



Transcript

Video interview with ASML CFO Roger Dassen

Q4 and full-year 2020 results

January 20, 2021

Mr. Dassen, another record year for ASML. Can you give us a summary of the fourth-quarter and full-year results?

A record year but also a very strong Q4 with total revenue at €4.3 billion. Included in there €1.1 billion in Installed Base revenue and both higher than guided. Primarily I would say as a result of higher sales in DUV, DUV Immersion and also as a result of more upgrades. If we look at the gross margin. Gross margin came in at 52%. Quite a bit better than we guided. Again the same result. If you look at the product mix with more Immersion in there and also upgrades, that's really what drove it. In terms of net income, €1.4 billion. So overall a really strong quarter and also the order intake was very, very strong. With €4.2 billion of order intake, net bookings, included in that net six EUV systems. Representing €1.067 billion.

So that's the quarter, what about the full year?

As you said, a record year with €14 billion of revenue. Included in there €3.7 billion for Installed Base revenue. Gross margin at 48.6% and net income at €3.6 billion.

2020 was a dynamic year for everyone, also for ASML. As you said a record year. How do you look back on it?

A dynamic year, in fact an extraordinary year. Extraordinary year starting with concluding as we just did – this was a record year for ASML. But a year where we obviously had to navigate the challenging circumstances of COVID-19. I have to say, the way we were able to navigate that with the stellar performance of our people, but also the support of all of our partners, suppliers, other partners, customers, has been fantastic. And I really would like to take this opportunity to thank our people and our partners for being able to put up this performance. We also have to recognize COVID-19 is not yet behind us. The past experience really strengthens us in our conviction that we are able to navigate these really tough circumstances.

Further to the results. How is your EUV business doing?

EUV is doing very well. Both on the Logic front and on the DRAM front. If we start looking at the numbers. For Q4 we shipped nine systems – only eight were taken in revenue. The one system that we did not recognize as revenue was because it's a new system configuration at a customer that needs to be qualified at the customer still in early 2021. But as soon as that has happened, it will also be recognized in revenue. If we look at the full year, all in all 31 systems taken in revenue. Total revenue on the systems side of €4.5



billion. So a very significant uptick there of 60% in terms of revenue recognized for EUV. If we look at gross margin. As we have been projecting, more than 40% was the gross margin on EUV for the full year on the systems side. If we look at 2021, I would say that with the introduction of the NXE:3600D that will be the point in time when we will see EUV systems' gross margin at the level of the corporate gross margin. Also at the service level, as you know we broke even on EUV service gross margin this year. We expect that to gradually go to corporate gross margin. I would say in about four years' time, and we will make a gradual step up again this year.

Overall, how is EUV demand developing?

EUV demand is developing very, very strongly. We have an order book of €6.2 billion. If you look a little bit into the expectations for this year. We expect total EUV system sales this year of €5.8 billion, which is 30% up in comparison to the €4.5 billion that we had for 2020. We are making good progress in our manufacturing capacity. Primarily, as we said before, by driving down the cycle time. The one limiting factor that we have this year really is the orders that we placed into the supply chain. We had to adjust that during the COVID situation. So that will be the limiting factor for this year.

What about High-NA – how are you developing over there?

Overall High-NA is developing very well. But it is also important to recognize that we have a significant roadmap still ahead of us for 0.33NA. We are very aggressively working on that roadmap. Really putting performance for our customers to meet their requirements. Both on throughput, both on imaging, on overlay requirements. We think that will cater to the demand of our customers for the next couple of years. Then there will be a certain point in time, we think that probably will be in the 2025-2026 timeframe, where customers will no longer be able to perform to meet the demands of their customers by applying double patterning. Then they will have to go beyond that. They will want to reduce the process complexity. That will then require the need for them for High-NA. In terms of our own timeframe, this year will see the first integration of modules. Next year we will see the availability of the first system available for R&D purposes at our sites. Customers will then have access to that tool in 2023. In 2023, we will also see the first initial installations of High-NA tools at customers. Then in the 2025-2026 timeframe, that is where we will really see High-NA going into high-volume manufacturing.

Free Cash Flow & Capital Allocation

How does your business translate into cash flow, dividend and share buyback?

As promised, Q4 was very, very strong from a free cash flow perspective, as people have been able to see in the numbers. So really a strong performance on that front. Also for this year 2021, we expect a significant generation of free cash flow. Our capital allocation policy hasn't really changed. So in essence what we need in the business we'll need. So



whatever we need for R&D, for CapEx etcetera, we'll use that in the business. And what is not necessary for that, we will be able to distribute back to our shareholders by way of increasing dividends over time and share buybacks. As far as dividend is concerned, we are looking at a total dividend for 2020 of €2.75. In terms of share buyback, as you know we have a three-year program for share buybacks of in total €6 billion. We were able to execute €1.2 billion last year. We're looking at executing a significant share buyback in Q1 of 2021.

Market Outlook

What's your market outlook for the quarter and for the full year 2021?

For the quarter we're looking at sales between €3.9 and €4.1 billion. Included in there €950 million of Installed Base Revenue. We're looking at a gross margin between 50% and 51%.

For the full year we're looking at a year of continued growth, both in sales and in gross margin. If I look at the different market segments that we are in.

Let's start with Logic. Logic was already very strong this year and still we expect Logic to grow another 10% in 2021. That really is because of all the changes that we see. The continued development in the digital economy that we are witnessing and even more strongly after last year. You see that everywhere. You see that on the advanced nodes with secular trends in AI, high-performance computing, 5G. Those are the big drivers behind the big demand in advanced nodes. Also on the more mature nodes where you see particularly in the Internet of Things and also the application of that both in the consumer, automotive and industrial markets. You see that also the demand for the more mature nodes is at a very, very high level. So all in all, very positive and therefore we expect another increase of 10% on Logic.

If we move to Memory. As we projected, you already saw the momentum being turned positively for particularly DRAM in 2020. So you did see some growth in DRAM in particular last year. We see that momentum actually sustained into 2021. That is because of all the demand for data centers. But also the application of Memory into consumer devices. Something that we continue to see. In that combination of continued bit growth but also the fact that the utilization of our tools really is at extremely high level that provides us the comfort that we think Memory is going to increase further. We believe Memory can grow with 20% for this year in comparison to last year.

Finally, Installed Base revenue. Again a significant growth last year of about 30%. We expect that to grow another 10% this year. That is a combination of on the one hand the service margin, service revenue growing. As a result of the fact that the Installed Base is growing. As a result of the fact that we see more and more EUV tools really going into



high-volume manufacturing. Really producing a larger and larger number of wafers. So that combination really increases the revenue from service. We also recognize that customers are more and more interested in upgrades in order to increase their capacity, but also to increase performance on overlay performance on imaging. So those are things that can be catered to with more and more upgrades, and they will be available also in this year. We believe that will lead to another growth on that front.

So if you take it all together, what we're looking at is another year of double-digit growth as a result of the different dynamics that I just mentioned there. We believe there can be actually even more growth than what we just discussed. But that would then be under the assumption that we will not be faced with more limitations on the geopolitical front and the export control front than what we're seeing today. That will be an important dynamic for all of us to watch for. If we're not confronted with more limitations there, then we believe there is still some more potential on growth than the numbers that I just shared with you.

So all in all we're looking with a lot of passion and a lot of comfort if you like and a lot of faith into this year and also quite frankly beyond this year. We think that the growth trends are there. Our products are there. The roadmap that we have caters to the demand of our customers. That gives us a lot of confidence in the performance of ASML in the short and the longer term. We really look forward to having conversations with all of you at our Investor Day that we will have later this year.