

TSMC Financial Performance & Market Outlook: Q3 2024 Earnings Report Analysis

Executive Summary:

Taiwan Semiconductor Manufacturing Co Ltd (TSMC) reported strong Q3 2024 earnings, exceeding revenue and gross margin guidance. The company is benefiting from robust demand for its advanced semiconductor technologies, particularly driven by AI applications in servers, smartphones, and PCs. While acknowledging potential headwinds like overseas fab profitability and rising energy costs in Taiwan, TSMC maintains a positive outlook for 2025 and beyond, fueled by continued investment in cutting-edge technologies and global expansion.

Key Findings from Data Analysis:

- **Steady Revenue Growth:** TSMC has demonstrated consistent revenue growth from Q1 2020 to Q3 2024, with a notable acceleration in recent quarters.
- **Increasing Operating Income:** Operating income has followed a similar upward trajectory, indicating improving profitability alongside revenue growth.
- **Cost Structure Stability:** Despite inflationary pressures, TSMC has managed to maintain a relatively stable cost structure over the analyzed period.
- **Projected Growth:** Based on provided data and Q4 2024 guidance, TSMC is on track for substantial year-over-year revenue growth in 2024, surpassing earlier projections.

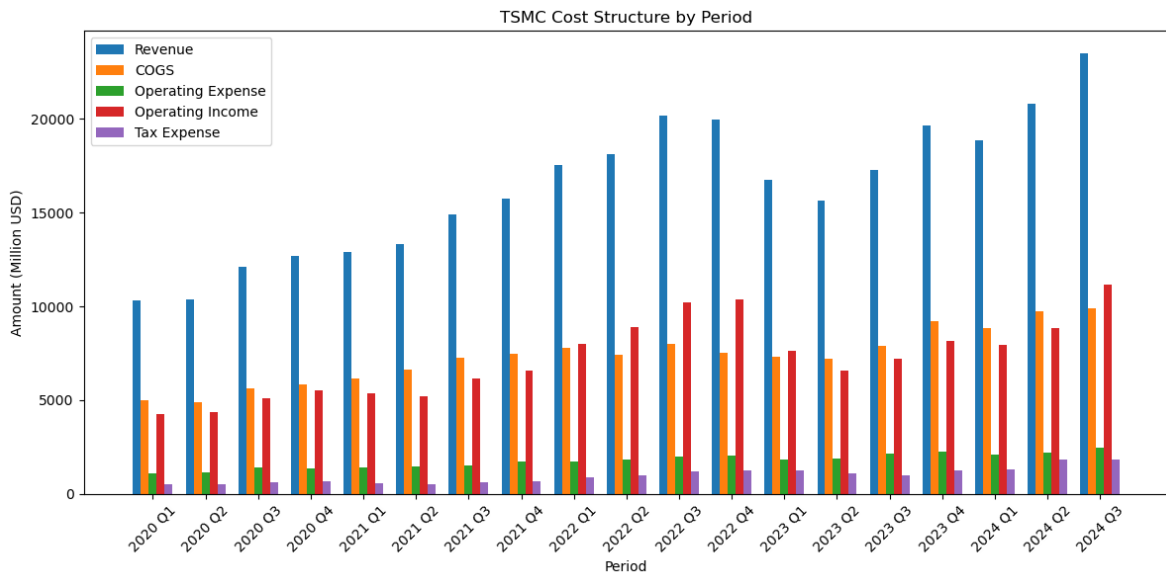
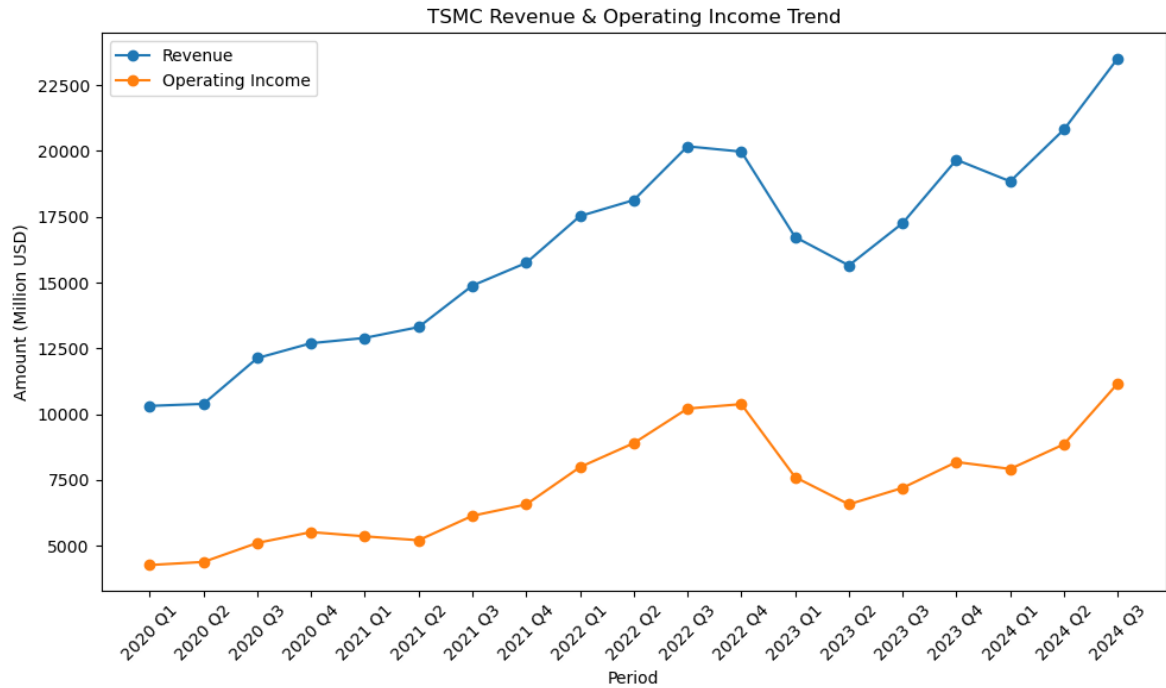
Highlights from Transcript Analysis:

