



life.augmented

STMicroelectronics

Q2 2020 Financial Results

July 23, 2020

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, 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;
- the Brexit vote and the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the Eurozone, the EU and elsewhere. The U.K. withdrawal from the EU took place on January 31, 2020 and the UK majority government is expected to complete Brexit even if no formal withdrawal agreement is in place with the EU by the end of the transition period running until December 31, 2020. The specific terms of the U.K. withdrawal from the EU are still uncertain 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;
- 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 novel coronavirus COVID-19 in locations where we, our customers or our suppliers operate;
- 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, 2019, as filed with the SEC on February 26, 2020. 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

**Q2
2020**

- We returned to normal operations, supporting our customers' demand and continuing to ensure the health and safety of our employees
- Net revenues were \$2.09B, decreasing sequentially 6.5%. As expected, this was due to a decline in Automotive, Analog and Imaging products, partially offset by growth in Microcontrollers, Digital and Power Discrete
- Gross margin, at 35.0%, included 310 bps of unsaturation charges
- Operating margin was 5.1% and net income was \$90M

**H1
2020**

- Net revenues grew 1.6% year-over-year to \$4.32B, driven by higher sales in Analog, Imaging and Microcontrollers, partially offset by lower sales in Automotive and Power Discrete
- Operating margin was 7.8% and net income was \$282M

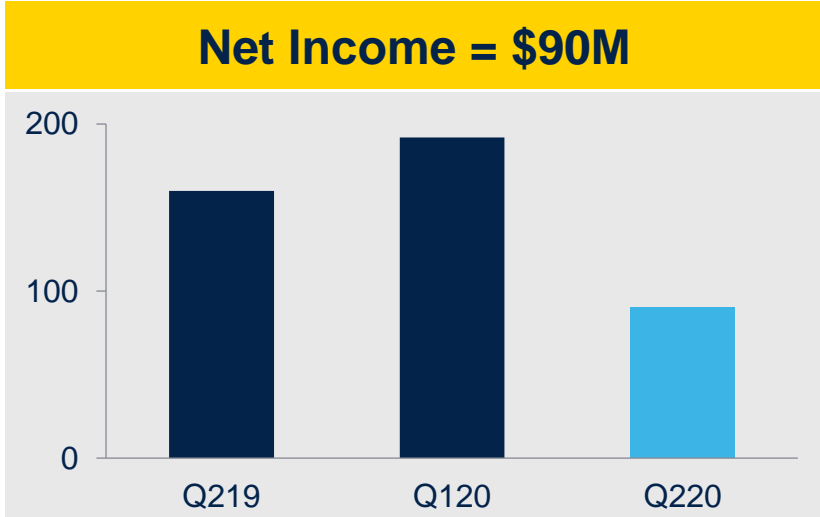
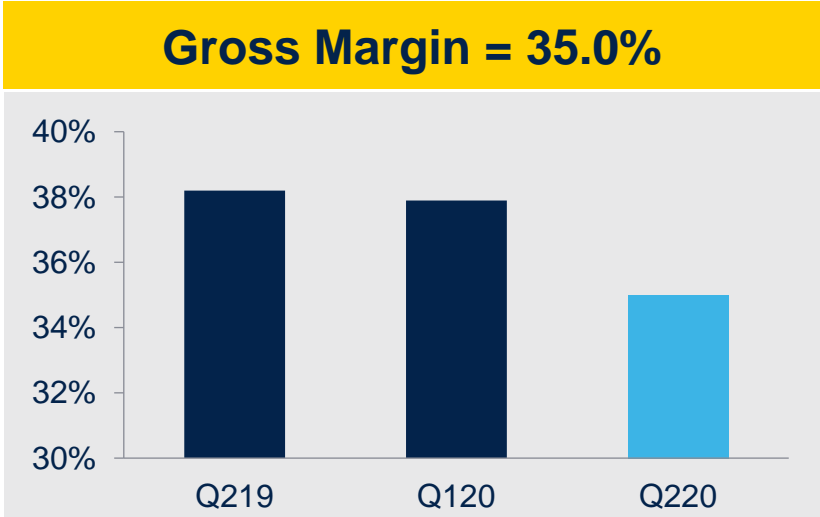
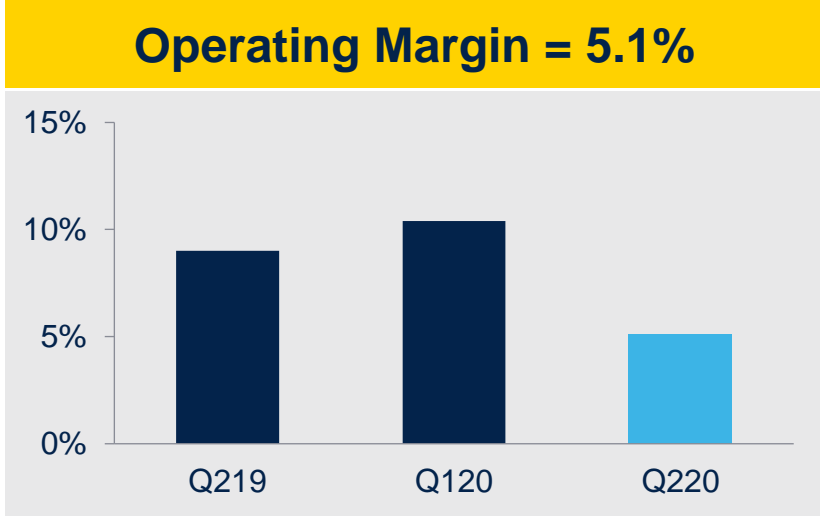
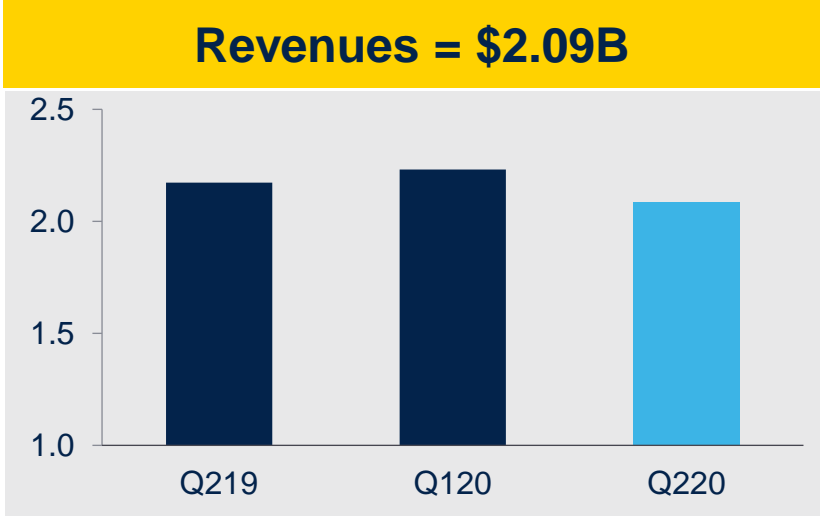
**Q3
2020**

- Outlook at mid-point is for net revenues of \$2.45B, representing sequential growth of about 17.4%
- Gross margin expected to be about 36.0% at the midpoint, including about 200 bps of unsaturation charges

**FY
2020**

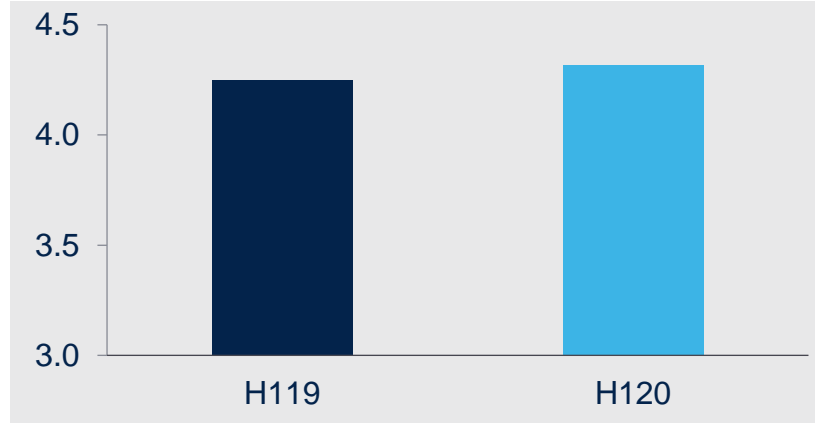
- We will drive the Company based on an updated plan for revenues in the range of about \$9.25B to \$9.65B
- H2 over H1 growth in the range of \$610M to \$1.01B, driven by engaged customer programs, new products & improved market conditions
- CAPEX plan for 2020 is now \$1.2B. For H1 2020 we invested \$578M

