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# STMicroelectronics

## Q1 2021 Financial Results

April 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

## Q1 2021

- Net revenues were \$3.02B, up 35.2% Y/Y. All product groups contributed to this growth, on continued acceleration of demand globally.
- On a sequential basis, net revenues decreased 6.8%, 270 bps above the mid-point of our outlook.
- Gross margin, at 39.0%, 50 bps above the mid-point of our outlook.
- Operating margin was 14.6% and net income \$364M.
- Free cash flow was \$261M, after net capital expenditure payments of \$405M.
- We exited the first quarter with a net cash position at \$1.19B.

## Q2 2021

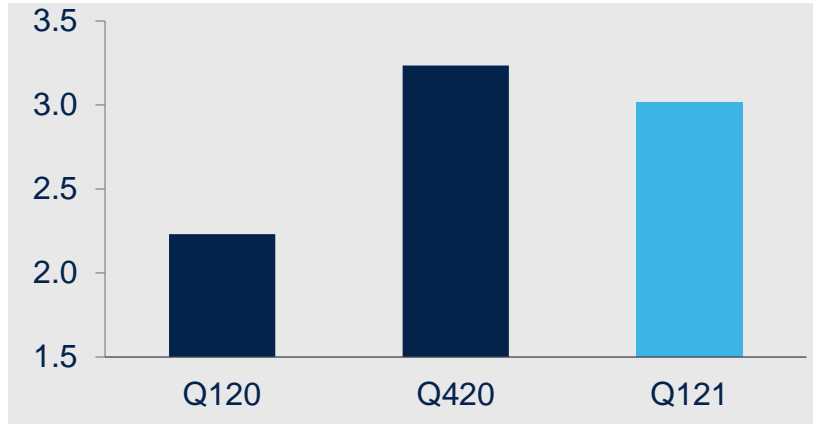
- Outlook at mid-point is for net revenues of \$2.9B, increasing Y/Y by 39%.
- Gross margin expected to be about 39.5% at the mid-point.

## FY 2021

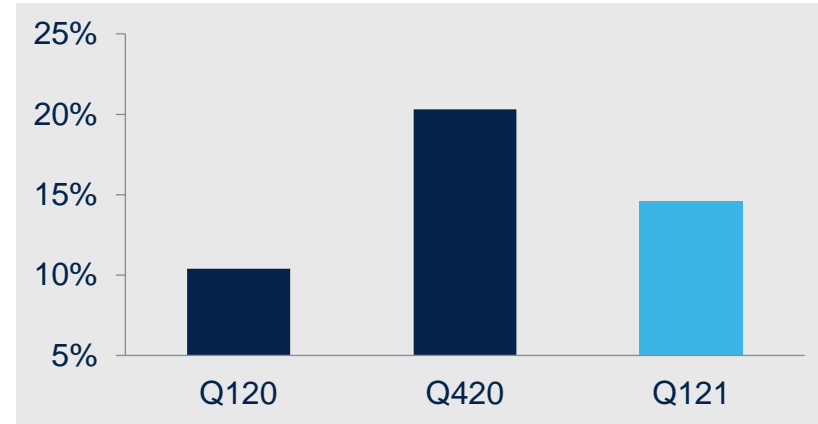
- We plan for solid revenue growth, outperforming the markets we serve.
- We will drive the Company based on a plan for FY21 revenues of \$12.1B, plus or minus \$150M, a Y/Y increase of 18.4% at the mid-point. This growth is expected to be driven by strong dynamics in all end markets we address and our engaged customer programs.
- For 2021, we now plan to invest about \$2.0B in CAPEX to support the strong market demand and our strategic initiatives.

