



# Financial Results

## FQ2 2020

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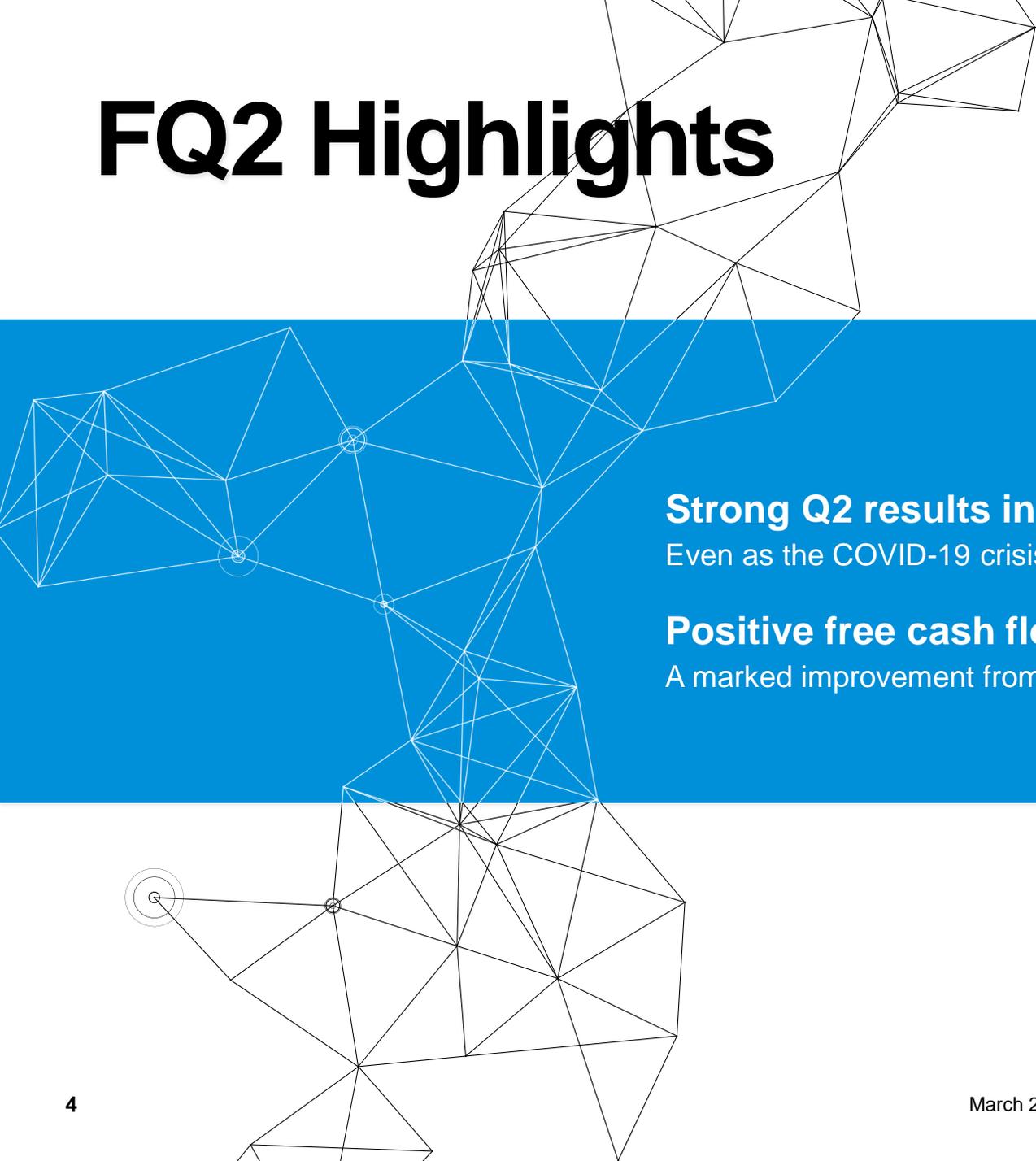
# Sanjay Mehrotra

President and CEO

March 25, 2020



# FQ2 Highlights

An abstract geometric wireframe graphic composed of interconnected lines and polygons, resembling a stylized map or network, is positioned in the upper left and extends across the top of the slide.

