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Micron Technology Inc. (MU): Very strong quarter, with detail on strategic customer agreements a significant positive

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Key stock takeaways: We expect the stock to trade higher following a very strong quarter with guidance that was well ahead of the Street, set against elevated investor expectations heading into the quarter. Importantly, Micron disclosed additional details regarding its strategic customer agreements - which we see as a significant positive. The company has signed 16 agreements across a range of end markets, most of which contain both floor and ceiling prices. The company currently has signed agreements representing about 20% of its anticipated DRAM volume (30% in NAND), and expects to cover ~50% of its expected revenue over time. We believe these agreements are a significant positive for the stock which could help increase the multiple on "peak" earnings investors are willing to pay for the stock. At the same time, the industry continues to accelerate supply additions to help satisfy customer demand - although we believe this will not be enough to drive any meaningful slack in the market until 2028 at the earliest. We remain Neutral-rated on the stock given our view of roughly balanced risk/reward at current levels, but would consider being more constructive on the stock if we see continued supply growth discipline continuing across the industry through 2028 and beyond.

Read-through to our coverage: We expect a positive initial reaction for SNDK (Buy) in our coverage given the company's positive commentary on NAND supply dynamics. We also expect a positive read-across for our Semi Cap equipment coverage (primarily LRCX (Buy) and AMAT (Buy)) given the uptick to CapEx guidance for FY26 and expected higher CapEx in FY27, as well as management's commentary on cleanroom and equipment pull-ins.

Quarterly results were well above the Street: Micron reported revenue of $41.46 bn, well above GS at $37.58 bn and the Street at $36.28 bn, while gross margin of 84.9% was above GS at 83.4% and the Street at 82.5%. Non-GAAP EPS of $25.11 was also well above GS at $22.07 and the Street at $21.05. DRAM revenue of $31.33 bn was well above GS at $28.30 bn and the Street at $28.21 bn, while NAND revenue of $9.94 bn was also above GS at $9.18 bn and the Street at $7.77 bn.

- **Strategic Customer Agreements:** Micron disclosed additional details regarding its strategic customer agreements, which we see as a significant positive. The company has signed 16 agreements thus far across a range of datacenter, consumer, automotive, and other end markets. The agreements are generally five-year agreements with annual "take or pay" revenue targets with associated up-front customer deposits ($22bn in total thus far). Many of these agreements contain both floor and ceiling prices, and management noted that the aggregate amount of committed revenue for agreements signed represents ~$100bn over five years at floor prices, at gross margins above prior peak levels (low 60% range). The company currently has signed agreements representing about 20% of its anticipated DRAM volume (30% in NAND), and expects to cover ~50% of its expected revenue over time. These agreements include relationships with four very large customers (two hyperscalers) and three medium-sized customers.

- **Manufacturing and supply:** The company is working to accelerate its fab construction and production plans across its global footprint, and CapEx is expected to step up meaningfully in FY27 - with half of the FY27 increase driven by construction to support the expansion of HBM and conventional DRAM capacity. From a $10bn CapEx base in FY4Q26, Micron expects a sequential increase beginning in FY1Q27 - and we currently model FY27 CapEx of $50bn. The company has pulled in its first Idaho fab to deliver output in mid-CY27; its Singapore facility will be operational by the end of CY28. Micron is accelerating its cleanroom completion in its Hiroshima fab, and has now broken ground on its New York fab for supply in CY30.
- **DRAM:** Micron now expects to grow DRAM bit supply in the low-to-mid-20% range in CY26, above its prior view. Although management did not update its market commentary, it previously noted it expects that from an HBM baseline TAM of $35 bn in 2025, the industry can grow revenue at a 40% CAGR to over $100 bn by 2028. The company expects its supply of HBM products to continue to ramp throughout the year, with production volume shipments of HBM4 beginning in the quarter. Management noted that the company has already shipped $1bn of HBM4 revenue thus far.
- **NAND:** Micron currently expects to grow NAND bit supply by about 20% in CY26, in line with the industry. Management also noted that suppliers continue to re-direct some NAND supply to the DRAM market, which we see as an incremental positive for the health of the NAND market. We expect the company to drive bit supply mainly through equipment upgrades and technology shrinks through 2027, as Micron's greenfield fab is not expected to come online until mid-2028.

FY4Q guidance is well above the Street. Micron guided FY4Q well above the Street on revenue and margins. Revenue was guided to $50.00 bn at the midpoint, which is well above GS at $48.77 bn and the Street at $43.34 bn. Non-GAAP gross margin was guided to 86%, in line with GS at 86.1% and above the Street at 84.6%. Non-GAAP EPS guidance of $30.00 - $32.00 (midpoint of $31.00) was above GS at $29.95 and well above the Street at $25.77.

Estimate changes. We raise our near-term non-GAAP EPS estimates by an average of ~7% to reflect higher revenue and margin assumptions (see detailed estimates below — Exhibit 3).

