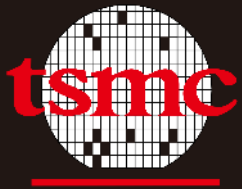




Phoenix Partners



NYSE: TSM

LONG Rating

IRR: 18.1% Upside: 36.6%

(5 year investment)

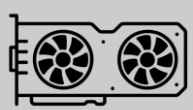
LTS Challenge 2025



tsmc At a glance

I. A fundamental business for the modern economy

Semiconductor value chain



Chip design by
fabless companies



Manufacturing by
foundries

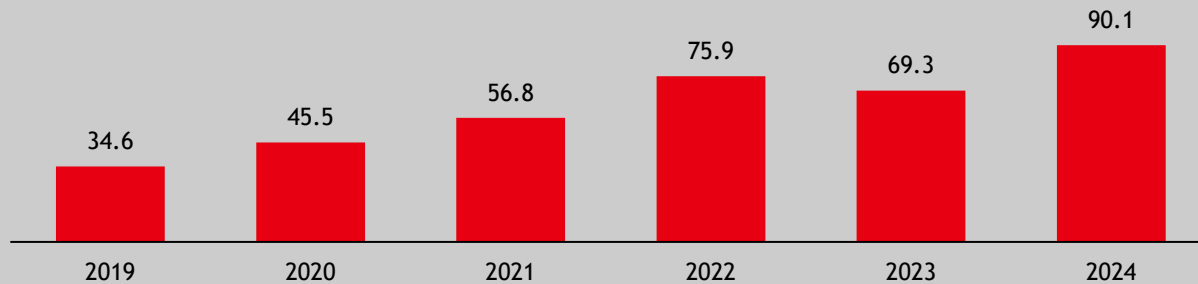


End markets
applications

II. Strong growth track-record

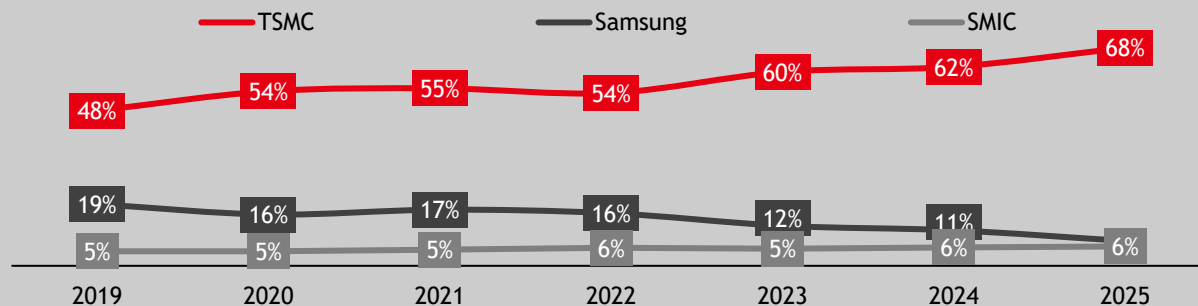
TSMC's revenue (USD bn)

CAGR: 20.1%
(2019-2024)



III. And absolute dominance in the industry

Semiconductor manufacturing market share (%)



Investment Pillars

1

Leading pure-play foundry

Being the leading pure-play gives it a **39 p.p superior operating margin**, while maintaining a **41.6% Return on Invested Capital**.

2

Customers base

TSMC's most important customers have been with the company for **between 11 and 21 years**, meaning faster ramp-ups and higher margins for projects, translating into **23 p.p. superior IRRs**.

3

Foundation of AI

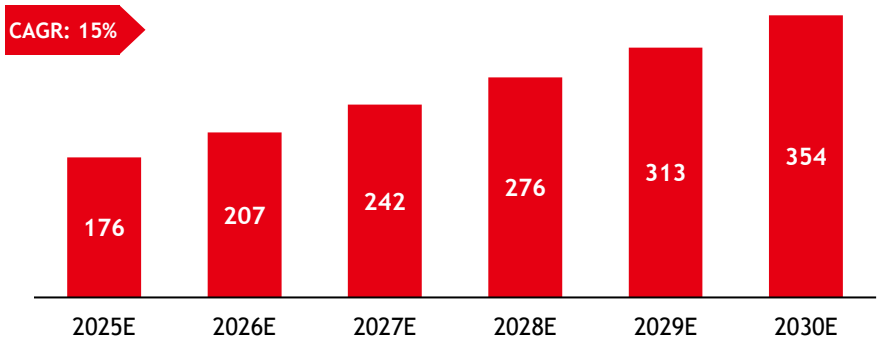
Positioned to be the monopolist in AI/HPC nodes, the main catalyst for fueling a **17.1% revenue CAGR in the next 10 years**.

I. Foundries are powering global technology

TSMC is in a highly promising, yet cyclical industry, that relies on high investments and fixed costs

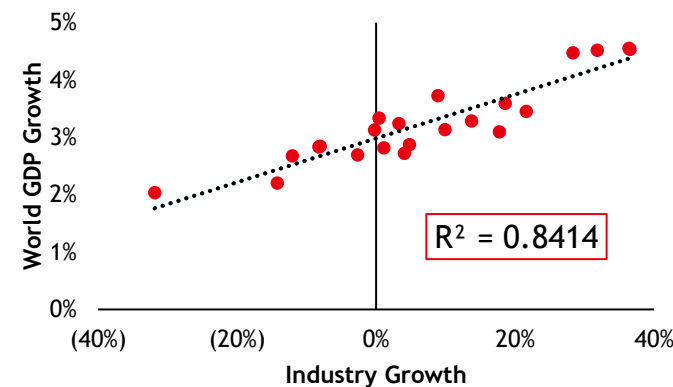
1. A promising industry ready to grow

Foundries Market Size (USD billions)



2. A historically cyclical business, but it will require continuous investments in the future

Correlation between World GDP Growth and Industry Growth (%)



Before:



Demand driven by consumer electronics cycles

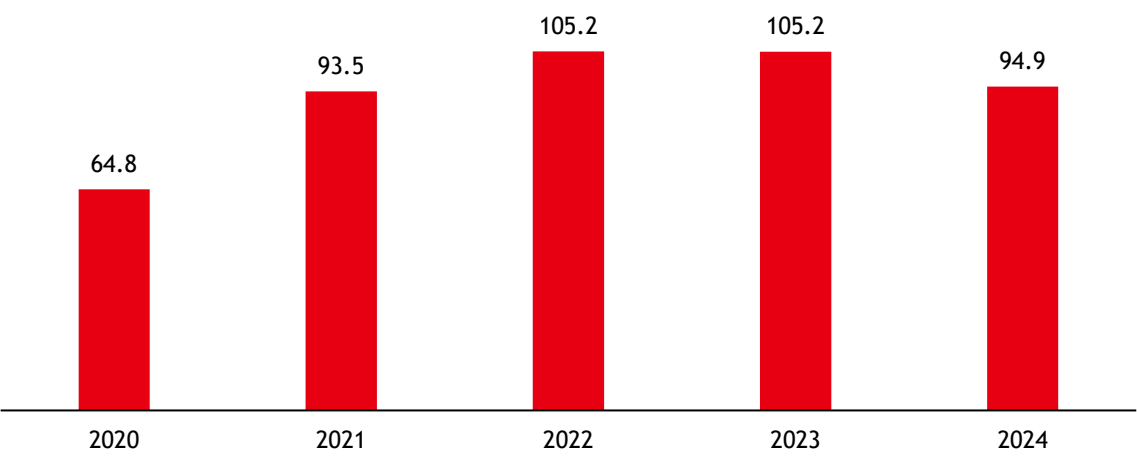
Now:



Demand driven by AI platforms, which require continuous scaling

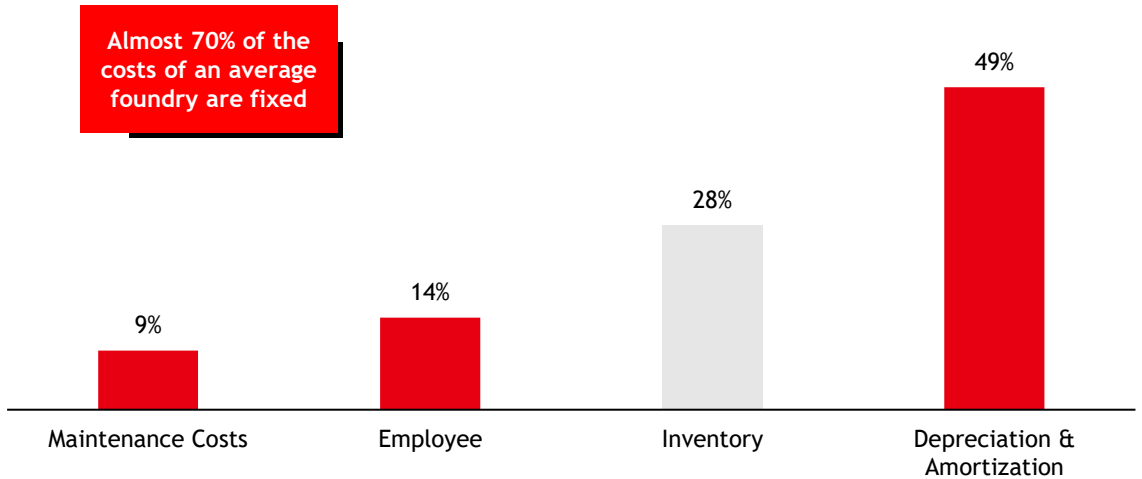
3. Also, relying on huge infrastructure investments

Total CapEx of Foundries (USD billions)



4. As a result, most of the costs are fixed

Cost distribution of an average foundry (%)

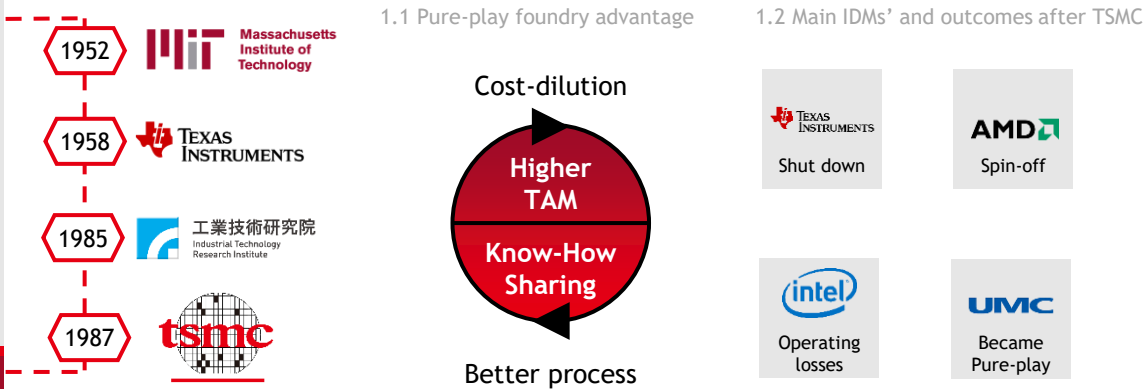
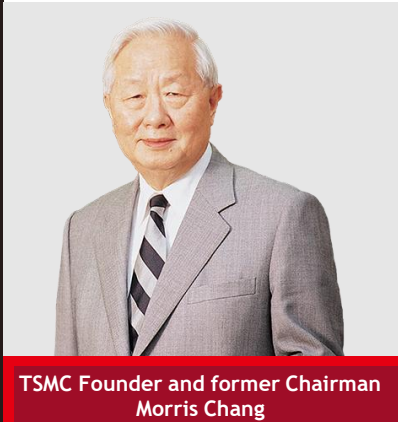


Sources: Companies filings, WorldBank, Fortune Business Insight

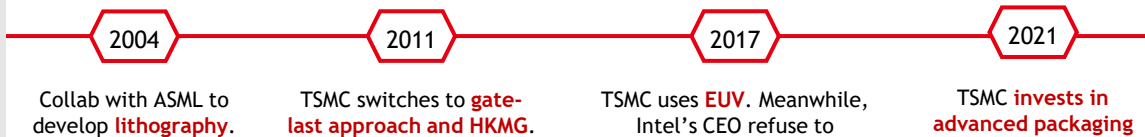
I. TSMC creates the pure-play foundry

TSMC started as a pure-play, a winner business model that best spreads fixed costs and shares technology

1. Morris' vision of a pure-play model proved correct, while IDMs struggled



3. Even without Morris Chang, the company is set to make the right strategic decisions



2. Backed by a strong culture from the beginning

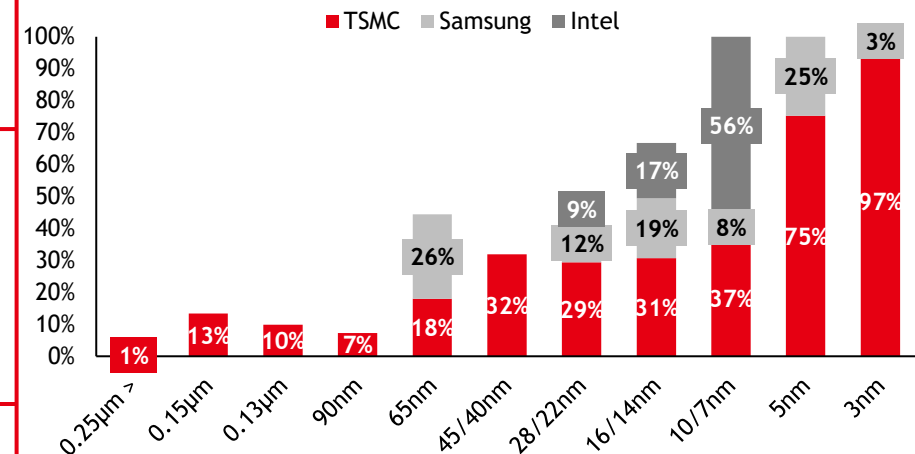
Conversation with David Su, director of TSMC for 18 years



“Culture is different; people in Taiwan study, work and are obedient. **They go beyond what is asked** and are much more prepared to do what you want. In the end, **TSMC's advantage lies in a combination of culture, methodology, discipline and commitment to horizontality.**”

4. Decisions and culture made the company the leader

Market Share by node (% of capacity)

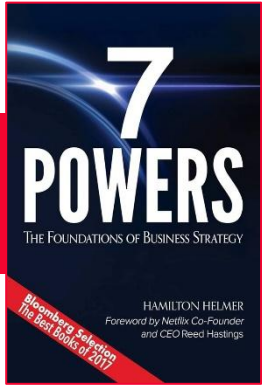


Sources: Company filings, Acquired

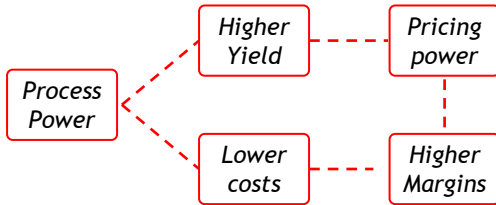
I. The winning business model

High fixed costs and differences in yield generate economies of scale and process power

1. TSMC's experience developed a process power able to produce higher margins

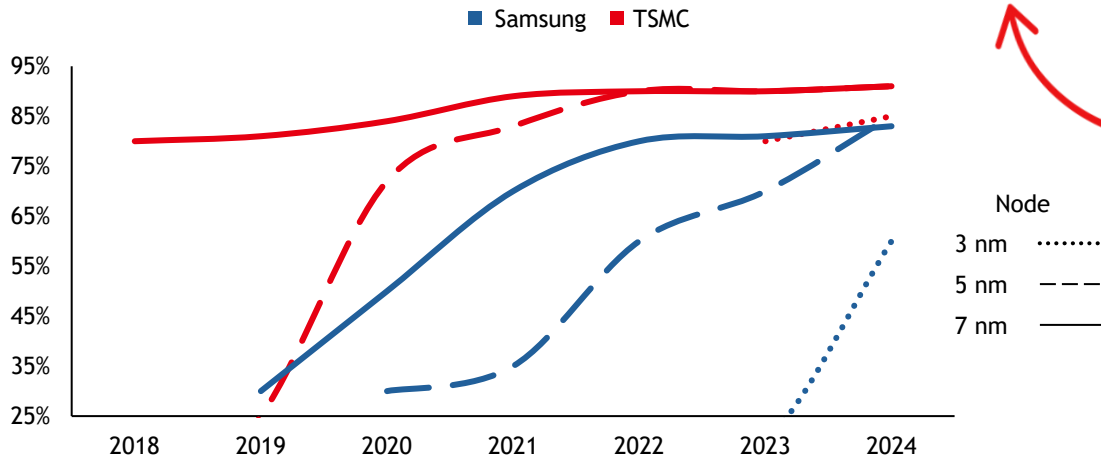


“ The **Process Power** can only be achieved over a long time period of **sustained evolutionary advance** [...] A company with its power is able to **improve product and lower costs** as a result of process improvements. ”



2. The better process can be seen in the yield curve

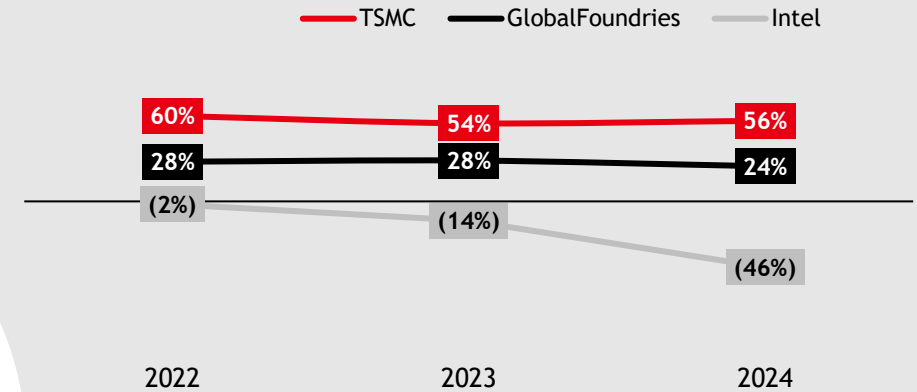
Companies yield curve by node (%)



Sources: Companies filings, 7 Powers, Team Elaboration

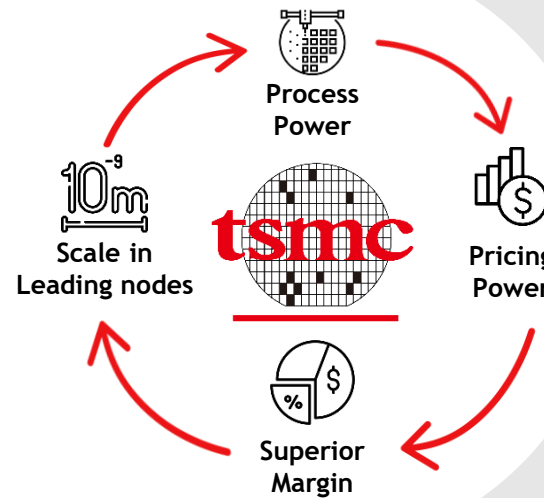
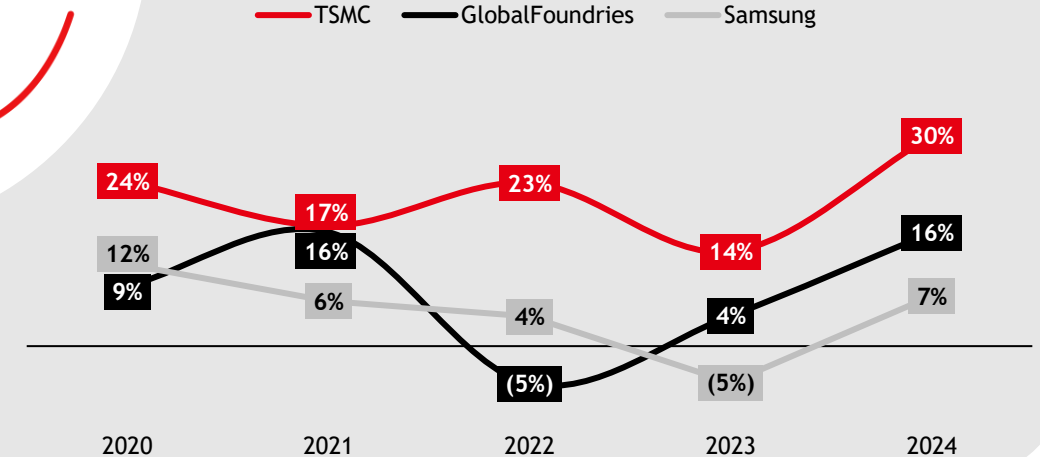
3. Better yields allows it to charge a premium and achieve higher margins

Foundries' Gross Margin (%)



4. With higher margins, the company can sustain its CapEx

FCF (CFO - CapEx) Margin (%)

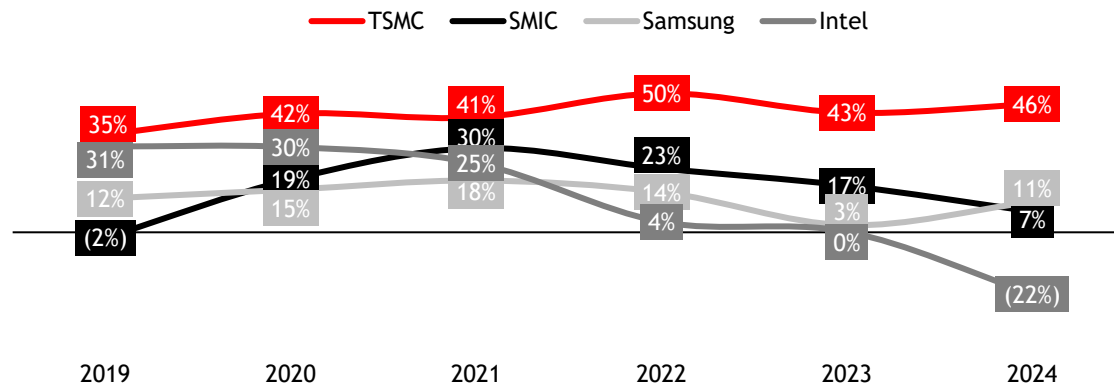


I. The financials beyond this business model

Sharp growth, high margins and excellent returns define the company's business model

