

TSMC (2330.TW/2330 TT)

1Q25 preview – Upward revision cycle nearing an end

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of March 31 (NT\$)	910
12M target price (NT\$)	1,350
Previous target price (NT\$)	1,350
Unchanged (%)	0.0
Upside (%)	48.4

Key message

1. 1Q25 results to be in line with guidance.
2. N4 utilization rate could peak in 2Q25F; uncertainty rising from 3Q25F.
3. Capital intensity could rise from 2026F.

Trading data

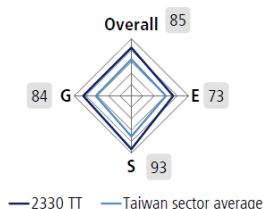
Mkt cap (NT\$bn/US\$mn)	23,599 / 710,083
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,860
3M avg. daily trading (mn)	27.82
52-week trading range (NT\$)	742 –1,135

Performance	3M	6M	12M
Absolute (%)	-15.4	-4.9	16.8
Relative (%)	-5.2	2	14.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	7.98A	7.01A	8.14A	9.21A
2024	8.70A	9.56A	12.55A	14.45A
2025	14.02F	14.12F	15.58F	16.46F

ESG score card



Source: Refinitiv

Event

TSMC will host a 1Q25 earnings call on April 17. We expect 1Q25F sales to reach the high end of guidance, but gross margin to be slightly below the mid-point of guidance.

Impact

1Q25 results to be in line with guidance. Previously, we expected TSMC's sales to beat guidance once again in 1Q25F. However, an earthquake in January may result in both 1Q25 sales and gross margin being in line with the company's guidance. We expect 1Q25F sales to fall by 2.5% QoQ, reaching the higher end of guidance thanks to strong N3 and N4 demand. We forecast 1Q25F gross margin of 57.5%, slightly below the mid-point of guidance, due to earthquake-related losses of around NT\$5.3bn.

N4 utilization rate could peak in 2Q25F; uncertainty rising from 3Q25F. We forecast the 2Q25F N4 utilization rate (UTR) to reach 115-120%, driven by robust AI GPU demand (Nvidia (US) accounts for half of N4 demand) and new ADAS chips. Together with a higher N3 UTR and a CoWoS expansion, we expect TSMC to guide 2Q25F sales to grow by a mid-single digit QoQ. Margin may see a mild recovery. Electricity prices are expected to increase by another 5% from April (+17% in 2023, +25% in 1H24 and +14% in 2H24) and overseas expansions may offset margin improvement from a higher operational scale and the absence of earthquake losses. N4 UTR should remain high in 2H25F (100% or above) but order visibility is a bit low for 4Q25F, and there are concerns regarding AI demand growth. We think 2Q25F may mark the peak of N4 UTR.

Capital intensity could rise from 2026F. TSMC's capital intensity may stay low at 33-35% in 2025F. However, with the newly announced US\$100bn investment in the US, we believe TSMC's capex may stay in the US\$40-60bn range from 2026F, despite the lack of timetable given for spending the US\$100bn. We expect TSMC's capital intensity to return to 40% from 2026F, which would limit cash dividend growth. We forecast flat 2025-26F dividend per share at NT\$18, as the increase in operating cash flow is likely to be offset by higher capex, keeping ending cash levels in 2026F roughly in line with 2025F.

Valuation & Action

With geopolitical issues and concerns regarding AI demand growth slowing down, we expect the upward earnings revision cycle, which has continued since 2023, to be nearing its end in 1Q25F, which will cap near-term share valuation. In particular, we believe the US\$100bn US investment will not be a one-off event, and TSMC may be coerced into helping with Intel's (US) operations in some ways. However, we still believe TSMC will maintain its leading position given advantages in both technology and a pure foundry business model. We maintain a rating of Outperform with a target price of NT\$1,350 (unchanged) but suggest investors accumulate the stock from 3Q25F, once we have better visibility on AI demand in 2026F and geopolitical developments.

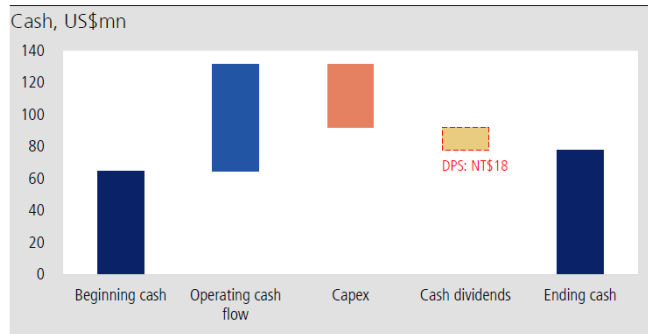
Risks

Global economic uncertainties; potential risks of Intel investment.

