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STMicroelectronics Q2 2023 Financial Results

July 27, 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, 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 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

**Q2
2023**

- Net revenues of \$4.33B came in above the guidance mid-point, and Q2 gross margin of 49.0% was in line with guidance.
- Q2 net revenues increased 12.7% Y/Y. The revenue performance continued to be driven by growth in Automotive and Industrial, partially offset by lower revenues in Personal Electronics.
- Y/Y gross margin increased to 49.0% from 47.4%, operating margin increased to 26.5% from 26.2% and net income increased 15.5% to \$1.00B.

**H1
2023**

- Net revenues increased 16.1% Y/Y to \$8.57B , driven by growth in all product sub-groups except the Analog and MEMS sub-groups.
- Gross margin was 49.3%, operating margin was 27.4% and net income was \$2.05B.

**Q3
2023**

- Outlook at mid-point is for net revenues of \$4.38B, increasing 1.2% Y/Y and 1.1% Q/Q,
- Gross margin expected to be about 47.5% at the mid-point.

**FY
2023**

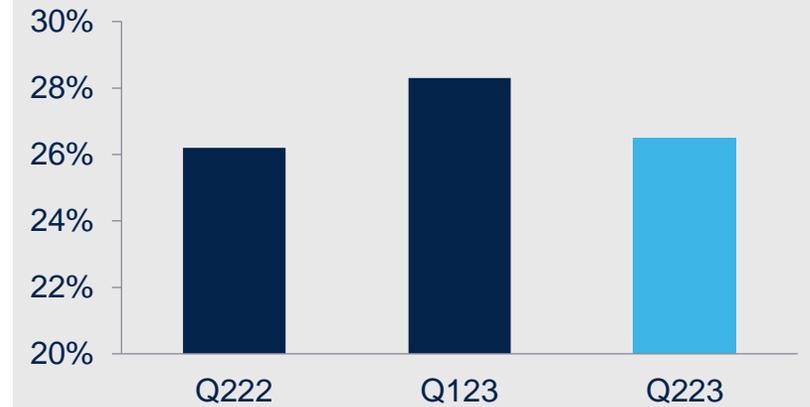
- We now will drive ST based on a plan for FY23 revenues of \$17.4B, plus or minus \$150M. This represents a Y/Y growth of about 8%. We now anticipate the gross margin to exceed 48.0% for the FY.

