

# Financial Results

## Fourth Quarter Fiscal 2016

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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 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 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



# FQ4 2016 Summary

- Revenue of \$3.2 billion
- Gross margin of 18%
- GAAP net loss of \$170 million; loss per share of \$0.16
- Non-GAAP loss of \$56 million; loss per share of \$0.05
- Operating cash flow of \$896 million

# Business Unit Update

## Compute & Networking

- Experienced accelerating revenue growth in a moderating pricing environment
- Growth driven by increased 20nm shipments and DDR4 transition
- Ongoing strength in graphics from GDDR5 and GDDR5-X products

## Mobile

- Growth fueled by China market and smartphone memory content increases
- Introduced four new mid-to-high density 3D NAND products
- DRAM and eMCP price declines moderated, with current signs of stabilization

## Embedded

- Record Automotive sales due to higher memory requirements and new products
- High-temperature DRAM and automotive-grade NAND enabling design wins
- Competitive industrial solutions bolstering share in IMM and communication

## Storage

- Refreshed SSD portfolio enabling transition to 3D NAND
- Actively working to extend TLC 3D NAND into the enterprise portfolio
- Positive supply and demand dynamics expected in the SSD market for 2017

# Industry Conditions

## ■ DRAM

- Improving market conditions driven by both supply and demand
- 2017 industry bit supply growth in the mid to high teens % range
- Long-term bit demand growth in the low to mid 20% range

## ■ NAND

- Improving market conditions driven by both supply and demand
- 2017 industry bit supply growth in the high 30% to low 40% range
- Long-term bit demand growth in the low to mid 40% range

# Operating Priorities

- Focused on ramping advanced technologies and building out robust portfolio
- DRAM
  - Begin 1X DRAM ramp, with meaningful output by mid 2017
  - On track to meet bit growth targets via technology transitions
  - Expect DRAM cost per bit to decline 20-25% in FY-17; cash cost reduction higher
- NAND
  - Ramp 1<sup>st</sup> gen 3D NAND and TLC products, begin 2<sup>nd</sup> gen 3D NAND
  - 3D NAND bit crossover in FQ1-17
  - Expect NAND cost per bit to decline 20-25% in FY-17; includes build-out of SSDs, eMCPs, and Managed NAND solutions with richer ASP mix



# Ernie Maddock

Chief Financial Officer





# DRAM

REPRESENTED 60% OF MICRON TOTAL REVENUE IN FQ4-16

- Mobile represented approximately 25%
- PC segment was in the upper 20% range
- Server business was in the high teens % range
- Specialty DRAM, which includes networking, graphics, automotive and other embedded technologies, was in the low 30% range
  - Graphics represented more than 10%

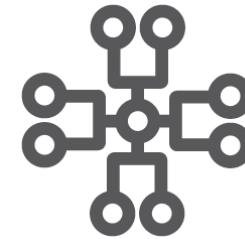
# Trade Non-Volatile

REPRESENTED 31% OF MICRON TOTAL REVENUE IN FQ4-16

- Consumer, which includes memory cards, USB and components, represented about 50%
- Mobile was in the high teens %
  - As a reminder, eMCPs are primarily in the Mobile segment
- SSDs represented 13%
- Automotive and Industrial Multi-Market Segment and other embedded applications were in the high teens % range

# Compute and Networking Business Unit (CNBU)

	FQ4-16	FQ3-16
Revenue	\$1.25B	\$1.09B
% of total company revenue	39%	38%
Non-GAAP operating income/(loss)	(\$7M)	(\$63M)
Non-GAAP operating income/(loss) %	(0.6%)	(5.8%)



- Revenue growth due to 20nm shipments and stronger demand
- Saw moderating pricing environment across all segments
- Strength in Graphics from both GDDR5 and GDDR5X products
- In Client, DDR4 represented the majority of shipments for the first time

# Mobile Business Unit (MBU)

	FQ4-16	FQ3-16
Revenue	\$671M	\$561M
% of total company revenue	21%	19%
Non-GAAP operating income/(loss)	(\$45M)	(\$17M)
Non-GAAP operating income/(loss) %	(6.7%)	(3.0%)



- Revenue driven by a strong quarter in eMCP product sales
- Profitability impacted by sales of early production products
- Significant growth in higher density MCPs

# Embedded Business Unit (EBU)

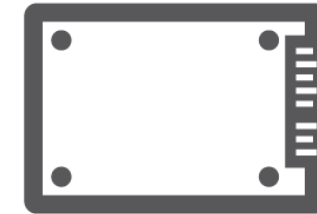
	FQ4-16	FQ3-16
Sales	\$513M	\$487M
% of total company revenue	16%	17%
Non-GAAP operating income	\$133M	\$107M
Non-GAAP operating income %	25.9%	22.0%



