

MediaTek 2Q25 Earnings Call

Wednesday, July 30, 2025, 3:00pm Taiwan Time

PREPARED REMARKS

Jessie Wang, IR Deputy Director

Good afternoon, everyone. Joining us today are Dr. Rick Tsai, MediaTek CEO and Mr. David Ku, MediaTek CFO. Mr. Ku will report our second quarter results and then Dr. Tsai will provide our prepared remarks. After that, we will open for Q&A.

As a reminder: Today's presentation will provide forward looking statements based on our current expectations. The statements are subject to various risks and factors which may cause actual results to differ materially from the statements. The presentation materials supplement Non-TIFRS financial measures. Earnings distribution will be made in accordance with financial statements based on TIFRS. For details, please refer to the safe harbor statement in our presentation slides.

In addition, all contents provided in this teleconference are for your reference only, not intended for investment advice. Neither MediaTek nor any of independent providers is responsible for any actions taken in reliance on contents provided in today's call.

Now I would like to turn the call to our CFO, Mr. David Ku, for the second quarter financial results.

David Ku, Chief Financial Officer

Now let's start with the 2025 second quarter financial results. Please note that the currency used here is NT dollar. The foreign exchange rate applied to the second quarter results was 30.9 NT dollar to 1 US dollar, which implies around 6.1% appreciation of NT dollar compared to the foreign exchange rate of 32.9 in the first quarter.

Due to the rather sizable FX movement, today we would like to provide more information. Basically, for every 1% appreciation of NT dollar, we would have a negative impact on gross margin of around 0.2 percentage points, and around 0.25 percentage points on operating margin.

With that, revenue for the second quarter was NT\$150.4 billion dollars, down 1.9% sequentially, and up 18.1% year-over-year. If we exclude the FX factor, in US dollar, second quarter revenue was up 4.4% sequentially, and up 23.8% year-over-year.

Gross margin for the quarter was 49.1%, up 1 percentage point from the previous quarter, and up 0.3 percentage points from the year-ago quarter. This quarter's gross margin included a one-time item related to a previous LTA, which contributed 1.9 percentage points to gross margin. Excluding this one-time item, and assuming the FX rate back to our earlier guided level of 32.5, our 2Q gross margin would have been 48.4%, at the high end of our earlier guidance range.

Operating expenses for the quarter were NT\$44.5 billion dollars, compared with NT\$43.8 billion dollars in the previous quarter and NT\$37.2 billion dollars in the year-ago quarter.

Operating income for the quarter was NT\$29.4 billion dollars, down 2.2% sequentially and up 17.7% year-over-year. Non-TIFRS operating income for the quarter was NT\$30 billion dollars.

Operating margin for the quarter was 19.5%, down 0.1 percentage points in the previous quarter and down 0.1 percentage points year-over-year. Non-TIFRS operating margin for the quarter was 19.9%.

Net income for the quarter was NT\$28.1 billion, down 5% sequentially and up 8.1% year-over-year. Non-TIFRS net income for the quarter was NT\$28.6 billion dollars.

Net profit margin for the quarter was 18.7%, down 0.6 percentage points from the previous quarter and down 1.7 percentage points year-over-year. Non-TIFRS net profit margin for the quarter was 19%.

EPS for the quarter was NT\$17.50 dollars, down from NT\$18.43 dollars in the previous quarter and up from NT\$16.19 dollars in the year-ago quarter. Non-TIFRS EPS for the quarter was NT\$17.81 dollars.

A reconciliation table for our TIFRS and Non-TIFRS financial measures is attached in our press release for your information.

That concludes my comments. Thank you.

Jessie Wang, IR Deputy Director

Thank you, David. And now I would like to turn the call to our CEO, Dr. Rick Tsai for prepared remarks.

Dr. Rick Tsai, Chief Executive Officer

Good afternoon, everyone. MediaTek's second quarter revenue grew 4.4% sequentially and 23.8% year-over-year in US dollar. We attribute this largely to the strong business foundation we have built in the past few years. In the second quarter, we continued to see higher structural demand for edge AI SoCs and faster connectivity. To a lesser extent, we also noticed some pull-in demand amid trade uncertainties.

We are on track with our mid- to long-term growth journey. Our diverse existing businesses and growth initiatives underpin a robust foundation for MediaTek. In 2025, several businesses are demonstrating strong growth momentum, including flagship smartphones, connectivity portfolio, and computing devices, while we anticipate revenues from our major growth initiatives, such as data center ASIC project, to start ramping next year.

Our Mobile Phone business performs solidly with continuous expansions into the flagship segment. We expect the flagship smartphone revenue to reach US\$3bn this year, representing an annual growth rate of more than 40%. Our leading connectivity portfolio such as WiFi 7, 5G modem and 10G PON continues to gain shares in global telecom operators and leading consumer electronics players. We expect our

connectivity business to grow strongly with revenue exceeding US\$3bn this year. Furthermore, revenue from our computing solutions, which currently include tablets, Chromebooks, and the GB10 project that we collaborate with NVIDIA, is expected to grow more than 80% this year to approximately US\$1bn, driven by strong AI demand.

Moreover, we are fully focused on executing and expanding our growth initiatives, such as the enterprise ASIC and automotive businesses, each representing more than US\$40bn revenue TAM in the mid- to long-term.

The business momentum for our enterprise ASIC is very strong as CSPs continue to evaluate and adopt ASICs to enhance data center efficiency. To capture the increasing opportunities, we are rapidly expanding our R&D resources for the ASIC team, especially for recruiting key talent. These resources are being deployed mainly to advanced nodes, advanced packaging technologies, and next-generation IPs such as 448G SerDes and CPO. Backed by our robust SerDes IP portfolio and strong execution capability, we currently have multiple engagements with global CSPs for data center ASIC. We believe in our ability to add value to this fast-growing market and continue to expect sizable revenue starting next year.

For Automotive, we have been making very good progress in securing design-wins for our Dimensity Auto high-end and mainstream Cockpit and telematics solutions. The more advanced cockpit solution C-X1, which we co-develop with NVIDIA to support premium vehicles, will be sampling to customers soon in the second half of the year. We expect revenue from C-X1 to start in 2026, adding momentum to our automotive business, which has already been growing robustly.

Furthermore, to support our strong roadmap for enhancing advanced AI functions and overall performance, we are aggressively investing in 2nm advanced process, for both of our edge AI and cloud AI products. Our first 2nm tape-out is scheduled for September of this year, positioning us to be among the leading group launching 2nm chips.

These exciting developments reinforce our confidence in capturing growth opportunities in the mid- to long-term. With that, now let me talk about the recent business performance for our three revenue groups.

Mobile Phone accounted for 52% of total second quarter revenue and grew 13% year-over-year and declined 9% quarter-over-quarter. In US dollar, this revenue group grew 19% year-over-year and declined 3% sequentially.

As I said earlier, our share gains in the flagship segment continues to drive year-over-year business growth, mainly thanks to the successful Dimensity 9400 family. Since the introduction of the Dimensity 9400 last year, we have enabled numerous popular flagship AI smartphones from OPPO, VIVO, and Redmi and gained shares in the market. To extend the momentum, we will soon be launching the next-generation flagship SoC, Dimensity 9500, in the third quarter. Dimensity 9500 will deliver even more enhanced AI functions with more powerful computing capability. We have secured more customers and model adoptions than the previous generation.

For the third quarter, we expect flagship revenue to grow as Dimensity 9500 enters mass production, while demand for the mainstream segment is expected to slow down amid global economic uncertainties.

Now let me move on to Smart Edge Platforms. In the second quarter of 2025, this group grew 26% year-over-year and grew 7% sequentially, accounting for 43% of revenue. In US dollar terms, this revenue group grew 32% year-over-year and 14% quarter-over-quarter.

The sequential growth was mainly from the continuous ramp of AI-capable computing devices, share gain in consumer ASIC, and some pull-in demand.

AI-capable computing devices have been well-received in the market and fueled our business momentum. We are glad to see all the major Android tablet brands, including Samsung, adopting MediaTek AI chips for their premium AI tablets this year. Lenovo also announced a premium AI Chromebook powered by MediaTek's 3nm Kompanio Ultra SoC in the second quarter. Moreover, GB 10, the chip we co-developed with NVIDIA to power NVIDIA's AI supercomputer DGX Spark, is scheduled to begin mass production in the third quarter.

For the third quarter, this group continues to benefit from share gains in 5G modem, premium AI tablets, and automotive with year-over-year growth. However, as some demand has been pulled to the first half of the year, we expect Smart Edge Platforms revenue to decrease quarter-over-quarter.

Now moving on to Power IC, which accounted for 6% of total revenue in the second quarter and grew 11% year-over-year and grew 17% quarter-over-quarter. In US dollar terms, this revenue group grew 16% from the same period last year and 24% sequentially.

In the second quarter, Power IC benefitted from share gains and better demand. We expect Power IC revenue to decline sequentially in the third quarter on lower consumer electronics demand.

Moving into the third quarter of 2025, we're excited at the ramp of Dimensity 9500 and GB10. We also expect the growth momentum from AI tablets and automotives to continue in the third quarter. However, as some demand has been pulled into the first half of the year and resulted in a different quarterly pattern, we expect the third quarter revenue to decline sequentially.

With that, we expect our third quarter revenue to be in the range of NT\$130.1 billion dollars to NT\$140.0 billion dollars, down 7% to 13% sequentially, and down 1% to up 6% year-over-year at a forecasted exchange rate of 29 NT dollars to 1 US dollar. Compared with the exchange rate of 30.9 NT dollar to 1 US dollar in the second quarter, the impact from the potential exchange rate difference on our third quarter NT dollar revenue outlook is approximately 6%.

As nearly all of our revenue is in US dollar, we also provide our third quarter revenue guidance in US dollar to fairly reflect the business situation. In US dollar terms, our third quarter revenue would be in the range of \$4.49 billion US dollars to \$4.83 billion US dollars, down 1% to 8% sequentially, and up 10% to 18% year-over-year.

Gross margin for the third quarter is forecasted at 47%, plus or minus 1.5 percentage points. Quarterly operating expense ratio to be at 31%, plus or minus 2 percentage points.

Finally, I would like to reiterate our strong commitment in investing in growth areas such as AI, data center, and automotive, which are still at their initial phases of market developments. We believe their growth potentials are strong enough to help us weather short-term volatilities. We remain confident in our technologies and our capability to grow in the mid- to long-term.

This concludes my prepared remark. Thank you.

[Q&A]

Q – Sunny Lin, UBS

Thank you very much. Good afternoon. My first question is on ASIC side, so could you share with us a bit more color on your progress to ramp more projects in the coming few years? You talk about good revenue contribution for 2026, any update on the revenue opportunity versus your prior guidance of 1 billion? And beyond that, maybe more importantly, is there an inflection point when we should expect maybe more meaningful uplift as you start to ramp more projects? Thank you very much.

A – Dr. Rick Tsai, CEO

Okay. On ASIC side, we remain confident that we will do our revenue forecast for late next year. We believe our customer is doing well in their taping out progress. In addition, we are also engaging with various potential CSP customers for various applications. We feel good about our opportunities in moving forward and we look forward to, as I said a couple of times in the prepared remarks, we expect strong growth from the data center ASIC business in the coming years. Thank you.

Q – Sunny Lin, UBS

Sorry, just a very quick follow up. Since most investors are quite paying attention to the 1 billion target for 2026, so now maybe given some hiccup on the tape-out in the short term, should we assume maybe a bit lower contribution for 2026, but then going to 2027 you should certainly scale to a much higher number for 2027?

A – Dr. Rick Tsai, CEO

Well, as I said, I just said now we remain confident that we will do our revenue forecast for late 2026 and we believe our 2027 number will be good, but I do not know how to compare to what you have in your forecast. But 2027 will definitely bring quite a bit of growth from the ASIC business. Thank you.

Q – Sunny Lin, UBS

Got it. No problem. Thank you very much. My second question is on your process development. I'm pretty glad to see that MediaTek is being pretty fast in 2 nanometer process migration, maybe starting from flagship smartphone SoCs, basically in same product generation as iOS. So wonder what's giving you the confidence for such quick process migration. And could you share with us maybe the key

benefits for the 2 nanometer process migration, is it more on the performance or more on the power efficiency?

