TSMC (2330.TW)

Earnings review: AI demand visibility into 2030 with stronger guidance extends TSMC's lead with higher capacity investment; reiterate Buy

2330.TW	12m Price Target: **NT$3,100.00**	Price: **NT$2,470.00**	Upside: **25.5%**
TSM	12m Price Target: **$620.00**	Price: **$419.48**	Upside: **47.8%**

BUY

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Upbeat 2026 guidance driven by increased AI demand

TSMC hosted its 2Q26 analyst meeting on July 16. We view the stronger full year 2026 revenue and CapEx guidance as the key upside surprise. In the meeting, management raised its 2026 revenue growth outlook to slightly above 40% YoY (USD, from above 30%, ahead of GSe of 39%) and lifted CapEx to US$60-64bn (from the higher end of US$52-56bn; GSe of US$56bn). 3Q26 revenue guidance was in line, while the sequential GM decline was more contained than the N2 ramp implies. However, we think the one soft spot was 2Q26 GM of 67.7%, beating the company's guidance but falling below GSe (68.5%) and bull-case investor expectations. Overall, we think the more positive tone on AI demand during the meeting reinforces the long-term demand outlook – management sees demand even stronger than last quarter, and is accelerating its capacity buildout accordingly with an additional US$100bn investment in Arizona. We raise our 12m TP to NT$3,100 (from NT$3,000), and with 25.5% of implied upside we reiterate our Buy rating on TSMC.

Stronger AI demand signals stronger long-term growth

We believe management's tone on AI demand was more bullish than last quarter. Management's conviction in multi-year AI demand was described as very high, with customers continuing to send strong demand signals into 2029-2030 – and management characterizing the shift as the emergence of a new AI industry. While TSMC did not provide an updated long-term AI revenue CAGR (previously guided toward higher 50% range for 2024–29), it explicitly indicated the trajectory is now stronger than previously guided. Agentic AI was flagged as an incremental driver, with very strong CPU demand spanning x86, ARM, RISC-V and all TSMC customers – consistent with the CPU theme we highlighted during our US marketing trip.

Key Data

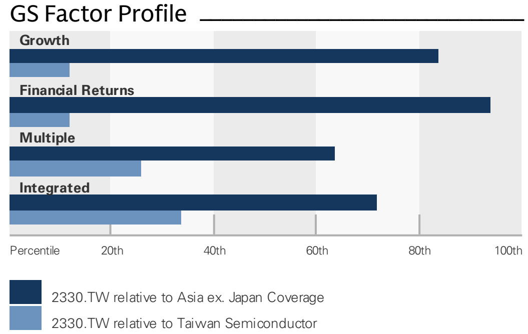
Market cap: NT$64.0tr / $2.0tr
Enterprise value: NT$61.3tr / $1.9tr
3m ADTV: NT$86.9bn / $2.7bn
Taiwan
Taiwan Semiconductor
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**3,809,054.3**	**5,532,239.7**	**7,343,151.2**	**9,393,969.4**
Revenue (NT$ mn) Old	3,809,054.3	5,385,597.1	7,132,115.4	9,135,711.6
EBITDA (NT$ mn)	2,624,188.0	4,086,905.6	5,489,197.9	7,056,258.1
EPS (NT$) New	**66.26**	**109.21**	**140.91**	**180.83**
EPS (NT$) Old	66.26	102.99	136.34	175.24
P/E (X)	17.6	22.6	17.5	13.7
P/B (X)	5.6	8.4	6.1	4.5
Dividend yield (%)	1.9	1.2	1.3	1.5
CROCI (%)	24.3	34.2	37.8	40.8

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	27.25	28.06	31.82	31.38

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

BUY

TSMC (2330.TW)

Rating since May 7, 2019

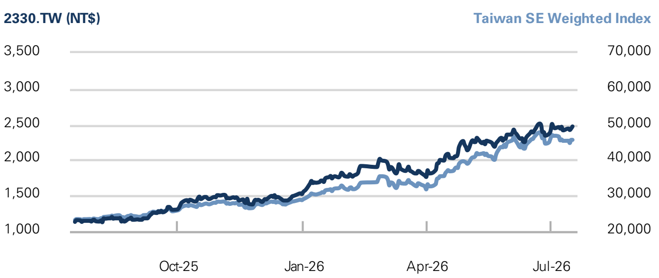
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	17.6	22.6	17.5	13.7
P/B (X)	5.6	8.4	6.1	4.5
FCF yield (%)	3.3	2.3	3.9	5.9
EV/EBITDAR (X)	10.8	15.0	10.9	8.0
EV/EBITDA (excl. leases) (X)	10.8	15.0	10.9	8.0
CROCI (%)	24.3	34.2	37.8	40.8
ROE (%)	35.4	43.3	40.2	37.7
Net debt/equity (%)	(34.3)	(36.2)	(42.6)	(51.6)
Net debt/equity (excl. leases) (%)	(34.3)	(36.2)	(42.6)	(51.6)
Interest cover (X)	99.1	158.0	322.9	852.3
Days inventory outst, sales	27.6	22.3	22.9	21.8
Receivable days	26.6	21.8	19.3	15.7
Days payable outstanding	157.7	157.0	157.3	169.9
DuPont ROE (%)	31.5	36.8	34.5	32.6
Turnover (X)	0.5	0.5	0.6	0.6
Leverage (X)	1.5	1.3	1.2	1.2
Gross cash invested (ex cash) (NT$)	9,199,168.9	11,319,901.9	13,604,132.4	15,919,256.3
Average capital employed (NT$)	3,371,689.3	4,251,886.6	5,490,676.4	6,512,230.9
BVPS (NT$)	208.99	295.30	406.21	553.03

