



MediaTek (2454.TW/2454 TT)

Smartphone demand recovery underway

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of October 13 (NT\$)	842
12M target price (NT\$)	956
Previous target price (NT\$)	805
Revised up (%)	18.8
Upside (%)	13.5

Key message

MediaTek shares have outperformed the Taix by 30.6% since our upgrade on July 28. We remain positive on the counter given its healthy near- to mid-term outlook, and believe the stock could continue to outperform given improving smartphone demand sentiment and stabilizing gross margin outlook, coupled with an attractive dividend yield of 6-7%.

Trading data

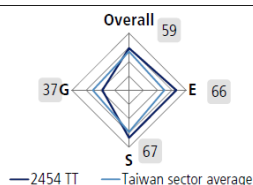
Mkt cap (NT\$bn/US\$m)	1,347 / 42,130
Outstanding shares (mn)	1,600
Foreign ownership (mn)	938
3M avg. daily trading (mn)	4.55
52-week trading range (NT\$)	563-842

Performance	3M	6M	12M
Absolute (%)	23.8	12.3	54.8
Relative (%)	25.4	6.1	23.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	21.02A	22.39A	19.54A	11.67A
2023	10.64A	10.07A	11.58F	12.86F
2024	12.15F	13.27F	15.00F	15.84F

ESG score card



Source: Refinitiv

Event

The investment thesis of our rating upgrade in late July was that smartphone demand had bottomed and we could see restocking demand gradually return in 2H23. We believe this has started to play out in recent months. We expect the current restocking demand to continue into 1Q24, and the global smartphone market could see healthy single-digit shipment growth in 2024 after three consecutive years of decline, which will pave the road to recovery for MediaTek.

Impact

Smartphone restocking demand has returned. Both 5G and 4G smartphone restocking demand has returned in recent months, and we expect this to continue into 1Q24. Furthermore, we forecast a healthy single-digit growth in global smartphone shipments in 2024. As such, we revise up MediaTek 2024F smartphone shipments from 150-160mn to 170-180mn units (vs. 150-160mn in 2023).

4Q23F sales to rise 8-16% QoQ on restocking demand. On the continued strength of smartphone restocking demand, we estimate MediaTek 4Q23 sales will grow 8-16% QoQ and 15.4% YoY to NT\$124.9bn, with respective gross and operating margins of 46-47% and 16-17%, versus consensus of NT\$114.9bn, 46.9% and 15.7%. For 3Q23, we estimate EPS of NT\$11.58, with respective gross and operating margins of 46.9% and 15.6%, versus consensus of NT\$10.29, 47.1% and 15.3%.

Beneficiary of edge AI computing in the long run. While mobile AI computing may not contribute significantly to MediaTek's top- and bottom-lines any time soon, we believe that on-device AI computing will require more powerful AI engines to run on-device AI applications. This will drive significant silicon content growth for mobile SoC over the long run, boosting overall mobile and AIoT ASP and improving its structural profitability, as well as augmenting the company's value proposition in smart mobile computing business. The company could also benefit from potential acceleration of the smartphone upgrade/replacement cycle, driven by edge AI computing.

Valuation & Action

MediaTek shares have outperformed the Taix by 30.6% since our upgrade on July 28. We remain positive on the counter given its healthy near- to mid-term outlook, and believe the stock could continue to outperform given improving smartphone demand sentiment and stabilizing gross margin outlook, coupled with an attractive dividend yield of 6-7%. Shares are trading at respective 2023-24F PE of 19x and 15x, versus the three-year range of 8-18x, which we consider undemanding. We maintain Outperform and raise our target price from NT\$805 (15x 2024F EPS) to NT\$956 (17x 2024F EPS).

Risks

Slower-than-expected inventory correction; falling demand for 5G smartphones; market share loss in 5G smartphone market.

