EQUITY RESEARCH PAPER

MICRON TECHNOLOGY (*NASDAQ: MU)*

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I. EXECUTIVE SUMMARY

Recommendation:	**BUY**
Price at Publication:	**$162.73**
Base-case Target:	**$376.77**
Upside:	**~132%**
Valuation Range:	**$208.22 - $509.18**

My view is straightforward: this is a *cyclical*, *capital-intensive* memory business where pricing and utilization drive outsized swings in profitability and cash generation.

The gap between **$208.22** and **$509.18** tells me the stock is primarily a bet on the durability of normalized cash flows and how the market will capitalize them.

Micron Share Price *– Recent Trading Context*

II. INVESTMENT THESIS

I am underwriting a continuation of the profitability normalization that became observable in *FY2024*, supported by the operating leverage inherent in Micron's cost structure and the potential for mix/technology execution to improve earnings quality across the cycle.

The investment case is not that cyclicality disappears; it is that the market is under-crediting the durability and magnitude of the normalized margin and cash-generation profile implied by the current trajectory.

III. VARIANT PERCEPTION

The market is still anchoring Micron to a trough-framed, fragile-cycle mental model which is capitalizing the business as if recovery profits are temporary and long-run earnings power remains too uncertain to underwrite.

My variant view is not that results are improving and FY2024 already proves that. It is that the business is in the early stages of a profit-regime transition that the market is not yet willing to capitalize.

Specifically, I believe the market is under-crediting both the speed at which profitability normalizes once pricing turns and the durability of that normalization if mix, utilization, and cost execution continue to progress.

IV. UNDERWRITING CONDITIONS

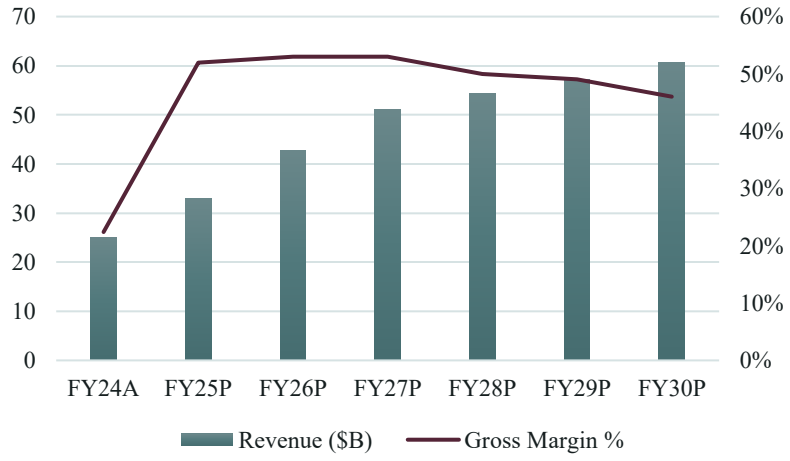
The base case is a margin-and-cash-conversion regime shift. The stock works if improving industry conditions translate into sustained gross margin expansion, operating leverage, and a self-funding reinvestment profile despite heavy capex.

What must be true for the model to clear:

A) Margin Regime:

FY2024A gross margin was **22.4%** (gross profit **$5,613** on **$25,111** of revenue). The underwriting assumes a cyclical margin reset into a **~52%–53%** range in *FY2025P–FY2027P* as pricing normalizes, utilization improves and mix shifts toward higher-value data-center products, sustaining elevated profitability long enough to establish normalized cash-generation power.

Revenue Scale and Gross Margin Regime Reset



B) Operating Leverage:

EBITDA rises from **$9,084** in *FY2024A* to **$19,131.5** in *FY2025P* and **$25,284.7** in *FY2026P*. The underwriting assumption is that incremental gross profit is not fully absorbed by operating expenses, allowing for a sustained profitability reset.

C) Self-funding Reinvestment:

Capex remains heavy at **$16,000** per year in *FY2025P–FY2027P*. The thesis requires operating cash flow to remain at or above capex and unlevered free cash flow to turn structurally positive early in the cycle.

