Transcript
Investor Call ASML CEO Christophe Fouquet and CFO Roger Dassen
Q2 2026 results, July 15, 2026

Christophe Fouquet
Thank you Jim. Welcome everyone and thank you for joining us for our second-quarter 2026 results conference call.

Before we begin the Q & A session, Roger and I would like to provide an overview and some commentary on the second-quarter 2026 results as well as provide some additional comments on the current business environment and on our future business outlook.

Roger.

Roger Dassen
Thank you Christophe and welcome everyone.
I will first review the second-quarter 2026 financial accomplishments and then provide guidance on the third-quarter and full year of 2026.

Let me start with our second-quarter accomplishments.

In the second quarter of 2026, total net sales were 9.3 billion euros, which is above the high end of our guidance as a result of higher than expected Installed Base Management sales.

Net system sales were 6.6 billion euros, which includes 3.8 billion euros from EUV system sales, including sales of 1 High NA system, and 2.8 billion euros from non-EUV system sales. Net system sales were almost equally split between Logic at 51 percent and Memory at 49 percent.

Installed Base Management sales for the quarter came in at 2.8 billion euros, almost 300 million euros above our guidance, a result driven primarily by additional upgrade business.

Gross margin for the quarter was above our guidance at 54.0 percent primarily due to the contribution of very high margin components within our Installed Base Management business.

Our operating expenses were higher than guided due to the recognition of estimated costs related to the Technology and IT transformation in Q2, primarily in R&D.
R&D expenses came in at 1.3 billion euros and SG&A expenses came in at around 0.3 billion euros.

The effective tax rate for Q2 was 17.5 percent. For the full year 2026 the expected annualized effective tax rate is around 17 percent.

Net income in Q2 was 2.9 billion euros, representing 31.3 percent of total net sales and resulting in earnings per share of 7.59 euros.

Turning to the balance sheet: We ended the second quarter with cash, cash equivalents and short-term investments at a level of 7.6 billion euros.

Our free cash flow[1] in Q2 was 1.3 billion euros.

[1] Free cash flow, which is a non-GAAP measure, is defined as net cash provided by (used in) operating activities minus purchases of Property, plant and equipment and intangible assets, see US GAAP Consolidated Financial Statements

Moving to our cash return to our shareholders: in Q2 ASML paid the final dividend over 2025 of 2.70 euro per ordinary share. Together with the three interim dividends paid in 2025 and 2026, this resulted in a total dividend for 2025 of 7.50 euro per ordinary share.

In the second quarter, we purchased around 1.1 billion euros worth of shares under the current 2026-2028 share buyback program.

The first quarterly interim dividend over 2026 will be 1.88 euro per ordinary share and will be made payable on August 5, 2026.

With that I would like to turn to our expectations for the third quarter of 2026.

We expect Q3 total net sales to be between 11.0 billion euros and 12.0 billion euros.
We expect our Q3 Installed Base Management sales to be around 2.9 billion euros.
Gross margin for Q3 is expected to be between 55 and 57 percent.

The expected R&D expenses for Q3 are around 1.2 billion euros and SG&A is expected to be around 0.4 billion euros.

Driven by continued strong demand, we are updating our full year 2026 guidance. We now expect total net sales between 43 and 45 billion euros, with a gross margin between 54 percent and 56 percent.

With that I would like to turn the call back over to Christophe.

Christophe Fouquet
Thank you Roger.

I will now provide some additional details on the dynamics that prompted us to raise our guidance for the full year.

The combination of continued strong momentum in customer demand, and our ability to respond to that by driving higher output through strength in our supply chain, our manufacturing and our install teams in the field, are the primary drivers of our improved guidance.

Strong end-market demand this year has motivated our customers to aggressively add capacity on their leading-edge nodes. A number of our customers have revised their capital expenditure plans upwards for the year, and our ability to increase output has allowed us to meet their requests for additional lithography systems.

The dynamics are very similar in both advanced Logic and DRAM, and the plans to build up capacity are equally aggressive.
Our customers in both segments are entering into long-term agreements with their customers, providing them with longer-term visibility and the confidence to add significant capacity to support demand.