## **Strong Q2 results including revenue at high end of guided range**

Even as the COVID-19 crisis began to unfold halfway through our quarter

## **Positive free cash flow for 13 consecutive quarters**

A marked improvement from historical cycles and is evidence of the strength of the New Micron

# COVID-19 Update

## Micron's Response

- Ongoing communication with our suppliers to ensure continuity and identify supply gaps
- Increased our on-hand inventory of raw materials
- Increased multi-sourcing of parts to reduce supplier dependence risk
- Added assembly and test capacity in order to provide redundant manufacturing capability

## Near-term Outlook

- Stronger demand from datacenter due to remote-work economy, increased gaming and e-commerce activity
- Datacenter demand in all regions looks strong and is leading to supply shortages
- Recent increase in demand for notebooks to support work-from-home and virtual learning
- Smartphone, consumer electronics and auto demand below prior expectations for 2HFY2020
- Moving supply from smartphone to datacenter markets, for both DRAM modules and SSDs

# Industry Outlook

## DRAM

- Industry demand CAGR in the mid-to-high teens
- Long-term Micron supply growth in line with industry demand growth CAGR

## NAND

- Industry demand CAGR in the 30% range
- Long-term Micron supply growth in line with industry demand growth CAGR

Industry supply could be impacted by travel restrictions that hinder equipment deliveries and support

# Strong Technology and Roadmap Execution

*The New Micron is focused on combining product leadership with technology, manufacturing and supply chain excellence to deliver differentiated products to our customers and maintain a competitive cost structure*

## DRAM

- First to introduce 1Z in volume production and expect over half our bit production to be on 1Y and 1Z by summer 2020
- Managing the construction schedule of our new Taiwan cleanroom expansion carefully, remain on target for first output in CY2021
- Began sampling 1Z-based DDR5, on track to introduce HBM in CY2020, and making good progress on our 1-alpha node

## NAND

- Expect to begin production on our 128-layer first-gen RG node in our current quarter with revenue shipments in FQ4
- QLC SSD bit shipments rose by 60% sequentially in FQ2, with a meaningful portion of our consumer SSDs now shipping with our QLC technology, expect continued growth in second half of FY2020
- SSD revenue also grew approximately 20% sequentially, led by a greater than 50% growth in datacenter SSDs

# End Market Highlights



## SSDs

- Record consumer SSD revenue assisted by growth of QLC NVMe consumer SSDs
- Expect strong sequential bit growth in NVMe in FQ3 as we continue the transition from SATA to NVMe
- Achieved several customer qualifications on our 96-layer SATA datacenter SSD



## Mobile

- First company to deliver LP5 mobile DRAM to customers
- Sampling world's first LP5 DRAM-based UFS MCPs, which enable longer smartphone battery life and high-performance image processing
- LP5 and UFS more important as 5G adoption accelerates



## Data Center, Graphics & PC

- **Data Center:** Strong demand from enterprise and cloud customers
- **Graphics:** GDDR6 bit shipments increased more than 40% QoQ
- **PC:** DRAM bit shipments and revenue declined sequentially, driven by slow seasonal demand and CPU shortages



