Results Review & Company Deep Dive

Micron

An 87 per cent gross margin, revenue up almost fivefold in a year and a $1.2 trillion valuation. The memory industry is in the strongest upcycle in its history. A review of the fiscal fourth-quarter results, what is driving them, and why a stock on seven times earnings may still be a cyclical bet.

Global Markets Research · Technology Desk — Prepared for internal & client distribution by **Andra Markets**

Coverage summary. On 30 September Micron reported revenue of $54.2 billion for its fiscal fourth quarter, up from $11.3 billion a year earlier, with a gross margin of 87 per cent and net income of $37.7 billion. For the full fiscal year revenue was $133 billion, up 256 per cent, and free cash flow $62 billion. It guided to another record of $61.5 billion for the current quarter. Memory has gone from a commodity business that routinely lost money in downturns to one of the most profitable products in the semiconductor industry, because AI data centers need vast amounts of high-bandwidth memory and supply cannot keep up. The shares have risen more than fivefold in a year, giving Micron a market value of about $1.2 trillion. This note reviews the results, explains the price and supply dynamics behind them, and asks the question that has always defined memory investing: how long can it last?

Q4 FY26 revenue	Gross margin	Q1 FY27 guidance	Share price / mkt cap
$54.2bn	**87.0%**	**$61.5bn**	**$1,075 / $1.2tn**
+379% y/y, +31% q/q	*45.7% a year earlier*	*EPS ~$38*	*+463% over one year*

Exhibit A. Key figures (fiscal year ends early September; Q4 FY26 is the quarter to August 2026)

Metric	Figure	Note
Revenue, Q4 FY26	$54.2bn	Q3 FY26 $41.5bn; Q4 FY25 $11.3bn
DRAM / NAND revenue	$39.8bn / $14.1bn	73% / 26% of total
Non-GAAP gross / operating margin	87.0% / 82.3%	records
Non-GAAP EPS, Q4 / FY26	$33.42 / $75.52	FY25 revenue $37.4bn
Free cash flow, FY26	$62.3bn	capex $27.4bn
Cash / debt	$73.5bn / $5.2bn	net cash ~$68bn
Q1 FY27 guidance	$61.5bn ±$1.5bn	gross margin ~86.3%; EPS ~$38.15
Strategic customer agreements	26	>35% of estimated revenue to 2030; $32bn of financial commitments
Valuation	~7x run-rate P/E	~14x FY26 earnings; share price ~$1,075

Figures from company releases and earnings call materials and market data as of early October 2026; run-rate multiples are Andra Markets calculations and are approximate. Colour convention (charts only): green marks growth and the current upcycle, red marks the downside or the cycle trough. All body and table text is set in black.

1.0 Executive Summary

Key takeaways

The results were extraordinary even by the standards of this cycle. Revenue grew 31 per cent in a single quarter and almost fivefold in a year. Gross margin reached 87 per cent, higher than Nvidia’s 75 per cent and far above anything the memory industry has achieved before; at the peak of the last upcycle in 2018, Micron’s margin was below 60 per cent.

Operating margin was 82 per cent. Guidance for the current quarter points to revenue of $61.5 billion and another increase in earnings, and management said supply and demand conditions in fiscal 2027 and 2028 will be tighter still.

Prices, not volumes, are doing most of the work. In the fourth quarter DRAM prices rose by a high-teens percentage and NAND prices by about 30 per cent in three months, while bit shipments grew only modestly. AI servers need enormous amounts of memory, and high-bandwidth memory (HBM), stacked DRAM placed next to AI chips, consumes roughly three times the wafer capacity of standard DRAM per bit. That has pulled capacity away from conventional memory and created a shortage across the market. Micron has sold most of its 2027 HBM supply at substantially higher prices and has signed long-term agreements with customers covering more than a third of its expected revenue to 2030.

The valuation reflects the old question of the cycle. At about $1,075, the shares trade at roughly 14 times fiscal 2026 earnings and only about 7 times the earnings implied by current guidance. In most industries that would signal deep value. In memory it has historically signalled a peak: the industry adds capacity when prices are high, supply catches up, and prices and margins collapse, as they did in 2019 and again in 2023, when Micron’s gross margin turned negative. The bull case is that AI, long-term contracts and the complexity of HBM have changed the structure of the industry. The bear case is that every memory boom has looked structural from the inside. The new fabs Micron and its competitors are building will start producing in 2027 and 2028, which is where the test will come.

