ASML

**Transcript**
**Investor Call ASML CEO Christophe Fouquet, CFO Roger Dassen**
**Q2 2024 results, July 17, 2024**

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**Christophe Fouquet**
Welcome everyone and thank you for joining us for our second-quarter 2024 results conference call.

Before we begin the Q & A session Roger and I would like to provide an overview and some commentary on the second-quarter 2024 as well as provide our view of the coming quarters.

Roger will start with a review of our second-quarter 2024 financial performance with added comments on our short-term outlook. I will complete the introduction with 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 second-quarter 2024 financial accomplishments and then provide guidance on the third quarter of 2024.

Let me start with our second-quarter accomplishments.

Total net sales came in at 6.2 billion euros, which is just above guidance.

Net system sales of 4.8 billion euros which is made up of 1.5 billion euros of EUV sales and 3.3 billion euros of non-EUV sales. Net system sales was driven by Logic at 54 percent, with the remaining 46 percent coming from Memory.

Installed Base Management sales for the quarter came in at 1.48 billion euros, slightly higher than guided.

Gross margin for the quarter came in at 51.5 percent, which was above our guidance, primarily driven by more immersion systems than planned.

On operating expenses, R&D expenses came in slightly above guidance at 1.1 billion euros due to higher R&D expenses regarding metrology and inspection while SG&A expenses came in slightly below our guidance at 277 million euros as a result of lower IT spend.

Net income in Q2 was 1.6 billion euros, representing 25.3 percent of total net sales and resulting in an EPS of 4.01 euros.

Turning to the balance sheet. We ended the second quarter with cash, cash equivalents and short-term investments at a level of 5.0 billion euros.

We ended Q2 with free cash flow[1] of 386 million euros, which is an improvement relative to last quarter. However, as mentioned last quarter, there continues to be pressure on free cash flow as we provide some support for our customers and operate at higher inventory levels. The latter being a result of the increased material intake, including High NA, as part of our planned capacity ramp in preparation for strong demand next year. We expect a gradual return to normal cash conversion levels as the industry continues to recover.

Moving to the order book, Q2 net system bookings came in at 5.6 billion euros, which is made up of 2.5 billion euros of EUV bookings and 3.1 billion euros of non-EUV bookings. Net system bookings in the quarter were mainly driven by Logic at 73 percent and Memory, the remaining 27 percent of the bookings.

At the end of Q2 2024 we finished with a backlog of around 39 billion euros.

With that I would like to turn to our expectations for the third quarter of 2024.

We expect Q3 total net sales to be between 6.7 billion euros and 7.3 billion euros.

We expect our Q3 Installed Base Management sales to be around 1.4 billion euros.

Gross margin for Q3 is expected to be between 50 and 51 percent.

We still expect a slightly lower gross margin for the full year 2024 compared to 2023. Although margins for the second half of the year are expected to be positively impacted by higher volume and more favorable EUV Low NA mix, we expect this to be offset by increased High NA costs relative to the first half of the year.

The expected R&D expenses for Q3 are around 1.1 billion euros and SG&A is expected to be around 295 million euros.

Our estimated 2024 annualized effective tax rate is expected to be between 16 percent and 17 percent.

[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

In Q2, ASML paid a final dividend of 1.75 euro per ordinary share. Together with the interim dividend paid in 2023 and 2024, this resulted in a total dividend for 2023 of 6.10 euros per ordinary share.

The first quarterly interim dividend over 2024 will be 1.52 euro per ordinary share and will be made payable on August 7, 2024.

In Q2 2024 we purchased 106 thousand shares for a total amount of 96 million euros.

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

**Christophe Fouquet**
Thank you Roger.

As Roger highlighted, a good quarter with sales and profitability above guidance.

Although macro uncertainty remains, overall semiconductor inventory levels continue to improve, trending towards more healthy levels. We also see continued improvements in lithography tool utilization levels at both Logic and Memory customers. All in line with the industry’s continued recovery from the downturn.

Our outlook for the full year is unchanged with revenue expected to be similar to last year. We currently see strong developments in AI driving most of the industry recovery and growth, ahead of other end market segments. We still expect a stronger second half relative to the first half of the year.

Logic customers continue to digest the significant capacity additions made over the past year. With this digestion, we see lower revenue from Logic this year, relative to last year.

In Memory, demand is primarily driven by DRAM technology node transitions in support of advanced memories such as DDR5 and HBM. In support of these transitions, we expect growth in revenue from Memory this year relative to 2023.

For our Installed Base business, we continue to expect a similar level of revenue compared to last year. As the recovery becomes more clear this year, customers may look to upgrade their systems in preparation for 2025.

Turning to our businesses, we expect EUV revenue growth in 2024. We plan to recognize revenue on a similar number of EUV systems as 2023, with expected revenue from one to two High NA systems.

On our Low NA EUV systems, we shipped additional NXE:3800E systems this quarter as we continue to ramp production. As customers transition to advanced nodes in both Logic and Memory, we expect the majority of shipments in the second half of the year to be NXE:3800E systems.

Regarding High NA, we shipped the second system this quarter and it is currently under installation. The first system shipped to a customer is running qualification wafers.
Overall the interest is high, with EUV customers now using our High NA system in the joint ASML-imec demo lab in Veldhoven for their initial development. We have already exposed wafers for multiple Logic and Memory customers and have now achieved the imaging resolution specification of 8nm. High NA will enable an almost 3x increase in transistor density relative to the Low NA system. So all in all, good momentum on High NA and progressing well against customers' expectations.

We expect our non-EUV business to be down in 2024, primarily driven by lower immersion system sales, relative to 2023.

As we have stated over the last few quarters, we view 2024 as a transition year and continue to make investments this year both in capacity ramp and in technology to be ready for future demand.

While the slope of industry recovery is still uncertain, based on discussions with our customers and supported by our strong backlog, we expect 2025 to be a strong year driven by a number of factors as mentioned last quarter.

First, the secular growth drivers in semiconductor end markets which we have previously discussed, such as energy transition, electrification and AI are still very much intact. The expanding application space, along with increasing lithography on future technology nodes, drives demand for both advanced and mature nodes.

Second, the industry expects to be in a cyclical upturn in 2025.

And last, as mentioned earlier, we need to prepare for a number of new fabs that are being built across the globe, in some instances clearly supported by several government incentive plans. These fabs are spread geographically, are strategic for our customers and are scheduled to take our tools.

It is essential that we keep our focus on the future and build capacity in preparation for further long-term growth as we discussed in the market scenarios for 2025 and 2030 during our Investor Day in November 2022. We plan to update our view during our Investor Day this year on November 14, 2024.

In summary, although there is near term uncertainty, we remain confident in our long-term growth opportunity.

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 trends in the semiconductor industry and end markets and business environment trends, expected demand, lithography tool utilization and intensity, semiconductor inventory levels, bookings, backlog, expected recovery and growth in the semiconductor industry and expected drivers and timing thereof including expected continued industry recovery in the second half of 2024, plans to add and improve capacity, continued investments in both capacity ramp and technology, outlook and expected financial results, including expected results for Q3 2024, including net sales, IBM sales, gross margin, R&D costs, SG&A costs, outlook for the second half and full year 2024, including expected strong second half of 2024 and expectations with respect to full year 2024 total net sales, gross margin and estimated annualized effective tax rate, expectations with respect to sales by market segment and IBM sales and expected drivers thereof, and other full year 2024 expectations, expectations with respect to expected financial performance and growth in 2025 and expected drivers thereof, statements made at our 2022 Investor Day, including revenue and gross margin opportunity for 2025 and 2030, statements with respect to export control policy and regulations and expected impact on us, statements with respect to continued execution of ESG sustainability strategy, our expectation to continue to return significant amounts of cash to shareholders through growing dividends and share buybacks, statements with respect to our share buyback program, including the amount of shares intended to be repurchased thereunder and statements with respect to dividends, statements with respect to expected performance and capabilities of our systems and customer plans and other non-historical statements. You can generally identify these statements by the use of words like “may”, “will”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue”, “target”, “future”, “progress”, “goal”, “model”, “opportunity” 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 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, 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 current macroeconomic environment on the semiconductor industry, uncertainty around a market recovery, the impact of inflation, interest rates, 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 products, our production capacity and ability to adjust capacity to meet demand, supply chain capacity, constraints and logistics, timely availability of parts and components, raw materials, critical manufacturing equipment and qualified employees, constraints on 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 net bookings, the risk of order cancellation or push outs and restrictions on shipments of 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, exchange rate fluctuations, 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 programs, 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 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, 2023 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.