## SATYA KUMAR, CORPORATE VICE PRESIDENT, INVESTOR RELATIONS AND TREASURY

Thank you, and welcome to Micron Technology's fiscal third-quarter (Q3) 2025 financial conference call. On the call with me today are Sanjay Mehrotra, our chairman, president and CEO, and Mark Murphy, our CFO. Today's call is being webcast from our Investor Relations site at investors.micron.com, including audio and slides. In addition, the press release detailing our quarterly results has been posted on the website, along with the prepared remarks for this call.

Before we begin, let me remind everyone that today's discussion contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include statements regarding our future financial and operating performance, including our guidance, as well as trends and expectations in our business, market, industry, and regulatory and other matters.

These statements are based on our current assumptions, and we assume no obligation to update these statements. Please refer to our most recent financial report on Form 10-K and our other filings with the SEC (U.S. Securities and Exchange Commission) for more information on the risks and uncertainties that could cause actual results to differ materially from expectations. Today's discussion of financial results is presented on a non-GAAP financial basis unless otherwise specified. A reconciliation of GAAP to non-GAAP financial measures can be found on our website. We encourage you to visit our website at micron.com throughout the quarter for the most current information on the company, including information on financial conferences that we may be attending. You can also follow us on LinkedIn, X and YouTube.

I'll now turn the call over to Sanjay.

## SANJAY MEHROTRA, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Satya.

Good afternoon, everyone.

**Intro and FQ3 results**

Micron's strong competitive position and solid execution delivered record revenue in fiscal Q3, with revenue, gross margin and EPS (earnings per share) all exceeding the high end of our guidance ranges. Data center revenue more than doubled year over year and reached a record level, and consumer-oriented markets had strong sequential growth. We generated substantial free cash flow in the quarter, even as we continue to make strategic investments critical to sustain long-term growth. I am thankful to all our Micron team members for their focus and execution, which made these results possible.

In fiscal Q3, DRAM revenue reached a new record driven by a nearly 50% sequential growth in HBM (high-bandwidth memory) revenue. We remain the sole supplier in volume production of LP (low-power) DRAM in the data center. In NAND, we achieved a new quarterly record for market share across data center SSDs (solid-state drives), as well as client SSDs in calendar Q1. For the first time ever, during calendar Q1, Micron has become the No. 2 brand by share in data center SSDs, according to third-party data.

Looking ahead to fiscal Q4, we see a robust demand environment and expect to grow revenue by 15% sequentially to a record $10.7 billion at guidance midpoint.

In June, we have completed a strategic reorganization of our business units around key market segments to capitalize on the tremendous AI growth opportunity ahead. As high-performance memory and storage become increasingly critical to enabling AI-driven innovation, this new structure enhances Micron's ability to engage more deeply with customers by shifting more resources to AI-focused opportunities across our portfolio.

**Technology and operations**

We are making excellent progress on our 1γ (1-gamma) DRAM technology node, with yield ramping ahead of the record pace we achieved on our 1ß (1-beta) node. We completed several key product milestones during the quarter, including the first qualification sample shipments of 1γ-based LP5 DRAM. Micron 1γ DRAM leverages EUV (extreme ultraviolet lithography), and the node provides a 30% improvement in bit density, more than 20% lower power, and up to 15% higher performance compared to 1ß DRAM. We will leverage 1γ across our entire DRAM product portfolio to benefit from this leadership technology. In NAND, we reached a record high mix of QLC bits in the quarter. We started qualifications for new high-performance SSD products based on our G9 2Tb QLC NAND, and we continue to ramp our G9 node at a pace consistent with demand.

**Manufacturing update**

We are making disciplined investments in our global operations network to add to supply in line with demand over time. Two weeks ago, with support from the Trump administration, Micron announced plans to invest approximately $200 billion in the U.S., which includes $150 billion in manufacturing and $50 billion in R&D (research and development) over the next 20-plus years. As part of this $200 billion investment plan, Micron plans to invest an additional $30 billion beyond previously announced plans, which includes building a second leading-edge memory fab in Boise, Idaho; expanding and modernizing our existing fab in Manassas, Virginia, serving the automotive, aerospace, defense and industrial markets; and bringing advanced packaging capabilities to the U.S. to support our long-term HBM growth plans after we have established sufficient DRAM wafer scale in our U.S. operations. We are pleased with the strong endorsement we received for our technology, products and investment plans from our customers and ecosystem partners as part of this announcement.

 

Our first Idaho fab, ID1, achieved another key construction milestone in June. We expect first DRAM wafer output at ID1 to begin in the second half of calendar 2027, with customer qualifications to follow. The second Idaho fab, ID2, will benefit from manufacturing economies of scale with ID1, and add to R&D co-location benefits with greater efficiencies and faster time to market. To meet anticipated demand, ID2 will begin production before the first New York fab. We expect to begin ground preparation in New York later this year following the completion of state and federal environmental reviews.

**End markets**

Turning to our end markets.

***Data center***

In data center, we expect the CY25 server market to grow mid-single-digits percentage in units, largely driven by significant growth in AI servers.

In fiscal Q3, data center DRAM revenue reached a new record for the fourth consecutive quarter, driven by strong growth and share gains in HBM and robust performance by our industry-leading portfolio of high capacity DIMMs and low-power server DRAM products.

We are executing well on our HBM ramp and product development roadmap. Our yield and volume ramp on HBM3E 12H (12-high) is progressing extremely well, and we expect shipment crossover in FQ4. We expect to reach HBM share similar to our overall DRAM share sometime in the second half of calendar 2025.

At AMD's Advancing AI event earlier this month, we announced that Micron's HBM3E 36GB 12H has been designed into AMD's Instinct™ MI355X GPU platform. We are now shipping HBM in high volume to four customers, spanning both GPU and ASIC platforms.

As generative AI workloads grow in size and complexity, the performance demands on HBM continue to rise. Micron's HBM4 leverages our well-established 1ß DRAM technology, along with an internally developed and manufactured advanced CMOS logic base die, to deliver bandwidth exceeding 2.0 TB/s per memory stack — over 60% higher performance than the previous generation. Additionally, Micron's HBM4 offers a 20% lower power consumption compared to the already industry-leading power performance on our HBM3E 12H product, setting new benchmarks in power efficiency for this product category. The expanded interface for HBM4 facilitates rapid communication and a high-throughput design that accelerates the inference performance of large language models and chain-of-thought reasoning systems. Micron has delivered samples of HBM4 to multiple customers and expects to ramp volume production in calendar 2026, aligned with our customers' plans.

We are exceptionally well positioned for the ramp of HBM4. Building on the success of our HBM3E ramp, we have high-quality, field-proven technology and have executed a robust and significant ramp in our HBM manufacturing capacity. We have deep relationships with practically every major customer of HBM and have earned their trust with our execution, delivering the world's lowest-power, highest-performance HBM.

Our portfolio of high-capacity DIMMs and low-power server DRAM solutions delivered another record revenue quarter. Micron has pioneered the adoption of LP DRAM for servers, and we continue to maintain our sole-source position for LP in server. Together, our high-capacity DIMM and LP server products have already generated multiple billions of dollars in revenue in fiscal 2025, reflecting a remarkable fivefold growth compared to the same period in the previous year.

During calendar Q1, for the third consecutive quarter, Micron achieved a record for data center SSD market share, driven by our portfolio of differentiated products enabled through vertical integration. In fiscal Q3, our data center 9550 performance SSD, which is on the NVIDIA GB200 NVL72 recommended vendor list, completed additional customer qualifications at multiple OEMs. Micron's 9550 SSDs provide an industry-leading performance and energy-efficient Gen5 data center storage solution for AI server systems. We continue to qualify additional customers and ramp revenue for our 6550 ION 60TB-capacity SSDs.

***PC***

Turning to PC.

We expect PC market units to grow in the low-single-digit percentage range in calendar 2025. In the quarters ahead, key catalysts for growth include the increasing adoption of AI-enabled PCs and the Windows 11 upgrade cycle.

Micron is focused on bringing differentiated, high-performance products to the PC market. Our strong SSD portfolio resulted in Micron achieving a record-high client SSD market share in calendar Q1. Tomorrow, we will be announcing our new G9 QLC 2Tb-based SSD featuring our proprietary Adaptive Write Technology, which enables four times faster write performance. This technology expands the addressable market for QLC SSDs by delivering performance equivalent to TLC NAND for most consumer use cases.

***Mobile***

Turning to mobile.

We expect smartphone units to grow low single digits in calendar 2025. AI adoption remains a key driver of DRAM content growth for smartphones, and we expect more smartphone launches featuring 12GB or more, compared to 8GB of capacity in the average smartphone today.

Micron is focused on providing solutions to the high-end smartphone segments, leveraging our leading 1ß and 1γ technology nodes for LP5X DRAM, and G8 and G9 technology nodes for our UFS4 NAND products. During the quarter, we began shipping qualification samples of the industry's first LP5X memory built on the 1γ node, offering a wide range of capacities and industry-leading speed grades for 2026 flagship smartphones. Micron's 1γ LP5X DRAM is engineered to accelerate AI applications in high-end devices, delivering over 25% faster recommendations across several use cases while reducing power consumption by 20%, all in an ultrathin form factor ideal for mobile. In NAND, we secured a key customer design win and ramped high-volume production of our G9-based UFS 4 products. The strength of our mobile portfolio was further recognized through top-quality awards from seven smartphone OEMs during the quarter.

