07 Oct 2026 06:16:47 ET | 17 pages

# TSMC (2330.TW)

## Another round of consensus earnings upgrades likely to come

**CITI'S TAKE**

TSMC will host its 3Q26 earnings call on Oct 15. We expect TSMC to beat its recently raised guidance once again and we are looking for full year revenue to be up 46% YoY and 4Q revenue to be up around 15% QoQ. While N2 will be a margin diluting factor initially, due to high UTR and yield rate we believe its pressure on GM would be manageable and so we forecast 66-67% GM in 2H26E. Overall, we see strong advanced node demand into next year and believe long-term visibility around orders will support higher capex cycle. We lift our net earnings forecasts for TSMC by 4%/5% for 2027/2028E and expect capex to reach US$81bn/US$90bn in the next two years. Reiterate Buy and raise TP to NT$4,000 (25x 2027 EPS).

**Another strong year likely —** Supported by robust AI compute demand, potential upside from agentic AI, and the new networking cycle of CPO, we expect >40% YoY revenue growth for TSMC into 2027E. Along with full-year N2 contribution and more AI compute workloads moving to N3 from 2H26 and N2/A16 into 2028, we expect to see continuing consensus earnings upgrades as tight wafer foundry supply supports sustained demand growth. We believe TSMC's capex could increase over the coming years supported by strong revenue outlook.

**AI semiconductor market likely to double next year —** We expect TSMC's AI revenue growth to nearly double next year considering most of its AI semiconductor customers are expecting accelerating growth. TSMC's largest customer, Nvidia has guided to a doubling of its order intake and over 70% YoY revenue growth in FY2028E driven mainly by ongoing supply constraints. AMD has guided to over 80% CAGR in its Data Center AI business, while Broadcom expects its AI semiconductor revenue to almost double in FY2028E.

**Overseas expansion likely to continue, with Arizona a key focus —** Despite recent news on potential cooperation with Terafab in Texas (Bloomberg, Oct 5), we note that TSMC has 6 phases in AZ for advanced node wafer foundry and 2 phases for advanced packaging. Management previously mentioned in earnings call that they were aiming to have 30% advanced node capacity in Arizona to fulfill US demand over the longer term. TSMC will be ramping up N3/N2 in phase 2/3 in late-2027/2028. We expect remaining capacity in Phase 4-6 to be built gradually by 2030; as a result, we do not factor in any new capacity and investment in Texas in the next few years.

**Earnings Summary**

| Year to 31 Dec | Net Profit (NT$M) | Diluted EPS (NT$) | EPS growth (%) | P/E (x) | P/B (x) | ROE (%) | Yield (%) |
|---|---|---|---|---|---|---|---|
| 2024A | 1,173,268 | 45.24 | 39.9 | 57.1 | 15.6 | 30.3 | 0.5 |
| 2025A | 1,717,883 | 66.24 | 46.4 | 39.0 | 12.4 | 35.4 | 0.7 |
| 2026E | 2,871,328 | 110.72 | 67.1 | 23.3 | 8.9 | 44.2 | 1.1 |
| 2027E | 4,105,294 | 158.30 | 43.0 | 16.3 | 6.5 | 45.7 | 1.9 |
| 2028E | 5,628,058 | 217.02 | 37.1 | 11.9 | 4.7 | 45.7 | 2.6 |

Source: Powered by dataCentral

**Buy**

**Catalyst Watch: Upside**

| | |
|---|---|
| Price (07 Oct 26 13:30) | NT$2,585.00 |
| Target price | NT$4,000.00↑ |
| *from NT$3,800.00* | |
| Expected share price return | 54.7% |
| Expected dividend yield | 2.0% |
| Expected total return | 56.7% |
| Market Cap | NT$67,035,177M |
| | US$2,108,489M |

