Transcript

Video interview with ASML CEO Christophe Fouquet and CFO Roger Dassen

Q1 2025 results

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Hello and welcome to ASML's Q1 2025 results. Welcome Christophe. Welcome Roger.

Roger, if I can start with you, can you provide us an overview of Q1 2025 results?

Sure. Total net sales came in at €7.7 billion. Included in there €2 billion for Installed Base business. € 7.7 billion, within guidance. Gross margin came in a little bit better than guidance at 54%. Main reasons why it was a bit better, actually two. One, ASP for EUV was higher as a result of more NXE:3800 versus NXE:3600 in the mix than we anticipated. And also because the configuration of the EUV tools was a bit richer than we anticipated. Second main reason is that we hit some customer-specific performance targets for the quarter and we got rewarded for that. Net income for the quarter came in at €2.4 billion and the order intake was €3.9 billion of orders for the quarter. Included in there €1.2 billion for EUV.

Market dynamics and full year outlook

Christophe, if I can turn to you and ask you if you can give us some insights on how you're looking at the full year 2025 in terms of the market?

Well, I think the dynamic is very similar to what we discussed last quarter. AI is still the driver of the market. The demand is strong. It remains strong and we see two scenarios. If the demand on AI continues to be strong and our customers are capable to add capacity - so we have basically opportunity for an upside - looking at the upper range of our guidance, the €35 billion. On the other hand, we still see some uncertainty with some of our customers that could also take us to the lower end of the guidance, the €30 billion. But overall same dynamic.

Can you share some more insights on how you're looking at the different segments, Logic, Memory and Installed Base through 2025?

So we still see Logic increasing. I think it's very strong, especially because of advanced Logic. We've been talking about 2 nm for a long time. This is now happening and customers are ramping their very advanced Logic node. For Memory, we think Memory will remain strong, same level as last year. This is also being confirmed by the activity of our customers. When it comes to the Installed Base, our Installed Base is growing. We see a stronger mix of EUV versus DUV. This is also leading to some growth in the Installed Base in 2025.

And then how do you see the dynamics around tariffs playing a role in the markets?

Well, I think the whole dynamic is still very new and I think the one thing I'd like to say, which is being shared by many experts, many businesses, is that this dynamic is creating a new uncertainty. Especially when it comes to GDP. So macro-level and indirectly of course our potential market demands. So this is a dynamic I think we have to watch very carefully. Now this being said, where we are today, we still see basically our revenue range for 2025 being between basically €30 and €35 billion.

Technology update

Then if we switch to technology, how are we making progress in terms of supporting our customers and their requirements? Maybe first with Low NA?

Well, let me start maybe with EUV in general. Because you know that Low NA and High NA are going to be combined at some point by our customers in order to optimize basically their technology, their product roadmap and also their cost. So it's very important that we make progress on both platforms. When it comes to Low NA, I think some great achievement this quarter. We have upgraded our first system in the field to the final specification 220wph. Roger was mentioning that this starts to have a positive impact basically on our margin in Q1. Good adoption from our customers. They are all shifting basically to this platform and we really expect that the NXE:3800 is going to become on the very, very short term, the main tool for Low NA.

Now this is very important. We talked a lot about litho intensity, about cost of technology in our Capital Markets Day and the progress on productivity basically allows us to execute with our customers on cost of technology. As a result, we start to see the opportunity to have more EUV single-exposed adoption. Of course, at the expense of multi-patterning. This is great for our customers because it helps with cycle time, simplification, yield, and, of course, for ASML this means that this litho intensity, especially for DRAM now, is continuing to increase.

And then looking at High NA, we recently had a SPIE conference back in February. Can you share some of the results that came from that conference?

I think SPIE was a very good event because we saw our customers being very eager to share basically their results on High NA. A few strong examples. I think Intel was explaining that they had exposed more than 30,000 wafers on their tool. They also pointed very strongly to the fact that High NA could help them simplify their process. They mentioned one layer where they could reduce basically the number of process steps from 40 to 10. Which of course helps with cycle time, yield and process complexity.
Samsung, also on the same topic said that High NA could reduce their cycle time in fact by 60%. So we start to see basically some of the value of High NA being recognized. Being measured in some way by our customers. Which is very, very encouraging.

Now on top of that, we have now shipped all our EXE:5000 and three of our customers have this tool either installed or under installation. So we also continue to expect basically a lot more data, a lot more learning on High NA in the coming weeks.

Tariffs

Back to you, Roger, if you can follow up on Christophe's comments around tariffs. How do you see that potentially impacting 2025 for ASML?

