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STMicroelectronics Q4 & FY 2023 Financial Results

January 25, 2024

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, geopolitical and military conflicts (including the ongoing conflict between Russia and 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;
- 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 information technology ("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, suppliers, partners and providers of third-party licensed technology;
- theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of data privacy legislation;
- 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 or pandemics 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 goal to become carbon neutral on scope 1 and 2 and partially scope 3 by 2027;
- potential loss of key employees and potential inability to recruit and retain qualified employees as a result of epidemics or pandemics such as 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 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 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, 2022 as filed with the Securities and Exchange Commission ("SEC") on February 23, 2023. 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 SEC filings, could have a material adverse effect on our business and/or financial condition.

Highlights

**Q4
2023**

- Net revenues of \$4.28B decreased 3.2% Y/Y and 3.4% Q/Q. Gross margin was 45.5%.
- Revenues and gross margin were slightly below the mid-point of the guidance, with higher revenues in Personal Electronics offset by a softer growth rate in Automotive.
- Operating margin was 23.9% and net income was \$1.08B.

**FY
2023**

- Net revenues increased 7.2% Y/Y to \$17.29B , driven by strong demand in Automotive and, to a lesser extent, Industrial, partially offset by lower revenues in Personal Electronics.
- Gross margin was 47.9%, operating margin was 26.7% and net income was \$4.21B.
- We invested \$4.11B in net CAPEX while delivering free cash flow* of \$1.77B.

- During Q4, our customer order bookings decreased compared to Q3. We continued to see stable end-demand in Automotive, no significant increase in Personal Electronics, and further deterioration in Industrial compared to Q3.
- We have a solid backlog for the year both in Automotive and in all our engaged customer programs. In Industrial, where we are seeing strong inventory correction, we have a much lower backlog than when we entered 2023.

**Q1
2024**

- Outlook at mid-point is for net revenues of \$3.6B, declining 15.2% Y/Y and 15.9% Q/Q.
- Gross margin expected to be about 42.3% at the mid-point.

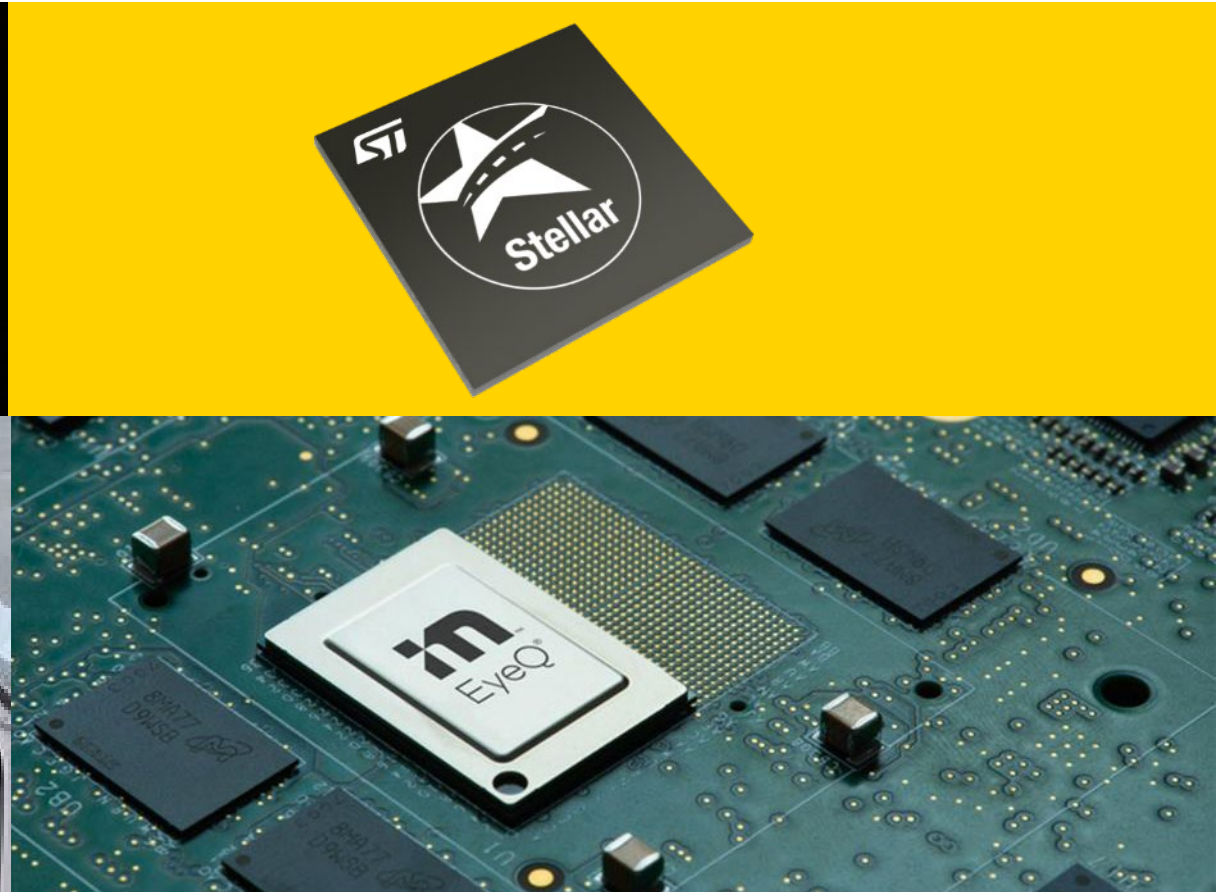
**FY
2024**

- For 2024, we plan to invest about \$2.5B in net CAPEX.
- Plan for FY24 revenues in the range of \$15.9B to \$16.9B. Within this plan, we expect a gross margin in the low to mid-40's.

