

DRIVE INNOVATION • DELIVER EXCELLENCE >



# INVESTOR PRESENTATION

Q3 2019 RESULTS

October 30, 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 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 42.4% in Q3, compared to 42.8% in Q2 excluding patent litigation settlement. Investments in new products and new growth initiatives continue

## › Strong balance sheet

- Solid cash position, no debt
- Strong free cash flow of €143m in the first nine months of 2019 excluding patent litigation
- Announcement of interim dividend of €1.00 per share, in view of strong recent increase in cash position
- The new €100m share buyback program will start as from early November

# 2019 Q3 KEY RESULTS

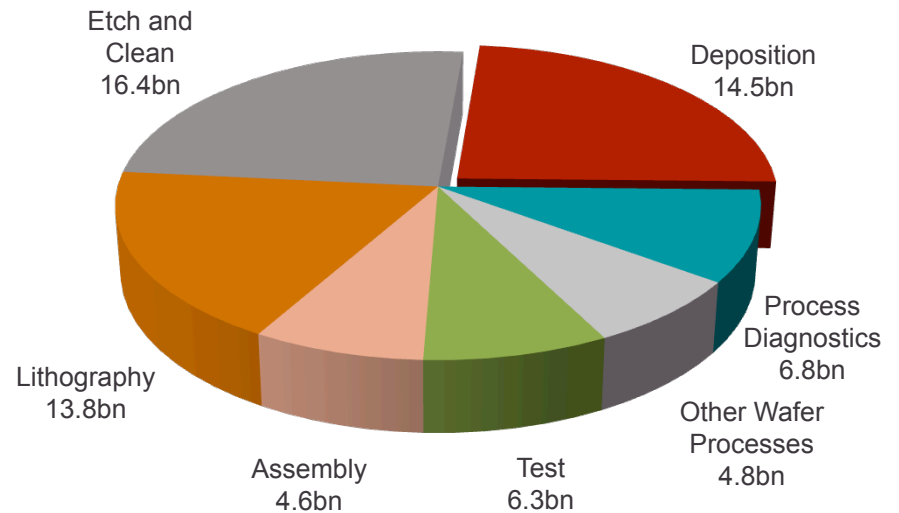


	Q3 2018	Q2* 2019	Q2 2019	Q3 2019
New orders	258.0	269.9	373.1	291.8
Net sales	195.7	260.2	363.3	271.2
Gross profit margin %	40.9%	42.8%	59.0%	42.4%
Operating results	28.0	47.0	150.2	50.6
Normalized result from investments	16.8		2.0	6.5
Amortization intangible assets resulting from the stake sale ASMPT in 2013	(3.1)		(3.4)	(3.5)
Net earnings	39.1		121.6	53.5
Normalized net earnings (excl. amortization intangible assets resulting from the stake sale ASMPT in 2013)	42.2		125.0	56.9

\* Excluding impact patent litigation settlement

- > 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 17% decrease in WFE in 2019, followed by 5% decrease in 2020
- › VLSI Research expects 17% decrease in WFE in 2019, followed by 2% 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 show a healthy 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 mid-teens percentage."

