

# MediaTek (2454.TW/2454 TT)

## 2Q24 beats forecast; muted sales growth in 2H24F

FTSE4Good TIP Taiwan ESG Index stock

### Neutral · Maintained

Price as of July 31 (NT\$)	1,220
12M target price (NT\$)	1,250
Previous target price (NT\$)	1,280
Revised down (%)	2.3
Upside (%)	2.5

#### Key message

- 2Q24 beat mainly on better opex control and non-op income.
- Management guides muted 2H24 sales growth; inventory days at healthy level.
- New projects are on track but will make limited sales contributions before 2026F.

#### Trading data

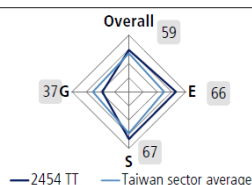
Mkt cap (NT\$bn/US\$m)	1,951 / 59,873
Outstanding shares (mn)	1,599
Foreign ownership (mn)	978
3M avg. daily trading (mn)	5.66
52-week trading range (NT\$)	669 –1,500

Performance	3M	6M	12M
Absolute (%)	23	26.3	76.8
Relative (%)	14.2	2.2	47.3

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	10.64A	10.07A	11.64A	16.17A
2024	19.85A	16.19F	14.37F	14.51F
2025	16.16F	16.91F	19.23F	20.04F

#### ESG score card



Source: Refinitiv

#### Event

MediaTek 2Q24's net income was ahead of our forecast and consensus, due to strict opex control and higher non-op income. Management guides muted 2H24F sales growth.

#### Impact

**2Q24 beat mainly on better opex control and non-op income.** Mediatek's 2Q24 net income came in NT\$25.7bn, down 18.5% QoQ but up 61.1% YoY, 14.8% and 17.2% ahead of our forecast and consensus, respectively. The strong results stemmed from NT dollar depreciation, solid opex control, a lower-than-expected tax rate and much-better-than-expected non-op income, while gross profit was in line with our forecast, with gross margin of 47.9%, excluding one-off items.

**Management guides muted 2H24 sales growth; inventory days at healthy level.** Management guides 3Q24 sales of between NT\$123.5-132.4bn, flat QoQ (at mid-point),, with a slight margins contraction. The firm's targets for 2024F sales, up 14-16% YoY in USD terms, and gross margin of 46-48% are unchanged. 2024F sales guidance indicates flat 3Q24F sales and lower QoQ 4Q24F sales. Management also notes both mobile and smart edge shipments will be flat QoQ, with only power IC shipments seeing moderate growth in 3Q24F. In general, guidance is in line with our expectations that restocking largely completed in 1H24, and growth is fading heading into 2H24F. Days of inventory (DOI) increased from 66 days in 1Q24 to 72 days in 2Q24F, below the 10 year average of 84 days.

**New projects are on track but will make limited sales contributions before 2026F.** MediaTek maintains guidance of flagship AP sales to grow by more than 50% YoY in 2024F, which is in line with our expectations of a market share expansion for both D9300/ 9400. The firm expounded upon new business opportunities for the D9400 in tablet and automotive (China EV) applications. In addition, the company is positive on AI AISC (high-speed interconnect, SerDes) for US CSP clients and a partnership with Nvidia (US) in automotive and HPC technology. MediaTek is on the track to expand from mobile computing to HPC computing, which will likely contribute to strong sales in 2026-28F.

#### Valuation & Action

We fine-tune our 2024-25 earnings forecast to factor in a strong 2Q24 performance and maintain a Neutral rating, in view of a fair valuation and limited near-term catalysts after strong restocking in 1H24F. We fine-tune our target price to NT\$1,250, still based on a cycle average P/E of 17.4x. Gen AI may not drive significant shipments growth for smartphones, but will likely shorten replacement cycles and expand the premium and flagship segments. Our estimate factors in all positives above, still at 3% higher than consensus, but we believe the valuation has priced in all positives before end-2025F.

#### Risks

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

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	493,415	548,796	433,446	518,757	606,929
Gross profit (NT\$m)	231,605	270,904	207,367	254,675	292,390
Operating profit (NT\$m)	108,040	126,788	71,800	103,656	119,708
Net profit (NT\$m)	111,421	118,141	76,979	103,132	114,936
EPS (NT\$)	70.56	74.59	48.51	64.92	72.34
Cash DPS (NT\$)	73.00	76.01	55.01	69.01	66.22
EPS growth (%)	171.3	5.7	(35.0)	33.8	11.4
PE (x)	17.3	16.4	25.1	18.8	16.9
PB (x)	4.5	4.4	5.3	5.5	4.6
EV/EBITDA (x)	10.4	8.9	11.3	6.8	6.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	6.0	6.2	4.5	5.7	5.4
Return on average equity (%)	27.7	27.1	19.0	28.5	29.6

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q24 results & 3Q24 forecast revisions vs. KGI, guidance & consensus

