



Micron Technology, Inc.

MU

EQUITY RESEARCH REPORT

June 26, 2026

MU — MICRON TECHNOLOGY, INC.

Report Date: 2026-06-26

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	€1,062.35 (USD \$1,213.56)
Fair Value (Base Case)	€640–€720 (estimated, mid-cycle normalized)
Margin of Safety	Negative (~-35% to -40%)
Target Entry (if HOLD)	N/A — see analyst notes

Return Profile	Value
Dividend Yield	~0.4%
Expected Dividend Growth	Low single digit (unproven)
Expected Price Appreciation	Negative in base case from current level
Total Expected Return (Base)	~2–4% CAGR
Bear Case Total Return	-12% to -18% CAGR
Bull Case Total Return	+9% to +12% CAGR
Probability-Weighted Return	~1–3% CAGR

Risk Assessment	Value
Wealth Preservation Score	**41 / 100**
Downside Protection Score	35 / 100
Quality Score	52 / 100
Risk Level	**ELEVATED**
Probability of >50% Loss	~20–25%
Recession Profile	**VULNERABLE**

One-Line Thesis:

Micron is a well-run company in a structurally cyclical commodity industry trading near a cyclical peak, where the math of capital preservation fails because the downside scenario carries a real chance of permanent impairment

that no upside can justify under this mandate.

INVESTMENT THESIS

You are looking at a business at the wrong point in its cycle for a wealth-preservation buyer. Micron makes DRAM and NAND memory, products that are functionally interchangeable and priced by supply and demand rather than by Micron. The company has lost money outright three times in the last fifteen years, most recently in fiscal 2023 when it posted a roughly \$5.8B net loss and negative gross margins. Revenue fell 49.5% from FY2022 to FY2023. That is the defining fact of this business: peak-to-trough revenue swings of 30% to 50% are normal, not exceptional.

Right now the stock sits at a euphoric high. FY2025 revenue hit a record \$37.4B with 41% gross margins, driven by AI data-center demand for high-bandwidth memory. The current price near \$1,214 reflects the market pricing in a continuation of this AI-driven supercycle. Memory upcycles do not continue indefinitely. They end when capacity catches up with demand, and Micron is committing to enormous capacity expansion right now, including a ~\$100B New York fab and broader plans cited at ~\$200B over twenty years. That capital is being deployed at the top, which historically seeds the next oversupply.

The capital-preservation question must be answered first: how much can you lose? At today's price, the answer is unacceptable. If the AI capex cycle merely moderates, Micron's earnings collapse because of the high fixed-cost base, and a stock priced for perfection re-rates violently. You are buying a high-fixed-cost commodity producer at a record-margin peak after a 48.9% revenue surge. That is the opposite of asymmetric risk in your favor. The quality of management, real as it is, does not change the physics of the memory cycle. We pass.

Exit Triggers (N/A — AVOID recommendation): Not applicable. Conditions that would move this to HOLD/WATCHLIST are listed in the recommendation section.

1. BUSINESS QUALITY ASSESSMENT

Micron is an integrated device manufacturer producing DRAM (~70% of revenue), NAND/SSD (~30%), and increasingly HBM for AI accelerators. It is one of three global DRAM players alongside Samsung and SK Hynix, holding roughly 25% DRAM share. The oligopoly structure and extreme capital intensity create genuine barriers to entry.

The business is understandable: it makes memory chips and sells them by the bit. That clarity does not help the preservation case. The product is a commodity. Micron has no pricing power independent of the supply-demand balance set by three competitors and their collective capacity decisions. Samsung and SK Hynix carry deeper balance sheets and can sustain price wars longer.

Sector classification: Highly cyclical (semiconductors/commodity memory). Under the framework, highly cyclical businesses require *exceptional* balance sheet strength **and** a valuation discount to proceed. Micron has the balance sheet. It does not have the valuation discount — it trades at a cyclical peak. This combination alone is disqualifying for a wealth-preservation mandate.

2. FINANCIAL FORTRESS ANALYSIS

Solvency Check — can it survive a severe recession?

The balance sheet is genuinely strong. Micron carries over \$50B in shareholder equity, has been actively retiring debt (Term Loan A repaid January 2025, 4.185% notes repaid May 2025), and generated \$17.5B cash from operations in FY2025. Debt-to-equity sits well below 0.5x. Interest coverage in upcycle years is comfortably above the 8x threshold.

