bpleon research

GICS Sector: Information Technology
Industry: Semiconductors (Memory)
USA | Nasdaq (MU)

COMPANY UPDATE | NOVEMBER 16, 2026 | BRANDON LEON

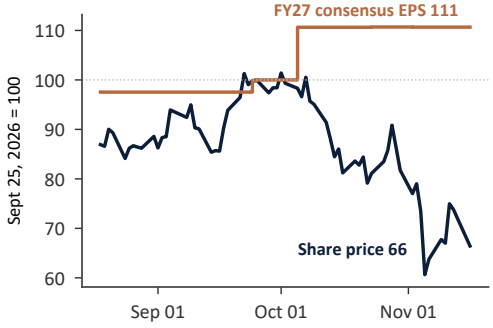
The Market Is Paying for a Third of Micron's Earnings to Last

We maintain HOLD on Micron and lower our 12- to 18-month price target to $860 from $1,090, as estimates held and the multiple fell to 4.1x.

INVESTMENT SUMMARY

Recommendation	HOLD
Ticker Symbol:	MU
Current Price (11/16/26):	$719.02
Price Target (12–18 mo.):	$860
Prior Target (10/19/26):	$1,090
Upside:	20%
52-Week Range:	$193 – $1,255
Shares Outstanding:	1,131MM
Market Cap:	$813B
Net Cash (9/3/26):	$68.3B
EPS FY2026 (actual):	$75.52
Consensus EPS FY2027:	$176.50
Consensus EPS FY2028:	$207.76
P/E on FY2027 Consensus:	4.1x

Exhibit 1: Estimates Rose as the Share Price Fell



Source: Yahoo Finance closes; consensus as recorded by the desk on each date
Methodology: Appendix C-5

At a 12x Cycle Multiple, the Price Needs a Third of Next Year's Earnings to Last

We maintain our HOLD rating on Micron and lower our price target to $860 from $1,090, providing a 20% upside from MU's last close of $719.02 on November 16, 2026. Since our October 19 note the shares fell **18.2%** while the fiscal 2027 consensus held at $176.50 a share, which took the multiple on those earnings from 5.0x to 4.1x and left the stock at 9.5x what Micron earned in fiscal 2026 (*Exhibit 1*, *Exhibit 2*). Under the 12x multiple we use for mid-cycle earnings, the price is consistent with $60 a share of lasting annual earnings, which is 34% of the fiscal 2027 consensus and less than the $75.52 Micron reported last year, a sensitivity and not a forecast that earnings settle there. We cut the target because we now value the shares on lower multiples after this autumn's reset, and we hold because the return to our target, about 15.4% a year at the 15-month midpoint of our horizon, falls short of the roughly 17% a year that a stock with a beta of 2.4 has to earn while the Federal Reserve is still raising rates. The December results and the higher capital return Micron intends from December 9 are the two events that could change our scenario weights, our target and our rating.

KEY UPDATE HIGHLIGHTS

Estimates Rose While the Shares Fell

The decline since September is a decline in the multiple and not in the earnings, as the fiscal 2027 consensus rose 10.7% from $159.49 on September 25 to $176.50 while the shares fell **33.6%** (*Exhibit 1*). Fiscal 2028 consensus stands at $207.76, 23% above its level ninety days ago, and 26 analysts raised their estimates for the current quarter over the past thirty days against two who lowered them.[4] Micron guided the quarter that ends in early December to $61.5B of revenue and $38.15 of earnings a share, which is more in one quarter than half of what it earned in all of fiscal 2026.[1] The first test from our October note, a fiscal 2027 consensus at or above $159.49, has therefore passed with room to spare.

Supply Commitments Lengthened Since October

SK hynix said in late October that its DRAM and high-bandwidth memory (HBM) output is effectively sold out through 2029, with long-term agreements covering more than half of planned capacity in 2027 and 2028, and Samsung said its 2027 HBM supply is committed (*Exhibit 9*).[8,9] Micron has signed 26 strategic customer agreements (SCAs) covering over 35% of its estimated revenue through 2030, with about $150B of remaining performance obligations at minimum prices and $32B of customer financial commitments behind them.[1] The reported pause at Micron's new fab in Taoyuan, which set off the November 5 decline, removes supply scheduled for 2028 and does not remove any of the demand under contract. We see the supply side as tighter than it was when we last wrote.

Net Cash Becomes Part of the Valuation

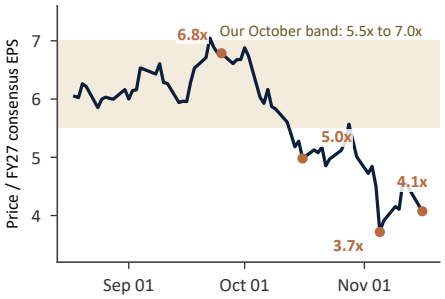
Micron ended fiscal 2026 with $73.5B of cash and investments against $5.2B of debt, a net cash balance of $68.3B or $59 a diluted share on the 1.15B shares in its guidance, of which $12.7B is customer deposits that are returned over time, leaving $55.6B after deposits.[1] We forecast fiscal 2027 free cash flow of about $138B, 17% of the current market value, which would take net cash to about $179 a share by August 2027 before any capital return (*Exhibit 3*). Management intends to raise capital returns from December 9, 2026

and over time to return 100% of excess cash, against $1.3B returned in all of fiscal 2026.[1,3] Our target makes no separate adjustment for this cash, for reasons we set out under Valuation.

