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STMicroelectronics Q1 2023 Financial Results

April 27, 2023

Forward looking information

Some of the statements contained in this release that are not historical facts are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those anticipated by such statements, due to, among other factors:

- changes in global trade policies, including the adoption and expansion of tariffs and trade barriers, that could affect the macro-economic environment and adversely impact the demand for our products;*
- uncertain macro-economic and industry trends (such as inflation and fluctuations in supply chains), which may impact production capacity and end-market demand for our products;*
- customer demand that differs from projections;*
- the ability to design, manufacture and sell innovative products in a rapidly changing technological environment;*
- changes in economic, social, public health, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macroeconomic or regional events, geopolitical and military conflicts (including the ongoing conflict between Russia and Ukraine), social unrest, labor actions, or terrorist activities;*
- unanticipated events or circumstances, which may impact our ability to execute our plans and/or meet the objectives of our R&D and manufacturing programs, which benefit from public funding;*
- financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;*
- the loading, product mix, and manufacturing performance of our production facilities and/or our required volume to fulfill capacity reserved with suppliers or third-party manufacturing providers;*
- availability and costs of equipment, raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations (including increasing costs resulting from inflation);*
- the functionalities and performance of our information technology ("IT") systems, which are subject to cybersecurity threats and which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers, suppliers, partners and providers of third-party licensed technology;*
- theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of data privacy legislation;*
- the impact of intellectual property claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;*
- changes in our overall tax position as a result of changes in tax rules, new or revised legislation, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*
- variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;*
- the outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;*
- product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;*
- natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, the effects of climate change, health risks and epidemics or pandemics such as the COVID-19 pandemic in locations where we, our customers or our suppliers operate;*
- increased regulation and initiatives in our industry, including those concerning climate change and sustainability matters and our goal to become carbon neutral by 2027;*
- potential loss of key employees and potential inability to recruit and retain qualified employees as a result of epidemics or pandemics such as the COVID-19 pandemic, remote-working arrangements and the corresponding limitation on social and professional interaction;*
- the duration and the severity of the global outbreak of COVID-19 may continue to negatively impact the global economy in a significant manner for an extended period of time, and also could materially adversely affect our business and operating results;*
- industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers; and*
- the ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third-party components and performance of subcontractors in line with our expectations.*

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as "believes," "expects," "may," "are expected to," "should," "would be," "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

Some of these risks are set forth and are discussed in more detail in "Item 3. Key Information — Risk Factors" included in our Annual Report on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission ("SEC") on February 23, 2023. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this press release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.

Unfavorable changes in the above or other risks or uncertainties listed under "Item 3. Key Information — Risk Factors" from time to time in our SEC filings, could have a material adverse effect on our business and/or financial condition

Highlights

Q1 2023

- Net revenues of \$4.25B came in better than expected in Automotive and Industrial partially offset by lower revenues in Personal Electronics,
- Gross margin of 49.7%, 170 bps above guidance mid-point mainly due to product mix in a price environment that remained favorable,
- Net revenues were up 19.8% Y/Y and down 4.0% Q/Q,
- Y/Y operating margin increased to 28.3% from 24.7% and net income grew 39.8% to \$1.04B.

