



**Sanjay Mehrotra, President and Chief Executive Officer**

I am pleased to be speaking with you for my first Micron quarterly earnings call and am particularly fortunate to be joining at a time when we are able to report record revenues and non-GAAP EPS. These results reflect healthy industry fundamentals, the strength of Micron's diversified technology and product portfolio, and our broad customer reach. Micron also continues to make progress in improving its technology and product competitiveness.

The current industry dynamic and the growing strategic importance of Micron's technologies and capabilities make this an exciting time to join the company. The unprecedented amount of data being created, stored, and processed presents tremendous opportunities for Micron. Applications like autonomous driving, machine learning, and big data analytics all promise to make an enormous impact on our lives. Memory and fast storage are the critical — and increasingly strategic — elements in every one of these applications. Market-leading companies from a broad array of industries who provide data center services, automotive applications, and mobile solutions (just to name a few) are eager to partner with innovative companies like Micron that can provide leading-edge technology and system solutions.

Micron is uniquely positioned — with the right technologies and capabilities — to take a leadership position, and I am delighted to have the opportunity to help the company maximize this potential.

I will now share some details from each of our business units, followed by technology and operational highlights for the quarter. Finally, I'll share our perspective on current industry supply and demand dynamics.

We had record revenues in all business units this quarter, nearly doubling our company-level year-over-year revenue performance.

In the Compute & Networking Business Unit, all segments posted significant gains from year-ago levels. Revenue from cloud customers was more than four times higher year-over-year, and we saw increased enterprise demand as analytics workloads are driving more use of in-memory databases and higher server memory content. We continue to build upon our strong position in graphics and high-performance memory technology with shipments of our 12 gigabits-per-second GDDR5X — the industry's fastest discrete DRAM — which we successfully ramped to high volume during the quarter.

Most CNBU revenue came from 20nm DRAM products, and we also recognized initial revenue on our next-generation 1x DDR4 products.



Looking forward, we believe that we are well-positioned to effectively serve both our traditional OEM customer base, as well as the evolving opportunities around tailored solutions for large data center customers.

Our Mobile Business Unit revenue increased slightly quarter-over-quarter with significant margin expansion, driven by lower costs associated with the continued shift to 20nm LPDRAM and a favorable pricing environment. We expect increased demand ahead of the anticipated flagship smartphone introductions planned for the fall. Requirements for multi-camera systems, augmented reality applications, and high-resolution displays now dictate 4 and 6 gigabyte LPDRAM densities for a great user experience. This demand aligns well with our 20nm and 1x offerings, and we plan to introduce nearly 20 new 1x package-on-package variations in the next 12 months.

We are focused on developing and diversifying our MCP and discrete NAND device offerings, which will position us well to address the full range of smartphones, from basic entry-level smartphones to content-rich, high-end devices. Many mobile OEM customers prefer MCPs in their design implementation to address their memory and storage requirements, as MCPs provide a single source for DRAM memory and NAND storage, simplifying system design, validation, and supply chain considerations. We continue to sample our 32-layer MLC and TLC 3D NAND MCP, discrete eUFS and e.MMC devices to both chipset partners and handset OEMs. Revenue shipments of these products will begin later in the second half of this calendar year, following completion of qualifications by customers.

Our Embedded Business Unit recorded a 44 percent increase in revenue year-over-year, driven by strong demand growth across all segments and a better pricing environment. We achieved record quarterly revenue for each of the automotive, consumer/connected home, and industrial segments. We saw continued strength in automotive DRAM and e.MMC NAND, with infotainment and instrument cluster applications driving this record level. We continue to maintain our strong market share leadership position in automotive, enabled by our focus on high quality and deep customer relationships and support.

Industrial and consumer/connected home revenues were led by increased shipments into rapidly growing applications such as voice-activated home assistants and set-top boxes. We continue to transition our non-automotive DRAM portfolio onto 20nm designs.

Our Storage Business Unit delivered record revenues as sales of our SSD products grew 33 percent quarter-over-quarter. Sales to cloud and enterprise SSD customers grew appreciably on a combined basis and exceeded revenue from client customers for the first time.

