SATYA KUMAR, CORPORATE VICE PRESIDENT, INVESTOR RELATIONS AND TREASURY

Thank you, and welcome to Micron Technology's fiscal third-quarter (Q3) 2026 financial conference call. On the call with me today are Sanjay Mehrotra, our chairman, president and CEO, and Mark Murphy, our CFO. Today's call is being webcast from our Investor Relations site at investors.micron.com, including audio and slides. In addition, the press release detailing our quarterly results has been posted on the website, along with the prepared remarks for this call.

Today's discussion contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include statements regarding our future financial and operating performance and our business model, as well as trends and expectations in our business, customers, market, industry, products, and regulatory and other matters.

These statements are based on our current assumptions, and we assume no obligation to update these statements. Please refer to our most recent financial report on Forms 10-K, Forms 10-Q and our other filings with the SEC (U.S. Securities and Exchange Commission) for more information on the risks and uncertainties that could cause actual results to differ materially from expectations. Today's discussion of financial results is presented on a non-GAAP (generally accepted accounting principles) financial basis unless otherwise specified. A reconciliation of GAAP to non-GAAP financial measures can be found on our website.

I'll now turn the call over to Sanjay.

SANJAY MEHROTRA, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Satya.

Micron delivered an exceptional fiscal Q3, with significant records in revenue, gross margin and EPS (earnings per share) — all exceeding the high end of our guidance. Demonstrating Micron's position as a leader enabling the AI era, our data center revenue exceeded $25 billion in fiscal Q3, or an annualized run rate of over $100 billion. Our data center SSD revenue exceeded $5 billion, more than doubling sequentially. DRAM and NAND industry demand continues to significantly exceed industry supply. We expect tight conditions to persist beyond calendar 2027 as a result of AI-driven demand across all segments coupled with structural supply constraints. We are excited to announce that we have now signed 16 strategic customer agreements, or SCAs, which we expect will fundamentally transform our business model.

Industry trends

The memory industry has been structurally transformed by the proliferation of AI. We are only in the early innings of the significant innovation and productivity that can be unleashed in every part of the global economy over time. Data center-driven growth will be increasingly complemented by AI-enabled features in smartphones, high-end PCs and new consumer devices, as well as in automotive, industrial applications and robotics. Exciting possibilities enabled by robotics and humanoids, as well as fully autonomous vehicles, portend a robust long-term demand environment for memory and storage.

With respect to supply, our customers are recognizing that supply shortages in memory and storage will take considerable time to improve. Even as we expect industry supply to improve gradually in 2028, we currently do not have line of sight as to when memory supply will be able to catch up with increasing demand. Memory industry supply growth is dependent on significant greenfield fab expansions. These greenfield projects are large, complex and time consuming. Further, the pace is constrained by several factors, including long lead time for fab construction across the world, shortage of workers with critical trade skills, complex regulations including permitting, and the need for enhanced energy infrastructure. Meanwhile, memory process technology, which is among the most advanced to develop and manufacture in semiconductors, is getting more complex with every new node. Technology transitions are driving slower bit growth over time, wafer growth needs are significantly increasing cleanroom space and greenfield fab requirements, and HBM's growth and increasing trade ratio with every new generation further pressures non-HBM supply. In NAND, industry suppliers redirecting cleanroom space from NAND to DRAM and overall limited cleanroom space constrain NAND bit supply growth. These factors taken together mean supply is structurally constrained in its growth and ability to meet industry demand, despite our comprehensive efforts to increase supply.

AI systems are powered by GPU, ASIC and CPU designs from an increasingly broad set of suppliers. However, they all share one important characteristic — AI system performance is architecturally dependent on memory subsystem performance and capacity. This has given rise to a more complex memory hierarchy that is providing greater differentiation opportunities for Micron than at any time in our history. It has also elevated the role of memory in the AI world to a strategic asset.

Business model transformation and strategic customer agreements

Strong long-term demand growth, structurally constrained supply growth and memory's strategic importance have caused customers to recognize that their product roadmaps rely on access to advanced memory technology and dependable and committed long-term memory supply. Micron has been a pioneer in our industry in creating a new class of strategic customer agreements, or SCAs, with very robust terms. We are pleased to announce that we have completed 16 SCAs with customers across the data center, consumer and auto market segments. These SCAs accelerate the transformation of our business model, enhance partnership in technology and innovation, and provide customers with contracted supply assurance.