**Price Performance**
**(RIC: 2330.TW, BB: 2330 TT)**




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| 2330.TW: Fiscal year end 31-Dec | | | | | | Price: NT$2,585.00; TP: NT$4,000.00; Market Cap: NT$67,035,177m; Recomm: Buy | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit & Loss (NT$m)** | **2024** | **2025** | **2026E** | **2027E** | **2028E** | **Valuation ratios** | **2024** | **2025** | **2026E** | **2027E** | **2028E** |
| Sales revenue | 2,894,308 | 3,809,054 | 5,557,456 | 7,904,818 | 10,742,767 | PE (x) | 57.1 | 39.0 | 23.3 | 16.3 | 11.9 |
| Cost of sales | -1,269,954 | -1,527,760 | -1,831,281 | -2,462,776 | -3,295,670 | PB (x) | 15.6 | 12.4 | 8.9 | 6.5 | 4.7 |
| Gross profit | 1,624,354 | 2,281,294 | 3,726,175 | 5,442,042 | 7,447,097 | EV/EBITDA (x) | 33.2 | 24.9 | 15.4 | 10.4 | 7.5 |
| Gross Margin (%) | 56.1 | 59.9 | 67.0 | 68.8 | 69.3 | FCF yield (%) | 1.4 | 1.7 | 2.0 | 4.1 | 6.4 |
| **EBITDA (Adj)** | **1,984,850** | **2,624,188** | **4,177,640** | **6,069,896** | **8,170,950** | Dividend yield (%) | 0.5 | 0.7 | 1.1 | 1.9 | 2.6 |
| EBITDA Margin (Adj) (%) | 68.6 | 68.9 | 75.2 | 76.8 | 76.1 | Payout ratio (%) | 31 | 27 | 25 | 32 | 31 |
| Depreciation | -662,797 | -688,096 | -907,535 | -1,300,577 | -1,647,764 | ROE (%) | 30.3 | 35.4 | 44.2 | 45.7 | 45.7 |
| Amortisation | 0 | 0 | 0 | 0 | 0 | **Cashflow (NT$m)** | **2024** | **2025** | **2026E** | **2027E** | **2028E** |
| **EBIT (Adj)** | **1,322,053** | **1,936,092** | **3,270,105** | **4,769,320** | **6,523,186** | EBITDA | 1,984,850 | 2,624,188 | 4,177,640 | 6,069,896 | 8,170,950 |
| EBIT Margin (Adj) (%) | 45.7 | 50.8 | 58.8 | 60.3 | 60.7 | Working capital | 68,257 | 27,877 | -487,017 | -65,765 | -84,704 |
| Net interest | 67,781 | 86,206 | 102,573 | 176,956 | 260,974 | Other | -147,949 | -215,723 | -398,777 | -664,026 | -895,128 |
| Associates | 828 | 2,546 | 2,000 | 2,000 | 2,000 | **Operating cashflow** | **1,905,157** | **2,436,342** | **3,291,846** | **5,340,106** | **7,191,117** |
| Non-Op/Except/Other Adj | 15,176 | 16,819 | 92,722 | 39,524 | 53,714 | Capex | -956,007 | -1,272,411 | -1,966,765 | -2,590,000 | -2,880,000 |
| **Pre-tax profit** | **1,405,839** | **2,041,663** | **3,467,400** | **4,987,800** | **6,839,874** | Net acq/disposals | 74,369 | 122,881 | 371,723 | 368,168 | -48,595 |
| Tax | -233,407 | -326,266 | -596,567 | -885,174 | -1,215,473 | Other | 0 | 0 | 0 | 0 | 0 |
| Extraord./Min.Int./Pref.div. | 836 | 2,486 | 495 | 2,668 | 3,657 | **Investing cashflow** | **-881,638** | **-1,149,530** | **-1,595,042** | **-2,221,832** | **-2,928,595** |
| **Reported net profit** | **1,173,268** | **1,717,883** | **2,871,328** | **4,105,294** | **5,628,058** | Dividends paid | -363,055 | -466,779 | -716,556 | -1,303,777 | -1,770,325 |
| Net Margin (%) | 40.5 | 45.1 | 51.7 | 51.9 | 52.4 | **Financing cashflow** | **-313,242** | **-590,737** | **-668,428** | **-1,254,018** | **-1,702,632** |
| Core NPAT | 1,173,268 | 1,717,883 | 2,871,328 | 4,105,294 | 5,628,058 | **Net change in cash** | **627,147** | **615,273** | **937,447** | **1,773,327** | **2,468,962** |
| **Per share data** | **2024** | **2025** | **2026E** | **2027E** | **2028E** | **Free cashflow to s/holders** | **949,151** | **1,163,931** | **1,325,081** | **2,750,106** | **4,311,117** |
| Reported EPS ($) | 45.24 | 66.24 | 110.72 | 158.30 | 217.02 | | | | | | |
| Core EPS ($) | 45.24 | 66.24 | 110.72 | 158.30 | 217.02 | | | | | | |
| DPS ($) | 14.00 | 18.00 | 27.63 | 50.27 | 68.26 | | | | | | |
| CFPS ($) | 73.46 | 93.95 | 126.94 | 205.92 | 277.29 | | | | | | |
| FCFPS ($) | 36.60 | 44.88 | 51.10 | 106.05 | 166.24 | | | | | | |
| BVPS ($) | 165.37 | 208.98 | 292.07 | 400.10 | 548.86 | | | | | | |
| Wtd avg ord shares (m) | 25,934 | 25,933 | 25,933 | 25,933 | 25,933 | | | | | | |
| Wtd avg diluted shares (m) | 25,934 | 25,933 | 25,933 | 25,933 | 25,933 | | | | | | |
| **Growth rates** | **2024** | **2025** | **2026E** | **2027E** | **2028E** | | | | | | |
| Sales revenue (%) | 33.9 | 31.6 | 45.9 | 42.2 | 35.9 | | | | | | |
| EBIT (Adj) (%) | 43.5 | 46.4 | 68.9 | 45.8 | 36.8 | | | | | | |
| Core NPAT (%) | 39.9 | 46.4 | 67.1 | 43.0 | 37.1 | | | | | | |
| Core EPS (%) | 39.9 | 46.4 | 67.1 | 43.0 | 37.1 | | | | | | |
| **Balance Sheet (NT$m)** | **2024** | **2025** | **2026E** | **2027E** | **2028E** | | | | | | |
| Cash & cash equiv. | 2,127,627 | 2,767,856 | 3,646,890 | 5,248,363 | 7,475,043 | | | | | | |
| Accounts receivables | 272,088 | 281,791 | 649,716 | 785,349 | 1,071,598 | | | | | | |
| Inventory | 287,869 | 288,109 | 478,000 | 575,851 | 783,073 | | | | | | |
| Net fixed & other tangibles | 3,235,771 | 3,691,841 | 4,524,195 | 5,701,566 | 7,307,950 | | | | | | |
| Goodwill & intangibles | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Financial & other assets | 769,374 | 903,426 | 1,206,858 | 1,373,440 | 1,720,562 | | | | | | |
| **Total assets** | **6,692,729** | **7,933,024** | **10,505,661** | **13,684,569** | **18,358,227** | | | | | | |
| Accounts payable | 74,227 | 84,330 | 115,601 | 116,958 | 174,623 | | | | | | |
| Short-term debt | 59,858 | 136,926 | 184,064 | 228,487 | 288,866 | | | | | | |
| Long-term debt | 958,429 | 896,062 | 896,062 | 896,062 | 896,062 | | | | | | |
| Provisions & other liab | 1,275,849 | 1,354,911 | 1,693,872 | 2,022,815 | 2,717,040 | | | | | | |
| **Total liabilities** | **2,368,362** | **2,472,229** | **2,889,599** | **3,264,322** | **4,076,590** | | | | | | |
| Shareholders' equity | 4,288,545 | 5,419,596 | 7,574,368 | 10,375,885 | 14,233,617 | | | | | | |
| Minority interests | 35,031 | 41,199 | 41,694 | 44,362 | 48,019 | | | | | | |
| **Total equity** | **4,323,576** | **5,460,795** | **7,616,062** | **10,420,247** | **14,281,637** | | | | | | |
| **Net debt (Adj)** | **-1,109,340** | **-1,734,869** | **-2,566,764** | **-4,123,814** | **-6,290,116** | | | | | | |
| Net debt to equity (Adj) (%) | -25.7 | -31.8 | -33.7 | -39.6 | -44.0 | | | | | | |

For definitions of the items in this table, please click here.

**More outsourcing in advanced node likely —** In advanced packaging, we expect TSMC to continue expanding its CoWoS capacity, which we forecast will increase by >45% YoY next year, reaching 2.2m wafers. Nevertheless, as chip reticle is getting bigger and demand remains elevated, capacity is likely to stay constrained. As a result, we expect TSMC to increase outsourcing of WoS to OSATs and interposers to its partners such as Vanguard.

## Consistent upgrade cycle

TSMC's competitive advantage increasingly comes from manufacturing scale and integrated technology, rather than transistor density alone. As highlighted in our previous report (TSMC (2330.TW) - Scaling growth through technology, packaging and capacity), we estimate TSMC's combined A14, N2/A16 and N3 capacity to reach 350–400k wafers/month by end-2028E, supported by industry-leading yields and cross node scale. Looking further ahead, High-NA EUV would represent the next major investment cycle, with TSMC targeting adoption around 2030 as advanced-node complexity rises. This could drive incremental lithography capex during 2029–31, followed by another potential investment phase as the industry transitions toward 12-inch reticles, with pilot production targeted for 2031 and volume manufacturing around 2033. Importantly, TSMC's advantage lies not simply in earlier adoption of expensive tools, but its ability to optimize yield, throughput, and cost per wafer at scale.

