TSMC

Faster capacity ramp, flattish GMs; stay OW

Overweight

2330.TW, 2330 TT
Price (15 Oct 26):NT$2440.0
Price Target (Jun-27):NT$3300.0

We believe TSMC is now likely to expand capacity at an accelerated pace into 2028, given the widening demand-supply gap in leading edge wafers and strong AI demand. Given the additional new N3 Fab builds (4 phases in 2027-28), steep N2 ramp and pull-in for A14 ramp (likely targeting at least some iPhone in 2H28), we believe that capex is likely to grow to $90/109bn in 2027/28. With strong blended ASP increases and capacity growth in leading edge, we now expect TSMC revenues to grow 40%/28% in 2027/28 in USD terms. Increased US Fab ramp, with potential expansion in Texas and collaboration with SpaceX/Terafab should put competitive fears to rest, in our view. However, the fast ramp in new nodes (N2 in 2026-27, A14 in 2028) and US fab expansion is likely to increase cost pressures, keeping GMs range-bound in the next two years. We remain OW on the stock with a Jun-27 PT of NT$3300 (20x 12m forward earnings) and believe that the increased capacity ramp and more emphatic positioning on capacity ramp is likely to drive investors towards core AI enablers like TSMC, especially if the AI infra trade becomes more selective given recent market concerns.

- **Stronger leading edge capacity ramp, in response to persistent demand-supply gap:** TSMC's tone has become more emphatic, in our view, on accelerated leading edge capacity build-out in response to the persistent supply-demand gap. With 4 new N3 Fabs (2 in Taiwan, 1 in US and 1 in Japan) by 2028, and a steep N2 ramp into 2028, along with an earlier pull-in for A14, we expect TSMC to add 117K/175K wfpm of new capacity in 2027/28 at 2-3x the typical buildout of new capacity each year. Leading edge capacity (N7 and below) is likely to grow at 20+% CAGR from 2025-28, much faster than the prior 5 years.
- **A14 pull-in, with revenues coming in 2028, we expect some iPhones to move to A14 in 2H28:** We now expect a stronger pull-in for A14 process node, with the mass production commencing in early 2028, and aimed at enabling at least a portion of 2H28 new iPhone demand to utilize A14. This is enabled by: (1) strong initial yield progression for A14, with SRAM and transistor yields both reaching >90%, (2) strong partnership with leading customers such as Apple and AMD, (3) faster manufacturing ramp, with initial production ramp in Hsinchu and larger capacity ramp in Taichung Fab 25. We now expect TSMC's A14 capacity to reach 45K wfpm by end 2028, which could generate ~$7bn in revenues in 2028, sufficient to support some SKUs of the 2H28 iPhone. The pull-in of A14 in 2028 could help solve two potential issues, in our view. (1) Competitive pressure from Intel Foundry has been increasing with Apple likely trialing Intel's 14A for some test chips – this updated TSMC schedule should enable TSMC's roadmap to be substantially ahead of Intel Foundry's roadmap. (2) Without the pull-in of A14 into 2028, we believe that both AI/HPC and Smartphone demand would coincide on the same node, N2, and could cause a significant supply crunch, probably worse than the N3 situation in 2026.
- **Capex likely to see a meaningful step-up in 2027-28 as A14 gets pulled in:** As a result of the additional N3 Fab in Tainan and pull-in for A14 capacity, we now model a bigger step-up in capex in 2027/28, with capex likely reaching

Technology and Telecoms

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Jennifer Hsieh
(886-2) 2725-9868
jennifer.hsieh@jpmorgan.com
J.P. Morgan Securities (Taiwan) Limited

David Chou
(886-2) 2725-9618
david.chou@jpmorgan.com
J.P. Morgan Securities (Taiwan) Limited

Jason Chen
(886-2) 2725-9864
jason.bh.chen@jpmorgan.com
J.P. Morgan Securities (Taiwan) Limited

Subham Singhania
(91-22) 6157-3801
subham.singhania@jpmorgan.com
J.P. Morgan India Private Limited, J.P. Morgan Tower, Santacruz(E), Mumbai - 400098, SEBI Registration: INH000001873, (91-22) 6157-3000.

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (NT$)	108.62	111.93	3.1%

Quarterly Forecasts (FYE Dec)

Adj. EPS (NT$)	2025A	2026E	2027E
Q1	13.94	22.08A	34.08
Q2	15.36	27.25A	34.62
Q3	17.44	29.43A	39.80
Q4	19.50	33.19	41.15
FY	66.24	111.93	149.65

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	35	39	42	37	79
Growth	15	34	18	12	8
Momentum	44	19	24	54	61
Quality	3	16	9	3	1
Low Vol	26	29	32	35	27
ESGQ	20	93	19	10	4

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 21 for analyst certification and important disclosures, including non-US analyst disclosures.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	57.4%	2.3%	0.0%	66.6%
Rel	-4.8%	-0.9%	-2.9%	-5.7%

Company Data

Shares O/S (mn)	25,930
52-week range (NT$)	2590.0-1375.0
Market cap ($ mn)	1,966,804
Exchange rate	32.17
Free float (%)	92.2%
3M ADV (mn)	27.89
3M ADV ($ mn)	2,084.7
Volatility (90 Day)	34
Index	TAIEX
BBG ANR (Buy | Hold | Sell)	39|2|0

Key Metrics (FYE Dec)

NT$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	3,809,054	5,610,072	7,855,291	10,026,020
Adj. EBIT	1,936,092	3,293,126	4,567,353	5,897,998
Adj. EBITDA	2,624,188	4,109,910	5,651,817	7,272,759
Adj. net income	1,717,883	2,902,693	3,880,883	4,961,038
Adj. EPS	66.24	111.93	149.65	191.31
BBG EPS	64.73	108.02	141.20	179.44
Cashflow from operations	2,437,716	3,701,271	4,772,114	6,228,855
FCFF	1,292,759	1,592,732	1,910,114	3,366,855
Margins and Growth				
Revenue Growth Y/Y (%)	31.6%	47.3%	40.0%	27.6%
EBIT margin	50.8%	58.7%	58.1%	58.8%
EBIT Growth Y/Y (%)	46.4%	70.1%	38.7%	29.1%
EBITDA margin	68.9%	73.3%	71.9%	72.5%
EBITDA Growth Y/Y (%)	32.2%	56.6%	37.5%	28.7%
Net margin	45.1%	51.7%	49.4%	49.5%
Adj. EPS growth	46.4%	69.0%	33.7%	27.8%
Ratios				
Adj. tax rate	16.0%	16.7%	17.2%	17.7%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROE	35.4%	43.9%	41.8%	39.0%
Valuation				
FCFF yield	2.0%	2.5%	3.0%	5.3%
Dividend yield	0.9%	1.2%	1.4%	1.7%
EV/Revenue	16.1	10.7	7.5	5.7
EV/EBITDA	23.4	14.6	10.5	7.8
Adj. P/E	36.8	21.8	16.3	12.8

Summary Investment Thesis and Valuation

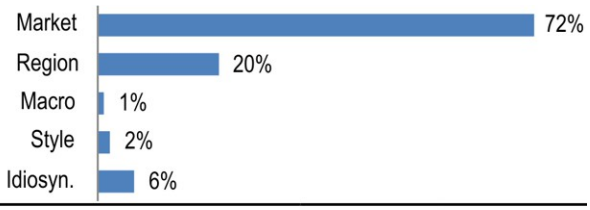
Investment Thesis

We are OW on TSMC, given continued strong leading edge wafer demand from AI, along with capacity expansion in N3, N2, as well as an earlier ramp of A14, at an accelerated pace into 2028. Given additional new N3 Fab builds, a steep N2 ramp and pull-in for A14 ramp, we believe that capex is likely to grow to $90-109bn in 2027-28. Increased US Fab ramp, with potential expansion in Texas and collaboration with SpaceX/Terafab should put competitive fears to rest, in our view. However, the fast ramp in new nodes (N2 in 2026-27, A14 in 2028) and US fab expansion is likely to increase cost pressures, keeping GMs range-bound in the next two years. Overall, we believe that the increased capacity ramp and more emphatic positioning on capacity ramp is likely to drive investors towards core AI enablers like TSMC.

