



January 14, 2026

## Micron Technology, Inc.

### DRAM Cycle Has Legs, HBM Growth Sustainable; Initiating at Outperform

**Our view:** The key debate is mostly about the duration of current Memory upcycle. Surging GenAI demand and much-improved supply discipline have created extreme tightness in Memory, sparking discussions about long-term agreements. While investor skepticism about LTAs in commodity Memory could remain, limited clean room space and structural supply headwinds could extend the current upcycle well into 2027. HBM content is growing at a 50%+ rate, HBM4 transition is a material tailwind, and Micron has strong roadmap. We see \$50+ peak earnings potential and believe a higher peak multiple is appropriate due to non-commodity HBM mix. Initiate at Outperform.

#### Key points:

##### Industry supply likely to remain tight into 2027

Strong AI demand, improved supply discipline, lean inventories, and limited cleanroom space have created a perfect storm for the Memory market. We expect DRAM bit demand to grow ~20% in 2026 and continue to outpace supply, which we estimate is growing in mid to high-teens. NAND market is facing a similar dynamic and is also benefiting from HDD tightness. We expect these trends to persist into 2027, which should remain a tailwind to pricing in both markets. In addition, Micron is making solid progress with its high-value portfolio including lower power server DRAM, high-capacity DIMMs, and eSSDs.

##### HBM product leadership driving solid share gains

MU gained significant share (from zero to low-20% in about 8 quarters) with its leadership HBM3e product, which now accounts for 20% of DRAM revenue. We expect overall HBM market to grow at 40%+ 3-year CAGR. GenAI workloads are evolving from pre-training to reinforced learning and distributed inferencing, which require much higher Memory content, including DDR content. In addition, HBM4 transition is in early stages and comes with 30-50% price premium. The company's recent comment that its HBM supply, including HBM4 supply, is sold out through 2026 should put to rest any lingering HBM4 roadmap concerns.

##### Case for a higher peak multiple

MU's EPS peaked at ~\$9.50 in the last upcycle (and ~\$12.50 in 2018 cycle). We expect the current upcycle to continue into 2027 and see >\$50 peak earnings potential. Growing HBM and high-value mix is a tailwind to gross margins along with strong DDR ASP trends. Gross margins in this cycle have already exceeded prior cycles peaks, and we see continued tailwinds. We believe the stock deserves a higher peak multiple as higher-margin (and non-commodity) HBM should account for ~30% of the DRAM mix. Our price target of \$425 is based on 11x our CY27 EPS estimate (3.4x P/B), with our bull-case scenario in the \$500 range. Key potential risks include 1) production constraints, 2) HBM competition, and 3) NAND oversupply.

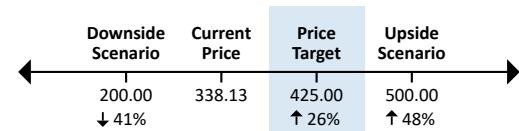
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## Outperform

NASDAQ: MU; USD 338.13

**Price Target USD 425.00**

### Scenario Analysis\*



\*Implied Total Returns

### Key Statistics

|                  |         |                  |         |
|------------------|---------|------------------|---------|
| Shares O/S (MM): | 1,145.0 | Market Cap (MM): | 387,159 |
| Dividend:        | 0.12    | Yield:           | 0.0%    |

Avg. Daily Volume: 28,049,444

### RBC Estimates

| FY Aug           | 2024A | 2025A | 2026E | 2027E |
|------------------|-------|-------|-------|-------|
| EPS, Adj Diluted | 1.29  | 8.29  | 31.40 | 38.95 |
| P/AEPS           | NM    | 40.8x | 10.8x | 8.7x  |
| EPS, Adj Diluted | Q1    | Q2    | Q3    | Q4    |
| 2025             | 1.79A | 1.56A | 1.91A | 3.03A |
| 2026             | 4.78E | 8.42E | 8.90E | 9.30E |
| 2027             | 9.89E | 9.74E | 9.64E | 9.68E |

All values in USD unless otherwise noted.

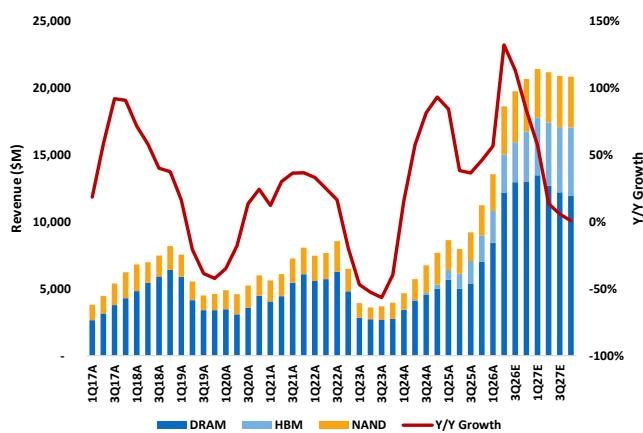
Priced as of prior trading day's market close, EST (unless otherwise noted).



## Initiating at Outperform and \$425 Price Target

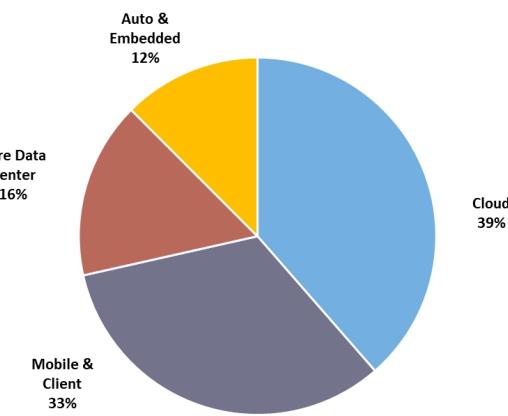
We are initiating coverage of Micron with an Outperform rating and a \$425 price target. We expect Memory demand to outpace supply into 2027 driven by GenAI, HBM4 transition, and much-improved industry supply discipline. We believe demand across end-markets is healthy, inventories are lean, and content drivers are intact. In particular, high bandwidth Memory (HBM) content in XPU is growing at a 50%+ rate, and we see further tailwinds as AI workloads evolve from pre-training to reinforcement learning / distributed inferencing. MU is sold out of its HBM capacity including HBM4, suggesting that recent investor concerns regarding the company's roadmap are overblown. In addition, Micron is executing well in LPDDR, high-capacity DIMMs, and eSSDs, which should unlock further share gains. Outside of data center, smartphone and PC demand remains stable and DRAM content is benefiting from edge AI features, although some demand destruction appears likely due to high prices. At 3.9x CY26E P/B and 9.4x P/E, we believe valuation is attractive. We are modeling \$36.50 EPS for CY26 but see >\$50 peak earnings potential in this cycle and believe a higher multiple is appropriate due to higher non-commodity HBM mix. Our price target is based on 11x CY27E EPS and 3.4x P/B.

