



1Q24

Quarterly Management Report
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Operating Results Review:

CONTACT

Jeff Su
Investor Relations Division
invest@tsmc.com
886-3-568-2089

Topics in This Report:

- Revenue Analysis
- Profit & Expense Analysis
- Financial Condition Review
- Cash Flow
- CapEx
- Recap of Recent Important Events & Announcements

Summary:

(Amounts are on consolidated basis and are in NT\$ billions unless otherwise noted)

| | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> | <u>QoQ</u> | <u>YoY</u> |
|---|--------------|--------------|--------------|------------|------------|
| EPS (NT\$ per common share) | 8.70 | 9.21 | 7.98 | -5.5% | 8.9% |
| (US\$ per ADR unit) | 1.38 | 1.44 | 1.31 | | |
| Net Revenue (US\$ billions) | 18.87 | 19.62 | 16.72 | -3.8% | 12.9% |
| Net Revenue | 592.64 | 625.53 | 508.63 | -5.3% | 16.5% |
| Gross Profit | 314.51 | 331.77 | 286.50 | -5.2% | 9.8% |
| <i>Gross Margin</i> | <i>53.1%</i> | <i>53.0%</i> | <i>56.3%</i> | | |
| Operating Expenses | (65.36) | (71.62) | (55.31) | -8.7% | 18.2% |
| Other Operating Income and Expenses | (0.13) | 0.06 | 0.05 | | |
| Operating Income | 249.02 | 260.21 | 231.24 | -4.3% | 7.7% |
| <i>Operating Margin</i> | <i>42.0%</i> | <i>41.6%</i> | <i>45.5%</i> | | |
| Non-Operating Items | 17.52 | 18.07 | 13.04 | | |
| Net Income Attributable to Shareholders of the Parent Company | 225.49 | 238.71 | 206.99 | -5.5% | 8.9% |
| <i>Net Profit Margin</i> | <i>38.0%</i> | <i>38.2%</i> | <i>40.7%</i> | | |
| Wafer Shipment (kpcs 12 inch-equiv.) | 3,030 | 2,957 | 3,227 | 2.5% | -6.1% |
| Average Exchange Rate--USD/NTD | 31.40 | 31.88 | 30.42 | -1.5% | 3.2% |

Note: Diluted weighted average outstanding shares were 25,930mn units in 1Q24

Financial Highlights:**First Quarter 2024**

- Net revenue was NT\$592.64 billion, representing a 5.3% decrease from NT\$625.53 billion in 4Q23 and a 16.5% increase from NT\$508.63 billion in 1Q23.
- Gross margin was 53.1%, 0.1 percentage point higher than 4Q23 and 3.2 percentage points lower than 1Q23.
- Operating margin was 42.0%, up 0.4 percentage point from 4Q23 and down 3.5 percentage points from 1Q23.
- Non-operating items were a gain of NT\$17.52 billion, compared to a gain of NT\$18.07 billion in 4Q23 and a gain of NT\$13.04 billion in 1Q23.
- Net income attributable to shareholders of the parent company was NT\$225.49 billion, down 5.5% from 4Q23 and up 8.9% from 1Q23. Net profit margin was 38.0% and diluted EPS was NT\$8.70.

I. Revenue Analysis

| Wafer Revenue by Technology | 1Q24 | 4Q23 | 1Q23 |
|-----------------------------|------|------|------|
| 3nm | 9% | 15% | 0% |
| 5nm | 37% | 35% | 31% |
| 7nm | 19% | 17% | 20% |
| 16nm | 9% | 8% | 13% |
| 20nm | 0% | 0% | 1% |
| 28nm | 8% | 7% | 12% |
| 40/45nm | 5% | 4% | 7% |
| 65nm | 4% | 5% | 6% |
| 90nm | 1% | 1% | 2% |
| 0.11/0.13um | 3% | 3% | 2% |
| 0.15/0.18um | 4% | 4% | 5% |
| 0.25um and above | 1% | 1% | 1% |