Q2 2020 Financial highlights

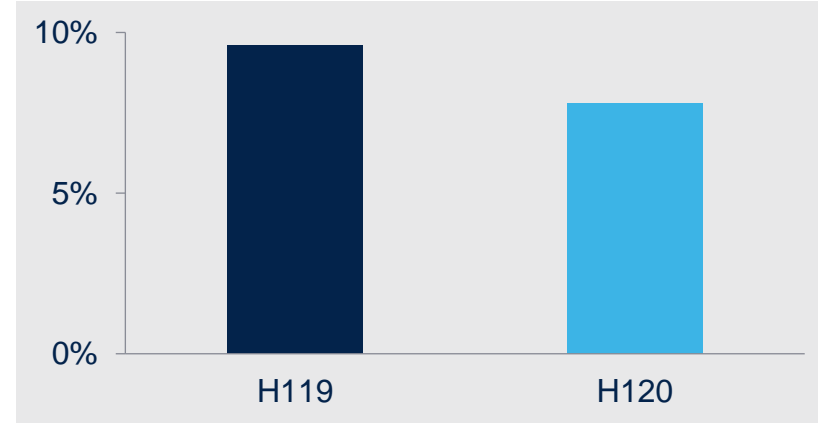


H1 2020 Financial highlights

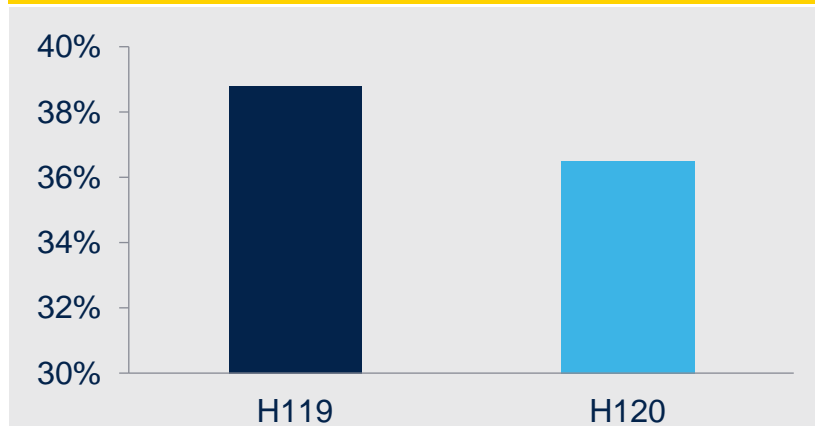
Revenues = \$4.32B



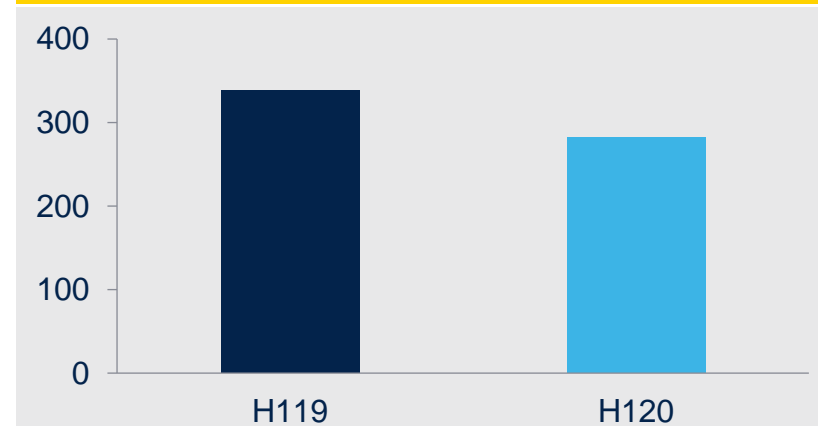
Operating Margin = 7.8%



Gross Margin = 36.5%

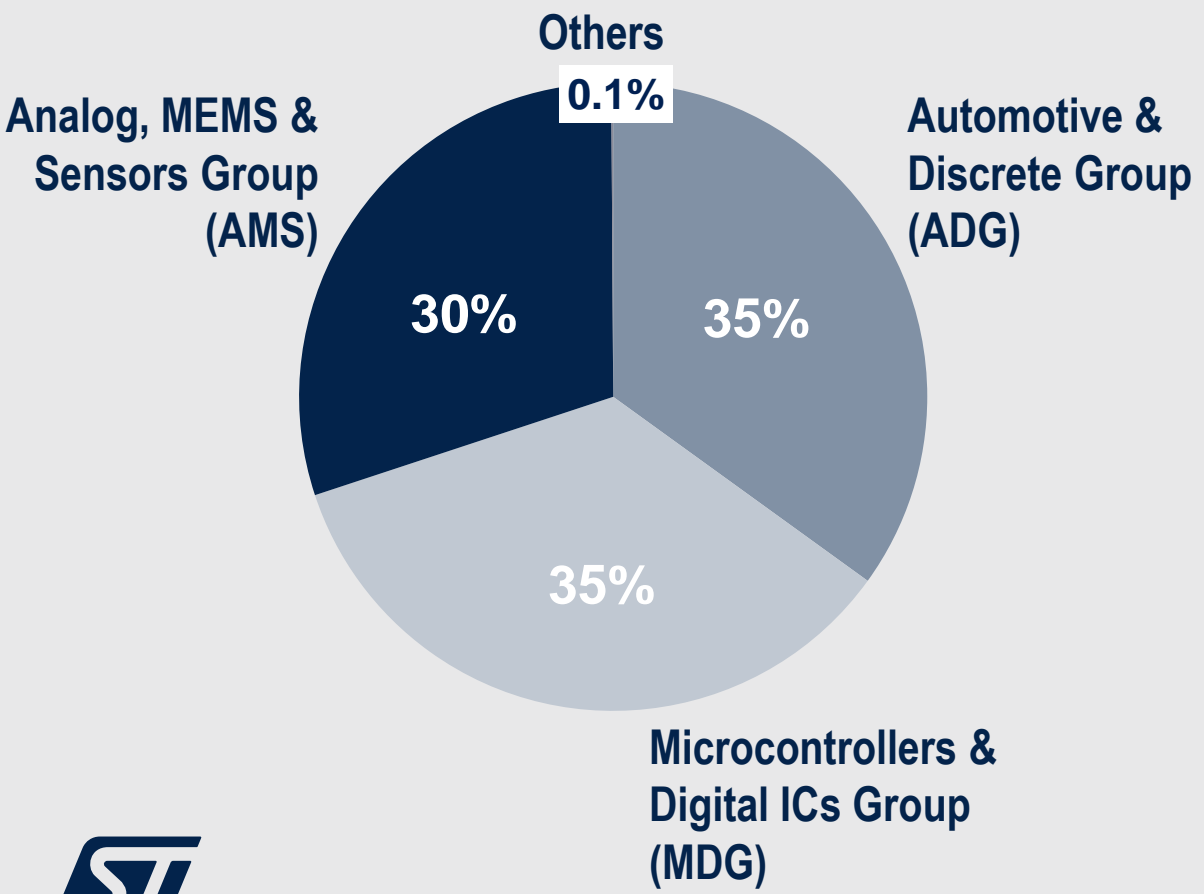


Net Income = \$282M

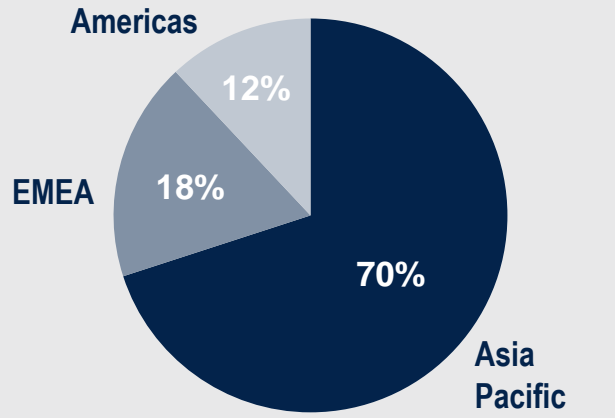


Q2 2020 Revenues

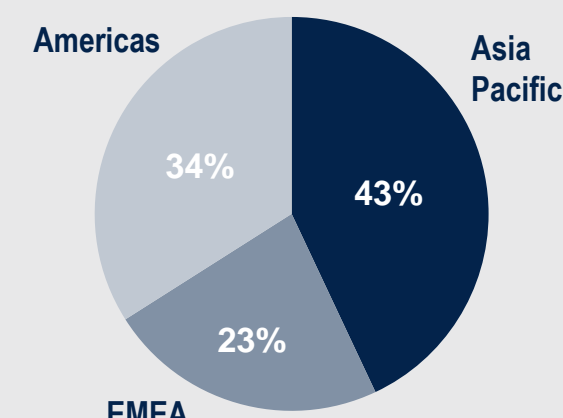
% by product group



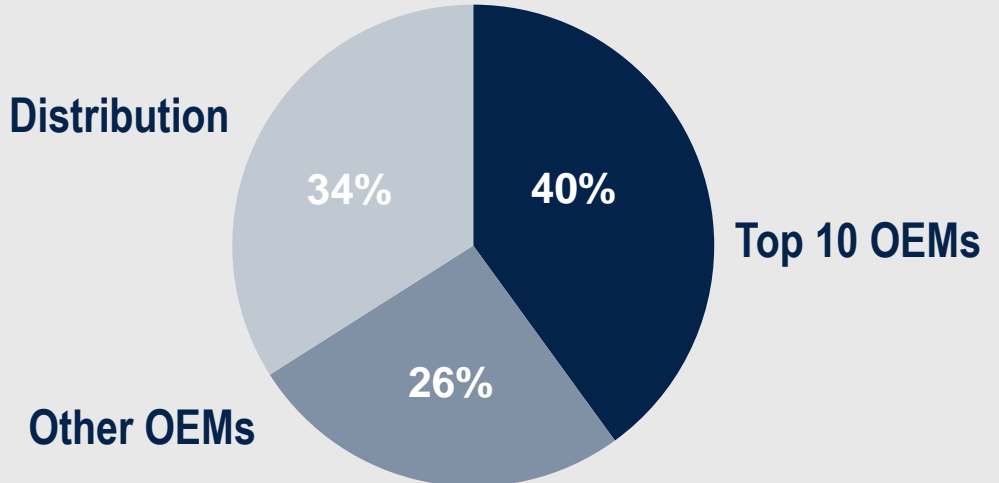
% by shipment location



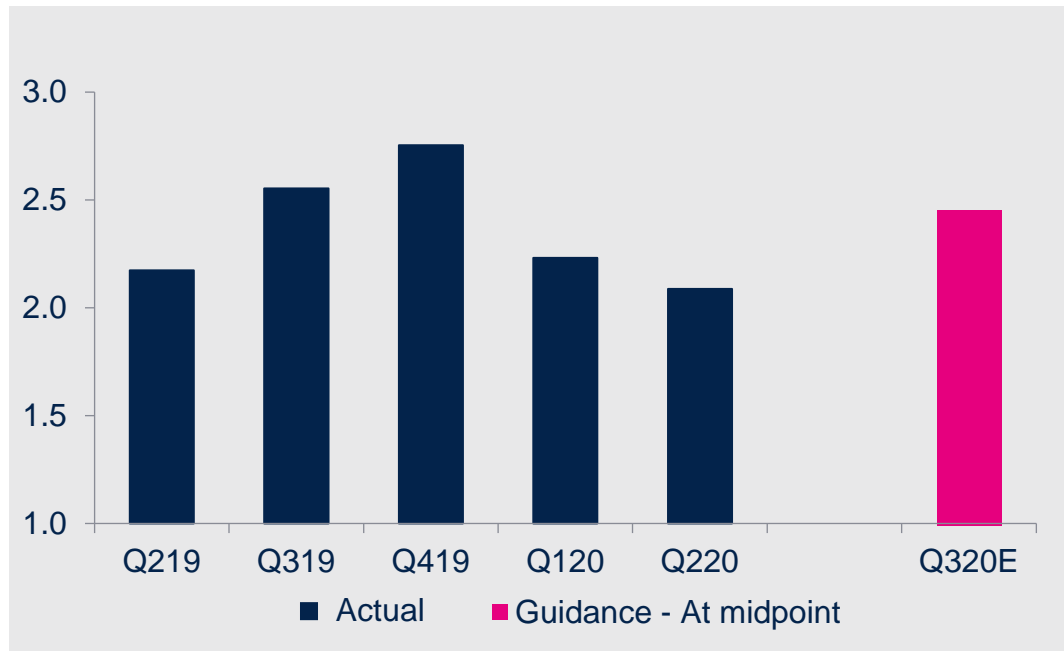
% by region of origin



% by customer type



Q220 Revenues = \$2.09B



Q220 revenues down 4.0% Y/Y

- The Company recorded lower sales in Imaging, Automotive, and MEMS, partially offset by higher sales in Microcontrollers, Digital, Analog and Power Discrete;
- Revenues to Distribution increased 9.7% and to OEMs decreased 9.7%.