Q2 2023

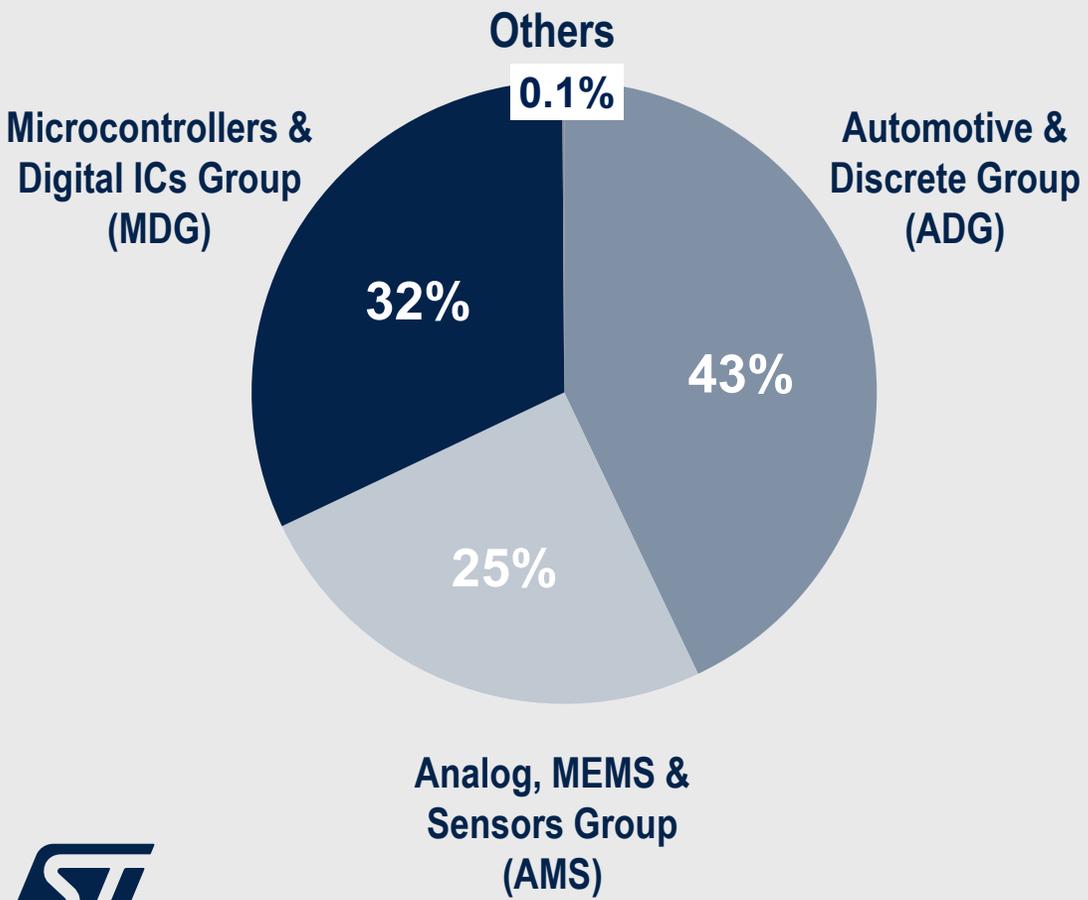
- Outlook at mid-point is for net revenues of \$4.28B, increasing 11.5% Y/Y and 0.8% Q/Q,
- Gross margin expected to be about 49.0% at the mid-point.

FY 2023

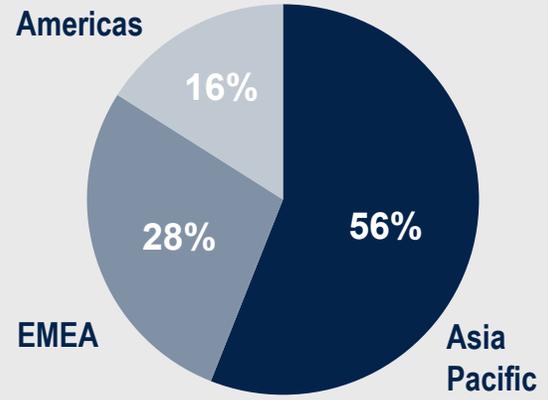
- We now will drive ST based on a plan for FY23 revenues in the range of \$17.0B to \$17.8B, representing a Y/Y growth range of about 5% to 10%.

