

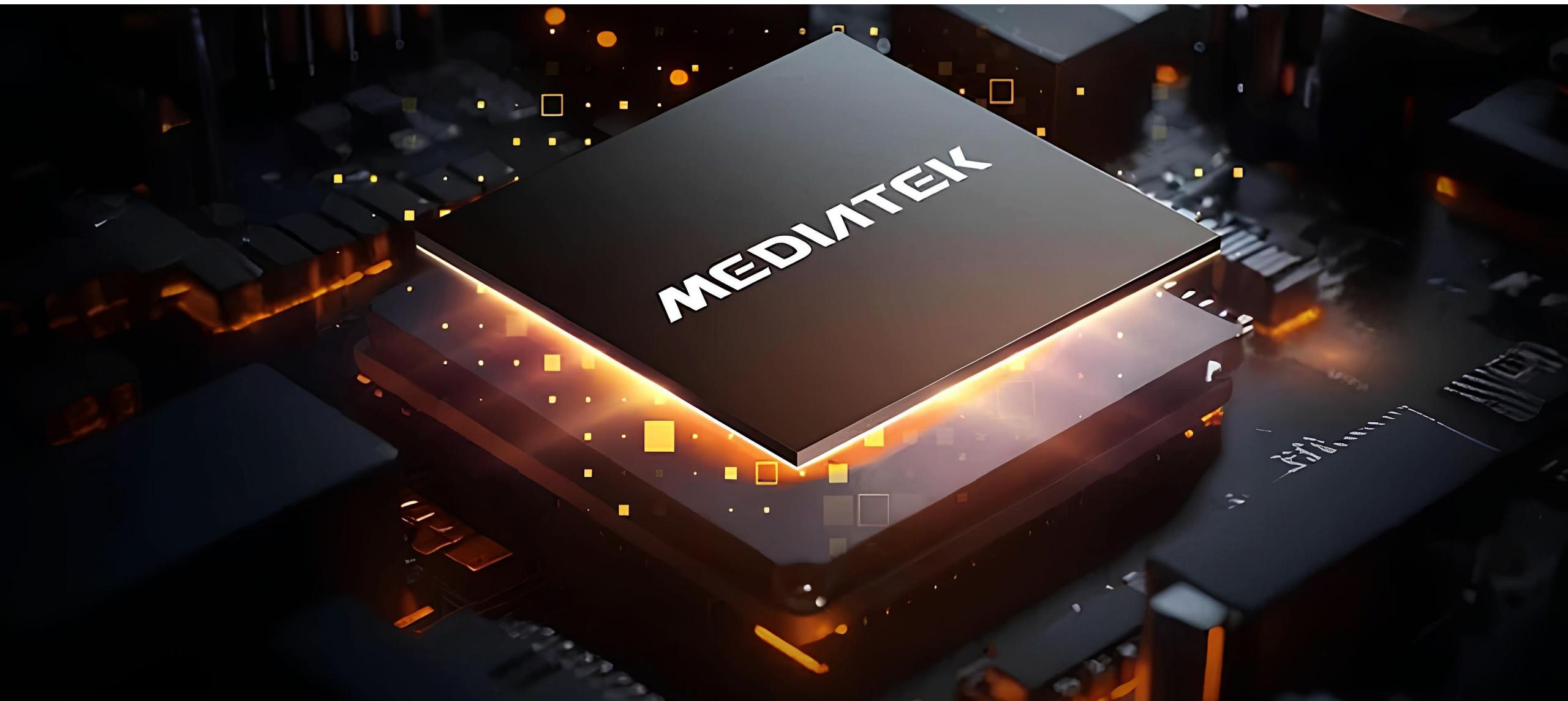
National Sun Yat-sen University | NSYSU

Owen, Ou | Shelly, Yang | Wade, Wang | Felix, Chang | Gennis, Tsang

BUY

TP NT\$1,628 | UPSIDE 15.1%

P/E method, Supported by DCF



Investment Summary

Entering High Growth Potential AI Segments Lead to Re-Rate

- Superior ASIC design capabilities positioning for AI accelerator market
- MTK-NVIDIA Collaboration- WoA AIPC, automotive cockpit

Gaining Flagship Market Share from Qualcomm

- Price advantage over QCOM aligns with China's consumption downgrade trend
- Potential winner of the dispute between ARM & QCOM

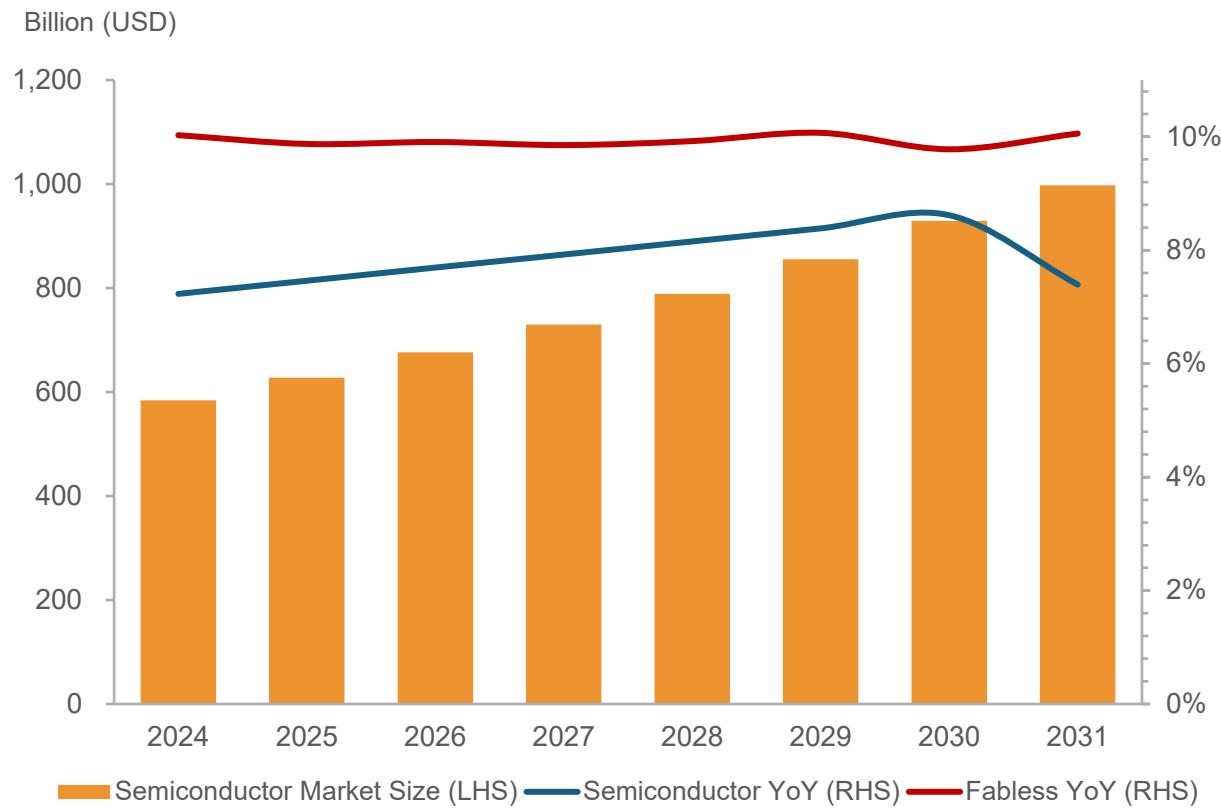
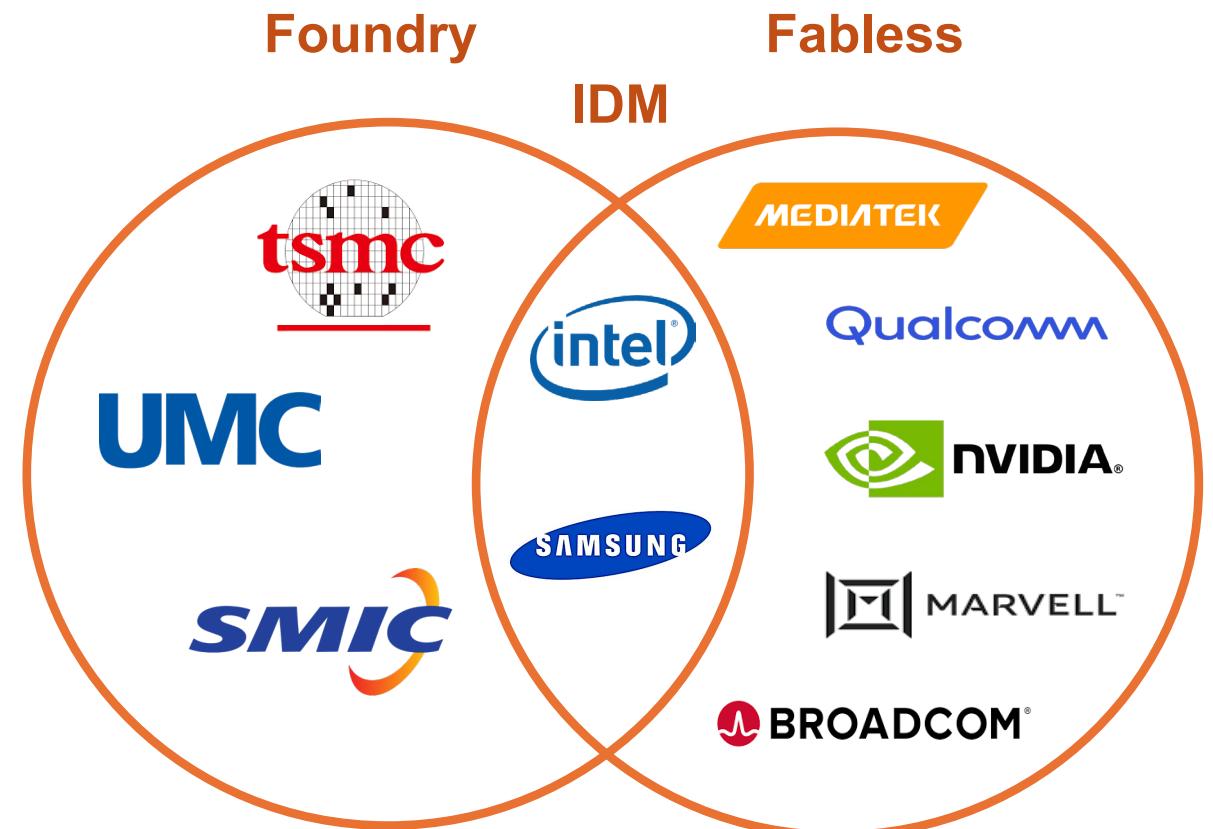
ESG Leading Position among Taiwan Peers

- Valuing talent and work environment, with high employee retention intent
- Robust governance with forward-looking environmental planning

Semiconductor Industry Overview

Global market for design and manufacturing

YoY is expected to reach 10.07% by 2029



Source: Precedence Research, Team Estimate

Top 10 IC Company (2021~2023)

GPU



ASIC



Smartphone SoC



Consumer IC



NOVATEK

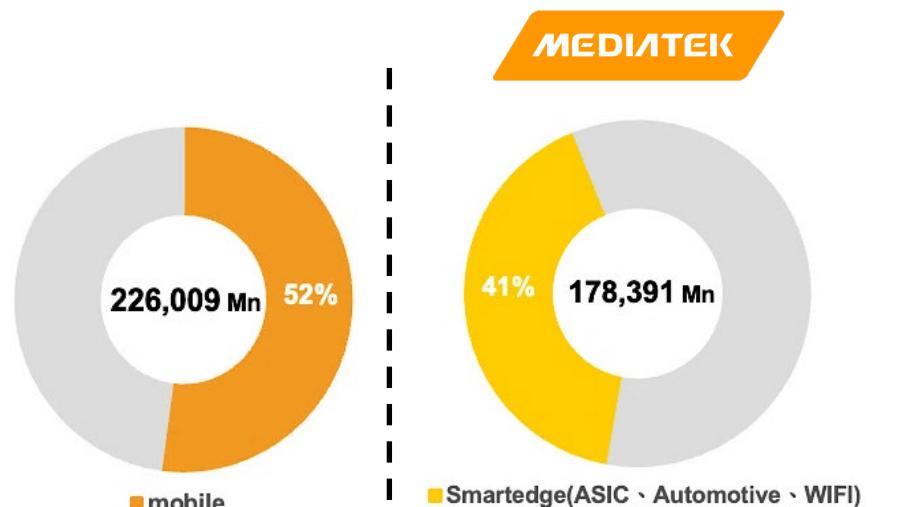
Qualcomm



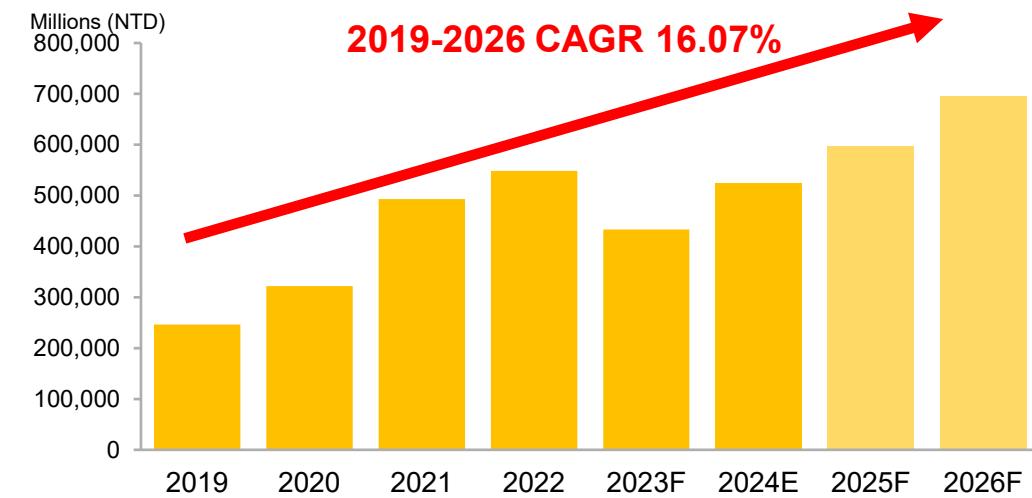
Source: Precedence Research, Team Estimate

Smartphone SoC at the core, Smart Edge Driving MTK's Revenue Growth

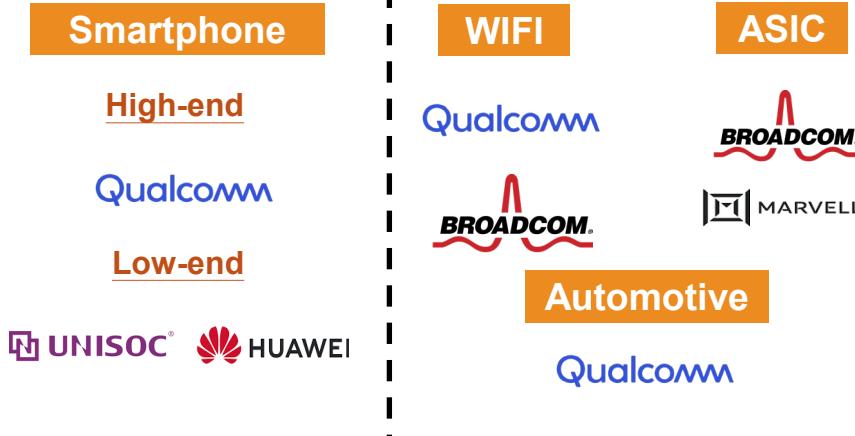
With a diversified business portfolio



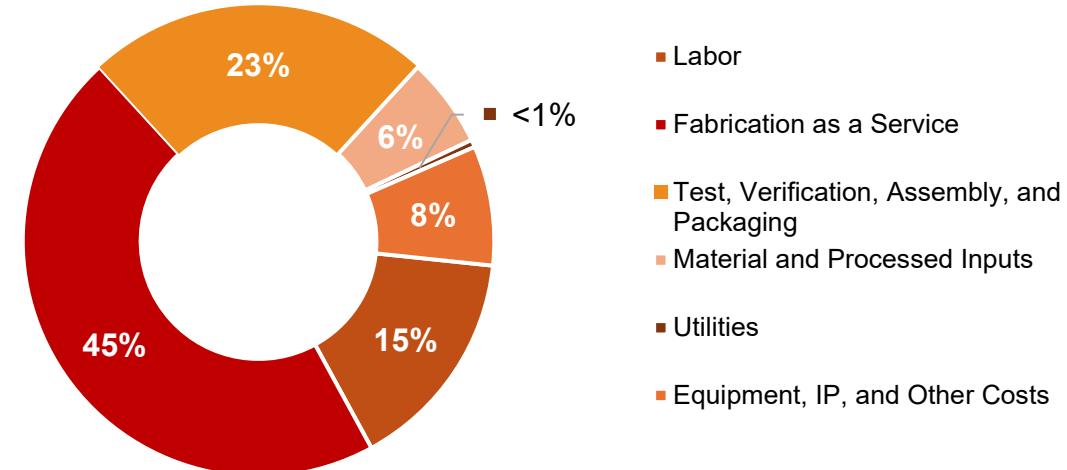
MTK's 2025–2026 Revenue boosted by AI & 5G expansion



VS



MediaTek's Cost Structure: Dominated by FaaS



Source: MediaTek, Team Estimate

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AI Surge Drives Growing Demand for ASICs



- Reduce reliance on NVIDIA
- Cost-effective performance through customization

BROADCOM®

MARVELL

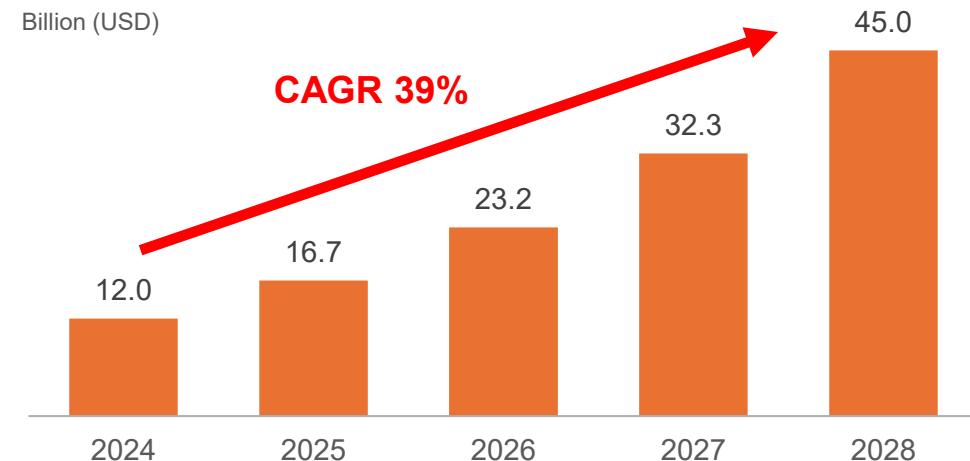
VS

MEDIATEK

Over **60%** market share

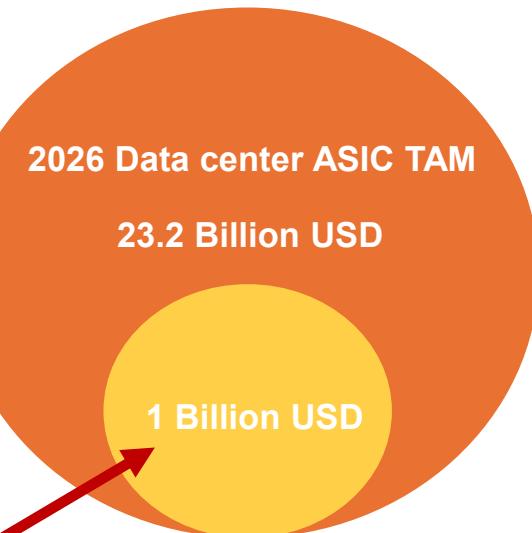
- 112G / 224G SerDes IP
- Lower service fees
- Close partnership with TSMC for Turnkey Solutions

Data center ASIC market growth trajectory (2024~2028)



Winning Google TPU v7
for Inference

Sales From TPU v7 by 2026

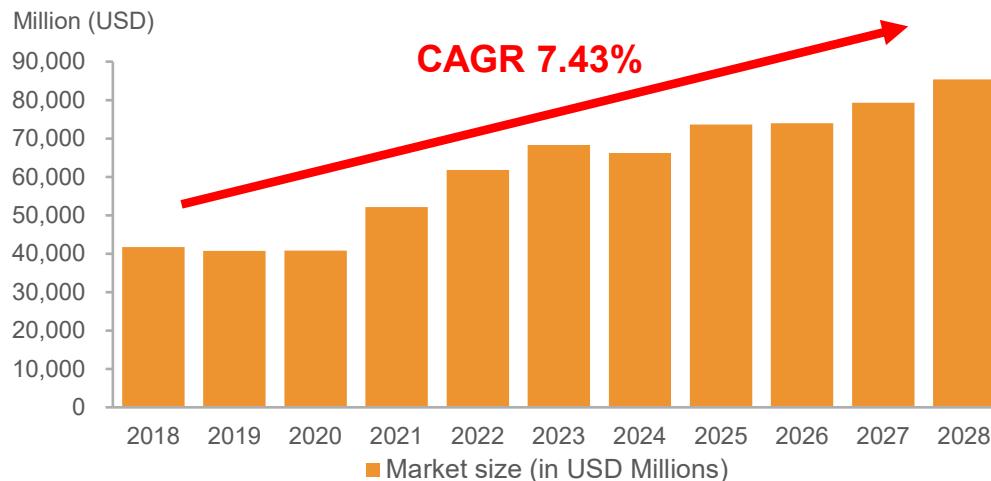


(Appendix : Development Pipeline of AI ASIC)

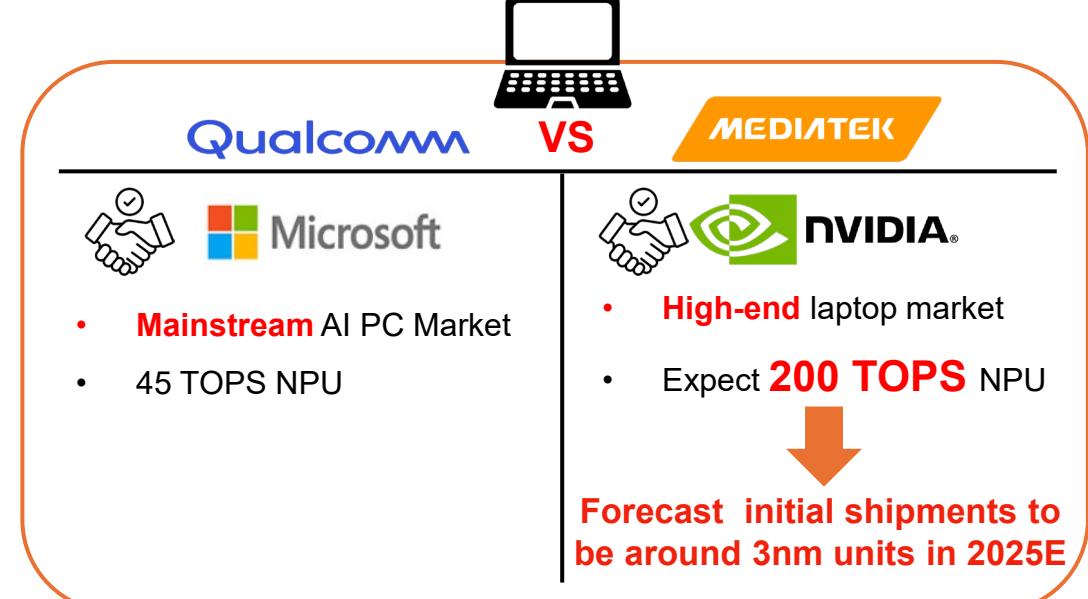
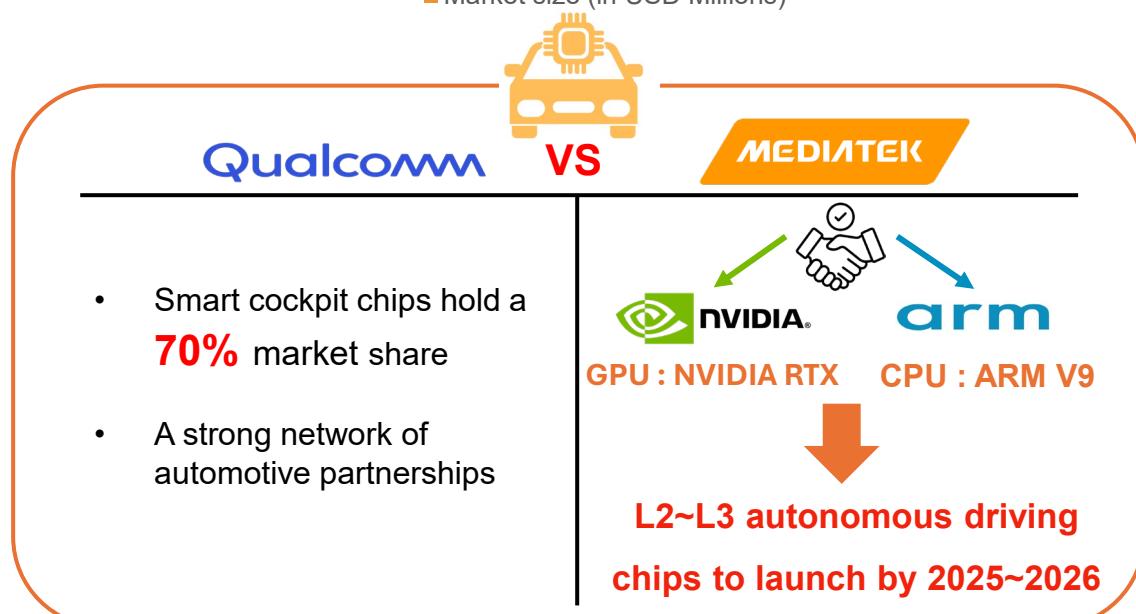
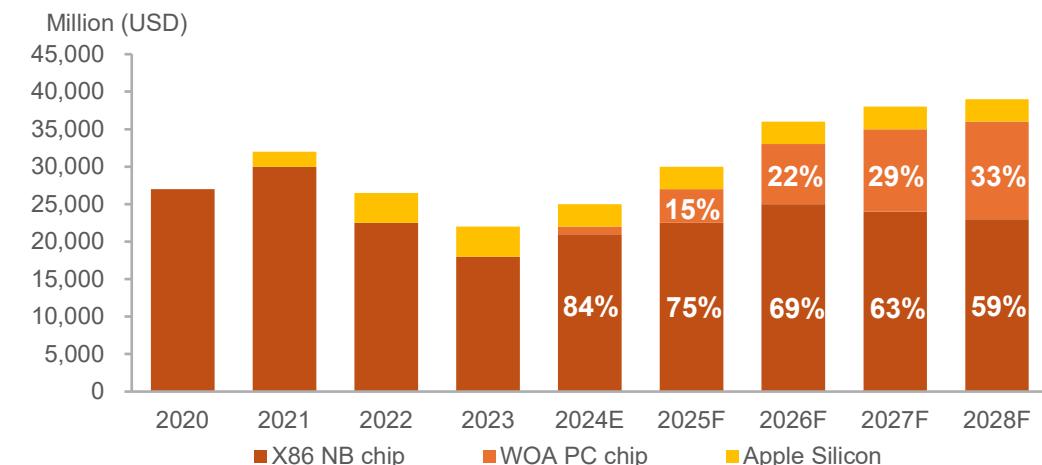
Source: MediaTek, Team Estimate ,IDC

NVIDIA and MTK's Strategic Partnership in the Automotive and NB Markets

Worldwide automotive semiconductor market forecast



WOA Gradually Encroaching on x86 Market Share



Source: MediaTek, Qualcomm, IDC, Team Estimate

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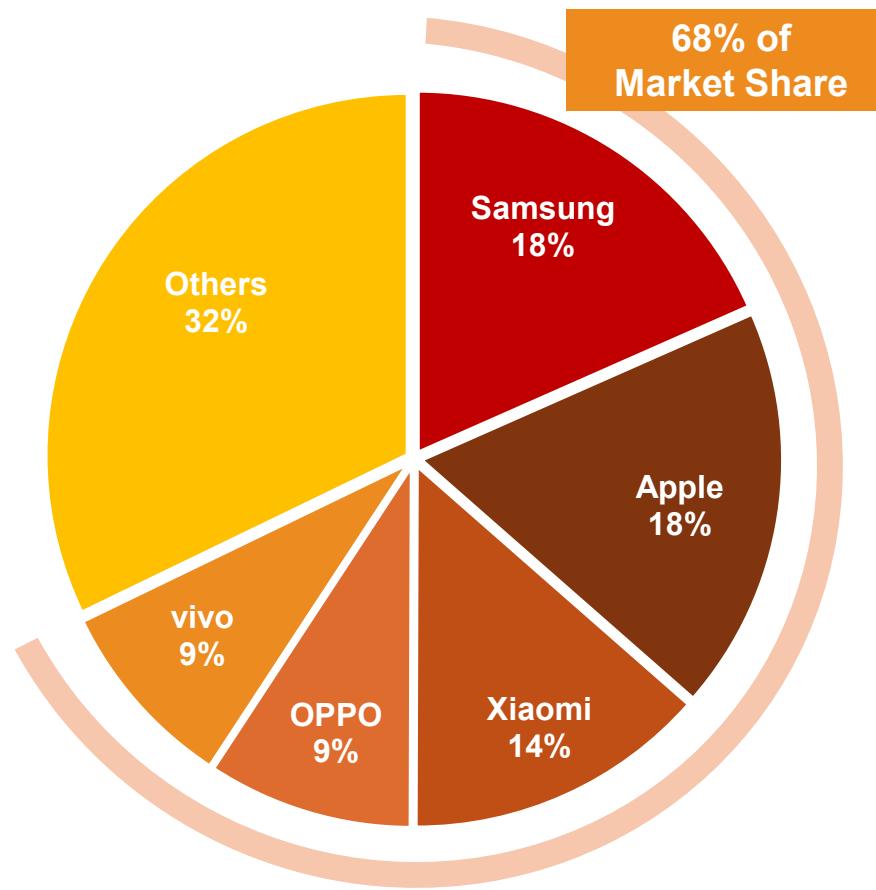
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Global Smartphone Market: Growth Slows amid Saturation

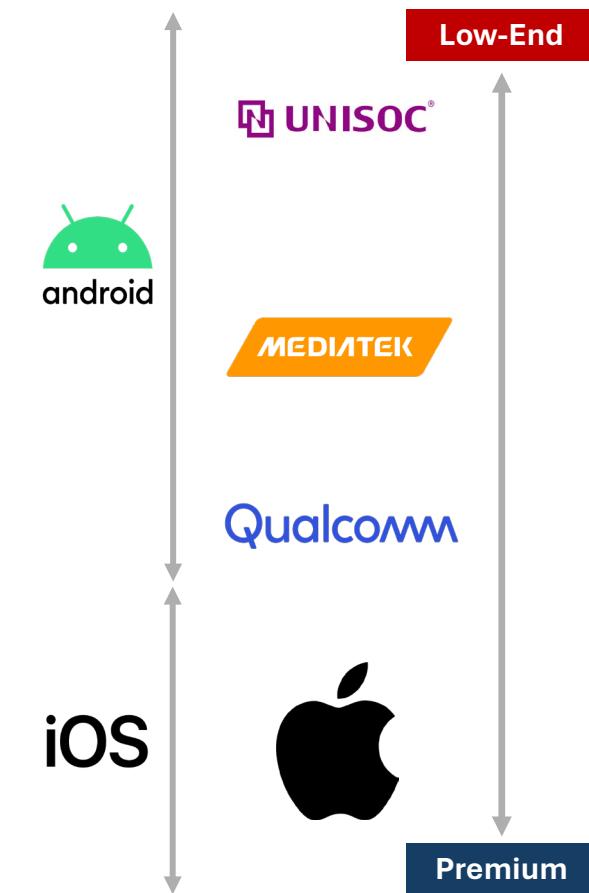
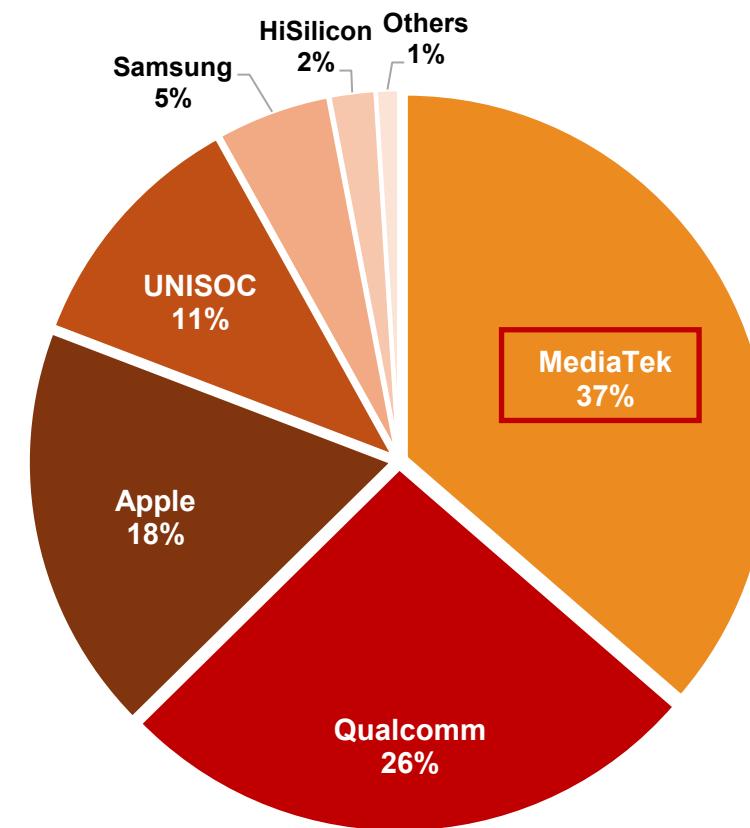
Apple, Samsung, and Chinese brands dominate global smartphone market

