

ASML

Netherlands
Technology – Semiconductors



September 4, 2020

Company description

Commencing business operations in 1984 (joint venture between Philips and ASM International), **ASML** has become the global market leader in supplying lithography systems to the semiconductor manufacturing industry. ASML Holding N.V. develops, produces, and markets semiconductor manufacturing equipment, specifically machines for the production of chips through lithography. ASML now supplies the vast majority of the main semiconductor manufacturers, including Samsung, TSMC, Hynix, Intel and Toshiba/SanDisk. Competition primarily comes from Nikon and Canon.

Recent developments

July 15, 2020:

ASML's 2Q sales registered a strong uptick vs the depressed 1Q, but at 36% q-o-q, sales growth did not reach the 50% q-o-q rate the company had indicated it could reach if all went well. The miss essentially stems from a delay in revenue recognition for two EUV (Extreme Ultra-Violet) shipments that ASML expects to recognise in the second half of 2020.

ASML's gross and EBIT margins were strong and slightly ahead of expectations.

Despite the uncertainty created by COVID-19 and its impact on some end markets, the full-year outlook hasn't really changed since the beginning of the year, according to management. ASML reinstated its FY guidance with growth continuing into 2021e and the company also reiterated the trajectory towards 50% gross margins by 4Q20 (48.2% in Q2).

Upcoming events:

October 14, 2020: Q3 2020 financial results.

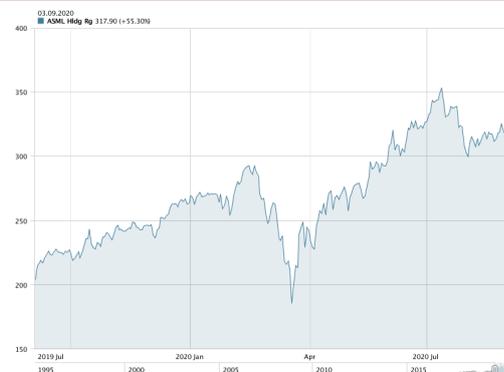
Investment conclusion

We believe spending on lithography as part of semiconductor capex should continue rising in the next few quarters, given the rising silicon content in smart devices and the migration to advanced products.

We believe the fundamentals of the business remain highly robust.

Despite some cut in sales & margin (due to lower EUV volume), many analysts still expect ASML to grow earnings in FY21; they think the long-term attractiveness of the stock will not suffer, and the next few months will provide an opportunity for long-term investors.

Performance



	1m	3m	12m
Absolute perf.	2.5%	3.2%	57.9%
EURO STOXX 50	1.7%	1.1%	-3.4%
Index perf			

Market data

Share price (EUR), as of Sep 3, 2020:	317.9
52-wk range:	177.52–355.5
Mkt cap (EUR m):	137'500
Nb of shares issued:	425.7m
Bloomberg ticker:	ASML NA
Isin:	NL0010273215

Financial summary (In mio EUR) & Valuation

	2018	2019	2020e	2021e
Sales	10'944	11'820	13'093	15'297
EBIT	3'115	2'799	3'533	4'834
Net Income	2'592	2'592	3'088	4'235
EPS	6.08	6.15	7.36	10.19
DPS (per EUR)	2.10	2.40	2.51	3.09
Div. yield (%)	1.5%	0.9%	0.8%	1.0%
P/E	22.6	42.9	43.0	31.1

Source: Bloomberg

Equity rating—Bloomberg consensus

		Nb of analysts
Buys	52.4%	22
Holds	35.7%	15
Sells	11.9%	5

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Equity notes — September 2020