

# Financial Results

---

## Third Quarter Fiscal 2016

©2016 Micron Technology, Inc. All rights reserved. Information, products, and/or specifications are subject to change without notice. All information is provided on an "AS IS" basis without warranties of any kind. Statements regarding products, including regarding their features, availability, functionality, or compatibility, are provided for informational purposes only and do not modify the warranty, if any, applicable to any product. Drawings may not be to scale. Micron, the Micron logo, and all other Micron trademarks are the property of Micron Technology, Inc. All other trademarks are the property of their respective owners.



# 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 on a consolidated basis from time to time with 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 on a consolidated basis 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.



**Mark Durcan**  
Chief Executive Officer

---

# Key Take-Aways

- Revenue of \$2.90 billion, within our guidance
- Gross margin of 17%
- GAAP loss of \$215 million; EPS of (\$.21)
- Non-GAAP loss of \$79 million; EPS of (\$.08)
- Operating cash flow of \$389 million
- Top line results were primarily impacted by continued weakness in the PC segment and our mobile qualifications

# Business Unit Update

## Compute & Networking

- Returned to revenue growth driven by ongoing ramp of 20nm product
  - Continued 20nm qualifications, led by 8Gb DDR4 product in Enterprise, Cloud and Client
  - Strong growth in Graphics segment driven by GDDR5 and GDDR5X products
- 

## Mobile

- Results impacted by timing of product qualifications
  - Significant progress on qualifications of 20nm LPDDR4
  - Continued ramp of 20nm LPDDR3 and LPDDR4
  - Anticipate continued NAND and LPDRAM demand growth in Q4
- 

## Embedded

- Automotive segment delivered record revenue
  - Design activity remains strong with recent qualifications in Automotive, Consumer and Connected Home applications
  - Recovery in Consumer MCP; expect to continue into Q4
- 

## Storage

- Continuing refresh of SSD portfolio
- Introduced Micron Accelerated Solutions
- Announced TLC 3D NAND-based SATA client SSD

# Industry Conditions

- DRAM industry bit supply in the low-to-mid 20% range in 2016, expected to be below 20% in 2017 if wafer production declines from current levels
- Continue to forecast longer term DRAM demand bit growth in the low-to-mid 20% range
- NAND industry bit supply growth in the mid-30% to low 40% range in 2016, in line or below the long-term demand outlook
- Channel prices for PC DRAM and NAND components have improved recently, although not currently impacting other segments

# Operating Priorities

- Executing our leading-edge technology deployment; bit growth and cost reduction targets are on track
- Achieved 22% DRAM bit growth and expect even stronger bit growth in Q4, as a result of the deployment of our 20nm technology
- 3D NAND ramp in manufacturing is proceeding well; expect to see significant bit growth and cost per bit reductions starting in the fall
- Reviewing our future capital investments and operating cash flows to ensure appropriate balance



**Ernie Maddock**  
Chief Financial Officer

---



# DRAM

REPRESENTED 60% OF MICRON TOTAL REVENUE IN FQ3-16

- Mobile was in the mid 20% range
- PC segment represented approximately 25%
- Server business was in the low 20% range
- Specialty DRAM, which includes Networking, Graphics, Auto and other embedded technologies, was in the high 20% range

# Trade Non-Volatile

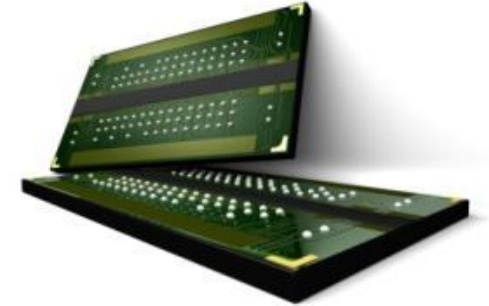
REPRESENTED 31% OF MICRON TOTAL REVENUE IN FQ3-16

- Consumer, which includes memory cards, USB and components, represented about 55%
- Mobile and SSDs each represented approximately 13%. As a reminder, eMCPs are in the Mobile segment.
- Automotive and Industrial Multi-Market Segment (or AIMM) and other embedded applications were in the high teens % range

# Compute Networking Business Unit (CNBU)

NON-GAAP

CNBU	Dollars in Millions	FQ3-16	FQ2-16
Sales		\$1,090	\$1,053
Operating income (loss)		(\$63)	(\$55)
Operating income %		(5.8%)	(5.2%)

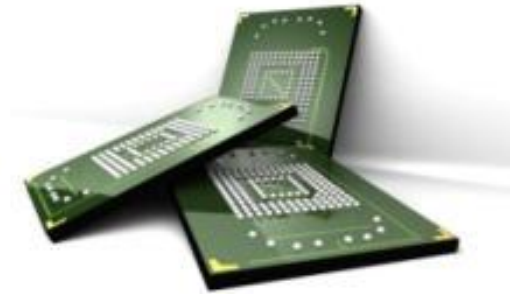


- Solid demand for DDR4 solutions in Enterprise and Cloud segments
- Significant growth in Graphics segment due to GDDR5 and GDDR5X
- Client segment growth due to 20nm 4Gbit DDR3 and 8Gbit DDR4 solutions

