Taiwan Semiconductor Manufacturing

Q326 earnings preview: Raising 2027-28E capex for next phase of AI growth

Equities

Taiwan

Semiconductors

12-month rating	**Buy**
12m price target	**NT$3,650.00**
Price (24 Sep 2026)	**NT$2,475**

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

Trading data and key metrics

52-wk range	NT$2,510.00-1,300.00
Market cap.	NT$64,183b/US$2,018b
Shares o/s	25,933m (ORD)
Free float	87%
Avg. daily volume ('000)	30,280
Avg. daily value (m)	NT$72,306
Common s/h equity (12/26E)	NT$7605b
P/BV (12/26E)	8.4x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (TWD)

	From	To	% ch	Cons.
12/26E	108.96	109.06	0	107.75
12/27E	149.14	148.98	-0	142.23
12/28E	198.23	202.52	2	181.39

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Cloud AI mega-trend driving sales growth >40% in 2026E and 40% in 2027E

Feedback from our recent industry analysis suggests no signs of Cloud AI demand moderation (Summit Day 1, Day 2&3, CoWoS update); yet the demand outlook has further strengthened across CPUs, GPUs and ASICs in 2027-28. TSMC is on track to reach 2026 sales guidance of slightly over 40% growth in USD (UBSe 41%), and our growth analysis points to sustained 40% sales growth in 2027E, above consensus of 36%. We estimate Q3 sales at 14% QoQ in USD and GM at 67.1%, both at high-end of guidance. We forecast Q4 sales to grow 10% QoQ thanks to seasonal build of flagship phones and accelerating ramp of high performance compute (HPC), with flat GM of 67.0% considering the dilution of N2 and overseas expansion.

Further step-up of capex in 2027-28E

We have been constructive about TSMC's capex and view higher capex essential in solidifying TSMC's leadership in advanced foundry. We keep 2026E capex at US$63bn, and raise 2027/28E capex to US$90bn/105bn from US$80bn/95bn previously. Higher estimates are based on: 1) our industry analysis shows that TSMC is further accelerating expansion across N3/2 and pulls forward tool delivery schedule of A14 for larger capacity by 2028 when in mass production; 2) more meaningful price inflation of equipment, and required prepayment; 3) higher capex for advanced packaging. We forecast capital intensity to rise moderately from 36.6% in 2026 to 37.4% in 2027 but rnomalize to 32.6% in 2028. We lift TSMC's N3/2 capacity estimates at end of 2028 to 220/210kwpm, vs 200/160kwpm prior. See our foundry sector note for details.

What will the earnings call focus on?

1) Overall semi cycle outlook. UBS forecasts semis (ex memory) revenue to grow 31%/15% in 2026/27 led by Cloud AI. UBS remains conservative on consumer end demand, estimating further 3%/4% declines for smartphone/PC units in 2027. **2)** TSMC's capex strategy over the next 3-4 years, and whether any bottlenecks could constrain its expansion plans. **3)** Competition, especially as peers such as Samsung Foundry and Terafab have shown increased ability to invest, although we also believe TSMC may engage for potential angles to collaborate on Terafab. **4)** Gross margin in H226/2027. We forecast GM to decline slightly to 67.0% in H226, and stabilize at 67.2% in 2027, underpinned by price hike, scale benefits and improved product mix.

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

We raise 2027E and beyond capex and lift long-term earnings CAGR from 25% to 27%. Our target of NT$3,650 is based on 21x 2027-28E PE. We see meaningful re-rating potential from the current 16.6x/12.2x 2027/28E PE. Key catalysts include stronger 2027-28E growth outlook, continued TAM expansion and higher capex spend.

Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	2,161,736	2,894,308	3,809,054	5,476,015	7,702,256	10,318,264	12,449,992	15,340,962
EBIT (UBS)	921,466	1,322,053	1,936,092	3,234,125	4,555,628	6,185,603	7,367,818	9,103,236
Net earnings (UBS)	838,498	1,173,268	1,717,883	2,827,838	3,863,186	5,251,406	6,303,595	7,848,981
EPS (UBS, diluted) (NT$)	32.34	45.24	66.24	109.06	148.98	202.52	243.10	302.69
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	2,735,755	3,575,546	5,221,292	8,003,603	12,267,264

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	59.1	59.1	59.9	59.2	59.3
ROIC (EBIT) %	38.6	49.6	65.1	81.9	79.7	78.1	73.5	77.1
EV/EBITDA (UBS core) x	9.1	11.0	10.8	15.2	10.8	7.8	6.2	4.7
P/E (UBS, diluted) x	16.8	19.7	17.6	22.7	16.6	12.2	10.2	8.2
Equity FCF (UBS) yield %	2.1	3.8	3.3	1.7	2.4	4.1	6.5	9.2
Dividend yield (net) %	2.4	1.9	1.9	1.2	1.6	2.1	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$ 2,475.00 on 24-Sep-2026 13:57:37 CST

This report has been prepared by UBS Securities Pte. Ltd., Taipei Branch. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.**