The Multiple Has Reset but the Cycle Has Not Been Retired

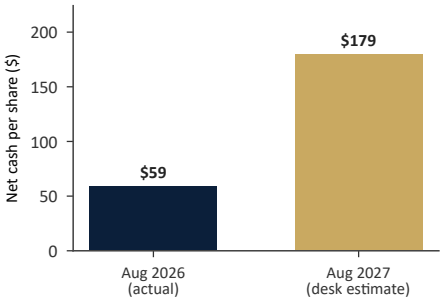
Micron's sequential DRAM price gains slowed from the low-60s percent range in the May quarter to the high teens in the August quarter, PC makers are building memory inventory while their own shipments fall, and ChangXin Memory Technologies (CXMT) has promised a server module by year-end.[1,10,11] In 2018 the shares fell 53.7% from their closing peak as the following year's earnings came in 47% lower, and this year they fell 45.9% from the June 25 closing high to the November 5 close with no cut to estimates at all (*Exhibit 4*). The drawdown is already close to the percentage decline of 2018 although estimates have held, which shows how far the multiple has compressed but does not set a floor or rule out further losses if estimates fall. That open question is why the rating stays at HOLD.

Exhibit 2: The Multiple Fell From 6.8x to 4.1x



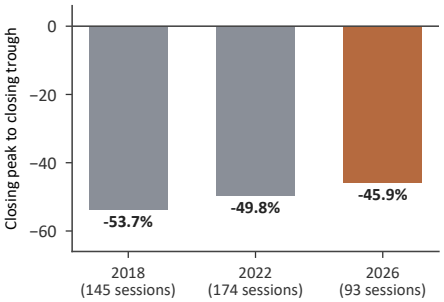
Source: Yahoo Finance; Desk Estimates
Methodology: Appendix C-5

Exhibit 3: Net Cash Could Reach a Quarter of the Share Price



Before any capital return; per 1.15B shares
Source: Company Data; Desk Estimates
Methodology: Appendix C-4

Exhibit 4: A 2018-Sized Decline Without the Estimate Cuts



Source: Yahoo Finance daily closes; Company Data
Methodology: Appendix C-3

Position disclosure: as of publication I hold long positions in Micron shares, in Nvidia shares and a call option on Nvidia, and in Alphabet class C shares, all of which this report discusses, and I sold my entire position in a memory-chip ETF (DRAM) that holds Micron on November 16, 2026. Full disclosures are on the last page.

OUR OCTOBER VIEW, SCORED

The Hold Was Right and the Target Was Not

Our October 19 note rated Micron HOLD with a $1,090 target at the October 16 close of $878.84.[5] Since then the shares have fallen **18.2%**, against **14.4%** for the VanEck Semiconductor ETF (SMH) and **3.1%** for the S&P 500 fund (SPY), so the rating kept readers from adding ahead of a decline and the target pointed the wrong way. We carried that target forward from August work and said it would be re-derived in full, and this report does that. The new target is 21% lower because our base case no longer assumes the market pays at least 5.5x forward earnings, a floor the shares fell below in mid-October and have not recovered.

A Correction: the Netlist Case Had Already Settled

Our October 19 note described Netlist's complaint at the International Trade Commission as an open risk with no ruling. That was wrong on the day we published it, because Micron and Netlist had announced on October 6 a settlement of all litigation between them, under which Micron pays $600M over five years, or $30M a quarter, for a five-year license to Netlist's patents.[6] The payments equal about 0.04% of consensus fiscal 2027 revenue a year, and the exclusion order we listed as a risk to the thesis can no longer be issued in that case. We regret the error and have retired the test (*Exhibit 5*).

Test published October 19	The line	Reading on 11/16/26	Status
Fiscal 2027 consensus EPS	At or above $159.49	$176.50 (36 analysts)	Passed
Fiscal Q2 gross margin guide	At or above 84%	Due with the December report; management has called the fiscal Q1 guide of 86.25% the floor for the year	Open
Netlist case at the ITC	No exclusion order	All litigation settled October 6 for $600M over five years	Resolved
CXMT server DRAM	No verified volume shipments before end-2027	A launch is promised by year-end; we have not verified a product specification, customer or qualification result	Open

Exhibit 5: Two of Our Four October Tests Have Resolved in Micron's Favor. Source: bpleon research (October 19, 2026); Company Data; Yahoo Finance.

The Two Open Tests Both Have Dates

The gross margin test resolves with the fiscal first-quarter report, which we expect on December 23 although Micron has not confirmed the date. Management said in September that it anticipates the first quarter to be the floor for gross margins in fiscal 2027, so a second-quarter guide between our 84% line and the 86.25% first-quarter guide would pass our published test while missing the

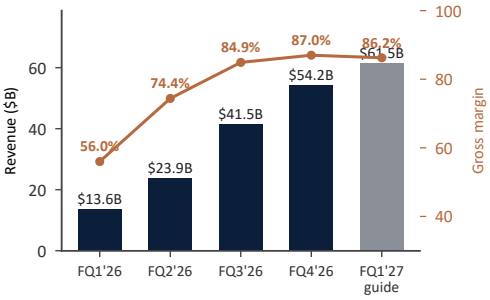
company's own statement, and we now grade against both (*Exhibit 18*).[1] The CXMT test asks for verified volume shipments of server memory, which a launch announcement before year-end would not satisfy.

The November 5 Decline Followed a Supply Report and an Election

Micron fell 17.5% on November 5 to $656.39 after Bloomberg reported that it had largely halted construction of Fab 11E in Taoyuan, two sessions after Democrats won control of both chambers of Congress.[7,16] Neither event changed what customers have contracted to buy, and the fab was not scheduled to produce until 2028. The shares recovered to $811.30 by November 11 and have since fallen **11.4%**, as Nvidia's chief executive resigned on November 12 and the ten-year Treasury yield closed at 5.15% on November 13.[12] From the June 25 closing high the decline to the November 5 close was 45.9% in 93 sessions, against 53.7% over 145 sessions in 2018 and 49.8% over 174 sessions in 2022 (*Exhibit 4*).