How the thesis breaks:

If gross margin fails to sustain the model's post-normalization band, or if cash from operations does not continue to cover reinvestment while free cash flow inflection stalls, valuation should de-rate toward a more conservative framing.

V. BUSINESS PROFILE

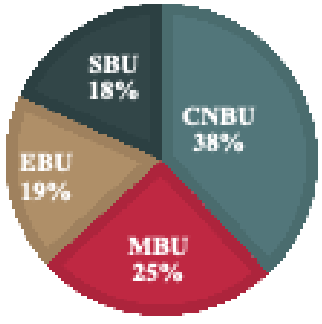
Micron sells memory and storage products, primarily DRAM and NAND, across four reporting business units. *FY2024* revenue was **$25.111B**, with the following segment mix:

- Compute & Networking Business Unit (CNBU): cloud and data center – **$9.513B**
- Mobile Business Unit (MBU): smartphones and mobile devices – **$6.354B**
- Embedded Business Unit (EBU): automotive and embedded applications – **$4.614B**
- Storage Business Unit (SBU): consumer, enterprise, and industrial NAND – **$4.592B**

On a product basis in *FY2024*, revenue was **$17.60B** from **DRAM** and **$7.23B** from **NAND**.

The key takeaway is that this is not multiple unrelated end markets, but one economic engine: pricing and utilization drive profit regime changes, mix and technology execution determine how durable those regimes can be.

Revenue Split FY2024



VI. INDUSTRY ECONOMICS

Memory is a profit-regime business. When supply and demand tighten, pricing moves quickly, fixed-cost absorption improves, and margins reset. When pricing weakens, the reverse occurs.

Rather than relying on narrative descriptions, the model encodes the cycle through bit-growth and ASP-growth assumptions for both DRAM and NAND. It explicitly allows for future ASP declines and does not assume perpetual pricing tailwinds.

Key Operating Assumptions

Why this matters:

The forecast is effectively stress-testing whether Micron can sustain a meaningfully stronger profitability profile even as pricing eventually normalizes and turns adverse. This is the durability question embedded in the valuation.

What's different this cycle:

The central underwriting question is not whether memory margins rebound but whether the post-recovery margin regime can be structurally higher-quality and more durable than in prior cycles. The base case assumes that *FY2024* marked the beginning of such a transition. The support for that view rests on four economic shifts that affect not just peak profitability, but the stability of margins through normalization.

A) Mix is shifting toward performance-sensitive demand.

A growing portion of Micron's revenue is tied to data-center, networking, and advanced computing workloads rather than purely consumer replacement cycles. These applications are more sensitive to performance, power efficiency, and reliability, and less price-elastic than legacy PC and handset memory. As mix continues to tilt toward these segments, pricing outcomes increasingly reflect value delivery rather than pure commodity clearing, supporting both higher gross margins and greater durability once pricing turns.

B) Product stratification is reducing pure commodity behavior.

Memory is no longer one homogeneous product. High-performance DRAM, advanced packaging, and workload-optimized solutions create natural segmentation within the market. That stratification weakens the historical "single clearing price" dynamic that previously forced the entire industry to reset margins downward at the first sign of oversupply. The result is not the elimination of cyclicality, but a higher and more resilient margin floor once utilization normalizes.

C) Fixed-cost absorption now drives outsized incremental margins.

Micron's cost structure remains heavily fixed, but scale now operates more favorably once pricing and utilization recover. As volume flows through largely sunk manufacturing and R&D infrastructure, incremental gross profit converts disproportionately into EBITDA and operating cash flow. This is visible in the FY2024 inflection and underpins the model's assumption that a margin reset can translate into a true earnings-power reset rather than a short-lived rebound.

D) Capital intensity increasingly reinforces, rather than destroys, durability.

Advanced manufacturing requires sustained investment, raising barriers to reckless capacity expansion. While capex remains structurally high, the scale, technical complexity, and long lead times of modern memory production increase the cost of mis-timed supply

responses. This dynamic does not prevent cycles, but it dampens the speed and magnitude with which new supply can destabilize a recovering pricing environment.

