

**Recommendation** **HOLD** ★ ★ ★ ★ ★

**Price**  
\$23.97 (as of Nov 02, 2017 4:00 PM ET)

**12-Mo. Target Price**  
\$24.00

**Report Currency**  
USD

**Equity Analyst Angelo Zino**

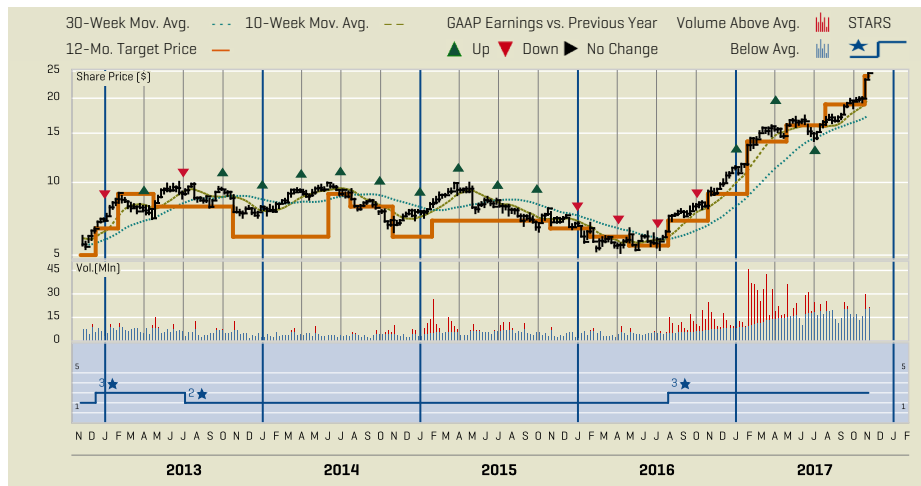
**GICS Sector** Information Technology  
**Sub-Industry** Semiconductors

**Summary** This global semiconductor company makes various semiconductor integrated circuits and discrete devices.

**Key Stock Statistics** (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	<b>\$23.370 - 8.870</b>	Oper. EPS 2017E	<b>0.81</b>	Market Capitalization(B)	<b>\$21.73</b>	Beta	<b>0.14</b>
Trailing 12-Month EPS	<b>NM</b>	Oper. EPS 2018E	<b>1.11</b>	Yield (%)	<b>1.00</b>	3-Yr Proj. EPS CAGR[%]	<b>25</b>
Trailing 12-Month P/E	<b>48.66</b>	P/E on Oper. EPS 2017E	<b>29.36</b>	Dividend Rate/Share	<b>\$0.24</b>	SPGMI's Quality Ranking	
\$10K Invested 5 Yrs Ago	<b>\$48,041</b>	Common Shares Outstg.(M)	<b>910.56</b>	Institutional Ownership [%]	<b>36</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Jia Man Neoh on Oct 31, 2017 04:48 PM, when the stock traded at **\$23.57**.

**Highlights**

- ▶ We forecast revenue to rise 18% in 2017 and 8.6% in 2018. STM saw growth of 15% during the first 9 months of 2017, helped primarily by strong gains in Analog and MEMS (+24%), followed by Micro-controllers and Digital ICs Group (+14%). Meanwhile, Automotive and Discrete Group (+7%) maintained solid performance. We remain positive on STM's prospects due to rising demand from automotive, industrial, smartphone, and the IoT end-markets. We are also bullish on the scope of opportunities related to 3D imaging sensor sales to the Apple iPhone X, which already started to contribute to group sales in the most recently completed third quarter. We expect optical sensors production to pick-up rapidly.
- ▶ Gross margin improved 4.1% points in the first 9 months of 2017, driven by the Microcontroller & Digital ICs division, which saw the steepest increase as the loss-making set-top-box business was phased out. Analog and MEMS profitability also grew, which we believe was due to an increase in chips production for the Samsung Galaxy S8 and S8+. We expect higher operating leverage coupled with efficiency improvement from an ongoing restructuring program.
- ▶ We see earnings per ADS of \$0.89 in 2017 and \$1.11 for 2018.

