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STMicroelectronics Q2 2022 Financial Results

July 28, 2022

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, military conflicts, (including the military conflict between Russia and the 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;*
- 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 (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 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 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 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 commitment to be carbon neutral by 2027;*
- potential loss of key employees and potential inability to recruit and retain qualified employees as a result of 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 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 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, 2021 as filed with the SEC on February 24, 2022. 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 Securities and Exchange Commission filings, could have a material adverse effect on our business and/or financial condition.

Highlights

**Q2
2022**

- Net revenues and gross margin came in above the mid-point of our business outlook range, driven by continued strong demand for our product portfolio,
- Net revenues of \$3.84B were up 28.3% Y/Y and 8.2% Q/Q,
- Gross margin was 47.4%, up from 40.5% in Q221, our operating margin was 26.2% from 16.3% in Q221,
- Net income doubled Y/Y to \$867M.

**H1
2022**

- Net revenues increased 22.9% Y/Y to \$7.38B, driven by growth in all three product groups, as well as all sub-groups,
- Operating margin was 25.5% and net income was \$1.61B.

**Q3
2022**

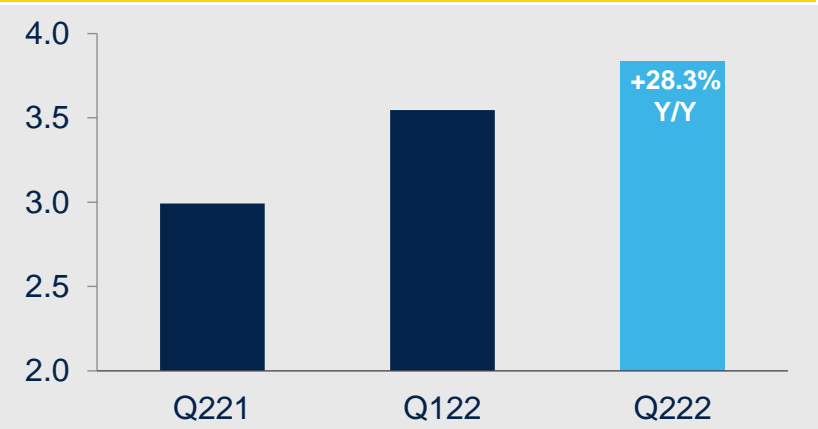
- Outlook at mid-point is for net revenues of \$4.24B, representing an increase of 32.6% Y/Y and 10.5% Q/Q,
- Gross margin expected to be about 47.0% at the mid-point.

**FY
2022**

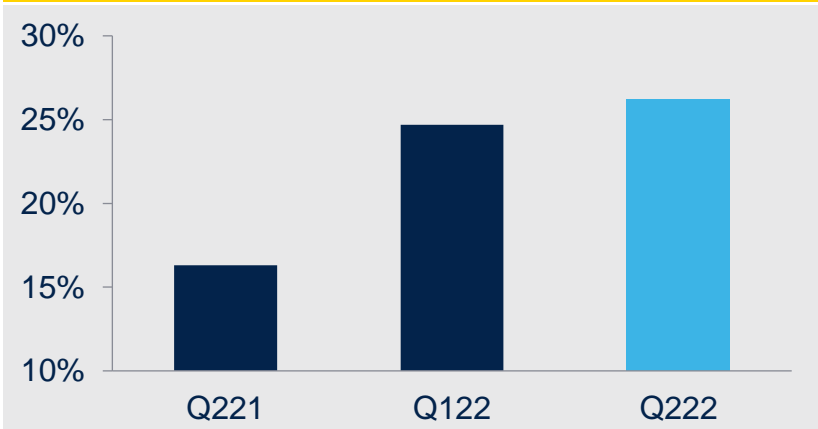
- We will now drive the Company based on a plan for FY22 revenues in the range of \$15.9B to \$16.2B, above the high-end of our previous expectation. We now anticipate gross margin to be about 47.0% for the full year.