Q1 2023 Revenues

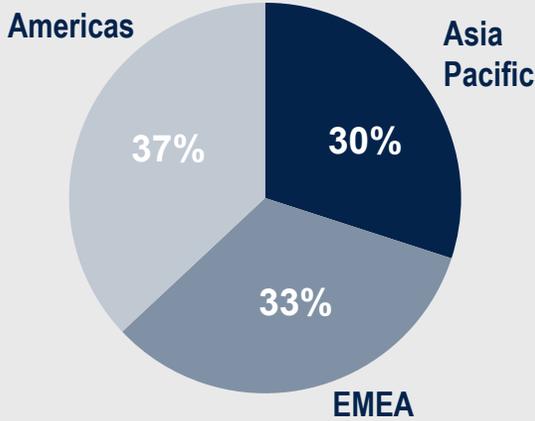
% by product group



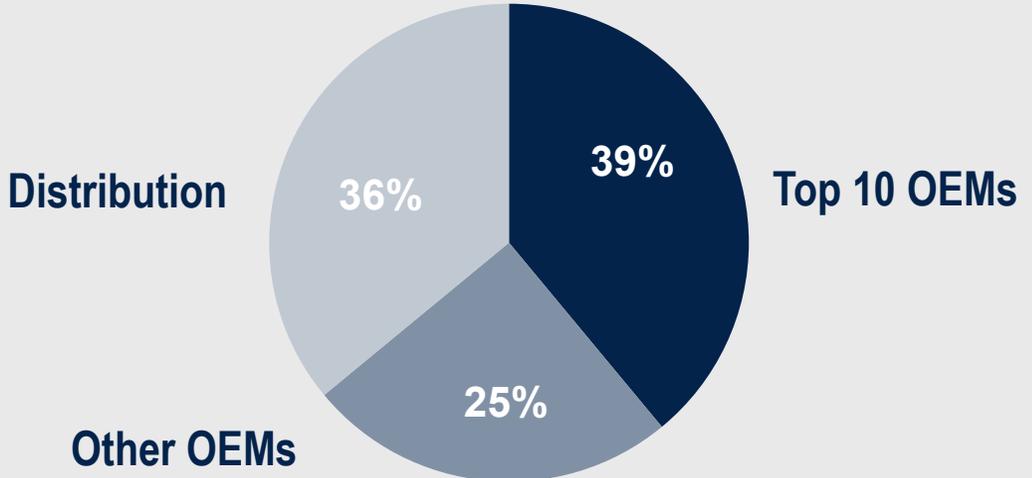
% by shipment location



% by region of origin

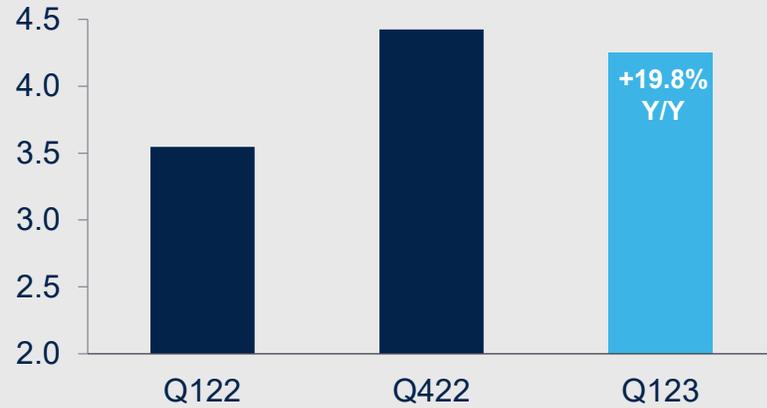


% by customer type

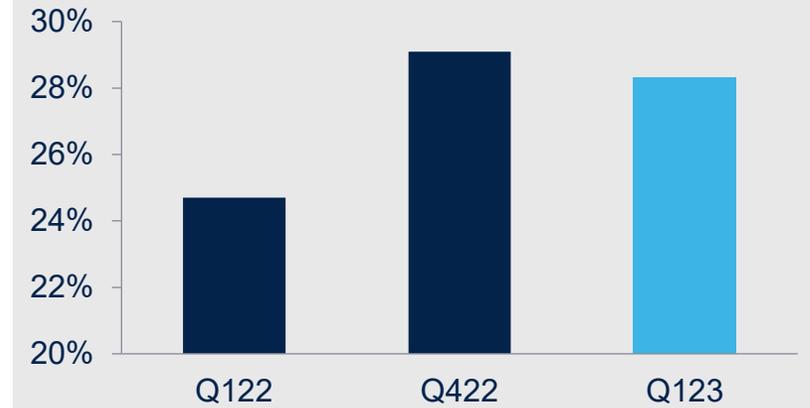


Q1 2023 Financial highlights

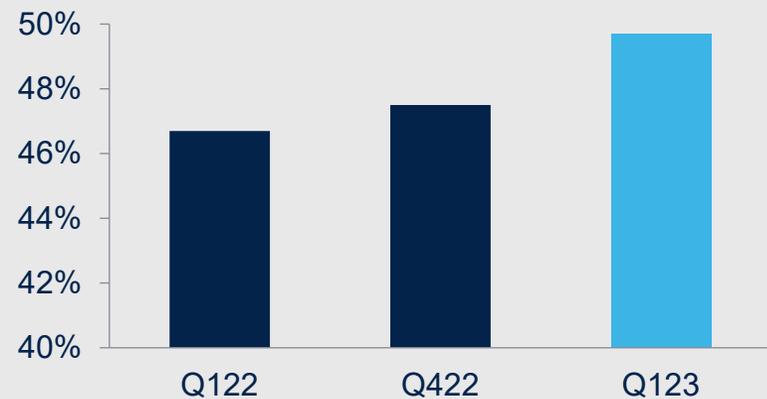
Revenues = \$4.25B



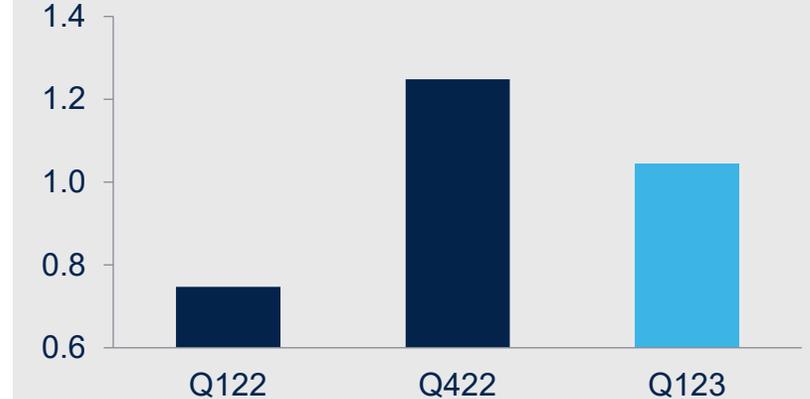
Operating Margin = 28.3%



Gross Margin = 49.7%



Net Income = \$1.04B



Q1 2023 Product group results