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	31.6	45.2	32.7	27.9
EBITDA growth	32.2	55.7	34.3	28.5
EPS growth	46.4	64.8	29.0	28.3
DPS growth	29.4	31.8	13.8	12.1
EBIT margin	50.8	59.0	59.3	60.0
EBITDA margin	68.9	73.9	74.8	75.1
Net income margin	45.1	51.2	49.8	49.9

Price Performance



	3m	6m	12m
Absolute	18.5%	42.0%	118.6%
Rel. to the Taiwan SE Weighted Index	(3.6)%	(2.3)%	10.4%

Source: FactSet. Price as of 16 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	3,809,054.3	5,532,239.7	7,343,151.2	9,393,969.4
Cost of goods sold	(1,527,760.3)	(1,828,885.9)	(2,422,147.7)	(3,057,406.2)
SG&A	(98,775.0)	(107,806.6)	(134,144.0)	(151,544.0)
R&D	(246,427.3)	(331,194.7)	(430,084.0)	(552,584.0)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**2,624,188.0**	**4,086,905.6**	**5,489,197.9**	**7,056,258.1**
Depreciation & amortization	(688,096.4)	(822,553.1)	(1,132,422.4)	(1,423,822.9)
EBIT	**1,936,091.7**	**3,264,352.5**	**4,356,775.5**	**5,632,435.2**
Net interest inc./(exp.)	86,206.5	94,527.4	98,962.7	106,220.8
Income/(loss) from associates	5,496.6	1,684.9	0.0	0.0
Pre-tax profit	**2,041,662.8**	**3,433,097.6**	**4,455,738.2**	**5,738,655.9**
Provision for taxes	(326,266.1)	(600,149.3)	(800,669.4)	(1,048,428.5)
Minority interest	2,485.8	(978.6)	(876.0)	(876.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**1,717,882.6**	**2,831,969.8**	**3,654,192.8**	**4,689,351.4**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**1,717,882.6**	**2,831,969.8**	**3,654,192.8**	**4,689,351.4**
EPS (basic, pre-except) (NT$)	**66.26**	**109.21**	**140.91**	**180.83**
EPS (diluted, pre-except) (NT$)	**66.26**	**109.21**	**140.91**	**180.83**
EPS (basic, post-except) (NT$)	**66.26**	**109.21**	**140.91**	**180.83**
EPS (diluted, post-except) (NT$)	**66.26**	**109.21**	**140.91**	**180.83**
DPS (NT$)	22.00	29.00	33.00	37.00
Div. payout ratio (%)	33.2	26.6	23.4	20.5

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	2,767,856.4	3,386,062.3	4,811,276.3	7,528,426.4
Accounts receivable	282,059.2	380,251.6	395,123.3	414,281.3
Inventory	288,109.5	387,743.4	532,199.8	591,093.4
Other current assets	479,105.8	553,731.5	553,731.5	553,731.5
Total current assets	**3,817,130.8**	**4,707,788.8**	**6,292,330.9**	**9,087,532.6**
Net PP&E	3,691,840.9	4,990,628.7	6,362,801.5	7,571,573.7
Net intangibles	24,952.6	18,212.3	9,617.2	1,022.0
Total investments	172,370.4	166,566.5	166,566.5	166,566.5
Other long-term assets	226,729.2	249,463.0	249,463.0	249,463.0
Total assets	**7,933,023.9**	**10,132,659.4**	**13,080,779.1**	**17,076,157.8**
Accounts payable	714,546.9	858,451.8	1,229,549.5	1,616,477.1
Short-term debt	0.0	–	–	–
Short-term lease liabilities	–	–	–	–
Other current liabilities	743,472.4	860,083.3	860,083.3	860,083.3
Total current liabilities	**1,458,019.3**	**1,718,535.1**	**2,089,632.8**	**2,476,560.4**
Long-term debt	896,062.0	601,017.7	301,017.7	101,017.7
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	118,147.3	113,289.6	113,289.6	113,289.6
Total long-term liabilities	**1,014,209.3**	**714,307.3**	**414,307.3**	**214,307.3**
Total liabilities	**2,472,228.6**	**2,432,842.4**	**2,503,940.1**	**2,690,867.7**
Preferred shares	–	–	–	–
Total common equity	5,419,596.0	7,657,733.4	10,533,882.2	14,341,460.2
Minority interest	**41,199.3**	**42,083.6**	**42,956.7**	**43,829.9**
Total liabilities & equity	**7,933,023.9**	**10,132,659.4**	**13,080,779.1**	**17,076,157.8**
Net debt, adjusted	(1,871,794.4)	(2,785,044.5)	(4,510,258.5)	(7,427,408.7)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	1,717,882.6	2,831,969.8	3,654,192.8	4,689,351.4
D&A add-back	688,096.4	822,553.1	1,132,422.4	1,423,822.9
Minority interest add-back	(2,485.8)	978.6	876.0	876.0
Net (inc)/dec working capital	98,731.8	(53,921.4)	211,769.6	308,876.0
Other operating cash flow	(227,249.3)	(72,924.0)	0.0	0.0
Cash flow from operations	**2,274,975.6**	**3,528,656.0**	**4,999,260.8**	**6,422,926.4**
Capital expenditures	(1,272,410.5)	(2,037,298.5)	(2,496,000.0)	(2,624,000.0)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	128,017.1	(6,091.0)	–	–
Cash flow from investing	**(1,144,393.4)**	**(2,043,389.5)**	**(2,496,000.0)**	**(2,624,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(440,851.8)	(622,379.8)	(778,044.0)	(881,773.5)
Inc/(dec) in debt	40,448.1	(285,987.3)	(300,000.0)	(200,000.0)
Other financing cash flows	(89,949.1)	41,306.4	(2.8)	(2.8)
Cash flow from financing	**(490,352.9)**	**(867,060.7)**	**(1,078,046.8)**	**(1,081,776.3)**
Total cash flow	**640,229.4**	**618,205.9**	**1,425,214.0**	**2,717,150.1**
Free cash flow	1,002,565.1	1,491,357.5	2,503,260.8	3,798,926.4