Q2 2022 Financial highlights

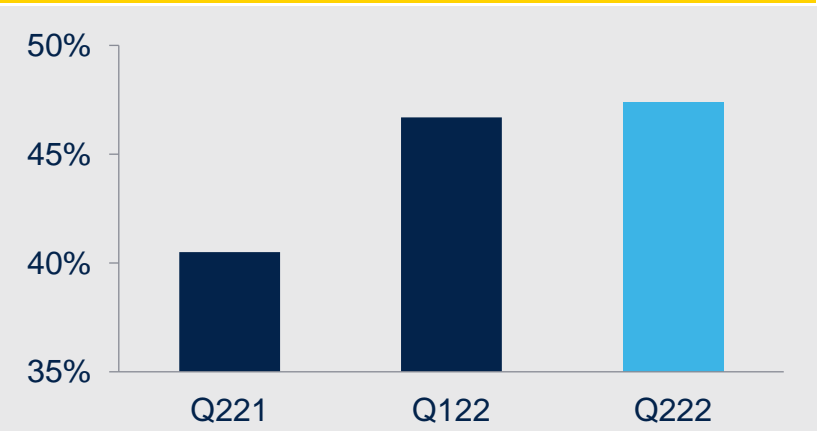
Revenues = \$3.84B



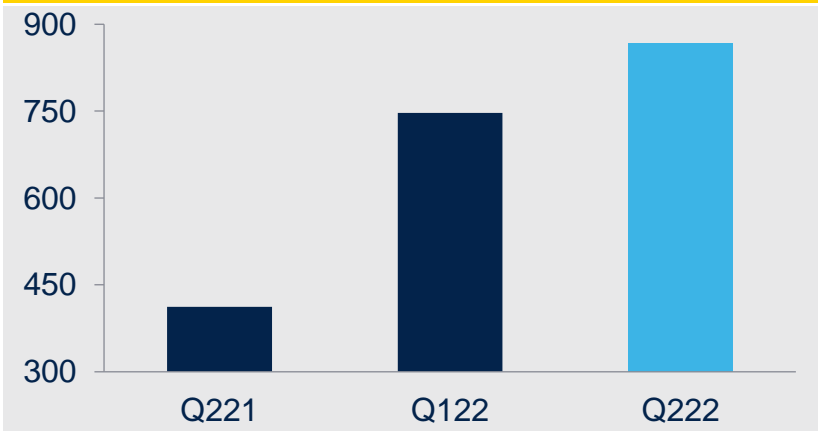
Operating Margin = 26.2%



Gross Margin = 47.4%

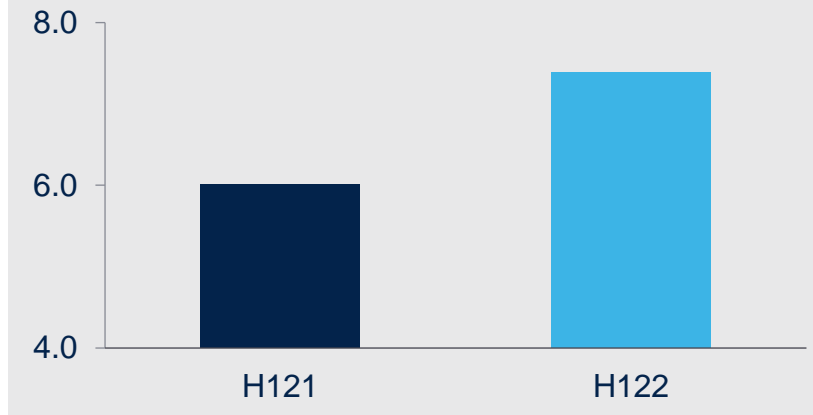


Net Income = \$867M

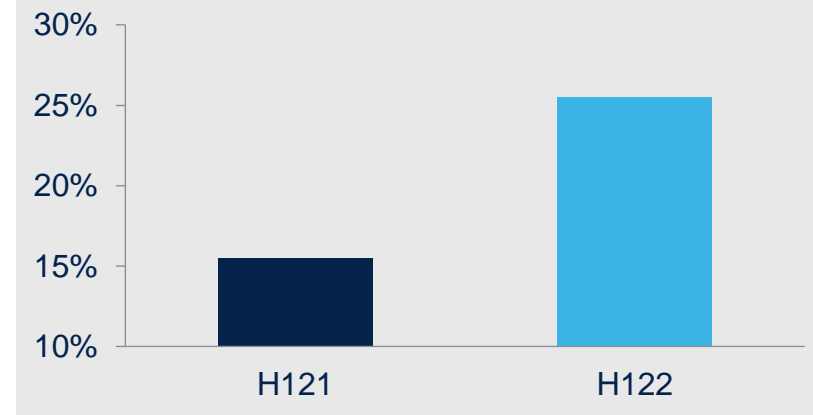


H1 2022 Financial highlights

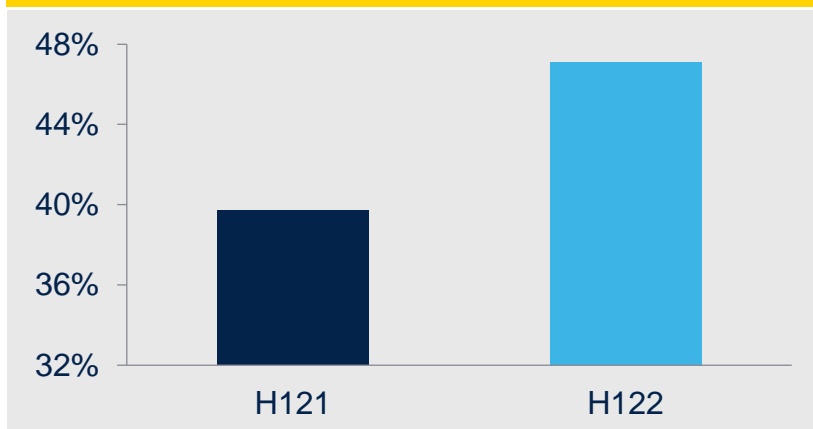
Revenues = \$7.38B



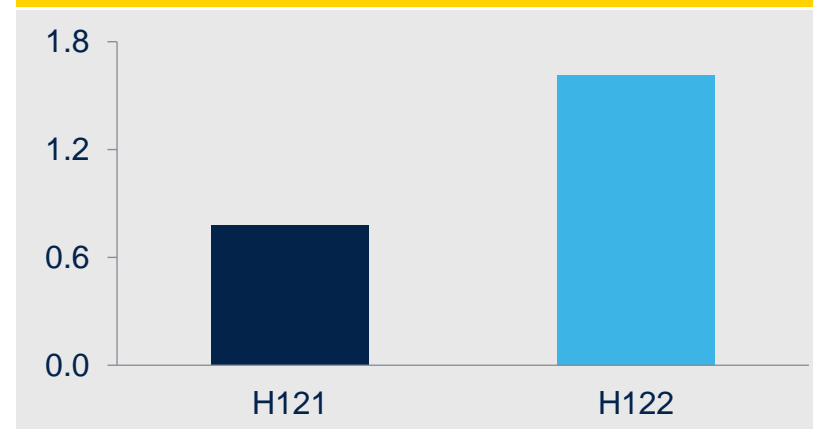
Operating Margin = 25.5%



Gross Margin = 47.1%

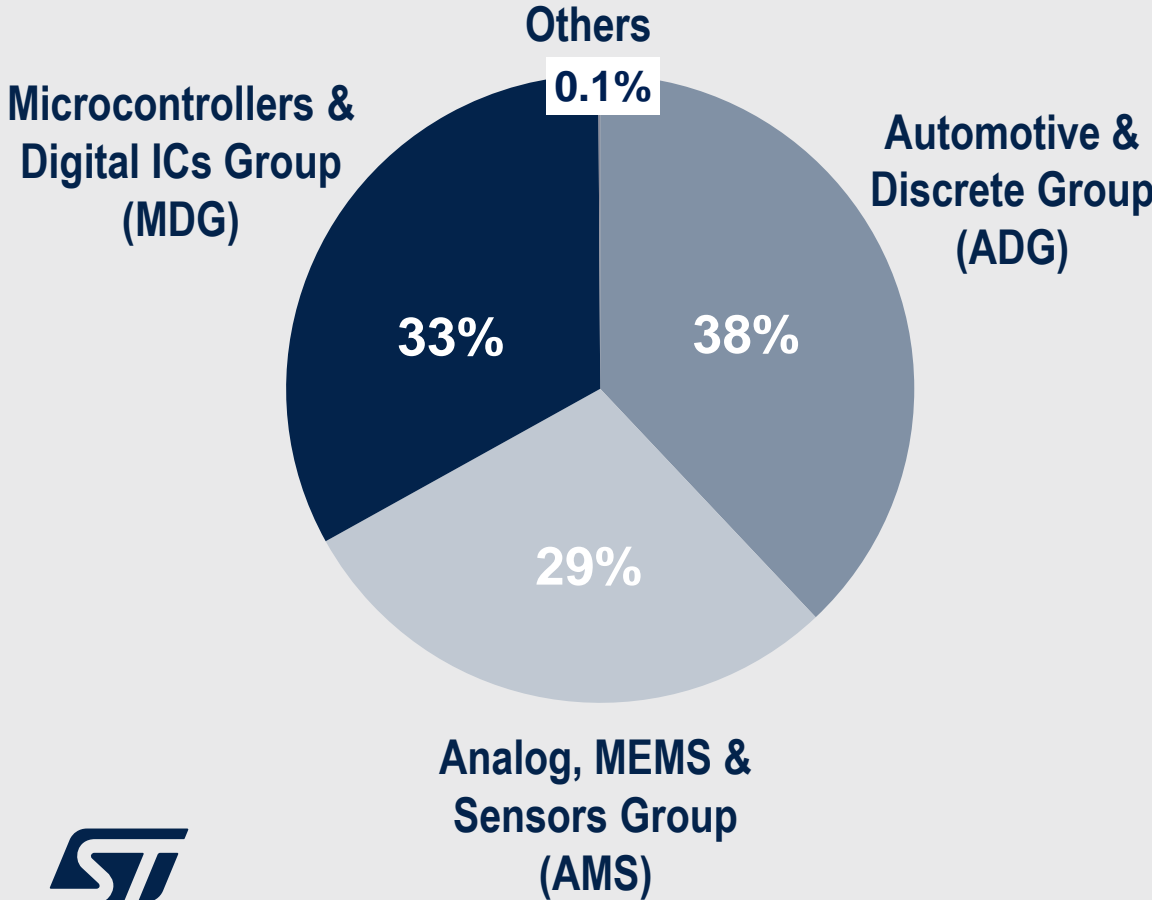


Net Income = \$1.61B