Automotive & Discrete (ADG)

Revenues = \$1,807M
Operating Margin = 32.0%



Analog, MEMS & Sensors (AMS)

Revenues = \$1,068M
Operating Margin = 20.4%

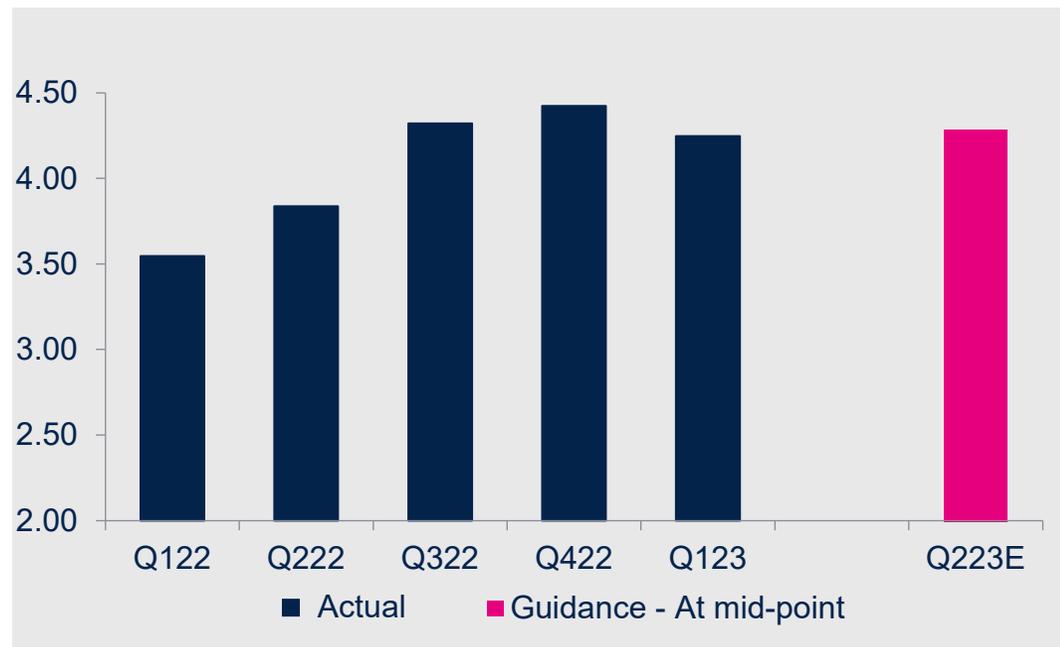


Microcontrollers & Digital ICs (MDG)

Revenues = \$1,368M
Operating Margin = 36.2%



Q123 Revenues = \$4.25B



Q123 revenues up 19.8% Y/Y

- ADG and MDG revenues increased 43.9% and 13.2%, respectively, while AMS slightly decreased 0.9%,
- Revenues to OEMs and Distribution increased 17.5% and 24.0%, respectively.

