



# Financial Results

FQ1 2021

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# Sanjay Mehrotra

President and CEO

January 7, 2021

# Highlights

- Delivered strong revenue and earnings in FQ1
- Began shipping industry's most advanced NAND with 176 layers
- Good progress on 1-alpha DRAM node, on track to begin volume production in 1H-CY21
- We believe DRAM is past the bottom of the industry cycle and expect improving trends through CY21



# Operations

- In early December, two separate events affected our Taiwan DRAM operations
  - A power outage at our Taoyuan facility on December 3
  - A 6.7-magnitude earthquake off the northeast coast of Taiwan on December 10, felt at both our Taoyuan and Taichung locations
- Investments made over the last few years in facilities' redundancy and cleanroom control substantially mitigated the impact of these two events
- These disruptions have, however, reduced our available FQ2 DRAM supply and negatively influenced our costs in the short term
- The expected impact of these events is factored into our outlook

# Strong Technology and Roadmap Execution

## Solid progress toward our goals:

- Deliver industry-leading technology and improve our cost structure
- Bring differentiated products to market and improve our product mix
- Grow our share of industry profits while maintaining stable bit share

***Micron has technology leadership in both DRAM and NAND simultaneously; going forward, we expect to maintain this competitive position through a more typical cadence for node transitions consistent with the rest of the industry***

## DRAM

- Making good progress on our 1-alpha node which remains on track for introduction in 1H-CY21
- 1-alpha will deliver a 40% improvement in bits per wafer over our 1Z with a substantial portion of the improvement coming from our chip-design concepts
- Going forward we anticipate lower gains in bits per wafer growth as more complex interfaces such as DDR5 are introduced and as DRAM technology scaling challenges continue
- Began revenue shipments of HBM2E
- Strong growth in GDDR6 and GDDR6X bit shipments

## NAND

- Began volume production of the industry's most advanced 176-layer NAND
- It features 2X the power efficiency and write performance vs. our 96-layer NAND, which is essential for addressing future high-end mobile applications
- Began shipping 176-layer consumer SSDs in FQ1 and will introduce additional 176-layer products over the next several months
- Leading the industry with the broadest portfolio of QLC SSDs across client, consumer, and data center markets; increased bit mix of QLC SSDs in FQ1

# End Market Highlights



## Data Center

- Memory and storage becoming an increasing portion of server BOM cost
- New compute architectures are enabling more memory channels and higher-density modules
- Cloud and enterprise DRAM revenue declined Q/Q from a very strong 14-week FQ4, with ongoing enterprise weakness
- Continue to make progress on our Data center NVMe portfolio and completed several customer qualifications in FQ1, while maintaining our leadership in SATA



## Mobile

- FQ1 mobile revenue was up Q/Q, driven by solid execution and improved handset demand
- Better-than-expected transition of Micron's mobile business from Huawei to other mobile customers also contributed to our revenue upside in FQ1
- Micron is well positioned to win in the 5G era with our industry-leading product portfolio
- Maintained LP5 solutions leadership and grew our LP5 shipments, were the first to market with uMCP5, and achieved record MCP revenue



## PCs

- WFH trend driving strong notebook demand despite pockets of non-memory component shortages in supply chain. Micron delivered strong sequential growth in PC DRAM shipments driven by this demand
- NVMe represented over 90% of client SSD bits, with nearly half being QLC bits
- Consumer SSD had a second consecutive record quarter for bits shipped, and Micron shipped the world's first 176L based Consumer SSDs



## Graphics & Auto

### Graphics:

- Strong growth in GDDR6/6x driven by new game console and PC graphics product launches; Micron has a strong position in this high-growth market

### Automotive:

- Record revenue resulting from the resumption of auto manufacturing around the globe and the continued growth of memory and storage content per vehicle
- Micron's quality and market leadership positions us well in this market

# Industry Outlook

## DRAM

- CY-20 industry bit demand growth slightly above 20%
- CY-21 industry bit demand growth in high-teens percentage range with DRAM industry supply to be below demand
- Long-term bit demand growth CAGR of mid-to-high teens

