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STMicroelectronics Q2 2024 Financial Results

July 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

**Q2
2024**

- Net revenues of \$3.23B were above the mid-point of our business outlook range, driven by higher revenues in Personal Electronics, partially offset by lower than expected revenues in Automotive. Gross margin of 40.1% was in line with expectations.
- Q2 net revenues decreased 25.3% Y/Y, mainly driven by a decline in Industrial and, to a lesser extent, in Automotive.
- Gross margin decreased to 40.1% from 49.0%, Operating margin to 11.6% from 26.5% and net income decreased 64.8% to \$353M.
- Q/Q net revenues decreased 6.7%.

**H1
2024**

- Net revenues decreased 21.9% Y/Y to \$6.70B, mainly driven by a decrease in the Microcontrollers and Power and Discrete segments.
- Gross margin was 40.9%, operating margin 13.8% and net income \$865M.

- During the quarter, contrary to our prior expectations, customer orders for Industrial did not improve and Automotive demand declined.

**Q3
2024**

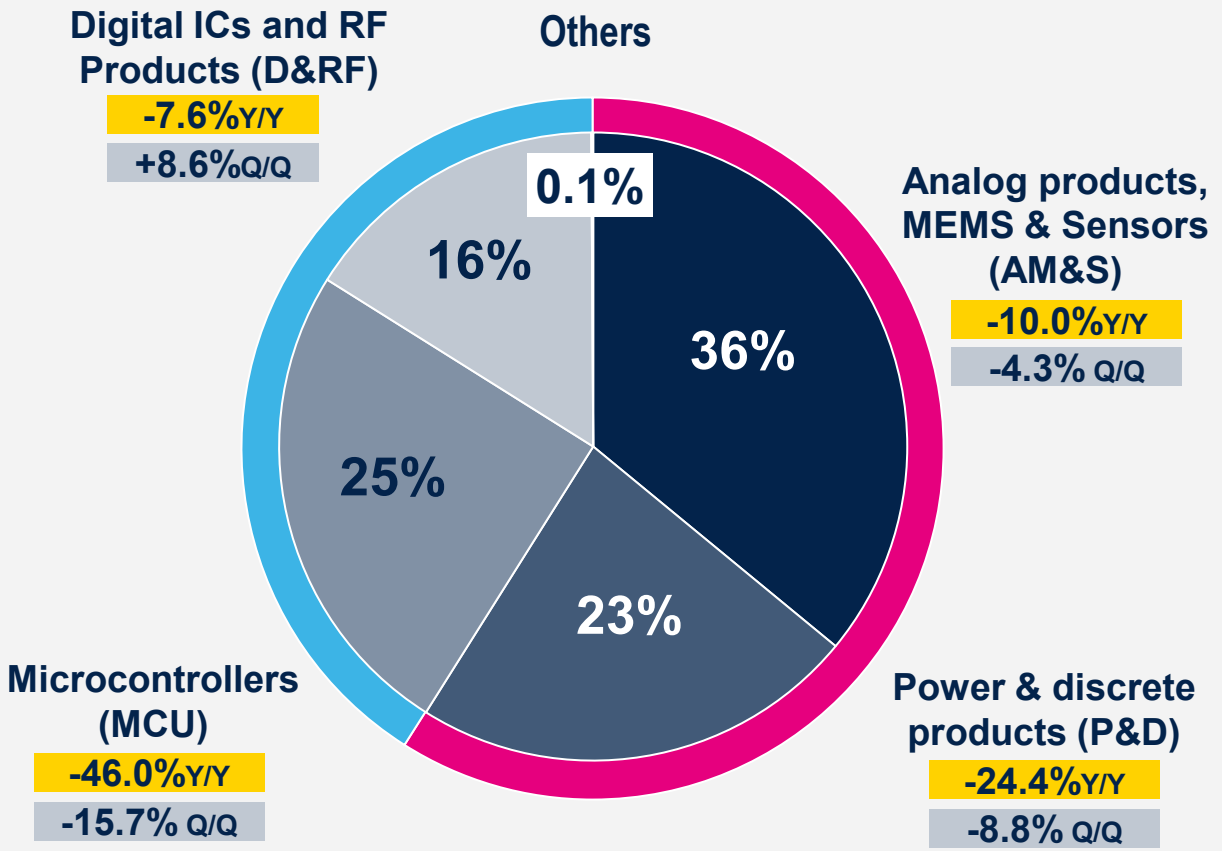
- Outlook at mid-point is for net revenues of \$3.25B, decreasing 26.7% Y/Y and increasing 0.6% Q/Q.
- Gross margin expected to be about 38% at the mid-point, impacted by about 350 bps of unused capacity charges.

**FY
2024**

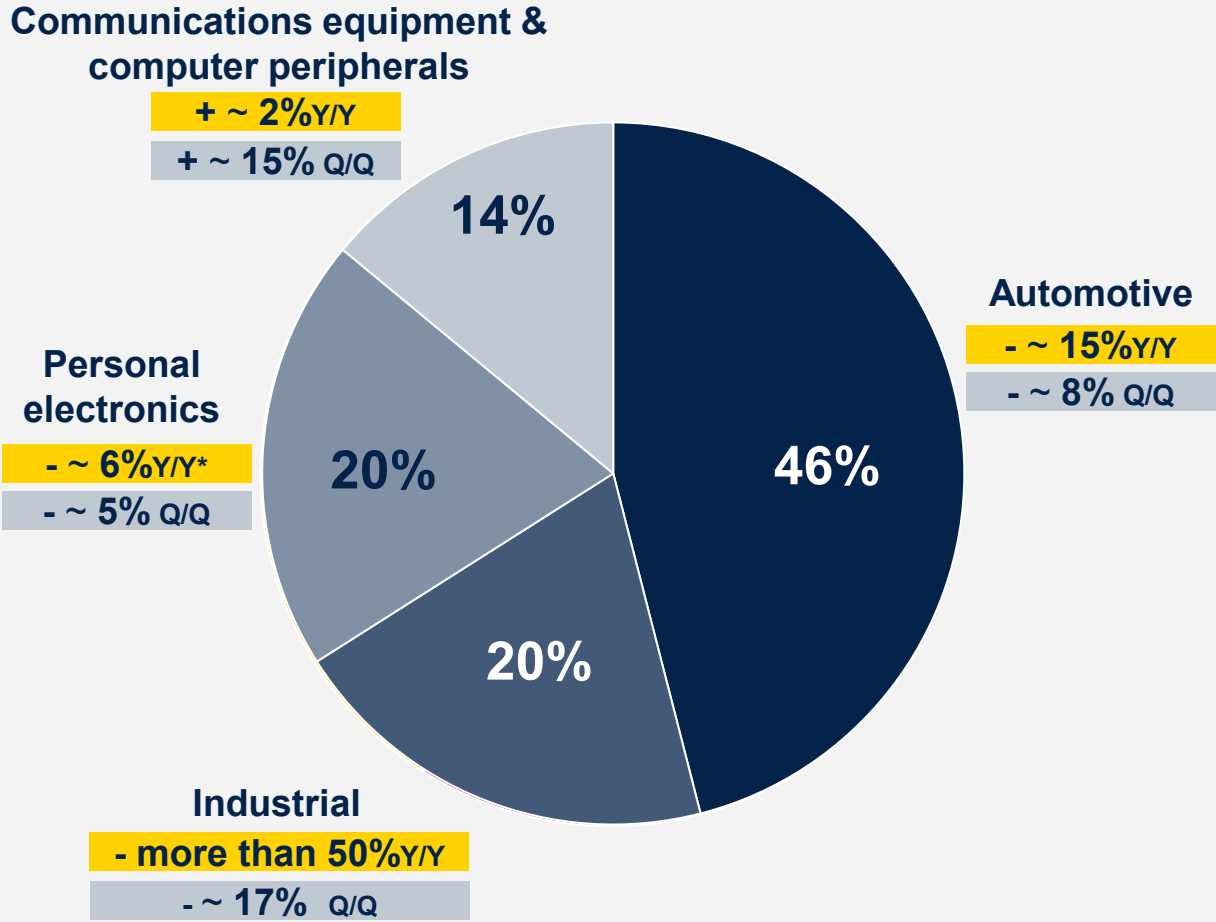
- Overall, in Q2 customer order bookings did not materialize as expected. Therefore, we now anticipate a delayed recovery in Industrial, and a lower than expected increase in Automotive revenues in H2 vs H1.
- We will now drive the Company based on a plan for FY24 revenues in the range of \$13.2B to \$13.7B. Within this plan, we expect a gross margin of about 40%.

Q2 2024 Revenues dynamics

% by reportable segments



% by end market

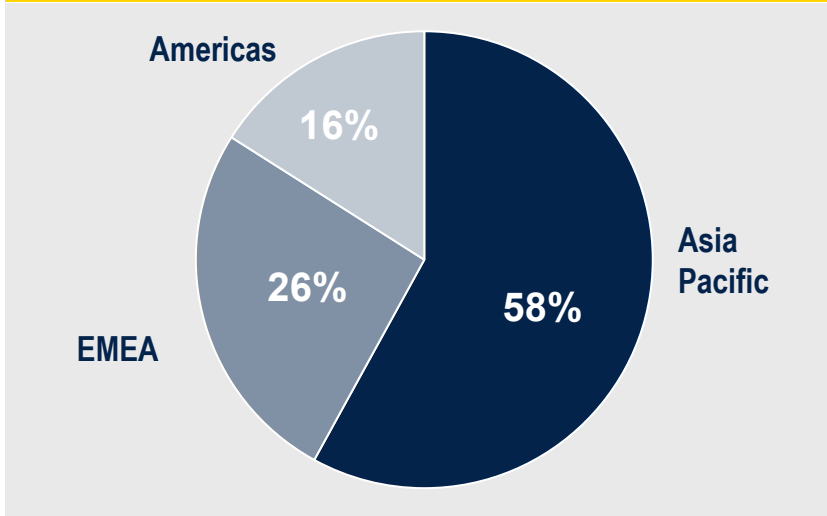


■ Analog, Power & Discrete, MEMS and Sensors (APMS) Product Group
■ Microcontrollers, Digital ICs and RF products (MDRF) Product Group

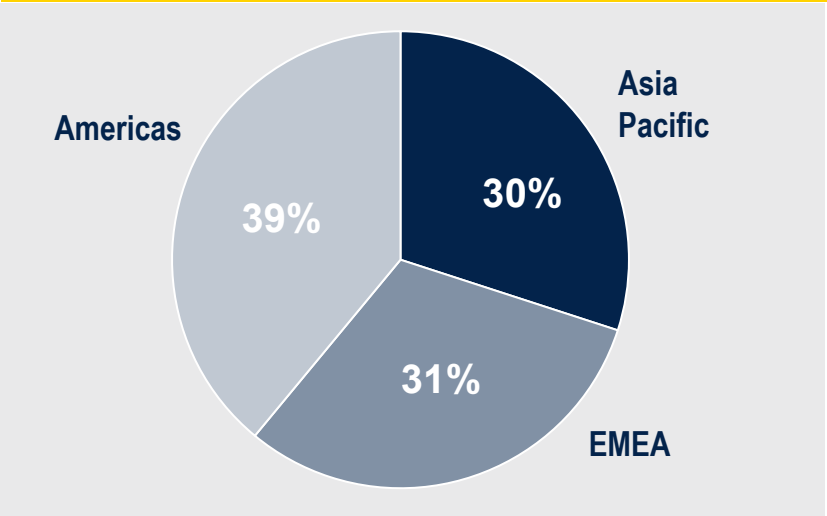
*Excluding the impact of the change in product mix in an engaged customer program, Personal Electronics was up ~ 14%.

Q2 2024 Revenues

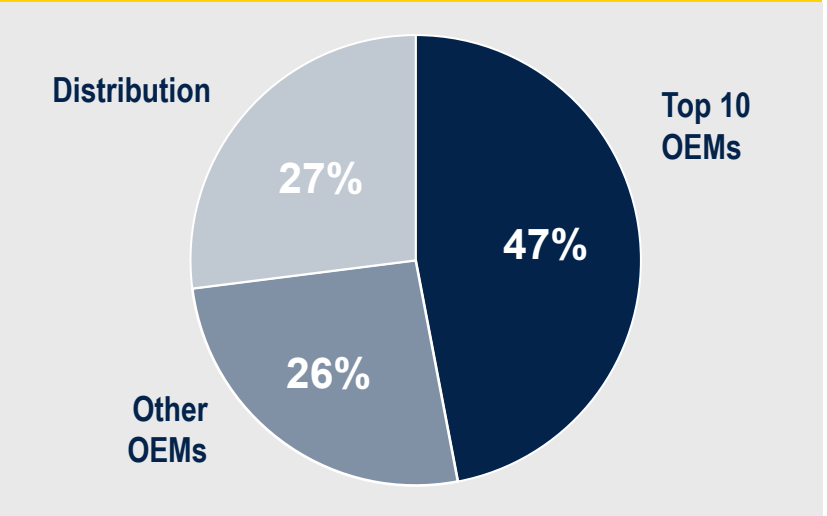
% by shipment location



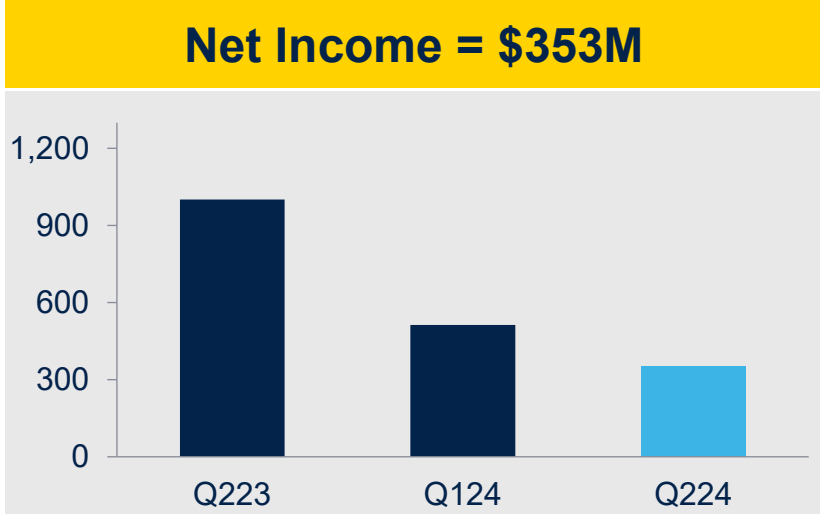
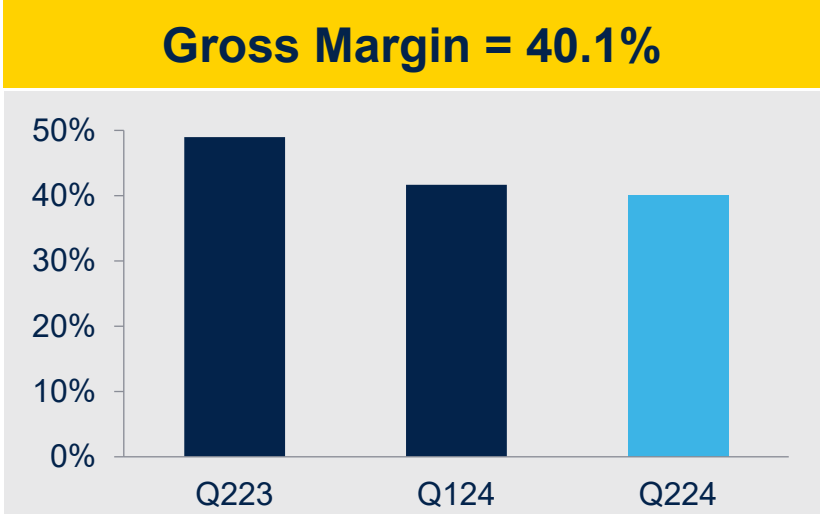
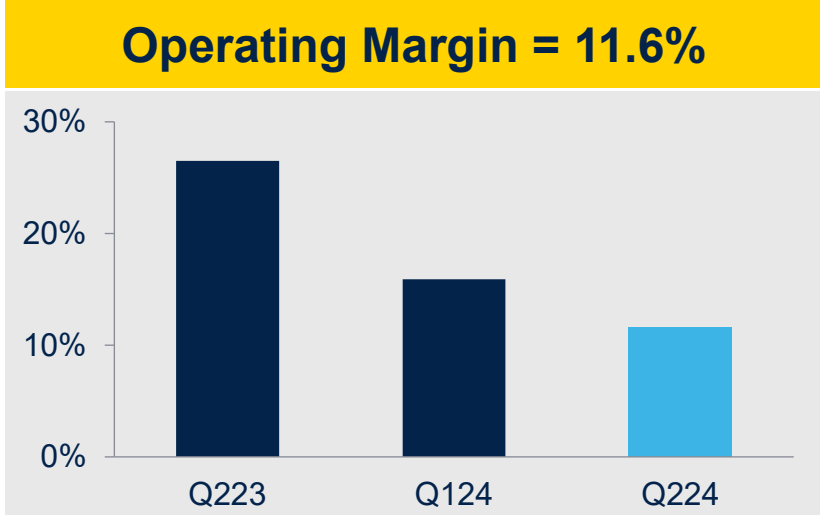
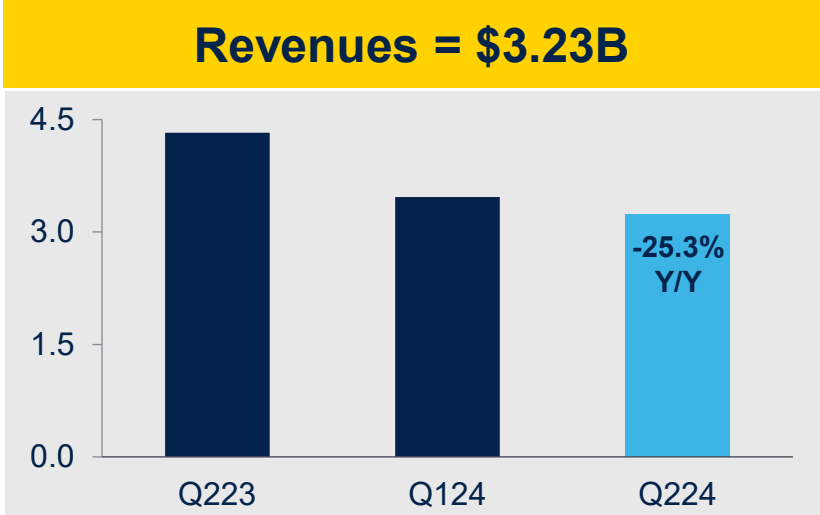
% by region of origin



% by customer type

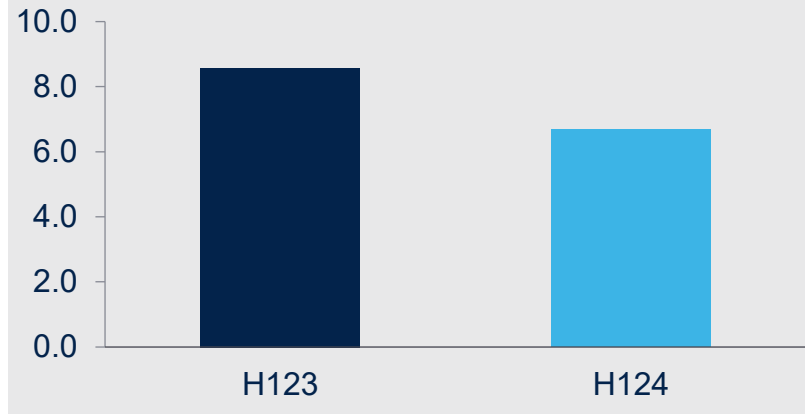


Q2 2024 Financial highlights

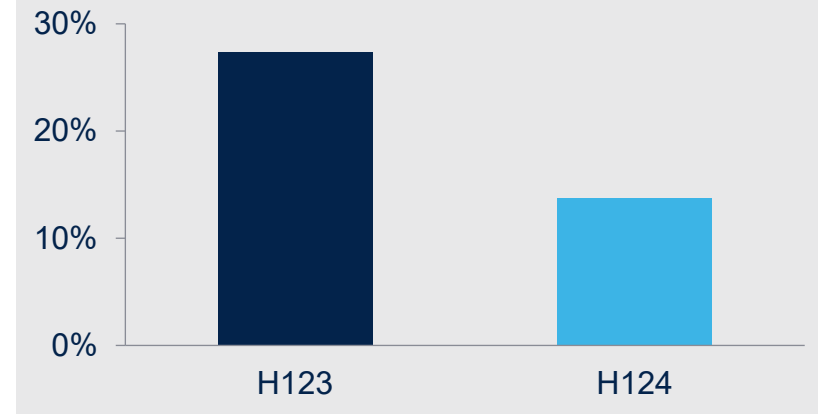


H1 2024 Financial highlights

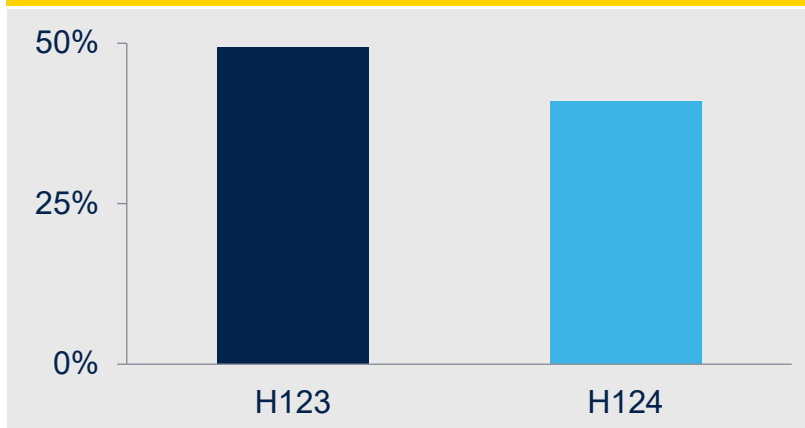
Revenues = \$6.70B



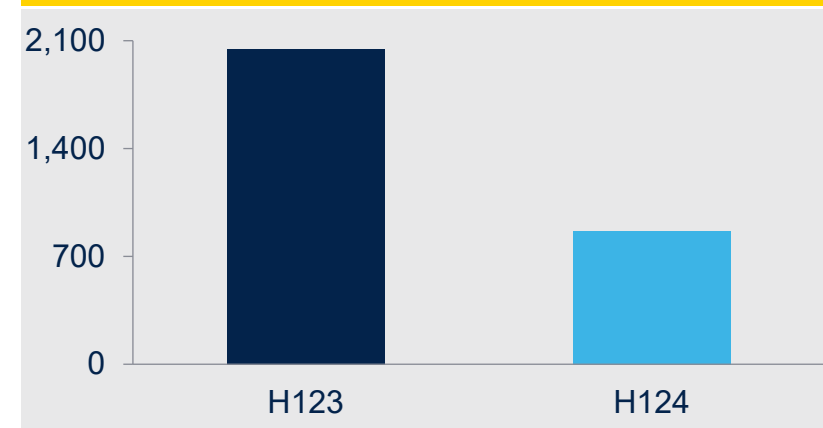
Operating Margin = 13.8%



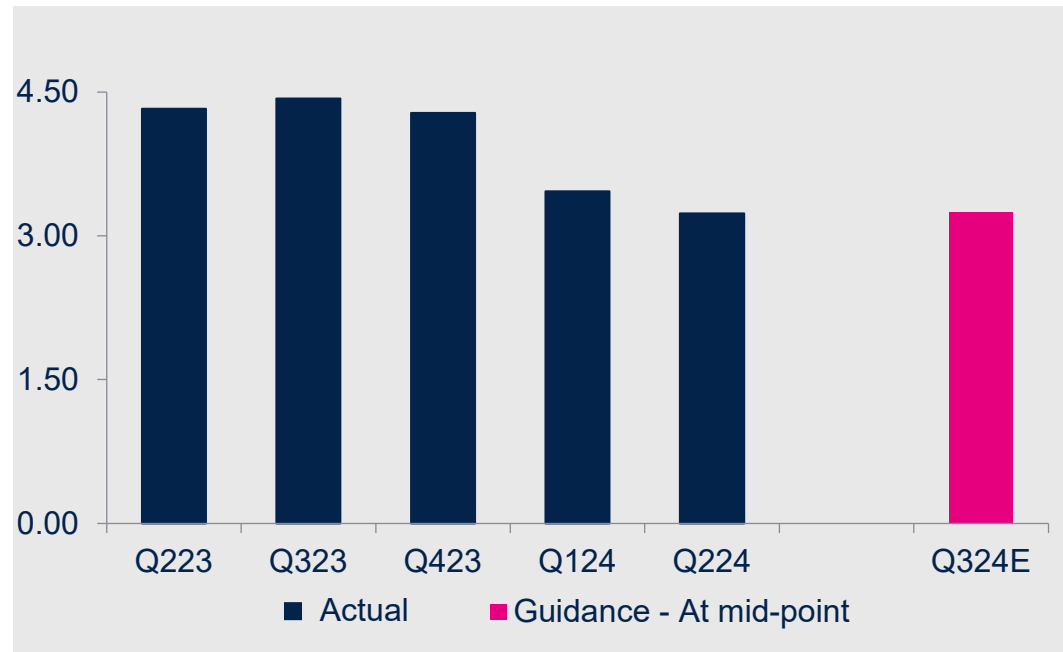
Gross Margin = 40.9%



Net Income = \$865M



Q224 Revenues = \$3.23B



Q224 revenues down 25.3% Y/Y

- AM&S declined 10%, P&D 24.4%, MCU 46% and D&RF 7.6%,
- By end market, Industrial declined more than 50%, Automotive ~ 15%, Personal Electronics ~ 6%, while CECP was up ~ 2%. Excluding the impact of the change in product mix in an engaged customer program, Personal Electronics was up ~ 14%,
- Revenues to OEMs and Distribution decreased 14.9% and 43.7%, respectively.

Q224 revenues down 6.7% Q/Q

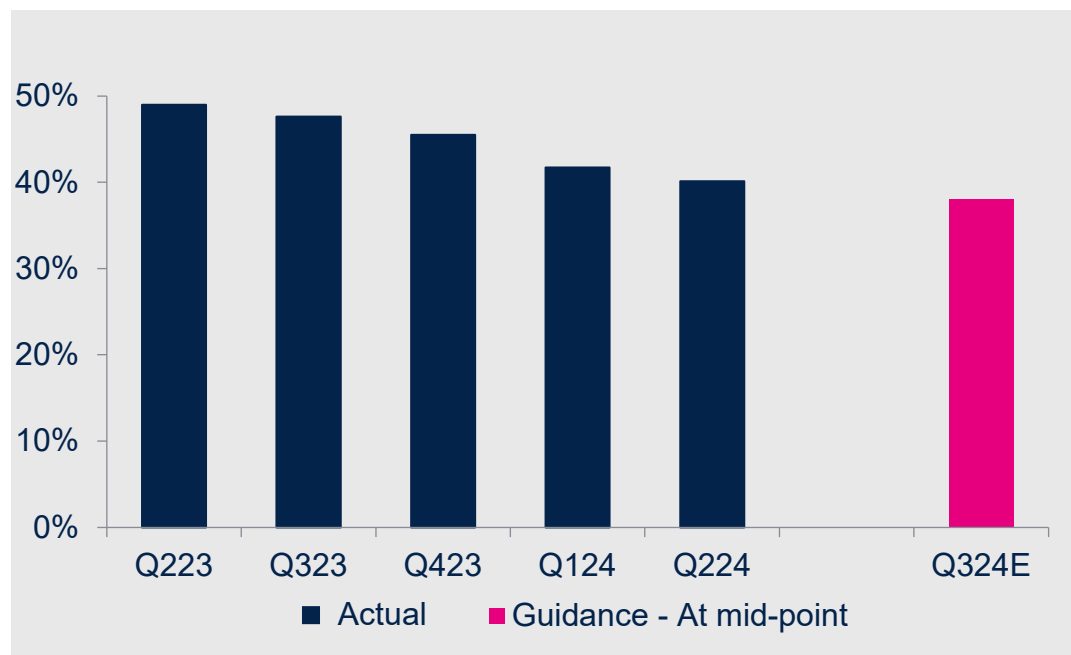
- 90 bps above the mid-point of the Company's guidance,
- Decline of 4.3% in AM&S, 8.8% in P&D, 15.7% in MCU, while D&RF was up 8.6%,
- By end market, Q/Q Industrial was down ~ 17%, Automotive ~ 8%, Personal Electronics ~ 5%, while CECP was up ~ 15%.

Q324 Revenues Outlook

Up Q/Q by about 0.6% (+/- 350 bps)
Down Y/Y by about 26.7 % at mid-point

Gross margin

Q224 Gross Margin = 40.1%



Q224 Gross Margin

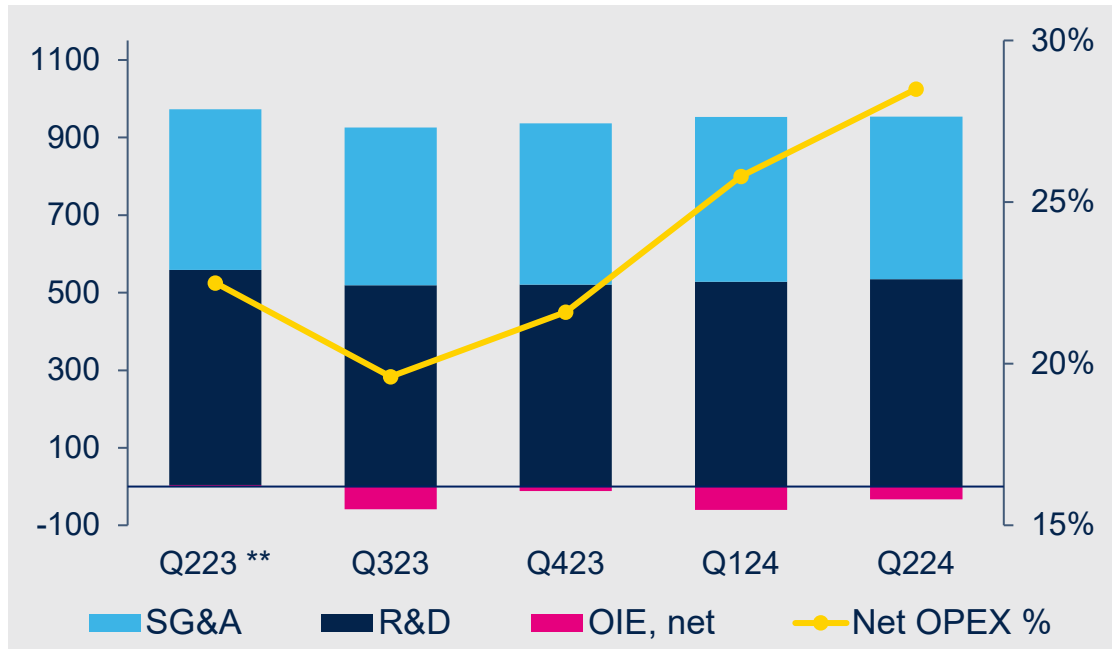
- Down 890 bps Y/Y, mainly due to the combination of product mix and sales price and higher unused capacity charges,
- Down 160 bps Q/Q,
- In line with the mid-point of ST's guidance.

Q324 Gross Margin Outlook

About 38% (+/- 200 bps)

Net operating expenses*

Q224 Net Operating Expenses = \$921M



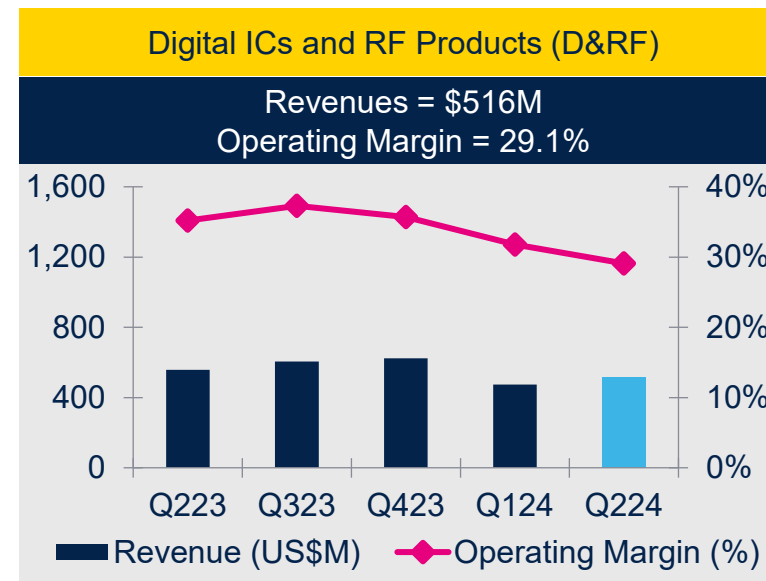
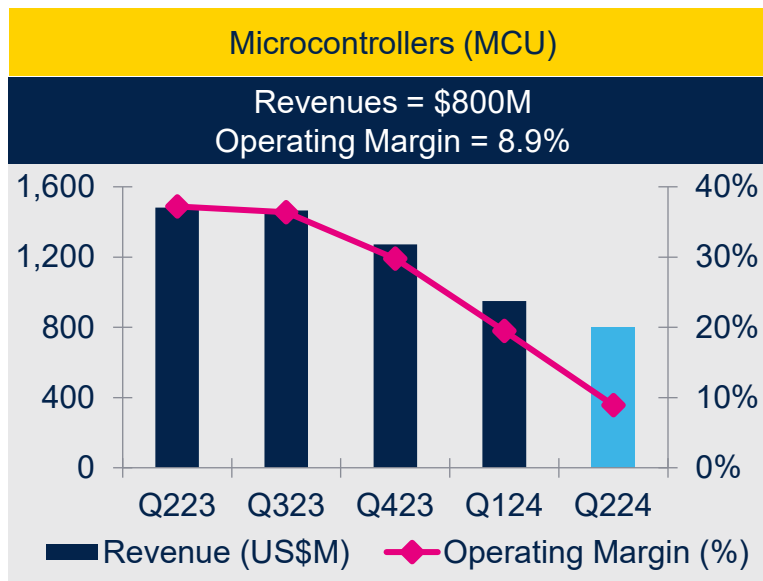
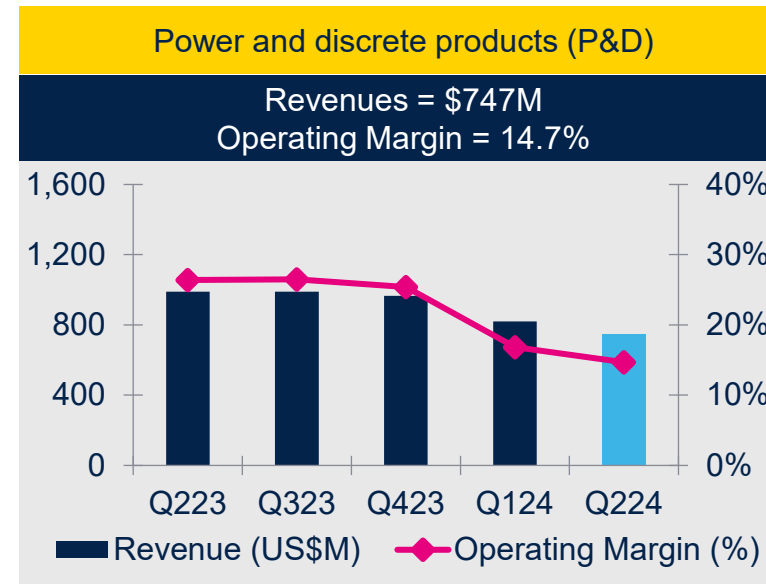
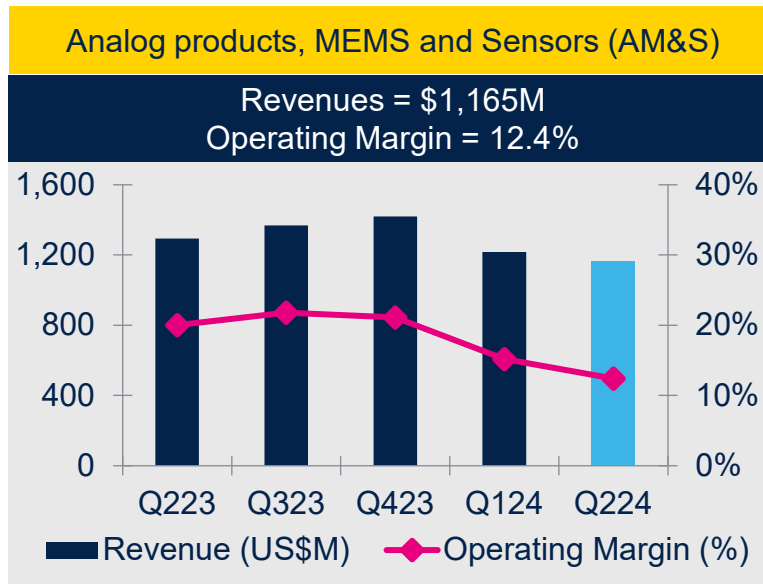
Q224 Combined SG&A and R&D at \$954M

- 29.5% of revenues.

Q224 Net Operating Expenses at \$921M

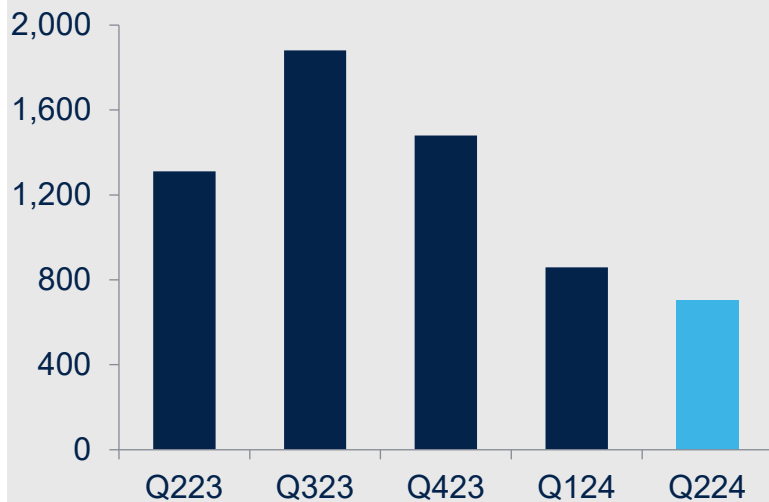
- 28.5% of revenues.

Q2 2024 Reportable segments results

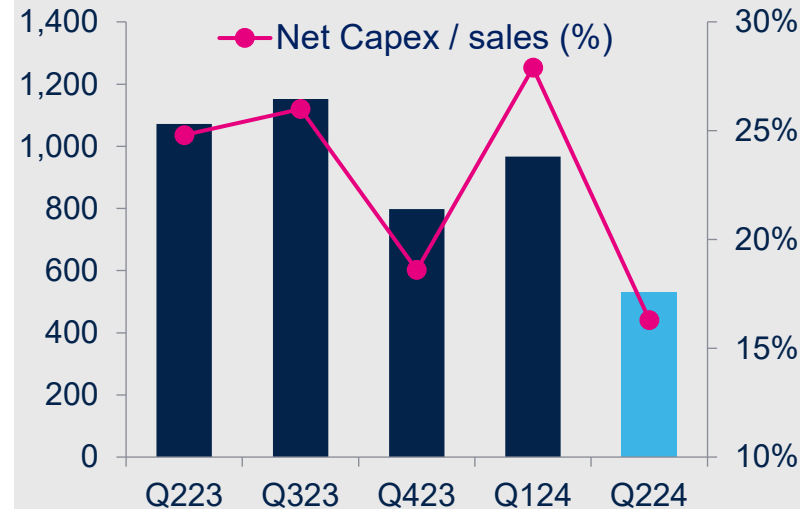


Q2 2024 Financial flexibility

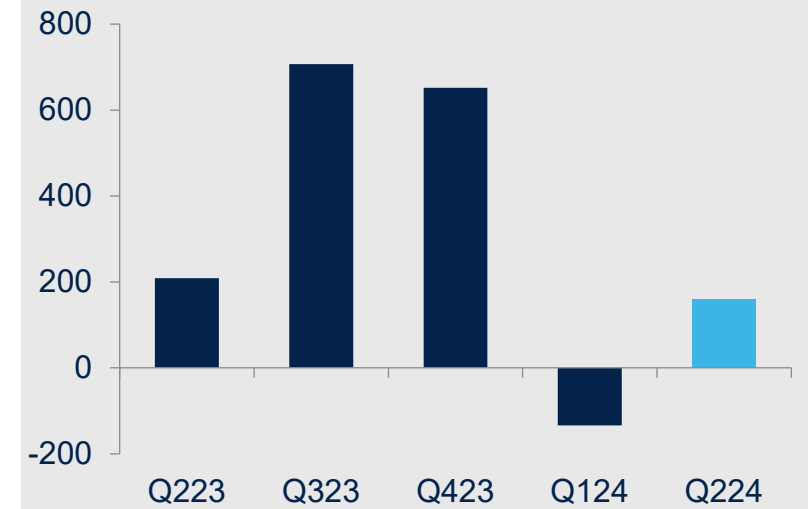
Net Cash From Operating Activities = \$702M



Net Capex* = \$528M



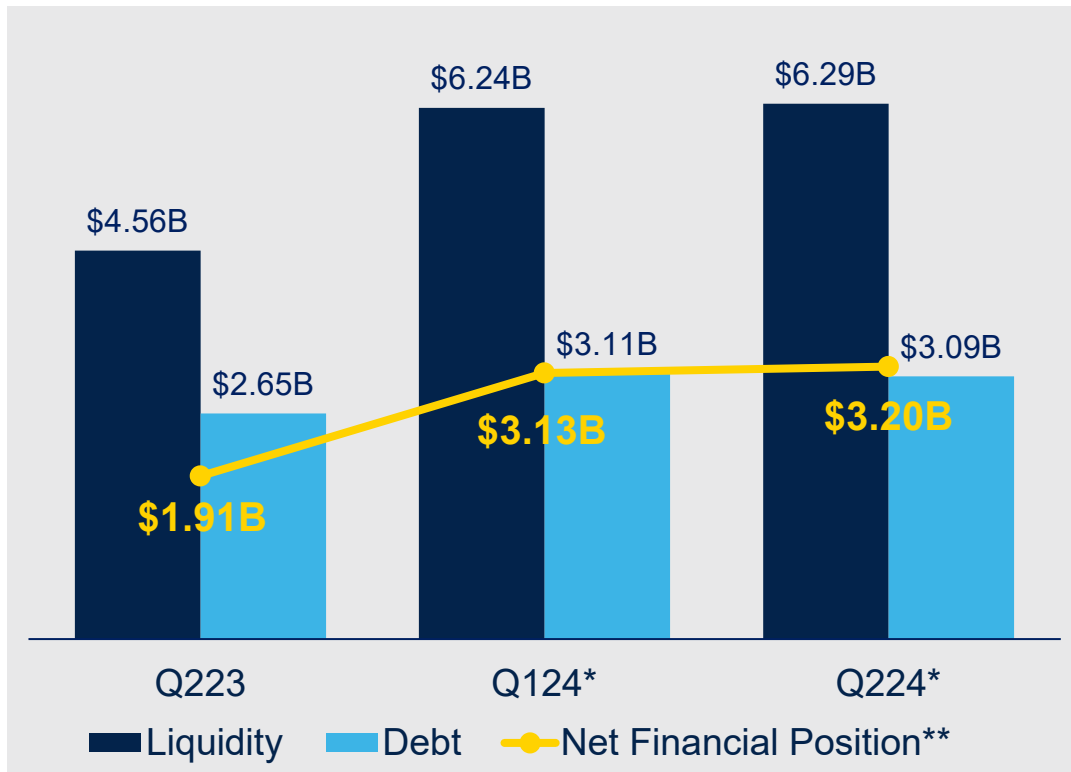
Free Cash Flow* = \$159M



Cash dividends paid to stockholders totaled \$73M in Q224.

In Q224 we repurchased shares totaling \$88M, completing our \$1.04B share repurchase program launched in 2021. On June 21, 2024, ST announced the launch of a new share buy-back plan comprising two programs totaling up to \$1.1B to be executed within a 3-year period.

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.

*Adjusted net financial position, taking into consideration the effect on total liquidity of advances from capital grants for which capital expenditures have not been incurred yet, stood at \$ 2.78B as of March 30, 2024, and at \$2.80B as of June 29, 2024.

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

Car electrification



Car digitalization

Arm®-based high-performance, multicore automotive MCUs



Geely Auto gears up NEV transformation with STMicroelectronics



Automotive AI-powered IMU with high temperature range and ASIL B



Embedded world 2024



Momentum in edge AI

ST EDGE AI SUITE

Your stepping stone to enabling edge AI on MCUs, MPUs, and smart sensors.

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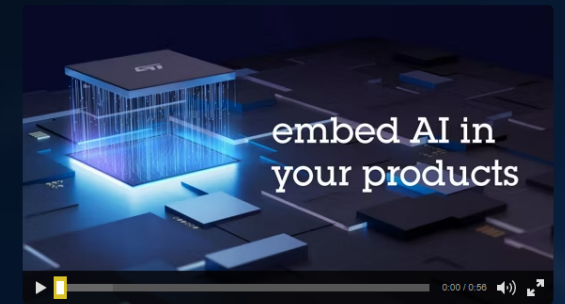
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20+
Resources and
documents.



eSIM ecosystem made easy for IoT cellular-enabled devices



New smart industrial IMU for vibration sensing and motion tracking



Personal electronics Communications equipment & computer peripherals



ST Silicon Carbide Campus in Catania



World's first **fully integrated silicon carbide** facility for high-volume 200 mm silicon carbide power devices and modules, as well as test & packaging

Together with the existing SiC wafer manufacturing facility, will form the **ST Catania Silicon Carbide Campus** integrating all steps in the production flow

Projected **5 billion euros multi-year investment** program including 2 billion euros provided by the State of Italy in the framework of the EU Chips Act

Q3 2024 Outlook

Net Revenues

Q324 outlook, at the mid-point, is for net revenues of \$3.25B, decreasing Y/Y by 26.7% and increasing Q/Q by 0.6%, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about 38%, +/- 200 bps, impacted by about 350 basis points of unused capacity charges.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.07 = €1.00 for the 2024 third quarter and includes the impact of existing hedging contracts.

The third quarter will close on September 28, 2024.

Entering H2, with our current Q3 and year-end backlog, and with the ongoing market dynamics, we have further revised our plan for 2024 revenues, which we now see in the range of \$13.2B to \$13.7B, representing a decline of about 22% at the mid-point compared to 2023.

Within this plan, we expect a gross margin of about 40%, impacted by about 270 basis points of unused capacity charges at the mid-point of our 2024 full year indications.

Takeaways

Following an unprecedented chips shortage situation, the current semiconductor cycle is impacted by a number of factors: the **desynchronization between the various end markets** in terms of **demand normalization or weakening** and **inventory adjustments or corrections**; the **available capacity**, moving from tension to excess; and the **non-linear acceleration of structural trends towards sustainability** in areas like renewable energies, electrification, right for repair and second-hand devices.

This backdrop clearly affects the **Automotive and Industrial end-markets**.

As we have pointed to in our strategy, both of these markets are undergoing a deep transformation also driven by a number of megatrends. This, coupled with the current cycle dynamics just mentioned, is bringing both **opportunities and challenges in the short, medium and longer term**, for ST and for our customers.

In the **short to medium term**, we are working to best adapt our operating plans to this complex situation. We have already implemented measures and are adjusting them in response to the evolving situation.

Medium to long-term, we continue to be convinced that these transformations will provide the basis for our growth ambitions.

Capital Markets Day 2024

**Save
the
date**

We will be hosting a
Capital Markets Day
on **November 20th in Paris**
to provide an update.

It will be an in-person event,
and we will also webcast it live.

Appendix



Historical financial performance

<i>US\$M, except EPS</i>	Q123	Q223	H123	Q323	Q423	FY23	Q124	Q224	H124
Net Revenues	4,247	4,326	8,573	4,431	4,282	17,286	3,465	3,232	6,697
Gross Margin	49.7%	49.0%	49.3%	47.6%	45.5%	47.9%	41.7%	40.1%	40.9%
Operating Income	1,201	1,146	2,347	1,241	1,023	4,611	551	375	925
Operating Margin	28.3%	26.5%	27.4%	28.0%	23.9%	26.7%	15.9%	11.6%	13.8%
Net Income – Reported	1,044	1,001	2,045	1,090	1,076	4,211	513	353	865
EPS Diluted (\$/share)	1.10	1.06	2.16	1.16	1.14	4.46	0.54	0.38	0.92
Free Cash Flow*	206	209	416	707	652	1,774	-134	159	24
Net Financial Position*	1,855	1,914	1,914	2,463	3,156**	3,156**	3,126**	3,199**	3,199**
Effective Exchange Rate €/€	1.06	1.08	1.07	1.09	1.08	1.08	1.09	1.08	1.08

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

**Adjusted net financial position, taking into consideration the effect on total liquidity of advances from capital grants for which capital expenditures have not been incurred yet, stood at \$3,004M as of December 31, 2023, at \$2,775M as of March 30, 2024, and at \$2,797M as of June 29, 2024.

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. Reporting periods prior to Q4 2023 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)**: Startin. 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 in the reporting period. 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 in the reporting period. 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:

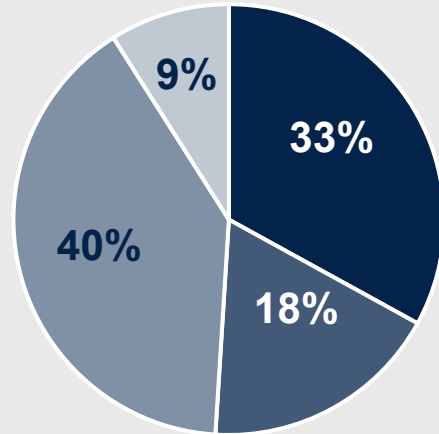
US\$M	Q123	Q223	H123	Q323	Q423	FY23	Q124	Q224	H124
Unused Capacity Charges	1	15	16	46	57	120	63	84	147

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

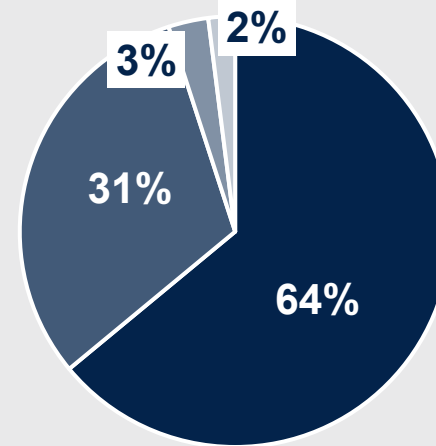
US\$M		Q123	Q223	Q323	Q423	FY23	Q124	Q224
Analog products, MEMS and Sensors (AM&S)	Revenue	1,400	1,293	1,367	1,418	5,478	1,217	1,165
	Operating Margin	23.9%	20.0%	21.8%	21.1%	21.7%	15.2%	12.4%
Power and discrete products (P&D)	Revenue	909	989	989	965	3,852	820	747
	Operating Margin	26.0%	26.4%	26.5%	25.4%	26.1%	16.8%	14.7%
Analog, Power & Discrete, MEMS and Sensors (APMS)	Revenue	2,309	2,282	2,356	2,383	9,330	2,037	1,912
	Operating Margin	24.7%	22.8%	23.8%	22.9%	23.5%	15.8%	13.3%
Microcontrollers (MCU)	Revenue	1,448	1,482	1,466	1,272	5,668	950	800
	Operating Margin	38.3%	37.2%	36.4%	29.8%	35.6%	19.5%	8.9%
Digital ICs and RF Products (D&RF)	Revenue	486	558	605	623	2,272	475	516
	Operating Margin	33.9%	35.2%	37.3%	35.7%	35.6%	31.8%	29.1%
Microcontrollers, Digital ICs and RF products (MDRF)	Revenue	1,934	2,040	2,071	1,895	7,940	1,425	1,316
	Operating Margin	37.2%	36.6%	36.7%	31.7%	35.6%	23.6%	16.8%

FY 2023 Reportable segment revenues by end market

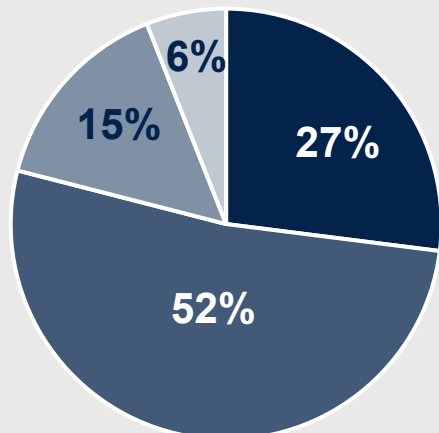
Analog products, MEMS and Sensors (AM&S)



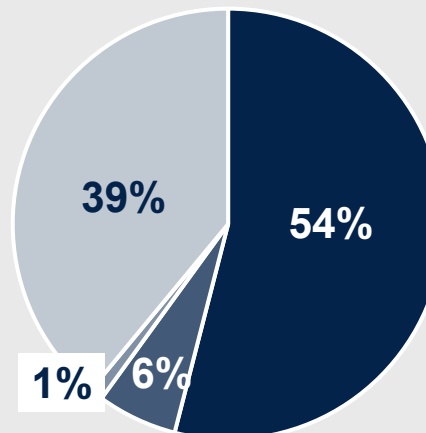
Power and discrete products (P&D)



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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