Global Smartphone Market Share 2024Q3



MTK leads in market share, while Qualcomm dominates the flagship segment

Global Smartphone SoC Market Share 2024Q3

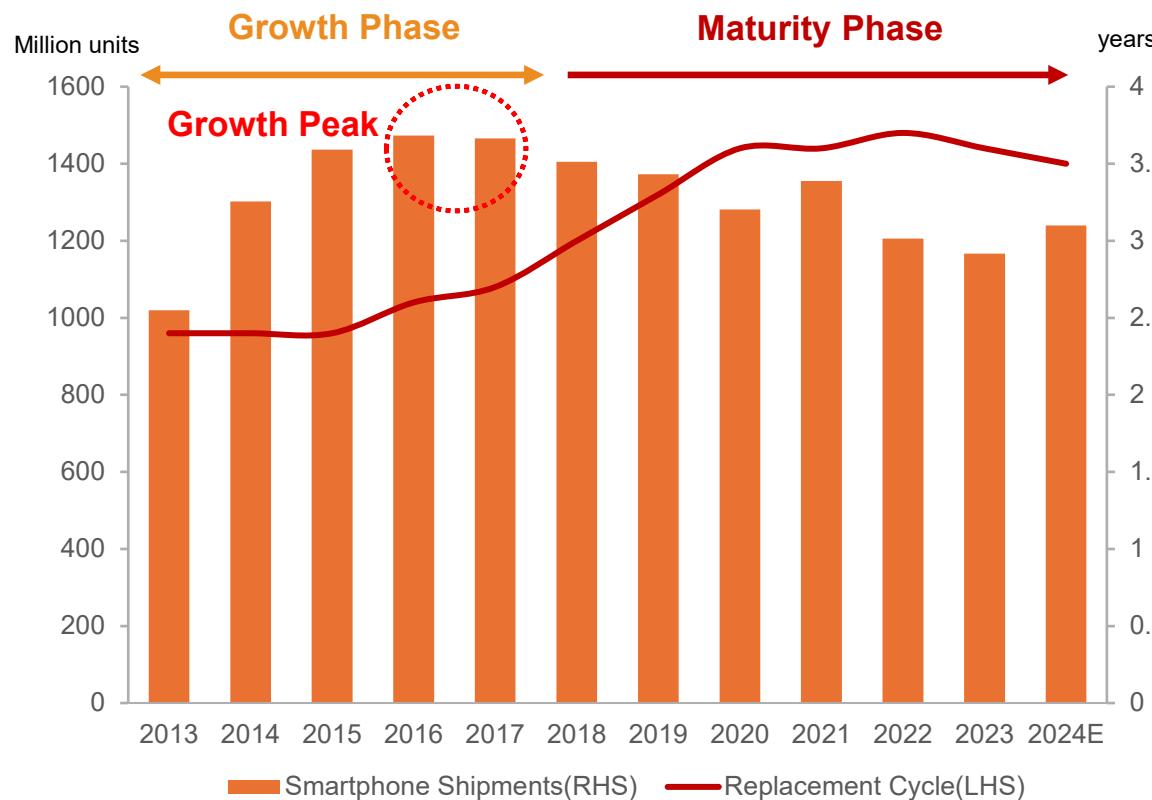


Source: IDC, Statista, Team Estimate

Mobile Market Evolution: AI Integration Catalyzes New Transformation

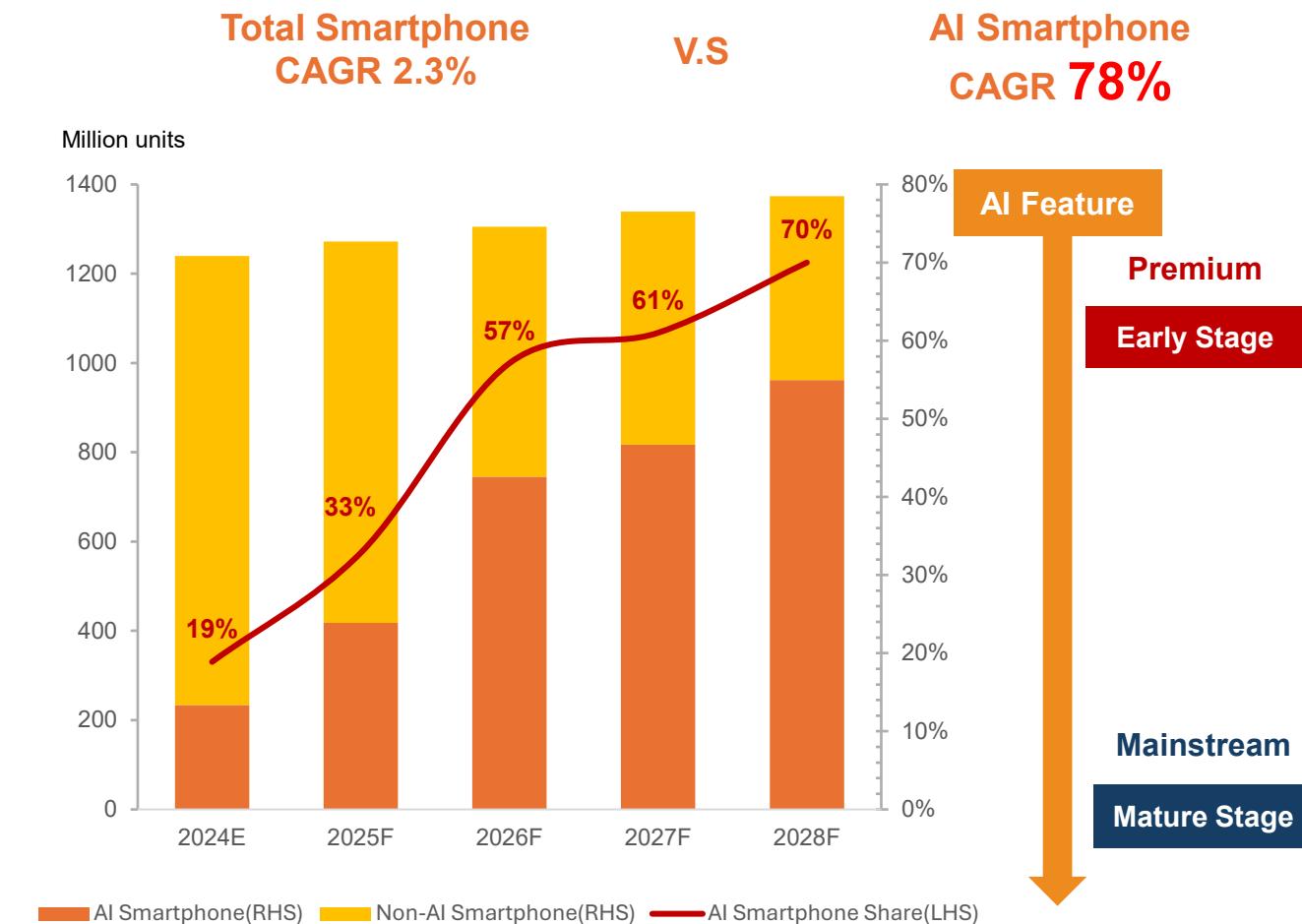
Smartphone Shipments Peaked in 2017

Replacement cycles extended from 2.5 years during the growth phase to 3.5 years at present



AI Smartphones are in the early growth phase, with flagship models leading transformation

2023~2028



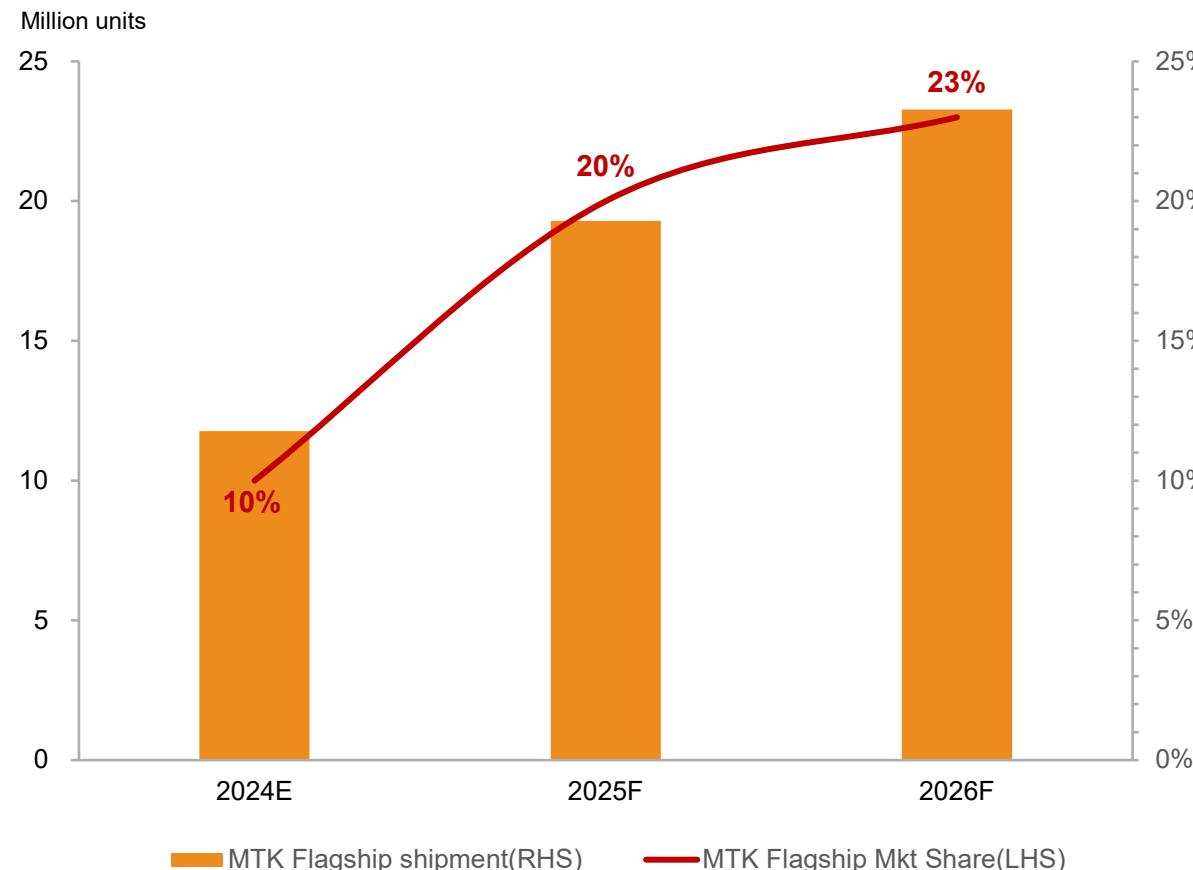
Source: IDC, Statista, Team Estimate

MTK's Flagship Expansion: Gain New Market Share from Qualcomm

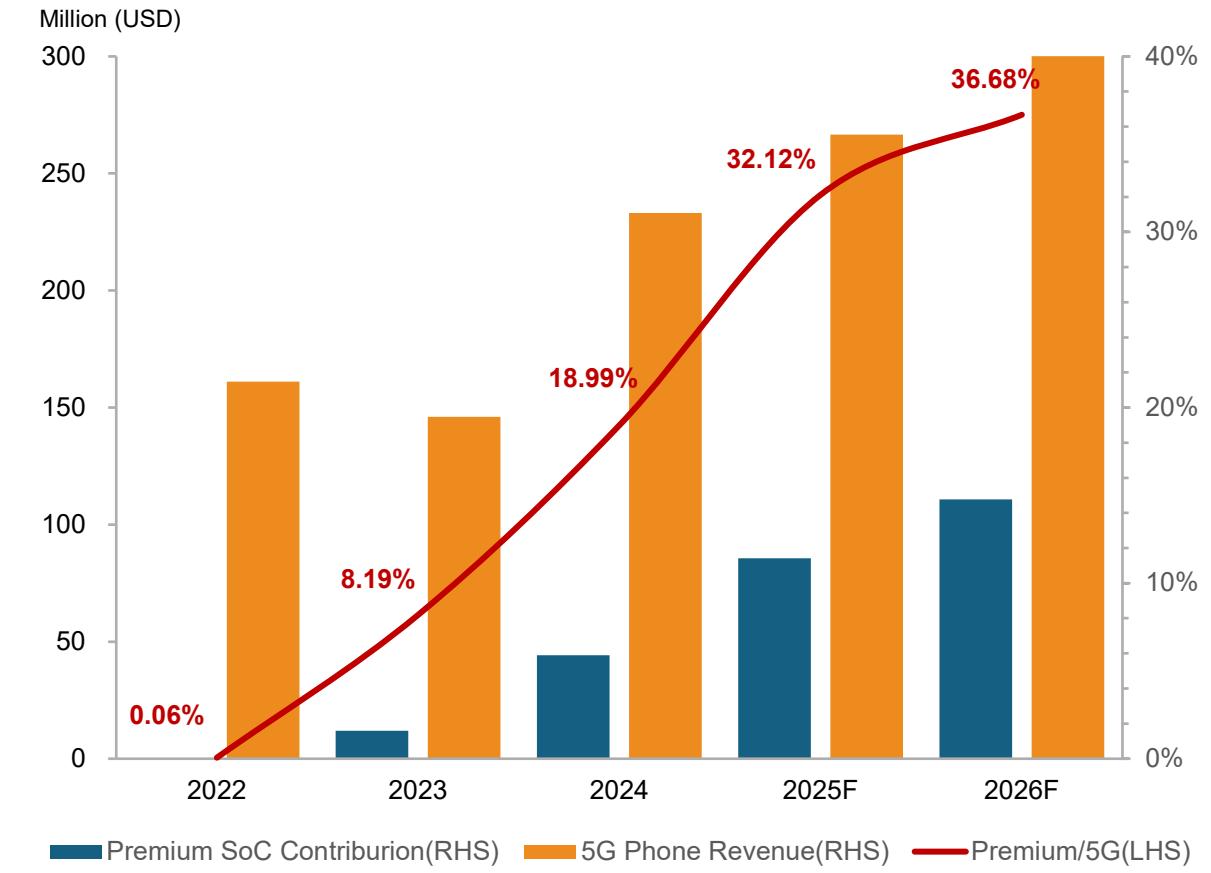
We anticipate MTK to reach a short-term peak of 23% market share in flagship by 2026

Flagship models will contribute 37% of 5G mobile revenue, optimizing product mix

Anticipated Flagship Revenue and Market Share



Anticipated Revenue Contribution from Premium SoC



Source: Bloomberg, Team Estimate

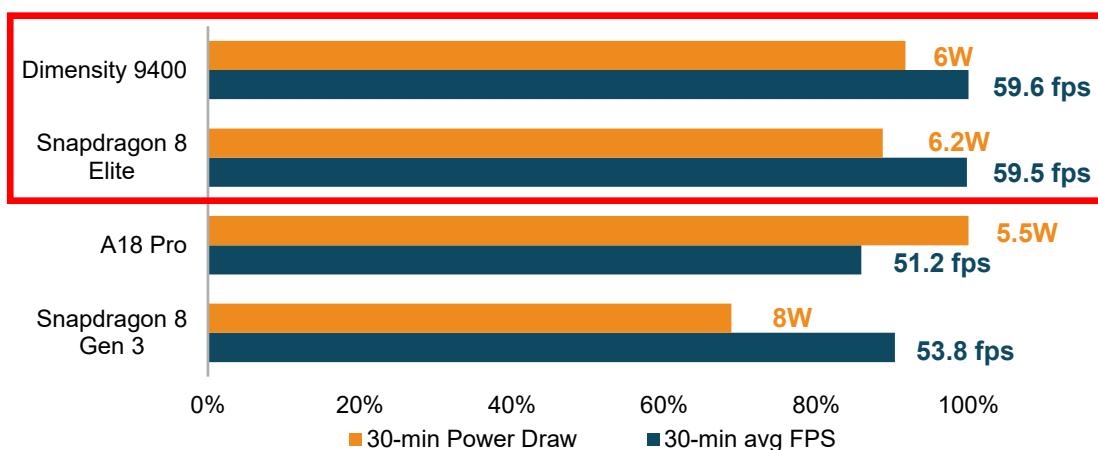
Price Advantage Over QCOM Aligns with China's Consumption Down-Grade Trend

D9400 delivers over 20% cost advantage while maintaining competitive user experience vs S8 Elite



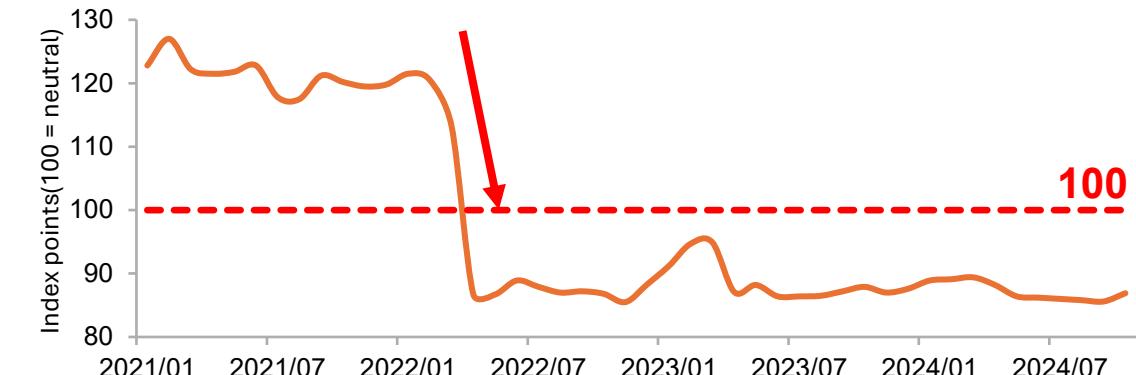
Honkai : Star Rail Gaming Performance Comparison

Both chips deliver comparable user experience across all current applications, including the most demanding scenarios

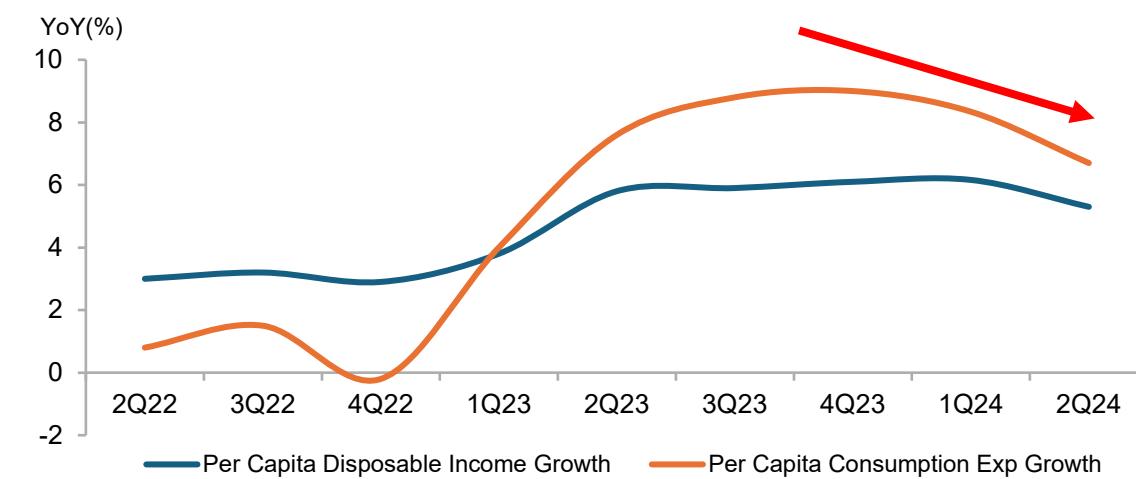


China's consumption downgrade: Where D9400 shines

China Consumption Confidence Index Below 100 Since 2022

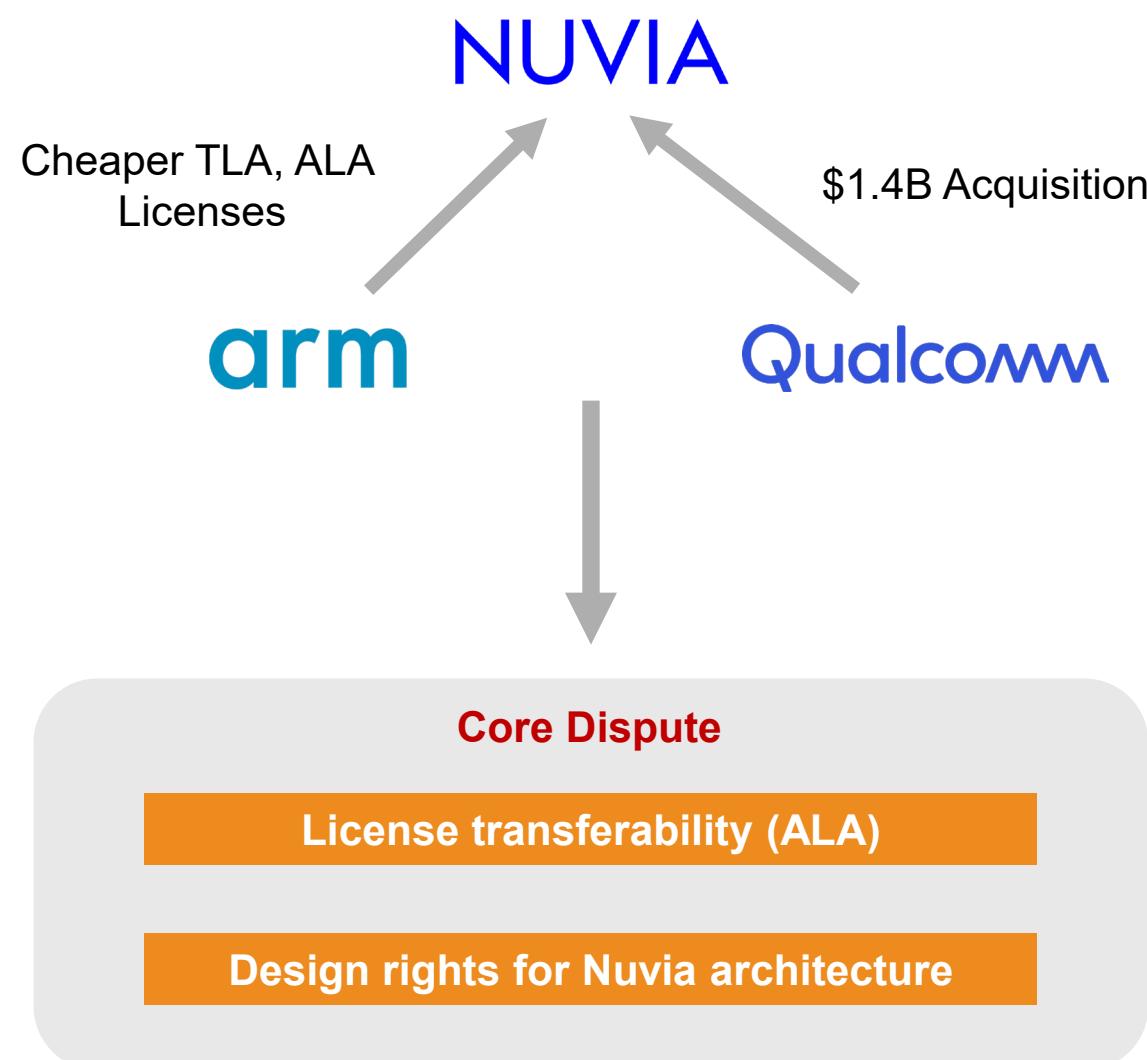


China Disposable Income and Consumption Exp. Down Trend



Source: Bloomberg, Macro Micro, Team Estimate, Geekerwan

ARM vs. Qualcomm: Nuvia Dispute and Strategic Implications for MTK



Source: Qualcomm, ARM, Team Estimate

Scenario Analysis & Implications for MTK

Case 1 (80%)

- Qualcomm maintains Nuvia's licensing scope with no cost impact

Case 2 (15%)

- Qualcomm settles but faces higher licensing fees

Case 3 (5%)

- Qualcomm loses access to Nuvia's architecture, impacting Oryon development over the next two years

Implications for MediaTek

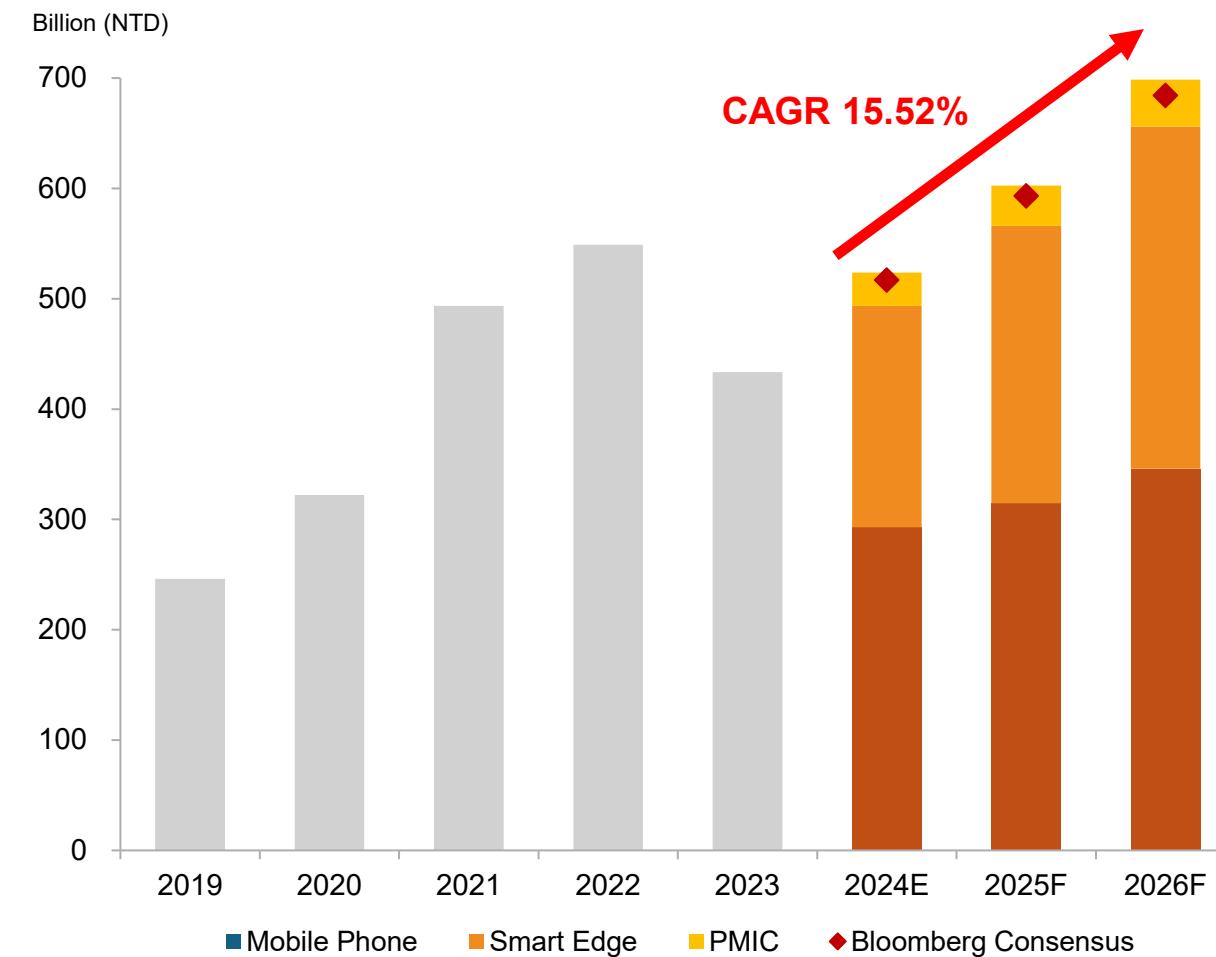
Case 1 Fabless market landscape shifts toward self-developed chip architecture trends

Case 2 Widening price gap emerges between Snapdragon and Dimensity

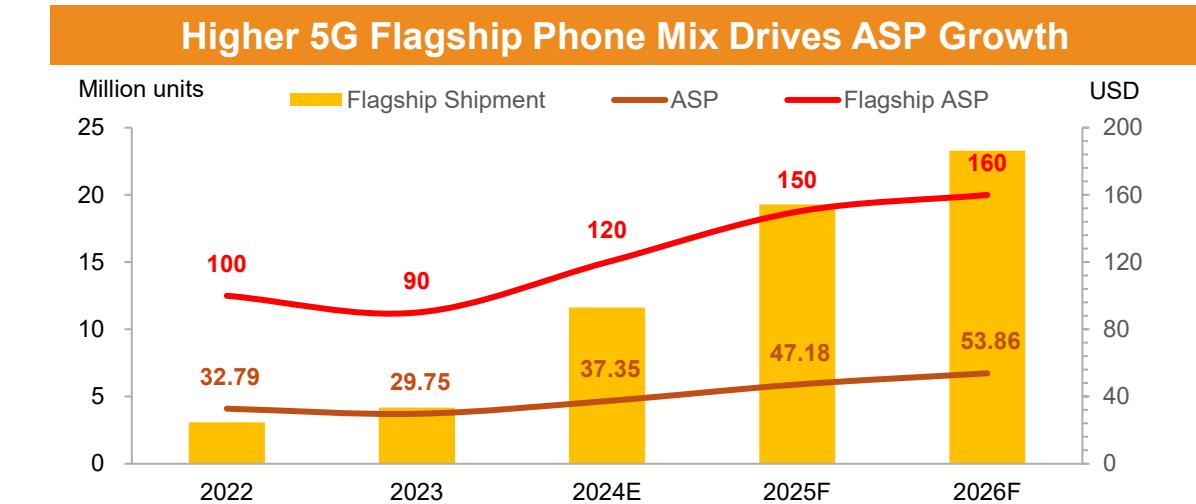
Case 3 MTK advances position in flagship mobile and WoAAIPC amid Oryon's development constraints

