

Asia Taiwan

Technology Semiconductor & Semiconductor Equipment

Deutsche Bank



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MediaTek

Reuters: **2454.TW** Bloomberg: **2454 TT** Exchange: **TAI** Ticker: **2454**

Intensifying challenges in new product cycles

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Lack of solid growth drivers in 2010

We retain Sell on structural challenges including: 1) global handset makers' more aggressive pricing strategies in 3G handsets; 2) limited market share upside due to higher entry barriers in the 3G handset chip market, market share saturation in the 2/2.5/2.75G handset chip market, and a declining addressable 2/2.5/2.75G handset market; 3) low possibility of penetrating global top-tier handset makers due to low margins; 4) low revenue portion of Blu-ray chips and LCD TV controllers in 2010.

Tougher 3G handset chip business

We see global handset makers continuing to roll out more mid/low-end 3G handsets with attractive cost performance. Nokia will start to ship its new 3G handset (2730; 2m pixel camera function included) to global emerging markets in 3Q09. It will be priced at E80 (RMB750-800), which is close to the price of RMB750-900 for MediaTek-based 3G handsets. End users may prefer global handsets due to better brand image and quality. In addition, MediaTek will pass on the licensing fee for Qualcomm to handset customers once it reaches a licensing agreement with Qualcomm. These negative factors imply it will be challenging for its handset makers to gain share in the 3G handset market.

A unit-margin trade-off game onwards

We expect MediaTek's global handset chip unit market share to rise to 30% in 2009 from 20% in 2008 by expanding the 2.5/2.75G handset chip market share to 63% in 2009 from 32% in 2008. We anticipate limited market share upside and increasing margin pressure for MediaTek as a result of: 1) difficulties in tapping into global top-tier handset makers which require a low 30% gross margin for MediaTek; 2) a 5-9% YoY decline in global 2/2.5G/2.75G handset unit in 2010-11 led by a rising penetration rate of 52% in 2010 and 61% in 2011.

Overly valued at 18.2x avg. 2009-10E EPS given earnings decline in 2010

We raise our 2009E EPS by 5% to reflect stronger 2Q09 sales driven by LCD TV controllers. Our revised target price of NT\$223 (previously NT\$217) is based on 10.7x 2009-10E avg. EPS, below the 2003-08 avg. of 13.8x. This reflects the 2009-10E earnings CAGR of -2% is lower than the 12% in 2003-08. Upside risks: faster ramp-up in new products, stronger demand, more moderate ASP erosion.

Forecasts and ratios

Year End Dec 31	2007A	2008A	2009E	2010E	2011E
Sales (TWDm)	80,409.7	90,402.2	104,578.3	91,366.6	93,834.8
DB EPS FD(TWD)	20.09	18.81	24.57	17.16	17.68
OLD DB EPS FD(TWD)	20.09	18.81	23.30	17.16	17.68
% Change	0.0%	0.0%	5.4%	0.0%	0.0%
DPS (net) (TWD)	19.00	14.00	19.20	13.60	13.80
Yield (net) (%)	4.1	4.3	5.2	3.7	3.8

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Forecast Change

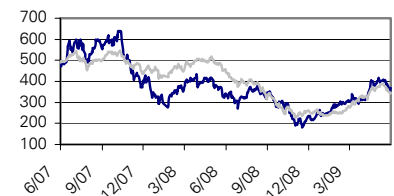
Sell

Price at 18 Jun 2009 (TWD)	368.00
Price target - 12mth (TWD)	223.00
52-week range (TWD)	416.50 - 181.50
TWSE	6,145

Key changes

Price target	217.00 to 223.00	↑	2.8%
Sales (FYE)	99,050 to 104,578	↑	5.6%
Op prof margin (FYE)	26.8 to 26.8	↓	-0.3%
Net profit (FYE)	24,833.0 to 26,186.3	↑	5.4%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-6.2	20.1	7.9
TWSE	-6.6	21.7	-25.2

Stock data

Market cap (TWDm)	392,288
Market cap (USDm)	11,923
Shares outstanding (m)	1,065.4
Major shareholders	Li Ts'ui Hsing (4.6%)
Free float (%)	76
Avg daily value traded (USDm)	135.1

Key indicators (FY1)

ROE (%)	28.3
Net debt/equity (%)	-56.0
Book value/share (TWD)	97.26
Price/book (x)	3.8
Net interest cover (x)	-
Operating profit margin (%)	26.8