VII. HISTORICAL PREFORMANCE

Operating Results *(FY2023 vs FY2024)*

The swing from a loss regime in *FY2023A* to a profit regime in *FY2024A* is the foundation of the normalization thesis. Once pricing turns, the income statement can re-rate quickly because the cost structure

Metric	FY2023A	FY2024A
Revenue ($B)	15.5	25.1
Gross Profit ($B)	(1.4	5.6
Gross Margin (%)	-9.10%	22.40%
EBITDA ($B)	2	9.1
EBITDA Margin (%)	12.90%	36.20%
Cash from Operations ($B)	8.5	17

contains meaningful fixed components.

Balance Sheet Context

The balance sheet confirms the structural reality. Micron has significant liquidity and scale assets, but it remains permanently capital intensive. The investable question is not whether capex stays high—it does—but whether operating cash generation can remain strong enough through normalization to produce sustainable free cash flow.

VIII. FORECAST AND MODEL IMPLICATIONS

The model's economics are driven by three levers: scale, gross margin, and reinvestment intensity, with free cash flow emerging only once cash generation begins to outpace capex.

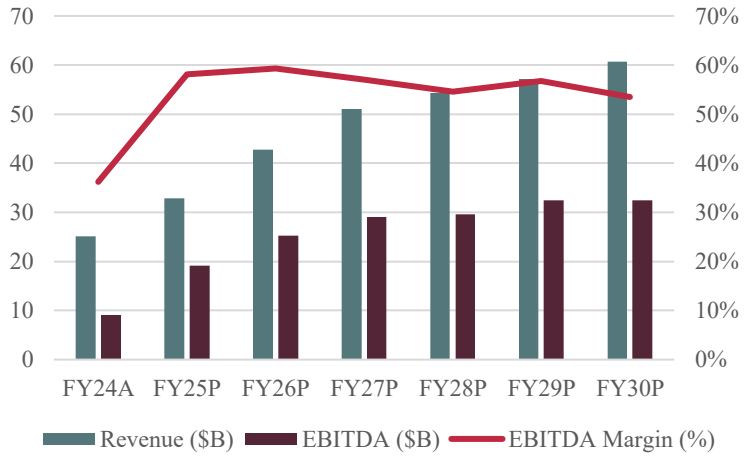
A) Scale Path:

Revenue steps from **$25.1B** in *FY2024A* to **$32.9B** in *FY2025P* and **$42.7B** in *FY2026P*, reaching **$60.7B** by *FY2030P*. The long-dated endpoint is diagnostic. Underwriting depends on validation of the *FY2025P–FY2027P* ramp.

B) Margin Regime:

FY2024A gross margin was **22.4%**. The base case requires a sustained step-up into a **~52%–53%** gross margin regime in *FY2025P–FY2027P*, followed by gradual compression later in the horizon. This margin reset creates the earnings power required for the weighted valuation to clear.

Operating Leverage as Margins Reset



C) Cash Conversion Versus Reinvestment:

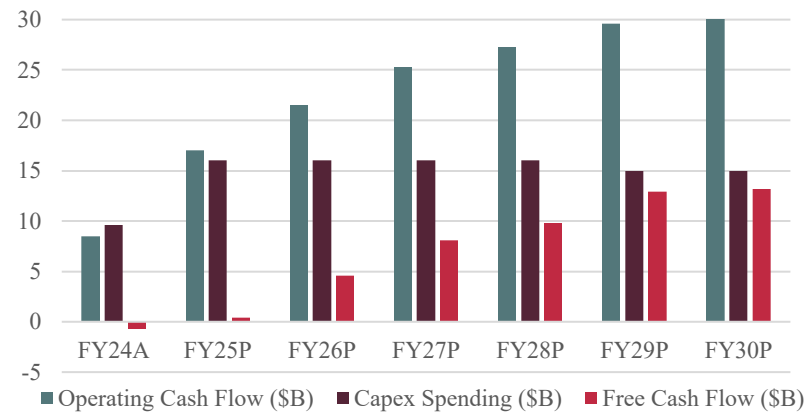
Capex remains structurally heavy at **$16.0B** per year in *FY2025P–FY2028P*, easing to **$15.0B** in *FY2029P–FY2030P*. The thesis requires operating cash generation to grow fast enough to keep the business self-funding, allowing unlevered free cash flow to inflect meaningfully.

