

The Outlook: May 13, 2022

Out on the limb with Micron, just gripping harder.

When we see a picture like this, here's the first thing to ask ourselves: "Does this picture tell us what's been going on inside this company; or does it only tell us what's been going on in the minds of the market's betting crowd?"

Micron's 1-Year Roller Coaster Ride: the Stock Price . . . versus the Business.



We know the answer, don't we? The operating cash flow line tells the truth about Micron as a business: financially strong, growing strongly. The purple stock price tells the truth about the market's daily betting crowd: taking turns feeling terrified or elated, every few weeks or months.

That is the nature of the market, which will never change. But Micron (the memory king) has been an especially dramatic example of the betting crowd's capacity to disconnect its judgments from reality . . . for a while. Just yesterday Micron held a conference for Wall Street's analysts, profiling the company's operations and giving them a chance to ask questions. The company's story can be summed up this way: "We've been on that orange line, and we're staying on it." It is the same story Micron has been telling for several years now.

A prestigious analyst from Citigroup reacted to Micron's story with some steady nerve—which is not too common. He wrote, "This company is a buy, and it will see \$120 per share in the not-too-distant future." This took some nerve because the analyst, Mr. Christopher Danely, has been saying the same thing for a while, no matter the cliff-dive from \$97 to \$67 in the stock price. When that happens it makes analysts (like us investors) ask themselves, "Does the market know something I don't?" It's not uncommon for an analyst's nerve to founder on that question, persuading him to find problems with the company's operations, backing off the end of his tree limb before the market saws it off. Good for Mr. Danely—he merely took a tighter grip on the branch.

At Outlook we're out there with him, with no intention of changing our minds.

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