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STMicroelectronics Q3 2022 Financial Results

October 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

Q3 2022

- Net revenues and gross margin came in above the mid-point of our business outlook range, driven by continued strong demand for our product portfolio,
- Net revenues of \$4.32B were up 35.2% Y/Y and 12.6% Q/Q,
- Gross margin was 47.6%, up from 41.6% in Q321, our operating margin was 29.4% from 18.9% in Q321,
- Net income more than doubled Y/Y to \$1.10B.

9M 2022

- Net revenues increased 27.2% Y/Y to \$11.70B, driven by growth in all product groups and sub-groups,
- Operating margin was 26.9% and net income was \$2.71B.

Q4 2022

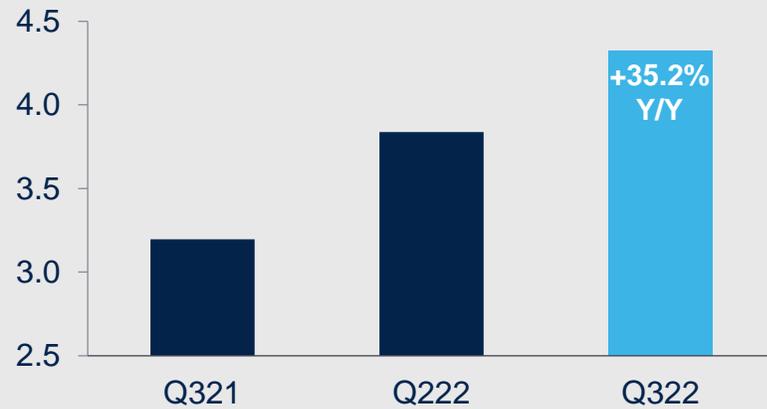
- Outlook at mid-point is for net revenues of \$4.40B, representing an increase of 23.7% Y/Y and 1.8% Q/Q,
- Gross margin expected to be about 47.3% at the mid-point.

FY 2022

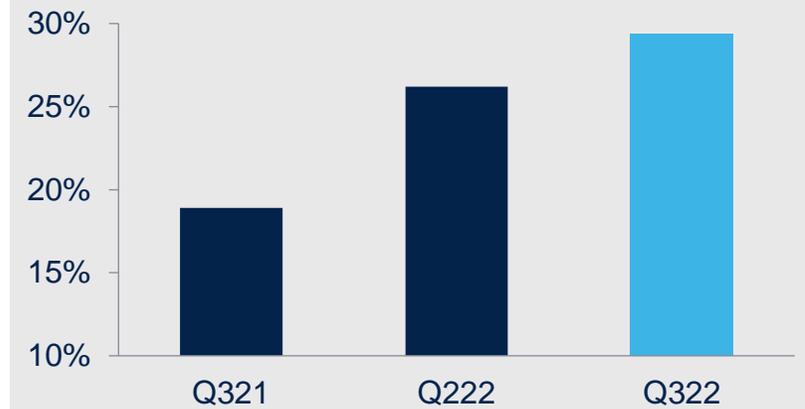
- At the mid-point, the Q422 outlook translates into full year 2022 net revenues of about \$16.10 billion, representing a 26.2% Y/Y growth and gross margin of about 47.3%, in line with the plan outlined in July.

