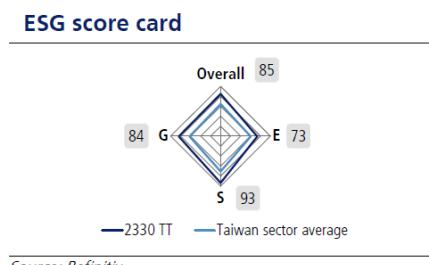


TSMC (2330.TW/2330 TT)

Outstanding guidance

FTSE4Good TIP Taiwan ESG Index stock	
Outperform · Maintained	
Price as of January 15 (NT\$)	1,690
12M target price (NT\$)	2,400
Previous target price (NT\$)	2,020
Revised up (%)	18.8
Upside (%)	42.0
Key message	
1.	4Q25 a strong beat on margins; stellar 1Q26F guidance to spur expansive earnings upgrades.
2.	Medium- to long-term guidance revised up.
3.	Key takeaways.
Trading data	
Mkt cap (NT\$bn/US\$mn)	43,8261,386,32
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,779
3M avg. daily trading (mn)	24.43
52-week trading range (NT\$)	785 – 1,710
Performance	
	3M 6M 12M
Absolute (%)	15.4 52.3 58.7
Relative (%)	2.4 17.4 21.9

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



Event

TSMC has issued strong guidance, beating consensus across the board in the near, medium and long term and also well ahead of our bullish forecasts.

Impact

4Q25 a strong beat on margins; stellar 1Q26F guidance to spur expansive earnings upgrades. Thanks to a higher UTR, better product mix and expense control, 4Q25 gross margin of 62.3% and operating margin of 54.0% beat both our bullish forecasts and the company's guidance, with NT dollar depreciation being a tail wind. EPS of NT\$19.5 was higher than our estimate by 6% and 8% above consensus. TSMC guides 1Q26F sales of US\$34.6-35.8bn, up 4% QoQ at the midpoint (vs. consensus of flat/down 3% QoQ). Due to cost improvements and a higher UTR, gross margin is guided at 63–65% in 1Q26F, much stronger than our estimate. We believe the strong 1Q26F guidance could lead the street to raise gross margin estimates from 55-60% to 65% (or higher) in 2026F.

Medium- to long-term guidance revised up. TSMC guides 2026F sales growth will be close to 30% YoY, with capex of US\$52–56bn (vs. consensus of US\$46-50bn). Due to strong structural demand, the company revised up guidance for its: (1) five-year (2024-29F) sales CAGR from 20% to 25%; (2) five-year (2024-29F) AI accelerator sales CAGR from mid-40% to mid-to-high 50%; and (3) long-term gross margin target from 53% to 56%. Based on strong demand, TSMC also expects capex in the next three years (2026-28F) will be significantly higher than the US\$101bn of the past three years. The increased capex could go towards capacity expansion in 2028-30F and we think TSMC is likely to double investments in the US. Management expects Foundry 2.0 (including OSAT) revenue to grow 14% this year, and that the firm's overall revenue growth will outpace industry growth.

Key takeaways. (1) AI demand is real; (2) TSMC is optimizing capacity by trimming 6-inch and 8-inch capacity but not exiting mature node production; (3) there is an accelerated timeline for US expansion and a likelihood of increased investment (the planned Gigafab cluster will help lower operating costs), while the second fab in Japan and ESMC expansion schedule is dependent on client demand; and (4) stronger medium to long-term guidance will spur another round of expansive consensus earnings upgrades.

Valuation & Action

Based on TSMC's strong guidance, we revise up our 2026F and 2027F EPS forecasts by 19% and 16%, respectively, despite already being at the higher-end of consensus. Due to upward earnings revisions, we raise our target price by 19% to NT\$2,400, 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\$mn)	2,161,736	2,894,308	3,809,054	5,064,989	6,167,387
Gross profit (NT\$mn)	1,175,111	1,624,354	2,281,294	3,341,715	4,137,849
Operating profit (NT\$mn)	921,088	1,324,513	1,936,092	2,895,012	3,597,825
Net profit (NT\$mn)	838,498	1,173,268	1,717,884	2,481,936	3,024,540
EPS (NT\$)	32.34	45.25	66.25	95.71	116.64
Cash DPS (NT\$)	13.00	17.00	20.00	20.00	20.00
EPS growth (%)	(17.5)	39.9	46.4	44.5	21.9
PE (x)	52.3	37.3	25.5	17.7	14.5
PB (x)	12.7	10.2	8.2	6.0	4.5
EV/EBITDA (x)	28.9	20.9	15.8	11.2	8.9
Net debt to equity (%)	Net cash				
Dividend yield (%)	0.8	1.0	1.2	1.2	1.2
Return on average equity (%)	26.2	30.3	35.7	39.4	35.4

Source: Company data, KGI Research estimates

1Q26F guidance

- Revenue: US\$34.6–35.8bn (up 4% QoQ / 38% YoY at the midpoint)
- Gross margin: 63–65% (up 1.7ppts QoQ / 5.2ppts YoY)
- Operating margin: 54–56% (up 1.0ppts QoQ / 6.5ppts YoY)

2026F outlook

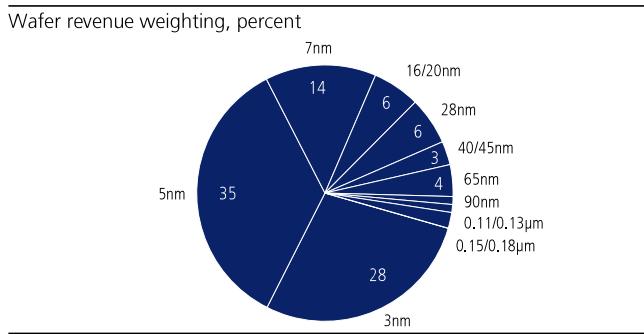
- Revenue to grow around 30% YoY in US dollar terms (outperforming Foundry 2.0 revenue growth of 14% YoY).
- Capex: US\$52–56bn (up 32% YoY at the midpoint).
- Optimizing capacity by trimming 6-inch and 8-inch capacity, but not exiting mature node production. Client needs remain the top priority.

Long-term outlook (2024–29F) & updates

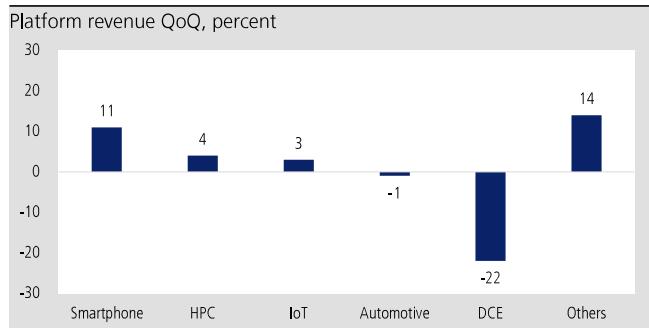
- Revised upward - Sales CAGR to mid-20% (previously around 20%).
- Revised upward - AI accelerator sales CAGR to mid-to-high 50% (previously mid-40%).
- Revised upward - Long-term gross margin to 56% or higher (previously 53%).
- Next three-year aggregate capex to be significantly higher than the US\$101bn in the last three years.

Overseas expansion

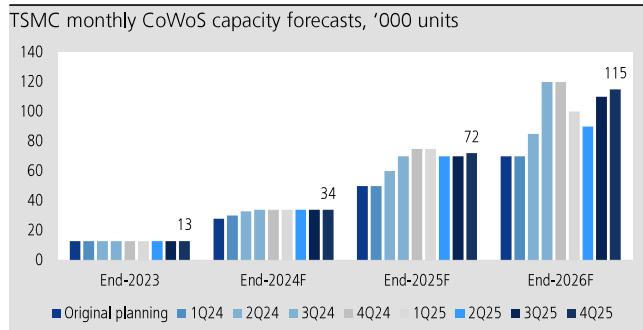
- US - Fab 1 MP in 4Q24, Fab 2 completes construction, equipment move in 2026F and accelerated ramping schedule in 2H27F. Fab 3 construction has started and TSMC is applying for a permit for Fab 4.
- Purchased a second parcel of land in the US and expects Gigafab cluster to bring down costs of Arizona operations.
- Japan - Fab 2 construction in progress, but ramping schedule dependent on client demand.
- Europe - Fab for specialty chip manufacturing on track, ramping schedule dependent on client demand.
- Taiwan - N2 ramping up in both Hsinchu (Fab20) and Kaohsiung (Fab22) and expansion of advanced packaging progressing.