Typically, these agreements have a five-year term, from calendar 2026 through the end of calendar 2030. Automotive agreements generally have a three-year term. The 16 signed agreements represent roughly 20% of our DRAM volume and a third of our NAND volume over this period. These SCAs include four very large customers and three medium-sized customers. The remaining agreements relate to smaller customers from the automotive industry and represent our commitment to this important sector.

When completed, we expect approximately half or more of our company revenue to be under these SCAs with customers across end markets. Our customers value our U.S. supply plans, and this is reflected in our SCAs.

These SCAs are structured as take-or-pay agreements, with binding commitments to purchase specific volumes over this multi-year term.

The largest agreements generally have a ceiling price for existing products at the current CQ2 (calendar Q2) market price, and a floor price through the term of the agreement. Several SCAs, which account for a modest portion of the SCA-related revenue, include either fixed prices or have no price bands associated with them where pricing will be subject to market conditions. When all planned SCAs are executed, agreements with either fixed prices or price ceilings at or close to current CQ2 market prices are expected to be approximately 40% of our revenue. For SCAs which do contain such price bands, pricing is designed to stay within this floor to ceiling level through the course of the term. This pricing visibility will help our SCA customers across market segments to better manage their business and grow their demand.

For our SCAs with price bands, the floor price enables a very robust gross margin for Micron, well above our peak quarterly margins in any past cycle.

Fourteen of the 16 SCAs that we have signed have a cumulative revenue at minimum price per our contracts of approximately $100 billion over the remaining agreement term. They also strengthen our long-term financial performance, margins and free cash flow expectations, with higher visibility and improved stability in our business performance. Under the SCAs we have signed so far, we project to receive cash deposits and related financial commitments of $22 billion. This further demonstrates customer commitment to this new business model. Mark will provide additional details.

Our SCAs with customers across data center to consumer devices to auto and industrial applications create a new paradigm for us to strengthen our customer relationships. They provide committed DRAM, including HBM as appropriate, and NAND supply to our customers over a multi-year time horizon. In a period of significant shortage, this supply visibility is extremely beneficial to our customers. This visibility enables our customers to leverage SCA supply to make progress on their strategic plans, drive growth and enable their end consumers to benefit from their products and services. We are very appreciative of our customers, who have worked with us through this period of tight supply with a strong collaborative spirit to create win-win outcomes for the long term for the entire ecosystem and end consumers.

Technology and product leadership

AI's insatiable appetite for memory bandwidth and capacity, with low latency and low power, is driving memory architectural choices, memory product mix shifts and manufacturing process technology decisions, all of which increase the complexity of memory and storage roadmap for the industry.

Micron is building on its technology leadership. Our 1γ (1-gamma) DRAM node and G9 NAND node are both ramping well and on track to become the highest-volume nodes in Micron's history. Development of our next-generation DRAM and NAND nodes are also progressing well and are on track to begin volume production in the second half of calendar 2027.

We are leveraging our leadership DRAM and NAND nodes across our product portfolio. HBM4 12-high volume ramp is tracking twice as fast as HBM3E 12-high, and we have already shipped over $1 billion in HBM4 revenue. We expect to reach mature yields on HBM4 12-high significantly faster than HBM3E 12-high.

Please see our earnings press release for other highlights across our HBM, high-capacity DDR and LP server DRAM, data center SSD, PC, smartphone, and automotive product portfolios.

We expect future memory demand will continue to skew towards higher performance and higher value products, whose complexity carries higher cost per bit. Transitions like LP5 to LP6, DDR5 to DDR6 and newer generations of HBM all come with rising bit costs. This trend, along with the ramp of significant greenfield capacity in the years ahead, is projected to cause the blended DRAM cost per bit to rise from current levels. Our customer SCAs provide for appropriate price premiums for such new products to be negotiated in the future.

End markets

Turning to our end markets.