A notable support embedded in the model is CHIPS Act payments of **$0.5B** in *FY2025P* and **$3.0B** in

FY2026P–FY2027P, improving the cash profile during the heavy-investment phase.

D) Key Operating and Cash Outputs

Cash Generation Versus Reinvestment



What must be right to earn the weighted value

- **Gross margin** holds in the model's post-normalization band
- **Operating cash** remains robust relative to capex
- **Free cash flow** inflection is real, not deferred

If these conditions fail to materialize, the stock should not be capitalized on the higher-quality framing implied by the weighted valuation, and the appropriate valuation anchor shifts lower.

How this thesis fails (mechanism risk):

The valuation depends on Micron earning a durable margin and cash-generation regime. The thesis breaks through identifiable operating pathways.

E) Supply returns faster than demand:

If capacity expands or end-markets soften before utilization resets, ASPs could weaken prematurely. Margins would fail to sustain the post-normalization band, EBITDA would under-deliver, and free cash flow inflection would be delayed.

Signals: pricing pressure, utilization slippage, rising inventories.

F) Mix improvement proves insufficient:

If higher-value products fail to scale, margin recovery would reflect volume rather than structural improvement. Earnings power would revert toward historical mid-cycle levels, undermining the regime-shift framing.

Signals: limited margin separation across end markets, recovery driven mainly by bit growth.

G) Reinvestment continues to absorb cash flow:

If capex persistently consumes operating cash, Micron remains capitalized as a cyclical trading vehicle rather than a cash generator.

Signals: capex exceeding operating cash flow, minimal unlevered free cash flow despite EBITDA growth.

Failure of these conditions would justify valuation re-anchoring toward the conservative intrinsic bound.

IX. DEBT AND CAPITAL STRUCTURE

Micron's balance sheet remains conservatively positioned. Funded debt stays broadly stable at approximately **$12.7B–$13.8B**, while liquidity expands materially, driving rapid deleveraging as EBITDA normalizes.

A) Debt profile and trajectory

Funded debt in *FY2024A* was **$13.491B**. The forecast holds total debt roughly flat while shifting composition:

- Term loans amortize to **$0** by *FY2028P* (from **$1.987B** in *FY2024A*)

- Finance leases grow to **$3.222B** by *FY2028P* and **$3.850B** by *FY2030P* (from **$2.054B** in *FY2024A*)
- Operating lease liabilities decline to **$0.315B** by *FY2030P* (from **$0.681B** in *FY2024A*).

Taken together, the debt trajectory reflects a de-risking balance sheet, with declining term leverage and manageable lease growth that does not constrain the equity story as operating cash flow scales.

B) Liquidity and Net Debt Framing

Liquidity (cash plus short- and long-term investments) was **$9.152B** in *FY2024A* and expands materially across the forecast as operating cash flow scales.

Funded debt remains broadly stable at roughly **$12.7B–$13.3B**, while cash grows from **$7.04B** in *FY2024A* to **$12.14B** by *FY2030P*. As a result, net debt compresses quickly, rising modestly to **$7.48B** in *FY2025P* before declining to **$1.47B** by *FY2030P*.

Year	Liquidity ($B)	Total Debt ($B)	Net Debt ($B)
2023A	9.2	9.7	0.5
2024A	9.2	13.5	4.3
2025P	16.6	13.5	(3.1)
2026P	27.7	13.2	(14.5)
2027P	37.8	13	(24.8)
2028P	51.8	12.7	(39.1)
2029P	66.4	13	(53.4)
2030P	88.4	13.3	(75.1)

C) Interest Burden and Coverage

In *FY2024A*, interest expense was **$0.562B** and interest income was **$0.529B**, resulting in approximately **$(0.033)B** of net interest.

