



 **Micron**[®]
Intelligence
Accelerated[™]



Financial Results

FQ2 2019

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During the course of this meeting, we may make projections or other forward-looking statements regarding future events or the future financial performance of the Company and the industry. We wish to caution you that such statements are predictions and that actual events or results may differ materially. We refer you to the documents the Company files from time to time with the Securities and Exchange Commission, specifically the Company's most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause the actual results for the Company to differ materially from those contained in our projections or forward-looking statements. These certain factors can be found at <http://www.micron.com/certainfactors>. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of the presentation to conform these statements to actual results.



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Sanjay Mehrotra

President and CEO

FQ2-19 Highlights

- Delivered solid results within guidance ranges and healthy levels of profitability and cash flow in a challenging industry environment
- Strengthened balance sheet by increasing cash position and total liquidity
- Continued execution on Micron's strategy to improve cost competitiveness and increase high-value solutions in our portfolio
- Positioned to navigate near-term headwinds while investing for long-term growth

Continued Strong Technology and Roadmap Execution

\$6 billion improvement in profitability from FY2016 to FY2018

Expect healthy Y/Y cost declines in both DRAM and NAND this fiscal year

DRAM

- 1y-nm: yielding well, expect to increase conversion in second half of FY2019
- 1z-nm: started sampling products
- Site preparation for cleanroom expansion at Taichung facility to enable future nodes; production output starting ~CY2021

NAND

- 96-layer 3D NAND: fastest yield ramp of any NAND product in our history
- Progressing on replacement gate development; limited deployment of initial node
- High-value solutions: increased to two-thirds of NAND revenues in first half of FY2019

FQ2-19 Accomplishments

■ SSDs & 3D Xpoint™ Technology

- Began revenue shipments to a large PC OEM for our first NVMe client SSD, which uses Micron-designed controller
- Introduced consumer and client SATA SSDs based on 96-layer 3D NAND
- Fully ramped custom persistent memory solution for cloud market, which combines DRAM and NAND
- 3D XPoint customer samples planned before calendar year-end

■ Mobile

- Expanded gross margins Y/Y despite adverse pricing and weakness in high-end smartphone
- Managed NAND bit shipments grew by more than five times Y/Y

■ Data Center & Graphics

- Shipped high-density 1y-nm DDR3 server module samples to customers ahead of plan
- Grew sales of high-performance GDDR6 DRAM and expanded customer base

■ Automotive, Industrial and Consumer

- Y/Y revenue growth driven by advanced in-vehicle infotainment and ADAS
- Announced industry's first 1TB microSD card using QLC NAND

CY2019 Industry Outlook

DRAM

- Bit shipments to begin increasing in FQ3-19
 - CY2019 bit demand growth in low-to-mid teens; industry bit supply growth tracking to mid-to-high teens
 - Idling ~5% of DRAM wafer starts
-

NAND

- CY2019 bit demand growth in mid 30s; industry bit supply growth in high 30s
- Targeting bit shipments to grow close to industry bit demand growth rate
- Reducing total NAND wafer starts by 5%



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Dave Zinsner
Chief Financial Officer

FQ2-19 Revenue

\$5.8B

- Worse than expected DRAM and NAND pricing in FQ2-19
- Down 21% Y/Y and down 26% Q/Q



Performance by Product Line

DRAM

- 64% of overall company revenue in FQ2-19
- Revenue down 30% Q/Q and down 28% Y/Y
- ASPs down low-20% range Q/Q
- Shipment quantities down low double-digit percent range Q/Q

NAND

- 30% of overall company revenue in FQ2-19
- Revenue down 18% Q/Q and down 2% Y/Y
- ASPs down mid-20% range Q/Q
- Bit shipments increased upper single-digit percent range Q/Q

Revenue by Business Unit

	FQ2-19	FQ1-19	Q/Q % Change	FQ2-18	Y/Y % Change
Compute and Networking (CNBU)	\$2.38B	\$3.60B	(34)%	\$3.69B	(35)%
Mobile (MBU)	\$1.61B	\$2.21B	(27)%	\$1.57B	3%
Storage (SBU)	\$1.02B	\$1.14B	(11)%	\$1.25B	(19)%
Embedded (EBU)	\$799M	\$933M	(14)%	\$829M	(4)%



