Q3 2024
Earnings Results
Jean-Marc Chery, President & CEO
October 31, 2024

Thank you Jerome.

Let me begin with some opening comments.

Starting with Q3:

- Third quarter net revenues of $3.25 billion were in line with the mid-point of our business outlook range. Compared to our expectations, revenues were higher in Personal Electronics, declined less in Industrial and were lower in Automotive. Q3 gross margin of 37.8% was broadly in line with guidance.
- Q3 net revenues decreased 26.6% year-over-year, mainly driven by a decline in Industrial and, to a lesser extent, in Automotive.
- Looking at our year-over-year performance, gross margin decreased to 37.8% from 47.6%, operating margin decreased to 11.7% from 28.0% and net income came in at $351 million.
- On a sequential basis, net revenues increased 0.6%.

For the nine-month period:

- Net revenues were down 23.5% year-over-year to $9.95 billion, decreasing across all Reportable Segments, and particularly in Microcontrollers, which is impacted by the continuing weakness in the Industrial market.
- We reported gross margin of 39.9%, operating margin of 13.1% and

net income of $1.22 billion.

During the quarter, customer order bookings were slightly up versus Q2 but were below our expectations. This reflected a continuing delayed recovery in Industrial and a further deterioration in Automotive. As a result, we now anticipate Q4 2024 revenues at the low-end of the range previously indicated and well below normal seasonality in Q1 2025.

For Q4 2024:

- Our fourth quarter business outlook is for net revenues of about $3.32 billion at the mid-point, declining year-over-year by 22.4% and increasing sequentially by 2.2%.
- Gross margin is expected to be about 38%.

For the full year 2024:
The mid-point of our Q4 guidance translates into full year 2024 revenues of about $13.27 billion, representing a 23.2% decrease year-over-year, at the low-end of the range indicated in the previous quarter, with a gross margin slightly below that provided in that indication.

For Q1 2025:
Based on our current customer order backlog and demand visibility, we anticipate a revenue decline between Q4 2024 and Q1 2025 well above normal seasonality.

I would like to highlight that today we have also announced the launch of a new company-wide program to reshape our manufacturing footprint accelerating our wafer fab capacity transition to 300mm Silicon and 200mm Silicon Carbide and resizing our global cost base.

Now, I will move to a detailed review of the third quarter.

By segment on a year-over-year basis:

• Analog products, MEMS and Sensors was down 13.3% mainly due to decreases in Imaging and in Analog;

• Power and Discrete products decreased 18.4%, with a decline in both Power and Discrete products; Microcontrollers revenues declined 43.4%, mainly due to General Purpose MCUs. Both Power and Discrete and General Purpose MCUs revenue declines were largely driven by Industrial.

• Digital ICs and RF products declined 29.7%, mainly due to ADAS and Infotainment.

By end market, Industrial declined by more than 50%, Automotive by about 18%, Personal Electronics by about 9%, and CECP by about 5%.

Year-over-year, sales to OEMs decreased 17.5% and by 45.4% to Distribution.

Overall, Q3 net revenues increased 0.6% sequentially, with an increase of 1.7% in Analog products, MEMS and Sensors, 7.9% in Power and Discrete products, and 3.6% in Microcontrollers, while Digital ICs and RF Products decreased 17.4%.

By end market, Industrial was down about 12% sequentially, Automotive flat, Personal Electronics up about 20%, and CECP down about 8%.

Gross profit was $1.23 billion, decreasing 41.8% year-over-year.

Gross margin decreased to 37.8% compared to 47.6% in the same quarter last year. The decrease was mainly due to product mix and, to a lesser extent, to sales price and higher unused capacity charges.

Operating margin was 11.7%, compared to 28% in the year-ago period.

On a year-over-year basis, Q3 net income decreased around 68% to $351 million, compared to $1.09 billion in the year-ago quarter. Earnings per diluted share decreased to $0.37 compared to $1.16.

Net cash from operating activities decreased to $723 million in Q3, versus $1.88 billion in the year-ago quarter.

Net CAPEX in the third quarter was $565 million, compared to $1.15 billion in the year-ago quarter.

Free cash flow was $136 million compared to $707 million in the year-ago quarter.

Inventory at the end of the third quarter was $2.88 billion, compared to $2.87 billion in the year-ago quarter. Days sales of inventory at quarter-end were 130 days, similar to the previous quarter, and up compared to 114 days in the year-ago quarter.

During the third quarter, ST paid $80 million of cash dividends to stockholders, and we executed a $92 million share buy-back, under our current share repurchase program.

ST's net financial position of $3.18 billion as of September 28, 2024, reflected total liquidity of $6.30 billion and total financial debt of $3.12 billion.

I will now go through a short update on some of our strategic focus areas.

In **Automotive,** we saw some further deterioration in customer backlog and order entry during the third quarter. In our view, this reflects a change in the plans of our customers with some shift from full battery electric to hybrid and from premium to economy vehicles, as well as downsized production at car makers to control inventories.
However, we do not anticipate significant changes in long term EV adoption by consumers, and we assume their concerns (residual value, charging stations, price) will gradually alleviate.

During the quarter, we continued to execute our strategy on **car electrification**. We introduced our fourth generation of SiC MOSFET technology. This brings new benchmarks in power efficiency, power density and robustness and is particularly optimized for traction inverters in electric vehicles. We had multiple wins with both silicon-carbide and silicon devices and modules for new traction inverter and on-board charger designs. We also won additional business with our automotive smart power technologies for EV battery and power management systems as well as our smart fuse solutions.

