Taiwan Semiconductor Manufacturing

Full speed on capacity expansion, backed by a strong US commitment

Equities

Taiwan
Semiconductors

12-month rating	**Buy**
12m price target	**NT$3,650.00**
Price (15 Oct 2026)	**NT$2,440**

RIC: 2330.TW **BBG:** 2330 TT

Trading data and key metrics

52-wk range	NT$2,585.00-1,375.00
Market cap.	NT$63,275b/US$1,952b
Shares o/s	25,933m (ORD)
Free float	87%
Avg. daily volume ('000)	28,434
Avg. daily value (m)	NT$68,312.5
Common s/h equity (12/26E)	NT$7667b
P/BV (12/26E)	8.3x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (TWD)

	From	To	% ch	Cons.
12/26E	109.06	112.05	3	108.51
12/27E	148.98	152.23	2	145.29
12/28E	202.52	205.81	2	188.02

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Cloud AI demand strengthening, with no signs of slowing

TSMC management remains optimistic of a stronger multi-year Cloud AI mega-trend. Its optimism is based on its prudent and comprehensive assessment of data centre construction, power shell build up, component supply, and the financial situation of Cloud service operators. Its capex target was retained at US$60-64bn in 2026, implying a meaningful uptick to US$19.4-23.4bn in Q4 vs US$40.6bn in 9M26. Our recent research highlighted TSMC is further accelerating expansion across N3/N2/A14, and could lift capex to US$90bn in 2027E and US$105bn in 2028E.

Stronger commitment to US expansion

TSMC guided the overseas dilution on gross margin to rise to 3-4% in 2027 from a narrowing to 2% (vs. prior 2-3%) in 2026 given the accelerating expansion especially in the US. The second fab in Arizona should start mass production for N3 in Q327, slightly earlier than prior plan. Management also stated that it's in talk with SpaceX/Terafab on potential collaboration, with key principle being to operate the fabs by TSMC. As what we wrote recently, TSMC is also evaluating the possibility to expand outside Arizona, with Texas being an option. The greater ambition to expand global footprint and support reshoring is key in solidifying TSMC's competitive positioning, in our view.

Better Q4 sales guidance, slightly down GM guidance not concerning

Q3 EPS of NT$29.43 was above LSEG consensus of NT$28.67, mostly due to higher sales and OPM of 58.7%. Q3 gross margin of 66.4% was a bit below expectation of 67% into earnings, given N2 dilution. Q4 sales is guided to grow 14% QoQ at mid point, slightly ahead of expectation of ~10% QoQ into earnings, driving full year sales guidance in USD to grow 44% YoY. TSMC guided greater dilution from N2 and overseas expansion, which lowers Q4 GM 40bps QoQ to 66.0% at the mid point of guidance. We view TSMC's investment case on strong growth at sustainable margins with good support in 2027 (UBS GMs up 10bps YoY at 66.7% from 66.6% in 2026) with price hikes to pass on higher costs.

Valuation: maintain Buy and target of NT$3,650

We raise 2026-28E EPS by 2-3% to reflect higher sales even with slightly lower gross margin assumptions. Our new 2028E EPS is 10% above consensus pre-earnings. We view resilient risk/reward for TSMC stock at 16x 2027E PE vs 36% earnings growth in 2027 based on UBSe, and expect the stock to steadily outperform the broader tech sector at least through early 2027, assuming the market volatility persists. Reiterate Buy rating. Our price target is based on 20x 2027-28E PE with a 26% long-term earnings CAGR.

Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	2,161,736	2,894,308	3,809,054	5,614,326	7,921,336	10,578,173	12,948,055	15,358,435
EBIT (UBS)	921,466	1,322,053	1,936,092	3,308,636	4,649,402	6,275,612	7,698,664	9,110,458
Net earnings (UBS)	838,498	1,173,268	1,717,883	2,905,391	3,947,441	5,336,884	6,595,750	7,884,988
EPS (UBS, diluted) (NT$)	32.34	45.24	66.24	112.05	152.23	205.81	254.36	304.08
DPS (net) (NT$)	13.00	17.00	22.00	29.50	40.50	53.00	66.00	76.00
Net (debt) / cash	764,451	1,435,557	2,075,442	2,864,031	3,896,841	5,665,826	8,790,836	13,182,484

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	42.6	45.7	50.8	58.9	58.7	59.3	59.5	59.3
ROIC (EBIT) %	38.6	49.6	65.1	84.4	83.0	81.2	78.7	79.2
EV/EBITDA (UBS core) x	9.1	11.0	10.8	14.7	10.4	7.5	5.8	4.6
P/E (UBS, diluted) x	16.8	19.7	17.6	21.8	16.0	11.9	9.6	8.0
Equity FCF (UBS) yield %	2.1	3.8	3.3	1.7	2.8	4.4	7.1	9.5
Dividend yield (net) %	2.4	1.9	1.9	1.2	1.7	2.2	2.7	3.1

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of NT$ 2,440.00 on 15-Oct-2026 18:57:40 CST

