

ASML Holding N.V.

4Q23 first take – think big for '25

Reiterate Rating: BUY | PO: 760.00 EUR | Price: 707.10 EUR

Massive order intake in Q4; Re-it buy and €760 PO

4Q results: revenue 5% and EPS 9% ahead of consensus. 1Q24 sales outlook 19% below. Bookings €9.2bn from €2.6bn in Q3 vs company compiled css at ~€3.2bn (181% beat) and VA css at ~€3.4bn (165% beat), with EUV +1020% qoq/65% yoy and non-EUV 71% qoq/23% yoy and BtoB rebounding to 1.6x. Memory orders (46% of total orders) rebounded quite substantially on a quarterly basis (730% qoq) and on a YoY basis (101%), driven by EUV for DRAM used in AI. Logic orders (53% of the mix) rebounded by 134% sequentially and 17% yoy. ASML's backlog is now at €39bn suggesting high visibility into '24 and '25. Reit Buy and top pick in EU semicaps (PO €760/US\$798).

Actuals vs estimates - the details

4Q revenue of €7,237m was 5% above company cons at €6,907m, driven by higher installed base business (IBM - service revenue and upgrades). Gross margin came at 51.4%, above company consensus of 50.5% also as a result of IBM. 4Q EBIT of €2,391m came in 10% ahead of cons with 4Q EPS of €5.21, 9% ahead of company consensus €4.76. For 1Q24, ASML expects (A) sales of €5,250m at mid-point, 19% below company css at €6,465m. (B) Gross margin of 48.5%, below company css 51.1%, (C) R&D + SG&A of €1,370m (vs company consensus €1,294m). 1Q24 guidance implies EBIT of €1,176m vs. company css of €2,042m (40% below). We note Q1 weak guide reflects weak bookings in '23. For '24, ASML still expects similar sales vs. 2023 suggesting revenue of ~€27.6bn, and GM to slightly lower GM vs '23 (css 51.7%/CY23 51.1%). We flag this is an upgrade of FY24 guide given lower contribution from fast shipments (ex-fast shipments CY24 sales would have declined 8.4% yoy vs prior year (with €2.3bn of fast shipment contribution) vs now declining 2.5% yoy (with €700mn of fast shipment contribution). Expects 5-10% cut to '24 EBIT on lower GM and higher opex guided in Q1.

Other tidbits

We would also flag: **(A)** Memory is expected to rebound in '24 with node transition driven by DDR5 and HBM, while Logic should see a small decline in '24 after record expansion phase in '23. **(B)** '24 will be an "important year to prepare for significant growth in '25". EUV is expected to increase in '24, with similar EUV units including fast shipments, but with ASML to benefit from higher ASPs. ASML expects one or two high-NA units to be recognized in the P&L. **(C)** DUV is expected to slightly decline due to lower immersion systems sales. **(D)** IBM is expected to be flat in FY24E. **(E)** ASML expects momentum to build in FY24, especially in H2, which will be higher than H1. € No change to FY25 guide. **(F)** As expected, export controls will impact 10-15% of China sales in '24. **(G)** China contribution dropped from 46% in Q3 to 39% in Q4 (2023 29% vs 14% in '22) and management expects China to be strong this year. **(H)** ASML will hold a CMD on November 14th.

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Equity

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Stock Data

Price (Common / ADR)	707.10 EUR / 778.39 USD
Price Objective	760.00 EUR / 798.00 USD
Date Established	19-Oct-2023 / 19-Oct-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	534.40 EUR-712.50 EUR
Market Value (mn)	278,173 EUR
Shares Outstanding (mn)	393.4 / 393.4
Average Daily Value (mn)	379.96 USD
Free Float	82.0%
BofA Ticker / Exchange	ASMLF / ENA
BofA Ticker / Exchange	ASML / NAS
Bloomberg / Reuters	ASML NA / ASMLAS
ROE (2023E)	72.8%
Net Dbt to Eqty (Dec-2022A)	-43.8%
ESGMeter™	High

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EUV: extreme ultra violet

DUV: deep ultra violet

IBM: installed base management

GM: gross margin

CMD: capital markets day

DRAM: dynamic random access memory

ASP: average selling price

HBM: high bandwidth memory

Price objective basis & risk

ASML Holding N.V. (ASMLF / ASML)

We have set a PO of €760 (\$798 for the ADR). We use a 23x FY25E EV/EBITDA to derive our PO (c1.1x EBITDA CAGR). We view our target multiple as fair given we expect ASML's premium valuation to continue given dominant position in EUV and our expectations of 22% EBITDA CAGR '22-25E.

