

TSMC (2330.TW/2330 TT)

Strong guidance eases looming concerns, partially

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of April 17 (NT\$)	847
12M target price (NT\$)	1,000
Previous target price (NT\$)	1,350
Revised down (%)	25.9
Upside (%)	18.1

Key message

- 1Q25 margins beat, earnings in line.
- Strong 2Q25F sales guidance points to muted 2H25F.
- AI demand still strong, but TSMC's CoWoS supply tightness has improved; 30% of N2 will be produced in Arizona.

Trading data

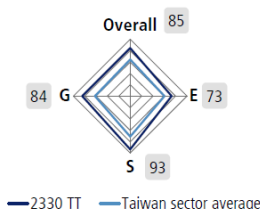
Mkt cap (NT\$bn/US\$mn)	21,965 / 675,681
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,721
3M avg. daily trading (mn)	29.05
52-week trading range (NT\$)	742 -1,135

Performance	3M	6M	12M
Absolute (%)	-24.4	-18.2	5.3
Relative (%)	-7.9	-2.1	9.6

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	13.94F	15.01F	15.07F	14.77F

ESG score card



Source: Refinitiv

Event

TSMC has maintained its 2025F sales and capex guidance as well as AI demand outlook. We view this as a positive amid tariff uncertainties and recession concerns.

Impact

1Q25 margins beat, earnings in line. 1Q25 sales of NT\$839.3bn (down 3.4% QoQ, up 41.6% YoY) reached the higher-end of guidance, thanks to strong N3 and N4 demand. Despite earthquake-related losses, both gross margin of 58.8% and operating margin of 48.5% still reached the higher-end of guidance and were better than our forecasts of 57.5% and 47.7%, respectively. Net income came in at NT\$361.6bn (EPS of NT\$13.94), in line with our forecast.

Strong 2Q25F sales guidance points to muted 2H25F. TSMC guides 2Q25F sales of NT\$923-949bn, up 11.5% QoQ and 39.0% YoY (at mid-point), due to strong N3 and N5 demand, which is much better than consensus of 5% QoQ growth. TSMC said there are no signs of client behavior changes, either in terms of pull-in in 2Q25 or order cuts due to recession concerns. However, the unchanged 2025F sales guidance (up 25% YoY) indicates a muted 2H25F, and we will likely see moderate QoQ sales declines for three quarters in a row starting 3Q25F. TSMC reiterated that its full-year sales and capex guidance is unchanged, and that the AI demand outlook (for AI accelerator and CoWoS) remains robust.

AI demand still strong, but firm's CoWoS supply tightness has improved; 30% of N2 will be produced in Arizona. While TSMC's CoWoS capacity is still tight, the company said supply has improved a lot so far this year and it expects overall supply-demand will be more balanced in 2026F, where management has changed its tune somewhat. Together with limited GB200 rack shipments at the downstream, we see some potential risks of CoWoS order adjustments from 3Q25F. In addition, with future overseas expansion skewed toward the US, about 30% of N2 production is expected to be based in Arizona once the Arizona fab is fully operational. With inflated costs and the potential tariff impact, TSMC now expects overseas expansion may erode gross margin by 2-3% in the early stage and by 3-4% in the latter stage of the next five-year period, slightly above previous guidance of 2-3%.

Valuation & Action

TSMC denied it is in discussions with Intel (US) about a potential JV or technology transfer, which may ease investor concerns. Overall, we view the 1Q25 earnings call as positive for a share rebound. However, we still see the high share valuation as a potential overhang given concerns of US semiconductor tariffs and slower demand during the upcoming downcycle. We further lower our target PE from an upcycle average of 20x to a cyclical average of 15x, due to uncertainties about semiconductor tariffs and a potential downcycle ahead. On a PE of 15x, we lower our target price to NT\$1,000, with our earnings estimates moderately adjusted, in view of: (1) limited catalysts beyond 2Q25F; and (2) potential order cuts in anticipation of slower demand growth. Maintain Outperform.

Risks

Global economic and tariff 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	3,652,022	4,039,983
Gross profit (NT\$mn)	1,348,355	1,175,111	1,624,354	2,100,291	2,337,978
Operating profit (NT\$mn)	1,121,279	921,088	1,324,513	1,730,061	1,937,727
Net profit (NT\$mn)	1,016,530	838,498	1,173,268	1,524,369	1,711,841
EPS (NT\$)	39.20	32.34	45.25	58.79	66.02
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
EPS growth (%)	70.4	(17.5)	39.9	29.9	12.3
PE (x)	21.6	26.2	18.7	14.4	12.8
PB (x)	7.5	6.4	5.1	4.1	3.3
EV/EBITDA (x)	13.5	14.3	10.2	8.1	7.2
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.3	1.5	2.0	2.1	2.1
Return on average equity (%)	39.8	26.2	30.3	31.6	28.7

