EQUITY RESEARCH | INITIATION OF COVERAGE

Micron Technology, Inc.

NASDAQ: MU

Riding the AI Memory Supercycle:

HBM4 Leadership, Sold-Out 2026 Capacity, and a Multi-Year Earnings Re-Rate

HOLD **12-Month Price Target: $625 (Hold from $668)**

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As of May 6, 2026 | Last close: $668.06

SNAPSHOT

Investment Recommendation: HOLD — Price Target $625

RATING

HOLD

12-MONTH PRICE TARGET

$625

IMPLIED RETURN

–6.4%

CURRENT PRICE

$668.06

MARKET CAP

~$748B

FY27E EPS / TARGET MULT.

$48 / 13.0x

Why MU, Why Now

1. **HBM Sold Out Through CY26**

   Entire 2026 HBM supply, including HBM4, contracted under multi-year LTAs — including MU's first-ever 5-year customer agreement.

2. **NVIDIA Vera Rubin Win**

   Volume shipping HBM4 36GB 12-high (>11 Gb/s, 2.8 TB/s, +2.3x bandwidth vs HBM3E) — qualified at the marquee AI customer.

3. **Structural DRAM Tightness**

   AI consumes ~20% of CY26 wafer capacity; 1GB HBM = 4x standard DRAM wafer cost; server DRAM contract +60%+ QoQ.

4. **Earnings Inflection Underway**

   FQ2'26 GM 75% (+18 pts QoQ); FQ3'26 guide $33.5B / 81% GM / $19.15 EPS implies $76+ run-rate EPS.

5. **Honest Valuation**

   Base case at $625 (peak GM 65%) is a Hold. Structural HBM bull at $1,000+ requires three durability assumptions all hold.

Sources: Micron FQ2'26 earnings release & call (Mar 2026); Company press releases; TrendForce; Counterpoint; analyst estimates. Price as of 5/6/26.

INVESTMENT THESIS

Four Pillars Underpin a Multi-Year Earnings Re-Rate

PILLAR 01

AI Demand Supercycle

HBM TAM ~$35B (2025) → ~$100B (2028E) at ~40% CAGR. Hyperscalers' multi-year capex commitments lock in demand visibility unprecedented for memory.

PILLAR 02

Tech & Customer Wins

HBM4 in volume production for NVIDIA Vera Rubin: >11 Gb/s, 2.8 TB/s, +20% power efficiency. Sole HBM IDM with US-based advanced packaging.

PILLAR 03

Structural Supply Discipline

HBM consumes ~3-4x DRAM wafer per bit; the 'big three' have rationally allocated capacity to AI, leaving conventional DRAM tight into 2027.

PILLAR 04

FCF & Capital Returns

FY26E op cash flow >$30B funds the ~$20B capex ramp; remaining FCF supports buybacks (re-instated) and a path to investment-grade balance sheet.

Sources: Micron Investor Day (Sept 2025); Micron FQ2'26 release (Mar 2026); Counterpoint Research; TrendForce; Bloomberg consensus.

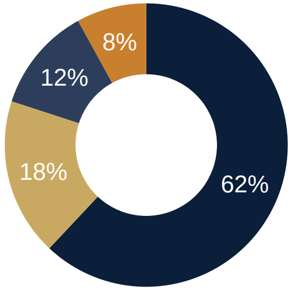
COMPANY OVERVIEW

A Pure-Play DRAM/NAND Leader Pivoted to AI Infrastructure

Snapshot

Founded / HQ	1978 / Boise, Idaho
Employees	~48,000 globally
End Markets	Data center, mobile, auto, industrial, client PC
Product Mix (FQ2'26)	DRAM ~78% / NAND ~22%
#1 / #2 Position	DDR5, LPDDR, HBM (Tier-1), NAND (Top-3)
Mfg Footprint	USA, Taiwan, Japan, Singapore, Malaysia, China
FY26E Capex	~$20B (raised from ~$18B)
Capital Return	Dividend reinstated; opportunistic buybacks
Credit Profile	BBB- (S&P, Pos.); deleveraging on FCF inflection

FQ2'26 Revenue by End Market



Data Center / Cloud	62%
Mobile	18%
Auto & Industrial	12%
Client PC	8%

Recent Quarterly Records

Revenue (FQ2'26)	Gross Margin	FQ3'26 Rev Guide	FQ3'26 EPS Guide
$23.86B	75.0%	$33.5B	$19.15
+75% QoQ	*+18 pts QoQ*	*+40% QoQ*	*Record*

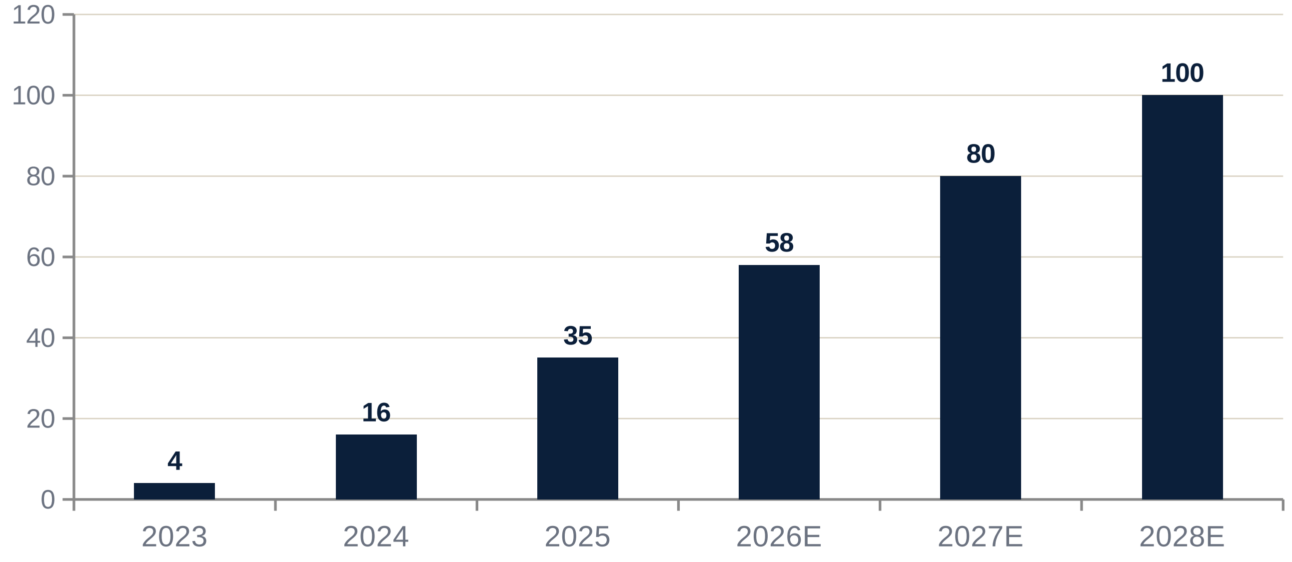
Sources: Micron 10-K FY25; FQ2'26 earnings release & prepared remarks; S&P Global Ratings; estimates as Brandon Leone.

INDUSTRY BACKDROP

The AI Memory Supercycle: HBM TAM ~3x Through 2028E

HBM Total Addressable Market ($B)

~40% CAGR 2025–2028E | Source: Micron Investor Day, TrendForce



~70% of all memory chips now consumed by data centers

~20% of CY26 global DRAM wafer capacity allocated to AI

4x wafer capacity required per GB of HBM vs. standard DRAM

+60% QoQ server DRAM contract price increase in Q1'26

Implication

AI demand has fundamentally re-shaped DRAM supply allocation; conventional DRAM remains tight, and the marginal HBM bit is now structurally scarce. This is a multi-year pricing tailwind, not a cyclical one — and Micron's leverage is ~$0.10–$0.15 of incremental EPS for every 1% of HBM-driven mix shift.

Sources: Micron FY26 Outlook (Sept '25 IR Day); TrendForce 1Q26 HBM report; Counterpoint; IDC; SK hynix outlook deck (Jan '26).