A – Dr. Rick Tsai, CEO

Well maybe just say something about 2 nanometer first. Well both performance and power efficiency will improve quite a bit, especially in the power efficiency part. So it's critical for, for instance, the flagship SoC business and the market requirements. It's critical. Not to mention of course with the data center ASIC business coming up, people are just moving as fast as they can into the advanced process nodes.

Now. Why MediaTek is now moving into 2 nanometer process node at almost the same pace as the other major world class tier-one companies? I have all the thanks for our technical people, managers, engineers together with really close collaboration with our foundry partner TSMC. I cannot say enough to thank them. After several years really hard and intelligent work from our people and the TSMC, you know, this is where we are, and we expect nothing less in the forthcoming nodes. We certainly will continue to invest and will reap the benefits from next generation process node also. Thank you.

Q – Laura Chen, Citi

Thank you for taking my question. Good afternoon. My question is also about the AI ASIC, Rick. We do see quite positive on the growth in the longer term. May I just also follow up like when we see that 2027, you will see quite strong growth for the accelerator growth. Is it mainly from the one single specific CSP or do we see more than just one AI ASIC contribution happening in the year of 2027?

A – Dr. Rick Tsai, CEO

Well, Laura, we cannot comment specifically how many customers we will be reaping revenues from in 2027. Suffice to say that we are engaging aggressively with multiple CSPs. I would say the revenue growth from the first customer will be, I believe, very robust. And we work -- we are really working diligently to see whether we can add more revenue sources. But we cannot comment any further right now. Thank you.

Q – Laura Chen, Citi

Sure. Certainly. And also my second question is about our business model. I recall that previously on the AI ASIC project we did mention that we are more flexible in terms of our cooperation with client. Do we see that for the following project? What kind of the role we are doing versus our US peers or Asian peers? Do we still more in charge of the SerDes or can we also kind of in charge of the full design including the top line and also the full process?

A – Dr. Rick Tsai, CEO

I think there are two aspects to your question. One is a business model. The other one is our capability. Capability point of view, we are confident that we can perform, well, all the way, not only -- that is in spec-in models, we can -- we are capable from the IPs to the -- of course, the design is very complex, design technology capability, and advanced packaging technology capability, not to mention the very strong execution capability. So yes, we are confident we can.

But on the other hand, from business model point of view, we remain flexible as I said previously. We work with customer closely in different -- the chip now architecture is very complex so there are various ways to accommodate, to serve our customers even within one chip architecture.

So, without further going into the details, what I can say is we really work closely and provide customers with not only flexibility from the beginning, and during the process, if customer needs to change or modify their model, we just jump ahead to meet their request. So, I truly believe this is really a win-win business model for the customers and MediaTek. Thank you.

Q - Gokul Hariharan, JPMorgan

Yeah, hi, thanks for taking my question. So just to clarify something on the enterprise ASIC or data center ASIC, Rick. I think in February you had mentioned this project for next year will start in first quarter or second quarter next year and reach a billion dollar of revenue excluding HBM. Are we still kind of largely sticking to this timeline? Looks like the timeline is a little bit later based on your current commentary. But you're still sticking to that \$1 billion even if the timeline is later. Is that a fair representation?

A – Dr. Rick Tsai, CEO

We are working very closely with our customer to ensure the tape-out -- a good time for tape-out later this year, in the late third quarter. And we are doing everything we can -- we are preparing everything in advance to ensure a seamless execution after the tape-out. We feel confident that we can really run this tape-out into early production next year -- starting roughly late third quarter next year. So we strive to achieve that \$1 billion target as I said before. Thank you.

Q - Gokul Hariharan, JPMorgan

Okay, got it. And just wanted to understand, because I think first time we talk about this project, we were expecting this to start production in 2025. Obviously there has been some delays. What is the reason for these delays in your perspective and like how do you characterize this? And when you talk about longer term visibility, how do you factor in some of these kinds of changes which are quite unique to the ASIC business into that longer term opportunity?

