

Financial Results

Third Quarter Fiscal 2017

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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



Ernie Maddock

SVP and CFO

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%

The logo for the Compute & Networking Business Unit (CNBU) is displayed on a dark gray rectangular background. The letters "CNBU" are written in a large, bold, white sans-serif font.

- 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%

MBU

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

EBU

- 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
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%

SBU

- 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

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

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



Q&A

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 Inotera inventory step up	36	60
Stock-based compensation	57	55
Inotera 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	(8)	(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
		\$	<u>249</u>

Summary Key Data

Non-GAAP Financial Data and Guidance

% of Revenue	FQ3-17
DRAM	64%
Trade NAND*	31%

Sales Bit Growth Q/Q	FQ3-17
DRAM	5%
Trade NAND*	17%

ASP Change Q/Q	FQ3-17
DRAM	14%
Trade NAND*	3%

Cost/Bit Change Q/Q	FQ3-17
DRAM	(6%)
Trade NAND*	(12%)

Gross Margin	FQ3-17
DRAM	54%
Trade NAND*	41%

	FQ3-17 Non-GAAP (amounts in millions, except per share)	FQ4-17 Non-GAAP Guidance
Revenue	\$5,566	\$5.70 – \$6.10 billion
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

	FQ3-17 Non-GAAP (amounts in millions)	FQ4-17 Non-GAAP Estimates
Net interest expense	\$113	~\$105 million
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

See Non-GAAP reconciliations

*Trade NAND excludes sales to Intel through IMFT, which are at long-term negotiated prices approximating cost

(a) Net of amounts funded by partners

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

