

Transcript

Video Interview ASML CEO Peter Wennink – Results Q2 2019

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Results

Can you give us a summary of the results for the second quarter?

The second quarter was a good quarter, a solid quarter. With our sales of EUR 2.6 billion we came well within the guidance. Gross margin 43 percent, a bit higher than we guided. Those were the results of some more manufacturing efficiencies in EUV but, also very important, some more upgrade field sales. Those were sales that were higher than we anticipated, with some good margins. And of course that was the result of what we saw in Q1 where we had a very low upgrade field sales because of the lack of components due to a fire at a supplier. All in all, it ended up with a net income of EUR 476 million, of course up. That's because of good gross margins, but also a one-time tax benefit. From an order point of view, a solid order intake EUR 2.8 billion, which includes 10 EUV systems and we shipped by the way 7 EUV systems in the second quarter. So, all in all it's a quarter we can be very satisfied with.

Memory Market

Let's have a look at the semiconductor market. There still seems to be some softness in the Memory market. What is your view?

There's clear softness. That's the result of – and that's in 3D NAND and DRAM – some very significant investments over the past couple of years and a decelerated growth in the end market. The end markets are growing less than we anticipated six months ago. So that creates softness.

Last quarter we said that Memory sales - DRAM and NAND together – would be about 20 percent lower than last year. Currently with the further softness that we are seeing, this year is probably going to be about 30 percent lower. To put it into perspective, 30 percent lower sales is about EUR 3.1 billion in Memory sales this year. As we said last quarter, there is about a billion in there which we call strategic. Which are the memory ramps of the Chinese customers plus EUV. Those will happen. So if you subtract that billion from EUR 3.1 billion, you get EUR 2.1 billion. And if you really compare, those are the capacity shipments, the bit capacity shipments, and that is 45 percent down as compared to 2018. Of that EUR 2.1 billion we shipped EUR 1.2 billion in the first half, so EUR 900 million in the second half. Is there some risk still to Memory sales? Well it's a soft business, so potentially there could be some risk still left.

Logic Market

With regard to the Logic market it appears that Logic is strengthening. Can you elaborate?

Logic is actually very healthy. Last quarter we said that the Logic market for 2019 or our Logic sales for 2019 would be about 50 percent up from 2018. What we see today it's more like 65 percent. So we see an increase in the demand for Logic from our customers. That's really driven by the technology transitions. It's 7 nm, it's 10 nm in microprocessors, 7 nm Logic and beyond. That's really driven by those technology transitions that are driving the things that we are all looking for. As our customers tell us also things as 5G. So these things are all happening. It means that this year Logic sales will be significantly up, also compared to last quarter. We know Memory is down as compared to last quarter, but all in all it compensates. So our total view of sales 2019 has not really changed.

EUV

How are you progressing with EUV?

The good news is that on the productivity side we're meeting our productivity targets. At ASML, we have run now our NXE:3400C version at more than 170 wafers per hour. Which is good, which is actually our target number. Perhaps more importantly, we've run the NXE:3400C now also under Memory production conditions of our customers, achieving more than 2,000 wafers per day. So from a productivity point of view good progress. From an EUV demand point of view very much also driven by what we see in Logic, which is the 7 nm and beyond transitions, they are happening. So the EUV demand for this year: 30 units. Of which 40 percent, 12 units, we need to ship in Q4 and 7 in Q3. That's very clearly there. The demand is there. If there is any risk I would say 40 percent ramp in the fourth quarter of everything we need to ship to customers this year only in Q4, that puts some pressure in the supply chain. If there's any risk to that 30 number it's probably some supply chain issues that might pop up once we start executing the shipments. So all in all pretty good, happy. When we look at the order intake also in Q2, 10 EUV shipments. Just a proof of the fact that the end demand is there.

Outlook

What is your view on the third quarter and the full year?

When we look at the third quarter we expect about EUR 3 billion of sales. Gross margin between 43 and 44 percent, which includes 7 EUV systems. For the Q4 number, when you look at the total sales it remains at our targeted level. Logic a bit more up, Memory a bit more down. That means that Q4 is going to be a very strong quarter. A very strong quarter in terms of sales, but also a strong quarter in terms of gross margin. We will see trending in Q4 the gross margin up to the 50 percent level that we are targeting for 2020. Driven by four main elements. One is of course the fact that it's a high volume quarter. A lot of Immersion systems, good margins there. We see also good loading in the fourth quarter. We have a good factory coverage. We see the introduction of the NXE:3400C. Basically that's a higher priced system. Last but not least, we will see the first EUV service income coming in. So all in all, the year will be a good year if you think about this. People look at 2019 in terms of wafer fab equipment sales. The general expectations will be down this year, but not for ASML. 2019 looks another growth year for us and we're happy with that.