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STMicroelectronics Q4 & FY 2021 Financial Results

January 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 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, 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 ("IP") 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 in locations where we, our customers or our suppliers operate;*
- 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 risk factors 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, 2020, as filed with the SEC on February 24, 2021. 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 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.

Highlights

**Q4
2021**

- As we announced on January 7, 2022, net revenues and gross margin came in better than expected, primarily due to better than anticipated operations in an ongoing dynamic market.
- Net revenues of \$3.56B were up 9.9% Y/Y and 11.2% Q/Q, coming in 140 bps above the high-end of our business outlook.
- Gross margin was 45.2%, 20 bps above the high-end of our guidance.
- Operating margin was 24.9% and our net income was \$750M.

**FY
2021**

- Net revenues increased 24.9% Y/Y to \$12.76B, reflecting a strong performance across all the end markets we address and our engaged customer programs throughout the year.
- All three product groups achieved double-digit growth in FY21.
- Operating margin increased to 19.0% from 12.9% in FY20 and net income at \$2.0B was up 80.8%.
- Free cash flow was \$1.12B, and CAPEX was \$1.83B. Our net financial position was \$977M, compared to \$1.1B at year-end 2020.

**Q1
2022**

- Outlook at mid-point is for net revenues of \$3.50B, representing an increase of 16.1% Y/Y.
- Gross margin expected to be about 45.0% at the mid-point.

**FY
2022**

- For FY22, we plan to invest about \$3.4B to \$3.6B in CAPEX to further increase our production capacity and to support our strategic initiatives. This includes the first industrialization line of our new 300mm wafer fab in Agrate, Italy.
- Based on our strong customer demand and increased capacity, we will drive the Company based on a plan for FY22 revenues in the range of \$14.8B to \$15.3B.

FY 2021 Market dynamics

Automotive



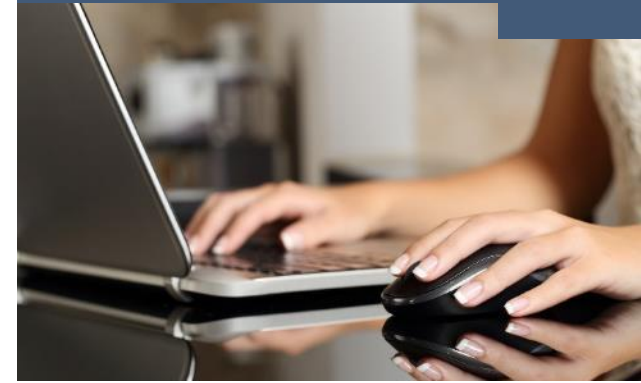
Industrial



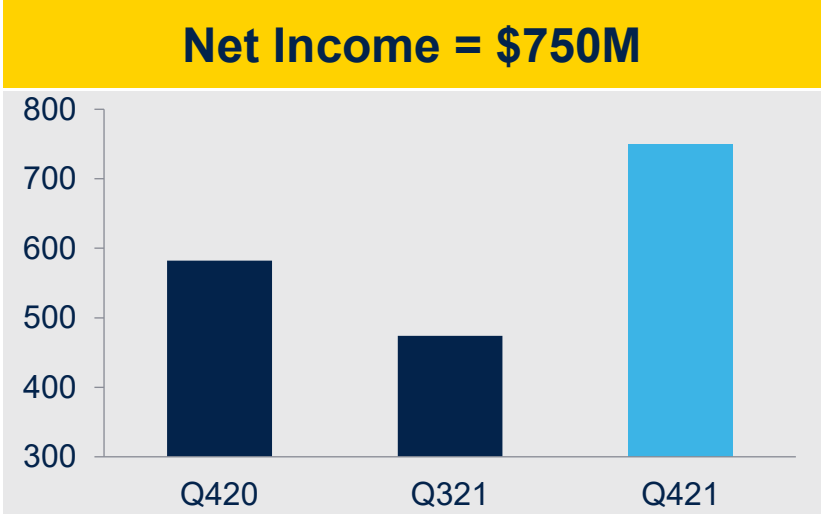
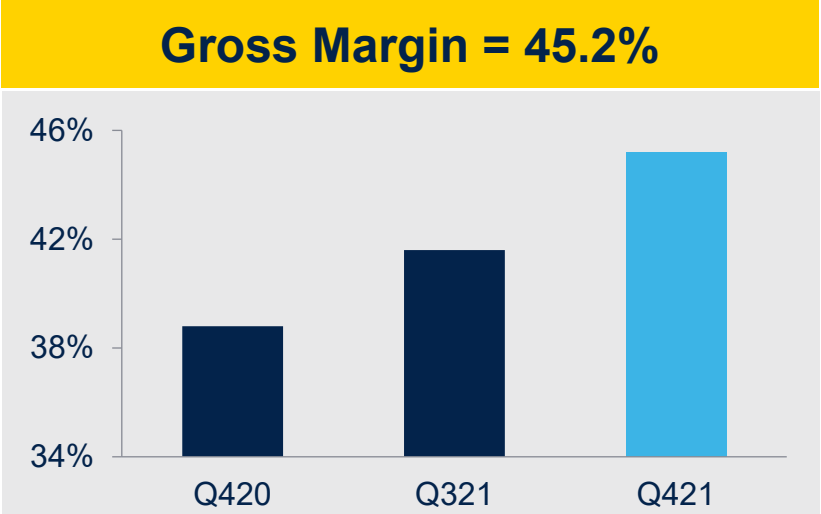
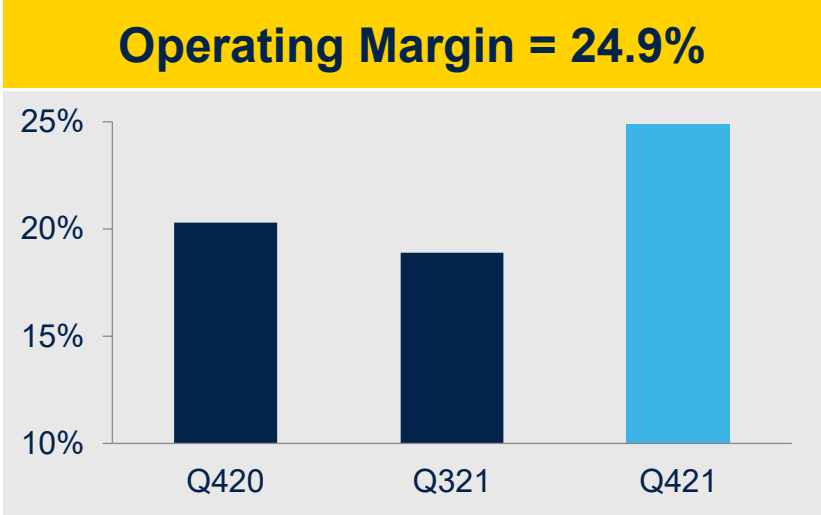
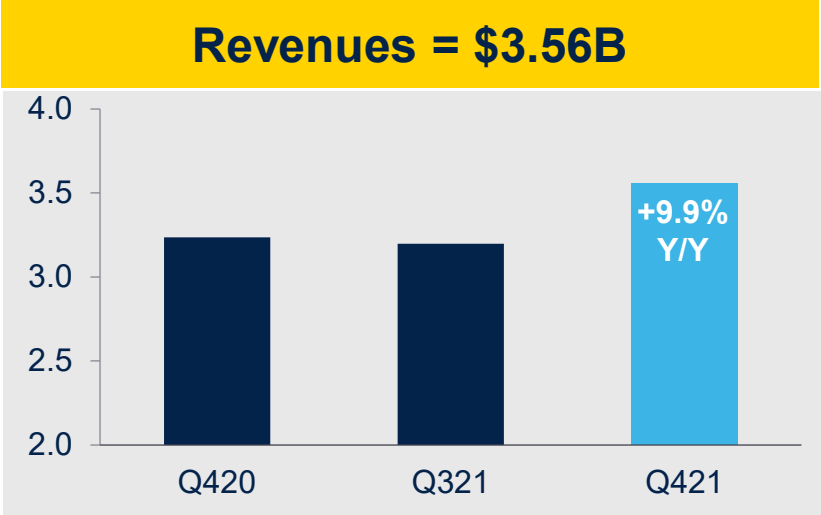
Personal electronics