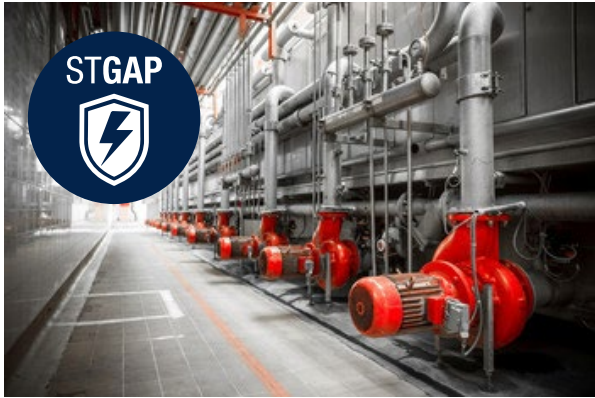
Car electrification



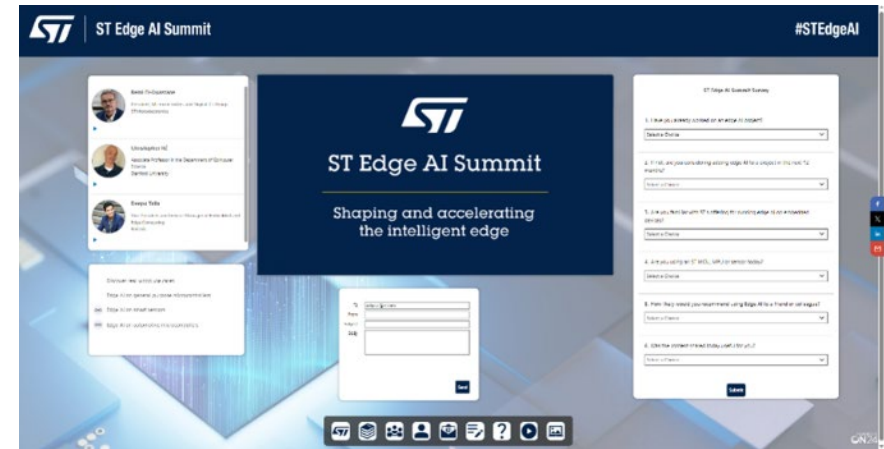
Car digitalization



Power & Energy



Embedded processing



Industrial sensors

Low-power high-performance 8x8 multizone Time-of-Flight sensor

Flight Sense

Superior industrial pressure sensor for airtight and waterproof applications

Qvar

ST Edge AI Suite

STMicroelectronics unveils world's first MCU Edge-AI Developer Cloud

Personal electronics Communications equipment & computer peripherals



Manufacturing initiatives

300 mm capacity expansion

Crolles



Agrate



Silicon carbide capacity expansion

Catania



Singapore



Bouskoura



Shenzhen



Global Foundries, Crolles



San'an, Chongqing

Commitments

- Carbon neutral* by 2027
- Sourcing 100% renewable energy by 2027

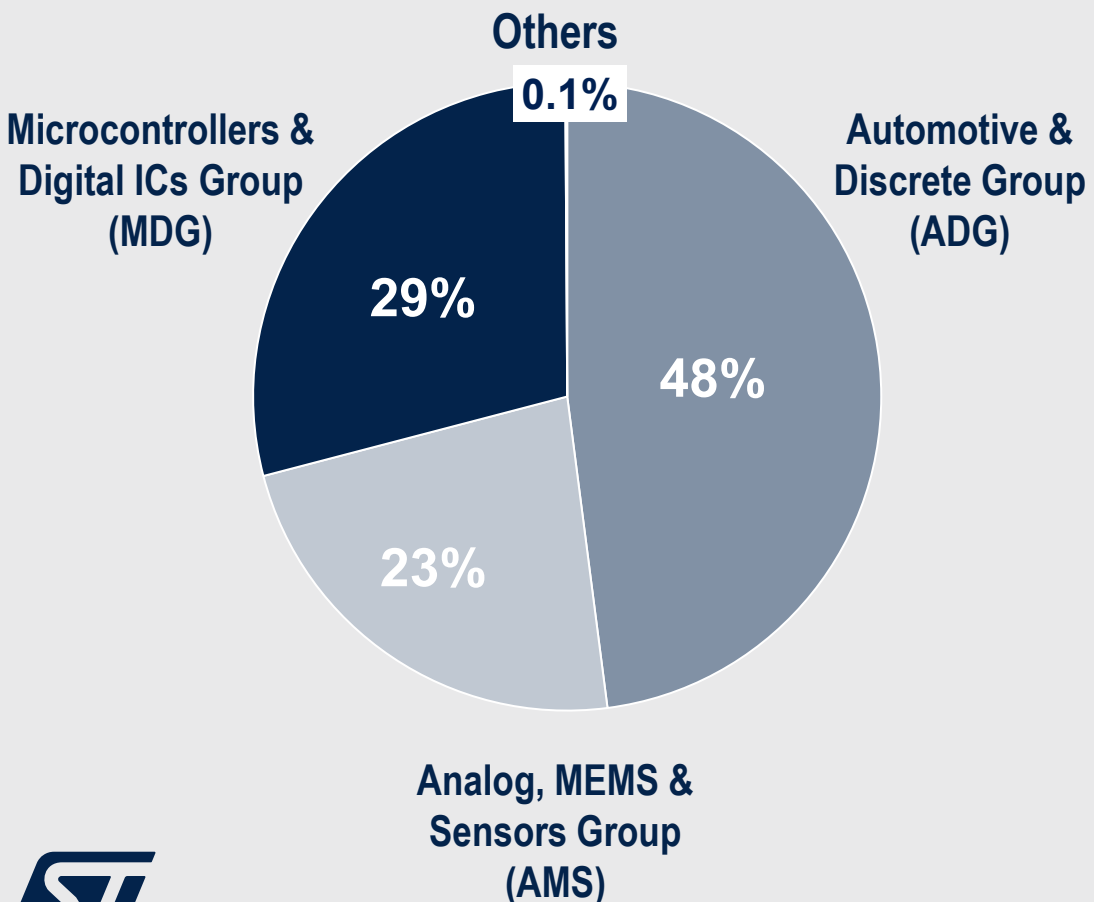


Fifteen-year Power Purchase Agreement with ERG for the supply of renewable energy to ST operations in Italy

