October 15, 2026 11:14 AM GMT

TSMC | Asia Pacific

No slowdown of AI semi demand; reiterate OW

AlphaSignals Earnings Reaction

Unchanged	**In-line**	**Largely unchanged**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

TSMC is further expanding capacity after considering other constraints, such as data center build, power and other components supply. We think the risk of over-capacity is small, and stay OW.

TSMC sees robust AI semi demand: Despite CSP power shortages and rising financing costs, TSMC sees demand far above its capacity. It sees no signs of a slowdown, which may ease some market concerns. The company did not update its AI semi CAGR guidance (55-60%), saying it is not meaningful as the demand is expanding rapidly.

Comments on wafer foundry partnership (TeraFab) and competition (Intel): For overseas fabs, TSMC is evaluating a TeraFab partnership, but TSMC must run the partner fab. TSMC is also considering other fab campus locations, including Texas. We asked management about IDM outsourcing from Intel and implications for A14 capacity demand. Management said it would try to be fair to all customers. On competition, TSMC would expand capacity and "leave no food on the table" for competitors.

On advanced packaging, we asked whether TSMC would help customers using Intel EMIB-T advanced packaging: The company is confident about 9x and 14x reticle size chip support. TSMC's principle is to help customers ramp products smoothly, so we take it as no objection if Google/MediaTek needs to adopt CoWoS/CoPoS in future TPU versions, as we articulated in MediaTek: TSMC CoWoS support eases MediaTek's 2028 TPU production concerns

We raise 2027/28 capex estimates to factor in 2nm and 1.4nm expansion: The company maintained its 2026 capex guidance (US$60-64bn) and didn't provide next-year capex guidance. That said, it mentioned more than a doubling of 2nm capacity build by 2027. Our initial cross checks with equipment venders suggest EUV tool bookings double in 2027 (vs. 2026), followed by 25-30% growth in 2028. We therefore raise our 2027/28 capex assumption to US$83/92bn.

3Q26 results review – margin miss, but revenue upside: Pease see Exhibit 1 and Exhibit 2 for our earnings review. We lower our 2026 and 2027 margin assumptions, offset by higher revenue. We maintain our price target at NT$3,088 and reiterate our OW rating.

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TSMC (2330.TW, 2330 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$3,088.00
Up/downside to price target (%)	27
Shr price, close (Oct 15, 2026)	NT$2,440.00
Mkt cap, curr (mn)	NT$63,264,271
Avg daily trading value (mn)	NT$73,836

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	66.25	112.10	148.64	189.81
Prior EPS (NT$)**	-	115.32	152.74	189.91
EPS (NT$)§	64.56	108.51	145.29	188.02
ModelWare net inc (NT $ bn)	1,718	2,907	3,854	4,922
P/E	23.4	21.8	16.4	12.9
Div yld (%)	1.4	1.1	1.4	1.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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TSMC 3Q26 earnings and 4Q26 guidance review

3Q26 results and 4Q26 guidance review – margin miss, but revenue upside: 3Q26 margin of 66.4% misses our forecast of 67.5%, but was largely in-line with consensus, given the margin dilution of 2nm node and overseas operation dilution.

The 4Q26 margin midpoint of 66% shows continued pressure. TSMC guides for 4Q26 revenue to grow 14% Q/Q at the midpoint on very strong demand, in line with our 10-15% Q/Q expectation. Full-year revenue guidance is raised to 44% Y/Y, also similar to our preview.

Exhibit 1: TSMC: 3Q26 earnings review

(NT$ mn)	3Q26				
	Actual	Q/Q	Y/Y	MS Est.	Consensus
Financials					
Revenue	1,494,243	17.6%	50.9%	1,499,073	1,461,784
Opex	(115,934)	23.7%	32.0%	(101,410)	(119,637)
EPS (NT$)	29.43	8.0%	68.7%	30.74	28.65
Ratios					
GM (%)	66.4%	-131bps	696bps	67.5%	66.5%
Opex (%)	7.8%	38bps	-112bps	6.8%	8.2%
OPM (%)	58.7%	-169bps	808bps	60.8%	58.4%

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 2: TSMC: 4Q26 guidance review

(NT$ mn)	4Q26				
	Guidance	MS Est.	Q/Q	Y/Y	Consensus
Financials					
Revenue	US$52.3bn to US$54.3bn, +14% Q/Q increase at mid-point	1,685,894	12.8%	61.2%	1,609,407
Opex		(107,433)	-7.3%	23.4%	(126,452)
EPS (NT$)		35.25	19.8%	80.8%	31.84
Ratios					
GM (%)	65.0% - 67.0%	68.6%	215bps	623bps	66.5%
Opex (%)		6.4%	-139bps	-195bps	7.9%
OPM (%)	56.5% - 58.5%	62.2%	353bps	819bps	58.7%