## Wafer Fab Equipment spending

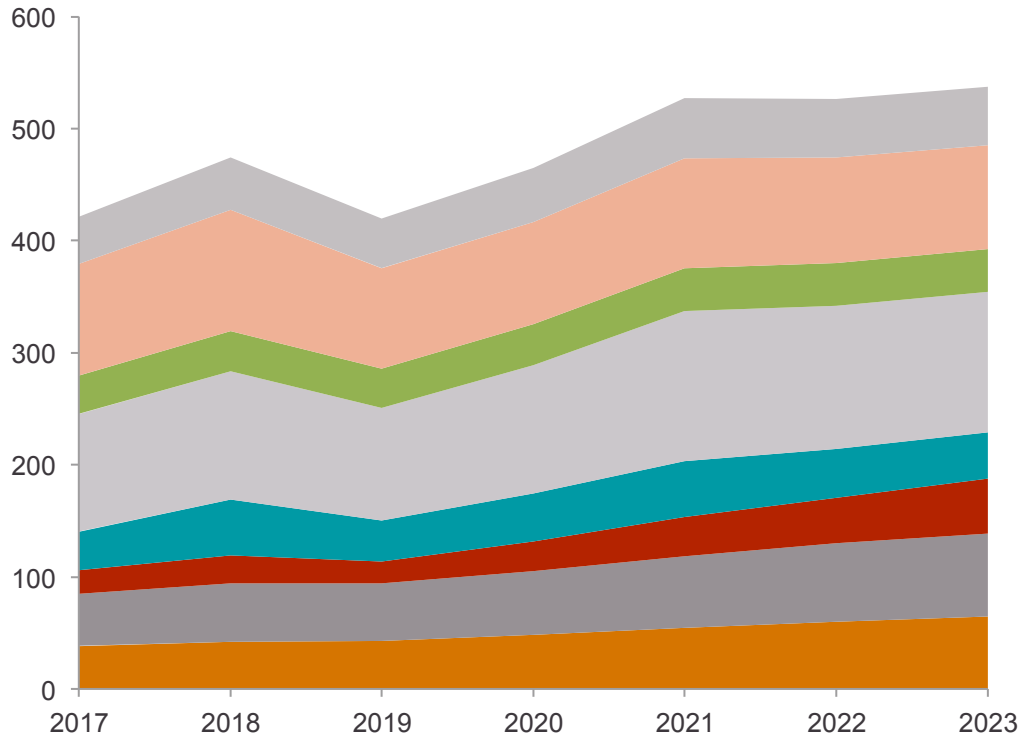


VLSI Research, October 2019

**WFE market is expected to drop by a mid-teens percentage in 2019**

# SEMICONDUCTOR MARKET GROWTH DRIVERS

## Semiconductor sales by key application



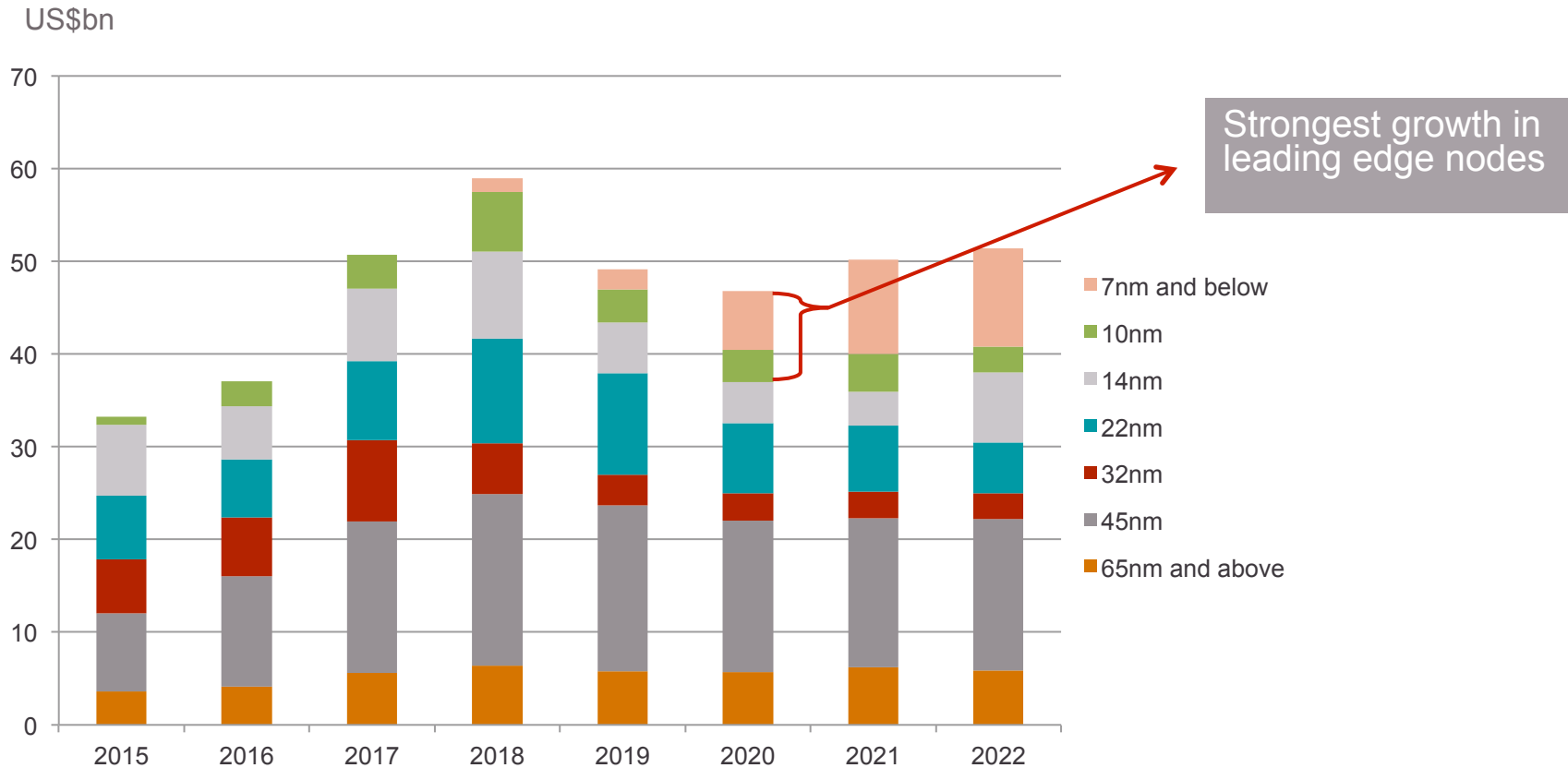
CAGR  
'17-23

Consumer Electronics	+4%
Compute (ex. Servers)	-1%
Communication (ex. Smartphones)	+2%
Smartphones	+3%
Servers	+3%
Solid-State Drives	+15%
Industrial	+8%
Automotive	+9%

Gartner, October 2019

- > Smartphones expected to resume growth driven by 5G
- > New structural drivers are Solid State Drives, Servers, Industrial and Automotive

# WAFER FAB EQUIPMENT SPENDING BY NODE



Gartner, October 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

