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STMicroelectronics Q2 2021 Financial Results

July 29, 2021

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, which may impact 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, 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;*
- 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 ("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 such as the COVID-19 in locations where we, our customers or our suppliers operate;*
- 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 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, 2020, as filed with the SEC on February 24, 2021. 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 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.

Highlights

Q2 2021

- Net revenues and gross margin came in at the high-end of our business outlook range, driven by continued strong demand globally
- Net revenues were \$2.99B, up 43.4% Y/Y. Sequentially net revenues decreased 0.8% due to normal seasonality in Personal Electronics
- Gross margin of 40.5% and operating margin of 16.3% improved from 35.0% and 5.1%, respectively
- Net income increased to \$412M
- Free cash flow was \$125M, after net capital expenditure payments of \$438M
- We exited the second quarter with a net cash position at \$1.08B

H1 2021

- Net revenues increased 39.1% Y/Y to \$6.01B, driven by growth in all product groups, except the RF Communications sub-group
- Operating margin was 15.5% and net income \$776M

Q3 2021

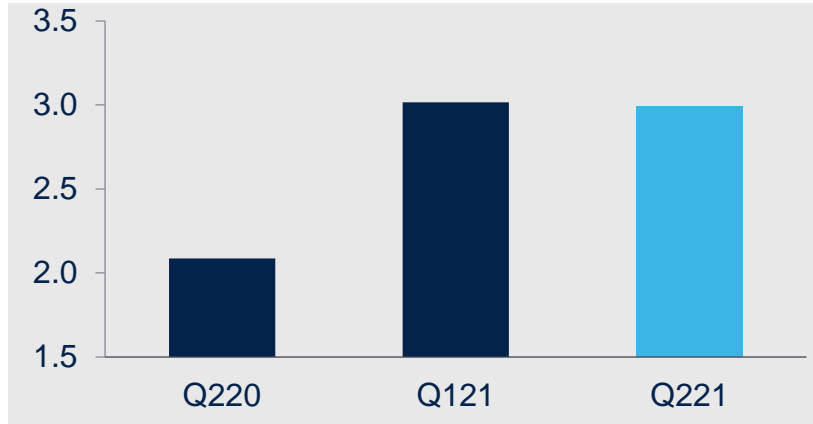
- Outlook at mid-point is for net revenues of \$3.2B, representing an increase of 20.0% Y/Y and 7.0% sequentially
- Gross margin expected to be about 41.0% at the mid-point

FY 2021

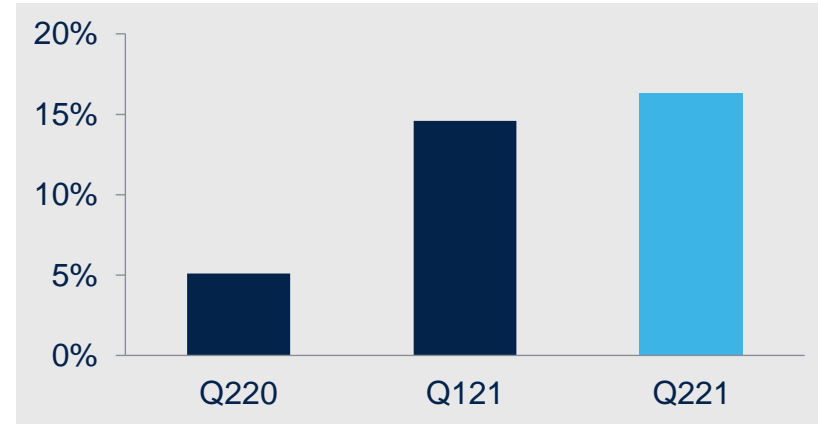
- We will now drive the Company based on a plan for FY21 revenues of \$12.5B, plus or minus \$100M: a Y/Y increase of 22.3% at the mid-point. This growth is expected to be driven by strong dynamics in all the end markets we address and our engaged customer programs
- We now plan to invest about \$2.1B in CAPEX to support the strong market demand and our strategic initiatives