Figure 1: 4Q25 TSMC's wafer revenue by node


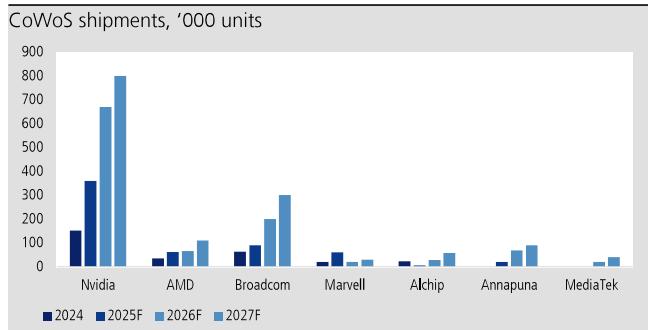
Source: Company data; KGI Research

Figure 2: 4Q25 TSMC's revenue by platform


Source: Company data; KGI Research

Figure 3: TSMC CoWoS capacity forecast revisions


Source: KGI Research estimates

Figure 4: 2025-27F CoWoS shipments forecasts by clients


Source: KGI Research estimates

Figure 5: Breakdown of 4Q25 results & 1Q26 forecast revisions vs. consensus

NT\$mn	4Q25						1Q26F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,046,090	1,043,764	0.2	5.7	20.5	1,031,508	1.4	1,137,559	1,042,924	9.1	8.7	35.5	1,050,770	8.3
Gross profit	651,987	642,088	1.5	10.8	27.2	625,238	4.3	750,227	611,711	22.6	15.1	52.1	626,028	19.8
Operating profit	564,903	534,581	5.7	12.8	32.5	527,232	7.1	645,003	510,026	26.5	14.2	57.6	526,890	22.4
Net profit	505,744	475,889	6.3	11.8	35.0	467,051	8.3	565,605	455,017	24.3	11.8	56.4	462,969	22.2
EPS (NT\$)	19.50	18.35	6.3	11.8	35.0	18.12	7.6	21.81	17.55	24.3	11.8	56.4	17.48	24.8
Gross margin (%)	62.3	61.5	0.8 ppts	2.9 ppts	3.3 ppts	60.6	1.7 ppts	66.0	58.7	7.3 ppts	3.6 ppts	7.2 ppts	59.6	6.4 ppts
OP margin (%)	54.0	51.2	2.8 ppts	3.4 ppts	4.9 ppts	51.1	2.9 ppts	56.7	48.9	7.8 ppts	2.7 ppts	7.9 ppts	50.1	6.6 ppts
Net margin (%)	48.3	45.6	2.8 ppts	2.7 ppts	5.2 ppts	45.3	3.1 ppts	49.7	43.6	6.1 ppts	1.4 ppts	6.6 ppts	44.1	5.7 ppts

