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GF SECURITIES (HONG KONG) BROKERAGE LIMITED

SanDisk (SNDK US)

FY3Q26 Preview: NAND in A More Favorable Position

Maintained **Buy**

Target price $1,277

Raise to Buy; New TP $1,277: SNDK will report FY3Q26 revenue on April 30 and we expect a strong result and guidance given recent contract price moves. For FY1Q26, we see NAND ASP up by 70s range followed by a stronger FY2Q26 at 90-100%. We see the biggest surprise coming from consumer electronics. Despite sales volume cuts from local Android makers, we see the tightened supply demand are pushing smartphone makers intaking higher prices to $0.25/GB vs $0.12 in FY1Q26. For eSSD, we see price negotiations at $0.35-0.37, pushing blended ASP towards 90% QoQ. That said, we forecast SNDK's FY3Q revenue at $4.9bn and margin at 71.5% with FY4Q26 guidance >$10bn and margin >84%. We expect another catalyst to be the increase in liabilities, suggesting meaningful down payment of LTAs. For FY 2027, we forecast EPS of $286.52 and our TP of $1,277 is now based on 4x FY2027E P/B.

KV cache growth accelerating in 2027: SNDK commented KV cache to generate 100EB additional demand in 2027 and potentially doubling in 2028. Yet, given recent token growth, Openrouters at 17x now and accelerating AI agent adoption, we see the demand forecast too conservative. 100EB would already represent 7% of total NAND demand in 2027 and the growth could be exponential even considering the compression rate increase. On supply side, we see NAND expansion remain conservative with SK primarily focused on technology migration and the expansion mainly coming from SNDK/Kioxia's K2, Samsung' P5 in 2028 and YMTC.

Cost reduction might reshape NAND vs DRAM competition: We expect memory market size approach $1 trillion in 2027. CSPs accounts for 40–45% of total purchases and memory will represent over 40% of CSP capex. That said, we believe cost-reduction dynamics will gradually shift the revenue mix in favor of NAND over DRAM (Server DRAM at ~$2.2/Gb versus eSSD at $0.35–0.37/GB). We see tiered storage architectures as a key structural driver accelerating NAND's share within AI workload, followed by the contribution of HBF in 2028 and onward. On the other hand, Micron is now trading at 4.3x FY2027E P/E, while SNDK is at 3.4x, making SNDK a more favorable choice in both valuation and long-term position.

Risks: 1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Profit forecast

	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue (m)	6086.0	6663.0	7355.0	20428.8	60202.1
Revenue YoY (%)	-	*9.5%*	*10.4%*	*177.8%*	*194.7%*
Net profit (m)	(1224.0)	(502.0)	440.0	10692.8	44697.7
Net profit YoY (%)	-	-	-	*2330.2%*	*318.0%*
EPS ($)	-	-	2.97	69.32	286.52
P/E	-	-	329.3	14.1	3.4
ROE (%)	*-10.7%*	*-4.5%*	*4.8%*	*54.7%*	*70.4%*

Source: Company data, GF Securities (Hong Kong) Brokerage.

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We forecast revenue of $20/60bn USD in FY2026/2027

We revise up our revenue estimates by 36.9%/161.2% in FY2026/2027 to reflect firm pricing dynamic for NAND. For FY2026 and FY2027, we estimate SanDisk's revenue to be $20.4bn and $60.2bn USD, 177.8% YoY/+194.7% YoY, respectively. By end market, we forecast SanDisk's Client revenue to contribute 47%/34% of total revenue in FY2026/2027; Cloud revenue to contribute 22%/34% of total revenue in FY2026/2027; Consumer revenue to contribute 31%/32% of total revenue in FY2026/2027.