Deutsche Bank AG/Hong Kong

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Independent, third-party research (IR) on certain companies covered by DBSI's research is available to customers of DBSI in the United States at no cost. Customers can access IR at <http://gm.db.com/IndependentResearch> or by calling 1-877-208-6300. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 106/05/2009

Model updated: 18 June 2009

Running the numbers**Asia****Taiwan****Semiconductor & Semiconductor****MediaTek**

Reuters: 2454.TW

Bloomberg: 2454 TT

Sell

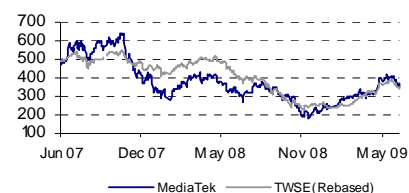
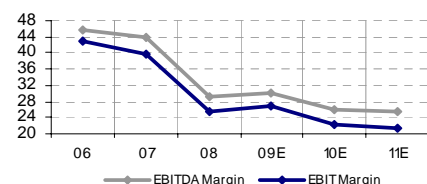
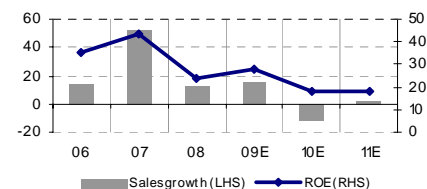
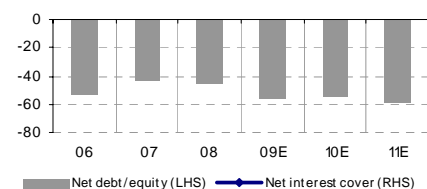
Price (18 Jun 09) TWD 368.00

Target price TWD 223.00

52-week Range TWD 181.50 - 416.50

Market Cap (m) TWDm 392,288
USDm 11,923**Company Profile**

MediaTek Inc. is one of the top 5 fabless designers globally. Its product portfolio includes optical storage, digital multimedia, and wireless. The company is the largest supplier of PC optical storage and DVD player chipsets in the world. The company has 55-60% of sales from handset chips and 19% global shipment market share in 2008.

Price Performance**Margin Trends****Growth & Profitability****Solvency****Michael Chou**

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Fiscal year end 31-Dec

	2006	2007	2008	2009E	2010E	2011E
Financial Summary						
DB EPS (TWD)	13.19	20.09	18.81	24.57	17.16	17.68
Reported EPS (TWD)	20.09	31.53	18.81	24.57	17.16	17.68
DPS (TWD)	15.00	19.00	14.00	19.20	13.60	13.80
BVPS (TWD)	78.8	89.6	79.2	97.3	95.2	99.3
Weighted average shares (m)	857	961	1,031	1,065	1,065	1,065
Average market cap (TWDm)	256,751	447,492	337,884	392,288	392,288	392,288
Enterprise value (TWDm)	220,096	410,079	300,879	334,288	336,336	329,690
Valuation Metrics						
P/E (DB) (x)	22.7	23.2	17.4	15.0	21.5	20.8
P/E (Reported) (x)	14.9	14.8	17.4	15.0	21.5	20.8
P/BV (x)	4.08	4.70	2.78	3.78	3.86	3.71
FCF Yield (%)	8.5	9.6	10.0	8.5	4.7	5.6
Dividend Yield (%)	5.0	4.1	4.3	5.2	3.7	3.8
EV/Sales (x)	4.2	5.1	3.3	3.2	3.7	3.5
EV/EBITDA (x)	9.1	11.6	11.5	10.6	14.1	13.8
EV/EBIT (x)	9.7	12.8	13.0	11.9	16.6	16.4

Income Statement (TWDm)

Sales revenue	52,942	80,410	90,402	104,578	91,367	93,835
Gross profit	32,126	48,685	51,635	62,102	51,647	50,811
EBITDA	24,140	35,454	26,222	31,504	23,908	23,940
Depreciation	1,473	3,461	3,053	3,516	3,676	3,836
Amortisation	0	0	0	0	0	0
EBIT	22,668	31,993	23,169	27,988	20,232	20,104
Net interest income/(expense)	1,151	1,554	1,290	652	873	1,180
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	-600	1,515	-2,484	-261	-914	-502
Profit before tax	23,218	35,062	21,975	28,378	20,191	20,782
Income tax expense	1,798	1,461	1,925	2,192	1,903	1,932
Minorities	0	-8	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	21,421	33,609	20,050	26,186	18,288	18,850
DB adjustments (including dilution)	-7,364	-12,194	0	0	0	0
DB Net profit	14,057	21,415	20,050	26,186	18,288	18,850

Cash Flow (TWDm)

