COMPANY UPDATE

IC manufacturing · Taiwan

TSMC (2330.TW/2330 TT)

2Q26 preview – Looking beyond 2026

FTSE4Good TIP Taiwan ESG Index stock

Outperform • Maintained

Price as of July 1 (NT$)	2,505
12M target price (NT$)	3,000
Previous target price (NT$)	2,600
Revised up (%)	15.4
Upside (%)	19.8

Key message

1. 2Q26F results to beat guidance.
2. Tight capacity to continue in 2027F.
3. Concerns about competition are overblown.

Trading data

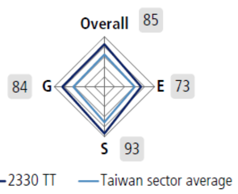
Mkt cap (NT$bn/US$mn)	64,9612,041,00
Outstanding shares (mn)	25,932
Foreign ownership (mn)	18,559
3M avg. daily trading (mn)	23.63
52-week trading range (NT$)	1,080 –2,510

Performance	3M	6M	12M
Absolute (%)	35	61.6	130.9
Relative (%)	-6.7	-0.7	22.4

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2025	13.95A	15.36A	17.44A	19.51A
2026	22.08A	24.34F	27.97F	28.82F
2027	28.77F	29.84F	35.36F	37.34F

ESG score card



Source: Refinitiv

Event

TSMC will host its 2Q26 earnings call on July 16.

Impact

2Q26F results to beat guidance. We expect TSMC's 2Q26 revenue to arrive at NT$1.28tn, up 12% QoQ and slightly above the high end of guidance, driven mainly by strong AI demand. Gross margin is also expected to come in above guidance at 68.7% on higher capacity utilization and product mix improvement. For 3Q26, we expect TSMC to guide high-single digit QoQ revenue growth, and our forecast implies 10% QoQ growth, driven by iPhone seasonality and N2 ramp-up. Gross margin expansion could be mild due to N2 dilution offsetting the higher loading rate. For 2026, we expect revenue growth of nearly 40% YoY, with capex guidance of US$55-56bn.

Tight capacity to continue in 2027F. Despite recent noise about the Rubin delay, we expect N3 to remain the tightest node in 2026-27 on strong HPC demand, particularly from TPU. We now forecast N3 monthly capacity will reach a respective 150k, 190k, and 220k wpm by end-2026, 2027, and 2028. Given persistent tight capacity across leading-edge nodes, we expect TSMC to raise leading-edge wafer prices by 5-10% in 2027. As a result, we forecast TSMC revenue will grow around 30% YoY in 2027. TSMC might not offer capex guidance for 2027 until 1Q27. However, in view of the aggressive expansion plan and strong demand, we revise up 2027F capex from US$60bn to US$65-70bn. We believe the focus of analyst meeting will be: (1) capacity expansion plans; (2) the AI demand outlook; (3) pricing strategy; and (4) competition from Samsung (KR) and Intel (US).

Concerns about competition are overblown. Although investor concerns about TSMC's capacity shortage and market share gains by Intel and Samsung have increased, with key clients Nvidia (US), Apple (US) and Google (US) evaluating Intel 18A and Samsung SF2, we believe the impact on TSMC will be limited. Samsung and Intel's market share gains are due to TSMC's capacity being inadequate to support strong demand rather than the technological gap being narrowed. Therefore, we believe market concerns are overblown.

Valuation & Action

We maintain Outperform on TSMC and raise our target price to NT$3,000, based on PE of 20x, but roll over to 2027-28F 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$mn)	2,894,308	3,809,054	5,278,987	6,702,770	8,311,612
Gross profit (NT$mn)	1,624,354	2,281,294	3,592,488	4,649,748	5,772,221
Operating profit (NT$mn)	1,324,513	1,935,197	3,139,762	4,062,896	5,082,357
Net profit (NT$mn)	1,173,268	1,717,883	2,676,190	3,404,867	4,280,044
EPS (NT$)	45.25	66.26	103.21	131.31	165.06
Cash DPS (NT$)	17.00	22.00	28.00	30.00	34.00
EPS growth (%)	39.9	46.4	55.8	27.2	25.7
PE (x)	55.4	37.8	24.3	19.1	15.2
PB (x)	15.1	12.0	8.7	6.4	4.8
EV/EBITDA (x)	31.3	23.5	15.8	12.2	9.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.7	0.9	1.1	1.2	1.4
Return on average equity (%)	30.3	35.4	41.4	38.6	36.2

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 2Q-3Q26 forecast revisions vs. consensus

NT$mn	2Q26F Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	3Q26F Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,274,266	1,274,266	0.0	12.4	36.5	1,264,538	0.8	1,406,752	1,406,752	0.0	10.4	42.1	1,375,834	2.2
Gross profit	875,010	868,448	0.8	16.5	59.9	845,938	3.4	964,515	958,753	0.6	10.2	63.9	901,955	6.9
Operating profit	761,600	755,039	0.9	16.2	64.7	740,488	2.9	846,348	840,586	0.7	11.1	69.0	786,615	7.6
Net profit	631,223	625,975	0.8	10.3	58.5	618,678	2.0	725,246	720,465	0.7	14.9	60.3	678,000	7.0
EPS (NT$)	24.34	24.14	0.8	10.3	58.5	23.91	1.8	27.97	27.78	0.7	14.9	60.3	26.24	6.6
Gross margin (%)	68.7	68.2	0.5 ppts	2.4 ppts	10.0 ppts	66.9	1.8 ppts	68.6	68.2	0.4 ppts	(0.1)ppts	9.1 ppts	65.6	3.0 ppts
OP margin (%)	59.8	59.3	0.5 ppts	2.0 ppts	10.3 ppts	58.6	1.2 ppts	60.2	59.8	0.4 ppts	0.4 ppts	9.6 ppts	57.2	3.0 ppts
Net margin (%)	49.5	49.1	0.4 ppts	(0.9)ppts	6.9 ppts	48.9	0.6 ppts	51.6	51.2	0.3 ppts	2.0 ppts	5.9 ppts	49.3	2.3 ppts

Source: Bloomberg; KGI Research estimates

Figure 2: Breakdown of 2026-27 forecast revisions vs. consensus

NT$mn	2026F Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	2027F Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	5,278,987	5,278,986	0.0	38.6	5,207,731	1.4	6,702,770	6,702,770	0.0	27.0	6,694,347	0.1
Gross profit	3,592,488	3,577,679	0.4	57.5	3,429,343	4.8	4,649,748	4,640,498	0.2	29.4	4,376,430	6.2
Operating profit	3,139,762	3,124,953	0.5	62.2	2,993,552	4.9	4,062,896	4,053,647	0.2	29.4	3,833,787	6.0
Net profit	2,676,190	2,664,100	0.5	55.8	2,562,467	4.4	3,404,867	3,397,393	0.2	27.2	3,280,998	3.8
EPS (NT$)	103.21	102.74	0.5	55.8	99.10	4.2	131.31	131.02	0.2	27.2	126.15	4.1
Gross margin (%)	68.1	67.8	0.3 ppts	8.2 ppts	65.9	2.2 ppts	69.4	69.2	0.1 ppts	1.3 ppts	65.4	4.0 ppts
OP margin (%)	59.5	59.2	0.3 ppts	8.7 ppts	57.5	2.0 ppts	60.6	60.5	0.1 ppts	1.1 ppts	57.3	3.3 ppts
Net margin (%)	50.7	50.5	0.2 ppts	5.6 ppts	49.2	1.5 ppts	50.8	50.7	0.1 ppts	0.1 ppts	49.0	1.8 ppts