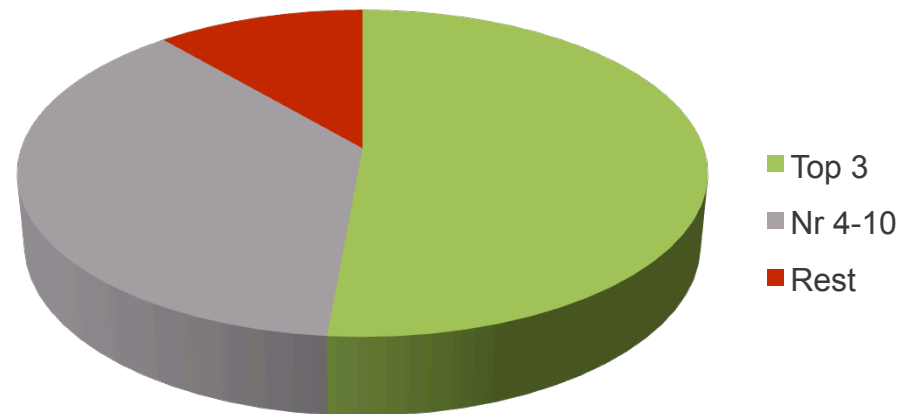
## › **Strong market outlook ALD**

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

- › **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 strongly 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

## › Patent litigation settlement

- ASMI announced on October 30 to have settled the arbitration case with Kokusai Electric Corporation (KEC), as part of which KEC will pay ASM US\$61m (approx. €56m)
- This arbitration settlement is separate from the patent litigation settlement that was announced on July 1, 2019, and as part of which KEC agreed to pay ASM US\$115m
- All pending patent license disputes between ASM and KEC have now been resolved