Earnings forecasts

Figure 1: TSMC's operating data

	Q126	Q226	Q326E	Q426E	Q127E	Q227E	Q327E	Q427E	2023	2024	2025	2026E	2027E	2028E
Capacity (WPQ/Y, kpcs 8" eq.)	**10,495**	**10,663**	**10,663**	**10,798**	**10,859**	**11,095**	**11,196**	**11,331**	**36,849**	**38,233**	**40,528**	**42,620**	**44,480**	**47,349**
Sequential change (%)	*0%*	*2%*	*0%*	*1%*	*1%*	*2%*	*1%*	*1%*	*6%*	*4%*	*6%*	*5%*	*4%*	*6%*
Shipment (WPQ/Y, kpcs 8" eq.)	**9,392**	**9,756**	**10,071**	**11,400**	**11,438**	**11,753**	**12,211**	**12,284**	**27,005**	**29,050**	**33,802**	**40,618**	**47,685**	**54,226**
Sequential change (%)	*5%*	*4%*	*3%*	*13%*	*0%*	*3%*	*4%*	*1%*	*-21%*	*8%*	*16%*	*20%*	*17%*	*14%*
Utilization rate (%)	**89%**	**91%**	**94%**	**106%**	**105%**	**106%**	**109%**	**108%**	**73%**	**76%**	**83%**	**95%**	**107%**	**115%**
ASP (US$)	**3,263**	**3,483**	**3,931**	**4,011**	**4,117**	**4,287**	**4,498**	**4,739**	**2,235**	**2,694**	**3,112**	**3,691**	**4,417**	**5,177**
Sequential change (%)	*0%*	*7%*	*13%*	*2%*	*3%*	*4%*	*5%*	*5%*	*14.8%*	*20.5%*	*15.5%*	*18.6%*	*19.7%*	*17.2%*
FX rate (NT$)	31.6	31.6	32.0	31.8	31.8	31.8	31.8	31.8	31.2	32.1	31.1	31.8	31.8	31.8
Other Revenue (NT$m)	165,991	196,673	228,332	261,702	269,553	288,421	323,112	342,499	279,218	379,846	536,501	852,698	1,223,585	1,651,445
Total Revenue (NT$m)	**1,134,103**	**1,270,380**	**1,494,243**	**1,715,599**	**1,767,067**	**1,890,762**	**2,069,663**	**2,193,843**	**2,161,736**	**2,894,308**	**3,809,054**	**5,614,326**	**7,921,336**	**10,578,173**
Sequential change (%)	*8%*	*12%*	*18%*	*15%*	*3%*	*7%*	*9%*	*6%*	*-5%*	*34%*	*32%*	*47%*	*41%*	*34%*
Capex (US$m)	**11,046**	**15,691**	**13,847**	**22,397**	**22,500**	**22,500**	**22,500**	**22,500**	**30,425**	**29,760**	**40,739**	**63,000**	**90,000**	**105,000**
Capex/revenue (%)	*31%*	*39%*	*30%*	*42%*	*40%*	*38%*	*35%*	*33%*	*44%*	*33%*	*33%*	*36%*	*36%*	*32%*
Depreciation (NT$mn)	**5,237**	**6,283**	**6,886**	**7,162**	**7,520**	**8,225**	**8,861**	**9,397**	**16,736**	**20,843**	**21,638**	**25,533**	**34,004**	**45,740**
Gross margin (%)	**66.2%**	**67.7%**	**66.4%**	**66.0%**	**66.4%**	**67.0%**	**66.5%**	**66.6%**	**54.4%**	**56.1%**	**59.9%**	**66.6%**	**66.7%**	**67.1%**
Operating margin (%)	58.1%	60.3%	58.7%	58.7%	58.8%	59.2%	58.4%	58.5%	42.6%	45.7%	50.8%	58.9%	58.7%	59%

Source: Company data, UBS estimates

Figure 2: Q326 earnings comparison

	Q326							Q226		Q325	
(NT$m)	**Actual**	**Guidance**	**VA**	**Diff. vs VA**	**LSEG**	**Diff. vs LSEG**	**UBSe**	**Actual**	**QoQ**	**Actual**	**YoY**
Revenue	1,494,243	NT$1427.20-1265.6bn (FX: NT$32.0/US$)	1,461,784	2%	1,456,819	3%	1,462,634	1,270,380	18%	989,918	51%
Revenue (US$m)	46,270	US$44.6-45.8bn	45,265	2%		n.m.	45,707	35,898	29%	30,070	54%
Gross profit	992,379		972,779	2%	968,908	2%	980,859	860,311	15%	588,543	69%
- Gross margin	66.4%	65.0-67.0%	66.5%	-13bps	66.5%	-9bps	67.1%	67.7%	-131bps	59.5%	696bps
Operating profit	876,445		853,142	3%	848,353	3%	861,775	766,603	14%	500,685	75%
- OP margin	58.7%	56.0-58.0%	58.4%	29bps	58.2%	42bps	58.9%	60.3%	-169bps	50.6%	808bps
Non-op profit	34,594		29,454	17%	36,768	-6%	22,718	95,827	-64%	24,684	40%
Pre-tax profit	911,039		882,596	3%	885,121	3%	884,493	862,430	6%	525,369	73%
Tax	-147,698		-150,093	-2%	-143,161	3%	-145,941	-155,649	-5%	-73,614	101%
- Tax rate	16.2%		17.0%	-79bps	16.2%	4bps	16.5%	18.0%	-184bps	14.0%	220bps
Net profit	763,341		733,358	4%	741,960	3%	738,332	706,562	8%	452,301	69%
EPS (NT$)	29.43		28.65	3%	28.67	3%	28.47	27.25	8%	17.44	69%

