Micron FQ3 2024 Earnings

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CONTEXT

Micron Technology delivered a strong performance in Q3 FY2024, significantly surpassing market expectations in several key areas. The company's financial results reflect robust demand, strategic pricing, and technological advancements that position it well for future growth.

FISCAL PERFORMANCE

Financial summary
Non-GAAP

Amounts in millions, except per share	FQ3-24	% of Revenue	FQ2-24	% of Revenue	FQ3-23	% of Revenue
Revenue	$6,811	100%	$5,824	100%	$3,752	100%
Gross margin	1,917	28%	1,163	20%	(603)	(16%)
Operating income (loss)	941	14%	204	4%	(1,469)	(39%)
Income tax (provision) benefit	(227)		294		(102)	
Net income (loss)	702	10%	476	8%	(1,565)	(42%)
Diluted earnings (loss) per share	0.62		0.42		(1.43)	
Cash provided by operating activities (GAAP)	2,482		1,219		24	
Cash, marketable investments, and restricted cash (GAAP)	9,224		9,718		11,397	

(source: Micron Technologies)

Revenue

- **Total Revenue**: Micron reported a total revenue of $6.8 billion, up 17% sequentially and 82% year-over-year.
- **DRAM Revenue**: DRAM revenue was approximately $4.7 billion, 69% of total revenue. The segment grew 13% sequentially, driven by a mid-single-digit percentage decline in bit shipments but a significant 20% increase in pricing.

- **NAND Revenue**: NAND revenue was approximately $2.1 billion, making up 30% of total revenue. NAND revenue increased 32% sequentially, with bit shipments rising in the "high single-digit" percentage range and prices increasing by around 20%.

Gross Margin and Operating Income

- **Gross Margin**: The quarter's consolidated gross margin was approximately 28%, up over 8 percentage points sequentially. This improvement was driven primarily by higher pricing, favorable product mix, and cost reductions.

- **Operating Income**: Micron generated an operating income of $941 million, resulting in an operating margin of 14%, up 10 percentage points sequentially and 53 percentage points from the same quarter last year.

Earnings Per Share (EPS)

- **Non-GAAP EPS**: Non-GAAP diluted EPS was $0.62, compared to $0.42 in the previous quarter and a loss per share of $1.43 in the year-ago quarter. The EPS exceeded the high end of Micron's guidance range by $0.10, driven by better-than-expected revenue and profitability.

Cash Flow and Capital Expenditure

- **Operating Cash Flow**: Micron's operating cash flow was $2.5 billion, 36% of revenue.

- **Capital Expenditures**: The company's capital expenditures for the quarter were $2.1 billion.

- **Free Cash Flow**: Micron generated free cash flow of $425 million for the quarter.

INVENTORY AND LIQUIDITY

- **Inventory**: The quarter's ending inventory was $8.5 billion, or 155 days, a decline of 5 days from the prior quarter.

- **Cash and Investments**: At the end of the quarter, Micron held $9.2 billion in cash and investments, maintaining nearly $12 billion in liquidity when including its untapped credit facility.

- **Debt**: The company ended the quarter with $13.3 billion in total debt, low net leverage, and a weighted average debt maturity by 2031.

SEGMENT PERFORMANCE

Revenue by business unit

Amounts in millions	FQ3-24	FQ2-24	Q/Q % Change	FQ3-23	Y/Y % Change
Compute and Networking (CNBU)	$2,573	$2,185	18%	$1,389	85%
Mobile (MBU)	$1,588	$1,598	(1%)	$819	94%
Embedded (EBU)	$1,294	$1,111	16%	$912	42%
Storage (SBU)	$1,353	$905	50%	$627	116%

(source: Micron Technology)

- **Compute and Networking Business Unit**: Revenue was $2.6 billion, up 18% sequentially, with DRAM data center revenue more than doubling year-over-year.
- **Mobile Business Unit**: Revenue was $1.6 billion, down 1% sequentially due to a planned decline in volume, partially offset by improved pricing.
- **Embedded Business Unit**: Revenue was $1.3 billion, up 16% sequentially, driven by record automotive revenue.
- **Storage Business Unit**: Revenue was $1.4 billion, up 50% sequentially, achieving record data center SSD revenue, which nearly doubled sequentially.