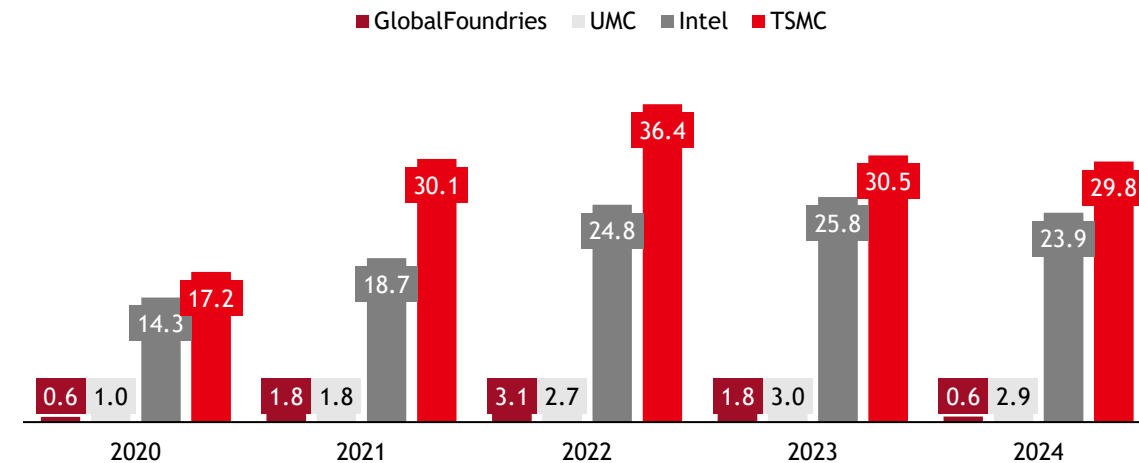
1. The flywheel allows the company to operate better than competitors

Companies' operating margins (%)



3. High margins enable the company to reinvest with high returns

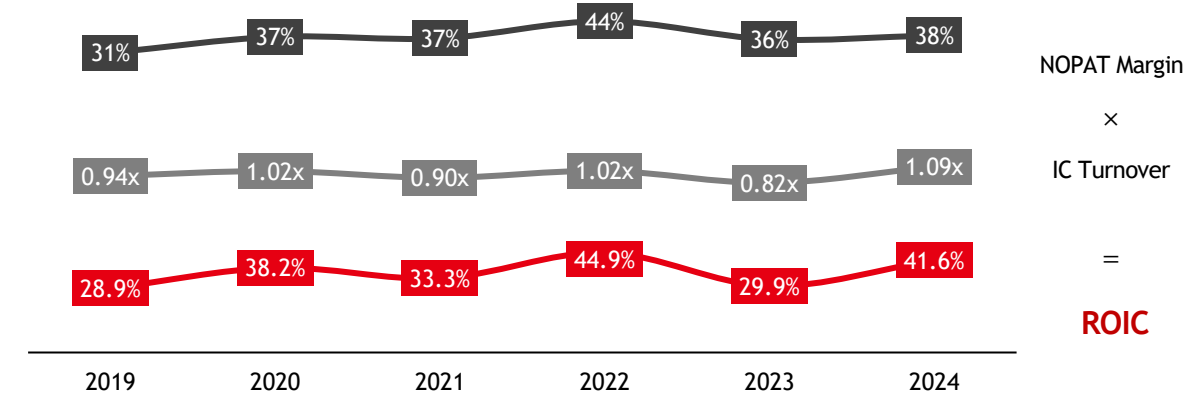
Companies' CapEx levels (USD bn)



Sources: Companies filings

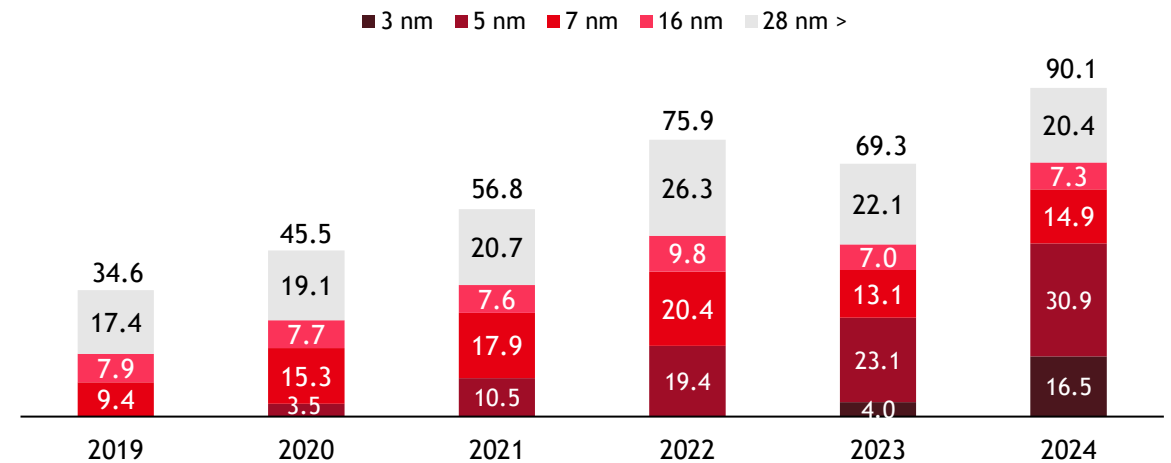
2. And, with a better use of the assets, the company can also deliver high returns

TSMC's Dupont ROIC breakdown (%)



4. Fueling the company's high growth in the last years, driven by new nodes

TSMC's net revenues by nodes (USD bn)

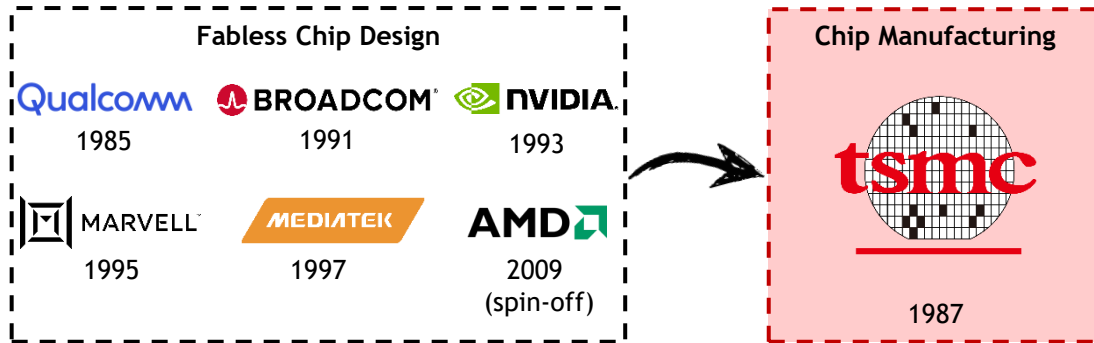


II. Strong relationships with clients are another major advantage

By creating an ecosystem with their clients, and not competing with them, TSMC creates a strong bond

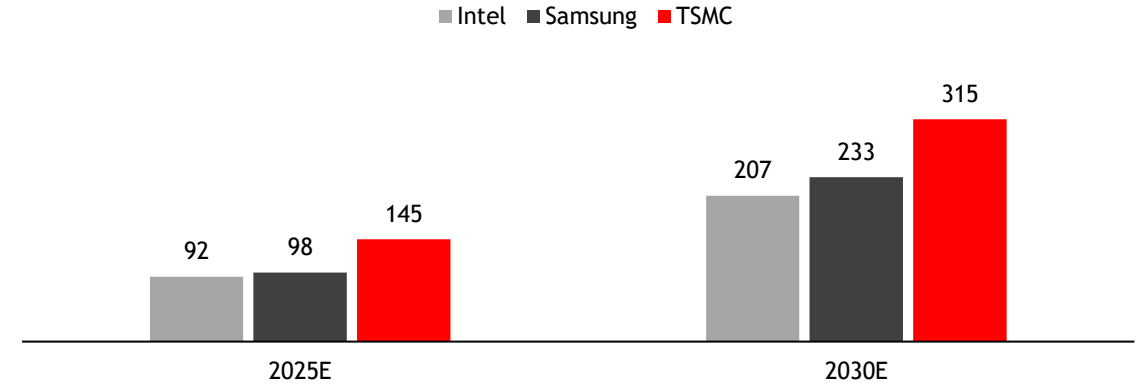
1. The birth of the business model created the fabless ecosystem

Companies born in TSMC's ecosystem and date of foundation



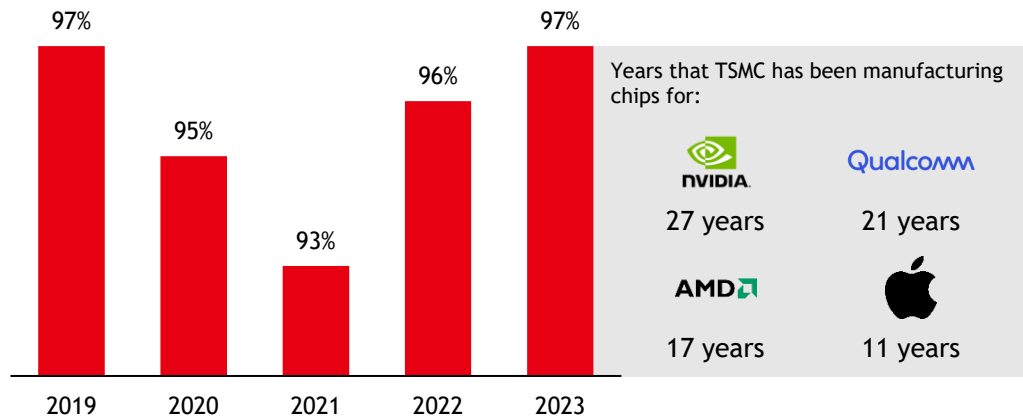
2. By not competing with clients, TSMC has a broader market to achieve

Serviceable addressable market (USD bn)



3. High customer satisfaction rates, alongside with decades of partnership, make customers stick to TSMC, even if competitors match their quality and pricing

TSMC's Annual Customer Trust Rate (%)

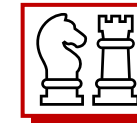


Sources: Companies filings

Why we believe customers will stick to TSMC



Historical peers' failures in specific nodes introduce a **delivery risk** for the new products across the supply chain.



Concerns about empowering a competitor with intellectual property and operational scalability.



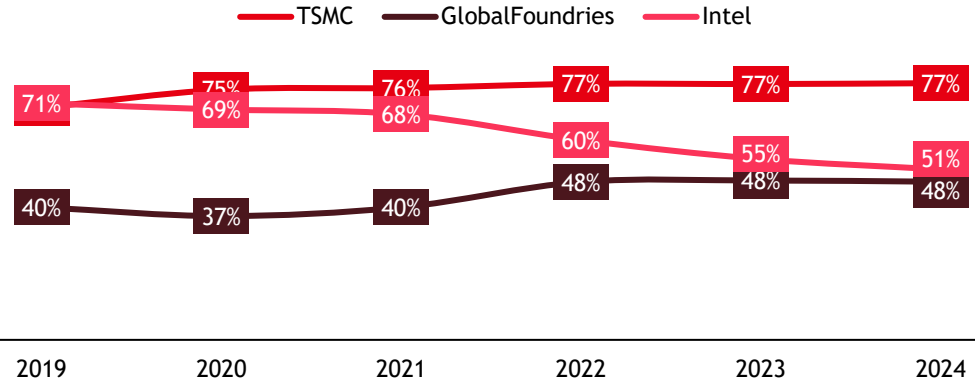
The sole company adopting a **client-centric decision-making model**, especially in pricing, where it **deliberately underutilizes its full pricing power**.

II. In addition, TSMC has attracted customers due to client-focus

The company prioritized reinforcing its flywheel over exercising pricing power, increasing its ecosystem

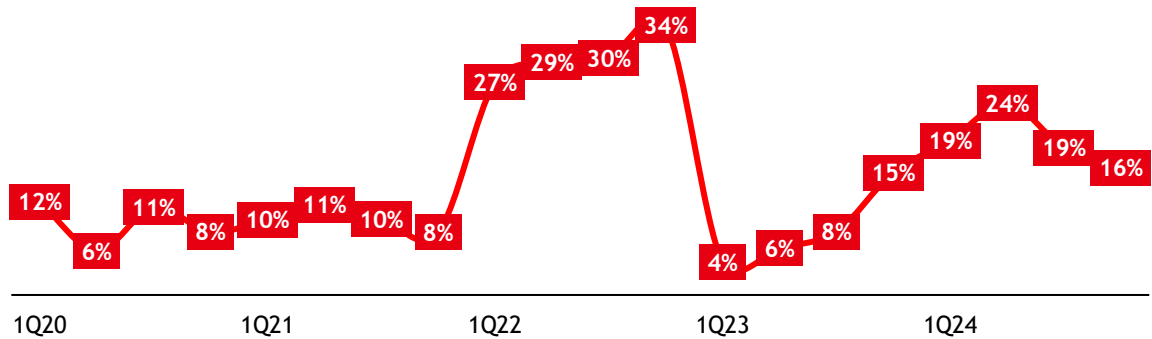
1. Flat cash margins shows limited pricing power utilization...

Cash Gross Margin (%)



2. ...even though when needed, TSMC has raised its prices to maintain margins

TSMC's wafer average selling price YoY growth (%)



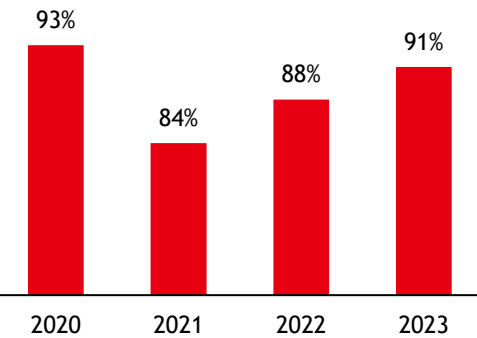
3. Creating switching costs and consumer surplus valued by key clients

TSMC's annual customer satisfaction rate (%)



“ [...] TSMC's wafer price is indeed too low, and that TSMC's contribution to the world and the tech industry is under-presented by its financial results [...] ”

At Computex in Taipei, on 5th June 2024.



4. In the end TSMC is the place to go when facing difficulties with suppliers

Customers that switched to TSMC after facing problems with their former suppliers

Case study: companies switching to TSMC

	When?	From?	Why?
AMD	2011	GlobalFoundries	Struggles with technical and yield demands
Apple	2014	Samsung	Intellectual property concerns

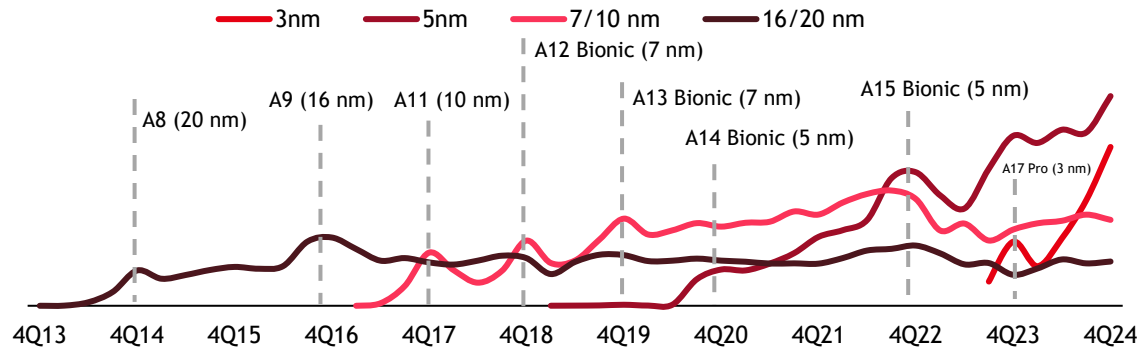
Sources: Company filings, Team elaboration

II. Apple was the main enabler of leading-edge, powering TSMC

The power of TSMC's partnership with Apple allowed the company to ramp-up its leading-edge fabs with scale

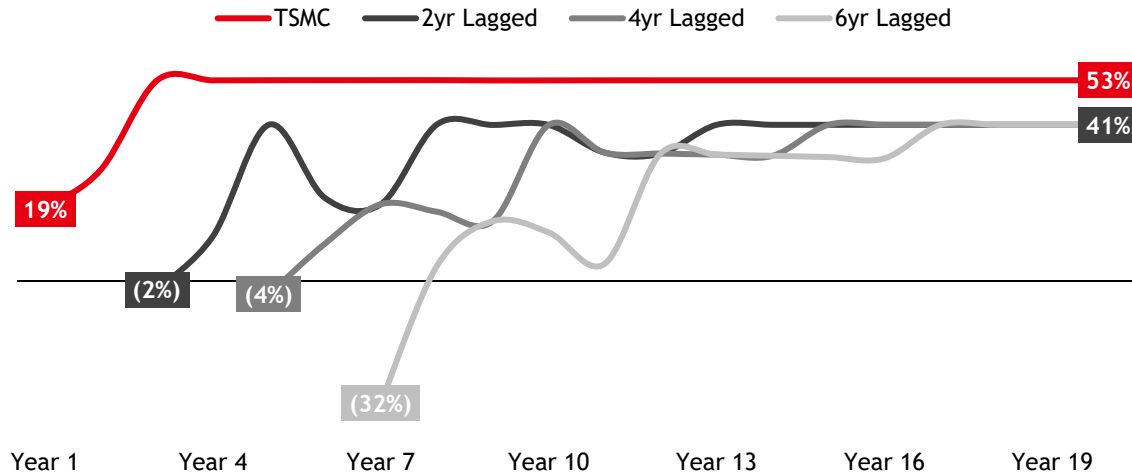
1. Apple's commitment has ensured demand for each new node

Revenue per node and Apple's chip (USD bn)



3. Once the fabs are fully depreciated, TSMC can reduce its price

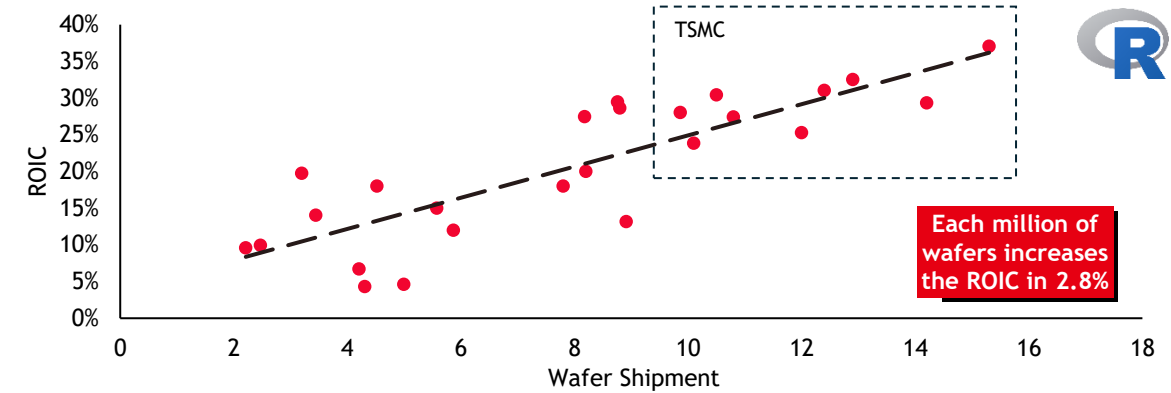
Foundries' theoretical gross margins based on TSMC's pricing (%)



Sources: Companies filings, Team elaboration

2. That demand is essential for the company to achieve a superior return

Correlation between Wafer Shipments and ROIC (# millions, %)



4. This playbook decreases competitors' margin and increases TSMC's IRR

Foundry's project IRR sensitivity analysis (%)

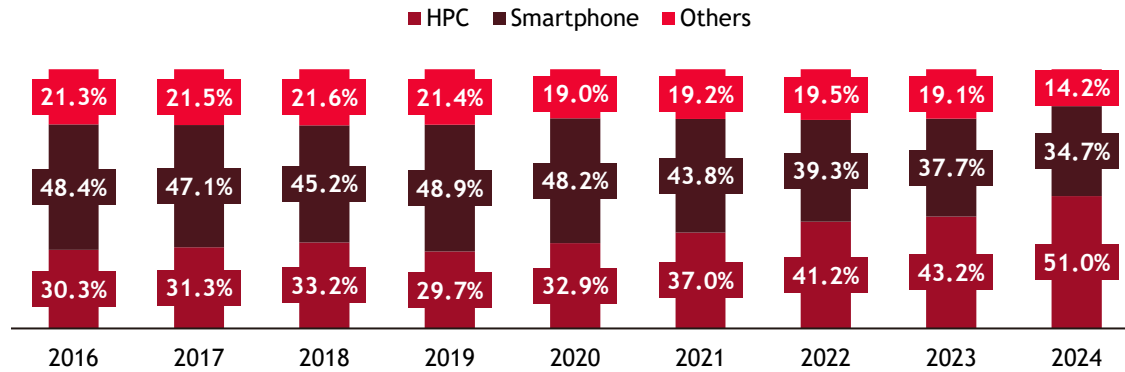
		Ramp-up time in years					
		1	2	3	4	5	
Cash Flow Margin	IRR	25.1%	21.9%	19.5%	17.6%	16.1%	TSMC can ramp-up its fabs within 2-3 years with a cash margin of 60-70%, which translates into an average IRR of ~45% for their foundry projects. By contrast, their average peer takes 3 years to ramp-up fabs, with a cash margin of 35%, resulting in an IRR for their foundry projects of ~22%, 23 p.p. below TSMC's.
	30%	35.2%	30.0%	26.3%	23.5%	21.2%	
	40%	45.3%	37.8%	32.7%	28.9%	26.0%	
	50%	55.3%	45.3%	38.8%	34.1%	30.5%	
	60%	65.2%	52.6%	44.6%	39.0%	34.7%	

III. Future outlook: AI-driven demand in a slowing Moore's Law landscape

There is a clear driver for the industry ahead, but capturing it is not trivial, as important challenges are to come