Q2 2023 Financial highlights

Revenues = \$4.33B



Operating Margin = 26.5%



Gross Margin = 49.0%

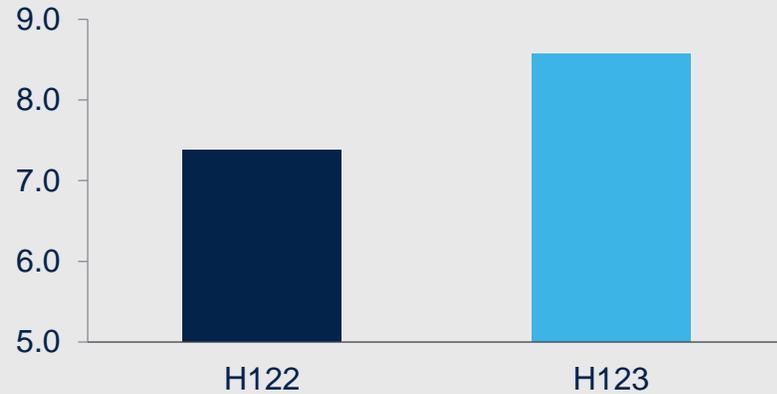


Net Income = \$1.00B

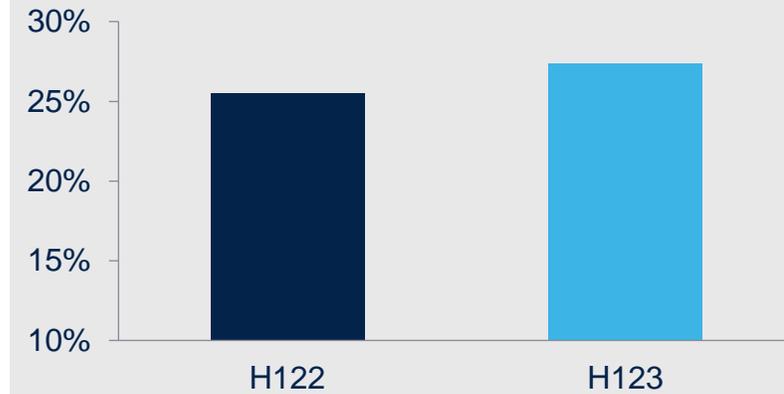


H1 2023 Financial highlights

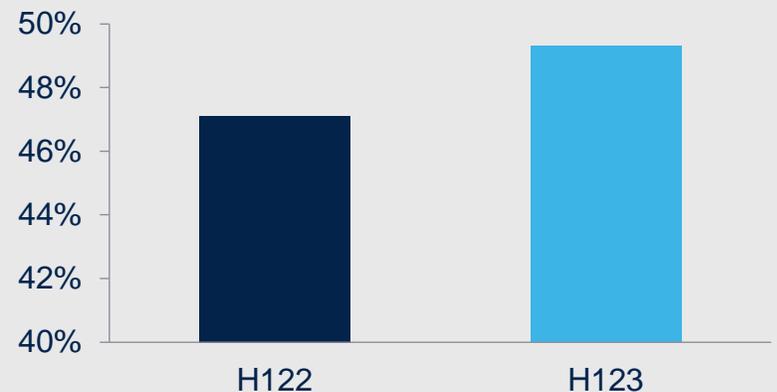
Revenues = \$8.57B



Operating Margin = 27.4%



Gross Margin = 49.3%