**Investment Rationale/Risk**

- ▶ Our recommendation is Hold. In our view, STM has a strong position in certain niches, but is too thinly spread across product categories. Consequently, EBIT margins are low and return is below the cost of capital. However, we believe STM is now in a better position to focus on the fast growing area of Smart Driving and Internet of Things, following the completion of its restructuring plan, which includes exiting its loss-making set-top box business. We also think STM's earnings momentum will pick-up following several design wins in automotive electronics and smartphone sensors, as well as the production ramp of optical sensors (Time-of-Flight and 3D camera) for the iPhone X. Moreover, we expect support from currency tailwinds in 2017 as the hedges were rolled over.
- ▶ Risks to our opinion and target price include weaker-than-expected automotive, general industrial, and wireless handset demand, macroeconomic uncertainties in emerging markets and in the Europe, and unfavorable currency moves.
- ▶ Our 12-month target price of \$24 is equivalent to a P/E of 21.6X. The valuation is above the peer average of 18.2X, which we think is justified by its higher projected earnings growth trajectory relative to peers.

**Analyst's Risk Assessment**

LOW	MEDIUM	HIGH
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Our risk assessment reflects the highly cyclical nature of the semiconductor industry, balanced by what we view as STM's diversified product portfolio and customer base.

**Revenue/Earnings Data**

**Revenue (Million U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	1,821	1,923	--	--	--
2016	1,613	1,703	1,797	1,860	6,973
2015	1,705	1,760	1,764	1,668	6,897
2014	1,825	1,864	1,886	1,829	7,404
2013	2,009	2,045	2,013	2,015	8,082

**Earnings Per ADS (U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	<b>E 1.11</b>
2017	0.12	0.17	--	--	<b>E 0.81</b>
2016	-0.05	0.03	0.08	0.13	0.19
2015	-0.03	0.04	0.10	0.00	0.12
2014	-0.03	0.04	0.08	0.04	0.14
2013	-0.19	-0.17	-0.16	-0.04	-0.56

Fiscal year ended Dec 31. Next earnings report expected: Late Jan. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.06	--	Dec 16	Dec 20	Dec 28 '16
0.06	--	Mar 17	Mar 21	Mar 28 '17
0.06	--	Jun 23	Jun 27	Jul 05 '17
0.06	--	Sep 18	Sep 19	Sep 26 '17
0.06	--	Dec 18	Dec 19	Dec 27 '17
0.06	--	Mar 19	Mar 20	Mar 27 '18

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

**Business Summary** October 31, 2017

**CORPORATE OVERVIEW.** STMicroelectronics (STM), a leading global semiconductor manufacturer and the largest European semiconductor manufacturer, designs, produces, and markets a broad range of semiconductor integrated circuits (ICs) and discrete devices. The product portfolio covers all major categories of semiconductor devices: analog, digital and mixed signal, dedicated ICs, microprocessors and semi-custom, memories, standard ICs and discrettes. STM also participates in the manufacturing value chain of smartcard products, which include the production and sale of both silicon chips and smartcards.

**DIVISIONAL OVERVIEW:** Since discontinuing its set-top-box business, STM reports its sales and operating income in three main divisions: Automotive & Discrete Group (ADG), Microcontrollers & Digital ICs Group (MDG), and Analog & MEMS Group (AMG). ADG made up 40% of sales in 2016 and is comprised of all automotive dedicated ICs and discrete products while AMG [23% of sales] encompasses its low-power analog ICs and smart power products. MDG (33% of sales) on the other hand, includes general purpose and secure microcontrollers, EEPROM memories, and digital ICs outside of automotive. By geographic region, most of the orders were shipped to Asia Pacific (58%), followed by EMEA (27%), and Americas (15%).

