

STM

Sector: Industrials

NEUTRAL

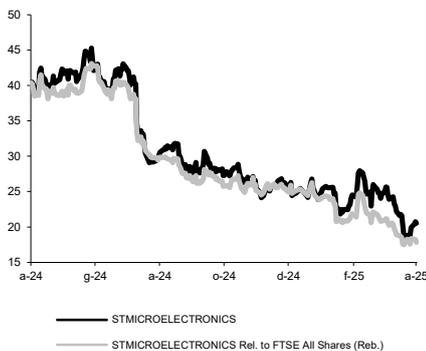
Price: Eu18.05 - Target: Eu19.50

Staying on the Sidelines as Visibility on 2H Recovery Fades

 Gianluca Bertuzzo +39-02-77115.429
 gianluca.bertuzzo@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 23.70 to 19.50		
	2025E	2026E	2027E
Chg in Adj EPS	-22.7%	-16.5%	-10.3%

STM - 12M Performance



Stock Data			
Reuters code:	STMMI.MI		
Bloomberg code:	STMMI IM		
Performance	1M	3M	12M
Absolute	-16.4%	-17.5%	-49.1%
Relative	-9.8%	-18.1%	-56.7%
12M (H/L)	41.73/16.68		
3M Average Volume (th):	5,303.74		

Shareholder Data	
No. of Ord shares (mn):	939
Total no. of shares (mn):	933
Mkt Cap Ord (Eu mn):	16,957
Total Mkt Cap (Eu mn):	16,957
Mkt Float - Ord (Eu mn):	12,294
Mkt Float (in %):	72.5%
Main Shareholder:	
ST holding II B.V.	27.5%

Balance Sheet Data	
Book Value (\$ mn):	17,744
BVPS (\$):	19.26
P/BV:	1.1
Net Financial Position (\$ mn):	4,776
Enterprise Value (\$ mn):	14,395

While 1Q25 should be the bottom, the relatively modest (and calendar driven) improvement of 2Q25 and decreasing visibility on the 2H recovery are keeping us on the sidelines. The severe shortages experienced in 2021-22 along with a weaker macro environment, non-continuation of supportive fiscal policies (including incentives), strong inventory replenishment strategies, stricter commercial policies featuring non-cancellable orders, and significant investments in capacity are causing STM (and the sector) to experience a deeper and longer cyclical downturn. In addition, the recent tensions over the company's governance may penalize corporate management, casting doubt on the cost-cutting plan and slowing other strategic decisions. We confirm our NEUTRAL stance, lowering our TP to €19.5 from €23.7 due to estimate cuts (-€4.8), a weaker dollar (-€1.6), higher ERP (-€1.4), and higher unlevered beta (-€1.1) only partly offset by a different weighting across years.