Valuation

Our Jun-27 PT of NT$3,300 is based on ~20x 12-month forward P/E and reflects strong revenue growth from stronger AI demand and faster capacity growth. Our target multiple is higher than TSMC's five-year average historical multiple.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.90	0.85
Region: Taiwan	0.81	0.85
Macro:		
JPM EM Currency(EMCI) Fixing	-0.32	-0.22
JP Morgan GBI-EM Global Div	-0.21	-0.17
Citi Economic Surprise - EM	0.06	0.15
Quant Styles:		
Size	-0.23	-0.18
Momentum	-0.04	0.07
DivYld	0.04	-0.06

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

$90bn/$109bn in 2027/28 respectively. We believe that equipment lead times are likely to be a key constraint for executing on this capex, but believe that TSMC is likely to get priority allocation at most tool vendors due to its long-term planning and being the leading customer for all large SPE vendors. TSMC has indicated that revenue growth is likely to keep pace with or exceed capex growth in the medium term, which bodes well for accelerated revenue growth in the next two years (JPMe 40%/28% YoY growth in revenues in 2027/28).

- **Competitive positioning stronger with faster US expansion and discussion with Terafab/ SpaceX:** Increasing competition in leading edge Foundry and OSAT has been a key concern for investors in the last 3-4 months due to tight capacity and customers seeking alternatives such as Intel Foundry and Samsung. TSMC appears to be responding aggressively to this emerging competitive narrative, with faster leading edge capacity expansion, more US-based capacity and pull-in of A14. We believe that TSMC remains ~1 node ahead of Intel and Samsung Foundry on PPAC metrics, although Intel may approach TSMC process purely on speed/performance. With A14 likely to move to a two-year cadence and increased capacity investments, we believe most leading customers are likely to engage primarily with TSMC. Increased discussion around a Fab in Texas in partnership with SpaceX/TeraFab is interesting in this regard, given Terafab has been a key concern for several investors as a potential long-shot disruptor of existing foundry market dynamics.
- **Gross margins likely to remain range-bound given increased cost pressure and measured price hikes:** We now expect TSMC's GMs to remain in the 66-67% range over the next several quarters due to ongoing margin dilution from N2 ramp, increased overseas Fab dilution as Fab ramp accelerates in AZ and cost escalation from consumables inflation. In addition, the faster ramp of N2, earlier A14 ramp and the additional N3 Fab in Taiwan should drive depreciation expenses higher in the next two years. While TSMC is raising prices more broadly in 2027 (~10% for leading edge nodes and 3-5% for mature tech), we believe that the price hikes are likely to only partially cover the cost increases, sticking with TSMC's steady and strategic pricing philosophy. In the near-term, this may be a slight disappointment for investors (given the steady rise in GMs in the last three years).

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

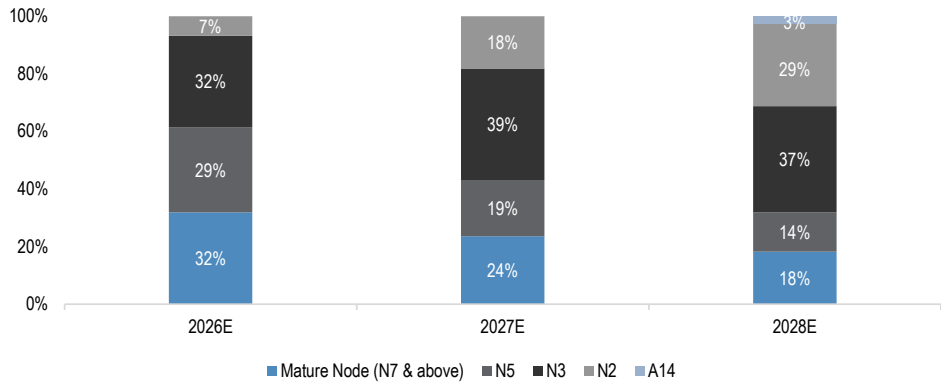
J.P.Morgan

Stronger leading edge capacity ramp, in response to persistent capacity gap

We believe TSMC's tone has become more emphatic on accelerated leading edge capacity buildout, given the persistent supply-demand gap. We expect TSMC to add a total of 117K/175K wfpm in new capacity in 2027/28, which is 2-3x faster than the typical new capacity buildout each year. The capacity addition primarily comes from four new N3 Fabs (two in Taiwan, one in US and one in Japan) by 2028, a steep N2 ramp into 2028 and an earlier pull-in for A14.

Figure 1: TSMC revenue by process node

%

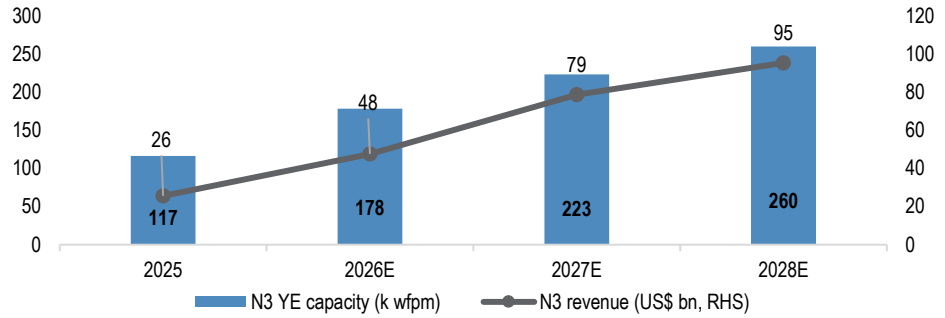


Source: J.P. Morgan. Company reports.

On N3 in particular, we believe the capacity is likely to become even tighter in 2027, with the supply-demand gap widening from ~600K wafers in 2026. We expect NVDA to lead the growth in N3 demand in 2027 (accounting for 55-60% N3 wafer shipments), followed by Google (Broadcom, Mediatek for TPU) and AWS (Graviton CPUs, Trainium 3 through AWS, Alchip and smaller Fabless vendors). We believe the tightness should only ease in 2028, as more capacity comes online (capacity reaching 223K/260K by YE of 2027/28) and accelerator/CPU demand starts to migrate to N2.

Figure 2: TSMC N3 YE capacity build and revenues

k wfpm, 12" equ / US$bn

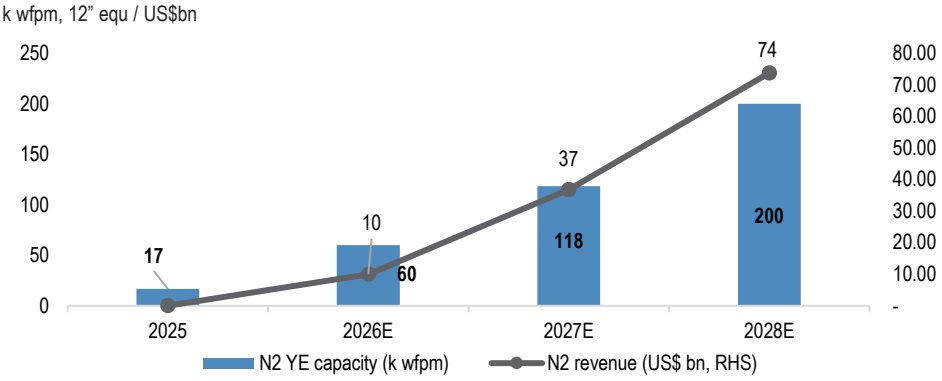


Source: J.P. Morgan estimates, Company data.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

Looking ahead, we believe N2 is likely to be the major driver in 2028 and expect the capacity to increase to 200K wfpm by end 2028 from only 60K wfpm by end 2026. We attribute this aggressive ramp-up to strong demand for future flagship accelerator projects (such as NVDA Feynman, AMD MI500, TPU v9 etc.) and agentic AI CPUs (like AMD Venice, NVDA Rosa, Google Axion 3, AWS Graviton 6 etc.), which will all shift to N2/A16 node eventually.This should bring N2 revenue to $74bn in 2028 (vs. $10bn/$37bn in 2026/27).

