07 Oct 2026 07:06:13 ET | 10 pages

TSMC (2330.TW)

Adding Upside 90-Day Catalyst Watch

Direction: **Upside**

Duration: Within 90 Days (expires 06 Jan 2027)

Catalyst: Thematic driven

TSMC will host 3Q26 earnings call on Oct 15. We expect TSMC to beat its recently raised guidance once again. Upbeat guidance, robust demand for advanced nodes into next year, and a higher capex cycle should provide further upside potential for the share price in the coming months.

Buy	
Catalyst Watch: Upside, expires 06-JAN-27	
Price (07 Oct 2026 13:00:00)	NT$2,585.00
Target price	NT$4,000.00
Expected share price return	54.7%
Expected dividend yield	2.0%
Expected total return	56.7%
Market Cap	NT$67,035,177M US$2,108,489M

Laura (Chia Yi) Chen[AC]

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	1,173,268	45.24	39.9	57.1	15.6	30.3	0.5
2025A	1,717,883	66.24	46.4	39.0	12.4	35.4	0.7
2026E	2,871,328	110.72	67.1	23.3	8.9	44.2	1.1
2027E	4,105,294	158.30	43.0	16.3	6.5	45.7	1.9
2028E	5,628,058	217.02	37.1	11.9	4.7	45.7	2.6

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

TSMC

Investment strategy

We rate TSMC shares as Buy. We expect TSMC to deliver sales growth of >40% in recent years thanks to strong growth from HPC/AI as well as stable demand growth from smartphone, IoT, and automotive on tech migration and a shortened replacment cycle. CPU outsourcing to TSMC offers further growth potential. A rising cash dividend should also support the share price. While TSMC has been increasing its capex meaningfully since 2009, its cost structure remaisn competitive through continuous product mix improvements, efficiency enhancements, and cost reductions.

Valuation

Our target price for TSMC shares of NT$4,000 is based on 25x our 2027E EPS, higher than its three-year average forward PER, versus global peers' average of 16-25x. We believe our target PER is justified by TSMC's leading position in advanced process node and robust AI demand growth outlook. Given its continuing leadership in the semiconductor foundry industry, we believe TSMC's stable order visibility and earnings outlook make it less vulnerable to a potential global economic downturn than some of its peers. Our target price equates to 2026E/27E P/E of ~36x/25x and 2026E/27E P/B of ~14x/10x.

Risks

Key downside risks that could impede the shares from achieving our target price include: 1) weakness in the global semiconductor market; 2) larger-than-expected margin contractions due to depreciation cost increases and strong NTD; 3) competitors entering the foundry business; 4) longer-than-expected digestion of inventory in the supply chain; and 5) a slowdown in demand either due to a global economic downturn or a global trade disruption triggered by tariffs.