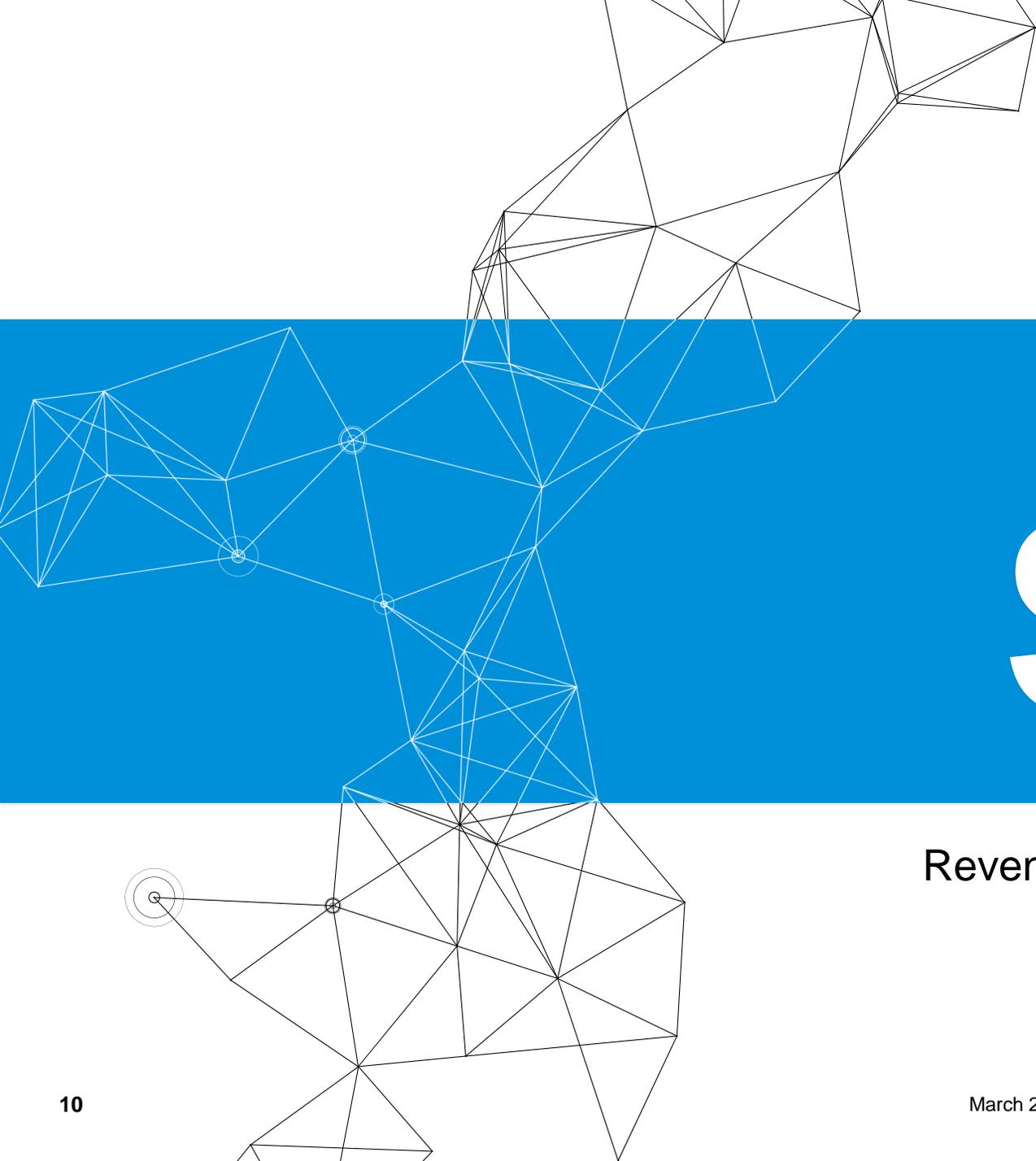
## Automotive & Industrial

- **Automotive:** Record DRAM and NAND revenue and LPDRAM was approximately half of auto DRAM revenue
- **Industrial:** Record bit shipments for DRAM and NAND, expect secular growth in IoT markets as 5G rolls out



# Dave Zinsner

Chief Financial Officer

A decorative wireframe graphic consisting of interconnected lines and nodes, forming a complex, abstract shape that resembles a stylized letter 'M' or a similar geometric structure. It is positioned on the left side of the slide, extending from the top to the bottom.

**FQ2-20 Revenue**  
**\$4.8B**

Revenue down 7% Q/Q and down 18% Y/Y

# Performance by Technology

## DRAM

- 64% of total revenue in FQ2-20
- Revenue down 11% Q/Q and down 26% Y/Y
- Bit shipments down approximately 10% Q/Q
- Bit shipments up more than 20% Y/Y
- ASPs flat Q/Q

## NAND

- 32% of total revenue in FQ2-20
- Revenue up 6% Q/Q and up 9% Y/Y
- Bit shipments down low-single-digit percent range Q/Q
- Bit shipments up approximately 20% Y/Y
- ASPs up upper-single-digit 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

	FQ2-20	FQ1-20	Q/Q % Change	FQ2-19	Y/Y % Change
<b>Compute and Networking (CNBU)</b>	\$1.97B	\$1.98B	(1)%	\$2.38B	(17)%
<b>Mobile (MBU)</b>	\$1.26B	\$1.46B	(14)%	\$1.61B	(22)%
<b>Storage (SBU)</b>	\$870M	\$968M	(10)%	\$1.02B	(15)%
<b>Embedded (EBU)</b>	\$696M	\$734M	(5)%	\$799M	(13)%

