

15th April 2016

TMT

STMicroelectronics

Price EUR4.90

The group may be looking for a new CEO this year

Fair Value EUR6.3 (+29%)

NEUTRAL

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	9.3 / 4.6
Market Cap (EURm)	4,463
Avg. 6m daily volume (000)	2,380

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.2%	-11.5%	-21.0%	-20.7%
Semiconductor				
s	1.2%	9.3%	9.0%	-1.7%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%
	2015	2016e	2017e	2018e
P/E	27.8x	26.6x	17.6x	12.8x
Div yield (%)	7.2%	4.3%	5.4%	7.2%

ANALYSIS

- According to Bloomberg, STMicroelectronics may be seeking a new CEO. It is the second time we have heard this rumour in three months. Indeed, in February *Le Monde* suggested that the board had already begun reviewing candidates.
- **We note that the mandate of CEO Carlo Bozotti expires in May 2017** but both, *Le Monde* and Bloomberg, say that it could be shortened to revitalize the group, as sales have been falling since 2011. However, it is fair to assume that a transition period will be necessary and this might explain why the board would be looking for a new CEO so soon. In addition, with the French and Italian government holding a 27.5% stake together, discussions about the successor of Bozotti are said to be particularly complex and require time. Note that the group has long been led by Italian CEOs.
- **During our TMT Conference, the group refused to comment on a management transition.** Even today, there is no official confirmation regarding a management transition.

VALUATION

- **Bozotti's strategy has recently been criticized by the Street** and we believe that any newsflow about a management transition should help the stock to regain better momentum in the near term. As a result, we believe the stock is poised to react positively today. However, we keep our Neutral rating given that 1/ the group faces a management transition which implies uncertainty about the successor's name and strategy and 2/ the group is currently drawing up a restructuring plan after the decision to shut down the set-top box business announced in January 2016.
- Based on our estimates, STMicroelectronics shares are trading on FY16e EV/Sales of 0.6x and FY16e P/E of 23.7x.

NEXT CATALYSTS

- April 27th: Q1-16e results.

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Distribution of stock ratings

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