

# TSMC (2330.TW/2330 TT)

## Greater N3 capacity expansion

FTSE4Good TIP Taiwan ESG Index stock

### Outperform · Maintained

Price as of April 16 (NT\$)	2,085
12M target price (NT\$)	2,600
Previous target price (NT\$)	2,420
Revised up (%)	7.4
Upside (%)	24.7

#### Key message

- 1Q26 results were in line
- TSMC raises 2026F sales growth guidance
- Greater expansion in N3 capacity

#### Trading data

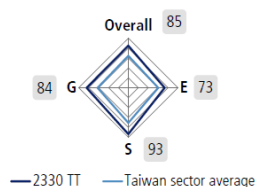
Mkt cap (NT\$bn/US\$m)	54,0691,711,03
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,559
3M avg. daily trading (mn)	22.26
52-week trading range (NT\$)	816–2,085

Performance	3M	6M	12M
Absolute (%)	19.8	40.4	143.9
Relative (%)	1.6	6.1	53.2

#### 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	22.08F	24.14F	27.78F	28.74F

#### ESG score card



Source: Refinitiv

#### Event

TSMC's 1Q26 results were in line, and 2Q26F guidance is better than our estimates and market consensus.

#### Impact

**1Q26 results in line.** 1Q26 gross margin of 66.2% is ahead of guidance but in line with our forecast, supported by: (1) cost improvements; (2) a higher UTR; and (3) favorable FX. Operating margin of 58.1% was slightly better than our estimate and beat consensus by 3ppts on operating leverage. As a result, 1Q26 net income came in at NT\$572bn (EPS of NT\$22.08), in line with our forecast and 6% above consensus.

**TSMC raises 2026F sales growth guidance.** TSMC guides 2Q26F sales of US\$39.0–40.2bn, up 10% QoQ at the midpoint, versus our forecast and consensus of 6-7% QoQ growth. Due to continued cost improvements and a higher UTR, 2Q26F gross margin and operating margin are guided at 65.5–67.5% and 56.5–58.5%, respectively, 0.5ppts and 2.5ppts above our estimate and consensus. For full-year 2026F, the firm has revised up sales growth to above 30% YoY (versus close to 30% YoY previously), with capex now tracking toward the higher end of the US\$52–56bn range, thanks to strong AI demand.

**Greater capacity expansion in N3.** As noted in our 1Q26 preview report (April 9), the node that is most in undersupply at TSMC is N3. Thus, the firm has announced the addition of three more fabs (Tainan (Taiwan), Arizona P2 (US) and Kumamoto fab 2 (Japan)) to support strong N3 demand (particularly HPC, smartphone and HBM base die). We forecast this new expansion plan could further increase N3 capacity by 40-45% by end-2028F. We also expect N3's gross margin to be above the corporate average from 2H26F. While the Middle East crisis could result in higher raw material (e.g. gas, helium, chemicals) and electricity costs, because TSMC has backup inventory and diversified supply sources, we think the impact on production is minimal currently. Meanwhile, progress on the A14 ramp up in 2028F is on track. A14 has adopted second-generation nanosheet structure, meaning that compared with N2 the performance speed is 10-15% faster at the same power consumption (i.e. a 25-30% power consumption saving at the same performance speed).

#### Valuation & Action

In view of better-than-expected cost reduction and an improved margins profile, we revise up 2026-27F EPS by 6% and 10%. Our target price is further raised to NT\$2,600, still based on 20x 2027F EPS (upcycle average). TSMC is our top pick in the semiconductor space. Maintain Outperform.

#### Risks

Global economic uncertainties; oversupply amid aggressive capacity expansion.

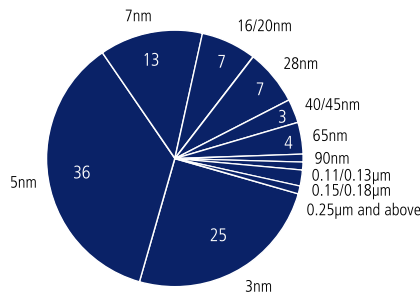
#### Key financials and valuations

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Revenue (NT\$m)	2,161,736	2,894,308	3,809,054	5,278,986	6,702,770
Gross profit (NT\$m)	1,175,111	1,624,354	2,281,294	3,577,679	4,640,498
Operating profit (NT\$m)	921,088	1,324,513	1,935,197	3,124,953	4,053,647
Net profit (NT\$m)	838,498	1,173,268	1,717,883	2,664,100	3,397,393
EPS (NT\$)	32.34	45.25	66.26	102.74	131.02
Cash DPS (NT\$)	13.00	17.00	22.00	25.00	29.00
EPS growth (%)	(17.5)	39.9	46.4	55.1	27.5
PE (x)	64.5	46.1	31.5	20.3	15.9
PB (x)	15.6	12.6	10.0	7.3	5.4
EV/EBITDA (x)	35.7	25.9	19.4	13.1	10.1
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.6	0.8	1.1	1.2	1.4
Return on average equity (%)	26.2	30.3	35.4	41.4	38.8

