ASML

Transcript
Investor Call ASML CEO Christophe Fouquet and CFO Roger Dassen
Q1 2026 results, April 15, 2026

Christophe Fouquet
Thank you Jim. Welcome everyone and thank you for joining us for our first-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 first-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 first-quarter 2026 financial accomplishments and then provide guidance on the second-quarter of 2026.

Let me start with our first-quarter accomplishments.

In the first quarter of 2026, total net sales were 8.8 billion euros, which is within our guidance.

Net system sales were 6.3 billion euros, which includes over 4.1 billion euros from EUV system sales, including sales of 2 High NA systems, and over 2.1 billion euros from non-EUV system sales. Net system sales were almost equally split between Logic at 49 percent and Memory at 51 percent.

Installed Base Management sales for the quarter came in at 2.5 billion euros, slightly above our guidance.

Gross margin for the quarter was at the high end of our guidance at 53.0 percent primarily due to the contribution of very high margin components within our installed base business.

On operating expenses, we came in as guided. R&D expenses were rounded at 1.2 billion euros, and SG&A expenses came in at 0.3 billion euros.

The effective tax rate for Q1 was 17.1 percent. For the full year 2026 the expected annualized effective tax rate is around 17 percent.

Net income in Q1 was 2.8 billion euros, representing 31.4 percent of total net sales and resulting in earnings per share of 7.15 euros.

Turning to the balance sheet: We ended the first quarter with cash, cash equivalents and short-term investments at a level of 8.4 billion euros.

Our Q1 free cash flow[1] was negative 2.6 billion euros largely driven by the timing of down payments.

[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

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

We expect Q2 total net sales to be between 8.4 billion euros and 9.0 billion euros.
We expect our Q2 Installed Base Management sales to be around 2.5 billion euros.

Gross margin for Q2 is expected to be between 51 and 52 percent.

The expected R&D expenses for Q2 are around 1.2 billion euros and SG&A is expected to be around 0.3 billion euros.

Moving to our cash return to our shareholders, in Q1 ASML paid the third interim dividend over 2025 of 1.60 euro per ordinary share.

ASML intends to declare a total dividend for the year 2025 of 7.50 euro per ordinary share, which is a 17 percent increase compared to 2024.

Recognizing the three interim dividends of 1.60 euro per ordinary share paid in 2025 and 2026, this leads to a final dividend proposal to the Annual General Meeting of 2.70 euros per ordinary share.

In Q1 2026 we purchased shares for a total amount of around 1.1 billion euros.

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

Christophe Fouquet
Thank you Roger.

As Roger highlighted, we finished the first quarter with good financial results.

Looking ahead, with respect to the market, the growth outlook for the semiconductor industry continues to solidify, driven primarily by AI-related infrastructure investments.

These investments are increasing demand for advanced Logic and Memory chips in many areas, and for the foreseeable future, demand will continue to outpace supply. This creates constraints across end-markets from AI to mobile and PCs, which is driving our customers to aggressively add capacity.

In the Memory business, many customers have commented that they are sold out for the remainder of the year, and that they expect these supply limitations to persist beyond 2026, despite their plans to add significant capacity.

In the Logic business, our customers are adding capacity across multiple advanced nodes to support demand while continuing to ramp the 2 nm node in support of next-generation HPC and mobile applications. They also expect supply limitations across those advanced nodes beyond 2026.

Both our Memory and Logic customers are responding to this unprecedented demand by increasing capital expenditures and accelerating capacity expansion plans this year and beyond. Those investments are supported by long-term agreements with their own customers.

In addition to expanding capacity, both advanced DRAM and Logic customers continue to further adopt EUV and immersion DUV on new process nodes, which further increases their demand for lithography.

As a result, ASML's order intake continues to be very strong, and we stay closely aligned with our customers to support their needs.

At the same time, we offer customers productivity upgrades for the their installed base to increase their short-term output requirements.

Turning to our capacity expansion plans for 2026, we are executing on an output plan of at least 60 Low-NA EUV systems, and, despite a slow start, as discussed last quarter, driving output of our immersion systems close to that in 2025.

