



MediaTek (2454.TW/2454 TT)

Smartphone demand has bottomed, gross margin profile better than feared

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Upgraded

Price as of July 28 (NT\$)	658
12M target price (NT\$)	805
Previous target price (NT\$)	658
Revised up (%)	22.3
Upside (%)	22.3

Key message

We believe smartphone demand and market sentiment have bottomed and see gradual improvement into 2024F, especially with accelerated inventory management in 2H23F, which should ease ASP and competition pressure. We believe edge AI computing will drive up content value per mobile/ IoT device, which should benefit MediaTek in the long run.

Trading data

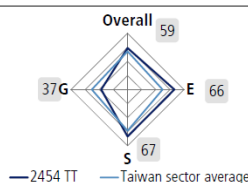
Mkt cap (NT\$bn/US\$mn)	1,053 / 33,946
Outstanding shares (mn)	1,600
Foreign ownership (mn)	902
3M avg. daily trading (mn)	4.95
52-week trading range (NT\$)	543 -793

Performance	3M	6M	12M
Absolute (%)	-1.1	-5.1	-3.5
Relative (%)	-12.1	-20.9	-19.6

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	21.02A	22.39A	19.54A	11.67A
2023	10.64A	10.07F	10.85F	12.51F
2024	12.03F	12.79F	14.36F	14.42F

ESG score card



Source: Refinitiv

Event

We think the firm's strategy of seeking a balance between sales and market share, instead of cutting prices to maintain market share, has been more effective than we previously expected. As such, we maintain our 2023F EPS largely unchanged but revise up 2024F EPS by 5.6% as we believe smartphone demand and market sentiment have bottomed. And with continued inventory management in 2H23F, we anticipate the smartphone market will return to a normal cycle in 2024F, which could alleviate ASP and competition pressure for the company.

Impact

Better-than-expected 3Q23F gross margin outlook. Though MediaTek issued softer 3Q23F sales guidance of NT\$102bn-108bn, vs. consensus of NT\$115bn, the company's 3Q23F gross margin guidance is ahead of our forecast of 46% and market expectation. We think the firm's strategy of seeking a balance between sales and market share, instead of cutting prices to prevent market share loss, has been effective. Therefore, we revise up our 2023-24F gross margins from 46.6% and 45.3% to 47.3% and 46.7%, vs. consensus of 47.3% and 47.1%, respectively.

Beneficiary of edge AI computing in the long run. While mobile AI computing may not contribute significantly to MediaTek's top and bottom-line any time soon, we believe that mobile AI computing would require a more powerful AI accelerator and AI engine/ TPU, among other components, to run certain edge AI computing applications locally and remotely. This would drive significant silicon content growth for mobile SoC over the longer term, boosting overall mobile and IoT ASP and improving its structural profitability, as well as augmenting MediaTek's value proposition in the smart mobile computing business. The company could also benefit from a potential speed-up of the smartphone product upgrade/ replacement cycle driven by edge AI computing.

Valuation & Action

Given a better-than-expected gross margin outlook, we revise up 2024F EPS by 5.6% to NT\$53.60. We believe smartphone demand and market sentiment have bottomed and see gradual improvement into 2024F, especially with accelerated inventory management in 2H23F, which should ease ASP and competition pressure. Though MediaTek's sales exposure to edge AI-related applications is limited near term, we believe edge AI computing will drive up content value per mobile/ IoT device, which should benefit MediaTek in the long run. Shares are trading at respective 2023-24F PE of 15x and 12x, versus a three-year average of 13x. We upgrade this counter to Outperform and raise our target price from NT\$658 (based on 13x 3Q23-2Q24F EPS) to NT\$805 (based on 15x 2024F EPS).

Risks

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

Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$mn)	322,146	493,415	548,796	425,823	499,340
Gross profit (NT\$mn)	141,536	231,605	270,904	201,227	233,199
Operating profit (NT\$mn)	43,219	108,040	126,788	66,586	90,307
Net profit (NT\$mn)	40,917	111,421	118,141	69,870	84,998
EPS (NT\$)	26.01	70.56	74.59	44.06	53.60
Cash DPS (NT\$)	37.00	73.00	76.00	51.59	59.30
EPS growth (%)	77.0	171.3	5.7	(40.9)	21.7
PE (x)	25.3	9.3	8.8	14.9	12.3
PB (x)	2.8	2.4	2.4	3.9	3.9
EV/EBITDA (x)	10.4	5.1	4.3	5.9	4.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	5.6	11.1	11.6	7.8	9.0
Return on average equity (%)	12.0	27.7	27.1	19.7	31.6

Source: Company data, KGI Research estimates

2Q23 results largely in line with our estimates & consensus. 2Q23 gross margin was 47.5%, down 0.5ppts QoQ and 1.8ppts YoY, broadly in line with our estimate of 47% and consensus of 47.2%. Net income came in at NT\$16.0bn, down 5.4% QoQ and 54.9% YoY, 15.7% and 14.5% above our forecast and consensus on non-operating income.

