ASML Holding (ASML.AS): Strong customer commitments support capacity plans, with pricing flexibility and mix shift driving margin

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ASML's 2Q26 revenue was 6% above Visible Alpha Consensus Data and EBIT came in 13% ahead of consensus. As such, the company upgraded its guidance for 2026 and expects revenue of between €43bn and €45bn (vs. €36bn to €40bn prior), with gross margin of 54%-56% (vs. 51%-53% prior). We note that the guide for 2026 implies revenue broadly 11% ahead of consensus at the mid-point (and 14% ahead at the top end of guide). Key takeaways include: 1) Advanced Logic node migration continues to expand the lithography opportunity, 2) Strong DRAM/HBM demand justifies capacity expansion and drives higher lithography content, 3) Margin expansion is underpinned by pricing flexibility and mix shift, and 4) A strong capacity roadmap, with customer visibility providing scope for further expansion.

- **Advanced Logic node migration continues to expand the lithography opportunity:** ASML reiterated that advanced Logic remains a key growth driver, supported by continued investment across both leading-edge nodes and more mature 4nm/5nm technologies to address a broadening range of AI applications. While, 2nm continues to ramp for HPC and mobile, customers are already planning for the transition to 1.4nm, per management, further increasing litho intensity and supporting demand for advanced lithography systems. As such, ASML continues to expect advanced Logic system sales to grow by more than 25% in FY26. On High NA, Intel's deployment of High NA EUV on Intel 18A, used to manufacture a subset of Core Ultra processors, was highlighted as an important milestone demonstrating the technology's readiness in a production environment. As platform maturity continues to improve, management believes High NA will increasingly become a viable capacity solution rather than purely a technology enabler, creating an incremental demand opportunity over time. Longer term, we continue to view both advanced Logic and DRAM as attractive applications for High NA as increasing multi-patterning requirements drive demand for higher-resolution lithography.
- **Strong DRAM/HBM demand justifies capacity expansion and drives higher lithography content:** Management underlined sustained Memory demand, with tight supply conditions continuing to support elevated pricing across both HBM

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and DDR. In this vein, customers are expanding fab capacity through both near-term additions and longer-term mega-fab investments, reflecting expectations for sustained demand growth. Importantly, while HBM increases wafer demand through higher production volumes, the company should see a continued increase in litho intensity as DRAM migrates to more advanced nodes. We note that both 1b and 1c nodes require a significantly higher number of EUV and immersion layers, supporting demand for advanced lithography systems over the coming years. As such, ASML expects Memory system sales to grow by more than 75% in FY26, underpinned by both expanding wafer capacity and rising lithography intensity. We see the combination of expanding Memory capacity and rising litho intensity as providing a supportive backdrop for Memory system demand over the mid-term.

- **Margin expansion underpinned by pricing flexibility and mix shift:** During the earnings call, the company reiterated ASML's value-based pricing strategy, with the current supply-demand environment providing greater pricing flexibility as customer value from EUV systems continues to increase. While long lead times suggest any pricing benefit will feed through only gradually, management believes the current environment remains supportive of dynamic pricing. Beyond pricing, product mix is expected to become an increasingly important margin driver. While 2026 shipments remain weighted toward NXE:3800D systems, the company expects the transition toward the higher-productivity NXE:3800E and NXE:3800F platforms to be largely complete by 2027, supporting higher ASPs and GMs. Lastly, management highlighted additional support from higher scanner volumes, particularly across immersion and DUV, which should improve fixed-cost absorption. Assuming the current demand environment persists, continued growth in the installed base should also support higher-margin service and upgrade revenues, providing a further tailwind to margins. Overall, we continue to see multiple structural drivers supporting margin expansion into 2027, beyond the benefit of stronger end-market demand.
- **Strong capacity roadmap, with customer visibility providing scope for further expansion:** Looking ahead, management noted that it has already secured the majority of EUV orders required for 2027, while also receiving a meaningful number of orders for 2028, providing strong visibility into future demand. As such, ASML is working towards an increase of c.30% in both EUV and immersion manufacturing capacity in 2027 and is investigating the scope for a similar step-up in 2028, with current optimisation efforts supporting potential EUV output of around 110 systems in 2028 through more efficient utilisation of existing cleanroom capacity. We note that the intention to build greater capacity is grounded in customer conversations, reflecting confidence in the underlying demand environment and a strategy of closely matching manufacturing capability to customer needs. Notably, a significant portion of expected demand and required capacity in 2027 is already covered by orders (as is a meaningful portion of 2028 demand). Importantly, the company stressed that demand discussions with customers remain ongoing, particularly for 2028, and that capacity plans continue to evolve alongside customer requirements. As such, in the context of fluctuating demand, we see scope for further upside if customer requirements continue to evolve (and scope for further ASML production

capacity buildouts if demand justifies them).

Changes to estimates

We raise our FY26-30 revenue estimates by between +9% and +28% to reflect our positive view on continued strong demand for ASML's Lithography solutions (both systems and services) from leading-edge Logic and Memory applications, as well as the company's ability to implement value-based increases in ASPs alongside its plans to expand EUV Low NA and Immersion capacity in 2027/28. Further, our FY26-30 gross margin estimates are 1-3pp higher due to our higher topline estimates and more favourable product mix. As such, our FY26-30 EBIT estimates are c.23-46% higher, reflecting our latest topline, gross margin and opex estimates. Finally, our EPS forecasts increase by 23-46% across FY26-30 (factoring in our updated EBIT and share count assumptions).

Valuation and key risks

We are Buy-rated on ASML with a 12-month price target of €2,200 (vs €2,000 prior), based on a 32x 2HCY27+1HCY28E (vs 43x CY27 prior) P/E multiple applied to our higher EPS estimates. As such, our updated valuation multiple reflects a roll forward of our valuation period, and we note that our valuation multiple compares with the historical average range of 25x to 35x 2Y FWD PE multiple. Key risks to our view and price target include EUV delays, capex cyclicality and unfavourable market share shifts.

ASML.AS	12m Price Target: **€2,200.00**	Price: **€1,549.40**	Upside: **42.0%**

Buy

Market cap: €595.6bn / $681.2bn
Enterprise value: €572.5bn / $654.7bn
3m ADTV: €1.0bn / $1.2bn
Netherlands
European Semiconductors, Hardware and Gaming Tech
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (€ mn) New	**32,667.3**	**44,013.9**	**58,021.9**	**74,328.0**
Revenue (€ mn) Old	32,667.3	39,815.5	53,002.3	58,664.5
EBIT (€ mn)	11,301.5	17,878.0	26,269.2	35,861.5
EPS (€) New	**24.16**	**38.73**	**57.15**	**78.52**
EPS (€) Old	24.16	30.95	46.53	54.62
EV/sales (X)	8.3	13.0	9.5	7.0
EV/EBITDA (X)	22.0	30.3	20.1	14.1
P/E (X)	30.0	40.0	27.1	19.7
Org. sales grth (%)	–	–	–	–

	3/26	6/26	9/26E	12/26E
EPS (€)	6.88	7.47	10.56	13.82

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 15 Jul 2026 close.