Company update | IC manufacturing · Taiwan

TSMC

(2330.TW/2330 TT)

Outperform· Maintained

Price as of July 16 (NT$)	2,470
12M target price (NT$)	3,200
Previous target price (NT$)	3,000
Revised up (%)	6.7
Upside (%)	29.6

Key message

1. 2Q26 earnings beat on non-op gains.
2. 2026F sales and capex guidance raised.
3. Management stresses no shortcuts for the foundry business.

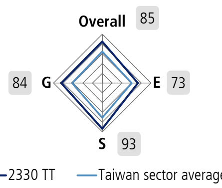
Trading data

Mkt cap (NT$bn/US$mn)	64,0531,989,27		
Outstanding shares (mn)	25,932		
Foreign ownership (mn)	18,559		
3M avg. daily trading (mn)	23.29		
52-week trading range (NT$)	1,125 –2,510		
Performance	**3M**	**6M**	**12M**
Absolute (%)	18.5	42	118.6
Relative (%)	-4.4	-3.3	20.6

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2025	13.95A	15.36A	17.44A	19.51A
2026	22.08A	27.25F	28.71F	30.21F
2027	30.51F	31.65F	37.17F	39.89F

ESG score card



Source: Refinitiv

Still top of the class, but investors may expect more

Event

TSMC's 2Q26 operating income was in line with our forecast, but earnings beat on higher non-operating income.

Impact

2Q26 earnings beat on non-op gains. 2Q26 gross margin was 67.7%, supported by cost reductions and a higher utilization rate, partially offset by overseas expansion. Gross margin was slightly above the high-end of guidance, but 1–2ppts below our forecast and the market's bullish expectation. Operating margin reached 60.3%, 0.6ppts above our forecast and 1.7ppts above consensus, driven by operating leverage. Net income was NT$706.6bn, for EPS of NT$27.25, higher than our estimate by 12% due to NT$63.2bn in share disposal and mark-to-market gains at strategic affiliate Vanguard International Semiconductor (5347 TT,NT$187.5, N), while operating income was in line.

2026F sales & capex guidance raised. TSMC guides 3Q26F sales of US$44.6-45.8bn, up 12% QoQ at the midpoint, driven by HPC demand and a steeper N2 ramp. Gross and operating margins are guided at 65–67% and 56–58%, respectively. The midpoint of gross margin guidance implies a 1.7ppts QoQ decline, below market expectations, due to a 3-4ppts dilution from N2 ramp. With a stronger demand outlook, TSMC raised 2026F sales growth guidance from 30%-plus to 40%-plus YoY (US dollar terms) and capex from US$52–56bn to US$60–64bn, which sends a positive message on future growth to the market. The company also said it will make an additional US$100bn investment in Arizona operations (on top of the US$165bn already announced), though no timetable was given.

Management stresses no shortcuts for the foundry business. Management highlighted the three key fundamental elements for a semiconductor chip foundry business as: (1) technology; (2) manufacturing capability; and (3) customer trust. TSMC excels in all three categories, and in this way can address market concerns about the industry's competitive landscape. Upward revisions to capex are due not only to strengthening AI-related demand, but also reflect inflated costs. We revise up 2026-28F EPS by 4.9%, 6.0% and 9.9% to factor in: (1) TSMC's stronger-than-expected sales guidance; (2) ASP increases in 2027F (we assume 5-10% growth for leading nodes and 3-5% for mature nodes); and (3) upside for capacity expansion.

Valuation & Action

While investors may be somewhat deflated by the lack of upside surprises in 2Q26 results, and may even harbor concerns about margin dilution (particularly from gross margin guidance), we suggest investors focus on the company's sustained, outstanding technology leadership and how still-strengthening AI-related demand will drive a robust long-term earnings CAGR. We raise our target price to NT$3,200 due to upward-revised earnings, still based on 20x 2H27-1H28F EPS. Maintain Outperform.

Risks

Global economic uncertainties; oversupply amid aggressive capacity expansion.

Key financials and valuations

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue (NT$mn)	2,894,308	3,809,054	5,432,348	7,178,096	9,292,811
Gross profit (NT$mn)	1,624,354	2,281,294	3,667,261	4,961,022	6,464,925
Operating profit (NT$mn)	1,324,513	1,935,197	3,210,342	4,313,025	5,647,158
Net profit (NT$mn)	1,173,268	1,717,883	2,807,104	3,610,305	4,701,961
EPS (NT$)	45.25	66.26	108.25	139.22	181.32
Cash DPS (NT$)	17.00	22.00	29.00	33.00	37.00
EPS growth (%)	39.9	46.4	63.4	28.6	30.2
PE (x)	54.6	37.3	22.8	17.7	13.6
PB (x)	14.9	11.8	8.4	6.1	4.5
EV/EBITDA (x)	30.8	23.2	15.3	11.5	8.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.7	0.9	1.2	1.3	1.5
Return on average equity (%)	30.3	35.4	43.0	39.9	38.0

Source: Company data, KGI Research estimates

Breakdown of 2Q26 results

1. 3Q26F guidance – Sales of US$44.6-45.8bn (up 12% QoQ at midpoint); gross margin of 65-67% and operating margin of 56-58%.

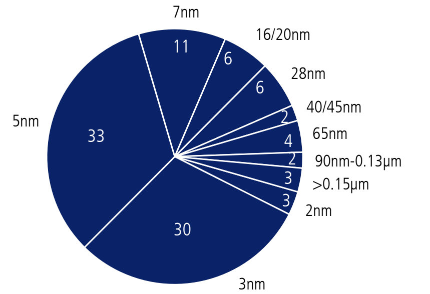
2. 2026F guidance – Sales to grow 40%-plus YoY; capex revised up to US$60-64bn.

3. Gross margin dilution – 3-4% in 2H26F due to steep N2 ramp; overseas expansion to dilute gross margin by 2-3% per year in early stage and 3-4% in latter stage.

4. Capacity plans – Additional US$100bn for Arizona operations (on top of already-announced US$165bn); 13 new fabs (including advanced packaging) to be built in Taiwan, with Taiwan to remain the core manufacturing and R&D hub; three additional N3 fab expansions in Tainan (southern Taiwan), Arizona (US) and Kumamoto (Japan).

Figure 1: 2Q26 – TSMC's wafer revenue breakdown by node

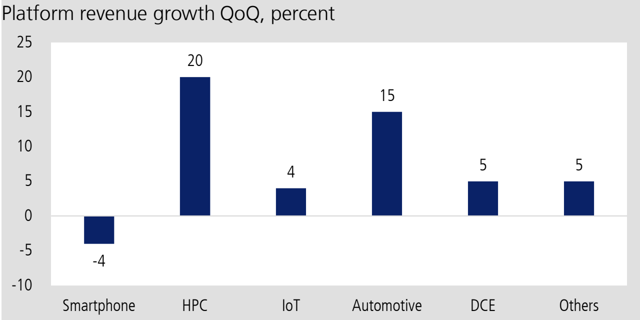
Wafer revenue breakdown, percent



Source: Company data; KGI Research

Figure 2: 2Q26 – TSMC's revenue growth QoQ by platform

Platform revenue growth QoQ, percent



Source: Company data; KGI Research

Figure 3: Breakdown of 2Q-3Q26 forecast revisions vs. consensus

NT$mn	2Q26 Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	3Q26F Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	1,270,381	1,274,266	(0.3)	12.0	36.0	1,266,708	0.3	1,476,431	1,406,752	5.0	16.2	49.1	1,387,722	6.4
Gross profit	860,311	875,010	(1.7)	14.5	57.2	849,936	1.2	1,003,283	964,515	4.0	16.6	70.5	914,273	9.7
Operating profit	766,603	761,600	0.7	16.9	65.8	742,746	3.2	868,928	846,348	2.7	13.3	73.5	799,182	8.7
Net profit	706,562	631,223	11.9	23.4	77.4	624,400	13.2	744,560	725,246	2.7	5.4	64.6	690,016	7.9
EPS (NT$)	27.25	24.34	11.9	23.4	77.4	24.10	13.1	28.71	27.97	2.7	5.4	64.6	26.76	7.3
Gross margin (%)	67.7	68.7	(0.9)ppts	1.5 ppts	9.1 ppts	67.1	0.6 ppts	68.0	68.6	(0.6)ppts	0.2 ppts	8.5 ppts	65.9	2.1 ppts
OP margin (%)	60.3	59.8	0.6 ppts	2.5 ppts	10.8 ppts	58.6	1.7 ppts	58.9	60.2	(1.3)ppts	(1.5)ppts	8.3 ppts	57.6	1.3 ppts
Net margin (%)	55.6	49.5	6.1 ppts	5.1 ppts	13.0 ppts	49.3	6.3 ppts	50.4	51.6	(1.1)ppts	(5.2)ppts	4.7 ppts	49.7	0.7 ppts

Source: Bloomberg; KGI Research estimates

Figure 4: Breakdown of 2026-28 forecast revisions vs. consensus

NT$mn	2026F Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	2027F Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	2028F Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	5,432,348	5,278,987	2.9	42.6	5,237,078	3.7	7,178,096	6,702,770	7.1	32.1	6,799,519	5.6	9,292,811	8,311,612	11.8	29.5	8,443,887	10.1
Gross profit	3,667,261	3,592,488	2.1	60.8	3,462,494	5.9	4,961,022	4,649,748	6.7	35.3	4,591,511	8.0	6,464,925	5,772,221	12.0	30.3	5,538,599	16.7
Operating profit	3,210,342	3,139,762	2.2	65.9	3,023,726	6.2	4,313,025	4,062,896	6.2	34.3	3,927,384	9.8	5,647,158	5,082,357	11.1	30.9	4,892,973	15.4
Net profit	2,807,104	2,676,190	4.9	63.4	2,593,736	8.2	3,610,305	3,404,867	6.0	28.6	3,373,048	7.0	4,701,961	4,280,044	9.9	30.2	4,219,459	11.4
EPS (NT$)	108.25	103.21	4.9	63.4	100.13	8.1	139.22	131.31	6.0	28.6	129.26	7.7	181.32	165.06	9.9	30.2	160.99	12.6
Gross margin (%)	67.5	68.1	(0.5)ppts	7.6 ppts	66.1	1.4 ppts	69.1	69.4	(0.3)ppts	1.6 ppts	67.5	1.6 ppts	69.6	69.4	0.1 ppts	0.5 ppts	65.6	4.0 ppts
OP margin (%)	59.1	59.5	(0.4)ppts	8.3 ppts	57.7	1.4 ppts	60.1	60.6	(0.5)ppts	1.0 ppts	57.8	2.3 ppts	60.8	61.1	(0.4)ppts	0.7 ppts	57.9	2.8 ppts
Net margin (%)	51.7	50.7	1.0 ppts	6.6 ppts	49.5	2.1 ppts	50.3	50.8	(0.5)ppts	(1.4)ppts	49.6	0.7 ppts	50.6	51.5	(0.9)ppts	0.3 ppts	50.0	0.6 ppts

Source: Bloomberg; KGI Research estimates

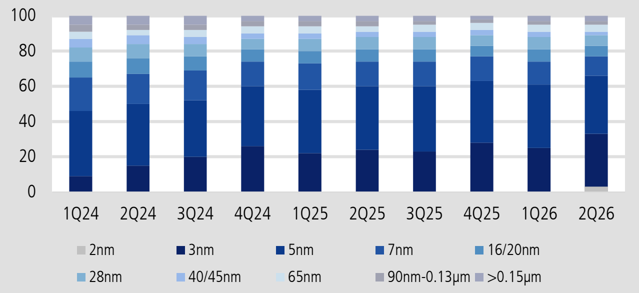
Figure 5: Company profile

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 wafer manufacturing, wafer probing, assembly and testing, mask production, and design services.

Source: Company data; KGI Research

Figure 6: TSMC wafer revenue by node

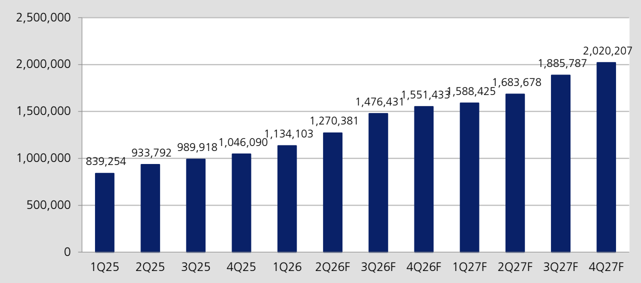
Revenue weighting, percent



Source: Company data; KGI Research

Figure 7: Sales

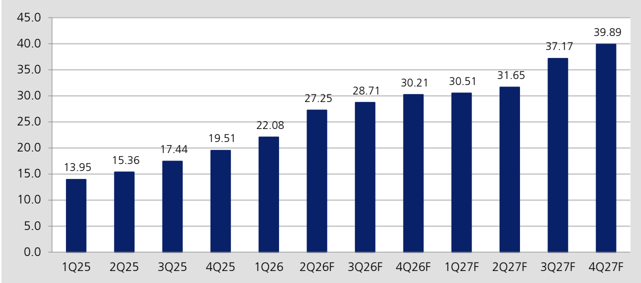
Sales, NT$mn



Source: KGI Research

Figure 8: EPS

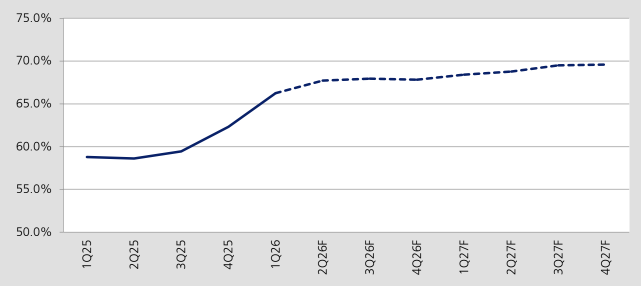
EPS, NT$



Source: KGI Research

Figure 9: Gross margin

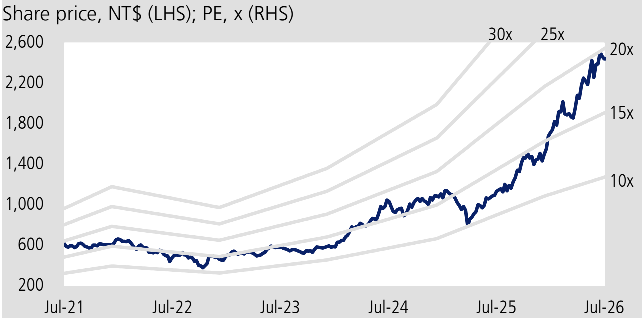
Gross margin, percent



Source: KGI Research

Figure 10: 12M forward PE band

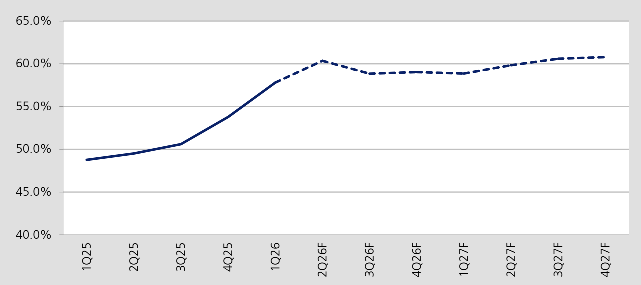
Share price, NT$ (LHS); PE, x (RHS)



Source: TEJ, KGI Research

Figure 11: Operating margin

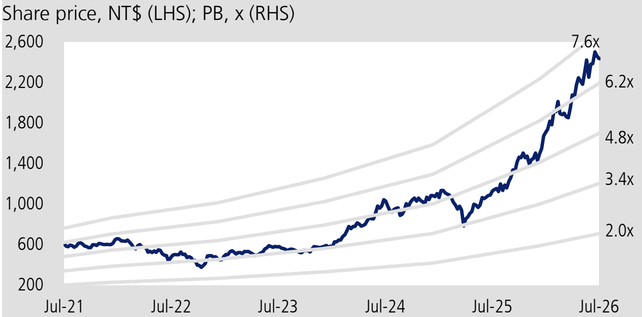
Operating margin, percent



Source: KGI Research

Figure 12: 12M forward PB band

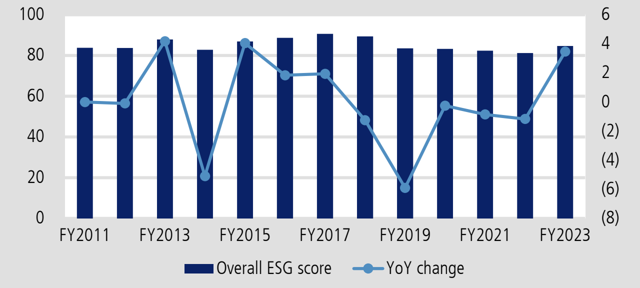
Share price, NT$ (LHS); PB, x (RHS)



Source: TEJ, KGI Research

Figure 13: Overall ESG score

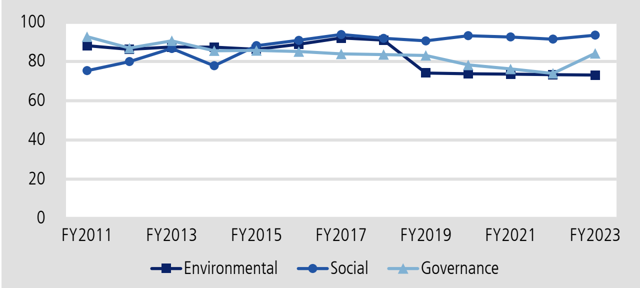
Overall ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 14: ESG score by category

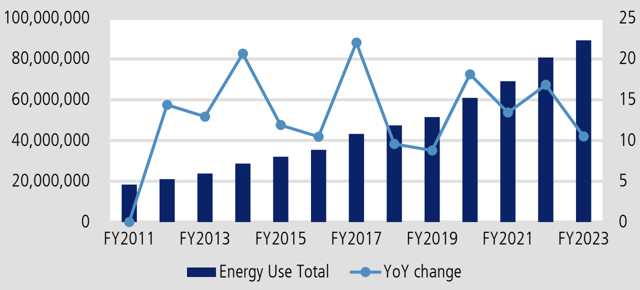
ESG score, points



Source: Refinitiv; Company data

Figure 15: Energy use

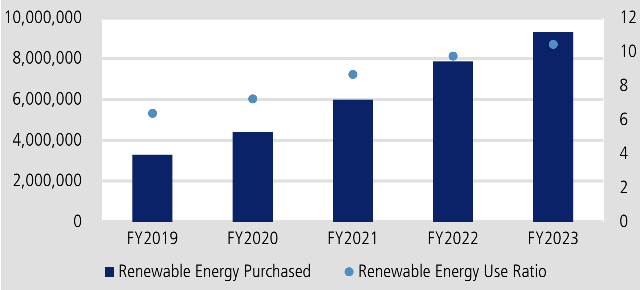
Energy use, gigajoules (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 16: Renewable energy

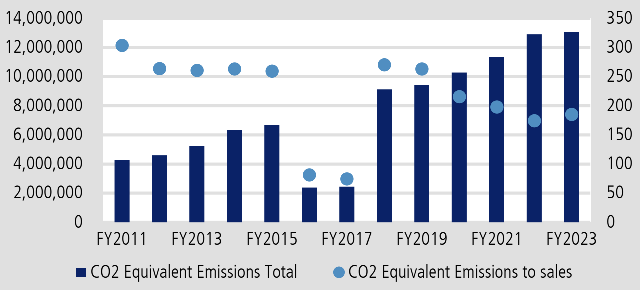
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 17: CO2 equivalent emissions

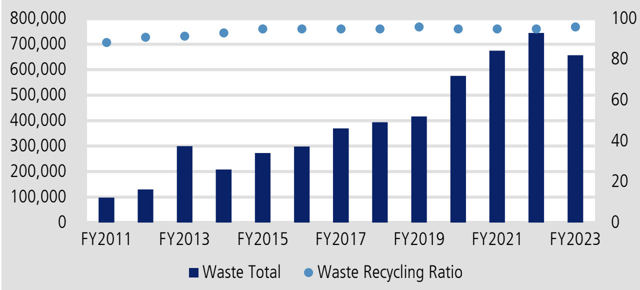
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn (RHS)