Figure 1: TSMC's platform driver summary

TSMC growth drivers	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	15-20 CAGR	20-27E CAGR
HPC - TSMC	**$5.9**	**$6.1**	**$8.1**	**$11.3**	**$10.2**	**$14.9**	**$21.0**	**$31.3**	**$30.0**	**$46.0**	**$70.3**	**$113.7**	**$178.7**	**21%**	**43%**
HPC - Market	$34.4	$35.7	$40.1	$44.0	$42.8	$48.8	$59.0	$56.4	$54.2	$65.5	$94.0	$138.7	$217.6	**7%**	**24%**
TSMC share (%)	**17.0%**	**17.1%**	**20.2%**	**25.8%**	**23.9%**	**30.6%**	**35.7%**	**55.4%**	**55.3%**	**70.2%**	**74.8%**	**82.0%**	**82.1%**		
Automotive - TSMC	**$1.1**	**$1.3**	**$1.4**	**$1.7**	**$1.6**	**$1.5**	**$2.4**	**$3.9**	**$4.3**	**$4.3**	**$6.1**	**$7.0**	**$8.1**	**8%**	**27%**
Automotive - Market	$10.1	$11.5	$13.0	$14.2	$13.7	$13.3	$18.0	$22.8	$27.0	$25.0	$23.7	$26.1	$29.3	**6%**	**12%**
TSMC share (%)	**10.3%**	**11.7%**	**10.8%**	**12.0%**	**11.3%**	**11.3%**	**13.3%**	**17.1%**	**15.9%**	**17.4%**	**25.8%**	**26.9%**	**27.5%**		
IoT - TSMC	**$1.1**	**$1.7**	**$1.8**	**$2.2**	**$2.8**	**$3.7**	**$4.8**	**$6.6**	**$5.2**	**$5.2**	**$6.1**	**$6.7**	**$7.2**	**27%**	**10%**
IoT - Market	$6.5	$8.69	$10.8	$12.2	$13.3	$15.3	$22.9	$28.0	$29.0	$30.8	$35.6	$40.4	$45.6	**19%**	**17%**
TSMC share (%)	**17.5%**	**19.0%**	**16.7%**	**17.7%**	**21.0%**	**24.5%**	**20.8%**	**23.5%**	**17.9%**	**16.8%**	**17.2%**	**16.6%**	**15.9%**		
Mobile - TSMC	**$11.6**	**$13.8**	**$15.4**	**$15.5**	**$16.9**	**$21.9**	**$24.9**	**$29.8**	**$26.1**	**$31.3**	**$35.8**	**$39.6**	**$43.0**	**14%**	**10%**
Mobile - Market	$28.9	$29.2	$30.4	$26.0	$26.6	$31.5	$36.9	$36.9	$37.0	$39.6	$43.8	$46.3	$51.5	**2%**	**7%**
TSMC share (%)	**40.1%**	**47.3%**	**50.7%**	**59.5%**	**63.8%**	**69.7%**	**67.5%**	**80.7%**	**70.6%**	**79.1%**	**81.8%**	**85.6%**	**83.4%**		
Digital Consumer	**$2.4**	**$2.6**	**$2.5**	**$1.9**	**$1.7**	**$1.9**	**$2.0**	**$1.9**	**$1.5**	**$1.5**	**$1.2**	**$1.3**	**$1.3**	**-5.0%**	**-4%**
Other	**$4.6**	**$3.9**	**$2.8**	**$1.6**	**$1.4**	**$1.5**	**$1.7**	**$2.5**	**$2.2**	**$1.9**	**$2.4**	**$3.9**	**$2.4**	**-19.8%**	**6%**
UBSe TSMC revenue (US$bn)	**$26.6**	**$29.4**	**$32.1**	**$34.2**	**$34.6**	**$45.5**	**$56.8**	**$75.9**	**$69.3**	**$90.2**	**$122.0**	**$172.2**	**$240.7**	**11.3%**	**26.9%**
YoY Growth		**10.6%**	**9.1%**	**6.5%**	**1.3%**	**31.4%**	**24.9%**	**33.5%**	**-8.7%**	**30.1%**	**35.3%**	**41.1%**	**39.8%**		

* Market size in wafer production value

% of sales	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	15-20 Chg	20-27E Chg
HPC	**22%**	**21%**	**25%**	**33%**	**30%**	**33%**	**37%**	**41%**	**43%**	**51%**	**58%**	**66%**	**74%**	**11%**	**41%**
Automotive	4%	5%	4%	5%	4%	3%	4%	5%	6%	5%	5%	4%	3%	**-1%**	**0%**
IoT	4%	6%	6%	6%	8%	8%	8%	9%	7%	6%	5%	4%	3%	**4%**	**-5%**
Mobile	43%	47%	48%	45%	49%	48%	44%	39%	38%	35%	29%	23%	18%	**5%**	**-30%**
Digital consumer	9%	9%	8%	6%	5%	4%	4%	2%	2%	2%	1%	1%	1%	**-5%**	**-4%**
Other	17%	13%	9%	5%	4%	3%	3%	3%	3%	2%	2%	2%	1%	**-14%**	**-2%**

Source: Company data, UBS estimates

Figure 2: TSMC's high-performance computing a driver led by CPU, GPU and AI accelerators

