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TAIWAN SEMICONDUCTOR FY 2025

Earnings Report Update

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Company Overview

Taiwan Semiconductor Manufacturing Company Limited is a global pure-play foundry specializing in advanced wafer fabrication. Its core business is manufacturing integrated circuits using leading-edge and mature process technologies for fabless customers, serving end markets such as high-performance computing, smartphones, automotive electronics, and the Internet of Things worldwide.

GUIDANCE

TSMC expects first-quarter 2026 revenue of US$34.6–35.8 billion, reflecting sustained demand for leading-edge technologies and strong momentum across advanced computing applications.

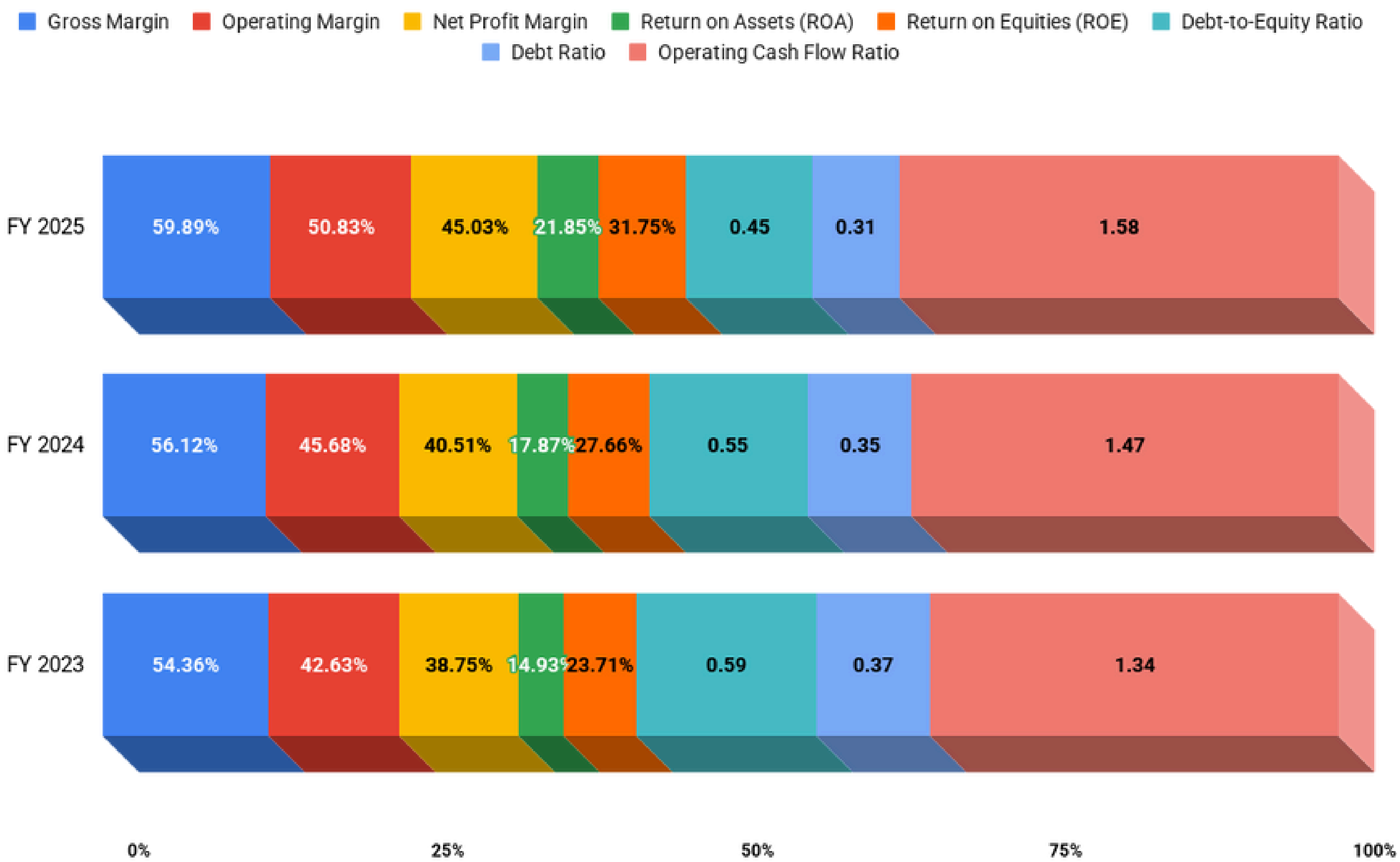
CEO's Commentary

“ Our business in the fourth quarter was supported by strong demand for our leading-edge process technologies, said Wendell Huang, Senior VP and Chief Financial Officer of TSMC. Moving into first quarter 2026, we expect our business to be supported by continued strong demand for our leading-edge process technologies. ”

Expectation Analysis

TWD($)	Q4 2025	ESTIMATE	BEAT/MISS
REVENUE	1,050B	1,040B	1.00%
EBITDA	727B	717B	1.40%
EBIT	565B	531B	6.40%
EPS	19.50	18.20	7.40%