Figure 1: China smartphone shipment YoY growth remains sluggish

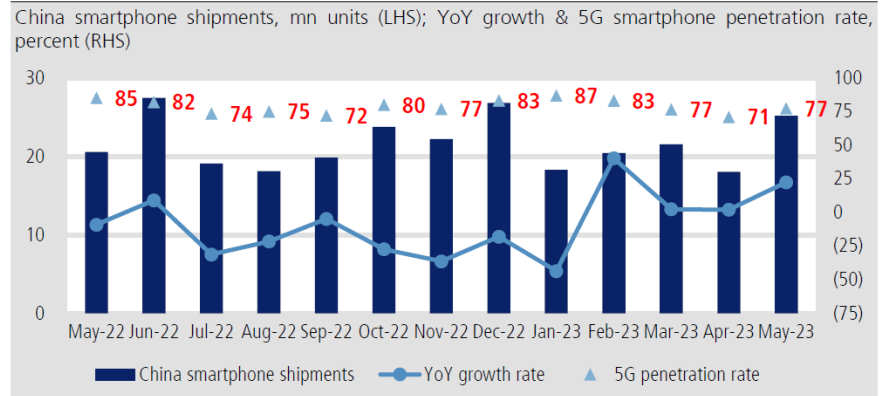


Figure 2: MediaTek's inventory days trend

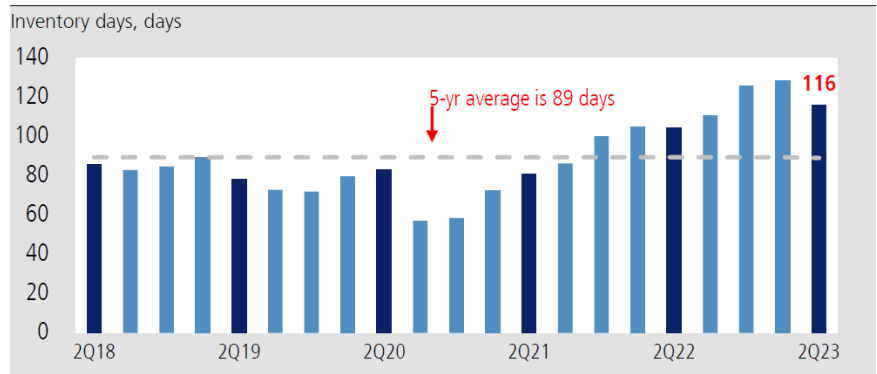


Figure 3: Breakdown of 2Q23 results & 3Q23 forecast revisions vs. KGI & consensus

NT\$m	2Q23					3Q23F				
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)
Revenue	98,135	98,133	0.0	2.6	(37.0)	108,114	113,364	(4.6)	10.2	(23.9)
Gross profit	46,646	46,169	1.0	1.6	(39.2)	50,669	52,193	(2.9)	8.6	(27.7)
Operating profit	14,751	13,883	6.2	2.7	(62.4)	16,830	18,184	(7.4)	14.1	(49.1)
Net profit	15,965	13,793	15.7	(5.4)	(54.9)	17,200	17,620	(2.4)	7.7	(44.4)
EPS (NT\$)	10.07	8.70	15.8	(5.4)	(55.0)	10.85	11.11	(2.4)	7.7	(44.5)
Gross margin (%)	47.5	47.0	0.5 ppts	(0.5)ppts	(1.8)ppts	46.9	46.0	0.8 ppts	(0.7)ppts	(2.4)ppts
OP margin (%)	15.0	14.1	0.9 ppts	0.0 ppts	(10.1)ppts	15.6	16.0	(0.5)ppts	0.5 ppts	(7.7)ppts
Net margin (%)	16.3	14.1	2.2 ppts	(1.4)ppts	(6.5)ppts	15.9	15.5	0.4 ppts	(0.4)ppts	(5.9)ppts

