

# MediaTek (2454.TW/2454 TT)

## Earnings revision cycle likely to peak post-1Q24 guidance

FTSE4Good TIP Taiwan ESG Index stock

### Neutral · Maintained

Price as of January 31 (NT\$)	966
12M target price (NT\$)	986
Previous target price (NT\$)	976
Revised up (%)	1.0
Upside (%)	2.1

#### Key message

- We reiterate our view that the upward earnings revision cycle could peak after 4Q23 earnings results and 1Q24F guidance.
- We expect the shares to consolidate until smartphone demand visibility improves in 2H24F.

#### Trading data

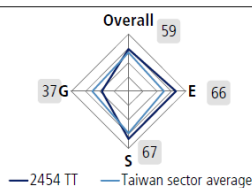
Mkt cap (NT\$bn/US\$m)	1,545 / 49,615
Outstanding shares (mn)	1,600
Foreign ownership (mn)	952
3M avg. daily trading (mn)	5.44
52-week trading range (NT\$)	649 -1,040

Performance	3M	6M	12M
Absolute (%)	14.7	40	34.5
Relative (%)	2.9	35.7	17.3

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	21.02A	22.39A	19.54A	11.67A
2023	10.64A	10.07A	11.64A	16.15F
2024	13.28F	14.49F	15.29F	14.93F

#### ESG score card



Source: Refinitiv

#### Event

MediaTek expects 2024F smartphone shipments to grow by a low-single digit percent YoY, and expects its 5G penetration rate to reach a low-60s percentage, compared to high-50s in 2023, implying limited upside to consensus 5G smartphone shipment forecasts of 185-195mn units (up from roughly 160mn units in 2023) and flagship AI smartphone shipments of 8-10mn units for MediaTek this year. We thus reiterate our view that the upward earnings revision cycle could peak after 4Q23 earnings results and 1Q24F guidance.

#### Impact

**Too early for ASIC & auto to drive a share re-rating.** The firm thinks new business opportunities will enter volume production and contribute to sales in late 2025F, which echoes our view that ASIC and auto businesses could potentially become 2H25-2026F catalysts. However, we believe it is too early for ASIC and auto to drive a share re-rating and reiterate our view that HPC-related ASIC business is likely to be gross margin and operating margin dilutive, as it involves advanced process and packaging technologies (i.e. 3nm and chiplet CoWoS) that require heavy R&D resources. Of note, we believe the ASIC project is still in the quotation phase, with the test vehicle being designed and evaluated at TSMC (2330 TT, NT\$628, OP); hence, the potential business is not without execution risks.

**1Q24F guidance above consensus.** The firm guides 1Q24F sales of NT\$121.8-129.6bn, down 0-6% QoQ, above our estimate and consensus of a 6.7% and 8.7% QoQ decline, respectively. The firm also guides a 1Q24F gross margin of 47.0% at the mid-point, and expects 2024F gross margin to remain at a level similar to 1Q24F.

**4Q23 results beat consensus & our forecasts.** 4Q23 gross margin came in at 48.3%, respectively 1.4ppts and 1.1ppts higher than our estimate and consensus, mainly due to a more favorable product mix (higher volume of flagship 5G SoC). EPS was NT\$16.15, above our forecast and consensus of NT\$14.00 and NT\$13.09 by 15.4% and 23.4% on higher-than-consensus gross and operating margins of 48.3% and 19.1%, respectively, as well as non-operating income.

#### Valuation & Action

We fine-tune our 2024F EPS in light of better-than-expected gross and operating margin outlook and adjust our target price accordingly from NT\$976 to NT\$986 (based on 17x 2024F EPS). We expect the shares to consolidate until smartphone demand visibility improves in 2H24F. Shares are now trading at a 2024F PE of 17x, versus the three-year range of 10x-18x. Maintain Neutral.

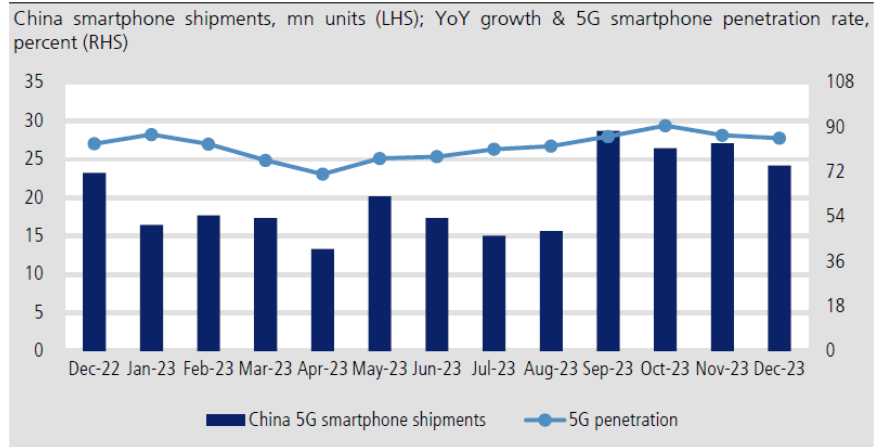
#### Risks

Rising demand for 5G smartphones, market share gains in 5G smartphone market.

