Company update | IC manufacturing · Taiwan

# TSMC

(2330.TW/2330 TT)

FTSE4Good TIP Taiwan ESG Index stock

## Outperform · Maintained

| | |
|---|---|
| Price as of October 15 (NT$) | 2,440 |
| 12M target price (NT$) | 3,650 |
| Previous target price (NT$) | 3,200 |
| Revised up (%) | 14.1 |
| Upside/downside (%) | 49.6 |

### Key message

1. 3Q26 in line; stronger 4Q26F.
2. Addition of more N3 capacity; look for US expansion outside Arizona.
3. Management has previously stated that it does not plan to "leave any food on the table" for competitors.

### Trading data

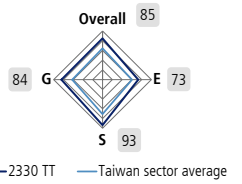
| | |
|---|---|
| Mkt cap (NT$bn/US$mn) | 63,275/1,986,653 |
| Outstanding shares (mn) | 25,932 |
| Foreign ownership (mn) | 17,853 |
| 3M avg. daily trading (mn) | 16.56 |
| 52-week trading range (NT$) | 1,375 –2,585 |

| Performance | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | 0 | 17.3 | 66.6 |
| Relative (%) | -2.9 | -10.6 | -5.6 |

### Quarterly EPS

| NT$ | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|
| 2025 | 13.95A | 15.36A | 17.44A | 19.51A |
| 2026 | 22.08A | 27.25A | 29.43F | 33.49F |
| 2027 | 33.57F | 34.15F | 38.08F | 39.48F |

### ESG score card




*Source: Refinitiv*

## N3 capacity to expand well past recent revisions

### Event

TSMC's overall 3Q26 results were in line with consensus and our forecast. Management guides 2026 sales growth of 44% YoY.

### Impact

**3Q26 in line; stronger 4Q26F.** 3Q26 gross margin was 66.4%, due to dilution from a steep N2 ramp up, 1.6ppts below our forecast but in line with guidance. Sales growth and strict opex controls resulted in operating profit and margin in line with our forecast. TSMC guides 4Q26F sales of US$52.3-54.3bn (up 14% QoQ at midpoint, 7% better than our previous forecast) with flat margins, driven by strong HPC demand and the N2 ramp up.

**Addition of more N3 capacity; look for US expansion outside Arizona.** With a stronger 4Q26, TSMC raises 2026F sales growth guidance from 40%-plus to 44% YoY (US dollar terms) and maintains capex of US$60–64bn. It is rare TSMC to expand the capacity for a single node beyond the firm's initial target capacity, normally 150 thousand wafers per month (kwpm), but in addition to the recently announced three fabs (Tainan F18, Arizona Fab 2 and Kumamoto Fab 2), TSMC announced the addition of one more N3 fab in Tainan, which is expected to enter mass production in 1H28F. All in all, we expect TSMC's N3 capacity will expand by another 50% (80kwpm) in two years from, 150-160kwpm by end-2026. We attribute these expansions to demand for: (1) CPUs for agentic AI; (2) HBM4e customized base dies; and (3) AI ASIC. TSMC is also evaluating a potential expansion out of Arizona in the US, such as to Texas, but has not reached a conclusion yet.

**Management has previously stated that it does not plan to "leave any food on the table" for competitors.** Management has emphasized several times that the firm won't leave any opportunities to rivals, which is reflected in the firm's aggressive N3 expansion. In addition, despite there being no redundancy for Google's (US) Humufish production at Intel (US), TSMC is committed to helping customers ensure on-time product deliveries when necessary, which hints at the potential of market share gains if the EMIB-T process falls behind schedule. Some investors might question TSMC's lagged adoption of ASML's high-NA, two years behind rivals, out of fear that the firm's technological leadership will be challenged. We have a different view, as adopting the latest equipment does not necessarily equate to technological leadership. If TSMC can achieve comparable performance without investing in expensive equipment, it could gain a significant cost advantage over its peers.

### Valuation & Action

Despite 3Q26 being in line, and our forecast of a stronger 4Q26F, investors might have concerns regarding short term margin trends amid extremely high expectations. We suggest investors accumulate the stock during any pullbacks, in view of strong growth ahead and solid execution. We only fine tune our earnings forecasts, but raise our target price to NT$3,650 as we roll over to a 2028F earnings base, still based on a target P/E (up cycle average) of 20x. Maintain Outperform.

### 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$mn) | 2,894,308 | 3,809,054 | 5,651,733 | 7,639,824 | 9,335,536 |
| Gross profit (NT$mn) | 1,624,354 | 2,281,294 | 3,761,577 | 5,153,953 | 6,409,674 |
| Operating profit (NT$mn) | 1,324,513 | 1,935,197 | 3,314,106 | 4,488,869 | 5,628,366 |
| Net profit (NT$mn) | 1,173,268 | 1,717,883 | 2,910,577 | 3,767,575 | 4,700,246 |
| EPS (NT$) | 45.25 | 66.26 | 112.24 | 145.29 | 181.25 |
| Cash DPS (NT$) | 17.00 | 22.00 | 29.00 | 33.00 | 37.00 |
| EPS growth (%) | 39.9 | 46.4 | 69.4 | 29.4 | 24.8 |
| PE (x) | 53.9 | 36.8 | 21.7 | 16.8 | 13.5 |
| PB (x) | 14.8 | 11.7 | 8.2 | 5.9 | 4.4 |
| EV/EBITDA (x) | 30.4 | 22.9 | 14.2 | 10.5 | 8.2 |
| Net debt to equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Dividend yield (%) | 0.7 | 0.9 | 1.2 | 1.4 | 1.5 |
| Return on average equity (%) | 30.3 | 35.4 | 44.3 | 40.9 | 37.2 |

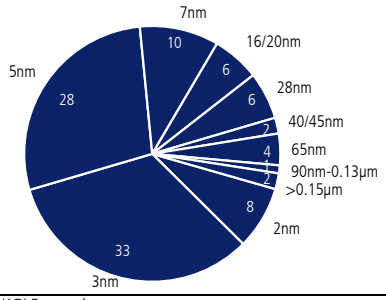
*Source: Company data, KGI Research estimates*

