tsmc

TSM

One factory prints the AI era. The toll is 66 cents on the dollar.

TSMC's Q3 2026 revenue of $46.72B beat its own guide, net income rose 68.7% year over year, and 2nm shipped its first real revenue. The stock still fell 4.0% across the two sessions after the print and sits 15.1% below its all-time high close of Oct 5. The question is no longer the business. It is the price of perfection.

WATCH · STAGED BUY ZONE

THE CALL

WATCH / STAGE

Starter size only inside the $395 to $425 zone. The 200-day average is the line the thesis stands on.

CLOSE · 16 OCT 2026

$412.61

Down 2.28% on the day and 4.04% over the two sessions since the Q3 print. Volume 16.7M shares.

3-MONTH SCENARIO

$470 to $490

A return to the all-time high close zone of $485.80 (Oct 5, 2026), worth +14% to +19%.

INVALIDATION

$395

A sustained close below the 200-day average at $395.05 ends the staged-buy setup.

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KEY TAKEAWAYS · READ THIS FIRST

Five things that decide this stock.

01 The print beat the guide. The stock fell anyway.

Q3 2026 revenue of $46.72B cleared the company's $44.6B to $45.8B guide, operating margin of 58.7% topped the guided 56% to 58% range, and net income of NT$763.06B beat the LSEG SmartEstimate by 2.2%. TSM still fell 1.8% on Oct 15 and 2.3% on Oct 16. That is profit-taking nine sessions after a record close, in a week when the AI end-demand names de-rated hard, not a verdict on the quarter.

02 The toll booth economics are intact.

Gross margin 66.4%, operating margin 58.7%, net margin 51.1%, annualized return on equity 45.5% (company earnings presentation). Advanced nodes of 7nm and below supplied 79% of wafer revenue, and high-performance computing was 68% of the total. TrendForce put TSMC at 72.5% of global foundry revenue in Q2 2026. The number two, Samsung Foundry, held 5.9%.

03 Margin has a ceiling question, not a demand question.

Gross margin slipped 1.3 points in the quarter as 2nm ramped to 8% of wafer revenue and overseas fabs added dilution. Q4 guidance holds the line at 65% to 67%, and the company's long-term guide remains 56% and higher. The durability debate is pricing power against ramp cost, and it is answered quarter by quarter, starting with the January print.

04 The ADR charges about 9% for convenience.

One TSM ADR equals five Taipei-listed shares. At the Oct 16 closes (ADR $412.61, Taipei NT$2,420) and the latest Federal Reserve H.10 rate of NT$31.94 per dollar, the ADR implies NT$2,636 per share, a premium of about 8.9%. Trailing P/E is 24.6x on the Taipei line and 26.8x through the ADR. Same factory. Two prices.

05 The tape is washed out, not broken.

RSI(14) sits at 34.2, near oversold. The price is below the 20-day ($452.47) and 50-day ($434.36) averages and above the 200-day ($395.05), 15.1% below the record close. Street consensus of $585.57 (FMP) sits 41.9% above the close. The market is asking for Q4 delivery before it pays that price, and the monthly revenue prints are where delivery shows up first.

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01 · THE DECISION

A record print, a falling stock, and a line at $395.

TSM is not cheap at 26.8x trailing earnings through the ADR. But it earns a 45.5% annualized return on equity, converts about 30% of revenue to free cash flow (NT$1,480.7B on NT$4,944.8B over the last four quarters), and just lifted its 2026 growth outlook to about 44% in USD terms. The de-rating is about its customers' stocks, not this P&L.

3-MONTH SCENARIO

$470-490

Back to the record-close zone ($485.80, Oct 5, 2026). Needs the monthly revenue prints to keep confirming the Q4 guide run-rate.

6-MONTH SCENARIO

$540-590

The FMP street median of $560 to the $585.57 consensus. Needs the January Q4 print to hold gross margin at 65% or better.

INVALIDATION

$395

A sustained close below the 200-day average at $395.05 breaks the uptrend the setup leans on. Next reference: the $374.67 sixty-day low close.

Why own it

- **Guidance moved up, not down.** Full-year 2026 revenue growth guided to about 44% in USD, with Q4 revenue guided to $52.3B to $54.3B, a sequential step-up of 12% to 16%.
- **The balance sheet funds the build.** Cash and marketable securities of NT$4,017.0B against NT$818.4B of long-term interest-bearing debt. Q3 free cash flow alone was NT$476.56B.
- **Capacity is the product, and it is spoken for.** The 2026 capex budget of $60B to $64B (Reuters) is spent against customer commitments, and a quarterly dividend of NT$7.00 per share is already approved.