Source: Company data, Goldman Sachs Research estimates.

Pricing strategy remains disciplined

Another key focus during TSMC's analyst meeting is its pricing strategy and profitability outlook. Overall, we believe TSMC's pricing strategy will remain disciplined, but broad-based cost inflation likely supports higher pricing over time. In the meeting, management reaffirmed a measured, partnership-driven philosophy: it does not plan to suddenly raise pricing in a way that would threaten customers' financial health – and stressed it intends to remain a trusted partner while driving higher margins and profitability. Meanwhile, management acknowledged rising input costs, including WFE tool inflation and overseas fab costs. With cost inflation increasingly broad-based across the supply chain, we think it is reasonable to expect TSMC to reflect at least some of this in its pricing over time. We are currently modeling in a price increase by low- to mid-single digits for 2027, which – together with productivity, mix and better operating leverage – should help underpin the structurally higher profitability. Net net, we are now modeling TSMC's GM to reach 66.9%/67.0%/67.5% in 2026-2028E (vs. 66.9%/66.8%/67.3% previously).

Accelerating capacity buildout, including a further US$100bn CapEx in Arizona

TSMC announced an additional US$100bn investment in Arizona – on top of its existing ~US$165bn commitment, taking the total to roughly to US$265bn, to support US customers, which includes four additional fabs (with pace dependent on customer demand). This expansion sits alongside 13 leading-edge/advanced-packaging fabs under construction in Taiwan, plus N3 expansion across Taiwan/Arizona/Japan and N5 to N3 tool conversion. On the multi-year CapEx outlook, management did not provide a three-year figure but indicated it will be even more significant than the prior three years (~US$101bn cumulative), reiterating that it will not hesitate to invest while opportunities persist – a clear step up in tone relative to last quarter. We raise our 2026E CapEx to US$64bn (vs. US$56bn previously); we maintain our 2027/2028E CapEx at US$78bn/US$82bn.

High confidence in TSMC's structural lead

Addressing questions on rising competition, management pushed back on the idea of a fast catchup, stressing that there is no shortcut in semiconductors, and that winning business comes back to fundamentals – manufacturing excellence, technology leadership and customer trust. It noted that choosing a foundry is a multi-year technology-partnership decision: customers must understand the technology, run test chips, prepare, and then ramp – a process that realistically takes up to five years, which underpins the durability of TSMC's incumbency. We think TSMC's technology roadmap also reinforces this: N2 is ramping steeply into 2H26, while A14 remains on track for 2028, with A14 expected to be a longer-lasting node than N2 – supporting our view that TSMC's leadership and the majority of foundry revenue share are unlikely to be meaningfully challenged over the next few years.

Adding mature node capacity selectively in higher-value segments

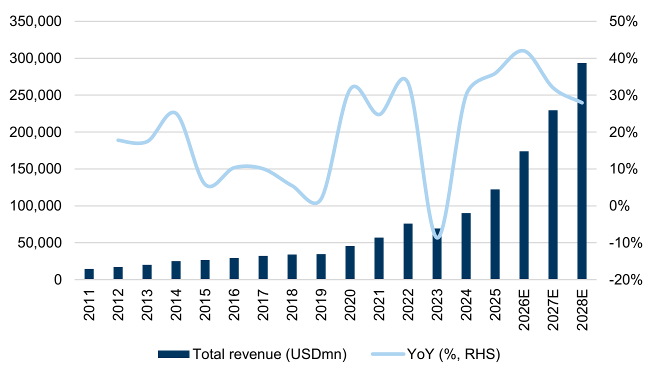
On mature nodes, TSMC said it will continue to increase its mature node capacity, but will focus on higher-value-added areas while ensuring enough capacity to support customers. JASM (Japan) will focus on specialty/CMOS, and ESMC (Germany) to focus on automotive/industrial. While demand within mature nodes remains bifurcated – only AI-related mature nodes are in shortage (especially for PMIC and sensors), while broader consumer-related mature node demand remains soft.

