COMPANY UPDATE

IC manufacturing · Taiwan

TSMC (2330.TW/2330 TT)

3Q25 preview – AI outlook has turned more promising

FTSE4Good TIP Taiwan ESG Index stock

Outperform • Maintained

Price as of October 1 (NT$)	1,325
12M target price (NT$)	1,500
Previous target price (NT$)	1,350
Revised up (%)	11.1
Upside (%)	13.2

Key message

1. 3Q25F results to beat guidance due to FX.
2. Revise up 2026 CoWoS estimates due to strong AI demand.
3. Early 2027 outlook implies continued strength.

Trading data

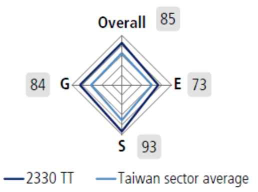
Mkt cap (NT$bn/US$mn)	34,3611,124,29
Outstanding shares (mn)	25,933
Foreign ownership (mn)	19,131
3M avg. daily trading (mn)	24.54
52-week trading range (NT$)	785 –1,340

Performance	3M	6M	12M
Absolute (%)	22.1	40.4	36.3
Relative (%)	6.9	18.3	20.3

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2024	8.70A	9.56A	12.55A	14.45A
2025	13.95A	15.36A	16.62F	16.56F
2026	15.92F	16.99F	20.66F	21.39F

ESG score card



Source: Refinitiv

Event

TSMC will host its 3Q25 earnings call on October 16. Due to NT-dollar depreciation, we expect TSMC to beat both NT-dollar sales and gross margin guidance.

Impact

3Q25F results to beat guidance due to FX. We expect TSMC to post 3Q25 sales of NT$999bn, up 7% QoQ, versus guidance of a 1.2% decline to 2.5% growth QoQ in NT-dollar terms, or 5.7-9.7% QoQ growth in US-dollar terms, thanks to NT-dollar depreciation. We forecast gross margin of 58%, above guidance of 55.5-57.5%, also due to NT-dollar depreciation QTD. We expect guidance of flat 4Q25 sales, and we continue to forecast 2025 sales growth of 36.7% YoY in US-dollar terms, but we now estimate sales growth in NT-dollar terms of 30.0% YoY. We still expect a slowdown in YoY sales growth in 4Q25, but the downtrend will likely bottom in 2Q26. With N2 ramp-up, we expect YoY growth to regain momentum in 2H26.

Revise up 2026 CoWoS estimates due to strong AI demand. In the past few weeks, we have seen multiple mega AI deals (both rentals and investment), such as between Nvidia (US), OpenAI (US), and Oracle (US), as well as CoreWeave (US) and Meta (US). The promising outlook also reflects key AI chipmakers' plans for 2026. We revise up our CoWoS monthly capacity forecast for TSMC from 95kwpm to 110kwpm by end-2026, with major demand upside from both Nvidia and Broadcom (US). We revise up our Nvidia CoWoS wafer demand forecast by 20% from 495k to 600k wafers, and Broadcom from 140-145k to 180k wafers. Amazon Web Services (AWS; US) suppliers Annapurna Labs (US) and Alchip Technologies (3661 TT, NT$3,395, OP) remain aggressive, but our forecasts are unchanged. In addition, we remain positive on strong N2 ramp-up from 1Q26 and forecast it will account for 14% of TSMC's 2026 sales, versus N3 only accounting for 6% of sales in its first year. We estimate TSMC capex of US$46.9bn in 2026, up 8.7% YoY, mainly driven by accelerated US expansion and N2 ramp-up.

Early 2027 outlook implies continued strength. Looking into 2027, we expect the CoWoS shortage to become severe if all of TSMC's clients maintain their current demand levels. As for CSPs, we still expect both Google (US) and AWS to be key ASIC players, and OpenAI, Meta, and Microsoft (US) will all post strong growth due to low bases. However, we have yet to see strong signs of rising CoWoS demand from MediaTek (2454 TT, NT$1,285, OP), which lowers our confidence in its AI ASIC contribution even into 2027. The results of MediaTek's demand won't be finalized until November, so significant uncertainty remains. In general, we expect to see strong N2 and CoWoS demand in 2027, and new packaging technologies will also start to make meaningful contribution, such as WMCM, SoIC, and early-stage CoPoS. We expect TSMC to maintain at least 20% YoY sales growth in both 2026 and 2027.

Valuation & Action

We raise our 2025-26 EPS forecasts by a respective 4.2% and 10.9% to NT$62.48 and NT$74.96, mainly due to: (1) our previous aggressive NT-dollar appreciation assumptions; and (2) CoWoS demand upside. We therefore maintain Outperform and revise up our target price by 11% to NT$1,500, based on 20x 2026F EPS (upcycle average).