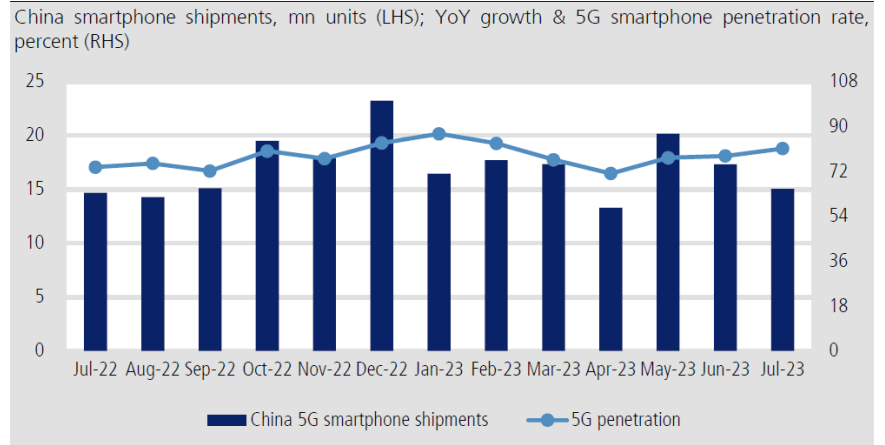
Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	322,146	493,415	548,796	428,785	505,148
Gross profit (NT\$m)	141,536	231,605	270,904	202,691	236,023
Operating profit (NT\$m)	43,219	108,040	126,788	67,259	93,959
Net profit (NT\$m)	40,917	111,421	118,141	71,603	89,218
EPS (NT\$)	26.01	70.56	74.59	45.15	56.26
Cash DPS (NT\$)	37.00	73.00	76.00	52.47	61.45
EPS growth (%)	77.0	171.3	5.7	(39.5)	24.6
PE (x)	32.4	11.9	11.3	18.6	15.0
PB (x)	3.6	3.1	3.1	3.3	3.3
EV/EBITDA (x)	14.2	6.8	5.8	9.4	7.1
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	4.4	8.7	9.0	6.2	7.3
Return on average equity (%)	12.0	27.7	27.1	17.0	22.0

Source: Company data, KGI Research estimates

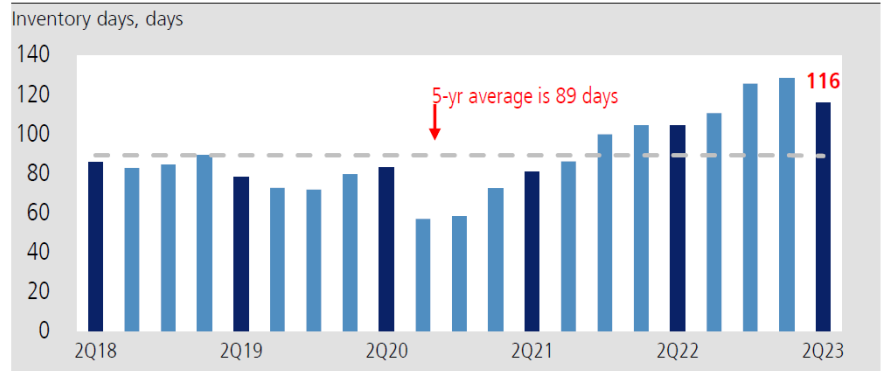
Our view on AI ASIC business. We believe it is a bit premature to discuss re-rating for MediaTek's share price based on the potential for its AI training/inferencing ASIC business as: (1) it is still in the RFQ phase; (2) sustainability of the business remains in question given the high probability of in-house sourcing over the long-term; and (3) the business is very likely to be gross margin dilutive.

Figure 1: China smartphone shipment



Source: CAICT, KGI Research

Figure 2: MediaTek's inventory days



Source: Company data, KGI Research

Figure 3: Breakdown of 3Q-4Q23 forecast revisions vs. KGI & consensus

NT\$m	3Q23F										4Q23F					
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Guidance (Mid-point)	Diff. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	110,098	108,114	1.8	12.2	(22.6)	105,500	4.4	106,821	3.1	124,901	123,922	0.8	13.4	15.4	114,948	8.7
Gross profit	51,641	50,669	1.9	10.7	(26.3)	49,585	4.1	50,333	2.6	58,491	57,999	0.8	13.3	11.9	53,906	8.5
Operating profit	17,181	16,830	2.1	16.5	(48.0)	15,825	8.6	16,329	5.2	20,959	20,637	1.6	22.0	15.9	17,994	16.5
Net profit	18,370	17,200	6.8	15.1	(40.7)			16,363	12.3	20,395	19,831	2.8	11.0	10.3	17,849	14.3
EPS (NT\$)	11.58	10.85	6.8	15.1	(40.7)			10.29	12.6	12.86	12.51	2.8	11.0	10.2	11.24	14.4
Gross margin (%)	46.9	46.9	0.0 ppts	(0.6)ppts	(2.4)ppts	47.0	(0.1)ppts	47.1	(0.2)ppts	46.8	46.8	0.0 ppts	(0.1)ppts	(1.5)ppts	46.9	(0.1)ppts
OP margin (%)	15.6	15.6	0.0 ppts	0.6 ppts	(7.6)ppts	15.0	0.6 ppts	15.3	0.3 ppts	16.8	16.7	0.1 ppts	1.2 ppts	0.1 ppts	15.7	1.1 ppts
Net margin (%)	16.7	15.9	0.8 ppts	0.4 ppts	(5.1)ppts			15.3	1.4 ppts	16.3	16.0	0.3 ppts	(0.4)ppts	(0.8)ppts	15.5	0.8 ppts