Exhibit 1: TSMC financial snapshot

TSMC (2330.TW)	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	25-28E CAGR
P&L (NT$bn)											
Revenue (US$bn)	34.7	45.6	56.9	75.9	69.3	90.1	122.4	173.8	229.5	293.6	33.8%
%YoY	1.9%	31.6%	24.7%	33.3%	-8.7%	30.0%	35.9%	42.0%	32.0%	27.9%	
Revenue	1,070	1,339	1,587	2,264	2,162	2,894	3,809	5,532	7,343	9,394	35.1%
%YoY	3.7%	25.2%	18.5%	42.6%	-4.5%	33.9%	31.6%	45.2%	32.7%	27.9%	
Gross profit	493	711	820	1,348	1,175	1,624	2,281	3,703	4,921	6,337	40.6%
%GM	46.0%	53.1%	51.6%	59.6%	54.4%	56.1%	59.9%	66.9%	67.0%	67.5%	
EBIT	373	567	650	1,121	921	1,322	1,936	3,264	4,357	5,632	42.8%
%OpM	34.8%	42.3%	40.9%	49.5%	42.6%	45.7%	50.8%	59.0%	59.3%	60.0%	
Net income	345	518	597	1,017	838	1,173	1,718	2,832	3,654	4,689	39.8%
%YoY	-1.7%	50.0%	15.2%	70.4%	-17.5%	39.9%	46.4%	64.9%	29.0%	28.3%	
EPS (NT$)	**13.3**	**20.0**	**23.0**	**39.2**	**32.3**	**45.3**	**66.3**	**109.2**	**140.9**	**180.8**	**39.7%**

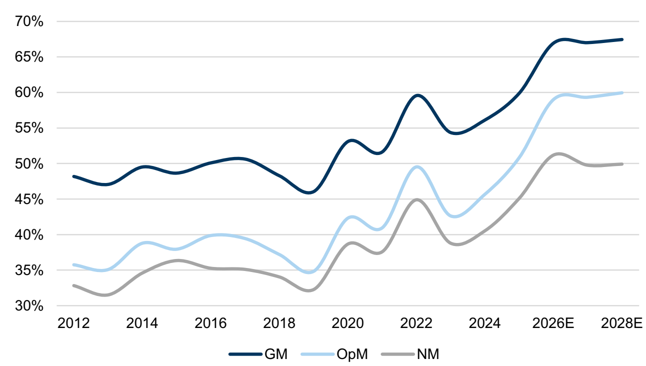
Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 2: TSMC's revenue growth outlook



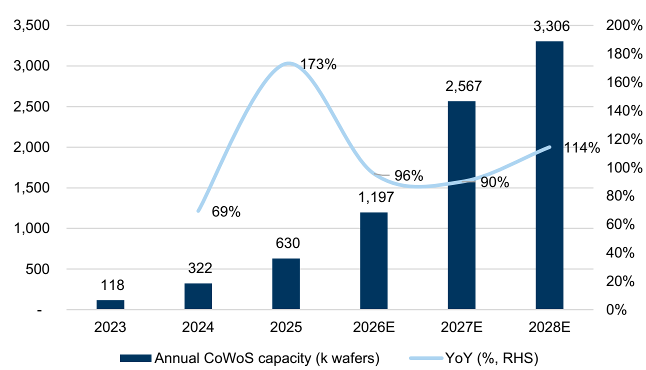
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: TSMC's margin outlook



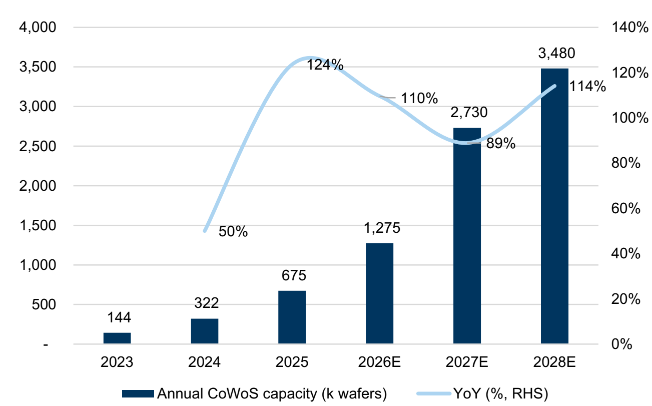
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: TSMC's annual CoWoS shipment growth trend