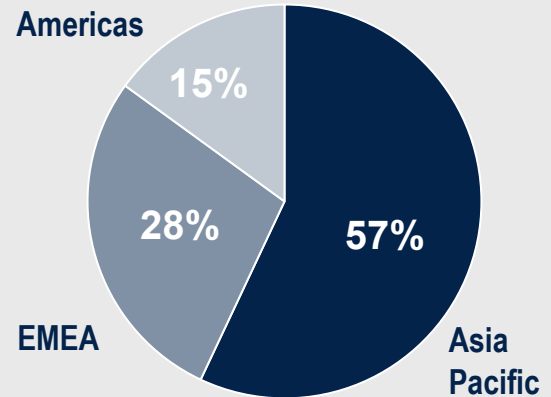


Q4 2023 Revenues

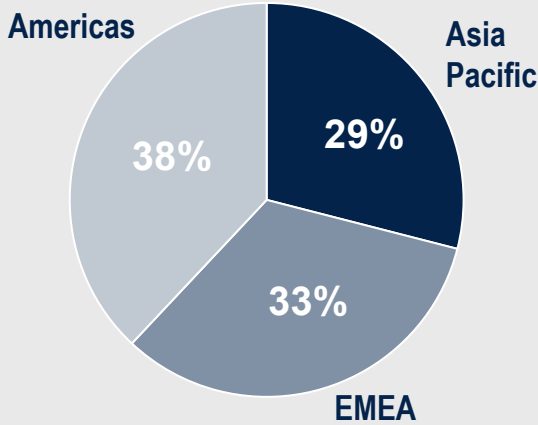
% by product group



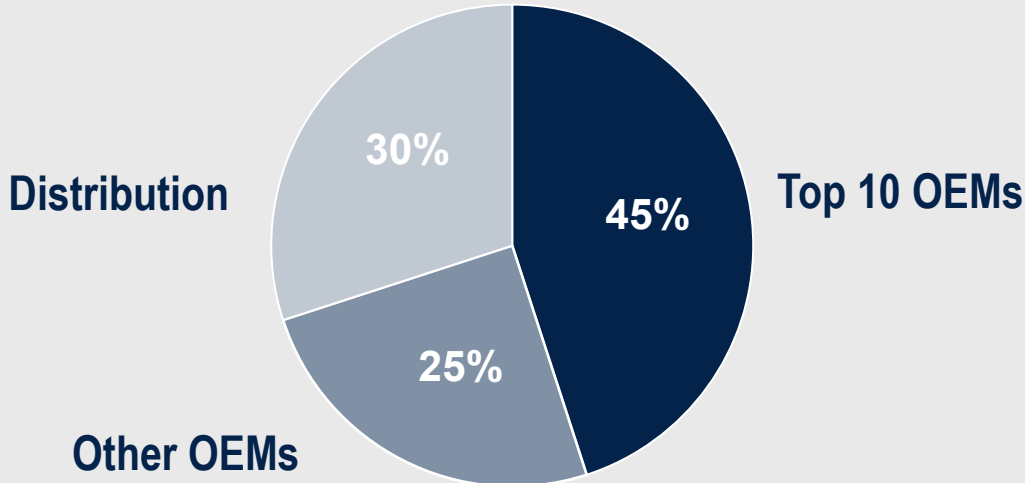
% by shipment location



% by region of origin

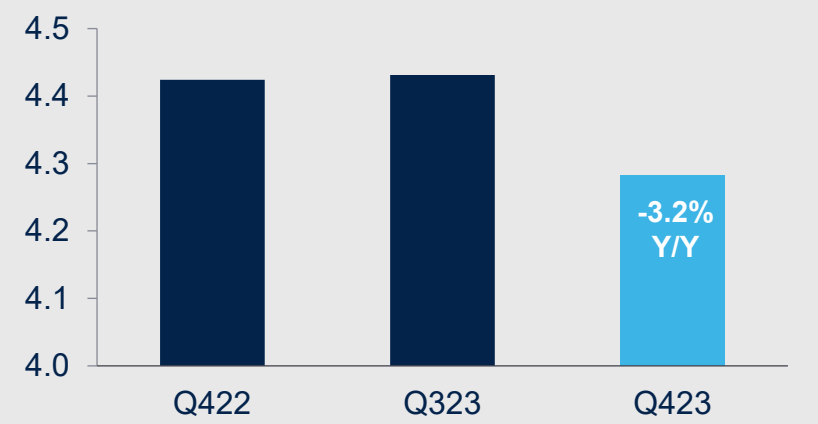


% by customer type

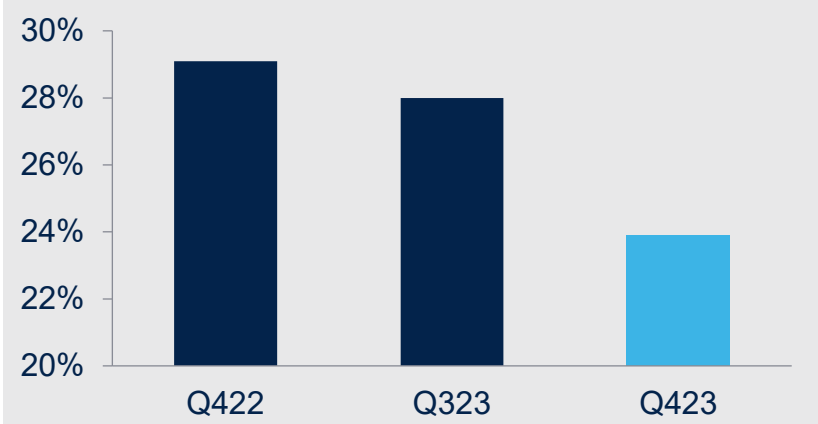


Q4 2023 Financial highlights

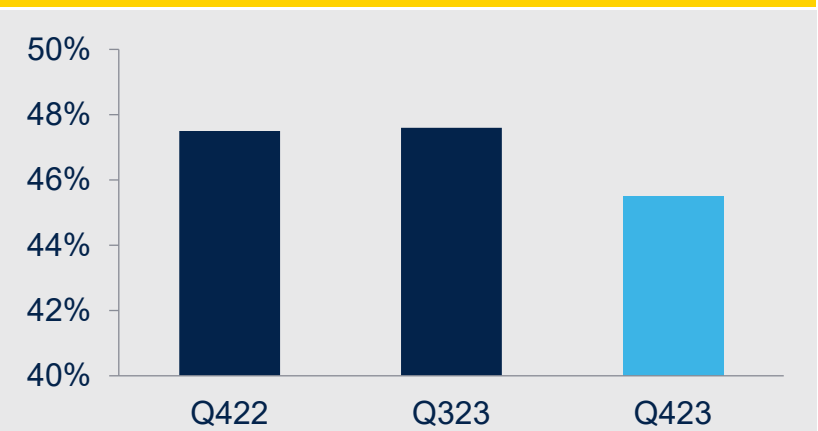
Revenues = \$4.28B



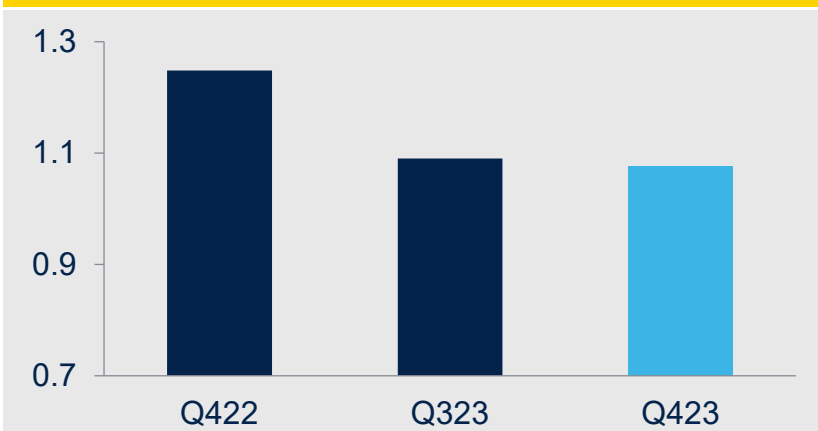
Operating Margin = 23.9%



Gross Margin = 45.5%



Net Income = \$1.08B



FY 2023 Revenues by end market

Communications equipment & computer peripherals

-4.2%_{Y/Y}

Personal electronics

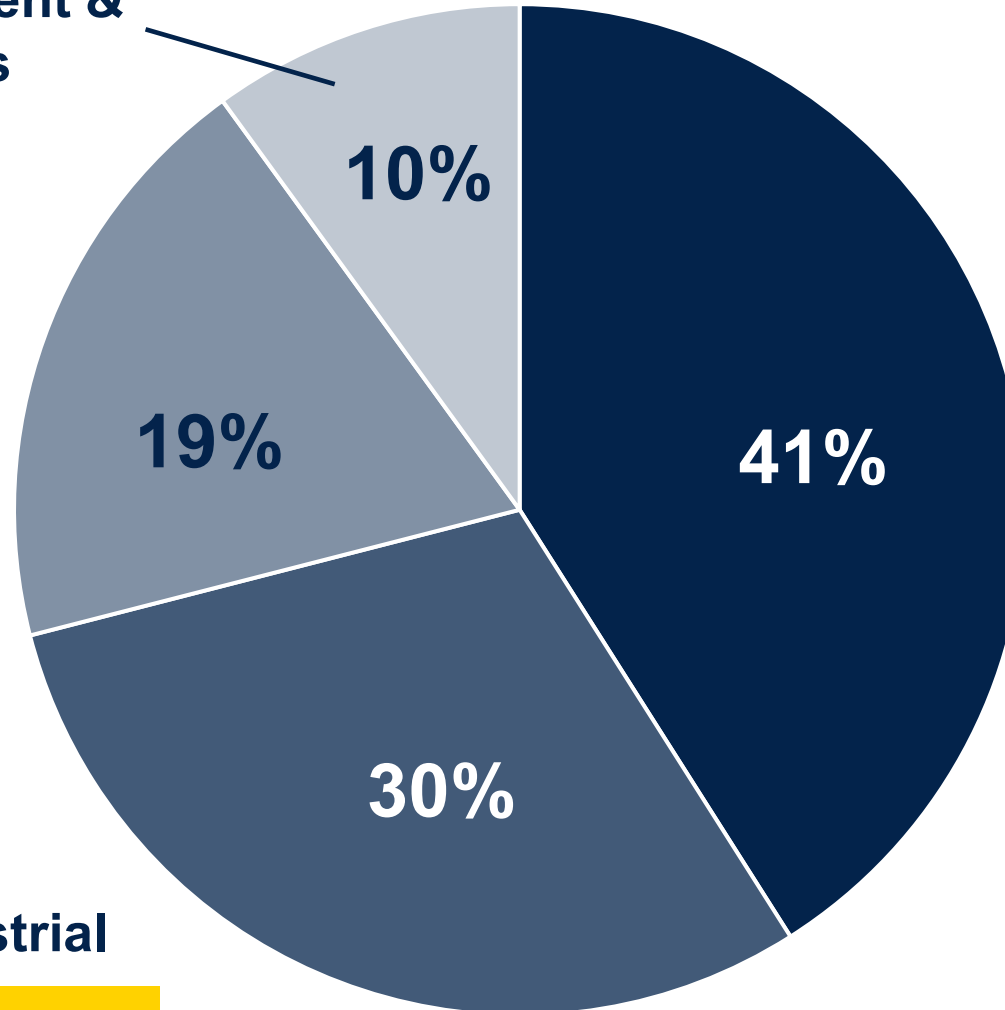
-25.1%_{Y/Y}

Industrial

+11.4%_{Y/Y}

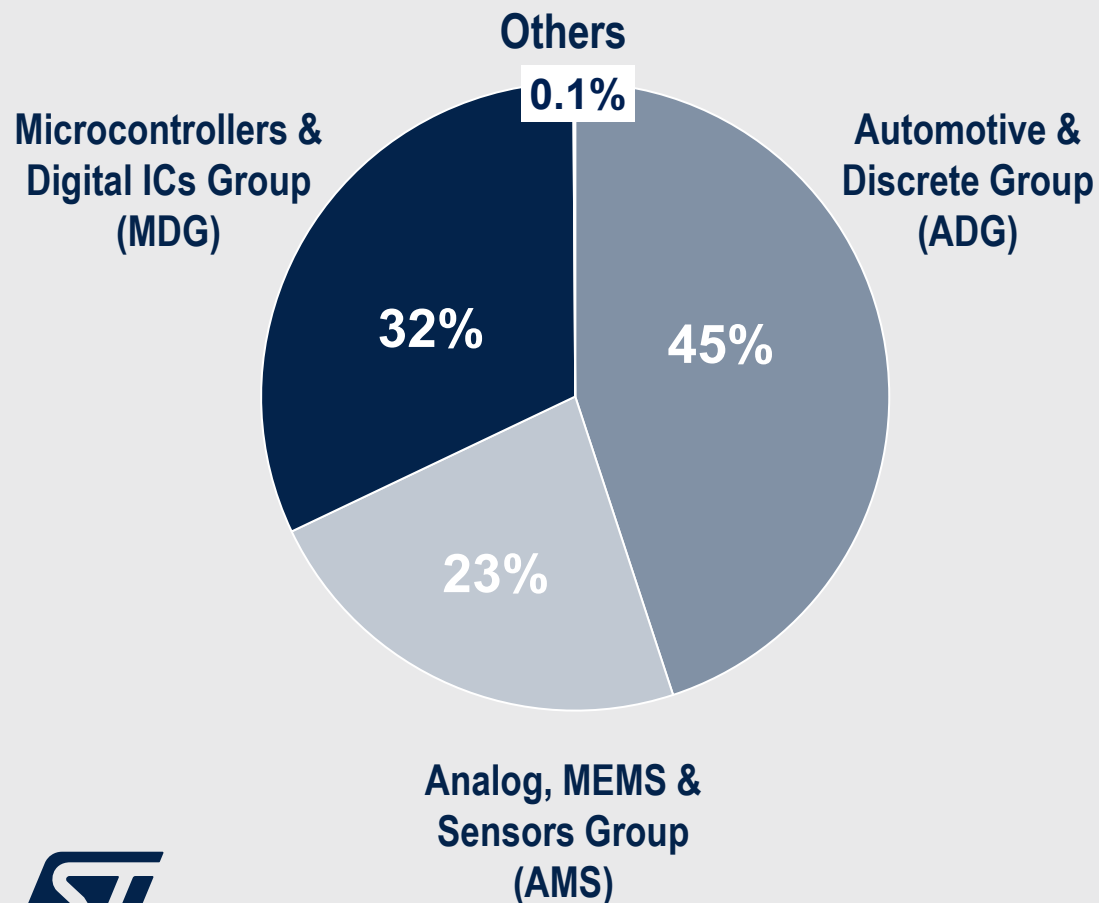
Automotive

+33.5%_{Y/Y}

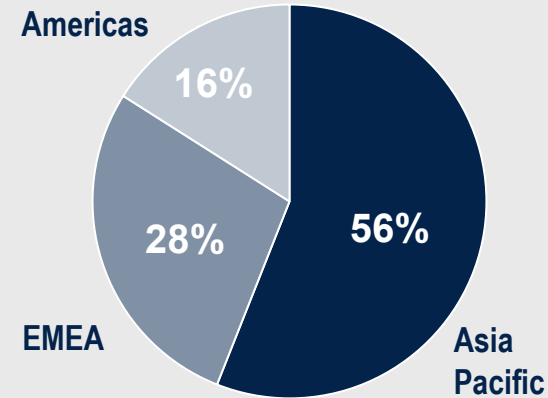


FY 2023 Revenues