Source: Company data, Visible Alpha, LSEG, UBS estimates

Figure 3: Revenue mix by platform

Revenue mix by platform	**Q326**	**Q226**	**Q126**	**Q425**	**Q325**	**Q225**	**Q125**	**Q424**	**Q324**	**Q224**	**Q124**	**Q423**	**Q323**
Smartphone	21%	22%	26%	32%	30%	27%	28%	35%	34%	33%	38%	43%	39%
HPC	68%	66%	61%	55%	57%	60%	59%	53%	51%	52%	46%	43%	42%
IoT	4%	5%	6%	5%	5%	5%	5%	5%	7%	6%	6%	5%	9%
Auto	4%	4%	4%	5%	5%	5%	5%	4%	5%	5%	6%	5%	5%
Digital consumer electronics	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%
Others	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%

Source: Company data, UBS

Figure 4: Wafer revenue mix by technology

Wafer revenue mix by technology	**Q326**	**Q226**	**Q126**	**Q425**	**Q325**	**Q225**	**Q125**	**Q424**	**Q324**	**Q224**	**Q124**	**Q423**	**Q323**
2nm	8%	3%											
3nm	33%	30%	25%	28%	23%	24%	22%	26%	20%	15%	9%	15%	6%
5nm	28%	33%	36%	35%	37%	36%	36%	34%	32%	35%	37%	35%	37%
7nm	10%	11%	13%	14%	14%	14%	15%	14%	17%	17%	19%	17%	16%
16/20nm	6%	6%	7%	6%	7%	7%	7%	7%	8%	9%	9%	8%	10%
28nm	6%	6%	7%	6%	7%	7%	7%	6%	7%	8%	8%	7%	10%
40/45nm	2%	2%	3%	3%	3%	3%	3%	3%	4%	5%	5%	4%	6%
65nm	4%	4%	4%	4%	4%	3%	4%	4%	4%	3%	4%	5%	6%
90nm-0.13um	1%	2%	2%	2%	2%	3%	3%	3%	3%	3%	4%	4%	4%
≥0.15um	2%	3%	3%	2%	3%	3%	3%	3%	5%	5%	5%	5%	5%

Source: Company data, UBS

Figure 5: Revisions to our earnings estimates

	New			Old			Change		
(NT$ mn)	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	**5,614,326**	**7,921,336**	**10,578,173**	**5,476,015**	**7,702,256**	**10,318,264**	3%	3%	3%
- YoY chg	47%	41%	34%	44%	41%	34%			
Revenue (US$ mn)	**176,868**	**249,099**	**332,647**	**172,213**	**240,695**	**322,446**	3%	3%	3%
- YoY chg	45%	41%	34%	41%	40%	34%			
Gross profit	**3,736,635**	**5,279,963**	**7,098,535**	**3,670,122**	**5,179,398**	**7,000,469**	2%	2%	1%
- Gross margin	66.6%	66.7%	67.1%	67.0%	67.2%	67.8%			
Operating profit	**3,308,636**	**4,649,402**	**6,275,612**	**3,234,125**	**4,555,628**	**6,185,603**	2%	2%	1%
- Operating margin	58.9%	58.7%	59.3%	59.1%	59.1%	59.9%			
Net profit	**2,905,391**	**3,947,441**	**5,336,884**	**2,827,838**	**3,863,186**	**5,251,406**	3%	2%	2%
- Net margin	51.7%	49.8%	50.5%	51.6%	50.2%	50.9%			
EPS (NT$)	**112.05**	**152.23**	**205.81**	**109.06**	**148.98**	**202.52**	3%	2%	2%
- YoY chg	69%	36%	35%	65%	37%	36%			

Source: UBS estimates

Figure 6: UBS earnings estimates vs. consensus

	UBSe			Consensus			Difference		
(NT$m)	**2026E**	**2027E**	**2028E**	**2026F**	**2027F**	**2028F**	**2026E**	**2027E**	**2028E**
Revenue	**5,614,326**	**7,921,336**	**10,578,173**	**5,473,474**	**7,565,728**	**9,527,866**	3%	5%	11%
- YoY chg	47%	41%	34%	44%	38%	26%			
Gross profit	**3,736,635**	**5,279,963**	**7,098,535**	**3,648,290**	**5,075,511**	**6,368,013**	2%	4%	11%
- Gross margin	66.6%	66.7%	67.1%	66.7%	67.1%	66.8%			
Operating profit	**3,308,636**	**4,649,402**	**6,275,612**	**3,210,186**	**4,484,151**	**5,639,038**	3%	4%	11%
- Operating margin	58.9%	58.7%	59.3%	58.6%	59.3%	59.2%			
Net profit	**2,905,391**	**3,947,441**	**5,336,884**	**2,803,055**	**3,838,392**	**4,855,556**	4%	3%	10%
- Net margin	51.7%	49.8%	50.5%	51.2%	50.7%	51.0%			
EPS (NT$)	**112.05**	**152.23**	**205.81**	**108.02**	**147.67**	**186.54**	4%	3%	10%
- YoY chg	69%	36%	35%	63%	37%	26%			

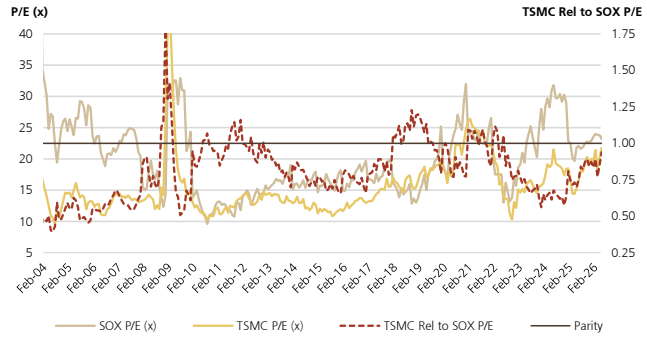
Source: Visible Alpha, UBS estimates

Figure 7: Earnings forecasts

(NT$ mn)	**2025**	**Q126**	**Q226**	**Q326E**	**Q426E**	**2026E**	**Q127E**	**Q227E**	**Q327E**	**Q427E**	**2027E**	**2028E**	**2029E**	**2030E**
Revenue	**3,809,054**	**1,134,103**	**1,270,380**	**1,494,243**	**1,715,599**	**5,614,326**	**1,767,067**	**1,890,762**	**2,069,663**	**2,193,843**	**7,921,336**	**10,578,173**	**12,948,055**	**15,358,435**
- YoY chg (%)	32%	35%	36%	51%	64%	47%	56%	49%	39%	28%	41%	34%	22%	19%
- QoQ chg (%)	-	8%	12%	18%	15%	-	3%	7%	9%	6%	-	-	-	-
Revenue (US$ mn)	**122,031**	**35,898**	**40,202**	**46,724**	**53,950**	**176,868**	**55,568**	**59,458**	**65,084**	**68,989**	**249,099**	**332,647**	**407,172**	**482,970**
- YoY chg (%)	35%	41%	34%	41%	60%	45%	55%	48%	39%	28%	41%	34%	22%	19%
- QoQ chg (%)	-	6%	12%	16%	15%	-	3%	7%	9%	6%	-	-	-	-
Gross profit	**2,281,294**	**751,295**	**860,311**	**992,379**	**1,132,650**	**3,736,635**	**1,173,574**	**1,267,475**	**1,377,112**	**1,461,802**	**5,279,963**	**7,098,535**	**8,678,054**	**10,284,569**
- Gross margin	59.9%	66.2%	67.7%	66.4%	66.0%	66.6%	66.4%	67.0%	66.5%	66.6%	66.7%	67.1%	67.0%	67.0%
Operating profit	**1,936,092**	**658,966**	**766,603**	**876,445**	**1,006,622**	**3,308,636**	**1,038,795**	**1,118,862**	**1,207,952**	**1,283,793**	**4,649,402**	**6,275,612**	**7,698,664**	**9,110,458**
- OP margin	50.8%	58.1%	60.3%	58.7%	58.7%	58.9%	58.8%	59.2%	58.4%	58.5%	58.7%	59.3%	59.5%	59.3%
Non-op profit	105,571	28,834	95,827	34,594	27,584	186,839	25,967	27,188	28,947	31,611	113,712	162,788	259,658	402,142
Pre-tax profit	2,041,663	687,800	862,430	911,039	1,034,206	3,495,475	1,064,762	1,146,050	1,236,899	1,315,403	4,763,114	6,438,400	7,958,322	9,512,599
Net profit	**1,717,883**	**572,480**	**706,562**	**763,064**	**863,285**	**2,905,391**	**888,799**	**928,023**	**1,032,534**	**1,098,085**	**3,947,441**	**5,336,884**	**6,595,750**	**7,884,988**
Reported EPS (NT$)	**66.26**	**22.08**	**27.25**	**29.43**	**33.29**	**112.05**	**34.28**	**35.79**	**39.82**	**42.35**	**152.23**	**205.81**	**254.36**	**304.08**
- YoY chg (%)	46%	58%	77%	69%	71%	69%	55%	31%	35%	27%	36%	35%	24%	20%
- QoQ chg (%)	-	13%	23%	8%	13%	-	3%	4%	11%	6%	-	-	-	-

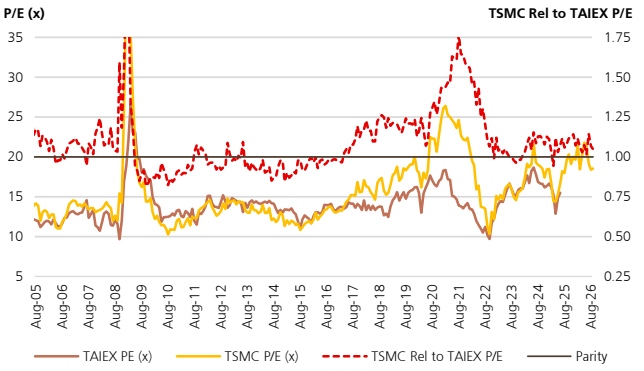
Source: Company data, UBS estimates

Figure 8: TSMC's valuation relative to SOX



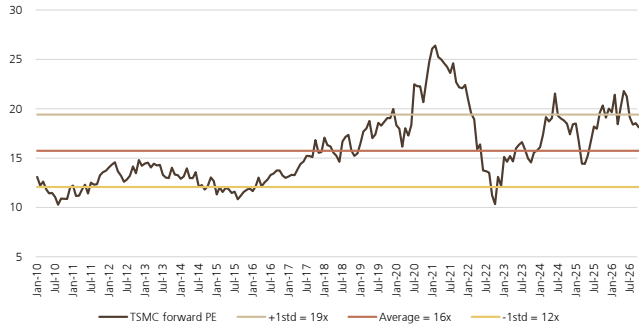
Source: Company data, LSEG, UBS estimates. Note: Monthly data, updated to 30/9/2026