## NAND

- CY-20 industry bit demand growth in mid-20% range
- CY-21 industry bit demand growth of approximately 30% with supply potentially higher; market can stabilize over the course of 2021 if suppliers moderate their production growth
- Long-term bit demand growth CAGR of approximately 30%



# Micron Outlook

## DRAM

- CY-21 bit supply growth expected to be below industry demand growth
  - Long-term Micron bit supply growth CAGR in line with industry demand
  - FY-21 cost reductions expected to be in the mid-single-digit percentage range, with somewhat higher levels of cost reductions on a like-for-like basis
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## NAND

- CY-21 bit supply growth expected to be below industry demand growth
- Long-term Micron bit supply growth CAGR in line with industry demand
- FY-21 cost reductions expected to be in the low-to-mid-teens percentage range



January 7, 2021

# Dave Zinsner

Chief Financial Officer

An abstract geometric wireframe graphic composed of interconnected lines and triangles, resembling a molecular or crystalline structure, is positioned on the left side of the slide. It extends across the top and bottom white areas, partially overlapping the blue horizontal band.

# FQ1-21 Revenue

# \$5.8B

Revenue down 5% Q/Q and up 12% Y/Y

# Performance by Technology

## DRAM

- 70% of total revenue in FQ1-21
- Revenue down 7% Q/Q and up 17% Y/Y
- Bit shipments down low-single-digit percent range Q/Q
- ASPs down mid-single-digit percent range Q/Q

## NAND

- 27% of total revenue in FQ1-21
- Revenue up 3% Q/Q and up 11% Y/Y
- Bit shipments up high-teens percent range Q/Q
- ASPs down low-teens percent range Q/Q

The metrics above reflect the change in reporting for MCPs and SSDs, which have been disaggregated into DRAM and NAND.



# Revenue by Business Unit

Amounts in millions	FQ1-21	FQ4-20	Q/Q % Change	FQ1-20	Y/Y % Change
Compute and Networking (CNBU)	\$2,546	\$3,020	(16)%	\$1,979	29%
Mobile (MBU)	\$1,501	\$1,462	3%	\$1,457	3%
Storage (SBU)	\$911	\$913	0%	\$968	(6)%
Embedded (EBU)	\$809	\$654	24%	\$734	10%

