

TSMC (2330.TW/2330 TT)

Expectations exceeded once again in 2Q25

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of July 17 (NT\$)	1,130
12M target price (NT\$)	1,350
Previous target price (NT\$)	1,190
Revised up (%)	13.4
Upside (%)	19.5

Key message

- 2Q25 margins strong beat.
- 3Q25F guidance slightly better than expected & 2025F USD sales guidance raised.
- US expansion ahead of schedule; N2 outlook is promising.

Trading data

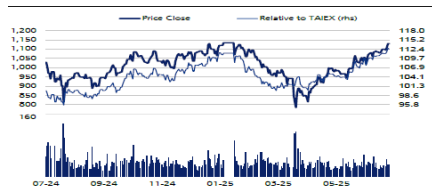
Mkt cap (NT\$bn/US\$mn)	29,304,980,882
Outstanding shares (mn)	25,933
Foreign ownership (mn)	19,013
3M avg. daily trading (mn)	23.49
52-week trading range (NT\$)	785–1,135

Performance	3M	6M	12M
Absolute (%)	33.4	0.9	9.7
Relative (%)	13.9	1.1	12.5

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2024	8.70A	9.56A	12.55A	14.45A
2025	13.95A	15.36F	15.63F	15.02F
2026	15.21F	15.39F	18.15F	18.87F

Share price chart



Source: TEJ

Event

TSMC announced 2Q25 results today, including a mild gross margin contraction amid strong NT dollar appreciation. Though the major difference between results and our forecast was due to forex rates, operating expense reductions in the quarter were impressive.

Impact

2Q25 margins strong beat. 2Q25 gross margin was 58.6%, down only 0.2ppts QoQ, and 1.3ppts ahead of our forecast. Forex changes were the main factor, with our forecast assuming an exchange rate of NT\$30/US\$, versus TSMC's result of NT\$31.05/US\$. TSMC guides that each 1% of NT\$ appreciation will negatively impact gross margin by 0.4ppts. Therefore the negative forex impact on gross margin was 1.8ppts in 2Q25. However, a strong utilization rate as well as cost reductions offset this impact. In addition, 2Q25 operating margin was higher than in 1Q25, mostly due to higher operating leverage, but expense controls were impressive. As a result, 2Q25 EPS came in at NT\$15.36, 7% higher than our forecast.

3Q25F guidance slightly better than expected & 2025F US\$ sales guidance raised. Management guides 3Q25F sales of US\$31.8–33.0bn, up 6–10% QoQ, slightly higher than our forecast of 5% QoQ growth, driven by continued strength in AI and HPC demand. TSMC raises full-year 2025 US\$ sales guidance to 30% YoY growth, versus our previous forecast of 31%. However, due to a slightly better 3Q25F outlook, we revise up our 2025 USD sales growth forecast to 35% YoY. Either way implies that 4Q25F might be a down quarter, and we expect a NTD sales decline of 2.6% QoQ. TSMC explained that 2H25 guidance takes macroeconomic and tariff uncertainties into account. 2025F capex guidance is maintained at US\$38–42bn.

US expansion ahead of schedule; N2 outlook is promising. TSMC didn't provide a timeline for overseas expansions, and emphasized that expansion will depend on clients' demand, rather than maximizing investment tax credits. However, TSMC also foresees strong N3 demand, and plans to speed up N3 production at their Arizona fab 2. We believe higher tax credits will mitigate the cost pressure of overseas expansion, being amortized over multiple years, instead of a one-off benefit. AI demand remains robust, and the outlook has improved since last quarter. N2 demand is strong, but sales will be limited by capacity in 2026F. Currently we forecast N2 sales to account for 14% of 2026 sales, which is higher than the first year of N3 production, at 6% of 2023 sales.

Valuation & Action

We still expect YoY sales growth to fade rapidly in 2H25F, capping the share price rally, due to a high base and client pull-in demand in 1H25. However, TSMC's strong margins performance eases our concerns about forex impacts and various uncertainties, and we raise our target PE multiple to 20x 2026F EPS, at one standard deviation above the mean. Our target price is raised to NT\$1350, due to upward earnings revisions and a higher PE multiple. Maintain Outperform.

Risks

Global economic and tariff uncertainties; potential risk of an Intel (US) investment.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue (NT\$mn)	2,263,891	2,161,736	2,894,308	3,658,771	4,209,236
Gross profit (NT\$mn)	1,348,355	1,175,111	1,624,354	2,111,488	2,360,122
Operating profit (NT\$mn)	1,121,279	921,088	1,324,513	1,758,349	1,990,931
Net profit (NT\$mn)	1,016,530	838,498	1,173,268	1,554,693	1,753,003
EPS (NT\$)	39.20	32.34	45.25	59.96	67.61
Cash DPS (NT\$)	11.00	13.00	17.00	20.00	20.00
EPS growth (%)	70.4	(17.5)	39.9	32.5	12.8
PE (x)	28.8	34.9	25.0	18.8	16.7
PB (x)	9.9	8.5	6.8	5.5	4.5
EV/EBITDA (x)	18.1	19.2	13.8	10.8	9.1
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.0	1.2	1.5	1.8	1.8
Return on average equity (%)	39.8	26.2	30.3	32.3	29.4