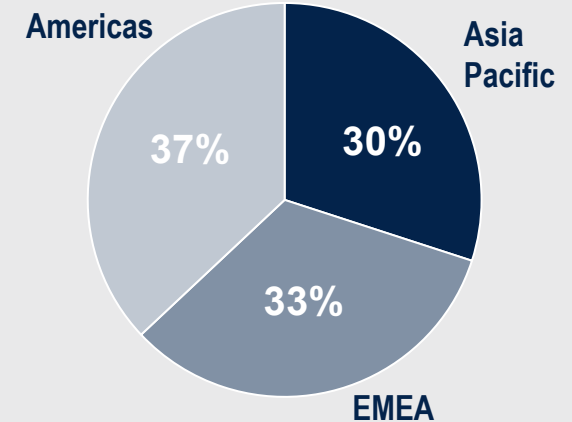
% by product group



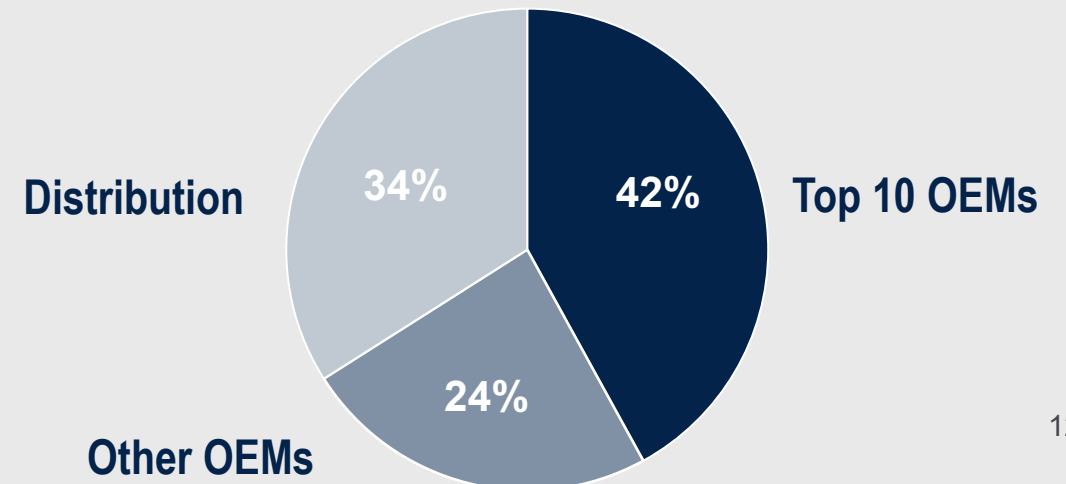
% by shipment location



% by region of origin

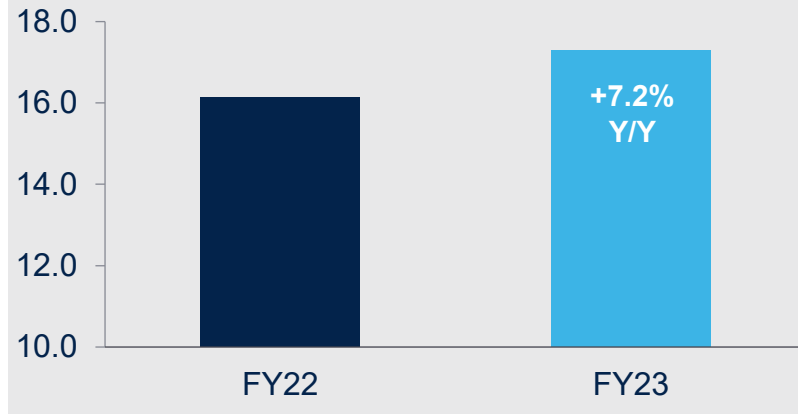


% by customer type

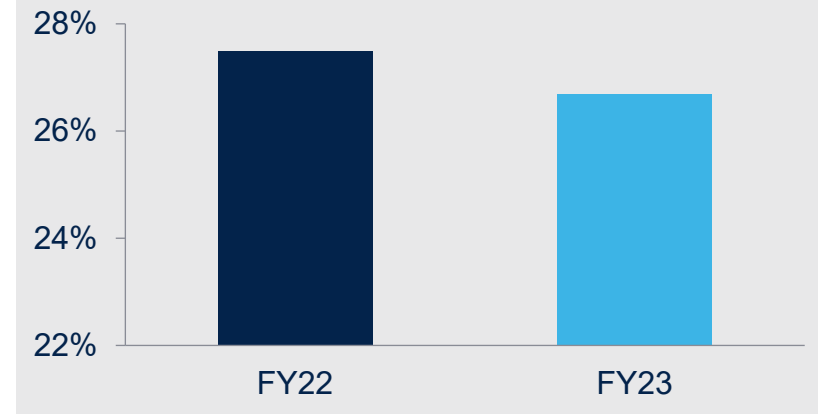


FY 2023 Financial highlights

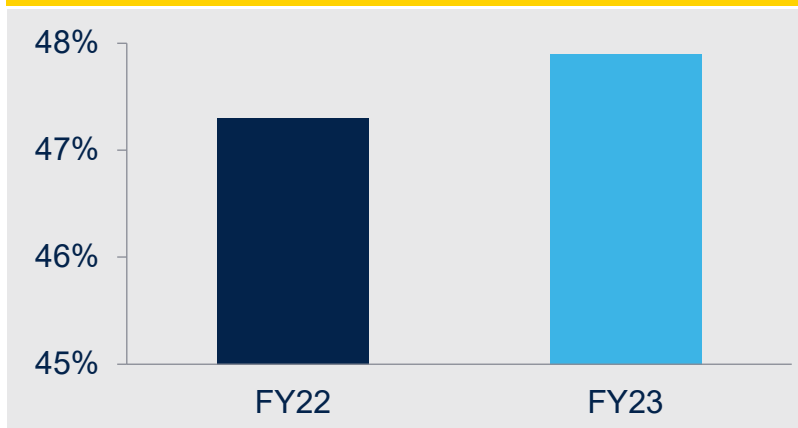
Revenues = \$17.29B



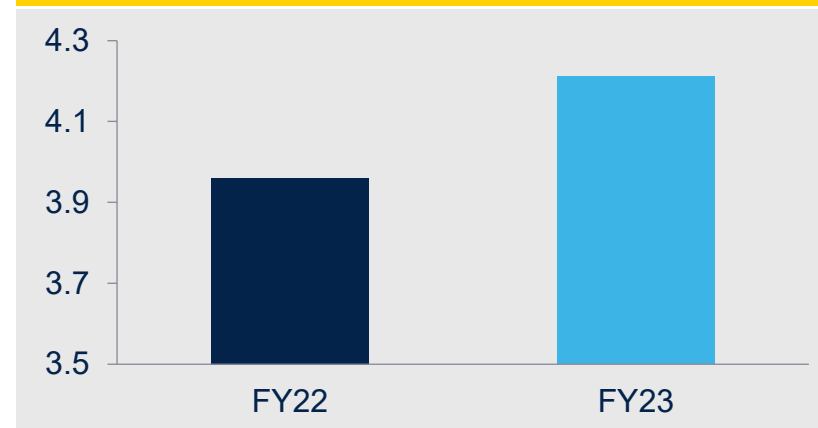
Operating Margin = 26.7%



Gross Margin = 47.9%



Net Income = \$4.21B



Revenues

Q423 Revenues = \$4.28B



Q423 revenues down 3.2% Y/Y

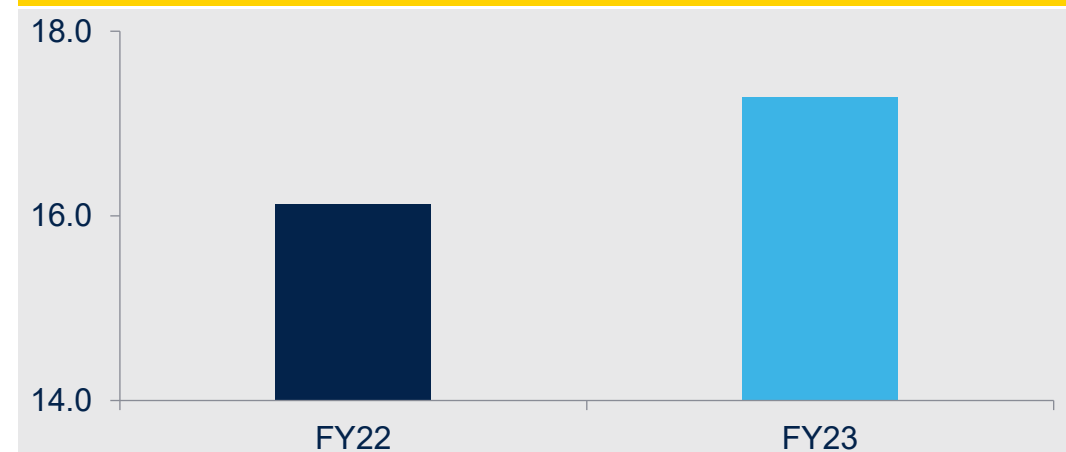
- ADG revenues increased 21.5%, while AMS and MDG decreased 25.8% and 11.5% respectively;
- Revenues to OEMs and Distribution decreased 0.4% and 9.2%, respectively.

Q423 revenues down 3.4% Q/Q

