Otto Analytics

FRONTIER GROWTH · CONVICTION RESEARCH

MU *Micron Technology, Inc.*

● **Accumulate / Watch: right business, disciplined entry**

INVESTMENT MEMORANDUM | JUNE 28, 2026

CONVICTION	CURRENT PRICE	PRICE TARGET	HORIZON
7/10	$1,132.33 *as of June 26, 2026 close*	Bear $360 · Base $1,500 · Bull $1,650	18 mo–3 years

> Conviction scores reflect our analytical assessment and are not recommendations to buy, sell, or hold any security. These ratings do not take into account any individual subscriber's financial situation, investment objectives, or risk tolerance.

PRICE TARGET RANGE

✦ *AI-assisted. Human editorial review is required before publication. See disclaimer below.*

Thesis

Micron is the only American maker of the memory that every AI accelerator now requires, and HBM has turned a commodity seller into a contracted infrastructure supplier with 2026 capacity sold out years in advance. The business is firing at a level it has never reached: the May quarter alone booked $41.5 billion in revenue at an 84.6 percent gross margin and $28.2 billion in net income, with the balance sheet swinging to a net cash position over the first nine months of the fiscal year. The catch is the chart, not the company: the stock is up roughly 800 percent in a year and trades 41 percent above its 50-day average, and the margins powering today's earnings sit at a cyclical all-time high, so the right move is to own the thesis and accumulate into weakness, not chase the all-time high.

The Debate

▲ BULL CASE

Memory stopped being a pure commodity at the high end. Every NVIDIA Blackwell rack needs eight HBM stacks and the next-generation Rubin platform moves to twelve, pushing HBM toward 55 to 60 percent of a GPU's bill of materials, and all three HBM makers sold out their entire 2026 capacity before the first quarter closed. The financial transformation is real and cash-backed: the May quarter posted $41.5 billion in revenue, up 346 percent year over year, with net income of $28.2 billion and a swing to roughly $24 billion net cash. The moat widened where it counts. Micron holds the number three seat in a three-player DRAM oligopoly controlling 95 percent of global supply, began volume HBM4 production a quarter early for NVIDIA's Rubin platform, and as the only US-based DRAM maker carries a $6.4 billion CHIPS grant and national-security designation the Korean incumbents cannot replicate on American soil.

▼ BEAR CASE

Memory is the most violently cyclical large-cap business in public markets, and the current boom is the largest in Micron's history, which argues for a proportional bust. The vulnerability is not the revenue multiple, which is unremarkable for this growth; it is the margin. Today's earnings rest on an 84.6 percent gross margin that is a cyclical all-time high, up from 37.7 percent a year ago, and Micron's gross margin has gone negative at past troughs. When pricing normalizes, revenue can hold while margins compress violently and earnings fall far faster than the top line. The history is not theoretical: Micron fell 96 percent in 2000 to 2002, 89 percent in 2008 to 2009, and posted a $5.8 billion loss as recently as FY2023. SK Hynix still leads HBM and entered first; if it keeps the HBM4 lead, Micron stays the minority supplier in the exact segment that justifies its margins. The entry timing is poor on its own terms, with the stock far above its long-term averages after an 800 percent run.

CIO JUDGMENT

The bull case wins on the business and gets disciplined on the price. The cyclicality argument is correct in principle, so the answer is not to deny it but to size and structure for it: a meaningful slice of demand is now committed under take-or-pay strategic agreements with fixed or banded pricing, which dampens a slice of the cycle through at least 2027. The HBM share concern is a known fact that is improving, not deteriorating, with volume HBM4 a quarter ahead of schedule. The real valuation concern is not the revenue multiple but that you are buying at peak-cycle margins, which is why this is an Accumulate and not a Strong Buy. The thesis is a buy; this exact price, 41 percent above the 50-day after an 800 percent run and at peak margins, is not the place to commit full capital. Conviction in the company is strong; conviction in today's entry is not, and the framework keeps those two separate. Accumulate into weakness toward the $800 to $1,100 structural support zone.

Key Metrics

METRIC	VALUE	NOTE
Revenue (FQ3'26)	$41.46B	+346% YoY, +74% QoQ; 5th straight record
Revenue (9mo FY26)	$78.96B	first nine months of fiscal 2026
Gross Margin (FQ3'26)	84.6%	vs 37.7% a year ago; cyclical all-time high
Net Income (FQ3'26)	$28.24B	diluted EPS $24.67
Operating Cash Flow (9mo)	$45.70B	vs $19.6B capex
Net Cash	+$24.41B	swung from net debt over 9mo
Forward P/E	~8x	low multiple = market pricing peak earnings
P/S (FQ3 annualized)	~7.7x	May quarter revenue run-rate basis
P/S (9mo annualized)	~12.1x	more conservative; smooths the ramp
Rule of 40	Massive pass	growth + margin far above threshold
CapEx (9mo)	$19.6B	~$27B full-year guided net of incentives
Shares Outstanding	1.129B	as of June 17, 2026

Price as of the June 26, 2026 close (down 6.69% on the day after the prior session's all-time-high close of $1,213.56). Filing-based figures per the 10-Q, quarter ended May 28, 2026. Price targets are quant-derived estimates.

Position Sizing

> Position sizes are illustrative only and are for general guidance purposes, not investment advice. Please determine appropriate position sizes based on your own financial circumstances, risk tolerance and investment objectives.

2% RECOMMENDED	**3%** HARD CAP

Micron is a high-beta, high-correlation expression of the AI-infrastructure trade, not a diversifier within it. The same hyperscaler demand that drives the leading accelerator names drives Micron's HBM book, so a position here tends to move with an existing AI-compute sleeve rather than offset it, and at a beta above 2 it moves harder in both directions. The more accelerator exposure already in the book, the smaller the incremental Micron position should be. What earns it a slot at all is its US-only optionality: as the sole domestic DRAM maker carrying a CHIPS grant and national-security designation, it is structurally advantaged if China or Taiwan risk escalates, an asymmetric and largely unpriced edge the accelerator names do not provide. A small starter with a firm cap is the disciplined way to own it: keep the first tranche small, never fund near the all-time high, and reserve the bulk for the $800 to $1,100 weakness zones. Worst-case drawdown in a full cycle roll is on the order of 65 to 75 percent, consistent with the $360 bear target and Micron's own history.

Analyst Scorecard

6 Bull · 2 Neutral

Visionary	BULLISH	The mandatory US memory node for AI compute, with HBM sold out through 2028 at ~40% CAGR.
Operator	BULLISH	Moat genuinely upgraded via HBM qualification lock-in, multi-year contracts, and CHIPS designation, though most of the book is still commodity.
Skeptic	NEUTRAL	Secular trend is real, but peak-cycle margins at an all-time high invite a severe earnings de-rating when the cycle turns.
Quant	BULLISH	Forward earnings near 8x, Rule of 40 far above threshold, ~$24B net cash; fairly valued in the base case with real upside.
Macro Man	BULLISH	AI supercycle, CHIPS Act, and easing rates form the most favorable macro backdrop in Micron's history.
Insider	NEUTRAL	Selling is overwhelmingly mechanical 10b5-1, but zero open-market buying into an 800% run tempers the signal.
Risk Manager	BULLISH	Cycle-aware; compelling long with strict triggers and a hard correlation cap; volatility demands discipline.
Technician	BULLISH	Confirmed uptrend with massive relative strength, but parabolic extension and a fresh distribution day make the entry unfavorable here.

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