

MediaTek (2454.TW/2454 TT)

Share price takes a breather

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Downgraded

Price as of January 26 (NT\$)	936
12M target price (NT\$)	976
Previous target price (NT\$)	956
Revised up (%)	2.1
Upside (%)	4.3

Key message

- We believe the recent strength of smartphone restocking demand has decreased, as the supply chain awaits Chinese New Year sell-through.
- ASIC and auto businesses could potentially become 2H25-2026F catalysts, but we believe it is too early for them to warrant a re-rating for the company.

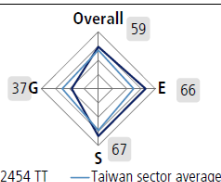
Trading data

Mkt cap (NT\$bn/US\$m)	1,497 / 48,009		
Outstanding shares (mn)	1,600		
Foreign ownership (mn)	952		
3M avg. daily trading (mn)	5.52		
52-week trading range (NT\$)	649 -1,040		
Performance	3M	6M	12M
Absolute (%)	14.6	42.9	35.1
Relative (%)	2.6	38	14.6

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	21.02A	22.39A	19.54A	11.67A
2023	10.64A	10.07A	11.64A	14.00F
2024	12.32F	14.27F	15.33F	15.27F

ESG score card



Source: Refinitiv

Event

We believe the share price rally in the past six months, up 43% versus Taiex 5%, has already priced-in: (1) recent restocking demand recovery and strong anticipated smartphone unit shipments growth in 2024F; and (2) a stabilizing gross margin outlook, supported by a higher proportion of AI smartphone shipments this year. We believe the recent strength of smartphone restocking demand has decreased, as the supply chain awaits Chinese New Year sell-through.

Impact

Smartphone restocking easing as the supply chain awaits CNY sell-through. We believe share price has largely priced in a restocking demand recovery and smartphone unit shipments growth this year, as the share price has rallied 43% since its low in July 2023, outperforming the Taiex by 38% over the same period. We also see limited upside to consensus 5G smartphone shipments of 185-195mn units for MediaTek this year. More importantly, we think MediaTek may face rising competition and potential market share loss from Huawei, as we expect Huawei to ship 60mn smartphone units as our base case, vs. our bull case of 70-80mn, and double the 30mn units shipped last year. As such, we believe the upward earnings revision cycle could peak after 4Q23 earnings conference on January 31, with current 2024F EPS consensus of NT\$56.10, up from NT\$53.35 six months ago.

ASIC & auto too premature to warrant share price re-rating. ASIC and auto businesses could potentially become 2H25-2026F catalysts, but we believe it is too early for them to warrant a re-rating for the company. Our view is that HPC-related ASIC business is likely to be gross margin and operating margin dilutive, as it involves advanced process nodes that require heavy R&D resources. Meanwhile, highly customized designs at insignificant sales volume will compete for internal engineering resources for other non-ASIC projects and business units. While AI smartphones could provide upside to overall smartphone ASP and support resilient gross margin, we believe the market has already priced in these factors, and we see limited upside to consensus shipments of 8-10mn AI smartphones this year. We also expect a lackluster recovery for other non-smartphone businesses this year, such as TV SoC and PMIC.

1Q24 sales flat to high-single digit decline QoQ. We forecast 1Q24 sales will decline by 0-8% QoQ, up 25-35% YoY, vs. consensus of a 9% QoQ decline. Our forecast of 1Q24F gross margin of 46.7%, flat QoQ, down 1.3ppts YoY, is below consensus of 47.1% by 0.4ppts.

Valuation & Action

We revised up 2024F EPS by 1.9%, and fine-tuned 2024F sales and gross margin estimates, factoring in higher 5G unit shipments, from 170-180mn to 185-195mn. We adjust our target price from NT\$956 to NT\$976, based on 17x 2024F EPS. Nevertheless, we downgrade the counter to Neutral, as we see limited upside to 2024 consensus earnings, and expect the share price to consolidate until smartphone demand visibility improves into 2H24F. Shares are now trading at 2024F PE of 16x, versus the three-year range of 10-18x.