- 40 bps lower than the mid-point of the Company's guidance, mainly due to higher revenues in Personal Electronics offset by a softer growth rate in Automotive compared to expectations;

ADG reported an increase in net revenues, AMS was stable and MDG decreased.

FY23 Revenues = \$17.29B

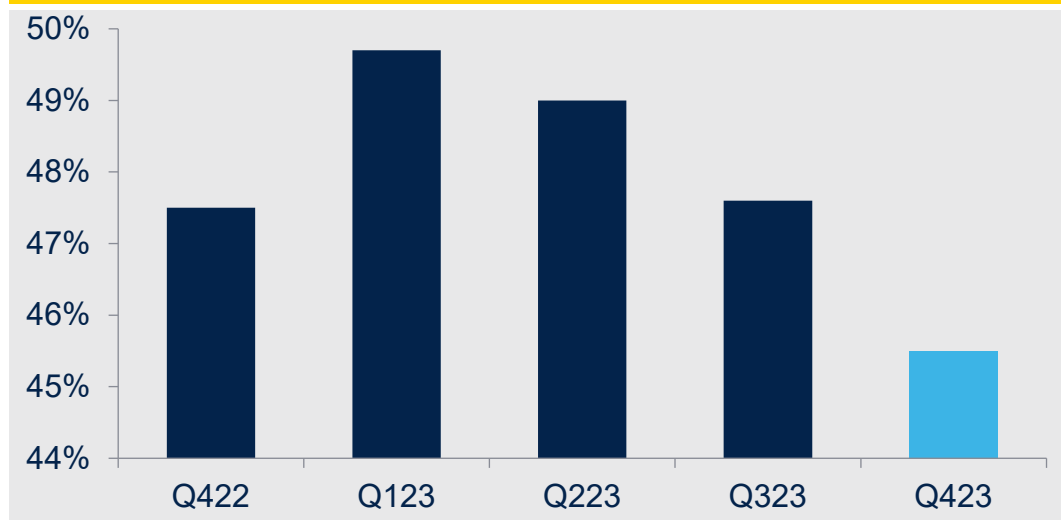


FY23 revenues up 7.2% Y/Y

- The Y/Y growth is driven by strong demand in Automotive and, to a lesser extent, Industrial, partially offset by lower revenues in Personal Electronics;
- OEMs: 66% of total revenues;
- Distribution: 34% of total revenues.

Gross margin

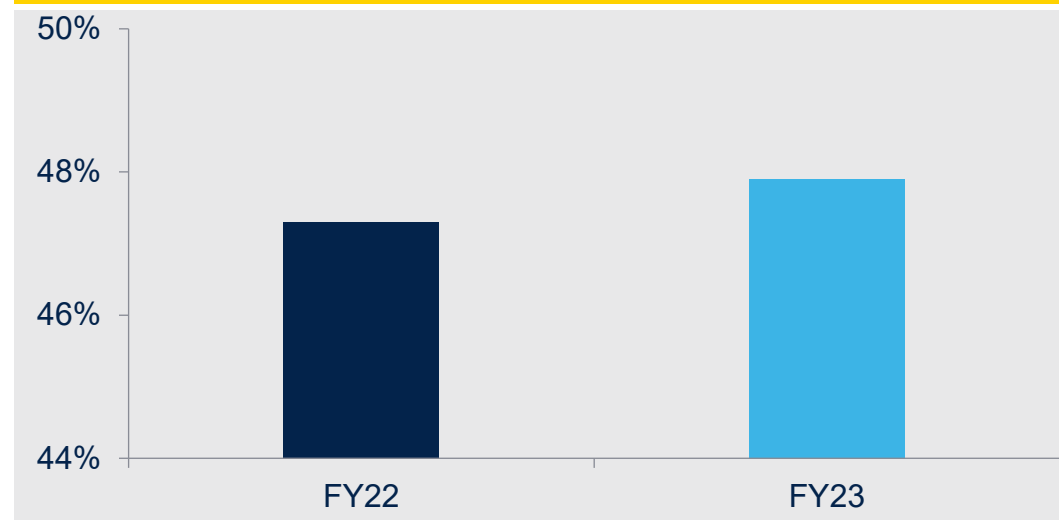
Q423 Gross Margin = 45.5%



Q423 Gross Margin

- Down 200 bps Y/Y, due to higher input manufacturing costs, unused capacity charges, and negative currency effect net of hedging, partially offset by the combination of sales price and product mix;
- 50 bps below the mid-point of the Company's guidance.