NT\$mn	2Q24						3Q24F									
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Guidance (Mid-point)	Diff. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	127,271	127,271	0.0	(4.6)	29.7	127,450	(0.1)	126,823	0.4	129,575	129,575	0.0	1.8	17.7	128,627	0.7
Gross profit	62,136	61,063	1.8	(11.1)	33.2	59,902	3.7	60,195	3.2	61,324	61,807	(0.8)	(1.3)	17.5	61,114	0.3
Operating profit	24,956	23,518	6.1	(22.4)	69.2	21,667	15.2	22,603	10.4	23,099	23,582	(2.0)	(7.4)	28.7	23,109	(0.0)
Net profit	25,716	22,391	14.8	(18.5)	61.1			21,949	17.2	22,834	23,260	(1.8)	(11.2)	23.6	22,726	0.5
EPS (NT\$)	16.19	14.09	14.9	(18.4)	60.8			13.71	18.1	14.37	14.64	(1.8)	(11.2)	23.4	13.97	2.9
Gross margin (%)	48.8	48.0	0.8 ppts	(3.6)ppts	1.3 ppts	47.0	1.8 ppts	47.5	1.4 ppts	47.3	47.7	(0.4)ppts	(1.5)ppts	(0.1)ppts	47.5	(0.2)ppts
OP margin (%)	19.6	18.5	1.1 ppts	(4.5)ppts	4.6 ppts	17.0	2.6 ppts	17.8	1.8 ppts	17.8	18.2	(0.4)ppts	(1.8)ppts	1.5 ppts	18.0	(0.1)ppts
Net margin (%)	20.2	17.6	2.6 ppts	(3.4)ppts	3.9 ppts			17.3	2.9 ppts	17.6	18.0	(0.3)ppts	(2.6)ppts	0.8 ppts	17.7	(0.0)ppts

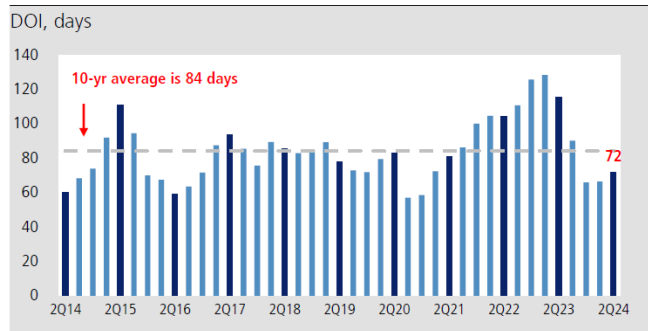
Source: Company data; Bloomberg; KGI Research estimates

Figure 2: Breakdown of 2024-25 forecasts vs. consensus

NT\$mn	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	518,757	526,128	(1.4)	19.7	518,321	0.1	606,929	619,881	(2.1)	17.0	598,882	1.3
Gross profit	254,675	257,687	(1.2)	22.8	252,572	0.8	292,390	302,772	(3.4)	14.8	284,786	2.7
Operating profit	103,656	104,129	(0.5)	44.4	100,777	2.9	119,708	123,544	(3.1)	15.5	118,190	1.3
Net profit	103,132	101,503	1.6	34.0	98,104	5.1	114,936	117,716	(2.4)	11.4	112,536	2.1
EPS (NT\$)	64.92	63.89	1.6	33.8	61.21	6.1	72.34	74.09	(2.4)	11.4	70.53	2.6
Gross margin (%)	49.1	49.0	0.1 ppts	1.3 ppts	48.7	0.4 ppts	48.2	48.8	(0.7)ppts	(0.9)ppts	47.6	0.6 ppts
OP margin (%)	20.0	19.8	0.2 ppts	3.4 ppts	19.4	0.5 ppts	19.7	19.9	(0.2)ppts	(0.3)ppts	19.7	(0.0)ppts
Net margin (%)	19.9	19.3	0.6 ppts	2.1 ppts	18.9	1.0 ppts	18.9	19.0	(0.1)ppts	(0.9)ppts	18.8	0.1 ppts

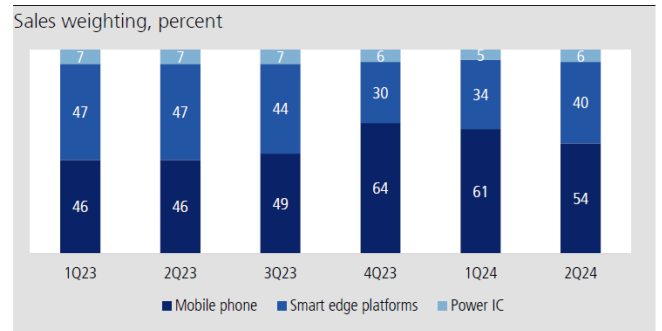
Source: Bloomberg; KGI Research estimates