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q25 results & 3Q25 forecast revisions vs. consensus

	2Q25							3Q25F						
NT\$m	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	933,792	933,792	0.0	11.3	38.6	928,484	0.6	955,125	900,443	6.1	2.3	25.7	933,226	2.3
Gross profit	547,369	535,169	2.3	10.9	52.8	538,001	1.7	544,398	506,895	7.4	(0.5)	23.9	533,871	2.0
Operating profit	463,423	440,109	5.3	13.2	60.3	444,673	4.2	453,184	416,400	8.8	(2.2)	26.0	437,406	3.6
Net profit	398,273	371,759	7.1	10.2	60.7	378,296	5.3	405,300	374,790	8.1	1.8	24.6	390,842	3.7
EPS (NT\$)	15.36	14.34	7.1	10.1	60.7	14.55	5.5	15.63	14.46	8.1	1.8	24.6	15.03	4.0
Gross margin (%)	58.6	57.3	1.3 ppts	(0.2)ppts	5.4 ppts	57.9	0.7 ppts	57.0	56.3	0.7 ppts	(1.6)ppts	(0.8)ppts	57.2	(0.2)ppts
OP margin (%)	49.6	47.1	2.5 ppts	0.9 ppts	6.7 ppts	47.9	1.7 ppts	47.4	46.2	1.2 ppts	(2.2)ppts	0.1 ppts	46.9	0.6 ppts
Net margin (%)	42.7	39.8	2.8 ppts	(0.4)ppts	5.9 ppts	40.7	1.9 ppts	42.4	41.6	0.8 ppts	(0.2)ppts	(0.4)ppts	41.9	0.6 ppts

Source: Company data; Bloomberg; KGI Research estimates

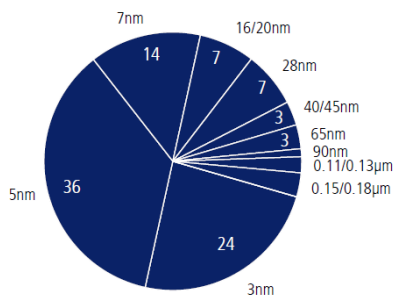
Figure 2: Breakdown of 2025-26 forecast revisions vs. consensus

NT\$m	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	3,658,771	3,578,403	2.2	26.4	3,640,747	0.5	4,209,236	4,143,465	1.6	15.0	4,211,449	(0.1)
Gross profit	2,111,488	2,046,258	3.2	30.0	2,103,951	0.4	2,360,122	2,293,625	2.9	11.8	2,405,748	(1.9)
Operating profit	1,758,349	1,683,445	4.4	32.8	1,724,590	2.0	1,990,931	1,941,390	2.6	13.2	1,964,328	1.4
Net profit	1,554,693	1,485,839	4.6	32.5	1,510,388	2.9	1,753,003	1,714,574	2.2	12.8	1,730,124	1.3
EPS (NT\$)	59.96	57.31	4.6	32.5	58.33	2.8	67.61	66.13	2.2	12.8	67.09	0.8
Gross margin (%)	57.7	57.2	0.5 ppts	1.6 ppts	57.8	(0.1)ppts	56.1	55.4	0.7 ppts	(1.6)ppts	57.1	(1.1)ppts
OP margin (%)	48.1	47.0	1.0 ppts	2.3 ppts	47.4	0.7 ppts	47.3	46.9	0.4 ppts	(0.8)ppts	46.6	0.7 ppts
Net margin (%)	42.5	41.5	1.0 ppts	2.0 ppts	41.5	1.0 ppts	41.6	41.4	0.3 ppts	(0.8)ppts	41.1	0.6 ppts