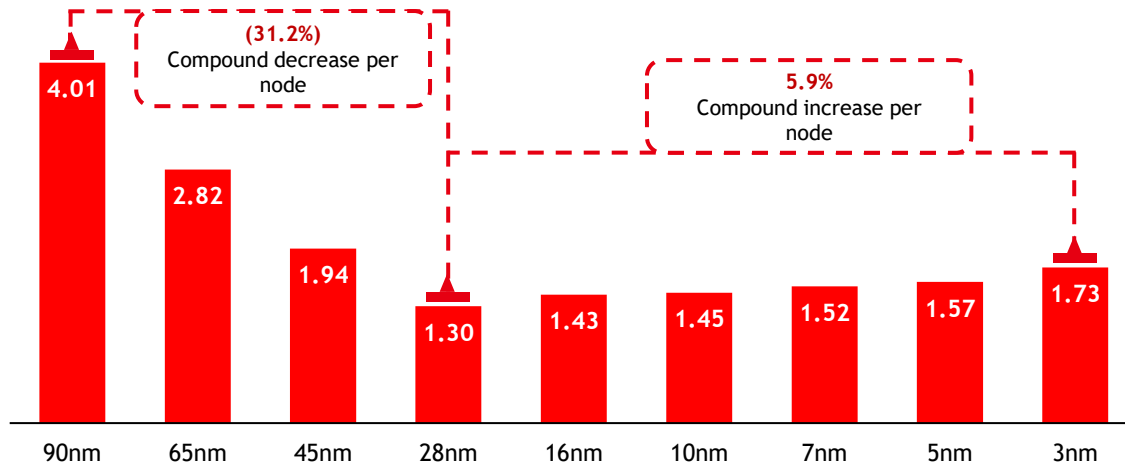
1. Recently, HPC/AI has been the main driver of revenue growth

TSMC's share of revenue by end market (%)



3. Besides slowing down, Moore's Law is also becoming ever more expensive...

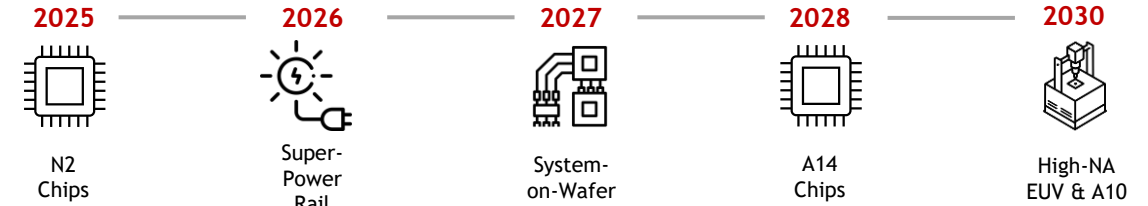
Cost per 100 million gates (USD)



Source: Companies filings

2. So TSMC already has a clear roadmap to supply this ever-growing demand

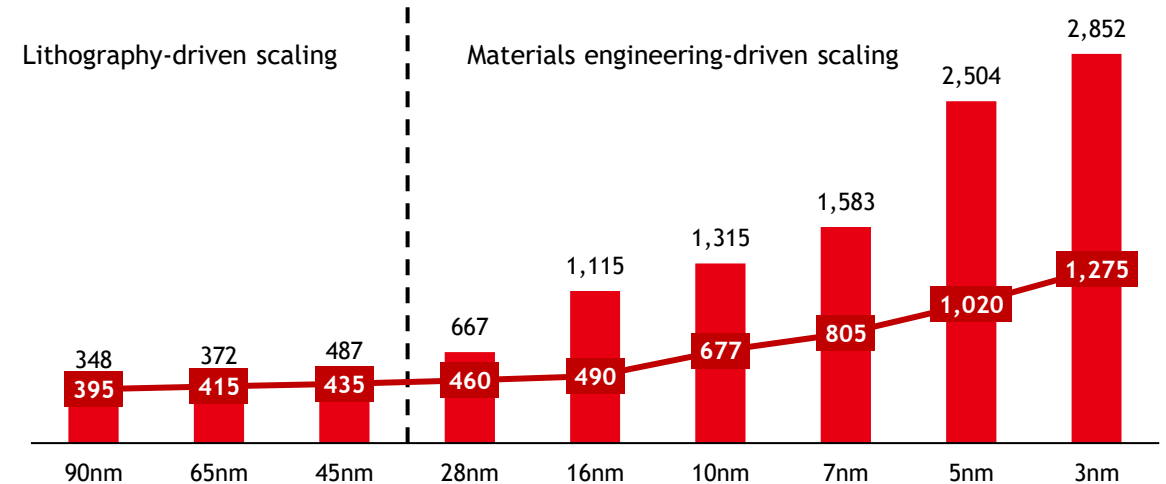
TSMC's advanced technology roadmap



15% Expected average PPA increase per node vs. 40% predicted by Moore's Law

4. ...as increased complexity is demanding higher levels of CapEx

Number of steps required for manufacturing a single wafer & CapEx per 10 kwpm capacity (line, # & USD mn, bar)

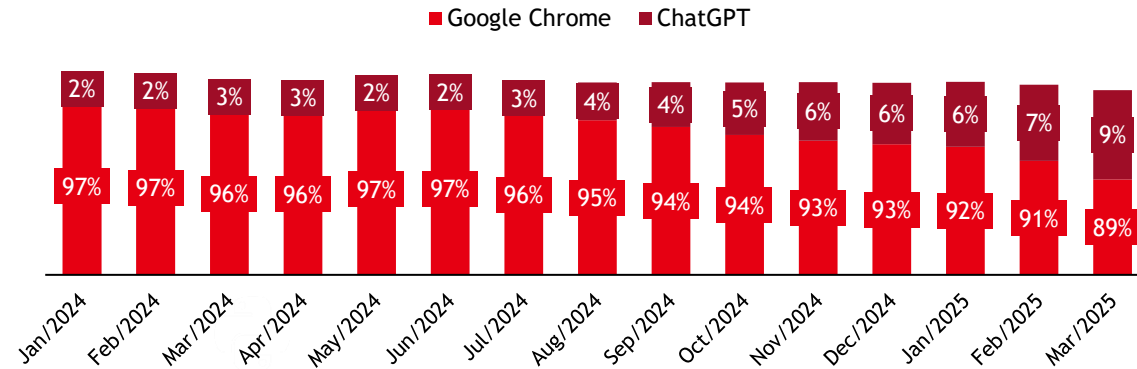


III. TSMC is prime-positioned to thrive in the next years

As AI becomes the new powerhouse of global economy, everyone will turn to TSMC

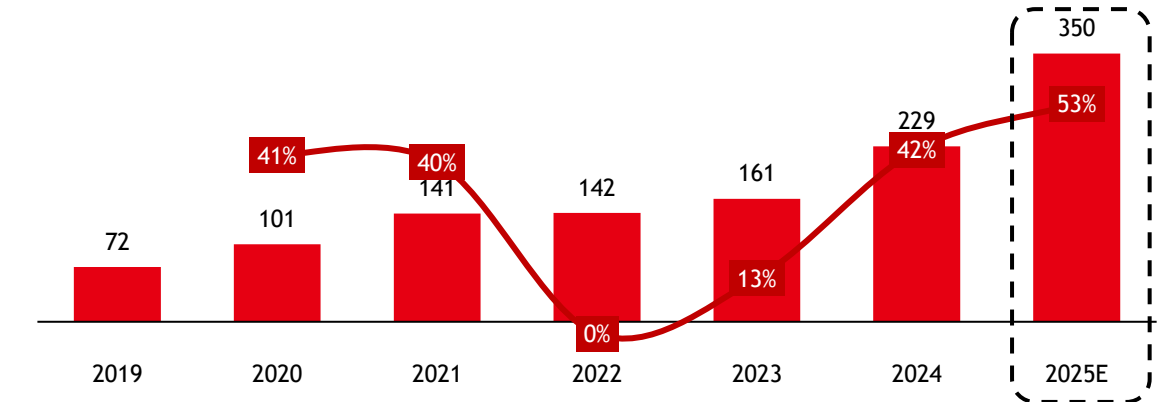
1. AI has changed the competitive landscape for tech companies

Search Usage Market Share (%)



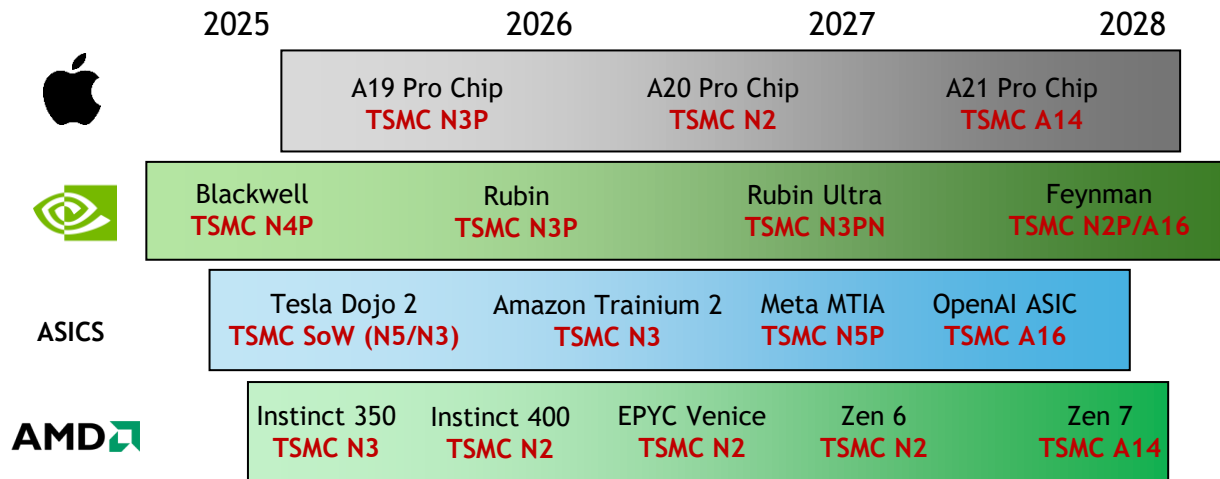
2. Driving increasing capital expenditures in AI-infrastructure

Big techs' CapEx and YoY growth (bar, USD bn & line, %)



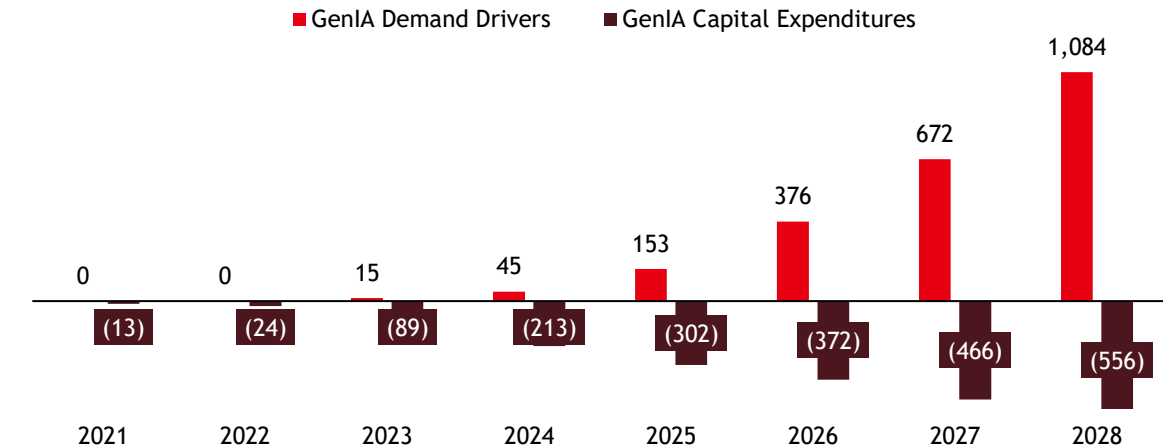
3. TSMC's main clients have already defined roadmaps for the near future

Apple's, Nvidia's & ASICs new products roadmaps



4. As we see AI investments yielding significant results for companies

Big Techs' Capex and Revenue (USD bn)



Sources: Companies filings, Team Elaboration, Morgan Stanley, Sensorweb, SimilarWeb

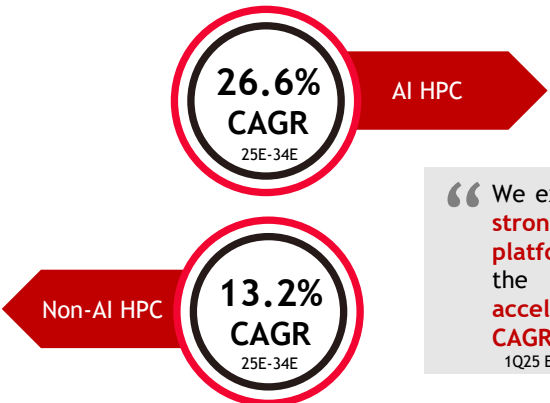
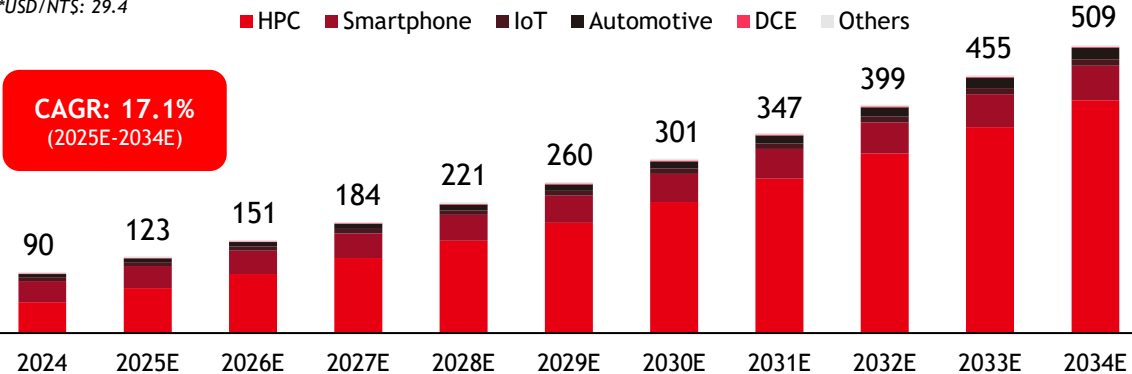
From Narrative to Numbers: Key Valuation Drivers

The main projections in our financial model, sustaining our investment rating

1. Revenue breakdown indicates HPC as the main driver for the company's growth, beyond management's most recent guidance

Projection of revenue breakdown (USD billions)*

*USD/NT\$: 29.4



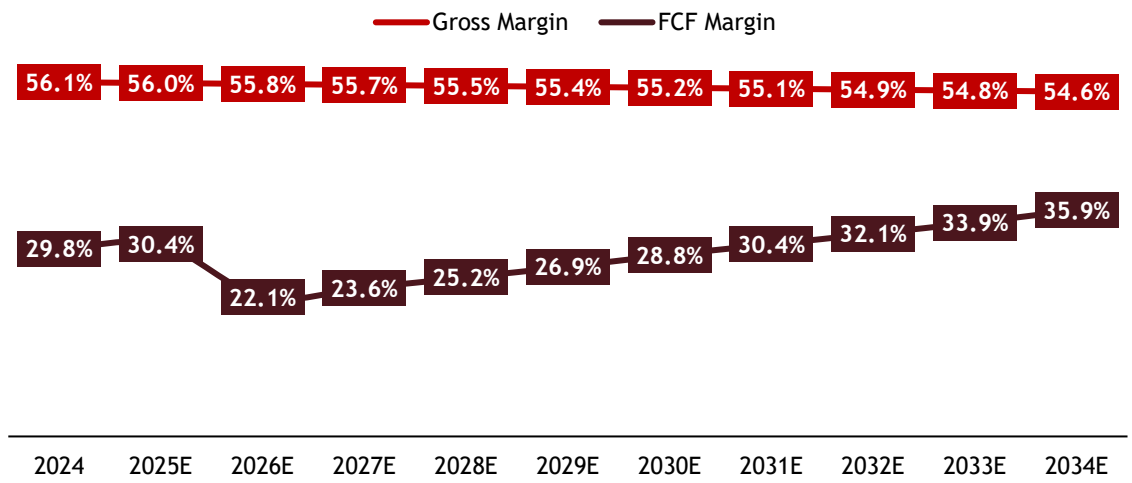
“ We expect AI accelerator to be the strongest driver of our HPC platform growth (...). We forecast the revenue growth from AI accelerators to approach a mid-40% CAGR for the 5-year period. ”
1Q25 Earnings Call



C.C. Wei
President & CEO

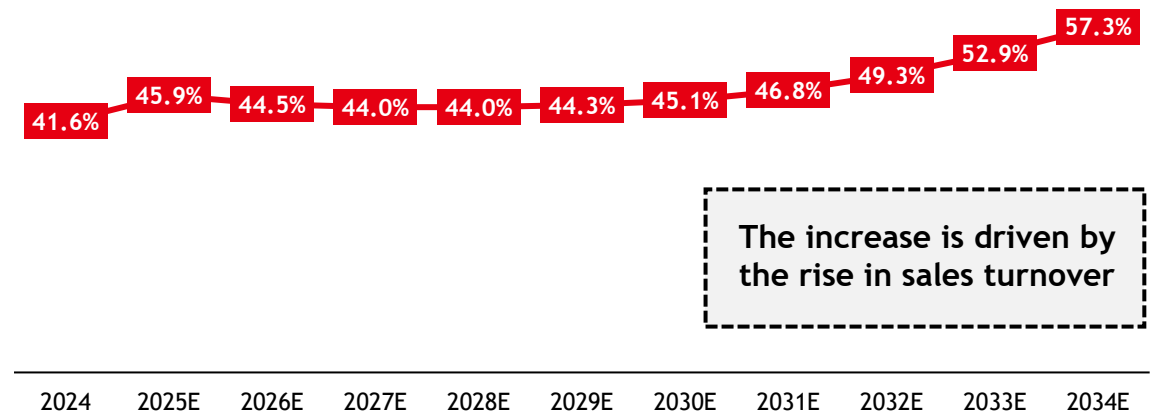
2. Increasing margins due to superior pricing and efficiency in the future

Gross margin and FCF margin projections (%)



3. We see improvement in the company's ROIC, with capex converging to D&A

ROIC projection (%)



The increase is driven by the rise in sales turnover

Source: Team elaboration

13

Multiples and IRR breakdown

We see TSMC proving to be a strong investment, yielding a 18.1% IRR using an exit multiple of 17.2x.

1. The numbers behind our IRR

IRR breakdown (USD billions)

	25'	26'	27'	28'	29'	30'
Transaction	(900)	0	0	0	0	1,971
Dividends	21	28	37	48	60	74
Tax rate	21%	21%	21%	21%	21%	21%
Cash Flow	(884)	22	29	38	47	2,029

18.1%
IRR

Entry P/E multiple
18.4x
Exit P/E multiple
17.2x

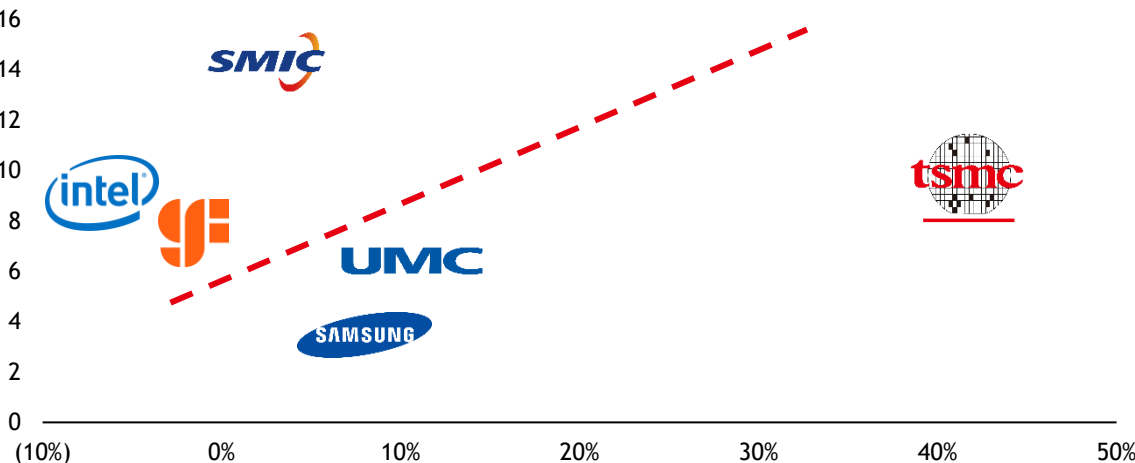
2. With consistent IRR across various scenarios, reinforcing our long thesis

Exit multiple and revenue CAGR sensitivity analysis for IRR (x,%)

		Exit multiple						
		14.2x	15.2x	16.2x	17.2x	18.2x	19.2x	20.2x
Net Income CAGR	16.3%	11.7%	12.9%	14.1%	15.3%	16.3%	17.3%	18.3%
	17.3%	12.6%	13.9%	15.0%	16.2%	17.3%	18.3%	19.3%
	18.3%	13.6%	14.8%	16.0%	17.2%	18.3%	19.3%	20.3%
	19.3%	14.4%	15.7%	16.9%	18.1%	19.2%	20.2%	21.3%
	20.3%	15.4%	16.7%	18.0%	19.2%	20.3%	21.3%	22.4%
	21.3%	16.4%	17.7%	18.9%	20.2%	21.3%	22.4%	23.4%
	22.3%	17.4%	18.7%	19.9%	21.2%	22.3%	23.4%	24.4%

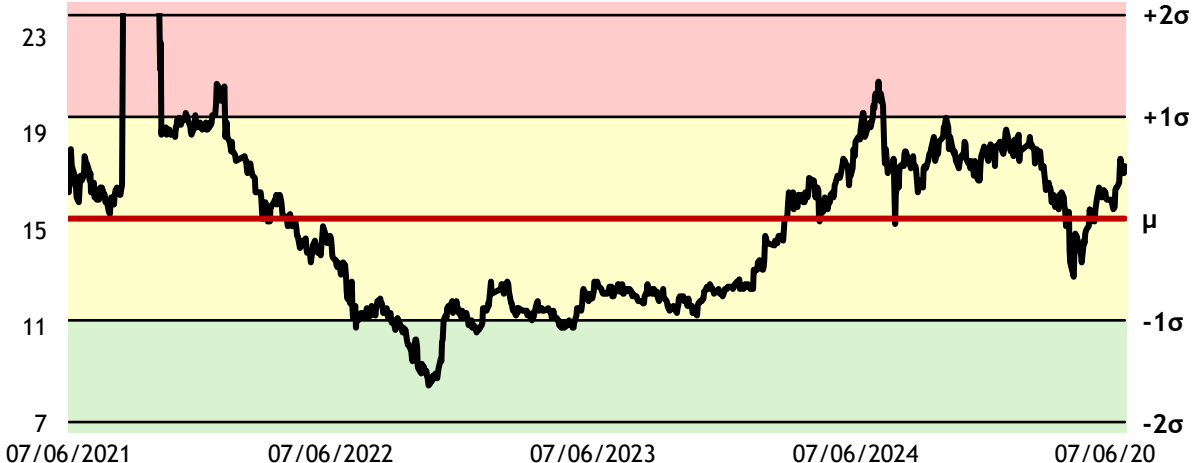
3. TSMC stands out when adjusting price for profitability...