Q2 2021 Financial highlights

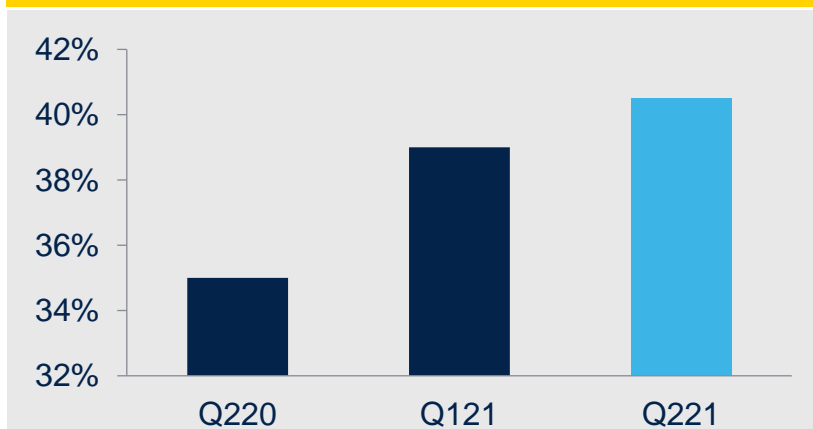
Revenues = \$2.99B



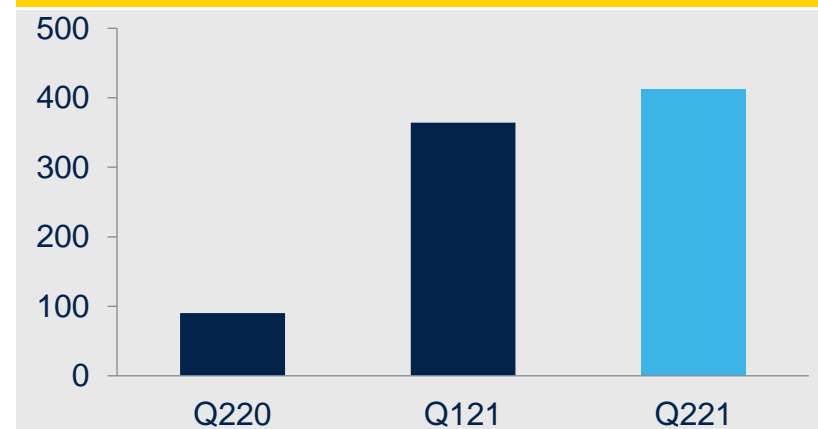
Operating Margin = 16.3%



Gross Margin = 40.5%

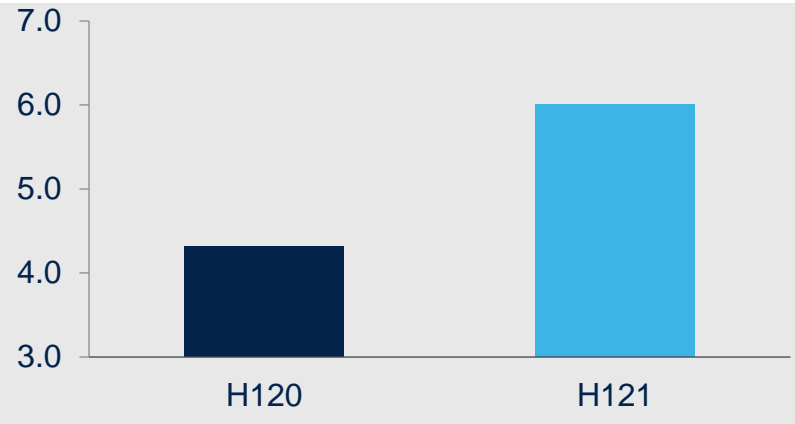


Net Income = \$412M

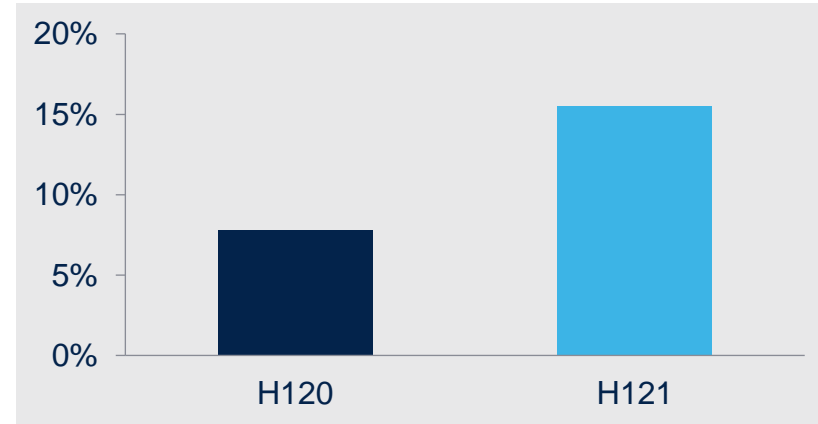


H1 2021 Financial highlights

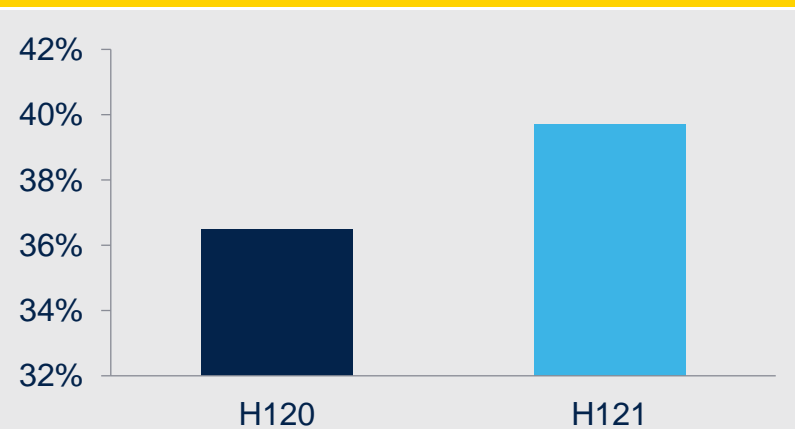
Revenues = \$6.01B



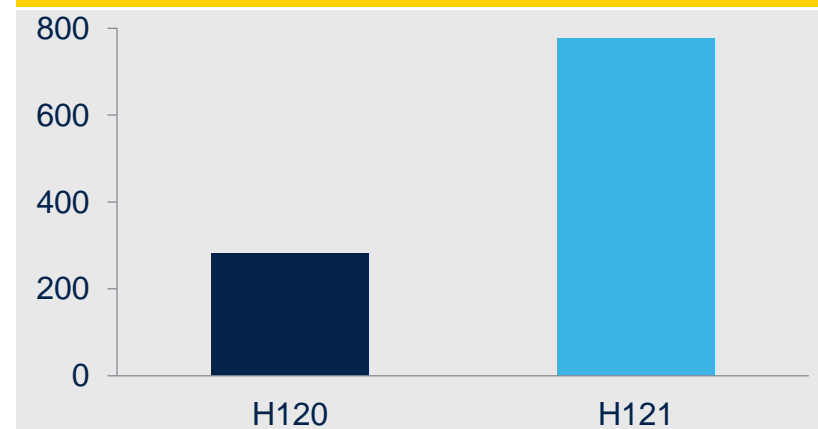