## Breakdown of 3Q26 results

- 4Q26F guidance – Sales of US$52.3-54.3bn, up 14% QoQ at midpoint; gross margin of 65-67% and operating margin of 56.5-58.5%.
- 2026F guidance – Sales growth raised to 44% YoY; reiterate capex of US$60-64bn.
- Gross margin dilution – Overseas expansion to dilute gross margin by 2ppts in 2026F, widening to 3-4ppts over the next few years.
- Capacity plans
  - N2 node family capacity to more than double in 2027F.
  - New N3 fab in Tainan to begin volume production in 1H27F, additional N3 fab scheduled for 1H28F.
  - Arizona N3 Fab 2 construction completed, equipment move-in and installation underway; volume production in 3Q27F, slightly ahead of previous schedule.
  - Japan N3 volume production scheduled for 2028F.
  - A14 capacity preparation already underway; trial production on track for 2027F, volume production scheduled for 2028F.

**Figure 1: 3Q26 – TSMC's wafer revenue breakdown by node**

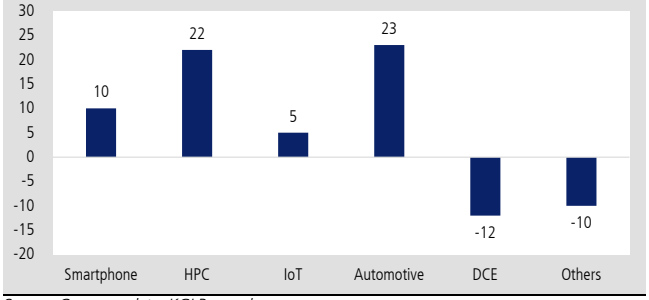
Wafer revenue breakdown, percent




*Source: Company data; KGI Research*

**Figure 2: 3Q26 – TSMC's revenue growth QoQ by platform**

Platform revenue growth QoQ, percent




*Source: Company data; KGI Research*

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

| | 3Q26 | | | | | | | 4Q26F | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NT$mn | Actual | KGI forecast | Diff. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Revenue | 1,494,243 | 1,476,431 | 1.2 | 17.6 | 50.9 | 1,463,000 | 2.1 | 1,753,006 | 1,579,433 | 11.0 | 17.3 | 67.6 | 1,607,000 | 9.1 |
| Gross profit | 992,379 | 1,003,832 | (1.1) | 15.4 | 68.6 | 972,559 | 2.0 | 1,157,591 | 1,067,493 | 8.4 | 16.6 | 77.5 | 1,061,713 | 9.0 |
| Operating profit | 876,445 | 875,383 | 0.1 | 14.3 | 75.0 | 854,354 | 2.6 | 1,012,092 | 936,400 | 8.1 | 15.5 | 79.9 | 932,497 | 8.5 |
| Net profit | 763,064 | 749,919 | 1.8 | 8.0 | 68.9 | 739,204 | 3.2 | 868,472 | 800,564 | 8.5 | 13.8 | 71.7 | 804,131 | 8.0 |
| EPS (NT$) | 29.43 | 28.92 | 1.7 | 8.0 | 68.7 | 28.38 | 3.7 | 33.49 | 30.87 | 8.5 | 13.8 | 71.7 | 31.13 | 7.6 |
| Gross margin (%) | 66.4 | 68.0 | (1.6)ppts | (1.3)ppts | 7.0 ppts | 66.5 | (0.1)ppts | 66.0 | 67.6 | (1.6)ppts | (0.4)ppts | 3.7 ppts | 66.1 | (0.0)ppts |
| OP margin (%) | 58.7 | 59.3 | (0.6)ppts | (1.7)ppts | 8.1 ppts | 58.4 | 0.3 ppts | 57.7 | 59.3 | (1.6)ppts | (0.9)ppts | 3.9 ppts | 58.0 | (0.3)ppts |
| Net margin (%) | 51.1 | 50.8 | 0.3 ppts | (4.6)ppts | 5.4 ppts | 50.5 | 0.5 ppts | 49.5 | 50.7 | (1.1)ppts | (1.5)ppts | 1.2 ppts | 50.0 | (0.5)ppts |

*Source: Bloomberg; KGI Research estimates*

**Figure 4: Breakdown of 2026-28 forecast revisions vs. consensus**

| | 2026F | | | | | | 2027F | | | | | | 2028F | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NT$mn | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Revenue | 5,651,733 | 5,460,347 | 3.5 | 48.4 | 5,459,000 | 3.5 | 7,639,824 | 7,248,991 | 5.4 | 35.2 | 7,430,000 | 2.8 | 9,335,536 | 9,292,811 | 0.5 | 22.2 | 9,404,000 | (0.7) |
| Gross profit | 3,761,577 | 3,682,932 | 2.1 | 64.9 | 3,626,632 | 3.7 | 5,153,953 | 5,005,664 | 3.0 | 37.0 | 4,942,213 | 4.3 | 6,409,674 | 6,473,507 | (1.0) | 24.4 | 6,261,277 | 2.4 |
| Operating profit | 3,314,106 | 3,237,352 | 2.4 | 71.3 | 3,201,000 | 3.5 | 4,488,869 | 4,375,691 | 2.6 | 35.4 | 4,370,000 | 2.7 | 5,628,366 | 5,695,825 | (1.2) | 25.4 | 5,571,000 | 1.0 |
| Net profit | 2,910,577 | 2,829,525 | 2.9 | 69.4 | 2,797,000 | 4.1 | 3,767,575 | 3,660,799 | 2.9 | 29.4 | 3,757,000 | 0.3 | 4,700,246 | 4,740,862 | (0.9) | 24.8 | 4,798,000 | (2.0) |
| EPS (NT$) | 112.24 | 109.12 | 2.9 | 69.4 | 108.02 | 3.9 | 145.29 | 141.18 | 2.9 | 29.4 | 141.20 | 2.9 | 181.25 | 182.83 | (0.9) | 24.8 | 179.44 | 1.0 |
| Gross margin (%) | 66.6 | 67.4 | (0.9)ppts | 6.7 ppts | 66.4 | 0.1 ppts | 67.5 | 69.1 | (1.6)ppts | 0.9 ppts | 66.5 | 0.9 ppts | 68.7 | 69.7 | (1.0)ppts | 1.2 ppts | 66.6 | 2.1 ppts |
| OP margin (%) | 58.6 | 59.3 | (0.6)ppts | 7.8 ppts | 58.6 | 0.0 ppts | 58.8 | 60.4 | (1.6)ppts | 0.1 ppts | 58.8 | (0.1)ppts | 60.3 | 61.3 | (1.0)ppts | 1.5 ppts | 59.2 | 1.0 ppts |
| Net margin (%) | 51.5 | 51.8 | (0.3)ppts | 6.4 ppts | 51.2 | 0.3 ppts | 49.3 | 50.5 | (1.2)ppts | (2.2)ppts | 50.6 | (1.3)ppts | 50.3 | 51.0 | (0.7)ppts | 1.0 ppts | 51.0 | (0.7)ppts |