Source: Bloomberg; KGI Research estimates

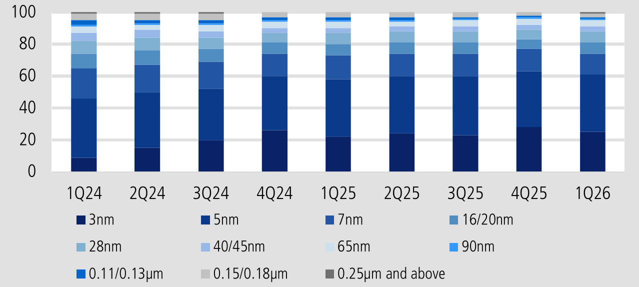
Figure 3: Company profile

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

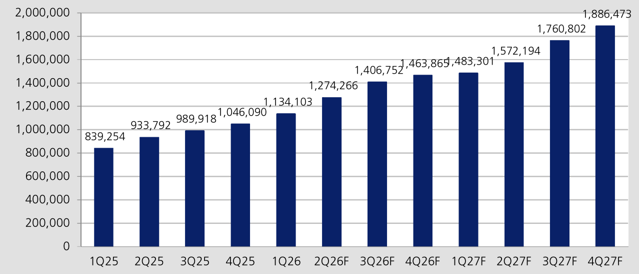
Revenue weighting, percent



Source: Company data; KGI Research

Figure 5: Sales

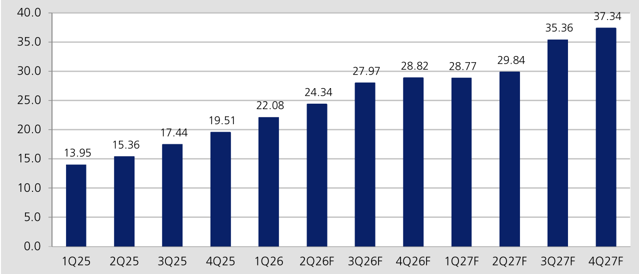
Sales, NT$mn



Source: KGI Research

Figure 6: EPS

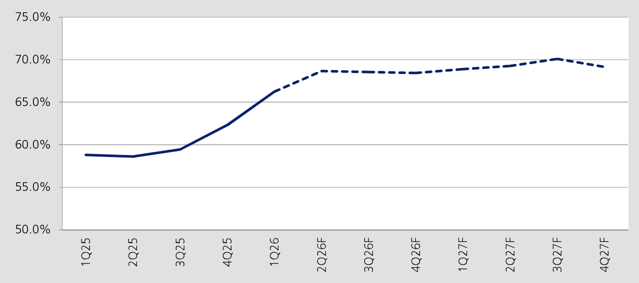
EPS, NT$



Source: KGI Research

Figure 7: Gross margin

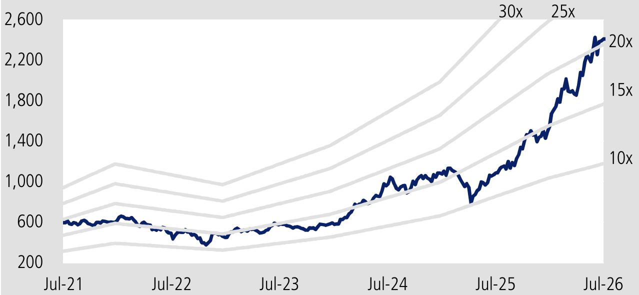
Gross margin, percent



Source: KGI Research

Figure 8: 12M forward PE band

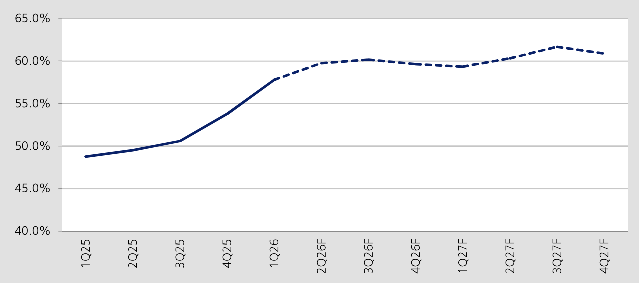
Share price, NT$ (LHS); PE, x (RHS)



Source: TEJ, KGI Research

Figure 9: Operating margin

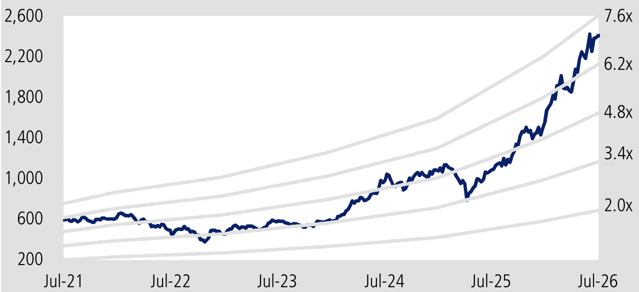
Operating margin, percent



Source: KGI Research

Figure 10: 12M forward PB band

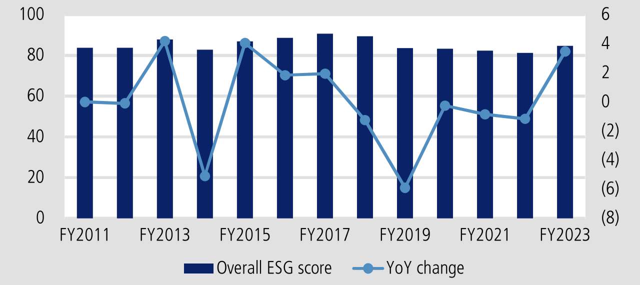
Share price, NT$ (LHS); PB, x (RHS)