Source: Bloomberg, KGI Research estimates

Figure 4: Breakdown of 2023-24 forecast revisions vs. consensus

NT\$m	2023F						2024F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	428,785	425,823	0.7	(21.9)	416,449	3.0	505,148	499,340	1.2	17.8	494,870	2.1
Gross profit	202,691	201,227	0.7	(25.2)	197,601	2.6	236,023	233,199	1.2	16.4	232,881	1.3
Operating profit	67,259	66,586	1.0	(47.0)	63,943	5.2	93,959	90,307	4.0	39.7	87,845	7.0
Net profit	71,603	69,870	2.5	(39.4)	67,265	6.4	89,218	84,998	5.0	24.6	84,467	5.6
EPS (NT\$)	45.15	44.06	2.5	(39.5)	42.27	6.8	56.26	53.60	5.0	24.6	53.03	6.1
Gross margin (%)	47.3	47.3	0.0 ppts	(2.1)ppts	47.4	(0.2)ppts	46.7	46.7	0.0 ppts	(0.5)ppts	47.1	(0.3)ppts
OP margin (%)	15.7	15.6	0.0 ppts	(7.4)ppts	15.4	0.3 ppts	18.6	18.1	0.5 ppts	2.9 ppts	17.8	0.8 ppts
Net margin (%)	16.7	16.4	0.3 ppts	(4.8)ppts	16.2	0.5 ppts	17.7	17.0	0.6 ppts	1.0 ppts	17.1	0.6 ppts

Source: Bloomberg, KGI Research estimates

Figure 5: Company profile

MediaTek was founded in 1997 as a top-five fabless design house specializing in SoC solutions for wireless communications and digital multimedia. It holds a leading position in cutting-edge SoC system solutions for wireless communications, high-definition TV, optical storage, DVD and Blu-ray products. It also offers related product design, testing, maintenance and technology consulting services. MediaTek is headquartered in Hsinchu Science Park, Taiwan, with sales and research subsidiaries in China, Singapore, India, Japan, Korea, the US, Denmark and the UK. Employees numbered around 20,000 in 2021.