How to own it



Zone: $395 to $425. No chasing above the 50-day average. The full plan and its kill conditions are on the Verdict page.

> The bet is not that AI demand grows. It is that the one supplier every AI roadmap runs through should not de-rate with its customers.

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02 · THE COMPANY IN PLAIN ENGLISH

TSMC sells one thing: capacity nobody else has.

Customers design the chips. TSMC manufactures them. Founded in 1987, it invented the pure-play foundry model: it never sells a chip of its own design, so it never competes with the customers whose roadmaps it sees first. In 2025 it made 12,682 products for 534 customers across 305 process technologies.

01 · THE MODEL

A toll booth, not a chip company

Revenue is wafer fabrication, about 86% of the 2025 total per the Form 20-F, plus the advanced packaging AI accelerators cannot ship without. Customers prepay and commit to capacity years ahead because the alternative does not exist at scale. TrendForce's Q2 2026 revenue share: TSMC 72.5%, Samsung Foundry 5.9%.

02 · THE LEADING EDGE

The mix keeps moving down-node

Q3 2026 wafer revenue by node: 2nm 8% (first revenue in Q2 2026), 3nm 33%, 5nm 28%, 7nm 10%. Advanced nodes at 7nm and below: 79%. Each new node starts as a margin cost and becomes the pricing umbrella for everything behind it.

03 · THE MIX

HPC is the business now

Q3 2026 revenue by platform: high-performance computing 68%, smartphone 21%, IoT 4%, automotive 4%, digital consumer 1%, other 2% (company presentation). HPC grew 22% in the quarter; automotive grew fastest off a small base at 23%.

04 · THE MAP

Taiwan first, hedges building

The frontier capacity sits in Taiwan. The hedges are real and expensive: a $265B Arizona program including the additional $100B unveiled in July 2026 (Reuters), a Sony-partnered fab venture in Japan (company announcement, Aug 11, 2026), and a joint High NA EUV initiative with ASML (Sep 8, 2026).

Why the moat holds

- Yield learning compounds: nobody else runs this volume at 3nm and 2nm, and volume is what teaches a fab.
- Customers co-invest in capacity and design to TSMC's process rules, which makes switching a redesign, not a reorder.
- The packaging bottleneck (CoWoS) sits inside the same company, so the AI supply chain clears one gate.

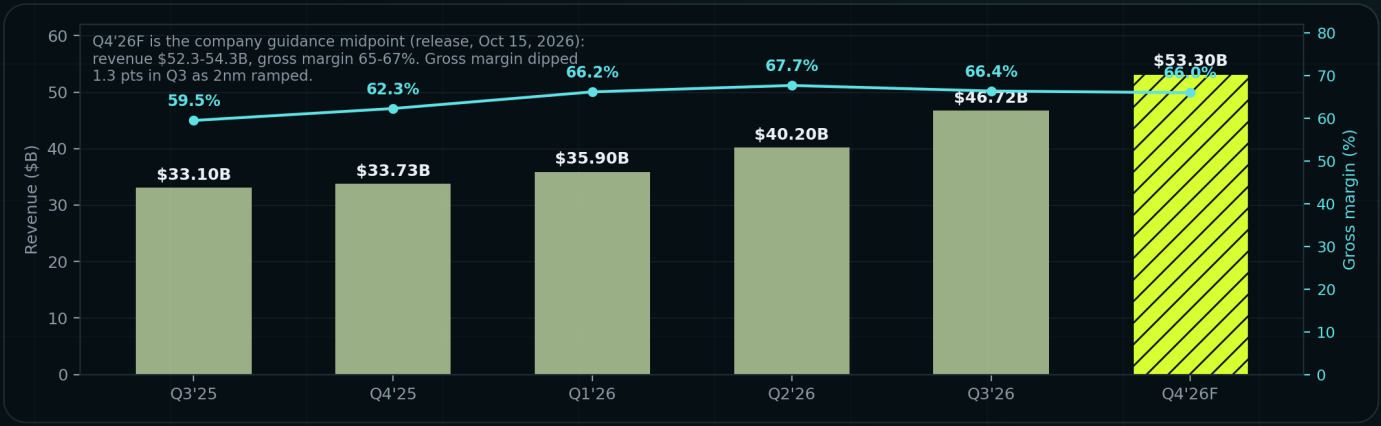
What to monitor

- **Concentration:** the ten largest customers were about 78% of 2025 net revenue; the largest was 19% and the second 17% (Form 20-F). The filing does not name them.
- **2nm yield and margin:** gross margin through the ramp is the quarterly moat test.
- **The ADR premium:** about 8.9% at the Oct 16 closes. A widening premium is demand for the wrapper; a collapse would be a tell.