ADG remains the most profitable division with an EBIT margin of 7.5%, while AMG and MDG generated margin of 4.2% and 4.7% respectively. Profitability of the latter two segments has seen substantial expansion over the course of 2016 and we expect further improvement particularly at MDG as the phaseout of set-top box and home gateway business comes to a completion. The restructuring exercise is estimated to come at a cost of USD170 million but will reduce its cost base by a similar quantum annually going forward.

The company is a major automotive semiconductor vendor supplying chips to primary suppliers of car makers worldwide. STM combines an unparalleled platform of advanced technologies with an unswerving commitment to quality, and a thorough understanding of the automotive market gained through collaboration with major customers. Its automotive-solutions portfolio covers all key application areas in the car, such as Powertrain, Chassis, ADAS, Body Electronics, and Infotainment.

STM develops a range of Power, Smart Power and Analog ICs, to serve attractive markets, such as those relating to smart grid, cloud computing, automation, portable and power conversion. As a major supplier of both integrated and discrete power conversion semiconductors, the company's power management devices enable energy-saving, high-power-density and lower-standby-power design solutions. STM's product portfolio includes highly-integrated AC-DC converters, switching DC-DC converters, linear voltage regulators, battery management ICs, LED drivers, photovoltaic ICs, MOSFET and IGBT drivers, motor drivers and more.

The company has a portfolio of analog products that includes MEMS, many kinds of sensors, actuators, interfaces, low power RF transceivers and analog front-end. STM's sensor and actuator portfolio includes MEMS SENSORS (including accelerometers, gyroscopes, digital compasses, inertial modules, pressure sensors, humidity sensors and microphones), Smart sensors, temperature sensors, and touch screen controllers. The company offers a sensor portfolio, from discrete to fully-integrated solutions, high performance sensor fusion to improve the accuracy of multi-axis sensor systems in order to enable highly-demanding applications, such as indoor navigation and location based services, optical image stabilization and high-level quality products, already tested in different application fields, including mobile, portable, gaming, consumer, automotive, and health care.

**COMPETITIVE LANDSCAPE.** The semiconductor market is large but highly fragmented and intensely competitive. As a result of STM's extended product portfolio, its main competitors range from the mobile telecommunications specialists Qualcomm, Texas Instruments, Broadcom, and Samsung to other broadline semiconductor manufacturers such as NXP and Infineon as well as niche specialists such as Conexant in the broadband market. STM is currently the second largest mobile semiconductor vendor by revenues, behind Qualcomm. In the Industrial segment, STM claims to be the market leader supplying microcontrollers and MEMS to a variety of customers, including Siemens and GE. In Automotive, STM claims to be the world's third largest chip supplier with customers such as Denso and Bosch. In the consumer category, STM has a leading position in set top boxes and a smaller position in LCD TVs.

**FINANCIAL TRENDS:** STM's revenue has seen a steady decline from 2010 to 2015 with a 5-years CAGR of -8% due to lower contribution from its JV wireless business with Ericsson (exited in 2013) and weakness in the semiconductor market. However, the situation improved in 2016 as top-line returned to positive growth of 1%, helped by growth across the board, particularly in specialized image sensors, automotive and microcontrollers. EBIT margin also improved substantially to 4.4% from an average of -3.5 in the past five years, helped by favorable currency effects, expansion in gross margin and better control of operating expenses. Although STM plans to step up its capital expenditures significantly to around \$1.0 - \$1.1 billion in 2017 (2016: \$607 million), we think that this reflects management's confidence and could be financed by its solid free cash flow and net financial position Dividend payout is determined annually based on its results, capital requirement and business prospects, while a quarterly dividend of \$0.06.

