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TSMC's resurgence: What lies ahead for the architect of AI



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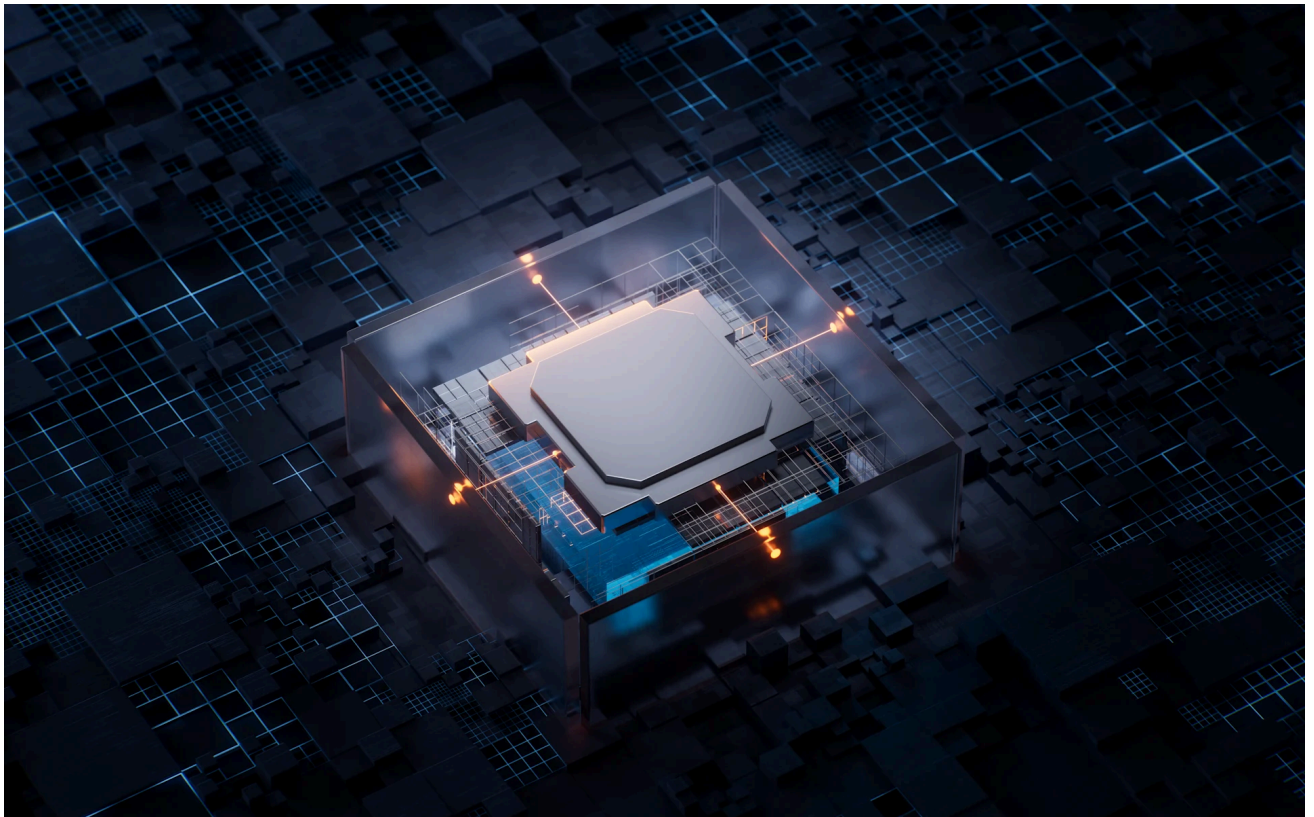


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AI and U.S. growth stocks have rebounded to record highs after declines earlier this year, particularly in February and March. This has resulted in positive performance for investors in IT and AI sectors. At the heart of this resurgence is Taiwan Semiconductor Manufacturing (TSM), better known as simply “TSMC”, the silent powerhouse behind the AI boom. The stock is within grasp of yet another historic high around the \$225 mark. TSMC produces the chips that drive everything from Nvidia’s GPUs to Apple’s iPhones, and it’s now experiencing accelerated growth fuelled by surging AI demand, global factory expansion, and massive capital investment.

AI's engine room: TSMC's chip dominance

Many tech giants are currently riding the AI wave, but when it comes to TSMC, it's more appropriate to say that the company is steering it. As the world's largest contract chipmaker, it produces the advanced processors that Nvidia (AMD), and Apple (AAPL) rely on to bring AI to life. In TSMC's latest earnings call in April, CEO C.C. Wei revealed that AI chip revenue, which tripled in 2024, is expected to double again this year.

This is currently a major tailwind for TSMC, driving a 41.6% year-over-year revenue surge. Specifically, advanced 3nm and 5nm chips, critical for AI's heavy lifting, made up 73% of wafer sales. With cloud giants like Microsoft (MSFT) and Amazon (AMZN) building AI data centres at breakneck speed, the company's factories are running at full capacity, with no signs that demand is slowing down anytime soon.



Going global: TSMC's strategic power move

In the meantime, with AI entering the sphere of national security, TSMC has been incentivised to not keep its magic in Taiwan. It's spreading its wings to secure its AI dominance and sidestep geopolitical risks. The company is investing \$165 billion in U.S. factories, with Arizona's first fab already fully booked by heavyweights like Nvidia and [Qualcomm \(QCOM\)](#).

Moreover, in Europe, a new \$10 billion plant in Dresden, Germany, and a chip design centre in Munich are positioning TSMC to capture the continent's growing AI market. Beyond the motive of diversifying supply chain and hedging geopolitical risk, TSMC has managed to secure long-term, high-value contracts with global tech titans through these moves, as they, in turn, can make such commitments with notably less risk involved.

