

TSMC (2330.TW/2330 TT)

TSMC boosts US investment

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of March 4 (NT\$)	1,000
12M target price (NT\$)	1,350
Previous target price (NT\$)	1,450
Revised down (%)	6.9
Upside (%)	35.0

Key message

1. Additional US investment of US\$100bn.
2. Margin dilution and cash dividend growth limitations are inevitable.
3. Structural inflation in tech space, particularly for AI chips.

Trading data

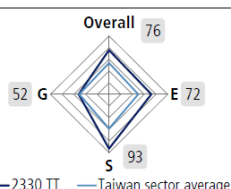
Mkt cap (NT\$bn/US\$m)	25,933 / 787,404
Outstanding shares (mn)	25,933
Foreign ownership (mn)	18,975
3M avg. daily trading (mn)	25.87
52-week trading range (NT\$)	730 -1,135

Performance	3M	6M	12M
Absolute (%)	-6.6	12.5	37.9
Relative (%)	-3.8	5.4	20.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	7.98A	7.01A	8.14A	9.21A
2024	8.70A	9.56A	12.55A	14.45A
2025	14.00F	13.54F	15.37F	15.87F

ESG score card



Source: Refinitiv

Event

TSMC intends to expand its US investment to US\$165bn to power the future of AI.

Impact

Additional US investment of US\$100bn. TSMC will increase its US investment by US\$100bn to build an additional three fabs, two advanced packaging facilities, and one R&D center. Together with the existing US\$65bn, TSMC's US investment now totals US\$165bn, up 153%. The move aims to support its key US clients, including Apple, Nvidia, AMD, Broadcom, and Qualcomm. No time table was given in the press release.

Margin dilution & cash dividend growth limitations are inevitable. The announcement of an additional US investment of US\$100bn exceeded our expectations. TSMC previously guided 2025 capex of US\$38-42bn, and currently has cash-on-hand of US\$76bn and estimated free cash flow of about US\$26bn in 2024. With a strong balance sheet and healthy cash flow, we believe the upside of US investment is achievable. However, margin dilution is inevitable (US costs are at least 50% higher than Taiwan costs). Assuming the additional US\$100bn is spent over four years (i.e. US\$25bn additional capex per year), then margin dilution from depreciation will be 3.0-3.5% per year. In addition, this might also limit room for future cash dividend growth due to increased capital intensity. We estimate capital intensity will rise from the current 33-35% to 45-46% in 2026-27. Currently, the three phases of US expansion will result in monthly capacity of 70-75k wafers per month by 2030F, which will account for 5.5% of TSMC's current capacity. With investment doubled, US capacity could be close to 10% of TSMC's current capacity by 2030F.

Valuation & Action

The additional US investment confirms that the earnings upcycle is nearing its end. Both fading growth momentum and concerns about margin dilution will cap share price upside over the next few quarters. However, we believe TSMC's technological leadership remains intact. We will review our model when more details are released. We maintain Outperform, but lower our target price to NT\$1,350, based on 20x 2026F EPS, to reflect 4Q24 results and the potential margin dilution from depreciation. We believe the gross margins of TSMC and its major US customers, Apple, Nvidia, Broadcom, Qualcomm, and AMD, could be under pressure. From a Taiwan stock perspective, no key sectors could benefit as overall demand is unchanged. However, the increase in capex will help improve investment sentiment for semiconductor equipment-related stocks, though structural cost increases in the supply chain will have a long-term negative impact on demand.

Risks

Global macro and geopolitical uncertainties; prolonged inventory correction.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (NT\$m)	2,263,891	2,161,736	2,894,308	3,702,096	4,218,272
Gross profit (NT\$m)	1,348,355	1,175,111	1,624,354	2,092,560	2,410,316
Operating profit (NT\$m)	1,121,279	921,088	1,322,053	1,720,442	1,985,706
Net profit (NT\$m)	1,016,530	838,498	1,173,268	1,524,223	1,748,006
EPS (NT\$)	39.20	32.34	45.25	58.79	67.42
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
EPS growth (%)	70.4	(17.5)	39.9	29.9	14.7
PE (x)	25.5	30.9	22.1	17.0	14.8
PB (x)	8.8	7.5	6.0	4.8	3.9
EV/EBITDA (x)	16.0	16.9	12.1	9.7	8.5
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.1	1.3	1.7	1.8	1.8
Return on average equity (%)	39.8	26.2	30.3	31.6	29.2

Source: Company data; KGI Research estimates

Structural inflation in tech space, particularly for AI chips. Despite potentially being a one-off event amid geopolitical concerns, greater-than-expected US investment could mitigate non-fundamental uncertainties for TSMC. The increase in US investment is a relatively positive outcome among all possible scenarios, such as technological expertise transfer to Intel (US) or becoming involved in Intel foundry operations. However, we need to closely monitor if this is only the beginning of chip production localization in the US. No matter what, we believe the move will significantly result in structural inflation in the tech space due to higher costs, which will further slow consumption recovery.