Source: Bloomberg; KGI Research estimates

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

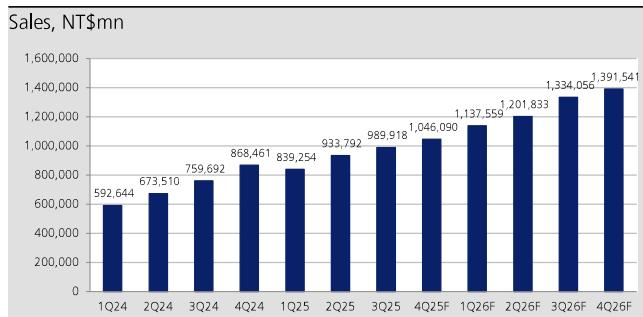
NT\$mn	2026F						2027F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	5,064,989	4,831,921	4.8	33.0	4,759,733	6.4	6,167,387	6,024,920	2.4	21.8	5,783,232	6.6
Gross profit	3,341,715	2,840,171	17.7	46.5	2,838,515	17.7	4,137,849	3,590,421	15.2	23.8	3,458,604	19.6
Operating profit	2,895,012	2,409,106	20.2	49.5	2,394,735	20.9	3,597,825	3,062,969	17.5	24.3	2,901,914	24.0
Net profit	2,481,936	2,091,125	18.7	44.5	2,092,950	18.6	3,024,540	2,604,315	16.1	21.9	2,514,150	20.3
EPS (NT\$)	95.71	80.65	18.7	44.5	78.41	22.1	116.64	100.44	16.1	21.9	93.71	24.5
Gross margin (%)	66.0	58.8	7.2 ppts	6.1 ppts	59.6	6.3 ppts	67.1	59.6	7.5 ppts	1.1 ppts	59.8	7.3 ppts
OP margin (%)	57.2	49.9	7.3 ppts	6.3 ppts	50.3	6.8 ppts	58.3	50.8	7.5 ppts	1.2 ppts	50.2	8.2 ppts
Net margin (%)	49.0	43.3	5.7 ppts	3.9 ppts	44.0	5.0 ppts	49.0	43.2	5.8 ppts	0.0 ppts	43.5	5.6 ppts

Source: Bloomberg; KGI Research estimates

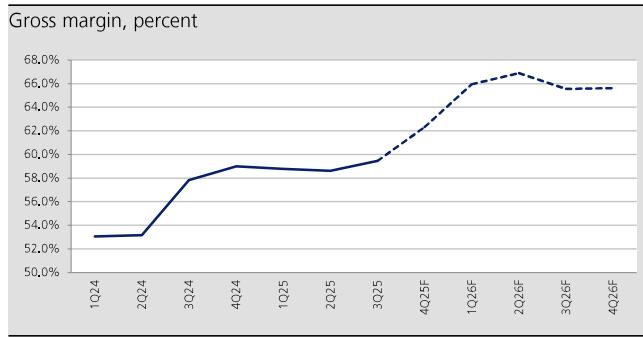
Figure 7: Company profile

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.

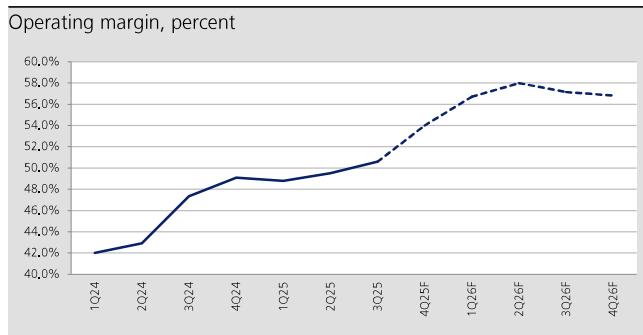
Source: Company data; KGI Research

Figure 9: Sales


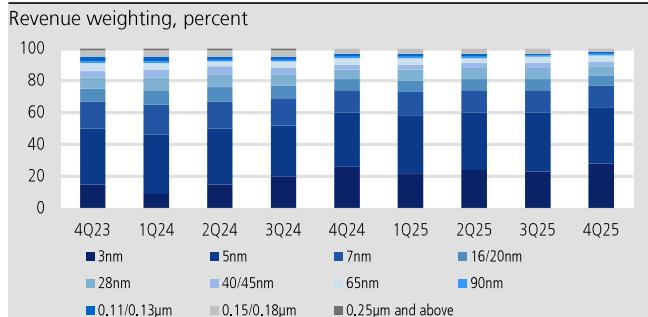
Source: KGI Research

Figure 11: Gross Margin


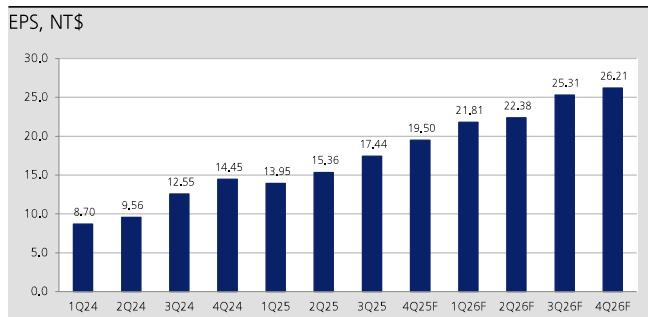
Source: KGI Research

Figure 13: Operating Margin


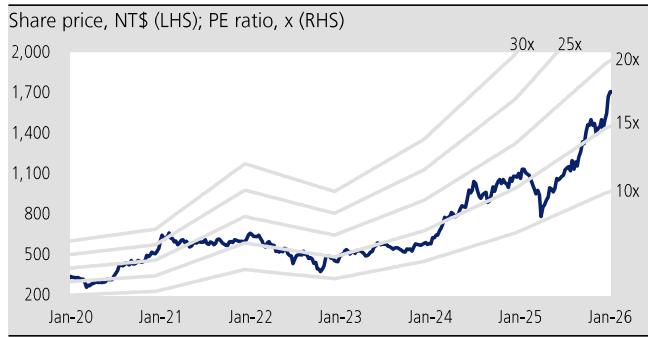
Source: KGI Research

Figure 8: TSMC wafer revenue by node


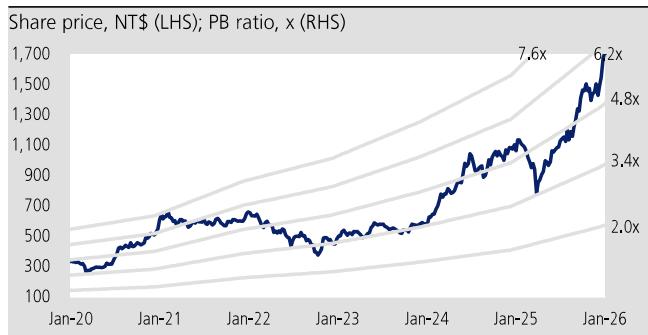
Source: Company data; KGI Research

Figure 10: EPS


Source: KGI Research

Figure 12: 12M forward PE band


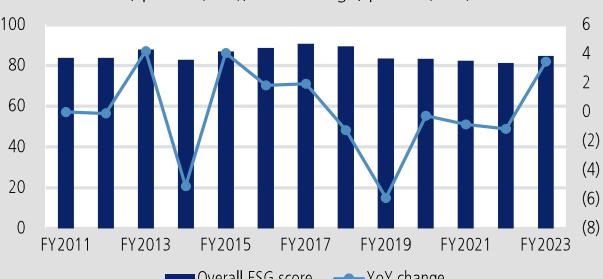
Source: KGI Research

Figure 14: 12M forward PB band


Source: KGI Research

Figure 15: Overall ESG score

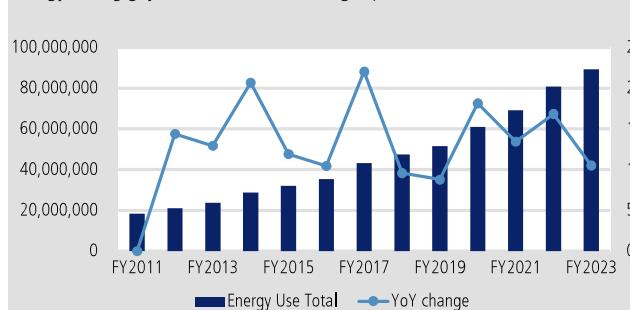
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 17: Energy use