Q123 revenues down 4.0% Q/Q

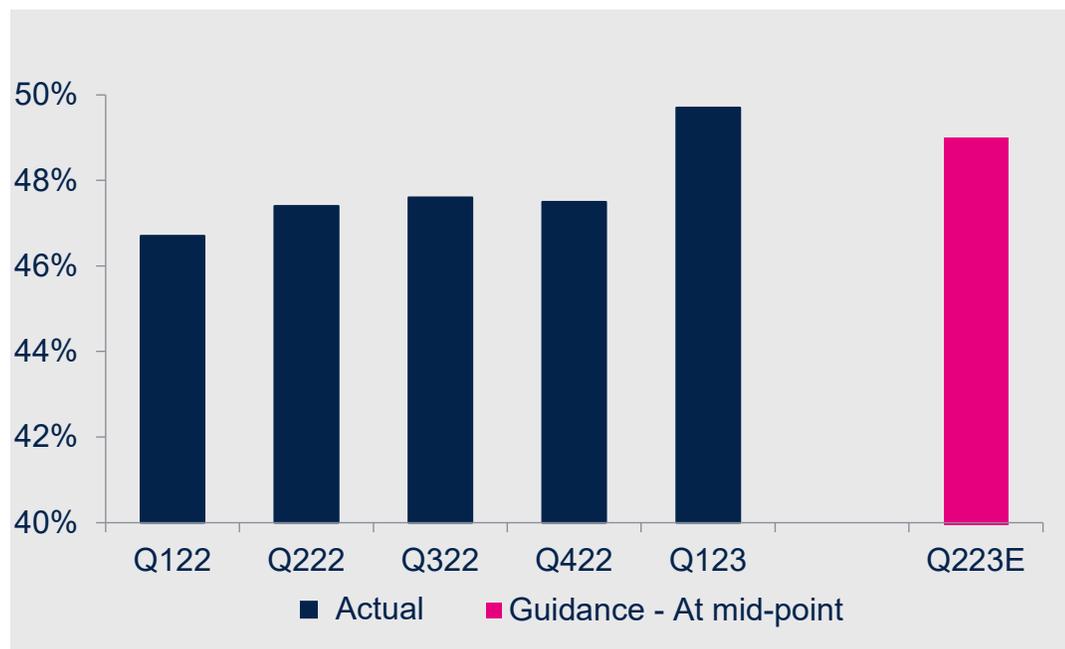
- 110 bps above the mid-point of the Company's guidance,
- ADG reported an increase in net revenues on a sequential basis, while AMS and MDG decreased, as expected.

Q223 Revenues Outlook

Up Q/Q by about 0.8% (+/- 350 bps)
Up Y/Y by about 11.5% at mid-point

Gross margin

Q123 Gross Margin = 49.7%



Q123 Gross Margin

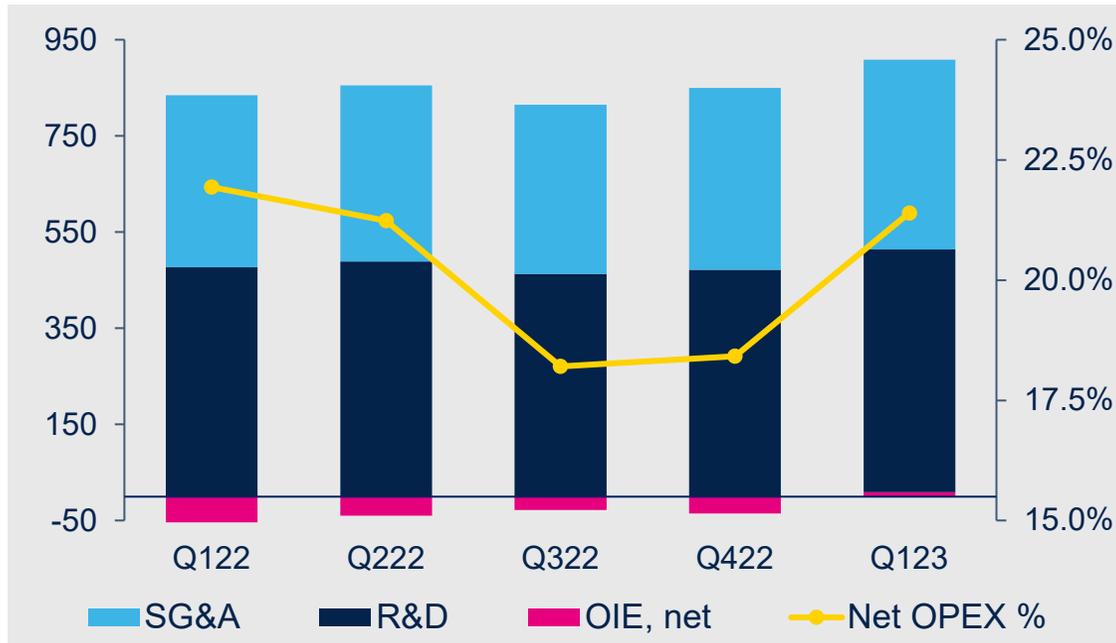
- Up 300 bps Y/Y mainly due to product mix, favorable pricing, positive currency effects, net of hedging, partially offset by higher manufacturing costs,
- Up 220 bps Q/Q,
- 170 bps above the mid-point of the Company's guidance.