# Mobile Business Unit (MBU)

NON-GAAP

MBU	Dollars in Millions	FQ3-16	FQ2-16
Sales		\$561	\$503
Operating income (loss)		(\$17)	(\$21)
Operating income %		(3.0%)	(4.2%)

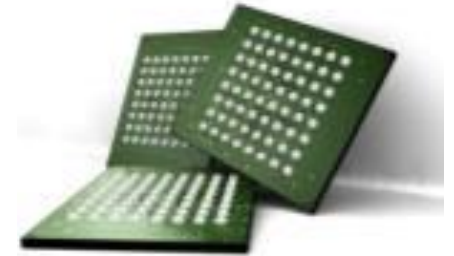


- Continued ramp of 20nm LPDDR3 and LPDDR4
- Shift to higher density eMCP solutions in FQ4 and early FY17
- Successfully concluded a number of delayed qualifications; remainder on track for FQ4

# Embedded Business Unit (EBU)

NON-GAAP

EBU	Dollars in Millions	FQ3-16	FQ2-16
Sales		\$487	\$460
Operating income (loss)		\$107	\$87
Operating income %		22.0%	18.9%



- Automotive achieved record revenue driven by increasing demand for DRAM and e.MMC solutions
- Strong demand for NAND and LPDRAM MCPs in Connected Home
- Good demand for NOR and NAND based MCPs used in machine-to-machine wireless communication modules in IMM segment

# Storage Business Unit (SBU)

NON-GAAP

SBU	Dollars in Millions	FQ3-16	FQ2-16
Sales		\$719	\$901
Operating income (loss)		(\$62)	(\$18)
Operating income %		(8.6%)	(2.0%)



- Good progress transitioning to lower cost 3D NAND products
- Launched Micron Accelerated Solutions
- Announced TLC 3D NAND-based SATA client SSD

# Financial Summary

NON-GAAP

<b>Dollars in millions, except per share</b>	<b>FQ3-16</b>	<b>% of Sales</b>	<b>FQ2-16</b>	<b>% of Sales</b>
Net sales	\$ 2,898	100%	\$ 2,934	100%
Gross margin	503	17%	579	20%
Operating income (loss)	(20)	(1%)	(4)	(0%)
Income tax (provision) benefit	56		4	
Net income (loss) attributable to Micron shareholders	\$ (79)	(3%)	\$ (48)	(2%)
Diluted earnings (loss) per share	\$ (0.08)		\$ (0.05)	
Cash provided by operating activities	\$ 389		\$ 763	
Cash and marketable investments	\$ 5,652		\$ 5,143	

# FQ4 2016 Guidance

NON-GAAP

	<b>FQ4-16 Guidance</b>
Revenue	<b>\$2.9 – \$3.2 billion</b>
Gross margin	<b>15.5% – 18%</b>
Operating expenses	<b>\$580 – \$630 million</b>
Operating income (loss)	<b>(\$135) – (\$55) million</b>
Diluted EPS*	<b>(\$0.24) – (\$0.16)</b>

\* Based on 1,036 million diluted shares



# Summary

- Recent improvements in DRAM and NAND channel pricing; market conditions remain challenging
- Executing on operational priorities including 20nm DRAM and 3D NAND conversions – targets remain on track
- Aligning the product portfolio to address cost efficiency and shifting market demand
- Implementing cost reduction initiatives with targeted savings of ~\$80 million per quarter starting in FY17

# Q&A

---

# Non-GAAP Reconciliations

---

# Consolidated Statements of Operations

## NON-GAAP RECONCILIATIONS

Amounts in millions, except per share amounts	FQ3-16	FQ2-16
GAAP net income (loss) attributable to Micron	\$ (215)	\$ (97)
Non-GAAP adjustments:		
Restructure and asset impairments	25	1
Amortization of debt discount and other costs	30	31
Loss on restructure of debt	3	—
(Gain) loss from changes in currency exchange rates	5	5
Other	2	—
Estimated tax effects of above items	—	(1)
Non-cash taxes from MMJ, MMT and Inotera	71	13
Total non-GAAP adjustments	136	49
Non-GAAP net (loss) income attributable to Micron	\$ (79)	\$ (48)
GAAP shares used in diluted EPS calculations	1,036	1,036
Anti-dilutive effect of capped calls	—	—
Non-GAAP shares used in diluted EPS calculations	1,036	1,036
GAAP diluted earnings (loss) per share	\$ (0.21)	\$ (0.09)
Effects of above	0.13	0.04
Non-GAAP diluted earnings (loss) per share	\$ (0.08)	\$ (0.05)