Source: Refinitiv; Company data

Figure 18: Waste total

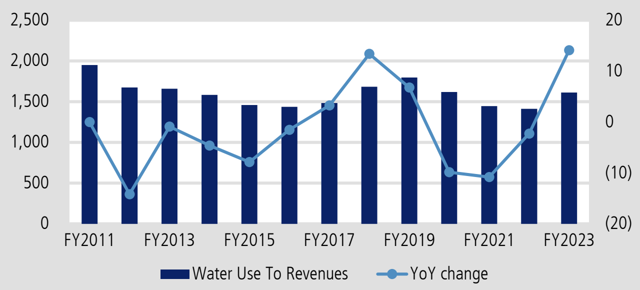
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 19: Water use to revenue

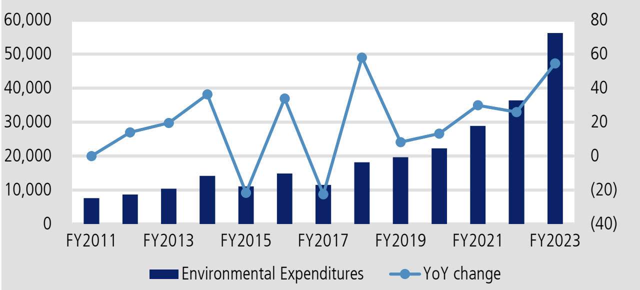
Water use to revenue, m3/ US$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 20: Environmental expenditures

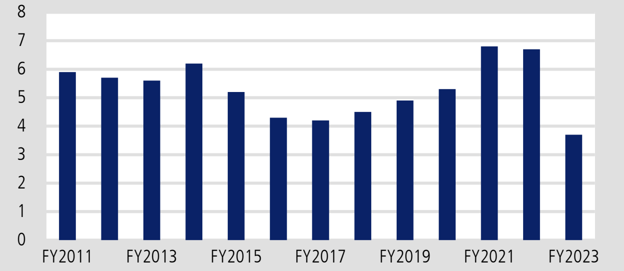
Environmental expenditures, NT$mn (LHS); YoY change, percent (RHS)



Source: Refinitiv; Company data

Figure 21: Employee turnover

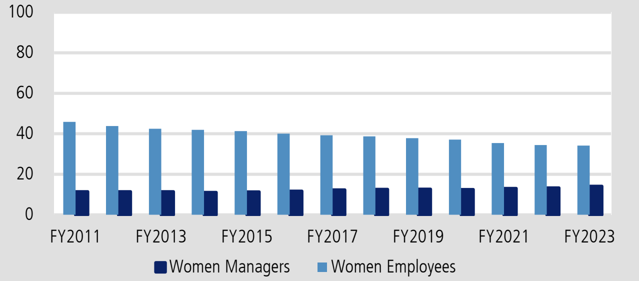
Employee turnover, percent



Source: Refinitiv; Company data

Figure 22: Gender diversification

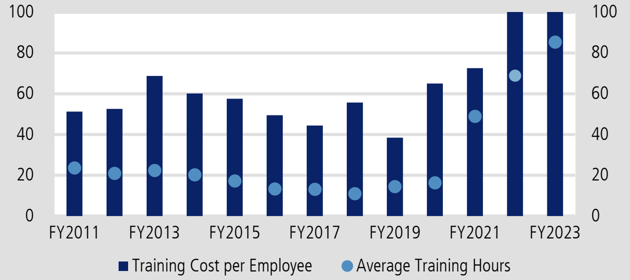
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 23: Employee training

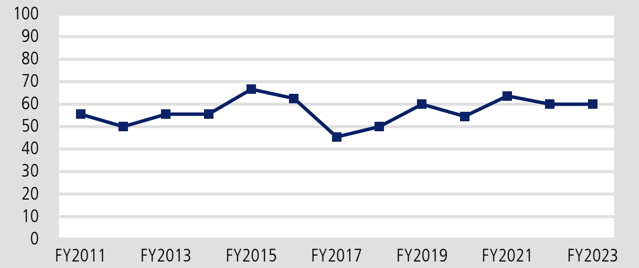
Training cost per employee, US$ (LHS); average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 24: Independent board members

Independent board members, percent



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'	
Renewable energy purchased	Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCS), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
CO2 equivalent emissions to sales	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT$mn) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCS), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
Waste total	Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered	
Waste recycling ratio	The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste	
Water withdrawal total	Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered	
Environmental expenditures	Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures	
Turnover of employees	Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving	
Women managers	Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100	
Women employees	Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100	
Training hours total	Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

