# Micron Technology, Inc. Reports Results for the First Quarter of Fiscal 2020

December 18, 2019 at 4:01 PM EST

**Solid results through challenging environment; well-positioned for anticipated recovery starting in the fiscal third quarter**

BOISE, Idaho, Dec. 18, 2019 (GLOBE NEWSWIRE) -- Micron Technology, Inc. (Nasdaq: MU) today announced results for its first quarter of fiscal 2020, which ended November 28, 2019.

**Fiscal Q1 2020 highlights**

- Revenues of $5.14 billion versus $4.87 billion for the prior quarter and $7.91 billion for the same period last year
- GAAP net income of $491 million, or $0.43 per diluted share
- Non-GAAP net income of $548 million, or $0.48 per diluted share
- Operating cash flow of $2.01 billion versus $2.23 billion for the prior quarter and $4.81 billion for the same period last year

"Micron posted solid first quarter results, delivering good profitability and positive free cash flow. With our strong execution and improving industry conditions, we are optimistic that Micron's fiscal second quarter will be the cyclical bottom for our financial performance," said Micron Technology President and CEO Sanjay Mehrotra. "Our significantly improved competitive position, dramatically stronger product portfolio, structurally higher profitability and investment-grade balance sheet position Micron very well to drive long-term shareholder value."

**Quarterly Financial Results**

| | GAAP [1] | | | Non-GAAP [2] | | |
|---|---|---|---|---|---|---|
| *(in millions, except per share amounts)* | **FQ1-20** | **FQ4-19** | **FQ1-19** | **FQ1-20** | **FQ4-19** | **FQ1-19** |
| Revenue | $ 5,144 | $ 4,870 | $ 7,913 | $ 5,144 | $ 4,870 | $ 7,913 |
| Gross margin | 1,366 | 1,395 | 4,615 | 1,405 | 1,491 | 4,670 |
| *percent of revenue* | *26.6 %* | *28.6 %* | *58.3 %* | *27.3 %* | *30.6 %* | *59.0 %* |
| Operating expenses | 848 | 745 | 856 | 811 | 797 | 783 |
| Operating income | 518 | 650 | 3,759 | 594 | 694 | 3,88 |
| *percent of revenue* | *10.1 %* | *13.3 %* | *47.5 %* | *11.5 %* | *14.3 %* | *49.1 %* |
| Net income attributable to Micron | 491 | 561 | 3,293 | 548 | 637 | 3,508 |
| Diluted earnings per share | 0.43 | 0.49 | 2.81 | 0.48 | 0.56 | 2.97 |

Investments in capital expenditures, net of amounts funded by partners, were $1.93 billion for the first quarter of fiscal 2020, which resulted in adjusted free cash flows[3] of $79 million. Micron repurchased an aggregate of 1 million shares of its common stock for $50 million during the first quarter of fiscal 2020 and ended the quarter with cash, marketable investments, and restricted cash of $8.31 billion, for a net cash[4] position of $2.66 billion.

**Business Outlook**

The following table presents Micron's guidance for the second quarter of fiscal 2020:

| **FQ2-20** | **GAAP [1] Outlook** | **Non-GAAP [2] Outlook** |
|---|---|---|
| Revenue | $4.5 billion - $4.8 billion | $4.5 billion - $4.8 billion |
| Gross margin | 26% ± 1.5% | 27% ± 1.5% |
| Operating expenses | $878 million ± $25 million | $825 million ± $25 million |
| Interest (income) expense, net | $5 million | $0 million |
| Diluted earnings per share | $0.25 ± $0.06 | $0.35 ± $0.06 |

Further information regarding Micron's business outlook is included in the prepared remarks and slides, which have been posted at investors.micron.com.

**Investor Webcast**

Micron will host a conference call on Wednesday, December 18, 2019 at 2:30 p.m. MT to discuss its first fiscal quarter financial results and provide forward-looking guidance for its second fiscal quarter. A live webcast of the call will be available online at investors.micron.com. A webcast replay will be available for one year after the call. For Investor Relations and other company updates, follow @MicronTech on Twitter at twitter.com/MicronTech.