The problem is not survival. Micron will survive a downturn. The problem is what survival looks like for the equity holder. In FY2023, the company stayed solvent but the stock and earnings collapsed. Solvency does not equal capital preservation. A business can remain a going concern while the share price falls 50%+, which is precisely the permanent-impairment risk this framework exists to avoid when you buy at the wrong price.

Stress test (revenue -30% for two years): Micron would remain solvent and could service debt. It would likely suspend or shrink buybacks, possibly cut the small dividend, and FCF would turn negative given the committed capex ramp. The \$13.3B FY2025 net capex against \$17.5B CFO leaves thin FCF (~\$4.2B, ~11% margin) even at the peak. In a trough, that flips negative.

Solvency Assessment: ADEQUATE (FORTRESS on the balance sheet, but the committed multi-year capex during a cyclical peak prevents a fortress rating for equity holders).

3. DIVIDEND ANALYSIS

Micron pays a token dividend yielding roughly 0.4%, far below the 1.5–5% sweet spot. The dividend history is short and was introduced relatively recently, with no demonstrated commitment through a full cycle. The framework requires >10 years of dividend history for confidence; Micron does not qualify.

For a wealth-preservation buyer, dividends provide return regardless of price action. Here they provide almost nothing. There is no income cushion to offset cyclical price volatility.

Dividend Sustainability: AT RISK — not because of coverage at the peak, but because Micron has historically tilted capital allocation toward preserving cash and funding capex in downturns rather than protecting shareholder distributions. A dividend cut in the next trough is plausible.

4. VALUATION ANALYSIS

This is where the case collapses. Memory companies must be valued on mid-cycle normalized earnings, never on peak earnings, because peak P/E ratios look deceptively cheap exactly when the stock is most dangerous.

Metric	Current Context	Assessment
Revenue	\$37.4B (FY2025 record, +48.9% YoY)	Peak
Gross Margin	41% (FY2025, +17pp YoY)	Cyclical peak
Price	\$1,213.56 / €1,062.35	All-time high territory

Metric	Current Context	Assessment
FCF	~\$4.2B (~11% margin), thin even at peak	Weak for the price

The danger: at peak earnings, a low trailing P/E masks the fact that earnings are about to mean-revert. Apply a mid-cycle normalized margin to current revenue and the picture darkens. Across FY2021–FY2025, Micron's results swung from \$5.9B net income to a \$5.8B loss to a record. A normalized mid-cycle earnings figure is far below the current run-rate the price implies.

Margin of Safety: Negative. The stock trades well above any defensible normalized fair value. Estimated mid-cycle fair value lands in the €640–€720 range, implying the current price carries roughly 35–40% of downside to fair value before any trough overshoot.

Valuation: EXPENSIVE. A cyclical commodity producer >40% above normalized fair value at a margin peak is an automatic avoid under this framework regardless of quality.

5. SCENARIO ANALYSIS (10-Year Horizon)

BEAR CASE (25% weight): AI capex moderates within 24 months. Oversupply emerges from industry-wide capacity expansion (Micron's own + Samsung/SK Hynix + Chinese state-backed CXMT/YMTC). Margins compress to historical trough, possibly negative gross margins again. Dividend cut. Stock re-rates to mid-cycle then overshoots to the downside as it always does. Peak-to-trough decline of 50%+ from current level is consistent with prior cycles.

- 10-Year Total Return CAGR: **-12% to -18%** (measured from this peak entry)

BASE CASE (50% weight): AI demand stays healthy but normalizes. Revenue and margins mean-revert toward mid-cycle over the next 2–3 years, then grow modestly with bit demand. The current price is not recovered for several years because you entered at the peak.

- 10-Year Total Return CAGR: **~2% to 4%** — below the 7% hurdle

BULL CASE (25% weight): The "memory is different now" thesis holds. Strategic Customer Agreements and HBM mix genuinely smooth the cycle. AI demand outpaces the capacity ramp for years. Margins stay structurally elevated.

- 10-Year Total Return CAGR: **+9% to +12%**

Probability-Weighted Expected Return: ~1% to 3% CAGR.

Scenario	Total CAGR	Weight	Contribution
Bear	-15%	25%	-3.75%
Base	+3%	50%	+1.5%
Bull	+10.5%	25%	+2.6%
Expected			**~0.4–1.5%**

The probability-weighted return barely beats zero and badly trails a 4% HYSA. **The bear case is sharply negative**, which fails the framework's core downside test (bear case must be $\geq 0\%$).