Income statement

	Quarterly								Annually		
	Mar-26A	Jun-26F	Sep-26F	Dec-26F	Mar-27F	Jun-27F	Sep-27F	Dec-27F	Dec-26F	Dec-27F	Dec-28F
Income statement (NT$mn)											
Revenue	**1,134,103**	**1,270,381**	**1,476,431**	**1,551,433**	**1,588,425**	**1,683,678**	**1,885,787**	**2,020,207**	**5,432,348**	**7,178,096**	**9,292,811**
Cost of goods sold	(382,808)	(410,070)	(473,148)	(499,061)	(501,829)	(525,574)	(575,223)	(614,448)	(1,765,087)	(2,217,075)	(2,827,886)
Gross profit	**751,295**	**860,311**	**1,003,283**	**1,052,372**	**1,086,596**	**1,158,104**	**1,310,563**	**1,405,758**	**3,667,261**	**4,961,022**	**6,464,925**
Operating expenses	(95,682)	(93,708)	(134,355)	(136,526)	(151,695)	(150,689)	(167,835)	(177,778)	(456,919)	(647,997)	(817,767)
Operating profit	**655,613**	**766,603**	**868,928**	**915,846**	**934,901**	**1,007,415**	**1,142,728**	**1,227,980**	**3,210,342**	**4,313,025**	**5,647,158**
Depreciation of fixed assets	(163,313)	(183,456)	(183,456)	(203,599)	(218,119)	(218,119)	(218,119)	(218,119)	(733,823)	(872,477)	(1,033,960)
Amortisation of intangible assets	(2,138)	(3,380)	(3,380)	(4,623)	(4,357)	(4,357)	(4,357)	(4,357)	(13,521)	(17,430)	(20,664)
EBITDA	**821,064**	**953,439**	**1,055,763**	**1,124,067**	**1,157,378**	**1,229,892**	**1,365,205**	**1,450,457**	**3,957,686**	**5,202,931**	**6,701,782**
Interest income	28,862	29,676	29,676	29,676	20,000	20,000	20,000	20,000	117,890	80,000	80,000
Investment income	1,809	1,438	1,438	1,438	1,438	1,438	1,438	1,438	6,123	5,752	5,752
Other non-op income	(0)	67,430	-	-	-	-	-	-	67,430	-	-
Non-operating income	**30,672**	**98,544**	**31,114**	**31,114**	**21,438**	**21,438**	**21,438**	**21,438**	**191,443**	**85,752**	**85,752**
Interest expense	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(2,717)	(10,867)	(10,867)	(10,867)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	879	-	-	-	-	-	-	-	879	-	-
Non-operating expenses	**(1,838)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(2,717)**	**(9,989)**	**(10,867)**	**(10,867)**
Pre-tax profit	**684,447**	**862,430**	**897,325**	**944,243**	**953,622**	**1,026,136**	**1,161,449**	**1,246,701**	**3,391,797**	**4,387,909**	**5,722,043**
Current taxation	(114,998)	(155,649)	(152,545)	(160,521)	(162,116)	(205,227)	(197,446)	(211,939)	(583,714)	(776,729)	(1,019,206)
Minorities	(322)	(219)	(219)	(219)	(219)	(219)	(219)	(219)	(979)	(876)	(876)
Normalised net profit	**569,127**	**706,562**	**744,560**	**783,502**	**791,288**	**820,690**	**963,784**	**1,034,543**	**2,807,104**	**3,610,305**	**4,701,961**
Extraordinary items	3,353	-	-	-	-	-	-	-	-	-	-
Net profit	**572,480**	**706,562**	**744,560**	**783,502**	**791,288**	**820,690**	**963,784**	**1,034,543**	**2,807,104**	**3,610,305**	**4,701,961**
EPS (NT$)	22.08	27.25	28.71	30.21	30.51	31.65	37.17	39.89	108.25	139.22	181.32
Margins (%)											
Gross profit margin	66.2	67.7	68.0	67.8	68.4	68.8	69.5	69.6	67.5	69.1	69.6
Operating margin	57.8	60.3	58.9	59.0	58.9	59.8	60.6	60.8	59.1	60.1	60.8
EBITDA margin	72.4	75.1	71.5	72.5	72.9	73.0	72.4	71.8	72.9	72.5	72.1
Pretax profit margin	60.4	67.9	60.8	60.9	60.0	60.9	61.6	61.7	62.4	61.1	61.6
Net profit margin	50.5	55.6	50.4	50.5	49.8	48.7	51.1	51.2	51.7	50.3	50.6
Sequential growth (%)											
Revenue growth	8.4	12.0	16.2	5.1	2.4	6.0	12.0	7.1			
Gross profit growth	15.2	14.5	16.6	4.9	3.3	6.6	13.2	7.3			
Operating profit growth	16.5	16.9	13.3	5.4	2.1	7.8	13.4	7.5			
EBITDA growth	13.3	16.1	10.7	6.5	3.0	6.3	11.0	6.2			
Pretax profit growth	16.0	26.0	4.0	5.2	1.0	7.6	13.2	7.3			
Net profit growth	13.2	23.4	5.4	5.2	1.0	3.7	17.4	7.3			
YoY growth (%)											
Revenue growth	35.1	36.0	49.1	48.3	40.1	32.5	27.7	30.2	42.6	32.1	29.5
Gross profit growth	52.3	57.2	70.5	61.4	44.6	34.6	30.6	33.6	60.8	35.3	30.3
Operating profit growth	60.2	65.8	73.5	62.8	42.6	31.4	31.5	34.1	65.9	34.3	30.9
EBITDA growth	40.5	46.6	59.1	55.1	41.0	29.0	29.3	29.0	50.9	31.5	28.8
Pretax profit growth	58.0	75.3	70.7	60.0	39.3	19.0	29.4	32.0	66.2	29.4	30.4
Net profit growth	58.3	77.4	64.6	54.9	38.2	16.2	29.4	32.0	63.4	28.6	30.2

