

# Taiwan Semiconductor Manufacturing Co., ADR

Asia Satellite\*

Recommended since 18.11.2020

17.09.2024



<b>Country</b> TW	<b>Market capitalization (bn)</b> USD 770,5	<b>Perf. since reco. (%)</b>
<b>Sector</b> Technology	<b>Free float</b> 100,0% Taiwan Semiconductor MC., ADR	74,4
<b>Factset</b> TSM-US	<b>Closing price</b> USD 169,08	<b>Sector</b> 83,1
<b>ISIN</b> US8740391003	<b>ESG Risk score*</b> 14,5 Low risk	



**Profile**  
 Since its inception in 1987, Taiwan Semiconductor Manufacturing Company (TSMC) has become one of the world's largest foundries with a 55% share of the global market in 2023. The Group is a pure player in the industry, serving a broad and diverse customer base with a wide range of applications in IT, communications, connected devices and wider industry segments. These products are used in a variety of end products such as smartphones, PCs, high-performance computing, automotive and Internet of Things (IoT). Head office: Hsinchu Science Park. 51,297 employees.

**Strengths/opportunities**

- ⊕ A leading technology company that has become the largest chip producer in the world. Increase in production capacity.
- ⊕ Strong portfolio of high margin products (more than 10,000 products).

**Investment case**

- ⊕ TSMC has a diversified portfolio, ranging from standard products to advanced manufacturing with high-yield processes. As of Q2 2024, its 3nm and 5nm processes, used in products such as smartphones and high-performance computing, accounted for 40% of revenue. The company is already preparing for the next generation with 2nm, a process it uniquely controls, positioning it as the sole foundry capable of ultra-fine engraving for AI, smartphones, and PCs.
- ⊕ The rise of AI presents an exponential growth opportunity for TSMC. Major players like Nvidia (Blackwell, Rubin), AMD (MI400), and Intel (LunarLake) continue to collaborate with TSMC on advanced nodes (3nm, 2nm), reinforcing its strategic position in this segment. As process nodes become more advanced, TSMC's pricing power is expected to increase due to the complexity and costs associated with miniaturization.
- ⊕ Additionally, the emergence of in-house silicon among tech giants such as Google, Amazon, Microsoft, and Meta (via Broadcom), as well as start-ups, is driving demand for TSMC. These companies rely on TSMC's cutting-edge technologies to develop custom chips, optimizing their hardware performance for server infrastructure and cloud computing.
- ⊕ Finally, the cyclical nature of the semiconductor market shows positive prospects, with healthier inventory levels and signs of recovery across automotive, industrial, PC, and smartphone sectors.

**Weaknesses/threats**

- ⊖ Moderate exposure to the semiconductor cycle.
- ⊖ Dependence on certain large customers (Apple).
- ⊖ Strong competition from Samsung lately.
- ⊖ Positioning in relation to China.

**Valuation**

The stock is trading at a forward P/E ratio of 22x. HPC is growing and TSMC should receive a higher multiple due to this exposure.

**ESG risk vs. universe & sector (percentile)\***



USD	12/2023	2024e	2025e
Sales revenue (mio)	69 350	86 603	106 873
Sales growth	-8,7%	24,9%	23,4%
EBIT adjusted (mio)	29 555	37 364	48 188
% of sales	42,6%	43,1%	45,1%
Net income (mio)	26 900	33 325	42 777
Net income growth	-21,1%	23,9%	28,4%
FCF/Sales	17,6%	24,3%	28,4%
Net debt/Ebitda	-0,5x	-0,6x	-0,7x
Dividend yield	1,1%	1,3%	1,6%
PE	20,0x	26,1x	20,5x
P/BV	7,9x	6,8x	5,5x

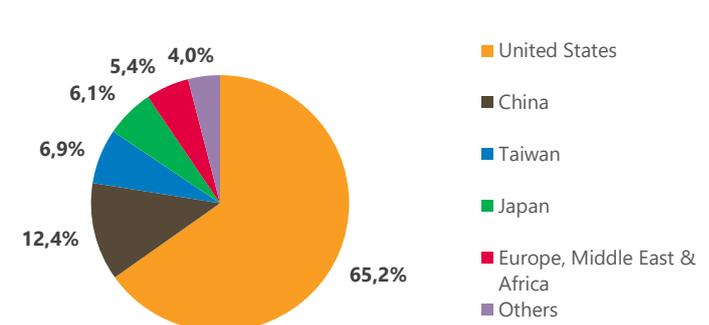
**ESG - risks and key points**

- ⊕ TSMC is rated "Low-risk", no controversy.
- ⊕ Moving towards green manufacturing and aligned with the United Nations Sustainable Development Goals (SDGs).
- ⊕ Applications for greenhouse gas (CO2) emissions reduction programmes and energy and waste management.
- ⊕ Product governance: controlling the production of chips enables the technological progress of the company in general.

**5-year performance vs sector**



**Sales breakdown - 12/2023**



— MSCI World Index / Information Technology -SEC  
 — Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR

Source: FactSet

\*: see overleaf

Source: Factset, Sustainalytics

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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