Source: Bloomberg; KGI Research estimates

Figure 3: TSMC's 2Q25 wafer revenue by node

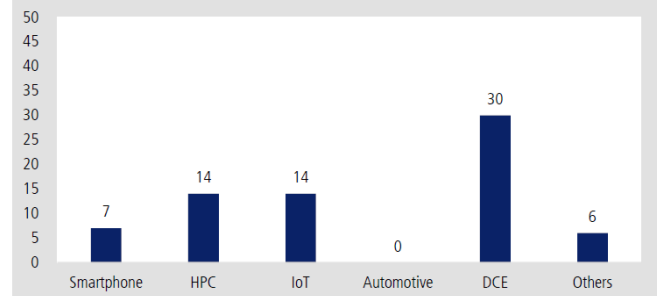
Wafer revenue weighting, percent



Source: Company data; KGI Research

Figure 4: TSMC's revenue by platform

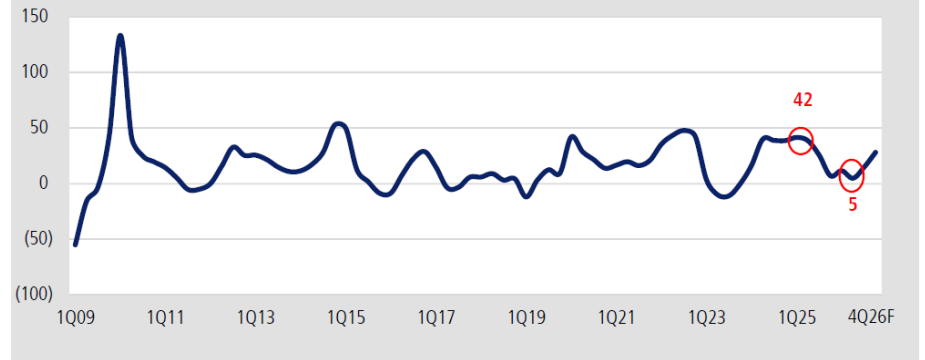
Platform revenue QoQ, percent



Source: Company data; KGI Research

Figure 5: TSMC's quarterly sales growth YoY

Quarterly sales growth YoY, percent

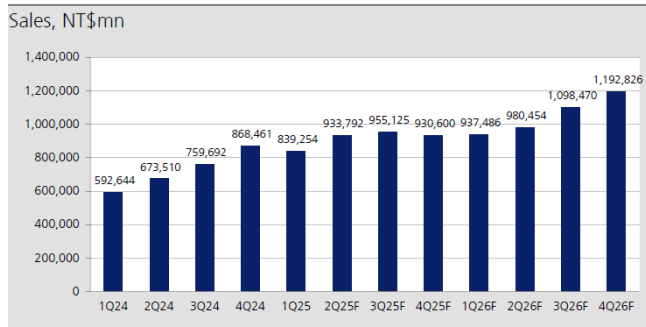


Source: TEJ; KGI Research estimates

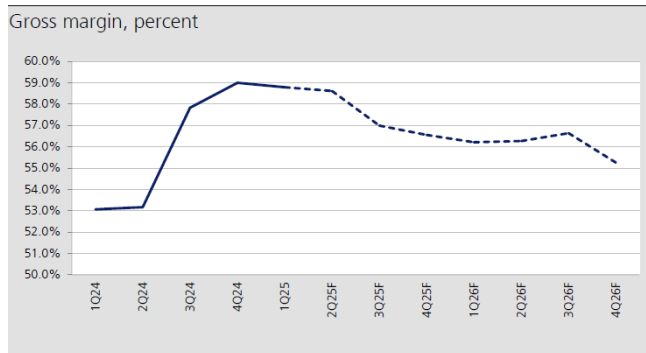
Figure 6: Company profile

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.