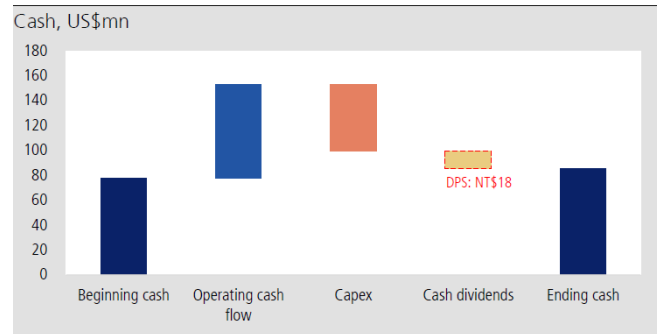
Key financials and valuations

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue (NT\$mn)	2,263,891	2,161,736	2,894,308	3,730,549	4,265,294
Gross profit (NT\$mn)	1,348,355	1,175,111	1,624,354	2,138,829	2,435,939
Operating profit (NT\$mn)	1,121,279	921,088	1,324,513	1,763,812	2,006,596
Net profit (NT\$mn)	1,016,530	838,498	1,173,268	1,560,351	1,765,293
EPS (NT\$)	39.20	32.34	45.25	60.18	68.09
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
EPS growth (%)	70.4	(17.5)	39.9	33.0	13.1
PE (x)	23.2	28.1	20.1	15.1	13.4
PB (x)	8.0	6.8	5.5	4.4	3.5
EV/EBITDA (x)	14.5	15.3	11.0	8.6	7.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.2	1.4	1.9	2.0	2.0
Return on average equity (%)	39.8	26.2	30.3	32.3	29.3

Source: Company data; KGI Research estimates

Figure 1: 2025F cash flow analysis


Source: KGI Research estimates

Figure 2: 2026F cash flow analysis


Source: KGI Research estimates

Figure 3: Breakdown of 1Q-2Q25 forecast revisions vs. consensus

NT\$mn	1Q25F							2Q25F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	847,088	850,242	(0.4)	(2.5)	42.9	833,148	1.7	893,717	883,849	1.1	5.5	32.7	877,918	1.8
Gross profit	486,918	486,660	0.1	(5.0)	54.8	484,775	0.4	519,529	500,107	3.9	6.7	45.1	510,290	1.8
Operating profit	404,327	403,761	0.1	(5.2)	62.4	397,476	1.7	428,548	410,131	4.5	6.0	48.2	420,440	1.9
Net profit	363,471	362,991	0.1	(3.0)	61.2	350,993	3.6	365,996	351,078	4.2	0.7	47.7	366,872	(0.2)
EPS (NT\$)	14.02	14.00	0.1	(3.0)	61.2	13.53	3.6	14.12	13.54	4.2	0.7	47.7	14.17	(0.4)
Gross margin (%)	57.5	57.2	0.2 ppts	(1.5)ppts	4.4 ppts	58.2	(0.7)ppts	58.1	56.6	1.5 ppts	0.6 ppts	5.0 ppts	58.1	0.0 ppts
OP margin (%)	47.7	47.5	0.2 ppts	(1.4)ppts	5.7 ppts	47.7	0.0 ppts	48.0	46.4	1.5 ppts	0.2 ppts	5.0 ppts	47.9	0.1 ppts
Net margin (%)	42.9	42.7	0.2 ppts	(0.2)ppts	4.9 ppts	42.1	0.8 ppts	41.0	39.7	1.2 ppts	(2.0)ppts	4.2 ppts	41.8	(0.8)ppts

Source: Bloomberg; KGI Research estimates

Figure 4: Breakdown of 2025-26 forecast revisions vs. consensus

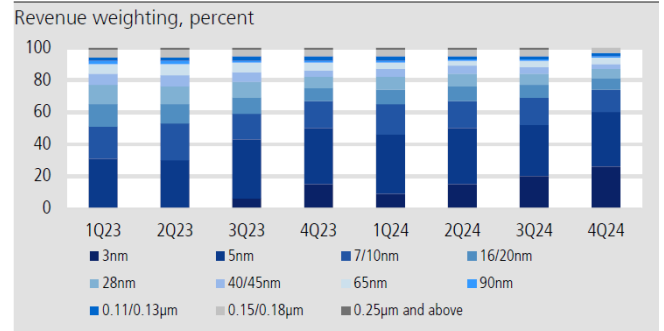
NT\$mn	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	3,730,549	3,702,096	0.8	28.9	3,686,933	1.2	4,265,294	4,218,272	1.1	14.3	4,393,255	(2.9)
Gross profit	2,138,829	2,092,560	2.2	31.7	2,155,234	(0.8)	2,435,939	2,410,316	1.1	13.9	2,553,931	(4.6)
Operating profit	1,763,812	1,720,442	2.5	33.2	1,777,134	(0.7)	2,006,596	1,985,706	1.1	13.8	2,113,879	(5.1)
Net profit	1,560,351	1,524,223	2.4	33.0	1,556,313	0.3	1,765,293	1,748,006	1.0	13.1	1,851,959	(4.7)
EPS (NT\$)	60.18	58.79	2.4	33.0	59.81	0.6	68.09	67.42	1.0	13.1	71.26	(4.4)
Gross margin (%)	57.3	56.5	0.8 ppts	1.2 ppts	58.5	(1.1)ppts	57.1	57.1	(0.0)ppts	(0.2)ppts	58.1	(1.0)ppts
OP margin (%)	47.3	46.5	0.8 ppts	1.5 ppts	48.2	(0.9)ppts	47.0	47.1	(0.0)ppts	(0.2)ppts	48.1	(1.1)ppts
Net margin (%)	41.8	41.2	0.7 ppts	1.3 ppts	42.2	(0.4)ppts	41.4	41.4	(0.1)ppts	(0.4)ppts	42.2	(0.8)ppts

