2026) | HK$207.60 |
| Montage Technology Co Ltd (688008.SS) | O (03/18/2026) | Rmb158.30 |
| Novatek (3034.TW) | U (02/04/2026) | NT$575.00 |
| Nuvoton Technology Corporation (4919.TW) | U (11/10/2025) | NT$124.50 |
| Parade Technologies Ltd (4966.TWO) | U (10/29/2026) | NT$469.50 |
| Powerchip Semiconductor Manufacturing Co (6770.TW) | O (10/27/2025) | NT$66.60 |
| Realtek Semiconductor (2379.TW) | E (01/30/2026) | NT$803.00 |
| Shenzhen Goodix Technology Co Ltd (603160.SS) | U (07/14/2025) | Rmb56.73 |
| Silicon Motion (SIMO.O) | O (05/06/2024) | US$227.75 |
| Winbond Electronics Corp (2344.TW) | O (05/28/2026) | NT$164.50 |
| WPG Holdings (3702.TW) | O (03/16/2026) | NT$108.50 |
| WT Microelectronics Co. Ltd. (3036.TW) | O (01/27/2026) | NT$207.00 |
| **Henry Zhao** | | |
| ACM Research Inc (ACMR.O) | O (03/07/2023) | US$49.29 |
| Advanced Micro-Fabrication Equipment Inc (688012.SS) | O (11/06/2023) | Rmb213.69 |
| Maxscend Microelectronics Co Ltd (300782.SZ) | U (01/11/2021) | Rmb50.10 |
| NAURA Technology Group Co Ltd (002371.SZ) | O (11/06/2023) | Rmb478.74 |
| OmniVision Integrated Circuits Group Inc (603501.SS) | E (10/29/2026) | Rmb82.45 |
| **Lucas Wang** | | |
| AllRing Tech Co. (6187.TWO) | O (09/23/2025) | NT$1,190.00 |
| FOCI Fiber Optic Communications Inc (3363.TWO) | E (10/09/2026) | NT$474.50 |
| Hon Precision (7769.TW) | O (04/17/2026) | NT$4,950.00 |
| King Yuan Electronics Co Ltd (2449.TW) | O (03/03/2023) | NT$253.50 |
| MPI Corporation (6223.TWO) | O (04/17/2026) | NT$4,610.00 |

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