廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

ASML Holding (ASML US)

2Q26 Review: WFE strength continues

Maintained **Buy**
Target price $2,571

Guidance raised; TP $2,571: ASML reported 2Q26 revenue of €9.3bn with a gross margin of 54%. Management raised its 2026 full-year revenue guidance to €43–45bn (from €36–40bn) with a gross margin outlook of 54-56%, supported by stronger demand from both logic and memory. We believe the earnings and margin upside is driven not only by robust end-market demand but also by pin-to-pin price increases and old model upgrade. We remain bullish on ASML's demand outlook and continue to see capacity upside as the company works to diversify its supply chain beyond Zeiss. Accordingly, we raise our 2026/2027 EPS forecasts to €38.88/54.46, and our target price of $2,571 is based on 40x 2027E P/E unchanged.

Likely a 300bn WFE in 2028: We forecast global WFE to reach $163bn in 2026, accelerating to $236bn in 2027 and $295bn in 2028, representing the strongest WFE upcycle on record. We believe the current cycle is supported by: **1)** Stronger visibility into memory capex: Samsung/SK's capex is projected to reach ₩100tn/70tn by 2028, followed by an estimated **~20% CAGR** through 2033; **2)** incremental demand from Terafab; **3)** A more constructive outlook for TSMC's capex, for which we forecast $57bn/75bn in 2026/2027; **4)** Intel's capacity expansion, including ~35kpm for Intel 3 and **~**40kpm for 18A between late 2026 and 2028, alongside an accelerated 14A ramp; and **5)** continued strength in China's demand.

Capacity expansion becoming increasingly visible: Management indicated that both EUV and immersion DUV production capacity are expected to expand by ~30% annually in both 2027 and 2028, implying annual output of ~85/110 EUV systems and ~169/220 immersion DUV systems, respectively. Our checks indicate customer demand has already exceeded 110 EUV systems for 2028, while ASML continues to explore alternative lens suppliers beyond Zeiss to alleviate supply constraints. Although achieving 120 EUV systems in 2028 remains challenging, we still see upside potential to management's existing guidance.

Risks: 1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

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Profit forecast

(EUR to USD 1.18)	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue (m)	27,559	28,263	32,667	44,074	57,325
Revenue YoY (%)	*30.2%*	*2.6%*	*15.6%*	*34.9%*	*30.1%*
Net profit (m)	7,839	7,572	9,609	14,936	20,838
Net profit YoY (%)	*39.4%*	*-3.4%*	*26.9%*	*55.4%*	*39.5%*
EPS ($)	19.89	19.24	24.72	38.88	54.46
P/E	75.7	78.2	60.90	38.71	27.6
ROE (%)	*114.6%*	*35.9%*	*48.8%*	*65.3%*	*56.0%*

Source: Company data, GF Securities (Hong Kong) Brokerage.

Earnings Review

2Q26 results review

ASML reported 2Q26 revenue of €9.3bn EUR, +6.4% QoQ and +21.3% YoY. By segment, net system sales reached €6.6bn EUR, +4.5% QoQ and +17.3% YoY; net service & field option sales reached €2.8bn EUR, +11.0% QoQ and +31.8% YoY. 2Q26 gross profit margin was 54.0%, up 1ppt QoQ, up 0.3ppt YoY; and operating profit margin was 37.0%, up 1.1ppt QoQ, up 2.4ppt YoY. Diluted EPS was €7.58.

We forecast revenue of €44/57bn EUR in 2026/2027

We revise ASML's earnings forecast for 2026/2027 to €44.1/57.3bn EUR, with net profit of €14.9/20.8bn EUR and EPS of €38.88/54.46 EUR, respectively.

Figure 1: Earnings revision (mn EUR)

	FY2025	FY2026E		FY2027E		Change (%)	
		Old	New	Old	New	FY2026E	FY2027E
Net sales	32,667	40,555	44,074	50,922	57,325	8.7%	12.6%
Gross profit	17,258	21,250	24,273	27,300	32,648	14.2%	19.6%
Op. profit	11,302	14,971	17,612	20,164	24,799	17.6%	23.0%
Pre-tax Income	11,406	15,214	17,761	20,478	24,958	16.7%	21.9%
Net profit	9,609	12,909	14,936	17,239	20,838	15.7%	20.9%
Key ratios (%)							
Gross margin	52.8%	52.4%	55.1%	53.6%	57.0%		
Operating margin	34.6%	36.9%	40.0%	39.6%	43.3%		
Net profit margin	29.4%	31.8%	33.9%	33.9%	36.4%		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: ASML's P&L Forecast