*Based on US dollar exchange rate of NT\$30.7

Source: Company data, 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	425,823	440,538	(3.3)	(22.4)	430,752	(1.1)	499,340	492,893	1.3	17.3	508,131	(1.7)
Gross profit	201,227	205,334	(2.0)	(25.7)	203,870	(1.3)	233,199	223,460	4.4	15.9	239,284	(2.5)
Operating profit	66,586	70,147	(5.1)	(47.5)	69,344	(4.0)	90,307	85,863	5.2	35.6	88,565	2.0
Net profit	69,870	70,493	(0.9)	(40.9)	69,170	1.0	84,998	80,460	5.6	21.7	85,565	(0.7)
EPS (NT\$)	44.06	44.45	(0.9)	(40.9)	43.41	1.5	53.60	50.73	5.6	21.7	53.27	0.6
Gross margin (%)	47.3	46.6	0.6 ppts	(2.1)ppts	47.3	(0.1)ppts	46.7	45.3	1.4 ppts	(0.6)ppts	47.1	(0.4)ppts
OP margin (%)	15.6	15.9	(0.3)ppts	(7.5)ppts	16.1	(0.5)ppts	18.1	17.4	0.7 ppts	2.4 ppts	17.4	0.7 ppts
Net margin (%)	16.4	16.0	0.4 ppts	(5.1)ppts	16.1	0.4 ppts	17.0	16.3	0.7 ppts	0.6 ppts	16.8	0.2 ppts

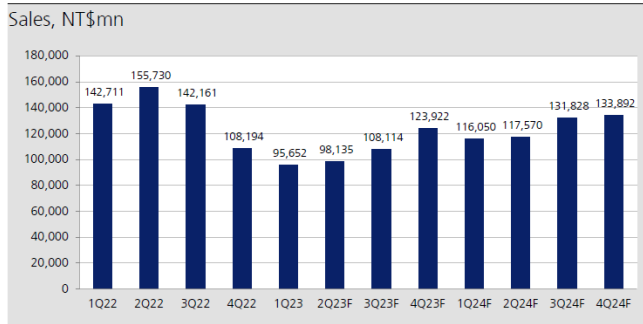
*Based on US dollar exchange rate of NT\$30.7

Source: Bloomberg, KGI Research estimates

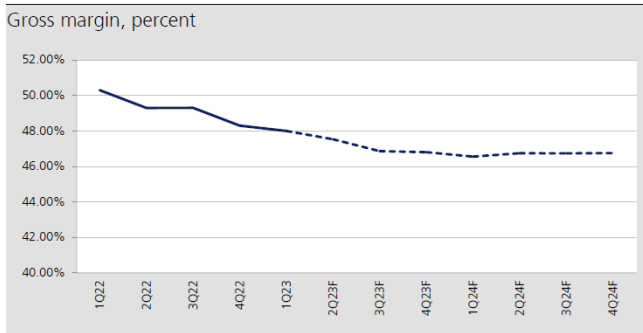
Figure 5: Company profile

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.

