Company update | IC manufacturing • Taiwan

TSMC

(2330.TW/2330 TT)

FTSE4Good TIP Taiwan ESG Index stock

Outperform • Maintained

Price as of October 1 (NT$)	2,510
12M target price (NT$)	3,200
Previous target price (NT$)	3,200
Unchanged (%)	0.0
Upside (%)	27.5

Key message

1. 3Q26F results to slightly beat guidance.
2. Tight capacity to underpin price hikes.
3. HBM4e custom base dies to be new driver of N3 demand.

Trading data

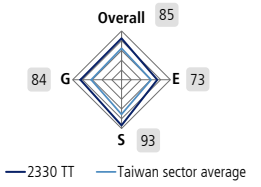
Mkt cap (NT$bn/US$mn)	65,0902,042,08
Outstanding shares (mn)	25,932
Foreign ownership (mn)	18,559
3M avg. daily trading (mn)	16.75
52-week trading range (NT$)	1,365 –2,510

Performance	3M	6M	12M
Absolute (%)	0.2	35.3	89.4
Relative (%)	-2.6	-10.5	3.3

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2025	13.95A	15.36A	17.44A	19.51A
2026	22.08A	27.25A	28.92F	30.87F
2027	31.21F	31.96F	37.93F	40.09F

ESG score card



Source: Refinitiv

HBM4e custom base dies to be new driver of N3 demand

Event

TSMC will host its 3Q26 earnings call on October 15.

Impact

3Q26F results to slightly beat guidance. We expect 3Q26 revenue to arrive at NT$1.48tn, up 16.2% QoQ, slightly above the high end of guidance on strong HPC demand and iPhone seasonality. As July-August sales already achieved 67% of our 3Q26 forecast, we believe September sales might slightly decline MoM. We forecast gross margin of 68%, versus guidance of 65-67%, on high capacity utilization and product mix improvement, which will help offset dilution from N2 ramp-up and overseas expansion expenses. We expect TSMC to guide high-single digit QoQ on revenue growth in 4Q26, with flat to mild gross margin contraction due to higher N2 exposure. We forecast 4Q26 gross margin of 67.6%.

Tight capacity to underpin price hikes. We forecast TSMC will raise wafer prices for advanced nodes by 5-10% in 2027. In contrast to 2026, during which only N3, N4, and N5 prices were raised, we expect all nodes to see price hikes in 2027, thanks to new demand from HBM4 base dies (N12) and strong CPU demand (I/O for N6 & N7). We estimate advanced packaging and mature node prices will rise by a respective 10-15% and 3-5%. In addition, we expect N3 capacity to remain tight (UTR over 120%) in 2027 on Nvidia (US) Rubin production ramp-up and strong AI ASIC demand, along with incremental CPU and networking chip demand from agentic AI. We estimate respective N3 capacity of 160kwpm, 200kwpm, and 220kwpm by the end of 2026, 2027, and 2028, with expansion in Taiwan, the US, and Japan. We forecast 32.8% YoY revenue growth and capex of US$70-72bn in 2027.

HBM4e custom base dies to be new driver of N3 demand. TSMC recently announced it will expand its single node capacity beyond its normal sweet spot of 150kwpm. As its two major N3 clients will move to N2 (Apple; US) and A16 (Nvidia) by 2028F, we believe the reason for greater N3 capacity expansion is HBM4e custom base dies. Assuming GPU shipments exceed 10mn units and they all adopt HBM4e, we estimate consumption of 550-600k N3 wafers per year, or 45-50kwpm, which is equal to 20-25% of TSMC's N3 capacity. Meanwhile, AI ASIC and CPU demand could remain strong in 2027-28, which would keep N3 UTR high through end-2028, despite further expansion.

Valuation & Action

We maintain Outperform with a target price of NT$3,200, based on 20x 2H27-1H28F average EPS. TSMC remains our top pick in the semiconductor space.

Risks

Global economic uncertainties; oversupply amid aggressive capacity expansion.

Key financials and valuations

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue (NT$mn)	2,894,308	3,809,054	5,460,347	7,248,991	9,292,811
Gross profit (NT$mn)	1,624,354	2,281,294	3,682,932	5,005,664	6,473,507
Operating profit (NT$mn)	1,324,513	1,935,197	3,237,352	4,375,691	5,695,825
Net profit (NT$mn)	1,173,268	1,717,883	2,829,525	3,660,799	4,740,862
EPS (NT$)	45.25	66.26	109.12	141.18	182.83
Cash DPS (NT$)	17.00	22.00	29.00	33.00	37.00
EPS growth (%)	39.9	46.4	64.7	29.4	29.5
PE (x)	55.5	37.9	23.0	17.8	13.7
PB (x)	15.2	12.0	8.5	6.2	4.5
EV/EBITDA (x)	31.3	23.6	15.3	11.4	8.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.7	0.9	1.2	1.3	1.5
Return on average equity (%)	30.3	35.4	43.3	40.3	38.1

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q-4Q26 forecast revisions vs. consensus