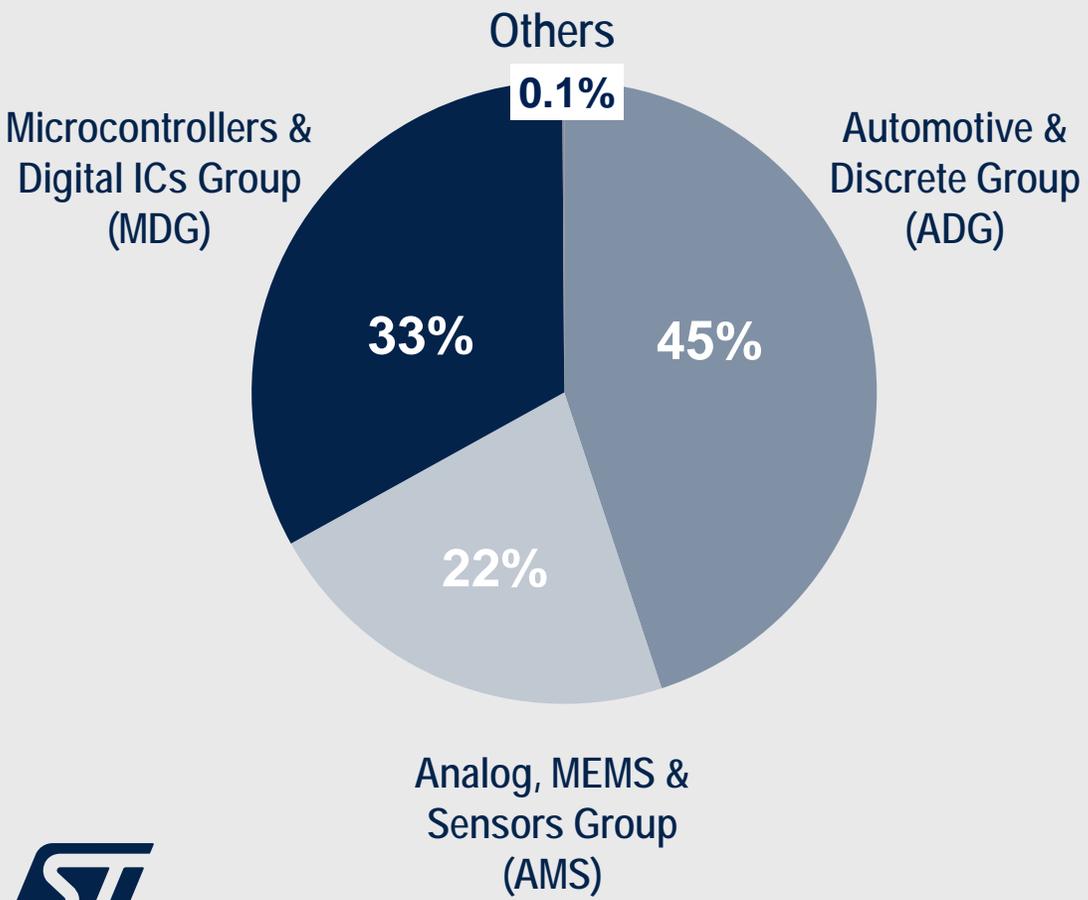


Net Income = \$2.05B

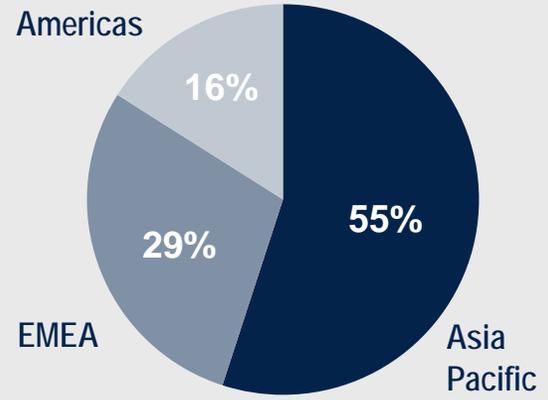


Q2 2023 Revenues

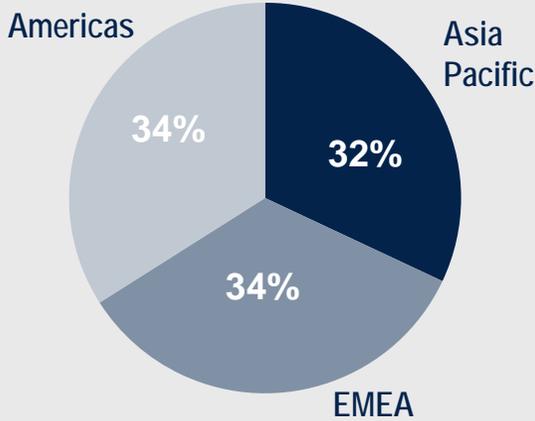
% by product group



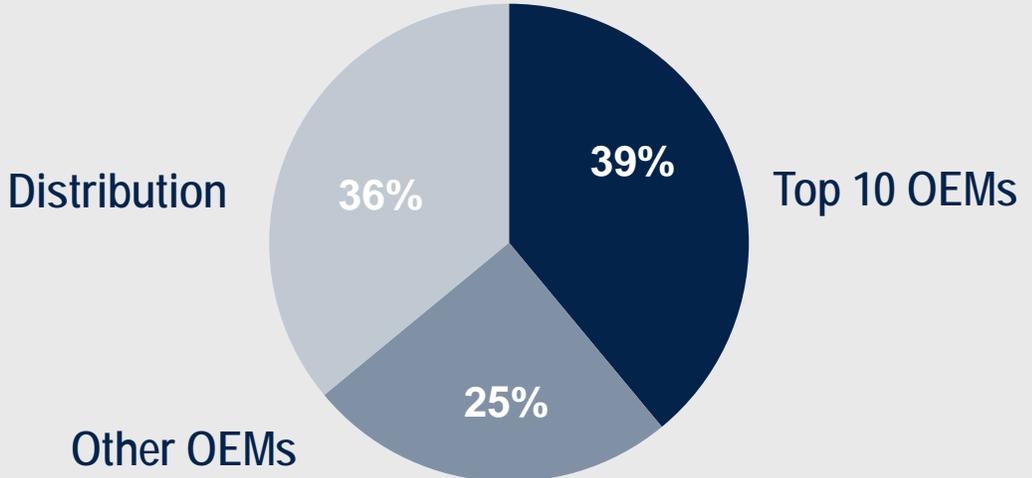
% by shipment location



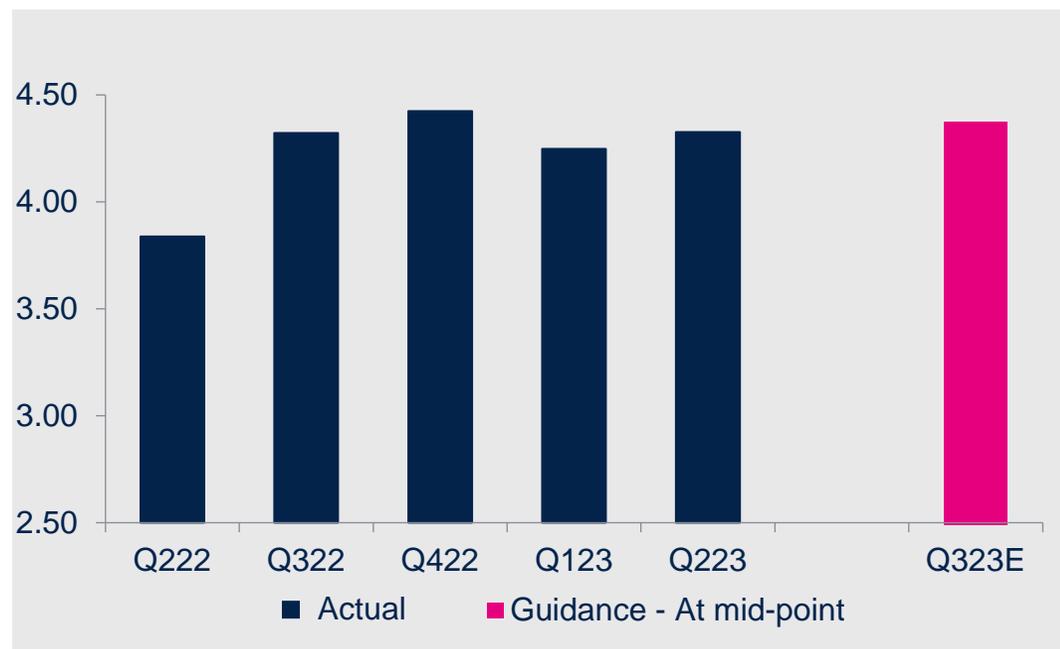
% by region of origin



% by customer type



Q223 Revenues = \$4.33B