HPC Silicon Market (US$bn)	2020	2021	2022	2023	2024	2025	2026E	2027E	15-20 CAGR	20-27E CAGR
Servers and CPUs	$66.9	$75.1	$65.6	$55.8	$64.6	$79.1	$107.0	$146.2	**7%**	**12%**
Graphics and Gaming	$12.4	$21.8	$18.8	$19.6	$17.9	$26.1	$30.6	$32.6	**12%**	**15%**
AI Accelerators	$4.2	$6.0	$7.7	$16.6	$40.3	$80.0	$154.7	$310.3	**66%**	**85%**
Cryptocurrency	$1.5	$3.5	$5.0	$2.5	$3.5	$6.5	$5.0	$5.0	**38%**	**19%**
Programmable Logic	$4.9	$5.6	$7.5	$8.5	$5.4	$5.0	$4.6	$5.1	**5%**	**1%**
Networking & Infrastructure	$17.2	$18.9	$21.7	$23.2	$24.9	$34.8	$48.8	$68.3	**6%**	**22%**
Computing Peripherals	$8.5	$9.76	$10.2	$10.5	$10.7	$10.8	$9.7	$10.7	**1%**	**3%**
HPC - Market	**$115.6**	**$140.7**	**$136.5**	**$136.6**	**$167.2**	**$242.3**	**$360.3**	**$578.1**	**8%**	**26%**
YoY Growth	**14%**	**22%**	**-3%**	**0%**	**22%**	**45%**	**49%**	**60%**		
HPC Wafer Opportunity (US$bn)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**15-20 CAGR**	**20-27E CAGR**
Servers and CPUs	$31.6	$35.4	$31.0	$26.3	$30.5	$37.3	$50.5	$69.0	**7%**	**12%**
Graphics and Gaming	$4.7	$8.2	$7.0	$7.4	$6.7	$9.8	$11.5	$12.2	**12%**	**15%**
AI Accelerators	$1.1	$1.5	$2.0	$4.6	$12.1	$25.8	$52.2	$104.7	**60%**	**93%**
Cryptocurrency	$0.8	$1.8	$2.6	$1.3	$1.8	$3.4	$2.6	$2.6	**38%**	**19%**
Programmable Logic	$1.3	$1.5	$2.0	$2.3	$1.5	$1.4	$1.3	$1.4	**5%**	**1%**
Networking & Infrastructure	$5.8	$6.4	$7.3	$7.8	$8.4	$11.8	$16.5	$23.0	**6%**	**22%**
Computing Peripherals	$3.6	$4.2	$4.4	$4.5	$4.6	$4.6	$4.1	$4.6	**1%**	**3%**
HPC - Market	**$48.8**	**$59.0**	**$56.4**	**$54.2**	**$65.5**	**$94.0**	**$138.7**	**$217.6**	**7%**	**24%**
YoY Growth	**14%**	**21%**	**-4%**	**-4%**	**21%**	**43%**	**47%**	**57%**		
TSMC HPC estimates (UBS)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**	**15-20 CAGR**	**20-27E CAGR**
Servers and CPUs	$6.0	$8.5	$10.1	$9.7	$17.6	$22.5	$33.6	$43.8	**NM**	**33%**
Graphics and Gaming	$3.2	$4.0	$5.3	$6.1	$6.4	$9.4	$11.0	$11.7	**10%**	**21%**
AI Accelerators	$1.1	$1.5	$2.0	$4.6	$12.1	$25.8	$52.2	$104.7	**60%**	**93%**
Cryptocurrency	$0.6	$1.5	$2.1	$1.0	$1.5	$2.7	$2.1	$2.1	**38%**	**19%**
Programmable Logic	$0.7	$1.0	$1.4	$1.8	$1.2	$1.2	$1.2	$1.4	**4%**	**9%**
Networking & Network Processors	$1.7	$1.9	$2.8	$3.4	$3.9	$5.6	$7.9	$11.1	**1%**	**31%**
Computing Peripherals	$1.8	$1.9	$2.5	$2.5	$2.8	$3.1	$2.8	$3.1	**6%**	**8%**
Inventory builds	-$0.1	$0.8	$5.1	$0.8	$0.7	$0.0	-$1.0	-$3.0		
TSMC HPC revenue (US$bn)	**$14.9**	**$21.0**	**$31.3**	**$30.0**	**$46.0**	**$70.3**	**$113.7**	**$178.7**	**21%**	**43%**
YoY Growth	**46%**	**41%**	**49%**	**-4%**	**54%**	**53%**	**62%**	**57%**		
TSMC share of HPC production	**31%**	**36%**	**55%**	**55%**	**70%**	**75%**	**82%**	**82%**		
TSMC revenue (US$bn)	**$45.5**	**$56.8**	**$75.9**	**$69.3**	**$90.2**	**$122.0**	**$172.2**	**$240.7**	**11%**	**27%**
HPC % of TSMC Sales	**33%**	**37%**	**41%**	**43%**	**51%**	**58%**	**66%**	**74%**		

Source: Company data, UBS estimates

Figure 3: Revenue from TSMC's more balanced top-customer base to sustain in 2026E, accelerate in 2027E (in US$m)

TSMC Revenue	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2023	2024	2025	2026E	2027E
Apple	$6,906	$8,158	$11,928	$15,156	$17,753	$17,521	$19,393	$20,926	$28,712	$35,077	25.3%	21.5%	17.1%	16.7%	14.6%
AMD	$1,302	$1,232	$3,148	$5,562	$7,572	$7,750	$8,336	$11,523	$16,796	$31,700	11.2%	9.2%	9.4%	9.8%	13.2%
Qualcomm	$1,915	$1,994	$3,187	$4,280	$6,574	$6,314	$7,910	$9,448	$8,880	$9,506	9.1%	8.8%	7.7%	5.2%	3.9%
NVIDIA	$2,302	$2,024	$2,802	$2,987	$3,144	$6,097	$10,865	$22,973	$35,008	$56,010	8.8%	12.0%	18.8%	20.3%	23.3%
Mediatek	$1,423	$1,424	$2,683	$5,114	$3,962	$3,379	$4,412	$5,166	$6,156	$12,996	4.9%	4.9%	4.2%	3.6%	5.4%
Broadcom	$3,314	$2,517	$2,686	$3,770	$4,919	$3,719	$4,024	$5,281	$13,762	$24,472	5.4%	4.5%	4.3%	8.0%	10.2%
Intel	$1,092	$1,120	$1,792	$2,453	$3,110	$3,274	$7,615	$9,489	$9,964	$7,640	4.7%	8.4%	7.8%	5.8%	3.2%
Marvell	$544	$514	$568	$970	$1,293	$1,362	$1,505	$2,333	$3,536	$5,640	2.0%	1.7%	1.9%	2.1%	2.3%
Renesas / Intersil / Dialog	$267	$229	$267	$1,087	$1,292	$1,090	$1,021	$1,069	$1,445	$1,601	1.6%	1.1%	0.9%	0.8%	0.7%
NXP	$700	$526	$569	$911	$1,167	$1,158	$1,149	$1,273	$1,435	$1,555	1.7%	1.3%	1.0%	0.8%	0.6%
TSMC sales from its top 10	**$20,600**	**$19,836**	**$29,013**	**$41,361**	**$52,780**	**$51,663**	**$66,229**	**$89,481**	**$125,694**	**$186,196**	**75%**	**73%**	**73%**	**73%**	**77%**
TSMC YoY at its top 10	**0%**	**-4%**	**46%**	**43%**	**28%**	**-2%**	**28%**	**35%**	**40%**	**48%**					
TSMC sales from its top 30	**$31,048**	**$31,220**	**$41,181**	**$50,572**	**$61,790**	**$60,194**	**$74,555**	**$99,095**	**$136,485**	**$198,516**	**87%**	**83%**	**81%**	**79%**	**82%**
TSMC YoY at its top 30	**7%**	**1%**	**32%**	**23%**	**22%**	**-3%**	**24%**	**33%**	**38%**	**45%**					
Rest of TSMC/Inventory	$2,404	$3,838	$4,240	$6,235	$14,261	$9,104	$15,629	$22,936	$35,727	$42,179	**13%**	**17%**	**19%**	**21%**	**18%**
Rest of TSMC YoY	**-31%**	**60%**	**10%**	**47%**	**129%**	**-36%**	**72%**	**47%**	**56%**	**18%**					
TSMC Sales (UBS Estimate)	**$33,452**	**$35,059**	**$45,422**	**$56,808**	**$76,051**	**$69,298**	**$90,184**	**$122,031**	**$172,213**	**$240,695**	**100%**	**100%**	**100%**	**100%**	**100%**
TSMC Overall YoY	**3%**	**5%**	**30%**	**25%**	**34%**	**-9%**	**30%**	**35%**	**41%**	**40%**					