Risks

Global economic uncertainties; upside on higher-than-expected price hikes in 2026.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue (NT$mn)	2,263,891	2,161,736	2,894,308	3,772,030	4,531,026
Gross profit (NT$mn)	1,348,355	1,175,111	1,624,354	2,200,411	2,614,832
Operating profit (NT$mn)	1,121,279	921,088	1,324,513	1,835,251	2,217,695
Net profit (NT$mn)	1,016,530	838,498	1,173,268	1,620,059	1,943,706
EPS (NT$)	39.20	32.34	45.25	62.48	74.96
Cash DPS (NT$)	11.00	13.00	17.00	20.00	20.00
EPS growth (%)	70.4	(17.5)	39.9	38.1	20.0
PE (x)	33.8	41.0	29.3	21.2	17.7
PB (x)	11.7	9.9	8.0	6.7	5.2
EV/EBITDA (x)	21.3	22.6	16.3	12.5	10.1
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.8	1.0	1.3	1.5	1.5
Return on average equity (%)	39.8	26.2	30.3	34.4	33.2

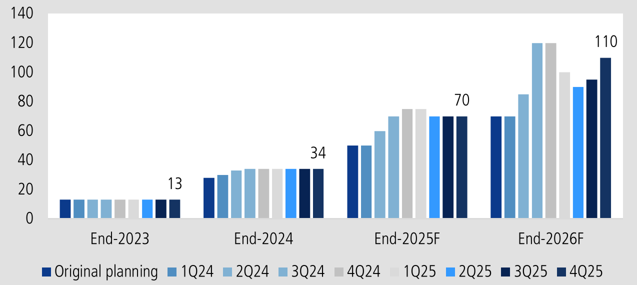
Source: Company data, KGI Research estimates

Compared with 1H25, supply chain sentiment has turned more bullish in 2H25, due to: (1) lower tariff uncertainties; and (2) higher order visibility on AI demand. Recent AI mega-deals (either rentals or investment) echo an improved AI outlook, such as between Nvidia, OpenAI, and Oracle, as well as CoreWeave and Meta. The promising outlook also reflects key AI chipmakers' plans for 2026. We revise up our CoWoS monthly capacity forecast for TSMC from 95kwpm to 110kwpm by end-2026, with major demand upside from both Nvidia and Broadcom. We revise up our Nvidia CoWoS wafer demand forecast by 20% from 495k to 600k wafers, and Broadcom from 140-145k to 180k wafers. AWS suppliers Annapurna Labs and Alchip Technologies remain aggressive, but our forecasts are unchanged.

Looking into 2027, we expect the CoWoS shortage to become severe if all of TSMC's clients maintain their current demand levels. We project Nvidia's CoWoS demand will continue to grow by high-teens percent, and both Google and AWS will remain aggressive on the ASIC front (Broadcom and Annapurna Labs/Alchip Technologies are their respective ASIC partners). In addition to these established players, we expect strong demand growth from OpenAI, Meta, and Microsoft as they begin to ramp-up their customized solutions. However, we have yet to see strong signs of rising CoWoS demand from MediaTek, which lowers our confidence in its potential AI ASIC contribution, even into 2027.

Figure 1: TSMC CoWoS capacity forecasts

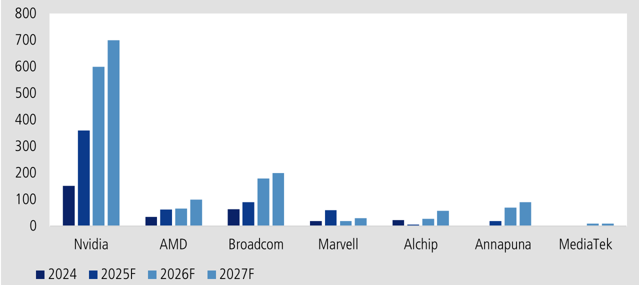
TSMC's monthly CoWoS capacity forecasts, '000 units



Source: KGI Research estimates

Figure 2: 2025-27 CoWoS shipment forecasts

CoWoS shipments, '000 units

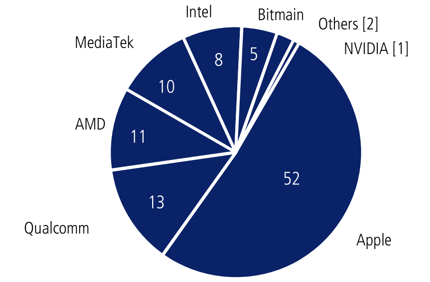


Source: KGI Research estimates

We remain positive on N2 ramp-up and forecast it will account for 14% of TSMC 2026 sales, versus N3 only accounting for 6% of sales in its first year, with its capacity doubling from 40kwpm at end-2025 to 80kwpm by the end of 2026. Apple (US) is expected to be TSMC's anchor client for N2, accounting for over 50% of capacity, primarily for its A20 processor. Other major clients are expected to include Qualcomm (US) and MediaTek for their flagship AP (SDM8950 and D9600), AMD (US) for its Venice server CPU, and Intel (US) for its Nova Lake desktop CPU. However, we now expect Bitmain (CN) to secure only 5% of capacity given its volatile demand and tight N2 supply. Regarding N3, we expect TSMC's monthly capacity to see modest growth, increasing from 135kwpm at end-2025 to 145kwpm by the end-2026, mainly due to major clients beginning their transition to N2. While Apple will remain a primary N3 client, we expect Nvidia to increase its allocation, backfilling capacity freed up by other customers.

