

ASML Holding N.V. | NASDAQ: ASML / AMS: ASML

Semiconductor Capital Equipment · Netherlands · Initiation of coverage

The AI Toll Booth Widens: A 2027-28 Capacity Step-Up Is Not In The Price

We initiate coverage of ASML with an **Overweight** rating and a 12-month price target of **\$2,150** per ADR (€1,853 per ordinary share), implying **26.6% upside** from the 11 September close of \$1,698.30. ASML is the sole global supplier of extreme-ultraviolet (EUV) lithography and the dominant supplier of immersion deep-ultraviolet (DUV) tools. Every leading-edge logic wafer and every high-bandwidth-memory die manufactured this decade passes through an ASML scanner. That makes the company the single most concentrated, highest-margin claim on artificial intelligence infrastructure spending available in public equity markets, and it is the reason we are comfortable underwriting a premium multiple.

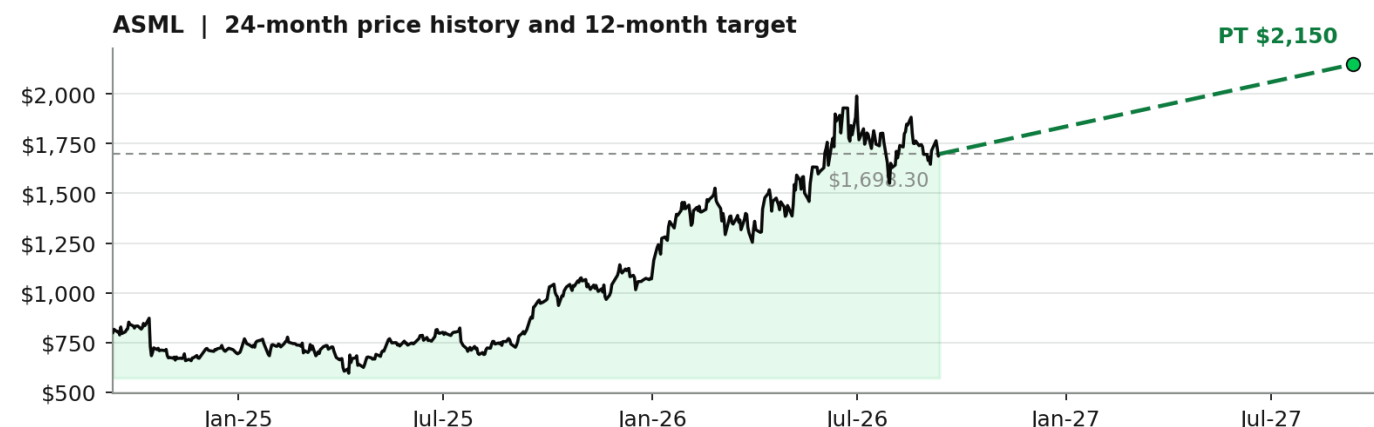
The proximate catalyst for our call is a change in ASML's own behaviour. Alongside second-quarter results the company disclosed that first-half order intake had been *extremely strong*, and that it is adding 30% to 2027 low-NA EUV capacity from a 2026 base of roughly 65 units while investigating a further 30% for 2028. It is making the same 30% addition to DUV immersion capacity from a 2026 base of about 130 units. Capacity decisions of this magnitude carry multi-year lead times through Zeiss SMT and ASML's own module supply chain; management does not take them on a single quarter of bookings. We read the announcement as the clearest signal yet that the 2027-28 revenue base will be materially higher than the sell-side model implies.

Management raised full-year 2026 guidance to €43-45bn of net sales at a 54-56% gross margin, and guided the third quarter to €11.0-12.0bn at 55-57%. Second-quarter net sales of €9.33bn and a 54.0% gross margin both came in above guidance, driven by Installed Base Management revenue of €2.76bn. We forecast €44.0bn in 2026 and €54.5bn in 2027, and our ten-year discounted cash flow model – discounting at a 7.8% weighted average cost of capital with 3.5% terminal growth – produces a fair value of €1,839 per share, or \$2,133 per ADR.

Our target sits inside the range of published institutional estimates. Consensus 12-month targets currently cluster between roughly \$1,970 and \$2,392 with a mean near \$2,160, and the aggregate rating is Strong Buy. We are constructive not because we are above consensus on 2026 – we are essentially in line – but because we think consensus is under-modelling 2028 unit capacity and the mix shift toward High-NA and upgrade revenue that comes with it.

RATING OVERWEIGHT	
12-month price target	\$2,150.00
Last close	\$1,698.30
Implied upside	+26.6%
MARKET DATA	
Last close (11-Sep-26)	\$1,698.30
Market capitalisation	\$652.3bn
Enterprise value	\$645.8bn
Shares outstanding (dil.)	384.1m
Free float	~99%
52-week range	\$806 - \$2,000
Avg. daily volume	~1.1m ADRs
Net cash (Q2-26)	€5.6bn
Dividend (TTM)	\$4.30 / 0.25%
Reporting currency	EUR
EUR/USD used	1.1602
Fiscal year end	31 December

FY26E SALES	FY27E SALES	FY26E GROSS MGN	FY27E EPS	FY27E P/E	DCF VALUE	UPSIDE
€44.0bn	€54.5bn	55.0%	€53.1	28x	\$2,133	+26.6%



Source: NasdaqGS daily closing prices; Parallax Capital estimates. Dashed green line is the trajectory implied by our 12-month target.