Source: Bloomberg; KGI Research estimates

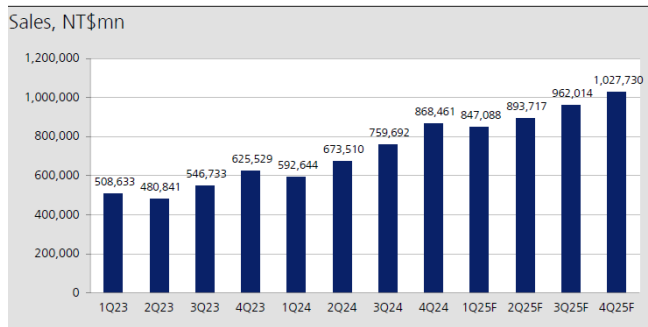
Figure 5: Company profile

Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest dedicated semiconductor foundry, has increased its market share in recent years. Capacity exceeded 16mn 8-inch equivalent wafers in 2013. TSMC operates six advanced 300mm wafer fabs, six 8-inch wafer fabs, and one 6-inch wafer fab, and is building a new 300mm wafer fab. The company provides the following services: wafer manufacturing, wafer probing, assembly and testing, mask production, and design services.

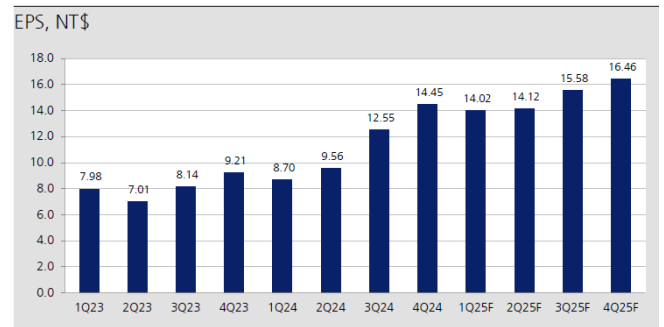
Source: Company data; KGI Research

Figure 6: TSMC wafer revenue by node


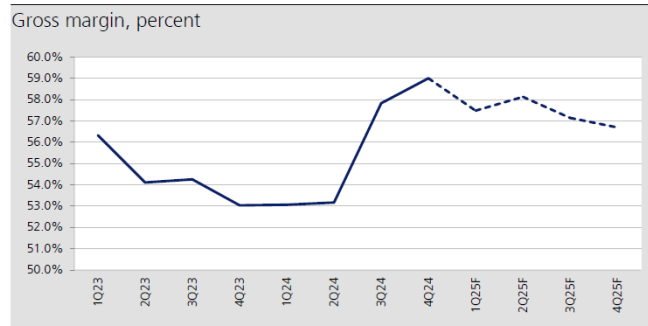
Source: Company data; KGI Research

Figure 7: Sales


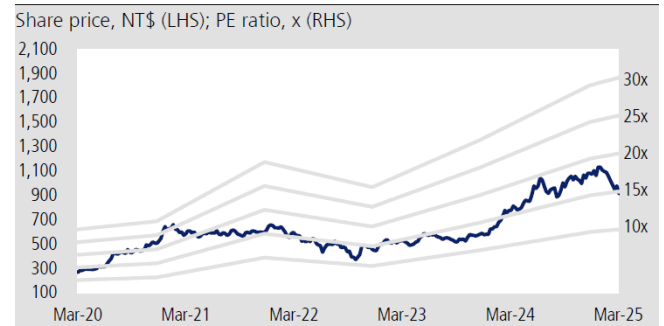
Source: KGI Research

Figure 8: EPS


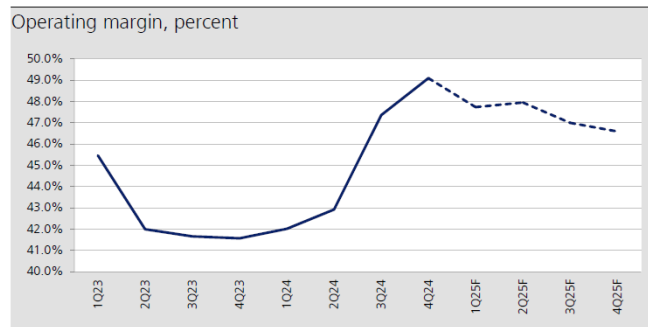
Source: KGI Research