FY23 Gross Margin = 47.9%

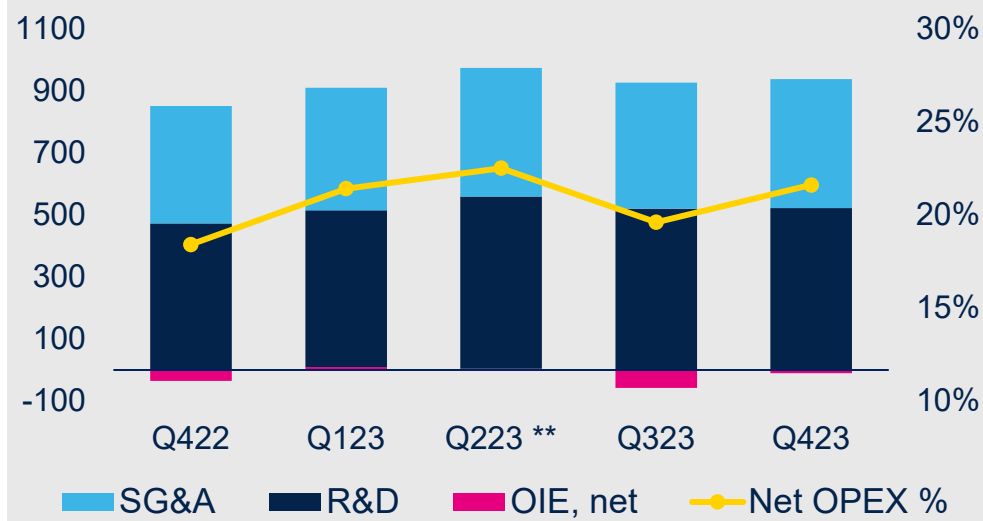


FY23 Gross Margin

- Up 60 bps Y/Y principally driven by the positive impact of the combination of product mix and pricing, partially offset by higher input manufacturing costs and unused capacity charges.

Net operating expenses*

FY23 Quarterly Net Operating Expenses Average = \$919M

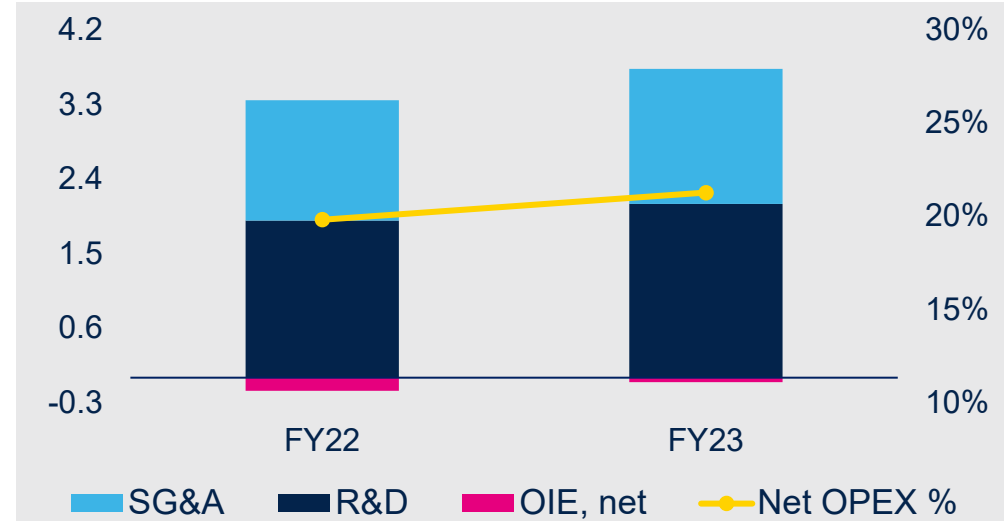


Q423 Net Operating Expenses at \$926M

- 21.6% of revenues.

Combined SG&A and R&D at \$937M

- 21.9% of revenues.



FY23 Net Operating Expenses at \$3.68B

- 21.3% of revenues.

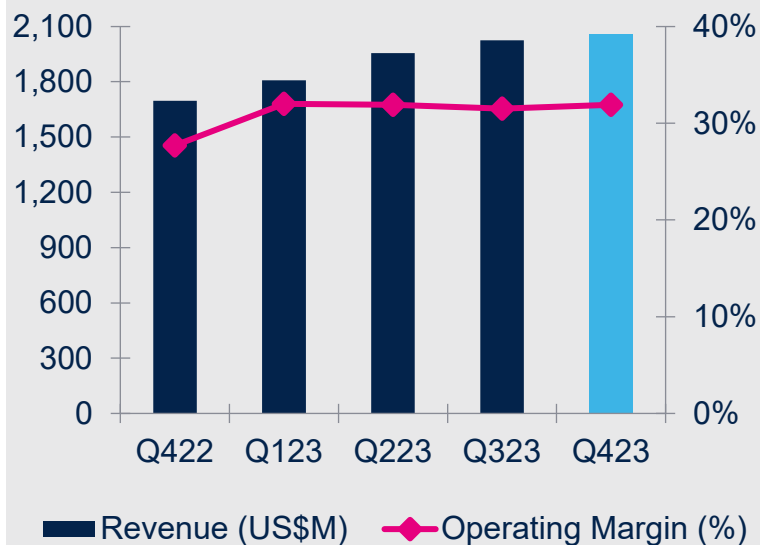
* Net operating expenses: R&D + SG&A + Other expenses (- Other income)

** Q223 Net operating expenses included negative non-recurring non-cash items amounting to \$34M

Q4 2023 Product group results

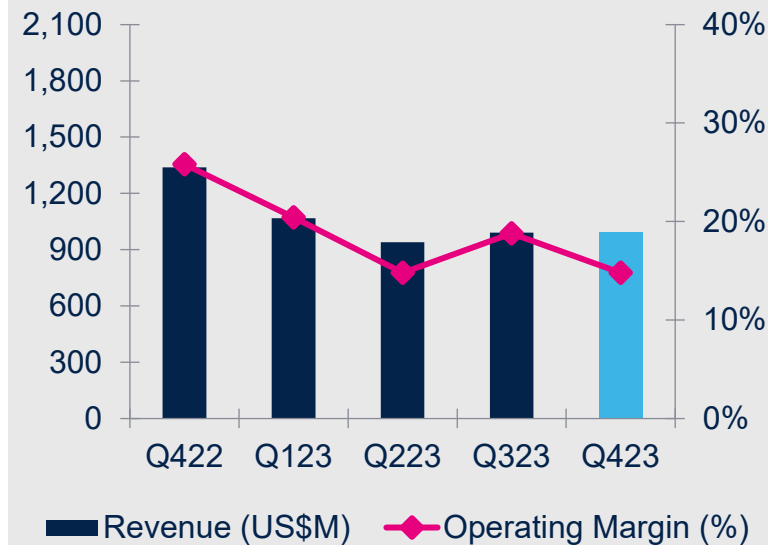
Automotive & Discrete (ADG)

Revenues = \$2,060M
Operating Margin = 31.9%



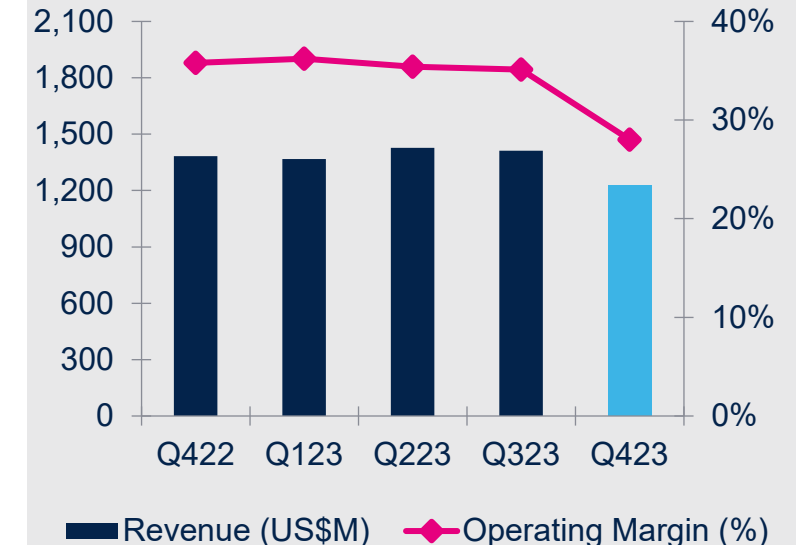
Analog, MEMS & Sensors (AMS)