Q3 2022 Financial highlights

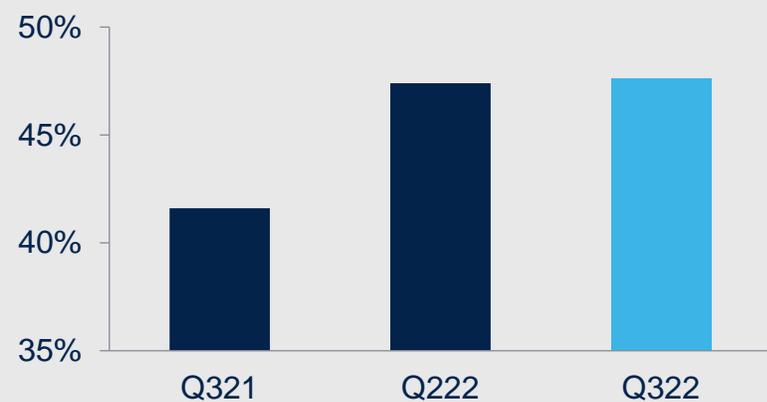
Revenues = \$4.32B



Operating Margin = 29.4%



Gross Margin = 47.6%

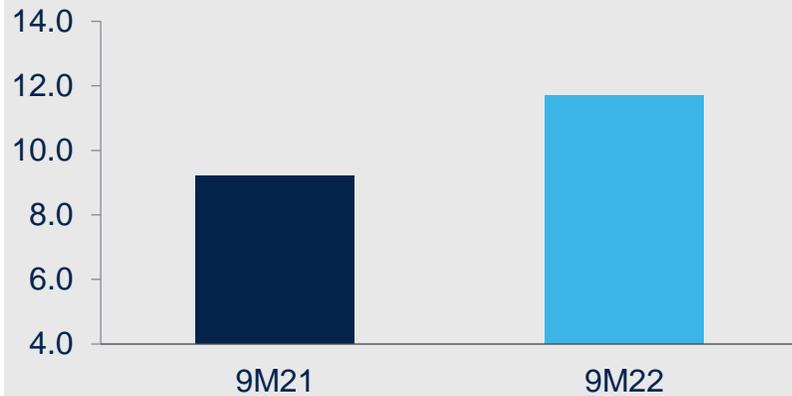


Net Income = \$1.10B

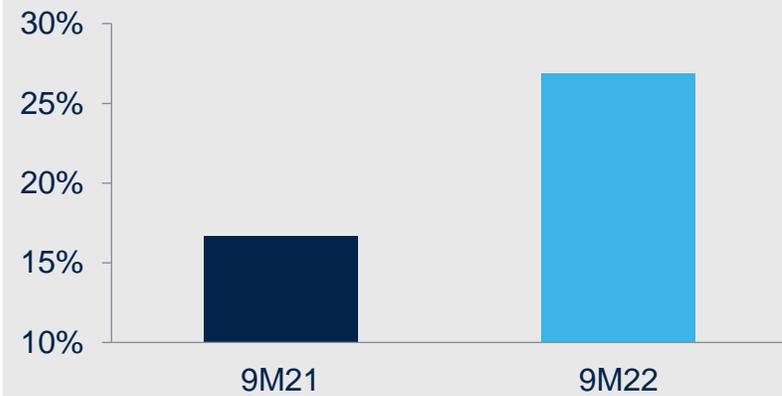


9M 2022 Financial highlights

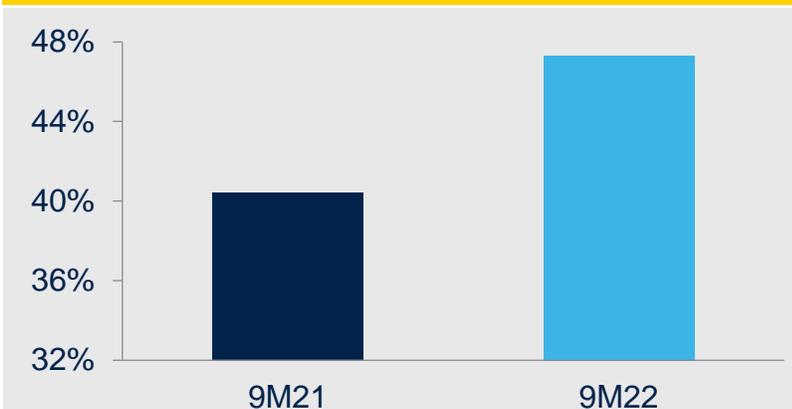
Revenues = \$11.70B



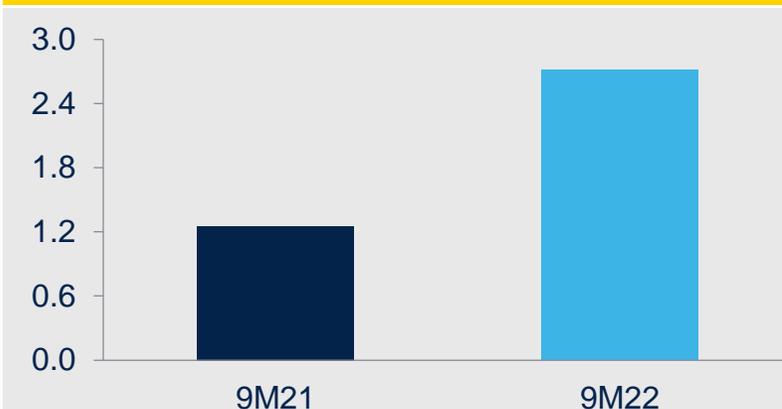