Figure 9: Gross margin


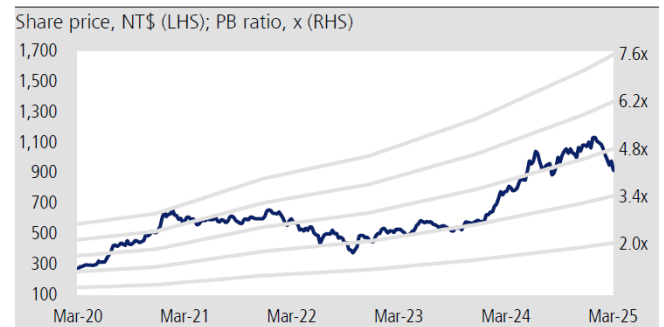
Source: KGI Research

Figure 10: 12M forward PE band


Source: TEJ; KGI Research estimates

Figure 11: Operating margin


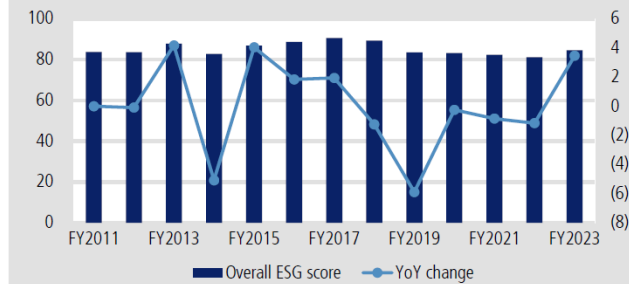
Source: KGI Research

Figure 12: 12M forward PB band


Source: TEJ; KGI Research estimates

Figure 13: Overall ESG score

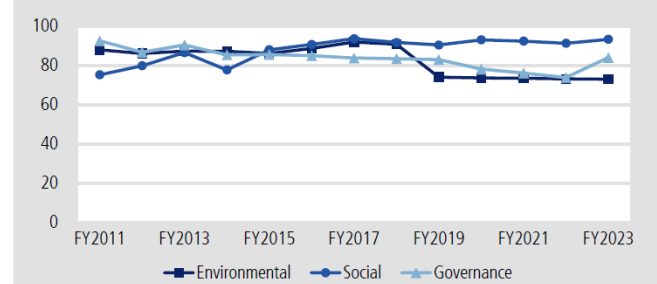
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 14: ESG score by category

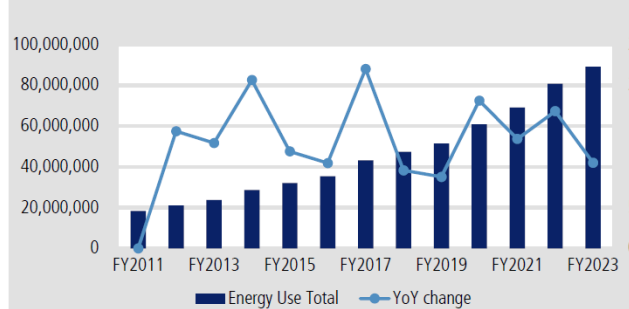
ESG score, points



Source: Refinitiv; Company data

Figure 15: Energy use

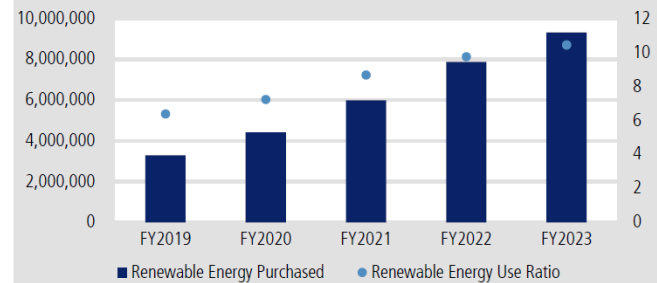
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 16: Renewable energy

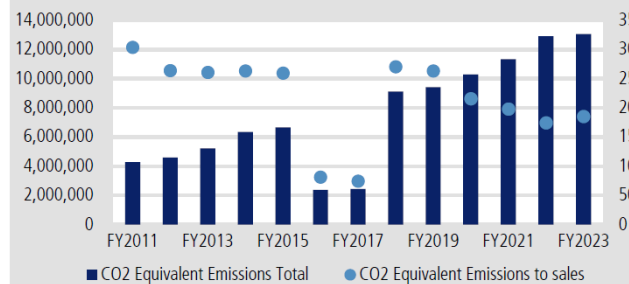
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 17: CO2 equivalent emissions

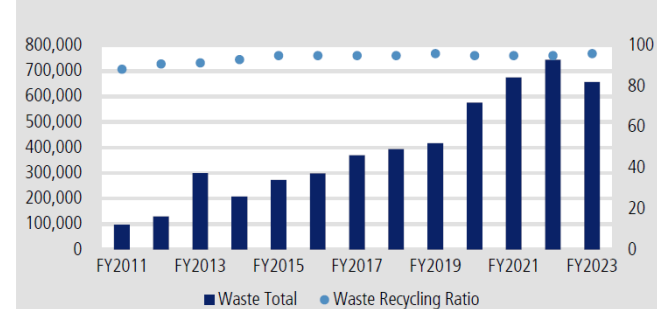
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/US\$m (RHS)