Cash flow from operations	23,335	45,602	35,743	35,586	20,568	24,028
Net Capex	-1,466	-2,526	-1,994	-2,120	-2,160	-2,220
Free cash flow	21,869	43,075	33,748	33,466	18,408	21,808
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-9,505	-14,525	-19,630	-14,915	-20,455	-14,489
Net inc/(dec) in borrowings	0	41	-21	-1	0	0
Other investing/financing cash flows	-7,115	-27,818	-14,656	1,868	0	-673
Net cash flow	5,249	774	-559	20,418	-2,048	6,646
Change in working capital	-11,558	-10,415	7,958	-2,015	-1,396	1,342

Balance Sheet (TWDm)

Cash and other liquid assets	36,655	37,429	37,005	58,000	55,952	62,598
Tangible fixed assets	4,815	5,922	6,260	4,888	3,376	1,761
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	23,855	17,569	17,845	17,846	17,846	18,519
Other assets	11,341	37,946	37,888	43,796	45,022	44,399
Total assets	76,666	98,867	98,998	124,530	122,196	127,277
Interest bearing debt	0	16	0	0	0	0
Other liabilities	9,141	12,781	17,315	20,914	20,743	21,463
Total liabilities	9,141	12,797	17,315	20,914	20,743	21,463
Shareholders' equity	67,526	86,069	81,683	103,616	101,453	105,815
Minorities	0	0	0	0	0	0
Total shareholders' equity	67,526	86,069	81,683	103,616	101,453	105,815
Net debt	-36,655	-37,413	-37,005	-58,000	-55,952	-62,598

Key Company Metrics

Sales growth (%)	13.9	51.9	12.4	15.7	-12.6	2.7
DB EPS growth (%)	15.1	52.3	-6.4	30.6	-30.2	3.1
EBITDA Margin (%)	45.6	44.1	29.0	30.1	26.2	25.5
EBIT Margin (%)	42.8	39.8	25.6	26.8	22.1	21.4
Payout ratio (%)	60.0	54.3	72.0	78.1	79.2	78.0
ROE (%)	35.6	43.8	23.9	28.3	17.8	18.2
Capex/sales (%)	3.8	3.1	2.2	2.0	2.4	2.4
Capex/depreciation (x)	1.3	0.7	0.7	0.6	0.6	0.6
Net debt/equity (%)	-54.3	-43.5	-45.3	-56.0	-55.2	-59.2
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

2010 outlook remains challenging

We missed the stock rally in 1H09 due to stronger-than-expected handset inventory replenishment and LCD TV controller shipment growth. However, we retain our Sell rating and view the share price rebound as an attractive opportunity to Sell given the intensified structural negatives, which lead us to anticipate an earnings decline of 30% YoY in 2010.

- **A new ball game in 3G handsets** – Stiff pricing competition from global handset makers by introducing more low-end 3G handsets with attractive price performance in 2H09.
- **Limited handset chip market share upside for MediaTek:**
 - **Higher entry barriers in the 3G handset chip market** – Qualcomm's dominant position in 3G handset chip patents does not bode well for MediaTek's entrance in 2H09 and beyond.
 - **Limited market share expansion in 2/2.5/2.75G handset chip market** – We expect MediaTek's handset chip market share in 2/2.5/2.75G to expand to 63% in 2009 from 32% in 2008. However, we anticipate further market share gains to be limited as top-tier handset makers will remain reliant on Infineon, Broadcom, and STM-Ericsson for 2/2.5/2.75G handset chips in 2010-11.
 - **Falling 2/2.5/2.75G handset market** – The Deutsche Bank handset team forecasts 5% and 9% YoY unit declines for 2/2.5/2.75G handsets in 2009-10, respectively. This is attributable to rising global adoption rate of 52% in 2010 and 61% for 2011 for 3G handsets.
- **Few substantial design wins from global top-tier handset makers** – Global handset makers request ultra low pricing, which MediaTek is unwilling to deal with due to a low 30% gross margin.
- **Limited contribution from Blu-ray chips and LCD TV controllers in 2010** – We estimate 3-4% and 10-12% sales portion from Blu-ray PC/DVD chips and LCD TV controllers, respectively, in 2010. This stems from negative issues such as :
 - **High component costs and royalty fees for PC/DVD Blu-ray chips**
 - **Declining revenue size of LCD TV controllers in 2010** – We project global LCD TV controller revenue to contract by 2% YoY in 2010 driven by mature unit growth and sharp ASP erosion.