**Corporate Information****Investor Contact**

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**Officers****CEO & Pres**

C. Bozotti

**Secy**

G. Pagnotta

**CFO & General Counsel**

C. Ferro

**Secy**

P. Dereeper

**CTO**

O. Bellezza

**Board Members**

N. Dufourcq

A. Rivera

H.H. Kersten

F. Sanchez

J. Malcor

M. Tamagnini

S. Manzi

M.G. Verluyten

**Founded**

1987

**Employees**

43,480

# STMicroelectronics N.V.

Quantitative Evaluations						
Fair Value Rank	NR	1	2	3	4	5
		LOWEST		HIGHEST		
Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].						
Fair Value Calculation	NA					
Volatility	LOW		AVERAGE		HIGH	
Technical Evaluation	BULLISH	Since July, 2017, the technical indicators for STM have been BULLISH.				
Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	1.44	0.85	0.90	0.88
Price/EBITDA	10.05	6.61	6.22	10.37
Price/Pretax Income	50.04	65.89	62.71	-12.02
P/E Ratio	60.62	56.13	53.36	-14.23
Avg. Diluted Shares Outsg. (M)	886	881	890	890

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		1.10	-4.80	-6.46
Net Income		58.65	-30.90	-23.98
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
% LT Debt to Capitalization		0.22	0.23	0.18
Return on Equity [%]		3.66	2.77	-6.51

Company Financials Fiscal year ending Dec. 31										
Per ADS Data [U.S. \$]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	4.78	NA	5.40	5.99	NA	6.67	6.58	NA	NA	10.53
Free Cash Flow	NA	0.32	0.17	-0.29	0.07	-0.56	0.71	0.26	0.73	0.93
Earnings	0.19	0.12	NA	-0.56	-1.31	NA	0.92	-1.29	-0.88	-0.53
Earnings [Normalized]	NA	0.09	0.14	-0.10	0.67	0.60	0.81	-0.45	NA	0.55
Dividends	NA	0.24	0.40	0.40	0.40	NA	0.40	0.28	0.12	0.36
Payout Ratio [%]	152	NA	NA	NM	NM	NA	26	NM	NM	NM
P/E Ratio: High	61.1	84.1	71.4	NA	NM	18.7	11.6	NM	NM	NM
P/E Ratio: Low	27.3	53.1	NA	NM	NM	7.4	7.1	NM	NM	NM

Income Statement Analysis										
[Million U.S. \$]										
Revenue	6,973	6,897	7,404	8,082	8,493	NA	10,346	8,510	9,842	NA
Operating Income	NA	151	258	-224	-646	120	473	NA	NA	708
Depreciation + Amortization	696	736	811	NA	NA	1,246	1,210	1,347	1,351	1,402
Interest Expense	NA	40.0	30.0	23.0	76.0	NA	34.0	50.0	81.0	73.0
Pretax Income	201	NA	NA	-592	-2,137	336	691	NA	NA	-494
Effective Tax Rate	15.4	-23.6	-21.7	-6.3	-2.4	53.9	NA	6.4	5.2	NA
Net Income	165	104	128	-500	-1,158	650	830	-1,131	-786	-477
Net Income [Normalized]	181	77	126	-85	NA	543	740	-396	-70	498

Balance Sheet and Other Financial Data										
[Million U.S. \$]										
Cash	1,964	2,106	2,351	1,894	2,489	NA	3,011	2,620	1,731	NA
Current Assets	4,482	4,680	NA	4,807	5,502	5,580	6,600	6,344	5,501	6,470
Total Assets	NA	8,195	9,004	9,173	NA	12,094	NA	13,655	NA	14,902
Current Liabilities	1,588	NA	1,766	1,993	NA	2,569	NA	2,280	2,218	2,142
Long Term Debt	1,334	1,421	1,599	928	671	826	1,050	2,316	2,554	2,164
Total Capital	6,047	6,305	NA	6,870	NA	9,562	10,267	10,855	11,129	12,273
Capital Expenditures	611	529	NA	543	492	NA	1,063	451	NA	1,140
Cash from Operations	1,039	NA	715	366	612	880	1,794	816	1,722	2,188
Current Ratio	NA	3.00	2.86	2.41	2.15	2.17	2.11	2.78	NA	NA
% Long Term Debt of Capitalization	0.002	0.002	0.002	0.001	0.001	0.001	0.001	0.002	0.002	0.002
% Net Income of Revenue	NA	1.51	1.73	NA	-13.63	6.68	8.02	-13.29	NA	NA
% Return on Assets	NA	1.10	1.77	-1.43	-3.58	0.59	2.19	-3.36	1.65	3.04
% Return on Equity	3.66	NA	2.40	-10.41	-30.47	1.88	6.43	-16.68	NA	-4.76