At the same time, TSMC is extending this leadership into advanced packaging, where CoWoS, SoIC and COUPE create an increasingly integrated platform for AI accelerators. CoWoS remains the industry benchmark for large, high-bandwidth AI systems, while silicon wafer-based CoPoS and hybrid bonding could enable larger package sizes and denser system integration. We expect CoWoS capacity to reach roughly 200k wafers/month by 2027, SoIC to expand toward 70–80k by 2028, and CoPoS production to potentially begin in 2029 (TSMC (2330.TW) - Scaling growth through technology, packaging and capacity). As demand broadens from GPUs into ASICs, CPUs, and networking processors, we believe the combination of leading-edge logic, High-NA lithography and 3DFabric packaging will remain TSMC's core technology moat, supporting customer stickiness, pricing power, and long-term margin resilience.

### Expecting another earnings beat

We expect TSMC's AI revenue growth to nearly double next year considering most of its AI semiconductor customers are expecting accelerating growth. TSMC's largest customer, Nvidia has guided to a doubling of its order intake and over 70% YoY revenue growth in FY2028E given supply constraints. AMD has also guided to over 80% CAGR in its Data Center AI business, while Broadcom expects its AI semiconductor revenues to almost double in FY2028E.

**Maintain Buy on TSMC and raise TP to NT$4,000** – TSMC will host its 3Q26 earnings call on Oct 15. We expect TSMC to beat its recently raised guidance once again and we are looking for full year revenue to be up 46% YoY and 4Q revenue to be up around 15% QoQ. While N2 will be a margin diluting factor initially, due to high UTR and yield rate we believe its pressure on GM would be manageable and so we forecast 66-67% GM in 2H26E. Overall, we see strong advanced node demand into next year and believe long-term visibility around orders will support higher capex cycle. We lift our net earnings forecasts for TSMC by 4%/5% for 2027/2028E

and expect capex to reach US$81bn/US$90bn in the next two years. We raise our TP to NT$4,000 from NT$3,800, based on unchanged 25x 2027E target PE; reiterate Buy.

**Figure 1. TSMC – 3Q26 results preview**

| (NT$mn) | 3Q26 Citi est. | 2Q26 Actual | Q/Q | 3Q25 Actual | Y/Y | 3Q26 Guidance | 3Q26 Cons est. | 4Q26 Citi est. | 4Q26 Cons est. |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,459,068 | 1,270,381 | 15% | 989,918 | 47% | US$44.6-45.8bn | 1,456,695 | 1,693,904 | 1,599,173 |
| Gross profit | 973,609 | 860,311 | 13% | 588,543 | 65% | | 966,706 | 1,140,960 | 1,053,871 |
| Gross margin | *66.7%* | *67.7%* | *-1.0 ppt* | *59.5%* | *+7.3 ppt* | *65-67%* | *66.4%* | *67.4%* | *65.9%* |
| Op. profit | 847,558 | 766,603 | 11% | 500,685 | 69% | | 844,481 | 996,978 | 925,614 |
| OP margin | *58.1%* | *60.3%* | *-2.3 ppt* | *50.6%* | *+7.5 ppt* | *56-58%* | *58.0%* | *58.9%* | *57.9%* |
| Net income | 732,229 | 706,562 | 4% | 452,301 | 62% | | 727,141 | 860,056 | 796,482 |
| EPS (NT$) | 28.24 | 27.25 | 4% | 17.44 | 62% | | 28.20 | 33.16 | 30.90 |

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Source: Company Reports, Citi Research, Bloomberg Consensus

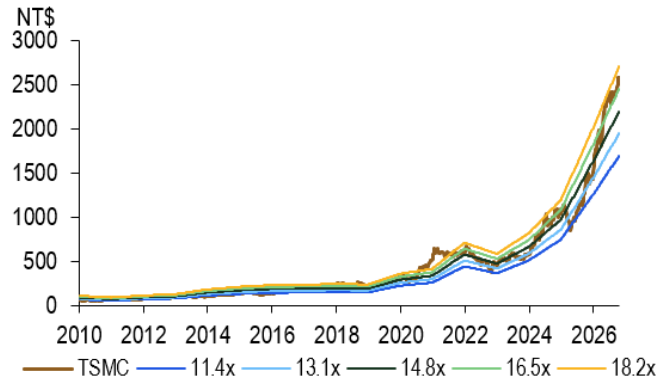
**Figure 2. TSMC – Estimates Revisions**