Figure 1: 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	3,702,096	3,702,096	0.0	27.9	3,686,504	0.4	4,218,272	4,218,272	0.0	13.9	4,393,232	(4.0)
Gross profit	2,092,560	2,125,037	(1.5)	28.8	2,156,236	(3.0)	2,410,316	2,516,738	(4.2)	15.2	2,558,311	(5.8)
Operating profit	1,720,442	1,752,918	(1.9)	30.1	1,779,278	(3.3)	1,985,706	2,092,129	(5.1)	15.4	2,118,739	(6.3)
Net profit	1,524,223	1,551,460	(1.8)	29.9	1,557,426	(2.1)	1,748,006	1,837,015	(4.8)	14.7	1,854,709	(5.8)
EPS (NT\$)	58.79	59.84	(1.8)	29.9	59.81	(1.7)	67.42	70.86	(4.9)	14.7	71.24	(5.4)
Gross margin (%)	56.5	57.4	(0.9)ppts	0.4 ppts	58.5	(2.0)ppts	57.1	59.7	(2.5)ppts	0.6 ppts	58.2	(1.1)ppts
OP margin (%)	46.5	47.3	(0.9)ppts	0.8 ppts	48.3	(1.8)ppts	47.1	49.6	(2.5)ppts	0.6 ppts	48.2	(1.2)ppts
Net margin (%)	41.2	41.9	(0.7)ppts	0.6 ppts	42.2	(1.1)ppts	41.4	43.5	(2.1)ppts	0.3 ppts	42.2	(0.8)ppts

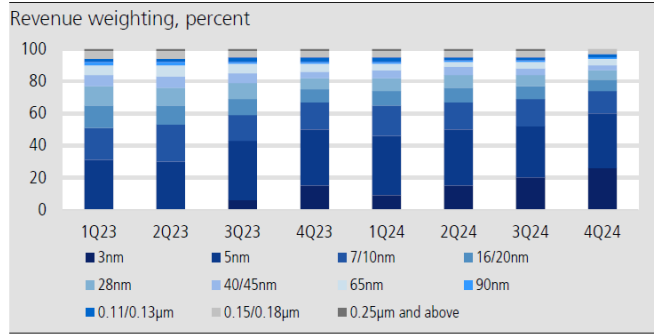
Source: Bloomberg; KGI Research estimates

Figure 2: 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.