2.0 Business Overview

The memory in every AI server

Micron is the only large US manufacturer of memory chips and one of three companies, with Samsung and SK hynix, that dominate the global market for DRAM. It makes two main products. DRAM is the fast working memory used by processors, from phones and PCs to data center servers; it accounted for $39.8 billion, or 73 per cent, of fourth-quarter revenue. NAND flash is the storage memory used in solid-state drives and phones, at $14.1 billion or 26 per cent. Within DRAM, the most important product today is HBM, in which several DRAM dies are stacked vertically and connected to an AI accelerator such as an Nvidia GPU, providing the very high bandwidth that training and running large models require.

Micron reports four business units. In the fourth quarter, Core Data Center generated $18.0 billion and Cloud Memory, which includes HBM and memory sold to hyperscalers, $16.3 billion; together, data center markets now account for almost two-thirds of revenue. Mobile and Client, serving phone and PC makers, contributed $13.1 billion, and Automotive and Embedded $6.8 billion. Unlike Nvidia, Micron manufactures its own chips, in fabs in the US, Japan, Taiwan and Singapore, which makes it far more capital-intensive and means its costs are largely fixed: when prices rise, almost all of the increase falls to profit, which explains the extraordinary margins.

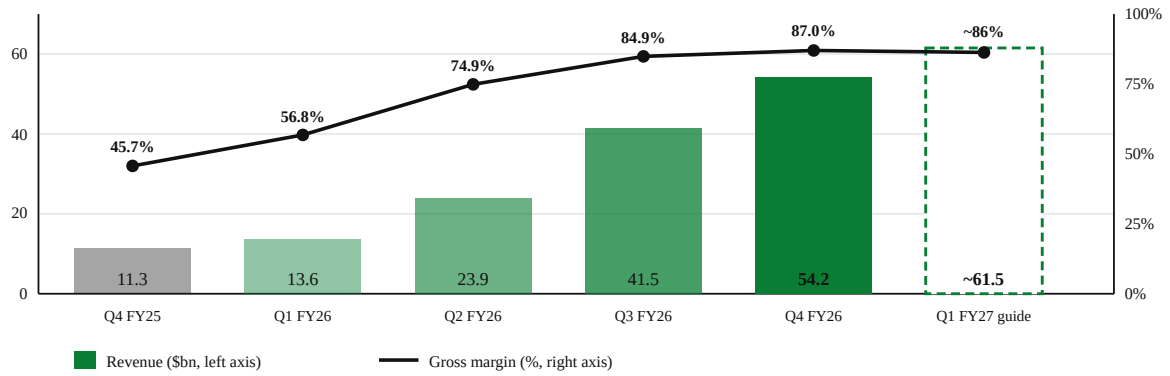
3.0 Fourth-Quarter Results

Five records in a row

Each of the last five quarters has set a record, and the acceleration has been steep. Revenue rose from $11.3 billion in the August 2025 quarter to $13.6 billion, $23.9 billion, $41.5 billion and now $54.2 billion. Over the same period gross margin climbed from 45.7 per cent to 87.0 per cent. Guidance for the November quarter, at $61.5 billion and a margin of around 86 per cent, implies that the growth is continuing but that margins are now close to a plateau.

Profitability is the most striking feature. Non-GAAP operating income was $44.6 billion, an operating margin of 82 per cent, and net income $38.4 billion, or $33.42 per share. For the full fiscal year Micron earned $75.52 per share, compared with less than $9 the year before. Operating cash flow was $89.7 billion and, after $27.4 billion of capital spending, free cash flow reached $62.3 billion. The balance sheet has been transformed: Micron ended the year with $73.5 billion of cash and investments and only $5.2 billion of debt. One detail worth watching is inventory, which rose to 129 days, nine more than in the previous quarter; in a shortage, rising inventory can reflect strategic stock-building, but it is also the first place a turn in the cycle tends to show up.