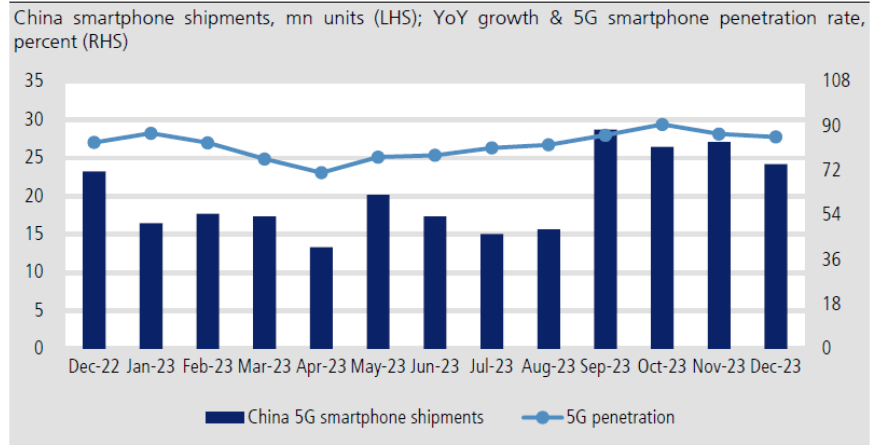
Risks

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

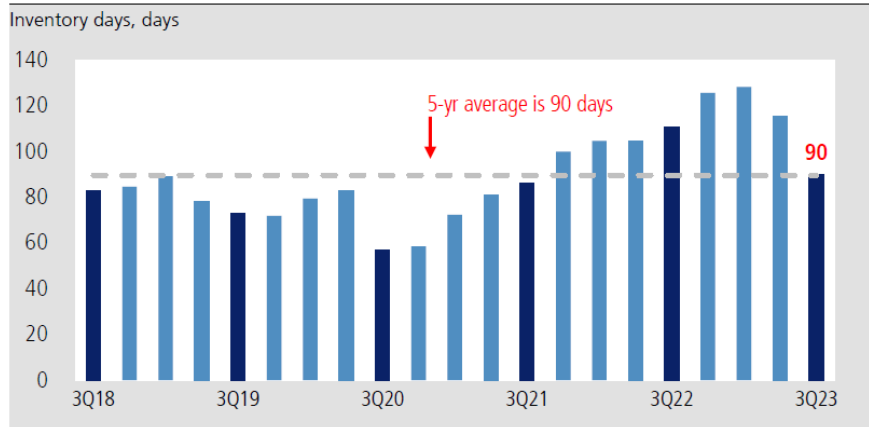
Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	322,146	493,415	548,796	433,446	513,127
Gross profit (NT\$m)	141,536	231,605	270,904	205,509	240,147
Operating profit (NT\$m)	43,219	108,040	126,788	69,860	95,010
Net profit (NT\$m)	40,917	111,421	118,141	73,535	90,801
EPS (NT\$)	26.01	70.56	74.59	46.34	57.19
Cash DPS (NT\$)	37.00	73.00	76.00	53.44	62.20
EPS growth (%)	77.0	171.3	5.7	(37.9)	23.4
PE (x)	36.0	13.3	12.5	20.2	16.4
PB (x)	4.0	3.5	3.4	3.6	3.6
EV/EBITDA (x)	16.1	7.7	6.5	9.7	7.3
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	4.0	7.8	8.1	5.7	6.6
Return on average equity (%)	12.0	27.7	27.1	17.2	21.8

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 4Q23-1Q24 forecast revisions vs. consensus

NT\$m	4Q23F							1Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	129,562	125,358	3.4	17.7	19.7	124,485	4.1	120,831	115,998	4.2	(6.7)	26.3	118,045	2.4
Gross profit	60,758	58,698	3.5	16.4	16.3	58,831	3.3	56,419	54,062	4.4	(7.1)	22.9	55,643	1.4
Operating profit	22,797	21,028	8.4	27.0	26.0	21,297	7.0	20,593	20,423	0.8	(9.7)	43.3	19,640	4.9
Net profit	22,219	20,645	7.6	20.2	20.2	20,868	6.5	19,560	19,257	1.6	(12.0)	15.9	19,328	1.2
EPS (NT\$)	14.00	13.00	7.6	20.2	19.9	13.08	7.0	12.32	12.13	1.6	(12.0)	15.8	12.20	1.0
Gross margin (%)	46.9	46.8	0.1 ppts	(0.5)ppts	(1.4)ppts	47.3	(0.4)ppts	46.7	46.6	0.1 ppts	(0.2)ppts	(1.3)ppts	47.1	(0.4)ppts
OP margin (%)	17.6	16.8	0.8 ppts	1.3 ppts	0.9 ppts	17.1	0.5 ppts	17.0	17.6	(0.6)ppts	(0.6)ppts	2.0 ppts	16.6	0.4 ppts
Net margin (%)	17.1	16.5	0.7 ppts	0.4 ppts	0.1 ppts	16.8	0.4 ppts	16.2	16.6	(0.4)ppts	(1.0)ppts	(1.5)ppts	16.4	(0.2)ppts

