



# Financial Results

FQ2 2022

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# Sanjay Mehrotra

President and CEO

March 29, 2022



# Highlights

- Delivered excellent performance in FQ2 with results above the high end of our guidance; grew revenue and margins sequentially
- SSD products achieved record revenue; auto market revenues also reached an all-time high
- Industry-leading 1-alpha DRAM and 176-layer NAND technology node ramps delivering strong cost reductions
- Portfolio transformation continues to gain momentum. We lead the industry on the DDR5 transition and are growing our mix of NVMe data center SSDs
- On track to deliver record revenue and robust profitability in fiscal 2022

# Technology

- 1z and 1-alpha DRAM combined represented the majority of our DRAM bit shipments in FQ2
- 176-layer NAND represented the majority of our NAND bit shipments in FQ2
- Our 1-alpha DRAM and 176-layer NAND products are achieving excellent yields, providing us with solid front-end cost reductions and contributing meaningful revenue
- Qualified additional products on 1-alpha and 176-layer NAND node in FQ2 with a broad set of customers, which sets us up for continued strong revenue ramp in the second half of the fiscal year
- Investing to maintain technology leadership for the next decade and making good progress in the development of future technology nodes

# Operations

- Micron is the industry leader in quality, with the majority of our customers ranking us No. 1
- Have strengthened our position as a strategic supplier to our customers, as demonstrated by our commitment to supply continuity
- In late December, a government mandated COVID-19 lockdown impacted production output at our back-end facility in Xi'an, China; The Micron team executed with tenacity to return the Xi'an site back to normal output levels post lockdown; mitigated the lost output from Xi'an and delivered on our customer commitments for the quarter by leveraging our global manufacturing network
- We maintain appropriate inventories of materials and noble gases; currently do not expect any negative impact to our near-term production volumes because of the Russia-Ukraine war, but we do expect an increase in our costs as we secure supply of certain raw materials that could be at risk

# End Market Highlights



## Data Center

- Data center revenue in FQ2 grew >60% year over year
- Broadened the qualifications for 1-alpha DRAM products; well positioned for DDR5 transition
- Introduced the 7450 – industry's first 176-layer vertically integrated data center NVMe SSD; robust progress in qualifications of our data center NVMe SSD drives



## PC & Graphics

- **PC:** Saw recovery in our client revenue, driven by enterprise PCs
- Client DDR5 demand continues to outstrip supply; launched our 2400 NVMe SSD, world's first client SSD on 176-layer QLC NAND
- **Graphics:** Strong demand for the latest generation of gaming consoles and graphics cards



## Mobile & Intelligent Edge

- **Mobile:** 5G transition continues in smartphones. Achieved 1<sup>st</sup> qualification of 1-alpha LP5 DRAM. Seeing a very strong revenue ramp for our 176-layer NAND UFS products
- **Auto:** Auto revenues set a new record. New EVs are becoming like data centers on wheels; over 100 new EV models to launch worldwide in this calendar year alone
- **Industrial:** ~60% Y/Y revenue growth in FQ2, fueled by the continued ramp in applications such as factory automation and security systems

# Outlook

## Industry

- Expect CY-22 industry bit demand growth to be in the mid to high teens for DRAM and approximately 30% for NAND
- Currently, we see a healthy supply-demand balance across both DRAM and NAND
- Non-memory component shortages are improving, and we expect that further improvements should support memory and storage demand growth for rest of this year

## Micron

- Our CY-22 bit supply growth for DRAM and NAND remains unchanged from prior expectations and will be in line with industry demand
- On track to deliver record revenue with solid profitability in FY-22, and we continue to expect strong bit shipment growth in the second half of the fiscal year
- We expect our cost reductions to outpace that of the industry this year driven by the exceptionally well executed ramp of our world class 1-alpha DRAM and 176-layer NAND nodes



# Sumit Sadana

Chief Business Officer and Interim CFO

March 29, 2022





**FQ2-22 Revenue**  
**\$7.8B**

Revenue up 1% Q/Q and up 25% Y/Y

# Performance by Technology

## DRAM

- 73% of total revenue in FQ2-22
- Revenue up 2% Q/Q and up 29% Y/Y
- Bit shipments increased in the high-single-digit percent range Q/Q
- ASPs decreased in the mid-single-digit percent range Q/Q