Operating Margin = 26.9%



Gross Margin = 47.3%

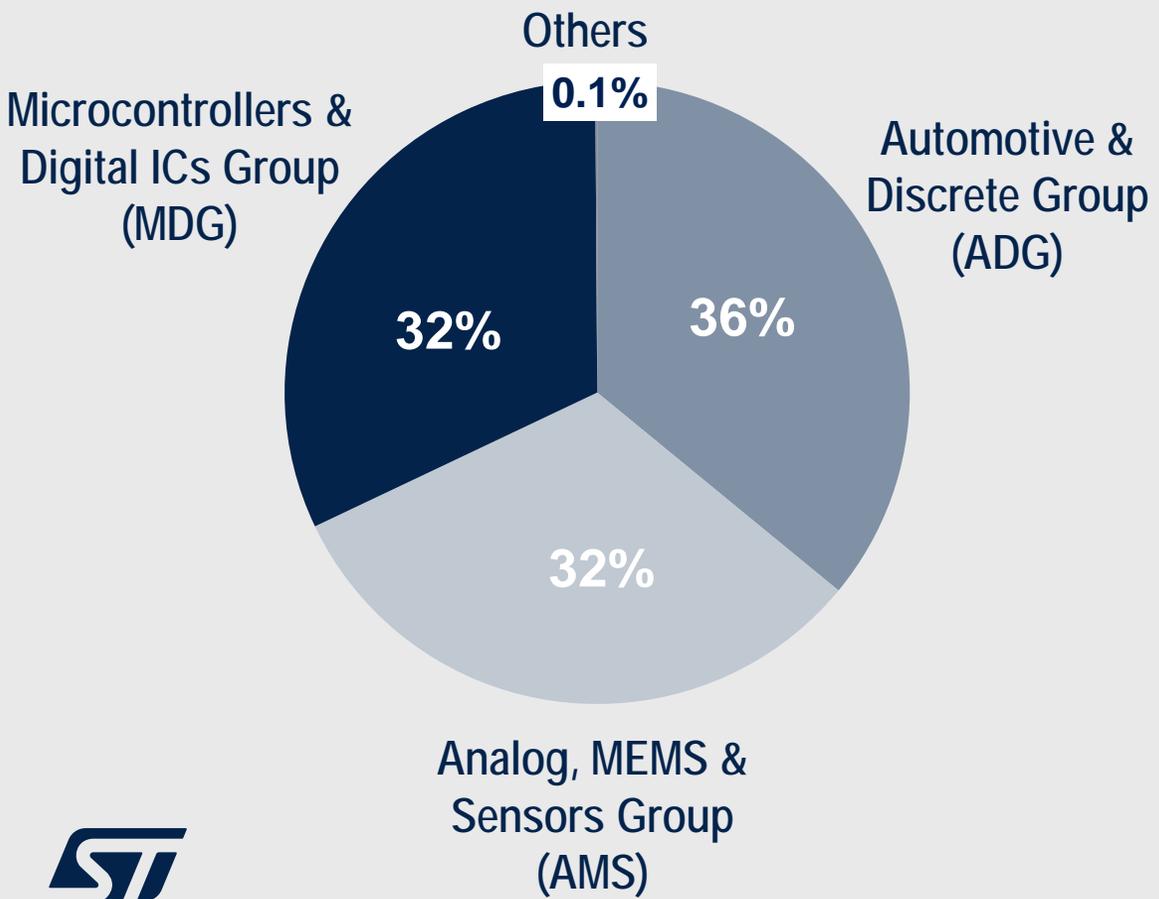


Net Income = \$2.71B

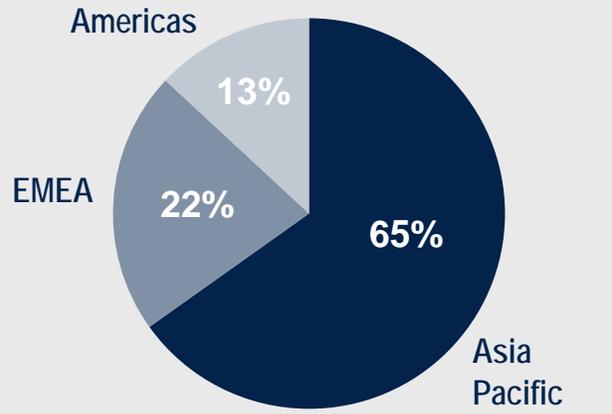


Q3 2022 Revenues

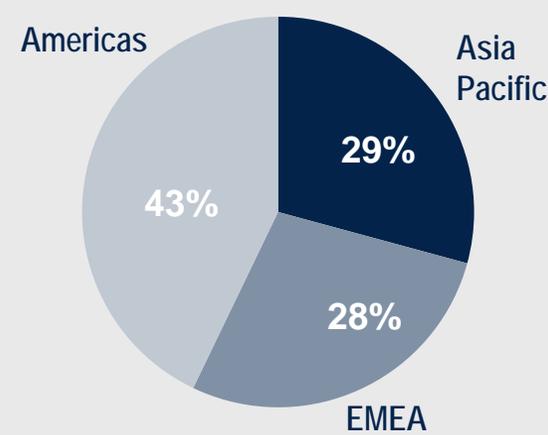
% by product group



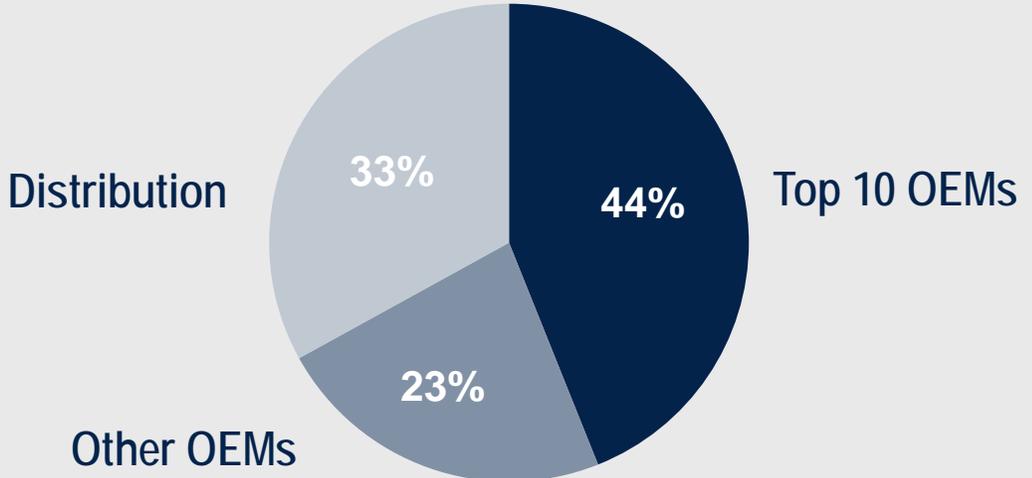
% by shipment location



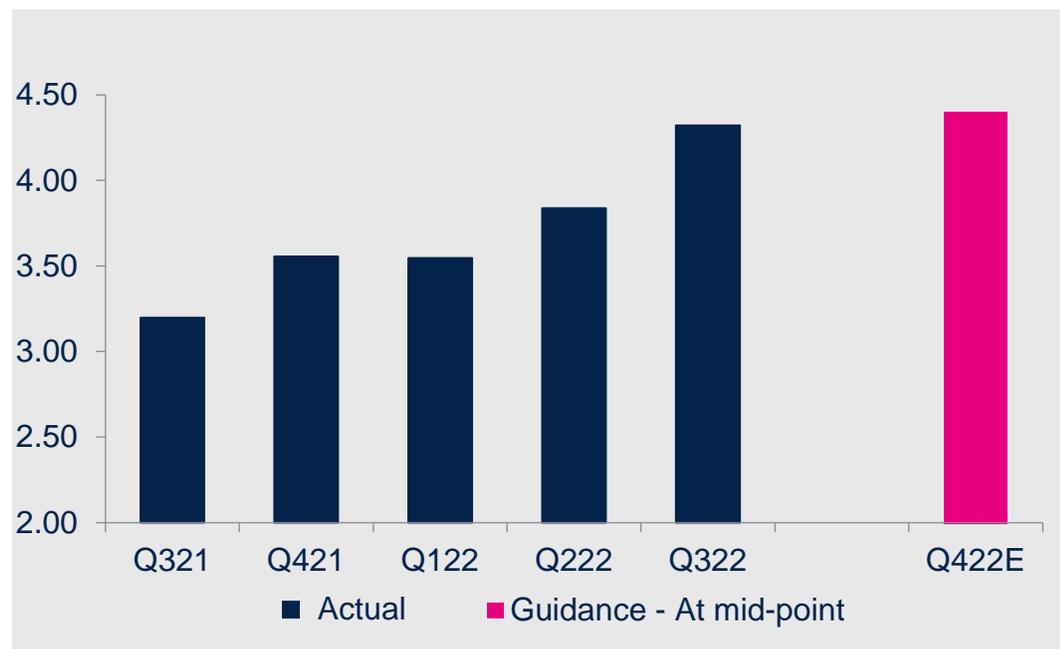
% by region of origin



% by customer type