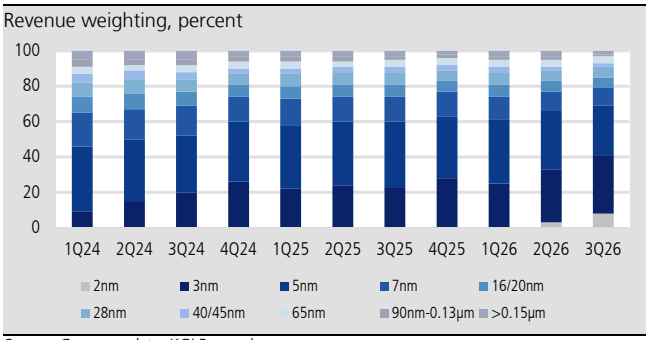
*Source: Bloomberg; KGI Research estimates*

**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 wafer manufacturing, wafer probing, assembly and testing, mask production, and design services.

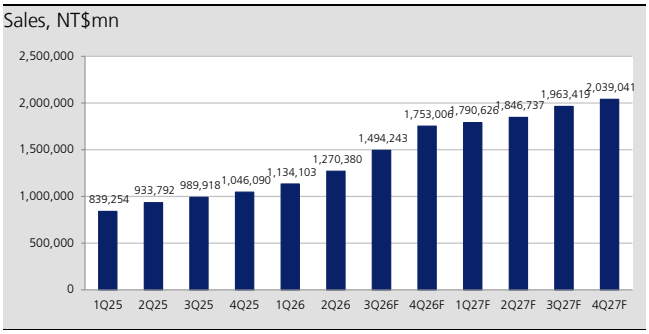
*Source: Company data; KGI Research*

**Figure 6: TSMC wafer revenue by node**



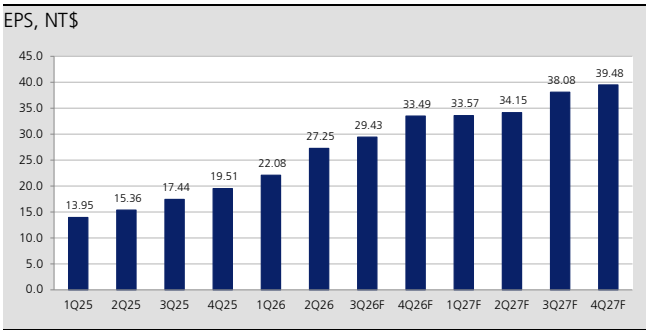

*Source: Company data; KGI Research*

**Figure 7: Sales**



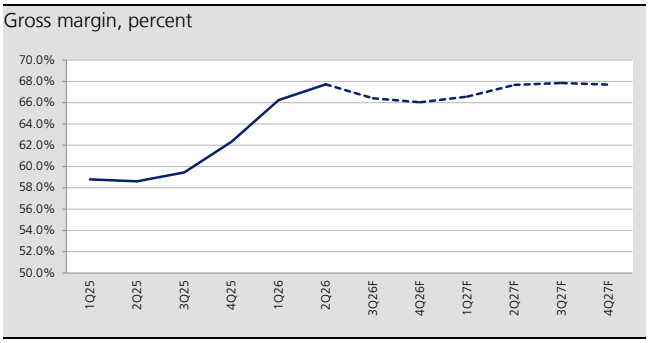

*Source: KGI Research*

**Figure 8: EPS**



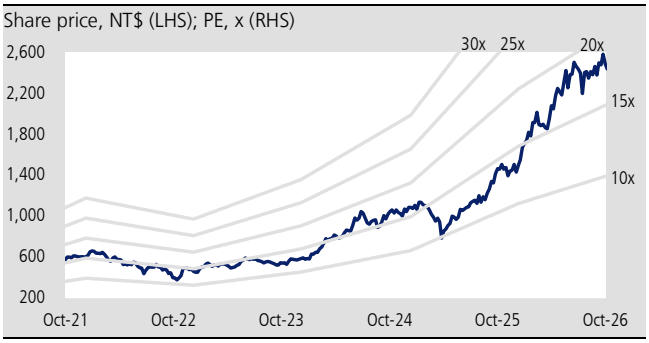

*Source: KGI Research*

**Figure 9: Gross Margin**



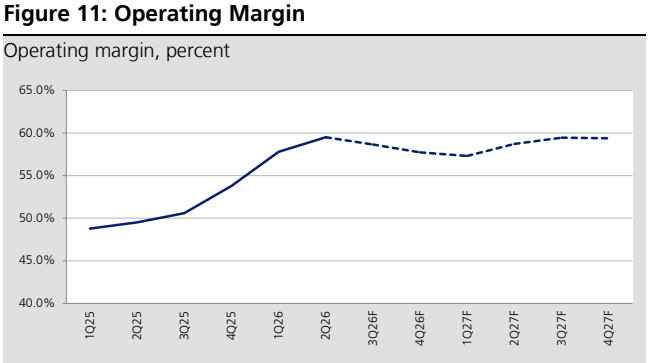

*Source: KGI Research*

**Figure 10: 12M forward PE band**



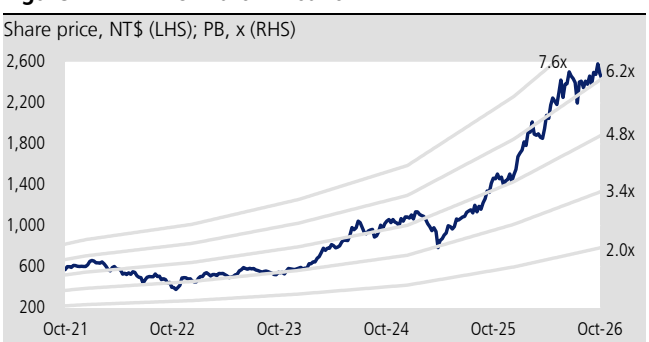

