

Bulletin:

# TSMC's Growing U.S. Investments Offset Trade Risks

March 5, 2025

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **Taiwan Semiconductor Manufacturing Co. Ltd.'s** (TSMC's) plan to significantly increase its expansion in the U.S. will bring long-term strategic benefits, including enhanced supply chain resilience and closer proximity to its key customers, thereby offsetting some of the geopolitical and trade uncertainties facing the company. That's despite the likelihood of weakened profitability and free operating cash flow during the construction period and initial production ramp up.

TSMC (twAAA/Stable/twA-1+) announced on March 4, 2025, that it intends to increase its investments in the U.S. to US\$165 billion, which is US\$100 billion more than its previous announcement. This additional investment will include the construction of three new fabrication plants, two advanced packaging facilities, and a major R&D center, in addition to the three previously announced advanced technology fabrication plants.

The new investment plan could benefit TSMC by reducing long-term asset concentration risk in Taiwan, which should in turn help to mitigate geopolitical and trade policy risks, provided the execution goes smoothly. However, we acknowledge that this substantial increase in the scale of TSMC's investments in the U.S. will lengthen the time frame for the company to achieve a level of profitability from its new manufacturing facilities that is on par with its production capacity in Taiwan. TSMC previously provided guidance of a 2%-3% dilution in its gross margin over the next five years. We now believe that a longer timeline is inevitable, given the greater time needed to establish a robust local supply chain for broader manufacturing facilities and to offset the higher operating costs in the U.S.

In our view, TSMC's strong capital structure and cash flow can absorb the increase in capital expenditure without materially weakening the company's capital structure, despite the still-unclear timeline. We base this on our expectation that TSMC will remain prudent in the pace of its overseas capacity expansion and tie this to market demand. Under our scenario analysis for TSMC, we assume the company will spend US\$50 billion-US\$55 billion annually over 2025-2027, while still maintaining a net cash position supported by strong profitability and operating cash flow. In addition, we forecast that the bulk of its spending will be on capacity using advanced technology nodes to meet strong market demand in the U.S. from fast-growing high-performance computing applications such as AI over the next few years.

**PRIMARY CREDIT ANALYST**

**Anne Kuo, CFA**  
Taipei  
+886-2-2175-6828  
anne.kuo  
@spglobal.com  
anne.kuo  
@taiwanratings.com.tw

**SECONDARY CONTACT**

**Raymond Hsu, CFA**  
Taipei  
+886-2-2175-6827  
raymond.hsu  
@spglobal.com  
raymond.hsu  
@taiwanratings.com.tw

Copyright © 2025 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.