Figure 9: TSMC's valuation relative to TAIEX



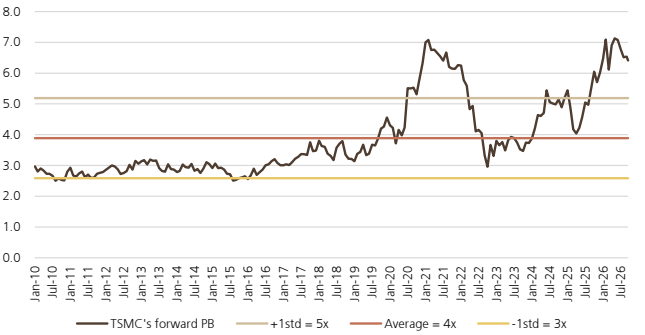
Source: Company data, LSEG, UBS estimates. Note: Monthly data, updated to 30/9/2026

Figure 10: TSMC's 12-month forward PE (x)



Source: Company data, LSEG, UBS estimates

Figure 11: TSMC's 12-month forward P/BV (x)



Source: Company data, LSEG, UBS estimates

Taiwan Semiconductor Manufacturing (2330.TW)

Income Statement (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**2,161,736**	**2,894,308**	**3,809,054**	**5,614,326**	*47.4*	**7,921,336**	*41.1*	**10,578,173**	**12,948,055**	**15,358,435**
Gross profit	1,175,111	1,624,354	2,281,294	3,736,635	*63.8*	5,279,963	*41.3*	7,098,535	8,678,054	10,284,569
EBITDA (UBS)	**1,453,657**	**1,984,850**	**2,624,188**	**4,120,590**	*57.0*	**5,730,724**	*39.1*	**7,730,133**	**9,575,148**	**11,409,944**
Depreciation & amortisation	(532,191)	(662,797)	(688,096)	(811,954)	*-18.0*	(1,081,322)	*-33.2*	(1,454,522)	(1,876,484)	(2,299,487)
EBIT (UBS)	**921,466**	**1,322,053**	**1,936,092**	**3,308,636**	*70.9*	**4,649,402**	*40.5*	**6,275,612**	**7,698,664**	**9,110,458**
Associates & investment income	4,655	4,879	5,497	4,833	*-12.1*	800	*-83.4*	800	800	800
Other non-operating income	10,704	11,125	13,868	75,953	*NM*	706	*-99.1*	706	706	706
Net interest	42,347	67,781	86,206	106,053	*23.0*	112,205	*5.8*	161,282	258,152	400,636
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**979,171**	**1,405,839**	**2,041,663**	**3,495,475**	*71.2*	**4,763,114**	*36.3*	**6,438,400**	**7,958,322**	**9,512,599**
Tax	(141,404)	(233,407)	(326,266)	(588,990)	*-80.5*	(814,565)	*-38.3*	(1,100,408)	(1,361,465)	(1,626,503)
Profit after tax	**837,768**	**1,172,432**	**1,715,397**	**2,906,485**	*69.4*	**3,948,549**	*35.9*	**5,337,992**	**6,596,858**	**7,886,096**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	730	836	2,486	(1,095)	-	(1,108)	*-1.2*	(1,108)	(1,108)	(1,108)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**838,498**	**1,173,268**	**1,717,883**	**2,905,391**	*69.1*	**3,947,441**	*35.9*	**5,336,884**	**6,595,750**	**7,884,988**
Net earnings (UBS)	**838,498**	**1,173,268**	**1,717,883**	**2,905,391**	*69.1*	**3,947,441**	*35.9*	**5,336,884**	**6,595,750**	**7,884,988**
Tax rate (%)	14.4	16.6	16.0	16.9	*5.4*	17.1	*1.5*	17.1	17.1	17.1

Per Share (NT$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	32.34	45.24	66.24	112.05	*69.1*	152.23	*35.9*	205.81	254.36	304.08
EPS (local GAAP, diluted)	32.34	45.24	66.24	112.05	*69.1*	152.23	*35.9*	205.81	254.36	304.08
EPS (UBS, basic)	32.34	45.25	66.24	112.05	*69.1*	152.23	*35.9*	205.81	254.36	304.08
DPS (net) (NT$)	13.00	17.00	22.00	29.50	*34.1*	40.50	*37.3*	53.00	66.00	76.00
Cash EPS (UBS, diluted) [1]	52.86	70.80	92.77	143.36	*54.5*	193.93	*35.3*	261.91	326.73	392.76
Book value per share	133.38	165.36	208.99	295.66	*41.5*	410.39	*38.8*	567.20	757.55	988.63
Average shares (diluted)	25,931	25,934	25,934	25,930	*0.0*	25,931	*0.0*	25,931	25,931	25,931