Source: Company data, KGI Research

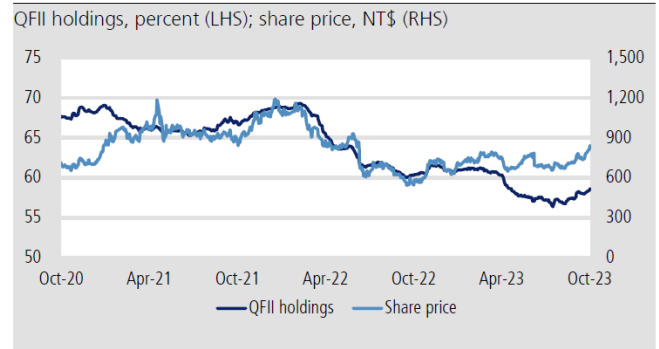
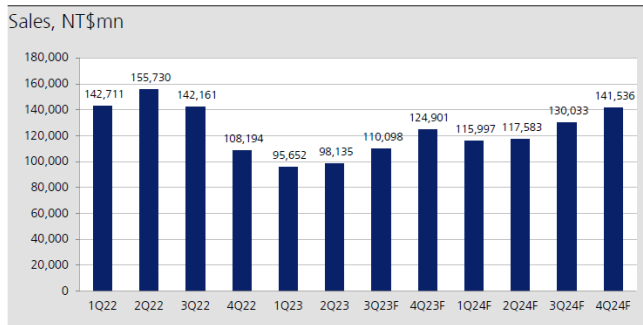
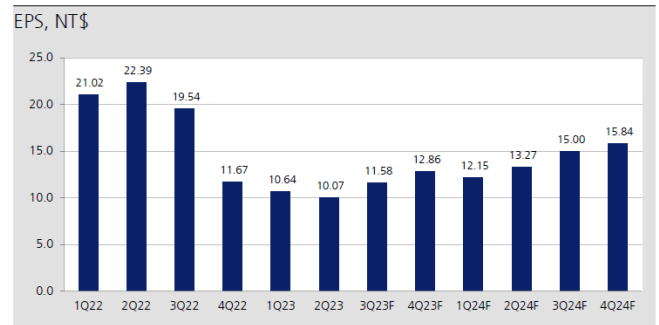
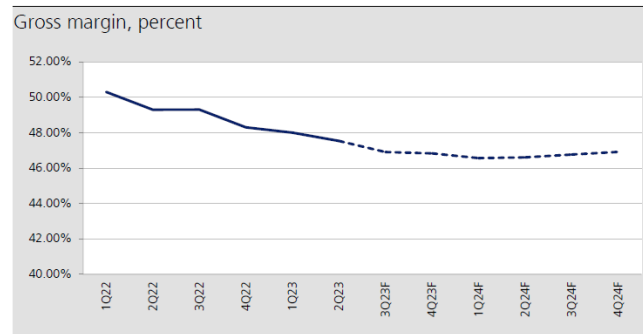
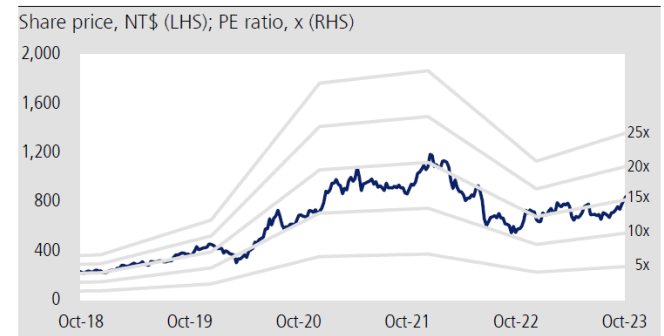
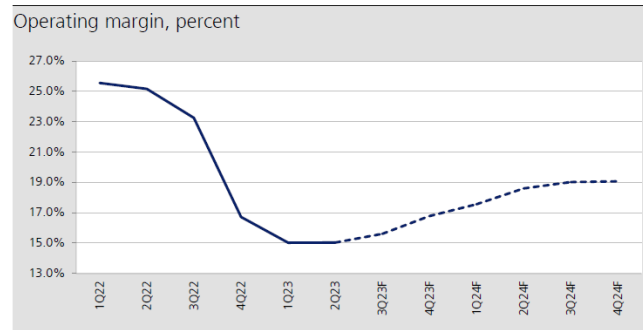
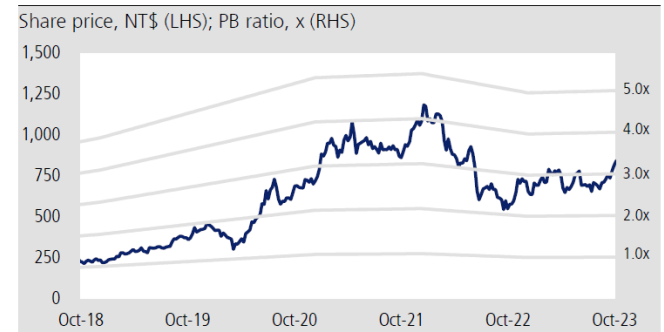
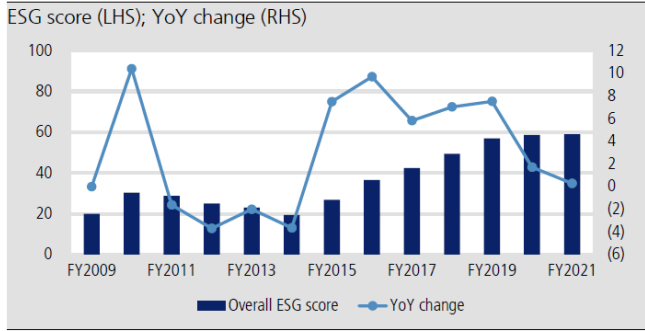
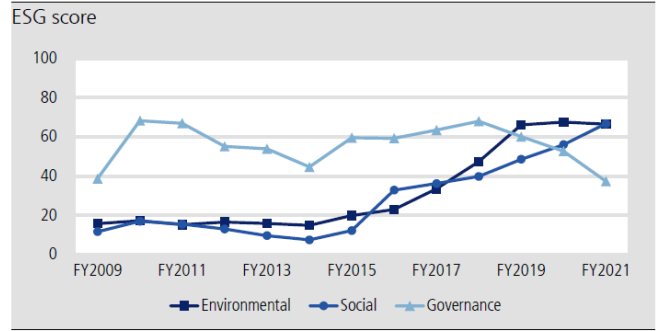
Figure 6: MediaTek QFII holdings vs. share price**Figure 7: Sales****Figure 8: EPS****Figure 9: Gross Margin****Figure 10: 12M forward PE band****Figure 11: Operating Margin****Figure 12: 12M forward PB band**

