

DESK NOTE

13.02.2025

ASML Holding (ASML US) – *Avoid Until The AI Trade Regains Momentum*

Conclusive Summary: Avoid ASML for now and consider revisiting near \$650.

ASML remains at the forefront of the AI-driven semiconductor boom, holding a monopoly on EUV lithography—an essential technology for producing the most advanced chips. This dominant position allows ASML to command premium valuation multiples compared to its peers. However, key risks include ongoing geopolitical challenges, particularly U.S. export restrictions that prevent ASML from selling EUV machines to China (26% of Revenue), one of its significant markets and the long-term sustainability of its EUV monopoly. With a price target of \$786, reflecting only a 4% upside from current levels, we believe the ASML is fairly valued. **Given the market's uncertainty surrounding tariffs, export regulations, and inflationary pressures, we expect ASML's stock to follow broader AI trade momentum.** We recommend staying on the sidelines and revisiting the stock near \$650. **We will be monitoring the AI trade for revival and follow-up when the upside momentum potential becomes more compelling.**

Competitive Position: holds a dominant position in the photolithography equipment market, with an effective monopoly on Extreme Ultraviolet (EUV) lithography, which is essential for manufacturing leading-edge semiconductor chips. While Nikon and Canon compete in the Deep Ultraviolet (DUV) segment, neither has developed EUV machines, leaving ASML unchallenged in the most advanced lithography technology. The company further differentiates itself through continuous R&D investment (15% of Revenue), strategic partnerships with key semiconductor manufacturers (TSMC, Samsung, Intel), and a high barrier to entry due to the extreme complexity of EUV systems. While alternative lithography technologies and geopolitical factors, such as U.S. export restrictions, present potential challenges, **ASML maintains a strong competitive edge through its technological leadership, recurring service revenue from its installed base, and the upcoming introduction of High-NA EUV machines,** which will further extend its market leadership in next-generation chip production.

Valuation: Using an average of EV/Rev, EV/EBITDA, P/FCF and P/E multiples, combined with DCF target price **we reach a blended target price (TP) of \$786** (+4% upside). We expect ASML to trade in accordance with the AI market sentiment which is currently slightly subdued due to several market risks. The stock is trading at or below its 2-year and 5-year multiple averages. **We recommend reconsidering ASML around \$650.**

Ticker: ASML US

Previous day close price: \$756

Price range (52w.): \$645 - \$1,110

Reason for note: Initiation

Target price: \$786 (+4% upside)

Recommendation: ***Avoid***

Description: ASML Holding N.V. is the world's leading supplier of photolithography equipment for semiconductor manufacturing. The Dutch company holds a monopoly on Extreme Ultraviolet (EUV) lithography machines, which are essential for producing the most advanced chips at the cutting edge of Moore's Law. **ASML's customers include major chipmakers like TSMC (28% of Revenue), Samsung (22%), and Intel (10%),** which rely on its technology to fabricate semiconductors for applications in AI, data centers, smartphones, and automotive industries.

- **Lithography Systems Sales (75-80% of Revenue):** includes EUV machines (\$150M–\$350M per unit) drive high margins & DUV machines remain in demand for mature semiconductor nodes.
- **Service & Software (15-20%):** Recurring revenue from maintenance, upgrades, and software for installed lithography systems.
- **Metrology & Inspection (5%):** Equipment that improves chip yield and manufacturing precision.

ASML's growth is fueled by rising demand for EUV technology, the upcoming introduction of High-NA EUV machines, and continued sales of DUV systems, particularly in China.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	8.00	34,473	275,784	-9,380	285,164	150.62	\$725
EV/EBITDA	28.00	12,719	356,125	-9,380	365,506	150.62	\$929
P/FCF	43.00	7,572				150.62	\$851
P/E	32.00	26.21				150.62	\$839
Avg. Multiple Price							\$836
DCF Price							\$736
Avg. Multiple & DCF Price							\$786



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Earnings Preview:

ASML	Expected Report Date		Next FY End	
ASML HOLDING NV-NY REG S	4/16/2025	Bef-mkt	12/31/2025	
Quarterly Preview		Last Q Report		
Last Close	Estimate	10/15/2024		
756.17	Q1	2024 S2		Year Ago
			% Surprise	
Sales, \$ mil.	7,708	9,263	2.68%	7,237
growth	qoq	-16.8%	yoy	6.5%
EBITDA, \$ mil.	2,873	3,608	8.16%	2,621
growth	qoq	-20.4%	yoy	9.6%
Net Income, \$ mil.	2,242	2,702	2.56%	2,061
growth	qoq	-17.0%	yoy	8.8%
EPS, \$	5.65	--	2.58%	--
growth	qoq	--	yoy	--
EPS GAAP, \$	5.65	--	N/A	--
growth	qoq	--	yoy	--
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	8.44	8.10	9.52	10.95
EV to Forward 12M EBITDA	22.90	22.18	26.17	30.16
Price to Forward 12M EPS	29.45	26.05	30.80	35.56
EV/Sales	Slightly Underpriced			
EV/EBITDA	Slightly Underpriced			
PE	Fairly Priced			
Total Rating on Valuation	Slightly Underpriced			
Company Guidance	1Q25	4Q24	1Q24	
Sales, EUR mil.	7,750	9,263	5,290	
growth	-16.3%	46.5%		
Gross Margin	52.5%	51.7%	51.0%	
CAPEX (Annual), EUR mil.	-1,000		-2,007	

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