**Transcript**
**Investor Call ASML CEO Christophe Fouquet, CFO Roger Dassen**
**Q3 2024 results, October 16, 2024**

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**Christophe Fouquet**
Welcome everyone and thank you for joining us for our third-quarter 2024 results conference call. First let me apologize for the confusion yesterday after the early publication of our press release, due to a technical error. Particularly given the serious nature of the key messages we wanted to deliver and discuss with you, this was very unfortunate.

Before we begin the Q & A session Roger and I would like to provide an overview and some commentaries on the third-quarter 2024 as well as provide 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 third-quarter 2024 financial accomplishments and then provide guidance on the fourth quarter of 2024.

Let me start with our third-quarter accomplishments.

Total net sales came in at 7.5 billion euros, which is above the high end of our guidance driven by more DUV system sales as well as higher Installed Base Management sales.

Net system sales came in at 5.9 billion euros, which is made up of 2.1 billion euros of EUV sales and 3.8 billion euros of non-EUV sales. Net system sales was driven by Logic at 64 percent, with the remaining 36 percent coming from Memory.

Installed Base Management sales for the quarter came in above guidance at 1.54 billion euros, due to higher service and upgrade revenue.

Gross margin for the quarter came in within guidance at 50.8 percent.

On operating expenses, R&D expenses came in slightly below guidance at 1.06 billion euros, while SG&A expenses came in as guided at 297 million euros.

Net income in Q3 was 2.1 billion euros, representing 27.8 percent of total net sales and resulting in an EPS of 5.28 euros.

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

We ended Q3 with a free cash flow of 534 million euros, which is somewhat improved relative to last quarter. However, as mentioned last quarter, there continue to be pressure on free cash flow. This is primarily due to a relatively low level of order intake, and therefore less down payments, as well as a higher inventory level. The high inventory level is primarily attributable to EUV, both High NA and low NA, driven by longer lead-times in the build cycle as well as inventory in support of future ramp.
Moving to the order book, Q3 net system bookings came in at 2.6 billion euros, which is made up of 1.4 billion euros of EUV bookings and 1.2 billion euros of non-EUV bookings. Net system bookings in the quarter was more or less balanced between Memory at 54 percent and Logic at 46 percent of the bookings.
The relatively low order intake is a reflection of the slow recovery in the traditional end markets, as customers remain cautious in the current environment.

At the end of Q3 2024 we finished with a backlog of over 36 billion euros.

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

We expect Q4 total net sales to be between 8.8 billion euros and 9.2 billion euros.

We expect our Q4 Installed Base Management sales to be around 1.9 billion euros.

Gross margin for Q4 is expected to be between 49 and 50 percent.

I would like to make a few comments on the Q4 guidance.

Net sales include the expected revenue recognition of two High NA systems.
Installed Base Management revenue is higher than Q3 primarily as a result of achieving specific EUV performance milestones and some EUV productivity upgrades.
Although Q4 revenue is higher than Q3, gross margin is expected to be slightly lower than Q3 as the positive impact from higher upgrade revenue is more than offset by the dilutive gross margin impact from the expected revenue recognition of the two High NA systems. For the quarter, the dilutive effect thereof on the gross margin is approximately 3.5 percent.

Based on the Q4 guidance we expect 2024 revenue at around 28 billion euros, with a gross margin of around 50.6 percent, which is slightly lower than 2023, as expected.

The expected R&D expenses for Q4 are around 1.09 billion euros and SG&A is expected to be around 300 million euros.

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

In Q3, ASML paid the first quarterly interim dividend over 2024 of 1.52 euro per ordinary share.

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

In Q3 2024 no shares were purchased.

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

**Christophe Fouquet**
Thank you Roger.

As Roger highlighted, it was a solid financial quarter, but there were also a number of market dynamics in the quarter.

Starting with our technology, we continue to make good progress on both of our new EUV products.

On our Low NA technology, we continue to ramp NXE:3800E systems this quarter with EUV customers now rapidly shifting to this new model due to its higher performance, including over 37 percent improvement in throughput compared to the NXE:3600D.
We have now demonstrated the full 220 wafer per hour throughput at a new record overlay in our factory and are on track to deliver full specification systems with new system shipments and upgrades from the beginning of next year. As customers transition to the NXE:3800E, the majority of shipments in Q4 are NXE:3800E systems.

Regarding High NA, the two shipped systems are now exposing wafers at our customer, and we expect to recognize the revenue from these systems by the end of the year. A third system is in the process of being shipped to a second major customer. Momentum continues to grow with around 10,000 wafers now exposed for multiple Logic and Memory customers using the High NA system in both the joint ASML-imec High NA lab and with the systems in the field.

At a recent lithography conference, we published new High NA data showing major performance benefits in imaging, overlay and contrast. Those benefits also indicate a significant cost reduction opportunities for both Logic and DRAM customers.