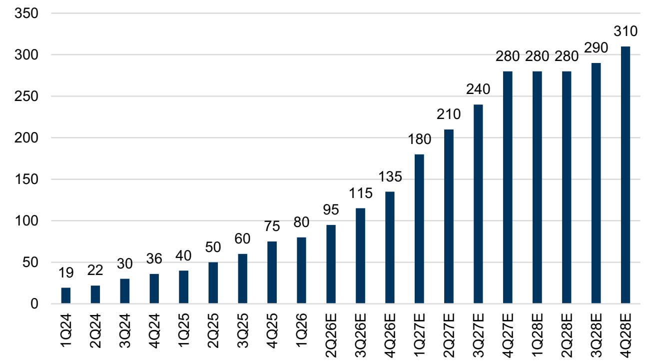
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: TSMC's annual CoWoS capacity growth trend



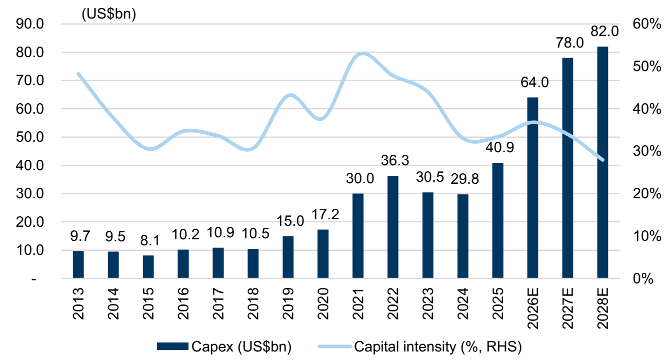
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: TSMC's quarterly CoWoS capacity ramp (kwpm)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: TSMC's capex and capital intensity trend



Source: Company data, Goldman Sachs Global Investment Research

2Q26 results and 3Q26 guidance recap

3Q26 guidance: In-line revenue, but sequential GM decline more contained than the N2 ramp implies
Management guided 3Q26 revenue to US$44.6-45.8bn (+12% QoQ at midpoint; based on FX [TWD/USD] of 32), broadly in line with GSe, underpinned by continued leading-edge and N2 demand. On margins, GM is guided to be in the range of 65%-67%, and OpM in the range of 56%-58%. While 3Q26 revenue guidance was in line, the sequential GM decline came in more contained than the N2 ramp implies, considering that the company is guiding for N2 ramp to dilute GM by 300-400bps for 2H26. The guided sequential GM decline is smaller than that headwind implies: at the guidance mid-point (66%) GM steps down by ~1.7ppt QoQ from 2Q's 67.7%, and at the high end (67%) just ~0.7ppt – better than GSe (was expecting a 1.7ppt QoQ decline). We attribute the resilience to strong leading-edge demand, productivity gains and cross-node capacity optimization, which partially offset the N2 dilution.

2Q26 results: GM above guidance but below elevated expectations
2Q26 revenue of US$40.2bn (+12% QoQ, +34% YoY) landed at the high end of guidance (US$39.0–40.2bn), at an FX of 31.60 (vs. 31.7 assumed). GM of 67.7% came in above the top of guidance (65.5–67.5%) but ~0.8ppt below GSe (68.5%) and short of the 68-69% bull case; OpM of 60.3% beat both guidance (56.5-58.5%) and GSe on lower OpEx, leaving operating profit essentially in line. EPS of NT$27.25 was ~12% above GSe (NT$24.34).

Exhibit 8: 2Q26 results summary

(NT$mn)	2Q26	1Q26	2Q25	%QoQ	%YoY	GS prev.	%Diff	Consensus	%Diff
Revenue	1,270,381	1,134,103	933,792	12.0%	36.0%	1,285,321	-1.2%	1,266,708	0.3%
Gross profit	860,311	751,295	547,369	14.5%	57.2%	881,038	-2.4%	849,936	1.2%
Op. income	766,603	658,966	463,424	16.3%	65.4%	767,033	-0.1%	742,746	3.2%
Net income	706,562	572,480	398,273	23.4%	77.4%	631,236	11.9%	624,400	13.2%
EPS (NT$)	27.25	22.08	15.36	23.4%	77.4%	24.34	11.9%	24.10	13.1%
GM	67.7%	66.2%	58.6%	1.5%	9.1%	68.5%	-0.8%	67.1%	0.9%
OpM	60.3%	58.1%	49.6%	2.2%	10.7%	59.7%	0.7%	58.6%	2.9%
NM	55.6%	50.5%	42.7%	5.1%	13.0%	49.1%	6.5%	49.3%	12.8%

Source: Bloomberg, Company data, Goldman Sachs Global Investment Research

Earnings revisions, valuation and key risks

Forecast changes

Post its earnings results, we raise our 2026/2027/2028E EPS by 6.0%/3.4%/3.2% to reflect: (1) stronger 3Q26 GM guidance; (2) strong 2026 revenue growth guidance; (3) incrementally better AI demand.

