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# STMicroelectronics Q1 2022 Financial Results

April 27, 2022

# 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, military conflicts, (including the military conflict between Russia and the 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;*
- legal, political and economic uncertainty surrounding Brexit may be a continued source of instability in international markets and currency exchange rate volatility and may adversely affect business activity, political stability and economic conditions and while we do not have material operations in the U.K. and have not experienced any material impact from Brexit on our underlying business to date, we cannot predict its future implications;*
- 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 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 or suppliers;*
- theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of global and local privacy legislation, including the EU's General Data Protection Regulation ("GDPR");*
- 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 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 commitment to be carbon neutral by 2027;*
- potential loss of key employees and potential inability to recruit and retain qualified employees as a result of 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 could also 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, 2021 as filed with the SEC on February 24, 2022. 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 Securities and Exchange Commission filings, could have a material adverse effect on our business and/or financial condition.*

# Highlights

**Q1  
2022**

- Net revenues and gross margin came in above the mid-point of our business outlook range. This performance, driven by strong demand in microcontrollers, was partially offset by temporarily reduced operations at our Shenzhen, China manufacturing facility due to the pandemic, which impacted specifically our ADG revenues,
- Net revenues of \$3.55B were up 17.6% Y/Y,
- Gross margin was 46.7%, up from 39.0% in Q121. Our operating margin was 24.7% from 14.6% in Q121,
- Net income more than doubled Y/Y to \$747M.

**Q2  
2022**

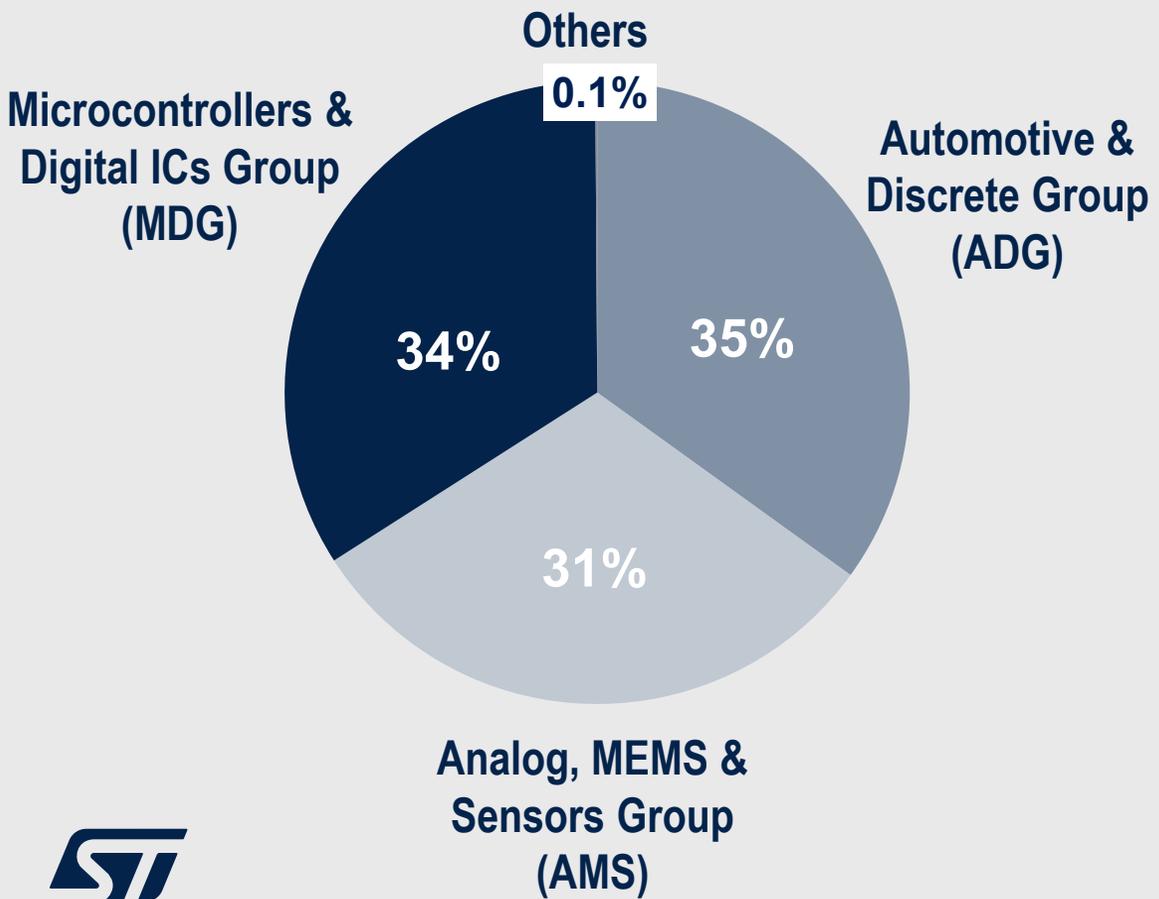
- Outlook at mid-point is for net revenues of \$3.75B, representing an increase of 25.3% Y/Y and 5.8% Q/Q,
- Gross margin expected to be about 46.0% at the mid-point.