As a reminder of the value High NA provides, we have demonstrated the system's ability to print features at a resolution of 8nm. Compared to a Low NA system, this represents an improvement to nearly 3 times in transistor density per exposure.

So all in all, we've seen continued momentum on EUV technology, and we are progressing well relative to customers' expectations.

With regard to market conditions, while we continue to view AI as a key driver of the industry recovery with potential upside, we see other segments recovering more slowly than anticipated. The recovery will extend well into 2025, which is leading to customer cautiousness and some push-outs in their investments.

In Logic, the slower recovery of end markets such as mobile and PC, together with specific competitive foundry dynamics has resulted in a slower ramp of new nodes at certain customers who are as a result pushing out some of their fabs and changing their litho demand timing.

In Memory, the slower market recovery is also resulting in limited capacity additions with the focus still on technology transition, supporting the HBM and DDR5 AI related demand.

And finally, we expect the China business to go back to a more normalized percentage of our business in line with the percentage of China business in our backlog.

In summary, while the longer-term trends are still very strong and positive, the developments over the past few months combined with customer specific circumstances has led to a reduced growth curve in 2025 and an overall reduction of our lithography demand,

Due to these dynamics over the last quarter we felt it would be appropriate to make some comments on 2025 at this time versus waiting until our Investor Day next month.

With that I will turn it back over to Roger.

**Roger Dassen**
Thanks Christophe,

As we discussed in our Investor Day in 2022, we provided market scenarios for 2025 of between 30 billion euros and 40 billion euros with a gross margin of between 54 and 56 percent.

Based on the recent market dynamics that Christophe just described, we now see 2025 revenue moving to the lower half of the range, so between 30 billion euros and 35 billion euros.
To a large extent this is driven by a significant reduction in our expected Low NA shipments for 2025, to fewer than 50.

We also now expect our China sales to be around 20 percent of our total revenue next year, trending back towards our historical China percentage and in line with its share of the backlog.

With regard to gross margin, one of the key drivers of the expected improvement was Low NA, driven by both an increase in the number of systems as well as a move to the higher margin 3800E system.
While the improvement in gross margin for the 3800E has been achieved, the large reduction in EUV unit numbers for next year is significantly margin dilutive in comparison to earlier expectations.
Also the reduction of our sales to China, which typically contains a high percentage of immersion sales, is dilutive to our gross margin.
Therefore, based on the current outlook of lower revenue and a less favorable mix, in comparison to 2022 Investor Day, we now expect a gross margin of between 51 and 53 percent in 2025.
In comparison to 2024, the 2025 gross margin is expected to benefit from the higher gross margin on the 3800E, gradual margin improvements on High NA, and the improvement in EUV service margin, but will also see a dilutive margin effect of recognizing more High NA tools in revenue.

On Operational Expenses, for 2025, we expect total OpEx to be at the upper end of the bandwidth of 5.6 billion euros to 6.1 billion euros provided during Investor Day 2022. We will continue with our R&D roadmap as planned and have been able to absorb the significant wage inflation effects since 2022 within the bandwidth.

With that I once again will hand back over to Christophe.

**Christophe Fouquet**
Thanks again Roger,

As we look out longer term, consistent with what we have previously stated, the secular growth drivers in the semiconductor end markets are still very much intact. AI, energy transition, electrification among other applications continue to provide a very strong and very positive perspective to our industry and ASML business.

The expanding application space, along with increasing lithography needs on future technology nodes, drives demand for both advanced and mainstream nodes. In line with most of our industry peers, we continue to see AI as an upside and continue to watch carefully how this could affect us on the short and on the long term.

Despite some of the push outs we have discussed, we continue to prepare for a number of new fabs that are being built across the globe to address the future demand and needs of the industry. These fabs are spread geographically, are strategic for our customers and are scheduled to take our systems.

We will therefore continue to build capacity in order to respond to the demand increase that we expect throughout the remainder of this decade.

We will provide a more detailed assessment together with scenarios of 2030 at our Investor Day on November 14, 2024. We look forward to seeing you there.

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, bookings, backlog, expected recovery in the semiconductor industry and expected timing thereof including expected industry recovery continuing in 2025, plans to continue to build capacity, outlook and expected financial results, outlook of market segments, including expected results for Q4 2024, including net sales, IBM sales, gross margin, R&D costs, SG&A costs, outlook for full year 2024, including expected full year 2024 total net sales, gross margin and estimated annualized effective tax rate, expectations and modelling with respect to 2025 revenue and gross margin, statements made at our 2022 Investor Day, including revenue and gross margin opportunity for 2025 and 2030, statements with respect to 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 that may 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 including the timing thereof, the impact of inflation, interest rates, wars and 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, timely availability of parts and components, raw materials, critical manufacturing equipment and qualified employees, 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 and our ability to convert bookings into sales, 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.