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

**Sub-Industry Outlook**

We have a positive fundamental outlook for the semiconductors sub-industry for the next 12 months. We see a mid-single-digit percentage increase in semiconductor revenue for 2018 following our outlook for an 18% increase in 2017 and a 1.1% increase in 2016, as demand for smartphones and other mobile devices improves and PC declines moderate. We expect a fairly normalized inventory supply chain to leave the supply-demand balance even to slightly favorable for inventory replenishment, which should contribute to potential upside as demand improves. We expect earnings per share to outstrip top-line growth through 2018, partly due to synergies from consolidation and significant memory growth.

We see orders improving in the second half of 2017 and in 2018 as next-generation product launches support higher wireless demand. While we expect secular declines to persist in the PC space, we see an aging infrastructure supporting more modest declines going forward. We think the communications and consumer end markets will remain healthy despite periods of lumpiness, as carrier comments in China suggest to us an improved spending outlook, and continued growth in smartphones. We think the automotive sector has some favorable secular tailwinds despite soft global trends. We think industrial will improve. Given the high exposure to this end market, analog semiconductors are particularly exposed to this trend. All of this is against the backdrop of the proliferation of semiconductors across a range of electronic products and markets. Industry margins continue to be a function of manufacturing utilization and inventory supply-demand

imbalances.

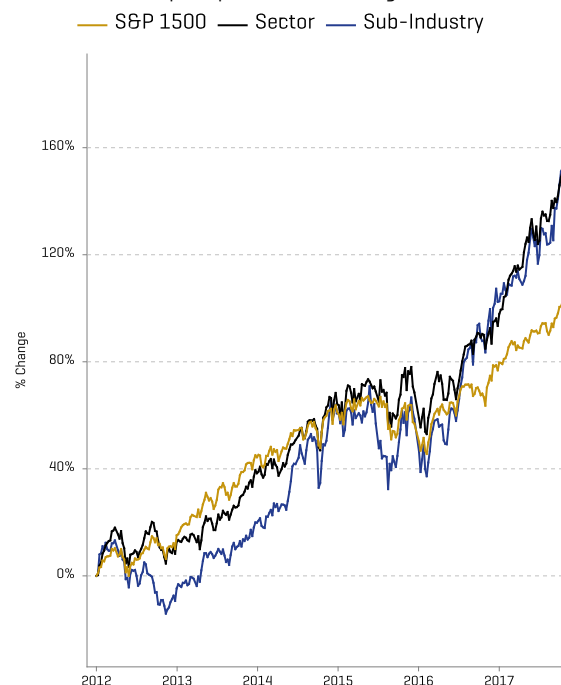
While companies that outsource manufacturing typically have more stability in gross margins (a trade-off for capped upside), others that have their own manufacturing see more variability. We think some companies, especially in analog, maintain higher inventory levels, reducing potential leverage. Companies in the industry seem more inclined to increase debt levels given their strong balance sheets and low interest rate environment. Healthy free cash flow generation will likely result in greater shareholder return via share repurchases and dividend increases.

Year-to-date through September 29, 2017, the S&P 1500 Semiconductors sub-industry has risen 19% compared with a 12.1% increase for the S&P 1500 Index. For the full-year 2016, the S&P Semiconductors sub-industry rose 25.9%, versus a 10.6% increase for the S&P 1500 Index.

