Micron FY2025 + Run-Rate Due Diligence Brief

22 November 2025

Executive takeaways

- Micron exited FY2025 with revenue 37.4B (+49% YoY) and gross margin back to 39.8% as HBM3E and DDR5 shipments for hyperscale AI workloads absorbed 1-gamma output (FY2025 Form 10-K).
- Operating income rebounded to 9.8B (26% margin) and GAAP EPS hit 7.59 after two loss-making years, aided by 17.5B of operating cash flow, modest restructuring, and 2.0B of government incentive reimbursements (FY2025 cash flow statement).
- Segment mix shifted sharply toward Compute & Networking (CMBU 36% of sales, +257% YoY) while Mobile (MCBU) and Auto/Embedded (AEBU) delivered steady but lower-growth contributions; NAND remains 23% of consolidated revenue.
- Q3 FY2025 (quarter ended May 29, 2025) posted 9.3B revenue (+36% YoY), 2.2B operating income, and 1.9B net income (GAAP EPS 1.68) with nine-month operating cash flow already 11.8B (May 29, 2025 Form 10-Q).
- Capex held at 15.9B with EUV/backside power-delivery buildouts in Boise, Hiroshima, and Taiwan; Micron still leans on CHIPS/EU grants (noncurrent unearned incentives 1.0B) and selective debt (14.6B total) to fund the AI/HBM build.

Source corpus

- Micron Technology, Inc. Form 10-K for the fiscal year ended August 28, 2025 (filed October 2025) — Excel extracts for consolidated statements, segment mix, technology mix, and cash flows.
- Micron Technology, Inc. Form 10-Q for the quarter ended May 29, 2025 (filed July 2025) — operations, balance sheet, cash flow, and management commentary.
- "Semiconductor List.xlsx" (November 2025) — peer valuation, growth, beta, capital structure, and sentiment indicators.

HBM-led rebound and portfolio map

- **CMBU (Compute & Networking)**: HBM3E, DDR5/LPDDR5X for AI servers, CXL-attached memory, and networking buffers serving hyperscalers.
- **CDBU (Client & Data)**: Client/server SSDs, consumer DRAM, PCIe Gen5 NVMe, and QLC-managed NAND for secondary storage.
- **MCBU (Mobile)**: LPDDR5X, UFS 4.0 MCPs, and on-device AI memory stacks for flagship Android and Chromebook platforms.
- **AEBU (Automotive & Embedded)**: Auto-grade DRAM/NAND for ADAS/EV platforms plus industrial/IoT NOR; multiyear Tier-1 design wins maintain backlog through 2028.

- **Manufacturing & incentives**: 1-gamma DRAM and 232-layer NAND ramping with EUV and high-NA pilots; U.S. CHIPS, Japan subsidies, and European IPCEI commitments underpin the 15–18B annual capex envelope.

FY2025 scoreboard

oprule Metric (USD in billions)	FY2025	FY2024	YoY %
Revenue	37.4	25.1	+48.9%
Gross margin	14.9	5.6	+165%
Operating income	9.8	1.3	+650%
Net income	8.5	0.8	+997%
Operating cash flow	17.5	8.5	+106%
Capital expenditures	15.9	8.4	+89%
Free cash flow	1.7	0.1	NM
R&D expense	3.8	3.4	+10.7%
Restructure & other	0.04	0.00	NM
Gross margin	39.8%	22.4%	+1,740 bps
Operating margin	26.1%	5.2%	+2,090 bps
Net margin	22.8%	3.1%	+1,970 bps

Table 1: Micron FY2025 consolidated results (amounts converted from millions). Free cash flow defined as operating cash flow minus additions to property, plant, and equipment.

Observations

- Working capital released 5.6B of cash (receivables up 2.7B offset by inventory draw and payables rebuild) while inventory days fell below 90 as AI and auto pipelines tightened.
- Government incentives (2.0B cash plus 1.0B deferred) cushioned capex; Micron expects incremental CHIPS agreements in Idaho and New York to backstop 2026 EUV and HBM expansions.
- Interest expense (477M) remains manageable relative to 496M interest income given 11.9B cash + securities; dividend (0.52B) stayed intact even during the downturn.

Segment and mix dynamics

FY2025 segment revenue

oprule Segment	Revenue ($B)	Mix	YoY
CMBU	13.5	36%	+257%
CDBU	7.2	19%	+45%
MCBU	11.9	32%	+1.6%
AEBU	4.8	13%	+2.6%

Table 2: Business unit results per FY2025 Form 10-K; YoY compares against FY2024 revenue.

Technology mix

- DRAM contributed 28.6B (76% of revenue) with HBM3E and DDR5/LPDDR5X nodes driving a 62% YoY jump; Micron is sampling 1-gamma EUV nodes for 2026 shipments.
- NAND delivered 8.5B (23%) as 232-layer TLC/QLC ramps and UFS 4.0 attach improved; managed NAND for automotive/industrial remains a pricing buffer.
- Other (principally NOR) added 0.3B for embedded/industrial control and secure microcontroller use cases.

Latest quarterly pulse (Q3 FY2025)

- Revenue 9.3B (+36% YoY) with gross margin 3.5B (37.7%) and operating income 2.2B (23.3%); net income 1.9B (1.68 diluted EPS).
- Segment color: CMBU/HBM backlog remains supply constrained into CY2026; client/consumer rebounded but still price sensitive; mobile OEMs accelerated LPDDR5X adoption for on-device AI; AEBU backlog anchored by Level 2+ ADAS and industrial IoT gateways.
- Operating cash flow for the nine-month period reached 11.8B vs. 5.1B prior year; capex cash out was 8.9B with 1.3B CHIPS/foreign incentives already received year-to-date.
- Balance sheet at May 29, 2025: cash 10.2B, short-term investments 0.65B, total debt 15.5B, equity 50.7B.

Balance sheet, liquidity, and capital intensity

- **Liquidity**: Cash 9.6B + short-term investments 0.7B + long-term marketable securities 1.6B = 11.9B; Micron also holds a 7B revolving credit facility and export-credit lines tied to tool purchases.
- **Leverage**: Debt 14.6B (debt/equity 26.9%) with staggered maturities; management targets investment-grade leverage while funding 15B+ capex.
- **Working capital**: Receivables 9.3B, inventories 8.4B (down 0.5B YoY), payables/accrued 9.6B; current ratio 2.5x provides cushion for AI-cycle volatility.
- **Capex & fabs**: 15.9B capex concentrated on EUV-enabled DRAM, CMOS-under-array NAND, and advanced packaging; CHIPS/foreign subsidies expected to reimburse 4–5B annually once milestones are certified.
- **Capital returns**: Dividend resumed at 0.46 per share annual run-rate (0.52B cash); buybacks remain paused until leverage and fab spend normalize.

Strategic themes and catalysts

1. **HBM scale and share**: Micron ships HBM3E today with 8-Hi/12-Hi stacks; ramping 1-gamma + HBM4 in 2026 is key to locking second-source slots at NVIDIA, AMD, and custom accelerators.

2. **AI PC and edge memory**: CDBU/MCBU benefit from LPDDR5X and UFS 4.0 attach; Windows AI PCs and Arm-based Chromebooks require higher bandwidth per system, expanding DRAM bits even without unit growth.
3. **Automotive pipeline**: AEBU backlog exceeds 15B through 2028; zonal architectures and Level 2+ sensor fusion double DRAM content per vehicle.
4. **Government incentives**: U.S. CHIPS grants/loans for Idaho and New York plus Japan/Hiroshima subsidies improve ROIC and allow Micron to keep capex near 15B without levering the balance sheet.
5. **Node leadership**: Transition to EUV-based 1-gamma DRAM and 3D NAND with CMOS-under-array/backside power delivery aims to close the cost gap vs. Samsung & SK hynix.

Risks and watch items

- **HBM supply-demand**: If GPU launches slip or customers multi-source more aggressively, HBM pricing could normalize quickly, hurting CMBU margins.
- **China exposure**: Export controls on advanced DRAM/NAND or further Entity List actions could limit upside from Chinese cloud and handset OEMs.
- **Process execution**: Delays on 1-gamma EUV or 232-layer NAND CMOS-under-array yield could forfeit cost leadership in 2026.
- **Capex and subsidies**: Slower CHIPS disbursements or higher tool inflation could force incremental debt or reintroduce negative free cash flow.
- **Pricing discipline**: Client SSD and mobile memory remain highly competitive; oversupply in 2026 would compress gross margin back toward the 30% range.

Scenario outlook

Action items

- Track CHIPS and IPCEI award milestones plus actual cash reimbursements versus the 15B capex run-rate.
- Monitor HBM capacity adds (stack heights, TSV yields, package supply) alongside NVIDIA/AMD/ASIC demand indicators.
- Watch AI PC launch cadence (Microsoft Copilot+, Qualcomm/AMD/Intel platforms) and associated DRAM/NAND bill of materials.
- Review auto Tier-1 win announcements and backlog conversion to gauge AEBU revenue visibility.
- Refresh valuation comps (PS NTM 4.74x, PE NTM 13.5x, beta 1.53) against NVIDIA, AMD, SK hynix on each earnings update.

oprule Scenario	Key assumptions	FY2026 revenue ($B)	FY2026 EPS (USD)
Bear	HBM orders push out, GPU launch cadence slows, and AI PC uplift slips to CY2027; pricing down mid-teens, incentives delayed.	45	10.0
Base	HBM4/1-gamma ramps smoothly, AI PCs reach low-teens PC mix, auto backlog stays firm, and subsidies fund 25% of capex.	52	16.0
Bull	HBM4 wins at multiple hyperscalers, LPDDR5X becomes standard across Android flagships, auto wins accelerate, and CHIPS/Japan grants arrive early.	60	20.0

Table 3: Scenario guardrails anchored on FY2025 actuals, Q3 FY2025 run-rate, and consensus inputs from Semiconductor List.xlsx (NTM revenue 56.5B, NTM EPS 17.6).

Appendix: data notes

- Figures sourced from Micron FY2025 Form 10-K and Q3 FY2025 Form 10-Q spreadsheets included in the workspace; values converted from millions to USD billions and rounded to one decimal unless noted.
- Free cash flow defined as operating cash flow minus additions to property, plant, and equipment; leverage expressed as total debt divided by shareholders' equity.
- Valuation metrics, beta, EPS/revenue growth, dividend yield, and short interest pulled from "Semiconductor List.xlsx" (November 2025 refresh).
- Segment abbreviations follow Micron disclosures: CMBU (Compute & Networking), CDBU (Client & Data), MCBU (Mobile), AEBU (Automotive & Embedded).