(EUR m)	FY25	1Q26	2Q26	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Sales	**32,667**	8,767	9,327	11,906	14,074	**44,074**	11,559	13,214	15,370	17,181	**57,325**
COGS	**-15,409**	-4,122	-4,291	-5,214	-6,174	**-19,800**	-5,078	-5,706	-6,585	-7,308	**-24,677**
Gross profit	**17,258**	4,645	5,035	6,692	7,901	**24,273**	6,482	7,508	8,786	9,873	**32,648**
Opex	**-5,957**	-1,487	-1,579	-1,667	-1,928	**-6,662**	-1,711	-1,943	-2,014	-2,182	**-7,849**
Operating profit	**11,302**	3,158	3,456	5,025	5,972	**17,612**	4,771	5,566	6,772	7,691	**24,799**
Non-op profit	**105**	41	30	45	34	**150**	28	45	43	43	**159**
Pre-tax profit	**11,406**	3,199	3,486	5,070	6,007	**17,761**	4,799	5,610	6,815	7,734	**24,958**
Income tax	**-2,013**	-547	-610	-887	-1,050	**-3,093**	-839	-981	-1,192	-1,352	**-4,364**
Non-GAAP Net Income	**9,609**	2,757	2,918	4,245	5,016	**14,936**	4,020	4,693	5,684	6,440	**20,838**
Diluted EPS (€)	**25**	7.15	7.58	11.04	13.06	**39**	10.48	12.24	14.84	16.83	**54**
Diluted shares	**387**	386	385	385	384	**384**	384	383	383	383	**383**
Margin analysis											
Gross margin	**52.8%**	53.0%	54.0%	56.2%	56.1%	**55.1%**	56.1%	56.8%	57.2%	57.5%	**57.0%**
Operating margin	**34.6%**	36.0%	37.1%	42.2%	42.4%	**40.0%**	41.3%	42.1%	44.1%	44.8%	**43.3%**
Pre-tax margin	**34.9%**	36.5%	37.4%	42.6%	42.7%	**40.3%**	41.5%	42.5%	44.3%	45.0%	**43.5%**
Effective tax rate	**17.7%**	17.1%	17.5%	17.5%	17.5%	**17.4%**	17.5%	17.5%	17.5%	17.5%	**17.5%**
Growth (YoY%)											
Sales	**15.6%**	**13.2%**	**21.3%**	**58.4%**	**44.8%**	**34.9%**	**31.9%**	**41.7%**	**29.1%**	**22.1%**	**30.1%**
Operating profit	**25.3%**	**15.3%**	**29.7%**	**103.6%**	**74.1%**	**55.8%**	**51.1%**	**61.0%**	**34.8%**	**28.8%**	**40.8%**
Net income	**26.9%**	**17.1%**	**27.4%**	**99.8%**	**76.7%**	**55.4%**	**45.8%**	**60.9%**	**33.9%**	**28.4%**	**39.5%**
EPS	**28.5%**	**19.1%**	**28.5%**	**101.4%**	**78.0%**	**57.3%**	**46.6%**	**61.5%**	**34.4%**	**28.9%**	**40.1%**

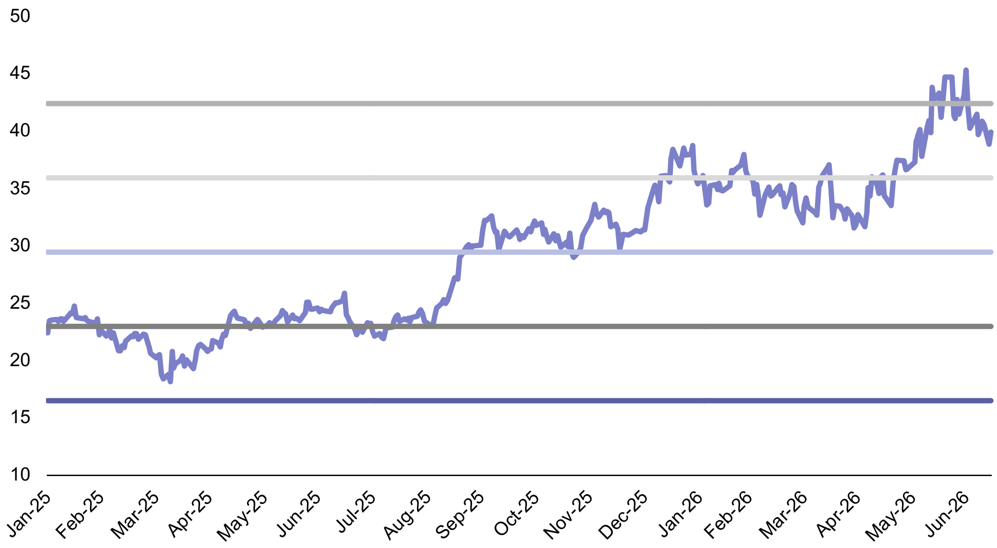
Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

Maintain Buy with TP of $2,571

We remain bullish on ASML's demand outlook and continue to see capacity upside as the company works to diversify its supply chain beyond Zeiss. Accordingly, we raise our 2026/2027 EPS forecasts to €38.88/54.46, and our target price of $2,571 is based on 40x 2027E P/E unchanged.