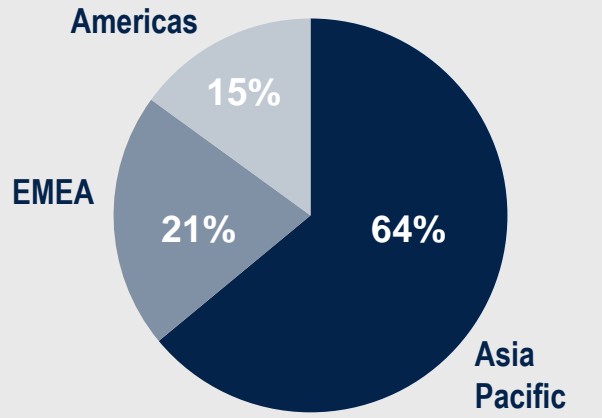


Q2 2022 Revenues

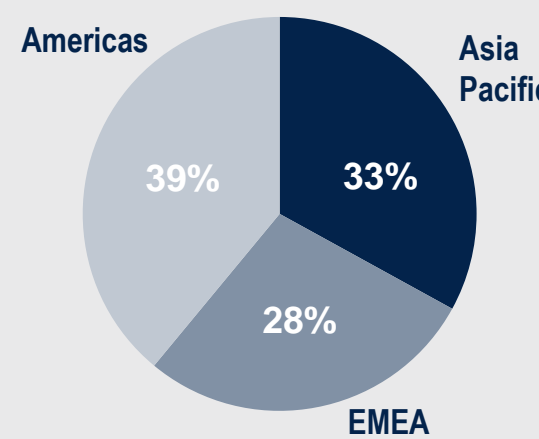
% by product group



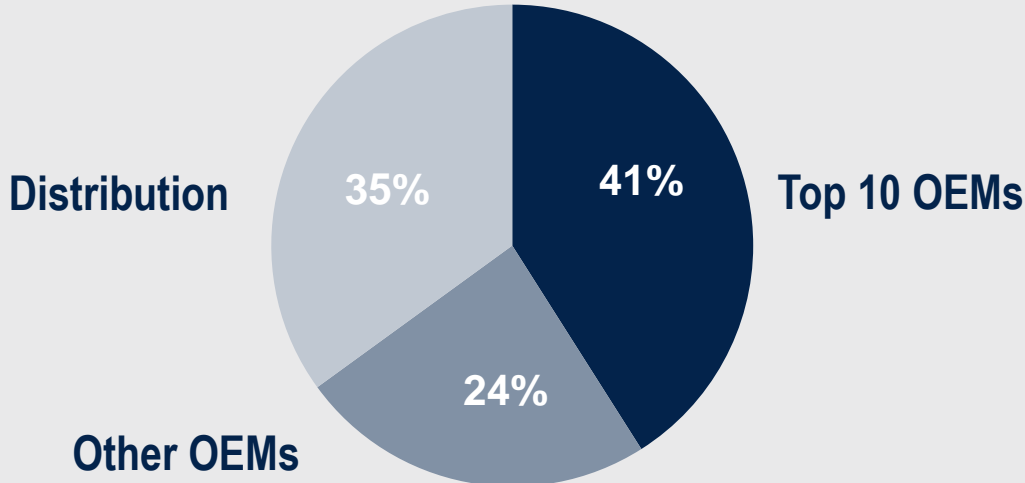
% by shipment location



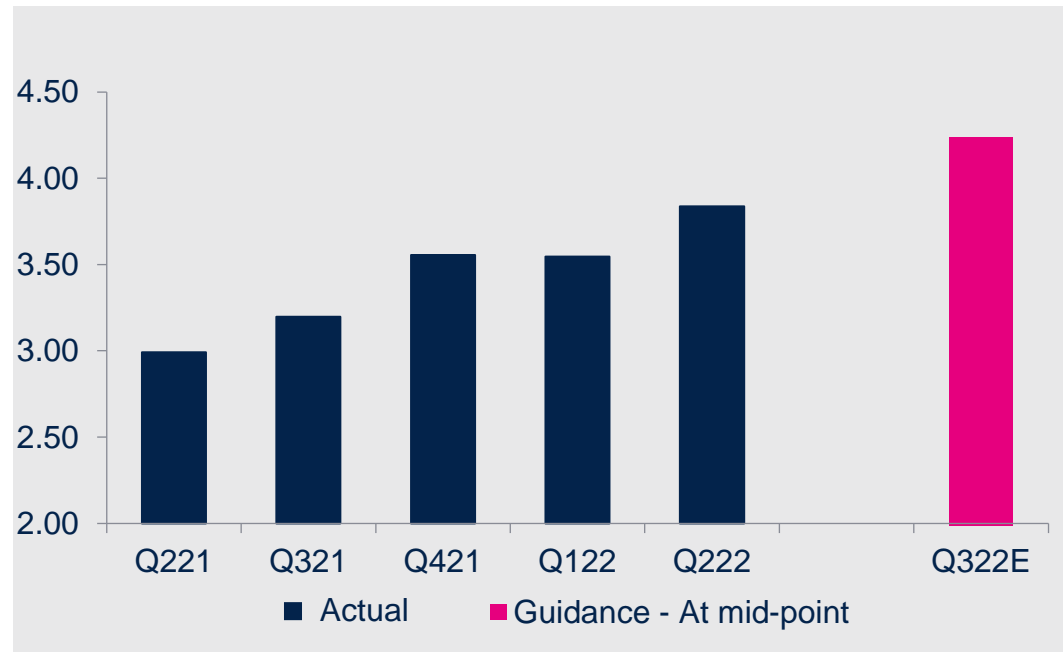
% by region of origin



% by customer type



Q222 Revenues = \$3.84B



Q222 revenues up 28.3% Y/Y

- The Company recorded higher net sales in its three product groups as well as all sub-groups;
- Revenues to OEMs and Distribution increased 31.7% and 22.2%, respectively.

Q222 revenues up 8.2% Q/Q

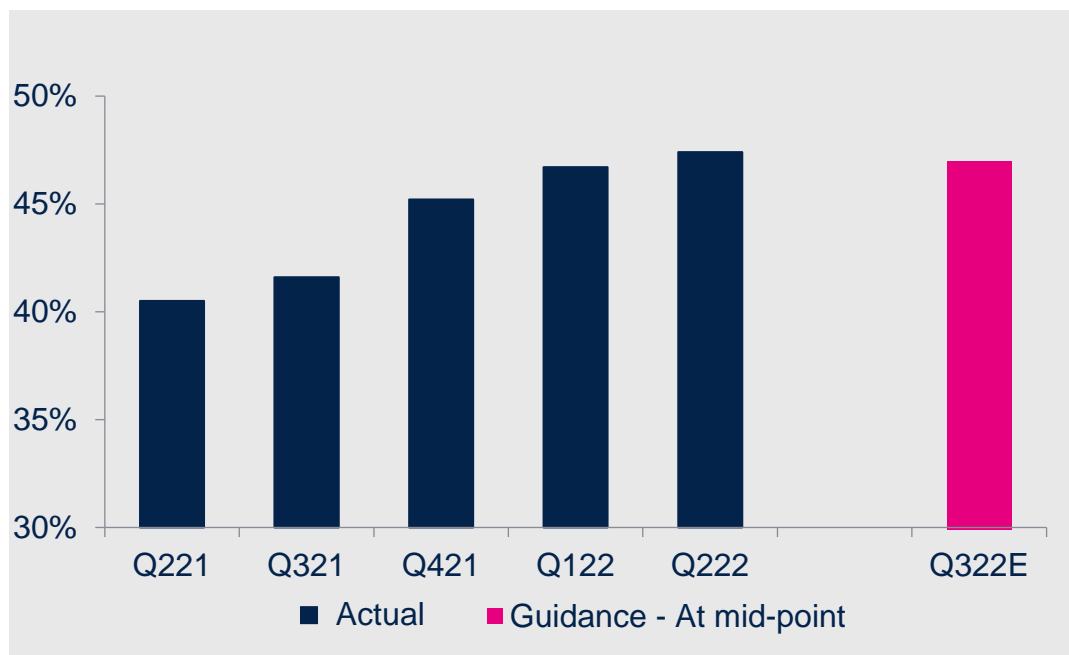