Operating Margin = 15.5%



Gross Margin = 39.7%

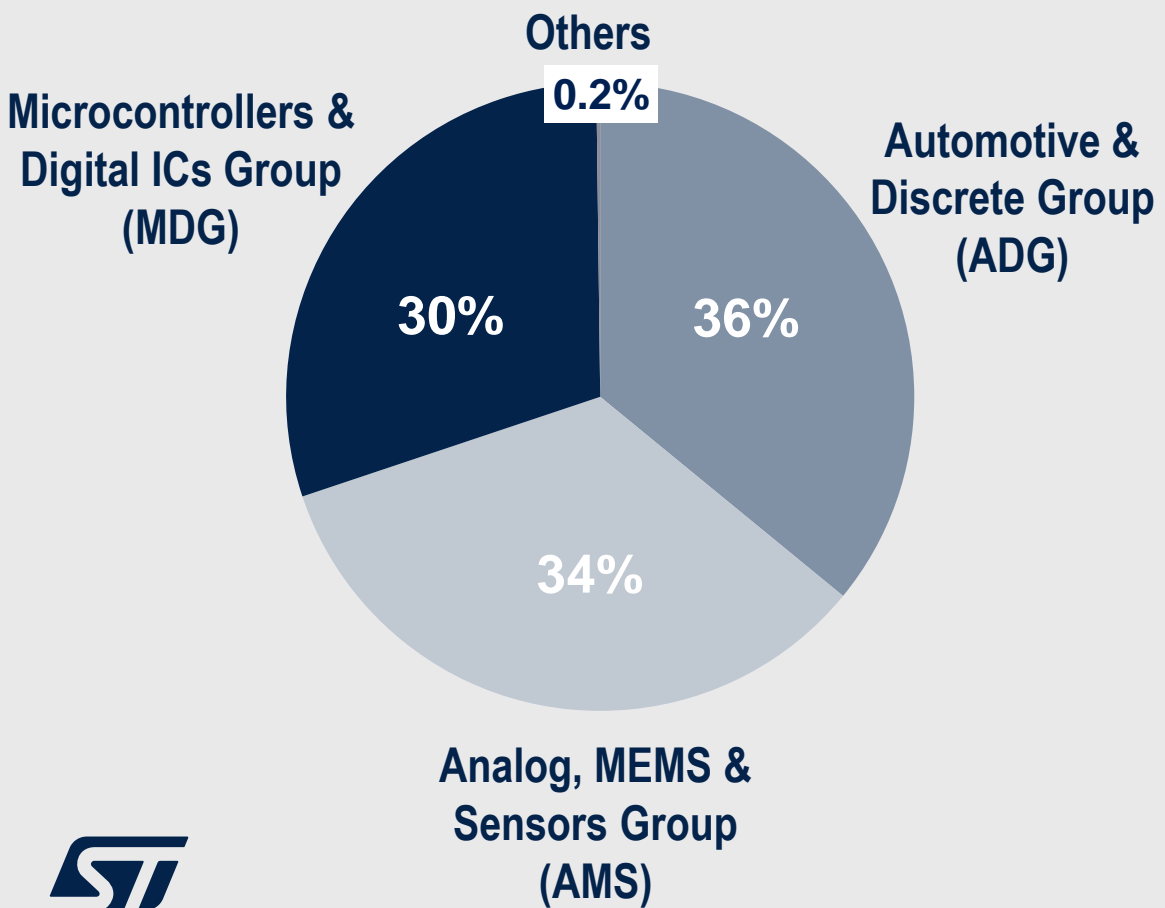


Net Income = \$776M

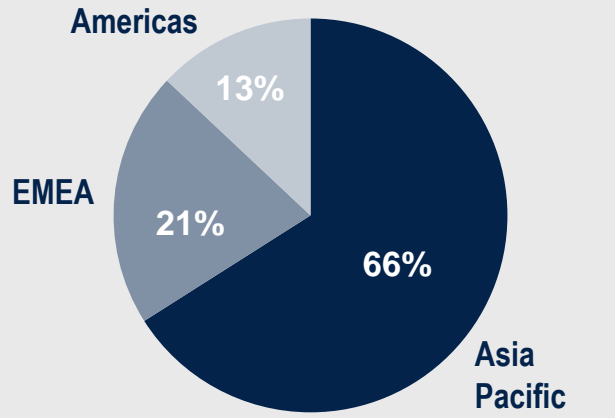


Q2 2021 Revenues

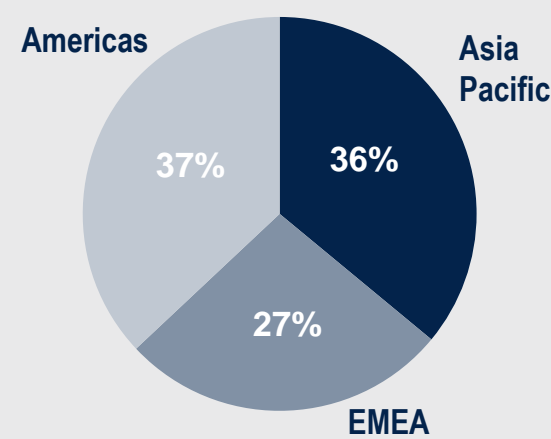
% by product group



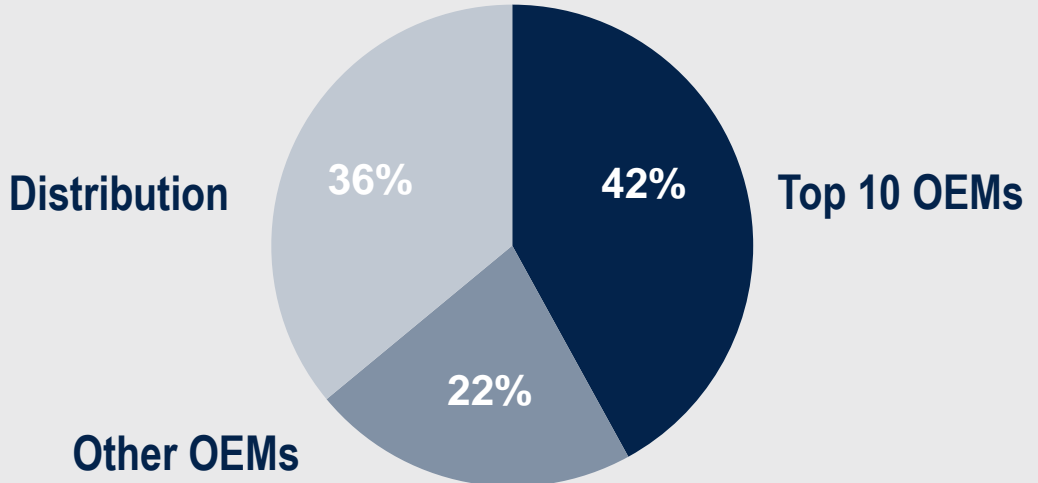
% by shipment location



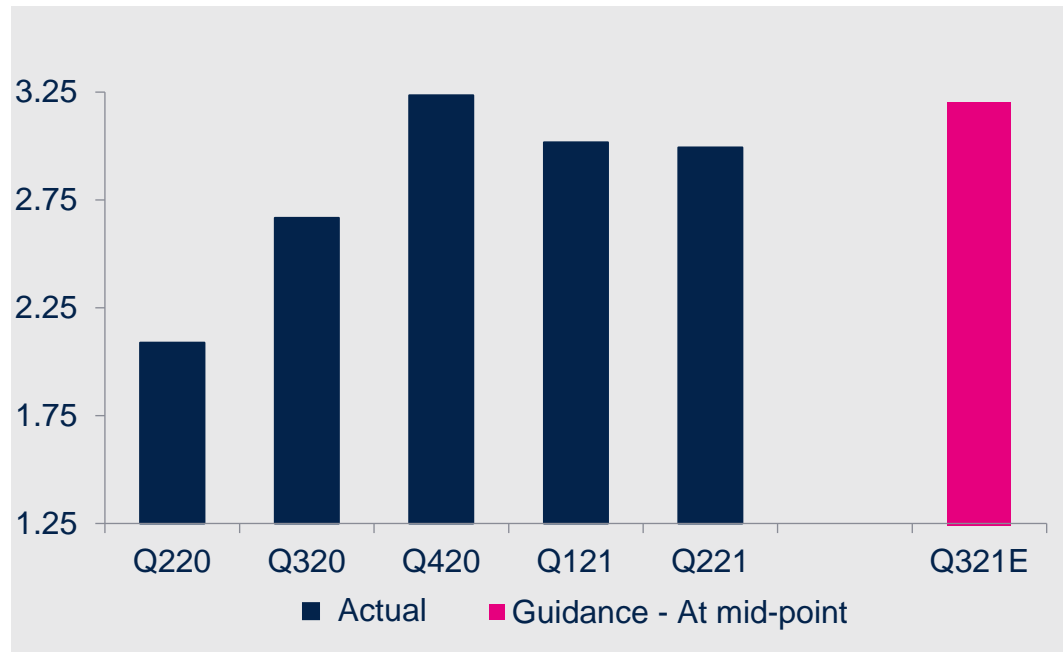
% by region of origin



% by customer type



Q221 Revenues = \$2.99B