Data center

AI is driving unprecedented growth in data centers, with industry data center DRAM and NAND bit shipments in calendar 2026 expected to more than double from two years ago. Agentic AI is structurally reshaping data center infrastructure, extending beyond accelerator-only racks to include CPU racks for the agent control plane and program execution, and storage racks for rapidly expanding context store. We now expect calendar 2026 industry server units to grow high-teens percent, above our prior expectations of low double digits, driven by mid-teens growth in traditional servers and even stronger growth in servers with AI accelerators. We estimate that this increase in our server unit growth expectation is enabled by a modest reduction in average server DRAM content growth as customers focus on maximizing unit shipments amid a very tight allocation of memory. In NAND, AI context memory storage and HDD displacement opportunities are expanding the addressable market for SSDs.

PC and mobile

PC and smartphone industry revenue is expected to grow despite unit volume declines, reflecting resilient demand for high-end devices at higher prices across end-device categories. Agentic AI platforms such as OpenClaw and NemoClaw elevate the value of edge devices, enabling improved tokenomics, greater privacy and latency, and more efficient orchestration of AI between the cloud and edge. Over time, we expect the value of on-device AI combined with pent-up unit replacement demand to drive memory demand growth in PCs and smartphones.

Automotive and robotics

In automotive, ADAS (advanced driver-assistance systems) remains a powerful driver of content growth. L2+ and above vehicles, which feature progressively increasing levels of autonomy, have over five times the memory and storage content of an average vehicle. The mix of L2+ and above vehicles is more than doubling this year to over 20% and expected to exceed 40% by 2030. Average auto memory and storage content is expected to further increase as mix shifts towards higher levels of autonomy with progressively higher levels of content.

In robotics, continued advances in simulation, foundation models, and integrated hardware and software stacks are accelerating physical AI. This creates a growing, content-rich opportunity for high-bandwidth, low-power memory and storage that powers real-time perception, inference and control. Humanoid robots carry 10 times the amount of memory as an average L2+ vehicle, and we expect a sustained, substantial multi-decade memory demand cycle to begin in the latter part of this decade.

Market outlook

Now turning to our market outlook.

We now expect supply-demand conditions for both DRAM and NAND to remain tight beyond calendar 2027.

In DRAM, we expect industry DRAM bit shipments in calendar 2026 to grow in the low- to mid-20s percentage range, slightly above our prior outlook.

In NAND, we expect industry NAND bit shipments in calendar 2026 to grow approximately 20%, unchanged from prior expectations.

We expect Micron DRAM supply to grow approximately in line with the industry supply growth, while Micron NAND supply grows somewhat less than the industry supply growth in calendar 2026.

Micron supply efforts

Our SCAs provide enhanced visibility on our long-term demand and provide us greater confidence on our capex (capital expenditures) and R&D (research and development) investments.

We are focused on maximizing output from our fabs, including collaboration with our suppliers to accelerate tool acquisition, fab tool installation and ramp, and tool replacements and upgrades to improve productivity. Recently, we concluded a multi-year EUV (extreme ultraviolet) supply agreement with ASML, supporting our increased adoption of EUV at the 1δ (1-delta) node and future generations.

We are also making good progress on expanding our global manufacturing footprint to increase supply over time. This includes our significant investments in U.S. leading-edge DRAM manufacturing, with our ID1 and ID2 fabs in Idaho, whose construction is well underway, as well as the first of our New York fab cluster, where we broke ground in January this year. ID1 is on track for first wafer output in mid-calendar 2027 and ID2 in late calendar 2028. We recently launched first production starts of our 1α (1-alpha) DDR4 technology in our Manassas, Virginia, fab, which will add to our capability to support the legacy product needs of our customers in auto, industrial, medical, aerospace and defense markets.

In our newly acquired Tongluo site in Taiwan, we expect to support meaningful product shipments from the existing 300,000-square-feet fab in mid-calendar 2027, about a quarter earlier than our prior expectations. Adding to the existing fab, we have begun construction of a similar-sized second cleanroom at this site. This cleanroom will support EUV equipment. Our construction activities and timelines are on track for our other facilities in Japan and Singapore.