In Logic, there is continued investment, not only to enable the expansion of 3nm capacity in support of the latest generation of AI accelerators, but also at both the 5nm and 4nm nodes, to support the diverse set of chips required by AI products.

At the same time the 2nm node continues to ramp rapidly to support next-generation HPC and mobile applications, and our customers are already planning investments to support the development of the 1.4nm node.

These dynamics in the Logic segment are driving both an increase in litho intensity and greater demand for advanced lithography. We now expect advanced Logic foundry-related net system sales to grow over 25 percent this year.

In DRAM, the supply challenges driving up both DDR and HBM prices have prompted significant investments in fab expansion. Our customers are adding meaningful capacity this year, while at the same time they plan further capacity expansion, as indicated by the plans to build multiple megafabs. These additions will come online in phases over the coming years.

In addition, DRAM lithography intensity is rising as customers migrate to advanced nodes. This includes both EUV and DUV immersion, with Low NA EUV growth driven by the increasing replacement of multi-patterning with more cost-effective single-exposure EUV.

As a result, we anticipate our Memory-related net system sales to grow by over 75 percent this year.

I will now turn it back over to Roger to provide details on what that means for the different parts of our business and our plans to support this growing demand.

Roger Dassen
Thanks, Christophe.

Starting first with our EUV business: We now expect to ship around 65 Low NA EUV systems this year, resulting in year-over-year EUV net system sales growth of over 45 percent. This demand is being fueled by very strong momentum in both DRAM and advanced Logic.

Moving to the DUV business
For immersion DUV, we expect about 130 shipments this year, which is similar to the output level of these systems in 2025. This year we have worked closely together with our supply chain partners to reaccelerate our output of these systems.

Shipments of dry DUV systems have also increased markedly this year. Further, greater process control intensity at advanced nodes has led to major traction when it comes to adoption of our optical and e-beam metrology products across all key customers. Given these trends in our DUV and Metrology and Inspection business, we expect growth in non-EUV net system sales of around 25 percent this year.

Installed Base Management sales are expected to grow over 30 percent this year, driven by service revenue from our expanding EUV installed base, and customer demand for performance and productivity upgrades to support their increasing capacity requirements.

Turning now to our China-related business: We continue to expect this to make up around 20 percent of our total net sales for the full year as it increases in line with the overall business, mainly related to an increased demand in mainstream Logic.

With regards to our capacity plans, we are continuing to have very constructive conversations with our customers to better understand their demand for our systems beyond 2026.

With increasing visibility into their customers' plans, our customers have been able to share forecasts with us that extend out multiple years.

We see this heightened visibility reflected in order momentum that has remained extremely strong through the first half of the year. As a result, our backlog continues to increase with a broad mix of customers.

For 2027, we are now close to being fully covered with orders for Low NA EUV and we are planning to increase our low NA EUV capacity by around 30 percent.

Looking ahead to 2028, we have already received a significant number of Low NA EUV orders. Strong demand forecasts from our customers have led us to investigate a further 30 percent capacity increase for that year.

Similarly, for our immersion systems, we intend to increase capacity by 30 percent in 2027 and are investigating a potential further 30 percent expansion for 2028.

With that I would like to turn it back over to Christophe.

Christophe Fouquet
Thank you Roger

Turning to our technology roadmap, we see High NA EUV continue to make good progress. We are continuing to work very closely with our customers to prove the value of High NA technology for their process technology roadmaps. In parallel, the maturity of the platform is improving towards the levels required for insertion into high-volume manufacturing.
We were also very pleased to announce in a press release earlier today that Intel Foundry is using ASML's High NA EUV technology on the Intel 18A process node to produce a subset of its Intel® Core™ Ultra Series 3 processors. This milestone marks an important step in demonstrating High NA EUV readiness in a production environment.

To conclude, customer demand remains very strong, with visibility now extending several years into the future. We have responded effectively to the increasing demand and will continue investing to ensure our capacity and capabilities remain aligned with our customers' needs.
We also see that the rapid growth of AI-related demand in advanced Logic and DRAM is accelerating the move toward more advanced lithography solutions and increasing lithography intensity.

At our next Capital Markets Day, which will be held on June 10, 2027, we will update our longer term views to reflect the market and technology dynamics since our last Capital Markets Day.