Figure 3: L10Y DOI



Source: TEJ; KGI Research

Figure 4: Chart of revenue mix by product group



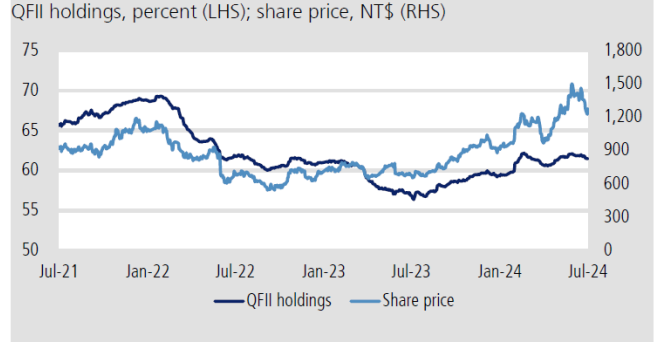
Source: Company data; KGI Research

**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.

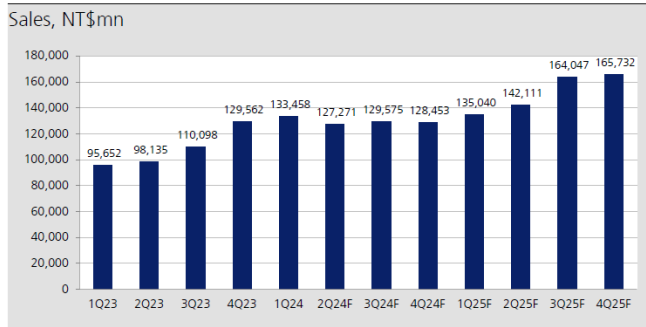
Source: Company data; KGI Research

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



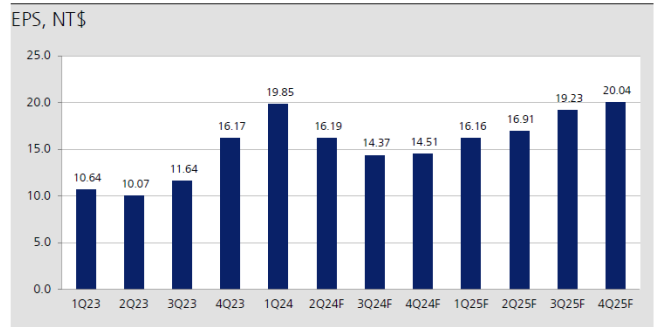
Source: TEJ; KGI Research

**Figure 7: Sales**



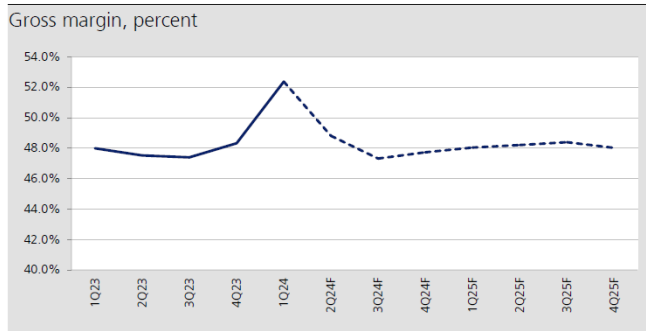
Source: KGI Research

**Figure 8: EPS**



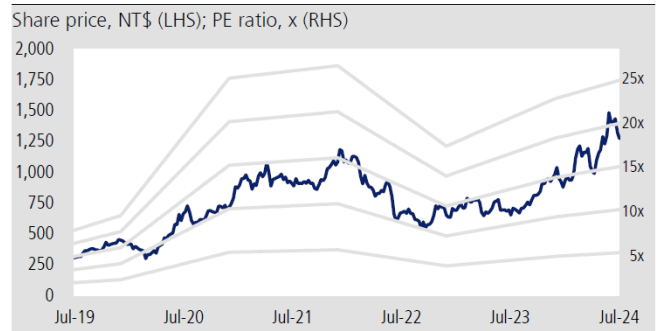
Source: KGI Research

**Figure 9: Gross margin**



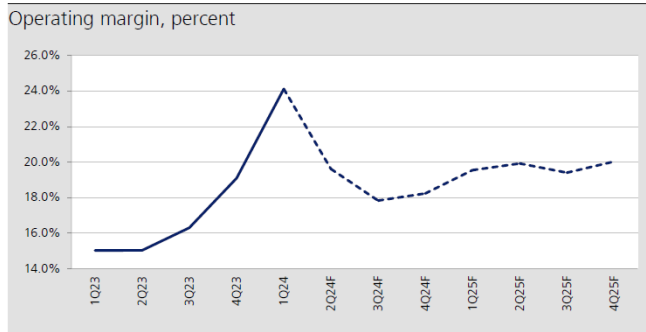