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total assets	**6,691,938**	**7,933,024**	**10,554,846**	**13,445,417**	**17,338,848**
Current assets	**3,088,352**	**3,817,131**	**5,055,901**	**6,543,058**	**9,053,792**
Cash & ST securities	2,422,020	3,068,595	3,791,376	4,990,840	7,183,078
Inventory	287,869	288,109	446,914	550,244	680,071
Accounts receivable	272,088	281,791	610,159	794,522	983,191
Other current assets	106,376	178,635	207,452	207,452	207,452
Non-current assets	**3,603,586**	**4,115,893**	**5,498,945**	**6,902,359**	**8,285,056**
LT investments	149,040	172,370	170,881	176,633	182,385
Net fixed assets	3,234,980	3,691,841	5,053,873	6,451,535	7,828,480
Other assets	219,565	251,682	274,192	274,192	274,192
Total liabilities	**2,368,362**	**2,472,229**	**2,880,540**	**2,938,767**	**3,011,924**
Current liabilities	**1,264,525**	**1,458,019**	**1,866,233**	**1,924,460**	**1,997,617**
Accounts payable	74,227	84,330	125,294	154,263	190,661
Interest bearing ST liabilities	59,858	136,926	156,242	156,242	156,242
Other current liabilities	1,130,441	1,236,763	1,584,697	1,613,955	1,650,715
Non-current liabilities	**1,103,837**	**1,014,209**	**1,014,307**	**1,014,307**	**1,014,307**
Long-term debt	958,429	896,062	891,148	891,148	891,148
Other L-T liabilities	116,653	86,552	113,290	113,290	113,290
Total equity	**4,323,576**	**5,460,795**	**7,674,306**	**10,506,650**	**14,326,923**
Share capital	259,327	259,325	259,324	259,324	259,324
Retained earnings reserve	3,606,105	4,705,070	7,299,887	10,132,232	13,952,505
Minority interests	35,031	41,199	41,429	41,429	41,429
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Growth					
Revenue growth	33.9%	31.6%	42.6%	32.1%	29.5%
Operating profit growth	43.8%	46.1%	65.9%	34.3%	30.9%
EBITDA growth	36.7%	32.0%	50.9%	31.5%	28.8%
Net profit growth	39.9%	46.4%	63.4%	28.6%	30.2%
EPS growth	39.9%	46.4%	63.4%	28.6%	30.2%
Profitability					
Gross profit margin	56.1%	59.9%	67.5%	69.1%	69.6%
Operating margin	45.8%	50.8%	59.1%	60.1%	60.8%
EBITDA margin	68.7%	68.9%	72.9%	72.5%	72.1%
Net profit margin	40.5%	45.1%	51.7%	50.3%	50.6%
Return on average assets	19.2%	23.5%	30.4%	30.1%	30.5%
Return on average equity	30.3%	35.4%	43.0%	39.9%	38.0%
Stability					
Gross debt to equity	23.6%	18.9%	13.6%	10.0%	7.3%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	135.2	166.0	313.1	404.8	527.5
Interest & ST debt coverage (x)	1.0	0.9	1.0	1.0	1.0
Cash flow interest coverage(x)	174.0	183.9	301.9	392.5	506.6
Cash flow/int. & ST debt (x)	26.0	15.2	19.6	25.5	32.9
Current ratio (x)	2.4	2.6	2.7	3.4	4.5
Quick ratio (x)	2.2	2.4	2.5	3.1	4.2
Net debt (NT$mn)	(1,109,340)	(1,734,869)	(2,396,022)	(3,595,485)	(5,787,723)
Per share data					
EPS (NT$)	45.25	66.26	108.25	139.22	181.32
CFPS (NT$)	70.43	87.74	126.51	164.47	212.31
BVPS (NT$)	165.37	208.99	294.35	403.56	550.88
Adj BVPS (NT$)	165.40	209.02	294.35	403.56	550.88
SPS (NT$)	111.63	146.91	209.49	276.80	358.35
EBITDA/share (NT$)	76.65	101.18	152.62	200.64	258.44
Cash DPS (NT$)	17.00	22.00	29.00	33.00	37.00
Activity					
Sales / avg assets	0.47	0.52	0.59	0.60	0.60
Days receivable	34.4	27.0	41.0	40.4	38.7
Days inventory	83.0	68.8	92.4	90.6	88.0
Days payable	21.4	20.1	25.9	25.4	24.7
Cash cycle	96.0	75.7	107.5	105.6	102.1