Exhibit 9: Earnings revisions

	2026E			2027E			2028E		
(NT$mn)	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	5,385,597	5,532,240	2.7%	7,132,115	7,343,151	3.0%	9,135,712	9,393,969	2.8%
Gross profit	3,602,046	3,703,354	2.8%	4,762,395	4,921,003	3.3%	6,145,196	6,336,563	3.1%
Op. income	3,152,200	3,264,353	3.6%	4,205,372	4,356,775	3.6%	5,425,573	5,632,435	3.8%
Net income	2,670,856	2,831,970	6.0%	3,535,702	3,654,193	3.4%	4,544,358	4,689,351	3.2%
EPS (NT$)	102.99	109.21	6.0%	136.34	140.91	3.4%	175.24	180.83	3.2%
GM	66.9%	66.9%	0.1%	66.8%	67.0%	0.2%	67.3%	67.5%	0.2%
OpM	58.5%	59.0%	0.5%	59.0%	59.3%	0.4%	59.4%	60.0%	0.6%
NM	49.6%	51.2%	1.6%	49.6%	49.8%	0.2%	49.7%	49.9%	0.2%

	3Q26E			4Q26E			1Q27E		
(NT$mn)	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Revenue	1,450,312	1,467,820	1.2%	1,515,861	1,659,936	9.5%	1,589,556	1,639,061	3.1%
Gross profit	969,244	984,033	1.5%	1,000,468	1,107,715	10.7%	1,052,286	1,092,005	3.8%
Op. income	849,738	861,051	1.3%	876,462	977,733	11.6%	925,780	959,923	3.7%
Net income	721,939	727,750	0.8%	745,202	825,178	10.7%	787,086	813,886	3.4%
EPS (NT$)	27.84	28.06	0.8%	28.74	31.82	10.7%	30.35	31.38	3.4%
GM	66.8%	67.0%	0.2%	66.0%	66.7%	0.7%	66.2%	66.6%	0.4%
OpM	58.6%	58.7%	0.1%	57.8%	58.9%	1.1%	58.2%	58.6%	0.3%
NM	49.8%	49.6%	-0.2%	49.2%	49.7%	0.6%	49.5%	49.7%	0.1%

Source: Goldman Sachs Global Investment Research

Exhibit 10: TSMC's P&L summary

	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2026E	2027E	2028E
P&L (NT$mn)											
Revenue	1,134,103	1,270,381	1,467,820	1,659,936	1,639,061	1,785,119	1,898,563	2,020,409	5,532,240	7,343,151	9,393,969
Gross profit	751,295	860,311	984,033	1,107,715	1,092,005	1,191,576	1,281,749	1,355,674	3,703,354	4,921,003	6,336,563
Operating profit	658,966	766,603	861,051	977,733	959,923	1,054,594	1,137,867	1,204,392	3,264,353	4,356,775	5,632,435
Net income	572,480	706,562	727,750	825,178	813,886	878,616	953,093	1,008,598	2,831,970	3,654,193	4,689,351
EPS (NT$)	22.08	27.25	28.06	31.82	31.38	33.88	36.75	38.89	109.21	140.91	180.83
Margins (%)											
Gross margin	66.2%	67.7%	67.0%	66.7%	66.6%	66.8%	67.5%	67.1%	66.9%	67.0%	67.5%
Operating profit margin	58.1%	60.3%	58.7%	58.9%	58.6%	59.1%	59.9%	59.6%	59.0%	59.3%	60.0%
Net margin	50.5%	55.6%	49.6%	49.7%	49.7%	49.2%	50.2%	49.9%	51.2%	49.8%	49.9%
YoY (%)											
Revenue	35.1%	36.0%	48.3%	58.7%	44.5%	40.5%	29.3%	21.7%	45.2%	32.7%	27.9%
Gross profit	52.3%	57.2%	67.2%	69.9%	45.3%	38.5%	30.3%	22.4%	62.3%	32.9%	28.8%
Operating profit	61.9%	65.4%	72.0%	73.1%	45.7%	37.6%	32.1%	23.2%	68.6%	33.5%	29.3%
Net income	58.3%	77.4%	60.9%	63.2%	42.2%	24.4%	31.0%	22.2%	64.9%	29.0%	28.3%
EPS	58.3%	77.4%	60.9%	63.1%	42.1%	24.4%	31.0%	22.2%	64.8%	29.0%	28.3%
QoQ (%)											
Revenue	8.4%	12.0%	15.5%	13.1%	-1.3%	8.9%	6.4%	6.4%			
Gross profit	15.2%	14.5%	14.4%	12.6%	-1.4%	9.1%	7.6%	5.8%			
Operating profit	16.7%	16.3%	12.3%	13.6%	-1.8%	9.9%	7.9%	5.8%			
Net income	13.2%	23.4%	3.0%	13.4%	-1.4%	8.0%	8.5%	5.8%			
EPS	13.2%	23.4%	3.0%	13.4%	-1.4%	8.0%	8.5%	5.8%			

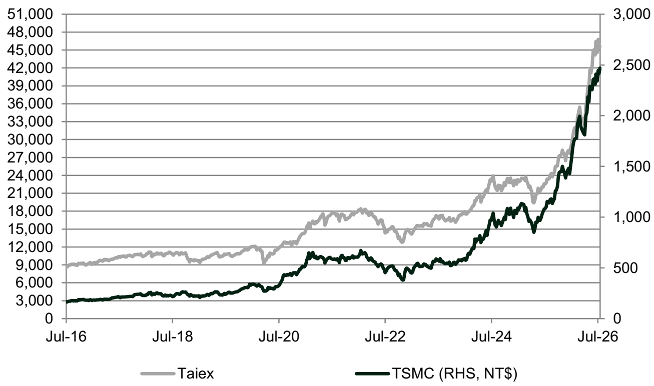
Source: Company data, Goldman Sachs Global Investment Research