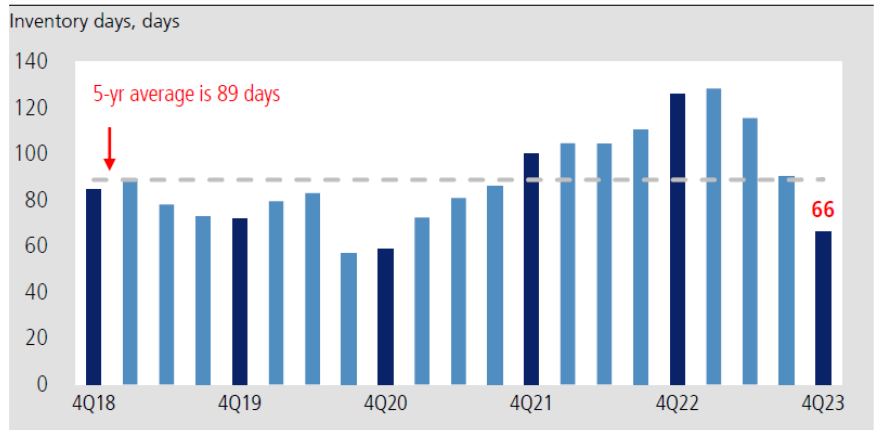
#### Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	322,146	493,415	548,796	433,446	513,492
Gross profit (NT\$m)	141,536	231,605	270,904	207,367	241,098
Operating profit (NT\$m)	43,219	108,040	126,788	71,800	96,184
Net profit (NT\$m)	40,917	111,421	118,141	76,979	92,138
EPS (NT\$)	26.01	70.56	74.59	48.51	57.98
Cash DPS (NT\$)	37.00	73.00	76.00	55.18	62.84
EPS growth (%)	77.0	171.3	5.7	(35.0)	19.5
PE (x)	37.1	13.7	13.0	19.9	16.7
PB (x)	4.1	3.6	3.5	3.7	3.7
EV/EBITDA (x)	16.7	8.0	6.8	9.8	7.5
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	3.8	7.6	7.9	5.7	6.5
Return on average equity (%)	12.0	27.7	27.1	17.9	21.9

Source: Company data, KGI Research estimates

**Figure 1: China smartphone shipments**


Source: CAICT, KGI Research

**Figure 2: MediaTek's inventory days**


Source: Company data, KGI Research

**Figure 3: Breakdown of 4Q23 results & 1Q24 forecast revisions vs. KGI & consensus**

NT\$m	4Q23						1Q24F					
	Actual	KGI forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	129,562	129,562	0.0	17.7	124,660	3.9	123,497	120,831	2.2	(4.7)	118,255	4.4
Gross profit	62,616	60,758	3.1	20.0	58,920	6.3	58,532	56,419	3.7	(6.5)	55,748	5.0
Operating profit	24,736	22,797	8.5	37.8	21,378	15.7	22,224	20,593	7.9	(10.2)	19,648	13.1
Net profit	25,663	22,219	15.5	38.9	21,088	21.7	21,107	19,560	7.9	(17.8)	19,327	9.2
EPS (NT\$)	16.15	14.00	15.4	38.7	13.09	23.4	13.28	12.32	7.8	(17.8)	12.21	8.8
Gross margin (%)	48.3	46.9	1.4 ppts	0.9 ppts	47.3	1.1 ppts	47.4	46.7	0.7 ppts	(0.9)ppts	47.1	0.3 ppts
OP margin (%)	19.1	17.6	1.5 ppts	2.8 ppts	17.1	1.9 ppts	18.0	17.0	1.0 ppts	(1.1)ppts	16.6	1.4 ppts
Net margin (%)	19.8	17.1	2.7 ppts	3.0 ppts	16.9	2.9 ppts	17.1	16.2	0.9 ppts	(2.7)ppts	16.3	0.7 ppts

Source: Company data, Bloomberg, KGI Research estimates

**Figure 4: Breakdown of 2023 results & 2024 forecast revisions vs. KGI & consensus**

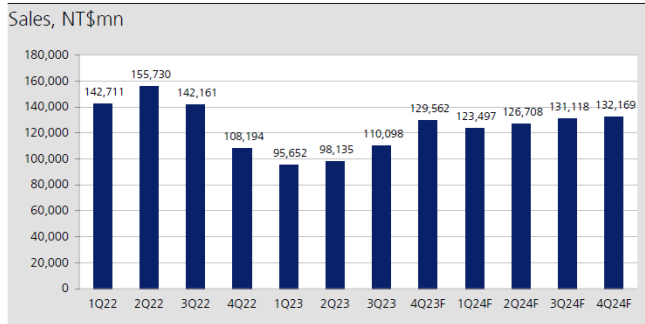
NT\$m	2023						2024F					
	Actual	KGI forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	433,446	433,446	0.0	(21.0)	428,942	1.0	513,492	513,127	0.1	18.5	516,931	(0.7)
Gross profit	207,367	205,509	0.9	(23.5)	203,859	1.7	241,098	240,147	0.4	16.3	244,147	(1.2)
Operating profit	71,800	69,860	2.8	(43.4)	68,962	4.1	96,184	95,010	1.2	34.0	92,734	3.7
Net profit	76,979	73,535	4.7	(34.8)	72,480	6.2	92,138	90,801	1.5	19.7	90,186	2.2
EPS (NT\$)	48.51	46.34	4.7	(35.0)	45.41	6.8	57.98	57.19	1.4	19.5	56.24	3.1
Gross margin (%)	47.8	47.4	0.4 ppts	(1.5)ppts	47.5	0.3 ppts	47.0	46.8	0.2 ppts	(0.9)ppts	47.2	(0.3)ppts
OP margin (%)	16.6	16.1	0.4 ppts	(6.5)ppts	16.1	0.5 ppts	18.7	18.5	0.2 ppts	2.2 ppts	17.9	0.8 ppts
Net margin (%)	17.8	17.0	0.8 ppts	(3.8)ppts	16.9	0.9 ppts	17.9	17.7	0.2 ppts	0.2 ppts	17.4	0.5 ppts

