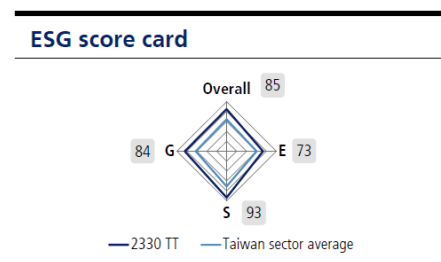


TSMC (2330.TW/2330 TT)

1Q26 preview – Chipflation & smartphone headwinds

| FTSE4Good TIP Taiwan ESG Index stock | | | |
|--|----------------|-----------|------------|
| Outperform · Maintained | | | |
| Price as of April 9 (NT\$) | 1,955 | | |
| 12M target price (NT\$) | 2,420 | | |
| Previous target price (NT\$) | 2,420 | | |
| Unchanged (%) | 0.0 | | |
| Upside (%) | 23.8 | | |
| Key message | | | |
| 1. 1Q26F results to arrive slightly above guidance. | | | |
| 2. Smartphone headwinds; N2 yield challenges; N3 capacity is tightest. | | | |
| 3. Concerns about Rubin Ultra's new design are overblown | | | |
| Trading data | | | |
| Mkt cap (NT\$bn/US\$m) | 50,6981,586,64 | | |
| Outstanding shares (mn) | 25,933 | | |
| Foreign ownership (mn) | 18,559 | | |
| 3M avg. daily trading (mn) | 26.31 | | |
| 52-week trading range (NT\$) | 816–2,015 | | |
| Performance | | | |
| | 3M | 6M | 12M |
| Absolute (%) | 16.4 | 35.8 | 149 |
| Relative (%) | 1.6 | 8.5 | 49.1 |

| Quarterly EPS | | | | |
|----------------------|--------|--------|--------|--------|
| NT\$ | 1Q | 2Q | 3Q | 4Q |
| 2024 | 8.70A | 9.56A | 12.55A | 14.45A |
| 2025 | 13.95A | 15.36A | 17.44A | 19.51A |
| 2026 | 21.82F | 22.30F | 25.73F | 26.66F |



Event

TSMC will host a 1Q26 earnings call on April 16.

Impact

1Q26F results to arrive slightly above guidance. We forecast 1Q26 sales of NT\$1,138bn, up 8.8% QoQ, with gross margin of 65.9%, slightly above the high end of guidance due to strong AI demand and NT-dollar depreciation. For 2Q26, we expect N2 ramp-up to fall slightly behind schedule due to yield challenges, but upside from CoWoS and N3 will offset smartphone order cuts and yield issues in the short term. We forecast 2Q26 sales will grow 6.8% QoQ and expect the firm to guide mid- to high-single digit QoQ sales growth, with slightly higher margins.

Smartphone headwinds; N2 yield challenges; N3 capacity is tightest. We note order downside from Qualcomm (US; N2, N3, and N4) on weak smartphone demand due to surging memory prices. Apple (US) remains the key client for both N2 and N3, with slightly lower N2 and higher N3 shipments, which we attribute to N2 yield challenges instead of iPhone order cuts. Most N3 upside is from Broadcom (US) and MediaTek (2454 TT, NT\$1,575, OP), which indicates strong TPU demand, whereas Nvidia's (US) N3 demand fell 10% due to HBM4 supply issues. Rubin shipment downside will be offset by higher shipments of Blackwell GPUs, but this implies the delay of BEOL capacity transition from N4 to N3, making N3 capacity the tightest among all nodes, including CoWoS.

Concerns about Rubin Ultra's new design are overblown. Based on our understanding, Rubin Ultra is still a four-GPU die structure, with only the wafer level using two-GPU packaging instead of four-GPU packaging as the market expected. At the substrate level, there will be two two-GPU packaged chips on one substrate via a multi-chip module (MCM). We attribute the move to yield constraints for four-GPU packaging at the wafer level. We don't see any change in demand for chips or racks, but the increase in testing time might be slightly less than expected, but there won't be any major impact on the industry or our forecast.

Valuation & Action

Strong AI demand is driving up prices for both logic and memory components, and together with oil price driven inflation, uncertainty regarding interest rates, and high valuations, we may see lower tolerance for missed expectations or guidance. Therefore, high volatility can be expected for semiconductor stocks over the next two quarters. Amid the uncertainty, TSMC remains our top pick and we maintain Outperform and our target price of NT\$2,420, based on 20x **2027F EPS (upcycle average)**.

Risks

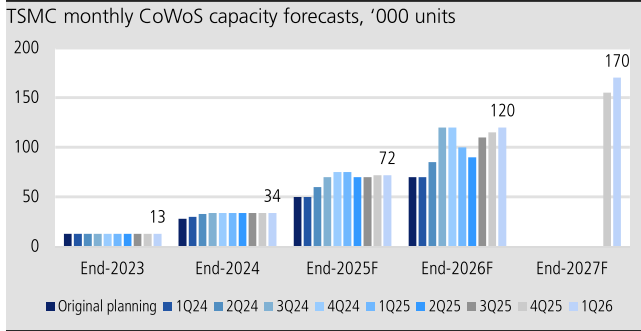
Global economic uncertainties; oversupply amid aggressive capacity expansion.

