

TSMC Raises Spending as Mobile Chips Drive Sales Forecast (2)
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(Updates with stock price in second paragraph.)

By Tim Culpan

April 19 (Bloomberg) -- Taiwan Semiconductor Manufacturing Co., the world's largest contract maker of chips, forecast record quarterly sales and raised its spending plan amid rising smartphone demand. The stock surged the most since May 2009. Second-quarter revenue will be NT\$154 billion (\$5.2 billion) to NT\$156 billion, the Hsinchu, Taiwan-based company said yesterday. That's at least 9 percent higher than the NT\$141.2 billion average of 21 analyst estimates compiled by Bloomberg. The company's shares rose 6.6 percent to NT\$106.50 at the close in Taipei, accounting for 44 percent of the Taiex Index's 1.8 percent gain.

TSMC posted first-quarter profit that beat estimates as Samsung Electronics Co. and HTC Corp. join Sony Corp. and ZTE Corp. in releasing new smartphones, driving orders for mobile chips. Chairman Morris Chang, whose company gets \$7 for every smartphone sold worldwide, raised his capital expenditure plan by as much as 10 percent as TSMC seeks to buy more equipment to meet demand for newer manufacturing technology.

"The company has already entered a new growth period," Chang, 81, who is also Chief Executive Officer, told investors yesterday. "We attribute our strength to first, mobile-related applications whose demand remains strong, and TSMC's strong position in 28 nanometer technology."

Revenue from the technology, its most-advanced production technique, climbed to account for 24 percent of sales during the first quarter as clients such as Qualcomm Inc. and Broadcom Corp. contract more orders to the Taiwanese company.

China Demand

One nanometer, equal to one billionth of a meter, measures the size of connections within a chip. A smaller number implies more advanced technology, allowing semiconductors to be smaller and more powerful.

TSMC has climbed 25 percent in the last 12 months, compared with a 4.3 percent advance for the benchmark Taiex Index. The stock fell 0.1 percent to close at NT\$99.9 yesterday before the earnings were announced.

Spending this year will be \$9.5 billion to \$10 billion, compared to an earlier forecast for \$9 billion, as the company brings forward the ramp up of 20 nanometer technology for which

it already has 20 customers, Chang said.

"The sales outlook is higher than most people expected," said Randy Abrams, an analyst at Credit Suisse Group AG with an outperform rating on the stock. "We can see that China and emerging markets are now joining developed markets in spurring demand for phones and tablets which is driving chip demand."

First-quarter net income rose 18 percent to NT\$39.6 billion, TSMC said, beating the NT\$37.2 billion average of 20 analysts' estimates compiled by Bloomberg. Profit and margins were boosted by a more favorable exchange rate in addition to stronger demand, Chief Financial Officer Lora Ho said yesterday.

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1Q 2Q

Company	Company Analyst	Company Analyst	Company Analyst	Company Analyst	
Actual	Forecast	Estimate	Forecast	Estimate	
Sales NT\$bIn	132.8	127-129	129.1	154-156	141.2
Gross Margin%	45.8	43.5-45.5	45.4	47.5~49.5	47
Op Margin%	33.5	31.5~33.5	--	35~37	--

Sources: TSMC, Bloomberg

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