Morgan Stanley | RESEARCH

IDEA

*June 2, 2026 08:03 PM GMT*

## ASML Holding NV | Europe

# Capacity concerns overdone

| WHAT'S CHANGED | | |
|---|---|---|
| **ASML Holding NV (ASML.AS)** | **From** | **To** |
| Price Target | €1,400.00 | **€1,660.00** |

Company commentary from ASML's April AGM, give us confidence that ASML can meet demand for c.90 EUV tools next year. We lift our PT to €1660 and remain Overweight (Top Pick).

## Key Takeaways

- The post-Q1 debate continues to linger, with investors focused on the 80+ unit capacity level outlined by management at the last print.
- Comments from the company at its April AGM give us confidence it can meet demand for c.90 EUV tools next year.
- We see ASML shipping 90 EUV tools next year and now lift our FY28 estimate to 104 tool sets, of which 96 are low NA tools and 8 are high NA tools.
- We think memory LTAs and the relative strength of this cash generation cycle for memory makers rebases things higher for ASML.
- We apply a 32x P/E multiple to our FY28e EPS at €51.92. This sets our PT at €1660.

**Capacity concerns overshadow earnings power**. ASML has lagged the broader Semis index YTD, +41% vs. SOXX +80%, despite record order intake and clear momentum. We see further demand upside from significant AI infrastructure build-out and memory strength (see our Global Insight note *Chipflation - Navigating A Memory Crisis*). However, the post-Q1 debate continues to linger, with investors focused on the 80+ unit capacity level outlined by management at the last print. **While we acknowledge clean room expansion is needed at ASML's site, comments from the company at its April AGM give us confidence it can meet demand for c.90 EUV tools next year**. At the AGM, ASML updated shareholders on its plans to lean into the Brainport Industries Campus (BIC) in Eindhoven, speaking to an accelerated roadmap of clean room build and hiring, with construction beginning in Q3 2026. Our view is that, to meet capacity, BIC needs to be the start of a multi-phase build-out. Doing so would alleviate concerns on capacity constraints and drive investor conviction that the company has overcome its history of being dogged by poor EUV build out scaling. We see ASML shipping 90 EUV tools next year and now lift our FY28 estimate to 104 tool sets, of which 96 are low NA tools and 8 are high NA tools. This sets our FY28 EPS at $51, implying EPS growth at a 29% CAGR from FY26 to FY28. **We think capacity concerns are overshadowing this earnings power, leaving it underappreciated by the market**.


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**ASML Holding NV (ASML.AS, ASML NA)**
**Top Pick**

ADRASML.O

**Technology - European Semiconductors | Netherlands**

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **In-Line** |
| **Price target** | **€1,660.00** |
| Shr price, close (Jun 1, 2026) | €1,394.00 |
| 52-Week Range | €1,437.00-587.80 |
| Mkt cap, curr (mn) | €554,289 |
| Net debt (12/26e) (mn)* | €(2,748) |
| EV, curr (mn)* | €545,358 |

* = GAAP or approximated based on GAAP

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| Sales / Revenue (€mn)** | 32,667 | 37,674 | 48,722 | 53,397 |
| EBITDA (€mn)** | 12,367 | 14,680 | 21,571 | 23,621 |
| EBIT (€mn)** | 11,341 | 13,685 | 20,402 | 22,340 |
| EPS (€)** | 24.81 | 30.54 | 46.71 | 51.92 |
| Prior EPS (€)** | - | 30.55 | 46.50 | 37.44 |
| ModelWare EPS (€) | 24.81 | 30.54 | 46.71 | 51.92 |
| P/E** | 37.1 | 45.6 | 29.8 | 26.8 |
| EV/revenue* | 10.7 | 14.6 | 11.2 | 10.0 |
| EV/EBITDA** | 28.3 | 37.6 | 25.4 | 22.6 |
| EV/EBIT** | 30.8 | 40.3 | 26.8 | 23.9 |
| DPS (€) | 6.57 | 9.70 | 9.70 | 9.70 |
| Div yld (%) | 0.7 | 0.7 | 0.7 | 0.7 |
| FCF yld ratio (%)** | 3.1 | 1.3 | 2.1 | 4.1 |
| RNOA (%)** | 108.8 | 131.4 | 101.3 | 81.7 |
| ROE (%)** | 52.2 | 60.7 | 77.3 | 56.6 |

framework
* = GAAP or approximated based on GAAP
** = Based on consensus methodology


investors should be aware that the firm may have a conflict of

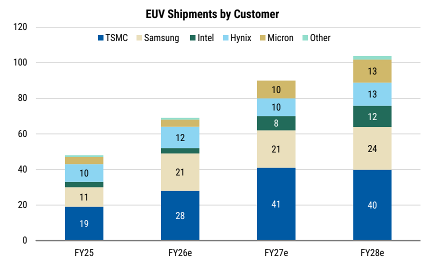
Research as only a single factor i
decision.