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 1Q25 results & 2Q25 forecast revisions vs. consensus

NT\$m	1Q25							2Q25F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	839,254	847,088	(0.9)	(3.4)	41.6	834,303	0.6	948,277	893,717	6.1	13.0	40.8	882,597	7.4
Gross profit	493,395	486,918	1.3	(3.7)	56.9	485,055	1.7	558,452	519,529	7.5	13.2	55.9	513,539	8.7
Operating profit	407,081	404,327	0.7	(4.5)	63.5	398,590	2.1	461,918	428,548	7.8	13.5	59.8	422,467	9.3
Net profit	361,564	363,471	(0.5)	(3.5)	60.3	347,665	4.0	389,205	365,996	6.3	7.6	57.0	364,092	6.9
EPS (NT\$)	13.94	14.02	(0.5)	(3.5)	60.4	13.58	2.7	15.01	14.12	6.3	7.6	57.0	14.22	5.5
Gross margin (%)	58.8	57.5	1.3 ppts	(0.2)ppts	5.7 ppts	58.1	0.7 ppts	58.9	58.1	0.8 ppts	0.1 ppts	5.7 ppts	58.2	0.7 ppts
OP margin (%)	48.5	47.7	0.8 ppts	(0.6)ppts	6.5 ppts	47.8	0.7 ppts	48.7	48.0	0.8 ppts	0.2 ppts	5.8 ppts	47.9	0.8 ppts
Net margin (%)	43.1	42.9	0.2 ppts	(0.1)ppts	5.0 ppts	41.7	1.4 ppts	41.0	41.0	0.1 ppts	(2.0)ppts	4.2 ppts	41.3	(0.2)ppts

Source: Company data; Bloomberg; KGI Research estimates

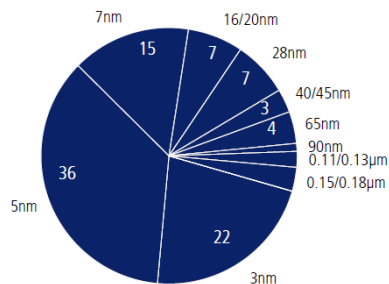
Figure 2: Breakdown of 2025-26 forecast revisions vs. consensus

NT\$m	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	3,652,022	3,730,549	(2.1)	26.2	3,660,412	(0.2)	4,039,983	4,265,294	(5.3)	10.6	4,332,680	(6.8)
Gross profit	2,100,291	2,138,829	(1.8)	29.3	2,134,496	(1.6)	2,337,978	2,435,939	(4.0)	11.3	2,502,166	(6.6)
Operating profit	1,730,061	1,763,812	(1.9)	30.6	1,760,299	(1.7)	1,937,727	2,006,596	(3.4)	12.0	2,068,532	(6.3)
Net profit	1,524,369	1,560,351	(2.3)	29.9	1,545,294	(1.4)	1,711,841	1,765,293	(3.0)	12.3	1,818,425	(5.9)
EPS (NT\$)	58.79	60.18	(2.3)	29.9	59.41	(1.0)	66.02	68.09	(3.0)	12.3	69.99	(5.7)
Gross margin (%)	57.5	57.3	0.2 ppts	1.4 ppts	58.3	(0.8)ppts	57.9	57.1	0.8 ppts	0.4 ppts	57.8	0.1 ppts
OP margin (%)	47.4	47.3	0.1 ppts	1.6 ppts	48.1	(0.7)ppts	48.0	47.0	0.9 ppts	0.6 ppts	47.7	0.2 ppts
Net margin (%)	41.7	41.8	(0.1)ppts	1.2 ppts	42.2	(0.5)ppts	42.4	41.4	1.0 ppts	0.6 ppts	42.0	0.4 ppts