A – David Ku, CFO

Gokul, David here. First of all, I want to clarify, I think starting from the beginning, I don't recall we make any comment talking about the revenue start from 2025. I think this should be -- we talked about the major one is actually 2026. So we never talked about 2025.

And the second part, actually I understand especially is -- some people worry about the hiccup. When we give out the revenue guidance for next year, rest assured we also factored in some of the potential hiccup as well. So providing -- actually the hiccup is within the original guidance, original range. So that's why I guess -- that's why you wonder why even though there's some hiccup but the revenue target didn't really change. I think that's the major reason.

Q - Gokul Hariharan, JPMorgan

Is there a risk that this project will see some scale down given that your competitor also has a project which is of larger scale? Like how do we kind of assess that risk or is that risk already kind of factored into your guidance?

A – David Ku, CFO

I think so far, again because we are talking about ramping up really in third quarter, late third quarter next year, so even in the worst case, if the overall scale is coming down, it will not impact the next year's revenue. It may be impacting the lifetime which is 2027/28. But for the NPI, the new product introduction, you just need to start enough wafer to start with.

A – Dr. Rick Tsai, CEO

The positioning of different chips is quite different for customers data center use. So we remain again confident that our chips will see really very good growth in the coming years.

Q - Gokul Hariharan, JPMorgan

Thank you. Thanks Rick. Maybe my second question is on the automotive side. You seem to be seeing more and more traction on the smart cockpit, telematics. Could we talk a little bit about like what kind of revenues can we expect from auto? Can we hit a billion dollars next year or that is going to be like 2027, any kind of quantification?

And second, I think the trend seems to be to integrate ADAS into the smart cockpit and make it one SoC in the next couple of years. Could we talk a little bit about what is MediaTek doing on the ADAS side? Are you already having in-house IP which you can integrate or are you partnering with somebody else?

A – David Ku, CFO

Gokul, I think for the one-billion-dollar revenue target, I think we probably won't be able to make it in next year. Even though we do see very strong revenue growth year-over-year. I guess we still probably need two to three years to see that benchmark. Next year you will not see a billion dollar. From the design in and design win or maybe just the backlog perspective, or design pipeline perspective, I think it all looks actually pretty healthy and solid.

A – Dr. Rick Tsai, CEO

Your question Gokul, about the ADAS. Of course, you're right about the ADAS and the coming architecture of having ADAS and the cockpit chip in one SoC. For now you certainly know that we are focusing on cockpit and telematics where we have built I would say very solid and very strong foothold already. Especially I'm quite happy with our latest development with our top-of-the-line cockpit chip C-X1. It should start generating revenue next year, late next year.

As far as the ADAS is concerned, we are working, I should say working with certain customers to build ADAS chip. That's all I can say. And with that we are quite confident, we are very confident that we will move into the ADAS field sometime soon. Thank you.

Q – Felix Pan, KGI

Hi, good afternoon, Rick, David, and Jessie. Two questions from me. First of all, for the N2 progress, we are at the same pace as our competitors moving to the N2. But as we know the consumption for the smartphone is pretty weak from year-to-date even with some subsidies. So I just wonder that how likely your customer to transfer the cost for the migration to their customer? Is that the consumption can, you know, it can bear with this kind of the cost increase? That's my first question.

Second question will be the AI ASIC. I think in the early days, I think maybe one company can do like all the service from the computing die, I/O die, SerDes. But now we see more like, more and more players jumping into the place. So we see some business model like the people doing SerDes, people doing the computing die. How do you see the trends going forward? Any color will be grateful. That's my question. Thanks.

A – Dr. Rick Tsai, CEO

Well, the mobile flagship SoC, there's no doubt in our mind that the 2 nanometer will be in the mainstream for the flagship. No doubt in our minds. The demand, the user experiences, requirements, all point that way. By the way, I think the smartphone market is not growing big, but it's not doing poorly either. I think it's about the same as last year, for instance, while the share of the flagship phone has gone steadily higher every year. And that's why also part of the reason our share in the flagship SoC continued to grow also. The 2 nanometer, with its power consumption benefits and the superior performance, it's really a perfect fit and there's no replacing for that for the next generation flagship SoC for the mobile domain.

