

Semiconductors

Solid earnings; HBM to drive future growth

Micron announced mostly in-line 3QFY24 results. Revenue increase by 17% QoQ/81% YoY to US\$6.8bn (slightly beat consensus of US\$6.7bn by 2.1%), driven by 1) improving supply/demand conditions and 2) a favorable product mix, which is expected to continue as shipment of high-value products (i.e., HBM) continues to increase over time. Profitability has also been improved: 1) GPM was 26.9% (consensus: 27.2%) in 3QFY24 vs. 18.5% in 2QFY24 and -17.8% in 3QFY23, 2) net profit turned positive for the second consecutive quarter to US\$322mn.

- Revenue guidance for the next quarter is US\$7.6bn +/- US\$200mn (up 8% QoQ/84% YoY), in line with consensus. The company expected GPM to increase 600bps in 4QFY24 and continue to expand a few hundred bps in 1QFY25, driving by rising ASP and accretive impact from greater contribution of HBM, high-capacity DIMMS, DC SSDs, etc.
- Micron's share price declined in after-hours trading, possibly because the results might not have met investors' high expectations. Given that the stock price has advanced 67% YTD, we estimate most of the positive catalysts may have already been priced in.
- In terms of AI revenue, Micron's HBM3e sales were over US\$100mn in Q3. The company expects HBM revenue to reach several hundred millions of dollars in FY24 and multiple billions in FY25. TrendForce estimates a 5% share in HBM market for Micron in 2024, implying a less than 5% AI exposure ([report](#)).
 With HBM production capacity having been booked solidly through 2025 and pricing secured for most of 2025's supply, Micron is further solidifying its position by introducing its next-generation 12-high HBM3e products and laying out a robust roadmap for future HBM generations like HBM4 and HBM4e. The company expects their HBM market share to be comparable to their traditional DRAM dominance (23%-25% per TrendForce) in 2025. We believe this will notably lift their AI exposure next year.
- On the capex front, Micron projects an approx. US\$8bn with WFE (Wafer Fabrication Equipment) spending down YoY in FY24, but it plans to significantly increase capex in FY25 (mid-30s % of total rev.) to support HBM assembly, fabrication, back-end facility construction, as well as tech transitions.
- Overall, AI demand remains robust, and memory market is recovering. We believe HBM suppliers are key beneficiaries and are poised to ride the AI boom.

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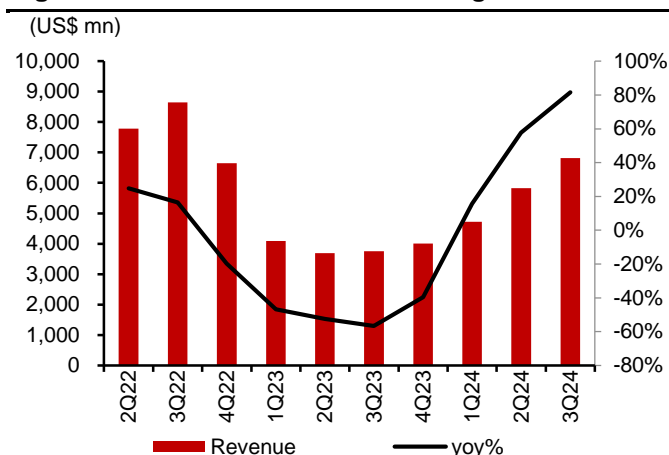
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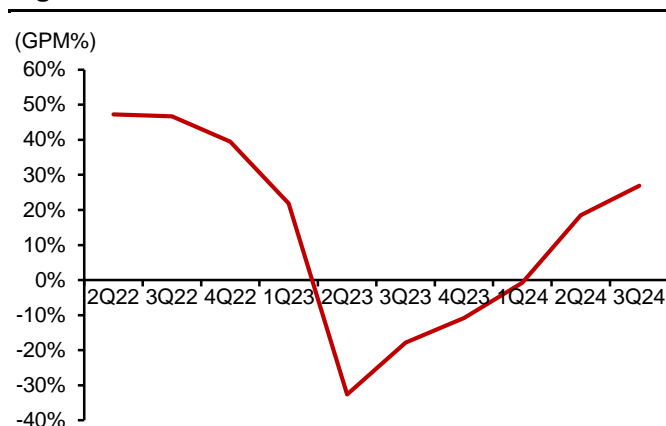
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Figure 1: Micron's revenue and YoY growth



Source: Company data, CMBIGM

Figure 2: Micron's GPM



Source: Company data, CMBIGM

Figure 3: Micron's quarterly results

US\$m	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	7,786	8,642	6,643	4,085	3,693	3,752	4,010	4,726	5,824	6,811
... YoY	24.9%	16.4%	-19.7%	-46.9%	-52.6%	-56.6%	-39.6%	15.7%	57.7%	81.5%
... QoQ	1.3%	11.0%	-23.1%	-38.5%	-9.6%	1.6%	6.9%	17.9%	23.2%	16.9%
Gross profit	3,676	4,035	2,622	893	(1,206)	(668)	(435)	(35)	1,079	1,832
... GPM	47.2%	46.7%	39.5%	21.9%	-32.7%	-17.8%	-10.8%	-0.7%	18.5%	26.9%
Net profit	2,263	2,626	1,492	(195)	(2,312)	(1,896)	(1,430)	(1,234)	793	332
... YoY	275.3%	51.4%	-45.1%	NA	NA	NA	NA	NA	NA	NA
... QoQ	-1.9%	16.0%	-43.2%	NA	NA	NA	NA	NA	NA	NA
... NPM	29.1%	30.4%	22.5%	-4.8%	-62.6%	-50.5%	-35.7%	-26.1%	13.6%	4.9%
EPS (USD)	2.02	2.36	1.36	(0.18)	(2.12)	(1.73)	(1.31)	(1.12)	0.72	0.30
... YoY	274.1%	52.3%	-43.8%	NA	NA	NA	NA	NA	NA	NA
... QoQ	-1.9%	16.8%	-42.4%	NA	NA	NA	NA	NA	NA	NA

Source: Company data, CMBIGM

Figure 4: Micron's quarterly results breakdown

US\$m	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
DRAM	5,719	6,271	4,809	2,829	2,722	2,672	2,755	3,427	4,158	4,692
... YoY	28.7%	15.1%	-21.0%	-49.4%	-52.4%	-57.4%	-42.7%	21.1%	52.8%	75.6%
... %	73%	73%	72%	69%	74%	71%	69%	73%	71%	69%
NAND	1,957	2,288	1,688	1,103	885	1,013	1,205	1,230	1,567	2,065
... YoY	18.6%	26.3%	-14.4%	-41.3%	-54.8%	-55.7%	-28.6%	11.5%	77.1%	103.8%
... %	25%	26%	25%	27%	24%	27%	30%	26%	27%	30%
Others	110	83	146	153	86	67	50	69	99	54
... YoY	-22.5%	-48.8%	-31.1%	-31.1%	-21.8%	-19.3%	-65.8%	-54.9%	15.1%	-19.4%
... %	1%	1%	2%	4%	2%	2%	1%	1%	2%	1%
Revenue	7,786	8,642	6,643	4,085	3,693	3,752	4,010	4,726	5,824	6,811
YoY	24.9%	16.4%	-19.7%	-46.9%	-52.6%	-56.6%	-39.6%	15.7%	57.7%	81.5%
QoQ	1.3%	11.0%	-23.1%	-38.5%	-9.6%	1.6%	6.9%	17.9%	23.2%	16.9%

Source: Company data, CMBIGM

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