**For analyst certification and oth**
**refer to the Disclosure Section, l**
**report.**

+= Analysts employed by non-U.S
with FINRA, may not be associate
and may not be subject to FINRA
communications with a subject c
and trading securities held by a re

**Exhibit 1:** ASML has performed well but lagged the SOXX YTD.


**Exhibit 2:** We see 104 EUV shipments in FY28.




**2012 as a precedent.** Capacity constraints in 2012 prompted a response from the broader semiconductor ecosystem. ASML signed a **customer co-investment programme**, whereby customers such as Intel acquired equity ownership in ASML before providing €829mn in R&D funding to support EUV technology development. While we do not think the same situation plays out, this signals the steps the ecosystem will go to in order to secure EUV tools. We flag this as illustrative of ASML's ability to meet demand and the broader strategic importance customers attach to securing EUV capacity, so that if demand continues to rise ASML will be able to keep pace. Note also that EUV manufacturing has matured notably since then with an installed base of systems we estimate to be in the hundreds.

**Memory LTAs cause a structural shift in the cycle.** We think memory LTAs will drive a structural shift in cycle dynamics for ASML. Samsung, SK hynix and Micron have all announced plans to secure long-term agreements, locking in customers to future supply and pricing (see Shawn Kim's Tech Bytes, *LTA's - How They Are Affecting Memory*). We think LTAs are driving a structural shift in memory cycle dynamics by stabilising customer demand; this improved predictability reduces the risk of memory makers overbuilding capacity and helps smooth the cyclical nature of the stocks. While some investors have raised concerns around the cyclical nature of ASML's stock valuation, we think memory LTAs and the relative strength of this cash generation cycle for memory makers rebases things higher for ASML. For instance, **LTAs may yet translate into order intake, for 2028 delivery, soon**. By reducing the likelihood of memory makers mismatching capacity with demand, LTAs improve ASML's ability to appropriately plan capacity expansion, while also facilitating better customer visibility.

**Lift our PT to €1660.** We lift our P/E multiple slightly to 32x (prior 31x), still at the lower end of our usual cycle peak valuation range of 30-35x but more reflective of the structural memory dynamics. This is in line with historical peaks (30x), but we note upside potential from significant foundry capex as well as continued rapidly rising memory prices. With our higher FY28e EPS at €51.92, this sets our PT at €1660.

