



**Transcript**  
**Investor Call ASML CEO Peter Wennink & CFO Roger Dassen**  
**Q4 & FY 2023 results**  
**January 24, 2024**

**Q4 & FY 2023 results**

**Peter Wennink**

Welcome everyone, thank you for joining us for our fourth-quarter and full year 2023 results conference call.

Before we begin the Q & A session Roger and I would like to provide an overview and some commentary on the fourth-quarter and full year 2023 as well as provide our view of the coming quarters.

Roger will start with a review of our fourth-quarter and full year 2023 financial performance with added comments on our short-term outlook. I will complete the introduction with some additional comments on the current business environment and on our future business outlook.

Roger

**Roger Dassen**

Thank you Peter and welcome everyone.

I will first review the fourth-quarter and full year 2023 financial accomplishments and then provide guidance on the first quarter of 2024.

Let me start with our fourth-quarter accomplishments.

Net sales came in at 7.2 billion euros, which is just above our guidance, primarily due to more Installed Base business.

We shipped 10 EUV systems and recognized 2.3 billion euros revenue from 13 systems this quarter.

Net system sales of 5.7 billion euros which was mainly driven by Logic at 63 percent, with the remaining 37 percent coming from Memory.

Installed Base Management sales for the quarter came in at 1.6 billion euros, which was higher than guided due to additional service and upgrade sales.

Gross margin for the quarter came in at 51.4 percent, which is above our guidance, primarily driven by Installed Base business.

On operating expenses, R&D expenses came in at 1 billion 41 million euros and SG&A expenses came in at 284 million euros, both basically as guided.



Net income in Q4 was 2.0 billion euros, representing 28.3 percent of net sales and resulting in an EPS of 5.21 euros.

Turning to the balance sheet. We ended the fourth quarter with cash, cash equivalents and short-term investments at a level of 7.0 billion euros.

Moving to the order book, Q4 net system bookings came in at 9.2 billion euros, which is made up of 5.6 billion euros for EUV bookings and 3.6 billion euros for non-EUV bookings, these values also include inflation corrections. Net system bookings in the quarter are more balanced between Logic and Memory, relative to past few quarters, with Logic at 53 percent of the bookings while Memory accounted for the remaining 47 percent.

Looking at the full year, net sales grew 30 percent to 27.6 billion euros, with a gross margin of 51.3 percent. EUV system sales grew 30 percent to 9.1 billion euros realized from 53 systems while in total we shipped 42 EUV systems in 2023. DUV system sales grew 60 percent to 12.3 billion euros. Our Metrology & Inspection system sales decreased 19 percent to 536 million euros. Looking at the market segments for 2023, Logic system revenue was 16.0 billion euros, which is a 60 percent increase from last year. Memory system revenue was 6.0 billion euros, which is a 9 percent increase from last year. Installed Base Management sales was 5.6 billion euros, which is a 2 percent decrease compared to previous year.

At the end of 2023 we finished with a backlog of 39 billion euros.

Our R&D spending increased to 4.0 billion euros in 2023, as we continue to invest in innovation across our full product portfolio. Overall, R&D investments as a percentage of 2023 sales were about 14 percent. SG&A increased to 1.1 billion euros in 2023, which was about 4 percent of sales.

Net income for the full year was 7.8 billion euros, 28.4 percent of net sales, resulting in an EPS of 19.91 euros.

We finished 2023 with a free cash flow generation of 3.2 billion euros.

We returned 3.3 billion euros to shareholders through a combination of dividends and share buybacks in 2023.

With that I would like to turn to our expectations for the first quarter of 2024.

We expect Q1 net sales to be between 5.0 billion euros and 5.5 billion euros.

We expect our Q1 Installed Base Management sales to be around 1.3 billion euros.

Gross margin for Q1 is expected to be between 48 and 49 percent.

Lower revenue and margin relative to Q4 is primarily driven by lower immersion volume along with an unfavorable change in product mix. In addition, we also expect lower EUV volume and lower Installed Base business in Q1 relative to Q4. The relatively slow start to the year is a reflection of the current state of the industry coming out of a downturn.

As it relates to gross margin, I would like to make a few more comments on 2024 margin drivers as well as our longer-term ambition of 54 to 56 percent by 2025.



