

TSMC (2330.TW/2330 TT)

Further upside for CoWoS capacity expansion

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of March 9 (NT\$)	1,810
12M target price (NT\$)	2,420
Previous target price (NT\$)	2,400
Revised up (%)	0.8
Upside (%)	33.7

Key message

- We revise up CoWoS capacity forecast to 170kwpm by end-2027F.
- More capacity likely for Nvidia (US), Broadcom (US) & MediaTek (2454 TT, NT\$1,665, OP) in 2027.
- We revise down Rubin-series allocation in 2026F due to HBM4 supply constraints.

Trading data

Mkt cap (NT\$bn/US\$m)	46,9381,481.57
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,559
3M avg. daily trading (mn)	24.59
52-week trading range (NT\$)	785 -2,015

Performance	3M	6M	12M
Absolute (%)	22.3	50.8	80.1
Relative (%)	8.4	21.6	37.9

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2024	8.70A	9.56A	12.55A	14.45A
2025	13.95A	15.36A	17.44A	19.50F
2026	21.81F	22.38F	25.31F	26.21F

ESG score card



Source: Refinitiv

Event

As demand for AI chips is growing faster than capacity expansion, we believe TSMC will alter its capacity expansion plans to fulfill clients' demand as much as possible.

Impact

We revise up CoWoS capacity forecast to 170kwpm by end-2027F. While AI-related demand growth is advancing at an exponential rate, TSMC's capacity expansion is lagging far behind, meaning that despite its best efforts, it cannot fulfill client demand. Land, trained personnel, cleanroom and facilities construction are all supply constraints. According to our checks, TSMC is likely to alter the planning stage of AP7 fab phase 2, which was originally planned for SoC capacity expansion. It is now likely to partially shift production to CoWoS. We revise up CoWoS capacity expansion by end-2027F from 155k wafers per month (wpm) to 170kwpm. However, as expansion will mainly happen in 2H27F, we estimate additional revenue contribution at just around 1% next year.

More capacity likely for Nvidia, Broadcom & MediaTek in 2027F. Our client breakdown forecast is based on TSMC's supply capability rather than customers' demand, as demand far outstrips supply. Based on our revisions, Nvidia (US) and Broadcom (US) could each be allotted greater CoWoS supply of an additional 100k in 2027F, driven by strong demand for GPU and TPU. MediaTek (2454 TT, NT\$1,665, OP) may also see increased capacity allotted, though less than for Nvidia and Broadcom as CoWoS-S supply is still under constraint (most of TSMC's expansion is in CoWoS-L).

We revise down Rubin-series allocation in 2026F due to HBM4 supply constraints. As the upside of TSMC's CoWoS capacity expansion will mainly occur in 2027F, we have not revised our CoWoS client allocation forecasts much for 2026F. However, for Nvidia, due to supply constraints of HBM4, we now estimate Rubin-series CoWoS shipments will be below 50% allocation this year, versus over 50% previously. We attribute this to the performance of Hynix's (KR) HBM4 (Hynix being the primary HBM supplier) being slightly below Nvidia's latest standard and that of its competitor, and that redesign issues of its HBM4 base die could delay HBM4 shipments by about three months.

Valuation & Action

Despite our lowered 2026F Rubin-series allocation forecast for Nvidia, our positive view of the company has not changed, and we even see upside for 2027F as TSMC may increase supply. Due to CoWoS capacity forecast revisions, we raise our target price on TSMC to NT\$2,420, still based on 20x 2027F EPS (upcycle average). Maintain Outperform.

Risks

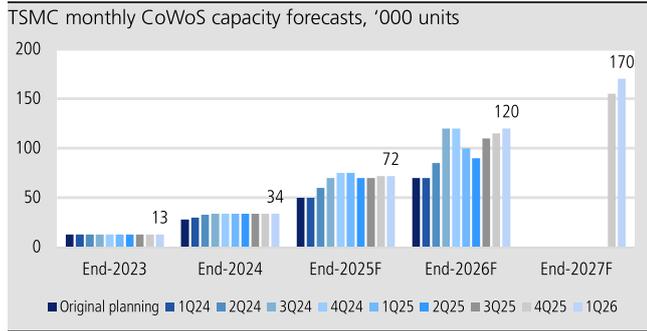
Global economic uncertainties; oversupply amid aggressive capacity expansion.