Q322 Revenues = \$4.32B



Q322 revenues up 35.2% Y/Y

- All product groups and sub-groups reported increases in net revenues;
- Revenues to OEMs and Distribution increased 34.1% and 37.4%, respectively.

Q322 revenues up 12.6% Q/Q

- 210 bps better than the mid-point of the Company's guidance;
- All product groups and sub-groups reported increases in net revenues.

Q422 Revenues Outlook

Up Q/Q by about 1.8% (+/- 350 bps)
Up Y/Y by about 23.7% at mid-point

Gross margin

Q322 Gross Margin = 47.6%



Q322 Gross Margin

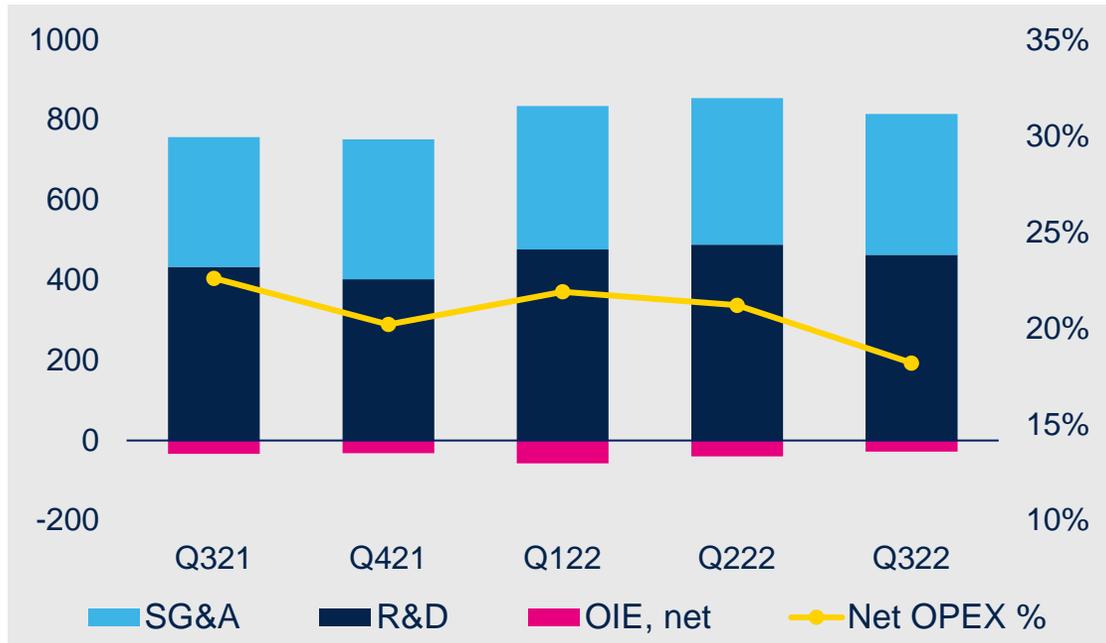
- Up 600 bps Y/Y principally due to favorable pricing and improved product mix, partially offset by the inflation of manufacturing input costs;
- Up 20 bps Q/Q;
- 60 bps above the mid-point of the Company's guidance.