# FQ1-21

## Non-GAAP Operating Results

**Revenue:** \$5.8 billion

**Gross Margin:** 30.9%

**Operating Expenses:** \$811 million

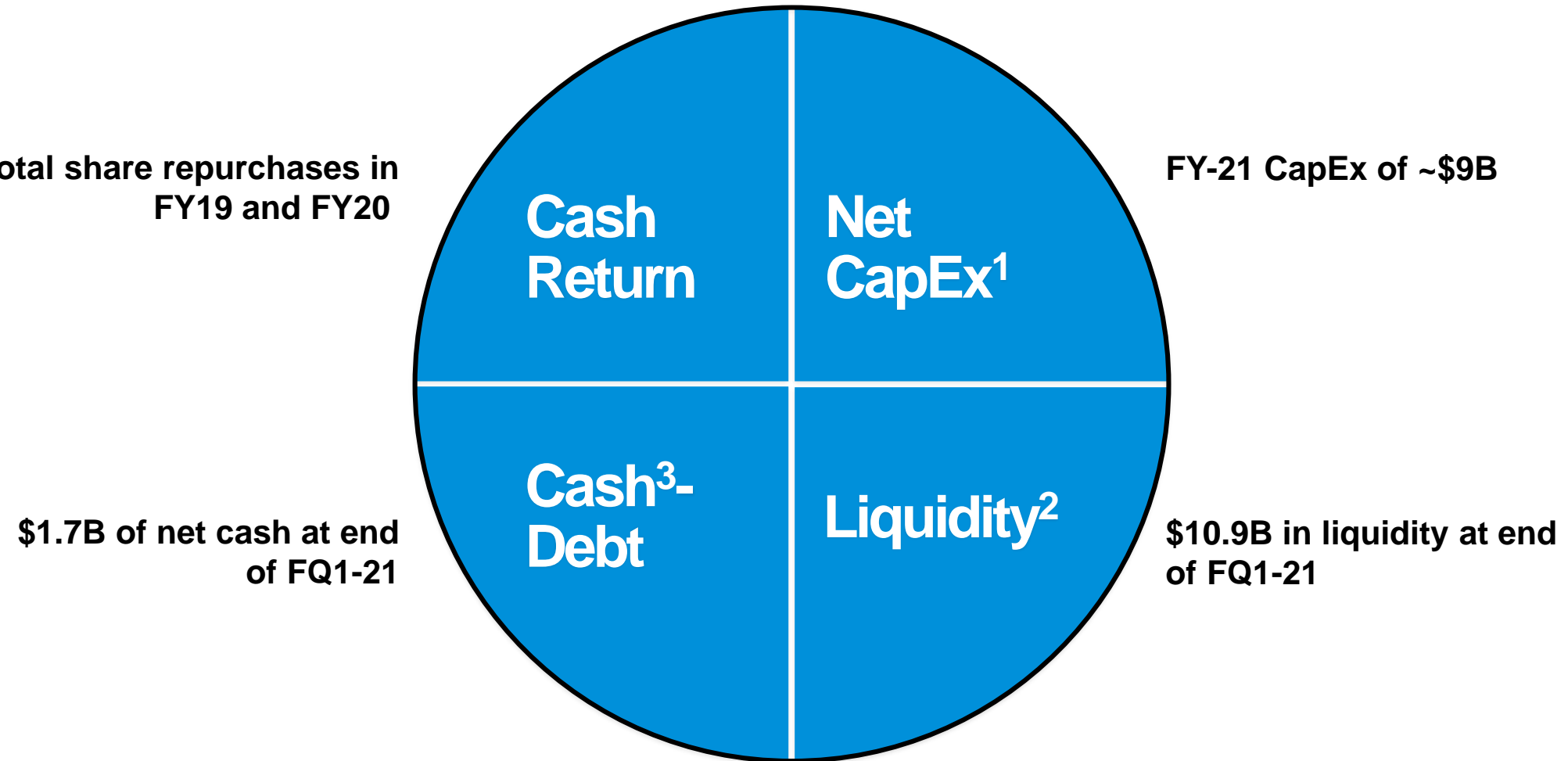
**Operating Income:** \$973 million

**Net Income:** \$897 million

**Diluted EPS:** \$0.78

**Cash from Operations (GAAP):** \$2.0 billion

# Capital Allocation



<sup>1</sup>Capex net of amounts funded by partners and proceeds from sales of property, plant, and equipment

<sup>2</sup>Cash, short-term and long-term marketable investments, restricted cash, and undrawn revolver capacity

<sup>3</sup>Cash, short-term and long-term marketable investments, and restricted cash

# FQ2-21 Guidance

## Non-GAAP

Revenue	\$5.8 billion $\pm$ \$200 million
Gross margin	31% $\pm$ 1%
Operating expenses	\$825 million $\pm$ \$25 million
Interest (income) expense, net	\$35 million
Diluted EPS*	\$0.75 $\pm$ \$0.07

\*Based on ~1.15 billion diluted shares

January 7, 2021





# Other Key Data

# Financial Summary

Non-GAAP

Amounts in millions, except per share	FQ1-21	% of Revenue	FQ4-20	% of Revenue	FQ1-20	% of Revenue
Revenue	\$5,773	100%	\$6,056	100%	\$5,144	100%
Gross margin	1,784	31%	2,111	35%	1,405	27%
Operating income	973	17%	1,302	21%	594	12%
Income tax (provision) benefit	(71)		(46)		(42)	
Net income attributable to Micron	897	16%	1,229	20%	548	11%
Diluted earnings per share	0.78		1.08		0.48	
Cash provided by operating activities (GAAP)	1,967		2,271		2,011	
Cash, marketable investments, and restricted cash (GAAP)	8,363		9,256		8,313	

See non-GAAP reconciliations

January 7, 2021



# Non-GAAP Financial Data and Guidance

% of Revenue	FQ1-21
DRAM	70%
NAND	27%

% Sales Volume Change	FQ1-21 Q/Q
DRAM	Decreased low-single-digit percent range
NAND	Increased high-teens percent range

% ASP Change	FQ1-21 Q/Q
DRAM	Decreased mid-single-digit percent range
NAND	Decreased low-teens percent range