Upside risks to our PO are:

- 1) Higher-than-expected demand for EUV and DUV machines
- 2) Higher-than-expected gross margins on EUV machines and services
- 3) Stronger-than-expected Semi Capex environment driven by macroeconomic trends and higher capital intensity per wafer.

Downside risks to our PO are:

- 1) Delays in ramping volume shipments of EUV machines
- 2) Lower-than-expected gross margins on EUV machines
- 3) Weaker-than-expected Semi Capex driven by macro slowdown/oversupply

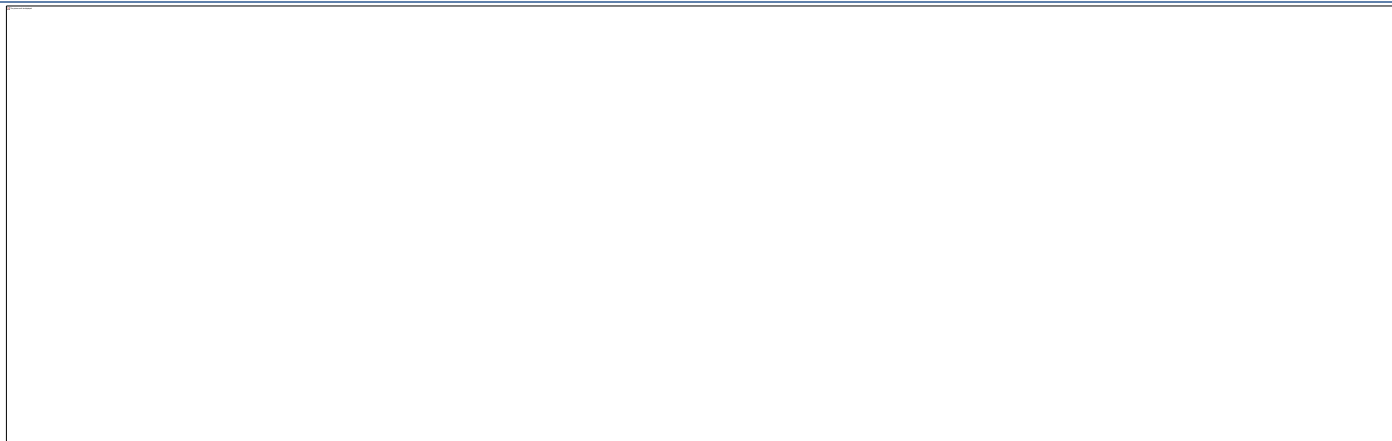
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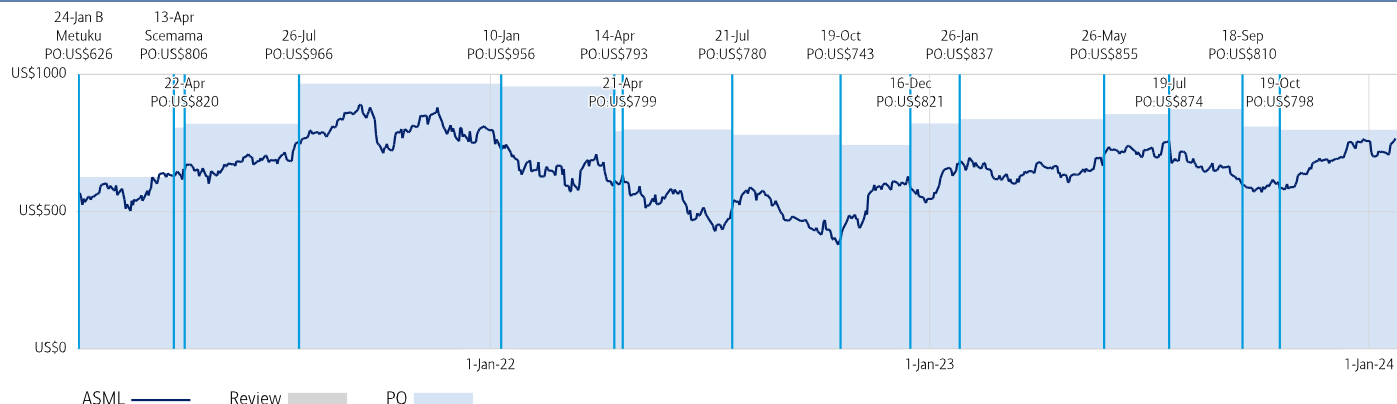
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ASML NA (ASMLF) Price Chart



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ASML (ASML) Price Chart



ASML — Review PO
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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