



Transcript

Video interview with ASML CEO Peter Wennink

Q2 2021 results

July 21, 2021

Results

Mr. Wennink, can you give us a summary of the Q2 results?

Our Q2 results were very good. As we indicated last quarter, we ended the second quarter with a sales number of €4 billion. Where we have to remind ourselves that €4 billion may look a bit low as compared to the first quarter. A bit low as compared to our guidance for the third quarter. We need to remember that in the second quarter we shipped a number of machines without what we call a Factory Acceptance Test. So basically, the revenue falls in the next quarter for revenue recognition purposes. It's about a €300 million shift from Q2 to Q3. But it was a good quarter.

Gross margin 50.9%, it's above guidance. It was driven largely by, we're selling more software upgrades. Customers are looking for more productivity. But also as a one-time release of some deferred revenue, an accounting release. So Installed Base business €1.1 billion, also good. €1 billion of net profit. I think most noticeable the second quarter was the order intake €8.3 billion. The highest quarterly order intake we've ever seen. With €4.9 billion of EUV. So pretty good.

Outlook

What's at present your overall view for 2021?

2021 - may not be a surprise. I mean it's going to be a very strong year. A quarter ago we guided about a 30% increase as compared to last year. I think now we are at 35%. So everybody is working extremely hard, us and our suppliers, to actually produce a bit more machines. Because our customers are craving for those machines. So I think it's good.

When you look at the segments. Logic not a surprise either. Driven by everything that we see around us. It's the drive for artificial intelligence, high-power compute, drive the desire or demand for leading-edge chips. But it's not only that. When we think about the current market situation, we actually see that what we call the distributed systems, which are being supported by 5G, are growing so fast. And you have to think about what's a distributed system. It's a car, it's an industrial machine, it's a home appliance, it's the working from home PCs. Those are all distributed systems. They actually don't all need 5nm or 7nm. They need compute power to assist the sensor. A lot of sensing happening in all these distributed systems and that's mature. So it's



not only advanced Logic. But we now also see mature Logic. That's the reason why we think Logic will increase with about 35% this year as compared to our previous estimate last quarter of about 30%.

It's the same for Memory. Memory follows Logic. For Memory, last quarter we said we think this year it will grow with 50%. Now we think it's 60%. It's about €4.7 billion in sales this year, Memory. Of which €1 billion is going to be EUV. That's important because EUV doesn't really add yet to the bit capacity this year. Basically it's technology investments that our customers are doing for ramping next year and the year thereafter.

On Installed Base, we thought 10% growth last quarter. We now think 15% growth. Also driven by the software and productivity upgrades that our customers are looking for. So all in all, 2021 is going to be a very good year with 35% growth.

What about demand beyond 2021?

That's a good question. Clearly we have seen in 2021 also the reaction of the electronic industry at large to the covid year. So you saw a catch-up effect and I think that will stretch into 2022. Some of the supply chains have been disrupted and it takes a bit longer.

But longer term it is what I said earlier. I said it's really the driver advanced semiconductors for artificial intelligence, high power compute and the demand for mature systems. Which are driven by what we call the intelligent edge. All those distributed systems that need a level of compute next to the sensors. That is a secular trend that will not go away very soon. Actually we think it will continue throughout the rest of the decade.

Then there is a third trend which is more that you could say the trend for technological sovereignty. The big geographical areas in the world like the United States and Europe feel that part of that big growth that's coming should also be local.

So it's not a surprise then if you look at those trends and look at our order book: our order book is currently around €17.5 billion in sales of which a very significant part is EUV. That order book is very strong. That's just a reflection of where we currently are. It's a look into 2022. For instance our EUV capacity next year we think will be around 55 units. When you look at the order book around 80% is already booked at the end of Q2 2021. So yes I think all in all, significant growth expected next couple of years.



Capacity

Can you update us further on your capacity plans for EUV and for DUV?

If you listen to my previous answers, it's going to be growth. We strongly believe that that growth cannot be supported by the capacity that we currently have. So we need to extend capacity. How do you extend capacity? There are three ways to extend capacity.

First is of course do things faster. Cycle time reduction. That's generally something you can do within 6 to 12 months. Secondly you can add to the same square meters more people and more machines. Which basically has an output time of about 12 to 18 months. And when that's not enough you need to build square meters. Which is 2 to 3 years. So this is what we are discussing together now with our supply chain.

On DUV we will significantly increase our capacity. Will be significantly double digit. How much it in the end it will be still depends on the final confirmation we get out of the supply chain on those three things: cycle time reduction, adding more people and machines and building square meters. I think towards the end of the third quarter we'll have a pretty good view of what that means.

On EUV, we said the capacity for next year, 2022 is 55 units. But for 2023, we are now looking to bring that capacity over 60 units. Longer-term demand will be over 60 units. You have to also realize when you think about EUV that customers buy machines. But in fact they buy wafer capacity. So new machines like the NXE:3600D has a 15 to 20% higher productivity. Also the newer generations add more capacity in terms of wafers out. Because the machines are so much more productive.

Capital allocation – Share Buyback

Moving forward what can you say about your capital allocation?

Looking at the forecast, our growth profile, the profitability profile, the company will be generating a sufficient amount of cash. We will distribute that according to our financial policy. First of all, we will use the cash to grow the business. To support R&D growth. To support the fixed assets. Building parts of the factory. Building out factories. Buying machines. Which is also true for our supply chain. We will fund some of that in the supply chain like we have always done. And when we have done that, we will give it back to the shareholders. We will pay an increasing dividend and we will do share buybacks. And on those share buybacks, we have a program which is €6 billion. By the way we bought back €5.2 of that €6 billion. So there is a remainder of €800 million. And we will basically bring it into a new program. So the €800 million will be brought into a new



program of €9 billion. The term of that program will be focused on executing it by or potentially even before December 31, 2023.

Long-term summary

So all in all to summarize, the future for ASML looks bright.

I think the future for the industry looks bright. It's clear that industry analysts, our customers and us, we believe that our customers, I'm talking about the semiconductor industry, the semiconductor makers, currently have a combined sales number of about \$500 billion. That could be a trillion dollars by the end of this decade. So we talk about doubling the sales which actually means that we need to add that capacity. We need to help our customers in their expansion plans. When they build fabs we will ship the equipment. It's all driven by basically what we are seeing today which is the digital revolution. It's the further roll out of 5G and 6G. It's the progress we're making on artificial intelligence, self-driving cars. It's the intelligent edge that will actually drive a significant part of that growth.

So all in all, we are very positive about the future. We'd love to tell you a little bit more when we have our capital markets day September 29 of this year. I'm looking forward to that.