Source: KGI Research

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



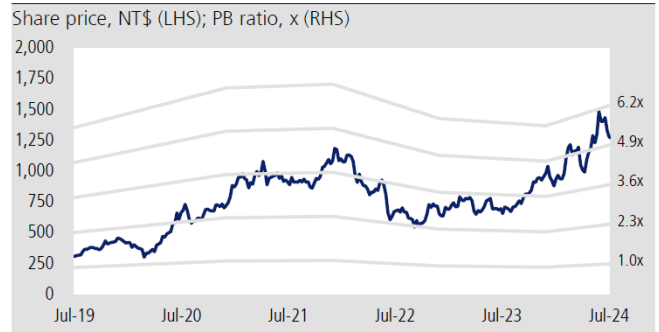
Source: TEJ; KGI Research estimates

**Figure 11: Operating margin**



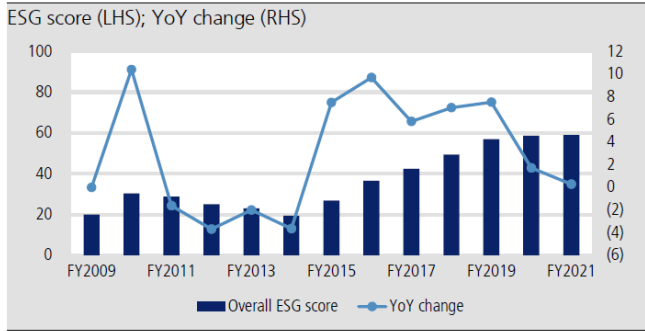
Source: KGI Research

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



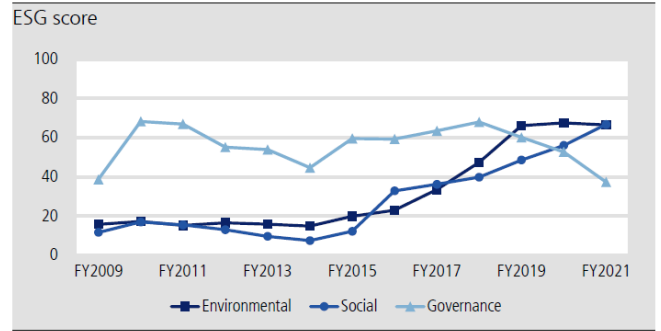
Source: TEJ; KGI Research estimates

**Figure 13: Overall ESG score**



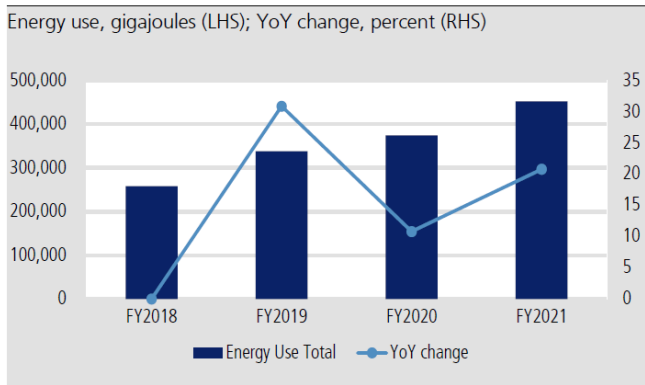
Source: Refinitiv; Company data

**Figure 14: ESG scores**



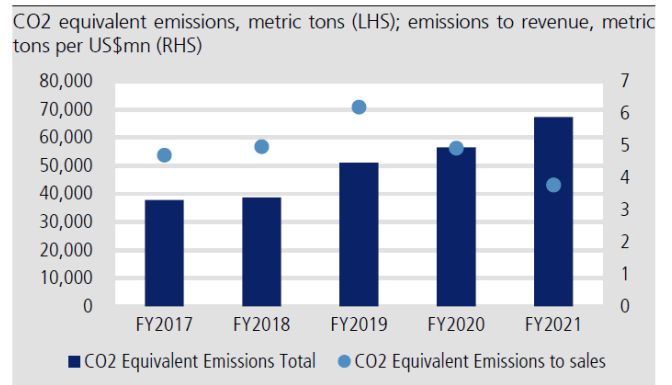
Source: Refinitiv; Company data

**Figure 15: Energy use**



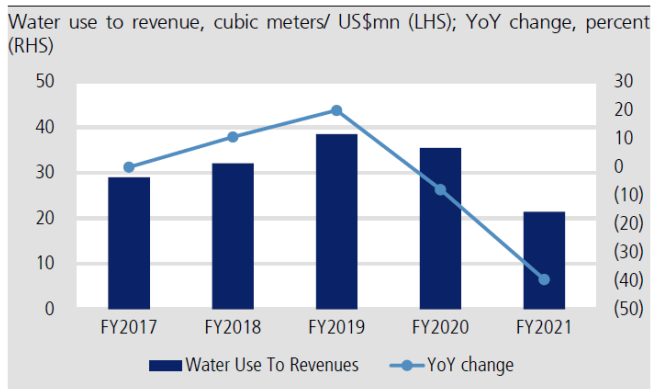
Source: Refinitiv; Company data