We finished 2023 with a full year gross margin of 51.3 percent and there are a number of developments that could impact the gross margin in 2024.

For EUV, positive drivers include the higher ASP of the NXE:3800E as well as improving EUV service margins.

For DUV, we expect product mix to have a negative impact on margin in 2024.

On our Installed Base Business, we currently expect a similar gross margin as 2023 but the final impact will ultimately depend on the level of upgrades in 2024.

And finally, as we have said before, we expect significant costs in 2024 related to the introduction of High NA and to the ramp of our capacity to the 90 EUV, 600 DUV levels that we have talked about before, which will create pressure on the gross margin,

When we assess the combined effect of these different developments, we expect a slightly lower gross margin in 2024 compared to 2023.

We are still targeting our earlier communicated gross margin ambition of 54 to 56 percent by 2025. This increase in gross margin will be driven by a number of items. First, higher sales volume both in EUV and DUV, which improves fixed cost coverage. Second, a move to a higher margin EUV 0.33NA system, as the vast majority of systems in 2025 are planned to be NXE:3800E systems. Third, we expect reduced headwinds from capacity investments as we ramp volume, including EUV High NA. Fourth, we will also be transitioning to a higher margin EUV High NA system, EXE:5200, in 2025. Lastly, we expect our Installed base business to have a positive impact on 2025 margins due to both improved EUV service margins as well as increased upgrade business volume.

The expected R&D expenses for Q1 are around 1.07 billion euros and SG&A is expected to be around 300 million euros.

Our estimated 2024 annualized effective tax rate is expected to be between 16 percent and 17 percent.

In Q4, ASML paid the second quarterly interim dividend of 1.45 euros per ordinary share.

ASML intends to declare a total dividend for the year 2023 of 6.10 euros per ordinary share. The third interim dividend of 1.45 euros per ordinary share will be made payable on February 14, 2024

Recognizing this third interim dividend and the two interim dividends of 1.45 euros per ordinary share paid in 2023, this leads to a final dividend proposal to the General Meeting of 1.75 euros per ordinary share.

In Q4 2023 no shares were purchased.

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



**Peter Wennink**

Thank you Roger.

As Roger has highlighted, we had another year of very strong growth in a very challenging environment and we finished the year with a solid backlog of 39 billion euros.

Uncertainty remains in the market due to a number of global macro concerns while the semiconductor industry is currently working through the bottom of the cycle. Our customers are still not certain on the shape or slope of the recovery this year but there are some positive signs in the indicators we have been monitoring. Industry end-market inventory levels continue to improve, moving towards more healthy levels. Lithography tool utilization levels are still running lower than normal but are now improving in both Logic and Memory. We expect utilization levels to continue to improve over the course of this year. Lastly, as mentioned by Roger, we saw very strong order intake in the fourth quarter in support of future demand.

To be able to follow the curve of the industry recovery, we are looking at the combined demand for 2024 and 2025. As mentioned last quarter, we view 2024 as a transition year in preparation for the expected strong demand in 2025. We therefore continue to make investments this year both in capacity ramp and in technology to be ready for the upturn in the cycle.

While we see some positive signs of recovery, we feel it might be a bit too early to change our perhaps conservative view as communicated last quarter and therefore still stay with our previously communicated expectation of 2024 revenue to be similar to 2023.

Looking at the market segments, customers are indicating they are seeing healthy growth this year, primarily driven by AI-related demand for both Logic and Memory but also expected from other end-markets as inventory levels improve. Coming off a very strong year in 2023 with 60 percent growth in Logic revenue, we expect some pause in demand as customers digest the capacity additions while utilization levels improve. Based on current demand, we see lower Logic revenue in 2024 versus 2023.

For Memory, inventories are approaching normal levels and customers are expecting to see demand growth on a number of end-markets this year. Litho demand is primarily driven by DRAM technology node transitions in support of advanced memories such as DDR5 and HBM in support of AI related demand. We currently see revenue growth in our 2024 Memory business versus 2023.

Turning to our businesses, for EUV, we are expecting revenue growth in 2024. We are planning to recognize revenue on a similar number of EUV low NA systems as 2023, which includes the fast shipment systems from 2023. Although we plan a similar number of systems as 2023, we will have higher ASPs from the NXE:3800E systems, more weighted towards second half of the year. In addition, we expect revenue from one to two High NA systems.

Based on the aforementioned, we expect our non-EUV business to be down in 2024, primarily driven by lower immersion system sales, relative to 2023.



For our Installed Base business, based on our view today, we expect a similar level of revenue compared to last year. As the recovery becomes more clear this year, customers may look to upgrade their systems in preparation for 2025 and this could provide future business opportunity this year.

As a reflection of the current state of the industry coming out of a downturn and an expected recovery over the course of 2024, we expect a stronger second half relative to the first half of this year.

On the geopolitical front, as communicated earlier, we do not expect to get export licenses for our most advanced immersion systems, NXT:2000 and up, for China in 2024. We have been in contact with the US government on their export control regulations announced in October last year and we can confirm the estimated financial impact as communicated in October. At that time we stated the impact of the Dutch and US export regulations combined is 10 to 15 percent of our 2023 China systems revenue. This impact is based on our presumption that as of 2024 we will not obtain export licenses for NXT:2000 and up immersion systems to Chinese customers and, in the case of only a handful of Chinese fabs, this also includes the NXT:1970 and NXT:1980 systems. While the export control regulations had an impact on our business, we continue to see strong demand for mid-critical and mature nodes in China.

Looking longer term, while there are still significant uncertainties, primarily driven by the macro environment, it appears we are passing through the bottom of this specific cycle and expect an industry recovery over the course of 2024. Based on discussions with our customers and supported by our strong backlog, we currently expect 2025 to be a strong year driven by a number of factors.

First, the secular growth drivers in semiconductor end markets which we have previously discussed, such as energy transition, electrification and AI. The expanding application space, along with increasing lithography on future technology nodes, drives demand for both advanced and mature nodes.

Second, the industry expects to be in the middle of a cyclical upturn in 2025.

And last, as mentioned earlier, we need to prepare for the significant number of new fabs that are being built across the globe, in some instances clearly supported by several government incentive plans. These fabs are spread geographically, are strategic for our customers and are scheduled to take our tools.

It is essential that we keep our focus on the future and build capacity in preparation for further long-term growth as we discussed in the market scenarios for 2025 and 2030 during our Investor Day in November 2022. We plan to update our view during our Investor Day this year on November 14, 2024.

In summary, although there is still near-term uncertainty with a positive outlook trend, we clearly remain confident in our long-term growth opportunity.

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, including expected demand, utilization, inventory levels, backlog, bookings, expected recovery in the semiconductor industry and expected timing thereof, assumptions and expectations with respect to fast shipments, plans to increase capacity, outlook and expected financial results, including expected results for Q1 2024, including net sales, gross margin, R&D costs, SG&A costs, expected results for full year 2024, including expectations with respect to revenue and gross margin and estimated annualized effective tax rate, expectations with respect to sales by market segment and EUV, non-EUV and IBM sales and expected drivers thereof, and other full year 2024 expectations, expectations with respect to revenue growth in 2025 and expected drivers thereof, statements made at our 2022 Investor Day, including revenue and gross margin opportunity for 2025 and 2030, statements with respect to export control policy and regulations and expected impact on us, expectation to return significant amounts of cash to shareholders through growing dividends and share buybacks, including the amount of shares intended to be repurchased under the program and statements with respect to dividends, statements with respect to our ESG goals and strategy and other non-historical statements. You can generally identify these statements by the use of words like “may”, “will”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue”, “target”, “future”, “progress”, “goal”, “opportunity”, “potential” and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions 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, customer demand and semiconductor equipment industry capacity, worldwide demand for semiconductors and semiconductor manufacturing capacity, utilization and inventory levels, general trends and consumer confidence in the semiconductor industry, the impact of general economic conditions, including the impact of the current macroeconomic uncertainty on the semiconductor industry, the impact of inflation, interest rates, geopolitical developments, the impact of pandemics, 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, constraints and logistics, timely availability of parts and components, raw materials, critical manufacturing equipment and qualified employees, and constraints on our ability to produce systems to meet demand, the number and timing of systems ordered, shipped and recognized in revenue, and the risk of order cancellation or push outs and restrictions on shipment 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 to certain customers, changes in exchange and tax rates, available liquidity 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 repurchased under our share repurchase programs, 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, 2022 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.