



Micron Update

For the Celani Fund, Dated: 4/1/24

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Investment Review



Business Overview



Industry Changes



Company News



Earnings Update



Valuation



Conclusion



Current Price: \$74.00

Valuation Price: \$88.67

Entry

- Buy \$75,000 worth of shares at the current market price
- Option to add more shares on a significant market pullback

Exit

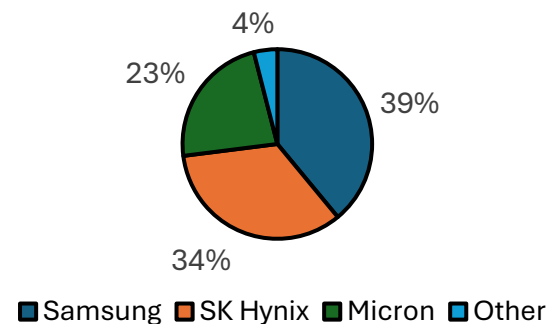
- Sell 50% if stock reaches valuation price of 88.67 in the next 12 months, another 50% if stock reaches 97.53
- Liquidate position if share price falls below \$35 or significant downside changes occur in the DRAM market

- Invest heavily in capex to support memory volume growth
- Manage production alongside competitors to keep market balanced
- Improve profitability, especially in downturns

Cyclical business model led to underwhelming results in FY2023

Significant market strengthening priced into FY2024 and FY2025

DRAM Market Share



Key Drivers and Risks

- AI expected to bolster memory demand
- Pricing expected to increase
- Key competitors cutting production on supply glut
- Risk: Significant production volume in Taiwan
- Risk: Cyclical pricing volatility
- Risk: AI growth disappoints
- Risk: Recession leads to fall in spending



Industry Changes

Recent Industry Drivers

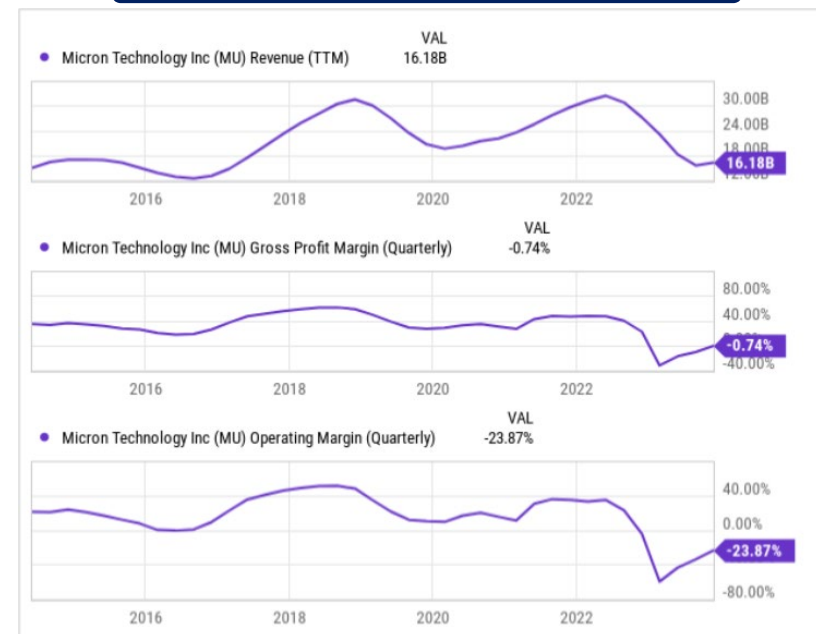
Potential Demand Increase

AI Optimism

Oversupply Issues

Rise in Valuation

Key Financials



- DRAM and NAND trade like a commodity, pricing is sensitive
- Price fluctuations can cause revenue to change dramatically.
- In 2023 oversupply issues led to negative margins for most of the DRAM industry

- Large increase in semiconductor valuation due to FOMU (fear of materially underperforming)
- While there may be a small increase (3-5%) in demand due to AI, AI is not DRAM intensive
- Therefore, 50% rise in valuation may not be warranted



Company News and Earnings Update

Recent Earnings Update

First Profitable Quarter Since 2022

Stock +31% Since Earnings

High Capex Requirements

Recent Price Movement



- Large AI demand allowed the company to turn a small profit
- Even with AI demand increase and a wave of company spending Micron still fell short of past profitability

Valuation Update



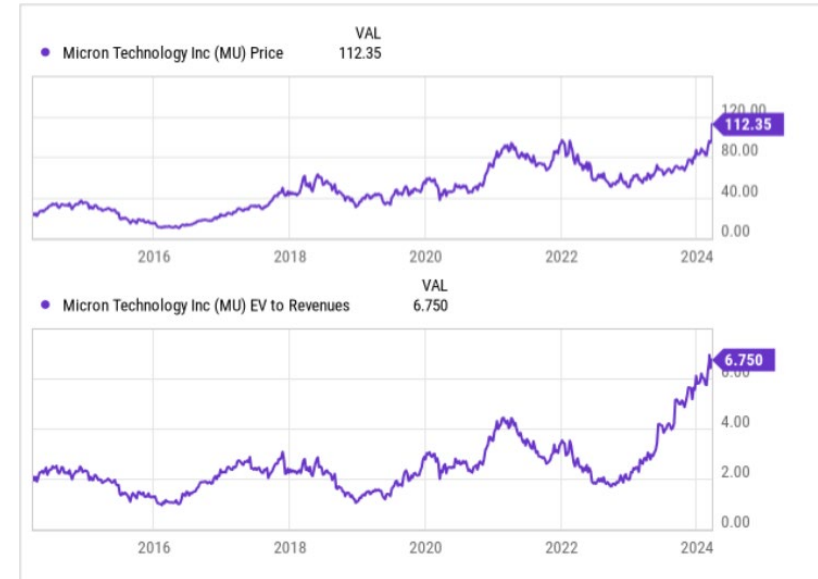
Valuation Update

First Profitable Quarter Since 2022

FWD P/E of 170x

16.37x FWD EV/EBITDA

Valuation Metrics



- Consensus pricing in revenue growth of 40% in 2025, which is extremely optimistic considering past revenue growth
- Even with recent EPS revisions, company currently trades at a 2024 FWD P/E of 170
- Industry is cyclical and I expect AI demand to be cyclical as well
- FWD EV/EBITDA of 16.37x, 60% above historical 10Y average of 9.6x

Conclusion



Current Price: \$124.38

Purchase Price:\$74.04

- **The fund should realize a price return of 68%**
- **Valuation is at a ten-year high**
- **Position size of \$129k is 2nd largest in the fund**
- **Extremely high market expectations**
- **Micron has lower AI exposure than most semiconductor stocks, yet trades in line with the index**

**Option 1:
Sell 1,036 Shares of
Micron (129k)**

**Option 2:
Sell 518 Shares of
Micron (74k)**