Transcript
Investor Call ASML CEO Christophe Fouquet and CFO Roger Dassen
Q1 2025 results, April 16, 2025

Christophe Fouquet
Welcome everyone and thank you for joining us for our first-quarter 2025 results conference call.

Before we begin the Q & A session Roger and I would like to provide an overview and some commentary on the first-quarter 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.

Let me start with our first-quarter accomplishments.

In the first-quarter of 2025, total net sales were 7.7 billion euros, in line with our guidance.

Net system sales were at 5.7 billion euros, which includes 3.2 billion euros from EUV sales and 2.5 billion euros from non-EUV sales. Net system sales were driven by Logic at 58 percent and the remaining 42 percent coming from Memory.

Installed Base Management sales for the quarter came in at 2.0 billion euros.

Gross margin for the quarter was above guidance at 54.0 percent, driven by achieving customer productivity milestones on already installed EUV systems as well as a favorable EUV product mix and enriched configuration resulting in higher ASP's.

Operating expenses were in line with guidance with R&D expenses at 1.161 billion euros and SG&A expenses at 281 million euros.

The effective tax rate for Q1 was 16.7 percent. For 2025 we expect an annualized effective tax rate of around 17 percent.

Net income in Q1 was 2.4 billion euros, representing 30.4 percent of total net sales and resulting in an earnings per share of 6.00 euros.

Turning to the balance sheet. We ended the first quarter with cash, cash equivalents and short-term investments at a level of 9.1 billion euros.

After the very strong free cash flow generation in Q4, we ended Q1 with a free cash flow of minus 475 million euros, due to a combination of customer payment and downpayment dynamics and continued investments in fixed assets for future capacity.

Moving to the order book, Q1 net system bookings came in at 3.9 billion euros, which is made up of 1.2 billion euros of EUV and rounded 2.8 billion euros of non-EUV. Net system bookings in the quarter were weighted towards Logic at 60 percent of the bookings while Memory accounted for the remaining 40 percent.

In Q1, ASML paid the third quarterly interim dividend over 2024 of 1.52 euros per ordinary share. Recognizing the three interim dividends of 1.52 euros per ordinary share each, paid in 2024 and 2025, with a final dividend proposal to the Annual General Meeting of 1.84 euros per ordinary share, this would result in a total dividend for the year 2024 of 6.40 euros per ordinary share.

In Q1 2025 we purchased shares for a total amount of around 2.7 billion euros.

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

Christophe Fouquet
Thank you Roger.

As Roger has highlighted, we started 2025 with good first-quarter financial results.

Turning to the markets, and consistent with our view from last quarter, the growth in Artificial Intelligence remains the key driver for growth in our industry. If AI demand continues to be strong, and customers are successful in bringing on additional capacity to support that demand, there is potential opportunity towards the upper end of our range. On the other hand, there is still quite some uncertainty for a number of our customers that can lead to the lower end of our range.

We continue to see revenue from Logic increasing in comparison to 2024 with the ramp of leading-edge nodes and we expect Memory revenue to remain strong, similar to 2024.

Installed Base Management revenue is expected to grow in comparison to 2024. This is driven by increasing service levels as our installed base grows, an increasing contribution from EUV and an increase in revenue from our upgrade business.

Regarding recently announced tariffs, discussions are just starting and are very dynamic, the end state will be unknown for a while and until then the potential impact on our customers, suppliers and ASML will continue to be unclear and will continue to evolve.
Roger will provide more detail, but it is clear that uncertainty is increasing in the macro environment as reported by many experts and businesses.

With this caveat, we continue to expect revenue of between 30 billion euros and 35 billion euros for 2025 and continue to expect 2026 to be a growth year.

With that I ask Roger to provide some insights about how we are looking at the recent tariff announcements.

Roger

Roger Dassen
Thanks Christophe.

As Christophe highlighted, we are currently facing an elevated level of uncertainty surrounding tariffs, which may have both direct and indirect implications for our business.

The potential direct impacts result from tariffs related to a number of areas including;

- New system sales and upgrades to our US customers,
- The import of materials for our US manufacturing facilities,
- The import of parts and tools for our US field operations,
- As well as imports of parts from the US into other countries, to the extent tariffs apply to those parts.

We are working with our customers and suppliers to try to achieve that any direct impact of tariffs on our results is limited. As Christophe said, the tariff discussion is still very dynamic.
The potential indirect impact on end-market demand is even more complex and impossible to determine at this stage.

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

We expect Q2 total net sales to be between 7.2 billion euros and 7.7 billion euros.
We expect our Q2 Installed Base Management sales to be around 2.0 billion euros.

Gross margin for Q2 is expected to be between 50 and 53 percent. The bandwidth for gross margin is larger than usual, given the uncertainty around the scope and size of the tariffs and the value chain absorption of tariffs for the quarter.