## › Shareholder remuneration

- Earlier announced €100m share buyback expected will start as from early November
- Announced an interim dividend of €1.00 per share, ex-dividend date November 5, 2019

# ASMPT RESULTS

	Q3 2018	Q2 2019	Q3 2019
Net profit ASMPT (€ million, 100% based)	66	8	24
Normalized result from investments (including ASMI's share of ASMPT net profit)	16.8	2.0	6.5
Amortization intangible assets resulting from the sale of ASMPT stake in 2013	(3.1)	(3.4)	(3.5)
Results from investments after amortization	13.7	(1.4)	(3.1)

- › 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 €13.7m in 2019

# FINANCIAL OVERVIEW

# Q3 2019 HIGHLIGHTS

- › Revenue was up 39% y-o-y and up 4% q-o-q (excluding the €103m gain from the patent litigation settlement in Q2)
- › Bookings up 13% y-o-y and up 8% q-o-q (excluding settlement in Q2). Book-to-bill ratio of 1.1. Q3 backlog of €330m up from €300m in Q2
- › Gross margin 42.4% in Q3 compared to 42.8% in Q2 excluding settlement, with the difference explained by mix effects
- › SG&A dropped 15% q-o-q mainly due to lower legal expenses
- › R&D increased 26% q-o-q due to higher amortization and lower capitalization of development expenses
- › Currency translation gain of €14m in Q3 compared to translation loss of €5m in Q2
- › Normalized net earnings\* of €57m in Q3 compared to €125m in Q2 (including settlement)
- › Free cash flow was €17m positive in Q3 2019, excluding settlement effects, with strong profitability partly offset by outflow for working capital and evaluation tools

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

Based upon the current backlog and our current visibility:

For Q4, on a currency comparable level, we expect sales of €310-330 million while bookings, on a currency comparable level, are expected to be in the range of €290-310 million. This guidance for both sales as well as orders does not include the proceeds of US\$61 million related to the settlement of the arbitration proceeding with Kokusai Electric Corporation, which will be added to those numbers in Q4.

For 2019, general expectations are now that the wafer fab equipment (WFE) market will decline with a mid-teens percentage. Market demand in the memory segment generally continues to be weak while visibility remains limited. Market demand in the logic and foundry segments is solid in 2019, driven by spending on the most advanced nodes, and expected to continue into the first part of 2020. We expect to strongly outperform the WFE market in 2019.



# NET EARNINGS

€ million	Q3 2018	Q2 2019	Q3 2019
New orders	258.0	373.1	291.8
Backlog	251.8	299.6	330.4
Book-to-bill	1.3	1.0	1.1
Net sales	195.7	363.3	271.2
Equipment sales	148.7	207.7	216.2
Spares & service	47.0	52.5	55.0
Patent litigation settlement	-	103.1	-
Gross profit	80.0	214.4	114.9
Gross profit margin %	40.9%	59.0%	42.4%
Selling, general and administrative expenses	(30.2)	(40.3)	(34.2)
Research and development expenses	(21.8)	(23.8)	(30.1)
Operating result	28.0	150.2	50.6
Operating margin %	14.3%	41.3%	18.7%
Net interest expenses	(0.3)	-	-
Currency translation gains / (losses)	1.0	(4.5)	13.8
Income tax	(3.4)	(22.6)	(14.1)
Normalized result from investments	16.8	2.0	6.5
Amort. intangibles resulting from the stake sale ASMPT 2013	(3.1)	(3.4)	(3.5)
Net earnings	39.1	121.6	53.5
Normalized net earnings (excl. amortization intangibles resulting from the stake sale ASMPT in 2013)	42.2	125.0	57.0

*Numbers based on reported financials*

# R&D EXPENDITURE

€ million	Q3 2018	Q2 2019	Q3 2019
R&D expenditure	(30.7)	(37.4)	(38.4)
Capitalized development expenditure	11.7	17.1	13.1
Amortization capitalized development expenditure	(2.8)	(3.4)	(4.6)
Impairment capitalized development expenditure	(0.1)	-	(0.1)
<b>R&amp;D expenses</b>	<b>(21.8)</b>	<b>(23.8)</b>	<b>(30.1)</b>