Q221 revenues up 43.4% Y/Y

- The Company recorded higher net sales in all product groups except the RF Communications sub-group;
- Revenues to OEMs and Distribution increased 38.4% and 53.1%, respectively.

Q221 revenues down 0.8% Q/Q

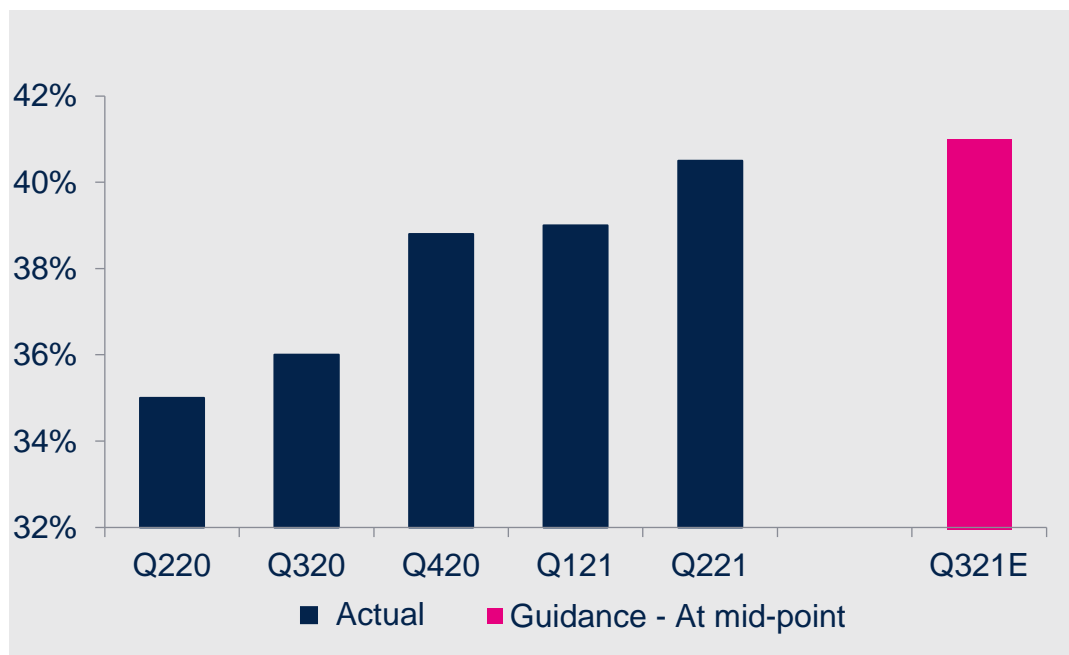
- 300 bps above mid-point of Company's guidance;
- ADG and MDG reported increases in net revenues on a sequential basis while AMS decreased.

Q321 Revenues Outlook

Up Q/Q by about 7.0% (+/- 350 bps)
Up Y/Y by about 20.0% at mid-point

Gross margin

Q221 Gross Margin = 40.5%



Q221 Gross Margin

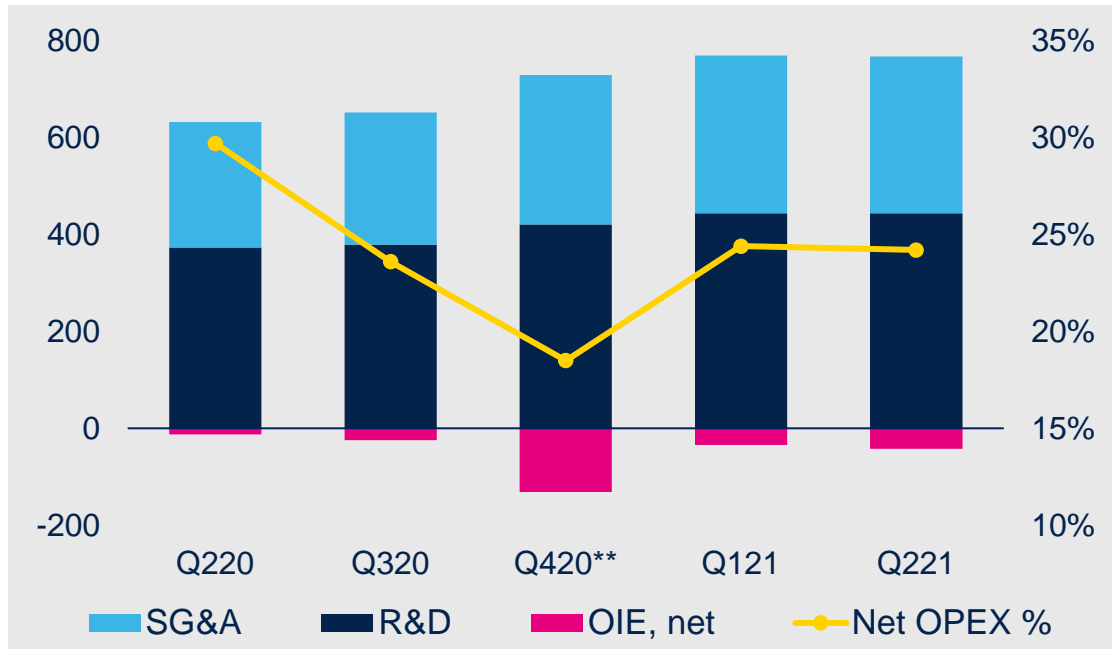
- Up 550 bps Y/Y mainly due to the full saturation of our fabs compared with the high level of unloading charges last year, manufacturing efficiencies, favorable pricing and improved product mix, partially offset by negative currency effects, net of hedging;
- Up 150 bps Q/Q;
- 100 bps above the mid-point of the Company's guidance, mainly due to more favorable pricing and improved product mix;
- No impact of unloading charges.

Q321 Gross Margin Outlook

About 41.0% (+/- 200 bps)

Net operating expenses (*)

Q221 Net Operating Expenses = \$725M



Combined SG&A and R&D at \$767M

- 25.6% of revenues.

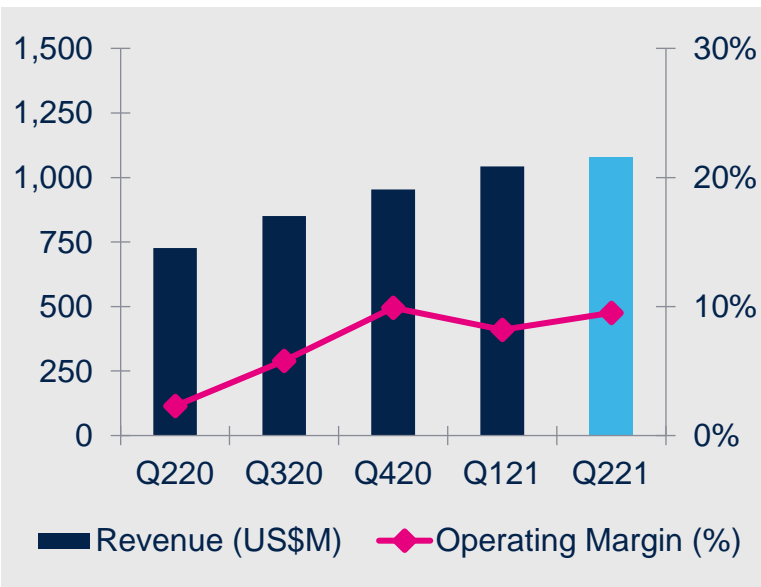
Net Operating Expenses at \$725M

- 24.2% of revenues.

Q2 2021 Product group results

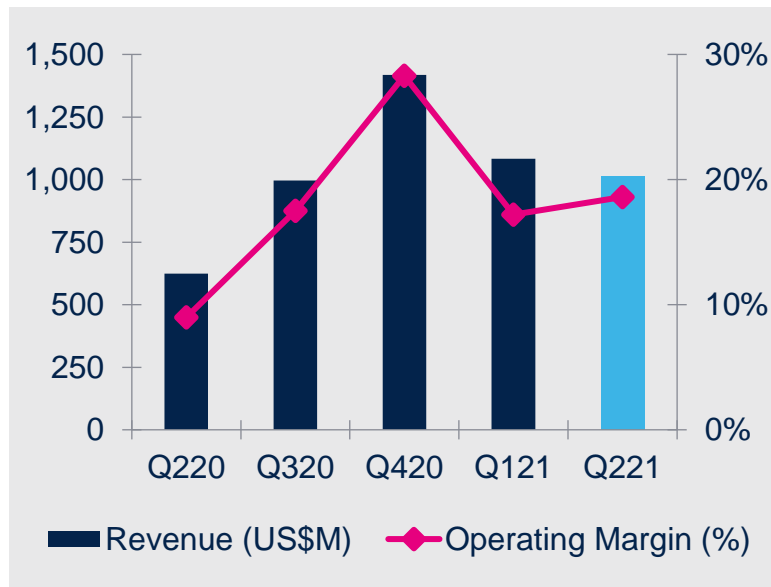
Automotive & Discrete (ADG)