1. INVESTMENT THESIS

1.1 A monopoly that is being asked to get bigger

ASML's competitive position is not a matter of degree. There is no second supplier of EUV lithography anywhere in the world, and there will not be one inside our forecast horizon. Nikon and Canon retain positions in mature-node i-line and KrF tooling, but neither has a credible EUV programme, and the physics, optics and volume-manufacturing know-how required – principally the tin-droplet plasma light source and the Zeiss SMT reflective optics column – represent a two-decade, multi-tens-of-billions barrier. The practical consequence is that ASML does not compete on price. It competes on how fast it can build.

That is precisely what changed in July 2026. Management's decision to add 30% to 2027 low-NA EUV output and to investigate a further 30% for 2028, with symmetrical additions to DUV immersion capacity, converts a demand narrative into a physical unit plan. Because ASML recognises revenue on shipment and increasingly on installation, capacity is the binding constraint on the revenue line. If the 2028 investigation converts, the 2028 low-NA EUV shipment envelope moves from roughly 65 units in 2026 toward the region of 110 units, and we do not believe a shipment base of that magnitude is embedded in consensus 2028 estimates.

1.2 Installed Base Management is the quality of the franchise

Installed Base Management – service contracts plus field upgrades – generated €2.76bn in the second quarter, roughly 30% of group revenue, and was the source of the revenue and gross-margin beat. This line is structurally the most attractive part of the business: it is recurring, it grows mechanically with the cumulative installed base rather than with the current-year capex cycle, and upgrade revenue carries gross margins we estimate in the 55–65% range with negligible incremental capital intensity. Management explicitly stated it is *continuing to significantly expand our upgrade portfolio*. Each EUV tool shipped in 2024–2026 becomes a multi-decade annuity, which is why we are comfortable modelling group gross margin toward 60% by 2031 without assuming heroic pricing on new systems.

1.3 The demand driver has broadened from logic into memory

The 2023–24 EUV cycle was almost entirely a leading-edge foundry logic story. The 2026–28 cycle is not. High-bandwidth memory has made DRAM an EUV-consuming industry: HBM4 and successor generations require EUV patterning at the periphery and increasingly in the array, and because HBM dies are physically larger and yield lower than commodity DRAM, each bit of HBM demand consumes disproportionate wafer starts. Management attributed the guidance raise to demand for *advanced Logic and Memory chips* and to customers *accelerating capacity expansion plans*. Two independent demand engines – foundry logic for AI accelerators and DRAM for the memory that feeds them – materially reduces the amplitude of the traditional WFE cycle that has historically compressed ASML's multiple.

1.4 High-NA is a 2028–2032 option we are paying very little for

High-NA EUV (the EXE platform, 0.55 numerical aperture) is currently a gross-margin headwind: early systems ship at low volumes with heavy installation and learning costs. We model High-NA as margin-dilutive through 2027, margin-neutral in 2028 and accretive from 2029, mirroring the low-NA NXE learning curve almost exactly. The strategic point is different from the near-term margin point. High-NA extends single-exposure patterning below the low-NA resolution limit and therefore extends ASML's monopoly rent into the 2030s at a higher price per tool – approximately double a low-NA system. A single confirmed high-volume manufacturing insertion by a leading foundry or memory maker is, in our view, worth more to the 2030 revenue line than any 2026 order.

1.5 Capital returns provide a floor under the equity

ASML repurchased approximately €1.1bn of stock in the second quarter under the 2026–2028 programme and declared a €1.88 interim dividend for 2026. With €7.6bn of cash and short-term investments against €2.0bn of gross debt, the balance sheet is in a net cash position of €5.6bn and the company can fund the announced capacity expansion, sustain the dividend and continue buying back stock simultaneously out of operating cash flow. We forecast cumulative unlevered free cash flow of approximately €114bn (about \$132bn) over 2026–30, equivalent to roughly 20% of the current market capitalisation.

WHAT WE THINK THE MARKET IS MISSING

Consensus 2027 revenue of roughly €54bn is now well understood and largely guided. The under-appreciated variable is 2028. Lithography capacity additions are decided two to three years ahead of shipment, and ASML has told the market it is investigating a second consecutive 30% increment for 2028 in both low-NA EUV and DUV immersion. If that investigation converts – and the first-half order intake described by management suggests it will – the 2028 revenue envelope moves toward €65bn against a consensus that we believe sits nearer €60bn, and the 10 June 2027 Capital Markets Day becomes the mechanism through which a higher long-term model is formally handed to the market. We would rather own the stock into that event than after it.

2. COMPANY ANALYSIS: WHAT ASML ACTUALLY SELLS

ASML develops and manufactures the photolithography systems that project circuit patterns onto silicon wafers. Lithography is the resolution-defining step in semiconductor manufacturing: transistor density, and therefore the

performance and power efficiency of every logic and memory device, is ultimately gated by the wavelength and numerical aperture of the exposure tool. Revenue divides into two economically distinct streams.

