

INVESTOR'S EDGE

Is Micron a good investment?

Jim Burns *Contributing columnist*



"It's not a faith in technology. It's faith in people." – Steve Jobs

The year 2022 has been tough for the investment community as a whole, with high inflation, rising interest rates, falling stock prices, and the tragic war in Ukraine. It's about as tough as it gets!

Interestingly, one community that's having a darn good year is Central New York. After all, our football team is 6-2, the fall weather has been beautiful, and best of all, Micron Technology recently announced a stunning \$100B investment in our community – one that will bring 9,000 high-paying new jobs to the city and 40,000 construction jobs during the build out.

Bully for us!

President Joe Biden called Micron's announcement "One of the most significant investments in American history" during a speech at Onondaga Community College's SRC Arena in late October.

Without question, Micron's commitment to Syracuse will be a major game-changer for our community. While the announcement and subsequent updates have been all over our local news lately, I have been fielding many questions from clients and readers who want to know if Micron Technology stock is a good long-term investment for their portfolio.

So, let's take an objective look.

MICRON STOCK: MU

Headquartered in Boise, Idaho, Micron Technology (Symbol: MU), is one of the world's largest manufacturers of semiconductor devices. It builds the intricate components that store and process data inside our standard electronic devices like smartphones, cars, appliances and computers.

Micron is currently the only U.S.-based pure-play chip company. They also boost the industry's broadest portfolio of memory and data solutions including NOR, NAND and DRAM technology.

To give you an idea, the smartphone you hold in your hand today has 1 million times more RAM (essentially a computer's short-term memory) and 7 million times more storage space than the computer that helped land a man on the moon! Micron's products are what allow our electronic devices to harness and make sense of the massive amount of data they have to process every day.

During the pandemic, Micron significantly boosted supply to keep up with the demand for electronics and at-home devices. Earnings rose substantially, and its stock price soared in 2020 and 2021, up 39.8% and 24.2%, respectively.

This year, like other companies in the semiconductor industry, Micron is sitting on excess inventory as the economy has weakened and demand has fallen significantly.

POST-PANDEMIC PRICES

Due to this, Micron was forced to drop prices by more than 10% over the summer and reduce its forward guidance during its latest earnings call in September. The stock price has plummeted about 40% this year and trades right around its pre-pandemic high.

Though the near term is likely to be challenging for Micron, the longer-term picture looks quite bright.

Micron is increasingly shifting its focus away from the cyclical PC and smartphone market into more stable, higher growth areas like artificial intelligence, 5G, machine learning and autonomous vehicles.

For example, Micron holds the No. 1 market share in the auto industry, which is undergoing a revolution toward electric-powered and self-driving cars. Many refer to the next generation of vehicles as "supercomputers on wheels." Micron's products will help power the hundreds of cameras, sensors and software systems in these new vehicles. In fact, by 2028, the automotive memory market is expected to generate over \$17 billion versus just \$3.5 billion last year – pretty explosive growth.

The investment thesis on Micron is that the company is a world leader in the memory and chip storage industry, which will likely experience significant growth in the coming years. The megafab facility in Clay is another example of how the company is preparing for an innovative and digital future.

There's no question that demand for memory and storage will increase with

time, so I wouldn't get too distracted by the short-term hiccups Micron is experiencing today.

In fact, I would use the recent stock weakness as an opportunity to buy at an attractive price. After all, Micron is selling at only 7 times its projected 2023 earnings.

So, while things may not be straight up from here, I certainly like the risk reward scenario for investors with a time horizon of three years or more.

The Micron announcement is going to transform Central New York and the semiconductor industry as a whole. This is great news for the future of technology, America's national security, and Upstate New York.

Like Micron's stock, I believe our best days are ahead of us.

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