

# STMicroelectronics NV

Europe Satellite\*

Recommended since 16.01.2020

17.09.2024



<b>Country</b> FR	<b>Market capitalization (bn)</b> EUR 22,6	<b>Perf. since reco. (%)</b>
<b>Sector</b> Technology	<b>Free float</b> 70,7%	STMicroelectronics NV 0,4
<b>Factset</b> STMPA-FR	<b>Closing price</b> EUR 24,89	Sector 42,8
<b>ISIN</b> NL0000226223	<b>ESG Risk score*</b> 16,6 Low risk	



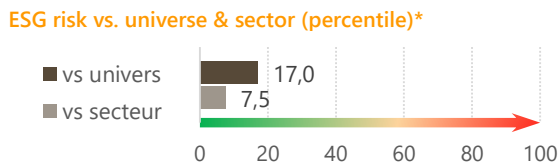
**Profile**  
STMicroelectronics (ST) is one of the world's 10 largest semiconductor producers in terms of turnover. Formed in 1987 (a merger between SGS Microelectronica and the civilian semiconductor business of Thomson Semiconducteurs), the Group has undergone a long restructuring phase since 2012. In terms of products, ST offers a wide range (analog, digital, mixed-signal, microelectromechanical system (MEMS) devices, etc.) on diversified markets (telecoms, automotive, industry, consumer products, etc.). The largest customer is Apple (approximately 25% of turnover). Three business segments: MDG (Microcontrollers & Digital ICs Group) for 35% of turnover, ADG (Automotive & Discrete Group) for 35%, and AMS (Analog, MEMS, Sensors) for 30%.

- |                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strengths/opportunities</b>                                                                                                                                                                                                                                                                                               | <b>Weaknesses/threats</b>                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>A large customer portfolio and strong links with the most important ones.</li> <li>Diversified technologies (a leading company for ADAS, 3D, SiC, ...).</li> <li>Wide opportunities for 5G telecoms, Internet of Things, automotive (connected, electric/hybrid vehicles).</li> </ul> | <ul style="list-style-type: none"> <li>Significant exposure to consumer electronics and automotive markets.</li> <li>Track record and financial strength more limited than peers.</li> <li>Increased competition in some markets (e.g. 3D sensors).</li> </ul> |

**Investment case**

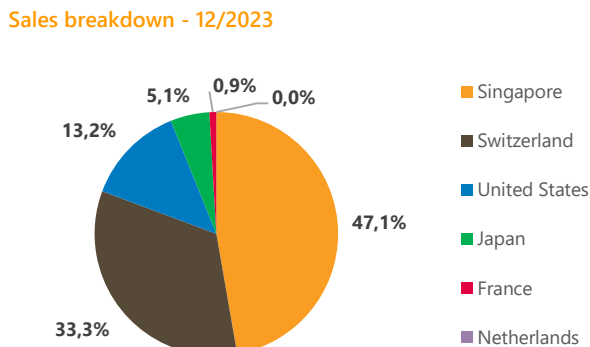
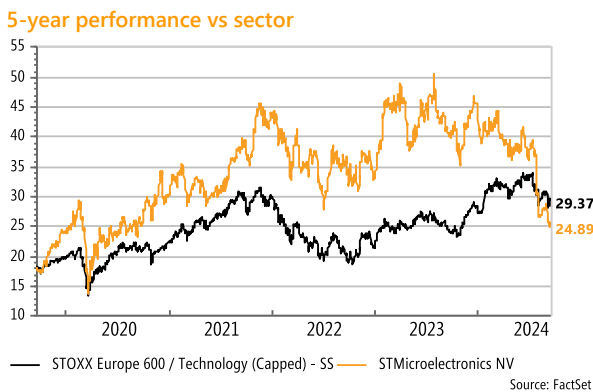
- STMicroelectronics continues to deliver solid results, although slightly below expectations due to a more challenging market environment. Key segments like industrial and automotive, which had seen strong growth in recent years, are now experiencing a period of inventory destocking in the former and a slow recovery in the latter.
- Despite this, STMicro remains capable of delivering robust results thanks to its competitive positioning and a strong business mix, particularly in new materials like silicon carbide (SiC) and gallium nitride (GaN). The ambitious goals set at the May 2022 Capital Markets Day, such as reaching \$20 billion in revenue by 2025-2027 and a 50% gross margin, have been significantly revised downward (now targeting \$15 billion in revenue for 2026e and a 47% gross margin).
- New technologies and materials open doors to potential major opportunities: imaging (in smartphones and consumer electronics), structural growth in industry, and especially new automotive applications (transition to electric or hybrid vehicles, ADAS driver assistance systems, etc.). The Internet of Things (leveraging numerous sensors, smart cities, connected cars) and 5G (the ongoing rollout of 5th-generation mobile networks) also represent attractive prospects for ST.

**Valuation**  
ST is one of the cheapest semiconductor stocks in the industry. The valuation is attractive with a PER 2024e 16x. STMicro is at a slight discount to its peers due to the risk of "Apple" (c. 15% of sales in 2021).



USD	12/2023	2024e	2025e
Sales revenue (mio)	17 286	13 407	14 742
Sales growth	35,5%	-22,4%	10,0%
EBIT adjusted (mio)	4 429	1 675	2 361
% of sales	25,6%	12,5%	16,0%
Net income (mio)	4 211	1 575	2 121
Net income growth	110,5%	-62,6%	34,6%
FCF/Sales	8,3%	4,5%	6,0%
Net debt/Ebitda	-0,5x	-0,9x	-0,9x
Dividend yield	1,3%	1,0%	1,1%
PE	11,2x	16,5x	12,1x
P/BV	2,7x	1,4x	1,3x

- ESG - risks and key points**
- ST is classified as "low risk" in terms of ESG. No controversies.
  - Natural resources: The semiconductor sector uses a large volume of water (and even ultra-pure water). Water is 45% recycled.
  - Human Resources: The level of R&D involves key personnel. Each employee receives an average of 47 hours of training per year.
  - Product governance: Respect for intellectual property is crucial in this segment. ST shares sensitive R&D information with some 160



\*: see overleaf

Source: Factset, Sustainabilitytics

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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