

DRIVE INNOVATION • DELIVER EXCELLENCE >



# INVESTOR PRESENTATION

Q2 2019 RESULTS

July 23, 2019

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## › Strong long term growth prospects

- ALD market expected to be a key growth market, ASMI has leadership position in ALD
- Driving structurally higher sales in the other product lines
- Solid momentum in the first half of 2019 driven by ASMI's strong position in logic/foundry with share of wallet gains in the most advanced nodes

## › Healthy profitability

- Gross margin of 42.8% in Q2, excluding patent litigation settlement, up from 41.3% in Q1 driven by favorable mix. Investments in new products and new growth initiatives continue

## › Strong balance sheet

- Solid cash position, no debt
- Strong free cash flow of €126m in the first half of 2019
- Announcement of new €100m share buyback
- Increased dividend by 25% to €1.00 per share. 5m shares cancelled as per July 23

# 2019 Q2 KEY RESULTS – INCLUDING SETTLEMENT



	Q2 2018	Q1 2019	Q2 2019
New orders	175.9	235.0	373.1
Net sales	208.7	248.8	363.3
Gross profit margin %	42.1%	41.3%	59.0%
Operating results	38.3	47.0	150.2
Normalized result from investments	21.6	3.1	2.0
Amortization intangible assets resulting from the stake sale ASMPT in 2013	(3.0)	(3.4)	(3.4)
Net earnings	59.4	49.4	121.6
Normalized net earnings (excl. amortization intangible assets resulting from the stake sale ASMPT in 2013)	62.4	52.8	125.0

# 2019 Q2 KEY RESULTS – EXCLUDING SETTLEMENT

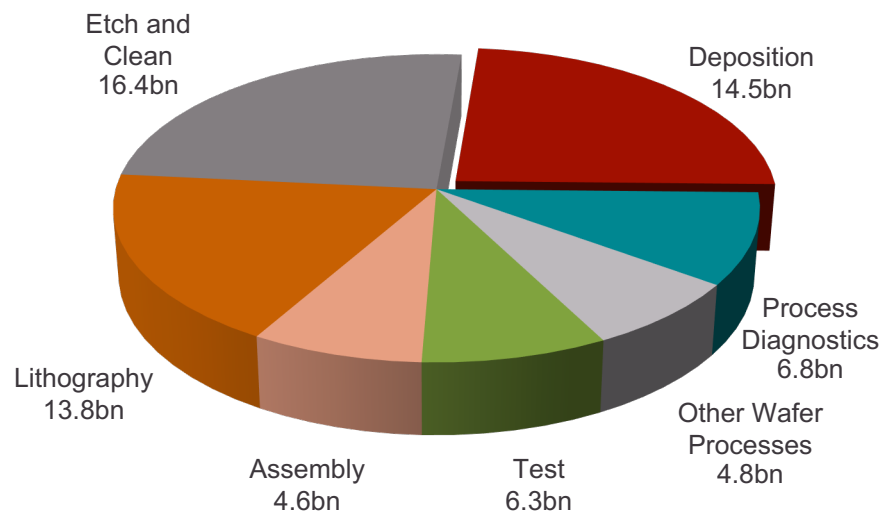


	Q2 2018	Q1 2019	Q2 2019*
New orders	175.9	235.0	269.9
Net sales	208.7	248.8	260.2
Gross profit margin %	42.1%	41.3%	42.8%
Operating results	38.3	47.0	47.0

\* *Excluding impact patent litigation settlement*

- > ASM focuses on deposition equipment
- > ASM is a market leader in ALD
- > Positions in Epitaxy, PECVD and Vertical Furnaces