Source: Company data, Bloomberg, KGI Research estimates

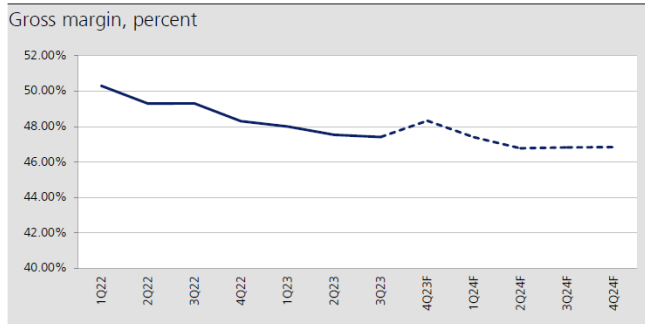
**Figure 5: Company profile**

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.

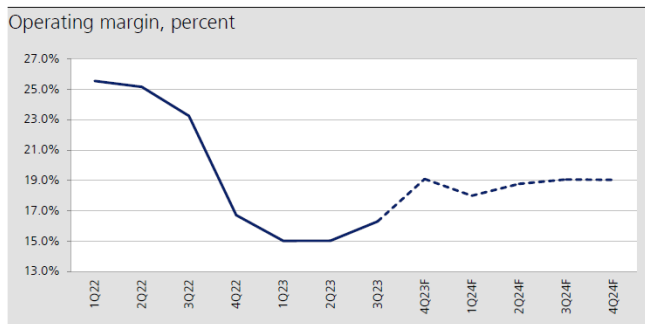
Source: Company data, KGI Research

**Figure 7: Sales**


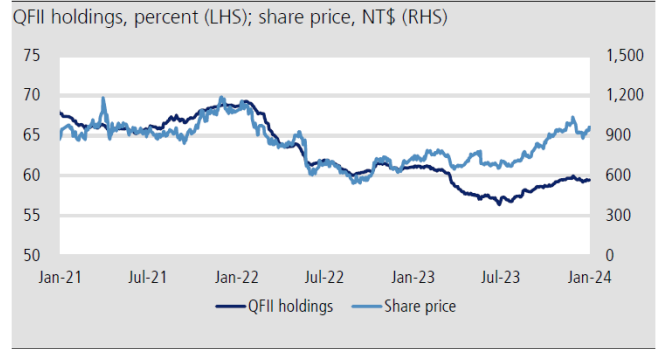
Source: KGI Research

**Figure 9: Gross margin**


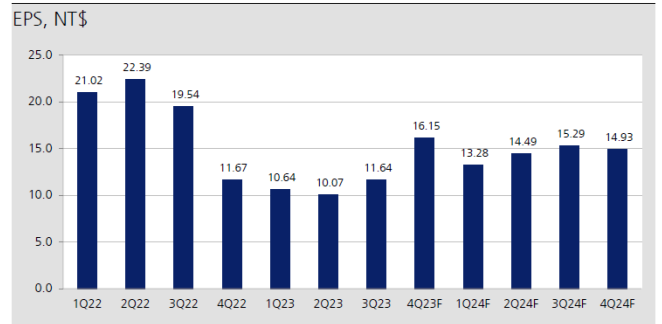
Source: KGI Research

**Figure 11: Operating margin**


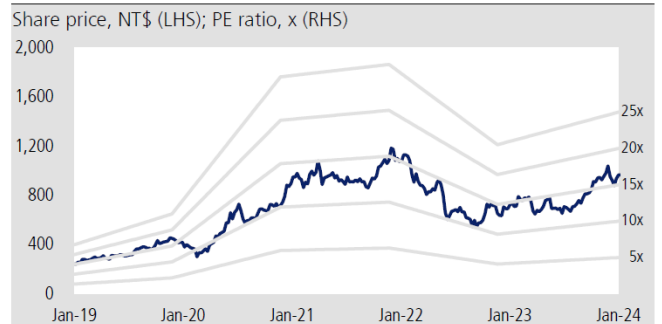
Source: KGI Research

**Figure 6: MediaTek QFII holdings vs. share price**


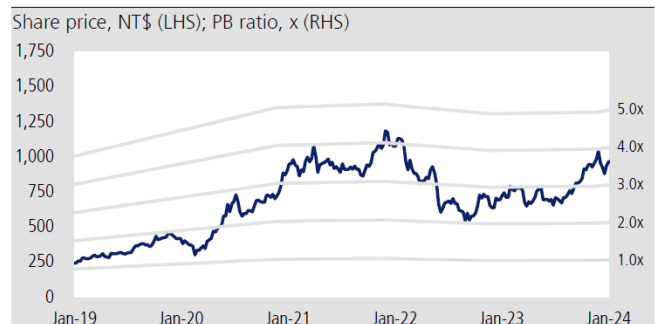
Source: TEJ, KGI Research

**Figure 8: EPS**


Source: KGI Research

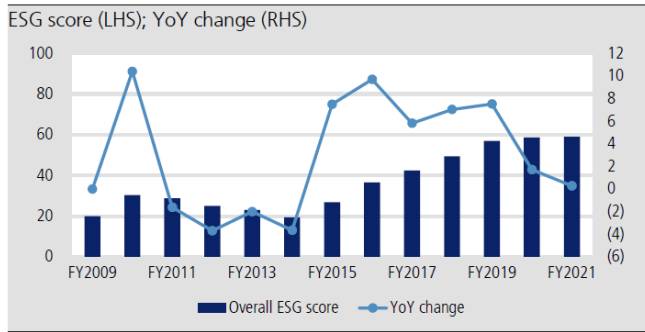
**Figure 10: 12M forward PE band**


Source: TEJ, KGI Research estimates

**Figure 12: 12M forward PB band**


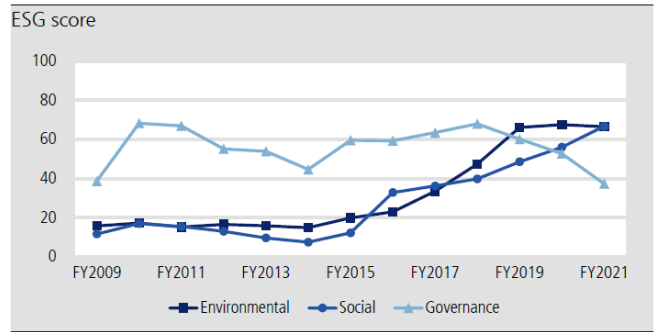
Source: TEJ, KGI Research estimates

Figure 13: Overall ESG score



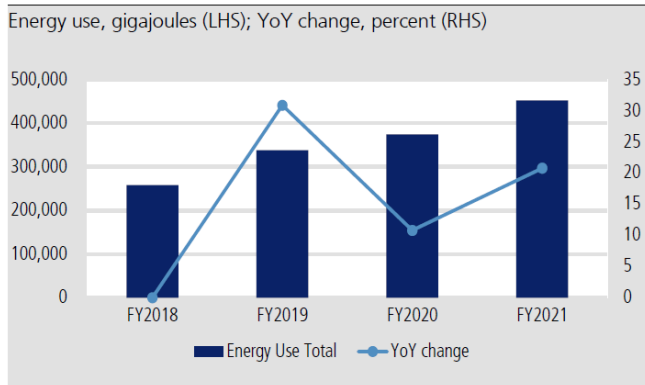
Source: Refinitiv, Company data

Figure 14: ESG scores



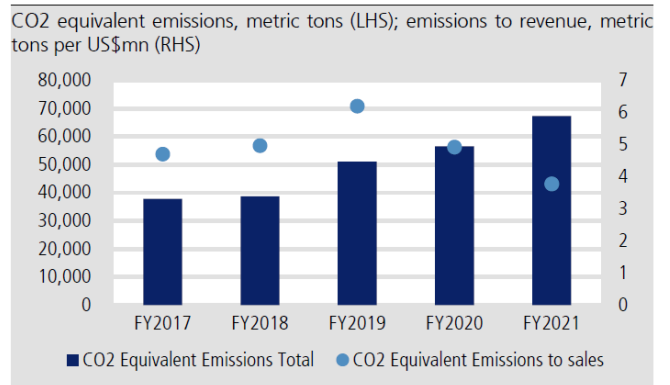
Source: Refinitiv, Company data

Figure 15: Energy use



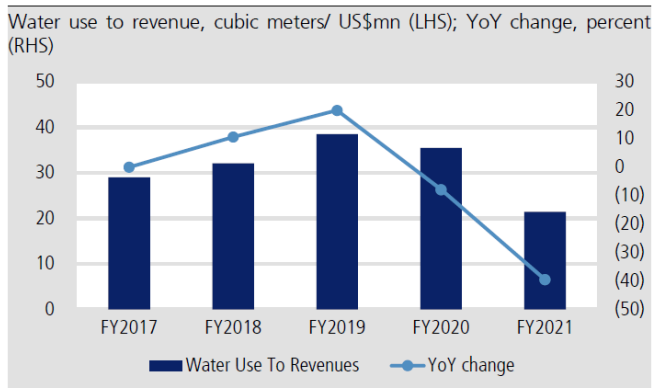
Source: Refinitiv, Company data

Figure 16: CO2 equivalent emissions



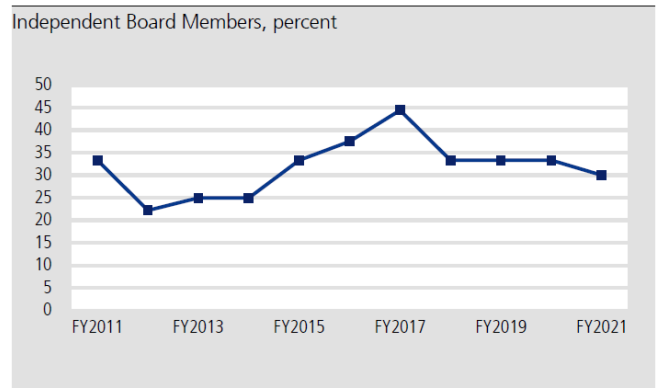
Source: Refinitiv, Company data

Figure 17: Water use to revenue



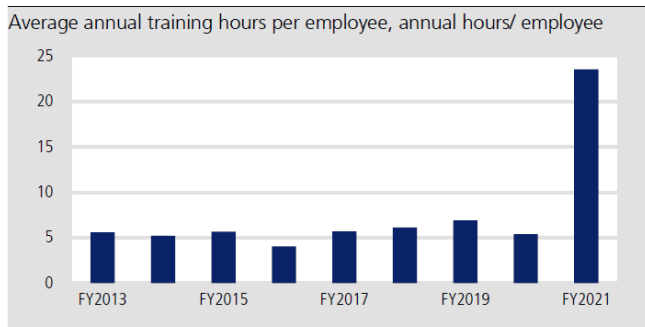
Source: Refinitiv, Company data

Figure 18: Independent board members



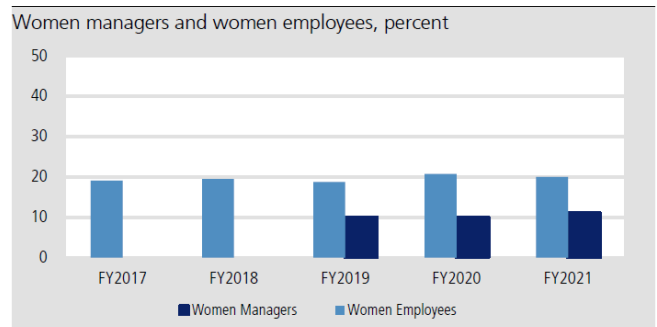
Source: Refinitiv, Company data

Figure 19: Employee training



Source: Refinitiv, Company data

Figure 20: Gender diversification