Source: Bloomberg; KGI Research estimates

Figure 3: TSMC's wafer revenue by node

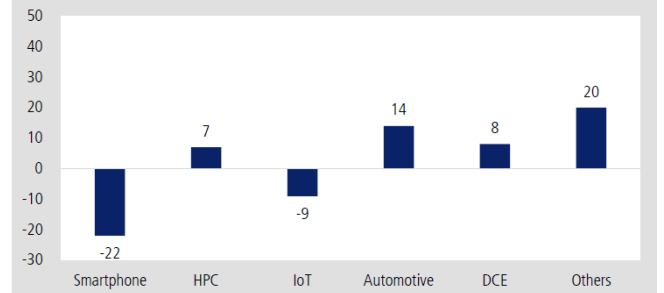
Wafer revenue weighting, percent



Source: Company data; KGI Research

Figure 4: TSMC's revenue by platform

Platform revenue QoQ, percent



Source: Company data; KGI Research

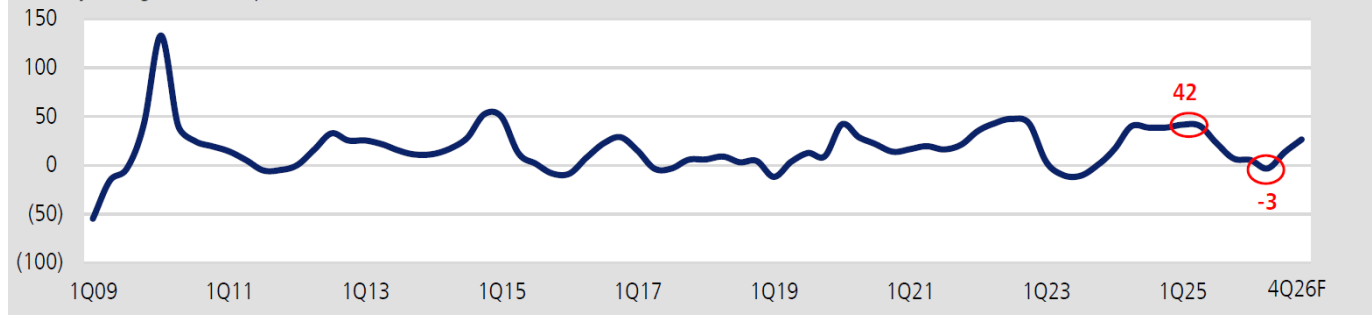
Figure 5: TSMC's 2025 guidance is unchanged

Management guidance for 2025	
Sales growth (%)	Close to 25%+ YoY (US dollar terms)
Capex (US\$bn)	38-42
AI accelerator revenue	To double in 2025F, with five-year CAGR of 44-46%
CoWoS capacity expansion	To double in 2025F, but more balanced in 2026F

Source: Company data; KGI Research

Figure 6: TSMC's quarterly sales growth YoY

Quarterly sales growth YoY, percent

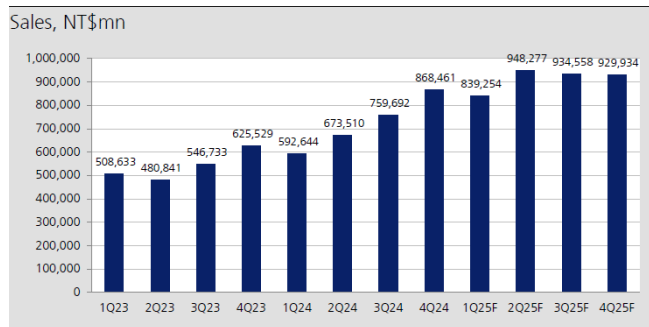


Source: TEJ; KGI Research estimates

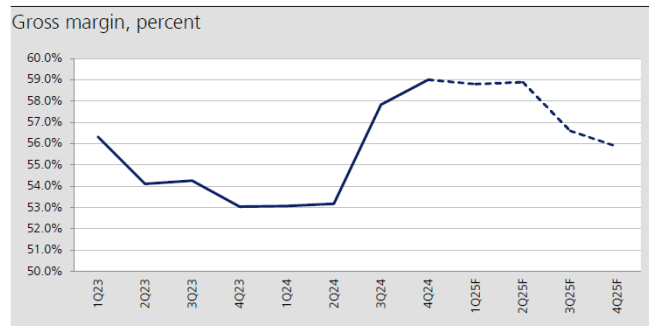
Figure 7: Company profile

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.