Q223 revenues up 12.7% Y/Y

- ADG and MDG revenues increased 34.4% and 13.0%, respectively, AMS revenues decreased 15.7%,
- Revenues to OEMs and Distribution increased 9.8% and 18.3%, respectively.

Q223 revenues up 1.9% Q/Q

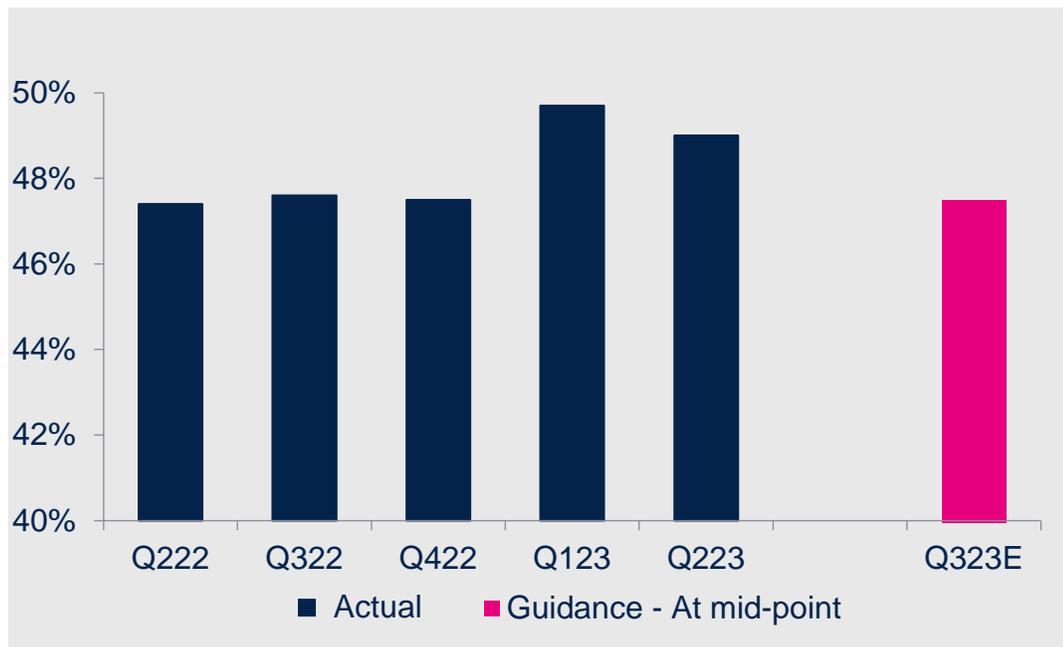
- 110 bps above the mid-point of the Company's guidance,
- ADG up 8.2%, MDG up 4.3% and AMS down 11.9%.