Source: Company data, UBS estimates

Figure 4: N3 supply and demand analysis

			N3 capacity requirement (kwpm)									
Client	**Products**	**Die size (mm2)**	**Q126E**	**Q226E**	**Q326E**	**Q426E**	**2026 demand (k)**	**Q127E**	**Q227E**	**Q327E**	**Q427E**	**2027 demand (k)**
Nvidia	Rubin	1,628	0	2	15	31	141	37	40	33	19	384
	Rubin Ultra	1,628	0	0	0	0	0	0	4	16	36	169
	Vera CPU	800	0	1	5	11	51	11	13	17	19	178
Broadcom	Google - TPU v7 Ironwood	1,400	6	11	16	21	158	14	8	6	0	85
	Google - TPU v8i	1,400	0	0	2	4	18	7	17	25	35	250
	Meta - MTIA v3	1,600	0	1	1	2	11	2	2	3	3	29
	OpenAI	1,600	0	0	0	3	10	3	3	3	3	32
AMD	MI355	840	2	2	1	1	17	1	1	0	0	7
Alchip	Amazon - Trainium 3	1,600	0	4	12	23	115	24	18	12	6	181
Marvell	Amazon - Trainium 2.5	1,600	0	0	0	2	6	0	0	0	0	2
MediaTek	Google - TPU v8t	800	0	0	1	4	15	9	11	11	13	129
Other CPUs / accelerators and products like networking			2	4	10	20	109	22	23	25	33	310
Capacity requirement - Cloud AI (kwpm)			**9**	**24**	**62**	**122**	**652**	**130**	**140**	**151**	**167**	**1,763**
% of N3 demand			***7%***	***18%***	***38%***	***64%***	***36%***	***69%***	***72%***	***73%***	***76%***	***73%***
Apple	iPhone's apps processor	110	43	43	39	22	442	13	11	9	10	128
	Mac's processor	165	10	10	8	7	106	7	6	6	6	74
	iPad's M processor for Pro & Air	160	14	12	12	8	135	11	10	8	8	111
	iPad's A17 Pro processor	104	2	2	1	1	15	3	2	2	2	30
Qualcomm	Flagship smartphone SoC	120	17	13	9	3	129	5	5	4	3	51
MediaTek	5G smartphone SoC	120	5	4	3	1	39	2	2	2	1	19
Intel	Outsourced PC CPUs	100	15	15	8	8	137	8	8	5	4	70
Others like Bitcoin, tablet, ARM based PC CPU			10	10	20	20	180	10	10	20	20	180
Capacity requirement - Consumer and other devices (kwpm)			**116**	**109**	**100**	**69**	**1,183**	**60**	**53**	**55**	**53**	**663**
% of N3 demand			***93%***	***82%***	***62%***	***36%***	***64%***	***31%***	***28%***	***27%***	***24%***	***27%***
Total N3 demand			**125**	**133**	**162**	**191**	**1,834**	**190**	**193**	**206**	**220**	**2,426**
TSMC's N3 installed capacity			**120**	**130**	**150**	**170**	**1,710**	**170**	**185**	**195**	**210**	**2,280**
Capacity utilisation			*104%*	*102%*	*108%*	*113%*	*107%*	*112%*	*104%*	*106%*	*105%*	*106%*

Source: UBS estimates

Figure 5: TSMC's operating metrics

	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**	**10,430**	**10,960**	**11,146**	**11,726**	**12,237**	**12,328**	**27,005**	**29,050**	**33,802**	**40,537**	**47,437**	**53,106**
Sequential change (%)	*5%*	*4%*	*7%*	*5%*	*2%*	*5%*	*4%*	*1%*	*-21%*	*8%*	*16%*	*20%*	*17%*	*12%*
Utilization rate (%)	**89%**	**91%**	**98%**	**101%**	**103%**	**106%**	**109%**	**109%**	**73%**	**76%**	**83%**	**95%**	**107%**	**112%**
ASP (US$)	**3,263**	**3,483**	**3,714**	**3,888**	**3,976**	**4,157**	**4,382**	**4,610**	**2,235**	**2,694**	**3,112**	**3,601**	**4,290**	**5,124**
Sequential change (%)	*0%*	*7%*	*7%*	*5%*	*2%*	*5%*	*5%*	*5%*	*14.8%*	*20.5%*	*15.5%*	*15.7%*	*19.1%*	*19.4%*
FX rate (NT$)	31.6	31.6	32.0	32.0	32.0	32.0	32.0	32.0	31.2	32.1	31.1	31.8	32.0	32.0
Other Revenue (NT$m)	165,991	196,673	223,114	245,425	255,242	280,766	317,422	336,467	279,218	379,846	536,501	831,203	1,189,897	1,610,868
Total Revenue (NT$m)	**1,134,103**	**1,270,380**	**1,462,634**	**1,608,897**	**1,673,253**	**1,840,579**	**2,033,215**	**2,155,208**	**2,161,736**	**2,894,308**	**3,809,054**	**5,476,015**	**7,702,256**	**10,318,264**
Sequential change (%)	*8%*	*12%*	*15%*	*10%*	*4%*	*10%*	*10%*	*6%*	*-5%*	*34%*	*32%*	*44%*	*41%*	*34%*
Capex (US$m)	**11,046**	**15,691**	**15,651**	**20,553**	**22,500**	**22,500**	**22,500**	**22,500**	**30,425**	**29,760**	**40,739**	**63,000**	**90,000**	**105,000**
Capex/revenue (%)	*31%*	*39%*	*34%*	*41%*	*43%*	*39%*	*35%*	*33%*	*44%*	*33%*	*33%*	*37%*	*37%*	*33%*
Depreciation (NT$mn)	**5,237**	**6,283**	**6,875**	**7,124**	**7,480**	**8,187**	**8,825**	**9,364**	**16,631**	**20,712**	**21,503**	**25,374**	**33,856**	**45,609**
Gross margin (%)	**66.2%**	**67.7%**	**67.1%**	**67.3%**	**67.3%**	**67.4%**	**67.3%**	**67.1%**	**54.4%**	**56.1%**	**59.9%**	**67.1%**	**67.2%**	**67.8%**
Operating margin (%)	58.1%	60.3%	58.9%	59.1%	59.4%	59.4%	59.0%	58.9%	42.6%	45.7%	50.8%	59.1%	59.1%	60%