**About Micron Technology, Inc.**

We are an industry leader in innovative memory and storage solutions. Through our global brands — Micron®, Crucial®, and Ballistix® — our broad portfolio of high-performance memory and storage technologies, including DRAM, NAND, 3D XPoint™ memory, and NOR, is transforming how the world uses information to enrich life. Backed by 40 years of technology leadership, our memory and storage solutions enable disruptive trends, including artificial intelligence, 5G, machine learning, and autonomous vehicles, in key market segments like mobile, data center, client, consumer,

industrial, graphics, automotive, and networking. Our common stock is traded on the Nasdaq under the MU symbol. To learn more about Micron Technology, Inc., visit micron.com.

*Micron and the Micron orbit logo are trademarks of Micron Technology, Inc. All other trademarks are the property of their respective owners.*

**Forward-Looking Statements**

This press release contains forward-looking statements regarding the industry, our strategic position, and financial and operating results. 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 we file with the Securities and Exchange Commission, specifically our most recent Form 10-K. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in these forward-looking statements. These certain factors can be found at 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 this release to conform these statements to actual results.

(1) GAAP represents U.S. Generally Accepted Accounting Principles.

(2) Non-GAAP represents GAAP excluding the impact of certain activities, which management excludes in analyzing our operating results and understanding trends in our earnings. Non-GAAP shares used in per share calculations also include the impact of our outstanding capped call transactions and the effect of stock-based compensation.

(3) Adjusted free cash flow consists of cash provided by operating activities less investments in capital expenditures, net of amounts funded by partners.

(4) Net cash consists of cash, marketable investments, and restricted cash less current and long-term debt.

Further information regarding Micron's use of non-GAAP measures and reconciliations between GAAP and non-GAAP measures are included within this press release.

**MICRON TECHNOLOGY, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In millions, except per share amounts)
(Unaudited)

| | 1st Qtr. November 28, 2019 | 4th Qtr. August 29, 2019 | 1st Qtr. November 29, 2018 |
|---|---|---|---|
| Revenue | $ 5,144 | $ 4,870 | $ 7,913 |
| Cost of goods sold | 3,778 | 3,475 | 3,298 |
| Gross margin | 1,366 | 1,395 | 4,615 |
| Selling, general, and administrative | 211 | 212 | 209 |
| Research and development | 640 | 623 | 611 |
| Other operating (income) expense, net | (3) | (90) | 36 |
| Operating income | 518 | 650 | 3,759 |
| Interest income | 44 | 57 | 38 |
| Interest expense | (47) | (39) | (33) |
| Other non-operating income (expense), net | 46 | (13) | 9 |
| | 561 | 655 | 3,773 |
| Income tax (provision) benefit | (55) | (71) | (477) |
| Equity in net income (loss) of equity method investees | 2 | 2 | — |
| Net income | 508 | 586 | 3,296 |
| Net income attributable to noncontrolling interests | (17) | (25) | (3) |
| Net income attributable to Micron | $ 491 | $ 561 | $ 3,293 |
| Earnings per share | | | |
| Basic | $ 0.44 | $ 0.51 | $ 2.91 |
| Diluted | 0.43 | 0.49 | 2.81 |
| Number of shares used in per share calculations | | | |
| Basic | 1,107 | 1,104 | 1,133 |