Exhibit 1. Quarterly revenue ($bn) and non-GAAP gross margin (%)



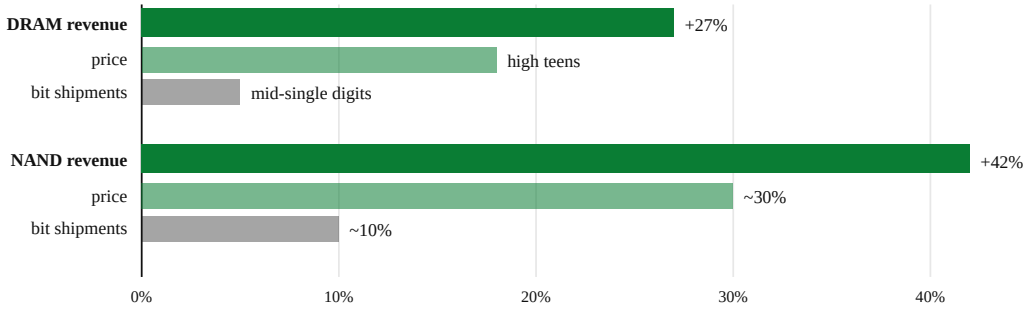
Source: Andra Markets; Micron quarterly results. Non-GAAP gross margin. The dashed bar is the midpoint of guidance. Green marks the upcycle.

4.0 Pricing and Supply

A shortage driven by AI

The quarter's growth came overwhelmingly from price. DRAM revenue rose 27 per cent from the previous quarter, with bit shipments up by a mid-single-digit percentage and average prices up by a high-teens percentage. NAND revenue rose 42 per cent, with shipments up about 10 per cent and prices up about 30 per cent. In other words, Micron sold only slightly more memory than three months earlier but charged far more for it.

Exhibit 2. Q4 FY26 sequential growth: price versus volume (%, approximate)



Source: Andra Markets; Micron Q4 FY26 prepared remarks. Bars for qualitative ranges use midpoints (high teens shown as 18%, mid-single digits as 5%). Green marks price, grey marks volume.

The cause is a structural shift in demand. AI servers require several times more memory than conventional servers, and HBM is particularly wafer-hungry: producing a bit of HBM consumes roughly three times as much wafer capacity as a bit of standard DRAM. As the three major producers have diverted capacity to HBM, supply of conventional DRAM and NAND for phones, PCs and ordinary servers has tightened sharply, and prices have risen across the board; server memory prices have reportedly doubled. Industry supply is expected to grow only by around 20 per cent a year in bits in 2027 and 2028, and new fabs take years to build: Micron's Singapore HBM packaging plant starts output in early 2027, its new Idaho fab in mid-2027 and its New York site not until 2030.

Customers have responded by locking in supply. Micron has signed 26 strategic customer agreements that cover more than 35 per cent of its estimated revenue through 2030 and include $32 billion of financial commitments, such as prepayments. Those contracts are a genuine change from the past, when memory was sold largely on short-term terms at spot-linked prices, and they give Micron more visibility than at any previous point in a cycle. But they do not eliminate the cycle: contract prices are eventually renegotiated, and agreements signed at peak prices protect revenue only as long as both sides honour them.

5.0 HBM and Competitive Position

The third player catches up

In HBM, SK hynix remains the clear leader, with an estimated half or more of the market, followed by Samsung and Micron. Micron entered HBM later but has gained ground quickly, with an estimated share of around 20 per cent of Nvidia's HBM4 allocation, and on some allocations it has reportedly overtaken Samsung. HBM revenue grew faster than total company revenue in the fourth quarter, and Micron said it has completed agreements for the vast majority of its calendar 2027 HBM supply, with significant price increases year on year. Management expects HBM demand to grow faster than conventional DRAM through 2028.