Source: Bloomberg, KGI Research estimates

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

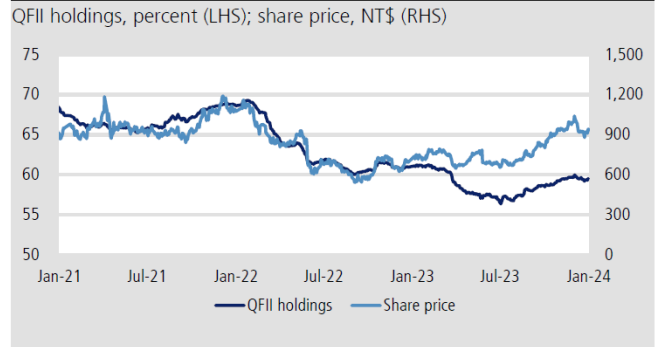
NT\$m	2023F						2024F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	433,446	429,243	1.0	(21.0)	428,565	1.1	513,127	505,155	1.6	18.4	516,059	(0.6)
Gross profit	205,509	203,449	1.0	(24.1)	203,680	0.9	240,147	236,137	1.7	16.9	243,709	(1.5)
Operating profit	69,860	68,091	2.6	(44.9)	68,675	1.7	95,010	94,071	1.0	36.0	92,349	2.9
Net profit	73,535	71,961	2.2	(37.8)	72,123	2.0	90,801	89,151	1.9	23.5	89,412	1.6
EPS (NT\$)	46.34	45.35	2.2	(37.9)	45.28	2.3	57.19	56.16	1.9	23.4	56.10	1.9
Gross margin (%)	47.4	47.4	0.0 ppts	(2.0)ppts	47.5	(0.1)ppts	46.8	46.7	0.1 ppts	(0.6)ppts	47.2	(0.4)ppts
OP margin (%)	16.1	15.9	0.3 ppts	(7.0)ppts	16.0	0.1 ppts	18.5	18.6	(0.1)ppts	2.4 ppts	17.9	0.6 ppts
Net margin (%)	17.0	16.8	0.2 ppts	(4.6)ppts	16.8	0.1 ppts	17.7	17.6	0.0 ppts	0.7 ppts	17.3	0.4 ppts

Source: Bloomberg, KGI Research estimates

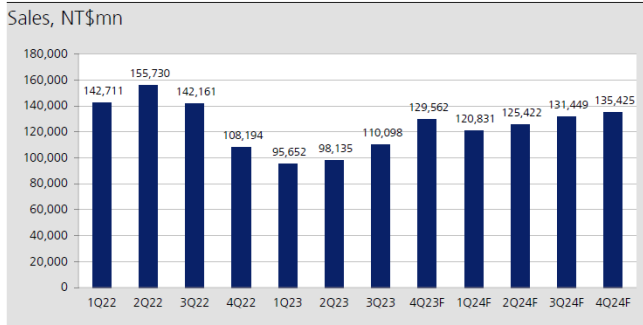
Figure 5: Company profile

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.

