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STMicroelectronics Q4 & FY 2022 Financial Results

January 26, 2023

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 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 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 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 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

**Q4
2022**

- Net revenues and gross margin came in above the mid-point of our guidance,
- Net revenues of \$4.42B were up 24.4% Y/Y and 2.4% Q/Q,
- Gross margin was 47.5%, and operating margin was 29.1%,
- Net income increased Y/Y to \$1.25B.

**FY
2022**

- Net revenues up 26.4% to \$16.13B, driven by strong demand in automotive and industrial, and our engaged customer programs,
- Profitability improved Y/Y: gross margin was 47.3%, up from 41.7%; operating margin was 27.5%, up from 19.0%, and net income was \$3.96B, almost doubling from \$2.0B,
- We invested \$3.52B in CAPEX while delivering free cash flow of \$1.59B. Our net financial position increased to \$1.8B.

**Q1
2023**

- Outlook at mid-point is for net revenues of \$4.20B, increasing 18.5% Y/Y and decreasing 5.1% Q/Q,
- Gross margin expected to be about 48.0% at the mid-point.

**FY
2023**

- For 2023, we plan to invest about \$4.0B in CAPEX mainly to increase our 300mm wafer fabs and silicon carbide manufacturing capacity including our substrate initiative,
- Based on our strong customer demand and increased manufacturing capacity, we will drive the Company based on a plan for FY23 revenues in the range of \$16.8B to \$17.8B.

FY 2022 Market dynamics

Automotive



Industrial



Personal electronics



Communications equipment, computers & peripherals



FY 2022 Main manufacturing initiatives

Transforming our manufacturing base to enable future growth and profitability

Silicon Carbide (SiC)

- Continued ramp of SiC front-end device production in Catania and Singapore
- Increased back-end manufacturing capacity in Morocco and China
- Ongoing building of an integrated SiC substrate manufacturing facility in Catania with volume production expected in H2 23
 - Produced the first 150mm ingot out of this facility
- R&D activities: completion of full MOSFET device processing using internally produced 200mm substrate
- Cooperation with Soitec to qualify Soitec SmartSiC™ technology for future 200mm SiC substrate production

Catania – Silicon Carbide



**Strong
focus on
wide
bandgap
semis**

Crolles



- Further expansion of 300mm capacity
- MoU with GlobalFoundries to create a new 300mm semiconductor manufacturing facility

Agrate



- First industrialization line and qualification of the engineering samples for new 300mm wafer fab completed
- Production now ramping with ~1,000 wafers / week planned by end-23

**300mm
capacity
expansion**

On track for our sustainability commitments

Milestones by 2027

Carbon neutral



Sourcing 100% renewable energy



Investing to reduce our carbon footprint



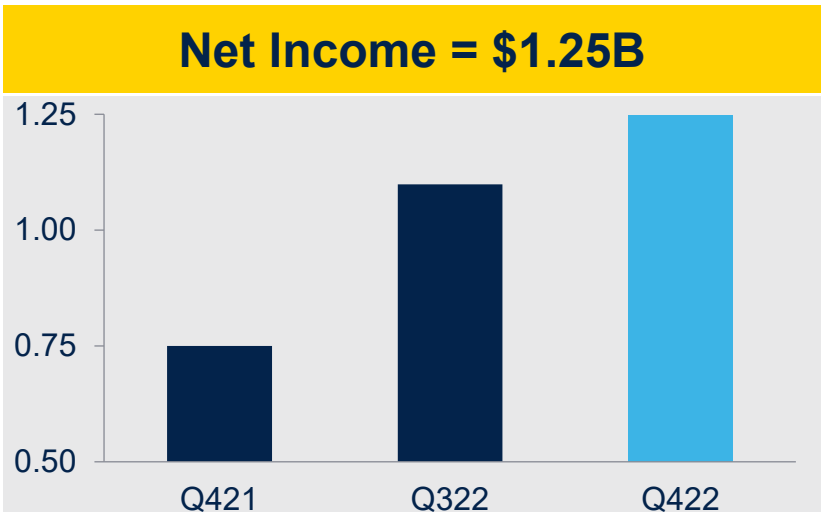
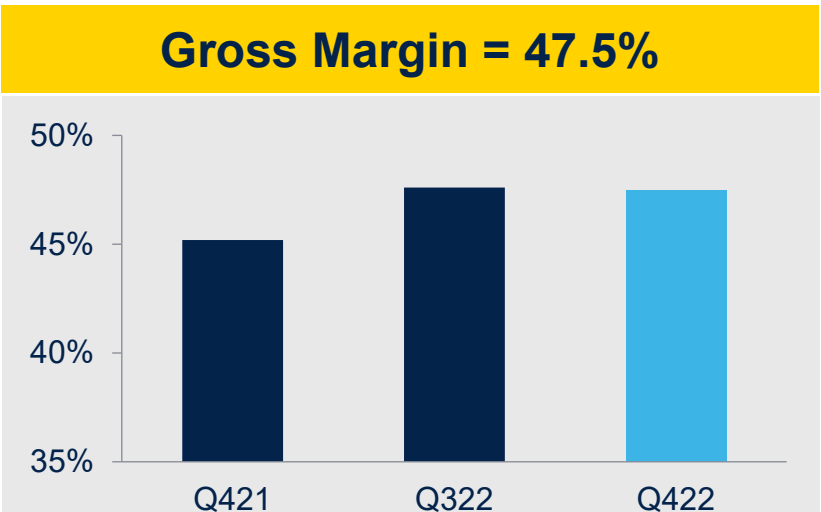
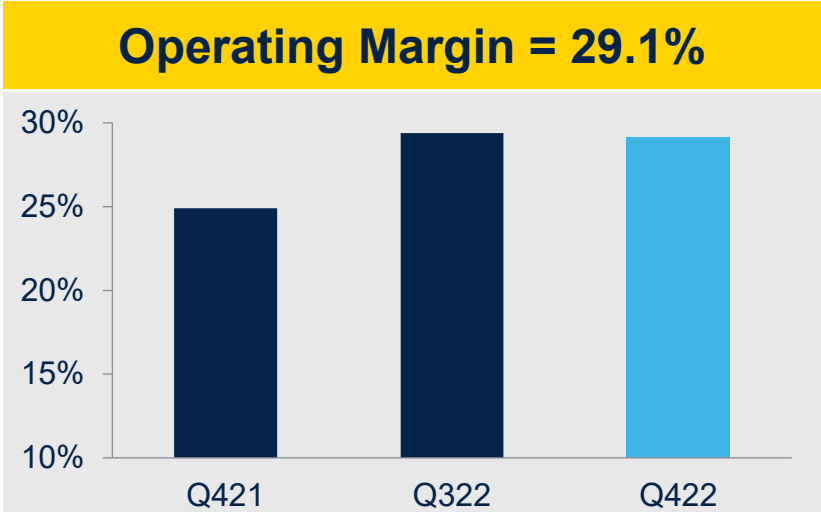
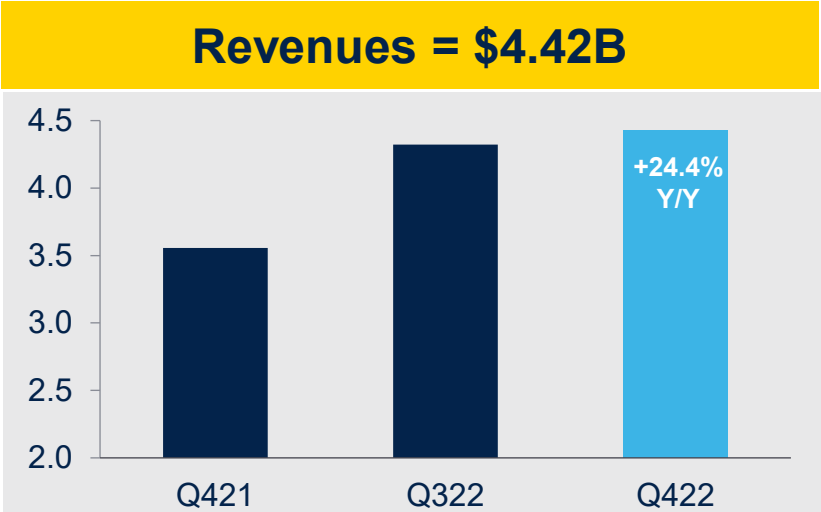
Adoption of a district cooling system in Singapore - ST's single largest wafer-fabrication site globally