# Q1 2021 Financial highlights

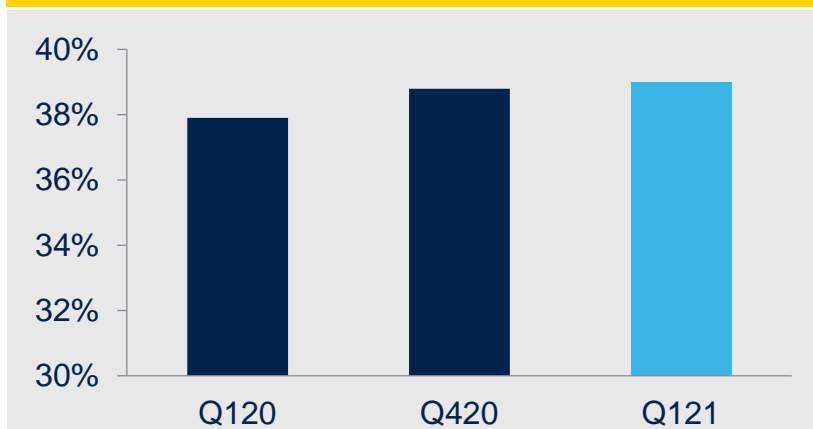
## Revenues = \$3.02B



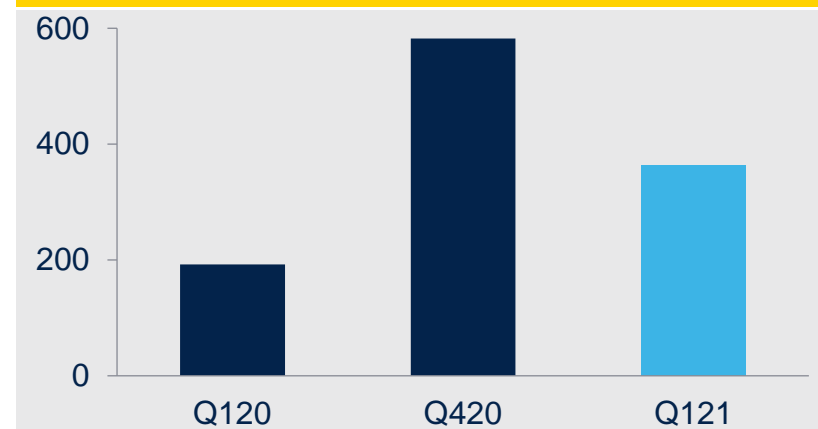
## Operating Margin = 14.6%



## Gross Margin = 39.0%

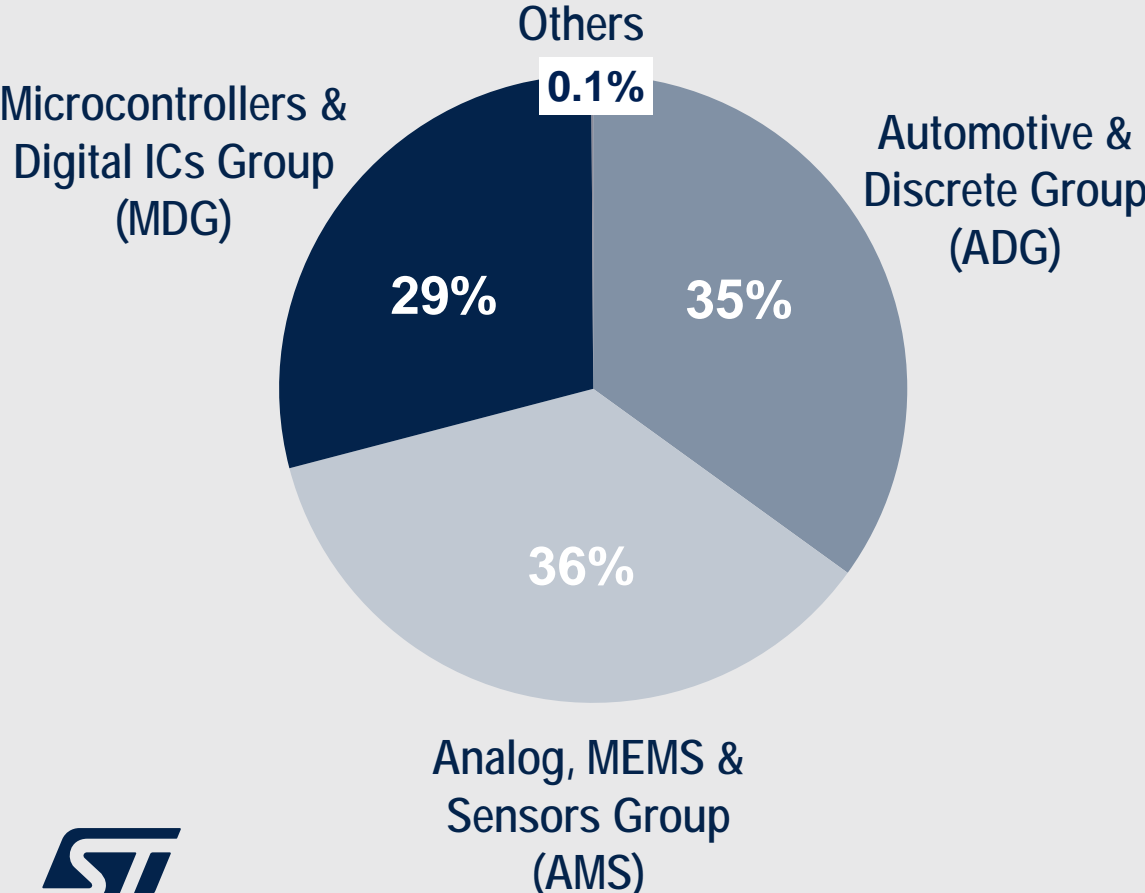


## Net Income = \$364M

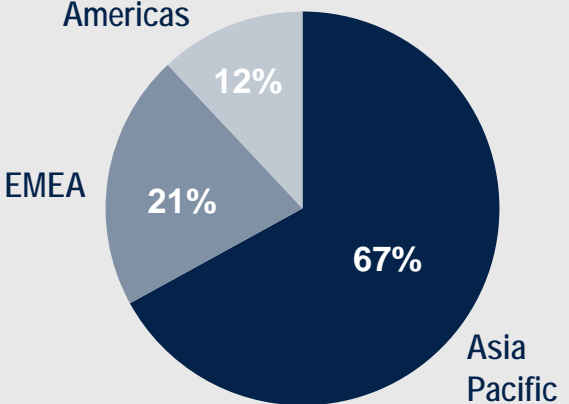


# Q1 2021 Revenues

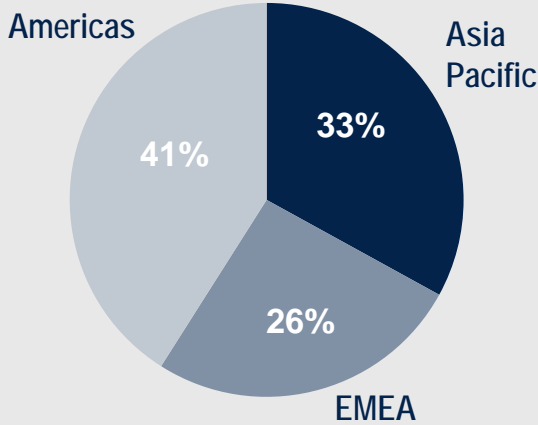
**% by product group**



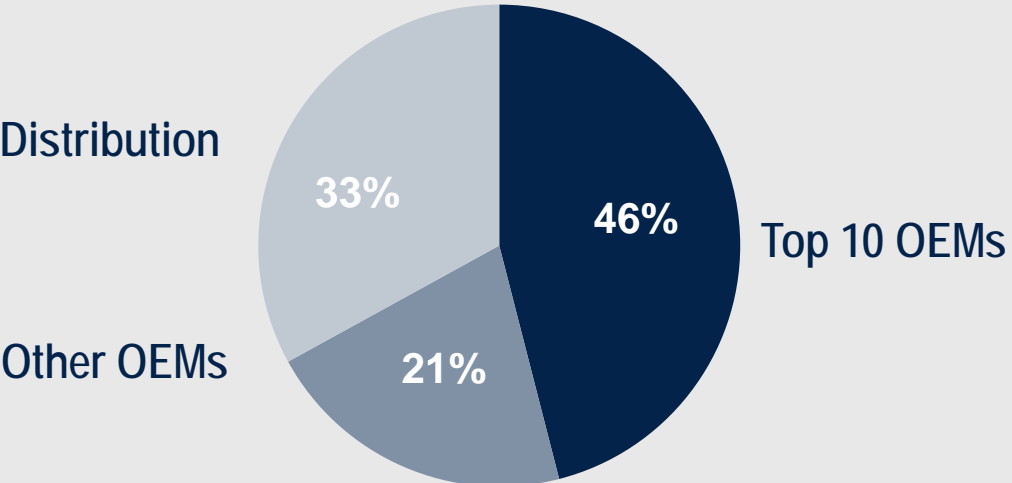
**% by shipment location**



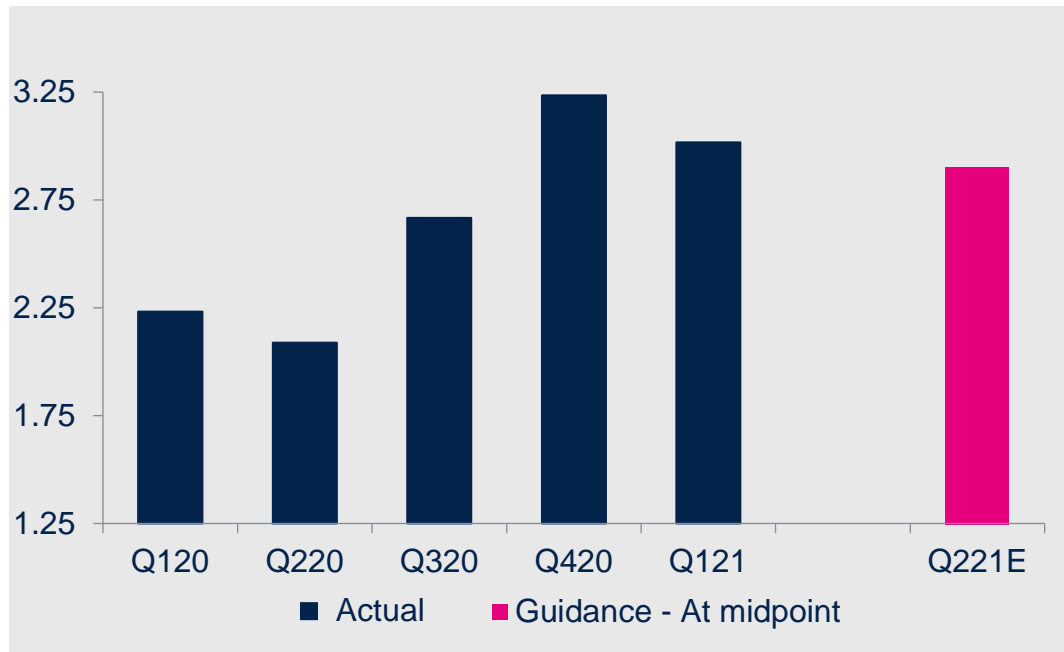
**% by region of origin**



**% by customer type**



## Q121 Revenues = \$3.02B



### Q121 revenues up 35.2% Y/Y

- The Company recorded higher net sales in all product groups except the RF Communications sub-group;
- Revenues to OEMs and Distribution increased 21.4% and 76.2%, respectively.

