



2Q24

Quarterly Management Report  
July 18, 2024

## Operating Results Review:

## CONTACT

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## 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>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per common share)	9.56	8.70	7.01	9.9%	36.3%
(US\$ per ADR unit)	1.48	1.38	1.14		
Net Revenue (US\$ billions)	20.82	18.87	15.68	10.3%	32.8%
Net Revenue	673.51	592.64	480.84	13.6%	40.1%
Gross Profit	358.13	314.51	260.20	13.9%	37.6%
Gross Margin	53.2%	53.1%	54.1%		
Operating Expenses	(70.30)	(65.36)	(58.19)	7.6%	20.8%
Other Operating Income and Expenses	(1.27)	(0.13)	(0.05)		
Operating Income	286.56	249.02	201.96	15.1%	41.9%
Operating Margin	42.5%	42.0%	42.0%		
Non-Operating Items	19.75	17.52	12.72		
Net Income Attributable to Shareholders of the Parent Company	247.85	225.49	181.80	9.9%	36.3%
Net Profit Margin	36.8%	38.0%	37.8%		
Wafer Shipment (kpcs 12 inch-equiv.)	3,125	3,030	2,916	3.1%	7.2%
Average Exchange Rate--USD/NTD	32.35	31.40	30.67	3.0%	5.5%

Note: Diluted weighted average outstanding shares were 25,931mn units in 2Q24

**Financial Highlights:****Second Quarter 2024**

- Net revenue was NT\$673.51 billion, representing a 13.6% increase from NT\$592.64 billion in 1Q24 and a 40.1% increase from NT\$480.84 billion in 2Q23.
- Gross margin was 53.2%, 0.1 percentage point higher than 1Q24 and 0.9 percentage point lower than 2Q23.
- Operating margin was 42.5%, up 0.5 percentage point from 1Q24 and up 0.5 percentage point from 2Q23.
- Non-operating items were a gain of NT\$19.75 billion, compared to a gain of NT\$17.52 billion in 1Q24 and a gain of NT\$12.72 billion in 2Q23.
- Net income attributable to shareholders of the parent company was NT\$247.85 billion, up 9.9% from 1Q24 and up 36.3% from 2Q23. Net profit margin was 36.8% and diluted EPS was NT\$9.56.

## I. Revenue Analysis

Wafer Revenue by Technology	2Q24	1Q24	2Q23
3nm	15%	9%	0%
5nm	35%	37%	30%
7nm	17%	19%	23%
16nm	9%	9%	11%
20nm	0%	0%	1%
28nm	8%	8%	11%
40/45nm	5%	5%	7%
65nm	3%	4%	7%
90nm	1%	1%	2%
0.11/0.13um	2%	3%	2%
0.15/0.18um	4%	4%	5%
0.25um and above	1%	1%	1%

Net Revenue by Platform	2Q24	1Q24	2Q23
High Performance Computing	52%	46%	44%
Smartphone	33%	38%	33%
Internet of Things	6%	6%	8%
Automotive	5%	6%	8%
Digital Consumer Electronics	2%	2%	3%
Others	2%	2%	4%

Net Revenue by Geography	2Q24	1Q24	2Q23
North America	65%	69%	66%
China	16%	9%	12%
Asia Pacific	9%	12%	8%
Japan	6%	6%	7%
EMEA	4%	4%	7%

### Revenue Analysis:

In the second quarter, revenue increased 13.6% quarter-over-quarter, as our business was supported by strong demand for our industry-leading 3nm and 5nm technologies, partially offset by continued smartphone seasonality.

By technology, 3nm process technology contributed 15% of total wafer revenue in 2Q24 while 5nm and 7nm accounted for 35% and 17% respectively. Advanced technologies (7nm and below) accounted for 67% of total wafer revenue.

By platform, HPC and Smartphone represented 52% and 33% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 6%, 5%, 2%, and 2%.

Sequentially, revenue from HPC, IoT, Automotive, DCE, and Others increased 28%, 6%, 5%, 20%, and 5% respectively, while Smartphone decreased 1%.

From a geographic perspective, revenue from customers based in North America accounted for 65% of total net revenue in 2Q24 while revenue from China, Asia Pacific, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 16%, 9%, 6%, and 4% of total net revenue respectively.

## II. Profit & Expense Analysis

II - 1. Gross Profit Analysis			
(In NT\$ billions)	2Q24	1Q24	2Q23
Net Revenue	673.51	592.64	480.84
Cost of Revenue	(315.38)	(278.13)	(220.64)
Gross Profit	358.13	314.51	260.20
Gross Margin	53.2%	53.1%	54.1%

### Gross Profit Analysis:

Gross margin was 53.2% in 2Q24, 0.1 percentage point higher than 1Q24, mainly reflecting cost improvement and a more favorable foreign exchange rate, partially offset by margin dilution from N3 ramp.