Source: Company data, FactSet, Morgan Stanley Research estimates

TSMC: Earnings estimate revisions

Our earnings forecasts decline 3% for 2026, 3% for 2027 and is largely unchanged for 2028: We lower our 2026/27 earnings forecast mostly due to the margin miss of 3Q26 results and weaker than our initial expectation of 4Q26 margin guidance, and also the wider overseas fab margin dilution into 2027. We slightly raise the revenue assumption for 2027/2028 as TSMC suggested it would speed up the 3nm/2nm capacity build, but that also comes with larger depreciation and margin pressure when new production ramps.

Exhibit 3: TSMC: Estimate revisions

(NT$ mn)	New 2026e	Old 2026e	Diff.%	New 2027e	Old 2027e	Diff.%	New 2028e	Old 2028e	Diff.%
Net sales	5,608,126	5,589,451	0%	7,539,903	7,471,986	1%	9,651,104	9,340,906	3%
Gross profit	3,743,690	3,779,639	-1%	5,051,302	5,155,084	-2%	6,504,432	6,420,040	1%
Operating profit	3,307,072	3,384,759	-2%	4,451,744	4,577,529	-3%	5,735,899	5,739,313	0%
Pretax income	3,493,372	3,563,509	-2%	4,559,923	4,685,707	-3%	5,840,078	5,843,492	0%
Net income	2,906,884	2,990,329	-3%	3,854,314	3,960,521	-3%	4,921,827	4,924,352	0%
Diluted EPS	**112.10**	**115.32**	**-3%**	**148.64**	**152.74**	**-3%**	**189.81**	**189.91**	**0%**
Margins									
Gross margin	66.8%	67.6%		67.0%	69.0%		67.4%	68.7%	
Operating margin	59.0%	60.6%		59.0%	61.3%		59.4%	61.4%	
Pretax margin	62.3%	63.8%		60.5%	62.7%		60.5%	62.6%	
Net margin	51.8%	53.5%		51.1%	53.0%		51.0%	52.7%	