NON-FISCAL HIGHLIGHTS

In addition to its financial performance, Micron Technology achieved several significant non-fiscal milestones in Q3 FY2024. These accomplishments underscore the company's strategic advancements, technological innovations, and operational resilience.

TECHNOLOGICAL ADVANCEMENTS

- **Leading-Edge Technology Nodes**: Micron continued ramping up the industry's most advanced technology nodes in DRAM and NAND. Over 80% of its DRAM bit production is now on the 1-alpha and 1-beta nodes, and over 90% of its NAND bit production is on two leading-edge nodes.

- **1-Gamma DRAM and Next-Generation NAND**: Pilot production of 1-gamma DRAM using extreme ultraviolet lithography is progressing well, with volume production on track for calendar 2025. Similarly, the next-generation NAND node is also on schedule, with high-volume production planned for the same period.

OPERATIONAL RESILIENCE

- **Earthquake Recovery in Taiwan**: Micron demonstrated operational resilience by quickly recovering from disruptions caused by the recent earthquake in Taiwan. The swift response from Micron Taiwan team members, in collaboration with global operations teams, minimized the impact on production and ensured continuity of supply.

- **Cost Reductions**: Despite the earthquake, Micron expects high single-digit percentage reductions in fiscal 2024 DRAM front-end costs (excluding HBM) and low teens percentage reductions in NAND front-end costs. These cost efficiencies are attributed to the company's industry-leading 1-beta DRAM and 232-layer NAND nodes.

STRATEGIC PARTNERSHIPS AND GOVERNMENT SUPPORT

- **CHIPS and Science Act**: Micron signed a nonbinding preliminary memorandum of terms (PMT) with the U.S. government for $6.1 billion in grants under the CHIPS and Science Act. These grants will support Micron's planned leading-edge memory manufacturing expansions in Idaho and New York, facilitating cost-competitive, advanced memory production in the United States.

- **Fab Construction**: Construction of new fabs in Idaho is underway, with regulatory and permitting processes progressing in New York. These facilities are critical for meeting long-term demand and supporting the growth of Micron's memory bit supply.

OUTLOOK & GUIDANCE

Micron Technology's outlook for the upcoming quarters and fiscal year reflects a strong confidence in continued growth driven by robust demand, particularly in AI and data center markets, and strategic investments in advanced technologies.

Non-GAAP financial data and guidance

% of Revenue	FQ3-24
DRAM	69%
NAND	30%

% Sales Volume Change	FQ3-24 Q/Q
DRAM	Decreased by a mid-single digit percentage
NAND	Increased by a high-single digit percentage

% ASP Change	FQ3-24 Q/Q
DRAM	Increased by approximately 20%
NAND	Increased by approximately 20%

		FQ3-24 Non-GAAP (amounts in millions, except per share)	FQ4-24 Non-GAAP Guidance
Revenue	$	6,811	$7.60 billion ± $200 million
Gross margin		28%	34.5% ± 1.0%
Operating expenses	$	976	$1.06 billion ± $15 million
Diluted earnings per share	$	0.62	$1.08 ± $0.08

		FQ3-24 Non-GAAP (amounts in millions)	FQ4-24 Non-GAAP Estimates
Diluted shares		1,136	~1.14 billion
Income tax (provision) benefit	$	(227)	~($320) million
Cash from operations (GAAP)	$	2,482	—
Investments in capex, net (capital cash flow)	$	(2,057)	FY-24: ~$8.0 billion

(source: Micron Technologies)