Member of
**Dow Jones
Sustainability Indices**

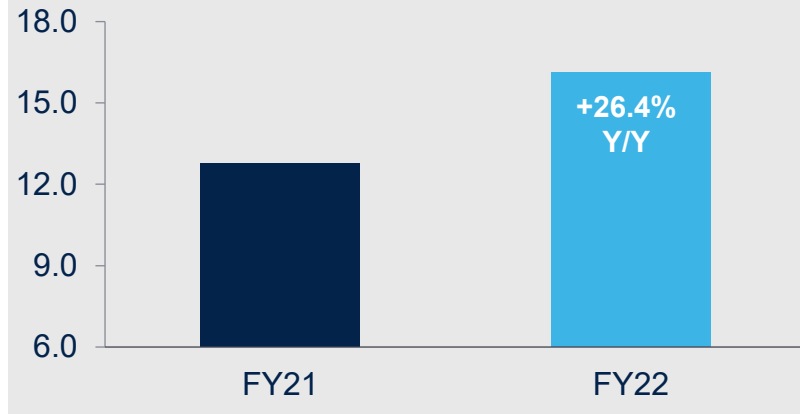
Powered by the S&P Global CSA

Q4 2022 Financial highlights

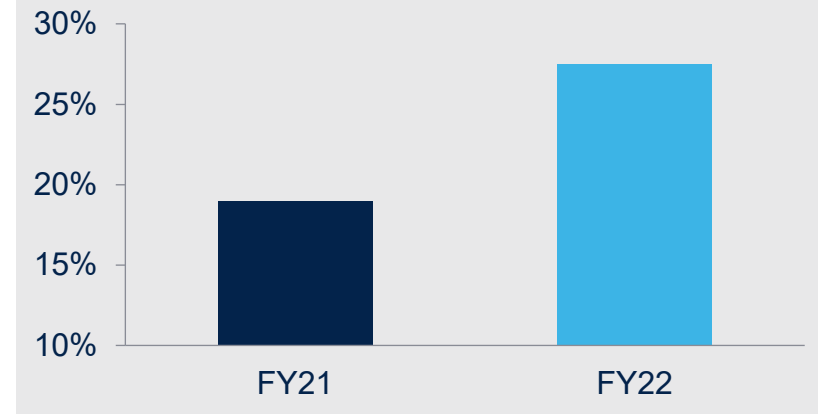


FY 2022 Financial highlights

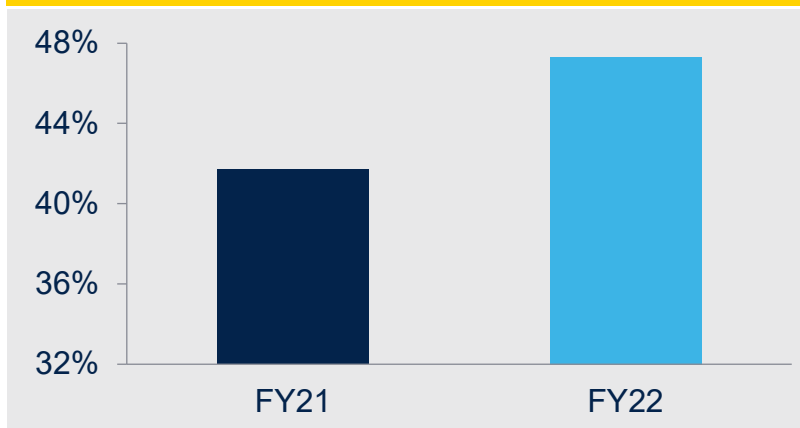
Revenues = \$16.13B



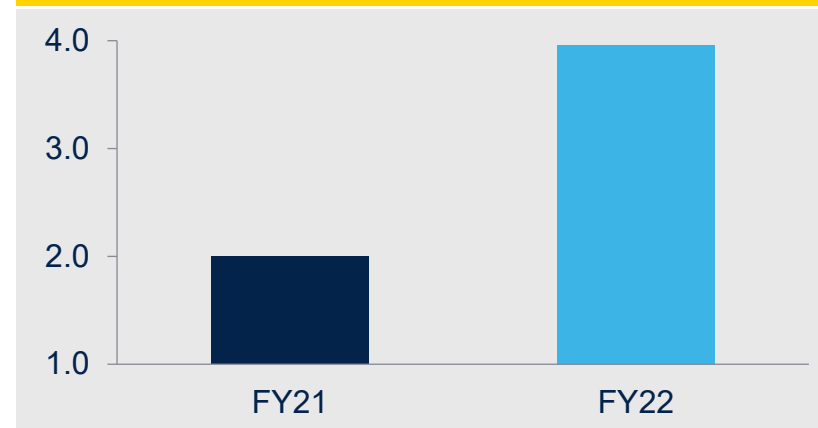
Operating Margin = 27.5%



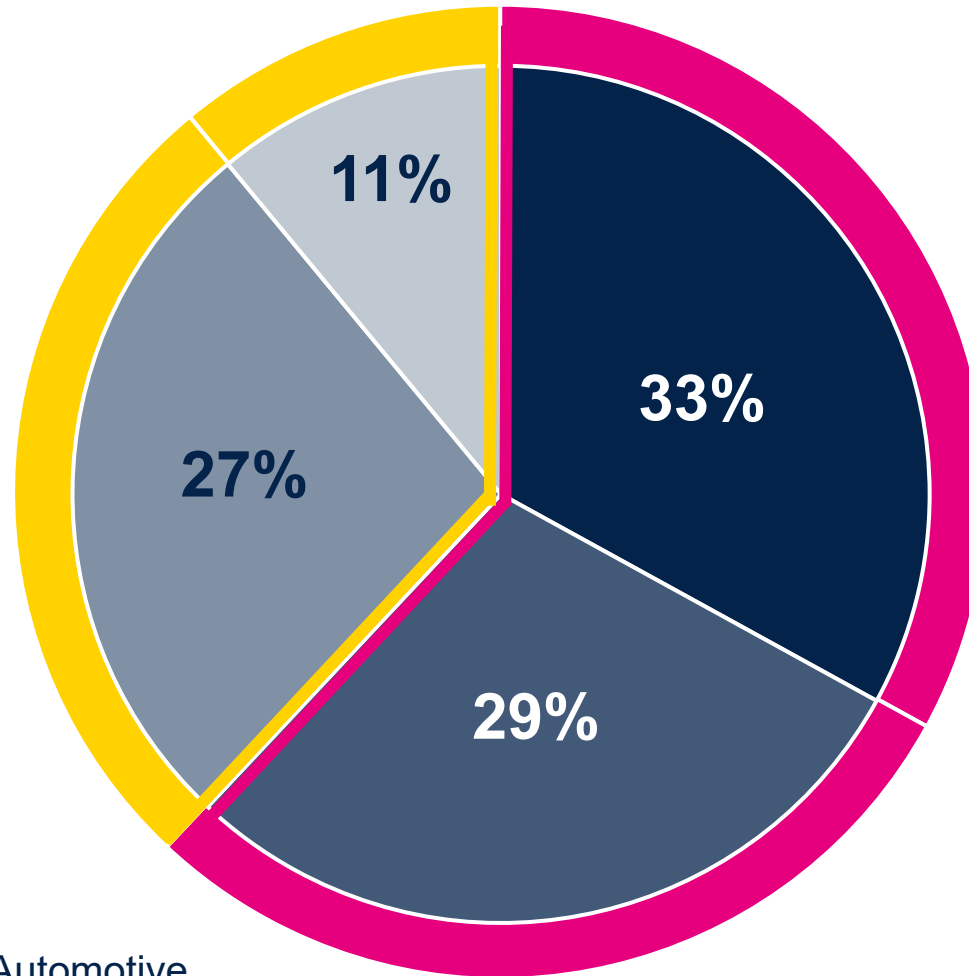
Gross Margin = 47.3%



Net Income = \$3.96B



FY 2022 Revenues by end market