More challenges for China handset makers and global telecom operators to gain share in 3G handsets

Top-tier handset makers are fighting back

We see global handset makers continue rolling out more mid/low-end 3G handsets with attractive cost performance. For instance, Nokia will start to ship its new 3G handset (2730 classic; 2m pixel camera function included) to global emerging markets in 3Q09. This handset will be priced at E80 (RMB750-800), which is close to the price of RMB750-900 for MediaTek-based 3G handsets. Figure 1 lists the low-end 3G handsets from global and China handset makers. End users may prefer global handsets due to better brand image and quality.

Structural headwinds in private-labeled 3G handsets for global telecom operators and China handset makers

In addition, MediaTek will pass on the licensing fee for Qualcomm to handset customers once it reaches the licensing agreement with Qualcomm, which means MediaTek's handset customers will need to pay the licensing fee for MediaTek to Qualcomm. It will be hard for China handset makers to cut prices aggressively to steal market share from global handset makers due to an unfavorable cost structure even if China handset makers use MediaTek's 3G handset chips. Meanwhile, it will be more challenging for global telecom operators to gain market share from top-tier handset makers as global telecom operators are using own-brand 3G handsets provided by China handset makers.

Figure 1: Low-end 3G specs and pricing comparison for global and China handset makers



Vendor	ZTE	Huawei	Nokia	Samsung	Samsung	LG
Model	T6	U5700	2730 classic	i600	SGH-J208	KS500
Chip vendor	Qualcomm	Qualcomm	Qualcomm	Qualcomm	Qualcomm	Qualcomm
Camera (Megapixel)	3	1.3	2	1.3	1.3	3
Price (RMB)	788	898	750-800 (Euro 80)	990	969	899
Networks	3.5G	3G	3G	3.5G	3G	3.5G
Frequencies (MHz)	850/900/1800/1900/2100	900/1800/1900/2100	850/900/1900/2100	900/1800/1900/2100	900/1800/1900/2100	850/900/1900/2100
Size	108mmx 48mmx 15.4mm	97x 46 x 16.8mm	109.6 x 46.9 x 14.4 mm	113 x 59 x 11.8 mm	103 x 44.5 x 15.5 mm	102.8 x 49.2 x 14.9 mm
Weight (g)	100g	<100g	87.7 g	105 g	79 g	106g
Screen	262K colour TFT	262K colour TFT	262K colour TFT	66K colour TFT	262K colour TFT	262K colour TFT
Resolution	172x240	176x220	320 x 240	320 x 240	176x220	240 X 320
Talk time (up to)	n.a.	200mins (3G)	7 hrs (2G), 3 hrs (3G)	6.5 hrs(2G), 3.5 hrs(3G)	180mins (3G)	3.8hrs (3G)
Standby time (up to)	n.a.	300hrs (3G)	360 hrs (2G), 400 hrs (3G)	305 hrs(2G), 300 hrs(3G)	300hrs (3G)	300 hrs(3G)
Memory	Support miniSD (up to 8GB)	20 MB, support miniSD (up to 2GB)	30 MB, support miniSD (up to 2GB)	64MB, support micro SD (up to 2GB)	45MB, support micro SD (up to 2GB)	100MB, support micro SD (up to 8GB)
Sound	MP3/MP4	MP3/MP4	MP3/AAC/MP4/X-Tone/WAV/WMA	ACC/ACC+/MP3/WAV/WMA	AAC/AAC+/MP3	MP3/AAC/WMA
Bluetooth	Yes	Yes	Yes	Yes	Yes	Yes
WAP 2.0	Yes	Yes	Yes	Yes	Yes	Yes
Others	GPS, Video, Radio, USB, Java	Video, Radio, USB, Java	GPS, Video, Radio, USB	Windows Mobile 5, WiFi, Video, USB	Gmail, Video, Radio, USB	GPS, Video, Radio, USB
Available time	2Q09	2Q09	3Q09	2H08	2H08	2Q09

Source: Companies, Deutsche Bank
Note: Smartphone for Samsung's i600

Limited handset chip market share upside for MediaTek

We expect MediaTek's handset chip unit market share to rise from 20% in 2009 to 30% in 2009 but drop to 28-29% in 2010-11 for the following reasons.

