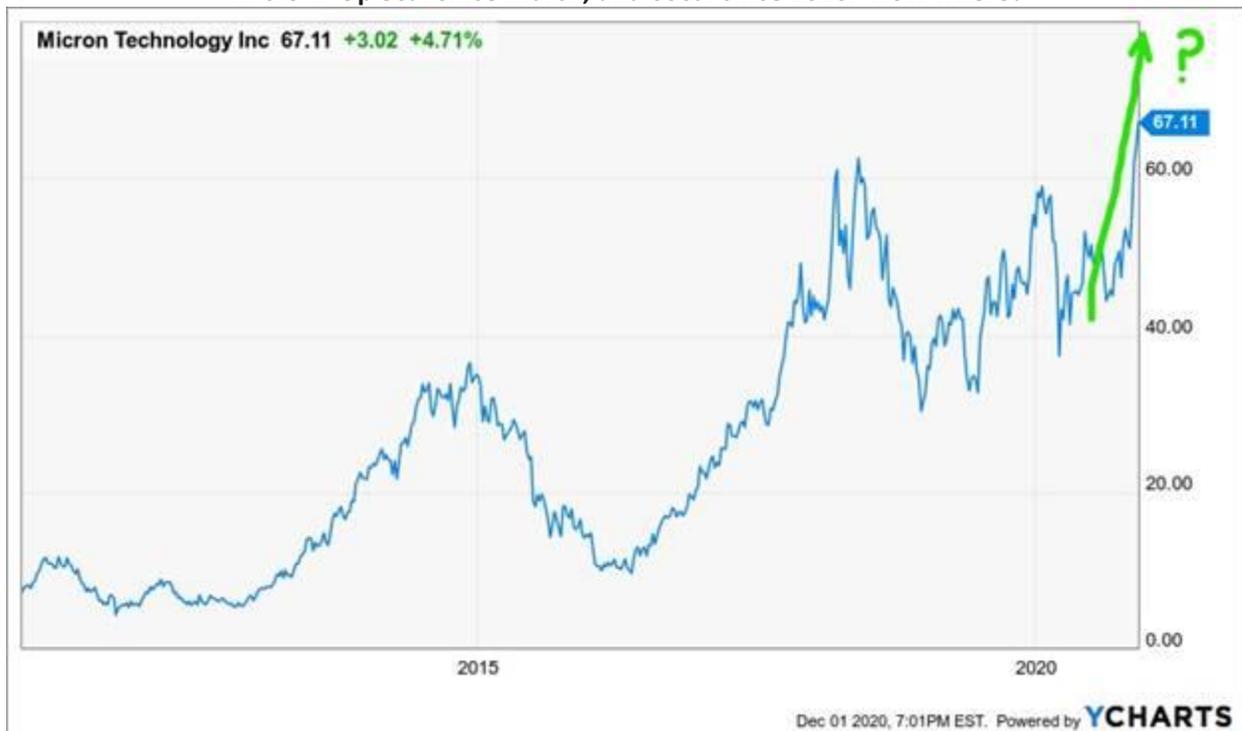


The Outlook: Dec. 1, 2020

Micron: a surprise for the speculators . . . but not for the company.

Last week we mentioned (again) the frightening but unavoidable roller-coaster ride which investors must accept. Freeport and Micron are the two Outlook companies whose stocks are roller-coaster riders on steroids, sort of. Only days ago we noticed Micron flirting with its \$62 all-time high (except for the days of the dotcom bubble) and wondered where it might go next—without caring too much, of course. We found out in a hurry, as it ended the day resting at \$67, having touched \$68 around noon.

Micron: Up 80% since March, and 600% since 2016. Now where?



When we investors have patiently shared the pain and problems of a good company—sometimes for a shocking number of years—and the company’s stock finally begins behaving like Micron, lately, it’s natural and sensible to ask, “Just how far up is this rocket going, anyway? We’ve finally been paid for enduring a lot of worry. Shouldn’t we think about jumping off the roller coaster?”

Our answer to that question rests on two legs:

1. What we understand about Micron’s business operations;
2. What we’ve learned from 43 years of watching good companies fix problems.

Micron CEO Sanjay Mehrotra gave a talk yesterday, and was asked much the same question by a Wall Street analyst. Mr. Mehrotra’s reply came down to this, roughly:

“We’ve been a good company for 40 years, but not good enough to stay profitable during the memory industry’s suicidal cycles of over-production, crashing prices and bankruptcies, followed

by temporary recoveries. But we've changed that, over the last few years. We needed to catch up to the memory industry's big two players (Samsung and Hynix), with respect to leading-edge memory technology and low cost of production. That's been a tall order . . . but it's exactly what we've done over the past 3 to 5 years. As a result, over the next few years we foresee wave after wave of falling production costs and improving memory product performance. We're as good as anyone now, and distinctly better in some key areas."

That's the "understand Micron's business operations" part of the answer. The "43 years of watching" part comes next. All those years have offered a great many examples of very good companies not only fixing serious and stubborn problems; but in the act of fixing them, building enduring business tailwinds which are almost always underestimated by the market's analyzing and speculating crowds . . . until they prove themselves in waves of surprising results, stretching over an often-remarkable number of years.

At Outlook we're pretty certain that's where Micron is, right now. This company has only begun to surprise the market.

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