# FQ2-20

## Non-GAAP Operating Results

**Revenue:** \$4.8 billion

**Gross Margin:** 29.1%

**Net Income:** \$517 million

**Diluted EPS:** \$0.45

**Operating Expenses:** \$856 million

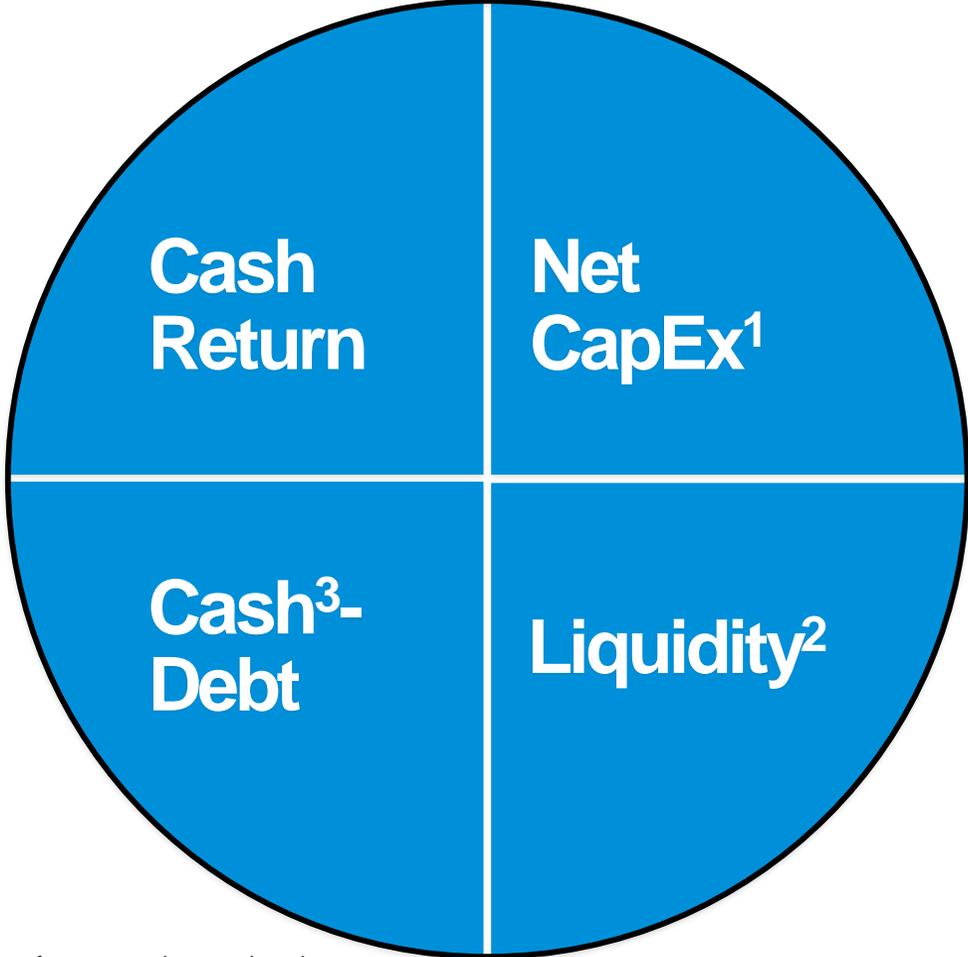
**Operating Income:** \$542 million

**Cash from Operations:** \$2.0 billion

# Capital Allocation

**\$44M used for share repurchases  
in FQ2-20  
(785,000 shares)**

**\$2.7B of net cash at end  
of FQ2-20**



**FY-20 CapEx of \$7B-\$8B**

**\$10.6B in liquidity at end  
of FQ2-20**

<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



# FQ3-20 Guidance

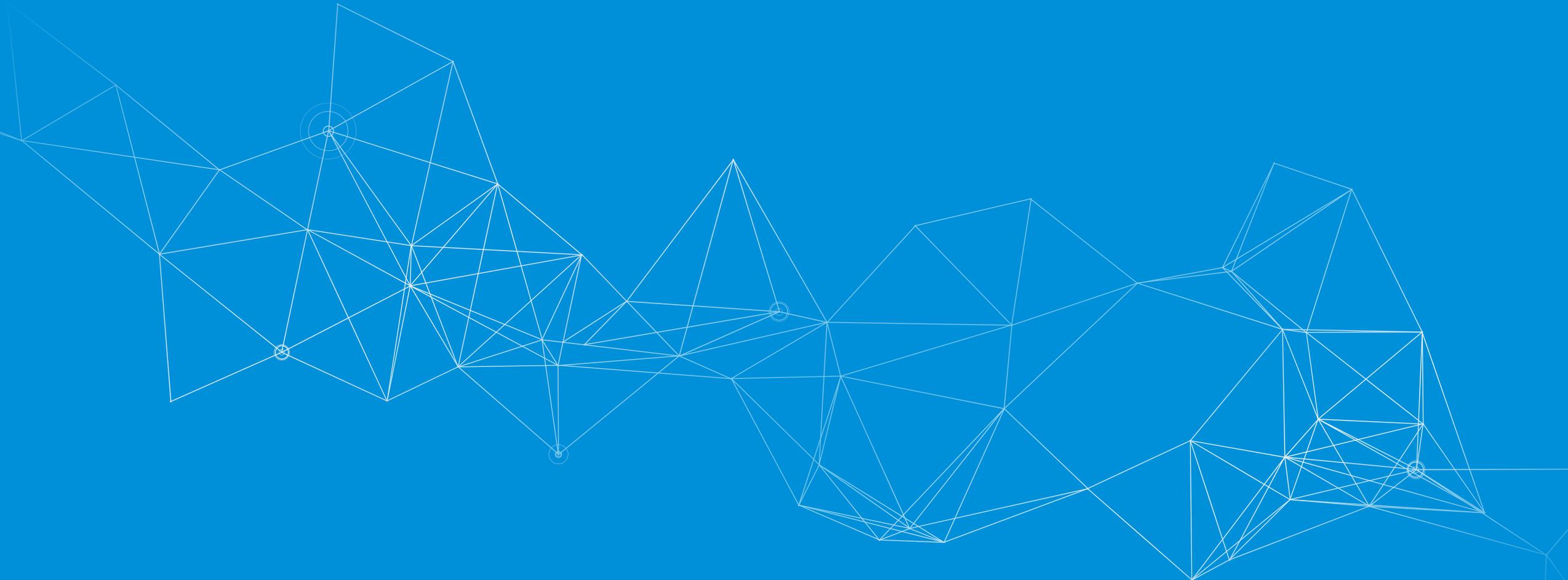
Non-GAAP

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<b>Revenue</b>	<b>\$4.6 billion to \$5.2 billion</b>
<b>Gross margin</b>	<b>31.0% ± 1.5%</b>
<b>Operating expenses</b>	<b>\$825 million ± \$25 million</b>
<b>Interest (income) expense, net</b>	<b>\$35 million</b>
<b>Diluted EPS*</b>	<b>\$0.55 ± \$0.15</b>

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\*Based on ~1.14 billion diluted shares



# Other Key Data

# Financial Summary

Non-GAAP

Amounts in millions, except per share	FQ2-20	% of Revenue	FQ1-20	% of Revenue	FQ2-19	% of Revenue
Revenue	\$4,797	100%	\$5,144	100%	\$5,835	100%
Gross margin	1,398	29%	1,405	27%	2,928	50%
Operating income	542	11%	594	12%	2,110	36%
Income tax (provision) benefit	(17)		(42)		(178)	
Net income attributable to Micron	517	11%	548	11%	1,971	34%
Diluted earnings per share	0.45		0.48		1.71	
Cash provided by operating activities	2,001		2,011		3,435	
Cash, marketable investments, and restricted cash	8,120		8,313		9,223	

See Non-GAAP reconciliations

# Non-GAAP Financial Data and Guidance

% of Revenue	FQ2-20
DRAM	64%
NAND	32%

% Sales Volume Change	FQ2-20 Q/Q
DRAM	Decreased approximately 10%
NAND	Decreased low-single-digit percent range

