MICRON TECHNOLOGY · Q4 FISCAL 2026

Micron's extraordinary quarter came from scarce memory and extraordinary prices, not simply more chips

AI infrastructure is consuming memory faster than the industry can add supply. That imbalance has transformed Micron's prices, profits and bargaining power, but it is also setting off a costly expansion.

Analysis based on Micron's earnings release and Form 10-K (MD&A) · Notes at the end

Micron ended its fiscal year with a quarter that looks almost implausible. Revenue reached $54.23 billion, against $11.32 billion a year earlier, while reported net income was $37.70 billion.[1] The change was not mainly an accounting adjustment or simply a flood of extra chips. AI-driven demand collided with limited supply, allowing Micron to charge dramatically more for memory and keep an exceptional share of each sale.

THE BASICS

Micron makes memory and storage chips. DRAM supplies fast working memory to servers, computers, phones and vehicles; NAND stores data. These products have historically moved through sharp cycles because factories are expensive, capacity takes years to build and relatively small changes in supply can produce large changes in price.

A WEAK COMPARISON HELPED, BUT THE ACCELERATION IS CURRENT

The year-on-year leap starts from an unusually modest base, so it exaggerates the visual drama. Yet the business also accelerated sharply within the year: revenue rose from $41.46 billion in the third quarter to $54.23 billion in the fourth.[1] The boom was therefore not merely a rebound from last year's weaker market.

Micron also earned more on each dollar of sales as the quarter progressed. Its reported gross margin reached 86.8%, compared with 84.6% in the preceding quarter and 44.7% a year earlier.[1] That sequential improvement matters because it shows that pricing conditions were still strengthening from an already exceptional level.

Nor was the profit chiefly manufactured by adjusted accounting. Micron reported $37.70 billion of net income; its adjusted figure was $38.40 billion after removing items including stock-based compensation and a $500 million patent-license charge.[2] The adjusted result is higher, but the difference is small beside the total profit. The economic improvement is visible in the reported accounts.

MORE EXPENSIVE MEMORY DID MOST OF THE WORK

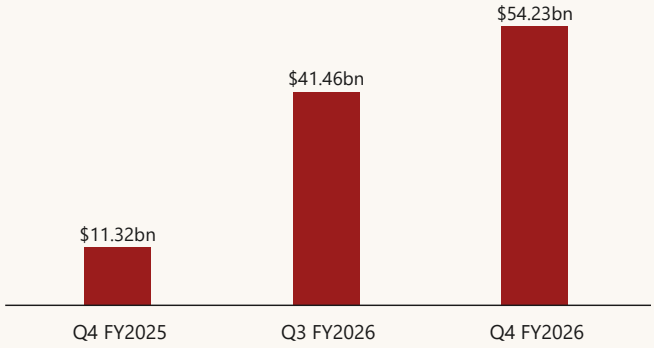
Micron sold more DRAM during the full year, but price was the dominant engine. DRAM sales increased 252% as average selling prices rose about 180%; the number of bits shipped increased only in the mid-20% range.[3] In plain terms, customers paid far more for each unit of memory, while physical output grew at a much more ordinary pace.

NAND followed the same pattern. Annual sales increased 274%, supported by an approximately 200% rise in average prices and another mid-20% increase in bit shipments.[3] This distinction is central to the quarter: Micron's factories did not suddenly produce several times as much memory. Scarcity made their output much more valuable.

These are full-year comparisons rather than fourth-quarter measures, and fiscal 2026 contained an extra week.[3] That calendar difference flatters annual growth at the edge, but it does not explain price increases of this scale. The main story remains the imbalance between demand and available supply.

Is the surge only a flattering comparison with last year?

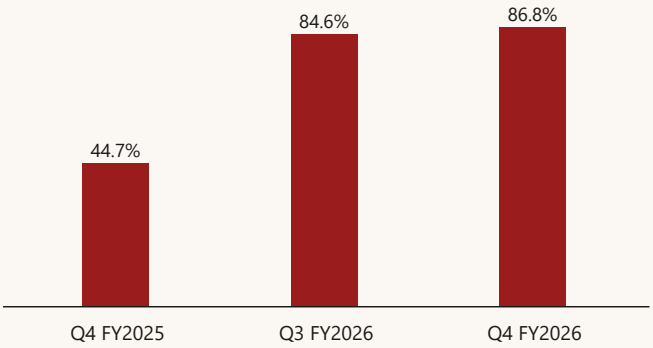
Quarterly revenue, US$ billions



Source: Micron earnings release (8-K, Exhibit 99.1).

Did Micron keep more of each sale?

Reported gross margin, percent of revenue



Source: Micron earnings release (8-K, Exhibit 99.1).

SCARCITY HAS CHANGED THE RELATIONSHIP WITH CUSTOMERS

AI data centres are absorbing memory faster than Micron and the wider industry can add production. Management says this has forced decisions about which customers and markets receive available supply.[4] That is powerful for pricing, but it also creates an uncomfortable trade-off: serving the most attractive demand can leave established customers with less product.

Some customers are now committing years in advance. Micron received $12.75 billion of cash deposits under strategic agreements, many structured so customers must pay for specified volumes even if they take less. Nearly all the deposits are scheduled for repayment between 2029 and 2031.[4] The cash demonstrates commitment, but it is not current revenue and much of it remains a future obligation.

WHAT THE CUSTOMER DEPOSITS MEAN

Customers are helping reserve future supply. Micron gets cash and greater visibility today, but it does not count the deposit as a sale simply because the money has arrived.