Exhibit 1 - MU Revenue Forecast



Source: Company reports, RBC Capital Markets estimates

Exhibit 2 - 2025 MU End Markets



Source: Company reports, RBC Capital Markets estimates

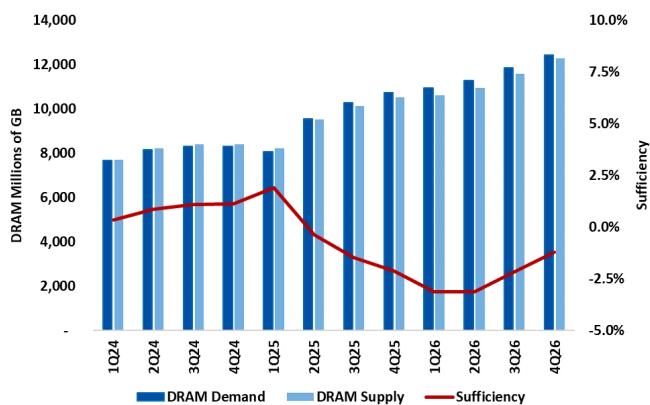
### DRAM demand likely to outpace supply into 2027

DRAM industry demand is outpacing supply and we expect the trend to continue through 2026. Strong GenAI demand, improved supply discipline, technology transitions, and limited cleanroom space have created a perfect storm for the Memory market. We expect DRAM bit demand to grow ~20% in 2026 and continue to outpace supply, which appears on track to grow 18%. HBM now consumes 7% of industry bit supply and trade ratio should increase further with HBM 4 (from 3:1 to 4:1). Clean room space is another constraint and many new fabs won't come online until 2027. Customer and supplier inventories appear lean and recent comments from equipment companies point to much improved supply discipline. While China remains a wildcard, the impact of supply growth should be modest as it accounts for less than 5% of global DRAM capacity.

From a demand standpoint, content expansion is continuing in smartphone and PC markets, partly driven by AI features, although some demand destruction appears likely due to persistent high prices. Data Center demand remains strong driven by both AI and traditional server strength. While HBM is on a secular growth trend, emerging AI workloads are also driving strong growth in low-power and high-capacity DDR modules where Micron has a strong presence.

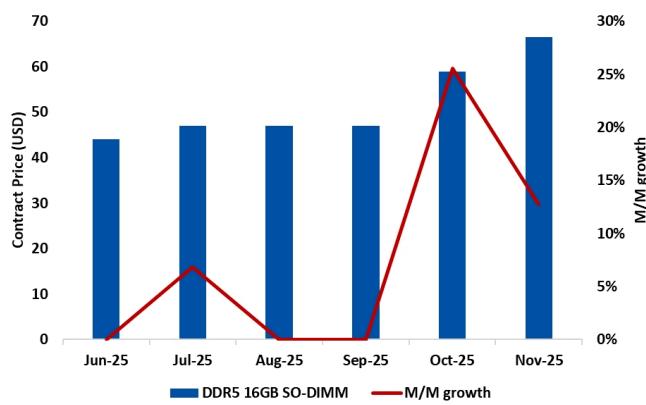


Exhibit 3 - DRAM Supply/Demand Forecast



Source: IDC, RBC Capital Markets estimates

Exhibit 4 - DDR5 Contract Pricing Trend

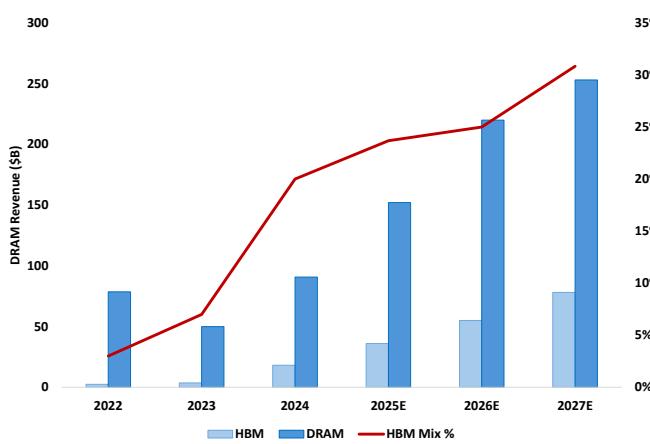


Source: TrendForce, RBC Capital Markets

### HBM product leadership driving solid share gains

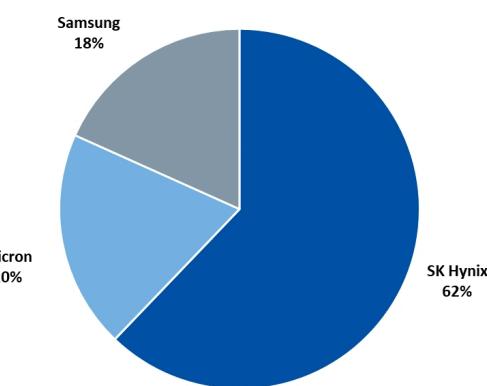
MU gained significant share with its leadership HBM3e product (zero to low-20% share in about 8 quarters), which now accounts for 20% of DRAM revenue. We expect overall HBM market to grow at 40%+ 3-year CAGR. In addition, HBM4 transition is in early stages and comes with 30-50% price premium. The company's recent comment that its HBM supply, including HBM4 supply, is sold out through 2026 should put to rest any lingering HBM4 roadmap concerns. AI workloads are shifting to longer contexts, reinforced learning, and distributed inferencing, which are all Memory intensive. GenAI is also driving strong demand for high-capacity server DIMMs as larger contexts become increasingly important, as evidenced by NVDA's recently announced Rubin CPX system, which comes with 100TB of fast Memory. Overall, we expect HBM market to grow from \$35B in 2025 to \$100B in 2028, outpacing the GPU/XPU market driven by content gains. We believe that MU is well positioned to capture further data center share even as competition intensifies.

Exhibit 5 - HBM Memory Forecast



Source: IDC, RBC Capital Markets estimates

Exhibit 6 - 2025 HBM Market Share



Source: Company reports, RBC Capital Markets estimates

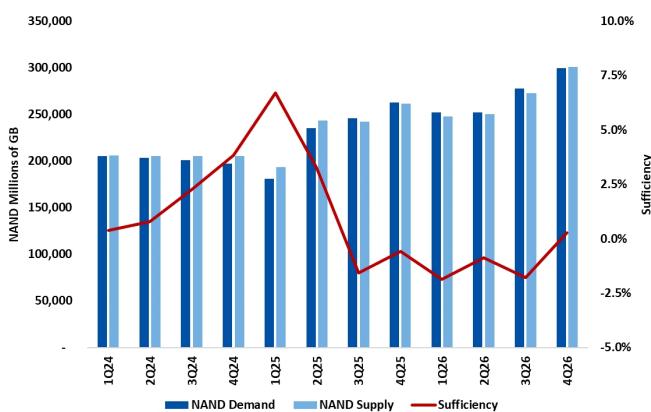
### NAND benefiting from supply cuts, AI, and HDD tightness

The NAND market, which accounts for ~20% of Micron's sales, is seeing similar trends after multiple years of underinvestment and slower technology migrations. While AI impact on NAND growth has been relatively modest, the evolution of workloads such as retrieval augmented



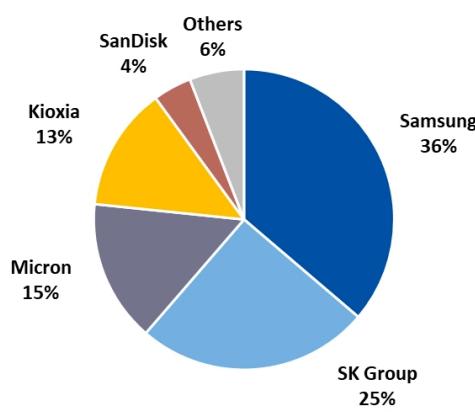
generation (RAG) and rapid growth in video content generation are changing that dynamic. In addition, extreme supply tightness in the hard disk drive (HDD) market is shifting demand to NAND eSSDs. As such, we expect supply/demand imbalance to persist in the NAND market through 2026. MU has a solid presence in the important eSSD market and has gained share over the past 12 months, which we expect to continue.

**Exhibit 7 - NAND Supply/Demand Forecast**



Source: IDC, RBC Capital Markets estimates

**Exhibit 8 - 2025 Enterprise SSD Market Share**

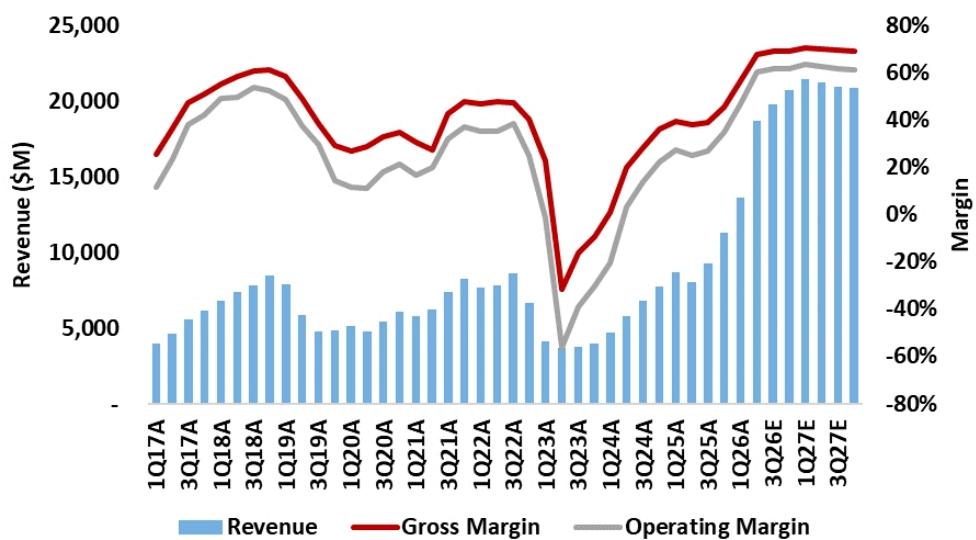


Source: TrendForce, FactSet, RBC Capital Markets estimates

### Case for a higher peak multiple

MU reported F1Q26 gross margins of 56.8% and guided 68% for F2Q, well above prior peaks of 61% in the 2018 upcycle and ~48% in the 2021 upcycle. We believe gross margins can run even higher given 1) secular trends driving increasing mix of higher-margin HBM and eSSD, 2) industry supply/cleanroom capacity remaining tight through 2026, and 3) strong end demand persisting with hyperscaler capex on track to grow 40% in 2026. We are modeling gross margins reaching 70%, but would not be surprised by further upside given the dynamic pricing environment.

**Exhibit 9 - MU Margin Trends (Non-GAAP)**



Source: Company reports, RBC Capital Markets estimates

MU's EPS peaked at ~\$9.50 in the last upcycle (and ~\$12.50 in 2018 cycle). Valuation was 9x



NTM when the stock peaked in June 2021 upcycle and 5x P/E when the stock peaked in May 2018 upcycle (and around 9-10x in 2014 upcycle). From a P/B standpoint, valuation was 1.9x in the 2021 upcycle when the stock peaked and 1.7x during the 2018 upcycle. We expect the current upcycle to continue into 2027 and project >\$50 peak earnings power. In addition, we believe the stock deserves a structurally higher multiple at the peak as higher-margin (and non-commodity) HBM should grow to ~30% of MU's DRAM mix. Our \$425 price target is based on 11x P/E multiple on our CY27 EPS estimate or about 3.4x P/B, which we believe is appropriate given the structurally higher margins and FCF due to HBM mix. Key potential risks include 1) production constraints (Wafer supply, cleanroom capacity, etc.) limiting near-term upside, 2) stronger than expected competition in HBM4 and later generations from Samsung and SK Hynix, and 3) ASP headwinds from unexpected increase in industry NAND supply.

#### Exhibit 10 - MU Stock and EPS Peaks



Source: FactSet, RBC Capital Markets

#### Exhibit 11 - MU P/B Trend



Source: FactSet, RBC Capital Markets

#### Exhibit 12 - MU Comp Table

| Ticker        | Price<br>(USD) | Rating        | Price Target      | Market Cap<br>(\$M) | EPS            |              | P/E          |             | P/B         |             | Revenue Growth |            |
|---------------|----------------|---------------|-------------------|---------------------|----------------|--------------|--------------|-------------|-------------|-------------|----------------|------------|
|               |                |               |                   |                     | CY26E          | CY27E        | CY26E        | CY27E       | CY26E       | CY27E       | CY26E          | CY27E      |
| Samsung       | 005930-KR      | 94.51         | Not Covered       | NA                  | 626,676        | 10.54        | 11.50        | 9.0x        | 8.2x        | 1.8x        | 1.5x           | 31%        |
| SK Hynix      | 000660-KR      | 510.01        | Not Covered       | NA                  | 352,139        | 74.00        | 82.32        | 6.9x        | 6.2x        | 2.9x        | 2.0x           | 70%        |
| Kioxia        | 285A-JP        | 80.34         | Not Covered       | NA                  | 43,434         | 8.13         | 10.05        | 9.9x        | 8.0x        | 4.5x        | 3.0x           | 42%        |
| Sandisk       | SNDK           | 389.27        | Sector Perform    | 400.00              | 57,049         | 19.65        | 22.14        | 19.8x       | 17.6x       | 4.8x        | 3.8x           | 42%        |
| Average       |                |               |                   |                     |                |              |              | 11.4x       | 10.0x       | 3.5x        | 2.6x           | 46%        |
| Median        |                |               |                   |                     |                |              |              | 9.4x        | 8.1x        | 3.7x        | 2.5x           | 42%        |
| <b>Micron</b> | <b>MU</b>      | <b>345.87</b> | <b>Outperform</b> | <b>425.00</b>       | <b>389,280</b> | <b>36.50</b> | <b>40.05</b> | <b>9.5x</b> | <b>8.6x</b> | <b>4.0x</b> | <b>2.7x</b>    | <b>91%</b> |
|               |                |               |                   |                     |                |              |              |             |             |             |                | <b>10%</b> |

Priced as of market close 1/12/2026; consensus data for non-covered companies

Source: FactSet, RBC Capital Markets estimates



**Exhibit 13 - MU Income Statement**

| Micron Income Statement<br>FYE: August (US\$m) | Nov-24        | Feb-25        | May-25        | Aug-25        | Nov-25        | Feb-26        | May-26        | Aug-26        | Nov-26        | Feb-27        | May-27        | Aug-27        | FY24A         | FY25A         | FY26E          | FY27E          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
|  | 1Q25A         | 2Q25A         | 3Q25A         | 4Q25A         | 1Q26A         | 2Q26E         | 3Q26E         | 4Q26E         | 1Q27E         | 2Q27E         | 3Q27E         | 4Q27E         |               |               |                |                |
| <b>Revenue</b>                                 | <b>8,709</b>  | <b>8,053</b>  | <b>9,301</b>  | <b>11,315</b> | <b>13,643</b> | <b>18,700</b> | <b>19,828</b> | <b>20,751</b> | <b>21,500</b> | <b>21,428</b> | <b>21,522</b> | <b>21,853</b> | <b>25,112</b> | <b>37,378</b> | <b>72,922</b>  | <b>86,303</b>  |
| Cost of Sales                                  | 5,361         | 5,090         | 5,793         | 6,261         | 5,997         | 6,133         | 6,253         | 6,492         | 6,440         | 6,499         | 6,624         | 6,785         | 19,499        | 22,505        | 24,875         | 26,347         |
| Gross Profit                                   | 3,348         | 2,963         | 3,508         | 5,054         | 7,646         | 12,568        | 13,576        | 14,259        | 15,061        | 14,930        | 14,898        | 15,068        | 5,613         | 14,873        | 48,048         | 59,956         |
| SG&A   | 288           | 285           | 318           | 352           | 337           | 344           | 347           | 368           | 361           | 368           | 379           | 390           | 1,129         | 1,243         | 1,396          | 1,498          |
| R&D  | 888           | 898           | 965           | 1,047         | 1,171         | 1,218         | 1,267         | 1,355         | 1,328         | 1,368         | 1,436         | 1,523         | 3,430         | 3,798         | 5,011          | 5,655          |
| Other  | (2)           | 7             | 56            | 1             | 2             | -             | -             | -             | -             | -             | -             | -             | (250)         | 62            | 2              | -              |
| Total Operating Expenses                       | 1,174         | 1,190         | 1,339         | 1,400         | 1,510         | 1,562         | 1,614         | 1,723         | 1,689         | 1,736         | 1,815         | 1,913         | 4,309         | 5,103         | 6,409          | 7,153          |
| <b>Operating Income</b>                        | <b>2,174</b>  | <b>1,773</b>  | <b>2,169</b>  | <b>3,654</b>  | <b>6,136</b>  | <b>11,006</b> | <b>11,962</b> | <b>12,535</b> | <b>13,372</b> | <b>13,194</b> | <b>13,083</b> | <b>13,155</b> | <b>1,304</b>  | <b>9,770</b>  | <b>41,639</b>  | <b>52,804</b>  |
| Interest & Other                               | (22)          | (15)          | (56)          | (23)          | (75)          | (50)          | (50)          | (50)          | (50)          | (50)          | (50)          | (50)          | (64)          | (116)         | (225)          | (200)          |
| <b>Pre-Tax Income</b>                          | <b>2,152</b>  | <b>1,758</b>  | <b>2,113</b>  | <b>3,631</b>  | <b>6,061</b>  | <b>10,956</b> | <b>11,912</b> | <b>12,485</b> | <b>13,322</b> | <b>13,144</b> | <b>13,033</b> | <b>13,105</b> | <b>1,240</b>  | <b>9,654</b>  | <b>41,414</b>  | <b>52,604</b>  |
| Income Tax                                     | (283)         | (177)         | (235)         | (429)         | (829)         | (1,534)       | (1,965)       | (2,060)       | (2,198)       | (2,169)       | (2,150)       | (2,162)       | (451)         | (1,124)       | (6,388)        | (8,680)        |
| Equity Method Investees                        | 1             | 2             | 7             | (1)           | 8             | -             | -             | -             | -             | -             | -             | -             | (11)          | 9             | 8              | -              |
| Net Income                                     | 1,870         | 1,583         | 1,885         | 3,201         | 5,240         | 9,422         | 9,946         | 10,425        | 11,124        | 10,975        | 10,882        | 10,943        | 778           | 8,539         | 35,034         | 43,924         |
| Minority Interest                              | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             | -              | -              |
| <b>Net Income to Micron</b>                    | <b>1,870</b>  | <b>1,583</b>  | <b>1,885</b>  | <b>3,201</b>  | <b>5,240</b>  | <b>9,422</b>  | <b>9,946</b>  | <b>10,425</b> | <b>11,124</b> | <b>10,975</b> | <b>10,882</b> | <b>10,943</b> | <b>778</b>    | <b>8,539</b>  | <b>35,034</b>  | <b>43,924</b>  |
| <b>Non-GAAP EPS</b>                            | <b>\$1.79</b> | <b>\$1.56</b> | <b>\$1.91</b> | <b>\$3.03</b> | <b>\$4.78</b> | <b>\$8.42</b> | <b>\$8.90</b> | <b>\$9.30</b> | <b>\$9.89</b> | <b>\$9.74</b> | <b>\$9.64</b> | <b>\$9.68</b> | <b>\$1.29</b> | <b>\$8.29</b> | <b>\$31.40</b> | <b>\$38.95</b> |
| <b>% of Revenue</b>                            |               |               |               |               |               |               |               |               |               |               |               |               |               |               |                |                |
| Gross profit                                   | 38.4%         | 36.8%         | 37.7%         | 44.7%         | 56.0%         | 67.2%         | 68.5%         | 68.7%         | 70.0%         | 69.7%         | 69.2%         | 69.0%         | 22.4%         | 39.8%         | 65.9%          | 69.5%          |
| Non-GAAP Gross Profit                          | 39.5%         | 37.9%         | 39.0%         | 45.7%         | 56.8%         | 67.9%         | 69.1%         | 69.3%         | 70.6%         | 70.3%         | 69.8%         | 69.5%         | 23.6%         | 40.9%         | 66.5%          | 70.1%          |
| Operating Expenses                             | 13.5%         | 14.8%         | 14.4%         | 12.4%         | 11.1%         | 8.4%          | 8.1%          | 8.3%          | 7.9%          | 8.1%          | 8.4%          | 8.8%          | 17.2%         | 13.7%         | 8.8%           | 8.3%           |
| SG&A   | 10.2%         | 11.2%         | 10.4%         | 9.3%          | 8.6%          | 6.5%          | 6.4%          | 6.5%          | 6.2%          | 6.4%          | 6.7%          | 7.0%          | 4.5%          | 10.2%         | 6.9%           | 6.6%           |
| R&D  | 3.3%          | 3.5%          | 3.4%          | 3.1%          | 2.5%          | 1.8%          | 1.8%          | 1.8%          | 1.7%          | 1.7%          | 1.8%          | 1.8%          | 13.7%         | 3.3%          | 1.9%           | 1.7%           |
| Operating Income (loss)                        | 25.0%         | 22.0%         | 23.3%         | 32.3%         | 45.0%         | 58.9%         | 60.3%         | 60.4%         | 62.2%         | 61.6%         | 60.8%         | 60.2%         | 5.2%          | 26.1%         | 57.1%          | 61.2%          |
| Pretax income (loss)                           | 24.7%         | 21.8%         | 22.7%         | 32.1%         | 44.4%         | 58.6%         | 60.1%         | 60.2%         | 62.0%         | 61.3%         | 60.6%         | 60.0%         | 4.9%          | 25.8%         | 56.8%          | 61.0%          |
| Tax rate                                       | 13.2%         | 10.1%         | 11.1%         | 11.8%         | 13.7%         | 14.0%         | 16.5%         | 16.5%         | 16.5%         | 16.5%         | 16.5%         | 16.5%         | 36.4%         | 11.6%         | 15.4%          | 16.5%          |
| Net income (loss)                              | 21.5%         | 19.7%         | 20.3%         | 28.3%         | 38.4%         | 50.4%         | 50.2%         | 50.2%         | 51.7%         | 51.2%         | 50.6%         | 50.1%         | 3.1%          | 22.8%         | 48.0%          | 50.9%          |
| <b>QoQ %</b>                                   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |                |                |
| Revenue  | 12%           | -8%           | 15%           | 22%           | 21%           | 37%           | 6%            | 5%            | 4%            | 0%            | 0%            | 2%            | -             | -             | -              | -              |
| Non-GAAP Gross Profit                          | 22%           | -11%          | 19%           | 43%           | 50%           | 64%           | 8%            | 5%            | 6%            | -1%           | 0%            | 1%            | -             | -             | -              | -              |
| Operating Expenses                             | -3%           | 1%            | 13%           | 5%            | 8%            | 3%            | 3%            | 7%            | -2%           | 3%            | 5%            | 5%            | -             | -             | -              | -              |
| SG&A   | -2%           | 1%            | 7%            | 8%            | 12%           | 4%            | 4%            | 7%            | -2%           | 3%            | 5%            | 6%            | -             | -             | -              | -              |
| R&D  | -2%           | -1%           | 12%           | 11%           | -4%           | 2%            | 1%            | 6%            | -2%           | 2%            | 3%            | 3%            | -             | -             | -              | -              |
| Operating Income                               | 43%           | -18%          | 22%           | 68%           | 68%           | 79%           | 9%            | 5%            | 7%            | -1%           | -1%           | 1%            | -             | -             | -              | -              |
| Pretax income (loss)                           | 43%           | -18%          | 20%           | 72%           | 67%           | 81%           | 9%            | 5%            | 7%            | -1%           | -1%           | 1%            | -             | -             | -              | -              |
| Net income (loss)                              | 111%          | -15%          | 19%           | 70%           | 64%           | 80%           | 6%            | 5%            | 7%            | -1%           | -1%           | 1%            | -             | -             | -              | -              |
| <b>YoY %</b>                                   |               |               |               |               |               |               |               |               |               |               |               |               |               |               |                |                |
| Revenue  | 84%           | 38%           | 37%           | 46%           | 57%           | 132%          | 113%          | 83%           | 58%           | 15%           | 9%            | 5%            | 62%           | 49%           | 95%            | 18%            |
| Non-GAAP Gross Profit                          | NM            | 263%          | 189%          | 183%          | 226%          | 416%          | 378%          | 278%          | 196%          | 119%          | 110%          | 106%          | 388%          | 158%          | 218%           | 25%            |
| Operating Expenses                             | 7%            | 34%           | 20%           | 15%           | 29%           | 31%           | 21%           | 23%           | 12%           | 11%           | 12%           | 11%           | 0%            | 18%           | 26%            | 12%            |
| SG&A   | 238%          | 221%          | 232%          | 16%           | 32%           | 36%           | 31%           | 29%           | 13%           | 12%           | 13%           | 12%           | 23%           | 236%          | 32%            | 13%            |
| R&D  | -66%          | -66%          | -63%          | 19%           | 17%           | 21%           | 9%            | 5%            | 7%            | 7%            | 9%            | 6%            | 10%           | -64%          | 12%            | 7%             |
| Operating Income                               | 293%          | 828%          | 202%          | 140%          | 182%          | 521%          | 451%          | 243%          | 118%          | 20%           | 9%            | 5%            | -123%         | 649%          | 326%           | 27%            |
| Pretax income (loss)                           | 286%          | 934%          | 196%          | 140%          | 182%          | 523%          | 464%          | 244%          | 120%          | 20%           | 9%            | 5%            | 122%          | 679%          | 329%           | 27%            |
| Net income (loss)                              | 252%          | 100%          | 468%          | 261%          | 180%          | 495%          | 428%          | 226%          | 112%          | 16%           | 9%            | 5%            | 113%          | 998%          | 310%           | 25%            |

Source: Company reports, RBC Capital Markets estimates



### Exhibit 14 - MU Balance Sheet

Micron - RBC

Balance Sheet (\$mln)

| FYE: August                           | FY25A           |                 |                 |                 | FY26E           |                 |                 |                 | FY24A         | FY25A         | FY26E          | FY27E          |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|----------------|----------------|
|                                       | Nov-24<br>1Q25A | Feb-25<br>2Q25A | May-25<br>3Q25A | Aug-25<br>4Q25A | Nov-25<br>1Q26A | Feb-26<br>2Q26E | May-26<br>3Q26E | Aug-26<br>4Q26E |               |               |                |                |
| Cash and equivalents                  | 6,693           | 7,552           | 10,163          | 9,642           | 9,731           | 13,164          | 19,604          | 26,663          | 7,041         | 9,642         | 26,663         | 58,223         |
| Short-term investments                | 895             | 663             | 648             | 665             | 587             | 587             | 587             | 587             | 1,065         | 665           | 587            | 587            |
| Receivables                           | 7,423           | 6,504           | 7,436           | 9,265           | 10,184          | 13,959          | 14,801          | 15,490          | 6,615         | 9,265         | 15,490         | 16,313         |
| Inventories                           | 8,705           | 9,007           | 8,727           | 8,355           | 8,205           | 11,246          | 11,925          | 12,480          | 8,875         | 8,355         | 12,480         | 13,143         |
| Other current assets                  | 777             | 963             | 945             | 914             | 958             | 958             | 958             | 958             | 776           | 914           | 958            | 958            |
| <b>Total current assets</b>           | <b>24,493</b>   | <b>24,689</b>   | <b>27,919</b>   | <b>28,841</b>   | <b>29,665</b>   | <b>39,914</b>   | <b>47,875</b>   | <b>56,177</b>   | <b>24,372</b> | <b>28,841</b> | <b>56,177</b>  | <b>89,223</b>  |
| Long-term marketable securities       | 1,156           | 1,375           | 1,402           | 1,629           | 1,697           | 1,697           | 1,697           | 1,697           | 1,046         | 1,629         | 1,697          | 1,697          |
| Property, plant, and equipment        | 41,476          | 42,528          | 44,773          | 46,590          | 48,477          | 51,455          | 54,423          | 57,381          | 39,749        | 46,590        | 57,381         | 69,737         |
| Intangible assets                     | 419             | 423             | 426             | 453             | 465             | 465             | 465             | 465             | 416           | 453           | 465            | 465            |
| Deferred tax assets                   | 474             | 552             | 483             | 616             | 641             | 641             | 641             | 641             | 520           | 616           | 641            | 641            |
| Goodwill                              | 1,150           | 1,150           | 1,150           | 1,150           | 1,150           | 1,150           | 1,150           | 1,150           | 1,150         | 1,150         | 1,150          | 1,150          |
| Other noncurrent assets               | 2,293           | 2,336           | 2,244           | 3,519           | 3,876           | 3,876           | 3,876           | 3,876           | 2,163         | 3,519         | 3,876          | 3,876          |
| <b>TOTAL ASSETS</b>                   | <b>71,461</b>   | <b>73,053</b>   | <b>78,397</b>   | <b>82,798</b>   | <b>85,971</b>   | <b>99,198</b>   | <b>110,127</b>  | <b>121,387</b>  | <b>69,416</b> | <b>82,798</b> | <b>121,387</b> | <b>166,789</b> |
| Accounts payable and accrued expenses | 7,126           | 6,176           | 8,761           | 9,649           | 9,796           | 13,427          | 14,237          | 14,899          | 7,299         | 9,649         | 14,899         | 15,691         |
| Deferred income                       | 533             | 504             | 538             | 560             | 569             | 569             | 569             | 569             | 1,518         | 560           | 569            | 569            |
| Current debt                          | 1,356           | 1,197           | 836             | 1,245           | 1,695           | 1,695           | 1,695           | 1,695           | 431           | 1,245         | 1,695          | 1,695          |
| <b>Total current liabilities</b>      | <b>9,015</b>    | <b>7,877</b>    | <b>10,135</b>   | <b>11,454</b>   | <b>12,060</b>   | <b>15,691</b>   | <b>16,501</b>   | <b>17,163</b>   | <b>9,248</b>  | <b>11,454</b> | <b>17,163</b>  | <b>17,955</b>  |
| Long-term debt                        | 13,252          | 13,851          | 15,003          | 14,017          | 11,187          | 11,187          | 11,187          | 11,187          | 12,966        | 14,017        | 11,187         | 11,187         |
| Other noncurrent liabilities          | 2,397           | 2,692           | 2,511           | 3,162           | 3,918           | 3,918           | 3,918           | 3,918           | 2,071         | 3,162         | 3,918          | 3,918          |
| <b>TOTAL LIABILITIES</b>              | <b>24,664</b>   | <b>24,420</b>   | <b>27,649</b>   | <b>28,633</b>   | <b>27,165</b>   | <b>30,796</b>   | <b>31,606</b>   | <b>32,268</b>   | <b>24,285</b> | <b>28,633</b> | <b>32,268</b>  | <b>33,060</b>  |
| <b>Total equity</b>                   | <b>46,797</b>   | <b>48,633</b>   | <b>50,748</b>   | <b>54,165</b>   | <b>58,806</b>   | <b>68,402</b>   | <b>78,521</b>   | <b>89,118</b>   | <b>45,131</b> | <b>54,165</b> | <b>89,118</b>  | <b>133,729</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>71,461</b>   | <b>73,053</b>   | <b>78,397</b>   | <b>82,798</b>   | <b>85,971</b>   | <b>99,198</b>   | <b>110,127</b>  | <b>121,387</b>  | <b>69,416</b> | <b>82,798</b> | <b>121,387</b> | <b>166,789</b> |

Source: Company reports, RBC Capital Markets estimates

### Exhibit 15 - MU Cash Flow Statement

Micron - RBC

Cash Flow Statement (\$mln)

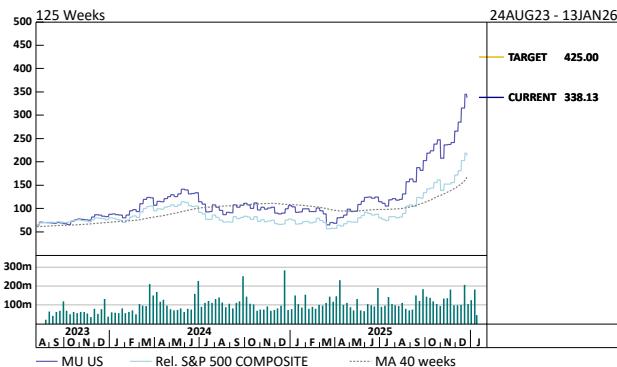
| FYE: August   | FY25A           |                 |                 |                 | FY26E           |                 |                 |                 | FY24A          | FY25A           | FY26E           | FY27E           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|
|   | Nov-24<br>1Q25A | Feb-25<br>2Q25A | May-25<br>3Q25A | Aug-25<br>4Q25A | Nov-25<br>1Q26A | Feb-26<br>2Q26E | May-26<br>3Q26E | Aug-26<br>4Q26E |                |                 |                 |                 |
| Net Income  | 1,870           | 1,583           | 1,885           | 3,201           | 5,240           | 9,422           | 9,946           | 10,425          | 778            | 8,539           | 35,034          | 43,924          |
| Depreciation and amortization                             | 2,030           | 2,079           | 2,094           | 2,149           | 2,212           | 2,222           | 2,232           | 2,242           | 7,780          | 8,352           | 8,908           | 9,068           |
| Amortization of debt discount                             | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Loss on debt repurchases and conversions                  | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Stock-based compensation                                  | 220             | 249             | 253             | 250             | 290             | 305             | 305             | 305             | 833            | 972             | 1,205           | 1,220           |
| Gain on Intera  | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Change in operating assets and liabilities:               |                 |                 |                 |                 |                 |                 |                 |                 |                |                 |                 |                 |
| Receivables   | (817)           | 1,155           | (461)           | (1,653)         | (871)           | (3,775)         | (842)           | (688)           | (3,581)        | (1,776)         | (6,177)         | (823)           |
| Inventories   | 170             | (302)           | 280             | 372             | 150             | (3,041)         | (679)           | (555)           | (488)          | 520             | (4,125)         | (663)           |
| Accounts payable and accrued expenses                     | (241)           | (473)           | 752             | 824             | 156             | 3,631           | 810             | 662             | 1,915          | 862             | 5,259           | 792             |
| Payments attributed to Intera                             | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Deferred taxes  | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Other current liabilities                                 | (161)           | (160)           | (360)           | 409             | 449             | -               | -               | -               | 989            | (272)           | 449             | -               |
| Other   | 173             | (189)           | 166             | 178             | 785             | -               | -               | -               | 281            | 328             | 785             | -               |
| <b>Net cash provided by operations</b>                    | <b>3,244</b>    | <b>3,942</b>    | <b>4,609</b>    | <b>5,730</b>    | <b>8,411</b>    | <b>8,764</b>    | <b>11,773</b>   | <b>12,391</b>   | <b>8,507</b>   | <b>17,525</b>   | <b>41,339</b>   | <b>53,518</b>   |
| Gross capital expenditures                                | (3,206)         | (4,055)         | (2,938)         | (5,658)         | (5,389)         | (5,200)         | (5,200)         | (5,200)         | (8,386)        | (15,857)        | (20,989)        | (21,424)        |
| Proceeds from government incentives                       | 65              | 963             | 266             | 711             | 878             | -               | -               | -               | 315            | 2,005           | 878             | -               |
| Purchases of available-for-sale securities                | (377)           | (439)           | (387)           | (687)           | (255)           | -               | -               | -               | (1,999)        | (1,890)         | (255)           | -               |
| Payments to settle hedging activities                     | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Acquisition of Intera                                     | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Proceeds from maturities of available-for-sale securities | 428             | 446             | 375             | 449             | 268             | -               | -               | -               | 1,794          | 1,698           | 268             | -               |
| Proceeds from sales of available-for-sale securities      | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Proceeds from settlement of hedging activities            | -               | -               | -               | -               | -               | -               | -               | -               | -              | -               | -               | -               |
| Other   | (58)            | (67)            | 95              | (13)            | (96)            | -               | -               | -               | (33)           | (43)            | (96)            | -               |
| <b>Net cash provided by investing activities</b>          | <b>(3,148)</b>  | <b>(3,152)</b>  | <b>(2,589)</b>  | <b>(5,198)</b>  | <b>(4,594)</b>  | <b>(5,200)</b>  | <b>(5,200)</b>  | <b>(5,200)</b>  | <b>(8,309)</b> | <b>(14,087)</b> | <b>(20,194)</b> | <b>(21,424)</b> |
| Debt repayment/proceeds                                   | (84)            | 140             | 770             | (1,015)         | (2,943)         | -               | -               | -               | (898)          | (189)           | (2,943)         | -               |
| Repurchase of common stock                                | -               | -               | -               | -               | (667)           | -               | -               | -               | (300)          | -               | (667)           | -               |
| Dividends paid  | (131)           | (130)           | (131)           | (130)           | (134)           | (132)           | (132)           | (133)           | (513)          | (522)           | (531)           | (533)           |
| Payment on equipment purchase contracts                   | -               | -               | -               | -               | -               | -               | -               | -               | (149)          | -               | -               | -               |
| Other   | (207)           | 86              | (99)            | 81              | (1)             | -               | -               | -               | 18             | (139)           | (1)             | -               |
| <b>Net cash provided by financing activities</b>          | <b>(422)</b>    | <b>96</b>       | <b>540</b>      | <b>(1,064)</b>  | <b>(3,745)</b>  | <b>(132)</b>    | <b>(132)</b>    | <b>(133)</b>    | <b>(1,842)</b> | <b>(850)</b>    | <b>(4,142)</b>  | <b>(533)</b>    |
| Currency effects  | (29)            | (20)            | 46              | 9               | 14              | -               | -               | -               | 40             | 6               | 14              | -               |
| <b>Beginning cash balance</b>                             | <b>7,052</b>    | <b>6,697</b>    | <b>7,563</b>    | <b>10,169</b>   | <b>9,646</b>    | <b>9,732</b>    | <b>13,164</b>   | <b>19,604</b>   | <b>8,656</b>   | <b>7,052</b>    | <b>9,646</b>    | <b>26,663</b>   |
| Change in cash balance                                    | (355)           | 866             | 2,606           | (523)           | 86              | 3,432           | 6,440           | 7,059           | (1,604)        | 2,594           | 17,017          | 31,561          |
| <b>Ending cash balance</b>                                | <b>6,697</b>    | <b>7,563</b>    | <b>10,169</b>   | <b>9,646</b>    | <b>9,732</b>    | <b>13,164</b>   | <b>19,604</b>   | <b>26,663</b>   | <b>7,052</b>   | <b>9,646</b>    | <b>26,663</b>   | <b>58,223</b>   |
| Proceeds from sale of property, plant, equipment          | 9               | 7               | 12              | 20              | 6               | -               | -               | -               | 99             | 48              | 6               | -               |
| <b>Adjusted FCF</b>                                       | <b>112</b>      | <b>857</b>      | <b>1,949</b>    | <b>803</b>      | <b>3,906</b>    | <b>3,564</b>    | <b>6,573</b>    | <b>7,191</b>    | <b>386</b>     | <b>3,721</b>    | <b>21,234</b>   | <b>32,094</b>   |
| Adjusted FCF/share  | \$ 0.10         | \$ 0.75         | \$ 1.70         | \$ 0.70         | \$ 3.40         | \$ 3.10         | \$ 5.71         | \$ 6.23         | \$ 0.34        | \$ 3.26         | \$ 18.45        | \$ 27.69        |

Source: Company reports, RBC Capital Markets estimates



## Target/Upside/Downside Scenarios

Micron Technology, Inc.



Source: Bloomberg and RBC Capital Markets estimates for Target

## Valuation

Our price target of \$425 assumes slight multiple expansion over the next 12 months, which we believe is justified as supply shortages persist and HBM4 ramps. We assume an 11x P/E multiple on our CY27 EPS (or 3.4x P/B), in line with prior cycles. Our price target justifies an Outperform rating.

## Upside scenario

Our bull case price of \$500 assumes MU will trade slightly higher than prior cycles at 12x CY27E EPS. We assume further multiple expansion given the structurally higher margins and FCF due to HBM mix. Our bull case scenario contemplates:

- Successful qualification of future HBM generations and share growing above 20%
- Demand significantly outpacing MU's 20% bit supply growth for both DRAM and NAND in 2026
- Gross margins exceeding 70% on stronger demand and pricing power

## Downside scenario

Our bear case price of \$200 assumes MU will trade closer to 2018 cycle peaks at 5x CY27E EPS. Our bear case scenario contemplates:

- HBM share loss from strong competition/or failure to qualify at NVDA
- Long-term agreements limiting ASP increases and near-term upside
- HDD supply constraints easing, resulting in lower eSSD demand/adoption

## Investment summary

The key debate is mostly about the duration of current Memory upcycle. Surging GenAI demand and much-improved supply discipline have created extreme tightness in Memory, sparking discussions about long-term agreements. While investor skepticism about LTAs in commodity Memory could remain, limited clean room space and structural supply headwinds could extend the current upcycle well into 2027. HBM content is growing at a 50%+ rate, HBM4 transition is a material tailwind, and Micron has strong roadmap. We see \$50+ peak earnings and believe a higher peak multiple is appropriate due to non-commodity HBM mix.

## Risks to rating and price target

- **Production constraints:** Clean room capacity remains constrained until 2027. In addition, HBM trade ratio is currently 3:1 and increasing with each generation, which could result in wafer supply shortages. Production bottlenecks could limit near-term upside.
- **HBM competition:** HBM4 is highly competitive as Samsung appears on track to qualify at NVDA and SK Hynix is preparing mass production. Failure to qualify at NVDA or other ASIC platforms would have a significant revenue impact.
- **NAND oversupply:** NAND shortages are driving strong ASP increases and peer commentary suggests near-term supply will remain tight. Any unexpected increase in NAND supply or decrease in eSSD/data center demand could cause NAND prices to collapse.



## Key fundamental questions

### Our view

**How long can the Memory industry supply demand balance last?**

We expect demand to continue to outpace supply growth through 2026 and into 2027. While suppliers are adding capacity on a selective basis, lead times are long and clean room space is limited. HBM growth is also impacting overall bit supply negatively.

**Are the company's share gains in HBM market sustainable?**

Micron's HBM share went from zero to 20%+ in about 8 quarters. Our base case is for the company to maintain its current share. However, the company has leadership in power efficiency and has a solid HBM4/4e product roadmaps, which could unlock further share gains.

**What's the risk that HBM market commoditizes longer term?**

We believe it's highly unlikely given the complexity associated with the designs and qualification timelines. In addition, HBM4e enables customization using advanced logic base-die, which we think will further differentiate the products.

## Key sustainability questions

*This section is intended to highlight key sustainability discussion points relevant to this company, as well as our views on the outlook. Both the questions we highlight and our responses will evolve over time as the dialogue between management, analysts and investors continues to advance. We welcome any feedback on the topics.*

### Our view

**What are the most material sustainability issues facing this company?**

Micron Technology helps provide memory chips that lead to improved performance of computers. This is an important sustainability factor as it relates to environmental concerns regarding wasted electricity from computing.

**Does the company integrate sustainability considerations into its strategy?**

The company integrates sustainability into its strategy and continues to focus on diversity and inclusion as a strategic initiative.

**What is diversity like at the board/management level?**

The company currently has one female board member and its board of directors encompasses a variety of backgrounds.



## Company description

Based in Boise, Idaho, Micron Technology, Inc., is a manufacturer of semiconductor devices, primarily DRAM and NAND memory. The company has four business units/reportable segments: Compute and Networking Business Unit: Includes memory products sold into compute, networking, graphics, and cloud server markets; Storage Business Unit: Includes memory and storage products sold into enterprise, client, cloud, and removable storage markets; Mobile Business Unit: Includes memory products sold into smartphone, tablet, and other mobile-device markets; Embedded Business Unit: Includes memory products sold into automotive, industrial, connected home, and consumer electronics markets.

