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# STMicroelectronics Q1 2024 Financial Results

April 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, 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 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 ("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 or pandemics 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 by 2027 on scope 1 and 2 and partially scope 3;
- epidemics or pandemics, which may 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 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, 2023 as filed with the Securities and Exchange Commission ("SEC") on February 22, 2024. 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 factors listed under "Item 3. Key Information — Risk Factors" from time to time in our Securities and Exchange Commission ("SEC") filings, could have a material adverse effect on our business and/or financial condition.

# Highlights

## Q1 2024

- Net revenues of \$3.47B decreased 18.4% Y/Y and 19.1% Q/Q. Gross margin was 41.7%.
- Revenues and gross margin both came in below the mid-point of our business outlook range, driven by lower revenues in Automotive and Industrial, partially offset by higher revenues in Personal Electronics.
- Operating margin was 15.9% and net income was \$513M.

- During the first quarter, our customer order bookings remained weak in Industrial across all geographies and much lower than expected. This indicates that the Industrial inventory correction will be stronger and last longer than anticipated in January.
- Additionally, towards the end of the quarter we started to see some reduction in our Automotive backlog.

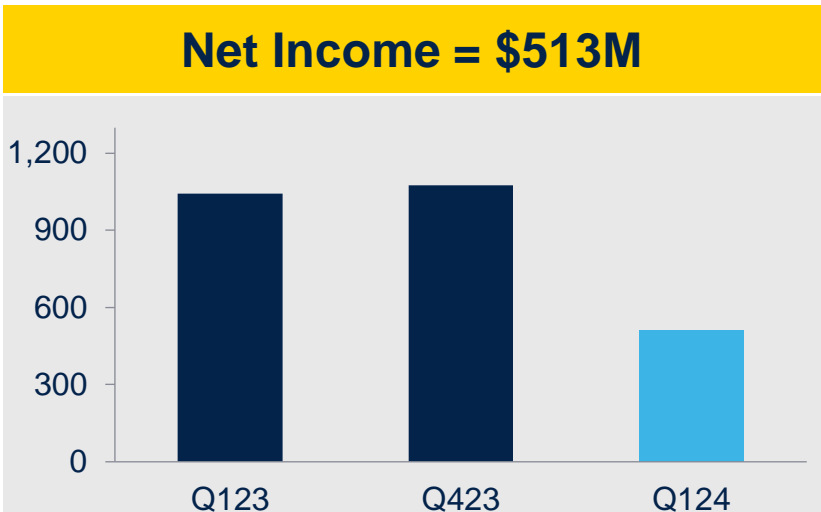
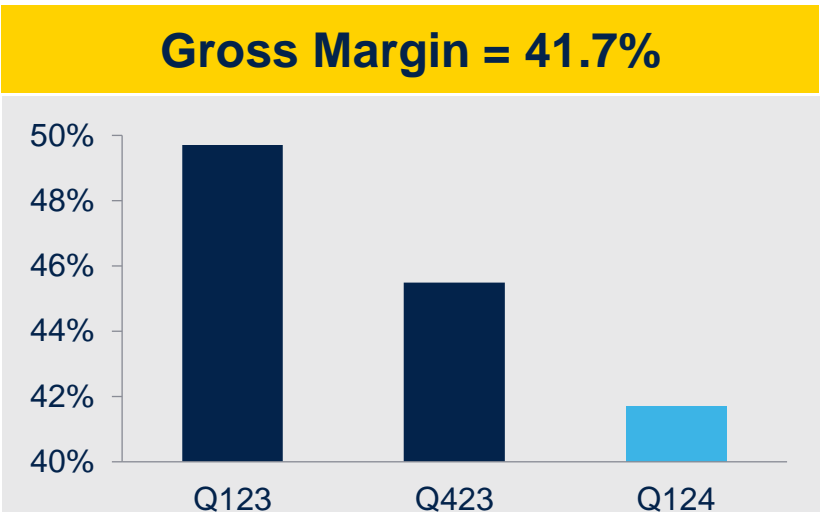
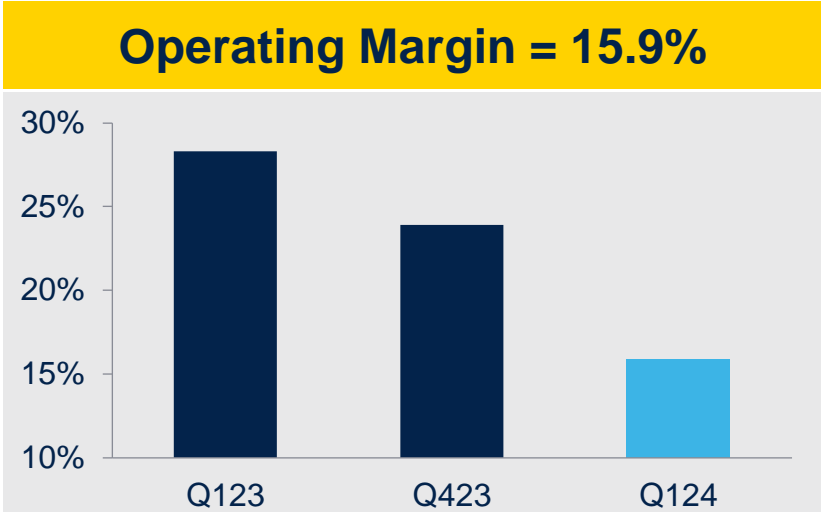
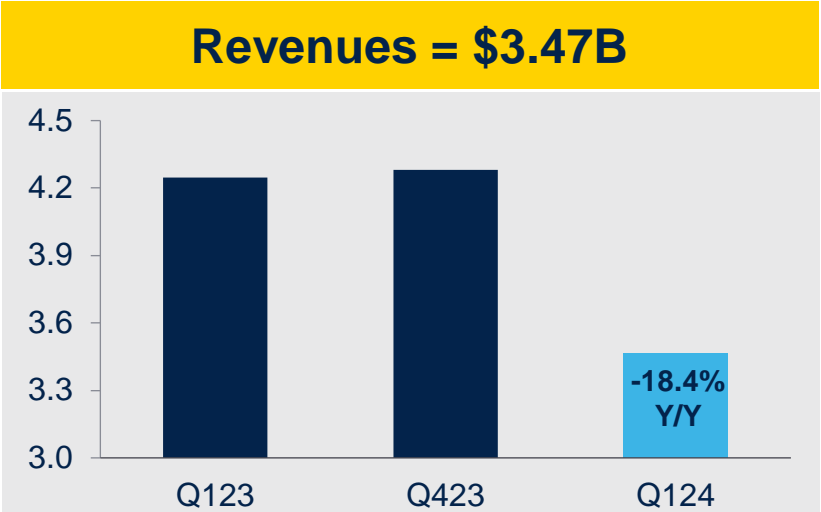
## Q2 2024

- Outlook at mid-point is for net revenues of \$3.2B, declining 26% Y/Y and 7.6% Q/Q.
- Gross margin expected to be about 40% at the mid-point.