**Figure 16: CO2 equivalent emissions**



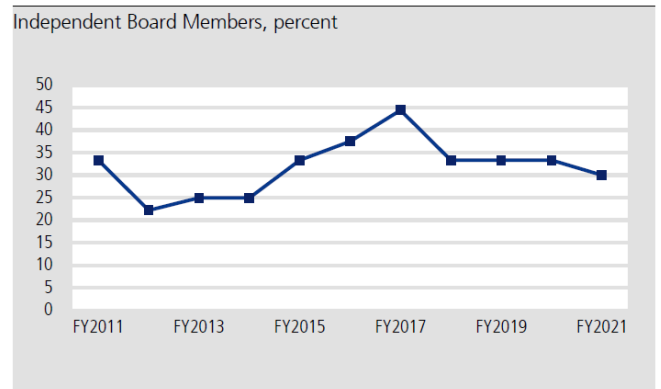
Source: Refinitiv; Company data

**Figure 17: Water use to revenue**



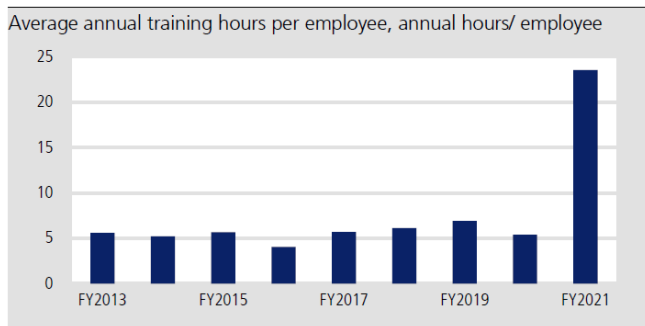
Source: Refinitiv; Company data

**Figure 18: Independent board members**



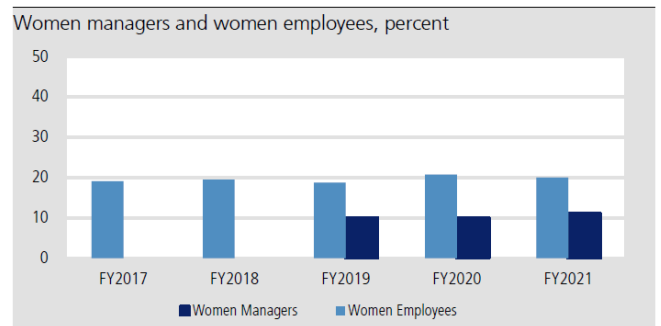
Source: Refinitiv; Company data

**Figure 19: Employee training**



Source: Refinitiv; Company data

**Figure 20: Gender diversification**



Source: Refinitiv; Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	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"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv, Company data, KGI Research