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## NAND

- 25% of total revenue in FQ2-22
- Revenue up 4% Q/Q and up 19% Y/Y
- Bit shipments flat Q/Q
- ASPs increased in the mid-single-digit percent range Q/Q

# Revenue by Business Unit

Amounts in millions	FQ2-22	FQ1-22	Q/Q % Change	FQ2-21	Y/Y % Change
Compute and Networking (CNBU)	\$3,461	\$3,406	2%	\$2,636	31%
Mobile (MBU)	\$1,875	\$1,907	(2)%	\$1,811	4%
Storage (SBU)	\$1,171	\$1,150	2%	\$850	38%
Embedded (EBU)	\$1,277	\$1,220	5%	\$935	37%

# FQ2-22

## Non-GAAP Operating Results

**Revenue:** \$7.8 billion

**Gross Margin:** 47.8%

**Operating Expenses:** \$974 million

**Operating Income:** \$2.8 billion

**Net Income:** \$2.4 billion

**Diluted EPS:** \$2.14

**Adjusted EBITDA:** \$4.5 billion

**Cash from Operations (GAAP):** \$3.6 billion

# Cash Flow and Capital Allocation

From FY-19 to FQ2-22, generated approximately \$9 billion of free cash flow\*

- \$4.7 billion towards repurchasing 94 million shares
- \$800 million toward settling convert premiums which reduced diluted share count by 19 million shares
- \$5.8 billion returned to shareholders from share repurchases, convert premiums, and dividends

<b>Cash Flow from Operations</b>	▪ FQ2-22: \$3.6B (47% of revenue)
<b>Net CapEx<sup>1</sup></b>	▪ FQ2-22: CapEx of \$2.6B ▪ FY-22: CapEx guidance of \$11B to \$12B
<b>FCF*</b>	▪ FQ2-22: \$1.03B
<b>Buybacks</b>	▪ FQ2-22: \$408M (4.8M shares)
<b>Dividends</b>	Dividend payment of \$0.10 per share will be paid April 26 <sup>th</sup>
<b>Liquidity<sup>2</sup></b>	\$14.4B in liquidity at end of FQ2-22
<b>Cash<sup>3</sup>-Debt</b>	\$4.9B of net cash at end of FQ2-22

<sup>1</sup>CapEx net of amounts funded by partners and proceeds from sales of property, plant, and equipment

<sup>2</sup>Cash, short-term and long-term marketable investments, restricted cash, and undrawn revolver capacity

<sup>3</sup>Cash, short-term and long-term marketable investments, and restricted cash

\*Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less net investments in capital expenditures adjusted for amounts funded by partners and proceeds from sales of PP&E.

# FQ3-22 Guidance

## Non-GAAP

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<b>Revenue</b>	<b>\$8.7 billion ± \$200 million</b>
<b>Gross margin</b>	<b>48.0% ± 1%</b>
<b>Operating expenses</b>	<b>\$1.05 billion ± \$25 million</b>
<b>Diluted EPS*</b>	<b>\$2.46 ± \$0.10</b>

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\*Based on ~1.14 billion diluted shares

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# Other key data



# Financial Summary

Non-GAAP

Amounts in millions, except per share	FQ2-22	% of Revenue	FQ1-22	% of Revenue	FQ2-21	% of Revenue
Revenue	\$7,786	100%	\$7,687	100%	\$6,236	100%
Gross margin	3,724	48%	3,616	47%	2,054	33%
Operating income	2,750	35%	2,725	35%	1,257	20%
Income tax (provision) benefit	(286)		(240)		(125)	
Net income	2,444	31%	2,471	32%	1,128	18%
Diluted earnings per share	2.14		2.16		0.98	
Cash provided by operating activities (GAAP)	3,628		3,938		3,057	
Cash, marketable investments, and restricted cash (GAAP)	11,947		11,480		8,567	

See non-GAAP reconciliations

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# Non-GAAP Financial Data and Guidance

% of Revenue	FQ2-22
DRAM	73%
NAND	25%

% Sales Volume Change	FQ2-22 Q/Q
DRAM	Increased high single-digit percent range
NAND	Flat

% ASP Change	FQ2-22 Q/Q
DRAM	Decreased mid-single-digit percent range
NAND	Increased mid-single-digit percent range