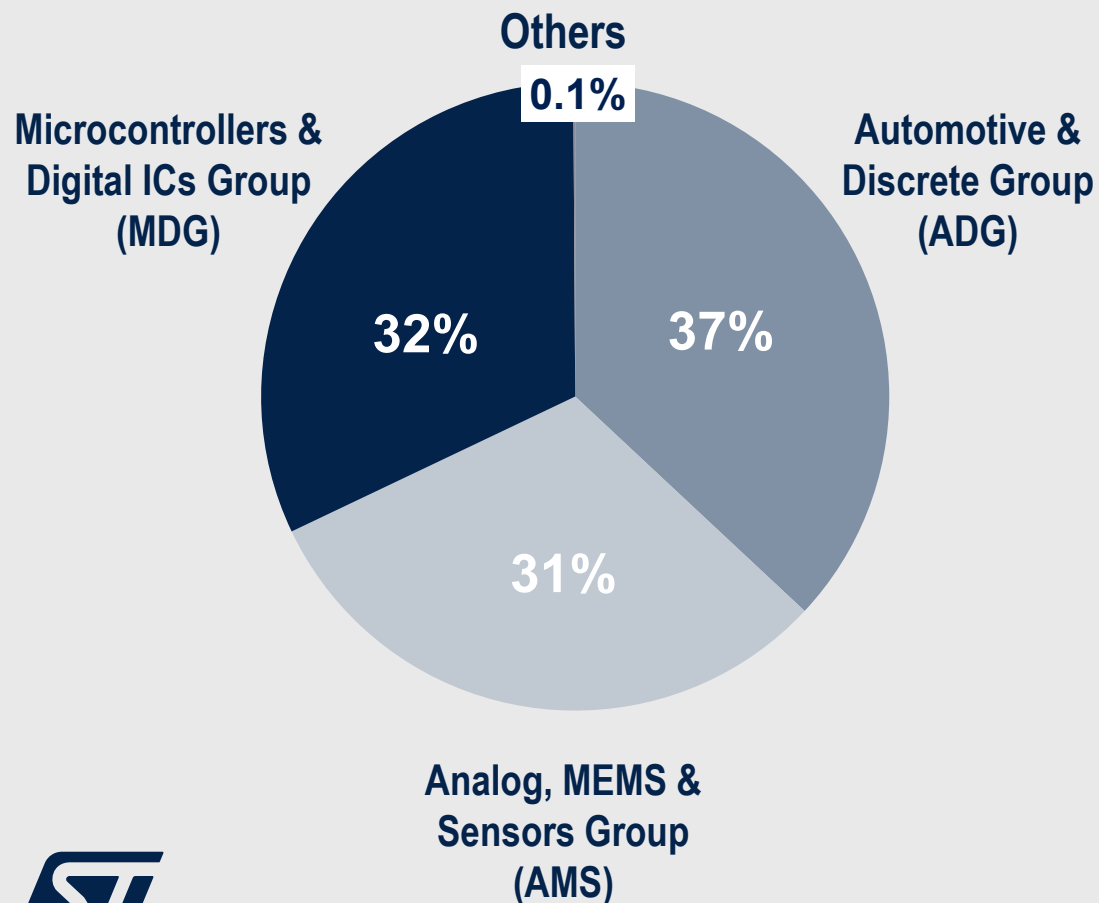
We selectively address the **Personal Electronics** and **Communications Equipment and Computer Peripherals** market, targeting some leadership positions with a few differentiated products or custom solutions, complemented by our general-purpose products portfolio.

We have a strong focus on **Automotive** and **Industrial** as a broad range supplier of application-specific and general-purpose products, targeting leadership positions.

