

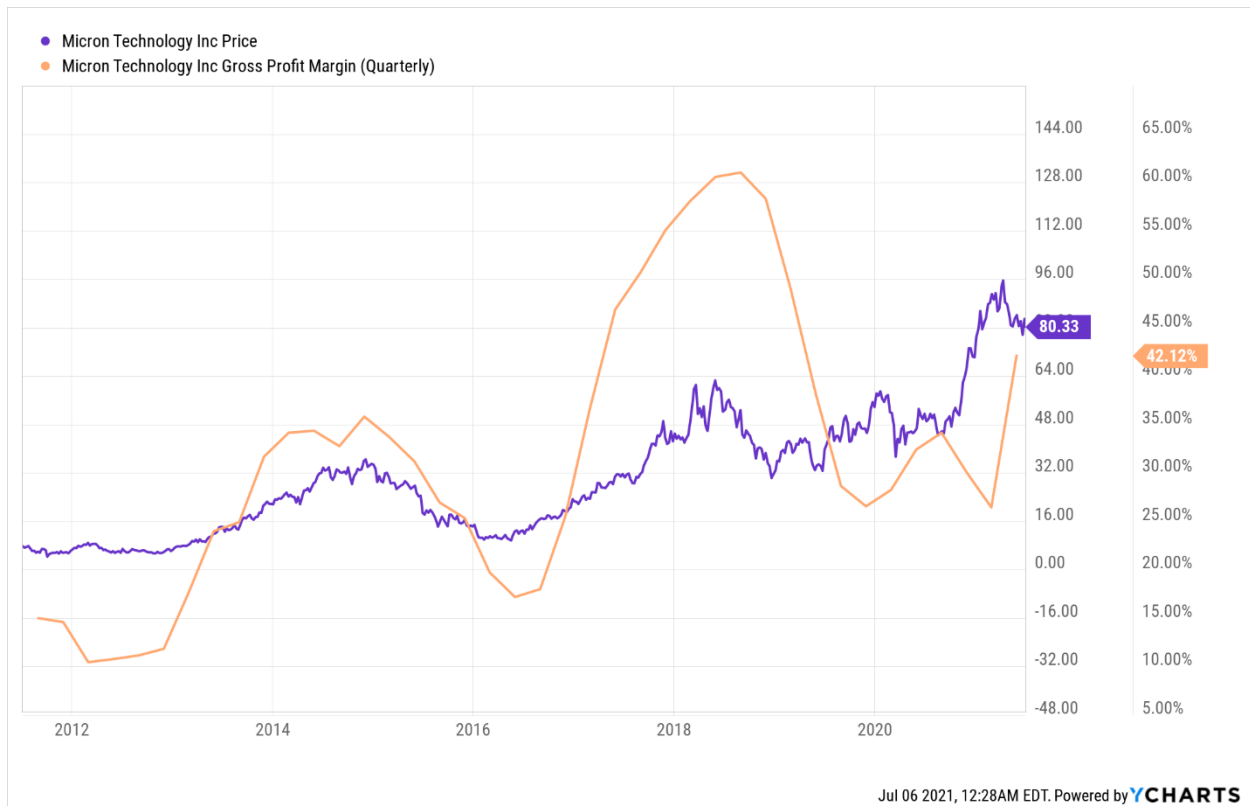
Inside Micron: major goals, and last quarter's progress.

Jul. 6, 2021

Micron's last quarter was another smashing success: revenue up 36% from a year ago and 20% from just a quarter ago. It's experiencing strong demand for its products in every single end market and is even unable to meet the demand in the auto market. Prices for both of its memory products, DRAM and NAND, both rose this quarter, with DRAM pricing rising 20%. Some other highlights of the quarter are:

- Largest quarterly improvement in earnings in company history (+92%)
- Record revenue for NAND, with its embedded processing unit exceeding \$1 billion in revenue for the first time.
- Record revenue in the auto and industrial markets. This is the third consecutive quarter that the auto market has hit a new record.
- Selling its Utah factory that was producing the now defunct 3D XPoint technology to Texas Instruments for about \$1 billion in cash.

Not only did Micron hit multiple records this quarter, with the biggest jump in profits in company history, but it doesn't see a slowdown in demand for its products for at least the next 2-4 quarters. Its gross margin, a measure of basic manufacturing profitability, exceeded 40% for the first time since mid-2019, towards the end of the prior cycle peak.



With Micron's trough this cycle hitting 50% above its last trough, we expect it to climb to a peak well above its prior peak in the upcoming quarters. The 5% drop the stock experienced after releasing its most

recent earnings surprised many people, since it reported such positive results. At Outlook, we know Micron is famous for unusual reactions to its earnings report: this time caused by comments that management made over increasing its spending this year from its original plan. Typically, increases in spending worry analysts because it signals that companies are producing more chips which will eventually lead to an over supply and cause the next downcycle. In this case, those fears are unwarranted. Micron is increasing its spending this year to buy EUV equipment (extreme ultraviolet lithography.) EUV is a chipmaking technology that Micron's competitors are already using, but so far it hasn't been economical or necessary for Micron to switch over to it. Micron now plans to insert EUV into its technology roadmap by 2024, so needs to start investing in it this year. It is sure to continue to go through the roller coaster ride in the meantime, but the wait will be worth it once it hits its new peak.

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