# Financials

### Exhibit 3: ASML Annual Income Statement

| Annual Income Statement | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **9,053** | **10,944** | **11,820** | **13,978** | **18,611** | **21,173** | **27,559** | **28,263** | **32,667** | **37,674** | **48,722** |
| Cost of goods Sold | -4,976 | -5,915 | -6,540 | -7,181 | -8,802 | -10,473 | -13,422 | -13,771 | -15,370 | -17,880 | -21,936 |
| **Gross profit** | **4,077** | **5,029** | **5,280** | **6,797** | **9,809** | **10,700** | **14,136** | **14,492** | **17,297** | **19,793** | **26,786** |
| R&D | -1,260 | -1,576 | -1,969 | -2,201 | -2,547 | -3,254 | -3,981 | -4,304 | -4,699 | -4,834 | -5,073 |
| SG&A | -417 | -488 | -521 | -545 | -726 | -946 | -1,113 | -1,166 | -1,258 | -1,274 | -1,312 |
| Other income/(expenses) | 96 | 0 | 0 | 0 | 214 | 0 | 0 | 0 | 0 | 0 | 0 |
| **EBIT (reported)** | **2,496** | **2,965** | **2,791** | **4,051** | **6,750** | **6,501** | **9,042** | **9,023** | **11,341** | **13,685** | **20,402** |
| EBITDA | 2,914 | 3,388 | 3,239 | 4,542 | 7,221 | 7,084 | 9,782 | 9,941 | 12,367 | 14,680 | 21,571 |
| Net Financials & other | -50 | -28 | -25 | -35 | -45 | -45 | 41 | 20 | 105 | 23 | 50 |
| **PBT (reported)** | **2,446** | **2,937** | **2,766** | **4,017** | **6,706** | **6,456** | **9,084** | **9,042** | **11,445** | **13,709** | **20,452** |
| Income Tax | -311 | -352 | -192 | -552 | -1,021 | -970 | -1,436 | -1,681 | -2,013 | -2,299 | -3,170 |
| Minorities | -17 | 6 | 18 | 89 | 199 | 138 | 191 | 210 | 217 | 330 | 408 |
| **Net Income (reported)** | **2,119** | **2,592** | **2,592** | **3,554** | **5,883** | **5,624** | **7,839** | **7,572** | **9,648** | **11,739** | **17,690** |
| EPS (€) - Basic | 4.93 | 6.10 | 6.16 | 8.49 | 14.36 | 14.14 | 19.90 | 19.25 | 24.85 | 30.54 | 46.72 |
| **EPS (€) - Diluted** | **4.91** | **6.08** | **6.15** | **8.48** | **14.34** | **14.13** | **19.90** | **19.24** | **24.81** | **30.54** | **46.71** |
| DPS (€) | 1.20 | 1.41 | 3.15 | 2.55 | 3.34 | 6.44 | 5.96 | 6.24 | 6.57 | 9.70 | 9.70 |
| | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026e** | **2027e** |
| Sales growth - yy | 33% | 21% | 8% | 18% | 33% | 14% | 30% | 3% | 16% | 15% | 29% |
| Gross margin | 45.0% | 46.0% | 44.7% | 48.6% | 52.7% | 50.5% | 51.3% | 51.3% | 52.9% | 52.5% | 55.0% |
| EBIT margin (reported) | 27.6% | 27.1% | 23.6% | 29.0% | 36.3% | 30.7% | 32.8% | 31.9% | 34.7% | 36.3% | 41.9% |
| EBITDA margin | 32.2% | 31.0% | 27.4% | 32.5% | 38.8% | 33.5% | 35.5% | 35.2% | 37.9% | 39.0% | 44.3% |
| PBT margin | 27.0% | 26.8% | 23.4% | 28.7% | 36.0% | 30.5% | 33.0% | 32.0% | 35.0% | 36.4% | 42.0% |
| Net margin (reported) | 23.4% | 23.7% | 21.9% | 25.4% | 31.6% | 26.6% | 28.4% | 26.8% | 29.5% | 31.2% | 36.3% |
| Effective tax rate | 13% | 12% | 7% | 14% | 15% | 15% | 16% | 19% | 18% | 17% | 16% |

### Exhibit 4: ASML Quarterly Income Statement

| Quarterly Income Statement | 1Q25 | 2Q25 | 3Q25 | 4Q25 | FY25 | 1Q26 | 2Q26e | 3Q26e | 4Q26e | FY26e |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **7,742** | **7,692** | **7,516** | **9,718** | **32,667** | **8,767** | **8,339** | **10,143** | **10,425** | **37,674** |
| Cost of goods Sold | -3,562 | -3,562 | -3,636 | -4,610 | -15,370 | -4,122 | -3,872 | -4,882 | -5,005 | -17,880 |
| Gross profit | 4,180 | 4,130 | 3,880 | 5,108 | 17,297 | 4,645 | 4,468 | 5,261 | 5,420 | 19,793 |
| R&D | -1,161 | -1,167 | -1,109 | -1,262 | -4,699 | -1,185 | -1,185 | -1,220 | -1,244 | -4,834 |
| SG&A | -281 | -299 | -303 | -375 | -1,258 | -302 | -305 | -320 | -346 | -1,274 |
| Other income/(expenses) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT (reported) | 2,738 | 2,664 | 2,468 | 3,470 | 11,341 | 3,157 | 2,978 | 3,721 | 3,830 | 13,685 |
| **EBITDA** | **2,979** | **2,919** | **2,743** | **3,725** | **12,367** | **3,417** | **3,208** | **3,980** | **4,076** | **14,680** |
| Net Financials & other | 49 | 25 | 19 | 11 | 105 | 41 | 34 | -16 | -36 | 23 |
| PBT (reported) | 2,787 | 2,689 | 2,488 | 3,481 | 11,445 | 3,198 | 3,012 | 3,704 | 3,794 | 13,709 |
| Income Tax | 465 | 487 | 442 | 619 | 2,013 | 547 | 497 | 630 | 626 | 2,299 |
| Minorities | 33 | 89 | 79 | 16 | 217 | 105 | 75 | 75 | 75 | 330 |
| **Net Income (reported)** | **2,355** | **2,290** | **2,125** | **2,879** | **9,648** | **2,756** | **2,590** | **3,150** | **3,243** | **11,739** |
| EPS (€) - Basic | 6.00 | 5.90 | 5.49 | 7.47 | 24.85 | 7.15 | 6.73 | 8.20 | 8.46 | 30.54 |
| **EPS (€) - Diluted** | **6.00** | **5.90** | **5.48** | **7.44** | **24.81** | **7.15** | **6.73** | **8.20** | **8.46** | **30.54** |
| DPS (€) | 1.52 | 1.84 | 1.60 | 1.61 | 6.57 | 1.60 | 2.70 | 2.70 | 2.70 | 9.70 |
| | **1Q25** | **2Q25** | **3Q25** | **4Q25** | **FY25** | **1Q26** | **2Q26e** | **3Q26e** | **4Q26e** | **FY26e** |
| Sales growth - qq | -16.4% | -0.6% | -2.3% | 29.3% | -- | -9.8% | -4.9% | 21.6% | 2.8% | -- |
| Gross margin | 54.0% | 53.7% | 51.6% | 52.6% | 52.9% | 53.0% | 53.6% | 51.9% | 52.0% | 52.5% |
| EBIT margin (reported) | 35.4% | 34.6% | 32.8% | 35.7% | 34.7% | 36.0% | 35.7% | 36.7% | 36.7% | 36.3% |
| EBIT margin - Adjusted | | | | | | | | | | |
| EBITDA margin | 38.5% | 37.9% | 36.5% | 38.3% | 37.9% | 39.0% | 38.5% | 39.2% | 39.1% | 39.0% |
| PBT margin | 36.0% | 35.0% | 33.1% | 35.8% | 35.0% | 36.5% | 36.1% | 36.5% | 36.4% | 36.4% |
| Net margin (reported) | 30.4% | 29.8% | 28.3% | 29.6% | 29.5% | 31.4% | 31.1% | 31.1% | 31.1% | 31.2% |
| Effective tax rate | 17% | 18% | 18% | 18% | 18% | 17% | 17% | 17% | 17% | 17% |