## Equipment market segments 2018 (US\$)



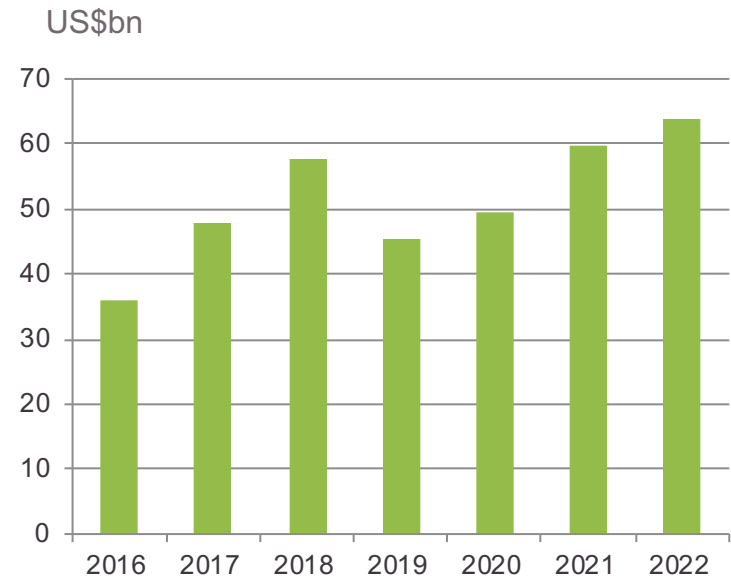
VLSI Research, April 2019

**ASM's focus is on deposition equipment**

# EQUIPMENT MARKET OUTLOOK

- › Gartner expects 22% decrease in WFE in 2019, followed by 4% decrease in 2020 (Jul '19)
- › VLSI Research expects 22% decrease in WFE in 2019, followed by 10% increase in 2020
- › Expected drop in WFE in 2019 is mainly caused by a significant decline in memory spending, while logic/foundry spending is expected to increase
- › ASMI's statement on the WFE outlook is as follows: "For 2019, general expectations are now that the wafer fab equipment (WFE) market will decline with a high teens percentage."