The most significant growth came from our cloud customers, where revenue doubled quarter-over-quarter. Our SSD sales in the quarter were driven primarily by our SATA SSD solutions using our 32-layer TLC 3D NAND. During the quarter, we had first revenue shipments of our 8TB SATA enterprise-class SSD, which is



an industry first. Several new OEM and hyperscale customer qualifications are underway for our SATA drives, and in calendar year 2018 we plan to introduce NVMe™ PCIe® offerings using our 64-layer TLC 3D NAND.

On the manufacturing operations front, we continue to make good progress toward achieving meaningful output by the end of our fiscal year on both our 64-layer 3D NAND and our 1x DRAM. Both of these technologies have already begun revenue shipments and are advancing well in their production yield ramp. We also continue to execute our plans to outfit our assembly operations as part of our DRAM center of excellence in Taiwan. This DRAM center, in addition to our NAND center of excellence in Singapore, will be essential to our ongoing efforts to optimize costs and improve our flexibility and speed to meet customer needs.

On the technology front, we continue to make solid progress on the development of our third-generation 3D NAND and our next-generation 1y DRAM technologies. Our third-generation 3D NAND will continue to be based on our innovative CMOS-under-the-array architecture. This architecture, pioneered by Micron, provides the benefits of smaller die size and lower cost. We expect our 1y DRAM to further improve our competitive position in the industry.

Looking at the industry broadly, Micron continues to see a healthy supply and demand environment that creates opportunities across both memory and storage markets.

For calendar 2017, we expect DRAM industry bit supply growth of between 15 percent and 20 percent — slightly below our view of demand growth. For NAND, we expect 2017 industry supply growth in the high-30 percent to low-40 percent range, constraining what would otherwise be higher demand.

We expect healthy industry demand to persist into 2018, supported by continued strong growth in both DRAM and NAND demand, reflecting broader trends in the data center and mobile markets, as well as increased adoption of SSDs across enterprise, cloud and client PCs.

Finally, after my first two months at Micron, I'd like to share some of my priorities. Our execution and competitiveness are my primary focus, particularly accelerating the ramp of new technologies into volume production and introducing new products quickly, both of which are essential to delivering innovative solutions at lower costs and strengthening Micron's business fundamentals.

Micron has a tremendous portfolio of technologies and core capabilities. Our goal is to leverage these to provide high-value products and solutions that improve our revenue mix. We will target high-growth opportunities and seek out partnerships with leading companies in the ecosystem to position Micron for long-term success.



We are off to a good start. Our execution and the current business climate are creating more flexibility, which we are leveraging to solidify our foundation through technology, product, and manufacturing investments, while also strengthening our balance sheet. I believe that through focused and solid execution, Micron can capitalize on the world's increasing reliance on memory and storage solutions.

I'll now turn it over to Ernie, who will walk through the specifics of our financial performance this quarter.

**Ernie Maddock, Senior Vice President and Chief Financial Officer**

We had a strong quarter, with record revenue, non-GAAP EPS, and operating cash flow, driven by the continued positive industry environment, additional bit growth from our current technologies, and progress on deploying our next-generation technologies into manufacturing. I will provide an overview of the fiscal Q3 results by technology and business unit, followed by comments on our overall corporate financial performance and guidance for fiscal Q4.

DRAM represented 64 percent of our total revenue with the following segmentation:

- Mobile was in the mid-20 percent range;
- PC was in the low-20 percent range, down from the prior quarter;
- Server represented approximately 30 percent, up from 25 percent the prior quarter; and
- Specialty DRAM, which includes networking, graphics, automotive, and other embedded technologies, was in the mid-20 percent range.

Our trade NAND revenue represented 31 percent of total revenue with the following segmentation:

- Consumer, which consists primarily of component sales to partners and customers, was approximately 40 percent;
- Mobile, which includes managed NAND discrete solutions and the majority of our MCPs, was in the mid-teens percent range;
- SSDs were in the mid-20 percent range, up slightly from last quarter; and
- Automotive, industrial, and other embedded applications were in the high-teens percent range.