	3Q26F							4Q26F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,476,431	1,476,431	0.0	16.2	49.1	1,453,773	1.6	1,579,433	1,551,433	1.8	7.0	51.0	1,594,493	(0.9)
Gross profit	1,003,832	1,003,283	0.1	16.7	70.6	967,631	3.7	1,067,493	1,052,372	1.4	6.3	63.7	1,050,771	1.6
Operating profit	875,383	868,928	0.7	15.8	74.8	842,676	3.9	936,400	915,846	2.2	7.0	66.4	923,988	1.3
Net profit	749,919	744,560	0.7	6.1	65.8	726,108	3.3	800,564	783,502	2.2	6.8	58.3	793,309	0.9
EPS (NT$)	28.92	28.71	0.7	6.1	65.8	28.08	3.0	30.87	30.21	2.2	6.8	58.3	30.68	0.6
Gross margin (%)	68.0	68.0	0.0 ppts	0.3 ppts	8.5 ppts	66.6	1.4 ppts	67.6	67.8	(0.2)ppts	(0.4)ppts	5.3 ppts	65.9	1.7 ppts
OP margin (%)	59.3	58.9	0.4 ppts	(0.2)ppts	8.7 ppts	58.0	1.3 ppts	59.3	59.0	0.3 ppts	(0.0)ppts	5.5 ppts	57.9	1.3 ppts
Net margin (%)	50.8	50.4	0.4 ppts	(4.8)ppts	5.1 ppts	49.9	0.8 ppts	50.7	50.5	0.2 ppts	(0.1)ppts	2.3 ppts	49.8	0.9 ppts

Source: Bloomberg; KGI Research estimates

Figure 2: Breakdown of 2026-28 forecast revisions vs. consensus

	2026F						2027F						2028F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	5,460,347	5,432,348	0.5	43.4	5,429,080	0.6	7,248,991	7,178,096	1.0	32.8	7,320,651	(1.0)	9,292,811	9,292,811	0.0	28.2	9,172,238	1.3
Gross profit	3,682,932	3,667,261	0.4	61.4	3,592,422	2.5	5,005,664	4,961,022	0.9	35.9	4,844,075	3.3	6,473,507	6,464,925	0.1	29.3	6,048,174	7.0
Operating profit	3,237,352	3,210,342	0.8	67.3	3,156,797	2.6	4,375,691	4,313,025	1.5	35.2	4,245,750	3.1	5,695,825	5,647,158	0.9	30.2	5,271,762	8.0
Net profit	2,829,525	2,807,105	0.8	64.7	2,761,125	2.5	3,660,799	3,675,887	(0.4)	29.4	3,656,433	0.1	4,740,862	4,701,961	0.8	29.5	4,571,288	3.7
EPS (NT$)	109.12	108.25	0.8	64.7	107.06	1.9	141.18	141.75	(0.4)	29.4	140.57	0.4	182.83	181.32	0.8	29.5	176.50	3.6
Gross margin (%)	67.4	67.5	(0.1)ppts	7.6 ppts	66.2	1.3 ppts	69.1	69.1	(0.1)ppts	1.6 ppts	66.2	2.9 ppts	69.7	69.6	0.1 ppts	0.6 ppts	65.9	3.7 ppts
OP margin (%)	59.3	59.1	0.2 ppts	8.5 ppts	58.1	1.1 ppts	60.4	60.1	0.3 ppts	1.1 ppts	58.0	2.4 ppts	61.3	60.8	0.5 ppts	0.9 ppts	57.5	3.8 ppts
Net margin (%)	51.8	51.7	0.1 ppts	6.7 ppts	50.9	1.0 ppts	50.5	51.2	(0.7)ppts	(1.3)ppts	49.9	0.6 ppts	51.0	50.6	0.4 ppts	0.5 ppts	49.8	1.2 ppts

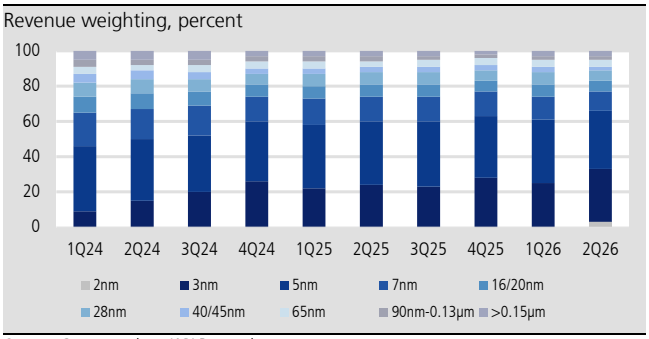
Source: Bloomberg; KGI Research estimates

Figure 3: 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 wafer manufacturing, wafer probing, assembly and testing, mask production, and design services.

