# Micron Technology

## Mgmt Mtg: CY27 and CY28 Both Significantly Tighter Than CY26, With Demand Growth Well Above Industry Supply; FY27 GM Floor in Nov-Q; Buyback Pivot Imminent

**Overweight**

**MU, MU US**
Price (05 Oct 26):$1,063.96
**Price Target (Dec-27):$1,540.00**

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We hosted an investor call with MU's Corporate VP of IR and Treasury, Satya Kumar. Below we highlight our key takeaways:

- **CY27 and CY28 both significantly tighter than CY26, with bit demand growth running "well above" industry supply growth.** MU reiterated the view that both CY27 and CY28 will be materially tighter than CY26, and characterized the industry bit demand growth profile as running "well above" the low-20s% industry DRAM bit shipment growth and mid-20s% NAND bit shipment growth mgmt has guided for CY27/28 - i.e., a very wide S-D gap, consistent with our own global team's framework (~20% short in CY26, ~19% in CY27, still ~15% in CY28, net of lower content per platform). Mgmt reiterated structural supply constraints driving the tightness (slower node migrations, HBM trade-ratio drag, long cleanroom lead times) and flagged that the CY25/26 tailwind of squeezing more supply from existing capacity is fading into CY27+ ("the towel is fully squeezed"). On the despec/lower-content debate, mgmt framed this as customer unit-shipment optimization (ship more logic with less memory per unit) rather than demand softening, with aggregate memory content still growing Y/Y.
- **SCA customer demand exceeds what MU is willing to allocate; NAND mix running higher than DRAM; extensions through 2031 already underway.** Mgmt provided incremental detail on the 26-SCA book covering 35%+ of revenue through 2030: the DRAM portion of SCA mix is a bit below 35% and the NAND portion a bit above 35%, with overall balance between DRAM and NAND. On HBM specifically, some HBM volume is in SCAs, with the balance in annual contracts (ACAs) or negotiated as-needed, consistent with mgmt's approach of maintaining mix flexibility across structures. Mgmt did note explicilty that there is more customer demand for SCAs than MU is willing to allocate, which to us is strong affirmation that that the ~50% ultimate SCA target is a deliberate portfolio-flexibility ceiling. Mgmt flagged ongoing opportunities to expand existing SCA volumes, sign additional SCAs, and extend duration (SCAs now running through 2031 via both one-year extensions and new signings).
- **~$1B of higher costs structurally sticky through FY27; Nov-Q the GM floor with expansion through the balance of the year on pricing + mix.** Mgmt walked through the GM mechanics in incremental detail - the Nov-Q (F1Q27) ~$1.4B sequential COGS step-up vs. Aug-Q breaks down as ~$1B from incentive comp absorption + startup costs + "other items" (with incentive comp being the largest piece) and ~$400M from depreciation and variable costs. Mgmt clarified that the ~$1B of structurally higher costs does not roll off after FQ1 - the Aug-Q incentive comp absorption rolls down into Feb-Q but is offset by a pickup in FY27 incentive comp, net neutral - meaning the ~$1B step-up persists through FY27 as a higher cost base. From Nov-Q, GM expansion through the balance of FY27 is driven by continued (albeit moderating) pricing plus mix benefit, with mgmt reconfirming Nov-Q as the

**See page 4 for analyst certification and important disclosures.**

FY27 GM floor. On HBM pricing specifically, mgmt reiterated CY27 HBM prices are set "significantly higher" vs. CY26 (resetting Jan-1 as calendar-year contracts roll), narrowing the GM gap with the rest of the business.

- **Buyback authorization request imminent, with "some" chips-related restrictions persisting post-12/9; dividends secondary, buybacks primary with historical mix skewed opportunistic.** Mgmt reconfirmed its capital return framework, with MU expected to reach target cash by end of Nov-Qtr, 100% of excess cash to be returned over time, buybacks the primary vehicle with dividends a smaller lever. Mgmt also reaffirmed its intent to seek a materially larger buyback authorization in the near term (existing $2.2B authorization now stale). One incremental nuance worth flagging: mgmt acknowledged "certain restrictions on chips even after December 9th" on the repurchase mechanics, though in our view this remains a timing/mechanics consideration rather than a limitation on the ultimate size of the buyback program. Mgmt also framed historical capital return as a mix of programmatic and opportunistic buybacks, with the opportunistic portion typically the larger quantum, which in our view suggests the pace of buybacks post-12/9/26 could be episodic rather than purely steady-state. We would continue to view the capital return pivot (against >$100B of cumulative FCF potential across F2Q27-F4Q27, per JPMe) as a substantial multi-year value-unlock lever and a key pillar of our constructive stance.

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# Investment Thesis, Valuation and Risks

## Micron Technology *(Overweight; Price Target: $1,540.00)*

**Investment Thesis**

- Longer term, the company's increasing product (DRAM, NAND, NOR) and end-market diversification should dampen revenue/earnings volatility and also position the company to do well in markets (handset) that require multiple types of memory.
- Micron should benefit from secular trends in data center DRAM (HBM), which should help it reduce volatility to commodity DRAM. Post the Elpida acquisition, we believe Micron will be positioned well to benefit from secular trends in mobility, networking, and cloud computing.
- New technology, divestiture of non-core assets, and cost-cutting efforts should help it improve gross margins and profitability in the coming quarters.

**Valuation**

Our Dec-27 PT of $1540 (unchanged) is based on an ~8x P/E multiple (within range of peer group multiples) applied to CY27 EPS of $190.16.

**Risks to Rating and Price Target**

- Micron competes in extremely competitive markets – operational execution is critical.
- Any sudden weakness in demand outlook for PCs could reduce our estimates on DRAM price recovery and memory content growth.
- An aggressive ASP decline combined with lower per gigabit manufacturing cost reduction could cause us to lower our revenue and earnings estimates.
- Any imbalance in DRAM and NAND supply/demand could cause us to lower our revenue and earnings estimates.
- Our NAND demand assumptions could change the overall growth for the sector if we continue to see a further supply/demand disconnect.
- Any macroeconomic-driven demand softness could potentially result in lower demand for Micron's products and could impact revenues/profitability profile for the company.