Turning to performance by business unit:

The Compute & Networking Business Unit reported fiscal Q3 revenue of \$2.4 billion, up 25 percent sequentially, due to increased bit shipments, ongoing success in penetrating growing segments like enterprise, graphics, and high-performance memory and cloud, and a stronger pricing environment. Non-GAAP operating income was \$1.2 billion, or 51 percent of revenue, up from 38 percent in the prior quarter.

20nm products were greater than half of CNBU revenue and were shipped primarily in the enterprise, cloud, and client segments.



Revenue growth in the enterprise segment was driven by the continued expansion of DRAM content per server and in the cloud space, we experienced good sequential bit growth. Both segments also benefitted from the current pricing environment. We saw ongoing growth of our 20nm DDR4 products, with particular strength coming from the latest industry server platforms.

In networking, we saw shipment and revenue growth, bolstered by the continued transition to 20nm 4Gb DDR3 and 8Gb DDR4 products. We also continue to see strong interest in our high-performance memory portfolio. This strength was primarily evident in data center networking equipment.

Double-digit client revenue growth was driven by a continued firm pricing environment and product mix optimization, resulting in modestly declining bit shipments. Our 1x revenue was predominantly in this segment.

Graphics also saw double-digit revenue growth driven by strength in the game console market, as well as new PC graphics card product launches, including the G5X-based Titan Xp from NVIDIA.

The Mobile Business Unit delivered fiscal Q3 revenue of \$1.1 billion, up 4 percent sequentially, driven primarily by a stronger pricing environment, and our non-GAAP operating income was \$304 million, or 27 percent of revenue, up from 16 percent the prior quarter.

The Embedded Business Unit delivered fiscal Q3 revenue of \$700 million, up 19 percent sequentially. Non-GAAP operating income was \$256 million, or 37 percent of revenue, up from 33 percent the prior quarter. The results were driven by strong bit demand and increased average selling prices of DRAM, combined with record shipments of SLC and MLC NAND in the consumer and connected home segments and record shipments of DRAM and e.MMC NAND into the industrial and automotive segments, respectively.

The Storage Business Unit delivered fiscal Q3 revenue of \$1.3 billion, up 26 percent sequentially. Non-GAAP operating income was \$276 million, or 21 percent of revenue, up from 7 percent the prior quarter. The results were primarily driven by strong unit growth of SSDs and a stronger pricing environment.

Moving on to overall company results, revenue for the fiscal third quarter was \$5.6 billion, up 20 percent sequentially and driven primarily by stronger DRAM ASPs and higher NAND bit volumes. On a year-over-year basis, revenue increased 92 percent, primarily due to a stronger DRAM pricing environment, increased bit volumes in both DRAM and NAND, and our focus on higher-value add solutions to improve our product mix. Examples of this improved mix include SSDs, where year-on-year revenue has tripled, while DRAM bits embedded in high-value solutions for enterprise, cloud and graphics customers together grew at a rate twice the overall DRAM bit output during the same period.

Non-GAAP gross margin for the quarter was 48 percent, up from 38.5 percent in the prior quarter, driven by increased DRAM ASPs and cost-per-bit reductions in both DRAM and NAND. On a year-over-year basis,



non-GAAP gross margin increased 30 percentage points, driven by a stronger DRAM pricing environment, a better product mix, and lower cost-per-bit in both DRAM and NAND.

Non-GAAP net income was \$1.9 billion, or \$1.62 per share.

Turning to the results by product line, DRAM revenue increased 20 percent compared to the prior quarter as a result of a 5 percent increase in bit shipments and a 14 percent increase in ASPs. DRAM non-GAAP gross margins for the third quarter increased 10 percentage points, sequentially, to 54 percent, driven by a 6 percent cost-per-bit reduction and better product mix. As a reminder, we noted last quarter that second half fiscal year 2017 DRAM bit output would be about 10 percent higher than first half fiscal year 2017. As we look forward into fiscal 2018, the timing of the 1x technology transition is expected to result in our bit growth at or slightly below industry growth rates over the same period. We considered this bit growth pattern when we provided our 2-year bit growth CAGRs earlier this year.