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**2,894,308**	**3,809,054**	**5,432,348**	**7,178,096**	**9,292,811**
Cost of goods sold	(1,269,954)	(1,527,760)	(1,765,087)	(2,217,075)	(2,827,886)
Gross profit	**1,624,354**	**2,281,294**	**3,667,261**	**4,961,022**	**6,464,925**
Operating expenses	(299,840)	(346,097)	(456,919)	(647,997)	(817,767)
Operating profit	**1,324,513**	**1,935,197**	**3,210,342**	**4,313,025**	**5,647,158**
Non-operating income	**92,660**	**111,827**	**191,443**	**85,752**	**85,752**
Interest income	87,213	105,739	117,890	80,000	80,000
Investment income	4,879	5,497	6,123	5,752	5,752
Other non-op income	567	592	67,430	-	-
Non-operating expenses	**(8,874)**	**(6,256)**	**(9,989)**	**(10,867)**	**(10,867)**
Interest expense	(10,495)	(12,370)	(10,867)	(10,867)	(10,867)
Investment loss	-	-	-	-	-
Other non-op expenses	1,621	6,114	879	-	-
Pre-tax profit	**1,408,299**	**2,040,768**	**3,391,797**	**4,387,909**	**5,722,043**
Current taxation	(233,407)	(326,266)	(583,714)	(776,729)	(1,019,206)
Minorities	836	2,486	(979)	(876)	(876)
Extraordinary items	(2,460)	895	-	-	-
Net profit	**1,173,268**	**1,717,883**	**2,807,104**	**3,610,305**	**4,701,961**
EBITDA	**1,987,310**	**2,623,293**	**3,957,686**	**5,202,931**	**6,701,782**
EPS (NT$)	45.25	66.26	108.25	139.22	181.32

Cash flow

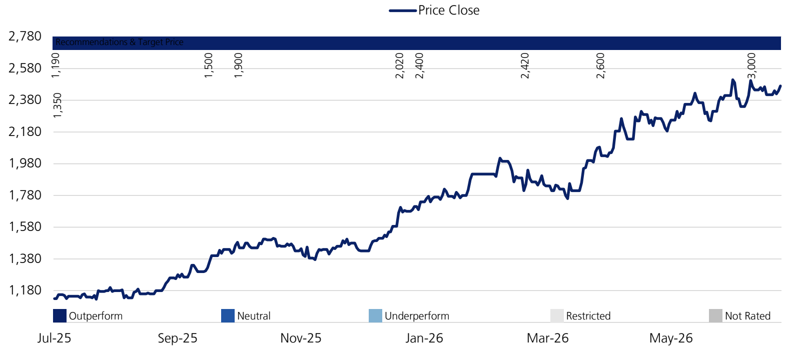
NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Operations cash flow	**1,826,177**	**2,274,976**	**3,280,545**	**4,264,992**	**5,505,495**
Net profit	1,173,268	1,717,883	2,807,104	3,610,305	4,701,961
Depreciation & amortisation	662,797	688,096	747,343	889,906	1,054,624
Decrease in working capital	(90,088)	160	(446,208)	(258,724)	(282,098)
Other operating cash flow	80,200	(131,163)	172,306	23,506	31,008
Investing cash flow	**(864,843)**	**(1,144,393)**	**(2,037,940)**	**(2,287,569)**	**(2,431,569)**
Sale of ST investment	(54,143)	(37,079)	(16,249)	-	-
New investments	(3,739)	-	-	-	-
Capital expenditure	(956,007)	(1,272,411)	(2,031,849)	(2,287,569)	(2,431,569)
Others investing cashflow	149,045	165,096	10,158	-	-
Free cash flow	**712,509**	**1,033,242**	**913,621**	**1,875,735**	**2,961,584**
Financing cash flow	**(346,301)**	**(440,345)**	**(612,619)**	**(777,960)**	**(881,688)**
Increase in short term debt	-	-	-	-	-
Increase in long term loans	55,866	40,448	14,402	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(363,055)	(466,779)	(622,371)	(777,960)	(881,688)
Other financing cashflow	(36,022)	(14,014)	(4,650)	-	-
Forex effects	**47,166**	**(50,008)**	**45,569**	**-**	**-**
Total cash generated	**662,199**	**640,229**	**675,555**	**1,199,463**	**2,192,238**

ROIC

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
1 - COGS/revenue					
- Operating exp./revenue	10.4%	9.1%	8.4%	9.0%	8.8%
= Operating margin	**45.8%**	**50.8%**	**59.1%**	**60.1%**	**60.8%**
1 / (Working capital/revenue	(0.2)	(0.2)	(0.1)	(0.0)	0.0
+ Net PPE/revenue	1.1	1.0	0.9	0.9	0.8
+ Other assets/revenue)	0.0	0.0	0.1	0.0	0.0
= Capital turnover	**1.0**	**1.2**	**1.1**	**1.1**	**1.1**
Operating margin	45.8%	50.8%	59.1%	60.1%	60.8%
x Capital turnover	1.0	1.2	1.1	1.1	1.1
x (1 - tax rate)	83.4%	84.0%	82.8%	82.3%	82.2%
= After-tax ROIC	**39.7%**	**50.2%**	**54.4%**	**54.5%**	**57.1%**

Source: Company data, KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2026-07-01	Outperform	3,000	2,505
2026-04-16	Outperform	2,600	2,085
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

Source: TEJ, KGI Research

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