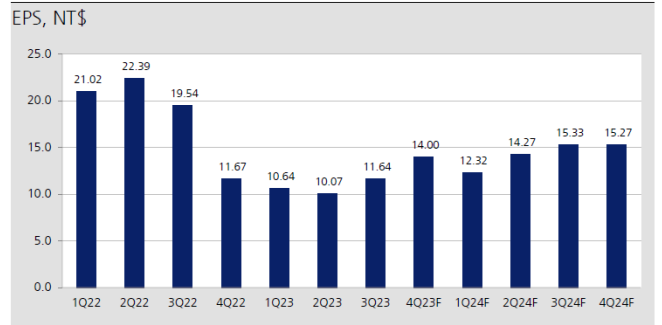
Source: Company data, KGI Research

Figure 6: MediaTek QFII holdings vs. share price


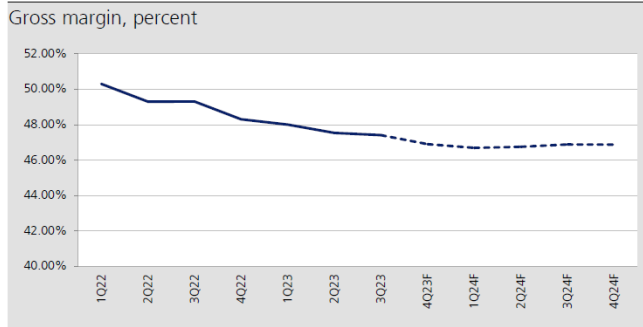
Source: TEJ, KGI Research

Figure 7: Sales


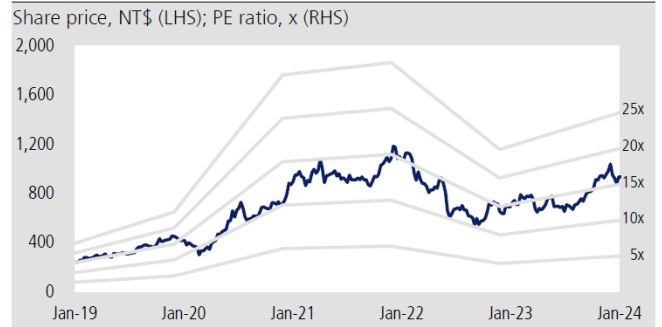
Source: KGI Research

Figure 8: EPS


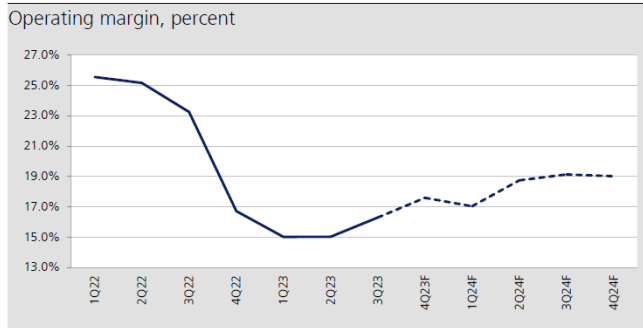
Source: KGI Research

Figure 9: Gross Margin


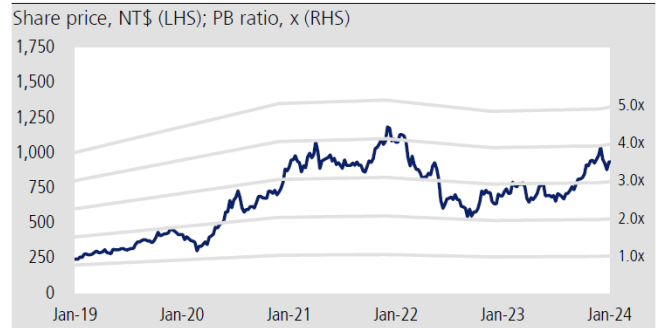
Source: KGI Research

Figure 10: 12M forward PE band


Source: TEJ, KGI Research estimates

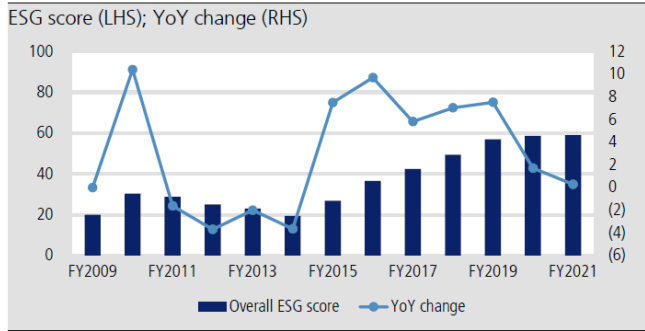
Figure 11: Operating Margin


Source: KGI Research

Figure 12: 12M forward PB band


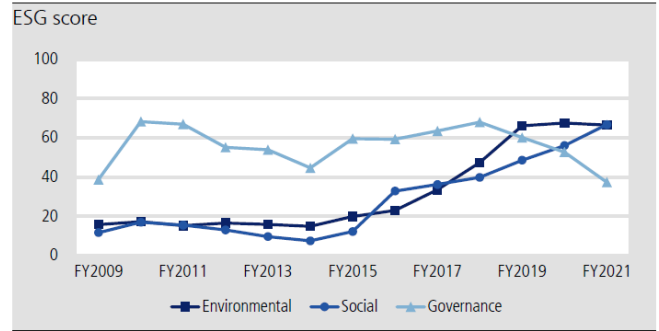
Source: TEJ, KGI Research estimates

Figure 13: Overall ESG score



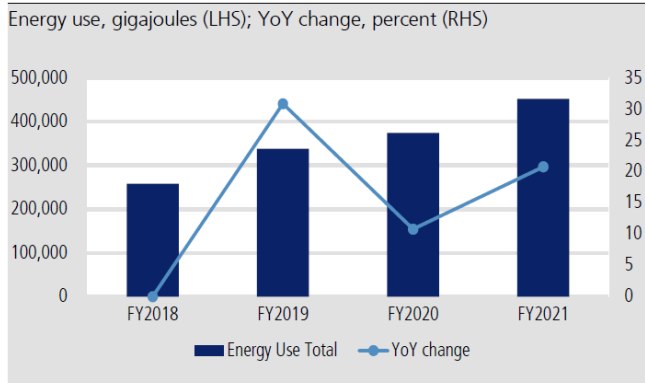
Source: Refinitiv, Company data

Figure 14: ESG scores



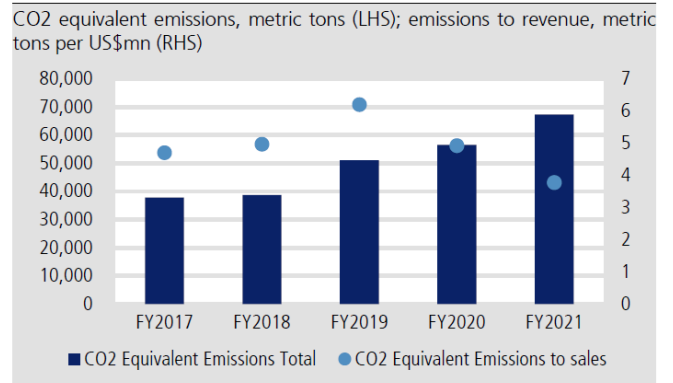
Source: Refinitiv, Company data

Figure 15: Energy Use



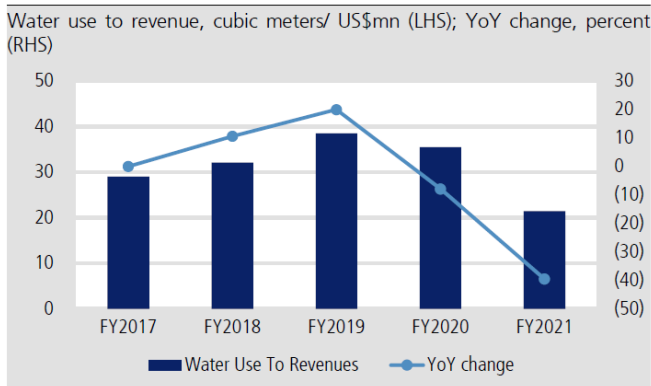
Source: Refinitiv, Company data

Figure 16: CO2 equivalent emissions



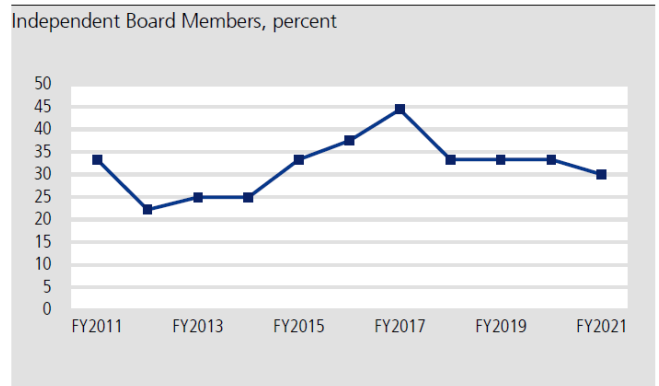
Source: Refinitiv, Company data

Figure 17: Water use to revenue



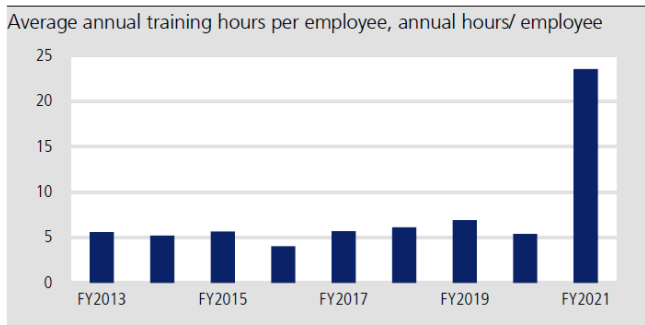
Source: Refinitiv, Company data

Figure 18: Independent Board Members



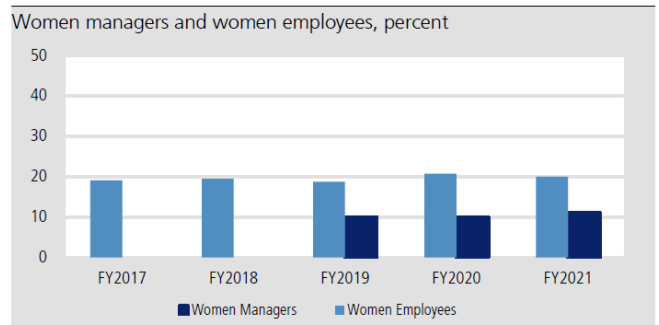
Source: Refinitiv, Company data

Figure 19: Employee training



Source: Refinitiv, Company data

Figure 20: Gender diversification



Source: Refinitiv, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	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\$m) - 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
