

Company Update — January 19, 2026

## Semiconductors

## Micron Technology, Inc.

MU to Acquire PSMC's P5 300mm Taiwan Fab for \$1.8B;  
'Meaningful' Incremental DRAM Output in 2HCY27.

## Our Call

MU's announced a letter-of-intent to acquire PSMC's 300mm / 300k ft<sup>2</sup> fab in Tonglue, Taiwan for ~\$1.8B. This was initially reported on in late-Dec. Expect focus on '*meaningful*' DRAM output in 2HCY27 (prior rpts note 3 fabs @ ~40-50k wspm each).

**Focus on 'Meaningful' Incremental DRAM Wafer Output in 2H2027:** MU's officially announced LOI to acquire PSMC's 300mm / 300,000 square foot P5 fab for ~\$1.8B (cash) in Tonglue, Taiwan had been previously reported as being in negotiations by various news outlets (note: some of our industry checks also highlighted Sandisk potential interest). MU's press release notes that it expects *meaningful* DRAM wafer output beginning in second half of CY27; acquisition expected to close by C2Q26.

**Positive; Expect Continued Emphasis on Disciplined Phased Capacity Plans.** This move, along with announced plans by Samsung and Hynix to pull-forward DRAM production plans looking into 2027, will leave investors focused on the incremental DRAM bit supply growth into / through 2027. That said, with a belief that MU will continue to emphasize a disciplined phased approach to new DRAM capacity expansion, we see this move as positive; accelerating output expansion by 3+ years vs. building new fabs.

MU's acquisition of PSMC's P5 fab will complement / enable synergies with MU's fab operations in Taichung, Taiwan. Taiwan represents MU's largest DRAM product footprint; estimates imply Taiwan at ~65% of MU's total ~340k wspm capacity exiting 2025. Industry reports have noted that PSMC P5 fab would provide total capacity of ~120k+ wspm across three fabs (40-50k per fab).

**Back-End HBM Manufacturing Relationship:** As part of this fab transaction, MU and PSMC establish a long-term foundry relationship - Micron to leverage PSMC's advanced packaging wafer manufacturing; including MU prepayments for back-end HBM post-wafer fabrication (PWF) capacity. MU will also assist PSMC in enhancing its existing specialty DRAM process technologies at its Hsinchu P3 fab.

**Quick Reference.** *TrendForce's* recent (Jan '26) monthly DRAM forecast has PSMC's total wafer start capacity at ~45k wspm in 4Q25 (~11k wspm for PC DRAM; ~34k wspm for DRAM foundry). Micron's estimated DRAM wafer capacity stood at ~340k wspm vs. Samsung & Hynix est'd at ~650k wspm and 545k wspm exiting 4Q25. *TrendForce* currently estimates MU's capacity to expand to ~355k wspm by 4Q26.

**Overweight**  
**Price Target: \$410.00**

Ticker	MU
Upside/(Downside) to Target	13.0%
Price (01/16/2026)	\$362.75
52 Week Range	\$61.54 - 365.81
Market Cap (MM)	\$412,810
Enterprise Value (MM)	\$412,551
Average Daily Value (MM)	\$9,838
Dividend Yield	0.1%

\$ (Aug)	Q1	Q2	Q3	Q4	FY
EPS					
2026E	4.78 A	8.64 E	9.42 E	9.88 E	32.72 E
2027E	10.51 E	10.00 E	10.05 E	10.78 E	41.34 E

Source: Company Data, Wells Fargo Securities estimates, and Factset.  
NA = Not Available, NC = No Change, NE = No Estimate

## Aaron Rakers, CFA

Equity Analyst | Wells Fargo Securities, LLC  
Aaron.Rakers@wellsfargo.com | 314-875-2508

## Jake Wilhelm, CFA, CPA

Associate Equity Analyst | Wells Fargo Securities, LLC  
Jake.Wilhelm@wellsfargo.com | 314-875-2502

## Michael Tsvetanov, CFA

Associate Equity Analyst | Wells Fargo Securities, LLC  
Michael.Tsvetanov@wellsfargo.com | 314-875-2558

## Richard Strifler, CFA

Associate Equity Analyst | Wells Fargo Securities, LLC  
Richard.Strifler@wellsfargo.com | 314-875-3234

## Wells Fargo Express Takeaways

**Micron Technology, Inc. (MU) | Rating: Overweight | Price Target: \$410.00**

**Analyst: Aaron Rakers**

### Financials

FY (Aug)	2025A	2026E	2027E
<b>\$</b>			
<b>ESTIMATES</b>			
<b>EPS</b>			
Q1	1.79 A	4.78 A	10.51 E
Q2	1.56 A	8.64 E	10.00 E
Q3	1.91 A	9.42 E	10.05 E
Q4	3.03 A	9.88 E	10.78 E
AN	8.29 A	32.72 E	41.34 E
<b>Rev. (MM)</b>	37.38B A	73.80B E	90.10B E
<b>EBIT (MM)</b>	10,846.0 A	44,220.6 E	55,956.1 E
<b>EBITDA (MM)</b>	19,208 A	53,178 E	65,818 E
<b>FCF (MM)</b>	3,721.0 A	22,264.5 E	27,995.3 E

### WELLS FARGO vs. CONSENSUS

Consensus Estimate	8.29 A	33.08 E	42.18 E
Difference from Consensus		(1.1)%	(2.0)%

### VALUATION

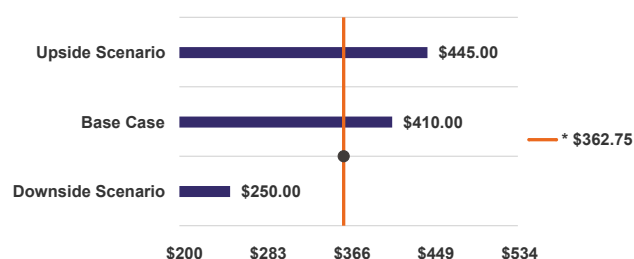
P/E	43.8x	11.1x	8.8x
EV/Revenue	11.0x	5.6x	4.6x
EV/EBIT	38.0x	9.3x	7.4x
EV/EBITDA	21.5x	7.8x	6.3x
EV/FCF	NM	18.5x	14.7x
FCF Yield	0.9%	5.4%	6.8%

Consensus Estimate: EPS; Source: VisibleAlpha  
Source: Company Data, Wells Fargo Securities estimates, and Factset.  
NA = Not Available, NE = No Estimate

### Investment Thesis

Our Overweight rating on Micron reflects 1) a more disciplined DRAM supply vs. demand environment; positive bit demand drivers (server CPU cycle, continued PC strength, 5G smartphones, consoles, etc.), 2) stronger-than-appreciated demand-side considerations driven by next-gen technologies, 3) Micron's improved competitive positioning in the DRAM and NAND markets, and 4) Micron's continually improving component-to-solutions mix and product portfolio execution (e.g., MCPs, HBM4, GDDR6X, etc.).

### Risk vs. Reward – Upside/Downside Price Target Scenarios



\*As of 01/16/26  
Source: Wells Fargo Securities, LLC estimates and Factset.

### Base Case | \$410.00

Our \$410/sh. price target reflects what we see as structural / secular support for multiple expansion (~10x our CY27 EPS est or ~15x P/E on \$25-\$30/sh. thru-cycle EPS).

### Upside Scenario | \$445.00

Our \$445/sh. upside scenario assumes a sustainable mid / high-teens P/E multiple on a belief that MU can drive to a sustained +\$25-\$30/sh. EPS driven by significantly expanded Data Center revenue / profitability mix - underpinned by expanding appreciation in the role broad-based memory plays in AI infrastructure expansion.

### Downside Scenario | \$250.00

Our \$250 downside scenario assumes a new support level at a 13-15x P/E based on lower thru-cycle EPS at \$17-\$18/sh.; return / concern of a return in historical cyclicity in memory markets.

### Upcoming Catalysts

- HBM4 ramp; confidence in strong competitive positioning into HBM4 / HBM4E cycles.
- Continued large scale AI data center build-out announcements.
- NVIDIA's GB200 / GB300 / Vera Rubin ramp in which we believe Micron is the leading supplier of LPDDR5X memory, coupled with NVIDIA's Grace CPUs.
- AMD's ramp of MI400X next-gen GPUs into 2H2026 (significant HBM capacity expansion at 432GB).
- DRAM & NAND pricing trends, driven by industry supply vs. demand dynamics.

### Company Description

Headquartered in Boise, Idaho, Micron Technology designs and produces DRAM, NAND, and NOR flash memory used in servers, personal computers, wireless handsets, consumer electronics, and other electronic equipment.

Investment Thesis, Valuation and Risks

Micron Technology, Inc. (MU)

Investment Thesis

Our Overweight rating on Micron reflects 1) a more disciplined DRAM supply vs. demand environment; positive bit demand drivers (server CPU cycle, continued PC strength, 5G smartphones, consoles, etc.), 2) stronger-than-appreciated demand-side considerations driven by next-gen technologies, 3) Micron's improved competitive positioning in the DRAM and NAND markets, and 4) Micron's continually improving component-to-solutions mix and product portfolio execution (e.g., MCPs, HBM4, GDDR6X, etc.).

Target Price Valuation for MU: \$410.00 from NC

Our \$410/sh. price target reflects what we see as structural / secular support for multiple expansion (~10x our CY27 EPS est or ~15x P/E on \$25-\$30/sh. thru-cycle EPS).

Risks to Our Price Target and Rating for MU

Risks include highly volatile pricing for DRAM and NAND flash, the need for relatively high levels of capital investment, and large swings in Micron's profitability that have occurred in the past, and which we think are likely to continue in the future.

Companies Mentioned in Report

Company Name	Ticker	Last Price (01/16/26)	Rating
Micron Technology, Inc.	MU	\$362.75	Overweight

Source: Wells Fargo Securities LLC Estimates, FactSet

Required Disclosures

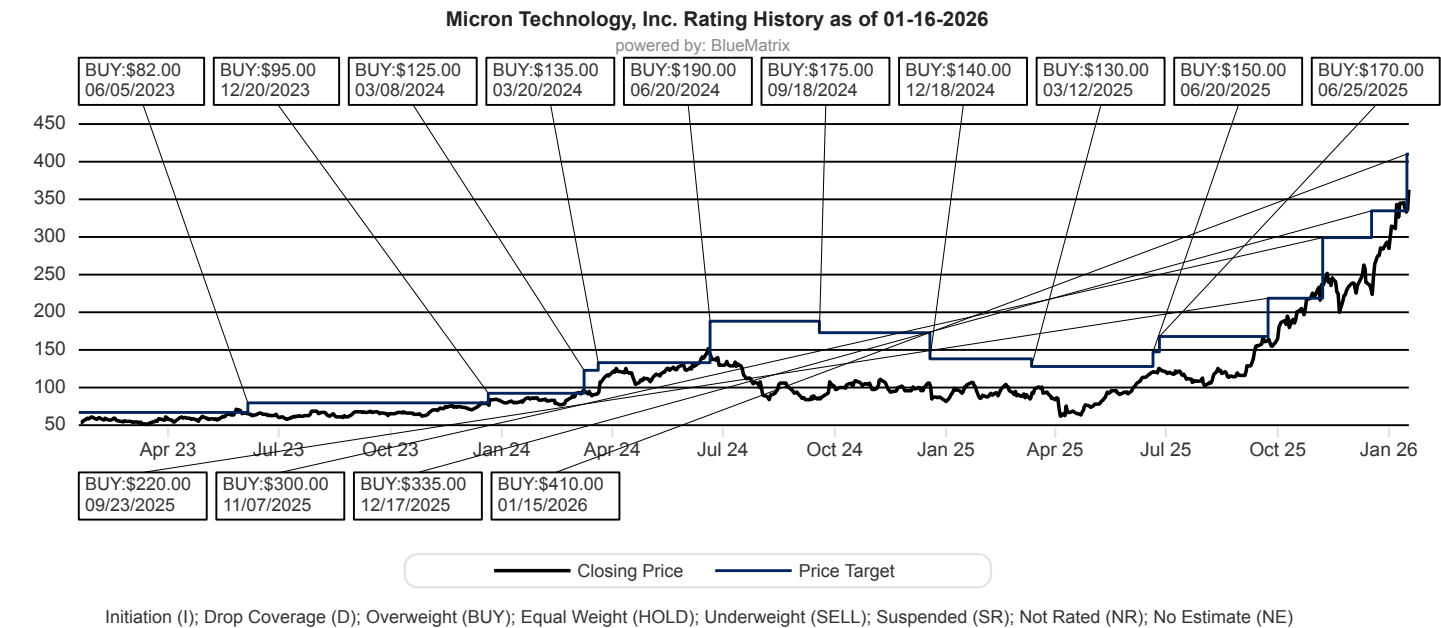
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**OW=Overweight:** Total return on stock expected to be 10%+ over the next 12 months. (BUY)

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**UW=Underweight:** Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

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#### As of January 18, 2026

52.6% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight. (BUY)

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