	FQ1-21 Non-GAAP (amounts in millions, except per share)	FQ2-21 Non-GAAP Guidance
Revenue	\$ 5,773	\$5.8 billion ± \$200 million
Gross margin	30.9%	31% ± 1%
Operating expenses	\$ 811	\$825 million ± \$25 million
Interest (income) expense, net	\$ 31	\$35 million
Diluted earnings per share	\$ 0.78	\$0.75 ± \$0.07

	FQ1-21 Non-GAAP (amounts in millions)	FQ2-21 Non-GAAP Estimates
Diluted shares	1,146	~1.15 billion
Income tax (provision) benefit	\$ (71)	Mid-to-high-single-digit rate
Cash from operations (GAAP)	\$ 1,967	—
Depreciation and amortization	\$ 1,480	—
Investments in capex, net (capital cash flow)	\$ 2,783	FY-21: ~\$9 billion

See non-GAAP reconciliations

January 7, 2021



# Revenue by Technology

Amounts in millions	FQ1-21	% of Revenue	FQ4-20	% of Revenue	FQ1-20	% of Revenue
DRAM	\$4,056	70%	\$4,371	72%	\$3,469	67%
NAND	1,574	27%	1,530	25%	1,422	28%
Other	143	2%	155	3%	253	5%
<b>Total</b>	<b>\$5,773</b>	<b>100%</b>	<b>\$6,056</b>	<b>100%</b>	<b>\$5,144</b>	<b>100%</b>

Revenue for MCPs and SSDs, which contain both DRAM and NAND, are disaggregated into DRAM and NAND in the table above based on the relative values of each component. Percentages of total revenue may not total 100% due to rounding.



# Non-GAAP Reconciliations

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ1-21	FQ4-20	FQ1-20
<b>GAAP gross margin</b>	\$ 1,736	\$ 2,068	\$ 1,366
Stock-based compensation	41	37	31
Other	7	6	8
<b>Non-GAAP gross margin</b>	<b>\$ 1,784</b>	<b>\$ 2,111</b>	<b>\$ 1,405</b>
<b>GAAP operating expenses</b>	\$ 870	\$ 911	\$ 848
Stock-based compensation	(51)	(52)	(41)
Restructure and asset impairments	(8)	(50)	4
<b>Non-GAAP operating expenses</b>	<b>\$ 811</b>	<b>\$ 809</b>	<b>\$ 811</b>
<b>GAAP operating income</b>	\$ 866	\$ 1,157	\$ 518
Stock-based compensation	92	89	72
Restructure and asset impairments	8	50	(4)
Other	7	6	8
<b>Non-GAAP operating income</b>	<b>\$ 973</b>	<b>\$ 1,302</b>	<b>\$ 594</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ1-21	FQ4-20	FQ1-20
<b>GAAP net income attributable to Micron</b>	\$ 803	\$ 988	\$ 491
Stock-based compensation	92	89	72
Restructure and asset impairments	8	50	(4)
Amortization of debt discount and other costs	7	6	10
(Gain) loss on debt repurchases and conversions	—	—	(42)
Other	7	6	8
Estimated tax effects of above and non-cash changes in net deferred income taxes	(20)	90	13
<b>Non-GAAP net income attributable to Micron</b>	<b>\$ 897</b>	<b>\$ 1,229</b>	<b>\$ 548</b>
<b>GAAP income tax (provision) benefit</b>	\$ (51)	\$ (136)	\$ (55)
Estimated tax effects of non-GAAP adjustments and non-cash changes in net deferred income taxes	(20)	90	13
<b>Non-GAAP income tax (provision) benefit</b>	<b>\$ (71)</b>	<b>\$ (46)</b>	<b>\$ (42)</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ1-21	FQ4-20	FQ1-20
<b>GAAP cost of goods sold</b>	\$ 4,037	\$ 3,988	\$ 3,778
Stock-based compensation	(41)	(37)	(31)
Other	(7)	(6)	(8)
<b>Non-GAAP cost of goods sold</b>	<b>\$ 3,989</b>	<b>\$ 3,945</b>	<b>\$ 3,739</b>
<b>GAAP selling, general and administrative</b>	\$ 214	\$ 231	\$ 211
Stock-based compensation	(27)	(29)	(22)
<b>Non-GAAP selling, general and administrative</b>	<b>\$ 187</b>	<b>\$ 202</b>	<b>\$ 189</b>
<b>GAAP research and development</b>	\$ 647	\$ 630	\$ 640
Stock-based compensation	(24)	(23)	(19)
<b>Non-GAAP research and development</b>	<b>\$ 623</b>	<b>\$ 607</b>	<b>\$ 621</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ1-21	FQ4-20	FQ1-20
<b>GAAP shares used in diluted EPS calculations</b>	1,135	1,131	1,129
Adjustment for stock-based compensation and capped calls	11	11	9
<b>Non-GAAP shares used in diluted EPS calculations</b>	1,146	1,142	1,138
<b>GAAP diluted earnings per share</b>	\$ 0.71	\$ 0.87	\$ 0.43
Effects of non-GAAP adjustments	0.07	0.21	0.05
<b>Non-GAAP diluted earnings per share</b>	\$ 0.78	\$ 1.08	\$ 0.48
<b>GAAP net income</b>	\$ 803	\$ 990	\$ 508
Interest (income) expense, net	38	37	3
Provision (benefit) for income taxes	51	136	55
Depreciation and amortization of property, plant, and equipment and intangibles	1,487	1,567	1,296
<b>EBITDA</b>	\$ 2,379	\$ 2,730	\$ 1,862
<b>GAAP interest (income) expense, net</b>	\$ 38	\$ 37	\$ 3
Amortization of debt discount and other costs	(7)	(6)	(10)
<b>Non-GAAP interest (income) expense, net</b>	\$ 31	\$ 31	\$ (7)