Source: Company data, UBS estimates

Figure 6: Revisions to our earnings estimates

	New			Old			Change		
(NT$ mn)	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	**5,476,015**	**7,702,256**	**10,318,264**	**5,465,875**	**7,676,827**	**10,044,566**	0%	0%	3%
- YoY chg	44%	41%	34%	43%	40%	31%			
Revenue (US$ mn)	**172,213**	**240,695**	**322,446**	**171,894**	**239,901**	**313,893**	0%	0%	3%
- YoY chg	41%	40%	34%	41%	40%	31%			
Gross profit	**3,670,122**	**5,179,398**	**7,000,469**	**3,666,747**	**5,179,059**	**6,842,251**	0%	0%	2%
- Gross margin	67.0%	67.2%	67.8%	67.1%	67.5%	68.1%			
Operating profit	**3,234,125**	**4,555,628**	**6,185,603**	**3,231,064**	**4,556,077**	**6,035,870**	0%	0%	2%
- Operating margin	59.1%	59.1%	59.9%	59.1%	59.3%	60.1%			
Net profit	**2,827,838**	**3,863,186**	**5,251,406**	**2,825,270**	**3,867,318**	**5,140,175**	0%	0%	2%
- Net margin	51.6%	50.2%	50.9%	51.7%	50.4%	51.2%			
EPS (NT$)	**109.06**	**148.98**	**202.52**	**108.96**	**149.14**	**198.23**	0%	0%	2%
- YoY chg	65%	37%	36%	64%	37%	33%			

Source: UBS estimates

Figure 7: UBS earnings estimates vs. consensus

	UBSe			Consensus			Difference		
(NT$m)	**2026E**	**2027E**	**2028E**	**2026F**	**2027F**	**2028F**	**2026E**	**2027E**	**2028E**
Revenue	**5,476,015**	**7,702,256**	**10,318,264**	**5,442,153**	**7,425,468**	**9,281,208**	1%	4%	11%
- YoY chg	44%	41%	34%	232%	36%	25%			
Gross profit	**3,670,122**	**5,179,398**	**7,000,469**	**3,623,759**	**4,969,290**	**6,171,787**	1%	4%	13%
- Gross margin	67.0%	67.2%	67.8%	66.6%	66.9%	66.5%			
Operating profit	**3,234,125**	**4,555,628**	**6,185,603**	**3,184,365**	**4,376,749**	**5,448,423**	2%	4%	14%
- Operating margin	59.1%	59.1%	59.9%	58.5%	58.9%	58.7%			
Net profit	**2,827,838**	**3,863,186**	**5,251,406**	**2,781,683**	**3,744,636**	**4,683,452**	2%	3%	12%
- Net margin	51.6%	50.2%	50.9%	51.1%	50.4%	50.5%			
EPS (NT$)	**109.06**	**148.98**	**202.52**	**107.15**	**143.59**	**178.69**	2%	4%	13%
- YoY chg	65%	37%	36%	238%	34%	24%			