Figure 1: SanDisk's Earnings Revision

USD m	FY2025	FY2026E		FY2027E		Change (%)	
		Old	New	Old	New	FY2026E	FY2027E
Net sales	7,355	14,920	20,429	23,046	60,202	36.9%	161.2%
Gross profit	2,228	8,839	14,412	17,049	53,871	63.1%	216.0%
Op. profit	689	7,168	12,699	15,305	51,844	77.2%	238.7%
Pre-tax Income	580	6,880	12,414	15,130	52,070	80.4%	244.1%
Net profit	440	5,957	10,704	13,027	44,711	79.7%	243.2%
Key ratios (%)							
Gross margin	30.3%	59.2%	70.5%	74.0%	89.5%		
Operating margin	9.4%	48.0%	62.2%	66.4%	86.1%		
Net profit margin	6.0%	39.9%	52.4%	56.5%	74.3%		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: SanDisk's P&L Forecast

(USD m)	FY25	1Q26	2Q26	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Sales	**7,355**	2,308	3,025	4,885	10,210	**20,429**	13,805	15,641	14,858	15,899	**60,202**
COGS	**-5,127**	-1,617	-1,479	-1,391	-1,530	**-6,017**	-1,567	-1,590	-1,541	-1,632	**-6,331**
Gross profit	**2,228**	691	1,546	3,494	8,680	**14,412**	12,237	14,050	13,318	14,266	**53,871**
Opex	**-1,539**	-446	-413	-406	-447	**-1,713**	-485	-526	-497	-519	**-2,027**
Operating profit	**689**	245	1,133	3,088	8,233	**12,699**	11,752	13,525	12,821	13,747	**51,844**
Non-op profit	**-109**	-42	-34	-114	-95	**-285**	-57	10	93	180	**226**
Pre-tax profit	**580**	203	1,099	2,974	8,138	**12,414**	11,695	13,534	12,914	13,927	**52,070**
Income tax	**-140**	-22	-132	-411	-1,146	**-1,710**	-1,652	-1,913	-1,825	-1,969	**-7,359**
Non-GAAP Net Income	**440**	181	967	2,563	6,993	**10,704**	10,043	11,621	11,089	11,958	**44,711**
Diluted EPS (US$)	**3**	1.21	6.20	16.43	44.82	**69**	64.38	74.49	71.08	76.65	**287**
Diluted shares	**148**	149	156	156	156	**156**	156	156	156	156	**156**
Margin analysis											
Gross margin	**30.3%**	29.9%	51.1%	71.5%	85.0%	**70.5%**	88.6%	89.8%	89.6%	89.7%	**89.5%**
Operating margin	**9.4%**	10.6%	37.5%	63.2%	80.6%	**62.2%**	85.1%	86.5%	86.3%	86.5%	**86.1%**
Pre-tax margin	**7.9%**	8.8%	36.3%	60.9%	79.7%	**60.8%**	84.7%	86.5%	86.9%	87.6%	**86.5%**
Effective tax rate	**24.1%**	10.8%	12.0%	13.8%	14.1%	**13.8%**	14.1%	14.1%	14.1%	14.1%	**14.1%**
Growth (YoY%)											
Sales	**10.4%**	**22.6%**	**61.2%**	**188.2%**	**437.1%**	**177.8%**	**498.1%**	**417.0%**	**204.1%**	**55.7%**	**194.7%**
Operating profit	**170.7%**	**-39.9%**	**446.2%**	**-259.5%**	**45005.4%**	**1743.1%**	**6502.1%**	**1156.7%**	**322.7%**	**67.6%**	**308.2%**
Net income	**144.2%**	**-46.9%**	**672.1%**	**-228.0%**	**-29998.3%**	**2332.7%**	**8747.7%**	**1329.4%**	**342.6%**	**71.8%**	**317.7%**
EPS	**0.0%**	**-33.5%**	**404.5%**	**-5641.0%**	**15695.4%**	**2157.1%**	**5199.9%**	**1101.8%**	**332.6%**	**71.0%**	**317.4%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

Maintain Buy with TP of $1,277

We forecast SNDK's FY3Q revenue at $4.9bn and margin at 71.5% with FY4Q26 guidance >$10bn and margin >84%. For FY 2027, we forecast EPS of $286.52 and our TP of $1,277 is now based on 4x FY2027E P/B.