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| (NT$mn) | New | Old | Chg. | New | Old | Chg. | New | Old | Chg. |
| Sales | 5,557,456 | 5,557,456 | 0.0% | 7,904,818 | 7,612,493 | 3.8% | 10,742,767 | 10,334,364 | 4.0% |
| YoY growth | 45.9% | 45.9% | | 42.2% | 37.0% | | 35.9% | 35.8% | |
| Gross profit | 3,726,175 | 3,726,366 | 0.0% | 5,442,042 | 5,219,062 | 4.3% | 7,447,097 | 7,097,403 | 4.9% |
| Opex | 456,070 | 456,070 | 0.0% | 672,722 | 647,841 | 3.8% | 923,911 | 876,819 | 5.4% |
| Operating profit | 3,270,105 | 3,270,296 | 0.0% | 4,769,320 | 4,571,221 | 4.3% | 6,523,186 | 6,220,583 | 4.9% |
| Pre-tax profit | 3,467,400 | 3,467,591 | 0.0% | 4,987,800 | 4,787,734 | 4.2% | 6,839,874 | 6,531,563 | 4.7% |
| Net income | 2,871,328 | 2,871,487 | 0.0% | 4,105,294 | 3,940,141 | 4.2% | 5,628,058 | 5,374,291 | 4.7% |
| EPS (NT$) | 110.72 | 110.73 | 0.0% | 158.30 | 151.93 | 4.2% | 217.02 | 207.24 | 4.7% |
| Gross margin | 67.0% | 67.1% | -0.0 ppt | 68.8% | 68.6% | +0.3 ppt | 69.3% | 68.7% | +0.6 ppt |
| Opex ratio | 8.2% | 8.2% | 0.0 ppt | 8.5% | 8.5% | +0.0 ppt | 8.6% | 8.5% | +0.1 ppt |
| Operating margin | 58.8% | 58.8% | -0.0 ppt | 60.3% | 60.0% | +0.3 ppt | 60.7% | 60.2% | +0.5 ppt |
| Net margin | 51.7% | 51.7% | -0.0 ppt | 51.9% | 51.8% | +0.2 ppt | 52.4% | 52.0% | +0.4 ppt |

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Source: Citi Research Estimates

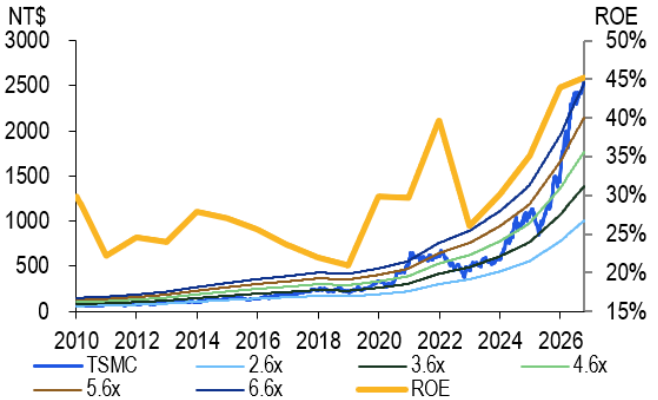
**Figure 3. TSMC – Forward P/E band**




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Source: Citi Research, Company Reports

**Figure 4. TSMC – Forward P/B band & ROE**




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Source: Citi Research, Company Reports