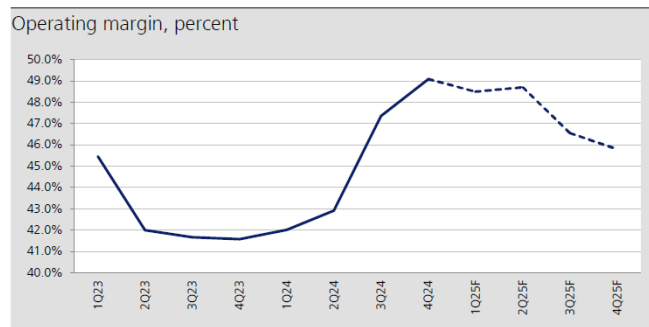
Source: Company data; KGI Research

Figure 9: Sales


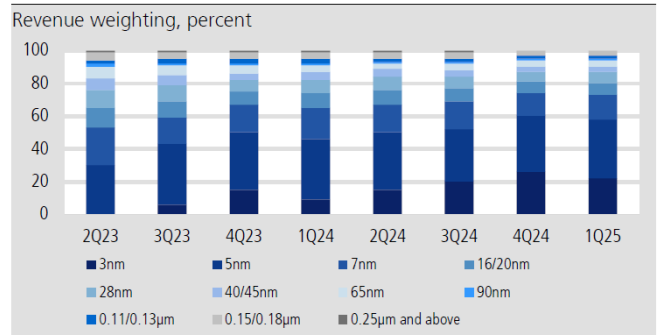
Source: KGI Research

Figure 11: Gross margin


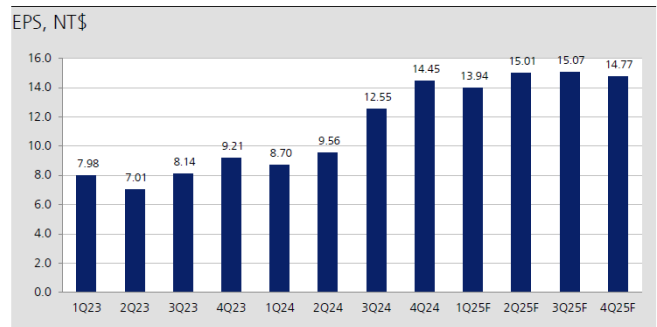
Source: KGI Research

Figure 13: Operating margin


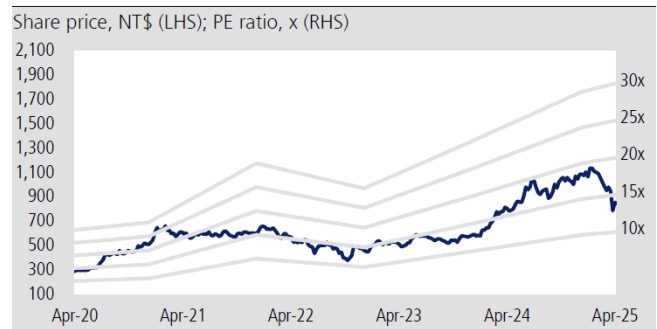
Source: KGI Research

Figure 8: TSMC wafer revenue by node


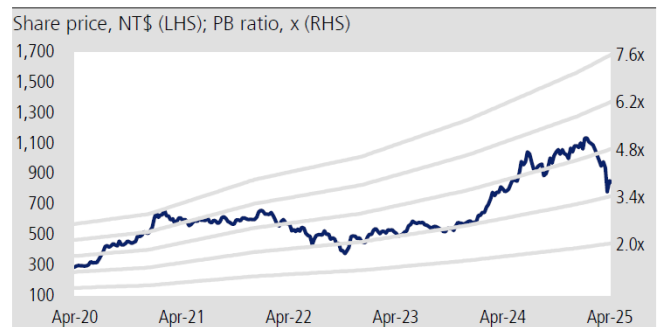
Source: Company data; KGI Research

Figure 10: EPS


Source: KGI Research

Figure 12: 12M forward PE band


