



ASML Holding N.V. (ASML)

Updated February 1st, 2025, by Josh Arnold

Key Metrics

Current Price:	\$739	5 Year CAGR Estimate:	23.1%	Market Cap:	\$295 B
Fair Value Price:	\$893	5 Year Growth Estimate:	18.0%	Ex-Dividend Date:	01/29/2025
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.9%	Dividend Payment Date:	02/19/2025
Dividend Yield:	0.9%	5 Year Price Target	\$2,043	Years Of Dividend Growth:	9
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	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 about 31,000 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 \$295 billion and produces more than \$30 billion in annual revenue. ASML reports results in euro but unless otherwise noted, all figures in this report are in USD.

ASML posted fourth quarter and full-year results on January 29th, 2025, and results were strong once again. The company noted revenue was 28% higher year-on-year to \$9.6 billion, and beat estimates by more than \$200 million. Earnings-per-share came to \$7.10, which beat estimates by 12 cents.

Quarterly net booking were \$7.4 billion, of which \$3.1 billion was EUV.

China accounted for total net system sales of 27%, while the US was still the largest segment at 28%. It is unclear as of yet how export controls may play a part in this going forward.

For this year, guidance was initiated with a very wide range of ~\$31 billion to ~\$36 billion in sales, with gross margins expected to be 51% to 53% of revenue. Q1 gross margins are expected to be 52% to 53%, implying the possibility of deterioration for the remaining three quarters.

We start the year with an estimate of \$24.80 in adjusted earnings-per-share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.91	\$2.67	\$4.12	\$6.92	\$6.82	\$10.26	\$15.77	\$15.42	\$21.65	\$20.03	\$24.80	\$56.74
DPS	\$0.81	\$1.15	\$1.31	\$1.78	\$2.34	\$2.86	\$3.95	\$6.64	\$6.45	\$6.71	\$7.02	\$10.31
Shares¹	433	428	432	426	422	418	404	392	393	393	393	385

ASML's earnings growth has been nothing short of outstanding. 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 18% growth annually in the coming years as ASML continues to take advantage of favorable macro trends, and the pause in earnings growth for 2024 makes ASML's base from which to grow more sustainable. We see a return to outstanding earnings growth starting in 2025.

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, on average. We also see operating leverage as revenue rises and gross margins tick higher. We see this as a tailwind for earnings growth as well, amounting to low or mid-single digits annually. We note the fast shipment policy will cause some volatility in gross margins and revenue from

¹ Share count in millions

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

For 2024, dividends declared were \$6.71. We note that ASML's dividend policy is quite variable, both in amount declared and the translation between euro and USD.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	34.1	37.3	35.5	38.9	32.0	33.9	44.4	35.4	35.0	34.6	29.8	36.0
Avg. Yld.	0.8%	1.2%	0.9%	0.9%	1.1%	0.8%	0.6%	1.2%	0.9%	1.0%	0.9%	0.5%

ASML's valuation has exploded higher in recent years as its growth has picked up. We see fair value at 36 times earnings, which is now well ahead of the current valuation of 29.8 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 decline in the share price, the valuation has improved markedly. We see the yield remaining as an unimportant factor in total returns for the foreseeable future.

Safety, Quality, Competitive Advantage, & Recession Resiliency

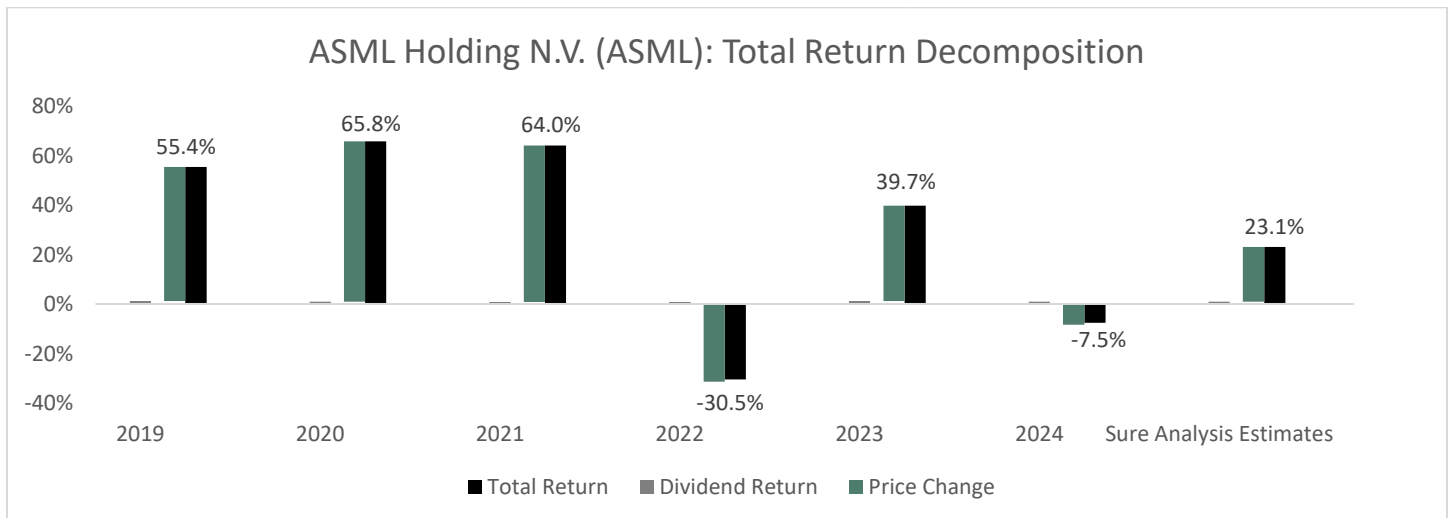
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28%	43%	32%	25%	34%	28%	25%	43%	30%	33%	28%	18%