Source: TEJ, KGI Research

Figure 11: Overall ESG score

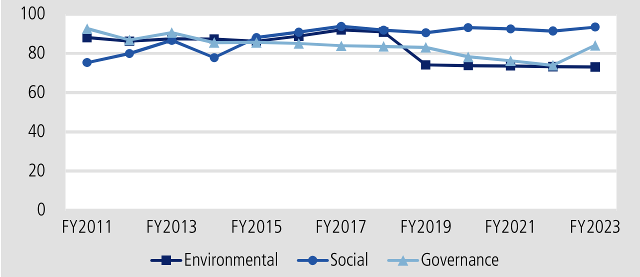
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 12: ESG score by category

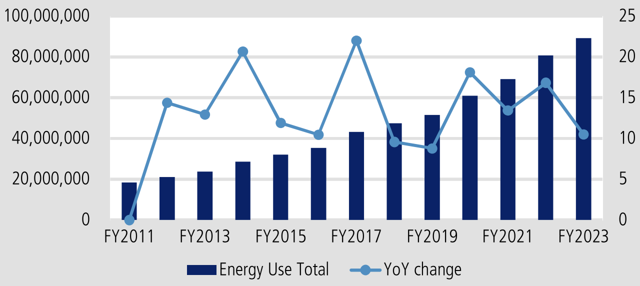
ESG score, points



Source: Refinitiv; Company data

Figure 13: Energy use

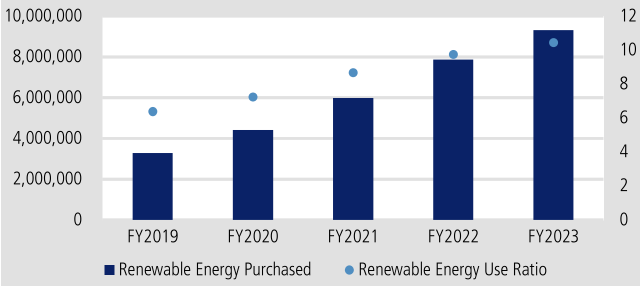
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 14: Renewable energy

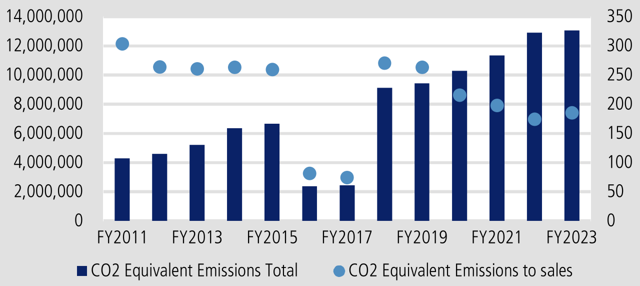
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 15: CO2 equivalent emissions

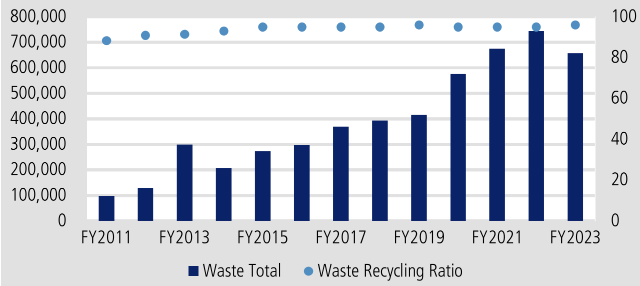
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn (RHS)



Source: Refinitiv; Company data

Figure 16: Waste total

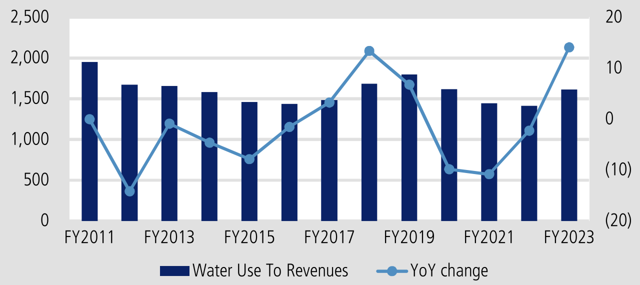
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 17: Water use to revenue

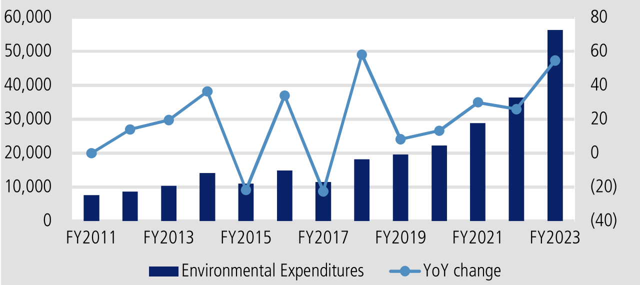
Water use to revenue, m3/ US$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 18: Environmental expenditures

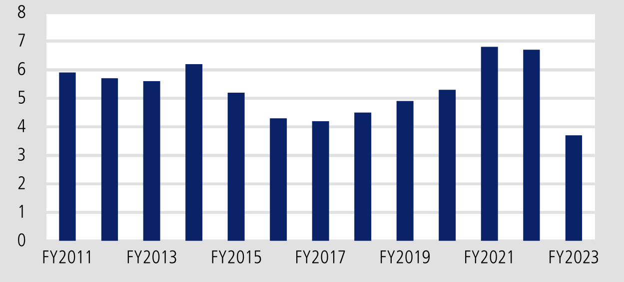
Environmental expenditures, NT$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 19: Employee turnover

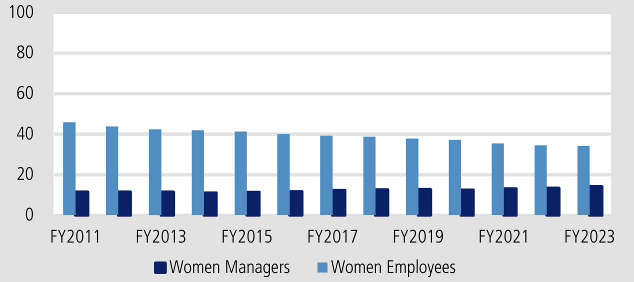
Employee turnover, percent



Source: Refinitiv; Company data

Figure 20: Gender diversification

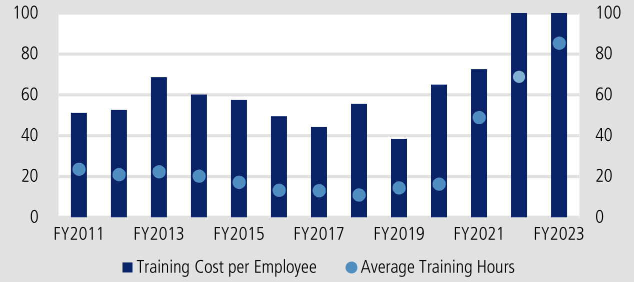
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 21: Employee training

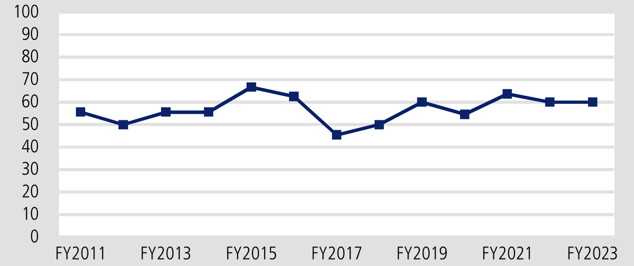
Training cost per employee, US$ (LHS); average annual training hours per employee (RHS)



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-26F	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**	**1,274,266**	**1,406,752**	**1,463,865**	**1,483,301**	**1,572,194**	**1,760,802**	**1,886,473**	**5,278,987**	**6,702,770**	**8,311,612**
Cost of goods sold	(382,808)	(399,256)	(442,238)	(462,197)	(461,363)	(482,957)	(526,867)	(581,835)	(1,686,499)	(2,053,022)	(2,539,391)
Gross profit	**751,295**	**875,010**	**964,515**	**1,001,668**	**1,021,937**	**1,089,238**	**1,233,934**	**1,304,638**	**3,592,488**	**4,649,748**	**5,772,221**
Operating expenses	(95,682)	(113,410)	(118,167)	(128,820)	(141,655)	(140,711)	(147,907)	(156,577)	(452,726)	(586,851)	(689,864)
Operating profit	**655,613**	**761,600**	**846,348**	**872,848**	**880,282**	**948,526**	**1,086,027**	**1,148,061**	**3,139,762**	**4,062,896**	**5,082,357**
Depreciation of fixed assets	(163,313)	(186,678)	(183,380)	(190,516)	(259,838)	(267,375)	(256,736)	(63,891)	(723,887)	(847,841)	(956,118)
Amortisation of intangible assets	(2,138)	(5,460)	(5,813)	86	(8,346)	(8,488)	(8,832)	8,728	(13,325)	(16,937)	(19,111)
EBITDA	**821,064**	**953,739**	**1,035,540**	**1,063,278**	**1,148,466**	**1,224,389**	**1,351,595**	**1,203,224**	**3,876,974**	**4,927,674**	**6,057,586**
Interest income	28,862	28,862	28,862	28,862	20,000	20,000	20,000	20,000	115,449	80,000	80,000
Investment income	1,809	1,685	1,685	1,685	1,685	1,685	1,685	1,685	6,864	6,740	6,740
Other non-op income	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	(0)	(0)
Non-operating income	**30,672**	**30,547**	**30,547**	**30,547**	**21,685**	**21,685**	**21,685**	**21,685**	**122,313**	**86,740**	**86,740**
Interest expense	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(10,867)	(10,867)	(10,867)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	879	-	-	-	-	-	-	-	879	-	-
Non-operating expenses	**(1,838)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(9,989)**	**(10,867)**	**(10,867)**
Pre-tax profit	**684,447**	**789,430**	**874,178**	**900,678**	**899,250**	**967,494**	**1,104,995**	**1,167,029**	**3,252,086**	**4,138,769**	**5,158,230**
Current taxation	(114,998)	(157,886)	(148,610)	(153,115)	(152,873)	(193,499)	(187,849)	(198,395)	(574,610)	(732,615)	(876,899)
Minorities	(322)	(322)	(322)	(322)	(322)	(322)	(322)	(322)	(1,286)	(1,286)	(1,286)
Normalised net profit	**569,127**	**631,223**	**725,246**	**747,241**	**746,056**	**773,674**	**916,824**	**968,313**	**2,676,190**	**3,404,867**	**4,280,044**
Extraordinary items	3,353	-	-	-	-	-	-	-	-	-	-
Net profit	**572,480**	**631,223**	**725,246**	**747,241**	**746,056**	**773,674**	**916,824**	**968,313**	**2,676,190**	**3,404,867**	**4,280,044**
EPS (NT$)	22.08	24.34	27.97	28.82	28.77	29.84	35.36	37.34	103.21	131.31	165.06
Margins (%)											
Gross profit margin	66.2	68.7	68.6	68.4	68.9	69.3	70.1	69.2	68.1	69.4	69.4
Operating margin	57.8	59.8	60.2	59.6	59.3	60.3	61.7	60.9	59.5	60.6	61.1
EBITDA margin	72.4	74.8	73.6	72.6	77.4	77.9	76.8	63.8	73.4	73.5	72.9
Pretax profit margin	60.4	62.0	62.1	61.5	60.6	61.5	62.8	61.9	61.6	61.7	62.1
Net profit margin	50.5	49.5	51.6	51.0	50.3	49.2	52.1	51.3	50.7	50.8	51.5
Sequential growth (%)											
Revenue growth	8.4	12.4	10.4	4.1	1.3	6.0	12.0	7.1			
Gross profit growth	15.2	16.5	10.2	3.9	2.0	6.6	13.3	5.7			
Operating profit growth	16.5	16.2	11.1	3.1	0.9	7.8	14.5	5.7			
EBITDA growth	13.3	16.2	8.6	2.7	8.0	6.6	10.4	(11.0)			
Pretax profit growth	16.0	15.3	10.7	3.0	(0.2)	7.6	14.2	5.6			
Net profit growth	13.2	10.3	14.9	3.0	(0.2)	3.7	18.5	5.6			
YoY growth (%)											
Revenue growth	35.1	36.5	42.1	39.9	30.8	23.4	25.2	28.9	38.6	27.0	24.0
Gross profit growth	52.3	59.9	63.9	53.6	36.0	24.5	27.9	30.2	57.5	29.4	24.1
Operating profit growth	60.2	64.7	69.0	55.1	34.3	24.5	28.3	31.5	62.2	29.4	25.1
EBITDA growth	40.5	46.6	56.0	46.7	39.9	28.4	30.5	13.2	47.8	27.1	22.9
Pretax profit growth	58.0	60.5	66.3	52.6	31.4	22.6	26.4	29.6	59.4	27.3	24.6
Net profit growth	58.3	58.5	60.3	47.8	30.3	22.6	26.4	29.6	55.8	27.2	25.7

