ASML

NASDAQ: ASML · SEMICONDUCTOR LITHOGRAPHY

EXCEPTIONAL 5/5 SERIES CANDIDATE

SECTOR	INDUSTRY	HQ	MARKET CAP
Technology	Semiconductor Equipment	Veldhoven, Netherlands	$340bn

THE ONE-MINUTE VERSION

ASML makes the machines that make advanced chips possible — extreme ultraviolet lithography systems with no real competitor, sold to every leading-edge chipmaker on earth. **The strongest business of the candidates on paper** (28.5% EPS growth, 35.4% return on capital), but the price has run well ahead of the earnings line, which is a valuation question rather than a business one. A second read of the balance sheet flags it as a near-miss rather than a clean pass, not yet resolved.

WHAT IS IT?

ASML makes the machines that make advanced chips possible. Its extreme ultraviolet lithography systems print the smallest features on a silicon wafer, and every manufacturer working at the leading edge buys them from ASML because there is nowhere else to buy them.

HOW IT CREATES VALUE

A small number of extremely expensive machines, sold into a customer base that cannot proceed without them, followed by decades of service and upgrade revenue on an installed base that is never retired early.

THE MOAT

Being the only supplier of a step no competitor has reproduced. Rivals compete in adjacent equipment; at the leading edge of lithography there is no second source, and the customer's alternative is not to advance.

THE TREND SHAPING ITS MARKET

Every additional transistor the world wants — for phones, for data centres, for artificial intelligence — has to be printed by something. **Demand for leading-edge capacity is demand for these machines.**

THE STRUCTURAL BOTTLENECK

Not demand — **physics and supply**. An EUV system is among the most complex machines ever built, assembled from a supply chain ASML spent decades cultivating, and output is limited by how many can actually be made.

THE COMPETITION — THE HONEST BIT

The real risk is not a competitor. **It is politics.** A company this central to advanced manufacturing has become an instrument of trade policy, and which customers it may sell to is decided in capitals rather than boardrooms — a risk no moat protects against.

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	WATCH	PASS	PASS

TRAJECTORY · IMPROVING ↑ EPS grew 28.4% over the latest reported year, against -1.5% the year before. The rate of growth is rising, not just the earnings.

THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 11 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	NET DEBT / EQUITY
20.8%	76%	21%	29.4%	0.14×

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

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The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

Not a buy signal — exceptional can also be expensive, and capital is at risk. What this is and what it is not, overleaf.

HEAD OFFICE

Veldhoven, Netherlands

Technology · Semiconductor Equipment

ROIC	35.4%
REVENUE GROWTH	+15.6%
EPS GROWTH	+28.4%
INTEREST COVER	0.0×
FINANCIAL STRENGTH	3 / 5
WEBSITE	www.asml.com

THE CONVICTION WHEEL

COMPOUNDING
Revenue +15.6%, EPS +28.4%

EARNINGS QLTY
FCF/NI 111%

BALANCE SHEET
Reported interest expense too small to give a meaningful ratio

CAPITAL ALLOC.
35.4% return on capital

PER-SHARE VAL.
FCF/share +15.7%/yr, 3y

PEER GROUP — SEMICONDUCTOR CAPITAL EQUIPMENT

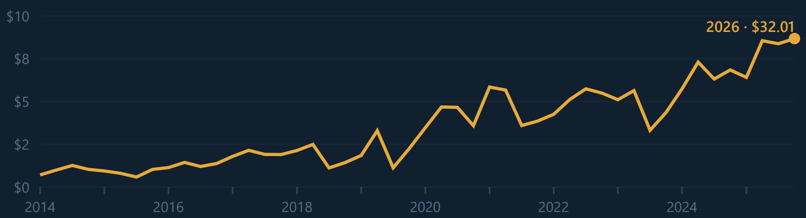
ASML · profiled | AMAT Applied Materials | LRCX Lam Research | KLAC KLA

WHY THE ECONOMICS ARE EXCEPTIONAL

Share price, 5 years of monthly closes — shorter than the earnings chart below (our price history only reaches back 5 years; the EPS record below covers the full twelve).

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **8 years in 10, this line went up.**



Weakest point: 2016, 21% off the prior peak.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a buy signal. Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 50% from its September 2021 high and took 29 months to regain that price, while its earnings kept rising. Capital is at risk.

WHERE TO READ MORE — NOT BY US

Mauboussin, *Measuring the Moat* (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.

Company facts and financial data: Legend, from company filings and market data, as at 31 August 2026. Structural assessment computed by Legend from reported earnings history. **A point-in-time snapshot** — recalculated as companies report, and it can change on any earnings release. Nothing here updates itself. Full method at theconvictionplay.com/exceptional.

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