*Source: TEJ, KGI Research*

**Figure 11: Operating Margin**



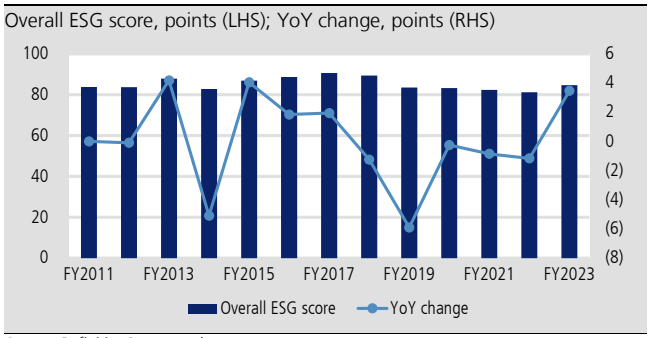

*Source: KGI Research*

**Figure 12: 12M forward PB band**



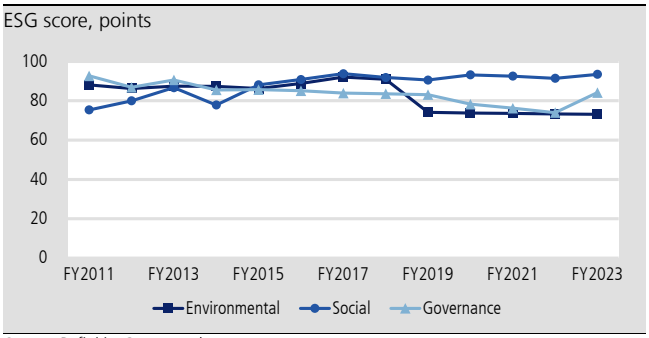

*Source: TEJ, KGI Research*

**Figure 13: Overall ESG score**



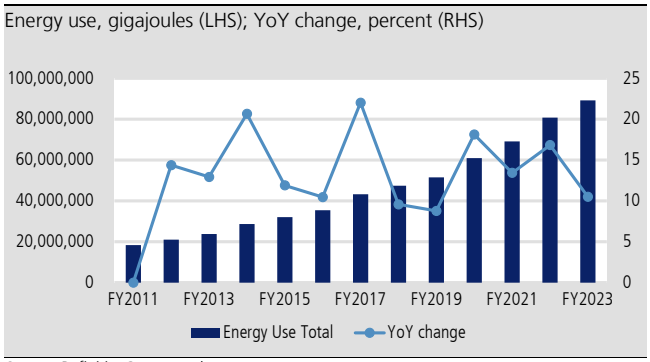

*Source: Refinitiv; Company data*

**Figure 14: ESG score by category**



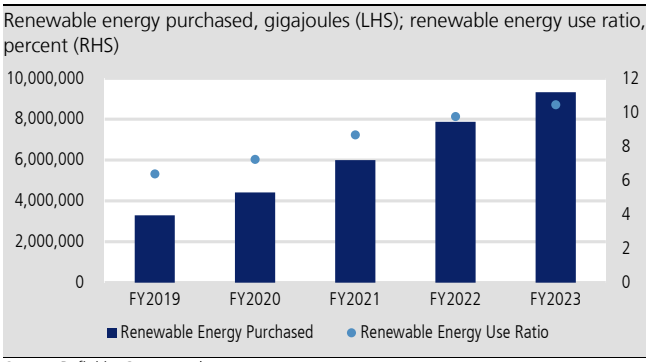

*Source: Refinitiv; Company data*

**Figure 15: Energy use**



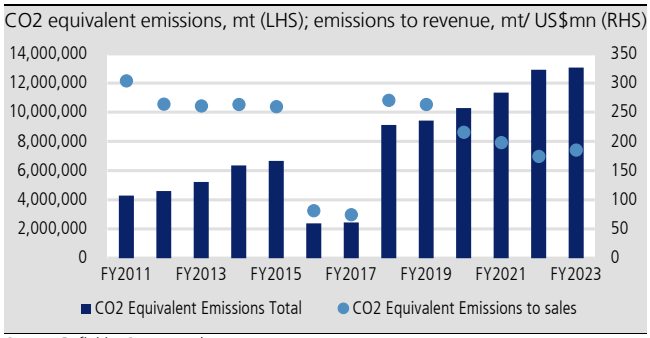

*Source: Refinitiv; Company data*

**Figure 16: Renewable energy**



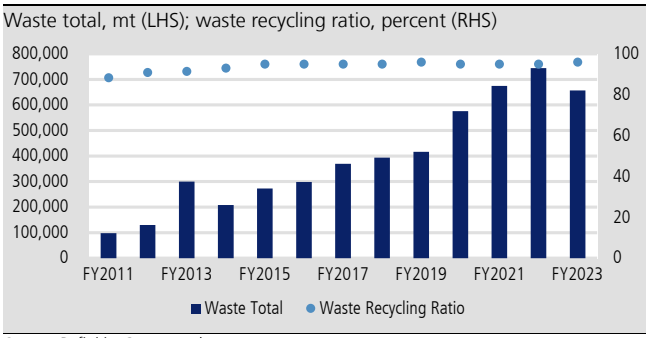

*Source: Refinitiv; Company data*

**Figure 17: CO2 equivalent emissions**



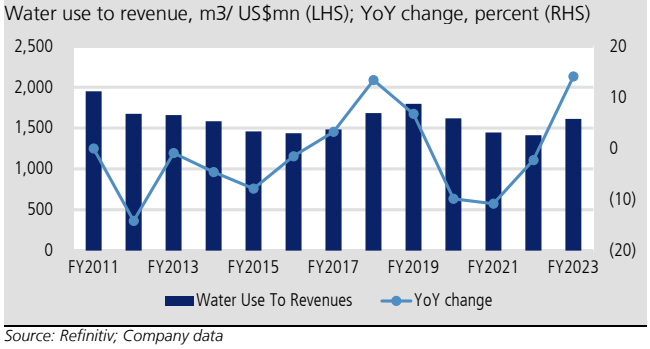

*Source: Refinitiv; Company data*