Q4 FISCAL 2024 GUIDANCE

- **Revenue**: Micron projects Q4 revenue to be $7.6 billion, +/- $200 million.
- **Gross Margin**: Micron expects its gross margin to be in the range of 34.5%, +/- 100 basis points, indicating continued improvement due to favorable supply-demand dynamics and a higher mix of high-margin products.
- **Operating Expenses**: Operating expenses are forecasted to be approximately $1.06 billion, +/- $15 million. This increase is attributed to higher R&D program expenses and a nonrecurring asset sale gain in Q3.
- **Tax Expense**: Expected to be approximately $320 million.
- **Earnings Per Share (EPS)**: Non-GAAP diluted EPS is anticipated to be $1.08 per share, plus or minus $0.08, reflecting ongoing profitability improvements.

FISCAL 2025 OUTLOOK

- **Revenue and Profitability**: Micron expects record revenue and significantly improved profitability in fiscal 2025, driven by solid demand for AI-driven products and high-value memory solutions.
- **Capital Expenditures (CapEx)**: Fiscal 2025 CapEx is projected to be around the mid-30s percentage range of revenue, primarily to support HBM assembly and test equipment, fab and back-end facility construction, and technology transition investments. This represents a substantial increase from fiscal 2024's CapEx.

- **Greenfield Fab Construction**: A significant portion of CapEx in fiscal 2025 will be allocated to the construction of new fabs in Idaho and New York, supported by grants under the CHIPS and Science Act. These facilities are expected to contribute to bit supply growth in the latter half of the decade.
- **Technology Investments**: Continued focus on ramping advanced technology nodes, including 1-alpha, 1-beta, and 1-gamma DRAM, as well as 232-layer NAND. Volume production for 1-gamma DRAM and the next-generation NAND node is planned for calendar 2025.

MARKET DEMAND AND SUPPLY DYNAMICS

- **AI and Data Center Demand**: Micron anticipates robust growth in AI-driven demand for data center products, leading to record data center revenue levels in fiscal 2024 and significant growth in fiscal 2025.
- **AI PCs and Smartphones**: The introduction of AI PCs and smartphones is expected to accelerate the replacement cycle and drive higher DRAM and SSD content per device, contributing to strong revenue growth in these segments.
- **Supply Constraints**: Continued tightness in leading-edge node supply is expected to support favorable pricing trends. The increasing complexity and silicon intensity of HBM production will constrain supply growth for non-HBM DRAM products, further supporting pricing.

ANALYSIS

Micron is well-positioned to benefit from the multi-year growth opportunity driven by AI. The company's robust roadmap for HBM and other advanced memory solutions ensures continued technological leadership and market relevance.

Growth attributed to AI workloads has enabled Micron to grow its data center revenue by over 50% sequentially. Micron's product portfolio, including HBM, high-capacity DIMMs, and data center SSDs, makes the company well-positioned to continue to capitalize on this trend.

Looking forward, Micron's strategic focus on AI-driven demand and advanced technology investments is expected to drive substantial revenue and profitability growth in fiscal 2025.

Micron also noted during is earnings call that data center customer inventories have normalized, with strengthened demand across segments. The anticipation of tight supply and rising prices has increased customer interest in securing 2025 long-term agreements ahead of schedule. This proactive engagement reflects confidence in Micron's ability to meet future demand.

Overall, Micron’s performance in is FQ3 FY2024 shows its strong market position and ability to capitalize on favorable supply-demand conditions. Significant revenue growth, improved gross margins, and disciplined cost management have positioned the company for continued success.

Micron Technology's outlook and guidance for fiscal Q4 2024 and 2025 indicate strong confidence in continued growth and profitability driven by AI and data center demand. Strategic investments in advanced technologies and capacity expansions are set to position the company favorably for long-term success. The anticipated record revenue and profitability improvements underscore Micron's robust market positioning and ability to capitalize on evolving industry trends.