Transcript

Video interview with ASML CEO Christophe Fouquet and CFO Roger Dassen

Q4 and full year 2024 results

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Hello and welcome to ASML's Q4 and full year 2024 results video. Let me start by welcoming Christophe and Roger. If I can start with you, Roger, can you give us an overview of Q4 and full year 2024 results?

Absolutely, Jim. So, Q4 net sales came in at €9.3 billion, which is a bit higher than we guided. Primarily driven by Installed Base business, which came in at €2.1 billion. So, that was quite a bit higher than we guided.

For the full year, we're looking at €28.3 billion of revenue. Again, higher than last year. Primarily driven by the Installed Base business, which in total came in at €6.5 billion, which is about 16% growth in comparison to 2023.

Gross margin for the quarter came in at 51.7%, again ahead of guidance. Primarily because of additional upgrade business that we were able to record in the fourth quarter. Also, because we have the revenue recognition for the first High NA tools. So, we had two High NA tools that we were able to recognize revenue for in the quarter, because the customer accepted the two tools. Recognizing High NA revenue is detrimental to the gross margin. But in fact, the cost that we needed to incur in order to make the systems work were actually lower than planned. So, that was also one of the reasons why the gross margin for the quarter came in a bit better than we anticipated.

Gross margin for the year, 51.3%, which is similar to the gross margin that we had in 2023.If you look at net income for the quarter, €2.7 billion. For the full year, €7.6 billion in terms of total net income. Net system bookings for the quarter €7.1 billion euros, of which €3 billion EUV. That got us to a backlog at the end of the year of approximately €36 billion.

Talking about net bookings. Net bookings, and we said this before, can be lumpy. Particularly if you look at it from one quarter to the other. In fact, the way we do it, the way we work with our customers and the way we come up with our expectations for the business, really is based on an ongoing review cycle that we have with customers. So, it's much less influenced by bookings. It's much more based on regular reviews that we have with customers. So, recognizing that PO bookings can be lumpy and are not necessarily a good reflection or an accurate reflection of the business momentum, we said we'll continue to provide a number throughout this year. But after this year, we will stop providing this number. What we will do, is provide a backlog. So, on an annual basis we will provide you with the total backlog.

So, all that said, how would you summarize Q4 and the full year 2024?
Well, Q4 was a record quarter for ASML. 2024 is yet again a growth year. Yet again from a revenue perspective, a record year for ASML. I would say recognizing that in the current very dynamic market circumstances that we once again had a record quarter and a record year; I think kudos and a big thank you to the entire ASML family. Both the employees and all the partners that we have within ASML, to make that possible within this very dynamic environment.

Outlook 2025

If I can turn to you, Christophe, can you give us an outlook on 2025, how do you see things?
Well, our outlook remains consistent with the view we gave last quarter. We see total revenue for 2025 between €30 billion and €35 billion and the gross margin between 51% and 53%.

AI is the clear driver. I think we started to see that last year. In fact, at this point, we really believe that AI is creating a shift in the market and we have seen customers benefiting from it very strongly. Others maybe a bit less. So, for AI, if the demand remains strong and our customers are capable to build some capacity, we see the opportunity towards the highest part of the range. On the other hand, there's still quite some uncertainty on the other customers and this also justifies the lowest part of the range.

If we look then at the different market segments, you know, Logic, Memory, Installed Base, how do you see that progressing through 2025?
So, 2024 was strong for Memory and we expect Memory to remain strong. We expect Logic to grow to basically fulfil the demand of AI.

And what about Installed Base?
Well, our number of systems in the Installed Base continues to grow. We see an increased share of EUV as well and we expect some more upgrades next year. So, overall, we see also an increase in our Installed Base business.

If we look then maybe at a topic that's on everybody's mind a lot of the time, it's China.
How do you see China revenue progressing in 2025 versus 2023-2024, for example?
Well, we had a lot of discussion about China in 2023-2024 because our revenue in China was extremely high. We have explained that this was caused by the fact that we are still working on some backlog

created in 2022, when our capacity was not big enough to fulfil the whole market. 2025 will be a year where we see China going back to a more normal ratio in our business. So I think we're going to see again numbers people used to see before 2023.

Outlook Q1

If we turn back to you, Roger, we look at 2025 in terms of the numbers point of view.
How do you see Q1 in terms of guidance?
For Q1, when it comes to net sales, we're looking at guidance between €7.5 billion and €8 billion. Included in there would be €2.1 billion that we expect for Installed Base business, which would be similar to the last quarter. We'll be looking at a gross margin somewhere between 52% and 53%.

So, if I look at that gross margin in Q1, how should we expect things throughout the full year as a whole. Should we expect the high end of the guidance there?
So gross margin, 52% to 53%. If you compare it a little bit to what we had in the last quarter, so where is the uptick from the last quarter? A number of moving parts. Most significant moving parts, we do not expect to have revenue recognition for High NA in this quarter. So that's a positive.