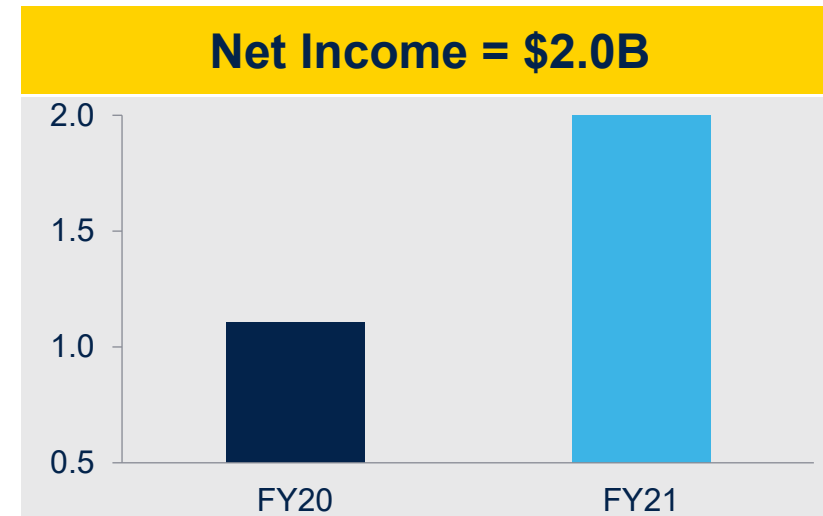
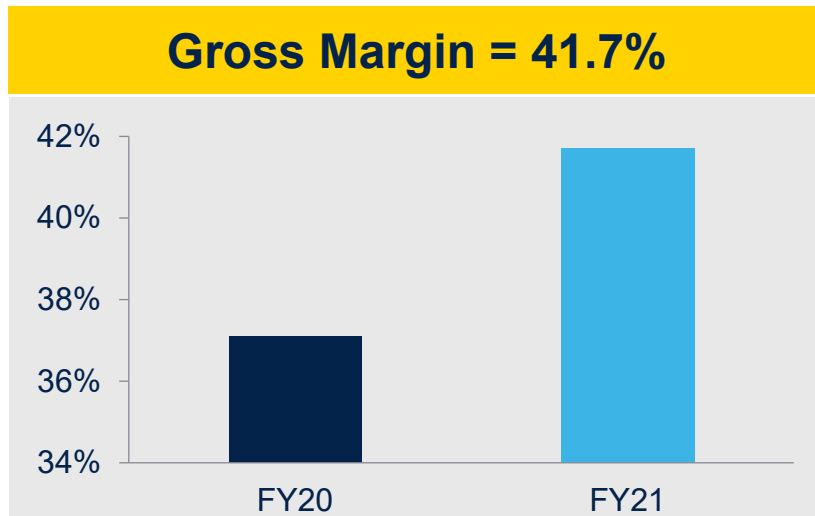
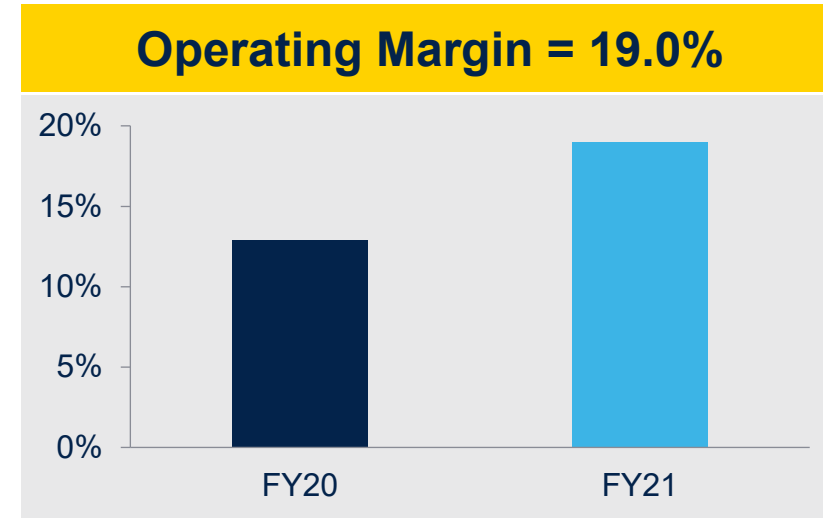
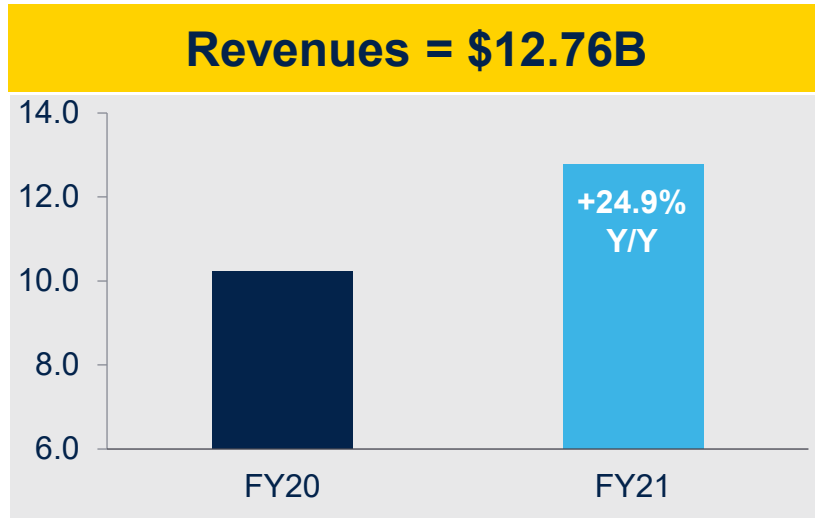
Communications equipment, computers & peripherals



