

# Fourth Quarter Fiscal 2015

## Financial Results



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# Mark Durcan

Chief Executive Officer

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# Fiscal Q4 2015 Key Take-Aways

- Revenue of \$3.6 billion, within revenue guidance of \$3.45-\$3.7 billion
- Results impacted by near-term market headwinds, primarily in the PC DRAM sector
- Overall gross margins of 27%
- Operating cash flow over \$1 billion
- GAAP net income of \$471 million; GAAP earnings per share of \$0.42
- Non-GAAP net income of \$399 million; non-GAAP earnings per share of \$0.37
- Capital investments of \$1.85 billion

# Outlook

- Despite recent softness in the PC DRAM market, we continue to see healthy end market demand in other segments
- Demand for NAND is relatively stable
- We expect the demand environment to stabilize and improve as we move through calendar 2016
- We expect industry supply and demand for both DRAM and NAND to be relatively balanced in 2016

# Investments

- Capital investments focused on deployment of advanced technology to drive manufacturing efficiency and enable new products
- Investments will accelerate Micron's bit growth over the next 12-18 months
- Fab 10X (Singapore) and 3D NAND conversions will position us to significantly outgrow the NAND market in fiscal 2017



**Mark Adams**

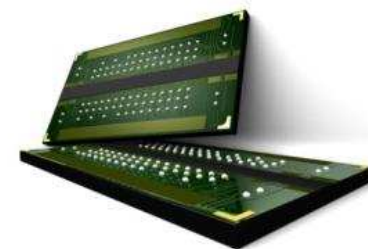
**President**

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# Compute Networking Business Unit (CNBU)

CNBU	Dollars in Millions	FQ4-15	FQ3-15
Sales		\$1,301	\$1,514
Operating income (loss)		\$99	\$266
Operating income %		7.6%	17.6%



- CNBU was impacted by lower ASPs driven by continued softness in demand from the PC segment
- CNBU saw strength in the Enterprise segment
- CNBU Networking segment continued to be stable



# Storage Business Unit (SBU)

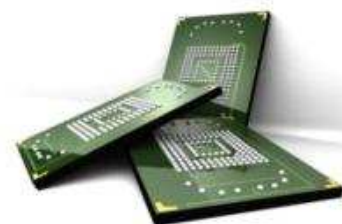
SBU	Dollars in Millions	FQ4-15	FQ3-15
Sales		\$848	\$901
Operating income (loss)		(\$46)	(\$33)
Operating income %		(5.4%)	(3.7%)



- Continue to invest in development of next-generation flash storage
- 16-nanometer planar TLC NAND qualified with several customers in FQ4
- Continuing to optimize mix of products to mitigate transactional market exposure while serving higher value segments

# Mobile Business Unit (MBU)

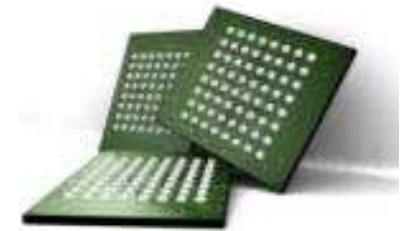
MBU	Dollars in Millions	FQ4-15	FQ3-15
Sales		\$958	\$938
Operating income (loss)		\$262	\$296
Operating income %		27.3%	31.6%



- Evolving mobile system architectures steadily increase memory density
- Our combined DRAM and NAND portfolios strengthen our competitive position
- Increased shipments of Low Power DDR4 across our customer base

# Embedded Business Unit (EBU)

EBU	Dollars in Millions	FQ4-15	FQ3-15
Sales		\$475	\$483
Operating income (loss)		\$104	\$98
Operating income %		21.9%	20.3%



- Record revenue in the Automotive segment in FQ4
- Continued strength in Industrial Multi-Market business
- Revenue was \$2 billion in FY 2015



# Ernie Maddock

Chief Financial Officer

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# Financial Summary

Dollars in millions, except per share	FQ4-15	% of Sales	FQ3-15	% of Sales
Net sales	\$ 3,600	100%	\$ 3,853	100%
Gross margin	970	27%	1,202	31%
Operating income	427	12%	631	16%
Income tax (provision) benefit	69		(104)	
Net income attributable to Micron shareholders	\$ 471	13%	\$ 491	13%
Diluted earnings per share (GAAP)	\$ 0.42		\$ 0.42	
Diluted earnings per share (Non-GAAP)	\$ 0.37		\$ 0.54	
Cash provided by operating activities	\$ 1,030		\$ 1,335	
Cash and marketable investments	\$ 5,634		\$ 7,330	

# Consolidated Statements of Operations

## Non-GAAP Disclosures

Amounts in millions, except per share amounts	FQ4-15	FQ3-15
GAAP net income attributable to Micron	\$ 471	\$ 491
Non-GAAP adjustments:		
Restructure and asset impairments	—	1
Amortization of debt discount and other costs	33	34
Loss on restructure of debt	1	18
(Gain) loss from changes in currency exchange rates	1	(1)
(Gain) from remeasurement of equity interest	(21)	—
Estimated tax effects of above items	(13)	—
Non-cash taxes from MMJ and MMT	(58)	67
Non-cash taxes from business acquisition activities	(21)	—
Non-cash taxes from Inotera	6	10
Total non-GAAP adjustments	<u>(72)</u>	<u>129</u>
Non-GAAP net income attributable to Micron	<u>\$ 399</u>	<u>\$ 620</u>
GAAP shares used in diluted EPS calculations	1,124	1,170
Anti-dilutive effect of capped calls	(44)	(31)
Non-GAAP shares used in diluted EPS calculations	<u>1,080</u>	<u>1,139</u>
GAAP diluted earnings per share	\$ 0.42	\$ 0.42
Effects of above	(0.05)	0.12
Non-GAAP diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.54</u>