**FY  
2022**

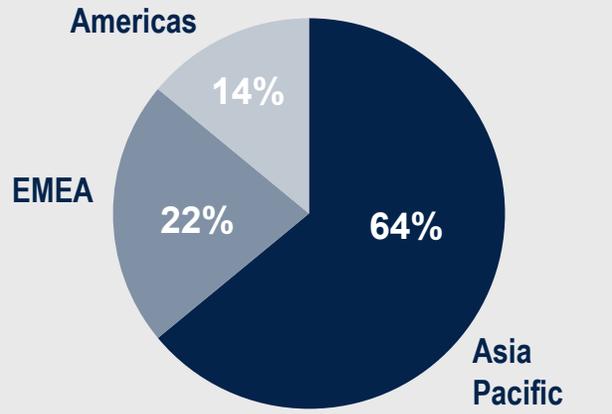
- Based on strong customer demand and increased capacity, we will continue to drive the Company based on a plan for FY22 revenues in the range of \$14.8B to \$15.3B.

# Q1 2022 Revenues

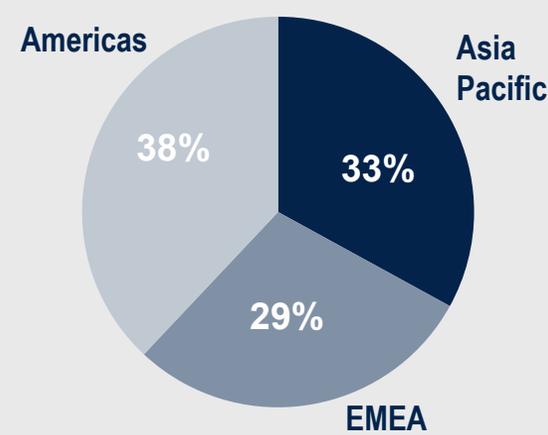
**% by product group**



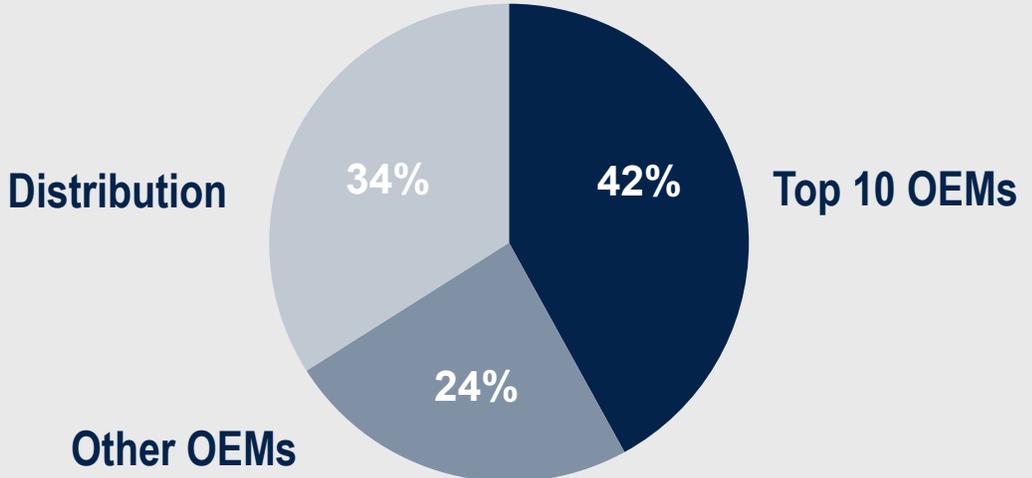
**% by shipment location**



**% by region of origin**

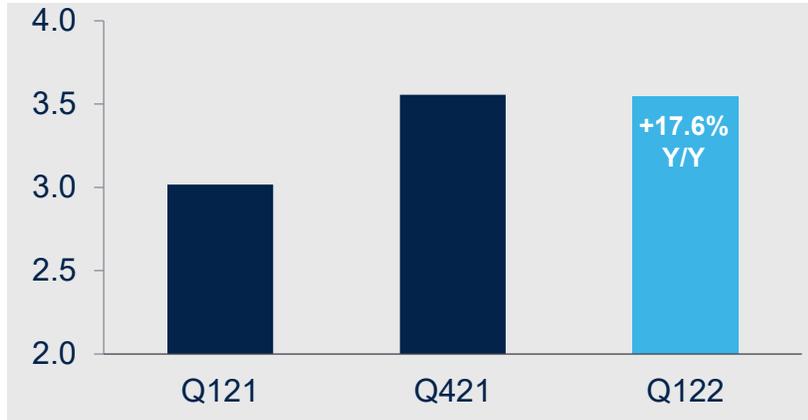


**% by customer type**

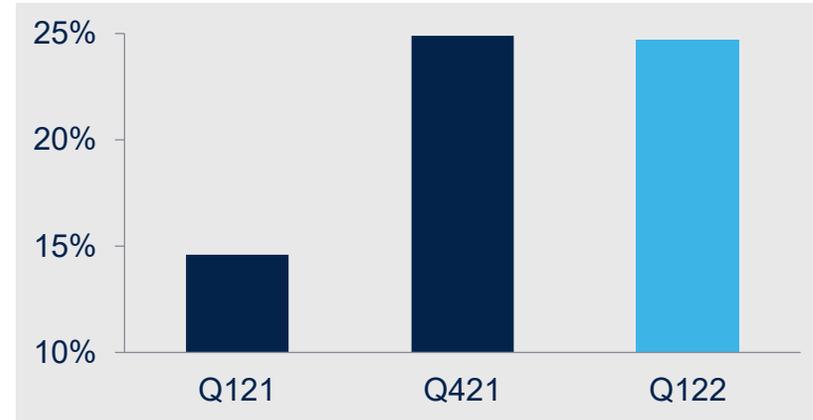