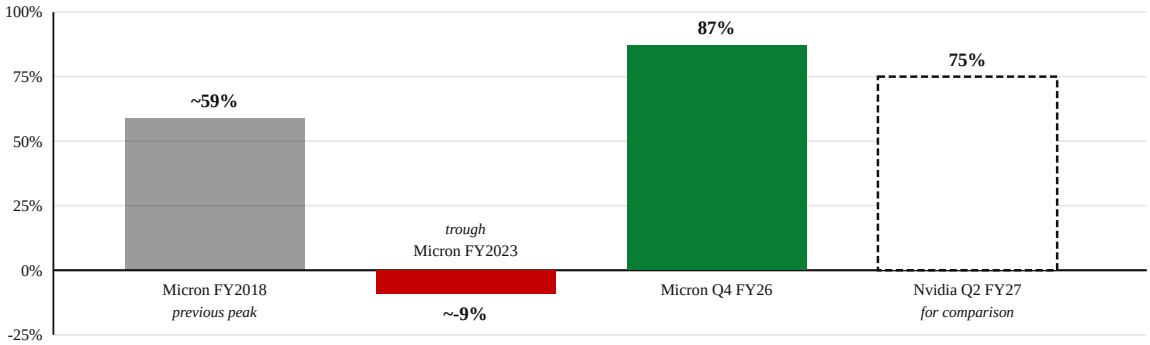
The competitive landscape has two important features. The first is discipline among the three main producers, who so far have prioritised margins and HBM over a race for volume; whether that discipline survives the new capacity coming online is the central question for the industry. The second is China. CXMT, a state-backed Chinese DRAM producer, has grown rapidly and gained share in conventional DRAM, particularly in its home market, and could become a source of price pressure in standard products even if it remains behind in HBM. US export controls limit its access to advanced equipment, but it is the most likely source of unexpected supply.

6.0 The Memory Cycle

Is this time different?

Memory has always been the most cyclical part of the semiconductor industry. When demand outruns supply, prices soar and producers earn very high margins; they respond by building capacity, which arrives in bulk two or three years later, and prices then fall faster than costs. Micron's own history illustrates the pattern. In fiscal 2018, at the peak of the previous upcycle, its gross margin was about 59 per cent. In fiscal 2023, after a collapse in PC and phone demand and an inventory glut, its gross margin was negative, at about minus 9 per cent, and it lost money. Today's margin of 87 per cent is not just a record; it is far outside the historical range.

Exhibit 3. Gross margin across the memory cycle, compared with Nvidia (%)



Source: Andra Markets; Micron and Nvidia company reports. FY2018 and FY2023 are approximate GAAP gross margins for the full fiscal year. Green marks the current cycle, red the last trough.

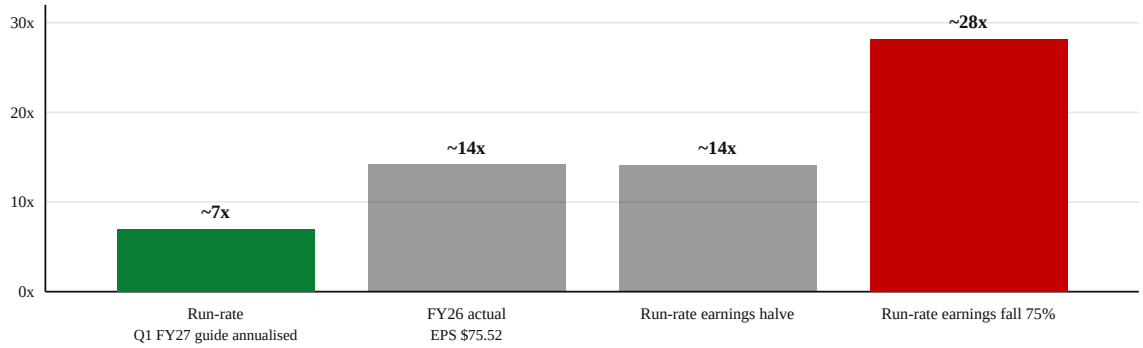
The argument that this cycle is different rests on three points. Demand for memory in AI infrastructure is growing structurally, not just recovering from a downturn. HBM is technically difficult, ties producers to specific AI chips through long qualification processes, and is sold on multi-year terms. And long-term agreements with prepayments shift part of the risk to customers. Each point has merit. But the counter-argument is equally familiar: high margins attract investment, and every major producer is now expanding capacity, Micron included. Its own capital spending is set to rise sharply in fiscal 2027, with around $25 billion in the first half alone. If AI spending slows, or if the new capacity arrives faster than demand grows, the industry's fixed-cost structure means profits can fall as fast as they rose.