Key financials and valuations

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue (NT\$m)	2,161,736	2,894,308	3,809,054	5,064,989	6,227,171
Gross profit (NT\$m)	1,175,111	1,624,354	2,281,294	3,341,715	4,185,676
Operating profit (NT\$m)	921,088	1,324,513	1,936,092	2,895,012	3,640,676
Net profit (NT\$m)	838,498	1,173,268	1,717,884	2,481,936	3,060,107
EPS (NT\$)	32.34	45.25	66.25	95.71	118.01
Cash DPS (NT\$)	13.00	17.00	20.00	20.00	20.00
EPS growth (%)	(17.5)	39.9	46.4	44.5	23.3
PE (x)	56.0	40.0	27.3	18.9	15.3
PB (x)	13.6	10.9	8.8	6.4	4.8
EV/EBITDA (x)	30.9	22.4	16.9	12.0	9.5
Net debt to equity (%)	Net cash				
Dividend yield (%)	0.7	0.9	1.1	1.1	1.1
Return on average equity (%)	26.2	30.3	35.7	39.4	35.8

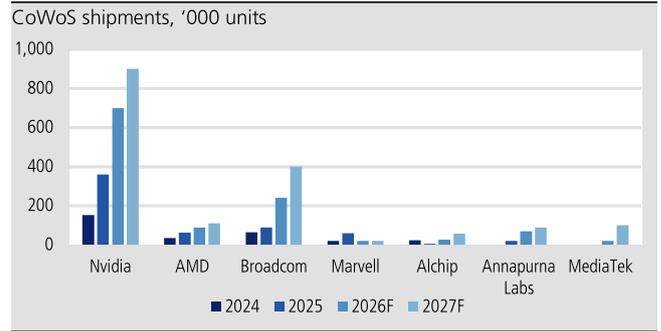
Source: Company data, KGI Research estimates

Figure 1: TSMC CoWoS capacity forecast revisions



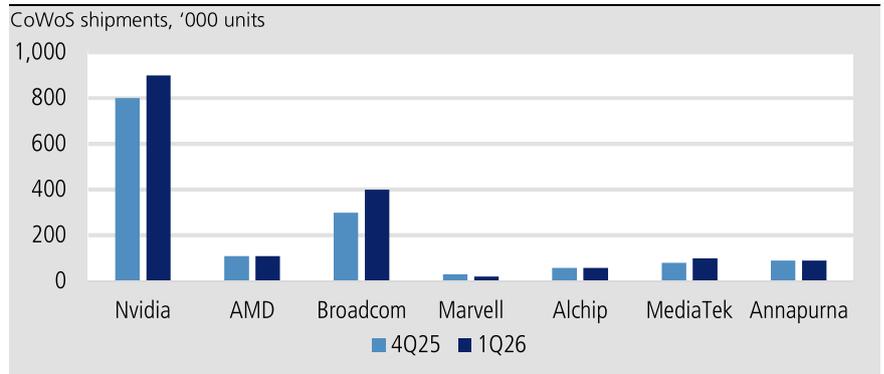
Source: KGI Research estimates

Figure 2: 2025-27F CoWoS shipments forecasts by clients



Source: KGI Research estimates

Figure 3: 2027F CoWoS shipments by clients forecast revisions



Source: KGI Research estimates

Figure 4: 2023-27 AI accelerator forecasts

Shipments (k units)	2023	2024	2025	2026F	2027F
GPU	1,645	4,730	6,453	9,689	8,792
YoY (%)	N.M.	187.5	36.4	50.1	(9.3)
Nvidia	1,450	3,838	5,310	8,239	7,092
- A100	1,450	88	-	-	-
- H100	-	3,218	522	203	-
- B200	-	532	2,873	559	-
- B300	-	-	1,915	5,027	252
- Rubin	-	-	-	2,450	4,320
- Rubin Ultra	-	-	-	-	2,520
AMD	168	490	627	900	1,100
Intel	27	202	16	-	-
Others	-	200	500	550	600
GPU (GPU die equiv.)	1,645	5,262	11,241	17,725	20,924
		219.9%	113.6%	57.7%	18.0%
ASIC	2,259	3,984	4,837	7,725	13,190
YoY (%)	N.M.	76.4	21.4	59.7	70.7
Amazon/AWS (Trainium)	495	1,225	1,600	2,428	3,360
Google (TPU)	1,464	2,099	2,527	4,312	7,680
Meta (MTIA)	-	300	350	400	650
MSFT (Maia)	-	60	60	60	200
Open AI	-	-	-	25	500
Others	300	300	300	500	800
AI Accelerator	3,904	8,714	11,290	17,414	21,982
YoY (%)	N.M.	123.2	29.6	54.2	26.2

Source: KGI Research

Figure 5: Breakdown of 1Q26-2Q26 forecast revisions vs. consensus

NT\$m	1Q26F							2Q26F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,137,559	1,137,559	0.0	8.7	35.5	1,119,955	1.6	1,201,833	1,201,833	0.0	5.7	28.7	1,197,440	0.4
Gross profit	750,227	750,227	0.0	15.1	52.1	717,891	4.5	803,878	803,878	0.0	7.2	46.9	765,164	5.1
Operating profit	645,003	645,003	0.0	14.2	57.6	617,487	4.5	696,915	696,915	0.0	8.0	50.8	658,110	5.9
Net profit	565,605	565,605	0.0	11.8	56.4	534,064	5.9	580,216	580,216	0.0	2.6	45.7	563,189	3.0
EPS (NT\$)	21.81	21.81	0.0	11.8	56.4	20.59	5.9	22.38	22.38	0.0	2.6	45.7	24.10	(7.2)
Gross margin (%)	66.0	66.0	0.0 ppts	3.6 ppts	7.2 ppts	64.1	1.9 ppts	66.9	66.9	0.0 ppts	0.9 ppts	8.3 ppts	63.9	3.0 ppts
OP margin (%)	56.7	56.7	0.0 ppts	2.7 ppts	7.9 ppts	55.1	1.6 ppts	58.0	58.0	0.0 ppts	1.3 ppts	8.5 ppts	55.0	3.0 ppts
Net margin (%)	49.7	49.7	0.0 ppts	1.4 ppts	6.6 ppts	47.7	2.0 ppts	48.3	48.3	0.0 ppts	(1.4)ppts	5.6 ppts	47.0	1.2 ppts