	FQ2-22 Non-GAAP (amounts in millions, except per share)	FQ3-22 Non-GAAP Guidance
Revenue	\$ 7,786	\$8.7 billion ± \$200 million
Gross margin	47.8%	48.0% ± 1%
Operating expenses	\$ 974	\$1.05 billion ± \$25 million
Diluted earnings per share	\$ 2.14	\$2.46 ± \$0.10

	FQ2-22 Non-GAAP (amounts in millions)	FQ3-22 Non-GAAP Estimates
Diluted shares	1,143	~1.14 billion
Income tax (provision) benefit	\$ (286)	~10%
Cash from operations (GAAP)	\$ 3,628	—
Depreciation and amortization	\$ 1,737	—
Investments in capex, net (capital cash flow)	\$ 2,600	FY-22: \$11 billion to \$12 billion

See non-GAAP reconciliations

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# Revenue by Technology

Amounts in millions	FQ2-22	% of Revenue	FQ1-22	% of Revenue	FQ2-21	% of Revenue
DRAM	\$5,719	73%	\$5,587	73%	\$4,444	71%
NAND	1,957	25%	1,878	24%	1,650	26%
Other	110	1%	222	3%	142	2%
<b>Total</b>	<b>\$7,786</b>	<b>100%</b>	<b>\$7,687</b>	<b>100%</b>	<b>\$6,236</b>	<b>100%</b>

Percentages of total revenue may not total 100% due to rounding.

# Non-GAAP Reconciliations

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>GAAP gross margin</b>	\$ 3,676	\$ 3,565	\$ 1,649
Stock-based compensation	44	43	57
Inventory accounting policy change to FIFO	—	—	133
Change in inventory cost absorption	—	—	160
3D XPoint inventory write-down	—	—	49
Other	4	8	6
<b>Non-GAAP gross margin</b>	<b>\$ 3,724</b>	<b>\$ 3,616</b>	<b>\$ 2,054</b>
<b>GAAP operating expenses</b>	\$ 1,130	\$ 934	\$ 986
Stock-based compensation	(75)	(73)	(55)
Patent license charges	—	—	(128)
Restructure and asset impairments	(5)	(38)	(5)
Other	(76)	68	(1)
<b>Non-GAAP operating expenses</b>	<b>\$ 974</b>	<b>\$ 891</b>	<b>\$ 797</b>

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>GAAP operating income</b>	\$ 2,546	\$ 2,631	\$ 663
Stock-based compensation	119	116	112
Inventory accounting policy change to FIFO	—	—	133
Change in inventory cost absorption	—	—	160
3D XPoint inventory write-down	—	—	49
Patent license charges	—	—	128
Restructure and asset impairments	5	38	5
Other	80	(60)	7
<b>Non-GAAP operating income</b>	\$ 2,750	\$ 2,725	\$ 1,257

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>GAAP cost of goods sold</b>	\$ 4,110	\$ 4,122	\$ 4,587
Stock-based compensation	(44)	(43)	(57)
Inventory accounting policy change to FIFO	—	—	(133)
Change in inventory cost absorption	—	—	(160)
3D XPoint inventory write-down	—	—	(49)
Other	(4)	(8)	(6)
<b>Non-GAAP cost of goods sold</b>	\$ 4,062	\$ 4,071	\$ 4,182
<b>GAAP research and development</b>	\$ 792	\$ 712	\$ 641
Stock-based compensation	(45)	(38)	(29)
Other	(1)	—	(1)
<b>Non-GAAP research and development</b>	\$ 746	\$ 674	\$ 611
<b>GAAP selling, general and administrative</b>	\$ 263	\$ 259	\$ 214
Stock-based compensation	(30)	(35)	(26)
<b>Non-GAAP selling, general and administrative</b>	\$ 233	\$ 224	\$ 188