| Net Revenue by Platform | 1Q24 | 4Q23 | 1Q23 |
|------------------------------|------|------|------|
| High Performance Computing | 46% | 43% | 44% |
| Smartphone | 38% | 43% | 34% |
| Internet of Things | 6% | 5% | 9% |
| Automotive | 6% | 5% | 7% |
| Digital Consumer Electronics | 2% | 2% | 2% |
| Others | 2% | 2% | 4% |

| Net Revenue by Geography | 1Q24 | 4Q23 | 1Q23 |
|--------------------------|------|------|------|
| North America | 69% | 72% | 63% |
| China | 9% | 11% | 15% |
| Asia Pacific | 12% | 8% | 8% |
| Japan | 6% | 5% | 7% |
| EMEA | 4% | 4% | 7% |

Revenue Analysis:

In the first quarter, revenue decreased 5.3% quarter-over-quarter, as our business was impacted by smartphone seasonality, partially offset by continued HPC-related demand.

By technology, 3nm process technology contributed 9% of total wafer revenue in 1Q24 while 5nm and 7nm accounted for 37% and 19% respectively. Advanced technologies (7nm and below) accounted for 65% of total wafer revenue.

By platform, HPC and Smartphone represented 46% and 38% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 6%, 2%, and 2%.

Sequentially, revenue from HPC, IoT, and DCE increased 3%, 5%, and 33% respectively, while Smartphone and Others decreased 16% and 8% respectively. Automotive remained flat from last quarter.

From a geographic perspective, revenue from customers based in North America accounted for 69% of total net revenue in 1Q24 while revenue from China, Asia Pacific, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 9%, 12%, 6%, and 4% of total net revenue respectively.

II. Profit & Expense Analysis

| II - 1. Gross Profit Analysis | | | |
|-------------------------------|---------------|---------------|---------------|
| (In NT\$ billions) | 1Q24 | 4Q23 | 1Q23 |
| Net Revenue | 592.64 | 625.53 | 508.63 |
| Cost of Revenue | (278.13) | (293.76) | (222.13) |
| Gross Profit | 314.51 | 331.77 | 286.50 |
| Gross Margin | 53.1% | 53.0% | 56.3% |

Gross Profit Analysis:

Gross margin was 53.1% in 1Q24, 0.1 percentage point higher than 4Q23, mainly reflecting product mix changes due to smartphone seasonality, partially offset by a less favorable foreign exchange rate.

II - 2. Operating Income Analysis

| (In NT\$ billions) | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
|---|----------------|----------------|----------------|
| Total Operating Expenses | (65.36) | (71.62) | (55.31) |
| Research & Development | (46.11) | (50.41) | (39.16) |
| SG&A | (19.25) | (21.21) | (16.15) |
| Other Operating Income and Expenses | (0.13) | 0.06 | 0.05 |
| Operating Income | 249.02 | 260.21 | 231.24 |
| Operating Margin | 42.0% | 41.6% | 45.5% |
| Total Operating Expenses as % of Net Revenue | 11.1% | 11.4% | 10.8% |

Operating Income Analysis:

Total operating expenses decreased by NT\$6.26 billion to NT\$65.36 billion in 1Q24, mainly attributable to tighter expense controls.

II - 3. Non-Operating Items

| (In NT\$ billions) | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
|---------------------------------------|---------------|--------------|--------------|
| L-T Investments | 0.87 | 1.31 | 1.04 |
| Net Interest Income (Expenses) | 16.66 | 14.49 | 10.65 |
| Other Gains and Losses | (0.01) | 2.27 | 1.35 |
| Total Non-Operating Items | 17.52 | 18.07 | 13.04 |

Non-Operating Items:

Total non-operating items were a gain of NT\$17.52 billion in 1Q24, compared to a gain of NT\$18.07 billion in 4Q23.