5G Flagship Phones and AI Products Propel Revenue Growth

We project MTK's revenue CAGR at 15.52% during 2024~2026



Growth Driver

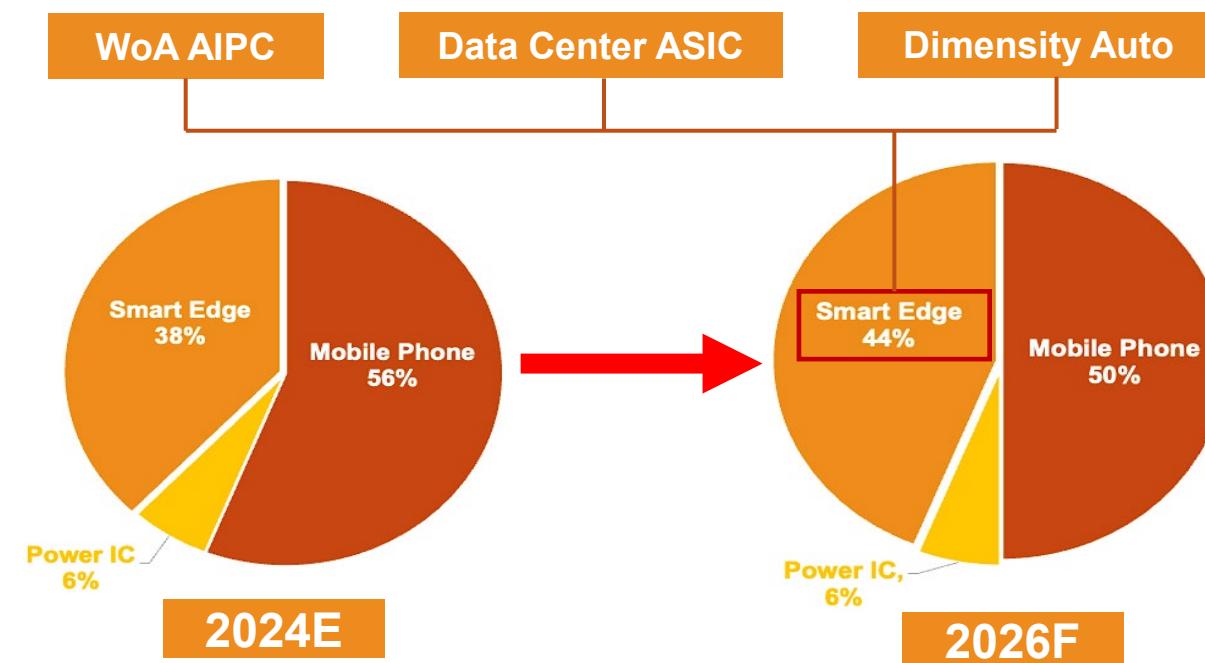


High-Growth AI Products Drive Smart Edge Growth	
Product	Start of Revenue Contribution
Dimensity Auto Cockpit Chip	2025Q3
WoAAI PC Chip (partnership with NVDA)	2025Q4
Data Center ASIC (TPU v7)	2026Q1

Source: MediaTek, Team Estimate

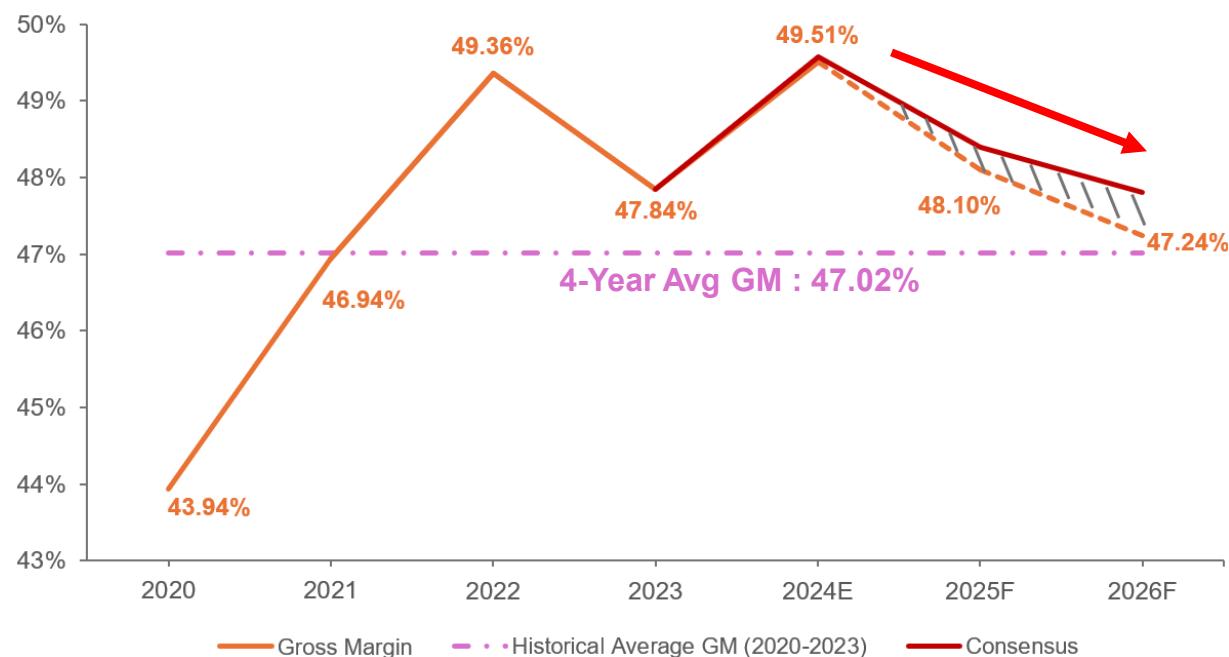
AI-Focused Product Mix Reshapes Gross Margin Trajectory

Beyond Mobile: MTK transforms into an AI chip company



Gross margin compression reflects shift to AI market

- Product mix change temporarily lower down gross margins
- Long-term recovery in margins as economies of scale improve



Estimated Structure of Gross Margin Rates of MediaTek

Segment	2024E*	2026F
Mobile Phone	49.0%	49.2%
Smart Edge	47.4%	46.1%
Power IC	41.1%	40.0%

*Note : The estimated gross margin values exclude the impact of recognizing one-time items.

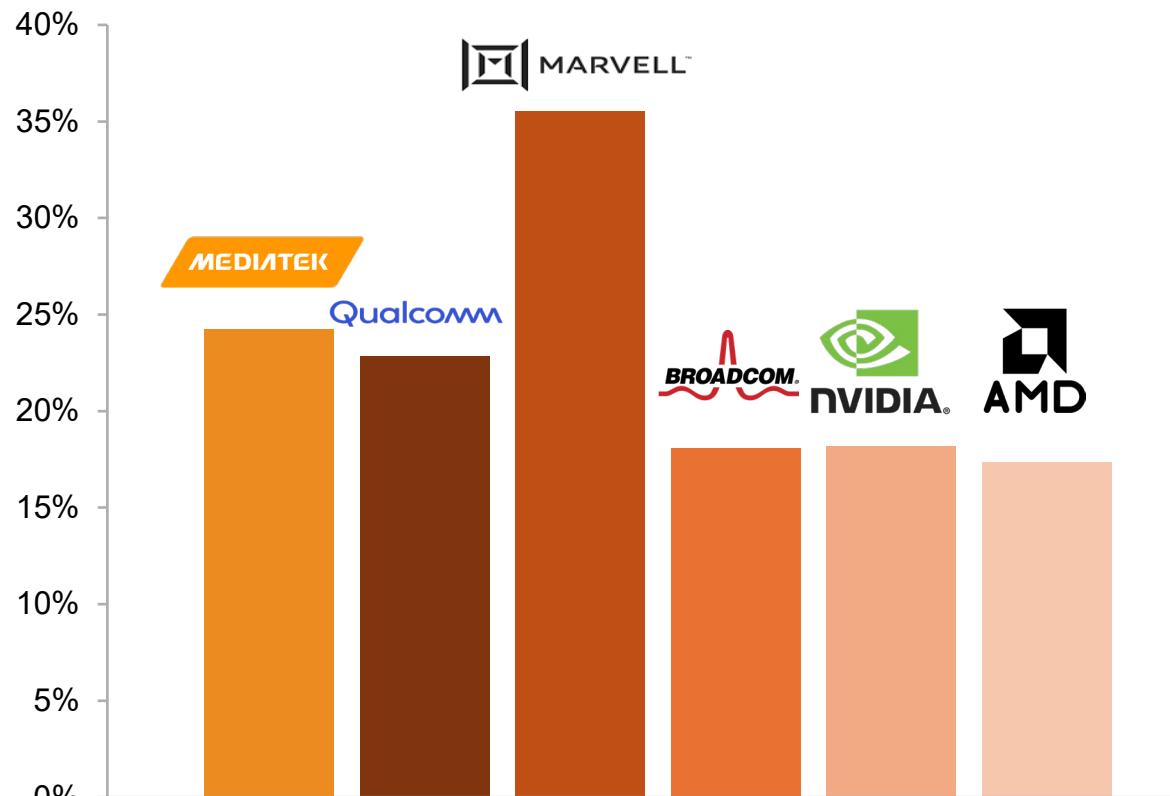
4G Era (2016-2019)		5G Era (2020-2023)	
4-Year Gross Margins	37.9%	47.0%	

Source: Bloomberg, StatementDog, AceCampTech, Team Estimate

R&D and Innovation: Key Drivers of MediaTek's Competitiveness

R&D Boosts MediaTek's Edge against Qualcomm

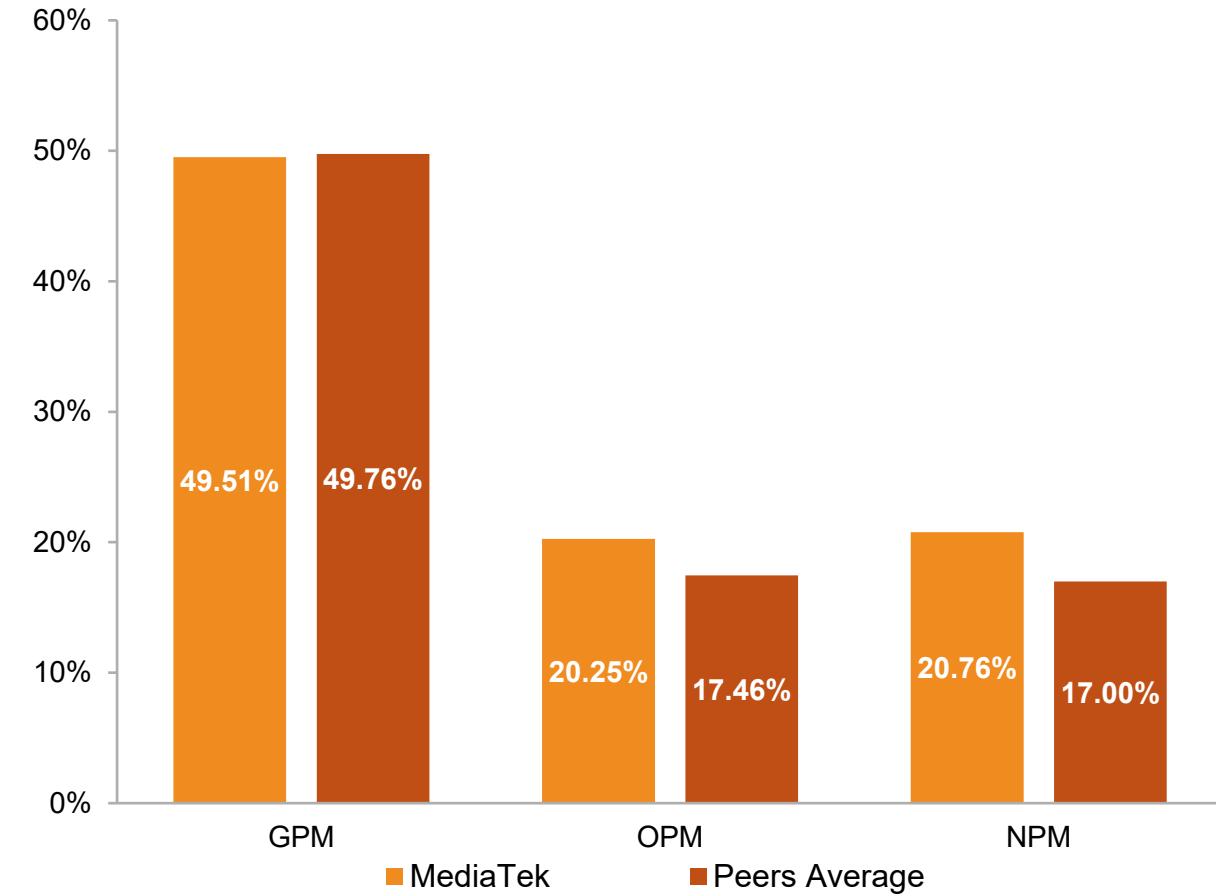
R&D Intensity



*Note : Data period: 2023 Q4 ~ 2024 Q3

Source: Bloomberg, StatementDog, Team Estimate

Innovation driving strong earning performance



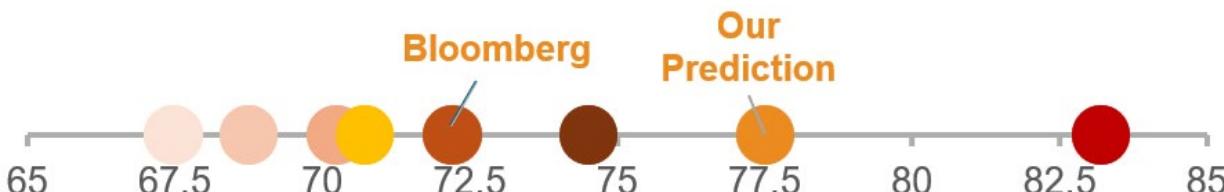
*Note : Data period: 2023 Q4 ~ 2024 Q3

The industrial peers average is computed by 10 largest IC firms: Qualcomm, Broadcom, Realtek, Marvell, Nvidia, AMD, Novatek, Cirrus Logic, Will Semiconductor, Monolithic Power Systems

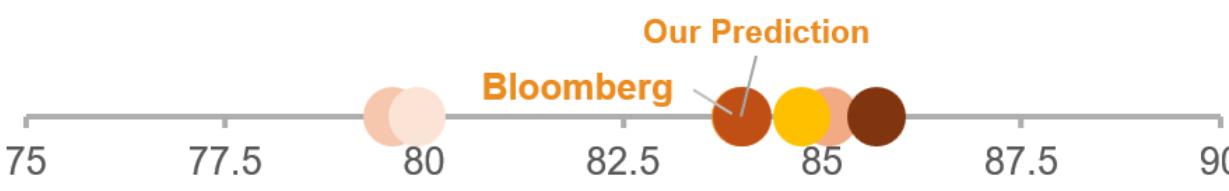
Profitability Growth and Transition to Stable Dividend Policy

Realization of AI benefits driving 2025 EPS growth

2025 Earning Consensus



2026 Earning Consensus



● Our Prediction

● KGI (12/13)

● HSBC (10/30)

● Bloomberg (10/10)

● JP Morgan (10/31)

● Citi (10/30)

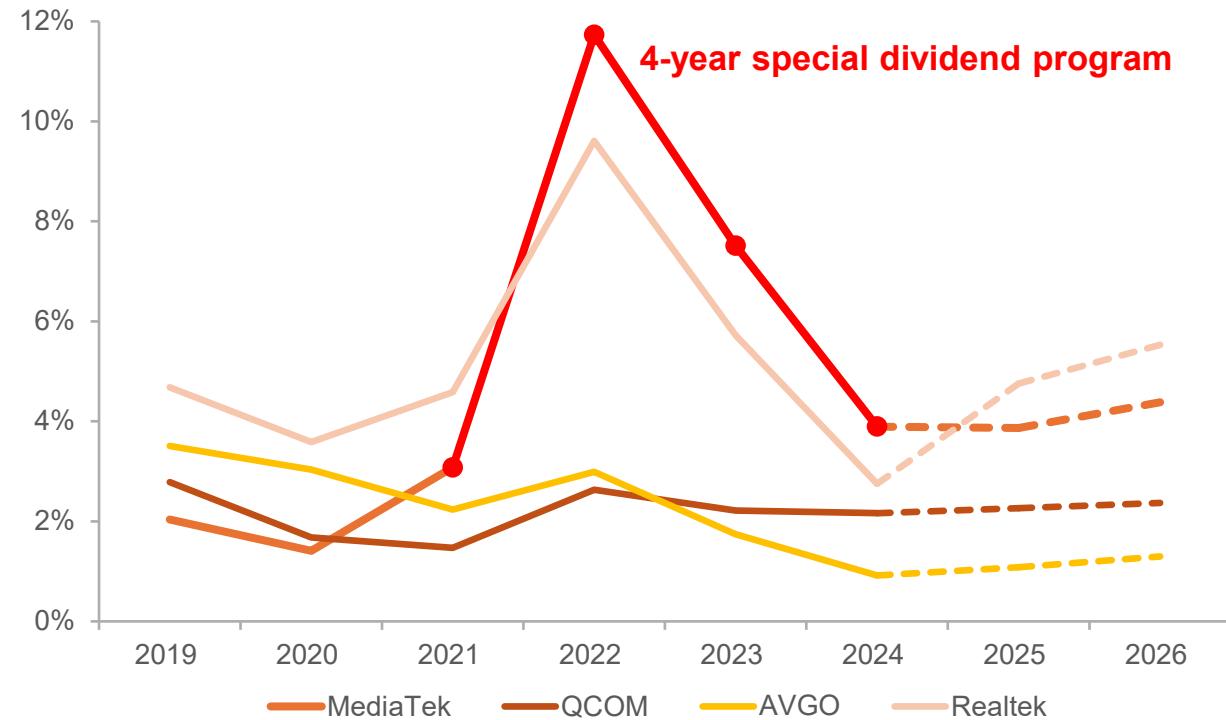
● Morgan Stanley (12/15)

● Goldman Sachs (10/31)

More bullish on 2025 EPS outlook with early materialization of AI products

MTK shifts to regular dividend policy

Cash dividend yield



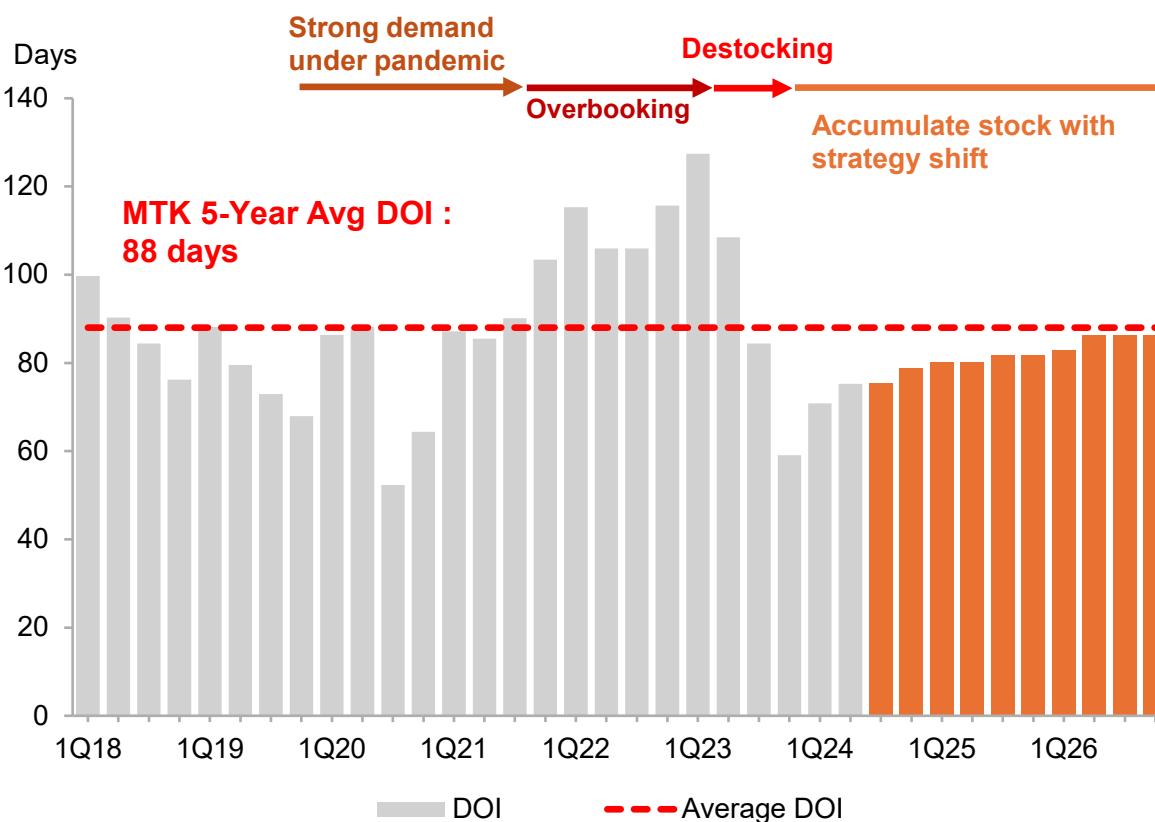
- **4-year special dividend program:** Distribute **additional \$16 dividend** from 2021 to 2024
- **MTK regular dividend policy:** Distribute **80% to 85% of its net income**

Source: Bloomberg, Morgan Stanley, KGI, JP Morgan Asia Pacific Equity Research, Goldman Sachs Equity Research, HSBC Global Research, Citi Research, Team Estimate

MediaTek Maintain Stable Inventory Turnover Amid Supply Chain Shifts

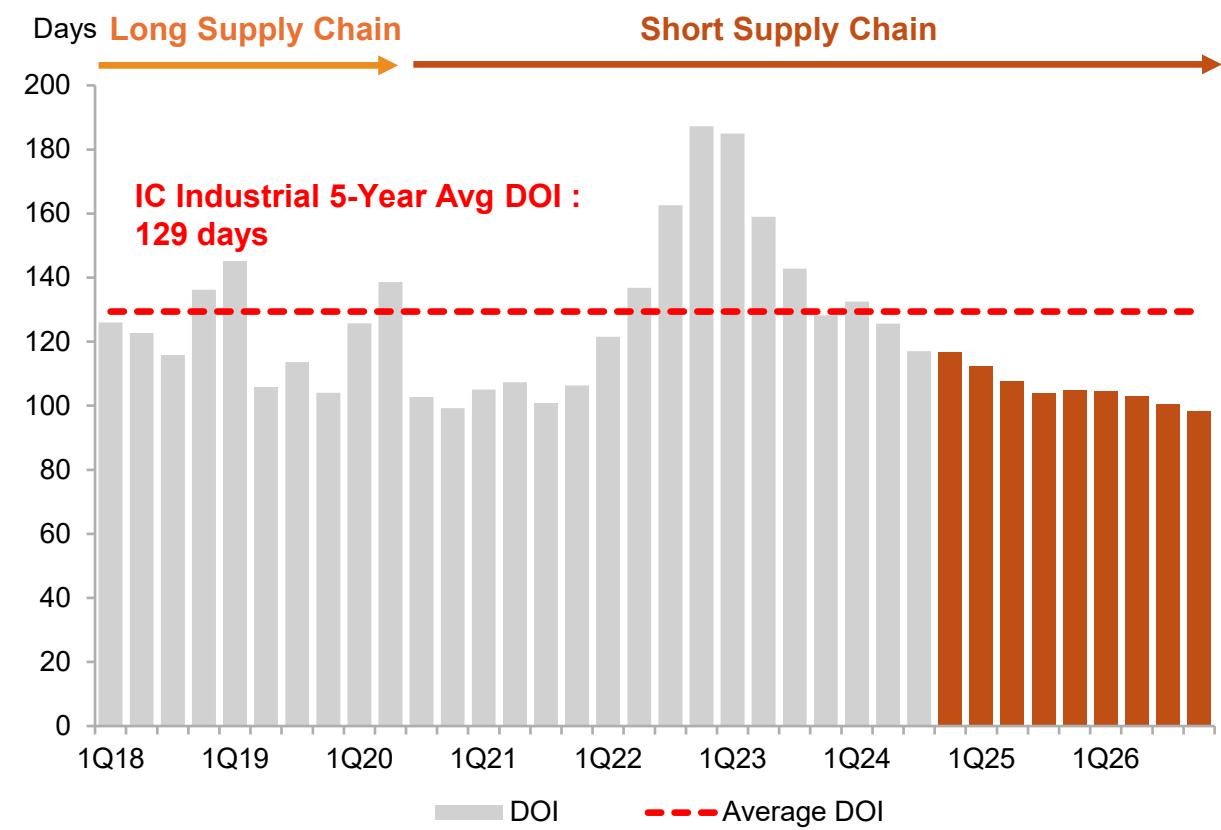
Healthy outlook for inventory turnover for MTK

The channel inventory is accumulating, especially in AI markets



Source: Bloomberg, Team Estimate

IC industry shifts to shorter supply chain



*Note : The industrial average DOI is computed by 9 largest IC firms: Qualcomm, Broadcom, Realtek, Marvell, Nvidia, AMD, Novatek, Cirrus Logic, Texas Instruments.

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ESG Priorities : Social, Governance, and Environmental

The overlapping indicators between MTK's ESG materiality & SASB Semi's key metrics

Prioritization

By aligning with SASB standards, MTK's ESG strategy effectively addresses high-impact issues, strengthening its global competitiveness and stakeholder trust



Social

Governance

Environmental

Source: MediaTek, SASB, Team Analysis

Building a Sustainable Workplace with Exceptional Talent at MTK

Exceptional work environment and commitment to talent at MTK driving retention



Industry-leading low turnover and high retention of new hires



Employee feedback shows strong long-term commitment

86% engagement, 82% committed to staying over 3 years



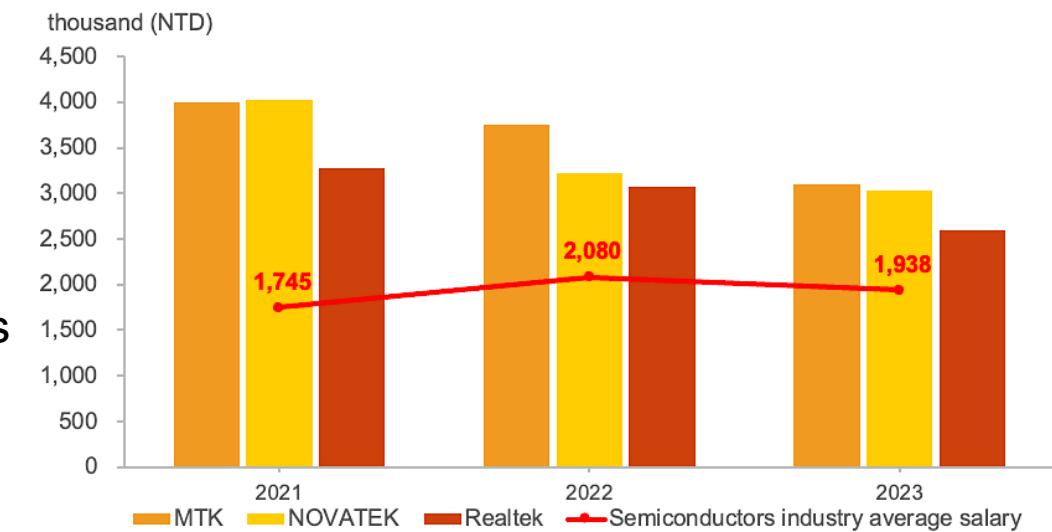
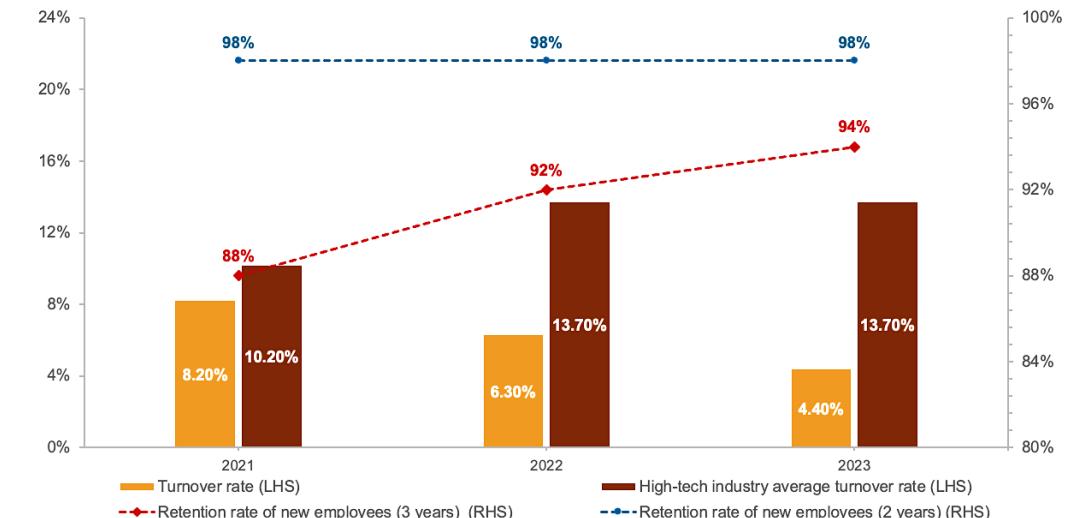
Offer industry-leading compensation and DEI work environment

DEI : Diversity , Equity , Inclusion



Valuing and cultivating talent with diversity training programs

FY19~23 training hours (Avg.) : 6.93hrs → 37hrs | Internal job application



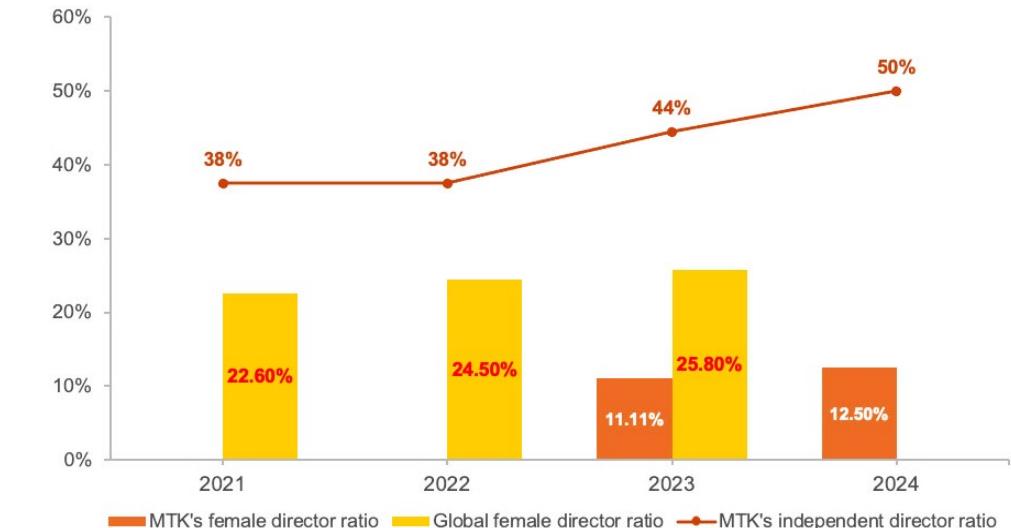
Source: MediaTek, NOVATEK, Realtek, Team Estimate

A Robust and Independent Governance Framework

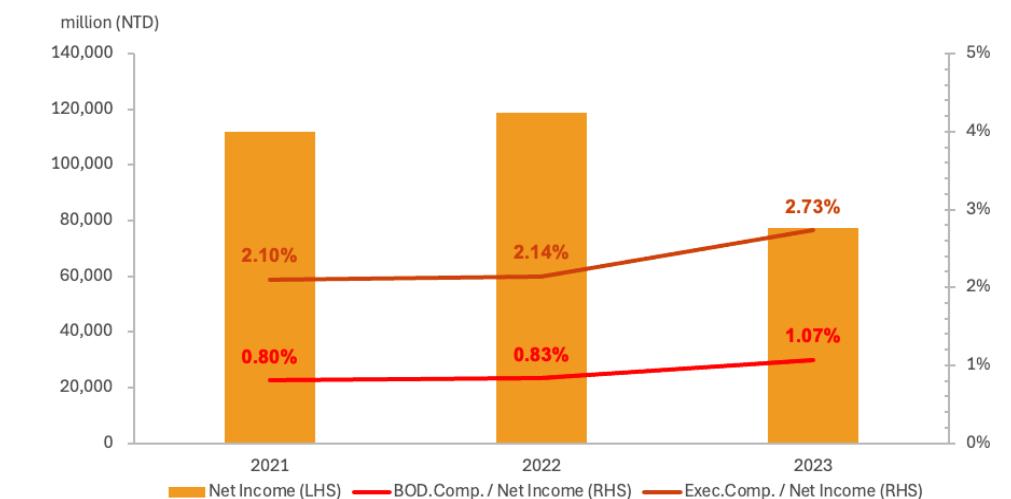
The board demonstrates robustness, independence, and diversity, but needs improved female representation



The board has diverse expertise and growing independence, but female representation lags behind the global benchmark



Stable board and management compensation structure



Source: MediaTek, MSCI, Team Estimate

Proactively Implementing Sustainable Development Goals

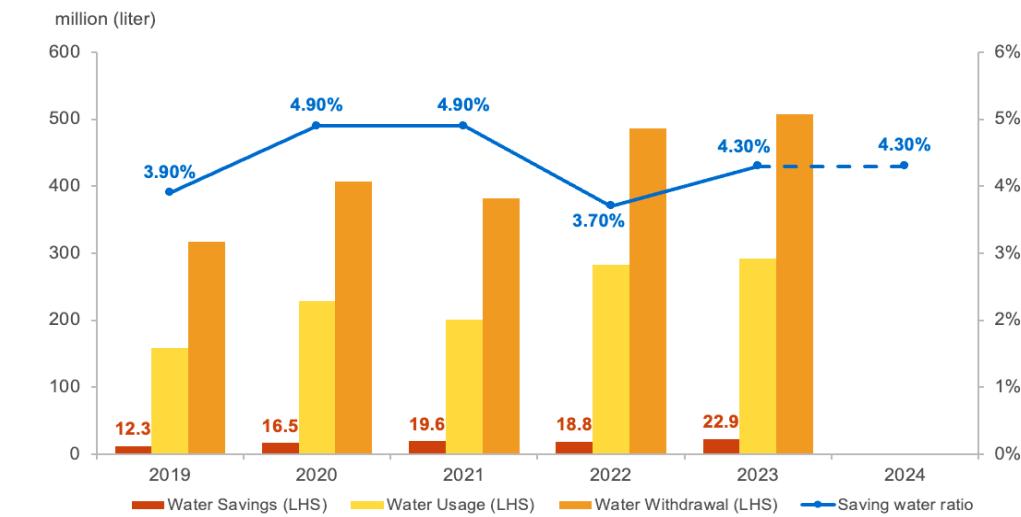
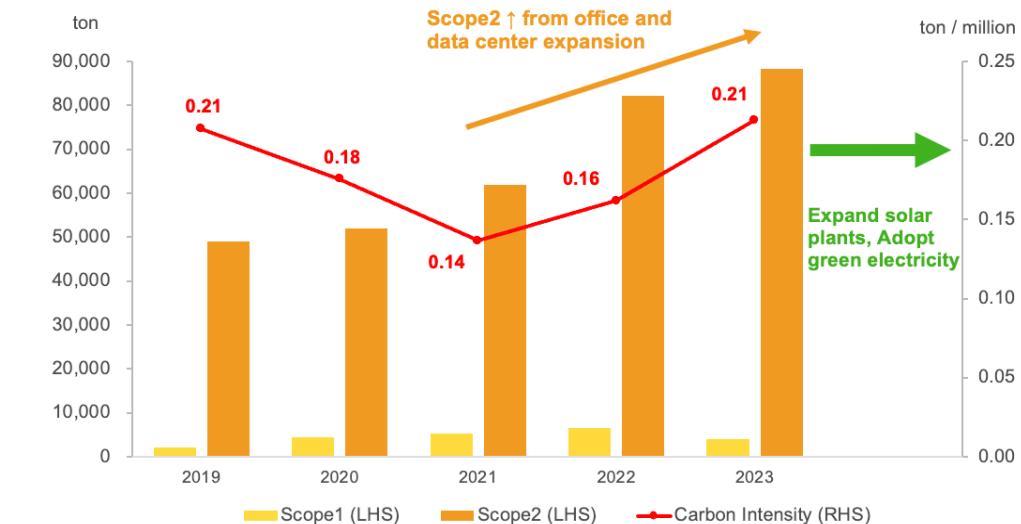
MTK advances environmental sustainability amid growth but has room for improvement in water management

 Effective solutions to address key environmental issues and tangible outcomes

 Waste management | Supplier management | Power saving management |
IC Innovation : reduce chip energy consumption and size

 Despite rising emissions from scaling, green energy adoption and solar expansion plans aim to reduce them

 Water conservation is limited by business expansion, with room for improvement



Source: MediaTek, Team Estimate

MediaTek Focuses on Risk Reduction

Materiality Issue	Expected results	Elements of ESG integration	Team Assessment
E S G	<ul style="list-style-type: none"> Scope1+2 ↓ 40% 100% Renewable energy for global offices 	Managing risk	<ul style="list-style-type: none"> Environmental Capex ↑ Climate Change Risk ↓
	<ul style="list-style-type: none"> Scope 3 ↓ 25% 		<ul style="list-style-type: none"> Operational Stability ↑
	<ul style="list-style-type: none"> Reduce 2% of carbon emissions annually with key suppliers Local Procurement 	Managing risk	<ul style="list-style-type: none"> Climate Change Risk ↓
	<ul style="list-style-type: none"> Enhanced chip performance with reduced power consumption and miniaturization 		<ul style="list-style-type: none"> ASP ↑ , GPM ↑
	<ul style="list-style-type: none"> Boost Product Innovation, Competitiveness ,and responsibility 	Financial forecast	<ul style="list-style-type: none"> ASP ↑ , GPM ↑ , Operational Stability ↑
	<ul style="list-style-type: none"> Increase employee diversity, equity, health, and safety Competitive compensation and diverse benefits 		<ul style="list-style-type: none"> labor turnover ↓ , retention rate ↑ employee belonging and job satisfaction ↑
	<ul style="list-style-type: none"> Expanding social participation and philanthropy Investing in Academia-Industry collaboration and higher education talent development 	Managing risk	<ul style="list-style-type: none"> MTK's Reputation ↑ Attract top talent and build a technology talent database
	<ul style="list-style-type: none"> Enhance cybersecurity to prevent attacks and protect IP 		<ul style="list-style-type: none"> Capex ↑ , Operational Stability ↑ Maintain strong customer relationships and brand Image
	<ul style="list-style-type: none"> BOD act more effectively 	Managing risk	<ul style="list-style-type: none"> Ensure MTK operating ethically and appropriately Diverse perspectives,Quality of Investment Decision ↑
	<ul style="list-style-type: none"> Stable, competitive compensation to retain top talent 		<ul style="list-style-type: none"> Reduce short-termism and build Trust in Senior Management

Source: MediaTek, Team Estimate

ESG Integration

E

E: Environment

Emissions	Superior	
Resource Use	Superior	10%
Innovation	Average	

MTK combined score: 3.2 / 5



S

S: Suppliers & Society

Community Human Rights	Average	30%
Workforce	Superior	30%
Product Responsibility	Inferior	10%

Adjustment:

5% of the company Premium

G

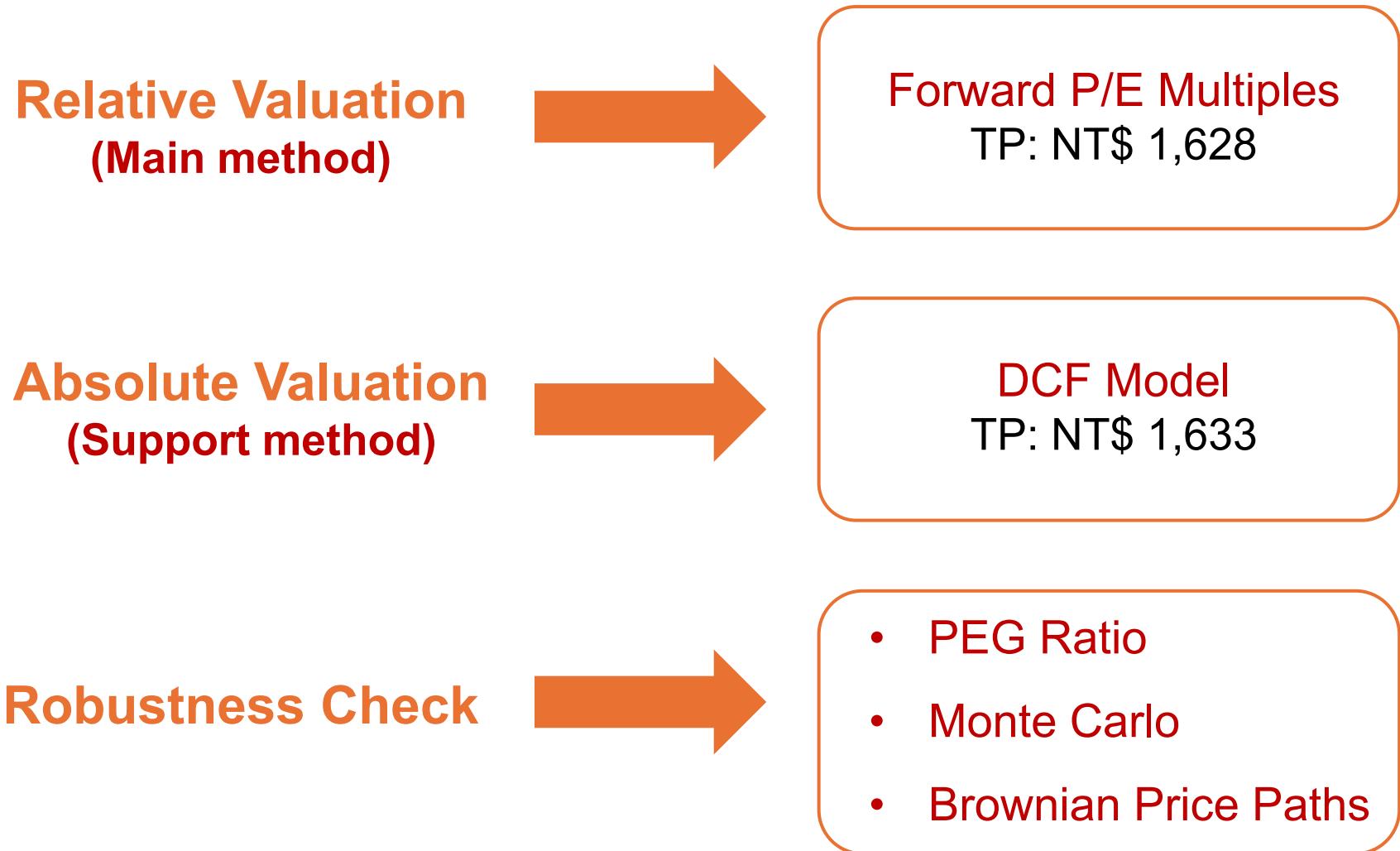
I: Investors

Management	Average	
Shareholders	Inferior	20%
CSR Strategy	Inferior	

ESG Adjusted Target Price:

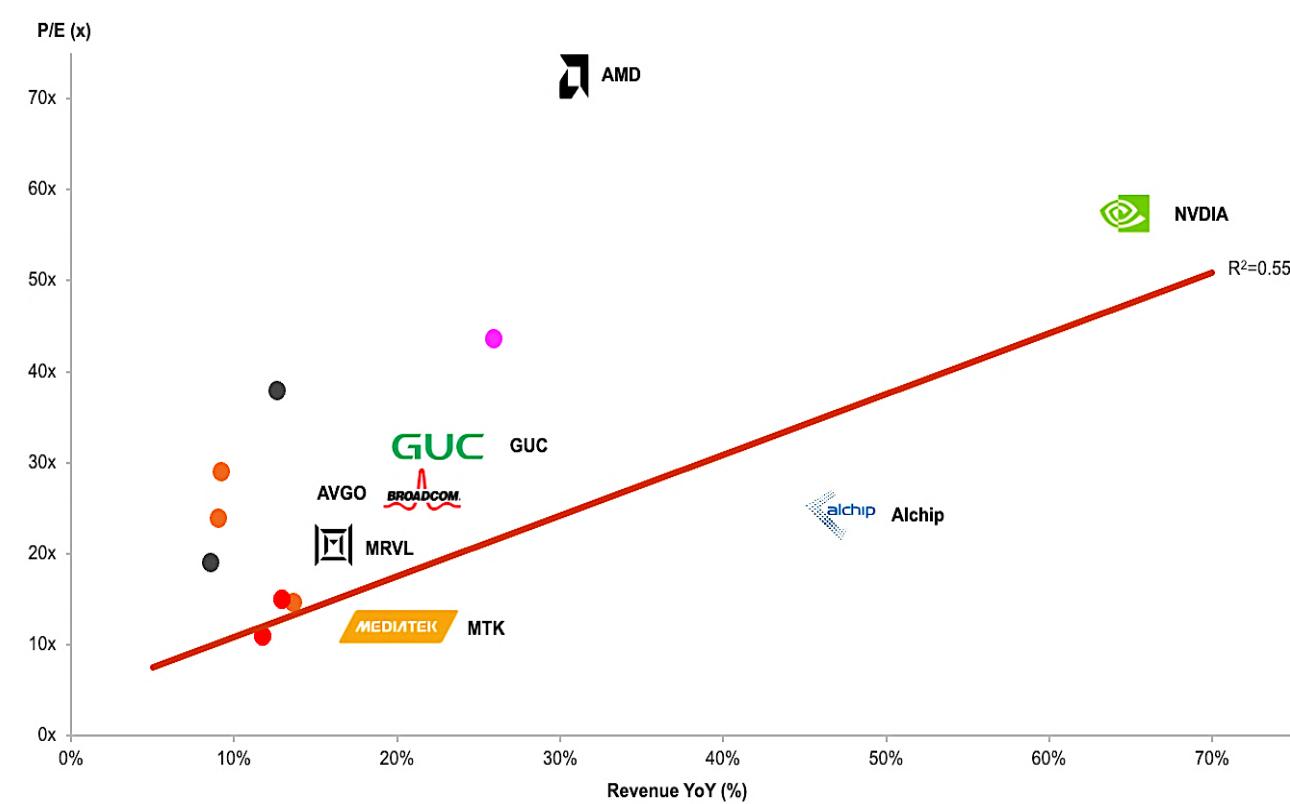
NT\$ 1,705

Source: Refinitiv, Team Estimate, PRI, Sycamore



MediaTek : The Hidden Gem

Over the past 5 years, MTK's average P/E multiple has been undervalued and lagged behind its AI peers



Peer comparison table

	Category	Market Cap (USD)	P/E(x)		P/B(x)		ROE(%)		5-Y Avg. P/E(x)	5Y Avg. Rev. YoY
			2024E	2025F	2024E	2025F	2024E	2025F		
Taiwan										
MediaTek	Smartphone SoC	69.48B	21.72x	19.93x	5.66x	5.08x	27.46%	27.97%	13x	16.96%
Realtek	Fabless Leader	8.51B	18.33x	16.56x	5.46x	4.91x	32.51%	32.13%	15x	12.95%
Novatek	Fabless Leader	9.41B	15.43x	14.57x	4.42x	4.41x	30.30%	33.12%	11x	11.75%
Alchip	ASIC(AI)	7.84B	39.76x	35.91x	8.1x	7.09x	25.08%	21.66%	25x	47.31%
GUC	ASIC(AI)	5.47B	52.08x	39.31x	16.02x	39.31x	32.31%	36.33%	31x	21.24%
USA										
NVIDIA	GPU(AI)	3.66T	50.73x	50.83x	34.99x	40.09x	91.46%	94.40%	56x	65.67%
QCOM	Smartphone SoC	177.59B	20.54x	14.33x	7.21x	5.93x	42.39%	40.94%	15x	13.68%
AVGO	ASIC(AI)	1.1T	63.95x	37.33x	11.7x	14.15x	12.86%	41.87%	29x	20.29%
AMD	GPU(AI)	210.23B	39.06x	25.57x	3.64x	3.42x	7.08%	10.89%	73x	30.51%
AAPL	Smartphone SoC	3.7T	33.77x	33.43x	60.46x	51.29x	157.41%	184.95%	23x	9.05%
MRVL	ASIC(AI)	102.98B	76.44x	43.07x	7.61x	7.29x	7.70%	13%	21x	16.90%
MPWR	Power IC	30.79B	45.01x	38.29x	12.68x	10.85x	29.67%	26.89%	44x	25.98%
CRUS	Consumer IC	5.45B	18.51x	16.07x	2.72x	2.88x	-	-	19x	8.56%
China										
UNISOC	Smartphone SoC	9.69B	29.71x	23.91x	1.99x	2.14x	8.42%	9.93%	29x	9.25%
WILLSEMI	Consumer IC	16.71B	36.86x	26.53x	4.96x	4.29x	13.90%	16.33%	38x	12.67%

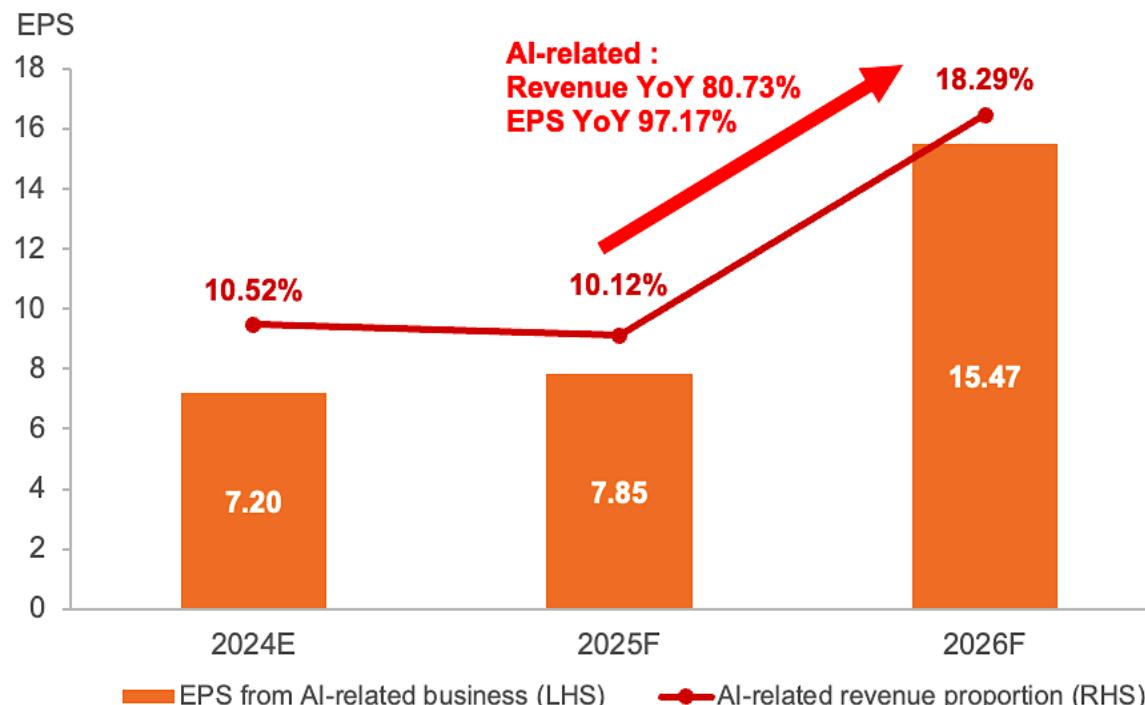
Source: TEJ, Bloomberg, FactSet, Team Estimate

MTK's AI Growth Drives Revenue and EPS Gains, but P/E Lags Peers

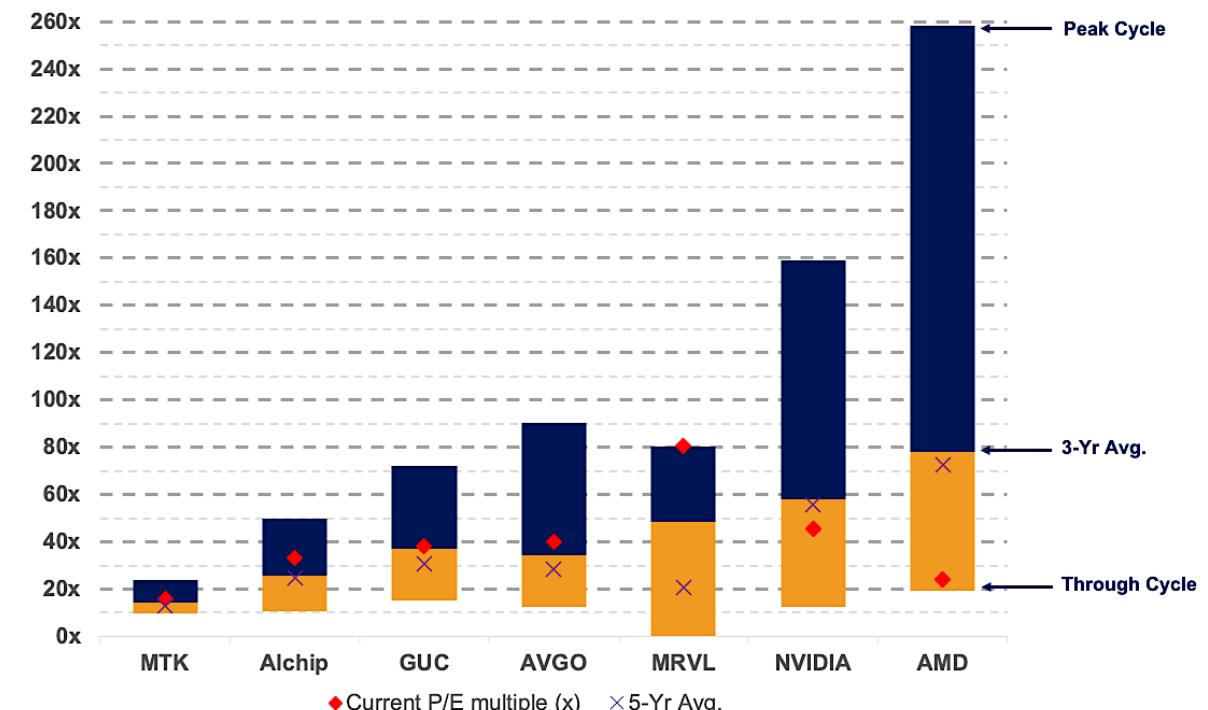
Entering High Growth Potential AI Segments Lead to Re-Rate

Gaining Flagship Market Share from Qualcomm

MTK's AI Growth fuels revenue and EPS gains



MTK's P/E multiple lags behind ASIC peers



*Note : AI-related business : ARM-based computing & ASIC

Source: TEJ, Bloomberg, FactSet, Team Estimate

Relative Valuation : Forward P/E Multiples

2025F EPS

77.51

x

P/E (x)

21x

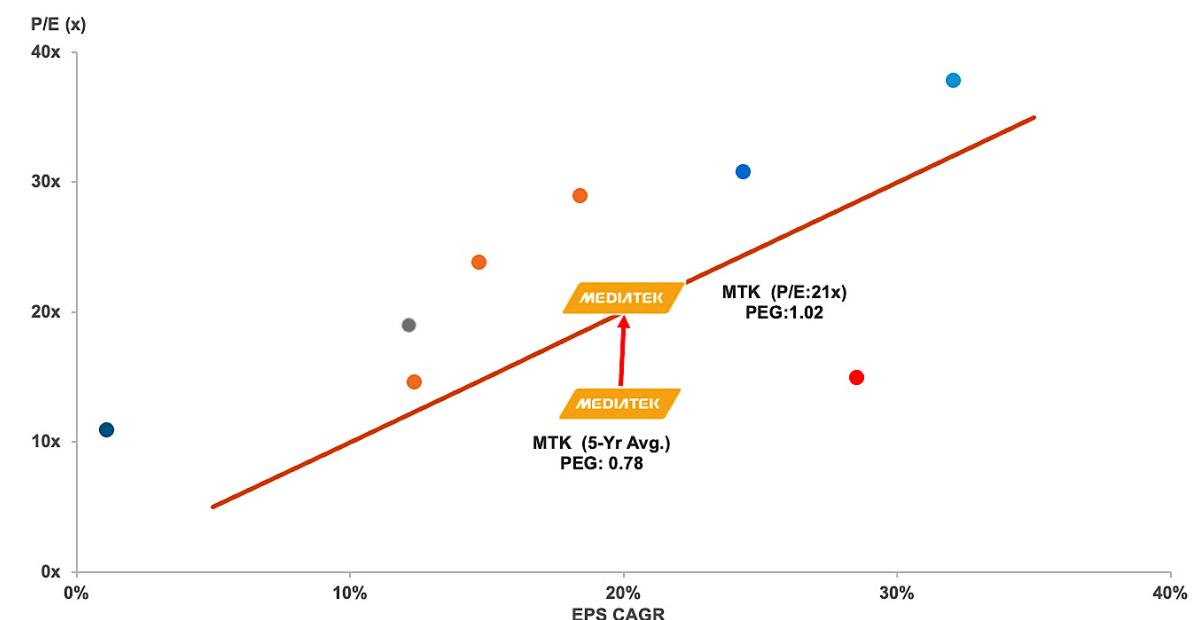
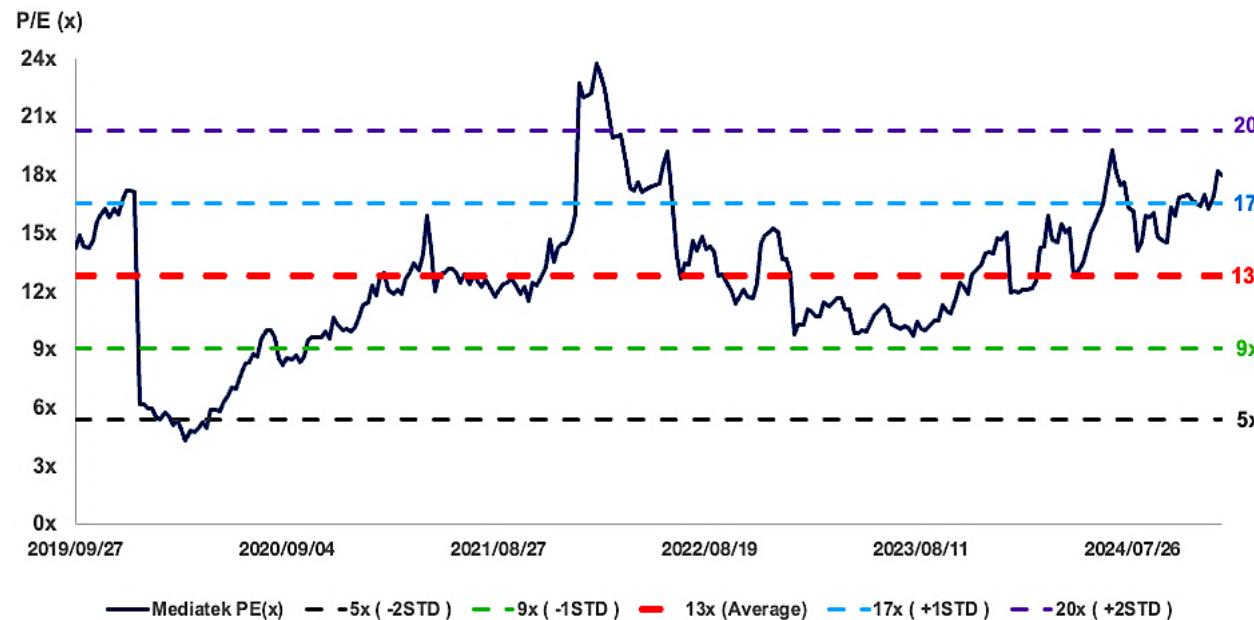
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TP

1,628

21x represents a historical peak over the past 5 years

PEG 1.02 is within a fair valuation range



Source: TEJ, Bloomberg, FactSet, Team Estimate

DCF method: NT\$ 1,633 Upside: 15.4 %

Smartphone

IoT, Computing and ASIC

PMIC

Smart home

WACC Inputs

Inputs	Rate	Source
Risk free rate	1.46%	Taiwan 10-Yr treasury bond (2024/9/24)
Beta	1.3	1-year beta average in past 5 years
Market risk return	14.33%	TAIEX total return index IRR for past 5 years
Cost of equity	18.19%	CAPM
Cost of debt	4.09%	5-year average of interest expense/non-current liabilities
Terminal Growth Rate	3%	Weighted average of the expected GDP growth of China, US and Korea
Tax rate	20%	Marginal tax rate
D/A ratio	41.07%	Target level
WACC	12.06%	

R&D expense capitalization

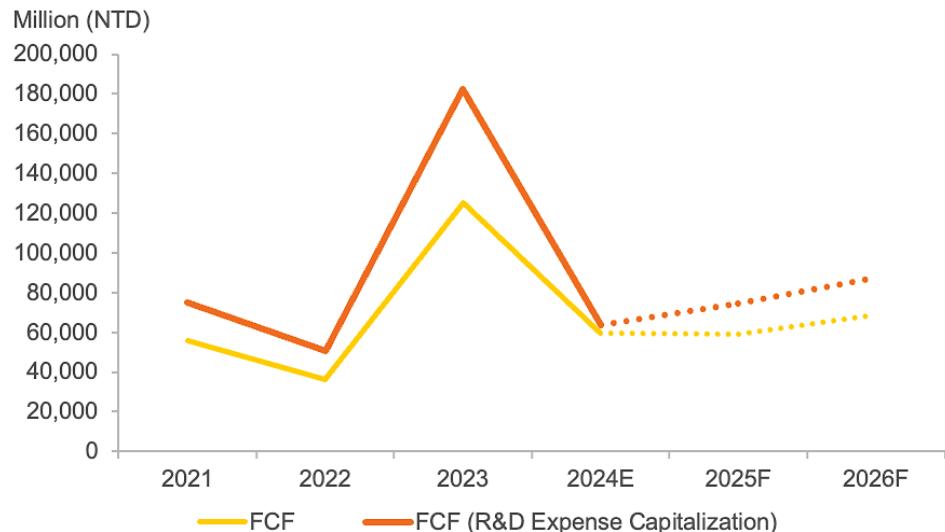
Adjusted Operating Income

= Original Operating Income

+ R&D Expense - R&D Amortization amount

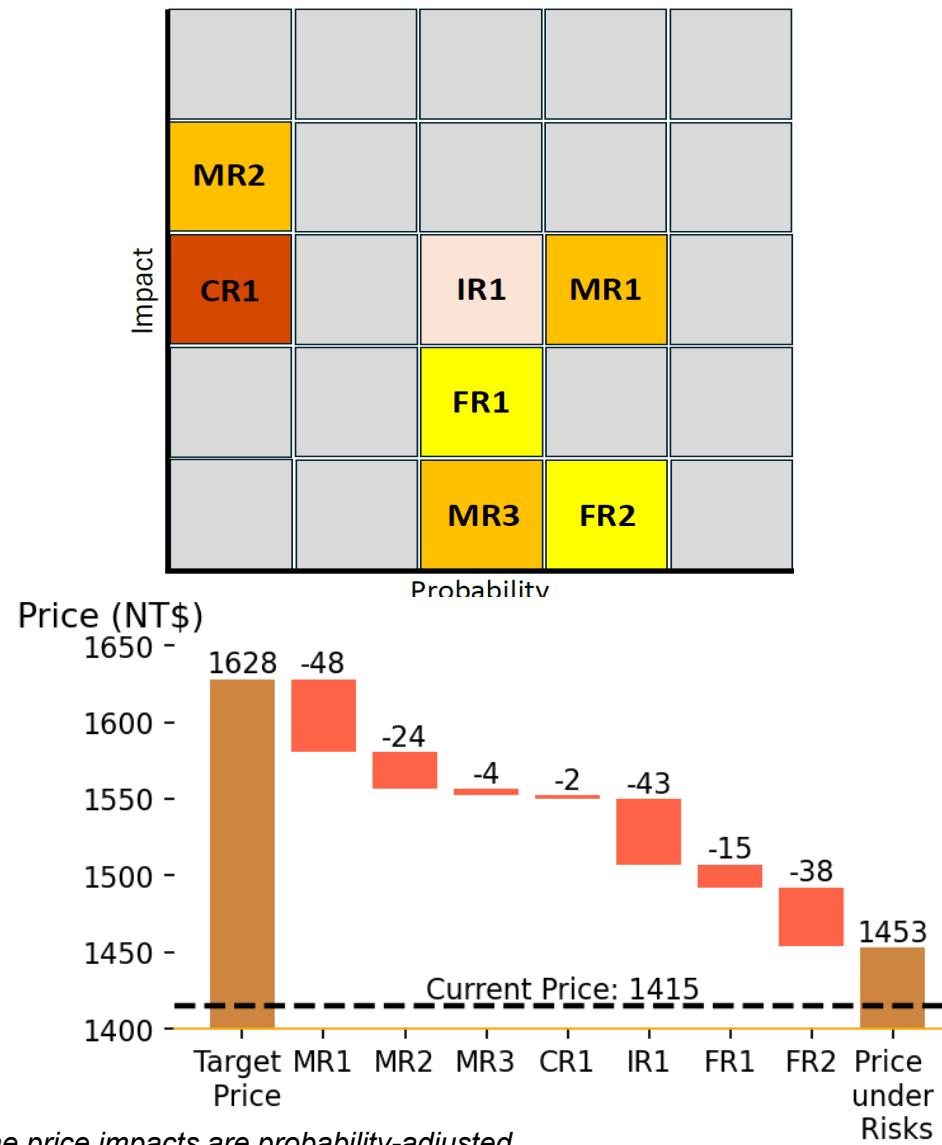


FCF with and without R&D Expense Capitalization



Source: MediaTek, Team Estimate

Investment Risks: Limited Influences on Price



Risk ranking
Critical

Moderate

- Macroeconomics Risks**
Geopolitics risk
- Industry Risks**
Saturated market in smartphone
- Firm Risks**
Issue of compatibility of ARM architecture
- Macroeconomics Risks**
Business cycle and recession risk
- Firm Risks**
Issue of Cost transferability under supply chain cost variation
- Macroeconomics Risks**
Interest Rate Risk and Exchange Rate Risk
- Climate Risks**
Water supply restriction

MediaTek's Risk Resilience to Geopolitical and Market Risks



Macroeconomics Risks

Geopolitics risk

Domestic Semiconductor Support Against Foreign Competition

	US	China	EU	Japan	Korea
Fiscal Budgets (Billion)	53 USD	10,000 RMB	43 EUR	774 JPY	-
Tax Incentives	V	V			V
Subsidization for reshoring	V		V		V
State Investment Fund	V	V	V		
Support for IC R&D/Production	V	V	V		
Protective Tariff	V		V		
Technology Export Control				V	

Escalating tech wars and supply chain disruptions fuel protectionism, with US-led alliances targeting Asia and China reinforcing domestic safeguards

→ EPS declined by 3.7% , with P/E ratio adjusted to 18x

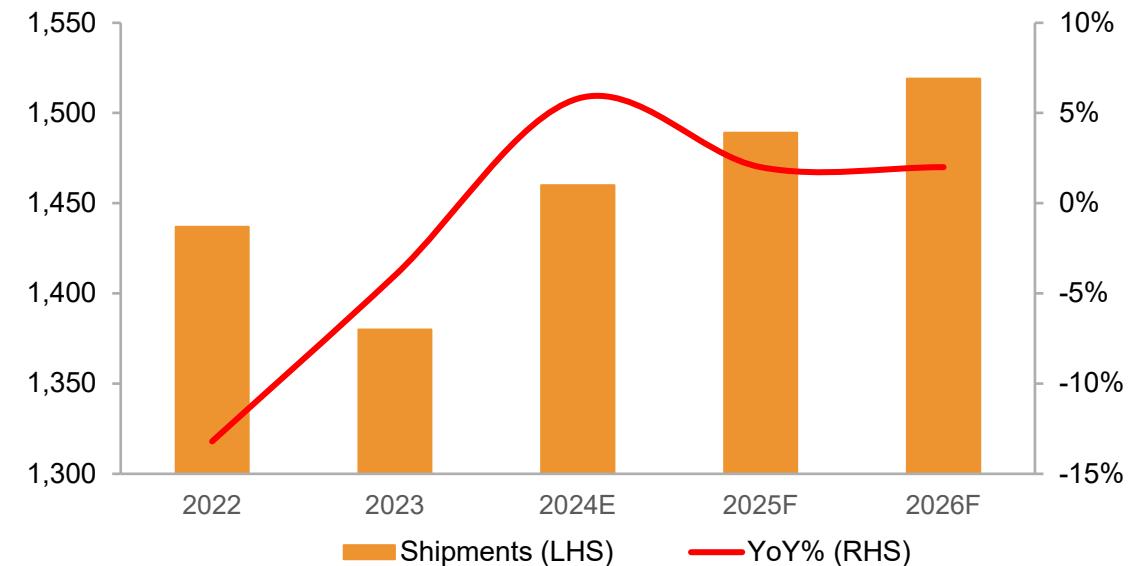
→ Target price : -17.5% from TP (NT\$1,343)



Industry Risks

Saturated market in smartphone

Smartphone shipment forecast amid market saturation



Mature markets like the US, Europe, and China limit growth potential, with intense competition from Qualcomm, Samsung, Apple, and Huawei.