## FY 2024

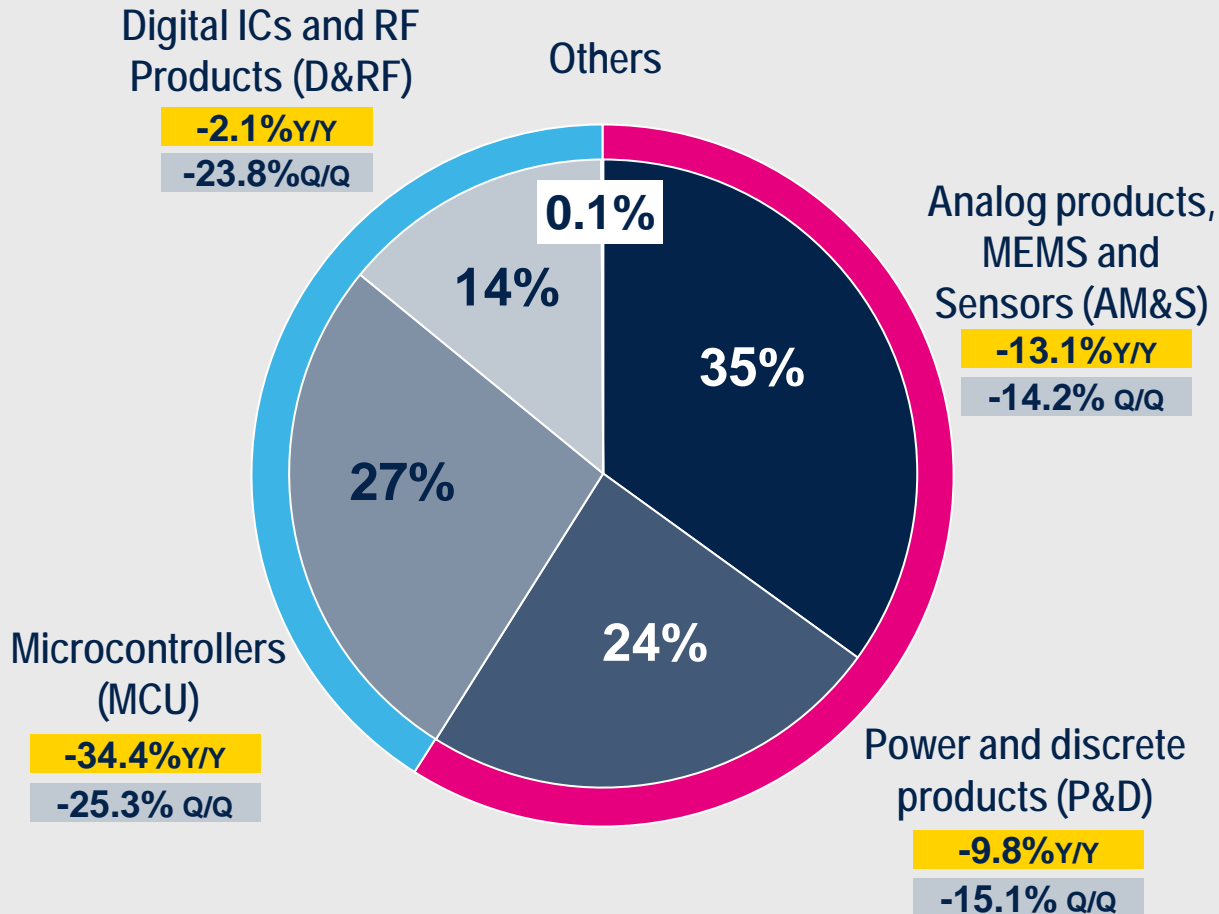
- Compared with our January expectations, the market environment has further deteriorated, with an even stronger inventory correction in Industrial, slowing the expected growth in the second half of the year compared to our previous expectations. Automotive has entered a deceleration phase, with demand slowing down compared to our January expectations.
- We will now drive the Company based on a revised plan for FY24 revenues in the range of \$14B to \$15B. Within this plan, we expect a gross margin in the low 40's.
- We plan to maintain our Net Capex\* plan for FY24 at about \$2.5B focusing on our strategic manufacturing initiatives.