- 240 bps above the mid-point of the Company's guidance;
- All three product groups reported increases in net revenues.

Q322 Revenues Outlook

Up Q/Q by about 10.5% (+/- 350 bps)
Up Y/Y by about 32.6% at mid-point

Gross margin

Q222 Gross Margin = 47.4%



Q222 Gross Margin

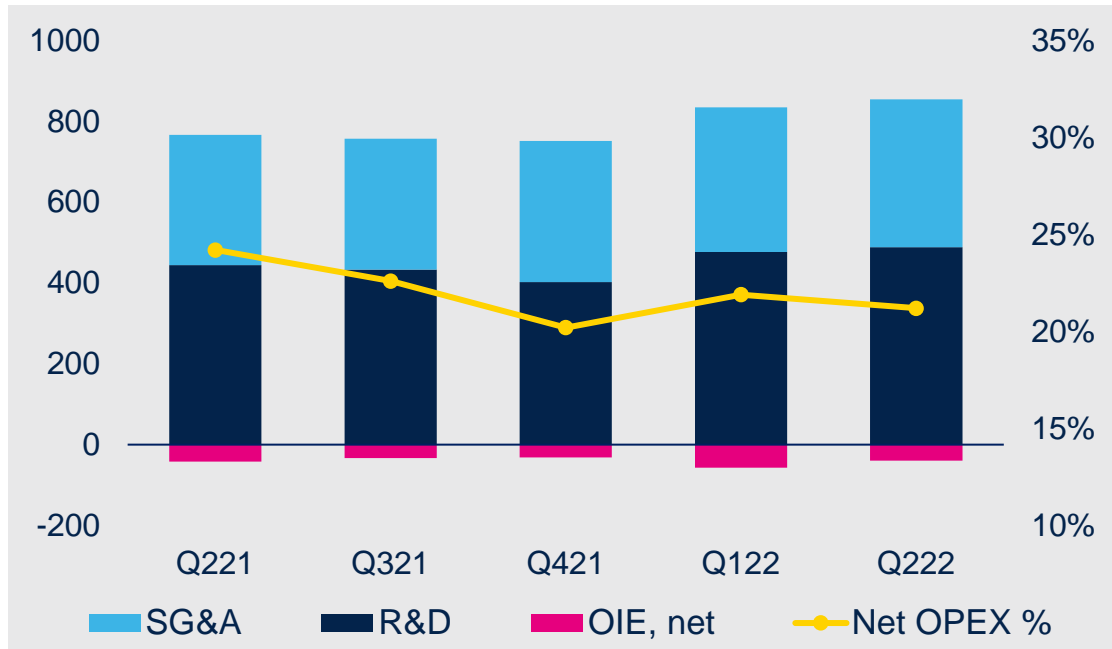
- Up 690 bps Y/Y principally due to favorable pricing and improved product mix partially offset by inflation of manufacturing input costs;
- Up 70 bps Q/Q;
- 140 bps above the mid-point of the Company's guidance.