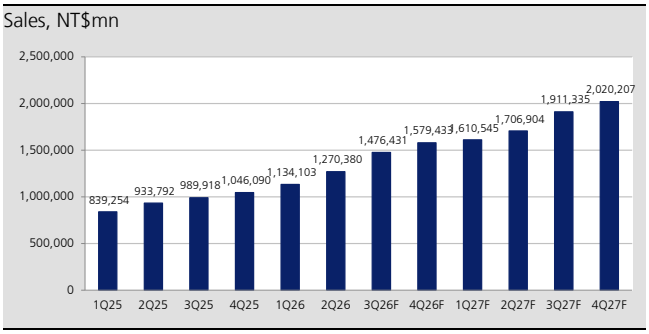
Source: Company data; KGI Research

Figure 4: TSMC wafer revenue by node



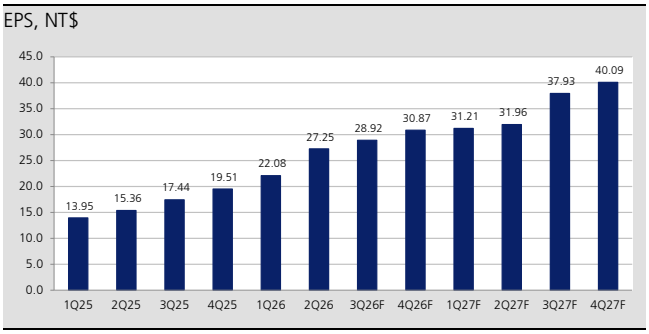
Source: Company data; KGI Research

Figure 5: Sales



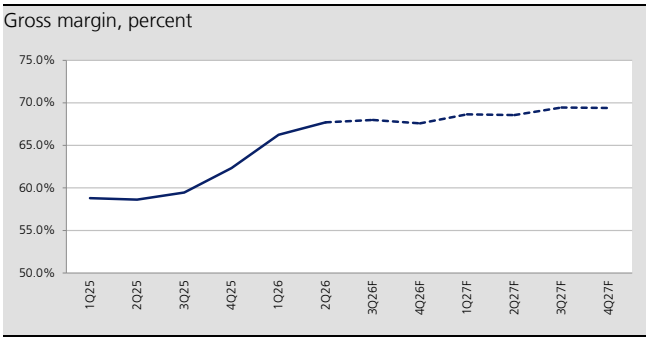
Source: KGI Research

Figure 6: EPS



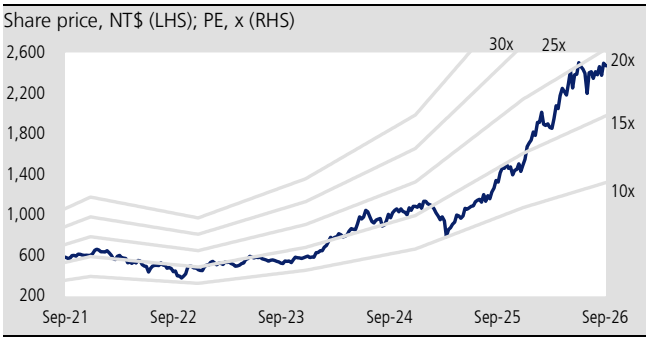
Source: KGI Research

Figure 7: Gross margin



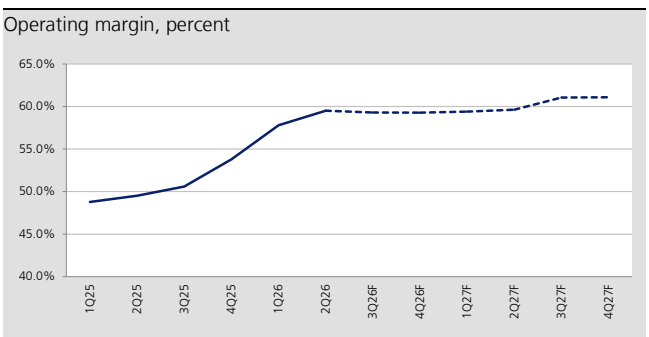
Source: KGI Research

Figure 8: 12M forward PE band



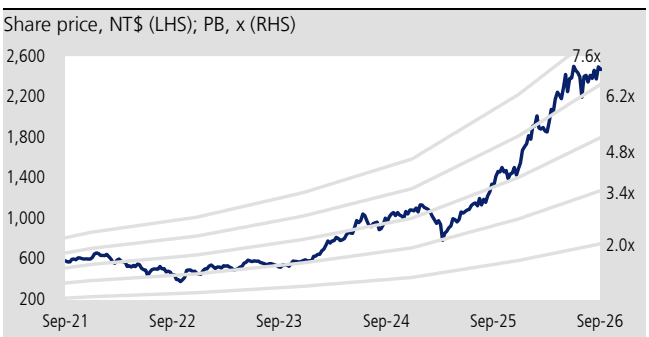
Source: TEJ, KGI Research

Figure 9: Operating margin



Source: KGI Research

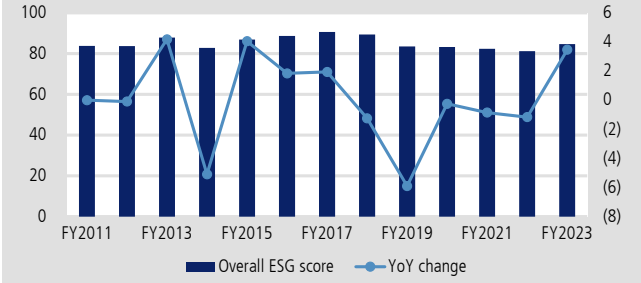
Figure 10: 12M forward PB band



Source: TEJ, KGI Research

Figure 11: Overall ESG score

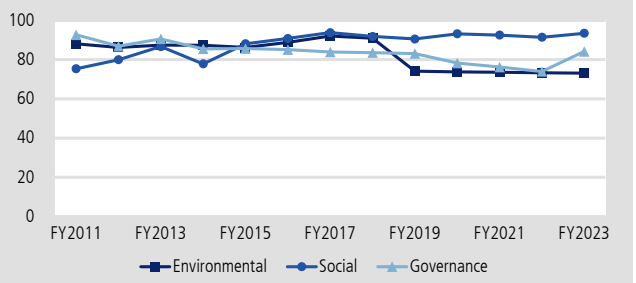
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 12: ESG score by category

