Memory Market Enters the "New Normal" Phase . What Next?

I used to always say during every memory cycle that "this time is no different".... For good reason.

- There is only so much money available to spend on memory
- There is only so much money to spend on Capex for memory companies
- Even super high 50% operating margins only pay for a fixed growth.
- Customers will not accept 100%+ price increases without cutting demand

AI changed all of that.

- Tons of money in AI (some borrowed.... some even borrowed from suppliers)
- Memory prices don't matter when you have the goal to dominate AI at any cost
- Memory companies can afford to build capacity, not fill it and still make a profit
- Prices triple and AI customers say "Fine". Just meet our demand
- PC and Phone memory customers need to accept the price to survive

It's been nine months and now we have the new normal. People are in "acceptance"

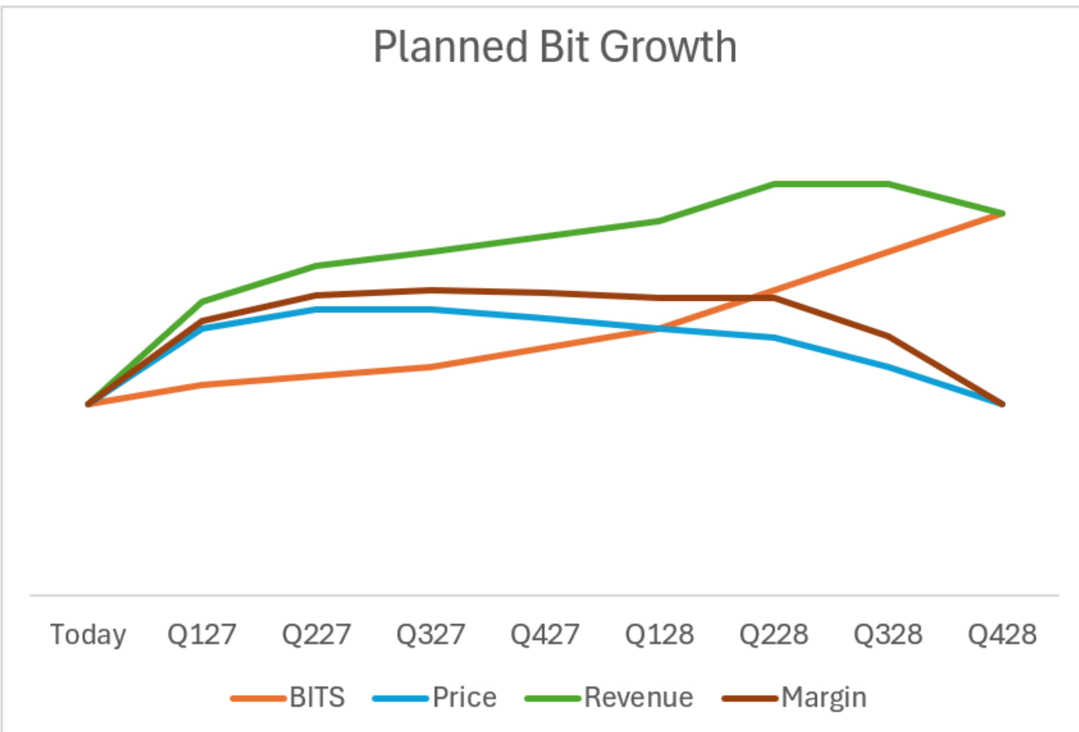
- Market wants 100% bit growth but are only getting 20%
- PC and Phone companies eat the margin or lower memory content, or pass on costs to customers.
- If you want memory, sign an agreement with price ceiling and floor and prepay
- Adjust your market to the constraints ..... Memory capacity isn't coming online anytime soon (Before late 2027)

So what happens to memory company supply, pricing, revenue during this time and what are scenarios for the future?

No one has accurately predicted pricing or demand even 3 months out. No one predicted the size of the boom and no one will predict the timing of the crash (if there is one).

But we can still put out some quantitative numbers and possibilities. This is aimed at DRAM but applies to NAND as well. The numbers are removed but are relative to todays market (Aug 1, 2026)