Q322 Gross Margin Outlook

About 47.0% (+/- 200 bps)

Net operating expenses (*)

Q222 Net Operating Expenses = \$815M



Combined SG&A and R&D at \$855M

- 22.3% of revenues.

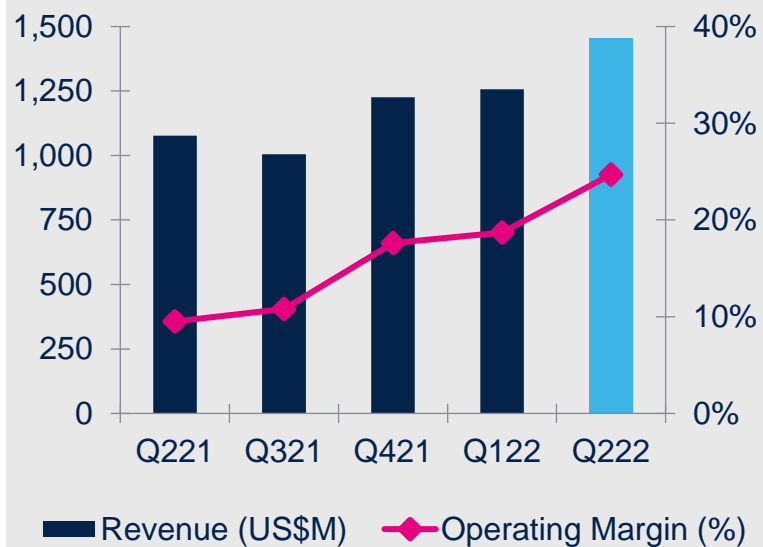
Net Operating Expenses at \$815M

- 21.2% of revenues.

Q2 2022 Product group results

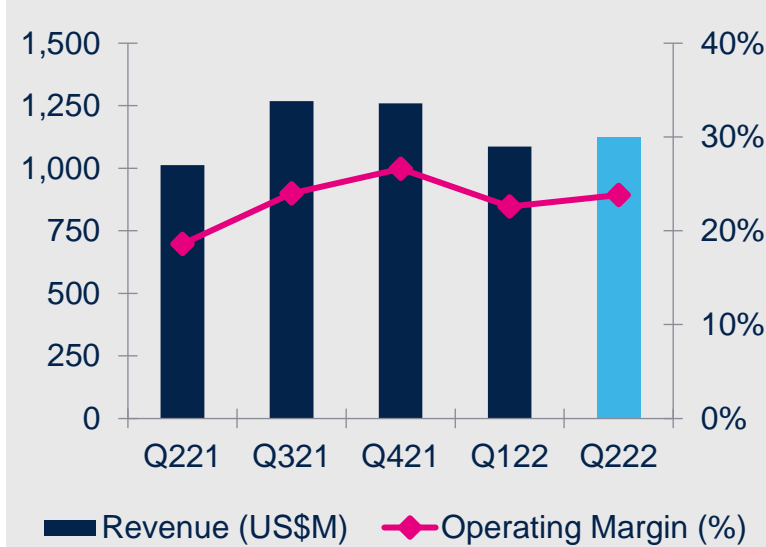
Automotive & Discrete (ADG)

Revenues = \$1,454M
Operating Margin = 24.7%



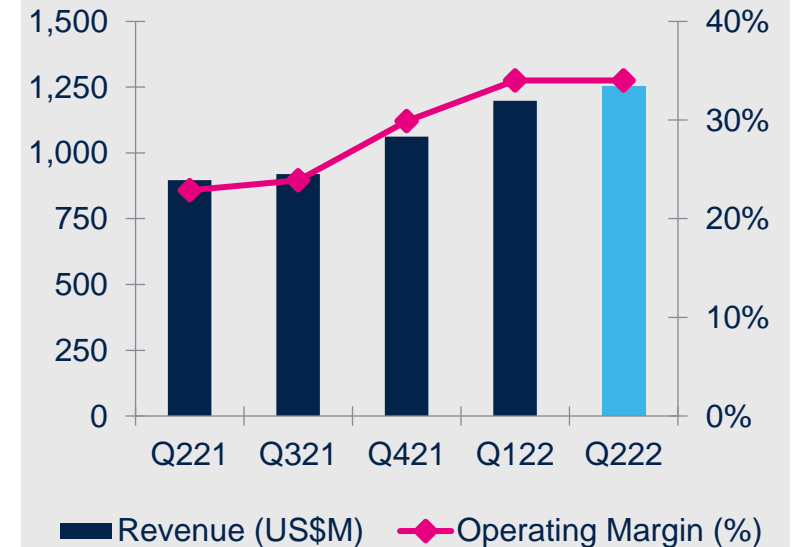
Analog, MEMS & Sensors (AMS)