% ASP Change	FQ2-20 Q/Q
DRAM	Flat
NAND	Increased upper-single-digit percent range

	FQ2-20 Non-GAAP (amounts in millions, except per share)	FQ3-20 Non-GAAP Guidance
Revenue	\$ 4,797	\$4.6 billion to \$5.2 billion
Gross margin	29%	31.0% ± 1.5%
Operating expenses	\$ 856	\$825 million ± \$25 million
Interest (income) expense, net	\$ 6	\$35 million
Earnings per share	\$ 0.45	\$0.55 ± \$0.15

	FQ2-20 Non-GAAP (amounts in millions)	FQ3-20 Non-GAAP Estimates
Diluted shares	1,144	~1.14 billion
Income tax (provision) benefit	\$ (17)	~5% rate
Operating cash flow	\$ 2,001	—
Depreciation and amortization	\$ 1,358	—
Investments in capex, net (capital cash flow)	\$ 1,938	FY-20: \$7 billion to \$8 billion

See Non-GAAP reconciliations

# Revenue by Technology

Amounts in millions	FQ2-20	% of Revenue	FQ1-20	% of Revenue	FQ2-19	% of Revenue
DRAM	\$3,083	64%	\$3,469	67%	\$4,151	71%
NAND	1,514	32%	1,422	28%	1,387	24%
Other	200	4%	253	5%	297	5%
<b>Total</b>	<b>\$4,797</b>	<b>100%</b>	<b>\$5,144</b>	<b>100%</b>	<b>\$5,835</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.

# Historical Revenue % by Technology

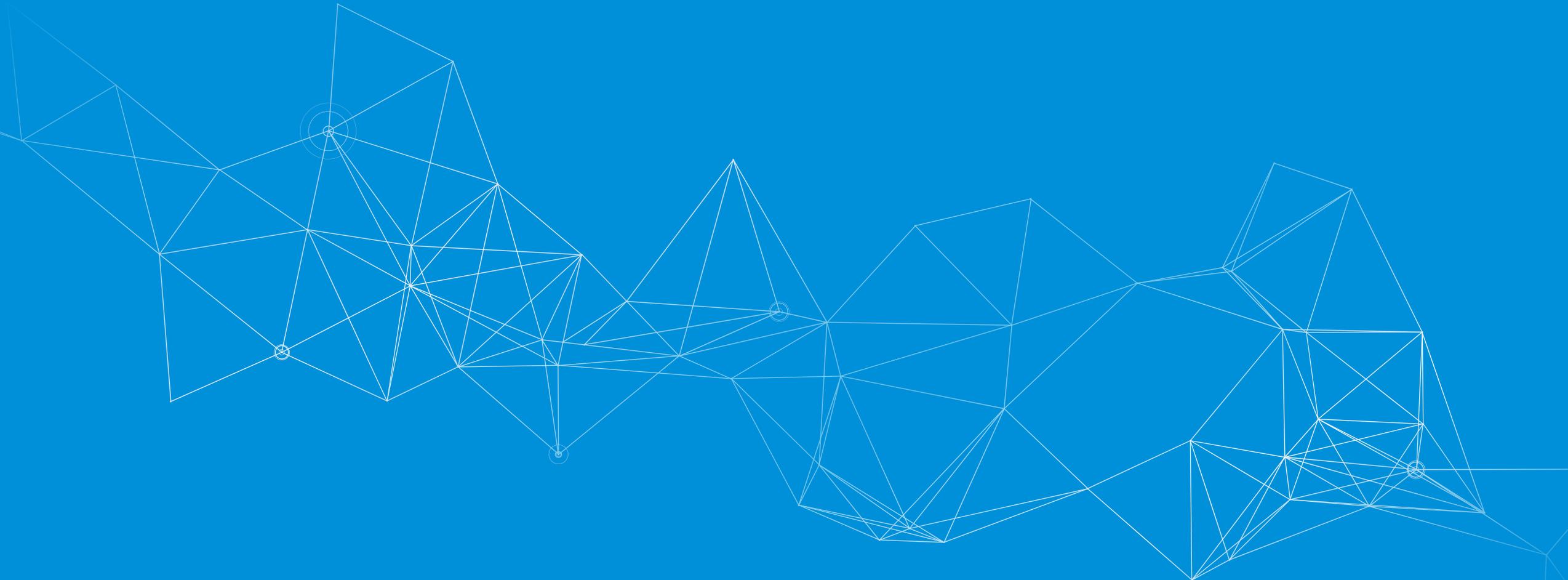
	Q1-19	Q2-19	Q3-19	Q4-19	FY-19
DRAM	74%	71%	71%	70%	72%
NAND	21%	24%	23%	25%	23%
Other	5%	5%	6%	5%	5%
<b>Total</b>	100%	100%	100%	100%	100%