II - 4. Net Profit and EPS

| (In NT\$ billions) | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
|--|----------------|----------------|----------------|
| Income before Tax | 266.54 | 278.28 | 244.28 |
| Income Tax Expenses | (41.32) | (39.97) | (37.33) |
| Effective Tax Rate | 15.6% | 14.4% | 15.3% |
| Net Income Attributable to the Parent Company | 225.49 | 238.71 | 206.99 |
| Net Profit Margin | 38.0% | 38.2% | 40.7% |
| EPS (NT\$ per common share) | 8.70 | 9.21 | 7.98 |

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT\$225.49 billion in 1Q24, down 5.5% from 4Q23 and up 8.9% from 1Q23.

III. Financial Condition Review

| III - 1. Liquidity Analysis | | | |
|---|-----------------|-----------------|-----------------|
| (Balance Sheet Items) | | | |
| (In NT\$ billions) | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
| Cash & Marketable Securities | 1,922.66 | 1,687.65 | 1,589.19 |
| Accounts Receivable | 201.98 | 201.94 | 148.05 |
| Inventories | 267.12 | 250.99 | 216.07 |
| Other Current Assets | 61.01 | 53.45 | 42.42 |
| Total Current Assets | 2,452.77 | 2,194.03 | 1,995.73 |
| Accounts Payable | 184.79 | 228.78 | 204.76 |
| Current Portion of Bonds Payable and Bank Loans | 12.50 | 9.29 | 8.04 |
| Dividends Payable | 181.52 | 168.56 | 142.62 |
| Accrued Liabilities and Others | 647.37 | 506.95 | 517.67 |
| Total Current Liabilities | 1,026.18 | 913.58 | 873.09 |
| Current Ratio (x) | 2.4 | 2.4 | 2.3 |
| Net Working Capital | 1,426.59 | 1,280.45 | 1,122.64 |

Liquidity Analysis:

On a sequential basis, total current assets increased by NT\$258.74 billion, mainly due to the increase of NT\$235.01 billion in cash and marketable securities and NT\$16.13 billion in inventories.

Total current liabilities increased by NT\$112.6 billion, mainly due to the increase of NT\$140.42 billion in accrued liabilities and others, partially offset by the decrease of NT\$43.99 billion in accounts payable. The increase in accrued liabilities and others was mainly due to the reclassification of the receipt of certain customers' commitment from long-term liabilities.

Net working capital was NT\$1,426.59 billion and current ratio was 2.4x in 1Q24.

| III - 2. Receivable/Inventory Days | | | |
|---|-------------|-------------|-------------|
| (In Number of Days) | | | |
| | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
| Days of Receivable | 31 | 31 | 34 |
| Days of Inventory | 90 | 85 | 96 |

Receivable and Inventory Days:

Days of receivable kept flat at 31 days in 1Q24.

Days of inventory increased 5 days to 90 days in 1Q24, primarily due to N3 wafer prebuild.

| III - 3. Debt Service | | | |
|------------------------------|---------------|---------------|---------------|
| (In NT\$ billions) | | | |
| | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
| Cash & Marketable Securities | 1,922.66 | 1,687.65 | 1,589.19 |
| Interest-Bearing Debts | (978.06) | (954.87) | (862.83) |
| Net Cash Reserves | 944.60 | 732.78 | 726.36 |

Debt Service:

Net cash reserves increased by NT\$211.82 billion to NT\$944.60 billion in 1Q24, mainly due to the increase of NT\$235.01 billion in cash and marketable securities, offset by the increase of NT\$23.19 billion in interest-bearing debts in 1Q24.

