ASML

2Q26 First Take: 3Q and 2026 guidance substantially higher. Large capacity increases guided mean '28 earnings potential is dramatically above consensus.

Overweight

ASML.AS, ASML NA
Price (14 Jul 26):€1,555.80
Price Target (Jun-28):€1,900.00

European Tech Hardware & Payments

Sandeep Deshpande [AC]
(44-20) 7134-5276
sandeep.s.deshpande@jpmorgan.com

Craig A McDowell
(44-20) 7742-4576
craig.mcdowell@jpmorgan.com

Anthony Girard
(44-20) 3493-6469
anthony.girard@jpmorgan.com
J.P. Morgan Securities plc

Specialist Sales contact details:

Scott Silver - Specialist Sales - European TMT
(44-20) 7134-0412
scott.silver@jpmorgan.com

Our Take: ASML's 2Q results and 3Q guidance were better than market expectations, with the company raising FY26 sales guidance to €44bn at the midpoint, which is 16% higher than the midpoint of the prior guidance. We calculate that this is likely to raise FY26 consensus estimates by around 25%. However, the most important points in their report were indications from the company on capacity in 2027 and 2028. The co. has indicated that they will raise both EUV and immersion DUV capacity in both 2027 and 2028 by 30% which would result in approx. 85/110 EUV and 169/210 Immersion DUV tools in 2027/2028. The 2028 capacity guidance is higher than JPMe and JPMe were the highest sell side estimates for that year. On the back of the envelope this would result in more than €65 in EPS for 2028, potentially enhanced even more so by the very strong Installed Base Management revenue that ASML is already seeing. Overall the only slight negative is that the co. does not achieve 90 EUV tool capacity in 2027. However, given the much stronger than expected 2028 EUV and Immersion DUV capacity, we don't believe this should matter. ASML is significantly undervalued vs. US peers. The message from the bears has been that they are capacity limited or that they don't grow as much as their U.S. peers. 2026 growth is now ~35% which is ahead of the currently understood WFE growth and the co. is virtually guiding 30% growth in the next two years. We believe the discount to peers should close. Reiterate Overweight rating. ASML is on the JPMorgan AFL.

- **Noteworthy Areas:** ASML reported 2Q sales of 9.33bn, which is 7.2%/5.4% above JPMe/Bloomberg consensus and above company guidance of €8.4bn-9.0bn or €8.7bn at the mid-point. 2Q sales broke down into €6.56bn of net system sales and €2.76bn of Installed Base Management (IBM) sales. Revenue beat was driven by ~€300m higher IBM sales than expected. 2Q gross margin of 54% came in at above company guidance (of 51-52%) and 227bps/201bps above JPMe/consensus, driven by software-led upgrades and positive system mix. The company beat on operating income, reporting €3.46bn (37.1% margin) for 2Q, which was 15.2%/12.5% above JPMe/consensus. 2Q diluted EPS of €7.58/share stood 13.7%/10.8% above JPMe/consensus. Though ASML no longer reports orders, the co. indicates "very strong order bookings" for 1H26 with strong EUV visibility for 2027/2028. For 2026, ASML aims to deliver at least 65 Low NA EUV systems (up from 60 previously guided) and 130 DUV immersion systems (about last year's level - unchanged). For 2027, ASML targets a 30% increase in EUV capacity (~85 tools) as well as 30% DUV immersion expansion. For 2028, ASML is looking to expand EUV and immersion capacity by another 30% based on current orders.The company will pay an interim dividend of €1.88 per share in August 5, 2026 In 2Q, the company purchased €1.1bn worth of shares under the 2026-2028 buyback program. Management highlighted that Intel is using High NA tools in 18A production, providing proof of tool maturity.
- **Outlook & Guidance:** ASML expects 3Q26 sales between €11bn and €12bn,

See page 4 for analyst certification and important disclosures, including non-US analyst disclosures.