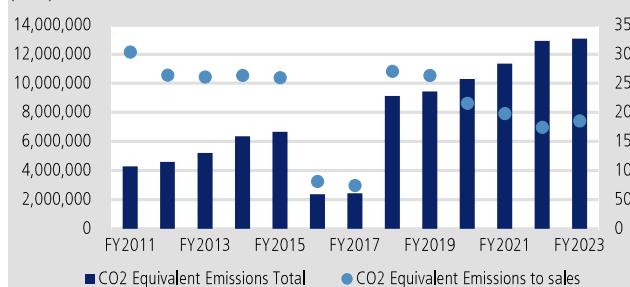
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 19: CO2 equivalent emissions

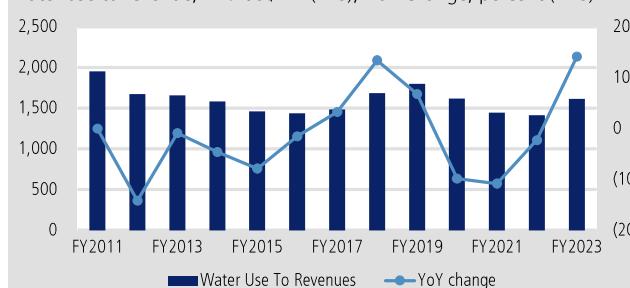
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US\$mn (RHS)



Source: Refinitiv; Company data

Figure 21: Water use to revenue

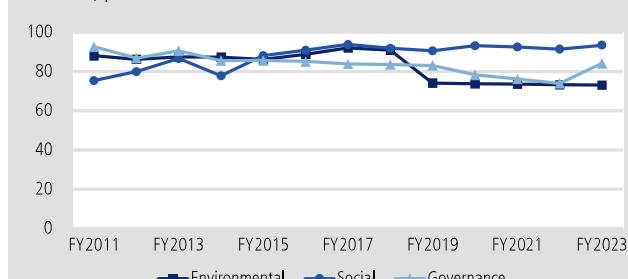
Water use to revenue, m3/ US\$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 16: ESG score by category

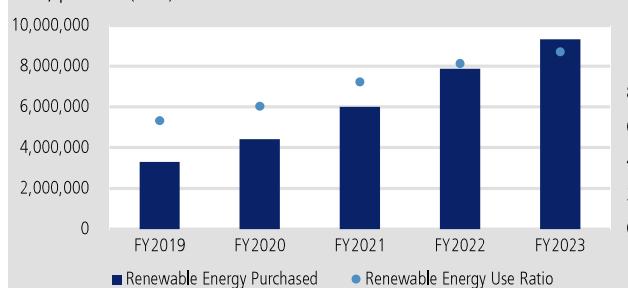
ESG score, points



Source: Refinitiv; Company data

Figure 18: Renewable energy

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



Source: Refinitiv; Company data

Figure 20: Waste total

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



Source: Refinitiv; Company data

Figure 22: Environmental expenditures

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



Source: Refinitiv; Company data

Figure 23: Employee turnover

Employee turnover, percent



Source: Refinitiv; Company data

Figure 25: Employee training

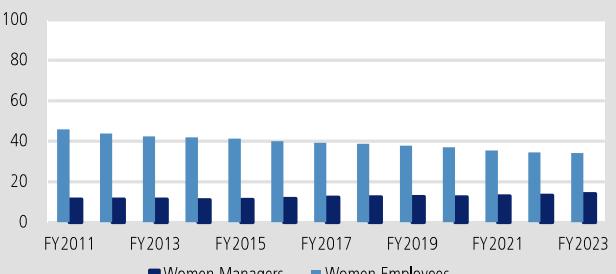
Training cost per employee, US\$ (LHS); average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 24: Gender diversification

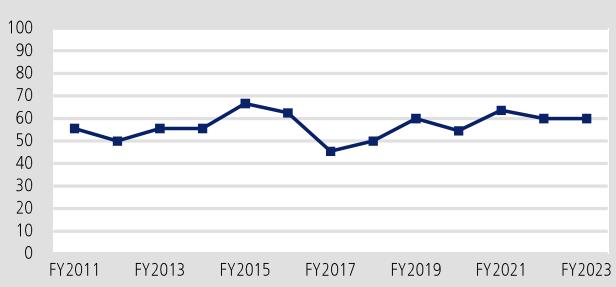
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 26: Independent Board Members