| | | | |
|---|---|---|---|
| Diluted | 1,129 | 1,128 | 1,174 |

**MICRON TECHNOLOGY, INC.**
**CONSOLIDATED BALANCE SHEETS**
(In millions)
(Unaudited)

| As of | November 28, 2019 | August 29, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and equivalents | $ 6,969 | $ 7,152 |
| Short-term investments | 619 | 803 |
| Receivables | 3,419 | 3,195 |
| Inventories | 4,943 | 5,118 |
| Other current assets | 217 | 235 |
| Total current assets | 16,167 | 16,503 |
| Long-term marketable investments | 599 | 1,164 |
| Property, plant, and equipment | 29,352 | 28,240 |
| Intangible assets | 333 | 340 |
| Deferred tax assets | 783 | 837 |
| Goodwill | 1,228 | 1,228 |
| Operating lease right-of-use assets | 608 | — |
| Other noncurrent assets | 579 | 575 |
| Total assets | $ 49,649 | $ 48,887 |
| **Liabilities and equity** | | |
| Accounts payable and accrued expenses | $ 5,408 | $ 4,626 |
| Current debt | 462 | 1,310 |
| Other current liabilities | 447 | 454 |
| Total current liabilities | 6,317 | 6,390 |
| Long-term debt | 5,188 | 4,541 |
| Noncurrent operating lease liabilities | 511 | — |
| Noncurrent unearned government incentives | 609 | 636 |
| Other noncurrent liabilities | 426 | 452 |
| Total liabilities | 13,051 | 12,019 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 98 | 98 |
| Micron shareholders' equity | | |
| Common stock | 119 | 118 |
| Additional capital | 8,428 | 8,214 |
| Retained earnings | 31,218 | 30,761 |
| Treasury stock | (3,271) | (3,221) |
| Accumulated other comprehensive income | 6 | 9 |
| Total Micron shareholders' equity | 36,500 | 35,881 |
| Noncontrolling interest in subsidiary | — | 889 |
| Total equity | 36,500 | 36,770 |
| Total liabilities and equity | $ 49,649 | $ 48,887 |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In millions)
(Unaudited)

| Three months ended | November 28, 2019 | November 29, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 508 | $ 3,296 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation expense and amortization of intangible assets | 1,296 | 1,335 |
| Amortization of debt discount and other costs | 10 | 18 |
| Stock-based compensation | 72 | 61 |
| Gain on debt prepayments, repurchases, and conversions | (42) | (14) |
| Change in operating assets and liabilities | | |
| Receivables | (208) | 189 |
| Inventories | 175 | (286) |
| Accounts payable and accrued expenses | 178 | (46) |
| Deferred income taxes, net | 19 | 192 |
| Other | 3 | 65 |
| Net cash provided by operating activities | 2,011 | 4,810 |
| **Cash flows from investing activities** | | |
| Expenditures for property, plant, and equipment | (1,943) | (2,700) |
| Purchases of available-for-sale securities | (407) | (2,047) |
| Proceeds from sales of available-for-sale securities | 988 | 77 |
| Proceeds from maturities of available-for-sale securities | 163 | 60 |
| Proceeds from government incentives | 22 | 236 |
| Other | (12) | (53) |
| Net cash provided by (used for) investing activities | (1,189) | (4,427) |
| **Cash flows from financing activities** | | |
| Repayments of debt | (1,415) | (577) |
| Acquisition of noncontrolling interest in IMFT | (744) | — |
| Payments to acquire treasury stock | (89) | (1,836) |
| Payments on equipment purchase contracts | (11) | (20) |
| Proceeds from issuance of debt | 1,250 | — |
| Other | 17 | (2) |
| Net cash provided by (used for) financing activities | (992) | (2,435) |
| Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash | (14) | (10) |
| Net decrease in cash, cash equivalents, and restricted cash | (184) | (2,062) |
| Cash, cash equivalents, and restricted cash at beginning of period | 7,279 | 6,587 |
| Cash, cash equivalents, and restricted cash at end of period | $ 7,095 | $ 4,525 |

**MICRON TECHNOLOGY, INC.**
**NOTES**
(Unaudited)

**Property, Plant, and Equipment**

We periodically assess the estimated useful lives of our property, plant, and equipment. Based on our assessment of planned technology node transitions, capital spending, and re-use rates, we revised the estimated useful lives of equipment in our NAND wafer fabrication facilities and our research and development facilities from five years to seven years as of the beginning in the first quarter of fiscal 2020. As a result, we estimate the reduction in non-cash depreciation expense benefited operating income and net income by approximately $74 million and diluted earnings per share by approximately $0.07 for the first quarter of fiscal 2020.

**Acquisition of Intel's Interests in IMFT**

On October 31, 2019, we purchased Intel's noncontrolling interests in IMFT and IMFT member debt for $1.25 billion. We recognized a non-operating gain of $72 million for the difference between the $505 million of cash consideration allocated to the extinguishment of IMFT member debt and its $577 million carrying value, and a $160 million adjustment to equity for the difference between the $744 million of cash consideration allocated to the purchase of Intel's noncontrolling interest and its $904 million carrying value.

**Adoption of Lease Accounting Standard**

In the first quarter of fiscal 2020, we adopted ASU 2016-02 – Leases (as amended, "ASC 842"), which amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of lease payments. In adoption, we applied the modified retrospective method and elected to not recast prior periods. As a result, we recognized $567 million for operating lease liabilities and right-of-use assets and reclassified an additional $66 million of other balances to right-of-use assets to conform to the new presentation requirements of ASC 842.