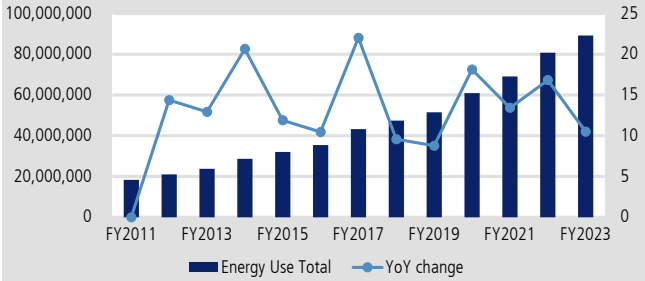
ESG score, points



Source: Refinitiv; Company data

Figure 13: Energy use

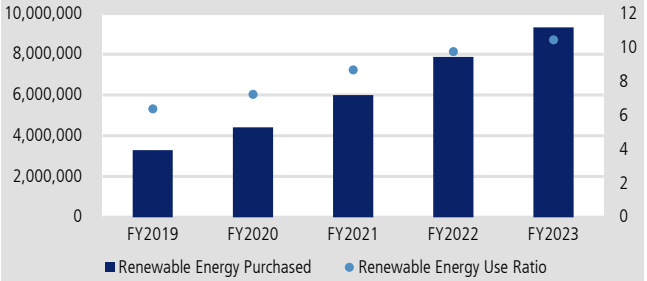
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 14: Renewable energy

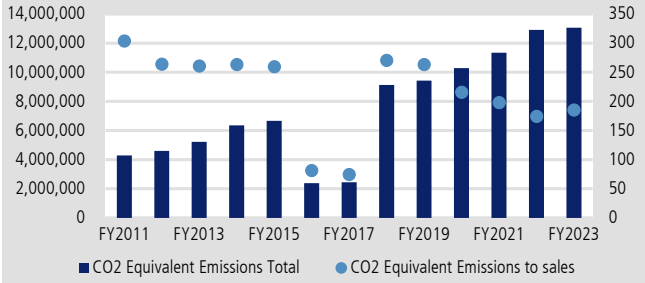
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 15: CO2 equivalent emissions

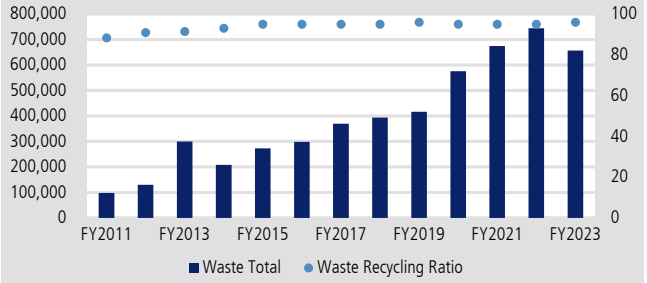
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn (RHS)



Source: Refinitiv; Company data

Figure 16: Waste total

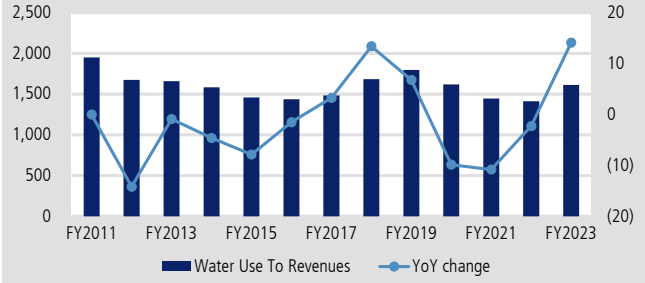
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 17: Water use to revenue

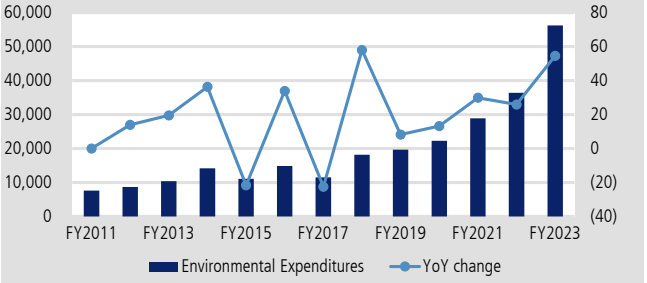
Water use to revenue, m3/ US$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 18: Environmental expenditures