Source: Refinitiv; Company data

Figure 18: Waste total

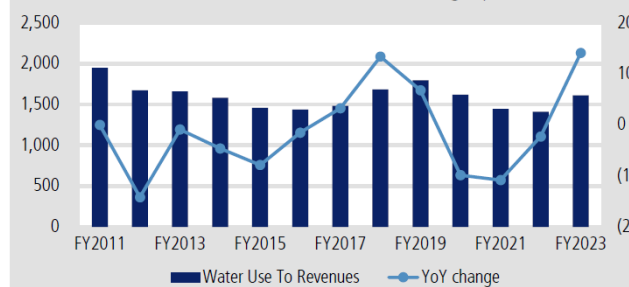
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 19: Water use to revenue

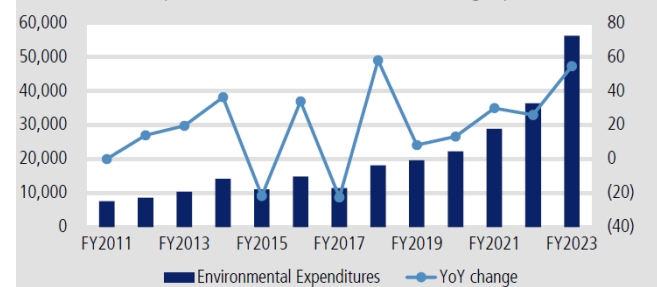
Water use to revenue, m3/US\$m (LHS); YoY change, percent (RHS)



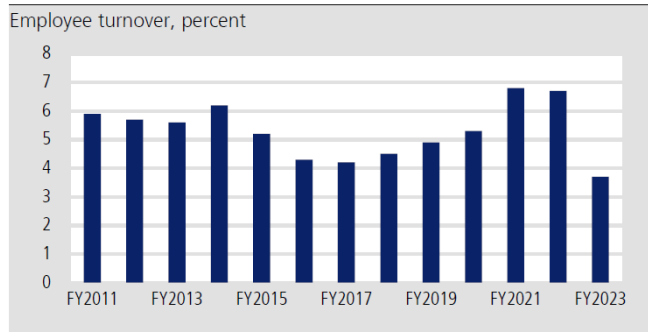
Source: Refinitiv; Company data

Figure 20: Environmental expenditures

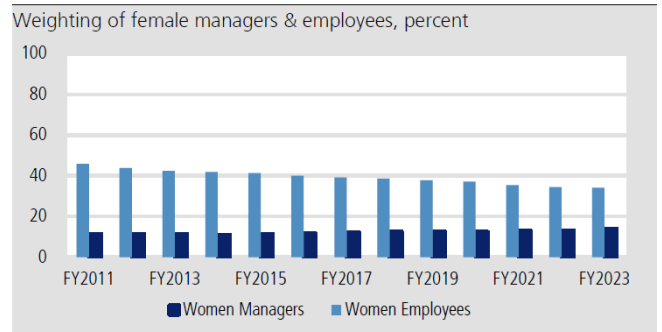
Environmental expenditures, NT\$m (LHS); YoY change, percent (RHS)