**Figure 18: Waste total**



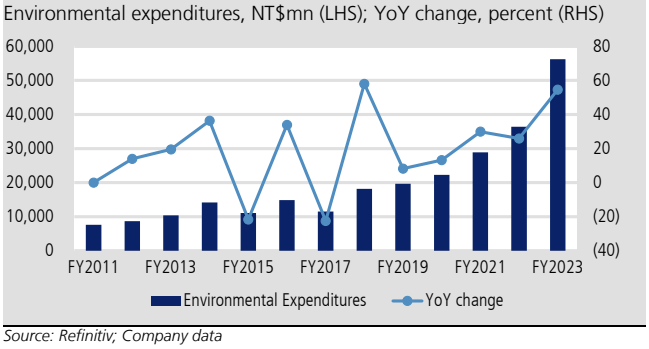

*Source: Refinitiv; Company data*

**Figure 19: Water use to revenue**




*Source: Refinitiv; Company data*

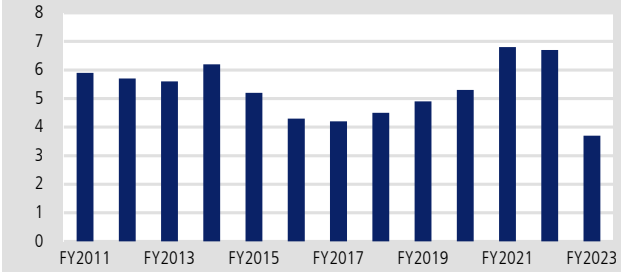
**Figure 20: Environmental expenditures**




*Source: Refinitiv; Company data*

**Figure 21: Employee turnover**

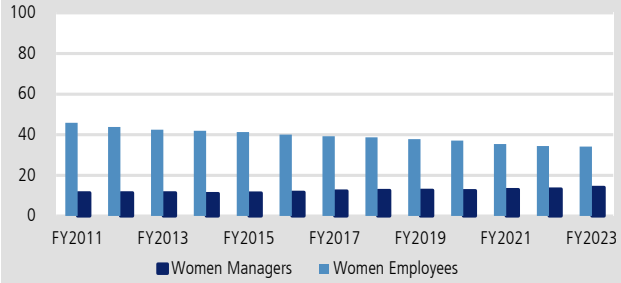
Employee turnover, percent




*Source: Refinitiv; Company data*

**Figure 22: Gender diversification**

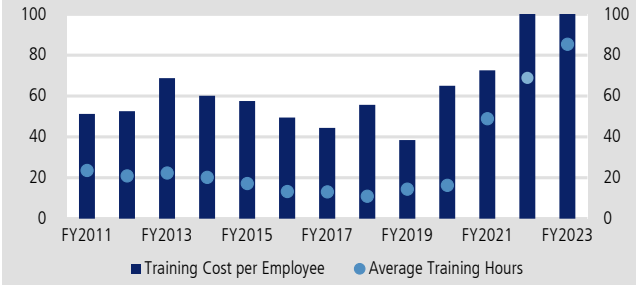
Weighting of female managers & employees, percent




*Source: Refinitiv; Company data*

**Figure 23: Employee training**

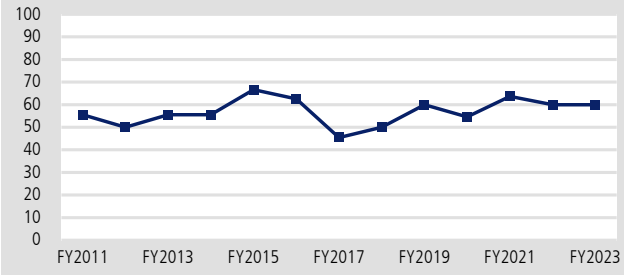
Training cost per employee, US$ (LHS); average annual training hours per employee (RHS)