- Record Automotive revenue fueled by demand for in-car applications
- Increased IMM revenue driven by amusement and communications markets
- Consumer and Connected Home revenue up sequentially

# Storage Business Unit (SBU)

	FQ4-16	FQ3-16
Sales	\$758M	\$719M
% of total company revenue	24%	25%
Non-GAAP operating income/(loss)	(\$69M)	(\$62M)
Non-GAAP operating income/ (loss) %	(9.1%)	(8.6%)



- Entered production and OEM qualification of TLC 3D NAND-based SSDs
- Transitioned to TLC 3D NAND in client and consumer SSDs
- In enterprise and cloud SSDs, higher sales due to planar MLC drive

# Financial Summary

## NON-GAAP

Dollars in millions, except per share	FQ4-16	% of Sales	FQ3-16	% of Sales
Net sales	\$3,217	100%	\$2,898	100%
Gross margin	579	18%	503	17%
Operating income (loss)	20	1%	(20)	(1%)
Income tax (provision) benefit	20		56	
Net income (loss) attributable to Micron shareholders	(56)	(2%)	(79)	(3%)
Diluted earnings (loss) per share	(0.05)		(0.08)	
Cash provided by operating activities	896		389	
Cash and marketable investments	4,812		5,652	

# Financial Summary

## NON-GAAP

Dollars in millions, except per share	FY-16	% of Sales	FY-15	% of Sales
Net sales	\$12,399	100%	\$16,192	100%
Gross margin	2,510	20%	5,215	32%
Operating income (loss)	243	2%	3,001	19%
Income tax (provision) benefit	67		(114)	
Net income (loss) attributable to Micron shareholders	66	1%	3,098	19%
Diluted earnings (loss) per share	0.06		2.72	
Cash provided by operating activities	3,168		5,208	
Cash and marketable investments	4,812		5,634	



# Reporting Changes

- DRAM Capital Equipment depreciable life extension
  - Longer intervals between technology transitions
  - Changed depreciable life from 5 years to 7 years
  - This will reduce depreciation expense by ~\$100M per quarter in FY-17
  - No change to NAND-related equipment depreciation
- Additional exclusions from non-GAAP results
  - To be more consistent with the majority of semiconductor companies
  - Will exclude stock-based compensation expense and amortization of acquisition-related intangibles from non-GAAP results
  - These expenses are ~\$50M per quarter on average

# FQ1 2017 Guidance

NON-GAAP

	FQ1-17 Guidance
Revenue	\$3.55 – \$3.85 billion
Gross margin	23% – 25.5%
Operating expenses	\$600 – \$650 million
Operating income	\$245 – \$330 million
Diluted EPS*	\$0.13 – \$0.21

\* Based on 1,046 million diluted shares

# Operations and Investments

- Expect to spend approximately \$5B on net capital expenditures in FY-17
  - 40-50% DRAM, 30-40% non-volatile memory, 15-25% technology/product enablement
  - Allows us to fund technology investments while achieving neutral to positive free cash flow in FY-17
- On track to achieve bit growth and cost reduction targets
- Progress on Inotera transaction open issues
  - Expect Inotera board to establish share swap record date at October 11 meeting
  - Anticipate share swap record date will be set for first half of December 2016