In **car digitalization**, we gained further traction with our portfolio of automotive microcontrollers.

Our Stellar Microcontroller was selected by a major European Car maker in a new platform for Traction Inverter and On Board Charger management. Another significant Stellar win was with a Japanese Tier1 as part of an electrification platform design that integrates multiple functions in a single MCU. This approach is generally called X-in-1 and is an important trend for next-generation car architectures. A further win saw Stellar chosen for an active safety application in a new EV platform from an emerging player.

We also continued to have important design wins in traditional applications like braking, where we are the leader in smart power.

In sensors we had a number of wins with our automotive-grade motion MEMS for smart keys, telematics units and for an innovative rotating car display.

Our design win activity here continues to position ST well to leverage the structural growth in this key market.

In **Industrial**, we are seeing continuing inventory correction at OEMs and along the value chain, preventing any significant recovery in semiconductor demand.

In this context we continue to work with customers to design in today's products while investing in R&D to create the next generation of solutions.

We had design wins across a broad range of applications for our power and analog portfolio. This included a design with silicon and silicon carbide products for a leading provider of power supply units for AI server infrastructure, a fast-growing application requiring very high power efficiency.

In **Embedded Processing** our STM32 microcontrollers continue to be the most familiar MCUs for developers. We have a recognized software ecosystem with over 1.2 million unique users, growing more than 30% year-over-year, and one of the fastest growing and most active MCU technical communities, with over 500,000 unique visitors each month and 40% year-over-year growth. This growth in STM32 adoption will position ST to capitalize effectively on the next Industrial market upcycle.

Additionally, we have over 50 thousand active development projects on ST's AI tools; this activity has been also boosted by our ST Edge AI Suite that we launched at the end of last quarter.

During Q3 we also announced a new strategic collaboration with Qualcomm Technologies for the next generation of industrial and consumer IoT solutions. Together we will integrate Qualcomm's leading wireless connectivity technologies with our STM32 microcontroller ecosystem. We will start with a Wi-Fi/Bluetooth/Thread combo system-on-a-chip. Thanks to this, developers will enjoy seamless connectivity software integration into STM32 MCUs.

Moving now to the other two end markets:
Personal Electronics was slightly better than expected and
Communications Equipment and Computer Peripherals was in line with expectations, for all our engaged customer programs.

To conclude on this Q3 update, I would like to mention a new step in our Company's organization.
Since the beginning of 2024, ST has made significant changes in the way it is structured and operates, including the re-organization of its Product Groups. Since October 1, 2024, Lorenzo [Grandi], President and CFO, has taken additional responsibilities, with a perimeter now also covering Supply Chain, Corporate Development and Integrated External Communication in addition to Finance, Global Procurement, Digital Transformation and Information Technology, Enterprise Risk Management and Resilience. The Company's Executive Committee remains unchanged and continues to report to me, as President and CEO.

Now, let’s move to our fourth quarter 2024 financial outlook and our plans for the full year 2024.

For Q4:
We expect net revenues of about $3.32 billion at the mid-point, representing a year-over-year decline of 22.4% and a sequential growth of 2.2%.

Q4 gross margin is expected to be about 38% at the mid-point, impacted by about 400 basis points of unused capacity charges.

For 2024:
Our Q4 guidance at the mid-point translates into 2024 net revenues of about $13.27 billion. This represents a decrease of about 23.2% year-over-year in the low-end of the range indicated in the previous quarter.
Within this guidance, we expect a gross margin of about 39.4%, impacted by about 290 basis points of unused capacity charges at the mid-point of our 2024 full year indications.

The $13.27 billion is in the low-end of the revenue range indicated in the previous quarter. The difference compared with the mid-point of the range relates mainly to lower revenues in Automotive and to a lesser extent lower revenues in Industrial, partly offset by slightly better revenues in Personal Electronics.

We confirm our 2024 net capex plan of about $2.5 billion.

For Q1 2025:
At this time of the year, we usually do not comment two quarters ahead; but, based on our current customer backlog and order entry dynamics, we anticipate a revenue decline between Q4 2024 and Q1 2025 well above normal seasonality. Fair to say, this also includes a significant lower number of Calendar Days in Q1 2025 vs Q4 2024, a 6% sequential decrease, which is the highest sequential decrease in the number of days in the last 3 years.

Finally, today we have announced the launch of a new company-wide program to reshape our manufacturing footprint. We are accelerating our wafer fab 300mm transition in Agrate and Crolles - in particular in Agrate, reaching a scale of about 4,000 wafers per week exiting 2026. In Catania, in Silicon Carbide we will accelerate our transition to 200mm. Moreover, we will resize our global cost base. This program should result in strengthening our capability to grow our revenues with an improved operating efficiency resulting in annual cost savings in the high triple-digit million-dollar range exiting 2027.

To conclude:
As I said last quarter the current market cycle dynamics, coupled with the ongoing transformation of the Automotive and Industrial end-markets, are bringing both opportunities and challenges in the short, medium and long term. This is true for ST and for our customers equally.

In the short to medium term, we are adapting our operating plans to this situation, and we are launching our Company-wide reshaping and resizing program, while continuing to invest in innovation and our strategic manufacturing initiatives.
Medium to long-term, we continue to be convinced that this will provide the basis for our sustainable growth ambitions and for delivering value to our stakeholders.

We look forward to updating you on our strategy at our Capital Markets Day on November 20th, either in person in Paris or via our live webcast.

Thank you for your attention, and we are now ready to answer your questions.