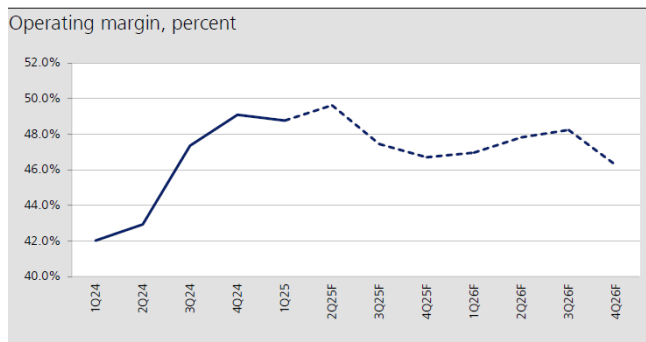
Source: Company data; KGI Research

Figure 8: Sales


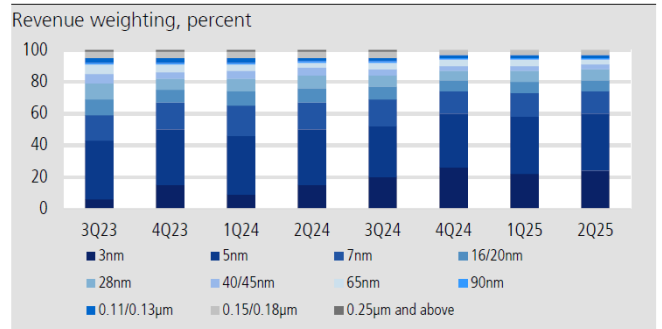
Source: KGI Research

Figure 10: Gross Margin


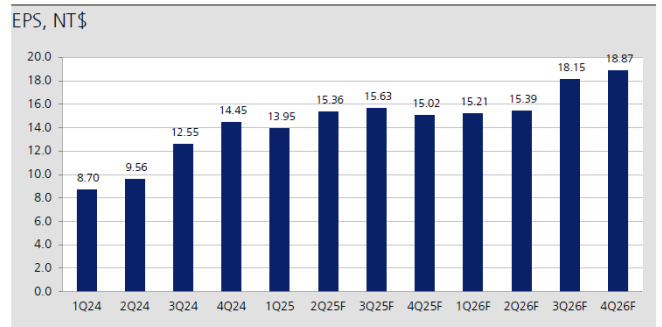
Source: KGI Research

Figure 12: Operating Margin


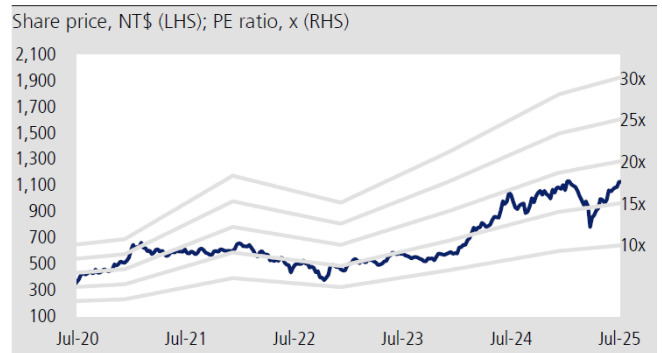
Source: KGI Research

Figure 7: TSMC wafer revenue by node


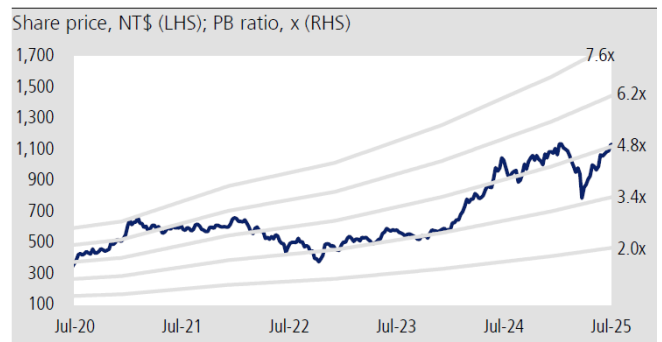
Source: Company data; KGI Research

Figure 9: EPS


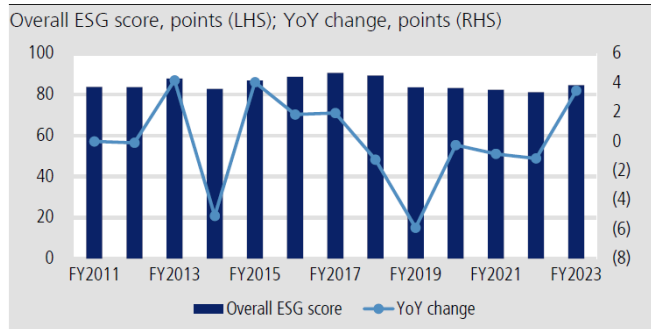
Source: KGI Research

Figure 11: 12M forward PE band


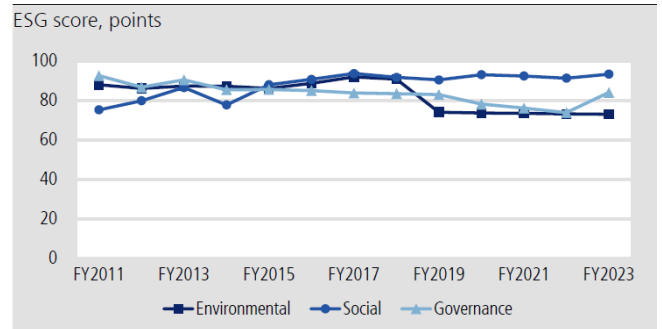
Source: KGI Research

Figure 13: 12M forward PB band


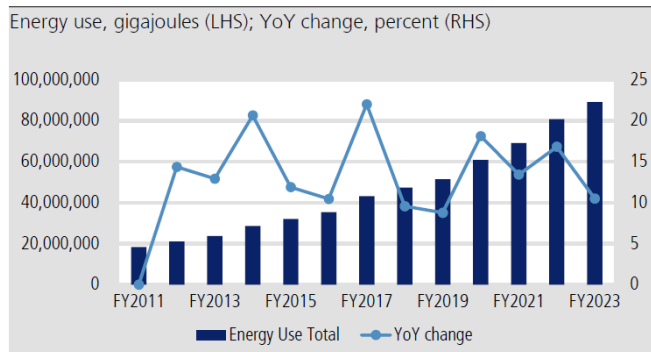
Source: KGI Research

Figure 14: Overall ESG score


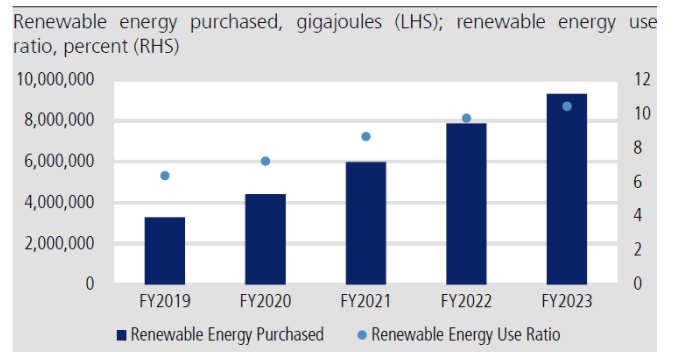
Source: Refinitiv; Company data

Figure 15: ESG score by category


