ASML

Transcript
Investor Call ASML CEO Christophe Fouquet, CFO Roger Dassen
Q4 and FY 2024 results, January 29, 2025

Christophe Fouquet
Welcome everyone and thank you for joining us for our fourth-quarter and full year 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 fourth-quarter and full year 2024 results 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 fourth-quarter and full-year 2024 financial accomplishments and then provide guidance on the first quarter of 2025.

Let me start with our fourth-quarter accomplishments.

In the fourth quarter of 2024, total net sales were 9.3 billion euros, which is above the high end of our guidance primarily due to Installed Base revenue. As expected, it also included revenue recognition on two High NA systems.

Net system sales were at 7.1 billion euros, which includes 2.9 billion euros from EUV sales and 4.2 billion euros from non-EUV sales. Net system sales was driven by Logic at 61 percent, with the remaining 39 percent coming from Memory.

Installed Base Management sales for the quarter were above guidance at 2.1 billion euros, primarily driven by additional upgrade business.

Gross margin for the quarter was above guidance at 51.7 percent, due to a combination of additional upgrade business and lower than planned costs associated with the new product introduction of High NA systems in the field.

On operating expenses, R&D expenses came at 1.116 billion euros, in line with guidance, while SG&A expenses came in above guidance at 318 million euros, due to year end payroll adjustments and a pull-in of IT costs.

The Effective Tax Rate for Q4 was 21.5 percent as a result of a one-off tax expense related to a historic tax position bringing the full year ETR to 18.6 percent. For 2025 we expect an annualized effective tax rate of around 17 percent.

Net income in Q4 was 2.7 billion euros, representing 29.1 percent of total net sales and resulting in an EPS of 6.85 euros.

Turning to the balance sheet. We ended the fourth quarter with cash, cash equivalents and short-term investments at a level of 12.7 billion euros.

We ended Q4 with a free cash flow of 8.839 billion euros, which is significantly higher relative to last quarters, with the majority of the cash coming in at the very end of the quarter.

Moving to the order book, Q4 net system bookings came in at 7.1 billion euros, which is made up of 3.0 billion euros of EUV and 4.1 billion euros of non-EUV. Net system bookings in the quarter were driven by Logic with 61 percent of the bookings while Memory accounted for the remaining 39 percent.

At this point I would like to briefly comment on the reporting of our bookings going forward.

As we have said in the past, our order flow on a quarterly basis can be lumpy and does not necessarily reflect our business momentum accurately. Our sales guidance is primarily based on regular reviews with all our customers as part of our planning cycle.

With this in mind, we will continue to report bookings on a quarterly basis through 2025, but will no longer report on bookings thereafter. As of 2026, we will report the total systems backlog on an annual basis.

Looking at the full year, net sales came in at 28.3 billion euros, with a gross margin of 51.3 percent.

EUV system sales realized from 44 systems including High NA were 8.3 billion euros, 9 percent lower compared to 2023. DUV system sales grew 4 percent to 12.8 billion euros. Our Metrology & Inspection system sales increased 20 percent to 646 million euros.

Looking at the market segments for 2024, Logic system revenue was 13.2 billion euros, 17 percent lower than 2023. Memory system revenue was 8.6 billion euros, 44 percent higher than 2023 and Installed Base Management sales were 6.5 billion euros, 16 percent higher than 2023.

We concluded 2024 with a net systems backlog of around 36 billion euros.

In 2024 we continued to invest in innovation across our full product portfolio, increasing R&D spending to 4.3 billion euros in 2024 or about 15 percent of sales. SG&A increased to 1.2 billion euros in 2024, which was about 4 percent of sales.

Net income for the full year was 7.6 billion euros, 26.8 percent of net sales, resulting in an earnings per share of 19.25 euros.

In 2024 we generated free cash flow of 9.1 billion euros.

We returned 3.0 billion euros to shareholders through a combination of dividends and share buybacks in 2024.

With that I would like to turn to our expectations for the first quarter of 2025.

We expect Q1 total net sales to be between 7.5 billion euros and 8.0 billion euros.
We expect our Q1 Installed Base Management sales to be around 2.1 billion euros.

Gross margin for Q1 is expected to be between 52 and 53 percent. This is primarily driven by a positive effect from no High NA revenue recognition in the quarter, partly offset by lower immersion volume.
The expected R&D expenses for Q1 are around 1.140 billion euros and SG&A is expected to be around 290 million euros.