**Exhibit 5:** ASML Annual Balance Sheet

| Annual Balance Sheet | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash & cash equivalents | 2,259 | 3,121 | 3,532 | 6,049 | 6,952 | 7,268 | 7,005 | 12,736 | 12,916 | 6,729 | 11,093 |
| Financial investments | 1,029 | 913 | 1,186 | 1,302 | 639 | 108 | 5 | 5 | 406 | 406 | 406 |
| Trade receivables | 1,740 | 1,498 | 1,787 | 1,310 | 3,028 | 5,324 | 4,334 | 4,478 | 3,023 | 6,371 | 8,797 |
| Inventories | 2,956 | 3,440 | 3,809 | 4,569 | 5,179 | 7,200 | 8,851 | 10,892 | 11,429 | 9,733 | 13,405 |
| Financial receivables, net | 59 | 611 | 565 | 1,711 | 1,186 | 1,357 | 1,379 | 83 | 614 | 630 | 630 |
| Deferred tax & other current assets | 843 | 948 | 1,253 | 988 | 1,207 | 1,809 | 2,820 | 2,545 | 1,962 | 2,195 | 2,195 |
| **Total current assets** | **8,886** | **10,531** | **12,131** | **15,930** | **18,190** | **23,065** | **24,394** | **30,737** | **30,350** | **26,064** | **36,526** |
| | | | | | | | | | | | |
| PP&E | 1,601 | 1,590 | 1,999 | 2,470 | 2,983 | 3,944 | 5,493 | 6,847 | 7,894 | 9,417 | 10,917 |
| Goodwill & Other Intagibles | 5,707 | 5,645 | 5,646 | 5,678 | 5,508 | 5,398 | 5,330 | 5,210 | 5,129 | 4,983 | 4,801 |
| Equity method investments | 982 | 916 | 833 | 821 | 893 | 924 | 920 | 903 | 2,143 | 2,143 | 2,143 |
| Financial receivables, net | 159 | 275 | 421 | 401 | 383 | 0 | 61 | 317 | 13 | 13 | 13 |
| Deferred tax assets | 32 | 236 | 445 | 672 | 1,099 | 1,673 | 1,872 | 1,941 | 3,373 | 3,373 | 3,373 |
| Other non-current assets | 822 | 944 | 1,154 | 1,296 | 1,176 | 1,297 | 1,888 | 2,635 | 1,398 | 1,398 | 1,398 |
| **Total non-current assets** | **9,303** | **9,606** | **10,499** | **11,337** | **12,041** | **13,236** | **15,564** | **17,852** | **19,951** | **21,327** | **22,647** |
| | | | | | | | | | | | |
| **Total assets** | **18,189** | **20,137** | **22,630** | **27,267** | **30,231** | **36,300** | **39,958** | **48,590** | **50,301** | **47,391** | **59,173** |
| | | | | | | | | | | | |
| Short-term debt | 25 | 0 | 0 | 15 | 509 | 746 | 0 | 1,010 | 1,682 | 1,682 | 1,682 |
| Trade & other payables | 837 | 964 | 1,062 | 1,378 | 2,116 | 2,565 | 2,347 | 3,500 | 3,522 | 389 | 609 |
| Provisions (Contract liabilities) | 1,530 | 1,729 | 2,526 | 3,954 | 7,935 | 12,481 | 11,441 | 12,571 | 16,006 | 10,498 | 10,498 |
| Income tax payable | 152 | 188 | 66 | 110 | 302 | 315 | 309 | 283 | 487 | 487 | 487 |
| Other current liabilities (incl accrued liabs) | 626 | 911 | 1,040 | 1,146 | 1,436 | 1,876 | 2,177 | 2,687 | 2,567 | 4,499 | 4,499 |
| **Total current liabilities** | **3,170** | **3,792** | **4,694** | **6,604** | **12,298** | **17,984** | **16,275** | **20,051** | **24,264** | **17,555** | **17,775** |
| | | | | | | | | | | | |
| Long-term debt | 3,000 | 3,027 | 3,108 | 4,663 | 4,075 | 3,514 | 4,632 | 3,677 | 2,709 | 2,706 | 2,706 |
| Deferred tax liabilities | 341 | 251 | 234 | 238 | 241 | 267 | 372 | 299 | 183 | 235 | 235 |
| Provisions (Contract liabilities) | 622 | 1,225 | 1,760 | 1,640 | 3,226 | 5,270 | 4,826 | 5,625 | 3,366 | 3,586 | 3,586 |
| Other non-current liabilities (incl accrued liabs) | 279 | 202 | 241 | 258 | 251 | 455 | 401 | 460 | 432 | 416 | 416 |
| **Total non-current liabilities** | **4,243** | **4,704** | **5,343** | **6,799** | **7,792** | **9,506** | **10,230** | **10,061** | **6,691** | **6,943** | **6,943** |
| | | | | | | | | | | | |
| **Total liabilities** | **7,413** | **8,496** | **10,037** | **13,402** | **20,090** | **27,490** | **26,505** | **30,113** | **30,954** | **24,498** | **24,718** |
| | | | | | | | | | | | |
| **Total net assets** | **10,776** | **11,641** | **12,592** | **13,865** | **10,141** | **8,811** | **13,452** | **18,477** | **19,346** | **22,893** | **34,455** |
| **Total equity** | **10,776** | **11,641** | **12,592** | **13,865** | **10,141** | **8,811** | **13,452** | **18,477** | **19,346** | **22,893** | **34,455** |
| | | | | | | | | | | | |
| *Net debt:* | | | | | | | | | | | |
| Total Debt | -3,025 | -3,027 | -3,108 | -4,678 | -4,584 | -4,260 | -4,632 | -4,688 | -4,391 | -4,388 | -4,388 |
| Total "Cash" | 3,288 | 4,034 | 4,718 | 7,352 | 7,590 | 7,376 | 7,010 | 12,741 | 13,322 | 7,135 | 11,499 |
| **Net cash/(debt)** | **263** | **1,008** | **1,610** | **2,673** | **3,006** | **3,116** | **2,379** | **8,054** | **8,931** | **2,748** | **7,111** |

**Exhibit 6:** ASML Valuation Matrix and Ratio Analysis

| Valuation Matrix (€m) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Share Price (€)** | **128.7** | **162.7** | **194.4** | **303.2** | **591.3** | **503.8** | **611.3** | **1400.0** | **1400.0** | **1400.0** | **1400.0** |
| Number of Shares (m) | 430 | 425 | 421 | 418 | 410 | 398 | 394 | 393 | 388 | 384 | 379 |
| **Market Cap (€m) - average** | **55,288** | **69,126** | **81,820** | **126,838** | **242,292** | **200,323** | **240,772** | **550,585** | **543,655** | **538,060** | **530,060** |
| Net debt/(cash) (€m) - average | -263 | -1,008 | -1,610 | -2,673 | -3,006 | -3,116 | -2,379 | -8,054 | -8,931 | -2,748 | -7,111 |
| **Enterprise Value (€m) - average** | **55,025** | **68,118** | **80,210** | **124,164** | **239,286** | **197,208** | **238,393** | **542,531** | **534,724** | **535,312** | **522,949** |
| | | | | | | | | | | | |
| P/E (x) | 26.2 | 26.8 | 31.6 | 35.8 | 41.2 | 35.6 | 30.7 | 72.8 | 56.4 | 45.8 | 30.0 |
| **P/E FY1 (x)** | **21.2** | **26.5** | **22.9** | **21.1** | **41.8** | **25.3** | **31.8** | **56.4** | **45.8** | **30.0** | **27.0** |
| Price/book value (x) | 5.1 | 5.9 | 6.5 | 9.1 | 23.9 | 22.7 | 17.9 | 29.8 | 28.1 | 23.5 | 15.4 |
| Price/FCF (x) | 37.9 | 28.1 | 34.2 | 35.0 | 24.5 | 27.9 | 74.1 | 60.6 | 49.3 | 76.2 | 48.3 |
| EV/Sales (x) | 6.1 | 6.2 | 6.8 | 8.9 | 12.9 | 9.3 | 8.7 | 19.2 | 16.4 | 14.2 | 10.7 |
| **EV/Sales FY1 (x)** | **5.0** | **5.8** | **5.7** | **6.7** | **11.3** | **7.2** | **8.4** | **16.6** | **14.2** | **11.0** | |
| EV/EBITDA (x) | 18.9 | 20.1 | 24.8 | 27.3 | 33.1 | 27.8 | 24.4 | 54.6 | 43.2 | 36.5 | 24.2 |
| **EV/EBITDA FY1 (x)** | **16.2** | **21.0** | **17.7** | **17.2** | **33.8** | **20.2** | **24.0** | **43.9** | **36.4** | **24.8** | |
| EV/IC (x) | 4.9 | 6.1 | 6.6 | 9.8 | 16.4 | 10.2 | 11.0 | 22.7 | 22.3 | 17.8 | 14.0 |
| Dividend yield | 0.9% | 0.9% | 1.6% | 0.8% | 0.6% | 1.3% | 1.0% | 0.4% | 0.5% | 0.7% | 0.7% |
| FCF yield | 2.6% | 3.6% | 2.9% | 2.9% | 4.1% | 3.6% | 1.3% | 1.6% | 2.0% | 1.3% | 2.1% |
| | | | | | | | | | | | |
| *Per share data (€):* | | | | | | | | | | | |
| **EPS - Diluted** | **4.9** | **6.1** | **6.1** | **8.5** | **14.3** | **14.1** | **19.9** | **19.2** | **24.8** | **30.5** | **46.7** |
| Dividends per share | 1.2 | 1.4 | 3.2 | 2.5 | 3.3 | 6.4 | 6.0 | 6.2 | 6.6 | 9.7 | 9.7 |
| FCF per share | 3.4 | 5.8 | 5.7 | 8.7 | 24.2 | 18.0 | 8.2 | 23.1 | 28.4 | 18.4 | 29.0 |
| Book value per share | 25.1 | 27.4 | 29.9 | 33.1 | 24.7 | 22.2 | 34.2 | 47.0 | 49.8 | 59.6 | 91.0 |