Revenues = \$1,077M
Operating Margin = 9.5%



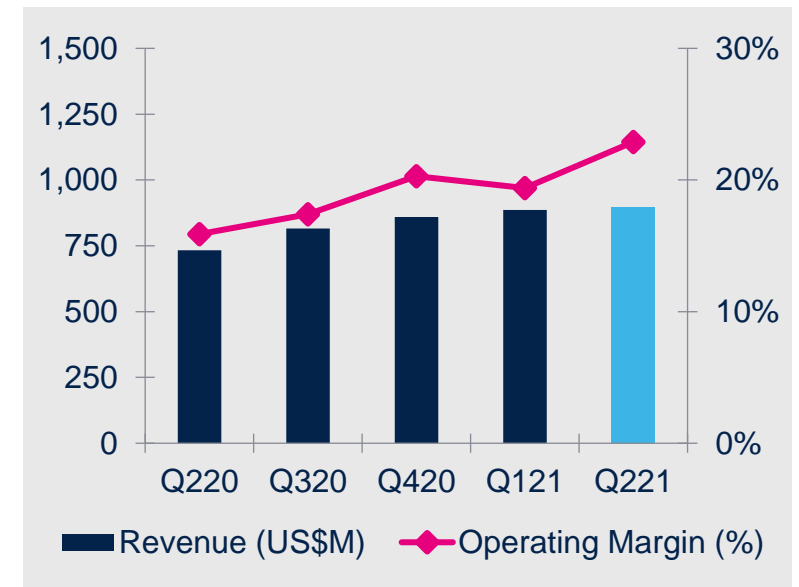
Analog, MEMS & Sensors (AMS)

Revenues = \$1,013M
Operating Margin = 18.6%



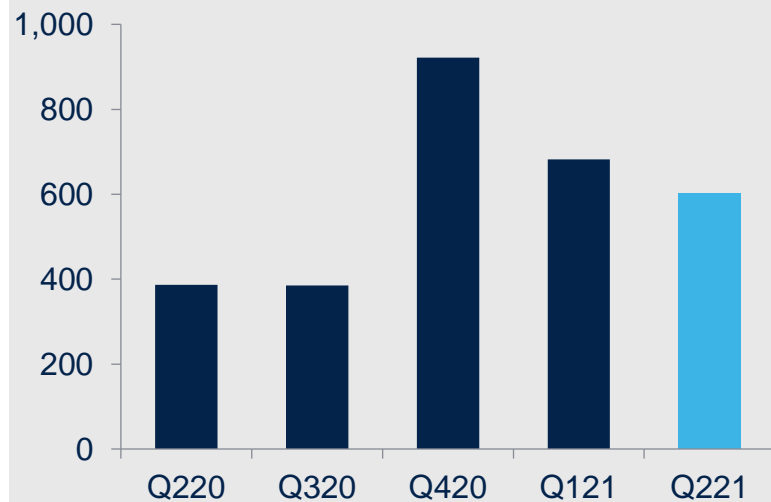
Microcontrollers & Digital ICs (MDG)

Revenues = \$897M
Operating Margin = 22.9%

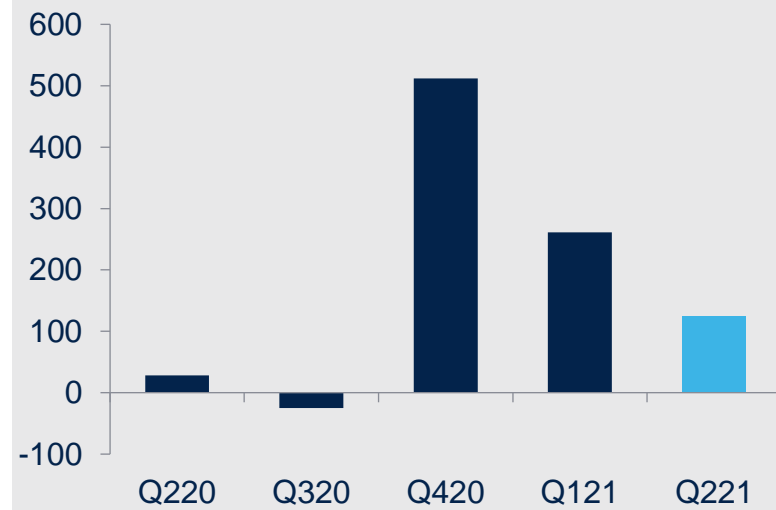


Q2 2021 Financial flexibility

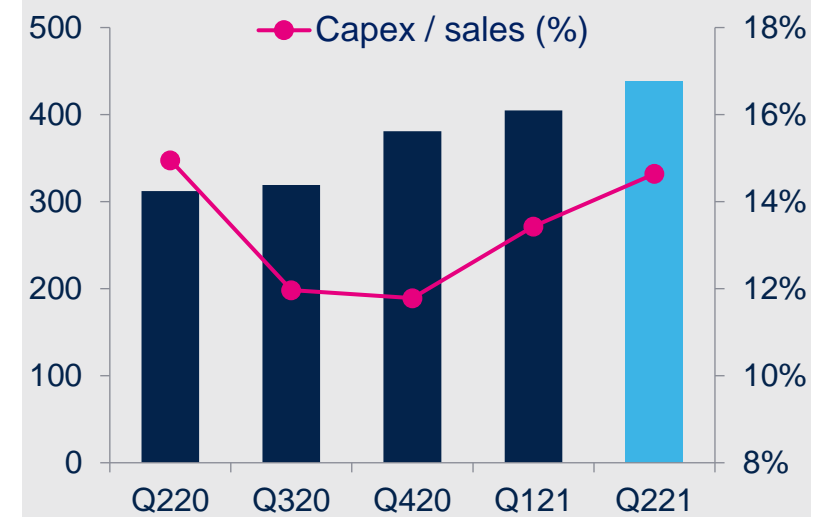
Net Cash From Operating Activities = \$602M