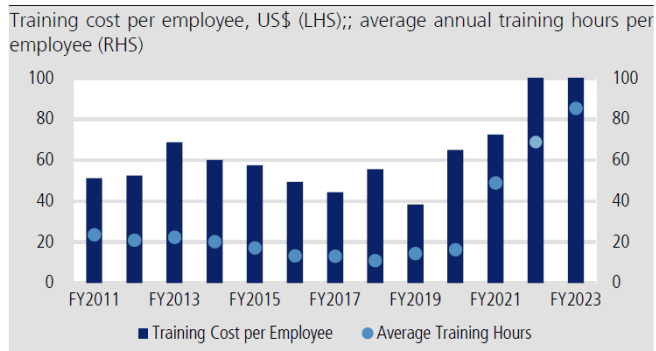
Source: Refinitiv; Company data

Figure 21: Employee turnover


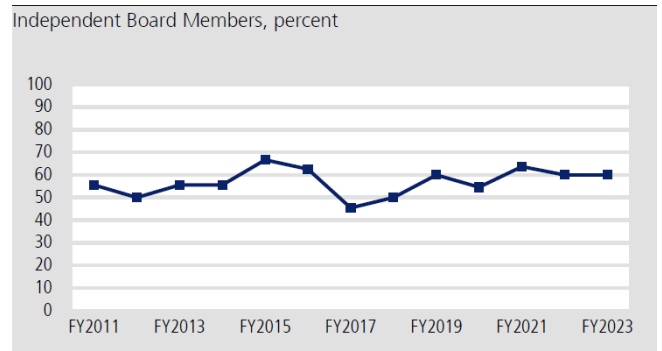
Source: Refinitiv; Company data

Figure 22: Gender diversification


Source: Refinitiv; Company data

Figure 23: Employee training


Source: Refinitiv; Company data

Figure 24: Independent Board Members


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 	
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 	
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, KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24A	Dec-24A	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24A	Dec-25F	Dec-26F
Income statement (NT\$mn)											
Revenue	592,644	673,510	759,692	868,461	847,088	893,717	962,014	1,027,730	2,894,308	3,730,549	4,265,294
Cost of goods sold	(278,139)	(315,386)	(320,346)	(356,083)	(360,171)	(374,188)	(412,284)	(445,078)	(1,269,954)	(1,591,720)	(1,829,354)
Gross profit	314,505	358,124	439,346	512,378	486,918	519,529	549,730	582,652	1,624,354	2,138,829	2,435,939
Operating expenses	(65,487)	(69,022)	(79,578)	(86,012)	(82,591)	(90,980)	(97,644)	(103,801)	(299,840)	(375,017)	(429,343)
Operating profit	249,018	289,103	359,767	426,366	404,327	428,548	452,086	478,851	1,324,513	1,763,812	2,006,596
Depreciation of fixed assets	(156,697)	(162,929)	(165,915)	(168,069)	(168,980)	(175,954)	(181,840)	(188,694)	(653,610)	(715,468)	(799,239)
Amortisation of intangible assets	(2,326)	(2,237)	(2,313)	(2,309)	(3,363)	(3,461)	(3,876)	(3,603)	(9,186)	(14,302)	(15,962)
EBITDA	408,041	454,269	527,996	596,744	576,669	607,963	637,802	671,149	1,987,310	2,493,583	2,821,797
Interest income	19,359	20,979	22,602	24,273	24,273	24,273	24,273	24,273	87,213	97,093	97,093
Investment income	950	1,355	1,286	1,288	1,288	1,288	1,288	1,288	4,879	5,154	5,154
Other non-op income	0	(0)	316	251	(0)	(0)	(0)	(0)	567	(0)	(0)
Non-operating income	20,309	22,335	24,203	25,813	25,562	25,562	25,562	25,562	92,660	102,247	102,247
Interest expense	(2,698)	(2,638)	(2,636)	(2,523)	(2,523)	(2,523)	(2,523)	(2,523)	(10,495)	(10,093)	(10,093)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(86)	58	1,853	(204)	-	-	-	-	1,621	-	-
Non-operating expenses	(2,784)	(2,580)	(783)	(2,727)	(2,523)	(2,523)	(2,523)	(2,523)	(8,874)	(10,093)	(10,093)
Pre-tax profit	266,543	308,858	383,188	449,451	427,365	451,587	475,125	501,890	1,408,299	1,855,967	2,098,751
Current taxation	(41,322)	(58,649)	(59,107)	(74,329)	(64,105)	(85,801)	(71,269)	(75,283)	(233,407)	(296,458)	(334,301)
Minorities	264	184	177	211	211	211	211	211	836	843	843
Normalised net profit	225,485	250,393	324,259	375,333	363,471	365,996	404,067	426,817	1,175,728	1,560,351	1,765,293
Extraordinary items	(0)	(2,547)	999	(653)	-	-	-	-	(2,460)	-	-
Net profit	225,485	247,846	325,258	374,680	363,471	365,996	404,067	426,817	1,173,268	1,560,351	1,765,293
EPS (NT\$)	8.70	9.56	12.55	14.45	14.02	14.12	15.58	16.46	45.25	60.18	68.09
Margins (%)											
Gross profit margin	53.1	53.2	57.8	59.0	57.5	58.1	57.1	56.7	56.1	57.3	57.1
Operating margin	42.0	42.9	47.4	49.1	47.7	48.0	47.0	46.6	45.8	47.3	47.0
EBITDA margin	68.9	67.4	69.5	68.7	68.1	68.0	66.3	65.3	68.7	66.8	66.2
Pretax profit margin	45.0	45.9	50.4	51.8	50.5	50.5	49.4	48.8	48.7	49.8	49.2
Net profit margin	38.0	36.8	42.8	43.1	42.9	41.0	42.0	41.5	40.5	41.8	41.4
Sequential growth (%)											
Revenue growth	(5.3)	13.6	12.8	14.3	(2.5)	5.5	7.6	6.8			
Gross profit growth	(5.2)	13.9	22.7	16.6	(5.0)	6.7	5.8	6.0			
Operating profit growth	(4.3)	16.1	24.4	18.5	(5.2)	6.0	5.5	5.9			
EBITDA growth	(0.7)	11.3	16.2	13.0	(3.4)	5.4	4.9	5.2			
Pretax profit growth	(4.2)	15.9	24.1	17.3	(4.9)	5.7	5.2	5.6			
Net profit growth	(5.5)	9.9	31.2	15.2	(3.0)	0.7	10.4	5.6			
YoY growth (%)											
Revenue growth	16.5	40.1	39.0	38.8	42.9	32.7	26.6	18.3	33.9	28.9	14.3
Gross profit growth	9.8	37.6	48.1	54.4	54.8	45.1	25.1	13.7	38.2	31.7	13.9
Operating profit growth	7.7	43.1	57.9	63.9	62.4	48.2	25.7	12.3	43.8	33.2	13.8
EBITDA growth	19.5	39.4	40.8	45.3	41.3	33.8	20.8	12.5	36.7	25.5	13.2
Pretax profit growth	9.1	43.9	58.6	61.6	60.3	46.2	24.0	11.7	43.9	31.8	13.1
Net profit growth	8.9	36.3	54.2	57.0	61.2	47.7	24.2	13.9	39.9	33.0	13.1