## Wafer Fab Equipment spending



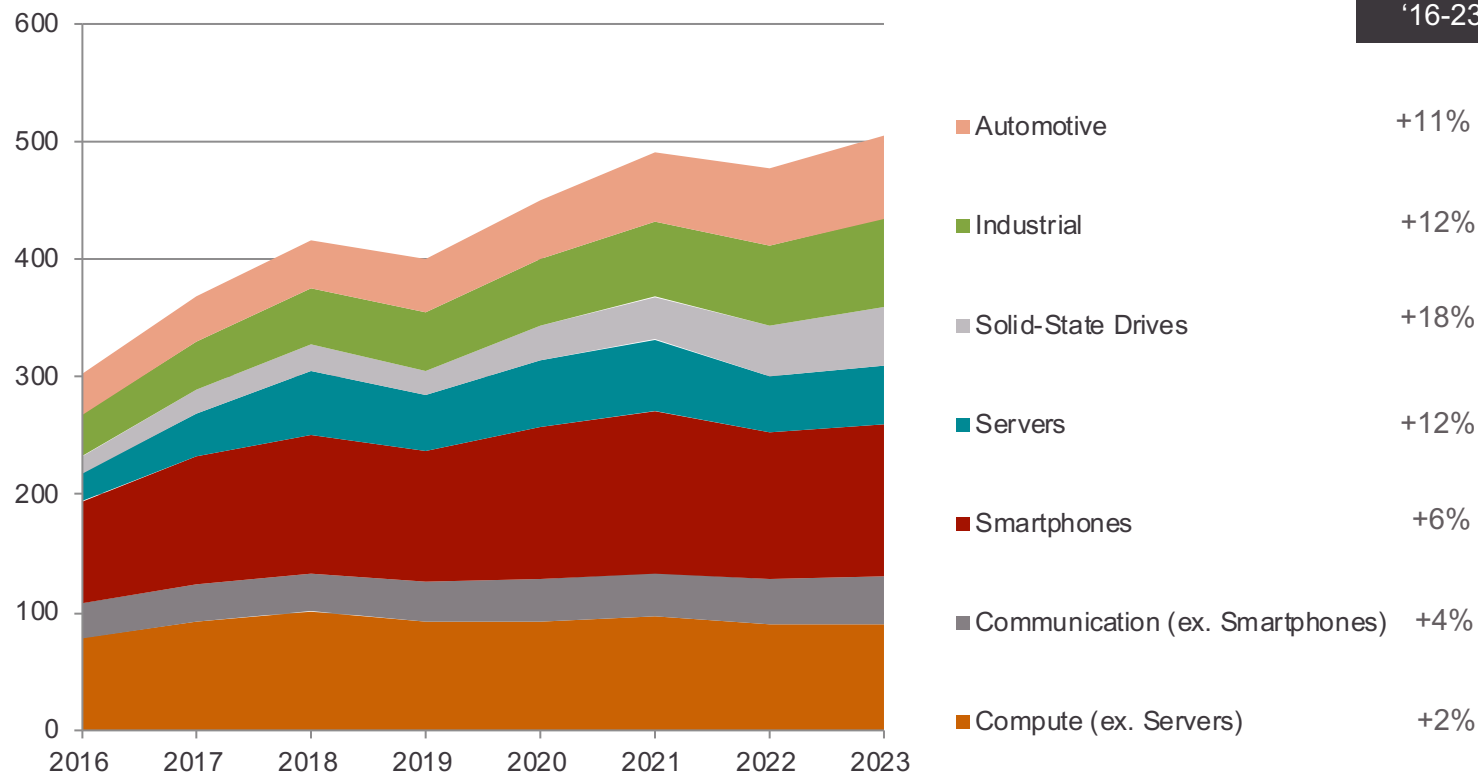
VLSI Research, July 2019

**WFE market is expected to drop by high teens percentage in 2019**

# SEMICONDUCTOR MARKET GROWTH DRIVERS

## Semiconductor sales by key application

CAGR  
'16-23

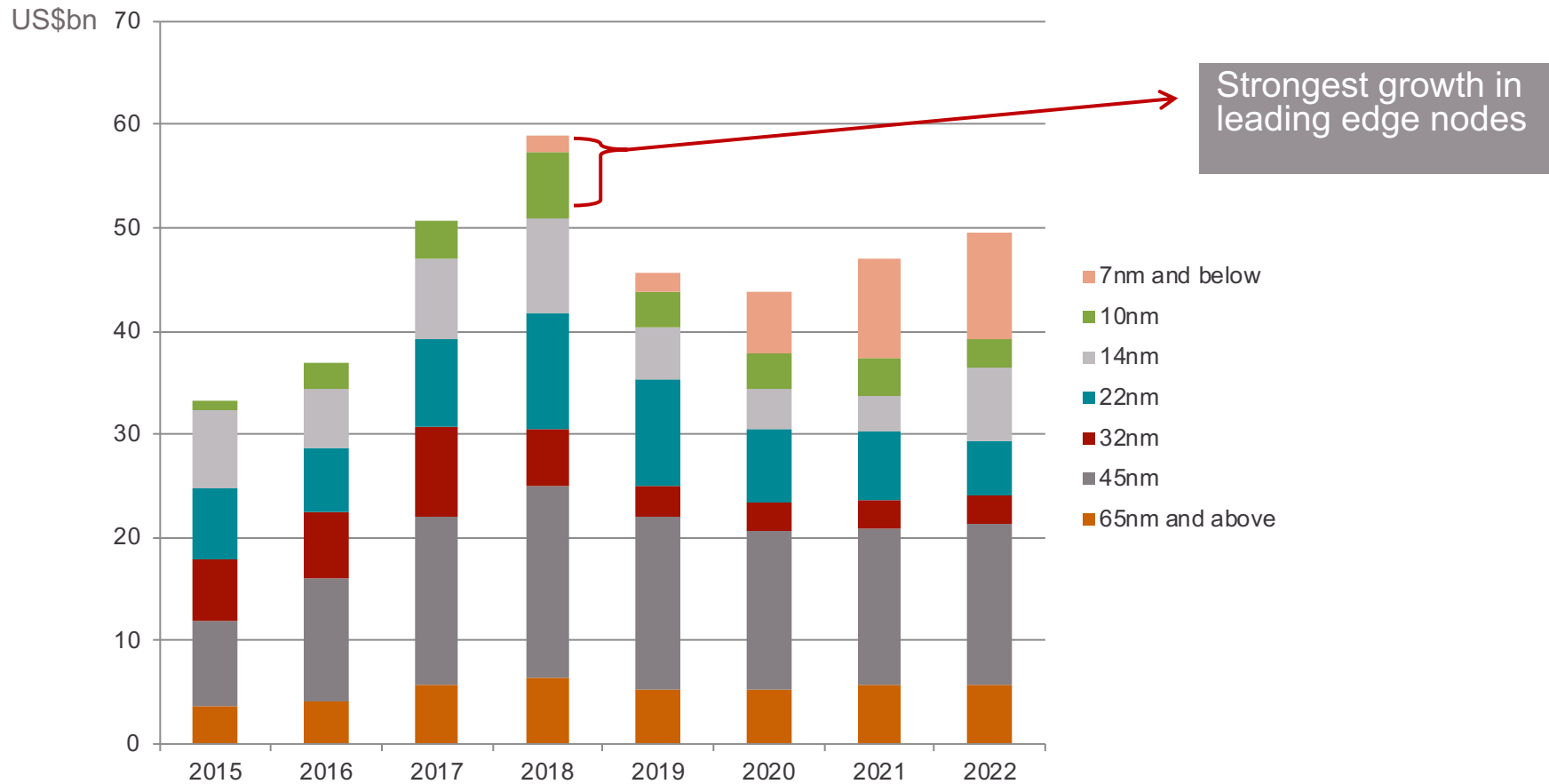


Gartner, April 2019

- > Growth in smartphones is slowing
- > New growth drivers are Solid State Drives, Servers, Industrial and Automotive



# WAFER FAB EQUIPMENT SPENDING BY NODE



Gartner, July 2019

- > Advanced nodes: market segments with high expected growth
- > 45nm mainly driven by 3D-NAND spending

## › **ALD technology is a key enabler of Moore's Law**

- Strengths of Atomic Layer Deposition: high-precision deposition of smooth and conformal ultra-thin films, ability to deposit new materials
- Device scaling, new materials and 3D architectures drive increased demand for ALD

## › **ASMI has leading positions in ALD**

- ASMI has strongest position in logic/foundry. Logic/foundry ALD market more than doubled from 14nm/16nm to 7nm
- ALD continued to account for more than half of ASM's equipment revenue in 2018
- Strong focus on increasing our addressable market within single wafer ALD