### Q121 revenues down 6.8% Q/Q

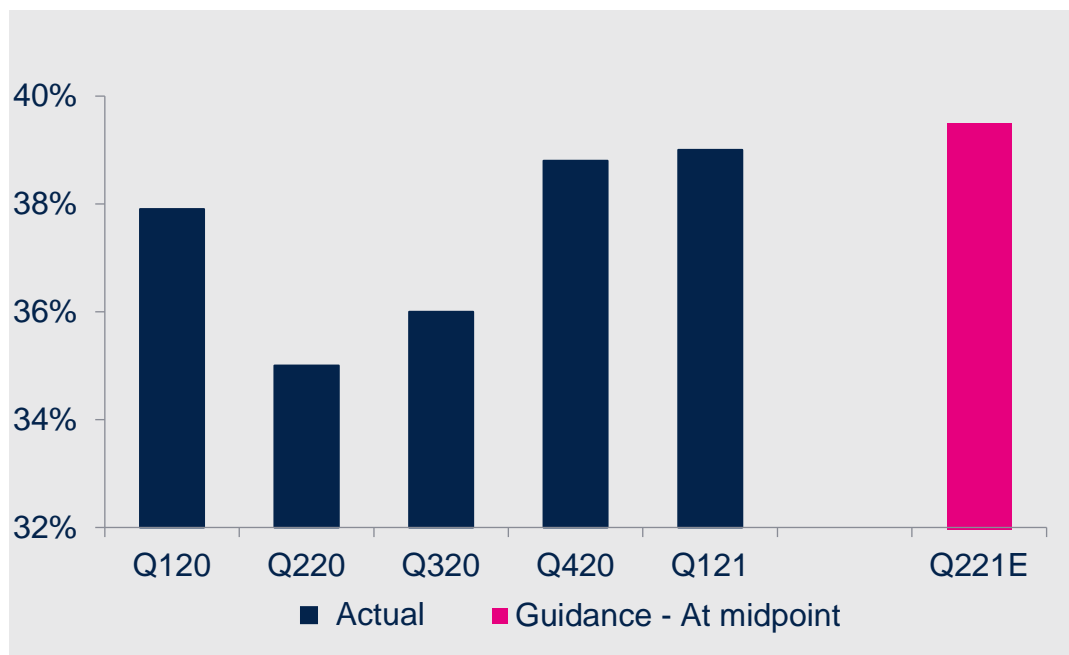
- 270 bps above mid-point of Company's guidance;
- Automotive and Power Discrete products and Microcontrollers increased sequentially, partially offset by a decrease in Personal Electronics products.

## Q221 Revenues Outlook

Down Q/Q by about 3.8% (+/- 350 bps)  
Up Y/Y by about 39% at mid-point

# Gross margin

**Q121 Gross Margin = 39.0%**



## Q121 Gross Margin

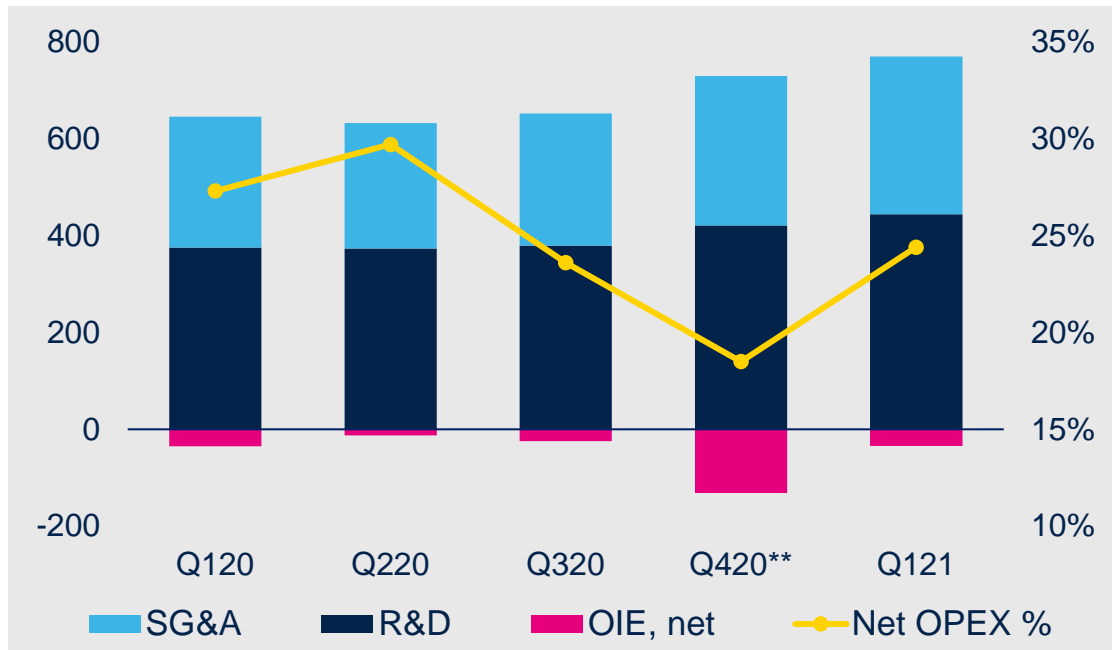
- Up 110 bps Y/Y mainly due to lower unloading charges, manufacturing efficiencies and improved product mix, partially offset by negative currency effects, net of hedging;
- Up 20 bps Q/Q;
- 50 bps above the mid-point of the Company's guidance, mainly due to better product mix;
- Negligible impact of unsaturation charges (about 10 bps).

## Q221 Gross Margin Outlook

About 39.5% (+/- 200 bps)

# Net operating expenses (\*)

**Q121 Net Operating Expenses = \$735M**



## Combined SG&A and R&D at \$769M

- 25.5% of revenues.

## Net Operating Expenses at \$735M

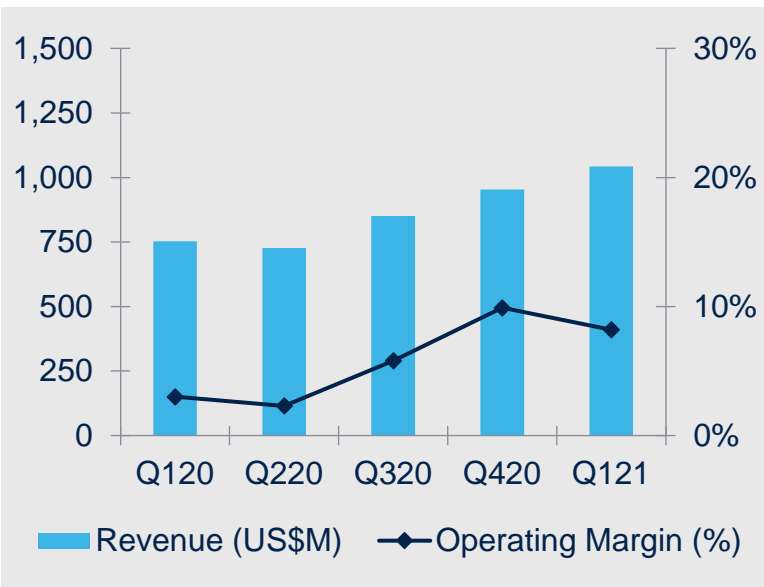
- 24.4% of revenues.



# Q1 2021 Product group results

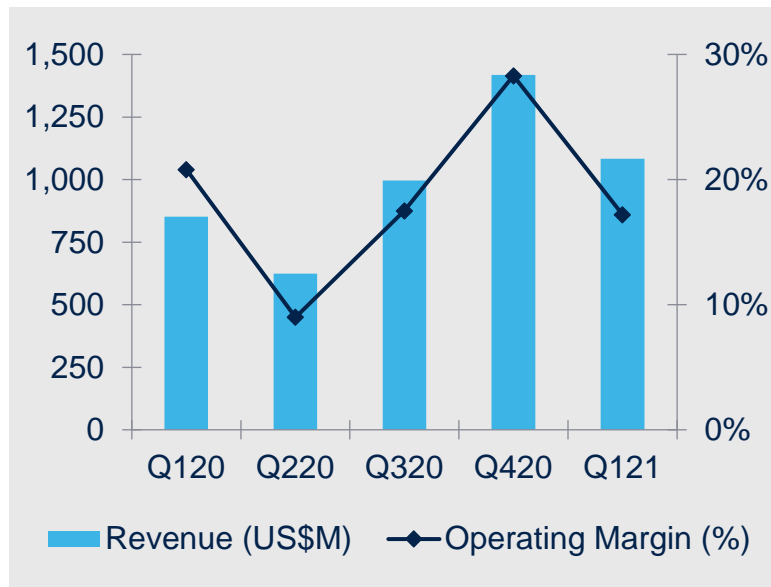
## Automotive & Discrete (ADG)

Revenues = \$1,043M  
Operating Margin = 8.2%



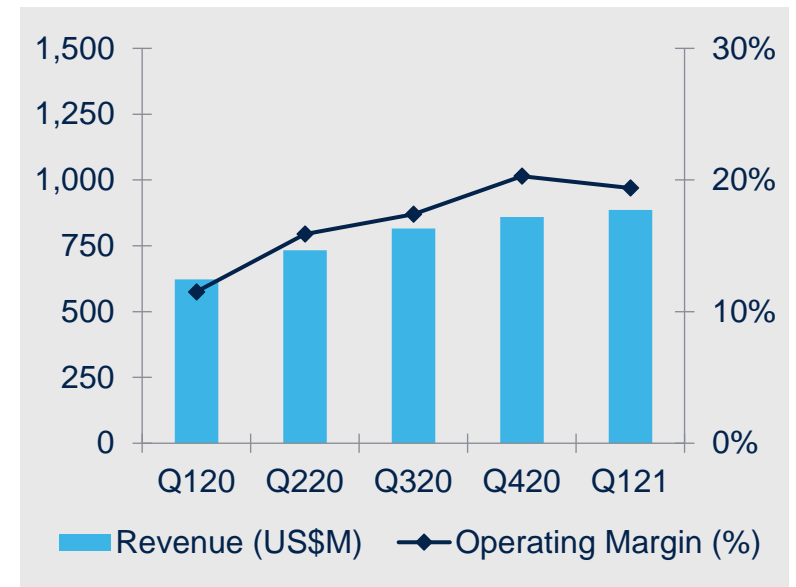
## Analog, MEMS & Sensors (AMS)

