



Good morning everyone and thank you for joining ST for our Q2 2025 earnings conference call.

I will start with an overview of the second quarter, including business dynamics. I will then hand over to Lorenzo for the detailed financial overview and will then comment on the outlook and conclude before answering your questions.

So, starting with Q2:

We delivered revenues at \$2.77 billion, \$56 million above the mid-point of our business outlook range, with Automotive slightly below our expectations -which was customer specific-, more than offset by higher revenues in Personal Electronics and Industrial. Gross margin of 33.5% was in line with the mid-point of our business outlook range.

Let's now discuss our business dynamics during Q2.

In **Automotive**, during the quarter we grew revenues about 14% sequentially, driven in particular by Asia Pacific excluding China and the Americas. Our book-to-bill came back below parity driven by some specific customer dynamics. While the current situation on trade and tariffs is creating uncertainty on the level of car production, we confirm that Q1 was the low point for Automotive revenues. We expect sequential growth in the third quarter versus the second quarter.

During the quarter, we continued to execute our strategy for **car electrification**. We had wins with both silicon-carbide and silicon devices and modules for multiple new DC/DC converter and on-board charger designs, as well as with our smart power and smart fuse solutions for electric vehicle power systems. In a continuing challenging automotive market environment, we remain focused on building our pipeline of business and solid execution of our roadmaps in power and discrete for car electrification.

In **car digitalization**, we saw further traction with our portfolio of automotive microcontrollers. We are making good progress in executing our roadmap with many new products set to launch in 2025 and 2026 across our Arm-based Stellar and STM32A product families. We are also continuing to see strong design-in momentum globally with both large-scale OEMs and Tier1 suppliers. One significant win in Q2 was for a one-box braking system by a leading electric vehicle maker in China.

Moving to legacy applications, where we have a broad portfolio of application-specific products based on our **smart power technologies** and leading positions in multiple domains such as airbags, door zone and braking solutions. A notable win here was a high-volume airbag solution with a world leader in automotive electronics safety systems – the third generation of a long-term partnership.

With our **automotive-grade sensors** we continue to see strong design in momentum and opportunities. Wins in the quarter included MEMS sensors for ADAS, airbag control, and infotainment systems as well as an imaging sensor for in-cabin Monitoring. There are also a growing number of opportunities for sensors to improve the driving experience with applications such as road noise cancellation, occupancy monitoring, and seat position sensors.

In **industrial**, Q2 revenues were above expectations with strong sequential growth and continued year-on-year improvement, confirming that Q1 was the bottom. I would also like to highlight that, specifically for General purpose microcontrollers, we are back to year-on-year growth.

In terms of months of inventory in distribution overall, we are now back to a normal situation in China, close to normalization in other Asian countries and improving but still above normal in other geographies.

In Q2 our book-to-bill ratio remained above 1 and bookings continued to increase sequentially, supporting our expectation of further sequential growth in the third quarter compared to the second quarter.

During the quarter, we made strong progress with our design-in activity for our **power and analog** portfolio across a range of applications. These included power systems, industrial fans and drives, motor control, white goods, solar inverters, air conditioning, metering, and power for data servers.

For **data servers** we announced that we are working closely with NVIDIA on a new high-power density DC-DC architecture for AI data centers that will operate at 800V DC. This will enable higher power density, more compact designs, and a lot less cabling and metal parts. To deliver the needed solution ST is putting together a combination of its most advanced technologies enabled by Silicon material, Silicon Carbide, and Gallium Nitride as well as smart power processes like BCD using galvanic isolation.

Our portfolio of **industrial sensors** also gained momentum in applications like container tracking, white goods and livestock monitoring.

Moving to **Embedded Processing**, our STM32 microcontrollers have continued to gain traction with the broad developer community.

Use of our software ecosystem continues to grow strongly, and we are now close to 1.5 million unique users on a 12-month rolling basis vs the 1.3 million unique users for 2024.

As mentioned earlier, in Q2 we were back to year-over-year growth for our general purpose microcontrollers, with both sequential and year-over-year growth in the high teens. This confirms the strength of our product portfolio and our global ecosystem.

In Personal Electronics and to a lesser extent **in Communications Equipment and Computer Peripherals**, Q2 revenues were above our expectations.

We continue to be excited by growth opportunities in our engaged customer programs, driven by both increased content in Personal Electronics and the expanding low-earth-orbit Satellite market.

In terms of **corporate development activities**, at the end of May we held our annual general meeting of shareholders. All proposed resolutions were approved by the shareholders.

For **Sustainability**, we have received two notable recognitions for our public commitments, reporting, and environmental and social performance.

ST has been recognized in the TIME World's Most Sustainable Companies list for the second consecutive year. We have been ranked 25th most sustainable company globally and 1st in the Electronics, Hardware and Equipment category.

We have also been recognized for leadership on Climate and Water Security by the global environmental non-profit CDP, with a place on its 'A List' for tackling climate change and a rating of 'A-' for water security.

Now over to Lorenzo, who will present our key financial figures.

Thank you, Jean-Marc, and good morning, everyone.

Let's start with a detailed review of the second quarter, starting with revenues on a year-over-year basis.

By reportable segment,

- Analog products, MEMS and Sensors (AM&S) was down 15.2% mainly due to a decrease in Analog, to a lesser extent a decrease in Imaging, while MEMS grew double-digit.
- Power and Discrete products (P&D) decreased 22.2%.
- Embedded Processing (EMP) revenues declined 6.5%, mainly due to Custom Processing.
- RF & Optical Communications (RF&OC) declined 17.9%.

By end-market, Automotive declined by about 24%, Industrial by about 8%, while Personal Electronics and Communication Equipment and Computer Peripherals each declined by about 5%.

Year-over-year, sales to OEMs decreased 15.3% and 12% to Distribution.

On a sequential basis, all segments contributed to the growth. EMP, P&D and RF&OC reported double-digit growth, respectively 14.1%, 12.9% and 10.1%. AM&S also grew by 5.9%.

All our end markets grew, led by Industrial, up by about 15%, followed by Automotive up by about 14%, with Communications Equipment and Computer Peripherals and Personal Electronics up respectively by about 6% and 3%.

Turning now to profitability:

Gross profit in the second quarter was \$926 million, decreasing 28.5% on a year-over-year basis.

Gross margin was 33.5%, decreasing 660 basis points year-over-year, mainly due to unfavorable product mix, lower manufacturing efficiencies and, to a lesser extent, higher unused capacity charges.

Total net operating expenses, excluding restructuring, amounted to \$869 million in the second quarter, in line with our expectations and declining 6% on a year-over-year basis.

For the third quarter of 2025 we expect Net Opex to stand at about \$860 million, slightly decreasing quarter-on-quarter, despite the negative currency effect, reflecting our ongoing costs discipline and the first benefits of the resizing of our global cost base. As a reminder these amounts are net of other income and expenses and exclude restructuring.

In the second quarter we reported a \$133 million operating loss which included \$190 million for impairment, restructuring charges and other related phase-out costs reflecting impairment of assets and restructuring charges predominantly associated with the previously announced company-wide program to reshape our manufacturing footprint and resize our global cost base.

Excluding this non-recurring item, which is mostly non-cash, Q2 non-US GAAP operating margin was 2.1%, with AM&S at 7.5%, P&D at -12.5%, EMP at 13.5% and RF&OC at 17.9%.

Q225 net income was a negative \$97 million, compared to a positive \$353 million in the year-ago quarter. Diluted Earnings per share were a negative \$0.11 compared to a positive \$0.38. Excluding the previously mentioned non-recurring

items, Non-US GAAP Net Income and diluted Earnings per share were respectively a positive \$57 million and a positive \$0.06.

Net cash from operating activities decreased 49.6% in Q2 to \$354 million on a year-over-year basis.

Second quarter Net Capex was \$465 million, compared to \$528 million in Q224.

Free cash flow was a negative \$152 million in the second quarter, compared to a positive \$159 million in the year-ago quarter.

Inventory at the end of this quarter was \$3.27 billion, compared to \$2.81 billion in Q224. Days sales of inventory at quarter-end was 166 days and slightly above our expectations, mainly due to currency impact, compared to 167 days for the previous quarter and to 130 days in the year-ago quarter. We expect days of inventory to significantly decrease in the third quarter compared with the second quarter.

Cash dividends paid to stockholders in Q225 totaled \$81million. In addition, ST executed share buy-backs of \$92 million.

ST maintained its financial strength with a net financial position that remained solid at \$2.67 billion as of June 28, 2025, reflecting total liquidity of \$5.63 billion and total financial debt of \$2.96 billion.

Now back to Jean-Marc, who will comment on our outlook.

Thank you, Lorenzo.

Let's move to our business outlook for Q3 2025.

- We are expecting Q325 revenues at \$3.17 billion +/- 350 basis points. At the mid-point, our Q325 net revenues will increase 14.6 % sequentially and decrease by 2.5% year-over-year with all end-markets but Automotive back to year-on-year growth.
- We expect our gross margin to be about 33.5% +/- 200 basis points, including about 340 basis points of unused capacity charges. Compared to the second quarter, gross margin is also impacted by about 140 basis points of negative sequential impact resulting mainly from currency effect, and from the start of non-recurring costs related to our manufacturing reshaping program.
- This business outlook does not include any impact for potential further changes to global trade tariffs compared to the current situation.

For FY 2025, we plan to maintain our Net Capex plan between \$2.0 and \$2.3 billion mainly to execute the reshaping of our manufacturing footprint.

To conclude:

We expect Q3 revenues to show solid sequential growth driven by a cyclical recovery and our engaged customer programs. This will enable a continued year-over-year improvement.

Our priorities remain supporting our customers to design-in our products, accelerating new product introductions, and executing our company-wide program to reshape our manufacturing footprint and resize our global cost base.

Finally, I confirm we are executing our plan to deliver annual cost savings in the high triple-digit million-dollar range exiting 2027.

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