or €11.5bn at the midpoint. The midpoint of ASML's 3Q26 sales guidance is 12% above consensus. The company expects 3Q26 gross margin to be in the range of 55-57%, or 56% at the mid-point, i.e. 350bps above the consensus estimate of 52.5%. ASML's implied 3Q26 operating income of €4,840m (42.1% operating margin) is 26.3% above consensus. For FY26, ASML raised its revenue guidance from €36-€40bn to €43-€45bn €44bn at the midpoint, which implies a 34.7% YoY growth and FY26 gross margin is expected to be 54-56% or 55.0% at the midpoint. ASML expects ~25% growth in advanced foundry logic revenue in 2026 and ~75% growth in Memory revenue with higher litho intensity. ASML also indicated ~25% growth in DUV + metrology/inspection in 2026. ASML is close to having all EUV orders needed for 2027. China is still expected to be at ~20% of net sales in FY26 driven by logic.

- **Likely changes to consensus:** Based on the guidance, we expect 3Q26 consensus operating income expectations to increase by mid twenty %. For FY26, with new revenue and gross margin guidance both significantly above consensus estimates, we expect consensus earnings estimates to rise by mid twenty %.
- **Peer read-across:** ASML's positive outlook with indication of "very strong" orders positively reads-across to other semicaps. In logic, ASML notes heavy additions at 5/4/3nm, aggressive 2nm ramp and early build at 1.4nm where ASML has strong content.
- **Valuation:** ASML trades on a '26E/'27E/'28E P/E of 48.3x/35.2/28.9x, EV/Revenue of 15.1x/12.0x/10.5x and EV/EBITDA of 38.5x/28.6x/24.2x (as of July 14th, 2026).
- **Conference Call Details:** Management are to host a conference call today at 14:00 UK time/15:00 CET. Click here to join the call.

Actual vs Expected:

Table 1: ASML 2Q26 - Actual vs JPMe/Cons

€m	2Q26 Actual	2Q26 JPMe	2Q26 Cons	% vs. JPMe	% vs. Cons.
Equipment revenue	6,564.8	6,199.6	6,341.5	5.9%	3.5%
Service revenue	2,761.7	2,500.0	2,490.8	10.5%	10.9%
Revenue	**9,326.5**	**8,699.6**	**8,847.2**	**7.2%**	**5.4%**
Gross Profit	**5,035.4**	**4,499.1**	**4,599.0**	**11.9%**	**9.5%**
Gross Margin	54.0%	51.7%	52.0%	227bps	201bps
Operating Income, reported	**3,456.1**	**2,999.1**	**3,073.3**	**15.2%**	**12.5%**
Margin	37.1%	34.5%	34.7%	258bps	232bps
Net income, reported	2,917.6	2,565.8	2,638.6	13.7%	10.6%
Margin	31.3%	29.5%	29.8%	179bps	146bps
EPS, clean diluted	**7.58**	**6.67**	**6.84**	**13.7%**	**10.8%**

Source: Company reports, J.P. Morgan estimates, Bloomberg Finance L.P. consensus.



Sandeep Deshpande [AC]
(44-20) 7134-5276
sandeep.s.deshpande@jpmorgan.com

J.P.Morgan

Investment Thesis, Valuation and Risks

ASML *(Overweight; Price Target: €1,900.00)*

Investment Thesis
ASML is the sole supplier of EUV tools and its market share in the lithography segment should exceed 80-89% (seen in the last decade) driven by higher EUV ASP. The shift to High-NA that should start in '27 should help litho intensity improve as should greater EUV adoption in DRAM. The industry environment has changed significantly in recent quarters with a significant increase in DRAM prices. ASML, with its exposure to all the major memory companies, should be a significant beneficiary of a memory up-cycle.

Valuation
Our ASML target price is €1,900 ($2,200) which is equivalent to 29.4x our '28 EPS. ASML has historically traded at 28-38x forward earnings in the last five years (interquartile range) and at an average multiple of 33x. Our multiple is thus at the lower end of ASML's trading range to reflect our upcycle estimates.

Risks to Rating and Price Target
We believe the key risks that could prevent the stock from achieving our price target are: 1) export restrictions on tools to key geographies, such as China; and 2) an economic downturn, which would jeopardise our earnings estimates and PT. Further, lower-than-expected EUV adoption could imply downside to our estimates. Continuing increase in interest rates would also be negative to the multiple used and, thus, negative to our target price.