In Q4, ASML paid the second quarterly interim dividend over 2024 of 1.52 euros per ordinary share.
ASML intends to declare a total dividend for the year 2024 of 6.40 euros per ordinary share.
The third interim dividend of 1.52 euros per ordinary share will be made payable on February 19, 2025.
Recognizing this third interim dividend and the two interim dividends of 1.52 euros per ordinary share paid in 2024, this leads to a final dividend proposal to the General Meeting of 1.84 euros per ordinary share.

In Q4 2024 no shares were purchased.

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

Christophe Fouquet
Thank you Roger.

As Roger has highlighted, we finished 2024 with a strong quarter. We are extremely thankful to the whole ASML team that worked very hard to realize these results.

In 2024 we have also successfully achieved a number of technology milestones, including the release of a number of new products critical for our customers technology roadmaps.

On our Low NA EUV technology, the NXE:3800E, we demonstrated the full system specification in our factory with 220 wafers per hour throughput at a new record overlay. We are on track to deliver new systems at full specification and start upgrades for the systems already at our customers during the first half of 2025. We continue to work with our customers to drive the maturation of the system to support their ramp to high volume manufacturing.

On High NA EUV, we completed the installation and customer acceptance on two systems in Q4. Customers have now run over ten thousand wafers on High NA systems and their feedback has been very positive. They are seeing major performance benefits in imaging, overlay and contrast which also provide significant cost reduction opportunities for both Logic and DRAM processes. We continue to work with our customers to define the exact insertion point for High NA in their processes.

We also shipped a third system in Q4 that is now undergoing install and qualification.

On DUV, we shipped the first NXT:870B, the latest generation KrF system capable of throughput of over 400 wafers per hour and the NXT:2150i, the latest generation immersion DUV system capable of achieving throughput over 310 wafers per hour and overlay performance of equal or less than 1 nanometer.

And finally, in Applications, after close collaboration with multiple customers we have successfully completed the evaluations and recognized first revenue from a number of eScan 1100 Multi-beam Inspection systems.

All in all, our product pipeline remains strong, supporting the roadmap requirements of our customers and driving our overall competitiveness. We will share more performance data at the SPIE Lithography conference in February.

Looking to 2025, we see full year revenue between 30 billion euros and 35 billion euros and gross margin between 51 percent and 53 percent.

Consistent with our view from last quarter, artificial intelligence has become the key driver for growth in our industry at this moment. As we have witnessed in 2024, AI has created a shift in the market dynamics that is not benefiting all customers equally in the short term.
If AI demand continues to be strong and customers are successful in bringing on additional capacity online to support that demand, there is potential opportunity towards the upper end of our range. On the other hand, there are also risks related to customers and geopolitics that could drive results towards the lower end of the range.

Looking at market segments we currently expect Logic to be up versus 2024 with the ramp of leading-edge nodes while we expect Memory to remain strong, similar to 2024.

With respect to our Installed Base business, we expect revenue to grow versus 2024 driven by both service and upgrades as part of a growing install base, to which EUV's contribution is continuing to grow.

Our China business in 2023 and 2024 was relatively high because of our ability to execute on a backlog that was created after low order fill rates in previous years. For 2025 and beyond, we expect our China business to go back to a more normalized percentage of our sales.

Looking longer term, overall the semiconductor market remains strong with artificial intelligence creating growth but also a shift in market dynamics as I highlighted earlier. These dynamics will lead to a shift in the mix of end market products towards more HPC and HBM which requires more advanced logic and DRAM. For ASML, we anticipate that an increased number of critical lithography exposures for these advanced Logic and Memory processes will drive increasing demand for ASML products and services.

As a result, we see a 2030 revenue opportunity between 44 billion euros and 60 billion euros with gross margins expected between 56 percent and 60 percent, as we presented in Investor Day 2024.

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 growth in the semiconductor industry by 2030, our expectation that AI will be the key driver for the industry and the expected impact of AI demand on our business, our expectation that lithography will remain at the heart of customer innovation, expected demand, bookings, backlog, outlook of market segments, outlook and expected financial results including expected results for Q1 2025, including net sales, Installed Base Management sales, gross margin, R&D costs, SG&A costs, outlook for full year 2025, including expected full year 2025 total net sales, gross margin and estimated annualized effective tax rate, statements made at our 2024 Investor Day, including revenue and gross margin opportunity for 2030, 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, risks relating to 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 ultimate impact of AI on our industry and business, 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 program, 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.