## II - 2. Operating Income Analysis

(In NT\$ billions)	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
<b>Total Operating Expenses</b>	<b>(70.30)</b>	<b>(65.36)</b>	<b>(58.19)</b>
Research & Development	(48.06)	(46.11)	(41.66)
SG&A	(22.24)	(19.25)	(16.53)
<b>Other Operating Income and Expenses</b>	<b>(1.27)</b>	<b>(0.13)</b>	<b>(0.05)</b>
<b>Operating Income</b>	<b>286.56</b>	<b>249.02</b>	<b>201.96</b>
<b>Operating Margin</b>	<b>42.5%</b>	<b>42.0%</b>	<b>42.0%</b>
<b>Total Operating Expenses as % of Net Revenue</b>	<b>10.5%</b>	<b>11.1%</b>	<b>12.1%</b>

### **Operating Income Analysis:**

Total operating expenses increased NT\$4.94 billion to NT\$70.30 billion in 2Q24, accounting for 10.5% of net revenue, as compared to 11.1% in 1Q24, mainly due to operating leverage. Operating margin improved 0.5 percentage point sequentially to 42.5% in 2Q24.

## II - 3. Non-Operating Items

(In NT\$ billions)	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
<b>L-T Investments</b>	<b>1.15</b>	<b>0.87</b>	<b>1.13</b>
<b>Net Interest Income (Expenses)</b>	<b>18.34</b>	<b>16.66</b>	<b>10.67</b>
<b>Other Gains and Losses</b>	<b>0.26</b>	<b>(0.01)</b>	<b>0.92</b>
<b>Total Non-Operating Items</b>	<b>19.75</b>	<b>17.52</b>	<b>12.72</b>

### **Non-Operating Items:**

Total non-operating items were a gain of NT\$19.75 billion in 2Q24, compared to a gain of NT\$17.52 billion in 1Q24.

## II - 4. Net Profit and EPS

(In NT\$ billions)	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
<b>Income before Tax</b>	<b>306.31</b>	<b>266.54</b>	<b>214.68</b>
<b>Income Tax Expenses</b>	<b>(58.65)</b>	<b>(41.32)</b>	<b>(32.96)</b>
<b>Effective Tax Rate</b>	<b>19.2%</b>	<b>15.6%</b>	<b>15.4%</b>
<b>Net Income Attributable to the Parent Company</b>	<b>247.85</b>	<b>225.49</b>	<b>181.80</b>
<b>Net Profit Margin</b>	<b>36.8%</b>	<b>38.0%</b>	<b>37.8%</b>
<b>EPS (NT\$ per common share)</b>	<b>9.56</b>	<b>8.70</b>	<b>7.01</b>

### **Net Profit and EPS:**

Net income attributable to shareholders of the parent company was NT\$247.85 billion in 2Q24, up 9.9% from 1Q24 and up 36.3% from 2Q23. The higher income tax expenses during the second quarter mainly reflected the tax on undistributed retained earnings.

### III. Financial Condition Review

<b>III - 1. Liquidity Analysis</b>			
<b>(Balance Sheet Items)</b>			
(In NT\$ billions)	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
Cash & Marketable Securities	2,048.64	1,922.66	1,489.96
Accounts Receivable	210.21	201.98	191.03
Inventories	272.49	267.12	234.33
Other Current Assets	60.32	61.01	44.65
<b>Total Current Assets</b>	<b>2,591.66</b>	<b>2,452.77</b>	<b>1,959.97</b>
Accounts Payable	200.69	184.79	189.73
Current Portion of Bonds Payable and Bank Loans	23.08	12.50	8.12
Dividends Payable	194.60	181.52	149.31
Accrued Liabilities and Others	630.55	647.37	463.67
<b>Total Current Liabilities</b>	<b>1,048.92</b>	<b>1,026.18</b>	<b>810.83</b>
Current Ratio (x)	2.5	2.4	2.4
<b>Net Working Capital</b>	<b>1,542.74</b>	<b>1,426.59</b>	<b>1,149.14</b>

#### **Liquidity Analysis:**

On a sequential basis, total current assets increased by NT\$138.89 billion, mainly due to the increase of NT\$125.98 billion in cash and marketable securities.

Total current liabilities increased by NT\$22.74 billion, mainly due to the increase of NT\$15.90 billion in accounts payable.

Net working capital was NT\$1,542.74 billion and current ratio was 2.5x in 2Q24.

<b>III - 2. Receivable/Inventory Days</b>			
<b>(In Number of Days)</b>			
	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
Days of Receivable	28	31	32
Days of Inventory	83	90	99

#### **Receivable and Inventory Days:**

Days of receivable decreased 3 days to 28 days in 2Q24.

Days of inventory decreased 7 days to 83 days in 2Q24, primarily due to higher N3 wafer shipments.