Non-GAAP Operating Results

- **Revenue:** \$5.8 billion
- **Gross Margin:** 50%
- **Net Income:** \$1.97 billion
- **Diluted EPS:** \$1.71
- **Operating Expenses:** \$818 million
- **Operating Income:** \$2.1 billion
- **Cash from Operations:** \$3.4 billion

March 20, 2019



Capital Allocation

**~70% of ~\$1B in free cash flow
used for repurchases in FQ2**
(21M shares)

2043 convert redeemed in FQ3
(effectively eliminated ~9M shares
from fully diluted count)

**\$3.0B of net cash
at end of FQ2**



**Lowered FY19 capex to ~\$9B vs.
\$9B–\$9.5B prior guidance range**
(Mostly for tech node transitions and
cleanroom, not capacity increase)

~\$12B in liquidity at end of FQ2
(~\$10.5B after 2043 convert redemption)

¹Capex net of partner contributions

²Cash, short-term and long-term marketable investments, restricted cash and undrawn revolver capacity

³Cash, short-term and long-term marketable investments, and restricted cash

FQ3-19 Guidance

Non-GAAP

Revenue	\$4.8 billion +/- \$200 million
Gross margin	37% – 40%
Operating expenses	\$785 million +/- \$25 million
Diluted EPS*	\$0.85 +/- \$0.10

Other Key Data

Financial Summary

Non-GAAP

Amounts in millions except per share	FQ2-19	% of Revenue	FQ1-19	% of Revenue	FQ2-18	% of Revenue
Revenue	\$5,835	100%	\$7,913	100%	\$7,351	100%
Gross margin	2,928	50%	4,670	59%	4,296	58%
Operating income	2,110	36%	3,887	49%	3,630	49%
Income tax provision	(178)		(400)		(99)	
Net income attributable to Micron	1,971	34%	3,508	44%	3,495	48%
Diluted earnings per share	1.71		2.97		2.82	
Cash provided by operating activities	3,435		4,810		4,348	
Cash, marketable investments, and restricted cash	9,223		7,206		8,675	

Non-GAAP Financial Data and Guidance

% of Revenue	FQ2-19
DRAM	64%
NAND	30%

% Sales Volume Change	FQ2-19 Q/Q
DRAM	Decreased low double digit percent range
NAND	Increased upper single digit percent range

% ASP Change	FQ2-19 Q/Q
DRAM	Decreased low-20% range
NAND	Decreased mid-20% range

	FQ2-19 Non-GAAP (amounts in millions, except per share)	FQ3-19 Non-GAAP Guidance
Revenue	\$ 5,835	\$4.8 billion +/- \$200 million
Gross margin	50%	37% – 40%
Operating expenses	\$ 818	\$785 million +/- \$25 million
Earnings per share	\$ 1.71	\$0.85 +/- \$0.10

	FQ2-19 Non-GAAP (amounts in millions)	FQ3-19 Non-GAAP Estimates
Diluted shares	1,149	~1.14 billion
Income tax provision	\$ (178)	FY19: ~10.5% of PBT
Operating cash flow	\$ 3,435	—
Depreciation and amortization	\$ 1,305	—
Capital expenditures (Capital cash flow)*	\$ 2,447	FY19: ~\$9 billion

Convertible Notes Dilution Overview

(shares in millions)

Stock Price	Actual FQ2-19*	\$30	\$33	\$36	\$39	\$42	\$45	\$48	\$51	\$54	\$57	\$60
2032 D Notes	10	9	9	10	10	10	10	11	11	11	11	11
2033 F Notes	4	4	4	4	5	5	5	5	5	5	5	5
2043 G Notes	5	—	—	—	—	—	—	—	—	—	—	—
Total dilutive shares	19	13	13	14	15	15	15	16	16	16	16	16
Benefit from capped call	(3)	(3)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net dilution	16	10	10	11	12	13	13	14	14	14	14	14

Note: Except for FQ2-19 dilution, the table above presents the potential dilutive impact of convertible notes outstanding as of February 28, 2019 over the range of trading prices for Micron's stock.

*Represents the actual dilutive impact of convertible notes for FQ2-19 diluted share count based on an average share price of \$36.63 for the quarter.