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03 · THE NUMBERS THAT MATTER

Revenue up 41%. Margins at 66%. Guidance raised.



Q3 2026 snapshot (SEC 6-K, Oct 15, 2026)

METRIC	ACTUAL	CHECK
Revenue	$46.72B (NT$1,494.24B)	+41.2% YoY in USD, +16.2% QoQ
Gross margin	66.4%	Guide was 65% to 67%; Q2 was 67.7%
Operating margin	58.7%	Above the 56% to 58% guide range
Net income	NT$763.06B	+68.7% YoY; beat LSEG estimate by 2.2%
Diluted EPS	NT$29.43 / $4.60 per ADR	TTM EPS NT$98.26 across four quarters
Free cash flow	NT$476.56B	Operating cash flow less capex

Cash bridge, trailing four quarters (NT$)

Operating cash flow, TTM	NT$3,127.6B
Capex, TTM	NT$1,646.9B
Free cash flow, TTM	NT$1,480.7B (about $46.4B)
Dividends paid, TTM	NT$570.5B, 38.5% of FCF

What frames it

At $412.61 the ADR trades at 26.8x trailing earnings and 13.7x trailing sales, with a free-cash-flow yield of about 2.2% and a dividend yield near 1.1% at the approved NT$7.00 quarterly rate. On the Taipei line the same earnings cost 24.6x. At the Oct 5 record close, the ADR-effective multiple was about 31.6x (computed at the same FX rate). The de-rating has already started. The question the Verdict page answers is what the business rates now.

Guide vs actual, Q3 2026

Revenue: guided $44.6B to $45.8B, printed $46.72B. Gross margin: guided 65% to 67%, printed 66.4%. Operating margin: guided 56% to 58%, printed 58.7%. Q4 guide: revenue $52.3B to $54.3B, gross margin 65% to 67%, operating margin 56.5% to 58.5%.

This is a 66% gross margin on a manufacturing business with a net cash balance sheet, growing revenue at 41%. The multiple debate is real. The quality debate is not.

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04 · THE CHART AND THE LEVELS

Down 15.1% from the record. The 200-day is the floor of the story.

One full year of daily closes. Price below the 20-day and 50-day averages after a record print, above the 200-day, RSI(14) at 34.2. A washed-out uptrend gets staged entries, not all-ins.



R2 · ALL-TIME HIGH CLOSE	R1 · 50-DAY AVERAGE	S1 · 200-DAY AVERAGE	S2 · 60-DAY LOW CLOSE
$485.80	$434.36	$395.05	$374.67

TREND

UP, CORRECTING

+37.6% over one year, +35.8% year to date, 15.1% off the high close in nine sessions.

RSI(14)

34.2

Near the oversold line at 30. This shallow an extreme has marked staging zones, not bottoms, in this name.

THE LINE

$395.05

The 200-day average, untested since the advance began. A hold keeps the staged plan alive; a sustained close below it ends it.

Bull confirmation

- Closes hold above $395 into the October revenue report (due by Nov 10).
- Monthly revenue tracks the Q4 guide run-rate ($52.3B to $54.3B).
- A daily close back above the 50-day at $434.36.

Bear confirmation

- A sustained close below $395.05 on rising volume.
- A monthly revenue print that breaks the Q4 guide trajectory.
- A gross margin guide below 65% at the January print.

Basis: Nasdaq daily closes, ADR basis. All-time high close $485.80 on Oct 5, 2026; 52-week low close $275.06 on Nov 21, 2025. Averages and RSI computed from the full series.

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05 · THE REAL DEBATE

The debate is not demand. It is durability, geography, and price.

QUESTION 1 · DEMAND

Does the AI buildout keep paying the toll?

HPC is 68% of revenue and grew 22% in the quarter. Management stayed prudent on 2027 consumer demand (Reuters). One segment deep, and its customers are the stocks de-rating now.

QUESTION 2 · MARGIN

Is 66% the new normal or the peak?

Gross margin fell from 67.7% to 66.4% as 2nm ramped. The Q4 guide of 65% to 67% says the dip is managed; the long-term guide is 56% and higher.