Q323 Revenues Outlook

Up Q/Q by about 1.1% (+/- 350 bps)
Up Y/Y by about 1.2% at mid-point

Gross margin

Q223 Gross Margin = 49.0%



Q223 Gross Margin

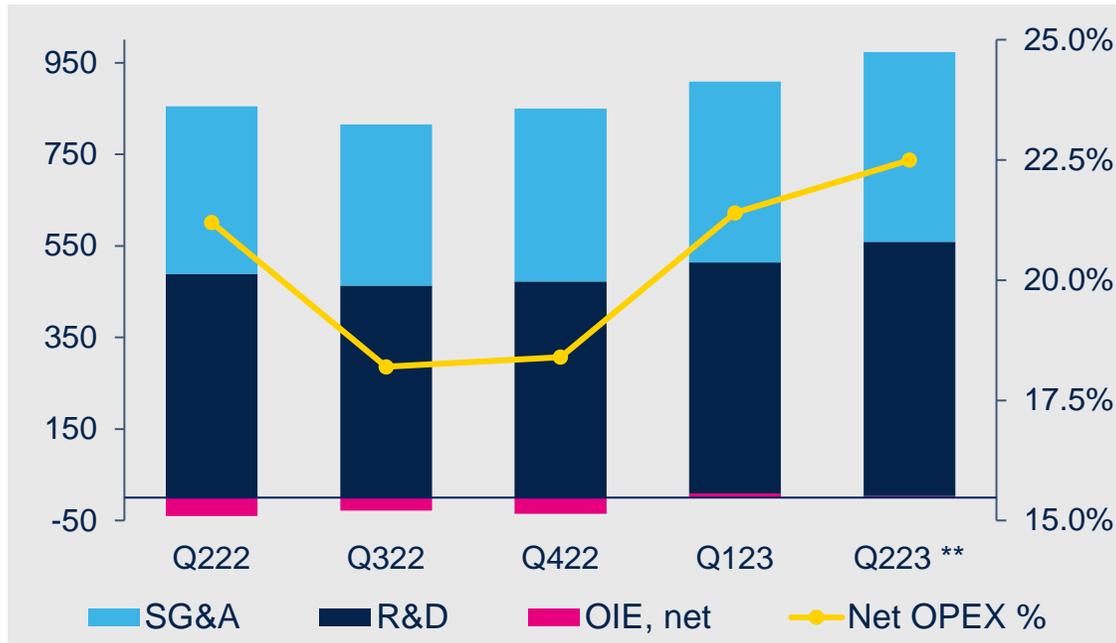
- Up 160 bps Y/Y mainly due to product mix, favorable pricing, positive currency effects, net of hedging, partially offset by higher manufacturing costs,
- Down 70 bps Q/Q,
- In line with the mid-point of the Company's guidance.