IV. Cash Flow

| IV - 1. Quarterly Cash Flow Analysis | | | |
|--------------------------------------|-----------------|-----------------|-----------------|
| (In NT\$ billions) | <u>1Q24</u> | <u>4Q23</u> | <u>1Q23</u> |
| Income before Tax | 266.54 | 278.28 | 244.28 |
| Depreciation & Amortization | 159.02 | 150.65 | 110.32 |
| Other Operating Sources/(Uses) | 10.75 | (34.10) | 30.64 |
| Net Operating Sources/(Uses) | 436.31 | 394.83 | 385.24 |
| Capital Expenditures | (181.30) | (170.16) | (302.50) |
| Marketable Financial Instruments | 4.42 | (3.15) | 16.16 |
| Other Investing Sources/(Uses) | 17.07 | 40.99 | 14.11 |
| Net Investing Sources/(Uses) | (159.81) | (132.32) | (272.23) |
| Cash Dividends | (77.80) | (77.80) | (71.30) |
| Bonds Payable | 22.80 | 9.80 | 7.30 |
| Other Financing Sources/(Uses) | (16.68) | (7.37) | (0.48) |
| Net Financing Sources/(Uses) | (71.68) | (75.37) | (64.48) |
| Exchange Rate Changes | 27.95 | (33.52) | (6.11) |
| Cash Position Net Changes | 232.77 | 153.62 | 42.42 |
| Ending Cash Balance | 1,698.20 | 1,465.43 | 1,385.23 |

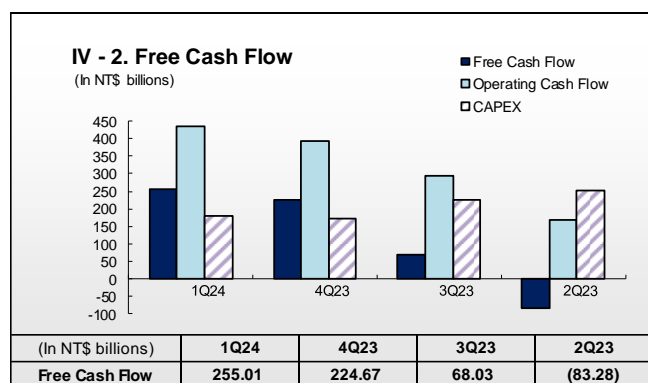
Summary of Cash Flow:

During the first quarter, cash generated from operating activities totaled NT\$436.31 billion, including (1) NT\$266.54 billion from income before tax, (2) NT\$159.02 billion from depreciation & amortization expenses, and (3) NT\$10.75 billion from other operating sources.

Net cash used in investing activities was NT\$159.81 billion in 1Q24, primarily attributable to capital expenditures of NT\$181.30 billion.

Net cash used in financing activities was NT\$71.68 billion, mainly reflecting the payment of 2Q23 cash dividends of NT\$77.80 billion.

As a result, cash position increased by NT\$232.77 billion to NT\$1,698.20 billion at the end of 1Q24.



Operating and Free Cash Flow:

Free cash flow increased by NT\$30.34 billion to NT\$255.01 billion in 1Q24, mainly due to the increase in operating cash flow.

V. CapEx

| V. Capital Expenditures | | |
|-----------------------------|-------------|-------------|
| (in US\$ billions) | <u>1Q24</u> | <u>4Q23</u> |
| Capital Expenditures | 5.77 | 5.24 |

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US\$5.77 billion in 1Q24.

VI. Recap of Recent Important Events & Announcements

- TSMC Announces Candidates for Board of Directors (2024/04/12)
- TSMC Arizona and U.S. Department of Commerce Announce up to US\$6.6 Billion in Proposed CHIPS Act Direct Funding, the Company Plans Third Leading-Edge Fab in Phoenix (2024/04/08)
- TSMC Board of Directors Hold a Special Meeting and Approve the Appointment of Senior Vice President of R&D Dr. Y.J. Mii and Senior Vice President of Operations Mr. Y.P. Chyn as Executive Vice Presidents and Co-Chief Operating Officers of TSMC (2024/02/29)
- TSMC Celebrates the Opening of JASM in Kumamoto, Japan (2024/02/24)
- JASM Set to Expand in Kumamoto, Japan (2024/02/06)
- TSMC Board of Directors Approved NT\$3.50 Cash Dividend for the Fourth Quarter of 2023 and Set June 13, 2024 as Ex-Dividend Date, June 19, 2024 as the Record Date, and July 11, 2024 as the Distribution Date (2024/02/06)
- TSMC Board of Directors Approved the Convening of the 2024 Annual Shareholders' Meeting on June 4, 2024, at Which an Election for its Ten-Member Board of Directors Will Be Held (2024/02/06)