29 Oct 2026 01:00:00 ET | 11 pages

Micron Technology Inc (MU.O)

Investor Meeting Takeaways - Positive

CITI'S TAKE

Citi hosted Micron CFO Mark Murphy and Director of IR Jeff Grattan for investor meetings in LA. Overall, we believe the market is underestimating how constrained DRAM/HBM supply is likely to remain as AI-driven demand from hyperscalers continues to accelerate, while memory makers face diminishing benefits from process shrinks and must rely on long-cycle greenfield capacity additions. As a result, HBM and advanced memory supply could remain tight through 2027 and 2028. We summarize key takeaways below:

Buy	
Price (28 Oct 26 16:00)	US$983.23
Target price	US$1,300.00
Expected share price return	32.2%
Expected dividend yield	0.1%
Expected total return	32.3%
Market Cap	US$1,112,449M

Atif Malik[AC]

Elizabeth Sun, CFA

Kelsey Chia, CFA

AI Demand: Customers continue to under-estimate AI demand. AI payback is clear and overall credit/capacity remains strong. Incentive to use higher content and performance memory drives favorable differentiation for the token costs.

Supply is the underappreciated piece, in our view: Node transitions yield less density (1-delta ~25% vs 1-gamma and prior nodes 30-40%). HBM's trade ratio eats wafer capacity, and DRAM bit growth is only in the low 20s. Real supply relief needs greenfield fabs, which takes a long time and cleanroom space is the constraint. Micron's construction spend as a % of capex is approaching 50%.

Visibility: Micron forecasts a tighter DRAM supply-demand environment in 2027 and 2028 than in 2026. Strategic customer agreements (SCAs) are 35% of the sales through 2030 and the company is aiming for ~50%. The non-SCA business ~75% are contracted through 2027.

HBM: HBM margins will narrow vs DRAM next year. Expecting HBM to outgrow broader DRAM market. Despecing is a supply scarcity phenomenon and spreads available DRAM across more accelerators.

Cash and capital: Micron generated exceptionally strong cash flow, with ~ $33B of free cash flow during the Aug-Q quarter and FCF steps up in the Nov-Q. Management indicated that AI-driven demand and higher-value products (HBM, data-center DRAM, SSDs) are supporting a significantly stronger cash-generation profile than prior memory cycles. While Micron expects capex to increase meaningfully in FY27 (Citi mid 50's billion) to support technology transitions and manufacturing expansion, it still anticipates generating substantial free cash flow given the favorable industry backdrop. Micron authorized a record $35.2B share repurchase program recently, positioning the company to materially increase

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

shareholder returns beginning December 2026 as CHIPS Act restrictions expire. The authorization underscores management's confidence in sustained free cash flow generation amid a structurally tighter DRAM supply-demand environment through 2027-28.



Micron Technology Inc

Valuation

We set our target price at $1,300 or ~8x C27E EPS, at a slight premium to its trading range during previous DRAM upturns given an unprecedented pricing environment and the emergence of SCA's.

Risks

Supply/Demand. Memory industry dynamics are dependent on the ability of DRAM and NAND suppliers to accurately align supply with industry demand. As a result, if memory suppliers ship excess DRAM or NAND bits into the channel, it could lead to an inventory reduction in the supply chain and lower pricing, resulting in downside to our estimates. Conversely, if memory demand exceeds memory industry supply, it could lead to higher DRAM pricing, resulting in upside to our estimates.

Pricing. If Micron or one of its competitors lowers DRAM or NAND pricing, it could lead to lower contract/spot pricing, resulting in downside to our estimates.

Capacity. If Micron or one of its competitors increases manufacturing capacity, it could result in excess bit supply if demand fails to materialize. The latter scenario could cause lower DRAM or NAND pricing, resulting in downside to our estimates. Conversely, memory capacity reductions could cause memory pricing to increase, resulting in upside to our estimates.

Competition: Micron faces a number of robust competitors in the memory market. Consequently, any fluctuations in market share among companies in the industry could result in risk to our estimates.

If the impact from any of the above risks turns out to be greater/less than we expect, the shares could fail to achieve/exceed our target price.