**Debt Activity**

On November 18, 2019, we prepaid $519 million of our 2025 Notes and recognized a loss of $18 million in other non-operating income (expense), net. On October 30, 2019, we drew all of the $1.25 billion available under our term loan credit facility. Prior to our acquisition of Intel's interests in IMFT, IMFT repaid Intel $116 million of IMFT member debt in the first quarter of fiscal 2020.

**MICRON TECHNOLOGY, INC.**
**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**
(In millions, except per share amounts)

| | 1st Qtr. November 28, 2019 | 4th Qtr. August 29, 2019 | 1st Qtr. November 29, 2018 |
|---|---|---|---|
| **GAAP gross margin** | $ 1,366 | $ 1,395 | $ 4,615 |
| Stock-based compensation | 31 | 29 | 26 |
| Start-up and preproduction costs | — | 12 | 8 |
| Employee severance | 1 | 47 | 13 |
| Other | 7 | 8 | 8 |
| **Non-GAAP gross margin** | $ 1,405 | $ 1,491 | $ 4,670 |
| **GAAP operating expenses** | $ 848 | $ 745 | $ 856 |
| Stock-based compensation | (41) | (38) | (35) |
| Employee severance | — | (32) | (7) |
| Restructure and asset impairments | 4 | 122 | (30) |
| Other | — | — | (1) |
| **Non-GAAP operating expenses** | $ 811 | $ 797 | $ 783 |
| **GAAP operating income** | $ 518 | $ 650 | $ 3,759 |
| Stock-based compensation | 72 | 67 | 61 |
| Start-up and preproduction costs | — | 12 | 8 |
| Employee severance | 1 | 79 | 20 |
| Restructure and asset impairments | (4) | (122) | 30 |
| Other | 7 | 8 | 9 |
| **Non-GAAP operating income** | $ 594 | $ 694 | $ 3,887 |
| **GAAP net income attributable to Micron** | $ 491 | $ 561 | $ 3,293 |
| Stock-based compensation | 72 | 67 | 61 |
| Start-up and preproduction costs | — | 12 | 8 |
| Employee severance | 1 | 79 | 20 |
| Restructure and asset impairments | (4) | (122) | 30 |
| Amortization of debt discount and other costs | 10 | 10 | 18 |
| (Gain) loss on debt repurchases and conversions | (42) | 10 | (14) |
| Other | 7 | 13 | 15 |

| | | | |
|---|---|---|---|
| Impact of U.S. income tax reform | — | — | 47 |
| Estimated tax effects of above, non-cash changes in net deferred income taxes, and assessments of tax exposures | 13 | 7 | 30 |
| **Non-GAAP net income attributable to Micron** | $ 548 | $ 637 | $ 3,508 |
| | | | |
| **GAAP weighted-average common shares outstanding - Diluted** | 1,129 | 1,128 | 1,174 |
| Adjustment for capped calls and stock-based compensation | 9 | 6 | 5 |
| **Non-GAAP weighted-average common shares outstanding - Diluted** | 1,138 | 1,134 | 1,179 |
| | | | |
| **GAAP diluted earnings per share** | $ 0.43 | $ 0.49 | $ 2.81 |
| Effects of the above adjustments | 0.05 | 0.07 | 0.16 |
| **Non-GAAP diluted earnings per share** | $ 0.48 | $ 0.56 | $ 2.97 |

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES, Continued**

| | 1st Qtr. November 28, 2019 | 4th Qtr. August 29, 2019 | 1st Qtr. November 29, 2018 |
|---|---|---|---|
| **GAAP net cash provided by operating activities** | $ 2,011 | $ 2,233 | $ 4,810 |
| Expenditures for property, plant, and equipment | (1,943) | (2,028) | (2,700) |
| Payments on equipment purchase contracts | (11) | (21) | (20) |
| Amounts funded by partners | 22 | 79 | 236 |
| **Adjusted free cash flow** | $ 79 | $ 263 | $ 2,326 |

| As of | November 28, 2019 | August 29, 2019 |
|---|---|---|
| Cash and short-term investments | $ 7,588 | $ 7,955 |
| Current and noncurrent restricted cash | 126 | 127 |
| Long-term marketable investments | 599 | 1,164 |
| Current and long-term debt | (5,650) | (5,851) |
| **Net cash** | $ 2,663 | $ 3,395 |