# Q1 2022 Financial highlights

## Revenues = \$3.55B



## Operating Margin = 24.7%



## Gross Margin = 46.7%



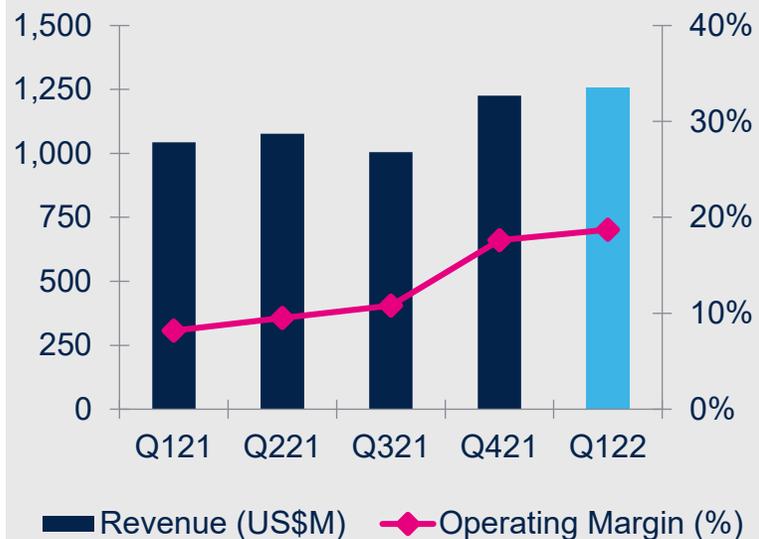
## Net Income = \$747M



# Q1 2022 Product group results

## Automotive & Discrete (ADG)

Revenues = \$1,256M  
Operating Margin = 18.7%



## Analog, MEMS & Sensors (AMS)

Revenues = \$1,087M  
Operating Margin = 22.6%

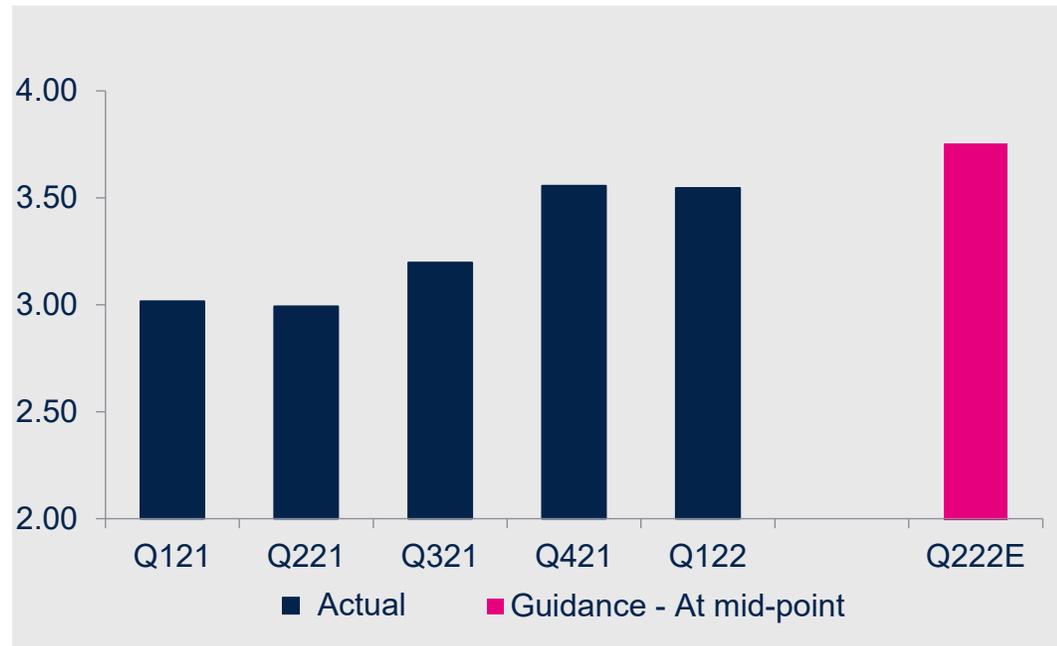


## Microcontrollers & Digital ICs (MDG)

Revenues = \$1,198M  
Operating Margin = 34.0%



## Q122 Revenues = \$3.55B



### Q122 revenues up 17.6% Y/Y

- The Company recorded higher sales in all product groups except, as expected, the Imaging sub-group;