Key financials and valuations

| | Dec-23A | Dec-24A | Dec-25A | Dec-26F | Dec-27F |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (NT\$m) | 2,161,736 | 2,894,308 | 3,809,054 | 5,119,313 | 6,270,613 |
| Gross profit (NT\$m) | 1,175,111 | 1,624,354 | 2,281,294 | 3,371,425 | 4,201,486 |
| Operating profit (NT\$m) | 921,088 | 1,324,513 | 1,935,197 | 2,920,001 | 3,652,471 |
| Net profit (NT\$m) | 838,498 | 1,173,268 | 1,717,883 | 2,502,757 | 3,068,235 |
| EPS (NT\$) | 32.34 | 45.25 | 66.26 | 96.53 | 118.34 |
| Cash DPS (NT\$) | 13.00 | 17.00 | 22.00 | 20.00 | 20.00 |
| EPS growth (%) | (17.5) | 39.9 | 46.4 | 45.7 | 22.6 |
| PE (x) | 60.5 | 43.2 | 29.5 | 20.3 | 16.5 |
| PB (x) | 14.7 | 11.8 | 9.4 | 6.8 | 5.1 |
| EV/EBITDA (x) | 33.5 | 24.3 | 18.2 | 12.9 | 10.2 |
| Net debt to equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Dividend yield (%) | 0.7 | 0.9 | 1.1 | 1.0 | 1.0 |
| Return on average equity (%) | 26.2 | 30.3 | 35.4 | 39.0 | 35.4 |

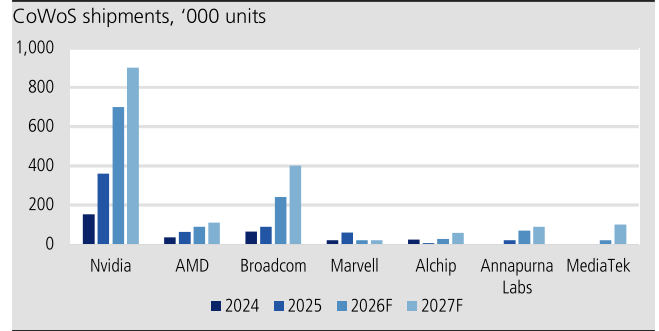
Source: Company data; KGI Research estimates

Figure 1: TSMC CoWoS capacity forecast revisions



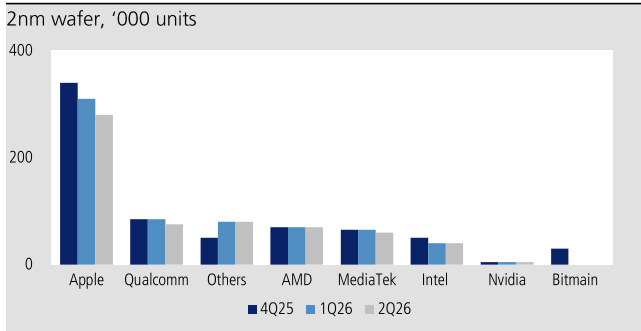
Source: KGI Research estimates

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



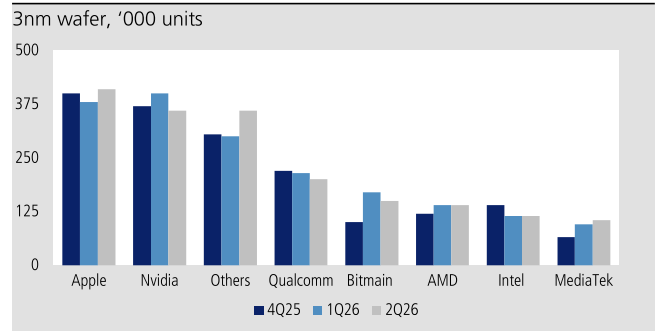
Source: KGI Research estimates

Figure 3: TSMC N2 shipment forecast revisions by clients



Source: KGI Research estimates

Figure 4: TSMC N3 shipment forecast revisions by clients



Source: KGI Research estimates

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

| NT\$m | 1Q26F | | | | | | | 2Q26F | | | | | | |
|------------------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Revenue | 1,138,214 | 1,137,559 | 0.1 | 8.8 | 35.6 | 1,120,964 | 1.5 | 1,215,732 | 1,201,833 | 1.2 | 6.8 | 30.2 | 1,199,870 | 1.3 |
| Gross profit | 750,604 | 750,227 | 0.1 | 15.1 | 52.1 | 719,670 | 4.3 | 802,712 | 803,878 | (0.1) | 6.9 | 46.6 | 767,077 | 4.6 |
| Operating profit | 645,319 | 645,003 | 0.0 | 14.2 | 57.6 | 620,421 | 4.0 | 694,512 | 696,915 | (0.3) | 7.6 | 50.2 | 661,360 | 5.0 |
| Net profit | 565,872 | 565,605 | 0.0 | 11.9 | 56.5 | 535,751 | 5.6 | 578,295 | 580,216 | (0.3) | 2.2 | 45.2 | 566,884 | 2.0 |
| EPS (NT\$) | 21.82 | 21.81 | 0.1 | 11.9 | 56.5 | 20.71 | 5.4 | 22.30 | 22.38 | (0.3) | 2.2 | 45.2 | 21.95 | 1.6 |
| Gross margin (%) | 65.9 | 66.0 | (0.0)ppts | 3.6 ppts | 7.2 ppts | 64.2 | 1.7 ppts | 66.0 | 66.9 | (0.9)ppts | 0.1 ppts | 7.4 ppts | 63.9 | 2.1 ppts |
| OP margin (%) | 56.7 | 56.7 | (0.0)ppts | 2.7 ppts | 7.9 ppts | 55.3 | 1.3 ppts | 57.1 | 58.0 | (0.9)ppts | 0.4 ppts | 7.6 ppts | 55.1 | 2.0 ppts |
| Net margin (%) | 49.7 | 49.7 | (0.0)ppts | 1.4 ppts | 6.6 ppts | 47.8 | 1.9 ppts | 47.6 | 48.3 | (0.7)ppts | (2.1)ppts | 4.9 ppts | 47.2 | 0.3 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 | 5,119,313 | 5,064,989 | 1.1 | 34.4 | 5,004,893 | 2.3 | 6,270,613 | 6,227,171 | 0.7 | 22.5 | 6,199,499 | 1.1 | | |
| Gross profit | 3,371,425 | 3,341,715 | 0.9 | 47.8 | 3,185,803 | 5.8 | 4,201,486 | 4,185,676 | 0.4 | 24.6 | 3,929,410 | 6.9 | | |
| Operating profit | 2,920,001 | 2,895,012 | 0.9 | 50.8 | 2,737,024 | 6.7 | 3,652,471 | 3,640,676 | 0.3 | 25.1 | 3,387,343 | 7.8 | | |
| Net profit | 2,502,757 | 2,481,936 | 0.8 | 45.7 | 2,368,453 | 5.7 | 3,068,235 | 3,060,107 | 0.3 | 22.6 | 2,919,090 | 5.1 | | |
| EPS (NT\$) | 96.53 | 95.71 | 0.8 | 45.7 | 90.64 | 6.5 | 118.34 | 118.01 | 0.3 | 22.6 | 111.52 | 6.1 | | |
| Gross margin (%) | 65.9 | 66.0 | (0.1)ppts | 6.0 ppts | 63.7 | 2.2 ppts | 67.0 | 67.2 | (0.2)ppts | 1.1 ppts | 63.4 | 3.6 ppts | | |
| OP margin (%) | 57.0 | 57.2 | (0.1)ppts | 6.2 ppts | 54.7 | 2.4 ppts | 58.2 | 58.5 | (0.2)ppts | 1.2 ppts | 54.6 | 3.6 ppts | | |
| Net margin (%) | 48.9 | 49.0 | (0.1)ppts | 3.8 ppts | 47.3 | 1.6 ppts | 48.9 | 49.1 | (0.2)ppts | 0.0 ppts | 47.1 | 1.8 ppts | | |

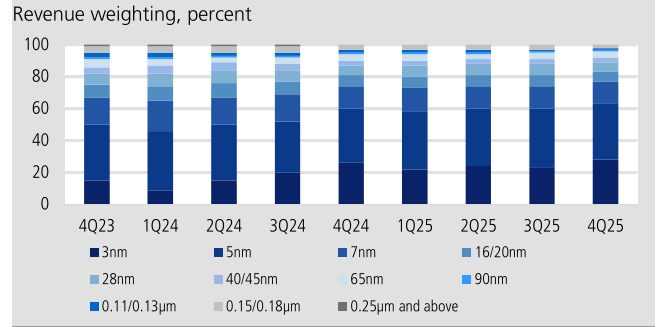
Source: Bloomberg; KGI Research estimates

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.

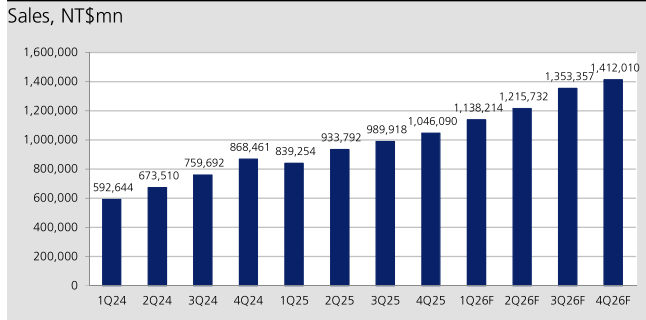
Source: Company data; KGI Research

Figure 8: TSMC wafer revenue by node



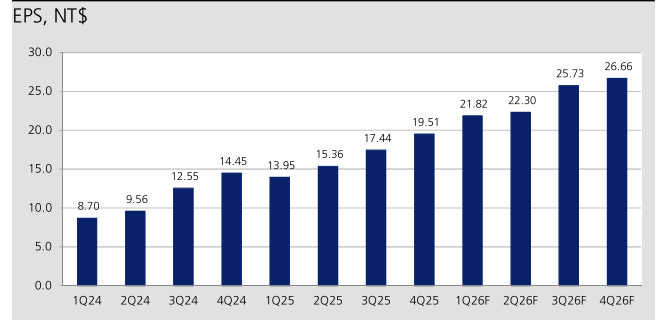
Source: Company data; KGI Research

Figure 9: Sales



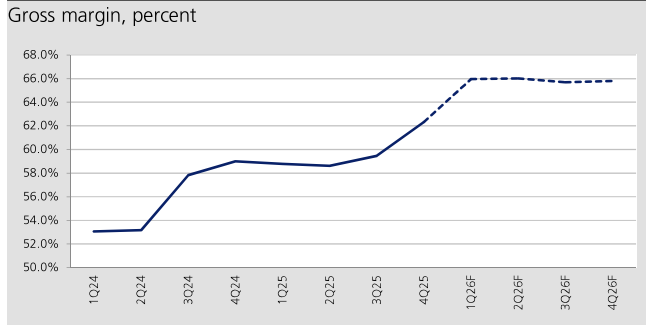
Source: KGI Research

Figure 10: EPS



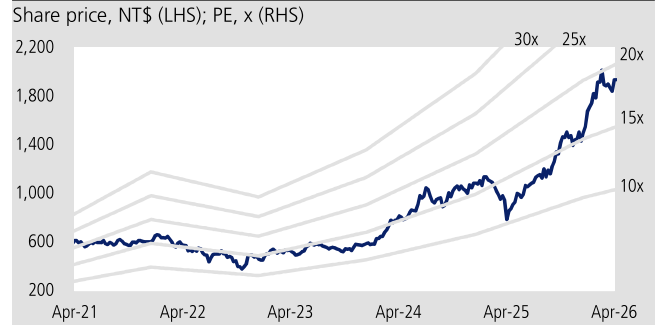
Source: KGI Research

Figure 11: Gross Margin



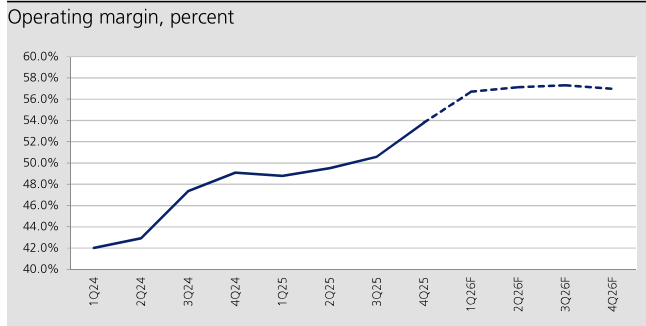
Source: KGI Research

Figure 12: 12M forward PE band



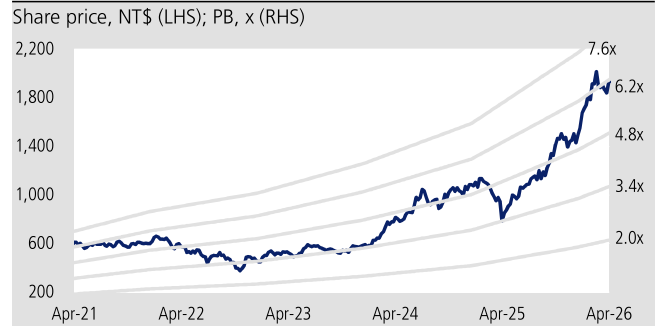
Source: KGI Research

Figure 13: Operating Margin



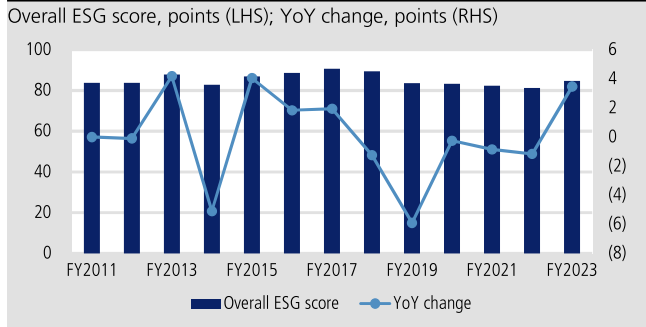
Source: KGI Research

Figure 14: 12M forward PB band



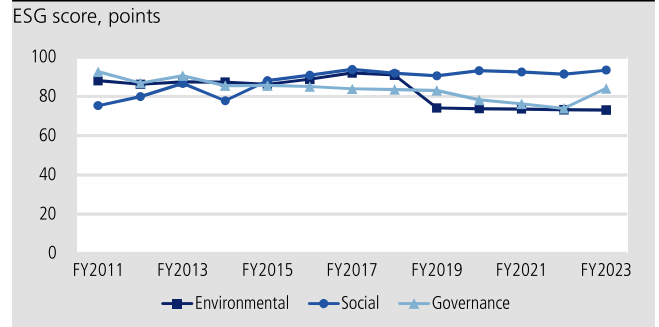
Source: KGI Research

Figure 15: Overall ESG score



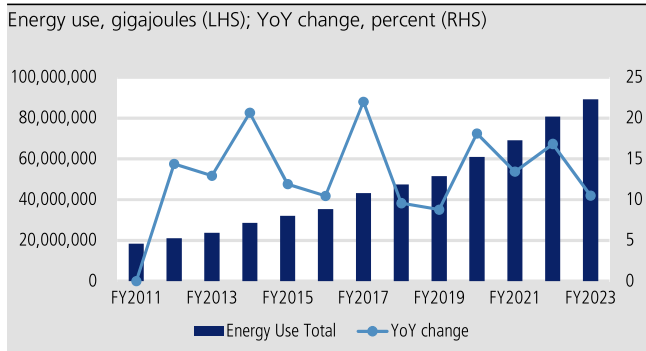
Source: Refinitiv; Company data

Figure 16: ESG score by category



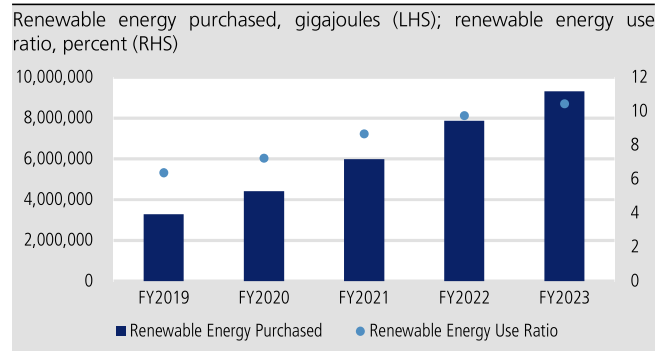
Source: Refinitiv; Company data

Figure 17: Energy use



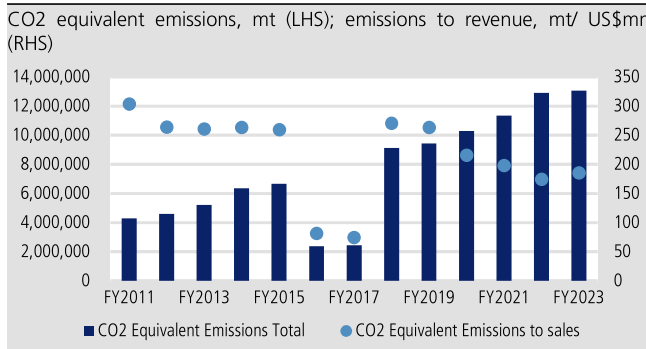
Source: Refinitiv; Company data

Figure 18: Renewable energy



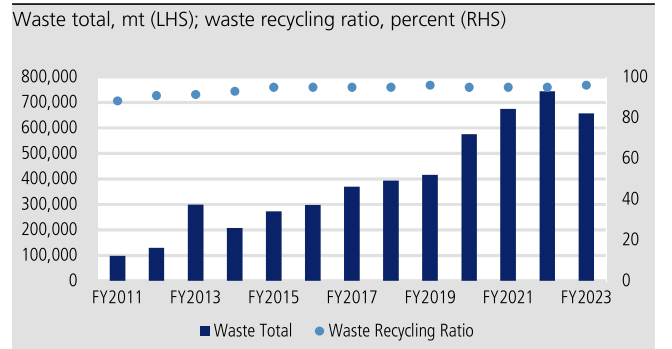
Source: Refinitiv; Company data

Figure 19: CO2 equivalent emissions



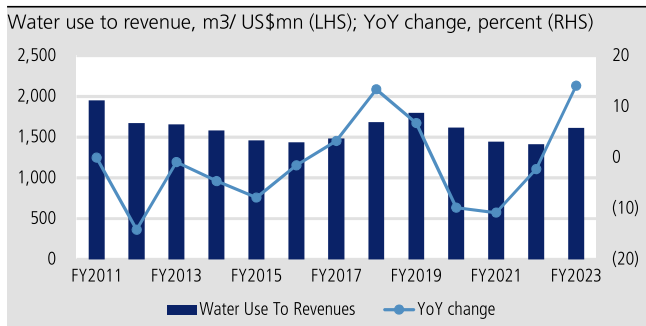
Source: Refinitiv; Company data

Figure 20: Waste total



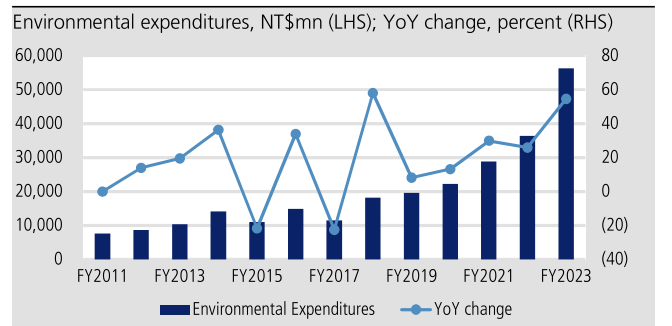
Source: Refinitiv; Company data

Figure 21: Water use to revenue



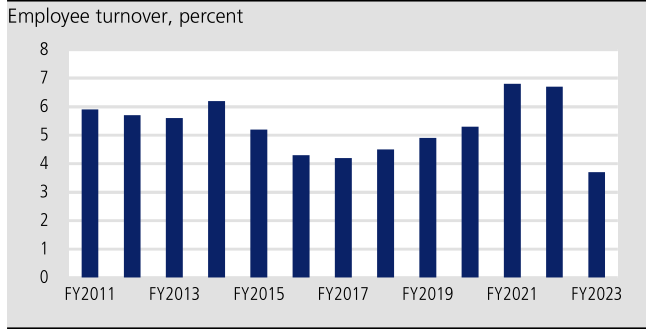
Source: Refinitiv; Company data

Figure 22: Environmental expenditures



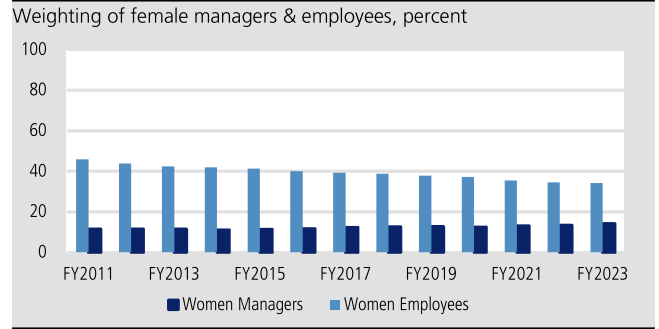