Figure 3: TSMC N2 YE capacity build and revenues



Source: J.P. Morgan estimates, Company data.

With robust Datacenter AI demand (JPMe DC AI revenue growing at 69% CAGR in 2024-29) and strong indicators for continued compute demand (solid accelerator roadmap and aggressive ramp of several CPU projects, along with strong interconnect demand), we believe that leading edge capacity (N7 and below) is likely to grow at 20+ % CAGR from 2025-28, much faster than the prior five years.

A14 pull-in, with revenues coming in 2028, we expect some iPhone to move to A14 in 2H28

TSMC reiterated its strong messaging on the A14 ramp, with risk production in 2027 and high-volume production in 2028, and highlighted that A14 has gained broader customer traction and will be a bigger node than N2. Given the stronger pull-in for A14, we now expect mass production to ramp in early 2028, versus our prior estimate of 1H28, and believe a portion of Apple's iPhone processors could utilize A14.

We attribute the stronger pull-in for A14 to (1) yield progress running ahead of schedule, with SRAM and transistor yields already reaching 90%+, suggesting rapid progress to pilot runs; (2) ongoing collaboration and strong partnerships with lead customers such as Apple and AMD; and (3) a faster manufacturing ramp, with an early ramp in Fab 20 (Hsinchu) and a larger subsequent ramp in the new Fab 25 (Taichung). We now revise up TSMC's A14 capacity to 45K wfpm by end-2028, from our prior estimate of 33K wfpm, which could generate ~$7bn of revenue in 2028 (shipments of 156K wafers at an ASP of $45K per wafer) from certain SKUs of the 2H28 iPhone.

Given the recent extremely tight supply for advanced-node wafers, there are some concerns over potential share loss at TSMC—for example, Apple is working with Intel Foundry on some test chips using Intel 14A. We believe the earlier A14 ramp should keep TSMC's roadmap significantly ahead of Intel Foundry (which will only ramp 14A

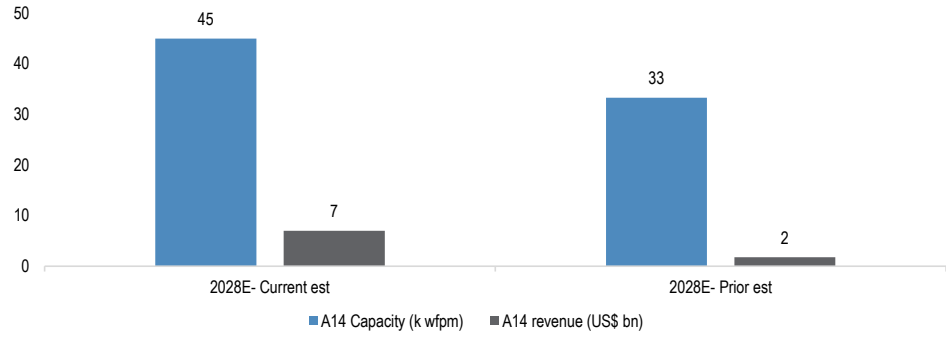
Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

—equivalent to TSMC N2 or N2P—in late 2028), echoing management's view that it is "not leaving food on the table for competitors."

In addition, we have seen severe capacity tightness at N3 in 2026 (all leading-edge products, from AI chips to smartphones, are adopting N3 in 1H26), and we would likely see a worse shortage situation for N2 capacity in 2028, without the A14 pull-in. With an earlier A14 ramp, Apple could roll off to A14 for its leading iPhone processors, while HPC/AI can transition to N2 as the leading node (esp NVDA on A16 for Feynman).

Figure 4: A14 Revenue and Capacity - Current vs Prior est

k wfpm, 12" equ / US$bn



Source: J.P. Morgan estimates

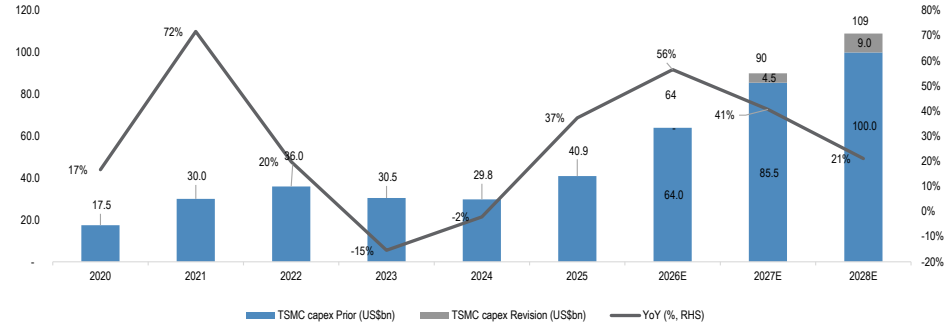
Capex likely to see a meaningful step-up in 2027-28 as A14 gets pulled in

TSMC reiterated that capex will be significantly higher than the past three years, with nearly 20 fab expansions in progress, supported by strong demand indicators and its intent to keep narrowing the supply-demand gap in 2027–28.

We revise up our capex estimates to $64/$90/$109bn in 2026/27/28 (from $64/$86/$100bn previously), reflecting the additional N3 fab in Tainan (likely to enter mass production in 1H28) and the accelerated pull-in of A14 capacity. We now expect N3 capacity to reach 223K/260K wpm by end-2027/end-2028.

Figure 5: TSMC capex trend

US$bn / %



Source: Company data, J.P. Morgan estimates.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

While the key constraint on capacity pull-in is likely equipment lead times, we believe TSMC should secure priority allocation from most tool vendors, given its scale, long-term planning, and position as the leading customer for most SPE vendors.

TSMC indicated that revenue growth is likely to keep pace with, or even exceed, capex growth over the medium term (JPMe: revenue to grow ~80% in 2028 vs. 2026, versus a ~70% rise in capex), which bodes well for revenue growth over the next two years (JPMe: 40%/28% YoY revenue growth in 2027/28).

Competitive positioning stronger with faster US expansion and discussion with Terafab, SpaceX

Increasing competition in leading-edge foundry and OSAT has been a key investor concern over the past 3–4 months, driven by tight capacity and customers seeking alternatives such as Intel Foundry and Samsung. TSMC appears to be responding aggressively to this emerging competitive narrative—through faster leading-edge capacity expansion, more US-based capacity, and the pull-in of A14—while repeatedly emphasizing that it is "not leaving food on the table for competitors."

We believe TSMC remains roughly one node ahead of Intel and Samsung Foundry on PPAC metrics, although Intel may approach TSMC's process on pure speed/performance. With A14 likely moving to a two-year cadence and capacity investment increasing, we believe most leading customers are likely to engage primarily with TSMC. We therefore believe TSMC will maintain 95%+ market share at the leading edge.

Table 1: TSMC vs. Intel Leading Edge Capacity

k wfpm

Foundry/Node (k wfpm)	2025	2026E	2027E	2028E
Intel 18A	-	30	55-60	80k for 18A + 14A
TSMC N3+N2	133	238	342	460
TSMC N5+N3+N2	277	362	462	590

Capacity is as of year end
Source: J.P. Morgan estimates, Company data.

