NOMURA

Global Markets Research

30 June 2026

Taiwan Semiconductor Manufacturing Corp 2330.TW

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EQUITY: FOUNDRY

Earnings uptrend sustains; Buy with a higher TP

Turning aggressive on CoW plan (despite bottleneck in WoS); price hike scale and scope noteworthy

AI demand surge (unsurprisingly) changes TSMC's mindset about expansion

We keep the AI bellwether TSMC in our core AI semi holding. We expect TSMC to deliver strong revenue growth in 2026F/27F (+37%/+30%, in USD terms), monetizing full fab loadings and another round of price hikes (assume for wafer-outs starting in Jan-27). While we previously expected a severely constrained Asia AI semi and server supply chain throughout 2026F (*report*), the scope of supply/demand mismatch has broadened (*report*). We believe TSMC will be more aggressive than before in capacity builds, and we believe it targets 2,000kpcs CoWoS in 2027F (more precisely, "CoW" capacity; vs. our previous estimate of up to 1,350kpcs) by hastening its tooling pace in AP7/AP8. The pace of advanced node (N5/N3) supply addition in 2026-27E, on the other hand, remains broadly steady with the planned N3 builds at Fab 18 and cross-node optimization at Fab 15/18, while the majority of greenfield formations will come online after 2027E (N3 in the US/Japan). Yet we only model in 1,800kpcs of "CoWoS" output since turnkey volume could be constrained by key components in the WoS stage such as IC substrates, suggesting **TSMC cannot be the only one "working hard" to meet the demand**. While keeping 2026F capex unchanged, we raise 2027F/28F capex to USD75bn/85bn (from USD70bn/70bn) but note possible upside (current capex intensity is in the low-30% vs. prior cyclical peak 45-50%) to counter competition (e.g. Intel's EMIB-T) and considering an optically high ROI in this AI-driven cycle. The increased capex in 2027-28F, in our view, is to expedite infrastructure and subsequent tool purchases. We expect 5-10% price hikes for N2/N3/N5 into 2027F, and we do not rule out further upside in scale and scope, i.e. even mature nodes could see price hikes into 2027F. Net, we raise 2026-28F GM to reflect stronger pricing power and a more favorable mix from hectic AI/HPC production and increase 2026-28F EPS by 4-12%. Our new TP of TWD3,425 is based on 25x 2027F EPS of TWD137.0 (previously 25x 2026-27F average EPS TWD112), near the high end of its historical trading band of 10-30x. TSMC trades at 17x 2027F EPS. After SOX's rally in April and May, TSMC local shares (P/E based on Bloomberg consensus EPS) are trading at a 16% discount to SOX's one-year forward P/E (25x; based on consensus). We reiterate Buy as we believe TSMC should trade at a premium to SOX due to its AI-enabler position and strengthened growth outlook.

2Q26F results/3Q26 guidance preview

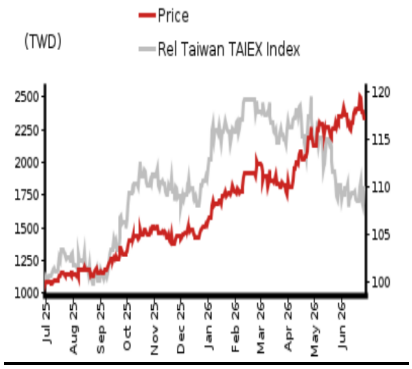
We model TSMC's 2Q26F revenue growth/GM both at the high end of guidance (+12% q-q in USD terms; GM of 67.4%) and expect another +12% q-q growth in 3Q26F revenue with a 68% GM.

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	3,809,054	5,218,444	5,313,126	6,501,695	6,922,023	7,875,757	8,543,664
Reported net profit (mn)	1,717,883	2,605,572	2,705,708	3,245,404	3,551,314	3,900,744	4,376,166
Normalised net profit (mn)	1,717,883	2,605,572	2,705,708	3,245,404	3,551,314	3,900,744	4,376,166
FD normalised EPS	66.26	100.49	104.35	125.17	136.96	150.44	168.77
FD norm. EPS growth (%)	46.4	51.7	57.5	24.6	31.3	20.2	23.2
FD normalised P/E (x)	35.3	–	22.4	–	17.1	–	13.9
EV/EBITDA (x)	22.4	–	14.6	–	10.9	–	8.4
Price/book (x)	11.2	–	8.1	–	5.9	–	4.3
Dividend yield (%)	0.9	–	1.2	–	1.2	–	1.2
ROE (%)	35.4	40.5	42.0	37.0	39.9	33.3	36.1
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Increased from TWD 2,820.00	**TWD 3,425.00**
Closing price 26 June 2026	**TWD 2,340.00**
Implied upside	**+46.4%**
Market Cap (USD mn)	1,902,905.3
ADT (USD mn)	2,704.4

Relative performance chart



Source: LSEG, Nomura

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on Taiwan Semiconductor Manufacturing Corp

Performance

(%)	1M	3M	12M		
Absolute (TWD)	3.1	27.2	117.7	M cap (USDmn)	1,902,905.3
Absolute (USD)	1.7	27.3	98.1	Free float (%)	90.1
Rel to Taiwan TAIEX Index	0.7	-6.5	19.5	3-mth ADT (USDmn)	2,704.4

Income statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	2,894,308	3,809,054	5,313,126	6,922,023	8,543,664
Cost of goods sold	-1,269,954	-1,527,760	-1,726,529	-2,207,488	-2,756,576
Gross profit	1,624,354	2,281,294	3,586,597	4,714,535	5,787,088
SG&A	-302,301	-345,202	-434,563	-566,867	-699,668
Employee share expense	0	0	0	0	0
Operating profit	1,322,053	1,936,092	3,152,034	4,147,668	5,087,420
EBITDA	1,984,850	2,624,188	3,970,308	5,201,525	6,504,122
Depreciation	-662,797	-688,096	-818,273	-1,053,857	-1,416,703
Amortisation	0	0	0	0	0
EBIT	1,322,053	1,936,092	3,152,034	4,147,668	5,087,420
Net interest expense	67,781	86,206	108,503	145,809	205,698
Associates & JCEs	4,879	5,497	6,481	7,182	7,330
Other income	11,125	13,868	6,665	4,000	4,000
Earnings before tax	1,405,839	2,041,663	3,273,683	4,304,659	5,304,448
Income tax	-233,407	-326,266	-566,689	-752,058	-926,996
Net profit after tax	1,172,432	1,715,397	2,706,994	3,552,600	4,377,452
Minority interests	836	2,486	-1,286	-1,286	-1,286
Other items	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Normalised NPAT	1,173,268	1,717,883	2,705,708	3,551,314	4,376,166
Extraordinary items	0	0	0	0	0
Reported NPAT	1,173,268	1,717,883	2,705,708	3,551,314	4,376,166
Dividends	-440,851	-570,516	-726,106	-726,106	-726,106
Transfer to reserves	732,417	1,147,366	1,979,602	2,825,208	3,650,060
Valuations and ratios					
Reported P/E (x)	51.7	35.3	22.4	17.1	13.9
Normalised P/E (x)	51.7	35.3	22.4	17.1	13.9
FD normalised P/E (x)	51.7	35.3	22.4	17.1	13.9
Dividend yield (%)	0.7	0.9	1.2	1.2	1.2
Price/cashflow (x)	33.2	26.7	18.3	13.8	11.0
Price/book (x)	14.1	11.2	8.1	5.9	4.3
EV/EBITDA (x)	30.0	22.4	14.6	10.9	8.4
EV/EBIT (x)	44.9	30.4	18.4	13.7	10.7
Gross margin (%)	56.1	59.9	67.5	68.1	67.7
EBITDA margin (%)	68.6	68.9	74.7	75.1	76.1
EBIT margin (%)	45.7	50.8	59.3	59.9	59.5
Net margin (%)	40.5	45.1	50.9	51.3	51.2
Effective tax rate (%)	16.6	16.0	17.3	17.5	17.5
Dividend payout (%)	37.6	33.2	26.8	20.4	16.6
ROE (%)	30.3	35.4	42.0	39.9	36.1
ROA (pretax %)	30.7	39.9	53.8	56.5	57.1
Growth (%)					
Revenue	33.9	31.6	39.5	30.3	23.4
EBITDA	36.5	32.2	51.3	31.0	25.0
Normalised EPS	39.9	46.4	57.5	31.3	23.2
Normalised FDEPS	39.9	46.4	57.5	31.3	23.2

Source: Company data, Nomura estimates

Cashflow statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	1,984,850	2,624,188	3,970,308	5,201,525	6,504,122
Change in working capital	-90,016	30,788	1,775	-190,125	-256,703
Other operating cashflow	-68,657	-380,000	-654,209	-602,250	-717,298
Cashflow from operations	1,826,177	2,274,976	3,317,874	4,409,150	5,530,121
Capital expenditure	-955,112	-1,271,613	-1,769,512	-2,370,000	-2,686,000
Free cashflow	871,065	1,003,362	1,548,363	2,039,150	2,844,121
Reduction in investments	-57,882	-37,079	-30,130	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	148,151	164,299	22,226	0	0
CF after investing acts	961,334	1,130,582	1,540,459	2,039,150	2,844,121
Cash dividends	-363,055	-466,779	-622,380	-726,106	-726,106
Equity issue	0	0	0	0	0
Debt issue	55,866	40,448	14,013	0	0
Convertible debt issue	0	0	0	0	0
Others	8,054	-64,022	41,309	0	0
CF from financial acts	-299,135	-490,353	-567,059	-726,106	-726,106
Net cashflow	662,199	640,229	973,400	1,313,044	2,118,015
Beginning cash	1,465,428	2,127,627	2,767,856	3,741,257	5,054,301
Ending cash	2,127,627	2,767,856	3,741,257	5,054,301	7,172,316
Ending net debt	-1,109,340	-1,734,869	-2,683,997	-3,997,041	-6,115,056

Balance sheet (TWDmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	2,127,627	2,767,856	3,741,257	5,054,301	7,172,316
Marketable securities	357,531	360,441	417,358	417,358	417,358
Accounts receivable	272,088	282,059	477,135	600,833	761,113
Inventories	287,869	288,109	386,340	484,115	626,042
Other current assets	43,237	118,664	136,373	136,373	136,373
Total current assets	3,088,352	3,817,131	5,158,464	6,692,980	9,113,202
LT investments	149,040	172,370	171,362	178,544	185,874
Fixed assets	3,234,980	3,691,841	4,722,418	6,038,562	7,307,859
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other LT assets	219,565	251,682	274,192	274,192	274,192
Total assets	6,691,938	7,933,024	10,326,436	13,184,278	16,881,127
Short-term debt	59,858	136,926	156,242	156,242	156,242
Accounts payable	74,227	84,330	123,866	155,214	200,717
Other current liabilities	1,130,441	1,236,763	1,510,019	1,510,019	1,510,019
Total current liabilities	1,264,525	1,458,019	1,790,126	1,821,474	1,866,978
Long-term debt	958,429	896,062	901,018	901,018	901,018
Convertible debt	0	0	0	0	0
Other LT liabilities	145,408	118,147	113,290	113,290	113,290
Total liabilities	2,368,362	2,472,229	2,804,433	2,835,781	2,881,285
Minority interest	35,031	41,199	42,393	43,680	44,966
Preferred stock	0	0	0	0	0
Common stock	332,588	332,771	332,990	332,990	332,990
Retained earnings	3,917,252	5,103,502	7,109,137	9,934,345	13,584,405
Proposed dividends	0	0	0	0	0
Other equity and reserves	38,705	-16,676	37,482	37,482	37,482
Total shareholders' equity	4,288,545	5,419,596	7,479,609	10,304,817	13,954,876
Total equity & liabilities	6,691,938	7,933,024	10,326,436	13,184,278	16,881,127
Liquidity (x)					
Current ratio	2.44	2.62	2.88	3.67	4.88
Interest cover	–	–	–	–	–
Leverage					
Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Per share					
Reported EPS (TWD)	45.25	66.26	104.35	136.96	168.77
Norm EPS (TWD)	45.25	66.26	104.35	136.96	168.77
FD norm EPS (TWD)	45.25	66.26	104.35	136.96	168.77
BVPS (TWD)	165.37	208.99	288.43	397.37	538.13
DPS (TWD)	17.00	22.00	28.00	28.00	28.00
Activity (days)					
Days receivable	29.9	26.6	26.1	28.4	29.2
Days inventory	77.4	68.8	71.3	72.0	73.7
Days payable	18.9	18.9	22.0	23.1	23.6
Cash cycle	88.4	76.4	75.4	77.3	79.2

Source: Company data, Nomura estimates

Company profile

Founded in 1987, Taiwan Semiconductor Manufacturing Corp. is a leading foundry player with the most advanced process technology.

Valuation Methodology

Our TP of TWD3,425 is based on 25x 2027F EPS. Our target P/E is at the higher end of historical range. The benchmark index for the stock is Taiwan TAIEX and SOX.

Risks that may impede the achievement of the target price

Major downside risks are: 1) top-down macro issues because of US-China trade tensions; 2) weaker-than-expected sell-through compared with strong demand in the supply chain; 3) slower-than-expected technology migration; and 4) stronger-than-expected competition in advanced 5/3nm nodes.

ESG

TSMC officially sets “Acting with Integrity”, “Strengthening Environmental Protection”, and “Caring for the Disadvantaged” as its primary ESG mission.

Financial analysis and forecasts

Fig. 1: TSMC — 2026-28F forecast revisions

	2026F			2027F			2028F		
(TWD mn)	Revised	Previous	Change	Revised	Previous	Change	Revised	Previous	Change
Revenue	5,313,126	5,218,444	1.8%	6,922,023	6,501,695	6.5%	8,543,664	7,875,757	8.5%
Gross profit	3,586,597	3,453,530	3.9%	4,714,535	4,303,722	9.5%	5,787,088	5,148,541	12.4%
Operating profit	3,152,034	3,023,429	4.3%	4,147,668	3,766,035	10.1%	5,087,420	4,497,220	13.1%
Pretax profit	3,273,683	3,152,259	3.9%	4,304,659	3,933,692	9.4%	5,304,448	4,727,998	12.2%
Net profit	2,705,708	2,605,572	3.8%	3,551,314	3,245,404	9.4%	4,376,166	3,900,744	12.2%
EPS (TWD)	104.35	100.49	3.8%	136.96	125.17	9.4%	168.77	150.44	12.2%
Margin	**Revised**	**Previous**	**Change**	**Revised**	**Previous**	**Change**	**Revised**	**Previous**	**Change**
Gross margin	67.5%	66.2%	133bps	68.1%	66.2%	192bps	67.7%	65.4%	236bps
Operating margin	59.3%	57.9%	139bps	59.9%	57.9%	200bps	59.5%	57.1%	244bps
Pretax margin	61.6%	60.4%	121bps	62.2%	60.5%	169bps	62.1%	60.0%	205bps
Net margin	50.9%	49.9%	99bps	51.3%	49.9%	139bps	51.2%	49.5%	169bps

Source: Nomura estimates

Fig. 2: TSMC's P&L

(TWD mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2025	2026F	2027F	2028F
Revenue	839,254	933,792	989,918	1,046,090	1,134,103	1,270,361	1,424,880	1,483,782	1,527,375	1,703,620	1,822,575	1,868,454	3,809,054	5,313,126	6,922,023	8,543,664
Revenue (USD mn)	25,526	30,070	33,097	33,731	35,898	40,201	45,091	46,955	48,335	53,912	57,676	59,128	122,424	168,146	219,051	270,369
Gross profit	493,395	547,369	588,543	651,987	751,295	856,843	969,528	1,008,930	1,038,877	1,157,972	1,244,259	1,273,427	2,281,294	3,586,597	4,714,535	5,787,088
- Opex	(85,186)	(84,508)	(87,764)	(88,191)	(94,006)	(104,034)	(116,688)	(121,512)	(125,082)	(139,515)	(149,257)	(153,014)	(345,650)	(436,239)	(566,867)	(699,668)
Operating profit	407,081	463,424	500,685	564,902	658,966	752,809	852,840	887,418	913,795	1,018,457	1,095,003	1,120,413	1,936,092	3,152,034	4,147,668	5,087,420
Pretax profit	430,895	493,035	525,369	592,363	687,800	781,775	883,604	920,505	949,143	1,056,024	1,135,171	1,164,321	2,041,663	3,273,683	4,304,659	5,304,448
Net profit	361,564	398,273	452,301	505,744	572,480	644,925	728,947	759,357	782,981	871,192	936,523	960,618	1,717,883	2,705,708	3,551,314	4,376,166
EPS (TWD)	13.95	15.36	17.44	19.51	22.08	24.87	28.11	29.29	30.20	33.60	36.12	37.05	66.26	104.35	136.96	168.77
Profitability	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**3Q26F**	**4Q26F**	**1Q27F**	**2Q27F**	**3Q27F**	**4Q27F**	**2025**	**2026F**	**2027F**	**2028F**
Gross margin	58.8%	58.6%	59.5%	62.3%	66.2%	67.4%	68.0%	68.0%	68.0%	68.0%	68.3%	68.2%	59.9%	67.5%	68.1%	67.7%
- Opex ratio	-10.2%	-9.1%	-8.9%	-8.4%	-8.3%	-8.2%	-8.2%	-8.2%	-8.2%	-8.2%	-8.2%	-8.2%	-9.1%	-8.2%	-8.2%	-8.2%
Operating margin	48.5%	49.6%	50.6%	54.0%	58.1%	59.3%	59.9%	59.8%	59.8%	59.8%	60.1%	60.0%	50.8%	59.3%	59.9%	59.5%
Pretax margin	51.3%	52.8%	53.1%	56.6%	60.6%	61.5%	62.0%	62.0%	62.1%	62.0%	62.3%	62.3%	53.6%	61.6%	62.2%	62.1%
Net margin	43.1%	42.7%	45.7%	48.3%	50.5%	50.8%	51.2%	51.2%	51.3%	51.1%	51.4%	51.4%	45.1%	50.9%	51.3%	51.2%
Q-Q	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**3Q26F**	**4Q26F**	**1Q27F**	**2Q27F**	**3Q27F**	**4Q27F**				
Revenue	-3.4%	11.3%	6.0%	5.7%	8.4%	12.0%	12.2%	4.1%	2.9%	11.5%	7.0%	2.5%				
Revenue (in USD)	-5.1%	17.8%	10.1%	1.9%	6.4%	12.0%	12.2%	4.1%	2.9%	11.5%	7.0%	2.5%				
Gross profit	-3.7%	10.9%	7.5%	10.8%	15.2%	14.0%	13.2%	4.1%	3.0%	11.5%	7.5%	2.3%				
Operating profit	-4.4%	13.8%	8.0%	12.8%	16.7%	14.2%	13.3%	4.1%	3.0%	11.5%	7.5%	2.3%				
Pretax profit	-4.0%	14.4%	6.6%	12.8%	16.1%	13.7%	13.0%	4.2%	3.1%	11.3%	7.5%	2.6%				
Net profit	-3.5%	10.2%	13.6%	11.8%	13.2%	12.7%	13.0%	4.2%	3.1%	11.3%	7.5%	2.6%				
Y-Y	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**3Q26F**	**4Q26F**	**1Q27F**	**2Q27F**	**3Q27F**	**4Q27F**	**2025**	**2026F**	**2027F**	**2028F**
Revenue	41.6%	38.6%	30.3%	20.5%	35.1%	36.0%	43.9%	41.8%	34.7%	34.1%	27.9%	25.9%	31.6%	39.5%	30.3%	23.4%
Revenue (in USD)	35.3%	44.4%	40.8%	25.5%	40.6%	33.7%	36.2%	39.2%	34.6%	34.1%	27.9%	25.9%	35.9%	37.3%	30.3%	23.4%
Gross profit	56.9%	52.8%	34.0%	27.2%	52.3%	56.5%	64.7%	54.7%	38.3%	35.1%	28.3%	26.2%	40.4%	57.2%	31.4%	22.7%
Operating profit	63.5%	61.7%	38.8%	32.7%	61.9%	62.4%	70.3%	57.1%	38.7%	35.3%	28.4%	26.3%	46.4%	62.8%	31.6%	22.7%
Pretax profit	61.7%	61.0%	36.7%	32.0%	59.6%	58.6%	68.2%	55.4%	38.0%	35.1%	28.5%	26.5%	45.2%	60.3%	31.5%	23.2%
Net profit	60.3%	60.7%	39.1%	35.0%	58.3%	61.9%	61.2%	50.1%	36.8%	35.1%	28.5%	26.5%	46.4%	57.5%	31.3%	23.2%

Source: Company data, Nomura estimates

Fig. 3: Nomura forecasts vs Bloomberg consensus for 2026-28F

	2026F			2027F			2028F		
(TWD mn)	NMR	BBG	Diff.	NMR	BBG	Diff.	NMR	BBG	Diff.
Revenue	5,313,126	5,200,031	2.2%	6,922,023	6,732,440	2.8%	8,543,664	8,457,810	1.0%
Gross profit	3,586,597	3,441,068	4.2%	4,714,535	4,422,742	6.6%	5,787,088	5,502,567	5.2%
Operating profit	3,152,034	3,010,814	4.7%	4,147,668	3,926,611	5.6%	5,087,420	4,941,310	3.0%
Pretax profit	3,273,683	3,122,453	4.8%	4,304,659	4,137,297	4.0%	5,304,448	5,157,136	2.9%
Net profit	2,705,708	2,589,152	4.5%	3,551,314	3,353,844	5.9%	4,376,166	4,232,986	3.4%
EPS (TWD)	104.35	100.36	4.0%	136.96	130.57	4.9%	168.77	165.89	1.7%
Margin	**NMR**	**BBG**	**Diff.**	**NMR**	**BBG**	**Diff.**	**NMR**	**BBG**	**Diff.**
Gross margin	67.5%	66.2%	133bps	68.1%	65.7%	242bps	67.7%	65.1%	268bps
Operating margin	59.3%	57.9%	143bps	59.9%	58.3%	160bps	59.5%	58.4%	112bps
Pretax margin	61.6%	60.0%	157bps	62.2%	61.5%	73bps	62.1%	61.0%	111bps
Net margin	50.9%	49.8%	113bps	51.3%	49.8%	149bps	51.2%	50.0%	117bps

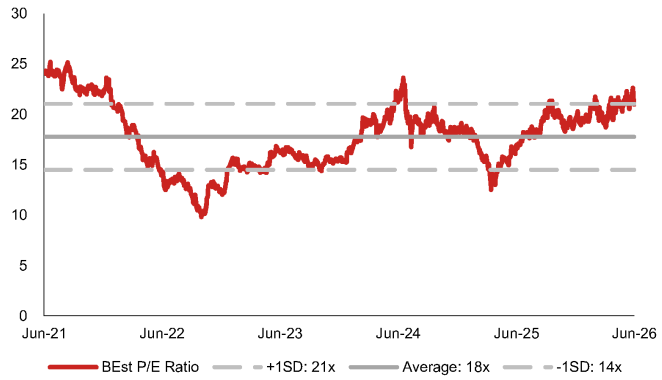
Source: Bloomberg Finance L.P. consensus, Nomura estimates

Valuation methodology and risks

We raise our TP to TWD3,425, which is based on 25x 2027F EPS of TWD137. Our target P/E multiple is at the higher end of TSMC's historical range of 10-30x. The stock is currently trading at 17x 2027F EPS.

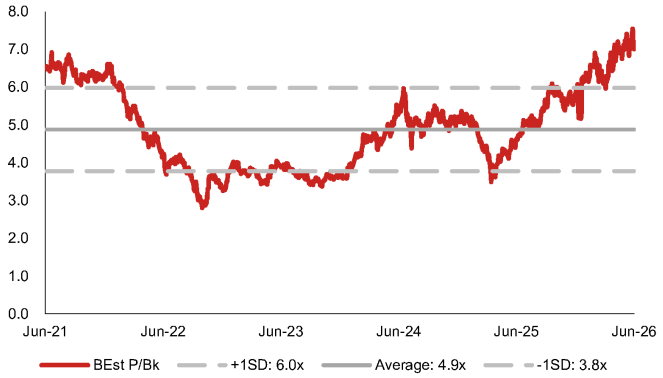
Major downside risks: 1) top-down macro issues owing to the ongoing US-China trade tensions; 2) weaker-than-expected sell-through compared with the strong demand in the supply chain; 3) slower-than-expected technology migration; and 4) stronger-than-expected competition in advanced 5/3nm nodes.

Fig. 4: TSMC's consensus P/E ratio



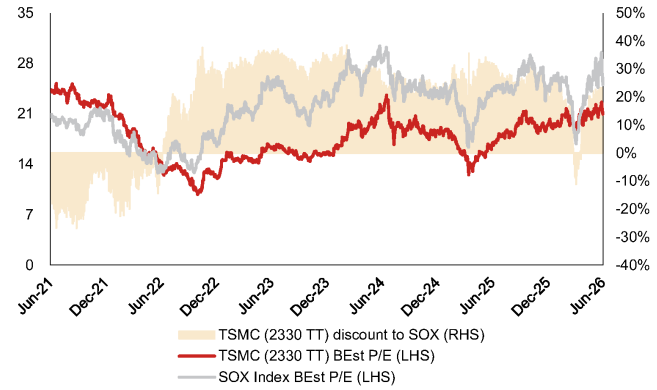
Source: Bloomberg Finance LP, Nomura research

Fig. 5: TSMC's consensus P/B ratio



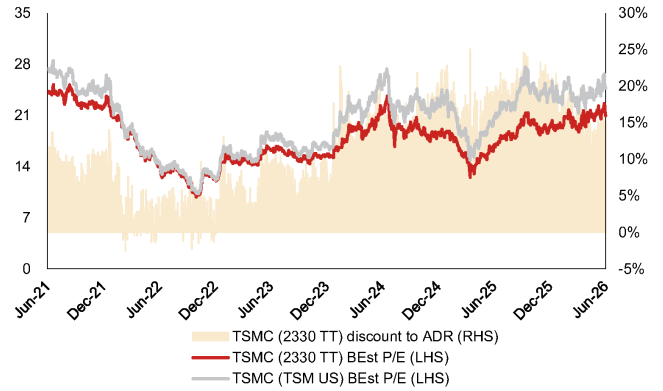
Source: Bloomberg Finance LP, Nomura research

Fig. 6: TSMC — valuation vs. SOX Index



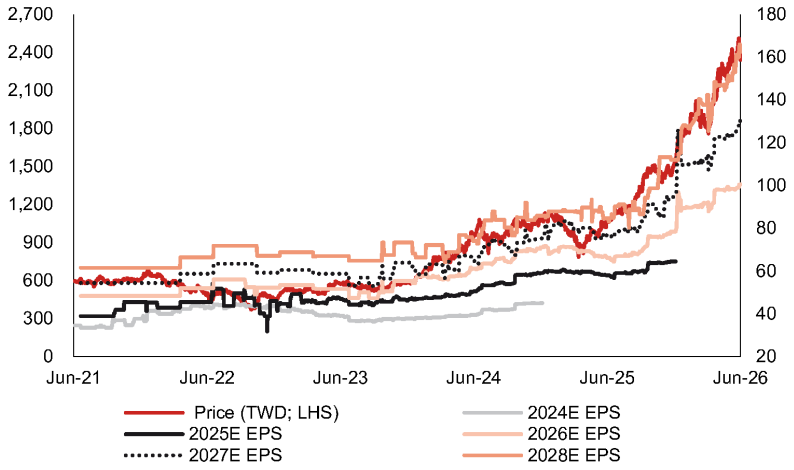
Source: Bloomberg Finance LP, Nomura research

Fig. 7: TSMC — valuation vs. TSMC's ADR



Source: Bloomberg Finance LP, Nomura research

Fig. 8: TSMC's share price vs Bloomberg consensus EPS revisions



Source: Company data, Bloomberg Finance L.P. consensus estimates, Nomura research

Appendix A-1

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