2.1 New and used system sales (approximately 70% of revenue)

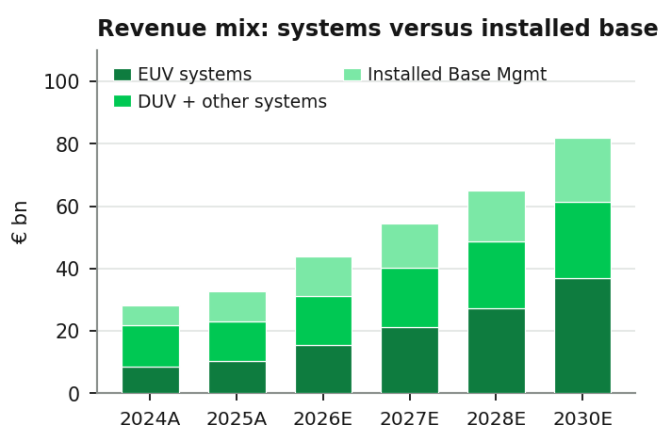
The systems portfolio spans three technology tiers. **EUV** (13.5nm wavelength, NXE and EXE platforms) is required for the most critical layers at 5nm and below and increasingly in advanced DRAM; average selling prices run from roughly €180m for a low-NA NXE:3800E to approximately €350m or more for a High-NA EXE:5200. **DUV immersion** (193nm with a water lens, NXT platform) remains the workhorse of both leading-edge multi-patterning and the 7-28nm node range, at ASPs in the €60-95m band and with the highest unit volumes in the portfolio. **Dry DUV and i-line** serve mature nodes, analogue, power and packaging. In the second quarter ASML shipped 86 new and 5 used systems, against 67 new and 12 used in the first quarter, an unusually steep sequential step that reflects both underlying demand and the earlier capacity investment now converting to output.

2.2 Installed Base Management (approximately 30% of revenue)

IBM revenue comprises service contracts on an installed base of several thousand systems and field upgrade options that raise the throughput, overlay accuracy or productivity of tools already in customer fabs. Customers buy upgrades because incremental wafer output purchased through an upgrade is dramatically cheaper per wafer than a new tool, and because upgrade lead times are measured in weeks rather than the twelve to eighteen months required for a new scanner. The line grew to €2.76bn in the second quarter from €2.49bn in the first, and it is the principal reason ASML's revenue trough is far shallower than the WFE cycle's trough.

2.3 Customer and supplier structure

ASML's customer base is among the most concentrated in global industry: TSMC, Samsung Electronics, Intel, SK Hynix and Micron account for the large majority of leading-edge system revenue, with SMIC and other Chinese customers concentrated in DUV. This concentration cuts both ways. It creates disclosure risk when a single customer reschedules, but it also means ASML negotiates with counterparties who have no alternative supplier and whose own competitive position depends on securing allocation. On the supply side ASML is itself dependent on a small number of critical partners – principally Carl Zeiss SMT for the optics column and a long tail of specialised Dutch and German module suppliers – and the pace of capacity expansion is set by the slowest of them.



Source: company disclosure and Parallax Capital estimates. 2024A-25A split is a Parallax reconstruction.

Metric	Q1-26	Q2-26	FY26E	FY27E	FY28E
Total net sales (€bn)	8.77	9.33	44.0	54.5	65.0
of which IBM (€bn)	2.49	2.76	12.7	14.2	16.2
New systems sold (units)	67	86	330	395	455
Gross margin	53.0%	54.0%	55.0%	57.5%	58.8%
Operating margin	n/d	n/d	40.5%	44.4%	46.4%
EPS (€, basic)	7.15	7.59	39.2	53.1	66.1

Source: company reports (Q1-26, Q2-26); Parallax Capital estimates. Unit counts are Parallax estimates derived from revenue and ASP assumptions.

3. INDUSTRY AND DEMAND ANALYSIS

3.1 The AI capex cycle has a different shape to prior cycles

Semiconductor capital equipment has historically been a three-year amplitude cycle driven by end-market inventory: handset and PC unit demand set wafer starts, wafer starts set utilisation, utilisation set capex, and the equipment names de-rated violently at every turn. The AI build-out differs in three structural respects. First, the buyer is different: hyperscale platforms and sovereign compute programmes fund capacity from operating cash flow and strategic imperative rather than from consumer unit forecasts, and their planning horizons are three to five years. Second, the compute intensity per unit of end demand is rising rather than flat, because frontier model training and inference scale with parameter count and token volume rather than with device shipments. Third, and most important for ASML specifically, the AI die is a leading-edge die. It consumes the most EUV-intensive process available, and it drags with it advanced packaging and HBM, both of which consume additional wafer starts per unit of shipped compute.

We do not argue that the cycle has been abolished. We argue that its trough is higher and its correlation to consumer electronics is lower. That is a multiple argument as much as an earnings argument: the market has historically capitalised ASML's mid-cycle earnings at a discount to reflect cyclicalities, and a demonstrably shallower trough justifies a narrower discount.

