

ASML Holding NV

Europe Satellite*

Recommended since 08.08.2013

04.07.2022



Country NL	Market capitalization (bn) EUR 174,4	Perf. since reco. (%)
Sector Technology	Free float 99,0%	ASML Holding NV 529,5
Factset ASML-NL	Closing price EUR 431,25	Sector 106,7
ISIN NL0010273215	ESG Risk score* 10,9 Low risk	



Profile
 Since its foundation in 1984, ASML has rapidly become the market leader in lithography (chip-etching machines) for the semiconductor industry with an overall market share of around 90%. The only real competitors are the Japanese companies Canon and Nikon, which mainly cover their domestic market. With the acquisition of Cymer (a company specializing in laser technology) in 2013, HMI (metrology) in 2016 and 24.9% of Carl Zeiss SMT (optics) in 2017, ASML has strengthened its sources of supply and developed extreme ultraviolet lithography (EUV) machines. ASML is the only one to master this technology. Head office: Veldhoven (the Netherlands). ~25k employees.

Strengths/opportunities

- ⊕ A leading technology company with a dominant market share.
- ⊕ Monopoly with the supply of EUV lithography machines.
- ⊕ EUV adoption in progress. Next generation under consideration.
- ⊕ A holistic approach (machines plus services): Higher average selling prices (ASP).

Weaknesses/threats

- ⊖ Dependence on a few key component suppliers.
- ⊖ High exposure to the semiconductor cycle.
- ⊖ Today's lithography is approaching its physical limits.
- ⊖ Technological developments and new entrants.

Investment case

- ⊕ With the release of results for the first-quarter of 2022 (revenues and orders above expectations), ASML still shows a good momentum on the order taking and sales execution despite the pandemic and the US-China technology trade "war", which have caused a little delay in production and revenue recording. The gross margin is under pressure due to the supply chain at risk and inflation (shortage of some chips, transportation costs, salaries, etc.), ASML targets 52% (vs 53% est.).
- ⊕ The sales of the second-quarter 2022 expect a turnover between €5.1-5.2 billion and ASML is in phase to reach a turnover of 26 billion in 2025, the best case scenario. On the technological level, its mastery of the EUV and the acceleration of its uptake by its large customers (manufacturers of integrated semiconductors such as Intel or Samsung, or foundries such as TSMC, manufacturers of DRAM/logic memories, etc.) ensures solid profit growth for the coming years.
- ⊕ ASML is already working on the next generation of high numerical aperture (high-NA) EUV lithography machines, with an emphasis on advanced systems and the adoption of software for computational lithography, which will allow unit selling prices (ASP) to be increased. With a history of unrivalled technological domination in the equipment segment for the semiconductor industry, ASML benefits from the strong structural trends underlying the evolution of this industry (5G, Internet of Things (IoT), smart cities, connected cars). Finally, ASML has a solid financial structure (with a cash-flow of EUR 7.3 billion at the end of December). The Group continues to generate cash-flow.

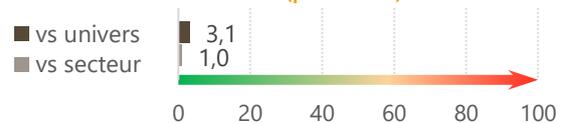
Valuation

With the recent decline, the stock remains relatively expensive (PER 2022e of 26.3x for 2022e and 21x for 2023e). The valuation level is justified by the specificity and growth of the Group. In terms of PEG, the level remains very moderate (1.4x on average).

EUR	12/2021	2022e	2023e
Sales revenue (mio)	18 611	22 269	25 684
Sales growth	33,1%	19,7%	15,3%
EBIT adjusted (mio)	6 536	7 618	9 364
% of sales	35,1%	34,2%	36,5%
Net income (mio)	5 883	6 518	8 021
Net income growth	65,6%	10,8%	23,1%
FCF/Sales	53,4%	20,9%	27,5%
Net debt/Ebitda	-0,4x	-0,1x	-0,3x
Dividend yield	1,3%	1,3%	1,5%
PE	49,2x	26,3x	21,1x
P/BV	17,5x	16,9x	13,8x

Factset estimates

ESG risk vs. universe & sector (percentile)*



ESG - risks and key points

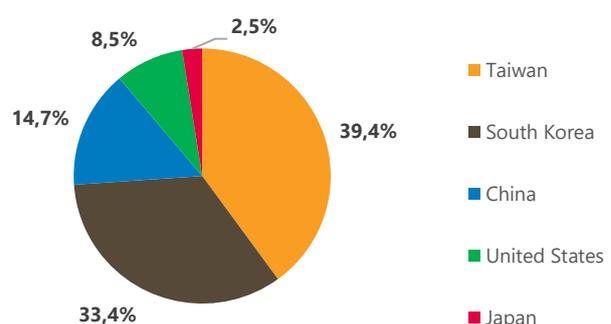
- ⊕ ASML is well rated (low risk). No controversies at present.
- ⊕ Human resources: R&D and advanced technology imply training and retention efforts. LGBTI efforts (Pink ASML Network).
- ⊕ Emissions and waste: Use of chemicals subject to regulation. Recycling efforts and waste reduction.
- ⊕ Product governance: The Group's machines contribute to the improvement of production processes in the semiconductor industry. Very high-quality standards.

5-year performance vs sector



Source: FactSet

Sales breakdown - 12/2021



*: see overleaf

Source: Factset, Sustainabilitycs

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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