→ EPS declined by 1.7%, with P/E ratio adjusted to 18x

→ Target price: -16% from TP (NT\$1,372)

Source: Chung Hua Institution for Economic Research, Taiwan WTO & RTA Center, NARLabs Science & Technology Policy Research and Information Center, Bloomberg, IDC, Statista, Team Estimate

We Issue a **BUY** Recommendation

TARGET PRICE NT\$ 1,628
UPSIDE 15.1%

Market Profile	
Ticker	2454.TW
Current Price	NT\$ 1,415
52-Week High	NT\$ 1,500
Common Stock	1.59 B
52-Week Low	NT\$ 879
Market Cap.	NT\$ 2.15 T
USD/NTD	32.75

| | Entering high growth potential AI segments lead to re-rate |
| | Gaining flagship market share from Qualcomm |
| | ESG leading position among Taiwan Peers |

Key Financials	FY21	FY22	FY23	FY24E	FY25F	FY26F
Revenue (million NTD)	493,415	548,796	433,446	523,594	602,560	698,694
Net Income (million NTD)	111,421	118,141	76,979	108,687	123,143	134,910
Sales Growth (%)	53.16%	11.22%	-21.02%	20.80%	15.08%	15.95%
Gross Margin (%)	46.94%	49.36%	47.84%	49.51%	48.10%	47.24%
EBIT Margin (%)	25.74%	24.75%	20.10%	23.46%	22.92%	21.64%
NI Margin (%)	22.67%	21.62%	17.81%	20.90%	20.57%	19.42%
EPS (NTD)	70.60	74.62	48.52	68.41	77.51	84.92
ROE (%)	27.55%	26.95%	18.84%	26.39%	26.33%	26.77%

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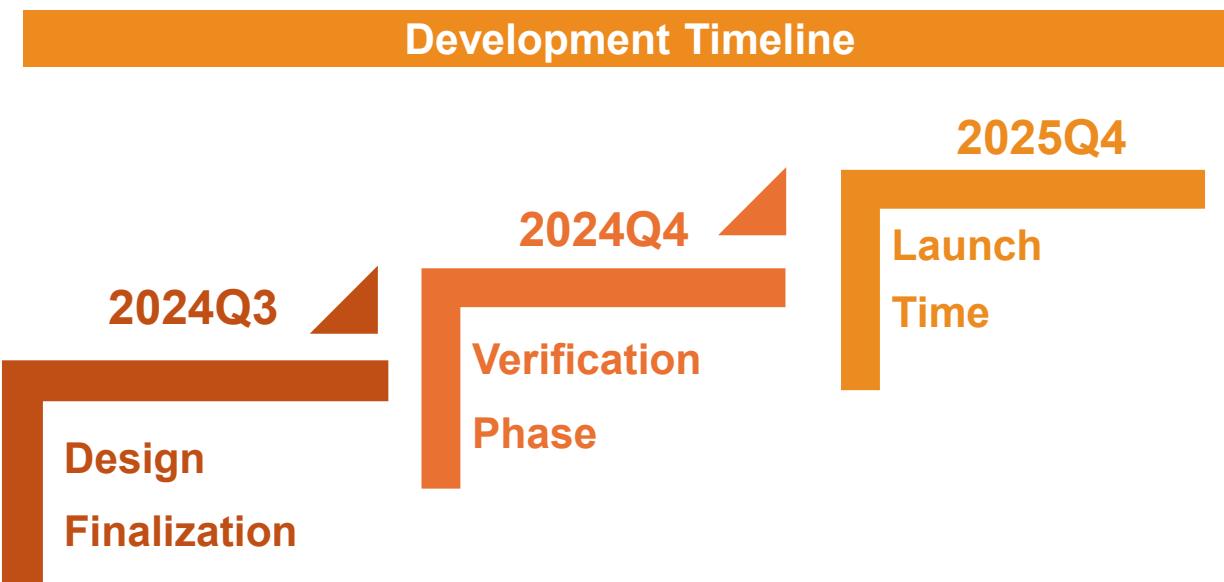
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MTK-NVIDIA WoA AI PC Partnership: Product Overview

Technical Specifications	
Component	Specifications
Architecture	ARM-based design
Manufacturing Process	Advanced 3nm TSMC node
Memory	Integrated LPDDR6
GPU	Nvidia RTX-class GPU
AI Capabilities	Includes Nvidia's AI engine, offering 150-200 TOPS (Compare to X Elite – 45 TOPS)
CPU Configuration	Likely to feature 8-16 cores, combining efficiency and performance cores

Market Positioning	
Premium Model	Mainstream Model
N1X	N1
Main Competitors	
Qualcomm Snapdragon X Elite (Next Generation)	intel Panther Lake
AMD	AMD Strix Halo (Ryzen AI Max series)



Production and Sales Projections (2026)	
	ASP: US\$ 300
	Shipments: 13 million units by 2026
	Rev Contribution: US\$ 2 billion (8% of 2026 Rev)

Why MTK / NVDA's WoA Chip Better?

Failure of QCOM's X Elite

- **720,000** units Snapdragon X devices sold since launched
- **0.8%** market share of total PC market
- **1.5%** market share of Windows market

Mitigation of WoA's weakness in compatibility

- ARM ISA has **superior power efficiency**
- **NPU** based SoC is **ARM's advantage**
- AIPC aim to business users, with **battery life priority**

Why it Failed?

Software Compatibility



- ARM-based CPU require emulation to run x86 software, resulting in reduced performance and efficiency

Poor GPU Performance



- The SD X Elite's Adreno GPU lags behind Apple M4 by **80%** in GPU performance and cannot support GPU, severely limiting its gaming capabilities

Advantage of MTK/NVIDIA's solution

NVIDIA's GPU (Power)

+

MTK's ARM integration (Efficiency)

- NVIDIA has superior GPU capabilities. Compared to X Elite, the iGPU in N1x / N1 will be more powerful.
- We expect it will be able to pair with RTX dGPU like x86 platform SoCs. Combined with MediaTek's ARM CPU integration expertise.
- N1x/N1 models will offer both ARM power efficiency and RTX dGPU computing power, making it the next important catalyst in WoA



MTK-NVIDIA GB10 Partnership: Product Overview

Technical Specifications

Component	Specifications
CPU	20-core Arm-based Grace CPU (10× Cortex-X925 +10× Cortex-A725)
GPU	Blackwell architecture with 5th-gen Tensor Cores and CUDA cores
Performance	1 petaflop (FP4) or 500 TOPS (FP8)
Memory	128GB unified LPDDR5X (512–1092GB/s bandwidth), 4TB NVMe storage
Connectivity	NVLink-C2C interconnect, NVIDIA ConnectX networking
OS	Custom Ubuntu-based NVIDIA DGX OS

MediaTek's Role

Design Collaboration

Optimized power efficiency and Arm Cortex CPU integration

Manufacturing

Leveraged TSMC 3nm nodes for cost-effective production

Strategic Impact

Entering the workstation market, expanding the computer product line.

Target Market



AI researchers



Education



SMEs



Consumer GPUs
RTX 5090

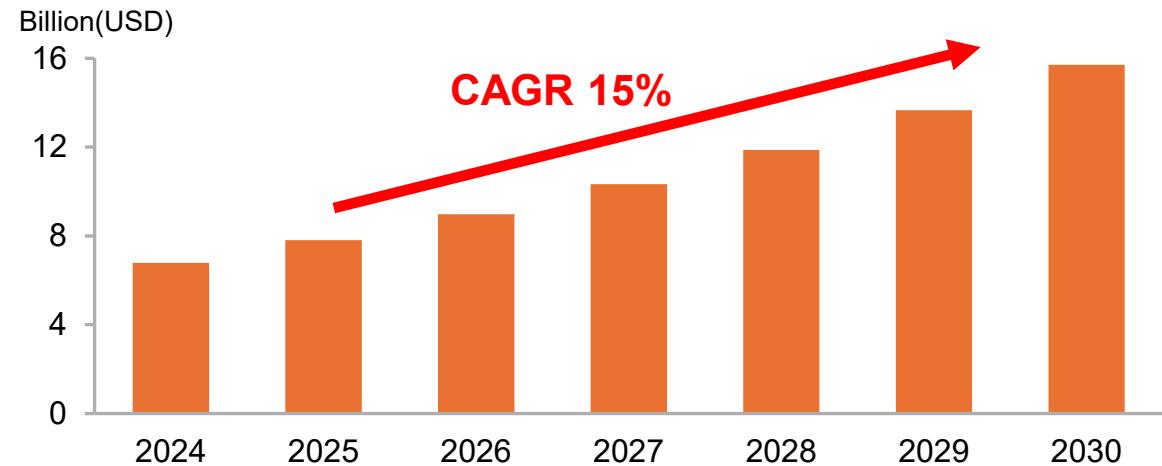


Workstation
GB10



Enterprise GPUs
H100

AI Workstation Market Size



Main Competitors of GB10 (Project Digit)

Product	NVIDIA GB10 Grace Blackwell (Project Digit)	AMD Ryzen AI Max+ 395	Apple Mac Studio (M-Series)	Lenovo ThinkStation (P-Series)
Processor	20-core Arm Cortex-X925/A725	AMD Ryzen AI Max+395 (16 cores)	Apple M2 Ultra (24 cores)	Intel Xeon / AMD Ryzen Threadripper
GPU	Blackwell GPU (FP4: 1 PFLOP)	Radeon 8060S (40 RDNA 3.5 CUs)	Apple GPU (60 cores, UMA)	NVIDIA RTX A5000 or higher
Memory Architecture	Unified LPDDR5X (128GB)	Unified LPDDR5X (128GB, 96GB GPU)	Unified UMA (128GB, 800GB/s BW)	DDR4/DDR5 ECC Memory (up to 1TB)
Storage	Up to 4TB NVMe	Dual NVMe RAID, up to 8TB	Up to 8TB SSD	Up to 20TB SSD/HDD
Operating System	Linux-based DGX OS	Windows/Linux	macOS	Windows/Linux
Price (from base model)	\$3,000	\$2000	\$1,999	\$1,500



How is MediaTek Challenging Qualcomm with a Diversified Strategy?

Competitive Strategy		
		
Smartphone Market	Expanded from mid-range to flagship with Dimensity 9400 , leading with 32% market share in Q2 2024	Dominates premium segment with Snapdragon 8 series , expanding into mid-range
Diversification Strategy	Partnered with NVIDIA for AI PCs & smart cockpits , secured Google TPU order for AI ASIC	Competing in AI PCs (Snapdragon Elite) , integrating NPU + 5G for edge AI
Future Growth Focus	Diversifying into AI edge, ASICs, and automotive market	Expanding AI PC, automotive market

How is MediaTek competing with Qualcomm in automotive and PC markets?



- MTK + NVIDIA** – Combining MTK's CPU with NVIDIA's GPU for AI computing power
- 3nm Process** Advantage
- 45+ TOPS** to meet Microsoft's Copilot+PC requirements
- ARM Experience** – Chromebook expertise helps to grow in WOA



- NVIDIA Partnership** – its partnership with NVIDIA brings powerful GPU and AI
- Process Advantage** – Launched the world's first **3nm** smart cockpit platform (CT-X1) & **4nm CT-Y1/Y0**, boosting efficiency.
- Full Product Line** – Dimensity Auto Cockpit series serves high-end to entry-level markets

ASIC Development Roadmap & Features of GPU and ASIC

The Rise of ASIC

- CPUs lacked performance for specialized tasks, making ASICs superior.
- Moore's Law enabled high performance at lower costs

The Decline of ASIC

- High development costs and lack of flexibility
- GPUs and FPGAs offered greater versatility

Revival and New Opportunities

- Crypto boom spurred ASIC mining, surpassing GPU efficiency.
- Google TPU revived ASIC for AI, proving its potential.

Continuous Growth

- AI inference needs cost-efficient solutions
- Autonomous vehicles require real-time AI
- Edge AI & AI PCs boost ASIC demand

1980s-1990s

2000s

2010s

2020s to Present

GPU

- Advantages**
- Highly versatile and widely adopted
 - Mature industry ecosystem
 - Excels at handling large-scale computing tasks

ASIC

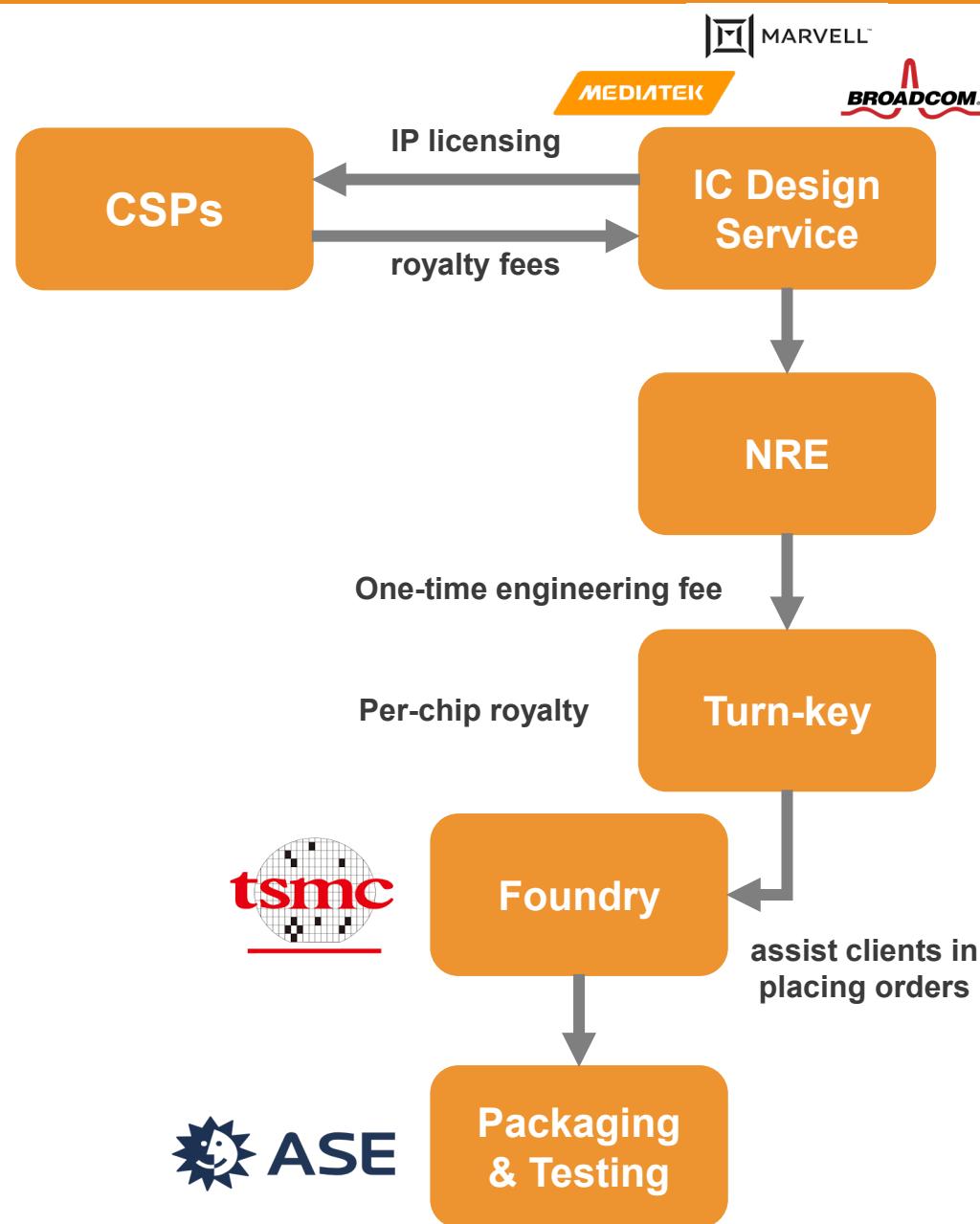
- High efficiency for specific tasks
- Lower overall cost after mass production
- Lower power consumption
- Better security & data protection

- Disadvantages**
- High power consumption
 - Expensive
 - Large physical size

- Requires significant capital for development
- Long development time (12-18 months)
- Requires stable algorithms for optimal performance



ASIC Business Model & Why CSPs Outsource



The advantages of IC design companies compared to IC design service companies

- Comprehensive Product Line
- Extensive IP Assets and Technical Expertise
- Vertical Integration and Supply Chain Control

One-Stop Services to Support Non-Chip-Focused Companies

- IC design service companies provide "**turn-key**" solutions, streamlining chip development from design to production.
- Partnerships with foundries and packaging/testing ensure seamless manufacturing integration.
- Cloud providers focus on front-end design, outsourcing back-end tasks to expert

Reducing Development Costs and Human Resources

- **Lower Fixed Costs:** Building in-house design teams is costly, while outsourcing provides a more economical alternative.
- **Accelerated Development:** IC design service providers bring experience and expertise, helping to reduce time-to-market.

Leveraging Mature IP Modules for Greater Efficiency

- **Reusable IP :** IC design companies maintain extensive libraries of verified IPs, enabling quick integration into chips.
- **Risk Mitigation:** Semi-customized design approaches reduce the risks and costs associated with designing from scratch.

Impact of DeepSeek on the ASIC Market



Training Market: NVIDIA Leads Short-Term, Growth Slows Long-Term

Short-Term: NVIDIA H100, GB200 remain top choices; CSPs keep investing, sustaining GPU demand.

Long-Term: DeepSeek may push CSPs to shift some AI training from GPUs to ASICs for cost and power efficiency.

Inference Market: Rising ASIC Demand

- Future AI inference will become more complex, with OpenAI's o1 Model driving market growth.
- DeepSeek's advancements are accelerating ASIC adoption, prompting CSPs to invest more in ASICs to cut AI computing costs.
- Broadcom, Marvell, and MediaTek stand to benefit from this trend, expanding their presence in the AI ASIC market.

Company	Market Focus	Technology & Products	Key Customers	Market Goal
MEDIATEK	AI PC, Smart Cockpit ,Edge AI	SerDes IP, Cost-Effective Google partnership	AWS Trainium, Microsoft	10% Market Share by 2028 (NT\$140B)
BROADCOM	Hyperscale Cloud	High-speed networking (800Gbps)	Google TPU, Meta AI	\$30B AI Revenue by 2027
MARVELL	Custom AI ASICs	Low Latency + Configurable IP Modules	Google TPU v7e, Cisco	\$500M-\$600M ASIC Revenue by 2025

Development Pipeline of AI ASIC

CSP	ASIC	Node	Timeline	Design Partners
Google	TPU v6	3nm	2025	AVGO
Google	TPU v7	3nm	2026	MTK
Amazon	Trainium 2, Inferentia 3	5nm	2024	MRVL
Amazon	Trainium 3, Inferentia 4	3nm	2025	Alchip
Microsoft	Maia 100	5nm	2024	GUC
Microsoft	Maia 200	3nm	2026	GUC
Meta	MTIA 2	5nm	2026	AVGO

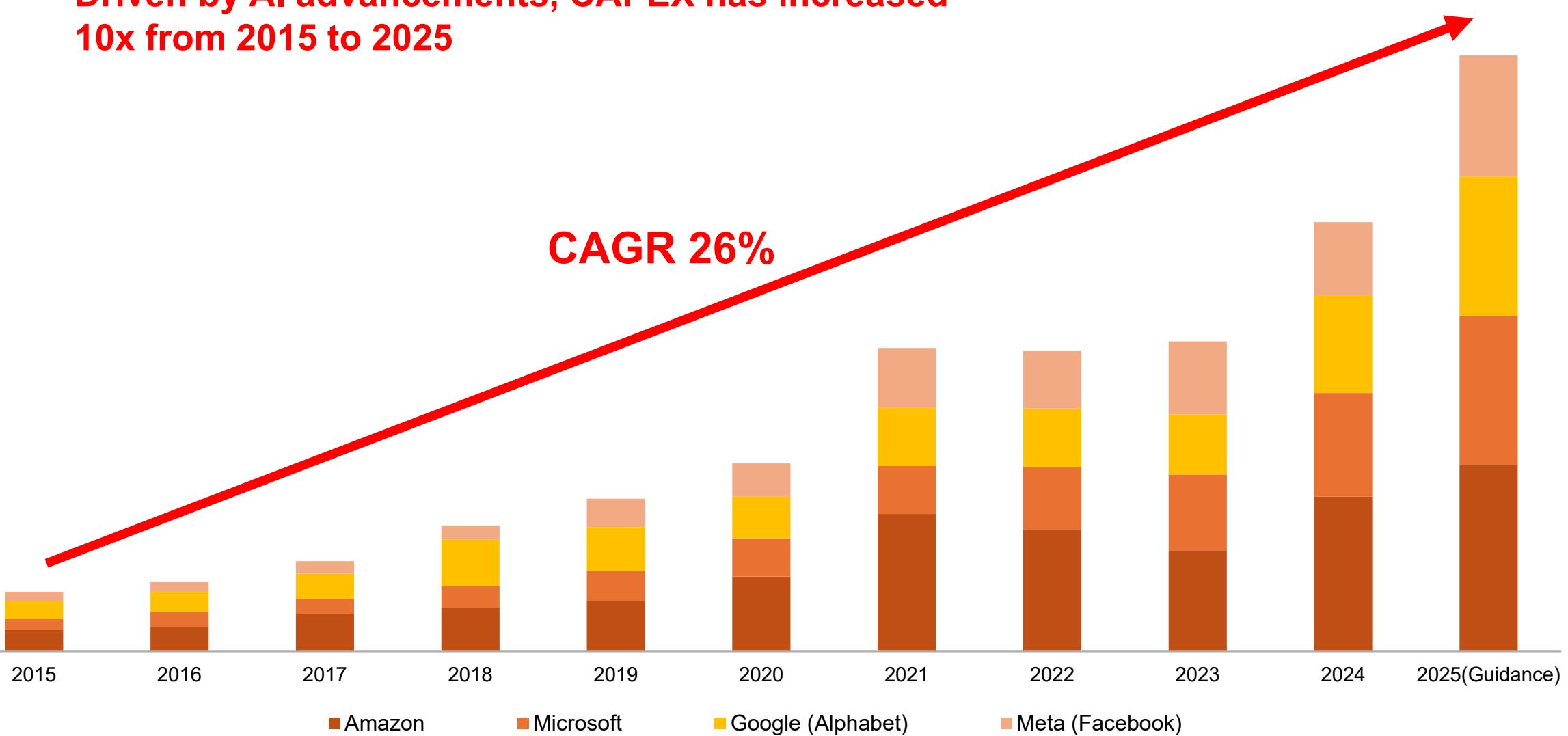


CSPs Increasing CAPEX Amid AI Mega Trend

Billion (USD)

Driven by AI advancements, CAPEX has increased
10x from 2015 to 2025

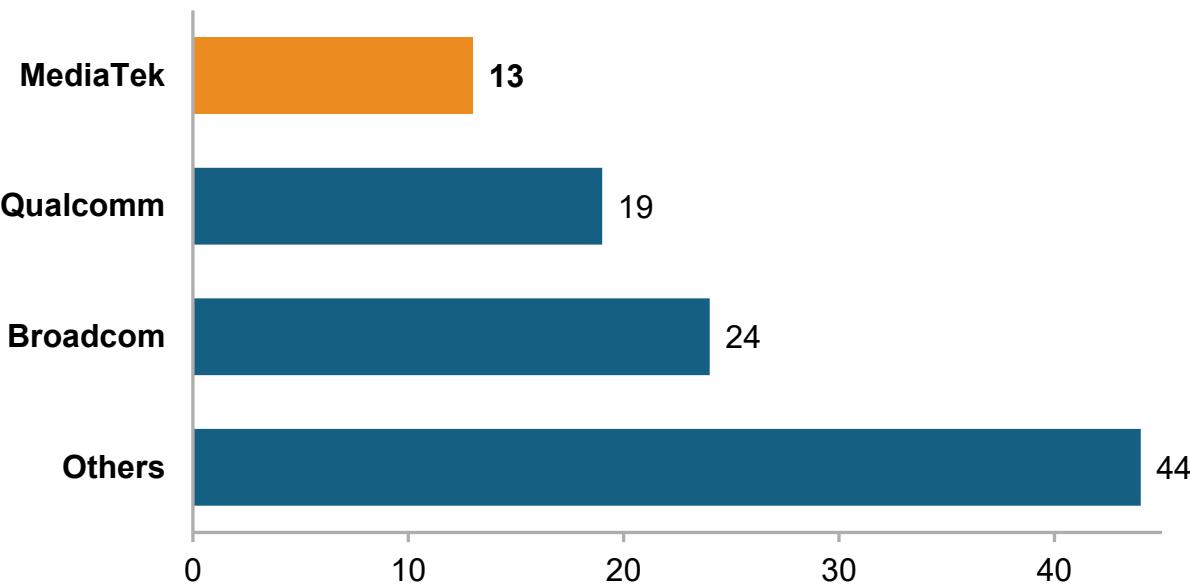
CAGR 26%



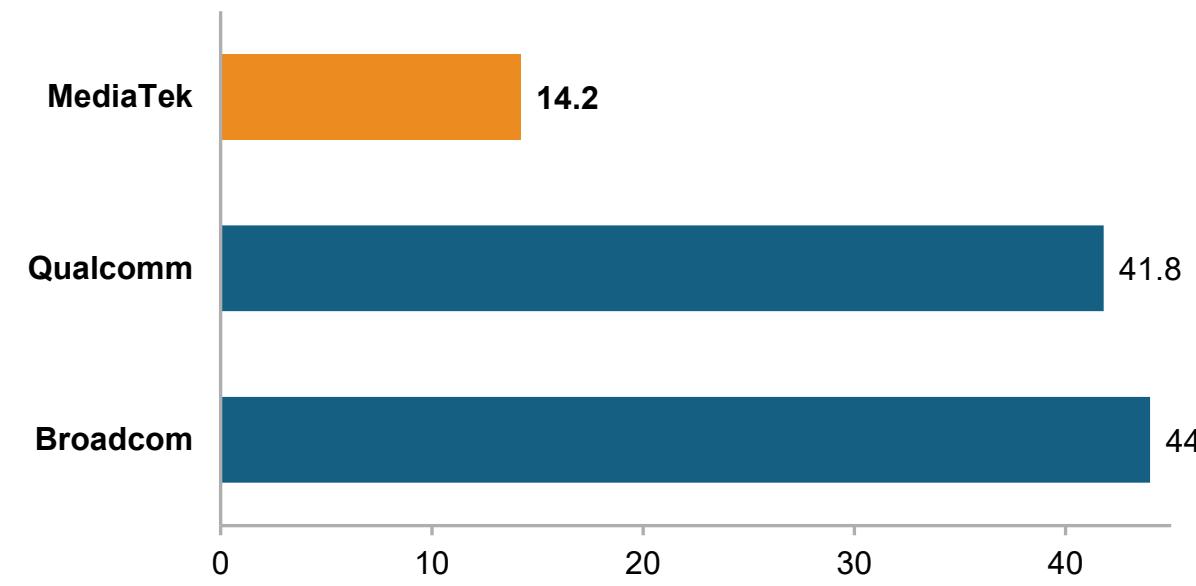
Wi-Fi SPEC by Generation and Market Positioning

	WiFi 5	WiFi 6	WiFi 6E	WiFi 7
Launch date	2014	2019	2020	2024
IEEE standard	802.11ac	802.11ax	802.11az	802.11be
Frequency	5 GHz	2.4 GHz / 5 GHz	2.4 GHz / 5 GHz / 6 GHz	2.4 GHz / 5 GHz / 6 GHz
Bandwidth (MHz)	20, 40, 80, 80+80, 160	20, 40, 80, 80+80, 160	20, 40, 80, 80+80, 160	20, 40, 80, 160, 320
Maximum transmission rate	3.5Gbps	9.6Gbps	10.8Gbps	46.1Gbps
Modulation mode	256-QAM (OFDM)	1024-QAM (OFDMA)	1024-QAM (OFDMA)	4096-QAM (OFDMA)
Security protocol	WPA 2	WPA 3	WPA 3	WPA 3

Global Wi-Fi Chipset Market Share (2024)



Smartphone Wi-Fi 7 Chipset Market Share (2024)



MTK's Wi-Fi 7 Product Line

Flagship Router Solutions				
Product	Key Features	Target Market	Price Range	Example Device/Module
Filogic 880	<ul style="list-style-type: none"> ◆ Tri-band (2.4/5/6 GHz) with penta-band scalability ◆ Up to 36 Gbps PHY speed (BE36000) ◆ Supports 320 MHz bandwidth, 4096-QAM, MLO, MRU ◆ Quad-core CPU + dedicated NPU for high-density networking 	<ul style="list-style-type: none"> ◆ Enterprise routers ◆ mesh nodes ◆ ISP gateways 	\$200–\$500	ASUS ZenWiFi BT10 (\$400–\$500)
				Banana Pi BPI-R4 Router (\$200–\$300)
				Enterprise 5G CPE Gateways (\$300–\$350)
Filogic 860	<ul style="list-style-type: none"> ◆ Dual-band (2.4/5 GHz) with 7.2 Gbps (BE7200) ◆ 5x5 antenna design for extended range and DFS detection ◆ Optimized for IoT routers and retail access points 	<ul style="list-style-type: none"> ◆ Mainstream routers ◆ enterprise APs 	\$250–\$300	TP-Link Omada EAP780 (\$250–\$300)
				Lumen Service Provider Gateways (\$300–\$350)

Client Device Solutions				
Product	Key Features	Target Market	Price Range	Example Device/Module
Filogic 380	<ul style="list-style-type: none"> ◆ Wi-Fi 7 + Bluetooth 5.4 combo chip ◆ Up to 6.5 Gbps (BE6500) with 6nm efficiency ◆ Supports 360 MHz bandwidth, MLO, and hybrid coexistence 	<ul style="list-style-type: none"> ◆ Smartphones ◆ laptops ◆ tablets 	\$30–\$50	Azure Wave AW-EB600NF module (\$36)
				AMD RZ738 Laptops (\$50)
Filogic 360	<ul style="list-style-type: none"> ◆ Standalone Wi-Fi 7 2x2 + Bluetooth 5.4 ◆ Cost-effective for streaming devices and IoT 	<ul style="list-style-type: none"> ◆ Set-top boxes ◆ smart home devices 	\$30–\$60	MediaTek MT7927 PCIe card (\$30–\$60)
				HP Elite Book 865 G11 (\$40)
				Xiaomi Streaming Devices (\$20–\$40)



MTK's Mainstream Phones Benefit from China's Subsidy

Policy Overview

- Applies to **smartphones**, tablets, smartwatches, and wristbands priced **below ¥6,000**
- 15% subsidy per item**, capped at **¥500 per device** (one per category per consumer)
- Equal support for domestic and foreign brands, but high-end models (e.g., Apple's Pro series) exceed the price cap
- Mid-range devices (¥3,000–¥4,000)** benefit the most due to optimal subsidy-to-price ratios

Implementation Timeline

- Launch date:** January 20, 2025
- Expected duration:** Throughout **2025**, with possible **extensions** based on **regional adoption**

Impact on MediaTek's Smartphone Business

- 290 million units** of smartphones are projected to be shipped in China in 2025 (**2–3% YoY Growth driven by subsidy**)
- The policy targets mid-range smartphones, where MediaTek's Dimensity chips dominate.

