



Transcript

Video interview with ASML CFO Roger Dassen

Q3 2023 results

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Mr. Dassen, can you give us a summary of the third quarter results 2023?

Revenue came in at €6.7 billion which was around the midpoint of the guidance. Included in there €1.4 billion of Installed Base revenue. Gross margin came in at 51.9%. That was actually higher than we guided. Two reasons, one reason is the product mix which was more on the immersion side. And then secondly we had a number of one-off cost benefits in there. Net income for the quarter €1.9 billion. Order intake €2.6 billion. Lower than what we had in previous quarters but quite frankly that was as expected. Because in the current environment we do see customers being very cautious with cash. Being very cautious with capex and as a result of that they're also very cautious with putting in orders. No High NA orders in our purchase orders (PO) for this quarter. We're still looking at an order book of over €35 billion. Quite a few orders still in the books and that's also a reason why customers can actually manage to have quite low POs for this quarter.

Can you comment on your sales to China which increased?

China percentage in our sales was quite high this quarter. Again, I think this is something that we communicated about before. I think a couple of things are important there. As we mentioned before, the shipments into China are really for mid-critical and mature nodes. I think it's also fair to recognize that most of the shipments that happened in this quarter are based on POs that we already had in 2022 and even the year before. So, it's really based on bookings that we had in 2022 and before. As we mentioned before, the order-fill rate that we had for China in the past couple of years has been rather low. As a matter of fact below 50%.

What's happening right now? We see a number of other customers. We see some shifts in the timing of demand and that really allows for a higher order fill rate of our Chinese customers. That's exactly what's happening right now. So, higher volume in China, lower volume of other customers. So that's why you see quite a high percentage there. Of course, all the shipments that were there very much within the limits of export regulation.

Q4 and Full Year 2023 outlook

What's your guidance for the fourth quarter and the full year 2023?

Revenue for the fourth quarter, our expectation there is between €6.7 and €7.1 billion. Included in there €1.4 billion of Installed Base business. Which would be similar to what we had in Q3. Our guidance for



the gross margin between 50 and 51%. If you then look at the full year as to revenue, we're looking at growth towards 30% in comparison to 2022. And the gross margin would end up around 51%. If you look at that, it's a pretty decent performance I would say in a year where the industry is going through difficult times. Still growing towards 30% I think is a pretty decent performance for the company.

Market and export controls

Can you give us an update regarding changes in the market dynamics since last quarter?

There's quite a bit going on. First, if you look at the macro front, I think it's plain to see for everyone. It's a combination of a few things. There's still pockets of inflation. We still see interest rates at pretty elevated levels. We still see GDP growth in some economies that is not where people expected that to be. Then I think there are quite some geopolitical tensions.

All in all, on the macro front it's quite dynamic and quite challenging. If you then specifically look into the semiconductor industry, I think it's plain to say that our customers are really going through the cycle trough.

If you just look at a number of characteristics there, what are some of the things that we are really looking at? We're looking at inventory positions and there what you see is that downstream, so let's say with the end customers, we do believe that the inventory situation is starting to become more normalized. I think there we actually see a positive development. I think upstream, the inventory situation still needs to further normalize. So it's a bit of a mixed bag on the inventory situation.

I think as far as utilization of our tools is concerned, the progress that we started to see also in the previous quarter on the utilization of Logic, we do see that progress is there. So we do see that on Logic, utilization is starting to improve. I would say in Memory, quite frankly, I think we still need to see our customers turn the corner on the utilization front.

So what does it do with our customers? What does it do with their expectations? What do they express to us? I think they do expect an inflection point at the end of this year. That's with all the dynamics that is what they typically would be looking at. But then obviously, the question is what's the shape, what's the slope of the recovery into 2024? And that's obviously the dynamic that they're watching and that we're watching as well. What we do see them do though, is really prepare for continued ramps. So we do see quite a few fabs that are in the progress of being built and we do expect quite some fab openings in the 2024 and 2025 timeframe. Obviously that will require quite some tools.



With the recent communication from the US government on export controls, can you comment on the expected impact to your DUV business?

So it just came in the new regulations. So we are obviously still in the process of digesting it and making a full analysis of what the impact is. I can share with you our preliminary assessment. Our preliminary assessment would be that as it pertains to our business, we think it affects a limited number of fabs in China. We don't think it has a material impact on 2023.

We also believe that if you look longer term, so for instance if you look at 2025 or 2030, the scenarios that we've given there, we believe it might have an impact on the regional split. But we do not believe that it has an impact on let's say the overall revenue numbers that we would be looking at in those scenarios for ASML. The main reason being as you know that we make those assessments not on the basis of the bottom-up demand in a country, but really based on the worldwide demand for wafers. So that's the situation on that front. Obviously we will fully comply with all the laws and regulations. So we'll diligently go through it but that is at least our preliminary assessment.

Outlook 2024 and beyond

What does all this mean for your outlook for 2024 and beyond?

We really think 2024 is going to be a transition year. If you look at the two topics that we were just discussing, so we discussed the macro environment, we talked about the situation within the industry, we talked about the industry and our customers navigating through the cycle trough on the one hand. On the other hand, the situation we just discussed on the export controls. Our current view is that we're taking a more conservative approach.

What does that mean? More conservative approach is that we're really looking at 2024 in two regards. On the one hand, we think revenue wise it's going to be similar we believe to 2023. On the other hand, we believe 2024 is going to be a pivotal year in preparing us for what we think will be very significant growth in 2025.

There is a few building blocks why we truly believe that 2025 is going to be a significant growth year. First off, obviously the secular trends. Everyone talks about the impact of electrification, of the energy transition, AI etcetera. So those drivers are clearly there. The secular trends are very very strong. Secondly, we do see our current perspective that 2025 we will find ourselves on the uptick if you like in the cycle. So that should be positive. We're also looking at continued strong litho intensity in our business. And as I mentioned before, if we look at the fab openings that our customers have scheduled for 2024 and 2025 it's pretty significant.



That should all come together and essentially make for a strong 2025. So that's why if you take it all together, all the dynamics that we just talked about, we remain very, very confident in our expectations for the growth trajectory for ASML. As also clarified in the expectations that we articulated on 2025 and 2030 in the capital markets day of November of last year.