- Revenues to OEMs and Distribution increased 14.4% and 24.0%, respectively.

### Q122 revenues down 0.3% Q/Q

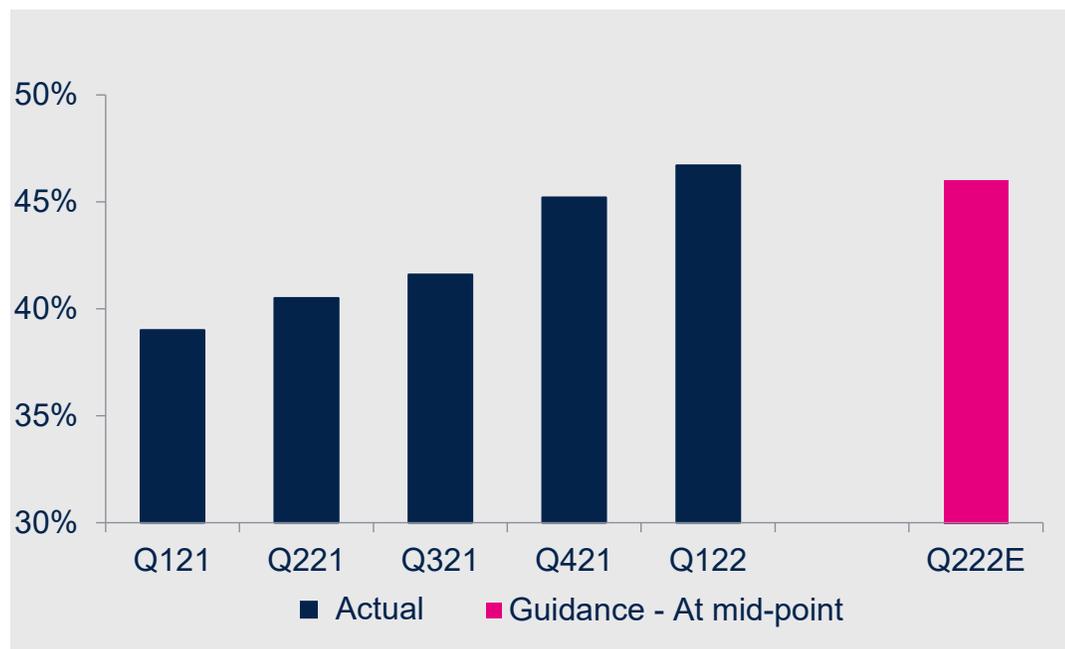
- 130 basis points above the mid-point of the Company's guidance;
- MDG up 12.8% on better-than-expected manufacturing efficiencies for microcontrollers;
- ADG up 2.5%, impacted by the temporarily reduced operations at our Shenzhen, China manufacturing facility due to the pandemic;
- AMS down 13.8%, substantially in line with our expectations