FINANCIAL UPDATE

Exhibit 6: Quarterly Revenue Nearly Quadrupled During Fiscal 2026



Source: Company Data

The August Quarter Beat Guidance on Revenue, Margin and Earnings

Fiscal fourth-quarter revenue of $54.2B rose 31% from the prior quarter and 379% from a year earlier, against guidance of $50.0B, with a gross margin of 87.0% and earnings of $33.42 a share (*Exhibit 6*).[1,2] For fiscal 2026 revenue was $133.2B, up 256%, the gross margin was 81.1% and earnings were $75.52 a share. Data center solid-state drive revenue was nearly $10B in the quarter, more than ten times the year-ago level, and HBM revenue grew faster than the company's total as shipments reached a growing number of customers.

The Margin Step-Down Is a Cost Item

Micron guided fiscal first-quarter gross margin to about 86.25%, below the 87.0% just reported, and our October note called this the first guided decline of the cycle. The prepared remarks attribute it to incentive compensation that was absorbed into inventory in the fourth quarter and is sold through in the first, and management expects higher gross margins beyond the first quarter for the remainder of fiscal 2027.[1] We gave that explanation too little weight in October, and it turns our second test into a direct check on management's own statement when the second-quarter guide arrives.

Price Increases Are Slowing as Volumes Recover

DRAM prices rose in the high-teens percentage range in the fourth quarter after the low-60s range in the third, and NAND prices rose about 30% after the mid-80s range, while bit shipments rose in the mid-single digits and about 10% (*Exhibit 7*).[1] Management expects those higher margins to come with a more moderate rate of price increases. We read this as the stage of a cycle in which earnings keep rising while their rate of change falls, which is the stage at which memory shares have historically stopped following earnings.

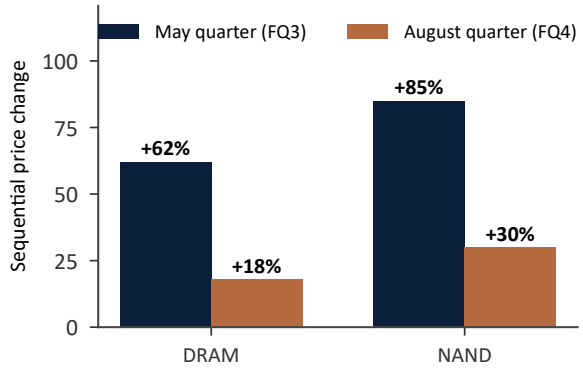
Estimates Cluster for 2027 and Split on 2028

Consensus calls for fiscal 2027 revenue of $275.9B, up 107%, and earnings of $176.50 a share, with the first-quarter estimate of $38.29 sitting 0.4% above the midpoint of guidance (*Exhibit 8*).[4] For fiscal 2028 the consensus is $320.1B of revenue and $207.76 of earnings, but individual estimates run from $136.00 to $335.50, a spread of 2.5 times. Estimates therefore cluster around the year that is largely under contract and split on whether the following year is higher at all, which is the question our scenario tree is built on.

Operating Cash Flow Covers Capital Spending Several Times

Operating cash flow was $89.7B in fiscal 2026 against capital expenditures of $30.7B, leaving free cash flow of $59.0B, or 68% of non-GAAP net income of $86.8B, the same basis as the consensus earnings we forecast from.[2,3] Micron projects capital expenditures of about $11.5B in the first quarter and about $25B in the first half of fiscal 2027, with a higher second half, and we forecast about $54B for the year.[1] We estimate free cash flow by applying that fiscal 2026 conversion ratio to consensus net income of about $203B, which gives $138B, a simplified approach that does not separately model working capital, depreciation, customer deposits or other cash flow items (*Appendix C-4*). Customer deposits of $12.7B sit inside the cash balance and are returned over the latter half of each agreement, so we do not count them as excess cash.

Exhibit 7: Price Increases Are Slowing



Source: Company Data (midpoints of the ranges Micron stated)

Exhibit 8: Estimates Cluster for 2027 and Split on 2028

	FY2026A	FY2027E	FY2028E
Revenue ($B)	133.2	275.9	320.1
Growth	+256%	+107%	+16%
EPS ($)	75.52	176.50	207.76
Low estimate		161.00	136.00
High estimate		214.70	335.50
P/E at $719	9.5x	4.1x	3.5x

Source: Company Data; Yahoo Finance consensus, November 16, 2026

INDUSTRY UPDATE

Exhibit 9: All Three Producers Describe the Same Shortage

Producer	What it has said
SK hynix	DRAM and HBM effectively sold out through 2029; agreements cover over 50% of planned 2027 and 2028 capacity
Samsung	2027 HBM supply committed; HBM4 at 60% of HBM sales in Q3
Micron	26 SCAs, over 35% of revenue through 2030; about $150B of obligations at minimum prices; most 2027 HBM contracted

Source: Company Data; TrendForce (October 28, 2026); company earnings calls as reported

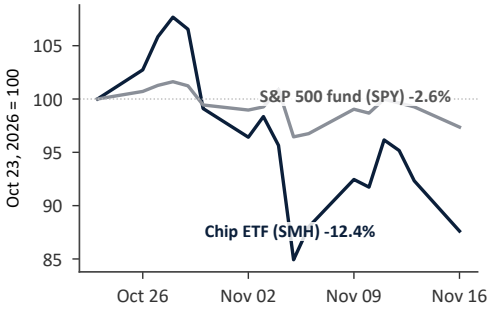
All Three Producers Report Committed Supply, SK Hynix Through 2029

SK hynix reported third-quarter operating profit of 83.3 trillion won at an 80% margin and said its DRAM and HBM volume is effectively sold out through 2029, and Samsung reported 107.4 trillion won of operating profit with its 2027 HBM supply committed (*Exhibit 9*).[8,9] Micron expects supply and demand to be much tighter in calendar 2027 and 2028 than in 2026, with industry DRAM bit shipments growing in the low-20s percent range in both years, and said it does not have line of sight to when the market returns to balance.[1] Samsung, SK hynix and Micron together held about 88% of DRAM revenue in the second quarter of 2026, and all three now describe a shortage that runs at least through 2027.[10]

The Taoyuan Pause Costs Supply and Raises a Labor Question

Bloomberg reported on November 5 that Micron had largely stopped work on Fab 11E, a plant budgeted at $3B to $4.5B and due to produce HBM and DRAM in 2028, during a dispute in which the Taoyuan union is asking for 15% of operating profit to be paid to employees in cash.[7] Micron has not confirmed the pause, says its Taiwan operations are running normally, and reached an agreement with its larger Taichung union on October 21 that Taiwan's labor minister has called valid. Less supply in 2028 supports pricing, and we carry the labor question as Risk 4 with an illustrative sensitivity rather than an estimate of the dispute's cost.

Exhibit 10: Chips Have Trailed the Market Since October 23



Source: Yahoo Finance daily closes

Cloud Buyers Kept Their 2027 Budgets

None of the four largest cloud buyers guided 2027 capital spending lower in the reports of October 21 to 29, as Alphabet and Amazon both said spending would rise, Microsoft pointed to an acceleration in the second half of its fiscal year and Meta gave no direction.[17] Micron expects server unit growth in the high-teens percentage range in both calendar 2026 and 2027.[1] The demand evidence since our last note is therefore unchanged to better, and the chip ETF has still trailed the S&P 500 fund by 9.8 percentage points since October 23, when we wrote that we would not call a bottom until the market bought a strong report (*Exhibit 10*).

Consumer Devices Are the Soft Spot

TrendForce reported on November 11 that notebook shipments fell 15.8% in the third quarter from the second and that memory inventories at PC makers have risen steadily since then, while PC DRAM contract prices are still forecast to rise 13% to 18% in the fourth quarter.[10] Micron expects double-digit unit declines in both PCs and smartphones this calendar year, and its Mobile and Client unit was 24% of fourth-quarter revenue.[1] A buyer that builds inventory while its own shipments fall is the pattern we associate with the start of the 2022 downturn, and so far it is confined to the quarter of Micron's revenue that sells into consumer devices.

CXMT Has Given a Date and No Product

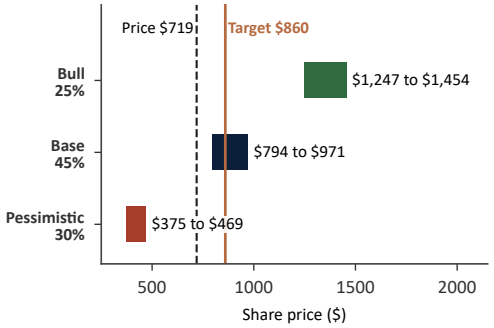
CXMT's president said on October 10 that its first product on a denser cell design would be a server memory module due before the end of 2026, and the company has published no specifications, customers or qualification results since.[11] Citi has said mass production is unlikely before 2028.[5] Our fourth test stays open and asks for verified volume shipments, which a launch announcement will not satisfy.

Nvidia and Anthropic Sit Between Micron and Its Customers' Cash

Nvidia's board accepted Jensen Huang's resignation on November 12, and the company reports on November 17 under an interim chief executive.[12] Micron has contracted the vast majority of its calendar 2027 HBM supply at higher prices and is developing a custom HBM4E product with Nvidia, so a change in Nvidia's roadmap is a volume and mix risk for the Cloud Memory unit, which was 30% of fourth-quarter revenue.[1] Anthropic's amended prospectus lists about $895B of purchase commitments and leases, and seven of its suppliers agreed to buy $26B of its stock at the offering price.[12] Micron is an investor in Anthropic and a supplier to it, and we see this chain of suppliers funding customers as the place where a higher policy rate would be felt first.[15]

VALUATION

Exhibit 11: The Price Sits Between Two of Our Cases



Source: Desk Estimates
Methodology: Appendix C-1

We value Micron in two ways and keep them separate. The price target is a probability-weighted value 12 to 18 months out, built from three cases on fiscal 2028 earnings, which will be the forward year at that horizon (*Exhibit 11*). The through-cycle check asks what lasting level of earnings today's price requires at a multiple suited to a full cycle, and it is a test of the target and not a second target.

Base Case: Fiscal 2027 Is Delivered and Fiscal 2028 Is Flat

Our base case, weighted 45%, takes fiscal 2028 earnings equal to the fiscal 2027 consensus of $176.50, which is 15% below the fiscal 2028 consensus and assumes that price increases stop during calendar 2027 without reversing. We apply 4.5x to 5.5x, a band that runs from just above today's 4.1x to the bottom of the 5.5x to 7.0x band we defended in October, for a value of $794 to $971. We reduce the base case band to reflect the recent valuation reset and the uncertainty over how long peak-cycle earnings last, as the shares closed at 3.7x on November 5, below the range we defended in October. The band is a judgment about the multiple investors may pay at our target horizon and not an independently estimated intrinsic multiple, and the recent trading range informs that judgment without establishing fair value.

Bull Case: The Contracts Hold Pricing Through 2028

Our bull case, weighted 25%, takes the fiscal 2028 consensus of $207.76 at 6.0x to 7.0x, the upper part of our October band, for a value of $1,247 to $1,454. This case needs the supply statements from all three producers to hold and the price floors in the SCAs to earn credit in the multiple. We cap it at the top of our October band although the Street's mean target of $1,562 sits above it, as Micron's own multiple compressed into its 2018 earnings peak and we have no evidence yet that this cycle differs.

Pessimistic Case: A 2018-Sized Earnings Decline

Our pessimistic case, weighted 30%, applies the decline Micron reported between fiscal 2018 and fiscal 2019, when non-GAAP earnings fell 47% from $11.95 to $6.35 a share, to the fiscal 2027 consensus, for fiscal 2028 earnings of $93.80.[14] We apply 4.0x to 5.0x, which brackets the 4.6x of that year's earnings at which the shares bottomed on December 24, 2018, for a value of $375 to $469. At the $422 midpoint the shares would trade at about 1.4x the book value we project for August 2027, with net cash equal to roughly 42% of the share price, and the case sits **41%** below the current price (*Appendix C-3*).

Case	Weight	FY2028 EPS	Multiple	Value	Midpoint	vs. price
Bull: contracts hold pricing through 2028	25%	$207.76	6.0x – 7.0x	$1,247 – $1,454	$1,350	+88%
Base: fiscal 2027 delivered, fiscal 2028 flat	45%	$176.50	4.5x – 5.5x	$794 – $971	$882	+23%
Pessimistic: a 2018-sized earnings decline	30%	$93.80	4.0x – 5.0x	$375 – $469	$422	−41%
Probability-weighted value	100%				**$861**	+20%

Exhibit 12: Three Cases on Fiscal 2028 Earnings Give $860. Source: Desk Estimates; Yahoo Finance consensus. Methodology: Appendix C-1.

No Separate Cash Adjustment

Weighting the three midpoints gives $861, which we round to $860 (*Exhibit 11*, *Exhibit 12*). Our scenario values apply P/E multiples without a separate adjustment for existing or forecast net cash, although Micron would add about $120 a share to net cash during fiscal 2027 on our forecast. That may understate value if the cash builds and is returned to shareholders, but adding it mechanically could count twice value that is already in earnings, which include interest income, or in the multiples we chose. We therefore treat capital return as a potential catalyst rather than adding forecast cash to the target, and our third test is written on the size of that return, as Micron needed its balance sheet in fiscal 2023, when it lost $4.45 a share on a non-GAAP basis.

Through-Cycle Check: The Price Requires $60 of Lasting Earnings

At 12x, the multiple we use for mid-cycle earnings, the current price requires $59.92 a share of lasting annual earnings, which is 34% of the fiscal 2027 consensus and 79% of what Micron earned in fiscal 2026 (*Exhibit 13*). The same arithmetic on the consensus recorded at each date gave 57% at the September 25 close and 42% at the October 16 close, against the 46% our October note showed on the earlier $159.49 baseline. Net of the $59 a share of net cash already on the balance sheet, the required figure falls to

$54.97. Micron earned more than that in fiscal 2026, a year in which its gross margin averaged 81.1% and its agreements covered a smaller share of revenue than they do now, so the check supports a target above the price.

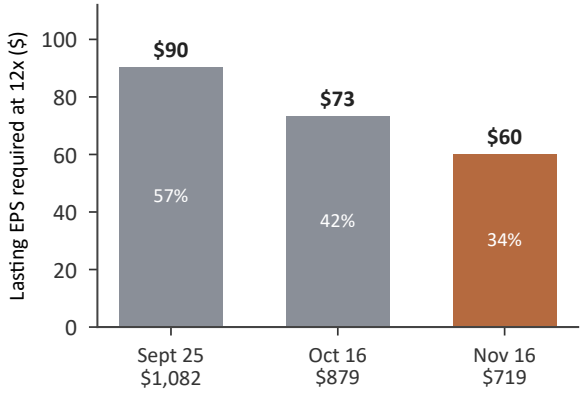
Relative Valuation Confirms a Sector Discount

On consensus for fiscal years ending in 2027, SanDisk trades at 3.6x and Micron at 4.1x, and SK hynix trades at 4.6x calendar 2026 earnings, while the hard-drive makers Western Digital and Seagate trade at 11.4x and 12.5x (*Exhibit 14*). The discount is the memory group's and not Micron's, so a higher multiple has to come from evidence about the cycle. We see nothing in the relative figures that argues for a company-specific value above our base band, which reaffirms a target built on that band.

Why the Rating Is Hold

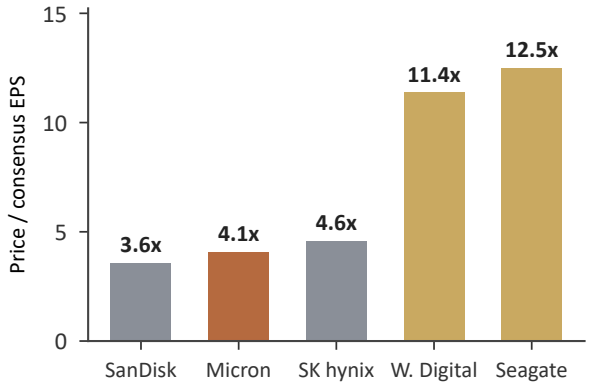
Our target implies a return of 20% over 12 to 18 months, or about 15% a year at the midpoint of that horizon. Micron's cost of equity is about 17.1% on the capital asset pricing model, using the 5.1% ten-year Treasury yield, a beta of 2.40 and a 5.0% equity risk premium, so at about 15.4% a year the expected return falls short of what the risk requires (*Appendix C-6*). The distribution is also wide, with a pessimistic case **41%** below the price weighted at 30% against a bull case **88%** above it weighted at 25%. We would raise the rating if the December report moved weight out of the pessimistic case, since weights of 30% bull, 50% base and 20% pessimistic give $931, which clears our return hurdle at the midpoint of the horizon. Our target is 45% below the Street's mean of $1,562, which is drawn from 45 analysts whose targets run from $361 to $3,000.[4]

Exhibit 13: The Price Requires Less Lasting Profit Each Month



Labels show the required earnings as a share of the fiscal 2027 consensus recorded on each date: $159.49 on September 25, $176.47 on October 16 and $176.50 now
Source: Yahoo Finance; Desk Estimates
Methodology: Appendix C-2

Exhibit 14: The Discount Belongs to the Memory Group



Source: Yahoo Finance prices and consensus, November 16, 2026
Methodology: Appendix B-1

RISKS

Exhibit 15: Each Risk Has a Reading That Breaks the Thesis

Risk	The reading that breaks the thesis
1. Cycle	Fiscal Q2 gross margin guide below 84%; or fiscal 2028 consensus below $201.53 on two weekly readings
2. China	Verified volume shipments of CXMT server DRAM outside China before end-2027
3. Funding	Two or more large cloud buyers guide 2027 capital spending lower; or an SCA is terminated or repriced
4. Labor	A profit-sharing formula above 5% of operating profit

Source: bpleon research

Risk 1: The Cycle Turns Before Fiscal 2028

Micron's earnings fell by about half or more in the year after each of its last two peaks, and three signs of a late cycle are visible now: slowing sequential price gains, inventory building at PC makers into falling shipments, and a share price that peaked on June 25 while earnings were still rising. A decline of the 2018 kind would take fiscal 2028 earnings to about $94 a share and the shares to our pessimistic value of $375 to $469.

Mitigant: Micron's 26 SCAs carry take-or-pay volumes, and three quarters of the revenue they cover has a defined pricing framework, most of it with floors that management says would still produce margins above any prior cycle peak.[1] Remaining performance obligations of about $150B at minimum prices equal 54% of consensus fiscal 2027 revenue, and the shares have already fallen 45.9% from their closing peak without a cut to estimates. **Thesis break:** a fiscal second-quarter gross margin guide below 84%, or a fiscal 2028 consensus more than 3% below $207.76 on two consecutive weekly readings.

Risk 2: Chinese Supply Arrives Before 2028

CXMT says its first server module on a denser cell design will launch by the end of 2026, and volume shipments into data centers would reach the products that carry Micron's highest margins, as the Core Data Center unit earned a 90% gross margin in the fourth quarter.[1,11]

Mitigant: CXMT has published no specifications, customers or qualification results, and Citi has said mass production is unlikely before 2028. Micron's 1-gamma DRAM node is its largest production node, and its next node is on track for volume production in the second half of calendar 2027.[1] **Thesis break:** verified volume shipments of CXMT server DRAM to a customer outside China before the end of 2027.

Risk 3: The Funding Chain Fails a Rate Increase

We expect the Federal Reserve to raise its target range by a quarter point on December 9, the ten-year Treasury yield closed at 5.15% on November 13, and the largest buyers of AI capacity are financing one another through prepayments and share purchases.[12] A failed financing at one link would reach Micron as deferred orders from customers whose commitments are large relative to their cash flow, and Nvidia enters that period without a permanent chief executive.

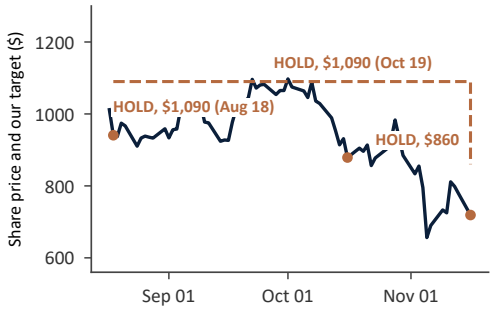
Mitigant: Customers have backed their SCAs with $32B of financial commitments, including $12.75B of cash deposits received in fiscal 2026, and Micron holds $68.3B of net cash against $5.2B of debt with a weighted average maturity of about nine years.[1,3] We project operating cash flow of about $192B in fiscal 2027, 3.6 times our capital expenditure forecast, so the company does not depend on capital markets to build. **Thesis break:** two or more of the four largest cloud buyers guiding 2027 capital expenditures lower, or a disclosed termination or repricing of an SCA.

Risk 4: Labor Costs Reset Across the Industry

The Taoyuan union is asking Micron to allocate 15% of operating profit to employees in cash, a formula it describes as matching Samsung and SK hynix.[7] As an illustrative companywide sensitivity and not an estimate of the dispute's direct cost, 15% of the roughly $240B of pre-tax profit implied by fiscal 2027 consensus would be about $36B before tax, or roughly $26 of earnings a share; actual exposure would depend on the employees covered, the profit definition, existing compensation and any final agreement, and a local demand need not become a companywide expense. A prolonged stoppage would also delay capacity that Micron has committed to customers.

Mitigant: Micron reached an agreement with its larger Taichung union on October 21 that Taiwan's labor minister has called valid, it raised incentive compensation for every employee in fiscal 2026, and its outlook already includes about $2.5B of higher operating expenses in fiscal 2027.[1,7] **Thesis break:** an agreed profit-sharing formula above 5% of operating profit, a line we set by judgment, which we would treat as a permanent reduction in margins.

Exhibit 16: Our Target Has Followed the Price Down



Dots mark the price on the date of each rating
Source: Yahoo Finance daily closes; bpleon research

Where This Report Could Be Wrong

We hold Micron, and a HOLD on a stock we own deserves more doubt than one on a stock we do not. Our base multiple band moved down after the price did, which is what a target that follows the market looks like, and the target we carried in October was 24% above a price that has since fallen 18.2% (*Exhibit 16*). If the SCAs have broken the cycle, the Street's $1,562 is nearer the truth than our $860, and if the 2018 pattern repeats in full the shares go to our pessimistic case, which we have weighted at 30%. Sumit Sadana, who moved from chief business officer to senior advisor to the chief executive in August, sold 15,000 shares on August 18 according to his Form 4, and Forms 144 filed in the week of November 9 gave notice of proposed sales of a further 19,000; we have not confirmed that those sales were executed and draw no conclusion about his reasons.[13]

CATALYSTS AND TESTS

Two Dated Events Decide the Rating

The fiscal first-quarter report and the capital return framework are the two events that could change our scenario weights, our target and our rating, and both fall within six weeks (*Exhibit 17*). A second-quarter gross margin guide at or above 86.25% with fiscal 2028 consensus intact would let us move the weights to 30% bull, 50% base and 20% pessimistic, which takes our weighted value to about $931. A capital return that distributes at least half of free cash flow would give us a reason to reflect part of the $120 a share of forecast cash in the target.

Date	Event	What we read	Status
Nov 17	Nvidia third-quarter results	The January-quarter guide and any change to the HBM roadmap under an interim chief executive	Confirmed
Nov 20	Our October 23 rule ends	Whether the chip ETF has trailed the S&P 500 fund over the four weeks	Confirmed
Dec 9	Federal Reserve decision; Micron's stated date for higher capital returns	The decision against our forecast of a quarter-point increase; any buyback authorization or payout formula	Confirmed
Dec 23	Micron fiscal Q1 results and fiscal Q2 guide	Gross margin guide against 86.25% and 84%; pricing commentary; capital returns	Expected, not announced
Dec 31	CXMT's deadline for a server module	Specifications, customers and qualification, not the announcement	Company target
Jan 14, 2027	Micron annual meeting	Capital return authorization if not announced earlier	Expected
Late Jan 2027	SK hynix and Samsung fourth-quarter results	Contract price direction for the first quarter of 2027	Estimated

Exhibit 17: Two Dated Events Can Move the Rating Before Year-End. Source: Company Data; Federal Reserve; Yahoo Finance; bpleon research.

The Tests We Will Grade

We carry two tests forward from October, retire the Netlist test and add two (*Exhibit 18*). The CXMT test is narrower than the one we published in October, which counted any verified volume shipments; it now counts only shipments to a customer outside China, which makes it easier to pass, and we flag the change rather than present it as unchanged. Each is graded against its wording here, and the rating reflects the weight of the evidence together and not a mechanical response to any one line.

Test	Strengthens the thesis	Weakens it
1. Fiscal Q2 gross margin guide (December report)	At or above 86.25%, the level management called the floor for fiscal 2027	Below 86.25%; below 84% breaks the thesis
2. Fiscal 2028 consensus EPS (weekly readings)	At or above $201.53, within 3% of today's $207.76	Below $201.53 on two consecutive weekly readings
3. Capital return (by the December report)	An authorization or formula that returns at least half of free cash flow, about $69B a year on our forecast	No framework, or one that returns less than half
4. CXMT server DRAM (through 2027)	No verified volume shipments to a customer outside China	Verified volume shipments inside that window

Exhibit 18: Four Tests, Each Written So That Any Outcome Lands on One Side. Source: bpleon research. The half-of-free-cash-flow line is our judgment and not a model output.

APPENDIX A: FINANCIAL SUMMARY

Fiscal year (ends about August 31)	FY2025A	FY2026A	FY2027E	FY2028E
Revenue ($B)	37.4	133.2	275.9	320.1
Revenue growth	+49%	+256%	+107%	+16%
Gross margin (non-GAAP)	about 41%	81.1%	n/a	n/a
Fiscal Q1 2027 gross margin guide (one quarter)			about 86.25%	
EPS, non-GAAP ($)	8.29	75.52	176.50	207.76
Operating cash flow ($B)	17.5	89.7	192	n/a
Capital expenditures ($B)	15.9	30.7	54	n/a
Free cash flow ($B)	1.7	59.0	138	n/a
Net cash, year-end ($B)	n/a	68.3	206	n/a
P/E at $719.02	87x	9.5x	4.1x	3.5x

Source: Company Data (fiscal 2025 and 2026); Yahoo Finance consensus for revenue and EPS (fiscal 2027 and 2028); Desk Estimates for fiscal 2027 cash flow, capital expenditures and net cash. Methodology: cash flow items for fiscal 2025 and 2026 are operating cash flow and capital expenditures as reported in the Form 10-K; the fiscal 2027 estimates are built in Appendix C-4. Fiscal 2025 gross margin is derived from Micron's statement that fiscal 2026 improved by 40 percentage points.

APPENDIX B: PEER COMPARISON

B-1: Memory Producers Trade at 4x to 5x Consensus Earnings

Company	Price	Fiscal year	Consensus EPS	P/E	Since Oct 16
Micron (MU)	$719.02	Aug 2027	$176.50	4.1x	−18.2%
SanDisk (SNDK)	$809.11	Jun 2027	$227.48	3.6x	−37.7%
SK hynix (SKHY)	$122.18	Dec 2026	$26.74	4.6x	−10.5%
Western Digital (WDC)	$280.93	Jun 2027	$24.72	11.4x	−15.4%
Seagate (STX)	$499.00	Jun 2027	$39.98	12.5x	−21.9%

Source: Yahoo Finance prices and consensus, November 16, 2026. Methodology: each multiple is the current price divided by the consensus EPS for the fiscal year shown, so the SK hynix figure is on calendar 2026, a year that ends eight months before Micron's, and the two are not directly comparable. SKHY is SK hynix's Nasdaq listing, priced in US dollars, with consensus on the same line. Western Digital and Seagate make hard drives, a two-producer market with no wafer capacity cycle, and are shown only as a contrast.

APPENDIX C: VALUATION

C-1: Scenario Build

Methodology: each case multiplies an estimate of fiscal 2028 (year to about August 2028) EPS by a range of P/E multiples, and the price target is the probability-weighted sum of the three midpoints, 0.25 x $1,350 + 0.45 x $882 + 0.30 x $422 = $861, rounded to $860. Bull EPS is the Yahoo Finance consensus. Base EPS is the fiscal 2027 consensus carried flat. Pessimistic EPS is the fiscal 2027 consensus multiplied by 6.35 / 11.95, the ratio of fiscal 2019 to fiscal 2018 earnings. The weights are our judgment: the pessimistic case carries 30% as it did in August, and the bull case 25%, down from 30%, to reflect a policy rate that is still rising.

C-2: Sensitivity of Value to Fiscal 2028 EPS and the Multiple

FY2028 EPS	4.0x	5.0x	6.0x	7.0x
$93.80	$375	$469	$563	$657
$140.00	$560	$700	$840	$980
$176.50	$706	$882	$1,059	$1,236
$207.76	$831	$1,039	$1,247	$1,454

Source: Desk Estimates. Green cells are more than 2% above the current price of $719.02 and red cells more than 2% below it. The through-cycle check in the Valuation section divides the price by 12 to give the lasting EPS the price requires: $719.02 / 12 = $59.92.

C-3: The 2018 and 2022 Declines Compared With 2026

Cycle	Closing peak	Closing trough	Decline	Sessions	EPS, peak year	EPS, next year	Change
2018	$62.62 (May 29, 2018)	$29.02 (Dec 24, 2018)	−53.7%	145	$11.95 (FY18)	$6.35 (FY19)	−47%
2022	$97.36 (Jan 14, 2022)	$48.88 (Sep 26, 2022)	−49.8%	174	$8.35 (FY22)	−$4.45 (FY23)	loss
2026	$1,213.56 (Jun 25, 2026)	$656.39 (Nov 5, 2026)	−45.9%	93	$75.52 (FY26)	$176.50 (FY27E)	+134%

Source: Yahoo Finance daily closes, adjusted for splits; Micron annual results for non-GAAP EPS; Yahoo Finance consensus for fiscal 2027. Methodology: the peak is the highest close of each cycle and the trough is the lowest close after it; sessions are trading days between the two. The 2018 trough of $29.02 was 4.6x the $6.35 Micron went on to earn in fiscal 2019, which is the multiple our pessimistic case brackets. The 2026 trough is the lowest close to date and may not be the last.

C-4: Fiscal 2027 Free Cash Flow and Net Cash

Methodology: consensus EPS of $176.50 on the 1.15B shares in Micron's guidance gives net income of about $203B. Consensus EPS is non-GAAP, so we use non-GAAP net income throughout: fiscal 2026 free cash flow of $59.0B was 68.0% of non-GAAP net income of $86.8B (GAAP net income was $85.0B), and applying that ratio gives fiscal 2027 free cash flow of $137.9B, or $120 a share. The ratio is a simplification and does not separately forecast working capital, depreciation, customer deposits or other cash flow items. Capital expenditures of $54B are our estimate from Micron's guidance of about $25B for the first half and a higher second half, which implies operating cash flow of about $192B. Reported net cash of $68.3B plus $137.9B gives $206B, or $179 a share, before dividends and repurchases. Reported net cash includes $12.7B of customer deposits, so net cash after deposits is $55.6B today and about $194B in August 2027 if deposits are unchanged; we do not estimate distributable excess cash, which depends on Micron's own definition. Projected book value of $297 a share is stockholders' equity of $138.4B plus consensus net income, before capital returns. The labor sensitivity in Risk 4 takes 15% of pre-tax profit of about $240B, which is consensus net income grossed up at the 15.5% tax rate Micron guided. Pre-tax profit stands in for operating profit, which we do not forecast, and includes interest income, so the sensitivity overstates a formula written on operating profit.

C-5: Multiples Over Time

Methodology: Exhibits 1 and 2 divide each day's closing price by the fiscal 2027 consensus EPS the desk recorded on or before that date: $155.56 (August 18), $159.12 (September 24), $159.49 (September 25), $176.47 (October 3), $176.55 (October 23) and $176.50 (November 2 and November 16). The series is stepped between readings, so the multiple shown for a given day may differ slightly from one computed on that day's live consensus.

C-6: Cost of Equity

Methodology: cost of equity = risk-free rate + beta x equity risk premium = 5.12% + 2.40 × 5.0% = 17.1%. The risk-free rate is the ten-year Treasury yield on November 16, 2026, beta is Yahoo Finance's five-year monthly figure, and the 5.0% premium is the house convention. Over the 15-month midpoint of our horizon this compounds to 22%, against the 20% our target implies. Micron has $5.2B of debt against $68.3B of net cash, so we use the cost of equity alone and apply no weighting for debt.

APPENDIX D: SOURCES

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DISCLOSURES

Ownership. As of publication I hold long positions in Micron shares, in Nvidia shares and a call option on Nvidia that expires in February 2027, and in Alphabet class C shares. I sold my entire position in a memory-chip ETF (DRAM) that holds Micron, Samsung and SK hynix on November 16, 2026, the day this report was completed. I hold no position in SanDisk, Western Digital, Seagate, Netlist, CXMT, Microsoft, Amazon or Meta, or in the SMH or SPY funds, and no direct position in Samsung or SK hynix.

AI assistance and conflicts. AI tools helped draft this report and compute its figures; the AI is Claude, made by Anthropic, whose product I use as a customer. Micron made a strategic investment in Anthropic's Series H funding round and has a memory and storage supply agreement with it (Micron, June 22, 2026; source 15). This report refers to Anthropic's initial public offering; I hold no Anthropic securities and, as of publication, have placed no order or indication of interest in its offering.

Compensation and certification. bpleon research received no compensation from Micron or from any party with an interest in it. The views in this report are my own, and no compensation is tied to them.

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