/Angelo Zino, CFA

**Industry Performance****GICS Sector: Information Technology  
Sub-Industry: Semiconductors**

Based on S&P 1500 Indexes  
Five-Year market price performance through Nov 04, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

**Sub-Industry: Semiconductors Peer Group\*: Semiconductors**

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. [M \$]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
<b>STMicroelectronics N.V.</b>	<b>STM</b>	<b>NYSE</b>	<b>USD</b>	<b>23.97</b>	<b>21,726</b>	<b>20.3</b>	<b>166.3</b>	<b>49</b>	<b>1.0</b>	<b>3.7</b>	<b>22.1</b>
Advanced Micro Devices, Inc.	AMD	NasdaqCM	USD	10.85	10,273	-19.2	60.5	NM	Nil	NM	77.5
Advanced Semiconductor Engineering, Inc.	ASX	NYSE	USD	6.200	10,719	0.0	7.6	14	3.7	13.6	26.6
Analog Devices, Inc.	ADI	NasdaqGS	USD	90.79	33,381	5.7	42.6	45	2.0	16.8	25.1
Infineon Technologies AG	IFNN.Y	OTCPK	USD	27.98	31,785	8.7	61.5	35	0.8	15.3	25.8
Maxim Integrated Products, Inc.	MXIM	NasdaqGS	USD	52.34	14,733	8.8	33.5	26	2.8	26.5	40.3
Microchip Technology Incorporated	MCHP	NasdaqGS	USD	93.46	21,751	3.0	56.1	50	1.5	6.3	46.6
Qorvo, Inc.	QRVO	NasdaqGS	USD	74.30	9,456	4.1	32.5	NM	Nil	-0.3	16.8
ROHM Co., Ltd.	ROHC.Y	OTCPK	USD	50.86	11,309	18.2	81.7	34	Nil	3.7	NA
Skyworks Solutions, Inc.	SWKS	NasdaqGS	USD	111.76	20,535	8.9	49.0	21	1.1	29.7	NA
Xilinx, Inc.	XLNX	NasdaqGS	USD	72.48	18,189	1.9	44.6	30	1.9	24.4	25.1

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Analyst Research Notes and other Company News**
**October 26, 2017**

01:18 pm ET... CFRA MAINTAINS HOLD OPINION ON ADSS OF STMICROELECTRONICS N.V. [STM 23.1233\*\*\*]: We raise our 12-month target to \$24 from \$19, on P/E of 21.6X our '18 view, above peers at 18.2X to reflect higher earnings growth. We up our '17 earnings per ADS estimate to \$0.89 from \$0.81 and '18's to \$1.11 from \$1.02. STM posts Q3 EPS of \$0.28, 8% above consensus, helped by stronger sales and profitability across all core segments on the back of improved utilization and product mix. STM's Others segment performed below our expectation; we suspect due to a slower ramp of its imaging sensors production for the iPhone X. However, we see production picking up sharply in Q4. /Jia Man Neoh, A. Zino-CFA

**July 27, 2017**

07:27 am ET... CFRA MAINTAINS HOLD OPINION ON ADSS OF STMICROELECTRONICS [STM 17.05\*\*\*]: We raise our 12-month target price to \$19 from \$16, on P/E of 23.5X our '17 view, above the peer average of 18.2X, reflecting its higher earnings growth trajectory. We increase our '17 earnings per ADS estimate to \$0.81 from \$0.75 and '18's to \$1.02 from \$0.97. STM posts Q2 Adjusted EPS of \$0.17, in-line with consensus, while adjusted EBIT came in nearly 7% above expectation. In our view, the strength was broad-based, driven by solid automotive, industrial, smartphone, and Internet of Things demand. We see H2 growth supported by 3D sensor sales for the 10th anniversary iPhone. Jia Man Neoh, /A. Zino-CFA