Now on the ASIC part. Okay, well again I think you hit it right on that. The data center ASIC is getting more and more, and much more complex as the requirement for the computing power, for the power consumption requirements for the very high-speed interconnect up and out, or demand a tremendous technology capability from computing area -- either the custom design computing chip or the XPU kind of a computing chip.

Although we believe the custom computing chip will occupy the majority of the ASIC market for data center, and the other demand for the extremely fast interconnect, which of course everybody's moving from 200G to 400G -- not everybody, very few people can do that, by the way, only very few moving on, MediaTek is one of the very few who can do that. And we also need to invest in the CPO as the next step after 400G.

Even less importantly, or more importantly, the advanced packaging technology, the 2.5D, very large chip size packaging capability, is a must, but together probably also with the 3.5D packaging technology. These are very difficult but also a must for the data center to achieve, to produce the computing power, the tokens per second at a reasonable power consumption, and TCO. MediaTek, I would say is one of the very few who can and who will fulfill all those very, very challenging technology requirements and business model flexibility.

Q – Brett Simpson, Arete

Yeah, thanks very much. I had a near-term question and a long-term question. I guess first up on the near term, can you maybe just clarify the smartphone outlook for Q3? I think you said flagship would grow, but is overall smartphone sales growing sequentially in Q3?

And I guess we're coming off a period of subsidies in China, particularly mid-range, low-end, we're seeing cutbacks in subsidy. So can you maybe share with us your perspective on how you think China consumer demand plays into second half? Do you anticipate any inventory build and directionally would you expect sequential growth in Q4 for smartphones? Thank you.

A – David Ku, CFO

First things first, overall I think we see a pretty healthy and normal inventory situation in the marketplace, both actually for our customer and also for channel inventory. So it's healthy and props to normal and probably closer to the lean. And for third quarter specifically, due to our flagship ramping up, we see a very strong revenue ramp for our flagship. For mainstream and also the entry level, I would say probably flat to down a bit.

But overall I think for the market momentum I would use the word healthy. I won't say it's strong, but definitely healthy. And partially due to the incentive programs and also the product migrations in the marketplace.

Q – Brett Simpson, Arete

And just on that, David, so you're shipping 9500 a little bit earlier than we would have expected into Q3. Does that change your thinking on Q4? I mean, would you expect smartphones to grow in Q4 just directionally?

A – David Ku, CFO

I think for flagship specifically, the ramping start from Q3, but it's not going to stop at Q4. It will continue from Q3, Q4 actually all the way to Q1. I think basically that's the cadence, the ramping-up cycle for flagship.

Q – Brett Simpson, Arete

Okay, great, thanks. And maybe for Rick, I just wanted to, well, a multi part question on the NVIDIA relationship for MediaTek, and where you think this is going. Maybe just first of all, the scope of this partnership. I'd love to understand how much headcount you're assigning to this opportunity. Does the opportunity with NVIDIA extend to collaborations on 400G SerDes? I know you're working with NVIDIA on autonomous vehicles, and does that extend into robotics?

So can you maybe just talk at a high level about how you're thinking about this relationship? And in terms of the business model with NVIDIA, obviously you're starting to ramp the GB10 this quarter, but can you give us a sense as to how this translates to revenues and whether the business model with NVIDIA is accretive or dilutive to corporate EBIT margins? Thank you.

A – Dr. Rick Tsai, CEO

All right, let me get my head straight first. It is truly a multi part question. Let me start with our NVIDIA collaboration model. We have two very active and I would say up to now quite successful business

collaborations, one being the ARM computing chips, which you just mentioned, GB10. It's already -- it will be shipped very soon in the third quarter. And the other one being the cockpit chips. In the autonomous vehicles. Both -- and as I said, the C-X1 I just mentioned in my remarks, was developed through the collaboration with NVIDIA. Both companies have put in a lot of resources. We obviously do -- we were putting resources around a thousand a year, roughly.