Revenues = \$993M
Operating Margin = 14.8%



Microcontrollers & Digital ICs (MDG)

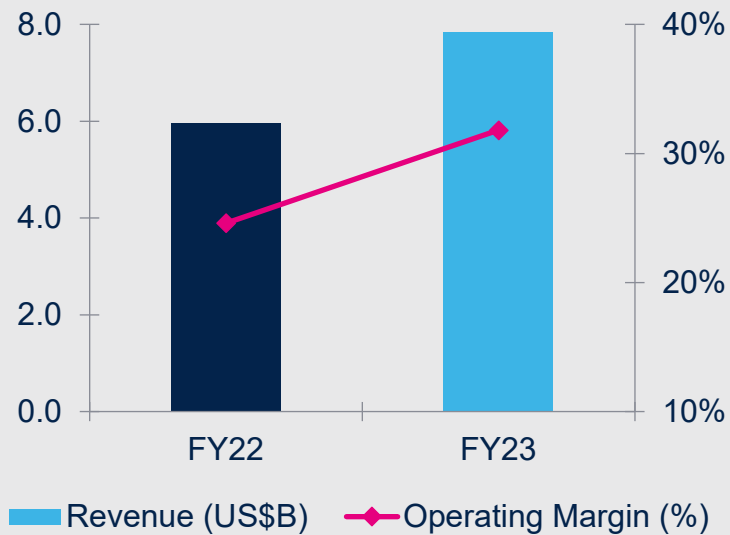
Revenues = \$1,225M
Operating Margin = 28.0%



FY 2023 Product group results

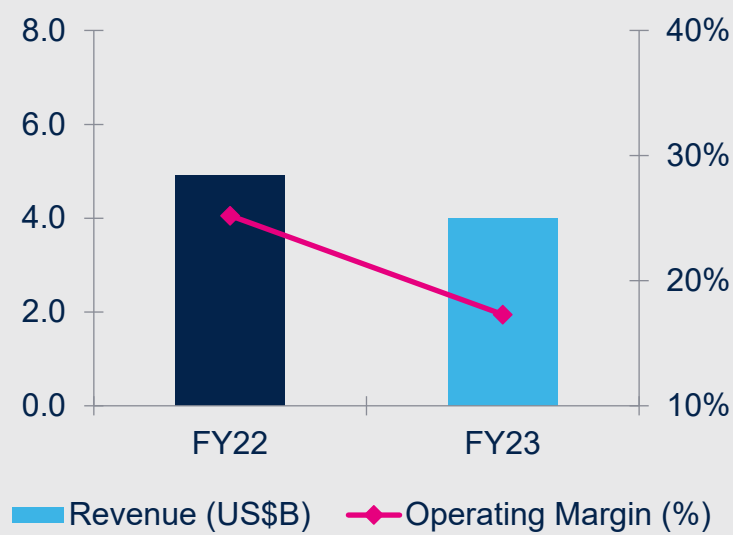
Automotive & Discrete (ADG)

Revenues = \$7.85B
Operating Margin = 31.8%



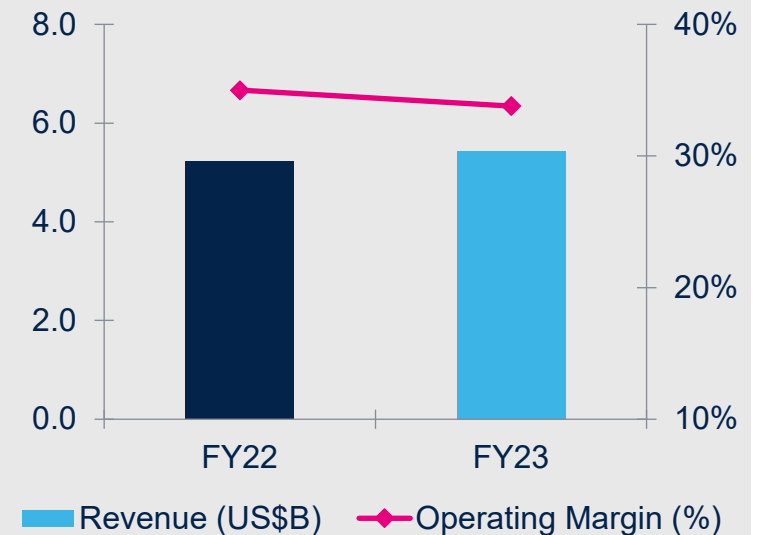
Analog, MEMS & Sensors (AMS)

Revenues = \$3.99B
Operating Margin = 17.3%



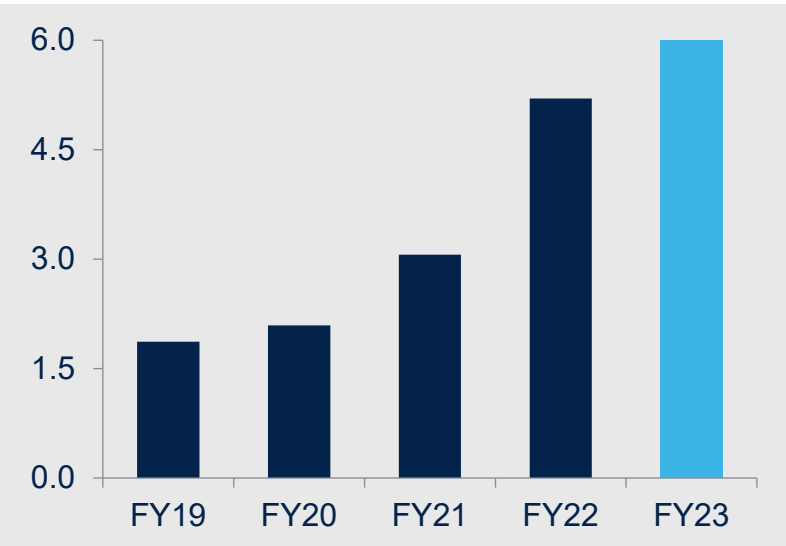
Microcontrollers & Digital ICs (MDG)

Revenues = \$5.43B
Operating Margin = 33.8%

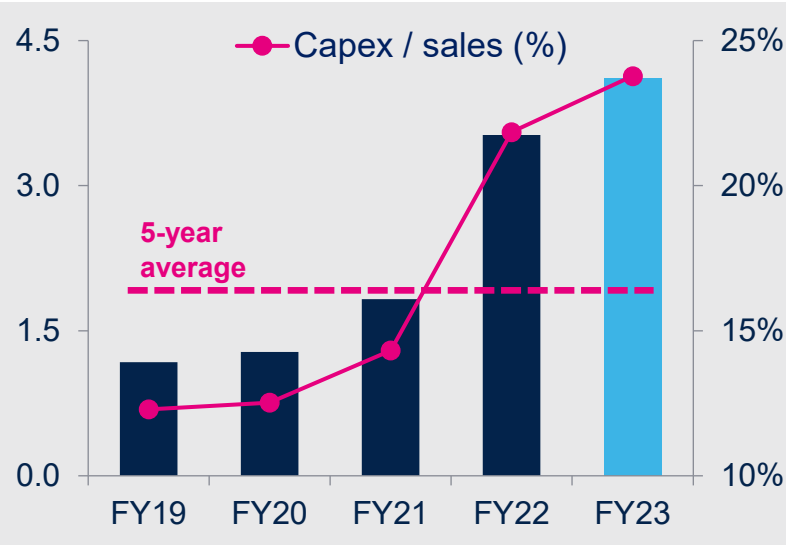


FY 2023 Financial flexibility

Net Cash From Operating Activities = \$5.99B



Net Capex* = \$4.11B



Free Cash Flow** = \$1.77B



Cash dividends paid to stockholders totaled \$223M in FY23.