Free Cash Flow* = \$125M



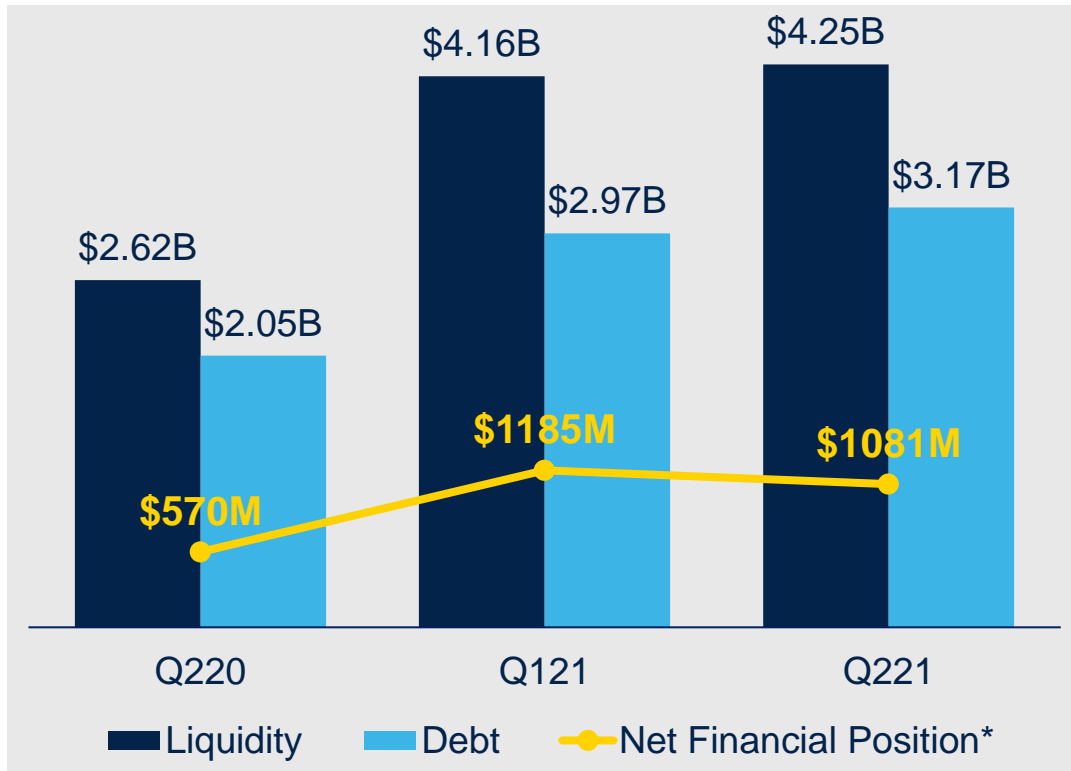
Capex = \$438M



Cash dividends paid to shareholders totaled \$52M in Q221.

The Company executed a \$156M share buy-back, completing its \$750M share repurchase program launched in 2018. On July 1, 2021, the Company announced the launch of a new share buy-back program of up to \$1,040M to be executed within a 3-year period.

Solid capital structure



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

ST's credit rating: investment grade with a Positive or Stable Outlook from Moody's, S&P and Fitch

In Q221 ST exercised the call option for the early redemption of its 2024 Tranche B of the convertible bond issued in 2017. The settlement of the \$750M principal amount bond is expected to be completed in Q321.

Market and business dynamics

In Q221 we were again operating with a backdrop of strong demand, stretching the global supply chains. We have continued to work closely with our customers across all verticals and channels to adapt to this difficult allocation situation. At the same time, we were - and are - optimizing our investments to increase our manufacturing capacity.

COVID-19 continues to be a challenge for the world. During Q2 we saw the spread of new variants – especially in some of the countries in Asia where we operate, such as in India earlier and, more recently, in Malaysia.

Over these days, we feel particularly close to, and we strongly support, our colleagues and their families in Malaysia, seriously hit by this new wave.

Due to this situation we recently temporarily closed our assembly plant in Muar, Malaysia. Following approval from the Authorities, we resumed operations after 11 days of closure.

Q2 2021 Automotive highlights

ADG

Added design wins for Silicon Carbide devices in key electrification sub-systems such as DC-DC converters and on-board chargers

ADG

Announced a strategic cooperation with Renault Group to supply advanced power semiconductors for electric and hybrid vehicles

ADG

Wins with complementary technologies for Electric Vehicle designs with VIPower products, 32-bit microcontrollers, and electronic fuse technology

ADG

Wins for microcontrollers with our SPC5 32-bit automotive MCUs
Additions to our next-generation automotive MCU family (“Stellar”)

AMS

Wins in automotive sensor business for motion sensors for GNSS modules, navigation, telematics, infotainment, as well as key fobs



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Automotive



Q2 2021 Industrial highlights

MDG

Acquired Cartesiam – a company specialized in software enabling Artificial Intelligence on the edge

MDG

Design win for multiple STM32 products in a drone for home security

ADG

Wins for Silicon Carbide, MOSFETs, and IGBTs in solar inverters, energy storage, charging infrastructure, power supplies, & home appliances

AMS

Received awards for analog products in multiple applications including motion control, smart grid, factory automation, and home appliances

AMS

Award for sensors for industrial applications such as with a low-power, accelerometer for circuit-breaker products from a major OEM



Q2 2021 Personal Electronics highlights

AMS
MDG

Wins in smartphones with motion sensors, time-of-flight ranging sensors, wireless charging products, touch display controllers, & secure solutions

AMS
MDG

Designs in accessories and wearables with light, motion & environmental sensors, analog & power products, and microcontrollers

MDG

Key design wins and production launch for projects with our ST60 – 60 GHz transceiver products for very fast contactless data transfer

AMS

Signed a development agreement with a leading player for a Laser Driver ASIC to be used in next-gen smart glasses for Augmented Reality