Source: Bloomberg; KGI Research estimates

Figure 6: Breakdown of 2026-27 forecast revisions vs. consensus

NT\$m	2026F						2027F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	5,064,989	5,064,989	0.0	33.0	5,004,893	1.2	6,227,171	6,167,387	1.0	22.9	6,199,499	0.4
Gross profit	3,341,715	3,341,715	0.0	46.5	3,165,595	5.6	4,185,676	4,137,849	1.2	25.3	3,889,194	7.6
Operating profit	2,895,012	2,895,012	0.0	49.5	2,706,086	7.0	3,640,676	3,597,825	1.2	25.8	3,330,479	9.3
Net profit	2,481,936	2,481,936	0.0	44.5	2,332,579	6.4	3,060,107	3,024,540	1.2	23.3	2,848,569	7.4
EPS (NT\$)	95.71	95.71	0.0	44.5	89.37	7.1	118.01	116.64	1.2	23.3	120.42	(2.0)
Gross margin (%)	66.0	66.0	0.0 ppts	6.1 ppts	63.3	2.7 ppts	67.2	67.1	0.1 ppts	1.2 ppts	62.7	4.5 ppts
OP margin (%)	57.2	57.2	0.0 ppts	6.3 ppts	54.1	3.1 ppts	58.5	58.3	0.1 ppts	1.3 ppts	53.7	4.7 ppts
Net margin (%)	49.0	49.0	0.0 ppts	3.9 ppts	46.6	2.4 ppts	49.1	49.0	0.1 ppts	0.1 ppts	45.9	3.2 ppts

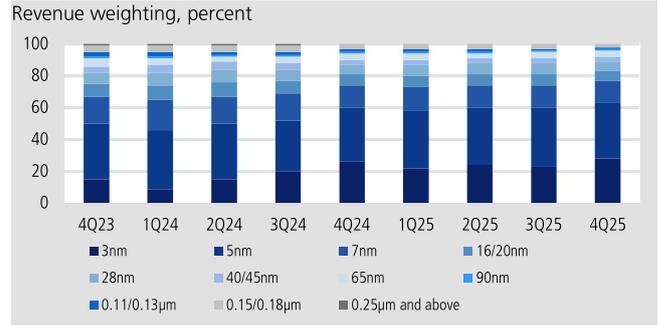
Source: Bloomberg; KGI Research estimates