6. RISK ASSESSMENT

- **Cyclicality (primary):** 30–50% revenue swings are normal. Three loss years in fifteen.
- **Buying at peak:** Record FY2025 results and a price near all-time highs maximize downside.
- **AI capex concentration:** Heavy dependence on hyperscaler AI spending; if it moderates, the stock is exposed.
- **Overcapacity risk:** Industry-wide expansion, including Micron's own ~\$100B+ commitments, seeds the next glut.
- **Geopolitical/China:** May 2023 CAC ban still bars Micron from Chinese critical-infrastructure operators. US export controls on AI-enabling memory tightening. Chinese state-backed competitors (CXMT, YMTC) rising.
- **Litigation (new):** Putative securities class action (D. Idaho, class period March 2023–December 2024) alleging misleading supply/demand statements, plus derivative suits on the same facts. This goes directly to how management characterized the cycle.
- **Execution:** Multi-billion HBM and fab ramps carry yield and timing risk.

Probability of >50% permanent loss: ~20–25% — exceeds the 15% wealth-preservation ceiling.

7. MANAGEMENT & GOVERNANCE

Sanjay Mehrotra (chairman, president, CEO) runs a competent, forward-looking operation. The strategic pivot toward AI/HBM and enterprise, the exit from low-margin consumer brands (Ballistix 2022, Crucial 2026), the debt paydowns, and the fortress equity base all reflect discipline. Management quality is **GOOD**.

Capital allocation is **ACCEPTABLE** but raises a preservation concern: committing ~\$200B over twenty years with the largest commitments timed to a cyclical peak is empire-scale capex that amplifies the next downturn's operating leverage. The maintained \$10B buyback authorization is fine in principle, but buying back stock at peak valuations destroys value.

The active securities litigation alleging misstatements about supply/demand dynamics is a governance watch item, not yet a verdict.

8. PEER COMPARISON

Dimension	Micron	Samsung	SK Hynix	Best for Preservation
Balance sheet	Strong, low D/E	Very strong	Strong	Samsung
Product diversification	Memory-only	Diversified (logic, foundry, displays)	Memory-heavy	Samsung
Cyclical exposure	Pure-play, highest	Diluted by other segments	High	Samsung
Dividend	Token (~0.4%)	Established	Established	Samsung

The key insight: Micron is the *purest* memory play among the three, meaning it offers the highest cyclical beta and the least earnings diversification. For a preservation mandate, that is the wrong characteristic.

9. KEY METRICS SUMMARY

Metric	Value
Revenue FY2025	\$37.4B (record, +48.9% YoY)
Gross Margin FY2025	41% (peak)
CFO FY2025	\$17.5B
Net Capex FY2025	~\$13.3B
FCF FY2025	~\$4.2B (~11% margin)
Shareholder Equity	>\$50B
Debt/Equity	<0.5x
Dividend Yield	~0.4%
FY2023 Net Income	-\$5.8B (loss)
FY2023 Revenue Decline	-49.5%

10. MONITORING CHECKLIST

Item	Trigger	Action
DRAM/NAND spot pricing	Sustained decline >15%	Confirms cycle rolling over
Hyperscaler AI capex guidance	Any major cut from Microsoft/Amazon/Google/Meta	Re-evaluate immediately
Micron gross margin	Drops below 30%	Cycle peak confirmed passed
Industry capacity announcements	Continued aggressive expansion	Oversupply risk building
Securities litigation	Adverse ruling/settlement	Governance reassessment
Stock price	Drop to €640–720 (normalized fair value)	Begin watchlist evaluation

11. MARKET EXPECTATIONS & CONSENSUS

The current price near \$1,214 implies the market expects the AI-driven memory supercycle to persist and margins to stay structurally elevated — effectively pricing out the historical cycle. Implied revenue growth assumptions embedded in the price are aggressive relative to Micron's mid-cycle history.

- **Consensus Bull Case:** Memory has structurally changed; HBM and Strategic Customer Agreements smooth the cycle; AI demand runs for years.
- **Consensus Bear Case:** AI capex moderates, oversupply hits, and a stock priced for perfection gets "crushed" (the explicit risk in the research data).
- **Short Interest / Days to Cover:** Not provided in live data — not fabricated.
- **Analyst Consensus / Target:** deep_dive_metrics not provided in the input. Not fabricated.

What would validate consensus: Continued HBM supply tightness, sustained 40%+ gross margins through FY2026/FY2027, hyperscaler capex guidance raised.

What would disappoint: Any DRAM price softening, an AI capex pause, or margin compression toward mid-cycle.

Forward Valuation (live deep_dive_metrics not supplied): forward_pe, peg_ratio, ev_ebitda, beta, roe were not present in the provided data. Per protocol, these are not fabricated. Note that trailing multiples at peak earnings are misleading for memory companies regardless.

