

Inside Micron: major goals, and last quarter's progress.

Dec. 22, 2021

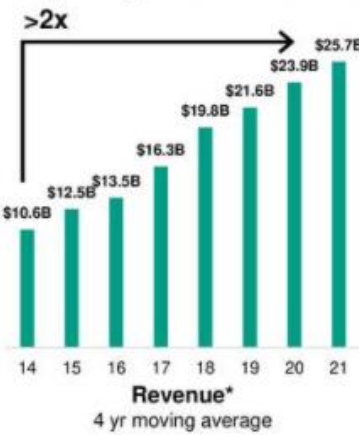
Although Micron's latest quarterly revenue decreased slightly from last quarter, it still showed strong growth from a year ago at 33%. Most end markets show continued strength: mobile up 25% as more 5G phones are rolled out; automobile up 25% from content per car increases alone (overall car sales have stagnated due to component shortages); industrial up 80% from factory automation.; and data center up 70% from ever present cloud demand. The one end market that caused a drag on revenues and caused that slight dip from last quarter's number was the PC market. Non-memory component shortages caused PC makers to limit production, limiting Micron's sales to them as well. Customer demand for PCs is high—the supply chain just needs to be worked through for production to meet that demand.

As Outlook touched briefly on yesterday, CEO Mehrotra commented several times on supply chain issues being worked out and improving over 2022. Micron already sees stabilization in the PC market. It has worked with its own suppliers on longer term supply agreements for certain components to ensure that will be able to produce what its customers want, when they want it. 2022 is shaping up to be a record year for Micron.

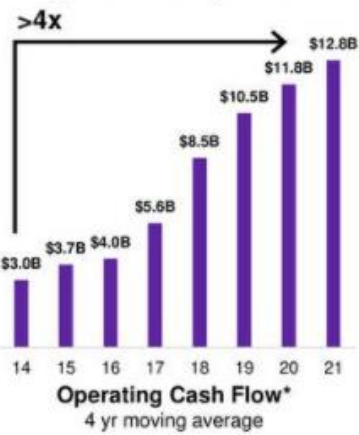
Since Mehrotra took the reins at Micron 5 years ago, we have talked about how he has brought Micron's technology and costs to the leaderboard for the industry. Also in the last 5 years, how Micron does business and the industry itself has changed, leading to an improved Micron, as the graphs of revenue and cash generation below show. 5 years ago, 10% of its revenue came from longer term, volume-based annual agreements. Today, 75% of revenue comes from these agreements. The benefit of having more sales coming from annual agreements is the closer relationship that is formed between Micron and its customers. Through these agreements, Micron gets more transparency about demand and can adjust its supply accordingly. This should help smooth out the ups and downs common in past memory cycles. The memory industry has also changed. 5 to 10 years ago, PC and mobile markets mainly drove revenue. Today, the data center is the largest market, and the auto and industrial markets are set to have the largest growth over the next decade. With AI and automation trends only expected to expand, there are more diverse uses for memory than ever before. That's partly why Micron was able to show high profitability this quarter despite a weak PC market and falling DRAM and NAND (the 2 types of memory) prices. Yesterday's 10% stock rise sure was nice. It is inevitable that we will see many more smaller peaks and valleys in the months to come, but it is almost as inevitable that the overall trend will continue higher over the next year or two.

*4-year average metrics reveal sustained cross cycle performance

**Strong revenue growth
outpacing broader semis**



**Cash
generation power**



**Meaningful FCF
over time**