Reiterate Buy; 12m TP up to NT$3,100

We raise our 12m TP to NT$3,100 from NT$3,000 (2330.TW), following our upward earnings revisions. Our TP is based on a target P/E of 22x (unchanged, benchmarked to 1.0stdv above 5-year avg. forward P/E) applied to our higher 2027E EPS. Accordingly, we raise our 12 month TP for the ADR to US$620 from US$600, based on an unchanged FX conversion of USD/TWD of 30.0 and unchanged ADR premium of 20%. Our 22x target P/E multiple is also benchmarked to TSMC's trading average of 22x during its previous revenue upcycle where its 3-year revenue CAGR (2019-2021) was 28%, vs. our 3-year revenue CAGR at 34% during 2025-2028E.

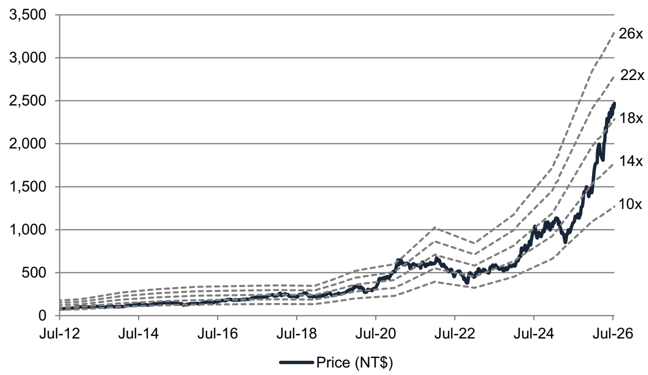
Our new TP implies 26% (ADR 48%) upside to the last close. As a result, we reiterate our Buy ratings for TSMC/ADR. We maintain our constructive view on TSMC's long-term growth outlook as we believe the company's solid technology leadership and execution better positions it vs. peers to capture the industry's long-term structural growth opportunities, especially in AI.

Exhibit 11: Taiex vs. TSMC



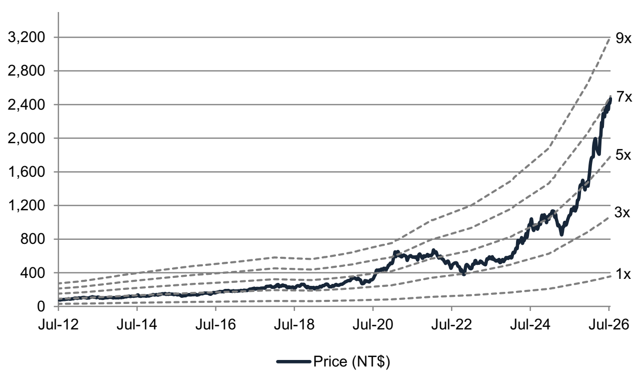
Source: Bloomberg

Exhibit 12: Forward P/E



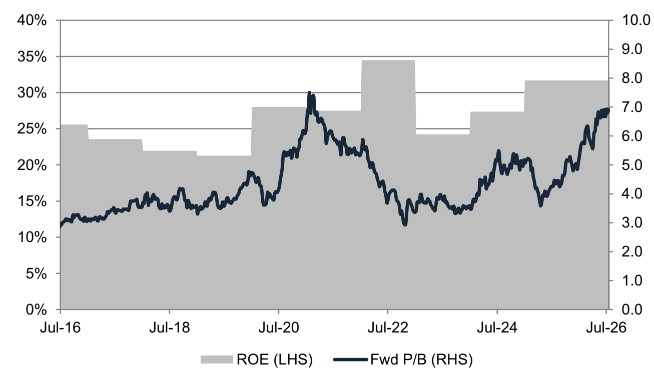
Source: Bloomberg

Exhibit 13: Forward P/B



Source: Bloomberg

Exhibit 14: P/B vs. ROE



Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

Investment Thesis, Price Target Risks and Methodology

Investment Thesis - TSMC (2330.TW/TSM)
TSMC is a leading global foundry company specializing in cutting-edge nodes. Its leading technology stance enables it to enjoy more than 60% revenue share in the global foundry market. We like TSMC as we believe its solid technology leadership and execution better position it vs. peers to capture the industry's long-term structural growth opportunities, particularly in areas such as AI/5G/HPC/EV. In addition, valuation looks attractive in our view, with the shares trading at the mid-range of their 10-year trading history (P/E: 10-29x). Furthermore, we view TSMC as the key AI enabler among our Taiwan Semis coverage, thanks to its leadership stance in leading edge nodes and advanced packaging technology – CoWoS (chip on wafer on substrate). We believe TSMC will achieve its 25% revenue CAGR target for the next several years, driven primarily by increasing silicon content growth and AI/HPC demand, with LT GM to remain at 56%+. We are Buy rated.