Q323 Gross Margin Outlook

About 47.5% (+/- 200 bps)

Net operating expenses*

Q223 Net Operating Expenses = \$973M



Q223 Combined SG&A and R&D at \$969M

- 22.4% of revenues.

Q223 Net Operating Expenses at \$973M

- 22.5% of revenues.

Q2 2023 Product group results

Automotive & Discrete (ADG)

Revenues = \$1,955M
Operating Margin = 31.9%



Analog, MEMS & Sensors (AMS)

Revenues = \$940M
Operating Margin = 14.8%



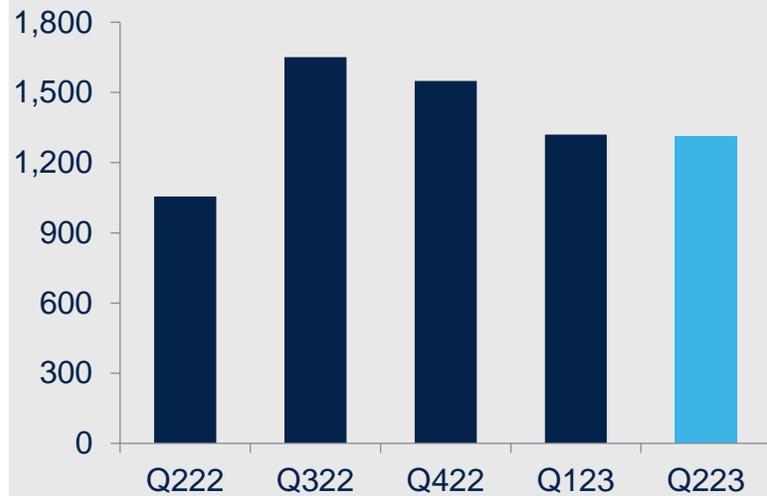
Microcontrollers & Digital ICs (MDG)

Revenues = \$1,427M
Operating Margin = 35.4%

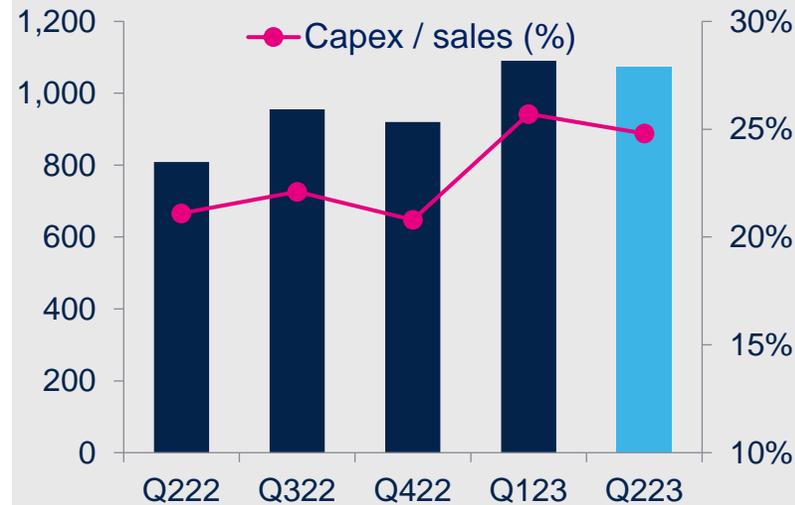


Q2 2023 Financial flexibility

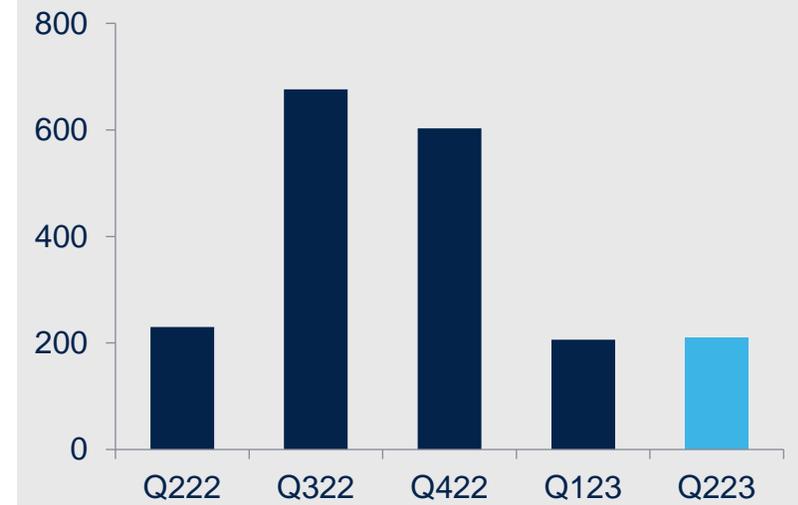
Net Cash From Operating Activities = \$1,311M



