

ASML's Record Order Levels Show Chipmakers Are Stocking Up (1)
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By Amy Thomson and Debby Wu

(Bloomberg) -- ASML Holding NV said orders for machines that make high-end semiconductors rose to a record as chipmakers including Samsung Electronics Co. and Taiwan Semiconductor Manufacturing Co. insure themselves against future shortages. The company has a de-facto monopoly on so-called EUV machines, advanced extreme ultraviolet lithography equipment needed to make cutting-edge chips that are faster, cheaper and more efficient. It also makes deep ultraviolet machines required for production of more mature chips, competing in that space with Japan's Nikon Corp.

ASML is working to increase capacity with chipmakers still pulling their way out of a prolonged shortage that hit during the Covid-19 pandemic. The result of diminished manufacturing capacity to protect workers against the spread of the virus, as well as underestimated demand, the shortfall has also pushed governments in Europe and the U.S. to look for ways to increase their domestic capacity to produce the chips.

Chief Executive Officer Peter Wennink said that trend, which he called "technological sovereignty," will also boost orders. The company has historically underestimated how quickly the industry would grow in the past 15 years and Wennink said it's working to boost manufacturing to keep up.

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"Clearly we've seen in 2021, the reaction of the industry at large, the electronic industry, to the Covid year," he said, predicting that "the catch up effect that will stretch into 2022."

ASML is also discussing ways of increasing supply capacity of both its new and older machines, including increasing headcount and floorspace. Longer term, demand will be driven by advanced chips needed to run artificial intelligence and high-powered computing as well as the proliferation of sensors needed for gadgets like connected home appliances.

The shares rose as much as 4.6% to 609.40 euros in Amsterdam. The stock has jumped 51% this year. That compares with a 20% gain on the Stoxx 600 Technology Index.

New technologies that will rely on faster 5G networks in devices from laptops to cars to home appliances will drive 35%

growth in the company's logic business this year, as the less advanced chips that help run sensors in these devices see higher demand, Wennink said.

ASML continues to benefit from "an explosive momentum" driven by investment, Oddo analyst Stephane Hourri said in a note on Wednesday. The shares are likely to continue to rise following the report and their price reflects the company's "exceptional position," he said.

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Third-quarter revenue will come in at 5.2 billion euros (\$6.1 billion) to 5.4 billion euros, ASML said a statement Wednesday. That's ahead of the 4.69 billion-euro average analyst forecast in a Bloomberg survey. ASML's order book is currently 17.5 billion euros, of which "a very significant part is EUV," said Wennink.

The chip-gear maker is also planning a new share buyback program of as much as 9 billion euros.

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