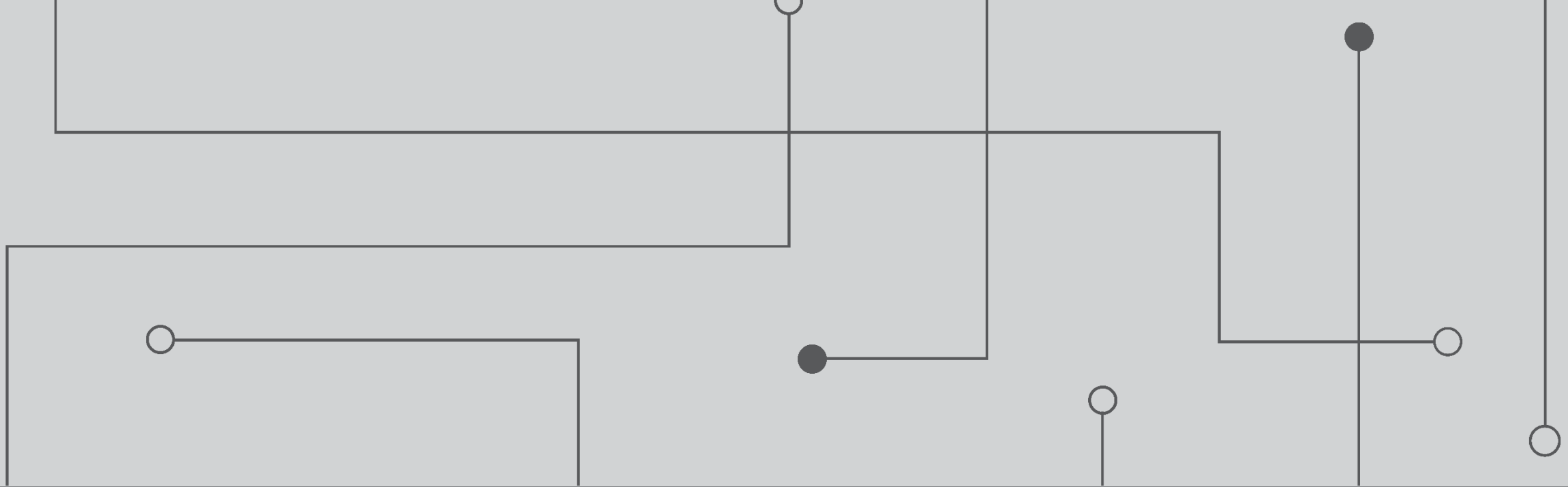
# Mark Durcan

Chief Executive Officer



# Summary

- Positive non-GAAP EPS in FY-16 despite challenging market conditions and timing of a technology transition period for Micron
- Now experiencing a more positive market environment
- Committed to improving relative performance
  - Enhanced growth and cost reductions, and expanded capability to deliver value-added products to enable our customers



Q&A



# Non-GAAP Reconciliations

# Consolidated Statements of Operations

## NON-GAAP RECONCILIATION

Amounts in millions, except per share amounts	FQ4-16	FQ3-16
GAAP net income (loss) attributable to Micron	\$ (170)	\$ (215)
Non-GAAP adjustments:		
Restructure and asset impairments	51	25
Amortization of debt discount and other costs	32	30
Loss on restructure of debt	—	3
(Gain) loss from changes in currency exchange rates	11	5
Other	1	2
Estimated tax effects of above items	(1)	—
Non-cash changes in net deferred income taxes	20	71
Total non-GAAP adjustments	114	136
Non-GAAP net income (loss) attributable to Micron	\$ (56)	\$ (79)
GAAP shares used in diluted EPS calculations	1,037	1,036
Anti-dilutive effect of capped calls and other adjustments	—	—
Non-GAAP shares used in diluted EPS calculations	1,037	1,036
GAAP diluted earnings (loss) per share	\$ (0.16)	\$ (0.21)
Effects of above	0.11	0.13
Non-GAAP diluted earnings (loss) per share	\$ (0.05)	\$ (0.08)



# Consolidated Statements of Operations

## NON-GAAP RECONCILIATION

Amounts in millions, except per share amounts	FY-16	FY-15
GAAP net income (loss) attributable to Micron	\$ (276)	\$ 2,899
Non-GAAP adjustments:		
Restructure and asset impairments	92	13
Amortization of debt discount and other costs	126	138
Loss on restructure of debt	4	49
(Gain) loss from changes in currency exchange rates	24	27
(Gain) from <u>remeasurement</u> of equity interest	—	(21)
Other	3	(1)
Estimated tax effects of above items	—	(16)
Non-cash changes in net deferred income taxes	134	31
Non-cash taxes from business acquisition activities	(41)	(21)
Total non-GAAP adjustments	342	199
Non-GAAP net income (loss) attributable to Micron	<u>\$ 66</u>	<u>\$ 3,098</u>
GAAP shares used in diluted EPS calculations	1,036	1,170
Anti-dilutive effect of capped calls and other adjustments	(1)	(32)
Non-GAAP shares used in diluted EPS calculations	<u>1,035</u>	<u>1,138</u>
GAAP diluted earnings (loss) per share	\$ (0.27)	\$ 2.47
Effects of above	0.33	0.25
Non-GAAP diluted earnings (loss) per share	<u>\$ 0.06</u>	<u>\$ 2.72</u>

# Consolidated Statements of Operations

## FQ4 2016 NON-GAAP RECONCILIATION

Amounts in millions	GAAP	Adjustments		Non-GAAP
Net sales	\$ 3,217	\$ —		\$ 3,217
Cost of goods sold	2,638	—		2,638
Gross margin	579	—		579
Selling, general and administrative	157	(1)	A	156
Research and development	411	—		411
Restructure and asset impairments	51	(51)	B	—
Other operating (income) expense, net	(8)	—		(8)
Total operating expenses	611	(52)		559
Operating income (loss)	(32)	52		20
Interest income	9	—		9
Interest expense	(135)	32	C	(103)
Other non-operating income (expense), net	(10)	11	D	1
	(168)	95		(73)
Income tax (provision) benefit	(3)	23	E,F	20
Equity in net income (loss) of equity method investees	1	(4)	G	(3)
Net income (loss)	(170)	114		(56)
Net income (loss) attributable to noncontrolling interests	—	—		—
Net income (loss) attributable to Micron	\$ (170)	\$ 114		\$ (56)

