

# Financial Results

## First Quarter Fiscal 2019

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# Sanjay Mehrotra

President and CEO

# Continued Strong Technology and Roadmap Execution

## DRAM

- 1Xnm: Achieved crossover of shipments in FQ1-19
- 1Ynm: Started revenue shipments in FQ1-19; remain on track for meaningful production by FQ3-19
- 1Znm: Making excellent progress on development

## NAND

- QLC: Introduced consumer NVMe SSDs and enterprise SATA SSDs
- 96L: Started shipping products; yields ahead of plan
- High-value solutions: Now represent over 50% of NAND bits

# FQ1-19 Accomplishments by End Market

## Mobile

- Record revenue, gross margins and operating margins
- Mobile DRAM content growth of >25% in density per units shipped Y/Y

## Datacenter and Graphics

- Strong demand for higher density products; 64GB module revenue up >50% Q/Q
- Started volume ramp of high-performance GDDR6 memory

## Long lifecycle Industrial, Multi-market and Auto

- Record revenue in Auto and Industrial markets with Q/Q expansion in gross margins
- Strength in Auto driven by increasing demand for in-vehicle infotainment and ADAS

# CY-19 Industry Outlook Expectations

## DRAM

- Industry demand growth of ~16%
- Industry supply bit output growth tracking above demand
- Taking actions to lower our DRAM bit output growth to ~15%

## NAND

- Industry demand growth of ~35%
- Industry supply bit output growth exceeds demand growth
- Taking actions to lower our NAND output and now expect our NAND bit shipment growth to be ~35%

# Dave Zinsner

Chief Financial Officer

# Performance by Product Line

## DRAM

- 68% of overall company revenue in FQ1-19
- Revenue down 9% Q/Q and up 18% Y/Y
- ASPs down high single digits percent range Q/Q
- Shipment quantities flat Q/Q

## Trade NAND

- 28% of overall company revenue in FQ1-19
- Revenue down 2% Q/Q and up 17% Y/Y
- ASPs down low to mid-teens percent range Q/Q
- Shipment quantities up low to mid-teens percent range Q/Q



# Revenue by Business Unit

	FQ1-19	FQ4-18	Q/Q % Change	FQ1-18	Y/Y % Change
<b>Compute and Networking (CNBU)</b>	\$3.60B	\$4.36B	(17)%	\$3.21B	12%
<b>Mobile (MBU)</b>	\$2.21B	\$1.90B	17%	\$1.37B	62%
<b>Storage (SBU)</b>	\$1.14B	\$1.24B	(8)%	\$1.38B	(17)%
<b>Embedded (EBU)</b>	\$933M	\$923M	1%	\$830M	12%

# Financial Metrics

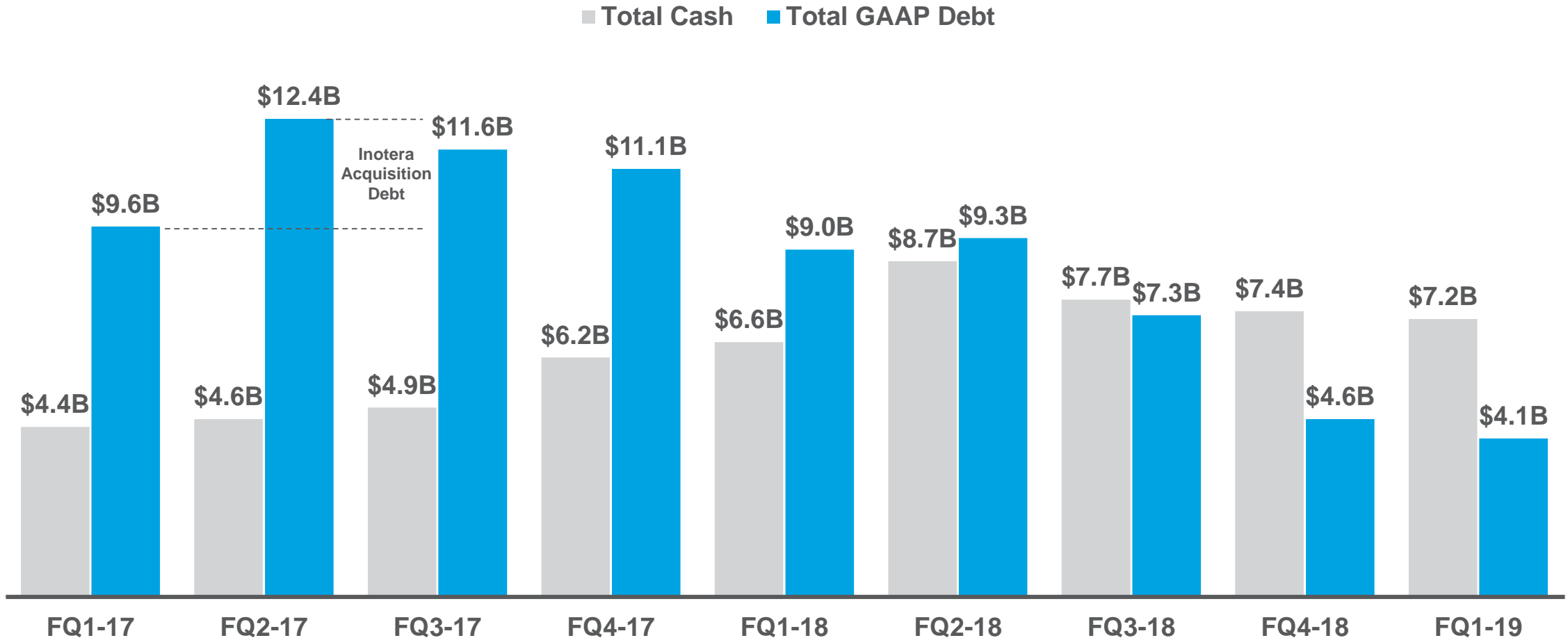
- GAAP results
  - Gross margin: 58%
  - Net Income: \$3.29 billion
  - Diluted EPS: \$2.81
- Non-GAAP results
  - Gross margin: 59%
  - Net Income: \$3.51 billion
  - Diluted EPS: \$2.97
- Non-GAAP operating expenses of \$783 million
- Non-GAAP operating income of \$3.9 billion

# Other Financial Metrics

- Repurchased \$1.8 billion of common stock,
  - Reduced total shares by 42 million or approximately 3.5% of shares outstanding
- Operating cash flow
  - \$4.8 billion in FQ1-19
- Capital expenditures, net of partner contributions
  - \$2.5 billion spent in FQ1-19
  - Revised FY-19 capex forecast to \$9.0 to \$9.5 billion
- Free cash flow\*
  - \$2.3 billion in FQ1-19

# Record Net Cash Position in FQ1-19

- FQ1-19 free cash flow\* of \$2.3 billion
- Reduced gross debt position by ~\$500 million in FQ1-19



\*Free cash flow consists of cash provided by operating activities less investments in capital expenditures, net of partner contributions  
 Cash includes short-term investments, long-term investments, and restricted cash  
 Debt is GAAP value including current portion and long-term debt

December 18, 2018

# Revised FY-19 Investment Plans

**FY-19 Capex\***

**\$9B - \$9.5B**

- \$1.25B reduction from prior guidance
- Will continue to remain flexible to respond to market conditions

# FQ2-19 Guidance

Non-GAAP

Revenue	\$5.70 billion – \$6.30 billion
Gross margin	50% – 53%
Operating expenses	\$800 million +/- \$25 million
Diluted EPS*	\$1.75 +/- \$0.10

# Non-GAAP Reconciliations

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions, except per share amounts	FQ1-19	FQ4-18	FQ1-18
GAAP net income attributable to Micron	\$ 3,293	\$ 4,325	\$ 2,678
Non-GAAP adjustments:			
Stock-based compensation	61	47	51
Employee severance, start-up costs, and other	38	8	3
Restructure and asset impairments	30	7	6
Amortization of debt discount and other costs	18	23	29
(Gain) loss on debt repurchases and conversions	(14)	(1)	195
(Gain) loss from changes in currency exchange rates	5	15	9
Impact of U.S. income tax reform	47	(83)	—
Estimated tax effects of above and changes in net deferred income taxes	30	(28)	23
Total non-GAAP adjustments	215	(12)	316
Non-GAAP net income attributable to Micron	\$ 3,508	\$ 4,313	\$ 2,994
GAAP shares used in diluted EPS calculations	1,174	1,216	1,225
Adjustment for stock-based compensation and effect of capped calls	5	4	(5)
Non-GAAP shares used in diluted EPS calculations	1,179	1,220	1,220
GAAP diluted earnings per share	\$ 2.81	\$ 3.56	\$ 2.19
Effects of above	0.16	(0.03)	0.26
Non-GAAP diluted earnings per share	\$ 2.97	\$ 3.53	\$ 2.45