	Q1-18	Q2-18	Q3-18	Q4-18	FY-18
DRAM	71%	74%	76%	76%	74%
NAND	24%	21%	20%	21%	21%
Other	5%	4%	4%	3%	4%
<b>Total</b>	100%	100%	100%	100%	100%

	Q1-17	Q2-17	Q3-17	Q4-17	FY-17
DRAM	67%	68%	68%	70%	68%
NAND	29%	28%	29%	27%	28%
Other	4%	4%	4%	3%	4%
<b>Total</b>	100%	100%	100%	100%	100%

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	FQ2-20	FQ1-20	FQ2-19
<b>GAAP gross margin</b>	\$ 1,355	\$ 1,366	\$ 2,864
Stock-based compensation	37	31	23
Start-up and preproduction costs	—	—	15
Employee severance	—	1	13
Other	6	7	13
<b>Non-GAAP gross margin</b>	<b>\$ 1,398</b>	<b>\$ 1,405</b>	<b>\$ 2,928</b>
<b>GAAP operating expenses</b>	\$ 915	\$ 848	\$ 907
Stock-based compensation	(48)	(41)	(34)
Employee severance	—	—	(4)
Restructure and asset impairments	(10)	4	(51)
Other	(1)	—	—
<b>Non-GAAP operating expenses</b>	<b>\$ 856</b>	<b>\$ 811</b>	<b>\$ 818</b>
<b>GAAP operating income</b>	\$ 440	\$ 518	\$ 1,957
Stock-based compensation	85	72	57
Start-up and preproduction costs	—	—	15
Employee severance	—	1	17
Restructure and asset impairments	10	(4)	51
Other	7	7	13
<b>Non-GAAP operating income</b>	<b>\$ 542</b>	<b>\$ 594</b>	<b>\$ 2,110</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-20	FQ1-20	FQ2-19
<b>GAAP net income attributable to Micron</b>	\$ 405	\$ 491	\$ 1,619
Stock-based compensation	85	72	57
Start-up and preproduction costs	—	—	15
Employee severance	—	1	17
Restructure and asset impairments	10	(4)	51
Amortization of debt discount and other costs	6	10	11
(Gain) loss on debt repurchases and conversions	—	(42)	83
Other	7	7	16
Impact of U.S. income tax reform	—	—	(14)
Estimated tax effects of above, non-cash changes in net deferred income taxes, and assessments of tax exposures	4	13	116
<b>Non-GAAP net income attributable to Micron</b>	<b>\$ 517</b>	<b>\$ 548</b>	<b>\$ 1,971</b>
<b>GAAP income tax (provision) benefit</b>	\$ (21)	\$ (55)	\$ (280)
Impact of U.S. income tax reform	—	—	(14)
Estimated tax effects of non-GAAP adjustments, non-cash changes in net deferred income taxes, and assessments of tax exposures	4	13	116
<b>Non-GAAP income tax (provision) benefit</b>	<b>\$ (17)</b>	<b>\$ (42)</b>	<b>\$ (178)</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-20	FQ1-20	FQ2-19
<b>GAAP cost of goods sold</b>	\$ 3,442	\$ 3,778	\$ 2,971
Stock-based compensation	(37)	(31)	(23)
Start-up and preproduction costs	—	—	(15)
Employee severance	—	(1)	(13)
Other	(6)	(7)	(13)
<b>Non-GAAP cost of goods sold</b>	<b>\$ 3,399</b>	<b>\$ 3,739</b>	<b>\$ 2,907</b>
<b>GAAP selling, general and administrative</b>	\$ 223	\$ 211	\$ 209
Stock-based compensation	(26)	(22)	(18)
Employee severance	—	—	(3)
<b>Non-GAAP selling, general and administrative</b>	<b>\$ 197</b>	<b>\$ 189</b>	<b>\$ 188</b>
<b>GAAP research and development</b>	\$ 681	\$ 640	\$ 601
Stock-based compensation	(22)	(19)	(16)
Employee severance	—	—	(1)
Other	(1)	—	—
<b>Non-GAAP research and development</b>	<b>\$ 658</b>	<b>\$ 621</b>	<b>\$ 584</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-20	FQ1-20	FQ2-19
<b>GAAP shares used in diluted EPS calculations</b>	1,133	1,129	1,141
Adjustment for capped calls and stock-based compensation	11	9	8
<b>Non-GAAP shares used in diluted EPS calculations</b>	<b>1,144</b>	<b>1,138</b>	<b>1,149</b>
<b>GAAP diluted earnings per share</b>	\$ 0.36	\$ 0.43	\$ 1.42
Effects of non-GAAP adjustments	0.09	0.05	0.29
<b>Non-GAAP diluted earnings per share</b>	<b>\$ 0.45</b>	<b>\$ 0.48</b>	<b>\$ 1.71</b>
<b>GAAP net income</b>	\$ 407	\$ 508	\$ 1,625
Interest (income) expense, net	12	3	(31)
Provision (benefit) for income taxes	21	55	280
Depreciation and amortization of property, plant, and equipment and intangibles	1,365	1,296	1,313
<b>EBITDA</b>	<b>\$ 1,805</b>	<b>\$ 1,862</b>	<b>\$ 3,187</b>
<b>GAAP interest (income) expense, net</b>	\$ 12	\$ 3	\$ (31)
Amortization of debt discount and other costs	(6)	(10)	(11)
<b>Non-GAAP interest (income) expense, net</b>	<b>\$ 6</b>	<b>\$ (7)</b>	<b>\$ (42)</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-20	FQ1-20	FQ2-19
<b>Net cash provided by operating activities</b>	\$ 2,001	\$ 2,011	\$ 3,435
Investments in capital expenditures, net			
Expenditures for property, plant, and equipment, net*	(2,013)	(1,936)	(2,629)
Payments on equipment purchase contracts	(18)	(11)	(17)
Amounts funded by partners	93	22	225
<b>Adjusted free cash flow</b>	<u>\$ 63</u>	<u>\$ 86</u>	<u>\$ 1,014</u>