The expected R&D expenses for Q2 are around 1.1 billion euros and SG&A is expected to be around 300 million euros.

The gross margin in the second half of the year is expected to be lower than the first half primarily due to the expected margin-dilutive effect of the revenue recognition of High NA systems in the second half of the year, lower upgrade revenue as well as any potential impact of tariffs.

For the full year, we continue to expect a gross margin of between 51 and 53 percent, of course with the caveat of the uncertainties around tariffs that we discussed before.

With that again I turn it back over to Christophe.

Christophe Fouquet
Thanks Roger,

Turning to technology, in EUV we have achieved some important milestones on both Low NA and High NA platforms. These are critical steps in providing a comprehensive EUV product portfolio that offers the necessary flexibility to support our customers' roadmap requirements and optimize their cost of technology.

Let me first update you on our low NA NXE:3800E. We started to upgrade our systems in the field to its final 220 wafers per hour configuration this quarter and will continue the roll out on the installed fleet through 2025. We now ship all new NXE:3800E systems at full specification. In addition, our NXE:3800E maturity is reaching the level needed to support high volume manufacturing and several logic and memory customers are ramping their most advanced nodes using this system.

The gain in productivity supports the execution of our cost of technology reduction roadmap with our customers, enabling more opportunities for EUV single expose adoption. This is especially relevant to DRAM as discussed at our Capital Markets Day.

Let me turn now to High NA. At the SPIE conference in February there were a number of good results presented by our customers who highlighted the achievement of some key performance and maturity milestones, they also stressed the benefits of the technology in terms of process simplification, cost and cycle time reduction.

Process simplification leading to fewer process steps, shorter cycle time, lower cost and better yield are the historical value drivers of single expose lithography versus multi patterning. These benefits drove the industry transition to EUV Low NA and will drive the transition to High NA EUV over time.

One paper showed that the High NA system maturity is far ahead of what we experienced on Low NA at the same stage of its introduction, supporting a much lower risk of insertion and adoption for our customers.
Intel reported the exposure of more than 30,000 wafers in one quarter and a significant process improvement by reducing the number of process steps from over 40 to less than 10 on a given layer. With that comes a significant cycle time improvement. Samsung reported a 60 percent improvement in cycle time in one of their use cases as well.

We shipped our 5th and final EXE:5000 High NA system in Q1 and now have systems at three different customers, with the follow on High NA system model, the EXE:5200, shipping from Q2 of this year.

As we have described before, there are 3 Phases of technology insertion our customers will follow with High NA. We are currently in Phase 1 where our customers take a system into to their R&D facilities and work with us to understand the value and capability of High NA for their next nodes. In Phase 2, which we expect to take place in 2026-2027 customers will start running the systems on 1-2 layers to test its readiness for volume manufacturing. And Phase 3 when customers design in High NA on their most critical layers in their most advanced nodes and run in volume manufacturing.

Looking longer term, the semiconductor market remains strong with Artificial Intelligence creating growth in recent quarters and we see some of the future demand for AI solidifying which is encouraging. Our conversations so far with our customers confirm our expectation that both 2025 and 2026 will be growth years. At the same time, as Roger and I have already explained, there is an increased uncertainty across the global economy due to the on-going discussion on tariffs.

As discussed in our Capital Markets Day, we expect that the end market dynamics will lead to a product mix shift more towards advanced Logic and DRAM. The combination of our NXE:3800E product progress, our strong productivity roadmap on Low NA and the introduction of High NA will support the cost of technology reduction and the conversion of more multi-patterning layers to a single EUV exposure, especially on DRAM advanced nodes, leading to higher litho intensity.

In line with our 2024 Capital Markets Day we expect a 2030 revenue opportunity between 44 billion euros and 60 billion euros with gross margins expected between 56 percent and 60 percent.

Finally, as a reminder we host our Annual General Meeting on Wednesday, April 23 and we hope to welcome our shareholders us again there.

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 and results, our expectation that lithography will remain at the heart of customer innovation, expected demand, bookings, outlook of market segments, outlook and expected financial results including expected results for Q2 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, estimated annualized effective tax rate and expected growth in IBM sales, the expectation that 2025 and 2026 will be growth years, statements made at our 2024 Investor Day, including revenue and gross margin opportunity for 2030, statements with respect to the recent US tariff announcements and the expected impact of such tariffs on our business and results, 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, and statements with respect to dividends, statements with respect to expected performance and capabilities of our systems and customer plans, statements with respect to our ESG strategy and other non- historical statements. You can generally identify these statements by the use of words like “may”, “expect”, “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, the impact of the recent tariff announcements, 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, 2024 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.