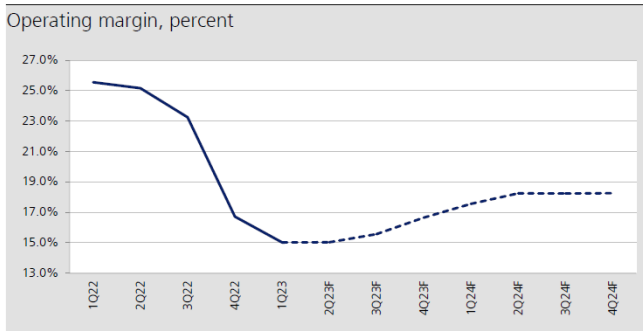
Source: Company data, KGI Research

Figure 7: Sales

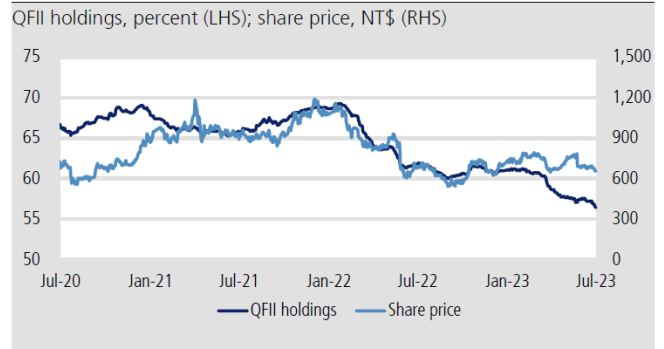
Source: KGI Research

Figure 9: Gross Margin

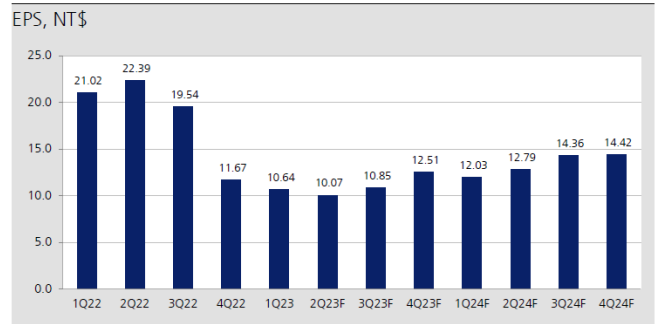
Source: KGI Research

Figure 11: Operating Margin

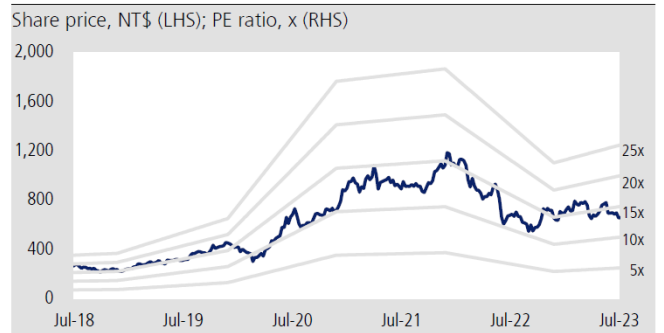
Source: KGI Research

Figure 6: MediaTek QFII holdings vs. share price

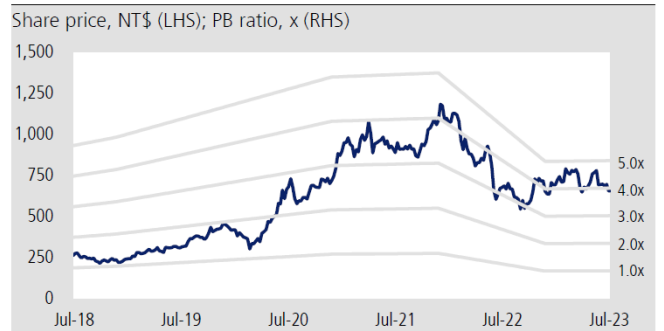
Source: TEJ, KGI Research

Figure 8: EPS

Source: KGI Research

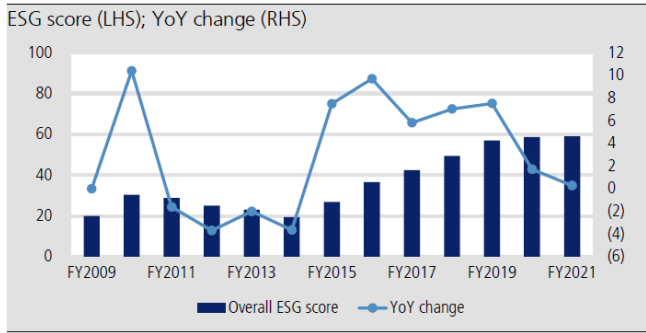
Figure 10: 12M forward PE band

Source: TEJ, KGI Research estimates

Figure 12: 12M forward PB band

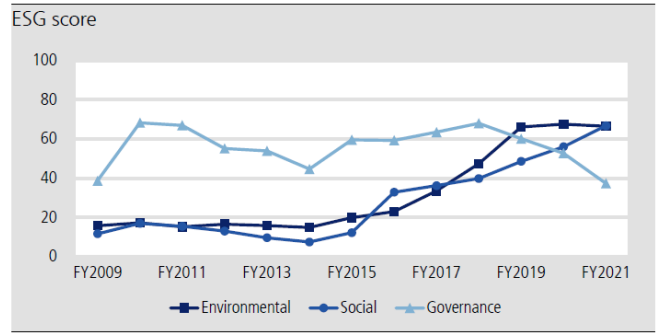
Source: TEJ, KGI Research estimates

Figure 13: Overall ESG score



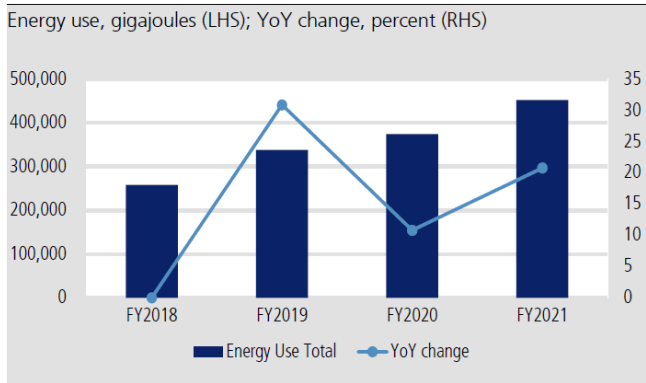
Source: Refinitiv, Company data

Figure 14: ESG scores



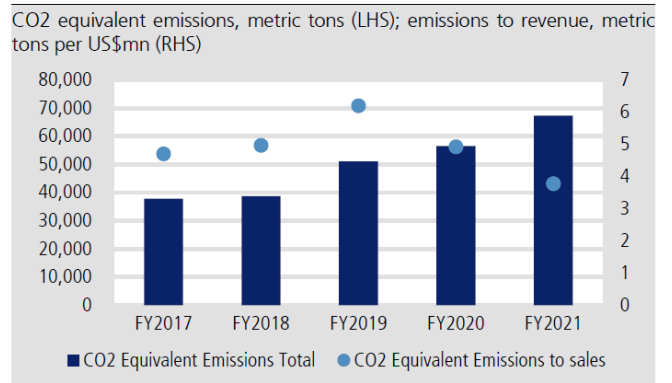
Source: Refinitiv, Company data

Figure 15: Energy Use



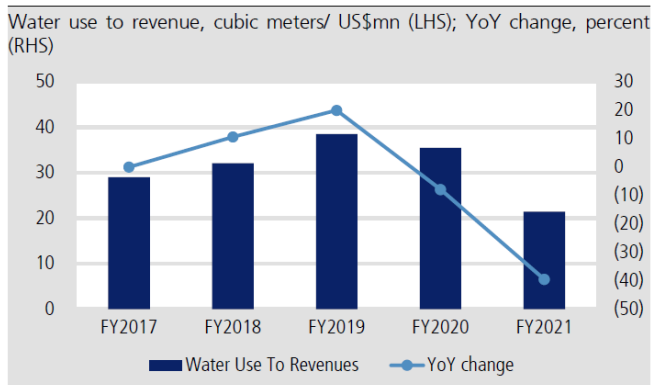
Source: Refinitiv, Company data

Figure 16: CO2 equivalent emissions



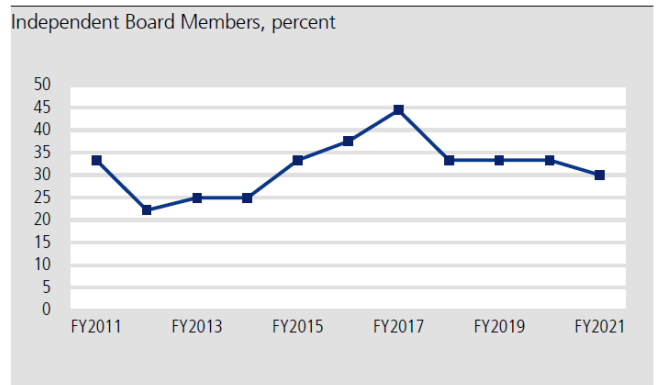
Source: Refinitiv, Company data

Figure 17: Water use to revenue



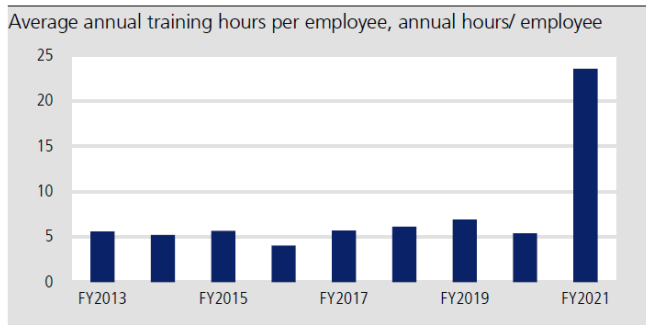
Source: Refinitiv, Company data

Figure 18: Independent Board Members



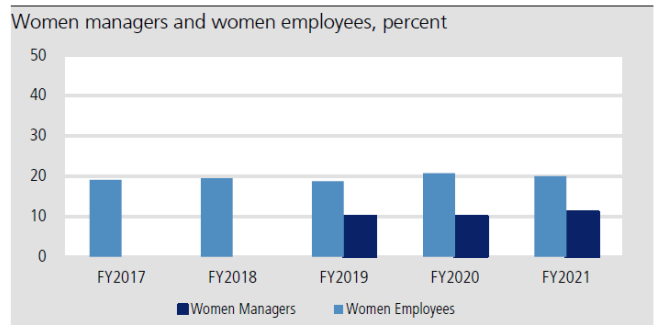
Source: Refinitiv, Company data

Figure 19: Employee training



Source: Refinitiv, Company data

Figure 20: Gender diversification



Source: Refinitiv, Company data

ESG chart definition

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

Source: Refinitiv; Company data, KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23F	Sep-23F	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
Income statement (NTSmn)											
Revenue	95,652	98,135	108,114	123,922	116,050	117,570	131,828	133,892	548,796	425,823	499,340
Cost of goods sold	(49,739)	(51,489)	(57,445)	(65,923)	(62,020)	(62,614)	(70,215)	(71,293)	(277,892)	(224,596)	(266,141)
Gross profit	45,912	46,646	50,669	57,999	54,029	54,957	61,614	62,599	270,904	201,227	233,199
Operating expenses	(31,543)	(31,896)	(33,840)	(37,363)	(33,654)	(33,508)	(37,571)	(38,159)	(144,116)	(134,641)	(142,892)
Operating profit	14,369	14,751	16,830	20,637	20,375	21,449	24,043	24,440	126,788	66,586	90,307
Depreciation of fixed assets	(2,794)	(2,869)	(2,952)	(3,047)	(3,281)	(3,281)	(3,281)	(3,281)	(9,282)	(11,663)	(13,123)
Amortisation of intangible assets	(1,522)	(1,483)	(1,470)	(1,464)	(1,469)	(1,469)	(1,469)	(1,469)	(5,697)	(5,940)	(5,878)
EBITDA	18,685	19,102	21,252	25,149	25,125	26,199	28,793	29,190	141,768	84,188	109,307
Interest income	1,391	1,317	1,452	380	434	686	873	191	3,218	4,540	2,184
Investment income	3,116	500	500	500	500	500	500	500	3,281	4,616	2,000
Other non-op income	443	1,869	1,000	1,000	600	650	700	800	3,438	4,312	2,750
Non-operating income	4,950	3,686	2,952	1,880	1,534	1,836	2,073	1,491	9,937	13,467	6,934
Interest expense	(36)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(371)	(234)	(263)
Investment loss	(108)	-	-	-	-	-	-	-	-	(108)	-
Other non-op expenses	(70)	-	-	-	-	-	-	-	(794)	(70)	-
Non-operating expenses	(215)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(1,165)	(412)	(263)
Pre-tax profit	19,104	18,370	19,716	22,451	21,843	23,219	26,050	25,865	135,561	79,641	96,977
Current taxation	(2,213)	(2,351)	(2,366)	(2,470)	(2,621)	(2,786)	(3,126)	(2,845)	(16,936)	(9,400)	(11,379)