Based on these developments in demand and order intake, we are quarter by quarter increasing the move rates for our HVM products, raising Low-NA EUV capacity to at least 80 systems next year and scaling DUV and application products in alignment.

We continue to see a strong year ahead and expect ASML to grow in 2026. We are therefore updating our 2026 guidance, both narrowing and increasing the expected revenue range to between 36 billion euros and 40 billion euros, while maintaining our expectation of a gross margin between 51 percent and 53 percent, with revenue weighted to the second half of the year.

As we said last quarter, EUV revenue is expected to rise significantly this year, driven by the dynamics in advanced Logic and DRAM markets mentioned earlier.

For non-EUV revenue, we previously expected this to be similar to last year, but given continued demand momentum we now expect growth as a result of customers adding more DUV lithography to support their expansion plans.

We also expect Installed Base Management revenue to grow significantly this year, driven by service revenue from our expanding EUV installed base and customer demand for performance upgrades to support their increasing capacity requirements.

We expect that the bandwidth in our 2026 guidance accommodates potential outcomes of ongoing discussions around export controls.

Turning to Technology, we continue to make very good progress on this front, with several developments recently highlighted at the SPIE Advanced Lithography and Patterning conference this February in San Jose.

At the conference, we presented an updated Low-NA EUV productivity roadmap that reflects improvements to both our short-term and our longer-term plans for these products. This includes the ability to reach at least 330 wafers per hour on Low-NA EUV at the start of the next decade, enabled in large part by our continued source power improvements, as evidenced by our recent 1,000 watt source demonstration.

In the short term, all NXE:3800E systems can benefit from an upgrade that provides an increase of 10 wafers per hour, with 230 wafers per hour available immediately to all customers.

For our NXE:3800F systems, we have raised the wafer per hour specification from 250 wafers to 260 wafers. We plan to start shipping that system in 2027 with full volume slated for 2028.

We also shared that the High-NA platform has now processed over half a million wafers and achieved over 80 percent availability.

Also at the conference, we saw customers present several strong papers highlighting their progress with High-NA. These presentations demonstrated use cases in both Logic and in DRAM in which a single High-NA exposure can replace complex multi-patterning processes that today require three or four Low-NA exposures. For some critical layers High-NA can reduce the number of process steps by a factor of 10.

The progress being made throughout the ecosystem, especially with resist, allows us to target line and space pitches of 18 nm for Logic and contact pitches of 28 nm for DRAM.

This means that High-NA can support single expose for at least 3 nodes in Logic and DRAM.
We continue to work to further mature the platform alongside our customers as they start to test the technology on product wafers and move closer to bringing High-NA into high-volume manufacturing.

Looking more broadly, what we've seen over the past few months has further confirmed our view on the positive impact of AI on customer demand for our advanced products, and especially for our EUV systems in both advanced Memory and Logic. We see the end-market dynamics supporting a shift in product mix towards more demand for our advanced lithography products and an increase in litho intensity. Our strong productivity roadmap on Low-NA, in combination with the introduction of High-NA, supports further cost of technology reduction for our customers.

In summary, demand remains strong for our entire product portfolio.

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, expected growth in the semiconductor industry by 2030, the expected impact of AI demand on our customers and our business, our expectation that lithography will remain at the heart of customer innovation, expected increase in critical lithography exposures, plans to increase capacity and output and expected capacity and productivity, our product portfolio, technological developments and expected performance of systems and expected shipment of new models and performance targets, customer supply and demand trends, orders and order momentum, outlook of market segments and geographies, outlook and expected financial results including outlook and expected results for Q2 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 and growth, gross margin, annualized effective tax rate and expected increase in IBM sales, expectations with respect to EUV and DUV in 2026, statements made at our 2024 Investor Day, including revenue and gross margin model and opportunity for 2030, our expectation to continue to return significant amounts of cash to shareholders through growing dividends and share buybacks and statements with respect to dividends including the final 2025 dividend, 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 industry and business and semiconductor demand and demand for our tools, the impact of inflation, interest rates, 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, 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.