

MU F4Q Preview: Expectations on the High Side

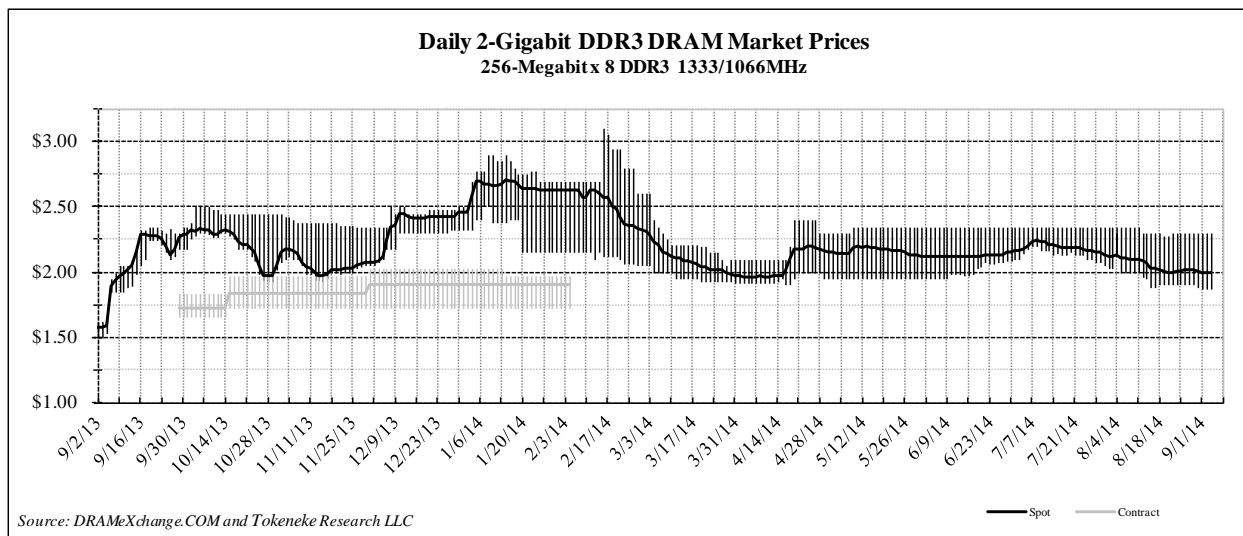
Micron Technology (MU, \$31.20 +0.60, Buy, Target Price \$45, FY14 \$3.07 on \$16.3B, FY15 \$3.03 on \$16.6B)

F4Q at Risk: MU is scheduled to report August-ended F4Q14 earnings after the close on Thursday and I fear the company will likely only meet or slightly miss overly-optimistic consensus expectations.

Management guidance for DRAM and NAND bit growth and DRAM cost reductions are consistent with sequential quarterly improvements in sales and gross margin, but it appears consensus EPS failed to reflect an expected increase in operating expenses and blindly embraced flat earnings. While there is certainly room for upside to my less-than-Street-low EPS estimate due to incremental memory bit growth and cost reductions associated with product mix, there does not appear to have been any upward pressure on market prices and the growing mix of NAND to SSD applications inherently limits potential bit growth upside due to extended manufacturing cycle time requirements. Business fundamentals are improving, but let's not get too carried away.

I expect to raise my Street-low estimates subsequent to reported earnings and remain bullish on the company's potential earnings momentum and share price with respect to valuation, although I caution that potential downward adjustments to consensus expectations may well result in near-term share price weakness.

<i>Diluted EPS</i>	4QF14	FY14	FY15	<i>Revenue, 27 estimates</i>	4QF14	FY14	FY15
Tokeneke	\$0.65	\$3.07	\$3.03	Tokeneke	4,148	16,279	16,552
Consensus	\$0.80	\$3.21	\$3.48	Consensus	4,150	16,290	17,690
High Estimate	\$1.03	\$3.45	\$4.54	High Estimate	4,300	16,430	20,290
Low Estimate	\$0.66	\$3.06	\$2.80	Low Estimate	4,050	16,180	16,300



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