First Read

ASML

Q2 26 results: Visibility continues to extend into 2028

Q: How did the results compare vs expectations?

A: Q2 EBIT was 13% above consensus, while Q3 EBIT guidance sits 27% above consensus at the mid-point. Based on new 2026 guidance, we expect a 20-30% upgrade to cons. EPS in 2026-28.

What were the most noteworthy areas in the results?

A: 1) Q2'26 net sales were €9.3bn, 6% above consensus, primarily driven by higher-than-expected installed base management sales of €2.8bn and 11% above consensus. EUV system sales were €3.7bn up 39% y-o-y and 7% above consensus; 2) China system sales decreased 23% q-o-q and 39% y-o-y in Q2, in line with China import data, representing 14% of Q2 26 product sales. ASML continues to expect China to normalise to 20% of sales this year, implying China down 8% y-o-y (was -20%) vs our UBSe forecast of -12% y-o-y and our China WFE forecast of ~7% y-o-y. This was driven by logic which would imply further upside from memory, in our view in 2027E; **3) ASML now expects to reach c.65 Low-NA EUV systems of installed capacity in 2026 (vs. previous guidance of at least 60). Capacity is planned to increase by a further 30% in 2027 to c.85 systems (vs. prior guidance of at least 80 and consensus shipments of 85), with the company also evaluating another 30% expansion in 2028 to c.110 systems (vs. consensus of 88). Similarly, ASML plans to expand DUV immersion capacity by 30% in 2027, from 130 to c.170 systems (vs. consensus of 137), and is assessing a further 30% increase in 2028 to c.220 systems (vs. consensus of 146). As a result, the most meaningful incremental capacity upside appears to be in DUV immersion through both 2027 and 2028, while the potential uplift in EUV volumes is more skewed towards 2028. We also view the implied 2027 EUV capacity of 85 systems as relatively conservative;** 4)ASML expects memory revenues to grow 75% y-o-y in 2026E and 25% for advanced foundry logic which shows in our view the strong litho intensity increase; 5) Gross margin was 54% vs. cons of 51.9%, leading to Q2 EBIT 13% above cons; 5) In a separate release, ASML outlined that High NA EUV at Intel has reached new readiness milestone with its first high-volume Logic product, a key positive.

Q: Has the company's outlook/guidance changed?

A: Yes. For Q3'26 it expects net sales between €11-12bn (cons €10.4bn) with gross margin between 55-57% (cons 52.1%), which implies a 26% beat to Q3'26 EBIT. For 2026, it now expects €43-45bn (+35% y-o-y at mid point) of revenues (was €36-€40bn) vs consensus of €39.6bn (21% y-o-y). Based on new guidance, we would expect cons EPS to increase by c25% in 2026E and likely 20-30% in 2027/28.

Q: How would we expect investors to react?

Equities

Netherlands
Semiconductors

12-month rating	**Buy**
12m price target	**€2,100.00**
Price (14 Jul 2026)	**€1,555.8**

RIC: ASML.AS **BBG:** ASML NA

Trading data and key metrics

52-wk range	€1,721.40-592.90
Market cap.	€605b/US$690b
Shares o/s	389m (ORD)
Free float	100%
Avg. daily volume ('000)	700
Avg. daily value (m)	€1,013.7
Common s/h equity (12/26E)	€24.8b
P/BV (12/26E)	24.1x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (EUR)

	UBS	Cons.
12/26E	33.33	31.92
12/27E	52.90	44.57
12/28E	68.02	53.83

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Highlights (€m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	27,559	28,263	32,667	39,392	55,690	66,869	67,484	72,264
EBIT (UBS)	9,082	9,063	11,342	15,147	23,793	30,243	30,927	33,539
Net earnings (UBS)	7,681	7,395	9,426	12,798	20,087	25,505	26,080	28,274
EPS (UBS, diluted) (€)	19.49	18.79	24.24	33.33	52.90	68.02	70.63	77.89
DPS (net) (€)	6.10	6.40	7.50	9.97	9.41	11.65	13.48	15.43
Net (debt) / cash	(3,220)	2,680	6,631	6,483	25,085	42,071	62,383	85,460
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	33.0	32.1	34.7	38.5	42.7	45.2	45.8	46.4
ROIC (EBIT) %	71.9	60.5	90.7	115.5	199.7	411.7	>500	<-500
EV/EBITDA (UBS core) x	24.4	30.5	22.1	37.5	23.6	18.0	16.3	14.5
P/E (UBS, diluted) x	31.4	42.5	29.9	46.7	29.4	22.9	22.0	20.0
Equity FCF (UBS) yield %	1.4	3.0	4.0	1.4	4.6	4.5	5.2	5.9
Dividend yield (net) %	1.0	0.8	1.0	0.6	0.6	0.7	0.9	1.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of € 1,555.80 on 14-Jul-2026

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A: Given the magnitude of the potential upgrade, we would expect the stock to outperform the market today.

Key Metrics Q2'26 results/Q3'26 guidance mid-point (€m)

	Consensus estimates	UBS estimates	Actual	% diff vs cons
Q2 26 Sales	8,833	8,920	9,326	+5.6%
Q2 26 Gross %	51.9%	53.0%	54.0%	+208bps
Q2 26 EBIT	3,060	3,223	3,456	+12.9%
Q3 26 Sales*	10,351	9,758	11,500	+11.1%
Q3 26 Gross %*	52.1%	54.1%	56.0%	+386bps
Q3 26 EBIT*	3,827	3,780	4,840	+26.5%
FY26 Sales guidance*	39,578	39,392	44,000	+11.2%

Source: UBS estimates, company data, Visible Alpha. *At mid-point.

Forecast returns

Forecast price appreciation	35.0%
Forecast dividend yield	0.6%
Forecast stock return	35.6%
Market return assumption	7.8%
Forecast excess return	27.8%

Company Description

ASML is the leading supplier of lithography equipment for the manufacture of semiconductor devices. A Philips and ASMI spin-off established in 1984, ASML has progressively gained market share to become the leading supplier of lithography equipment to the semiconductor industry, with few able to compete at the leading edge. The company's products are critical to the ongoing advances in semiconductor technology. ASML supplies all major semiconductor manufacturers, including Samsung, TSMC, Intel and Hynix. Competition primarily comes from Nikon and Canon.

Valuation Method and Risk Statement

Macroeconomic conditions and a slowdown in end markets for semiconductors may lead to curtailment of spending on capital equipment and deferral/ postponement of orders placed with ASML. ASML will remain exposed to significant volatility given the cyclicality if its customers' businesses. Also, the business is currently exposed to significant execution risk around its next generation technology EUV. Our valuation for ASML is derived from a DCF-based methodology with of a WACC of 9% and terminal growth of 3%.



Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

ASML

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	Positive Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	