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>GAAP net income</b>	\$ 2,263	\$ 2,306	\$ 603
Stock-based compensation	119	116	112
Inventory accounting policy change to FIFO	—	—	133
Change in inventory cost absorption	—	—	160
3D XPoint inventory write-down	—	—	49
Patent license charges	—	—	128
Restructure and asset impairments	5	38	5
Amortization of debt discount and other costs	8	9	8
(Gain) loss on debt repurchases and conversions	—	83	—
Other	80	(60)	7
Estimated tax effects of above and other tax adjustments	(31)	(21)	(77)
<b>Non-GAAP net income</b>	<b>\$ 2,444</b>	<b>\$ 2,471</b>	<b>\$ 1,128</b>
<b>GAAP interest (income) expense, net</b>	\$ 43	\$ 35	\$ 32
Amortization of debt discount and other costs	(8)	(9)	(8)
<b>Non-GAAP interest (income) expense, net</b>	<b>\$ 35</b>	<b>\$ 26</b>	<b>\$ 24</b>
<b>GAAP income tax (provision) benefit</b>	\$ (255)	\$ (219)	\$ (48)
Estimated tax effects of non-GAAP adjustments and other tax adjustments	(31)	(21)	(77)
<b>Non-GAAP income tax (provision) benefit</b>	<b>\$ (286)</b>	<b>\$ (240)</b>	<b>\$ (125)</b>



# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>GAAP shares used in diluted EPS calculations</b>	1,130	1,130	1,144
Adjustment for stock-based compensation	13	9	10
<b>Non-GAAP shares used in diluted EPS calculations</b>	1,143	1,141	1,154
<b>GAAP diluted earnings per share</b>	\$ 2.00	\$ 2.04	\$ 0.53
Effects of non-GAAP adjustments	0.14	0.12	0.45
<b>Non-GAAP diluted earnings per share</b>	\$ 2.14	\$ 2.16	\$ 0.98
<b>GAAP net income</b>	\$ 2,263	\$ 2,306	\$ 603
Interest (income) expense, net	43	35	32
Provision (benefit) for income taxes	255	219	48
Depreciation and amortization of property, plant, and equipment and intangibles	1,742	1,671	1,549
<b>Non-GAAP adjustments</b>			
Stock-based compensation	119	116	112
Inventory accounting policy change to FIFO	—	—	133
Change in inventory cost absorption	—	—	160
3D XPoint inventory write-down	—	—	49
Patent license charges	—	—	128
Restructure and asset impairments	5	38	5
(Gain) loss on debt repurchases and conversions	—	83	—
Other	75	(65)	—
<b>Adjusted EBITDA</b>	\$ 4,502	\$ 4,403	\$ 2,819

# Consolidated Results

## Non-GAAP Reconciliations

Amounts in millions	FQ2-22	FQ1-22	FQ2-21
<b>Net cash provided by operating activities</b>	\$ 3,628	\$ 3,938	\$ 3,057
Expenditures for property, plant, and equipment	(2,611)	(3,265)	(3,018)
Proceeds from sales of property, plant, and equipment	27	21	18
Payments on equipment purchase contracts	(27)	(78)	(26)
Amounts funded by partners	11	55	143
<b>Investments in capital expenditures, net</b>	(2,600)	(3,267)	(2,883)
<b>Adjusted free cash flow</b>	\$ 1,028	\$ 671	\$ 174

Amounts in millions	FQ2-22	FQ1-22
Cash and short-term investments	\$ 10,122	\$ 9,580
Current and noncurrent restricted cash	108	83
Long-term marketable investments	1,717	1,817
Current and long-term debt	(7,076)	(7,022)
<b>Net cash</b>	\$ 4,871	\$ 4,458

# FQ3-22 Guidance

## Non-GAAP Reconciliations

	GAAP	Adjustments		Non-GAAP
Revenue	\$8.7 billion ± \$200 million	—		\$8.7 billion ± \$200 million
Gross margin	47.0% ± 1%	1%	A	48.0% ± 1%
Operating expenses	\$1.13 billion ± \$25 million	\$80 million	B	\$1.05 billion ± \$25 million
Diluted EPS*	\$2.33 ± \$0.10	\$0.13	A,B,C	\$2.46 ± \$0.10

### Adjustments (amounts in millions)

A	Stock-based compensation – cost of goods sold	\$	56
A	Other – cost of goods sold		5
B	Stock-based compensation – research and development		47
B	Stock-based compensation – sales, general, and administrative		33
C	Tax effects of the above items and other tax adjustments		1
		\$	142

\*GAAP EPS based on ~1.13 billion diluted shares and non-GAAP EPS based on ~1.14 billion diluted shares.

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.

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