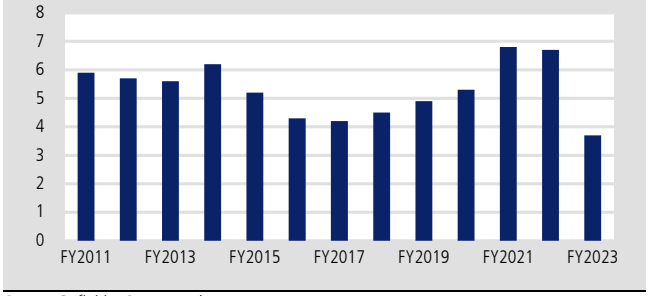
Environmental expenditures, NT$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 19: Employee turnover

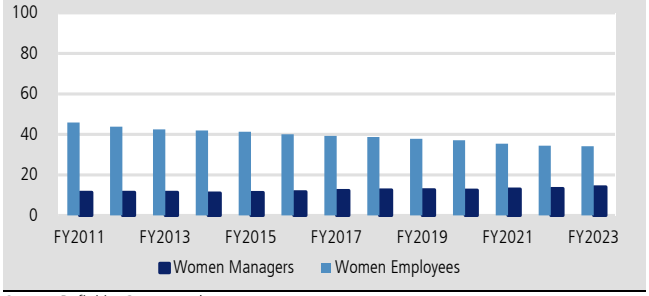
Employee turnover, percent



Source: Refinitiv; Company data

Figure 20: Gender diversification

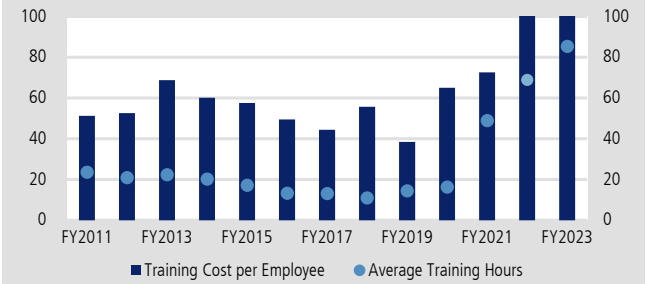
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 21: Employee training

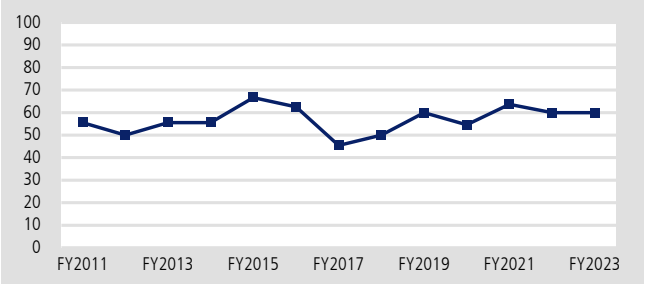
Training cost per employee, US$ (LHS); average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 22: Independent board members