3.2 Sizing the lithography opportunity

Our top-down framework starts from wafer-fab equipment spending. We model global WFE of approximately \$155bn in 2026 rising toward \$215bn by 2030, a compound growth rate near 9%, with the leading-edge logic and DRAM components growing considerably faster than the mature-node and analogue/power components. Lithography's share of WFE has expanded from the low twenties to roughly 25-28% as EUV layer counts have risen, and we expect it to reach approximately 30% by 2030 as High-NA insertion raises the average selling price per critical layer. Applying ASML's share of the lithography segment – effectively 100% of EUV and approximately 90% of immersion DUV – produces a 2030 revenue envelope for ASML in the €78-86bn range. Our €82bn estimate sits at the mid-point.

3.3 Competitive moat and substitution risk

The realistic threats to ASML are not competitive; they are architectural. If the industry could achieve density scaling without further lithographic resolution – through gate-all-around device architecture, backside power delivery, three-dimensional stacking or chiplet disaggregation – then EUV layer counts per wafer could plateau even as compute demand grows. We take this risk seriously but note that every one of those techniques has so far *added* critical layers and mask steps rather than removed them, and that the industry roadmap through the A14 and A10 nodes assumes continued lithographic scaling. Directed self-assembly and nanoimprint lithography remain research programmes without a high-volume manufacturing path on our horizon. A domestic Chinese EUV programme is the tail risk with the longest fuse; we assume no material commercial impact before 2032.

4. FINANCIAL PERFORMANCE AND FORECAST ASSUMPTIONS

Second-quarter net sales of €9.33bn and a 54.0% gross margin both exceeded the guided range, and net income of €2.92bn produced basic earnings of €7.59 per share against €7.15 in the first quarter. Management then guided the third quarter to €11.0-12.0bn of net sales at a 55-57% gross margin with research and development costs of approximately €1.2bn and selling, general and administrative costs of approximately €0.4bn, and raised the full-year outlook to €43-45bn at a 54-56% gross margin. The arithmetic of that guidance is worth stating explicitly: it requires second-half revenue of roughly €26bn against first-half revenue of €18.1bn, an implied fourth quarter above €14bn. This is not a company managing expectations downward.

4.1 Revenue build

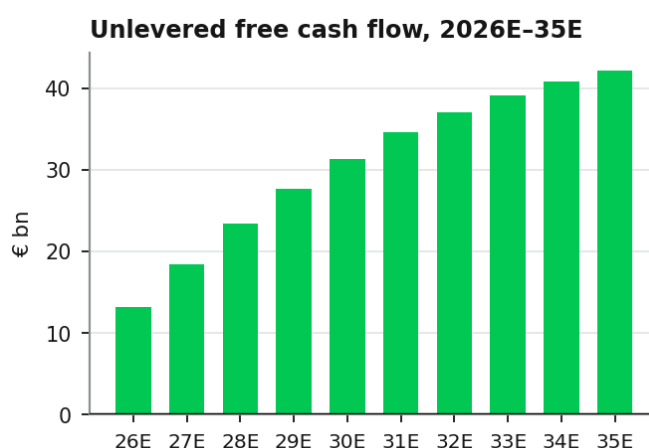
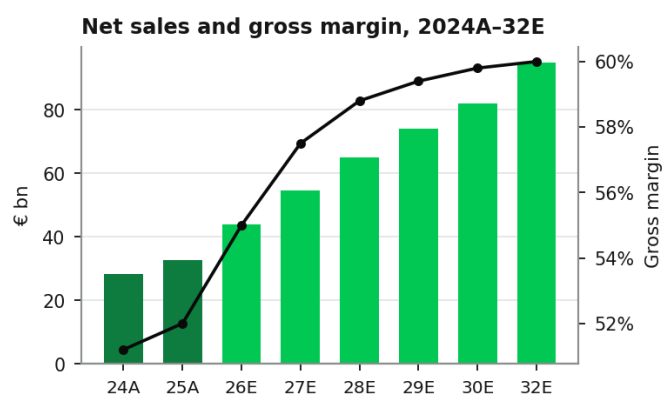
We model €44.0bn of 2026 net sales, the mid-point of guidance, representing 34.6% growth on our €32.7bn 2025 base. For 2027 we forecast €54.5bn, in line with consensus and consistent with the announced 30% capacity addition converting to shipments across both EUV and DUV immersion. For 2028 we forecast €65.0bn, which we believe is above consensus and which embeds partial conversion of the second 30% capacity increment currently under investigation. Growth then decelerates through the terminal period toward mid-single digits as the installed base matures and the mix shifts further toward Installed Base Management.

4.2 Margin build

Gross margin expansion is the single largest driver of our earnings forecast, and it is driven by four identifiable levers: positive operating leverage on a substantially higher unit volume through a largely fixed Veldhoven cost base; a rising EUV share of the systems mix, EUV carrying a structurally higher gross margin than DUV at scale; growth in high-margin field upgrade revenue within IBM; and the normalisation of High-NA installation drag from 2028. We model 55.0% in 2026 (within the guided 54-56%), 57.5% in 2027, 58.8% in 2028 and a 60.0% plateau from 2031. We deliberately cap gross margin at 60%, the top of the long-term range ASML itself has articulated, rather than extrapolating the trend. Research and development together with selling, general and administrative expense fall from 14.5% of sales in 2026 to 11.8% by 2030 as absolute cost growth runs well below revenue growth, taking operating margin from 40.5% in 2026 to 48.0% in 2030 and 48.2% in the terminal year.