As liquidity builds in the forecast, interest income rises meaningfully while interest expense remains relatively stable. Interest expense holds around **$0.53B–$0.60B** from *FY2025P* through *FY2030P*, while interest income grows from **$0.19B** in *FY2025P* to **$1.25B** by *FY2030P*.

Leverage and coverage improve rapidly as EBITDA normalizes. Debt to EBITDA declines from **0.70x** in *FY2025P* to approximately **0.40x** by *FY2029P–FY2030P*. Over the same period, EBITDA to interest expense expands from **36.4x** in *FY2025P* to above **50x** by *FY2027P*, remaining structurally elevated thereafter.

D) Financing Posture

The financing line implies modest net repayments in the early forecast, including **-$0.54B** in *FY2025P*, **-$0.24B** in *FY2026P*, and **-$0.27B** in *FY2027P*, followed by small net issuance later, including **+$0.33B** in *FY2029P* and **+$0.30B** in *FY2030P*.

The practical takeaway is that the equity case is not balance-sheet dependent. If the operating regime materializes, leverage declines quickly and financing activity becomes secondary to operating performance and cash conversion.

X. VALUATION FRAMEWORK

My base-case target for Micron is derived from a blended valuation framework that is designed for a cyclical, capital-intensive business where single-year earnings can be structurally unrepresentative**.**

I combine two intrinsic DCF methods (to anchor value to cash generation) with two market-based multiples (to keep the outcome tethered to how large-cap semiconductors are commonly capitalized). The weighted result produces my base-case value.

A) Blended Valuation Output

Valuation Method	Primary Driver	Estimated Value
PGM DCF	g = 2.75%	$208.22
EMM DCF	*Exit EV/EBITDA* = 24.3×	$509.18
EV/Rev Comps	*EV/REV* = 14.4×	$321.35
EV/EBITDA Comps	*EV/EBITDA* = 38.8×	$312.22
Weighted Target	**$376.77**	

The blended output reflects a valuation anchored in cash-generation durability, balancing upside terminal framing with market-based discipline appropriate for a cyclical, capital-intensive semiconductor business.

B) Intrinsic Valuation Mechanics

1) Discount rate (WACC framework)

A single WACC is applied across both intrinsic methods so differences in value reflect *terminal framing*, not discounting noise.

Component	Assumption
Risk-Free Rate	3.50%
LT market return	8.50%
Equity Risk Premium	5.00%
Beta	1.96
Size Premium	−0.28%
Cost of Equity	13.00%
Cost of Debt	3.29%
Capital Structure	92.74% Equity 7.26% Debt
WACC	12.30%

2) Exit Multiple DCF (EMM)

- Present value of terminal value of **$483.32B**
- Enterprise value of **$571.77B**
- Equity value of **$564.68B**
- Implied per-share value of **$509.18**

3) Perpetuity Growth DCF (PGM)

- Terminal growth rate of **2.75%**
- Present value of terminal value of **$149.56B**
- Enterprise value of **$238.01B**
- Implied per-share value of **$208.20**

Interpretation

The intrinsic range is primarily a terminal framing question. Terminal value accounts for approximately **84.5%** of enterprise value in the exit-multiple case versus **62.8%** in the perpetuity-growth case. As a result, the stock is best managed as a durability underwriting position rather than a one-quarter trade, with realized value depending on whether Micron earns a higher-quality, sustained cash-generation regime.

C) Relative Valuation Anchors

To avoid over-reliance on any single terminal assumption, the intrinsic valuation outputs are contextualized using a select set of large-cap semiconductor peers**:** *Broadcom (AVGO), AMD (AMD),* and *Qualcomm (QCOM)*.

The objective is not to identify direct "memory comparables," which do not exist in a clean or stable form, but rather to triangulate a realistic public-market valuation frame across the primary demand vectors that ultimately drive memory economics.

Each peer represents a distinct but economically relevant semiconductor exposure:

- **Broadcom** anchors data-center and networking infrastructure with high margin durability.
- **AMD** reflects compute-driven growth tied to data-center and AI workloads.