Source: TEJ; KGI Research estimates

Figure 14: 12M forward PB band


Source: TEJ; KGI Research estimates

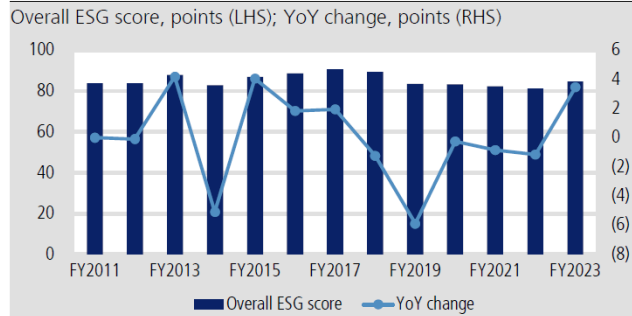
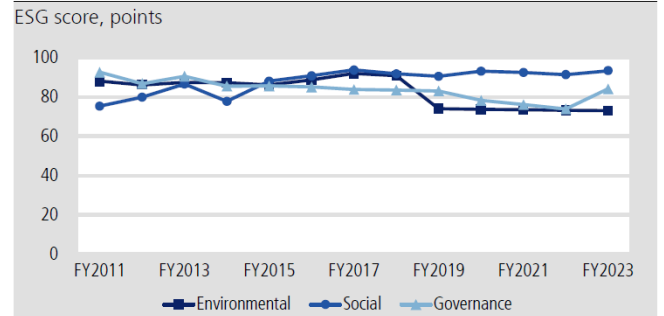
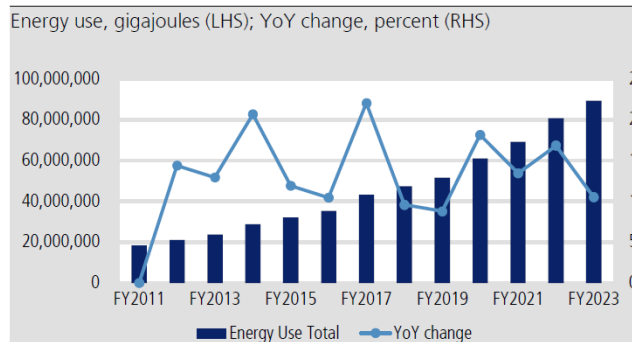
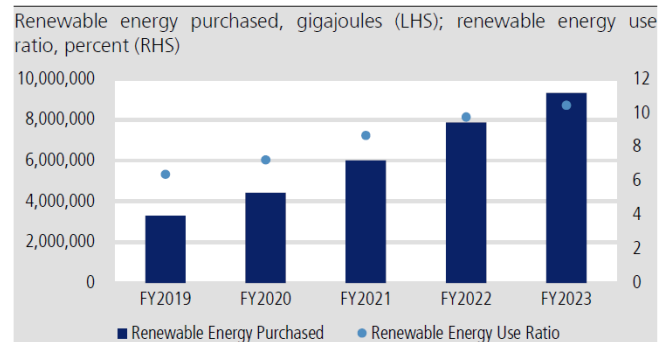
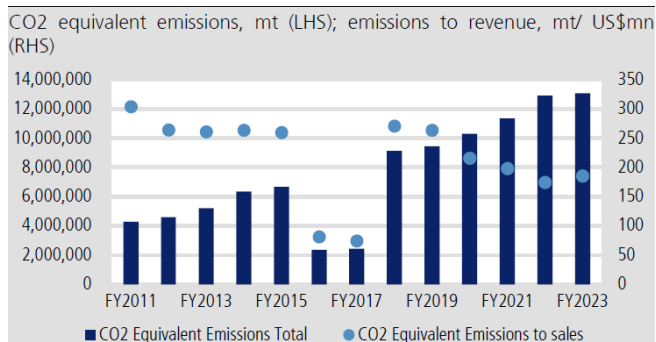
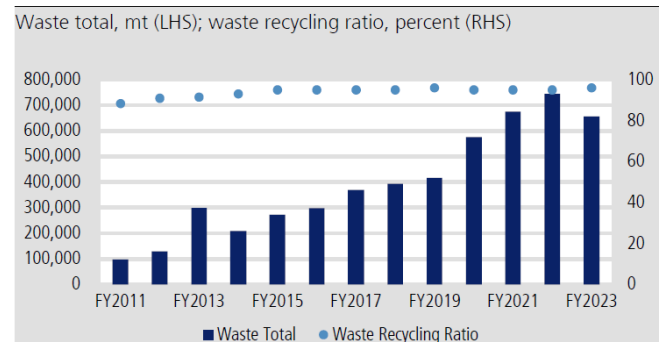
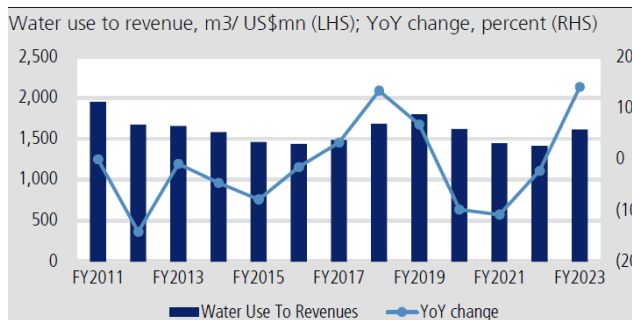
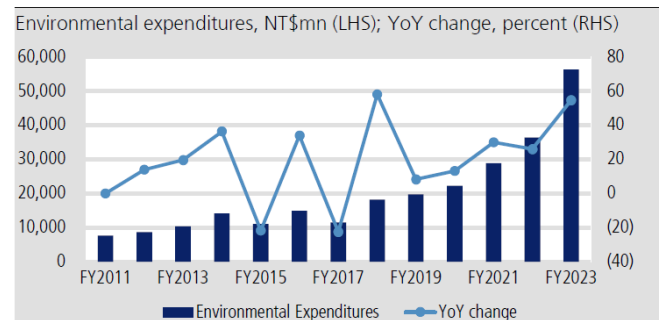
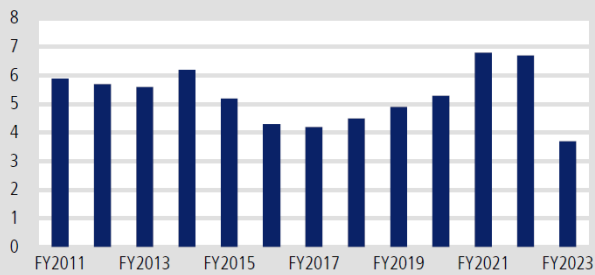
Figure 15: Overall ESG score

Figure 16: ESG score by category

Figure 17: Energy use

Figure 18: Renewable energy

Figure 19: CO2 equivalent emissions

Figure 20: Waste total

Figure 21: Water use to revenue

Figure 22: Environmental expenditures


Figure 23: Employee turnover

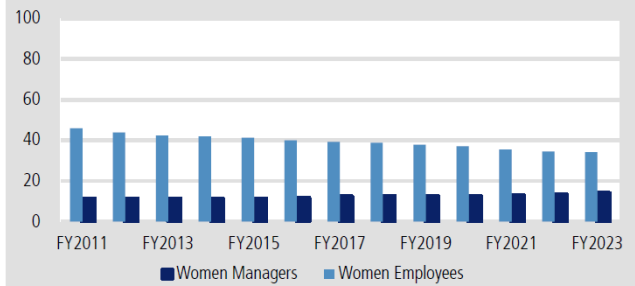
Employee turnover, percent



Source: Refinitiv; Company data

Figure 24: Gender diversification

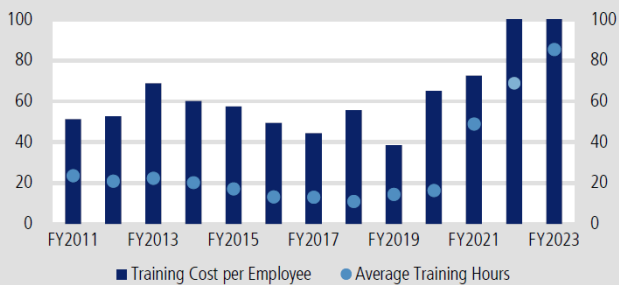
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 25: Employee training

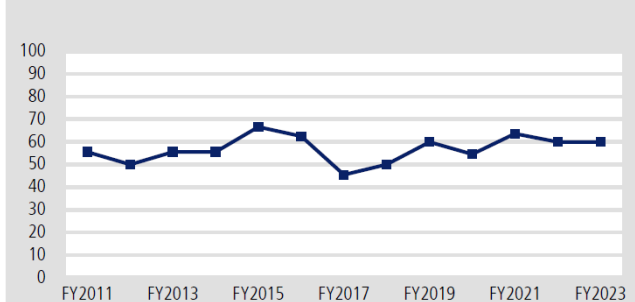
Training cost per employee, US\$ (LHS); average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 26: Independent Board Members

Independent Board Members, percent



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\$m)											
Revenue	592,644	673,510	759,692	868,461	839,254	948,277	934,558	929,934	2,894,308	3,652,022	4,039,983
Cost of goods sold	(278,139)	(315,386)	(320,346)	(356,083)	(345,859)	(389,825)	(405,538)	(410,509)	(1,269,954)	(1,551,731)	(1,702,006)
Gross profit	314,505	358,124	439,346	512,378	493,395	558,452	529,019	519,424	1,624,354	2,100,291	2,337,978
Operating expenses	(65,487)	(69,022)	(79,578)	(86,012)	(86,314)	(96,535)	(93,923)	(93,458)	(299,840)	(370,230)	(400,250)
Operating profit	249,018	289,103	359,767	426,366	407,081	461,918	435,096	425,966	1,324,513	1,730,061	1,937,727
Depreciation of fixed assets	(156,697)	(162,929)	(165,915)	(168,069)	(169,022)	(176,038)	(181,966)	(188,861)	(653,610)	(715,887)	(790,852)
Amortisation of intangible assets	(2,326)	(2,237)	(2,313)	(2,309)	(3,364)	(3,462)	(3,878)	(3,607)	(9,186)	(14,311)	(15,795)
EBITDA	408,041	454,269	527,996	596,744	579,466	641,418	620,940	618,434	1,987,310	2,460,259	2,744,375
Interest income	19,359	20,979	22,602	24,273	24,705	24,705	24,705	24,705	87,213	98,821	98,821
Investment income	950	1,355	1,286	1,288	1,368	1,368	1,368	1,368	4,879	5,472	5,472
Other non-op income	0	(0)	316	251	264	-	-	-	567	264	-
Non-operating income	20,309	22,335	24,203	25,813	26,337	26,073	26,073	26,073	92,660	104,557	104,293
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	430,895	485,468	458,646	449,516	1,408,299	1,824,525	2,031,927
Current taxation	(41,322)	(58,649)	(59,107)	(74,329)	(70,162)	(97,094)	(68,797)	(67,427)	(233,407)	(303,480)	(323,410)
Minorities	264	184	177	211	831	831	831	831	836	3,324	3,324
Normalised net profit	225,485	250,393	324,259	375,333	361,564	389,205	390,680	382,920	1,175,728	1,524,369	1,711,841
Extraordinary items	(0)	(2,547)	999	(653)	-	-	-	-	(2,460)	-	-
Net profit	225,485	247,846	325,258	374,680	361,564	389,205	390,680	382,920	1,173,268	1,524,369	1,711,841
EPS (NT\$)	8.70	9.56	12.55	14.45	13.94	15.01	15.07	14.77	45.25	58.79	66.02
Margins (%)											
Gross profit margin	53.1	53.2	57.8	59.0	58.8	58.9	56.6	55.9	56.1	57.5	57.9
Operating margin	42.0	42.9	47.4	49.1	48.5	48.7	46.6	45.8	45.8	47.4	48.0
EBITDA margin	68.9	67.4	69.5	68.7	69.0	67.6	66.4	66.5	68.7	67.4	67.9
Pretax profit margin	45.0	45.9	50.4	51.8	51.3	51.2	49.1	48.3	48.7	50.0	50.3
Net profit margin	38.0	36.8	42.8	43.1	43.1	41.0	41.8	41.2	40.5	41.7	42.4
Sequential growth (%)											
Revenue growth	(5.3)	13.6	12.8	14.3	(3.4)	13.0	(1.4)	(0.5)			
Gross profit growth	(5.2)	13.9	22.7	16.6	(3.7)	13.2	(5.3)	(1.8)			
Operating profit growth	(4.3)	16.1	24.4	18.5	(4.5)	13.5	(5.8)	(2.1)			
EBITDA growth	(0.7)	11.3	16.2	13.0	(2.9)	10.7	(3.2)	(0.4)			
Pretax profit growth	(4.2)	15.9	24.1	17.3	(4.1)	12.7	(5.5)	(2.0)			
Net profit growth	(5.5)	9.9	31.2	15.2	(3.5)	7.6	0.4	(2.0)			
YoY growth (%)											
Revenue growth	16.5	40.1	39.0	38.8	41.6	40.8	23.0	7.1	33.9	26.2	10.6
Gross profit growth	9.8	37.6	48.1	54.4	56.9	55.9	20.4	1.4	38.2	29.3	11.3
Operating profit growth	7.7	43.1	57.9	63.9	63.5	59.8	20.9	(0.1)	43.8	30.6	12.0
EBITDA growth	19.5	39.4	40.8	45.3	42.0	41.2	17.6	3.6	36.7	23.8	11.5
Pretax profit growth	9.1	43.9	58.6	61.6	61.7	57.2	19.7	0.0	43.9	29.6	11.4
Net profit growth	8.9	36.3	54.2	57.0	60.3	57.0	20.1	2.2	39.9	29.9	12.3