Complementing our advanced packaging capabilities in Taiwan, our Singapore site will become another center of excellence for advanced packaging. We expect this facility will contribute meaningfully to Micron’s HBM packaging capacity beginning in the first half of calendar year 2027.

As we make these investments, we will remain disciplined in our approach and will be responsive to the market environment to appropriately align our supply plans.

I will now turn it over to Mark for our fiscal Q3 financial results and outlook.

MARK MURPHY, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Thank you, Sanjay, and good afternoon everyone.

Opening

Micron delivered exceptional fiscal Q3 results, with revenue, gross margin and EPS exceeding the high end of our guidance. Our results and today's outlook underscore the increasing value of memory in the AI era and the structural strength of our business.

Strategic customer agreements

As mentioned, we have entered into 16 strategic customer agreements. For SCAs with defined price, either fixed or subject to floor and ceiling pricing, in accordance with the revenue accounting standard, we are disclosing remaining performance obligations (RPO) starting this May quarter. RPO at the end of fiscal Q3 (FQ3) was over $5 billion. For the SCAs that we have entered into so far, including ones executed after the end of FQ3, RPO is approximately $100 billion. RPO is determined based on minimum committed volumes and minimum pricing, and reflects inherently conservative estimates. RPO is not indicative of the total revenue we expect to recognize in future periods. As such, we expect revenue to well exceed associated RPOs over the term of the agreements.

As Sanjay mentioned, we project to receive cash deposits and related financial commitments of $22 billion under the SCAs we have signed so far. The overwhelming majority of these commitments, approximately $18 billion, will be in the form of cash deposits. When all targeted SCAs are completed, we expect to have substantially higher levels of SCA customer deposits and related commitments.

These customer deposits will show up on our balance sheet more in FQ4. The cash flows associated with customer deposits appear in financing-related cash flows and will not affect our free cash flow. This cash will be returned to customers over time, towards the latter half of the agreement term.

We are excited with our progress in signing these SCAs, which will strengthen our long-term financial performance, and drive enduring, robust ROI for the company over time.

Revenue

Total fiscal Q3 revenue was $41.5 billion, up 74% sequentially and up 346% year over year, representing our fifth consecutive quarterly revenue record. The $17.6 billion sequential increase is the largest in our history, eclipsing last quarter's $10.2 billion record.

DRAM

Fiscal Q3 DRAM revenue was a record $31.3 billion, up 343% year over year, and represented 76% of total revenue. Sequentially, DRAM revenue increased 67%. Bit shipments were up low-single-digit percentage range. Prices increased in the low-60s percentage range, driven by tight industry conditions and favorable mix.

NAND

Fiscal Q3 NAND revenue was a record $9.9 billion, up 361% year over year, and represented 24% of total revenue. Sequentially, NAND revenue increased 99%. Bit shipments increased in the mid-single-digit percentage range. Prices increased in the mid-80s percentage range, driven by tight NAND industry conditions and a favorable mix.

Gross margin

The consolidated gross margin for fiscal Q3 was 84.9%, up 10 percentage points sequentially. This improvement was driven primarily by higher pricing and also benefited from continuing strong execution and favorable mix. Fiscal Q3 gross margin more than doubled from a year ago and was a new company record.

Operating results

Financial performance by business unit

Now turning to quarterly financial performance by business unit.

Cloud Memory Business Unit (CMBU) revenue was a record $13.8 billion and represented 33% of total company revenue. CMBU revenue was up 78% sequentially, driven by higher pricing and bit shipments. CMBU gross margins were 83%, up 9 percentage points sequentially, driven by higher pricing.

Core Data Center Business Unit (CDBU) revenue was a record $11.5 billion and represented 28% of total company revenue. CDBU revenue was up 103% sequentially, driven by higher pricing and a favorable mix. CDBU gross margins were 87%, up 12 percentage points sequentially, driven by higher pricing.

Mobile and Client Business Unit (MCBU) revenue was a record $11.5 billion and represented 28% of total company revenue. MCBU revenue was up 49% sequentially, driven by higher pricing, partially offset by lower bit shipments. MCBU gross margins were 87%, up 9 percentage points sequentially, driven primarily by higher pricing and helped by favorable mix.