<b>III - 3. Debt Service</b>			
<b>(In NT\$ billions)</b>			
	<u>2Q24</u>	<u>1Q24</u>	<u>2Q23</u>
Cash & Marketable Securities	2,048.64	1,922.66	1,489.96
Interest-Bearing Debts	(997.42)	(978.06)	(922.68)
<b>Net Cash Reserves</b>	<b>1,051.22</b>	<b>944.60</b>	<b>567.28</b>

#### **Debt Service:**

Net cash reserves increased by NT\$106.62 billion to NT\$1,051.22 billion in 2Q24, mainly due to the increase of NT\$125.98 billion in cash and marketable securities, offset by the increase of NT\$19.36 billion in interest-bearing debts in 2Q24.

## IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis			
(In NT\$ billions)	2Q24	1Q24	2Q23
Income before Tax	306.31	266.54	214.68
Depreciation & Amortization	165.17	159.02	123.94
Other Operating Sources/(Uses)	(93.81)	10.75	(171.37)
<b>Net Operating Sources/(Uses)</b>	<b>377.67</b>	<b>436.31</b>	<b>167.25</b>
Capital Expenditures	(205.68)	(181.30)	(250.53)
Marketable Financial Instruments	(18.76)	4.42	(29.33)
Other Investing Sources/(Uses)	26.83	17.07	20.53
<b>Net Investing Sources/(Uses)</b>	<b>(197.61)</b>	<b>(159.81)</b>	<b>(259.33)</b>
Cash Dividends	(90.76)	(77.80)	(71.30)
Bonds Payable	11.50	22.80	40.70
Other Financing Sources/(Uses)	(10.99)	(16.68)	4.01
<b>Net Financing Sources/(Uses)</b>	<b>(90.25)</b>	<b>(71.68)</b>	<b>(26.59)</b>
<b>Exchange Rate Changes</b>	<b>11.12</b>	<b>27.95</b>	<b>10.16</b>
<b>Cash Position Net Changes</b>	<b>100.93</b>	<b>232.77</b>	<b>(108.51)</b>
<b>Ending Cash Balance</b>	<b>1,799.13</b>	<b>1,698.20</b>	<b>1,276.72</b>

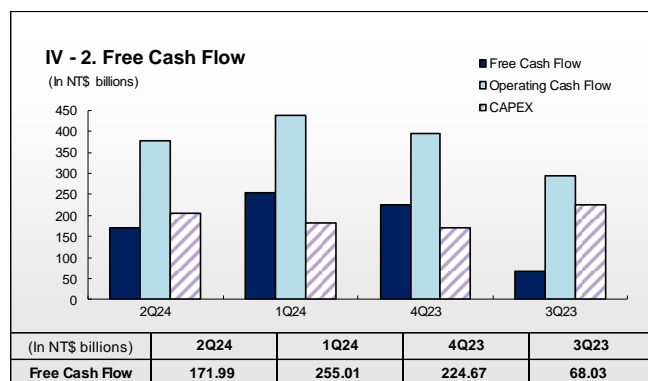
### Summary of Cash Flow:

During the second quarter, cash generated from operating activities totaled NT\$377.67 billion, including (1) NT\$306.31 billion from income before tax, (2) NT\$165.17 billion from depreciation & amortization expenses, and (3) NT\$93.81 billion for other operating uses. The other operating uses were mainly attributable to the income tax payment.

Net cash used in investing activities was NT\$197.61 billion in 2Q24, primarily attributable to capital expenditures of NT\$205.68 billion.

Net cash used in financing activities was NT\$90.25 billion, mainly reflecting the payment of 3Q23 cash dividends of NT\$90.76 billion.

As a result, cash position increased by NT\$100.93 billion to NT\$1,799.13 billion at the end of 2Q24.



### Operating and Free Cash Flow:

Free cash flow decreased by NT\$83.02 billion to an inflow of NT\$171.99 billion in 2Q24, as a result of lower operating cash flow and higher capital expenditures during the quarter.

## V. CapEx

V. Capital Expenditures			
(in US\$ billions)	2Q24	1Q24	YTD
<b>Capital Expenditures</b>	<b>6.36</b>	<b>5.77</b>	<b>12.13</b>

### Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US\$6.36 billion in 2Q24.

## VI. Recap of Recent Important Events & Announcements

- TSMC Shareholders Elect Board of Directors; Board of Directors Unanimously Elects Dr. C.C. Wei as Chairman and CEO (2024/06/04)
- TSMC Board of Directors Approved NT\$4.00 Cash Dividend for the First Quarter of 2024 and Set September 12 as the Ex-Dividend Date, September 18 as the Record Date and October 9, 2024 as the Distribution Date (2024/05/10)
- TSMC Celebrates 30th North America Technology Symposium with Innovations Powering AI with Silicon Leadership (2024/04/24)