I look forward to seeing many of our investors there.

With that we would be happy to take your questions.

Forward Looking Statements

This document and related discussions contain statements that are forward-looking within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements with respect to plans, strategies, expected trends, including expected trends in the semiconductor industry and end markets, business dynamics and business environment trends, the expected impact of AI investments and progress in AI technologies on demand for chips and semiconductor growth outlook and impact on our customers and our business, increasing intensity of lithography, plans and capability to increase capacity and output and expected capacity, customer plans including with respect to capacity additions, our product portfolio and portfolio roadmaps, backlog, technological developments expected shipment of systems, supply and demand trends, orders and order intake and momentum, increased visibility into longer-term demand, gross margin growth plans, outlook including expected sales of market segments and geographies, outlook and expected financial results including outlook and expected results for Q3 2026, including net sales, IBM sales, gross margin, R&D costs, SG&A costs, outlook and expectations with respect to full year 2026 including expected full year 2026 total net sales, gross margin, annualized effective tax rate and IBM sales, expectations with respect to EUV, DUV and metrology in 2026, expectations with respect to 2027 and 2028 including expected increase in wafer capacity of customers and investigation of increasing capability to add wafer capacity and system output capacity, statements made at our 2024 Investor Day, including investor key messages, our expectation to continue to return significant amounts of cash to shareholders through growing dividends and share buybacks and statements with respect to dividends, expected performance and capabilities of our systems and product roadmaps, customer outlook and plans including customer roadmaps, capital expenditures and capacity expansion plans, ESG strategy and commitments and other non-historical statements. You can generally identify these statements by the use of words like “may”, “expect”, “will”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “guide”, “potential”, “intend”, “continue”, “target”, “future”, “progress”, “goal”, “model”, “opportunity”, “commitment” and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions, plans and projections about our business and industry and our future financial results and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve a number of substantial known and unknown risks and uncertainties. These risks and uncertainties include, without limitation, risks relating to customer demand, semiconductor equipment industry capacity, worldwide demand for semiconductors and semiconductor manufacturing capacity, lithography tool utilization and semiconductor inventory levels, general trends and consumer confidence in the semiconductor industry, the impact of general economic conditions, including the impact of the macroeconomic and geopolitical environment on the semiconductor industry, semiconductor market conditions, the impact of AI on our customers, the pace of customer increase in capacity, industry and business and semiconductor demand and demand for our tools, the impact of inflation, interest rate and exchange rate fluctuations, wars and geopolitical developments, the impact of pandemics, the performance of our systems, the success of technology advances and the pace of new product development and customer acceptance of and demand for new technologies, products and models and customer roadmaps, our production capacity and ability to adjust capacity to meet demand, supply chain capacity, timely availability of parts and components, raw materials, critical manufacturing equipment and qualified employees, our ability to produce systems to meet demand, the number and timing of systems ordered, shipped and recognized in revenue, risks relating to fluctuations in orders and our ability to convert orders into sales and risks relating to the realization of our backlog, the risk of order cancellations, delays or push outs and restrictions on shipments of systems, including ordered systems, under export controls, risks relating to the trade environment, import/export and national security regulations and orders and their impact on us, including the impact of changes in export regulations and the impact of such regulations on our ability to obtain necessary licenses and to sell our systems and provide services to certain customers, the impact of the tariff announcements, changes in tax rates, available liquidity and free cash flow and liquidity requirements, our ability to refinance our indebtedness, available cash and distributable reserves for, and other factors impacting, dividend payments and share repurchases, the number of shares that we repurchase under our share repurchase program, our ability to enforce patents and protect intellectual property rights and the outcome of intellectual property disputes and litigation, our ability to meet ESG goals and commitments and execute our ESG strategy, other factors that may impact ASML’s business or financial results, and other risks indicated in the risk factors included in ASML’s Annual Report on Form 20-F for the year ended December 31, 2025 and other filings with and submissions to the US Securities and Exchange Commission. These forward-looking statements are made only as of the date of this document. We undertake no obligation to update any forward-looking statements after the date of this report or to conform such statements to actual results or revised expectations, except as required by law.