Source: Refinitiv; Company data

Figure 23: Employee turnover



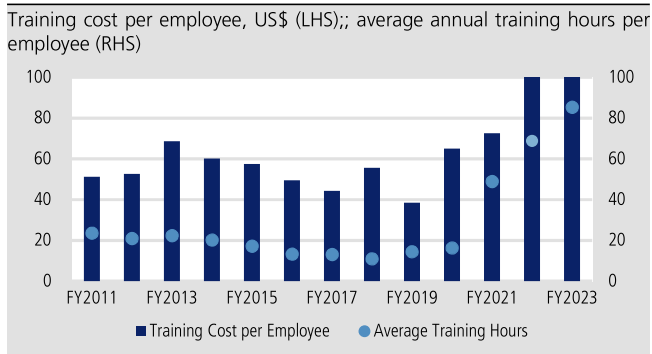
Source: Refinitiv; Company data

Figure 24: Gender diversification



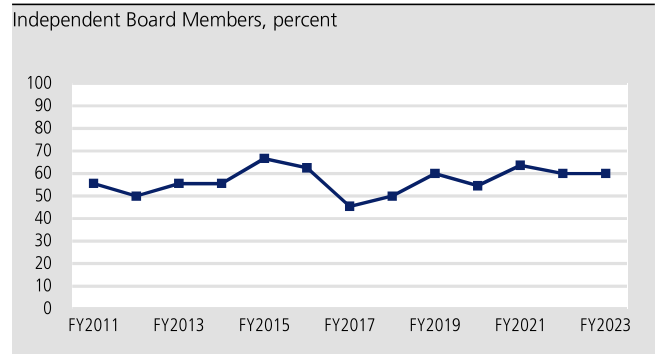
Source: Refinitiv; Company data

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\$m)</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-25A | Mar-26F | Jun-26F | Sep-26F | Dec-26F | Dec-25A | Dec-26F | Dec-27F |
| Income statement (NT\$mn) | | | | | | | | | | | |
| Revenue | 839,254 | 933,792 | 989,918 | 1,046,090 | 1,138,214 | 1,215,732 | 1,353,357 | 1,412,010 | 3,809,054 | 5,119,313 | 6,270,613 |
| Cost of goods sold | (345,859) | (386,423) | (401,375) | (394,104) | (387,610) | (413,020) | (464,136) | (483,122) | (1,527,760) | (1,747,888) | (2,069,126) |
| Gross profit | 493,395 | 547,369 | 588,543 | 651,987 | 750,604 | 802,712 | 889,222 | 928,887 | 2,281,294 | 3,371,425 | 4,201,486 |
| Operating expenses | (84,058) | (85,071) | (87,671) | (89,297) | (105,285) | (108,200) | (113,682) | (124,257) | (346,097) | (451,424) | (549,015) |
| Operating profit | 409,337 | 462,298 | 500,872 | 562,690 | 645,319 | 694,512 | 775,540 | 804,631 | 1,935,197 | 2,920,001 | 3,652,471 |
| Depreciation of fixed assets | (173,005) | (186,007) | (160,693) | (159,979) | (180,267) | (195,650) | (191,337) | (169,475) | (679,684) | (736,728) | (848,231) |
| Amortisation of intangible assets | (2,134) | (2,051) | (2,095) | (2,133) | (5,782) | (6,202) | (6,573) | 3,860 | (8,412) | (14,697) | (16,945) |
| EBITDA | 584,476 | 650,356 | 663,659 | 724,802 | 831,368 | 896,364 | 973,450 | 970,245 | 2,623,293 | 3,671,426 | 4,517,647 |