Figure 13: Overall ESG score



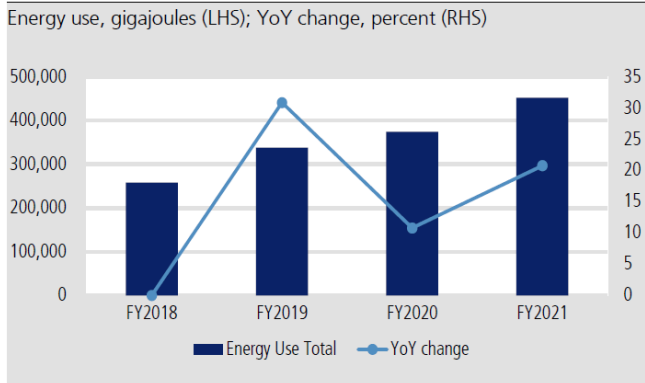
Source: Refinitiv, Company data

Figure 14: ESG scores



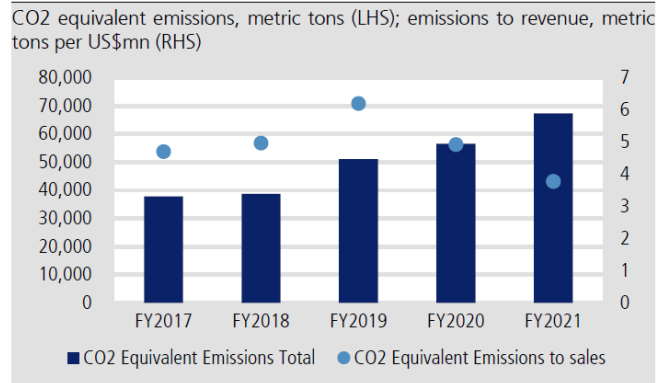
Source: Refinitiv, Company data

Figure 15: Energy Use



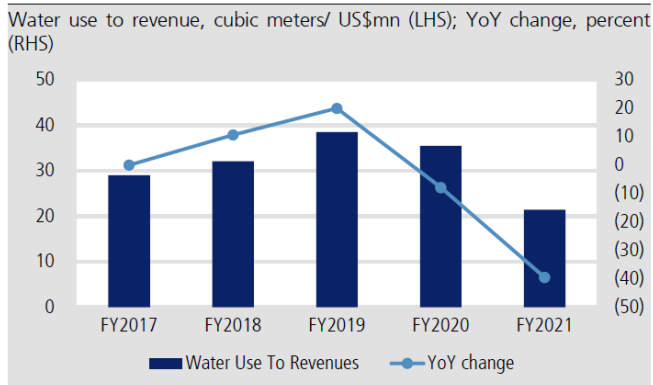
Source: Refinitiv, Company data

Figure 16: CO2 equivalent emissions



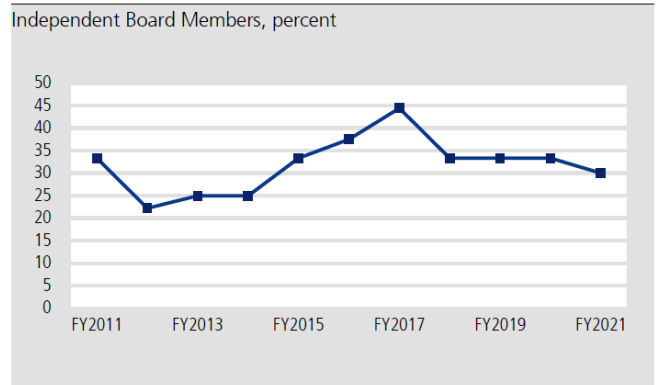
Source: Refinitiv, Company data

Figure 17: Water use to revenue



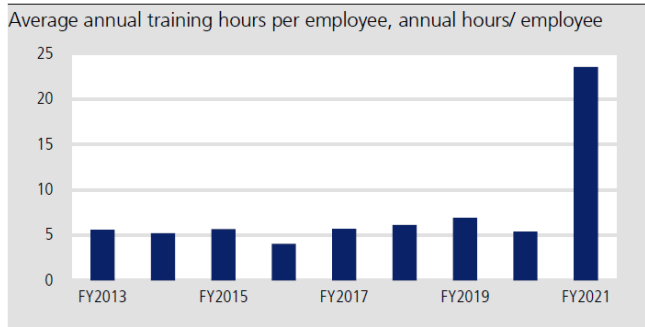
Source: Refinitiv, Company data

Figure 18: Independent Board Members



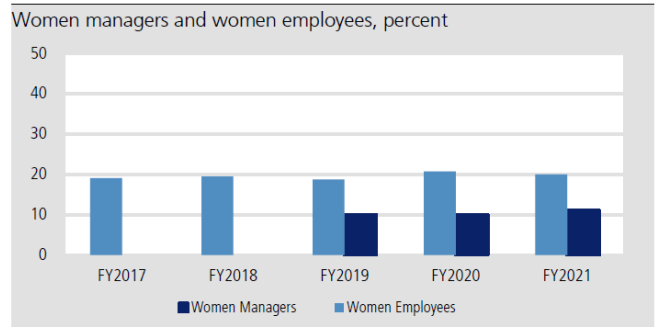
Source: Refinitiv, Company data

Figure 19: Employee training



Source: Refinitiv, Company data

Figure 20: Gender diversification



Source: Refinitiv, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	MediaTek has conducted carbon footprint verification on its office buildings and its internal administration process.
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCS), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCS), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	Has disclosed the retention rate in 2019-20, and its HR has launched inventive program with better compensation to keep its talents.
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; Company data, KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23F	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
Income statement (NT\$m)											
Revenue	95,652	98,135	110,098	124,901	115,997	117,583	130,033	141,536	548,796	428,785	505,148
Cost of goods sold	(49,739)	(51,489)	(58,456)	(66,409)	(61,990)	(62,786)	(69,220)	(75,130)	(277,892)	(226,094)	(269,125)
Gross profit	45,912	46,646	51,641	58,491	54,007	54,797	60,814	66,405	270,904	202,691	236,023
Operating expenses	(31,543)	(31,896)	(34,461)	(37,533)	(33,639)	(32,923)	(36,084)	(39,418)	(144,116)	(135,432)	(142,064)
Operating profit	14,369	14,751	17,181	20,959	20,368	21,874	24,729	26,988	126,788	67,259	93,959
Depreciation of fixed assets	(2,794)	(2,428)	(2,481)	(2,542)	(2,691)	(2,691)	(2,691)	(2,691)	(9,282)	(10,245)	(10,766)
Amortisation of intangible assets	(1,522)	(1,791)	(1,735)	(1,904)	(2,344)	(2,344)	(2,344)	(2,344)	(5,697)	(6,953)	(9,375)
EBITDA	18,685	18,970	21,397	25,405	25,403	26,909	29,765	32,023	141,768	84,457	114,099
Interest income	1,391	1,885	2,403	864	821	1,331	1,599	535	3,218	6,543	4,285