Price target. We raise our price target to $1100 from $900 prior, which is based on a 18X multiple (unchanged) applied to our normalized EPS estimate of $62.00 (up from $50.00 due to higher revenue and margin assumptions, as well as incremental confidence in the durability of earnings power given disclosure on customer agreements). Key upside/downside risks include: (1) continued execution on the company's HBM roadmap and share gain, (2) sizable step-up (above current expectations) in HBM content for AI accelerators, (3) continued signs of CXMT gaining DRAM market share, negatively impacting pricing dynamics.

We are Neutral rated on MU. The DRAM and NAND markets remain very healthy - which should drive continued tailwinds for Micron's business. In addition, we see the company's additional disclosure on its customer agreements as a meaningful positive which should bolster the durability of earnings over the course of the cycle. However, we see potential risk of slowing HBM price momentum in 2027 given the prospects of meaningful supply additions in 2027 and 2028, which keeps us Neutral for now. We could consider being more constructive on the stock if we see continued supply growth discipline continuing across the industry in the long run, or if we see additional evidence of customers agreements which could further bolster floor pricing across the business.

Exhibit 1: MU - Variance summary

Financials ($ mn, except EPS)	Actual	GS	2Q26 Street	Actual/GS	Actual/Street
DRAM	31,328	28,302	28,206	10.7%	11.1%
NAND	9,943	9,183	7,772	8.3%	27.9%
Total Revenue	41,456	37,579	36,281	10.3%	14.3%
QoQ	*73.7%*	*57.5%*	*52.1%*		
YoY	*345.7%*	*304.0%*	*290.1%*		
Gross Margin	84.9%	83.4%	82.5%	*+147 bps*	*+241 bps*
Non-GAAP EPS	$25.11	$22.07	$21.05	13.8%	19.3%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: MU - Guidance summary

Financials ($ mn, except EPS)	High	Low	Guidance (midpoint)	3Q26E GS	Street	Guidance/GS	Guidance/Street
Total Revenue	51,000	49,000	50,000	48,767	43,680	2.5%	14.5%
QoQ			*20.6%*	*17.6%*	*5.4%*		
YoY			*341.9%*	*331.0%*	*286.0%*		
Gross Margin	86.0%	86.0%	86.0%	86.1%	84.9%	*-6 bps*	*+108 bps*
Non-GAAP EPS	$32.00	$30.00	$31.00	$29.95	$26.06	3.5%	19.0%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 3: MU - Old vs. New CY estimates

Financials ($mn, except EPS)	CY26E GS	CY26E Old	CY26E Δ	CY27E GS	CY27E Old	CY27E Δ	CY28E GS	CY28E Old	CY28E Δ
Revenue	175,298	165,702	*+5.8%*	250,016	231,612	*+7.9%*	214,749	199,657	*+7.6%*
YoY	*314.3%*			*42.6%*			*-14.1%*		
Gross Margin	85.3%	84.1%	*+121 bps*	87.5%	86.2%	*+127 bps*	83.4%	81.8%	*+162 bps*
Operating Margin	81.3%	79.9%	*+143 bps*	84.2%	82.7%	*+152 bps*	79.2%	77.3%	*+193 bps*
Non-GAAP EPS	$105.79	$98.15	*+7.8%*	$156.97	$145.00	*+8.3%*	$134.13	$126.25	*+6.2%*

Source: Goldman Sachs Global Investment Research

Exhibit 4: Price target

PRICE TARGET AND RISK/REWARD SUMMARY				
Method	**Metric**	**Base**	**Bull**	**Bear**
P/E Method	Normalized EPS Estimate	**$62.00**	**$74.40**	**$37.20**
	Multiple	**18.0x**	**19.0x**	**12.0x**
	Valuation	**$1,100.00**	**$1,414.00**	**$446.00**
	Upside/Downside	**18.2%**	**52.0%**	**-52.1%**
Price Target	**12-Month Price Target**	**$1,100.00**	100% P/E	
	Potential Upside/Downside	18.2%		
	Dividend Yield at Current Price	0.1%		
	Potential Total Return	**18.3%**		

Source: Goldman Sachs Global Investment Research

MU	12m Price Target: **$1,100.00**	Price: **$1,048.51**	Upside: **4.9%**

Neutral

Market cap: $1.2tr
Enterprise value: $1.2tr
3m ADTV: $36.2bn
United States
Americas Semiconductors, Telecom & IT Services
M&A Rank: 3

GS Forecast

	8/25	8/26E	8/27E	8/28E
Revenue ($ mn) New	**37,378.0**	**130,770.3**	**243,493.5**	**236,775.5**
Revenue ($ mn) Old	37,378.0	123,849.1	227,114.0	219,917.6
EBITDA ($ mn)	18,223.0	107,951.3	214,294.8	202,124.0
EBIT ($ mn)	9,871.0	98,837.3	204,886.8	192,076.0
EPS ($) New	**7.42**	**72.72**	**149.96**	**146.93**
EPS ($) Old	7.42	67.48	138.86	137.51
P/E (X)	13.5	14.4	7.0	7.1
Dividend yield (%)	0.5	0.1	0.1	0.1
Net debt/EBITDA (X)	0.3	(0.4)	(0.7)	(1.4)

	5/26	8/26E	11/26E	2/27E
EPS ($)	24.82	32.17	35.70	36.99

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 24 Jun 2026 close.