

17th August 2016

TMT

ASML

Price EUR97.91

Intel is cautious about EUV

Fair Value EUR81 (-17%)

SELL

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	99.4 / 71.8
Market Cap (EURm)	42,428
Avg. 6m daily volume (000)	1,162

	1 M	3 M	6 M	31/12/15
Absolute perf. Semiconductor	6.4%	16.3%	31.5%	18.6%
s	16.3%	30.5%	41.0%	19.9%
DJ Stoxx 600	1.6%	2.6%	7.2%	-6.1%
	2015	2016e	2017e	2018e
P/E	30.5x	32.5x	23.1x	16.9x
Div yield (%)	0.7%	1.1%	1.2%	1.4%

ANALYSIS

- **Yesterday, at the Intel Developer Forum held in San Francisco, Intel had few word regarding EUV lithography technologies.** First of all, the group confirmed that it would not use extreme ultraviolet lithography as a manufacturing in its 10nm production. This is not a surprise and no one expected to see EUV tools used for 10nm ramp happening right now. Deep ultraviolet lithography continues to show a higher efficiency and ASML is not ready to ship enough EUV tools for a new node ramp currently.
- **More importantly, the group also commented on possible delay regarding EUV adoption for 7nm production.** The group said in a conference that EUV tools could not be ready for the next generation production (7nm) and Intel has plan to ramp this next gen production without using EUV. The largest chipmaker has been clear, it will not use EUV technology until it delivers acceptable efficiency.

VALUATION

- **Intel comments come in a context where ASML's valuation leaves very little room for error.** Intel's comment confirmed our view that there is a risk of delay regarding the adoption of EUV for mass production. We already highlighted that whereas uncertainty hangs over the share, the valuation leaves no room for disappointment. Indeed, the share is trading on 2016e P/E of 32.5x compared with an historical average of 22x and peer comparison of 18x. Following Intel's comments, we continue to see a negative risk-reward and we reiterate our Sell recommendation.

NEXT CATALYSTS

- 19 October 2016: Q3 2016 results.

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