

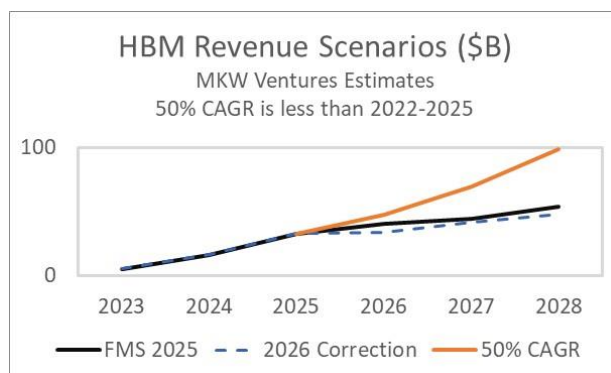
Five Reasons for the Coming Correction in Memory

We can discuss the gory details why each of these is true and how you can see it coming. I am not saying it will happen, I am just saying all of the causes for a correction are lining up.

- 1) Memory is a cyclical market. This is due to Supply, not demand. Long term demand growth is steady but oversupply two years after the shortage causes the crash.
 - a. It is a 4 year cycle. 2026 is the year.
 - b. The issue will be due to too much inventory and modest (not negative growth)
- 2) AI is due for a correction (no necessarily Crash).
 - a. 2024, 2025 had 100% HBM revenue growth. AI server sales rose 50-100%
 - b. All forecasts are for growth half that rate or less in 2026. Still good but very different. Behaviors (“We just need to keep ordering”) will change
 - c. A demand change to only 25% CAGR growth would cause months or quarters of excess inventory. Listen for term “Digestion Phase”
- 3) The worlds largest and most dominant supplier of memory has struggled to execute
 - a. Samsung is struggling Especially on HBM. Especially with Nvidia.
 - b. Reasonable performance in HBM would lead to a huge increase in competition and supply
- 4) Supply is coming online. Companies are adding capacity for HBM and migrating processes on DDR5.
 - a. This will add 20% capacity in 2026.
 - b. There is less flexibility between DDR and HBM to deal with demand changes
 - c. There is more inventory today than you might think
- 5) Sold out through 2026 doesn’t mean the units are sold. Those are “plans” or what we used to call reservations, they can be cancelled. Prices can be adjusted.
 - a. Non-cancellable contracts can be cancelled. In 2022, Micron revenue collapsed 6 months after saying they had long term agreements.
 - b. You negotiate to have them take some volume even though they need zero
 - c. Sold out becomes working inventory becomes 10 weeks becomes 26 weeks even when end customers demand did not drop.

Scenarios for HBM:

- 50% CAGR is trend We have been operating in hypergrowth
- FMS 2025 is our forecast. Moderate growth in 2026/7
- 2026 Correction is if we see a correction as documented above.



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