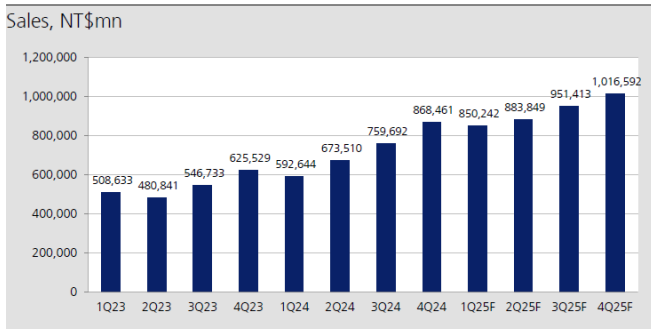
Source: Company data; KGI Research

Figure 3: TSMC wafer revenue by node



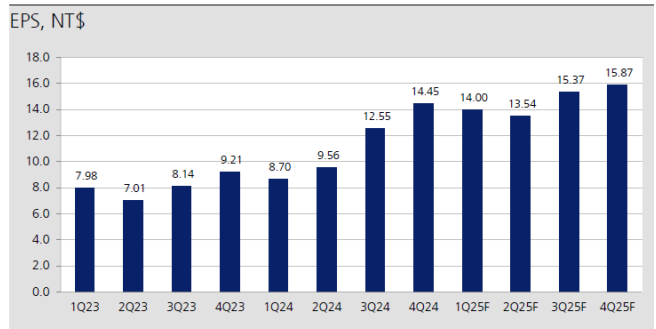
Source: Company data; KGI Research

Figure 4: Sales



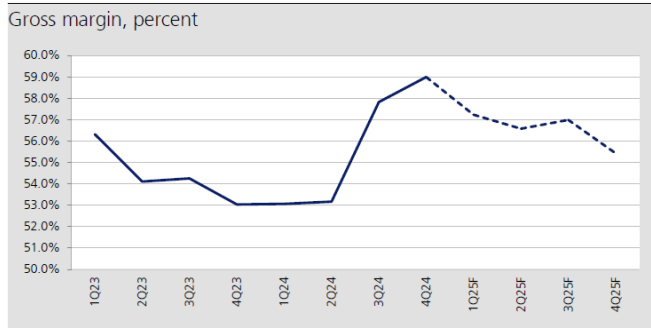
Source: KGI Research

Figure 5: EPS



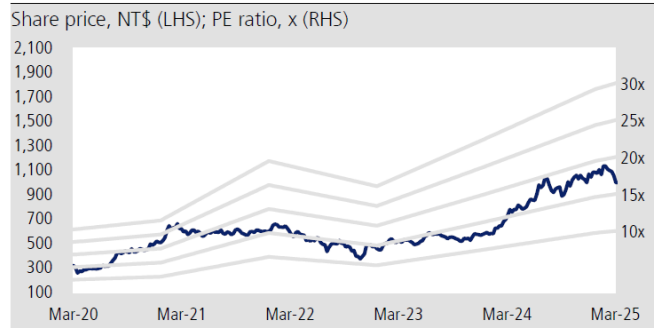
Source: KGI Research

Figure 6: Gross margin



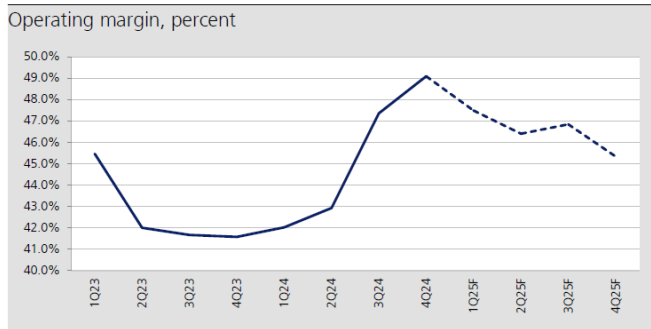
Source: KGI Research

Figure 7: 12M forward PE band



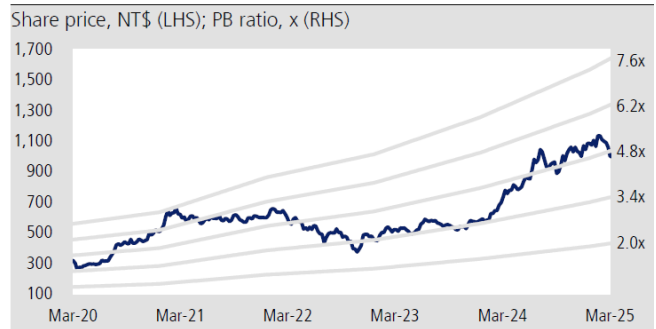
Source: TEJ; KGI Research estimates

Figure 8: Operating margin



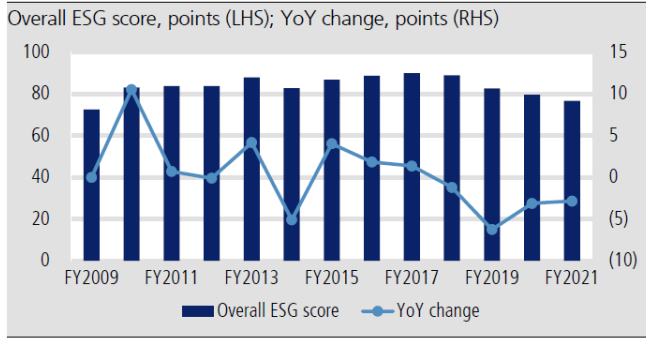
Source: KGI Research

Figure 9: 12M forward PB band



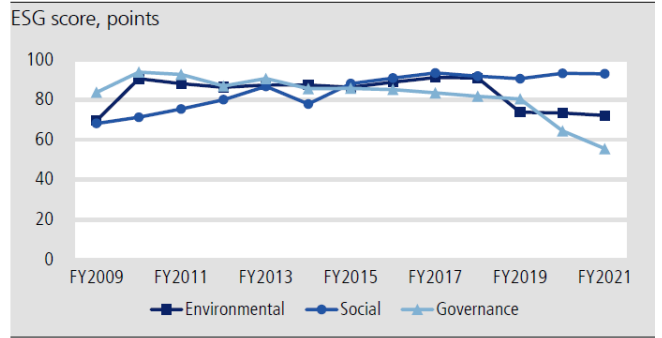
Source: TEJ; KGI Research estimates

Figure 10: Overall ESG score



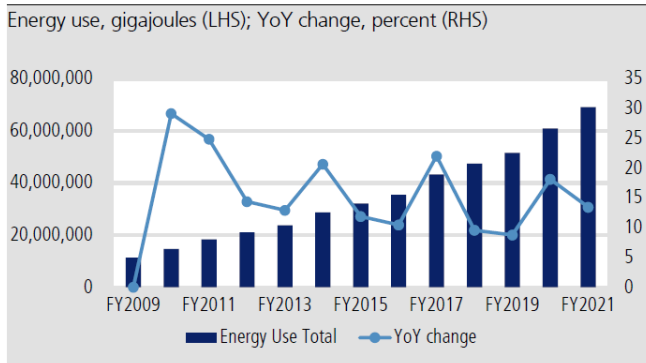
Source: Refinitiv; Company data

Figure 11: ESG score by category



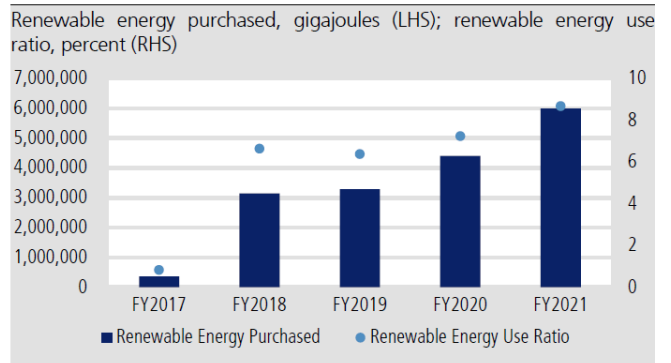
Source: Refinitiv; Company data

Figure 12: Energy use



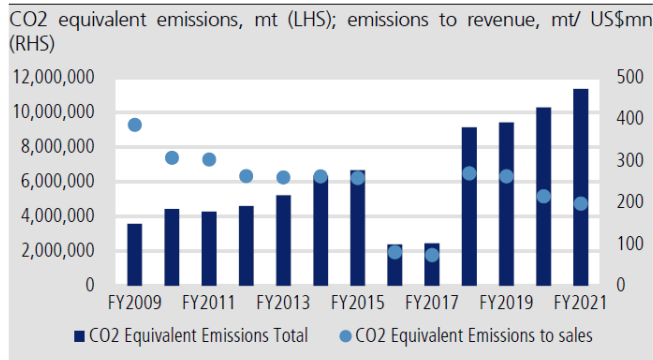
Source: Refinitiv; Company data

Figure 13: Renewable energy



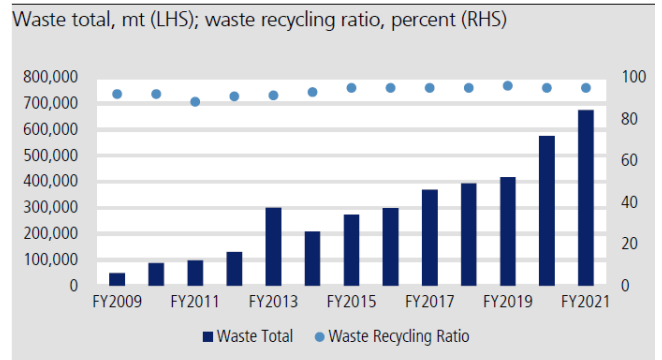
Source: Refinitiv; Company data

Figure 14: CO2 equivalent emissions



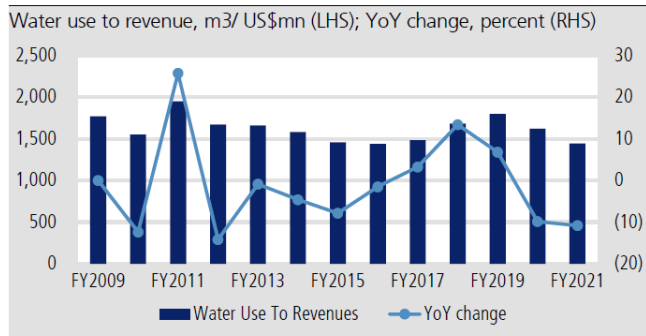
Source: Refinitiv; Company data

Figure 15: Waste total



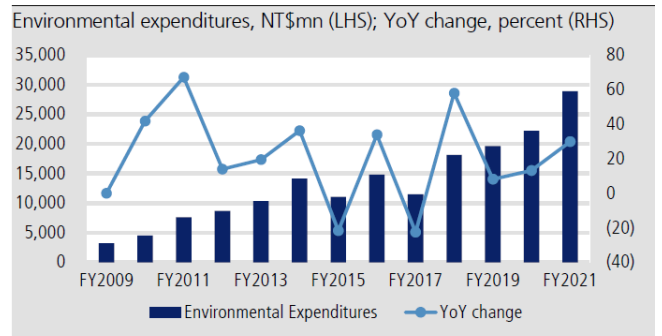
Source: Refinitiv; Company data

Figure 16: Water use to revenue

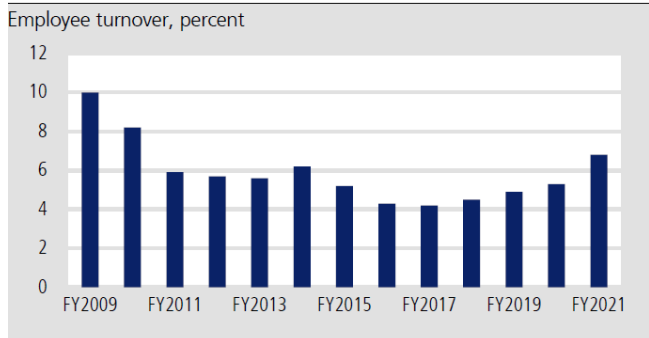


Source: Refinitiv; Company data

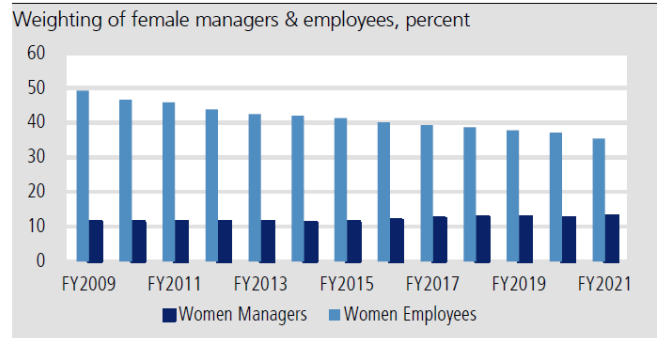
Figure 17: Environmental expenditures



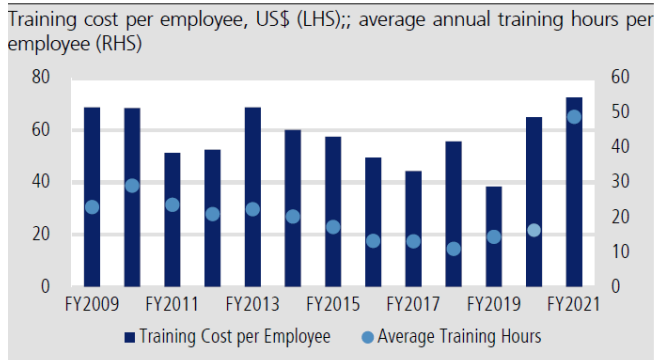
Source: Refinitiv; Company data

Figure 18: Employee turnover


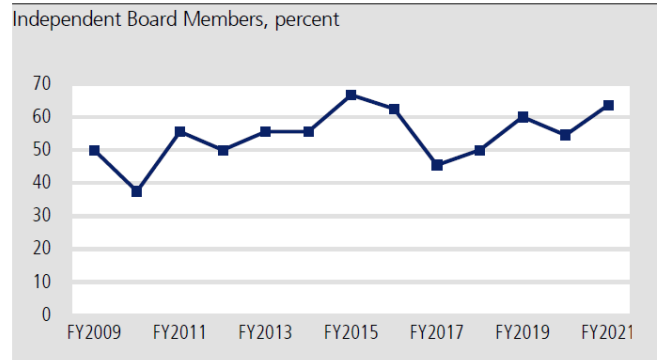
Source: Refinitiv; Company data

Figure 19: Gender diversification


Source: Refinitiv; Company data

Figure 20: Employee training


Source: Refinitiv; Company data

Figure 21: Independent Board Members


Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv, KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24A	Dec-24A	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24F	Dec-25F	Dec-26F
Income statement (NTSmn)											
Revenue	592,644	673,510	759,692	868,461	850,242	883,849	951,413	1,016,592	2,894,308	3,702,096	4,218,272
Cost of goods sold	(278,139)	(315,386)	(320,346)	(356,083)	(363,582)	(383,743)	(409,185)	(453,027)	(1,269,954)	(1,609,536)	(1,807,956)
Gross profit	314,505	358,124	439,346	512,378	486,660	500,107	542,228	563,566	1,624,354	2,092,560	2,410,316
Operating expenses	(65,487)	(69,022)	(79,578)	(86,012)	(82,899)	(89,976)	(96,568)	(102,676)	(302,301)	(372,119)	(424,610)
Operating profit	249,018	289,103	359,767	426,366	403,761	410,131	445,660	460,890	1,322,053	1,720,442	1,985,706
Depreciation of fixed assets	(156,697)	(162,929)	(165,915)	(168,069)	(169,100)	(177,277)	(181,365)	(200,199)	(653,610)	(727,941)	(800,794)
Amortisation of intangible assets	(2,326)	(2,237)	(2,313)	(2,309)	(3,365)	(3,487)	(3,866)	(3,823)	(9,186)	(14,540)	(16,012)
EBITDA	408,041	454,269	527,996	596,744	576,226	590,894	630,891	664,912	1,984,850	2,462,923	2,802,512
Interest income	19,359	20,979	22,602	24,273	24,273	24,273	24,273	24,273	87,213	97,093	97,093
Investment income	950	1,355	1,286	1,288	1,288	1,288	1,288	1,288	4,879	5,154	5,154
Other non-op income	0	(0)	316	251	(0)	(0)	(0)	(0)	567	(0)	(0)
Non-operating income	20,309	22,335	24,203	25,813	25,562	25,562	25,562	25,562	92,660	102,247	102,247
Interest expense	(2,698)	(2,638)	(2,636)	(2,523)	(2,523)	(2,523)	(2,523)	(2,523)	(10,495)	(10,093)	(10,093)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(86)	58	1,853	(204)	-	-	-	-	1,621	-	-
Non-operating expenses	(2,784)	(2,580)	(783)	(2,727)	(2,523)	(2,523)	(2,523)	(2,523)	(8,874)	(10,093)	(10,093)
Pre-tax profit	266,543	308,858	383,188	449,451	426,800	433,169	468,698	483,929	1,405,839	1,812,596	2,077,861
Current taxation	(41,322)	(58,649)	(59,107)	(74,329)	(64,020)	(82,302)	(70,305)	(72,589)	(233,407)	(289,216)	(330,699)
Minorities	264	184	177	211	211	211	211	211	836	843	843
Normalised net profit	225,485	250,393	324,259	375,333	362,991	351,078	398,604	411,550	1,173,268	1,524,223	1,748,006
Extraordinary items	(0)	(2,547)	999	(653)	-	-	-	-	-	-	-