QUESTION 3 · GEOGRAPHY

What is the Taiwan discount, really?

Priced two ways at once: a premium of about 8.9% for the US-listed wrapper, and a multiple below the US AI names it supplies. The $265B Arizona program is the hedge.

QUESTION 4 · CONCENTRATION

What if one giant customer sneezes?

The ten largest customers were about 78% of 2025 revenue; the largest alone was 19% (Form 20-F, names not disclosed). In 2022 the ADR fell 38.1% on multiple damage, not factory damage.

Catalyst tape

OCT 8, 2026
September revenue

NT$511.86B, up 54.6% year over year (company monthly report, Form 6-K).

OCT 15, 2026
Q3 print: beat, sold anyway

Revenue $46.72B and a net income beat versus the LSEG SmartEstimate. The ADR fell 1.8%, then 2.3%.

BY NOV 10, 2026
October revenue report

The monthly print is the first checkpoint on the Q4 guide run-rate.

DEC 10, 2026
Ex-dividend

NT$7.00 per share for Q2 2026 (NT$35 per ADR). Payment Jan 7, 2027 (presentation).

MID-JAN 2027
Q4 2026 print

The next full report and FY2027 guide. Date not yet announced as of Oct 18, 2026.

The street

FMP consensus $585.57 (median $560, high $700, low $500), pulled Oct 18, 2026; no analyst count returned. Finnhub, Sep 1, 2026: 41 buy or strong buy, 2 hold, 0 sell. Implied move into the print was near 4% (Invezz); it moved 4.04%.

What must go right / what breaks it

Right: Q4 revenue lands in the $52.3B to $54.3B guide, gross margin holds 65% or better, the 200-day holds.
Breaks: a top-customer order air-pocket, a January margin guide cut, or a Taiwan headline.

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06 · THE COMPOUNDING VIEW

29.7% a year for a decade. With a -38% year inside it.

The ADR went from $30.57 on Oct 17, 2016 to $412.61 on Oct 16, 2026, a gain of 1,249.7% on closes alone. The bad year, 2022 at -38.1%, arrived with the business intact and the multiple on trial.

10-YEAR CAGR

29.7%

Geometric, computed from the Nasdaq daily close series, window ending at the Oct 16, 2026 close.

BEST FULL YEAR

+89.9%

2024, the year AI capex guidance turned into foundry orders.

WORST FULL YEAR

-38.1%

2022. Owning this name means underwriting a drawdown of that size as a normal event.

Full calendar-year price returns (ADR closes)

YEAR	RETURN
2017	+37.9%
2018	-6.9%
2019	+57.4%
2020	+87.7%
2021	+10.3%
2022	-38.1%
2023	+39.6%
2024	+89.9%
2025	+53.9%

Sample standard deviation of the nine annual returns: 42.4 points. Price return only; the dividend (about 1.1% yield at the current rate) is excluded, per the stated convention.

Next 5 years at the same CAGR

What has to be true	**29.7% repeats**
Midpoint	**$1,517**
Lower band (floored)	**$413**
Upper band	**$6,229**

Band = CAGR plus or minus one sample standard deviation (42.4 pts) of 2017 to 2025 annual returns. The low end floors at today's close because the rate goes negative.

Next 10 years at the same CAGR

What has to be true	**29.7% repeats**
Midpoint	**$5,576**
Lower band (floored)	**$413**
Upper band	**$94,026**

Scenario math, not a forecast. Nobody at this desk underwrites a $94,026 print.

Reality check. Ten more years at a 29.7% CAGR takes the ADR-basis market value from about $2.14 trillion to roughly $28.9 trillion at a constant share count (computed), more than any company has ever been worth. The window held a smartphone supercycle and the start of the AI buildout. Treat the midpoint as an upper guidepost.

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07 · THE VERDICT

Own the toll booth. Respect the line at $395.

Verdict: **WATCH, with a staged buy plan inside the $395 to $425 zone.** The business case is as strong as any in the market. The tape case says stage it: RSI at 34.2 after a two-day post-print slide, with the 200-day untested below.

Position

- **Starter 25%** inside the zone at current levels near $412.
- **Add 35%** if the 200-day at $395.05 holds or retests cleanly through the November revenue print.
- **Add 25%** on a daily close back above the 50-day average at $434.36.
- **Hold 15% in reserve** for the mid-January Q4 print.
- **Out:** a sustained close below $395. No averaging below the line.