Balance Sheet (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	1,687,644	2,422,020	3,068,595	3,847,544	*25.4*	4,870,354	*26.6*	6,629,339	9,744,349	14,125,997
Other current assets	506,388	666,332	748,536	1,480,839	*97.8*	1,882,464	*27.1*	2,536,990	2,991,111	3,630,432
Total current assets	**2,194,033**	**3,088,352**	**3,817,131**	**5,328,383**	*39.6*	**6,752,817**	*26.7*	**9,166,329**	**12,735,460**	**17,756,429**
Net tangible fixed assets	3,064,475	3,234,980	3,691,841	5,010,938	*35.7*	6,791,616	*35.5*	8,676,095	10,297,610	11,496,124
Net intangible fixed assets	22,767	26,283	24,953	24,075	*-3.5*	24,075	*0.0*	24,075	24,075	24,075
Investments / other assets	251,097	342,323	399,100	444,309	*11.3*	499,418	*12.4*	593,735	654,021	747,725
Total assets	**5,532,371**	**6,691,938**	**7,933,024**	**10,807,704**	*36.2*	**14,067,926**	*30.2*	**18,460,233**	**23,711,166**	**30,024,352**
Trade payables & other ST liabilities	904,290	1,204,667	1,321,094	1,800,337	*36.3*	2,008,655	*11.6*	2,202,597	2,433,232	2,623,189
Short term debt	9,293	59,858	136,926	213,198	*55.7*	213,198	*0.0*	213,198	213,198	213,198
Total current liabilities	**913,583**	**1,264,525**	**1,458,019**	**2,013,535**	*38.1*	**2,221,853**	*10.3*	**2,415,795**	**2,646,430**	**2,836,387**
Long term debt	913,900	926,605	856,228	770,315	*-10.0*	760,315	*-1.3*	750,315	740,315	730,315
Other long term liabilities	221,625	177,233	157,982	311,835	*97.4*	398,762	*27.9*	540,931	635,153	776,459
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**2,049,108**	**2,368,362**	**2,472,229**	**3,095,684**	*25.2*	**3,380,931**	*9.2*	**3,707,041**	**4,021,898**	**4,343,161**
Common s/h equity	**3,458,914**	**4,288,545**	**5,419,596**	**7,666,694**	*41.5*	**10,641,670**	*38.8*	**14,707,866**	**19,643,942**	**25,635,866**
Minority interests	24,349	35,031	41,199	45,326	*10.0*	45,326	*0.0*	45,326	45,326	45,326
Total liabilities & equity	**5,532,371**	**6,691,938**	**7,933,024**	**10,807,704**	*36.2*	**14,067,926**	*30.2*	**18,460,233**	**23,711,166**	**30,024,352**

Cash Flow (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	838,498	1,173,268	1,717,883	2,905,391	*69.1*	3,947,441	*35.9*	5,336,884	6,595,750	7,884,988
Depreciation & amortisation	532,191	662,797	688,096	811,954	*18.0*	1,081,322	*33.2*	1,454,522	1,876,484	2,299,487
Net change in working capital	324	(90,088)	160	(702,567)	-	(323,607)	*53.9*	(527,674)	(363,542)	(516,833)
Other operating	(129,046)	80,200	(131,163)	71,408	-	(93,369)	-	(156,889)	(101,756)	(155,897)
Operating cash flow	**1,241,967**	**1,826,177**	**2,274,976**	**3,086,185**	*35.7*	**4,611,786**	*49.4*	**6,106,842**	**8,006,935**	**9,511,746**
Tangible capital expenditure	(949,113)	(955,112)	(1,271,613)	(1,999,809)	*-57.3*	(2,862,000)	*-43.1*	(3,339,000)	(3,498,000)	(3,498,000)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	(55,781)	(54,143)	(37,079)	(67,076)	*-80.9*	0	-	0	0	0
Other investing	98,774	144,412	164,299	238,223	*45.0*	0	-	0	0	0
Investing cash flow	**(906,121)**	**(864,843)**	**(1,144,393)**	**(1,828,662)**	*-59.8*	**(2,862,000)**	*-56.5*	**(3,339,000)**	**(3,498,000)**	**(3,498,000)**
Equity dividends paid	(291,722)	(363,055)	(466,779)	(622,380)	*-33.3*	(803,904)	*-29.2*	(1,141,026)	(1,478,147)	(1,763,403)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	18,623	(39,111)	(14,014)	25,063	-	86,928	*246.8*	142,169	94,222	141,305
Change in debt & pref shares	68,204	55,866	40,448	(8,849)	-	(10,000)	*-13.0*	(10,000)	(10,000)	(10,000)
Financing cash flow	**(204,894)**	**(346,301)**	**(440,345)**	**(606,166)**	*-37.7*	**(726,977)**	*-19.9*	**(1,008,857)**	**(1,393,925)**	**(1,632,098)**
Cash flow inc/(dec) in cash	**130,952**	**615,033**	**690,238**	**651,358**	*-5.6*	**1,022,810**	*57.0*	**1,758,985**	**3,115,010**	**4,381,648**
FX / non cash items	(4,794)	119,342	(43,662)	127,591	-	0	*-100.0*	0	0	0
Balance sheet inc/(dec) in cash	**126,159**	**734,375**	**646,575**	**778,949**	*20.5*	**1,022,810**	*31.3*	**1,758,985**	**3,115,010**	**4,381,648**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Taiwan Semiconductor Manufacturing (2330.TW)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	16.8	19.7	17.6	21.8	16.0	11.9	9.6	8.0
P/E (UBS, diluted)	16.8	19.7	17.6	21.8	16.0	11.9	9.6	8.0
P/CEPS	10.3	12.6	12.6	17.0	12.6	9.3	7.5	6.2
Equity FCF (UBS) yield %	2.1	3.8	3.3	1.7	2.8	4.4	7.1	9.5
Dividend yield (net) %	2.4	1.9	1.9	1.2	1.7	2.2	2.7	3.1
P/BV	4.1	5.4	5.6	8.3	5.9	4.3	3.2	2.5
EV/revenues (core)	6.1	7.6	7.4	NM	7.5	5.5	4.3	3.4
EV/EBITDA (UBS core)	9.1	11.0	10.8	14.7	10.4	7.5	5.8	4.6
EV/EBIT (core)	14.4	16.6	14.6	18.3	12.8	9.3	7.3	5.7
EV/OpFCF (core)	9.8	12.2	11.4	18.8	11.7	8.5	6.3	4.9
EV/op. invested capital	5.6	8.2	9.5	15.5	10.7	7.6	5.7	4.5

