



Taiwan Semiconductor Manufacturing (TSM) — Research Summary

Technology | Semiconductors | 2026-05-05

Price: \$394.41

Signal: BUY (7.59/10)

Market: bull_tech

Taiwan Semiconductor Manufacturing (TSM) - Equity Research Summary

Aerondight Systems Signal: BUY (7.59/10)

COMPANY OVERVIEW & INVESTMENT THESIS

Taiwan Semiconductor Manufacturing is the world's largest contract chip manufacturer, producing semiconductors for major tech companies including Apple, NVIDIA, and AMD. The company sits at the epicenter of the artificial intelligence boom, manufacturing the advanced processors that power AI applications and data centers, positioning it as a critical beneficiary of the ongoing AI infrastructure buildout.

FUNDAMENTAL SNAPSHOT

TSM trades at a forward P/E of 25.8x, reflecting premium valuations typical of AI-beneficiary stocks but reasonable given the company's dominant market position and growth trajectory. With an EV of \$1.79 trillion against EBITDA of \$2.86 trillion, the company demonstrates exceptional profitability metrics that justify its valuation premium.

The earnings momentum remains exceptionally strong, with TSM beating analyst estimates in each of the last four quarters by an average of 8.9%. Most recently, Q1 2026 EPS of \$3.49 surpassed expectations by 8.4%, continuing the consistent outperformance trend.

Revenue growth accelerated to 15.7% year-over-year in Q1 2026, reaching \$1.15 trillion, while gross margins expanded to an impressive 66.2% from 62.3% in the prior quarter. Operating margins similarly improved to 58.0%, demonstrating the company's pricing power and operational leverage as demand for advanced chips intensifies. The stellar 46.5% net profit margin underscores TSM's ability to convert revenue growth into bottom-line results.

The balance sheet remains fortress-like with \$3.38 trillion in cash and short-term investments against just \$1.02 trillion in total debt, providing substantial financial flexibility for continued capacity expansion.

TECHNICAL OUTLOOK

TSM currently trades at \$394.41, sitting in the upper portion of its 52-week range of \$174.62-\$420, approximately 6% below its recent highs. The stock has demonstrated strong momentum throughout 2026, more than doubling from its 52-week lows as AI demand accelerated.

Recent price action suggests consolidation near current levels after the dramatic run-up, with immediate resistance around the \$420 52-week high. Support appears solid in the \$350-\$370 range, representing previous breakout levels that could serve as a floor during any near-term pullbacks.

The technical setup remains constructive, with the stock holding above key moving averages and showing resilience despite broader market volatility.

NEWS & SENTIMENT

Overall Sentiment: Bullish

Recent news flow reflects three key themes driving investor optimism. First, the broader semiconductor sector is benefiting from sustained AI infrastructure investment, with multiple chip companies reporting strong earnings and raising guidance. Second, geopolitical developments including potential US-Iran peace talks are reducing risk premiums across technology stocks. Third, competitive dynamics in the foundry space are intensifying, with reports of Apple exploring alternatives to TSM including Intel's foundry services, though this primarily validates the strategic importance of advanced chip manufacturing rather than threatening TSM's leadership position.

The market narrative centers on TSM as the primary enabler of the AI revolution, with the company's advanced manufacturing capabilities viewed as irreplaceable for cutting-edge processor production. Analyst coverage remains overwhelmingly positive with 16 buy ratings versus just 1 hold, and a consensus price target of \$463 implying 17.5% upside from current levels.

BOTTOM LINE

Aerondight Systems Signal: BUY (7.59/10)

TSM represents the essential infrastructure play for the AI megatrend, combining dominant market share with exceptional execution and financial strength. The upcoming Q2 2026 earnings report in July will be the key near-term catalyst, with investors focused on management's commentary regarding AI chip demand sustainability and capacity expansion plans.

Risk Level: Medium - While fundamentals remain strong, the stock's premium valuation and concentration in AI-related demand create sensitivity to any shifts in technology spending or geopolitical tensions affecting Taiwan.

Generated by Aerondight Systems Quantitative Research Platform. This summary is for informational purposes only and does not constitute investment advice.