- 1Q25 preview: guidance expected to be met.** We expect 1Q25 guidance to be met in light of the absence of major disruptive events. with sales of \$2.51bn (-27% YoY, -24% QoQ), a gross margin of 33.8% (-7.9pp YoY) and EBIT breakeven amid OpEx down -5% YoY. By division, we expect Auto, Industrial, Personal Electronics and Comm. Equip. (46/20/21/13% of FY24 total) down -30%, -45%, -15% and -5% YoY respectively. Net cash is seen at \$3.8bn after FCF of \$0.8bn and \$0.2bn in dividends & buybacks.
- 2Q25 guidance: expecting just a small sequential improvement.** For 2Q25, we expect mid-single-digit sequential growth of revenue, mainly driven by a higher number of days in the quarter (+4%) and seasonality in line with the historical average (+2% vs +0/3% average). In terms of profitability, we assume a slight improvement driven by operating leverage, in line with the management indication of 1Q being the bottom, and flat QoQ OpEx as seasonal growth and the higher number of days are offset by cost savings. In brief, we forecast revenue of \$2.66bn (-18% YoY, +6% QoQ), a gross margin of 34.4% (-5.7pp YoY, +0.6pp QoQ) and EBIT of \$61mn (-84% YoY, 2.3% margin). By end market, Automotive should remain soft on the back of subdued industry volumes in Europe, North America and Western OEMs in China, while exposure to Chinese OEMs should be low; Industrial still weak due to continuing high inventories and subdued demand in Europe and APAC; low seasonality in Personal Electronics and Comm. Equip.
- 2025 outlook: lower prospects of a rebound in 2H and \$ weakness weigh on margins.** While we still expect a rebound in 2H, we are lowering our forecast as our confidence is decreasing in light of recent management comments and the weaker environment. Our estimates now envisage +23% growth HoH, mainly driven by content growth at the main customer (i.e., Apple, PE +45%) and improvements in Auto & Industrial (+13/24%). Last but not least, the recent weakness of the \$ should weigh on margins (14/26bps in GM/EBIT margin). We now envisage revenue of \$11.6bn, -13% YoY; a gross margin of 36.0%; and EBIT of \$0.76bn, -55% YoY, 6.6% margin; these figures are ca. 4%, 6%, and 26% lower than previous estimates.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (\$ mn)	17,286	13,269	11,550	13,280	14,872
EBITDA Adj (\$ mn)	6,206	3,436	2,669	3,633	4,700
Net Profit Adj (\$ mn)	4,058	1,557	741	1,541	2,285
EPS New Adj (\$)	4.298	1.658	0.794	1.652	2.449
EPS Old Adj (\$)	4.298	1.658	1.028	1.978	2.731
DPS (\$)	0.240	0.330	0.360	0.360	0.360
EV/EBITDA Adj	6.5	9.1	5.4	3.8	2.7
EV/EBIT Adj	8.7	18.6	19.0	8.2	4.7
P/E Adj	4.8	12.4	25.9	12.4	8.4
Div. Yield	1.2%	1.6%	1.8%	1.8%	1.8%
Net Debt/EBITDA Adj	-0.5	-0.9	-1.8	-1.4	-1.4

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL NOTICES. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the web page CUSTOMER AREA.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

- BUY: stock expected to outperform the market by over 25% over a 12 month period;
 - OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
 - NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
 - UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
 - SELL: stock expected to underperform the market by over 25% over a 12 month period.
- Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte acts as financial advisor to Banco BPM in the context of the offer promoted by UniCredit

Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on Illimity Bank

Intermonte acted as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying

Intermonte SIM S.p.A. operates or has operated in the last 12 months as the person in charge of carrying out the share buyback plan approved by the shareholders' meeting of ABITARE IN, ANIMA HOLDING, CIVITANAVI SYSTEMS, CYBERO, ELEN, ELICA, INTRED, PHARMANUTRA, SERVIZI ITALIA, SESA, TMP GROUP, UNIDATA, WEBUILD

Intermonte SIM S.p.A. provides or has provided corporate brokerage services to ALLCORE, ALMAWAVE, ANTARES VISION, AQUAFIL, AVIO, CASTA DIVA GROUP, CUBE LABS, CY4GATE, CYBERO, DIGITOUCH, DOMINION HOSTING HOLDING, ELICA, ENERGY, ESPRINET, Eviso, FINE FOODS & PHARMACEUTICALS NTM, FRANCHI UMBERTO MARM, G.M. LEATHER, GPI, GREEN OLEO, GREENTHESIS, HIGH QUALITY FOOD, IGD, IKONISYS SA, ISCC FINTECH, ITALIAN EXHIBITION GROUP, LEMON SISTEMI, LUVÉ, MAPS, MARE ENGINEERING GROUP, NEODECORTECH, NOTORIOUS PICTURES, OUIDATA, OSAI AUTOMATION SYSTEM, RACING FORCE, REDFISH LONGTERM CAPITAL, RETI, SGIKER FRAMES, SG COMPANY, SIMONE, SOLID WORLD GROUP, SPINDOX, TALEA GROUP, TAMBURI, TINEXTA, TMP GROUP, TPS, ULISSE BIOMED, XENIA HOTELLERIE SOLUTION, Zest Group SpA in the last 12 months

Intermonte SIM S.p.A. operates or has operated in the last 12 months as Financial Content Provider on the company ALLCORE, ALMAWAVE, B&C SPEAKERS, BANCA SISTEMA, BIFIRE, CASTA DIVA GROUP, CLEANBNB, COFLE, CROWDFUNDME, CUBE LABS, CYBERO, DIGITOUCH, DOMINION HOSTING HOLDING, EDILIZIACROBATICA, ELES, ENERGY, Eviso, FAE TECHNOLOGY, FIERA MILANO, FILA, FOPÉ, G.M. LEATHER, GREEN OLEO, HIGH QUALITY FOOD, IGD, IKONISYS SA, INTERCOS, INTRED, ISCC FINTECH, LEMON SISTEMI, MAPS, MARE ENGINEERING GROUP, MASI AGRICOLA, MISITANO & STRACUZZI SPA, NEODECORTECH, NOTORIOUS PICTURES, OUIDATA, OSAI AUTOMATION SYSTEM, RACING FORCE, REDFISH LONGTERM CAPITAL, RETI, SGIKER FRAMES, SG COMPANY, SIMONE, SOLID WORLD GROUP, SPINDOX, TALEA GROUP, TAMBURI, TINEXTA, TMP GROUP, TPS, ULISSE BIOMED, XENIA HOTELLERIE SOLUTION, Zest Group SpA

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of intermediary appointed in the public purchase and/or exchange offer transaction of GROWENS, SAES GETTERS, TINEXTA

Intermonte SIM S.p.A. operates or has operated in the last 12 months as liquidity provider of BANCA SISTEMA, Zest Group SpA

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of financial advisor for AQUAFIL, BANCA IFIS, BANCO BPM, MAIRE, RETEX SPA, TINEXTA

Intermonte SIM S.p.A. operates or has operated in the last 12 months as market maker on financial instruments with underlying shares issued by A2A, AMPLIFON, AZIMUT, BANCA IFIS, BANCA MEDIOLANUM, BANCO BPM, BCA MPS, BCA POP SONDRIO, BFF BANK, Bper Banca, BREMBO, BUZZI, CAMPARI, DANIELI & C, DIASORIN, ENEL, ENI, ERG, FERRARI, FINCOBANK, INDUSTRIE DE NORA, INTERPUMP GROUP, INTESA SANPAOLO, INWIT, IREN, ITALGAS, IVECO GROUP, LEONARDO, LOTTOMATICA GROUP, MEDIOBANCA, MFE B, MONCLER, MONDADORI EDIT., NEXI, OVS, PIRELLI & C, POSTE ITALIANE, PRYSMIAN, SAIPEM, SESA, SNAM S.p.A., STELLANTIS, STMICROELECTRONICS, TECHNOGYM, TECHNOPROBE, TELECOM ITALIA, TELECOM ITALIA R, TENARIS, TERNA, UNICREDIT, UNIPOL, WEBUILD

Intermonte Sim S.p.A. has or had in the last 12 months a marketing contract on instruments issued by BARCLAYS, BNP PARIBAS, GOLDMAN SACHS GROUP INC, LEONTEQ, MAREX FINANCIAL, MEDIOBANCA, MORGAN STANLEY, NATIXIS, SOCIETE GENERALE, UNICREDIT, VONTOBEL N, WISDOMTREE IRELAND LIMITED

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of specialist on financial instruments issued by ABITARE IN, ALKEMY, BANCA IFIS, BANCA SISTEMA, CIVITANAVI SYSTEMS, COFLE, CYBERO, DIGITOUCH, ELEN, EMAK, ENERGY, GREENTHESIS, MISITANO & STRACUZZI SPA, MONDADORI EDIT., OUIDATA, OMER, PHARMANUTRA, OF ALPHA IMM, REPLY, SAES GETTERS, SERVIZI ITALIA, SESA, SG COMPANY, SOMEK, SYS-DAT, TAMBURI, TESMEC, THE ITALIAN SEA GROUP, TINEXTA, TMP GROUP, TXT E-SOLUTIONS, UNIDATA, WIIT with the obligation to disseminate studies

Intermonte SIM S.p.A. plays or has played in the last 12 months the role of sponsor for UNIDATA S.p.A.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

© Copyright 2025 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available