Minorities	(17)	(54)	(150)	(150)	(150)	(150)	(150)	(150)	(484)	(371)	(600)
Normalised net profit	16,874	15,965	17,200	19,831	19,072	20,283	22,774	22,869	118,141	69,870	84,998
Extraordinary items	(0)	-	-	-	-	-	-	-	-	-	-
Net profit	16,874	15,965	17,200	19,831	19,072	20,283	22,774	22,869	118,141	69,870	84,998
EPS (NT\$)	10.64	10.07	10.85	12.51	12.03	12.79	14.36	14.42	74.59	44.06	53.60
Margins (%)											
Gross profit margin	48.0	47.5	46.9	46.8	46.6	46.7	46.7	46.8	49.4	47.3	46.7
Operating margin	15.0	15.0	15.6	16.7	17.6	18.2	18.2	18.3	23.1	15.6	18.1
EBITDA margin	19.5	19.5	19.7	20.3	21.7	22.3	21.8	21.8	25.8	19.8	21.9
Pretax profit margin	20.0	18.7	18.2	18.1	18.8	19.7	19.8	19.3	24.7	18.7	19.4
Net profit margin	17.6	16.3	15.9	16.0	16.4	17.3	17.3	17.1	21.5	16.4	17.0
Sequential growth (%)											
Revenue growth	(11.6)	2.6	10.2	14.6	(6.4)	1.3	12.1	1.6			
Gross profit growth	(12.1)	1.6	8.6	14.5	(6.8)	1.7	12.1	1.6			
Operating profit growth	(20.6)	2.7	14.1	22.6	(1.3)	5.3	12.1	1.7			
EBITDA growth	(16.3)	2.2	11.3	18.3	(0.1)	4.3	9.9	1.4			
Pretax profit growth	(9.3)	(3.8)	7.3	13.9	(2.7)	6.3	12.2	(0.7)			
Net profit growth	(8.7)	(5.4)	7.7	15.3	(3.8)	6.4	12.3	0.4			
YoY growth (%)											
Revenue growth	(33.0)	(37.0)	(23.9)	14.5	21.3	19.8	21.9	8.0	11.2	(22.4)	17.3
Gross profit growth	(36.0)	(39.2)	(27.7)	11.0	17.7	17.8	21.6	7.9	17.0	(25.7)	15.9
Operating profit growth	(60.6)	(62.4)	(49.1)	14.1	41.8	45.4	42.9	18.4	17.4	(47.5)	35.6
EBITDA growth	(52.9)	(55.3)	(42.6)	12.6	34.5	37.2	35.5	16.1	19.5	(40.6)	29.8
Pretax profit growth	(49.7)	(55.1)	(44.6)	6.6	14.3	26.4	32.1	15.2	6.9	(41.3)	21.8
Net profit growth	(49.3)	(54.9)	(44.4)	7.3	13.0	27.0	32.4	15.3	6.0	(40.9)	21.7