Price Target Risks and Methodology - TSMC (2330.TW/TSM)
Valuation methodology: We have a 12m TP of NT$3,100, which is derived by applying a target P/E multiple of 22x to our 2027E EPS. Our 22x target P/E is benchmarked against 1.0stdv above its 5-year trading average. For the ADR (TSM), we have a 12m TP of US$620, based on a USD/TWD rate of 30.0 and an ADR premium of 20%.

Key downside risks to our views: (1) further deterioration in end-demand recovery impacting capacity utilization; (2) slower customer node migrations; (3) slowdown in AI investment resulting in lower long-term semiconductor content growth; (4) poor yields/execution resulting in worse-than-expected profitability; (5) stronger competition resulting in ASP/profitability erosion; and (6) unfavorable FX trend or higher-than-expected cost increase weighing on the margin outlook.

Disclosure Appendix

Reg AC

We, Evelyn Yu, James Schneider, Ph.D. and Ryan Huang, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Global	50%	34%	16%	65%	59%	43%

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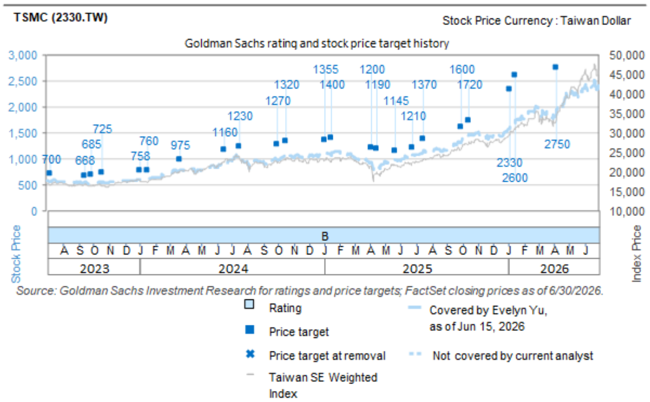
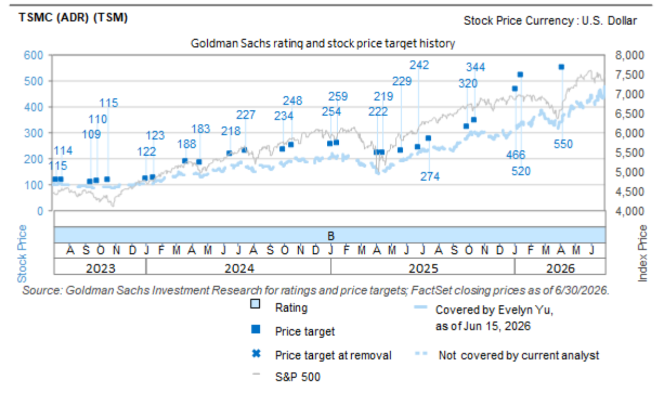
Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

Target price history table(s)

TSMC (2330.TW)

Date of report	Target price (NT$)	Closing price (NT$)
02-Jul-26	3,000.00	2,465.00
07-Apr-26	2,750.00	1,860.00
15-Jan-26	2,600.00	1,690.00
04-Jan-26	2,330.00	1,585.00
16-Oct-25	1,720.00	1,485.00
30-Sep-25	1,600.00	1,305.00
17-Jul-25	1,370.00	1,130.00
25-Jun-25	1,210.00	1,070.00
22-May-25	1,145.00	982.00
17-Apr-25	1,190.00	847.00
06-Apr-25	1,200.00	942.00
16-Jan-25	1,400.00	1,105.00
03-Jan-25	1,355.00	1,075.00
17-Oct-24	1,320.00	1,035.00
30-Sep-24	1,270.00	957.00
18-Jul-24	1,230.00	1,005.00
18-Jun-24	1,160.00	943.00
21-Mar-24	975.00	784.00
18-Jan-24	760.00	588.00
02-Jan-24	758.00	593.00
19-Oct-23	725.00	546.00
28-Sep-23	685.00	523.00
14-Sep-23	668.00	550.00

TSMC (ADR) (TSM)

Date of report	Target price ($)	Closing price ($)
02-Jul-26	600.00	434.16
07-Apr-26	550.00	345.32
15-Jan-26	520.00	341.64
04-Jan-26	466.00	319.61
16-Oct-25	344.00	299.84
30-Sep-25	320.00	279.29
17-Jul-25	274.00	245.60
25-Jun-25	242.00	222.74
22-May-25	229.00	196.19
17-Apr-25	219.00	151.74
06-Apr-25	222.00	146.80
16-Jan-25	259.00	214.79
03-Jan-25	254.00	208.61
17-Oct-24	248.00	205.84
30-Sep-24	234.00	173.67
18-Jul-24	227.00	171.87
18-Jun-24	218.00	179.69
18-Apr-24	183.00	132.27
21-Mar-24	188.00	139.45
18-Jan-24	123.00	113.03
02-Jan-24	122.00	101.53
19-Oct-23	115.00	92.91
28-Sep-23	110.00	86.41
14-Sep-23	109.00	91.47
20-Jul-23	114.00	97.86

Price targets shown in table(s) are unadjusted for corporate actions.

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