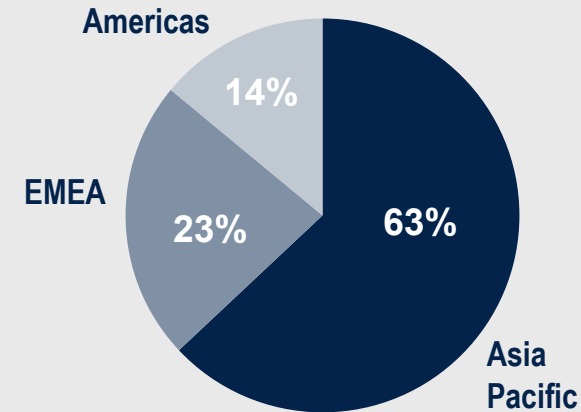
- Automotive
- Industrial
- Personal Electronics
- Communications Equipment and Computer Peripherals

FY 2022 Revenues

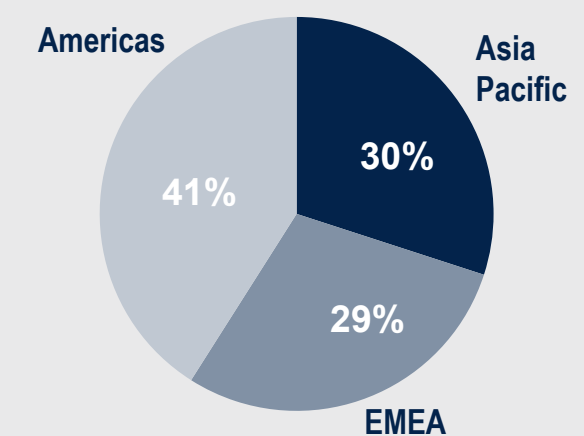
% by product group



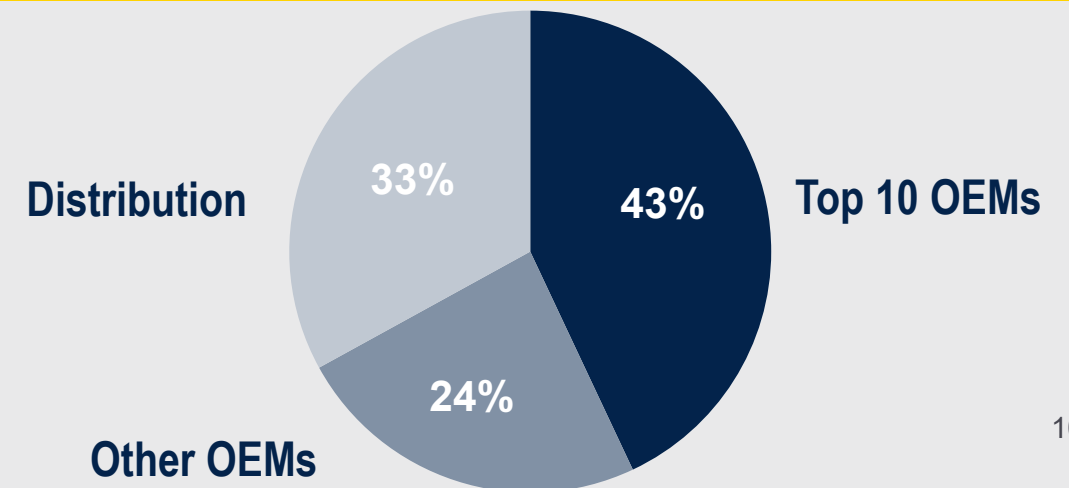
% by shipment location



% by region of origin

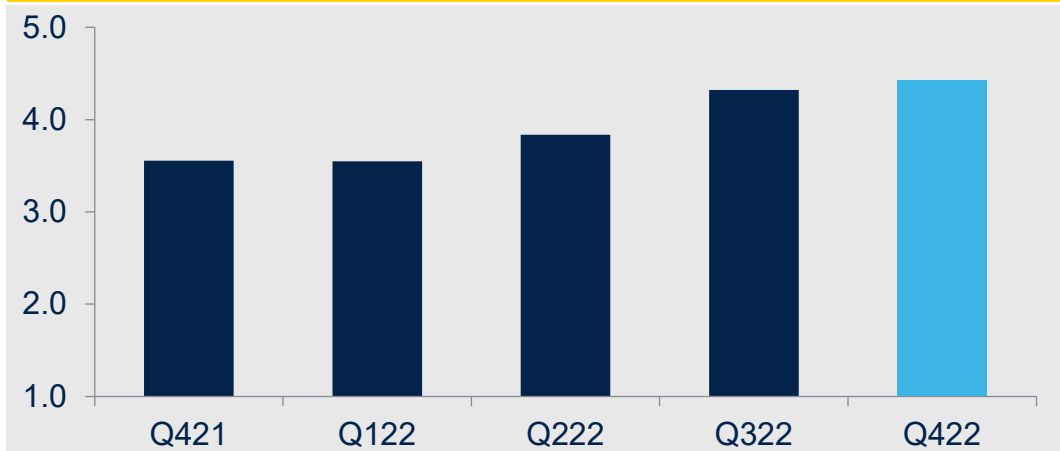


% by customer type



Revenues

Q422 Revenues = \$4.42B



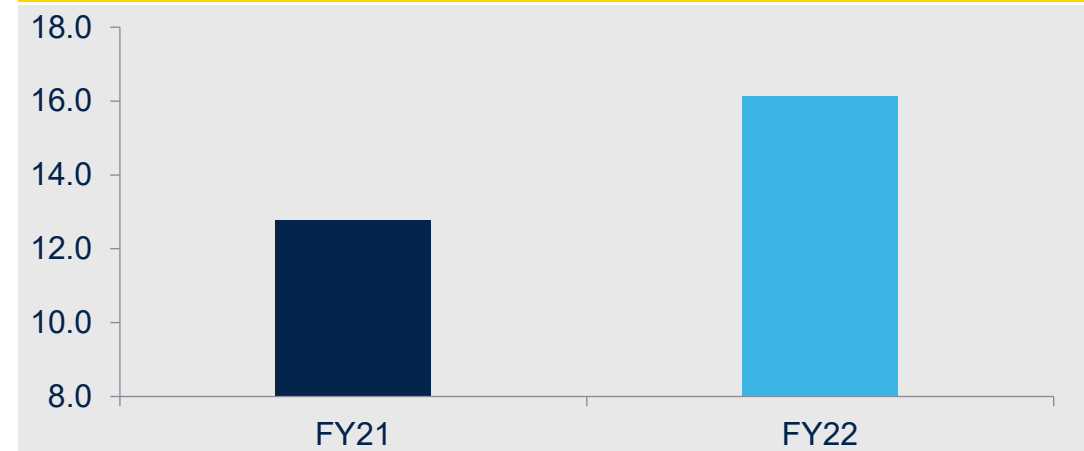
Q422 revenues up 24.4% Y/Y

- The Company recorded higher net sales in all product groups and sub-groups except the Analog and MEMS sub-groups;
- Revenues to OEMs and Distribution increased 26.8% and 19.5%, respectively.

Q422 revenues up 2.4% Q/Q

- 60 bps above the mid-point of the Company's guidance;
- ADG and MDG reported increases in net revenues, while AMS decreased.