Q4 2021 Financial highlights

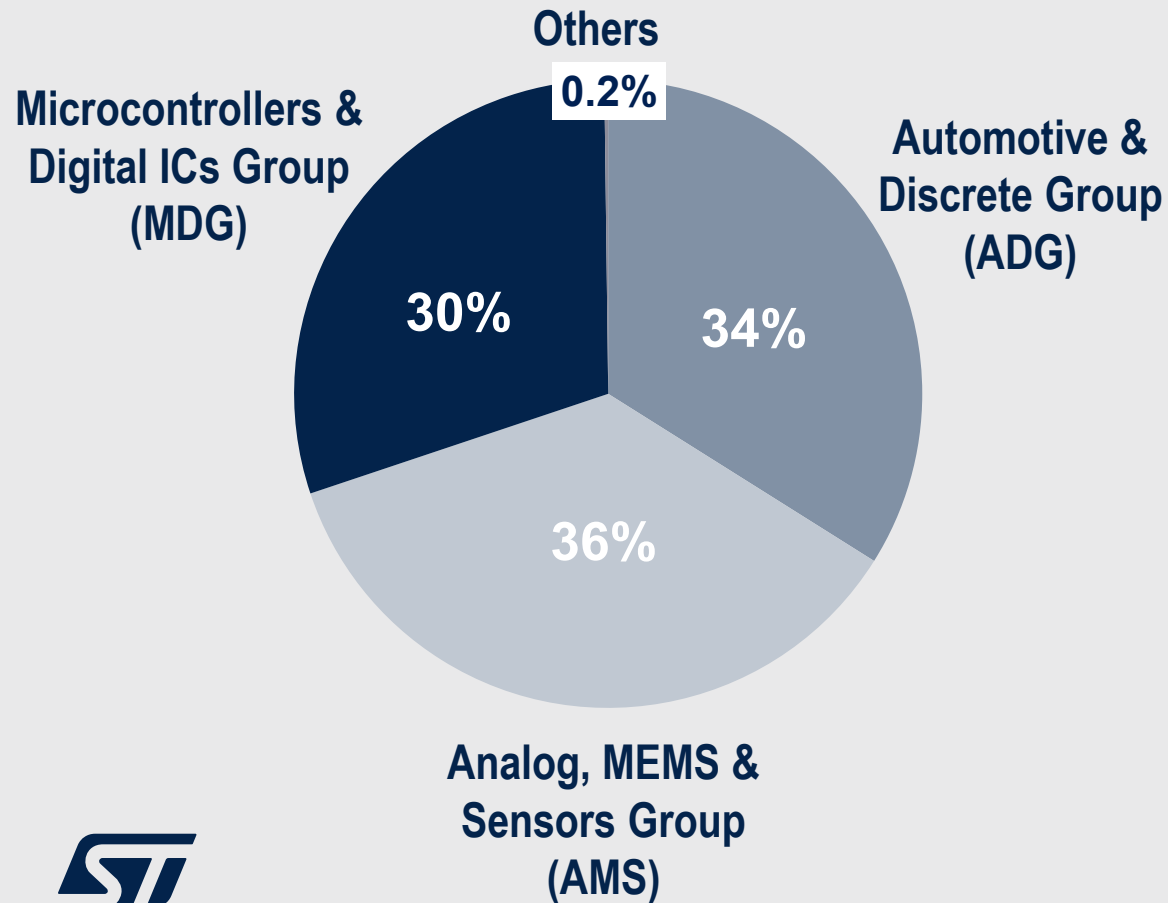


FY 2021 Financial highlights

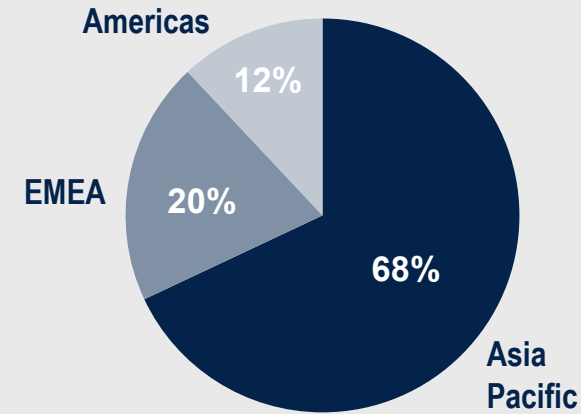


FY 2021 Revenues

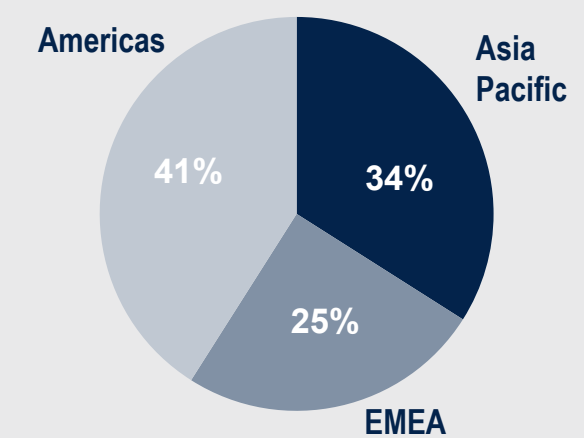
% by product group



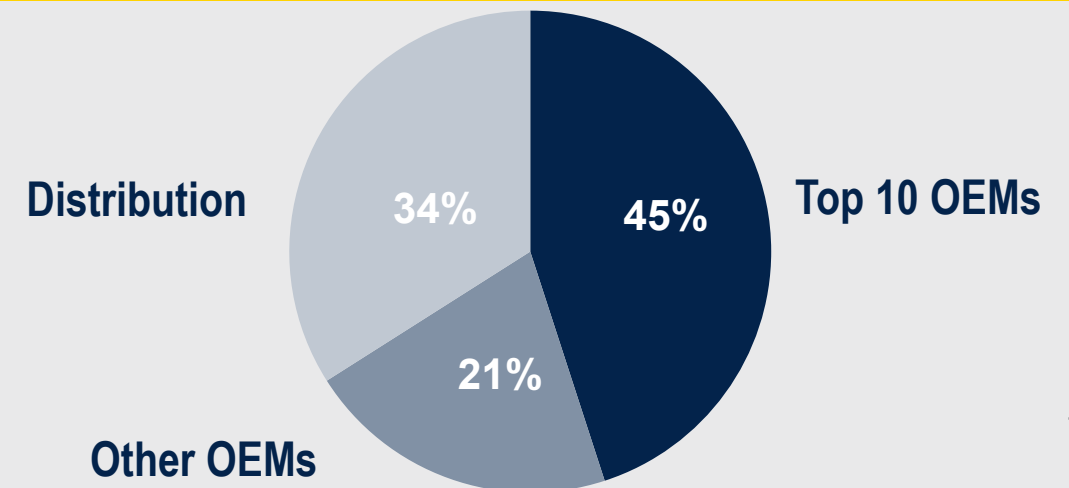
% by shipment location



% by region of origin

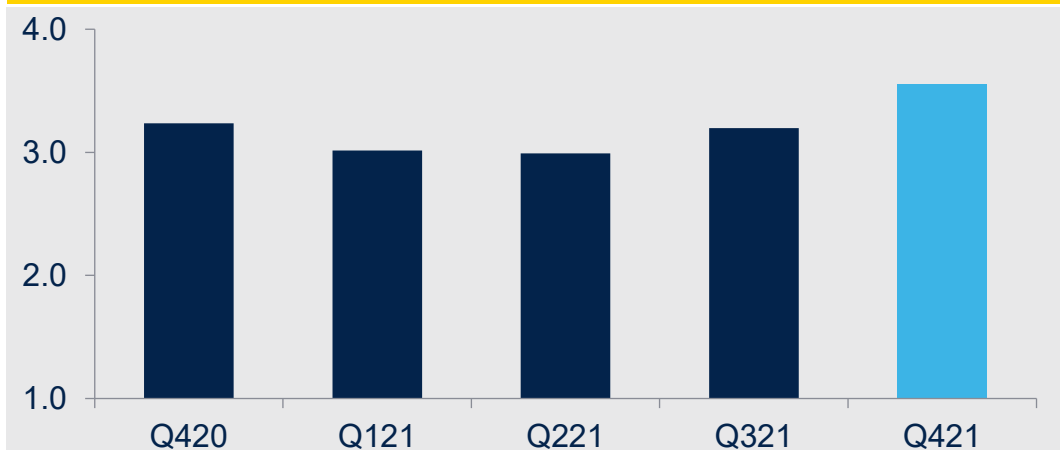


% by customer type



Revenues

Q421 Revenues = \$3.56B



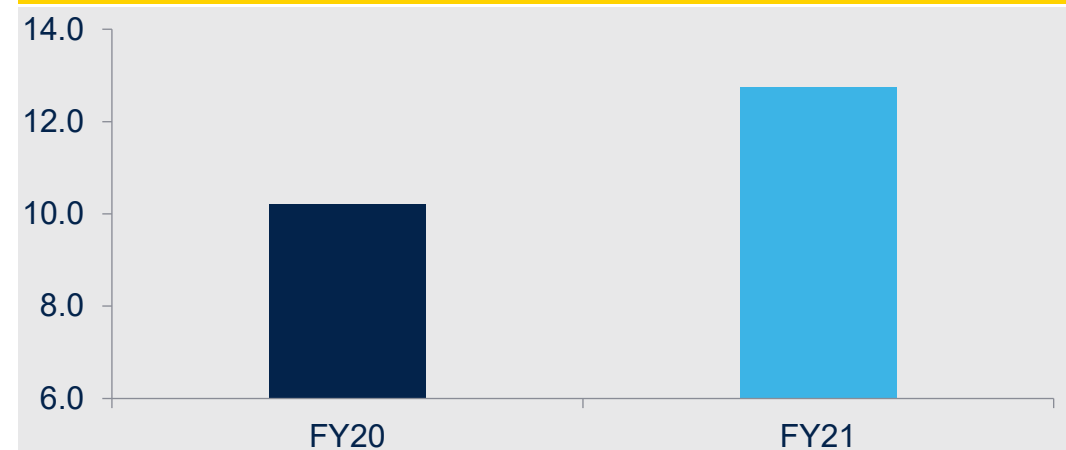
Q421 revenues up 9.9% Y/Y

- The Company recorded higher net sales in all product groups except the imaging sub-group, as expected;
- Revenues to OEMs were substantially unchanged in total while Distribution increased 38.7%.

Q421 revenues up 11.2% Q/Q

- 140 bps above the high-end of the Company's guidance;
- ADG and MDG reported increases in net revenues, with AMS essentially flat.

FY21 Revenues = \$12.76B

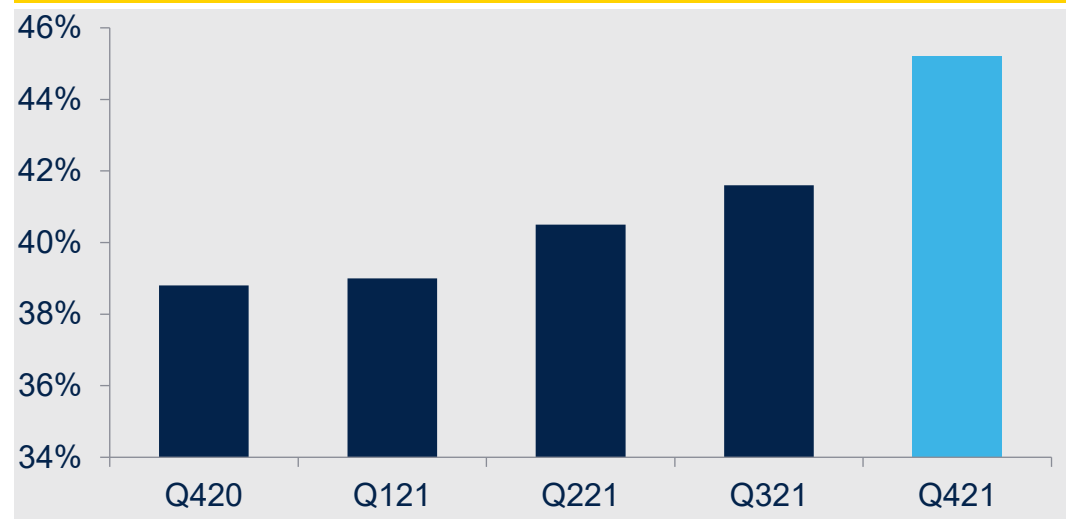


FY21 revenues up 24.9% Y/Y

- The Y/Y growth reflects a strong performance across all the end markets we address and our engaged customer programs throughout the year;
- Total sales to OEMs and Distribution returned to a more balanced split in 2021:
 - 66% OEM
 - 34% Distribution.

Gross margin

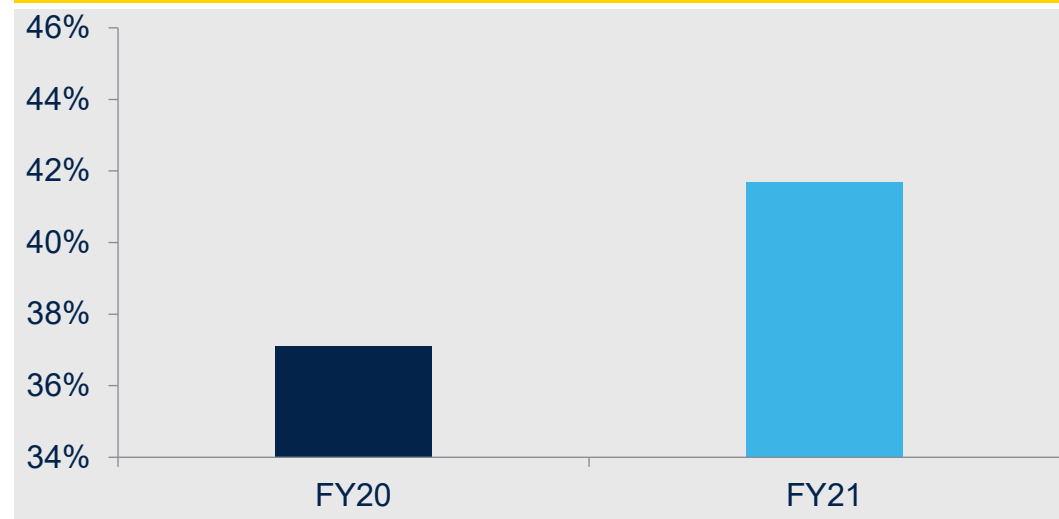
Q421 Gross Margin = 45.2%



Q421 Gross Margin

- Up 640 bps Y/Y principally driven by favorable pricing, improved product mix and manufacturing efficiencies;
- Up 360 bps Q/Q mainly due to better price environment, improved product mix and, to a lesser extent, manufacturing;
- 20 bps above the high-end of the Company's guidance.

FY21 Gross Margin = 41.7%

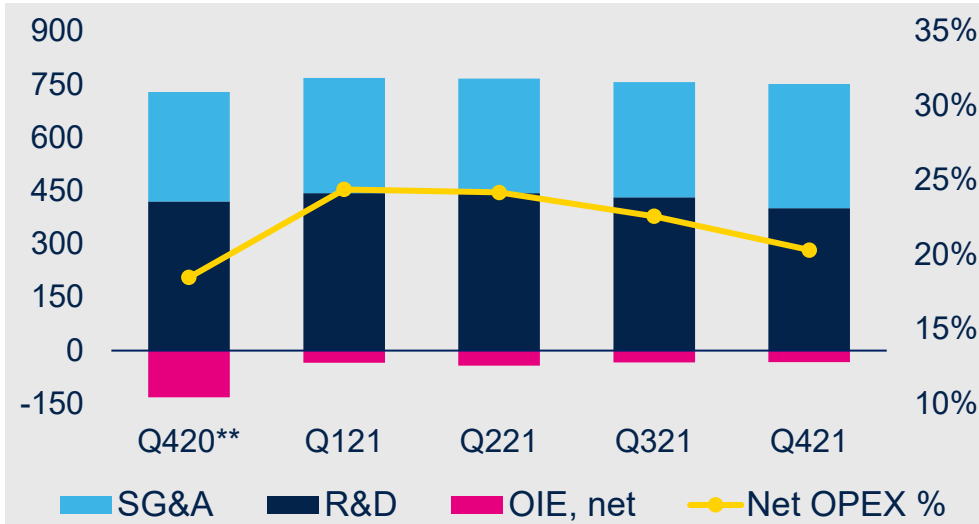


FY21 Gross Margin

- Up 460 bps Y/Y mainly due to manufacturing, improved product mix and better price environment.

Net operating expenses*

FY21 Quarterly Net Operating Expenses Average = \$726M

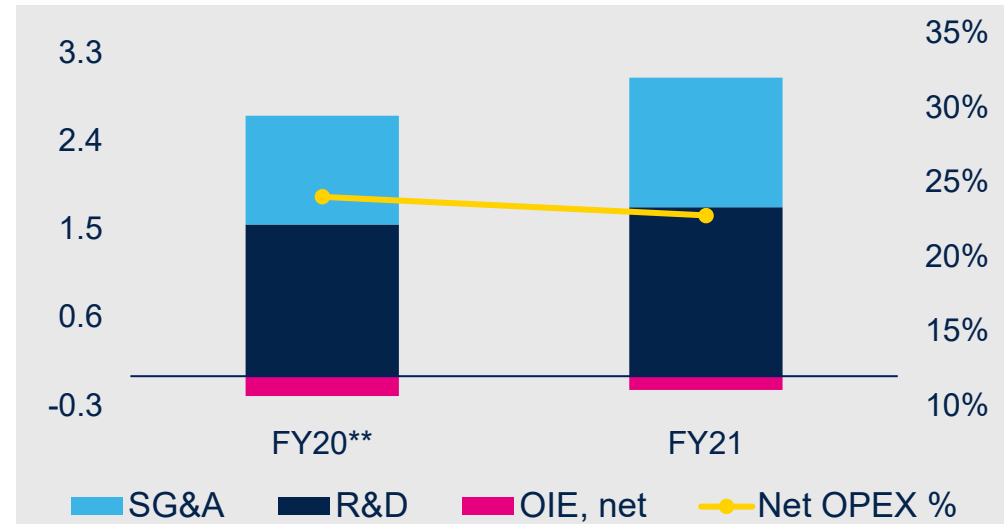


Q421 Net Operating Expenses at \$720M

- 20.2% of revenues.

Combined SG&A and R&D at \$752M

- 21.1% of revenues.



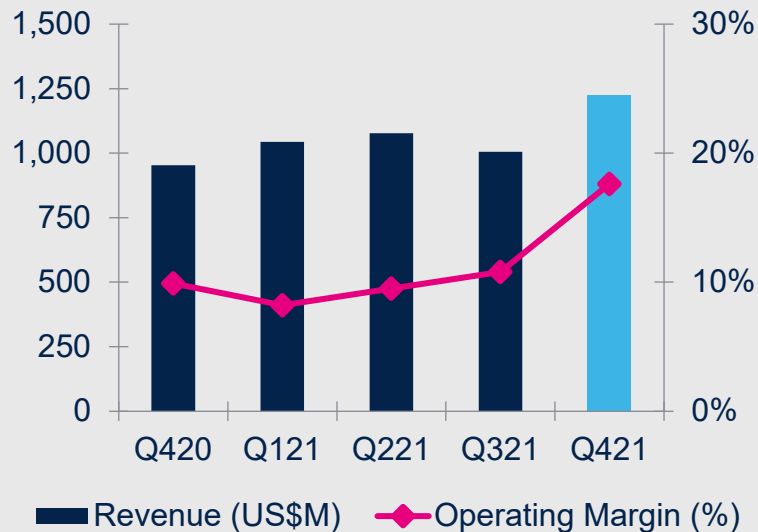
FY21 Net Operating Expenses at \$2.91B

- 22.8% of revenues.

Q4 2021 Product group results

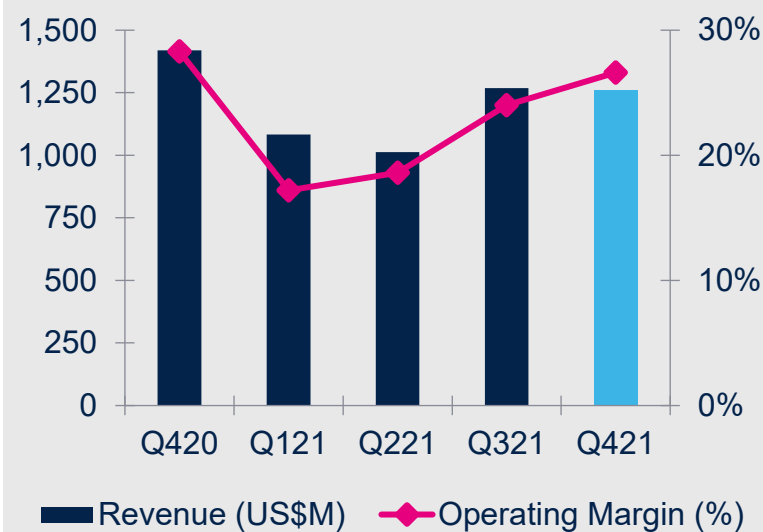
Automotive & Discrete (ADG)

Revenues = \$1,226M
Operating Margin = 17.6%



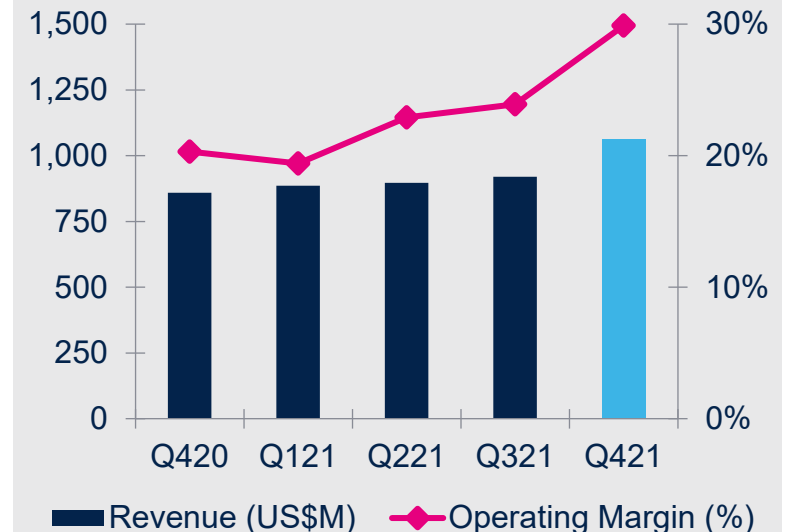
Analog, MEMS & Sensors (AMS)

Revenues = \$1,260M
Operating Margin = 26.6%



Microcontrollers & Digital ICs (MDG)

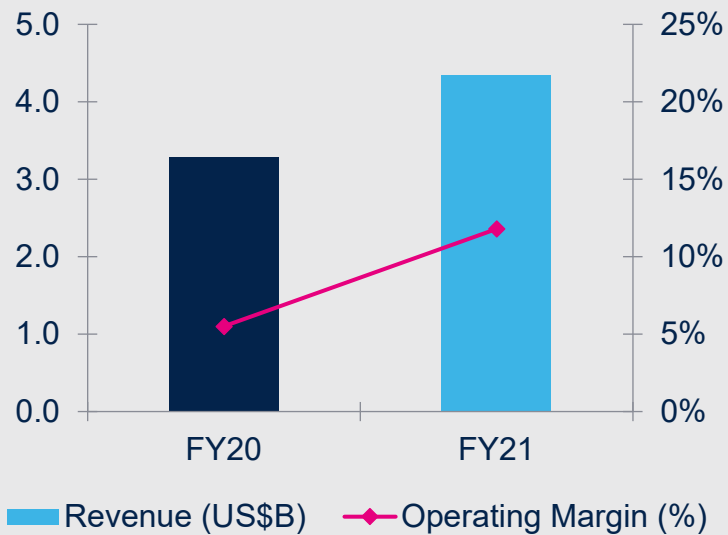
Revenues = \$1,062M
Operating Margin = 29.9%



FY 2021 Product group results

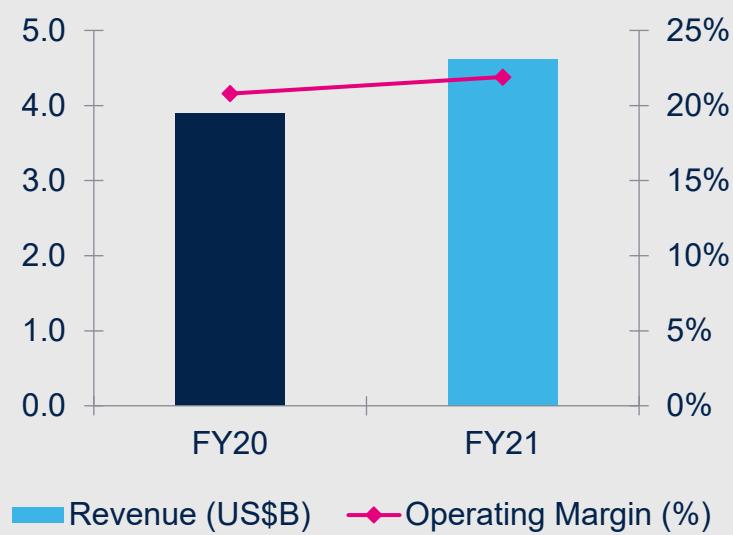
Automotive & Discrete (ADG)

Revenues = \$4.35B
Operating Margin = 11.8%



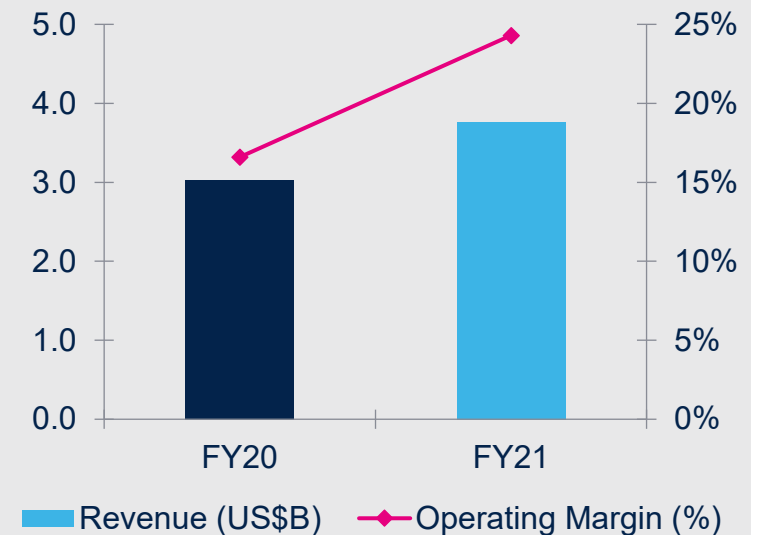
Analog, MEMS & Sensors (AMS)

Revenues = \$4.62B
Operating Margin = 21.9%



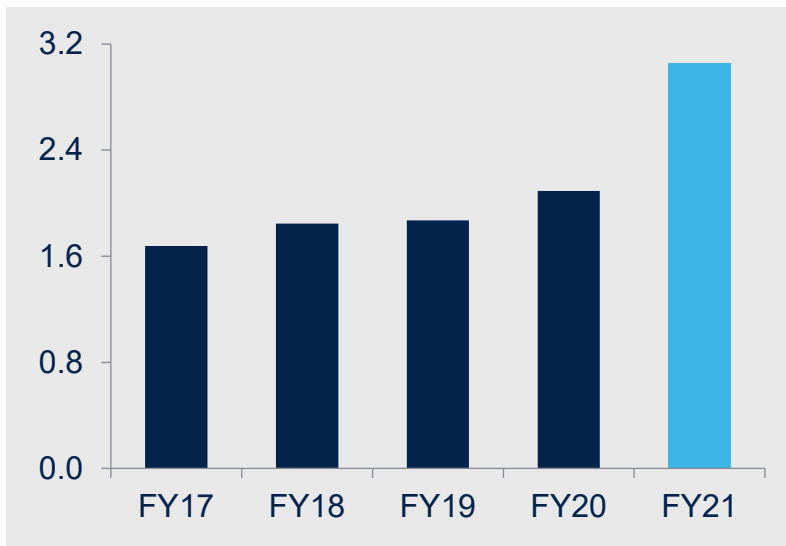
Microcontrollers & Digital ICs (MDG)