*Source: Refinitiv; Company data*

**Figure 24: 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.<br>- the total amount of energy that has been consumed within the boundaries of the company's operations<br>- total energy use = total direct energy consumption + indirect energy consumption<br>- purchased energy and produced energy are included in total energy use<br>- 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)<br>- 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.<br>- 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<br>- 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.<br>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)<br>- 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)<br>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)<br>- 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.<br>- total waste = non-hazardous waste + hazardous waste<br>- 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<br>- 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.<br>- waste recycling ratio = waste recycled/total waste*100<br>- waste to energy or waste incinerated with energy recovery are considered as waste recycled<br>- waste recovered via composting is considered as recycled waste | |
| Water withdrawal total | Total water withdrawal in cubic meters.<br>- 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<br>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered | |
| Environmental expenditures | Total amount of environmental expenditures.<br>- 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.<br>- 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<br>- employees turnover rate = (employees leaving/average number of employees)*100<br>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2<br>- 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.<br>- percentage of women managers among total managers of the company<br>- 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<br>- percentage of women managers = number of women managers/total number of managers*100 | |
| Women employees | Percentage of women employees.<br>- percentage of women employees to the total number of employees of the company<br>- percentage of women employees = number of women/total number of employees*100 | |
| Training hours total | Total training hours performed by all employees.<br>- consider only employee training hours<br>- includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training)<br>- 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** | **1,494,243** | **1,753,006** | **1,790,626** | **1,846,737** | **1,963,419** | **2,039,041** | **5,651,733** | **7,639,824** | **9,335,536** |
| Cost of goods sold | (382,808) | (410,070) | (501,864) | (595,415) | (598,657) | (597,118) | (631,282) | (658,814) | (1,890,156) | (2,485,871) | (2,925,862) |
| **Gross profit** | **751,295** | **860,311** | **992,379** | **1,157,591** | **1,191,970** | **1,249,619** | **1,332,138** | **1,380,227** | **3,761,577** | **5,153,953** | **6,409,674** |
| Operating expenses | (95,682) | (104,256) | (115,934) | (145,500) | (165,633) | (165,283) | (164,927) | (169,240) | (447,471) | (665,084) | (781,308) |
| **Operating profit** | **655,613** | **756,055** | **876,445** | **1,012,092** | **1,026,337** | **1,084,336** | **1,167,210** | **1,210,986** | **3,314,106** | **4,488,869** | **5,628,366** |
| Depreciation of fixed assets | (163,313) | (196,229) | (208,643) | (266,387) | (258,433) | (258,433) | (258,433) | (258,433) | (834,571) | (1,033,734) | (1,219,790) |
| Amortisation of intangible assets | (2,138) | (2,309) | (3,499) | (6,050) | (5,163) | (5,163) | (5,163) | (5,163) | (13,997) | (20,654) | (24,376) |
| **EBITDA** | **821,064** | **954,593** | **1,088,587** | **1,284,529** | **1,289,934** | **1,347,932** | **1,430,807** | **1,474,583** | **4,162,674** | **5,543,256** | **6,872,531** |
| Interest income | 28,862 | 30,045 | 31,660 | 31,660 | 20,000 | 20,000 | 20,000 | 20,000 | 122,227 | 80,000 | 80,000 |
| Investment income | 1,809 | 3,285 | 1,424 | 1,424 | 1,424 | 1,424 | 1,424 | 1,424 | 7,942 | 5,696 | 5,696 |
| Other non-op income | (0) | (0) | - | - | - | - | - | - | - | - | - |
| **Non-operating income** | **30,672** | **33,330** | **33,084** | **33,084** | **21,424** | **21,424** | **21,424** | **21,424** | **130,169** | **85,696** | **85,696** |
| Interest expense | (2,717) | (3,085) | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 | (2,782) | 6,040 | 6,040 |
| Investment loss | - | - | - | - | - | - | - | - | - | - | - |
| Other non-op expenses | 879 | 65,583 | - | - | - | - | - | - | 66,461 | - | - |
| **Non-operating expenses** | **(1,838)** | **62,498** | **1,510** | **1,510** | **1,510** | **1,510** | **1,510** | **1,510** | **63,680** | **6,040** | **6,040** |
| **Pre-tax profit** | **684,447** | **851,882** | **911,039** | **1,046,686** | **1,049,271** | **1,107,270** | **1,190,144** | **1,233,920** | **3,507,955** | **4,580,605** | **5,720,102** |
| Current taxation | (114,998) | (155,649) | (147,698) | (177,937) | (178,376) | (221,454) | (202,325) | (209,766) | (596,282) | (811,921) | (1,018,746) |
| Minorities | (322) | (219) | (277) | (277) | (277) | (277) | (277) | (277) | (1,095) | (1,109) | (1,109) |
| **Normalised net profit** | **569,127** | **696,014** | **763,064** | **868,472** | **870,617** | **885,538** | **987,542** | **1,023,876** | **2,910,577** | **3,767,575** | **4,700,246** |
| Extraordinary items | 3,353 | 10,548 | - | - | - | - | - | - | - | - | - |
| **Net profit** | **572,480** | **706,562** | **763,064** | **868,472** | **870,617** | **885,538** | **987,542** | **1,023,876** | **2,910,577** | **3,767,575** | **4,700,246** |
| EPS (NT$) | 22.08 | 27.25 | 29.43 | 33.49 | 33.57 | 34.15 | 38.08 | 39.48 | 112.24 | 145.29 | 181.25 |
| **Margins (%)** | | | | | | | | | | | |
| Gross profit margin | 66.2 | 67.7 | 66.4 | 66.0 | 66.6 | 67.7 | 67.8 | 67.7 | 66.6 | 67.5 | 68.7 |
| Operating margin | 57.8 | 59.5 | 58.7 | 57.7 | 57.3 | 58.7 | 59.4 | 59.4 | 58.6 | 58.8 | 60.3 |
| EBITDA margin | 72.4 | 75.1 | 72.9 | 73.3 | 72.0 | 73.0 | 72.9 | 72.3 | 73.7 | 72.6 | 73.6 |
| Pretax profit margin | 60.4 | 67.1 | 61.0 | 59.7 | 58.6 | 60.0 | 60.6 | 60.5 | 62.1 | 60.0 | 61.3 |
| Net profit margin | 50.5 | 55.6 | 51.1 | 49.5 | 48.6 | 48.0 | 50.3 | 50.2 | 51.5 | 49.3 | 50.3 |
| **Sequential growth (%)** | | | | | | | | | | | |
| Revenue growth | 8.4 | 12.0 | 17.6 | 17.3 | 2.1 | 3.1 | 6.3 | 3.9 | | | |
| Gross profit growth | 15.2 | 14.5 | 15.4 | 16.6 | 3.0 | 4.8 | 6.6 | 3.6 | | | |
| Operating profit growth | 16.5 | 15.3 | 15.9 | 15.5 | 1.4 | 5.7 | 7.6 | 3.8 | | | |
| EBITDA growth | 13.3 | 16.3 | 14.0 | 18.0 | 0.4 | 4.5 | 6.1 | 3.1 | | | |
| Pretax profit growth | 16.0 | 24.5 | 6.9 | 14.9 | 0.2 | 5.5 | 7.5 | 3.7 | | | |
| Net profit growth | 13.2 | 23.4 | 8.0 | 13.8 | 0.2 | 1.7 | 11.5 | 3.7 | | | |
| **YoY growth (%)** | | | | | | | | | | | |
| Revenue growth | 35.1 | 36.0 | 50.9 | 67.6 | 57.9 | 45.4 | 31.4 | 16.3 | 48.4 | 35.2 | 22.2 |
| Gross profit growth | 52.3 | 57.2 | 68.6 | 77.5 | 58.7 | 45.3 | 34.2 | 19.2 | 64.9 | 37.0 | 24.4 |
| Operating profit growth | 60.2 | 63.5 | 75.0 | 79.9 | 56.5 | 43.4 | 33.2 | 19.7 | 71.3 | 35.4 | 25.4 |
| EBITDA growth | 40.5 | 46.8 | 64.0 | 77.2 | 57.1 | 41.2 | 31.4 | 14.8 | 58.7 | 33.2 | 24.0 |
| Pretax profit growth | 58.0 | 73.2 | 73.3 | 77.4 | 53.3 | 30.0 | 30.6 | 17.9 | 71.9 | 30.6 | 24.9 |
| Net profit growth | 58.3 | 77.4 | 68.7 | 71.7 | 52.1 | 25.3 | 29.4 | 17.9 | 69.4 | 29.4 | 24.8 |

