

16th October 2019

ASML

| Technology
| Semiconductors

NEUTRAL

Fair Value EUR220(-7%)
Share price EUR236.10
EPS 3Y Cagr 16.6%

Q3 results in line with expectations, ASML on track to hit 2020 margin guidance

Q3 2019 results broadly in line with the street's expectations

ASML has reported Q3 revenue of EUR2.987bn, up 16.3% seq. (+7.6% yoy), mostly in line with the group's guidance for revenue of around EUR3.000bn and consensus expectations at EUR3.017bn (BG est. at EUR3.025bn). Gross margin came in at 43.8%, 30bps above the mid-range of the guidance of 43-44% (cons. at 43.9%; BG ests. at 43.5%). R&D and SG&A were broadly in line with expectations, and as a result, operating profit came in at EUR686m, slightly below the consensus at EUR701m (BG est. at EUR694m). The company benefited from a lower-than-expected tax rate at around 9.5% compared with our estimate at 13% (c. EUR24m lower than our figure) based on the company's guidance for a tax rate of 9% for the full year. This resulted in adjusted net income of EUR617m (cons at EUR609m, BG est at EUR597m) and adjusted EPS at EUR1.46, in line with the street's expectations at EUR1.45 (BG ests. EUR1.42).

Logic sales accelerated as expected, but a miss in services

During the quarter, ASML sold 57 lithography tools (BG ests. at 58) representing EUR2.326bn in revenue (BG est at EUR2.316bn). Seven were EUV systems, in line with the company's guidance, with an ASP of EUR106m (vs EUR108m in Q2). As expected, Logic system sales accelerated significantly as sales increased by 61% seq and 108% y/y to EUR1.817bn, while memory system sales continued to slide to EUR510m (-29% seq., -58% y/y). Notably, the company missed on its installed base management revenue which came in at EUR661m (-7.8% seq., -5.0% y/y) compared with guidance at EUR700m.

Very strong bookings already paving the way for 2021

By the end of the quarter, the net bookings level stood at EUR5.111bn, i.e. up 81% compared with the previous quarter. The increase in bookings was again clearly driven by Logic representing 73% of the total. The bookings include 23 EUV orders that we estimate at a value of around EUR2.990bn. Considering that the lead time is around 18 months for EUV, this paves the way for 2021 EUV shipments that we expect at 37 units.

Solid Q4 guidance partly supported by a more favourable tax rate

ASML expects Q4 2019 sales to increase sequentially by 30.6% to about EUR3.9bn, broadly in line with the consensus forecast for revenue of EUR3.894bn (BG ests. EUR4.180bn). This includes 12 EUV tools or around EUR1.4bn in revenue based on our estimates. The gross margin is about to pick up above our expectations as the company anticipates a level of 48-49% (BG est 47.4%), however this is broadly in line with the consensus at 48.3%. Considering ASML guidance for opex at EUR635m and a tax rate at 7% (vs 9% previously), Q4 2019 EPS should be close to EUR2.74, 3.8% above the street's estimates at EUR2.64.

Market Data

Market Data	ASML NA/ASML.AS
Bloomberg / Reuters	ASML NA/ASML.AS
Market Cap.	EUR100,498m
E.V.	EUR99,490m
Free Float	100%
Avg. Daily volume (6m)	1,029
12m high / low	EUR236.3 / EUR130.9
Ytd Perf.	72.1%

EURM	12/18	12/19e	12/20e	12/21e
Sales	10,944	12,002	13,061	13,668
% Change		9.7%	8.8%	4.6%
EBITDA	3,403	3,313	4,608	5,061
% Change		-2.7%	39.1%	9.8%
EBIT	2,965	2,863	4,153	4,606
% Change		-3.4%	45.1%	10.9%
Net Income	2,592	2,578	3,550	3,938
% Change		-0.5%	37.7%	10.9%
ROE	0.22	0.22	0.27	0.27

	12/18	12/19e	12/20e	12/21e
EV/Sales	9.1x	8.3x	7.5x	7.1x
EV/EBITDA	29.2x	30.0x	21.3x	19.2x
EV/EBIT	33.6x	34.8x	23.7x	21.1x
EPS	6.06	6.09	8.56	9.62
% change		0.4%	40.6%	12.4%
P/E	38.9x	38.8x	27.6x	24.5x
Div Yield	0.6%	0.9%	1.0%	1.2%

Next Catalyst:

Today, 3.00pm CEST: Q3 conference call

Last rating Change:

2019-4-18, Limited upside with a less attractive risk-reward at the moment

Last FV Change:

2019-7-18, Management allayed most of the concerns we have raised

Last Reports:

2019-7-18, Management allayed most of the concerns we have raised

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Q3 results versus consensus

[EURm]	BG ests. 3Q19e	Consensus 3Q19e	3Q19 Actual	Actual vs. Cons.	
Net revenue	3,025	3,017	2,987	-30	-1.0%
% change (seq)	17.8%	17.5%	16.3%		-117bp
% change (yoy)	9.0%	8.7%	7.6%		-108bp
Gross profit	1,316	1,325	1,307	-18	-1.4%
Gross Margin	43.5%	43.9%	43.8%		-16bp
R&D		-491	-492		
SG&A		-128	-129		
Co-Investment Program			0		
Adj. EBIT	694	701	686	-15	-2.2%
% of revenue	22.9%	23.2%	23.0%		-28bp
Adj. Net income	597	609	617	8	1.3%
Adj. EPS (in EUR)	1.42	1.45	1.46		0.9%

Sources: Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.

Q4 guidance versus consensus

[EURm]	BG ests. 4Q19e	Consensus 4Q19e	4Q19e Guidance	Guid. vs. Cons.	
Net revenue	4,180	3,894	3,900	6	0.2%
% change (seq)	38.2%	29.1%	30.6%		150bp
% change (yoy)	33.0%	23.9%	24.1%		19bp
Gross profit	1,980	1,879	1,892	13	0.7%
Gross Margin	47.4%	48.3%	48.5%		25bp
Adj. EBIT	1341	1252	1257	5	0.4%
% of revenue	32.1%	32.2%	32.2%		7bp
Adj. EPS (in EUR)	2.78	2.64	2.74	0.10	3.9%

Sources: Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.

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