Wei emphasised that these expansions could cement TSMC's leadership for decades, even as U.S. trade policies loom as a potential headwind. By building closer to its customers, TSMC ensures its chips remain the go-to for AI innovation.

Capex fuels the AI future

TSMC is doubling down on AI with an aggressive capital expenditure plan of \$38–\$42 billion for this year, up from \$29.8 billion in 2024. Over 70% of that spending is allocated to next-generation 3nm and 2nm chip production, set to launch later this year, which will deliver the performance needed to stay well ahead in the AI race. Realistically, few competitors are even operating at TSMC's level.

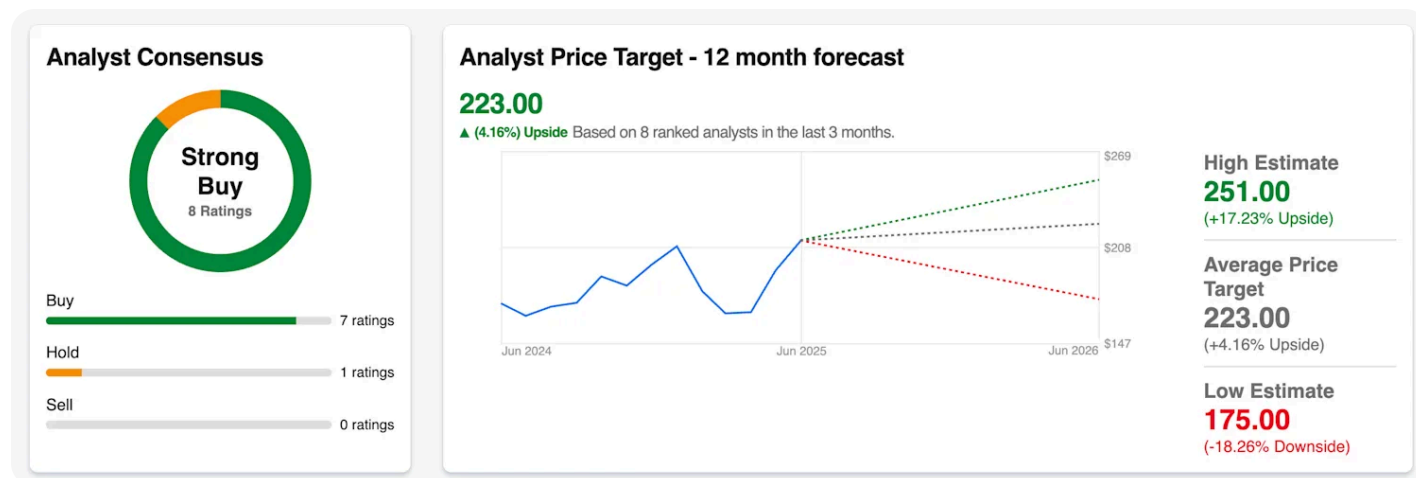
This investment reflects a broader trend, as tech giants invest billions in AI infrastructure. TSMC sits at the centre of this transformation, converting that capital into the cutting-edge chips driving AI's next evolution. As CEO C.C. Wei put it, "AI demand is insatiable," and TSMC is positioning itself to meet it, powering years of potential growth.

Analyst view

Even after significant gains, several market commentators continue to consider TSMC fairly valued. With Wall Street projecting a 33% jump in EPS this year, TSMC trades at a forward P/E of just 22. For a cyclical chipmaker, that might seem high, but TSMC isn't a typical semiconductor company. The AI boom is a multi-year tailwind, driving sustained top and bottom-line growth. With over 60% global foundry market share and continued international expansion, TSMC's scale and positioning are viewed by some analysts as supporting its current valuation, even if growth moderates.

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Wall Street appears to be bullish on TSMC's prospects, further emboldening the stock's recent rebound alongside most other high-growth tech stocks. TSMC stock carries a Strong Buy consensus rating, with seven analysts currently bullish and one neutral. TSMC's average stock price target of \$223 indicates a modest 5% upside potential over the coming twelve months, amid a broader long-term trend that could deliver returns for several years to come.



Source: TSM analyst consensus, TipRanks data via CMC Invest, as at 12 June.

Final word

Calling TSMC just a chipmaker misses the bigger picture, it's the backbone of the AI era. With AI demand soaring, global fabs in development, and billions in capex reinforcing its dominance, TSMC appears well-positioned to pursue continued growth in the years ahead. Trading at a forward P/E of approximately 26, TSMC is considered by some market analysts to be reasonably valued, given its sector position and historical growth profile. While geopolitical risks remain, TSMC's international expansion and scale are seen by some market observers as helping to mitigate exposure to such factors. Given its role in AI chip production, TSMC continues to attract attention from those monitoring long-term trends in the semiconductor sector. Future performance will depend on a range of factors, including global demand trends, policy developments, and competitive dynamics.

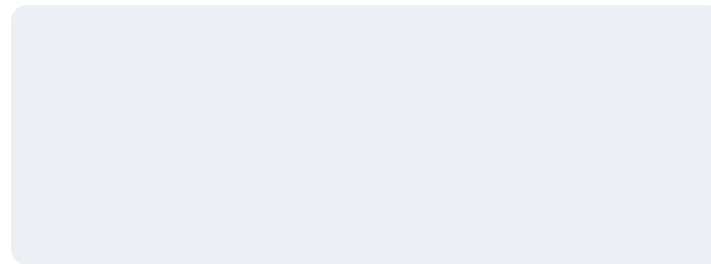
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