

17th May 2016

TMT

ASML

Price EUR84.18

Samsung reported to be in talk with ASML to buy EUV tools

Fair Value EUR81 (-4%)

SELL

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	103.8 / 71.8
Market Cap (EURm)	36,478
Avg. 6m daily volume (000)	1,267

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.1%	13.1%	-0.9%	2.0%
Semiconductors	-6.1%	8.1%	-8.5%	-8.1%
DJ Stoxx 600	-2.4%	4.5%	-9.7%	-8.5%

	2015	2016e	2017e	2018e
P/E	26.2x	27.9x	19.8x	14.5x
Div yield (%)	0.8%	1.2%	1.4%	1.6%

ANALYSIS

- **According to an article of Keroatimes, Samsung is in talk with ASML to purchase ASML's NXE3400 extreme ultra-violet tools.** An anonymous source told Keroatimes that Samsung executives recently visited ASML headquarters (during the first week of May) and took the chance to order NXE3400 equipment for a deal "worth millions of dollars" to be used for 7nm process technology. The source also told that the installation of EUV system(s) in Samsung's fab would take place during the first half of 2017, at the earliest and this would be the first time for Samsung to deploy an EUV system in its fabs.
- **This is a positive news flow however very imprecise.** Given that the normative price of an EUV tool is around EUR110m, "a deal worth millions of dollars" is consistent but very imprecise yet. In addition, we have no detail regarding the main usage of this tool. What we already knew however is that Samsung is working on EUV and the group already said it would like to see a 7nm introduction because multiple patterning is "hitting a brick wall".

VALUATION

- **This does not change our view on ASML.** We remain cautious regarding market demand for 7nm chips and such for EUV installed base tools. We also see a risk on DUV (legacy technology) tools demand while increasing reuse could limit orders of new tools. Overall, we think that the current LT plan of ASML (targeting 10bn EUR of sales by 2020) is under pressure amid this unsupportive environment while high valuation metrics (2016e P/E of 26.9x) give no chance to disappointment.

NEXT CATALYSTS

- 20th July 2016: FQ2-16 results.

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