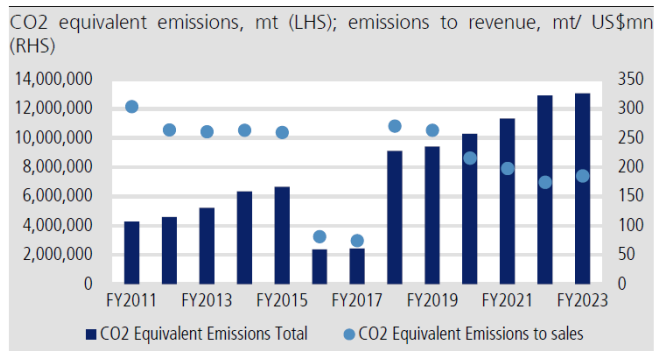
Source: Refinitiv; Company data

Figure 16: Energy use


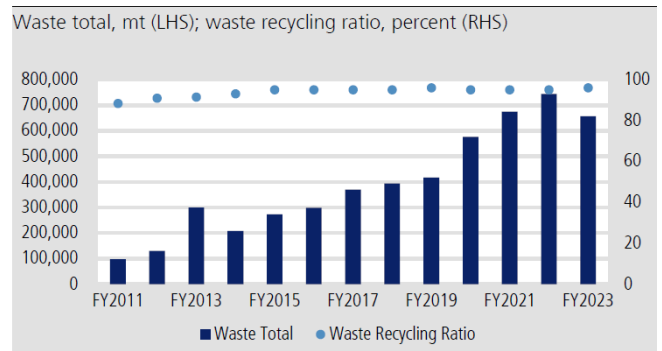
Source: Refinitiv; Company data

Figure 17: Renewable energy


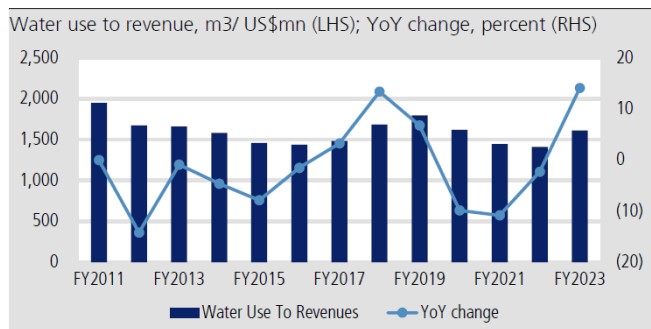
Source: Refinitiv; Company data

Figure 18: CO2 equivalent emissions


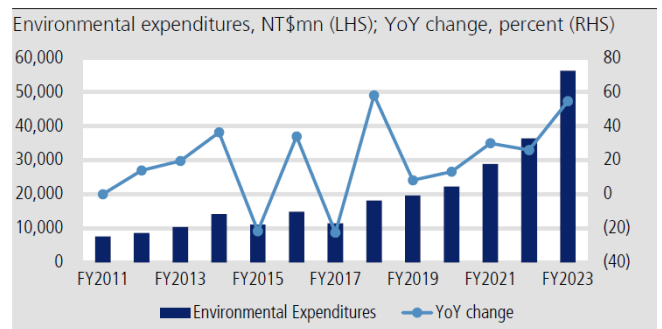
Source: Refinitiv; Company data

Figure 19: Waste total


Source: Refinitiv; Company data

Figure 20: Water use to revenue


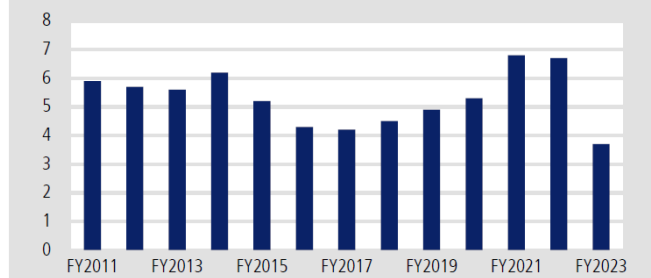
Source: Refinitiv; Company data

Figure 21: Environmental expenditures


Source: Refinitiv; Company data

Figure 22: Employee turnover

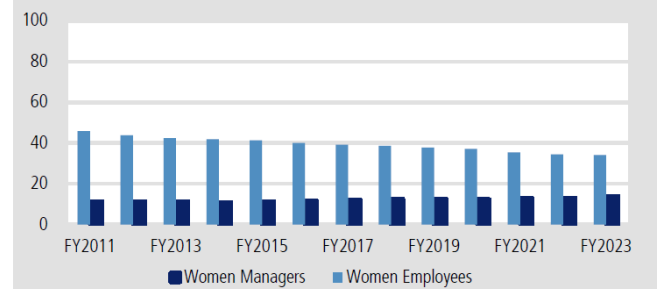
Employee turnover, percent



Source: Refinitiv; Company data

Figure 23: Gender diversification

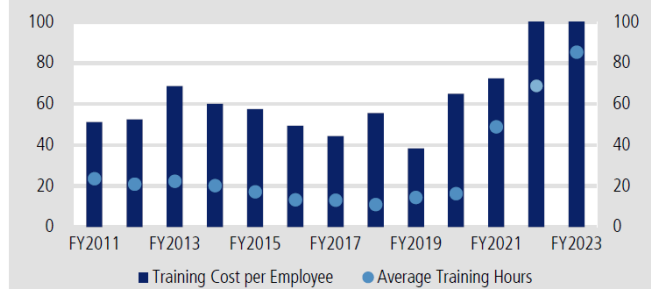
Weighting of female managers & employees, percent