Automotive and Embedded Business Unit (AEBU) revenue was a record $4.6 billion and represented 11% of total company revenue. AEBU revenue was up 71% sequentially, driven by higher pricing and higher bit shipments. AEBU gross margins were 79%, up 11 percentage points sequentially, driven by higher pricing and favorable mix.

Opex

Operating expenses in fiscal Q3 were $1.5 billion, up $97 million quarter over quarter. The sequential increase was due to higher variable compensation expense from the strong performance of the business.

Operating income

We generated operating income of $33.7 billion in fiscal Q3, resulting in an operating margin of 81.2%, up 12 percentage points sequentially and 54 percentage points year over year.

Taxes

Fiscal Q3 taxes were $5.1 billion on an effective tax rate of 14.9%.

Earnings per share

Non-GAAP diluted earnings per share in fiscal Q3 was $25.11, up 106% sequentially.

Cash flow and capital expenditures

Turning to cash flow and capital expenditures, in fiscal Q3, operating cash flows were $25.4 billion. Capital expenditures were $7.1 billion, resulting in free cash flow of $18.3 billion. Fiscal Q3 free cash flow was a quarterly record for the company.

Inventory

Ending inventory for fiscal Q3 was $8.6 billion, with days of inventory at 120. DRAM inventories are very tight and below 120 days.

Total cash/debt

We reached record levels of cash and investments of $30.2 billion at quarter-end. During fiscal Q3, we reduced debt by $4.4 billion, including a cash tender offer that reduced senior notes by $4.3 billion. The weighted average maturity on our outstanding debt is April 2035. We closed the quarter with $5.7 billion of debt and a net cash balance of $24.4 billion. This fiscal year we received upgrades from all three major credit rating agencies, including an upgrade to BBB+, on the strength of our technology and product position, financial outlook and strong balance sheet. Our balance sheet has never been stronger, and we project it to strengthen further even as we increase investment in technology and needed capacity.

Guidance

Now turning to our guidance.

We expect FQ4 revenue to be a record $50.0 billion, plus or minus $1.0 billion; gross margin to be approximately 86.0%; and operating expenses to be approximately $1.65 billion. Based on a share count of approximately 1.15 billion shares, we expect EPS to be a record $31.00 per share, plus or minus $1.00.

Our fiscal Q4 gross margin outlook reflects a meaningful moderation in the rate of price increases.

We project operating expenses to increase by approximately $1 billion in fiscal 2027 as we expand R&D to support an unprecedented set of opportunities in memory and storage. We expect operating expense increases to be weighted to second half.

We expect a fiscal Q4 and fiscal year 2026 tax rate of around 15.0%.

Micron continues to invest in a disciplined manner across our global footprint to address customer demand. As a reminder, our capex is net of anticipated government incentives. In fiscal Q4, we project capex of around $10 billion, bringing full-year fiscal 2026 capital spending to approximately $27 billion. We expect quarterly capex in fiscal 2027 to be above fiscal Q4 levels, with more than half the increase year over year in fiscal 2027 from construction capex as we pull in cleanroom capacity required to address long-term demand.

We forecast free cash flow to increase substantially again in fiscal Q4. From Dec. 9, 2026, the second anniversary of the signature of our definitive CHIPS agreements, we intend to increase our capital return. Over time, we expect to return 100% of our excess cash to shareholders.

Any impacts that may occur due to trade or geopolitical developments are not included in our guidance.

I'll now turn it over to Sanjay to close.

SANJAY MEHROTRA, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Closing

Thank you, Mark.

AI has elevated the value of memory. Micron is collaborating closely with our customers and suppliers across technology, product, manufacturing and commercial teams in this tight industry environment. Strategic customer agreements are ushering in an exciting era for Micron. We expect these SCAs to significantly enhance the durability and predictability of Micron's strong financial performance, accelerating the transformation of our business model. I am thankful to Micron's team members worldwide, whose relentless focus on execution on all fronts has positioned Micron as a leader in this new AI era, as we continue to advance our mission to accelerate intelligence to enrich life for all.

We will now open for questions.