SEMICONDUCTOR SERIES · 5 OF 6

ASML

Dutch, the only maker of EUV machines in the world

Every advanced chip in this series is printed on an ASML machine. The company raised its 2026 sales forecast by about 16 per cent in July and says next year's EUV capacity is almost sold out, but China and the pace of AI spending make the shares volatile.

Global Markets Research · Semiconductors Desk Prepared by ANDRA MARKETS

a monopoly on the most important machine in tech

Coverage summary. ASML, based in Veldhoven in the Netherlands, is the only company in the world that makes extreme ultraviolet (EUV) lithography machines, which are needed to print the most advanced chips made by TSMC, Samsung, Intel and the memory makers. In the second quarter, net sales rose 21 per cent to €9.3 billion and the gross margin reached 54 per cent, both above guidance. ASML raised its 2026 sales forecast to €43 to 45 billion from €36 to 40 billion and said low-NA EUV capacity for 2027 is close to fully covered by orders. The US-listed shares closed at $1,804.96 on 7 October, almost double their 52-week low but 10 per cent below their high, after two sharp falls linked to China and to doubts about AI spending. ASML reports third-quarter results on 14 October.

ADR PRICE, 7 OCT	Q2 NET SALES	2026 SALES GUIDANCE	P/E, FORWARD
$1,804.96	**€9.33bn**	**€43 to 45bn**	**32.8x**
market value $692bn	*+21% year on year*	*raised from €36 to 40bn*	*57.0x trailing*

Exhibit A. Key figures, second quarter of 2026

Metric	Q2 2026	Note
Net sales (€m)	9,326	+21% y/y; above guidance
Gross margin	54.0%	consensus 51.9%
Net income (€m)	2,918	consensus ~2,620
EPS, basic (€)	7.59	
System sales (€bn)	6.6	EUV 3.8; non-EUV 2.8
Installed base management (€m)	2,762	service and upgrades
Systems sold	86 new + 5 used	incl. 1 High-NA
Q3 2026 guidance (€bn)	11.0 to 12.0	gross margin 55 to 57%
China share of 2026 sales	~20%	from 33% in 2025

beat margin consensus by 2 pts

Q3 guide = +23% q/q!

Company results as reported on 15 July 2026. ASML no longer publishes quarterly bookings. Colour convention (charts only): green marks growth, red marks decline or risk. Handwritten notes and highlights are Andra Markets commentary.

1.0 Executive Summary

Key takeaways

A much bigger 2026. ASML now expects 2026 sales of €43 to 45 billion, about 16 per cent more at the midpoint than it guided in April, with EUV system sales up more than 45 per cent and sales to memory makers up more than 75 per cent as they build capacity for AI. The gross margin guidance was raised to 54 to 56 per cent.

2026 guide +16% at midpoint

2027 almost sold out

Next year is largely booked. Chief financial officer Roger Dassen said that "for 2027, we are now close to being fully covered with orders for Low NA EUV", and that a significant number of 2028 orders are already in. ASML plans to raise its capacity for low-NA EUV and immersion DUV machines by about 30 per cent in 2027 and is studying another 30 per cent for 2028.

The shares are sensitive to two fears. They fell about 7 per cent in late July after reports that a Chinese company is producing its own DUV machines, and 7 per cent on 14 September amid doubts about the pace of AI spending. At about 33 times forward earnings, ASML is the second most expensive company in this series.

China + AI doubts = 2 big drops

2.0 Business Overview

The printing press of chips

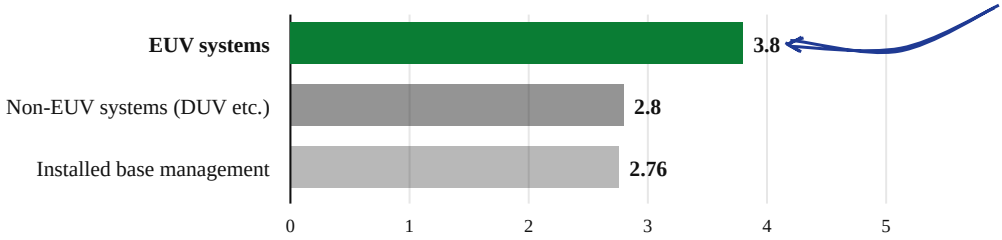
Lithography machines project the patterns of a chip's circuits onto silicon wafers using light; the shorter the wavelength, the smaller the features they can print. ASML sells two main families. EUV machines, which use extreme ultraviolet light, are required for the most advanced processes and are made only by ASML; the newest High-NA versions print even finer features. DUV machines, which use deep ultraviolet light, are used for less advanced layers and older chips, where ASML competes with Nikon and Canon. A third business, installed base management, services and upgrades the thousands of machines already in factories and provides recurring revenue.