Source: Company data, KGI Research estimates

**Figure 1: 1Q26 – TSMC’s wafer revenue by node**

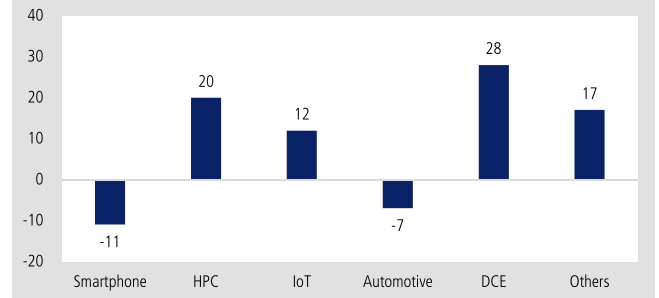
Wafer revenue weighting, percent



Source: Company data; KGI Research

**Figure 2: 1Q26 – TSMC’s revenue by platform**

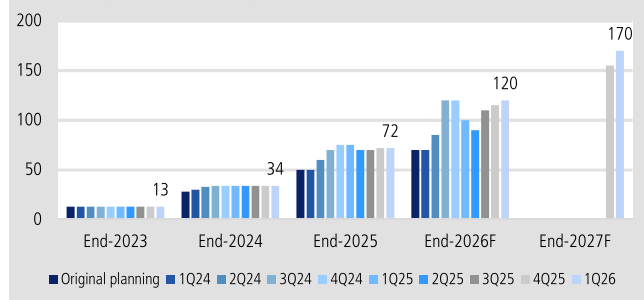
Platform revenue growth QoQ, percent



Source: Company data; KGI Research

**Figure 3: TSMC CoWoS capacity forecast revisions**

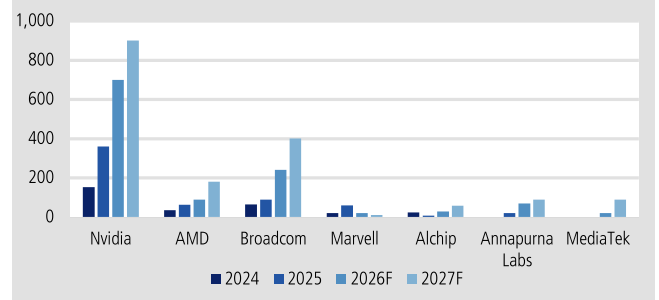
KGI monthly CoWoS capacity forecast, '000 units



Source: KGI Research estimates

**Figure 4: 2025-27F CoWoS shipments forecasts by client**

KGI CoWoS shipments forecast, '000 units



Source: KGI Research estimates

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

NT\$m	1Q26							2Q26F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,134,103	1,138,214	(0.4)	8.4	35.1	1,123,220	1.0	1,274,266	1,215,732	4.8	12.4	36.5	1,205,622	5.7
Gross profit	751,295	750,604	0.1	15.2	52.3	724,016	3.8	868,448	802,712	8.2	15.6	58.7	773,105	12.3
Operating profit	658,966	645,319	2.1	17.1	61.0	623,816	5.6	755,039	694,512	8.7	14.6	63.3	665,892	13.4
Net profit	572,480	565,872	1.2	13.2	58.3	540,200	6.0	625,975	578,295	8.2	9.3	57.2	572,997	9.2
EPS (NT\$)	22.08	21.82	1.2	13.2	58.3	20.89	5.7	24.14	22.30	8.2	9.3	57.2	22.18	8.9
Gross margin (%)	66.2	65.9	0.3 ppts	3.9 ppts	7.5 ppts	64.5	1.8 ppts	68.2	66.0	2.1 ppts	1.9 ppts	9.5 ppts	64.1	4.0 ppts
OP margin (%)	58.1	56.7	1.4 ppts	4.3 ppts	9.3 ppts	55.5	2.6 ppts	59.3	57.1	2.1 ppts	1.1 ppts	9.7 ppts	55.2	4.0 ppts
Net margin (%)	50.5	49.7	0.8 ppts	2.1 ppts	7.4 ppts	48.1	2.4 ppts	49.1	47.6	1.6 ppts	(1.4)ppts	6.5 ppts	47.5	1.6 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	5,278,986	5,119,313	3.1	38.6	5,054,381	4.4	6,702,770	6,270,613	6.9	27.0	6,293,184	6.5		
Gross profit	3,577,679	3,371,425	6.1	56.8	3,209,987	11.5	4,640,498	4,201,486	10.4	29.7	3,972,006	16.8		
Operating profit	3,124,953	2,920,001	7.0	61.5	2,763,681	13.1	4,053,647	3,652,471	11.0	29.7	3,439,950	17.8		
Net profit	2,664,100	2,502,757	6.4	55.1	2,393,286	11.3	3,397,393	3,068,235	10.7	27.5	2,969,165	14.4		
EPS (NT\$)	102.74	96.53	6.4	55.1	90.00	14.2	131.02	118.34	10.7	27.5	111.28	17.7		
Gross margin (%)	67.8	65.9	1.9 ppts	7.9 ppts	63.5	4.3 ppts	69.2	67.0	2.2 ppts	1.5 ppts	63.1	6.1 ppts		
OP margin (%)	59.2	57.0	2.2 ppts	8.4 ppts	54.7	4.5 ppts	60.5	58.2	2.2 ppts	1.3 ppts	54.7	5.8 ppts		
Net margin (%)	50.5	48.9	1.6 ppts	5.4 ppts	47.4	3.1 ppts	50.7	48.9	1.8 ppts	0.2 ppts	47.2	3.5 ppts		

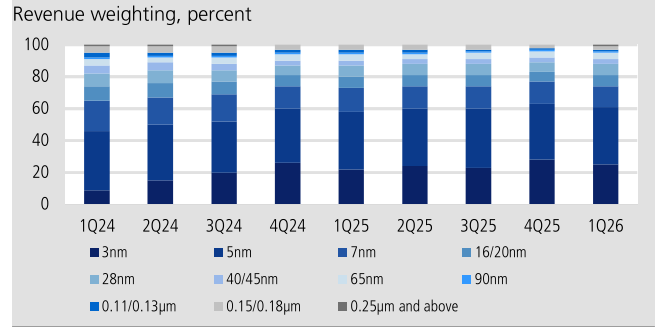
Source: Bloomberg; KGI Research estimates

**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.

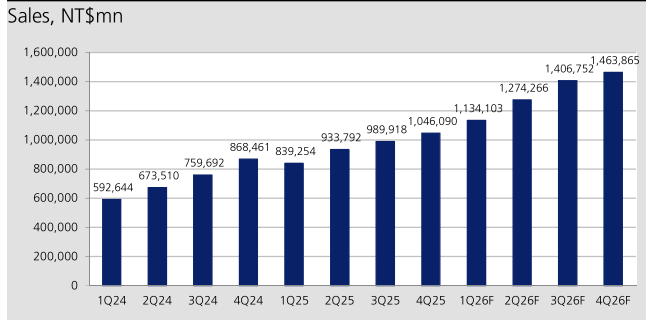
Source: Company data; KGI Research

**Figure 8: TSMC's wafer revenue by node**



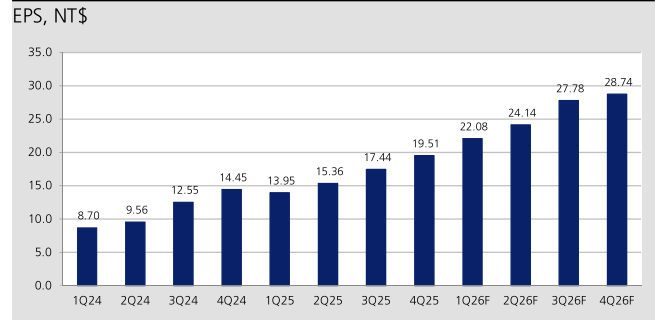
Source: Company data; KGI Research

**Figure 9: Sales**



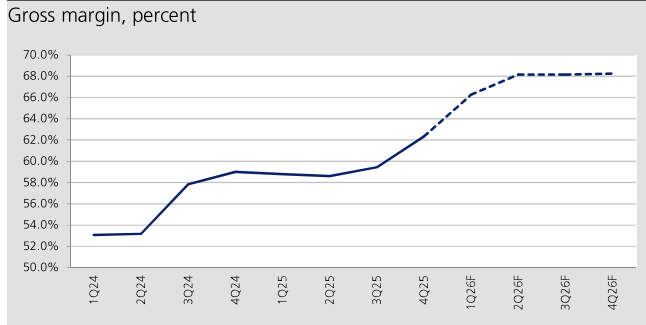
Source: KGI Research

**Figure 10: EPS**



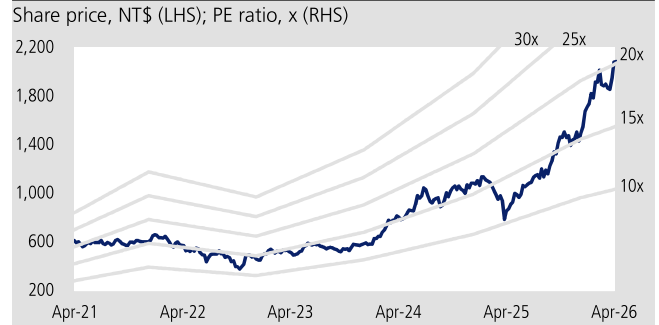
Source: KGI Research

**Figure 11: Gross Margin**



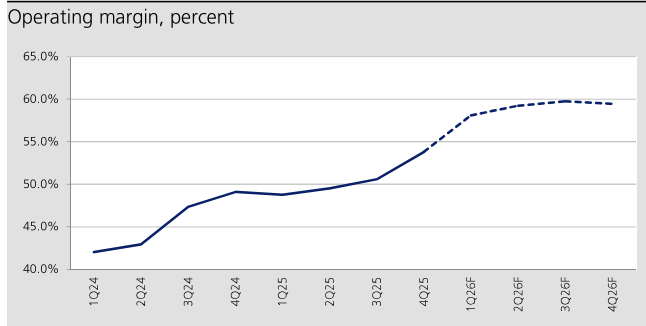
Source: KGI Research

**Figure 12: 12M forward PE band**



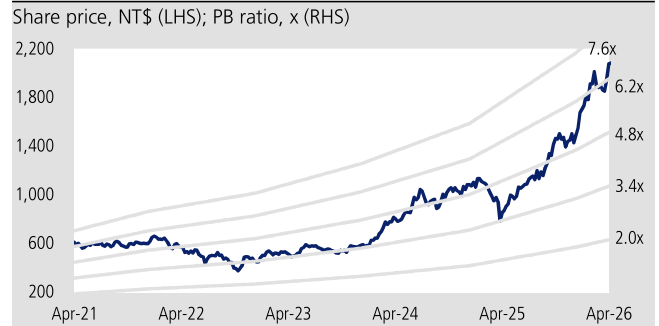
Source: KGI Research

**Figure 13: Operating Margin**



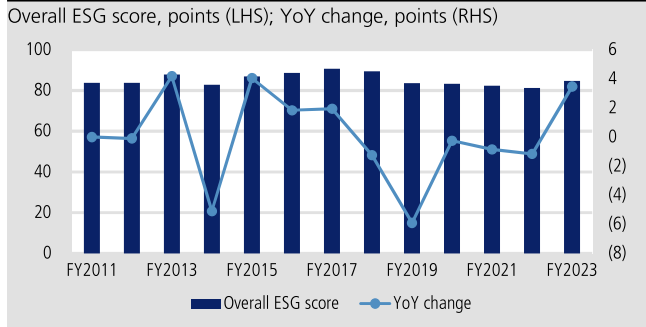
Source: KGI Research

**Figure 14: 12M forward PB band**



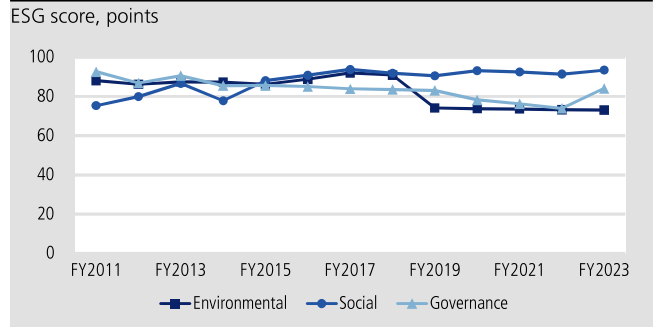
Source: KGI Research

**Figure 15: Overall ESG score**



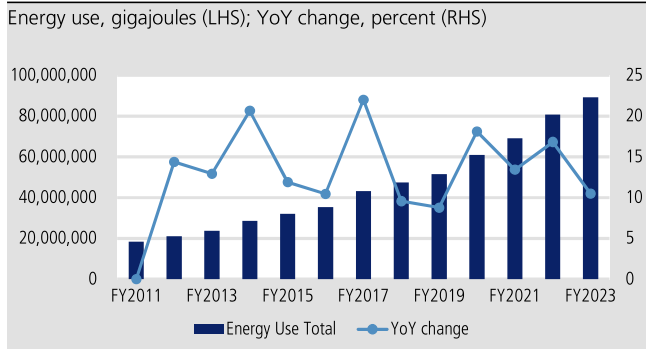
Source: Refinitiv; Company data

**Figure 16: ESG score by category**



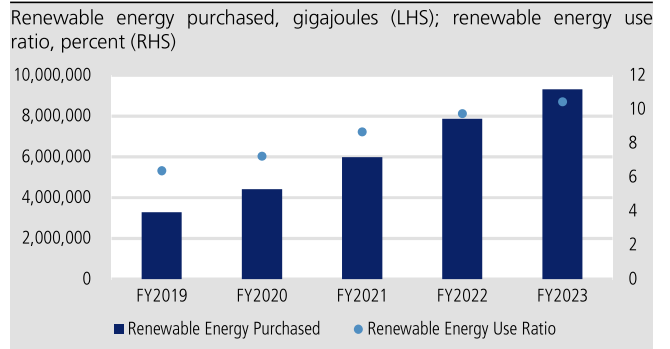
Source: Refinitiv; Company data

**Figure 17: Energy use**



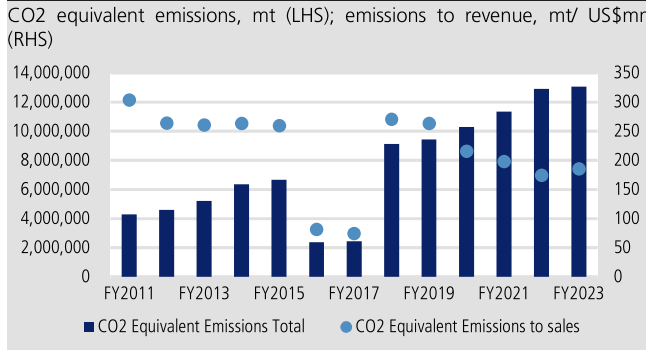
Source: Refinitiv; Company data

**Figure 18: Renewable energy**



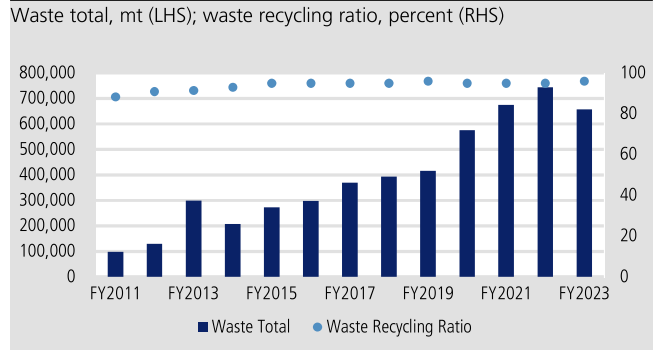
Source: Refinitiv; Company data

**Figure 19: CO2 equivalent emissions**



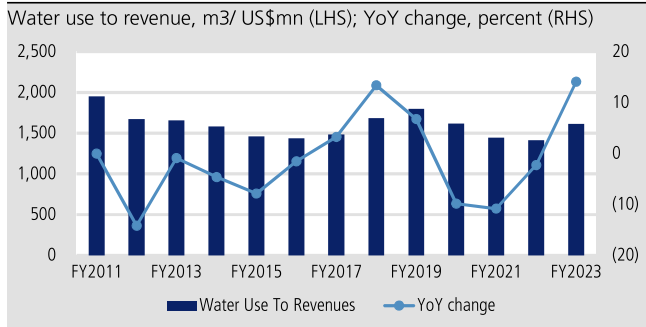
Source: Refinitiv; Company data

**Figure 20: Waste total**



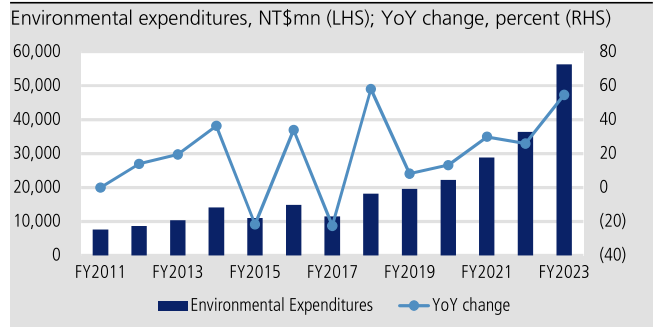
Source: Refinitiv; Company data

**Figure 21: Water use to revenue**



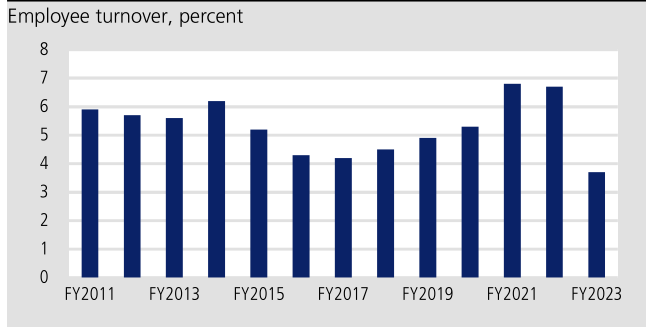