| Ratio Analysis | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ROCE | 27% | 31% | 27% | 36% | 56% | 49% | 58% | 51% | 57% | 64% | 90% |
| ROIC | 19% | 23% | 21% | 28% | 39% | 29% | 35% | 31% | 39% | 38% | 46% |
| ROE | 21% | 23% | 21% | 27% | 49% | 59% | 70% | 47% | 51% | 56% | 62% |
| Interest cover (x) | 45.2 | 64.7 | 69.7 | 46.3 | 58.5 | 46.0 | 42.4 | 40.9 | 40.4 | 49.2 | 98.3 |
| Cash Conversion | 1.6 | 1.1 | 1.0 | 1.0 | 0.7 | 0.8 | 1.8 | 0.9 | 1.0 | 1.6 | 1.6 |
| Net debt/Equity | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Dividend/FCF | 35% | 24% | 55% | 29% | 14% | 36% | 72% | 27% | 23% | 53% | 33% |
| Payout ratio (DPS/EPS) | 25% | 23% | 51% | 30% | 23% | 46% | 30% | 32% | 26% | 32% | 21% |
| Capex/Sales | 4% | 5% | 6% | 7% | 5% | 6% | 8% | 7% | 5% | 6% | 5% |
| | | | | | | | | | | | |
| *yy growth:* | | | | | | | | | | | |
| Sales growth | 33.2% | 20.9% | 8.0% | 18.3% | 33.1% | 13.8% | 30.2% | 2.6% | 15.6% | 15.3% | 29.3% |
| EBIT growth | 50.6% | 18.8% | -5.9% | 45.2% | 66.6% | -3.7% | 39.1% | -0.2% | 25.7% | 20.7% | 49.1% |
| EBITDA growth | 44.6% | 16.3% | -4.4% | 40.2% | 59.0% | -1.9% | 38.1% | 1.6% | 24.4% | 18.7% | 46.9% |
| EPS growth | 58.7% | 23.8% | 1.1% | 38.0% | 69.1% | -1.4% | 40.8% | -3.3% | 29.0% | 23.1% | 53.0% |
| FCF growth | 22.5% | 68.7% | -3.0% | 51.7% | 173.1% | -27.6% | -54.7% | 179.7% | 21.4% | -36.0% | 55.4% |
| Dividend growth | 15.9% | 15.6% | 122.0% | -19.6% | 28.3% | 87.1% | -8.3% | 4.4% | 4.0% | 46.1% | -1.5% |
| | | | | | | | | | | | |
| *Margin structure:* | | | | | | | | | | | |
| Gross margin | 45.0% | 46.0% | 44.7% | 48.6% | 52.7% | 50.5% | 51.3% | 51.3% | 52.9% | 52.5% | 55.0% |
| EBIT margin | 27.6% | 27.1% | 23.6% | 29.0% | 36.3% | 30.7% | 32.8% | 31.9% | 34.7% | 36.3% | 41.9% |
| EBITDA margin | 32.2% | 31.0% | 27.4% | 32.5% | 38.8% | 33.5% | 35.5% | 35.2% | 37.9% | 39.0% | 44.3% |
| PBT margin | 27.0% | 26.8% | 23.4% | 28.7% | 36.0% | 30.5% | 33.0% | 32.0% | 35.0% | 36.4% | 42.0% |
| Net margin | 23.4% | 23.7% | 21.9% | 25.4% | 31.6% | 26.6% | 28.4% | 26.8% | 29.5% | 31.2% | 36.3% |

# Risk Reward – ASML Holding NV (ASML.AS) Top Pick

Risks and Rewards Balancing Upwards

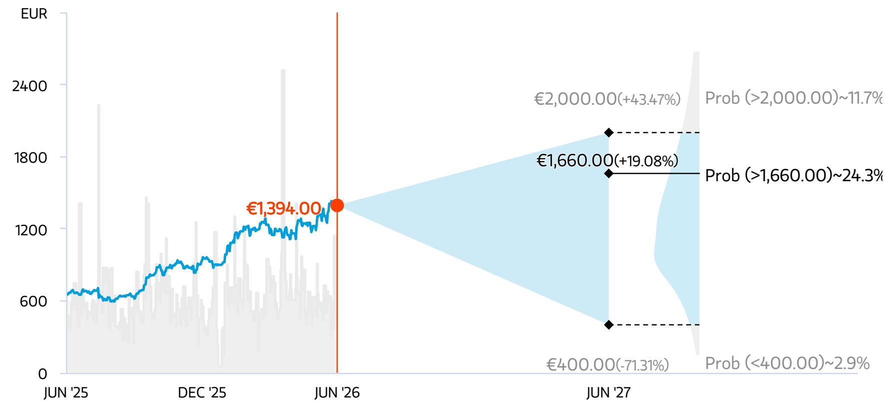
## PRICE TARGET €1,660.00

We value ASML at a P/E multiple of 32x, at the lower end of our usual cycle peak valuation range of 30-35x. This is in line with historical peaks (30x), but we note upside potential from significant foundry capex as well as continued rapidly rising memory prices. Applying a 32x P/E multiple to our 51.92 FY28 EPSe gives us a PT €1660.

**Consensus Price Target Distribution** €795.00 — €1,472.50 — MS PT — €1,900.00

Mean

## RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)




**Key:** Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 1 Jun 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

## OVERWEIGHT THESIS

- ASML is a dominant supplier of critical toolsets for the semi manufacturing process.
- We expect WFE growth, although we see lithography intensity (share of WFE) flattening over 2024-26, which may cap earnings in the meantime.
- We anticipate consensus earnings revisions as debate shifts to 2026-27 on improving DRAM and logic demand for EUV.
- We anticipate better than expected customer demand for holistic lithography solutions.
- Metrology margins look robust as use of eBeam drives growth and near universal adoption.
- We expect supply chain management to deliver growing GM% across the mid to longer term.