On the other hand, also for Q1, there is a little bit less immersion sales in there, which is detrimental to gross margin. So net net, we still believe that we're going to have a little bit better gross margin in Q1 than we would have had in Q4.

If you look at the full year. Again, particularly in light of High NA and High NA revenue recognition, we believe that is primarily skewed towards the second half of the year. As a result of that, I would expect that the gross margin in the first half is a little bit better than the gross margin in the second half. Nonetheless, what we said before, the gross margin expectation for the year is between 51% and 53%.

Do you expect any additional impacts from the latest export control regulations that have been recently published?
Quite a few moving parts when it comes to export controls from the US. As you know, the US articulated a number of new regulations in December. Actually, two big parts there. One was they included a number of new technologies on the list of restricted technologies. And they also added a number of fabs to the list of restricted fabs, where restrictions apply. You also know that the Dutch government very recently came out with new regulation there as well. But I would say that the combination and the impact of those, both US and Dutch measures, has been appropriately reflected in the guidance that we've given

before. So, the €30 to €35 billion properly reflects the limitations that we see from an export controls perspective.

Technology update

Christophe, if I can switch to our technology, can you give us updates on the latest progress when it comes to Low NA, High NA, our DUV products, as well as applications?

Well, if you look back at 2024, I think this has been a very rich year for technology at ASML. We have started to ship some products that will be very, very critical for customer volume ramp on AI, but also for their longer-term roadmap.

So, let me start with EUV Low NA. This is our NXE:3800E. We started to ship this system last year, as you know. We have achieved a very important milestone last quarter. Which is to demonstrate basically the full capability of the tool's final specification here at ASML. We are continuing to mature basically the platform with our customers, so that the tool can be ready this year to really support high volume manufacturing.

As you know as well, on this tool, this will become the majority of our shipments when it comes to Low NA this year. Roger was referring to the margin. This is going to be a good contribution to that.

High NA, we are very, very happy with our achievement on High NA. Last year, we got the first two customer acceptances. Which after so many years of development has been a major milestone. The feedback on the imaging performance from our DRAM customers, Logic customers, continue to be very, very positive. They like what they see. The key discussion now is really when, how, and in which volume, to insert this tool into volume manufacturing. That's a discussion we're going to have with our customers.

DUV, still a lot happening on DUV. We have shipped our latest generation on Immersion, the NXT:2150i. We have shipped the latest generation on KrF, the NXT:870B, which can provide up to 400WPH speed. Which is a major, major step compared to the previous platform. So a lot of good, also, progress on DUV.

Finally, I think also a big highlight when it comes to applications. You know that we have been working on E-beam products for quite a few years after the HMI acquisition. Multi-beam was a major reason to do this acquisition. At the end of last year, we got also our first four customer acceptances on Multi-beam. Which is, of course, a major milestone for all of us at ASML.

Dividend and share buyback

We ended the year with a significant amount of cash on our balance sheet. Can you give us some more details on what you plan to do in terms of capital allocation going forward?

So, you're right, a lot of cash generation in Q4. Particularly in the last weeks of the quarter, a lot of cash came in. As you know, we first and foremost use the cash in our business to make sure that the business goes on. And then, as you also know, our policy is to have increasing dividends. So, the dividend, the interim payment that we're going to make in this quarter will be €1.52 per ordinary share. Which is in line with what we had last quarter. The final dividend that we propose to the AGM is €1.84 per ordinary share. So that gets the total dividend for the year to €6.40 per ordinary share. Which is about a 5% increase from the year before. So, I think you see the continuous improvement and increase in dividend right there. Whatever is left can be used for share buybacks. We should continue to see that throughout the planned period.

Longer-term outlook

We've just finished our Investor Day, back in November of last year. Can you give us a more long-term outlook of how you see both the market and ASML between now and beyond 2025?

Well, I think our view on the long term is still, I would say, very positive. We used to talk about semiconductors everywhere. I think since November we started to talk about AI everywhere. We truly believe that AI is going to bring even more opportunity to this semiconductor industry.

That's the first thing. The second thing is that AI is going to drive more advanced technology to address some of the challenges on cost, on power consumption. We believe that this will drive more advanced DRAM Logic technology. So, more appetite for an aggressive roadmap. This is, of course, good for lithography.

We also believe that the solution we can provide to our customers will secure that lithography remains at the core of the solution they want to use. Basically, to execute on this very aggressive roadmap. This is why, as we have said in November, we expect the number of lithography layers to continue to increase on all applications.

To translate that into numbers, I think, again, very consistent to the view we presented in November. Total revenue for 2030 will be between €44 and €60 billion. Our gross margin will be somewhere between 56% and 60%.

Very clear. Thank you, Christophe and thank you Roger.

Pleasure Jim.