

17th November 2016

TMT

STMicroelectronics

Price EUR8.59

Bpifrance to raise its stake by 2.2%; no impact on the 50%/50% French/Italian equilibrium

Fair Value EUR7.3 (-15%)

NEUTRAL

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	8.7 / 4.6
Market Cap (EURm)	7,821
Avg. 6m daily volume (000)	2,314

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.6%	29.3%	81.7%	38.9%
Semiconductors	1.5%	2.6%	33.9%	23.0%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	49.2x	34.2x	21.9x	15.8x
Div yield (%)	4.4%	3.2%	3.3%	4.4%

ANALYSIS

- **French public investment bank Bpifrance announced yesterday the acquisition of 2.2% of STMicroelectronics' capital** (or an investment of about EUR172m at current share price). As such, its individual interest will rise to 13.1%. Note that, until now, the indirect interest of the French state and the Italian state in ST, representing 27.53% of total shares, was split on a 50%-50% basis through an entity named ST Holdings. As such, the French shareholder, representing both Bpifrance and CEA, held 13.8% of ST's shares (of which Bpifrance 10.9% and CEA 2.9%). According to Le Figaro, this would be the results of a repurchase of shares currently held by CEA. As such, it is not supposed to break the 50%-50% equilibrium between the Italian and French shareholders.
- **Bpifrance shows higher interest in the semiconductor industry in 2016.** Bpifrance's interest in STMicroelectronics is the second time the French public investment bank invested in a listed semiconductor company in 2016. Earlier this year, Bpifrance invested EUR36.4m to acquire 14.5% of Soitec's (Neutral, FV EURO.50) capital.

VALUATION

- Based on our estimates, STMicroelectronics' shares are trading on 2017e EV/Sales and EV/EBIT ratios of 1.2x and 19.2x respectively.

NEXT CATALYSTS

- Late January 2017: FY16 and Q4 results.

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