4.3 Capital intensity, working capital and tax

ASML is capital-light relative to its customers. We model capital expenditure at 5.0% of sales in 2026, reflecting the announced capacity expansion, declining to 3.4% by the terminal year as the expansion completes and the incremental revenue arrives through utilisation rather than new floor space. Depreciation and amortisation is held near 2.8-3.1% of sales. Working capital absorbs 7.5% of each incremental euro of revenue, reflecting the inventory and contract-asset build that accompanies a rising shipment rate; this is a genuine cash drag in the growth years and we do not net it out. We apply a 16.5% effective tax rate, consistent with the Dutch innovation-box regime and ASML's recent reported rate.



Source: company reports; Parallax Capital estimates.

5. DISCOUNTED CASH FLOW VALUATION

5.1 Cost of capital

We discount euro-denominated unlevered free cash flow at a weighted average cost of capital of **7.8%**, built from a 2.85% euro risk-free rate (ten-year German government bond), a 5.25% equity risk premium and a levered beta of 0.95, producing a 7.84% cost of equity. ASML's debt is immaterial relative to enterprise value – €2.0bn of gross debt against a net cash position – so we weight equity at 96% and after-tax debt at 4%, giving a rounded 7.8%. A beta below one may appear counterintuitive for a cyclical capital-goods company; it reflects ASML's monopoly pricing power, its net cash balance sheet, the recurring Installed Base Management annuity and the observed behaviour of the ordinary shares against the euro-area market. Investors who prefer a cyclical beta of 1.25 should read our valuation from the 8.8% row of the sensitivity grid below.

€ bn	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net sales	44.0	54.5	65.0	74.0	82.0	89.0	95.0	100.0	104.0	107.5
growth	34.6%	23.9%	19.3%	13.8%	10.8%	8.5%	6.7%	5.3%	4.0%	3.4%
Gross profit	24.2	31.3	38.2	44.0	49.0	53.4	57.0	60.0	62.4	64.5
gross margin	55.0%	57.5%	58.8%	59.4%	59.8%	60.0%	60.0%	60.0%	60.0%	60.0%
R&D + SG&A	(6.4)	(7.2)	(8.1)	(8.8)	(9.7)	(10.4)	(11.1)	(11.7)	(12.2)	(12.7)
EBIT	17.8	24.2	30.2	35.1	39.4	43.0	45.9	48.3	50.1	51.8
EBIT margin	40.5%	44.4%	46.4%	47.4%	48.0%	48.3%	48.3%	48.3%	48.2%	48.2%
Tax @ 16.5%	(2.9)	(4.0)	(5.0)	(5.8)	(6.5)	(7.1)	(7.6)	(8.0)	(8.3)	(8.5)
NOPAT	14.9	20.2	25.2	29.3	32.9	35.9	38.3	40.3	41.9	43.3
+ D&A	1.4	1.6	1.9	2.1	2.3	2.5	2.7	2.7	2.8	2.9
- Capex	(2.2)	(2.6)	(2.9)	(3.0)	(3.2)	(3.3)	(3.4)	(3.5)	(3.5)	(3.7)
- Δ working capital	(0.8)	(0.8)	(0.8)	(0.7)	(0.6)	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)
Unlevered FCF	13.2	18.5	23.4	27.8	31.4	34.6	37.1	39.2	40.8	42.2
Discount factor @ 7.8%	0.963	0.893	0.829	0.769	0.713	0.662	0.614	0.569	0.528	0.490
PV of FCF	12.7	16.5	19.4	21.3	22.4	22.9	22.8	22.3	21.6	20.7

Mid-year discounting convention. Source: Parallax Capital estimates.

DCF bridge to equity value	€ bn	% of EV
PV of explicit forecast FCF, 2026E-35E	203	29%
Terminal value (Gordon, g = 3.50%)	1,017	-
PV of terminal value	498	71%
Enterprise value	701	100%
Net cash (Q2-26)	5.6	-
Equity value	706	-
Diluted shares (bn)	0.3841	-
Value per ordinary share (€)	1,839	-
Value per ADR at EUR/USD 1.1602 (\$)	2,133	-

DCF sensitivity - value per share

6.80%	\$2,511	\$2,646	\$2,802	\$2,983	\$3,197
7.30%	\$2,209	\$2,310	\$2,423	\$2,553	\$2,703
7.80%	\$1,970	\$2,047	\$2,133	\$2,230	\$2,339
8.30%	\$1,776	\$1,837	\$1,904	\$1,978	\$2,061
8.80%	\$1,616	\$1,665	\$1,718	\$1,776	\$1,840
	3.00%	3.25%	3.50%	3.75%	4.00%
	Terminal growth (g)				

Terminal value represents 71% of enterprise value. This is high in absolute terms but unavoidable for an asset whose competitive position is expected to persist well beyond a ten-year window; we address the resulting fragility through the sensitivity grid and the scenario analysis rather than by shortening the forecast.