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	4,964,779	5,532,371	6,691,938	7,882,509	9,170,691
Current assets	2,052,897	2,194,033	3,088,352	3,697,583	4,164,188
Cash & ST securities	1,561,486	1,687,644	2,422,020	2,857,861	3,150,794
Inventory	221,149	250,997	287,869	367,615	444,035
Accounts receivable	231,340	201,938	272,088	365,731	462,984
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	4,184,926	5,006,502
LT investments	68,928	129,442	149,040	154,512	159,984
Net fixed assets	2,693,837	3,064,475	3,234,980	3,810,848	4,626,953
Other assets	149,117	144,421	219,565	219,565	219,565
Total liabilities	2,004,290	2,049,108	2,368,362	2,501,286	2,544,349
Current liabilities	944,227	913,583	1,264,525	1,397,449	1,440,512
Accounts payable	56,522	57,293	74,227	103,062	124,487
Interest bearing ST liabilities	19,314	9,293	59,858	59,858	59,858
Other current liabilities	868,391	846,997	1,130,441	1,234,529	1,256,167
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	5,381,223	6,626,342
Share capital	259,304	259,321	259,327	259,327	259,327
Retained earnings reserve	2,323,223	2,846,884	3,606,105	5,013,604	6,258,723
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%	26.2%	10.6%
Operating profit growth	72.5%	(17.9%)	43.8%	30.6%	12.0%
EBITDA growth	45.3%	(6.8%)	36.7%	23.8%	11.5%
Net profit growth	70.4%	(17.5%)	39.9%	29.9%	12.3%
EPS growth	70.4%	(17.5%)	39.9%	29.9%	12.3%
Profitability					
Gross profit margin	59.6%	54.4%	56.1%	57.5%	57.9%
Operating margin	49.5%	42.6%	45.8%	47.4%	48.0%
EBITDA margin	68.8%	67.2%	68.7%	67.4%	67.9%
Net profit margin	44.9%	38.8%	40.5%	41.7%	42.4%
Return on average assets	23.4%	16.0%	19.2%	20.9%	20.1%
Return on average equity	39.8%	26.2%	30.3%	31.6%	28.7%
Stability					
Gross debt to equity	29.0%	26.6%	23.6%	18.9%	15.4%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	98.4	82.6	135.2	181.8	202.3
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	218.8	236.1
Cash flow/int. & ST debt (x)	51.8	58.3	26.0	31.6	34.1
Current ratio (x)	2.2	2.4	2.4	2.6	2.9
Quick ratio (x)	1.9	2.1	2.2	2.4	2.6
Net debt (NT\$m)	(484,404)	(537,852)	(1,109,340)	(1,545,182)	(1,838,114)
Per share data					
EPS (NT\$)	39.20	32.34	45.25	58.79	66.02
CFPS (NT\$)	62.12	47.90	70.43	85.18	91.88
BVPS (NT\$)	113.60	133.38	165.37	206.19	254.21
Adj BVPS (NT\$)	113.60	133.40	165.40	206.19	254.21
SPS (NT\$)	87.31	83.37	111.63	140.85	155.81
EBITDA/share (NT\$)	60.11	56.05	76.65	94.88	105.84
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
Activity					
Sales / avg assets	0.52	0.41	0.47	0.50	0.47
Days receivable	37.3	34.1	34.4	36.6	41.8
Days inventory	88.2	92.9	83.0	86.5	95.2
Days payable	22.5	21.2	21.4	24.2	26.7
Cash cycle	102.9	105.8	96.0	98.8	110.4