Income statement (NT\$mn)											
Revenue	95,652	98,135	110,098	129,562	120,831	125,422	131,449	135,425	548,796	433,446	513,127
Cost of goods sold	(49,739)	(51,489)	(57,905)	(68,804)	(64,412)	(66,796)	(69,822)	(71,950)	(277,892)	(227,937)	(272,979)
Gross profit	45,912	46,646	52,192	60,758	56,419	58,626	61,627	63,476	270,904	205,509	240,147
Operating expenses	(31,543)	(31,896)	(34,248)	(37,962)	(35,826)	(35,118)	(36,477)	(37,716)	(144,116)	(135,648)	(145,137)
Operating profit	14,369	14,751	17,944	22,797	20,593	23,508	25,150	25,760	126,788	69,860	95,010
Depreciation of fixed assets	(2,794)	(2,428)	(2,889)	(2,969)	(3,162)	(3,162)	(3,162)	(3,162)	(9,282)	(11,080)	(12,647)
Amortisation of intangible assets	(1,522)	(1,791)	(1,924)	(2,142)	(2,103)	(2,103)	(2,103)	(2,103)	(5,697)	(7,379)	(8,412)
EBITDA	18,685	18,970	22,757	27,907	25,857	28,773	30,414	31,025	141,768	88,319	116,069
Interest income	1,391	1,885	1,664	876	743	1,197	1,416	290	3,218	5,816	3,646
Investment income	3,116	1,165	1,124	500	500	600	600	600	3,281	5,905	2,300
Other non-op income	443	1,157	762	1,000	600	650	700	800	3,438	3,362	2,750
Non-operating income	4,950	4,208	3,549	2,376	1,843	2,447	2,716	1,690	9,937	15,083	8,696
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)	-
Non-operating expenses	(215)	(588)	(501)	(38)	(38)	(38)	(38)	(38)	(1,165)	(1,342)	(153)
Pre-tax profit	19,104	18,370	20,993	25,134	22,398	25,916	27,827	27,411	135,561	83,601	103,553
Current taxation	(2,213)	(2,351)	(2,424)	(2,765)	(2,688)	(3,110)	(3,339)	(3,015)	(16,936)	(9,754)	(12,152)
Minorities	(17)	(54)	(91)	(150)	(150)	(150)	(150)	(150)	(484)	(312)	(600)