EV/EBIT 1yr forward vs. ROIC (x,%)



4. ...with multiples near the 4-year average, suggesting a safe entry point

TSMC's historic consensus 1y P/E fwd (x)

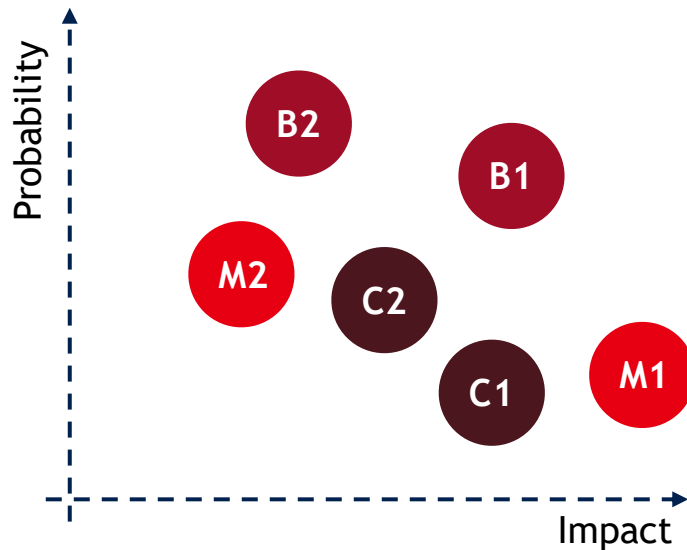


Sources: Team elaboration, Bloomberg analytics

Key risks and sensitivities

We raised main concerns and tested different scenarios to support our valuation

1. Risk matrix



We observe that the company has very sustainable competitive advantages and low operational risks. However, it faces **significant geopolitical risk** due to tensions regarding China.

Competitive risks

- C1** - Increase in competitiveness in the new nodes
- C2** - Huawei taking Apple's market share in China

Business risks

- B1** - Demand for artificial intelligence below expectations
- B2** - Cyclical demand of chip demand

Macroeconomics risks

- M1** - Invasion of Taiwan by China
- M2** - Deterioration of the global economy

2. Even when stress-testing our investment under different scenarios, we still see an attractive risk-return opportunity

25E-30E	Bear	Base	Bull
Revenue CAGR	13.0%	20.4%	25.0%
Gross margin	49.5%	55.6%	60.3%
Capex to sales	40.4%	35.7%	34.4%
Exit P/E multiple	11.3x	17.2x	19.7x
IRR	(2.5%)	18.1%	30.4%

Source: Team elaboration

Yes! We would be shareholders of tsmc

Current Price: U\$ 215.6

36.6% Upside

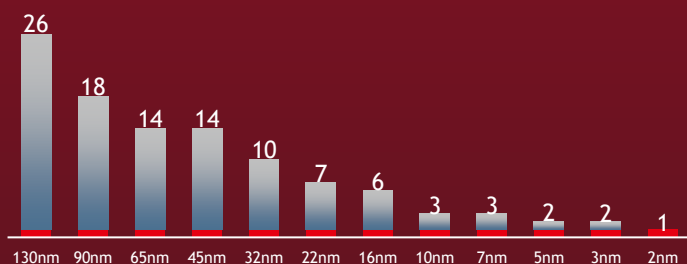
18.1% 5yr IRR

Target Price: U\$ 294.3

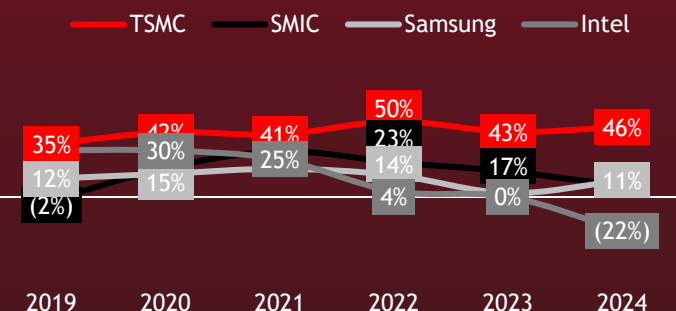
I. Pure-play foundry

Leadership in wafer manufacturing, due to its superior business model, grants the company with higher margins and returns.

Number of players with leading edge capacity in each node (#)



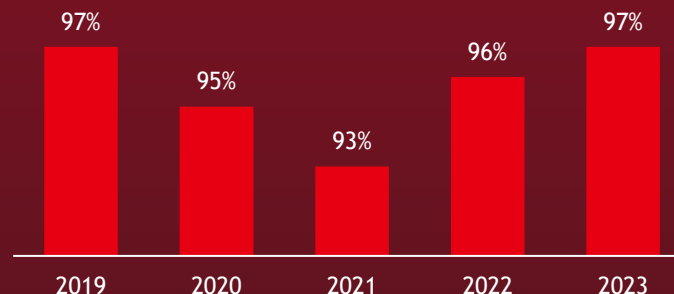
Operating margin (%)



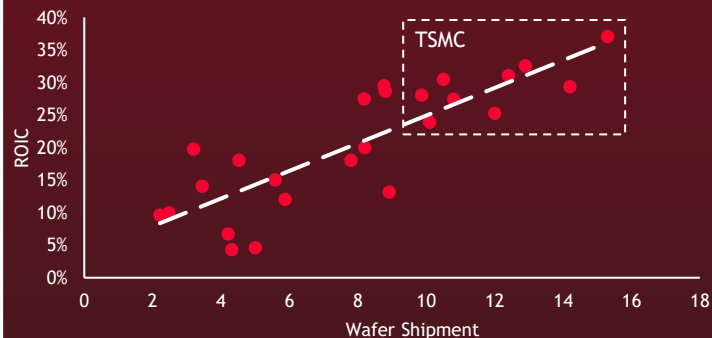
II. Client relationship

Superior relationship with clients attracts new customers, reinforcing TSMC's leadership and granting them even more scale

TSMC's annual customer trust rate (%)



Correlation between Wafer Shipments and ROIC (# millions, %)



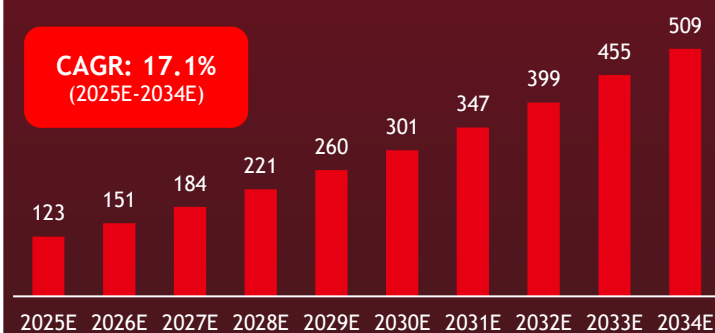
III. Foundation of AI

With superior financials and guaranteed customers, TSMC is prime-positioned to benefit from the AI trend, fueling sharp growth for the next decade

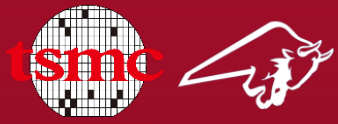
Big techs' CapEx and YoY growth (bar, USD bn & line, %)



TSMC's net revenues (USD bn)



CAGR: 17.1%
(2025E-2034E)



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Model

48. Balance Sheet

50. Cash Flow Statement

52. Payout

53. DCF

54. Revenue Build-Up

59. SG&A

Multiples Justifying our P/E

Source: Team Elaboration

Implied P/E calculation

Free Cash Flow to Equity	2030	2031	2032	2033	2034	Perpetuity
(=) EBIT	3,867	4,440	5,077	5,763	6,409	
(-) Tax Rate	15.5%	15.5%	15.5%	15.5%	15.5%	
(=) Nopat	3,267	3,752	4,289	4,869	5,414	
(+) D&A	2,097	2,421	2,782	3,176	3,550	
(-) Capex	(2,752)	(2,987)	(3,216)	(3,423)	(3,549)	
(-) Chg WC	(0,185)	(0,212)	(0,237)	(0,259)	(0,248)	
(=) FCFF	(2,428)	(2,973)	(3,617)	(4,362)	(5,166)	
(+/-) Debt Variation	0,308	0,321	0,328	0,330	0,322	
(-) Financial Result ex lease interest * (1-t)	(0,048)	(0,054)	(0,061)	(0,068)	(0,074)	
(=) FCFE	2,688	3,240	3,885	4,624	5,415	76,423

Cash Periods

Periods	1	2	3	4	5
NPV	2,434	2,658	2,887	3,112	49,889

g
3.1%

Ke
10.4%

Equity Value	60,981
Net Income 30'	3,384
Implied P/E	18.0

Our double-stage growth model

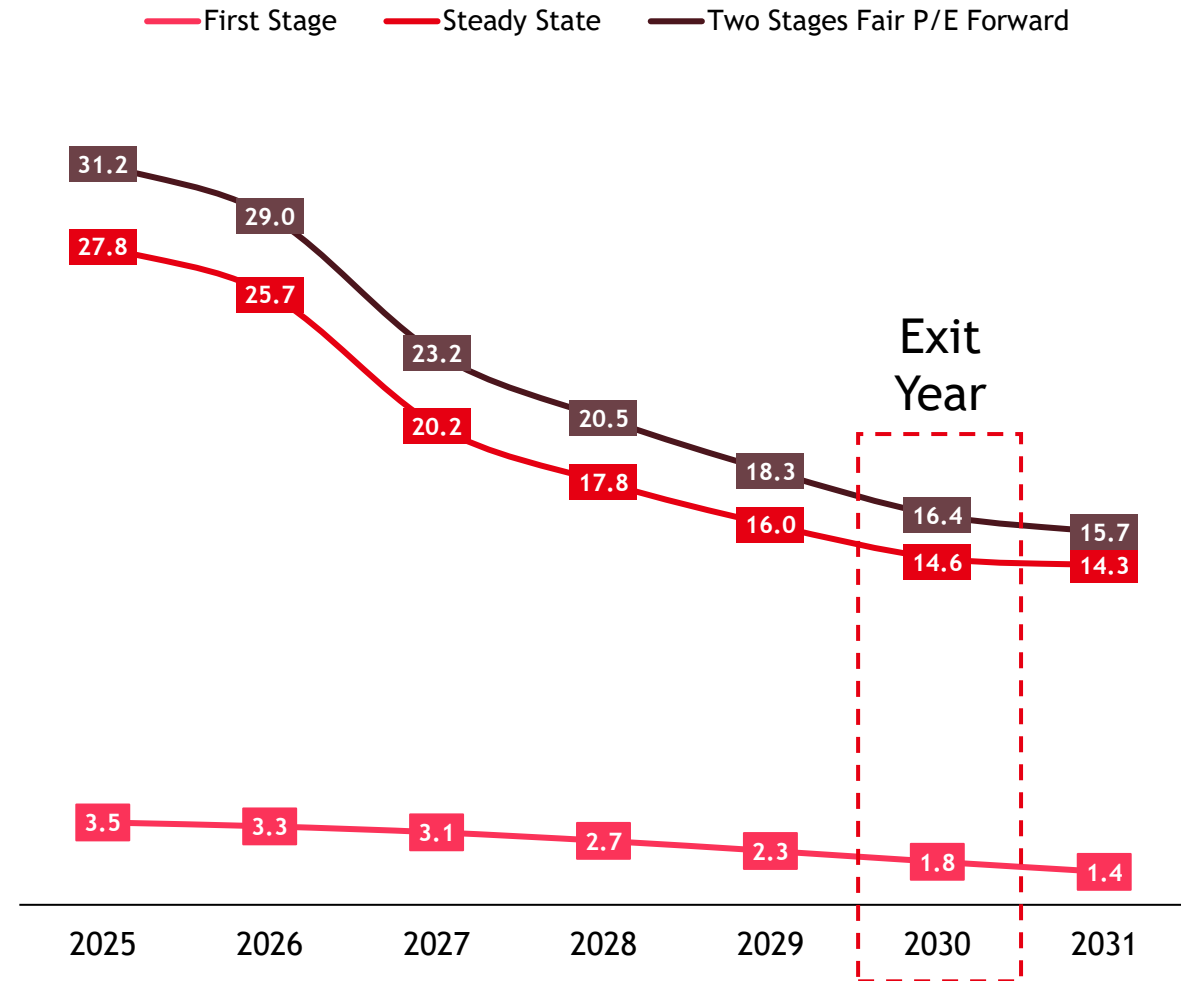
Source: Team elaboration

P/E double stage formula:

$$\frac{P}{E} = \overbrace{\frac{ROE - g}{ROE \times (Ke - g)} \times \left(1 - \frac{(1 + g)^n}{(1 + Ke)^n}\right)}^{\text{First Stage}} + \overbrace{\frac{ROE_{LT} - g_{LT}}{ROE_{LT} \times (Ke_{LT} - g_{LT})} \times \frac{(1 + g)^n}{(1 + Ke)^n}}^{\text{Steady State}}$$

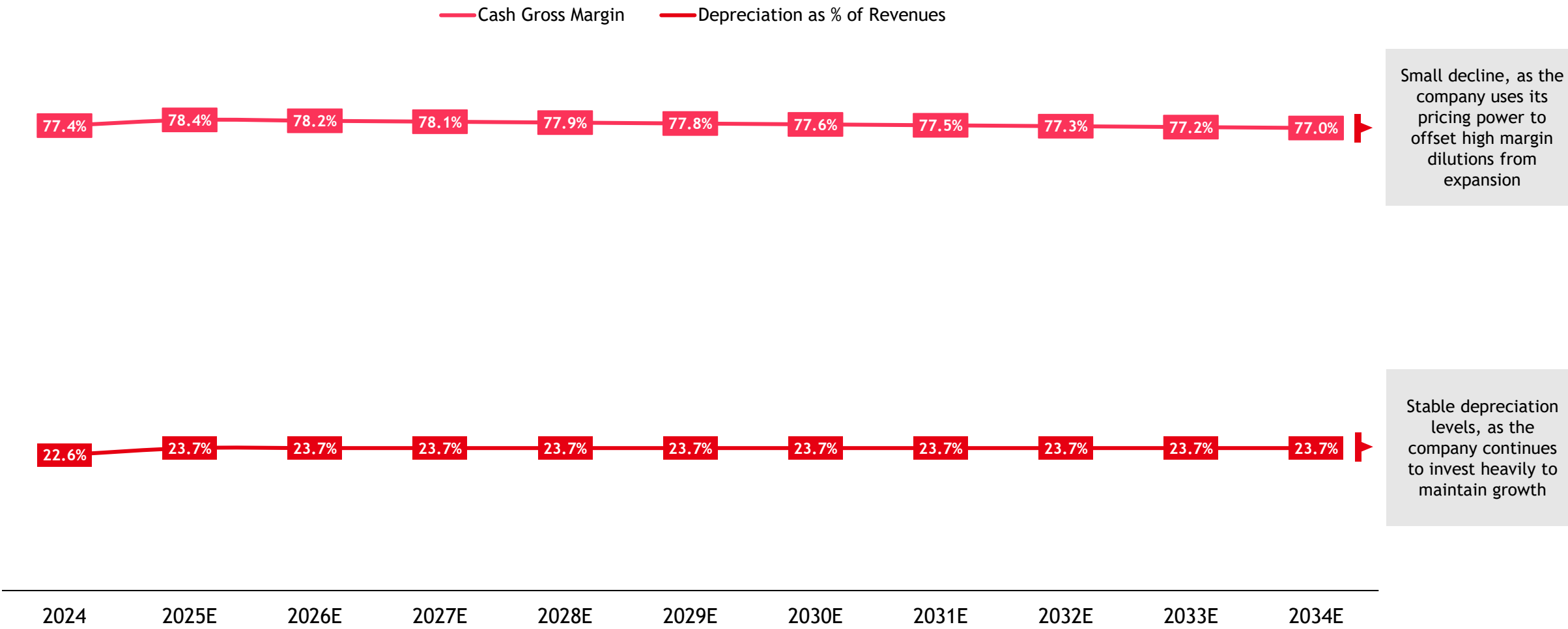
First Stage	2025	2026	2027	2028	2029	2030
ROE_t	31%	31%	32%	33%	33%	34%
g_t	22%	21%	20%	20%	19%	19%
P/E First Stage	3.5x	3.3x	3.1x	2.7x	2.3x	1.8x
P/E Steady State						
ROE_{LT}	16%	16%	16%	16%	16%	16%
g_{LT}	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
P/E Double Stage	31.2x	29.0x	23.2x	20.5x	18.3x	16.4x

P/E derived:



Source: Team elaboration, Damodaran

How did we get to our gross margin?

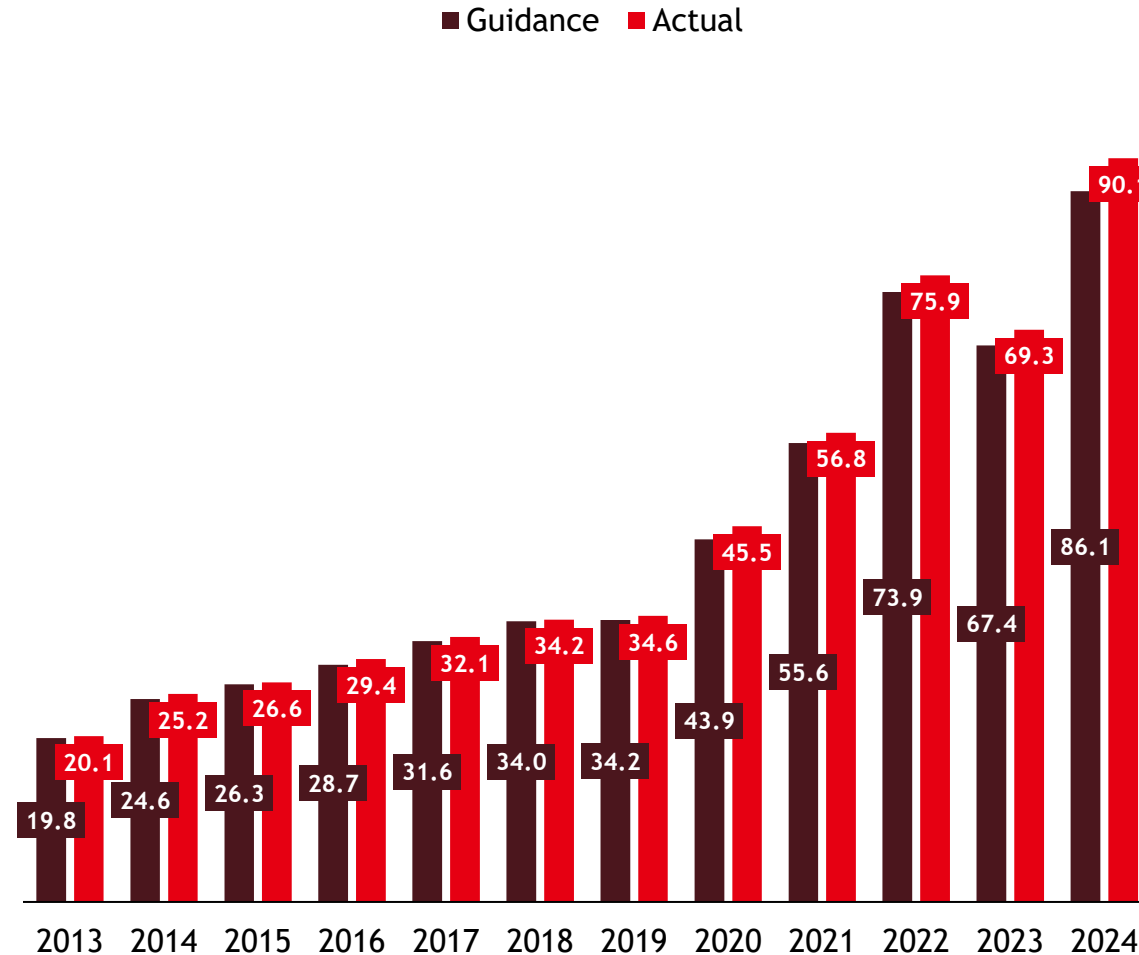


How TSMC has performed relative to its own guidance

TSMC has consistently beaten guidance for past 12 years

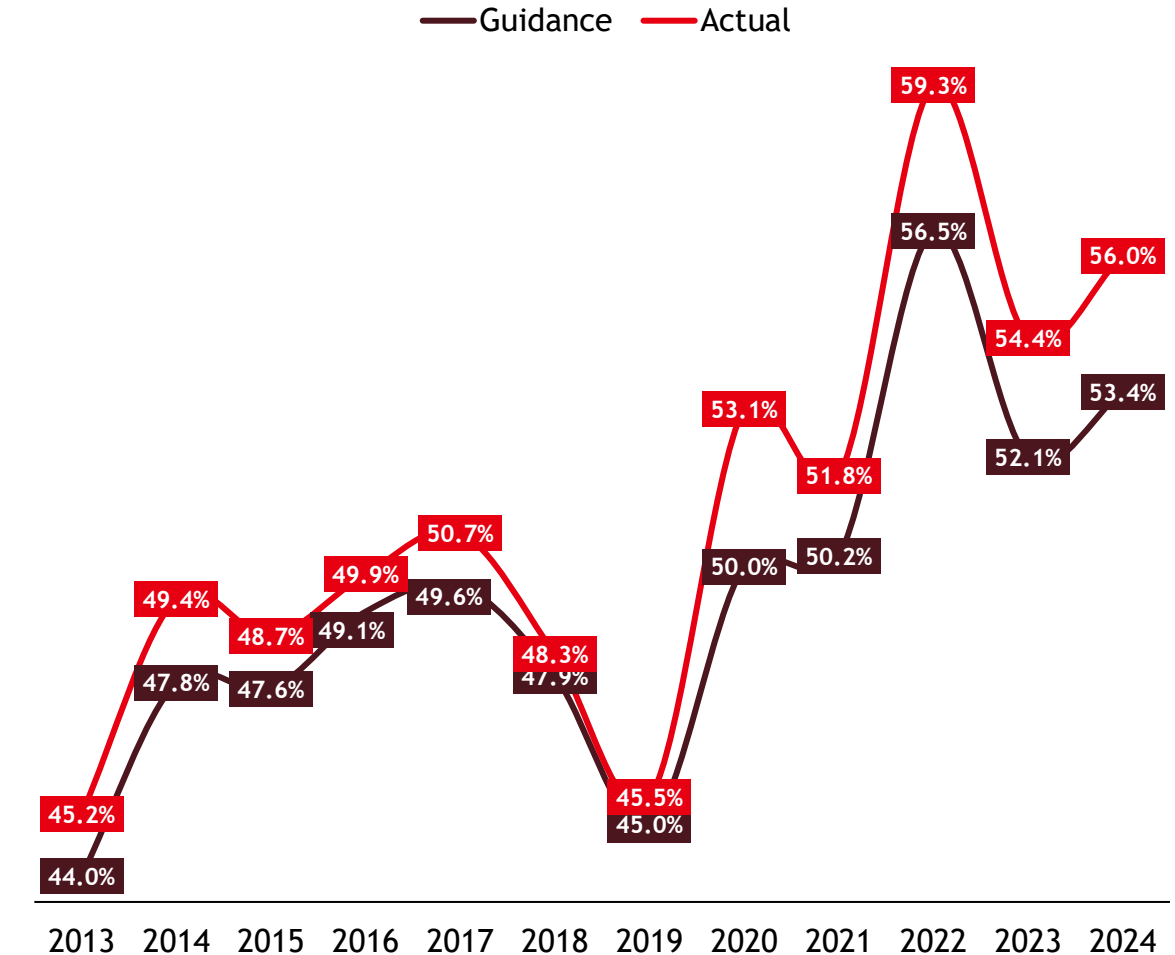
1. TSMC has never missed a revenue guidance