Independent board members, percent



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - 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	Total primary renewable energy purchased in gigajoules. - 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	Direct CO2 and CO2 equivalent emissions in metric tons. - 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	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT$mn) - 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	Total amount of waste produced in metric tons. - 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	The waste recycling ratio as reported by the company. - 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	Total water withdrawal in cubic meters. - 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	Total amount of environmental expenditures. - 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	Percentage of employee turnover. - 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	Percentage of women managers. - 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	Percentage of women employees. - 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	Total training hours performed by all employees. - 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-26A	Jun-26A	Sep-26F	Dec-26F	Mar-27F	Jun-27F	Sep-27F	Dec-27F	Dec-26F	Dec-27F	Dec-28F
Income statement (NT$mn)											
Revenue	**1,134,103**	**1,270,380**	**1,476,431**	**1,579,433**	**1,610,545**	**1,706,904**	**1,911,335**	**2,020,207**	**5,460,347**	**7,248,991**	**9,292,811**
Cost of goods sold	(382,808)	(410,070)	(472,598)	(511,939)	(504,739)	(536,429)	(583,861)	(618,298)	(1,777,415)	(2,243,327)	(2,819,303)
Gross profit	**751,295**	**860,311**	**1,003,832**	**1,067,493**	**1,105,806**	**1,170,475**	**1,327,474**	**1,401,908**	**3,682,932**	**5,005,664**	**6,473,507**
Operating expenses	(95,682)	(104,256)	(128,449)	(131,093)	(148,975)	(152,768)	(160,552)	(167,677)	(445,580)	(629,973)	(777,682)
Operating profit	**655,613**	**756,055**	**875,383**	**936,400**	**956,830**	**1,017,707**	**1,166,922**	**1,234,231**	**3,237,352**	**4,375,691**	**5,695,825**
Depreciation of fixed assets	(163,313)	(196,229)	(183,456)	(190,826)	(218,119)	(218,119)	(218,119)	(218,119)	(733,823)	(872,477)	(1,033,960)
Amortisation of intangible assets	(2,138)	(2,309)	(3,380)	(5,693)	(4,357)	(4,357)	(4,357)	(4,357)	(13,521)	(17,430)	(20,664)
EBITDA	**821,064**	**954,593**	**1,062,219**	**1,132,919**	**1,179,307**	**1,240,184**	**1,389,399**	**1,456,708**	**3,984,696**	**5,265,597**	**6,750,450**
Interest income	28,862	30,045	30,045	30,045	20,000	20,000	20,000	20,000	118,996	80,000	80,000
Investment income	1,809	3,285	1,438	1,438	1,438	1,438	1,438	1,438	7,971	5,754	5,754
Other non-op income	(0)	(0)	0	0	0	0	0	0	-	0	0
Non-operating income	**30,672**	**33,330**	**31,483**	**31,483**	**21,438**	**21,438**	**21,438**	**21,438**	**126,968**	**85,754**	**85,754**
Interest expense	(2,717)	(3,085)	(3,085)	(3,085)	(3,085)	(3,085)	(3,085)	(3,085)	(11,972)	(12,340)	(12,340)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	879	65,583	-	-	-	-	-	-	66,461	-	-
Non-operating expenses	**(1,838)**	**62,498**	**(3,085)**	**(3,085)**	**(3,085)**	**(3,085)**	**(3,085)**	**(3,085)**	**54,489**	**(12,340)**	**(12,340)**
Pre-tax profit	**684,447**	**851,882**	**903,781**	**964,799**	**975,184**	**1,036,061**	**1,185,276**	**1,252,585**	**3,418,809**	**4,449,105**	**5,769,239**
Current taxation	(114,998)	(155,649)	(153,643)	(164,016)	(165,781)	(207,212)	(201,497)	(212,939)	(588,306)	(787,430)	(1,027,501)
Minorities	(322)	(219)	(219)	(219)	(219)	(219)	(219)	(219)	(979)	(876)	(876)
Normalised net profit	**569,127**	**696,014**	**749,919**	**800,564**	**809,183**	**828,630**	**983,560**	**1,039,426**	**2,829,525**	**3,660,799**	**4,740,862**
Extraordinary items	3,353	10,548	-	-	-	-	-	-	-	-	-
Net profit	**572,480**	**706,562**	**749,919**	**800,564**	**809,183**	**828,630**	**983,560**	**1,039,426**	**2,829,525**	**3,660,799**	**4,740,862**
EPS (NT$)	22.08	27.25	28.92	30.87	31.21	31.96	37.93	40.09	109.12	141.18	182.83
Margins (%)											
Gross profit margin	66.2	67.7	68.0	67.6	68.7	68.6	69.5	69.4	67.4	69.1	69.7
Operating margin	57.8	59.5	59.3	59.3	59.4	59.6	61.1	61.1	59.3	60.4	61.3
EBITDA margin	72.4	75.1	71.9	71.7	73.2	72.7	72.7	72.1	73.0	72.6	72.6
Pretax profit margin	60.4	67.1	61.2	61.1	60.5	60.7	62.0	62.0	62.6	61.4	62.1
Net profit margin	50.5	55.6	50.8	50.7	50.2	48.5	51.5	51.5	51.8	50.5	51.0
Sequential growth (%)											
Revenue growth	8.4	12.0	16.2	7.0	2.0	6.0	12.0	5.7			
Gross profit growth	15.2	14.5	16.7	6.3	3.6	5.8	13.4	5.6			
Operating profit growth	16.5	15.3	15.8	7.0	2.2	6.4	14.7	5.8			
EBITDA growth	13.3	16.3	11.3	6.7	4.1	5.2	12.0	4.8			
Pretax profit growth	16.0	24.5	6.1	6.8	1.1	6.2	14.4	5.7			
Net profit growth	13.2	23.4	6.1	6.8	1.1	2.4	18.7	5.7			
YoY growth (%)											
Revenue growth	35.1	36.0	49.1	51.0	42.0	34.4	29.5	27.9	43.4	32.8	28.2
Gross profit growth	52.3	57.2	70.6	63.7	47.2	36.1	32.2	31.3	61.4	35.9	29.3
Operating profit growth	60.2	63.5	74.8	66.4	45.9	34.6	33.3	31.8	67.3	35.2	30.2
EBITDA growth	40.5	46.8	60.1	56.3	43.6	29.9	30.8	28.6	51.9	32.1	28.2
Pretax profit growth	58.0	73.2	72.0	63.5	42.5	21.6	31.1	29.8	67.5	30.1	29.7
Net profit growth	58.3	77.4	65.8	58.3	41.3	17.3	31.2	29.8	64.7	29.4	29.5