Source: Refinitiv, Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - 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	Total primary renewable energy purchased in gigajoules. - 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	Direct CO2 and CO2 equivalent emissions in metric tons. - 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	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - 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	Total amount of waste produced in metric tons. - 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	The waste recycling ratio as reported by the company. - 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	Total water withdrawal in cubic meters. - 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	Total amount of environmental expenditures. - 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	Percentage of employee turnover. - 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	Percentage of women managers. - 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	Percentage of women employees. - 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	Total training hours performed by all employees. - 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-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
<b>Income statement (NT\$mn)</b>											
<b>Revenue</b>	<b>95,652</b>	<b>98,135</b>	<b>110,098</b>	<b>129,562</b>	<b>123,497</b>	<b>126,708</b>	<b>131,118</b>	<b>132,169</b>	<b>548,796</b>	<b>433,446</b>	<b>513,492</b>
Cost of goods sold	(49,739)	(51,489)	(57,905)	(66,946)	(64,965)	(67,442)	(69,728)	(70,260)	(277,892)	(226,079)	(272,393)
<b>Gross profit</b>	<b>45,912</b>	<b>46,646</b>	<b>52,192</b>	<b>62,616</b>	<b>58,532</b>	<b>59,266</b>	<b>61,391</b>	<b>61,909</b>	<b>270,904</b>	<b>207,367</b>	<b>241,098</b>
Operating expenses	(31,543)	(31,896)	(34,248)	(37,880)	(36,308)	(35,478)	(36,385)	(36,743)	(144,116)	(135,567)	(144,914)