### Q222 Revenues Outlook

Up Q/Q by about 5.8% (+/- 350 bps)  
Up Y/Y by about 25.3% at mid-point

# Gross margin

**Q122 Gross Margin = 46.7%**



## Q122 Gross Margin

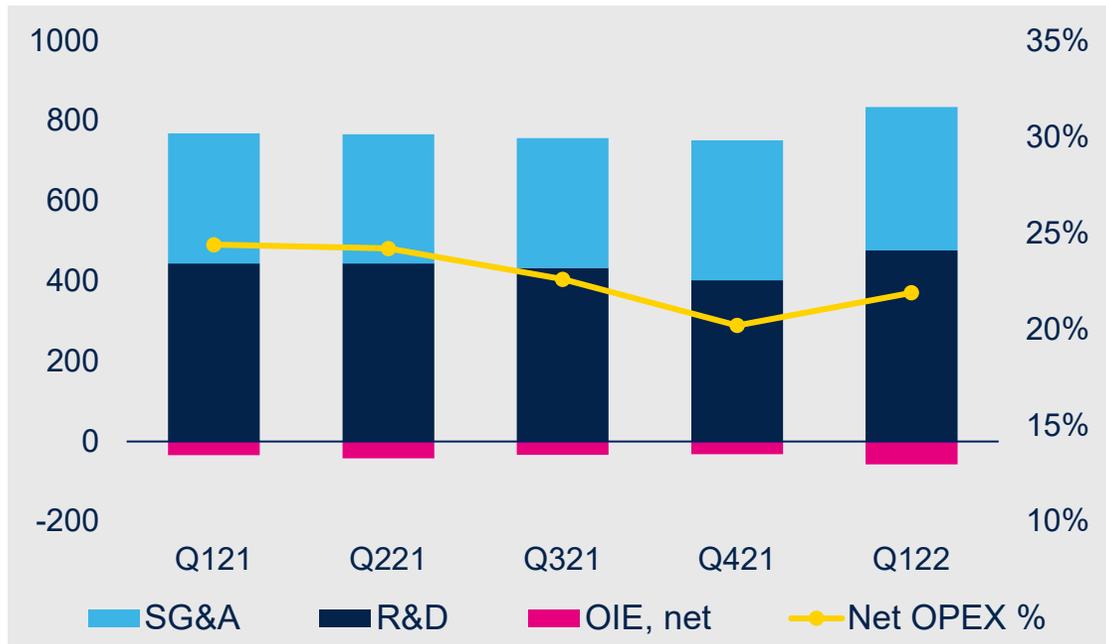
- Up 770 bps Y/Y principally due to improved product mix and favorable pricing;
- Up 150 bps Q/Q;
- 170 bps above the mid-point of the Company's guidance, driven by improved product mix and favorable pricing.

## Q222 Gross Margin Outlook

About 46.0% (+/- 200 bps)

# Net operating expenses (\*)

**Q122 Net Operating Expenses = \$778M**



## Combined SG&A and R&D at \$835M

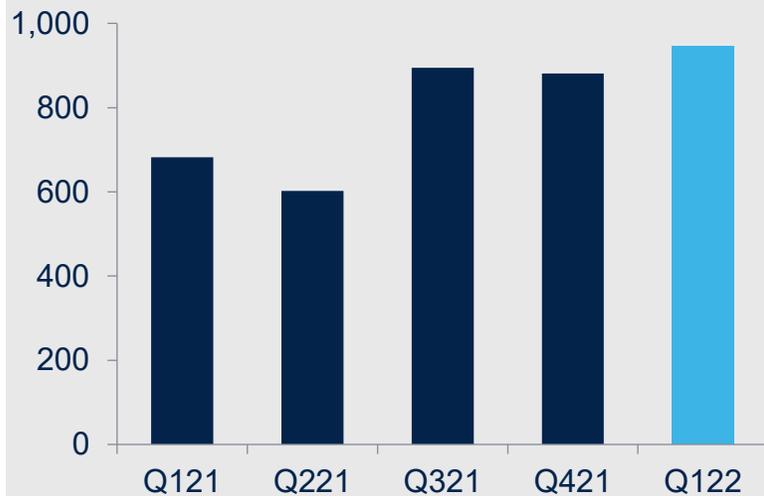
- 23.5% of revenues.