Investment income	3,116	1,165	500	500	500	500	500	500	3,281	5,281	2,000
Other non-op income	443	1,157	1,000	800	400	400	400	400	3,438	3,401	1,600
Non-operating income	4,950	4,208	3,903	2,164	1,721	2,231	2,499	1,435	9,937	15,224	7,885
Interest expense	(36)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(371)	(151)	(153)
Investment loss	(108)	108	-	-	-	-	-	-	-	-	-
Other non-op expenses	(70)	(658)	-	-	-	-	-	-	(794)	(728)	-
Non-operating expenses	(215)	(588)	(38)	(38)	(38)	(38)	(38)	(38)	(1,165)	(879)	(153)
Pre-tax profit	19,104	18,370	21,046	23,084	22,051	24,066	27,190	28,384	135,561	81,604	101,691
Current taxation	(2,213)	(2,351)	(2,525)	(2,539)	(2,634)	(2,876)	(3,251)	(3,111)	(16,936)	(9,629)	(11,873)
Minorities	(17)	(54)	(150)	(150)	(150)	(150)	(150)	(150)	(484)	(371)	(600)
Normalised net profit	16,874	15,965	18,370	20,395	19,266	21,040	23,789	25,123	118,141	71,603	89,218
Extraordinary items	(0)	0	-	-	-	-	-	-	-	-	-
Net profit	16,874	15,965	18,370	20,395	19,266	21,040	23,789	25,123	118,141	71,603	89,218
EPS (NT\$)	10.64	10.07	11.58	12.86	12.15	13.27	15.00	15.84	74.59	45.15	56.26
Margins (%)											
Gross profit margin	48.0	47.5	46.9	46.8	46.6	46.6	46.8	46.9	49.4	47.3	46.7
Operating margin	15.0	15.0	15.6	16.8	17.6	18.6	19.0	19.1	23.1	15.7	18.6
EBITDA margin	19.5	19.3	19.4	20.3	21.9	22.9	22.9	22.6	25.8	19.7	22.6
Pretax profit margin	20.0	18.7	19.1	18.5	19.0	20.5	20.9	20.1	24.7	19.0	20.1
Net profit margin	17.6	16.3	16.7	16.3	16.6	17.9	18.3	17.8	21.5	16.7	17.7
Sequential growth (%)											
Revenue growth	(11.6)	2.6	12.2	13.4	(7.1)	1.4	10.6	8.8			
Gross profit growth	(12.1)	1.6	10.7	13.3	(7.7)	1.5	11.0	9.2			
Operating profit growth	(20.6)	2.7	16.5	22.0	(2.8)	7.4	13.1	9.1			
EBITDA growth	(16.3)	1.5	12.8	18.7	(0.0)	5.9	10.6	7.6			
Pretax profit growth	(9.3)	(3.8)	14.6	9.7	(4.5)	9.1	13.0	4.4			
Net profit growth	(8.7)	(5.4)	15.1	11.0	(5.5)	9.2	13.1	5.6			
YoY growth (%)											
Revenue growth	(33.0)	(37.0)	(22.6)	15.4	21.3	19.8	18.1	13.3	11.2	(21.9)	17.8
Gross profit growth	(36.0)	(39.2)	(26.3)	11.9	17.6	17.5	17.8	13.5	17.0	(25.2)	16.4
Operating profit growth	(60.6)	(62.4)	(48.0)	15.9	41.8	48.3	43.9	28.8	17.4	(47.0)	39.7
EBITDA growth	(52.9)	(55.6)	(42.2)	13.8	36.0	41.9	39.1	26.0	19.5	(40.4)	35.1
Pretax profit growth	(49.7)	(55.1)	(40.9)	9.6	15.4	31.0	29.2	23.0	6.9	(39.8)	24.6
Net profit growth	(49.3)	(54.9)	(40.7)	10.3	14.2	31.8	29.5	23.2	6.0	(39.4)	24.6