MediaTek needs to pay higher licensing fee for Qualcomm than its rivals

- Higher entry barriers in the 3G handset chip market** – Qualcomm has the essential patents for the 3G handset baseband and requires over US\$150m for a one-time licensing fee plus 5-10% of per handset chip ASP thereafter. MediaTek is still in negotiations with Qualcomm. MediaTek is a latecomer in 3G handset chips and lacks the core patents in 3G handset chips. As such, MediaTek cannot ship any 3G handset chips if the company is not licensed by Qualcomm. Additionally, MediaTek may have to pay a higher licensing fee than its competitors (Broadcom, Infineon, and STM-Ericsson) as its patent numbers are lower than the levels of its peers. MediaTek will request its handset customers to pay the licensing fee to Qualcomm if handset customers use MediaTek's 3G handset chips. Qualcomm also offers complete reference designs for PCB (printed circuit board), which is similar to MediaTek's strategy. These imply that handset customers will have lower incentive to adopt MediaTek's 3G handset chips given limited cost incentives. Figure 2 shows that Qualcomm is taking aggressive pricing strategies in the mid/low-end 3G handset chips, which may limit MediaTek's share expansion in 2010.

Figure 2: 3G WCDMA handset chip specs

Vendor	MediaTek	Qualcomm	Infineon	Broadcom
Code	MT6268	MSM7225/7227	X-Gold608/613/616/618	BCM2153
Network	WCDMA	WCDMA	WCDMA	WCDMA
Integrated functions	Baseband/PWM	Baseband/RF	Baseband/RF	Baseband/RF
HSDPA/HSUPA (down-link/up-link)	NA	HSDPA(7.2Mbps)/HSUPA(5.7Mbps) for 7225	HSDPA(7.2Mbps) for 608 HSDPA(7.2Mbps)/HSUPA(5.7Mbps) for 616 HSDPA(7.2Mbps)/HSUPA(2.9Mbps) for 618	HSDPA(7.2Mbps)
DSC	5m pixel DSC	5m pixel DSC for 7225 8m pixel DSC for 7227	5m pixel DSC for 608/616/618 2m pixel DSC for 613	3.2m pixel DSC
USB support	Yes	Yes	Yes	Yes
Bluetooth	Yes	Yes	Yes	Yes
WiFi support	Yes	Yes	Yes	Yes
GPS support	Yes	Yes	Yes	Yes
Process	65nm	65nm	65nm	65nm
Mass production	2H09	3Q08/2H09	X-Gold 608 in 2H08; 2H09 for others	End-09
Handset chip ASP (US\$)	10-14	10-15	14 for 618	14-16

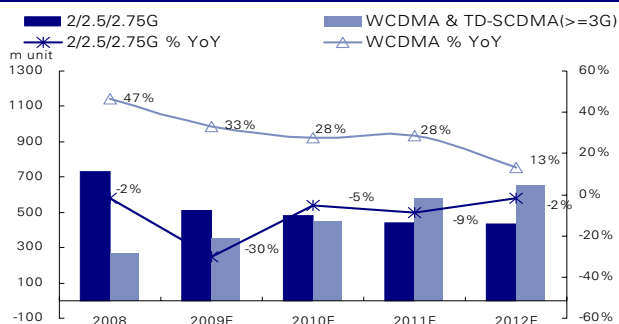
Source: Companies, Deutsche Bank estimates

- Limited market share expansion in 2/2.5/2.75G handset chip market** – We expect MediaTek’s handset chip market share in 2/2.5/2.75G to expand to 63% in 2009 from 32% in 2008. However, we anticipate further market share gain to be limited as top-tier handset makers will continue to rely on Infineon, Broadcom, and STM-Ericsson for 2/2.5/2.75G handset chips in 2010-11. We disagree with the Street’s argument that Texas Instruments’ exit from the handset chip market will benefit MediaTek. Nokia will shift to STM-Ericsson from Texas Instruments from 2010 and will continue to rely on Infineon and Broadcom for 2.5/2.75G handset chips. Nokia is also designing Qualcomm’s 3G handset chips.

In addition, Samsung and LG are grabbing market share from Sony-Ericsson and Motorola while Nokia’s market share is stabilizing. Global top-tier handset makers will introduce more mid/low-end smartphones to prevent global telecom operators from expanding market share from 2H09.

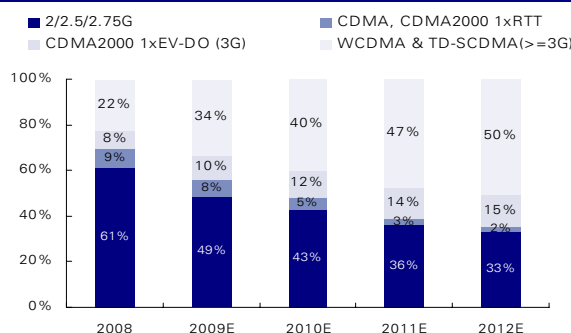
- Falling 2/2.5/2.75G handset market** – The Deutsche Bank handset team forecasts 5% and 9% YoY unit declines for 2/2.5/2.75G handsets in 2009-10, respectively. (Figure 3) This is due to the rising adoption rate of 52% in 2010 and 61% for 2011 for 3G handsets. (Figure 4)

Figure 3: Addressable handset chip market for MediaTek – Declining



Source: Deutsche Bank estimates

Figure 4: Penetration rate by different handset networks – Uptrend of 3G handsets



Source: Deutsche Bank estimates

More penetration into global handset makers?

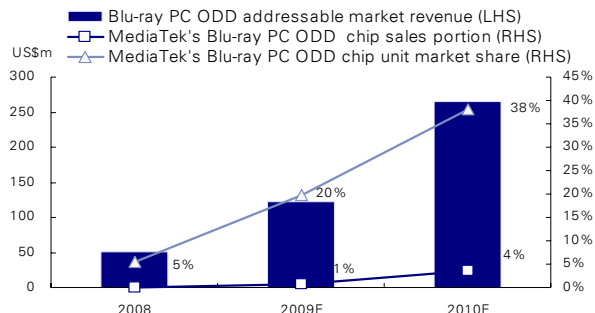
We believe it will be hard for MediaTek to penetrate top-tier handset makers which require ultra low prices for MediaTek's 2.5/2.75G handset chips, which represents a low 30% gross margin, which MediaTek cannot afford. For example, Nokia has regular meetings with the foundries and packaging/testing companies to check chip vendors' cost structure. Nokia has a clear assessment of MediaTek's cost-down pace and always quotes prices with a low 30% gross margin for MediaTek whenever MediaTek approaches Nokia for design wins. Our channel checks suggest that LG may use the same strategy and start to lower exposure to MediaTek from 2H09 to force MediaTek to cut prices more sharply.

The Street argues that global top-tier handset makers will use MediaTek's 3G TD-SCDMA for the China market. However, our surveys indicate that Nokia, Samsung, and Motorola will adopt T3G's 3G TD-SCDMA handset chips. T3G is invested by Samsung and Motorola. Only LG will use MediaTek's 3G TD-SCDMA handset chips.

Limited contribution from Blu-ray chips and LCD TV controllers in 2010

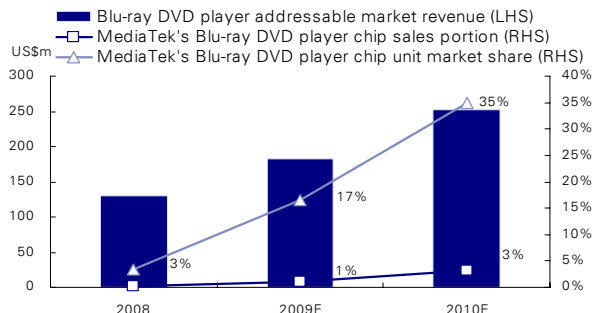
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Figure 5: MediaTek's Blu-ray PC ODD sales portion and unit market share



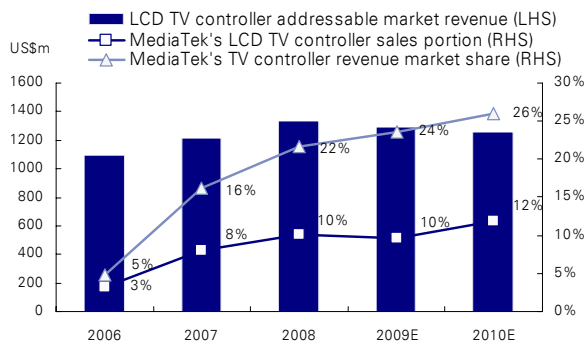
Source: Deutsche Bank estimates

Figure 6: MediaTek's Blu-ray DVD ODD sales portion and unit market share



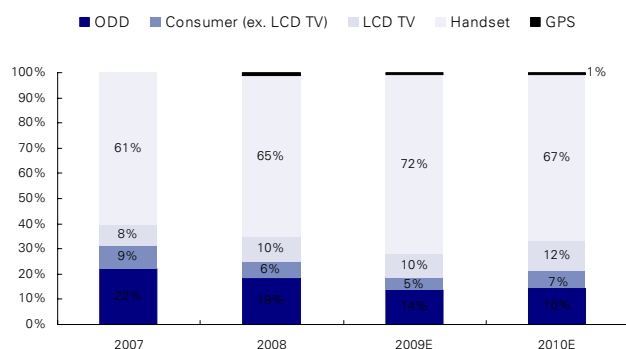
Source: Deutsche Bank estimates

Figure 7: MediaTek's LCD TV controller sales portion and revenue market share



Source: Deutsche Bank estimates

Figure 8: MediaTek's sales breakdown – handset chips to account for over 65% of total sales in 2010



Source: Deutsche Bank estimates

Retain Sell

De-rating risks

We forecast a more structural de-rating on: 1) increased margin pressure from 2H09 led by more severe pricing competition in the handset market and unfavorable wafer prices; 2) slow progress in ramping up 3G WCDMA handset chips due to higher entry barriers and a niche market in tier-three/four cities in China which MediaTek's China handset makers have been focused on; 3) limited handset chip market share gains.

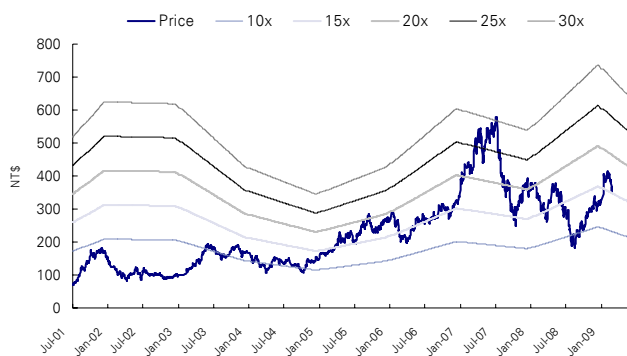
Target price basis and investment risks

Our target price is based on 10.7x 2009-10E avg. EPS, below the 2003-08 avg. of 13.8x. This reflects the expected 2009-10 earnings CAGR of -2% is lower than 12% during 2003-08. Upside risks are faster ramp-up in new products, stronger demand, and more moderate ASP erosion.

Target price analysis for MediaTek

Our target price of NT\$223 assumes an average 2% YoY sales decline and an average 54.4% gross margin for 2009-10. If average sales growth reaches 12% and gross margin can improve to 56.4% in 2009, then our valuation could rise to NT\$291. In contrast, an average sales decrease of 8% YoY and 52.4% gross margin could generate a share price of NT\$156.

Figure 9: MediaTek's forward PE band – US GAAP



Source: TEJ; Deutsche Bank estimates

Figure 10: Target price analysis for MediaTek

	2009-10 average sales growth (%)				
	-8%	-3%	2%	7%	12%
52.4%	156	175	193	210	226
53.4%	175	193	209	224	241
54.4%	189	208	223	238	255
55.4%	205	222	236	252	271
56.4%	220	236	252	269	291

Source: Deutsche Bank estimates

Figure 11: MediaTek – earnings model

NT\$m	1Q09	2Q09E	3Q09E	4Q09E	2009E	1Q10E	2Q10E	3Q10E	4Q10E	2010E
Net Sales	23,906	27,379	29,149	24,144	104,578	20,734	22,649	25,425	22,559	91,367
Gross Profit	13,418	15,565	16,323	13,279	58,586	11,196	12,004	13,221	11,550	47,971
Operating profit	6,610	7,789	7,987	5,601	27,988	4,354	5,187	5,886	4,805	20,232
PBT	6,911	7,829	8,032	5,606	28,378	4,358	5,172	5,866	4,795	20,191
PAT	7,003	6,459	7,494	5,231	26,186	4,075	4,267	5,473	4,474	18,288
EPS (NT\$)	6.57	6.06	7.03	4.91	24.57	3.82	4.00	5.13	4.20	17.16
Margin (%)										
Gross Margin	56.1%	56.9%	56.0%	55.0%	56.0%	54.0%	53.0%	52.0%	51.2%	52.5%
Operating margin	27.6%	28.5%	27.4%	23.2%	26.8%	21.0%	22.9%	23.2%	21.3%	22.1%
Net Margin	29.3%	23.6%	25.7%	21.7%	25.0%	19.7%	18.8%	21.5%	19.8%	20.0%
Growth (%)										
Sales YoY	23%	23%	4%	17%	16%	-13%	-17%	-13%	-7%	-13%
PAT YoY	74%	27%	4%	86%	37%	-42%	-34%	-27%	-14%	-30%
Sales QoQ	16%	15%	6%	-17%		-14%	9%	12%	-11%	
PAT QoQ	150%	-8%	16%	-30%		-22%	5%	28%	-18%	
Profitability (%)										
ROE	31%	25%	29%	21%	28%	15%	16%	21%	18%	18%
ROA	26%	21%	24%	17%	23%	13%	13%	17%	15%	15%
ROIC	23%	18%	23%	15%	19%	16%	16%	23%	18%	14%
Solvency Analysis										
Current ratio	5.9	4.4	4.6	4.9	4.9	5.1	5.2	4.7	4.9	4.9
Quick ratio	5.7	4.2	4.2	4.6	4.6	4.8	4.8	4.2	4.5	4.5
Cash ratio	4.1	3.0	2.9	3.2	3.2	3.4	3.5	2.9	3.1	3.1
Gearing/Leverage Analysis										
Gross gearing: Debt/Equity	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net gearing: (Debt-Cash&Cash Equiv.)/Equity	-64%	-69%	-61%	-65%	-65%	-66%	-67%	-62%	-64%	-64%
Leverage: Debt/(Debt+Equity)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cash Conversion Cycle (Days)										
Inventory	39	35	49	60	46	60	65	65	72	62
Accounts receivables	24	29	31	39	28	45	40	34	37	39
Accounts payables	52	59	59	70	53	81	71	60	66	70
Operating cycle	63	64	80	99	74	105	105	99	109	101
Cash cycle	11	5	21	28	21	25	35	39	43	32

Source: Company data; Deutsche Bank estimates

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
MediaTek	2454.TW	368.00 (TWD) 18 Jun 09	6

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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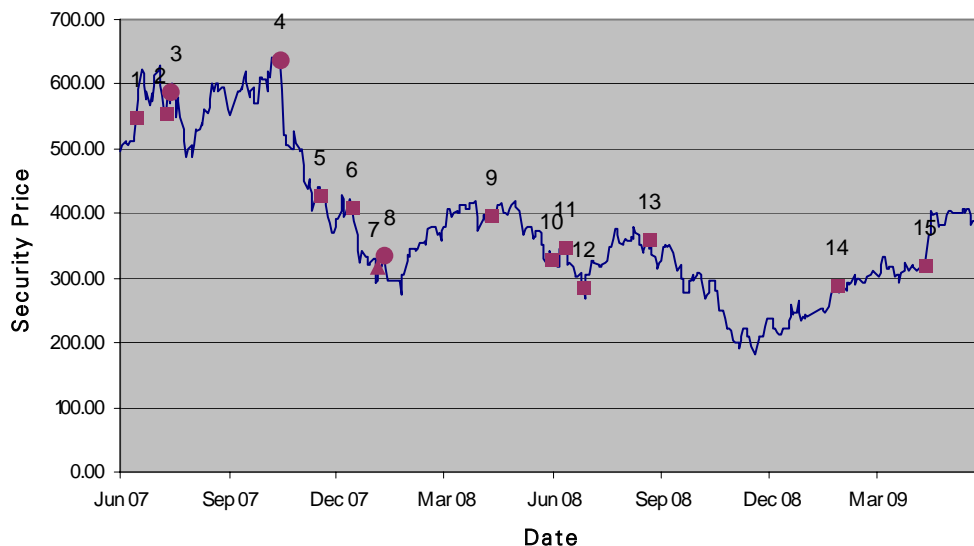
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Historical recommendations and target price: MediaTek (2454.TW)

(as of 18/06/2009)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 4/7/2007:	Buy, Target Price Change TWD655.00	9. 29/4/2008:	Sell, Target Price Change TWD240.00
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6. 3/1/2008:	Sell, Target Price Change TWD280.00	14. 16/2/2009:	Sell, Target Price Change TWD199.00
7. 25/1/2008:	Upgrade to Hold, TWD280.00	15. 30/4/2009:	Sell, Target Price Change TWD217.00
8. 30/1/2008:	Downgrade to Sell, Target Price Change TWD250.00		

Equity rating key **Equity rating dispersion and banking relationships**

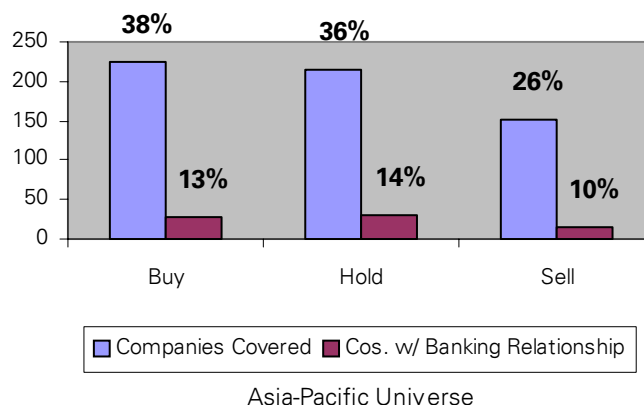
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Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

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