| Interest income | 24,859 | 25,192 | 26,180 | 29,507 | 29,507 | 29,507 | 29,507 | 29,507 | 105,739 | 118,030 | 80,000 |
| Investment income | 1,420 | 1,633 | 961 | 1,483 | 1,483 | 1,483 | 1,483 | 1,483 | 5,497 | 5,930 | 5,930 |
| Other non-op income | (0) | 0 | 544 | 48 | (0) | (0) | (0) | (0) | 592 | (0) | (0) |
| Non-operating income | 26,279 | 26,825 | 27,685 | 31,038 | 30,990 | 30,990 | 30,990 | 30,990 | 111,827 | 123,960 | 85,930 |
| Interest expense | (2,677) | (3,691) | (2,959) | (3,043) | (3,043) | (3,043) | (3,043) | (3,043) | (12,370) | (12,174) | (12,174) |
| Investment loss | - | - | - | - | - | - | - | - | - | - | - |
| Other non-op expenses | 213 | 6,478 | (43) | (534) | - | - | - | - | 6,114 | - | - |
| Non-operating expenses | (2,465) | 2,787 | (3,001) | (3,577) | (3,043) | (3,043) | (3,043) | (3,043) | (6,256) | (12,174) | (12,174) |
| Pre-tax profit | 433,152 | 491,910 | 525,556 | 590,150 | 673,266 | 722,458 | 803,486 | 832,577 | 2,040,768 | 3,031,787 | 3,726,228 |
| Current taxation | (70,163) | (95,542) | (73,614) | (86,948) | (107,723) | (144,492) | (136,593) | (141,538) | (326,266) | (530,345) | (659,307) |
| Minorities | 831 | 780 | 546 | 329 | 329 | 329 | 329 | 329 | 2,486 | 1,315 | 1,315 |
| Normalised net profit | 363,821 | 397,148 | 452,489 | 503,531 | 565,872 | 578,295 | 667,222 | 691,368 | 1,716,988 | 2,502,757 | 3,068,235 |
| Extraordinary items | (2,256) | 1,125 | (187) | 2,213 | - | - | - | - | 895 | - | - |
| Net profit | 361,564 | 398,273 | 452,301 | 505,744 | 565,872 | 578,295 | 667,222 | 691,368 | 1,717,883 | 2,502,757 | 3,068,235 |
| EPS (NT\$) | 13.95 | 15.36 | 17.44 | 19.51 | 21.82 | 22.30 | 25.73 | 26.66 | 66.26 | 96.53 | 118.34 |
| Margins (%) | | | | | | | | | | | |