Source: Refinitiv; Company data

**Figure 22: Environmental expenditures**



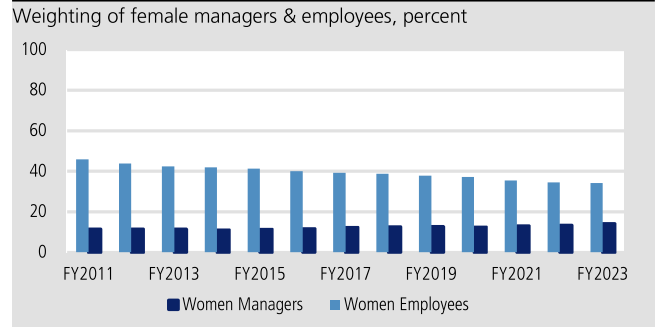
Source: Refinitiv; Company data

**Figure 23: Employee turnover**



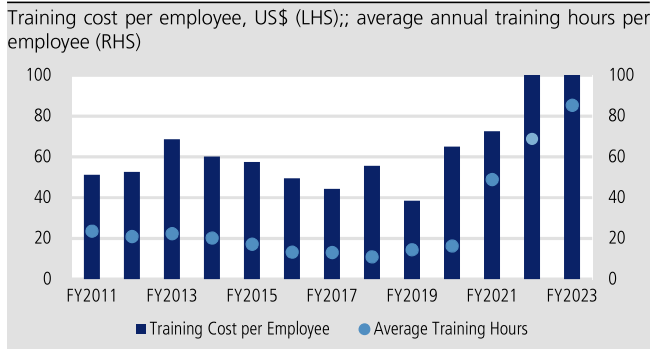
Source: Refinitiv; Company data

**Figure 24: Gender diversification**



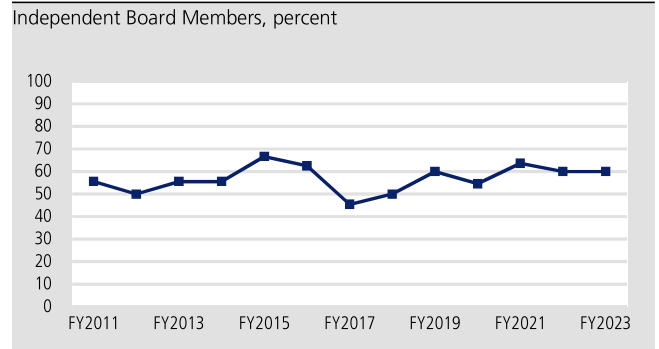
Source: Refinitiv; Company data

**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"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
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
<b>Income statement (NT\$mn)</b>											
<b>Revenue</b>	<b>839,254</b>	<b>933,792</b>	<b>989,918</b>	<b>1,046,090</b>	<b>1,134,103</b>	<b>1,274,266</b>	<b>1,406,752</b>	<b>1,463,865</b>	<b>3,809,054</b>	<b>5,278,986</b>	<b>6,702,770</b>
Cost of goods sold	(345,859)	(386,423)	(401,375)	(394,104)	(382,808)	(405,818)	(447,999)	(464,682)	(1,527,760)	(1,701,307)	(2,062,272)
<b>Gross profit</b>	<b>493,395</b>	<b>547,369</b>	<b>588,543</b>	<b>651,987</b>	<b>751,295</b>	<b>868,448</b>	<b>958,753</b>	<b>999,183</b>	<b>2,281,294</b>	<b>3,577,679</b>	<b>4,640,498</b>
Operating expenses	(84,058)	(85,071)	(87,671)	(89,297)	(92,329)	(113,410)	(118,167)	(128,820)	(346,097)	(452,726)	(586,851)
<b>Operating profit</b>	<b>409,337</b>	<b>462,298</b>	<b>500,872</b>	<b>562,690</b>	<b>658,966</b>	<b>755,039</b>	<b>840,586</b>	<b>870,363</b>	<b>1,935,197</b>	<b>3,124,953</b>	<b>4,053,647</b>
Depreciation of fixed assets	(173,005)	(186,007)	(160,693)	(159,979)	(180,665)	(196,178)	(191,913)	(169,072)	(679,684)	(737,827)	(850,253)