Revenues = \$1,083M  
Operating Margin = 17.2%



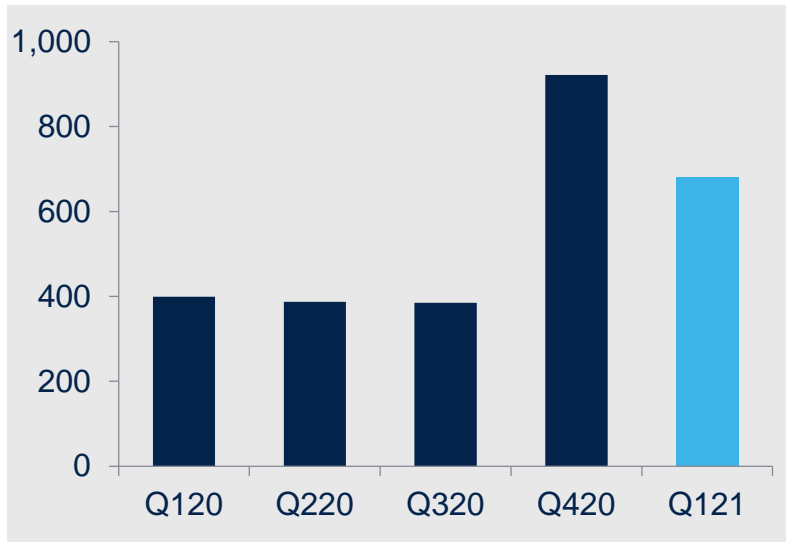
## Microcontrollers & Digital ICs (MDG)

Revenues = \$886M  
Operating Margin = 19.4%

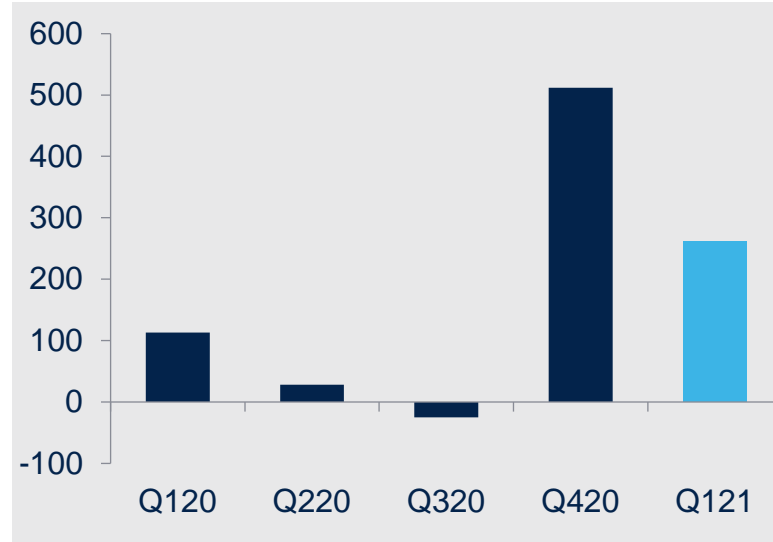


# Q1 2021 Financial flexibility

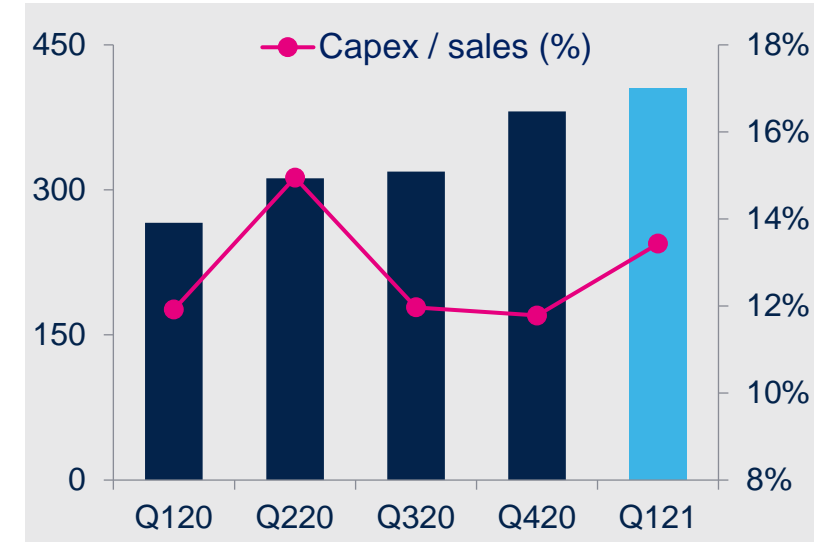
## Net Cash From Operating Activities = \$682M