Figure 3: TSMC's 2026 N2 client shipment mix

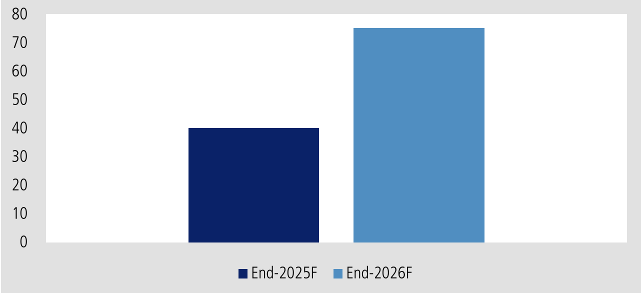
Shipment weighting, percent



Source: KGI Research estimates

Figure 4: TSMC's N2 monthly capacity forecasts

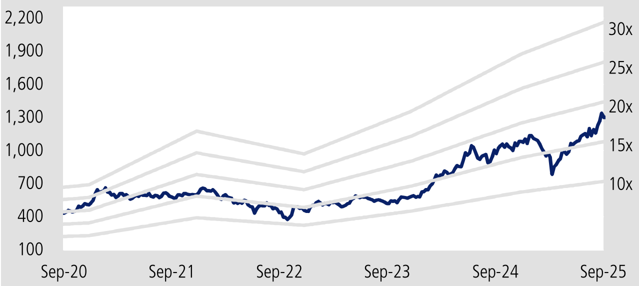
Monthly capacity forecasts, '000 wafers



Source: KGI Research estimates

Figure 5: 12M forward PE band

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



Source: KGI Research estimates

Figure 6: 12M forward PB band

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

Source: KGI Research estimates

Figure 7: Breakdown of 3Q-4Q25 forecast revisions vs. consensus

	3Q25F							4Q25F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	999,492	955,125	4.6	7.0	31.6	958,462	4.3	999,492	930,600	7.4	0.0	15.1	940,721	6.2
Gross profit	579,637	544,398	6.5	5.9	31.9	546,026	6.2	580,010	526,326	10.2	0.1	13.2	533,257	8.8
Operating profit	483,186	453,184	6.6	4.5	34.3	451,919	6.9	481,560	434,662	10.8	(0.3)	12.9	437,261	10.1
Net profit	430,802	405,300	6.3	8.2	32.4	398,826	8.0	429,420	389,556	10.2	(0.3)	14.6	388,919	10.4
EPS (NT$)	16.62	15.63	6.3	8.2	32.4	15.51	7.1	16.56	15.02	10.2	(0.3)	14.6	14.99	10.5
Gross margin (%)	58.0	57.0	1.0 ppts	(0.6)ppts	0.2 ppts	57.0	1.0 ppts	58.0	56.6	1.5 ppts	0.0 ppts	(1.0)ppts	56.7	1.3 ppts
OP margin (%)	48.3	47.4	0.9 ppts	(1.2)ppts	1.0 ppts	47.2	1.2 ppts	48.2	46.7	1.5 ppts	(0.2)ppts	(0.9)ppts	46.5	1.7 ppts
Net margin (%)	43.1	42.4	0.7 ppts	0.5 ppts	0.3 ppts	41.6	1.5 ppts	43.0	41.9	1.1 ppts	(0.1)ppts	(0.2)ppts	41.3	1.6 ppts

Source: Bloomberg; KGI Research estimates

Figure 8: Breakdown of 2025-26 forecast revisions vs. consensus

	2025F						2026F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	3,772,030	3,658,771	3.1	30.3	3,681,978	2.4	4,531,026	4,209,236	7.6	20.1	4,293,406	5.5
Gross profit	2,200,411	2,111,489	4.2	35.5	2,126,121	3.5	2,614,832	2,360,122	10.8	18.8	2,452,909	6.6
Operating profit	1,835,251	1,758,350	4.4	38.6	1,764,113	4.0	2,217,695	1,990,931	11.4	20.8	2,023,045	9.6
Net profit	1,620,059	1,554,694	4.2	38.1	1,550,925	4.5	1,943,706	1,753,003	10.9	20.0	1,780,090	9.2
EPS (NT$)	62.48	59.96	4.2	38.1	59.76	4.6	74.96	67.61	10.9	20.0	68.46	9.5
Gross margin (%)	58.3	57.7	0.6 ppts	2.2 ppts	57.7	0.6 ppts	57.7	56.1	1.6 ppts	(0.6)ppts	57.1	0.6 ppts
OP margin (%)	48.7	48.1	0.6 ppts	2.9 ppts	47.9	0.7 ppts	48.9	47.3	1.6 ppts	0.3 ppts	47.1	1.8 ppts
Net margin (%)	42.9	42.5	0.5 ppts	2.4 ppts	42.1	0.8 ppts	42.9	41.6	1.3 ppts	(0.1)ppts	41.5	1.4 ppts

Source: Bloomberg; KGI Research estimates

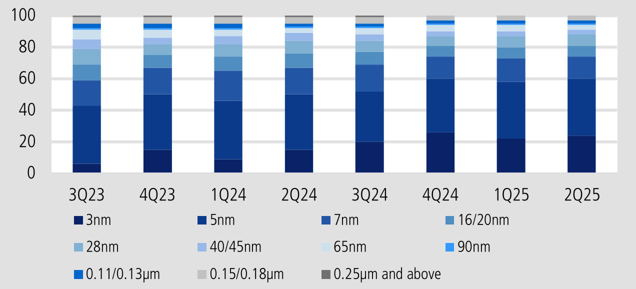
Figure 9: Company profile

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

Source: Company data; KGI Research

Figure 10: TSMC wafer revenue by node

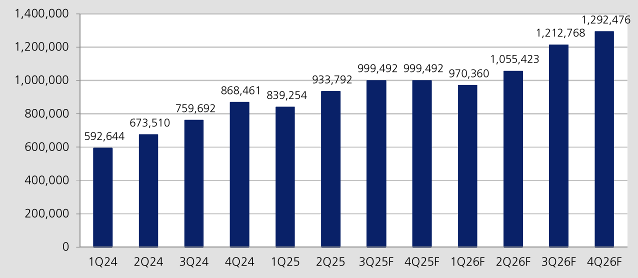
Revenue weighting, percent



Source: Company data; KGI Research

Figure 11: Sales

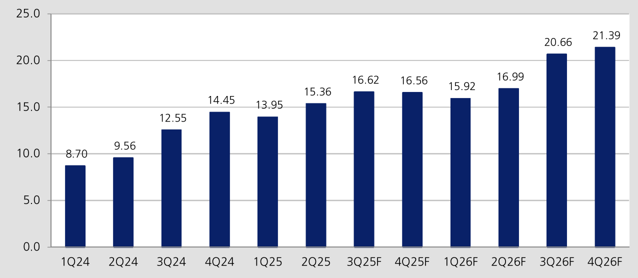
Sales, NT$mn



Source: KGI Research

Figure 12: EPS

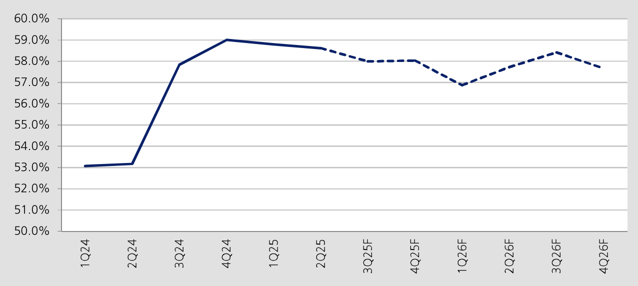
EPS, NT$



Source: KGI Research

Figure 13: Gross Margin

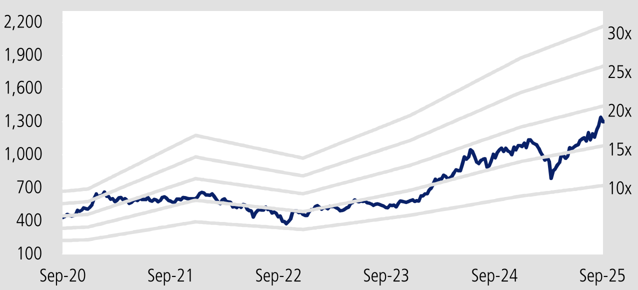
Gross margin, percent



Source: KGI Research

Figure 14: 12M forward PE band

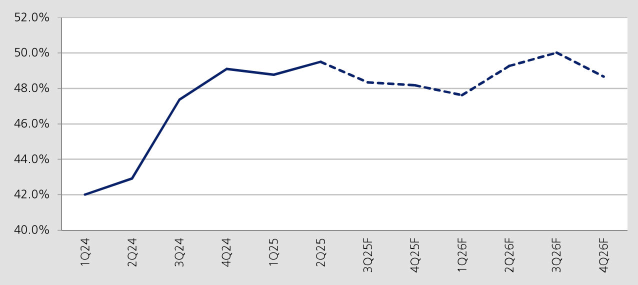
Share price, NT$ (LHS); PE ratio, x (RHS)



Source: KGI Research

Figure 15: Operating Margin

Operating margin, percent



Source: KGI Research

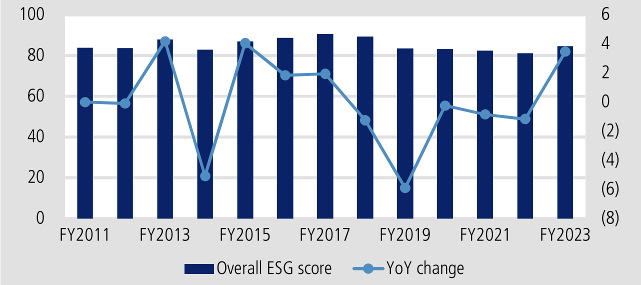
Figure 16: 12M forward PB band

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

Source: KGI Research

Figure 17: Overall ESG score

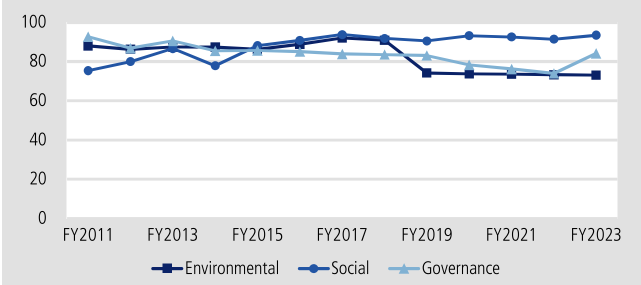
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 18: ESG score by category

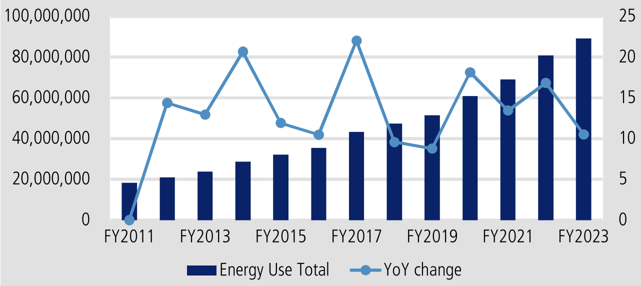
ESG score, points



Source: Refinitiv; Company data

Figure 19: Energy use

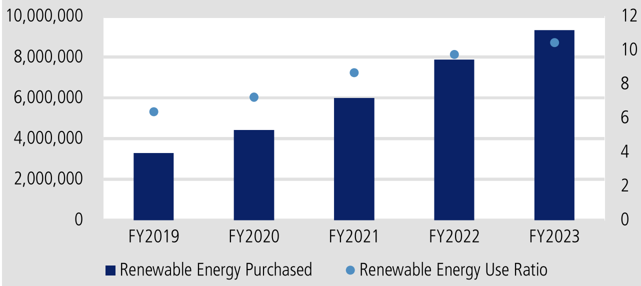
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 20: Renewable energy

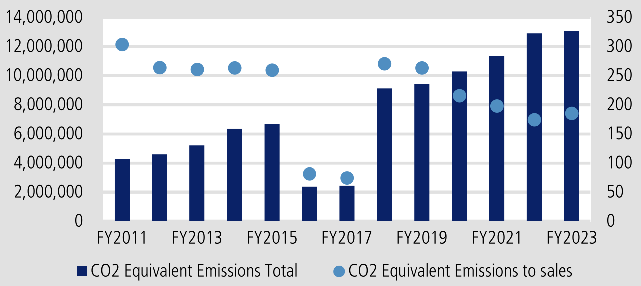
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 21: CO2 equivalent emissions

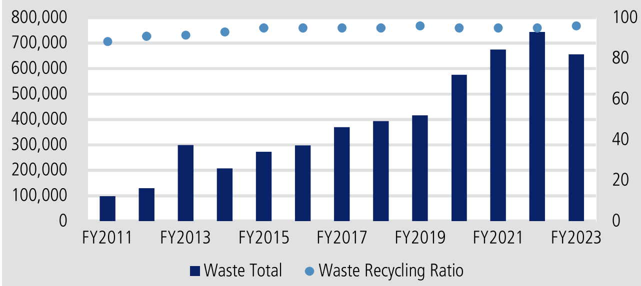
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn (RHS)



Source: Refinitiv; Company data

Figure 22: Waste total

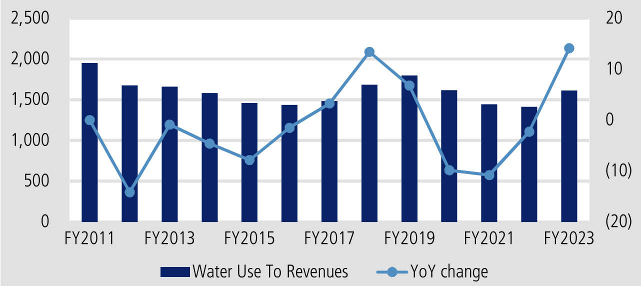
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 23: Water use to revenue

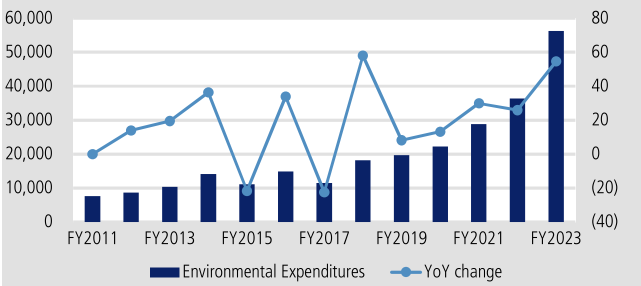
Water use to revenue, m3/ US$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 24: Environmental expenditures

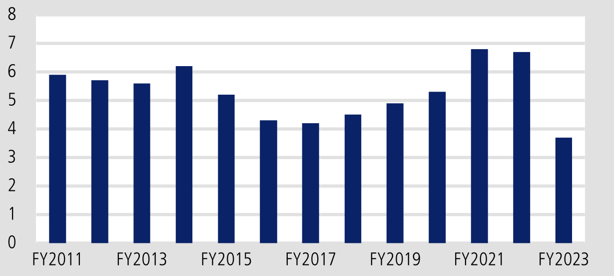
Environmental expenditures, NT$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 25: Employee turnover

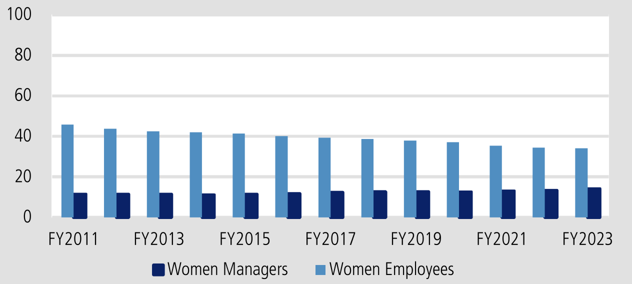
Employee turnover, percent



Source: Refinitiv; Company data

Figure 26: Gender diversification

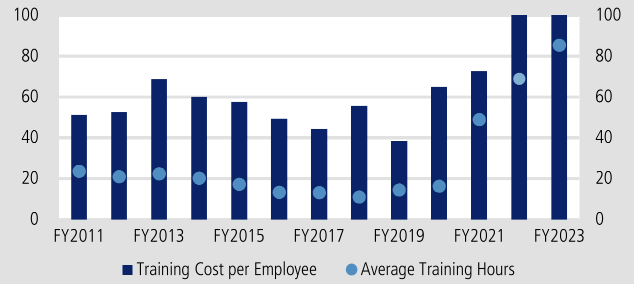
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 27: Employee training