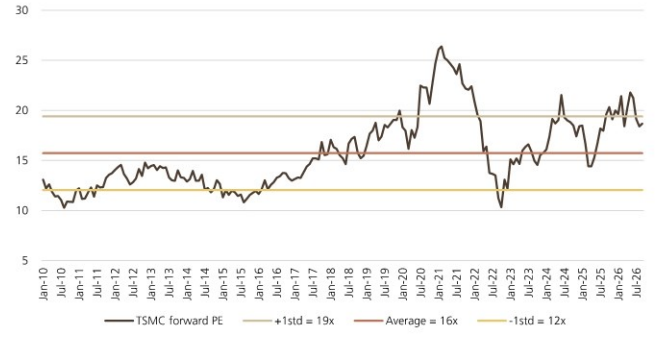
Source: UBS estimates

Figure 8: UBS 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**	**1,462,634**	**1,608,897**	**5,476,015**	**1,673,253**	**1,840,579**	**2,033,215**	**2,155,208**	**7,702,256**	**10,318,264**	**12,449,992**	**15,340,962**
- YoY chg (%)	32%	35%	36%	48%	54%	44%	48%	45%	39%	34%	41%	34%	21%	23%
- QoQ chg (%)	-	8%	12%	15%	10%	-	4%	10%	10%	6%	-	-	-	-
Revenue (US$ mn)	**122,031**	**35,898**	**40,202**	**45,707**	**50,278**	**172,213**	**52,289**	**57,518**	**63,538**	**67,350**	**240,695**	**322,446**	**389,062**	**479,405**
- YoY chg (%)	35%	41%	34%	38%	49%	41%	46%	43%	39%	34%	40%	34%	21%	23%
- QoQ chg (%)	-	6%	12%	14%	10%	-	4%	10%	10%	6%	-	-	-	-
Gross profit	**2,281,294**	**751,295**	**860,311**	**980,859**	**1,077,657**	**3,670,122**	**1,126,034**	**1,239,875**	**1,368,001**	**1,445,487**	**5,179,398**	**7,000,469**	**8,331,768**	**10,276,806**
- Gross margin	59.9%	66.2%	67.7%	67.1%	67.0%	67.0%	67.3%	67.4%	67.3%	67.1%	67.2%	67.8%	66.9%	67.0%
Operating profit	**1,936,092**	**658,966**	**766,603**	**861,775**	**946,782**	**3,234,125**	**994,163**	**1,092,818**	**1,199,972**	**1,268,675**	**4,555,628**	**6,185,603**	**7,367,818**	**9,103,236**
- OP margin	50.8%	58.1%	60.3%	58.9%	58.8%	59.1%	59.4%	59.4%	59.0%	58.9%	59.1%	59.9%	59.2%	59.3%
Non-op profit	105,571	28,834	95,827	22,718	24,097	171,475	24,797	25,433	26,445	28,798	105,472	149,229	238,168	368,147
Pre-tax profit	2,041,663	687,800	862,430	884,493	970,878	3,405,601	1,018,960	1,118,250	1,226,417	1,297,473	4,661,100	6,334,832	7,605,986	9,471,384
Net profit	**1,717,883**	**572,480**	**706,562**	**738,332**	**810,464**	**2,827,838**	**850,613**	**905,564**	**1,023,839**	**1,083,171**	**3,863,186**	**5,251,406**	**6,303,595**	**7,848,981**
Reported EPS (NT$)	**66.26**	**22.08**	**27.25**	**28.47**	**31.26**	**109.06**	**32.80**	**34.92**	**39.48**	**41.77**	**148.98**	**202.52**	**243.10**	**302.69**
- YoY chg (%)	46%	58%	77%	63%	60%	65%	49%	28%	39%	34%	37%	36%	20%	25%
- QoQ chg (%)	-	13%	23%	4%	10%	-	5%	6%	13%	6%	-	-	-	-

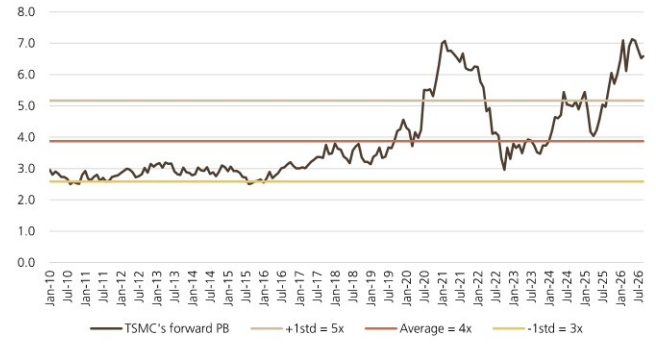
Source: Company data, UBS estimates

Figure 9: TSMC's 12-month forward PE band (x)



Source: LSEG, UBS

Figure 10: TSMC's 12-month forward P/BV (x)



Source: LSEG, UBS

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**	**5,476,015**	*43.8*	**7,702,256**	*40.7*	**10,318,264**	**12,449,992**	**15,340,962**
Gross profit	1,175,111	1,624,354	2,281,294	3,670,122	*60.9*	5,179,398	*41.1*	7,000,469	8,331,768	10,276,806
EBITDA (UBS)	**1,453,657**	**1,984,850**	**2,624,188**	**4,046,079**	*54.2*	**5,639,022**	*39.4*	**7,645,092**	**9,252,469**	**11,414,391**
Depreciation & amortisation	(532,191)	(662,797)	(688,096)	(811,954)	*-18.0*	(1,083,394)	*-33.4*	(1,459,489)	(1,884,651)	(2,311,154)
EBIT (UBS)	**921,466**	**1,322,053**	**1,936,092**	**3,234,125**	*67.0*	**4,555,628**	*40.9*	**6,185,603**	**7,367,818**	**9,103,236**
Associates & investment income	4,655	4,879	5,497	3,523	*-35.9*	800	*-77.3*	800	800	800
Other non-operating income	10,704	11,125	13,868	75,529	*NM*	706	*-99.1*	706	706	706
Net interest	42,347	67,781	86,206	92,423	*7.2*	103,966	*12.5*	147,723	236,662	366,641
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**979,171**	**1,405,839**	**2,041,663**	**3,405,601**	*66.8*	**4,661,100**	*36.9*	**6,334,832**	**7,605,986**	**9,471,384**
Tax	(141,404)	(233,407)	(326,266)	(576,784)	*-76.8*	(797,038)	*-38.2*	(1,082,550)	(1,301,515)	(1,621,527)
Profit after tax	**837,768**	**1,172,432**	**1,715,397**	**2,828,817**	*64.9*	**3,864,062**	*36.6*	**5,252,281**	**6,304,471**	**7,849,857**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	730	836	2,486	(979)	-	(876)	*10.5*	(876)	(876)	(876)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**838,498**	**1,173,268**	**1,717,883**	**2,827,838**	*64.6*	**3,863,186**	*36.6*	**5,251,406**	**6,303,595**	**7,848,981**
Net earnings (UBS)	**838,498**	**1,173,268**	**1,717,883**	**2,827,838**	*64.6*	**3,863,186**	*36.6*	**5,251,406**	**6,303,595**	**7,848,981**
Tax rate (%)	14.4	16.6	16.0	16.9	*6.0*	17.1	*1.0*	17.1	17.1	17.1