## Required disclosures

### Conflicts disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

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An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

### Ratings

**Outperform (O):** Expected to materially outperform sector average over 12 months.

**Sector Perform (SP):** Returns expected to be in line with sector average over 12 months.

**Underperform (U):** Returns expected to be materially below sector average over 12 months.

**Restricted (R):** RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.



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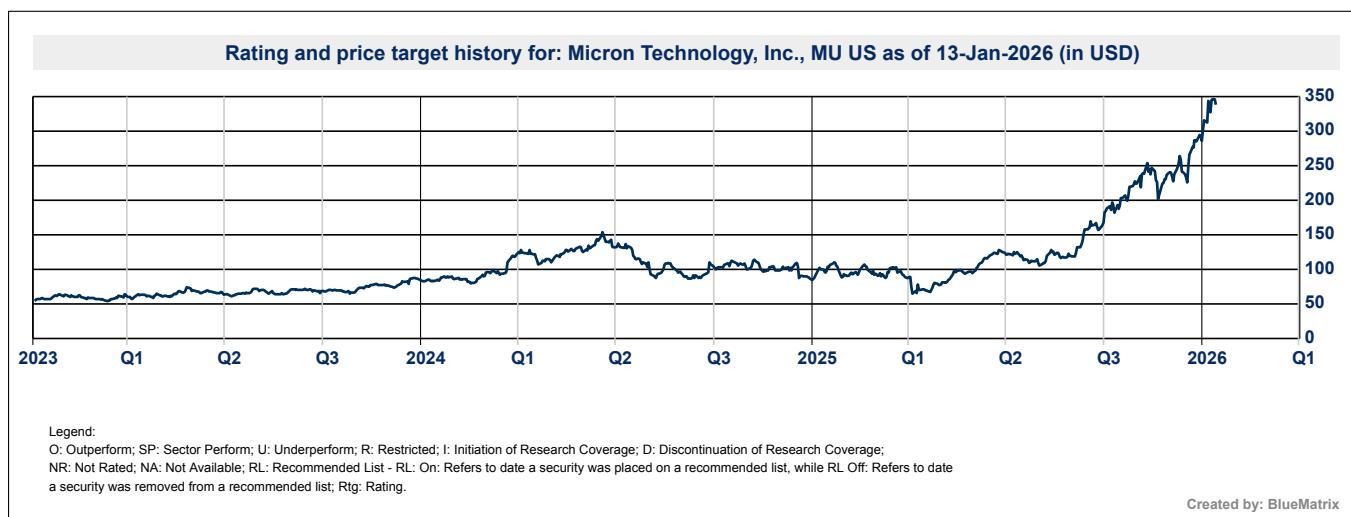
#### Risk Rating

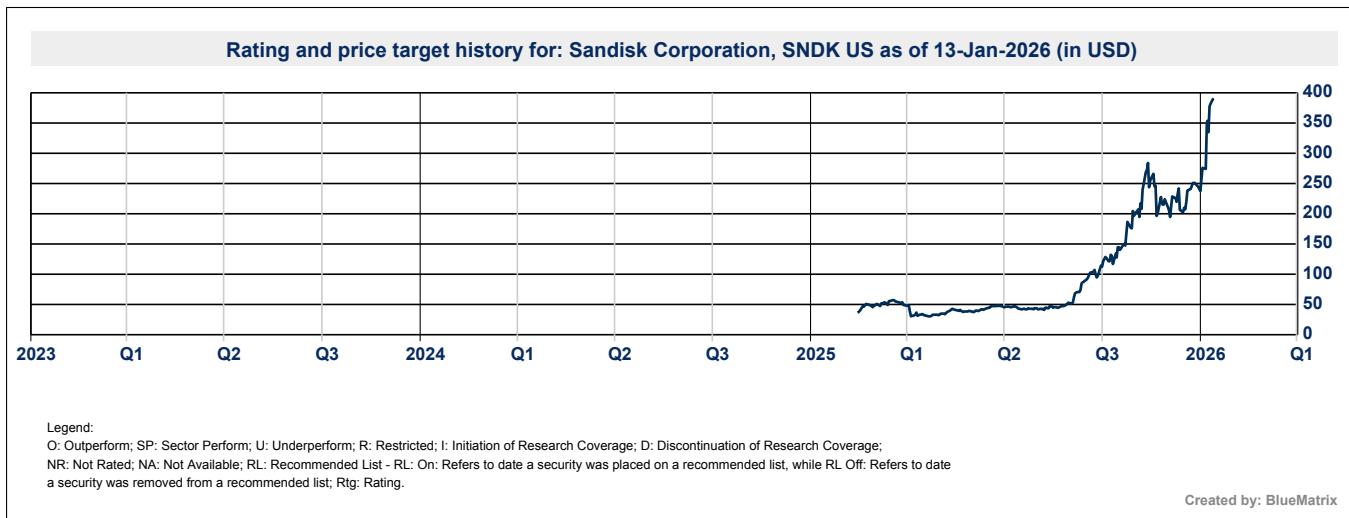
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

### Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

| Distribution of ratings              |       |         |                    |         |  |
|--------------------------------------|-------|---------|--------------------|---------|--|
| RBC Capital Markets, Equity Research |       |         |                    |         |  |
| As of 31-Dec-2025                    |       |         |                    |         |  |
| Investment Banking                   |       |         |                    |         |  |
| Rating                               |       |         | Serv./Past 12 Mos. |         |  |
| Rating                               | Count | Percent | Count              | Percent |  |
| BUY [Outperform]                     | 884   | 58.31   | 282                | 31.90   |  |
| HOLD [Sector Perform]                | 586   | 38.65   | 160                | 27.30   |  |
| SELL [Underperform]                  | 46    | 3.03    | 3                  | 6.52    |  |





References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List. As of April 3, 2023, U.S. RBC Wealth Management's quarterly reports will serve as the primary communication for its models and will highlight any changes to the model made during the quarter.

## Equity valuation and risks

For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at [www.rbcinsightresearch.com](http://www.rbcinsightresearch.com) or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

### Micron Technology, Inc.

#### Valuation

Our price target of \$425 assumes slight multiple expansion over the next 12 months, which we believe is justified as supply shortages persist and HBM4 ramps. We assume an 11x P/E multiple on our CY27 EPS (or 3.4x P/B), in line with prior cycles. Our price target justifies an Outperform rating.

#### Risks to rating and price target

- Production constraints:** Clean room capacity remains constrained until 2027. In addition, HBM trade ratio is currently 3:1 and increasing with each generation, which could result in wafer supply shortages. Production bottlenecks could limit near-term upside.
- HBM competition:** HBM4 is highly competitive as Samsung appears on track to qualify at NVDA and SK Hynix is preparing mass production. Failure to qualify at NVDA or other ASIC platforms would have a significant revenue impact.
- NAND oversupply:** NAND shortages are driving strong ASP increases and peer commentary suggests near-term supply will remain tight. Any unexpected increase in NAND supply or decrease in eSSD/data center demand could cause NAND prices to collapse.

### Sandisk Corporation

#### Valuation

SNDK has a limited trading history and has traded at a P/E range of 6x-24x since its spin-off, with an average of 12x. The stock currently trades at a premium to its historical average and Memory peers. Peers including MU and SK Hynix have traded at 4-6x P/E during last 2 cyclical peaks. While upward revisions to consensus estimates could continue, we believe the stock is already discounting \$40 of peak earnings, even assuming a high single-digit peak multiple. Our \$400 price target assumes an above



historical average PE of 18x multiple on CY27E EPS, which reflects the strong demand and disciplined supply environment, balanced by premium valuation and lack of meaningful secular drivers such as HBM. Our price target supports a Sector Perform rating.

### Risks to rating and price target

- **NAND oversupply:** SNDK is benefiting from ASP increases as demand outpaces supply. Unexpected increases in NAND production from other industry players could significantly impact prices.
- **eSSD qualification:** SNDK is making progress on eSSD and has ~5% share of the market. Failure to qualify at hyperscalers could result in market share loss and material impacts on growth prospects.
- **Edge slowdown:** Edge remains SNDK's largest end market at nearly 60% of sales. Any declines in PC shipments, smartphone units, or memory capacity per device could negatively impact revenue.

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