Amortisation of intangible assets	(2,134)	(2,051)	(2,095)	(2,133)	(5,795)	(6,219)	(6,593)	3,888	(8,412)	(14,719)	(16,985)
<b>EBITDA</b>	<b>584,476</b>	<b>650,356</b>	<b>663,659</b>	<b>724,802</b>	<b>845,426</b>	<b>957,436</b>	<b>1,039,091</b>	<b>1,035,547</b>	<b>2,623,293</b>	<b>3,877,500</b>	<b>4,920,885</b>
Interest income	24,859	25,192	26,180	29,507	28,823	28,823	28,823	28,823	105,739	115,293	80,000
Investment income	1,420	1,633	961	1,483	1,685	1,685	1,685	1,685	5,497	6,740	6,740
Other non-op income	(0)	0	544	48	1,003	-	-	-	592	1,003	-
<b>Non-operating income</b>	<b>26,279</b>	<b>26,825</b>	<b>27,685</b>	<b>31,038</b>	<b>31,511</b>	<b>30,508</b>	<b>30,508</b>	<b>30,508</b>	<b>111,827</b>	<b>123,036</b>	<b>86,740</b>
Interest expense	(2,677)	(3,691)	(2,959)	(3,043)	(2,677)	(2,677)	(2,677)	(2,677)	(12,370)	(10,709)	(10,709)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	213	6,478	(43)	(534)	-	-	-	-	6,114	-	-
<b>Non-operating expenses</b>	<b>(2,465)</b>	<b>2,787</b>	<b>(3,001)</b>	<b>(3,577)</b>	<b>(2,677)</b>	<b>(2,677)</b>	<b>(2,677)</b>	<b>(2,677)</b>	<b>(6,256)</b>	<b>(10,709)</b>	<b>(10,709)</b>
<b>Pre-tax profit</b>	<b>433,152</b>	<b>491,910</b>	<b>525,556</b>	<b>590,150</b>	<b>687,800</b>	<b>782,870</b>	<b>868,417</b>	<b>898,194</b>	<b>2,040,768</b>	<b>3,237,280</b>	<b>4,129,677</b>
Current taxation	(70,163)	(95,542)	(73,614)	(86,948)	(114,999)	(156,574)	(147,631)	(152,693)	(326,266)	(571,897)	(731,000)
Minorities	831	780	546	329	(321)	(321)	(321)	(321)	2,486	(1,284)	(1,284)
<b>Normalised net profit</b>	<b>363,821</b>	<b>397,148</b>	<b>452,489</b>	<b>503,531</b>	<b>572,480</b>	<b>625,975</b>	<b>720,465</b>	<b>745,180</b>	<b>1,716,988</b>	<b>2,664,100</b>	<b>3,397,393</b>
