

Micron earnings preview Peak memory or a new regime

Saxo Bank · 2026-09-28 · English original

Key points:

- Micron's near-term fundamentals are exceptionally strong, but the debate is shifting from earnings growth to earnings durability. With revenue and margins at record levels, the key signal from this earnings call will be whether tight supply, strong pricing and AI demand can support this profitability through 2027.
- HBM is the strongest reason this memory cycle could last longer than previous ones. AI servers require far more advanced memory, while HBM also consumes more manufacturing capacity. That combination is keeping the broader memory market tight, although rising industry investment means supply will eventually respond.
- Micron looks inexpensive at around 7x FY27 consensus earnings, but that multiple needs to be treated carefully. Cyclical companies often look cheapest when profits are near their peak. The valuation case therefore depends on whether AI and HBM have structurally raised Micron's earnings power, or whether today's extraordinary margins largely reflect a temporary supply shortage.

Micron heads into earnings with one of the strongest fundamental backdrops in the semiconductor sector.

Demand for memory remains robust, supply is constrained and AI infrastructure spending is creating a powerful new source of demand for high-bandwidth memory. At the same time, Micron's margins have moved to levels that would have been difficult to imagine in previous memory cycles.

That makes this earnings report less about whether the company can deliver another strong quarter and more about the durability of the current economics.

Investors are effectively trying to determine whether this is still a traditional memory cycle, simply stretched by AI demand, or whether Micron is emerging as a structurally more profitable business.

Expectations are already very high

Micron has guided to around \$50 billion of fiscal Q4 revenue, gross margin of approximately 86% and non-GAAP EPS of about \$31.

Those numbers underline just how powerful the current cycle has become.

But they also raise the hurdle for the stock.

When revenue growth, pricing and margins are already at exceptional levels, another earnings beat may matter less than what management says about the next several quarters. Investors will be listening closely for commentary on memory pricing, HBM4 demand, customer commitments, capacity expansion and the outlook for margins into 2027.

The focus is therefore moving from the strength of the current quarter to how long these conditions can persist.

Supply remains tight, but supply response is now part of the debate

The current memory backdrop remains highly supportive.

AI servers require significantly more memory than traditional computing workloads, while HBM production also absorbs more manufacturing capacity than conventional DRAM. That has tightened supply across the industry and strengthened pricing power.

But the memory industry's history is also a reminder that high prices and high margins eventually attract new investment.

Micron and its competitors are expanding capacity, process improvements are increasing bit output, and Chinese memory producers continue to develop their capabilities. None of this necessarily points to an imminent downturn, but it does mean investors should increasingly focus on the pace at which supply catches up with demand.

This makes management's view on 2027 supply-demand conditions particularly important.

If new capacity remains slow to arrive while AI demand continues to accelerate, the current upcycle could extend materially further. If supply begins catching up more quickly, pricing and margins could become harder to sustain.

HBM is the strongest argument that this cycle is different

The structural bull case for Micron centres on high-bandwidth memory.

HBM has become a critical component of AI accelerators, and each new generation of AI hardware requires more memory bandwidth and increasingly sophisticated memory products.

That creates a demand tailwind that did not exist at anything like the same scale in previous memory cycles.

There is also an important supply effect. HBM is more manufacturing-intensive than conventional DRAM. As producers allocate more capacity towards HBM, less capacity is available for traditional memory products, helping keep supply tight across the broader market.

This is why the current cycle could prove both longer and more profitable than previous ones.

But HBM should not be viewed as eliminating cyclicalities altogether.

The economics remain familiar: strong returns encourage investment, technology improves and supply eventually responds. HBM may extend the cycle and raise through-cycle margins, but the key question is how much of today's profitability ultimately proves structural.

Pricing power may matter more than shipment growth

Investors will naturally focus on HBM4 volumes and customer demand, but pricing may be the more important indicator.

For now, customers appear willing to pay significantly higher prices for advanced memory because access to AI infrastructure remains strategically important.

That gives suppliers unusually strong pricing power.

But memory is also becoming a much larger part of the total cost of building AI infrastructure. If prices remain elevated for long enough, customers may respond through optimisation, lower memory configurations or greater efforts to improve efficiency.

This does not necessarily weaken the long-term AI demand story. But it could influence how much pricing power memory suppliers retain.

That makes the combination of volume growth and pricing discipline worth watching closely.

Valuation: Cheap earnings multiple, but not necessarily cheap earnings

Based on current Bloomberg estimates, Micron trades at roughly 14.7x FY26 earnings and around 7x FY27 earnings.

At face value, that looks inexpensive for a company delivering this pace of earnings growth.

But this is where investors need to be careful with cyclical businesses.

A company can look cheapest on P/E when earnings are closest to their peak, because the denominator has risen so sharply. The important issue is therefore not whether Micron's FY27 earnings are large — consensus already assumes they will be — but how representative those earnings are of the company's longer-term earning power.

If AI and HBM have structurally improved Micron's product mix, pricing power and margins, then today's forward multiple could still look attractive even after accounting for some normalisation.

If, however, current profitability mainly reflects an unusually tight supply environment, then the apparent cheapness of the stock could prove temporary as earnings eventually come down.

That makes normalised earnings beyond FY27 more important than the headline 7x multiple itself.

Three Micron stories investors are weighing

The market is effectively balancing three possibilities.

- Old-cycle Micron: supply catches up, memory pricing softens and FY27 proves close to peak profitability. Earnings remain strong in absolute terms, but fall back as the cycle normalises.
- Super-cycle Micron: AI and HBM keep supply unusually tight for several more years, allowing elevated pricing and margins to persist much longer than in a traditional memory cycle.
- New Micron: the product mix shifts sufficiently towards HBM and advanced memory that the company's normal level of profitability settles materially above previous cycles, even after the current shortage fades.

The distinction between the last two is important.

A super-cycle means the boom lasts longer.

A structurally better Micron means the business looks different even after the boom ends.

The upcoming earnings call can help investors assess which of those narratives is gaining credibility.

What would support the stronger-for-longer case?

The more constructive case would be reinforced by continued strength in HBM4 demand, broader customer adoption, firm contract pricing and signs that conventional DRAM supply remains disciplined despite rising industry investment.

If Micron can sustain profitability well above previous-cycle levels even as supply gradually expands, that would strengthen the argument that the company's economics have genuinely improved rather than simply benefited from a temporary shortage.

What could challenge the thesis?

The main risks increasingly relate to duration.

Capacity could arrive faster than expected. Chinese producers could become more competitive in conventional memory. AI customers could become more price-sensitive. Platform transitions could move HBM demand between quarters.

There is also an important distinction between the company and the stock.

Micron's business can remain very strong while the shares still struggle if expectations become too demanding. At this stage of the cycle, the company does not necessarily need to deliver weak earnings for sentiment to turn. Investors may simply become less confident that today's margins and growth rates can persist.

Bottom line

Micron's earnings are unlikely to answer whether the memory boom is still intact. The current data already suggest that it is.

The more important question is whether AI and HBM are simply extending the current cycle, or changing the economics of the business altogether.

That is also what makes the valuation debate more nuanced.

A 7x FY27 earnings multiple looks compelling, but only if a meaningful portion of those earnings remains after supply, pricing and margins eventually normalise.

For investors, the real signal from this earnings report will therefore be whether management gives greater confidence that Micron's earnings power after the current boom will remain materially stronger than it was in previous cycles.

Source: <https://www.home.saxo/content/articles/macro/micron-earnings-preview-peak-memory-or-a-new-regime-28092026>