## Net Operating Expenses at \$778M

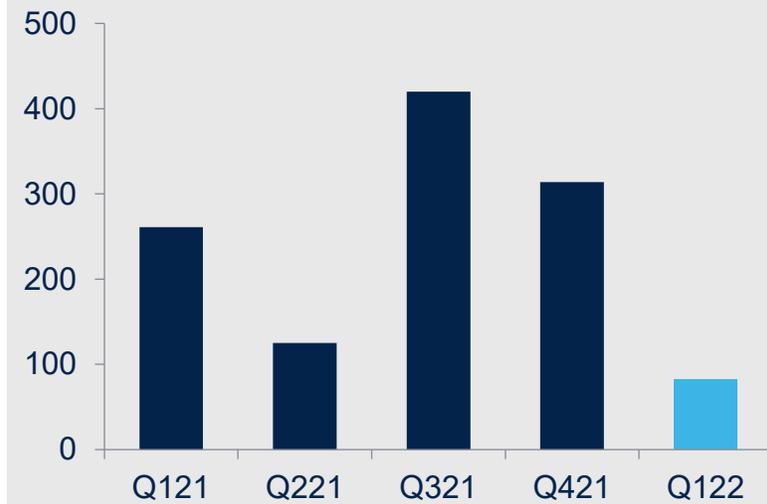
- 21.9% of revenues.

# Q1 2022 Financial flexibility

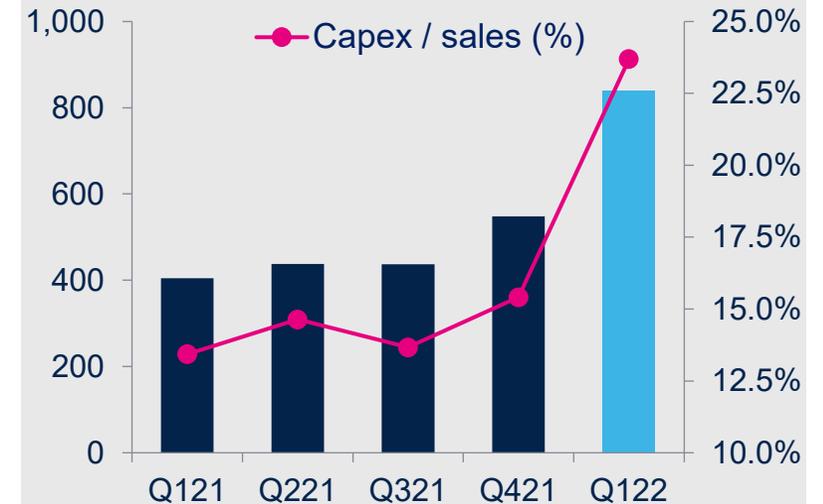
## Net Cash From Operating Activities = \$945M



