



# ASML Holding N.V. (ASML)

Updated January 28<sup>th</sup>, 2023, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$667	<b>5 Year CAGR Estimate:</b>	15.1%	<b>Market Cap:</b>	\$268 B
<b>Fair Value Price:</b>	\$650	<b>5 Year Growth Estimate:</b>	15.0%	<b>Ex-Dividend Date:</b>	01/23/2023
<b>% Fair Value:</b>	103%	<b>5 Year Valuation Multiple Estimate:</b>	-0.5%	<b>Dividend Payment Date:</b>	02/15/2023
<b>Dividend Yield:</b>	1.0%	<b>5 Year Price Target</b>	\$1,307	<b>Years Of Dividend Growth:</b>	8
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	F	<b>Rating:</b>	Buy

## Overview & Current Events

ASML Holding is one of the largest manufacturers of chip-making equipment in the world. The company's customers include a wide variety of industries, and ASML is present in 16 countries with 30,000 employees. The company is headquartered in the Netherlands and is listed on both the Euronext Amsterdam and NASDAQ, both under the ASML ticker. ASML has a current market capitalization of \$268 billion and produces about \$28 billion in annual revenue. ASML reports results in euro but unless otherwise noted, all figures in this report are in USD.

ASML reported fourth quarter and full-year earnings on January 25<sup>th</sup>, 2023, and results were better than expected on both the top and bottom lines. Earnings-per-share came to \$5.00, which was 29 cents better than expected. In addition, revenue soared 29% year-over-year to nearly \$7 billion, and was \$54 million ahead of estimates.

Quarterly net bookings in Q4 were \$6.9 billion, about half of which was for the company's proprietary EUV. Gross margin for the quarter was 51.5% of revenue.

The company said it expects net sales to grow at least 25% in 2023, although gross margin guidance was slightly below that of Q4 as the company looks to Q1, at 49% to 50% of revenue.

ASML declared \$3.33 per share in dividends for the first half of 2023, and we've updated our expected dividend accordingly. We see just over \$20 in earnings-per-share for ASML this year as the rebound in sales continues.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$2.53	\$2.63	\$2.91	\$2.67	\$4.12	\$6.92	\$6.82	\$10.26	\$15.77	\$15.42	<b>\$20.30</b>	<b>\$40.83</b>
<b>DPS</b>	\$0.71	\$0.84	\$0.81	\$1.15	\$1.31	\$1.78	\$2.34	\$2.86	\$3.95	\$6.64	<b>\$6.66</b>	<b>\$9.79</b>
<b>Shares<sup>1</sup></b>	433	440	433	428	432	426	422	418	404	392	<b>385</b>	<b>360</b>

ASML's earnings growth has been nothing short of outstanding recently. The company saw its earnings-per-share grow at a rate of 25% annually from 2016 to 2018, but 2019 saw a deviation from that trend. That sort of growth is very difficult to come by in any industry, and ASML's share price has appreciated accordingly. We see 15% growth annually in the coming years as ASML continues to take advantage of favorable macro trends, and the pause in earnings growth for 2022 makes ASML's base from which to grow more sustainable. We continue to see at least 15% annual earnings-per-share growth in the years ahead.

We see continued revenue growth as the primary driver of future returns. ASML is the only source of Extreme Ultraviolet, or EUV, lithography machines, which allows customers to produce ever-smaller integrated circuits. In a sense, ASML has what amounts to a monopoly on a very lucrative segment of the semiconductor industry. This should help drive low double digit or better revenue gains in the years to come. We also see operating leverage, such as what we saw for 2020 with higher gross margins. As ASML grows its revenue, it should see better gross margins and leveraging down SG&A and R&D costs. We see this as a tailwind for earnings growth as well, amounting to low or mid-single digits annually, and it came to fruition in 2020, as well as 2021. We note the fast shipment policy will cause some

<sup>1</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# ASML Holding N.V. (ASML)

Updated January 28<sup>th</sup>, 2023, by Josh Arnold

volatility in gross margins and revenue from quarter to quarter, but longer-term, gross margins should remain elevated, and the long-term trajectory of revenue is firmly higher.