# Consolidated Statements of Operations

## FQ4 2016 NON-GAAP RECONCILIATION (CONTINUED)

Amounts in millions			
A	Inotera acquisition and integration costs	\$	1
B	Restructure and asset impairments		51
C	Amortization of debt discount and other costs		32
D	(Gain) loss from changes in currency exchange rates		11
E	Estimated tax effects of above items		(1)
F	Non-cash changes in net deferred income taxes		24
G	Non-cash taxes from Inotera		(4)
		\$	<u>114</u>

# Consolidated Statements of Operations

## FY 2016 NON-GAAP RECONCILIATION

Amounts in millions	GAAP	Adjustments		Non-GAAP
Net sales	\$ 12,399	\$ —		\$ 12,399
Cost of goods sold	9,894	(5)	A	9,889
Gross margin	2,505	5		2,510
Selling, general and administrative	659	(3)	B	656
Research and development	1,617	—		1,617
Restructure and asset impairments	67	(67)	C	—
Other operating (income) expense, net	(6)	—		(6)
Total operating expenses	2,337	(70)		2,267
Operating income (loss)	168	75		243
Interest income	42	—		42
Interest expense	(437)	126	D	(311)
Other non-operating income (expense), net	(54)	23	E,F,G	(31)
	(281)	224		(57)
Income tax (provision) benefit	(19)	86	H,I	67
Equity in net income (loss) of equity method investees	25	32	J,K	57
Net income (loss)	(275)	342		67
Net income (loss) attributable to noncontrolling interests	(1)	—		(1)
Net income (loss) attributable to Micron	\$ (276)	\$ 342		\$ 66

# Consolidated Statements of Operations

FY 2016 NON-GAAP RECONCILIATION (CONTINUED)

Amounts in millions			
A	Fab 10X start-up costs	\$	5
B	Inotera acquisition and integration costs		3
C	Restructure and asset impairments		67
D	Amortization of debt discount and other costs		126
E	Loss on restructure of debt		4
F	(Gain) on acquisition		(5)
G	(Gain) loss from changes in currency exchange rates		24
H	Non-cash changes in net deferred income taxes		127
I	Non-cash taxes from business acquisition activities		(41)
J	Non-cash taxes from Inotera		7
K	Impairment of equity method investment		25
		\$	<u>342</u>

# Summary Key Data

# Operational & Financial Data and Guidance

Approximate % of Revenue	FQ4-16
DRAM	60%
Non-Volatile*	31%

Sales Bit Growth	FQ4-16
DRAM	20%
Non-Volatile*	13%

Average Sales Price	FQ4-16
DRAM	(6%)
Non-Volatile*	(1%)

Cost / Bit	FQ4-16
DRAM	(8%)
Non-Volatile*	1%

	FQ4-16 Non-GAAP (amounts in millions, except per share)	FQ1-17 Non-GAAP Guidance
Revenue	\$ 3,217	\$3.55 – \$3.85 billion
Gross Margin	18%	23% – 25.5%
Operating expenses	\$ 559	\$600 – \$650 million
Operating income	\$ 20	\$245 – \$330 million
Earnings (loss) per share	\$ (0.05)	\$0.13 – \$0.21

	FQ4-16 Non-GAAP (amounts in millions)	FQ1-17 Non-GAAP Estimates
Net interest expense	\$ 94	\$~100 million
Equity in net income (loss) of equity method investments	\$ (3)	Primarily ~33% of Inotera net income (on a 2-month lag) ~1,046 million
Diluted shares	1,037	Refer to the Convertible Notes Dilution Overview provided in our Earnings Data File.
Tax (provision) benefit	\$ 20	(Low teens) million
Operating cash flow	\$ 896	N/A
Depreciation and amortization	\$ 714	FY-17: ~\$4.0 billion (a)
Capital expenditures (Capital cash flow)	\$ 1,691 (b)	FY-17: \$4.8 – 5.2 billion (a) (b)

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) Includes impact of Inotera (IMI)

(b) Net of partner contributions

# Convertible Notes Dilution Overview

FQ4 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>	<b>\$21</b>
2032 C Notes	1	3	5	6	7	8	9	10	11	11	12	13
2032 D Notes	0	2	3	4	5	6	7	7	8	8	9	9
2033 E Notes	0	0	1	3	4	4	5	6	6	7	7	8
2033 F Notes	0	0	2	4	6	7	9	10	11	12	12	13
2043 G Notes	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total dilutive shares</b>	<b>1</b>	<b>5</b>	<b>11</b>	<b>17</b>	<b>22</b>	<b>25</b>	<b>30</b>	<b>33</b>	<b>36</b>	<b>38</b>	<b>40</b>	<b>43</b>
Benefit from capped calls	-1	-9	-21	-31	-39	-44	-45	-42	-40	-38	-36	-34
<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>	<b>9</b>



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