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total assets	**6,691,938**	**7,933,024**	**10,736,749**	**13,673,303**	**17,606,091**
Current assets	**3,088,352**	**3,817,131**	**5,063,999**	**6,597,136**	**9,147,226**
Cash & ST securities	2,422,020	3,068,595	3,763,142	5,027,682	7,258,553
Inventory	287,869	288,109	458,446	553,692	684,242
Accounts receivable	272,088	281,791	621,171	794,522	983,191
Other current assets	106,376	178,635	221,240	221,240	221,240
Non-current assets	**3,603,586**	**4,115,893**	**5,672,750**	**7,076,166**	**8,458,865**
LT investments	149,040	172,370	230,813	236,567	242,320
Net fixed assets	3,234,980	3,691,841	5,162,799	6,560,462	7,937,406
Other assets	219,565	251,682	279,138	279,138	279,138
Total liabilities	**2,368,362**	**2,472,229**	**3,048,892**	**3,102,563**	**3,176,128**
Current liabilities	**1,264,525**	**1,458,019**	**2,005,470**	**2,059,141**	**2,132,706**
Accounts payable	74,227	84,330	128,527	155,230	191,830
Interest bearing ST liabilities	59,858	136,926	167,410	167,410	167,410
Other current liabilities	1,130,441	1,236,763	1,709,533	1,736,501	1,773,466
Non-current liabilities	**1,103,837**	**1,014,209**	**1,043,422**	**1,043,422**	**1,043,422**
Long-term debt	958,429	896,062	858,230	858,230	858,230
Other L-T liabilities	116,653	86,552	179,158	179,158	179,158
Total equity	**4,323,576**	**5,460,795**	**7,687,857**	**10,570,740**	**14,429,963**
Share capital	259,327	259,325	259,324	259,324	259,324
Retained earnings reserve	3,606,105	4,705,070	7,314,290	10,197,172	14,056,396
Minority interests	35,031	41,199	41,953	41,953	41,953
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Growth					
Revenue growth	33.9%	31.6%	43.4%	32.8%	28.2%
Operating profit growth	43.8%	46.1%	67.3%	35.2%	30.2%
EBITDA growth	36.7%	32.0%	51.9%	32.1%	28.2%
Net profit growth	39.9%	46.4%	64.7%	29.4%	29.5%
EPS growth	39.9%	46.4%	64.7%	29.4%	29.5%
Profitability					
Gross profit margin	56.1%	59.9%	67.4%	69.1%	69.7%
Operating margin	45.8%	50.8%	59.3%	60.4%	61.3%
EBITDA margin	68.7%	68.9%	73.0%	72.6%	72.6%
Net profit margin	40.5%	45.1%	51.8%	50.5%	51.0%
Return on average assets	19.2%	23.5%	30.3%	30.0%	30.3%
Return on average equity	30.3%	35.4%	43.3%	40.3%	38.1%
Stability					
Gross debt to equity	23.6%	18.9%	13.3%	9.7%	7.1%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	135.2	166.0	286.6	361.5	468.5
Interest & ST debt coverage (x)	1.0	0.9	0.9	1.0	1.0
Cash flow interest coverage(x)	174.0	183.9	277.8	350.9	449.3
Cash flow/int. & ST debt (x)	26.0	15.2	18.5	24.1	30.8
Current ratio (x)	2.4	2.6	2.5	3.2	4.3
Quick ratio (x)	2.2	2.4	2.3	2.9	4.0
Net debt (NT$mn)	(1,109,340)	(1,734,869)	(2,353,707)	(3,618,247)	(5,849,118)
Per share data					
EPS (NT$)	45.25	66.26	109.12	141.18	182.83
CFPS (NT$)	70.43	87.74	128.27	166.99	213.80
BVPS (NT$)	165.37	208.99	294.86	406.04	554.87
Adj BVPS (NT$)	165.40	209.02	294.86	406.04	554.87
SPS (NT$)	111.63	146.91	210.58	279.55	358.37
EBITDA/share (NT$)	76.65	101.18	153.67	203.07	260.33
Cash DPS (NT$)	17.00	22.00	29.00	33.00	37.00
Activity					
Sales / avg assets	0.47	0.52	0.58	0.59	0.59
Days receivable	34.4	27.0	41.5	40.0	38.7
Days inventory	83.0	68.8	94.1	90.1	88.8
Days payable	21.4	20.1	26.4	25.3	24.9
Cash cycle	96.0	75.7	109.3	104.8	102.6

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**2,894,308**	**3,809,054**	**5,460,347**	**7,248,991**	**9,292,811**
Cost of goods sold	(1,269,954)	(1,527,760)	(1,777,415)	(2,243,327)	(2,819,303)
Gross profit	**1,624,354**	**2,281,294**	**3,682,932**	**5,005,664**	**6,473,507**
Operating expenses	(299,840)	(346,097)	(445,580)	(629,973)	(777,682)
Operating profit	**1,324,513**	**1,935,197**	**3,237,352**	**4,375,691**	**5,695,825**
Non-operating income	**92,660**	**111,827**	**126,968**	**85,754**	**85,754**
Interest income	87,213	105,739	118,996	80,000	80,000
Investment income	4,879	5,497	7,971	5,754	5,754
Other non-op income	567	592	-	0	0
Non-operating expenses	**(8,874)**	**(6,256)**	**54,489**	**(12,340)**	**(12,340)**
Interest expense	(10,495)	(12,370)	(11,972)	(12,340)	(12,340)
Investment loss	-	-	-	-	-
Other non-op expenses	1,621	6,114	66,461	-	-
Pre-tax profit	**1,408,299**	**2,040,768**	**3,418,809**	**4,449,105**	**5,769,239**
Current taxation	(233,407)	(326,266)	(588,306)	(787,430)	(1,027,501)
Minorities	836	2,486	(979)	(876)	(876)
Extraordinary items	(2,460)	895	-	-	-
Net profit	**1,173,268**	**1,717,883**	**2,829,525**	**3,660,799**	**4,740,862**
EBITDA	**1,987,310**	**2,623,293**	**3,984,696**	**5,265,597**	**6,750,450**
EPS (NT$)	45.25	66.26	109.12	141.18	182.83