Extraordinary items	(2,256)	1,125	(187)	2,213	-	-	-	-	895	-	-
<b>Net profit</b>	<b>361,564</b>	<b>398,273</b>	<b>452,301</b>	<b>505,744</b>	<b>572,480</b>	<b>625,975</b>	<b>720,465</b>	<b>745,180</b>	<b>1,717,883</b>	<b>2,664,100</b>	<b>3,397,393</b>
EPS (NT\$)	13.95	15.36	17.44	19.51	22.08	24.14	27.78	28.74	66.26	102.74	131.02
<b>Margins (%)</b>											
Gross profit margin	58.8	58.6	59.5	62.3	66.2	68.2	68.2	68.3	59.9	67.8	69.2
Operating margin	48.8	49.5	50.6	53.8	58.1	59.3	59.8	59.5	50.8	59.2	60.5
EBITDA margin	69.6	69.6	67.0	69.3	74.5	75.1	73.9	70.7	68.9	73.5	73.4
Pretax profit margin	51.6	52.7	53.1	56.4	60.6	61.4	61.7	61.4	53.6	61.3	61.6
Net profit margin	43.1	42.7	45.7	48.3	50.5	49.1	51.2	50.9	45.1	50.5	50.7
<b>Sequential growth (%)</b>											
Revenue growth	(3.4)	11.3	6.0	5.7	8.4	12.4	10.4	4.1			
Gross profit growth	(3.7)	10.9	7.5	10.8	15.2	15.6	10.4	4.2			
Operating profit growth	(4.0)	12.9	8.3	12.3	17.1	14.6	11.3	3.5			
EBITDA growth	(2.1)	11.3	2.0	9.2	16.6	13.2	8.5	(0.3)			
Pretax profit growth	(3.6)	13.6	6.8	12.3	16.5	13.8	10.9	3.4			
Net profit growth	(3.5)	10.2	13.6	11.8	13.2	9.3	15.1	3.4			
<b>YoY growth (%)</b>											
Revenue growth	41.6	38.6	30.3	20.5	35.1	36.5	42.1	39.9	31.6	38.6	27.0
Gross profit growth	56.9	52.8	34.0	27.2	52.3	58.7	62.9	53.3	40.4	56.8	29.7
Operating profit growth	64.4	59.9	39.2	32.0	61.0	63.3	67.8	54.7	46.1	61.5	29.7
EBITDA growth	43.2	43.2	25.7	21.5	44.6	47.2	56.6	42.9	32.0	47.8	26.9
Pretax profit growth	62.5	59.3	37.2	31.3	58.8	59.1	65.2	52.2	44.9	58.6	27.6
Net profit growth	60.3	60.7	39.1	35.0	58.3	57.2	59.3	47.3	46.4	55.1	27.5

Source: Company data, KGI Research estimates

**Balance sheet**

NT\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Total assets</b>	<b>5,532,371</b>	<b>6,691,938</b>	<b>7,933,024</b>	<b>10,099,005</b>	<b>12,804,647</b>
<b>Current assets</b>	<b>2,194,033</b>	<b>3,088,352</b>	<b>3,817,131</b>	<b>4,947,935</b>	<b>6,578,507</b>
Cash & ST securities	1,687,644	2,422,020	3,068,595	3,777,453	5,134,901
Inventory	250,997	287,869	288,109	416,127	523,044
Accounts receivable	201,938	272,088	281,791	257,720	741,926
Other current assets	53,453	106,376	178,635	178,635	178,635
<b>Non-current assets</b>	<b>3,338,338</b>	<b>3,603,586</b>	<b>4,115,893</b>	<b>5,151,071</b>	<b>6,226,141</b>
LT investments	129,442	149,040	172,370	179,110	185,850
Net fixed assets	3,064,475	3,234,980	3,691,841	4,720,279	5,788,609
Other assets	144,421	219,565	251,682	251,682	251,682
<b>Total liabilities</b>	<b>2,049,108</b>	<b>2,368,362</b>	<b>2,472,229</b>	<b>2,622,385</b>	<b>2,682,633</b>
<b>Current liabilities</b>	<b>913,583</b>	<b>1,264,525</b>	<b>1,458,019</b>	<b>1,608,176</b>	<b>1,668,424</b>
Accounts payable	57,293	74,227	84,330	116,663	146,637
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	1,354,588	1,384,861
<b>Non-current liabilities</b>	<b>1,135,525</b>	<b>1,103,837</b>	<b>1,014,209</b>	<b>1,014,209</b>	<b>1,014,209</b>
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
<b>Total equity</b>	<b>3,483,263</b>	<b>4,323,576</b>	<b>5,460,795</b>	<b>7,476,620</b>	<b>10,122,014</b>
Share capital	259,321	259,327	259,325	259,325	259,325
Retained earnings reserve	2,846,884	3,606,105	4,705,070	7,102,650	9,748,044
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
<b>Growth</b>					
Revenue growth	(4.5%)	33.9%	31.6%	38.6%	27.0%
Operating profit growth	(17.9%)	43.8%	46.1%	61.5%	29.7%
EBITDA growth	(6.8%)	36.7%	32.0%	47.8%	26.9%
Net profit growth	(17.5%)	39.9%	46.4%	55.1%	27.5%
EPS growth	(17.5%)	39.9%	46.4%	55.1%	27.5%
<b>Profitability</b>					
Gross profit margin	54.4%	56.1%	59.9%	67.8%	69.2%
Operating margin	42.6%	45.8%	50.8%	59.2%	60.5%
EBITDA margin	67.2%	68.7%	68.9%	73.5%	73.4%
Net profit margin	38.8%	40.5%	45.1%	50.5%	50.7%
Return on average assets	16.0%	19.2%	23.5%	29.5%	29.7%
Return on average equity	26.2%	30.3%	35.4%	41.4%	38.8%
<b>Stability</b>					
Gross debt to equity	26.6%	23.6%	18.9%	13.8%	10.2%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	82.6	135.2	166.0	303.3	386.6
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	293.0	377.7
Cash flow/wint. & ST debt (x)	58.3	26.0	15.2	21.3	27.4
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)	(2,443,727)	(3,801,175)
<b>Per share data</b>					
EPS (NT\$)	32.34	45.25	66.26	102.74	131.02
CFPS (NT\$)	47.90	70.43	87.74	121.02	155.99
BVPS (NT\$)	133.38	165.37	208.99	286.74	388.76
Adj BVPS (NT\$)	133.40	165.40	209.02	286.75	388.76
SPS (NT\$)	83.37	111.63	146.91	203.58	258.49
EBITDA/share (NT\$)	56.05	76.65	101.18	149.54	189.77
Cash DPS (NT\$)	13.00	17.00	22.00	25.00	29.00
<b>Activity</b>					
Sales / avg assets	0.41	0.47	0.52	0.59	0.59
Days receivable	34.1	34.4	27.0	39.8	40.4
Days inventory	92.9	83.0	68.8	89.3	92.6
Days payable	21.2	21.4	20.1	25.0	26.0
Cash cycle	105.8	96.0	75.7	104.1	107.0

Source: Company data, KGI Research estimates

**Profit & loss**

NT\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Revenue</b>	<b>2,161,736</b>	<b>2,894,308</b>	<b>3,809,054</b>	<b>5,278,986</b>	<b>6,702,770</b>
Cost of goods sold	(986,625)	(1,269,954)	(1,527,760)	(1,701,307)	(2,062,272)
<b>Gross profit</b>	<b>1,175,111</b>	<b>1,624,354</b>	<b>2,281,294</b>	<b>3,577,679</b>	<b>4,640,498</b>
Operating expenses	(254,022)	(299,840)	(346,097)	(452,726)	(586,851)
<b>Operating profit</b>	<b>921,088</b>	<b>1,324,513</b>	<b>1,935,197</b>	<b>3,124,953</b>	<b>4,053,647</b>
<b>Non-operating income</b>	<b>65,429</b>	<b>92,660</b>	<b>111,827</b>	<b>123,036</b>	<b>86,740</b>
Interest income	60,294	87,213	105,739	115,293	80,000
Investment income	5,119	4,879	5,497	6,740	6,740
Other non-op income	16	567	592	1,003	-
<b>Non-operating expenses</b>	<b>(7,723)</b>	<b>(8,874)</b>	<b>(6,256)</b>	<b>(10,709)</b>	<b>(10,709)</b>
Interest expense	(11,999)	(10,495)	(12,370)	(10,709)	(10,709)
Investment loss	-	-	-	-	-
Other non-op expenses	4,276	1,621	6,114	-	-
<b>Pre-tax profit</b>	<b>978,794</b>	<b>1,408,299</b>	<b>2,040,768</b>	<b>3,237,280</b>	<b>4,129,677</b>
Current taxation	(141,404)	(233,407)	(326,266)	(571,897)	(731,000)
Minorities	730	836	2,486	(1,284)	(1,284)
Extraordinary items	377	(2,460)	895	-	-
<b>Net profit</b>	<b>838,498</b>	<b>1,173,268</b>	<b>1,717,893</b>	<b>2,664,100</b>	<b>3,397,393</b>
<b>EBITDA</b>	<b>1,453,279</b>	<b>1,987,310</b>	<b>2,623,293</b>	<b>3,877,500</b>	<b>4,920,885</b>
EPS (NT\$)	32.34	45.25	66.26	102.74	131.02

**Cash flow**

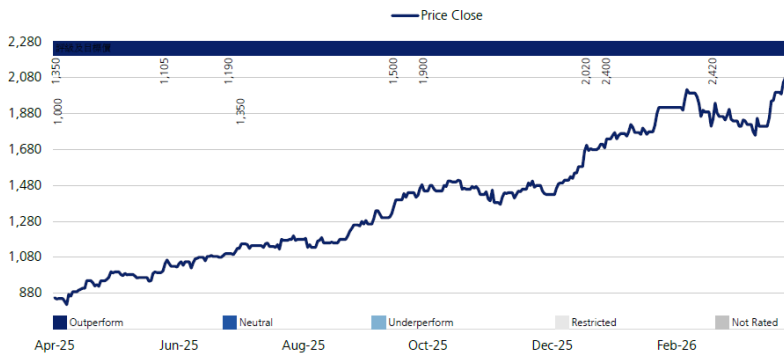
NT\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Operations cash flow</b>	<b>1,241,967</b>	<b>1,826,177</b>	<b>2,274,976</b>	<b>3,138,117</b>	<b>4,045,016</b>
Net profit	838,498	1,173,268	1,717,893	2,664,100	3,397,393
Depreciation & amortisation	532,191	662,797	688,096	752,546	867,239
Decrease in working capital	324	(90,088)	160	(389,613)	(243,149)
Other operating cash flow	(129,046)	80,200	(131,163)	111,084	23,533
<b>Investing cash flow</b>	<b>(906,121)</b>	<b>(864,843)</b>	<b>(1,144,393)</b>	<b>(1,780,984)</b>	<b>(1,935,569)</b>
Sale of ST investment	(55,781)	(54,143)	(37,079)	-	-
New investments	-	(3,739)	-	-	-
Capital expenditure	(949,817)	(956,007)	(1,272,411)	(1,780,984)	(1,935,569)
Others investing cashflow	99,478	149,045	165,096	-	-
<b>Free cash flow</b>	<b>361,461</b>	<b>712,509</b>	<b>1,033,242</b>	<b>1,140,130</b>	<b>2,007,640</b>
<b>Financing cash flow</b>	<b>(204,894)</b>	<b>(346,301)</b>	<b>(440,345)</b>	<b>(648,275)</b>	<b>(751,999)</b>
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)	(648,275)	(751,999)
Other financing cashflow	18,623	(36,022)	(14,014)	-	-
<b>Forex effects</b>	<b>(8,339)</b>	<b>47,166</b>	<b>(50,008)</b>	<b>-</b>	<b>-</b>
<b>Total cash generated</b>	<b>122,614</b>	<b>662,199</b>	<b>640,229</b>	<b>708,858</b>	<b>1,357,448</b>

**ROIC**

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	11.8%	10.4%	9.1%	8.6%	8.8%
<b>= Operating margin</b>	<b>42.6%</b>	<b>45.8%</b>	<b>50.8%</b>	<b>59.2%</b>	<b>60.5%</b>
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
<b>= Capital turnover</b>	<b>0.8</b>	<b>1.0</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>
Operating margin	42.6%	45.8%	50.8%	59.2%	60.5%
x Capital turnover	0.8	1.0	1.2	1.1	1.1
x (1 - tax rate)	85.6%	83.4%	84.0%	82.3%	82.3%
<b>= After-tax ROIC</b>	<b>29.4%</b>	<b>39.7%</b>	<b>50.2%</b>	<b>55.1%</b>	<b>56.0%</b>

Source: Company data, KGI Research estimates

**TSMC – Recommendation & target price history**



Date	Rating	Target	Price
2026-04-09	Outperform	2,420	1,955
2026-03-09	Outperform	2,420	1,810
2026-01-15	Outperform	2,400	1,690
2026-01-05	Outperform	2,020	1,670
2025-10-16	Outperform	1,900	1,485
2025-10-01	Outperform	1,500	1,325
2025-07-17	Outperform	1,350	1,130
2025-07-11	Outperform	1,190	1,100
2025-06-09	Outperform	1,105	1,005
2025-04-17	Outperform	1,000	847

Source: TEJ, KGI Research

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