## › **Strong market outlook ALD**

- The CAGR of the single wafer ALD segment is expected to be the highest within the deposition equipment market in the next years

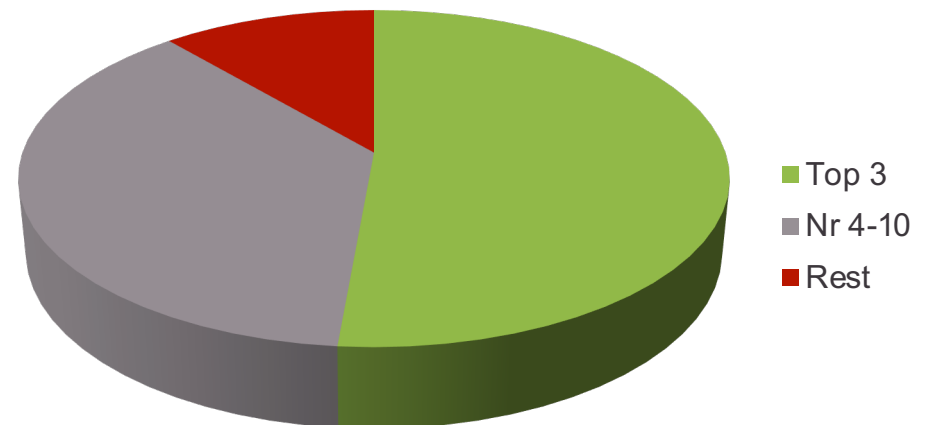
# COMPETITIVE ADVANTAGES

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- › **Focused player, differentiated technologies**
- › **Track record of innovation**
- › **Global network, streamlined operations**
- › **Leadership in ALD**
  - Developing ALD technology since 1999
  - Leading market share in ALD
- › **Close cooperation with the leading IC manufacturers**
- › **Strong IP portfolio**

## ASMI sales 2018

- › Engaged with all of the top-10 semiconductor capital equipment spenders



**Growing share of wallet with top clients**

## › Solid growth expected for the ALD market

- We expect the single wafer ALD market to reach a size of approx. US\$1.5 billion by '20-'21
- Focus on expanding our addressable market within the single wafer ALD space

## › ASMI expects to outperform WFE in 2019

- ASMI has a strong position in the logic/foundry segment, in which spending is expected to increase in 2019, while memory spending is expected to decline significantly
- Besides ALD, the other product lines also had a solid contribution in the first half of 2019

## › Patent litigation settlement

- ASMI announced on July 1 to have settled all patent litigation cases with Kokusai Electric.
- The agreement includes a cross license until July 2021 and the payment of US\$115m by Kokusai to ASMI

## › Shareholder remuneration

- Announcement of a new €100m share buyback program on July 23, 2019
- 25% higher dividend of €1.00 per share paid in 2019
- Cancellation of 5m shares (9% of total), effective as of 23 July, 2019

# ASMPT RESULTS

	Q2 2018	Q1 2019	Q2 2019
Sales ASMPT (HK\$ million)	5,270	3,660	3,615
Net profit ASMPT (€ million, 100% based)	85	12	8
Normalized result from investments (including ASMI's share of ASMPT net profit)	21.6	3.1	2.0
Amortization intangible assets resulting from the sale of ASMPT stake in 2013	(3.0)	(3.4)	(3.4)

- › As of March 2013 our share in ASMPT's net earnings is included in 'result from investments'
- › ASMI's stake in ASMPT amounts to approximately 25%. In 2017, ASMI reduced its stake in two steps from 39% to 25%
- › Related amortization intangible assets is expected to amount to €13.6m in 2019

# FINANCIAL OVERVIEW

# Q2 2019 HIGHLIGHTS

- › Patent litigation settlement positively impacted Q2 sales with €103m. Excluding this effect revenue was up 5% q-o-q and up 25% y-o-y
- › Bookings excluding settlement up 15% q-o-q and up 53% y-o-y. Book-to-bill ratio of 1.0. Q2 backlog of €300m compared to €292m in Q1
- › Gross margin improved from 41.3% in Q1 to 42.8% in Q2, excluding settlement, due to positive mix
- › Q2 OpEx increased q-o-q, due to higher legal expense, expenses related to higher sales level, and investments in ASMI organization and processes
- › Currency translation loss of €5m in Q2 compared to translation gain of €4m in Q1.
- › Tax expense increased due to the complete utilization of the net operating losses in the NL as a consequence of the patent litigation settlement
- › Normalized net earnings\*, including settlement, was €125m in Q2 up from €53m in Q1
- › Free cash flow was €105m positive in Q2 2019, driven by strong profitability and a significant reduction in working capital

\* *excluding amortization intangible assets resulting from the stake sale ASMPT in 2013*



Based upon the current backlog and our current visibility:

For Q3, on a currency comparable level, we expect sales of €250-270 million while bookings, on a currency comparable level, are expected to also be in the range of €250-270 million.

For 2019, general expectations are now that the wafer fab equipment (WFE) market will decline with a high teens percentage. While expectations for the memory-segment have further weakened, the healthy demand in the logic and foundry segments in the first half is expected to continue in the second half of 2019. Based upon this current market view, we maintain our expectation to meaningfully outperform the WFE market in 2019.

# NET EARNINGS

€ million	Q2 2018	Q1 2019	Q2 2019
New orders	175.9	235.0	373.1
Backlog	189.1	292.0	299.6
Book-to-bill	0.8	0.9	1.0
<b>Net sales</b>	<b>208.7</b>	<b>248.8</b>	<b>363.3</b>
Equipment sales	160.7	196.8	207.7
Spares & service	48.0	51.9	52.5
Patent litigation settlement	-	-	103.1
<b>Gross profit</b>	<b>87.9</b>	<b>102.8</b>	<b>214.4</b>
Gross profit margin %	42.1%	41.3%	59.0%
Selling, general and administrative expenses	(29.7)	(33.9)	(40.3)
Research and development expenses	(19.9)	(21.9)	(23.8)
<b>Operating result</b>	<b>38.3</b>	<b>47.0</b>	<b>150.2</b>
Operating margin %	18.3%	18.9%	41.3%
Net interest expenses	(0.4)	-	-
Currency translation gains / (losses)	(7.7)	4.3	(4.5)
Income tax	(4.8)	(1.6)	(22.6)
Normalized result from investments	21.6	3.1	2.0
Amort. intangibles resulting from the stake sale ASMPT 2013	(3.0)	(3.4)	(3.4)
<b>Net earnings</b>	<b>59.4</b>	<b>49.4</b>	<b>121.6</b>
<b>Normalized net earnings (excl. amortization intangibles resulting from the stake sale ASMPT in 2013)</b>	<b>62.4</b>	<b>52.8</b>	<b>125.0</b>