Capex = \$1,072M



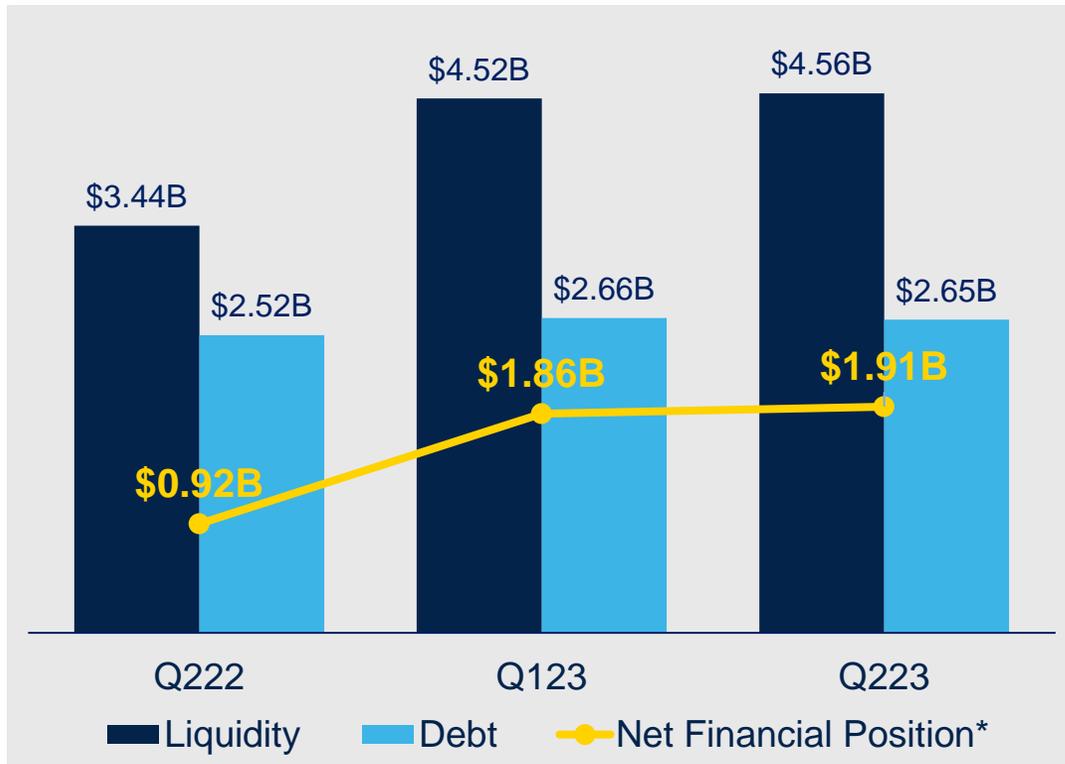
Free Cash Flow* = \$209M



Cash dividends paid to stockholders totaled \$50M in Q223.

In Q223 we repurchased shares totaling \$86M under our current share repurchase program.