*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** | **10,859,906** | **13,881,514** | **17,764,396** |
| **Current assets** | **3,088,352** | **3,817,131** | **5,377,143** | **6,967,873** | **9,305,656** |
| Cash & ST securities | 2,422,020 | 3,068,595 | 3,933,268 | 5,354,729 | 7,396,637 |
| Inventory | 287,869 | 288,109 | 533,200 | 589,975 | 704,127 |
| Accounts receivable | 272,088 | 281,791 | 689,435 | 801,929 | 983,653 |
| Other current assets | 106,376 | 178,635 | 221,240 | 221,240 | 221,240 |
| **Non-current assets** | **3,603,586** | **4,115,893** | **5,482,763** | **6,913,641** | **8,458,740** |
| LT investments | 149,040 | 172,370 | 230,784 | 236,480 | 242,176 |
| Net fixed assets | 3,234,980 | 3,691,841 | 4,972,842 | 6,398,023 | 7,937,426 |
| Other assets | 219,565 | 251,682 | 279,138 | 279,138 | 279,138 |
| **Total liabilities** | **2,368,362** | **2,472,229** | **3,091,016** | **3,123,008** | **3,187,333** |
| **Current liabilities** | **1,264,525** | **1,458,019** | **2,047,594** | **2,079,586** | **2,143,911** |
| Accounts payable | 74,227 | 84,330 | 149,485 | 165,402 | 197,405 |
| Interest bearing ST liabilities | 59,858 | 136,926 | 167,410 | 167,410 | 167,410 |
| Other current liabilities | 1,130,441 | 1,236,763 | 1,730,699 | 1,746,775 | 1,779,096 |
| **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** | **7,768,891** | **10,758,506** | **14,577,064** |
| Share capital | 259,327 | 259,325 | 259,324 | 259,324 | 259,324 |
| Retained earnings reserve | 3,606,105 | 4,705,070 | 7,395,324 | 10,384,938 | 14,203,496 |
| 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% | 48.4% | 35.2% | 22.2% |
| Operating profit growth | 43.8% | 46.1% | 71.3% | 35.4% | 25.4% |
| EBITDA growth | 36.7% | 32.0% | 58.7% | 33.2% | 24.0% |
| Net profit growth | 39.9% | 46.4% | 69.4% | 29.4% | 24.8% |
| EPS growth | 39.9% | 46.4% | 69.4% | 29.4% | 24.8% |
| **Profitability** | | | | | |
| Gross profit margin | 56.1% | 59.9% | 66.6% | 67.5% | 68.7% |
| Operating margin | 45.8% | 50.8% | 58.6% | 58.8% | 60.3% |
| EBITDA margin | 68.7% | 68.9% | 73.7% | 72.6% | 73.6% |
| Net profit margin | 40.5% | 45.1% | 51.5% | 49.3% | 50.3% |
| Return on average assets | 19.2% | 23.5% | 31.0% | 30.5% | 29.7% |
| Return on average equity | 30.3% | 35.4% | 44.3% | 40.9% | 37.2% |
| **Stability** | | | | | |
| Gross debt to equity | 23.6% | 18.9% | 13.2% | 9.5% | 7.0% |
| Net debt to equity | Net cash | Net cash | Net cash | Net cash | Net cash |
| Interest coverage (x) | 135.2 | 166.0 | 1,262.0 | (757.4) | (946.0) |
| Interest & ST debt coverage (x) | 1.0 | 0.9 | 1.0 | 1.0 | 1.0 |
| Cash flow interest coverage(x) | 174.0 | 183.9 | 1,218.3 | (774.7) | (944.9) |
| Cash flow/int. & ST debt (x) | 26.0 | 15.2 | 19.9 | 29.0 | 35.4 |
| Current ratio (x) | 2.4 | 2.6 | 2.6 | 3.4 | 4.3 |
| Quick ratio (x) | 2.2 | 2.4 | 2.4 | 3.1 | 4.0 |
| Net debt (NT$mn) | (1,109,340) | (1,734,869) | (2,523,833) | (3,945,294) | (5,987,202) |
| **Per share data** | | | | | |
| EPS (NT$) | 45.25 | 66.26 | 112.24 | 145.29 | 181.25 |
| CFPS (NT$) | 70.43 | 87.74 | 130.70 | 180.43 | 220.08 |
| BVPS (NT$) | 165.37 | 208.99 | 297.98 | 413.26 | 560.51 |
| Adj BVPS (NT$) | 165.40 | 209.02 | 297.98 | 413.26 | 560.51 |
| SPS (NT$) | 111.63 | 146.91 | 217.95 | 294.61 | 360.00 |
| EBITDA/share (NT$) | 76.65 | 101.18 | 160.53 | 213.76 | 265.02 |
| Cash DPS (NT$) | 17.00 | 22.00 | 29.00 | 33.00 | 37.00 |
| **Activity** | | | | | |
| Sales / avg assets | 0.47 | 0.52 | 0.60 | 0.62 | 0.59 |
| Days receivable | 34.4 | 27.0 | 44.5 | 38.3 | 38.6 |
| Days inventory | 83.0 | 68.8 | 103.0 | 86.6 | 88.1 |
| Days payable | 21.4 | 20.1 | 28.9 | 24.3 | 24.7 |
| Cash cycle | 96.0 | 75.7 | 118.6 | 100.7 | 102.0 |