***Auto and industrial***

Turning to automotive, industrial and consumer embedded markets.

We expect increasing adoption of L2 and L3 ADAS (level 2 and 3 advanced driver-assistance systems) features and AI-enabled in-vehicle infotainment systems to drive memory and storage content growth as well as higher-bandwidth requirements. Micron is positioned for long-term success in the automotive market, with new product introductions such as the industry's first 1ß dual-channel LP5 DRAM with high-speed 9.6 Gbps support, which achieved production readiness during the quarter.

In industrial, we are seeing a resumption in our growth, as customers increase their investments for the adoption of AI, including in key areas like factory automation. Micron is driving price improvements with a market backdrop of constrained D4 and LP4 supply and low distributor channel inventory.

**Market outlook**

Now turning to our market outlook.

Customer inventory levels have been healthy overall across end markets, and there may have been some tariff-related pull-ins by certain customers. Our customers continue to signal a constructive demand environment for the remainder of this calendar year, and we remain agile to adjust to any unforeseen demand changes that may occur due to macro conditions or the evolving tariff-related situation.

We expect CY25 industry DRAM bit demand growth to be in the high-teens percentage range and industry NAND bit demand growth to be in the low double-digit percentage range. We expect Micron's bit supply growth to be below industry bit demand growth for non-HBM DRAM and NAND.

Over the medium term, we anticipate industry bit demand growth of mid-teens CAGR (compound annual growth rate) for both DRAM and NAND.

As previously communicated, our efficient node conversions will result in 10% structurally lower NAND wafer capacity ending fiscal 2025 versus the end of fiscal 2024 levels. Additionally, given NAND technology transitions provide a significant increase in overall bit output, Micron plans to manage our node conversions at a measured pace consistent with our demand.

**D4 and LP4 end of life (EOL)**

Recent press reports have discussed the end of life of D4 and LP4 products. Micron's leading-edge DRAM nodes such as 1ß and 1γ are focused on the latest-generation products such as D5, LP5 and HBM, and are not utilized to produce D4 and LP4. D4 and LP4 products are largely produced in our 1α (1-alpha) DRAM node. Micron had sent EOL notices for these products to customers in high-volume segments like mobile, client, data center and consumer several months ago, with final shipments occurring in two to three quarters from now. This EOL process is similar to prior transitions from one generation of memory to another — and consistent with history, Micron intends to support its longevity customers with long-term and relatively lower-volume requirements in segments like automotive, industrial, defense and networking with supply of these 1α DRAM products for several years. In the near-term, customers in the high-volume segments are starting to see increasing shortages of D4 products. We are now on allocation for these products and are working with customers to try and support their high-priority near-term demand. D4 revenues are low single-digit percent of our revenues in second half of fiscal 2025. We anticipate LP4 shortages may also increase as a result of EOL.

**CEO closing**

In closing, Micron's record Q3 revenue performance and strong Q4 outlook are the result of our strategic focus and consistent execution. As AI drives unprecedented demand for high-performance memory and storage, Micron is exceptionally well positioned to capitalize on this transformative era. Our leadership in technology — highlighted by progress in HBM, 1γ DRAM, and G9 NAND — alongside disciplined global manufacturing investments, supports our path to sustained growth. We are confident that our strategic direction, innovation capabilities and the execution by our exceptional team will continue to create meaningful value for our shareholders, customers and employees. We are on track to deliver record revenue with solid profitability and free cash flow in FY25, while we invest to build on our leadership to address growing AI-driven memory demand.

I will now turn it over to Mark for our financial results and outlook.

## MARK MURPHY, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Thanks, Sanjay, and good afternoon, everyone.

 

**Opening**

Micron delivered strong results in fiscal Q3 with revenue, gross margin and EPS all above the high end of the guidance ranges provided in our last earnings call.

**Revenue**

Total fiscal Q3 revenue was $9.3 billion, up 15% sequentially and up 37% year over year, and a quarterly revenue record for Micron. Higher sequential revenue was driven by growth across our end markets, including record data center revenues and strong sequential growth in consumer-oriented markets.

***DRAM***

Fiscal Q3 DRAM revenue was $7.1 billion, up 51% year over year, and represented 76% of total revenue. Sequentially, DRAM revenue increased 15%, with bit shipments increasing over 20% and prices decreasing in the low single-digit percentage range, primarily due to a higher consumer-oriented revenue mix.

***NAND***

Fiscal Q3 NAND revenue was $2.2 billion, up 4% year over year, and represented 23% of Micron's total revenue. Sequentially, NAND revenue increased 16%, with bit shipments increasing in the mid-20s percentage range and prices decreasing in the high single-digit percentage range.

***Revenue by business unit***

Now turning to revenue by business unit.