# CASH FLOW

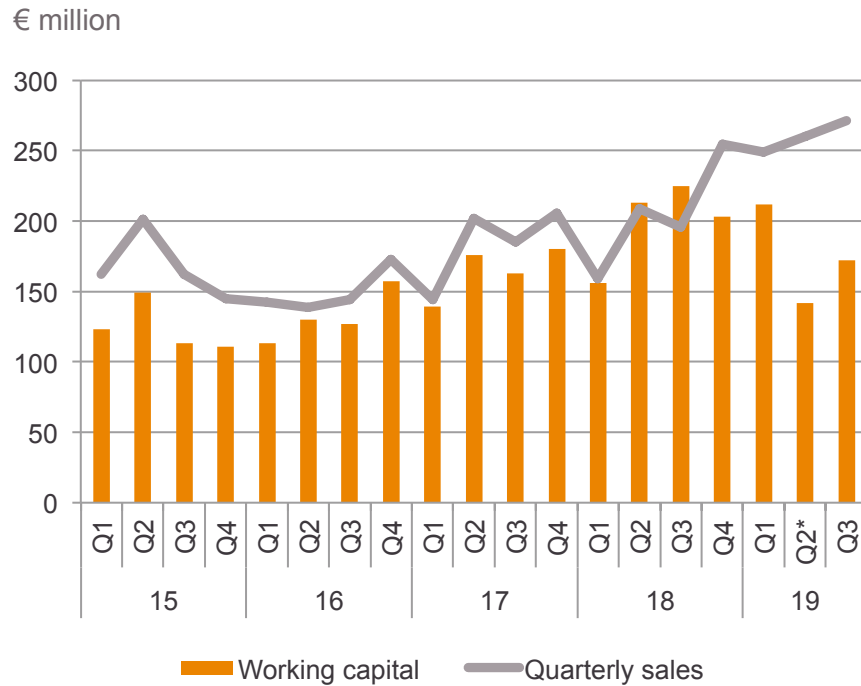
€ million	Q3 2018	Q2 2019	Q3 2019
Net earnings	39.1	121.6	53.5
Depreciation, amortization and impairments	13.9	17.5	19.1
Result from investments	(13.7)	1.4	(3.1)
Evaluation tools	(5.6)	1.4	(9.7)
Other adjustments	(8.3)	26.6	4.9
Change in working capital	(9.8)	(37.0)	27.4
<b>Net cash from operating activities</b>	<b>15.5</b>	<b>131.5</b>	<b>92.1</b>
Capital expenditure	(20.7)	(9.2)	(10.2)
Capitalized development expenditure	(11.7)	(17.1)	(13.1)
Dividend received from investments	14.5	16.5	15.5
Other	(0.4)	(0.1)	(0.3)
<b>Net cash from investing activities</b>	<b>(18.4)</b>	<b>(9.9)</b>	<b>(8.1)</b>
Dividend paid to ASMI shareholders	(6.5)	(49.4)	(0.1)
Capital repaid to ASMI shareholders	(208.8)	-	-
Share buyback	(167.4)	-	-
Other	-	0.8	1.2
<b>Net cash from financing activities</b>	<b>(382.7)</b>	<b>(48.6)</b>	<b>1.1</b>

*Numbers based on reported financials*

# BALANCE SHEET

€ million	Dec 31, 2018	Jun 30, 2019	Sep 30, 2019
Cash and cash equivalents	286	382	480
Accounts receivable	173	260	241
Inventories	172	170	177
Other current assets	49	49	57
Right-of-use assets	-	30	30
Investments in associates	790	777	793
Property, plant and equipment	149	149	155
Goodwill and other intangible assets	161	186	200
Evaluation tools at customers	45	40	49
Other non-current assets	23	15	15
<b>Total Assets</b>	<b>1,848</b>	<b>2,058</b>	<b>2,197</b>
Accounts payable	81	93	108
Short-term debt	-	-	-
Other current liabilities	114	157	170
Long-term debt	-	-	-
Other non-current liabilities	12	30	30
Equity	1,642	1,777	1,888
<b>Total Liabilities and Equity</b>	<b>1,848</b>	<b>2,058</b>	<b>2,197</b>