Cash flow

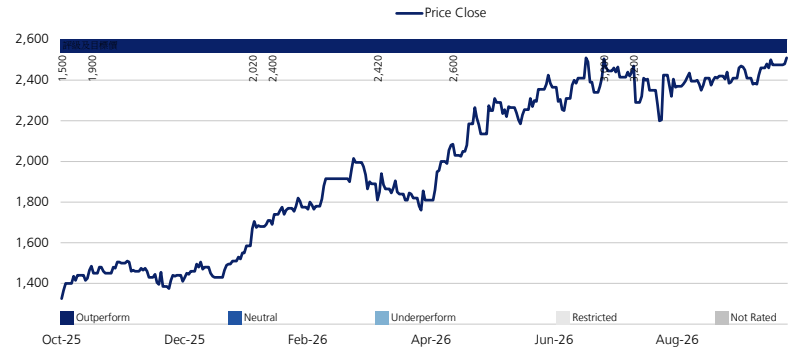
NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Operations cash flow	**1,826,177**	**2,274,976**	**3,326,045**	**4,330,026**	**5,544,078**
Net profit	1,173,268	1,717,883	2,829,525	3,660,799	4,740,862
Depreciation & amortisation	662,797	688,096	747,343	889,906	1,054,624
Decrease in working capital	(90,088)	160	(465,520)	(241,894)	(282,619)
Other operating cash flow	80,200	(131,163)	214,696	21,214	31,211
Investing cash flow	**(864,843)**	**(1,144,393)**	**(2,111,142)**	**(2,287,569)**	**(2,431,569)**
Sale of ST investment	(54,143)	(37,079)	(11,544)	-	-
New investments	(3,739)	-	-	-	-
Capital expenditure	(956,007)	(1,272,411)	(2,108,242)	(2,287,569)	(2,431,569)
Others investing cashflow	149,045	165,096	8,645	-	-
Free cash flow	**712,509**	**1,033,242**	**840,332**	**1,944,269**	**3,001,172**
Financing cash flow	**(346,301)**	**(440,345)**	**(641,661)**	**(777,916)**	**(881,639)**
Increase in short term debt	-	-	-	-	-
Increase in long term loans	55,866	40,448	(7,348)	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(363,055)	(466,779)	(622,355)	(777,916)	(881,639)
Other financing cashflow	(36,022)	(14,014)	(11,958)	-	-
Forex effects	**47,166**	**(50,008)**	**38,249**	**-**	**-**
Total cash generated	**662,199**	**640,229**	**611,491**	**1,264,541**	**2,230,871**

ROIC

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
1 - COGS/revenue					
- Operating exp./revenue	10.4%	9.1%	8.2%	8.7%	8.4%
= Operating margin	**45.8%**	**50.8%**	**59.3%**	**60.4%**	**61.3%**
1 / (Working capital/revenue	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)
+ Net PPE/revenue	1.1	1.0	0.9	0.9	0.9
+ Other assets/revenue)	0.0	0.0	0.1	0.0	0.0
= Capital turnover	**1.0**	**1.2**	**1.1**	**1.1**	**1.1**
Operating margin	45.8%	50.8%	59.3%	60.4%	61.3%
x Capital turnover	1.0	1.2	1.1	1.1	1.1
x (1 - tax rate)	83.4%	84.0%	82.8%	82.3%	82.2%
= After-tax ROIC	**39.7%**	**50.2%**	**54.6%**	**55.3%**	**57.5%**

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2026-07-16	Outperform	3,200	2,470
2026-07-01	Outperform	3,000	2,505
2026-04-16	Outperform	2,600	2,085
2026-04-09	Outperform	2,420	1,955
2026-03-09	Outperform	2,420	1,810
2026-01-15	Outperform	2,400	1,690
2026-01-05	Outperform	2,020	1,670
2025-10-16	Outperform	1,900	1,485
2025-10-01	Outperform	1,500	1,325
2025-07-17	Outperform	1,350	1,130

Source: TEJ, KGI Research

KGI Locations

China	Shanghai	Room 1507, Park Place, 1601 Nanjing West Road, Jingan District, Shanghai, PRC 200040
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 • Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826
Indonesia		Sona Topas Tower Fl.11 Jl. Jend. Sudirman kav.26 JakartaSelatan 12920 Indonesia Telephone 62 21 250 6337

Disclaimer

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevantregulated activities. Each of them and/or his/her associate(s) does not have any financial interest in therespectively covered stock, issuer and/or new listing applicant.

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on www.kgi.com.hk. Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.