**Figure 5. TSMC – Forecast Summary**

| | 2025 | | | | 2026 | | | | 2027 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Unit: NT$bn* | *1Q* | *2Q* | *3Q* | *4Q* | *1Q* | *2Q* | *3QE* | *4QE* | *1QE* | *2QE* | *3QE* | *4QE* | *2025* | *2026E* | *2027E* | *2028E* |
| Revenue | 839.3 | 933.8 | 989.9 | 1,046.1 | 1,134.1 | 1,270.4 | 1,459.1 | 1,693.9 | 1,860.4 | 1,977.4 | 2,019.5 | 2,047.5 | 3,809.1 | 5,557.5 | 7,904.8 | 10,742.8 |
| COGS | -345.9 | -386.4 | -401.4 | -394.1 | -382.8 | -410.1 | -485.5 | -552.9 | -596.6 | -623.7 | -619.5 | -623.0 | -1,527.8 | -1,831.3 | -2,462.8 | -3,295.7 |
| Gross Profit | 493.4 | 547.4 | 588.5 | 652.0 | 751.3 | 860.3 | 973.6 | 1,141.0 | 1,263.8 | 1,353.7 | 1,400.0 | 1,424.5 | 2,281.3 | 3,726.2 | 5,442.0 | 7,447.1 |
| Operating Expense | -85.2 | -84.5 | -87.8 | -88.2 | -94.0 | -99.0 | -126.1 | -144.0 | -154.7 | -164.1 | -169.6 | -184.3 | -345.2 | -456.1 | -672.7 | -923.9 |
| *SG&A expenses* | *-28.6* | *-23.2* | *-24.0* | *-23.3* | *-26.2* | *-25.8* | *-32.1* | *-42.3* | *-43.1* | *-45.5* | *-44.4* | *-51.2* | *-99.2* | *-126.5* | *-184.2* | *-247.5* |
| *R&D expenses* | *-56.5* | *-61.3* | *-63.7* | *-64.9* | *-67.8* | *-73.1* | *-94.0* | *-101.6* | *-111.6* | *-118.6* | *-125.2* | *-133.1* | *-246.4* | *-336.5* | *-488.6* | *-676.4* |
| EBIT | 407.1 | 463.4 | 500.7 | 564.9 | 659.0 | 766.6 | 847.6 | 997.0 | 1,109.1 | 1,189.6 | 1,230.4 | 1,240.2 | 1,936.1 | 3,270.1 | 4,769.3 | 6,523.2 |
| Net Interest Income | 19.8 | 20.3 | 21.3 | 24.8 | 23.8 | 22.9 | 26.3 | 29.6 | 37.6 | 41.6 | 46.1 | 51.6 | 86.2 | 102.6 | 177.0 | 261.0 |
| Net Other Income | 4.0 | 9.4 | 3.4 | 2.6 | 5.1 | 72.9 | 7.8 | 9.0 | 9.8 | 10.4 | 10.6 | 10.7 | 19.4 | 94.7 | 41.5 | 55.7 |
| Pre Tax Profit | 430.9 | 493.0 | 525.4 | 592.4 | 687.8 | 862.4 | 881.6 | 1,035.5 | 1,156.6 | 1,241.6 | 1,287.1 | 1,302.5 | 2,041.7 | 3,467.4 | 4,987.8 | 6,839.9 |
| Tax Expense/(Credit) | 70.2 | 95.5 | 73.6 | 86.9 | 115.0 | 155.6 | 149.9 | 176.0 | 196.6 | 248.3 | 218.8 | 221.4 | -326.3 | -596.6 | -885.2 | -1,215.5 |
| Net Profit | 361.6 | 398.3 | 452.3 | 505.7 | 572.5 | 706.6 | 732.2 | 860.1 | 960.6 | 993.9 | 1,069.0 | 1,081.8 | 1,717.9 | 2,871.3 | 4,105.3 | 5,628.1 |
| EPS (NT$) | 13.94 | 15.36 | 17.44 | 19.50 | 22.08 | 27.25 | 28.24 | 33.16 | 37.04 | 38.33 | 41.22 | 41.71 | 66.24 | 110.72 | 158.30 | 217.02 |
| **Margins (%)** | | | | | | | | | | | | | | | | |
| Gross Margin | 58.8 | 58.6 | 59.5 | 62.3 | 66.2 | 67.7 | 66.7 | 67.4 | 67.9 | 68.5 | 69.3 | 69.6 | 59.9 | 67.0 | 68.8 | 69.3 |
| Operating Margin | 48.5 | 49.6 | 50.6 | 54.0 | 58.1 | 60.3 | 58.1 | 58.9 | 59.6 | 60.2 | 60.9 | 60.6 | 50.8 | 58.8 | 60.3 | 60.7 |
| Net Margin | 43.1 | 42.7 | 45.7 | 48.3 | 50.5 | 55.6 | 50.2 | 50.8 | 51.6 | 50.3 | 52.9 | 52.8 | 45.1 | 51.7 | 51.9 | 52.4 |
| **Sequential Growth (%)** | | | | | | | | | | | | | | | | |
| Revenue | -3 | 11 | 6 | 6 | 8 | 12 | 15 | 16 | 10 | 6 | 2 | 1 | 32 | 46 | 42 | 36 |
| Gross Profit | -4 | 11 | 8 | 11 | 15 | 15 | 13 | 17 | 11 | 7 | 3 | 2 | 40 | 63 | 46 | 37 |
| EBIT | -4 | 14 | 8 | 13 | 17 | 16 | 11 | 18 | 11 | 7 | 3 | 1 | 46 | 69 | 46 | 37 |
| Net Profit | -4 | 10 | 14 | 12 | 13 | 23 | 4 | 17 | 12 | 3 | 8 | 1 | 46 | 67 | 43 | 37 |
| EPS | -4 | 10 | 14 | 12 | 13 | 23 | 4 | 17 | 12 | 3 | 8 | 1 | 46 | 67 | 43 | 37 |

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Source: Company Reports, Citi Research Estimates

## Adding Upside 90-Day Catalyst Watch on TSMC (2330.TW)

| | |
|---|---|
| **Direction:** | **Upside** |
| Duration: | Within 90 Days |
| Catalyst: | Thematic driven |

TSMC will host 3Q26 earnings call on Oct 15. We expect TSMC to beat its recently raised guidance once again. Upbeat guidance, robust demand for advanced nodes into next year, and a higher capex cycle should provide further upside potential for the share price in the coming months.