**June 20, 2017**

STMicroelectronics approved the distribution of a cash dividend of USD 0.24 per outstanding share of the company's common stock, to be distributed in quarterly installments of USD 0.06 in each of the second, third and fourth quarters of 2017 and first quarter of 2018 to shareholders of record in the month of June 27, 2017, September 18, 2017, December 18, 2017, and March 19, 2018 respectively, payable on July 5, 2017, 26 Sep. 2017, 27 Dec. 2017 and 27 March 2018 respectively. The company also announced that at its annual general meeting held on June 20, 2017 approved the appointment of Mr. Frederic Sanchez as a new member of the Supervisory Board, for a three-year term expiring at the 2020 Annual General Meeting of Shareholders, in replacement of Mr. Didier Lombard whose mandate expired as of the 2017 AGM.

**June 20, 2017**

STMicroelectronics N.V. announce that at its annual general meeting held on June 20, 2017 the members of the supervisory board appointed Mr. Nicolas Dufourcq as the chairman and Mr. Maurizio Tamagnini as the vice-chairman of the supervisory board, respectively.

**April 28, 2017**

10:55 am ET... CFRA MAINTAINS HOLD OPINION ON ADSS OF STMICROELECTRONICS NV [STM 15.54\*\*\*]: We raise our 12-month target price to \$16 from \$14, on P/E of 21.3X our '17 estimate, above the peer average of 17.9X, reflecting its higher earnings growth trajectory. We increase our '17 earnings per ADS estimate to \$0.75 from \$0.64 and '18's to \$0.97 from \$0.79. STM posts Q1 Adjusted EPS of \$0.12, in line with S;P Capital IQ consensus of \$0.13. Sales and gross margin Q2 guidance were above expectation as STM sees strong bookings across all product groups. We see significant opportunities related to 3D sensor sales to Apple, which should contribute to second half results. Jia Man Neoh, /A. Zino-CFA

**April 27, 2017**

STMicroelectronics announced the appointment of Jean-Marc Chery as Deputy CEO, effective July 1, 2017. Chery currently serves as Chief Operating Officer and, in his new role, he will continue to report to Carlo Bozotti, ST's President and CEO. In this new role, Chery will hold overall responsibility for Technology and Manufacturing as well as for Sales and Marketing. A new organization will be also put in place. ST's Executive Team members will be Orio Bellezza, President, Global Technology and Manufacturing; Marco Cassis, President, Global Sales and Marketing; Claude Dardanne, President, Microcontrollers and Digital ICs Group; Carlo Ferro, Chief Financial Officer and President, Finance, Legal, Infrastructure and Services; Marco Monti, President, Automotive and Discrete Group; Georges Penalver, Chief Strategy Officer and President, Strategy, Communication, Human Resources and Quality; and Benedetto Vigna, President, Analog, MEMS and Sensors Group. These

appointments and new organization are effective July 1, 2017, upon shareholder approval of the reappointment of Carlo Bozotti as the sole member of the Managing Board and President and CEO of ST, at the company's next Annual General Meeting.

**January 27, 2017**

09:24 am ET... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON ADSS OF STMICROELECTRONICS NV [STM 12.93\*\*\*]: We raise our 12-month target price to \$14 from \$9 on a P/E of 21.9X, above the peer average of 18.4X, which we think is justified by greater earnings growth potential. We increase our '17 earnings per ADS estimate to \$0.64 from \$0.46 and start '18's at \$0.79. STM posts Q4 EPS of \$0.15, slightly above the \$0.14 Capital IQ consensus. We think STM has set an optimistic outlook after several design wins in automotive and smartphone sensors. The significant step-up of capital expenditures for '17 indicates a potential design win within the iPhone 8 for optical sensors, in our view. /A. Zino-CFA