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 28% 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, and the stock is strongly undervalued. ASML's first mover advantage in EUV technology is extremely valuable, and historical earnings growth validate that growth story. Total projected returns of 23.1% have us reiterating the stock at a buy rating. We see the growth runway for ASML as very long. We note 18% growth, a 0.9% yield, and a 3.9% tailwind from the valuation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,977	7,609	10,150	12,923	13,232	15,964	22,020	22,329	29,835	30,590
Gross Profit	3,213	3,481	4,553	5,939	5,911	7,763	11,606	11,284	15,304	15,685
Gross Margin	46.1%	45.7%	44.9%	46.0%	44.7%	48.6%	52.7%	50.5%	51.3%	51.3%
SG&A Exp.	384	415	472	576	583	622	859	998	1,205	1,262
D&A Exp.	329	395	473	499	502	561	557	615	801	994
Operating Profit	1,644	1,842	2,654	3,501	3,124	4,627	7,734	6,856	9,789	9,766
Operating Margin	23.6%	24.2%	26.2%	27.1%	23.6%	29.0%	35.1%	30.7%	32.8%	31.9%
Net Profit	1,539	1,724	2,359	3,060	2,902	4,058	6,725	5,931	8,487	8,195
Net Margin	22.1%	22.7%	23.2%	23.7%	21.9%	25.4%	30.5%	25.9%	28.4%	26.8%
Free Cash Flow	1,834	1,484	1,654	2,909	2,676	4,142	11,720	7,559	3,515	9,831
Income Tax	179	259	347	415	215	630	1,208	1,023	1,554	1,819

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	14,535	18,189	21,821	23,035	25,349	33,538	34,228	38,929	44,169	50,561
Cash & Equivalents	2,688	3,073	2,710	3,570	3,957	7,441	7,871	7,795	7,743	13,253
Accounts Receivable	879	740	2,088	1,714	2,002	1,612	3,428	5,709	4,791	4,659
Inventories	2,814	2,940	3,546	3,934	4,267	5,620	5,864	7,721	9,784	11,333
Goodwill & Int. Ass.	3,676	6,551	6,847	6,457	6,324	6,984	6,236	5,789	5,892	5,421
Total Liabilities	5,364	7,808	8,893	9,718	11,244	16,484	22,747	29,480	29,299	31,334
Accounts Payable	577	627	1,005	1,103	1,190	1,695	2,396	2,751	2,595	---
Long-Term Debt	1,235	3,509	3,629	3,462	3,482	5,754	4,614	4,569	5,120	3,826
Shareholder's Equity	9,172	10,382	12,928	13,316	14,105	17,054	11,481	9,449	14,870	19,226
D/E Ratio	0.13	0.34	0.28	0.26	0.25	0.34	0.48	0.40	0.34	0.20

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.5%	10.5%	11.8%	13.6%	12.0%	13.8%	19.8%	16.2%	20.4%	17.3%
Return on Equity	16.8%	17.6%	20.2%	23.3%	21.2%	26.0%	47.1%	56.7%	69.8%	48.1%
ROIC	14.7%	14.2%	15.5%	18.4%	16.9%	20.1%	34.6%	38.7%	49.9%	38.1%
Shares Out.	433	428	432	426	422	418	404	398	394	394
Revenue/Share	16.13	17.79	23.52	30.31	31.39	38.09	53.66	56.09	75.70	77.72
FCF/Share	4.24	3.47	3.83	6.82	6.35	9.88	28.56	18.99	8.92	24.98

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

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