# Bull/Bear: TSMC (2330.TW)

NT$ 4,200.00 ▲62% Upside | NT$ 4,000.00 ▲55% Upside | NT$ 2,400.00 ▼7.2% Downside




Spread 70pp
Current Price and expected returns (upside/downside) as of 07 Oct 2026

## BULL Assumptions

- Higher-than-expected utilization
- Stronger-than-expected margin expansion
- Bull case valuation based on the stock's upcycle PER of 27x

## BASE Assumptions

- Robust sales CAGR of >40% over 2025-2028E
- GPM expected to remain above 60% level

## BEAR Assumptions

- Weaker-than-expected HPC demand globally
- Weaker-than-expected margin contraction
- Bear case valuation based on 15x PER

# TSMC

## Company description

TSMC is the founder and leader of the dedicated IC foundry segment. The company has built its reputation by offering advanced and "more-than-Moore" wafer production processes and industry-leading manufacturing efficiency. From its inception in 1987, TSMC has consistently offered the foundry segment's leading technologies and TSMC-compatible design services.

## Investment strategy

We rate TSMC shares as Buy. We expect TSMC to deliver sales growth of >40% in recent years thanks to strong growth from HPC/AI as well as stable demand growth from smartphone, IoT, and automotive on tech migration and a shortened replacment cycle. CPU outsourcing to TSMC offers further growth potential. A rising cash dividend should also support the share price. While TSMC has been increasing its capex meaningfully since 2009, its cost structure remaisn competitive through continuous product mix improvements, efficiency enhancements, and cost reductions.

## Valuation

Our target price for TSMC shares of NT$4,000 is based on 25x our 2027E EPS, higher than its three-year average forward PER, versus global peers' average of 16-25x. We believe our target PER is justified by TSMC's leading position in advanced process node and robust AI demand growth outlook. Given its continuing leadership in the semiconductor foundry industry, we believe TSMC's stable order visibility and earnings outlook make it less vulnerable to a potential global economic downturn than some of its peers. Our target price equates to 2026E/27E P/E of ~36x/25x and 2026E/27E P/B of ~14x/10x.

## Risks

Key downside risks that could impede the shares from achieving our target price include: 1) weakness in the global semiconductor market; 2) larger-than-expected margin contractions due to depreciation cost increases and strong NTD; 3) competitors entering the foundry business; 4) longer-than-expected digestion of inventory in the supply chain; and 5) a slowdown in demand either due to a global economic downturn or a global trade disruption triggered by tariffs.

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# Appendix A-1

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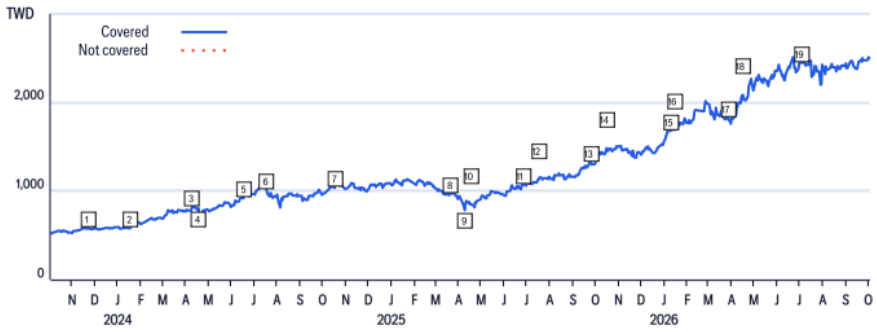
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## IMPORTANT DISCLOSURES

TSMC (2330.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Laura (Chia Yi) Chen