Enterprise value (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	14,093,810	23,107,982	30,242,408	63,275,362	63,275,362	63,275,362	63,275,362	63,275,362
Net debt (cash)	(736,143)	(1,100,004)	(1,755,499)	(2,469,736)	(3,380,436)	(4,781,333)	(7,228,331)	(10,986,660)
Buy out of minorities	24,349	35,031	41,199	45,326	45,326	45,326	45,326	45,326
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**13,382,016**	**22,043,009**	**28,528,108**	**60,850,952**	**59,940,252**	**58,539,355**	**56,092,357**	**52,334,028**
Non core assets	(129,442)	(149,040)	(172,370)	(222,986)	(216,399)	(209,813)	(203,226)	(196,639)
Core enterprise value	**13,252,574**	**21,893,968**	**28,355,738**	**60,627,965**	**59,723,853**	**58,329,542**	**55,889,131**	**52,137,389**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(4.5)	33.9	31.6	47.4	41.1	33.5	22.4	18.6
EBITDA (UBS)	(6.7)	36.5	32.2	57.0	39.1	34.9	23.9	19.2
EBIT (UBS)	(17.8)	43.5	46.4	70.9	40.5	35.0	22.7	18.3
EPS (UBS, diluted)	(17.5)	39.9	46.4	69.1	35.9	35.2	23.6	19.5
Net DPS	18.2	30.8	29.4	34.1	37.3	30.9	24.5	15.2

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	54.4	56.1	59.9	66.6	66.7	67.1	67.0	67.0
EBITDA margin	67.2	68.6	68.9	73.4	72.3	73.1	74.0	74.3
EBIT (UBS) margin	42.6	45.7	50.8	58.9	58.7	59.3	59.5	59.3
Net earnings (UBS) margin	38.8	40.5	45.1	51.7	49.8	50.5	50.9	51.3
ROIC (EBIT)	38.6	49.6	65.1	NM	NM	NM	NM	NM
ROIC post tax	33.0	41.4	54.6	70.2	68.8	67.3	65.2	65.7
ROE (UBS)	26.2	30.3	35.4	44.4	43.1	42.1	38.4	34.8

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	(0.5)	(0.7)	(0.8)	(0.7)	(0.7)	(0.7)	(0.9)	(1.2)
Net debt / total equity %	(21.9)	(33.2)	(38.0)	(37.1)	(36.5)	(38.4)	(44.6)	(51.3)
Net debt / (net debt + total equity) %	(28.1)	(49.7)	(61.3)	(59.1)	(57.4)	(62.3)	(80.7)	NM
Net debt/EV %	(5.5)	(5.0)	(6.2)	(4.1)	(5.6)	(8.2)	(12.9)	(21.0)
Capex / depreciation %	178.3	144.1	184.8	NM	NM	NM	186.4	152.1
Capex / revenue %	NM	NM	NM	NM	NM	NM	27.0	22.8
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	2.5	2.7	3.0	3.8	3.8	3.9	3.9	4.0
Div. payout ratio (UBS) %	40.2	37.6	33.2	26.3	26.6	25.8	25.9	25.0

Revenues by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Wafer revenue	1,882,518	2,514,461	3,272,553	4,761,629	6,697,751	8,926,728	10,880,718	12,906,248
Others	279,218	379,846	536,501	852,698	1,223,585	1,651,445	2,067,336	2,452,187
Others	0	1	0	(1)	0	0	1	0
Total	**2,161,736**	**2,894,308**	**3,809,054**	**5,614,326**	**7,921,336**	**10,578,173**	**12,948,055**	**15,358,435**

EBIT (UBS) by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	921,466	1,322,053	1,936,092	3,308,636	4,649,402	6,275,612	7,698,664	9,110,458
Total	**921,466**	**1,322,053**	**1,936,092**	**3,308,636**	**4,649,402**	**6,275,612**	**7,698,664**	**9,110,458**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	49.6%
Forecast dividend yield	1.3%
Forecast stock return	50.9%
Market return assumption	6.3%
Forecast excess return	44.5%

Company Description

Taiwan Semiconductor Manufacturing (TSMC) is the world's leading dedicated foundry service provider, with annual capacity of about 32m of 8-inch equivalent wafers as of end-2024. It operates four 12-inch wafer fabs, four 8-inch wafer fabs and one 6-inch wafer fab in Taiwan. TSMC also manages two 8-inch fabs and one 12-inch fab overseas under wholly owned subsidiaries WaferTech in the US, and TSMC China and TSMC Nanjing in China.