Independent Board Members, percent



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	6,167,387
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)	(2,029,538)
Gross profit	493,395	547,369	588,543	651,987	750,227	803,878	874,494	913,117	2,281,294	3,341,715	4,137,849
Operating expenses	(84,058)	(85,071)	(87,671)	(87,084)	(105,224)	(106,963)	(112,061)	(122,456)	(345,202)	(446,704)	(540,024)
Operating profit	409,337	462,298	500,872	564,903	645,003	696,915	762,433	790,661	1,936,092	2,895,012	3,597,825
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	4,460,323
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	3,673,048
Current taxation	(70,163)	(95,542)	(73,614)	(86,947)	(107,672)	(144,972)	(134,364)	(139,163)	(326,265)	(526,172)	(649,819)
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	3,024,540
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	3,024,540
EPS (NT\$)	13.95	15.36	17.44	19.50	21.81	22.38	25.31	26.21	66.25	95.71	116.64
Margins (%)											
Gross profit margin	58.8	58.6	59.5	62.3	66.0	66.9	65.6	65.6	59.9	66.0	67.1
Operating margin	48.8	49.5	50.6	54.0	56.7	58.0	57.2	56.8	50.8	57.2	58.3
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	59.6
Net profit margin	43.1	42.7	45.7	48.3	49.7	48.3	49.2	48.9	45.1	49.0	49.0
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	21.8
Gross profit growth	56.9	52.8	34.0	27.2	52.1	46.9	48.6	40.1	40.4	46.5	23.8
Operating profit growth	64.4	59.9	39.2	32.5	57.6	50.8	52.2	40.0	46.2	49.5	24.3
EBITDA growth	43.2	43.2	25.7	21.0	42.3	38.3	44.7	32.1	31.8	39.2	22.4
Pretax profit growth	62.5	59.3	37.2	31.8	55.4	47.4	50.4	38.2	45.0	47.3	22.2
Net profit growth	60.3	60.7	39.1	35.0	56.4	45.7	45.1	34.4	46.4	44.5	21.9

Source: Company data, KGI Research estimates

Balance sheet

NT\$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total assets	5,532,371	6,691,938	7,790,879	9,796,745	12,338,527
Current assets	2,194,033	3,088,352	3,672,109	4,677,232	6,199,035
Cash & ST securities	1,687,644	2,422,020	2,819,316	3,613,067	4,942,405
Inventory	250,997	287,869	352,923	428,433	492,073
Accounts receivable	201,938	272,088	411,414	547,275	676,101
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	6,139,492
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	5,707,394
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	2,509,425
Current liabilities	913,583	1,264,525	1,388,392	1,430,942	1,466,803
Accounts payable	57,293	74,227	98,943	120,113	137,955
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	1,252,623
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	9,829,101
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	9,459,144
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%	21.8%
Operating profit growth	(17.9%)	43.8%	46.2%	49.5%	24.3%
EBITDA growth	(6.8%)	36.7%	31.8%	39.2%	22.4%
Net profit growth	(17.5%)	39.9%	46.4%	44.5%	21.9%
EPS growth	(17.5%)	39.9%	46.4%	44.5%	21.9%
Profitability					
Gross profit margin	54.4%	56.1%	59.9%	66.0%	67.1%
Operating margin	42.6%	45.8%	50.8%	57.2%	58.3%
EBITDA margin	67.2%	68.7%	68.8%	72.0%	72.3%
Net profit margin	38.8%	40.5%	45.1%	49.0%	49.0%
Return on average assets	16.0%	19.2%	23.7%	28.2%	27.3%
Return on average equity	26.2%	30.3%	35.7%	39.4%	35.4%
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	344.0
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	347.8
Cash flow/int. & ST debt (x)	58.3	26.0	24.4	35.2	42.8
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\$mn)	(537,852)	(1,109,340)	(1,502,349)	(2,296,100)	(3,625,438)
Per share data					
EPS (NT\$)	32.34	45.25	66.25	95.71	116.64
CFPS (NT\$)	47.90	70.43	83.14	117.90	143.63
BVPS (NT\$)	133.38	165.37	205.28	280.97	377.61
Adj BVPS (NT\$)	133.40	165.40	205.28	280.98	377.61
SPS (NT\$)	83.37	111.63	146.91	195.33	237.84
EBITDA/share (NT\$)	56.05	76.65	101.02	140.57	172.01
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	40.0
Days inventory	92.9	83.0	84.3	90.7	88.5
Days payable	21.2	21.4	23.6	25.4	24.8
Cash cycle	105.8	96.0	100.1	104.7	103.7

