

Good morning and thank you for joining ST for our Q1 2022 earnings conference call.

Let me begin with some opening comments.

Starting with Q1:

- Q1 net revenues of \$3.55 billion and gross margin of 46.7% came in above the mid-point of our business outlook range. This revenue performance, driven by strong demand in microcontrollers, was partially offset by temporarily reduced operations at our Shenzhen, China manufacturing facility due to the pandemic, which impacted specifically our ADG revenues.
- Looking at our year-over year performance, net revenues grew 17.6%. Revenue growth was accompanied by improved profitability: gross margin at 46.7%, up from 39.0%; and operating margin of 24.7%, increasing from 14.6%. Net income more than doubled to \$747 million.
- On a sequential basis, revenues were substantially flat.

On Q2 2022:

Our second quarter business outlook at the mid-point, is for net revenues of \$3.75 billion, increasing year-over-year by 25.3% and sequentially by 5.8%; gross margin is expected to be about 46.0%.

For the full year 2022:

- Based on strong customer demand and increased capacity, we will continue to drive the Company based on a plan for full year 2022 revenues in the range of \$14.8 billion to \$15.3 billion.

Now, let's move to a detailed review of the first quarter.

Net revenues increased 17.6% year-over-year, with higher sales in our three product groups and all sub-groups except, as expected, the Imaging sub-group. Year-over-year, sales increased 14.4% to OEMs and 24.0% to Distribution.

On a sequential basis, net revenues decreased 0.3%, coming in 130 basis points above the mid-point of our outlook: this performance was mainly driven by MDG, with revenues up 12.8% on better-than-expected manufacturing efficiencies for microcontrollers; ADG revenues increased 2.5%, impacted by the temporarily reduced operations at our Shenzhen, China manufacturing facility due to the pandemic.

AMS revenues decreased 13.8% sequentially, substantially in line with our expectations.

Gross profit was \$1.65 billion, increasing 40.8% on a year-over-year basis.

Gross margin increased year-over-year to 46.7% from 39.0%, largely driven by favorable pricing and improved product mix. Our first quarter gross margin was 170 basis points above the mid-point of our guidance, driven by similar pricing and product mix factors.

First quarter operating margin was 24.7%, increasing from 14.6% in Q121, well supported by improvements in all three product groups.

Both net income and diluted earnings per share more than doubled year-over-year, respectively, reaching \$747 million and \$0.79, from \$364 million and \$0.39 per share in Q121.

Looking at the year-over-year sales performance by Product Groups:

- ADG revenues increased 20.5%, on double-digit growth in both Automotive and in Power Discrete.
- AMS revenues increased 0.4%, with growth in both Analog and MEMS while Imaging product sales decreased, as expected.
- MDG revenues increased 35.2%, on strong growth in both Microcontrollers and in RF Communications.

In terms of operating margin, all three product groups delivered year-over-year expansion:

- ADG operating margin increased to 18.7% from 8.2%;
- AMS operating margin increased to 22.6% from 17.2%; and
- MDG operating margin increased to 34.0% from 19.4%.

Net cash from operating activities increased 38.6% to \$945 million in Q1, versus \$682 million in the year-ago quarter.

CAPEX in the first quarter was \$840 million compared to \$405 million in the year-ago quarter.

After the strong investment in CAPEX, free cash flow was \$82 million in the first quarter. In Q121, it was \$261 million.

During the first quarter, we paid \$49 million of cash dividends to stockholders, and we executed a \$86 million share buy-back as part of our current share repurchase program.

ST's net financial position (non-U.S. GAAP) was \$840 million at April 2, 2022 and reflected total liquidity of \$3.4 billion and total financial debt of \$2.6 billion. This includes a \$107 million increase in total financial debt in connection with the adoption on January 1, 2022 of the new U.S. GAAP reporting guidance applicable to convertible debt. At December 31, 2021 ST's net financial position was \$977 million.

Let's now discuss the market and business dynamics during the quarter.

Overall, demand continued to be strong.

Starting with the Automotive market, we continued to see strong demand in Q1, with a lower number of vehicles produced worldwide compared with initial expectations. This strong demand reflected the combined effect of replenishment of inventories across the automotive supply chain and the ongoing electrification and digitalization transformation of the industry.

Bookings remained strong across all customers and geographies. Backlog visibility is still about 18 months and well above our current and planned 2022 manufacturing capacity.

The accelerated transformation of the vehicle industry towards more electrification and digitalization brought additional wins and opportunities for us during Q1.

Silicon Carbide devices are a key component of car electrification. During the quarter we again increased the number of ongoing SiC programs for the automotive and industrial markets to 98, spread over 75 customers. These projects are roughly equally split between the two end markets, and we are in line with our revenue targets.

We had a number of new design wins in Q1 with ST power modules as well as with a module maker using Gen3 SiC MOSFET technology for EV Traction Inverter applications. We also had success with complementary technologies in a range of EV applications. These included sockets with EV car makers and Tier1s for microcontrollers, silicon MOSFETs, battery management solutions and ultrafast and SiC diodes.