Numbers based on reported financials

# R&D EXPENDITURE

€ million	Q2 2018	Q1 2019	Q2 2019
R&D expenditure	(29.8)	(33.4)	(37.4)
Capitalized development expenditure	12.7	15.3	17.1
Amortization capitalized development expenditure	(2.8)	(3.0)	(3.4)
Impairment capitalized development expenditure	-	(0.8)	-
<b>R&amp;D expenses</b>	<b>(19.9)</b>	<b>(21.9)</b>	<b>(23.8)</b>

# CASH FLOW

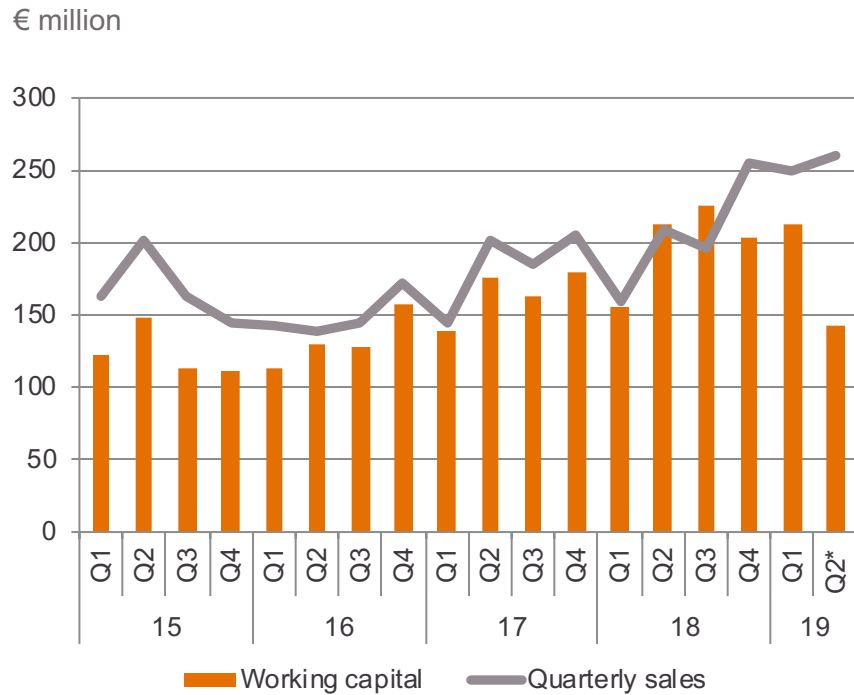
€ million	Q2 2018	Q1 2019	Q2 2019
Net earnings	59.4	49.4	121.6
Depreciation, amortization and impairments	13.1	17.1	17.5
Result from investments	(18.6)	0.3	1.4
Evaluation tools	(1.0)	(1.4)	1.4
Other adjustments	(0.5)	(2.7)	26.6
Change in working capital	(57.7)	(12.3)	(37.0)
<b>Net cash from operating activities</b>	<b>(5.3)</b>	<b>50.4</b>	<b>131.5</b>
Capital expenditure	(19.0)	(12.5)	(9.2)
Capitalized development expenditure	(12.7)	(15.3)	(17.1)
Dividend received from investments	14.6	-	16.5
Other	(0.3)	(1.6)	(0.1)
<b>Net cash from investing activities</b>	<b>(17.4)</b>	<b>(29.4)</b>	<b>(9.9)</b>
Dividend paid and capital repaid to ASMI shareholders	(37.1)	(1.1)	(49.4)
Share buyback	(39.4)	-	-
Other	0.5	0.2	0.8
<b>Net cash from financing activities</b>	<b>(76.0)</b>	<b>(0.9)</b>	<b>(48.6)</b>

*Numbers based on reported financials*

# BALANCE SHEET

€ million	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
Cash and cash equivalents	286	312	382
Accounts receivable	173	193	260
Inventories	172	174	170
Other current assets	49	42	49
Right-of-use assets	-	30	30
Investments in associates	790	802	777
Property, plant and equipment	149	150	149
Goodwill and other intangible assets	161	175	186
Evaluation tools at customers	45	44	40
Other non-current assets	23	22	15
<b>Total Assets</b>	<b>1,848</b>	<b>1,945</b>	<b>2,058</b>
Accounts payable	81	92	93
Short-term debt	-	-	-
Other current liabilities	114	107	157
Long-term debt	-	-	-
Other non-current liabilities	12	30	30
Equity	1,642	1,715	1,777
<b>Total Liabilities and Equity</b>	<b>1,848</b>	<b>1,945</b>	<b>2,058</b>

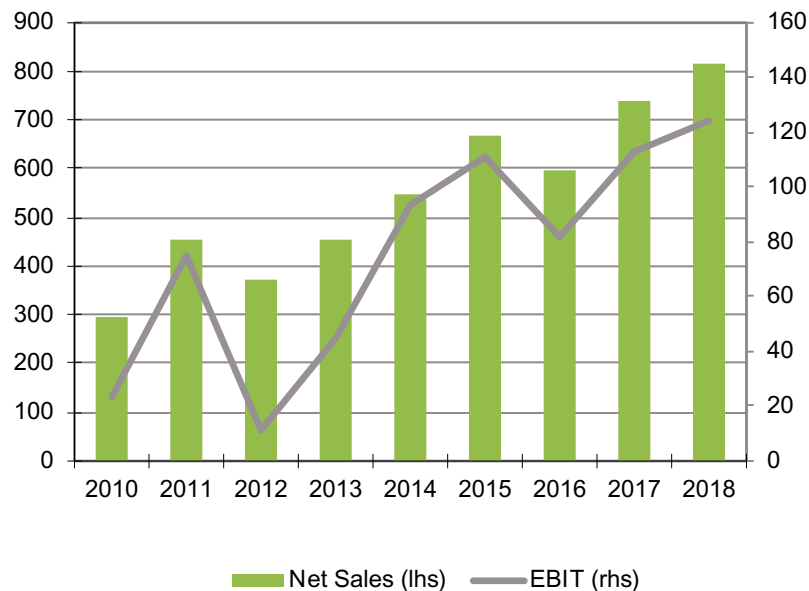
# WORKING CAPITAL



Numbers based on reported financials; \* excludes impact patent litigation settlement

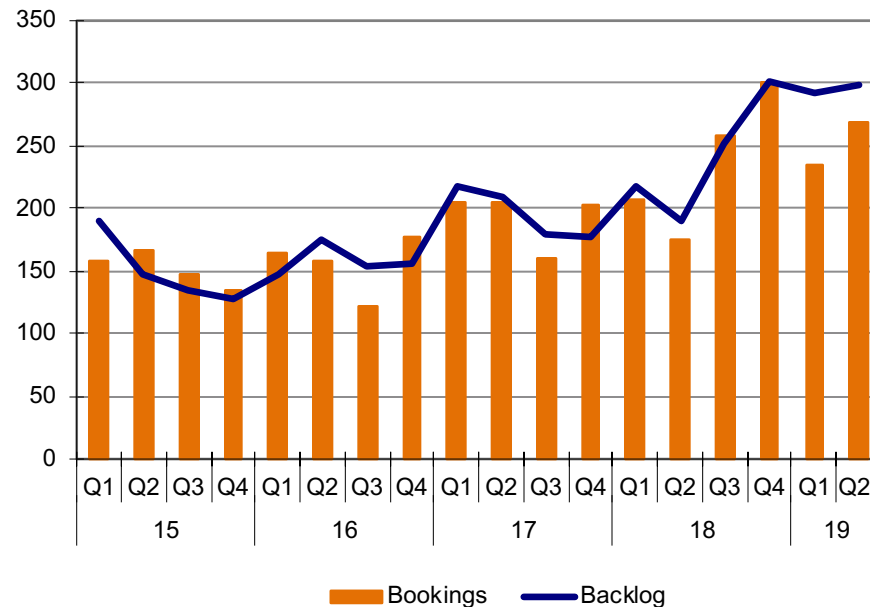
# HISTORICAL DEVELOPMENT

€ million



Numbers based on audited financials

€ million



Numbers based on reported financials;  
\* excludes impact patent litigation settlement