<b>Operating profit</b>	<b>14,369</b>	<b>14,751</b>	<b>17,944</b>	<b>24,736</b>	<b>22,224</b>	<b>23,788</b>	<b>25,005</b>	<b>25,166</b>	<b>126,788</b>	<b>71,800</b>	<b>96,184</b>
Depreciation of fixed assets	(2,794)	(2,428)	(2,889)	(2,969)	(3,163)	(3,163)	(3,163)	(3,163)	(9,282)	(11,080)	(12,653)
Amortisation of intangible assets	(1,522)	(1,791)	(1,924)	(2,142)	(2,105)	(2,105)	(2,105)	(2,105)	(5,697)	(7,379)	(8,421)
<b>EBITDA</b>	<b>18,685</b>	<b>18,970</b>	<b>22,757</b>	<b>29,846</b>	<b>27,493</b>	<b>29,057</b>	<b>30,274</b>	<b>30,435</b>	<b>141,768</b>	<b>90,258</b>	<b>117,258</b>
Interest income	1,391	1,885	1,664	876	770	1,227	1,454	297	3,218	5,816	3,748
Investment income	3,116	1,165	1,124	500	600	700	650	600	3,281	5,905	2,550
Other non-op income	443	1,157	762	2,243	600	650	700	800	3,438	4,605	2,750
<b>Non-operating income</b>	<b>4,950</b>	<b>4,208</b>	<b>3,549</b>	<b>3,618</b>	<b>1,970</b>	<b>2,577</b>	<b>2,804</b>	<b>1,697</b>	<b>9,937</b>	<b>16,325</b>	<b>9,048</b>
Interest expense	(36)	(38)	(253)	(38)	(38)	(38)	(38)	(38)	(371)	(366)	(153)
Investment loss	(108)	108	-	-	-	-	-	-	-	-	-
Other non-op expenses	(70)	(658)	(248)	-	-	-	-	-	(794)	(976)	-
<b>Non-operating expenses</b>	<b>(215)</b>	<b>(588)</b>	<b>(501)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(1,165)</b>	<b>(1,342)</b>	<b>(153)</b>
<b>Pre-tax profit</b>	<b>19,104</b>	<b>18,370</b>	<b>20,993</b>	<b>28,316</b>	<b>24,155</b>	<b>26,327</b>	<b>27,771</b>	<b>26,825</b>	<b>135,561</b>	<b>86,783</b>	<b>105,079</b>
Current taxation	(2,213)	(2,351)	(2,424)	(2,602)	(2,899)	(3,159)	(3,333)	(2,951)	(16,936)	(9,591)	(12,341)
Minorities	(17)	(54)	(91)	(50)	(150)	(150)	(150)	(150)	(484)	(212)	(600)