Non-GAAP Reconciliations

Consolidated Results

Non-GAAP Reconciliations

Amounts in millions except per share amounts	FQ2-19	FQ1-19	FQ2-18
GAAP gross margin	\$ 2,864	\$ 4,615	\$ 4,270
Stock-based compensation	23	26	22
Start-up and preproduction costs	15	8	—
Employee severance	13	13	—
Other	13	8	4
Non-GAAP gross margin	<u>\$ 2,928</u>	<u>\$ 4,670</u>	<u>\$ 4,296</u>
GAAP operating expenses	\$ 907	\$ 856	\$ 703
Stock-based compensation	34	35	30
Employee severance	4	7	—
Restructure and asset impairments	51	30	7
Other	—	1	—
Non-GAAP operating expenses	<u>\$ 818</u>	<u>\$ 783</u>	<u>\$ 666</u>
GAAP operating income	\$ 1,957	\$ 3,759	\$ 3,567
Stock-based compensation	57	61	52
Start-up and preproduction costs	15	8	—
Employee severance	17	20	—
Restructure and asset impairments	51	30	7
Other	13	9	4
Non-GAAP operating income	<u>\$ 2,110</u>	<u>\$ 3,887</u>	<u>\$ 3,630</u>

Consolidated Results

Non-GAAP Reconciliations

Amounts in millions except per share amounts	FQ2-19		FQ1-19		FQ2-18	
GAAP net income attributable to Micron	\$	1,619	\$	3,293	\$	3,309
Stock-based compensation		57		61		52
Start-up and preproduction costs		15		8		—
Employee severance		17		20		—
Restructure and asset impairments		51		30		7
Amortization of debt discount and other costs		11		18		26
(Gain) loss on debt repurchases and conversions		83		(14)		23
(Gain) loss from changes in currency exchange rates		3		5		27
Other		13		10		7
Impact of U.S. income tax reform		(14)		47		131
Estimated tax effects of above, non-cash changes in net deferred income taxes, and assessments of tax exposures		116		30		(87)
Non-GAAP net income attributable to Micron	\$	1,971	\$	3,508	\$	3,495
GAAP income tax provision	\$	(280)	\$	(477)	\$	(143)
Impact of U.S. income tax reform		(14)		47		131
Estimated tax effects of non-GAAP adjustments, non-cash changes in net deferred income taxes, and assessments of tax exposures		116		30		(87)
Non-GAAP income tax provision	\$	(178)	\$	(400)	\$	(99)

Consolidated Results

Non-GAAP Reconciliations

Amounts in millions except per share amounts	FQ2-19	FQ1-19	FQ2-18
GAAP shares used in diluted EPS calculations	1,141	1,174	1,238
Adjustment for capped calls and stock-based compensation	8	5	2
Non-GAAP shares used in diluted EPS calculations	1,149	1,179	1,240
GAAP diluted earnings per share	\$ 1.42	\$ 2.81	\$ 2.67
Effects of non-GAAP adjustments	0.29	0.16	0.15
Non-GAAP diluted earnings per share	\$ 1.71	\$ 2.97	\$ 2.82
GAAP net income	\$ 1,625	\$ 3,296	\$ 3,311
Interest (income) expense, net	(31)	(5)	61
Provision (benefit) for income taxes	280	477	143
Depreciation and amortization of property, plant, and equipment and intangibles	1,313	1,335	1,151
EBITDA	\$ 3,187	\$ 5,103	\$ 4,666
Net cash provided by operating activities	\$ 3,435	\$ 4,810	\$ 4,348
Expenditures for property, plant, and equipment	(2,649)	(2,700)	(2,261)
Payments for equipment purchase contracts	(17)	(20)	(20)
Net partner contributions	219	236	167
Adjusted free cash flow	\$ 988	\$ 2,326	\$ 2,234

FQ3-19 Guidance

Non-GAAP Reconciliations

	GAAP	Adjustments		Non-GAAP
Revenue	\$4.8 billion +/- \$200 million	—		\$4.8 billion +/- \$200 million
Gross margin	36% – 39%	1%	A	37% – 40%
Operating expenses	\$825 million +/- \$25 million	(\$40 million)	B	\$785 million +/- \$25 million
Diluted EPS*	\$0.51 +/- \$0.10	\$0.34	A,B,C	\$0.85 +/- \$0.10

Adjustments (amounts in millions)

A	Stock-based compensation – cost of goods sold	\$	24
A	Other – cost of goods sold		17
B	Stock-based compensation – sales, general, and administrative		17
B	Stock-based compensation – research and development		16
B	Other – operating expenses		7
C	Amortization of debt discount and other costs		8
C	(Gain) loss on debt repurchases and conversions		316
C	Tax effects of the above items and non-cash changes in net deferred income taxes		(22)
		\$	<u>383</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