**Income statement**

	Quarterly								Annually		
	Mar-24A	Jun-24F	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-23A	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>133,458</b>	<b>127,271</b>	<b>129,575</b>	<b>128,453</b>	<b>135,040</b>	<b>142,111</b>	<b>164,047</b>	<b>165,732</b>	<b>433,446</b>	<b>518,757</b>	<b>606,929</b>
Cost of goods sold	(63,558)	(65,135)	(68,252)	(67,138)	(70,159)	(73,591)	(84,653)	(86,136)	(226,079)	(264,082)	(314,539)
<b>Gross profit</b>	<b>69,901</b>	<b>62,136</b>	<b>61,324</b>	<b>61,315</b>	<b>64,880</b>	<b>68,519</b>	<b>79,394</b>	<b>79,596</b>	<b>207,367</b>	<b>254,675</b>	<b>292,390</b>
Operating expenses	(37,721)	(37,180)	(38,225)	(37,894)	(38,486)	(40,217)	(47,574)	(46,405)	(135,568)	(151,019)	(172,682)
<b>Operating profit</b>	<b>32,180</b>	<b>24,956</b>	<b>23,099</b>	<b>23,422</b>	<b>26,394</b>	<b>28,302</b>	<b>31,821</b>	<b>33,191</b>	<b>71,800</b>	<b>103,656</b>	<b>119,708</b>
Depreciation of fixed assets	(3,049)	(3,211)	(3,211)	(3,373)	(3,680)	(3,680)	(3,680)	(3,680)	(11,001)	(12,844)	(14,720)
Amortisation of intangible assets	(1,912)	(1,876)	(1,876)	(1,840)	(2,210)	(2,210)	(2,210)	(2,210)	(7,199)	(7,503)	(8,838)
<b>EBITDA</b>	<b>37,141</b>	<b>30,042</b>	<b>28,186</b>	<b>28,634</b>	<b>32,284</b>	<b>34,192</b>	<b>37,710</b>	<b>39,081</b>	<b>90,000</b>	<b>124,003</b>	<b>143,266</b>
Interest income	2,298	2,300	2,334	1,956	2,269	2,066	2,379	2,069	7,308	8,887	8,783
Investment income	766	1,955	700	700	700	700	700	700	6,471	4,121	2,800
Other non-op income	97	-	-	0	-	-	-	-	508	484	-
<b>Non-operating income</b>	<b>3,161</b>	<b>4,255</b>	<b>3,034</b>	<b>2,656</b>	<b>2,969</b>	<b>2,766</b>	<b>3,079</b>	<b>2,769</b>	<b>14,287</b>	<b>13,493</b>	<b>11,583</b>
Interest expense	(58)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(399)	(100)	(56)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	387	-	-	-	-	-	-	-	1,095	-	-
<b>Non-operating expenses</b>	<b>329</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>	<b>696</b>	<b>(100)</b>	<b>(56)</b>
<b>Pre-tax profit</b>	<b>35,670</b>	<b>29,197</b>	<b>26,119</b>	<b>26,064</b>	<b>29,349</b>	<b>31,054</b>	<b>34,885</b>	<b>35,946</b>	<b>86,782</b>	<b>117,049</b>	<b>131,235</b>
Current taxation	(4,015)	(3,242)	(3,134)	(2,867)	(3,522)	(4,037)	(4,186)	(3,954)	(9,591)	(13,258)	(15,699)
Minorities	(119)	(240)	(150)	(150)	(150)	(150)	(150)	(150)	(212)	(659)	(600)
<b>Normalised net profit</b>	<b>31,536</b>	<b>25,716</b>	<b>22,834</b>	<b>23,047</b>	<b>25,677</b>	<b>26,867</b>	<b>30,549</b>	<b>31,842</b>	<b>76,979</b>	<b>103,132</b>	<b>114,936</b>
Extraordinary items	(0)	-	-	-	-	-	-	-	-	(0)	-
<b>Net profit</b>	<b>31,536</b>	<b>25,716</b>	<b>22,834</b>	<b>23,047</b>	<b>25,677</b>	<b>26,867</b>	<b>30,549</b>	<b>31,842</b>	<b>76,979</b>	<b>103,132</b>	<b>114,936</b>
EPS (NT\$)	19.85	16.19	14.37	14.51	16.16	16.91	19.23	20.04	48.51	64.92	72.34
<b>Margins (%)</b>											
Gross profit margin	52.4	48.8	47.3	47.7	48.0	48.2	48.4	48.0	47.8	49.1	48.2
Operating margin	24.1	19.6	17.8	18.2	19.5	19.9	19.4	20.0	16.6	20.0	19.7
EBITDA margin	27.8	23.6	21.8	22.3	23.9	24.1	23.0	23.6	20.8	23.9	23.6
Pretax profit margin	26.7	22.9	20.2	20.3	21.7	21.9	21.3	21.7	20.0	22.6	21.6
Net profit margin	23.6	20.2	17.6	17.9	19.0	18.9	18.6	19.2	17.8	19.9	18.9
<b>Sequential growth (%)</b>											
Revenue growth	3.0	(4.6)	1.8	(0.9)	5.1	5.2	15.4	1.0			
Gross profit growth	11.6	(11.1)	(1.3)	(0.0)	5.8	5.6	15.9	0.3			
Operating profit growth	30.1	(22.4)	(7.4)	1.4	12.7	7.2	12.4	4.3			
EBITDA growth	25.5	(19.1)	(6.2)	1.6	12.7	5.9	10.3	3.6			
Pretax profit growth	26.0	(18.1)	(10.5)	(0.2)	12.6	5.8	12.3	3.0			
Net profit growth	22.9	(18.5)	(11.2)	0.9	11.4	4.6	13.7	4.2			
<b>YoY growth (%)</b>											
Revenue growth	39.5	29.7	17.7	(0.9)	1.2	11.7	26.6	29.0	(21.0)	19.7	17.0
Gross profit growth	52.2	33.2	17.5	(2.1)	(7.2)	10.3	29.5	29.8	(23.5)	22.8	14.8
Operating profit growth	124.0	69.2	28.7	(5.3)	(18.0)	13.4	37.8	41.7	(43.4)	44.4	15.5
EBITDA growth	98.8	58.4	23.9	(3.2)	(13.1)	13.8	33.8	36.5	(36.5)	37.8	15.5
Pretax profit growth	86.7	58.9	24.4	(8.0)	(17.7)	6.4	33.6	37.9	(36.0)	34.9	12.1
Net profit growth	86.9	61.1	23.6	(10.2)	(18.6)	4.5	33.8	38.2	(34.8)	34.0	11.4