Source: Company data, KGI Research estimates

Balance sheet					
NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Total assets	533,906	660,877	608,399	574,273	578,510
Current assets	291,862	346,865	297,654	217,302	205,063
Cash & ST securities	210,113	204,764	164,810	74,393	52,270
Inventory	37,677	73,271	70,703	71,722	72,125
Accounts receivable	33,133	58,660	40,842	47,462	53,784
Other current assets	10,939	10,171	21,298	23,725	26,885
Non-current assets	242,044	314,012	310,746	356,971	373,447
LT investments	116,767	129,729	125,575	152,799	154,799
Net fixed assets	38,971	49,111	53,862	50,676	48,021
Total other assets	86,306	135,172	131,309	153,496	170,626
Total liabilities	158,822	227,229	165,341	168,792	167,151
Current liabilities	143,798	211,106	141,570	139,093	135,440
Accounts payable	34,470	43,504	21,518	42,502	51,089
Interest bearing ST liabilities	24,964	54,961	6,569	9,696	9,696
Other current liabilities	84,364	112,641	113,484	86,894	74,655
Non-current liabilities	15,023	16,123	23,771	29,699	31,711
Long-term debt	3,620	1,684	863	3,849	3,849
Other L-T liabilities	11,404	14,439	22,907	25,850	27,862
Total equity	375,084	433,648	443,058	405,482	411,359
Share capital	15,903	15,989	15,994	15,996	15,996
Retained earnings reserve	173,052	252,433	286,689	247,960	253,237
Minority interests	3,251	1,633	2,949	2,898	3,498
Preferred shareholders funds	-	-	-	-	-

Key ratios					
	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Growth					
Revenue growth	30.8%	53.2%	11.2%	(21.9%)	17.8%
Operating profit growth	91.5%	150.0%	17.4%	(47.0%)	39.7%
EBITDA growth	71.6%	123.4%	19.5%	(40.4%)	35.1%
Net profit growth	77.6%	172.3%	6.0%	(39.4%)	24.6%
EPS growth	77.0%	171.3%	5.7%	(39.5%)	24.6%
Profitability					
Gross profit margin	43.9%	46.9%	49.4%	47.3%	46.7%
Operating margin	13.4%	21.9%	23.1%	15.7%	18.6%
EBITDA margin	16.5%	24.0%	25.8%	19.7%	22.6%
Net profit margin	12.7%	22.6%	21.5%	17.7%	17.7%
Return on average assets	8.2%	18.7%	18.6%	12.1%	15.5%
Return on average equity	12.0%	27.7%	27.1%	17.0%	22.0%
Stability					
Gross debt to equity	7.6%	13.1%	1.7%	3.3%	3.3%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.0	659.6	366.5	540.8	663.9
Interest & ST debt coverage (x)	0.6	0.7	1.0	0.9	0.9
Cash flow interest coverage(x)	133.7	244.5	389.8	451.0	607.6
Cash flow/int. & ST debt (x)	3.1	0.9	20.8	6.9	9.5
Current ratio (x)	2.0	1.6	2.1	1.6	1.5
Quick ratio (x)	1.8	1.3	1.6	1.0	1.0
Net debt (NT\$m)	(167,996)	(127,060)	(140,070)	(47,514)	(27,391)
Per share data					
EPS (NT\$)	26.01	70.56	74.59	45.15	56.26
CFPS (NT\$)	50.57	29.82	91.29	43.00	58.77
BVPS (NT\$)	233.82	270.20	275.16	251.67	254.97
Adj BVPS (NT\$)	236.34	273.59	277.88	253.86	257.19
SPS (NT\$)	204.75	312.47	346.51	270.38	318.54
EBITDA/share (NT\$)	33.76	75.15	89.51	53.26	71.95
Cash DPS (NT\$)	37.00	73.00	76.00	52.47	61.45
Activity					
Sales / avg assets	0.65	0.83	0.86	0.73	0.88
Days receivable	37.6	43.4	27.2	40.4	39.0
Days inventory	76.4	102.1	92.9	115.8	98.1
Days payable	69.9	60.7	28.3	68.6	69.5
Cash cycle	44.1	84.9	91.8	87.6	67.6