Amounts in millions	FQ2-20	FQ1-20
Cash and short-term investments	\$ 7,481	\$ 7,588
Current and noncurrent restricted cash	53	126
Long-term marketable investments	586	599
Current and long-term debt	(5,425)	(5,650)
<b>Net cash</b>	<u>\$ 2,695</u>	<u>\$ 2,663</u>

\*Expenditures for property, plant and equipment, net include proceeds from sales of property, plant, and equipment of \$43 million for FQ2-20, \$7 million for FQ1-20, and \$20 million for FQ2-19.

# FQ3-20 Guidance

## Non-GAAP Reconciliations

	GAAP	Adjustments		Non-GAAP
Revenue	\$4.6 billion to \$5.2 billion	—		\$4.6 billion to \$5.2 billion
Gross margin	30% ± 1.5%	1%	A	31% ± 1.5%
Operating expenses	\$891 million ± \$25 million	\$66 million	B	\$825 million ± \$25 million
Interest (income) expense, net	\$38 million	\$3 million	C	\$35 million
Diluted EPS*	\$0.41 ± \$0.15	\$0.14	A,B,C,D	\$0.55 ± \$0.15

### Adjustments (amounts in millions)

A	Stock-based compensation – cost of goods sold	\$	41
A	Other – cost of goods sold		7
B	Stock-based compensation – sales, general, and administrative		26
B	Stock-based compensation – research and development		21
B	Other – operating expenses		19
C	Amortization of debt discount and other costs		3
D	Tax effects of the above items and non-cash changes in net deferred income taxes		41
		\$	<u>158</u>

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 ~1.13 billion diluted shares and non-GAAP EPS based on ~1.14 billion diluted shares

The Micron logo features a stylized white 'M' with a white orbital ring around it, followed by the word 'Micron' in a bold, white, sans-serif font with a registered trademark symbol (®) to its upper right.