- **Qualcomm** provides exposure to mobile and consumer-oriented semiconductor cycles.

Together, these companies span the end markets that most directly influence memory pricing, utilization, and profitability, making them appropriate reference points for how large-cap semiconductor cash earnings are capitalized by the market.

Because these peers are large, liquid, and widely followed, investors consistently frame their valuation through **EV/EBITDA** as the primary cash-earnings multiple, with **EV/Revenue** serving as a secondary backstop during periods of margin transition. Accordingly, these two multiples are used to anchor market-based valuation context for Micron.

The comp set is weighted *AMD* **20%**, *Broadcom* **30%**, and *Qualcomm* **50%**, reflecting a deliberate bias toward peers with more mature, cash-generative profiles while still capturing exposure to compute-led growth dynamics. Importantly, these market-based outputs are **not treated as point estimates of fair value**. Instead, they are used to **bracket intrinsic valuation outcomes** and assess whether the implied DCF results are directionally consistent with how the market prices large-scale semiconductor cash flows under different durability assumptions.

In this framework, relative valuation serves as a sanity check and contextual anchor, while intrinsic valuation remains the primary determinant of fair value. The role of the comps is to inform how much multiple support Micron could reasonably earn if it sustains a higher-quality, normalized cash-generation regime, not to substitute for a cash-flow-based valuation of the business.

D) Weighting Rational

The valuation weights reflect how I would underwrite a cyclical, capital-intensive semiconductor business in which terminal value dominates intrinsic outcomes and near-term earnings can be structurally misleading. Rather than relying on a single framing, the blend is designed to balance upside participation**,** market realism**,** and long-run discipline**.**

- *Exit Multiple DCF* **(40%)** carries the largest weight because it best captures the upside scenario in which Micron earns a durable, normalized cash-generation profile that the market is willing to capitalize. In regime-shift outcomes, valuation is driven primarily by how investors price sustainable mid-cycle cash earnings rather than by conservative perpetuity constraints.
- *EV/EBITDA comps* **(30%)** serve as the primary market anchor. EBITDA is the most commonly used cash-earnings proxy for large-cap semiconductor valuation and is less distorted than net income in a capital-intensive business. This weight keeps the valuation aligned with how comparable semiconductor cash flows are capitalized in public markets.
- *EV/Revenue* **(15%)** functions as a backstop during periods of margin transition. As Micron's margins normalize, EBITDA can temporarily misstate sustainable earnings power, and a revenue-based multiple reduces sensitivity to any single margin assumption.
- *PGM* **(15%)** is the discipline weight. It anchors valuation to a conservative long-run cash-flow framing if durability is not earned and limits upside bias given the wide dispersion across intrinsic outcomes.

Taken together, the blend expresses a base-case view: Micron is not valued on a single-year snapshot, but on whether it earns a durable normalized cash-flow profile over time, resulting in a weighted implied value of **$376.77 per share**.

E) Valuation Sensitivity Analysis

Since the valuation framework blends intrinsic and market-based approaches, I evaluate how the implied equity value behaves across a range of reasonable capital market and operating assumptions. The objective is not to identify a precise point estimate, but to assess whether the underwriting remains directionally intact under alternative scenarios and to determine which variables most directly influence the dispersion of outcomes.

a) Discount Rate and Terminal Assumption Sensitivity:

The primary sensitivity evaluates changes in the discount rate and long-run terminal growth assumptions while holding the operating forecast constant. Consistent with the long-duration nature of the modeled cash-flow profile, valuation outcomes move as required return expectations and terminal framing change. This dispersion reflects the structural reality that a significant portion of enterprise value is derived from normalized cash generation beyond the explicit forecast horizon.

