

ASML profits soar, 'positive' signs for chips despite trade spats

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Positive signs for ASML.

Dutch tech giant ASML, which supplies chipmaking machines to the semiconductor industry, reported Wednesday a rise in annual net profit despite a high-tech trade spat between China and the West.

The firm painted a bright future, especially in 2025, as the rise of artificial intelligence (AI) was poised to fuel a boom in demand for semiconductors.

Net profits came in at 7.8 billion euros (\$8.5 billion) for 2023, the firm said in its annual results, compared to 5.6 billion euros the previous year.

"The semiconductor industry continues to work through the bottom of the cycle," CEO Peter Wennink said in a statement.

"Although our customers are still not certain about the shape of the semiconductor market recovery this year, there are some positive signs," he added.

Traders cheered the results, with ASML stock soaring around seven percent at the opening bell, outperforming the wider Amsterdam market, which was up 1.5 percent.

ASML is one of the world's leading manufacturers of equipment to make state-of-the-art semiconductor chips, which power everything from mobile phones to cars.

"Without high-end logic, there's no AI. Without high-end memory, there's no AI. Without ASML, there is no high-end logic or high-end memory," said chief financial officer Roger Dassen

"It's very very clear that the AI development will have a very significant contribution to our business in 2025."

But the semiconductor industry has become a geopolitical battleground as the West seeks to restrict China's access over fears the chips could be used for advanced weaponry.

ASML announced earlier this month that it had been blocked from exporting "a small number" of its advanced machines to China, amid reports of US pressure on the Dutch government.

At the time, Beijing lashed out at what it called "bullying behavior" by Washington, adding that it "seriously violates international trade rules".

China has described the restrictions placed on exports as "technological terrorism".

Amid the trade tensions with China, there are also concerns Beijing may introduce its own export controls on gallium and germanium—two rare earth metals critical for the manufacture of semiconductors.

ASML has shrugged off the financial impact of the geopolitical headwinds, with top officials saying the firm is well placed to weather the storm.

The firm said that 29 percent of its sales came from China, more than double the percentage of last year (14 percent).

The impact of the restrictions on the Chinese business was expected to be around 10-15 percent of the 2023 sales, ASML said.

'Significant growth' for 2025

The company has said it expects flat sales this year, which it has called a "transition year", before registering "significant growth" in 2025.

Overall net sales for 2023 came in at 27.6 billion euros, up from 21.1 billion euros in 2022.

The numbers for the fourth quarter were also slightly better than the

firm had expected, with profits of 2.0 billion euros on sales of 7.2 billion euros.

ASML said its pipeline was also robust, with net bookings nearly tripling to 9.2 billion euros in the fourth quarter compared to 2.6 billion euros in the third.

"Our strong order intake in the fourth quarter clearly supports future demand," Wennink said.

However, net bookings were down for the year as a whole, at 20.0 billion euros compared to 30.6 billion euros in 2022.

The firm said sales in the first quarter of this year were expected to slow compared to the pace set in the fourth quarter of last year, with a forecast of 5.0 to 5.5 billion euros.

"In spite of the positive signs as described above, we maintain our conservative view for the total year and expect 2024 revenue to be similar to 2023," Wennink said.

"We also expect 2024 to be an important year to prepare for significant growth that we expect for 2025."

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