Source: Company data; KGI Research estimates

Balance sheet

NT\$mnn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	4,964,779	5,532,371	6,691,938	7,935,962	9,273,512
Current assets	2,052,897	2,194,033	3,088,352	3,756,257	4,151,306
Cash & ST securities	1,561,486	1,687,644	2,422,020	2,847,117	3,097,662
Inventory	221,149	250,997	287,869	398,571	467,698
Accounts receivable	231,340	201,938	272,088	404,193	479,570
Other current assets	38,922	53,453	106,376	106,376	106,376
Non-current assets	2,911,882	3,338,338	3,603,586	4,179,704	5,122,206
LT investments	68,928	129,442	149,040	154,194	159,348
Net fixed assets	2,693,837	3,064,475	3,234,980	3,805,945	4,743,293
Other assets	149,117	144,421	219,565	219,565	219,565
Total liabilities	2,004,290	2,049,108	2,368,362	2,518,730	2,557,683
Current liabilities	944,227	913,583	1,264,525	1,414,893	1,453,846
Accounts payable	56,522	57,293	74,227	111,741	131,121
Interest bearing ST liabilities	19,314	9,293	59,858	59,858	59,858
Other current liabilities	868,391	846,997	1,130,441	1,243,294	1,262,867
Non-current liabilities	1,060,063	1,135,525	1,103,837	1,103,837	1,103,837
Long-term debt	839,096	918,283	958,429	958,429	958,429
Other L-T liabilities	191,203	188,560	116,653	145,408	145,408
Total equity	2,960,489	3,483,263	4,323,576	5,417,231	6,715,829
Share capital	259,304	259,321	259,327	259,327	259,327
Retained earnings reserve	2,323,223	2,846,884	3,606,105	5,049,613	6,348,210
Minority interests	14,836	24,349	35,031	35,031	35,031
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Growth					
Revenue growth	42.6%	(4.5%)	33.9%	28.9%	14.3%
Operating profit growth	72.5%	(17.9%)	43.8%	33.2%	13.8%
EBITDA growth	45.3%	(6.8%)	36.7%	25.5%	13.2%
Net profit growth	70.4%	(17.5%)	39.9%	33.0%	13.1%
EPS growth	70.4%	(17.5%)	39.9%	33.0%	13.1%
Profitability					
Gross profit margin	59.6%	54.4%	56.1%	57.3%	57.1%
Operating margin	49.5%	42.6%	45.8%	47.3%	47.0%
EBITDA margin	68.8%	67.2%	68.7%	66.8%	66.2%
Net profit margin	44.9%	38.8%	40.5%	41.8%	41.4%
Return on average assets	23.4%	16.0%	19.2%	21.3%	20.5%
Return on average equity	39.8%	26.2%	30.3%	32.3%	29.3%
Stability					
Gross debt to equity	29.0%	26.6%	23.6%	18.8%	15.2%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	98.4	82.6	135.2	184.9	209.0
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	137.1	103.5	174.0	217.2	244.7
Cash flow/int. & ST debt (x)	51.8	58.3	26.0	31.3	35.3
Current ratio (x)	2.2	2.4	2.4	2.7	2.9
Quick ratio (x)	1.9	2.1	2.2	2.4	2.5
Net debt (NT\$mnn)	(484,404)	(537,852)	(1,109,340)	(1,534,437)	(1,784,983)
Per share data					
EPS (NT\$)	39.20	32.34	45.25	60.18	68.09
CFPS (NT\$)	62.12	47.90	70.43	84.56	95.26
BVPS (NT\$)	113.60	133.38	165.37	207.59	257.67
Adj BVPS (NT\$)	113.60	133.40	165.40	207.59	257.67
SPS (NT\$)	87.31	83.37	111.63	143.88	164.51
EBITDA/share (NT\$)	60.11	56.05	76.65	96.18	108.83
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
Activity					
Sales / avg assets	0.52	0.41	0.47	0.51	0.50
Days receivable	37.3	34.1	34.4	39.5	41.0
Days inventory	88.2	92.9	83.0	91.4	93.3
Days payable	22.5	21.2	21.4	25.6	26.2
Cash cycle	102.9	105.8	96.0	105.3	108.2