Per Share (NT$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	32.34	45.24	66.24	109.06	*64.6*	148.98	*36.6*	202.52	243.10	302.69
EPS (local GAAP, diluted)	32.34	45.24	66.24	109.06	*64.6*	148.98	*36.6*	202.52	243.10	302.69
EPS (UBS, basic)	32.34	45.25	66.24	109.06	*64.6*	148.98	*36.6*	202.52	243.10	302.69
DPS (net) (NT$)	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	140.37	*51.3*	190.76	*35.9*	258.80	315.78	391.82
Book value per share	133.38	165.36	208.99	293.29	*40.3*	404.77	*38.0*	558.29	737.38	967.07
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	3,718,202	*21.2*	4,547,993	*22.3*	6,183,739	8,956,050	13,209,711
Other current assets	506,388	666,332	748,536	1,375,860	*83.8*	1,841,456	*33.8*	2,455,285	2,910,994	3,580,084
Total current assets	**2,194,033**	**3,088,352**	**3,817,131**	**5,094,062**	*33.5*	**6,389,448**	*25.4*	**8,639,024**	**11,867,043**	**16,789,794**
Net tangible fixed assets	3,064,475	3,234,980	3,691,841	5,013,417	*35.8*	6,810,023	*35.8*	8,710,534	10,345,883	11,554,729
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	547,672	*37.2*	650,771	*18.8*	793,171	888,133	1,041,583
Total assets	**5,532,371**	**6,691,938**	**7,933,024**	**10,679,226**	*34.6*	**13,874,317**	*29.9*	**18,166,803**	**23,125,135**	**29,410,182**
Trade payables & other ST liabilities	904,290	1,204,667	1,321,094	1,760,288	*33.2*	1,976,443	*12.3*	2,164,806	2,398,287	2,594,118
Short term debt	9,293	59,858	136,926	167,410	*22.3*	167,410	*0.0*	167,410	167,410	167,410
Total current liabilities	**913,583**	**1,264,525**	**1,458,019**	**1,927,698**	*32.2*	**2,143,853**	*11.2*	**2,332,216**	**2,565,697**	**2,761,527**
Long term debt	913,900	926,605	856,228	815,037	*-4.8*	805,037	*-1.2*	795,037	785,037	775,037
Other long term liabilities	221,625	177,233	157,982	289,243	*83.1*	387,457	*34.0*	520,860	611,788	755,087
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**2,049,108**	**2,368,362**	**2,472,229**	**3,031,977**	*22.6*	**3,336,347**	*10.0*	**3,648,113**	**3,962,521**	**4,291,651**
Common s/h equity	**3,458,914**	**4,288,545**	**5,419,596**	**7,605,296**	*40.3*	**10,496,018**	*38.0*	**14,476,737**	**19,120,661**	**25,076,578**
Minority interests	24,349	35,031	41,199	41,953	*1.8*	41,953	*0.0*	41,953	41,953	41,953
Total liabilities & equity	**5,532,371**	**6,691,938**	**7,933,024**	**10,679,226**	*34.6*	**13,874,317**	*29.9*	**18,166,803**	**23,125,135**	**29,410,182**

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	2,827,838	*64.6*	3,863,186	*36.6*	5,251,406	6,303,595	7,848,981
Depreciation & amortisation	532,191	662,797	688,096	811,954	*18.0*	1,083,394	*33.4*	1,459,489	1,884,651	2,311,154
Net change in working capital	324	(90,088)	160	(619,914)	-	(374,295)	*39.6*	(495,764)	(363,293)	(539,154)
Other operating	(129,046)	80,200	(131,163)	97,418	-	(146,805)	-	(201,763)	(135,425)	(217,218)
Operating cash flow	**1,241,967**	**1,826,177**	**2,274,976**	**3,117,295**	*37.0*	**4,425,480**	*42.0*	**6,013,367**	**7,689,528**	**9,403,763**
Tangible capital expenditure	(949,113)	(955,112)	(1,271,613)	(2,003,274)	*-57.5*	(2,880,000)	*-43.8*	(3,360,000)	(3,520,000)	(3,520,000)
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	62,184	*-62.2*	0	-	0	0	0
Investing cash flow	**(906,121)**	**(864,843)**	**(1,144,393)**	**(2,008,166)**	*-75.5*	**(2,880,000)**	*-43.4*	**(3,360,000)**	**(3,520,000)**	**(3,520,000)**
Equity dividends paid	(291,722)	(363,055)	(466,779)	(622,380)	*-33.3*	(803,903)	*-29.2*	(1,141,024)	(1,478,145)	(1,763,401)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	18,623	(39,111)	(14,014)	49,551	-	98,214	*98.2*	133,403	90,928	143,299
Change in debt & pref shares	68,204	55,866	40,448	(7,999)	-	(10,000)	*-25.0*	(10,000)	(10,000)	(10,000)
Financing cash flow	**(204,894)**	**(346,301)**	**(440,345)**	**(580,828)**	*-31.9*	**(715,689)**	*-23.2*	**(1,017,621)**	**(1,397,217)**	**(1,630,103)**
Cash flow inc/(dec) in cash	**130,952**	**615,033**	**690,238**	**528,302**	*-23.5*	**829,791**	*57.1*	**1,635,746**	**2,772,311**	**4,253,661**
FX / non cash items	(4,794)	119,342	(43,662)	121,305	-	0	*-100.0*	0	0	0
Balance sheet inc/(dec) in cash	**126,159**	**734,375**	**646,575**	**649,607**	*0.5*	**829,791**	*27.7*	**1,635,746**	**2,772,311**	**4,253,661**

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	22.7	16.6	12.2	10.2	8.2
P/E (UBS, diluted)	16.8	19.7	17.6	22.7	16.6	12.2	10.2	8.2
P/CEPS	10.3	12.6	12.6	17.8	13.1	9.7	7.9	6.4
Equity FCF (UBS) yield %	2.1	3.8	3.3	1.7	2.4	4.1	6.5	9.2
Dividend yield (net) %	2.4	1.9	1.9	1.2	1.6	2.1	2.7	3.1
P/BV	4.1	5.4	5.6	8.5	6.2	4.5	3.4	2.6
EV/revenues (core)	6.1	7.6	7.4	NM	8.0	5.8	4.7	3.6
EV/EBITDA (UBS core)	9.1	11.0	10.8	15.4	10.9	7.9	6.3	4.8
EV/EBIT (core)	14.4	16.6	14.6	19.2	13.5	9.7	7.9	6.0
EV/OpFCF (core)	9.8	12.2	11.4	19.3	12.4	8.8	6.8	5.2
EV/op. invested capital	5.6	8.2	9.5	15.8	10.8	7.6	5.8	4.6