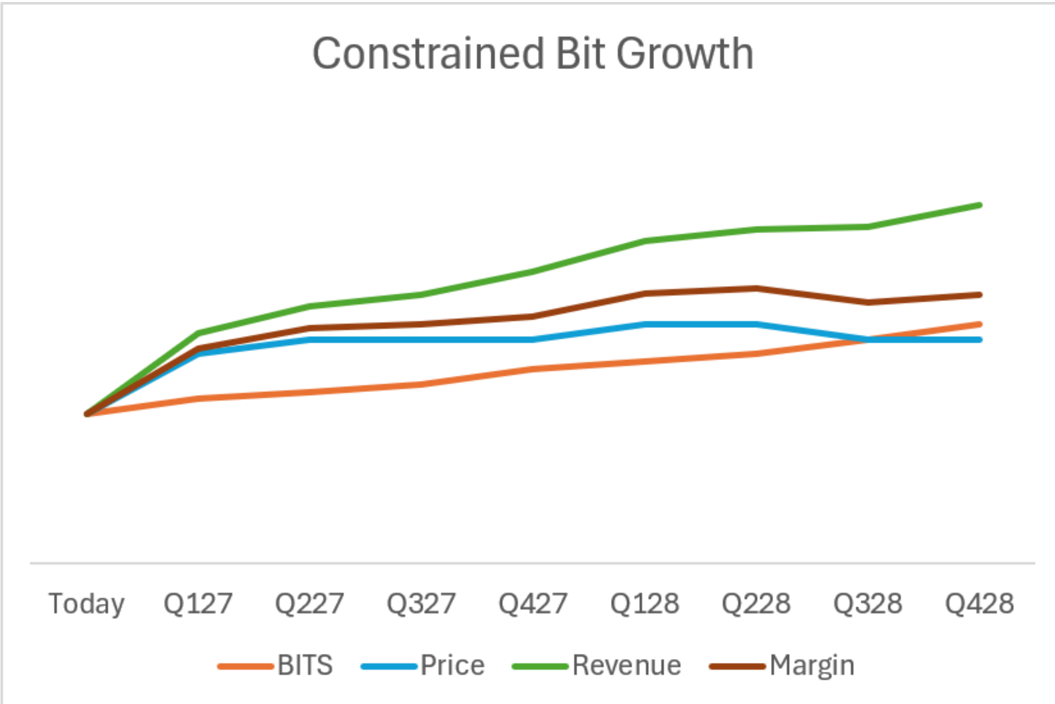
The New normal continues. Companies add capacity to keep with the growth. Growth continues at a lower rate than 2026 but still a very high rate. This is the plan today



Bit supply growth rate increases significantly end of 2027, Prices drop as customers are more confident in being able to get supply. None of the prices fall below … or even get close to contractual agreement numbers (we have a model for what is in the agreement)

A better option: Constrained Supply Growth

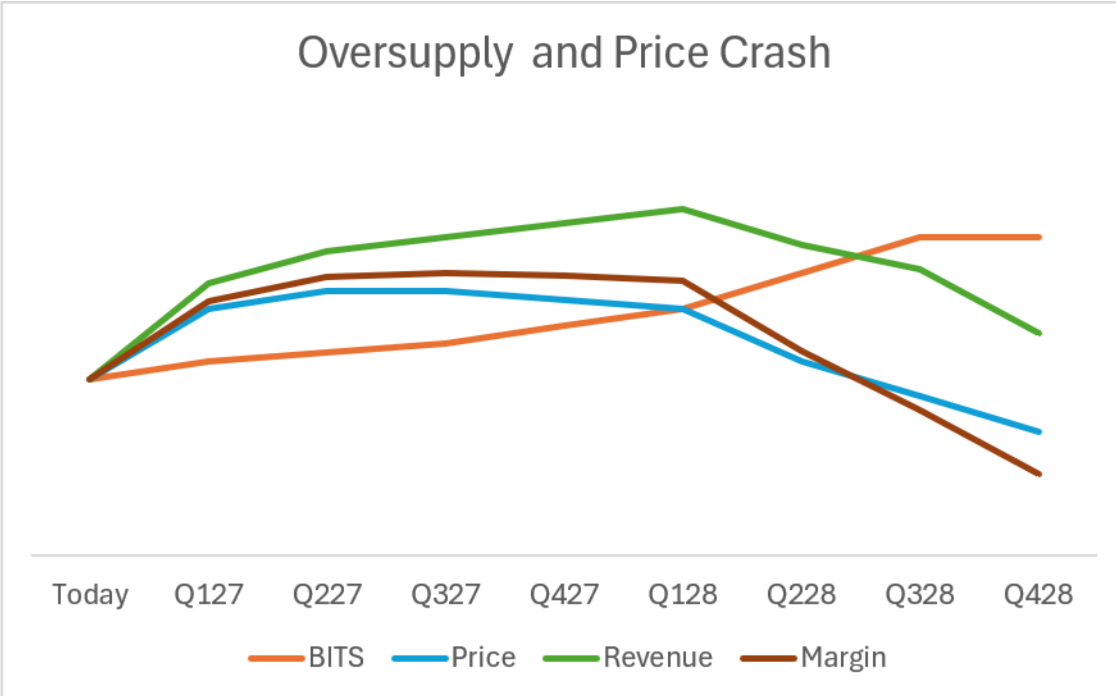
There is no law saying memory suppliers need to add capacity to keep up with customer requests. Always undersupply by 10% at least. Many industries undersupply demand forever. Choose stable, very high, margin over revenue growth and market share capture.



Revenue keeps growing, total margin stays high. Margin percentage drops slowly but is above historical averages. The Memory Market is permanently profitable. This is not that difficult to achieve and control LEGALLY and it is done in many markets including logic semiconductors. It's a choice.

The above two scenarios assume AI keeps growing very fast, although slower. No crash, no bust.

But….. What if AI went into digestions phase? An Oversupply and "Crash"



In this “crash” scenario, demand just flattens, Prices are still above March 2026, and all memory companies still make money. In fact, per Micron comments, the price is above the long term agreements (Contracts still hold). Total margin drops 50% from peak.

This not the most negative scenario…. A real crash would have much worse implications. In this case memory companies still make money.

The numbers are purely speculative, but the relative impacts and the opportunity to achieve long term high margins is there.

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