Net profit	225,485	247,846	325,258	374,680	362,991	351,078	398,604	411,550	1,173,268	1,524,223	1,748,006
EPS (NT\$)	8.70	9.56	12.55	14.45	14.00	13.54	15.37	15.87	45.25	58.79	67.42
Margins (%)											
Gross profit margin	53.1	53.2	57.8	59.0	57.2	56.6	57.0	55.4	56.1	56.5	57.1
Operating margin	42.0	42.9	47.4	49.1	47.5	46.4	46.8	45.3	45.7	46.5	47.1
EBITDA margin	68.9	67.4	69.5	68.7	67.8	66.9	66.3	65.4	68.6	66.5	66.4
Pretax profit margin	45.0	45.9	50.4	51.8	50.2	49.0	49.3	47.6	48.6	49.0	49.3
Net profit margin	38.0	36.8	42.8	43.1	42.7	39.7	41.9	40.5	40.5	41.2	41.4
Sequential growth (%)											
Revenue growth	(5.3)	13.6	12.8	14.3	(2.1)	4.0	7.6	6.9			
Gross profit growth	(5.2)	13.9	22.7	16.6	(5.0)	2.8	8.4	3.9			
Operating profit growth	(4.3)	16.1	24.4	18.5	(5.3)	1.6	8.7	3.4			
EBITDA growth	(0.7)	11.3	16.2	13.0	(3.4)	2.5	6.8	5.4			
Pretax profit growth	(4.2)	15.9	24.1	17.3	(5.0)	1.5	8.2	3.2			
Net profit growth	(5.5)	9.9	31.2	15.2	(3.1)	(3.3)	13.5	3.2			
YoY growth (%)											
Revenue growth	16.5	40.1	39.0	38.8	43.5	31.2	25.2	17.1	33.9	27.9	13.9
Gross profit growth	9.8	37.6	48.1	54.4	54.7	39.6	23.4	10.0	38.2	28.8	15.2
Operating profit growth	7.7	43.1	57.9	63.9	62.1	41.9	23.9	8.1	43.5	30.1	15.4
EBITDA growth	19.5	39.4	40.8	45.3	41.2	30.1	19.5	11.4	36.6	24.1	13.8
Pretax profit growth	9.1	43.9	58.6	61.6	60.1	40.2	22.3	7.7	43.6	28.9	14.6
Net profit growth	8.9	36.3	54.2	57.0	61.0	41.7	22.6	9.8	39.9	29.9	14.7