*Source: Company data, KGI Research estimates*

## Profit & loss

| NT$mn | Dec-24A | Dec-25A | Dec-26F | Dec-27F | Dec-28F |
|---|---|---|---|---|---|
| **Revenue** | **2,894,308** | **3,809,054** | **5,651,733** | **7,639,824** | **9,335,536** |
| Cost of goods sold | (1,269,954) | (1,527,760) | (1,890,156) | (2,485,871) | (2,925,862) |
| **Gross profit** | **1,624,354** | **2,281,294** | **3,761,577** | **5,153,953** | **6,409,674** |
| Operating expenses | (299,840) | (346,097) | (447,471) | (665,084) | (781,308) |
| **Operating profit** | **1,324,513** | **1,935,197** | **3,314,106** | **4,488,869** | **5,628,366** |
| **Non-operating income** | **92,660** | **111,827** | **130,169** | **85,696** | **85,696** |
| Interest income | 87,213 | 105,739 | 122,227 | 80,000 | 80,000 |
| Investment income | 4,879 | 5,497 | 7,942 | 5,696 | 5,696 |
| Other non-op income | 567 | 592 | 0 | - | - |
| **Non-operating expenses** | **(8,874)** | **(6,256)** | **63,680** | **6,040** | **6,040** |
| Interest expense | (10,495) | (12,370) | (2,782) | 6,040 | 6,040 |
| Investment loss | - | - | - | - | - |
| Other non-op expenses | 1,621 | 6,114 | 66,461 | - | - |
| **Pre-tax profit** | **1,408,299** | **2,040,768** | **3,507,955** | **4,580,605** | **5,720,102** |
| Current taxation | (233,407) | (326,266) | (596,282) | (811,921) | (1,018,746) |
| Minorities | 836 | 2,486 | (1,095) | (1,109) | (1,109) |
| Extraordinary items | (2,460) | 895 | - | - | - |
| **Net profit** | **1,173,268** | **1,717,883** | **2,910,577** | **3,767,575** | **4,700,246** |
| **EBITDA** | **1,987,310** | **2,623,293** | **4,162,674** | **5,543,256** | **6,872,531** |
| EPS (NT$) | 45.25 | 66.26 | 112.24 | 145.29 | 181.25 |

## Cash flow

| NT$mn | Dec-24A | Dec-25A | Dec-26F | Dec-27F | Dec-28F |
|---|---|---|---|---|---|
| **Operations cash flow** | **1,826,177** | **2,274,976** | **3,389,253** | **4,678,990** | **5,707,165** |
| Net profit | 1,173,268 | 1,717,883 | 2,910,577 | 3,767,575 | 4,700,246 |
| Depreciation & amortisation | 662,797 | 688,096 | 848,568 | 1,054,387 | 1,244,166 |
| Decrease in working capital | (90,088) | 160 | (587,580) | (153,352) | (263,872) |
| Other operating cash flow | 80,200 | (131,163) | 217,688 | 10,380 | 26,626 |
| **Investing cash flow** | **(864,843)** | **(1,144,393)** | **(2,004,205)** | **(2,479,569)** | **(2,783,569)** |
| Sale of ST investment | (54,143) | (37,079) | (11,544) | - | - |
| New investments | (3,739) | - | - | - | - |
| Capital expenditure | (956,007) | (1,272,411) | (2,001,305) | (2,479,569) | (2,783,569) |
| Others investing cashflow | 149,045 | 165,096 | 8,645 | - | - |
| **Free cash flow** | **712,509** | **1,033,242** | **996,460** | **2,094,021** | **2,798,306** |
| **Financing cash flow** | **(346,301)** | **(440,345)** | **(641,680)** | **(777,960)** | **(881,688)** |
| 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) | (622,374) | (777,960) | (881,688) |
| Other financing cashflow | (36,022) | (14,014) | (11,958) | - | - |
| **Forex effects** | **47,166** | **(50,008)** | **38,249** | **-** | **-** |
| **Total cash generated** | **662,199** | **640,229** | **781,617** | **1,421,461** | **2,041,908** |

## ROIC

| | Dec-24A | Dec-25A | Dec-26F | Dec-27F | Dec-28F |
|---|---|---|---|---|---|
| 1 - COGS/revenue | | | | | |
| - Operating exp./revenue | 10.4% | 9.1% | 7.9% | 8.7% | 8.4% |
| **= Operating margin** | **45.8%** | **50.8%** | **58.6%** | **58.8%** | **60.3%** |
| | | | | | |
| 1 / (Working capital/revenue | (0.2) | (0.2) | (0.1) | (0.0) | (0.0) |
| + Net PPE/revenue | 1.1 | 1.0 | 0.9 | 0.8 | 0.9 |
| + Other assets/revenue) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **= Capital turnover** | **1.0** | **1.2** | **1.2** | **1.2** | **1.1** |
| | | | | | |
| Operating margin | 45.8% | 50.8% | 58.6% | 58.8% | 60.3% |
| x Capital turnover | 1.0 | 1.2 | 1.2 | 1.2 | 1.1 |
| x (1 - tax rate) | 83.4% | 84.0% | 83.0% | 82.3% | 82.2% |
| **= After-tax ROIC** | **39.7%** | **50.2%** | **57.1%** | **57.9%** | **56.8%** |

*Source: Company data, KGI Research estimates*

## TSMC – Recommendation & target price history




| Date | Rating | Target | Price |
|---|---|---|---|
| 2026-10-01 | Outperform | 3,200 | 2,510 |
| 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 |

*Source: TEJ, KGI Research*


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