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**	**10,405,372**	**13,118,647**	**16,506,110**
Current assets	**3,088,352**	**3,817,131**	**5,146,420**	**6,634,964**	**8,879,348**
Cash & ST securities	2,422,020	3,068,595	3,949,346	5,164,548	7,232,632
Inventory	287,869	288,109	413,902	521,039	593,603
Accounts receivable	272,088	281,791	575,720	741,926	845,660
Other current assets	106,376	178,635	207,452	207,452	207,452
Non-current assets	**3,603,586**	**4,115,893**	**5,258,952**	**6,483,683**	**7,626,762**
LT investments	149,040	172,370	171,621	178,361	185,100
Net fixed assets	3,234,980	3,691,841	4,813,139	6,031,130	7,167,470
Other assets	219,565	251,682	274,192	274,192	274,192
Total liabilities	**2,368,362**	**2,472,229**	**2,861,938**	**2,922,310**	**2,963,200**
Current liabilities	**1,264,525**	**1,458,019**	**1,847,631**	**1,908,002**	**1,948,892**
Accounts payable	74,227	84,330	116,039	146,075	166,419
Interest bearing ST liabilities	59,858	136,926	156,242	156,242	156,242
Other current liabilities	1,130,441	1,236,763	1,575,350	1,605,685	1,626,232
Non-current liabilities	**1,103,837**	**1,014,209**	**1,014,307**	**1,014,307**	**1,014,307**
Long-term debt	958,429	896,062	891,148	891,148	891,148
Other L-T liabilities	116,653	86,552	113,290	113,290	113,290
Total equity	**4,323,576**	**5,460,795**	**7,543,434**	**10,196,337**	**13,542,910**
Share capital	259,327	259,325	259,324	259,324	259,324
Retained earnings reserve	3,606,105	4,705,070	7,169,015	9,821,919	13,168,492
Minority interests	35,031	41,199	41,429	41,429	41,429
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Growth					
Revenue growth	33.9%	31.6%	38.6%	27.0%	24.0%
Operating profit growth	43.8%	46.1%	62.2%	29.4%	25.1%
EBITDA growth	36.7%	32.0%	47.8%	27.1%	22.9%
Net profit growth	39.9%	46.4%	55.8%	27.2%	25.7%
EPS growth	39.9%	46.4%	55.8%	27.2%	25.7%
Profitability					
Gross profit margin	56.1%	59.9%	68.1%	69.4%	69.4%
Operating margin	45.8%	50.8%	59.5%	60.6%	61.1%
EBITDA margin	68.7%	68.9%	73.4%	73.5%	72.9%
Net profit margin	40.5%	45.1%	50.7%	50.8%	51.5%
Return on average assets	19.2%	23.5%	29.2%	28.9%	28.9%
Return on average equity	30.3%	35.4%	41.4%	38.6%	36.2%
Stability					
Gross debt to equity	23.6%	18.9%	13.9%	10.3%	7.7%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	135.2	166.0	300.3	381.8	475.6
Interest & ST debt coverage (x)	1.0	0.9	1.0	1.0	1.0
Cash flow interest coverage(x)	174.0	183.9	293.3	372.7	470.5
Cash flow/int. & ST debt (x)	26.0	15.2	19.1	24.2	30.6
Current ratio (x)	2.4	2.6	2.8	3.5	4.6
Quick ratio (x)	2.2	2.4	2.6	3.2	4.3
Net debt (NT$mn)	(1,109,340)	(1,734,869)	(2,553,992)	(3,769,193)	(5,837,278)
Per share data					
EPS (NT$)	45.25	66.26	103.21	131.31	165.06
CFPS (NT$)	70.43	87.74	122.93	156.19	197.19
BVPS (NT$)	165.37	208.99	289.32	391.63	520.69
Adj BVPS (NT$)	165.40	209.02	289.32	391.63	520.70
SPS (NT$)	111.63	146.91	203.59	258.50	320.54
EBITDA/share (NT$)	76.65	101.18	149.52	190.04	233.62
Cash DPS (NT$)	17.00	22.00	28.00	30.00	34.00
Activity					
Sales / avg assets	0.47	0.52	0.58	0.57	0.56
Days receivable	34.4	27.0	39.8	40.4	37.2
Days inventory	83.0	68.8	89.6	92.6	85.6
Days payable	21.4	20.1	25.1	26.0	24.0
Cash cycle	96.0	75.7	104.3	107.1	98.8