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	64,183,000	64,183,000	64,183,000	64,183,000	64,183,000
Net debt (cash)	(736,143)	(1,100,004)	(1,755,499)	(2,405,598)	(3,155,651)	(4,398,419)	(6,612,448)	(10,135,434)
Buy out of minorities	24,349	35,031	41,199	41,953	41,953	41,953	41,953	41,953
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**13,382,016**	**22,043,009**	**28,528,108**	**61,819,355**	**61,069,302**	**59,826,534**	**57,612,505**	**54,089,519**
Non core assets	(129,442)	(149,040)	(172,370)	(224,642)	(218,055)	(211,469)	(204,882)	(198,295)
Core enterprise value	**13,252,574**	**21,893,968**	**28,355,738**	**61,594,712**	**60,851,247**	**59,615,065**	**57,407,624**	**53,891,225**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(4.5)	33.9	31.6	43.8	40.7	34.0	20.7	23.2
EBITDA (UBS)	(6.7)	36.5	32.2	54.2	39.4	35.6	21.0	23.4
EBIT (UBS)	(17.8)	43.5	46.4	67.0	40.9	35.8	19.1	23.6
EPS (UBS, diluted)	(17.5)	39.9	46.4	64.6	36.6	35.9	20.0	24.5
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	67.0	67.2	67.8	66.9	67.0
EBITDA margin	67.2	68.6	68.9	73.9	73.2	74.1	74.3	74.4
EBIT (UBS) margin	42.6	45.7	50.8	59.1	59.1	59.9	59.2	59.3
Net earnings (UBS) margin	38.8	40.5	45.1	51.6	50.2	50.9	50.6	51.2
ROIC (EBIT)	38.6	49.6	65.1	NM	NM	NM	73.5	NM
ROIC post tax	33.0	41.4	54.6	68.0	66.1	64.8	60.9	63.9
ROE (UBS)	26.2	30.3	35.4	43.4	42.7	42.1	37.5	35.5

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)	(0.6)	(0.7)	(0.9)	(1.1)
Net debt / total equity %	(21.9)	(33.2)	(38.0)	(35.8)	(33.9)	(36.0)	(41.8)	(48.8)
Net debt / (net debt + total equity) %	(28.1)	(49.7)	(61.3)	(55.7)	(51.4)	(56.2)	(71.7)	(95.5)
Net debt/EV %	(5.5)	(5.0)	(6.2)	(3.9)	(5.2)	(7.4)	(11.5)	(18.7)
Capex / depreciation %	178.3	144.1	184.8	NM	NM	NM	186.8	152.3
Capex / revenue %	NM	NM	NM	NM	NM	NM	28.3	22.9
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	2.5	2.7	3.0	3.7	3.7	3.8	3.7	4.0
Div. payout ratio (UBS) %	40.2	37.6	33.2	27.1	27.2	26.2	27.1	25.1

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	4,644,812	6,512,359	8,707,396	10,462,178	12,891,565
Others	279,218	379,846	536,501	831,203	1,189,897	1,610,868	1,987,814	2,449,397
Others	0	1	0	0	0	0	0	0
Total	**2,161,736**	**2,894,308**	**3,809,054**	**5,476,015**	**7,702,256**	**10,318,264**	**12,449,992**	**15,340,962**

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	3,234,125	4,555,628	6,185,603	7,367,818	9,103,236
Total	**921,466**	**1,322,053**	**1,936,092**	**3,234,125**	**4,555,628**	**6,185,603**	**7,367,818**	**9,103,236**

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

Forecast returns

Forecast price appreciation	47.5%
Forecast dividend yield	1.3%
Forecast stock return	48.7%
Market return assumption	6.3%
Forecast excess return	42.4%

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?	

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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.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 June 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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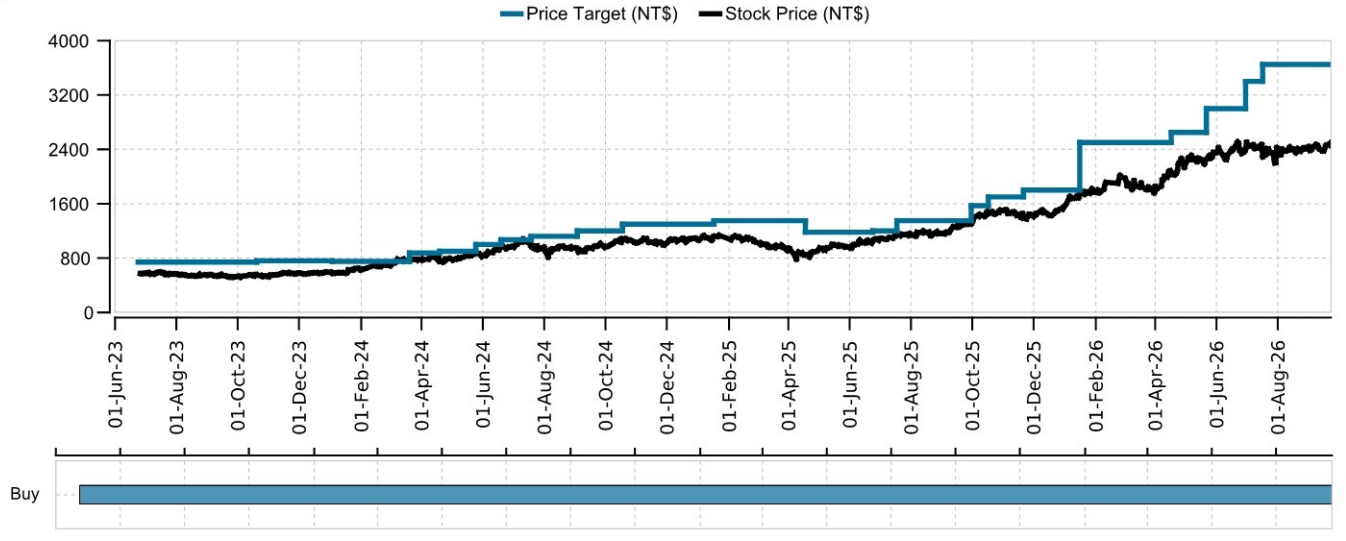
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Taiwan Semiconductor Manufacturing[16]	2330.TW	Buy	NT$2,500	23 Sep 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
2023-06-23	NaN	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
2026-04-16	2085.00	2650.00	Buy

Date	Stock Price (NT$)	Price Target (NT$)	Rating
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 23-Sep-2026. All prices as of local market close. Ratings as of date shown.

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