Q223 Gross Margin Outlook

About 49.0% (+/- 200 bps)

Net operating expenses*

Q123 Net Operating Expenses = \$909M



Q123 Combined SG&A and R&D at \$900M

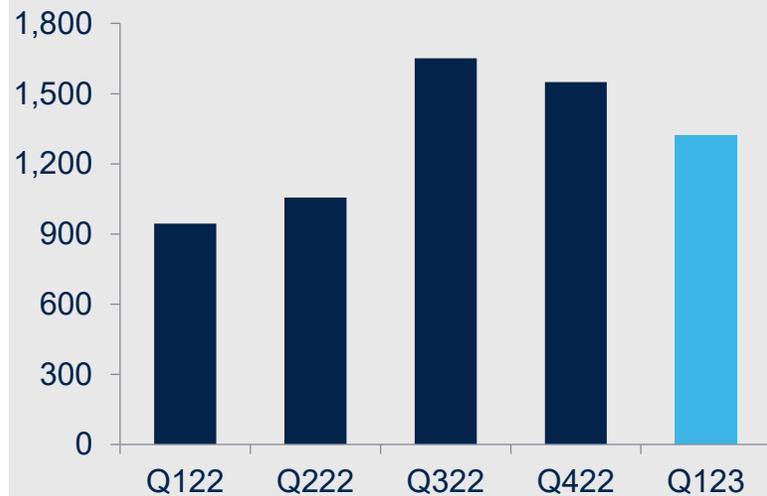
- 21.2% of revenues.

Q123 Net Operating Expenses at \$909M

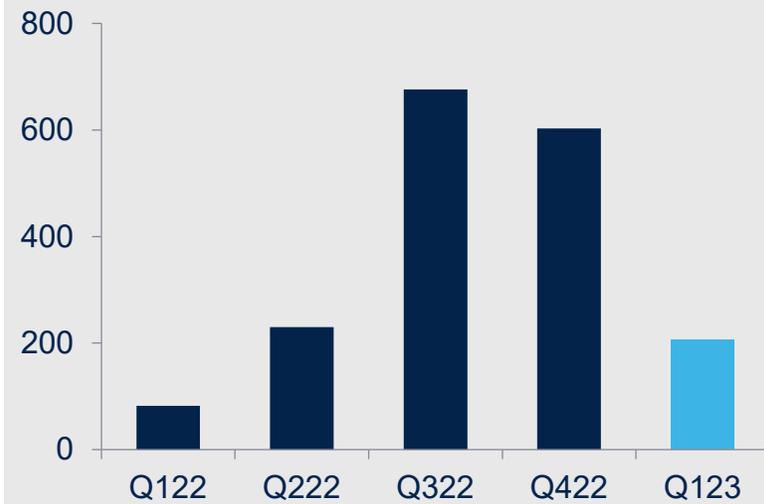
- 21.4% of revenues.