Trade NAND revenue increased 21 percent compared to the prior quarter, reflecting a 17 percent increase in bit shipments and a 3 percent increase in ASPs. Non-GAAP gross margin was 41 percent, up 10 percentage points, driven by a 12 percent cost-per-bit reduction and better product mix. As a reminder, we noted last quarter that second half fiscal year 2017 bit growth would be about 30 percent above first half fiscal year 2017. Based upon the timing of technology transitions, we foresee relatively muted bit growth in the first half of fiscal 2018, followed by stronger growth in the second half. Consistent with DRAM, we considered this bit growth pattern when we provided our 2-year bit growth CAGRs earlier in the year.

Non-GAAP operating expenses for the quarter were \$600 million, down \$12 million from the prior quarter.

The company generated operating cash flow of \$2.4 billion in fiscal Q3, compared to \$389 million in the year-ago period. During the quarter, we deployed \$1.3 billion for capital expenditures, net of partner contributions. Free cash flow for the quarter was \$1.1 billion, and we retired approximately \$1 billion of debt via a tender offer for certain of our high-yield notes. We currently expect fiscal year 2017 free cash flow of approximately \$3 billion and continue to prioritize the deployment of our cash flow toward advancing our production technology capabilities and reducing our debt.

For fiscal year 2017, we are trending toward the upper end of our indicated net CAPEX range of \$4.8 to \$5.2 billion. We will provide a fiscal year 2018 CAPEX perspective later this year.

We ended the third quarter with cash, marketable investments, and restricted cash of approximately \$4.9 billion.

Our guidance for fiscal Q4 is informed by our view of sustained healthy supply and demand dynamics, our ongoing work around cost reduction, and the improvement of our product mix. On a non-GAAP basis, we expect the following:



- Revenue in the range of \$5.7 to \$6.1 billion dollars;
- Gross margin in the range of 47 to 51 percent;
- Operating expenses between \$575 and \$625 million dollars;
- Operating income ranging between \$2.2 and \$2.4 billion dollars; and
- EPS ranging between \$1.73 and \$1.87 per share, based on 1 billion, 179 million diluted shares.

At our Analyst Day in February, we outlined how our production technology execution and the resultant bit growth and cost reductions have enabled us to significantly strengthen our cash flow and financial performance in any market conditions. We have been reporting our incremental progress each quarter, however I wanted to share the tremendous progress we've made over the twelve-month period ending in fiscal Q3. During that time, our bit output has been above industry average for both DRAM and trade NAND, and our cost per bit has declined approximately 25 percent and 30 percent in those technologies, respectively. In addition, we continue to improve our competitiveness by successfully delivering solutions to address higher value opportunities.

Our ability to deliver these results has enhanced our energy and excitement to make further progress, and we look forward to sharing that with you.

**Sanjay Mehrotra, President and Chief Executive Officer**

Last week, we announced that Sumit Sadana joined Micron as executive vice president and chief business officer — a role that unites our four business units and our strategy and business development team into a single organization. This structure will better equip us to align our product strategies to market trends and customer demands.

Sumit brings nearly three decades of industry experience; he is a proven leader in driving strategy and building businesses with a focus on high-value, profitable growth. Sumit has a successful track record at multiple large technology companies, and his perspective and expertise make him an ideal fit for Micron.

Earlier this week, we also announced that Jeff VerHeul has joined Micron as senior vice president of non-volatile engineering. Jeff has extensive experience in leading the development of advanced semiconductor products, including flash system-level solutions. I look forward to Jeff's contributions in advancing Micron's roadmap of flash memory technology and value-added products.

We welcome both Sumit and Jeff to Micron.

Finally, I would like to express gratitude to my predecessor, Mark Durcan. His dedication and leadership have positioned Micron well for this next chapter of success. As I have toured Micron's facilities and met with leaders and teams throughout the company and have begun to engage with some of our customers, I have been impressed by the strength of our technologies, scale, customer reach, and the innovative,



hardworking spirit of our global team. My experience since joining Micron has reinforced what I have known for a long time — this company has tremendous potential and can become one of the world's most successful semiconductor companies. I am proud to be part of this iconic company.

*This document contains forward-looking statements regarding the company's strategic position and financial results, and future financial performance of the company and the industry. 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.*