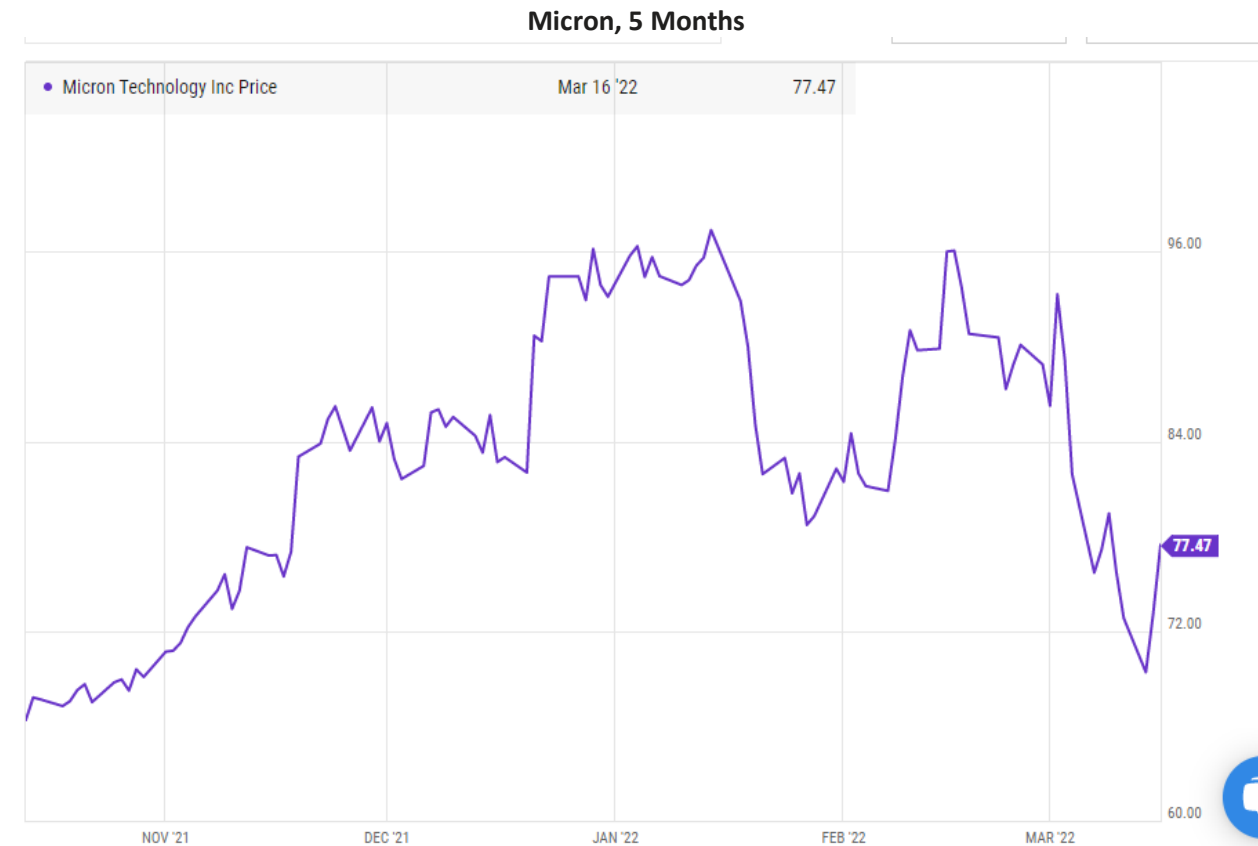


The Outlook: March 16, 2022

Micron: betting types . . . and investing types.

“Never let the market frighten you out of a good position!” is one of the best of the Golden Rules . . . and like every Rule worth its salt, it’s always easier to say than do. It’s really tough for the part-time investor, who struggles to find the time for what’s most needed to follow the rule: Understanding that it is indeed a “good position.” Without that time, it’s very hard to believe that when the market “runs in circles, screams and shouts” that the sky is falling on some company—it is usually acting just as silly as Chicken Little.

Let’s glance at Micron, the Memory Chip King.



Hmm. High \$97, low \$69, only \$77 today. That’s a great picture—not of the sky falling on Micron, but of the market trying to persuade itself (and us) that the sky is falling. Here’s a little more perspective:

Micron: 10 Years



Hmm, again. A couple of months ago Micron was up 1000% in the 10 years. Now it's only up 770%.

Those gains happened—as Outlook’s clients and friends have heard all too often, perhaps—because Micron executed a 10-year business miracle. It changed itself from a weak also-ran, pretty nearly, in the global memory industry to that industry’s technology and factory-floor King, pretty nearly. Many memory companies failed during the decade. Only the strongest few survived, of which Micron can hold its head up against any of them in the “Rock of Gibraltar Financial Strength” competition. But financial strength was only half of the miracle. Many determined companies, in America at least, pull off that kind of transformation. Micron pulled it off, and also marched from 3rd or 4th place in the “Cutting Edge Factory Technology” competition to 1st place today, in most of its major chip products. Not many companies do that. In fact, many firms which pull off the “Financial Strength Transformation” must sacrifice some degree of technology progress . . . because that costs a lot of money. Here’s the last picture:



There is Micron's "proper" valuation, if we are to believe the market: 12 times last year's earnings. That isn't just "rock bottom" among today's market values, it's below sea level, possibly toward the bottom of the Marianas Trench. Micron's Price/Earnings Ratio when looking ahead to the next year's forecasted earnings is . . . 6. Six. That kind of valuation makes us think of the Titanic, sinking a few miles beneath the iceberg.

Of course there are many things we "experts" can say about valuation, about P/E ratios, and about every other statistic known to man. But when the picture is this obvious, we don't need to ponder the fine details. This is simply the market, behaving normally, saying "What's going to happen to Micron's business performance in the next few months, or year? There are Big Problems in the world. If we hold Micron we might get burned . . . in the next few months, or year."

Here is the only answer:

Micron, 10 Years



There has been no time in the last 10 years when the market's Question, up there ("What if we get burned, in the next few months?") wasn't a good question . . . for the betting types whose vast crowd drives the market's hourly and daily behavior. So no "betting type" earned that 1000%, or any big part of it. The only way that can be earned, as always, is by following the Golden Rule: "Never let the market frighten us out of a good position."

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