

STM

NEUTRAL
Sector: Industrials
Price: Eu24.64 - Target: Eu24.80

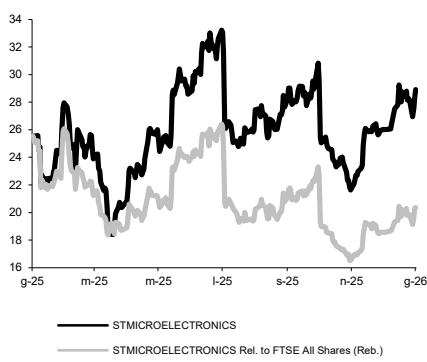
Seasonal Recovery Priced In, Upside Harder to Unlock

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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 29th 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
EV/EBIT Adj		8.7	18.6	38.4	19.9
P/E Adj		6.7	17.4	42.0	24.1
Div. Yield		0.8%	1.1%	1.2%	1.2%
Net Debt/EBITDA Adj		-0.5	-0.9	-1.3	-1.3

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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 FTSEMIB40 Index, most of those on the MIDEX 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.

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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

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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%

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