FY22 Revenues = \$16.13B

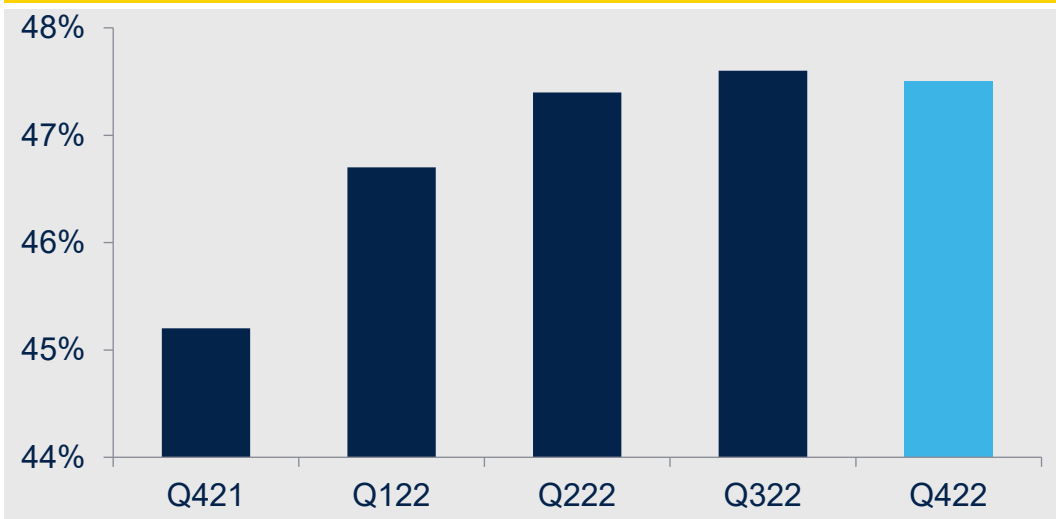


FY22 revenues up 26.4% Y/Y

- The Y/Y growth is driven by strong demand in automotive and industrial, and our engaged customer programs;
- OEMs: 67% of total revenues;
- Distribution: 33% of total revenues.

Gross margin

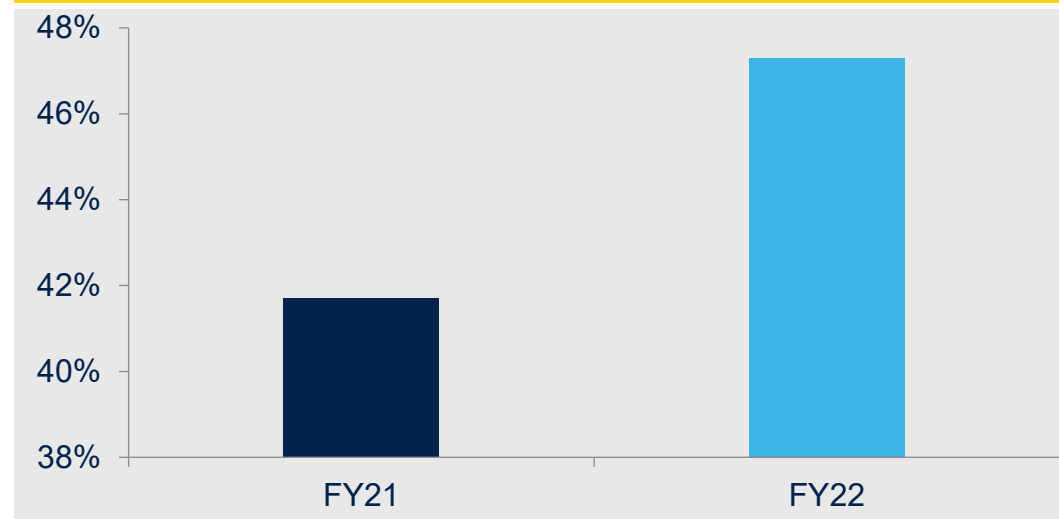
Q422 Gross Margin = 47.5%



Q422 Gross Margin

- Up 230 bps Y/Y principally due to favorable pricing, improved product mix, positive currency effects, net of hedging, partially offset by the inflation of manufacturing input costs;
- 20 bps above the mid-point of the Company's guidance.

FY22 Gross Margin = 47.3%

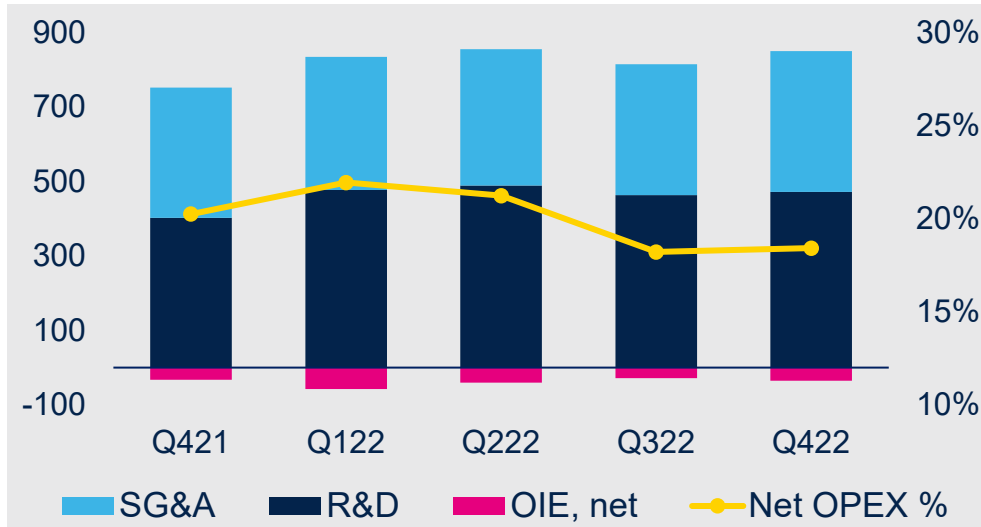


FY22 Gross Margin

- Up 560 bps Y/Y principally driven by favorable pricing, improved product mix, currency effects, net of hedging, partially offset by the inflation of manufacturing input costs.

Net operating expenses*

FY22 Quarterly Net Operating Expenses Average = \$799M

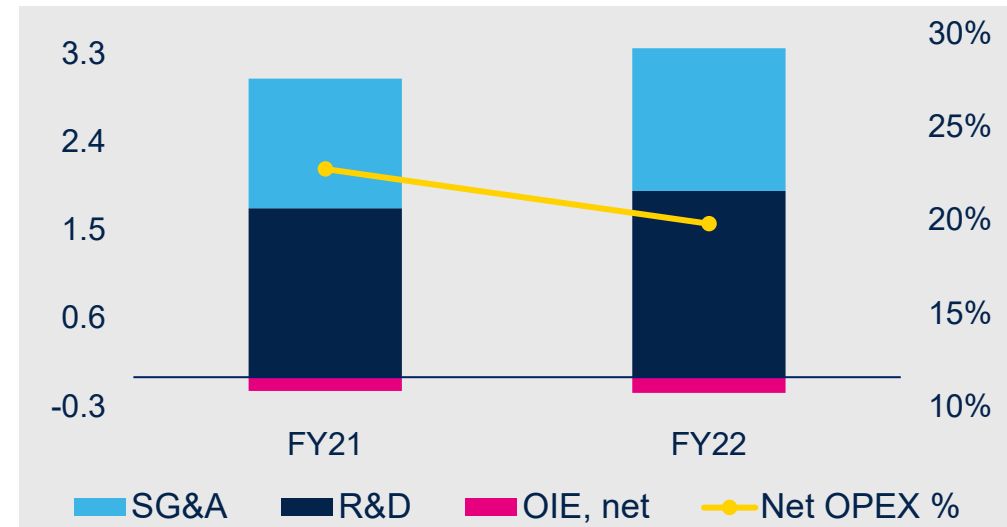


Q422 Net Operating Expenses at \$815M

- 18.4% of revenues.