Figure 7: Company profile

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

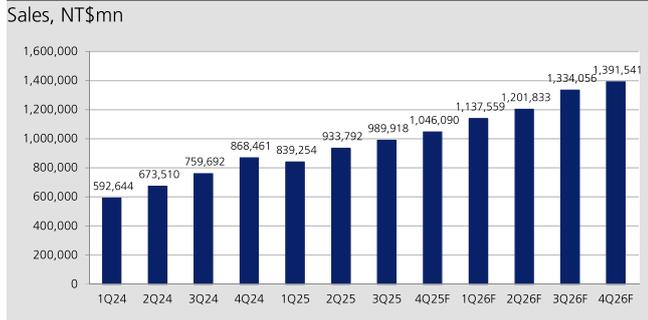
Source: Company data; KGI Research

Figure 8: TSMC wafer revenue by node



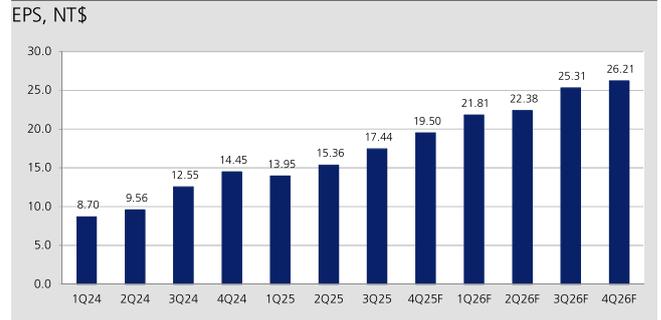
Source: Company data; KGI Research

Figure 9: Sales



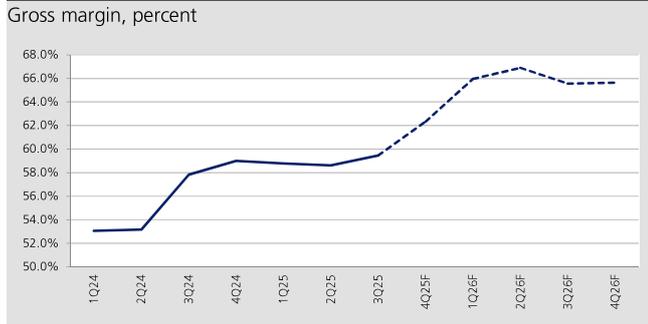
Source: KGI Research

Figure 10: EPS



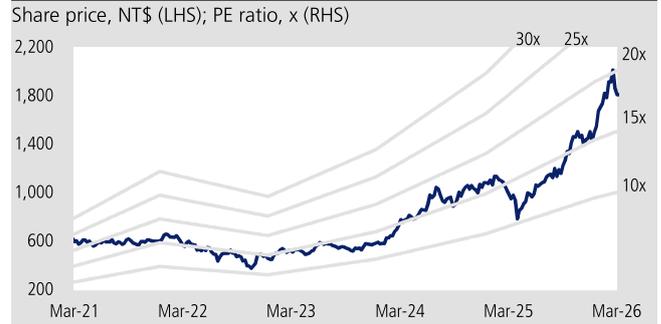
Source: KGI Research

Figure 11: Gross Margin



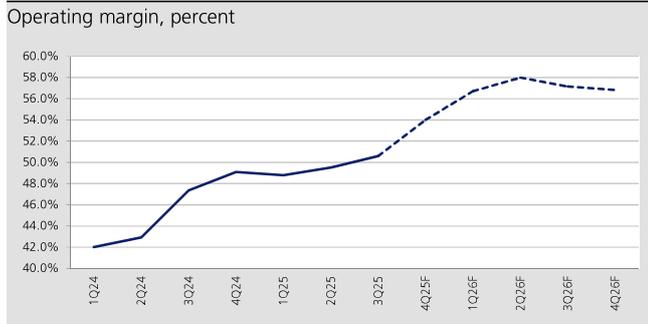
Source: KGI Research

Figure 12: 12M forward PE band



Source: KGI Research

Figure 13: Operating Margin



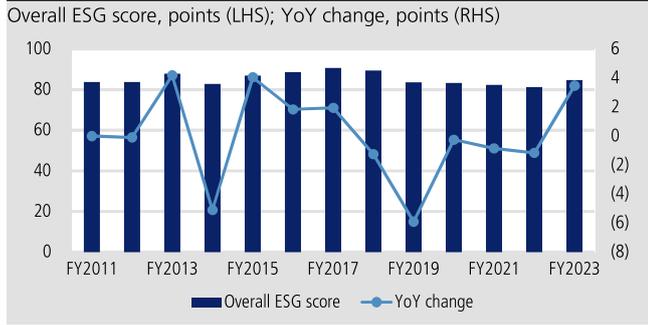
Source: KGI Research

Figure 14: 12M forward PB band



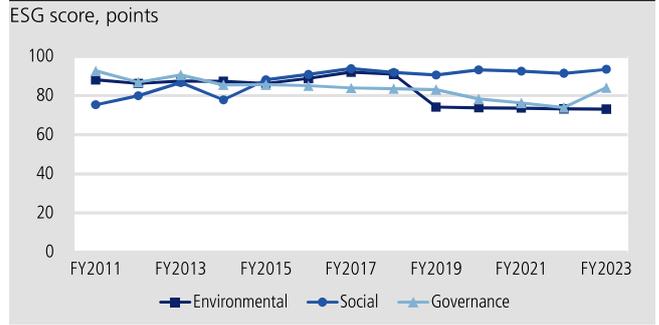
Source: KGI Research

Figure 15: Overall ESG score



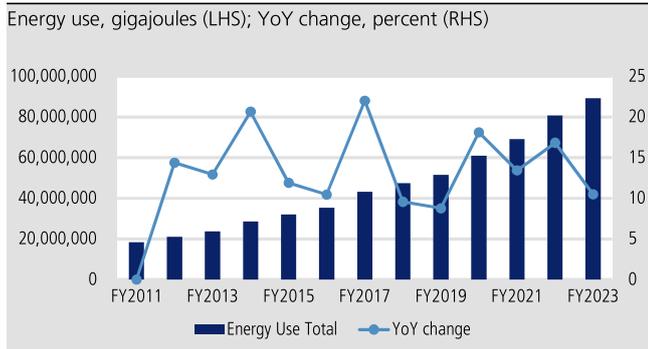
Source: Refinitiv; Company data

Figure 16: ESG score by category



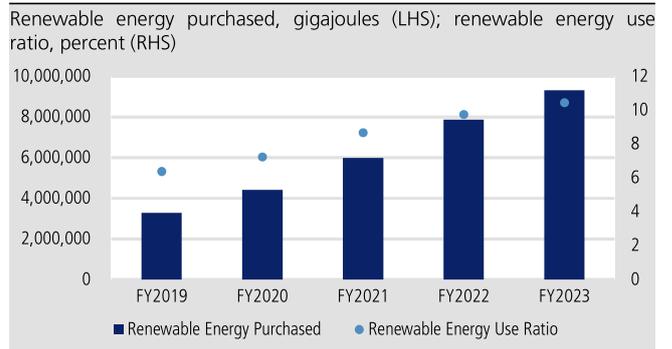
Source: Refinitiv; Company data

Figure 17: Energy use



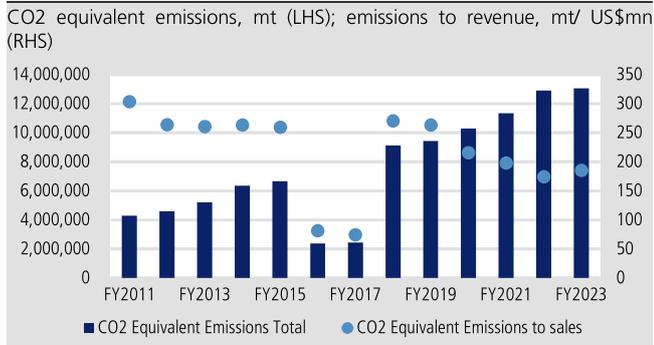
Source: Refinitiv; Company data

Figure 18: Renewable energy



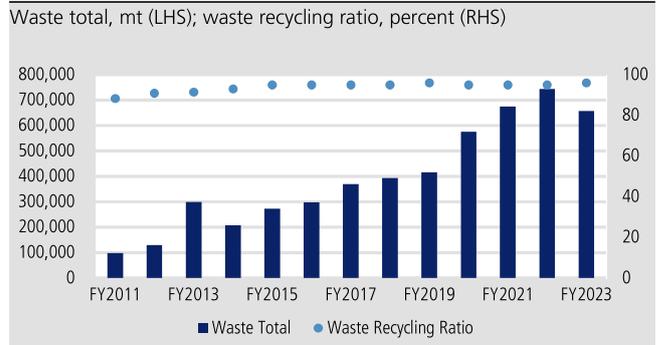
Source: Refinitiv; Company data

Figure 19: CO2 equivalent emissions



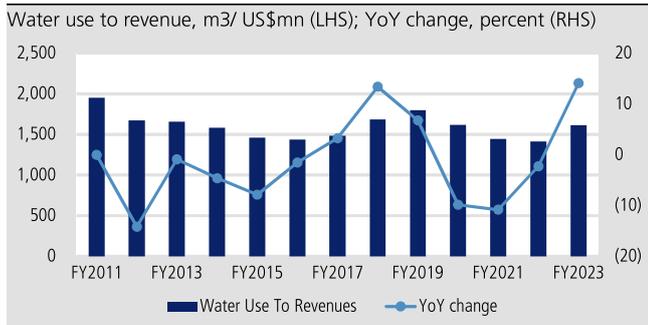
Source: Refinitiv; Company data

Figure 20: Waste total



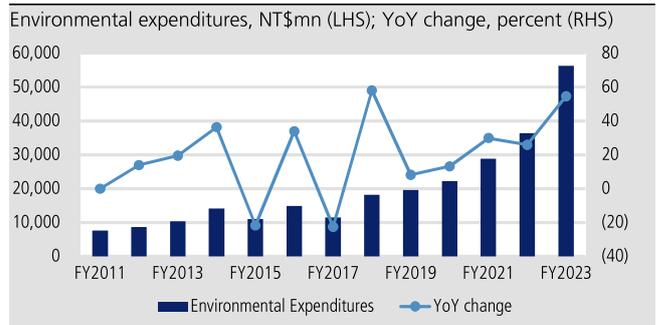
Source: Refinitiv; Company data

Figure 21: Water use to revenue



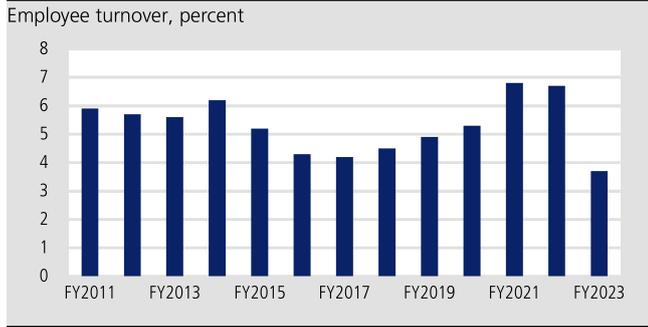
Source: Refinitiv; Company data

Figure 22: Environmental expenditures



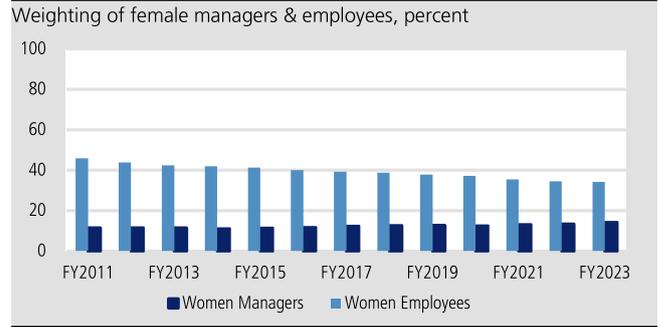
Source: Refinitiv; Company data

Figure 23: Employee turnover



Source: Refinitiv; Company data

Figure 24: Gender diversification



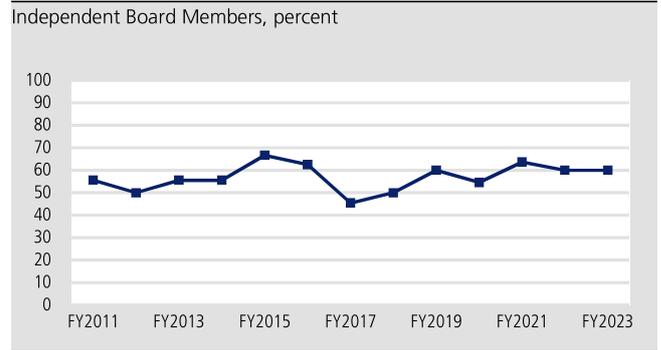
Source: Refinitiv; Company data

Figure 25: Employee training



Source: Refinitiv; Company data