# Financial Summary

Dollars in millions, except per share	FY-15	% of Sales	FY-14	% of Sales
Net sales	\$ 16,192	100%	\$ 16,358	100%
Gross margin	5,215	32%	5,437	33%
Operating income	2,998	19%	3,087	19%
Income tax (provision) benefit	(157)		(128)	
Net income attributable to Micron shareholders	\$ 2,899	18%	\$ 3,045	19%
Diluted earnings per share (GAAP)	\$ 2.47		\$ 2.54	
Diluted earnings per share (Non-GAAP)	\$ 2.72		\$ 3.23	
Cash provided by operating activities	\$ 5,208		\$ 5,699	
Cash and marketable investments	\$ 5,634		\$ 5,353	

# Consolidated Statements of Operations

## Non-GAAP Disclosures

Amounts in millions, except per share amounts	FY-15	FY-14
GAAP net income attributable to Micron	\$ 2,899	\$ 3,045
Non-GAAP adjustments:		
Flow-through of MMJ and MMT inventory step-up	—	153
Tessera license	—	66
Rambus settlement	—	233
Restructure and asset impairments	13	40
Amortization of debt discount and other costs	138	167
Loss on restructure of debt	49	205
(Gain) loss on business acquisition activities	(21)	33
(Gain) loss from changes in currency exchange rates	27	28
(Gain) from disposition of shares in Aptina	(1)	(119)
(Gain) from Inotera issuance of shares	—	(93)
Estimated tax effects of above items	(16)	(73)
Non-cash taxes from MMJ and MMT	80	59
Non-cash taxes from business acquisition activities	(21)	—
Non-cash taxes from Inotera	(49)	—
Total non-GAAP adjustments	<u>199</u>	<u>699</u>
Non-GAAP net income attributable to Micron	<u>\$ 3,098</u>	<u>\$ 3,744</u>
GAAP shares used in diluted EPS calculations	1,170	1,198
Anti-dilutive effect of capped calls	( 32)	(41)
Non-GAAP shares used in diluted EPS calculations	<u>1,138</u>	<u>1,157</u>
GAAP diluted earnings per share	\$ 2.47	\$ 2.54
Effects of above	<u>0.25</u>	<u>0.69</u>
Non-GAAP diluted earnings per share	<u>\$ 2.72</u>	<u>\$ 3.23</u>



# FQ1-16 Non-GAAP Guidance

	FQ1-16 Non-GAAP Guidance
Revenue	\$3.35 billion to \$3.6 billion
Gross margin	24.5% to 27%
Operating expenses	\$580 million - \$620 million
Operating income	\$260 million - \$320 million
Diluted EPS*	\$0.20 – 0.26

\* Based on 1,111 million shares

# Areas of Focus in Fiscal 2016

- Technology deployment and manufacturing efficiency
- Delivering value-added solutions for a growing set of customers and market segments
- Investing in long-term customer and partner relationships

# Summary Key Data

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# FQ4-15 Operational & Financial Data and Guidance

Approximate % of Revenue	FQ4-15
DRAM	60%
Non-Volatile*	32%
Other	4%

Sales Bit Growth	FQ4-15
DRAM	(1%)
Non-Volatile*	(6%)

Average Sales Price	FQ4-15
DRAM	(7%)
Non-Volatile*	(1%)

Cost / Bit	FQ4-15
DRAM	3%
Non-Volatile*	(1%)

	FQ4-15 Actual (amounts in millions)	FQ1-16 Non-GAAP Guidance
Revenue	\$ 3,600	\$3.35-\$3.6 billion
Gross Margin	27%	24.5% - 27%
Operating expenses	\$ 543	\$580-\$620 million
Operating income	\$ 427	\$260-\$320 million
Earnings per share	\$ 0.42	\$0.20 - \$0.26

	FQ4-15 Actual (amounts in millions)	FQ1-16 Non-GAAP Estimates
Net interest expense	\$ 90	\$95 million
Equity in net income of equity method investments	\$ 47	Primarily ~33% of Inotera net income (on a 2-month lag)
Income tax (provision) benefit	\$ 69	FY-16 mid teens percentage
Equity compensation expense	\$ 41	\$45 million
Diluted shares	1,124	~1,111 million based on \$16 share price. Refer to the Convertible Notes Dilution Overview provided in our Earnings Data File.
Operating cash flow	\$ 1,030	N/A
Depreciation and amortization	\$ 743	FY-16: Approximately \$3.4 billion
Capital expenditures (Capital cash flow)	\$ 1,847	FY-16: \$5.3-\$5.8 billion (a)

\* Non-Volatile includes NAND and 3D Crosspoint and excludes NOR and sales to Intel, which are at long-term negotiated prices approximating cost

(a) Excludes estimated investments from partners

# Convertible Notes Dilution Overview

## as of FQ4-15

Stock Price	\$10	\$12	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30	\$32
<u>Non-GAAP Dilutive Shares (Rounded, in millions)</u>												
2032 C Notes	1	5	7	9	11	12	13	14	15	15	16	16
2032 D Notes	0	3	5	7	8	9	10	10	11	11	12	12
2033 E Notes	0	2	5	7	8	10	11	12	12	13	14	14
2033 F Notes	0	2	6	9	11	12	14	15	16	17	17	18
2043 G Notes											1	3
Total dilutive shares	1	12	23	32	38	43	48	51	54	56	60	63
Benefit from capped calls	-2	-26	-46	-51	-45	-41	-37	-34	-31	-29	-27	-25
Net dilution	-1	-14	-23	-19	-7	2	11	17	23	27	33	38