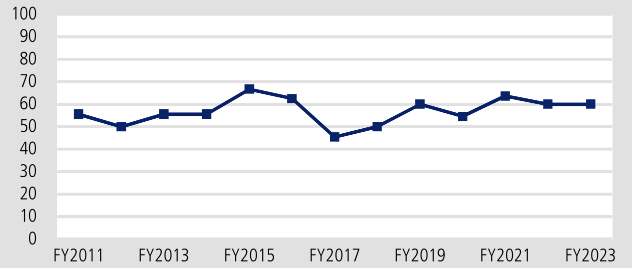
Training cost per employee, US$ (LHS);; average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 28: 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-25A	Jun-25A	Sep-25F	Dec-25F	Mar-26F	Jun-26F	Sep-26F	Dec-26F	Dec-24A	Dec-25F	Dec-26F
Income statement (NT$mn)											
Revenue	**839,254**	**933,792**	**999,492**	**999,492**	**970,360**	**1,055,423**	**1,212,768**	**1,292,476**	**2,894,308**	**3,772,030**	**4,531,026**
Cost of goods sold	(345,859)	(386,423)	(419,855)	(419,482)	(418,493)	(446,188)	(504,331)	(547,182)	(1,269,954)	(1,571,618)	(1,916,194)
Gross profit	**493,395**	**547,369**	**579,637**	**580,010**	**551,867**	**609,235**	**708,437**	**745,293**	**1,624,354**	**2,200,411**	**2,614,832**
Operating expenses	(84,058)	(85,071)	(96,451)	(98,450)	(89,758)	(89,183)	(101,873)	(116,323)	(299,840)	(365,161)	(397,137)
Operating profit	**409,337**	**462,298**	**483,186**	**481,560**	**462,108**	**520,052**	**606,565**	**628,970**	**1,324,513**	**1,835,251**	**2,217,695**
Depreciation of fixed assets	(173,005)	(186,007)	(188,808)	(188,821)	(247,894)	(264,851)	(270,890)	(118,906)	(653,610)	(736,641)	(902,540)
Amortisation of intangible assets	(2,134)	(2,051)	(4,024)	(3,606)	(6,138)	(6,481)	(7,184)	1,792	(9,186)	(11,815)	(18,012)
EBITDA	**584,476**	**650,356**	**676,018**	**673,988**	**716,140**	**791,384**	**884,639**	**746,084**	**1,987,310**	**2,583,707**	**3,138,247**
Interest income	24,859	25,192	24,178	24,178	24,178	24,178	24,178	24,178	87,213	98,408	96,713
Investment income	1,420	1,633	1,222	1,222	1,222	1,222	1,222	1,222	4,879	5,496	4,887
Other non-op income	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	567	(0)	(0)
Non-operating income	**26,279**	**26,825**	**25,400**	**25,400**	**25,400**	**25,400**	**25,400**	**25,400**	**92,660**	**103,904**	**101,600**
Interest expense	(2,677)	(3,691)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(10,495)	(11,723)	(10,709)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	213	6,478	-	-	-	-	-	-	1,621	6,690	-
Non-operating expenses	**(2,465)**	**2,787**	**(2,677)**	**(2,677)**	**(2,677)**	**(2,677)**	**(2,677)**	**(2,677)**	**(8,874)**	**(5,032)**	**(10,709)**
Pre-tax profit	**433,152**	**491,910**	**505,908**	**504,283**	**484,831**	**542,774**	**629,288**	**651,693**	**1,408,299**	**1,934,122**	**2,308,586**
Current taxation	(70,163)	(95,542)	(75,886)	(75,642)	(72,725)	(103,127)	(94,393)	(97,754)	(233,407)	(317,233)	(367,999)
Minorities	831	780	780	780	780	780	780	780	836	3,171	3,119
Normalised net profit	**363,821**	**397,148**	**430,802**	**429,420**	**412,886**	**440,427**	**535,674**	**554,719**	**1,175,728**	**1,620,059**	**1,943,706**
Extraordinary items	(2,256)	1,125	-	-	-	-	-	-	(2,460)	-	-
Net profit	**361,564**	**398,273**	**430,802**	**429,420**	**412,886**	**440,427**	**535,674**	**554,719**	**1,173,268**	**1,620,059**	**1,943,706**
EPS (NT$)	13.95	15.36	16.62	16.56	15.92	16.99	20.66	21.39	45.25	62.48	74.96
Margins (%)											
Gross profit margin	58.8	58.6	58.0	58.0	56.9	57.7	58.4	57.7	56.1	58.3	57.7
Operating margin	48.8	49.5	48.3	48.2	47.6	49.3	50.0	48.7	45.8	48.7	48.9
EBITDA margin	69.6	69.6	67.6	67.4	73.8	75.0	72.9	57.7	68.7	68.5	69.3
Pretax profit margin	51.6	52.7	50.6	50.5	50.0	51.4	51.9	50.4	48.7	51.3	51.0
Net profit margin	43.1	42.7	43.1	43.0	42.5	41.7	44.2	42.9	40.5	42.9	42.9
Sequential growth (%)											
Revenue growth	(3.4)	11.3	7.0	0.0	(2.9)	8.8	14.9	6.6			
Gross profit growth	(3.7)	10.9	5.9	0.1	(4.9)	10.4	16.3	5.2			
Operating profit growth	(4.0)	12.9	4.5	(0.3)	(4.0)	12.5	16.6	3.7			
EBITDA growth	(2.1)	11.3	3.9	(0.3)	6.3	10.5	11.8	(15.7)			
Pretax profit growth	(3.6)	13.6	2.8	(0.3)	(3.9)	12.0	15.9	3.6			
Net profit growth	(3.5)	10.2	8.2	(0.3)	(3.9)	6.7	21.6	3.6			
YoY growth (%)											
Revenue growth	41.6	38.6	31.6	15.1	15.6	13.0	21.3	29.3	33.9	30.3	20.1
Gross profit growth	56.9	52.8	31.9	13.2	11.9	11.3	22.2	28.5	38.2	35.5	18.8
Operating profit growth	64.4	59.9	34.3	12.9	12.9	12.5	25.5	30.6	43.8	38.6	20.8
EBITDA growth	43.2	43.2	28.0	12.9	22.5	21.7	30.9	10.7	36.7	30.0	21.5
Pretax profit growth	62.5	59.3	32.0	12.2	11.9	10.3	24.4	29.2	43.9	37.3	19.4
Net profit growth	60.3	60.7	32.4	14.6	14.2	10.6	24.3	29.2	39.9	38.1	20.0