Source: Refinitiv; Company data

Figure 24: Employee training

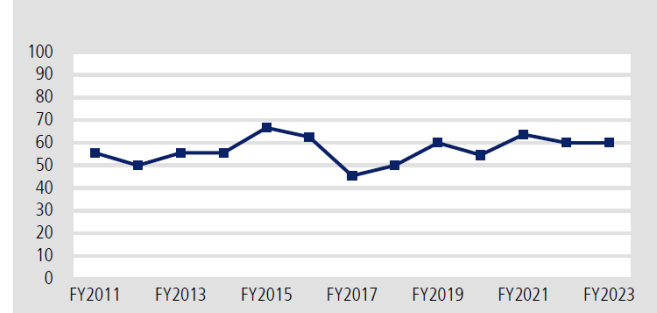
Training cost per employee, US\$ (LHS); average annual training hours per employee (RHS)



Source: Refinitiv; Company data

Figure 25: 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-25F	Sep-25F	Dec-25F	Mar-26F	Jun-26F	Sep-26F	Dec-26F	Dec-24A	Dec-25F	Dec-26F
Income statement (NT\$m)											
Revenue	839,254	933,792	955,125	930,600	937,486	980,454	1,098,470	1,192,826	2,894,308	3,658,771	4,209,236
Cost of goods sold	(345,859)	(386,423)	(410,727)	(404,274)	(410,472)	(428,734)	(476,273)	(533,634)	(1,269,954)	(1,547,283)	(1,849,113)
Gross profit	493,395	547,369	544,398	526,326	527,014	551,719	622,196	659,192	1,624,354	2,111,488	2,360,122
Operating expenses	(84,058)	(83,946)	(91,214)	(91,664)	(86,717)	(82,848)	(92,271)	(107,354)	(299,840)	(353,139)	(369,192)
Operating profit	409,337	463,423	453,184	434,662	440,297	468,871	529,925	551,838	1,324,513	1,758,349	1,990,931
Depreciation of fixed assets	(173,005)	(182,578)	(188,488)	(188,399)	(248,729)	(265,881)	(272,005)	(115,237)	(653,610)	(732,469)	(901,852)
Amortisation of intangible assets	(2,134)	(3,591)	(4,017)	(3,598)	(5,424)	(5,730)	(6,353)	(492)	(9,186)	(13,340)	(17,998)
EBITDA	584,476	649,591	645,689	626,659	694,449	740,482	808,283	667,567	1,987,310	2,504,159	2,910,781
Interest income	24,859	24,178	24,178	24,178	24,178	24,178	24,178	24,178	87,213	97,394	96,713
Investment income	1,420	1,222	1,222	1,222	1,222	1,222	1,222	1,222	4,879	5,085	4,887
Other non-op income	(0)	6,890	(0)	(0)	(0)	(0)	(0)	(0)	567	6,890	(0)
Non-operating income	26,279	32,290	25,400	25,400	25,400	25,400	25,400	25,400	92,660	109,369	101,600
Interest expense	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(10,495)	(10,709)	(10,709)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	213	-	-	-	-	-	-	-	1,621	213	-
Non-operating expenses	(2,465)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(2,677)	(8,874)	(10,496)	(10,709)
Pre-tax profit	433,152	493,035	475,906	457,385	463,019	491,594	552,648	574,561	1,408,299	1,857,222	2,081,821
Current taxation	(70,163)	(95,542)	(71,386)	(68,608)	(69,453)	(93,403)	(82,897)	(86,184)	(233,407)	(305,699)	(331,937)
Minorities	831	780	780	780	780	780	780	780	836	3,170	3,118
Normalised net profit	363,821	398,273	405,300	389,556	394,346	398,970	470,530	489,156	1,175,728	1,554,693	1,753,003
Extraordinary items	(2,256)	-	-	-	-	-	-	-	(2,460)	-	-
Net profit	361,564	398,273	405,300	389,556	394,346	398,970	470,530	489,156	1,173,268	1,554,693	1,753,003
EPS (NT\$)	13.95	15.36	15.63	15.02	15.21	15.39	18.15	18.87	45.25	59.96	67.61
Margins (%)											
Gross profit margin	58.8	58.6	57.0	56.6	56.2	56.3	56.6	55.3	56.1	57.7	56.1
Operating margin	48.8	49.6	47.4	46.7	47.0	47.8	48.2	46.3	45.8	48.1	47.3
EBITDA margin	69.6	69.6	67.6	67.3	74.1	75.5	73.6	56.0	68.7	68.4	69.2
Pretax profit margin	51.6	52.8	49.8	49.1	49.4	50.1	50.3	48.2	48.7	50.8	49.5
Net profit margin	43.1	42.7	42.4	41.9	42.1	40.7	42.8	41.0	40.5	42.5	41.6
Sequential growth (%)											
Revenue growth	(3.4)	11.3	2.3	(2.6)	0.7	4.6	12.0	8.6			
Gross profit growth	(3.7)	10.9	(0.5)	(3.3)	0.1	4.7	12.8	5.9			
Operating profit growth	(4.0)	13.2	(2.2)	(4.1)	1.3	6.5	13.0	4.1			
EBITDA growth	(2.1)	11.1	(0.6)	(2.9)	10.8	6.6	9.2	(17.4)			
Pretax profit growth	(3.6)	13.8	(3.5)	(3.9)	1.2	6.2	12.4	4.0			
Net profit growth	(3.5)	10.2	1.8	(3.9)	1.2	1.2	17.9	4.0			
YoY growth (%)											
Revenue growth	41.6	38.6	25.7	7.2	11.7	5.0	15.0	28.2	33.9	26.4	15.0
Gross profit growth	56.9	52.8	23.9	2.7	6.8	0.8	14.3	25.2	38.2	30.0	11.8
Operating profit growth	64.4	60.3	26.0	1.9	7.6	1.2	16.9	27.0	43.8	32.8	13.2
EBITDA growth	43.2	43.0	22.3	5.0	18.8	14.0	25.2	6.5	36.7	26.0	16.2
Pretax profit growth	62.5	59.6	24.2	1.8	6.9	(0.3)	16.1	25.6	43.9	31.9	12.1
Net profit growth	60.3	60.7	24.6	4.0	9.1	0.2	16.1	25.6	39.9	32.5	12.8

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	4,964,779	5,532,371	6,691,938	8,038,719	9,338,419
Current assets	2,052,897	2,194,033	3,088,352	3,850,407	4,632,925
Cash & ST securities	1,561,486	1,687,644	2,422,020	3,017,142	3,580,686
Inventory	221,149	250,997	287,869	362,031	477,874
Accounts receivable	231,340	201,938	272,088	365,993	469,123
Other current assets	38,922	53,453	106,376	105,242	105,242
Non-current assets	2,911,882	3,338,338	3,603,586	4,188,312	4,705,495
LT investments	68,928	129,442	149,040	164,458	169,345
Net fixed assets	2,693,837	3,064,475	3,234,980	3,797,830	4,310,125
Other assets	149,117	144,421	219,565	226,024	226,024
Total liabilities	2,004,290	2,049,108	2,368,362	2,658,813	2,724,091
Current liabilities	944,227	913,583	1,264,525	1,526,954	1,592,231
Accounts payable	56,522	57,293	74,227	101,497	133,974
Interest bearing ST liabilities	19,314	9,293	59,858	61,772	61,772
Other current liabilities	868,391	846,997	1,130,441	1,363,685	1,396,485
Non-current liabilities	1,060,063	1,135,525	1,103,837	1,131,860	1,131,860
Long-term debt	839,096	918,283	958,429	978,090	978,090
Other L-T liabilities	191,203	188,560	116,653	144,876	144,876
Total equity	2,960,489	3,483,263	4,323,576	5,379,906	6,614,329
Share capital	259,304	259,321	259,327	259,326	259,326
Retained earnings reserve	2,323,223	2,846,884	3,606,105	5,009,811	6,244,233
Minority interests	14,836	24,349	35,031	37,462	37,462
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Growth					
Revenue growth	42.6%	(4.5%)	33.9%	26.4%	15.0%
Operating profit growth	72.5%	(17.9%)	43.8%	32.8%	13.2%
EBITDA growth	45.3%	(6.8%)	36.7%	26.0%	16.2%
Net profit growth	70.4%	(17.5%)	39.9%	32.5%	12.8%
EPS growth	70.4%	(17.5%)	39.9%	32.5%	12.8%
Profitability					
Gross profit margin	59.6%	54.4%	56.1%	57.7%	56.1%
Operating margin	49.5%	42.6%	45.8%	48.1%	47.3%
EBITDA margin	68.8%	67.2%	68.7%	68.4%	69.2%
Net profit margin	44.9%	38.8%	40.5%	42.5%	41.6%
Return on average assets	23.4%	16.0%	19.2%	21.1%	20.2%
Return on average equity	39.8%	26.2%	30.3%	32.3%	29.4%
Stability					
Gross debt to equity	29.0%	26.6%	23.6%	19.3%	15.7%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	98.4	82.6	135.2	174.4	195.4
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	137.1	103.5	174.0	216.8	234.8
Cash flow/int. & ST debt (x)	51.8	58.3	26.0	32.0	34.7
Current ratio (x)	2.2	2.4	2.4	2.5	2.9
Quick ratio (x)	1.9	2.1	2.2	2.3	2.6
Net debt (NT\$m)	(484,404)	(537,852)	(1,109,340)	(1,668,999)	(2,232,543)
Per share data					
EPS (NT\$)	39.20	32.34	45.25	59.96	67.61
CFPS (NT\$)	62.12	47.90	70.43	89.56	96.97
BVPS (NT\$)	113.60	133.38	165.37	206.05	253.65
Adj BVPS (NT\$)	113.60	133.40	165.40	206.05	253.65
SPS (NT\$)	87.31	83.37	111.63	141.11	162.34
EBITDA/share (NT\$)	60.11	56.05	76.65	96.58	112.26
Cash DPS (NT\$)	11.00	13.00	17.00	20.00	20.00
Activity					
Sales / avg assets	0.52	0.41	0.47	0.50	0.48
Days receivable	37.3	34.1	34.4	36.5	40.7
Days inventory	88.2	92.9	83.0	85.4	94.3
Days payable	22.5	21.2	21.4	23.9	26.4
Cash cycle	102.9	105.8	96.0	98.0	108.6