Q1 2023 Financial flexibility

Net Cash From Operating Activities = \$1,320M



Free Cash Flow* = \$206M



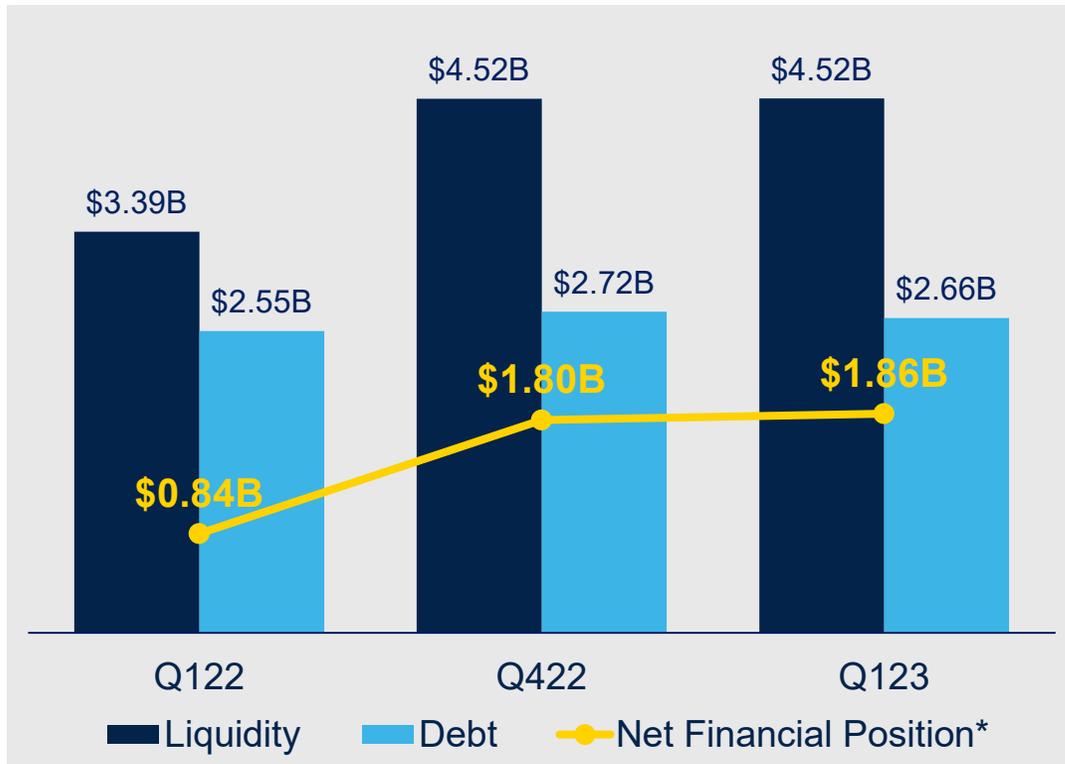
Capex = \$1,090M



Cash dividends paid to stockholders totaled \$54M in Q123.

In Q123 we repurchased shares totaling \$87M under our current share repurchase program.

Solid capital structure



ST is in a solid position from a capital, liquidity and balance sheet perspective.

ST credit rating is well within investment grade with Positive Outlook from S&P and Moody's and a Stable Outlook from Fitch (BBB, Baa2, BBB respectively).

Q1 2023 Automotive highlights

ADG

Wins with ACEPACK power modules and SiC MOSFETs for traction inverter. Wins with silicon MOSFETs in battery management systems

ADG

Design wins from multiple Electric Vehicle makers including our Stellar automotive MCU for an on-board charging application

ADG

Wins with our e-fuse products in a zonal controller solution for next generation car architectures

AMS

Successful with our global shutter automotive image sensor in driver monitoring systems

ADG

AMS

Wins with SPC5 microcontrollers and latest secure door zone product. Several new sensor designs for vehicle dynamics, airbag and anti-theft

Q1 2023 Industrial highlights

Wins with system solutions comprised of power discrete, power management, and STM32 MCUs in renewable energy applications

ADG

Multi-product solution designs for smart meters and smart grid applications

AMS

MDG

Won sockets with intelligent power switches, motor drivers, industrial sensors and secure solutions in industrial automation, asset tracking, and server power supplies

STM32 announcements:

- New highly affordable MCU series to replace 8-bit MCUs
- New high performance MCU series with enhanced security features
- New wireless MCU
- New Microprocessor (MPU) products.
- Certified MCU security platform that combines hardware and software to simplify development of secure embedded applications
- World's first MCU Edge-AI Developer Cloud that includes an online benchmarking service for edge-AI models on STM32 boards.

MDG

Q1 2023 Personal electronics highlights

AMS

Won sockets in flagship smartphones, watches and other wearable devices with NFC controllers and secure element solutions, wireless charging products, MEMS sensors, and time-of-flight ranging sensors

MDG

Q1 2023 Communications Equipment, Computers & Peripherals Highlights

AMS

Products for LEO satellites, computer peripherals including secure solutions, time-of-flight sensors and MCUs, and ASICs for

MDG

communications infrastructure based on our proprietary technologies

2023 Sustainability Report - Key points



On track with our program to be carbon neutral by 2027 and we further increased our global sourcing of electricity from renewable energy growing to 62% in 2022, from 51% in 2021.