Source: Company data; KGI Research estimates

Profit & loss

NT\$mnn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	2,263,891	2,161,736	2,894,308	3,730,549	4,265,294
Cost of goods sold	(915,536)	(986,625)	(1,269,954)	(1,591,720)	(1,829,354)
Gross profit	1,348,355	1,175,111	1,624,354	2,138,829	2,435,939
Operating expenses	(227,076)	(254,022)	(299,840)	(375,017)	(429,343)
Operating profit	1,121,279	921,088	1,324,513	1,763,812	2,006,596
Non-operating income	31,168	65,429	92,660	102,247	102,247
Interest income	22,422	60,294	87,213	97,093	97,093
Investment income	8,065	5,119	4,879	5,154	5,154
Other non-op income	681	16	567	(0)	(0)
Non-operating expenses	(8,256)	(7,723)	(8,874)	(10,093)	(10,093)
Interest expense	(11,750)	(11,999)	(10,495)	(10,093)	(10,093)
Investment loss	-	-	-	-	-
Other non-op expenses	3,494	4,276	1,621	-	-
Pre-tax profit	1,144,191	978,794	1,408,299	1,855,967	2,098,751
Current taxation	(127,290)	(141,404)	(233,407)	(296,458)	(334,301)
Minorities	(370)	730	836	843	843
Extraordinary items	-	377	(2,460)	-	-
Net profit	1,016,530	838,498	1,173,268	1,560,351	1,765,293
EBITDA	1,558,533	1,453,279	1,987,310	2,493,583	2,821,797
EPS (NT\$)	39.20	32.34	45.25	60.18	68.09

Cash flow

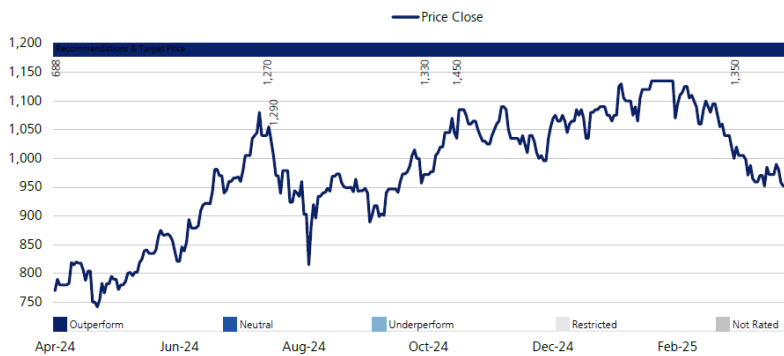
NT\$mnn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	1,610,599	1,241,967	1,826,177	2,192,529	2,469,790
Net profit	1,016,530	838,498	1,173,268	1,560,351	1,765,293
Depreciation & amortisation	437,254	532,191	662,797	729,771	815,201
Decrease in working capital	(53,286)	324	(90,088)	(205,293)	(125,123)
Other operating cash flow	210,100	(129,046)	80,200	107,700	14,419
Investing cash flow	(1,190,928)	(906,121)	(864,843)	(1,300,736)	(1,752,549)
Sale of ST investment	(128,838)	(55,781)	(54,143)	-	-
New investments	-	-	(3,739)	-	-
Capital expenditure	(1,082,672)	(949,817)	(956,007)	(1,300,736)	(1,752,549)
Others investing cashflow	20,582	99,478	149,045	-	-
Free cash flow	289,078	361,461	712,509	691,513	608,541
Financing cash flow	(200,244)	(204,894)	(346,301)	(466,696)	(466,696)
Increase in short term debt	(111,960)	-	-	-	-
Increase in long term loans	195,983	68,204	55,866	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(285,234)	(291,722)	(363,055)	(466,696)	(466,696)
Other financing cashflow	1,839	18,623	(36,022)	-	-
Forex effects	58,397	(8,339)	47,166	-	-
Total cash generated	277,824	122,614	662,199	425,097	250,545

ROIC

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	10.0%	11.8%	10.4%	10.1%	10.1%
= Operating margin	49.5%	42.6%	45.8%	47.3%	47.0%
1 / (Working capital/revenue	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
+ Net PPE/revenue	1.2	1.4	1.1	1.0	1.1
+ Other assets/revenue)	0.0	0.0	0.0	0.1	0.1
= Capital turnover	1.0	0.8	1.0	1.0	0.9
Operating margin	49.5%	42.6%	45.8%	47.3%	47.0%
x Capital turnover	1.0	0.8	1.0	1.0	0.9
x (1 - tax rate)	88.9%	85.6%	83.4%	84.0%	84.1%
= After-tax ROIC	43.9%	29.4%	39.7%	41.4%	36.5%

Source: Company data; KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2025-03-04	Outperform	1,350	1,000
2025-01-16	Outperform	1,450	1,105
2025-01-06	Outperform	1,450	1,125
2024-11-08	Outperform	1,450	1,090
2024-10-17	Outperform	1,450	1,035
2024-10-01	Outperform	1,330	972
2024-08-21	Outperform	1,290	958
2024-07-18	Outperform	1,290	1,005
2024-07-15	Outperform	1,270	1,040
2024-01-18	Outperform	688	588

Source: TEJ; KGI Research

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