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	**4,964,779**	**5,532,371**	**6,691,938**	**7,695,339**	**9,184,920**
Current assets	**2,052,897**	**2,194,033**	**3,088,352**	**3,620,217**	**4,607,679**
Cash & ST securities	1,561,486	1,687,644	2,422,020	2,760,869	3,518,748
Inventory	221,149	250,997	287,869	375,650	490,007
Accounts receivable	231,340	201,938	272,088	393,088	508,314
Other current assets	38,922	53,453	106,376	90,610	90,610
Non-current assets	**2,911,882**	**3,338,338**	**3,603,586**	**4,075,123**	**4,577,241**
LT investments	68,928	129,442	149,040	139,870	144,757
Net fixed assets	2,693,837	3,064,475	3,234,980	3,717,454	4,214,685
Other assets	149,117	144,421	219,565	217,799	217,799
Total liabilities	**2,004,290**	**2,049,108**	**2,368,362**	**2,516,624**	**2,581,065**
Current liabilities	**944,227**	**913,583**	**1,264,525**	**1,504,221**	**1,568,661**
Accounts payable	56,522	57,293	74,227	105,315	137,375
Interest bearing ST liabilities	19,314	9,293	59,858	94,214	94,214
Other current liabilities	868,391	846,997	1,130,441	1,304,692	1,337,072
Non-current liabilities	**1,060,063**	**1,135,525**	**1,103,837**	**1,012,403**	**1,012,403**
Long-term debt	839,096	918,283	958,429	949,333	949,333
Other L-T liabilities	191,203	188,560	116,653	128,732	128,732
Total equity	**2,960,489**	**3,483,263**	**4,323,576**	**5,178,715**	**6,603,856**
Share capital	259,304	259,321	259,327	259,326	259,326
Retained earnings reserve	2,323,223	2,846,884	3,606,105	4,810,505	6,235,645
Minority interests	14,836	24,349	35,031	35,558	35,558
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Growth					
Revenue growth	42.6%	(4.5%)	33.9%	30.3%	20.1%
Operating profit growth	72.5%	(17.9%)	43.8%	38.6%	20.8%
EBITDA growth	45.3%	(6.8%)	36.7%	30.0%	21.5%
Net profit growth	70.4%	(17.5%)	39.9%	38.1%	20.0%
EPS growth	70.4%	(17.5%)	39.9%	38.1%	20.0%
Profitability					
Gross profit margin	59.6%	54.4%	56.1%	58.3%	57.7%
Operating margin	49.5%	42.6%	45.8%	48.7%	48.9%
EBITDA margin	68.8%	67.2%	68.7%	68.5%	69.3%
Net profit margin	44.9%	38.8%	40.5%	42.9%	42.9%
Return on average assets	23.4%	16.0%	19.2%	22.5%	23.0%
Return on average equity	39.8%	26.2%	30.3%	34.4%	33.2%
Stability					
Gross debt to equity	29.0%	26.6%	23.6%	20.2%	15.8%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	98.4	82.6	135.2	166.0	216.6
Interest & ST debt coverage (x)	1.0	1.0	1.0	0.9	1.0
Cash flow interest coverage(x)	137.1	103.5	174.0	193.1	251.6
Cash flow/int. & ST debt (x)	51.8	58.3	26.0	21.4	25.7
Current ratio (x)	2.2	2.4	2.4	2.4	2.9
Quick ratio (x)	1.9	2.1	2.2	2.2	2.6
Net debt (NT$mn)	(484,404)	(537,852)	(1,109,340)	(1,447,418)	(2,205,296)
Per share data					
EPS (NT$)	39.20	32.34	45.25	62.48	74.96
CFPS (NT$)	62.12	47.90	70.43	87.31	103.91
BVPS (NT$)	113.60	133.38	165.37	198.36	253.33
Adj BVPS (NT$)	113.60	133.40	165.40	198.36	253.33
SPS (NT$)	87.31	83.37	111.63	145.48	174.75
EBITDA/share (NT$)	60.11	56.05	76.65	99.65	121.04
Cash DPS (NT$)	11.00	13.00	17.00	20.00	20.00
Activity					
Sales / avg assets	0.52	0.41	0.47	0.52	0.54
Days receivable	37.3	34.1	34.4	38.0	40.9
Days inventory	88.2	92.9	83.0	87.2	93.3
Days payable	22.5	21.2	21.4	24.5	26.2
Cash cycle	102.9	105.8	96.0	100.8	108.1