# Consolidated Statements of Operations

## FQ3 2016 NON-GAAP RECONCILIATIONS

Amounts in millions	GAAP	Adjustments		Non-GAAP
Net sales	\$ 2,898	\$ —		\$ 2,898
Cost of goods sold	2,400	(5)	A	2,395
Gross margin	498	5		503
Selling, general and administrative	148	(2)	B	146
Research and development	382	—		382
Other operating (income) expense, net	(5)	—		(5)
Total operating expenses	525	(2)		523
Operating income (loss)	(27)	7		(20)
Interest income	10	—		10
Interest expense	(109)	30	C	(79)
Other non-operating income (expense), net	(34)	3	D,E,F	(31)
	(160)	40		(120)
Income tax (provision) benefit	(15)	71	G	56
Equity in net income (loss) of equity method investees	(40)	25	H	(15)
Net income (loss)	(215)	136		(79)
Net income (loss) attributable to noncontrolling interests	—	—		—
Net income (loss) attributable to Micron	\$ (215)	\$ 136		\$ (79)

# Consolidated Statements of Operations

## FQ3 2016 NON-GAAP RECONCILIATIONS (CONTINUED)

Amounts in millions			
A	Fab 10X start-up costs	\$	5
B	Inotera acquisition and integration costs		2
C	Amortization of debt discount and other costs		30
D	Loss on restructure of debt		3
E	(Gain) on acquisition		(5)
F	(Gain) loss from changes in currency exchange rates		5
G	Non-cash taxes from MMJ and MMT		71
H	Restructure and asset impairments		25

# Summary Key Data

---

# Operational & Financial Data and Guidance

Approximate % of Revenue	FQ3-16
DRAM	60%
Non-Volatile*	31%

Sales Bit Growth	FQ3-16
DRAM	22%
Non-Volatile*	(10%)

Average Sales Price	FQ3-16
DRAM	(11%)
Non-Volatile*	(6%)

Cost / Bit	FQ3-16
DRAM	(9%)
Non-Volatile*	(3%)

	FQ3-16 Non-GAAP (amounts in millions, except per share)	FQ4-16 Non-GAAP Guidance
Revenue	\$ 2,898	\$2.9 – \$3.2 billion
Gross Margin	17%	15.5% – 18%
Operating expenses	\$ 523	\$580 – \$630 million
Operating income (loss)	\$ (20)	(\$135) – (\$55) million
Earnings (loss) per share	\$ (0.08)	(\$0.24) – (\$0.16)

	FQ3-16 Non-GAAP (amounts in millions)	FQ4-16 Non-GAAP Estimates
Net interest expense	\$ 69	\$~95 million
Equity in net income (loss) of equity method investments	\$ (15)	Primarily ~33% of Inotera net income (on a 2-month lag)
Equity compensation expense	\$ 47	\$~50 million
Diluted shares	1,036	~1,036 million Refer to the Convertible Notes Dilution Overview provided in our Earnings Data File.
Tax (provision) benefit	56	Single-digit million
Operating cash flow	\$ 389	N/A
Depreciation and amortization	\$ 755	FY-16: ~\$3.2 billion
Capital expenditures (Capital cash flow)	\$ 1,685	FY-16: \$5.0 – 5.5 billion (a)

See Non-GAAP reconciliations.

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

(a) Capital expenditures noted above reflect amounts expected to be funded by partners



# Convertible Notes Dilution Overview

FQ3 2016 (IN SHARES, ROUNDED IN MILLIONS)

<b>Stock Price</b>	<b>\$10</b>	<b>\$11</b>	<b>\$12</b>	<b>\$13</b>	<b>\$14</b>	<b>\$15</b>	<b>\$16</b>	<b>\$17</b>	<b>\$18</b>	<b>\$19</b>	<b>\$20</b>
2032 C Notes	1	3	5	6	7	8	9	10	11	11	12
2032 D Notes	0	2	3	4	5	6	7	7	8	8	9
2033 E Notes	0	0	1	3	4	4	5	6	6	7	7
2033 F Notes	0	0	2	4	6	7	9	10	11	12	12
2043 G Notes	0	0	0	0	0	0	0	0	0	0	0
Total dilutive shares	1	5	11	17	22	25	30	33	36	38	40
Benefit from capped calls	-1	-9	-21	-31	-39	-44	-45	-42	-40	-38	-36
<b>Net dilution</b>	<b>0</b>	<b>-4</b>	<b>-10</b>	<b>-14</b>	<b>-17</b>	<b>-19</b>	<b>-15</b>	<b>-9</b>	<b>-4</b>	<b>0</b>	<b>4</b>

The Micron logo features a stylized white 'M' with two white orbital rings around it, followed by the word 'micron' in a white, lowercase, sans-serif font. A registered trademark symbol (®) is located at the top right of the word. The entire logo is centered on a solid blue background.

**micron**®