5.2 Reading the sensitivity grid

The valuation is, as with any long-duration compounder, materially more sensitive to the discount rate than to any operating assumption. At our 7.8% WACC the fair value ranges from \$1,970 at 3.0% terminal growth to \$2,339 at 4.0%. Holding terminal growth at 3.5%, a 100 basis point increase in WACC to 8.8% reduces fair value to \$1,718 – still modestly above the current price – while a 100 basis point decrease to 6.8% lifts it to \$2,802. The practical conclusion is that at \$1,698 the market is discounting our operating forecast at roughly 8.9%, a rate we regard as appropriate for a diversified industrial cyclical and too punitive for a net-cash technology monopoly with a recurring-revenue annuity attached.

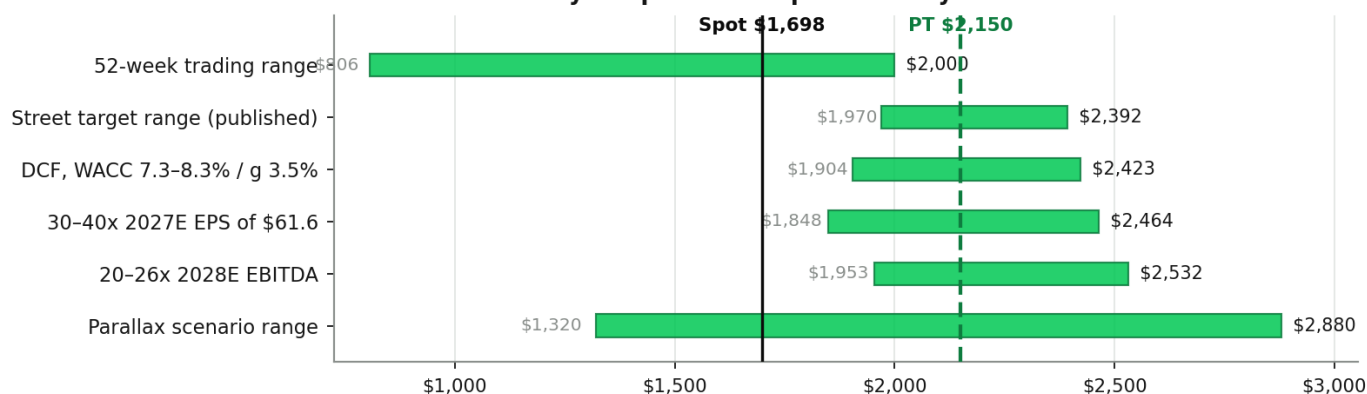
6. RELATIVE VALUATION, SCENARIOS AND TARGET DERIVATION

We cross-check the discounted cash flow against forward earnings and enterprise-value multiples applied to our own estimates. On our numbers ASML trades on 37x 2026E and 28x 2027E earnings, and on approximately 22x 2027E EBITDA. Against a five-year average forward multiple in the low thirties and a peer group – Applied Materials, Lam Research, KLA, Tokyo Electron – trading between the high teens and mid twenties on forward earnings, we regard a 35x multiple on 2027E earnings as the appropriate anchor for a sole-source supplier growing revenue above 20% with a 45% operating margin. That multiple yields \$2,156 per ADR, within 1% of our discounted cash flow output.

Valuation multiples (on Parallax estimates)	2026E	2027E	2028E	2030E
EPS (€)	39.2	53.1	66.1	86.2
EPS (\$ at 1.1602)	45.5	61.6	76.7	100.0
P/E at spot (\$1,698)	37.3x	27.6x	22.1x	17.0x
P/E at target (\$2,150)	47.2x	34.9x	28.0x	21.5x
EBITDA (€bn)	19.2	25.8	32.1	41.7
EV/EBITDA at spot	29.0x	21.6x	17.4x	13.4x
EV/EBITDA at target	36.8x	27.3x	22.0x	16.9x
FCF yield at spot	2.3%	3.3%	4.2%	5.6%

Scenario	Prob.	2028E sales	Value
Bear – export-control escalation and a 2028 AI digestion year	20%	€55bn	\$1,320
Base – 30% capacity add converts; second increment partially converts	55%	€65bn	\$2,150
Bull – both capacity increments convert; High-NA HVM insertion	25%	€72bn	\$2,880
Probability-weighted value	100%	-	\$2,145

Valuation summary - implied value per share by method



Source: Parallax Capital estimates; published consensus target ranges as aggregated by third-party data providers as at 11 September 2026.

6.1 Target derivation

We weight the discounted cash flow at 50%, the 2027E earnings multiple at 25% and the 2028E enterprise-value-to-EBITDA multiple at 25%, producing a rounded 12-month target of **\$2,150 per ADR** and €1,853 per ordinary share. The target implies 35.0x our 2027E and 28.0x our 2028E earnings, and 22.0x 2028E EBITDA. Our probability-weighted scenario value of \$2,145 corroborates the point estimate. Including the forecast dividend the target represents a total return of approximately 27% over twelve months, which places the stock comfortably in Overweight territory under our rating framework.

WHY WE ARE NOT SIMPLY EXTRAPOLATING THE MULTIPLE

It would be easy to justify a higher target: ASML has spent much of the past two years above 40x forward earnings, and a 40x multiple on our 2027 estimate would produce \$2,464. We do not underwrite that. Our target assumes the forward multiple *compresses* from roughly 38x 2026 earnings today to 35x 2027 and 28x 2028 earnings, and the return is therefore delivered entirely by earnings growth rather than by re-rating. That is a deliberately conservative construction: it means the investment case does not require the market to like the stock more than it does today.