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	2,263,891	2,161,736	2,894,308	3,658,771	4,209,236
Cost of goods sold	(915,536)	(986,625)	(1,269,954)	(1,547,283)	(1,849,113)
Gross profit	1,348,355	1,175,111	1,624,354	2,111,488	2,360,122
Operating expenses	(227,076)	(254,022)	(299,840)	(353,139)	(369,192)
Operating profit	1,121,279	921,088	1,324,513	1,758,349	1,990,931
Non-operating income	31,168	65,429	92,660	109,369	101,600
Interest income	22,422	60,294	87,213	97,394	96,713
Investment income	8,065	5,119	4,879	5,085	4,887
Other non-op income	681	16	567	6,890	(0)
Non-operating expenses	(8,256)	(7,723)	(8,874)	(10,496)	(10,709)
Interest expense	(11,750)	(11,999)	(10,495)	(10,709)	(10,709)
Investment loss	-	-	-	-	-
Other non-op expenses	3,494	4,276	1,621	213	-
Pre-tax profit	1,144,191	978,794	1,408,299	1,857,222	2,081,821
Current taxation	(127,290)	(141,404)	(233,407)	(305,699)	(331,937)
Minorities	(370)	730	836	3,170	3,118
Extraordinary items	-	377	(2,460)	-	-
Net profit	1,016,530	838,498	1,173,268	1,554,693	1,753,003
EBITDA	1,558,533	1,453,279	1,987,310	2,504,159	2,910,781
EPS (NT\$)	39.20	32.34	45.25	59.96	67.61

Cash flow

NT\$m	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	1,610,599	1,241,967	1,826,177	2,322,171	2,514,270
Net profit	1,016,530	838,498	1,173,268	1,554,693	1,753,003
Depreciation & amortisation	437,254	532,191	662,797	745,809	919,850
Decrease in working capital	(53,286)	324	(90,088)	(140,797)	(186,496)
Other operating cash flow	210,100	(129,046)	80,200	162,466	27,914
Investing cash flow	(1,190,928)	(906,121)	(864,843)	(1,257,886)	(1,432,146)
Sale of ST investment	(128,838)	(55,781)	(54,143)	5,647	-
New investments	-	-	(3,739)	-	-
Capital expenditure	(1,082,672)	(949,817)	(956,007)	(1,298,521)	(1,432,146)
Others investing cashflow	20,582	99,478	149,045	34,987	-
Free cash flow	289,078	361,461	712,509	762,077	956,696
Financing cash flow	(200,244)	(204,894)	(346,301)	(499,513)	(518,580)
Increase in short term debt	(111,960)	-	-	-	-
Increase in long term loans	195,983	68,204	55,866	21,575	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(285,234)	(291,722)	(363,055)	(518,569)	(518,580)
Other financing cashflow	1,839	18,623	(36,022)	(2,519)	-
Forex effects	58,397	(8,339)	47,166	16,462	-
Total cash generated	277,824	122,614	662,199	581,234	563,544

ROIC

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	10.0%	11.8%	10.4%	9.7%	8.8%
= Operating margin	49.5%	42.6%	45.8%	48.1%	47.3%
1 / (Working capital/revenue	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
+ Net PPE/revenue	1.2	1.4	1.1	1.0	1.0
+ Other assets/revenue)	0.0	0.0	0.0	0.1	0.1
= Capital turnover	1.0	0.8	1.0	1.1	1.0
Operating margin	49.5%	42.6%	45.8%	48.1%	47.3%
x Capital turnover	1.0	0.8	1.0	1.1	1.0
x (1 - tax rate)	88.9%	85.6%	83.4%	83.5%	84.1%
= After-tax ROIC	43.9%	29.4%	39.7%	43.3%	41.2%

Source: Company data; KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
2025-07-11	Outperform	1,190	1,100
2025-06-09	Outperform	1,105	1,005
2025-04-17	Outperform	1,000	847
2025-03-31	Outperform	1,350	910
2025-03-04	Outperform	1,350	1,000
2025-01-16	Outperform	1,450	1,105
2025-01-06	Outperform	1,450	1,125
2024-11-08	Outperform	1,450	1,090
2024-10-17	Outperform	1,450	1,035
2024-10-01	Outperform	1,330	972

Source: TEJ

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