Revenues = \$1,127M
Operating Margin = 23.8%



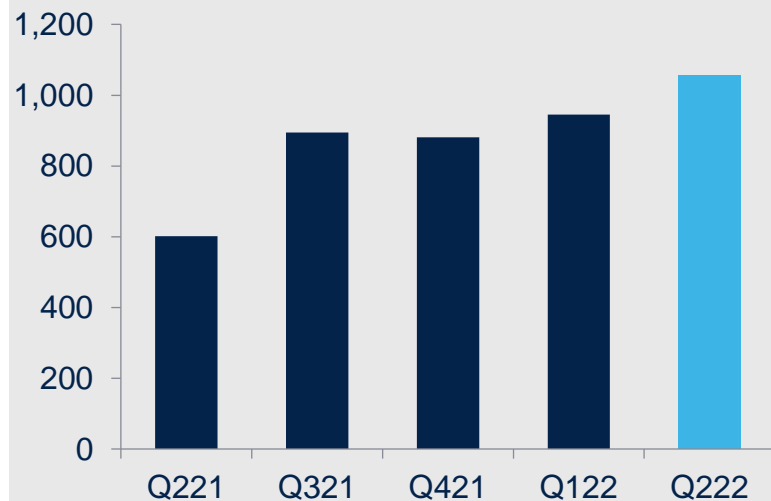
Microcontrollers & Digital ICs (MDG)

Revenues = \$1,251M
Operating Margin = 34.0%

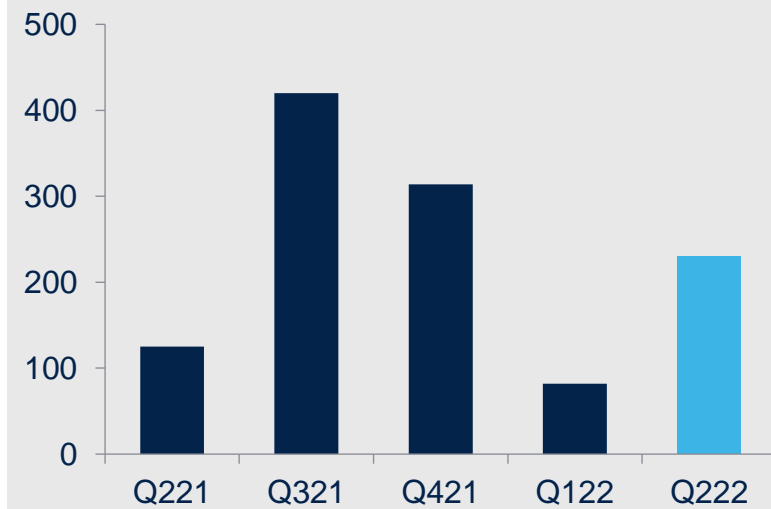


Q2 2022 Financial flexibility

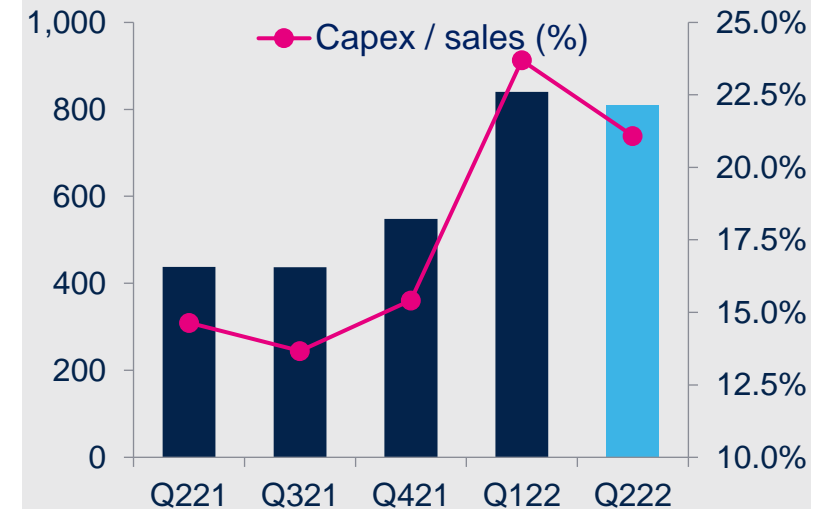
Net Cash From Operating Activities = \$1,056M



Free Cash Flow* = \$230M



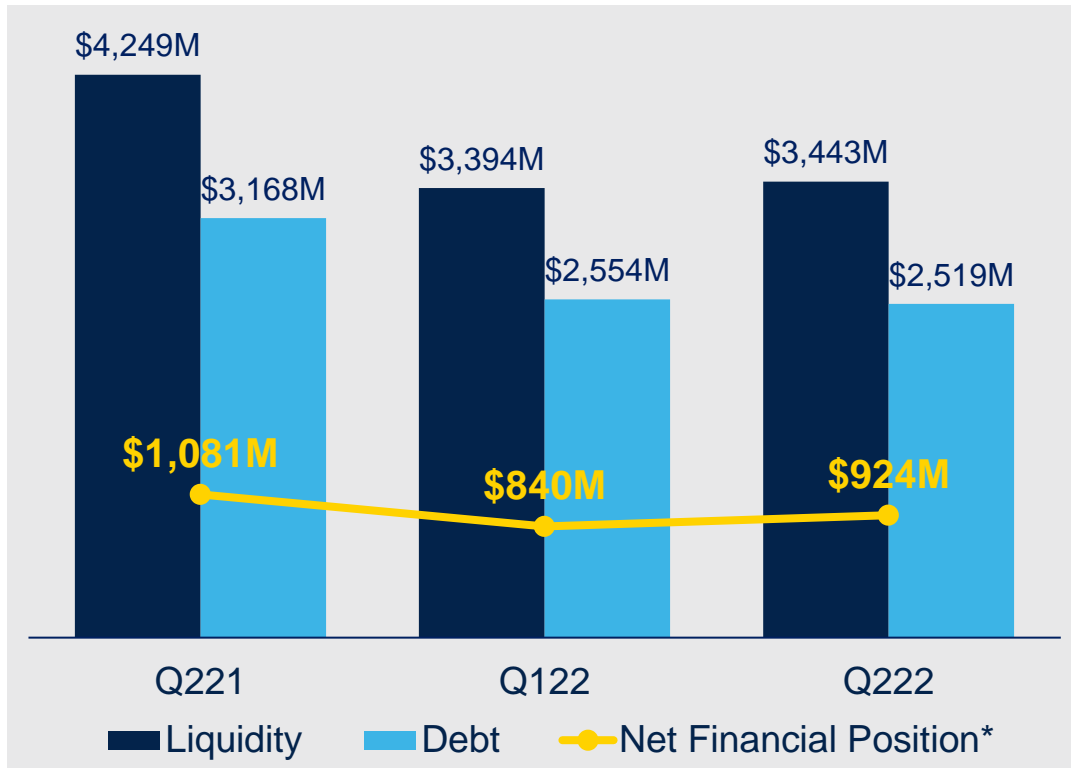
Capex = \$809M



Cash dividends paid to stockholders totaled \$54M in Q222.

