

Q2 2018 Earnings Call

Company Participants

- Peter T. F. M. Wennink, President, CEO & Chairman of the Management Board

Other Participants

- Leo de Later, Analyst

Presentation

Leo de Later

Mr. Wennink, the Second Quarter of 2018 was again a good quarter for ASML.

Questions And Answers

Q - Leo de Later

Can you talk us through the numbers?

A - Peter T. F. M. Wennink {BIO 1852674 <GO>}

Yes. The Second Quarter was a good quarter. We ended above EUR 2.7 billion in sales. It was higher than we expected. Gross margin, above 43%, which was a contribution basically of all our product groups from Deep UV to EUV. They all were -- all are a little bit better. We booked close to EUR 2 billion of orders. We shipped 4 EUV systems. 7 EUV systems were in revenue; both memory and Logic business, strong; good, solid quarter; good financial performance.

Q - Leo de Later

How do you currently view the markets?

A - Peter T. F. M. Wennink {BIO 1852674 <GO>}

It's a good question. Yes, I think it's not a surprise if I tell you that the proliferation of chip technology we now see across the globe in almost anything. I mean, we think about all these great new applications, the artificial intelligence, big data, IoT. And that is basically very much dependent on the global economy. I mean. So as long as the global economy is healthy, which it is today, I think our industry will do fine. On top of that, I think it is important that our customers and ASML have now more confidence in what I would call the logic road map. That means that the high-power compute that's necessary for all those great applications can be secured because we have this road map now for 10, 15 years laid out. And it's being supported by EUV. Now if you have a very good and solid

logic road map, then the derivative of this that you need very good memory. So you need fast DRAM. And you need a lot of storage. So all in all, we look very positively at the total market.

Q - Leo de Later

And when it comes to memory, what's your view on the memory market?

A - Peter T. F. M. Wennink {BIO 1852674 <GO>}

Yes, I think memory is -- like I said earlier, memory is very important to support all the new applications. When we look at DRAM, DRAM bit growth, generally, between 20% and 25% is needed by our customers. The technology transitions in DRAM will provide anywhere between 10% and 12%. So you could say approximately half. The other half is needed by more wafers. And that means we need to add wafer capacity. And that's what customers are doing in a balanced manner. And that means that the supply-demand balance in DRAM is actually quite good and very healthy. On 3D NAND, we have more players. There's higher investment levels there but also a lot higher growth numbers. But it means that from time to time for a few quarters, you might have some supply-demand imbalances. But over the medium term, it's shorter than the medium term, there is no worry at our side if we look at what our customers are asking us to provide in terms of capacity. And when we look at the, let's say, mid-40% growth rates, it's pretty much in balance. So I think also the memory business is pretty healthy.

Q - Leo de Later

With regard to new EUV tools, how are you progressing with EUV?

A - Peter T. F. M. Wennink {BIO 1852674 <GO>}

With respect to EUV, we've made a lot of progress over the last six months. Very clear, we've made breakthroughs in terms of tin management. We've now shown productivity or throughput, real numbers, which are actually our target -- targeted numbers. That has all been shown to our customers over the last six months or so. That has actually given us the confidence that this strong execution, with that, we can accelerate also the 0.33 NA road map. We have now productivity targets or throughput targets that we plan for end of '19, early '20, we're pulling them in into 2019. Same is true for the availability targets, which actually gives us and our customers access to a lot more value earlier. So that's very good. And it also means that what we are seeing in terms of EUV demand for 2019. And we plan for about 30 shipments, that is a very realistic number based on what we're seeing today and on the pull-in of the accelerated road map.

Q - Leo de Later

Going back to this year, what's your outlook for the next quarter?

A - Peter T. F. M. Wennink {BIO 1852674 <GO>}

For Q3, we expect the sales to come in between EUR 2.7 billion and EUR 2.8 billion; gross margin, between 47% and 48%. We are looking at healthy logic shipments, healthy memory shipments. On the operating expense, on R&D, I'd like to highlight that we're

going to increase our R&D expenditure because of the pull-in of the 3400 EUV as a 0.33 EUV product, the acceleration of that road map and the acceleration or the pull-in of the High-NA road map that will both lead to the higher R&D expense. In terms of sales and the rest of the year, Q4 will be up from Q3. That means that the second half for 2018 will look better in terms of sales and profitability than the first half. And we think that, that trend will continue in 2019.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2021, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript