

MICRON TECHNOLOGY INC

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

June 29, 2017

Date of Report (date of earliest event reported)

MICRON TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-10658

(Commission File Number)

75-1618004

(I.R.S. Employer Identification No.)

8000 South Federal Way

Boise, Idaho 83716-9632

(Address of principal executive offices)

(208) 368-4000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On June 29, 2017, the Company announced its financial results for the third quarter of fiscal year 2017 ended June 1, 2017. The full text of the press release issued in connection with the announcement and the financial presentation materials accompanying the Company's related webcast are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K.

The information in Item 2.02 of this Current Report on Form 8-K shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued on June 29, 2017
99.2	Financial presentation materials for the third quarter of fiscal year 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICRON TECHNOLOGY, INC.

Date: June 29, 2017

By: /s/ Ernest E. Maddock

Name: Ernest E. Maddock

Title: Senior Vice President and Chief Financial Officer

**INDEX TO EXHIBITS FILED WITH
THE CURRENT REPORT ON FORM 8-K**

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FOR IMMEDIATE RELEASE

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**MICRON TECHNOLOGY, INC., REPORTS RESULTS FOR THE
THIRD QUARTER OF FISCAL 2017**

BOISE, Idaho, June 29, 2017 – Micron Technology, Inc., (NASDAQ: MU) today announced results of operations for its third quarter of fiscal 2017, which ended June 1, 2017. Revenues for the third quarter of fiscal 2017 were a record \$5.57 billion and were 20 percent higher compared to the second quarter of fiscal 2017 and 92 percent higher compared to the third quarter of fiscal 2016.

"Micron delivered strong operational performance in the third quarter with free cash flow nearly double last quarter, which enabled us to retire \$1 billion in debt. Our results reflect solid execution of our cost reduction plans and ongoing favorable industry supply and demand dynamics," said Micron President and CEO Sanjay Mehrotra. "The global trends taking shape today, including machine learning and big data analytics, are exciting and create significant opportunities for Micron. We are focused on positioning the company to realize these opportunities by investing in technology and products while also strengthening our balance sheet."

GAAP Income and Per Share Data – On a GAAP ⁽¹⁾ basis, gross margin was 46.9 percent and net income attributable to Micron shareholders was \$1.65 billion, or \$1.40 per diluted share, for the third quarter of fiscal 2017 compared to gross margin of 36.7 percent and net income of \$894 million, or \$0.77 per diluted share, for the second quarter of fiscal 2017 and gross margin of 17.2 percent and a net loss of (\$215) million, or (\$0.21) per diluted share, for the third quarter of fiscal 2016.

Non-GAAP Income and Per Share Data – On a non-GAAP ⁽²⁾ basis, gross margin was 48.0 percent and net income attributable to Micron shareholders was \$1.90 billion, or \$1.62 per diluted share, for the third quarter of fiscal 2017 compared to gross margin of 38.5 percent and net income of \$1.03 billion, or \$0.90 per diluted share, for the second quarter of fiscal 2017 and gross margin of 18.1 percent and a net

loss of (\$29) million, or (\$0.03) per diluted share, for the third quarter of fiscal 2016. For a reconciliation of GAAP to non-GAAP results, see the accompanying financial tables and footnotes.

The fiscal third quarter revenue increase of 20 percent compared to the previous quarter was due primarily to a 14 percent increase in DRAM average selling prices and a 17 percent increase in trade NAND sales volumes. The company's overall consolidated gross margin for the third quarter of fiscal 2017 was approximately 10 percentage points higher compared to the previous quarter primarily due to increases in DRAM average selling prices and manufacturing cost reductions for both NAND and DRAM.

Investments in capital expenditures, net of amounts funded by partners, were \$1.27 billion for the third quarter of fiscal 2017. The company ended the third quarter of fiscal 2017 with cash, marketable investments, and restricted cash of \$4.90 billion.

The company will host a conference call Thursday, June 29, 2017 at 2:30 p.m. MT to discuss its financial results. The call, audio, slides, and prepared remarks will be available online at <http://edge.media-server.com/m/p/4vddtcjo>. A webcast replay will be available on the company's website until June 29, 2018. A taped audio replay of the conference call will also be available at 1-404-537-3406 or 1-855-859-2056 (conference number: 29195103) beginning at 5:30 p.m. MT, Thursday, June 29, 2017 and continuing through Friday, July 7, 2017. For Investor Relations and other company updates, follow @MicronTech on Twitter at <https://twitter.com/MicronTech>.

Micron Technology is a world leader in innovative memory solutions. Through the company's global brands – Micron[®], Crucial[®], Lexar[®], and Ballistix[®] – the company's broad portfolio of high-performance memory technologies, including DRAM, NAND, NOR Flash, and 3D XPoint™ memory, is transforming how the world uses information. Backed by more than 35 years of technology leadership, Micron's memory solutions enable the world's most innovative computing, consumer, enterprise storage, data center, mobile, embedded, and automotive applications. Micron's common stock is traded on the Nasdaq under the MU symbol. To learn more about Micron Technology, Inc., visit www.micron.com.

The Micron logo and Micron symbol are trademarks of Micron Technology, Inc. All other trademarks are the property of their respective owners.

This press release contains forward-looking statements regarding the company's strategic position and financial results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially. Please refer to the documents the company files with the Securities and Exchange Commission, specifically its most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause the company's actual results to differ materially from those contained in its forward-looking statements. These certain factors can be found at <http://www.micron.com/certainfactors>. Although the company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance, or achievements. The company is under no duty to update any of the forward-looking statements after the date of this release to conform these statements to actual results.

⁽¹⁾ *GAAP represents U.S. Generally Accepted Accounting Principles.*

⁽²⁾ *Non-GAAP represents GAAP excluding the impact of certain activities which the company's management excludes in analyzing the company's operating results and understanding trends in the company's earnings. Non-GAAP also includes the impact on shares used in per share calculations of the company's outstanding capped call transactions and from the exclusion of stock-based compensation. For a reconciliation of GAAP to non-GAAP results, see the accompanying financial tables and footnotes.*

MICRON TECHNOLOGY, INC.
CONSOLIDATED FINANCIAL SUMMARY
(in millions except per share amounts)

	3 rd Qtr. June 1, 2017	2 nd Qtr. March 2, 2017	3 rd Qtr. June 2, 2016	Nine months ended	
				June 1, 2017	June 2, 2016
Net sales	\$ 5,566	\$ 4,648	\$ 2,898	\$ 14,184	\$ 9,182
Cost of goods sold	2,957	2,944	2,400	8,860	7,256
Gross margin	2,609	1,704	498	5,324	1,926
Selling, general, and administrative	204	187	148	550	502
Research and development	434	473	382	1,377	1,206
Restructure and asset impairments ⁽¹⁾	12	4	—	45	16
Other operating (income) expense, net	(4)	(4)	(5)	(14)	2
Operating income (loss)	1,963	1,044	(27)	3,366	200
Interest income (expense), net ⁽²⁾	(143)	(153)	(99)	(428)	(269)
Other non-operating income (expense), net ⁽³⁾	(83)	34	(34)	(63)	(44)
Income tax (provision) benefit ⁽⁴⁾	(92)	(38)	(15)	(161)	(16)
Equity in net income (loss) of equity method investees	2	7	(40)	7	24
Net (income) attributable to noncontrolling interests	—	—	—	—	(1)
Net income (loss) attributable to Micron	\$ 1,647	\$ 894	\$ (215)	\$ 2,721	\$ (106)
Earnings (loss) per share					
Basic	\$ 1.49	\$ 0.81	\$ (0.21)	\$ 2.52	\$ (0.10)
Diluted	1.40	0.77	(0.21)	2.38	(0.10)
Number of shares used in per share calculations					
Basic	1,106	1,099	1,036	1,082	1,035
Diluted	1,177	1,160	1,036	1,142	1,035

CONSOLIDATED FINANCIAL SUMMARY, Continued

As of	June 1, 2017	March 2, 2017	September 1, 2016
Cash and short-term investments	\$ 4,330	\$ 3,898	\$ 4,398
Receivables	3,497	2,891	2,068
Inventories	3,064	3,000	2,889
Total current assets	11,023	9,945	9,495
Long-term marketable investments	471	589	414
Property, plant, and equipment, net	19,014	19,098	14,686
Total assets	33,267	32,355	27,540
Accounts payable and accrued expenses	3,656	3,801	3,879
Current debt ⁽²⁾	1,161	1,117	756
Total current liabilities	5,143	5,207	4,835
Long-term debt ⁽²⁾	10,485	11,308	9,154
Total Micron shareholders' equity ⁽⁵⁾	16,171	14,287	12,080
Noncontrolling interests in subsidiaries	848	848	848
Total equity	17,019	15,135	12,928

	Nine months ended	
	June 1, 2017	June 2, 2016
Net cash provided by operating activities	\$ 4,950	\$ 2,272
Net cash provided by (used for) investing activities	(6,239)	(1,642)
Net cash provided by (used for) financing activities	1,207	1,703
Depreciation and amortization	2,888	2,360
Investments in capital expenditures	(3,730)	(3,908)
Acquisition of Inotera	(2,634)	—
Proceeds from issuance of debt and equipment sale-leaseback transactions	3,136	2,704
Repayments of debt	(1,774)	(689)

Inotera Acquisition

On December 6, 2016, the company acquired the remaining 67% interest in Inotera Memories, Inc. ("Inotera") and began consolidating Inotera's operating results. Cash paid for the Inotera acquisition was funded, in part, with proceeds from the 2021 MSTW Term Loan (defined below) and the sale of shares of the company's common stock to Nanya (the "Micron Shares"). Inotera manufactures DRAM products at its 300mm wafer fabrication facility in Taoyuan City, Taiwan, and sold such products exclusively to the company through supply agreements.

The aggregate fair value of consideration consisted of \$3.11 billion of cash, \$995 million for the fair value of the Micron Shares exchanged for Inotera shares, and \$1.44 billion for the fair value of the company's previously-held equity interest in Inotera, net of \$361 million for payments attributed to intercompany balances with Inotera. In the third quarter of fiscal 2017, the company incorporated additional information in its analysis about facts and circumstances that existed as of the acquisition date and adjusted the provisional values. The provisional fair values of assets and liabilities acquired, as adjusted in the third quarter of fiscal 2017, include, among other items, cash of \$118 million ; inventories of \$285 million ; property, plant, and equipment of \$3.72 billion ; goodwill of \$1.12 billion ; and accounts payable and accrued expenses of (\$232) million, and could change as additional information becomes available. In connection with the acquisition, the company revalued its 33% interest in Inotera from its carrying value to its fair value and recognized a non-operating gain of \$71 million in the second quarter of fiscal 2017.

- (1) On April 14, 2017, the company entered into an agreement to sell its assembly and test facility located in Akita, Japan ("Akita") and its 40% ownership interest in Tera Probe for aggregate consideration of \$60 million , substantially all in cash, subject to changes in working capital. The company completed the sale of its interest in Tera Probe in the third quarter of fiscal 2017 and expects to close the sale of the Akita facility in the fourth quarter of fiscal 2017. As a result, the company recognized a loss of \$11 million in the third quarter of fiscal 2017 and does not expect to incur additional material charges.

In the fourth quarter of fiscal 2016, the company initiated a restructure plan in response to business conditions and the need to accelerate focus on its key priorities. As a result, the company incurred charges of \$33 million in the first nine months of fiscal 2017 and \$58 million in the fourth quarter of fiscal 2016 and does not expect to incur additional material charges.

- (2) In connection with the Inotera acquisition, on December 6, 2016, the company drew 80 billion New Taiwan dollars under a collateralized, five-year term loan that bears interest at a variable rate equal to the three -month or six -month TAIBOR, at the company's option, plus a margin of 2.05% per annum, payable monthly in arrears (the "2021 MSTW Term Loan"). Principal under the 2021 MSTW Term Loan is payable in six equal semi-annual installments, commencing in June 2019.

In November 2016, the company entered into a five-year variable-rate facility agreement to obtain up to \$800 million of financing, collateralized by certain production equipment. On March 6, 2017 and December 2, 2016, the company drew \$175 million and \$450 million , respectively, under the facility. Interest is payable quarterly at a rate equal to the three-month LIBOR plus 2.4% per annum. Principal is payable in 16 equal quarterly installments beginning in March 2018.

- (3) On April 11, 2017, the company repurchased \$952 million in aggregate principal of its 2025 Notes and 2026 Notes, which had a carrying value of \$943 million . In connection with the transactions, the company recognized a non-operating loss of \$60 million in the third quarter of fiscal 2017.
- (4) Income tax (provision) benefit consisted of the following:

	3rd Qtr.	2nd Qtr.	3rd Qtr.	Nine months ended	
	June 1,	March 2,	June 2,	June 1, 2017	June 2, 2016
	2017	2017	2016		
Utilization of and other changes in net deferred tax assets of MMJ, MMT, and Inotera	\$ (31)	\$ (8)	\$ (71)	\$ (52)	\$ (103)
U.S. valuation allowance release resulting from business acquisition	—	—	—	—	41
Other income tax (provision) benefit, primarily other non-U.S. operations	(61)	(30)	56	(109)	46
	<u>\$ (92)</u>	<u>\$ (38)</u>	<u>\$ (15)</u>	<u>\$ (161)</u>	<u>\$ (16)</u>

Other income tax (provision) benefit for the third quarter and first nine months of fiscal 2016 included tax benefits of \$52 million and \$58 million , respectively, related to the favorable resolution of certain prior year tax matters, which were

previously reserved as uncertain tax positions. The company has a full valuation allowance for its net deferred tax asset associated with its U.S. operations. The (provision) benefit for taxes on U.S. operations for fiscal 2017 and 2016 was substantially offset by changes in the valuation allowance.

- (5) In connection with the company's acquisition of Inotera, in the second quarter of fiscal 2017, the company sold 58 million shares of its common stock to Nanya for \$986 million, of which 54 million were issued from treasury stock. As a result, treasury stock decreased by \$1.03 billion, which resulted in a decrease in retained earnings of \$104 million for the difference between the carrying value of the treasury stock and its \$925 million fair value. These shares were issued in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and subject to certain restrictions on transfers.
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MICRON TECHNOLOGY, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(in millions except per share amounts)

	3rd Qtr. June 1, 2017	2nd Qtr. March 2, 2017	3rd Qtr. June 2, 2016
GAAP net income (loss) attributable to Micron	\$ 1,647	\$ 894	\$ (215)
Non-GAAP adjustments			
Flow-through of Inotera inventory step up	36	60	—
Stock-based compensation – cost of goods sold	24	23	21
Stock-based compensation – sales, general, and administrative	20	18	14
Stock-based compensation – research and development	13	14	12
Inotera acquisition costs	—	12	2
Restructure and asset impairments	12	4	25
Amortization of debt discount and other costs	30	31	30
Loss on restructure of debt	61	—	3
(Gain) loss from changes in currency exchange rates	22	28	5
(Gain) loss from business acquisition activities	—	(71)	—
Other	3	11	4
Estimated tax effects of above and non-cash changes in net deferred income taxes	28	7	70
Total non-GAAP adjustments	<u>249</u>	<u>137</u>	<u>186</u>
Non-GAAP net income attributable to Micron	<u>\$ 1,896</u>	<u>\$ 1,031</u>	<u>\$ (29)</u>
Number of shares used in diluted per share calculations			
GAAP	1,177	1,160	1,036
Effect of capped calls and other adjustments	(8)	(14)	—
Non-GAAP	<u>1,169</u>	<u>1,146</u>	<u>1,036</u>
Diluted earnings (loss) per share			
GAAP	\$ 1.40	\$ 0.77	\$ (0.21)
Effects of above	0.22	0.13	0.18
Non-GAAP	<u>\$ 1.62</u>	<u>\$ 0.90</u>	<u>\$ (0.03)</u>

	3rd Qtr. June 1, 2017		2nd Qtr. March 2, 2017		3rd Qtr. June 2, 2016	
Net sales	\$ 5,566		\$ 4,648		\$ 2,898	
Cost of goods sold	2,957		2,944		2,400	
GAAP gross margin	2,609	46.9%	1,704	36.7%	498	17.2%
Non-GAAP adjustments						
Flow-through of Inotera inventory step up	36		60		—	
Stock-based compensation	24		23		21	
Other	2		2		6	
Total non-GAAP adjustments	<u>62</u>		<u>85</u>		<u>27</u>	
Non-GAAP gross margin	<u>\$ 2,671</u>	48.0%	<u>\$ 1,789</u>	38.5%	<u>\$ 525</u>	18.1%

The tables above set forth non-GAAP net income (loss) attributable to Micron, diluted shares, diluted earnings (loss) per share, and gross margin. The adjustments above may or may not be infrequent or nonrecurring in nature but are a result of periodic or non-core operating activities of the company. The company believes this non-GAAP information is helpful to

understanding trends and in analyzing the company's operating results and earnings. The company is providing this information to investors to assist in performing analyses of the company's operating results. When evaluating performance and making decisions on how to allocate company resources, management uses this non-GAAP information and believes investors should have access to similar data when making their investment decisions. The company believes these non-GAAP financial measures increase transparency by providing investors with useful supplemental information about the financial performance of its business, enabling enhanced comparison of its operating results between periods and with peer companies. The presentation of these adjusted amounts vary from numbers presented in accordance with U.S. GAAP and therefore may not be comparable to amounts reported by other companies. In the first quarter of fiscal 2017, the company began excluding stock-based compensation and amortization of acquisition-related intangible assets from non-GAAP results. Comparative periods have been restated.

The company's management excludes the following items in analyzing the company's operating results and understanding trends in the company's earnings:

- Flow-through of Inotera inventory step up;
- Stock-based compensation;
- Inotera acquisition costs;
- Restructure and asset impairments, including charges to impair equity method investments;
- Amortization of debt discount and other costs, including the accretion of non-cash interest expense associated with the company's convertible debt and the MMJ installment debt;
- Loss on restructure of debt;
- (Gain) loss from changes in currency exchange rates;
- (Gain) loss from business acquisition activities;
- Amortization of acquisition-related intangible assets; and
- Estimated tax effects of above and non-cash changes in net deferred income taxes.

The company's outstanding capped call transactions are anti-dilutive in GAAP earnings per share but are expected to mitigate the dilutive effect of the company's convertible notes. In periods with non-GAAP income attributable to Micron, non-GAAP diluted shares include the impact of the capped calls, based on the average share price for the period that the capped calls are outstanding. Non-GAAP shares are also adjusted for the offsetting impact of additional shares resulting from the exclusion of stock-based compensation from non-GAAP income.

Financial Results

Third Quarter Fiscal 2017

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Safe Harbor Statement

During the course of this meeting, we may make projections or other forward-looking statements regarding future events or the future financial performance of the Company and the industry. We wish to caution you that such statements are predictions and that actual events or results may differ materially. We refer you to the documents the Company files from time to time with the Securities and Exchange Commission, specifically the Company's most recent Form 10-K and Form 10-Q. These documents contain and identify important factors that could cause the actual results for the Company to differ materially from those contained in our projections or forward-looking statements. These certain factors can be found at <http://www.micron.com/certainfactors>. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of the presentation to conform these statements to actual results.



Sanjay Mehrotra

President and CEO

Business Unit Update

Compute & Networking

- Revenue from Cloud customers 4 times higher Y/Y
- Increased Enterprise demand from analytics workloads
- Successfully ramped GDDR5X to high-volume production

Mobile

- Planning to introduce nearly 20 new 1x designs in next 12 months
- Developing MCP and discrete NAND to address full range of smartphones
- Sampling 32-layer 3D NAND MCP and discrete eUFS and eMMC devices

Embedded

- Record quarterly revenue in Auto, Consumer/Connected Home & Industrial
- Maintaining market share leadership position in Automotive
- Ongoing transition of non-automotive DRAM portfolio to 20nm designs

Storage

- Record revenue driven by >30% Q/Q growth in SSDs
- Sales to Cloud and Enterprise customers exceeded Client sales in SSDs
- OEM and Hyperscale customer qualifications underway for SATA drives

Technology and Industry Outlook

- Ramping 64-layer 3D NAND and 1x DRAM and technologies
 - Expect to achieve meaningful output by end of FY-17
 - Initial revenue shipments recognized
- Progressing development of 3rd generation 3D NAND and 1y DRAM
 - 3rd generation 3D NAND will be based on CMOS Under Array architecture
- DRAM industry bit supply growth of 15%-20% in CY-17
- NAND industry bit supply growth of high-30% to low-40% in CY-17
- Expect healthy industry demand to persist into 2018



DRAM

Represented 64% of Micron Total Revenue in FQ3-17

- Mobile was in the mid-20% range
- PC was in the low-20% range, down from the prior quarter
- Server was approximately 30%, up from 25% the prior quarter
- Specialty DRAM was in the mid-20% range
 - Includes Networking, Graphics, Automotive and Other Embedded technologies

Trade NAND

Represented 31% of Micron Total Revenue in FQ3-17

- Consumer represented approximately 40%
 - Consists primarily of component sales to partners and customers
- Mobile was in the mid-teens % range
 - Includes managed NAND solutions and the majority of our MCPs
- SSDs were in the mid-20% range
- Automotive, Industrial, and Other Embedded applications were in the high-teens % range

Compute & Networking Business Unit

	FQ3-17	FQ2-17
Revenue	\$2.39B	\$1.92B
% of total company revenue	43%	41%
Non-GAAP operating income	\$1.22B	\$736M
Non-GAAP operating income %	51.0%	38.4%



- Increased DRAM content per server drove Enterprise revenue growth
- Recognized initial 1x DRAM revenue
- Double-digit revenue growth in Graphics driven by consoles and GPUs

Mobile Business Unit

	FQ3-17	FQ2-17
Revenue	\$1.13B	\$1.08B
% of total company revenue	20%	23%
Non-GAAP operating income	\$304M	\$170M
Non-GAAP operating income %	26.9%	15.7%



- Revenue up 4% Q/Q, primarily driven by stronger pricing
- Significant margin expansion Q/Q, reflecting transition to 20nm LPDRAM
- Anticipate increased demand ahead of flagship smartphone introductions

Embedded Business Unit

	FQ3-17	FQ2-17	EBU
Revenue	\$700M	\$590M	
% of total company revenue	13%	13%	
Non-GAAP operating income	\$256M	\$193M	
Non-GAAP operating income %	36.6%	32.7%	

- Strong bit demand and pricing strength in DRAM
- Record shipments of SLC and MLC NAND in Consumer/Connected Home
- Record shipments of DRAM to Industrial and eMMC NAND to Automotive

Storage Business Unit

	FQ3-17	FQ2-17	SBU
Revenue	\$1.32B	\$1.04B	
% of total company revenue	24%	22%	
Non-GAAP operating income	\$276M	\$71M	
Non-GAAP operating income %	21.0%	6.8%	

- Revenue up 26% Q/Q on strong SSD growth
- SSD sales to Cloud customers doubled Q/Q
- Continue to increase sales of our TLC 3D NAND solutions

FQ3 2017 Summary

- Revenue of \$5.57 billion
- GAAP results
 - Gross margin of 46.9%
 - Net income of \$1.65 billion
 - Diluted earnings per share of \$1.40
- Non-GAAP results
 - Gross margin of 48.0%
 - Net income of \$1.90 billion
 - Diluted earnings per share of \$1.62
- Operating cash flow of \$2.41 billion

13 June 29, 2017



Financial Summary

Non-GAAP

Dollars in millions, except per share	FQ3-17	% of Sales	FQ2-17	% of Sales
Net sales	\$5,566	100%	\$4,648	100%
Gross margin	2,671	48%	1,789	38%
Operating income	2,071	37%	1,177	25%
Income tax (provision) benefit	(64)		(31)	
Net income attributable to Micron shareholders	1,896	34%	1,031	22%
Diluted earnings per share	1.62		0.90	
Cash provided by operating activities*	2,407		1,766	
Cash, marketable investments and restricted cash	4,899		4,584	

*FQ2-17 operating cash flows of \$1,766 million is equal to GAAP operating cash flows of \$1,405 million, plus \$361 million of the Inotera purchase price, which was reflected for GAAP as an operating cash outflow

14 June 29, 2017



FQ4 2017 Guidance

Non-GAAP

	FQ4-17 Guidance
Revenue	\$5.70 – \$6.10 billion
Gross margin	47% – 51%
Operating expenses	\$575 – \$625 million
Operating income	\$2.20 – \$2.40 billion
Diluted EPS*	\$1.73 – \$1.87

*Based on 1,179 million diluted shares

16 June 29, 2017



Non-GAAP Reconciliations



Consolidated Results

Non-GAAP Reconciliation

Amounts in millions, except per share amounts	FQ3-17	FQ2-17
GAAP net income attributable to Micron	\$ 1,647	\$ 894
Non-GAAP adjustments:		
Flow-through of Inolera inventory step up	36	60
Stock-based compensation	57	55
Inolera acquisition costs	—	12
Restructure and asset impairments	12	4
Amortization of debt discount and other costs	30	31
Loss on restructure of debt	61	—
(Gain) loss from changes in currency exchange rates	22	28
(Gain) loss from business acquisition activities	—	(71)
Other	3	11
Estimated tax effects of above and changes in net deferred income taxes	28	7
Total non-GAAP adjustments	249	137
Non-GAAP net income attributable to Micron	\$ 1,896	\$ 1,031
GAAP shares used in diluted EPS calculations	1,177	1,160
Effect of capped calls and other adjustments	(6)	(14)
Non-GAAP shares used in diluted EPS calculations	1,169	1,146
GAAP diluted earnings per share	\$ 1.40	\$ 0.77
Effects of above	0.22	0.13
Non-GAAP diluted earnings per share	\$ 1.62	\$ 0.90



Consolidated Statement of Operations

FQ3 2017 Non-GAAP Reconciliation

Amounts in millions	GAAP	Adjustments		Non-GAAP
Net sales	\$ 5,566	\$ —		\$ 5,566
Cost of goods sold	2,957	(62)	A,B,I	2,895
Gross margin	2,609	62		2,671
Selling, general, and administrative	204	(20)	C	184
Research and development	434	(14)	D,I	420
Restructure and asset impairments	12	(12)	E	—
Other operating (income) expense	(4)	—		(4)
Total operating expenses	646	(46)		600
Operating income	1,963	108		2,071
Interest expense, net	(143)	30	F	(113)
Other non-operating income (expense), net	(83)	83	G,H	—
	1,737	221		1,958
Income tax (provision) benefit	(92)	28	J	(64)
Equity in net income (loss) of equity method investees	2	—		2
Net income	1,647	249		1,896
Net income attributable to noncontrolling interests	—	—		—
Net income attributable to Micron	\$ 1,647	\$ 249		\$ 1,896

Consolidated Statement of Operations

FQ3 2017 Non-GAAP Reconciliation (continued)

Amounts in millions		
A Flow through of Inotera inventory step up	\$	36
B Stock-based compensation – cost of goods sold		24
C Stock-based compensation – sales, general, and administrative		20
D Stock-based compensation – research and development		13
E Restructure and asset impairments		12
F Amortization of debt discount and other costs		30
G Loss on restructure of debt		61
H (Gain) loss from changes in currency exchange rates		22
I Other		3
J Estimated tax effects of above and non-cash changes in net deferred income taxes		28
	\$	249

Summary Key Data



Non-GAAP Financial Data and Guidance

% of Revenue	FQ3-17		FQ3-17 Non-GAAP (amounts in millions, except per share)	FQ4-17 Non-GAAP Guidance
DRAM	64%	Revenue	\$5,566	\$5.70 – \$6.10 billion
Trade NAND*	31%	Gross margin	48%	47% – 51%
		Operating expenses	\$600	\$575 – \$625 million
		Operating income	\$2,071	\$2.20 – \$2.40 billion
		Earnings per share	\$1.62	\$1.73 – \$1.87
ASP Change Q/Q	FQ3-17		FQ3-17 Non-GAAP (amounts in millions)	FQ4-17 Non-GAAP Estimates
DRAM	14%	Net interest expense	\$113	~\$105 million
Trade NAND*	3%	Diluted shares	1,169	~1,179 million Refer to the Convertible Notes Dilution Overview provided
		Tax (provision) benefit	(\$64)	~(\$70 million)
		Operating cash flow	\$2,407	–
		Depreciation and amortization	\$1,018	FY-17: ~\$4.0 billion
		Capital expenditures (Capital cash flow) (a)	\$1,273	FY-17: \$4.8 – \$5.2 billion
Cost/Bit Change Q/Q	FQ3-17			
DRAM	(6%)			
Trade NAND*	(12%)			
Gross Margin	FQ3-17			
DRAM	54%			
Trade NAND*	41%			



Convertible Notes Dilution Overview

FQ3 2017 (shares in millions)

Stock Price	\$25	\$26	\$27	\$28	\$29	\$30	\$31	\$32	\$33	\$34	\$35
2032 C Notes	14	15	15	15	16	16	16	16	16	17	17
2032 D Notes	11	11	11	11	12	12	12	12	12	13	13
2033 E Notes	9	9	9	10	10	10	10	10	11	11	11
2033 F Notes	15	16	16	17	17	17	18	18	18	18	19
2043 G Notes	0	0	0	0	0	1	2	3	4	5	6
Total dilutive shares	49	51	51	53	55	56	58	59	61	64	66
Benefit from capped calls	-21	-20	-20	-19	-18	-18	-17	-16	-16	-16	-15
Net dilution	28	31	31	34	37	38	41	43	45	48	51