EUV machine: ~bus size, 100,000+ parts

service = steady 30% of sales

Exhibit 1. Net sales by type, second quarter of 2026 (€bn)

incl. 1 High-NA



Source: ASML Q2 2026 results and investor call (15 July 2026). System sales were 51 per cent logic and 49 per cent memory.

3.0 Second-Quarter Results

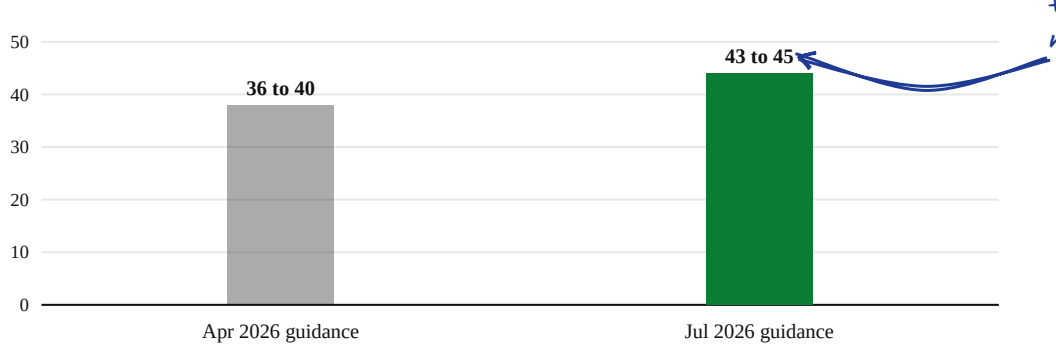
Above guidance

memory = half of system sales

Net sales of €9.3 billion and a gross margin of 54.0 per cent were both above ASML's own guidance and the consensus of 51.9 per cent for margin. Net income of €2.9 billion beat expectations of €2.6 billion. ASML sold 86 new and 5 used systems, and memory makers accounted for 49 per cent of system sales, reflecting the boom in demand for memory used in AI servers analysed in our note on Micron of 5 October. Chief executive Christophe Fouquet said customers "continue to accelerate their capacity expansion plans". Guidance for the third quarter, €11 to 12 billion, implies another step up of about 23 per cent from the second quarter at the midpoint.

Exhibit 2. 2026 net sales guidance, midpoint (€bn)

+€6bn in 3 months



Source: ASML Q1 2026 and Q2 2026 results. Bars show the midpoint; labels show the range. January guidance was €34 to 39bn.

4.0 China and Export Controls

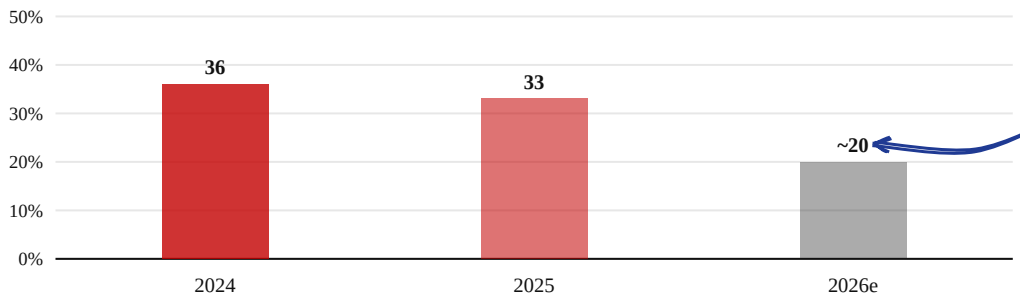
From 36% to 20%

China share halved in 2 years

China was ASML's largest market in 2024, at 36 per cent of sales, as Chinese chipmakers stockpiled machines ahead of export restrictions. Its share fell to 33 per cent in 2025 and is expected to be about 20 per cent in 2026. The risk has not disappeared: a bill introduced in the US Congress in April, the MATCH Act, would restrict sales of immersion DUV machines and their servicing to leading Chinese chipmakers and ask the Netherlands and Japan to align. It is not law, but Bank of America estimates that a full ban on DUV sales and servicing would cut ASML's revenue by 14 to 15 per cent. Reports of Chinese companies building their own DUV machines are a longer-term threat.

MATCH Act: could ban servicing too

Exhibit 3. China's share of ASML net sales (%)



less China = less risk, less revenue

Source: ASML, as reported by Caixin and The Standard (January 2026). 2026 is a company estimate.

5.0 High-NA and the Customers

Adoption is gradual

High-NA: Intel yes, TSMC not yet

ASML expects to recognise revenue on four to five High-NA machines this year. Intel is the leading adopter and has printed more than a million wafers with them, while Samsung and SK hynix have installed their first units. TSMC has said it will not use High-NA for its A14 process, which limits demand in the near term. Memory makers are now among the largest customers: SK hynix disclosed a purchase of EUV machines worth about US$7.9 billion through 2027. ASML is returning cash through a €12 billion buyback programme for 2026 to 2028.

SK hynix: ~$8bn EUV order

6.0 Valuation

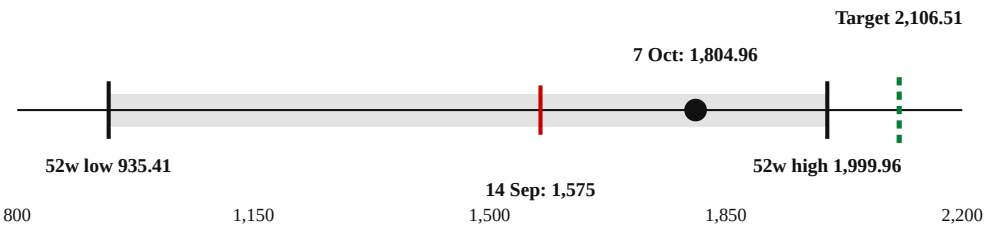
A premium for a monopoly

At $1,804.96, ASML is worth about $692 billion, 57 times trailing earnings and 33 times forward earnings, a premium to TSMC and Nvidia that reflects its monopoly in EUV and its recurring service revenue. The 42 analysts covered by StockAnalysis rate it a strong buy with an average target of $2,106.51, about 17 per cent above the current price, and Bank of America recently raised its Euronext target to €2,557. The shares are 10 per cent below their 52-week high of $1,999.96 and almost double their low of $935.41.

target $2,107 = +17%

BofA raised to €2,557

Exhibit 4. ASML ADR price: 52-week range, latest close and consensus target ($)



14 Sep: −7% in a day

Source: StockAnalysis (7 October 2026 close and price history; consensus of 42 analysts). Shaded band: 52-week range.

7.0 Risk Considerations

Where the case could break

equipment = most cyclical part of chips

Equipment makers are the most cyclical part of the chip industry: when chipmakers slow their investment, orders for new machines fall before chip sales do, and ASML's 2025 experience, when it could not confirm growth for the following year, shows how quickly sentiment can turn. Today the risks are a slowdown in AI investment, new export restrictions on China, slower adoption of High-NA machines and the pace of investment by Intel and Samsung. Because ASML reports in euros while many peers and investors think in dollars, currency movements also affect the comparison.

if AI capex pauses, orders stop first

8.0 Outlook and Monitoring Points

What to watch

14 Oct: Q3 results

ASML reports third-quarter results on 14 October, a day before TSMC. Investors will look for confirmation of the €43 to 45 billion forecast, any first indication of growth in 2027, comments on China and the MATCH Act, the number of High-NA machines shipped, and whether memory makers keep ordering. ASML's comments on 2027 will be the clearest early signal of whether the AI investment cycle continues next year.

watch: 2027 view, China, High-NA

verdict: the toll booth of the chip industry. watch the 2027 signal on 14 Oct

Methodology and Source Notes

Method. This note reviews ASML's results for the second quarter of 2026, reported on 15 July 2026, the investor call and market data at the close of 7 October 2026 for the US-listed ADR. The growth in guidance, the quarter-on-quarter change implied by Q3 guidance and distances from the 52-week range are Andra Markets calculations. The reason for the 14 September decline comes from a single press source. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. ASML, Q2 2026 results (15 July 2026) and investor call transcript; Investing.com, on results and reaction (15 July 2026); The Standard, on Q4 2025 results and China share (January 2026); Hardware Busters, on the MATCH Act (August 2026); Bloomberg Law, on SK hynix (March 2026); Intel newsroom, on High-NA (September 2026); TrendForce, on High-NA adoption (February 2026); Yahoo Finance and 24/7 Wall St, on share price moves (July and September 2026); StockAnalysis, for market data.

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