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	**2,263,891**	**2,161,736**	**2,894,308**	**3,772,030**	**4,531,026**
Cost of goods sold	(915,536)	(986,625)	(1,269,954)	(1,571,618)	(1,916,194)
Gross profit	**1,348,355**	**1,175,111**	**1,624,354**	**2,200,411**	**2,614,832**
Operating expenses	(227,076)	(254,022)	(299,840)	(365,161)	(397,137)
Operating profit	**1,121,279**	**921,088**	**1,324,513**	**1,835,251**	**2,217,695**
Non-operating income	**31,168**	**65,429**	**92,660**	**103,904**	**101,600**
Interest income	22,422	60,294	87,213	98,408	96,713
Investment income	8,065	5,119	4,879	5,496	4,887
Other non-op income	681	16	567	(0)	(0)
Non-operating expenses	**(8,256)**	**(7,723)**	**(8,874)**	**(5,032)**	**(10,709)**
Interest expense	(11,750)	(11,999)	(10,495)	(11,723)	(10,709)
Investment loss	-	-	-	-	-
Other non-op expenses	3,494	4,276	1,621	6,690	-
Pre-tax profit	**1,144,191**	**978,794**	**1,408,299**	**1,934,122**	**2,308,586**
Current taxation	(127,290)	(141,404)	(233,407)	(317,233)	(367,999)
Minorities	(370)	730	836	3,171	3,119
Extraordinary items	-	377	(2,460)	-	-
Net profit	**1,016,530**	**838,498**	**1,173,268**	**1,620,059**	**1,943,706**
EBITDA	**1,558,533**	**1,453,279**	**1,987,310**	**2,583,707**	**3,138,247**
EPS (NT$)	39.20	32.34	45.25	62.48	74.96

Cash flow

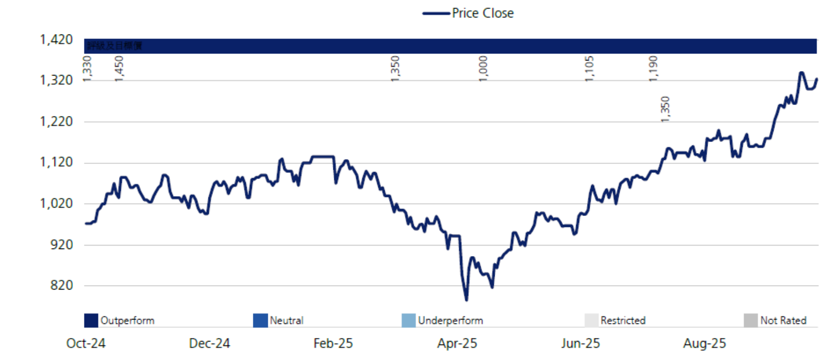
NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	**1,610,599**	**1,241,967**	**1,826,177**	**2,263,724**	**2,694,227**
Net profit	1,016,530	838,498	1,173,268	1,620,059	1,943,706
Depreciation & amortisation	437,254	532,191	662,797	748,456	920,552
Decrease in working capital	(53,286)	324	(90,088)	(177,693)	(197,523)
Other operating cash flow	210,100	(129,046)	80,200	72,901	27,493
Investing cash flow	**(1,190,928)**	**(906,121)**	**(864,843)**	**(1,235,187)**	**(1,417,783)**
Sale of ST investment	(128,838)	(55,781)	(54,143)	12,270	-
New investments	-	-	(3,739)	-	-
Capital expenditure	(1,082,672)	(949,817)	(956,007)	(1,344,559)	(1,417,783)
Others investing cashflow	20,582	99,478	149,045	97,102	-
Free cash flow	**289,078**	**361,461**	**712,509**	**748,624**	**1,151,418**
Financing cash flow	**(200,244)**	**(204,894)**	**(346,301)**	**(502,505)**	**(518,565)**
Increase in short term debt	(111,960)	-	-	-	-
Increase in long term loans	195,983	68,204	55,866	25,260	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(285,234)	(291,722)	(363,055)	(518,558)	(518,565)
Other financing cashflow	1,839	18,623	(36,022)	(9,208)	-
Forex effects	**58,397**	**(8,339)**	**47,166**	**(162,694)**	**-**
Total cash generated	**277,824**	**122,614**	**662,199**	**363,338**	**757,879**

ROIC

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	10.0%	11.8%	10.4%	9.7%	8.8%
= Operating margin	**49.5%**	**42.6%**	**45.8%**	**48.7%**	**48.9%**
1 / (Working capital/revenue	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
+ Net PPE/revenue	1.2	1.4	1.1	1.0	0.9
+ Other assets/revenue)	0.0	0.0	0.0	0.1	0.0
= Capital turnover	**1.0**	**0.8**	**1.0**	**1.1**	**1.1**
Operating margin	49.5%	42.6%	45.8%	48.7%	48.9%
x Capital turnover	1.0	0.8	1.0	1.1	1.1
x (1 - tax rate)	88.9%	85.6%	83.4%	83.6%	84.1%
= After-tax ROIC	**43.9%**	**29.4%**	**39.7%**	**45.3%**	**46.1%**

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2025-07-17	Outperform	1,350	1,130
2025-07-11	Outperform	1,190	1,100
2025-06-09	Outperform	1,105	1,005
2025-04-17	Outperform	1,000	847
2025-03-31	Outperform	1,350	910
2025-03-04	Outperform	1,350	1,000
2025-01-16	Outperform	1,450	1,105
2025-01-06	Outperform	1,450	1,125
2024-11-08	Outperform	1,450	1,090
2024-10-17	Outperform	1,450	1,035

Source: TEJ, KGI Research

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