# Consolidated Statement of Operations

## FQ1-19 Non-GAAP Reconciliation

Amounts in millions	GAAP	Adjustments	Non-GAAP
Revenue	\$ 7,913	\$ —	\$ 7,913
Cost of goods sold	3,298	(55) A,H	3,243
Gross margin	4,615	55	4,670
Selling, general, and administrative	209	(21) B,H	188
Research and development	611	(22) C,H	589
Other operating (income) expense	36	(30) D	6
Total operating expenses	856	(73)	783
Operating income	3,759	128	3,887
Interest expense, net	5	18 E	23
Other non-operating income (expense), net	9	(8) F,G,H	1
	3,773	138	3,911
Income tax provision	(477)	77 I,J	(400)
Net income	3,296	215	3,511
Net income attributable to noncontrolling interests	(3)	—	(3)
Net income attributable to Micron	\$ 3,293	\$ 215	\$ 3,508

# Consolidated Statement of Operations

## FQ1-19 Non-GAAP Reconciliation (continued)

Amounts in millions			
A	Stock-based compensation – cost of goods sold	\$	26
B	Stock-based compensation – sales, general, and administrative		19
C	Stock-based compensation – research and development		16
D	Restructure and asset impairments		30
E	Amortization of debt discount and other costs		18
F	(Gain) loss on debt repurchases and conversions		(14)
G	(Gain) loss from changes in currency exchange rates		5
H	Employee severance, start-up costs, and other		38
I	Impact of U.S. income tax reform		47
J	Estimated tax effects of above and non-cash changes in net deferred income taxes		30
		\$	<u>215</u>

# Other Key Data

# Financial Summary

## Non-GAAP

Dollars in millions, except per share	FQ1-19	% of Sales	FQ4-18	% of Sales	FQ1-18	% of Sales
Revenue	7,913	100%	8,440	100%	6,803	100%
Gross margin	4,670	59%	5,179	61%	3,769	55%
Operating income	3,887	49%	4,439	53%	3,157	46%
Income tax provision	(400)		(131)		(91)	
Net income attributable to Micron	3,508	44%	4,313	51%	2,994	44%
Diluted earnings per share	2.97		3.53		2.45	
Cash provided by operating activities	4,810		5,155		3,636	
Cash, marketable investments, and restricted cash	7,206		7,356		6,610	

# Non-GAAP Financial Data and Guidance

% of Revenue	FQ1-19
DRAM	68%
Trade NAND*	28%

% Sales Volume Change	FQ1-19 Q/Q
DRAM	Relatively flat
Trade NAND*	Increased low to mid-teens % range

% ASP Change	FQ1-19 Q/Q
DRAM	Decreased high single digit %
Trade NAND*	Decreased low to mid-teens % range

	FQ1-19 Non-GAAP (amounts in millions, except per share)	FQ2-19 Non-GAAP Guidance
Revenue	\$ 7,913	\$5.70 billion – \$6.30 billion
Gross margin	59%	50% – 53%
Operating expenses	\$ 783	\$800 million +/- \$25 million
Earnings per share	\$ 2.97	\$1.75 +/- \$0.10

	FQ1-19 Non-GAAP (amounts in millions)	FQ2-19 Non-GAAP Estimates
Diluted shares	1,179	~1,153 million
Income tax provision	\$ (400)	FY-19: ~11% of PBT
Operating cash flow	\$ 4,810	—
Depreciation and amortization	\$ 1,330	—
Capital expenditures (Capital cash flow) (a)	\$ 2,484	FY-19: \$9 billion - \$9.5 billion

See Non-GAAP reconciliations

\*Trade NAND excludes products sold to Intel through IMFT under a long-term supply agreement at prices approximating cost.

(a) Net of amounts funded by partners

# Convertible Notes Dilution Overview

(shares in millions)

Stock Price	Actual FQ1-19*	\$30	\$33	\$36	\$39	\$42	\$45	\$48	\$51	\$54	\$57	\$60
2032 D Notes	11	9	9	10	10	10	10	11	11	11	11	11
2033 F Notes	5	4	4	4	5	5	5	5	5	5	5	5
2043 G Notes	10	1	4	7	9	11	12	14	15	16	17	18
<b>Total dilutive shares</b>	26	14	17	21	24	26	27	30	31	32	33	34
Benefit from capped call	(2)	(3)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
<b>Net dilution</b>	24	11	14	18	21	24	25	28	29	30	31	32

Note: Except for FQ1-19 dilution, the table above presents the potential dilutive impact of convertible notes outstanding as of November 29, 2018 over the range of trading prices for Micron's stock.