Q422 Gross Margin Outlook

About 47.3% (+/- 200 bps)

Net operating expenses (*)

Q322 Net Operating Expenses = \$787M



Combined SG&A and R&D at \$815M

- 18.9% of revenues.

Net Operating Expenses at \$787M

- 18.2% of revenues.

Q3 2022 Product group results*

Automotive & Discrete (ADG)

Revenues = \$1,563M
Operating Margin = 25.9%



Analog, MEMS & Sensors (AMS)

Revenues = \$1,380M
Operating Margin = 27.2%



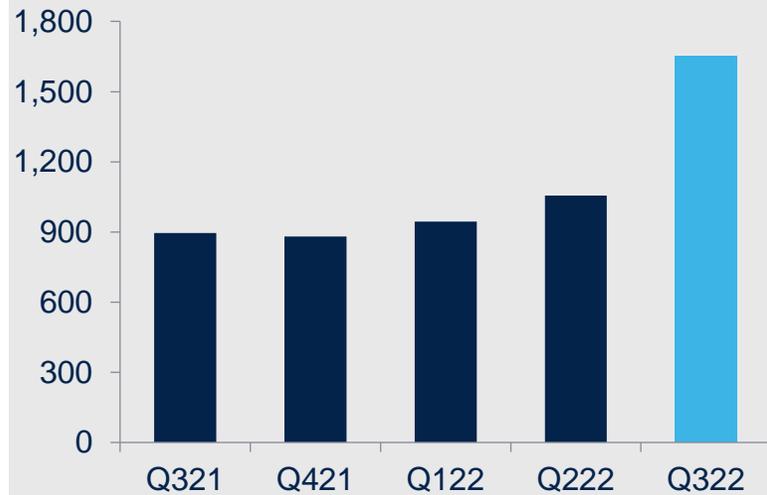
Microcontrollers & Digital ICs (MDG)