Scenarios, not promises

- **3 months: $470 to $490.** A return to the record-close zone. Requires monthly revenue prints on the Q4 guide path.
- **6 months: $540 to $590.** The street median to consensus zone. Requires the January print to hold gross margin at 65% or better.
- **Confidence: MODERATE.** Business evidence is filing-grade and one-source strong. The entry rests on a tape level that has not been tested since the advance began.

Lens check

Business: STRONG. 72.5% foundry share, 66.4% gross margin, guidance raised. **Valuation: MIXED.** 26.8x trailing through the ADR is full for a manufacturer and light for this one's moat; the 9% wrapper premium is optional cost. **Tape: CAUTIOUS.** Below the short averages, RSI near oversold, 200-day untested.

What kills the thesis

- A sustained close below $395.05.
- A Q4 print that cuts the gross margin guide below 65%.
- Reported order cuts or capex delays at a top-two customer.
- A Taiwan risk event that reprices the geography faster than any hedge can answer.

The single sentence: every AI roadmap on earth pays rent to this one factory, and the stock just went on sale because its tenants' stocks fell.

Defined-risk expressions only around the January print. This name just fell 4.0% on a beat; size for the gap, not the story. Next checkpoint: the October revenue report, due by Nov 10, 2026.

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08 · SOURCE MAP AND LIMITATIONS

Every number here can be traced.

Primary sources

Q3 2026 press release, Exhibit 99.1 to Form 6-K (filed Oct 15, 2026; SEC accession 0001046179-26-000726): Q3 results, node mix, Q4 2026 guidance, full-year 2026 outlook of about 44% revenue growth in USD, long-term guidance references. Q3 2026 earnings presentation, Exhibit 99.2 to the same 6-K: income statement, balance sheet and cash flow detail, platform mix, dividend of NT$7.00 per share with ex-dividend Dec 10, 2026 and payment Jan 7, 2027. September 2026 revenue report, Form 6-K (filed Oct 8, 2026; accession 0001046179-26-000680). Form 20-F for fiscal 2025 (filed Apr 16, 2026; accession 0001628280-26-025362): customer concentration (ten largest about 78% of 2025 net revenue; largest 19%, second 17%), wafer fabrication share of revenue. Q4 2025 and Q1 2026 earnings presentations (6-K exhibits, Jan 15 and Apr 16, 2026): the quarterly ladder behind the trailing-twelve-month figures. Company releases via its investor site: ASML High NA initiative (Sep 8, 2026) and the Japan fab venture (Aug 11, 2026).

Market data

Nasdaq historical data for TSM: 2,514 daily closes from Oct 17, 2016 to Oct 16, 2026, ADR basis. Headline close $412.61 on Oct 16, 2026 (down 2.28% on the day). Averages, RSI(14), returns, CAGR, drawdown and the sixty-day low close computed from that series. Taipei line: TWSE official daily data for 2330, close NT$2,420 on Oct 16, 2026. FX: Federal Reserve H.10 DEXTAUS, NT$31.94 per USD (Oct 9, 2026, the latest daily rate published at build time). ADR ratio: one ADS equals five common shares (company).

Street and industry

FMP analyst consensus, pulled Oct 18, 2026: target $585.57, median $560, high $700, low $500; the endpoint did not return an analyst count, and none is stated. Finnhub recommendation trends as of Sep 1, 2026. TrendForce press release (Sep 9, 2026): Q2 2026 foundry revenue share, TSMC 72.5%, Samsung Foundry 5.9%. Reuters (Oct 14, 2026): 2026 capex budget of $60B to $64B raised from $52B to $56B in July 2026, Arizona total planned investment of $265B, LSEG SmartEstimate net income NT$746.34B from 16 analysts. Invezz (Oct 15, 2026) is cited once, inline, for the options-implied move into the print.

Limitations

No options flow, open interest or implied volatility figures from the desk are used: no verified desk snapshot existed at build time. The customers behind the 20-F concentration figures are anonymized by the company and are not named or guessed here. Trailing P/E through the ADR (26.8x) is computed from the ADR-implied NT$ price at the H.10 rate; small FX moves since Oct 9 shift the premium and multiple modestly. The Q4 2026 earnings date had not been announced as of Oct 18, 2026. Scenario ranges are analysis framing, not price targets.

Method note

Prepared by ZeroGamma Research on Oct 18, 2026 from the Friday, Oct 16, 2026 close. AI-assisted research. The TSMC logo on the cover is the company's official wordmark (via Wikimedia Commons, credited to TSMC), used at natural proportions. Charts plot the full Nasdaq daily close series for their stated windows.

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