7.0 Valuation

Cheap on peak earnings

At around $1,075 per share, Micron is valued at about $1.2 trillion, making it the thirteenth most valuable company in the world, up from around $55 billion at its low in 2022. On fiscal 2026 earnings of $75.52 per share the shares trade at about 14 times; on the earnings implied by first-quarter guidance, annualised at about $153 per share, they trade at only 7 times. The free cash flow yield on fiscal 2026 is about 5 per cent, and the company has net cash of around $68 billion.

Exhibit 4. Price-to-earnings at $1,075 under different earnings assumptions (x)



Source: Andra Markets calculations on company results and guidance. Illustrative earnings scenarios, not forecasts. Green marks the current run-rate, red the downside case.

The low multiple is not a sign that the market has missed the story; it is the market's way of pricing a cyclical peak. Investors have learned that memory earnings at the top of a cycle should not be capitalised as if they were permanent, and they apply low multiples precisely when profits are highest. If run-rate earnings halved from here, a large fall but still a level far above any previous cycle, the shares would trade on 14 times; if they fell by three-quarters, closer to what has happened in past downturns, the multiple would be around 28 times. The investment case therefore depends less on this year's numbers than on how high earnings remain at the bottom of the next downturn, and how far away that downturn is.

8.0 Risk Considerations

Where the case could break

The dominant risk is the cycle itself. New capacity from Micron, SK hynix, Samsung and CXMT will begin to arrive in 2027 and 2028; if it coincides with any slowdown in AI infrastructure spending, prices could fall sharply, and with costs largely fixed, margins would follow. The rise in inventory days in the latest quarter is worth monitoring as an early signal. Micron is also exposed to the concentration of AI demand: a handful of customers, led by Nvidia and the hyperscalers, account for a large part of HBM and data center revenue, and their spending plans, discussed in our recent notes on Nvidia, Oracle and Alphabet, are increasingly debt-financed.

Other risks include demand destruction in consumer markets, where higher memory prices raise the cost of phones and PCs and could reduce unit sales; competitive pressure from CXMT in conventional DRAM; execution risk in HBM4, where qualification with customers determines market share; and geopolitics, including US-China export controls and the concentration of memory production in Asia. Finally, capital intensity: Micron's capital spending will rise steeply in fiscal 2027, and a large share of it is construction of greenfield fabs whose economics will depend on prices several years from now.

9.0 Outlook and Monitoring Points

What to watch

In the near term, the outlook is as strong as it has ever been: guidance points to another record quarter, management expects conditions to tighten further in fiscal 2027 and 2028, and most of next year's HBM is already sold at higher prices. The indicators that will matter most are contract and spot prices for DRAM and NAND, which will show the

first signs of any turn; inventory levels at Micron and its customers; the capital spending plans of the three major producers and CXMT; and HBM4 qualification and share with Nvidia and other AI chip designers. On the demand side, hyperscaler capital spending guidance for 2027, due over the coming weeks, will be the most important external signal. Micron has never been more profitable; for investors, the question is not whether this quarter was exceptional, but how much of today's profit will still be there when the next wave of capacity arrives.

Methodology and Source Notes

Method. This note reviews Micron's fiscal fourth-quarter and full-year 2026 results, released on 30 September 2026, together with earlier fiscal 2026 quarterly results, the fourth-quarter prepared remarks and earnings call, third-party estimates of HBM market share and market data as of early October 2026. Run-rate multiples and earnings scenarios are Andra Markets calculations and are illustrative. Price and volume changes described qualitatively by the company are shown at range midpoints. Historical gross margins for fiscal 2018 and 2023 are approximate. This note is analysis, not investment advice.

Principal sources. Micron fiscal Q4 and full-year 2026 results (Nasdaq, 30 September 2026) and Q4 prepared remarks; Micron fiscal Q2 and Q3 2026 results (GlobeNewswire, March and June 2026); Investing.com, on the Q4 earnings call; Presenc AI and Counterpoint Research, on HBM and DRAM market share (2026); CompaniesMarketCap, for market data.

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