In car digitalization, during the quarter we had wins across the key applications we address.

We designed our next-generation Stellar automotive MCU into a new zonal architecture for software-defined vehicles.

We signed a deal for a V2X chipset with a player in China in cooperation with Autotalks. And we had a design-in for Mobileye EyeQ technology from an EV maker for an L4 ADAS platform.

In our automotive sensor business, we earned a first win for our 6-axis sensor with embedded Machine Learning Core in an advanced automotive antitheft system, while continuing to secure wins for other automotive sensors.

Moving now to Industrial.

In Industrial we saw strong demand throughout the quarter, especially in factory automation, power and energy applications as well as building and home control. Demand was strong both with Distribution as well as OEMs. Also in Industrial, electrification and digitalization are the main trends accelerating the increase we see in semiconductor content.

Throughout Q1, inventories of our products at distributors remained lean across all product families, with high inventory turns. Also, point-of-sales were strong across all products and geographies.

We address the industrial end market with our general purpose and secure embedded processing solutions, power and energy management products and our sensors and analog portfolio.

In embedded processing we are building on our market leadership in 32-bit MCUs. I am pleased to announce that in 2021 we were ranked number 1 worldwide in general purpose microcontrollers. We continue to invest to further strengthen our STM32 family offering and ecosystem with a particular focus on wireless connectivity, security, and artificial intelligence. In these three areas we are accelerating our customer engagements, driving design wins with our latest products and solutions. We are also building momentum with our STM32 Microprocessor offer, the natural evolution path for our customers needing higher performance. Here, we won a number of sockets in applications such as lighting, programmable logic controllers and smart grid.

In Power & Energy management, we address industrial applications with a range of products including Silicon Carbide-based transistors and modules, as well as silicon-based transistors, IGBTs, diodes and rectifiers. Here, we had wins across a number of applications including renewable energy and power saving technologies.

We also had many new designs with our Industrial analog products with awards in applications where we are focused. These include motion control, power-line communication, factory automation and home appliances. Here, our industry-leading products for smart motor control, galvanic isolation, and power conversion are driving design wins.

We continued our momentum in sensors for industrial applications with wins for products like our industrial-grade pressure and waterproof pressure sensors. We introduced our first Intelligent Sensor Processing Unit launched together with Gen3 MEMS Sensors.

Moving now to Personal Electronics. Demand during the quarter was in line with seasonality for this end market. The market for accessories continues to be strong, especially for connected devices such as wearables embedding health features driving more semiconductor content, tablets, hearables and True Wireless Stereo headsets.

Our first strategic objective in Personal Electronics is to lead in selected high-volume applications with differentiated products or custom solutions.



During the quarter we won sockets in new flagship smartphones with motion and environmental sensors, time-of-flight ranging sensors, wireless charging products, touch display controllers, and secure solutions.

Our second strategic objective is to leverage our broad portfolio to address high-volume applications. Here, we had wins with a broad range of light, motion and environmental sensors as well as with analog, power, and microcontrollers in applications such as smart watches and other wearables from leading players.

In Communications Equipment and Computer Peripherals we continued to see adoption of 5G-related products and further deployment of Low-Earth-Orbit Satellite programs and services around the globe. The PC market continues to show signs of normalizing demand.

We have several strategic objectives in our approach to this end market. First, we target selected high-volume applications with differentiated products or custom solutions, while leveraging our broad portfolio. New wins here include secure trusted platform solutions and time-of-flight sensors for laptops, general purpose MCU design-ins, as well further wins with our MasterGaN family for high-power-density smart charging adaptors.

I would also like to highlight our goal to address selected applications in cellular and satellite communication infrastructure. In this area we continued to progress well with our key customer engagements.

Now, let's move to our 2022 second quarter outlook and our plans for the full year 2022.

For the second quarter, we expect net revenues to be about \$3.75 billion at the mid-point, representing a year-over-year growth of 25.3% and a sequential increase of 5.8%. Gross margin in Q2 is expected to be about 46.0% at the mid-point. Our guidance includes the impact of the temporary reduced operations in Crolles, France, caused by the power outage external to our site that occurred at the beginning of April.

For the full year 2022:

We confirm our plan to invest about \$3.4 billion to \$3.6 billion in CAPEX to further increase our production capacity and to support our strategic initiatives, which include the first industrialization line of our new 300mm wafer fab in Agrate, Italy.

Based on our strong customer demand and our planned investments to increase capacity, we continue to drive the Company based on a plan for FY22 revenues in the range of \$14.8 billion to \$15.3 billion, representing growth of about 16% to 20%.

To conclude:

- Our first quarter results and plans for 2022 underscore our tight focus on accelerating the execution of our strategy and value proposition.
- We are on track with our 2022 plans, both in terms of revenues and CAPEX investments to sustain our short and long-term growth objectives.
- Finally, we look forward to your participation, either in person in Paris or via our live webcast, at our Capital Markets Day on May 12<sup>th</sup>.

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