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total assets	4,964,779	5,532,371	6,691,938	7,903,845	9,209,997
Current assets	2,052,897	2,194,033	3,088,352	3,736,859	3,874,932
Cash & ST securities	1,561,486	1,687,644	2,422,020	2,824,980	2,844,496
Inventory	221,149	250,997	287,869	405,690	449,777
Accounts receivable	231,340	201,938	272,088	399,813	474,283
Other current assets	38,922	53,453	106,376	106,376	106,376
Non-current assets	2,911,882	3,338,338	3,603,586	4,166,986	5,335,066
LT investments	68,928	129,442	149,040	154,194	159,348
Net fixed assets	2,693,837	3,064,475	3,234,980	3,793,227	4,956,153
Other assets	149,117	144,421	219,565	219,565	219,565
Total liabilities	2,004,290	2,049,108	2,368,362	2,522,741	2,547,585
Current liabilities	944,227	913,583	1,264,525	1,418,904	1,443,747
Accounts payable	56,522	57,293	74,227	113,737	126,097
Interest bearing ST liabilities	19,314	9,293	59,858	59,858	59,858
Other current liabilities	868,391	846,997	1,130,441	1,245,310	1,257,793
Non-current liabilities	1,060,063	1,135,525	1,103,837	1,103,837	1,103,837
Long-term debt	839,096	918,283	925,880	925,880	925,880
Other L-T liabilities	191,203	188,560	145,408	145,408	145,408
Total equity	2,960,489	3,483,263	4,323,576	5,381,103	6,662,413
Share capital	259,304	259,321	259,327	259,327	259,327
Retained earnings reserve	2,323,223	2,846,884	3,955,957	5,013,484	6,294,794
Minority interests	14,836	24,349	35,031	35,031	35,031
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Growth					
Revenue growth	42.6%	(4.5%)	33.9%	27.9%	13.9%
Operating profit growth	72.5%	(17.9%)	43.5%	30.1%	15.4%
EBITDA growth	45.3%	(6.8%)	36.6%	24.1%	13.8%
Net profit growth	70.4%	(17.5%)	39.9%	29.9%	14.7%
EPS growth	70.4%	(17.5%)	39.9%	29.9%	14.7%
Profitability					
Gross profit margin	59.6%	54.4%	56.1%	56.5%	57.1%
Operating margin	49.5%	42.6%	45.7%	46.5%	47.1%
EBITDA margin	68.8%	67.2%	68.6%	66.5%	66.4%
Net profit margin	44.9%	38.8%	40.5%	41.2%	41.4%
Return on average assets	23.4%	16.0%	19.2%	20.9%	20.4%
Return on average equity	39.8%	26.2%	30.3%	31.6%	29.2%
Stability					
Gross debt to equity	29.0%	26.6%	22.8%	18.3%	14.8%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	98.4	82.6	134.9	180.6	206.9
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	215.0	244.3
Cash flow/int. & ST debt (x)	51.8	58.3	26.0	31.0	35.3
Current ratio (x)	2.2	2.4	2.4	2.6	2.7
Quick ratio (x)	1.9	2.1	2.2	2.3	2.4
Net debt (NT\$m)	(484,404)	(537,852)	(1,141,890)	(1,544,850)	(1,564,366)
Per share data					
EPS (NT\$)	39.20	32.34	45.25	58.79	67.42
CFPS (NT\$)	62.12	47.90	70.43	83.71	95.11
BVPS (NT\$)	113.60	133.38	165.40	206.19	255.61
Adj BVPS (NT\$)	113.60	133.40	165.40	206.19	255.61
SPS (NT\$)	87.31	83.37	111.63	142.79	162.69
EBITDA/share (NT\$)	60.11	56.05	76.55	94.99	108.09
Cash DPS (NT\$)	11.00	13.00	17.00	18.00	18.00
Activity					
Sales / avg assets	0.52	0.41	0.47	0.51	0.49
Days receivable	37.3	34.1	34.4	39.4	41.0
Days inventory	88.2	92.9	83.0	92.0	90.8
Days payable	22.5	21.2	21.4	25.8	25.5
Cash cycle	102.9	105.8	96.0	105.6	106.4

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue	2,263,891	2,161,736	2,894,308	3,702,096	4,218,272
Cost of goods sold	(915,536)	(986,625)	(1,269,954)	(1,609,536)	(1,807,956)
Gross profit	1,348,355	1,175,111	1,624,354	2,092,560	2,410,316
Operating expenses	(227,076)	(254,022)	(302,301)	(372,119)	(424,610)
Operating profit	1,121,279	921,088	1,322,053	1,720,442	1,985,706
Non-operating income	31,168	65,429	92,660	102,247	102,247
Interest income	22,422	60,294	87,213	97,093	97,093
Investment income	8,065	5,119	4,879	5,154	5,154
Other non-op income	681	16	567	(0)	(0)
Non-operating expenses	(8,256)	(7,723)	(8,874)	(10,093)	(10,093)
Interest expense	(11,750)	(11,999)	(10,495)	(10,093)	(10,093)
Investment loss	-	-	-	-	-
Other non-op expenses	3,494	4,276	1,621	-	-
Pre-tax profit	1,144,191	978,794	1,405,839	1,812,596	2,077,861
Current taxation	(127,290)	(141,404)	(233,407)	(289,216)	(330,699)
Minorities	(370)	730	836	843	843
Extraordinary items	-	377	-	-	-
Net profit	1,016,530	838,498	1,173,268	1,524,223	1,748,006
EBITDA	1,558,533	1,453,279	1,984,850	2,462,923	2,802,512
EPS (NT\$)	39.20	32.34	45.25	58.79	67.42

Cash flow

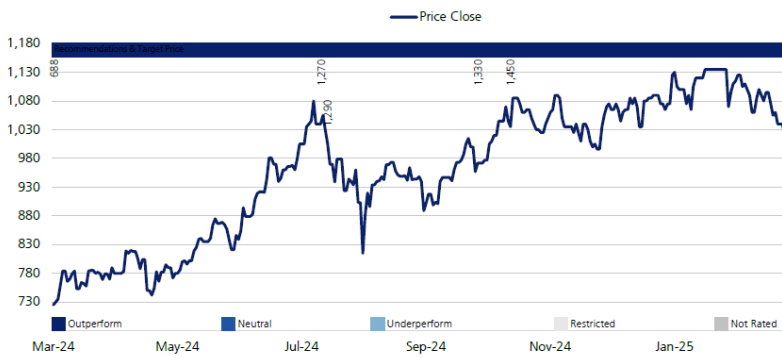
NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Operations cash flow	1,610,599	1,241,967	1,826,177	2,170,384	2,465,944
Net profit	1,016,530	838,498	1,173,268	1,524,223	1,748,006
Depreciation & amortisation	437,254	532,191	662,797	742,481	816,806
Decrease in working capital	(53,286)	324	(90,088)	(206,036)	(106,197)
Other operating cash flow	210,100	(129,046)	80,200	109,715	7,329
Investing cash flow	(1,190,928)	(906,121)	(864,843)	(1,300,728)	(1,979,732)
Sale of ST investment	(128,838)	(55,781)	(20,956)	-	-
New investments	-	-	-	-	-
Capital expenditure	(1,082,672)	(949,817)	(956,007)	(1,300,728)	(1,979,732)
Others investing cashflow	20,582	99,478	112,120	-	-
Free cash flow	289,078	361,461	710,073	667,107	384,540
Financing cash flow	(200,244)	(204,894)	(346,301)	(466,696)	(466,696)
Increase in short term debt	(111,960)	-	-	-	-
Increase in long term loans	195,983	68,204	58,161	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(285,234)	(291,722)	(363,055)	(466,696)	(466,696)
Other financing cashflow	1,839	18,623	(38,318)	-	-
Forex effects	58,397	(8,339)	47,166	-	-
Total cash generated	277,824	122,614	662,199	402,960	19,516

ROIC

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	10.0%	11.8%	10.4%	10.1%	10.1%
= Operating margin	49.5%	42.6%	45.7%	46.5%	47.1%
1 / (Working capital/revenue	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
+ Net PPE/revenue	1.2	1.4	1.1	1.0	1.2
+ Other assets/revenue)	0.0	0.0	0.1	0.1	0.1
= Capital turnover	1.0	0.8	1.0	1.0	0.9
Operating margin	49.5%	42.6%	45.7%	46.5%	47.1%
x Capital turnover	1.0	0.8	1.0	1.0	0.9
x (1 - tax rate)	88.9%	85.6%	83.4%	84.0%	84.1%
= After-tax ROIC	43.9%	29.4%	37.8%	40.6%	34.6%

Source: Company data; KGI Research estimates

TSMC – Recommendation & target price history



Date	Rating	Target	Price
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
2024-08-21	Outperform	1,290	958
2024-07-18	Outperform	1,290	1,005
2024-07-15	Outperform	1,270	1,040
2024-01-18	Outperform	688	588
2024-01-10	Outperform	688	584

Source: TEJ; KGI Research

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