ASML

Company visit notes

Overweight

ASML.AS, ASML NA
Price (11 Sep 26):€1,478.40
Price Target (Jun-28):€2,100.00

Overweight

ASML, ASML US
Price (11 Sep 26):$1,698.30
Price Target (Jun-28):$2,400.00

European Tech Hardware & Payments

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On Friday last week, we met with ASML CFO Roger Dassen and Investor Relations Director Sam van der Zalm in Veldhoven. Here are key takeaways from our meeting.

- **On pricing:** The company indicated that the price increases indicated at its Q2 conference call will be seen in Immersion DUV and in Low NA EUV. The lion's share of these increases will start in the P&L in 2028. The company expects the price changes to be directly accretive to margins. The higher tool shipments and thus very high utilisation of capacity is also directly accretive to margins. Management indicated that Low NA EUV and Immersion DUV will be key to company gross margins reported in the mid-term.
- **On capacity:** The company indicated that the new campus announced in the past week will be used to build modules and systems for DUV and DUV immersion, with the new capacity starting volume production in '29. The addition of new capacity should give ASML more degrees of freedom on EUV capacity. Management indicated they are looking into whether they can do more than 110 EUV tools in '28 but had nothing to announce. The indication was that driving down EUV cycle time was the key capacity driver. We took away that ASML wants to shave peaks and declines in the cycle and thus the indication seemed to be that if demand is very strong, the volumes will stay high for longer rather than have a high peak and then a trough. Thus the company's behavior will be towards extending the cycle and making sure that the cycle is sustainable.
- **On demand:** Management indicated that demand remains very, very strong. They said that the strong momentum in the market continues and that they see no market hesitation. A lot of the orders at this point are for '28. In '27, the company sees a large number of fabs coming online. Memory will remain a major driver but we took away that advanced logic is also going to be significant, with Intel becoming a meaningful customer again and new customers, e.g. Terafab, developing. The company indicated that litho intensity is increasing (though not linearly) from 2nm to A10. The introduction of High NA EUV will help. The company believes that multi-patterned Low NA EUV will be replaced by High NA EUV starting in '28 but will continue more meaningfully over the next decade. In DRAM, ASML sees greater litho intensity in 6F2, with increasing longevity of the process and more EUV (we believe that Micron will become a major buyer of EUV starting in '27). ASML sees more immersion DUV in logic and DRAM processes over the next few years, meaning that immersion DUV will be stronger for longer.
- **On China:** In 2026 sales are Logic driven and in 2027 ASML expects DRAM to be much stronger. ASML has still not seen any competitive Chinese Litho tools in the market but believes that if the Match Act were passed, it would increase the risk of Chinese competition.
- **On technology:** Tool laser power will increase from 500W in the 3800E to 600W with the 3800F tool. The company indicated that several 3800F tools will ship in '27, but that they will still be in a minority. In '28, the 3800F tool will be a lot more significant. The 3800F tool will have a throughput of 260 wph with proportional increase in ASP (the latest 3800E tool has a throughput of

See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.

230 wph). Laser power will increase to 800W by the end of the decade, taking throughput to 300 wph. Laser power is indicated to increase to 1000W early in the next decade. Given the increase in laser power that ASML expects, the company sees no reason to implement FEL which is a competitive light source technology.

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Investment Thesis, Valuation and Risks

ASML *(Overweight; Price Target: €2,100.00)*

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 €2,100 ($2,400) which is equivalent to 29.6x 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 indicating that the target price is earnings and not multiple driven, and to reflect that we are factoring in that this is an up-cycle price target.

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.



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Investment Thesis, Valuation and Risks

ASML ADR *(Overweight; Price Target: $2,400.00)*

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 ADR target price is $2,400 ($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 indicating that the target price is earnings and not multiple driven, and to reflect that we are factoring in that this is an up-cycle price target.

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