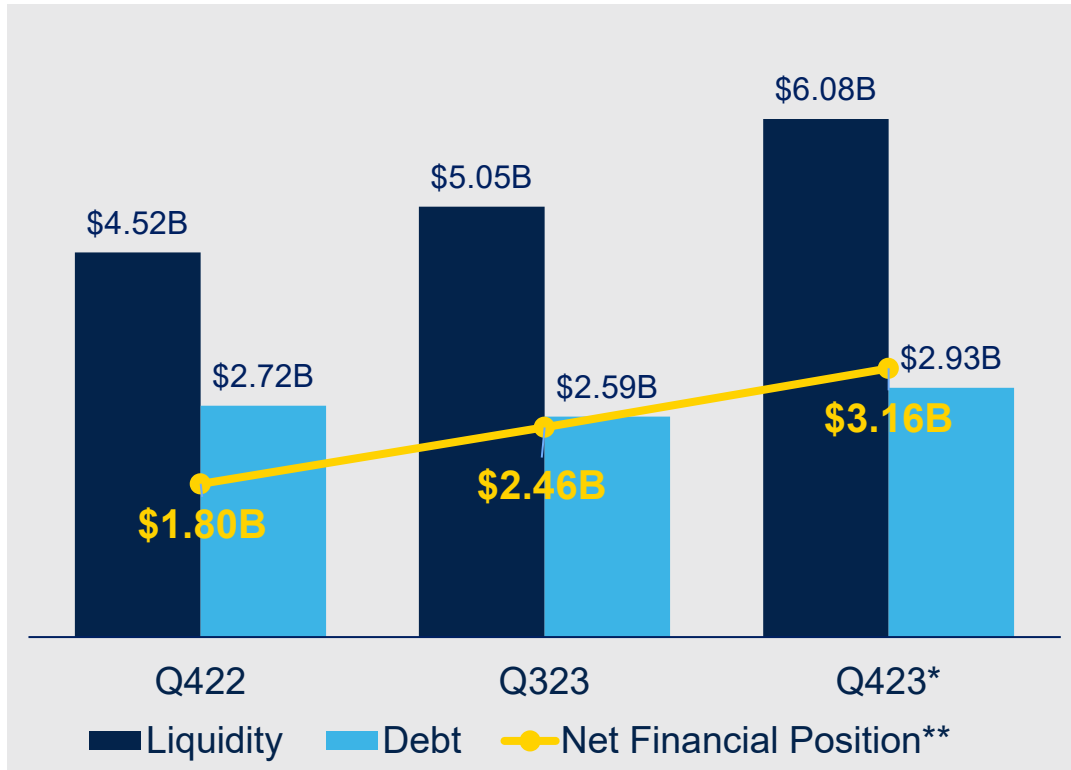
In FY23 we repurchased shares totaling \$346M under our current share repurchase program.



*Net Capex: Capital expenditure payments, net of proceeds from sales, capital grants and other contributions.

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

Solid capital structure



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

After December 2023 upgrade, ST credit rating is now BBB+ with Stable Outlook from S&P and Baa1 with Positive Outlook from Moody's.

Q1 2024 Outlook

Net Revenues

Q124 outlook, at the mid-point, is for net revenues of **\$3.6B**, decreasing Y/Y by 15.2% and decreasing Q/Q by 15.9%, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about **42.3%**, +/- 200 bps.

We plan to invest **about \$2.5B** in **net CAPEX**.

We will drive the Company based on a plan for **FY24 revenues** in the range of **\$15.9B to \$16.9B**.

Within this plan, we expect a **gross margin** in the **low to mid-40's**.

H124 will be impacted by a significant inventory correction in Industrial.

In **H224**, we expect significant sequential revenue growth driven by a strong rebound in Industrial and Computer Peripherals, continued growth in Automotive and Communications Equipment, and the usual seasonality in Personal Electronics.

FY 2024 Revenue dynamics*

Automotive

We expect mid-single digit Y/Y growth. Excluding the impact of capacity reservation fees and of a specific customer 2023 inventory replenishment effect, this would correspond to low-double digit Y/Y growth.

Industrial

Expect to return to high-single digit Y/Y growth in H224 after a significant decline in H124.

Personal Electronics

Revenues expected to grow sequentially in H224 in line with usual seasonality.

Communications Equipment, Computers & Peripherals

We expect to grow revenues both sequentially and Y/Y in H224, driven by our engaged customer programs in both the Communications and Computers markets.

Takeaways

Following several years of revenue growth and increased profitability, we see 2024 as a transition year.

We are adapting our plans according to market dynamics while continuing to execute on our established strategy and operating model.

We will continue to strongly focus on Automotive and Industrial as a broad range supplier, and to be selective in our approach in Personal Electronics and Communications Equipment and Computer Peripherals.

ST re-organization in two Product Groups, split in four Reportable Segments

ST will be re-organized in **two Product Groups** split in **four Reportable Segments**, and the existing sales and marketing organization will be complemented by a **new application marketing organization by end market** implemented across all Regions.

This new organization implies a change in reporting which will apply from January 1st, 2024. We will now **report revenue and operating income for the four new reportable segments.**

Appendix

ST revenue growth and improved performance

US\$M	FY17	FY18	FY19	FY20	FY21	FY 22	FY23
ST Revenue	8,347	9,664	9,556	10,219	12,761	16,128	17,286
ST Revenues Y/Y	19.7%	15.8%	-1.1%	6.9%	24.9%	26.4%	7.2%
Gross Margin	39.2%	40.0%	38.7%	37.1%	41.7%	47.3%	47.9%
Operating Margin	12.0%	14.5%	12.6%	12.9%	19.0%	27.5%	26.7%
Net Income	802	1,287	1,032	1,106	2,000	3,960	4,211
Free Cash Flow*	308	533	497	627	1,120	1,591	1,774
Net Financial Position*	489	686	672	1,099	977	1,801	3,156**

Historical financial performance

<i>US\$M, except EPS</i>	Q122	Q222	Q322	Q422	FY22	Q123	Q223	Q323	Q423	FY23
Net Revenues	3,546	3,837	4,321	4,424	16,128	4,247	4,326	4,431	4,282	17,286
Gross Margin	46.7%	47.4%	47.6%	47.5%	47.3%	49.7%	49.0%	47.6%	45.5%	47.9%
Operating Income	877	1,004	1,272	1,287	4,439	1,201	1,146	1,241	1,023	4,611
Operating Margin	24.7%	26.2%	29.4%	29.1%	27.5%	28.3%	26.5%	28.0%	23.9%	26.7%
Net Income – Reported	747	867	1,099	1,248	3,960	1,044	1,001	1,090	1,076	4,211
EPS Diluted (\$/share)	0.79	0.92	1.16	1.32	4.19	1.10	1.06	1.16	1.14	4.46
Free Cash Flow*	82	230	676	603	1,591	206	209	707	652	1,774
Net Financial Position*	840	924	1,457	1,801	1,801	1,855	1,914	2,463	3,156	3,156**
Effective Exchange Rate €/€	1.15	1.12	1.08	1.04	1.10	1.06	1.08	1.09	1.08	1.08

Appendix

- **Net financial position and Adjusted 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, 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. Starting Q4 2023, ST also presents adjusted net financial position as a non-U.S. GAAP measure, to take into consideration the effect on total liquidity of advances received on capital grants for which capital expenditures have not been incurred yet. Prior periods are not impacted. ST believes its Net Financial Position and Adjusted Net Financial Position provide useful information for investors and management because they give 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 definitions of Net Financial Position and Adjusted 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, proceeds from capital grants and other contributions, and net cash paid for business acquisitions, if any. ST believes 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 from, 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**: 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 and incidents leading to power outage, impairment, restructuring charges and other related closure costs, management reorganization costs, start-up and phase-out 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	Q122	Q222	Q322	Q422	FY22	Q123	Q223	Q323	Q423	FY23
Unused Capacity Charges	9	13	-	-	22	1	15	46	57	120

FY 2023 Revenues* by new Product Groups and Reportable Segments

US\$M	Q123	Q223	Q323	Q423	FY23
Analog products, MEMS and Sensors (AM&S)	1,400	1,293	1,367	1,418	5,478
Power and discrete products (P&D)	909	989	989	965	3,852
Analog, Power & Discrete, MEMS and Sensors (APMS)	2,309	2,282	2,356	2,383	9,330
Microcontrollers (MCU)	1,448	1,482	1,466	1,272	5,668
Digital ICs and RF Products (D&RF)	485	559	605	623	2,272
Microcontrollers, Digital ICs and RF products (MDRF)	1,933	2,040	2,072	1,895	7,940

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