Nearly all flagship models with D9400/9300 qualify for subsidies

Model	Processor	Price (CNY)
OPPO Find X8 Pro	Dimensity 9400	5,999
Vivo X200 Pro	Dimensity 9400	5,299
Vivo X100 Pro 5G	Dimensity 9300	4,999
Redmi K80 Ultra	Dimensity 9400	4,689
Vivo X200 5G	Dimensity 9400	4,299
OPPO Find X7 5G	Dimensity 9300	3,999



Specification Comparison: Dimensity 9400 V.S Snapdragon 8 Elite

Specification	Snapdragon 8 Elite	MediaTek Dimensity 9400
CPU Architecture	Qualcomm Oryon Custom Cores	ARM Cortex-X5 + Cortex-X4
Max CPU Frequency	Up to 4.32 GHz	Up to 3.63 GHz
GPU	Adreno 830	ARM Immortalis-G925
NPU (AI Performance)	Hexagon NPU	MediaTek NPU (50 TOPS)
Manufacturing Process	TSMC 3nm	TSMC 3nm
Key Feature	Hardware Ray Tracing	Ray Tracing
Overall Performance	Strong multi-core performance, high power usage	Balanced performance, improved efficiency



Positive or Negative to MEDIATEK ??

AI development enters a new era

TRAINING



INFERENCE

Positive to MEDIATEK !

CSPs (AI ASIC)

DS's success has lowered AI computing barriers, accelerating inference market growth and increasing CSPs' demand for AI ASICs. As a result, CSPs may further expand their investments in AI ASICs, driving market growth and benefiting MTK's Edge AI business.

AI Smartphone

1. DS's lightweight LLM (R1 model, with only 1.5 billion parameters) is well-suited for on-device AI, potentially driving an AI smartphone upgrade cycle in China.
2. MediaTek is a key beneficiary of this trend, as its Dimensity 9400 and 8000 series chipsets feature NPUs capable of supporting local LLM inference, enhancing AI-driven user experiences.

MediaTek Outperforms Expectations with Strong Earnings Momentum

NTD (million)	4Q24						1Q25F					
	Actual	QoQ (%)	Team	Diff (%)	BBG	Diff (%)	Guidance	QoQ (%)	Team	Diff (%)	BBG	Diff (%)
Revenue	138,043	4.7	131,052	(5.1)	136,542	(1.1)	146,300	6.0	136,048	(7.0)	138,245	(5.5)
Gross profit	67,001	4.1	62,831	(6.2)	64,687	(3.5)	68,761	2.6	65,137	(5.3)	66,019	(4.0)
OPEX	45,589	12.6	38,660	(15.2)	41,033	(10.0)	42,427	(6.9)	39,415	(7.1)	40,344	(4.9)
Operating profit	21,412	10.3	24,171	12.9	23,654	10.5	26,334	23.0	25,722	(2.3)	25,675	(2.5)
Net profit	23,789	(6.1)	29,178	22.7	23,943	0.6			30,939		25,795	
EPS (NTD)	14.95	(6.2)	16.42	9.8	15.03	0.5			17.4		15.72	
Margin (%)	Actual		Team		BBG		Guidance		Team		BBG	
GPM	48.5		47.9		47.4		47.0		47.9		47.8	
OPEX ratio	33.0		29.5		30.1		29.0		29.0		29.2	
SG&A ratio	6.4		5.5		5.5				5.0			
R&D intensity	26.6		24.0		24.6				24.0			
OPM	15.5		18.4		17.3		18.0		18.9		18.6	
Net margin	17.2		22.3		17.5				22.7		18.7	

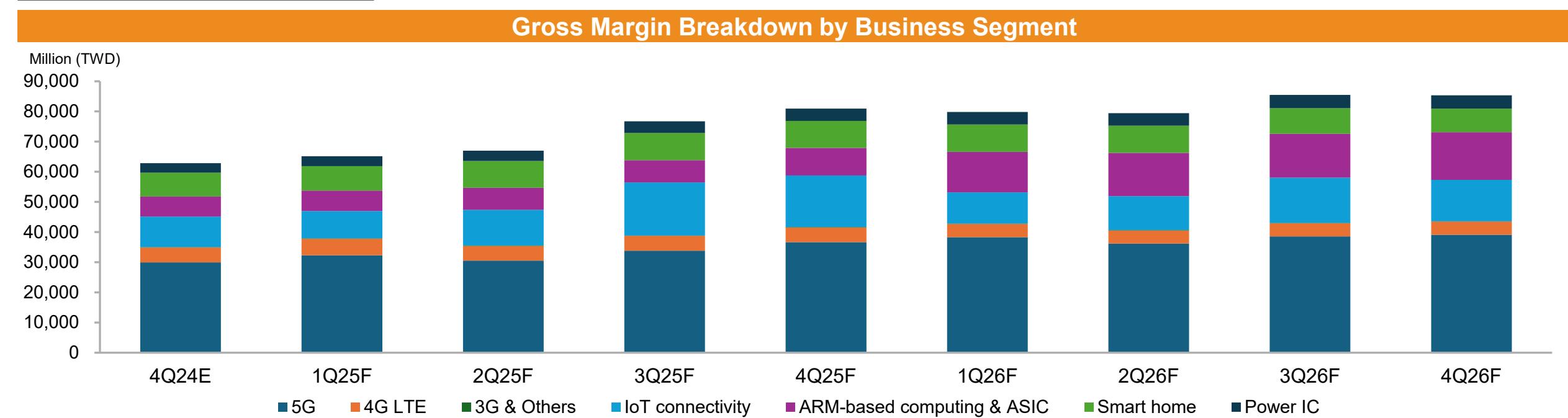
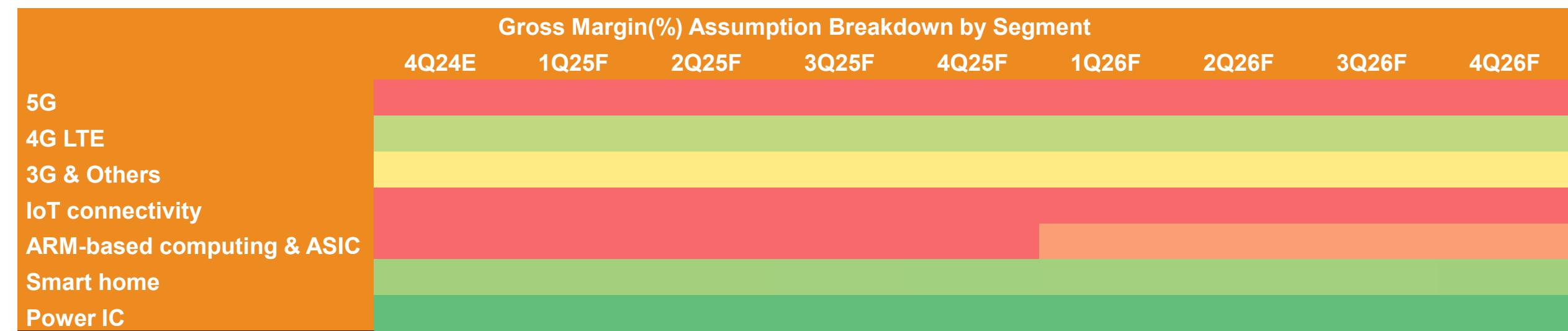
Financial Revisions Post MediaTek Earnings Call and Market Updates

Team Estimates (Valuation Date at 2024/12/31)	Revenue (NTD mn)		Gross Margin (%)	
	2025F	2026F	2025F	2026F
	602,560	698,694	48.10	47.24
Relative Change in Revised Forecast (%)				
Events Updated Post Valuation Date	Revenue		Gross Margin	
China Subsidy	+0.98	-0.23	+0.02	-0.00
GB10 Chip	+0.00	+0.40	+0.00	+0.01
TSMC Price Increase	-	-0.63	-	-0.12
ARM Licensing Fee Increase	-	-0.37	-	-0.07
US Tariff Risk	-0.10	-0.23	-0.00	-0.00
DeepSeek	-	+0.00	-	+0.00
AI Protectionism Policy	+0.69	+1.22	+0.00	+0.01
Q4 Financial Result Announcement	+0.00	+3.32	-	+0.15
Exchange Rate	+0.25	-	+0.00	-

If we could adjust our FA model, we would raise:

- 2025 EPS forecast by **2.3%** to **\$79.30** from 77.51.
- 2026 EPS forecast by **2.9%** to **\$87.37** from 84.92.
- P/E multiple by **2.4%** to **21.5x** from 21x.
- Target price by **4.7%** to **NT\$1,705** from NT\$1,628.

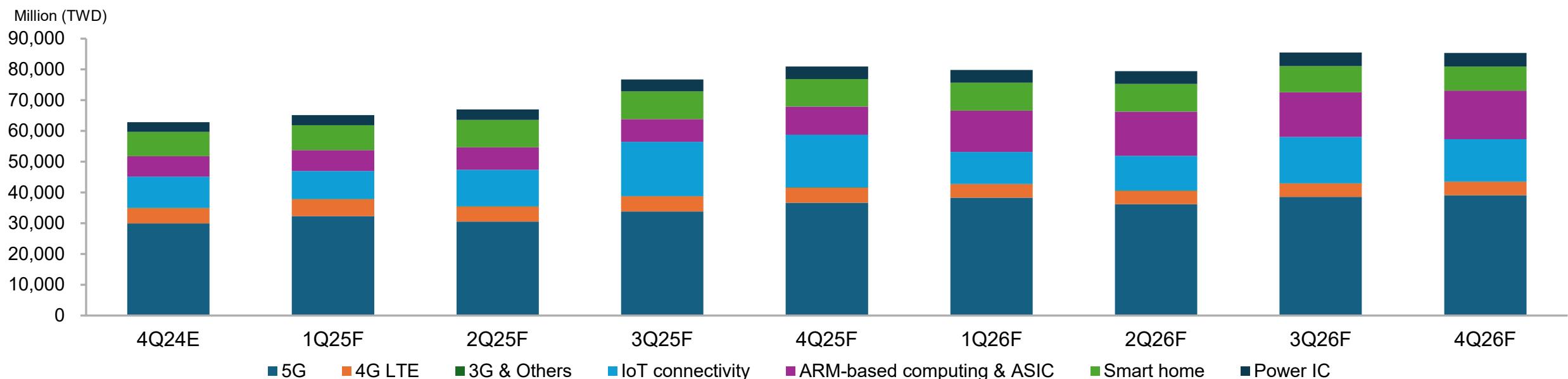
Gross Margin Assumption Breakdown by Segment



Gross Margin Assumption Breakdown by Segment

	Gross Margin(%) Assumption Breakdown by Segment									
	4Q24E	1Q25F	2Q25F	3Q25F	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	
5G	50%	50%	50%	50%	50%	50%	50%	50%	50%	
4G LTE	43%	43%	43%	43%	43%	43%	43%	43%	43%	
3G & Others	45%	45%	45%	45%	45%	45%	45%	45%	45%	
IoT connectivity	52%	52%	52%	52%	52%	50%	50%	50%	50%	
ARM-based computing & ASIC	50%	50%	50%	50%	50%	46%	46%	46%	46%	
Smart home	42%	42%	42%	42%	42%	42%	42%	42%	42%	
Power IC	40%	40%	40%	40%	40%	40%	40%	40%	40%	

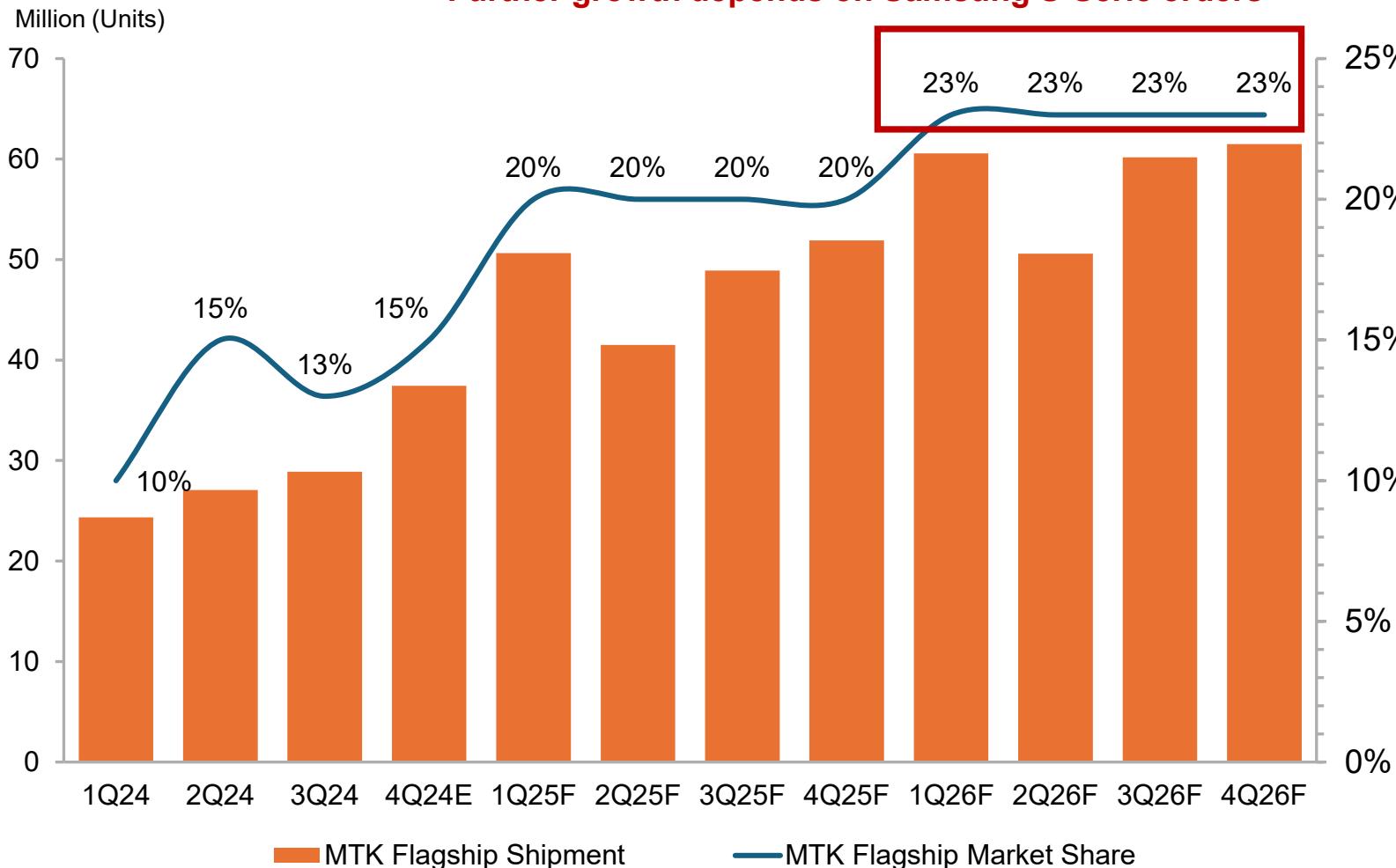
Gross Margin Breakdown by Business Segment



MediaTek's Flagship Smartphone Shipments and ASP Assumption

Flagship Smartphone Market Share and Shipment Assumption Quarterly

23% is the short-term peak.
Further growth depends on Samsung S-Serie orders



Flagship SoC ASP Assumption	
Flagship SoC	ASP (USD)
Dimensity 9300	120
Dimensity 9400	150
Dimensity 9500 (Next Generation)	160

MediaTek's 5G Smartphone Shipments and ASP Assumption

Mobile Phone Shipment Assumption

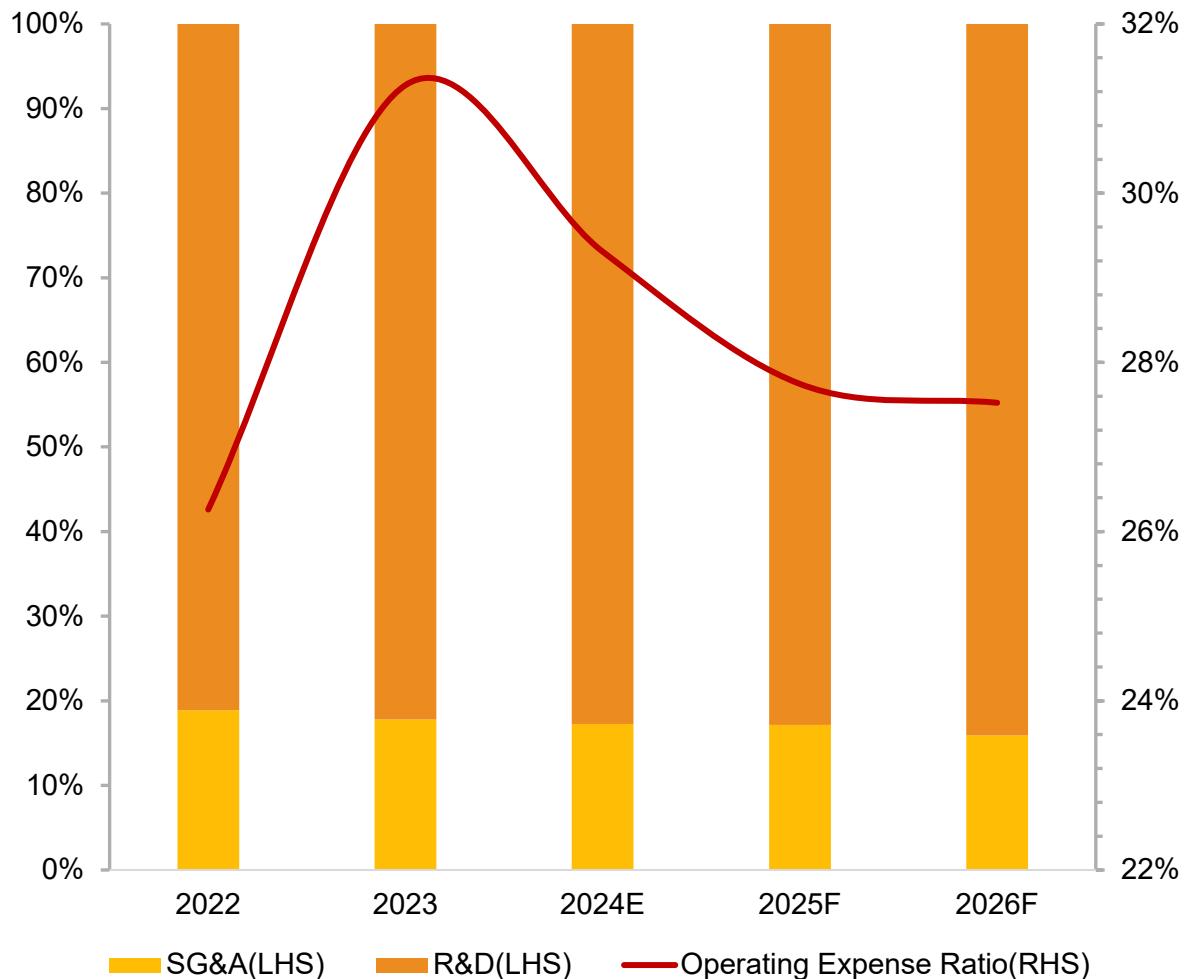
	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
D700/800	30	27	25	27	20	20	20	20	17	17	15	15
D900	13.2	4	4	5	5	5.5	5	5.5	5	5.5	5	5.5
D1000/8000 series	13	12	12	12.5	13	13	15	17	17	17	18	18
D9000+	2	3	2.9	3.7	5.1	4.1	4.9	5.2	6.1	5.1	6	6.1
4G LTE	65	40	45	45	50	45	45	45	40	40	40	40
3G & Others	29.4	35.7	110.3	5	5	5	5	5	5	5	5	5

Mobile Phone ASP Assumption

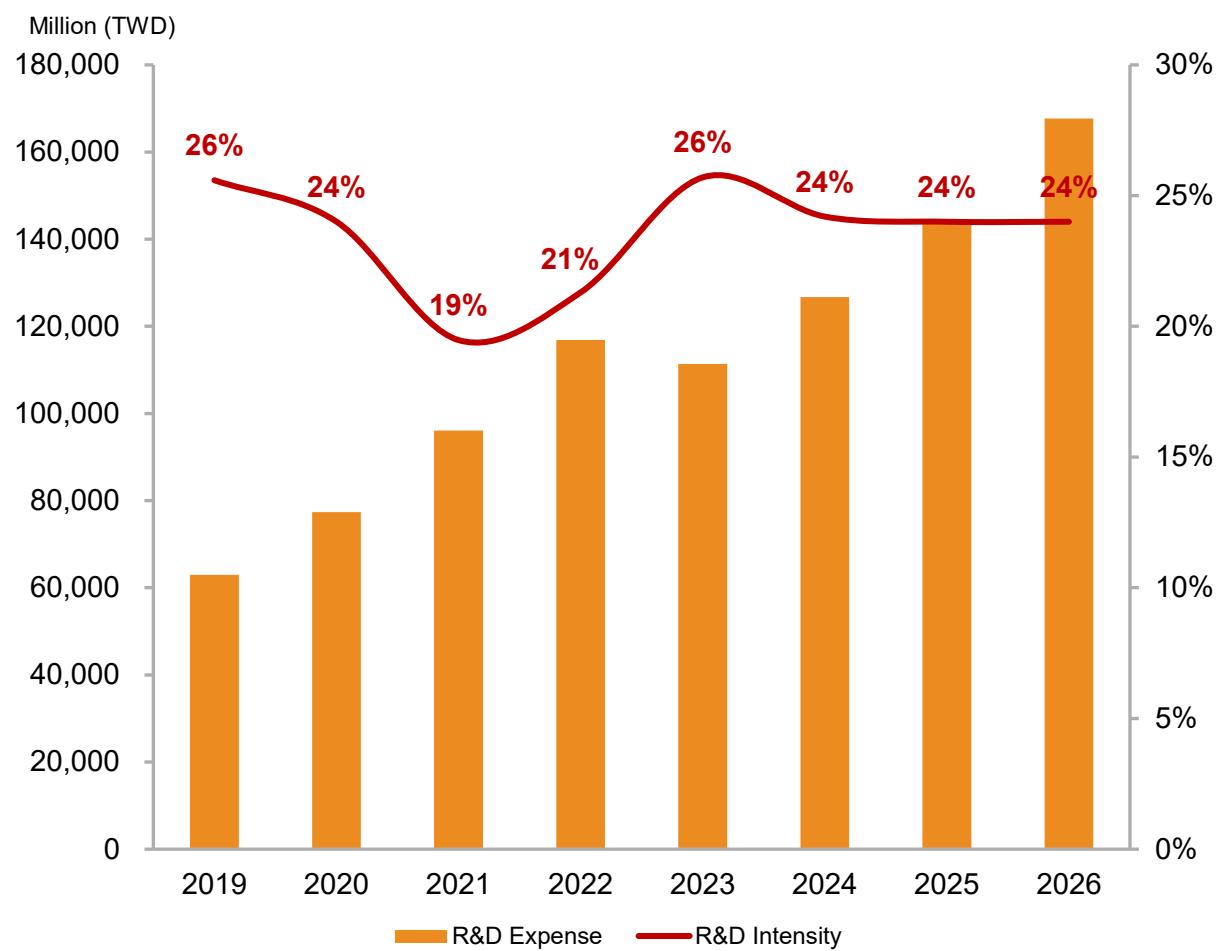
	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
D700/800	20	20	20	20	20	20	20	20	20	20	20	20
D900	30	30	30	30	30	30	30	30	30	30	30	30
D1000/8000 series	60	60	60	60	60	60	60	60	60	60	60	60
D9000+	120	120	120	120	140	140	140	140	150	150	150	150
4G LTE	8	8	8	8	8	8	8	8	8	8	8	8
3G & Others	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.5
Blended ASP	16.96	17.46	11.27	22.99	24.96	24.77	26.37	27.43	30.49	29.16	31.01	31.18

R&D: MTK's Main OPEX Driver

Operating Expense Breakdown



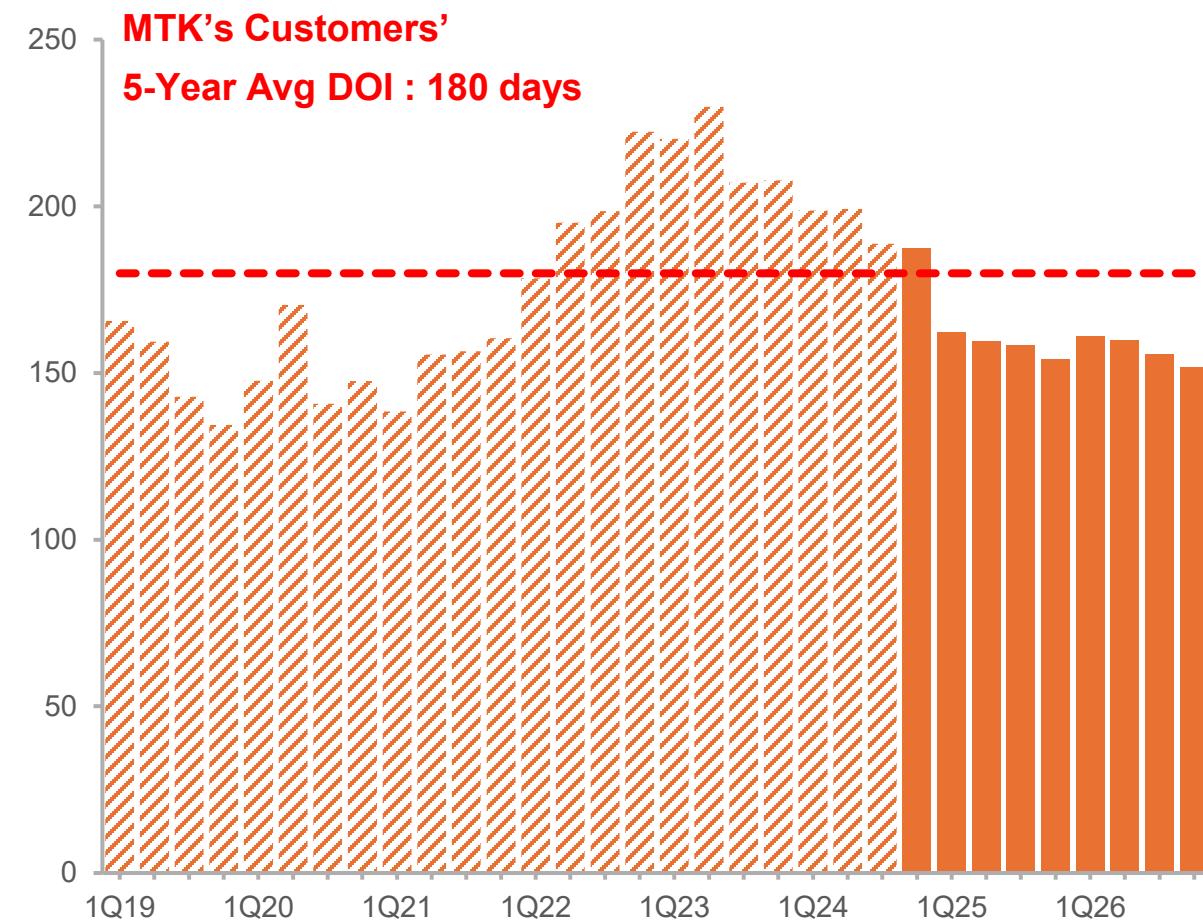
Strong R&D investment to stay competitive



Shifting Inventory Dynamics: AI Growth Offsets Destocking

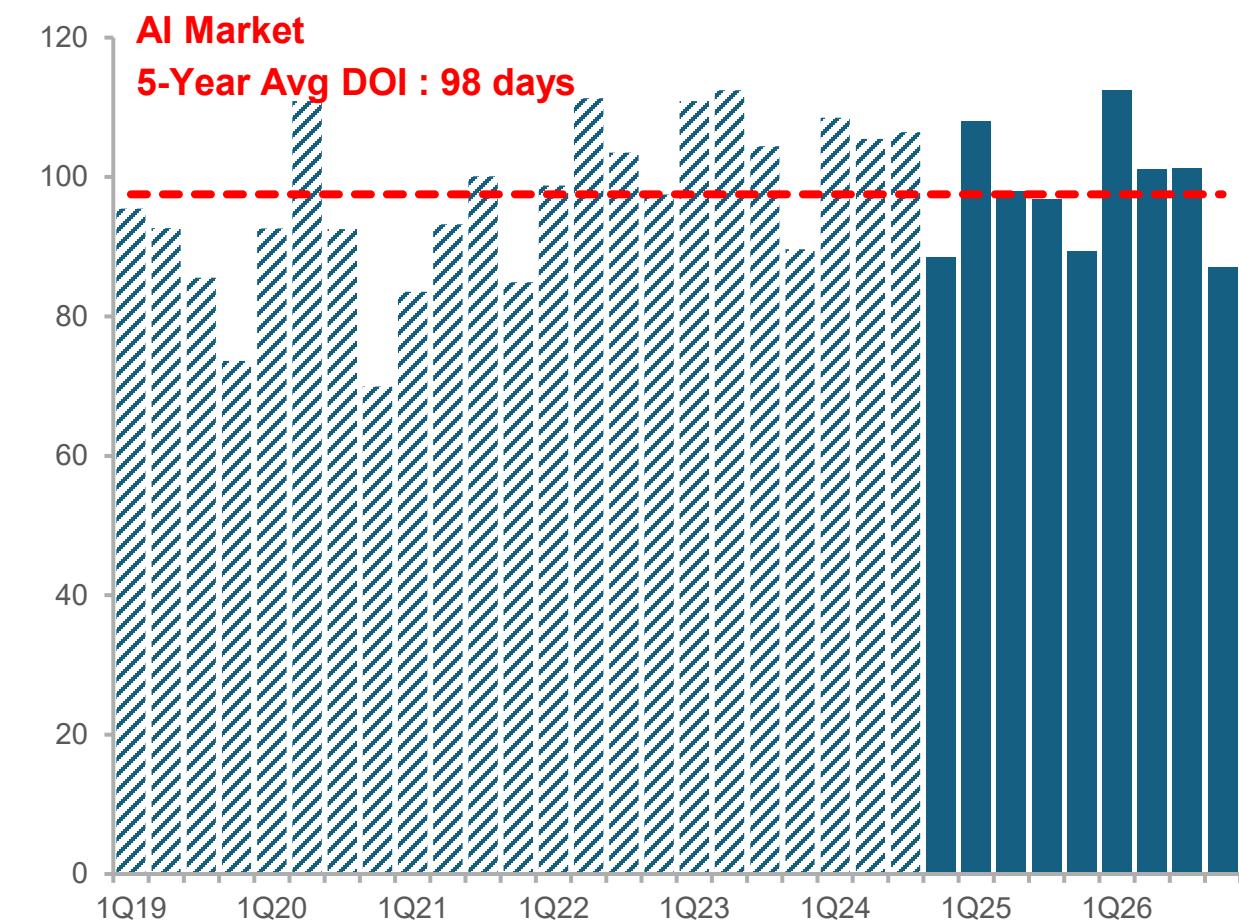
Distribution Channels Aligns with Semiconductor Industry Trends

AI Channel Inventory Continues to Build Up



*Note : The average DOI of the main customers of MediaTek is computed by its top 5 firms: Samsung, XiaoMi, Transsion, LG, Panasonic.

Source: Bloomberg, Team Estimate



*Note : The average DOI of the market of the AI-related products is computed by 10 top firms: Waymo (Alphabet), AWS (Amazon), Microsoft Azure, Alibaba Cloud, Lenovo, Dell, Tesla, Toyota, General Motors, Apple.



MediaTek and Subsidiaries Strengthen AI Market Synergies

MediaTek Subsidiary	Key Products	Share Holding	Holding Structure	Support to MediaTek	Support from MediaTek
Airoha Technology	Network IC	66.4%	directly hold	<ul style="list-style-type: none"> ◆ Announced Wi-Fi 7 Networking Chip and 10G PON (Passive Optical Network) Platform Integration Solution ◆ Support various software operating systems and development environments, including prplOS, RDK-B, OpenWrt, and OpenSync. ◆ Successfully secured multiple design wins from global Tier-1 telecom operators, with some projects expected to complete final testing and commence commercial operations in 2025. ◆ DSPs currently supplying 400G modules to T2 CSPs, with 800G modules set for sample testing in 2H25, targeting T1 CSPs. 	<ul style="list-style-type: none"> ◆ The Ethernet business has a low revenue base period and small market share, with plans to leverage MediaTek's business for market entry.
IC Plus	Network IC	29.26%	via Airoha	<ul style="list-style-type: none"> ◆ While Airoha's main PHY product specifications are 1.5G and 2.5G, IC Plus focuses on 10M and 100M. ◆ Complete MediaTek's mid-to-low-end product portfolio. 	<ul style="list-style-type: none"> ◆ Technical supports in upgrading the products.
Andes Technology	RISC-V IP	6.81%	via Hsiang Fa	<ul style="list-style-type: none"> ◆ Premier Silicon IP provider, specialized in IC and SoC designs. ◆ IP offerings are categorized into V3 (proprietary CPU architecture) and V5 (RISC-V-based processor IP). ◆ Penetration in SoC market by RISC-V is projected to grow from 2.7% in 2023 to 22.3% by 2030. 	<ul style="list-style-type: none"> ◆ A complementary to ARM architecture.
ZillTek Technology	MEMS	18.19%	via MediaTek Capital	<ul style="list-style-type: none"> ◆ Leading MEMS (Micro-Electro-Mechanical Systems) microphone IC provider in Taiwan. ◆ SoundWire: parallel integration of up to eight microphone ICs. 	<ul style="list-style-type: none"> ◆ Mobile phone segment: >10% of total revenue.
ASIX Electronics	Network IC, I/O Controller IC	19.7%	via Airoha	<ul style="list-style-type: none"> ◆ Leverage industry-leading Ethernet controller IC technology. ◆ Secure top-tier brand adoption, including Apple and Nintendo Switch. 	<ul style="list-style-type: none"> ◆ Benefited from expansion in AI market
ITH-KY	Driver IC	10.94%	via Gaintech	<ul style="list-style-type: none"> ◆ Applications span smartphones, tablets, laptops, automotive, industrial control, and wearable electronics. 	

Cost Structure – Expense Component

Consolidated Income Statement (Million, NTD)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F	Expense Breakdown (Over Total Expense)
Revenue	493,415	548,796	433,446	523,594	602,560	698,694	
Mobile Phone	270,262	293,099	226,009	292,902	314,605	345,922	
Smart Edge	187,533	214,297	178,391	200,609	251,357	310,088	
PMIC	35,619	41,400	29,046	30,083	36,598	42,683	
Cost of Goods Sold(COGS)	261,810	277,892	226,079	264,379	312,733	368,616	60.3%
Material and Processed Inputs	19,157	20,334	16,542	19,345	22,883	26,972	4.4%
Fabrication as a Service	143,676	152,502	124,068	145,086	171,622	202,289	33.1%
Test, Verification, Assembly, and Packaging	73,435	77,945	63,412	74,155	87,718	103,392	16.9%
IP Licensing Fees	25,542	27,111	22,056	25,793	30,511	35,963	5.9%
Gross Profit	231,605	270,904	207,367	259,216	289,827	330,078	
Gross Margin	46.94%	49.36%	47.84%	49.51%	48.10%	47.24%	
Operating Expenses	123,564	144,116	135,568	154,045	174,361	202,105	32.6%
Selling, General, and Administrative	27,483	27,241	24,127	27,404	29,746	34,418	6.2%
Research and Development	96,081	116,875	111,385	126,693	144,614	167,687	26.4%
Expected Credit Gain/Loss	0.47	0.45	55.67	-52.54	0	0	0.0%
Operating Profit	108,040	126,788	71,800	105,171	115,467	127,973	
Operating Margin	21.90%	23.10%	16.56%	20.09%	19.16%	18.32%	
EBITDA	137,606	150,826	105,312	143,766	161,105	175,951	
Depreciation & Amortization	10,621	14,980	18,200	20,952	22,992	24,753	3.8%
Interest Expense	1,574	538	133	285	329	328	0.1%
EBIT	126,985	135,846	87,112	122,814	138,114	151,198	
Non-Operating Income/Loss	18,812	8,773	14,983	17,315	22,280	22,852	
Tax	14,980	16,936	9,591	13,033	13,809	15,120	3.2%
Net Income	111,873	118,625	77,191	109,453	123,937	135,704	
Net Profit Margin	22.67%	21.62%	17.81%	20.90%	20.57%	19.42%	



Cost Structure – Intensity

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Net Profit Margin	22.67%	21.62%	17.81%	20.90%	20.57%	19.42%	



The reasons why low turnover rate & high retention at MediaTek

Competitive compensation & Diverse benefit

- Performance-driven structure with regular adjustments
- Long-term incentive programs (e.g. the Employee Stock Ownership Trust Plan)
- Offer flexible and diverse benefits

Key actions

Listen to employees' feedback and needs

- Conduct brief surveys at key stages (7, 30, 90...days) to assess employee needs and challenges
- If scores are low, the system alerts managers to provide support and resources
- Executives mandate improvement plans and integrate them into annual audits to ensure execution

Enhance leadership skills of managers

- **Internal Podcast Sharing**

Invite senior executives to record internal podcasts sharing experiences and tips based on survey findings

- **Group coaching model**

Managers and the CEO collaborate with a coach to address challenges and grow together

Implement DEI metrics

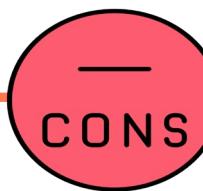
- Beyond HR metrics, add DEI indicators and use dashboards to reinforce DEI commitment and drive improvement
- Establish ERG with executive involvement to boost impact and efficiency

ERG introduction : Women in Tek 、 Global Family 、 I-Connect

The impact of low turnover & high retention at MediaTek



- **Reduce labor costs**
(e.g. recruitment, training, onboarding, and other)
- **Boost efficiency by reducing turnover and communication costs**
- **Reduce the risk of knowledge and experience loss while maintaining core technical competitiveness**
- **A stable team ensures high-quality products and services, strengthening customer confidence**



If new talent isn't actively brought in :

- **Employee motivation may decline**
- **Innovation stagnate**
- **Competitiveness may weaken**
- **Long-term growth may be impacted**

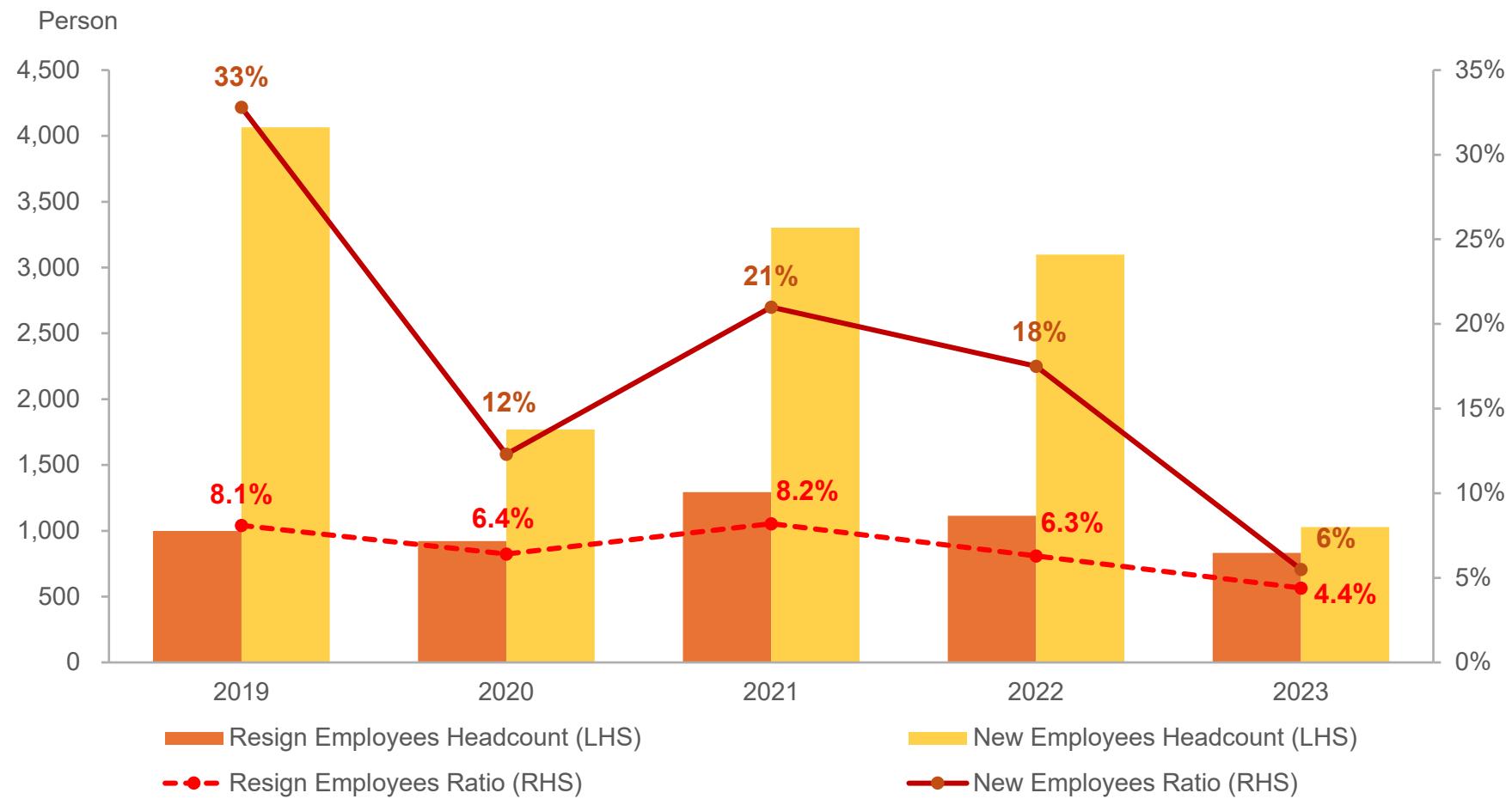


Since 2019, MTK has consistently hired over 1,000 employees annually, despite a declining new hire ratio, showing its commitment to talent renewal

Chart : MediaTek Employee Turnover and Recruitment Trends

MediaTek Employee Turnover and Recruitment Trends (2019~2023)

MTK has consistently hired over 1,000 employees annually, despite a declining new hire ratio, showing its commitment to talent renewal



Definition and Explanation of DEI



D (Diversity)

Emphasizing acceptance and respect for differences, including gender, age, race, and more, it encourages organizations to recognize and value each person's uniqueness.

E (Equity)

Ensuring employees have fair opportunities and resources based on their needs, not just equal treatment. It removes barriers so everyone can compete fairly and succeed.

I (Inclusion)

Creating an inclusive environment where employees feel valued, supported, and accepted. This fosters engagement, unlocks potential, and helps everyone grow and thrive.

Benefits of a DEI Culture



Improving work performance and financial results

- Greater gender and ethnic diversity makes companies up to 36% more profitable



Driving innovation and competitiveness

- Diverse teams bring fresh perspectives and solutions, driving innovation



Enhancing retention through belonging

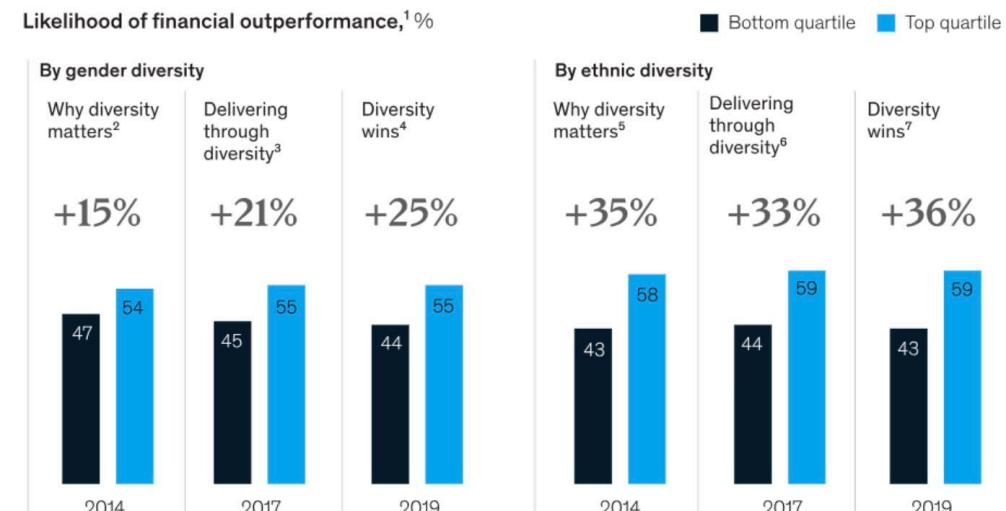
- A sense of belonging boosts job satisfaction, reduces turnover, and increases retention



Attracting top talent

- A strong brand image attracts diverse talent and expands the recruitment pool

The business case for diversity in executive teams remains strong.



Current DEI Initiatives and Outcomes

1. Leading the tech industry in female representation and setting a model for diversity and inclusion

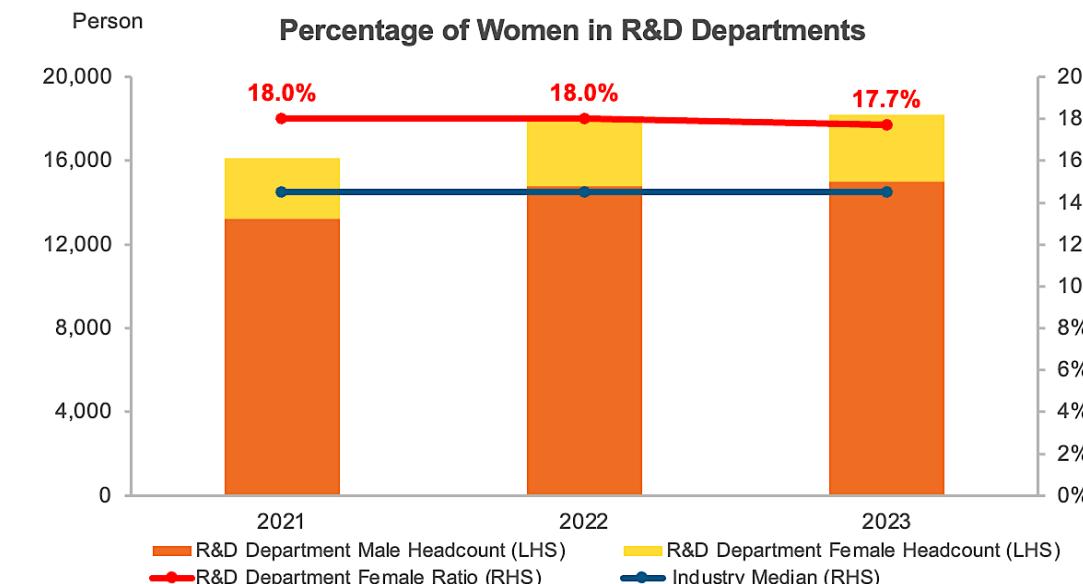
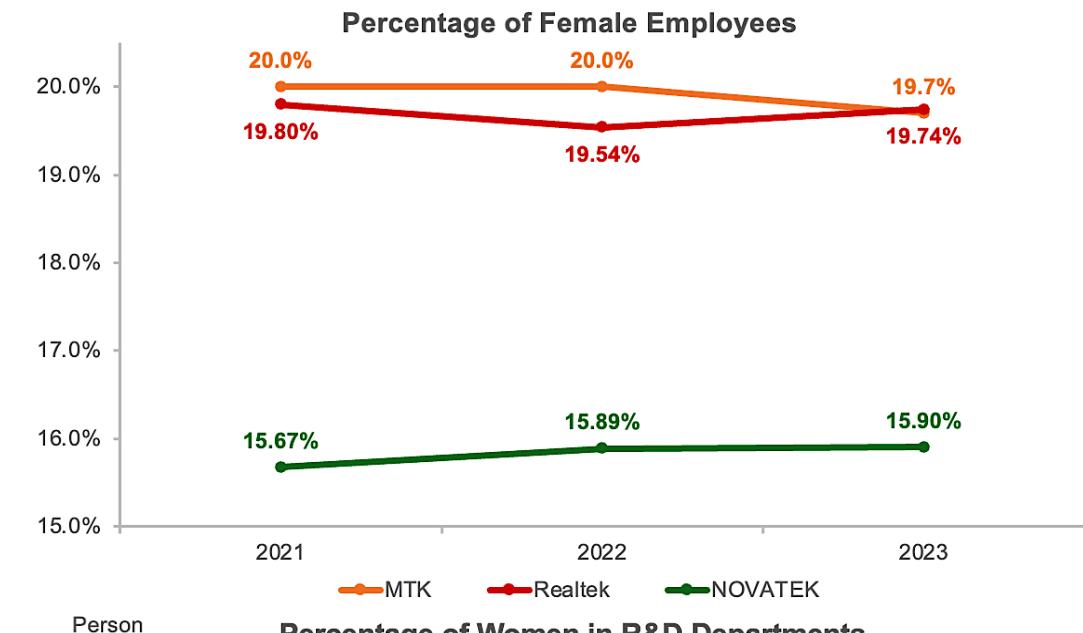
2. Establish ERG with executive involvement to enhance implementation efficiency and impact

- Women in Tek : focus on women's issues
- Global Family : promote cross-cultural inclusion
- I-Connect : Foster cross-generational interaction and learning.

3. Promote Girls! TECH Action Workshop

- Inspire girls' confidence in technology, break academic barriers, and explore STEM and diverse opportunities

Girls! TECH Action Workshop Survey Results		
Female Students	Item	Score
University	Increased understanding of the tech industry	3.87/5, ↑ 29%
	Favorability toward the tech industry	4.33/5
High School	Awareness of TECH-related fields	4.29/5, ↑ 32.4%
	Confidence in choosing a tech-related career in the future	4.14/5, ↑ 14.4%



ESG Integration

We obtained the valuation impact based on the ESG integration SPICE model by PRI

ESG & SPICE Criteria

ESG	SPICE Criteria
E (Environmental)	E: Environment By protecting ecosystem and developing natural capital
S (Social)	S: Suppliers & Society By ensuring fairness and transparency P: People By providing a pleasant and stimulating working environment
G (Governance)	C: Clients By providing differentiated products and/or services I: Investors By offering an attractive return on capital employed

MediaTek SPICE Score

	S	P	I	C	E
MTK SPICE Score	69	92	56	5	65
Peer SPICE Score (average)	68	70	69	50	58
Individual Rating (Total 5)	3	5	2	1	3
Weights	30%	30%	20%	10%	10%
Weighted Rating	0.9	1.5	0.4	0.1	0.3
MTK SPICE Score	3.2				

SPICE Score	P/E Adjustment
4.1~5	+10%
3.1~4	+5%
2.1~3	0%
1.1~2	-5%
0~1	-10%

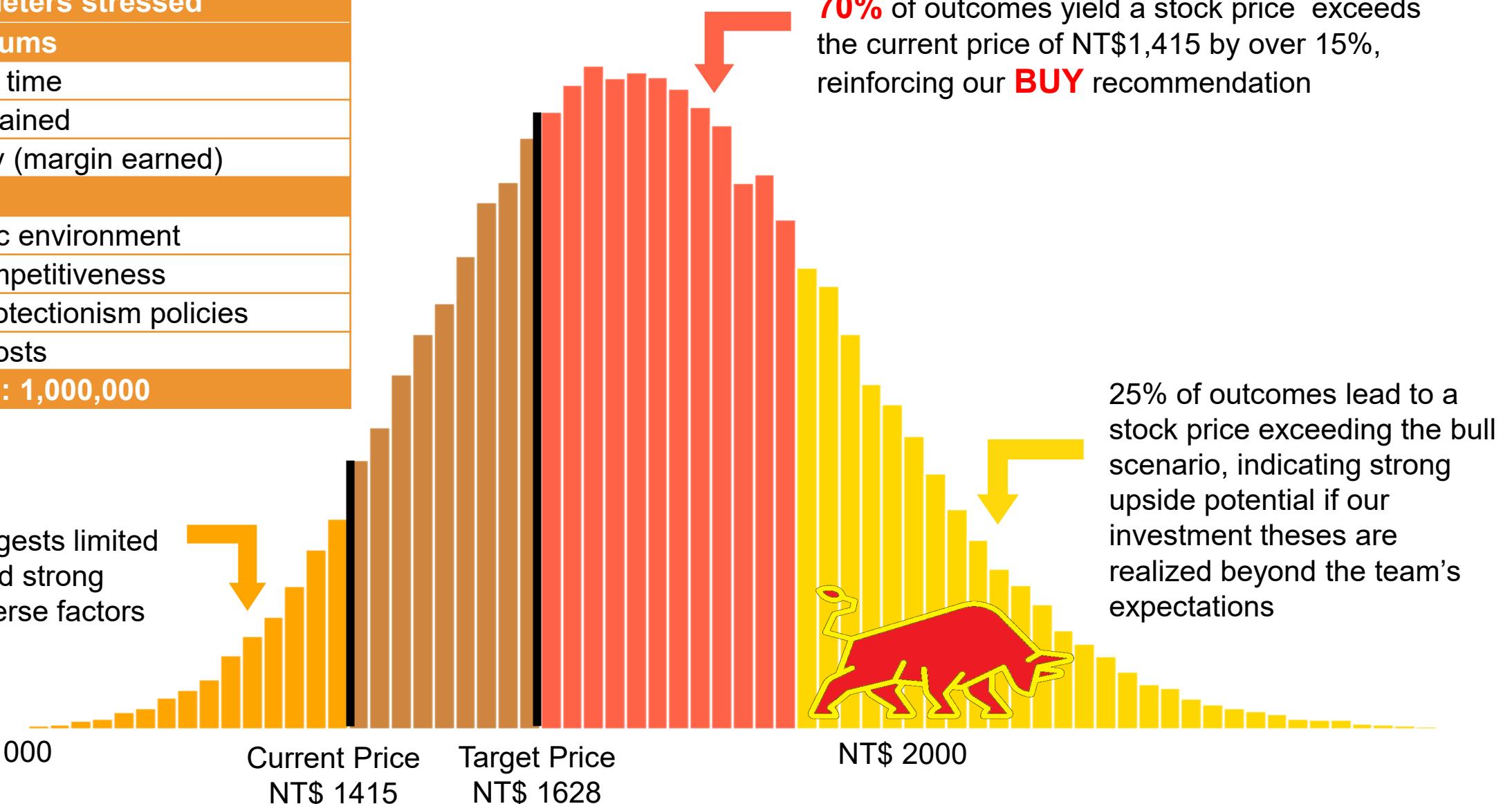
*Note : The Peer SPICE average Score is computed by 10 largest IC firms: Qualcomm, Broadcom, Realtek, Marvell, Nvidia, AMD, Novatek, Cirrus Logic, Apple, MPWR, Will Semiconductor



AI Growth and Market Dynamics Through Monte Carlo Simulation

Parameters stressed
Driving Momentums
• Product launch time
• Market share gained
• Pricing strategy (margin earned)
Uncertainties
• Macroeconomic environment
• Strength of competitiveness
• Impact from protectionism policies
• Supply chain costs
Number of trials: 1,000,000

Monte Carlo suggests limited downside risk and strong resilience to adverse factors



Brownian Price Paths Reveals Upside Potential Beyond 2025

Stock Price

4000 -

3500 -

3000 -

2500 -

2000 -

1500 -

1000 -

500 -

Current Price

NT\$ 1415

4Q24 1Q25 2Q25 3Q25 4Q25 1Q26 2Q26 3Q26 4Q26

- Incorporate forward-looking insights from the forward P/E
- Extend the Monte Carlo simulation through 2026Q4
- Factor in 2026 growth momentum
- Discount 2026Q4 stock prices back to 2025Q4
- **62%** of outcomes support our **BUY** recommendation
- Indicate **limited downside risk**

Discounted Brownian Prices			
75th Percentile	NT\$1,740	% of Buys	62%
50th Percentile	NT\$1,614	% of Holds	34%
25th Percentile	NT\$1,489	% of Sales	4%
Mean	NT\$1,613	Iterations	1,000,000
Std Dev	NT\$188		

DeepSeek(DS) Overview

A Chinese Challenger Sweeping Through Generative AI

- DS specialized in open-source LLM developer achieving OpenAI(o1)-level performance at \$6M training cost
- DS topped Apple's App Store in January 2025, surpassing ChatGPT
- Triggered significant tech stock volatility, notably affecting AI hardware companies share price

What Made DeepSeek Successful?

Distillation

Reinforcement Learning (RL) Supervised Fine-Tuning (SFT)

Mixture of Experts (MoE)

Float 8-bit (FP8)

A technique in AI that transfers knowledge from a larger **teacher model** to a smaller **student model**, preserving capabilities while reducing computational costs and energy consumption.

RL enables AI to learn through trial and error, receiving rewards for good actions and penalties for bad ones. **SFT** fine-tunes AI using labeled data, improving accuracy by learning from human-provided answers.

An AI model architecture that uses multiple specialized sub-models ("experts"), each handling specific tasks, improving efficiency and adaptability.

FP8 is an 8-bit floating-point format that enhances AI efficiency by reducing memory usage and increasing computation speed, especially in deep learning.

The Impact of DeepSeek's Rise on the AI Industry

Positive: It facilitates the promotion of AI applications, enabling AI technology to enter more consumer product domains.

Negative: It could lead to a deceleration in demand for upstream AI server semiconductor supply chain components, including GPUs, foundries, and advanced packaging and testing services.

Positive or Negative to MEDIATEK ??

AI development enters a new era

TRAINING



INFERENCE

Positive to MEDIATEK !

CSPs (AI ASIC)

DS's success has lowered AI computing barriers, accelerating inference market growth and increasing CSPs' demand for AI ASICs. As a result, CSPs may further expand their investments in AI ASICs, driving market growth and benefiting MTK's Edge AI business.

AI Smartphone

1. DS's lightweight LLM (R1 model, with only 1.5 billion parameters) is well-suited for on-device AI, potentially driving an AI smartphone upgrade cycle in China.
2. MediaTek is a key beneficiary of this trend, as its Dimensity 9400 and 8000 series chipsets feature NPUs capable of supporting local LLM inference, enhancing AI-driven user experiences.