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	2,263,891	2,161,736	2,894,308	3,652,022	4,039,983
Cost of goods sold	(915,536)	(986,625)	(1,269,954)	(1,551,731)	(1,702,006)
Gross profit	1,348,355	1,175,111	1,624,354	2,100,291	2,337,978
Operating expenses	(227,076)	(254,022)	(299,840)	(370,230)	(400,250)
Operating profit	1,121,279	921,088	1,324,513	1,730,061	1,937,727
Non-operating income	31,168	65,429	92,660	104,557	104,293
Interest income	22,422	60,294	87,213	98,821	98,821
Investment income	8,065	5,119	4,879	5,472	5,472
Other non-op income	681	16	567	264	-
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	1,824,525	2,031,927
Current taxation	(127,290)	(141,404)	(233,407)	(303,480)	(323,410)
Minorities	(370)	730	836	3,324	3,324
Extraordinary items	-	377	(2,460)	-	-
Net profit	1,016,530	838,498	1,173,268	1,524,369	1,711,841
EBITDA	1,558,533	1,453,279	1,987,310	2,460,259	2,744,375
EPS (NT\$)	39.20	32.34	45.25	58.79	66.02

Cash flow

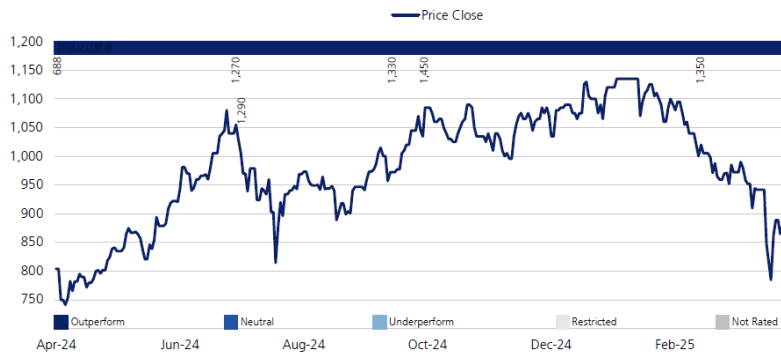
NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	1,610,599	1,241,967	1,826,177	2,208,630	2,382,406
Net profit	1,016,530	838,498	1,173,268	1,524,369	1,711,841
Depreciation & amortisation	437,254	532,191	662,797	730,198	806,647
Decrease in working capital	(53,286)	324	(90,088)	(144,554)	(152,248)
Other operating cash flow	210,100	(129,046)	80,200	98,616	16,166
Investing cash flow	(1,190,928)	(906,121)	(864,843)	(1,306,066)	(1,622,752)
Sale of ST investment	(128,838)	(55,781)	(54,143)	-	-
New investments	-	-	(3,739)	-	-
Capital expenditure	(1,082,672)	(949,817)	(956,007)	(1,306,066)	(1,622,752)
Others investing cashflow	20,582	99,478	149,045	-	-
Free cash flow	289,078	361,461	712,509	707,561	645,163
Financing cash flow	(200,244)	(204,894)	(346,301)	(466,722)	(466,722)
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)	(466,722)	(466,722)
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	435,842	292,933

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%	9.9%
= Operating margin	49.5%	42.6%	45.8%	47.4%	48.0%
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%	47.4%	48.0%
x Capital turnover	1.0	0.8	1.0	1.0	0.9
x (1 - tax rate)	88.9%	85.6%	83.4%	83.4%	84.1%
= After-tax ROIC	43.9%	29.4%	39.7%	40.8%	36.4%

Source: Company data; KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2025-03-31	Outperform	1,350	910
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

Source: TEJ; KGI Research

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