Recognized by environmental non-profit CDP (Carbon Disclosure Project) as a global leader in corporate transparency and performance on water security, being one of the few companies to secure a place on its annual 'A List'.



Q2 2023 Outlook

Net Revenues

Q223 outlook, at the mid-point, is for net revenues of **\$4.28B**, increasing 11.5% Y/Y and 0.8% Q/Q, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about **49.0%**, plus or minus 200 bps.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.08 = €1.00 for the 2023 second quarter and includes the impact of existing hedging contracts.

The second quarter will close on July 1, 2023.

We confirm our plan to invest about **\$4.0B** in **CAPEX**.

80% of this amount is mainly related to the increase of our 300mm wafer and silicon carbide manufacturing capacity including, for silicon carbide, our substrate initiative. The remaining **20%** is for R&D, laboratories, manufacturing maintenance and efficiency and our corporate sustainability initiatives.

Based on our visibility, we will now drive the Company based on a plan for **FY23 revenues** in the **range of \$17.0B to \$17.8B**, representing a **growth** over 2022 of **about 5% to 10%**.

Automotive and Industrial will be the key growth drivers of our revenues in 2023.

Takeaways

We are operating in an environment with significantly different dynamics depending on the end markets we serve.

Based on our leadership positions, strategic approach and current visibility, we anticipate in 2023 another year of revenue growth and profitability improvement toward our \$20B+ ambition and related financial model.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q122	Q222	Q322	Q422	FY22	Q123
Net Revenues	3,546	3,837	4,321	4,424	16,128	4,247
Gross Margin	46.7%	47.4%	47.6%	47.5%	47.3%	49.7%
Operating Income Operating Margin	877 24.7%	1,004 26.2%	1,272 29.4%	1,287 29.1%	4,439 27.5%	1,201 28.3%
Net Income – Reported	747	867	1,099	1,248	3,960	1,044
EPS Diluted (\$/share)	0.79	0.92	1.16	1.32	4.19	1.10
Free Cash Flow* Net Financial Position*	82 840	230 924	676 1,457	603 1,801	1,591 1,801	206 1,855
Effective Exchange Rate €/€	1.15	1.12	1.08	1.04	1.10	1.06

Appendix

- **Net financial position (non-U.S. GAAP measure)**: represents the difference between our total liquidity and our total financial debt. Our total liquidity includes cash and cash equivalents, restricted cash, if any, short-term deposits, and marketable securities, and our total financial debt includes short-term debt and long-term debt, as reported in our Consolidated Balance Sheets. The Company believes our Net Financial Position provides useful information for investors and management because it gives evidence of our global position either in terms of net indebtedness or net cash by measuring our capital resources based on cash and cash equivalents, restricted cash, if any, short-term deposits and marketable securities and the total level of our financial debt. Our definition of Net Financial Position may differ from definitions used by other companies, and therefore, comparability may be limited.
- **Free cash flow (non-U.S. GAAP measure)**: is defined as (i) net cash from operating activities plus (ii) net cash used in investing activities, excluding payment for purchases of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits, which are considered as temporary financial investments. This definition ultimately results in net cash from operating activities plus payment for purchase (and proceeds from sale) of tangible, intangible and financial assets and net cash paid for business acquisitions. The Company believes Free Cash Flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operations. Free Cash Flow does not represent total cash flow since it does not include the cash flows generated by, or used in, financing activities. Free Cash Flow reconciles with the total cash flow and the net cash increase (decrease) by including the payment for purchases of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits, the net cash from (used in) financing activities and the effect of changes in exchange rates. Our definition of Free Cash Flow may differ from definitions used by other companies.
- **Net revenues of Others**: include revenues from sales assembly services and other revenues. Operating income (loss) of Others includes items such as unused capacity charges, including reduced manufacturing activity due to COVID-19 and incidents leading to power outage, impairment, restructuring charges and other related closure costs, management reorganization costs, start-up and phase-out costs of certain manufacturing facilities, and other unallocated income (expenses) such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to product groups, as well as operating earnings of other products. Others includes:

(US\$M)	Q122	Q222	Q322	Q422	FY22	Q123
Unused Capacity Charges	9	13	-	-	22	1

Our technology starts with You

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