Personal Electronics



Q2 2021 Communications Equipment, Computers & Peripherals Highlights

MDG

Received multiple RF-SOI Front End Module awards, as well as several RF ASIC projects for telecommunications infrastructure

MDG

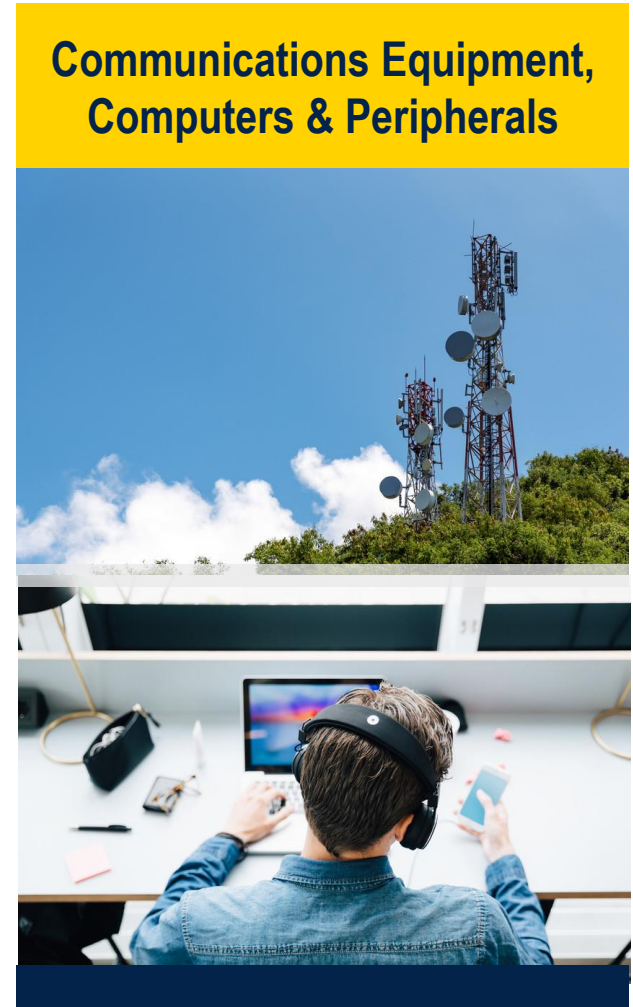
Started production of a second-generation RF Front-End IC for the user-terminal of a satellite system from a leader in this area

AMS
MDG

Wins with time-of-flight and motion sensors for laptops and tablets, as well as many general purpose MCU design-ins

AMS

Ramped production of our global shutter image sensor for a computer-vision application at a major OEM



Q3 2021 Outlook

Net Revenues

Q321 outlook, at the mid-point, is for net revenues of **\$3.20B**, increasing Y/Y and sequentially by 20.0% and 7.0%, respectively.

Gross Margin

Gross margin is expected to be about **41.0%**, plus or minus 200 bps, representing a Y/Y increase of 500 bps. Sequentially, this represents an increase of about 50 bps at the mid-point.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.19 = €1.00 for the 2021 third quarter and includes the impact of existing hedging contracts.

The third quarter will close on October 2, 2021.

FY 2021 Plan

We will now plan to drive the Company based on 2021 net revenues of \$12.5B, plus or minus \$100M. This plan will translate into Y/Y growth of 22.3% at the mid-point.

Drivers of this expected growth are the continued strong dynamics in all the end markets we address and our engaged customer programs.

Our updated 2021 CAPEX plan of about \$2.1B will help increase our manufacturing capacity to continue to support the strong global demand of our customers.

It will also support our strategic manufacturing initiatives such as our Agrate 300mm fab, where we are bringing Tower Semiconductor on board to accelerate the ramp-up to large volumes and scale.

Takeaways

Q2 2021

Q221 net revenues and gross margin came in at the high-end of our business outlook range.

We maintained our financial strength as demonstrated by our operating profitability and cash flow generation.

FY 2021

For FY21, we are driving the Company with a plan based on net revenues of \$12.5B, plus or minus \$100M. This growth stems from the expected continuation of strong dynamics in all the end markets we address and our engaged customer programs.

We will continue to focus on our customers, adapting our supply chain to support the current strong demand and to fuel longer-term growth.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q120	Q220	H120	Q320	Q420	FY20	Q121	Q221	H121
Net Revenues	2,231	2,087	4,318	2,666	3,235	10,219	3,016	2,992	6,008
Gross Margin	37.9%	35.0%	36.5%	36.0%	38.8%	37.1%	39.0%	40.5%	39.7
Operating Income	231	106	337	329	657	1,323	440	489	929
Operating Margin	10.4%	5.1%	7.8%	12.3%	20.3%	12.9%	14.6%	16.3%	15.5%
Net Income – Reported	192	90	282	242	582	1,106	364	412	776
EPS Diluted (\$/share)	0.21	0.10	0.31	0.26	0.63	1.20	0.39	0.44	0.84
Free Cash Flow*	113	28	141	(25)	512	627	261	125	387
Net Financial Position*	668	570	570	662	1,099	1,099	1,185	1,081	1,081
Effective Exchange Rate €/\$	1.11	1.10	1.11	1.13	1.16	1.13	1.19	1.19	1.19

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, marketable securities, restricted cash and short-term deposits, and our total financial debt includes short-term debt and long-term debt, as represented 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, short-term deposits and marketable securities and the total level of our financial indebtedness. 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 short-term deposits, which are considered as temporary financial investments. The result of this definition is ultimately net cash from operating activities plus payment for purchase (and proceeds from sale) of tangible, intangible and financial assets and 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 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, impairment, restructuring charges and other related closure costs, management reorganization costs, phase out and start-up costs of certain manufacturing facilities, and other unallocated 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)	Q120	Q220	H120	Q320	Q420	FY20	Q121	Q221	H121
Unused Capacity Charges	34	64	98	38	17	153	2	-	2
Impairment & Restructuring Charges	5	4	9	2	(1)	11	-	(2)	(2)

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