Valuation Method and Risk Statement

We base our price target for TSMC on a PE multiple.
We think TSMC faces a variety of risks, including rapidly changing technology, intense competition, high capital investment and cyclical demand. TSMC also has a history of paying stock options to its employees, which could dilute earnings.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Taiwan Semiconductor Manufacturing

Question	**Response**
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	4
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	4
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	Positive Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

Required Disclosures

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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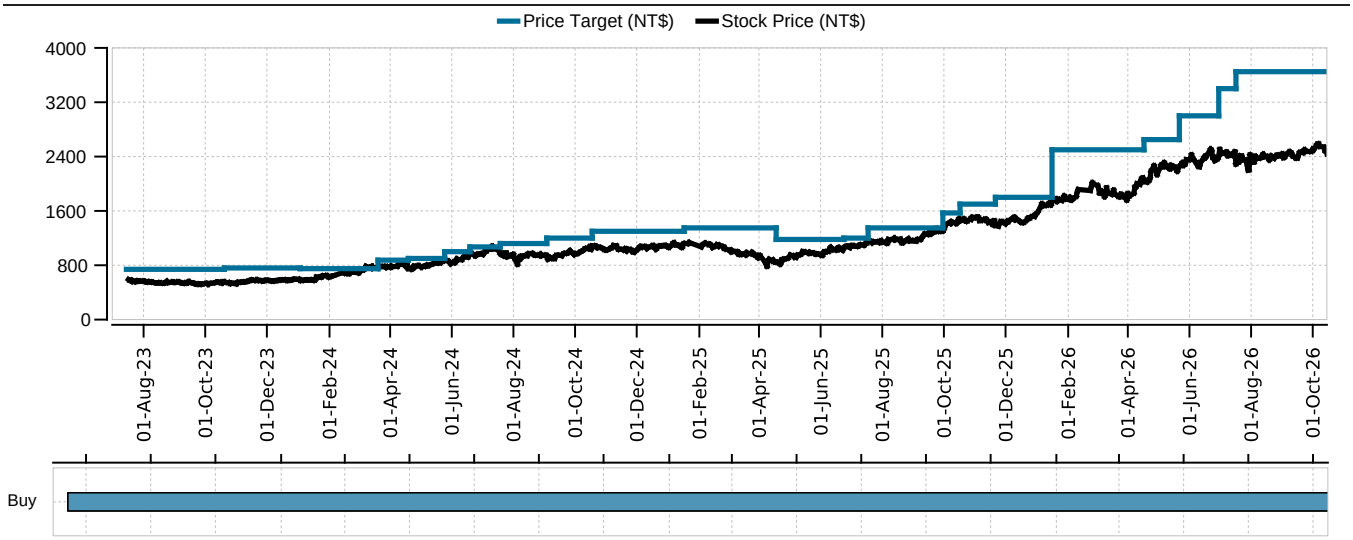
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Company Name	Reuters	12-month rating	Price	Price date
Taiwan Semiconductor Manufacturing[16,28]	2330.TW	Buy	NT$2,440	15 Oct 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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Taiwan Semiconductor Manufacturing (NT$)



Date	Stock Price (NT$)	Price Target (NT$)	Rating
2023-07-14	591.00	740.00	Buy
2023-10-19	546.00	760.00	Buy
2024-01-02	593.00	750.00	Buy
2024-03-19	762.00	875.00	Buy
2024-04-18	804.00	900.00	Buy
2024-05-24	867.00	1000.00	Buy
2024-06-18	943.00	1070.00	Buy
2024-07-18	1005.00	1120.00	Buy
2024-09-02	948.00	1200.00	Buy
2024-10-17	1035.00	1300.00	Buy
2025-01-16	1105.00	1350.00	Buy
2025-04-17	847.00	1180.00	Buy
2025-06-23	1020.00	1200.00	Buy
2025-07-17	1130.00	1350.00	Buy
2025-09-29	1300.00	1570.00	Buy
2025-10-16	1485.00	1700.00	Buy
2025-11-20	1455.00	1800.00	Buy
2026-01-15	1690.00	2500.00	Buy

Date	Stock Price (NT$)	Price Target (NT$)	Rating
2026-04-16	2085.00	2650.00	Buy
2026-05-21	2230.00	3000.00	Buy
2026-06-29	2370.00	3400.00	Buy
2026-07-16	2470.00	3650.00	Buy

Source: UBS Global Research; LSEG Eikon as of 15-Oct-2026. All prices as of local market close. Ratings as of date shown.

Additional Prices: Space Exploration Technologies Corp, US$152.16 (14 Oct 2026); Source: UBS. All prices as of local market close.

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