Normalised net profit	16,874	15,965	18,478	22,219	19,560	22,656	24,338	24,246	118,141	73,535	90,801
Extraordinary items	(0)	0	(0)	-	-	-	-	-	-	-	-
Net profit	16,874	15,965	18,478	22,219	19,560	22,656	24,338	24,246	118,141	73,535	90,801
EPS (NT\$)	10.64	10.07	11.64	14.00	12.32	14.27	15.33	15.27	74.59	46.34	57.19
Margins (%)											
Gross profit margin	48.0	47.5	47.4	46.9	46.7	46.7	46.9	46.9	49.4	47.4	46.8
Operating margin	15.0	15.0	16.3	17.6	17.0	18.7	19.1	19.0	23.1	16.1	18.5
EBITDA margin	19.5	19.3	20.7	21.5	21.4	22.9	23.1	22.9	25.8	20.4	22.6
Pretax profit margin	20.0	18.7	19.1	19.4	18.5	20.7	21.2	20.2	24.7	19.3	20.2
Net profit margin	17.6	16.3	16.8	17.1	16.2	18.1	18.5	17.9	21.5	17.0	17.7
Sequential growth (%)											
Revenue growth	(11.6)	2.6	12.2	17.7	(6.7)	3.8	4.8	3.0			
Gross profit growth	(12.1)	1.6	11.9	16.4	(7.1)	3.9	5.1	3.0			
Operating profit growth	(20.6)	2.7	21.7	27.0	(9.7)	14.2	7.0	2.4			
EBITDA growth	(16.3)	1.5	20.0	22.6	(7.3)	11.3	5.7	2.0			
Pretax profit growth	(9.3)	(3.8)	14.3	19.7	(10.9)	15.7	7.4	(1.5)			
Net profit growth	(8.7)	(5.4)	15.7	20.2	(12.0)	15.8	7.4	(0.4)			
YoY growth (%)											
Revenue growth	(33.0)	(37.0)	(22.6)	19.7	26.3	27.8	19.4	4.5	11.2	(21.0)	18.4
Gross profit growth	(36.0)	(39.2)	(25.5)	16.3	22.9	25.7	18.1	4.5	17.0	(24.1)	16.9
Operating profit growth	(60.6)	(62.4)	(45.7)	26.0	43.3	59.4	40.2	13.0	17.4	(44.9)	36.0
EBITDA growth	(52.9)	(55.6)	(38.5)	25.0	38.4	51.7	33.6	11.2	19.5	(37.7)	31.4
Pretax profit growth	(49.7)	(55.1)	(41.0)	19.4	17.2	41.1	32.6	9.1	6.9	(38.3)	23.9
Net profit growth	(49.3)	(54.9)	(40.3)	20.2	15.9	41.9	31.7	9.1	6.0	(37.8)	23.5