Revenues = \$1,374M
Operating Margin = 36.7%

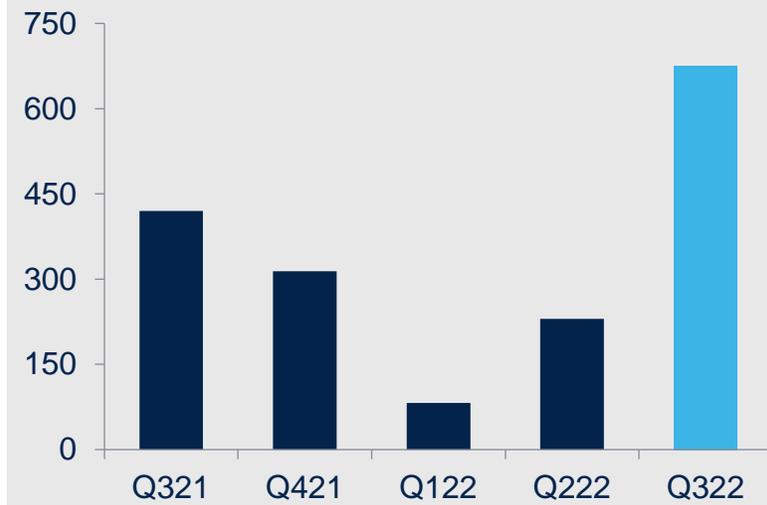


Q3 2022 Financial flexibility

Net Cash From Operating Activities = \$1,651M



Free Cash Flow* = \$676M



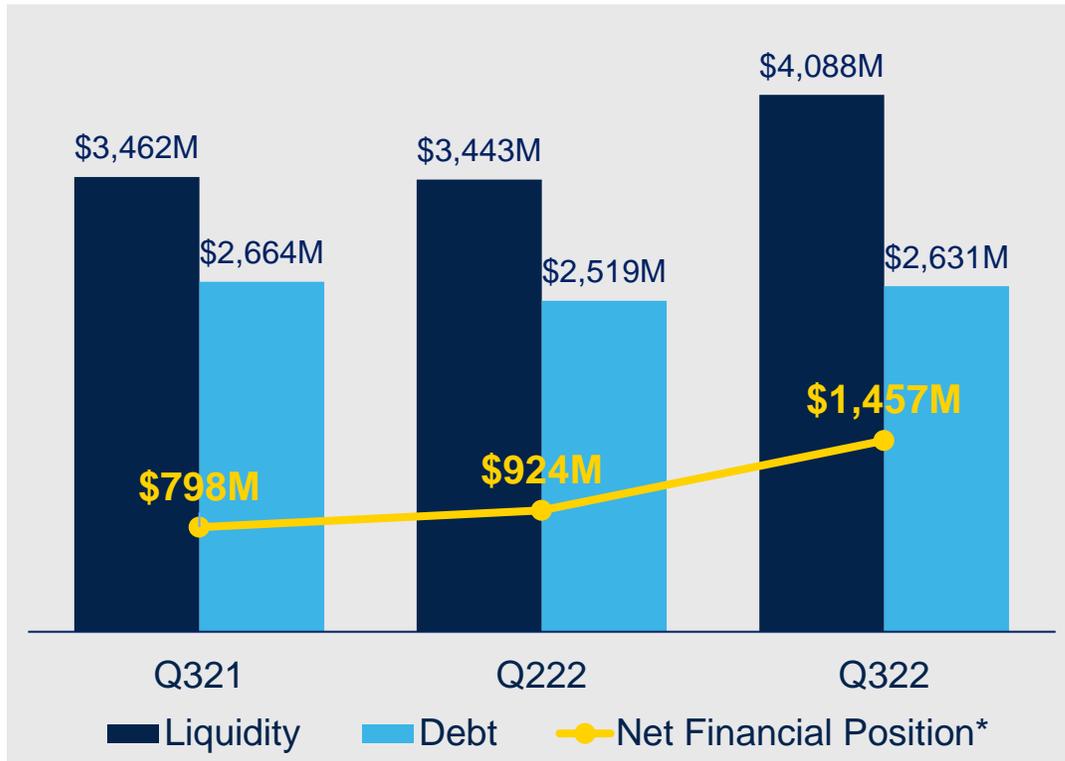
Capex = \$955M



Cash dividends paid to stockholders totaled \$55M in Q322.

In Q322 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.

Q2 and Q3 2022 Net Financial Position includes a \$107M increase in long-term debt following the adoption on January 1, 2022 of the new U.S. GAAP reporting guidance related to convertible debt.

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

Q3 2022 Automotive highlights

ADG

Win for ACEPACK DRIVE power module based on 1200V SiC MOSFETs and Gen4 SiC MOSFETs for traction inverters projects

ADG

Design wins with multiple Electric Vehicle (EV) makers with rectifiers and protection products, and with ultrafast & SiC diodes

ADG

Awarded sockets in EVs for battery management systems, zone control units, and car light control including an innovative data bus solution

ADG

Wins with smart power in a Vehicle Control Unit, microcontrollers for battery management systems, and a chipset for satellite radio receivers

AMS

Won several new designs for 6-axis sensors and with our recently announced global shutter image sensor for driver monitoring systems

Q3 2022 Industrial highlights



ADG

In **B2B industrial**, design wins for products such as motor drivers, metering and powerline communication solutions, industrial sensors, power discretes, and STM32 microcontrollers and microprocessors

AMS

In **consumer industrial**, design wins with our broad portfolio in applications such as home appliances, e-bikes, power tools, vacuum cleaners, consumer power supplies, and air conditioners

MDG

In **specialized industrial**, win in a medical-grade remote care wearable device with an STM32 wireless MCU

MDG

Released a new version of TouchGFX graphic interface creation tool, and update to STM32 Artificial Intelligence development tools with support for deeply quantized neural networks

Q3 2022 Personal electronics highlights



AMS

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

MDG

MDG

Design wins with high performance STM32 MCUs in gaming accessories for leading consoles makers