The tables above reconcile GAAP to non-GAAP measures of gross margin, operating income, net income attributable to Micron, diluted shares, diluted earnings per share, adjusted free cash flow, and net cash. The non-GAAP adjustments above may or may not be infrequent or nonrecurring in nature, but are a result of periodic or non-core operating activities. We believe this non-GAAP information is helpful in understanding trends and in analyzing our operating results and earnings. We are providing this information to investors to assist in performing analysis of our operating results. When evaluating performance and making decisions on how to allocate our resources, management uses this non-GAAP information and believes investors should have access to similar data when making their investment decisions. We believe these non-GAAP financial measures increase transparency by providing investors with useful supplemental information about the financial performance of our business, enabling enhanced comparison of our operating results between periods and with peer companies. The presentation of these adjusted amounts varies from numbers presented in accordance with U.S. GAAP and therefore may not be comparable to amounts reported by other companies. Our management excludes the following items in analyzing our operating results and understanding trends in our earnings:

- Stock-based compensation;
- Flow-through of business acquisition-related inventory adjustments;
- Acquisition-related costs;
- Start-up and preproduction costs;
- Employee severance;
- Restructure and asset impairments;
- Amortization of debt discount and other costs, including the accretion of non-cash interest expense associated with our convertible debt and MMJ creditor debt;
- Gains and losses from debt repurchases and conversions;
- Gains and losses from business acquisition activities;
- Impact of U.S. income tax reform for the one-time transition tax, release of U.S. valuation allowance, and remeasurement of net deferred taxes reflecting lower U.S. corporate tax rates; and

- The estimated tax effects of above, non-cash changes in net deferred income taxes, and assessments of tax exposures.

Our outstanding capped call transactions are anti-dilutive in GAAP earnings per share but are expected to mitigate the dilutive effect of our convertible notes. In periods with non-GAAP income attributable to Micron, non-GAAP diluted shares include the impact of capped calls based on the average share price for the period the capped calls are outstanding. Non-GAAP diluted shares are also adjusted for the impact of additional shares resulting from the exclusion of stock-based compensation from non-GAAP income.

**MICRON TECHNOLOGY, INC.**
**RECONCILIATION OF GAAP TO NON-GAAP OUTLOOK**
(In millions, except per share amounts)

| | GAAP Outlook | Adjustments | | Non-GAAP Outlook |
|---|---|---|---|---|
| Revenue | $4.5 billion - $4.8 billion | — | | $4.5 billion - $4.8 billion |
| Gross margin | 26% ± 1.5% | 1% | A | 27% ± 1.5% |
| Operating expenses | $878 million ± $25 million | $53 million | B | $825 million ± $25 million |
| Interest (income) expense, net | $5 million | $5 million | C | $0 million |
| Diluted earnings per share [1] | $0.25 ± $0.06 | $0.10 | A, B, C, D | $0.35 ± $0.06 |

**Non-GAAP Adjustments**

| | | |
|---|---|---|
| A | Stock-based compensation – cost of goods sold | $ 32 |
| A | Other – cost of goods sold | 7 |
| B | Stock-based compensation – sales, general, and administrative | 20 |
| B | Stock-based compensation – research and development | 21 |
| B | Other - operating expenses | 12 |
| C | Amortization of debt discount and other costs | 5 |
| D | Tax effects of the above items and non-cash changes in net deferred income taxes | 14 |
| | | $ 111 |

(1) GAAP earnings per share based on approximately 1.13 billion diluted shares and non-GAAP earnings per share based on approximately 1.14 billion diluted shares.

The tables above reconcile our GAAP to non-GAAP guidance based on the current outlook. The guidance does not incorporate the impact of any potential business combinations, divestitures, restructuring activities, balance sheet valuation adjustments, strategic investments, financing transactions, and other significant transactions. The timing and impact of such items are dependent on future events that may be uncertain or outside of our control.

Contacts: Farhan Ahmad Investor Relations farhanahmad@micron.com (408) 834-1927 Erica Rodriguez Pompen Media Relations epompen@micron.com (408) 834-1873