| Gross profit margin | 58.8 | 58.6 | 59.5 | 62.3 | 65.9 | 66.0 | 65.7 | 65.8 | 59.9 | 65.9 | 67.0 |
| Operating margin | 48.8 | 49.5 | 50.6 | 53.8 | 56.7 | 57.1 | 57.3 | 57.0 | 50.8 | 57.0 | 58.2 |
| EBITDA margin | 69.6 | 69.6 | 67.0 | 69.3 | 73.0 | 73.7 | 71.9 | 68.7 | 68.9 | 71.7 | 72.0 |
| Pretax profit margin | 51.6 | 52.7 | 53.1 | 56.4 | 59.2 | 59.4 | 59.4 | 59.0 | 53.6 | 59.2 | 59.4 |
| Net profit margin | 43.1 | 42.7 | 45.7 | 48.3 | 49.7 | 47.6 | 49.3 | 49.0 | 45.1 | 48.9 | 48.9 |
| Sequential growth (%) | | | | | | | | | | | |
| Revenue growth | (3.4) | 11.3 | 6.0 | 5.7 | 8.8 | 6.8 | 11.3 | 4.3 | | | |
| Gross profit growth | (3.7) | 10.9 | 7.5 | 10.8 | 15.1 | 6.9 | 10.8 | 4.5 | | | |
| Operating profit growth | (4.0) | 12.9 | 8.3 | 12.3 | 14.7 | 7.6 | 11.7 | 3.8 | | | |
| EBITDA growth | (2.1) | 11.3 | 2.0 | 9.2 | 14.7 | 7.8 | 8.6 | (0.3) | | | |
| Pretax profit growth | (3.6) | 13.6 | 6.8 | 12.3 | 14.1 | 7.3 | 11.2 | 3.6 | | | |
| Net profit growth | (3.5) | 10.2 | 13.6 | 11.8 | 11.9 | 2.2 | 15.4 | 3.6 | | | |
| YoY growth (%) | | | | | | | | | | | |
| Revenue growth | 41.6 | 38.6 | 30.3 | 20.5 | 35.6 | 30.2 | 36.7 | 35.0 | 31.6 | 34.4 | 22.5 |
| Gross profit growth | 56.9 | 52.8 | 34.0 | 27.2 | 52.1 | 46.6 | 51.1 | 42.5 | 40.4 | 47.8 | 24.6 |
| Operating profit growth | 64.4 | 59.9 | 39.2 | 32.0 | 57.6 | 50.2 | 54.8 | 43.0 | 46.1 | 50.9 | 25.1 |
| EBITDA growth | 43.2 | 43.2 | 25.7 | 21.5 | 42.2 | 37.8 | 46.7 | 33.9 | 32.0 | 40.0 | 23.0 |
| Pretax profit growth | 62.5 | 59.3 | 37.2 | 31.3 | 55.4 | 46.9 | 52.9 | 41.1 | 44.9 | 48.6 | 22.9 |
| Net profit growth | 60.3 | 60.7 | 39.1 | 35.0 | 56.5 | 45.2 | 47.5 | 36.7 | 46.4 | 45.7 | 22.6 |

Source: Company data; KGI Research estimates

Balance sheet

| NT\$m | Dec-23A | Dec-24A | Dec-25A | Dec-26F | Dec-27F |
|---------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| Total assets | 5,532,371 | 6,691,938 | 7,933,024 | 10,076,678 | 12,664,775 |
| Current assets | 2,194,033 | 3,088,352 | 3,817,131 | 4,941,050 | 6,497,811 |
| Cash & ST securities | 1,687,644 | 2,422,020 | 3,068,595 | 3,774,449 | 5,124,234 |
| Inventory | 250,997 | 287,869 | 288,109 | 432,641 | 500,834 |
| Accounts receivable | 201,938 | 272,088 | 281,791 | 555,326 | 694,107 |
| Other current assets | 53,453 | 106,376 | 178,635 | 178,635 | 178,635 |
| Non-current assets | 3,338,338 | 3,603,586 | 4,115,893 | 5,135,628 | 6,166,965 |
| LT investments | 129,442 | 149,040 | 172,370 | 178,301 | 184,231 |
| Net fixed assets | 3,064,475 | 3,234,980 | 3,691,841 | 4,705,645 | 5,731,052 |
| Other assets | 144,421 | 219,565 | 251,682 | 251,682 | 251,682 |
| Total liabilities | 2,049,108 | 2,368,362 | 2,472,229 | 2,631,691 | 2,670,118 |
| Current liabilities | 913,583 | 1,264,525 | 1,458,019 | 1,617,482 | 1,655,909 |
| Accounts payable | 57,293 | 74,227 | 84,330 | 121,293 | 140,411 |
| Interest bearing ST liabilities | 9,293 | 59,858 | 136,926 | 136,926 | 136,926 |
| Other current liabilities | 846,997 | 1,130,441 | 1,236,763 | 1,359,263 | 1,378,572 |
| Non-current liabilities | 1,135,525 | 1,103,837 | 1,014,209 | 1,014,209 | 1,014,209 |
| Long-term debt | 918,283 | 958,429 | 896,062 | 896,062 | 896,062 |
| Other L-T liabilities | 188,560 | 116,653 | 86,552 | 118,147 | 118,147 |
| Total equity | 3,483,263 | 4,323,576 | 5,460,795 | 7,444,987 | 9,994,657 |
| Share capital | 259,321 | 259,327 | 259,325 | 259,325 | 259,325 |
| Retained earnings reserve | 2,846,884 | 3,606,105 | 4,705,070 | 7,071,017 | 9,620,687 |
| Minority interests | 24,349 | 35,031 | 41,199 | 41,199 | 41,199 |
| Preferred shareholders funds | - | - | - | - | - |

Key ratios

| | Dec-23A | Dec-24A | Dec-25A | Dec-26F | Dec-27F |
|---------------------------------|-----------|-------------|-------------|-------------|-------------|
| Growth | | | | | |
| Revenue growth | (4.5%) | 33.9% | 31.6% | 34.4% | 22.5% |
| Operating profit growth | (17.9%) | 43.8% | 46.1% | 50.9% | 25.1% |
| EBITDA growth | (6.8%) | 36.7% | 32.0% | 40.0% | 23.0% |
| Net profit growth | (17.5%) | 39.9% | 46.4% | 45.7% | 22.6% |
| EPS growth | (17.5%) | 39.9% | 46.4% | 45.7% | 22.6% |
| Profitability | | | | | |
| Gross profit margin | 54.4% | 56.1% | 59.9% | 65.9% | 67.0% |
| Operating margin | 42.6% | 45.8% | 50.8% | 57.0% | 58.2% |
| EBITDA margin | 67.2% | 68.7% | 68.9% | 71.7% | 72.0% |
| Net profit margin | 38.8% | 40.5% | 45.1% | 48.9% | 48.9% |
| Return on average assets | 16.0% | 19.2% | 23.5% | 27.8% | 27.0% |
| Return on average equity | 26.2% | 30.3% | 35.4% | 39.0% | 35.4% |
| Stability | | | | | |
| Gross debt to equity | 26.6% | 23.6% | 18.9% | 13.9% | 10.3% |
| Net debt to equity | Net cash | Net cash | Net cash | Net cash | Net cash |
| Interest coverage (x) | 82.6 | 135.2 | 166.0 | 250.0 | 307.1 |
| Interest & ST debt coverage (x) | 1.0 | 1.0 | 0.9 | 1.0 | 1.0 |
| Cash flow interest coverage(x) | 103.5 | 174.0 | 183.9 | 245.6 | 308.8 |
| Cash flow/wint. & ST debt (x) | 58.3 | 26.0 | 15.2 | 20.1 | 25.2 |
| Current ratio (x) | 2.4 | 2.4 | 2.6 | 3.1 | 3.9 |
| Quick ratio (x) | 2.1 | 2.2 | 2.4 | 2.8 | 3.6 |
| Net debt (NT\$m) | (537,852) | (1,109,340) | (1,734,869) | (2,440,723) | (3,790,508) |
| Per share data | | | | | |
| EPS (NT\$) | 32.34 | 45.25 | 66.26 | 96.53 | 118.34 |
| CFPS (NT\$) | 47.90 | 70.43 | 87.74 | 115.30 | 144.97 |
| BVPS (NT\$) | 133.38 | 165.37 | 208.99 | 285.55 | 383.88 |
| Adj BVPS (NT\$) | 133.40 | 165.40 | 209.02 | 285.55 | 383.88 |
| SPS (NT\$) | 83.37 | 111.63 | 146.91 | 197.44 | 241.84 |
| EBITDA/share (NT\$) | 56.05 | 76.65 | 101.18 | 141.60 | 174.24 |
| Cash DPS (NT\$) | 13.00 | 17.00 | 22.00 | 20.00 | 20.00 |
| Activity | | | | | |
| Sales / avg assets | 0.41 | 0.47 | 0.52 | 0.57 | 0.55 |
| Days receivable | 34.1 | 34.4 | 27.0 | 39.6 | 40.4 |
| Days inventory | 92.9 | 83.0 | 68.8 | 90.3 | 88.3 |
| Days payable | 21.2 | 21.4 | 20.1 | 25.3 | 24.8 |
| Cash cycle | 105.8 | 96.0 | 75.7 | 104.6 | 104.0 |

Source: Company data; KGI Research estimates

Profit & loss

| NT\$m | Dec-23A | Dec-24A | Dec-25A | Dec-26F | Dec-27F |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | 2,161,736 | 2,894,308 | 3,809,054 | 5,119,313 | 6,270,613 |
| Cost of goods sold | (986,625) | (1,269,954) | (1,527,760) | (1,747,888) | (2,069,126) |
| Gross profit | 1,175,111 | 1,624,354 | 2,281,294 | 3,371,425 | 4,201,486 |
| Operating expenses | (254,022) | (299,840) | (346,097) | (451,424) | (549,015) |
| Operating profit | 921,088 | 1,324,513 | 1,935,197 | 2,920,001 | 3,652,471 |
| Non-operating income | 65,429 | 92,660 | 111,827 | 123,960 | 85,930 |
| Interest income | 60,294 | 87,213 | 105,739 | 118,030 | 80,000 |
| Investment income | 5,119 | 4,879 | 5,497 | 5,930 | 5,930 |
| Other non-op income | 16 | 567 | 592 | (0) | (0) |
| Non-operating expenses | (7,723) | (8,874) | (6,256) | (12,174) | (12,174) |
| Interest expense | (11,999) | (10,495) | (12,370) | (12,174) | (12,174) |
| Investment loss | - | - | - | - | - |
| Other non-op expenses | 4,276 | 1,621 | 6,114 | - | - |
| Pre-tax profit | 978,794 | 1,408,299 | 2,040,768 | 3,031,787 | 3,726,228 |
| Current taxation | (141,404) | (233,407) | (326,266) | (530,345) | (659,307) |
| Minorities | 730 | 836 | 2,486 | 1,315 | 1,315 |
| Extraordinary items | 377 | (2,460) | 895 | - | - |
| Net profit | 838,498 | 1,173,268 | 1,717,893 | 2,502,757 | 3,068,235 |
| EBITDA | 1,453,279 | 1,987,310 | 2,623,293 | 3,671,426 | 4,517,647 |
| EPS (NT\$) | 32.34 | 45.25 | 66.26 | 96.53 | 118.34 |

Cash flow

| NT\$m | Dec-23A | Dec-24A | Dec-25A | Dec-26F | Dec-27F |
|-----------------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Operations cash flow | 1,241,967 | 1,826,177 | 2,274,976 | 2,989,649 | 3,758,933 |
| Net profit | 838,498 | 1,173,268 | 1,717,893 | 2,502,757 | 3,068,235 |
| Depreciation & amortisation | 532,191 | 662,797 | 688,096 | 751,425 | 865,176 |
| Decrease in working capital | 324 | (90,088) | 160 | (381,103) | (187,857) |
| Other operating cash flow | (129,046) | 80,200 | (131,163) | 116,570 | 13,378 |
| Investing cash flow | (906,121) | (864,843) | (1,144,393) | (1,765,230) | (1,890,582) |
| Sale of ST investment | (55,781) | (54,143) | (37,079) | - | - |
| New investments | - | (3,739) | - | - | - |
| Capital expenditure | (949,817) | (956,007) | (1,272,411) | (1,765,230) | (1,890,582) |
| Others investing cashflow | 99,478 | 149,045 | 165,096 | - | - |
| Free cash flow | 361,461 | 712,509 | 1,033,242 | 999,606 | 1,776,006 |
| Financing cash flow | (204,894) | (346,301) | (440,345) | (518,565) | (518,565) |
| Increase in short term debt | - | - | - | - | - |
| Increase in long term loans | 68,204 | 55,866 | 40,448 | - | - |
| New ordinary shares issued | - | - | - | - | - |
| Ordinary dividends paid | (291,722) | (363,055) | (466,779) | (518,565) | (518,565) |
| Other financing cashflow | 18,623 | (36,022) | (14,014) | - | - |
| Forex effects | (8,339) | 47,166 | (50,008) | - | - |
| Total cash generated | 122,614 | 662,199 | 640,229 | 705,854 | 1,349,785 |

ROIC

| | Dec-23A | Dec-24A | Dec-25A | 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% | 57.0% | 58.2% |
| 1 / (Working capital/revenue | (0.2) | (0.2) | (0.2) | (0.1) | (0.0) |
| + Net PPE/revenue | 1.4 | 1.1 | 1.0 | 0.9 | 0.9 |
| + Other assets/revenue) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| = Capital turnover | 0.8 | 1.0 | 1.2 | 1.1 | 1.1 |
| Operating margin | 42.6% | 45.8% | 50.8% | 57.0% | 58.2% |
| x Capital turnover | 0.8 | 1.0 | 1.2 | 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% | 50.2% | 51.9% | 51.5% |

Source: Company data; KGI Research estimates

TSMC – Recommendation & target price history



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

Source: TEJ; KGI Research

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