7. CATALYST CALENDAR

Timing	Event	What we are watching	Direction
Mid-Oct 2026	Q3-26 results	Delivery against €11.0–12.0bn guidance; gross margin inside 55–57%; first commentary on the 2027 shipment plan	Positive
Q4 2026	Customer 2027 capex frameworks	TSMC, Samsung, SK Hynix and Micron 2027 capital budgets; HBM4 capacity commitments	Positive
Late Jan 2027	Q4-26 results and initial 2027 guidance	Whether initial 2027 guidance brackets or exceeds the €54.5bn consensus; confirmation of the 2028 capacity investigation	Key swing factor
H1 2027	High-NA (EXE:5200) milestones	Shipment cadence, customer qualification and any high-volume manufacturing insertion decision	Positive
10 June 2027	Capital Markets Day	Management has stated it will update its longer-term model. We expect a materially higher 2030 revenue and margin framework	Principal catalyst
Ongoing	Dutch and US export controls	Any widening of licence requirements on DUV immersion to China, or retaliatory measures	Risk
Ongoing	Capital returns	Pace of the 2026–2028 buyback; 2026 final dividend	Supportive

8. RISKS TO OUR THESIS AND PRICE TARGET

We rate ASML Overweight with a standard risk qualifier, but the distribution of outcomes is wider than the quality of the franchise implies, because the valuation embeds a long duration of monopoly rent. The following are the risks we consider material.

- **AI capital expenditure digestion.** The single largest risk is that hyperscale platforms pause to absorb 2025–27 capacity. Lithography orders would not fall to zero – Installed Base Management and mature node demand provide a floor – but a 2028 revenue outcome of €55bn rather than €65bn removes approximately \$600 per ADR from our valuation on unchanged multiples.
- **Export controls and China.** China has been a meaningful share of DUV revenue. Further restriction of immersion tooling, licence-renewal friction, or Chinese retaliation affecting ASML's own supply chain (including rare-earth and critical-mineral inputs) would compress both revenue and the multiple. This is a policy variable we cannot forecast and do not attempt to.
- **Customer concentration and order lumpiness.** A small number of customers determine the shipment schedule. Single-customer rescheduling can move a quarter by more than €1bn, and ASML no longer guides bookings, which raises the information risk around each print.
- **High-NA execution and margin drag.** If EXE platform installation and learning costs persist longer than we assume, gross margin converges to 60% more slowly and the 2029–31 earnings bridge weakens. Conversely, if customers defer High-NA insertion in favour of extended low-NA multi-patterning, average selling price growth slows.
- **Supply chain single points of failure.** Carl Zeiss SMT is effectively the sole source of the EUV optics column. The announced 30% capacity additions are only deliverable if the critical supply base expands in parallel; disruption there caps revenue irrespective of demand.
- **Architectural substitution.** Advanced packaging, chipllets, three-dimensional stacking and materials innovation could in principle deliver system-level performance gains without additional lithographic layers, flattening EUV intensity per wafer.
- **Valuation and duration risk.** Terminal value is 71% of our enterprise value. A 100 basis point rise in the discount rate removes roughly 20% of the equity value. Rising real rates are therefore a direct and material risk to the target irrespective of operating performance.
- **Currency.** ASML reports in euro; the ADR is dollar-denominated. Our \$2,150 target assumes EUR/USD of 1.1602. A 5% euro depreciation reduces the dollar target by approximately \$105 with no change to the underlying business.

9. SUMMARY FINANCIAL STATEMENTS

9.1 Income statement (€ bn, except per-share data)

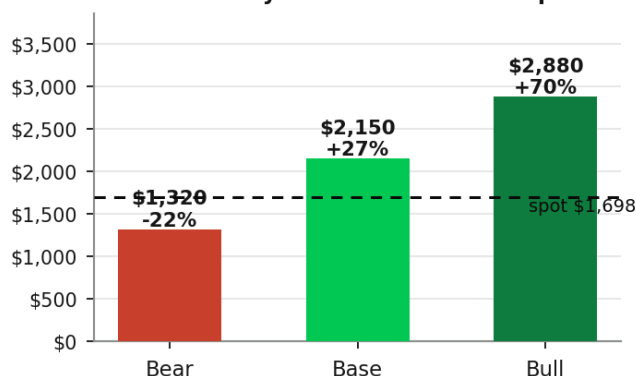
€ bn	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Net sales	28.3	32.7	44.0	54.5	65.0	74.0	82.0
y/y growth	-2.6%	15.5%	34.6%	23.9%	19.3%	13.8%	10.8%
Gross profit	14.5	17.0	24.2	31.3	38.2	44.0	49.0
gross margin	51.2%	52.0%	55.0%	57.5%	58.8%	59.4%	59.8%
R&D and SG&A	(5.4)	(5.9)	(6.4)	(7.2)	(8.1)	(8.9)	(9.7)
EBIT	9.1	11.1	17.8	24.2	30.2	35.1	39.4
EBIT margin	32.2%	34.0%	40.5%	44.4%	46.4%	47.5%	48.0%
EBITDA	10.1	12.1	19.2	25.8	32.1	37.2	41.7
Net income	7.6	9.2	15.1	20.4	25.4	29.5	33.1
EPS (€, diluted)	19.2	23.5	39.2	53.1	66.1	76.9	86.2
Dividend per share (€)	6.10	6.80	7.60	9.20	11.00	12.80	14.40

2024A and 2025A are Parallax reconstructions from company reporting; 2026E onward are Parallax estimates. EPS is calculated on 384.1m diluted shares held constant, which understates the accretion from the 2026-2028 buyback programme.