In addition, the company confirmed that it is evaluating potential US expansion beyond Arizona, with discussions with SpaceX/Tesla on potential cooperation on TeraFab ongoing. That said, management emphasized that any partnership would be governed by the principle of full TSMC operational control, in line with our previous view that technology sharing will not be an option. The increased discussion around a fab in Texas in partnership with SpaceX/TeraFab is interesting in this regard, given that TeraFab has been a key concern for several investors as a potential long-shot disruptor of existing foundry market dynamics.

On packaging, the company appeared open to more vendors joining to relieve the capacity bottleneck—including CoWoS-like solutions from ASE/Amkor, cooperation with GlobalFoundries and Vanguard on interposer outsourcing, and competing technologies such as Intel's EMIB. However, management reiterated that CoWoS remains the best solution in the market, currently at 5.5x reticle size, moving to 9x in 2027 and 14x over the longer term.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

Figure 6: CoWoS vs. EMIB comparison

	CoWoS	EMIB
Reticle size limit	5.5-6x currently; aim to reach 14x	10-12x
Cost	$10-12k	30-40% cheaper per package as compared to CoWoS-L
Yield	98+%	~90% for server CPU size EMIB-T packages (2-4x reticle size and 4-8 EMIB bridges) ~60% for large ASIC EMIB-T packages (9-10x reticle size and 25+ EMIB bridges)
Scale (wfpm)	130K/260K/320K by YE26/27/28	Intel's external EMIB packaging capacity is likely ~7–10% of CoWoS scale in 2028.

Source: J.P. Morgan estimates, Company data.

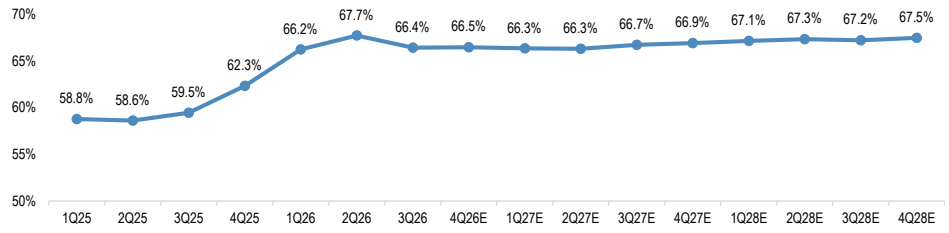
Gross margins likely to remain range-bound, given increased cost pressure and measured price hikes

TSMC guided to flat QoQ GM into 4Q (65–67%, flat versus its 3Q guidance), reflecting dilution from N2 and the overseas fab ramp. On overseas fabs, management now expects the 2026 impact at ~200bps (versus prior guidance of 200–300bps), given improved operating efficiency, while keeping the 300–400bps impact unchanged for the later stage.

We now expect TSMC's GMs to remain in the 66-67% range over the next several quarters due to ongoing margin dilution from N2 ramp, increased overseas Fab dilution as Fab ramp accelerates in AZ and cost escalation from consumables inflation.

In addition, the faster ramp of N2, earlier A14 ramp and the additional N3 Fab in Taiwan should drive depreciation expenses higher in the next two years. While TSMC is raising prices more broadly in 2027 (~10% for leading edge nodes and 3-5% for mature tech), we believe that the price hikes are likely to only partially cover the cost increases, sticking with TSMC's steady and strategic pricing philosophy. In the near-term, this may be a slight disappointment for investors (given the steady rise in GMs in the last three years).

Figure 7: GM trend by quarters



Source: J.P. Morgan estimates, Company data.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

3Q26 Earnings Review

Table 2: 3Q26 Earnings Review

NT$bn, EPS in NT$, %

	3Q26			Variance		Growth	
NT$ billion	Actual	JPMe	BBG 28 days	vs. JPMe	vs. Consensus	Q/Q	Y/Y
Revenues	**1,494**	**1,453**	**1,473**	**3%**	**1%**	**18%**	**51%**
Gross profit	992	971	988	2%	0%	15%	69%
GM (%)	*66.4%*	*66.8%*	*67.1%*	*-42 bps*	*-69 bps*	*-131 bps*	*696 bps*
Operating profit	876	843	867	4%	1%	14%	75%
OPM (%)	*58.7%*	*58.0%*	*58.9%*	*62 bps*	*-22 bps*	*-169 bps*	*808 bps*
Pretax profit	911	873	894	4%	2%	6%	73%
Net profit	763	724	751	5%	2%	8%	69%
EPS (NT$)	**29.44**	**27.92**	**28.96**	**5%**	**2%**	**8%**	**69%**

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Forecast Changes

Table 3: TSMC: Quarterly estimate revisions

	Revised			Prior			Change (%)		
NT$ billion	4Q26E	1Q27E	2Q27E	4Q26E	1Q27E	2Q27E	4Q26E	1Q27E	2Q27E
Revenues (US$ in mn)	**53,816**	**55,615**	**59,444**	**50,964**	**53,486**	**57,239**	**6%**	**4%**	**4%**
Revenues (NT$ in bn)	**1,711**	**1,769**	**1,890**	**1,616**	**1,696**	**1,814**	**6%**	**4%**	**4%**
Gross profit	1,137	1,173	1,253	1,079	1,150	1,223	5%	2%	3%
GM (%)	*66.5%*	*66.3%*	*66.3%*	*66.8%*	*67.8%*	*67.4%*	*-31bps*	*-148bps*	*-108bps*
Operating profit	991	1,023	1,093	937	1,001	1,063	6%	2%	3%
OPM (%)	*57.9%*	*57.8%*	*57.8%*	*58.0%*	*59.0%*	*58.6%*	*-6bps*	*-118bps*	*-78bps*
Net profit	861	884	898	814	870	879	6%	2%	2%
EPS (NT$)	**33.19**	**34.08**	**34.62**	**31.37**	**33.55**	**33.88**	**6%**	**2%**	**2%**
Operating Assumptions									
Capacity ('000 wafers, 12" equ)	4,210	4,237	4,327	4,210	4,237	4,327	0%	0%	0%
Shipment ('000 wafers, 12" equ)	4,703	4,568	4,708	4,684	4,609	4,746	0%	-1%	-1%
Shipment utilization (%)	112%	108%	109%	111%	109%	110%	44bps	-95bps	-87bps
Wafer ASP (US$)	9,581	10,161	10,477	9,004	9,642	9,963	6%	5%	5%

Source: J.P. Morgan estimates.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

J.P.Morgan

Table 4: TSMC: Annual estimate revisions

	Revised			Prior			Change (%)		
NT$ billion	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenues (US$ in mn)	**176,638**	**247,022**	**315,284**	**172,906**	**239,858**	**309,657**	**2%**	**3%**	**2%**
Revenues (NT$ in bn)	**5,610**	**7,855**	**10,026**	**5,473**	**7,603**	**9,816**	**3%**	**3%**	**2%**
Gross profit	3,741	5,231	6,748	3,662	5,155	6,734	2%	1%	0%
GM (%)	*66.7%*	*66.6%*	*67.3%*	*66.9%*	*67.8%*	*68.6%*	*-21bps*	*-121bps*	*-130bps*
Operating profit	3,293	4,567	5,898	3,206	4,486	5,851	3%	2%	1%
OPM (%)	*58.7%*	*58.1%*	*58.8%*	*58.6%*	*59.0%*	*59.6%*	*13bps*	*-85bps*	*-78bps*
Net profit	2,903	3,881	4,961	2,817	3,833	4,938	3%	1%	0%
EPS (NT$)	**111.93**	**149.65**	**191.31**	**108.62**	**147.80**	**190.42**	**3%**	**1%**	**0%**
Operating Assumptions									
Capacity ('000 wafers, 12" equ)	16,481	17,559	19,101	16,481	17,559	18,886	0%	0%	1%
Shipment ('000 wafers, 12" equ)	17,688	19,026	20,330	17,741	19,221	20,509	0%	-1%	-1%
Shipment utilization (%)	107%	108%	106%	108%	109%	109%	-33bps	-111bps	-216bps
Wafer ASP (US$)	8,432	10,672	12,732	8,191	10,240	12,356	3%	4%	3%

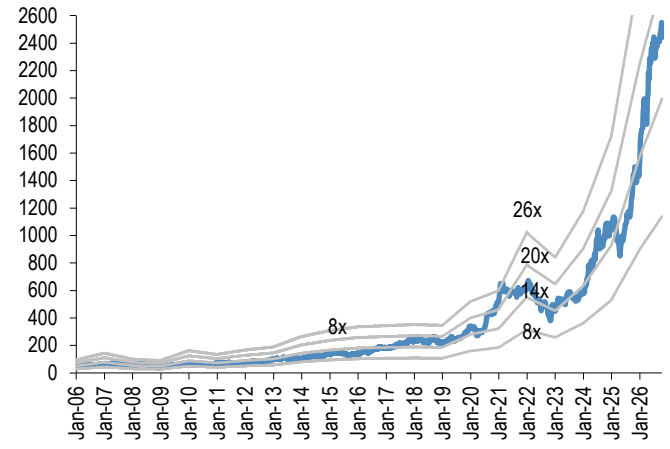
Source: J.P. Morgan estimates.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

PE/PB charts

Figure 8: TSMC : 12month forward P/E

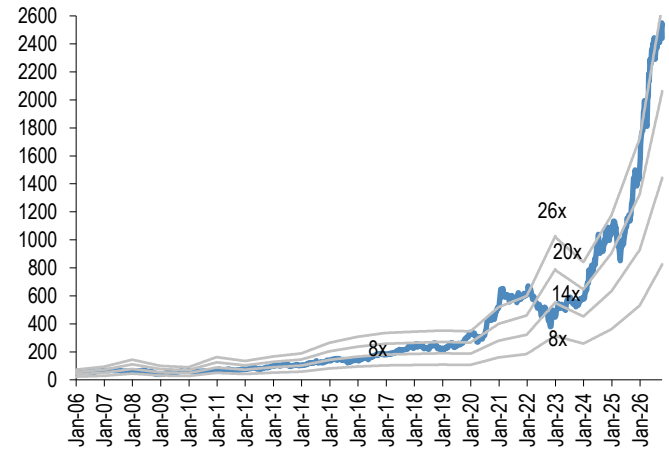
NT$, x



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 9: TSMC : 12month trailing P/E

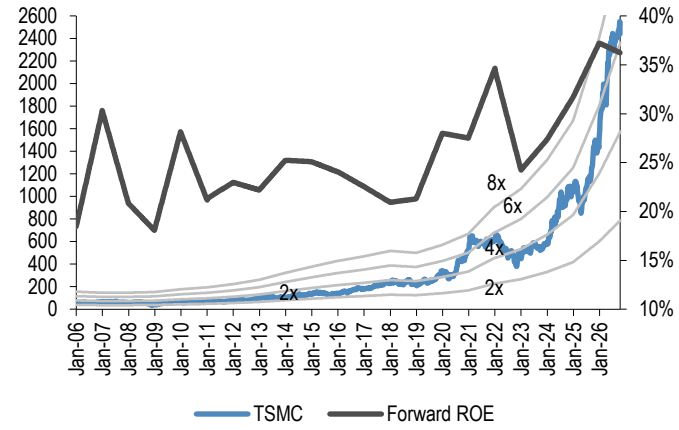
NT$, x



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 10: TSMC : 12month forward P/B and ROE

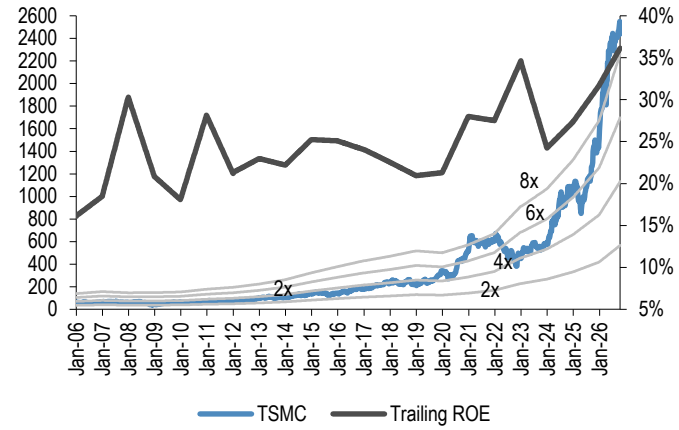
NT$, x, %



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 11: TSMC : 12month trailing P/B and ROE

NT$, x, %



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

3Q26 Earnings Call Highlights

3Q26 Earnings Call Highlights

3Q26 recap

- Revenue $46.72bn, up 16.2% QoQ, in USD terms, above the high end of our guidance, driven by strong demand from leading edge process
- GM 66.4%, down 1.3ppt QoQ, driven by initial N2 ramp dilution
- OPM 58.7%, down 1.6ppt QoQ
- EPS: NT$29.43
- ROE: 45.5%
- Shipments: 4,476kpcs, up 3.2% QoQ,
- FX: NT$31.98
- Capex: NT$443.21bn (US$13.8bn)
- Inventory days decreased by five to 82 days in 3Q due to an increase in wafer shipments

Revenue mix by process

- N2: 8% of sales
- N3: 33% of sales
- N5: 28% of sales
- N7: 10% of sales
- Adv tech 7nm below – 79% of wafer sales

Revenue mix by platform

- HPC +22% QoQ (68% of sales)
- Smartphones +10% QoQ (21% of sales)
- IoT +5% QoQ (4% of sales)
- Auto +23% QoQ (4% of sales)
- DCE -12% QoQ (1% of sales)

4Q26 outlook

- Revenue US$52.3-54.3bn, 14% QoQ or 58% YoY at midpoint, supported by continued strong demand for leading edge (N2 ramp up)
- GM 65-67%, decrease 0.4ppt at midpoint, due to dilution N2 ramp and from overseas fab, partially offset by cost improvement efforts (cross node optimization and productivity gains)
- OPM: 56.5-58.5%
- FX: NT$31.8

Near-term demand outlook

- Looking ahead, CE and price sensitive end markets are being challenged due to component price and macro uncertainty
- Demand for leading edge continues to be extremely robust, supported by our strong tech differentiation and broad customer base
- Exp FY26 rev to grow 44% growth YoY in USD terms for revenue

AI demand

- Continues to be very strong – positive L-T AI outlook, fueled by agentic AI adoption
- Observing great adoption of open-source models, driving higher efficiency and more demand for leading edge silicon
- Agentic AI CPU and accelerators driving silicon demand – Semi will remain essential in this mega trend
- All the AI players are working with TSMC

2026 capex and capacity

- Capex is correlated to high growth opportunities in the next few years
- FY26 capex expected to be US$60-64bn, given the robust multi-year demand (incl. agentic AI)
- FY26-28 capex will be significantly higher than the past three years, to support customer growth
- Collab with customers to plan our capacity, sending our teams to check DC buildout progress and power supply in the US – feedback is so far so good, CSP is well-prep
- Using a disciplined approach to capacity planning, already have a good idea of customer multi-year production plans, and we have high conviction on AI mega trend
- Stepping up our capex plan, expanding at an unprecedented level, nearly 20 fabs in progress, building 13 leading edge and AP fabs in TW, and 5-6 fabs overseas
- N2 - entered MP in 4Q25 with good yield, ramping well in Hsinchu and Kaohsiung sites, annual capacity to expand more than double in 2027 supported by SP and HPC
- A14 - Risk production is well on track in 2027 and MP in 2028

Overseas dilution

- Diluting closer to 2% in 2026
- Given more fab ramp in the US, dilution widened to 3-4% in the next few years
    - will leverage our expanded size in US AZ and improve our cost structure
    - work closely with customers and suppliers to manage the impact

N3

- Historically, we don't add additional capacity to a node once it has reached the targeted capacity

- We are executing well on three additional N3 fabs
- TW - New N3 fab in Tainan Science Park – well on track to begin in 1H27, plans to add additional N3 fab in Taiwan (MP planned in 1H28)
- AZ - completed construction for the second fab and MP will be in 3Q27 (slightly ahead)
- JP – progress well to use N3 in our second fab, MP will be in 2028
- Continue to convert N5 tools to support N3 in TW
- Optimizing productivity across all fabs in all locations to generate more wafer output, and optimize cross node collaboration (N7 N5 and N3)
- Using multiple levers to maximize our support to customers

Q&A

AI demand – AI revenue CAGR and how does TSMC reconcile the customer demand, power supply and component constraints (HBM, AP and networking laser)

- We have a sophisticated capacity plan and disciplined consideration
- We put all the possibility to take CSP capex, financing, power supply etc all into consideration – we still think demand is more than supply and are working to narrow the gap.
- AI CAGR mid to high 50% in 2024-29, any change? – demand is very robust, not seeing any slow-down, probably will be higher than high 50%

Capacity – adoption of High NA EUV?

- Continuing to improve L-T capacity, high NA is a good tool, plan to use it in 2030, capex will be much higher than today

Margins – LT profitability

- No ceiling for TSMC profitability, but dramatic increase will not happen overnight
- We also want our customers to be successful and we can gain our value

Capacity – Supply will be tighter in 2027 vs. 2026? Will we increase our wafer capacity growth by more than 10%?

- Demand is extremely robust and getting higher and higher
- We talked to customers, and we do one more check on DC buildout
- Our assessment shows demand is very high, so the gap between supply and demand is still quite big, we put our strength into increasing the capacity
- Capacity increases annually (even though the exact number is small) - advanced nodes are the main driver

Overseas buildout – status in TX capacity and engagement with SPCX and TSLA, collab model similar to JSMC or ESMC?

- Working very hard to expand capacity in the US – necessary because large customers in the US request us to increase the capacity and US gov is very helpful

- We expand our consideration to outside of AZ, we send the teams to TX to do all the evaluations and also talk with one customer (who builds Terafab), see if we can utilize extra capacity on this
- Fabs will be run by TSMC? What principle are we using? – still in discussion, fab has to be run by TSMC

Resale of the capacity – using the secondary wafer market to pass on allocation, is this a small portion of TSMC biz or a trend?

- New strat or method? – no
- We don't allow our customers to sublease and auction the capacity
- But in certain cases, they can collab through a mask licensing agreement, but this is not common practice

Competition – competitors already using high NA EUV, putting TSMC at risk?

- If we want to put the tool in production, we need to ensure that the technology is mature and the best, with reasonable cost
- 2030 – we think this tool will be mature
- We work with ASML to establish a 12" photomask by 2031 – at the time, the cost should be reasonable
- High NA is a very good tool with good advantages in high end nodes

Capacity – IDM customer expanding capex aggressively, moving to insource more than outsource, any concerns? A14 going to be bigger than N2, does A14 include server CPU from IDM?

- We treat our customers fairly, but we take into consideration their internal capacity as well
- A14 – we are seeing more activity vs. N2, exp A14 will be a bigger node than N2
- Will IDM outsource more, if no, A14 can still be bigger than N2? – No comment on a specific customer, but we take everything into consideration

Advanced packaging – customer moving to larger die size, how competitive is our solution?

- Still think that TSMC AP is very very competitive
- But we use it to help our customers to introduce their product smoothly
- We are at 5x reticle size now, our yield is excellent which customer is satisfied with
- Working on 9x and moving to 14x
- Also working on CoPoS for further cost reduction
- CoWoS still the first solution to our customers today – we are the only one that makes AP die size at 5x, we are very competitive
- If competitors cannot meet demand (EMIB-T), can we be a plan B to support? – we should be the number one priority to help customers introduce the products smoothly

Capex beyond 2026 – capital intensity trend and impact on tooling price inflation

- Too early to discuss – we have strong conviction in the AI mega trend

- The 2026-28 capex will be significantly higher than the past three years
- Tool price inflation is real (labor cost etc) – the capex is still related to the long-term demand
- Capital intensity – if we do our job right, rev should grow faster than capex, and it is still the case now

Margin - put and take in the 2027 margin, why is the dilution widening?

- We are doing everything we can to increase capacity to meet demand
- We are expanding everywhere, including the US
- Dilution from overseas will be 3-4%, and will be the same case in the second part of the five-year period

AI demand – seeing the shift in demand to more CPU and Networking than AI accelerators?

- AI demand is extremely robust whether from accelerators or CPU, but we did see the demand for agentic AI CPU continues to increase – becoming the trend today
- We consider all parameters; demand is far beyond our capacity to supply (we are working to narrow the gap)

Yield – ramping new nodes, learning curve in the yield and implication in the margins? For die size for SP and HPC, will that increase the complexity to make it more challenging to ramp?

- Situation is different from past years – we have strong demand for SP and HPC
- things, customers are very happy to work with us – learning curve yes; we've done reasonable job

Power supply – is that a gating factor and is it causing customers to decrease their forecast? That said, more adoption of super power rail solution?

- Tight power supply is one of the key things we are looking into – that is why we took one more step to look into US capacity – so far so good
- Change of the customer behavior given tight power supply or move to use back-side power? – No, use of the back-side power is dependent on the needs of the products (some SPs don't use it)

AI accelerator definition – CPU is included? When will the inclusion be provided?

- It is not included in the AI calculation – it is a narrowed AI definition
- Since we cannot identify which are in conventional or AI server

Pricing – are the price hikes applied to existing or incremental contracts?

- Our pricing strategy is very strategic, also depends on market se
  tech
- We provide the flexibility in the US – the situation will be a bit
- We will make our value recognized

Partnership with GFS – view on this partnership and how we ap



Gokul Hariharan [AC]
(852) 2800-8564
gokul.hariharan@jpmorgan.com

- Deal with GFS – strategy for our back-end
- Priority is to help customers to be successful, hope they can be fully supported by both front-end and back-end (we are a bit short in the back-end)
- Partnership with GFS – so we can support TSMC customers' products with enough support on the capacity

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

Figure 12: TSMC: Earnings model

NT$ in billions, year-end December	FY25 1Q	FY25 2Q	FY25 3Q	FY25 4Q	FY26E 1Q	FY26E 2Q	FY26E 3Q	FY26E 4QE	FY27E 1QE	FY27E 2QE	FY27E 3QE	FY27E 4QE	FY28E 1QE	FY28E 2QE	FY28E 3QE	FY28E 4QE	FY25	FY26	FY27E	FY28E
Sales (NT$ in billions)	**839.3**	**933.8**	**989.9**	**1,046.1**	**1,134.1**	**1,270.4**	**1,494.2**	**1,711.3**	**1,768.6**	**1,890.3**	**2,053.2**	**2,143.2**	**2,244.4**	**2,422.2**	**2,608.7**	**2,750.6**	**3,809.1**	**5,610.1**	**7,855.3**	**10,026.0**
Sales (US$ in millions)	**25,525**	**30,074**	**33,097**	**33,731**	**35,898**	**40,201**	**46,720**	**53,816**	**55,615**	**59,444**	**64,566**	**67,396**	**70,579**	**76,171**	**82,036**	**86,498**	**122,456**	**176,638**	**247,022**	**315,284**
COGS	-345.9	-386.4	-401.4	-394.1	-382.8	-410.1	-501.9	-573.9	-595.1	-636.8	-683.2	-709.3	-737.5	-791.1	-855.1	-894.7	-1,527.8	-1,868.7	-2,624.4	-3,278.4
Depreciation	-175.1	-188.1	-162.8	-162.1	-165.5	-198.5	-220.2	-232.6	-242.5	-264.9	-281.5	-295.5	-311.3	-337.8	-355.0	-370.6	-688.1	-816.8	-1,084.5	-1,374.8
Gross profit	**493.4**	**547.4**	**588.5**	**652.0**	**751.3**	**860.3**	**992.4**	**1,137.4**	**1,173.4**	**1,253.5**	**1,370.1**	**1,433.9**	**1,506.9**	**1,631.2**	**1,753.6**	**1,855.9**	**2,281.3**	**3,741.4**	**5,230.9**	**6,747.6**
Operating expense	-86.3	-83.9	-87.9	-87.1	-92.3	-93.7	-115.9	-146.3	-150.3	-160.7	-171.4	-181.1	-190.8	-205.9	-219.1	-233.8	-345.2	-448.3	-663.5	-849.6
SG&A	-29.8	-22.7	-24.1	-22.2	-24.6	-20.6	-27.0	-38.5	-38.9	-41.6	-43.1	-47.2	-49.4	-53.3	-54.8	-60.5	-98.8	-110.6	-170.8	-218.0
R&D	-56.5	-61.3	-63.7	-64.9	-67.8	-73.1	-89.0	-107.8	-111.4	-119.1	-128.3	-133.9	-141.4	-152.6	-164.4	-173.3	-246.4	-337.7	-492.8	-631.6
Operating (EBIT)	**407.1**	**463.4**	**500.7**	**564.9**	**659.0**	**766.6**	**876.4**	**991.1**	**1,023.1**	**1,092.8**	**1,198.6**	**1,252.8**	**1,316.1**	**1,425.3**	**1,534.5**	**1,622.1**	**1,936.1**	**3,293.1**	**4,567.4**	**5,898.0**
Net interest income (expense)	22.2	21.5	23.2	26.5	26.1	27.0	31.7	32.3	27.9	28.3	29.0	31.9	27.4	29.4	32.0	36.1	93.4	117.1	117.1	124.8
Net other income (expense)	1.6	8.1	1.5	1.0	2.7	68.9	2.9	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	12.2	75.9	5.7	5.8
Pre-tax profit	430.9	493.0	525.4	592.4	687.8	862.4	911.0	1,024.8	1,052.4	1,122.5	1,229.1	1,286.2	1,345.0	1,456.1	1,567.9	1,659.6	2,041.7	3,486.1	4,690.2	6,028.7
Tax credit (expense)	-70.2	-95.5	-73.6	-86.9	-115.0	-155.6	-147.7	-164.0	-168.4	-224.5	-196.7	-218.6	-228.6	-305.8	-266.5	-265.5	-326.3	-582.3	-808.2	-1,066.5
Net profit	**361.6**	**398.3**	**452.3**	**505.7**	**572.5**	**706.6**	**763.1**	**860.6**	**883.7**	**897.8**	**1,032.1**	**1,067.2**	**1,116.1**	**1,150.1**	**1,301.1**	**1,393.8**	**1,717.9**	**2,902.7**	**3,880.9**	**4,961.0**
Adjusted O/S (B)	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9
FD EPS (NT$)	**13.94**	**15.36**	**17.44**	**19.50**	**22.08**	**27.25**	**29.43**	**33.19**	**34.08**	**34.62**	**39.80**	**41.15**	**43.04**	**44.35**	**50.17**	**53.75**	**66.24**	**111.93**	**149.65**	**191.31**
Key assumption																				
Capacity ('000 wafers, 12" equ)	3,819	3,874	3,894	3,974	4,044	4,114	4,113	4,210	4,237	4,327	4,457	4,537	4,589	4,669	4,859	4,984	15,561	16,481	17,559	19,101
Shipment ('000 wafers, 12" equ)	3,259	3,718	4,085	3,961	4,174	4,336	4,476	4,703	4,568	4,708	4,850	4,899	4,878	5,059	5,188	5,205	15,023	17,688	19,026	20,330
Shipment utilization (%)	85	96	105	100	103	105	109	112	108	109	109	108	106	108	107	104	97	107	108	106
Wafer ASP (US$)	6,663	6,891	7,046	7,344	7,342	7,578	8,095	9,581	10,161	10,477	10,915	11,097	11,797	12,352	13,044	13,666	7,003	8,432	10,672	12,732
Margins (%)																				
Gross	58.8	58.6	59.5	62.3	66.2	67.7	66.4	66.5	66.3	66.3	66.7	66.9	67.1	67.3	67.2	67.5	59.9	66.7	66.6	67.3
Operating	48.5	49.6	50.6	54.0	58.1	60.3	58.7	57.9	57.8	57.8	58.4	58.5	58.6	58.8	58.8	59.0	50.8	58.7	58.1	58.8
EBITDA	69.4	69.8	67.0	69.5	72.7	76.0	73.4	71.5	71.6	71.8	72.1	72.2	72.5	72.8	72.4	72.4	68.9	73.3	71.9	72.5
Net	43.1	42.7	45.7	48.3	50.5	55.6	51.1	50.3	50.0	47.5	50.3	49.8	49.7	47.5	49.9	50.7	45.1	51.7	49.4	49.5
Growth (%, Q/Q)																				
Shipment	-5	14	10	-3	5	4	3	5	-3	3	3	1	0	4	3	0				
ASP	-2	3	2	4	0	3	7	18	6	3	4	2	6	5	6	5				
Sales (in NT$ terms)	-3	11	6	6	8	12	18	15	3	7	9	4	5	8	8	5				
Sales (in US$ terms)	-5	18	10	2	6	12	16	15	3	7	9	4	5	8	8	5				
Gross profit	-4	11	8	11	15	15	15	15	3	7	9	5	5	8	8	6				
EBIT	-4	14	8	13	17	16	14	13	3	7	10	5	5	8	8	6				
Net profit	-4	10	14	12	13	23	8	13	3	2	15	3	5	3	13	7				
EPS	-4	10	14	12	13	23	8	13	3	2	15	3	5	3	13	7				
Growth (%, Y/Y)																				
Shipment	8	19	22	16	28	17	10	19	9	9	8	4	7	7	7	6	16	18	8	7
ASP	22	17	18	8	10	10	15	30	38	38	35	16	16	18	20	23	16	20	27	19
Sales (in NT$ terms)	42	39	30	20	35	36	51	64	56	49	37	25	27	28	27	28	32	47	40	28
Sales (in US$ terms)	35	44	41	26	41	34	41	60	55	48	38	25	27	28	27	28	36	44	40	28
Gross profit	57	53	34	27	52	57	69	74	56	46	38	26	28	30	28	29	40	64	40	29
EBIT	63	62	39	33	62	65	75	75	55	43	37	26	29	30	28	29	46	70	39	29
Net profit	60	61	39	35	58	77	69	70	54	27	35	24	26	28	26	31	46	69	34	28
EPS	60	61	39	35	58	77	69	70	54	27	35	24	26	28	26	31	46	69	34	28

Source: Company data, J.P. Morgan estimates.

Gokul Hariharan [AC]
(852) 2800-8564
gokul.hariharan@jpmorgan.com

J.P.Morgan

Investment Thesis, Valuation and Risks

TSMC *(Overweight; Price Target: NT$3300.0)*

Investment Thesis
We are OW on TSMC, given continued strong leading edge wafer demand from AI, along with capacity expansion in N3, N2, as well as an earlier ramp of A14, at an accelerated pace into 2028. Given additional new N3 Fab builds, a steep N2 ramp and pull-in for A14 ramp, we believe that capex is likely to grow to $90-109bn in 2027-28. Increased US Fab ramp, with potential expansion in Texas and collaboration with SpaceX/Terafab should put competitive fears to rest, in our view. However, the fast ramp in new nodes (N2 in 2026-27, A14 in 2028) and US fab expansion is likely to increase cost pressures, keeping GMs range-bound in the next two years. Overall, we believe that the increased capacity ramp and more emphatic positioning on capacity ramp is likely to drive investors towards core AI enablers like TSMC.

Valuation
Our Jun-27 PT of NT$3,300 is based on ~20x 12-month forward P/E and reflects strong revenue growth from stronger AI demand and faster capacity growth. Our target multiple is higher than TSMC's five-year average historical multiple.

Risks to Rating and Price Target
Key downside risks to our rating and price target include: (1) the debate on the duration of the AI capex growth cycle and (2) any negative impact from weak PC/Smartphone demand in 2H26.

Gokul Hariharan AC
(852) 2800-8564
gokul.hariharan@jpmorgan.com

J.P.Morgan

TSMC: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E
Revenue	**2,894,308**	**3,809,054**	**5,610,072**	**7,855,291**
COGS	(1,269,954)	(1,527,760)	(1,868,654)	(2,624,389)
Gross profit	**1,624,354**	**2,281,294**	**3,741,418**	**5,230,901**
SG&A	(98,119)	(98,775)	(110,595)	(170,763)
Adj. EBITDA	**1,984,850**	**2,624,188**	**4,109,910**	**5,651,817**
D&A	(662,797)	(688,096)	(816,784)	(1,084,465)
Adj. EBIT	**1,322,053**	**1,936,092**	**3,293,126**	**4,567,353**
Net Interest	76,718	93,369	117,087	117,126
Adj. PBT	**1,405,839**	**2,041,663**	**3,486,108**	**4,690,183**
Tax	(233,407)	(326,266)	(582,320)	(808,193)
Minority Interest	836	2,486	(1,095)	(1,108)
Adj. Net Income	**1,173,268**	**1,717,883**	**2,902,693**	**3,880,883**
Reported EPS	45.24	66.24	111.93	149.65
Adj. EPS	**45.24**	**66.24**	**111.93**	**149.65**
DPS	**16.50**	**22.00**	**29.00**	**34.50**
Payout ratio	51.0%	48.6%	43.8%	30.8%
Shares outstanding	25,933	25,933	25,932	25,932

Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	2,422,020	3,068,595	4,210,871	5,171,644
Accounts receivable	272,088	282,059	468,862	587,174
Inventories	287,869	288,109	468,862	587,174
Other current assets	106,376	178,367	152,120	190,506
Current assets	**3,088,352**	**3,817,131**	**5,300,714**	**6,536,499**
PP&E	3,234,980	3,691,841	4,983,596	6,761,132
LT investments	149,040	172,370	226,037	231,741
Other non current assets	219,565	251,682	216,841	216,841
Total assets	**6,691,938**	**7,933,024**	**10,727,188**	**13,746,212**
Short term borrowings	59,858	136,926	213,198	213,198
Payables	74,227	84,330	121,904	136,224
Other short term liabilities	1,130,441	1,236,763	1,521,196	1,587,546
Current liabilities	**1,264,525**	**1,458,019**	**1,856,298**	**1,936,968**
Long-term debt	958,429	896,062	770,315	770,315
Other long term liabilities	145,408	118,147	258,020	210,159
Total liabilities	**2,368,362**	**2,472,229**	**2,884,633**	**2,917,442**
Shareholders' equity	4,288,545	5,419,596	7,797,229	10,783,444
Minority interests	35,031	41,199	45,326	45,326
Total liabilities & equity	**6,691,938**	**7,933,024**	**10,727,188**	**13,746,212**
BVPS	**165.4**	**209.0**	**300.7**	**415.8**
y/y Growth	*24.0%*	*26.4%*	*43.9%*	*38.3%*
Net debt/(cash)	(1,403,733)	(2,035,607)	(3,227,358)	(4,188,131)
Cash flow from operating activities	**1,975,661**	**2,437,716**	**3,701,271**	**4,772,114**
o/w Depreciation & amortization	662,797	688,096	816,784	1,084,465
o/w Changes in working capital	(90,016)	(108)	(329,981)	(222,305)
Cash flow from investing activities	**(928,044)**	**(1,200,404)**	**(2,127,365)**	**(2,867,704)**
o/w Capital expenditure	(958,198)	(1,272,219)	(2,032,662)	(2,862,000)
as % of sales	*33.1%*	*33.4%*	*36.2%*	*36.4%*
Cash flow from financing activities	**(313,242)**	**(590,737)**	**(431,630)**	**(943,637)**
o/w Dividends paid	(428,731)	(573,004)	(750,945)	(893,560)
o/w Net debt issued/(repaid)	90,711	14,701	(49,475)	0
Net change in cash	**734,375**	**646,575**	**1,142,276**	**960,773**
Adj. Free cash flow to firm	**1,142,360**	**1,292,759**	**1,592,732**	**1,910,114**
y/y Growth	*164.7%*	*13.2%*	*23.2%*	*19.9%*

Income Statement - Quarterly	1Q26A	2Q26A	3Q26A	4Q26E
Revenue	**1,134,103**	**1,270,380**	**1,494,243**	**1,711,345**
COGS	(382,808)	(410,070)	(501,864)	(573,913)
Gross profit	**751,295**	**860,311**	**992,379**	**1,137,432**
SG&A	(24,573)	(20,562)	(26,955)	(38,505)
Adj. EBITDA	**824,417**	**965,141**	**1,096,649**	**1,223,703**
D&A	(165,450)	(198,538)	(220,204)	(232,591)
Adj. EBIT	**658,966**	**766,603**	**876,445**	**991,112**
Net Interest	26,145	26,960	31,660	32,322
Adj. PBT	**687,800**	**862,430**	**911,039**	**1,024,839**
Tax	(114,998)	(155,649)	(147,698)	(163,974)
Minority Interest	(322)	(219)	(277)	(277)
Adj. Net Income	**572,480**	**706,562**	**763,064**	**860,588**
Reported EPS	22.08	27.25	29.43	33.19
Adj. EPS	**22.08**	**27.25**	**29.43**	**33.19**
Shares outstanding	25,933	25,932	25,932	25,932

Ratio Analysis	FY24A	FY25A	FY26E	FY27E
Gross margin	56.1%	59.9%	66.7%	66.6%
EBITDA margin	68.6%	68.9%	73.3%	71.9%
EBIT margin	45.7%	50.8%	58.7%	58.1%
Net profit margin	40.5%	45.1%	51.7%	49.4%
ROE	30.3%	35.4%	43.9%	41.8%
ROA	19.2%	23.5%	31.1%	31.7%
ROCE	22.7%	27.7%	36.0%	36.8%
SG&A/Sales	3.4%	2.6%	2.0%	2.2%
Net debt/equity	NM	NM	NM	NM
P/E (x)	53.9	36.8	21.8	16.3
P/BV (x)	14.8	11.7	8.1	5.9
EV/EBITDA (x)	31.2	23.4	14.6	10.5
Dividend Yield	0.7%	0.9%	1.2%	1.4%
Sales/Assets (x)	47.4%	52.1%	60.1%	64.2%
Interest cover (x)	NM	NM	NM	NM
Operating leverage	128.3%	147.0%	148.2%	96.7%
Revenue y/y Growth	33.9%	31.6%	47.3%	40.0%
EBITDA y/y Growth	36.5%	32.2%	56.6%	37.5%
Tax rate	16.6%	16.0%	16.7%	17.2%
Adj. Net Income y/y Growth	39.9%	46.4%	69.0%	33.7%
EPS y/y Growth	39.9%	46.4%	69.0%	33.7%
DPS y/y Growth	26.9%	33.3%	31.8%	19.0%

Source: Company reports and J.P. Morgan estimates.
Note: NT$ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which