Compute and Networking Business Unit revenue was $5.1 billion, up 11% sequentially, and a quarterly record. This performance was driven by a nearly 50% sequential increase in HBM, along with growth in our high-capacity DRAM and low-power server DRAM.

Revenue for the Storage Business Unit was $1.5 billion, up 4% sequentially. This growth was primarily driven by an increase in consumer-oriented revenue.

Mobile Business Unit revenue was $1.6 billion, up 45% sequentially. Sequential revenue growth was due to reduced customer inventories and strong demand from DRAM content growth.

Embedded Business Unit revenue was $1.2 billion, up 20% sequentially, supported by growth in industrial and consumer embedded markets.

 

**Operating results**

***Gross margin***

The consolidated gross margin for fiscal Q3 was 39.0%, up 110 basis points sequentially and up 250 basis points versus the midpoint of our guidance. Gross margins were above the high end of our guidance range, primarily due to better prices for both DRAM and NAND, partially offset by a higher consumer-oriented mix.

***Opex***

Operating expenses in fiscal Q3 were $1.1 billion, up $87 million quarter over quarter and in line with our guidance range. The increase was primarily driven by higher R&D investments and labor-related costs.

***Operating income***

We generated operating income of $2.5 billion in fiscal Q3, resulting in an operating margin of 26.8%, up approximately 190 basis points sequentially and up 13 percentage points year over year.

***Taxes***

Fiscal Q3 taxes were $306 million on an effective tax rate of 12.3%, lower than our guidance due to the effects of one-time discrete items in the quarter.

***Earnings per share***

Non-GAAP diluted EPS in fiscal Q3 was $1.91, above the high end of the guidance range, with 22% sequential growth and up over 200% versus the year-ago quarter.

***Cash flow***

Turning to cash flows and capital spending. In fiscal Q3, our operating cash flows were over $4.6 billion, and our capital expenditures were $2.7 billion. Free cash flows in the quarter were over $1.9 billion, the highest quarterly amount in over six years.

***Inventory***

Ending inventory for fiscal Q3 was $8.7 billion, or 139 days. Inventory was down $280 million sequentially, and inventory days were down 19 days sequentially, driven by strong sequential bit shipment growth in both DRAM and NAND.

***Total cash/debt***

On the balance sheet, we held a record $12.2 billion of cash and investments at quarter end and maintained $15.7 billion of liquidity when including our untapped credit facility. During fiscal Q3, we refinanced our $900 million 2027 notes with $1.75 billion in new notes maturing in fiscal years 2033 and 2036. We closed the quarter with $15.5 billion of debt, maintaining low net leverage and a weighted-average debt maturity of 2032.

**Outlook**

Now turning to our outlook for the fourth fiscal quarter.

We expect our revenue growth to be weighted toward DRAM, supported by robust pricing execution, favorable product mix and continued cost improvements, all of which benefit gross margins.

Operating expenses for fiscal Q4 are projected to be approximately $1.2 billion, with the sequential increase primarily driven by planned R&D investments in future technology nodes and HBM product development.

Our fiscal 2025 capital spending plans remain unchanged at approximately $14 billion. The overwhelming majority of the fiscal 2025 capex (capital expenditures) is to support HBM, as well as facility, construction, back-end manufacturing and R&D investments.

We expect a fiscal Q4 tax rate of around 13%. As previously disclosed, our fiscal 2026 tax rate is expected to be in the high-teens percentage range following Singapore's adoption of the global minimum tax.

Any impacts that may occur due to potential new tariffs are not included in our guidance.

**Non-GAAP guidance**

With all these factors in mind, our non-GAAP guidance for fiscal Q4 is as follows.

We expect revenue to be $10.7 billion, plus or minus $300 million; gross margin to be in the range of 42.0%, plus or minus 100 basis points; and operating expenses to be approximately $1.2 billion, plus or minus $20 million. We expect our fiscal Q4 tax rate to be around 13%. Based on a share count of approximately 1.15 billion shares, we expect EPS to be $2.50 per share, plus or minus $0.15.

With another quarter of shipment growth forecasted in fiscal Q4, we expect to exit fiscal 2025 with tight DRAM inventories, significantly reduced NAND inventories, and overall company DIO (days inventory outstanding) near our target levels. With low inventories on hand and a constructive demand environment, we will continue to focus on improving pricing and further strengthening our product mix.

**CFO closing**

In fiscal Q3, Micron delivered earnings above the guidance range, achieved record revenue and continued ramping our industry-leading HBM. We also began transitioning to a new market-segment-focused business unit structure. Starting in fiscal Q4, we will report revenue, gross margin and operating margin metrics across these new business units. With strong execution and a differentiated product portfolio, Micron is well positioned to maintain our leadership and to deliver record revenue and significantly improved profitability once again in fiscal Q4.

Thank you for joining us today. We will now open for questions.