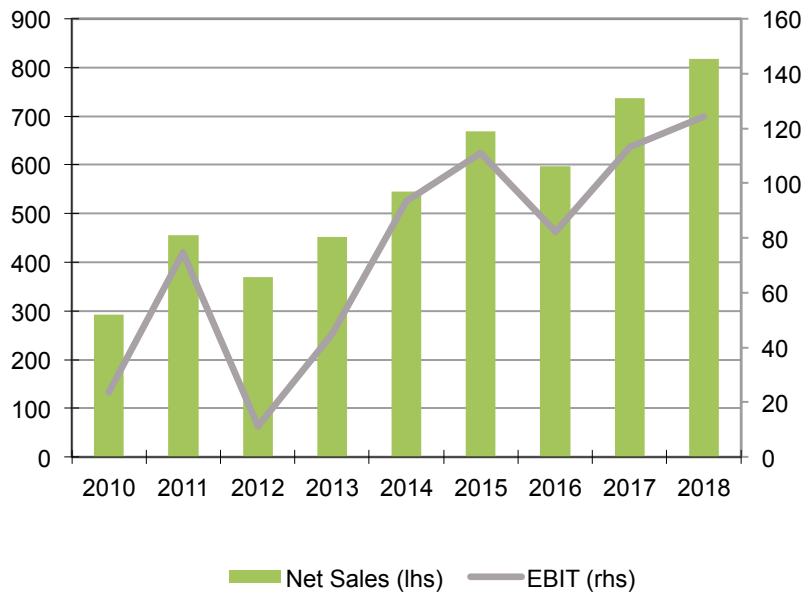
# WORKING CAPITAL



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

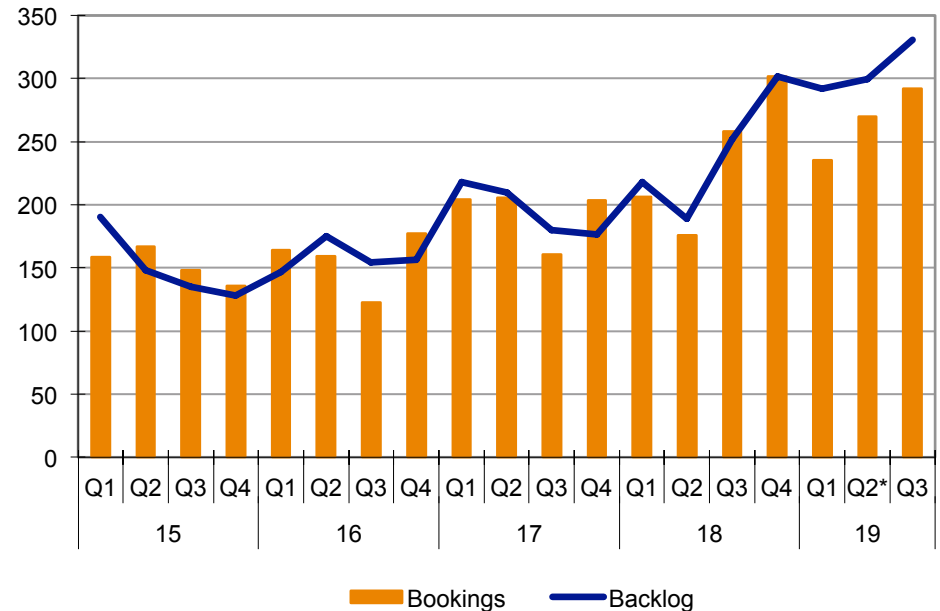
# HISTORICAL DEVELOPMENT

€ million



Numbers based on audited financials

€ million



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