Comprehensive Retaliatory Tariffs Pose Economic Crisis Risk Globally

Tariff	Imposed by the US	Imposed to the US
Canada	<ul style="list-style-type: none">25% for all imported goodsExcept 10% for energy	<ul style="list-style-type: none">25% tariff on US imports valued at \$30 bnThe second phase targets \$125 bn of goods, including electric vehicles
Mexico	<ul style="list-style-type: none">25% for all imported goods	<ul style="list-style-type: none">Not yet announce
China	<ul style="list-style-type: none">Additional 10% for all imported goods	<ul style="list-style-type: none">Additional 15% tariff on coal and liquefied natural gas (LNG)Additional 10% tariff on crude oil, agricultural machinery, large-displacement vehicles, and pickup trucks

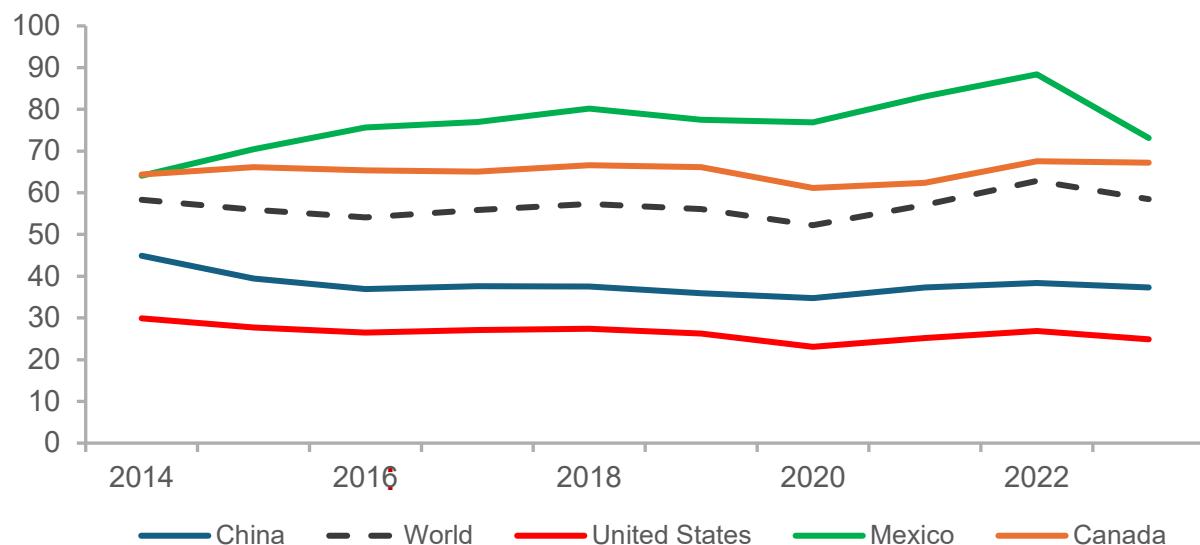


Negotiation with 30-day Pause

Agreement and Actions

- Canada would implement a \$1.3 billion (£1bn) border plan that included nearly 10,000 frontline workers
- Canada would appoint a "fentanyl czar" and launch a joint strike force with the US to combat crime, fentanyl and money laundering
- Mexico would send 10,000 National Guard troops to its border with the US

High Trade Dependence Amplifies Tariff Impact

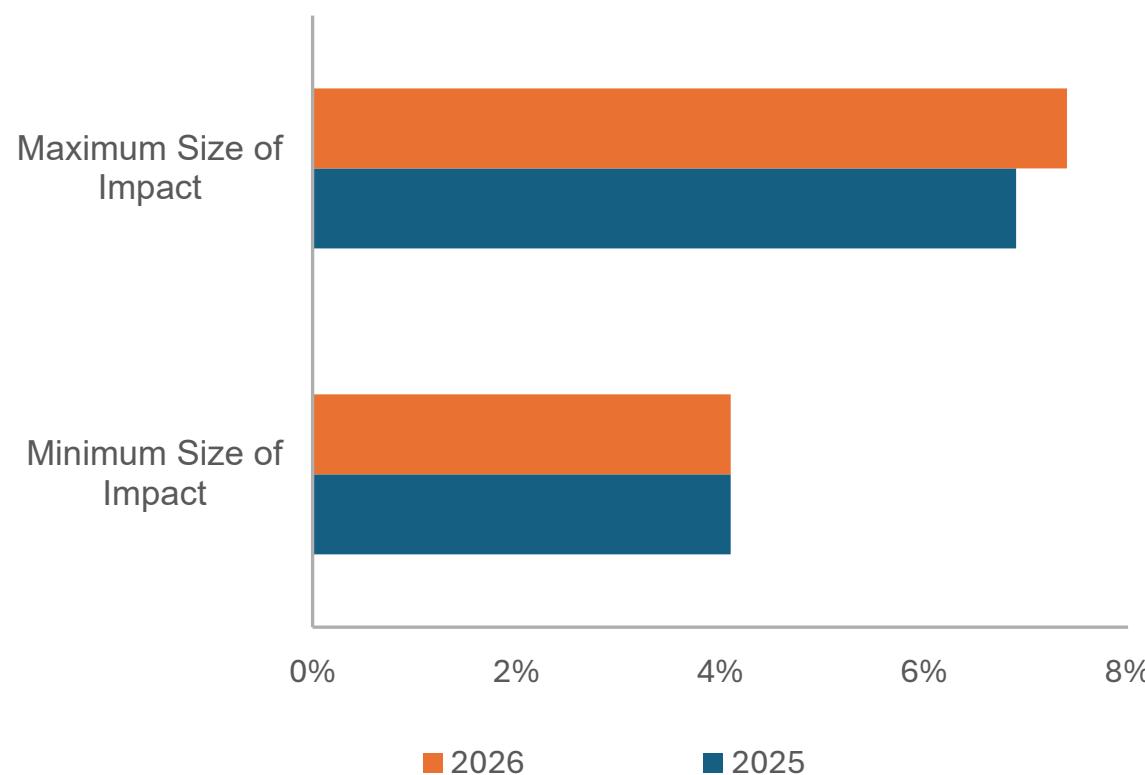


Protectionist Tariff Policies Drive Inflation and US GDP Decline

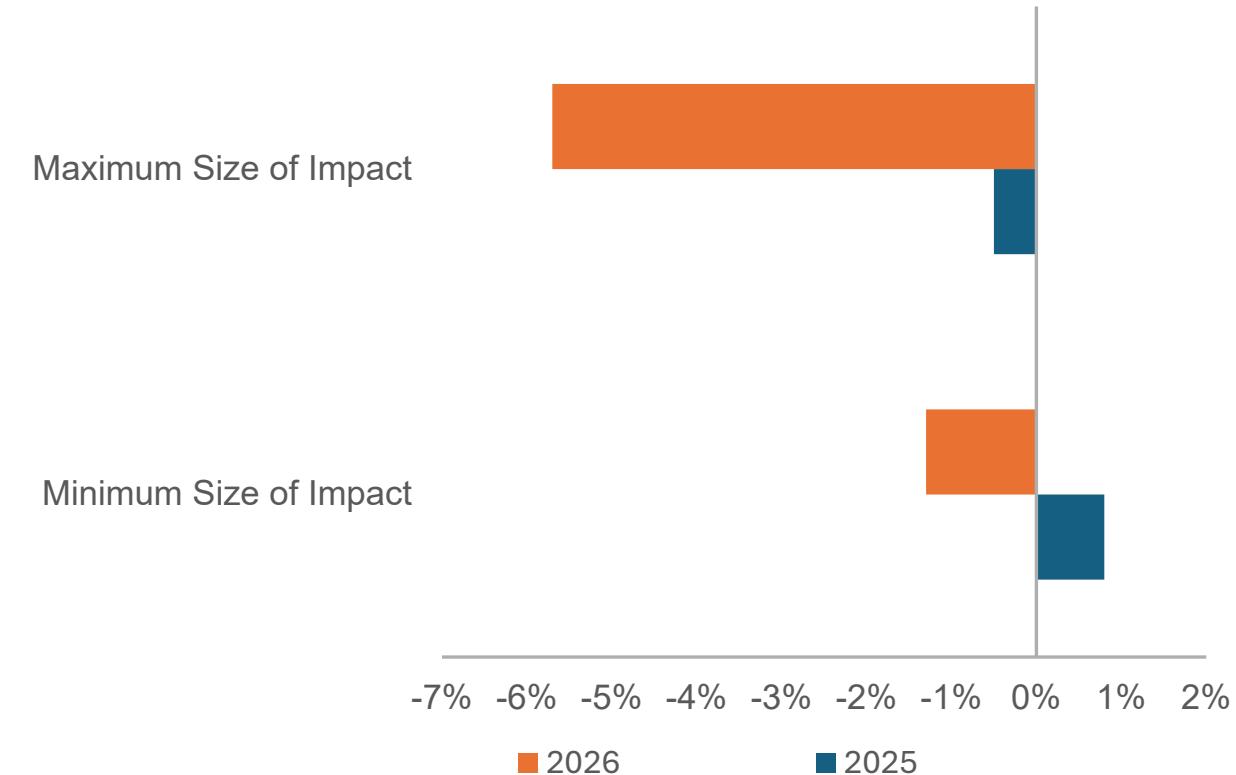
- Automotive, automotive electronics, and energy represent the primary export items
- Semiconductor and consumer electronics are less impacted
- GDP is expected to dropped by 0.4% in the US
- Additional \$830 is spent for each US household
- Inflation exaggerates due to cost transferring

Trump Policy Shock Temporarily Slows Global Recovery and Demand

Projected US Inflation Impact Under Full Trump Policies



Projected US GDP Impact Under Full Trump Policies



Sensitivity Analysis (Assuming a global recession in 2025)

Drop 15% revenue



Revise down 2025 EPS
projected by 16.3%



With P/E 17.5x, target price is adjusted
down by 30.2% to NT\$1,136

Cost Transferability Offsets Tariff Risks and Supply Chain Volatility



“... tariffs on foreign production of computer chips and pharmaceuticals to return production of these essential goods to America.”

“We want them to come back...they needed an incentive, and the incentive is going to be they're not going to want to pay a 25, 50 or even 100 percent tax.”

— US President, Donald Trump, 2 Feb 2025

Contradictory Policies Signal Strategic Uncertainty

- US reshoring is impeded by semiconductor tariffs that foreign competitors avoid, discouraging local production.
- Finished products (e.g., iPhones) avoid chip tariffs.
- AI server assembly abroad (Foxconn, Inventec) avoids tariffs, while US-based SMT plants (Supermicro, Celestica) face high import costs.
- Fabs are easier to establish in the US than full-scale manufacturing ecosystems.



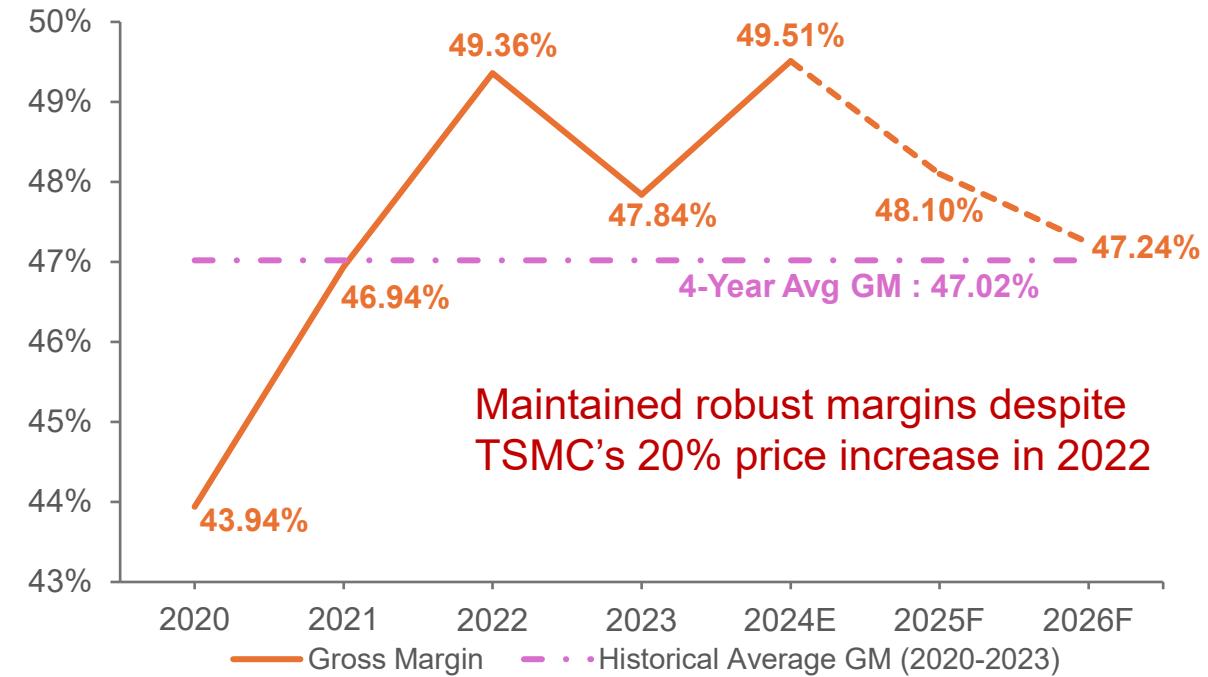
Cost Sensitivity Analysis : Increase 1% in cost

Drop 0.23% gross margin

Revise down 2025 EPS projected by 1.1%

With P/E 19x, target price is adjusted down by 10.5% to **NT\$1,456**

High-Cost Transferability under Supply Chain Cost Variation



Nations Intensify Semiconductor War for Tech Dominance

	US	EU	Japan	Korea	China
Act	CHIPS and Science Act	European Chips Act	Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies	K-Chips Act, Amendment of Restriction of Special Taxation Act	Policy of Promoting the High-Quality Development of the Integrated Circuit and Software Industries
Fiscal Budgets	53 Billion USD	43 Billion EUR	774 Billion JPY	-	10,000 Billion RMB
Tax Incentives	V			V	V
Subsidization for Reshoring	V	V		V	
State Investment Fund	V	V			V
Support for IC R&D/Production	V	V			V
Protective Tariff	V	V			
Technology Export Control			V		

- Chip 4 Alliance: US, Taiwan, Japan, Korea: Strengthen the resilience and security of global semiconductor supply chains against China
- Trade and Technology Council (TTC): US, Europe: Reduce dependence on Asian semiconductor supply chains

Sensitivity Analysis (Suppose Taiwan's global market share in wafer manufacturing and assembling/testing is projected to decline)

Impacted by
the trend

Revenue growth rate start to
decrease by 2% since 2025

Revise down 2025
EPS projected by 3.7%

With P/E 18x, target price is
adjusted down by 17.5% to
NT\$1,343

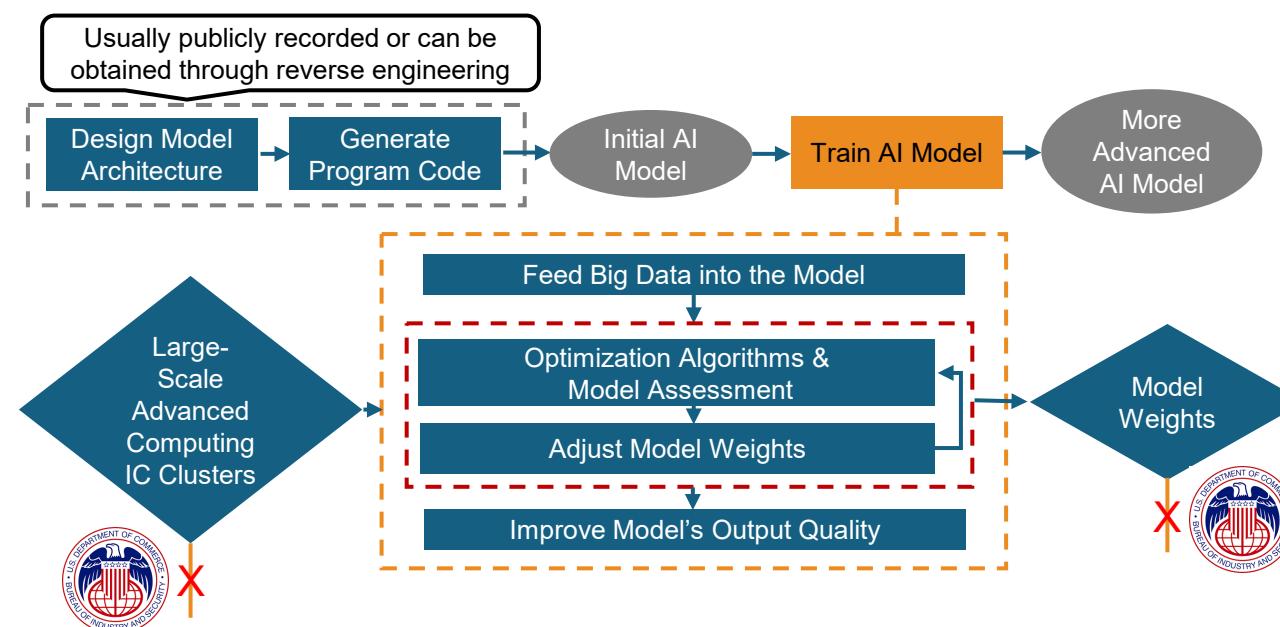
MediaTek Gains Orders under US Sanctions Against Chinese Firms



"The President said that... [t]he last administration sat on their hands and allowed China to rapidly develop this AI program (DeepSeek). President Trump believes in restoring American AI dominance. And that's why he took very strong executive action this past week (01/20) to sign executive orders to roll back some of the onerous regulations on the AI industry."

— White House Press Secretary, Karoline Leavitt, 28 Jan 2025

Export Control Framework for Artificial Intelligence Diffusion



- Unisoc's reliance on TSMC's 6nm process is at risk due to U.S. restrictions
- SMIC remains constrained by conventional lithography technology, resulting in lower yield rates and production capacity lagging industry standards

Implementation of Additional Due Diligence Measures for Advanced Computing Integrated Circuits

Prevent restricted entities (i.e. China) from acquiring or indirectly accessing:

- high-performance computing chips
- computational power via cloud computing for advanced model training
- fabrication process of ≤16/14nm nodes
- non-planar transistor architectures (e.g., FinFET or GAAFET)



Shifting orders from



Monetary Easing on the Horizon Although Fed Maintains Rates

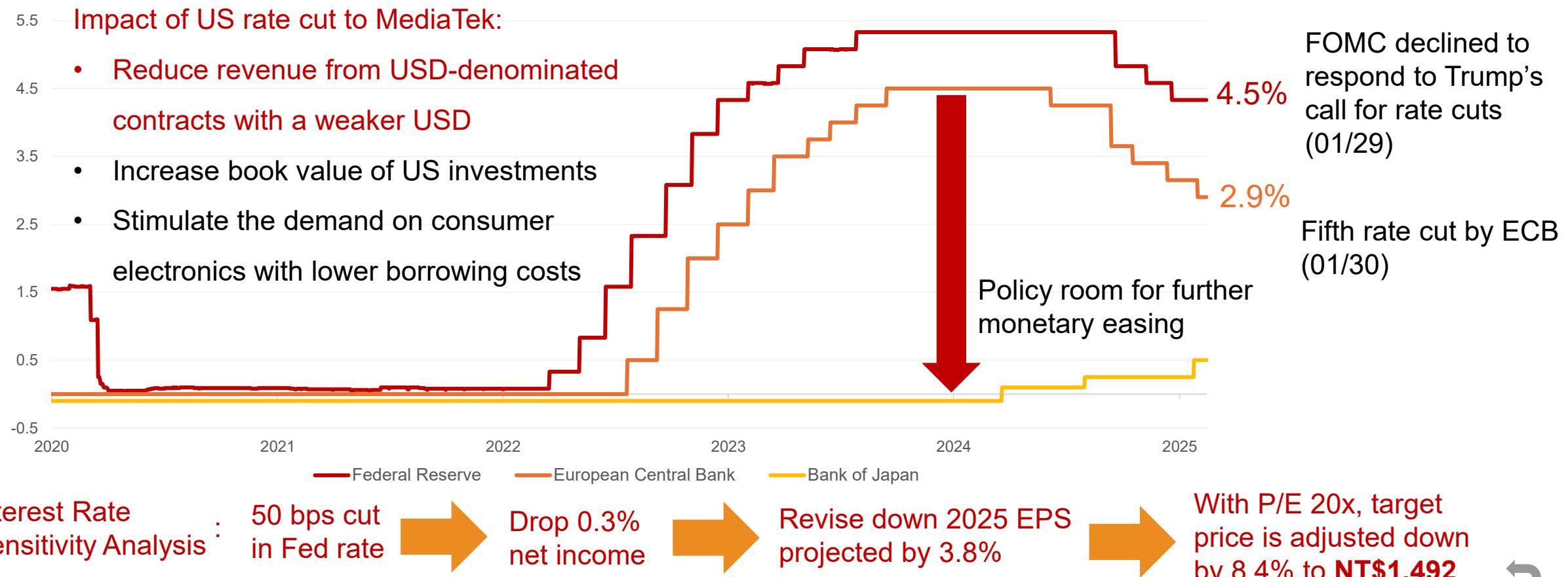
2025 FOMC New Committee Members	
Hawkish	Dovish
Federal Reserve Bank of St. Louis Alberto G. Musalem	



:

Monetary Easing on the Horizon Although Fed Maintains Rates

Hawkish	2025 FOMC New Committee Members	Dovish
 Federal Reserve Bank of St. Louis Alberto G. Musalem	<ul style="list-style-type: none">Tug-of-war between two schools.Face challenge from inflation 2.9%.Encounter 4.1% unemployment rate.	 Federal Reserve Bank of Boston Susan M. Collins
Federal Reserve Bank of Kansas City Jeffrey R. Schmid 		 Federal Reserve Bank of Chicago Austan D. Goolsbee



Effective Hedging Strategy Mitigates Exchange Rate Risk

USD Appreciation Drives Higher Revenue from Foreign Income



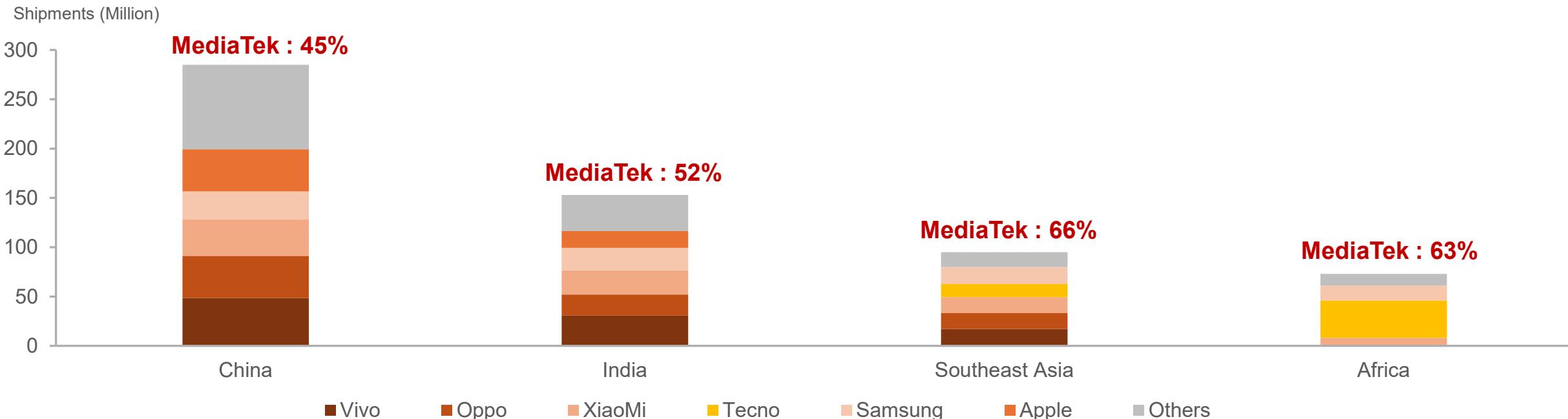
Hedging Exchange Rate Risk Through Derivative Contracts

FX Forward Contract	Currency	Contract Amount (in Thousand)		Maturity
2024.06.30	NTD/USD	SELL USD	90,000	2024.07
2024.06.30	NTD/USD	BUY USD	150,000	2024.07
2024.06.30	EUR/USD	SELL USD	3,011	2024.07
2024.06.30	JPY/USD	BUY USD	3,425	2024.12
2024.06.30	KRW/USD	BUY USD	7,846	2024.12
2023.12.31	NTD/USD	BUY USD	500,000	2024.01
2023.12.31	NTD/USD	SELL USD	17,470	2024.01
2023.12.31	NTD/USD	SELL USD	4,470	2024.02
2023.12.31	NTD/USD	SELL USD	3,250	2024.03
2023.12.31	JPY/USD	BUY USD	1,443	2024.06
2023.06.30	NTD/USD	SELL USD	9,000	2023.07
2023.06.30	CNY/USD	BUY USD	331,120	2023.07
2023.06.30	NTD/USD	BUY USD	65,000	2023.09
2023.06.30	JPY/USD	BUY USD	1,435	2023.12
FX Swaps Contract	Currency	Contract Amount (in Thousand)		Maturity
2023.12.31	NTD/USD	SELL USD	10,000	2024.01

Although not fully hedged against USD fluctuations, the use of derivative instruments helps mitigate exchange rate risk.

Emerging Markets Cushion Smartphone Industry Saturation

2024 Shipment of Smartphones in China and Emerging Markets

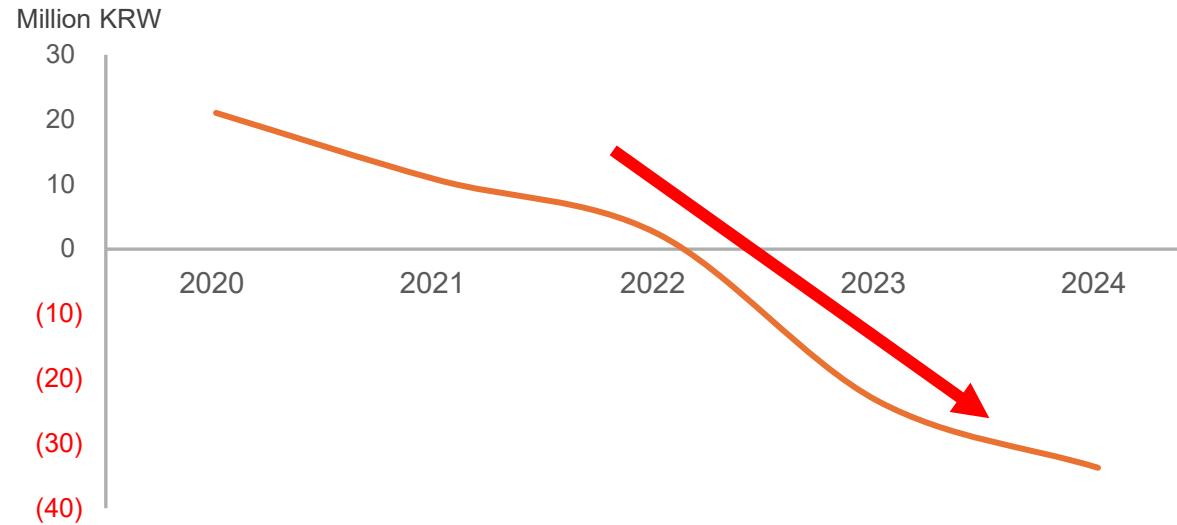


Sensitivity Analysis on High-End Smartphone Growth Deceleration

Growth Rate	Year	Change in Revenue	Projected 2025 EPS	Change in 2025 EPS	P/E	Projected Target Price	Change in Target Price
10% drop	2025	-0.98%	NT\$76.8	0.9%	19x	NT\$1,459	10%
	2026	-1.88%					
20% drop	2025	-1.94%	NT\$76.2	1.7%	18x	NT\$1,372	16%
	2026	-3.71%					
50% drop	2025	-4.74%	NT\$74.2	4.74%	16x	NT\$1,187	27%
	2026	-8.82%					

Cost Pressure Drives Shift to Dimensity Over Snapdragon and Exynos

Samsung Levered Free Cash Flow



Samsung 2nm Delay Pressure Shift Order to MediaTek

Firm

Progress in Advanced Process Technology

Samsung

- ◆ 2025: Developing the third-generation 2nm process design

TSMC

- ◆ 2nm process is progressing well, adopting nanosheet technology
- ◆ Yield rate > 80%, and expect to reach mass production by 2025

Apple

- ◆ Introducing 2nm chips in 2025
- ◆ More advanced A16 process and expect to reach mass production in 2026

SMIC

- ◆ Stuck in 7nm technology (N+1 process)
- ◆ The conventional lithography technique can only struggle to manufacture the product with lower yield rates (~50%) and production capacity below industry standards.

Samsung Faces Cost Pressure in Processor Adoption

Samsung Smartphone	Processor Cost Percentage
2022	12.8%
2023	18.1%

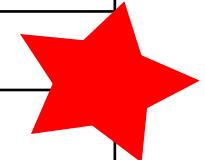
Qualcomm

25 - 40%
price difference

MEDIATEK

Uncertainty in Compatibility of ARM Architecture

	ARM-based Processors	x86-based Processors
Power Consumption	V	
Performance		V
Software Compatibility		V
Heat Dissipation	V	
Cost-Saving	V	
Embedded Solutions and IoT	V	
Durability and Reliability	V	
Cloud-Nativity	V	



Sensitivity Analysis

When the compatibility issue with ARM-based products cannot be solved before launch

- it leads to a **10% decrease** in the **IoT division's revenue projections after 2Q26**
- the P/E ratio would be **revised down to 18.5x**
- resulting in a **12% reduction** in the target price to **NT\$1,434**

Income Statement

Consolidated Income Statement (Million, NTD)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Revenue	493,415	548,796	433,446	523,594	602,560	698,694
Cost of Goods Sold (COGS)	261,810	277,892	226,079	264,379	312,733	368,616
Gross Profit	231,605	270,904	207,367	259,216	289,827	330,078
Selling, General, and Administrative	27,483	27,241	24,127	27,404	29,746	34,418
Research and Development	96,081	116,875	111,385	126,693	144,614	167,687
Expected Credit Gain/Loss	0.47	0.45	55.67	(52.54)	0	0
Operating Expenses	123,564	144,116	135,568	154,045	174,361	202,105
Operating Income	108,040	126,788	71,800	105,171	115,467	127,973
EBIT	126,985	135,846	87,112	122,814	138,114	151,198
Depreciation & Amortization	10,621	14,980	18,200	20,952	22,992	24,753
EBITDA	137,606	150,826	105,312	143,766	161,105	175,951
Non-Operating Income/Loss	18,812	8,773	14,983	17,315	22,280	22,852
Net Income	111,873	118,625	77,191	109,453	123,937	135,704
Net Income Attributable to the Parent Company	111,421	118,141	76,979	108,687	123,143	134,910
Net Income Attributable to Non-Controlling Interests	451	484	212	765	794	794
Weighted Average Number of Ordinary Shares Outstanding	1,579	1,584	1,587	1,589	1,589	1,589
Basic Earnings per Share	70.60	74.62	48.52	68.41	77.51	84.92



Balance Sheet

Balance Sheet (Million, NTD)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Assets						
Current Assets						
Cash and Equivalent	183,705	147,502	165,396	218,898	262,606	278,380
Accounts Receivable	58,660	40,842	55,834	51,087	74,086	77,021
Inventories	73,271	70,703	43,220	58,852	77,649	89,559
Others	31,230	38,606	26,438	36,069	49,670	54,065
Total Current Assets	346,865	297,654	290,889	364,905	464,011	499,026
Non-Current Assets						
Property, Plant and Equipment	49,111	53,862	53,291	57,255	57,897	59,123
Long Term Investments and Associates	128,123	123,489	150,006	171,209	188,044	203,789
Others	136,777	133,395	140,853	132,433	132,433	132,433
Total Non-Current Assets	314,012	310,746	344,150	360,897	378,374	395,345
Total Asset	660,877	608,399	635,038	725,802	842,385	894,371
Liabilities						
Current Liabilities						
ST. Debt and Current Portion of LT. Debt	54,961	6,569	7,826	26,478	27,553	28,672
N/P & A/P	43,504	21,518	38,779	34,760	59,692	53,994
Others	112,641	113,484	185,394	190,220	241,699	258,601
Total Current Liabilities	211,106	141,570	231,999	251,458	328,944	341,267
Non-Current Liabilities						
Long Term Debt	1,684	863	4,605	1,662	1,662	1,662
Others	14,439	22,907	24,229	23,134	26,037	29,305
Total Non-Current Liabilities	16,123	23,771	28,834	24,796	27,699	30,967
Total Liabilities	227,229	165,341	260,833	276,254	356,644	372,234
Equity						
Common Stocks	15,988	15,994	15,996	16,017	16,017	16,017
Reserves	59,776	47,185	28,350	31,734	31,734	31,734
Retained Earnings	302,650	348,747	288,453	348,360	384,554	420,949
Others	53,601	28,182	35,406	45,131	45,131	45,131
Total Equity Attributable to Owners of Parent	432,015	440,109	368,206	441,241	477,435	513,831
Non-Controlling Interests	1,633	2,949	6,000	8,306	8,306	8,306
Total Equity	433,648	443,058	374,205	449,548	485,741	522,137
Total Liabilities and Equity	660,877	608,399	635,038	725,802	842,385	894,371



Cash Flow Statement

Cash Flow Statement (Million, NTD)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Operating Actives						
Net Income	111,873	118,625	77,191	109,453	123,937	135,704
Depreciation	5,543	9,282	11,001	12,625	14,165	15,624
Change of Accounts Receivable	(25,527)	17,818	(14,992)	4,748	(23,000)	(2,935)
Change of Inventories	(35,593)	2,567	27,483	(15,631)	(18,797)	(11,910)
Change of Other Current Assets	(6,757)	(7,376)	12,168	(9,631)	(13,601)	(4,395)
Change of N/P & A/P	9,034	(21,986)	17,261	(4,019)	24,932	(5,698)
Change of Other Current Liabilities	28,278	842	71,910	4,826	51,479	16,902
Cash Flow from Operations	86,849	119,772	202,022	102,370	159,116	143,291
Investment Actives						
CAPEX	(15,682)	(14,033)	(10,431)	(16,589)	(14,807)	(16,850)
Change of Long-term Investments and Associates	(11,357)	4,634	(26,517)	(21,203)	(16,836)	(15,745)
Change of Other Non-Current Assets	(50,472)	3,382	(7,457)	8,420	-	-
Cash Flow from Investing	(77,511)	(6,016)	(44,405)	(29,372)	(31,643)	(32,595)
Financial Actives						
Change of ST & LT Debt	28,061	(49,213)	4,999	15,710	1,075	1,119
Change of Other Non-Current Liabilities	3,035	8,468	1,322	(1,096)	2,903	3,268
Change of Common Equity	60,181	8,094	(71,904)	73,036	36,194	36,395
Cash Dividend Paid	58,585	116,141	120,981	87,551	86,950	98,515
Other Financing Charges	(172,075)	(233,449)	(195,121)	(194,697)	(210,887)	(234,219)
Cash Flow from Financing	(22,213)	(149,959)	(139,723)	(19,496)	(83,765)	(94,922)
Net Change in Cash	(12,875)	(36,202)	17,894	53,502	43,708	15,774
Cash and Cash Equivalent, Beginning	196,580	183,705	147,502	165,396	218,898	262,606
Cash and Cash Equivalent, End	183,705	147,502	165,396	218,898	262,606	278,380
FCF	71,166	105,740	191,591	85,781	144,309	126,441



Peer Comparison

Region	Taiwan		USA	
Company	MediaTek	Realtek	Qualcomm	Broadcom
Ticker	2454.TW	2379.TW	QCOM	AVGO
TTM (4Q23-3Q24)				
Sales Growth	26.70%	16.19%	8.77%	69.93%
GPM	49.61%	49.74%	56.22%	63.53%
OPM	20.25%	10.74%	25.64%	26.10%
NPM	20.86%	12.84%	25.95%	11.96%
R&D Intensity	24.08%	29.96%	22.83%	18.05%
ROE	6.04%	9.75%	11.15%	6.50%
EPS(\$USD)	0.49	0.26	2.62	0.92
Current Ratio	1.25	1.32	2.65	1.04
D/E	60.00%	161.00%	111.00%	156.00%
Asset Turnover	19.48%	26.27%	18.57%	8.48%
Inventory Days	70.87	76.92	126.53	36.14
Receivable Days	35.43	50.56	26.03	40.36

