

# Taiwan's TSMC sees profit boost from iPhone 7

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Apple's new iPhone 7 series gave Taiwan microchip giant Taiwan Semiconductor Manufacturing Co (TSMC) a boost Thursday as the firm announced profits were up by almost a third compared with last year.

The company was also set to benefit from the demise of Samsung's Galaxy Note 7, analysts said, after the South Korean smartphone giant had to halt production after handsets caught fire.

TSMC—the world's biggest contract microchip maker by revenue—posted a 28.4 percent year-on-year profit of Tw\$96.76 billion (\$3,06 billion) in the three months to September.

That was also up 33.4 percent from the second quarter.

Third-quarter revenue rose 22.5 percent on-year and 17.4 percent on-quarter, respectively, to Tw\$260.41 billion, beating the company's own forecasts of Tw\$254-\$257 billion.

"This strong growth was driven by our major customers' new mobile product launch and a stronger-than-seasonal growth from our other customers," said co-chief executive Mark Liu.

TSMC has never officially confirmed it is an Apple chip supplier but industry watchers said the company produced the A10 chip for the iPhone 7 series that went on sale in September.

Apple has reportedly ordered at least 72 million units of the iPhone 7 series from its Taiwanese suppliers, a significantly higher figure than the 65 million previously predicted by some analysts.

Samsung's Note 7 woes also came into play—and could further help TSMC's performance in the fourth quarter.

"TSMC's third quarter performance surpassed expectations as sales for iPhone 7 were better than expected while Samsung's Note 7 recall crisis also affected it," said Mason Li of Taishin Securities Investment Advisory Co.

Li estimated that up to five million additional iPhone series units will be sold in the current quarter as Samsung Note 7 users switch to new smartphones.

"TSMC has a chance to set a record for its fourth quarter earnings in the Note 7 aftermath," he said.

Samsung started to recall millions of its Galaxy Note 7 smartphones in early September after several devices exploded or caught fire. The company said Tuesday it was scrapping production of Note 7, following reports that replacements for combustible models were also catching fire.

Looking ahead, TSMC forecast fourth-quarter revenue to be around Tw\$255-\$258, saying demand for high-end smartphones would continue to improve.

It also estimated overall 10 percent revenue growth for 2016.

TSMC had seen its profits slip in the first six months as it vied with regional rivals such as Samsung and Chinese firms for a greater share of

a weakening smartphone and electronics market.

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