Source: Morgan Stanley Research estimates

Exhibit 4: TSMC: Quarterly financials

(NT$ mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26e	4Q26e	2023	2024	2025	2026e	2027e	2028e
Total Revenues	**839,254**	**933,792**	**989,918**	**1,046,090**	**1,134,103**	**1,270,380**	**1,494,243**	**1,709,399**	**2,161,736**	**2,894,308**	**3,809,054**	**5,608,126**	**7,539,903**	**9,651,104**
Sequential Change	*-3.4%*	*11.3%*	*6.0%*	*5.7%*	*8.4%*	*12.0%*	*17.6%*	*14.4%*						
Change vs Year Ago	*41.6%*	*38.6%*	*30.3%*	*20.5%*	*35.1%*	*36.0%*	*50.9%*	*63.4%*	*-4.5%*	*33.9%*	*31.6%*	*47.2%*	*34.4%*	*28.0%*
Cost of Sales	**(345,859)**	**(386,423)**	**(401,375)**	**(394,104)**	**(382,808)**	**(410,070)**	**(501,864)**	**(569,694)**	**(986,625)**	**(1,269,954)**	**(1,527,760)**	**(1,864,436)**	**(2,488,600)**	**(3,146,672)**
Percent of Revenues	*41.2%*	*41.4%*	*40.5%*	*37.7%*	*33.8%*	*32.3%*	*33.6%*	*33.3%*	*45.6%*	*43.9%*	*40.1%*	*33.2%*	*33.0%*	*32.6%*
Gross Profit	**493,395**	**547,369**	**588,543**	**651,987**	**751,295**	**860,311**	**992,379**	**1,139,705**	**1,175,111**	**1,624,354**	**2,281,294**	**3,743,690**	**5,051,302**	**6,504,432**
Gross Margin	58.8%	58.6%	59.5%	62.3%	66.2%	67.7%	66.4%	66.7%	54.4%	56.1%	59.9%	66.8%	67.0%	67.4%
Total Opex	**(86,314)**	**(83,946)**	**(87,858)**	**(87,084)**	**(92,329)**	**(93,708)**	**(115,934)**	**(134,647)**	**(253,645)**	**(302,301)**	**(345,202)**	**(436,618)**	**(599,559)**	**(768,533)**
Percent of Revenues	*10.3%*	*9.0%*	*8.9%*	*8.3%*	*8.1%*	*7.4%*	*502.0%*	*7.9%*	*11.7%*	*10.4%*	*9.1%*	*7.8%*	*8.0%*	*8.0%*
R&D	(56,547)	(61,280)	(63,742)	(64,858)	(67,757)	(73,146)	(88,979)	(106,979)	(182,370)	(204,182)	(246,427)	(336,861)	(376,300)	(479,000)
Percent of Revenues	*6.7%*	*6.6%*	*6.4%*	*6.2%*	*6.0%*	*5.8%*	*6.0%*	*6.3%*	*8.4%*	*7.1%*	*6.5%*	*6.0%*	*5.0%*	*5.0%*
SG&A	(29,767)	(22,666)	(24,116)	(22,227)	(24,573)	(20,562)	(26,955)	(27,668)	(71,275)	(98,119)	(98,775)	(99,757)	(223,259)	(289,533)
Sequential Change	*1.1%*	*-23.9%*	*6.4%*	*-7.8%*	*10.6%*	*-16.3%*	*31.1%*	*2.6%*						
Change vs Year Ago	*53.6%*	*-3.6%*	*-6.5%*	*-24.5%*	*-17.4%*	*-9.3%*	*11.8%*	*24.5%*						
Operating Income	**407,081**	**463,424**	**500,685**	**564,902**	**658,966**	**766,603**	**876,445**	**1,005,058**	**921,466**	**1,322,053**	**1,936,092**	**3,307,072**	**4,451,744**	**5,735,899**
Percent of Revenues	*48.5%*	*49.6%*	*50.6%*	*54.0%*	*58.1%*	*60.3%*	*58.7%*	*58.8%*	*42.6%*	*45.7%*	*50.8%*	*59.0%*	*59.0%*	*59.4%*
Non-operating Income(Loss)	**23,815**	**29,612**	**24,684**	**27,461**	**28,834**	**95,827**	**34,594**	**27,045**	**57,706**	**83,786**	**105,571**	**186,300**	**108,179**	**104,179**
Profit Before Taxes	**430,895**	**493,035**	**525,369**	**592,363**	**687,800**	**862,430**	**911,039**	**1,032,103**	**979,171**	**1,405,839**	**2,041,663**	**3,493,372**	**4,559,923**	**5,840,078**
Percent of Revenues	*51.3%*	*52.8%*	*53.1%*	*56.6%*	*60.6%*	*67.9%*	*61.0%*	*60.4%*	*45.3%*	*48.6%*	*53.6%*	*62.3%*	*60.5%*	*60.5%*
Taxes	(70,163)	(95,542)	(73,614)	(86,948)	(114,998)	(155,649)	(147,698)	(167,325)	(141,404)	(233,407)	(326,266)	(585,671)	(705,609)	(918,251)
Tax Rate	*16.3%*	*19.4%*	*14.0%*	*14.7%*	*16.7%*	*18.0%*	*16.2%*	*16.2%*	*14.4%*	*16.6%*	*16.0%*	*16.8%*	*15.5%*	*15.7%*
Net Income, Cont Ops	360,733	397,493	451,755	505,415	572,801	706,781	763,341	864,778	837,768	1,172,432	1,715,397	2,907,701	3,854,314	4,921,827
Minority Interest	831	780	546	329	(322)	(219)	(277)	0	730	836	2,486	(818)	0	0
Reported Income (TW GAAP)	**361,564**	**398,273**	**452,301**	**505,744**	**572,480**	**706,562**	**763,064**	**864,778**	**838,498**	**1,173,268**	**1,717,883**	**2,906,884**	**3,854,314**	**4,921,827**
Percent of Revenues	*43.1%*	*42.7%*	*45.7%*	*48.3%*	*50.5%*	*55.6%*	*51.1%*	*50.6%*	*38.8%*	*40.5%*	*45.1%*	*51.8%*	*51.1%*	*51.0%*
Change vs Year Ago	*60.3%*	*60.7%*	*39.1%*	*35.0%*	*58.3%*	*77.4%*	*68.7%*	*71.0%*	*-17.5%*	*39.9%*	*46.4%*	*69.2%*	*32.6%*	*27.7%*
Reported EPS (NT$, TW GAAP)	**13.94**	**15.36**	**17.44**	**19.50**	**22.08**	**27.25**	**29.43**	**33.35**	**32.34**	**45.25**	**66.25**	**112.10**	**148.64**	**189.81**
Basic shares (mn units)	25,927	25,928	25,929	25,928	25,930	25,931	25,931	25,931	25,929	25,928	25,928	25,930	25,931	25,931

Source: Company data, Morgan Stanley Research (e) estimates

Our PT is unchanged at NT$3,088. Our PT implies a 20x P/E multiple on our new 2027 EPS forecast. TSMC currently trades at 17x that estimate, close to its average NTM P/E of 16.5x since 2018. We find the stock attractive at current levels.