<b>Normalised net profit</b>	<b>16,874</b>	<b>15,965</b>	<b>18,478</b>	<b>25,663</b>	<b>21,107</b>	<b>23,018</b>	<b>24,289</b>	<b>23,724</b>	<b>118,141</b>	<b>76,979</b>	<b>92,138</b>
Extraordinary items	(0)	0	(0)	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>16,874</b>	<b>15,965</b>	<b>18,478</b>	<b>25,663</b>	<b>21,107</b>	<b>23,018</b>	<b>24,289</b>	<b>23,724</b>	<b>118,141</b>	<b>76,979</b>	<b>92,138</b>
EPS (NT\$)	10.64	10.07	11.64	16.15	13.28	14.49	15.29	14.93	74.59	48.51	57.98
<b>Margins (%)</b>											
Gross profit margin	48.0	47.5	47.4	48.3	47.4	46.8	46.8	46.8	49.4	47.8	47.0
Operating margin	15.0	15.0	16.3	19.1	18.0	18.8	19.1	19.0	23.1	16.6	18.7
EBITDA margin	19.5	19.3	20.7	23.0	22.3	22.9	23.1	23.0	25.8	20.8	22.8
Pretax profit margin	20.0	18.7	19.1	21.9	19.6	20.8	21.2	20.3	24.7	20.0	20.5
Net profit margin	17.6	16.3	16.8	19.8	17.1	18.2	18.5	17.9	21.5	17.8	17.9
<b>Sequential growth (%)</b>											
Revenue growth	(11.6)	2.6	12.2	17.7	(4.7)	2.6	3.5	0.8			
Gross profit growth	(12.1)	1.6	11.9	20.0	(6.5)	1.3	3.6	0.8			
Operating profit growth	(20.6)	2.7	21.7	37.8	(10.2)	7.0	5.1	0.6			
EBITDA growth	(16.3)	1.5	20.0	31.1	(7.9)	5.7	4.2	0.5			
Pretax profit growth	(9.3)	(3.8)	14.3	34.9	(14.7)	9.0	5.5	(3.4)			
Net profit growth	(8.7)	(5.4)	15.7	38.9	(17.8)	9.1	5.5	(2.3)			
<b>YoY growth (%)</b>											
Revenue growth	(33.0)	(37.0)	(22.6)	19.7	29.1	29.1	19.1	2.0	11.2	(21.0)	18.5
Gross profit growth	(36.0)	(39.2)	(25.5)	19.8	27.5	27.1	17.6	(1.1)	17.0	(23.5)	16.3
Operating profit growth	(60.6)	(62.4)	(45.7)	36.8	54.7	61.3	39.3	1.7	17.4	(43.4)	34.0
EBITDA growth	(52.9)	(55.6)	(38.5)	33.6	47.1	53.2	33.0	2.0	19.5	(36.3)	29.9
Pretax profit growth	(49.7)	(55.1)	(41.0)	34.5	26.4	43.3	32.3	(5.3)	6.9	(36.0)	21.1
Net profit growth	(49.3)	(54.9)	(40.3)	38.8	25.1	44.2	31.4	(7.6)	6.0	(34.8)	19.7

