

Q1 2018 Earnings Call

Company Participants

- Wolfgang U. Nickl, CFO, Executive VP & Member of the Management Board

Other Participants

- Unidentified Participant, Analyst

Questions And Answers

Q - Unidentified Participant

Mr. Nickl, the First Quarter of 2018 was a solid quarter for ASML. Can you talk us through the numbers?

A - Wolfgang U. Nickl {BIO 16896747 <GO>}

Yes. Sure. We had another very good quarter. First of all, the revenue came in at almost EUR 2.3 billion. We had guided to EUR 2.2 billion. It's a solid overachievement. They are mainly driven by product mix in our DUV business. Memory was very strong. Memory represented 75% of system sales in the quarter. And the volume and mix and the revenue translated itself also into good gross margin. We guided to 47% to 48% and we came out at 48.7%. So also very, very good profitability. We shipped 3 EUV system. As we speak, one other shipment is on the way. So I think we can proudly say good start into the year and very solid quarter, again.

Q - Unidentified Participant

Does that mean that your outlook has changed for 2018?

A - Wolfgang U. Nickl {BIO 16896747 <GO>}

Yes. We continue to have a view on 2018 that we expect very solid revenue and profitability growth. If anything, I would say that our view on the year is a bit more solid even than it was in January when we talked. This is, of course, driven by very solid logic market. But also, memory, in particular, remains very, very strong. And we expect very, very strong year-over-year growth in the memory business. And oh, by the way, we are having a very keen eye on capacity with development. And we don't see any systematic buildup of excess capacity there. So that looks pretty good. We have adjusted our view on the EUV shipment. So we have previously talked about 22 systems. We have taken that down to 20 systems. That's a bit of a combination of our own capability and the customer having shifted the fab readiness a little bit into the First Quarter of next year. But you have heard us talking before about our year being back-end loaded. So we have reduced this to 20 systems. Consequently, also the revenue expectation is coming down from EUR 2.3 billion to about EUR 2.1 billion. But that delta is going to be more than made up by our

strong DUV and applications business. So overall, we have a very, very good view on this year, has solid expectation both from a revenue and from a profitability perspective.

Q - Unidentified Participant

Can you elaborate on your EUV business? How are you progressing in the EUV business?

A - Wolfgang U. Nickl {BIO 16896747 <GO>}

I would say constant progress. First of all, the customer is demanding the tool. We got another 9 orders in the First Quarter. We are seeing constant progress. We shipped 10 tools in 2017. Now we are expecting to do 20 tools in 2018. And as we said before, we're going to do at least 30 tools in 2019. So very solid ramp. Customers are very excited about it. They have been very public about them inserting it into volume production at the end of this year. And even with 22 tools going to 20 tools will not really have an impact on their ramp capability. So I think we are doing pretty well from the demand perspective. And we made progress on the tool itself and particularly on productivity. We have demonstrated more than 125 wafers per hour at a customer now. And also, very importantly, as a leading indicator, we have also shown 140 wafers per hour here at ASML.

Q - Unidentified Participant

There's a new technology called High-NA EUV for which you already have 4 orders. What is High-NA EUV?

A - Wolfgang U. Nickl {BIO 16896747 <GO>}

Yes. First of all, yes, we got 4 orders. And by the way, they are not included in the 9 orders I mentioned earlier. But it's even better than that. We got the 4 orders from 3 customers. But we also sold 8 options for early volume systems. The initial 4 orders are destined for R&D. And those systems will start shipping at the end of 2021. The early volume shipments will ship closer to 2024 also. So our customers are very excited about it because High-NA essentially prolongs their road maps. It gives them the opportunity to continue to reduce the cost per function. And it continues, by the way, all the way through the next decade and beyond. So now what is High-NA? It's an evolution of EUV. We're extending the numerical aperture, which goes from 0.33 to 0.55. So that eventually will mean a better resolution and better overlay. So just to give you a feeling, the High-NA machines' overlay and resolution will be about 70% better than the latest EUV machine that we are shipping right now. But also, due to innovation on the optics. But also, the wafer stage and the radical stage, we are getting better throughput. So we are syncing 185 wafers per hour. So it's an extremely valuable tool for the customers. We are very excited because we did the prior investment in Zeiss. We now have the commitment from the customer. And the customer can use the tool to extend their solutions beyond the next decade. So it's a very, very good achievement this First Quarter.

Q - Unidentified Participant

Then you have another business, the application business. How are things progressing over there?

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A - Wolfgang U. Nickl {BIO 16896747 <GO>}

Applications are doing very well. It all starts with the YieldStar business. YieldStar is our overlay metrology system, is finding continued adoption, has always been very prominent in logic applications. But we now see increasing adoption in memory as well. So that's going very well. And of course, we have the synergy products from the HMI acquisition. We shipped several ePfm5s. Remember those are the systems that help us to find systematic issues on a wafer. And we have first feedback from the customers, they got first data sets and they would look -- they look very, very promising. The extension will then be a multibeam system, creating a really good market opportunity for e-beam. And that is to find the random issues on the wafer. And there, we have a prototype system that uses as a 3x3. So 9 beam. And we captured first pictures with that. So that's also going along our plan -- planned time line. And with that, we are confident that the applications business will actually over the next several years outgrow the rest of our business. So good progress on all fronts. So to speak.

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