We continue to derive our 12-month price target (base-case scenario) using a residual income valuation framework. Our key assumptions are unchanged, including a cost of equity of 9.2% (beta of 1.2, equity risk premium of 6.0%, and risk-free rate of 2.0%), an intermediate growth rate of 10.5%, and a terminal growth rate of 4%.

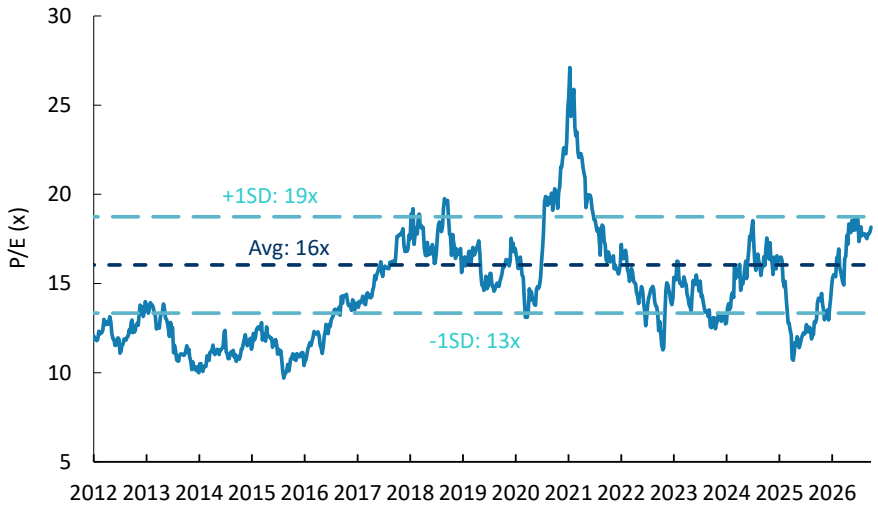
Our bull and bear case scenario values remain at NT$3,720 and NT$1,700, respectively.

Exhibit 5: TSMC: Residual income model

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**7,804,091**	**10,906,366**	**14,868,696**	**18,349,412**	**22,195,603**	**26,445,645**	**31,141,941**	**36,331,348**	**42,065,642**	**48,402,038**	**55,403,755**	**63,140,653**
Net Profit	**2,906,884**	**3,854,314**	**4,921,827**	**5,438,619**	**6,009,674**	**6,640,690**	**7,337,962**	**8,108,448**	**8,959,835**	**9,900,618**	**10,940,183**	**12,088,902**
ROAE	**43.8%**	**41.2%**	**38.2%**	**32.7%**	**29.6%**	**27.3%**	**25.5%**	**24.0%**	**22.9%**	**21.9%**	**21.1%**	**20.4%**
Residual Income	1,890,978	2,497,276	3,161,823	3,500,820	3,751,437	4,018,462	4,306,549	4,619,765	4,961,990	5,337,135	5,749,278	6,202,765
Spread	**34.6%**	**32.0%**	**29.0%**	**23.5%**	**20.4%**	**18.1%**	**16.3%**	**14.8%**	**13.7%**	**12.7%**	**11.9%**	**11.2%**
Ending Equity Capital	7,804,091											
PV of Forecast Period	25,143,239											
PV of Continuing Value	47,115,769											
Equity Value	**80,063,099**											
No. of Shares	25,930											
Projected Price (NT$)	**3,088**											

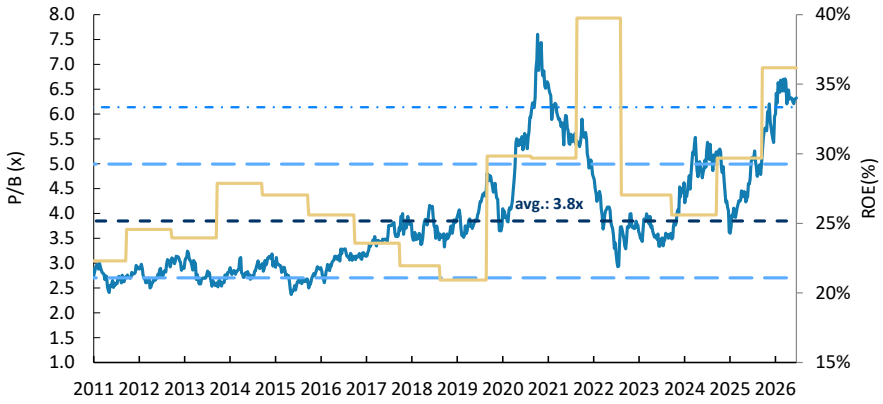
Source: Company data, Morgan Stanley Research (e) estimates

Exhibit 6: TSMC's one-year forward P/E: Valuation does not appear stretched as a key AI semi enabler



Source: Company data, FactSet, Morgan Stanley Research

Exhibit 7: TSMC – P/B vs. ROE



Source: Company data, Refinitiv, Morgan Stanley Research

Risk Reward – TSMC (2330.TW)

AI semi demand remains very robust even considering the constraint factors; OW

PRICE TARGET NT$3,088.00

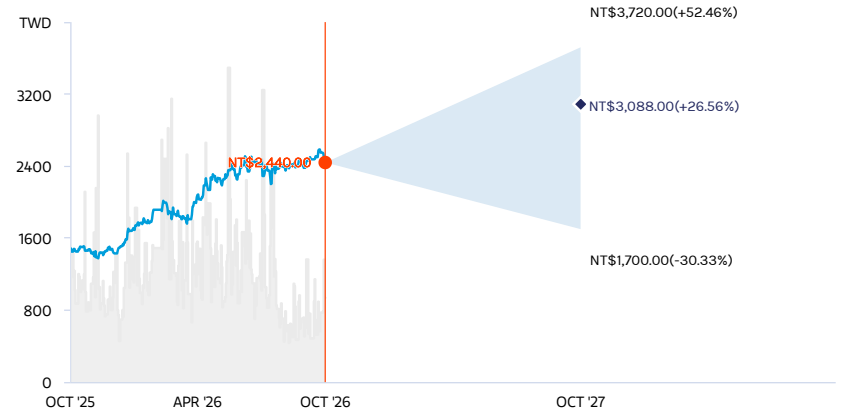
Base case, residual income model. Key assumptions: a cost of equity of 9.2% (beta of 1.2, risk-free rate of 2.0% and risk premium of 6.0%), an intermediate growth rate of 10.5%, and a terminal growth rate of 4.0%.

Consensus Price Target Distribution NT$2,010.00 NT$3,242.35 MS PT NT$5,000.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Reflecting robust AI capex guidance from global CSPs, we are OW on TSMC.
- Our estimates reflect TSMC's strong profitability and another year of >40% Y/Y revenue growth seen for 2026.
- Leading-edge (7nm below) demand remains robust.
- Reflecting increased bargaining power, long-term margin expansion, and sustainable AI semi demand, we expect the stock to re-rate to our implied 2027e target P/E of 20x.

Consensus Rating Distribution

97%	Overweight
3%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$3,720.00

24x 2027e EPS

TSMC dominates foundry services: 1) Breakthrough in EUV tech and materials accelerates node migration to 3nm and beyond. 2) Intel outsources its server CPU production to TSMC sooner than expected. 3) Intel or Samsung exits leading-edge foundry business. 4) New tech megatrends such as 6G or AI drive global semi revenue growth and increase demand for leading edge nodes. 5) Cost per transistor decreases further along with node migration.

BASE CASE NT$3,088.00

20x 2027e EPS

Leading position in leading-edge logic foundry services with some gross margin expansion: 1) Global semi revenue CAGR is sustained in the high single digits in 2025-28. 2) TSMC continues to lead in market share in 16nm, 7nm, 5nm, 3nm, and 2nm. 3) It continues to observe robust AI-related demand. 4) Cost per transistor does not decrease meaningfully in 3nm and 2nm, while capex per k is more demanding than for 7nm and 5nm.

BEAR CASE NT$1,700.00

11x 2027e EPS

TSMC's dominance in foundry business erodes: 1) Global ex-memory semi revenue growth is weaker than expected in 2025-28. 2) Declining trailing-edge market share causes revenue shortfall. 3) Intel's contribution is weaker than expected. Intel and/or Samsung successfully develop leading-edge process technology. 4) Intel's foundry business execution proves successful and weighs on TSMC with order competition. 5) Demand for 2nm is less than expected given high transistor cost for foundry customers.