THE CASH IS REAL, AND MUCH OF IT IS HEADING BACK INTO FACTORIES

Profit is turning into cash at unusual speed. Micron generated $43.97 billion from operations in the quarter. After $10.77 billion of net investment in factories and equipment, the company reported $33.20 billion of adjusted cash left after investing.[6] This gives it considerable room to expand without making the present boom look cash-poor.

That room will be used aggressively. Micron estimates net investment of approximately $11.5 billion in the first quarter of fiscal 2027 and about $25 billion in the first half, with spending expected to be higher in the second half.[7] The expansion is both a response to demand and a future test of discipline: memory shortages support prices, while excessive capacity has historically ended memory booms.

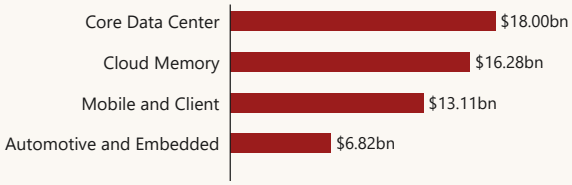
DATA CENTRES LEAD, BUT THE BOOM IS NOT CONFINED TO THEM

The centre of gravity has moved decisively towards data infrastructure. Core Data Center generated $18.00 billion of fourth-quarter revenue and Cloud Memory produced $16.28 billion. Together, those businesses represented about 63% of Micron's quarterly revenue.[5] AI-related infrastructure is no longer a promising side market; it is shaping the company as a whole.

The strength also reached markets beyond data centres. Mobile and Client produced $13.11 billion of revenue, while Automotive and Embedded contributed $6.82 billion; both increased from the preceding quarter.[1] That breadth is reassuring, although Micron says it redirected some supply away from mobile and client products towards other businesses during the year.

How much of the quarter came from data-centre businesses?

Q4 FY2026 revenue by business unit, US$ billions



The four units do not sum exactly to consolidated revenue because of other and unallocated amounts. Source: Micron earnings release (8-K, Exhibit 99.1).

New supply will not arrive all at once. Micron projects initial DRAM wafer output from its first Boise factory in mid-2027, from a second Idaho factory in late 2028 and from its first New York factory in 2030.[7] Those dates help explain why current scarcity can persist even while construction spending rises quickly.

THE NEXT QUARTER EXTENDS THE SURGE, BUT TESTS THE CEILING

Micron's guidance says the momentum has not yet run out. The company expects first-quarter revenue of $61.5 billion, with a range of $1.5 billion on either side, compared with $54.23 billion in the quarter just completed.[8] That would be another substantial sequential increase rather than a pause after the record finish.

The expected profitability is slightly less emphatic. Micron guides to a reported gross margin of about 85.95%, below the fourth quarter's 86.8%.[8] The difference is small, but it creates a useful marker for the next report. The central question is no longer whether conditions improved; it is how long extraordinary pricing can coexist with rising investment and eventual new supply.

WHAT IT ALL MEANS · EARNINGS EXPLAINED INTERPRETATION

Micron's quarter was stronger than even the headline revenue increase suggests, but its strength came from a market condition that will not remain exceptional forever.

THE IMPROVEMENT IS CURRENT

A weak prior-year comparison magnifies the headline, yet revenue and profitability also rose sharply from the immediately preceding quarter.

SCARCITY HAS BARGAINING POWER

Long-term customer commitments and supply allocation show how urgently buyers want capacity, while also creating obligations and difficult choices.

PRICE IS THE ENGINE

Micron shipped more memory, but dramatically higher prices did far more to transform the business.

EXPANSION IS THE NEXT TENSION

The cash generated by the boom can fund new factories. Those factories are needed, but the pace and timing of new supply will eventually shape pricing.

Three questions for next quarter

1 Do memory prices remain the main engine of growth, or do shipments begin to carry more of the load?

The answer will show whether the business is broadening beyond scarcity-driven pricing.

2 Can Micron keep margins close to their current level as spending and production costs rise?

Management's next-quarter outlook already points to a small retreat from the latest peak.

3 Do long-term customer commitments translate into orderly deliveries without damaging other markets?

Allocating scarce supply strengthens the most attractive businesses but can leave established customers underserved.

1 Micron earnings release (8-K, Exhibit 99.1): fourth-quarter revenue, profit, margins, sequential and prior-year comparisons, and business-unit results. Quarterly figures are reported under US GAAP unless described as adjusted.

2 Micron earnings release, non-GAAP reconciliation: adjusted net income removes items including stock-based compensation, patent-license charges, debt-prepayment losses and related tax effects.

3 Form 10-K, MD&A: annual DRAM and NAND sales, average selling prices and bit shipments. Fiscal 2026 contained 53 weeks, while fiscal 2025 contained 52.

4 Form 10-K, MD&A: industry supply constraints, strategic take-or-pay agreements, customer deposits and expected repayment schedule. Deposits are recorded as contract liabilities rather than revenue when received.

5 Micron earnings release, business-unit tables. Earnings Explained calculation: Core Data Center plus Cloud Memory revenue divided by consolidated fourth-quarter revenue equals approximately 63.2%.

6 Micron earnings release: operating cash flow, net capital investment and adjusted free cash flow. The adjusted cash measure subtracts net investment in property, plant and equipment from operating cash flow.

7 Form 10-K, MD&A: planned capital spending and projected factory start dates. These dates and spending amounts are company estimates, not completed production.

8 Micron earnings release: first-quarter fiscal 2027 guidance. Revenue is presented as a central estimate with a stated range; gross margin guidance is approximate.