Figure 3: SanDisk's Historical Forward P/B

Balance Sheet

USD m

	FY23	FY24	FY25	FY26E	FY27E
Current assets	3400	3548	5086	14050	57387
Cash and cash equivalents	292	328	1481	7926	49072
Inventory	2269	1955	2079	2099	2272
Accounts Receivable	539	935	1068	3623	5641
Other current assets	300	330	458	402	402
Non-current assets	10420	9958	7899	7937	8386
Long-term equity investment					
Fixed assets	832	791	619	720	1168
Other long-term assets	9588	9167	7280	7217	7217
Total assets	13820	13506	12985	21987	65772
Current liabilities	2157	2123	1427	1616	1621
Accounts Payable	334	357	366	398	403
Short-term borrowings	-	-	-	-	-
Other current liabilities	1823	1766	1061	1218	1218
Non-current liabilities	224	301	2342	838	620
Long-term Debt	0	0	1829	290	72
Other non-current liabilities	224	301	513	548	548
Total liabilities	2381	2424	3769	2453	2240
Total Equity	11439	11082	9216	19533	63531
Share Capital	11782	11534	11248	11564	12033
Treasury stock	-	-	-	-	-
Retained earnings	-	-	-	-	-
Capital adjustment	(343)	(452)	(2032)	7969	51498
Total Liabilities & Equity	13820	13506	12985	21987	65772

Income Statement

USD m

	FY23	FY24	FY25	FY26E	FY27E
Revenue	6086	6663	7355	20429	60202
Cost of sales	6086	(5607)	(5127)	(6017)	(6331)
Gross profit	449	1056	2228	14412	53871
Operating Expense	(1425)	(1365)	(1539)	(1713)	(2027)
Operating profit	(976)	(309)	689	12699	51844
Interest Income	(21)	(12)	(22)	(66)	(693)
Interest Expense	31	40	63	95	22
Net other Non-op. Income/(Loss)	(43)	7	61	373	460
Pre-tax profit	(943)	(346)	580	12401	52055
Income tax	281	156	140	1708	7357
Profit for the year	(1224)	(502)	440	10693	44698
Minority interest	-	-	-	-	-
Net profit to ord. equity	(1224)	(502)	440	10693	44698
EPS (US$)	0	0	3	69	287

Cash Flow Statement

USD m

	FY23	FY24	FY25	FY26E	FY27E
Operating cash flow	(2143)	(309)	84	8669	42658
Profit for the year	(2143)	(672)	(1641)	10254	44137
Depreciation & amortization	0	0	109	151	214
Change in working capital	0	0	(240)	(2171)	(2153)
Others	0	363	1856	435	460
Investing cash flow	(219)	210	556	(598)	(1166)
Capex	(219)	(29)	(204)	(255)	(662)
Change in investment	-	-	-	-	-
Others	0	239	760	(343)	(504)
Free cash flow	741	(932)	(120)	8414	41996
Financing cash flow	0	136	518	(1630)	(346)
Change in Capital	0	0	5	24	0
Net Change in Debt	0	0	1838	(1543)	(218)
Others	0	136	(1325)	(111)	(128)
Exchange influence	0	(1)	(6)	4	0
Total cash generated	(2362)	37	1158	6441	41146

Key Financial Ratios

	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue growth	-37.6%	9.5%	10.4%	177.8%	194.7%
Operating profit growth	-	-	-	1743.1%	308.2%
Net profit growth	-	-	-	2330.2%	318.0%
Profitability					
Gross profit margin	7.4%	15.8%	30.3%	70.5%	89.5%
Operating Profit Margin	-16.0%	-4.6%	9.4%	62.2%	86.1%
Net profit margin	-20.1%	-7.5%	6.0%	52.3%	74.2%
Key Ratio					
ROA	-17.7%	-3.7%	3.3%	61.2%	101.9%
ROE	-10.7%	-4.5%	4.8%	54.7%	70.4%
Stability					
Gross debt/equity	20.8	21.9	40.9	12.6	3.5
Interest Coverage	-	-	-	-	-
Current Ratio	1.6	1.7	3.6	8.7	35.4
Quick Ratio	0.5	0.8	2.1	7.4	34.0
Net debt/equity	Net Cash	Net Cash	3.78	Net Cash	Net Cash

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings	**Buy**	Stock expected to outperform benchmark by more than 10%
	Hold	Expected stock relative performance ranges between -10% and 10%
	Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings	**Positive**	Sector expected to outperform benchmark by more than 10%
	Neutral	Expected sector relative performance ranges between -10% and 10%
	Cautious	Sector expected to underperform benchmark by more than 10%

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