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**2,894,308**	**3,809,054**	**5,278,987**	**6,702,770**	**8,311,612**
Cost of goods sold	(1,269,954)	(1,527,760)	(1,686,499)	(2,053,022)	(2,539,391)
Gross profit	**1,624,354**	**2,281,294**	**3,592,488**	**4,649,748**	**5,772,221**
Operating expenses	(299,840)	(346,097)	(452,726)	(586,851)	(689,864)
Operating profit	**1,324,513**	**1,935,197**	**3,139,762**	**4,062,896**	**5,082,357**
Non-operating income	**92,660**	**111,827**	**122,313**	**86,740**	**86,740**
Interest income	87,213	105,739	115,449	80,000	80,000
Investment income	4,879	5,497	6,864	6,740	6,740
Other non-op income	567	592	0	(0)	(0)
Non-operating expenses	**(8,874)**	**(6,256)**	**(9,989)**	**(10,867)**	**(10,867)**
Interest expense	(10,495)	(12,370)	(10,867)	(10,867)	(10,867)
Investment loss	-	-	-	-	-
Other non-op expenses	1,621	6,114	879	-	-
Pre-tax profit	**1,408,299**	**2,040,768**	**3,252,086**	**4,138,769**	**5,158,230**
Current taxation	(233,407)	(326,266)	(574,610)	(732,615)	(876,899)
Minorities	836	2,486	(1,286)	(1,286)	(1,286)
Extraordinary items	(2,460)	895	-	-	-
Net profit	**1,173,268**	**1,717,883**	**2,676,190**	**3,404,867**	**4,280,044**
EBITDA	**1,987,310**	**2,623,293**	**3,876,974**	**4,927,674**	**6,057,586**
EPS (NT$)	45.25	66.26	103.21	131.31	165.06

Cash flow

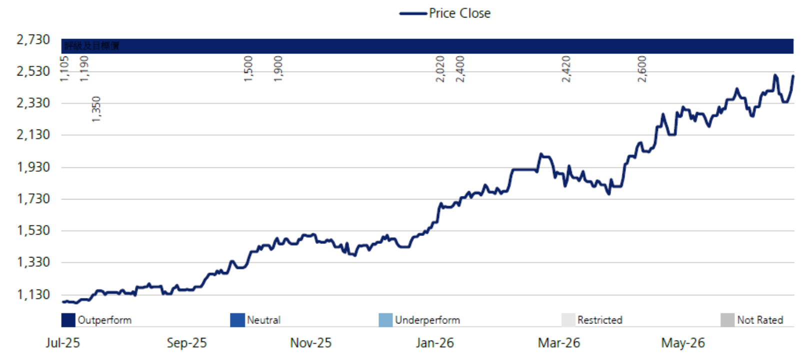
NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Operations cash flow	**1,826,177**	**2,274,976**	**3,187,608**	**4,049,933**	**5,113,125**
Net profit	1,173,268	1,717,883	2,676,190	3,404,867	4,280,044
Depreciation & amortisation	662,797	688,096	737,212	864,778	975,229
Decrease in working capital	(90,088)	160	(388,012)	(243,307)	(155,955)
Other operating cash flow	80,200	(131,163)	162,218	23,596	13,807
Investing cash flow	**(864,843)**	**(1,144,393)**	**(1,787,075)**	**(2,082,769)**	**(2,111,569)**
Sale of ST investment	(54,143)	(37,079)	(16,249)	-	-
New investments	(3,739)	-	-	-	-
Capital expenditure	(956,007)	(1,272,411)	(1,780,984)	(2,082,769)	(2,111,569)
Others investing cashflow	149,045	165,096	10,158	-	-
Free cash flow	**712,509**	**1,033,242**	**1,139,889**	**1,865,476**	**2,906,951**
Financing cash flow	**(346,301)**	**(440,345)**	**(612,576)**	**(751,963)**	**(933,472)**
Increase in short term debt	-	-	-	-	-
Increase in long term loans	55,866	40,448	14,402	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(363,055)	(466,779)	(622,328)	(751,963)	(933,472)
Other financing cashflow	(36,022)	(14,014)	(4,650)	-	-
Forex effects	**47,166**	**(50,008)**	**45,569**	**-**	**-**
Total cash generated	**662,199**	**640,229**	**833,526**	**1,215,201**	**2,068,085**

ROIC

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
1 - COGS/revenue					
- Operating exp./revenue	10.4%	9.1%	8.6%	8.8%	8.3%
= Operating margin	**45.8%**	**50.8%**	**59.5%**	**60.6%**	**61.1%**
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%	59.5%	60.6%	61.1%
x Capital turnover	1.0	1.2	1.1	1.1	1.1
x (1 - tax rate)	83.4%	84.0%	82.3%	82.3%	83.0%
= After-tax ROIC	**39.7%**	**50.2%**	**56.3%**	**55.5%**	**57.8%**

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
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
2025-07-11	Outperform	1,190	1,100
2025-06-09	Outperform	1,105	1,005

Source: TEJ, KGI Research

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