In Q222 we repurchased shares totaling \$87M as part of our current share repurchase program.

Solid capital structure



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

Q122 and Q222 Net Financial Position includes a \$107M increase in long-term debt following the adoption on January 1, 2022 of the new U.S. GAAP reporting guidance related to convertible debt.

ST is well within investment grade with a Stable Outlook from Moody's, S&P and Fitch.

Q2 2022 Automotive highlights

ADG

Power discrete wins with Gen3 SiC MOSFET dice with a module maker, ACEPACK power modules, and rectifiers, ultrafast & SiC diodes

ADG

Won sockets for power-management ICs in on-board chargers, DC-DC conversion, and electronic parking brake applications

ADG

Announced a new cooperation model with the Volkswagen group for our next generation Stellar microcontroller family

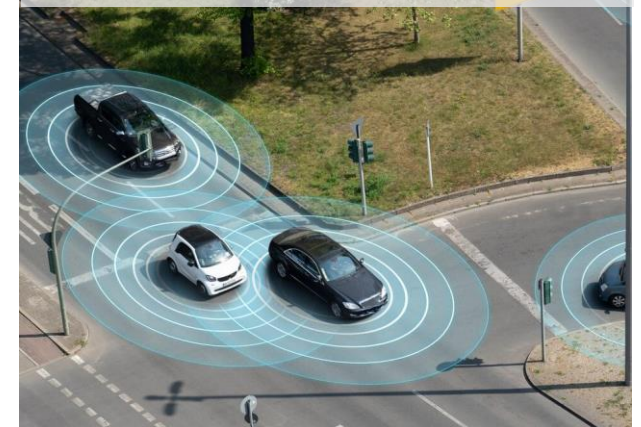
AMS

Multiple wins for devices in our 6-axis Automotive sensor family, including our embedded Machine Learning Core sensors

AMS

Major OEM-program design-wins for our automotive global shutter product family

Automotive



Q2 2022 Industrial highlights

In **B2B industrial**, design wins with intelligent power switches, industrial sensors, high and low voltage MOSFETs, wireless charging solutions, and our STM32 embedded processing solutions

ADG

AMS

MDG

In **consumer industrial**, design wins in applications such as major home appliances, power tools, cleaning robots, consumer power supplies, point of sales terminals, and building A/C systems

In **specialized industrial** (Healthcare), announced the incorporation of an NFC tag into a connected syringe by NP Plastibell

MDG

Announced enhancements to the STM32 ecosystem - upgraded security offer with Amazon Web Services, extended support for Microsoft Azure RTOS, and additions to our NanoEdge AI Studio

Industrial



Q2 2022 Personal Electronics highlights

AMS
MDG

Won sockets in new flagship smartphones with motion and environmental sensors, time-of-flight ranging sensors, touch display controllers, and secure solutions

AMS

Wins in flagship smartphones and smart watches with our wireless charging solutions

Personal Electronics



Q2 2022 Communications Equipment, Computers & Peripherals Highlights

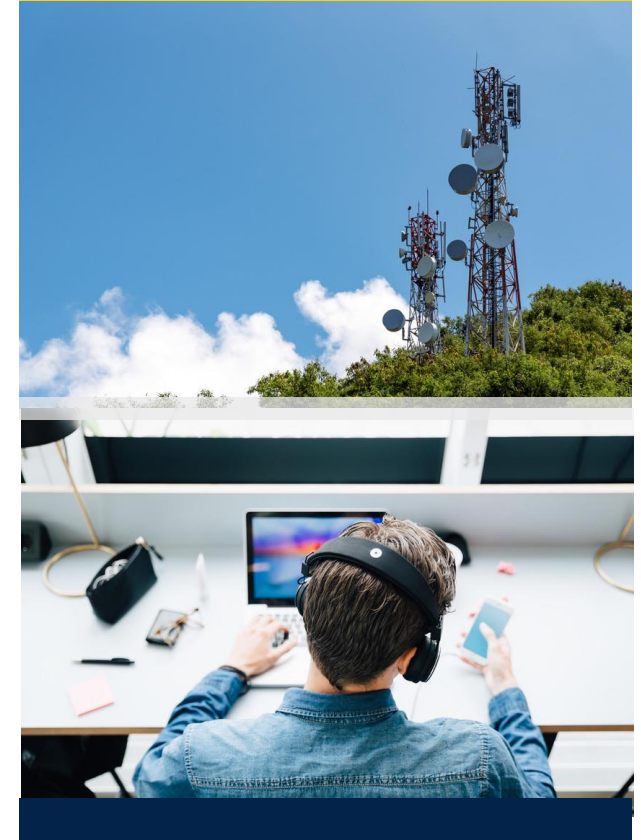
AMS

Wins with pressure sensors for hard disks, time-of-flight sensors for laptops, & MasterGaN for high-power-density charging adaptors

MDG

Continued to progress well with key customers engagements in cellular and satellite communication infrastructure

Communications Equipment,
Computers & Peripherals



Q3 2022 Outlook

Net Revenues

Q322 outlook, at the mid-point, is for net revenues of **\$4.24B**, growing 32.6% Y/Y and 10.5% Q/Q, plus or minus 350 bps.

Gross Margin

Gross margin is expected to be about **47.0%**, plus or minus 200 bps.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.09 = €1.00 for the 2022 third quarter and includes the impact of existing hedging contracts.

The third quarter will close on October 1, 2022.

FY 2022 Plan

We will now plan to drive the Company based on 2022 net revenues in the range of \$15.9B to \$16.2B, representing growth of about 25% to 27%.

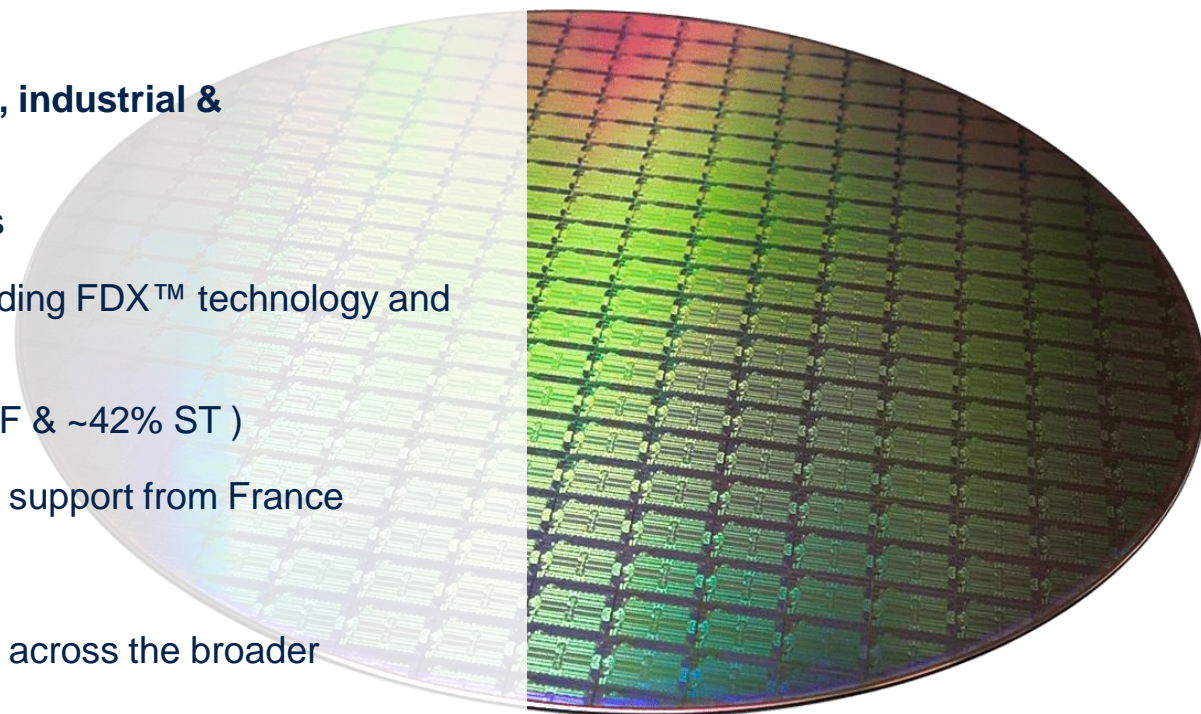
This plan includes a gross margin of about 47.0%.

We confirm our 2022 capex investment of \$3.4B to \$3.6B.

ST & GlobalFoundries announcement - Key points

ST and GlobalFoundries have signed an MOU* to create a new 300mm semiconductor manufacturing facility adjacent to ST's existing 300mm facility in Crolles, France

- Creating a new **high-volume manufacturing facility** to support European and global customers' demand as the world transitions to digitalization and decarbonization
- Designed to meet the needs of all end-markets **including automotive, industrial & communications** for the next few decades
- A **jointly-operated facility** adjacent to ST's existing facilities in Crolles
- Supporting a **broad range of technologies** including GF's market-leading FDX™ technology and ST's comprehensive technology roadmap down to 18 nm
- Capacity at **full build-out** up to 620,000 wafers per year and (~58% GF & ~42% ST)
- A **multi-billion-euro** collaborative investment, with significant financial support from France
- Contributing to the objective of the European Chips Act
- Generating **additional employment** of ~1,000 fab staff as well as jobs across the broader ecosystem



ST & GF - Sustainable manufacturing

ST and GF run ambitious programs to make their fabs the cleanest in the semiconductor industry

All ST factories as well as all GF fabs (including GF Dresden) are ISO certified for environmental and energy management

Targets for the new facility

Energy consumption and GHG emissions: 10 to 20 times less emissive in terms of greenhouse gases than similar facilities

Air quality: Using the latest and highest standards to reduce solvent air emissions

Water quality: Additional liquid waste treatment plant to manage the treatment of wastewater. Target reuse of > 50% of the water used

Takeaways

Our Q2 financial results, and plan for the FY22, are aligned with ST's strategic focus on core business and high-growth areas.

We continue to leverage our early investments in Smart Mobility, Power and Energy Management, and IoT & Connectivity. We are building on the unique strengths of our Integrated Device Manufacturer model complemented by partnerships with foundries and suppliers, customer relationships and our established end-market and application strategy. These initiatives will support the \$20B+ revenue ambition we outlined at our Capital Markets Day.

Appendix

Historical financial performance

<i>In US\$M, except EPS</i>	Q121	Q221	H121	Q321	Q421	FY21	Q122	Q222	H122
Net Revenues	3,016	2,992	6,008	3,197	3,556	12,761	3,546	3,837	7,383
Gross Margin	39.0%	40.5%	39.7%	41.6%	45.2%	41.7%	46.7%	47.4%	47.1%
Operating Income	440	489	929	605	885	2,419	877	1,004	1,881
Operating Margin	14.6%	16.3%	15.5%	18.9%	24.9%	19.0%	24.7%	26.2%	25.5%
Net Income – Reported	364	412	776	474	750	2,000	747	867	1,614
EPS Diluted (\$/share)	0.39	0.44	0.84	0.51	0.82	2.16	0.79	0.92	1.70
Free Cash Flow*	261	125	387	420	314	1,120	82	230	312
Net Financial Position*	1,185	1,081	1,081	798	977	977	840	924	924
Effective Exchange Rate €/€	1.19	1.19	1.19	1.19	1.17	1.18	1.15	1.12	1.13

Appendix

- **Net financial position (non-U.S. GAAP measure):** Net Financial Position, a 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. 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, 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. 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 net 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 (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:** 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 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)	Q121	Q221	H121	Q321	Q421	FY21	Q122	Q222	H122
Unused Capacity Charges	2	-	2	14	-	16	9	13	21
Impairment & Restructuring Charges	-	(2)	(2)	1	4	2	-	-	-

Our technology starts with You

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