- **AI Driving Growth:** TSMC confirmed strong demand for its 3nm and 5nm technologies, primarily driven by AI applications across various sectors. This trend is expected to continue, with server AI processor revenue projected to more than triple in 2024.
- **Positive Market Outlook:** While acknowledging a potential stabilization in non-AI semiconductor demand, TSMC anticipates overall market improvement. The company is also witnessing higher-than-expected demand for its 2nm technology, exceeding initial N3 demand.
- **Strategic Investments:** TSMC is heavily investing in 2nm and A16 capacity expansion to capitalize on strong demand. The company is also significantly scaling its CoWoS packaging technology, despite current supply constraints.
- **Global Expansion Progressing:** TSMC's Arizona and Japan fabs are on track for volume production, with additional facilities planned. This strategic expansion aims to diversify production and cater to growing global demand.
- **Focus on Value Selling:** TSMC emphasized its commitment to value-based pricing, collaborating closely with customers and suppliers to justify costs and ensure mutual success.

Conclusions and Recommendations:

- **TSMC is well-positioned for continued growth, driven by its leadership in advanced semiconductor technologies and strategic focus on high-growth markets like AI.**
- **Investors should closely monitor the company's progress in managing potential risks, including overseas fab profitability, rising energy costs, and CoWoS supply constraints.**
- **TSMC's commitment to value selling and strategic partnerships will be crucial in maintaining its competitive edge and ensuring long-term sustainability.**
- **Further analysis should explore TSMC's competitive landscape, including potential threats from competitors like Samsung and Intel, to assess long-term market positioning.**

- Examining the impact of geopolitical factors, particularly US-China relations and potential semiconductor industry regulations, is crucial to understanding potential future risks and opportunities.



TSMC Financial Ratios

| Period | Gross Margin | Operating Margin | Net Margin |
|---------|--------------|------------------|------------|
| 2020 Q1 | 0.52 | 0.41 | 0.37 |
| 2020 Q2 | 0.53 | 0.42 | 0.37 |
| 2020 Q3 | 0.53 | 0.42 | 0.37 |
| 2020 Q4 | 0.54 | 0.43 | 0.38 |
| 2021 Q1 | 0.52 | 0.42 | 0.37 |
| 2021 Q2 | 0.5 | 0.39 | 0.35 |
| 2021 Q3 | 0.51 | 0.41 | 0.37 |
| 2021 Q4 | 0.53 | 0.42 | 0.38 |
| 2022 Q1 | 0.56 | 0.46 | 0.41 |
| 2022 Q2 | 0.59 | 0.49 | 0.44 |
| 2022 Q3 | 0.6 | 0.51 | 0.45 |
| 2022 Q4 | 0.62 | 0.52 | 0.46 |
| 2023 Q1 | 0.56 | 0.45 | 0.38 |
| 2023 Q2 | 0.54 | 0.42 | 0.35 |
| 2023 Q3 | 0.54 | 0.42 | 0.36 |
| 2023 Q4 | 0.53 | 0.42 | 0.35 |
| 2024 Q1 | 0.53 | 0.42 | 0.35 |
| 2024 Q2 | 0.53 | 0.43 | 0.34 |
| 2024 Q3 | 0.58 | 0.47 | 0.4 |