Risk Reward – TSMC (2330.TW)

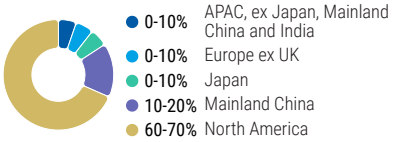
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue from 5nm Geometry (NT$, mn)	1,179,907	1,395,542	1,154,712	1,147,783
Revenue from 10/7nm Geometry (NT$, mn)	459,258	528,898	542,812	540,706
Revenue from 16/20nm Geometry (NT$, mn)	220,027	292,507	329,278	347,256

INVESTMENT DRIVERS

- Moore's Law migration (chip scaling) and alternative technologies
- Capex intensity - cost of building leading-edge foundry capacity
- Bargaining power with key equipment vendors
- Transistor cost for customers
- ROI for leading-edge foundry

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 **MOST** 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- TSMC charging large customers more to keep its gross margin above 56% in the long term
- AI semi demand growing more significantly than expected while TSMC maintains high market share in leading-edge foundry business
- Outsourcing from Intel CPU increasing over 2025-27

RISKS TO DOWNSIDE

- Inventory correction in 2026
- Weakening demand for leading edge technologies
- Costs of overseas fabs growing significantly

OWNERSHIP POSITIONING

Inst. Owners, % Active 75.9%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (NT$, mn)	5,157,000	5,608,126 / 5,459,302	5,611,930
EBITDA (NT$, mn)	3,751,000	4,188,910 / 4,053,072	4,227,041
Net income (NT$, mn)	2,551,000	2,906,884 / 2,811,915	2,996,000
EPS (NT$)	98.40	112.10 / 108.51	115.32

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

TSMC: Financial summary

Exhibit 8: TSMC: Financial Summary

Income Statement, 2024-2028e, Year End Dec

(NT$ mn)	2024	2025	2026e	2027e	2028e
Revenue	**2,894,308**	**3,809,054**	**5,608,126**	**7,539,903**	**9,651,104**
YoY Growth	*33.9%*	*31.6%*	*47.2%*	*34.4%*	*28.0%*
Gross Profit b/f dep	2,247,086	2,924,669	4,518,123	6,079,440	7,952,107
Less: COGS	**(1,269,954)**	**(1,527,760)**	**(1,864,436)**	**(2,488,600)**	**(3,146,672)**
Variable costs	(647,221)	(884,385)	(1,090,003)	(1,460,463)	(1,698,998)
Depreciation & amort	(622,733)	(643,376)	(774,433)	(1,028,138)	(1,447,675)
Gross profit	**1,624,354**	**2,281,294**	**3,743,690**	**5,051,302**	**6,504,432**
% margin	*56.1%*	*59.9%*	*66.8%*	*67.0%*	*67.4%*
YoY Growth	*38.2%*	*40.4%*	*64.1%*	*34.9%*	*28.8%*
Operating Expenses:	**(302,301)**	**(345,202)**	**(436,618)**	**(599,559)**	**(768,533)**
R&D	(204,182)	(246,427)	(336,861)	(376,300)	(479,000)
Sales and Marketing	(13,144)	(16,918)	(20,154)	(37,700)	(48,256)
General and Admin	(84,975)	(81,857)	(79,603)	(185,559)	(241,278)
Operating Profit	**1,322,053**	**1,936,092**	**3,307,072**	**4,451,744**	**5,735,899**
% margin	*45.7%*	*50.8%*	*59.0%*	*59.0%*	*59.4%*
YoY Growth	*43.5%*	*46.4%*	*70.8%*	*34.6%*	*28.8%*
Non-Operating Income	**83,786**	**105,571**	**186,300**	**108,179**	**104,179**
Pretax Profit	**1,405,839**	**2,041,663**	**3,493,372**	**4,559,923**	**5,840,078**
% margin	*48.6%*	*53.6%*	*62.3%*	*60.5%*	*60.5%*
Tax	(233,407)	(326,266)	(585,671)	(705,609)	(918,251)
Reported net Income	**1,173,268**	**1,717,883**	**2,906,884**	**3,854,314**	**4,921,827**
Reported EPS (NT$)	**45.25**	**66.25**	**112.10**	**148.64**	**189.81**
EPS for consensus (NT$)	**45.25**	**66.25**	**112.10**	**148.64**	**189.81**

Key Ratios, 2024-2028e

	2024	2025	2026e	2027e	2028e
Return (%)					
ROAA	19%	23%	31%	31%	31%
ROAE	30%	35%	44%	41%	38%
OP. ATO	0.7x	0.7x	0.8x	1.0x	0.9x
Gearing (x)					
Net Debt/ Equity	-0.33x	-0.38x	-0.39x	-0.40x	-0.45x
Current Ratio	2.4x	2.6x	2.8x	3.6x	4.8x
Quick Ratio	1.9x	2.1x	2.2x	2.9x	4.1x
Operating Cycle					
AR/NR Turnover (days)	29	26	26	29	28
Inventory Turnover (days)	76	68	74	78	76
AP Turnover (days)	19	19	22	24	23
Cash Conversion (days)	87	75	79	84	81

e = Morgan Stanley Research Estimates
Source: Company Data, Morgan Stanley Research