Figure 3: ASML's Historical Forward P/E



Sources: Company data, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Balance Sheet

EUR m

	FY23	FY24	FY25	FY26E	FY27E
Current assets	24,394	30,357	30,241	35,377	49,116
Cash and cash equivalents	7,010	12,741	13,322	4,281	12,315
Inventory	8,851	10,892	11,429	16,890	19,993
Accounts Receivable	5,713	4,560	3,637	11,790	14,392
Other current assets	2,820	2,164	1,853	2,416	2,416
Non-current assets	15,564	22,209	25,336	20,999	21,776
Long-term equity investment	-	-	-	-	-
Fixed assets	5,493	6,847	7,894	8,149	8,925
Other long-term assets	10,070	15,363	17,443	12,850	12,850
Total assets	39,958	52,567	55,577	56,376	70,892
Current liabilities	16,275	20,050	24,439	23,687	24,589
Accounts Payable	2,347	3,499	3,522	4,598	5,443
Short-term borrowings	0	1,010	990	879	937
Other current liabilities	13,927	15,541	19,927	18,209	18,209
Non-current liabilities	10,230	10,495	6,952	5,318	4,559
Long-term Debt	4,632	3,677	2,709	1,067	309
Other non-current liabilities	5,599	6,818	4,243	4,250	4,250
Total liabilities	26,505	30,545	31,392	29,005	29,149
Total Equity	13,453	22,022	24,185	27,371	41,742
Share Capital	4,034	4,554	4,626	4,626	4,626
Treasury stock	(3,306)	(476)	(2,253)	(2,253)	(2,253)
Retained earnings	12,380	13,516	16,535	23,917	37,733
Capital adjustment	(6,267)	3,476	772	(3,424)	(2,869)
Total Liabilities & Equity	39,958	52,567	55,577	56,376	70,892

Income Statement

EUR m

	FY23	FY24	FY25	FY26E	FY27E
Revenue	27,559	28,263	32,667	44,074	57,325
Cost of sales	(13,422)	(13,771)	(15,409)	(19,800)	(24,677)
Gross profit	14,136	14,492	17,258	24,273	32,648
Operating Expense	(5,094)	(5,469)	(5,957)	(6,662)	(7,849)
Operating profit	9,042	9,023	11,302	17,612	24,799
Interest Income	-	-	-	-	-
Interest Expense	(41)	(20)	(105)	(150)	(159)
Net other Non-op. Income/(Loss)	-	-	-	-	-
Pre-tax profit	9,084	9,042	11,406	17,761	24,958
Income tax & Income from Affiliates	1,245	1,471	1,797	2,826	4,120
Profit for the year	7,839	7,572	9,609	14,936	20,838
Minority interest	-	-	-	-	-
Net profit to ord. equity	7,839	7,572	9,609	14,936	20,838
EPS (€)	19.89	19.24	24.72	38.88	54.46

Cash Flow Statement

EUR m

	FY23	FY24	FY25	FY26E	FY27E
Operating cash flow	5,443	11,166	12,659	1,861	17,654
Profit for the year	7,839	7,571	9,609	14,936	20,838
Depreciation & amortization	740	919	1,026	1,007	1,064
Change in working capital	(3,664)	2,053	1,027	(14,498)	(4,861)
Others	528	623	997	416	613
Investing cash flow	(2,136)	(2,304)	(3,377)	(2,211)	(1,840)
Capex	(2,170)	(2,067)	(1,574)	(1,536)	(1,840)
Change in investment	(553)	(305)	(401)	(37)	0
Others	586	68	(1,402)	(638)	0
Free cash flow	3,274	9,099	11,085	325	15,814
Financing cash flow	(3,004)	(2,832)	(8,671)	(9,164)	(7,780)
Change in Capital	97	(354)	(5,808)	(3,821)	(2,868)
Net Change in Debt	(753)	(26)	(313)	(1,610)	(759)
Others	(2,348)	(2,453)	(2,550)	(3,733)	(4,154)
Exchange influence	(14)	6	(30)	7	0
Total cash generated	(264)	5,731	180	(9,544)	8,033

Key Financial Ratios

	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue growth	30.2%	2.6%	15.6%	34.9%	30.1%
Operating profit growth	39.1%	-0.2%	25.3%	55.8%	40.8%
Net profit growth	39.4%	-3.4%	26.9%	55.4%	39.5%
Profitability					
Gross profit margin	51.3%	51.3%	52.8%	55.1%	57.0%
Operating Profit Margin	32.8%	31.9%	34.6%	40.0%	43.3%
Net profit margin	28.4%	26.8%	29.4%	33.9%	36.4%
Key Ratio					
ROE	114.6%	35.9%	48.8%	65.3%	56.0%
ROA	19.9%	16.4%	17.8%	26.7%	32.7%
Stability					
Gross debt/equity	387.5	145.0	159.5	126.9	78.3
Interest Coverage	(132.1)	(563.9)	(121.0)	(12.4)	(111.1)
Current Ratio	1.5	1.5	1.2	1.5	2.0
Quick Ratio	1.0	1.0	0.8	0.8	1.2
Net debt/equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings

Buy	Stock expected to outperform benchmark by more than 10%
Hold	Expected stock relative performance ranges between -10% and 10%
Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings

Positive	Sector expected to outperform benchmark by more than 10%
Neutral	Expected sector relative performance ranges between -10% and 10%
Cautious	Sector expected to underperform benchmark by more than 10%

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