TSMC's Actual Revenue X 1 Year Before Guidance



2. TSMC has never missed a gross margin guidance

TSMC's Actual Gross Margin X 1 Year Before Guidance

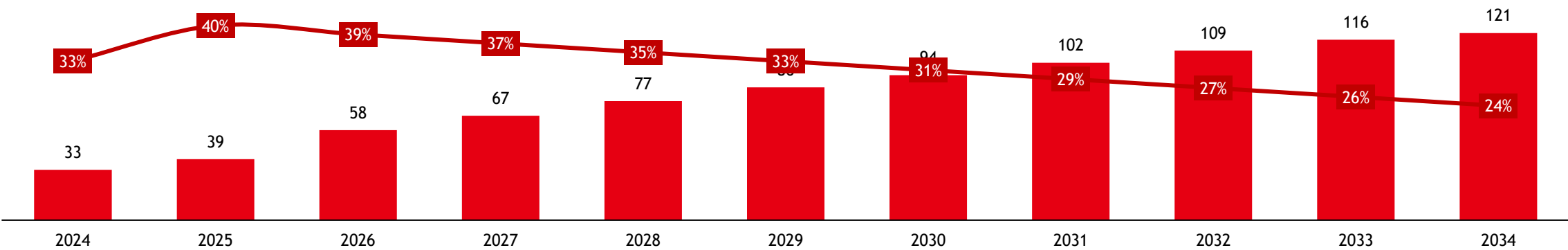


CapEx Cyclicity

Due to high and increasing demand for AI-applications, we expect high CapEx in the next years

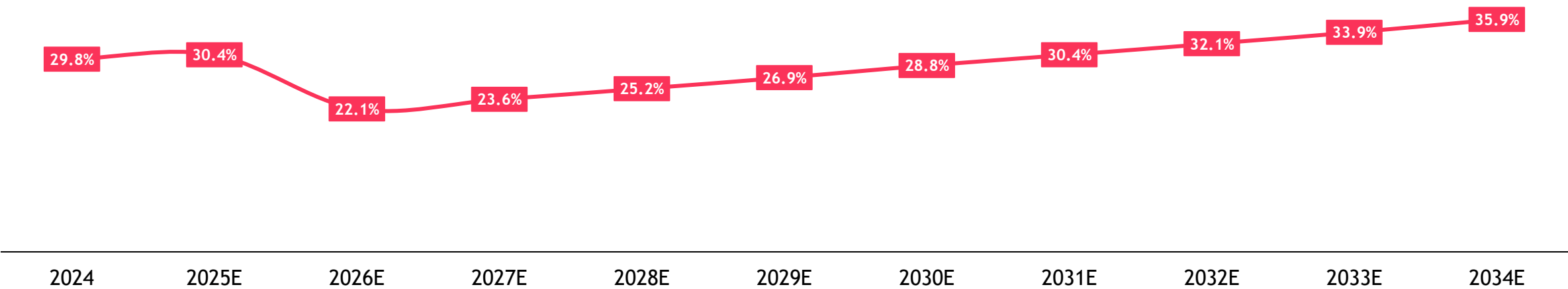
1. CapEx will increase due to new projects to support high growth

Capex and as percentage of revenue (USD billion, %)



2. Pressing down short-term margins at the expense of future growth

FCF Margin (%)



How did we get our Ke?

We calculated a cost of equity (Ke) of 10.4% for TSMC

Risk free US	4.5%	Bond 10y US
ERP (w/ CRP)	5.1%	ERP 4.3% and CRP 0.8% (Damodaran 2025)
Beta	1.44	
Inflation differential	(1.0%)	CPI 2.5% USA and CPI 1.5% Taiwan (Bloomberg and IMF)
Cost of Equity	10.4%	

Sources: NYU, Bloomberg, IMF, Team elaboration

How did we get our TSMC β ?

We calculated TSMC's beta and arrived at 1.44

Sector* unlevered beta	1.39
TSMC D/E Ratio	0.04
Effective tax rate	15.5%
TSMC levered beta	1.44

*Global Foundries, UMC, TSEM, ASML, Nvidia, AMD, Intel, Samsung

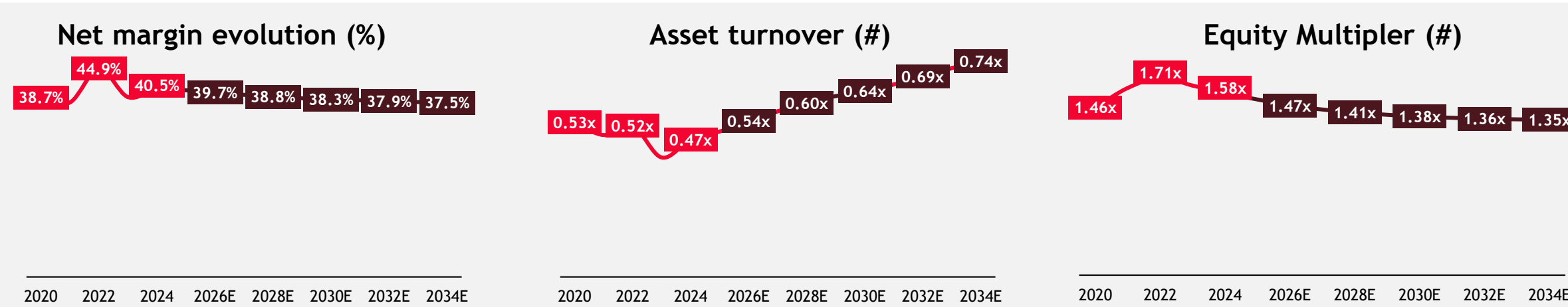
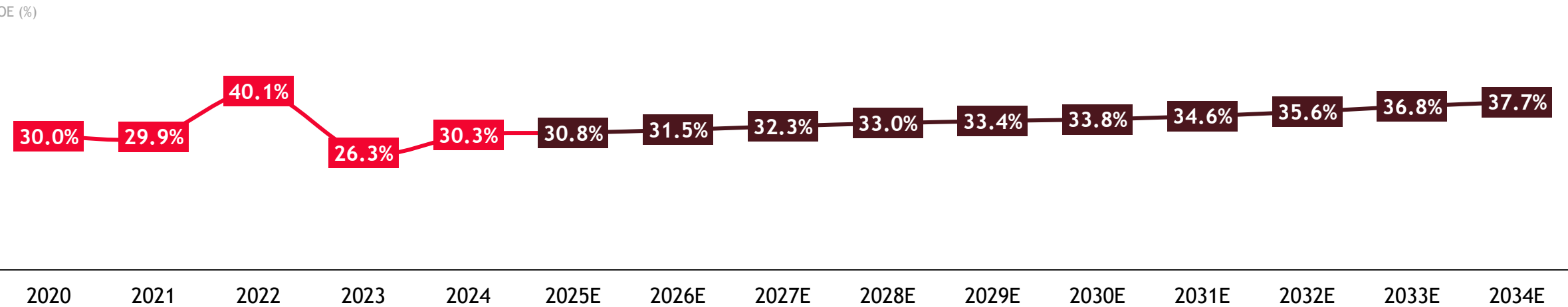
Last 2-year average

Sources: Bloomberg, Team elaboration

ROE projection and DuPont analysis

Source: Team elaboration, Company filings

1. We project a slight improvement in the company's ROE over the coming years, driven by better asset turnover as the company's growth slows down

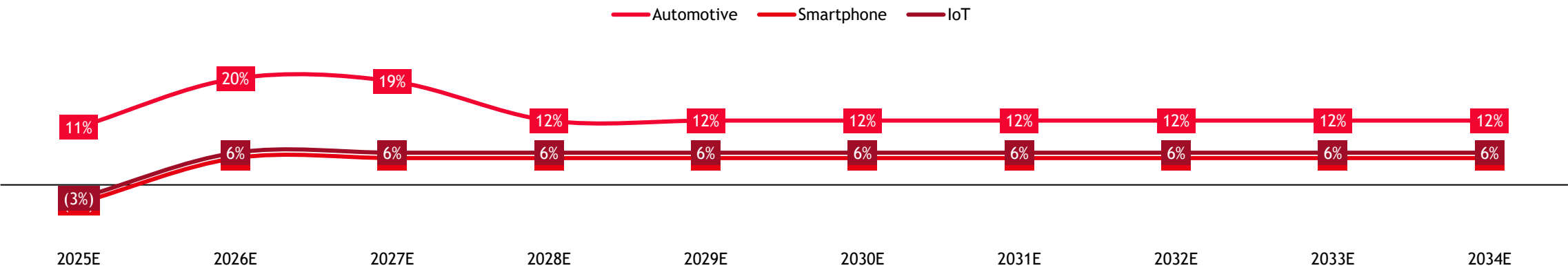


How is demand for non-AI products outlook?

Autos present some growth, while other segments are already in their mature fase

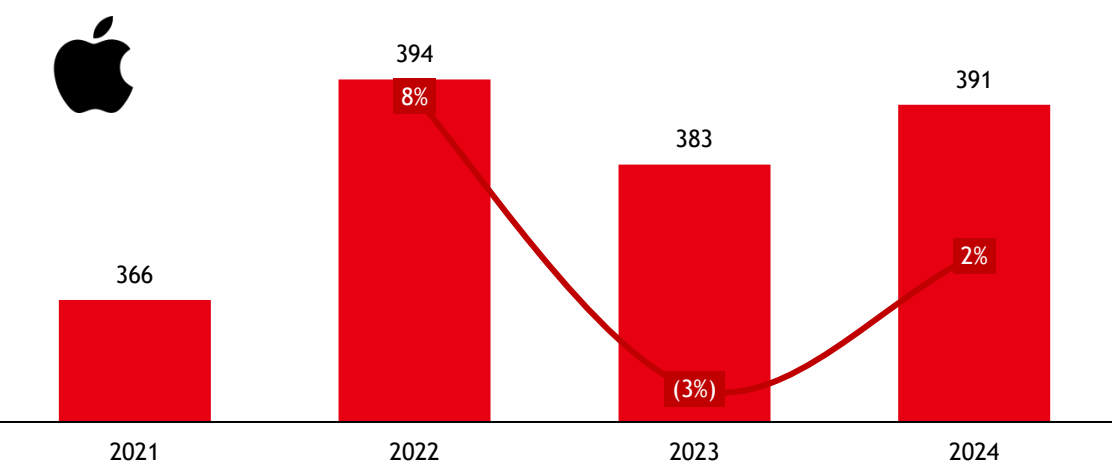
1. Different growth outlooks across different sectors

TSMC’s projected revenue growth by sector (%)

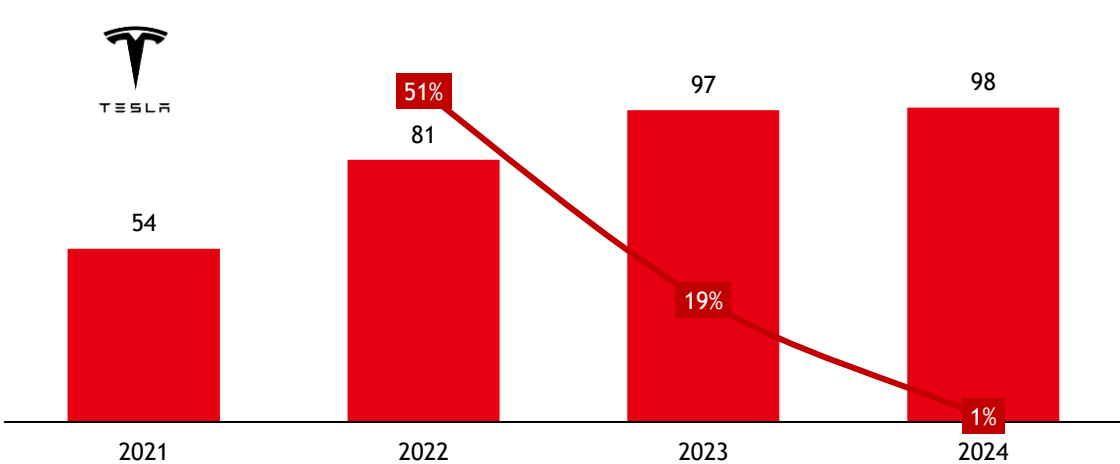


3. TSMC client’s revenue supports our view, as Apple’s is more stable throughout the years, while Tesla’s, despite recent slowdown, had high growth

Apple’s revenues and YoY growth (USD bn, bar & %, line)



Tesla’s revenues and YoY growth (USD bn, bar & %, line)



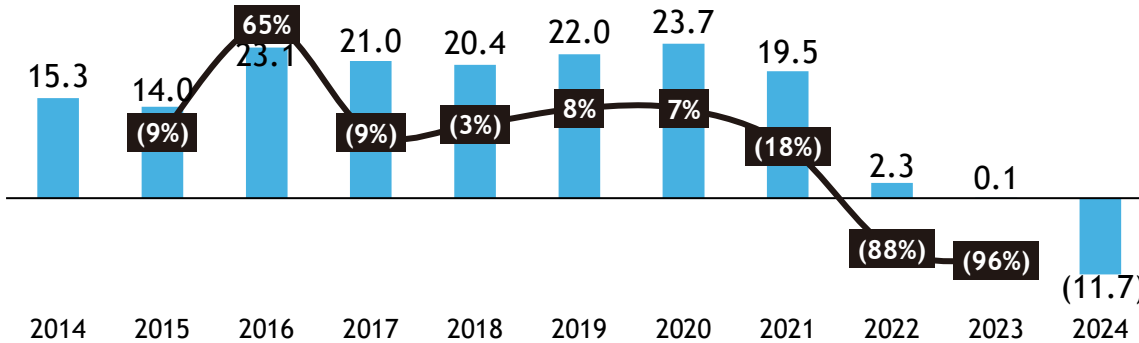
Sources: Companies filings, Team elaboration

Why do we believe Intel won't be able to compete with TSMC?

A series of incorrect past decisions, combined with recent desperation to catch up, have destroyed INTC

1. Incorrect decisions have led to significant operating losses

INTC's Operating Profits and YoY growth (USD bn, %)



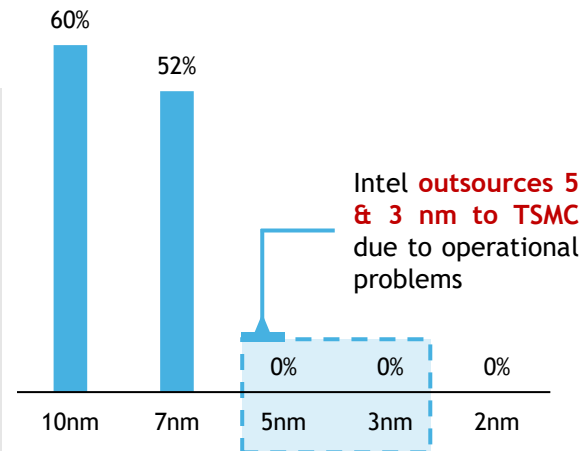
3. In addition, "5 nodes in 4 years" strategy didn't go as planned

Intel's manufacturing market share per node (%)



Lucas Pereira,
Engineer at ASML

“We have shipped literally dozens of machines for Intel that remain unpacked. Their strategy of skipping nodes to achieve leading-edge earlier has clearly failed.”



Sources: Companies filings, Team elaboration

Appendix

2. And Intel's outlook is difficult: they must attract their own competitors

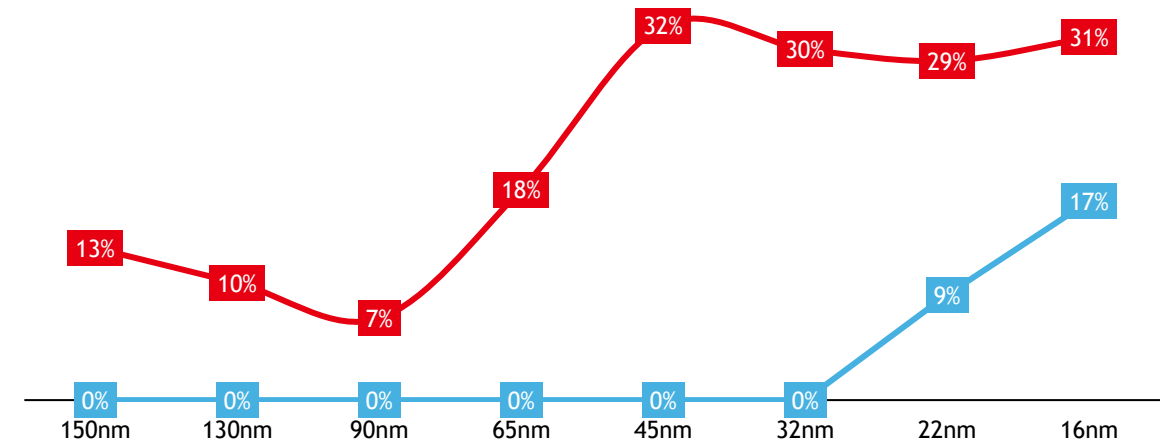
TSMC's revenue by customer (%)



TSMC's Revenue by customer

4. Finally, differently from TSMC, Intel isn't able to use their depreciated fabs

Market share per node by capacity (%)

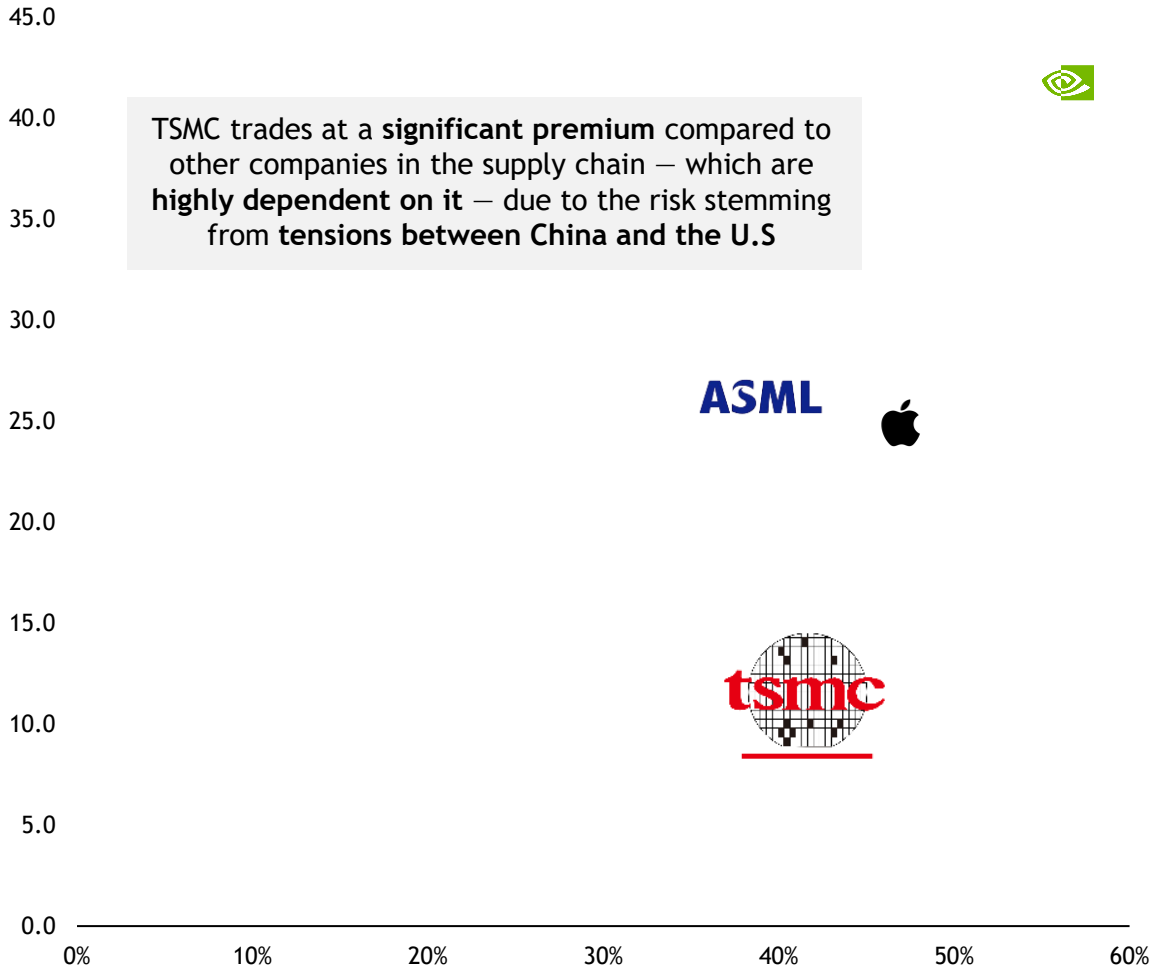


How do China-U.S. tensions impact the case?

Source: Bloomberg, Team elaboration

1. Valuation multiples across the semiconductor supply chain

EV/EBIT 1yr forward vs. ROIC (x,%)



2. TSMC's clients haven't changed their behavior in face of tariffs

“ Now, let me talk about the recent tariff. We understand there are uncertainties and risks from the potential impact of tariff policies. However, **we have not seen any change in our customers' behavior so far**. Therefore, we **continue to expect our full year 2025 revenue to increase by close to mid-20s percent in US dollar terms**. ”

1Q25 Earnings Call



C.C. Wei
President & CEO

3. Additionally, TSMC has been diversifying its geographical exposure

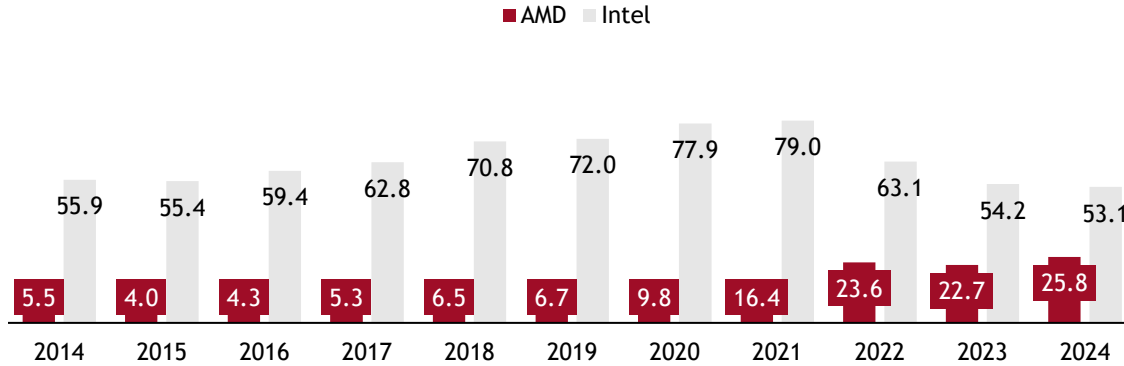


Why do we believe Intel will need to outsource to TSMC

AMD's spin-off success story makes us believe that outsourcing is the way to go for Intel

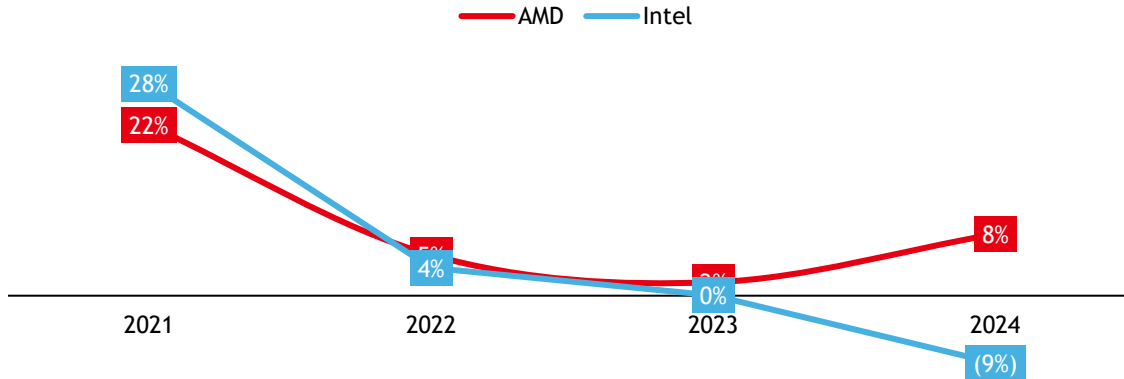
1. AMD has been catching-up with Intel, as it is benefiting from outsourcing

Companies' net revenues (USD bn)

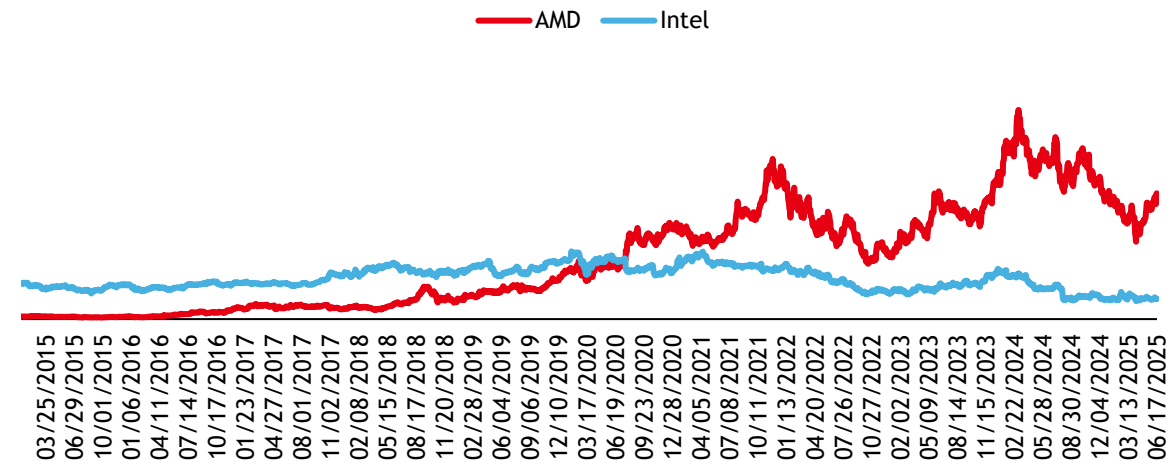
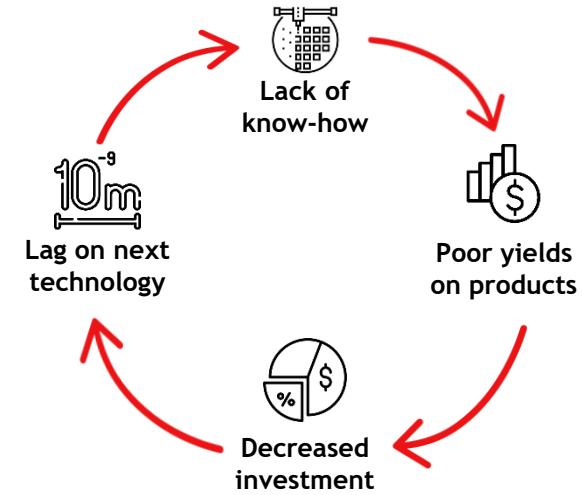


3. Leading to differences in operational results, while the stocks reflect these differences

Companies' operating margins (%)



2. As Intel now faces huge difficulties in new technologies



Foundries theoretical margin

The rationale: what happens when TSMC lowers their prices after depreciation is accounted for?

1. The leader (TSMC) sets is prices to maintain their target margin in 53%, lowering their prices after depreciation hits

Leader											
#	Year	1	2	3	4	5	6	7	8	9	10
kwpsm	Production	480	960	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440
\$	Price	6,116	6,054	5,993	5,871	5,810	5,382	4,954	4,526	4,097	3,669
bn	Revenue	2,936	5,812	8,630	8,454	8,366	7,750	7,133	6,517	5,900	5,284
bn	Cash COGS	881	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
bn	Depr. COGS	1,500	1,500	1,500	1,500	1,500	300	300	300	300	300
bn	Gross Profit	555	1,712	4,570	4,479	4,436	4,110	3,783	3,457	3,125	2,799
	Margin	18.9%	29.5%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%

Output

2. Lagged companies have to match the leaders' prices, but as depreciation is still accounting, they can't sustain healthy margin levels

4yr											
	Year	1	2	3	4	5	6	7	8	9	10
kwpsm	Production					320	640	960	960	960	960
\$	Price					5,810	5,382	4,954	4,526	4,097	3,669
bn	Revenue					1,487	2,755	3,804	3,476	3,147	2,818
bn	Cash COGS					540	1,484	2,033	1,840	1,650	1,457
bn	Depr. COGS					1,000	1,000	1,000	1,000	1,000	200
bn	Gross Profit					-53	271	771	636	497	1,161
	Margin					-3.5%	9.8%	20.3%	18.3%	15.8%	41.2%

Output

Foundry project IRR

Based on previous prices, we sensitized ramp-up years and cash margins

1. Ex 1 → 1 year ramp-up and 30% margin

Year	1	2	3	4	5	6	7	8	9	10
Capacity	0	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440
Price	6,116	6,054	5,993	5,871	5,810	5,382	4,954	4,526	4,097	3,669
Revenue	0	8,718	8,630	8,454	8,366	7,750	7,133	6,517	5,900	5,284
Margin	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Capex	-9,000	0	0	0	0	0	0	0	0	0
Cash Flow	-9,000	2,616	2,589	2,536	2,510	2,325	2,140	1,955	1,770	1,585

2. Ex 2 → 3 year ramp-up and 60% margin

Year	1	2	3	4	5	6	7	8	9	10
Capacity	0	480	960	1,440	1,440	1,440	1,440	1,440	1,440	1,440
Price	6,116	6,054	5,993	5,871	5,810	5,382	4,954	4,526	4,097	3,669
Revenue	0	2,906	5,754	8,454	8,366	7,750	7,133	6,517	5,900	5,284
Margin	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Capex	-9,000	0	0	0	0	0	0	0	0	0
Cash Flow	-9,000	1,744	3,452	5,073	5,020	4,650	4,280	3,910	3,540	3,170

The race for the leading-edge

How did TSMC achieve leadership in the industry against main peers

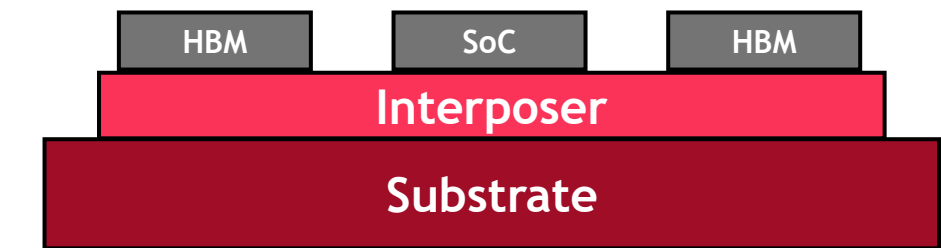
Year	Intel	TSMC	Samsung	Leadership
2015	14nm	16nm	14nm	Intel
2017	10nm (operating issues)	10nm	10nm	Intel
2019	10nm	7nm	7nm	TSMC
2021	10nm	5nm	5nm	TSMC
2023	7nm	3nm	5nm (yield issues)	TSMC
2025	7nm	2nm	3nm	TSMC

Sources: Company filings, Team elaboration

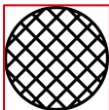
Advanced packaging

What is this new technological innovation from TSMC and why will it be another driver for growth

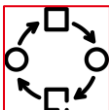
1. CoWoS overview



CoWoS advantage



Better yields: no longer needs to increase dies size, resulting in less wastage



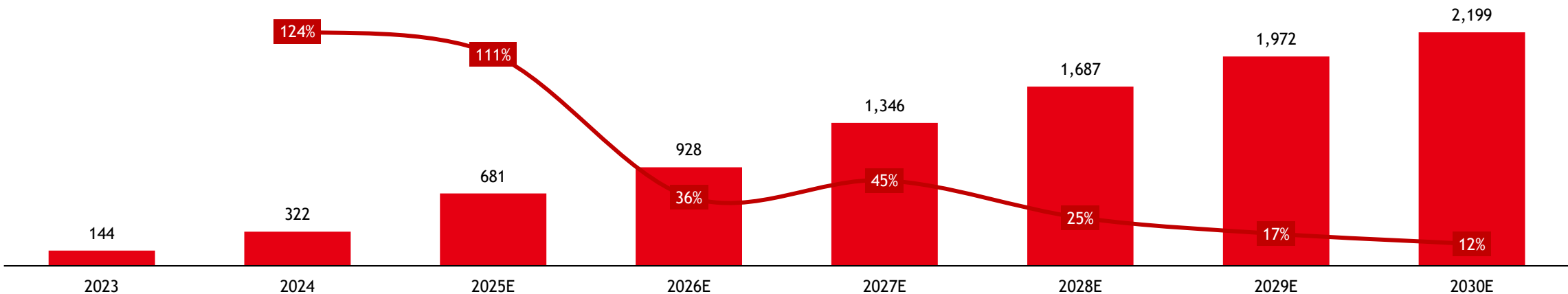
Increased Flexibility: able to integrate dies on different nodes



IC design cycle: designers are now able to reuse dies from prior generations

2. We project strong growth for the product, as its AI applications are very important

CoWoS capacity and YoY growth (kwpm, bar & %, line)



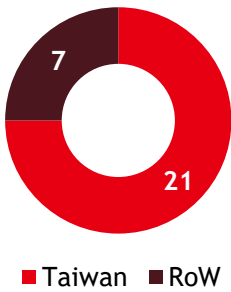
Source: Company filings, team elaboration

What would be of TSMC in case China invades Taiwan?

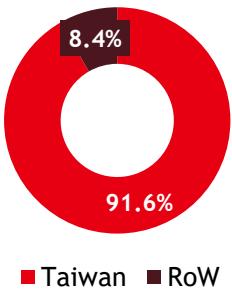
Why do we believe our investment faces significant downside in case Taiwan is invaded?

1. TSMC’s core is in Taiwan, despite recent efforts for diversification

Number of foundries by location



Wafer capacity by location (kwpm)



3. Leading-edge will stay in Taiwan, and management doesn’t intend to change



C.C. Wei
President & CEO

“ Our customers **continue to use that TSMC’s leading edge technology**, and they also adopt the advanced packaging technologies more and more. **Most likely, the capacity will be in Taiwan first, we ramp it and then bring to the US.** ”
1Q25 Earnings Call

2. And the strategy is clear: Taiwan first, rest of world later

	7nm	5nm	3nm	2nm
Taiwan	2019	2021	2023	2025
Rest of World	N/A	2024	2026	2027

4. Finally, without Taiwan competitive advantages are no more

Competitive Advantage Is it Taiwan-dependent?

Process Power



Scale Economies



Switching Costs

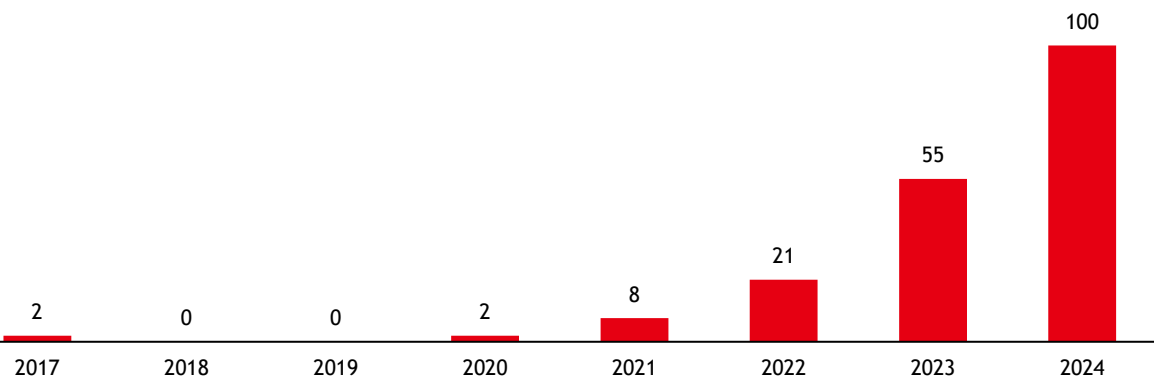


Why do we believe AI will be a big deal

AI is becoming the new paradigm for tech investing, and we believe it will change the world we live in

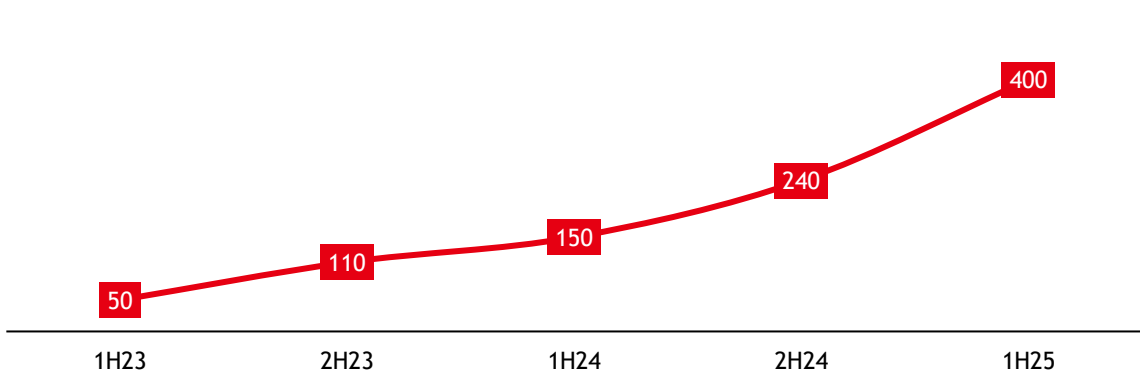
1. Everyone wants to become the leader in AI

Number of large language models launched per year (#)

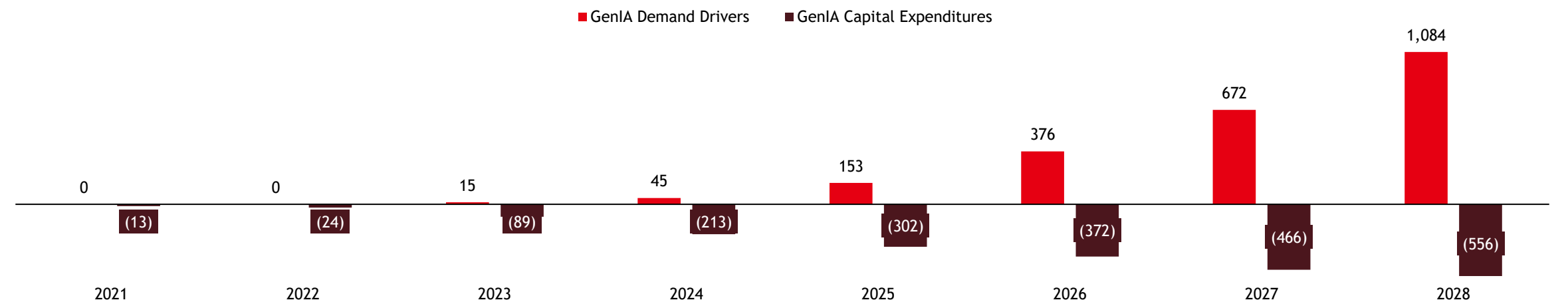


2. As general public has been accepting it evermore

Number of weekly active users of ChatGPT (millions)



3. And we will start to see this trends yielding results in the next years



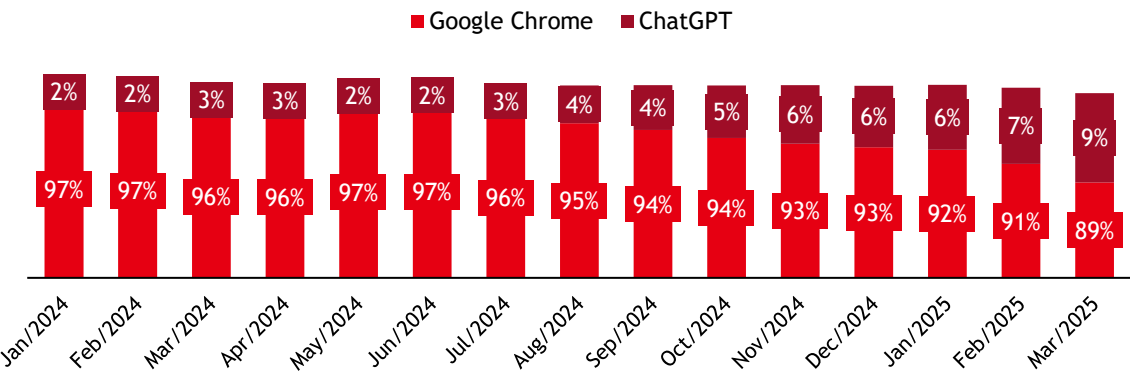
Source: Epoch AI, Morgan Stanley

Others reasons why we believe in AI growth in the long-term

The big tech companies will invest in AI to avoid competition, increase revenue or reduce costs

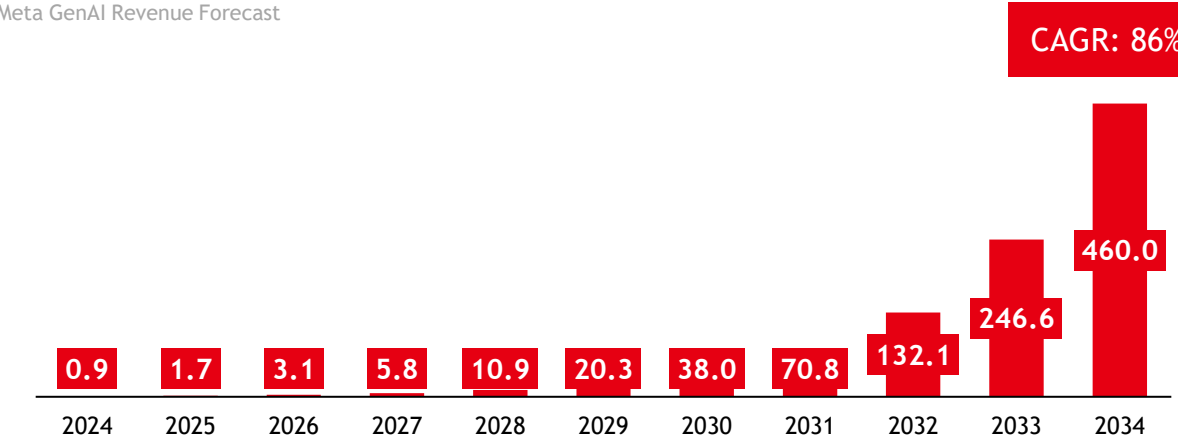
1. AI has changed the competitive landscape for tech companies

Search Usage Market Share (%)



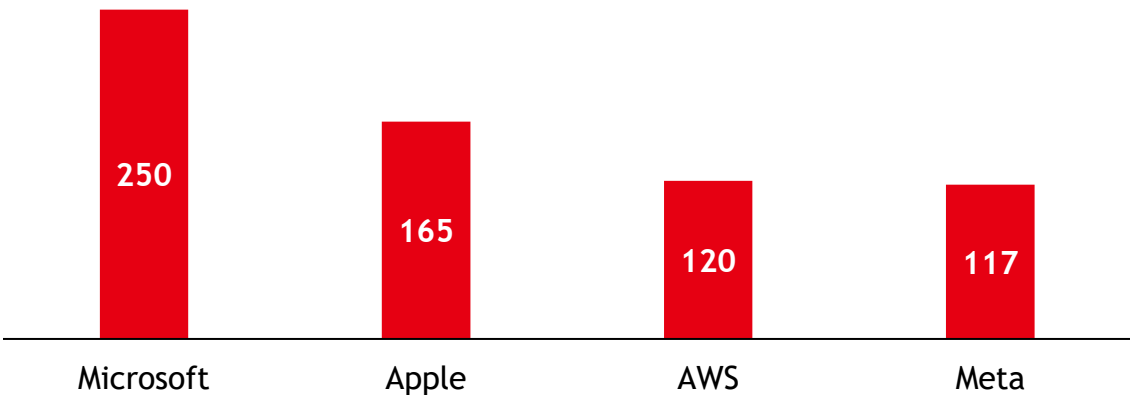
2. Meta is a success story in AI-driven revenue

Meta GenAI Revenue Forecast



3. We also sensitized how much the four major big tech companies could potentially save through layoffs, based on their average salaries

Number of employees (# Thousand)



Total cost savings from employee expenditures (USD millions, yearly)

		Average salary in big tech companies				
		3,000	4,000	5,000	6,000	7,000
% of layoffs	20%	4,658	6,211	7,764	9,317	10,870
	25%	5,823	7,764	9,705	11,646	13,587
	30%	6,988	9,317	11,646	13,975	16,304
	35%	8,152	10,870	13,587	16,304	19,022

Source: Glassdoor, Interviewjoy Inc., ClearanceJobs, SimilarWeb, Meta lawsuit against FTC

TSMC: a business of people

The main characters of TSMC's success story

1. Long-term partners are the people who run the business

TSMC's directors and stint at the company (years)



2. Cultural pillars perpetuating success



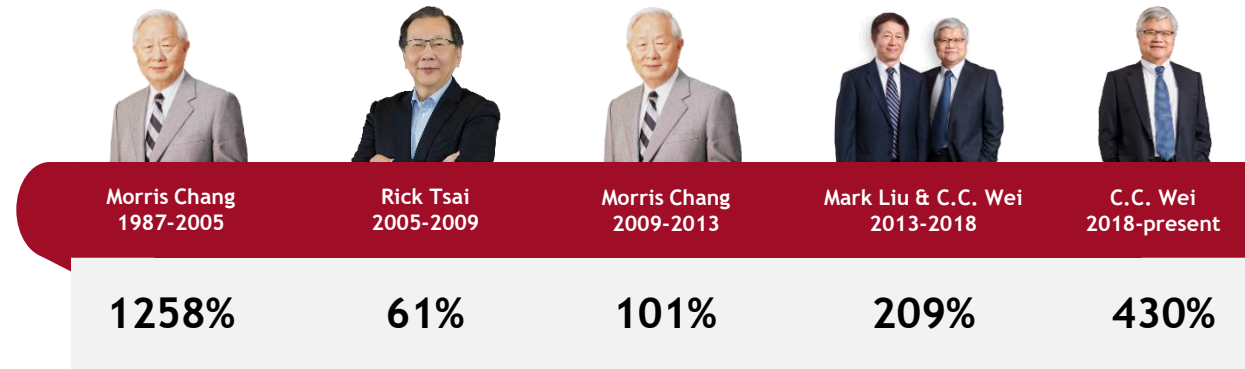
David Su,
Former TSMC Director

Culture is different; people in Taiwan study, work and are obedient. **They go beyond what is asked** and are much more prepared to do what you want. In the end, **TSMC's advantage lies in a combination of culture, methodology, discipline and commitment to horizontality.**

TSMC's cultural pillars:

- 1 Observation period for bottom 5% performers of the company
- 2 Client focused decision, prioritizing long-term relations
- 3 Limited compensation for board (tied to α) & shared profits with employees

3. Returns to shareholders were consistent across different managements



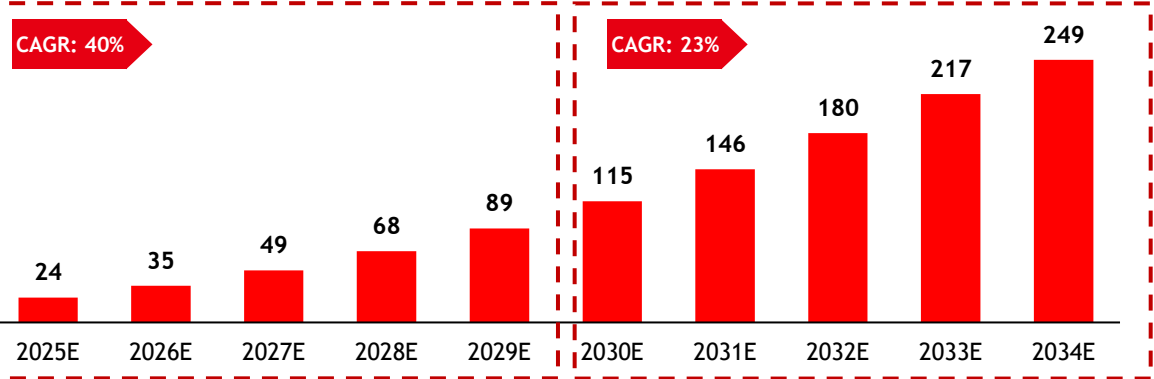
Sources: Company filings, Team elaboration

How does our view differ from the market consensus

We see three diversions from consensus: strong demand beyond guidance, mispricing and further outsourcing

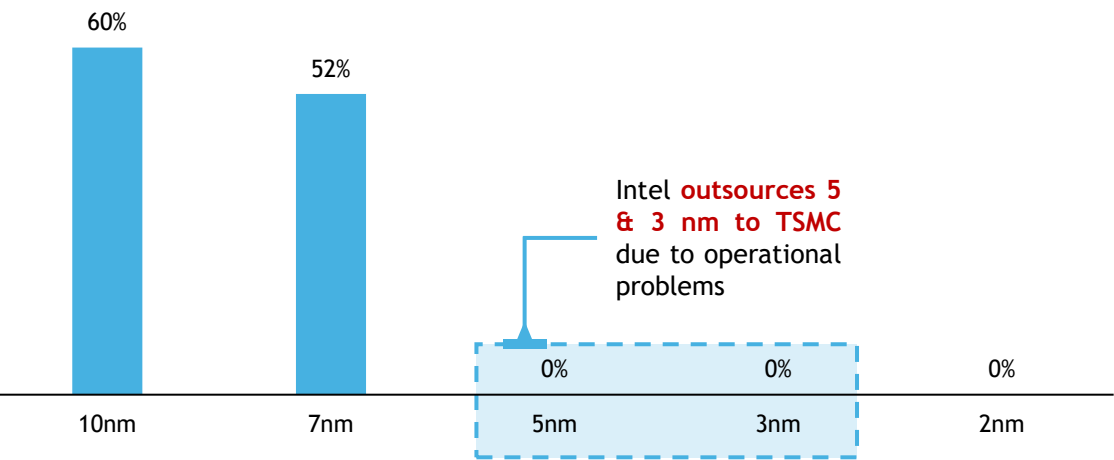
1. Foreseeing strong AI-demand beyond company's guidance

TSMC's AI-related revenue projection (USD bn)



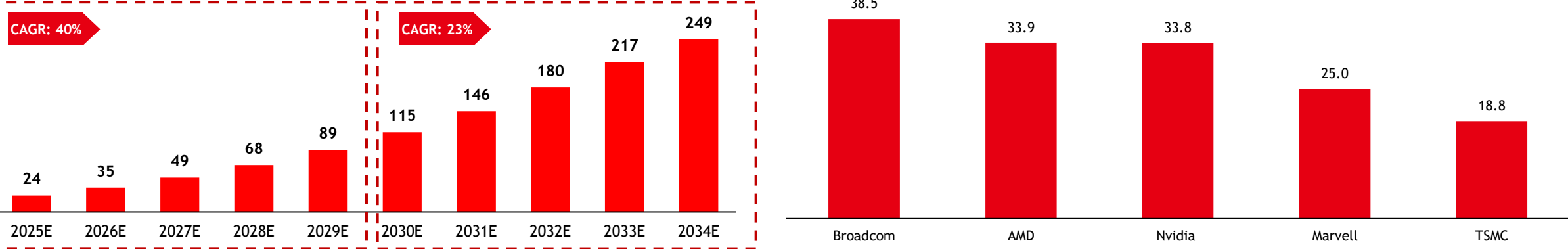
3. Furthermore, outsourcing is the way to go, increasing TSMC's market

Intel's manufacturing market share per node (%)



2. Even so, TSMC is the cheapest AI-semiconductor player

Companies' 1yr P/E forward (x)



4. And leadership is already extended into 2nm

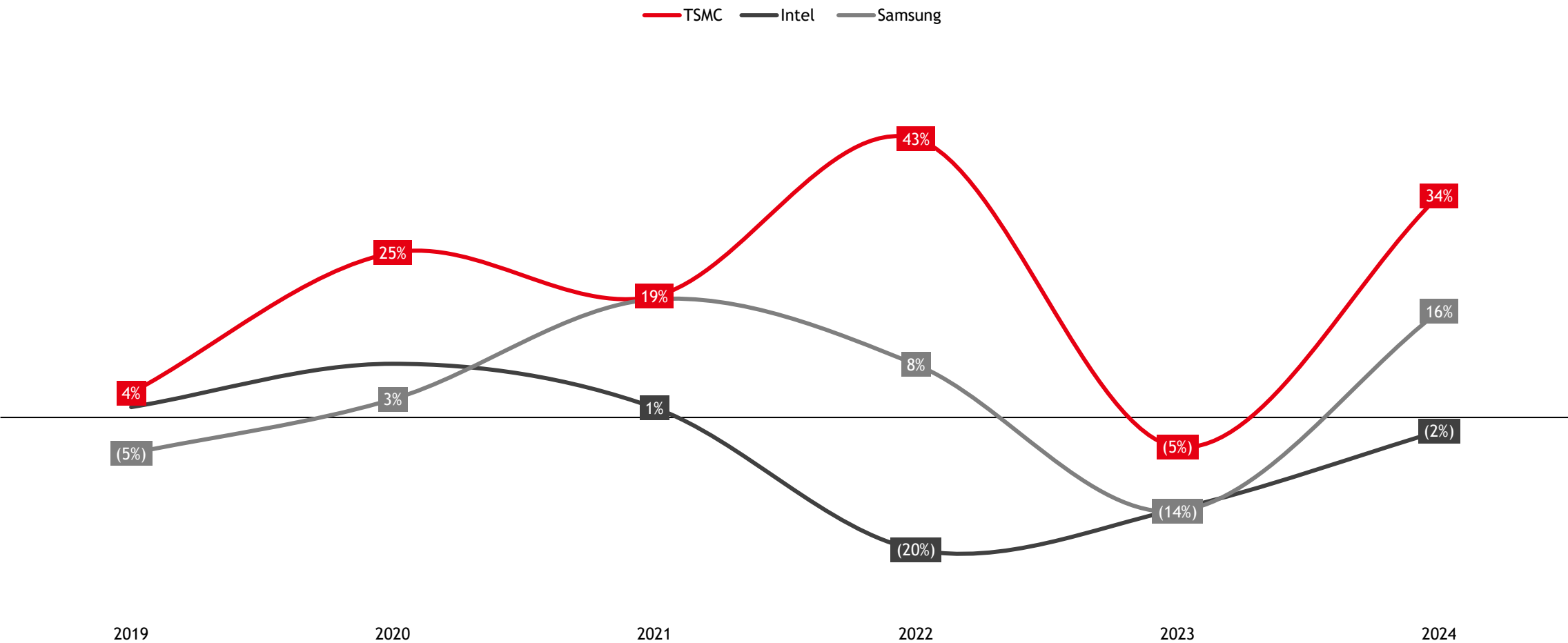
“ It is reported that **TSMC's 2nm yield already stands at 60%**. The other largest foundries, Samsung and Intel have been having issues with their yields for years and latest performance trials at 2nm show yields that are as long as 50% behind TSMC's. ”

Taiwan Economic Daily, June 2025

Comparables: IDMs - Revenue Growth

How does TSMC's revenue growth compare with its peers (IDMs)

1. Revenue YoY growth

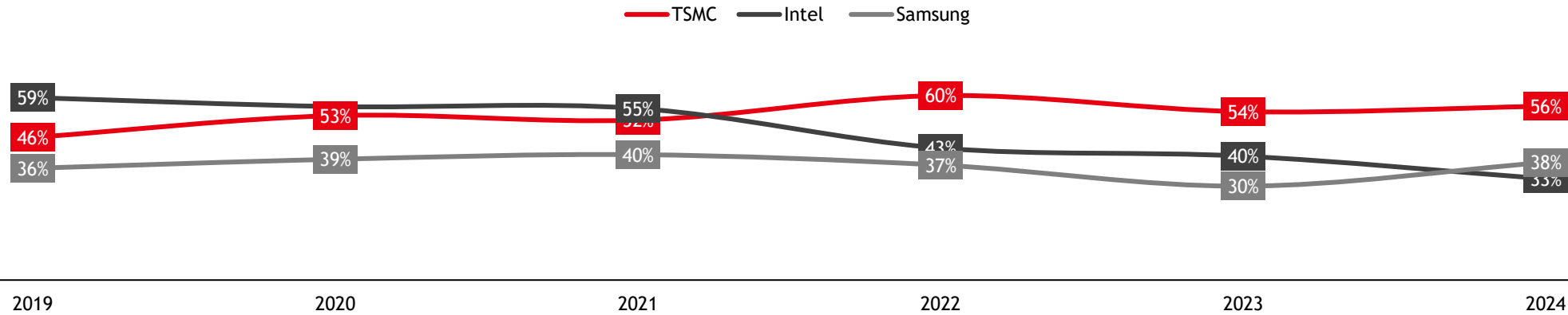


Sources: Companies filings

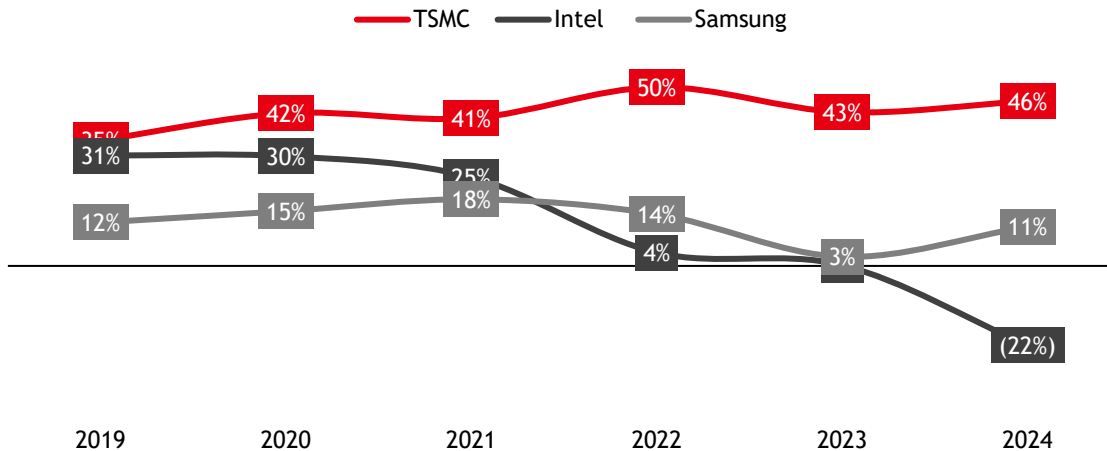
Comparables: IDMs - Margins

How do TSMC's margins compare with its peers (IDMs)

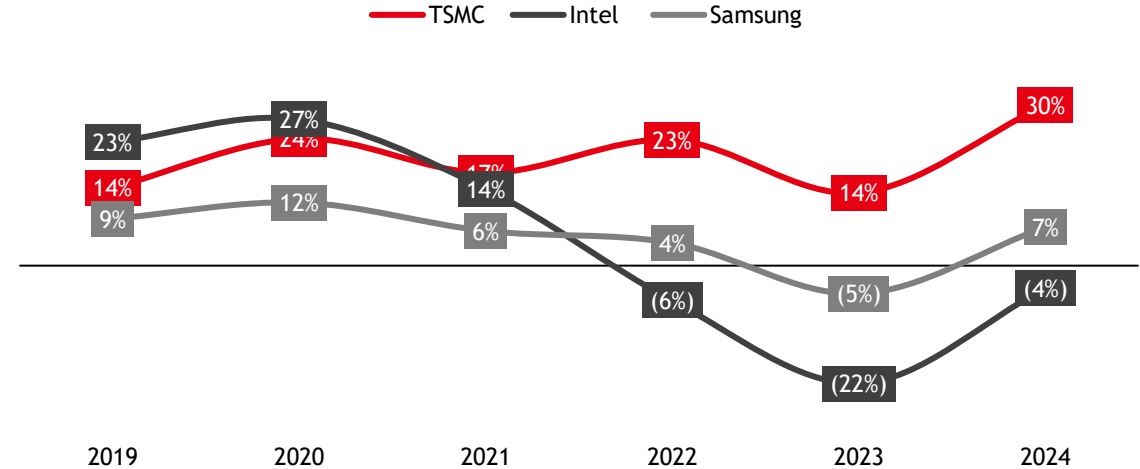
1. Gross Margin



2. Operating Margin



3. Free Cash Flow (OCF - CapEx) Margin



Sources: Companies filings

Comparables: IDMs - ROE

How do TSMC's margins compare with its peers (IDMs)

Dupont Analysis: ROE (%) breakdown on Net Margin (%), Asset Turnover (#) and Financial Leverage (#) per company

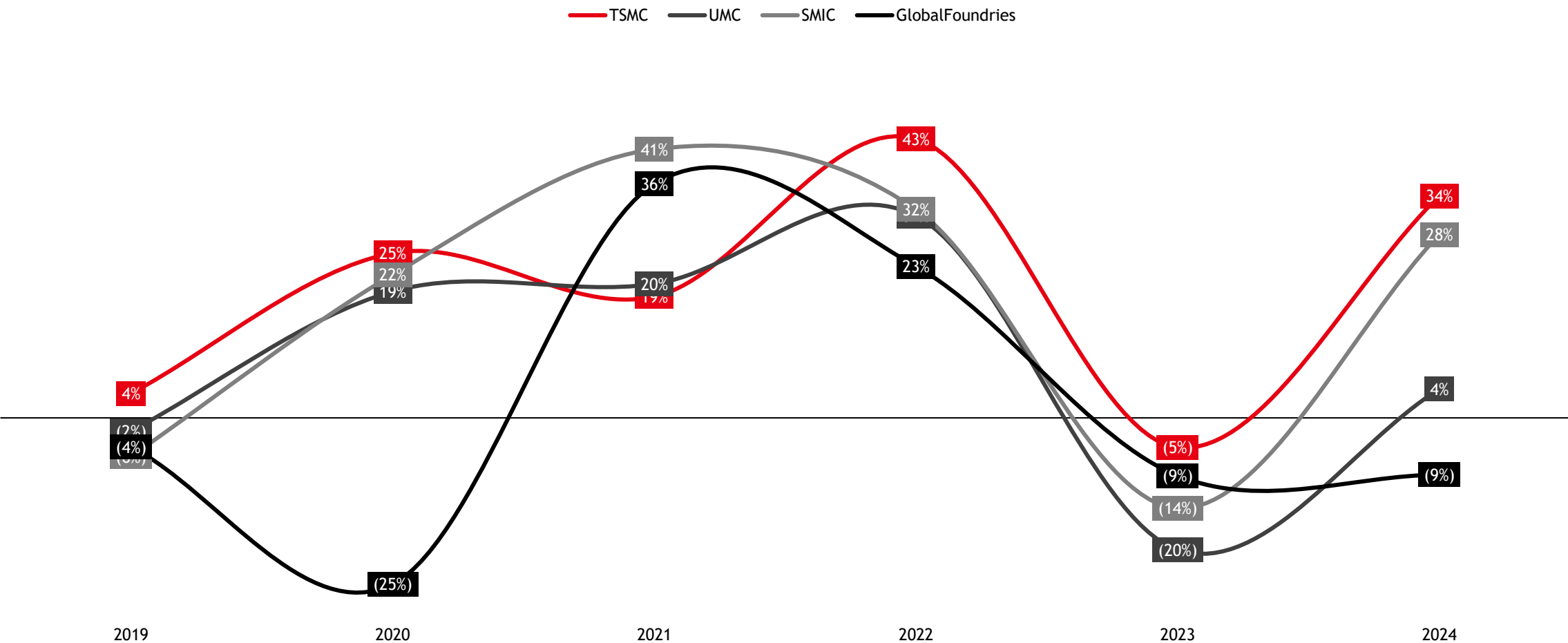
	2022			2023			2024		
Net Margin	45%	18%	12%	39%	6%	3%	41%	12%	(36)%
×									
Asset Turnover	0.52x	0.69x	0.35x	0.41x	0.60x	0.28x	0.47x	0.60x	0.27x
×									
Financial Leverage	1.71x	1.33x	1.76x	1.65x	1.30x	1.74x	1.58x	1.30x	1.87x
=									
ROE	40.1%	16.5%	7.8%	26.3%	4.0%	1.5%	30.3%	8.6%	(18.2)%
									

Sources: Companies filings

Comparables: Foundries

How do TSMC's financials compare with its peers (Foundries)

1. Revenue YoY growth



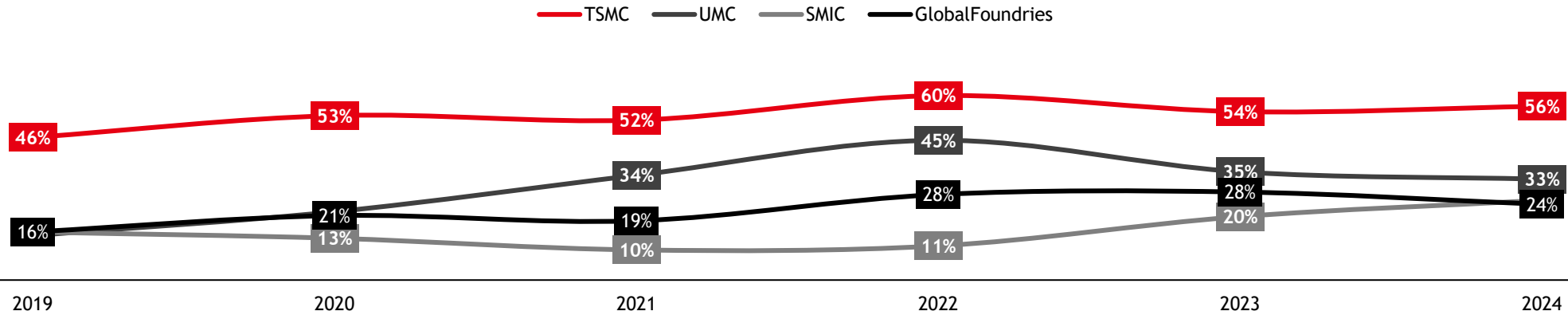
Sources: Companies filings

Comparables: Foundries (Margins)

How do TSMC's financials compare with its peers (Foundries)

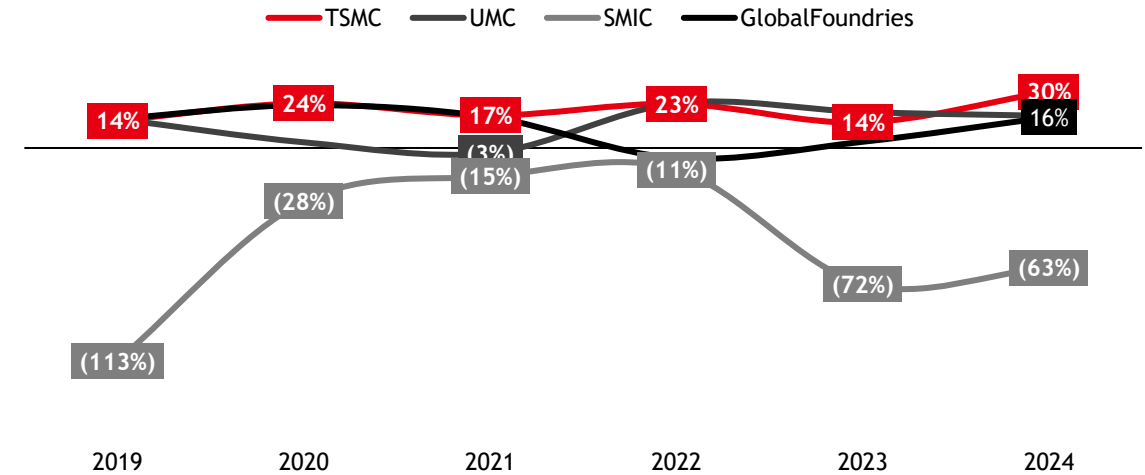
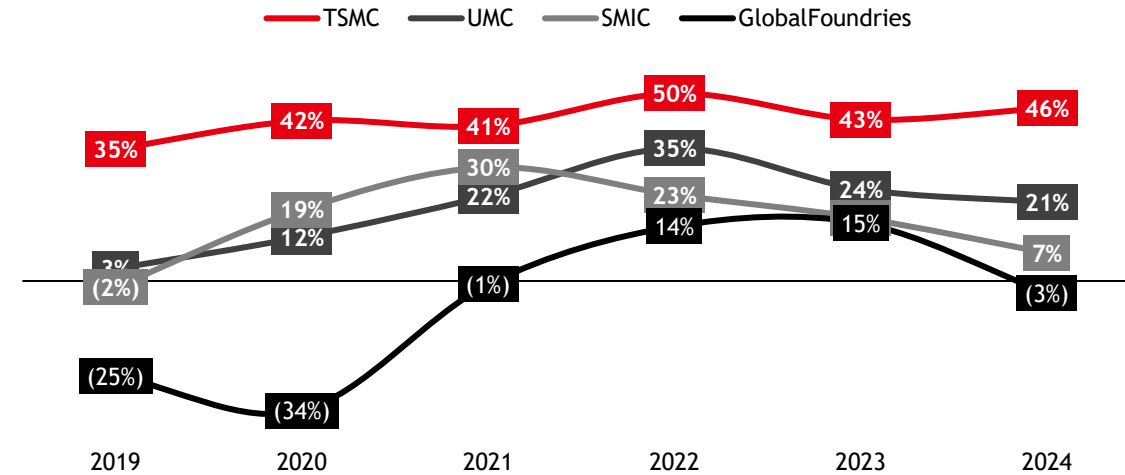
1. Gross Margin

a



2. Operating Margin

3. Free Cash Flow (OCF - CapEx) Margin



Sources: Companies filings

Comparables: Foundries - ROE

How do TSMC's Return on Equity compare with its peers (IDMs)

Dupont Analysis: ROE (%) breakdown on Net Margin (%), Asset Turnover (#) and Financial Leverage (#) per company

	2022				2023				2024			
Net Margin	45%	25%	31%	18%	39%	14%	28%	14%	41%	6%	20%	(4)%
×												
Asset Turnover	0.52x	0.17x	0.53x	0.45x	0.41x	0.13x	0.40x	0.41x	0.47x	0.16x	0.41x	0.40x
×												
Financial Leverage	1.71x	1.51x	1.59x	1.79x	1.65x	1.55x	1.56x	1.62x	1.58x	1.54x	1.51x	1.55x
=												
ROE	40.1%	6.4%	26.2%	14.5%	26.3%	2.9%	17.5%	9.1%	30.3%	1.5%	12.5%	(2.4)%
												

Sources: Companies filings

Balance Sheet I

Source: Team elaboration

Balance sheet	[Units]	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Current Assets	[mn NT\$]	2,194,033	3,088,352	3,751,867	4,235,516	4,819,739	5,506,801	6,302,115	7,211,798	8,250,078	9,431,638	10,769,640	12,256,955
Cash and Cash Equivalents	[mn NT\$]	1,687,644	2,422,020	3,030,201	3,369,457	3,783,378	4,280,187	4,870,234	5,566,583	6,360,791	7,268,905	8,307,797	9,508,499
Account Receivables	[mn NT\$]	202,010	272,088	295,110	362,925	442,569	531,092	626,070	724,167	835,973	960,706	1,096,503	1,225,556
Inventory	[mn NT\$]	250,997	287,869	321,314	397,891	488,550	590,279	700,569	815,807	948,073	1,096,786	1,260,098	1,417,658
Total Other Current Assets	[mn NT\$]	53,381	106,376	105,242	105,242	105,242	105,242	105,242	105,242	105,242	105,242	105,242	105,242
Non-Current Assets	[mn NT\$]	3,338,164	3,603,413	3,923,698	4,579,577	5,279,413	5,999,256	6,706,403	7,360,760	7,927,300	8,361,347	8,609,047	8,609,047
Gross Fixed Assets	[mn NT\$]	6,310,306	6,930,027	7,921,945	9,385,878	11,085,331	13,021,819	15,183,329	17,543,224	20,105,514	22,863,996	25,799,968	28,844,058
Accumulated Depreciation	[mn NT\$]	(4,154,121)	(4,775,331)	(5,630,049)	(6,681,178)	(7,962,977)	(9,501,162)	(11,314,428)	(13,411,809)	(15,833,009)	(18,615,470)	(21,791,237)	(25,340,776)
Construction in Progress	[mn NT\$]	908,290	1,080,284	1,244,985	1,488,060	1,770,242	2,091,782	2,450,685	2,842,528	3,267,978	3,726,004	4,213,500	4,718,949
Acquisition/(Divestures)	[mn NT\$]	-	-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets	[mn NT\$]	3,064,475	3,234,980	3,536,881	4,192,760	4,892,596	5,612,439	6,319,586	6,973,943	7,540,483	7,974,530	8,222,230	8,222,230
Other Long Term Assets	[mn NT\$]	144,421	219,566	226,024	226,024	226,024	226,024	226,024	226,024	226,024	226,024	226,024	226,024
Long Term Investments and Associates	[mn NT\$]	129,268	148,867	160,793	160,793	160,793	160,793	160,793	160,793	160,793	160,793	160,793	160,793

Balance Sheet II

Source: Team elaboration

Balance sheet	[Units]	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Current Liabilities	[mn NT\$]	942,805	1,308,656	1,318,038	1,348,287	1,384,176	1,424,499	1,468,387	1,514,630	1,565,770	1,621,374	1,680,624	1,738,060
ST Debt and Current Portion of LT Debt	[mn NT\$]	9,293	59,858	65,045	76,604	90,365	105,860	122,829	140,946	159,805	179,113	198,504	217,484
Accounts Payable	[mn NT\$]	57,293	74,227	78,422	97,112	119,239	144,068	170,986	199,112	231,394	267,690	307,549	346,004
Other Current Liabilities	[mn NT\$]	876,219	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571	1,174,571
Non-Current Liabilities	[mn NT\$]	1,135,525	1,103,837	1,225,082	1,410,159	1,630,511	1,878,602	2,150,312	2,440,398	2,742,353	3,051,507	3,361,994	3,665,900
Long Term Debt	[mn NT\$]	918,283	958,429	1,041,479	1,226,556	1,446,908	1,694,999	1,966,709	2,256,795	2,558,750	2,867,904	3,178,391	3,482,297
Other Long Term Liabilities	[mn NT\$]	217,242	145,408	183,603	183,603	183,603	183,603	183,603	183,603	183,603	183,603	183,603	183,603
Equity	[mn NT\$]	3,453,866	4,279,272	5,132,445	6,056,647	7,084,465	8,202,955	9,389,819	10,617,531	11,869,255	13,120,104	14,336,070	15,462,042
Share Capital	[mn NT\$]	259,321	259,327	259,326	259,326	259,326	259,326	259,326	259,326	259,326	259,326	259,326	259,326
Share Premium	[mn NT\$]	69,876	73,261	73,307	73,307	73,307	73,307	73,307	73,307	73,307	73,307	73,307	73,307
Other Reserves	[mn NT\$]	282,833	349,852	380,399	380,399	380,399	380,399	380,399	380,399	380,399	380,399	380,399	380,399
Retained Earnings	[mn NT\$]	2,817,493	3,561,826	4,381,951	5,306,153	6,333,971	7,452,461	8,639,325	9,867,037	11,118,761	12,369,610	13,585,576	14,711,548
Preferred Stock	[mn NT\$]	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interest	[mn NT\$]	24,344	35,005	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462

Cash Flow Statement I

Source: Team elaboration

Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash flow from operations	[mn NT\$]	2,253,080	2,685,148	3,254,595	3,891,895	4,577,081	5,296,184	6,094,365	6,987,276	7,962,063	8,920,066
Net Income	[mn NT\$]	1,449,500	1,759,721	2,120,971	2,519,134	2,942,165	3,384,012	3,884,954	4,441,965	5,045,546	5,618,684
Add Non Cash Expenses/(income)	[mn NT\$]	854,718	1,051,129	1,281,800	1,538,184	1,813,266	2,097,381	2,421,200	2,782,461	3,175,768	3,549,539
Depreciation and Amortization	[mn NT\$]	854,718	1,051,129	1,281,800	1,538,184	1,813,266	2,097,381	2,421,200	2,782,461	3,175,768	3,549,539
Extraordinaries	[mn NT\$]	0	0	0	0	0	0	0	0	0	0
Other Non-Cash Items	[mn NT\$]	0	0	0	0	0	0	0	0	0	0
Changes in Working Capital:	[mn NT\$]	(51,138)	(125,702)	(148,176)	(165,423)	(178,350)	(185,209)	(211,790)	(237,150)	(259,251)	(248,158)
(Increase)/Decrease Receivables	[mn NT\$]	(23,022)	(67,815)	(79,644)	(88,522)	(94,978)	(98,097)	(111,806)	(124,733)	(135,798)	(129,053)
(Increase)/Decrease Inventories	[mn NT\$]	(33,445)	(76,577)	(90,659)	(101,729)	(110,290)	(115,238)	(132,266)	(148,713)	(163,312)	(157,560)
(Increase)/Decrease Other Current Assets	[mn NT\$]	1,134	-	-	-	-	-	-	-	-	-
Increase/(Decrease) Payables	[mn NT\$]	4,196	18,690	22,127	24,829	26,918	28,126	32,282	36,296	39,859	38,455
Increase/(Decrease) Other Current Liabilities	[mn NT\$]	-	-	-	-	-	-	-	-	-	-

Cash Flow Statement II

Source: Team elaboration

Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash flow from investments	[mn NT\$]	(1,175,003)	(1,707,008)	(1,981,636)	(2,258,027)	(2,520,413)	(2,751,739)	(2,987,740)	(3,216,508)	(3,423,468)	(3,549,539)
Purchase of Property, Plant & Equipment	[mn NT\$]	(1,156,618)	(1,707,008)	(1,981,636)	(2,258,027)	(2,520,413)	(2,751,739)	(2,987,740)	(3,216,508)	(3,423,468)	(3,549,539)
Acquisitions/Divesture	[mn NT\$]	-	-	-	-	-	-	-	-	-	-
Purchase/Sale of LT assets	[mn NT\$]	(6,458)	-	-	-	-	-	-	-	-	-
Purchase/Sale of Investments	[mn NT\$]	(11,926)	-	-	-	-	-	-	-	-	-
Cash flow from financing	[mn NT\$]	(469,896)	(638,883)	(859,039)	(1,137,058)	(1,466,622)	(1,848,096)	(2,312,417)	(2,862,655)	(3,499,702)	(4,169,825)
Issuance/Repayment of Debt	[mn NT\$]	88,236	196,636	234,114	263,585	288,680	308,203	320,813	328,462	329,877	322,887
Change in other LT liabilities	[mn NT\$]	38,195	-	-	-	-	-	-	-	-	-
Change in Common Equity - Net	[mn NT\$]	45	-	-	-	-	-	-	-	-	-
Payment of Cash Dividends	[mn NT\$]	(629,376)	(835,519)	(1,093,153)	(1,400,644)	(1,755,302)	(2,156,299)	(2,633,230)	(3,191,117)	(3,829,580)	(4,492,712)
Other Financing Charges, Net	[mn NT\$]	33,004	-	-	-	-	-	-	-	-	-

Payout

Source: Team elaboration

	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Income	[mn NT\$]	1,449,500	1,759,721	2,120,971	2,519,134	2,942,165	3,384,012	3,884,954	4,441,965	5,045,546	5,618,684
Dividend paid	[mn NT\$]	629,376	835,519	1,093,153	1,400,644	1,755,302	2,156,299	2,633,230	3,191,117	3,829,580	4,492,712
Payout	[mn NT\$]	43.4%	47.5%	51.5%	55.6%	59.7%	63.7%	67.8%	71.8%	75.9%	80.0%

Discount Cash Flow

Source: Team elaboration

Discount Cash Flow	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	[mn NT\$]	1,633,301	1,993,613	2,412,672	2,873,299	3,360,779	3,867,373	4,440,883	5,077,062	5,763,944	6,409,110
tax rate	[mn NT\$]	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%
Nopat	[mn NT\$]	1,379,799	1,684,187	2,038,205	2,427,338	2,839,158	3,267,124	3,751,620	4,289,059	4,869,330	5,414,362
(+) D&A	[mn NT\$]	854,718	1,051,129	1,281,800	1,538,184	1,813,266	2,097,381	2,421,200	2,782,461	3,175,768	3,549,539
(-) Capex	[mn NT\$]	(1,156,618)	(1,707,008)	(1,981,636)	(2,258,027)	(2,520,413)	(2,751,739)	(2,987,740)	(3,216,508)	(3,423,468)	(3,549,539)
(+/-) Change in WC	[mn NT\$]	(51,138)	(125,702)	(148,176)	(165,423)	(178,350)	(185,209)	(211,790)	(237,150)	(259,251)	(248,158)
Free Cash Flow to Firm (FCFF)	[mn NT\$]	1,026,760	902,606	1,190,193	1,542,073	1,953,662	2,427,557	2,973,291	3,617,862	4,362,379	5,166,204
(+/-) Debt Variation	[mn NT\$]	88,236	196,636	234,114	263,585	288,680	308,203	320,813	328,462	329,877	322,887
(-) Financial Result ex lease interest * (1-t)	[mn NT\$]	(22,138)	(26,072)	(30,756)	(36,030)	(41,805)	(47,972)	(54,390)	(60,962)	(67,562)	(74,022)
Free Cash Flow to Equity (FCFE)	[mn NT\$]	1,092,859	1,073,170	1,393,551	1,769,628	2,200,536	2,687,788	3,239,714	3,885,363	4,624,695	5,415,069

Revenue Breakdown I

Source: Team elaboration



Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Revenue	[mn NT\$]	3,603,216	4,431,223	5,403,658	6,484,493	7,644,150	8,841,887	10,207,006	11,729,964	13,388,021	14,963,721
Revenue by Platform	[mn NT\$]										
HPC	[mn NT\$]	2,205,462	2,939,864	3,810,044	4,794,949	5,851,891	6,939,657	8,186,822	9,583,145	11,105,124	12,534,459
% of net sales	[mn NT\$]	61%	66%	71%	74%	77%	78%	80%	82%	83%	84%
YoY Growth	[mn NT\$]	49%	33%	30%	26%	22%	19%	18%	17%	16%	13%
IA revenue	[mn NT\$]	694,634	1,021,112	1,449,979	1,986,471	2,622,141	3,386,933	4,278,825	5,284,349	6,376,448	7,332,915
% of HPC	[mn NT\$]	31%	35%	38%	41%	45%	49%	52%	55%	57%	59%
YoY Growth	[mn NT\$]	60%	47%	42%	37%	32%	29%	26%	24%	21%	15%
Non - IA revenue	[mn NT\$]	1,510,829	1,918,752	2,360,065	2,808,478	3,229,749	3,552,724	3,907,997	4,298,797	4,728,676	5,201,544
% of HPC	[mn NT\$]	69%	65%	62%	59%	55%	51%	48%	45%	43%	41%
YoY Growth	[mn NT\$]	45%	27%	23%	19%	15%	10%	10%	10%	10%	10%

Revenue Breakdown II

Source: Team elaboration

Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Smartphone	[mn NT\$]	978,737	1,027,673	1,079,057	1,133,010	1,189,660	1,249,144	1,311,601	1,377,181	1,446,040	1,518,342
% of net sales	[mn NT\$]	27%	23%	20%	17%	16%	14%	13%	12%	11%	10%
YoY Growth	[mn NT\$]	-3%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Smartphone revenue in USD billions	[mn NT\$]	33,106	34,761	36,499	38,324	40,240	42,252	44,365	46,583	48,912	51,358
Market size	[mn NT\$]	149,000	156,450	164,273	172,486	181,110	190,166	199,674	209,658	220,141	231,148
TAM YoY growth	[mn NT\$]	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
TSMC market share	[mn NT\$]	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%

Revenue Breakdown III

Source: Team elaboration

Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
IoT	[mn NT\$]	169,381	179,544	190,317	201,736	213,840	226,670	240,271	254,687	269,968	286,166
% of net sales	[mn NT\$]	5%	4%	4%	3%	3%	3%	2%	2%	2%	2%
YoY Growth	[mn NT\$]	-2%	6%	6%	6%	6%	6%	6%	6%	6%	6%
IoT revenue in USD billions	[mn NT\$]	5,729	6,073	6,437	6,824	7,233	7,667	8,127	8,615	9,132	9,680
Market size	[mn NT\$]	53,000	56,180	59,551	63,124	66,911	70,926	75,182	79,692	84,474	89,542
TAM YoY growth	[mn NT\$]	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
TSMC market share	[mn NT\$]	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Revenue Breakdown IV

Source: Team elaboration

Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Automotive	[mn NT\$]	160,375	192,203	229,359	256,882	287,708	322,233	360,901	404,209	452,714	507,040
% of net sales	[mn NT\$]	4%	4%	4%	4%	4%	4%	4%	3%	3%	3%
YoY Growth	[mn NT\$]	11%	20%	19%	12%	12%	12%	12%	12%	12%	12%
Automotive revenue in USD billions	[mn NT\$]	5,425	6,501	7,758	8,689	9,732	10,900	12,207	13,672	15,313	17,151
Market size	[mn NT\$]	76,000	85,120	95,334	106,775	119,587	133,938	150,011	168,012	188,173	210,754
TAM YoY growth	[mn NT\$]	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
TSMC market share	[mn NT\$]	7.1%	7.6%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%

Revenue Breakdown V

Source: Team elaboration



Cash Flow Statement	[Units]	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
DCE	[mn NT\$]	29,753	30,646	31,627	32,639	33,683	34,727	35,804	36,914	38,058	39,238
% of net sales	[mn NT\$]	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
YoY Growth	[mn NT\$]	2.8%	3.0%	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%
Others	[mn NT\$]	59,507	61,292	63,254	65,278	67,367	69,455	71,608	73,828	76,116	78,476
% of net sales	[mn NT\$]	1.7%	1.4%	1.2%	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.5%
YoY Growth	[mn NT\$]	2.8%	3.0%	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%

SG&A	[Units]	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
SG&A Expenses	[mn NT\$]	(71,464)	(96,888)	(121,257)	(146,412)	(175,368)	(206,462)	(239,174)	(272,330)	(309,890)	(350,302)	(393,774)	(432,188)
General and administrative	[mn NT\$]	(60,873)	(83,745)	(102,455)	(123,783)	(148,246)	(174,656)	(202,068)	(229,309)	(259,609)	(292,479)	(327,128)	(358,147)
<i>Depreciation</i>	[mn NT\$]			(17,375)	(22,343)	(28,411)	(35,741)	(44,491)	(54,816)	(66,851)	(80,703)	(96,437)	(120,057)
<i>% of total depreciation</i>	[mn NT\$]			2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
<i>Others</i>	[mn NT\$]			(85,080)	(101,440)	(119,835)	(138,915)	(157,577)	(174,492)	(192,758)	(211,777)	(230,691)	(238,090)
<i>% of net sales</i>	[mn NT\$]			2.8%	2.8%	2.7%	2.7%	2.6%	2.6%	2.5%	2.5%	2.4%	2.4%
Gain in efficiency	[mn NT\$]			0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Marketing	[mn NT\$]			(18,802)	(22,628)	(27,122)	(31,806)	(37,106)	(43,022)	(50,281)	(57,823)	(66,646)	(74,041)
<i>% of net sales</i>	[mn NT\$]			0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
R&D expense	[mn NT\$]	(182,370)	(204,182)	(263,201)	(334,761)	(421,734)	(522,300)	(634,816)	(745,336)	(873,169)	(1,018,114)	(1,178,762)	(1,336,200)
<i>Depreciation</i>				(17,375)	(22,343)	(28,411)	(35,741)	(44,491)	(54,816)	(66,851)	(80,703)	(96,437)	(120,057)
<i>% of total depreciation</i>				2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
<i>Others</i>	[mn NT\$]			(245,826)	(312,418)	(393,322)	(486,559)	(590,325)	(690,519)	(806,317)	(937,411)	(1,082,324)	(1,216,143)
<i>% of net sales</i>	[mn NT\$]			7.3%	7.6%	7.8%	8.1%	8.3%	8.4%	8.6%	8.7%	8.8%	8.9%
Increase in investments	[mn NT\$]			0.3%	0.3%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%