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 22-Nov-23 00:43:24 | 1 | *720.00 | 577.00 |
| 2 | 18-Jan-24 10:40:18 | 1 | *740.00 | 588.00 |
| 3 | 09-Apr-24 10:09:45 | 1 | *950.00 | 819.00 |
| 4 | 18-Apr-24 09:00:06 | 1 | *1,030.00 | 804.00 |
| 5 | 17-Jun-24 04:51:05 | 1 | *1,150.00 | 921.00 |
| 6 | 18-Jul-24 08:21:47 | 1 | *1,500.00 | 1,005.00 |
| 7 | 17-Oct-24 09:15:17 | 1 | *1,540.00 | 1,035.00 |

| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 8 | 21-Mar-25 15:53:47 | 1 | *1,400.00 | 972.00 |
| 9 | 09-Apr-25 07:55:10 | 1 | *1,050.00 | 785.00 |
| 10 | 17-Apr-25 10:33:27 | 1 | *1,100.00 | 847.00 |
| 11 | 26-Jun-25 02:57:46 | 1 | *1,280.00 | 1,075.00 |
| 12 | 17-Jul-25 09:46:31 | 1 | *1,400.00 | 1,130.00 |
| 13 | 25-Sep-25 09:04:47 | 1 | *1,600.00 | 1,320.00 |
| 14 | 16-Oct-25 10:32:46 | 1 | *1,800.00 | 1,485.00 |

| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 15 | 09-Jan-26 04:15:15 | 1 | *2,450.00 | 1,680.00 |
| 16 | 15-Jan-26 10:05:29 | 1 | *2,600.00 | 1,690.00 |
| 17 | 27-Mar-26 10:38:33 | 1 | *2,800.00 | 1,820.00 |
| 18 | 16-Apr-26 08:25:24 | 1 | *2,875.00 | 2,085.00 |
| 19 | 03-Jul-26 11:05:54 | 1 | *3,800.00 | 2,445.00 |

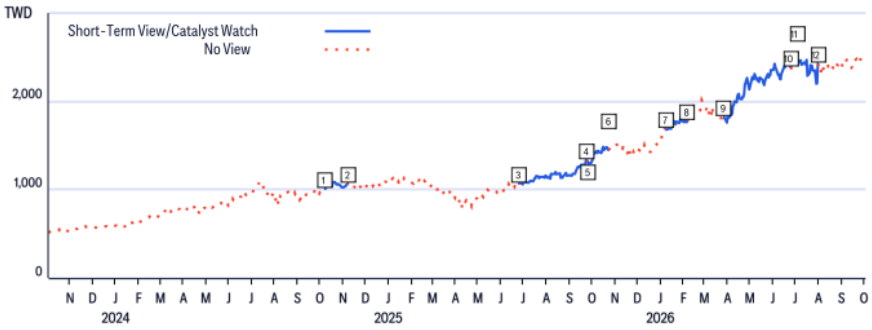
*Indicates Change

Rating/target price changes above reflect Eastern Time

TSMC (2330.TW)

Short-Term View/Catalyst Watch Research

Analyst: Laura (Chia Yi) Chen




| | Date | Action | Expected Direction | Duration | Closing Price |
|---|---|---|---|---|---|
| 1 | 08-Oct-24 01:00:00 | Add CW | Upside | 30 Days | 1,010.00 |
| 2 | 07-Nov-24 19:58:59 | Remove CW | Upside | 30 Days | 1,065.00 |
| 3 | 25-Jun-25 22:57:46 | Add STV | Upside | 90 Days | 1,070.00 |
| 4 | 24-Sep-25 21:58:41 | Remove STV | Upside | 90 Days | 1,340.00 |

| | Date | Action | Expected Direction | Duration | Closing Price |
|---|---|---|---|---|---|
| 5 | 25-Sep-25 05:04:47 | Add CW | Upside | 30 Days | 1,320.00 |
| 6 | 24-Oct-25 14:20:26 | Remove CW | Upside | 30 Days | 1,450.00 |
| 7 | 08-Jan-26 23:15:15 | Add CW | Upside | 30 Days | 1,685.00 |
| 8 | 08-Feb-26 19:44:43 | Remove CW | Upside | 30 Days | 1,780.00 |

| | Date | Action | Expected Direction | Duration | Closing Price |
|---|---|---|---|---|---|
| 9 | 27-Mar-26 06:38:33 | Add STV | Upside | 90 Days | 1,820.00 |
| 10 | 25-Jun-26 21:54:39 | Remove STV | Upside | 90 Days | 2,390.00 |
| 11 | 03-Jul-26 07:05:54 | Add CW | Upside | 30 Days | 2,445.00 |
| 12 | 02-Aug-26 21:35:45 | Remove CW | Upside | 30 Days | 2,425.00 |

CW - Catalyst Watch , STV - Short-Term View

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|---|---|---|---|---|---|---|
| ***Data current as of 01 Oct 2026*** | **Buy** | **Hold** | **Sell** | **Buy** | **Hold** | **Sell** |

| | | | | | | |
|---|---|---|---|---|---|---|
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| *% of companies in each rating category that are investment banking clients* | 39% | 43% | 30% | 42% | 38% | 36% |

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