Source: Company data, KGI Research estimates

## Balance sheet

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Total assets</b>	<b>533,906</b>	<b>660,877</b>	<b>608,399</b>	<b>663,579</b>	<b>671,774</b>
<b>Current assets</b>	<b>291,862</b>	<b>346,865</b>	<b>297,654</b>	<b>307,686</b>	<b>317,629</b>
Cash & ST securities	210,113	204,764	164,810	134,794	139,445
Inventory	37,677	73,271	70,703	61,727	64,782
Accounts receivable	33,133	58,660	40,842	72,608	74,069
Other current assets	10,939	10,171	21,298	38,557	39,333
<b>Non-current assets</b>	<b>242,044</b>	<b>314,012</b>	<b>310,746</b>	<b>355,893</b>	<b>354,145</b>
LT investments	116,767	129,729	125,575	157,707	159,707
Net fixed assets	38,971	49,111	53,862	51,297	47,611
Total other assets	86,306	135,172	131,309	146,889	146,828
<b>Total liabilities</b>	<b>158,822</b>	<b>227,229</b>	<b>165,341</b>	<b>242,894</b>	<b>246,628</b>
<b>Current liabilities</b>	<b>143,798</b>	<b>211,106</b>	<b>141,570</b>	<b>211,298</b>	<b>214,658</b>
Accounts payable	34,470	43,504	21,518	35,605	37,368
Interest bearing ST liabilities	24,964	54,961	6,569	38,441	38,441
Other current liabilities	84,364	112,641	113,484	137,252	138,850
<b>Non-current liabilities</b>	<b>15,023</b>	<b>16,123</b>	<b>23,771</b>	<b>31,597</b>	<b>31,970</b>
Long-term debt	3,620	1,684	863	5,117	5,117
Other L-T liabilities	11,404	14,439	22,907	26,480	26,853
<b>Total equity</b>	<b>375,084</b>	<b>433,648</b>	<b>443,058</b>	<b>420,685</b>	<b>425,147</b>
Share capital	15,903	15,989	15,994	15,997	15,997
Retained earnings reserve	173,052	252,433	286,689	234,858	238,720
Minority interests	3,251	1,633	2,949	2,759	3,359
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Growth</b>					
Revenue growth	30.8%	53.2%	11.2%	(21.0%)	18.5%
Operating profit growth	91.5%	150.0%	17.4%	(43.4%)	34.0%
EBITDA growth	71.6%	123.4%	19.5%	(36.3%)	29.9%
Net profit growth	77.6%	172.3%	6.0%	(34.8%)	19.7%
EPS growth	77.0%	171.3%	5.7%	(35.0%)	19.5%
<b>Profitability</b>					
Gross profit margin	43.9%	46.9%	49.4%	47.8%	47.0%
Operating margin	13.4%	21.9%	23.1%	16.6%	18.7%
EBITDA margin	16.5%	24.0%	25.8%	20.8%	22.8%
Net profit margin	12.7%	22.6%	21.5%	17.8%	17.9%
Return on average assets	8.2%	18.7%	18.6%	12.1%	13.8%
Return on average equity	12.0%	27.7%	27.1%	17.9%	21.9%
<b>Stability</b>					
Gross debt to equity	7.6%	13.1%	1.7%	10.4%	10.2%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.0	659.6	366.5	238.1	686.0
Interest & ST debt coverage (x)	0.6	0.7	1.0	0.7	0.7
Cash flow interest coverage(x)	133.7	244.5	389.8	231.5	727.3
Cash flow/int. & ST debt (x)	3.1	0.9	20.8	2.2	2.9
Current ratio (x)	2.0	1.6	2.1	1.5	1.5
Quick ratio (x)	1.8	1.3	1.6	1.2	1.2
Net debt (NT\$m)	(167,996)	(127,060)	(140,070)	(76,368)	(83,018)
<b>Per share data</b>					
EPS (NT\$)	26.01	70.56	74.59	48.51	57.98
CFPS (NT\$)	50.57	29.82	91.29	53.39	70.21
BVPS (NT\$)	233.82	270.20	275.16	261.26	263.67
Adj BVPS (NT\$)	236.34	273.59	277.88	263.34	265.43
SPS (NT\$)	204.75	312.47	346.51	273.12	323.14
EBITDA/share (NT\$)	33.76	75.15	89.51	56.87	73.79
Cash DPS (NT\$)	37.00	73.00	76.00	55.18	62.84
<b>Activity</b>					
Sales / avg assets	0.65	0.83	0.86	0.68	0.77
Days receivable	37.6	43.4	27.2	61.1	52.8
Days inventory	76.4	102.1	92.9	99.7	87.0
Days payable	69.9	60.7	28.3	57.5	50.2
Cash cycle	44.1	84.9	91.8	103.3	89.6

Source: Company data, KGI Research estimates

## Profit &amp; loss

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Revenue</b>	<b>322,146</b>	<b>493,415</b>	<b>548,796</b>	<b>433,446</b>	<b>513,492</b>
Cost of goods sold	(180,610)	(261,810)	(277,892)	(226,079)	(272,393)
<b>Gross profit</b>	<b>141,536</b>	<b>231,605</b>	<b>270,904</b>	<b>207,367</b>	<b>241,098</b>
Operating expenses	(98,316)	(123,564)	(144,116)	(135,567)	(144,914)
<b>Operating profit</b>	<b>43,219</b>	<b>108,040</b>	<b>126,788</b>	<b>71,800</b>	<b>96,184</b>
<b>Non-operating income</b>	<b>4,958</b>	<b>19,013</b>	<b>9,937</b>	<b>16,325</b>	<b>9,048</b>
Interest income	2,482	1,651	3,218	5,816	3,748
Investment income	1,773	6,760	3,281	5,905	2,550
Other non-op income	703	10,602	3,438	4,605	2,750
<b>Non-operating expenses</b>	<b>(595)</b>	<b>(202)</b>	<b>(1,165)</b>	<b>(1,342)</b>	<b>(153)</b>
Interest expense	(595)	(193)	(371)	(366)	(153)
Investment loss	-	-	-	-	-
Other non-op expenses	-	(9)	(794)	(976)	-
<b>Pre-tax profit</b>	<b>47,583</b>	<b>126,852</b>	<b>135,561</b>	<b>86,783</b>	<b>105,079</b>
Current taxation	(6,144)	(14,980)	(16,936)	(9,591)	(12,341)
Minorities	(522)	(451)	(484)	(212)	(600)
Extraordinary items	-	0	0	-	-
<b>Net profit</b>	<b>40,917</b>	<b>111,421</b>	<b>118,141</b>	<b>76,979</b>	<b>92,138</b>
<b>EBITDA</b>	<b>53,120</b>	<b>118,661</b>	<b>141,768</b>	<b>90,258</b>	<b>117,258</b>
EPS (NT\$)	26.01	70.56	74.59	48.51	57.98