ASML's buyback is back on the table again, which will help drive the share count slightly lower over time. The 2021 dividend was \$3.95 per share, and we note that the company is now declaring dividends on a quarterly basis. We expect sizable dividend growth over time, nonetheless. For 2023, we expect \$6.66 per share in dividends, but note that ASML's dividend policy is quite variable.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	32.6	35.3	34.1	37.3	35.5	38.9	32.0	33.9	44.4	35.4	32.9	32.0
Avg. Yld.	0.9%	0.9%	0.8%	1.2%	0.9%	0.9%	1.1%	0.8%	0.6%	1.2%	1.0%	0.7%

ASML's valuation has exploded higher in recent years as its growth has picked up. We see fair value at 32 times earnings, just below the current valuation of 32.9 times earnings. Fair value is based upon the company's impressive growth outlook, but also peer valuations. ASML, in our view, deserves a premium to its peers given its competitive position and growth. Given the move up in earnings estimates, ASML is near fair value for the first time in several quarters. We see the yield remaining about where it is in the coming years as the payout grows with earnings.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

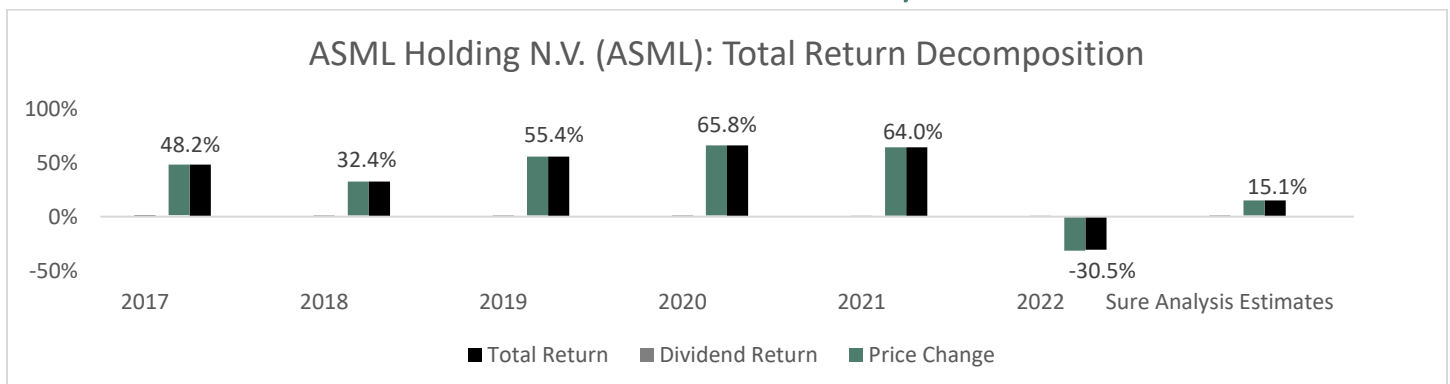
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	28%	32%	28%	43%	32%	25%	34%	28%	25%	43%	33%	24%

ASML's competitive advantage is in its EUV capabilities. ASML has a monopoly in this next-generation technology, and we see this as a significant advantage for years to come. The dividend is also secure at 33% of earnings. ASML is committed to returning excess capital to shareholders and has grown its dividend enormously in the past decade; we see sizable payout growth continuing. Finally, ASML will be susceptible to recessions given it produces products for industries that have cyclical demand. Indeed, the company produced a loss in 2009. We note, however, that the company thrived in 2020, and continues to do so today.