Source: Company data; KGI Research estimates

**Balance sheet**

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Total assets</b>	<b>660,877</b>	<b>608,399</b>	<b>635,038</b>	<b>669,398</b>	<b>740,822</b>
<b>Current assets</b>	<b>346,865</b>	<b>297,654</b>	<b>290,889</b>	<b>304,607</b>	<b>359,964</b>
Cash & ST securities	204,764	164,810	180,673	179,741	199,236
Inventory	73,271	70,703	43,220	51,984	66,694
Accounts receivable	58,660	40,842	55,834	52,775	68,092
Other current assets	10,171	21,298	11,161	20,107	25,942
<b>Non-current assets</b>	<b>314,012</b>	<b>310,746</b>	<b>344,150</b>	<b>364,790</b>	<b>380,858</b>
LT investments	129,729	125,575	152,228	179,441	181,441
Net fixed assets	49,111	53,862	53,291	53,686	53,864
Other assets	135,172	131,309	138,631	131,663	145,553
<b>Total liabilities</b>	<b>227,229</b>	<b>165,341</b>	<b>260,833</b>	<b>308,608</b>	<b>310,442</b>
<b>Current liabilities</b>	<b>211,106</b>	<b>141,570</b>	<b>231,999</b>	<b>284,291</b>	<b>282,619</b>
Accounts payable	43,504	21,518	38,779	42,249	54,205
Interest bearing ST liabilities	54,961	6,569	7,826	12,354	12,354
Other current liabilities	112,641	113,484	185,394	229,687	216,060
<b>Non-current liabilities</b>	<b>16,123</b>	<b>23,771</b>	<b>28,834</b>	<b>24,317</b>	<b>27,823</b>
Long-term debt	1,684	863	4,605	5,697	5,697
Other L-T liabilities	11,449	14,599	16,169	15,007	18,513
<b>Total equity</b>	<b>433,648</b>	<b>443,058</b>	<b>374,205</b>	<b>360,790</b>	<b>430,380</b>
Share capital	15,989	15,994	15,996	15,996	15,996
Retained earnings reserve	252,433	286,689	212,670	285,676	354,666
Minority interests	1,633	2,949	6,000	6,484	7,084
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	53.2%	11.2%	(21.0%)	19.7%	17.0%
Operating profit growth	150.0%	17.4%	(43.4%)	44.4%	15.5%
EBITDA growth	123.4%	19.5%	(36.5%)	37.8%	15.5%
Net profit growth	172.3%	6.0%	(34.8%)	34.0%	11.4%
EPS growth	171.3%	5.7%	(35.0%)	33.8%	11.4%
<b>Profitability</b>					
Gross profit margin	46.9%	49.4%	47.8%	49.1%	48.2%
Operating margin	21.9%	23.1%	16.6%	20.0%	19.7%
EBITDA margin	24.0%	25.8%	20.8%	23.9%	23.6%
Net profit margin	22.6%	21.5%	17.8%	19.9%	18.9%
Return on average assets	18.7%	18.6%	12.4%	15.8%	16.3%
Return on average equity	27.7%	27.1%	19.0%	28.5%	29.6%
<b>Stability</b>					
Gross debt to equity	13.1%	1.7%	3.3%	5.0%	4.2%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	659.6	366.5	218.3	1,168.8	2,334.7
Interest & ST debt coverage (x)	0.7	1.0	0.9	0.9	0.9
Cash flow interest coverage(x)	244.5	389.8	415.9	1,124.7	2,355.7
Cash flow/int. & ST debt (x)	0.9	20.8	20.2	9.1	10.7
Current ratio (x)	1.6	2.1	1.3	1.1	1.3
Quick ratio (x)	1.3	1.6	1.1	0.9	1.0
Net debt (NT\$m)	(127,060)	(140,070)	(152,965)	(146,768)	(168,263)
<b>Per share data</b>					
EPS (NT\$)	70.56	74.59	48.51	64.92	72.34
CFPS (NT\$)	29.82	91.29	104.67	70.95	83.38
BVPS (NT\$)	270.20	275.16	230.18	221.49	264.62
Adj BVPS (NT\$)	273.59	277.88	232.04	223.01	266.44
SPS (NT\$)	312.47	346.51	273.15	326.52	382.02
EBITDA/share (NT\$)	75.15	89.51	56.72	78.05	90.18
Cash DPS (NT\$)	73.00	76.01	55.01	69.01	66.22
<b>Activity</b>					
Sales / avg assets	0.83	0.86	0.70	0.80	0.86
Days receivable	43.4	27.2	47.0	37.2	40.9
Days inventory	102.1	92.9	69.8	72.0	77.4
Days payable	60.7	28.3	62.6	58.6	62.9
Cash cycle	84.9	91.8	54.2	50.7	55.4

Source: Company data; KGI Research estimates

**Profit & loss**

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>493,415</b>	<b>548,796</b>	<b>433,446</b>	<b>518,757</b>	<b>606,929</b>
Cost of goods sold	(261,810)	(277,892)	(226,079)	(264,082)	(314,539)
<b>Gross profit</b>	<b>231,605</b>	<b>270,904</b>	<b>207,367</b>	<b>254,675</b>	<b>292,390</b>
Operating expenses	(123,564)	(144,116)	(135,568)	(151,019)	(172,682)
<b>Operating profit</b>	<b>108,040</b>	<b>126,788</b>	<b>71,800</b>	<b>103,656</b>	<b>119,708</b>
<b>Non-operating income</b>	<b>9,209</b>	<b>7,137</b>	<b>14,287</b>	<b>13,493</b>	<b>11,583</b>
Interest income	1,651	3,218	7,308	8,887	8,783
Investment income	6,760	3,281	6,471	4,121	2,800
Other non-op income	798	638	508	484	-
<b>Non-operating expenses</b>	<b>9,603</b>	<b>1,636</b>	<b>696</b>	<b>(100)</b>	<b>(56)</b>
Interest expense	(193)	(371)	(399)	(100)	(56)
Investment loss	-	-	-	-	-
Other non-op expenses	9,796	2,007	1,095	-	-
<b>Pre-tax profit</b>	<b>126,852</b>	<b>135,561</b>	<b>86,782</b>	<b>117,049</b>	<b>131,235</b>
Current taxation	(14,980)	(16,936)	(9,591)	(13,258)	(15,699)
Minorities	(451)	(484)	(212)	(659)	(600)
Extraordinary items	-	0	0	(0)	-
<b>Net profit</b>	<b>111,421</b>	<b>118,141</b>	<b>76,979</b>	<b>103,132</b>	<b>114,936</b>
<b>EBITDA</b>	<b>118,661</b>	<b>141,768</b>	<b>90,000</b>	<b>124,003</b>	<b>143,266</b>
EPS (NT\$)	70.56	74.59	48.51	64.92	72.34

**Cash flow**

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>47,095</b>	<b>144,583</b>	<b>166,091</b>	<b>112,726</b>	<b>132,472</b>
Net profit	111,421	118,141	76,979	103,132	114,936
Depreciation & amortisation	10,621	14,980	18,200	20,347	23,558
Decrease in working capital	(53,649)	164	30,356	(2,234)	(18,071)
Other operating cash flow	(21,299)	11,298	40,556	(8,519)	12,049
<b>Investing cash flow</b>	<b>(28,924)</b>	<b>(37,535)</b>	<b>(28,746)</b>	<b>(35,690)</b>	<b>(27,440)</b>
Sale of ST investment	(2,389)	(19,467)	(12,157)	(10,475)	2,000
New investments	4,558	(199)	116	(1,500)	(2,000)
Capital expenditure	(16,985)	(13,622)	(9,325)	(12,733)	(14,898)
Others investing cashflow	(14,109)	(4,247)	(7,379)	(10,982)	(12,542)
<b>Free cash flow</b>	<b>30,191</b>	<b>106,772</b>	<b>95,897</b>	<b>89,792</b>	<b>87,139</b>
<b>Financing cash flow</b>	<b>(27,951)</b>	<b>(156,280)</b>	<b>(118,569)</b>	<b>(82,509)</b>	<b>(83,537)</b>
Increase in short term debt	29,949	(48,016)	(1,500)	5,620	-
Increase in long term loans	1,386	(558)	(828)	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(58,585)	(116,141)	(120,981)	(87,788)	(83,537)
Other financing cashflow	(701)	8,435	4,740	(341)	-
<b>Forex effects</b>	<b>(3,094)</b>	<b>13,030</b>	<b>(883)</b>	<b>4,897</b>	<b>-</b>
<b>Total cash generated</b>	<b>(12,875)</b>	<b>(36,202)</b>	<b>17,894</b>	<b>(577)</b>	<b>21,495</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	25.0%	26.3%	31.3%	29.1%	28.5%
<b>= Operating margin</b>	<b>21.9%</b>	<b>23.1%</b>	<b>16.6%</b>	<b>20.0%</b>	<b>19.7%</b>
1 / (Working capital/revenue	(0.0)	(0.0)	(0.3)	(0.3)	(0.2)
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.1	0.1	0.1	0.1	0.1
<b>= Capital turnover</b>	<b>5.8</b>	<b>6.2</b>	<b>(16.3)</b>	<b>(8.9)</b>	<b>(58.4)</b>
Operating margin	21.9%	23.1%	16.6%	20.0%	19.7%
x Capital turnover	5.8	6.2	(16.3)	(8.9)	(58.4)
x (1 - tax rate)	88.2%	87.5%	88.9%	88.7%	88.0%
<b>= After-tax ROIC</b>	<b>112.3%</b>	<b>124.5%</b>	<b>(240.6%)</b>	<b>(157.7%)</b>	<b>(1014.5%)</b>

Source: Company data; KGI Research estimates

**MediaTek – Recommendation & target price history**



Date	Rating	Target	Price
2024-07-25	Neutral	1,280	1,275
2024-01-31	Neutral	986	966
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

Source: TEJ; KGI Research

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