12. KEY BUSINESS DRIVERS

Driver 1: DRAM/NAND average selling prices (ASPs)

- Why it matters: ASPs are the single largest determinant of Micron's margins and the leading edge of the cycle.
- Current level: Elevated (peak pricing supporting 41% gross margin).
- Bull threshold: ASPs flat or rising through FY2026.
- Bear threshold: ASPs declining >15% sequentially.
- Next data point: Next quarterly earnings (Q4 FY2026).

Driver 2: HBM revenue mix and demand

- Why it matters: HBM is the highest-margin AI-driven product and the core of the bull thesis.
- Current level: Growing rapidly; constrained supply.
- Bull threshold: HBM demand outstripping supply through 2027.
- Bear threshold: HBM pricing erosion or share loss to SK Hynix.
- Next data point: Quarterly earnings + Anthropic agreement ramp.

Driver 3: Hyperscaler AI capital expenditure

- Why it matters: Micron's upcycle is hostage to AI data-center spending.
- Current level: At cyclical high.
- Bull threshold: Hyperscalers maintain/raise capex guidance.
- Bear threshold: Any major hyperscaler trims AI capex.
- Next data point: Big-tech quarterly earnings (precede Micron's reaction).

Driver 4: Industry capacity / utilization

- Why it matters: Combined Micron + Samsung + SK Hynix + Chinese capacity sets future supply.
- Bull threshold: Disciplined capacity additions.

- Bear threshold: Industry-wide aggressive expansion (currently underway).
- Next data point: Competitor capex announcements.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
SK Hynix	000660.KS	Correlates / often leads memory capex	Bearish if it rolls over first
Nvidia (AI demand pull)	NVDA	Leads HBM/data-center memory capex	Bearish if AI capex narrative cracks
Semiconductor sector ETF	SOXX / SMH	Correlates with sector sentiment	Bearish below 50-day MA
DRAM contract/spot price index	DRAMeXchange data	Direct leading indicator	Bearish on sustained price declines

Monitoring rule: If DRAM spot prices decline for two consecutive months while hyperscaler capex guidance softens, the cyclical peak is confirmed passing — and the case to revisit only strengthens once the price reaches normalized fair value.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Reason: Multiple disqualifying factors under the wealth-preservation mandate:

- Bear case total return is sharply negative (-12% to -18% CAGR) — fails the requirement that bear case $\geq$ 0%.
- Base case total return (~2–4%) fails the 7% hurdle and trails a 4% HYSA.
- Valuation is EXPENSIVE: trading ~35–40% above mid-cycle normalized fair value at a margin peak.
- Probability of >50% permanent loss (~20–25%) exceeds the 15% ceiling.
- Recession profile: VULNERABLE.
- WP Score of 41 is below the 50 floor.

This is a quality operator. It is also a commodity cyclical at a euphoric peak. Those facts coexist, and the second one governs the decision for a capital-preservation buyer.

What would change the assessment: A price decline to the €640–€720 normalized fair-value range, *combined* with evidence the company can hold mid-cycle margins above historical troughs, would move this to WATCHLIST. Even then, the pure-play cyclical nature caps how high the WP Score can rise. The framework was built precisely to keep you out of positions like this at prices like this.

ANALYST NOTES

Key Assumptions:

- Memory remains structurally cyclical; the "this time is different" AI thesis is treated as the bull case, not the base case.
- Mid-cycle normalized earnings, not peak FY2025 earnings, drive fair value.
- Current price of \$1,213.56 / €1,062.35 is authoritative per instruction.
- Normalized fair value (€640–€720) is an analytical estimate derived from the cyclical range in the provided FY2021–FY2025 data; it is not a precision figure.

Limitations:

- `deep_dive_metrics` (`forward_pe`, `peg`, `ev_ebitda`, `beta`, `roe`, `analyst_target`, `short_float`) were not present in the provided data and were not fabricated.
- FY2025 10-K not yet filed; some FY2025 figures rely on earnings-deck disclosures and are approximate.
- Exact dividend per share and precise current payout ratio not specified in source data; dividend yield estimated from context.

Confidence Level: HIGH — The AVOID conclusion does not depend on precise valuation figures. It rests on the structural mismatch between a high-fixed-cost commodity cyclical at a record-margin peak and a mandate that requires capped downside. The math fails by a wide margin regardless of which reasonable normalized estimate you use.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

IMPORTANT DISCLOSURES

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