## Free Cash Flow\* = \$82M



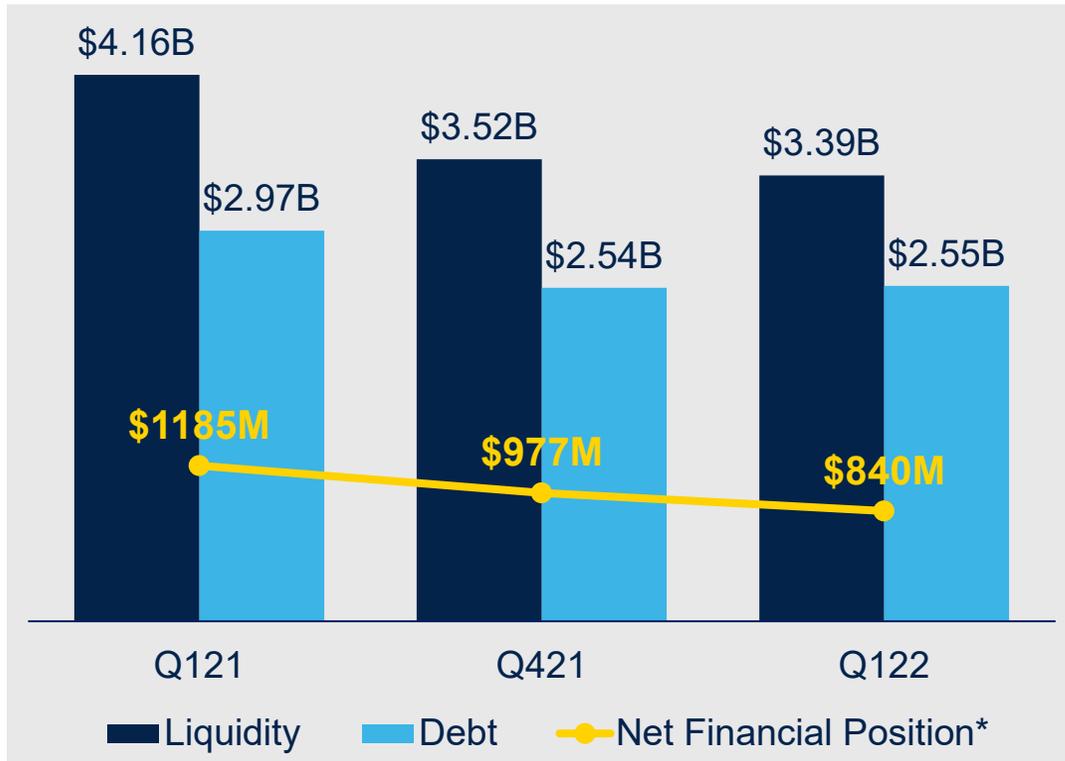
## Capex = \$840M



Cash dividends paid to stockholders totaled \$49M in Q122.

In Q122 we repurchased shares totaling \$86M as part of our current share repurchase program.

# Solid capital structure



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

ST's net financial position\* of \$840M includes a \$107M increase in total financial debt in connection with the adoption on January 1, 2022 of the new U.S. GAAP reporting guidance applicable to convertible debt.

ST is well within investment grade with a Stable Outlook from Moody's, S&P and Fitch.

# Q1 2022 Automotive highlights

ADG

Earned design wins with ST power modules and with a module maker using Gen3 SiC MOSFET technology EV Traction Inverter applications

ADG

Won sockets with EV car makers and Tier1s for microcontrollers, silicon MOSFETs, battery management solutions and ultrafast and SiC diodes

ADG

Designed our next-generation Stellar automotive MCU into a new zonal architecture for software-defined vehicles

ADG

Signed a deal for a V2X chipset in cooperation with Autotalks and had a design-in for Mobileye EyeQ technology from an EV maker for L4 ADAS

AMS

Earned a first win for our 6-axis sensor with embedded Machine Learning Core in an advanced automotive antitheft system



# Q1 2022 Industrial highlights

MDG

Ranked number 1 worldwide in general purpose microcontrollers in 2021

MDG

Building momentum with our STM32 Microprocessor offer, with wins for lighting, programmable logic controllers and smart grid

ADG

Awarded sockets with power discretes in various industrial applications including renewable energy and power saving technologies

AMS

Received awards for analog products in motion control, power-line communication, factory automation and home appliances

AMS

Wins with industrial-grade pressure and waterproof pressure sensors. Introduced first Intelligent Sensor Processing Unit with Gen3 MEMS

## Industrial



# Q1 2022 Personal Electronics highlights



Won sockets in new flagship smartphones with motion and environmental sensors, time-of-flight ranging sensors, wireless charging products, touch display controllers, and secure solutions



Awarded designs in smart watches and other wearables with light, motion and environmental sensors as well as with analog, power, and microcontrollers