# Q1 2024 Financial highlights

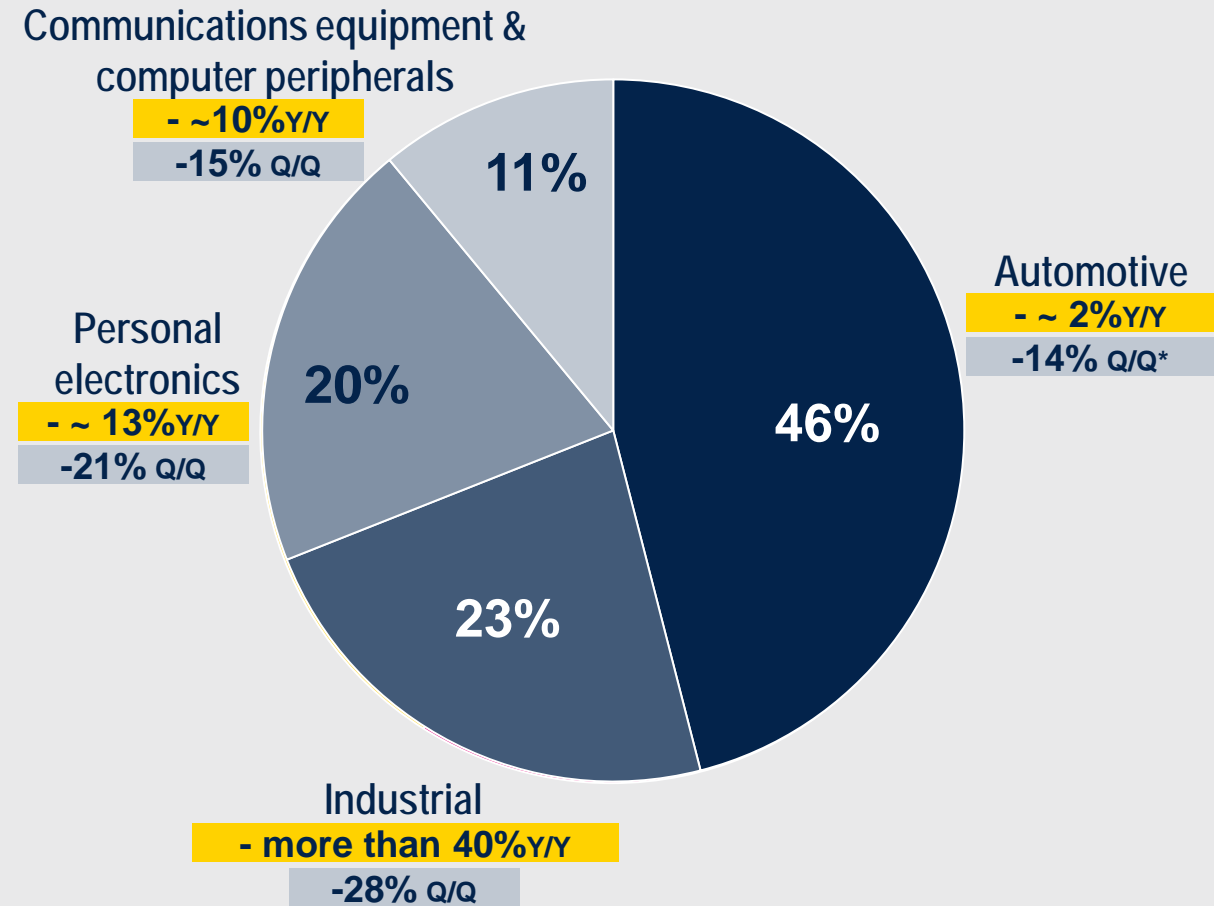


# Q1 2024 Revenues dynamic

## % by reportable segments



## % by end market

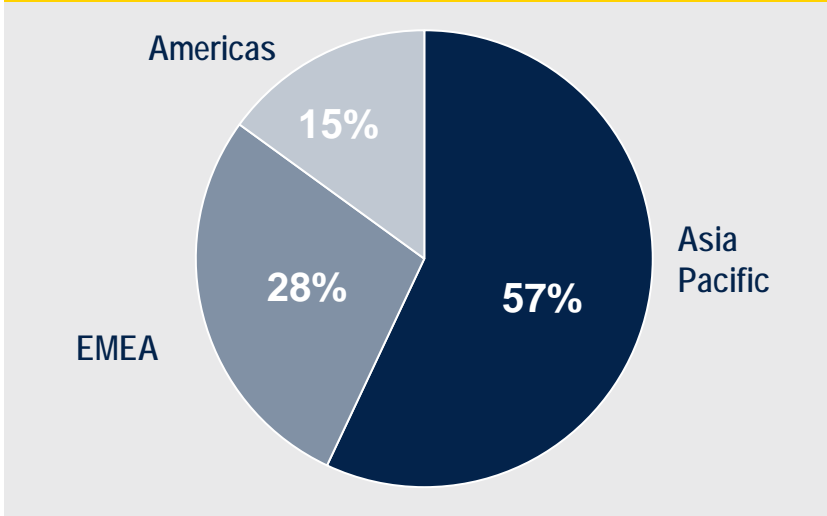


- Analog, Power & Discrete, MEMS and Sensors (APMS)
- Microcontrollers, Digital ICs and RF products (MDRF)

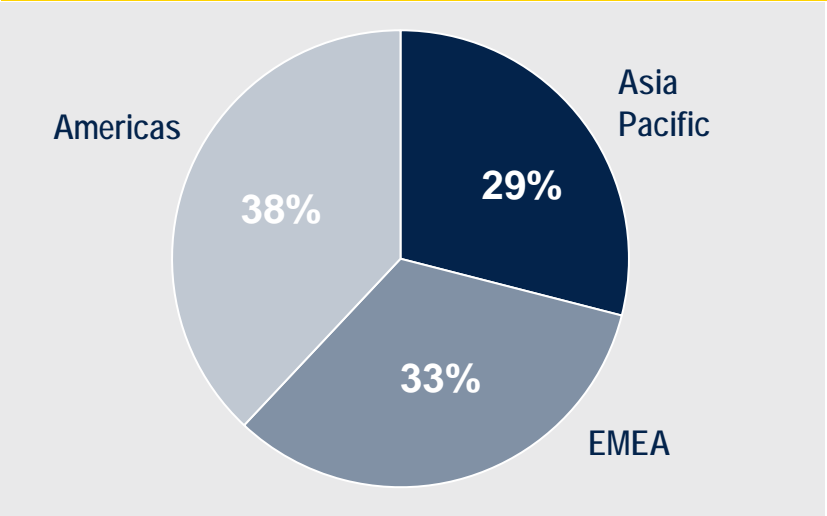
\*Excluding the impact of capacity reservation fees and of a specific customer 2023 inventory replenishment effect, Automotive was down 8%.

