

DESK NOTE

26.02.2025

STMicroelectronics N.V. (STMPA FP) – *AWS Chip and Automotive/Industrial Demand Recovery Signal Upside*

Conclusive Summary: We recommend a strategic entry into STM at €25, given its favorable risk-reward profile at those levels.

The recent collaboration with AWS for a silicon photonics chip presents a significant long-term growth opportunity, with potential annual revenue contributions of about \$100-300 million (~2% of 2024 Revenue) in the short-term and \$3 billion in the medium to long-term (~20% of 2024 Revenue), based on our estimates, which could also drive higher valuation multiples. The current market estimates project modest revenue growth through FY29, which we see as an opportunity for positive surprises, combined with the expected recovery in industrial and automotive demand in 2H25 could provide additional upside. With strong fundamentals, a solid cash position and multiple partnerships in high-growth markets like AI-driven silicon photonics and EV power semiconductors, STM remains well-positioned for a rebound in the coming quarters.

Competitive Position: competes with major semiconductor companies like Infineon, NXP, Texas Instruments, and Renesas across multiple product categories, including automotive, analog, MEMS, and microcontrollers. The company stands out with its expertise in advanced semiconductor technologies like silicon carbide (SiC) and gallium nitride (GaN) for power applications, as well as MEMS sensors and FD-SOI for energy-efficient chips. As an integrated device manufacturer (IDM), STM controls its own supply chain, ensuring reliability for key customers like Apple, Tesla and Bosch. Despite industry challenges such as pricing pressures, geopolitical risks, and competition from large foundries like TSMC, STM's strong foothold in high-growth sectors—including electric vehicles (EVs), industrial automation, and 5G—positions it well for sustained long-term growth.

Valuation: Using a combination of multiple and DCF valuation, we reach a blended target price (TP) of €36, +42% above current levels. We expect SBLK to trade at multiples above industry peers due to its superior cash flows and financial position. The stock is trading at the 1 standard deviation below its 5-year EV/Rev and P/BV multiples and mid and upper end of its 5-year multiple averages and 3 standard deviations above its 5-year P/FCF multiples, but still below industry averages. We recommend adding STMPA at €25 for a solid upside potential.

Ticker: STMPA FP

Previous day close price: €25.31

Price range (52w.): €20.67 - €44.58

Reason for note: Event

Target price: €36 (+42% upside)

Recommendation: **Buy@€25**

Description: STMicroelectronics N.V. (STM) is a global semiconductor leader, designing, manufacturing, and marketing semiconductor solutions. It operates as an integrated device manufacturer (IDM), controlling its entire supply chain. Headquartered in Schiphol, Netherlands, with key offices in Geneva, Switzerland, STM employs over 50,000 people and serves 200,000+ customers across diverse industries. STM generates revenue through semiconductor sales across four key end markets: **Automotive, Industrial, Personal Electronics & Communication Equipment, and Computers & Peripherals**. Key customers include Apple (12% of Revenue), Tesla (5%), Bosch (4%), and Samsung (4%). It utilizes direct OEM sales, third-party distributors, long-term supply agreements, and technology licensing. STM operates in two segments:

- **Analog, Power & Discrete, MEMS & Sensors** (60% of Revenue)
- **Microcontrollers, Digital ICs & RF Products** (40% of Revenue)

Andreas Eliades, ae@dprginvestment.com
Sergey Malygin, CFA, sm@dprginvestment.com
Tel: +357 223 22030

Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	2.5	11,711	29,278	-3,231	32,509	898	€36.19
EV/EBITDA	11.0	2,664	29,307	-3,231	32,538	898	€36.23
P/BV	2.5	18.61				898	€46.53
Avg. Multiple Price							€39.65
Avg. DCF Price							€33.34
Avg. Multiple & DCF Price							€36.50

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Earnings Preview:

STMPA	Expected Next Report Date		Next FY End		Review Date
STMICROELECTRONICS NV	4/25/2025	?	12/31/2025		2/26/2025
Targets	DPRG	36	Street	26.01	
Current Price/ Upside	25.31	42.3%		2.8%	
Earnings Q Review					
Last Q Report	1/30/2025		Quarterly		
Last Close	Q4	2024:A	Q4	Prev Quarter	Year Ago
25.805					
	Comparable	% Surprise	As reported		
Sales, € mil.	3,321	0.50%	3,321	3,251	4,282
			growth	2.2%	-22.4%
EBITDA, € mil.	820	6.79%	820	821	1,437
			growth	-0.1%	-42.9%
Net Income, € mil.	341	3.69%	341	351	1,076
			growth	-2.8%	-68.3%
EPS, €	0.37	5.11%	0.37	0.37	1.14
			growth	-1.1%	-67.5%
Valuation	Current	-1STD	Average 2Y	+1STD	%STD
EV to Forward 12M Sales	1.78	1.73	2.07	2.42	-87%
EV to Forward 12M EBITDA	7.92	5.94	6.64	7.34	183%
Price to Forward 12M EPS	28.03	10.25	13.99	17.72	376%
EV/Sales	Slightly Underpriced				
EV/EBITDA	Overpriced				
PE	Overpriced				
Total Rating on Valuation	Overpriced				
Company Guidance	1Q25	4Q24	1Q24	Date of Guidance	
Sales	2,510	3,321	4,282		1/30/2025
	growth	-24.4%	-41.4%		
Gross Margin	33.8%	37.8%	45.5%		

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