## Free Cash Flow\* = \$261M

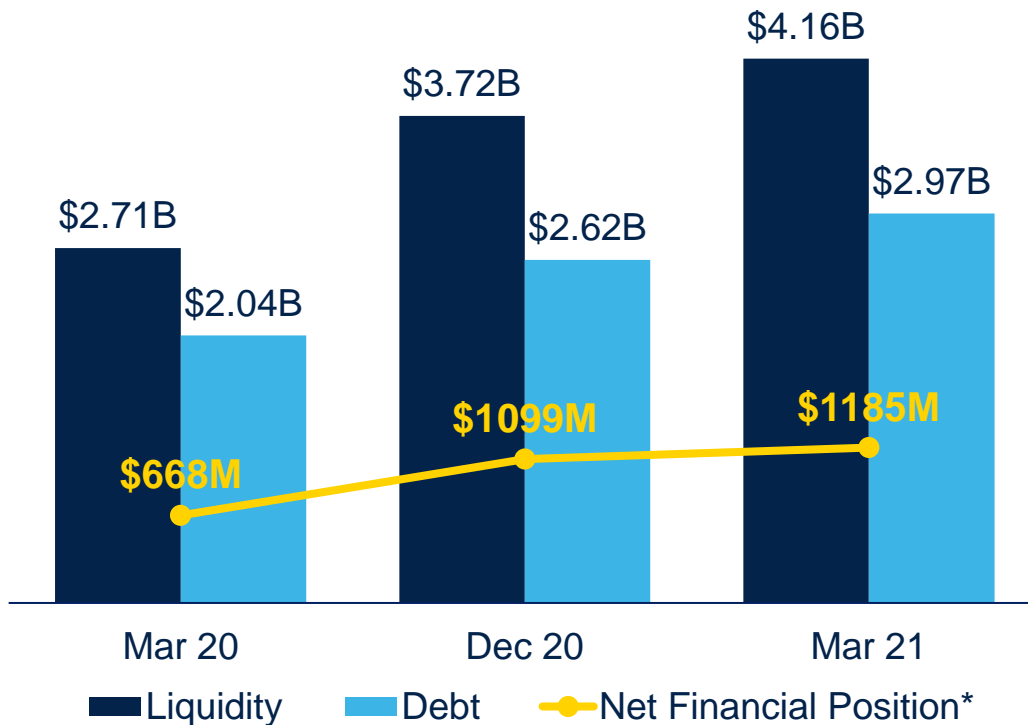


## Capex = \$405M



- Cash dividends paid to shareholders totaled \$38M in Q121
- Repurchase of common stock of \$156M in Q121 as part of ST's ongoing program

# Solid capital structure

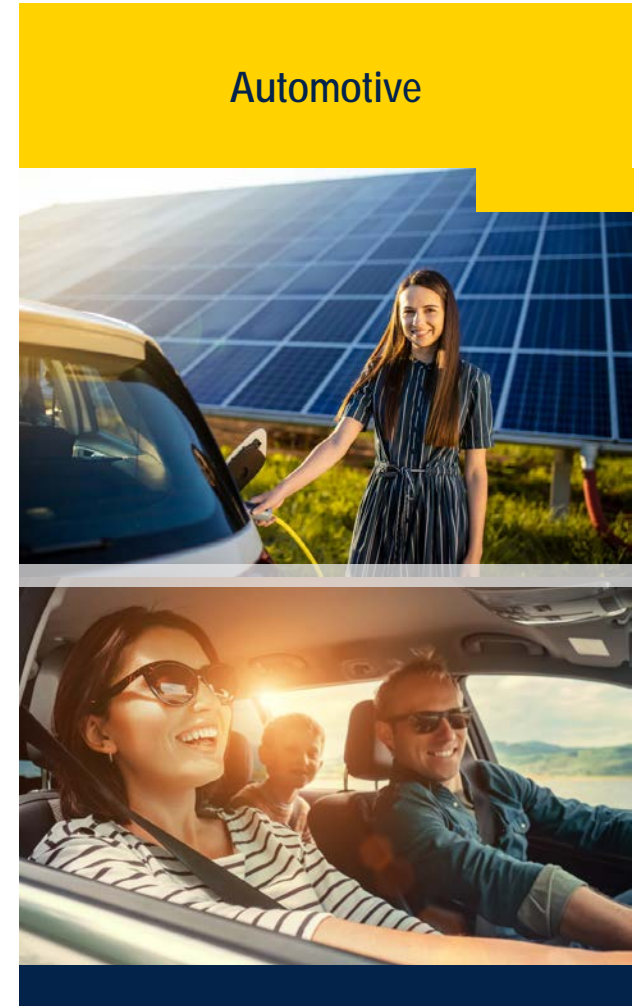


ST is in a solid position from a capital, liquidity and balance sheet perspective

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

# Q1 2021 Automotive highlights

- ADG** Added design wins for Silicon Carbide devices in applications such as traction inverters and on-board chargers
- ADG** Wins with high voltage MOSFETs, VIPower products and 32-bit automotive microcontrollers for car electrification applications
- ADG** Won sockets in electric vehicle designs with legacy automotive products for domains such as body & convenience and infotainment
- ADG** Additional awards for our Stellar 28nm FD-SOI automotive microcontrollers and for our SPC5 32-bit automotive MCUs
- AMS** Expanded automotive sensor business with motion sensors in GNSS and navigation units. Ramped global shutter image sensor for an EV maker



# Q1 2021 Industrial highlights

MDG

Launched the new extreme low-power STM32U5 series, with advanced performance and cybersecurity features

MDG

Announced new STM32 Bluetooth Low Energy devices and the first STM32 Wireless Microcontroller Module

ADG

Design wins for Silicon Carbide, high voltage MOSFETs, and IGBT in a variety of industrial applications

AMS

Received awards for analog products in metering, motion control, factory automation and home appliances

AMS

Expanded our business in sensors for industrial applications with design wins for motion sensors and time-of-flight solutions



# Q1 2021 Personal Electronics highlights

AMS  
MDG

Wins in smartphones with motion sensors, multi-zone time-of-flight ranging sensors, wireless charging, touch display controllers, and secure solutions

AMS  
MDG

Designs in True Wireless Stereo headsets, smart watches, bracelets and smart shoes with sensors, analog, power products and microcontrollers

AMS

Laser Scanning for Augmented Reality (LaSAR) Alliance for augmented-reality eyewear application open for new members

AMS

Signed an agreement with a technology specialist to jointly develop ultra-compact, low-power laser-beam scanners

Personal Electronics



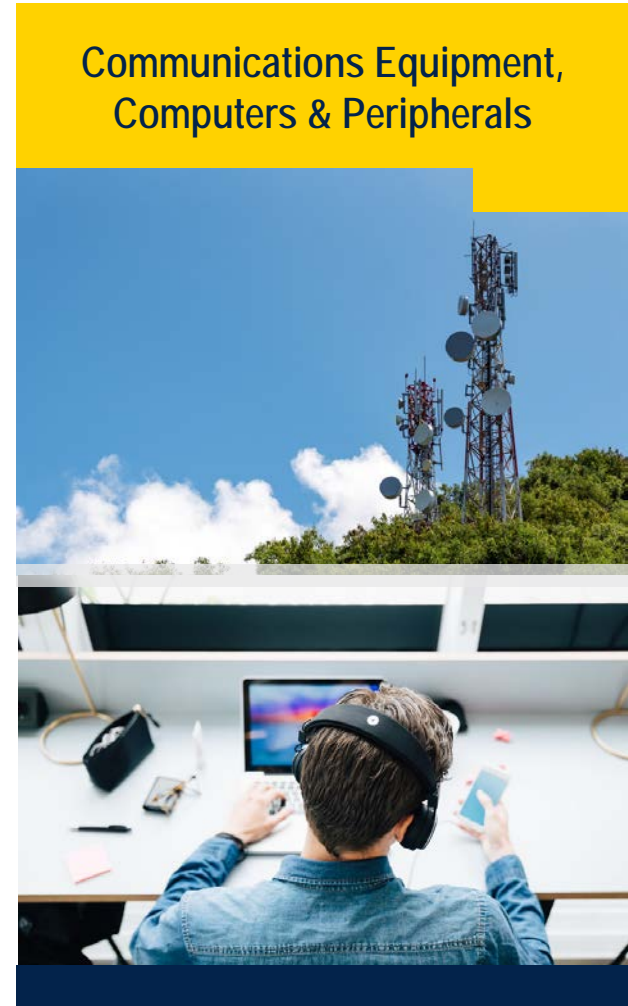
# Q1 2021 Communications Equipment, Computers & Peripherals Highlights



Received multiple RF-CMOS ASIC awards for telecommunication infrastructure



Wins with time-of-flight and motion sensors for laptops and Chromebooks





## Net Revenues

are expected to be **\$2.9B**, increasing Y/Y by 39%, at the mid-point, with growth across all product groups. This translates into a sequential decrease of 3.8%, at the mid-point, due to usual seasonality in Personal Electronics.

## Gross Margin

of about **39.5%**, plus or minus 200 bps, represents a Y/Y increase of 450 bps, mainly due to higher loading and improved efficiencies in our plants. 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 \$1.18 = €1.00 for the 2021 second quarter and includes the impact of existing hedging contracts.*

*The second quarter will close on July 3, 2021.*



# FY 2021 Plan

We will drive the Company based on a plan for FY21 revenues of \$12.1B, plus or minus \$150M. With this plan, which translates into Y/Y growth of 18.4% at the mid-point, we expect to outperform the markets we serve.

This growth is expected to be driven by strong dynamics in all end markets we address and our engaged customer programs.

We now plan to invest about \$2.0B in CAPEX to support the strong market demand and our strategic initiatives.

# Takeaways

## Q1 2021

ST showed its ability to adjust to the strong and sudden upswings in semiconductor demand. We did that working alongside our customers and partners and with the diversified and balanced approach across end markets.

We continued to focus on customers, adapting our investments to increase our manufacturing capacity to support the higher level of global semiconductor demand and our engaged customers programs.

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

## FY 2021

FY21 Plan is for revenues of \$12.1B, plus or minus \$150M. We plan to invest about \$2.0B in CAPEX, to increase our manufacturing capacity to support the strong global market demand and engaged customers programs; and to continue to run our manufacturing strategic initiatives in order to enable our future revenue growth.

On this accelerated revenue growth path, we will continue to make ST stronger, determined to achieve our strategic objectives by leveraging our balanced markets position, our focus on high growth applications and our solid product / IP Technology portfolio.

These are well supported by ST's unique internal manufacturing infrastructure, with our teams executing with discipline and flexibility, now more important than ever under these market dynamics.



# Appendix

# Historical financial performance

<i>In US\$M, except EPS</i>	Q120	Q220	Q320	Q420	FY20	Q121
<b>Net Revenues</b>	2,231	2,087	2,666	3,235	10,219	3,016
<b>Gross Margin</b>	37.9%	35.0%	36.0%	38.8%	37.1%	39.0%
<b>Operating Income</b>	231	106	329	657	1,323	440
<b>Operating Margin</b>	10.4%	5.1%	12.3%	20.3%	12.9%	14.6%
<b>Net Income – Reported</b>	192	90	242	582	1,106	364
<b>EPS Diluted (\$/share)</b>	0.21	0.10	0.26	0.63	1.20	0.39
<b>Free Cash Flow*</b>	113	28	(25)	512	627	261
<b>Net Financial Position*</b>	668	570	662	1,099	1,099	1,185
<b>Effective Exchange Rate €/\$</b>	1.11	1.10	1.13	1.16	1.13	1.19

\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important. 20

# 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 revenue. 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	Q320	Q420	FY20	Q121
Unused Capacity Charges	34	64	38	17	153	2
Impairment & Restructuring Charges	5	4	2	(1)	11	-

# Thank you

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