Q3 2022 Communications Equipment, Computers & Peripherals Highlights

AMS

Design wins with secure solutions, time-of-flight sensors, and general-purpose microcontrollers for notebook PCs and tablets

MDG

MDG

Awards for optical and wireless infrastructure ICs with mixed-signal processes, and for a CPU for space applications with 28nm FD-SOI

Q4 2022 Outlook

Net Revenues

Q422 outlook, at the mid-point, is for net revenues of **\$4.40B**, growing 23.7% Y/Y and 1.8% Q/Q, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about **47.3%**, plus or minus 200 bps.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.03 = €1.00 for the 2022 fourth quarter and includes the impact of existing hedging contracts.

The fourth quarter will close on December 31, 2022.

FY 2022 Plan

At the mid-point, the Q422 outlook translates into full year 2022 net revenues of about \$16.10 billion, representing a 26.2% Y/Y growth and gross margin of about 47.3%, in line with the plan outlined in July.

This plan includes a gross margin of about 47.3%.

Transforming our global manufacturing operations

300 mm capacity expansion

Crolles



July 11, 2022

ST and GlobalFoundries to advance FD-SOI ecosystem with new 300 mm manufacturing facility in France

Agrate



**Doubling
300 mm
footprint by
2025**

Wide bandgap capacity expansion

Catania – Silicon Carbide



October 5, 2022

ST to build integrated Silicon Carbide substrate manufacturing facility in Italy

Tours – Gallium Nitride



**Expanding
production
capacity
Internal
vertical
integration &
external
partnerships**

Integrated SiC substrate facility in Italy – Key points



ST will build an **integrated Silicon Carbide (SiC) substrate manufacturing facility** at ST's Catania site, Italy

This project is a key step in advancing **ST's vertical integration strategy** for its SiC business

This will support the **increasing demand from ST's customers** for SiC devices across automotive and industrial applications as they transition to electrification and seek higher efficiency.

It will be a first of a kind in Europe for the production in volume of 150mm SiC epitaxial substrates, integrating all steps in the production flow – commitment to develop 200mm wafer in the near future

Production is expected to **start in 2023**, enabling a balanced supply of SiC substrate between internal and merchant supply

The investment of **€730 million over five years** will be supported financially by the State of Italy in the framework of the National Recovery and Resilience Plan

It will create around **700 direct additional jobs** at full build-out

Takeaways

Based upon our year-to-date financial results and fourth quarter outlook, 2022 will be another year of progress for ST, in line with:

- our focus on Smart Mobility, Power & Energy Management, and IoT & Connectivity within our core business and targeted high-growth areas;
- our commitment to our Integrated Device Manufacturer model, with strategic technology and manufacturing investments to support our customers' current and future needs; and,
- our \$20B+ revenue ambition that we outlined at our Capital Markets Day.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q121	Q221	Q321	9M21	Q421	FY21	Q122	Q222	Q322	9M22
Net Revenues	3,016	2,992	3,197	9,205	3,556	12,761	3,546	3,837	4,321	11,704
Gross Margin	39.0%	40.5%	41.6%	40.4%	45.2%	41.7%	46.7%	47.4%	47.6%	47.3%
Operating Income Operating Margin	440 14.6%	489 16.3%	605 18.9%	1,534 16.7%	885 24.9%	2,419 19.0%	877 24.7%	1,004 26.2%	1,272 29.4%	3,153 26.9%
Net Income – Reported	364	412	474	1,251	750	2,000	747	867	1,099	2,713
EPS Diluted (\$/share)	0.39	0.44	0.51	1.35	0.82	2.16	0.79	0.92	1.16	2.86
Free Cash Flow* Net Financial Position*	261 1,185	125 1,081	420 798	806 798	314 977	1,120 977	82 840	230 924	676 1,457	988 1,457
Effective Exchange Rate €/\$	1.19	1.19	1.19	1.19	1.17	1.18	1.15	1.12	1.08	1.11

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. 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. 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	9M21	Q421	FY21	Q122	Q222	Q322	9M22
Unused Capacity Charges	2	-	14	16	-	16	9	13	-	22
Impairment & Restructuring Charges	-	(2)	1	(1)	4	2	-	-	-	-

Our technology starts with You

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