Q220 revenues down 6.5% Q/Q

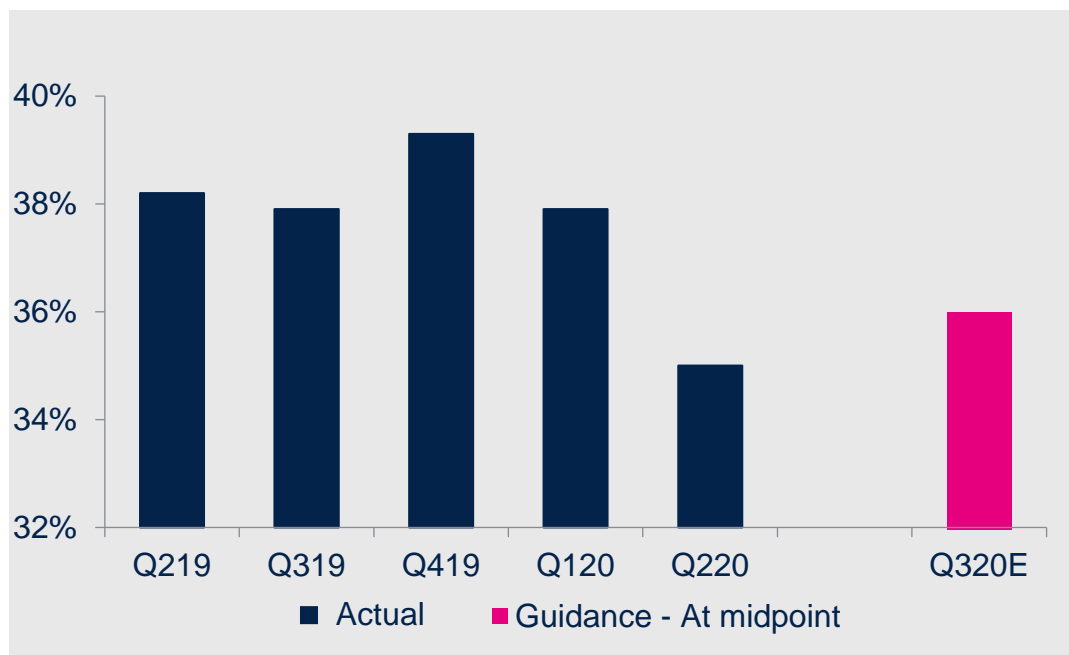
- 380 bps better than the mid-point of the Company's guidance;
- By product group, revenues sequentially increased in MDG while ADG and AMS decreased.

Q320 Revenue Outlook

Up Q/Q by about 17.4% (+/- 350 bps)
Down Y/Y by about 4.0% at mid-point

Gross margin

Q220 Gross Margin = 35.0%



Q220 Gross Margin

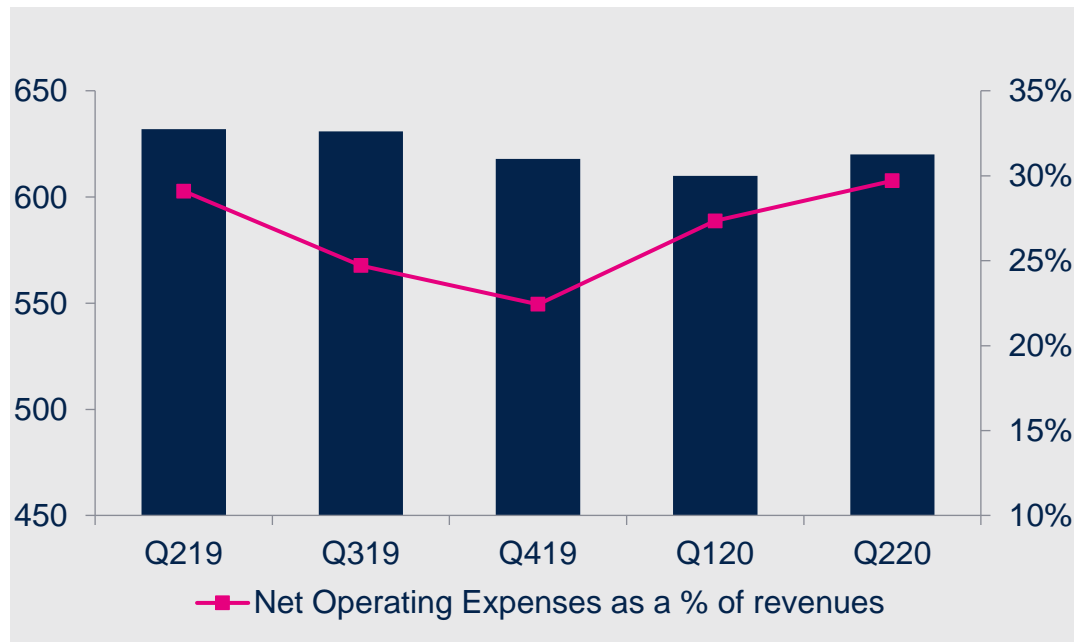
- Down 320 bps Y/Y mainly due to unsaturation charges, including the impact of COVID-19 workforce related restrictions, and price pressure;
- Down 290 bps Q/Q;
- 40 bps higher than the mid-point of the Company's guidance, as unsaturation charges were better than expected;
- Includes 310 bps of unsaturation charges.

Q320 Gross Margin Outlook

About 36.0% (+/- 200 bps)

Net operating expenses (*)

Q220 Net Operating Expenses = \$620M



Combined SG&A and R&D at \$632M

- 30.3% of revenues.

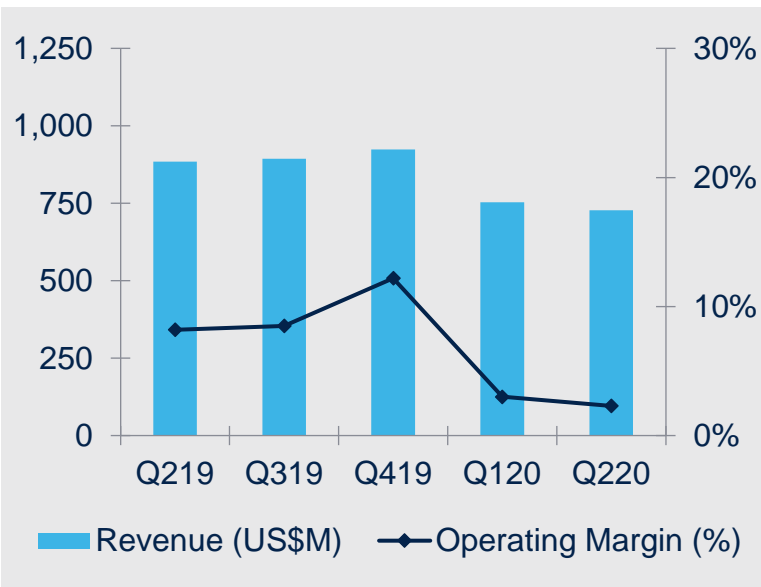
Q220 Net Operating Expenses at \$620M

- We are maintaining a strict discipline on controlling expenses while protecting our R&D, sales & marketing programs and transformation initiatives;
- Below what we anticipated when entering the quarter;
- 29.7% of revenues.

Q2 2020 Product group results

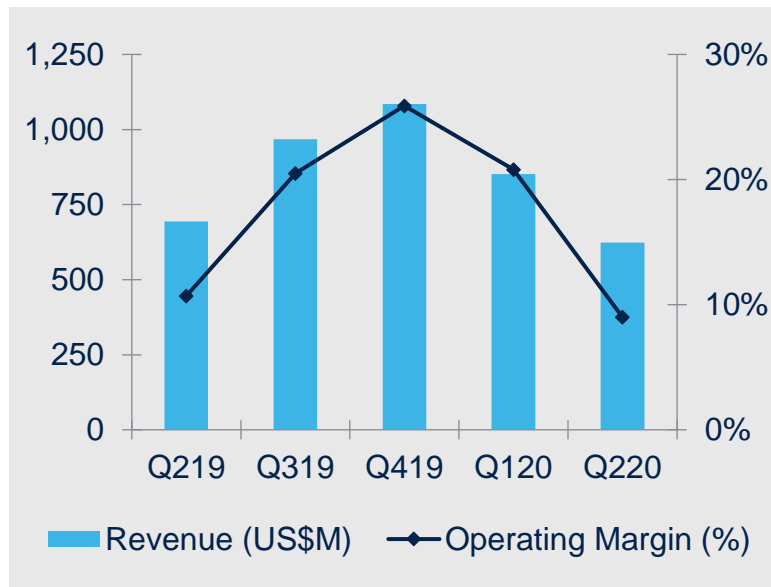
Automotive & Discrete (ADG)

Revenues = \$727M
Operating Margin = 2.3%



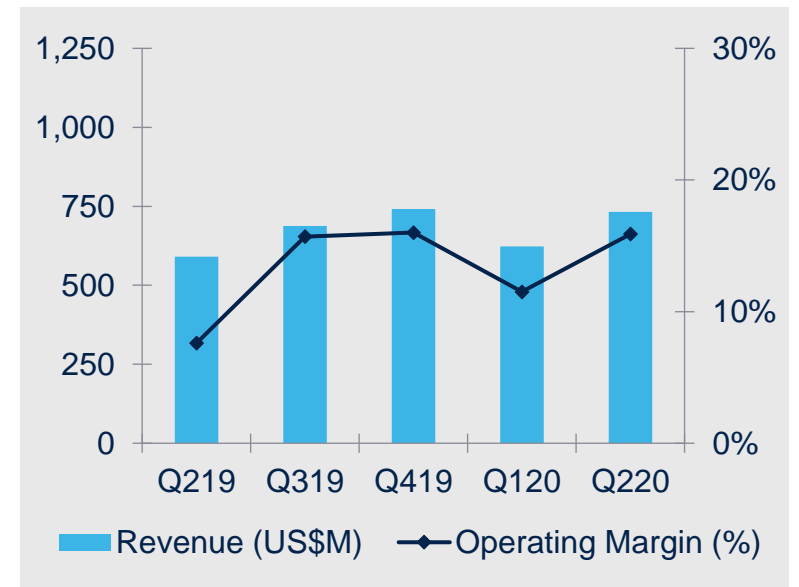
Analog, MEMS & Sensors (AMS)

Revenues = \$624M
Operating Margin = 9.0%



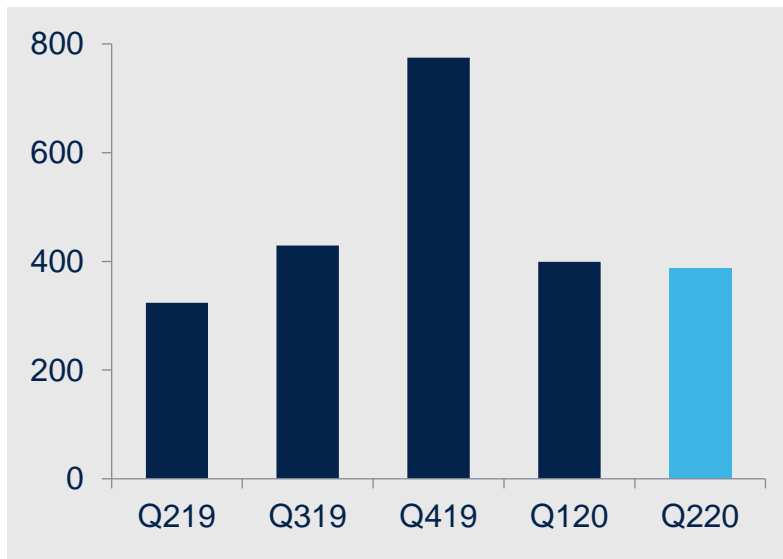
Microcontrollers & Digital ICs (MDG)

Revenues = \$733M
Operating Margin = 15.9%

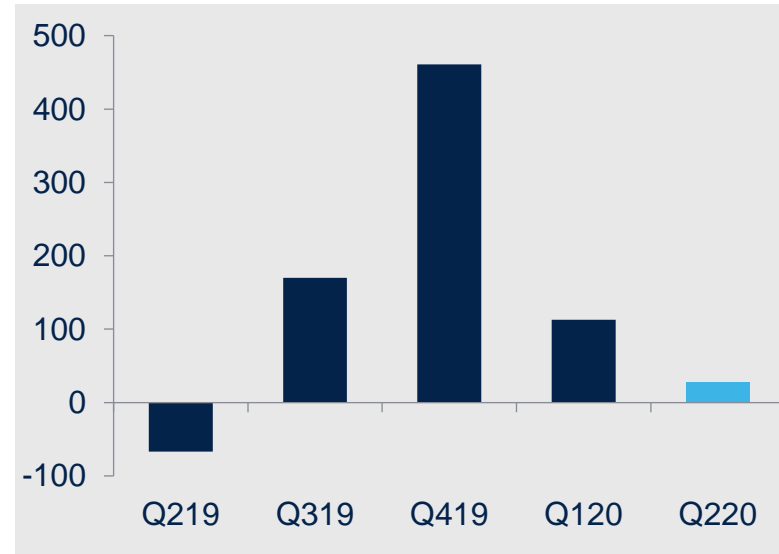


Q2 2020 Financial flexibility

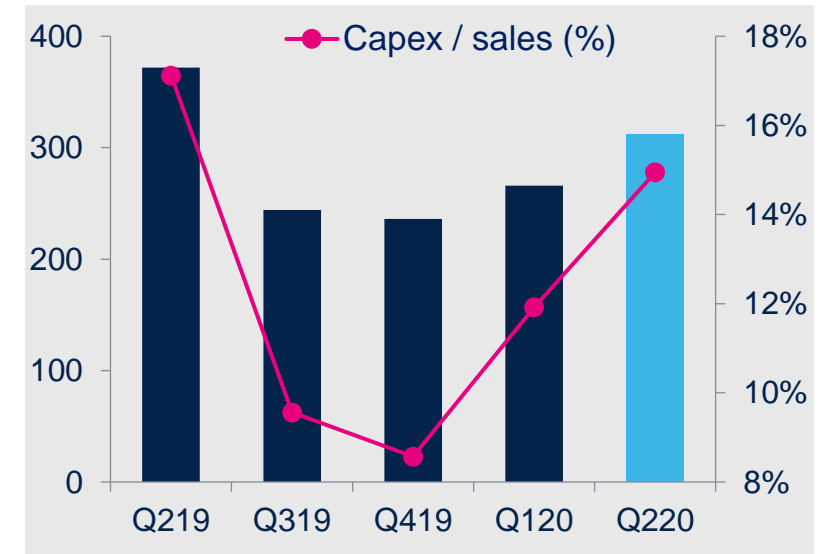
Net Cash From Operating Activities = \$387M



Free Cash Flow* = \$28M



Capex = \$312M



- Cash dividends of \$0.042 per share per quarter: \$37M distributed in Q220;
- Repurchase of common stock of \$63M in Q220 as part of ST's ongoing program.

Solid capital structure

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

End of period (US\$M)	June 27 2020	March 28 2020	June 29 2019
Total Liquidity	2,621	2,710	2,512
Total Financial Debt	(2,051)	(2,042)	(2,204)
Net Financial Position*	570	668	308

- Unutilized committed medium-term credit facilities of \$1.1 B;
- Long-term debt contains standard conditions but does not impose minimum financial ratios.

Moody's, S&P and Fitch are aligned in rating ST's credit profile well within investment grade and with Stable Outlook

Q2 2020 Supply chain situation

During the second quarter, we returned to normal operations, supporting our customers' demand and continuing to ensure the health and safety of our employees. These have been our priorities since the start of the pandemic.

- In preparation for the return of all our employees to our sites worldwide, we put in place very strict safety protocols.
- We are back to full operation of our manufacturing activities worldwide.
- Our non-manufacturing employees, located in areas still under specific restrictions, are progressively returning to our offices in line with local regulations.

Our “back to site” plan, coupled with the engagement of our employees, enabled us to keep all our committed programs on track and to maintain a high level of customer interaction.

Q2 2020 Automotive highlights

ADG

New design wins for Silicon Carbide MOSFETs - in a traction inverter and in an on-board charger and DC/DC converter for electric vehicles.

ADG

Design win for a battery management system for e-bikes.

ADG

Awards for our 28nm Phase Change Memory microcontrollers (Stellar) driven by the evolution of car architectures.

ADG

Win with our microcontroller dedicated to 77GHz radar applications.

AMS

Awards for a Global Shutter automotive imaging solution for driver monitoring systems.

Automotive



Q2 2020 Industrial highlights

- MDG** Signed agreements to further strengthen the wireless connectivity capabilities of our STM32 MCUs with Narrow Band Cellular and UWB.
- MDG** STM32 Ecosystem development: Digital Power Ecosystem, tools from partners for simple Machine Learning, and functional-safety packages.
- AMS** Awards for motor drivers and smart power products for industrial equipment, lighting, home appliance, and metering applications.
- AMS** New industrial grade inclinometer adopted by multiple large customers.
- ADG** Design wins for high voltage MOSFETs, Silicon Carbide, IGBT and Intelligent Power Modules in a variety of industrial applications.



Q2 2020 Personal electronics highlights

MDG
ADG

Won RF mixed-signal projects and integrated passive RF solutions in Front-End Modules for 5G smartphones.

AMS

Won designs in flagship smartphones including 5G models with MEMS motion sensors and time-of-flight ranging sensors.

AMS

Awarded designs with analog products for touch, display power and wireless charging.

MDG

Won multiple designs with secure solutions such as eSIM and secure elements with NFC.

AMS

Ramped production of our multi-pixel/direct time-of-flight sensor for world-facing camera applications in a new flagship device for a global smartphone leader.

Personal Electronics



Q2 2020 Communications equipment, computers & peripherals highlights

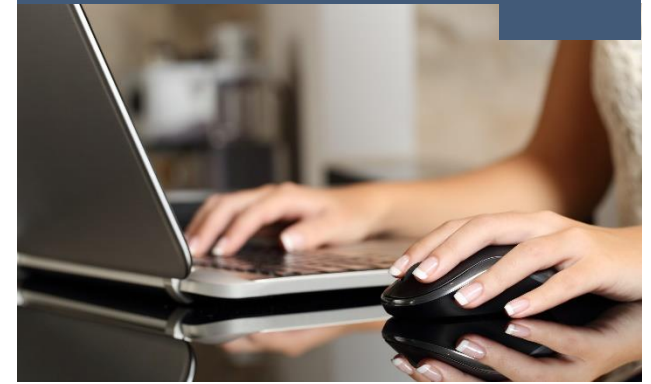
MDG

Awarded designs using ST proprietary technologies for a processor for a satellite application.

MDG

Won several RF projects for telecommunication infrastructure.

Communications Equipment,
Computers & Peripherals



Q3 2020 Outlook

Net revenues are expected to be **\$2.45B**, a growth of 17.4% sequentially, plus or minus 350 basis points.
Gross Margin of **36.0%**, plus or minus 200 basis points.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.12 = €1.00 for the 2020 third quarter and includes the impact of existing hedging contracts.

The second quarter will close on September 26, 2020.

FY 2020 Sales and operating plan

We will drive the Company based on an updated plan for
FY20 **net revenues** in the range of **about \$9.25B to \$9.65B.**

- We plan for **growth in H2 over H1** in the range of **\$610M to \$1.01B**, driven by engaged customer programs, new products and improved market conditions.
- This plan reflects **an improvement compared to the previous range** of \$8.8B to \$9.5B we expected entering Q2.
- Our **CAPEX plan for 2020** is now about **\$1.2B.**

Takeaways

While we continue to ensure the ongoing health and safety of all our employees in response to the global pandemic, during last quarter **we have returned to normal operations.**

ST fundamentals are solid. The strategic decisions which we made years ago have enabled us to **successfully serve secular, growing market trends addressing key societal needs.**

We work alongside our customers both for the short and the long term. We are determined to continue to **make ST stronger**, by consistently **executing our strategy**, quarter after quarter, with a **clear sales and operating plan.**

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q119	Q219	H119	Q319	Q419	FY19	Q120	Q220	H120
Net Revenues	2,076	2,173	4,249	2,553	2,754	9,556	2,231	2,087	4,318
Gross Margin	39.4%	38.2%	38.8%	37.9%	39.3%	38.7%	37.9%	35.0%	36.5%
Operating Income	211	196	408	336	460	1,203	231	106	337
Operating Margin	10.2%	9.0%	9.6%	13.1%	16.7%	12.6%	10.4%	5.1%	7.8%
Net Income – Reported	178	160	338	302	392	1,032	192	90	282
EPS Diluted (\$/share)	0.20	0.18	0.37	0.34	0.43	1.14	0.21	0.10	0.31
Free Cash Flow*	(67)	(67)	(134)	170	461	497	113	28	141
Net Financial Position*	510	308	308	348	672	672	668	570	570
Effective Exchange Rate €/€	1.16	1.14	1.15	1.14	1.12	1.14	1.11	1.10	1.11

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

Appendix

- **Net financial position (non-U.S. GAAP measure)**: represents the difference between our total liquidity and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, restricted cash and short-term deposits, and our total financial debt includes short-term debt, including bank overdrafts, and long-term debt, as represented 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. In addition, 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 (and proceeds from matured) of 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, proceeds received in the sale of businesses 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 (and proceeds from the matured) of 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. In addition, 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 revenue. 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, 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)	Q119	Q219	H119	Q319	Q419	FY19	Q120	Q220	H120
Unused Capacity Charges	1	7	8	28	29	65	34	64	98
Impairment & Restructuring Charges	-	2	2	-	3	5	5	4	9

Thank you

© STMicroelectronics - All rights reserved.

The STMicroelectronics corporate logo is a registered trademark of the STMicroelectronics group of companies. All other names are the property of their respective owners.



life.augmented