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	566,670	577,669
Current assets	291,862	346,865	297,654	238,728	246,919
Cash & ST securities	210,113	204,764	164,810	59,497	53,177
Inventory	37,677	73,271	70,703	91,801	99,280
Accounts receivable	33,133	58,660	40,842	60,234	65,080
Other current assets	10,939	10,171	21,298	27,195	29,383
Non-current assets	242,044	314,012	310,746	327,942	330,750
LT investments	116,767	129,729	125,575	134,713	136,713
Net fixed assets	38,971	49,111	53,862	52,073	49,915
Total other assets	86,306	135,172	131,309	141,155	144,122
Total liabilities	158,822	227,229	165,341	296,314	304,246
Current liabilities	143,798	211,106	141,570	266,346	273,058
Accounts payable	34,470	43,504	21,518	28,057	30,343
Interest bearing ST liabilities	24,964	54,961	6,569	10,235	10,235
Other current liabilities	84,364	112,641	113,484	228,054	232,480
Non-current liabilities	15,023	16,123	23,771	29,967	31,188
Long-term debt	3,620	1,684	863	3,327	3,327
Other L-T liabilities	11,404	14,439	22,907	26,640	27,861
Total equity	375,084	433,648	443,058	270,356	273,423
Share capital	15,903	15,989	15,994	15,997	15,997
Retained earnings reserve	173,052	252,433	286,689	135,627	138,094
Minority interests	3,251	1,633	2,949	2,848	3,448
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Growth					
Revenue growth	30.8%	53.2%	11.2%	(22.4%)	17.3%
Operating profit growth	91.5%	150.0%	17.4%	(47.5%)	35.6%
EBITDA growth	71.6%	123.4%	19.5%	(40.6%)	29.8%
Net profit growth	77.6%	172.3%	6.0%	(40.9%)	21.7%
EPS growth	77.0%	171.3%	5.7%	(40.9%)	21.7%
Profitability					
Gross profit margin	43.9%	46.9%	49.4%	47.3%	46.7%
Operating margin	13.4%	21.9%	23.1%	15.6%	18.1%
EBITDA margin	16.5%	24.0%	25.8%	19.8%	21.9%
Net profit margin	12.7%	22.6%	21.5%	16.4%	17.0%
Return on average assets	8.2%	18.7%	18.6%	11.9%	14.9%
Return on average equity	12.0%	27.7%	27.1%	19.7%	31.6%
Stability					
Gross debt to equity	7.6%	13.1%	1.7%	5.0%	5.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.0	659.6	366.5	341.9	369.2
Interest & ST debt coverage (x)	0.6	0.7	1.0	0.9	0.9
Cash flow interest coverage (x)	133.7	244.5	389.8	181.8	362.2
Cash flow/int. & ST debt (x)	3.1	0.9	20.8	4.1	9.1
Current ratio (x)	2.0	1.6	2.1	0.9	0.9
Quick ratio (x)	1.8	1.3	1.6	0.6	0.5
Net debt (NT\$m)	(167,996)	(127,060)	(140,070)	(32,421)	(28,100)
Per share data					
EPS (NT\$)	26.01	70.56	74.59	44.06	53.60
CFPS (NT\$)	50.57	29.82	91.29	26.78	60.15
BVPS (NT\$)	233.82	270.20	275.16	167.23	168.77
Adj BVPS (NT\$)	236.34	273.59	277.88	168.69	170.24
SPS (NT\$)	204.75	312.47	346.51	268.52	314.88
EBITDA/share (NT\$)	33.76	75.15	89.51	53.09	68.93
Cash DPS (NT\$)	37.00	73.00	76.00	51.59	59.30
Activity					
Sales / avg assets	0.65	0.83	0.86	0.72	0.87
Days receivable	37.6	43.4	27.2	51.6	47.7
Days inventory	76.4	102.1	92.9	149.2	136.5
Days payable	69.9	60.7	28.3	45.6	41.7
Cash cycle	44.1	84.9	91.8	155.2	142.5