**Consensus Rating Distribution**

| | |
|---|---|
| 81% | Overweight |
| 14% | Equal-weight |
| 6% | Underweight |

● MS Rating

**Risk Reward Themes**

**Technology Diffusion:** *Positive*

View descriptions of Risk Rewards Themes here

### BULL CASE €2,000.00

**DRAM and 2nm/A16 logic rapid growth**

**c.40x 2027e bull case EPS c.€50:** Recovery at leading edge logic foundries leads to a rapid increase in orders with successful technology node transitions requiring broad-based capacity expansions. This is supported by large data centre buildout and big logic capacity build. Limited impact from tariffs and export controls, seamless adoption of High NA and inflationary environment well managed in supply chain. Using estimated c. €50 bull case EPS for 2027, we apply a c.40x P/E to reach €2000.

### BASE CASE €1,660.00

**Solid DRAM demand and China better than feared**

**c.32x on 2028e EPS €51.92:** We model recovery from the leading foundry customer, solid DRAM (for HBM) and China demand as better than feared. This is in line with historical cycle peaks (30x) although this may go a little higher given the significant foundry capex as well as continued soaring memory prices. Risks to estimates include (i) higher than expected immersion demand pull-in (China), (ii) slow EUV order book expansion and/or (iii) push-out of initial High NA sales.

### BEAR CASE €400.00

**Semi industry downturn results in order cuts**

**c.20x 2027e bear case EPS c.€20:** Equipment market recovery in advanced nodes is modest as the expected demand bounce-back stalls, forcing key customers to keep capex tight, even in strategic spend. ASML witnesses another year of weak industry spend. Earnings grow YoY only on weak sales expansion (after trough 2024) as well as mix effects (low EUV; high DUV and IBM) and some development spend is pulled in (e.g., high NA).

# Risk Reward – ASML Holding NV (ASML.AS)

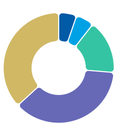
## KEY EARNINGS INPUTS

| Drivers | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| Sales growth - yy (€, mn) | 0 | 0 | 0 | 0 |
| Gross Margin (GAAP) (€, mn) | 1 | 1 | 1 | 1 |
| Operating Margin (GAAP) (€, mn) | 0 | 0 | 0 | 0 |

## INVESTMENT DRIVERS

- 3/2nm transitions on logic/foundry & 1a/b transition on memory drive demand for tools
- Expand EUV margin to DUV levels (>50%)
- Higher throughput drives: (1) stronger case for use in DRAM; (2) higher service revenue linked to output, not maintenance

## GLOBAL REVENUE EXPOSURE



- 0-10% Europe ex UK
- 0-10% Japan
- 10-20% North America
- 30-40% APAC, ex Japan, Mainland China and India
- 30-40% Mainland China

View explanation of regional hierarchies here

## MS ALPHA MODELS

**2/5** MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

## RISKS TO PT/RATING

### RISKS TO UPSIDE

- Meaningful ramp-up in logic/foundry spend with nrs 2 and 3 returning to investment mode
- Higher HBM/DRAM spend than expected
- Servicing margins expanding
- Tech sovereignty programmes crystallising

### RISKS TO DOWNSIDE

- Materially weaker end-market demand (foundry / DRAM especially)
- Strong inflation cycle and Chinese weakness driving slowdown and more order push-outs
- Absent High NA adoption (DRAM 2028+) inhibiting multiple

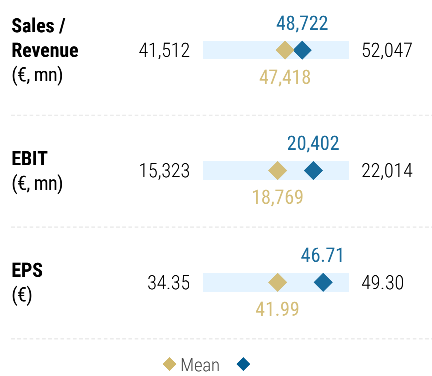
## OWNERSHIP POSITIONING

| | |
|---|---|
| **Inst. Owners, % Active** | 72.9% |
| **HF Sector Long/Short Ratio** | 2.3x |
| **HF Sector Net Exposure** | 10.5% |

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2027e*



# Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf