

# STM

Sector: Industrials

# NEUTRAL

Price: Eu24.64 - Target: Eu24.80

## Seasonal Recovery Priced In, Upside Harder to Unlock

Gianluca Bertuzzo +39-02-77115.429

gianluca.bertuzzo@intermonte.it

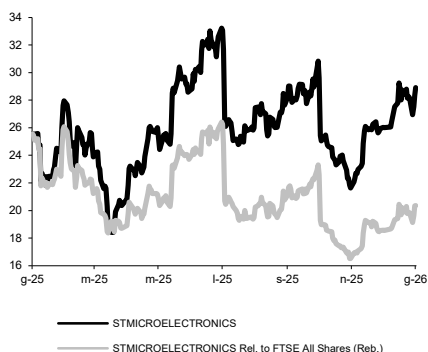
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 23.40 to 24.80		
	2025E	2026E	2027E
Chg in Adj EPS	0.0%	0.0%	0.1%

### Next Event

Results Out 29<sup>th</sup> of January

### STM - 12M Performance



### Stock Data

Reuters code:	STMMI.MI		
Bloomberg code:	STMMI IM		
Performance	1M	3M	12M
Absolute	11.1%	-2.4%	13.0%
Relative	9.6%	-9.4%	-13.0%
12M (H/L)	28.40/16.68		
3M Average Volume (th):	4,634.49		

### Shareholder Data

No. of Ord shares (mn):	915
Total no. of shares (mn):	915
Mkt Cap Ord (Eu mn):	22,541
Total Mkt Cap (Eu mn):	22,541
Mkt Float - Ord (Eu mn):	16,342
Mkt Float (in %):	72.5%
Main Shareholder:	
ST holding II B.V.	27.5%

### Balance Sheet Data

Book Value (\$ mn):	17,891
BVPS (\$):	19.80
P/BV:	1.5
Net Financial Position (\$ mn):	3,807
Enterprise Value (\$ mn):	22,641

ST should report 4Q25 results that are above the mid-point thanks to personal electronics, with 1Q26 guidance in line with seasonal trends, but this is unlikely to surprise the market given recent messages. We don't expect management to provide FY guidance yet given current visibility; we envisage a revenue rebound, with margin expansion to be hampered by various factors. While the company is well placed to benefit from electrification and digitalisation, visibility on the cyclical recovery remains limited, and the current valuation already appears to discount the expected normalisation. Given the more limited exposure to AI-related demand than is the case for peers, we do not see sufficient upside to justify a more constructive stance at this stage. TP to €24.8 from €23.4 due to lower risk-free.

- **4Q25 results preview: results above mid-point thanks to personal electronics.** We expect 4Q25 to come in above the mid-point of the guidance range thanks to stronger Personal Electronics sales (25% of FY25e sales) amid better smartphone sales, especially at its main customer Apple (~16/17% of 2025e sales). We see revenues of \$3.33bn vs. guidance of \$3.28bn (+0% YoY, +4% QoQ), a gross margin of 34.9% vs. 35.0%, and adj. EBIT of \$248mn vs. \$233mn and consensus at \$260mn. FY25 should have closed with revenues down -11% YoY to \$11.8bn, a gross margin at 33.8% (-5.5pp YoY), adj. EBIT of \$0.53bn, -68% YoY and a 4.5% margin, adj. EPS of \$0.69, -59% YoY and FCF of \$0.57bn.
- **1Q26 guidance preview.** During recent conference calls management said the ongoing order intake supports 1Q trends in line with normal seasonality of -10/-11% QoQ (translating into +18/+16% YoY growth). Seasonality is driven by post-peak holiday season Personal Electronics sales and Chinese New Year for mass market and distribution. Our/consensus estimates point to revenues of \$2.98/2.92bn, a gross margin at 33.1% and adj. EBIT of \$122/112mn for a 4.1/3.8% margin (vs. 0.4% in 1Q25).
- **2026 outlook: some recovery in sight, but with margins under pressure.** We expect a modest recovery in 2026, with revenues growing 10% YoY to \$13.0bn (in line with consensus). Growth should be driven by Automotive (+12% YoY) and Industrial (+14% YoY), supported by the end of de-stocking and a partial market recovery, as well as by Communication Equipment (+13% YoY), benefiting from continued growth at SpaceX's Starlink and ramp-ups at other LEO constellations (notably Amazon's Project Kuiper and Eutelsat's OneWeb). After a strong FY25, Personal Electronics growth is expected to slim down to +2% YoY, reflecting the non-recurrence of content gains at the main customer in 2H and potential softness in the smartphone market, especially in China, where OEMs have signalled price increases to offset higher memory costs. On margins, operating leverage, lower underutilisation charges and early benefits from the restructuring programme should be partly offset by pricing pressure, ForEx headwinds, lower capacity reservation fees, restructuring costs and OpEx inflation. Overall, we forecast gross/EBIT margins of 35.7/8.8%, up +1.9/4.3pp YoY.
- **AI: exposure to data transfer, power, and DC management verticals, but no impact before 2027.** AI is the single most important performance differentiator of the last few years within the semiconductors industry. While growth rates for stocks with and without AI exposure tracked similar trajectories up to 2022, there has been significant divergence since. Sadly, ST has missed out on the benefits, with revenues suffering from the slowdown of the more traditional industry. ST plans to recoup some of this growth through silicon photonics for data transfer, SiC and MOSFETs for power as well as analogue/MCUs for data centre management. Most of these are only expected to boost revenues from 2027, however, pending the technological shift to 800V architectures.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (\$ mn)	17,286	13,271	11,800	12,983	14,540
EBITDA Adj (\$ mn)	6,206	3,436	2,387	3,041	4,127
Net Profit Adj (\$ mn)	4,058	1,557	629	1,095	1,934
EPS New Adj (\$)	4.298	1.658	0.688	1.197	2.113
EPS Old Adj (\$)	4.298	1.658	0.688	1.197	2.113
DPS (\$)	0.240	0.330	0.360	0.360	0.360
EV/EBITDA Adj	6.5	9.1	8.6	7.4	5.1
EV/EBIT Adj	8.7	18.6	38.4	19.9	9.8
P/E Adj	6.7	17.4	42.0	24.1	13.7
Div. Yield	0.8%	1.1%	1.2%	1.2%	1.2%
Net Debt/EBITDA Adj	-0.5	-0.9	-1.3	-1.3	-1.3

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report

#### 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](http://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 certify 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 Avenue, 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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 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 23 January 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.33%
OUTPERFORM:	39.10%
NEUTRAL:	27.82%
UNDERPERFORM:	00.75%
SELL:	00.00%

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:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

#### CONFLICT OF INTEREST

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

**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 AZIMUT, ELEN., ELICA, INTERCOS, INTRED, PHARMANUTRA, SESA, STAR7, SYS-DAT, TMP GROUP, UNIDATA, VALSOIA, 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, DOMINION HOSTING HOLDING, ELICA, ESPRINET, EVISIO, EXECUS, FINE FOODS & PHARMACEUTICALS NTM, FNM, FRANCHI UMBERTO MARM, GPI, GREEN OLEO, HIGH QUALITY FOOD, IGD, IKONISYS SA, INTRED, ISCC FINTECH, LEMON SISTEMI, LUVÉ, MAPS, MARE ENGINEERING GROUP, NEODECORTECH, NOTORIOUS PICTURES, PREATONI GROUP, REDELF, REDFISH LONGTERM CAPITAL, REVO INSURANCE, REWAY GROUP, SERI INDUSTRIAL, SPINDOX, STAR7, TALEA GROUP, TECNO, 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, COFLE, CUBE LABS, CY4GATE, DIGITOUCH, DOMINION HOSTING HOLDING, ECOSUNTEK, ELES, ELICA, ENERGY, EVISIO, EXECUS, FIERA MILANO, FILA, FOPE, 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, OLIDATA, PREATONI GROUP, RACING FORCE, REDELF, REDFISH LONGTERM CAPITAL, SG COMPANY, SIMONE, SPINDOX, TALEA GROUP, TAMBURI, TECNO, TINEXA, 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 ANTARES VISION, MARE ENGINEERING GROUP, TINEXA**

**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 has acted 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 is acting as financial advisor to Banca CF+ in the context of the public tender offer promoted on Banca Sistema.**

**Intermonte SIM is acting as financial advisor to TIM in relation to the company's saving shares conversion.**

**Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of financial advisor for AQUAFIL, BANCA GENERALI, BANCO BPM, MARE ENGINEERING GROUP, TELECOM ITALIA, TINEXA**

**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 AZA, AMPLIFON, AZIMUT, BANCA GENERALI, 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, FINECOBANK, 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, SAPEM, 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**

**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, COFLE, DIGITOUCH, ECOSUNTEK, ELEN., EMAK, ENERGY, GREEN OLEO, INTRED, MISITANO & STRACUZZI SPA, MONDADORI EDIT., OLIDATA, OMER, PHARMANUTRA, QF ALPHA IMM, REPLY, SESA, SG COMPANY, SOMEK, STAR7, SYS-DAT, TAMBURI, TESMEC, THE ITALIAN SEA GROUP, TINEXA, 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.**

#### © Copyright 2026 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 <https://www.intermonte.it/it/avvertenze-legali/mifid-ii.html>

Further information is available.