Japan SPE: ASML 2Q read-across: Reconfirms strong demand centered on advanced processes; we highlight Buy ratings on Lasertec/TEL

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Lithography equipment major ASML (covered by our European hardware sector analyst, Alexander Duval) announced 2Q FY12/26 (Apr-Jun) results on July 15. We outline our key takeaways and implications for Japanese SPE makers below.

Another upward revision to 2026 sales guidance

Backed by growing and accelerating capex appetite among semiconductor makers for both logic and memory, ASML hiked 2026 sales guidance once more. It made a substantial upward revision from the €36-40 bn (implying 16% yoy growth at the midpoint) guided at 1Q results, to €43-45 bn (35% yoy growth). Within this, management expects EUV to increase 45% yoy, DUV and Metrology 25% yoy, and the installed base business 30% yoy. ASML also maintained its outlook for China to account for c.20% of sales (meaning an increase in absolute terms), noting that incremental demand is mainly being driven by growing investment appetite among Chinese logic customers.

Mention of capacity increases for both EUV and DUV

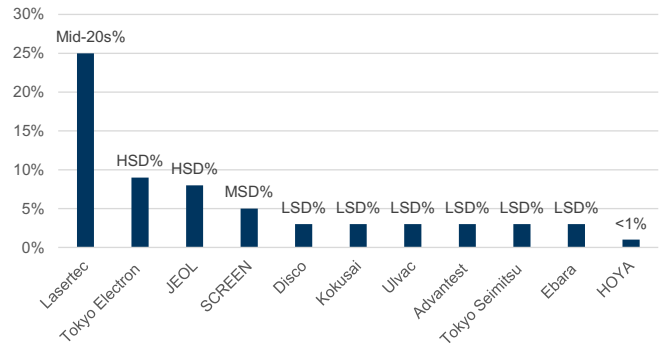
In response to robust demand from customers, the company is working to raise production capacity for both EUV and DUV. For EUV lithography systems (Low NA only), it expects 2026 shipments of 65 units (previously it had stated at least 60 units), and plans to increase capacity by 30% in 2027, and by a further 30% in 2028. Furthermore, the company noted that EUV lithography system orders for its 2027 production capacity are almost fully booked, and strong order momentum is already building for 2028. It also intends to increase DUV lithography system capacity by 30% annually in 2027-2028, similar to its plans for EUV.

Implications for Japanese SPE makers

Against the backdrop of high growth expectations for the WFE market, market expectations for earnings expansion at front-end process companies had also been rising, so we think ASML's comments on strong demand were not a major surprise. However, we think the phased capacity increases for EUV lithography equipment, along with the announcement that Intel Foundry's 18A process (which uses High NA EUV lithography) has entered mass production, have positive implications, particularly for **Lasertec (Buy, on CL)** and **Tokyo Electron (Buy)**, both of which have high sales exposure to Intel.

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Exhibit 1: Intel exposure of covered companies (based on our FY25 estimates)



Source: Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Tokyo Electron

Valuation methodology: Our 12-month target price of ¥83,000 is based on our FY3/28E EBITDA estimate and the global SPE sector average EV/EBITDA multiple of 18X, to which we then apply a sector-relative premium of 30% (implies FY3/28E P/E of 35X and P/B of 16X). We are Buy rated.

Key risks: A prolonged inventory adjustment phase in the semiconductor industry, further strengthening of export restrictions, and a depressed valuation multiple amid upward pressure on interest rates and other factors.

Price Target Risks and Methodology - Lasertec

Valuation methodology: Our 12-month target price of ¥67,000 is based on our FY28/6E EBITDA estimate and the global SPE sector average EV/EBITDA multiple of 18X, to which we then apply a sector-relative premium of 50% (implies FY6/28E P/E of 41X and P/B of 15X).

Key risks: Decline in market share due to new entrants, lack of progress in ACTIS adoption by wafer fabs, weaker customer investment appetite for leading-edge process nodes, rapid appreciation of the yen against the US dollar.