Margin and Efficiency Analysis



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Revenue/Profitability Summary			
Billion USD($), except EPS	**FY 2025**	**Q4 2025**	**YOY**
Net Revenue	122.42	33.73	35.90%
Gross Profit	73.32	21.02	45.02%
Income from Operations	62.23	18.22	51.22%
Net Non-operating Income	3.39	0.89	30.10%
Income Before Income Tax	65.62	19.10	49.97%
Net Income	55.13	16.30	51.09%
Earnings per Share	2.13	0.63	51.06%

Cost/Expenses Summary			
Billion USD($)	**FY 2025**	**Q4 2025**	**YOY**
Cost of Revenue	49.10	12.71	24.23%
Research and Development	7.92	2.09	24.63%
Total Operating Expenses	11.11	2.84	18.55%
Income Tax Expenses	10.49	2.80	44.34%

Cash Flow Summary		
Billions USD($)	**FY 2025**	**YOY**
Net cash from operations	73.12	28.64%
Net cash from investing	-36.78	36.64%
Net cash from financing	-14.15	31.30%
Cash balance	88.96	34.34%

Key Items of Financial Position Summary			
Billion USD($)	**FY 2025**	**QOQ**	**YOY**
Current Assets	121.40	7.87%	28.80%
Non-current Assets	130.90	2.00%	19.03%
Total assets	252.29	4.74%	23.54%
Current Liabilities	46.37	10.96%	20.16%
Non-current Liabilities	32.25	-5.55%	-4.25%
Total liabilities	78.62	3.53%	8.78%
Total equities	173.67	5.30%	31.62%

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Performance Highlights

- In the fourth quarter of 2025, TSMC reported revenue growth driven by strong demand for leading-edge process technologies. Advanced nodes contributed 77% of wafer revenue, led by 3nm at $9.4 billion (28%), alongside 5nm and 7nm at $11.8 billion (35%) and $4.7 billion (14%) respectively. By platform, HPC and smartphones accounted for 55% and 32% of revenue, with sequential growth led by smartphones, while automotive and digital consumer electronics (DCE) softened modestly.

- Geographically, North America remained the dominant revenue source, contributing 74% ($24.97B) of total net revenue in Q4 25. Asia Pacific and China each contributed $3.04B (9%), while Japan and EMEA contributed $1.35B (4%) a piece. On a full-year basis, North America accounted for 75% ($91.8B) of total revenue.

- Gross margin reached 62.3% ($21.02B) in Q4 25, up 2.8% from Q3 25, supported by cost improvements, favorable foreign exchange, and higher capacity utilization. For the full year, gross margin rose to 59.9% ($73.32B), a 3.8% increase from 2024, reflecting improved efficiency and higher capacity utilization, partly offset by unfavorable FX and margin dilution from overseas fabs. Operating expenses in Q4 25 totaled $2.84B (8.4% of revenue), down from 8.9% in Q3 25, with operating margin improving 3.4% to 54.0% ($18.22B). For 2025, operating expenses represented 9.1% of net revenue ($11.11B), reflecting operational leverage.

- TSMC's liquidity remained strong, with cash and cash equivalents of $88.03B and total current assets of $121.40B in Q4 25. Receivables days was 26 days, inventory days remained 74, and free cash flow for the quarter was $11.72B, up from $7.37B in Q3 25. Full-year free cash flow reached $32.25B, up from $28.03B in 2024, supporting capital investments in advanced process technologies.

- TSMC invested heavily in maintaining technological leadership, with capital expenditures of $40.90B in 2025, supporting expansion of 3nm and 5nm production capacities. This strategic investment underpins future revenue growth and ensures continued competitiveness in advanced process technologies, particularly in high-performance computing (HPC) and smartphone markets.

- TSMC maintained a strong commitment to shareholder returns, approving a $0.19 per share cash dividend for Q3 25, with distribution planned for April 9, 2026. This, combined with a stable capital structure and robust free cash flow of $32.25B for 2025, demonstrates a balanced approach between reinvesting in growth initiatives and delivering consistent returns to shareholders.

Concerns Raised

- TSMC delivered strong Q4 2025 results, supported by robust demand for its leading-edge process technologies, with 3nm, 5nm, and 7nm processes contributing $9.0 billion, $11.6 billion, and $4.6 billion respectively of wafer revenue. High-performance computing (HPC) and smartphone platforms drove 55% and 32% of net revenue sequentially. However, slower growth in automotive and digital consumer electronics, down 1% and 22% respectively, highlights potential platform concentration risk.

- Geographically, North America accounted for 74% of revenue in Q4 25, with Asia-Pacific, China, Japan, and EMEA contributing the remainder. This strong dependence on North American customers could expose TSMC to regional policy shifts or trade tensions. The recent U.S. tariffs on certain AI chips, including Nvidia and AMD processors, amplify this risk by potentially disrupting supply chains and affecting TSMC's access to key U.S. customers.

SAVEST RATING: OVERWEIGHT

OUR INSIGHT

"TSMC reported an outstanding Q4 2025 performance, fueled by strong AI-driven demand, with FY-2025 margins and returns markedly surpassing prior years—gross margin reached 59.9%, ROE 31.8%, and leverage declined. Robust operating cash flow and a conservative debt profile underpin near-term resilience. Over the longer term, significant CAPEX requirements, geopolitical risks, customer concentration, and evolving trade policies remain key considerations for investors."

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