# Q1 2024 Revenues

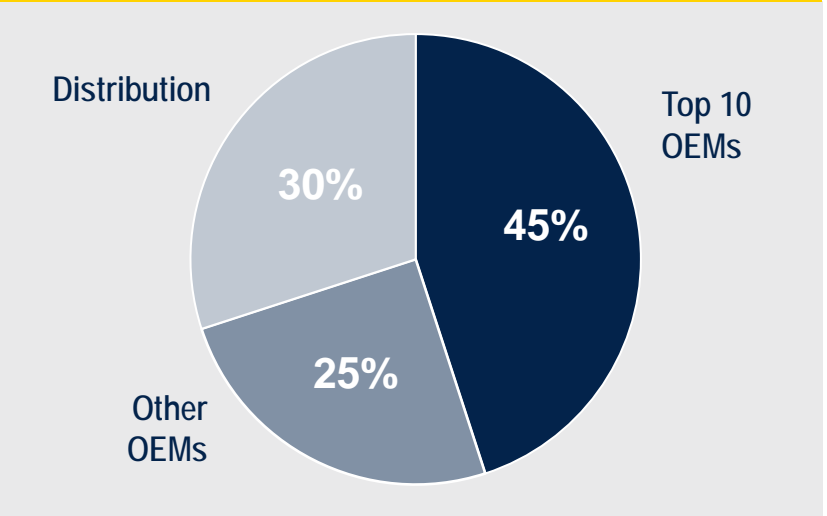
**% by shipment location**



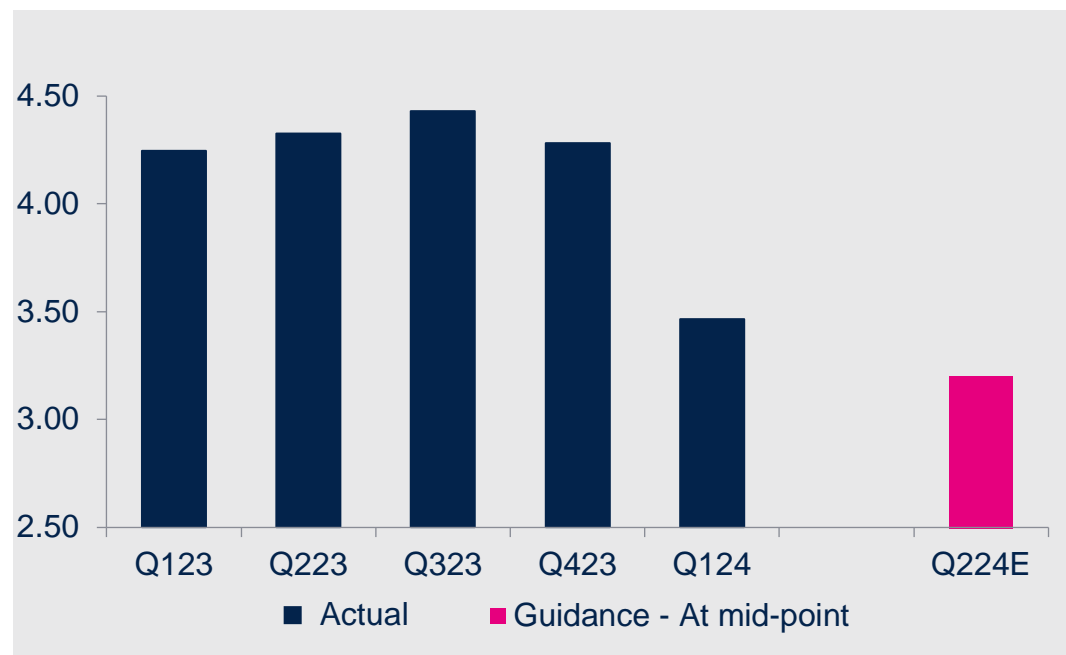
**% by region of origin**



**% by customer type**



## Q124 Revenues = \$3.47B



### Q124 revenues down 18.4% Y/Y

- AM&S declined 13.1%, P&D 9.8%, MCU 34.4% and D&RF 2.1%,
- By end market, Industrial declined more than 40%, Personal Electronics ~ 13%, CECP ~ 10% and Automotive ~ 2%,
- Revenues to OEMs and Distribution decreased 11.5% and 30.8%, respectively.

### Q124 revenues down 19.1% Q/Q

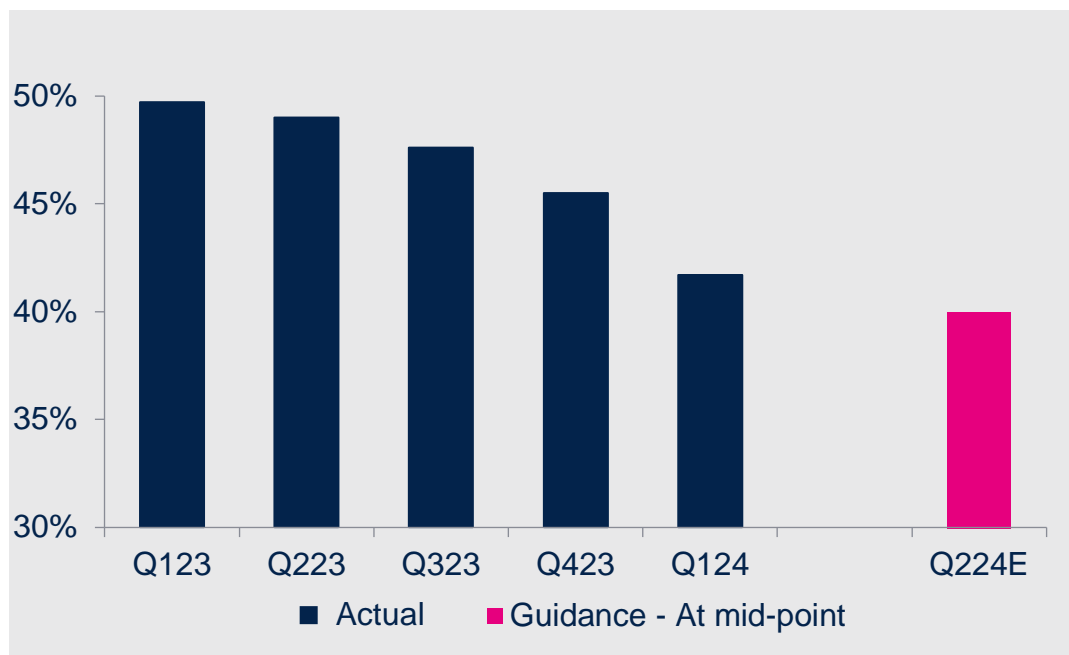
- 320 bps below the mid-point of the Company's guidance,
- Decline of 14.2% in AM&S, 15.1% in P&D, 25.3% in MCU and 23.8% in D&RF,
- By end market, Q/Q Industrial was down 28%, Personal Electronics 21%, CECP 15% and Automotive 14%. Excluding the impact of capacity reservation fees and of a specific customer 2023 inventory replenishment effect, Automotive was down 8%.

## Q224 Revenues Outlook

Down Q/Q by about 7.6% (+/- 350 bps)  
Down Y/Y by about 26% at mid-point

# Gross margin

**Q124 Gross Margin = 41.7%**



## Q124 Gross Margin

- Down 800 bps Y/Y, mainly due to the combination of sales price and product mix, unused capacity charges and reduced manufacturing efficiencies,
- Down 380 bps Q/Q,
- 60 basis points below the mid-point of ST's guidance.

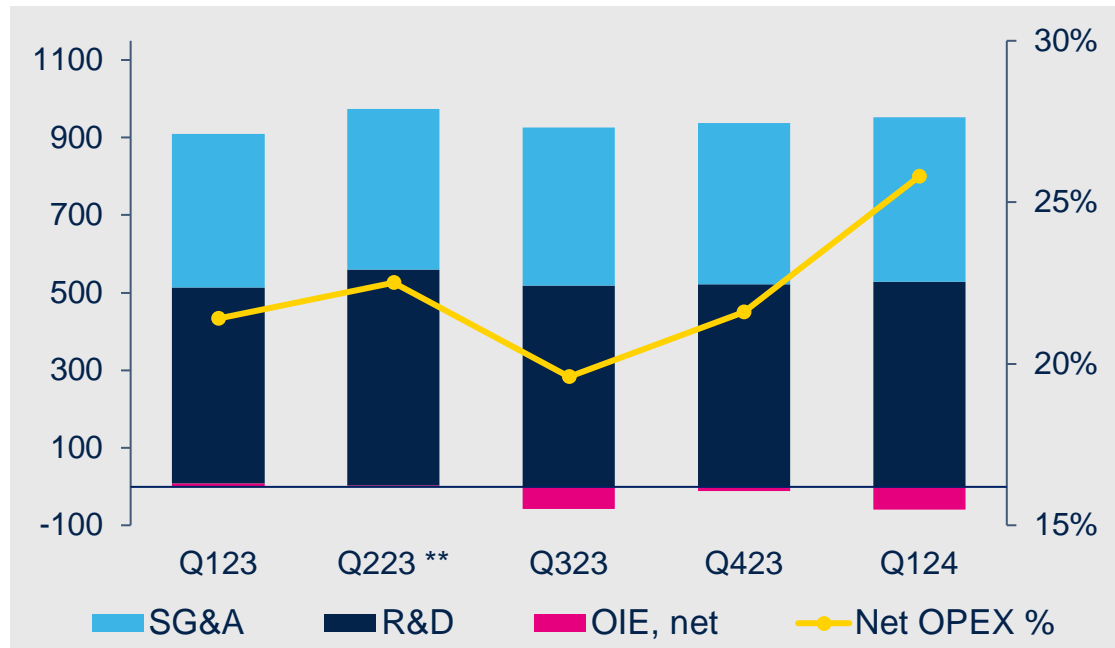
## Q224 Gross Margin Outlook

About 40% (+/- 200 bps)



# Net operating expenses\*

**Q124 Net Operating Expenses = \$893M**



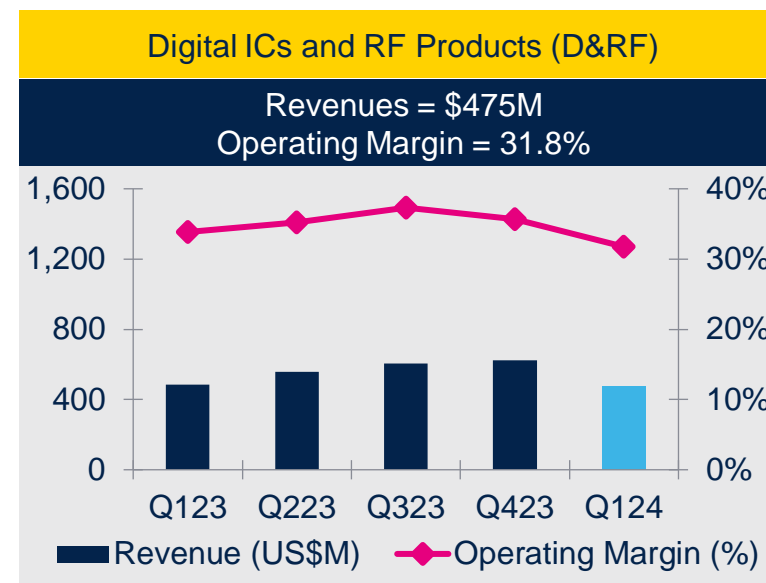
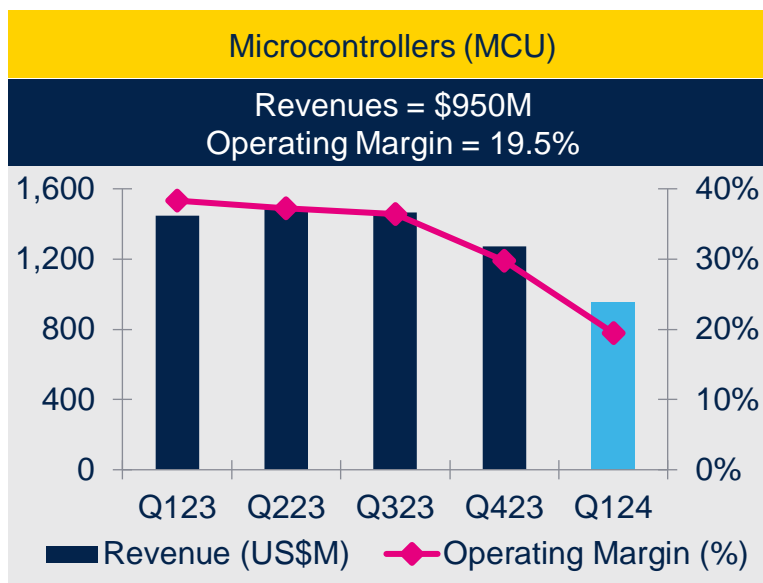
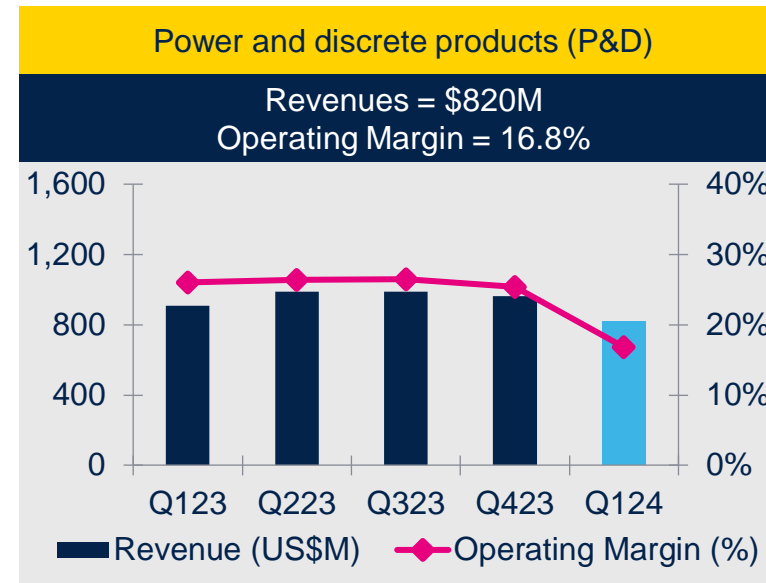
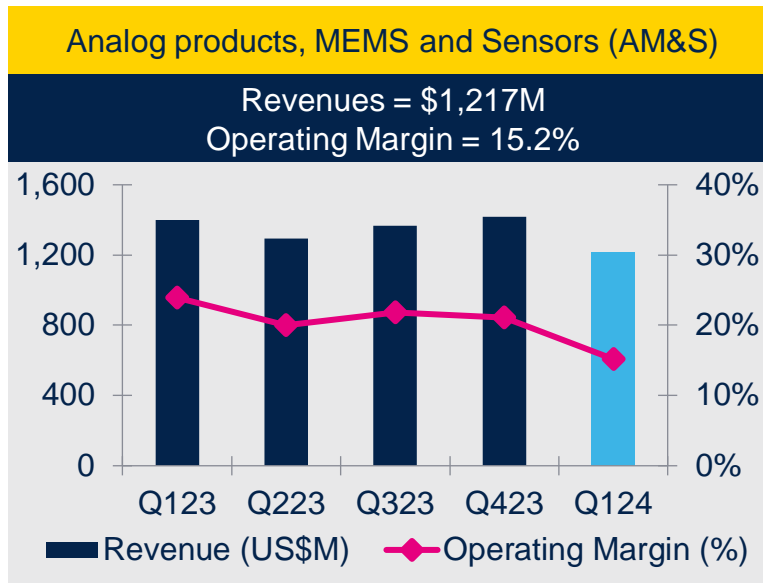
**Q124 Combined SG&A and R&D at \$953M**

- 27.5% of revenues.

**Q124 Net Operating Expenses at \$893M**

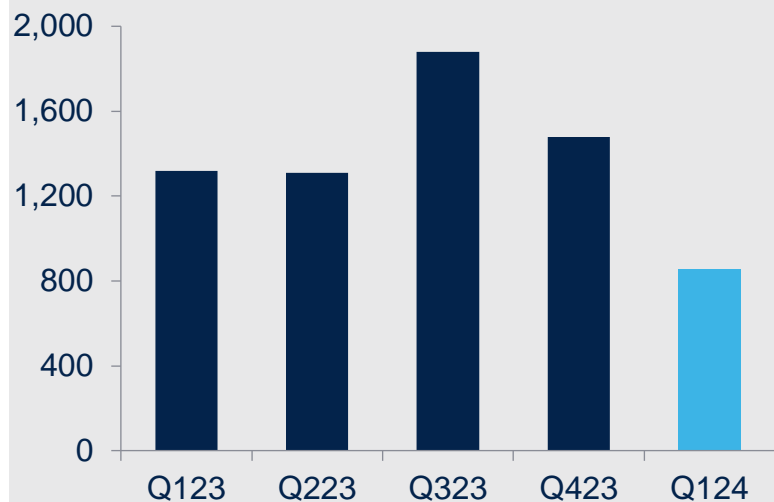
- 25.8% of revenues.

# Q1 2024 Reportable segments results

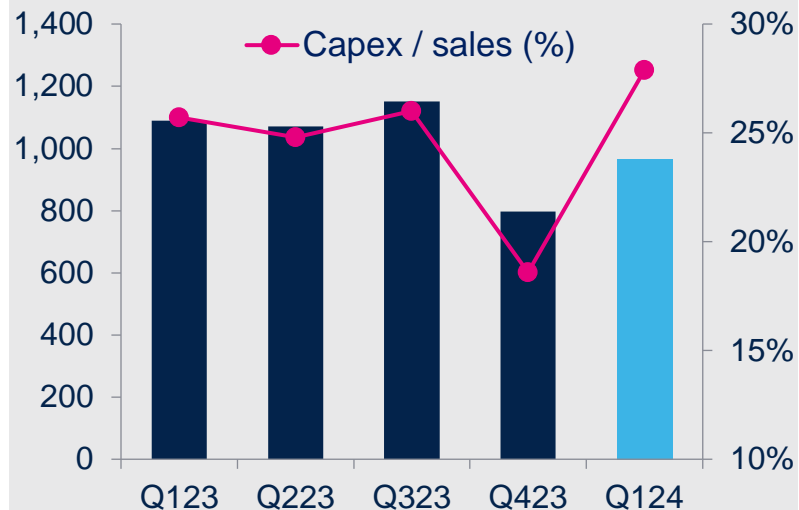


# Q1 2024 Financial flexibility

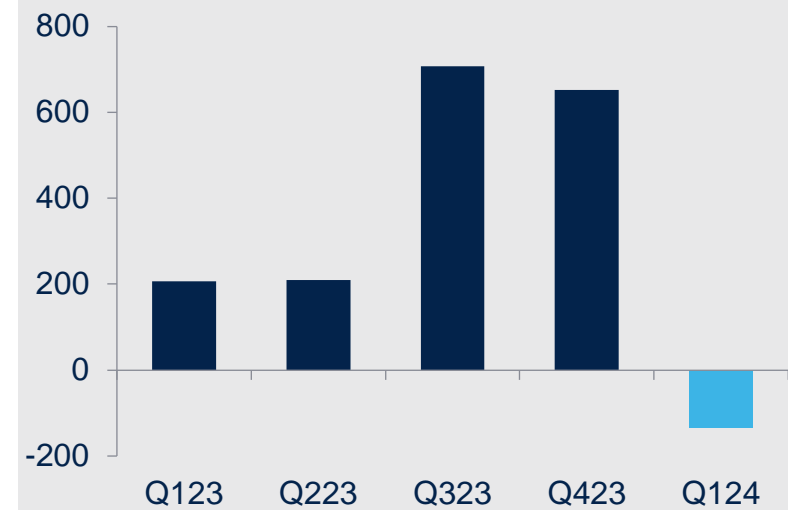
## Net Cash From Operating Activities = \$859M



## Net Capex\* = \$967M



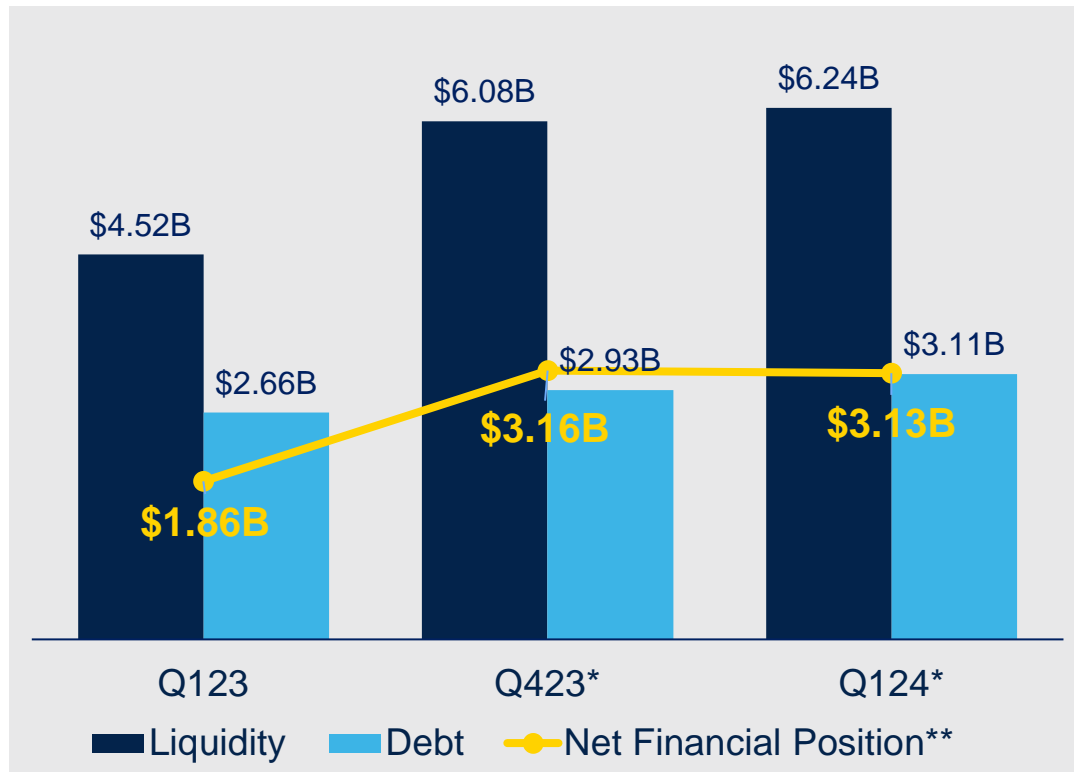
## Free Cash Flow\* = \$(134)M



Cash dividends paid to stockholders totaled \$48M in Q124.

In Q124 we repurchased shares totaling \$87M under our current share repurchase program.

# Solid capital structure



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

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

## Car electrification



## Car digitalization





## Embedded processing



New 600 MHz bootflash MCU with more performance, scalability and security



The latest generation of entry level ultra-low power MCUs



New MPUs add 64-bit processing, edge AI for speed, security, and reliability



Multiprotocol 32-bit wireless MCUs +10 dBm, high security, low power consumption



## Power & Energy



3 kW power supply reference design for telecom rectifiers & AI servers



## Industrial sensing



All-in-one desktop software solution for next-gen MEMS application development



New STSPIN development kit combines motor control, sensing and AI



# Personal electronics Communications equipment & computer peripherals



# 2024 Sustainability Report

## Carbon Neutrality - Milestones

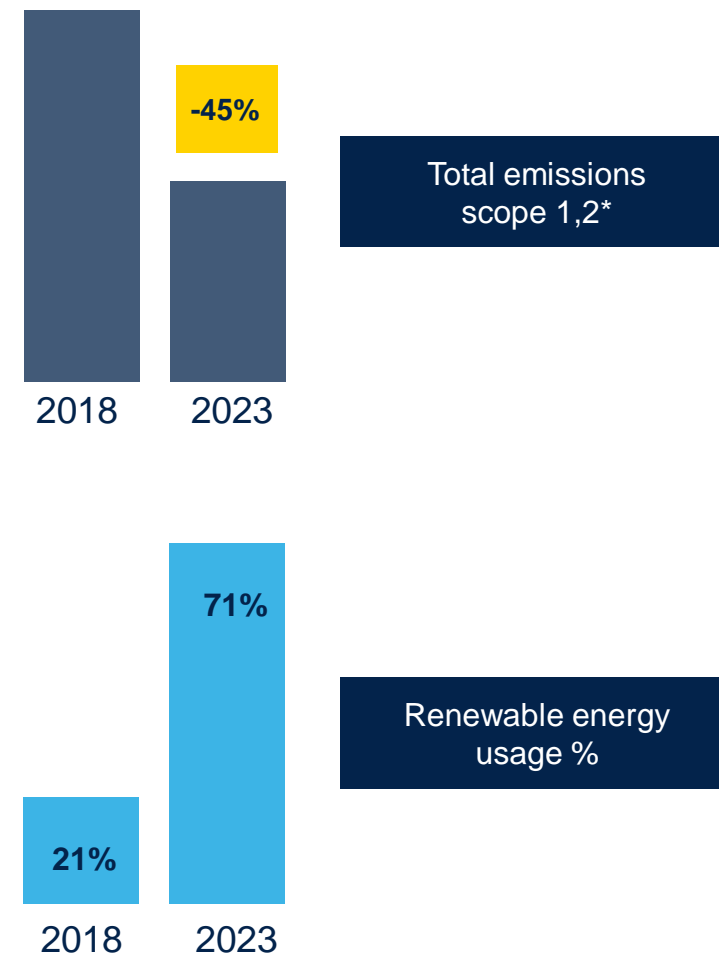
**Carbon neutral** on scope 1 & 2 and partially scope 3 by 2027

Sourcing 100% **renewable energy** by 2027

Compliance with the **1.5°C scenario** by 2025 – recognized by SBTi

- 50% reduction of direct (scope 1) and indirect (scope 2) emissions by 2025 compared to 2018
- 80% renewable electricity sourcing by 2025

Long-term power purchasing agreements are a key part of our strategy and we signed another significant agreement in Italy earlier this month.





# Q2 2024 Outlook

## Net Revenues

Q224 outlook, at the mid-point, is for net revenues of **\$3.2B**, decreasing Y/Y by 26% and decreasing Q/Q by 7.6%, plus or minus 350 bps.

## Gross Margin

Gross margin is expected to be about **40%**, +/- 200 bps.

We revised down our plan for **FY24 revenues** to be in the **range of \$14B to \$15B**, representing a decline over 2023 of about 19% to 13%.

This takes into consideration the **accelerated inventory correction in Industrial** as well as the **deceleration phase starting in Automotive**.

We plan to maintain our plan to invest about **\$2.5B in Net Capex\***, focusing on our strategic manufacturing initiatives.

# Takeaways

We continue to adapt our plans according to these asynchronous market dynamics - with a downcycle in Industrial, a deceleration in Automotive and a stabilization in Personal Electronics and Computer Peripherals.

In parallel, we will continue to execute our strategic initiatives consistently with our established strategy and operating model

# Appendix

# Historical financial performance

<i>US\$M, except EPS</i>	Q123	Q223	Q323	Q423	FY23	Q124
Net Revenues	4,247	4,326	4,431	4,282	17,286	3,465
Gross Margin	49.7%	49.0%	47.6%	45.5%	47.9%	41.7%
Operating Income	1,201	1,146	1,241	1,023	4,611	551
Operating Margin	28.3%	26.5%	28.0%	23.9%	26.7%	15.9%
Net Income – Reported	1,044	1,001	1,090	1,076	4,211	513
EPS Diluted (\$/share)	1.10	1.06	1.16	1.14	4.46	0.54
Free Cash Flow*	206	209	707	652	1,774	-134
Net Financial Position*	1,855	1,914	2,463	3,156	3,156**	3,126
Effective Exchange Rate €/\$	1.06	1.08	1.09	1.08	1.08	1.09

# 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.
- **Net Capex and Free Cash Flow (non-U.S. GAAP measure)**: Starting Q1 2024, ST presents Net Capex as a non-U.S. GAAP measure, which is reported as part of our Free Cash Flow (non-US GAAP measure), to take into consideration the effect of advances from capital grants received on prior periods allocated to property, plant and equipment in the reporting period. Net Capex, a non-U.S. GAAP measure, is defined as (i) Payment for purchase of tangible assets as reported plus (ii) Proceeds from sale of tangible assets as reported plus (iii) Proceeds from capital grants and other contributions as reported plus (iv) Advances from capital grants allocated to property, plant and equipment. ST believes Net Capex provides useful information for investors and management because annual capital expenditures budget includes the effect of capital grants. Our definition of Net Capex may differ from definitions used by other companies. Free Cash Flow, which is a non-U.S. GAAP measure, is defined as (i) net cash from operating activities plus (ii) Net Capex plus (iii) payment for purchase (and proceeds from sale) of intangible and financial assets and (iv) 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 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 and by excluding the advances from capital grants received on prior periods allocated to property, plant and equipment. 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 include items such as unused capacity charges, including incidents leading to power outage, impairment and restructuring charges, management reorganization costs, start-up and phase out costs, 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 reportable segments, as well as operating earnings of other products. Others includes:

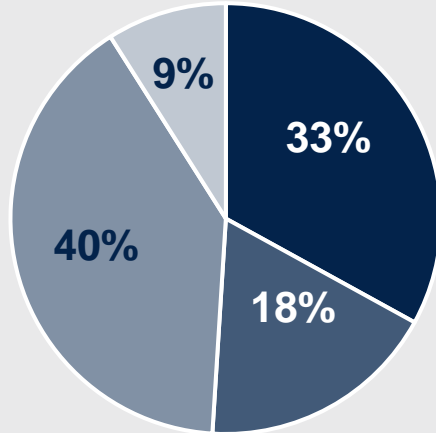
US\$M	Q123	Q223	Q323	Q423	FY23	Q124
Unused Capacity Charges	1	15	46	57	120	63

# Historical Revenues and Operating Margin by new Product Groups and Reportable Segments

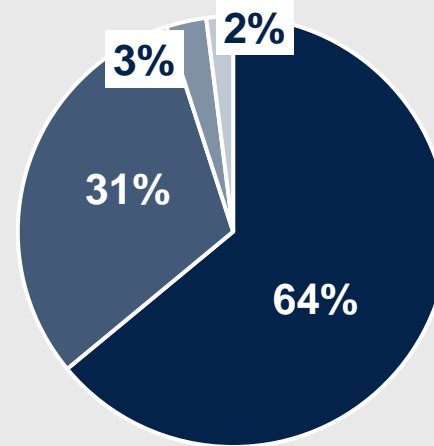
<i>US\$M</i>	<b>Q123</b>	<b>Q223</b>	<b>Q323</b>	<b>Q423</b>	<b>FY23</b>	<b>Q124</b>
<b>Analog products, MEMS and Sensors (AM&amp;S)</b>						
Revenue	1,400	1,293	1,367	1,418	5,478	1,217
<i>Operating Margin</i>	23.9%	20.0%	21.8%	21.1%	21.7%	15.2%
<b>Power and discrete products (P&amp;D)</b>						
Revenue	909	989	989	965	3,852	820
<i>Operating Margin</i>	26.0%	26.4%	26.5%	25.4%	26.1%	16.8%
<b>Analog, Power &amp; Discrete, MEMS and Sensors (APMS)</b>						
Revenue	<b>2,309</b>	<b>2,282</b>	<b>2,356</b>	<b>2,383</b>	<b>9,330</b>	<b>2,037</b>
<i>Operating Margin</i>	<b>24.7%</b>	<b>22.8%</b>	<b>23.8%</b>	<b>22.9%</b>	<b>23.5%</b>	<b>15.8%</b>
<b>Microcontrollers (MCU)</b>						
Revenue	1,448	1,482	1,466	1,272	5,668	950
<i>Operating Margin</i>	38.3%	37.2%	36.4%	29.8%	35.6%	19.5%
<b>Digital ICs and RF Products (D&amp;RF)</b>						
Revenue	486	558	605	623	2,272	475
<i>Operating Margin</i>	33.9%	35.2%	37.3%	35.7%	35.6%	31.8%
<b>Microcontrollers, Digital ICs and RF products (MDRF)</b>						
Revenue	<b>1,934</b>	<b>2,040</b>	<b>2,071</b>	<b>1,895</b>	<b>7,940</b>	<b>1,425</b>
<i>Operating Margin</i>	<b>37.2%</b>	<b>36.6%</b>	<b>36.7%</b>	<b>31.7%</b>	<b>35.6%</b>	<b>23.6%</b>

# FY 2023 Reportable segment revenues by end market

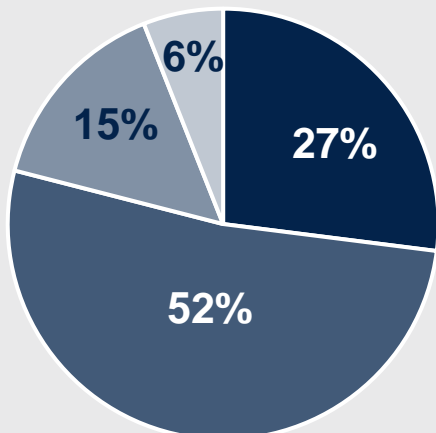
Analog products, MEMS and Sensors (AM&S)



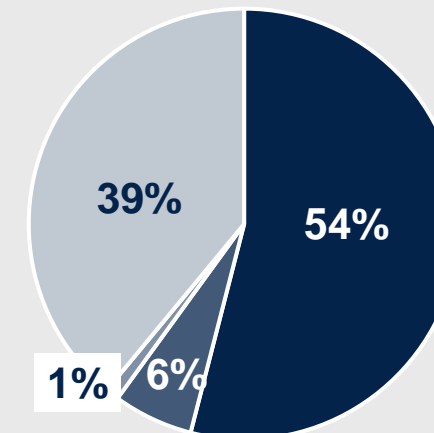
Power and discrete products (P&D)



Microcontrollers (MCU)



Digital ICs and RF Products (D&RF)



- Automotive
- Industrial
- Personal electronics
- Communications equipment & computer peripherals



# Our technology starts with You

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