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ1-21	FQ4-20	FQ1-20
<b>Net cash provided by operating activities</b>	\$ 1,967	\$ 2,271	\$ 2,011
Investments in capital expenditures, net			
Expenditures for property, plant, and equipment, net*	(2,726)	(2,268)	(1,936)
Payments on equipment purchase contracts	(97)	(14)	(11)
Amounts funded by partners	40	122	22
<b>Adjusted free cash flow</b>	\$ (816)	\$ 111	\$ 86

Amounts in millions	FQ1-21	FQ4-20
Cash and short-term investments	\$ 7,032	\$ 8,142
Current and noncurrent restricted cash	67	66
Long-term marketable investments	1,264	1,048
Current and long-term debt	(6,629)	(6,643)
<b>Net cash</b>	\$ 1,734	\$ 2,613

\*Expenditures for property, plant and equipment, net include proceeds from sales of property, plant, and equipment of \$12 million for FQ1-21, \$12 million for FQ4-20, and \$7 million for FQ1-20.



# FQ2-21 Guidance

## Non-GAAP Reconciliations

	GAAP	Adjustments		Non-GAAP
Revenue	\$5.8 billion ± \$200 million	—		\$5.8 billion ± \$200 million
Gross margin	25% ± 1%	6%	A	31% ± 1%
Operating expenses	\$882 million ± \$25 million	\$57 million	B	\$825 million ± \$25 million
Interest (income) expense, net	\$37 million	\$2 million	C	\$35 million
Diluted EPS*	\$0.41 ± \$0.07	\$0.34	A,B,C,D	\$0.75 ± \$0.07

Adjustments (amounts in millions)			
A	Inventory accounting policy change to FIFO – cost of goods sold	\$	135
A	Change in inventory cost absorption – cost of goods sold		165
A	Stock-based compensation – cost of goods sold		54
A	Other – cost of goods sold		7
B	Stock-based compensation – research and development		30
B	Stock-based compensation – sales, general, and administrative		27
C	Amortization of debt discount and other costs		2
D	Tax effects of the above items and non-cash changes in net deferred income taxes		(27)
		\$	393

The above guidance does not incorporate the impact of any potential business combinations, divestitures, restructuring activities, balance sheet valuation adjustments, strategic investments, financing transactions, and other significant transactions. The timing and impact of such items are dependent on future events that may be uncertain or outside of our control.

\*GAAP EPS based on ~1.14 billion diluted shares and non-GAAP EPS based on ~1.15 billion diluted shares.