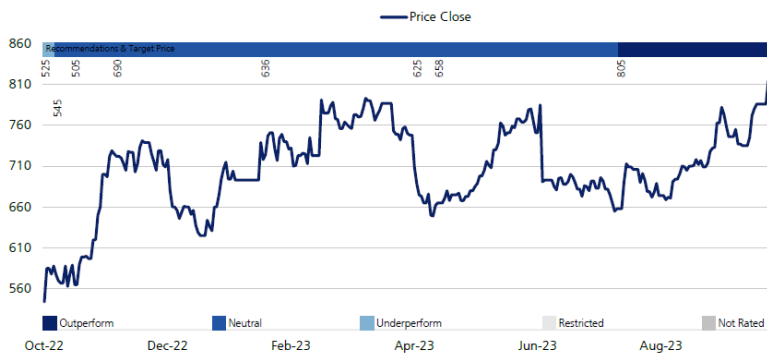
Source: Company data, KGI Research estimates

Profit & loss					
NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue	322,146	493,415	548,796	428,785	505,148
Cost of goods sold	(180,610)	(261,810)	(277,892)	(226,094)	(269,125)
Gross profit	141,536	231,605	270,904	202,691	236,023
Operating expenses	(98,316)	(123,564)	(144,116)	(135,432)	(142,064)
Operating profit	43,219	108,040	126,788	67,259	93,959
Non-operating income	4,958	19,013	9,937	15,224	7,885
Interest income	2,482	1,651	3,218	6,543	4,285
Investment income	1,773	6,760	3,281	5,281	2,000
Other non-op income	703	10,602	3,438	3,401	1,600
Non-operating expenses	(595)	(202)	(1,165)	(879)	(153)
Interest expense	(595)	(193)	(371)	(151)	(153)
Investment loss	-	-	-	-	-
Other non-op expenses	-	(9)	(794)	(728)	-
Pre-tax profit	47,583	126,852	135,561	81,604	101,691
Current taxation	(6,144)	(14,980)	(16,936)	(9,629)	(11,873)
Minorities	(522)	(451)	(484)	(371)	(600)
Extraordinary items	-	0	0	-	-
Net profit	40,917	111,421	118,141	71,603	89,218
EBITDA	53,120	118,661	141,768	84,457	114,099
EPS (NT\$)	26.01	70.56	74.59	45.15	56.26

Cash flow					
NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Operations cash flow	79,558	47,095	144,583	68,191	93,201
Net profit	40,917	111,421	118,141	71,603	89,218
Depreciation & amortisation	9,901	10,621	14,980	17,198	20,141
Decrease in working capital	(4,201)	(52,087)	(1,601)	13,345	1,862
Other operating cash flow	32,941	(22,860)	13,063	(33,956)	(18,020)
Investing cash flow	(6,769)	(28,924)	(37,535)	(34,886)	(29,383)
Sale of ST investment	13,618	307	(4,156)	11,319	2,000
New investments	(10,551)	(3,596)	(15,626)	(24,049)	(2,000)
Capital expenditure	(5,000)	(16,985)	(13,622)	(7,449)	(8,111)
Others investing cash flow	(4,836)	(8,650)	(4,130)	(14,708)	(21,272)
Free cash flow	33,006	31,752	105,008	75,464	87,506
Financing cash flow	(49,221)	(27,951)	(156,280)	(121,621)	(83,941)
Increase in short term debt	(35,784)	29,796	(47,567)	750	-
Increase in long term loans	4,847	(1,736)	(1,645)	5,363	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(16,589)	(58,585)	(116,141)	(121,967)	(83,941)
Other financing cash flow	(1,642)	2,573	9,073	(5,768)	-
Forex effects	(4,533)	(3,094)	13,030	1,874	-
Total cash generated	19,035	(12,875)	(36,202)	(86,443)	(20,123)
Cash flow by merger	-	-	-	-	-

ROIC					
	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue	43.9%	46.9%	49.4%	47.3%	46.7%
- Operating exp./revenue	30.5%	25.0%	26.3%	31.6%	28.1%
= Operating margin	13.4%	21.9%	23.1%	15.7%	18.6%
1 / (Working capital/revenue	(0.1)	(0.0)	(0.0)	0.0	0.1
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.3	0.3	0.2	0.4	0.3
= Capital turnover	3.7	2.9	3.0	2.0	2.1
Operating margin	13.4%	21.9%	23.1%	15.7%	18.6%
x Capital turnover	3.7	2.9	3.0	2.0	2.1
x (1 - tax rate)	87.1%	88.2%	87.5%	88.2%	88.3%
= After-tax ROIC	42.7%	56.0%	60.6%	27.3%	33.8%

Source: Company data, KGI Research estimates

MediaTek – Recommendation & target price history


Date	Rating	Target	Price
2023-07-28	Outperform	805	658
2023-04-28	Neutral	658	665
2023-04-17	Neutral	625	709
2023-02-03	Neutral	636	751
2023-01-31	Neutral	636	718
2022-11-18	Neutral	690	722
2022-10-28	Neutral	505	565
2022-10-19	Neutral	545	577
2022-08-19	Underperform	525	693
2022-07-29	Underperform	530	683

Source: TEJ, KGI Research

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