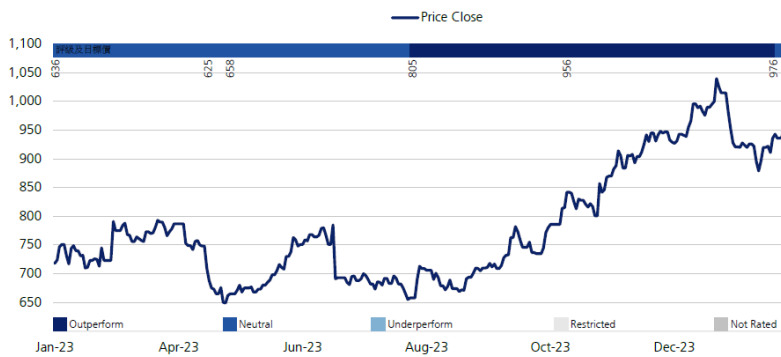
## Cash flow

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Operations cash flow</b>	<b>79,558</b>	<b>47,095</b>	<b>144,583</b>	<b>84,723</b>	<b>111,564</b>
Net profit	40,917	111,421	118,141	76,979	92,138
Depreciation & amortisation	9,901	10,621	14,980	18,459	21,075
Decrease in working capital	(4,201)	(52,087)	(1,601)	(8,702)	(2,754)
Other operating cash flow	32,941	(22,860)	13,063	(2,013)	1,106
<b>Investing cash flow</b>	<b>(6,769)</b>	<b>(28,924)</b>	<b>(37,535)</b>	<b>(25,470)</b>	<b>(16,638)</b>
Sale of ST investment	13,618	307	(4,156)	18,493	2,000
New investments	(10,551)	(3,596)	(15,626)	(27,259)	(2,000)
Capital expenditure	(5,000)	(16,985)	(13,622)	(7,861)	(8,967)
Others investing cashflow	(4,836)	(8,650)	(4,130)	(8,843)	(7,671)
<b>Free cash flow</b>	<b>33,006</b>	<b>31,752</b>	<b>105,008</b>	<b>58,381</b>	<b>85,820</b>
<b>Financing cash flow</b>	<b>(49,221)</b>	<b>(27,951)</b>	<b>(156,280)</b>	<b>(93,686)</b>	<b>(88,276)</b>
Increase in short term debt	(35,784)	29,796	(47,567)	29,094	-
Increase in long term loans	4,847	(1,736)	(1,645)	7,031	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(16,589)	(58,585)	(116,141)	(120,981)	(88,276)
Other financing cashflow	(1,642)	2,573	9,073	(8,830)	-
<b>Forex effects</b>	<b>(4,533)</b>	<b>(3,094)</b>	<b>13,030</b>	<b>6,855</b>	<b>-</b>
<b>Total cash generated</b>	<b>19,035</b>	<b>(12,875)</b>	<b>(36,202)</b>	<b>(27,577)</b>	<b>6,651</b>
Cashflow by merger	-	-	-	-	-

## ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue	43.9%	46.9%	49.4%	47.8%	47.0%
- Operating exp./revenue	30.5%	25.0%	26.3%	31.3%	28.2%
<b>= Operating margin</b>	<b>13.4%</b>	<b>21.9%</b>	<b>23.1%</b>	<b>16.6%</b>	<b>18.7%</b>
1 / (Working capital/revenue	(0.1)	(0.0)	(0.0)	0.0	0.0
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.3	0.3	0.2	0.3	0.3
<b>= Capital turnover</b>	<b>3.7</b>	<b>2.9</b>	<b>3.0</b>	<b>2.2</b>	<b>2.6</b>
Operating margin	13.4%	21.9%	23.1%	16.6%	18.7%
x Capital turnover	3.7	2.9	3.0	2.2	2.6
x (1 - tax rate)	87.1%	88.2%	87.5%	88.9%	88.3%
<b>= After-tax ROIC</b>	<b>42.7%</b>	<b>56.0%</b>	<b>60.6%</b>	<b>32.2%</b>	<b>43.2%</b>

Source: Company data, KGI Research estimates

**MediaTek – Recommendation & target price history**


Date	Rating	Target	Price
2024-01-26	Neutral	976	936
2023-10-27	Outperform	956	801
2023-10-13	Outperform	956	842
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

Source: TEJ, KGI Research

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