Revenues = \$3.77B
Operating Margin = 24.3%

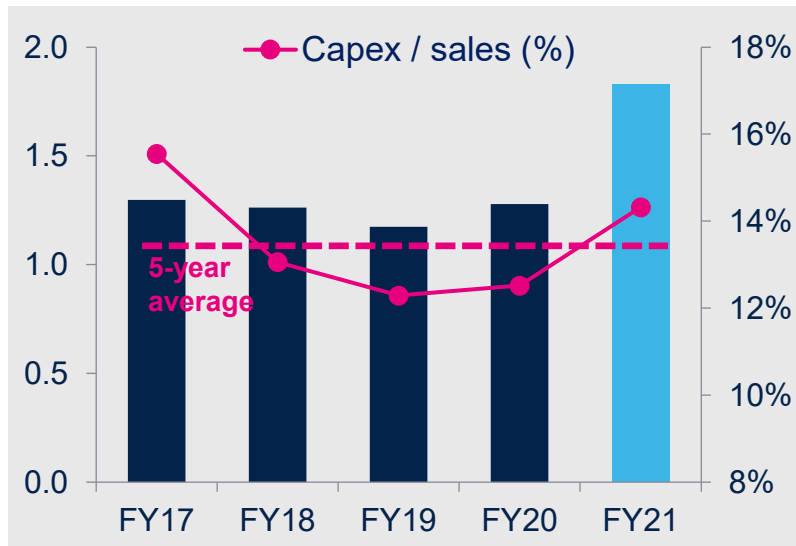


FY 2021 Financial flexibility

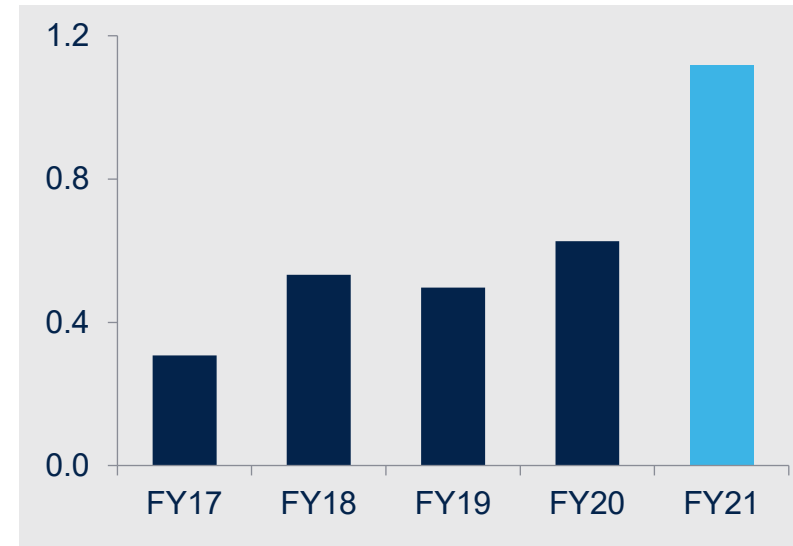
Net Cash From Operating Activities = \$3.06B



Capex = \$1.83B



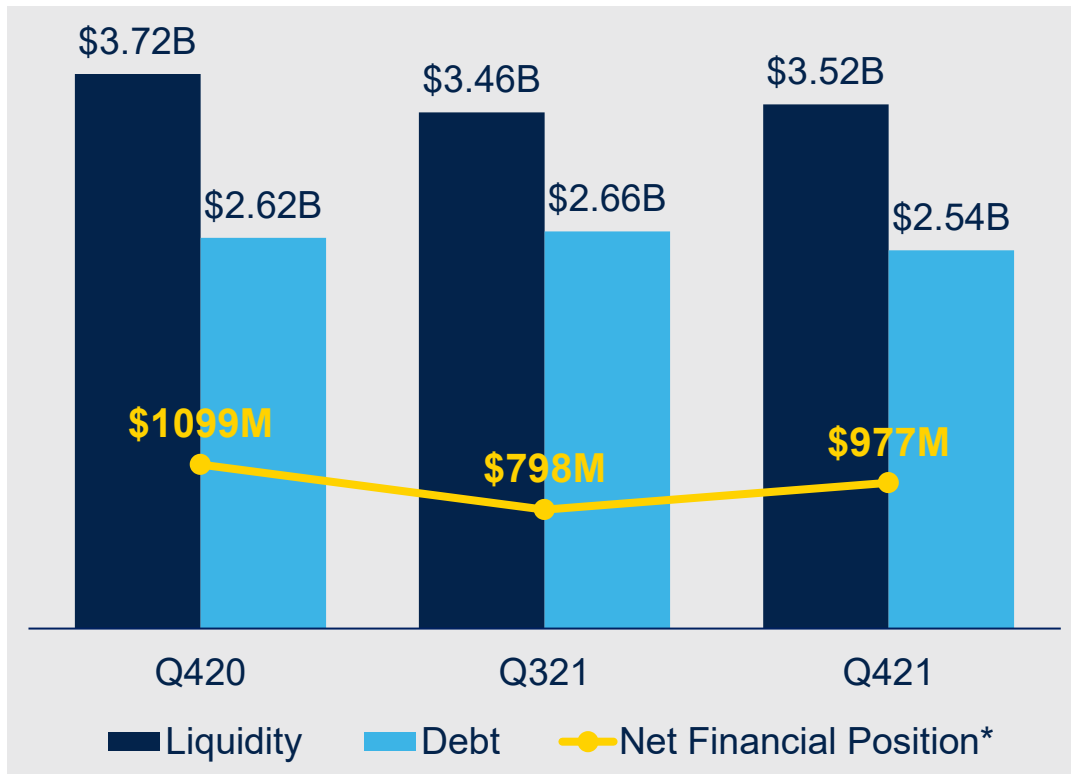
Free Cash Flow* = \$1.12B



Cash dividends paid to shareholders totaled \$205M in FY21.

In FY21 we repurchased shares totaling \$485M under our prior and new share repurchase programs.

Solid capital structure



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

Moody's upgraded the credit rating to Baa2 and S&P improved business risk profile to satisfactory. As a result, ST is now well within investment grade with a Stable Outlook from Moody's, S&P and Fitch

Q1 2022 Outlook

Net Revenues

Q122 outlook, at the mid-point, is for net revenues of **\$3.50B**, growing 16.1% Y/Y and decreasing 1.6% Q/Q.

Gross Margin

Gross margin is expected to be about **45.0%**, plus or minus 200 bps, representing a Y/Y increase of 600 bps and a Q/Q decrease of 20 bps.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.15 = €1.00 for the 2022 first quarter and includes the impact of existing hedging contracts.

The first quarter will close on April 2, 2022.

We will accelerate the execution of our **strategy** and **value proposition**:

A **STRATEGY** which stems from three long-term enablers:

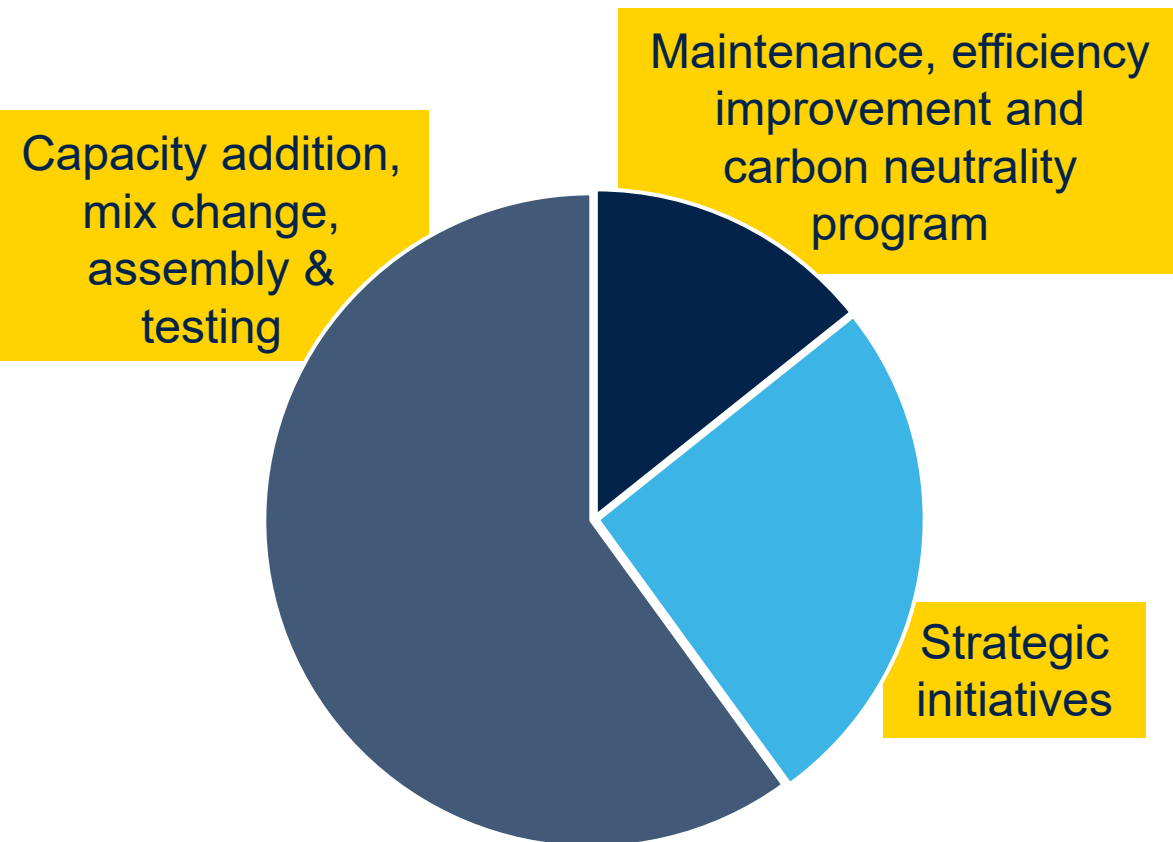
- Smart mobility
- Power & energy management
- IoT & 5G

A **VALUE PROPOSITION** based on:

- sustainable and profitable growth
- providing differentiating enablers to customers, with an independent, reliable and secure supply chain
- committing to sustainability for the benefit of all our stakeholders

FY 2022 Capital investment

\$3.4B - \$3.6B CAPEX to further increase our production capacity and support our strategic initiatives



Our CAPEX plans include:

- ~ **\$2.1B for capacity additions and mix change** in our manufacturing footprint, in particular for our wafer fabs (digital 300mm in Crolles, analog 200mm in Singapore, SiC 150mm in Catania and Singapore), as well as assembly and test operations.
- ~ **\$900M for strategic investments**: including the first industrialization line of our new 300mm wafer fab in Agrate, and GaN technology and SiC raw material initiatives.
- The remaining part covers the **overall maintenance and efficiency improvements** of our manufacturing operations and infrastructure, as well as our **Carbon Neutrality** execution program.

Our commitment to be Carbon neutral by 2027

Milestones

- Carbon neutral by 2027
- Compliance with the 1.5°C scenario by 2025 – recognized by SBTi
- Sourcing 100% renewable energy by 2027
- Collaborative programs and partnerships for carbon neutrality throughout our ecosystems



In 2021, we improved our total Greenhouse gas emissions efficiency (-27% versus 2020) and our use of renewable energy reached about 51%.

FY 2022 Plan

Based on the strong customer demand and our planned investments to increase capacity,

we will drive the Company based on a 2022 revenue plan of \$14.8B to \$15.3B,

representing revenue growth of about 16% to 20%.

Takeaways

FY 2021

ST delivered strong revenue growth and increased profitability. We worked alongside our customers, continuing to adapt our supply chain to support their strong demand.

FY 2022

We continue to work on making ST stronger. We are convinced that we have the right strategy and resources in place:

- our balanced end-market focus and position;
- our solid product/IP technology portfolio;
- our Integrated Device Manufacturer model;
- our transformation programs;
- and our focus on high-growth applications that continue to accelerate their strong, positive dynamics.

We are investing significantly to support this acceleration in order to capture new opportunities, working alongside our customers, and to prepare our growth for the years to come.

Capital Markets Day 2022

SAVE THE DATE

We will be hosting our Capital Markets Day on **May 12th in Paris**.
We hope to be able to have an in-person event and will also webcast live.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q120	Q220	Q320	Q420	FY20	Q121	Q221	Q321	Q421	FY21
Net Revenues	2,231	2,087	2,666	3,235	10,219	3,016	2,992	3,197	3,556	12,761
Gross Margin	37.9%	35.0%	36.0%	38.8%	37.1%	39.0%	40.5%	41.6%	45.2%	41.7%
Operating Income Operating Margin	231 10.4%	106 5.1%	329 12.3%	657 20.3%	1,323 12.9%	440 14.6%	489 16.3%	605 18.9%	885 24.9%	2,419 19.0%
Net Income – Reported	192	90	242	582	1,106	364	412	474	750	2,000
EPS Diluted (\$/share)	0.21	0.10	0.26	0.63	1.20	0.39	0.44	0.51	0.82	2.16
Free Cash Flow* Net Financial Position*	113 668	28 570	(25) 662	512 1,099	627 1,099	261 1,185	125 1,081	420 798	314 977	1,120 977
Effective Exchange Rate €/€	1.11	1.10	1.13	1.16	1.13	1.19	1.19	1.19	1.17	1.18

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, marketable securities, restricted cash and short-term deposits, 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, short-term deposits and marketable securities and the total level of our financial indebtedness. 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 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 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 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 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)	Q120	Q220	Q320	Q420	FY20	Q121	Q221	Q321	Q421	FY21
Unused Capacity Charges	34	64	38	17	153	2	-	14	-	16
Impairment & Restructuring Charges	5	4	2	(1)	11	-	(2)	1	4	2

Our technology starts with You

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