Combined SG&A and R&D at \$850M

- 19.2% of revenues.



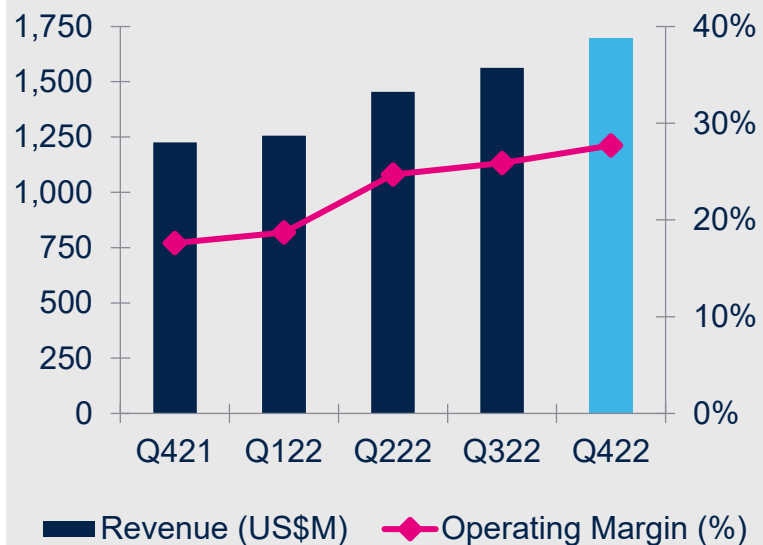
FY22 Net Operating Expenses at \$3.20B

- 19.8% of revenues.

Q4 2022 Product group results*

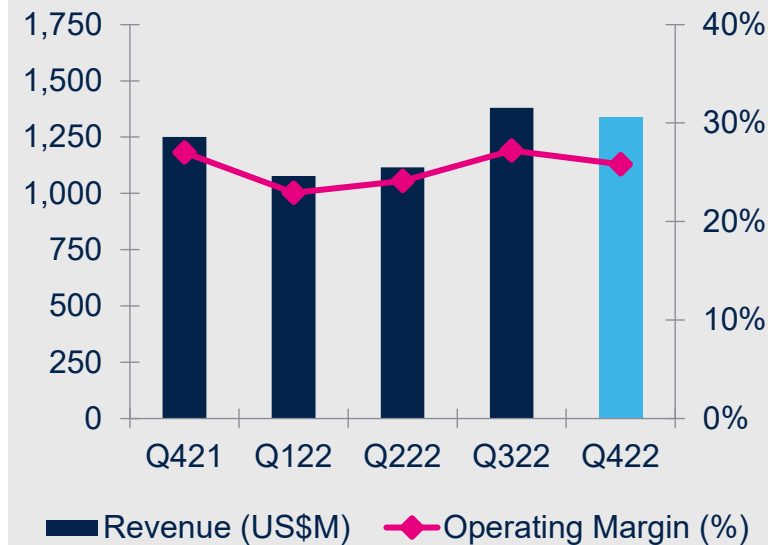
Automotive & Discrete (ADG)

Revenues = \$1,696M
Operating Margin = 27.7%



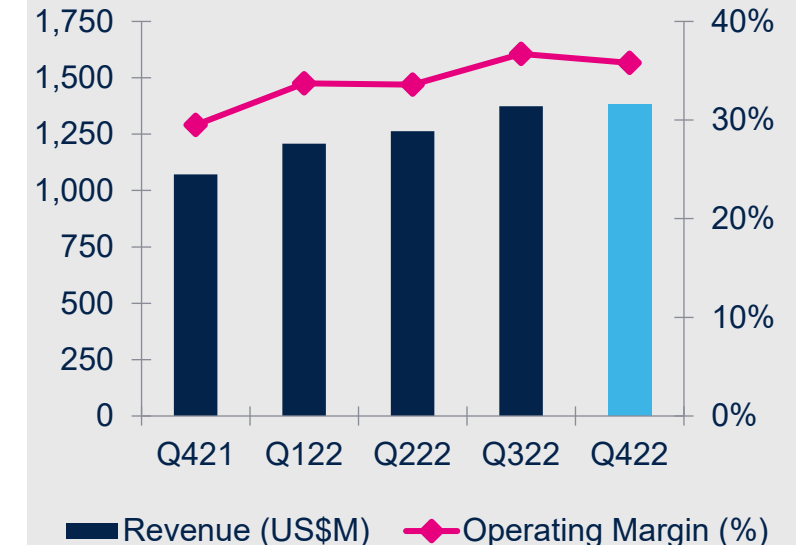
Analog, MEMS & Sensors (AMS)

Revenues = \$1,339M
Operating Margin = 25.8%



Microcontrollers & Digital ICs (MDG)

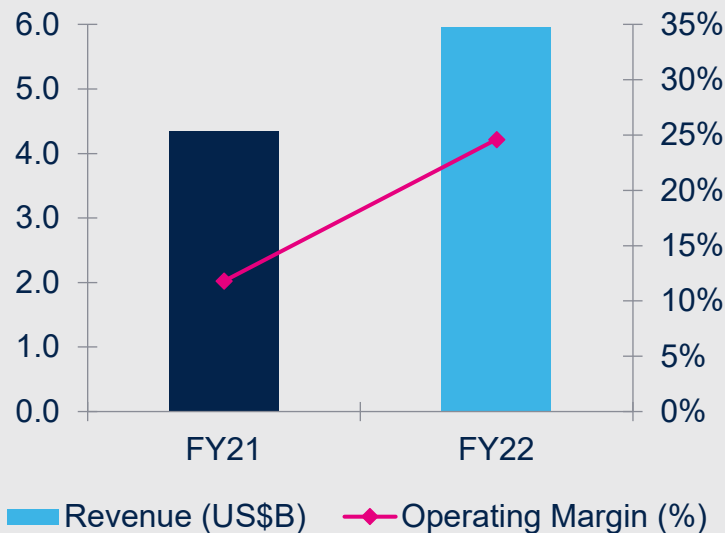
Revenues = \$1,383M
Operating Margin = 35.8%



