

Transcript
Video Interview with ASML President & CEO Peter Wennink
2019 Q4 and full-year results
January 22, 2020

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Mr. Wennink, another record year in revenue for ASML. Can you give us a summary of the fourth quarter and the full-year results?

Of course – let's first talk about the numbers. Fourth-quarter sales came in at €4 billion – that's just above guidance and gross margin within guidance. That translates into a full-year sales number of €11.8 billion and €2.6 billion of net income. So, it's a good year. When you look at those numbers you need to look at the bigger picture. If you look at 2019, it was a year where the Logic business was strong. Memory was weaker, because our Memory customers were digesting an overcapacity situation. But within that context the estimate is that our equipment industry (the industry at large) will have a reduction in sales of about 10% and ASML grew between 8% and 9%. So that's very good, and actually it's a reflection of, I think, the importance of lithography – the increasing importance of lithography, with of course EUV now coming on to the scene. And it's our expectation that in 2019 the share of lithography in total wafer CapEx spend has risen to about 27%, to show us also the importance of EUV. So also in that context, 2019 was a very good year.

Market view

What's your market outlook and what's your view on 2020?

Of course it's January 2020, so it's a bit early to be quantitative. But let's go through the business. Logic: very clear, also supported by statements from our customers – 5 nm transition, 7 nm to 6 nm, it's all happening. It's all there to support 5G, big data, artificial intelligence, high-power compute. So, Logic is going to be strong. Memory – it's going to be an interesting year. Like I said, 2019 was a weak year. But when we listen to our Memory customers, they see the first signs of a recovery, shown by Memory pricing. And that's confirmed by what we see. We just look at the utilization of our machines in the Memory space – it's going up. Now, if you look at the slope of that trend and you extrapolate that, I think it's fair to assume that somewhere in the second half we as an equipment industry will see a recovery, also for our Memory customers. Where and when and to what extent is still of course a bit early. But the trend is clear.

Then about installed base management: installed base management will grow also this year as compared to 2019. Driven by the fact that our installed base grows. But also, we're seeing the first EUV high-volume manufacturing kicking in. That already started at the end of last year. That will lead to more income, because we get paid per wafer. And on top of that we foresee a pretty strong upgrade business, both in DUV and EUV. So, all in all when we look at the year, we think the second half will be slightly higher than the first half. But, with the upside of the Memory recovery. All in all I think it's going to be a good year from a top-line growth point of view and a profitability point of view – both double digit.

EUV

Let's have a look at EUV. 2019 was a breakthrough year for EUV. Can you give us an update on EUV?

I think the most important to mention on EUV as you look at 2019, is the fact that we went into high-volume manufacturing (HVM) with EUV. Logic but also Memory. It's also driven by our product introduction strategy: our NXE:3400C is a high-productivity model, which of course helps our customers to drive the cost per wafer down. That's particularly important. So we shipped 26 systems – total €2.8 billion of revenue in EUV. Now looking at this year 2020, we're going to ship about 35 systems, but EUV revenue will be about €4.5 billion, so it's a significant increase. And more important also to look forward to in 2021, because we see a continuation of the demand for EUV in 2021, driven by Logic and Memory. So that is going to be a matter of how many systems can we make, and this is why we focus very much on cycle-time reduction in our factory, which will then support a capacity of 45 to 50 systems in 2021. So we're looking forward also to the year 2021.

Dividend & share buyback

Finally, any updates for your shareholders?

Clearly, like I said, we will see a profitability growth – not only this year but also the next couple of years. Of course we will generate cash and I think all our shareholders will agree with me that the first source of cash should be our business. So we're going to invest in R&D and into the operational infrastructure to make sure that we can meet with the higher sales demand. That's number one. Secondly, we've always said our return strategy is that we pay an increasing dividend and the rest of the money will go into share buyback. So, we will propose to the shareholders meeting to increase the dividend from €2.10 to €2.40, which is about a 14% increase. And we're announcing a share buyback program with the size of €6 billion through 2022. So all in all, I think decent returns for all of us.