Figure 26: Independent Board Members



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

Income statement

	Quarterly								Annually		
	Mar-25A	Jun-25A	Sep-25A	Dec-25F	Mar-26F	Jun-26F	Sep-26F	Dec-26F	Dec-25F	Dec-26F	Dec-27F
Income statement (NT\$mn)											
Revenue	839,254	933,792	989,918	1,046,090	1,137,559	1,201,833	1,334,056	1,391,541	3,809,054	5,064,989	6,227,171
Cost of goods sold	(345,859)	(386,423)	(401,375)	(394,103)	(387,332)	(397,956)	(459,562)	(478,424)	(1,527,760)	(1,723,274)	(2,041,495)
Gross profit	493,395	547,369	588,543	651,987	750,227	803,878	874,494	913,117	2,281,294	3,341,715	4,185,676
Operating expenses	(84,058)	(85,071)	(87,671)	(87,084)	(105,224)	(106,963)	(112,061)	(122,456)	(345,202)	(446,704)	(545,000)
Operating profit	409,337	462,298	500,872	564,903	645,003	696,915	762,433	790,661	1,936,092	2,895,012	3,640,676
Depreciation of fixed assets	(173,005)	(186,007)	(160,693)	(154,271)	(181,273)	(196,616)	(192,205)	(165,207)	(673,976)	(735,301)	(845,606)
Amortisation of intangible assets	(2,134)	(2,051)	(2,095)	(2,946)	(5,257)	(5,636)	(5,970)	2,195	(9,226)	(14,669)	(16,892)
EBITDA	584,476	650,356	663,659	722,120	831,533	899,166	960,609	953,674	2,619,294	3,644,982	4,503,174
Interest income	24,859	25,192	26,180	29,140	29,140	29,140	29,140	29,140	105,372	116,561	80,000
Investment income	1,420	1,633	961	1,483	1,483	1,483	1,483	1,483	5,497	5,932	5,932
Other non-op income	(0)	0	544	-	-	-	-	-	544	-	-
Non-operating income	26,279	26,825	27,685	30,623	30,623	30,623	30,623	30,623	111,413	122,493	85,932
Interest expense	(2,677)	(3,691)	(2,959)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(12,004)	(10,709)	(10,709)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	213	6,478	(43)	(486)	-	-	-	-	6,162	-	-
Non-operating expenses	(2,465)	2,787	(3,001)	(3,163)	(2,677)	(2,677)	(2,677)	(2,677)	(5,842)	(10,709)	(10,709)