Solid capital structure



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

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

Strategic manufacturing programs



Conclusion of the three-party agreement among the State of France, GlobalFoundries, and ST, as approved by the European Commission. This relates to the new 300mm semiconductor manufacturing facility in Crolles, France

ST and Sanan Optoelectronics have signed an agreement to create a 200mm silicon carbide (SiC) device manufacturing Joint Venture in Chongqing, China



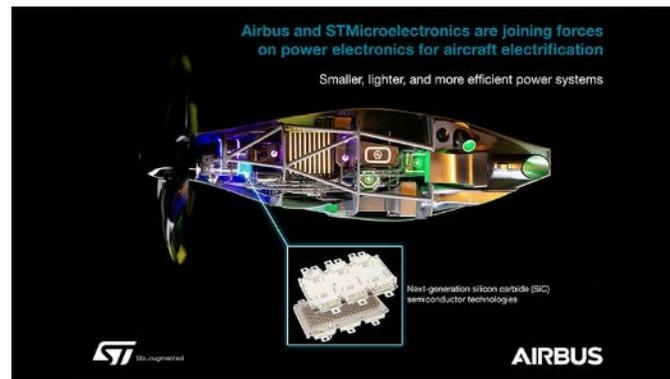
Silicon carbide momentum

Silicon Carbide
90 customers - 140 projects

Galvanically Isolated gate drivers
complementing our SiC MOSFETs



**Cooperation
with Airbus on
aviation
electrification**



Momentum in automotive digitalization



Edge AI highlights



STM32MP2 Industrial-grade MPU for Industry 4.0

- Robustness**
 - 100% operating time for 10 years
 - extended temperature range up to +125°C
 - 10-year longevity program
- Connectivity**
 - Time-Sensitive Networking (TSN)
 - Up to 3 gigabit Ethernet ports (2 port switch)
 - PCIe Gen2, USB 3.0, 3 x CAN-FD
- Advanced Security**
 - Target SECSIP Level 3 certification
 - TrustZone® on Cortex®-A & Cortex®-M
 - Secure Provisioning Ecosystem



STM32MP2 64-bit MPUs with Edge AI for smart industrial applications

STM32N6

Program smart inertial sensors using new ISPU toolchain & software package

Q3 2023 Outlook

Net Revenues

Q323 outlook, at the mid-point, is for net revenues of **\$4.38B**, increasing 1.2% Y/Y and 1.1% Q/Q, +/- 350 bps.

Gross Margin

Gross margin is expected to be about **47.5%**, +/- 200 bps.

As anticipated in January, we are entering H223 with a significant change in product mix in an engaged customer program in Personal Electronics. Excluding this change:

- Q323 revenues at the midpoint would grow Y/Y by 3.5% and Q/Q by 3.2% and
- based on our indication of \$17.4B revenues for FY23, H223 revenues would grow by about 6% compared both to H123 and H222.



FY 2023 Plan

Based on our visibility, we will drive the Company based on a plan for FY23 revenues of \$17.4B, plus or minus \$150M. This represents a growth of 8% over 2022.

This plan includes a gross margin exceeding 48.0%.

We confirm our 2023 capex plan of about \$4.0B.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q122	Q222	H122	Q322	Q422	FY22	Q123	Q223	H123
Net Revenues	3,546	3,837	7,383	4,321	4,424	16,128	4,247	4,326	8,573
Gross Margin	46.7%	47.4%	47.1%	47.6%	47.5%	47.3%	49.7%	49.0%	49.3%
Operating Income	877	1,004	1,881	1,272	1,287	4,439	1,201	1,146	2,347
Operating Margin	24.7%	26.2%	25.5%	29.4%	29.1%	27.5%	28.3%	26.5%	27.4%
Net Income – Reported	747	867	1,614	1,099	1,248	3,960	1,044	1,001	2,045
EPS Diluted (\$/share)	0.79	0.92	1.70	1.16	1.32	4.19	1.10	1.06	2.16
Free Cash Flow*	82	230	312	676	603	1,591	206	209	416
Net Financial Position*	840	924	924	1,457	1,801	1,801	1,855	1,914	1,914
Effective Exchange Rate €/\$	1.15	1.12	1.13	1.08	1.04	1.10	1.06	1.08	1.07

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. The Company believes 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, proceeds from capital grants and other contributions, and net cash paid for business acquisitions. The Company 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**: include 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	H122	Q322	Q422	FY22	Q123	Q223	H123
Unused Capacity Charges	9	13	21	-	-	22	1	15	16

Our technology starts with You

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