

# Semi

## 2024 is a transition year for ASML

ASML released its 1Q24 earnings this week, with revenue down by 21.6% YoY, missing the street's expectations. Net profit beat expectations but also declined by 37.4% YoY. GPM was 51% for Q1, surpassing company guidance due to a favourable mix of more immersion and EUV (Extreme Ultraviolet) system sales compared to dry business. Mgmt. guided Q2 revenue to be between EUR5.7bn and EUR6.2bn and GPM around 50-51%. Mgmt. also mentioned 2024 is a transition year for the company, with revenue expected to be similar to 2023, while it is expecting a stronger 2H24, building up momentum for a robust 2025.

- **Quarterly bookings were dominated by memory products at nearly 60%.** This is quite indicative of the strong demand for HBM (high bandwidth memory), which is essential for advanced computing applications. As observed by the company, industry trends show that the utilization of the lithography systems for both memory and logic customers is further improving. Companies like Nvidia and AMD which rely heavily on high-performance memory for their AI computing products may see this trend particularly beneficial.
- **ASML sees increasing revenue from China, contributed by its DUV (Deep Ultraviolet) systems sales (Figure 2).** ASML derived 49% of its 1Q24 revenue from China, up from 39% in 4Q23. The substantial order volume from China in the past few quarters was likely a response to the potential, further exports ban imposed by the US and its allies on China in the coming months. We advise investors to monitor the global trends on exports regulations closely, as they will be critical to accessing ASML's future revenue stability in the coming quarters.
- **We may see a potential shift of market focus to AI applications and software from previous concentration on AI hardware.** Successful monetization strategies off AI tech have become a major market focus with the investment landscape evolving from previous concentration on AI hardware, such as chips and infrastructure, now to AI applications and software. We believe sustainable and profitable business models in the current stage of AI momentum may be the answer investors are looking for to justify the hefty capex made in recent years.

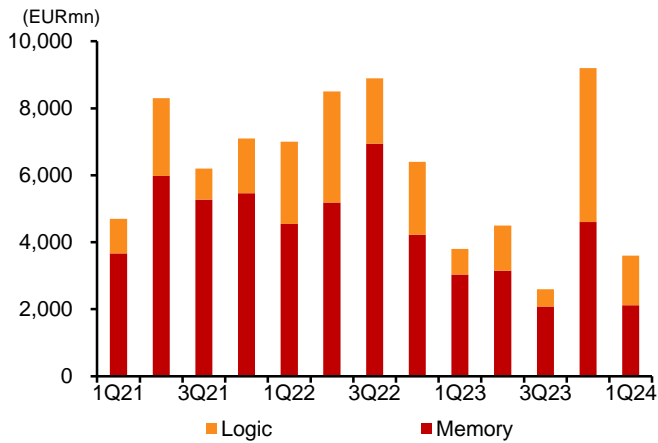
**OUTPERFORM**  
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### China Semi Sector

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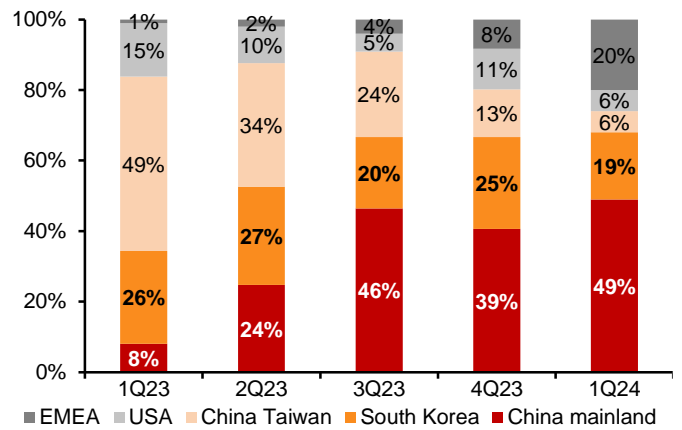
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**Figure 1: ASML quarterly net bookings**



Source: Company data, CMBIGM

**Figure 2: ASML quarterly rev. breakdown by region**



Source: Company data, Bloomberg, CMBIGM

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