FY 2022 Product group results*

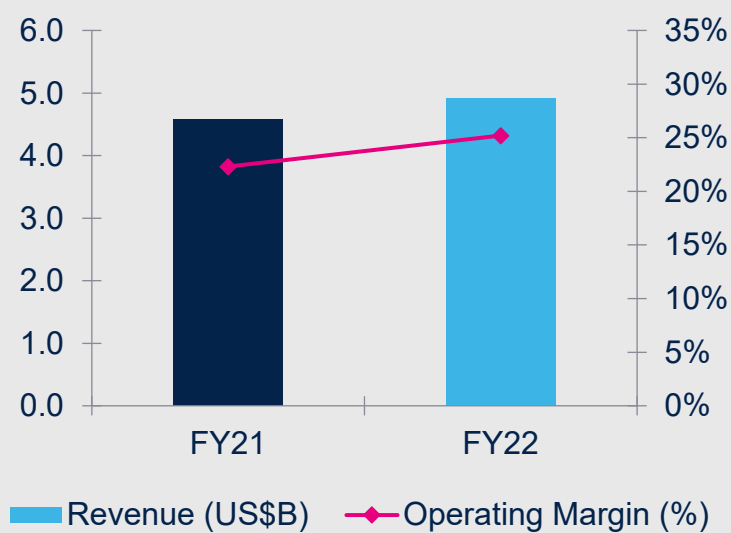
Automotive & Discrete (ADG)

Revenues = \$5.97B
Operating Margin = 24.6%



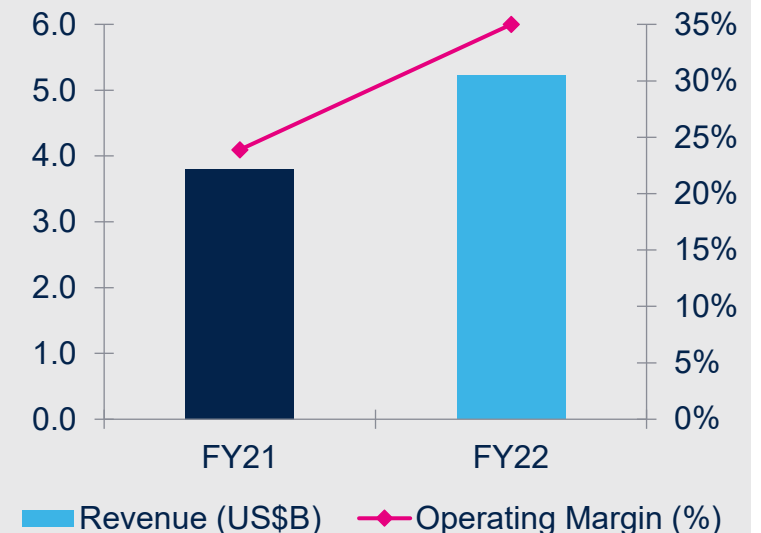
Analog, MEMS & Sensors (AMS)

Revenues = \$4.91B
Operating Margin = 25.2%



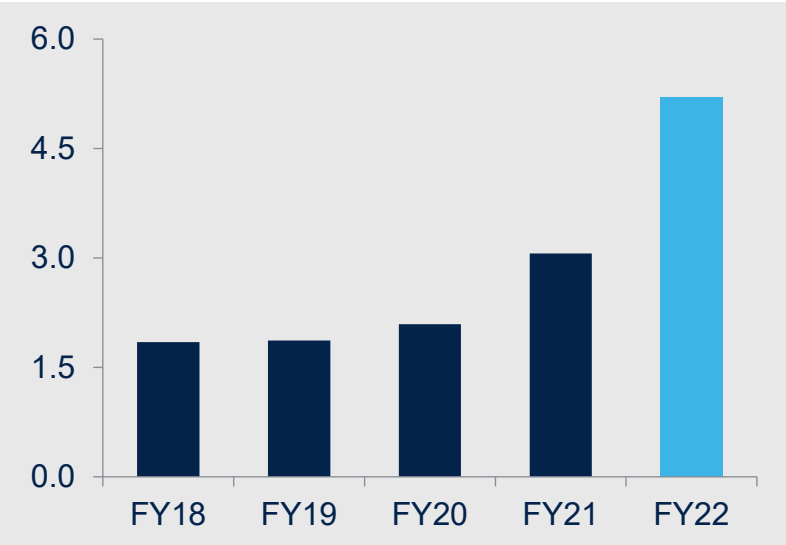
Microcontrollers & Digital ICs (MDG)

Revenues = \$5.23B
Operating Margin = 35.0%

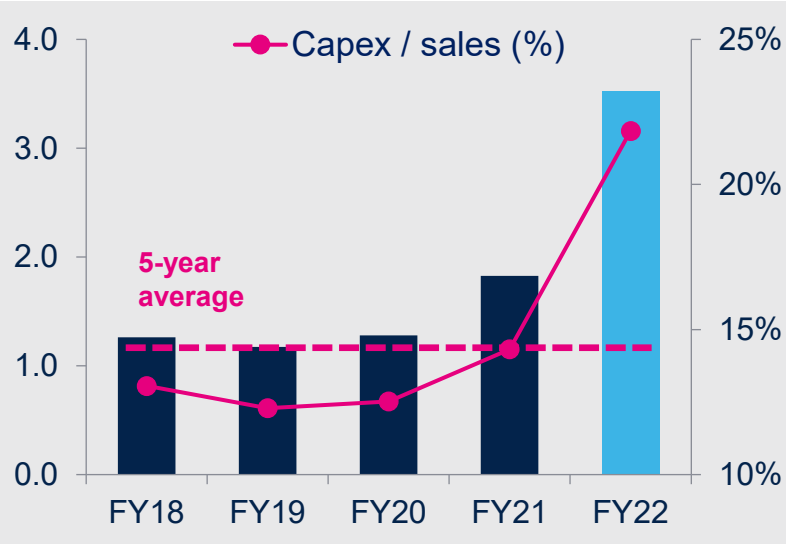


FY 2022 Financial flexibility

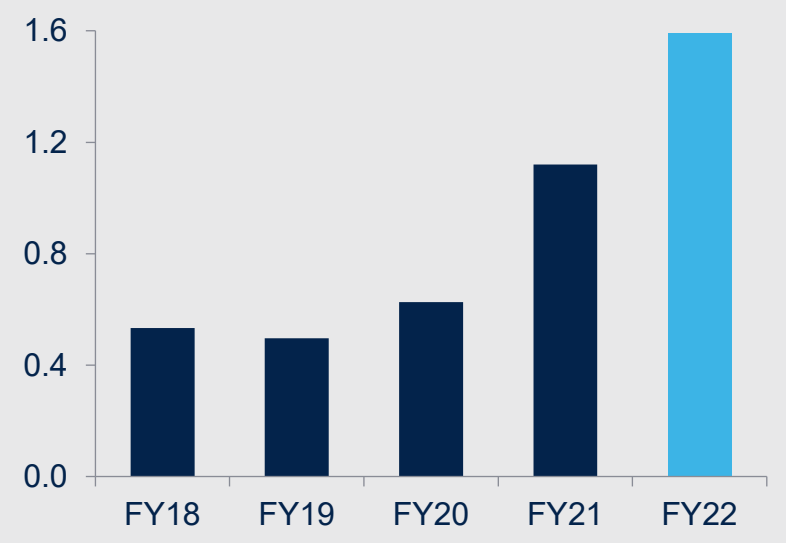
Net Cash From Operating Activities = \$5.20B