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	661,223	673,246
Current assets	291,862	346,865	297,654	305,330	318,236
Cash & ST securities	210,113	204,764	164,810	130,725	135,699
Inventory	37,677	73,271	70,703	63,440	66,340
Accounts receivable	33,133	58,660	40,842	72,608	75,894
Other current assets	10,939	10,171	21,298	38,557	40,302
Non-current assets	242,044	314,012	310,746	355,893	355,010
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	147,692
Total liabilities	158,822	227,229	165,341	243,883	249,989
Current liabilities	143,798	211,106	141,570	212,286	217,553
Accounts payable	34,470	43,504	21,518	36,594	38,267
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	140,846
Non-current liabilities	15,023	16,123	23,771	31,597	32,436
Long-term debt	3,620	1,684	863	5,117	5,117
Other L-T liabilities	11,404	14,439	22,907	26,480	27,319
Total equity	375,084	433,648	443,058	417,340	423,257
Share capital	15,903	15,989	15,994	15,997	15,997
Retained earnings reserve	173,052	252,433	286,689	231,414	236,731
Minority interests	3,251	1,633	2,949	2,858	3,458
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Growth					
Revenue growth	30.8%	53.2%	11.2%	(21.0%)	18.4%
Operating profit growth	91.5%	150.0%	17.4%	(44.9%)	36.0%
EBITDA growth	71.6%	123.4%	19.5%	(37.7%)	31.4%
Net profit growth	77.6%	172.3%	6.0%	(37.8%)	23.5%
EPS growth	77.0%	171.3%	5.7%	(37.9%)	23.4%
Profitability					
Gross profit margin	43.9%	46.9%	49.4%	47.4%	46.8%
Operating margin	13.4%	21.9%	23.1%	16.1%	18.5%
EBITDA margin	16.5%	24.0%	25.8%	20.4%	22.6%
Net profit margin	12.7%	22.6%	21.5%	17.0%	17.7%
Return on average assets	8.2%	18.7%	18.6%	11.6%	13.6%
Return on average equity	12.0%	27.7%	27.1%	17.2%	21.8%
Stability					
Gross debt to equity	7.6%	13.1%	1.7%	10.4%	10.3%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.0	659.6	366.5	229.4	676.1
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	220.4	711.1
Cash flow/int. & ST debt (x)	3.1	0.9	20.8	2.1	2.8
Current ratio (x)	2.0	1.6	2.1	1.4	1.5
Quick ratio (x)	1.8	1.3	1.6	1.1	1.2
Net debt (NT\$m)	(167,996)	(127,060)	(140,070)	(72,298)	(79,273)
Per share data					
EPS (NT\$)	26.01	70.56	74.59	46.34	57.19
CFPS (NT\$)	50.57	29.82	91.29	50.83	68.71
BVPS (NT\$)	233.82	270.20	275.16	259.10	262.43
Adj BVPS (NT\$)	236.34	273.59	277.88	261.22	264.43
SPS (NT\$)	204.75	312.47	346.51	273.17	323.22
EBITDA/share (NT\$)	33.76	75.15	89.51	55.66	73.11
Cash DPS (NT\$)	37.00	73.00	76.00	53.44	62.20
Activity					
Sales / avg assets	0.65	0.83	0.86	0.68	0.77
Days receivable	37.6	43.4	27.2	61.1	54.1
Days inventory	76.4	102.1	92.9	101.6	88.9
Days payable	69.9	60.7	28.3	58.6	51.3
Cash cycle	44.1	84.9	91.8	104.1	91.8

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	433,446	513,127
Cost of goods sold	(180,610)	(261,810)	(277,892)	(227,937)	(272,979)
Gross profit	141,536	231,605	270,904	205,509	240,147
Operating expenses	(98,316)	(123,564)	(144,116)	(135,648)	(145,137)
Operating profit	43,219	108,040	126,788	69,860	95,010
Non-operating income	4,958	19,013	9,937	15,083	8,696
Interest income	2,482	1,651	3,218	5,816	3,646
Investment income	1,773	6,760	3,281	5,905	2,300
Other non-op income	703	10,602	3,438	3,362	2,750
Non-operating expenses	(595)	(202)	(1,165)	(1,342)	(153)
Interest expense	(595)	(193)	(371)	(366)	(153)
Investment loss	-	-	-	-	-
Other non-op expenses	-	(9)	(794)	(976)	-
Pre-tax profit	47,583	126,852	135,561	83,601	103,553
Corporate taxation	(6,144)	(14,980)	(16,936)	(9,754)	(12,152)
Minorities	(522)	(451)	(484)	(312)	(600)
Extraordinary items	-	0	0	-	-
Net profit	40,917	111,421	118,141	73,535	90,801
EBITDA	53,120	118,661	141,768	88,319	116,069
EPS (NT\$)	26.01	70.56	74.59	46.34	57.19

Cash flow

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Operations cash flow	79,558	47,095	144,583	80,654	109,084
Net profit	40,917	111,421	118,141	73,535	90,801
Depreciation & amortisation	9,901	10,621	14,980	18,459	21,059
Decrease in working capital	(4,201)	(52,087)	(1,601)	(9,427)	(4,514)
Other operating cash flow	32,941	(22,860)	13,063	(1,913)	1,739
Investing cash flow	(6,769)	(28,924)	(37,535)	(25,470)	(16,626)
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)	(8,960)
Others investing cash flow	(4,836)	(8,650)	(4,130)	(8,843)	(7,666)
Free cash flow	33,006	31,752	105,008	55,502	83,033
Financing cash flow	(49,221)	(27,951)	(156,280)	(93,686)	(85,484)
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)	(85,484)
Other financing cash flow	(1,642)	2,573	9,073	(8,830)	-
Forex effects	(4,533)	(3,094)	13,030	6,855	-
Total cash generated	19,035	(12,875)	(36,202)	(31,646)	6,974
Cashflow by merger	-	-	-	-	-

ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue	43.9%	46.9%	49.4%	47.4%	46.8%
- Operating exp./revenue	30.5%	25.0%	26.3%	31.3%	28.3%
= Operating margin	13.4%	21.9%	23.1%	16.1%	18.5%
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
= Capital turnover	3.7	2.9	3.0	2.2	2.6
Operating margin	13.4%	21.9%	23.1%	16.1%	18.5%
x Capital turnover	3.7	2.9	3.0	2.2	2.6
x (1 - tax rate)	87.1%	88.2%	87.5%	88.3%	88.3%
= After-tax ROIC	42.7%	56.0%	60.6%	31.0%	42.2%

Source: Company data, KGI Research estimates

MediaTek – Recommendation & target price history


Date	Rating	Target	Price
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
2022-10-19	Neutral	545	577

Source: TEJ, KGI Research

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