I think Christophe said that, first of all it's a very dynamic field that we're operating in when it comes to tariffs. Maybe it would be good to have a bit of a breakdown where it could potentially affect the ecosystem.

So first of all, obviously you have tariffs that could be imposed on shipments of entire systems, new systems into the United States. So that's one category.

The second category would be tariffs imposed on parts and tools that you use for field operations in the United States.

The third category could be on what we import into the United States for manufacturing in the US. As you know, we have some manufacturing capability in the US. So anything related to that, that would be the third category.

And the fourth could be any other country imposing tariffs on things that are being shipped from the United States into these countries.

So those are the different, I would say, direct implications of tariffs. We're very actively working with the entire ecosystem to try and minimize the overall impact on the whole ecosystem as a result of that, once we have a better understanding of how exactly it all works. But clearly our intent is that the impact that it should have on our financials should be as limited as possible.

And of course you have the indirect effect and this is what Christophe also talked about. To what extent will it have an impact on global GDP. To what extent will it have an impact on total market demand. I think it's way too early to discuss that and therefore it's quite impossible actually to put a number on that.

Outlook Q2

Having said all that, how do you look at Q2 in terms of guidance? Can you provide some detail there?

Yes, so when it comes to revenue, we expect revenue between €7.2 and €7.7 billion for Q2. Again, approximately €2 billion for the Installed Base business. Gross margin we expect somewhere between 50% and 53%. That is a wider bandwidth than we typically apply, but that really is as a result of the uncertainty when it comes to tariffs. So both, what is the tariff situation and also how does it get allocated? Of course, short-term there are some uncertainties there. So that's why we choose to have a wider bandwidth for gross margin this quarter.

Gross margin full year 2025

With that in mind, how are you looking at the whole year from a gross margin point of view?

So first quarter 54%, second quarter, as I just said, between 50% and 53%. We do expect the second half of the year to be a little bit lower in terms of gross margin. There's a number of reasons for that. As you know, and Christophe talked about it, about the High NA systems that we're in the process of shipping. We do expect the second half to be stronger when it comes to revenue recognition than the first half, and as you know, High NA is still margin dilutive. So therefore we expect a negative impact on the gross margin in the second half as a result of that in comparison to the first half.

We also expect a little bit less upgrade business in the second half in comparison to the first half. And also, as we just said, we have the uncertainty when it comes to tariffs. If you take it all together, again with the caveat of the uncertainty around tariffs that we need to mention, we continue to expect the gross margin between 51% and 53 % for the whole year.

Dividend and share buyback

Then switching to share buyback, so we ended the year 2024 with a lot of cash. We executed some share buyback in Q1. So can you provide a little bit more detail on the plans around returning cash to shareholders for the rest of the year?

So indeed, strong share buyback in the first quarter, €2.7 billion worth of shares were bought back in Q1. When it comes to dividends, we paid an interim dividend in the first quarter of €1.52 per ordinary share. Our proposal to the AGM is to pay a final dividend of €1.84 per ordinary share. If you combine that all, that would get you to €6.40 per ordinary share as the total dividend over the year 2024.

Longer-term outlook

Christophe, then one last question, if you can give us a little bit of a forward-looking view on how you see the market etc. beyond 2025?

Well, I think, as I said, first AI has been very strong and has driven the industry in the last few quarters. We still see a lot of strength in AI. In fact some of the demand for this year, of course, but also for next year has solidified. So that's very encouraging. Now if we add to that the discussion with our customers it points to 2025 and 2026 to be both a growth year. As we explained in previous discussions.

Now, of course, Roger went into the details. There's this new uncertainty around tariffs. And like many experts, many businesses are explaining this is, of course, something that we don't know how to quantify yet. But this is adding definitely uncertainty on the long term.

Now, if we look at the market itself, we expect a shift towards more advanced technology. This is true for Logic, this is true for DRAM. And as we explained at Capital Markets Day these are basically technologies that will require more advanced lithography. I also explained, it's very, very important that the progress we have made on the NXE:3800 and High NA brings our customers the technology they need to switch more and more from multi-patterning to single-exposure EUV. This is, of course, a good thing when it comes to litho intensity.

With all of that, Jim, we feel that we are making a very good step towards our guidance given at the Capital Markets Day in November for 2030.With a range of revenue between €44 and €60 billion and a gross margin range between 56% and 60%.

Thank you, Roger. Thank you, Christophe. And with that, I'd like to remind you all that we will host our Annual General Meeting on April 23 and I hope to see all our shareholders there.