## Final Thoughts & Recommendation

We see ASML as a very attractive growth story, but one that is slightly overvalued. ASML's first mover advantage in EUV technology is valuable, and the recent selloff has created a more favorable opportunity. Total projected returns of 15.1% have us reiterating the stock at a buy rating. We see the growth runway for ASML as very long, and the valuation has improved. We note 15% growth, a 1% yield, and a 0.5% headwind from the valuation.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# ASML Holding N.V. (ASML)

Updated January 28<sup>th</sup>, 2023, by Josh Arnold

## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	6,966	7,788	6,977	7,609	10,150	12,923	13,232	15,964	22,020	22,329
<b>Gross Profit</b>	2,892	3,453	3,213	3,481	4,553	5,939	5,911	7,763	11,606	11,284
<b>Gross Margin</b>	41.5%	44.3%	46.1%	45.7%	44.9%	46.0%	44.7%	48.6%	52.7%	50.5%
<b>SG&amp;A Exp.</b>	414	427	384	415	472	576	583	622	859	998
<b>D&amp;A Exp.</b>	304	339	329	395	473	499	502	561	557	615
<b>Operating Profit</b>	1,306	1,597	1,644	1,842	2,654	3,501	3,124	4,627	7,734	6,856
<b>Operating Margin</b>	18.7%	20.5%	23.6%	24.2%	26.2%	27.1%	23.6%	29.0%	35.1%	30.7%
<b>Net Profit</b>	1,349	1,591	1,539	1,724	2,359	3,060	2,902	4,058	6,725	5,786
<b>Net Margin</b>	19.4%	20.4%	22.1%	22.7%	23.2%	23.7%	21.9%	25.4%	30.5%	25.9%
<b>Free Cash Flow</b>	1,115	883	1,834	1,484	1,654	2,909	2,676	4,142	11,720	7,559
<b>Income Tax</b>	11	102	179	259	347	415	215	630	1,208	1,023

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	15,899	14,840	14,535	18,189	21,821	23,035	25,349	33,538	34,228	38,929
<b>Cash &amp; Equivalents</b>	3,218	2,942	2,688	3,073	2,710	3,570	3,957	7,441	7,871	7,795
<b>Accounts Receivable</b>	1,213	1,280	879	740	2,088	1,714	2,002	1,612	3,428	5,709
<b>Inventories</b>	3,304	3,101	2,814	2,940	3,546	3,934	4,267	5,620	5,864	7,721
<b>Goodwill &amp; Int. Ass.</b>	3,847	3,747	3,676	6,551	6,847	6,457	6,324	6,984	6,236	5,789
<b>Total Liabilities</b>	6,340	5,705	5,364	7,808	8,893	9,718	11,244	16,484	22,747	29,480
<b>Accounts Payable</b>	864	603	577	627	1,005	1,103	1,190	1,695	2396	
<b>Long-Term Debt</b>	1,484	1,403	1,235	3,509	3,629	3,462	3,482	5,754	4,614	3,769
<b>Shareholder's Equity</b>	9,559	9,135	9,172	10,382	12,928	13,316	14,105	17,054	11,481	9,449
<b>D/E Ratio</b>	0.16	0.15	0.13	0.34	0.28	0.26	0.25	0.34	0.40	0.3989

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	10.5%	10.4%	10.5%	10.5%	11.8%	13.6%	12.0%	13.8%	19.8%	15.8%
<b>Return on Equity</b>	18.1%	17.0%	16.8%	17.6%	20.2%	23.3%	21.2%	26.0%	47.1%	55.3%
<b>ROIC</b>	15.5%	14.7%	14.7%	14.2%	15.5%	18.4%	16.9%	20.1%	34.6%	38.7%
<b>Shares Out.</b>	433	440	433	428	432	426	422	418	404	398
<b>Revenue/Share</b>	16.07	17.71	16.13	17.79	23.52	30.31	31.39	38.09	53.66	56.09
<b>FCF/Share</b>	2.57	2.01	4.24	3.47	3.83	6.82	6.35	9.88	28.56	18.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.