

STM

NEUTRAL

 Sector: *Industrials*

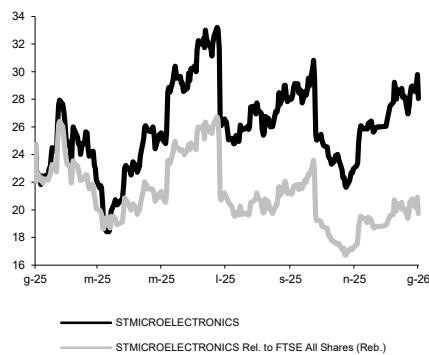
Price: Eu23.52 - Target: Eu24.80

Stock-Specific Drivers Improve Confidence, Cyclical Recovery Still Unclear

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
2026E	2027E	2028E	
Chg in Adj EPS	-4.8%	-2.6%	-4.0%

STM - 12M Performance



Stock Data			
Reuters code:	STMMI.MI		
Bloomberg code:	STMMI IM		
Performance	1M	3M	12M
Absolute	7.7%	12.0%	13.3%
Relative	6.1%	7.6%	-10.8%
12M (H/L)		28.40/16.68	
3M Average Volume (th):		4,433.26	

Shareholder Data	
No. of Ord shares (mn):	900
Total no. of shares (mn):	900
Mkt Cap Ord (Eu mn):	21,173
Total Mkt Cap (Eu mn):	21,173
Mkt Float - Ord (Eu mn):	15,350
Mkt Float (in %):	72.5%
Main Shareholder:	
ST holding II B.V.	27.5%

Balance Sheet Data	
Book Value (\$ mn):	18,419
BVPS (\$):	20.91
P/BV:	1.3
Net Financial Position (\$ mn):	3,637
Enterprise Value (\$ mn):	21,620

4Q25 results and 1Q26 guidance came in marginally better than expected, providing some support to expectations for the short term. However, while confidence in our forecasts has increased on the back of stock-specific drivers, visibility on the more cyclical component tied to traditional end markets (especially Automotive) remains limited. We believe the current valuation of ~24/14x NTMA/STMA P/E vs. the sector at 25/20x fairly reflects the expected recovery and the lower exposure to AI-related growth, leaving limited upside to our TP. We therefore confirm our TP at €24.8, as lower estimates and ForEx headwinds are offset by the rollover of the valuation (2026/27/28 weighted at 0/70/30% vs. 0/100/0% previously).

- **4Q25 a touch better.** 4Q25 operating figures were slightly better, with revenues in line, but a stronger mix and lower OpEx. By end market, Personal Electronics (+18% YoY), Comm. Eq. (+15%) and Industrial (+6%) were better, while Automotive (-15%) was worse. Excluding a one-off tax charge and other restructuring items for \$0.19 and \$0.15 respectively, EPS was \$0.30 vs. our/cons. \$0.27/0.26.
- **1Q26 guidance: slightly better.** 1Q26 guidance was slightly higher than expected amid better-than-seasonal trends (-9% QoQ vs. -10% exp.) supported by specific customer programmes and a book-to-bill above parity in Industrial (at parity in Auto). Revenues will grow +21% YoY to \$3.04bn (vs. our/cons. \$2.98/2.92bn) on an easy comparison base (1Q25: -27% YoY, de-stocking in Industrial and slowdown in Automotive); the gross margin is seen at 33.7% (+0.3pp YoY) vs. our/cons. 32.9/33.1%; Adj. EBIT at ~\$164mn, a 5.4% margin, vs. our/cons. \$122/112mn.
- **2026: visibility better than last year, but not enough to provide guidance.** While visibility improved vs. last year, ST didn't provide an FY outlook due to uncertainty over the strength of the cycle given volatile trends, especially in Auto. Besides that, management is confident of organic growth on the back of beyond-the-cycle drivers, which we estimate may be worth ~\$0.75bn or ~60% of current FY26 revenue growth (management indicated multiple hundred mn \$). By end-market, these are: **i) Auto (39% of revenues):** growth in Silicon Carbide (not at Tesla), recovery in ADAS (significant FY25 de-stocking at Mobileye) and ASICs; **ii) Personal Electronics (26%)** thanks to proliferation of chips beyond the iPhone at the main customer (i.e. Apple), while the impact from higher memory prices on lower end smartphones should be residual due to lower exposure; **iii) Industrial (21%)** as de-stocking ends and new products are introduced; **iv) Comm. Equip. (15%)** amid growth in AI-related products (to \$0.5bn from \$0.3/0.35bn, in part also in Industrial) and growth in LEO satellites. The gross margin should gradually improve from 1Q, seen as the annual low point, on the back of operating leverage, but offset by pricing (-LSD), ForEx, lower capacity reservation fees and reshaping of footprint (we estimate 35.6%, +1.7pp YoY). OpEx confirmed to grow LSD due to higher start-up/phase-out costs leading to adj. EBIT of \$1.10bn, 8.5% margin.
- **Change in estimates.** Despite a slightly stronger top line (+11% vs. +10% prev.), we are trimming our EBIT estimates due to ForEx (-2% in average), while cutting EPS by -4% due to a higher tax rate, only partly offset by the lower share count.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (\$ mn)	13,271	11,800	13,040	14,603	15,479
EBITDA Adj (\$ mn)	3,436	2,405	3,055	4,187	4,762
Net Profit Adj (\$ mn)	1,557	649	1,026	1,853	2,352
EPS New Adj (\$)	1.658	0.703	1.140	2.058	2.613
EPS Old Adj (\$)	1.658	0.688	1.197	2.113	2.720
DPS (\$)	0.330	0.360	0.360	0.360	0.360
EV/EBITDA Adj	9.1	8.8	7.1	4.8	3.8
EV/EBIT Adj	18.6	38.2	19.5	9.6	6.9
P/E Adj	16.9	39.9	24.6	13.6	10.7
Div. Yield	1.2%	1.3%	1.3%	1.3%	1.3%
Net Debt/EBITDA Adj	-0.9	-1.2	-1.2	-1.2	-1.5

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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.

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

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

As at 30 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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