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	425,823	499,340
Cost of goods sold	(180,610)	(261,810)	(277,892)	(224,596)	(266,141)
Gross profit	141,536	231,605	270,904	201,227	233,199
Operating expenses	(98,316)	(123,564)	(144,116)	(134,641)	(142,892)
Operating profit	43,219	108,040	126,788	66,586	90,307
Non-operating income	4,958	19,013	9,937	13,467	6,934
Interest income	2,482	1,651	3,218	4,540	2,184
Investment income	1,773	6,760	3,281	4,616	2,000
Other non-op income	703	10,602	3,438	4,312	2,750
Non-operating expenses	(595)	(202)	(1,165)	(412)	(263)
Interest expense	(595)	(193)	(371)	(234)	(263)
Investment loss	-	-	-	(108)	-
Other non-op expenses	-	(9)	(794)	(70)	-
Pre-tax profit	47,583	126,852	135,561	79,641	96,977
Current taxation	(6,144)	(14,980)	(16,936)	(9,400)	(11,379)
Minorities	(52)	(451)	(484)	(371)	(600)
Extraordinary items	-	0	0	-	-
Net profit	40,917	111,421	118,141	69,870	84,998
EBITDA	53,120	118,661	141,768	84,188	109,307
EPS (NT\$)	26.01	70.56	74.59	44.06	53.60

Cash flow

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Operations cash flow	79,558	47,095	144,583	42,474	95,396
Net profit	40,917	111,421	118,141	69,870	84,998
Depreciation & amortisation	9,901	10,621	14,980	17,602	19,000
Decrease in working capital	(4,201)	(52,087)	(1,601)	(33,951)	(10,039)
Other operating cash flow	32,941	(22,860)	13,063	(11,047)	1,436
Investing cash flow	(6,769)	(28,924)	(37,535)	(21,319)	(17,185)
Sale of ST investment	13,618	307	(4,156)	1,340	2,000
New investments	(10,551)	(3,596)	(15,626)	(8,657)	(2,000)
Capital expenditure	(5,000)	(16,985)	(13,622)	(9,350)	(10,964)
Others investing cashflow	(4,836)	(8,650)	(4,130)	(4,651)	(6,221)
Free cash flow	33,006	31,752	105,008	27,089	71,831
Financing cash flow	(49,221)	(27,951)	(156,280)	(121,300)	(82,531)
Increase in short term debt	(35,784)	29,796	(47,567)	900	-
Increase in long term loans	4,847	(1,736)	(1,645)	5,231	-
Non ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(16,589)	(58,585)	(116,141)	(121,968)	(82,531)
Other financing cashflow	(1,642)	2,573	9,073	(5,463)	-
Forex effects	(4,533)	(3,094)	13,030	(1,375)	-
Total cash generated	19,035	(12,875)	(36,202)	(101,519)	(4,321)
Cashflow by merger	-	-	-	-	-

ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue	43.9%	46.9%	49.4%	47.3%	46.7%
- Operating exp./revenue	30.5%	25.0%	26.3%	31.6%	28.6%
= Operating margin	13.4%	21.9%	23.1%	15.6%	18.1%
1 / (Working capital/revenue	(0.1)	(0.0)	(0.0)	(0.2)	(0.1)
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.3	0.3	0.2	0.3	0.3
= Capital turnover	3.7	2.9	3.0	3.7	4.0
Operating margin	13.4%	21.9%	23.1%	15.6%	18.1%
x Capital turnover	3.7	2.9	3.0	3.7	4.0
x (1 - tax rate)	87.1%	88.2%	87.5%	88.2%	88.3%
= After-tax ROIC	42.7%	56.0%	60.6%	50.5%	63.8%

Source: Company data, KGI Research estimates

MediaTek – Recommendation & target price history


Date	Rating	Target	Price
2023-04-28	Neutral	658	665
2023-04-17	Neutral	625	709
2023-02-03	Neutral	636	751
2023-01-31	Neutral	636	718
2022-11-18	Neutral	690	722
2022-10-28	Neutral	505	565
2022-10-19	Neutral	545	577
2022-08-19	Underperform	525	693
2022-07-29	Underperform	530	683
2022-07-25	Underperform	520	688

Source: TEJ, KGI Research

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