WACC / Terminal Growth	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
10.5%	435.72	436.64	437.62	438.67	439.79	440.98
11.0%	417.35	418.13	418.95	419.83	420.78	421.75
11.5%	400.21	400.86	401.56	402.29	403.07	403.90
12.0%	384.17	384.70	385.32	385.94	386.60	387.29
12.3%	370.05	375.36	376.10	376.77	372.25	372.89
12.5%	369.16	369.64	370.15	370.67	372.23	371.82
13.0%	355.10	355.51	358.94	356.39	356.86	357.80
13.5%	341.91	342.60	342.63	343.02	343.42	343.85

The results indicate that changes in perceived risk primarily compress or expand valuation around the base case rather than altering the directional conclusion of the investment thesis. More conservative discounting environments shift outcomes toward the lower portion of the implied range, while improved confidence in durability supports higher capitalization of normalized earnings power.

b) Margin Regime Sensitivity:

Given that the investment thesis is explicitly underwritten as a profitability normalization, the model is evaluated across a range of potential steady-state gross margin outcomes. As expected in a fixed-cost, capital-intensive manufacturing structure, incremental margin expansion translates disproportionately into enterprise value through operating leverage and improved cash conversion.

Gross Margin \ WACC	10.50%	11.00%	11.50%	12.00%	12.50%	13.00%
45.00%	454.91	445.73	398.25	381.06	366.74	352.51
48.00%	455.89	435.83	417.16	399.76	383.6	368.31
50.00%	470.14	449.23	429.77	411.62	394.68	378.83
52.50%	487.96	465.98	445.53	426.46	408.65	391.99
55.00%	506.78	482.73	461.29	441.29	422.62	405.16
57.50%	523.59	499.48	477.04	456.13	436.59	418.32

The dispersion across this sensitivity confirms that valuation is more dependent on sustained profitability than short-term revenue variability. Outcomes migrate higher as margin durability improves, while failure to sustain the normalization band naturally compresses implied value toward more conservative levels.

Interpretation:

Taken together, the sensitivity analysis reinforces the durability-driven framing of the investment case. The range of outcomes is driven less by near-term operating variability and more by the market's confidence in the

persistence of normalized margins and cash generation. The base-case valuation therefore does not rely on a single optimistic assumption, but rather on confirmation that the post-recovery earnings profile can be sustained through the cycle.

XI. CATALYSTS

Micron is best managed as a **durability underwriting** position: the stock re-rates if the market becomes confident that the business can sustain a higher-quality profit and cash regime, not merely post a strong quarter. The following catalysts matter because they directly confirm (or refute) the model's required margin and cash-conversion trajectory.

1. **Pricing confirmation (persistence over direction)**
   The key catalyst is not a single pricing uptick; it is sustained pricing strength consistent with the model's implied gross margin reset. Confirmation requires multiple periods of supportive pricing that keep profitability tracking toward the post-normalization regime.
2. **Gross margin follow-through (regime evidence)**
   The valuation is underwriting a step-change from FY2024A gross margin (**22.4%**) to a materially higher regime in the near term (model-implied **~52%–53%** in FY2025P–FY2027P). Continued margin progression and stability at those levels would be the clearest proof that recovery profits are not transient.
3. **Absorption improvement (operating leverage unlocking)**
   A central pathway to durability is improved fixed-cost absorption. I look for operating leverage that is consistent with the model's EBITDA step-up from **$9.1B** *(FY2024A)* to **$19.1B** *(FY2025P)* and **$25.3B** *(FY2026P)*—i.e., incremental revenue translating into disproportionate cash earnings.
4. **Cash conversion durability (self-funding test)**
   This is the most investable confirmation. The model assumes heavy capex persists (**$16.0B per year** in *FY2025P–FY2027P*), so the catalyst is operating cash flow staying robust enough to fund reinvestment. In the forecast, cash from ops rises to **$17.0B** *(FY2025P)* and **$21.5B** *(FY2026P)*, allowing unlevered free cash flow to inflect from **~$0.4B** *(FY2025P)* to **~$4.6B** *(FY2026P)* and **~$8.1B** *(FY2027P)***.**
5. **Balance sheet calm (no forced behavior as the cycle evolves)**
   The recovery should be accompanied by increasing flexibility. In the model, liquidity (cash + investments) expands from **$9.15B** *(FY2024A)* to **$16.57B** *(FY2026P)* and continues scaling thereafter. A stable funding posture alongside improving cash generation supports the thesis that the company can invest through volatility without becoming a forced issuer.