Saying all that, these are just the beginning of this -- I would say very promising and mutually beneficial collaboration model, as I would certainly believe Jensen also believes in. The business model varies from different business segments. Some business NVIDIA owns the promotion and the go-to market, for instance for GB10, and some we do, like for the automotive chips.

And the impact, I think the added value for both companies are very positive in this time of the very robust demand for all kinds of AI capability. One key bottleneck is the resources. And in this way both companies can -- in this collaboration model, both companies can achieve more with the existing resources. The created value I think will be obvious for both companies.

Q – Bruce Lu, Goldman Sachs

Hello, thank you for taking my question. Again, my question is still for the ASIC. I think Rick just mentioned that custom ASIC has different positioning, right? So do you see any changes in terms of the positioning for the ASIC chips moving-forward, i.e. in the past there's a rule of something like training for TPU and inference for ASIC, but it sounds to me that there are certain changes for that? So do you see a clear positioning for ASIC in inference or reasoning, or it is also because of competition? I mean if the custom ASIC cannot really compete with GPU in certain, you know, or in their previous planning, do you see that change the addressable market for you and for your customers?

A – Dr. Rick Tsai, CEO

Well, Bruce, I will not act as a data center expert myself. We are however only an ASIC chip supplier. However, as we have engaged with multiple parties in the business, I think we can calculate the TAM, for instance, for the ASIC business. And I believe the number we have been quoting -- \$40 billion TAM actually if you look at different parties, we are probably on the low side of the TAM. So I would say from that point of view we are being certainly not too aggressive.

And the other thing I think is quite sure is, the custom chips being custom chips, the most important thing is the customers understand their workload requirement because they know the best so that they can custom build certain chips more efficiently than a general purpose accelerated AI chips. Both are critical, both will remain more than viable for the data center industry. I don't think there's any question to that.

It's just the reality of the data center industry requires the large CSPs to build their own custom silicon so that they can they have a certain portfolio of their capacity or capability to be more efficient and more potentially cost and power efficient. But the ratio of their planning for different -- either training or reasoning or influencing, really also depends greatly on, again, their business outlook. And it's very difficult for us to comment truthfully. Thank you.

Q – Bruce Lu, Goldman Sachs

Just a quick follow up on this. I mean the reason we want to know that is that, want to know that whether this hiccup or delay is due to like technical difficulty or any changes in terms of positioning, any changes in the competition landscape or just simply that the chips itself is difficult.

A – David Ku, CFO

Bruce, I think so far what we've seen like you say from the market competition perspective, there's no material change in the last few quarters. So, I think you can rest assure that the delay or whatever is not due to what you talked about the competition.

Q – Bruce Lu, Goldman Sachs

I see, I understand. Thank you. Okay. The second thing is that for the profitability into next year as you might know that we have ASIC chips going up, even with a billion dollar, TSMC is raising the price, are we still comfortable with our gross margin to be stable for next year and onwards at the current range?

A – David Ku, CFO

I think due to the different business model and also the accounting, I think probably the better way -- we talked about earlier, is going to be operating margin accretive.

Q – Bruce Lu, Goldman Sachs

That's specifically for ASIC business. But in terms of overall revenue for overall gross margin for next year?

A – David Ku, CFO

If you putting aside the business model perspective, I think our goal is just trying to stabilize the gross margin.

Q – Bruce Lu, Goldman Sachs

I see. I understand. Regardless of the pricing, wafer price or cost, and different product mix, right?

A – David Ku, CFO

Yes.

Q – Arthur Lai, Macquarie

Hi Rick and David. Congrats. MediaTek has made many new products commercially soon. So, my question will follow GB10 and also ASIC. Number one, I think just wanted to ask about GB10 and then the -- so, I think investors still underappreciate the partnership you make with NVIDIA. And can you share with us under the concept of partnership, how you do this profit-sharing, and also will we see more to go on this partnership? That's my first question.

A – David Ku, CFO

I think for GB10, basically NVIDIA owns the products, so they sell the product to the marketplace, and we get paid in return. But in terms of the sharing, we will not be able to share the details.

Q – Arthur Lai, Macquarie

Okay, got you. Thank you. Second one is more on ASIC revenue. We understand that there's a lot of discussion on ASIC. And then in the future can the company has more disclosure breakdown on ASIC? Thank you.