Pre-tax profit	433,152	491,910	525,556	592,363	672,949	724,861	790,379	818,607	2,041,663	3,006,796	3,715,899
Current taxation	(70,163)	(95,542)	(73,614)	(86,947)	(107,672)	(144,972)	(134,364)	(139,163)	(326,265)	(526,172)	(657,104)
Minorities	831	780	546	328	328	328	328	328	2,485	1,312	1,312
Normalised net profit	363,821	397,148	452,489	505,744	565,605	580,216	656,343	679,772	1,717,883	2,481,936	3,060,107
Extraordinary items	(2,256)	1,125	(187)	-	-	-	-	-	1	-	-
Net profit	361,564	398,273	452,301	505,744	565,605	580,216	656,343	679,772	1,717,884	2,481,936	3,060,107
EPS (NT\$)	13.95	15.36	17.44	19.50	21.81	22.38	25.31	26.21	66.25	95.71	118.01
Margins (%)											
Gross profit margin	58.8	58.6	59.5	62.3	66.0	66.9	65.6	65.6	59.9	66.0	67.2
Operating margin	48.8	49.5	50.6	54.0	56.7	58.0	57.2	56.8	50.8	57.2	58.5
EBITDA margin	69.6	69.6	67.0	69.0	73.1	74.8	72.0	68.5	68.8	72.0	72.3
Pretax profit margin	51.6	52.7	53.1	56.6	59.2	60.3	59.2	58.8	53.6	59.4	59.7
Net profit margin	43.1	42.7	45.7	48.3	49.7	48.3	49.2	48.9	45.1	49.0	49.1
Sequential growth (%)											
Revenue growth	(3.4)	11.3	6.0	5.7	8.7	5.7	11.0	4.3			
Gross profit growth	(3.7)	10.9	7.5	10.8	15.1	7.2	8.8	4.4			
Operating profit growth	(4.0)	12.9	8.3	12.8	14.2	8.0	9.4	3.7			
EBITDA growth	(2.1)	11.3	2.0	8.8	15.2	8.1	6.8	(0.7)			
Pretax profit growth	(3.6)	13.6	6.8	12.7	13.6	7.7	9.0	3.6			
Net profit growth	(3.5)	10.2	13.6	11.8	11.8	2.6	13.1	3.6			
YoY growth (%)											
Revenue growth	41.6	38.6	30.3	20.5	35.5	28.7	34.8	33.0	31.6	33.0	22.9
Gross profit growth	56.9	52.8	34.0	27.2	52.1	46.9	48.6	40.1	40.4	46.5	25.3
Operating profit growth	64.4	59.9	39.2	32.5	57.6	50.8	52.2	40.0	46.2	49.5	25.8
EBITDA growth	43.2	43.2	25.7	21.0	42.3	38.3	44.7	32.1	31.8	39.2	23.5
Pretax profit growth	62.5	59.3	37.2	31.8	55.4	47.4	50.4	38.2	45.0	47.3	23.6
Net profit growth	60.3	60.7	39.1	35.0	56.4	45.7	45.1	34.4	46.4	44.5	23.3

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total assets	5,532,371	6,691,938	7,790,879	9,796,745	12,378,713
Current assets	2,194,033	3,088,352	3,672,109	4,677,232	6,239,080
Cash & ST securities	1,687,644	2,422,020	2,819,316	3,613,067	4,956,244
Inventory	250,997	287,869	352,923	428,433	500,272
Accounts receivable	201,938	272,088	411,414	547,275	694,107
Other current assets	53,453	106,376	88,456	88,456	88,456
Non-current assets	3,338,338	3,603,586	4,118,770	5,119,514	6,139,634
LT investments	129,442	149,040	150,461	156,393	162,325
Net fixed assets	3,064,475	3,234,980	3,698,536	4,693,348	5,707,536
Other assets	144,421	219,565	269,773	269,773	269,773
Total liabilities	2,049,108	2,368,362	2,431,015	2,473,565	2,514,046
Current liabilities	913,583	1,264,525	1,388,392	1,430,942	1,471,423
Accounts payable	57,293	74,227	98,943	120,113	140,253
Interest bearing ST liabilities	9,293	59,858	76,226	76,226	76,226
Other current liabilities	846,997	1,130,441	1,213,223	1,234,603	1,254,944
Non-current liabilities	1,135,525	1,103,837	1,042,623	1,042,623	1,042,623
Long-term debt	918,283	958,429	960,444	960,444	960,444
Other L-T liabilities	188,560	116,653	124,394	124,394	124,394
Total equity	3,483,263	4,323,576	5,359,865	7,323,181	9,864,667
Share capital	259,321	259,327	259,325	259,325	259,325
Retained earnings reserve	2,846,884	3,606,105	4,989,907	6,953,224	9,494,710
Minority interests	24,349	35,031	37,271	37,271	37,271
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Growth					
Revenue growth	(4.5%)	33.9%	31.6%	33.0%	22.9%
Operating profit growth	(17.9%)	43.8%	46.2%	49.5%	25.8%
EBITDA growth	(6.8%)	36.7%	31.8%	39.2%	23.5%
Net profit growth	(17.5%)	39.9%	46.4%	44.5%	23.3%
EPS growth	(17.5%)	39.9%	46.4%	44.5%	23.3%
Profitability					
Gross profit margin	54.4%	56.1%	59.9%	66.0%	67.2%
Operating margin	42.6%	45.8%	50.8%	57.2%	58.5%
EBITDA margin	67.2%	68.7%	68.8%	72.0%	72.3%
Net profit margin	38.8%	40.5%	45.1%	49.0%	49.1%
Return on average assets	16.0%	19.2%	23.7%	28.2%	27.6%
Return on average equity	26.2%	30.3%	35.7%	39.4%	35.8%
Stability					
Gross debt to equity	26.6%	23.6%	19.3%	14.2%	10.5%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	82.6	135.2	171.1	281.8	348.0
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	103.5	174.0	179.6	285.5	349.1
Cash flow/int. & ST debt (x)	58.3	26.0	24.4	35.2	43.0
Current ratio (x)	2.4	2.4	2.6	3.3	4.2
Quick ratio (x)	2.1	2.2	2.4	3.0	3.9
Net debt (NT\$m)	(537,852)	(1,109,340)	(1,502,349)	(2,296,100)	(3,639,277)
Per share data					
EPS (NT\$)	32.34	45.25	66.25	95.71	118.01
CFPS (NT\$)	47.90	70.43	83.14	117.90	144.17
BVPS (NT\$)	133.38	165.37	205.28	280.97	378.98
Adj BVPS (NT\$)	133.40	165.40	205.28	280.98	378.99
SPS (NT\$)	83.37	111.63	146.91	195.33	240.15
EBITDA/share (NT\$)	56.05	76.65	101.02	140.57	173.66
Cash DPS (NT\$)	13.00	17.00	20.00	20.00	20.00
Activity					
Sales / avg assets	0.41	0.47	0.53	0.58	0.56
Days receivable	34.1	34.4	39.4	39.4	40.7
Days inventory	92.9	83.0	84.3	90.7	89.4
Days payable	21.2	21.4	23.6	25.4	25.1
Cash cycle	105.8	96.0	100.1	104.7	105.1

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue	2,161,736	2,894,308	3,809,054	5,064,989	6,227,171
Cost of goods sold	(986,625)	(1,269,954)	(1,527,760)	(1,723,274)	(2,041,495)
Gross profit	1,175,111	1,624,354	2,281,294	3,341,715	4,185,676
Operating expenses	(254,022)	(299,840)	(345,204)	(446,704)	(545,000)
Operating profit	921,088	1,324,513	1,936,092	2,895,012	3,640,676
Non-operating income	65,429	92,660	111,413	122,493	85,932
Interest income	60,294	87,213	105,372	116,561	80,000
Investment income	5,119	4,879	5,497	5,932	5,932
Other non-op income	16	567	544	-	-
Non-operating expenses	(7,723)	(8,874)	(5,842)	(10,709)	(10,709)
Interest expense	(11,999)	(10,495)	(12,004)	(10,709)	(10,709)
Investment loss	-	-	-	-	-
Other non-op expenses	4,276	1,621	6,162	-	-
Pre-tax profit	978,794	1,408,299	2,041,663	3,006,796	3,715,899
Current taxation	(141,404)	(233,407)	(326,265)	(526,172)	(657,104)
Minorities	730	836	2,485	1,312	1,312
Extraordinary items	377	(2,460)	1	-	-
Net profit	838,498	1,173,268	1,717,884	2,481,936	3,060,107
EBITDA	1,453,279	1,987,310	2,619,294	3,644,982	4,503,174
EPS (NT\$)	32.34	45.25	66.25	95.71	118.01

Cash flow

NT\$m	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Operations cash flow	1,241,967	1,826,177	2,155,596	3,057,153	3,738,483
Net profit	838,498	1,173,268	1,717,884	2,481,936	3,060,107
Depreciation & amortisation	532,191	662,797	683,201	749,970	862,498
Decrease in working capital	324	(90,088)	(179,664)	(190,202)	(198,530)
Other operating cash flow	(129,046)	80,200	(65,825)	15,448	14,409
Investing cash flow	(906,121)	(864,843)	(1,134,846)	(1,744,782)	(1,876,686)
Sale of ST investment	(55,781)	(54,143)	11,922	-	-
New investments	-	(3,739)	-	-	-
Capital expenditure	(949,817)	(956,007)	(1,271,917)	(1,744,782)	(1,876,686)
Others investing cashflow	99,478	149,045	125,149	-	-
Free cash flow	361,461	712,509	849,093	1,188,719	1,767,263
Financing cash flow	(204,894)	(346,301)	(514,116)	(518,620)	(518,620)
Increase in short term debt	-	-	-	-	-
Increase in long term loans	68,204	55,866	18,383	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(291,722)	(363,055)	(518,573)	(518,620)	(518,620)
Other financing cashflow	18,623	(36,022)	(13,926)	-	-
Forex effects	(8,339)	47,166	(95,242)	-	-
Total cash generated	122,614	662,199	411,392	793,751	1,343,177

ROIC

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	11.8%	10.4%	9.1%	8.8%	8.8%
= Operating margin	42.6%	45.8%	50.8%	57.2%	58.5%
1 / (Working capital/revenue	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)
+ Net PPE/revenue	1.4	1.1	1.0	0.9	0.9
+ Other assets/revenue)	0.0	0.0	0.1	0.1	0.0
= Capital turnover	0.8	1.0	1.1	1.1	1.1
Operating margin	42.6%	45.8%	50.8%	57.2%	58.5%
x Capital turnover	0.8	1.0	1.1	1.1	1.1
x (1 - tax rate)	85.6%	83.4%	84.0%	82.5%	82.3%
= After-tax ROIC	29.4%	39.7%	46.4%	51.1%	51.1%

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
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
2025-04-17	Outperform	1,000	847
2025-03-31	Outperform	1,350	910
2025-03-04	Outperform	1,350	1,000

Source: TEJ, KGI Research

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