9.2 Cash flow and balance sheet

€ bn	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPAT	14.9	20.2	25.2	29.3	32.9	35.9	38.3
Depreciation and amortisation	1.4	1.6	1.9	2.1	2.3	2.5	2.7
Capital expenditure	(2.2)	(2.6)	(2.9)	(3.0)	(3.2)	(3.3)	(3.4)
as % of sales	5.0%	4.7%	4.4%	4.1%	3.9%	3.7%	3.6%
Change in working capital	(0.8)	(0.8)	(0.8)	(0.7)	(0.6)	(0.5)	(0.4)
Unlevered free cash flow	13.2	18.5	23.4	27.8	31.4	34.6	37.1
FCF margin	30.0%	33.9%	36.0%	37.5%	38.3%	38.9%	39.1%
Cumulative FCF from 2026	13	32	55	83	114	149	186
Return on invested capital (est.)	34%	40%	44%	46%	47%	48%	48%

Scenario analysis - 12-month value per share



IMPORTANT DISCLOSURES

Analyst certification. The research analyst named on the cover of this report certifies that the views expressed accurately reflect his or her personal views about the subject securities and issuers, and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Parallax Capital rating distribution (as at 30 June 2026)	Coverage universe	% of universe	Issuers with investment-banking relationship
Overweight (Buy)	148	44%	9%
Neutral (Hold)	142	42%	6%
Underweight (Sell)	47	14%	3%
Total	337	100%	7%

Rating system. Parallax Capital employs a three-tier absolute rating scale measured against the analyst's 12-month price target. **Overweight:** total return expected to exceed 15% over 12 months. **Neutral:** total return expected between -10% and +15%. **Underweight:** total return expected to be below -10%. A **Speculative** risk qualifier is appended where the distribution of outcomes is unusually wide, where the issuer is pre-profitability, or where the investment case depends on binary technical, regulatory or financing milestones. Price targets are 12-month forward fair-value estimates and are not forecasts of the trading range over any shorter interval.

Valuation methodology and risks - ASML. Our \$2,150 price target is derived from a blended framework comprising a ten-year explicit discounted cash flow model with a Gordon Growth terminal value, forward earnings and enterprise-value multiples applied to our own estimates, and a probability-weighted scenario analysis. Key risks to the target are set out in the risk section of this report and include, without limitation, cyclical demand risk, customer concentration, competitive and technological substitution, regulatory and export-control intervention, foreign-exchange translation, execution risk on announced capacity expansion, and the sensitivity of long-horizon discounted cash flow valuations to the discount rate and terminal growth assumptions.

Currency and cross-listing. ASML ordinary shares trade on Euronext Amsterdam in euro and as New York registry shares on NasdaqGS in US dollars. Our \$2,150 price target is expressed on the US-listed line and assumes a EUR/USD exchange rate of 1.1602, the rate prevailing on 11 September 2026. The equivalent target on the Amsterdam line is €1,853. Dollar-based investors carry unhedged euro exposure, and movements in EUR/USD will affect realised returns independently of the operating performance of the issuer. **Source data.** Historical financial figures are taken from ASML's published quarterly press releases (Q1 2026 and Q2 2026, the latter dated 15 July 2026) and from exchange price data as at the close on 11 September 2026. Consensus estimate and target-price ranges are as aggregated by third-party market data providers and are used for comparison only.

Conflicts of interest. Parallax Capital and its affiliates may make a market in, hold a proprietary position in, or provide liquidity, brokerage or corporate advisory services to the issuers referenced in this report. Research analysts are compensated on the basis of the overall quality, accuracy and client value of their research, and are not compensated by reference to investment-banking revenue attributable to any specific issuer. Analysts and members of their households are prohibited from holding securities of issuers within their coverage universe.

General disclaimer. This document has been prepared by Parallax Capital Research for distribution to professional and institutional investors only and does not constitute investment advice, a personal recommendation, or an offer or solicitation to buy or sell any security. It does not take into account the investment objectives, financial situation or particular needs of any individual recipient. Information has been obtained from company disclosures, regulatory filings, exchange data and other sources believed to be reliable, but its accuracy and completeness are not guaranteed. Estimates, forecasts, scenarios and target prices constitute forward-looking statements that are inherently uncertain; actual outcomes may differ materially. Past performance is not a reliable indicator of future results. Securities discussed may be illiquid or subject to significant price volatility, and investors may lose the entire amount invested. Parallax Capital accepts no liability for any direct or consequential loss arising from any use of this document or its contents. This report may not be reproduced, redistributed or passed on, in whole or in part, without the prior written consent of Parallax Capital. © 2026 Parallax Capital. All rights reserved.