A – David Ku, CFO

I'm sorry, can you repeat a question again?

Q – Arthur Lai, Macquarie

Yeah. So the financial report in the future, can you give us more breakdown -- the sub-segment breakdown? For example, Smart Edge, Smart Home, and also the ASIC breakdown on the remaining side.

A – David Ku, CFO

Yeah. Next year we will let everyone know our final decision.

Q – Brad Lin, BoAML

Oh, thank you for squeezing me in. So I have two questions. They are basically long-term questions. The first question would be on the long-term outlook, say into 2027 or 2028, do we have any revenue or profitability target for the firm reaching certain level from the non-consumer electronics, for example, ASIC or things like automotive, robotics? Thank you.

A – David Ku, CFO

I think we can provide probably the direction of guidance, but we won't be able to provide the detailed guidance especially given the overall dynamic of the market. I think like we talked about earlier, starting from this year, next year, we see multiple sectors of a growth opportunity -- AI ASIC, automotive, wearable, and computing. So we do believe actually we are seeing revenue continue to grow all the way from 2027 and 2028. I think that's what we've seen so far. But in terms of detailed breakdown by different contributions, we will not be able to provide details right now.

Q – Brad Lin, BoAML

Sure, got it. Thank you very much. So my second question would be, we sort of mentioned that it's on the engineering resource. We have learned the resources are really tight and the cost, the expense is also getting higher with the growing AI demand. So our engineering resource, a potential bottleneck to MediaTek's business' upside. If that is, when will that be and how does MediaTek handle the risk? Thank you.

A – Dr. Rick Tsai, CEO

Again. There are two aspects to it. Number one is the resources. By itself it is tight. I believe that is the kind of industry-wide phenomenon. So the one thing we are doing is to have really -- these resources are corporate. We have a corporate resource planning to prioritize our business, our chips resources and to also retain outside resources. in addition.

The second part of the resources is the ability to improve the design technology, thus the resulting design productivity. So that we can certainly do a lot more with our current resources plus the future -- we are of course hiring the design resources. There's no stopping in that regard.

But both of these, we believe we will -- what we will do is to ensure the best growth for the company in 2026/27/28 and beyond. We will ensure the resources are being spent to achieve our future growth for the company. Thank you.

Q – Charlie Chan, Morgan Stanley

Thanks for taking my question, Rick. David, Jessie. So, my first question is also on ASIC. So I believe without your help your key customers cannot execute this well, to tape out on time. So congratulations on that. My question is about your second largest project, meaning what would make your customers not to choose you, right? MediaTek, you have engineer resource, great foundry relationship, and also very competitive operation. So what would make a customer don't choose you to do this ASIC design service? I mean for the second largest US CSP customer.

A – Dr. Rick Tsai, CEO

Charlie, as I said a couple of times, we are engaging with various large CSPs. We appreciate your comments about our capabilities, and we also believe we do possess those capabilities. The decision of course rests with the customer and we remain quite, shall we say, hopeful.

But no matter what I think for MediaTek, I believe we have proven ourselves to be not only a viable but also a very competitive ASIC supplier for the whole industry, data center industry. So I do not believe we should just constrain ourselves to this or that opportunity. There are and there will be plenty opportunities which will enable our future growth. I'm absolutely confident in that.

Q – Charlie Chan, Morgan Stanley

Thank you. Looking forward to your next success. So, next one is easier. It's about your full year revenue guidance in USD. I appreciate that company use US dollar to reflect your real operation. So when you provide a full year US dollars revenue guidance, can you also extend the implied fourth quarter seasonality?

A – David Ku, CFO

Thank you. Well Charlie, if we look beyond the seasonality for the full year based on the US dollars, I think we still feel comfortable for looking for year-over-year growth, in mid-teens% growth.

Q – Charlie Chan, Morgan Stanley

Okay. So would that imply fourth quarter to be flat to up slightly? And what would be the driver behind?

A – David Ku, CFO

I think for the quarterly patterns, actually right now it's hard to comment. I think for the full year probably will be easier.

-End of Q&A session-