Balance Sheet, 2024-2028e, Year End Dec

(NT$ mn)	2024	2025	2026e	2027e	2028e
Cash & Equivalent	2,127,627	2,767,856	3,678,708	4,993,069	7,315,810
MarketableSecurity	294,393	300,738	383,795	383,795	383,795
A/R & N/R	272,088	281,791	539,393	682,034	831,525
Inventories	287,869	288,109	482,816	600,411	720,855
Other Current Ass.	106,376	178,635	221,240	221,240	221,240
Total current assets	**3,088,352**	**3,817,131**	**5,305,952**	**6,880,549**	**9,473,225**
Long-term Investment	149,040	172,370	227,936	227,936	227,936
Total fixed assets	3,234,980	3,691,841	4,927,830	6,491,119	7,897,246
Total other assets	219,565	251,682	279,138	279,138	279,138
Total Assets	**6,691,938**	**7,933,024**	**10,740,856**	**13,878,742**	**17,877,544**
A/P & N/P	74,227	84,330	146,207	181,817	218,291
Accrued Expenses	0	0	0	0	0
Other Payable	531,377	630,217	871,930	871,930	871,930
Curr. of L-T Debt	59,858	136,926	167,410	167,410	167,410
Other Curr. Liab.	599,064	606,547	707,796	707,796	707,796
Total Current Liab.	**1,264,525**	**1,458,019**	**1,893,343**	**1,928,953**	**1,965,427**
L-T Liabilities	926,605	856,228	815,037	815,037	815,037
Total Other L-T Liab	177,233	157,982	228,385	228,385	228,385
Total Liabilities	**2,368,362**	**2,472,229**	**2,936,765**	**2,972,375**	**3,008,849**
Common Stocks	259,327	259,325	259,324	259,324	259,324
Preferred Stocks	0	0	0	0	0
Capital Reserve	73,261	73,446	72,291	72,291	72,291
Retained earnings	3,955,957	5,086,825	7,430,524	10,532,799	14,495,129
Treasury Stock	0	0	0	0	0
Minority Equity	35,031	41,199	41,953	41,953	41,953
Total Equity	**4,323,576**	**5,460,795**	**7,804,091**	**10,906,368**	**14,868,696**
Total Liab. & Equity	**6,691,938**	**7,933,024**	**10,740,856**	**13,878,742**	**17,877,544**

Cash Flow Statement, 2024-2028e, Year End Dec

(NT$ mn)	2024	2025	2026e	2027e	2028e
Net Income Current	1,173,268	1,717,883	2,906,884	3,854,314	4,921,827
Depreciation	662,797	688,096	881,837	1,082,250	1,523,868
Net Investment Losses (Gains)	8,205	8,083	3,509	0	0
Decrease (Increase) in Working Capital	20,896	(17,144)	(47,126)	(224,625)	(233,462)
Others	(38,988)	(121,942)	(277,252)	0	0
Cash Flow-Operating	**1,826,177**	**2,274,976**	**3,467,852**	**4,711,939**	**6,212,233**
(Purchase) of FA	(956,007)	(1,272,411)	(1,989,563)	(2,645,540)	(2,929,995)
Sale of Fix Asset	895	797	1,992	0	0
(Purchase)L-T Inv.	(3,739)	0	0	0	0
Others	94,008	127,220	(4,892)	0	0
Cash Flow-Inv.	**(864,843)**	**(1,144,393)**	**(1,992,463)**	**(2,645,540)**	**(2,929,995)**
Inc(Dec)-S-T Debt	0	0	0	0	0
Inc(Dec) L-T Debt	28,601	7,948	11,299	0	0
Dividend Paid	(363,055)	(466,779)	(583,480)	(752,039)	(959,498)
Dir.&Emp.Bonus	0	0	0	0	0
Others	(11,847)	18,486	(30,604)	0	0
Cash Flow-Financing	**(346,301)**	**(440,345)**	**(602,786)**	**(752,039)**	**(959,498)**
Change in Cash	**662,199**	**640,229**	**910,852**	**1,314,361**	**2,322,741**
Net cash/(debt), b/f	1,465,428	2,127,627	2,767,856	3,678,708	4,993,069
Net cash/(debt), c/f	**2,127,627**	**2,767,856**	**3,678,708**	**4,993,069**	**7,315,810**

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

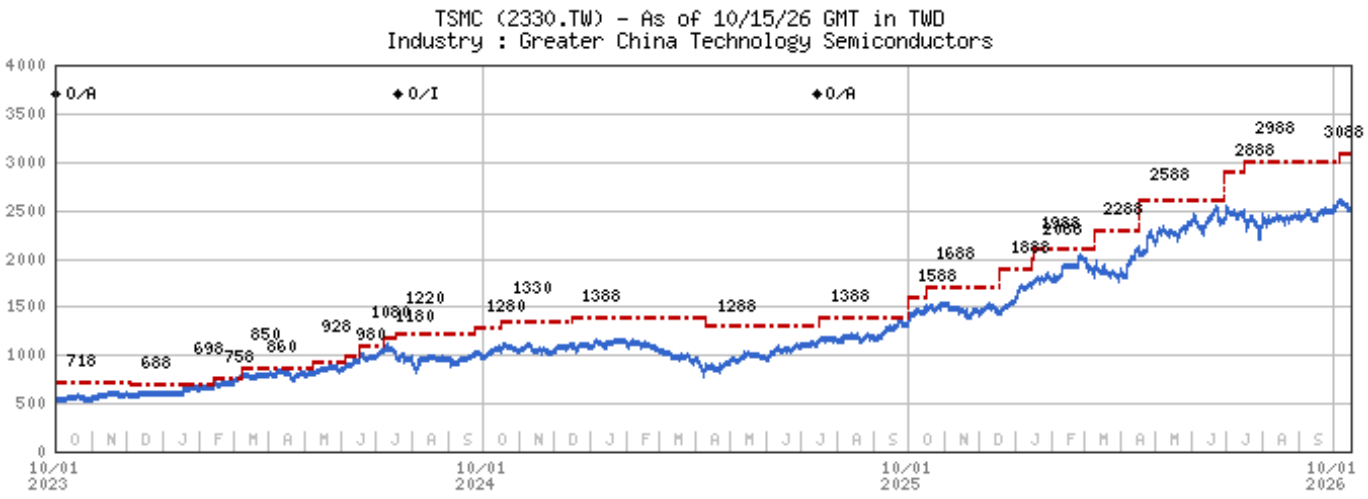
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : E/I; 10/12/21 : E/C; 2/7/22 : O/C; 10/4/22 : O/A; 2/22/23 : O/I; 7/7/23 : O/A; 7/21/24 : O/I; 7/14/25 : O/A

Price Target History: 6/18/21 : 580; 1/3/22 : 618; 1/13/22 : 648; 2/7/22 : 780; 9/23/22 : 720; 12/14/22 : 700; 4/20/23 : 680; 6/12/23 : 710; 7/7/23 : 718; 12/4/23 : 688; 1/18/24 : 698; 2/14/24 : 758; 3/8/24 : 850; 3/22/24 : 860; 5/8/24 : 928; 6/6/24 : 980; 6/18/24 : 1080; 7/8/24 : 1180; 7/18/24 : 1220; 9/24/24 : 1280; 10/17/24 : 1330; 12/16/24 : 1388; 4/11/25 : 1288; 7/17/25 : 1388; 9/30/25 : 1588; 10/16/25 : 1688; 12/18/25 : 1888; 1/14/26 : 1988; 1/16/26 : 2088; 3/9/26 : 2288; 4/17/26 : 2588; 6/29/26 : 2888; 7/16/26 : 2988; 10/6/26 : 3088

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/15/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$130.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,705.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$673.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb897.17
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb43.59
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$7,670.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$923.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$513.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$76.55
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$79.80
MediaTek (2454.TW)	O (11/28/2025)	NT$4,165.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb402.99
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$439.50
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb73.09
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,830.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb89.99
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$466.50
SMIC (0981.HK)	O (10/21/2025)	HK$52.15
TSMC (2330.TW)	O (02/07/2022)	NT$2,440.00
UMC (2303.TW)	O (05/19/2026)	NT$133.50
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$161.50
WIN Semiconductors Corp (3105.TWO)	E (10/09/2026)	NT$502.00

Daisy Dai, CFA

ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$136.10
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb48.62
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb98.65
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb25.95
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb193.82
Innoscience (2577.HK)	E (10/13/2025)	HK$31.70
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb57.50
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$21.96
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb86.73
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb94.38
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb69.52
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb52.15
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb20.55
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb73.30
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$831.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,495.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,945.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$95.40
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$135.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,655.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb121.05
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb278.22
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$104.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$202.00
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb163.00
Novatek (3034.TW)	U (02/04/2026)	NT$565.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$138.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$538.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$66.20
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$764.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb47.34
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$155.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$115.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$208.00
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$61.12
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb297.67
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb55.23
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb610.00
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,390.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$520.00
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,225.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$272.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,300.00
Tiffany Yeh		
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$11.98
Silicon Motion (SIMO.O)	O (05/06/2024)	US$223.58
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$5,055.00

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