Source: Company data, KGI Research estimates

Profit & loss

NT\$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue	2,161,736	2,894,308	3,809,054	5,064,989	6,167,387
Cost of goods sold	(986,625)	(1,269,954)	(1,527,760)	(1,723,274)	(2,029,538)
Gross profit	1,175,111	1,624,354	2,281,294	3,341,715	4,137,849
Operating expenses	(254,022)	(299,840)	(345,202)	(446,704)	(540,024)
Operating profit	921,088	1,324,513	1,936,092	2,895,012	3,597,825
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	3,673,048
Current taxation	(141,404)	(233,407)	(326,265)	(526,172)	(649,819)
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	3,024,540
EBITDA	1,453,279	1,987,310	2,619,294	3,644,982	4,460,323
EPS (NT\$)	32.34	45.25	66.25	95.71	116.64

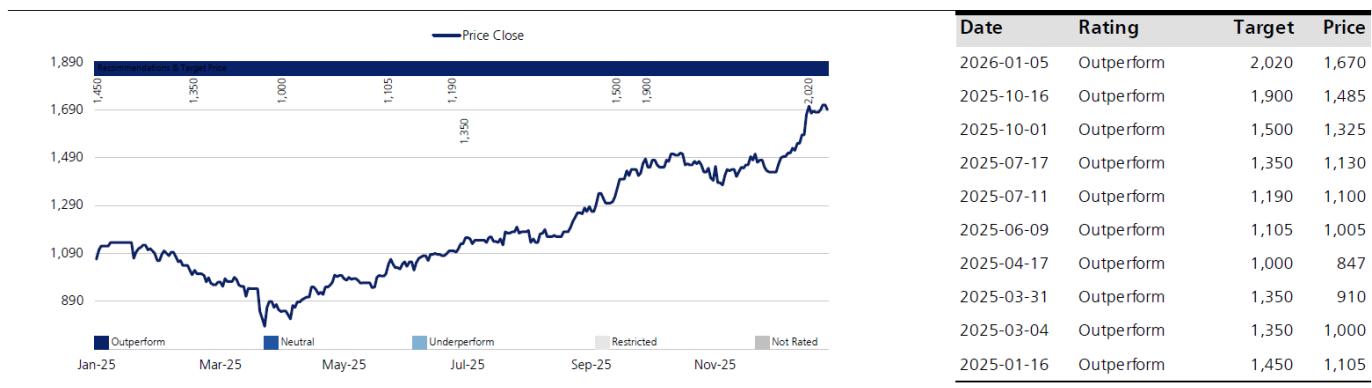
Cash flow

NT\$mn	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	3,724,502
Net profit	838,498	1,173,268	1,717,884	2,481,936	3,024,540
Depreciation & amortisation	532,191	662,797	683,201	749,790	862,498
Decrease in working capital	324	(90,088)	(179,664)	(190,202)	(174,624)
Other operating cash flow	(129,046)	80,200	(65,825)	15,448	12,087
Investing cash flow	(906,121)	(864,843)	(1,134,846)	(1,744,782)	(1,876,544)
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)	(1,876,544)
Others investing cashflow	99,478	149,045	125,149	-	-
Free cash flow	361,461	712,509	849,093	1,188,719	1,755,751
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	1,329,338

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%	58.3%
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%	58.3%
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%	50.7%

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history


Source: TEJ, KGI Research

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