Capex = \$3.52B



Free Cash Flow* = \$1.59B



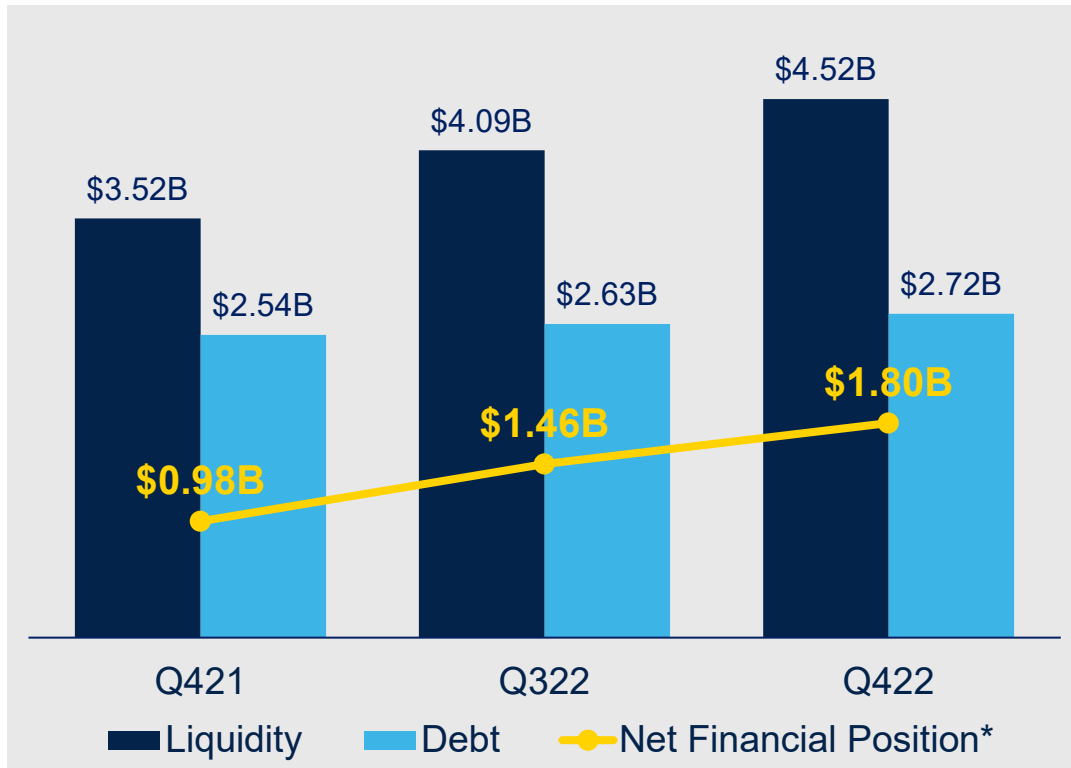
Cash dividends paid to stockholders totaled \$212M in FY22.

In FY22 we repurchased shares totaling \$346M under our current share repurchase programs.



*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 solid position from a capital, liquidity and balance sheet perspective.

Q422 and Q322 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 credit rating is well within investment grade with Positive Outlook from S&P and a Stable Outlook from Moody's and Fitch (BBB, Baa2, BBB respectively).

Q1 2023 Outlook

Net Revenues

Q123 outlook, at the mid-point, is for net revenues of **\$4.20B**, increasing 18.5% Y/Y and decreasing 5.1% Q/Q, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about **48.0%**, plus or minus 200 bps.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.06 = €1.00 for the 2023 first quarter and includes the impact of existing hedging contracts.

The first quarter will close on April 1, 2023.

Based on our strong customer demand and increased manufacturing capacity, we will drive the Company based on a plan for FY23 revenues in the range of \$16.8B to \$17.8B, growing over 2022 by about 4% to 10%.

Automotive and Industrial will be the key growth drivers of our revenues in 2023.

We plan to invest about \$4.0B in CAPEX. About 80% of this amount is mainly related to the increase of our 300mm wafer fabs and silicon carbide manufacturing capacity including our SiC substrate initiative.

The remaining 20% is for R&D, laboratories, manufacturing maintenance and efficiency and our corporate sustainability initiatives.

Takeaways

Last May at our Capital Markets Day we shared our value proposition. This is based on:

- Sustainable and profitable growth, with our 2025-2027 \$20B+ revenue ambition and the related financial model
- Our end-market focus:
 - on Automotive and Industrial, as a broad range supplier of application-specific and general-purpose products, targeting leadership positions;
 - on Personal Electronics and Communications Equipment and Computer Peripherals, with a selective approach, targeting some leadership positions with a few differentiated products or custom solutions complemented by our general-purpose products portfolio.
- Providing customers with differentiating enablers, and a reliable and secure supply chain
- A strong commitment to sustainability

In 2022, we made important progress in all these areas and we will continue along the same path in 2023.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q121	Q221	Q321	Q421	FY21	Q122	Q222	Q322	Q422	FY22
Net Revenues	3,016	2,992	3,197	3,556	12,761	3,546	3,837	4,321	4,424	16,128
Gross Margin	39.0%	40.5%	41.6%	45.2%	41.7%	46.7%	47.4%	47.6%	47.5%	47.3%
Operating Income	440	489	605	885	2,419	877	1,004	1,272	1,287	4,439
Operating Margin	14.6%	16.3%	18.9%	24.9%	19.0%	24.7%	26.2%	29.4%	29.1%	27.5%
Net Income – Reported	364	412	474	750	2,000	747	867	1,099	1,248	3,960
EPS Diluted (\$/share)	0.39	0.44	0.51	0.82	2.16	0.79	0.92	1.16	1.32	4.19
Free Cash Flow*	261	125	420	314	1,120	82	230	676	603	1,591
Net Financial Position*	1,185	1,081	798	977	977	840	924	1,457	1,801	1,801
Effective Exchange Rate €/€	1.19	1.19	1.19	1.17	1.18	1.15	1.12	1.08	1.04	1.10

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, 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 and incidents leading to power outage, 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	Q421	FY21	Q122	Q222	Q322	Q422	FY22
Unused Capacity Charges	2	-	14	-	16	9	13	-	-	22
Impairment & Restructuring Charges	-	(2)	1	4	2	-	-	-	-	-

Our technology starts with You

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