**October 28, 2016**

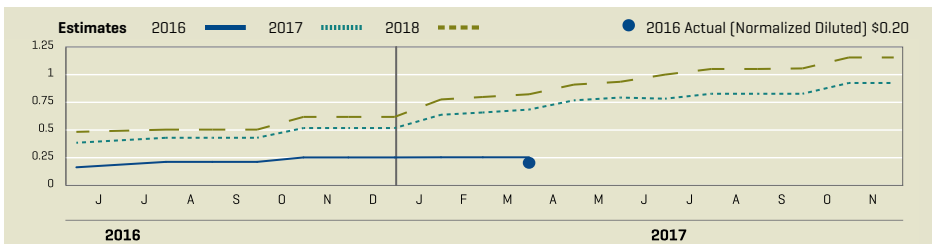
08:41 am ET... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON ADSS OF STMICROELECTRONICS NV [STM 8.68\*\*\*]: We raise our 12-month target price to \$9.00 from \$7.00, on below peers EV/EBITDA to reflect its lower profitability. We adjust our '16 earnings per ADS estimate to \$0.25 from \$0.28 but raise '17's to \$0.46 from \$0.40. STM posts Q3 normalized EPS of \$0.11, matching the Capital IQ consensus. We positively view Q4 outlook, which we estimate implies a gross profit 6% above consensus. We think this could be due to design wins in the smartphone sensor and automotive chip markets. But, we fail to see a sustainable profitability turnaround that would justify further multiples expansion. Jia Man Neoh, /A. Zino-CFA

**July 28, 2016**

07:11 am ET... S&P GLOBAL RAISES OPINION ON ADSS OF STMICROELECTRONICS NV TO HOLD FROM SELL [STM 7.21\*\*\*]: We increase our 12-month target price to \$7.00 from \$5.50, on EV/EBITDA of 5.2X our '17 estimate, well below the peer average to reflect its lower profitability. We keep our '16 earnings per ADS estimate at \$0.28 but raise '17's to \$0.40 from \$0.32. STM posts Q2 operating EPS of \$0.04, beating the \$0.03 Capital IQ consensus. Both revenue and gross margin met STM's own guidance. We now see sustained momentum in automotive and microcontrollers, coupled with a recovery in power discretely and analog; MEMS. We see STM returning to growth after completing its restructuring program. Jia Man Neoh, /A. Zino-CFA

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

**Wall Street Consensus Estimates**



**Wall Street Consensus Opinion**

**BUY/HOLD**

**Wall Street Consensus vs. Performance**

For fiscal year 2017, analysts estimate that STM will earn USD \$0.92. For the 2nd quarter of fiscal year 2017, STM announced earnings per share of USD \$0.17, representing 18.5% of the total revenue estimate. For fiscal year 2018, analysts estimate that STM's earnings per share will grow by 26% to USD \$1.16.

Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2018	1.16	1.38	1.04	6	20.8
2017	0.92	0.94	0.91	4	25.9
<b>2018 vs. 2017</b>	<b>▲26%</b>	<b>▲47%</b>	<b>▲14%</b>	<b>▲50%</b>	<b>▼-20%</b>
Q3'18	0.35	0.40	0.30	2	68.5
Q3'17	0.25	0.26	0.23	4	96.8
<b>Q3'18 vs. Q3'17</b>	<b>▲40%</b>	<b>▲54%</b>	<b>▲30%</b>	<b>▼-50%</b>	<b>▼-29%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

**Glossary****STARS**

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

**S&P Global Market Intelligence's Quality Ranking**

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**EPS Estimates**

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

**12-Month Target Price**

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

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**Abbreviations Used in Equity Research Reports**

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

**Qualitative Risk Assessment**

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

**STARS Ranking system and definition:****★★★★★ 5-STARs (Strong Buy):**

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 4-STARs (Buy):**

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★★ 3-STARs (Hold):**

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**★★★★★ 2-STARs (Sell):**

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

**★★★★★ 1-STAR (Strong Sell):**

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:**

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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**STARS Stock Reports:**

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

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