## Personal Electronics



# Q1 2022 Communications Equipment, Computers & Peripherals Highlights



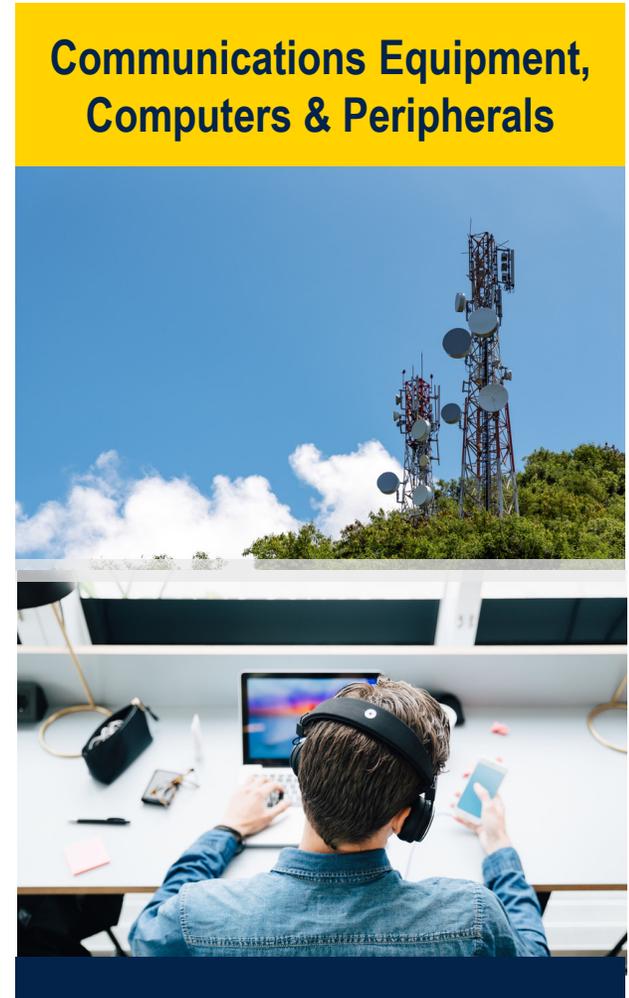
Continued to progress well with key customers engagements in cellular and satellite communication infrastructure



Won socket with secure trusted platform solutions and time-of-flight sensors for laptops, as well as general purpose MCUs



Achieved further wins with our MasterGaN family for high-power-density smart charging adaptors



# Q2 2022 Outlook

## Net Revenues

Q222 outlook, at the mid-point, is for net revenues of **\$3.75B**, growing 25.3% Y/Y and 5.8% Q/Q.

## Gross Margin

Gross margin is expected to be about **46.0%**, plus or minus 200 bps.

*This outlook is based on an assumed effective currency exchange rate of approximately \$1.13 = €1.00 for the 2022 second quarter and includes the impact of existing hedging contracts.*

*The second quarter will close on July 2, 2022.*

## FY22 CAPEX Plan

We confirm our **plan to invest about \$3.4B to \$3.6B in CAPEX** to further increase our production capacity and to support our strategic initiatives, which include the first industrialization line of our new 300mm wafer fab in Agrate, Italy.

## FY22 Revenue Plan

Based on our strong customer demand and our planned investments to increase capacity, we continue to drive the Company based on a **plan for FY22 revenues in the range of \$14.8B to \$15.3B**, representing **growth of about 16% to 20%**.

# Takeaways

Our first quarter results and plans for 2022 underscore our tight focus on accelerating the execution of our strategy and value proposition.

We are on track with our 2022 plans, both in terms of revenues and CAPEX investments to sustain our short and long-term growth objectives.

We look forward to your participation, either in person in Paris or via our live webcast, at our Capital Markets Day on May 12th.

# Appendix

# Historical financial performance

<i>In US\$M, except EPS</i>	Q121	Q221	Q321	Q421	FY21	Q122
<b>Net Revenues</b>	3,016	2,992	3,197	3,556	12,761	3,546
<b>Gross Margin</b>	39.0%	40.5%	41.6%	45.2%	41.7%	46.7%
<b>Operating Income</b> <b>Operating Margin</b>	440 14.6%	489 16.3%	605 18.9%	885 24.9%	2,419 19.0%	877 24.7%
<b>Net Income – Reported</b>	364	412	474	750	2,000	747
<b>EPS Diluted (\$/share)</b>	0.39	0.44	0.51	0.82	2.16	0.79
<b>Free Cash Flow*</b> <b>Net Financial Position*</b>	261 1,185	125 1,081	420 798	314 977	1,120 977	82 840
<b>Effective Exchange Rate €/€</b>	1.19	1.19	1.19	1.17	1.18	1.15

# Appendix

- **Net financial position (non-U.S. GAAP measure)**: Net Financial Position, a 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. We believe 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. The result of this definition is ultimately 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. We believe 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**: includes 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, impairment, restructuring charges and other related closure costs, management reorganization costs, phase out and start-up 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)	Q121	Q221	Q321	Q421	FY21	Q122
Unused Capacity Charges	2	-	14	-	16	9
Impairment & Restructuring Charges	-	(2)	1	4	2	-

# Our technology starts with You

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