XII. RISKS

This investment case is explicitly underwritten as a durability-driven valuation**,** not a near-term earnings trade. As a result, downside risk is defined less by quarterly volatility and more by whether the model's required margin and cash-conversion regime fail to materialize or persist**.** The primary downside pathways are therefore structural rather than incidental.

1. **Pricing durability risk (margin reset fails to persist)**

The most fundamental risk is that memory pricing improves but does not sustain at levels consistent with

the modeled gross-margin reset. The valuation assumes a step-change from *FY2024A* gross margin of **22.4%** into a materially higher regime **(~52–53%** over *FY2025P–FY2027P*). If pricing support fades, utilization weakens, or competitive dynamics reintroduce volatility before this regime is established, gross margins would compress and the intrinsic valuation would migrate toward the lower-bound perpetuity framing rather than the exit-multiple outcome.

2. Margin sustainability risk (mix and absorption stall)

Even if pricing improves, margins may fail to hold if cost absorption, mix improvement, or operating leverage underdeliver**.** The model assumes that incremental revenue translates into disproportionate EBITDA growth, reflecting improved fixed-cost absorption. If operating expenses scale faster than expected or mix shifts do not sustain higher-value products, EBITDA expansion would decelerate, undermining the durability thesis and reducing the market's willingness to capitalize normalized earnings.

3. Cash conversion risk (self-funding assumption breaks)

A central requirement of the thesis is that Micron remains self-funding through the cycle despite elevated reinvestment needs. The model assumes capex remains heavy at approximately **$16.0B** per year in *FY2025P–FY2027P,* while operating cash flow scales sufficiently to support positive unlevered free cash flow. If operating cash flow fails to keep pace with reinvestment, causing free cash flow to remain structurally weak or negative, the valuation would de-rate toward a more conservative framing and reduce confidence in long-term cash-generation durability.

4. Terminal capitalization risk (market refuses to re-rate)

Even if Micron delivers improved margins and cash flow, the market may decline to capitalize those earnings at higher multiples, continuing to frame the business as structurally cyclical rather than durably normalized. In this scenario, valuation would converge toward the perpetuity-growth outcome rather than the exit-multiple case, materially limiting upside despite operational improvement. This risk directly impacts the weighting outcome, as the exit-multiple DCF carries the highest contribution to base-case value.

5. Timing and path risk (cycle interruption before durability is proven)

Finally, the path to durability matters. A demand shock or cyclical interruption before the higher-margin, self-funding regime is clearly established could reset utilization and pricing, delaying or invalidating the normalization trajectory embedded in the model. While not a change in long-term fundamentals, such a disruption would impair near- to medium-term valuation realization and increase downside volatility.

XIII. CONCLUSION

Micron represents a durability underwriting opportunity rather than a short-cycle earnings trade. The investment case rests on whether the company can sustain a higher-quality margin and cash-generation regime as pricing normalizes, utilization improves, and scale flows through a largely fixed cost structure. The evidence from FY2024A marks the beginning of this transition, but valuation realization depends on its persistence.

The wide intrinsic valuation range of **$208–$509 per share** reflects a single question: how the market

ultimately capitalizes Micron's normalized cash flows. If margins and cash conversion stabilize in the model's post-normalization band and the business proves self-funding through reinvestment, the stock should migrate toward an exit-multiple framing consistent with large-cap semiconductor cash generators. If durability is not earned, valuation appropriately re-anchors toward the conservative perpetuity-growth outcome.

The blended framework of combining intrinsic DCFs with market-based anchors, produces a **base-case value of $376.77 per share**, implying ~**132% upside** from the current price. This outcome does not require the elimination of cyclicality, only that the post-recovery regime proves structurally stronger and more durable than in prior cycles.

In that context, Micron should be owned with patience and monitored through regime-confirming signals rather than quarter-to-quarter volatility. The stock works as confidence builds in sustained margin, operating leverage, and self-funded reinvestment and fails only if those conditions do not materialize.